

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

O/o the VC & MD  
Bus Bhavan, Mushirabad  
Hyderabad – 500 624  
Dt. 06.09.2012

No.COS(C)II/CMC/INV/2012

**CIRCULAR No. 1/SPD/2012-13 Dt. 06.09.2012**

Sub: INVENTORY – Review and Control of Inventories and reduction of Inventory Levels – Reg.

- Ref: 1. Circular No. 1, dt. 27.11.1991 of ED(P)  
2. Circular No. 4. dt. 10.12.1991 of ED(P)  
3. Circular No.10/SPD dt. 10.01.2011 of VC & MD

Our Corporation is spending about ₹ 350 crores per annum on the procurement of Spares. With the frequent changes in the fleet models, technology and market trends, it is highly essential that the present practices of procurement, stocking and distribution of spares are reviewed from time to time to keep pace with the current requirements.

The Zonal Stores plays a vital role in extending necessary support to the operating units by ensuring the availability and supply of required spares from time to time. While striving to achieve an acceptable level of service of beyond 95% to Workshops/Depots, it should also be kept in view, that the levels of inventories are maintained at an optimum level without giving scope for excess, especially in the present scenario of financial crisis and high cost of capital involved, as excess inventory locks up our funds.

Corporation had been following the system of ABC classification which has proved to be effective. Detailed instructions were also issued earlier on the importance of ABC classification and control of inventories by periodical review of stocks on selective basis at Zonal Stores.

The ABC classification shall be carried out at the end of each financial year, based on the Annual Consumption Value of items during that year. The systematic and regular review by the Limits Fixation Committee and the review of stocks by the Controller of Stores and his team are the main tools for the effective control of inventory.

A detailed review of the inventory levels at the various Zonal Stores during August, 2012 had revealed that some of the Zonal Stores are still continuing to hold high inventory levels without commensurate improvement in service levels to Units. Clearly, there is scope for reduction of inventory by closer monitoring and constant review of all classes of items in the present computerized environment.

As holding up of excess inventory means blocking up of costly working capital with consequent risks of obsolescence, wastage etc; the following instructions are issued for reducing the inventory levels without diluting the service levels:

1. **Target to be achieved before 1<sup>st</sup> November, 2012:**  
All the COSs shall ensure that the inventory levels shall not exceed 25 / 45/ 120 days for 'A', 'B' & 'C' class items respectively. All the Zones shall conform to the above revised norms positively by 01.11.2012.
  
2. **Periodical Review of Stocks:**  
In order to achieve the above inventory levels, COSs shall review the stocks of all items in 7 / 30 / 45 days for 'A' / 'B' & 'C' / class items respectively. Necessary modifications in delivery schedules shall be effected accordingly to avoid 'stock-outs' as well as 'excess stocks'.

It shall be kept in view that Service Levels should not be compromised upon at any point of time on the pretext of maintaining revised norms of inventory control.

3. **ABC Classification:**

The procedure of ABC classification as is incorporated in the SPD manual and as in practice shall be carried out invariably and shall be continued.

All the COS's are advised to note the above revised norms and ensure conformance to the same without giving scope for any diluted service levels.

*[Handwritten signature]*  
12/9/12

VICE CHAIRMAN & MANAGING DIRECTOR

- cc: All Executive Directors / FA&CAO/Sr. Resident Audit Officer-A.G.
- cc: CE(IT) for infn. with an advice to incorporate necessary changes in generation of standard stores reports/periodicals accordingly.
- cc: All COSs, Dy.CAOs and WMs for infn. and necessary action.