

CHAPTER - FIVE

CONCLUSIONS AND SUGGESTIONS



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5.1 CONCLUSIONS:

From the survey undertaken, observations made and the data analysed, the following conclusions have been drawn.

The organization has adopted a purely centralized purchasing style. Purchases and sales are managed by the Managing Director. The purchasing policy is traditional. Suppliers are selected on the basis of quality and price. Tender system is also adopted for industrial parts and some other items.

Receipts and inspection of goods are done properly. Cotton is subjected to quality tests. A separate SQC (statistical quality control) department looks after the inspection.

Storage is also centralized. Proper classification and codification of the store material are done. Layout of the stores has been designed considering easy handling. The organization has adopted continuous verification of stock of raw materials and finished goods while other items are verified annually.

Inventory of raw materials is controlled on the basis of minimum level. Issues are made according to the established



procedure. There are no abnormal losses in production. Losses have been minimized as new machinery is installed.

The other items have been categorized in A, B and C grades on the basis of their consumption in units.

Separate stores are maintained for raw materials, Finished goods, i.e. yarn and other items. Each store is maintained by a storekeeper with the help of an assistant and proper records are maintained.

Finished goods, i.e. yarn, is supplied to sales depots according to the demand and price at various stations by the company's own transport. The sales depots are required to report in advance of their requirements and also the market conditions in general.

More than 60% of the capital locked up in inventory is in the form of raw materials. As the availability of the raw materials is seasonal, the requirement of the working capital varies seasonally.

The management concentrates more on raw materials and finished goods. Comparatively less importance is given to industrial parts and other items.

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5.2 SUGGESTIONS:

Presently, the Purchase, Sales and Finance Departments are integrated and are controlled by the Managing Director and there is no separate department for Purchase and Inventory Management.

A separate Department, therefore, should be created for the purchase and inventory management, so as to reduce the burden of top management and increase the efficiency in purchase and inventory management. The Purchase Department may consist of Senior Purchase Officer and Assistants.

Inventory Control: Importance is given for the control of inventory of raw materials only and other items are neglected. Scientific method of inventory control should be adopted such as ABC Analysis, Economic Order Quantity System, etc., to bring about efficient inventory management.

Proper levels of inventory such as minimum, maximum and reorder levels should be ascertained for raw materials so as to avoid stock-outs and at the same time, reduce the inventory cost, considering the seasonal availability and fluctuating nature of the cotton prices.

Scientific systems of inventory control should be adopted for spares, consumables and industrial parts.

Budgetary Control: Inventory budget should be prepared in consultation with the production and the sales departments, so that procurement of items can be scheduled as far as possible to match practical considerations.

Stocks of other items should be verified more frequently. Actual or physical verification should be made and compared with balances on records or stores-ledger so as to ascertain the accuracy of the stores record system.

Records: Adoption of scientific inventory control methods requires maintenance of proper inventory records. Also, from the records maintained various reports can be generated to identify peculiar items and trends such as non-moving or dead items, fast moving items, etc., so that suitable policy may be adopted.)