

CHAPTER FIVE

Presentation and Analysis of Data



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PRESENTATION

AND

ANALYSIS

OF DATA

- 5.1 Analysis of Purchases
- 5.2 Sales Analysis in Total.
- 5.3 Sales Analysis Productwise.
- 5.4 Analysis of OEM and Replacement Markets.
- 5.5 Competitors share of Piston Market.
- 5.6 Marketing Expense Ratio
- 5.7 Pricing of Menon Pistons.
- 5.8 Promotion activity of the Company.

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PRESENTATION AND ANALYSIS OF DATA.**5.2** SALES ANALYSIS :

The company, as said earlier, has two types of market :-

- 1) Original Equipment Market and
- 2) Replacement Market.

In this topic, the researcher has made an analysis of the total sales of OEM and replacement market for the three years 1983, 1984, and 1985.

The following table shows the sales Analysis :-

| YEAR | 1983 (Rs) | 1984 (Rs) | 1985 (Rs) |
|-----------------|-------------|-------------|-------------|
| Sales | 1,92,54,663 | 4,07,97,096 | 3,87,59,451 |
| Approx incation | 1.93 Crores | 4.08 Crores | 3.88 Crores |

The above table clearly shows that sales has been fluctuating. During 1984, sales increased by 111.4% over 1983.

However Sales in 1985 declined by 4.9% when compared to 1984 sales.

The Relationship between Purchases and sales is shown in the Graph No. 1

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5.1 ANALYSIS OF PURCHASES.

The quality of the finished product has direct relationship to the quality of raw-Materials. Purchase is one of the most important functions of marketing.

Menon Pistons Pvt Ltd., has a separate purchases department attached to the overall Marketing department.

years -

| YEAR | 1983 | 1984 | 1985 |
|----------------|-------------|-------------|-------------|
| Value | 1,15,30,143 | 2,91,67,282 | 2,50,20,595 |
| Approximately. | 1.15 Crores | 2.92 Crores | 2.5 Crores |

From the above table it is clear that in 1984 the purchase of raw-materials increased by 154% over 1983.

However, the purchases declined by 14.4% taking 1984 as base. This clearly shows that the company's sales is fluctuating.

5.3 SALES ANALYSIS PRODUCTWISE :

The company offers to the market Pistons, Piston rings, and many other products it has both to home and export Market. The researcher makes an analysis of the sales of these as below.

| ITEMS | 1983 | 1984 | 1985 |
|--------------------|-------------|-------------|-------------|
| Pistons | 1,81,17,024 | 2,60,06,251 | 3,31,26,027 |
| Rings | 8,26,048 | 10,25,961 | 9,90,789 |
| Others | 3,10,991 | 16,43,353 | 38,49,331 |
| Total Home Market. | 1,92,54,063 | 2,86,75,565 | 3,79,66,147 |
| Export | - | 1,21,21,531 | 7,93,304 |
| Total Sales | 1,92,54,063 | 4,07,97,096 | 3,87,59,451 |

The above table clearly shows that the sales increased by 111.4% in 1984 mainly because of export market. The Home market increase worked to about 49%.

However, in 1985, the home market did quite well with an increase, Over 1984 by 32%. Hence the rate of increase is declining.

The export market in 1985 showed a decline in Sales over 1984 by 93%. Consequently, the net result was that there was a decline in the total sales by 94.9%.

This analysis of Sales can be depicted graphically as shown in Graph No. 2.

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5.4 Analysis of OEM and Replacement Markets :

The Researcher, in this topic, tries to find out the relative share of the OEM and Replacement markets respectively, in the total sales.

| (in block of Rs) | | | |
|------------------|--------|--------|--------|
| <u>Year</u> | 1983 | 1984 | 1985 |
| Market | | | |
| OEM | 198.46 | 225.76 | 227.62 |
| Replacement | 32.18 | 60.95 | 96.26 |
| Total Sales | 230.64 | 286.71 | 323.88 |

From the above table it is clear that both the OEM and Replacement market show an increasing trend. However, the rate of increase in the case of replacement market is greater. In the year 1984 the OEM contribution increased by 13.16% and in 1985 by 0.82% when compared to 1984.

In the case of replacement market we find an increasing trend. In 1984, the sales increased by 89.4% over 1983 and in 1985 by 57.93% over 1984. The rate of increase is however, declining.

This clearly shows that the replacement market offers better market potential. The graphical representation of this analysis is shown in graph No. 3

The researcher also tried to make a comparative study of the relative shares of the OEM and Replacement markets to the total sales which is shown below -

| | (in %) | | |
|-------------|----------|-------|------|
| Year | 1983 | 1984 | 1985 |
| Market | | | |
| OEM | 86%..... | 79% | 70 |
| Replacement | 14% | 21% | 30% |
| Total | 100% | 100 % | 100% |

In India there are about 20 manufacturers of Pistons few leading over along with their brand name and sales turnover are given below :-

| <u>Sr.No.</u> | <u>Com. Name</u> | <u>Brand Name</u> | <u>turnover</u>
(Rs.in crores) |
|---------------|------------------------------|-------------------|-----------------------------------|
| 1) | Escorts Ltd., | Mahale Goetze | 20 |
| 2) | India Pistons Ltd., | IPL Power Pack | 14 |
| 3) | Shriram Pistons & Ring Ltd., | Usha Pistons | 12 |
| 4) | Auto Piston Pvt Ltd., | Auto Piston | 3.5 |
| 5) | Menon Piston Pvt Ltd., | Mahindra Piston | 3.5(approx) |

The table clearly shows that the share of OEM market is declining contribuously while that of Replacement market is showing an increasing trend.

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5.5 Competitors share of Piston Market :

From the records of the company and the market Research conducted by the company staff, the researcher found out the relative market share of the five leading piston manufactuteres in India, which is given below -

| <u>Name of company</u> | <u>% Share</u> |
|--|----------------|
| 1) Escorts Piston Co.,
Patilgaon and Bangalore. | 30% |
| 2) India Pistons Ltd., | 20% |
| 3) Menon Pistons Pvt Ltd., Kolhapur | 21% |
| 4) Shriram Piston Ltd., | 20% |
| 5) Auto Pistons Ltd., Amritsar | 4% |
| 6) Others | 5% |
| | ---- |
| Total - | 100% |
| | ---- |

The above table shows that Menon Pistons is doing well with a market share of 21% standing second in India and has good potential to exploit a large of the market.

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MARKETING EXPENSE RATIO :-

This ratio establishes a relationship between the total marketing expenses and sales.

The following table shows the break-up of marketing expenses yearwise :-

| <u>Year</u>
<u>Items</u> | 1983 | 1984 | 1985 |
|-----------------------------------|-------------|-------------|-------------|
| Travelling Expenses | 2,57,144 | 5,65,358 | 5,90,311 |
| Selling and Distribution Expenses | 2,47,315 | 2,22,938 | 5,33,848 |
| Total | 5,04,459 | 8,88,296 | 11,24,159 |
| Sales | 1,92,54,063 | 4,07,97,096 | 3,87,59,451 |
| Expenses/
Sales | 2.62% | 2.18% | 2.9% |
| Ratio | | | |

The above table shows that the expense ratio has been fluctuating over the years even though the total marketing expenses has been increasing continuously.

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PRICING OF MENON PISTONSINTRODUCTION :-

Pricing is another important element of the marketing Mix, Pricing, as a function of marketing, is influenced by several factors such as --

- 1) Costs (Actual, imputed and replacement costs)
- 2) Non-Cost FACTORS
 - a) Nature of the Industry
 - b) Characteristics of the products
 - c) Degree of competition within and outside the industry.
 - d) Purchasing power of the customers
 - e) Elasticity of supply and demand
 - f) General economic conditions.
 - g) Price agreements
 - h) Availability of substitutes.
 - i) Government restrictions on price, production and imports.
 - j) Level of plant activity
 - k) Inventory accumulation
 - l) Management policy.

Although one or the other of these factors may at times predominate, cost is the most important factor influencing price. In the long run, price tends to equate with cost plus profit and no business can survive unless it is able to recover all its costs and in addition earn a reasonable return on capital invested. In the short run, price is influenced by the forces of demand and supply.

Pricing in Menon is the job of the General Manager (marketing) who also takes the help of the cost accountant.

The method used for pricing in Menon Pistons is full cost method. Therefore, the cost Accountant plays a key role along with the marketing manager in fixing the price.

Cost Sheet of Menon Piston for the Month
May 1986 (per Piston)

| | Rs. |
|---------------------|--------------|
| Direct Material | 47.834 |
| Direct Wages : | |
| Piston foundary | 1.07 |
| Piston Machine shop | 2.31 |
| <u>PRIME COST</u> | <u>3.380</u> |
| | 51.172 |

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Factory Overhead :Indirect Salaries & Wages

| | | |
|-------------------------------|-------------------|--------------|
| Time Department | 0.71 | |
| Inspection Dept. | 0.49 | |
| Machining Cost | 1.58 | |
| Reparis and Main-
tenance. | 0.17 | |
| Factory building
repairs | <u>0.04</u> | <u>2.990</u> |
| | <u>Works cost</u> | 54.162 |

Administration Overhead :Salaries and Wages

| | |
|----------------------|------|
| Account Department | 0.29 |
| Store Department | 0.29 |
| Administrative Dept. | 0.42 |
| Deburring D pt. | 0.12 |
| Defelopment Dept. | 0.67 |
| General Dept. | 0.29 |
| P.F.Contribution | 0.18 |
| Conveyance Allowance | 0.15 |
| P.F.Insurace fund | 0.06 |
| Garden expenses | 0.01 |

| | | |
|--|-------------|------------------------------------|
| Printing and Stationery | 0.20 | |
| Sundry Expenses | 0.10 | |
| Telephones Truck Calls,
Telex. | 0.37 | |
| Postage and Telegraph | 0.08 | |
| Consultants Legal &
professional. | 0.04 | |
| Subscription and contri-
bution books and perio-
dicals. | 0.09 | |
| Legal expenses | 0.09 | |
| Licence Fees | 0.04 | |
| Bank commission | 1.29 | |
| Administrative charges | <u>0.03</u> | <u>4.76</u> |
| | | <u>Cost of Production - 58.922</u> |

Selling and Distribution Overheads

Salaries and Wages :

| | |
|--------------------|------|
| Sales department | 0.64 |
| Packing department | 0.18 |
| Packing cost | 2.83 |
| Vehicle expenses | 0.25 |

| | | |
|----------------------|--------|---------------|
| Sales promotion | 0.25 | |
| Travelling expenses | 1.51 | |
| Advertising Expenses | 0.31 | 5.97 |
| | | <u>5.97</u> |
| Total Cost- | 64.892 | |
| Net Profit | 5.108 | |
| Selling Price - | 70.000 | |
| | | <u>70.000</u> |

From the above cost sheet.

| | |
|-----------------------------|---------------|
| The total cost of Piston as | Rs. 64.892 |
| Add : Exice duty (21%) | Rs. 13.627 |
| Add : Cost of Gardgeon Pin- | Rs. 13.900 |
| Add : Circlip cost | Rs. 1.000 |
| Recommended Price Rs. | <u>93.422</u> |
| | <u>93.422</u> |

Note :- There is nothing like a fixed price for a particular piston. Prices of pistons depend upon the following-

- 1) Material of construction, 2) Size, 3) Construction and design of piston, 4) Competitors submitting quotations, 5) Ratings, etc.

The prices of pistons of Menon Pistons Pvt Ltd., include the following -

- 1) All prices are inclusive of exise duty i.e. they are cum duty prices.
- 2) Composite price denotes price, inclusive of exise duty.
- 3) Sales tax and other Government levies will be charged extra as applicable at the time of supply.

Comparison of Piston Prices of Menon Pistons Pvt Ltd., with some leading competitors prices.

| <u>S.No.</u> | <u>Name of Co.</u> | <u>Recommended Price (Rs)</u> |
|--------------|------------------------------|-------------------------------|
| 1) | Menon Piston Pvt Ltd., | 93.42 |
| 2) | Escorts Ltd., | 128.86 |
| 3) | Shriram Piston & Rings Ltd., | 111.94 |
| 4) | India Piston Ltd., | 131.47 |

The above table clearly shows that the price of Menon Pistons is very low.

In the case of OEM market, the prices are much lower when compared to Replacement market, because of lesser marketing and promotional expenses.

In the case of OEM market prices are quoted 'freight to pay'. But in the case of Replacement market it is freight paid'.
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5.8 PROMOTION ACTIVITY OF MENON PISTONS PVT LTD.,

Promotion plays in important role for the company's replacement market.

The company has appointed an Advertising Agency to handle all its promotional activities. The Agency is Dattaram Advertisements, Bombay. This agency carries out all promotional activities on its own on a commission basis, of course after having consultation with the general Manager of marketing. The agency advertises in local papers, magazines, trade journals, and also participates in trade exhibitions both in India and abroad.

Only the discounts to be offered is handled by the company management .

Personal Selling :-

Personal selling is the major element of the Promotional Mix. The company has in total 20 salesmen. These salesmen are placed in different regions from

where they operate independently. These salesmen are assigned a certain target. These salesmen collect orders personally from customers and intimate the company. The after sale services is also handled by them.

The salesmen are required to submit daily reports of their calls done and also travelling expense and daily expense statements. In order to check whether the salesmen are working properly, the Area managers and General Manager make surprise visits and work along with them.

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