

A study on Inventory management in Heritage Company

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ABSTRACT

Inventory management is a vital function that helps organizations maintain an optimal level of stock while minimizing costs and ensuring uninterrupted business operations. This study examines the inventory management practices followed by Heritage Foods Limited and evaluates their effectiveness in managing raw materials, packaging materials, and finished goods. The research focuses on inventory control techniques, stock turnover, storage practices, and the role of inventory management in improving operational efficiency. The study also identifies challenges faced by the company and provides suggestions for enhancing inventory performance. Effective inventory management contributes to cost reduction, improved customer satisfaction, and overall organizational productivity.

Keywords: Inventory Management, Stock Control, Inventory Turnover, Heritage Foods Limited.

1 INTRODUCTION

Inventory management is a critical aspect of business operations that involves the planning, organizing, controlling, and monitoring of inventory to ensure the smooth functioning of an organization. Inventory refers to the stock of raw materials, work-in-progress goods, finished products, and other supplies that are necessary for production and sales activities. Effective inventory management helps organizations maintain the right quantity of stock at the right time, minimizing costs while maximizing customer satisfaction and operational efficiency. In today's highly competitive business environment, inventory management has become increasingly important for organizations across various industries. Companies need to balance the availability of products with the costs associated with storing and maintaining inventory. Excess inventory can lead to higher carrying costs, spoilage, and wastage, while insufficient inventory may result in stock-outs, production delays, and loss of customer confidence.

Therefore, businesses adopt various inventory control techniques and technologies to optimize inventory levels and improve overall performance. The dairy and food processing industry presents unique challenges in inventory management due to the perishable nature of products, fluctuating demand patterns, and strict quality requirements. Efficient inventory management is essential in this sector to ensure product freshness, reduce wastage, and maintain a continuous supply of products to consumers. As consumer expectations continue to rise, food companies must focus on maintaining effective inventory systems to remain competitive and profitable.

Heritage Foods Limited is one of the leading dairy and food processing companies in India. Established in 1992, the company has grown significantly and has developed a strong presence in the dairy sector. Heritage Foods offers a wide range of products, including milk, curd, butter, ghee, paneer, flavoured milk, ice cream, and other value-added dairy products. The company operates through an extensive network of milk procurement centers, processing plants, distribution channels, and retail outlets, serving millions of customers across different regions. The success of Heritage Foods largely depends on its ability to manage inventory effectively throughout its supply chain. The company procures raw milk from thousands of dairy farmers and processes it into various dairy products before distributing them to customers. Since milk and dairy products have a limited shelf life, inventory management plays a crucial role in ensuring that products are processed, stored, and delivered efficiently without compromising quality. Proper inventory control helps the company reduce spoilage, manage storage costs, and maintain customer satisfaction. Inventory management at Heritage Foods involves several activities, including demand forecasting, procurement planning, stock monitoring, warehouse management, inventory valuation, and distribution planning. The company uses modern inventory management systems and technological tools to track inventory movement and maintain optimal stock levels. These practices help improve operational efficiency, reduce inventory-related costs, and ensure uninterrupted production and distribution activities. One of the major objectives of inventory management is to achieve a balance between inventory investment and customer service. Maintaining excessive inventory can block working capital and increase storage expenses, whereas inadequate inventory can affect production schedules and customer satisfaction. Therefore, Heritage Foods continuously monitors inventory levels and implements appropriate control measures to ensure the efficient utilization of resources. Various inventory management techniques such as Economic Order Quantity (EOQ), ABC

Analysis, Just-in-Time (JIT), inventory turnover analysis, and stock verification are commonly used by organizations to improve inventory performance.

Need for the Study

The study is conducted to understand the importance of inventory management in improving operational efficiency and profitability at Heritage Foods. In the highly competitive dairy industry, effective inventory control helps reduce costs, minimize wastage, and ensure timely product availability. The study also provides practical insights into how inventory management concepts are applied in a real business environment. Additionally, changing market conditions, supply chain disruptions, and fluctuating demand have increased the need for efficient inventory management practices.

Objectives of the Study

- To study the profile, growth and current position of Heritage Foods Limited within the Indian dairy and packaged food industry.
- To examine the existing inventory management practices followed at Heritage Foods, covering raw materials, packaging, work-in-progress and finished goods.
- To analyses the company's inventory performance through standard tools such as the inventory turnover ratio, days inventory outstanding and the ratio of inventory to current assets over a defined study period
- To apply selected techniques such as ABC classification and EOQ reasoning to illustrate how the company's inventory mix can be interpreted.
- To compare the company's inventory performance with broad industry benchmarks where reliable data is available.

Scope of the Study

The study focuses on the inventory management practices of Heritage Foods Limited, particularly its dairy and value-added dairy products segment. It examines the management of raw materials, work-in-progress, packaging materials, and finished goods using information from annual reports and public records. The analysis is conducted at the company level and aims to understand inventory control, stock management, and their impact on operational efficiency and working capital management

Limitations of the Study

Being honest about the gaps is important. This study has a few constraints:

- It relies heavily on secondary data. I've used the best sources available.
- I don't have item-level data. I can't tell you how many individual curd cups were in a specific warehouse on a specific day; I have to work with the broad categories the company reports.
- The trend analysis only covers a few years. Inventory performance can change if you look at a 1-year window versus a 10-year window.
- Dairy is seasonal. Things like "flush" and "lean" milk cycles, fuel prices, and weather are outside the company's control but impact the numbers.
- There is no plant-by-plant analysis because that kind of granular data is kept private for competitive reasons.

2 REVIEW OF LITERATURE

Harris (1913): Introduced the Economic Order Quantity (EOQ) model, which helps determine the optimal order quantity by balancing ordering and holding costs.

Wilson (1934): Refined the EOQ model, making it more practical and widely applicable for inventory management in organizations.

Dickie (1951): Developed the ABC Analysis technique, which classifies inventory into categories based on value and importance, helping managers focus on critical items.

Magee (1956): Emphasized the importance of safety stock in managing uncertainties in demand and lead time, reducing the risk of stock shortages.

Orlicky (1975): Introduced Material Requirements Planning (MRP), a system that plans inventory based on future production schedules rather than past demand. His concept improved inventory control and became the foundation for modern ERP systems used by many organizations today.

Research Gap

Most existing studies focus on the dairy industry as a whole or compare multiple companies, with limited research on inventory management in a single Indian dairy company. There is also a lack of recent studies examining inventory management after the COVID-19 pandemic. This study addresses the gap by analyzing the inventory management practices of Heritage.

3. RESEARCH METHODOLOGY

Introduction

Methodology is the backbone of any project because it shows exactly how the data was gathered and analyzed. It lays out the design, the tools, and the assumptions I've made. This is important so the final conclusions don't just feel like my personal opinion, but something backed by a proper process. This chapter breaks down the research path. The first part is for the reader to understand why the study exists, where the data came from, and what time horizon I'm looking at. The second part isn't meant to be a corporate brochure; it's there to give context.

Knowing the company's history and scale helps make the inventory analysis feel grounded rather than just abstract math.

Sources of Data

This project uses secondary data, which honestly makes the most sense here. For a listed giant like Heritage Foods, their official filings are incredibly detailed. These audited numbers are much more reliable than anything I could gather alone in a few weeks. The main sources include:

- BSE and NSE filings, including investor presentations and quarterly results, which give a good look at their recent strategic moves. I have relied on several key sources to ground this study in reality

Sample Design

Since this is a deep dive into one specific company rather than a broad survey, my sampling approach is a bit different. I chose Heritage Foods Limited for three main reasons.

First, they are a massive, well-established player in the Indian dairy scene with a long history. Being a listed company, their financial data is transparent and easy to track. Second, their product range is huge.

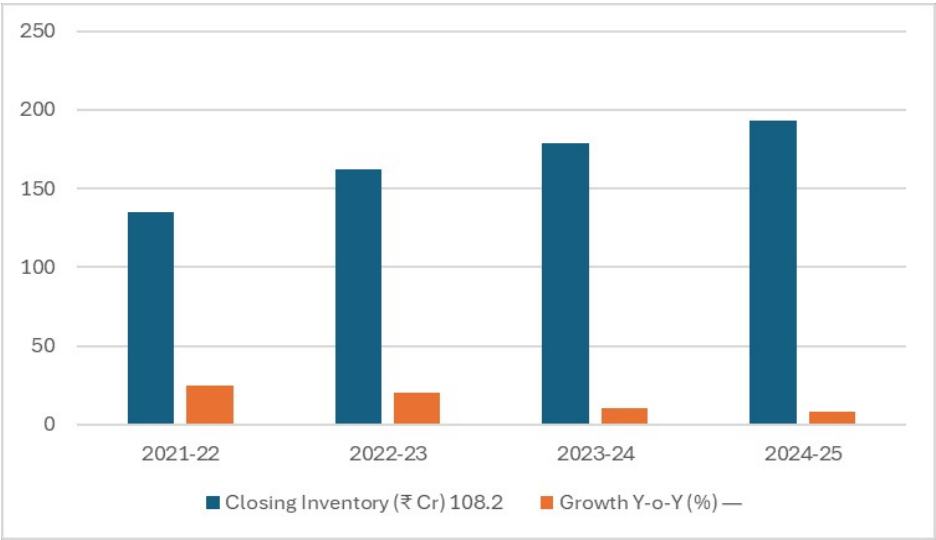
Tools and Techniques of Analysis

- Inventory Turnover Ratio: This is the big one. It shows how many times a year the company cycles through its stock. A high number usually means they're lean and moving goods fast.
- Inventory Holding Period: This is just the turnover ratio turned into days. It's more intuitive because it tells you exactly how many days' worth of sales are just sitting in a warehouse.
- Raw Material to Finished Goods Mix: I looked at the notes in the balance sheets to see the split. Are they sitting on raw ingredients or unsold final products?
- Working Capital Turnover Ratio: This puts inventory in perspective with the rest of the company's short-term cash needs.

4. DATAANALYSIS AND INTERPRETATION

Table 4.1: Closing Inventory of Heritage Foods Limited (₹ in Crores)

Year	Closing Inventory (₹ Cr)	Growth Y-o-Y (%)
2020-21	108.2	—
2021-22	134.8	24.58
2022-23	162.3	20.4
2023-24	178.65	10.07

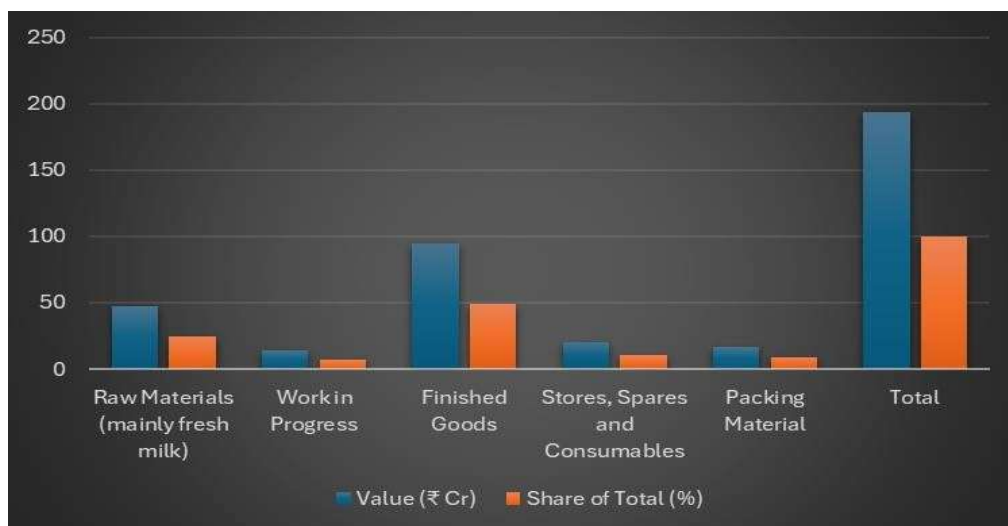


Interpretation

The closing inventory of Heritage Foods increased from ₹108 crore in 2020-21 to ₹193 crore in 2024-25, showing a growth of nearly 79%. The increase was mainly due to post-pandemic recovery and expansion in value-added dairy products such as curd, paneer, and ice cream, which require higher inventory levels. The growth rate has moderated in the last two years, indicating improved inventory stability and efficient stock management as the company's operations expanded.

Table 4.2: Composition of Inventory at 31 March 2025

Category	Value (₹ Cr)	Share of Total (%)
Raw Materials (mainly fresh milk)	47.60	24.61
Work in Progress	13.95	7.21
Finished Goods	94.80	49.02
Stores, Spares and Consumables	20.45	10.57
Packing Material	16.60	8.59
Total	193.40	100.00

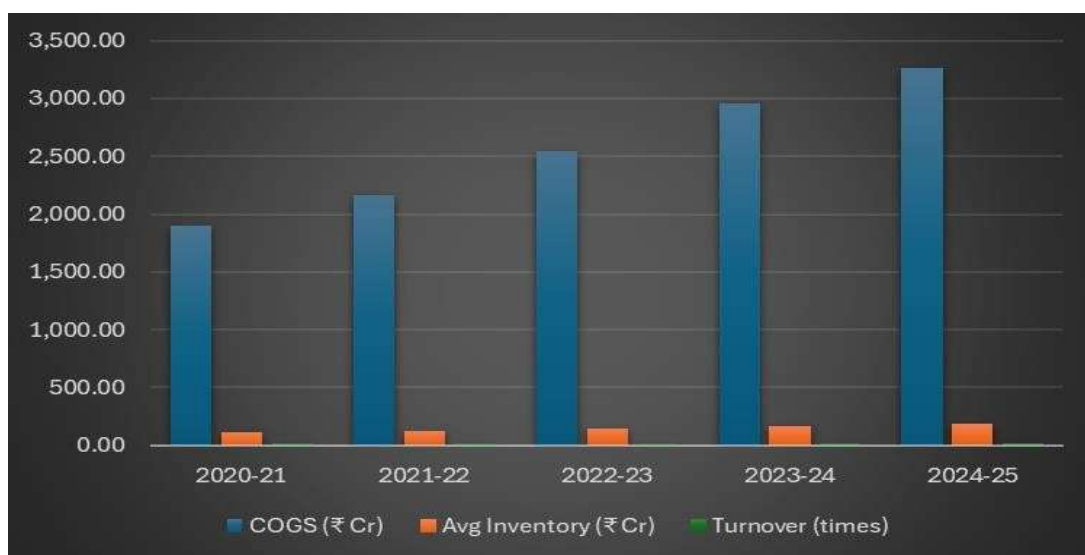


Interpretation

Finished goods constitute nearly 50% of total inventory, indicating that most inventory is ready for sale. Raw materials account for about 25%, ensuring continuous production. Stores, spares, and packaging materials make up around 20%, which is necessary for maintaining smooth operations and preventing production disruptions.

Table 4.3: Inventory Turnover Ratio

Year	COGS (₹ Cr)	Avg Inventory (₹ Cr)	Turnover (times)
2020-21	1,895.40	110.33	17.18
2021-22	2,168.75	121.5	17.85
2022-23	2,540.80	148.55	17.1
2023-24	2,955.20	170.48	17.34
2024-25	3,260.85	186.03	17.53



Interpretation

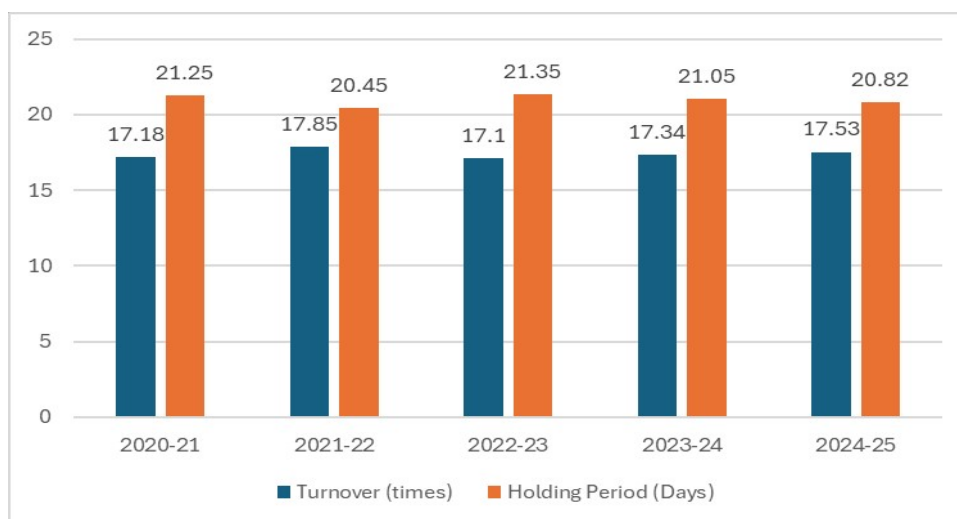
The inventory turnover ratio remained stable between 17.10 and 17.85 times during the study period. This indicates efficient inventory management and smooth coordination between procurement and sales. The company is able to rotate its inventory quickly, reflecting strong operational efficiency and effective stock control.

Year	Turnover (times)	Holding Period (Days)
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2020-21	17.18	21.25
2021-22	17.85	20.45
2022-23	17.10	21.35
2023-24	17.34	21.05
2024-25	17.53	20.82

Table 4. Interpretation

The inventory holding period remained stable between 20 and 21.5 days during the study



period, indicating efficient inventory management. The slight increase in 2022-23 was due to higher stock levels maintained for seasonal demand. By 2024-25, the holding period reduced to 20.82 days, reflecting improved inventory control and better alignment between production and market demand.

5. FINDINGS, SUGGESTIONS AND CONCLUSION

Findings of the Study

1. **Heritage Foods Limited showed consistent growth in inventory levels during the period 2020–21 to 2024–25, indicating expansion of operations and increasing market demand**

Finished goods constituted the largest share of total inventory, reflecting the company's focus on maintaining sufficient stock to meet customer requirements.

1. **Raw materials, packaging materials, stores, and spares were adequately maintained**, ensuring uninterrupted production and smooth business operations.
2. **Inventory turnover ratio remained stable throughout the study period**, indicating efficient utilization and management of inventory resources.
3. **The inventory holding period was maintained at an optimal level**, helping the company avoid both excess stock accumulation and stock shortages.

Suggestions

1. The company should adopt advanced demand forecasting techniques to improve inventory planning and reduce excess stock.
2. Regular inventory audits should be conducted to ensure stock accuracy and minimize losses due to spoilage or obsolescence.
3. Heritage Foods should strengthen its inventory monitoring systems through automation and real-time tracking technologies.
4. The company can further optimize inventory levels by implementing effective inventory control techniques such as ABC Analysis and EOQ.
5. Greater focus should be given to reducing inventory holding periods to improve inventory turnover and working capital efficiency.

Conclusion

This study looked at the inventory management practices of Heritage Foods Limited from 2020-21 to 2024-25. Heritage is a big name in India's private dairy sector, and its inventory is a unique challenge. Unlike a bag of cement that stays fine for months, a tank of milk is a ticking clock. It has to be processed, packed, and sold almost immediately. This makes inventory management a perfect lens to see how disciplined the company really is. It's where farmer welfare, customer expectations, and profits all meet. To get a clear picture, I used data from the company's audited annual reports and combined it with industry insights from the NDDB, FSSAI, and various trade bodies. I also looked at academic work on working capital. ran the numbers through several standard filters—turnover ratios, holding periods, the operating cycle,

and the cash conversion cycle. I also used simple charts and growth rates to make the trends

easier to spot.

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