Chapter – 8

CONCLUSION AND FINDINGS

8.1 Introduction

8.2 Comparative study of objectives and findings

8.3 General conclusions

8.4 Specific conclusions

8.5 General findings

8.6 Specific findings

8.7 Future direction for research
Chapter 8

CONCLUSIONS AND FINDINGS

8.1 Introduction

India being the largest democratic country and having second largest demography has to achieve an important position in the global market. All sorts of economic activities are being done through different intermediaries in this mixed economy. MMTC, an independent corporation set up in October 1963, established through the bifurcation of the STC, is one of the largest trading company and has a key role in the path of the country’s economic development. It occupies a prominent position in India’s foreign trade. It is a fully government owned company and its main object is to develop the export and import and distribute some of the essential raw materials for the industries in India.

The present research being the evaluation of such an organization, different parameters were used to draw the conclusions from the research work. The researcher has made an attempt to show a comparative study of the objectives and the findings derived at by the end of the research work. The researcher has also made some general and specific conclusions relating to the overall performance of MMTC. The general and specific findings are made in quantitative terms indicating physical and financial strength of the organization. In addition to this, an attempt is made to suggest areas in which further research can be explored.
8.2 Comparative study of the objectives and findings

The researcher has made an attempt to give an overview of the outcome of the study with the help of the following Table 8.1, which shows the comparison of the objectives with the findings derived at in the process of the research work.

**Table 8.1**
Comparison of the objectives with the findings of the study

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>FINDINGS</th>
</tr>
</thead>
</table>
| 1) To examine the role of MMTC in India’s foreign trade and specifically assess whether or not it has contributed to an increase in the Indian exports. | 1) There was a growth in MMTC’s exports by 46 per cent and growth in imports by 75 per cent during 1997-98 to 2001-02.  
2) The company showed an upward trend in earning foreign exchange for the economy. It increased from Rs. 11,121.37 million in 1997-98 to Rs. 16,776.65 million in 2001-02 indicating a remarkable growth of 51 per cent.  
3) MMTC is the first international trading company of India to be given the coveted status of “SUPER STAR TRADING HOUSE”, for being the largest exporter of the country for the period 1994-95 and 1995-96 and it is the first public sector undertaking to be accorded the |
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
<td>After 1991, 14 out of 18 items canalized through MMTC were decanalised. To respond to this completely changed business environment, MMTC diversified its activities. Presently, MMTC is dealing in commodities like fertilizers, coal and hydrocarbon, minerals, agro products, metals, precious metals/gems &amp; jewellery, general trading in chemicals, drug and pharmaceuticals, timber, textiles, building material, processed food, engineering products, security equipments and marine products.</td>
</tr>
<tr>
<td></td>
<td>2) MMTC is a major global player in the minerals trade and the single largest exporter of minerals from India. It has won the highest export award from CAPEXIL as the largest exporter of minerals from India for seven years in a row.</td>
</tr>
<tr>
<td>3)</td>
<td>It is the world's second largest importer of fertilizers and the biggest in India.</td>
</tr>
</tbody>
</table>

status of “GOLDEN SUPER STAR TRADING HOUSE”, for long standing contributions to exports.
4) It is India's largest importer of gold and silver handling 50 MT of gold and 500 MT of silver annually.

5) It is India's largest importer of non-ferrous metals and industrial raw materials to India.

6) It is amongst the leading Indian exporters and importers of agro products.

| 3) To evaluate the performance of MMTC in the light of its financial performance and review the growth of the company through growth analysis. | During the period under study the result of the growth analysis was as under:

a) Sales increased by 62 per cent.

b) Trading profit increased by 10 per cent.

c) Profit before tax increased by 31 per cent.

d) Profit after tax decreased by 2 per cent.

e) Fixed assets increased by 27 per cent.

f) Contribution to exchequer increased by 108 per cent.

g) Foreign exchange earnings increased by 51 per cent and

h) Number of employees reduced by 24 per cent. |

| 4) To study various schemes of MMTC providing services to jewellery exporters. | Precious metals are provided to the exporters under any of the three schemes, namely,

a) loan scheme, |
5) To analyse in depth the contribution of the Precious Metals Division vis-à-vis the company's overall turnover and to highlight the problems faced by the clients of MMTC.

1) Except for the year 2002-03, MMTC's Precious Metals Division has been contributing more than 55 per cent in the overall turnover of the company from 1998-99 to 2003-04.

2) Problems faced by clients of MMTC are as follows:
   a) They find the service charges and rate of interest to be very high and the loan repayment period given is too less.
   b) They find separate bank guarantees for OGL and DTA too taxing.
   c) There is often delay in the delivery of goods.
   d) The pricing and invoicing system is confusing, unclear and not transparent for any layman to understand.
   e) Frequent transfer of the staff creates lot of inconvenience, moreover the office hours are also not flexible.
   f) The refund payments are pulled on for a long period.
   g) The policy and rules followed by MMTC are bureaucratic and not customer-friendly.
8.3 General conclusions

On the basis of research an attempt is made by the researcher to arrive at some conclusions in general, which are as under:

1) Success comes from vision and foresight, preparing yesterday for the troubled times of today. MMTC is ready, not only to accelerate the growth into the future, but also for times of uncertainty and change. MMTC has been implementing plans into real action, as a measure to realize its visions. It has also been embarking on a continuous search for value addition and meaningful customer relationship management. It is not just responding to the changing customer needs, but actually anticipating them.

2) MMTC has been facing the challenges of a rapidly changing environment and is sensitive and interactive to fluctuations in market forces. It has been capitalizing on the opportunities of the ups and prepared with contingencies for the downs, maintaining competitive advantage generated in the past with strategic initiatives re-thinking, re-organising and re-inventing the corporation.

3) MMTC has been ushering in Business Process Re-engineering, implementing an Enterprise Resource planning model that seamlessly integrates diverse activity and complex operations and processes, maximizing efficiency and minimizing decision-making dilemmas, transforming work methodology and philosophy and effortlessly entering the age of e-business.

4) MMTC has not only been enforcing greater economies of scale and ensuring higher returns on investment, but also becoming increasingly customer driven.
and responsive to ever-changing needs and anticipating new directions of demand.

5) It has been focusing on strategic strengths, rationalizing core competencies, consolidating on the gains of the past, combining reassuring stability with the spirit of exploration, reaching for futuristic directions of business and nurturing new ventures with the potential to become revenue generators.

6) In the new millennium MMTC has realized that the global trading environment is set to transform substantially. Keeping the core parameters constant, more dynamic tools and methods are needed. Increasing global and domestic competition naturally built further pressures on profits.

7) Management’s focus is resources through innovative schemes. IT has been the key enabler, which not only reinforces the core activities of MMTC business transactions but also broadens the range of business opportunities.

8) MMTC has pursued new and expanded activities and endeavours to have sound business and enterprising spirit to contribute to the betterment of society at large. In particular, it has developed the business on a global basis by promoting large-scale projects and new businesses, and demonstrated its comprehensive capabilities as a business partner domestically and overseas. The ultimate aim of MMTC is to transform itself from a trading company into an integrated business enterprise of the twenty first century.

9) Liberalization and the opening of economy have brought both higher risk and higher rewards for the company. For MMTC, this has lead to greater challenges and journey toward identifying new opportunities in existing and new areas as well as expanding and diversifying into new markets.
10) With 80 per cent of MMTC's business being non-canalised it has definitely resulted in increased competition and tremendous pressures on margins. Thus, greater emphasis was laid on improving operational efficiencies and increased customer focus. In the liberalized scenario, where MMTC had to compete with private Indian and International Trading Companies, responsiveness, efficiency and cost control was critical for successful trading operations.

11) It is expected that in the foreseeable future the existing list of the canalised products will be pruned further resulting in further reduction of the turnover of MMTC. However, MMTC's expertise in trading and infrastructure that it has developed over these years could be of interest to a prospective buyer.

12) The new liberal dispensation of economic and trade policies have been seized by MMTC as a challenging opportunity to move from government led to market led growth.

13) Today, India is Asia's newest jewel in the jewellery export market. The jewellery trade in India, steeped in antiquity and tradition and has emerged as one of the fastest growth areas over the last decade. In the new liberalized scenario, India is all set to take flight to greater heights.

14) Keeping in view the dynamics of the global trade, changing domestic scenario and increasing competitive environment the organization has set for itself and derives from there its strategy and action plans.

15) Jewellery trends are changing the world over. The customer has become more demanding, looking for better quality in the product. New tastes and preferences in line with the best changing fashion trends need new skills in manufacturing, new materials, and new standards of perfection. Towards this end, MMTC is totally committed to meet every need and choice from any part
of the world, as a challenge to its learning, acquiring and developing new
skills.

16) MMTC’s professionals are continuously updating their knowledge of different
markets and jewellery trends all over the world. This updation is constantly
being transferred into new ideas and forms, to give its customers the widest
range of products to choose from.

17) MMTC’s integrated package holds benefits for all the customers to fill all the
needs – from wholesale purchase of rough stones to sorting, cutting, crafting,
designing and mass-producing an exquisite range of jewellery as per buyers’
preferences, at the most reasonable and competitive prices.

18) MMTC is looked upon with expectations of leadership in this age of
uncertainty and rapid changes. It is held in high esteem among trade circles,
which is considered to be a priceless asset. With the various initiatives
planned, the goal of the company is to become an organization, that would
rank amongst the best in Asia through achieving excellence in all its activities,
generating optimum profits through total satisfaction of shareholders,
customers, suppliers, employees and society as a whole.

19) MMTC is a value driven organization, with an improved and responsive
customer focus, laying a strong emphasis on corporate governance.

20) MMTC has laid a true commitment to transparency, accountability and
integrity in principle and practice. It has implemented value based human
resource management implemented at all tiers of the organization, with focus
on areas of skill and knowledge up-gradation, motivation, and manpower
rationalization.
21) MMTC is emerging as a dynamic organization, seizing opportunities for generating and building upon past success, enhancing earnings and expanding the potential for growth. It is an organization that increases shareholder value, while strengthening customer relationships. It is not just managing the present, but is already a step ahead into the future.

8.4 Specific conclusions

The researcher has also made an attempt to draw some specific conclusions from the research work undertaken. They are as under:

1) MMTC is India's largest trading house maintaining the competitive advantage it has gained over the years.

2) MMTC has been in existence for more than forty years and has a vast experience in international trading. The company is passing through a transitory phase and has not yet fully adjusted to the circumstances. It is still trying to adjust with the ground realities. Keeping in view that the company has vast reserves at its command it is quite likely that it will overcome various unfavourable conditions.

3) The years ahead will be challenging for MMTC, as activities will vary substantially in different product areas. Factors like uncertainties of economic revival, low prices of commodities and competitive pressure on margins will have severe impact on operating environment.

4) Aggressive marketing strategies to sustain operations, changing business forms in keeping with global trends and focusing on newer areas surrounding MMTC's core competence are expected to show positive results in terms of accelerated
performance. Consequently, opportunities of a wide variety are opening up to take up the challenge of this fast moving business conditions.

5) MMTC has enhanced and amalgamated its core capabilities – trading with production bases. Iron and Steel and Coke Oven projects are part of such management vision to complement trading operations with captive production bases.

6) The challenges will be to explore the unknown rather than pursuing the known. Myopic vision will have no room in such environment. To deal with these challenges, MMTC has set forth processes to enhance knowledge base, sharpen marketing skill, optimize internal systems, and adapted a new IT driven mechanism to enhance responsiveness and have effective monitoring and control.

7) As an organization MMTC will continue to be customer-driven. Profits in future will be influenced by the intention of the company to give customers value for money, improved responsiveness and transparency, providing specific and most appropriate solutions to customer needs.

8) After the progressive de-canalisation and liberalization of trade, MMTC’s dependence on government related trade has decreased considerably, from about 50 per cent to 33 per cent. With the recent stiff competition from the 10 commercial banks, both turnover and profit of MMTC from the gold business has decreased. Hence the sustenance of mineral trade, of which iron ore exports account for 80 per cent, assumes increased importance for MMTC’s viability.

9) With the personal interaction that the expert teams have with its customers all over the world, round the year, it is sure that MMTC will always be closely in touch with the customers to meet all their requirements. MMTC’s network of 8
foreign offices, opened as per the customers' needs, is to make sure that its service is there for them at their doorstep.

8.5 General findings

The outcome of the research work while evaluating the performance of MMTC has been given below in the form of general findings:

1) The imbalance of foreign trade of our country indicates that it has still a long way to earn foreign exchange to meet the bulging import bill.

2) MMTC is the first international trading company of India to be given the coveted status of “SUPER STAR TRADING HOUSE”, for being the largest exporter of the country for the period 1994-95 and 1995-96 and it is the first public sector undertaking to be accorded the status of “GOLDEN SUPER STAR TRADING HOUSE”, for long standing contributions to exports.

3) MMTC is a major global player in the minerals trade and the single largest exporter of minerals from India. It has won the highest export award from CAPEXIL as the largest exporter of minerals from India for seven years in a row.

4) It is the world’s second largest importer of fertilizers and the biggest in India.

5) It is India’s largest importer of gold and silver handling 50 MT of gold and 500 MT of silver annually.

6) It is India’s largest importer of non-ferrous metals and industrial raw materials.

7) It is amongst the leading Indian exporters and importers of agro products.
8) The company’s domestic network, which comprises 85 regional, sub-regional port and field offices, warehouses and distribution outlets are well supported by strategically located offices abroad.

9) MMTC’s international trade network spans over 80 countries in Asia, Europe, Africa, Oceania and America giving the company a global market presence. It has two overseas subsidiaries, sixty two offices and warehouses in India, six offices and warehouses abroad and four joint ventures in India.

10) After 1991, 14 out of 18 items canalized through MMTC were decanalised. To respond to this completely changed business environment MMTC diversified its activities. Presently, MMTC is dealing in commodities like fertilizers, coal and hydrocarbon, minerals, agro products, metals, precious metals/gems & jewellery, general trading in chemicals, drug and pharmaceuticals, timber, textiles, building material, processed food, engineering products, security equipments and marine products.

11) Precious metals are provided to the exporters under any of the three schemes, namely, loan scheme, outright purchase scheme and replenishment scheme.

12) The corporation has not been dealing much in the domestic trade; its major concerns had been in the field of export and import. Thus, truly acting as an agency to promote the foreign trade of the country.

13) The contribution to the exchequer had been very impressive and MMTC has proved to be a good source of revenue to the railway and ports and central and state government.

14) In order to remain profitable the number of employees of the corporation are reduced year after year with the voluntary retirement scheme, which has been incorporated since 1989.
15) Though the manpower strength of about 3400 is substantially in excess of the sustainable level the corporation is making optimum utilization of the available human resources. There has been improvement year after year in this area.

16) The current ratio showed that there was no shortage of working capital and the company had the ability to pay off its bills. The company is trading with adequate funds and financial backing. There is no over investment in inventories and the company is not subject to undercapitalisation.

17) The cash holding ratio indicated that the day-to-day management of cash is not satisfactory. The management may have to liquidate some necessary investments or hasten the collection process to increase cash resources whenever required.

18) The overall net cash inflow position indicates a mixed trend through out the period of the study. The company can improve its immediate liquidity by concentrating on its cash holdings position.

19) The assets turnover ratio reflects that the fixed assets of the company have been managed very well. The inventory turnover ratio of MMTC indicates a favourable trading situation. There was no excessive blocking of funds in inventory and an effective sales policy had been followed.

20) The clients are dissatisfied with the services offered by MMTC. They find the service charges and rate of interest to be very high and the loan repayment period given is too less. They find separate bank guarantees for OGL and DTA too taxing. There is often delay in the delivery of goods. The pricing and invoicing system is confusing, unclear and not transparent for any layman to understand. Frequent transfer of the staff creates lot of inconvenience,
moreover the office hours are not flexible. The refund payments are also pulled on for a long period. The policy and rules followed by MMTC are bureaucratic and not customer-friendly.

8.6 Specific findings

The researcher has also made an attempt to find out the quantitative outcome of the research work. This is in the form of specific findings as given below:

1) Sales (turnover) showed an overall increasing trend for the period under study. It increased from Rs. 44734 million in 1997-98 to Rs. 72436 million in 2001-02 showing a growth of 62 per cent. The highest sales (turnover) of MMTC were seen exactly one decade after the liberalization of the Indian economy indicating that MMTC had reaped the benefits of economic reforms of the nation.

2) Although trading profit increased from Rs. 1148 million in 1997-98 to Rs. 1262 million in 2001-02 with a growth of 10 per cent it showed a mixed response due to various reasons during the period under study, due to stiff competition.

3) Profit before tax increased by 31 per cent and profit after tax decreased by 2 per cent from 1997-98 to 2001-02.

4) The trading profit ratio (percentage of trading profit to sales) showed that the efficiency of the company had reduced from 2.6 per cent in 1997-98 to 1.74 per cent in 2001-02 indicating inability to face excessive competition in the market.
5) During the period under study the percentage of profit before tax to sales ranged between 0.2 and 0.6 and the percentage of profit after tax to sales ranged between 0.2 and 0.4, indicating a reasonably good amount of consistency.

6) MMTC does not have any long-term borrowings and the share capital over the period under study remains constant at Rs. 500 million.

7) The growth in fixed assets over the years showed an upward trend, which is a healthy sign. It increased from Rs. 569 million in 1997-98 to Rs. 723 million in 2001-02 with a growth of 27 per cent.

8) The growth in sales percentage wise showed a negative sign in the beginning, that is, -5.59 per cent in 1997-98 but the scenario changed in 2001-02 with a positive growth of 37 per cent as compared to the previous year.

9) There was growth in exports by 46 per cent, growth in imports by 75 per cent, and fall in domestic trade by 78 per cent during the period under study.

10) A consistent rate of dividend @ 20 per cent was paid to the shareholders throughout the period under study except for the year 2002 where it paid @ 121 per cent as interim dividend.

11) Though sales had fallen in the year 1998-99 maximum amount of profit, Rs. 71 million was retained as compared to the other years under study.

12) The contribution of the corporation to the exchequer has been very impressive. It increased from Rs. 3312 million in 1997-98 to Rs. 6905 million in 2001-02 showing a growth of 108 per cent. This indicates that the growth has been more than double within the span of five years.
13) The current ratio has been more than 2:1 in all the years under study, ranging between 2.02 and 2.66. It was the lowest in the year 2001-02 at 2.02 and the highest in the year 1998-99 at 2.66.

14) The quick ratio was ranging between 1.74 and 2.24 during the period under study indicating a sound financial position and that the company can comfortably meet its immediate obligations and is appropriately using its resources.

15) The operational activities showed a negative fall of Rs. 1224 million in 2000-01, the investing activities showed a negative fall of Rs. 10.9 million in 2001-02 and the financing activities showed a negative fall of Rs. 886 million in 1997-98, Rs. 837 million in 1999-00 and Rs. 628 million in 2001-02.

16) The activity ratio includes asset turnover ratio and inventory turnover ratio, wherein the assets turnover ratio ranged between 19.76 and 61.04. The highest was in the year 2001-02 at 61.04 and the lowest was in the year 1997-98 at 19.76, whereas the inventory turnover ratio ranged between 19.76 (1997-98) and 61.04 (2001-02).

17) The trading profit margin fell from 2.6 per cent in 1997-98 to 1.74 per cent in 2001-02. The fall in the trading profit margin in 2001-02 was due to tough competition.

18) The operating profit ratio showed a negative profitability throughout from 1997-98 to 2001-02 ranging between 0.26 per cent and 1.27 per cent since its operating cost was higher than its sales.

19) The net profit margin ratio indicates that the net profit ratio in relation to sales was constant over the years under study ranging between 0.2 per cent and 0.4
per cent. The company needs to take up cost control plans to improve its profitability.

20) The net worth ratio varied in its percentage along with the variation in the net profit for each year. The return on net worth is quite satisfactory. It was the lowest in the year 1999-00 at 1.34 per cent since the net profit was the lowest and it was the highest in the year 1998-99 at 3.48 per cent since the net profit was the highest in that year.

21) The overall profitability ratio showed a mixed picture during the period under study due to increase in cost of sales in certain years. It showed a fall from 3.1 per cent in 1997-98 to 2.5 per cent in 2001-02.

22) The capital-gearing ratio ranged between 0.17 and 0.60 indicating that the corporation was lowly geared, majority interest lied with the equity shareholders and trading on equity was not possible.

23) The return on investment ratio ranged between 0.65 per cent and 1.71 per cent. The highest was in 1998-99 at 1.71 per cent due to increase in the net profit and the lowest was in 1999-00 at 0.65 per cent due to drastic fall in net profit.

24) The proprietary ratio showed a downward trend year after year, falling from 55.35 per cent in 1997-98 to 40.18 per cent in 2001-02 indicating that the company is not financially sound and its long-term solvency position is not good.

25) Except for the year 2002-03, MMTC’s Precious Metals Division has been contributing more than 55 per cent in the overall turnover of the company from 1998-99 to 2003-04.
26) The company has shown an upward trend in earning the foreign exchange for the economy. It has increased from Rs. 11121.37 million in 1997-98 to Rs. 16776.65 million in 2001-02 indicating a remarkable growth of 51 per cent.

27) The number of employees has been reduced year after year to cut cost. They have reduced from 3144 in 1997-98 to 2399 in 2001-02 showing a fall by 24 per cent.

28) The sales per employee have increased from 14.2 in 1997-98 to 30.2 in 2001-02, which is a good indicator.

8.7 Future direction for research

There is ample scope for aspiring researchers to evaluate the other divisions of MMTC since it deals in many varieties of commodities. The focus can be emphasized on iron ore since it is considered to be the main profit-generating item of MMTC. Taking MMTC as a sample entity, its role as a public sector undertaking will be a matter for separate detailed research, against the backdrop of liberalization and disinvestment.