

## MATERIAL MANAGEMENT IN BSL LTD.: A CASE STUDY

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### ABSTRACT

*The second member of LNJ Bhilwara Group, BSL Ltd was born when the idea of manufacturing poly-viscose suiting was a unique concept in India, the year was 1971 and place was the desert state of Rajasthan, the town where this happened was Bhilwara. Material management is a basic function of the business that adds value directly to the product itself. It is the process of management which coordinates, supervises and executes the task associated with flow materials to, through and out of an organization. Material management consists of planning, directing, coordinating and controlling those activities which are concerned with materials and inventory requirements from the point of their inception to their introduction into the manufacturing process. Objective of this paper is to find out material management process in top textile company of Rajasthan that will point out areas where material management can be used to reduce material cost and increase profit.*

**KEYWORDS:** *Material Management, Inventory Control, Material Cost, Waste Management.*

### Introduction

BSL Limited is an integrated textile company. The Company is engaged in the manufacturing of fashion fabrics and yarns in India. The Company's principal products and services include man-made fibre, man-made mixture fabrics, and spinning of man-made fibre including blended man-made fibre. The Company operates in two segments, which include Textile and Wind Power. The Company's geographical segments include Domestic and Export. It produces a range of polyester viscose fabrics and a range of worsted suiting's, including Cashmere, Mohair, Angora and Camelhair blends. It offers polyester viscose fabrics blends for suiting's, shirting, safari and corduroy. Its furnishing and fashion fabrics include natural blends, poly fabric, and silks and silk blends. The Company also offers various products, which include Flannel finish, wool/silk blend, Wool/Nylon Blend, Cationic/viscose blend and Wool/acrylic blend. The Company's wind energy plant is located in Jaisalmer, Rajasthan. The scope of Materials Management varies greatly from company to company and may include material planning and control, production planning, purchasing, inventory control, in-plant materials movement, and waste management. It is a business function for planning, purchasing, moving, storing material in a optimum way which helps organization to minimize the various costs like inventory, purchasing, material handling and distribution costs. The fundamental objectives of the Materials Management function, often called the famous 5 'r's of Materials Management, are acquisition of materials and services:

- Of the right quality
- In the right quantity
- At the right time
- From the right source
- At the right price.

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### Literature Review

Literature Review is related to awareness and interpretation.<sup>7</sup> It is systematic examination of knowledge available on a topic. Review of literature is written with the help of objective sources and objective information.<sup>8</sup> It provides a theoretical background to the study undertaken, refines research methodology, helps in contextualize the findings, brings clarity in research goals and broadens the knowledge base of the research area.

**Purchasing and Inventory Control: K.S. Menon.** Materials Management is related to planning, procuring, storing and providing the appropriate material of right quality, right quantity at right place in right time so as to co-ordinate and schedule the production activity in an integrative way for an industrial undertaking.

**Bernold and Treseler (1991)** stated that the performance of suppliers is related to the success of the material management system, thus selection of vendors is a very important aspect. They introduced the Concept of Best Buy. Best Buy assumes certain level of suitability, but considers cost and procurability, transportation and disposal. Best Buy not necessarily means best price, procurement and technical specifications should also be considered. In addition, other factors such as specifications, price, delivery time, etc. should be considered.

**Material Management an integrated approach. P. GopalaKrishnan and M. Sundaresan, January 2007.** When asked to describe the largest issue they face in organizing maintenance work, many planners and supervisors reply "Finding materials and getting them to the right place at the right time". Spare Parts and materials are a large part of any plant's costs and not having the right materials in the right place at the right time is a common cause of productivity loss and reduced reliability.

**According to Kamphues and Hegmanns (2015)<sup>18</sup>,** distribution networks are subjected to an increasing dynamic. The ability to adapt to dynamic influences is, therefore, of great importance for the competitiveness of companies. This applies both to planning and material flow processes. However, common planning processes are inflexible due to the underlying planning approaches. Against this background, a modular planning approach that is capable of integrating diverse planning functionalities of inventory management was developed. For this purpose, a service-oriented architecture was introduced. In order to demonstrate the applicability, the approach is validated with a use case in the field of inventory management from the wholesale business.

**The study of JianhuCai, Pandu R. Tadikamalla, Jennifer Shang and Guanghui Huang (2017)<sup>26</sup>** introduces a two-echelon supply chain that markets two substitutable brands of a product with uncertain demand. The supply chain employs the vendor-managed inventory model wherein suppliers take responsibility to manage the inventory for the retailer. Four inventory models are discussed in the paper. In the basic model, the two brands are supplied by two different suppliers. The optimal decisions for the supply chain are identified and the impacts of substitution effects are discussed. Then the model is extended so one of the suppliers can replenish his brand in the selling season. In the third model, a special case is considered in which the two brands are exclusively provided by only one supplier.

### Research Methodology

The specific types of information and / or data needed to conduct a secondary analysis will depend on the focus of study. For this research purpose, secondary data analysis is usually conducted to gain in-depth understanding of the "Material management process in Textile company". Secondary data review and analysis involves collecting information, statistics, and other relevant data at various levels of aggregation and mostly the paper is based on the information retrieved from the internet via journals, research papers and expert opinions on the same subject matter.

### Objectives of the Study

The most fundamental objective of the study is to point out the areas where cost saving material management is possible. The other important objectives of the study are as follows:

- Understand material management process of textile industry.
- Find out areas for maintain high turnover and release of working capital for the productive purpose.
- Find out areas of improvement in material management process that will result in reduce material cost and cost of possession.
- Find out process of maintain continuity of productive operation by ensuring uniform flow of materials.

**Materials Management Process in BSL Ltd.**

Materials management, thus can be defined as that function of business that is responsible for the coordination of planning, sourcing, purchasing, moving, storing and controlling materials in an optimum manner so as to provide service to the customer, at a pre-decided level at a minimum cost. Different components of the existing material management system in the textile companies under study namely BSL Ltd have been described here.

**Purchase Management**

The company is exposed to the risk of raw material prices of Polyester, Viscose, P/V blended yarn, Silk and Wool (inventory items). The company hedges this risk by purchasing the required raw material at the time of booking of sales contracts. Also this risk is being managed by way of inventory management and forward booking.<sup>8</sup> So, it is clear that, to minimize the storage period of raw material and purchasing at cheaper rates are the main objectives of the company. It is also applied for non-inventory material purchasing as well. Company follows steps in its purchasing cycle are:

- Recognition and description of need
- Transmission of need
- Selection of source to satisfy the need
- Contracting with the accepted source
- Following up with the source
- Receiving and inspecting material
- Payment and closure of the case.

**Stores Management**

A professionally managed store has a process and a space within, to receive the incoming materials, keep them for as long as they are not required for use and then to move them out of stores for use. In a manufacturing firm this process forms a cycle to maintain and run the activities of stores. The basic responsibilities of stores are to act as custodian and controlling agent for parts, supplies and materials, and to provide service of those goods. Functions of Stores in BSL are:

- Receipt
- Storage
- Retrieval
- Issue
- Records
- Housekeeping
- Control
- Surplus management
- Verification and
- Interaction and coordination

It all starts with a suitable layout design of stores. Depending upon the nature of items used for processing by the textile company, the layout and type of stores are selected. For storing costly material, a closed and restricted type of stores shall be needed. However, irrespective of the type and lay out, any stores would have, as its starting activity, receiving and accounting of the incoming goods. This part of stores is known as receiving bay.

**Procurement Management**

For the production of special furnishing fabrics, BSL uses imported Silk material procured through company's regular suppliers from different countries which are in company's vendor list since a long time. Raw materials for other production has been procured from the local market at competitive rates. Procurement cycle procedure has been followed during this process. BSL is taking a long term view of the industry and hope to increase turnover and margins from the current position. An excellent and comprehensive after sales service ensures best running performance during operation and modernization to stay ahead of the competition. Local training for maintenance and operations is offered to increase skills and bind talents. Simultaneously the Company is strengthening the quality of its products and reduces the conversion cost. These initiatives are expected to positively influence the working of the Company.

### Functions of Chief Materials Manager in BSL Ltd.

The Chief Manager (Materials) in short CMM, occupies an important place in BSL. He is the person who keeps the stores in order and handles them efficiently. He has a sound knowledge of routine activities and experience of requirements of a store, in addition to the technical knowledge of production. The following functions can be included in the scope of his duties.

- Identification of materials: Identification is the process of systematically defining and describing all items of stock. It includes preparation of stores code or vocabulary, adoption of material specifications and introduction of a degree of standardization.
- Receipt of materials: Receipt is the process of accepting from all sources materials. Equipment and spare parts used in the organization, including supplies for manufacturing or operating processes, plant maintenance, offices, capital installations and finished products.
- Storage: This function involves the management of storehouses, namely faultless working of material handling and storage equipment, and the safe custody and protection of stock. Storage implies the act of storing the materials the material items have been kept at proper places so that these can be easily found as and when required without any delay. The layout of the store has been made in such a style that there remains "place for everything and everything remains in its place".
- Inspection: Inspection means the examination of incoming materials for quantity and quality. Stores department takes the help of inspection personnel from quality control department to have the goods inspected.
- Material Verification and Stock taking: It is an important duty of the CMM staff to take stock of the materials and to conduct stock taking. Stock taking is the process of physical verification of the quantity and condition of goods, usually on a periodic basis. Similarly, stock checking is also done on an ad hoc basis for introducing element of surprise. Use of the computer helps in continuous information and management. Moreover, regular verifications also ensure availability of materials intact.
- Issue and Dispatch: This is the process of receiving demands, selecting the items required and handling them over to the users. CMM ensures that the material requisition note bears the signature of the authorized person. He can stop the supply of those materials which are in short supply. This function also includes packaging of the materials and loading them in the transport to the point of use.
- Record Keeping and Accounting: Keeping the record of incoming and outgoing materials is one of the important functions of the CMM. Stores accounting is the process of recording stock movement and balances in terms of financial value. It reduces the store costs. Moreover, material records make the purchase, inspection and verification easy. Accounting records must categorize materials in A, B, C category etc.
- Preservation and Protection of Materials: CMM ensures in BSL that materials are preserved and stored in such a way that there is minimum loss at the time of keeping, handling or verifying the materials. Proper protection and preservation of materials also help in maintaining the value and quality of materials.
- Inventory Control: Inventory control is the operation of continuously arranging receipts and issues in such a way that stock balances are adequate to support the current rate of consumption with due regard to the economy. It is keeping track of inventories so that items are available when required. This aim is achieved by purchasing items at economic price, at a proper time, from a proper source and in sufficient quantity. In this context, it is the duty of the CMM staff to determine the proper levels of material and to keep a check over all kinds of wastages of material.
 

It is the proper inventory control that ensures protection against fluctuations in demand and output and better use of men, machines and material.
- Advice to the Purchase Officer: The CMM should give proper advice to the purchase officer regarding the purchase of material from time to time. He should anticipate the quantity of materials to be purchased and at what time it should be purchased so that there is neither over investment in materials nor any stoppage in production. For this purpose, the CMM staff know the minimum, maximum and reorder levels of materials required.

**Limitations of the Study**

- BSL Ltd is heavily depended on imported raw material, components and spare parts gradually.
- The import of BSL have raw material (wool) as biggest contributor followed by capital goods, fibre, silk yarn and spare parts respectively.
- it can be concluded that in BSL, raw materials, stores and spares showed downward trend during most of the time in last five year which is not satisfactory condition of material management and company should improve it in near future.
- BSL Ltd has no definite policy and practice to decrease its finished goods inventory which seems to block its large amount of working capital.
- It can be said that holding period of textile company was very large which cannot be taken as satisfactory.

**Suggestions**

- It is suggested that BSL Ltd should search local market vendors for their raw material, components and spare parts requirement.
- It is suggested that BSL Ltd should minimize their dependency on imported raw material, components and spare parts gradually. It will reduce material cost and increase company's profitability.
- It is suggested that Textile Company should reduce their import valuation or increase export to increase profitability.
- It is suggested that BSL Ltd have to make a definite policy and practice at earliest to decrease their respective inventory goods holding period which blocked large amount of working capital. It will reduce their cost of possession.

**Conclusion**

From above study it can be concluded that material management is covers all aspects of material cost, supply and utilization which adds value directly to the product itself. It begins with the determination of quality and quantity of materials with the issue of materials to production to meet customer's demand as per schedule and at the lowest cost. BSL Ltd is multi-million-dollar company and having put the group firmly on international map of premium suiting's. Company is continuously moving strength to strength by following good policies in material management process.

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