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AN ANALYSIS ON INVENTORY MANAGEMENT AT NOVOTEL CHENNAI SIPCOT

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ABSTRACT:

Effective inventory management is crucial for the success of hotels, as it directly impacts operational efficiency, customer satisfaction, and profitability. This study conducts a comprehensive analysis of inventory management practices in the hotel industry, focusing on key areas such as procurement, storage, distribution, and control of inventory. By examining various strategies, technologies, and challenges faced by hoteliers in managing inventory, this analysis aims to identify best practices and opportunities for improvement.

KEYWORDS:

Improves operational efficiency, customer satisfaction, profitability, control of inventory, storage and distribution.

INTRODUCTION:

Inventory management plays a critical role in the efficient operation of businesses across various industries, including the hotel sector. In the hospitality industry, where guest satisfaction and operational efficiency are paramount, effective inventory management is essential for ensuring smooth operations, minimizing costs, and maximizing profitability.

OBJECTIVES OF THE STUDY:

PRIMARY OBJECTIVE:

- ✓ To know about the inventory management, strengths and weaknesses of NOVOTEL through the inventory analysis techniques.

SECONDARY OBJECTIVE:

- ✓ To study about the inventory position of the company.
- ✓ To determine financial position of the company between two periods of year to evaluate its stability and solvency.
- ✓ To understand the problems faced by the company in holding inventory.
- ✓ To analyze its inventory management methods with the help of Inventory ratio analysis, comparative balance sheet, Ratio analysis.

NEED FOR THE STUDY:

- ✓ To Understand how much inventory the company has and how fast it's selling.
- ✓ To Check how financially stable and solvent the company is by comparing its finances over two time periods.
- ✓ To Find out what difficulties the company faces in managing its inventory.
- ✓ To Look at how the company manages its inventory using tools like inventory ratios and comparative balance sheets.

SCOPE OF THE STUDY:

- ✓ To check how much inventory the company has and how quickly it's being sold. Look for old or slow-moving stock. See what factors affect inventory levels.
- ✓ To compare financial statements over two time periods. Check if the company can pay its short-term bills. See how profitable the company is and if it's managing debt well.
- ✓ To talk to people to find out what issues they face with inventory. Look at past data to find recurring problems. Figure out why there are issues with inventory like bad forecasts or storage problems.
- ✓ To use ratios to see how well the company manages inventory. Compare inventory numbers with other companies.

REVIEW OF LITERATURE:

Impact of Just-In-Time Inventory Management on Firm Performance: A Study of Automotive SMEs in Japan

Authors: Takeshi Yamamoto, Hiroshi Tanaka, and Yukihiro Suzuki

Year of Publication: 2019

Overview: This study investigates the relationship between Just-In-Time (JIT) inventory management and the financial performance of small and medium-sized automotive enterprises (SMEs) in Japan, offering empirical evidence and strategic insights for optimizing inventory practices in the automotive industry.

Effectiveness of Vendor-Managed Inventory (VMI) Systems in Retail: Evidence from the United States

Authors: Emily Chen, Michael Johnson, and Sarah Lee

Year of Publication: 2018

Overview: Focusing on retail businesses in the United States, this study explores the impact of Vendor-Managed Inventory (VMI) systems on inventory management efficiency and financial performance, providing practical implications for retailers adopting VMI practices.

Optimization of Inventory Control Models in Logistics Operations: Case Studies from Europe

Authors: Stefan Müller, Anna Schmidt, and Laura Fischer

Year of Publication: 2017

Overview: This review examines the optimization of inventory control models in logistics operations across various industries in Europe, analyzing case studies to assess the effectiveness of different inventory management strategies and their implications for operational efficiency and financial performance.

Inventory Management Practices and Firm Profitability: A Meta-Analysis of Global Studies

Authors: Juan Lopez, Maria Garcia, and Javier Martinez

Year of Publication: 2016

Overview: Conducting a meta-analysis of global studies, this research investigates the relationship between inventory management practices and firm profitability, synthesizing empirical evidence from diverse industries and geographical regions to identify key factors influencing inventory performance and financial outcomes.

Role of Technology in Inventory Management: Insights from Emerging Markets

Authors: Wei Zhang, Ling Li, and Jing Chen

Year of Publication: 2015

Overview: This study explores the role of technology, such as RFID, IoT, and inventory management software, in improving inventory control and financial performance in emerging markets. Drawing on case studies and empirical data, the research highlights the adoption and impact of technological solutions on inventory efficiency and profitability.

RESEARCH METHODOLOGY:

RESEARCH:

It is a scientific and systematic way to solve the research problem. It is understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research methods and techniques but also methodology. Research design is the conceptual structure within which in the research is conducted. It constitutes the blueprint for collection, measurement and analysis. The data collection is based on secondary data for analysis is taken from the company Annual report & Stores files.

RESEARCH DESIGN:

The research design used in this project is Analytical in nature the procedure using, which researcher has to use facts or information already available, and analyse these to make a critical evaluation of the performance.

DATA COLLECTION:

Primary Sources:

1. Data are collected through personal interviews and discussion with Finance assistant manager and Finance controller.
2. Data are collected through personal interviews and discussion with Material purchase Manager.

Secondary Sources:

1. The data are collected from the annual reports maintained by the company for past five years.
2. Data are collected from the company's website.
3. Books and journals pertaining to the topic.

ANNUAL REPORT:

It provides all the information about the company for the accounting period. This enables to understand the existing performance of the company.

TOOLS USED IN THE ANALYSIS:

- Ratio analysis.
- Inventory analysis.
- Trend analysis.
- Comparative balance sheet.

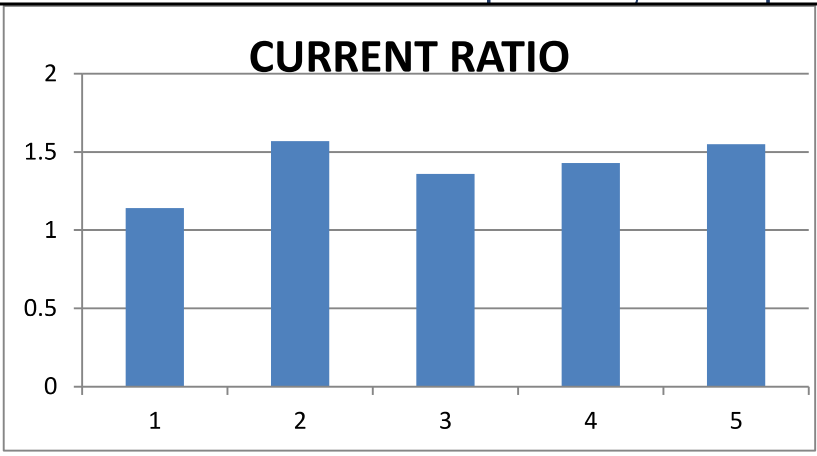
RATIO ANALYSIS:

CURRENT RATIO:

The current ratio is also referred to as the working capital ratio. This ratio compares a company's current assets to its current liabilities , testing whether it sustainably balances assets , financing and liabilities.

Current ratio formula: Current Ratio=Current Assets/Current Liabilities.

S.NO	YEAR	CURRENT RATIO
1	2018	1.14
2	2019	1.57
3	2020	1.36
4	2021	1.43
5	2022	1.55



INTERPRETATION:

From the above table that the current ratio of a company is increasing year by year which in the year 2018 is 1.14% , in the year 2019 is 1.57% , in the year 2020 is 1.36% , in the year 2021 is 1.43%, in the year 2022 is 1.55%.

DEBT RATIO:

Debt ratio is the proportion of a company's total debt to its total assets and measures the extent of a company’s leverage. A company’s total debt and total assets can be found on its balance sheet.

Formula: Debt ratio = Total debt / Total assets.

1	2018	0.50
2	2019	0.43
3	2020	0.65
4	2021	0.45
5	2022	0.55

INTERPRETATION:

From the above table that the Debt ratio of a company is increasing year by year which in the year 2018 is 0.50% , in the year 2019 is 0.43% , in the year 2020 is 0.65% , in the year 2021 is 0.45%, in the year 2022 is 0.55%.

INVENTORY RATIOS:

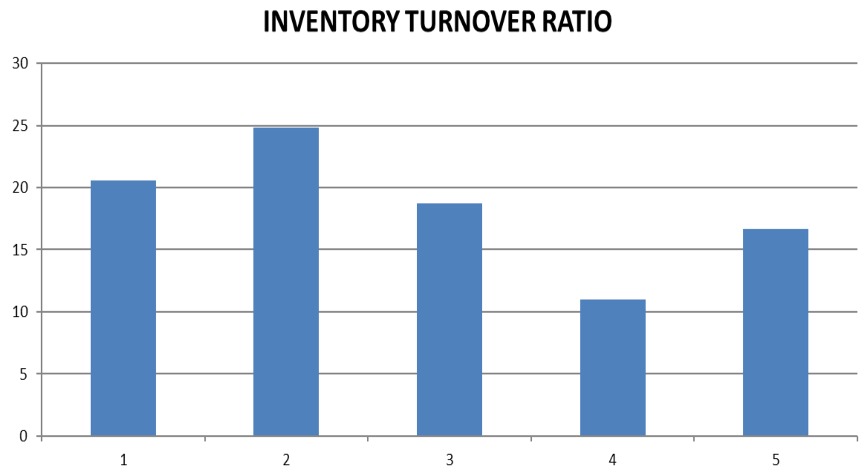
INENTORY TURNOVER RATIO:

Inventory turnover is the rate that inventory stock is sold, or used, and replaced. The inventory turnover ratio is calculated by dividing the cost of goods by average inventory for the same period. A higher ratio tends to point to strong sales and a lower one to weak sales.

Formula for inventory turnover ratio:

Inventory Turnover Ratio = Cost of Goods Sold / Avg. Inventory.

S.NO	YEAR	INVENTORY TURNOVER RATIO
1	2018	20.57
2	2019	24.8
3	2020	18.7
4	2021	10.98
5	2022	16.66



INTERPRETATION:

From the above table that the Inventory turnover ratio of the company under the study is increasing year by year which in the year 2018 is 20.57, in the year 2019 is 24.8 , in the year 2020 is 18.7 , in the year 2021 is 10.98 in the year 2022 is 16.66.

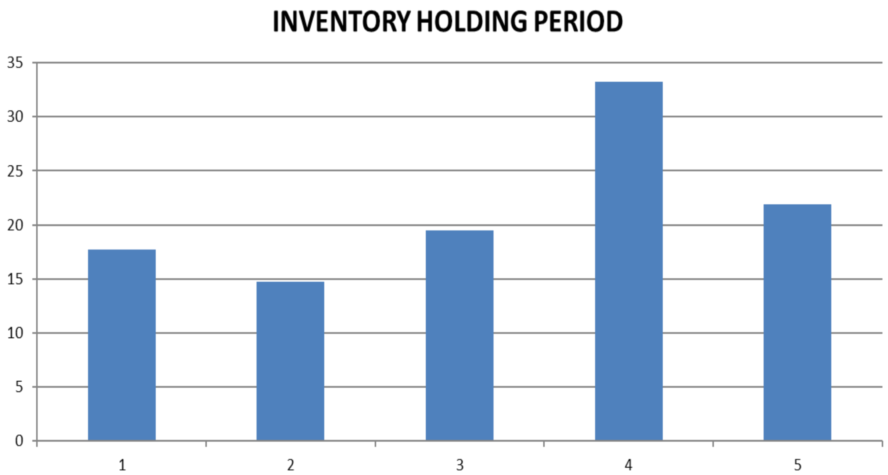
INVENTORY HOLDING PERIOD:

Inventory Holding Period is a ratio that depicts the number of days for which an organization holds inventory before sales. It shows how many days it takes for inventory to rotate in the business.

Inventory holding formula:

An average stock = (Opening stock + Closing stock) / 2.

S.NO	YEAR	INVENTORY HOLDING PERIOD
1	2018	17.74
2	2019	14.71
3	2020	19.51
4	2021	33.24
5	2022	21.90



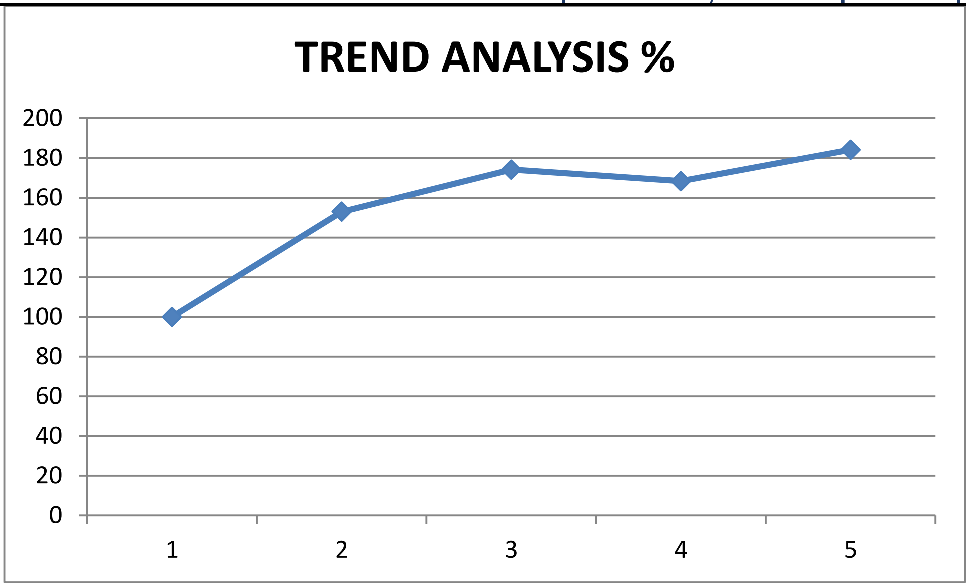
INTERPRETATION:

From the above table that the Inventory holding period of the company under the study is increasing year by year which in the year 2018 is 17.74, in the year 2019 is 14.71 , in the year 2020 is 19.51, in the year 2021 is 33.24 in the year 2022 is 21.90

TREND ANALYSIS:

TREND ANALYSIS ON CURRENT ASSETS:

2018	**221000**	**100**
2019	**338000**	**152.94**
2020	**385000**	**174.20**
2021	**372000**	**168.32**
2022	**407000**	**184.16**

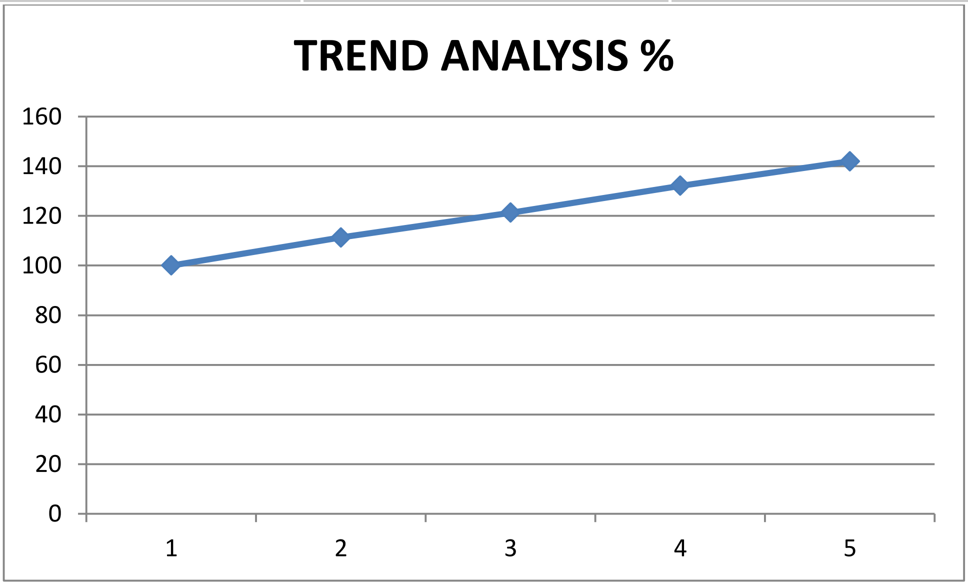


INTERPRETATION:

An increase in percentage of current assets in trend analysis will result in positive scenario for the business. It might indicate that the business is maintaining higher level of liquidity, which can be beneficial for meeting the short-term obligations and unexpected expenses.

TREND ANALYSIS ON CURRENT LIABILITIES:

2018	**192200**	**100**
2019	**214000**	**111.34**
2020	**233200**	**121.33**
2021	**254000**	**132.15**
2022	**273000**	**142.04**



INTERPRETATIPON:

The increase in current liabilities in trend analysis that suggest that the business is relying more on short-term financing to support its operations, potentially due to cash flow issues or increases expenses. So it leads to reflect a strategic decision to leverage short-term debt for growth opportunities.

COMPARATIVE BALANCESHEET:

COMPARATIVE BALANCESHEET FOR THE REAR 2018-19:

PARTICULARS	Year:2019 Amount	Year:2018 Amount	Absolute change	Percentage change
ASSETS				
CURRENT ASSETS:				
Cash	24000	21000	3000	14.28%
Short term investment	145000	81000	64000	79.01%
Accounts receivable	140000	90000	50000	55.56%
Inventories	15000	17000	-2000	-11.76%
Prepaid expenses	14000	12000	2000	16.67%
Total current assets	338000	221000	107000	48.41%
Investments	40000	35000	5000	14.28%
PROPERTY AND EQUIPMENT:				
Land	68500	68500	0	0
Building	880000	850000	30000	3.53%
Furniture and equipment	208000	100900	107100	106.14%
Total net property and equipment	1156500	1019400	137100	13.44%
Total assets	1534500	1275400	259100	20.31%
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	71000	53000	17500	32.71%
Accrued income tax	34000	32000	2000	6.25%
Accrued expenses	85000	85200	-200	-0.23%
Current position of long term debt	24000	21500	2500	11.62%
Total current liabilities	214000	192200	21800	11.34%
LONG TERM DEBT:				
Mortgage payable	400000	410000	-10000	-2.43%
Deferred income tax	45000	42800	2200	5.14%
Total long term debt	445000	452800	-7800	-1.72%
TOTAL LIABILITIES	659000	645000	14000	2.17%

CONCLUSION:

Effective inventory management is essential for the success of hostel businesses. Throughout this project, we have explored various aspects of inventory management within the hostel industry, including inventory control practices, demand forecasting techniques, procurement strategies, and technology integration.

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