

QUESTION PAPER

Strategic Management – (May, 2008)

Instructions: Answer Question 1 and any TWO of the other questions

Note: This is not an open book exam

Question 1 :

CASE STUDY – VC COMPONENTS PVT. LTD

Mr. Vineet Chopra was sitting in his office in Noida. He was the Managing Director of a medium sized manufacturing unit. The company manufactured switches and other sub assemblies used in the air conditioning industry.

VC Industries Pvt. Ltd. employed about 200 workers and had for the last three years been selling about Rs. 60 million worth of products. He was worried that there was little growth in the business and with new entrants entering the markets, there was a great pressure on cost reduction.

The brief financials of the company for the current year are as follows:

	2005	2006
Sales:	Rs. 580 lacs	Rs. 600 lacs
Net Profit	Rs. 49 lacs	Rs. 50 lacs
Equity	Rs. 121 lacs	Rs. 121 lacs

As per the annexure in the company balance sheet, the Manufacturing Costs as a %age of Finished Goods were as follows:

	2005	2006
Raw Materials:	49.7 %	51.2%
Components	42.0%	40.1%
Others	6.2%	5.8%

The annual budget had been announced in Parliament the previous day. He was reading the budgetary provisions in the Economic Times, when there was knock at his door. Mr. Ram Naik, the Marketing Manager walked in. Mr. Chopra asked him to sit down and pointed at the newspaper. “Have you read

this article?" he asked. Mr. Naik looked at the newspaper. The article was titled, 'Excise given a three-tier berth'

It read,

"The Government has broadly gone down by the road map laid down by the Kelkar Committee on indirect taxes to have a three tier rate structure for excise duties barring select goods. The government's commitments to bring down customs tariffs to Asean levels has been reflected to the reduction of peak custom's tariff from 30 percent to 25 percent barring agriculture and dairy products.

There would now be three rates of excise duties – 8%, 16%, and 24% and separate duty rates for petro-products, tobacco products, pan masala and specific rated commodities. Some exemptions on food and non-food products will remain. A host of life saving drugs too will enjoy excise exemption.

The major change in this year's budget will have been the reduction in Special Excise Duty (SED) rate to 16% to 8% on five products – tyres, cars, aerated soft drinks, polyester filament yarns and air-conditioners and components.

Commodities with a 4% duty will now attract an 8% duty.

Manufacturers of these goods will be able to avail a set-off on the inputs paid on these products.

The government has also brought a host of food and non-food products, which were enjoying complete exemption, under the excise net. Products like vanaspati and edible oil have been brought under the excise net.

On the customs front, with the reduction in the peak rate from 30% to 25%, there would now essentially be 5 rates – 25%, 20%, 15%, 10% and 5%. There have been some reduction in the custom duty rates under the IT Agreement. Under this agreement, India has agreed to bring duties on 217 items to zero by 2005

The rationalization exercise on the indirect tax front is expected to translate into a revenue loss of Rs. 3,294 crores for the government”

Mr. Naik read the article and said. “I suppose sir, you have read the article on the front page also. It says quote – And look carefully, all those excise duty cuts on biscuits, sweets, supari, ACs, soft drinks and pressure cookers have been offset by procedural changes elsewhere, and are unlikely to result in price cuts – unquote”

“No, I did not read that,” said Mr. Chopra, “what are the details?”

“I do not exactly know what the implications are, sir. I am arranging to get the necessary information so that I can make an analysis. I thought I would check with you first. I will study the budget and the economic outlook released by the government in greater detail, and will let you know as soon as possible.”

“Why don’t you do it and let me have a report by the end of the week,” said Mr. Chopra, “there is a board meeting on Tuesday, next week, and I would like to provide them some good news, if possible.”

Mr. Naik left his boss’s room and was walking back to his cabin. On his way back, he was already thinking about what he had to do to make the Report to his Managing Director. He had only 4 days to prepare it. As it was to be presented to the Board, he wanted to do a thorough job.

1. What is the information Mr. Naik will have to collect? Where would he get this information?

9 marks

2. What business tools will he use to analyze the information? What type of conclusion would he expect the analysis to throw up? How relevant would the information be to the current situation facing the company?

9 marks

3. If you were in Mr. Naik’s place, what further analysis would you recommend in your report and why?

12 marks

Question 2

“Corporate strategists have coped with very demanding business environments before. During the 1970s, rocketing oil prices and staggering levels of inflation halted a great period of expansion. Yet, developing sound corporate strategy has become both more important and more difficult in today’s uncertain and confusing business environment. With the world economy becoming increasingly integrated and geopolitical tensions continuing to rise, the challenge of crafting and implementing strategies successfully grows ever more daunting.”

Discuss the statement critically. Justify your stand with practical examples.

15 marks

Question 3

What are core competences? How do you evaluate core competences in terms of superiority, sustainability and value?

15 marks

Question 4

Strategy = Structure = Implementation.

Please explain the equation above. Is this true? Justify your answer with examples.

15 marks