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E: ISSN NO.: 2349-980X **Shrinkhla Ek Shodhparak Vaicharik Patrika**

A Comparative Study between Indian Industries/Companies and Foreign Industries/Companies

Abstract

In today's scenario consumers are offered a large variety of products to satisfy their needs & wants. Some of these are produced in our country while some are offered by foreign competitors. In other words our economy is influenced by the foreign competitions to a large extent. Customer's perception is just like that the quality offered by foreign brands is generally higher and superior to local brands. Maximum consumers also associate greater durability of products with foreign brands and comparative low prices of products with local brands. Indian consumers are not opinionated in favour of local brands and against foreign brand names. In fact in comparison to local/Indian brands they evaluate foreign branded products higher in all terms i.e. technology quality, status, esteem and credibility too. Some other factors are there that have a strong impact on the consumer preferences; these are: consumer ethnocentrism, social status, price relativity with the competing brands and family and friends.

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Keywords: Domestic, Foreign, Factors, Competition, Economy.

Introduction

The functioning of any economy depends upon various factors & government control is one of the most important factor. Indian government has adopted various measures time to time to balance economy & to facilitate trade & commerce. On the basis of these measures Indian economy & its functioning can be divided into three phases namely:

Indian Economy on the Eve of Independence

The structure of India's present economy is not just of current making; it has its roots steeped in history particularly when India was under British rule. At that time Indian economy had almost nil or very less economic growth. India was particularly well known for its handicraft industries in the fields of cotton & silk textiles, metal & precious stone works etc. The position of India was of supplier of raw materials & consumer of finished goods from Britain. The position of industries & trade was as follows:

Industrial Sector

India could not develop a sound industrial base under British rule. Though modern industries initiated to take root in India but its progress remained very slow. The Tata Iron & Steel company (TISCO) & few industries in the field of sugar, cement, paper etc. But there was hardly any industry to promote further industrialization in India.

Foreign Trade

India's foreign trade structure was adversely affected during British rule. India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc & an importer of finished products like cotton, silk, & woolen clothes & capital goods like light machinery produced in Britain.

At last it can be said that Indian economy at the time of Independence was almost stagnant. The industrial sector was crying for modernization, diversification, capacity building & increased public investment .Foreign trade was oriented to feed the industrial revolution in Britain. So there was an urgent need to boost up the stagnant Indian economy.

Indian Economy 1950-1990

In this economic policy main objective was to develop all sectors of economy. For this several steps were performed by the government. The main step was to implement five year plans in the economy. The main objective of these plans was to promote Growth, Equity, Self Reliance & Modernisation. The position of industries & trade was as follows:

Public & private sectors in Indian Industrial Development

Under this, it was ensured that state will have complete control over those industries that were vital for the economy. The policies of the private sector would have to be complimentary to those of public sector with the public sector leading the way. Under Industrial policy Resolution 1956, industries of backward areas were promoted. Such industrial units were given certain concessions such as tax benefits & electricity at low tariff.

Trade policy: Import Substitutions

This policy aimed at replacing or substituting imports with domestic production. In this policy, government protected domestic industries from foreign competition .protection from imports took two forms: tariffs & quotas. Tariff are imposed on imported goods while quotas specify the quantity of goods to be imported. The policy of protection is based on the notion that industries of developing countries are not in position to compete against goods produced by more developed economies.

So it can be said that the efforts made by the government were fruitful & it lead to the movement of stagnant Indian economy. However the growth of many public sectors were not satisfying. Excessive government regulations prevented growth of entrepreneurship. In the name of self-reliance, our producers were protected against foreign competition & this not give them incentive to improve the quality of products. As a result new economic policy was initiated in 1991.

Economic Reforms since 1991

After forty years of planned development Indian economy became self-sufficient to some extent. But a crisis in the balance of payments created one major challenge for Indian Economy. In 1991 Indian economy met with an economic crisis relating to its external debt-the government was not able to make repayments on its borrowing on debts. This crisis was further compounded by rising prices of essential goods. India approached World Bank & International Monetary Fund & received $7 billion as loan. For availing the loan these agencies expected to liberalize Indian economy .As a result new economic policy of Liberalization, privatization & Globalization were introduced. The economic reforms introduced were as follows:

Devaluation

Mr. Manmohan Singh started with a two-step devaluation programme in collaboration with the RBI, which was first devalued against major currencies by nine percent initially and then brought down to eleven percent two days later. This gave a boost to trade.

Foreign Investment stated that it was prudent to welcome foreign investment into the Indian Capital. This would provide direct access to the required capital, technology and target markets.

All these reforms leads to the formation of foreign collaborations with domestic companies & entry of Multinational corporations.

Objectives of Study

The purpose of the study is to investigate which type of industries are performing better in Indian economy, is it foreign industries or domestic industries and how the Indian industries are competing worldwide with foreign industries against a background of factors like net revenue, cash inflow, cash outflow etc. and what are the measures that they adopted to reach this point and how govt. is helping them.

Research Methodology

The research methodology used in this study is based on secondary data such as articles, research papers, annual reports and some sites containing data of Indian and foreign industries; problems faced by them and incentives given to them.

Comparison of some Indian and foreign Industries & Companies

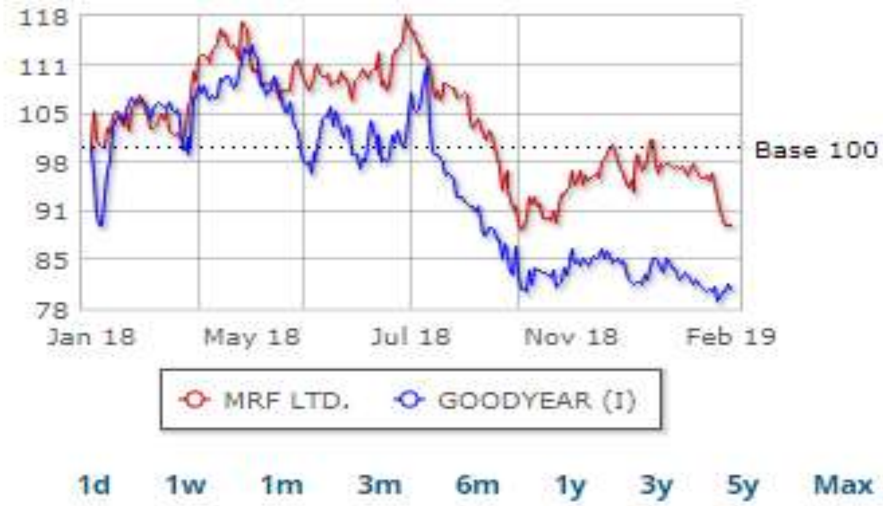
MRF Ltd. vs. Goodyear Tire and Rubber Co.

MRF Ltd.

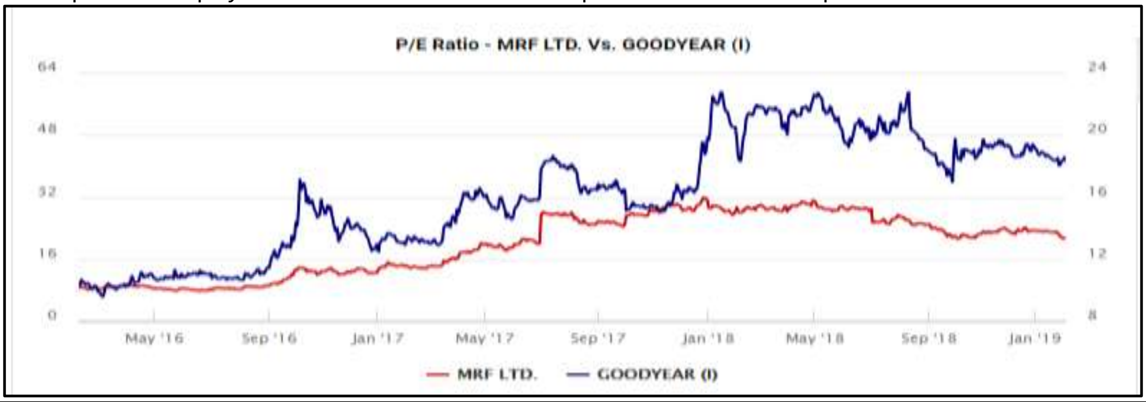
MRF is one of India's largest tyre manufacturer with over 24% market share. The company manufactures products like tyres, paints and toys and it derives over 95% of its revenues from tyres, and the rest earns from toys and paints. This company mainly focuses on tyres which increases capacity of the company and maintain market leadership and profitability. MRF Ltd. exports to over 75 countries. This company has 7 plants; most of them is located in the southern part of India.

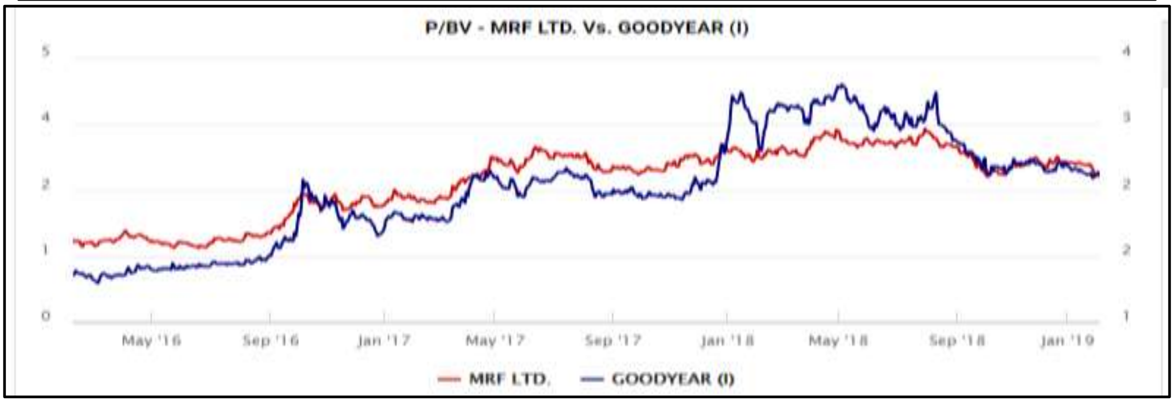
Goodyear Tire & Rubber Co.

This company exists in India since 1922. It mainly derives its incomes from manufacturing and marketing automobile tyres, tubes and flaps. The company manufactures these products for automobiles, aviation, farm equipment, trucks, buses, motorcycles, etc. It also trades in Goodyear branded tires (including radial passenger and off-the-road bias tires) manufactured by Goodyear South Asia Tires Private Limited (GSATPL).



Source: https://www.equitymaster.com/stock-research/compare/MRF-GDYR/Compare-MRF-LTD-GOODYEAR-I





Current Valuations

		MRF LTD.	GOODYEAR (I)	MRF LTD./ GOODYEAR (I)
P/E (TTM)	X	21.5	18.4	116.5%
P/BV	X	2.7	2.6	102.7%
Dividend Yield	%	0.1	1.4	6.8%

Financials

Income Data

Net Sales	Rs	150,004	16,647	901.1%
Other income	Rs	2,846	367	776.6%
Total revenues	Rs	152,850	17,013	898.4%
Gross profit	Rs	23,279	2,017	1,154.3%
Depreciation	Rs	7,067	362	1,955.0%
Interest	Rs	2,531	29	8,758.5%
Profit before tax	Rs	16,527	1,993	829.3%
Minority Interest	Rs	0	**0**	-

Prior Period Items	Rs	0	**0**	-
Extraordinary Inc (Exp)	Rs	0	**0**	-
Tax	Rs	5,210	693	751.6%
Profit after tax	Rs	11,316	1,300	870.7%
Gross profit margin	Rs	15.5	12.1	128.1%
Effective tax rate	Rs	31.5	34.8	90.6%
Net profit margin	Rs	7.5	7.8	96.6%

Balance Sheet Data

Current assets	Rs	56,722	9,900	573.0%
Current liabilities	Rs	45,899	4,654	986.1%
Net working cap to sales	%	7.2	31.5	22.9%
Current ratio	X	1.2	2.1	58.1%
Inventory Days	Days	53	37	144.9%
Debtors Days	Days	52	46	114.5%
Net fixed assets	Rs	71,711	2,724	2,632.6%
Share capital	Rs	42	231	18.4%
"Free" reserves	Rs	97,340	7,791	1,249.4%
Net worth	Rs	97,382	8,022	1,214.0%
Long term debt	Rs	13,193	0	-
Interest coverage	X	7.5	70.0	10.8%
Debt to equity ratio	X	0.1	0	-
Sales to assets ratio	X	0.9	1.3	71.0%
Return on assets	%	8.4	10.2	82.1%
Return on equity	%	11.6	16.2	71.0%
Return on capital	%	17.2	25.2	68.4%
Exports to sales	%	7.6	1.8	436.4%
Imports to sales	%	0	11.7	0.0%
Exports (fob)	Rs	11,458	291	3,932.1%
Imports (cif)	Rs	NA	1,953	0.0%

Cash Flow

From Operations	Rs	24,255	1,823	1,330.6%
From Investments	Rs	-20,264	-220	9,194.2%
From Financial Activity	Rs	-4,526	-373	1,214.0%
Net Cashflow	Rs	-535	1,230	-43.5%

Share Holding

Indian Promoters	%	26.8	0.0	-
Foreign collaborators	%	0.5	74.0	0.7%
Indian instruments/ Mutual Fund	%	9.4	9.5	98.6%
FIIs	%	8.8	0.9	977.8%
ADR/GDR	%	0.0	0.0	-
Free float	%	54.7	15.6	350.4%
Shareholders	%	28,974	24,647	117.6%
Pledged Promoter(s) Holding	%	0.6	0.0	-

Source: https://www.equitymaster.com/stock-research/compare/MRF-GDYR/Compare-MRF-LTD-GOODYEAR-I

Thus From the above case we can easily see that MRF LTD. Which is an Indian company is much better than American Company GOODYEAR and is performing better than every manner.

Overall comparison of Indian and foreign tire industries:-

1. Technological, Economical and governmental factors are affecting the MRF Company.
   Technological factors provided edge to foreign tyre industries.
2. At global level the ratio of natural rubber and that of its syntheticcounterpart stands at 44:56 but in India, its ratio is 73:27. This shows over-dependence on natural rubberin the country (this is the ratio of raw materials used in production of tyre) with a proposed change in the consumption pattern.
   It is because of the Indian roads are not developed enough to increase the proportion of synthetic rubber whereas foreign countries roads are developed enough to include more synthetic rubber in comparison to natural rubber as these countries have developed roads.
   This gives edge to foreign tyre industries as the synthetic rubber can be produced from rubber trees and also from crude oil which also lowers the cost of synthetic rubber comparison to natural rubber.
3. Economical and governmental factors affecting Indian tyre industry.
   Heavy Imposition of import and anti-dumping duty on tyres (including raw material).

It is a good decision to promote non dependence of Indian tyre industry on Chinese raw material for tyre production and to stress more on the ways for covering the demand for tyres from domestic tyre industry but tyre industry cited a mismatch in capacity addition by domestic black industry vis-a-vis the growing demand from the domestic tyre industry and increased exports by domestic carbon black manufacturers as reason for the shortage. The domestic demand-supply gap in carbon black (Main raw material source) which was 14 per cent in FY17 increased to 20 per cent in FY18, it said.

The domestic tyre industry is already facing shortfall in availability of natural rubber carbon on a regular basis.

Notwithstanding the domestic crunch, steep anti-dumping duty has been imposed on carbon black imports from China, the single largest producer of the raw material in the world accounting for about 40 per cent of global production. The tyre industry had to import carbon black to meet domestic deficit. ATMA then asked the Government to allow tyre companies to import carbon black on a duty free basis to bridge the gap between demand and supply.

As of now this Imposition of duties is acting against tyre industry as it is not able to cover the demand from domestic production for which it has to depend upon the imports from China but tyre industry manufacturers are now focusing on the manufacturing facilities with technologies that improve heat development in tyres with effort towards less usage of carbon black, which in turn contributes in lowering emissions, which will curtail the Indian tyre industry dependence for carbon black on imports but for now to meet the demand tyre industry has to depend on imports.

As these foreign tyre industries are capable enough to produce their own raw materials for tyre production such as China which accounts for 40 % of global production, which leads towards an edge of these foreign industries over domestic Indian industries.

Starbucks vs. Cafe Coffee Day

Starbucks VS Café Coffee Day

Trading name	Café Coffee Day
Type	Subsidiary of Coffee Day Enterprises Limited
Industry	Coffeehouse
Founded	1996; 22 years ago
Head office	Bengaluru, Karnataka India
Number of locations	1,556 (17 October 2015)
Area served	Worldwide
Key people	V.G. Siddhartha (Chairman)
Products offered	Tea, Coffee,Pastries, Cappuccino beverages, Smoothies
Revenue	₹13.26 billion (US$180 million) (2015)
Number of employees	5000+
Parent	Coffee Day Enterprises Limited

Starbucks Corporation

Logo since 2011[1]

Type	Public
Industry	Coffee shop
Founded	March 31, 1971; 47 years ago Pike Place Market, Elliott Bay, Seattle, Washington, U.S.
Founders	Jerry Baldwin Zev Siegl GordonBowker
Number of locations	28,218[2] (2018)
Area served	Worldwide
Products	1. Coffee beverages 2. smoothies 3. tea 4. baked goods 5. sandwiches
Revenue	▲ US$22.387 billion[3] (2017)
Operating income	▲ US$4.135 billion[3] (2017)
Net income	▲ US$2.885 billion[3] (2017)

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Total assets	▲ US$14.366 billion[3] (2017)
Total equity	▼ US$5.450 billion[3] (2017)

(2017)

Government initiatives to strengthen the Domestic Industries

India is growing and at a great pace. Ever since Shri Narendra Modi took charge as the Prime Minister of India, there have been quite a number of initiatives launched till date. These initiatives though have given hope for Indians of changing times; they also have improved the reputation of the country in the global market. By seeing the following different initiatives taken by government, foreigners are forced to say "India is now a country worth looking at".

Make in India

The main purpose of Make in India initiative is to encourage and facilitate foreign investment into the country. As per this Programme, businessman are given option to manufacture and invest in 25 different sectors of the country. This initiative has built a great reputation of a better investment opportunity in India.

Digital India

The objective of Digital India initiative is to digitize government activities and helps in improving the digital literacy. After launching this Programme, different SMEs and MSMEs have started promoting their products on the internet.

Skill India

Skill India initiative aims to train over 500 million people in different skills and generate a talent pool that could be unmatched in any part of the world so that they may get the employment opportunity not only in India but in the world. Skill India concentrates on areas where formal certification is lacking especially in the un-organized sector.

Startup India

Startup India initiative promote entrepreneurship in India. As per this initiative new dimension to entrepreneurship is being provided by helping to setup a network of startups in the country.

Execute India

India has raised opportunities in developing specialized skill in technical and management by setting up multiple IITs and IIMs. This gives opportunities for an investor to find generic and specialized skills to execute their business.

Though there are many other initiatives created by the government, but it depends on Indian citizens how they look at these initiatives and make the best use of it. If a person is good and reputed he would eventually give rise to a reputed country. And it is also not wrong to say that all these initiatives also help to improve the domestic industries in our country in one way or another.

Conclusion

On the basis of above discussion it can be said that Indian Economy today is a mixture of Domestic & foreign capital. Today both types of companies are contributing to the economy to a large extent. In other words both are contributing their best to the economy. But when it comes on between the two it becomes difficult to conclude which one is performing better. This is so because both of these carry equal merits & demerits. But on the basis of this study it is absolutely fair that our domestic companies had a fabulous come back in previous years. Due to the improved quality of goods & services some domestic companies successfully beat their foreign competitors. Also, the initiatives launched by the government such as skill India, Digital India had added more in financial position of our companies. Secondly these initiatives has resulted in establishment of many successful startups which is making our economy self-dependent.

But this is the one aspect of the coin. The fact cannot be denied that the presence of foreign competition in our economy to a large extent & over the years (since LPG reforms of 1991) had completely changed the mindset of consumers. Especially when it comes on comparison on BRAND BASIS. Our survey study reveals that most of the consumers are influenced by foreign brands .The reason behind this is that they feels that their status symbol rises when they use foreign brands as compared to local ones. Despite of the better quality local products consumers still prefer foreign products because these companies successfully rule over the minds of consumers. So changing mindset of consumers is a big challenge.

On the other hand some consumers are ready to welcome the concept of Swadeshi or Domestic products. As a result of this our domestic companies starts flourishing.

Example

The entry of Patanjali in the field of consumer goods encouraged many consumers to opt for domestic products. Apart from this, there are well established brands such as Amul which does not lose their reputation due to foreign competition.

The crux of the above discussion is that many of the companies have become successful in their operations by defeating multinational companies. The biggest advantage of the presence of foreign competition is that it promoted a healthy competition in the economy which lead to improved quality of goods & services. Even there are some Indian Multinational companies which are investing their funds in various parts of the world. Examples of such companies are TATA STEEL, HINDALCO, TATA CHEMICALS, RANBAXY, TATA TEA & many more.

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