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E: ISSN NO.: 2455-0817 Remarking An Analisation

An Analysis of Indian MNC's

Abstract

Indian MNC's is a company which has basically Indian origin, widening its formation to set up enterprises in various markets around the earth. In the present paper we have examined the performance of top 15 Indian MNCs including six from Tata Group in terms of their transnational index (TNI), revenue, assets and employment in the foreign country. It has been revealed that the ratio of foreign assets and revenues of dominant Indian MNCs is somewhat comparable to that of dominant international MNCs. Indian companies have to employ foreign manpower which can be ultimately replaced by Indian manpower. This calls for creating enabling environment of training Indians with skills of the kinds needed. Additionally, they need to be trained in communication skills in English and need to be provided spiritual input. The programme "Skill India" deserves to be promoted with the needs of the time. The companies like Infosys deserve to be honoured for employing highest number of Indians outside India .We need to understand globalization as internationalization of indianisation through 'Make in India' including 'Bake in India'.

M.M.Goel
Director,
Rajiv Gandhi National Institute of youth Development
(RGNIYD),
Sriperumbudur, Tamil Nadu

Meenu Gupta
Research Scholar,
Deptt.of Economics,
Kurukshetra University,
Kurukshetra

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Introduction

Till a few years ago, Multinational Corporation in India refers to a firm having a presence in India as a part of its international network with its headquarters located outside from the India. In simple words, any foreign company which establishes its subsidiaries in India is a "MNC" in Indian sight.

Now a day, the business world has seen the development of a new generation of companies which is terms as "Indian MNCs." The Indian MNC is a company which has its origin in India, now widening its formation to set up operations in many markets at international level.

Multinational corporations are further classified into four categories: (1) an international centralized corporation which gains cost advantage through the use of cheaper resources wherever they are available, (2) a global, decentralized organization with sound home country presence, (3) a foreign company that rely on the technology or R&D of the parent company, or (4) a transnational corporation that combines the previous three approaches.

Some Indian companies are building strong position in international markets and now count among the most operative players on the international stage. Currently, a number of organization have established global and regional leadership positions in industries like automotive, pharmaceuticals and consumer goods, telecommunications, infrastructure and resources. Their main markets are located in other parts of the world and they are going abroad to secure their intellectual properties. This expansion has created multinational giants from India that are as global as any of their counterparts in the world. Moreover, global expansion of Indian MNCs have required mergers and acquisitions (M&As) for their growth at global level. Reliance, Tata Steel, Hindalco, Suzlon, and ONGC are typical examples of such Indian companies.

"We anticipate that the extent of globalisation will only increase further as India becomes more integrated with the rest of the global economy and as Indian companies gain more confidence by acquiring experience in overseas markets," says Professor Raveendra Chittoor, who conducted the study along with Deepak Jena .

Objectives of the Study

1. To examine the performance of top 15 Indian MNCs in terms of their transnational index (TNI), revenue, assets and employment in the foreign and domestic country.
2. To find out which multinational company is well performed in their foreign operations.

Review of Literature

Dunning (1977) contended by the use of eclectic model that MNCs utilizes their 'ownership' advantages in those countries that are attractive due to their 'locational' advantages in relation to their major competitors. These competitive advantages are useful to the MNCs focusing on outside FDI. He suggested that any industrial leader or growing companies which needs to establish their MNC's at international level have to establish certain competitive advantages.

AGGARWAL and WEEKLY (1982) analysed the Foreign Operations of Third World Multinationals based in India and their international investment policies and operating behaviour. They compare findings with the composite model from earlier studies to determine the extent to which the data regarding Indian companies support the TWMNC archetype. They found that multinational companies from India share most of the characteristics of MNCs based in other Third World countries.

Athanassiou and Nigh (2000) conducted a study on three useful areas of firm globalization: the scope, the mode of global involvement and the degree of interdependence among global activities. They collect the data from 39 U.S.A. based MNCs which represent 28 different industries. To test the hypotheses they used multiple regression analysis. Applying one-tail t-test they found that top management team members of MNC take first-hand experience of the MNC's global activities through individual attendance and intercommunication in the company's overseas markets as MNC moves on the path of inter-nationalizes.

Ishrat and Habib (2012) conducted a study on Current HR Practices of both Indian and Foreign MNCs. They used secondary data and found that when Expatriates apply a culture-specific leadership style in India they get more success. Such type of leadership style combines Adaptation (authoritativeness, emotionality and empathy) and Leadership (result-orientation). Both factors have some feasibility alone, but basically form an inseparable unit, which only in its entirety generates the best possible results.

Ramsey et al (2012) conducted a study on 41 Brazilian TNCs' international activities and assessed their transnationality index by the use of Structural Equation Modelling. Foreign revenues/total revenues, foreign assets/total assets and foreign employees/total employees which are the three indicators of UNCTAD used to forecast the degree of globalization. Firms were found to be more contented with the subjective measures viz. international sales, sales growth, profits and market share .The results shows that an increase in scope of globalization is correlate with better international performance.

Singal A. and Jain A.K. (2012) examine that the globalization process of emerging Indian MNCs has not been fully explain by the existing theories. By keeping in mind that Indian firms before going for asset accumulation have to builds a strategic capability to compete at global levels by the use of various approaches like strategic alliances, joint ventures, and technology acquisition.This theory develops a fresh capability-based model.

Limitation

This study is based on the two surveys conducted by Indian School of Business (ISB) along with Brazil's Fundacao Dom Cabral in the financial year 2012 and 2013. They rank the 15 Indian Multi-national companies that are most global based on highest TNI. After this time period no survey was conducted by ISB.

Research Methedology

In this paper we have examine the percentage share of revenue from domestic operations, percentage share of assets in India and percentage share of Indian employees along with TNI of the 15 Indian companies with the help of indicators viz. TNI, total revenue, revenue from foreign operations, total assets, assets abroad, total employees and employees abroad.

The selection of the sample is based on the survey conducted by Indian School of Bussiness (ISB) along with Brazil's Fundacao Dom Cabral. They did a survey based on Transnationality Index (TNI) that was developed by the United Nations Conference on Trade and Development (UNCTAD). They rank the 15 Indian companies that are most global based on highest TNI. TNI is used to rank the MNCs that have international presence. It is measured by the arithmetic mean of the three ratios, such as:

1. Ratio of international assets to total assets
2. Ratio of international sales to total sales
3. Ratio of international employment to total employment

Performance of Top 15 Indian Companies

To know the performance of Indian MNCs we have examine the percentage share of Transnationality index, Revenue, Assets and employment of the top 15 Indian companies. Such as: of Indian MNCs

1. Transnationality Index: TNI is used to rank the MNCs that have international presence.

Table 1

Transnationality Index in Percentage in FY 2012

Company	Transnationality Index in Percentage
ONGC Videsh	77
Tata Steel	63
Tata Global Beverages	60
MothersonSumi System	60
HCL Technologies	57
Tata communications	56
Hindalco Industries	55
Suzlon Energy	55
Tata Motors	53
Dr.Reddy's Laboratories	49
Jubilant Life Sciences	47
TataConsultancy Services	44
Infosys	44
Punj Lloyd	43
Tata Chemicals	40

Source: Based on survey conducted by Indian School of Business (ISB), Hyderabad as well as Brazil's Fundacao Dom Cabral

Figure: 1

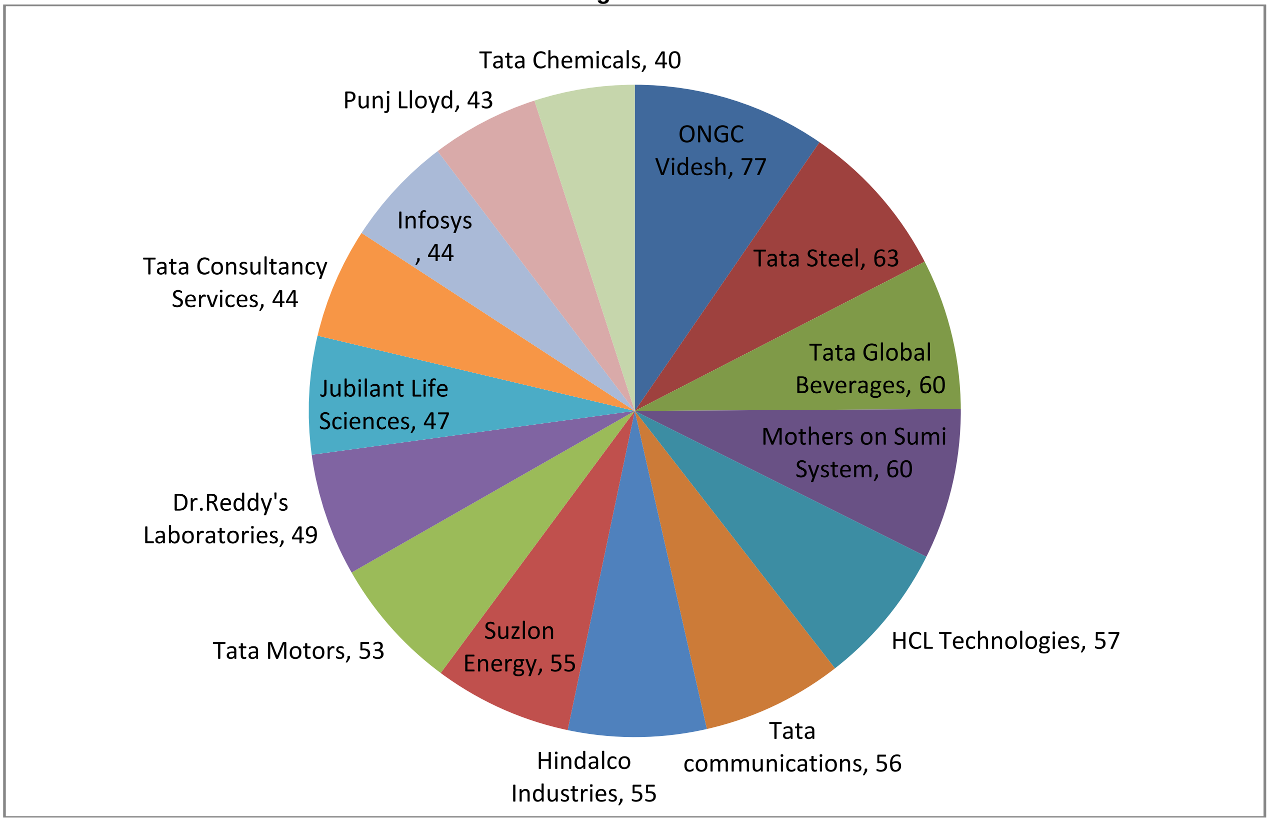


Figure 1 that ranks India's MNCs based on their Transnationality Index demonstrates that the maximum number of the companies in the list are related to a business group, a reality unique to emerging economies, with companies from the Tata group dominating the list.

Revenue of the Companies

For a company, revenue is the total income that a company receives from goods sold or services provided during a definite period of time. It is also called as sales or turnover and includes discounts as well as deductions for returned merchandise. To determine net income costs are subtracted from the "gross income" or revenue. It is also known as REVs.

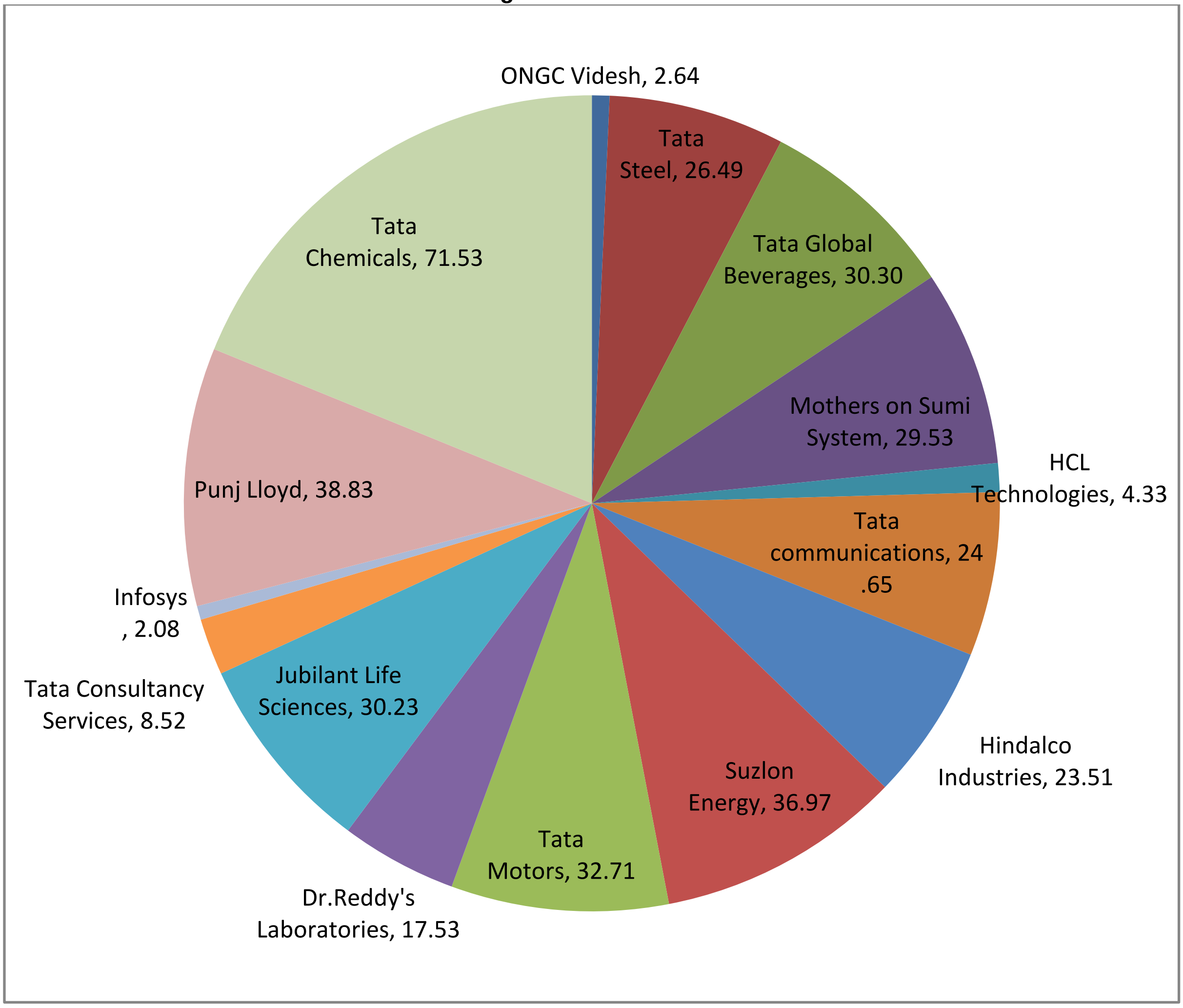
Table 2

Percentage share of Revenue in FY 2012

Company	Total Revenue (In Billions)	Revenue From Foreign Operations (In Billions)	Percentage Share of Revenue From Foreign Operations	Percentage Share of Revenue From Domestic Operations
ONGC Videsh	227	221	97.36	2.64
Tata Steel	1329	977	73.51	26.49
Tata Global Beverages	66	46	69.70	30.30
Motherson Sumi System	149	105	70.47	29.53
HCL Technologies	208	199	95.67	4.33
Tata communications	142	107	75.35	24.65
Hindalco Industries	808	618	76.49	23.51
Suzlon Energy	211	133	63.03	36.97
Tata Motors	1657	1115	67.29	32.71
Dr.Reddy's Laboratories	97	80	82.47	17.53
Jubilant Life Sciences	43	30	69.77	30.23
Tata Consultancy Services	493	451	91.48	8.52
Infosys	337	330	97.92	2.08
Punj Lloyd	103	63	61.17	38.83
Tata Chemicals	137	39	28.47	71.53

Source: computation is based on the survey conducted by Indian School of Business (ISB) as well as Brazil's Fundacao Dom Cabral

Figure: 2
Percentage Share of Revenue in India



The figure 2 shows that Tata chemicals earn more than 70 per cent of their income from the domestic country India. On the other hand 93 per cent companies in the list earning more than 60 per cent of revenue from the foreign countries. ONGC, HCL Technology and Tata consultancy Services are most global in the sense of global income. As their percentage share of revenue from foreign operations is more than 90 per cent. This shows that Indian companies are more dependent on other countries in terms of their revenue.

Assets of the Companies

Assets of a company represent the value of ownership that can be converted into cash. Assets can be classified into two categories: tangible assets and intangible assets. Tangible assets can usually see and touch.It contains subclasses, including current assets and fixed assets. Current assets include inventory, while fixed assets include such items as buildings and equipment . Intangible assets can be even more crucial as they provide some type of advantages in the business. These assets are not necessarily something that can feel and touch. Examples of intangible assets are goodwill, copyrights, trademarks, patents and computer programs, bonds and stocks.

Table: 3
Percentage Share of assets in FY 2012

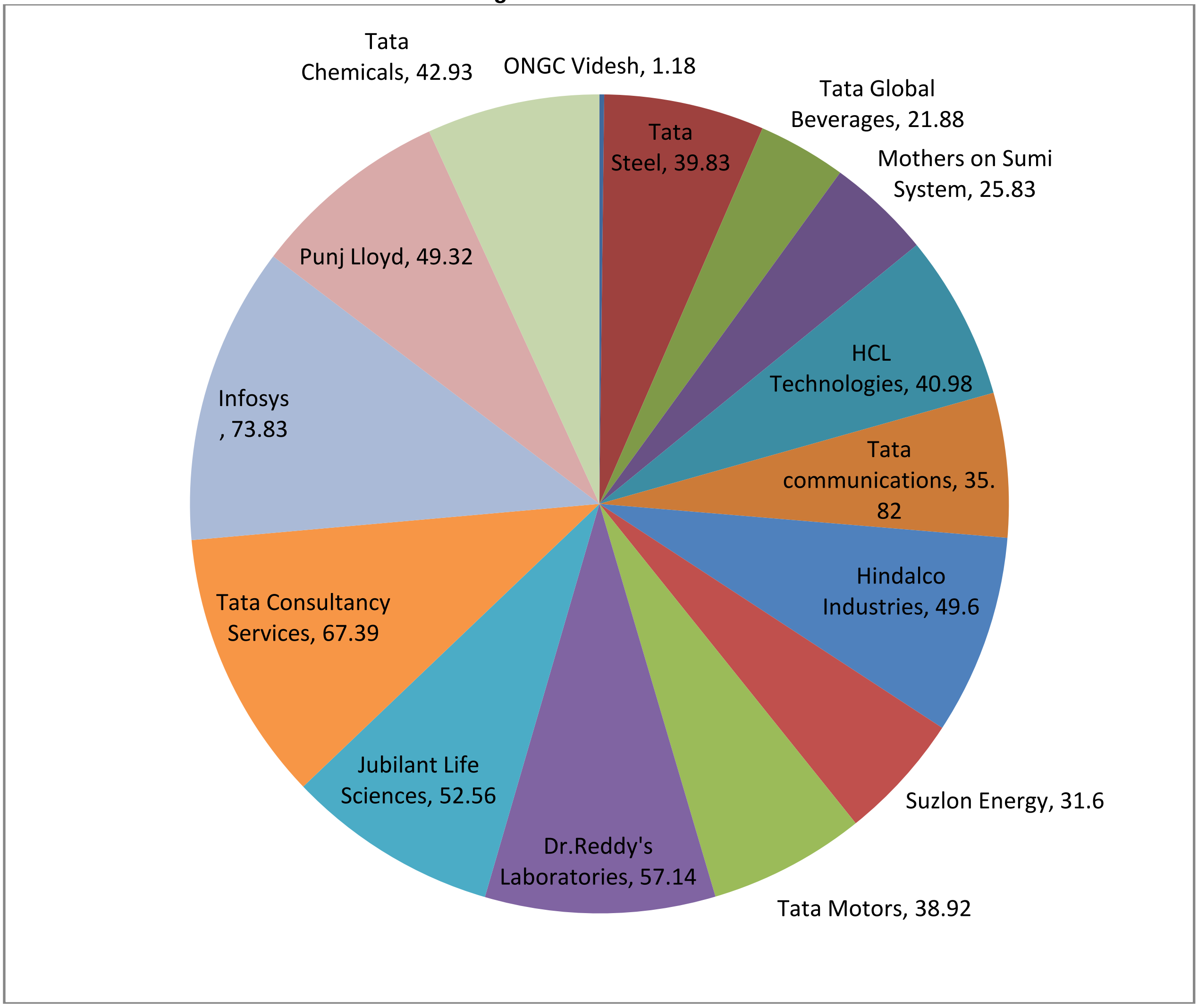
Company	Total assets (in billions)	Assets abroad (in billions)	percentage share of assets abroad	percentage share of assets in India
ONGC Videsh	255	252	98.82	1.18
Tata Steel	1258	757	60.17	39.83
Tata Global Beverages	64	50	78.13	21.88
Motherson Sumi System	120	89	74.17	25.83
HCL Technologies	183	108	59.02	40.98
Tata communications	134	86	64.18	35.82
Hindalco Industries	885	446	50.40	49.60

Suzlon Energy	326	223	68.40	31.60
Tata Motors	1246	761	61.08	38.92
Dr.Reddy's Laboratories	119	51	42.86	57.14
Jubilant Life Sciences	78	37	47.44	52.56
Tata Consultancy Services	414	135	32.61	67.39
Infosys	386	101	26.17	73.83
Punj Lloyd	146	74	50.68	49.32
Tata Chemicals	191	109	57.07	42.93

Source: Computation is based on the survey conducted by Indian School of Business (ISB), Hyderabad along with Brazil's Fundacao Dom Cabral

Figure: 3

Percentage Share of Assets in India



The figure 3 shows that Infosys which is on the last rank on the basis of percentage share of revenue in India(as in table2), here on the top rank with 73.83 per cent assets in India. Moreover, Tata consultancy services, Dr. Reddy's laboratories and jubilant life sciences have more than 50 per cent of their assets in India.The figure also shows that ONGC lag behind in terms of Indian assets as it has only 1.18 per cent assets in India. It also reveals that 73 per cent companies have more than 50 per cent assets abroad.

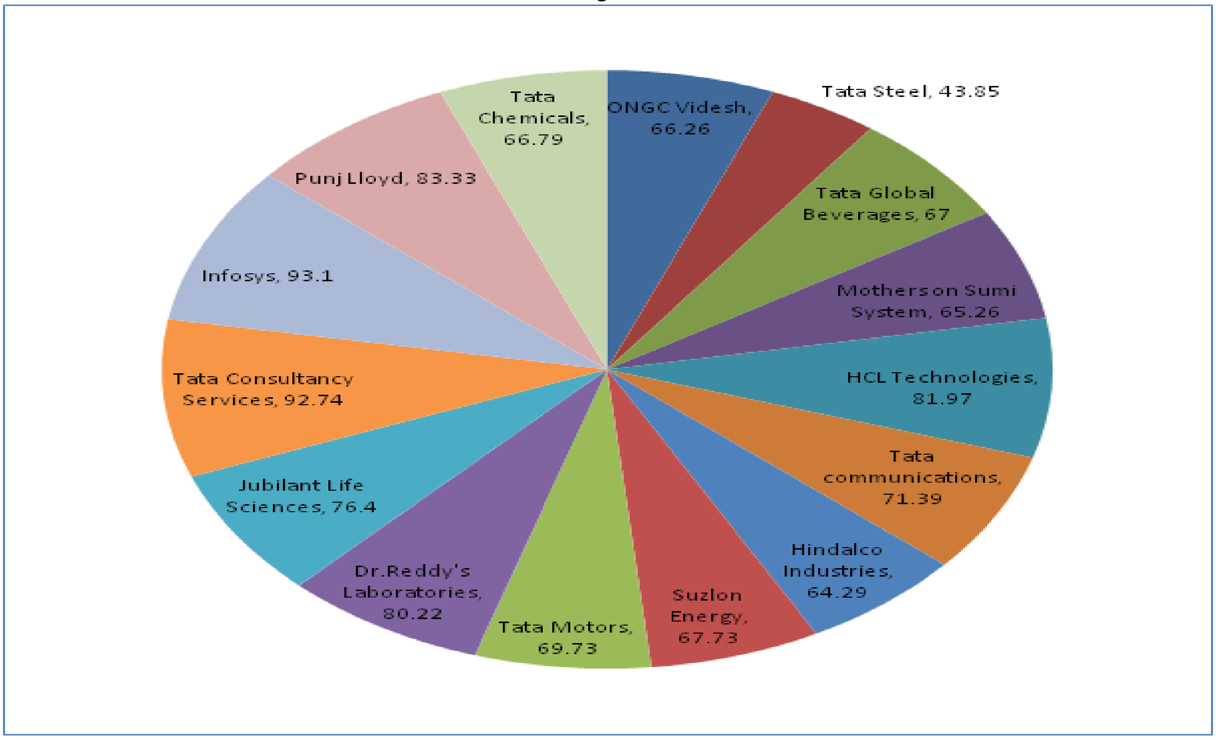
Employment in the Companies

Table:4

Company	Total Employee	Employees Abroad	Percentage Share of Foreign Employees	Percentage Share of Indian Employees
ONGC Videsh	246	83	33.74	66.26
Tata Steel	81622	45829	56.15	43.85
Tata Global Beverages	2218	732	33.00	67.00
Motherson Sumi System	44208	15359	34.74	65.26
HCL Technologies	84319	15201	18.03	81.97
Tata communication	7954	2276	28.61	71.39
Hindalco Industries	33600	12000	35.71	64.29
Suzlon Energy	12951	4179	32.27	67.73
Tata Motors	59759	18090	30.27	69.73
Dr.Reddy's Laboratories	15200	3007	19.78	80.22
Jubilant Life Sciences	6327	1493	23.60	76.40
Consultancy Services	238583	17329	7.26	92.74
Infosys	149994	10350	6.90	93.10
Punj Lloyd	33442	5576	16.67	83.33
Tata Chemicals	4746	1576	33.21	66.79

Source: computation is based on the survey conducted by Indian School of Business (ISB), Hyderabad as well as Brazil's Fundacao Dom Cabral.

Figure 3



The result shows that only Tata steel employed 56.15 per cent of their employees from other countries. Rest of the companies employed more employees from domestic country with highest by Infosys. Infosys employed 93.10 per cent employees from India followed by Tata consultancy services with 92.74 per cent and Punj Lloyd with 83.33 per cent Indian employees.

Conclusion

The present study concludes that the proportion of Indian assets and revenues of top Indian TNCs is very low. Tata group which dominating the list has less percentage share of revenue and assets in India but they employed more Indian employees outside India. Indian companies do far much better in terms of employing Indian workforce. It means Indian companies employed less foreign employees in comparison to Indian employees but their turn over in foreign countries is far better than in Indian market. It implies that Indian companies are getting better environment to work and foreign Government policies are in favour of all the companies.

It is a good sign for Indian workers as these companies employ more Indian workers in Indian companies. Surely, it reduces the problem of Unemployment and Brain Drain. It can be say that Indian employees are more skilled as they generate more income in the foreign countries. But to compete with other world MNCs and to get new technology Indian companies have to employ foreign manpower which can be ultimately replaced by Indian manpower. This calls for creating enabling environment of training Indians with skills of the kinds needed. Additionally, they need to be trained in communication skills in English and need to be provided spiritual input. The programme "Skill India" deserves to be promoted with the needs of the time. The companies like Infosys deserve to be honoured for employing highest number of Indians outside India .We need to understand globalization as internationalization of indianisations through 'Make in India' including 'Bake in India'.

So we can say over the last decade, the commitment of Indian companies has undergone a complete transformation with overseas markets. Indian companies are developing as crucial players on the global environment and India has continuously become more accommodated with the global economy.

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