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Findings and suggestions

After the independence, India has structurally planned the industrial developments by adopting the best of both economic development models. India has adopted the mixed economy where market, state and planning co-exist as part of Nehruvian model of development. India has progress in planned manner in various sectors classified as Core, infrastructure, capital goods, consumer & services.

Government has formed various regulations for balance growth and structural developments. India has achieved self-reliance and developed the capacity in various sectors. Due to license, quota and permit systems, entrepreneurs could not base their business plans on market conditions. MRTP, FERA and Industrial Regulation Act has protected the Indian economy from global competition and allow to develop in protective environment.

After the liberalisation and globalisation of economic policy, Government has abolished the License, quota and permit systems for industrial production and permission for foreign direct investment in priority, core, infrastructure, consumer durable, power and service industry. Multinationals are allowed to make investment in telecommunication, banking, entertainment, television, insurance, media and software industry. Permission has also been given to FIIs for investment in capital markets. This has improved the balance of payment, forex reserve and GDP.

Permission to up link and broadcasting of television program through satellite channels by private companies, delicense to television making and permission for MNCs to market their product in India. This has improved the growth of television industry in India and provides employment opportunities in media,
entertainment and broadcasting activities. The government has supported the television industry growth by rationisation of excise and custom duty structure.

Financial & profitability analysis can help to understand some of the significant aspects of the firms such as sales trend, operational efficiency, analyse cost center, utilisation of resources and fund flow movements. It helps the progress of measuring the financial strength and weakness of the firms. In the other way, it is to say that to analyse the profitability trend of the company. It has multifarious usages.

The profitability analysis of the selected Indian television making companies, the inventor collected data relating to all five companies and ratio analysis, common size analysis and statistical techniques were applied finally drawing up company wise finding.

The present study aims to study about the financial, management and business strategy of selected Indian television making companies viz. BPL Ltd., Videocon International Ltd., Mirc Electronic Ltd., Kalyani Sharp India Ltd and Salora International Ltd. The business strategy and business plan has been studied for MNCs viz. Samsung, LG International, Sony, Philips, Akai, Aiwa, National Panasonic and Thomson.

The study has been stretched up to eight chapters as follows:

CHAPTER

1 Introduction.

2 Globalisation, Governments policies and economic reforms.

3 Foreign direct investments (FDI) policy in India.

Governments Policies and Economic Reforms

After the independence, India adopted Mixed economy concept. Indian policy makers suffered from colonial hangover and had anti west attitude in foreign policy. After taking ideological stand on issues such as patents, environment, trade and non-proliferation of weapons, India was increasingly isolated from world politics since it lacked economic power. Progressive educational system was established and it has also set up basic infrastructure facilities such as vast railway and telecommunication network.

With the change in global economy, there is pressing need of new technology, know-how, and investment in core, infrastructure, power, engineering and electronic industry. India has identify & studied SWOT analysis of resources and worked out own model of gloablisation which would be an integral part of the social and cultural ethos of the Indian society.

The process of dismantling trade barriers started in 1991, the Finance Ministers have been announcing reduction of import duties. This enables free flow of goods, capitals and technology. For developing country like India, it opens access to new markets and new technology.
1991 onwards, the Government of India has taken several measures/reforms for
globalisation of Indian Economy. The major reforms are classified into four
categories as follows:

Economic Reforms:

- Abolished the industrial license control and quota & permit system for all
  industrial projects except strategic and core industries.

- Elimination of permission required for setting and expansion of industrial unit
  under MRTP. The act amended to regulate the unfair trade practice.

- Decontrol the consumer durable industry and allow direct import under OGL.

- Removal of certain products from SSI reservation.

- Permission for private and FDI in infrastructure such as power, aviation, port,
  media, telecommunication banking, insurance and entertainment.

- Disinvestment in Public Sector Undertaking and privatisation program.

Foreign Exchange Reforms:

- FDI allowed in almost all industries up to 51 % and 100 % in high priority,
  software and consumer durable industry.

- Rupee became fully convertible in current account and partly in capital
  accounts.

- Indian companies can raise funds from overseas market by issue of GDR,
  ECB and ADR.

- Permission for FII investment in Indian capital market.

- Abolished FERA and introduced FEMA – friendly rules for FDI.
Reform in Financial Sector

- Reduce PLR, CRR and SLR in banking sector.
- Abolished Controller of Capital Issue and introduced SEBI for investor protection.
- Free pricing in capital issue and more power to stock exchanges.
- Permission for FDI in banking, insurance and assurance sector.
- Easy norms for merger, amalgamation and take over of companies.

Trade reforms

- Liberalisation on EXIM policy and major consumer and electronic products are come under Open General License.
- Removal of import trade barrier and quantitative restriction.
- Rationalisation of custom duty tariff rates.

After the globalisation and liberalisation of economic policy, the Indian economy has grown. The highlight of economic indicators as follows:

- Gross Domestic Products (GDP) at factor cost in value term was Rs. 1298.9 billion in 1981-82. It has increased from Rs. 2122.5 billion in 1990-91 to Rs. 10818.3 billion in 1998-99.

- Average GDP growth rate was 5.7% during VI five year plan period. It has improved from 6% during VII plan to 6.9% during VIII plan period.

- Balance of Payment (BOP) was negative Rs. 44.7 billion in 90-91. It has improved to Rs. 182.5 billion in 98-99.
• Foreign Exchange reserve position was Rs.3355 crore in 81-82. It has increased from Rs.4388 crore in 90-91 to Rs.184482 crore in 2000-01.

• Inflation – WPI index has reduced from 17.7 in 80-81 to 7.1 in 2000-01.

• Due to FDI in service sector, its contribution to GDP has increased from 37% in 1981-82 to 46.8% in 99-2000.

**Foreign Direct Investments (FDI) Policy in India.**

India has liberalised its economic policy for easy entry of foreign investors in the forms of direct investments by RBI and FIPB approval route. Investments by NRI & FII have increased considerably. The drawback and adverse impacts of each type of foreign investment need to be analysed before inviting them for investments.

**The purpose of inviting foreign investments have been for:**

• Bridging the gap between saving and investment,
• Reducing the interest burden to avoid debt trap,
• Accelerating modernisation and technology upgradation,
• Achieving international competitiveness and competence,
• Increasing export earning to correct the balance of payments situation and
• Increasing employment opportunities.

The government has promoted FIPB for promotion of FDI. The FIPB was set up specifically for the purpose of speeding up the approval process for proposals relating to foreign investment in India.
FIPB should ensure the following while approval of FDI:

- Appropriate technology transfer.
- Publicize the economic priorities & strategic planning and initiate the inflow of FDI in appropriate areas.
- Investment in infrastructure, hi tech and capital goods sectors.
- Increase the capacity in industrial sector.
- Development of manpower and training.
- Development of marketing network and scope for export.
- Inflow of capital and management skills.
- FDI should be in collaborative spirit and not try to impose total control in case of collaborations and joint ventures.

FDI is routed through either automatic approval or Govt. approval route. All proposals involving foreign direct investment and technology transfer require approvals.

Multinational Companies opted for FDI when there is clear advantage to do so over other options. The MNC make FDI in India due to following reasons:

- Saturated market in developed countries as product penetration is high in these countries and the growth in demand for products is limited.
- Population growth in developed countries is almost at lowest level and population pyramid is broader in higher age group where the consumption is less. This is reverse in developing countries.
- Developing countries have different preference and scope of innovation & product development.
- To overcome the risk and uncertainty in single market operation, geographical diversification is required.
- MNC are having surplus installed capacity and product range. They have access to lower cost of capital which allow to compete with local companies.
Government has framed the policy to allow FDI in all sectors including the services sector, banking, insurance, infrastructure and telecommunication. FDI for virtually all items can be brought in through automatic route under powers delegated to RBI and for the remaining items through government approval. Government has made special FDI policy for SSI units, export & merchant exporters, branch & liaison office, EOU, SPZ & EPZ, electronic and software industry.

Indian companies having good track record are allowed to get listed in overseas stock exchanges and raise fund from overseas capital market by issue of ADR, ECB, GDR and EURO issues. This has help to raise fund at LIBOR rate which is lower than PLR - cost of borrowing from Indian FIs. At the same time FIIs are allowed to make equity & debt investment in Indian companies through stock exchanges.

Some the beneficiaries of Euro issues are Reliance, Bajaj Auto, Grasim, ICICI, IPCL, VSNL, Satyam, Mahandra & Mahandra, Hindalco, SAIL, L & T, CESE, BSES, Arvind Mill and many Indian companies.

With the permission of FDI in all most all sectors including infrastructure, telecommunication electronic, media and transport sector, FDI inflow has increased over the years. The indicators of FDI as follows:

- Actual inflow of total FDI was Rs. 351.43 crore in 1991 which has increased to Rs. 6820.03 crore in 1996 and Rs. 19341.74 crore in 2000.
- During the period 1993-2000, the total FDI approved was Rs. 242,396.8 crore. USA has contributed 20.2 % of total FDI, 12.1 % by Marurtius, 6.7 % by UK and 3.7 % by NRIs.
- Major FDI approved during 1993-2000 was in service sector ( 28.7 % ) followed by Power and Fuel ( 27.9 % ) and Electrical equipment ( 10.5 % ).
Transportation sector has contributed to the extent of 7.5% of total FDI during this period.

- Major FDI approved project during Aug. 1991 to Dec. 2000 was in Maharashtra (16.9%) followed by Delhi (13.1%) and Karnataka (8.1%).
  In Gujarat FDI approved project was 4.5% of the total FDI during this period.
- FII turnover as % of market turnover has increased from 4% in 1998 to 10% in 2001.

Industrial Policy - Pre And Post - Year 1991

India attained independence in August, 1947, enunciation of principles for industrial development were made by the Government in its Industrial Policy Resolution in 1948. This resolution envisaged a progressively dominant role for the State in the country’s industrial development, within the context of planned development of the Indian economy.

The Government had established regulatory frameworks with the aim of protecting and developing their economies, increasing their shares of benefits associated with the activities of transnational corporations. These policies influence the flow of capital and technology. The Government was constantly evolving their policies to suit and adopt to such changes for better prospects.

After adopting the mixed economic model, India had progress in planned manner in various sectors. For structural industrial growth, Governments had formed various economic policies in sixties and seventies as follows:

- Reservation of products for manufacturing by Small Scale Industrial Unit.
- License, permit and quota system for basic and core industry.
- Core and infrastructure industry were owned and managed by PSU.
Higher Import duty and cess for non-priority products.

Planned developments and allocation of resources.

Introduction of MRTP, FERA, Five years plans and Governing Policies.

The Industrial policies pursued till 1990 enabled India to develop a vast and diversified industrial structure. India has attained self-sufficiency in a wide range of technology & infrastructural developments. But the industrial growth was not rapid enough to generate sufficient employment, to reduce regional disparities and alleviate poverty. It was felt that governments controls and regulation had put shackles on the growth of different segments of Indian industry. This leads to controlled economy. Hence it has increase fiscal deficit as percentage of GDP, slowdown in negative growth in certain industry, export & trade.

To overcome the increase in fiscal deficit, slowdown in GDP growth rate and forex reserve position, Government has announced the Industrial Policy, 1991. The highlights of Industrial Policy, 1991 as follows:

- Abolished the license requirement for all industries except list of reserved industries to commence the industrial undertaking.
- Abolished threshold limits of assets under MRTP for approval – new & expansion by industrial undertaking.
- Automatic approval for EOU, EPZ, merchant and export house.
- SSI investment limit has increased in case of export commitment.
- Foreign Investment permission granted in all most all industries up to 51% and 100% in certain sectors.
- Privatisation through dis investment of Public Sector Undertaking to restructure and make public accounting by Board.
- Several concession and benefits provided to SSI units.
Industrial policy – Electronics

Considering the need of the economy and focus on industrial development, Government has set-up a separate Ministry of Information Technology and Ministry of Communication and frame guidelines for investments and growth. The Govt. has given more freedom and power to Dept. of Electronic for promotion of consumer electronics, medical and research equipments and upgradation of technology and know-how. This will provide better products and export potentials to Indian companies.

Today, with delicensing of the entire consumer electronics industry, liberalization in foreign investment and Export - Import policies; the country is witnessing new investments, restructuring of existing activities, diversification of the product range and an intensely competitive environment. All the renowned global brands have either established production facilities in the country or are present in the market through technical / financial collaborations, thus giving consumer a wider choice in terms of product features, technology quality and competitive prices.

One such measure is the "broad band" licencing which enables existing units to manufacture any new article without prior approval if additional investment is not needed and the item to be manufactured is not covered under the compulsory license. Broad banding applies to the following areas:

- Entertainment electronics, covering radio receivers, tape recorders, two-in-one, three-in-one, amplifiers, record players, record changers, TV sets both black & white and colour, CCTV systems excluding those reserved for small scale sectors;
- Electronic toys, including radio controlled ones and games;
- Computer peripherals;
• Electronic test and measuring instruments excluding those reserved for small scale sector;

• Discrete semiconductor devices. The Government of India permits acquisition of technology on a centralised basis for (i) Telephone instruments (ii) Electronic PABX systems (iii) Rural automatic exchanges.

Maharashtra and Gujarat State government has framed new package scheme of incentives to promote industrial growth & investment, create conducive industrial climate, develop industrial infrastructure, strong human resources and diverse industrial base.

The Maharashtra Government has framed Maharashtra Industrial Policy, 2001 to ensure industrial growth by introducing structural changes in policy, offer various concession, incentives & subsidy and sales tax benefits. The State has identified the growth center and sun rise industrial sector. They have promoted the new industrial township, special economic zone, special industrial areas, research and marketing institutes, Information and Electronic Zone.

The Gujarat Government has formed the Gujarat Industrial Policy - 2000 to improve and promote the industrial, information technology, hi tech sector and knowledge based industries. The State govt. also offered incentive and subsidy to set up large and medium scale industries in backward areas. Under the Industrial policy, state has offered various incentives, concession and benefits to SSI and service oriented units. The government has promoted various Industrial Estate, Technology and Electronic Park, EOU, EPZ and Special Export Zone.
Industrial growth after the liberalisation of Industrial Policy, 1991 can be reviewed by considering the following *indicators of growth*:

- Industrial Entrepreneur Memoranda filed with Ministry of Industry during Aug, 1991 to June 2001 was Rs. 921,088 crore. Maharashtra was the leading state followed by Gujarat for IEM filed during this period.
- Term of Trade Index has improved in favor of agriculture as compared to industry due to increase in procurement price or minimum support price of agriculture crops.
- IIP index growth has improved from 0.6 % in 1991-92 to 12.8 % in 1995-96 which has decreased to 4 % in 1998-99. It has increased to 6 % in 99-2000.
- Average annual growth of industry in percentage had improved from 5.9 % in sixth 5-year plan to 8.5 % in seventh 5-year plan which has decreased to 7 % in eighth 5-year plan period.

**Study of Electronics Industry – Television**

Television in India has an existence for more than four decades. In 1955, cabinet decision was taken disallowing any foreign investment in print and media which had been followed for nearly 45 years. Television industry was governed by the provision of the Indian Telegraph Act, 1885 (13 of 1885). Television came to India in the form of Doordarshan and license was required to own television set. There were 3.6 million television sets when license system abolished. There was monopoly in television broadcasting till 1990.

Television set was mainly manufacture by public sector organization and few private sector companies due to license and quota system. Picture tube, transistors, capacitors and basic parts were either imported or manufacture by PSU. Indian companies had not concentrated on research and development, product innovation and upgradation of technology with multi functional facility.
However very few companies had the national level marketing network and distribution channels. Up to 1980 there were few players in television industry such as ECTV, Onida, Salora, Dynora, Bush, Murphy, Crown and Western etc. They were making mainly black and white television set with hardly any functions. This Indian companies has not developed satisfactory R & D facility and products are standards & simple.

After the liberalisation of economic policy following steps taken by Government to encourage the electronic, media and entertainment industry:

- Abolished the license required to set up industrial unit for making television sets, electronic parts and cassette players.
- Permission for FDI in television industry - Multinational companies are allowed to make investment in making and marketing of television sets in India under own brand name.
- Permission to broadcast television program through private channels – permitted to set up private channels to up link and broadcast television program. The Prasar Bharati (Broadcasting Corp. of India) Act, 1990 has passed to provide regulation and permission to set up private channels.
- Rationalisation of Excise and Custom Duty tariff. Excise duty has decreased from 50% on television sets in 92-93 to 16 % in 2000-01. Custom Duty has decreased from 50 % in 1995-96 to 35 % in 2000-01.

With the permission to set up private channels in India, the television channel has increased from 2 channels in 1990 to 100 channels in 2001. The various channels are classified based on the target audience such as music, news, movies, sports, cartoon, discovery, events, adventures etc. At present there are more than 100 different channels operating by nearly 15-16 Television companies beaming programmes to India. The major players being Doordarshan, STAR TV (Satellite Television Asia Network) and it's subsidiary companies, Zee Television and United Television, CNN, Sony Television, ATN (Asia Television Network), BBC
World, SUN TV, Discovery Channel, TNT and Others. CNN was the first of the satellite channels to make an entry into Indian homes during the Gulf War in 1991 followed by STAR TV in Dec 1991. This has provided wide options for viewers and increased the demand for television sets with multi functional facility.

After the abolished the entry barriers and permission for FDI in this industry, many MNCs has entered either with manufacturing facility in India or as joint ventures or marketing tie up. During this period, few Indian companies has also performed well like MNCs such as BPL, Videocon International and Mirc Electronics. MNCs entered in Indian markets are LG Electronics, Philips India, Samsung, Sony, Awia, Thomsons, Sansui, Akai etc.

Prior to removal of entry barrier of MNC in domestic television market, there were many leading players such as Bush, Ectv, Baron, Murphy, Crown, Salora, Western, Sharp, Dynora having national presence or in many states. This companies was enjoying the brand value and having loyal and satisfied customers. During the protection period, they have not made required investment in technology development, R & D and backward integration strategy. Result this companies remain with outdated products and not developed TV sets with multi functional facility. This company has either close down its units or tied up with MNC for technical know or become marketing house for MNCs products. Example Baron International is marketing house of Akai brand of products.

After the liberalisation of economic policy, few domestic companies has performed well as they function like MNCs and set the business strategy for next ten years. Their vision was framed considering the Government policy on permission to uplink and transmission of private and foreign channels in Indian sky. This will lead to requirement of multi channel television, digital television, picture in picture (PIP) TV, Plasma TV, Internet TV and sophisticated model. BPL, Videocon International and Mirc Electronics has entered in to technology tie up agreement, increase the plant capacity, develop the national distribution network
and introduce the various model in different segments. This company has made regular investment for brand developments and quality controls. The result, they have achieved the national presence with 44 % share in Indian TV industry even after the entry of MNCs.

**Market statistics of television industry**

Television industry is segmented into colour and black & white television sets. Further television sets are segmented by size of screen and functional facility. B & W TV has good demand in rural areas.

- **Penetration levels** - India has low penetration level as compared with developed nation and developing country. It was 69 TV set per thousand in India in 1998 where as it was 272 set in China and 236 sets in Thailand. With in India, Delhi, Panjab, Haryana, Utter Pradesh, Maharashtra and Gujarat had high penetration level in urban area. Haryana, Maharashtra and Tamilnadu had high penetration level in rural area. The overall low penetration level in India due to inadequate basic infrastructure, different life style and priority for purchase of goods.

- **Off take of television sets** - Sales of TV set was 8.8 Lac in 1991 which has increased to 18 Lac in 1995, 26.5 Lac in 1998, 44 Lac in 1999, 48 Lac in 2000 and 51 Lac in 2001. The TV industry performance has improved in 1993 by sales growth of 33 % and 38 % in 1995. TV sales growth is not consistent YOY basis. There was 38 % growth in TV sales in 1995 whereas only 6 % growth in 1996 and 66 % growth in 1999. The Growth of 20% in 1998 & 66 % in sales of TV Sets in 1999 was mainly due to large payout to the government staff through the implementation of the 5 th pay commission, world cup 1999 and success of rabi crops. Attractive growth after 1995 due to entry of MNC, permission to set up private channels, improve marketing strategy and finance scheme available for equipment.
• **Zone wise analysis** – north zone was India's biggest market for TV. North accounted for 35 % of the country off take. The south contribute 27 %, west 25 % and east 13 %. The north region is supported by a growing influx of professionals in and around Delhi, the hinterland enjoys strong agricultural income and purchasing power, continuos success of cash crops and upcomming middle class family. As we have noted that Punjab & Haryana has highest penetration level for television sets.

• **TV Screen size segment** – This segment in five category by size such as 14 inch, 20 inch, 21 inch, 25 inch and 29 inch. 14 & 20 inch is lower price and price sensitive segment. 14 & 20 inch TV sets is mainly purchase by lower and middle income group. 14 inch contribution was 21 % on total sales volume in 2001 where as 20 inch contributes 34 %. 21 inch segment accounts for 41 % on total sales volume. This makes the biggest single segment and it is not price sensitive. All major players have launched maximum product range with multi functional facility in this segment. Price vary based on sophistication, flat, sound system, appearance and value for money products. 25 inch and 29 inch TV sets are in premium segment. This segment offer the television sets with large flat screen or wall paper replicating theatre and have 1000 PMPO sound system with equalizer. This model may have facility like internet, digital and eco sensors etc. This both segments contribute less than 5 % of total volume.

• **Company wise market share** – Indian television industry has many players which consists of domestic and multinational companies. Major Indian players are BPL, Mirc Electronics, Videocon International, Kalyani Sharp and Salora. Major MNCs players are Samsung, Sony, Philips, Akai, Aiwa, Sansui, Thomson, LG and TCL. BPL is market leader by having market share 18.4 % in 2001 followed by Mirc having market share 10.1 % and Videocon 9.9 %. Samsung had market share of 9.5 %, LG 9.7 %, Aiwa 9.5 %, Sansui 5.9 %
and Sony 4.9% by volume of sales in 2001. Combined market share of major Indian companies was 51% of total sales volume in 2000 which has decreased to 44% in 2001.

The consumer durable industry is become buyers market and companies are making different strategy and educate customer the utility of the products. **Demand determinant** for the television sets are as follows:

- Purchasing Power - Income level & Availability of finance.
- Price - Input cost, level of competition and selling prices.
- Marketing and distribution strategies followed by players.
- Replacement & exchange demand.
- Channel explosion – permission for private channels.
- Event Driven - Sport, war, election.

**Business strategy**

The success & growth of television industry is basically on the Government policy and business strategy framed by the corporate and player in the industry. Growth in the CTV industry is not mainly due to government incentives, but primarily because of innovative marketing strategies and cost-cutting exercises adopted by various companies. To achieve the desire business goal, the companies have formulated various business strategy.

Business strategy framed by the domestic and MNCs companies to achieve business goal has following **common features**:

- Development of new, innovative and value added products with latest technology by research and development efforts.
- Marketing strategy to cater and develop the customer base. Develop new and different marketing policy to attract the customer to buy company’s products.
• Pricing the products and controls on input cost.
• Logistic management and development of distribution channels & network.
• Brand positioning, development & its attributes and create umbrella brand for all products.
• Quality perception

BPL, Videocon and Mirc has form the business strategy like multinational, develop the innovative and technology products range, create nation wide distribution network, increase the installed capacity and create brand image & competitive position in television industry. This companies has followed the “Value for Money” and offer technology based products. They have not enter the price war & differentiated their products range to create the market for the products. Kalyani sharp has turnaround situation and made profit in recent years due to change in product mix and introduce high value products. Salora International has changed the focus and concentrated on making television parts and marketing of office automation equipment. Indian companies which has not compromise on price against value and technology has remained in the television market.

**Comparative study of business strategy** adopted by Indian company with MNC reveals as follows:

• **Research and Developments** – Up to 1985, there were B & W television sets with hardly any function. Indian companies has not made investment in R & D. Domestic companies has limited fund for R & D and research activities will be carried out to make outer and minor changes in model. MNC has strong research base at home country and make good budget for technology up gradation. MNC make R & D to make television requires in 2010. Hence all major Indian company has technology tie up with overseas companies to source technical know how.
- **Product Innovation and technology development** – MNC make good investment in R & D which lead to development of technology based products such as Plasma TV, Internet TV, Flat & Digital TV, Home Theatre Sound TV, 9 PIP TV and Computer TV etc. Due to this, MNC has better prospects as compare to Indian companies due to wide product range and technology edge.

- **Brand Image** – MNC emphasis more on brand position for competencies, technology, innovation, value for money and global credentials. Indian companies have limited budget for brand creation and developments. Many players had developed the strategy to sell products by making multi brand, sub brand and umbrella brand. Videocon has successfully marketed Akai, Toshiba, Sansui and Kenwood brand alongwith mother brand Videocon, due to efficient marketing strategy and distribution network. LG has launched “Sampoorna” TV set with devanagri script on screen display.

- **Supply Chain Management** – This is main area in cost efficiencies. BPL has improved the sourcing of material, logistic movement and after sales services. All most all companies has started using computer network at dealer level and ERP at corporate office. This has improve the availability of data on sales, stock, collection, order placement and delivery program.

- **Create Competitive Advantage** – There are three ways a company can create sustainable competitive advantage such as superior cost, products or services. Many Indian companies and few MNC like Akai, Aiwa, Sansui & TCL follows the cost \ price strategy and price cut competition. After the globalisation, the quality and price of most of the products have narrowed to point where it is only services and product differentiation can distinguishes the companies. MNC has concentrated more on value added and technology products.
• **Informed Marketing** - Cost efficient and informed marketing is required in competitive market. MNC has own market research agencies and network to study the market sentiments and feedback on quality of products. Mirc is working on effectiveness on dealer network. LG and Samsung has opened the nationwide office and authorized service center to track the product movement. Indian companies has edge over MNC due to national presence and dealers network on all India level basis over the period of last 2 decades.

• **Venture Marketing** - MNC follows venture marketing concept while introducing products in new area and new technology product in existing market. MNC has budget comparative higher than Indian company for brand promotion, network development and product launching. MNC has sustainable capacity to absorb the loss in business operation in first three years and make pay back period 5-6 years. Indian firm can't afford such marketing strategy due to fund constrain. However BPL, Videocon and Mirc has planned their strategy differently and systematically for brand and products promotion. Hence they got success in television industry.

**E-commerce** - All major companies in television industry has developed own website to display product range, dealers network, service center, authorized showrooms and company profile. High value products are not available with all dealers and showrooms, which can be display on net. Customers are benefited due to instant price and product comparison, display with features, online locating the nearest dealers and make positive decision on purchase of products.

Web portal has been developed exclusively for television industry for B2B and B2C business transaction. LG has developed e-commerce mall for shopping of electronic goods. BPL has tied up with HDFC bank for online payment and Elbee courier for delivery service of products. Few firms had developed the portals for E-commerce like www. Indiamart.com, www. Bazee.com, www.televisionindia.com and many more sites. The company can display
products 24 hours and communicate their features to generate the enquiry for television sets.

Financial Analysis Of Selected Companies In Electronics Industry – Television

Financial analysis of the Indian companies engaged in manufacturing and marketing of television sets are carried out to analyse the financial performance, profitability and efficiency in utilisation of funds and assets. The analysis is carried out after study of financial statement, ratio analysis, common size statement, graphs and statistical tools. These companies are selected considering the sales trend, volume of sales, market share and profitability. The company selected are BPL, Videocon, Mirc, Kalyani Sharp and Salora International.

The different constituents of financial statement were analysed separately. The main conclusion as follows:

Review of financial statement

The sales in BPL had increasing trend on yoy basis. The sales was Rs. 359.9 crore in 1991 which has increased to Rs. 1175.3 crore in 1996 and Rs. 2014.6 crore in 2000. The sales has decreased to Rs.1701.8 crore in 2001 due to competition and low offtake of products. Operating profit was Rs.20.5 crore in 1991 which has increased to Rs. 96.4 crore in 1996 and Rs. 193.3 crore in 2000. It has decreased to Rs. 173.9 in 2001. Reserves & surplus has increased from Rs. 23 crore in 1991 to Rs. 694.8 crore in 2001.

The sales in Videocon had increasing trend on yoy basis. The sales was Rs. 417.6 crore in 1990 which has increased to Rs. 1645 crore in 1996 and Rs. 3244 crore in 2001. Operating profit was Rs.46.6 crore in 1990 which has increased to Rs.
141.3 crore in 1996 and Rs. 431.2 crore in 2001. Reserves & surplus has increased from Rs. 63.8 crore in 1991 to Rs. 805.4 crore in 2001.

The sales in Mirc had increasing trend on yoy basis. The sales was Rs. 152.3 crore in 1991 which has increased to Rs. 429.4 crore in 1996 and Rs. 797.1 crore in 2000. The sales has decreased to Rs. 715.2 crore in 2001 due to competition from MNC and low volume of sales. Operating profit was Rs.10 crore in 1991 which has increased to Rs. 42.5 crore in 1996 and Rs. 65.4 crore in 2001. Reserves & surplus has increased from Rs. 9.8 crore in 1991 to Rs. 200.2 crore in 2001.

The sales in Kalyani Sharp had increasing trend on yoy basis. The sales was Rs. 71.8 crore in 1991 which has increased to Rs. 173.2 crore in 1996 and Rs. 333.7 crore in 2000. The sales has decreased to Rs. 291.9 crore in 2001 due to low offtake of products. Operating profit was Rs. 4.6 crore in 1991 which has increased to Rs. 13.5 crore in 1996 and Rs. 24.4 crore in 2000. It has decreased to Rs. 21.9 in 2001. Reserves & surplus has increased from Rs. 1.3 crore in 1991 to Rs. 21.4 crore in 2001.

The sales in Salora had increasing trend on yoy basis. The sales was Rs. 119.3 crore in 1997 which has increased to Rs. 207.7 crore in 2001. Operating profit was Rs.6.6 crore in 1997 which has increased to Rs. 20.5 crore in 2000 which has decreased to Rs. 12.9 crore in 2001. Reserves & surplus has increased from Rs. 44.3 crore in 1997 to Rs. 64.6 crore in 2001.

**Common size income statement**

The comparison of common size income statement of various television making companies under study revealed that the percentage of cost of goods sold in 2001 was highest in Salora International Ltd. followed by Kalyani Sharp India Ltd. The percentage of cost of goods sold was 95.20 % in Salora and 94.62 % in Kalyani. Videocon had lowest percentage of cost of goods sold followed by BPL Ltd. in
year 2001. The cost of goods sold was fairly high in these company which indicates the profitability of the operation has been under severe strain and it will effect the profitability when the cost of input increased due to external factors.

It has been observed that the operating profit percentage in 2001 was highest in Videocon and followed by BPL. It was 10.94 % in videocon and 9.10 % in BPL.

Percentage of interest cost burden was lowest in Salora and followed by BPL in 2001. It was highest in Videocon in 2001. The company had benefited due to decrease in prime landing rate by bank and financial institution over the period of time under the study period. The company has carried out financial restructuring and issued preference share capital to reduce the cost of capital.

It can be note that with the larger proportion of debt in financial structure, earning available to owners would increase more than proportionately with the increase in the operating profit of the firm. This trading on equity describes the practice of using borrowed funds carrying a fixed charge in expectation of obtaining higher return to equity holders.

Profit after tax ie net profit as percentage of sales was recorded highest in 2001 in BPL and followed by Videocon and it was 5.2 % and 5.02 % respectively. The lowest percentage of profit after tax was 1.53 % in Kalyani in 2001.

Analysis of sales trend

In BPL sales indices has increasing trend in first four years of study period. It has increased from 100 in 1997 to 136 in 1998, 151 in 1999 and 157 in 2000. It has decreased to 131 in 2001. The sales had improved as company has introduced television sets in premium segments and also in lower price segments. The company has introduced digital TV, home theatre system, plasma TV, ProFx,
Quadra point and internet TV. Under BPL brand company also sales consumer electronics products.

In Videocon sales indices has increasing trend on yoy basis. It has increased from 100 in 1997 to 122 in 1998, 141 in 1999, 174 in 2000 and 188 in 2001. It has increased due to up gradation in television sets, aggressive marketing and provide value for money products. The company has acquired host of multinational brands such as Akai, Sansui, Kenwood and Toshiba. Videocon has expanded the product range and focus on value added products.

In Mirc sales indices has increasing trend in first four years of study period. It has increased from 100 in 1997 to 132 in 1998, 174 in 1999 and 204 in 2000. It has decreased to 183 in 2001 due to competition from MNC and low off take. The company has product differentiation on sound and picture quality. KY thunder and candy series products had got good response from market and received export order too.

In Kalyani Sharp sales indices had fluctuating trend during the study period. It has decreased to 92 in 1998 and then increased to 99 in 1999 to 115 in 2000. It has decreased to 100 in 2001. The sales had improved as company has introduced television sets in all segments and aggressive marketing strategy.

In Salora sales indices has increasing trend on yoy basis. It has increased from 100 in 1997 to 121 in 1998, 157 in 1999, 170 in 2000 and 174 in 2001. It has increased due to re structuring the business plan and concentrated on making television parts & marketing of office equipment.

On basis of above, it has found that index of sales decreased in all the companies under study except Videocon. The year 1998 & 1999 sales improved due to event like large pay out of fifth pay commission, world cup, 1999 and success of rebi
crops. However due to low off take, overall recession and slack market condition, sales has decreased in year 2001.

Analysis of Expenses

- **Material Consumed ratio** – The material consumed ratio to sales was highest in salora international in year 2001 followed by Mirc and Kalyani. The range between the highest and lowest percentage of material cost during the study period was highest in kalyani (8.25%) and lowest in Mirc (2.87%). The videocon has highest indengous material consumed percentage of total material cost. The material cost as percentage of sales has reduced over the years due to technological upgradation in making television sets, available indengous raw materials, rationalisation of excise & custom duty structure, increase in volume and economy of scale.

- **Excise Duty ratio** - The ratio of excise duty to sales in 2001 was highest in Kalyani Sharp followed by BPL. The above percentage was lowest in Videocon due to backward integration of material developments.

- **Selling & distribution Expenses ratio** – The percentage of selling expenses to sales in 2001 was highest in Kalyani Sharp and followed by Mirc. Kalyani has incurred more expenses under this head as compared to other selected companies during 1999 to 2001 to increase the distribution network and brand development. It has been observed that the major Indian players in television industry are spending on selling expenses as % of sales in range of 7 to 7.75 % in 2001. This expenses has increased due to increased in competition from multinational companies and expanding of distribution network.

It can be concluded based on the above, the material cost as percentage of sales has decreased under the study period due to technology upgradation in television sets, rationiasation of excise and custom duty and economies of scale of
production. However the benefits of reduction in material cost had been off set by increase in selling & distribution expenses due to competition from MNCs.

Analysis of Profitability

- **Operating Profit Margin (OPM)** – Operating profit margin as percentage of sales in 2001 was highest in Videocon and followed by BPL. It has been observed that OPM in BPL has registered increasing trend during the study period. The Indian companies have introduced the technology based products in premium segment to maintain the profitability and product differentiation. The Indian companies have concentrated more on volume of sales to retain market share in television industry. OPM was decreased in 2001 due to competition from MNC, trend in price reduction, pressure in profit margin and increase in selling expenses. The performance of all the companies under study regarding the OPM was satisfactory during the study period.

- **Net Profit Margin (NPM)** – Net profit margin as percentage of sales in 2001 was highest in BPL and followed by Videocon. NPM in all companies has decreased in 2001 as compared to previous year except Videocon. NPM has decreased due to lower operating profit margin and increase in interest cost. In Kalyani, due to turnaround situation and earned net profit had offset the carried forward loss. The performance of all the companies under study regarding the NPM was satisfactory during the study period. The company has managed to make net profit by not joining price war competition and control on cost of capital.

It can be concluded based on the above, the profitability of BPL, Videocon and Mirc were satisfactory. Kalyani has improved the profitability under the study period. However the Salora has recorded little profitability in 2001 as compared to previous year.
Return on networth

Return on networth ratio measures the efficiency of the company in utilisation of owner investments. It has been observed that the BPL, Videocon and Salora had registered decreasing trend during the 1999 to 2001. In case of Mirc and Kalyani has witness mixed trend during the study period. It was highest in Mirc in 2001 and followed by BPL. It was lowest in Salora in 2001. In all the selected companies the return on networth in 2001 has decreased as compared to previous year.

During the study period, rate of return on networth was always more than rate of return on capital employed in BPL and Mirc. It indicates that management has utilised the shareholders resources optimally and provide the benefits of low capital gearing and financial leverages on debt and equity structure. However rate of return on networth was always less than rate of return on capital employed in Videocon, Kalyani and Salora. This indicates, the management of these companies has not taken the advantage of financial leverage and provide benefits on borrowed funds.

It is also suggested that to improve the return on networth, company should maintain ideal debt equity ratio, restructure the debt and low capital gearing ratio. Considering the above, it can be concluded that the return on networth was satisfactory.

Return on Capital Employed

The ratio measures the management efficiency on utilisation of assets of the company for maximum return on capital employed. The high return will give comfort and payout on debt and shareholder fund. Inter firm comparison of return on capital employed in 2001 revealed that return was highest in Kalyani and followed by Mirc. It has declined in 2001 as compared to previous year. BPL has...
registered decreasing trend during 1998 to 2001 and there was sharp increased from 15.8 % in 1997 to 20.7 % in 1998. In Kalyani, it has sharp decreased from 32.1 % in 1997 to 21.1 % in 1998.

It has been observed that in all most all the companies, return on net capital is higher than return on gross capital employed. This indicates the current liabilities had been utilised to finance long term assets to certain extent. Considering the above, it can be concluded that the return on capital employed was satisfactory.

Turnover Ratios

A study of turnover of various assets of selected companies revealed the following facts:

- **Debtors Turnover Ratio**: It has been observed that it was highest in Mire in 2001 and followed by Kalyani. In case of BPL it has decreasing trend whereas it has increasing trend in Mire and Kalyani during 1998-2000. Debtors turnover is indicators of credit and collection policy, was generally satisfactory in all the companies under study. It has been concluded that management of receivable was satisfactory.

- **Inventory Turnover Ratio**: It has been observed that it was highest in Salora in 2001 and followed by Mire. The range among the ratio in 2001 of all the companies under study was from 4.7 to 5.6 times. It has observed fluctuating trend and it has decreased in 2001 as compared to previous year in all the companies except Videocon. It has ranged from 4.4 to 10.3 times during the study period and it can be concluded that the ratio was almost above 4.5 times in 2001. It has decreased due to low off take, competition from MNC, increase in area of operation and increase in television model over the years. Hence the performance of all the companies was satisfactory and had efficient inventory management.
• **Fixed Assets Turnover Ratio**: This ratio measures the efficiency with which the company is utilising its investment in fixed asset showed fluctuating trend and it ranged from 1.52 to 8.14. However it has decreased in 2001 as compared to previous year in all the company under the study. Kalyani has showed highest fixed assets turnover ratio in 2001 and followed by Salora. It has been observed that it was always above 5 times in case of Kalyani and Salora where as it was below 2.2 times in Videocon under the study period. It has decreased in 2001 due to regular and incremental investment in building, plant, machinery and equipment. This is requires to increase the installed capacity and technology up gradation in products. It can be concluded that except Videocon, in all the company under the study has fixed assets turnover above 2.5 times. Hence the utilisation of assets under the study period was satisfactory. There is scope for improvement and growth in BPL and Videocon due to spare capacity to make electronic and household appliance.

• **Working Capital Turnover Ratio**: Working capital turnover ratios is index of efficiency of the management in investment in working capital. It has witnessed a decreasing trend during 1999–2000. It was highest in Kalyani in 2001 and followed by Mirc. It was sharp decreased in case of Kalyani from 19.7 times in 1997 to 5.8 times in 1998 due to management has improved the mismanaged credit period enjoyed from suppliers and reduce the credit period to optimum level to reduce the cost of material and avoid interest on late payment. The performance in working capital management in all the companies may be termed as satisfactory.

**Shareholder's Related Ratio**

• **Earning Per Share (EPS)**: EPS is indicator of profitability for ordinary shareholder and measure for fair market value & price – earning ratio. It has observed the improving trend in all the companies except Salora during 1997
- 2000. It was decreased in all the companies except Videocon in 2001 as compared to previous year. EPS was highest in Mirc in 2001 and followed by BPL. There was steep fall in EPS in Salora from Rs. 10.7 in 2000 to Rs. 3.9 in 2001. However it has improved in Kalyani from just Rs. 0.22 in 1997 to Rs. 2.8 in 2000 due to management restructuring program. It can be concluded that the performance of all the company can be term as satisfactory.

- **Dividend and Dividend pay out Ratio**: Dividend pay-out ratio was highest in Salora in 2001 and followed by Mirc. It was observed decreasing trend during 1997-2000 in all the companies except Kalyani as it has not declared dividend under the study period. Mirc and Salora had increased the dividend pay-out ratio in 2001 as compared to previous year to maintain the dividend track record. It can be concluded that the dividend policy of the company under study except Kalyani was stable and sound as it has paid dividend regularly to shareholders.

### 8.02 General Conclusions

Prevailing government policy has significantly influenced the development of the electronic sector in India. During the decade of eighties, the Government encouraged the setting up of manufacturing units of television sets. Consequently, over 200 manufacturing companies, some of which were state owned, emerged. Import of consumer goods were discouraged and import duty was high on television and electronic products. This has increased to custom duty on components, parts and television sets lead to rise in cost of landed products. The increase in custom and excise duty has increased the cost of production and curtailed the growth of the industry in India. However a very few companies has made investment in research and development, technological up gradation and development of hi tech television sets.
Government has completely delicensed the electronic industry in 1996 and given permission to make television set by MNC and Indian companies. Government has also given the permission to up link and private satellite channels to broadcast the television programs. Custom and excise duty has also lowered and rationlised in recent years. This has led to several international players to set up the manufacturing and marketing network in India for their products.

This resulted in wider choice for the Indian consumers for televisions and increased the competition from international brand. Indian companies which have invested in technology development as well as marketing, and been able to maintain a tight control on manufacturing cost, have successfully coped with competition from international players. Strength in component sourcing and progressive indigenisation are two important consideration in manufacturing of television sets, besides access to technology.

BPL, Videocon and Mirc has performed well and remained in first three position in market share by volume in Indian television market. However the percentage of market share is decreasing on yoy basis but the sales of TV set by volume in increasing. Kalyani Sharp has turnaround situation and had improved the profitability by restructuring the business plan & concentrate on value added products. Salora International had concentrated more on making television parts, software development and marketing of office automation equipment. This has lead to improve the profitability of the company.

Earning Per Share in BPL has improved and registered increasing trends in first four years of study period. It has increased from Rs. 18 per share in 1997 to Rs. 31.8 in 1998, Rs. 37.1 in 1999 and Rs.38.6 in 2000. EPS in Videocon, it has increasing trends and it has improved from Rs. 15.8 per share in 1997 to Rs.21.4 in 2001. EPS in Mirc has increased from Rs.22 per share in 1997 to Rs.65.6 in 2000. EPS has decreased in 2001 compared to previous year in all the companies under study except Videocon.
The financial performance of all these companies witnessed a quite satisfactory level mentioning that the company had potentially to perform well and retain its market share in television industry.

Since overall performance of all five television making companies was up to expectation. It yielded the profit earning in 1997 – 2001.

8.03 Suggestions

Some suggestions of practical significance are hereby given in order to improve the profitability of all the television making companies under study:

Regarding the cost control and cost reduction

1. To reduce the cost of basic raw material, much emphasis needs to be laid on co-ordinating component sourcing activity. Company should have strong vendor base to provide assured supply of components at acceptable quality and reasonable price level.

2. The government should supply the raw material at subsidised prices and encourage the production of import substitute materials.

3. For Salaries and wages it is suggested that the efficiency of each worker have to improve by providing training, orientation program and incentives. However in Electronic industry, by use of semi and fully automated machines will improve the efficiency and output per person. The profit center concept may be developed to evaluate the performance of each department.

4. The government should reduce and rationalise the excise and custom duty tariff structures on key components such as picture tube, circuit board and television set to bring down cost of production and selling price.
5. The operating cost – cost of goods sold is high due to input cost like raw materials, staff expenses and excise duty. It is suggested that input cost must be control and reduce to achieve competitive position.

6. Selling and distribution expense is one of the major expenses. This is requires due to nature of the product – television - consumer durable products. Expenses has to incurred for product promotion, brand creation and net work developments. It is suggested to control these expenses by evaluating the alternative media and marketing strategy to promote sales.

7. Television industry should utilized the manufacturing facility optimally to reduce the fixed office overhead proportionately.

8. Material management and inventory control is essential to control the working capital and cost of production. It should be sound and efficient.

9. Cost reduction and control techniques like budgetary control, standard costing, ABC analysis, cost – benefits ratios, incremental & marginal costing and make or buy decision and value analysis should be effectively adopted.

10. Company should have strong research base enables constant product innovation and introduction of new offering. It should also conduct original research activities and create re - engineering base to adapt foreign technologies to cater to Indian conditions.

Access and adsorption of technological changes is a critical determinant of success in this industry.

Regarding Government policy

1. The progress of television industries is based on latest researches and technology developments in TV sets. The innovative products and transmission systems should be encouraged.

2. On excise and custom duty, the government should reduce its share.
3. Media and Broadcasting industry should be encouraged to provide wide choice in private satellite television channels and better quality of entertainment programs.

4. Liberlised the EXIM and Electronic policy to allow the inflow of technology and key components for making multifunctional & value added television set to cater the need of the industry.

5. The government should promote the film and entertainment software development industry as it contributes the progress of television industry.

6. Quality control and testing laboratories should be established to ensure the quality of inputs, parts and accessories. This will lead to final product of better quality and low cost.

7. The Industry should provide the social responsibility by education and awareness.

The government should articulating policy measures aimed at improving the prospects of television industry. These measures should includes price preference for indigenously manufacturing products, pressure on multinational to maximise the proportion of local content and fast clearance of project in electronic sector.

**Regarding the improvement of sales**

The selling price of television sets should be reduced in order to improve the sales. It can be reduced by joint efforts by manufactures and government. The government should reduce the excise and custom duty on television sets, picture tube, printed circuit board and key parts. The manufacturer can reduce the cost of production by change in technology and improvement in making television sets.

To improve the sales of television sets following points can be considered:

1. After the globalisation, the quality and price of most of the products have narrowed to point where it is only services and product differentiation can
distinguishes the companies. Hence the companies should concentrate more on value added and technology products.

2. The company should have tie up with bank and finance companies to provide hire purchase scheme.

3. Improve the marketing & distribution network and make available products at every part of India.

4. Concentration in rural marketing as penetration level is low in these areas and purchasing power is high.

5. Increase the marketing and after sales services center at metro and mini metros to cater the mass Indian customer base.

6. Sales promotion scheme should be improved to increase the sales. Provide exchange, freebies, gift, prize and promotional scheme to attract the customers.

7. Sale of TV is also event driven. Hence company should sponsor the sport events and film fare etc.

8. Promote the multi brand and co-brand strategy to compete the own products with mother brands.

9. The company should concentrate on export in developing country and nearby nations.

**Regarding disclosure in financial statements**

Some significant suggestions regarding the financial disclosure are as under:

1. The financial statements are prepared on historical cost and going concept basis. This statement does not reflect the current replacement and market value of assets such as building and machinery. Hence supplementary statement should be attached in the annual report.

2. The present value of goodwill and brand on which company is incurring sizable funds every year. The estimated value of brand and goodwill does not
appear in the balance sheet, which is hidden asset of the shareholder. Hence it is suggested that the brand value should be mention in the annual report.

3. All selected companies are diversified companies and engaged in multiple products but they does not disclosed the figure related to each individual segment of products. The cost and profit center are developed but not appeared in annual report. Hence it is suggested to disclose the product wise profitability and information on each profit center in annual report.

4. Disclosure regarding the environment protection and anti pollution cost should be prepared and disclosed in annual report.

5. Value added statement and contribution to society should be prepared and disclose in annual report.

6. Disclosure on human resources and value of manpower available in the organisation to evaluate and disclose in annual report.

7. Comparative strength and market share in the television industry along with SWOT analysis should be disclosed in financial statement.

8. The director report should contain management responsibility statement and business strategy for future plan of action.

**Regarding financial management and business strategy**

The company is exposed to business risk, strategy risk, product acceptance risk, market risk, brand risk, regulatory risk, geographical risk, technology risk, finance risk, foreign exchange risk and credit risk. To overcome the various risk factors associate with the business, the company must have clear vision of the future business trend, forecast the need of technology products and consumer taste. The company should offer unmatched quality products through innovation, speed, flexibility and empowerment. The well defined vision should be shared by top management to management and worker at shop floor level.
Each player may have a unique set of strength and weakness. The company will have to chalk out different marketing strategies based on systematic study of the underlaying opportunities and business risk in the light of the existing strength and barriers. Some have concentrated on price cutting, brand building, development of network and distribution channels, quality perception, product competitiveness etc.

The management should observe the code of conduct and ethic while taking business decisions. Every year management should review the financial ratios – (Du pont chart) with special reference to return on capital employed, capital gearing ratio, debt service coverage ratio and assets turnover ratio. Management should concentrate on working capital management and financial structure to control the cost of capital.

The Indian television manufacturer finds liberalisation and economic reforms a double edged sword; opportunities for growth and increased competition. This has created a new agenda for business development; competitive strength, marketing support, financial assistance, technology upgradation and quality improvement – vital issues, which are being handled by the government, promotional agencies and such other organisation – so that the sector has the capability to withstand emerging pressures and ensure sustained growth.