

A STUDY ON INVENTORY MANAGEMENT IN INDIAN POWER SECTOR WITH REFERENCE NLC INDIA LIMITED

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ABSTRACT

Inventory constitutes the most significant part of firms in the power sector. Because of the huge inventories maintained, a considerable sum of an organization's fund is being committed to them. Thus it becomes absolutely imperative to manage inventories efficiently so as to avoid the costs of production rates, overstocking, stock outs and unnecessary cost. This study therefore sought to investigate on the influence of inventory management on the performance of the power sector in NLC India Limited. The study also sought to establish the influence of raw material management, inventory control, warehouse management and process auditing on the performance of NLC India Limited. The study recommends that NLC India Limited to should enhance material flow in the organization as a way or enhancing efficiency in service delivery. The study also recommends that NLC India Limited management should improve inventory tracking by adopting various tools.

CHAPTER-1

INTRODUCTION

A business can run smoothly its operating activities only when appropriate amount of inventory is maintained. Inventory affects all operating activities like manufacturing, warehousing, sales etc. The amount of opening inventory and closing inventory should be sufficient enough so that the other business activities are not adversely affected. Thus, inventory plays an important role in operations management.

INDUSRTY PROFILE

The electricity industry in India has evolved significantly to provide a wide range of opportunities across the value chain, in both, the regulated as well as deregulated businesses. Our market is the world's fifth largest in terms of generation capacity and the third largest in terms of network. The growing demand, network extension and up gradation, reduction in energy intensity, unbundling of supply services and growth of cross-border trade present various opportunities for this industry. However, a number of challenges remain,

such as of fuel supply, counter-party risk posed by distribution companies, monopoly restrictions on open access and the availability of project finance.

COMPANY PROFILE

NLC Tamil Nadu Power Limited (NTPL), is a joint venture company of NLC India Ltd (formerly known as NLC Ltd) and M/s TANGEDCO (Tamil Nadu Generation and Distribution Company), incorporated under the company act. The Equity participation between NLC and TANGEDCO is at the ratio of 89:11. GOI had issued sanction for the implementation of coal based 2 X 500MW Thermal Power Project by NTPL at Tuticorin at an estimated cost of Rs.4909.54 Cr. Unit 1 and Unit 2 have been declared for commercial operation w.e.f. 18th June 2015 and 29th August 2015. RCE – 2 for the project (Completion cost of the project) works out to Rs.7293.48 Cr. (June – 15 base). Power Purchase Agreement has been signed with TANGEDCO, ESCOMs of Karnataka State, Puducherry Electricity Department, Kerala State Electricity Board and DISCOMs of Andhra Pradesh. Power evacuation from this project is being carried out by M/s Power Grid Corporation of India. NTPL has signed a fuel supply agreement with Mahanadhi Coal fields Limited for supply of 3.0 MTPA of coal and in order to meet the shortfall in requirement, a contract has also been awarded on M/s. MSTC for supply of imported coal.

STATEMENT OF PROBLEM

- Inventories often constitute a major element of the total working capital and hence it has been correctly observed, “Good inventory management is good financial management”.
- Inventory a double edged sword is usually an asset of an Industry, if not used properly it will become liability. If inventories are kept at a high level, higher interest and storage costs would be incurred. On the other hand, a low level of inventories may result in underutilization of capacity and lower sales.
- It is therefore absolutely very important to manage inventories efficiently and effectively in order to overcome unnecessary investment.
- And to identify the problems/challenges involved in the Inventory Management in Indian Power Sector with Reference NLC India Ltd.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

- A study on the inventory management of Indian Power Sector with Reference NLC India Ltd.

SECONDARY OBJECTIVES

- To study the inventory management system followed by Indian Power Sector.
- To analyze the different factors influencing inventory management system in Indian Power Sector.

- To analyze the inventory by using ratio analysis in order to ascertain the efficiency on inventory management system.

NEED FOR THE STUDY

- To analyze the different factors influencing inventory management system in Indian Power Sector.
- To analyze the inventory by using ratio analysis in order to ascertain the efficiency on inventory management system.

SCOPE OF THE STUDY

The scope of the study is to know-how to the policy of the company investment procurement like, storage, handling, accounting, storage and stock out, issued to be formulated of inventory control to determine the lead time of the company. The lead time the mean under the time under the fostering of "procurement have an indent by the stores and the receipt of materials by them to know-how towards the cost-effective running of the determine stores to of safety stock, the difference between the amount means stocked to satisfy demand during a certain time interval and the mean demand expected for the period and for the purpose of providing protection against the excess of stock.

LIMITATION OF THE STUDY

- Some of the data has been maintained has confidential by NLC India limited.
- All techniques the inventory Management is not used by NLC India limited therefore it was possible to explain only few methods of inventory management.
- The study is conducted within a limited time.

CHPATER-2

REVIEW OF LITERATURE

TITLE: Benefits of Current and Future Policies on Emissions of China's Coal-Fired Power Sector Indicated by Continuous Emission Monitoring

AUTHOR: Yan Zhang, Xin Bo, Yu Zhao, Chris P.Nielsen

JOURNAL NAME: Environmental pollution, Volume No. 251, August 2019, Pages 415-424, ISSN: 0269-7491

Emission inventories are critical to understanding the sources of air pollutants, but have high uncertainties in China due in part to insufficient on-site measurements. The emission intensity (the ratio of emissions to economic output) of Northwest China was larger than that of other regions, attributed mainly to its less intensive economy and industry. Transmission of electricity to more-developed eastern provinces raised the energy consumption and emissions of less-developed regions. Judged by 95 percentiles of flue-gas concentrations measured by CEMS, most power plants met the current national emission standards in 2015

except for those in Northwest and Northeast China, while plants that met the ultra-low emission policy were much scarcer.

CHAPTER-3

RESEARCH METHODOLOGY

Research methodology is a systematic way of solving the problem. It includes the overall research design, the sampling procedure, data collection method and analysis procedure.

RESEARCH DESIGN

The research design used in this study is descriptive research.

SOURCES OF DATA

The secondary data has been collected from company annual reports, company websites, magazines and other sources.

PERIOD OF THE STUDY

Period of study is 5 years 2015-2016, 2016-2017, 2017-2018, 2018-2019, and 2019-2020.

TOOLS USED FOR THE STUDY

The statistical used for this study are ratio analysis, bar diagram, comparative balance sheet, trend analysis.

CHPATER-4

DATA ANALYSIS AND INTERPRETATION

4.1 CURRENT RATIO

Current Ratio= Current Asset/ Current Liability

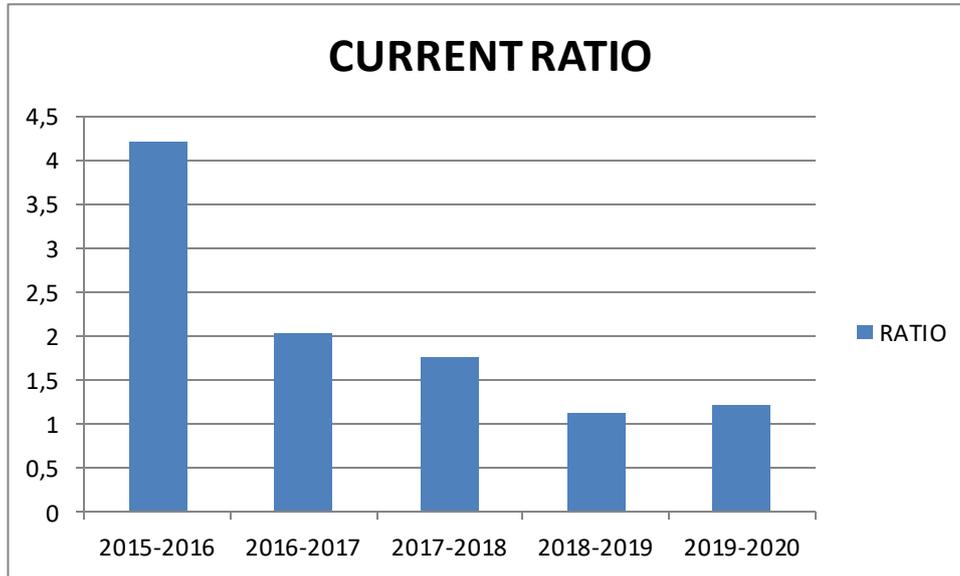
TABLE NO.: 4.1 CURRENT RATIO

YEAR	CURRENT ASSET (IN Cr)	CURRENT LIABILITIES (IN Cr)	RATIO(TIMES)
2015-2016	8689.25	2065.54	4.21
2016-2017	8708.76	4289.36	2.03
2017-2018	10134.86	5749.4	1.76
2018-2019	9033.41	8086.41	1.12
2019-2020	10551.74	8694.74	1.21

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the current ratio is increased in the year 2015-2016 with 4.21, whereas exceptionally low in the year 2018-2019 with 1.12, therefore it is inferred that it is fluctuating trend.



4.2 QUICK RATIO

Quick Ratio= (Current Asset- Inventory)/ Current Liability

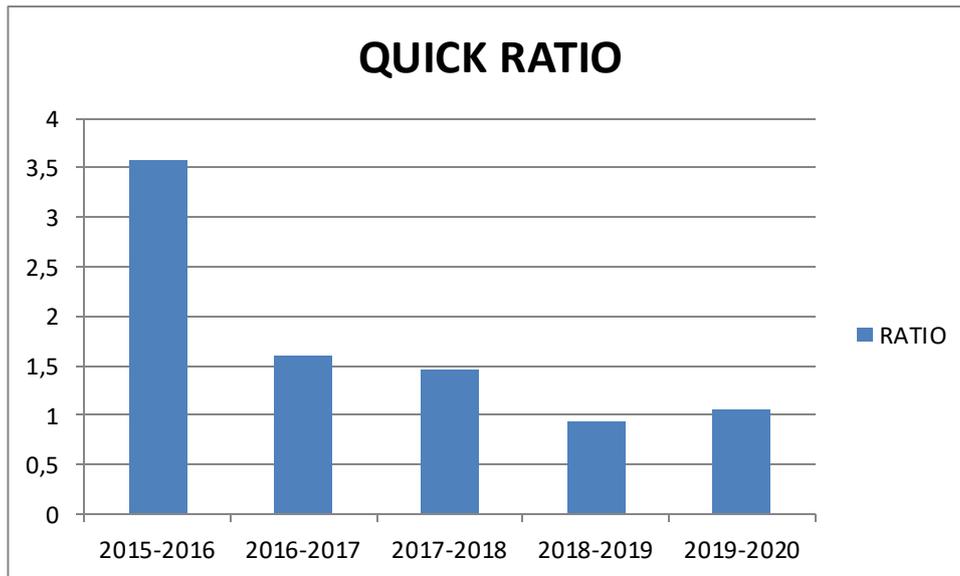
TABLE NO.: 4.2 QUICK RATIO

YEAR	CURRENT ASSET (IN Cr)	INVENTORY (IN Cr)	CURRENT LIABILITIES (IN Cr)	RATIO(TIMES)
2015-2016	8689.25	1294.64	2065.54	3.58
2016-2017	8708.76	1813.24	4289.36	1.61
2017-2018	10134.86	1688.90	5749.4	1.47
2018-2019	9033.41	1464.38	8086.41	0.94
2019-2020	10551.74	1324.55	8694.74	1.06

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the quick ratio is increased in the year 2015-2016 with 3.58, exceptionally low in the year 2018-2019 with 0.94, therefore it is fluctuating trend.



4.3 GROSS PROFIT RATIO

$$\text{Gross Profit Ratio} = (\text{Gross Profit} / \text{Sales}) * 100$$

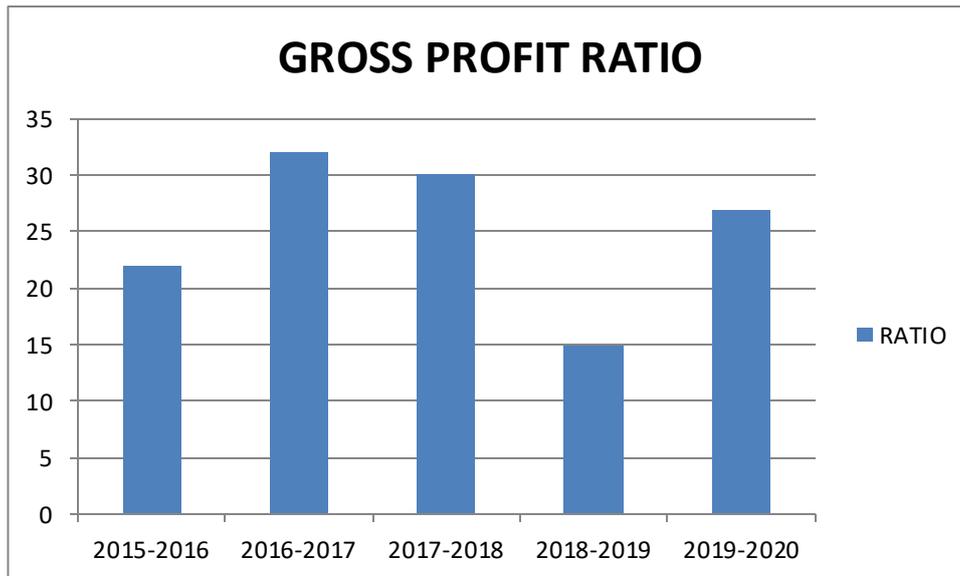
TABLE NO.: 4.3 GROSS PROFIT

YEAR	GROSS PROFIT(IN Cr)	SALES(IN Cr)	RATIO(%)
2015-2016	1455.97	6652.05	21.89
2016-2017	2770.94	8652.59	32.02
2017-2018	2562.82	8496.20	30.16
2018-2019	1068.75	7145.92	14.96
2019-2020	2130.45	7916.30	26.91

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the gross profit ratio is increased in the year 2016-2017 with 32.02, exceptionally low in the year 2018-2019 with 14.96, therefore it is inferred that it is fluctuating trend.



4.4 NET PROFIT RATIO

$$\text{Net Profit Ratio} = (\text{Net Profit} / \text{Sales}) * 100$$

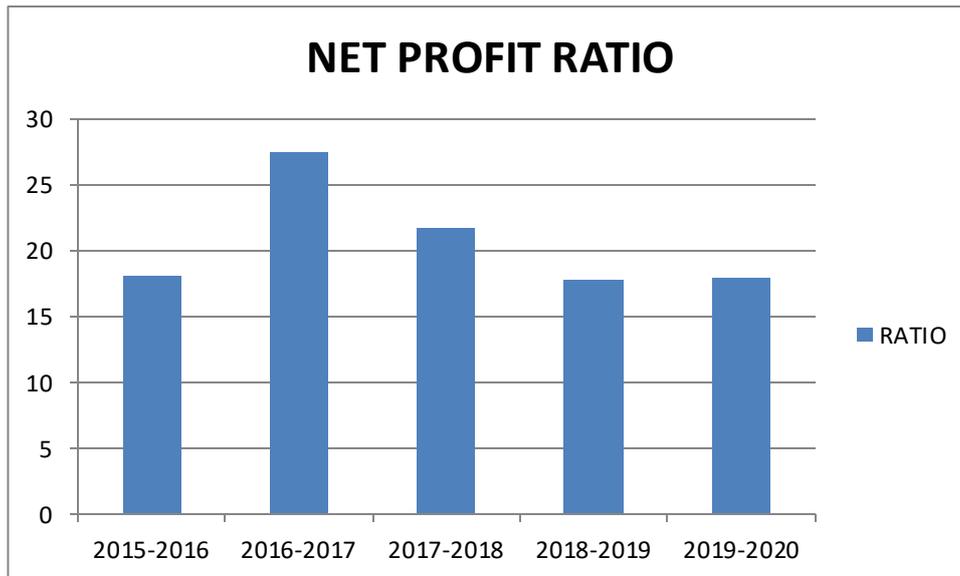
TABLE NO.: 4.4 NET PROFIT RATIO

YEAR	NET PROFIT(IN Cr)	SALES(IN Cr)	RATIO (%)
2015-2016	1204.15	6652.05	18.10
2016-2017	2368.81	8652.59	27.38
2017-2018	1848.78	8496.20	21.76
2018-2019	1266.97	7145.92	17.73
2019-2020	1413.85	7916.30	17.86

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the net profit ratio is increased in the year 2016-2017 with 27.38, exceptionally low in the year 2018-2019 with 17.73, therefore it is inferred that it is fluctuating trend.



4.5 DEBT EQUITY RATIO

Debt Equity Ratio=Total Liabilities/ Shareholders Funds

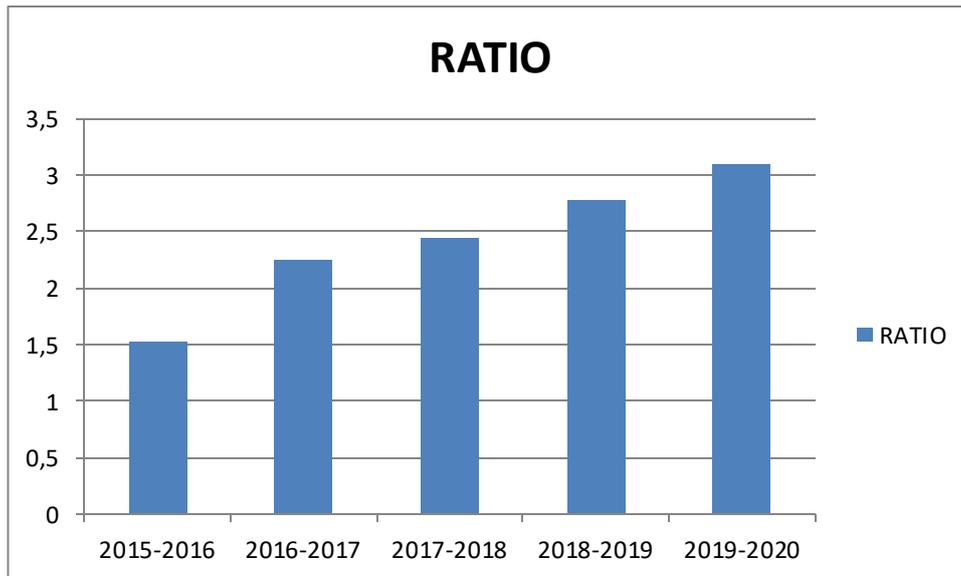
TABLE NO.: 4.5 DEBT EQUITY RATIO

YEAR	TOTAL LIABILITIES (IN Cr)	SHAREHOLDERS FUNDS (IN Cr)	RATIO (TIMES)
2015-2016	23687.21	15468.64	1.53
2016-2017	27509.38	12198.62	2.26
2017-2018	32506.41	13334.58	2.44
2018-2019	34682.34	12511.32	2.77
2019-2020	39119.09	12639.51	3.09

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the debt equity ratio is increased in the year 2019-2020 with 3.09, exceptionally low in the year 2015-2016 with 1.53, therefore it is inferred that it is increasing trend.



4.6 FIXED ASSET TURNOVER RATIO

Fixed Asset Turnover Ratio= Sales/ Fixed Asset

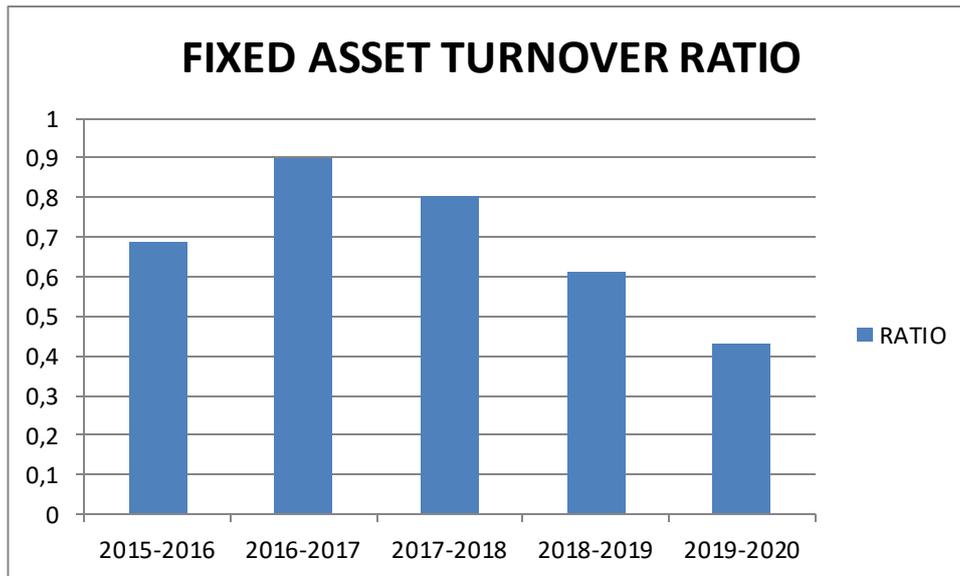
TABLE NO.: 4.6 FIXED ASSET TURNOVER RATIO

YEAR	SALES(IN Cr)	FIXED ASSET(IN Cr)	RATIO(TIMES)
2015-2016	6652.05	9654.23	0.69
2016-2017	8652.59	9625.03	0.90
2017-2018	8496.20	10574.11	0.80
2018-2019	7145.92	11684.43	0.61
2019-2020	7916.30	18308.16	0.43

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the fixed asset turnover ratio is increased in the year 2016-2017 with 0.90, exceptionally low in the year 2019-2020 with 0.43, therefore it is inferred that it is decreasing trend.



4.7 INVENTORY TURNOVER RATIO

Inventory Turnover Ratio=Sales/ Average Inventory

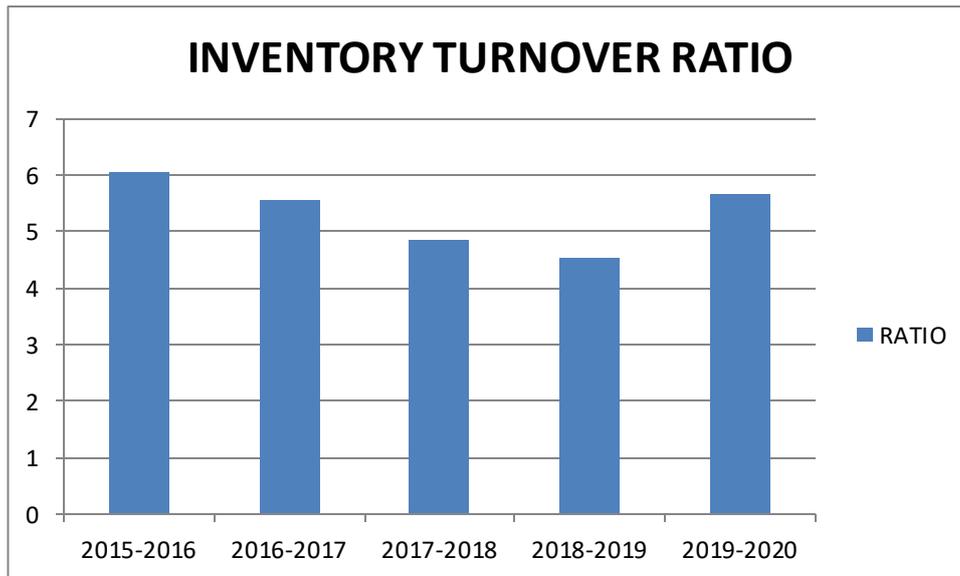
TABLE NO.: 4.7 INVENTORY TURNOVER RATIO

YEAR	SALES(IN Cr)	INVENTORY(IN Cr)	RATIO(TIMES)
2014-2015	-	907.40	-
2015-2016	6652.05	1294.64	6.04
2016-2017	8652.59	1813.24	5.57
2017-2018	8496.20	1688.90	4.85
2018-2019	7145.92	1464.38	4.53
2019-2020	7916.30	1324.55	5.68

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory turnover ratio is increased in the year 2015-2016 with 6.04, exceptionally low in the year 2018-2019 with 4.53, therefore it is inferred that it is fluctuating in trend.



4.8 INVENTORY CONVERSION PERIOD

Inventory Conversion Period = $365 / \text{Inventory Conversion Ratio}$

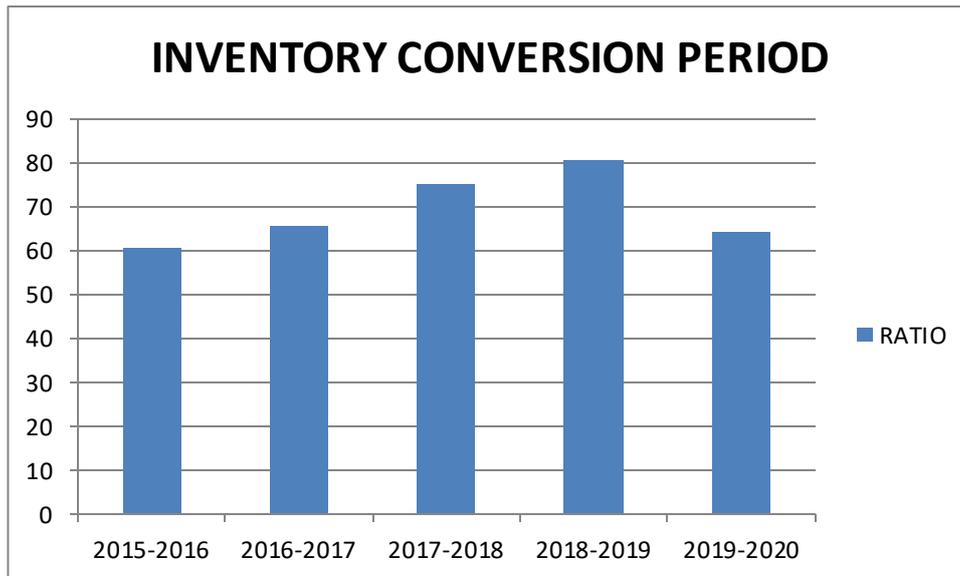
TABLE NO.: 4.8 INVENTORY CONVERSION PERIOD

YEAR	DAYS IN A YEAR(DAYS)	INVENTORY RATIO(TIMES)	INVENTORY CONVERSION PERIOD (DAYS)
2015-2016	365	6.04	60.41
2016-2017	365	5.57	65.55
2017-2018	365	4.85	75.23
2018-2019	365	4.53	80.53
2019-2020	365	5.68	64.30

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory conversion period is increased in the year 2018-2019 with 80.53, exceptionally low in the year 2015-2016 with 60.41, therefore it is inferred that it is fluctuating trend.



4.9 INVENTORY PERCENTAGE RATIO

Inventory Percentage Ratio= Inventory/ Total Inventory*100

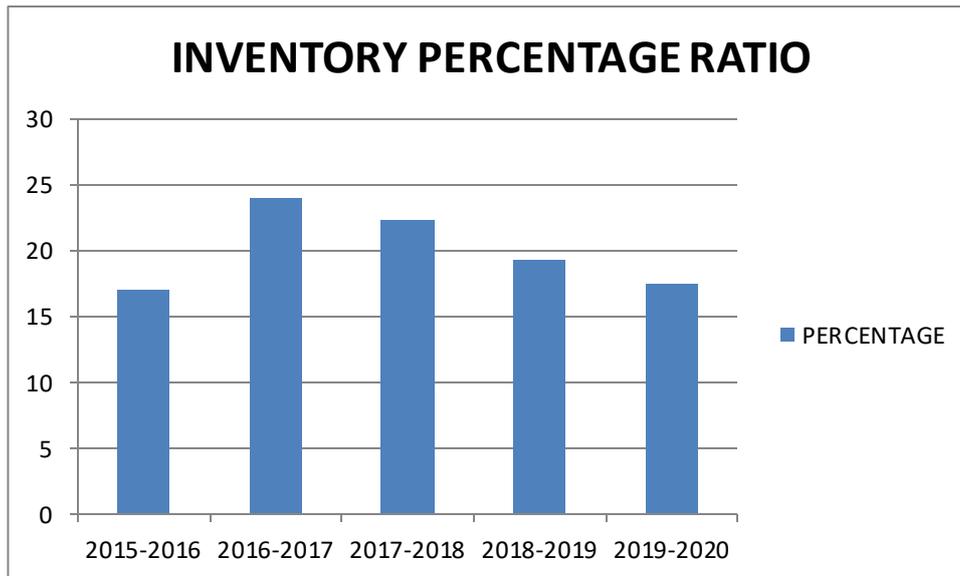
TABLE NO.: 4.9 INVENTORY PERCENTAGE RATIO

YEAR	INVENTORY(IN Cr)	INVENTORY PERCENTAGE(%)
2015-2016	1294.64	17.07
2016-2017	1813.24	23.90
2017-2018	1688.90	22.26
2018-2019	1464.38	19.30
2019-2020	1324.55	17.46
TOTAL	7585.71	100

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory percentage ratio is increased in the year 2016-2017 with 23.90, exceptionally low in the year 2015-2016 with 17.07, therefore it is inferred that it is decreasing trend.



4.10 INVENTORY TO CURRENT ASSET RATIO

Inventory in Current Asset Ratio= Inventory/ Current Asset

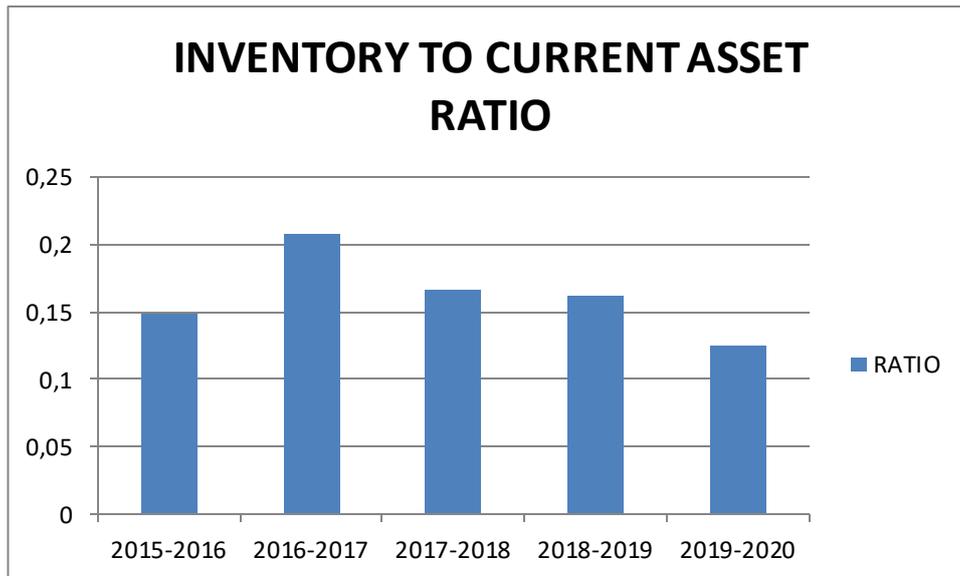
TABLE NO.: 4.10 INVENTORY TO CURRENT ASSET RATIO

YEAR	INVENTORY(IN Cr)	CURRENT ASSET(IN Cr)	RATIO(TIMES)
2015-2016	1294.64	8689.25	0.15
2016-2017	1813.24	8708.76	0.21
2017-2018	1688.90	10134.86	0.17
2018-2019	1464.38	9033.41	0.16
2019-2020	1324.55	10551.74	0.13

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory to current asset ratio is increased in the year 2016-2017 with 0.21, exceptionally low in the year 2019-2020 with 0.13, therefore it is inferred that it is decreasing trend.



4.11 INVENTORY TO TOTAL ASSET RATIO

Inventory to Total Asset=Inventory/Total Asset

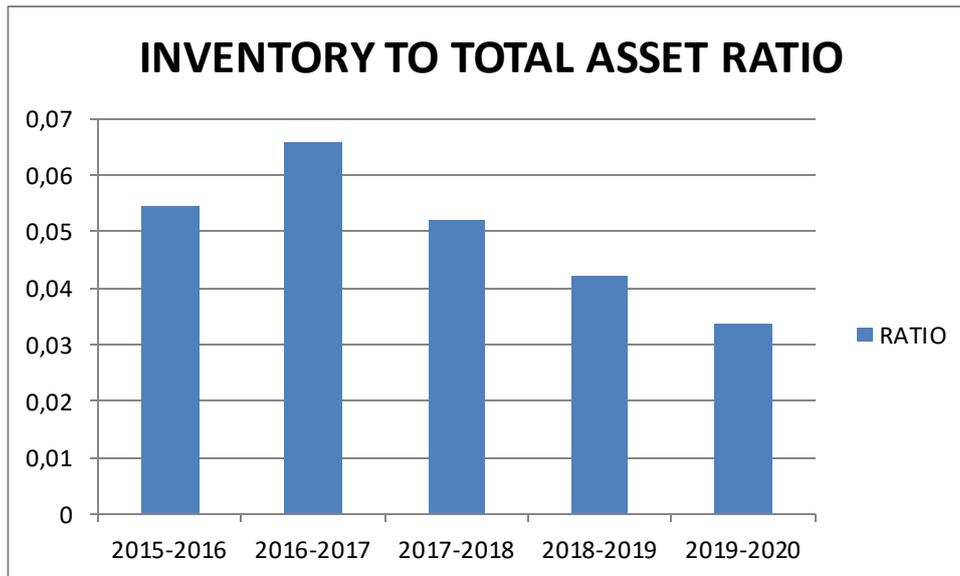
TABLE NO.: 4.11 INVENTORY TO TOTAL ASSET RATIO

YEAR	INVENTORY(IN Cr)	TOTAL ASSET(IN Cr)	RATIO(TIMES)
2015-2016	1294.64	23687.21	0.055
2016-2017	1813.24	27509.4	0.066
2017-2018	1688.90	32506.41	0.052
2018-2019	1464.38	34682.34	0.042
2019-2020	1324.55	39119.09	0.034

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory to total asset ratio is increased in the year 2016-2017 with 0.066, exceptionally low in the year 2019-2020 with 0.034, therefore it is inferred that it is decreasing trend.



4.12 INVENTORY TO WORKING CAPITAL RATIO

Inventory to Working Capital Ratio=Inventory/Working Capital

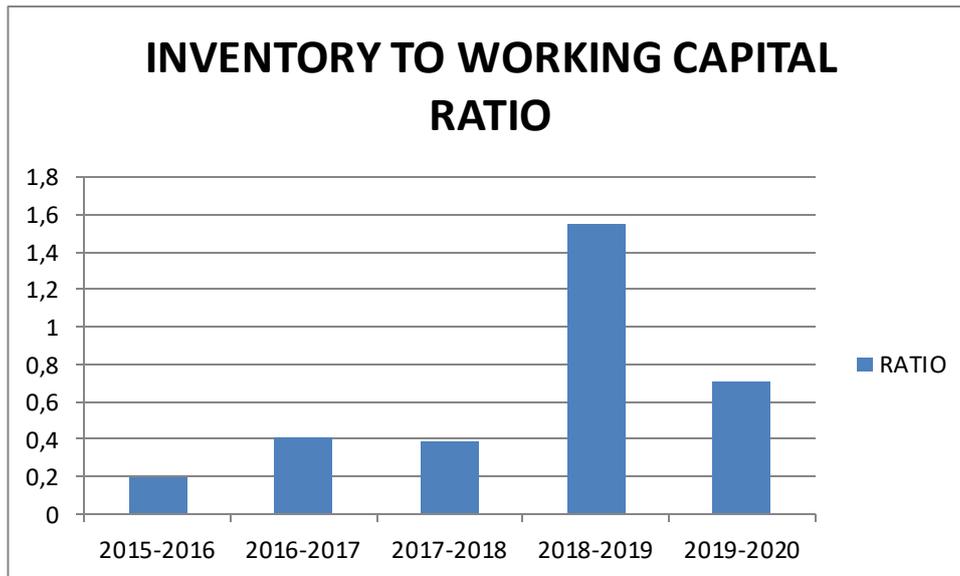
TABLE NO.: 4.12 INVENTORY TO WORKING CAPITAL RATIO

YEAR	INVENTORY(IN Cr)	WORKING CAPITAL(IN Cr)	RATIO(TIMES)
2015-2016	1294.64	6382.62	0.20
2016-2017	1813.24	4419.4	0.41
2017-2018	1688.90	4385.46	0.39
2018-2019	1464.38	947	1.55
2019-2020	1324.55	1857	0.71

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory to working capital ratio is increased in the year 2018-2019 with 1.55, exceptionally low in the year 2015-2016 with 0.20, therefore it is inferred that it is fluctuating trend.



4.13 INVENTORY TO CAPITAL EMPLOYED RATIO

Inventory to Capital Employed Ratio= Inventory/ Capital Employed

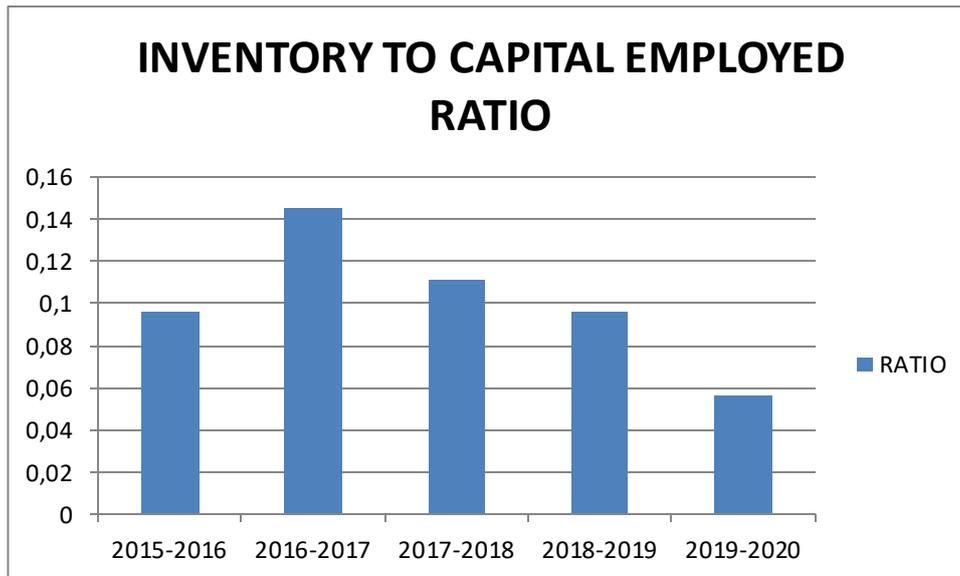
TABLE NO.: 4.13 INVENTORY TO CAPITAL EMPLOYED RATIO

YEAR	INVENTORY(IN Cr)	CAPITAL EMPLOYED(IN Cr)	RATIO(TIMES)
2015-2016	1294.6	13505	0.096
2016-2017	1813.2	12501	0.145
2017-2018	1688.9	15198	0.111
2018-2019	1464.4	15304	0.096
2019-2020	1324.6	23648	0.056

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory to capital employed ratio is increased in the year 2016-2017 with 0.145, exceptionally low in the year 2019-2020 with 0.056, therefore it is inferred that it is decreasing trend.



4.14 INVENTORY TO SALES RATIO

Inventory to Sales Ratio = Average Inventory / Sales

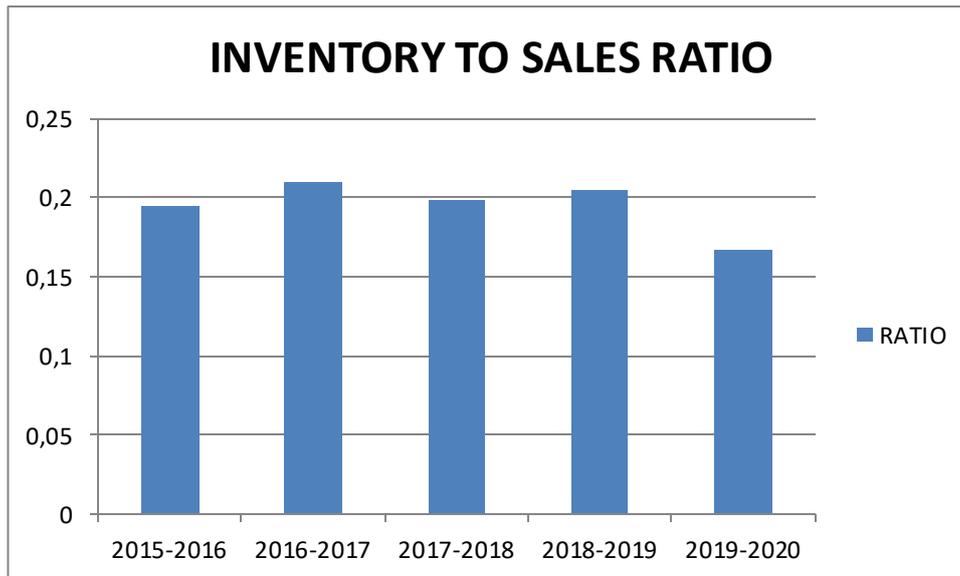
TABLE NO.: 4.14 INVENTORY TO SALES RATIO

YEAR	INVENTORY(IN Cr)	SALES(IN Cr)	RATIO(TIMES)
2015-2016	1294.64	6652.05	0.195
2016-2017	1813.24	8652.59	0.210
2017-2018	1688.90	8496.20	0.199
2018-2019	1464.38	7145.92	0.205
2019-2020	1324.55	7916.30	0.167

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the inventory to sales ratio is increased in the year 2016-2017 with 0.210, exceptionally low in the year 2019-2020 with 0.167, therefore it is inferred that it is fluctuating trend.



4.15 RAW MATERIAL TURNOVER RATIO

Raw Material Turnover Ratio=Sales/ Raw Material

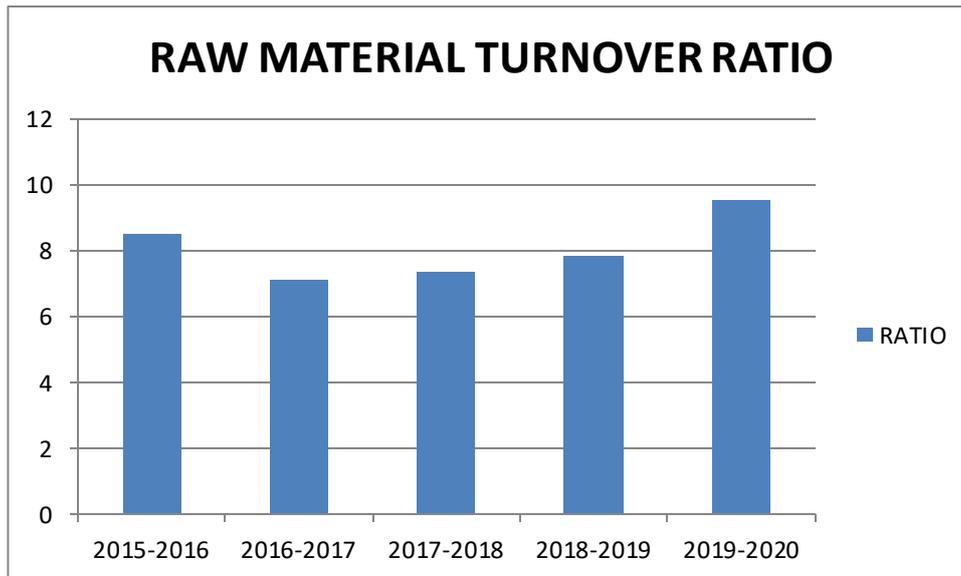
TABLE NO.: 4.15 RAW MATERIAL TURNOVER RATIO

YEAR	SALES(IN Cr)	RAW MATERIAL(IN Cr)	RATIO(TIMES)
2015-2016	6652.05	784.06	8.48
2016-2017	8652.59	1220.77	7.09
2017-2018	8496.20	1153.53	7.37
2018-2019	7145.92	910.41	7.85
2019-2020	7916.30	828.42	9.56

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the raw material turnover ratio is increased in the year 2019-2020 with 9.56, exceptionally low in the year 2016-2017 with 7.09, therefore it is inferred that it is increasing trend.



4.16 RAW MATERIAL CONVERSION PERIOD

Raw Material Conversion Period= 365 Days/ Raw Material Turnover Ratio

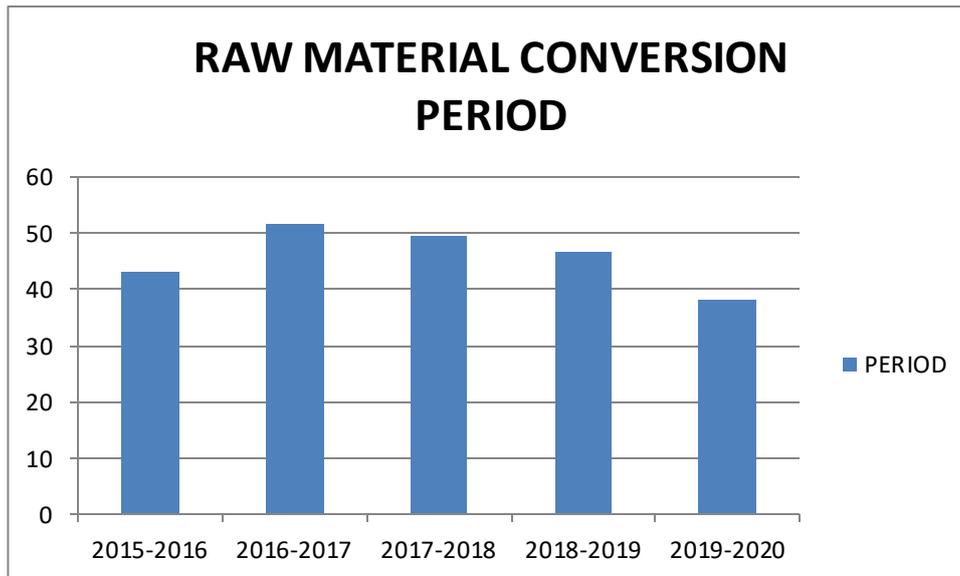
TABLE NO.: 4.16 RAW MATERIAL CONVERSION PERIOD

YEAR	DAYS IN A YEAR(DAYS)	RAW MATERIAL RATIO(TIMES)	RAW MATERIAL CONVERSION PERIOD(DAYS)
2015-2016	365	8.48	43.02
2016-2017	365	7.09	51.50
2017-2018	365	7.37	49.56
2018-2019	365	7.85	46.50
2019-2020	365	9.56	38.20

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the raw material conversion period is increased in the year 2016-2017 with 51.50, exceptionally low in the year 2019-2020 with 38.20, therefore it is inferred that it is decreasing trend.



4.17 SPARE PARTS TURNOVER RATIO

Spare Parts Turnover Ratio=Annual Consumption/ Average Spares

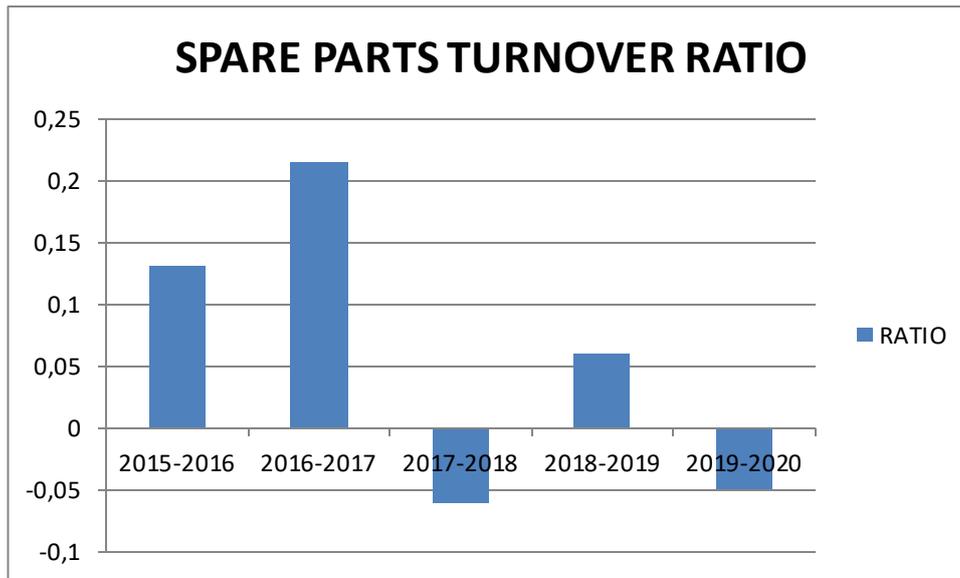
TABLE NO.: 4.17 SPARE PARTS TURNOVER RATIO

YEAR	ANNUAL CONSUMPTION	AVERAGE SPARES (IN Cr)	RATIO(TIMES)
2014-2015	-	461.24	-
2015-2016	60.31	462.25	0.13
2016-2017	109.46	561.02	0.21
2017-2018	-32.5	517.83	-0.06
2018-2019	31.02	529.75	0.06
2019-2020	-25.29	482.36	-0.05

Source of data: Company Annual Report from 2015-2016 to 2019-2020

INTERPRETATION

From the above table it is inferred that, the spare parts turnover ratio is increased in the year 2016-2017 with 0.21, exceptionally low in the year 2019-2020 with -0.05, therefore it is inferred that it is decreasing trend.

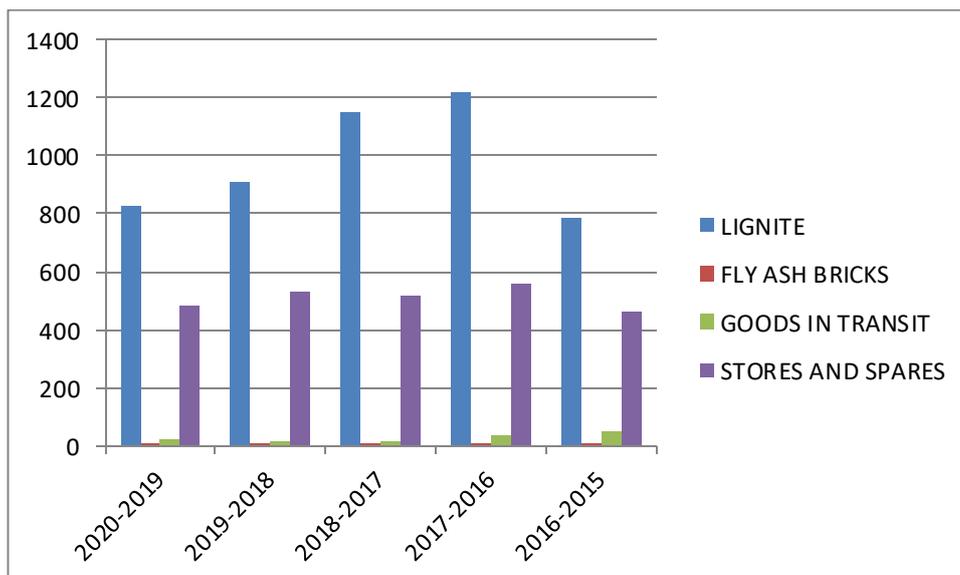


4.18 RAW MATERIALS

TABLE NO.: 4.18 RAW MATERIAL

YEAR	2020-2019	2019-2018	2018-2017	2017-2016	2016-2015
LIGNITE (IN Cr)	828.42	910.41	1153.53	1220.77	784.06
FLY ASH BRICKS (IN Cr)	2.67	10.35	7.43	4.73	3.36
GOODS IN TRANSIT (IN Cr)	19	18.65	17.53	32.84	50.42
STORES AND SPARES (IN Cr)	482.36	529.75	517.83	561.02	462.25

Source of data: Company Annual Report from 2015-2016 to 2019-2020



CHAPTER-5

FINDINGS, SUGGESTIONS, CONCLUSION

FINDINGS

1. The current ratio is increased in the year 2015-2016 with 4.21, whereas exceptionally low in the year 2018-2019 with 1.12, therefore it is inferred that it is fluctuating trend.
2. The inventory turnover ratio is increased in the year 2015-2016 with 6.04, exceptionally low in the year 2018-2019 with 4.53, therefore it is inferred that it is fluctuating in trend.
3. The inventory conversion period is increased in the year 2018-2019 with 80.53, exceptionally low in the year 2015-2016 with 60.41, therefore it is inferred that it is fluctuating trend.
4. The inventory to current asset ratio is increased in the year 2016-2017 with 0.21, exceptionally low in the year 2019-2020 with 0.13, therefore it is inferred that it is decreasing trend.
5. The inventory to total asset ratio is increased in the year 2016-2017 with 0.066, exceptionally low in the year 2019-2020 with 0.034, therefore it is inferred that it is decreasing trend.
6. The inventory to working capital ratio is increased in the year 2018-2019 with 1.55, exceptionally low in the year 2015-2016 with 0.20, therefore it is inferred that it is fluctuating trend.
7. The inventory to capital employed ratio is increased in the year 2016-2017 with 0.145, exceptionally low in the year 2019-2020 with 0.056, therefore it is inferred that it is decreasing trend.
8. The inventory to sales ratio is increased in the year 2016-2017 with 0.210, exceptionally low in the year 2019-2020 with 0.167, therefore it is inferred that it is fluctuating trend.
9. The raw material turnover ratio is increased in the year 2019-2020 with 9.56, exceptionally low in the year 2016-2017 with 7.09, therefore it is inferred that it is increasing trend.
10. The raw material conversion period is increased in the year 2016-2017 with 51.50, exceptionally low in the year 2019-2020 with 38.20, therefore it is inferred that it is decreasing trend.
11. The spare parts turnover ratio is increased in the year 2016-2017 with 0.21, exceptionally low in the year 2019-2020 with -0.05, therefore it is inferred that it is decreasing trend.

SUGGESTIONS

1. Inventory turnover ratio was in decreasing till 2018 but now it is gradually increasing so the company should maintain this inventory management and use some of the inventory management tools to increase its inventory management effectively.
2. In the fixed asset turnover ratio it is in decreasing trend so the company has to increase the sales price, to increase its fixed assets.
3. Inventories conversion period which shows fast movement of goods.
4. The company can adopt the various inventory management tools in order to control its inventory management level.
5. In inventory to total asset and current asset is in decreasing trend so the company has to maintain its liabilities effectively.
6. Raw material turnover ratio is increasing therefore it should be maintained.
7. The company should increase its current asset and decrease its liabilities, to effectively and efficiently run its company.

CONCLUSION

Inventory management is important for keeping costs down, while meeting regulation. Supply and demand is a delicate balance, and inventory management hopes to ensure that the balance is undisturbed. It can be concluded that the inventory turnover ratio is a key indicator of a company inventory management. Therefore the company's inventory management is fluctuating it means that the company should manage its inventory efficiently and clears its inventory frequently in given period of time and uses various tools to improve its inventory management effectively; therefore proper inventory management is pertinent to the success and growth of a company. The company can be stable only when it increases its current asset and decrease its liability.

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