



MANAGEMENT OF INVENTORY IN INDIAN COMMERCIAL VEHICLES INDUSTRY

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ABSTRACT

The study attempts to examine the composition of inventory in select units of Indian Commercial Vehicles Industry and assessment of the efficiency of inventory management in these units. It concentrates on Indian Commercial Vehicles Industry, which includes Light Commercial Vehicles (LCVs), Medium Duty Vehicles (MDVs) and Heavy Duty Vehicles (HCVs). There are only five major players in this industry and all the companies were selected for the study purpose. The companies include Tata Motors Ltd. (TML), Ashok Leyland Ltd. (ALL), Bajaj Tempo Ltd. (BTL), Eicher Motors Ltd. (EML) and Swaraj Mazda Ltd. (SML). It analyzes statistically the key inventory ratios of Indian Commercial Vehicles Industry and observes significant company-to-company differences in inventory ratios reflecting differences in inventory management policies. The period of the study is ten years from 1998 - 99 to 2008 - 2009. The study reveals that the ratio of inventory to sale of Indian Commercial Vehicles Industry varied between the highest of 19.56 percent in 2001 and the lowest of 9.33 percent in the year 2008 with an aggregate of 15.74 percent whereas in the case of Bajaj Tempo Ltd. and Swaraj Mazda Ltd. the inventory as percentage of sale was above the yearly industry average in every year during the study period. So, these companies must take necessary corrective steps to avoid such situation in future. Inventory turnover ratio of Indian Commercial Vehicles Industry varied between the highest of 10.4 times in 2008 and the lowest of 4.57 times in 2002. Study reveals that the Eicher Motors Ltd., the Bajaj Tempo Ltd. and the Swaraj Mazda Ltd. were inefficient by way of failing to achieve the higher inventory turnover ratio when compared to the industry aggregate ratio of 6.66 times. The inventory holding period of Indian Commercial Vehicles Industry was the lowest of 40 days in 2008 and the highest of 94 days in 2002 and the aggregate holding period was 69 days. Study reveals Bajaj Tempo Ltd, the Eicher Motors Ltd, and the Swaraj Mazda Ltd. was inefficient by holding the raw materials for more than industry aggregate holding period. So, these companies must take necessary corrective steps to avoid such situation in future.

KEYWORDS: Efficiency, turnover ratios, holding period, Indian commercial vehicles industry.