

A Study on the Export Practices and Profits at Hydrofabs

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Abstract: Exports have gained an additional significance on account of globalization wave sweeping throughout the world. Exporting brings in added revenue to the income and helps in gaining market exposure internationally thereby increasing the customer base. The governing body responsible for all the activities of export and import is The Directorate General of Foreign Trade (DGFT) and also has to obtain a license called as the Import -Export Code Number to export the goods to other countries. Prime Minister Narendra Modi had propelled the Make in India program to place India in the world as the manufacturing hub and give worldwide recognition to the Indian Economy. By the end of 2020 India is expected to be the 5th largest manufacturing country in the world. A company can diversify their risk so that they do not go through huge losses as a result of economic downfall and market changes. This paper specifically studies the exporting practices followed at Hydrofabs and its impact on the business. It also studies about the risk management practices during exporting the products to different countries.

Keywords: Exports, Risk Management, Export Intermediaries, Export Policies, Globalization.

1. Introduction

Export implies to producing goods in one country and selling them to different countries across the globe. Modes of exporting a product or good or information include mail, hand delivery, air shipping, shipping by vessel, uploading to an internet site, or downloading from an internet site. The Five-year Foreign Trade Policy (FTP) 2015-20 released on 01.04.2015 provides a framework for increasing exports of goods and services.

Hydro Fabs is a 25-year-old company based in Bangalore, Karnataka. They manufacture, export and supply a broad range of Hydraulic Scissor Lifts. Ever since our inception in the year 1995, the company has grown consistently and today we are 3-million-dollar enterprise. Their hydraulic lifts are suitable for all types of heavy material handling requirements. The company keeps pace with latest technology and world-class infrastructure. They are constantly looking at expanding our production facility in order to cater to the growing demands of the domestic as well as international market. Currently, their production facility is spread across an area of 40,000 square feet. They follow stringent quality control measures at every stage of production. Their entire production unit is divided into various departments and is managed by a team of 100 plus

employees. The purpose of this study emphasizes on the export practices and profits at hydrofabs

2. Review of literature

1. Rajwant Kaur, Amarjit Singh Sidhu (2012) in their paper "Trade Openness, Exports and Economic Growth Relationship in India" examine the validity of the export-led growth (ELG) hypothesis implemented in India during the Post WTO Period. The study is based upon quarterly time series data covering the period from 1996-97 to 2008-09. The results revealed that the existence of long-run equilibrium relationship between export growth and economic growth. The unidirectional causality has also been observed among trade openness and economic growth (GDP), which is running from trade openness to GDP. In the light of above findings, the study supports the hypothesis that there is a positive correlation between export growth and economic growth in India during the post reforms.
2. Sani Hassan Hussaini, Bashir Ado Abdullahi, Musa Abba Mahmud (2015) in their paper "Exports, Imports and Economic Growth in India: An Empirical Analysis" testing the Export Led Growth Hypothesis for India with annual time series data from 1980 to 2013. They found that within the period of 1980 to 2013, the variables are cointegrated and there exist bidirectional relationship between GDP and Export.
3. Pradeep Agrawal (2014) in his paper entitled "The Role of Exports in India's Economic Growth" examines the relationship between export and economic growth. The results of the causality analysis suggest that the rapid growth of exports has played a substantial role in increasing the growth rate in India following trade liberalization in 1991.

3. Scope of the study

The scope of this study covers the export practices and policies followed by Hydrofabs as well as the profits arising from exporting. The study will be conducted in the export department and finance department of the company. It will involve the people from export department, finance department and the top level of management of the company who are

involved in these operations.

4. Objectives of the study

- To study the exporting procedure of hydrofabs.
- To study about the profits arising as a result of export.
- To understand the risk management practices adopted at Hydrofabs.
- To formulate effective and constructive recommendation based on outcomes of the study.

5. Research methodology

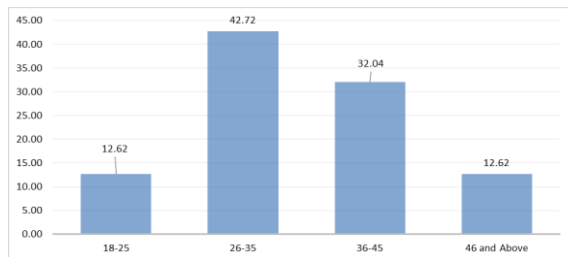
Under the study on the export practices and the profits of Hydrofabs, questionnaires were used to collect and analyze the views from the sample group. Questionnaire was sent to a group of n=103 respondents using Google forms. The sample group included the employees and the top level managements of the company, Hydrofabs. The questionnaire to be used in the research will consist of structured and close ended questions to extract the view points of the respondents.

6. Limitations of the study

- Time constraint
- The scope of this study is limited to the employees and the top level managements of hydrofabs in Bengaluru.

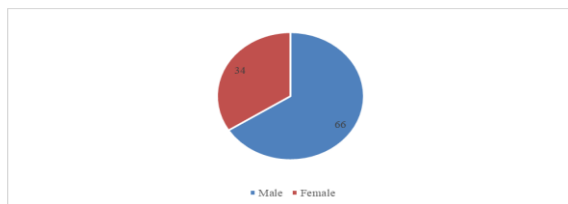
7. Research questions

Chart 1: Age of the Participants



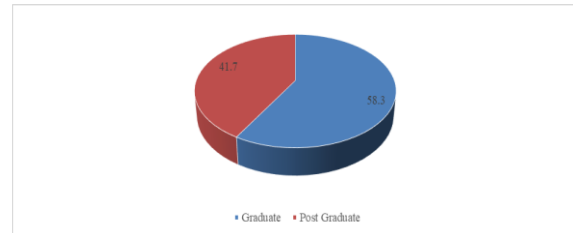
Analysis and Interpretation: The responses were illustrated in a tabular form with the response value and their calculated percentage. The table shows the demographic analysis of the participant's age who are involved in the study. 42.72% of the employees are 26-35 years of age followed by 32.04% of the participants are in the age group of 36-45 years of age. 12.62% of the employees are 18-25 years of age and the remaining 12.62% are 46 and above age group.

Chart 2: Gender of the Participants



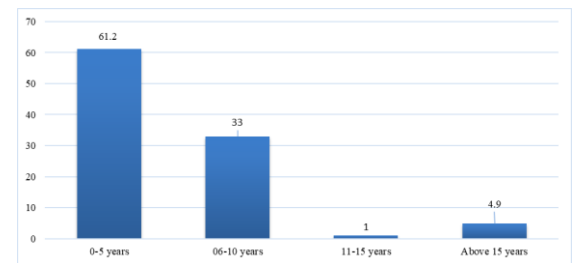
Analysis and Interpretation: This chart shows the gender of the employees involved in the study. The above figure shows that majority of the employees are males (66%) followed by a very smaller number of female employees (34%).

Chart 3: Qualification of the Participants



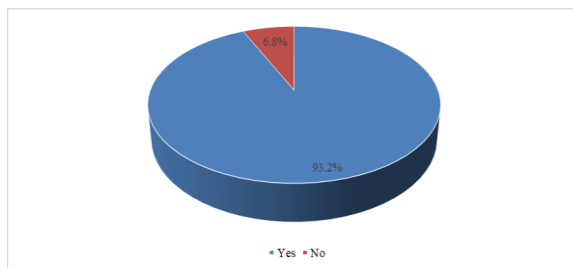
Analysis and Interpretation: This chart shows the educational qualification of the employees involved in the study. The above figure shows that 58.3% of the employees are graduates and the remaining 41.7 % of the employees are post-graduates.

Chart 4: Work Experience



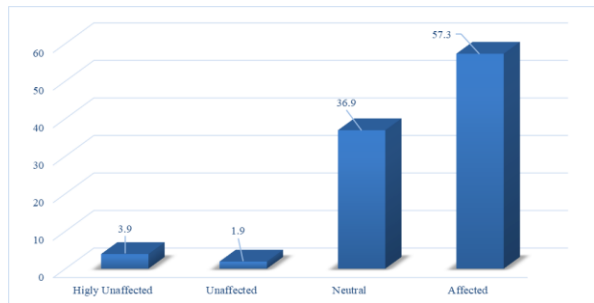
Analysis and Interpretation: Table shows the work experience of the employees involved in the study. 61.2% of the employees have 0-5 years of experience followed by 33% of the employees have 6-10 years of experience. 4.9% of the participants have above 15 years of experience and the remaining 1% of the employees have 11-15 years of work experience.

Chart 5: Products exported are highly sensitive to exchange rate fluctuation.



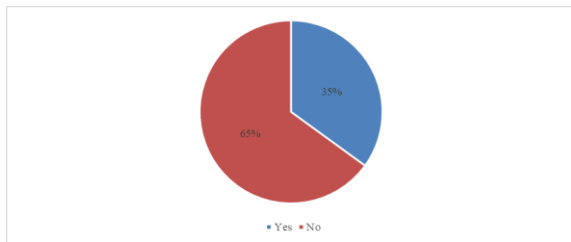
Analysis and Interpretation: This chart shows the products exported are highly sensitive to exchange rate fluctuation. Majority of the employees (93.2%) have the opinion that products exported are highly sensitive to exchange rate fluctuation.

Chart 6: Fluctuation of currency rate does not affect the export of your products



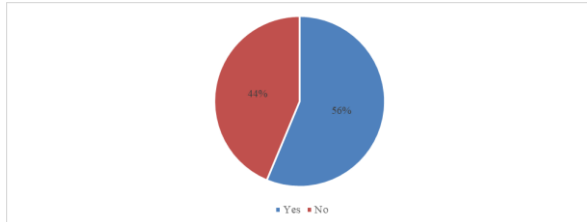
Analysis and Interpretation: 57.3% of the employees have the opinion that fluctuation of currency rate affects the export of products followed by 36.9% of the employees are not sure about the effects of fluctuation of currency rate on the export of products.

Chart 7: Demand for exportable goods is inelastic



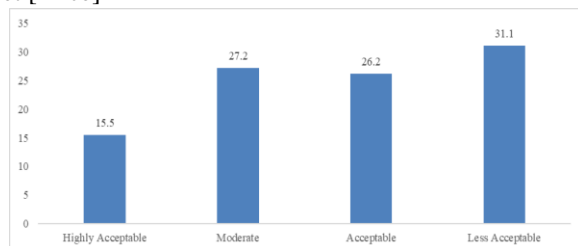
Analysis and Interpretation: 65% of the employees have the opinion that demand for exportable goods is inelastic, whereas the remaining 35% of the employees disagree to the opinion.

Chart 8: Exchange rate movement affects domestic prices.



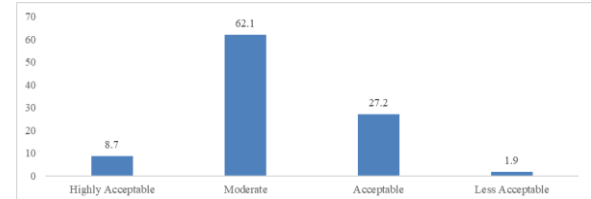
Analysis and Interpretation: This chart shows the exchange rate movement affects domestic prices. Majority of the employees (56%) have the opinion that exchange rate movement affects domestic prices.

Chart 9: Indicate the acceptance of the product in domestic market [Price]



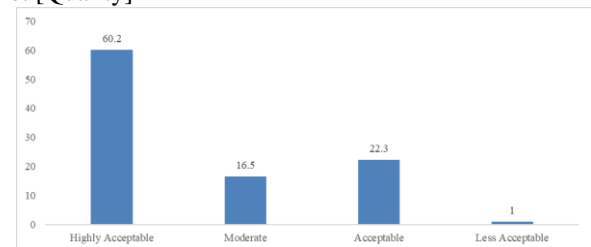
Analysis and Interpretation: The responses were illustrated in a tabular form with the response value and their calculated percentage. Figure shows that 31.1% of the employees have the perception that the acceptance of the product in domestic market based on the price is less acceptable.

Chart 10: Indicate the acceptance of the product in domestic market



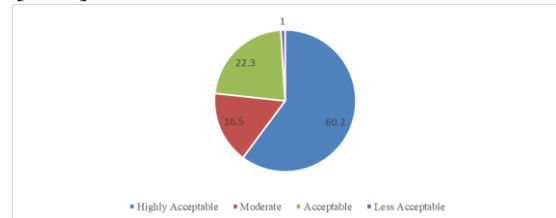
Analysis and Interpretation: 62.1% of the employees have the perception that the acceptance of the product in domestic market based on demand is moderate.

Chart 11: Indicate the acceptance of the product in domestic market [Quality]



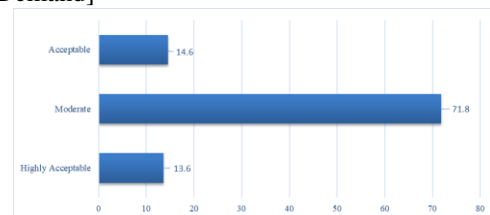
Analysis and Interpretation: Figure shows that 62.2% of the employees have the perception that it is highly acceptable to get the acceptance of the product in domestic market based on its quality.

Chart 12: Indicate the acceptance of the product in foreign market [Price]



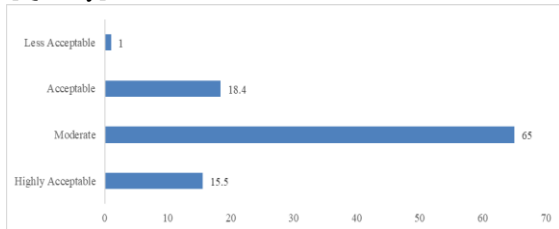
Analysis and Interpretation: 60.2% of the employees have the perception that it is highly acceptable to get the acceptance of the product in foreign market based on its price.

Chart 13: Indicate the acceptance of the product in foreign market [Demand]



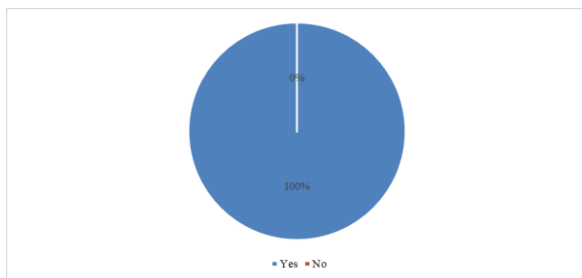
Analysis and Interpretation: 71.8% of the employees have the perception that it is moderately acceptable to get the acceptance of the product in foreign market based on its demand.

Chart 14: Indicate the acceptance of the product in foreign market[Quality]



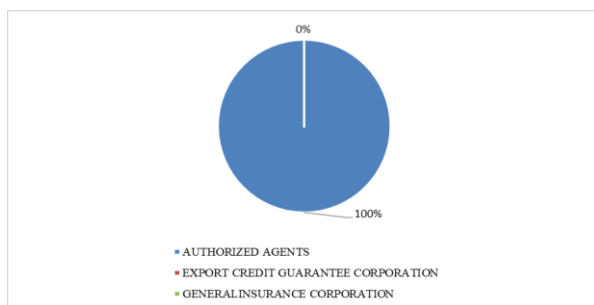
Analysis and Interpretation: 65% of the employees have the perception that it is moderately acceptable to get the acceptance of the product in foreign market based on its quality.

Chart 15: Do you follow any risk management practices?



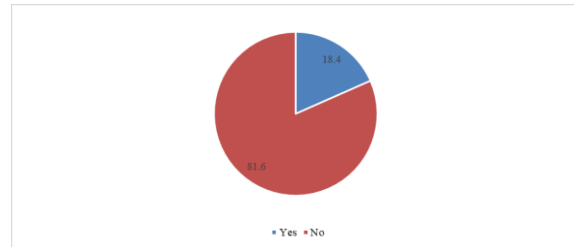
Analysis and Interpretation: All the employees have the opinion that they follow risk management practices.

Chart 16: Types of risk management practices



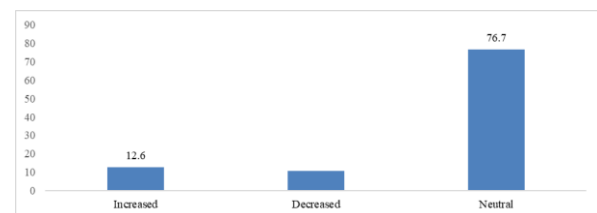
Analysis and Interpretation: 58.3% of the employees have the opinion that they follow ECGC (Export Credit Guarantee Corporation) followed by 23.3% of the participants have the opinion that they follow GIC (General Insurance Corporation) and the remaining 18.4% of the employees have the opinion that they follow AD (Authorized Dealers).

Chart 17: Are there any cases of your products being rejected by the international customers?



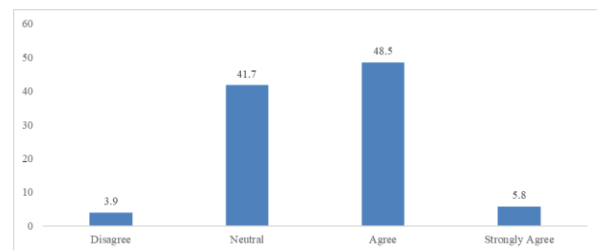
Analysis and Interpretation: 81.6% of the employees have the opinion that there are no cases of products being rejected by the international customers.

Chart 18: In the last 5 years, how much has your export volume changed?



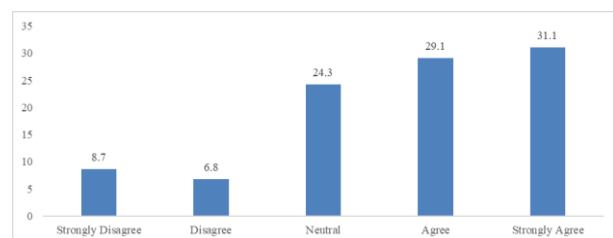
Analysis and Interpretation: 76.7% of the employees have the opinion that in the last 5 years there is no change in the export volume.

Chart 19: Financial Problems of your business transaction



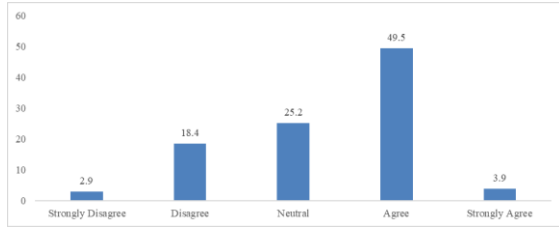
Analysis and Interpretation: 48.5% of the employees agrees that financial problems have been an issue in business transactions.

Chart 20: Marketing Problems of your business transaction



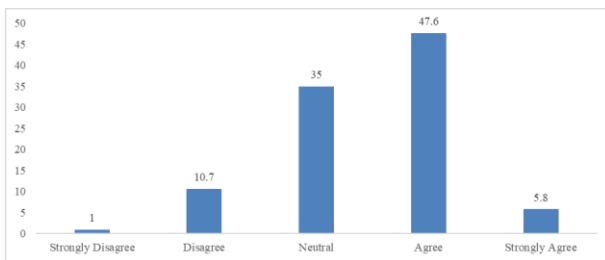
Analysis and Interpretation: 31.1% of the employees strongly agrees that marketing problems have been an issue in business transactions.

Chart 21: Exchange Rate Volatility Problems of your business transaction



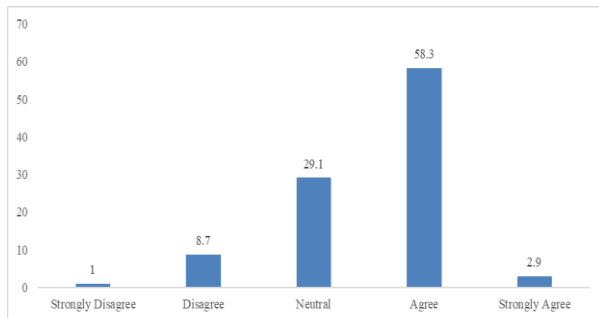
Analysis and Interpretation: 49.5% of the employees agrees that exchange rate volatility Problems have been an issue in business transactions. 25.2% of the employees are not sure that exchange rate volatility Problems have an issue in business transactions.

Chart 22: Labor Problems of your business transaction.



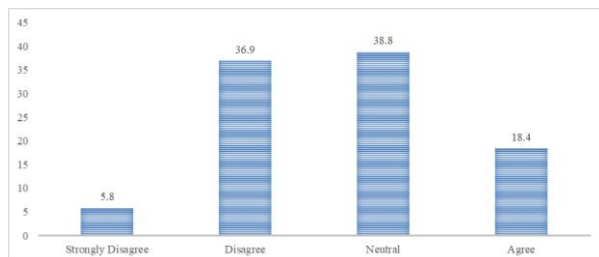
Analysis and Interpretation: 47.6% of the employees agrees that labor problems have been an issue in business transactions.

Chart 23: Transportation Problems of your business transaction.



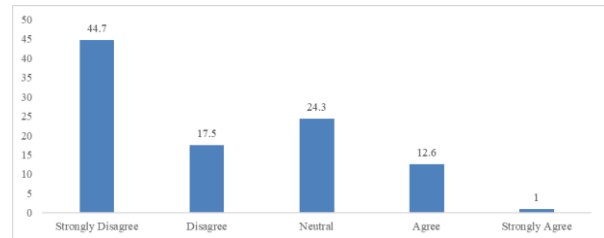
Analysis and Interpretation: 58.3% of the employees agrees that transportation problems have been an issue in business transactions.

Chart 24: Legal and Government Policy Problems of your business transaction.



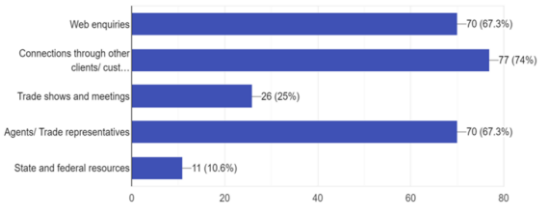
Analysis and Interpretation: 38.8% of the employees are not sure that legal and government policy problems have an issue in business transactions. 36.9% of the employees disagrees that legal and government policy problems have an issue in business transactions.

Chart 25: Complex Procedures Problems of your business transaction.



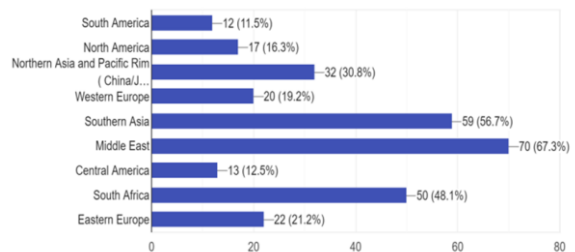
Analysis and Interpretation: 44.7% of the employees strongly disagrees that complex procedures problems have an issue in business transactions.

Chart 26: What resources and tools do you use for determining and establishing new international trade markets?



Analysis and Interpretation: 74% of the employees use connections through other clients/ customers for establishing new international trade markets followed by 67.3 % of the employees use web enquiries for establishing new international trade markets.

Chart 27: What region of the world do you believe to be the greatest emerging market for your business in the future?



Analysis and Interpretation: 67.3% of the employees have the perception that Middle-East region would be the greatest emerging market for business in the future scenario.

8. Findings

1) The study showed that the products exported are highly

sensitive to exchange rate fluctuation

- 2) It was found that the fluctuation of currency rate affects the export of the products.
- 3) This study showed that the acceptance of the products by the customers was mainly because of the quality and the price of the product.
- 4) It was found that the company follows the risk management practices to protect their goods from damages and to cover the loss.
- 5) The study showed that Authorized agents are used by the exporters to protect the goods from damages.
- 6) The cases of the products being rejected is very less which shows that the products are running successfully in the international market.
- 7) This study showed that the volume of the exports has remained the same over the past 5 years.
- 8) This study shows that Export rate volatility, Transportation and Financial problems have been a major issue in business transactions between different countries.
- 9) Employees use connections through other clients or customers and web enquires for establishing new international trade market.
- 10) This study shows that the employees have the perception that Middle East region would be the greatest emerging market for business in the future followed by Southern Asia and South Africa.

9. Recommendations

- 1) As the fluctuation of the currency effects the export of the products, I would suggest the company to use hedging methods such as Forwards and Future contracts. The company can follow other risk management practices such as Export Credit Guarantee Corporation or by transferring

risks with the help of Letter of Credit.

- 2) The company can come up with marketing strategies with the help of the celebrities to showcase their products to a wide range of people across the globe.
- 3) As the company has been in the business for more than 20 years now, they can setup manufacturing locations in places other than Bangalore and this can reduce the logistics problems.

10. Conclusion

The main purpose of this study was to find out the export practices and the profits arising as a result of the export practices. The study findings conclude that fluctuation of the currency rate affects the performance of the business and the company follows risk management practices such as Export Credit Guarantee Corporation to cover the risk. The company also has the opportunity to expand to countries. Every business that indulges in exporting should follow the procedures of exporting by submitting all the documents required there by resulting in the smooth functioning of the business. Companies can also diversify the risk by exporting to different countries and also by following the hedging methods such as forwards and futures.

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