Seat No. : _______________

AE-140

April-2016

5TH Year MBA Integrated

MACR

Time : 3 Hours] **[Max. Marks : 100**

1. Solve the case and answer the questions: **20**

On November 27, 2006, Wal-Mart Stores, Inc (Wal-Mart), the world's largest retailer and Bharti Enterprises Ltd. (Bharti), a leading business group in India, signed a Memorandum of Understanding (MoU) to explore business opportunities in the Indian retailing industry, joint venture marked the entry of Wal-Mart into the Indian retailing industry. According to Sunil B. Mittal (Mittal), chairman and managing director, Bharti, "The joint venture with e(41.0.111,l;14,4 will operate in areas where the government allows foreign investment in retail like carry and logistics. The retail shops will be owned by Bharti Enterprises under the Wal-Mart franchise. The idea is to give Indians the lowest price every day." Many analysts opined that both the parties in the venture had their own strengths and would complement each other, Viswanathan Vasudevan, an equity analyst at the Singapore-based Aquarius Investment Advisors Pte, said, "It's a great fit for Wal-Mart as Bharti knows the rules of the game and save Wal-Mart a lot of time and energy to overcome the system. For Bharti, you can't get a better partner than Wal-Mart in retail." Gajendra Nagpal, director, Unicorn Investments, said, "This joint venture is a winning combination. Wal-Mart's logistics skill and Bharti's execution capability wilJ create a potent force in the Indian market." This franchise strategy with Bharti was a deviation from Wal-Mart's usual way of entering countries. This was because the policy restrictions on foreign direct investment (FDI) in the Indian retail sector. As part of the agreement, Bharti was expected to pay a royalty between 2 per cent and 3 per cent of sales to Wal-Mart for using the latter's brand name. The Bharti-Wal-Mart joint venture was expected to open its stores in India from August 2007. Though the parties did not disclose the financials of the deal, according to retail industry sources, the Bharti-Wal-Mart venture would make an initial investment of US$ 100 million, which could further increase to US$1.46 billion. Wal-Mart had reportedly brought in two veteran executives, Andy Guttery and Lance Rettig, to implement its operations in India under the joint venture. Wal-Mart had also roped in Raj Jain, emerging markets president and CEO, Wal-Mart, to head the cash-and-carry business in India.

The retail industry in India is estimated at about US$ 300 billion and is expected to grow to US$ 427 billion in 2010 and US$ 637 billion in 2015. Moreover, only 3 per cent of the Indian retail industry was in the organized sector. Foreign retailers were keen to enter India's rapidly growing retail market. However, the government had permitted retailers of single brand products to own a majority stake in a joint venture with a local partner (with prior government permission). Retailers of multi-brands were only permitted to operate through franchises and licensees, or a cash-and-carry wholesale model. The biggest competitor for Bharti-Wal-Mart was expected to be Reliance Retail, the retail wing of Reliance, which had planned to establish 10,000 stores by 2010. It had already opened 11 pilot stores under the "Reliance Fresh" format in Hyderabad. Even Pantaloon Retail, the retail arm of the Future Group was expected to give stiff competition as it had a first-mover advantage. Kishore Biyani, CEO, Future Group, said, "Our strength is that we understand the Indian consumer better than Wal-Mart and we also have a window of opportunity and the first-mover advantage. For instance, we will have 100 Big Bazaars across India by the time the first store (oft Bharat-r Wal-Mart) opens its doors here."

A few other Indian retailers felt that the entry of foreign retail giants like Wal-Mart, Carrefour SA and Tesco Plc (Tesco) would result in Indian retailers learning some of the best international practices in retailing. However, analysts noted that the success of the joint venture would depend on how successful Wal-Mart is in building a cost efficient supply chain and sourcing network so that the cost savings are passed on the end consumer through its trademark "everyday low price" strategy. Some experts felt that Wal-Mart may find it difficult to achieve economies of scale in items such as personal consumer products and may be able to achieve more success in fruits and vegetables as there was still scope for disintermediation. Some also cited the fact that Wal-Mart's business model was not successful in all foreign markets. For example, Wal-Mart had withdrawn its retail operations in Germany and South Korea.

But in the short term, the Bharti-Wal-Mart joint venture was confronted with problems due to the opposition by the Left parties as they insisted that the government should look into the matter to stop the "backdoor entry" of Wal-Mart into India. These parties opposed the joint venture stating that foreign direct investment in retail trade was not allowed under the existing policy and that it would impact the vast number of unorganized retailers, domestic manufacturers, and farmers in India.

Questions :

(1) Discuss the rationale that led to the joint venture between Bharati and Wal-Mart in the Indian retail sector.

(2) What mutual benefits and strategic synergies are expected from the Bharati and Wal-Mart venture ?

(3) What are the future challenges that would be confronted by Bharati and Wal-Mart venture ? If yes, identify the specific challenges and suggest methods to overcome these.

2. Prospective Ltd. is contemplating taking over the business of Target Limited. The summerised balance sheet of Target Ltd. as on 31st March was as follows : **10**

Liabilities	**Amount (₹ lakh)**	**Assets**	**Amount (₹ lakh)**
Equity share capital (50 lakh @ Rs.10)	500	Fixed assets :	
General reserve	250	Land and Building	300
Profit and loss account	120	Plant and Machinery	580
13% Debentures	100	Current Assets	
Current liabilities	30	Inventories	70
		Debtors	35
		Bank	15
	1000		1000

Additional Information

(1) Prospective Ltd. agrees to takeover all the current assets at their book value but the fixed assets were to be revalued as under

Land and buildings : ₹ 500 lakh

Plant and machinery : ₹ 500 lakh

These sum apart, Prospective Ltd. is required to pay ₹ 50 lakh for goodwill.

(2) Purchase consideration is to be paid as Rs.130 lakh in cash to pay for 13% debentures and other liabilities and the balance is to be paid in terms of shares of Prospective Ltd.

(3) Expected benefits (FCFF) accruing to Prospective Ltd. are as follows :

(₹ in Lakh)

Year 1	Year 2	Year 3	Year 4	Year 5
₹ 200	₹ 300	₹ 260	₹ 200	₹ 100

Further, it is estimated that the FCFF are expected to grow at 5 percent per annum after 5 years

(4) Cost of capital for the purpose of analysis is to be 15 percent

Suggest whether Prospective Ltd. is likely to benefit taking over Target Ltd.

(b) ABC Steel Limited is contemplating to acquire PQR Limited. The following information is available in respect of companies : **10**

Particulars	ABC Limited	PQR Limited
No. of Equity Shares	10,00,000	6,00,000
Earnings after tax (₹)	50,00,000	18,00,000
Market value per share (₹)	20	13

(1) What is the present EPS of both the companies ?

(2) What would be the new EPS for ABC Limited, if the proposed merger takes place by exchange of equity shares and exchange ratio is based on the current market price ?

(3) What should be the exchange ratio, if PQR Limited wants to ensure the same earnings to members as before merger takes place ?

OR

(b) Discuss the advantages and disadvantages of asset based approach in business valuation aspect of Merger and Acquisition. **10**

3. Answer the followings : (Any **two**)

(a) Write a short note on Income Tax Act, 1961 relating to Merger. **10**

(b) Explain Competition Act, 2002 and Sick Industrial Companies Act, 1985 with respect to merger. **10**

(c) Explain various steps followed in Merger & Acquisition process. **10**

4. (a) Zuari Ltd. agrees to absorb the business of Agro India Ltd. and to takeover the Assets and Liabilities at their Balance Sheet value, in exchange for which it is to issue 12 shares of ₹ 10 each for every share of ₹ 100 in the Agro India Ltd. The expenses of absorption ₹ 10,000 will be paid by Zuari Ltd. **14**

On the date of absorption i.e. 31st March, 2015, the Balance Sheets of the two companies were as under :

Zuari Ltd.

Liabilities	**(₹)**	**Assets**	**(₹)**
1,00,000 Equity Shares of ₹ 10 each	10,00,000	Land and Buildings	5,00,000
General Reserve	80,000	Machinery and Plant	3,00,000
Creditors	1,00,000	Goodwill	1,00,000
		Stock	1,20,000
		Debtors	1,20,000
		Bank	1,00,000
Total :	**11,80,000**	**Total :**	**11,80,000**

Agro India Ltd.

Liabilities	(₹)	Assets		(₹)
5000 Equity Shares of ₹ 10 each	5,00,000	Land and buildings		3,00,000
		Machinery and Plant		2,00,000
General Reserve	35,000	Sundry Debtors	55,000	
Bills Payable	35,000	Less : Provision	5,000	50,000
Creditors	40,000	Stock		25,000
		Bank		35,000
Total :	**6,10,000**	**Total :**		**6,10,000**

Show the Journal Entries in the books of the Zuari Ltd. and Agro India Ltd. Also prepare Balance Sheet of Zuari Ltd. immediately after absorption, if amalgamation is in nature of Merger.

(b) Strong Ltd., agreed to absorb Small Limited as at 31-03-2015. On the date of absorption Small Ltd. had : **6**

12,000 shares of ₹ 10 each

10% debentures of ₹ 20,000

Trade creditors of ₹ 32,000

Strong Ltd., agreed to value the assets of Small Ltd., at ₹ 2,32,000. If the market value of the share of Strong Ltd. is ₹ 20, calculate the amount of purchase consideration and the number of shares issued by Strong Limited.

OR

(b) Explain Pooling of Interest method and Purchase method of accounting for Amalgamation. **6**

5. (a) Takeovers are beneficial to the economy.' Do you agree? Justify your answer in the light of the economic aspects of takeovers. **10**

OR

(a) Enumerate the different defensive strategies used by the organization against a takeover. **10**

(b) State the challenges to be faced by an Organization in a cross border Merger and Acquisition. **10**

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AE-140

April-2016

5^{TH} Year MBA

SERVICES MARKETING

Time : 3 Hours] **[Max. Marks : 100**

1. (A) Describe how would classify the following services using at least four different "classification Models" : **10**

   (a) Beauty Saloon

   (b) Hospital

   (c) Pest control Service

   Explain the marketing implication for all of these.

   (B) Explain how service characteristics pose serious challenges for marketers with respect to any service of your choice. **10**

2. Write a detailed note on : (any **two**) **20**

   (1) Service Differentiation Strategies.

   (2) Pricing Strategies in Services.

   (3) Franchising and its Role in Service Distribution.

3. Answer the following:

   (A) Write a detailed note on various 'Physical Evidence Elements' that could be used for the following services : **10**

   - School
   - Gujarati Dining Hall
   - Senior Citizen
   - Health Club Cum Gym
   - Laundry

   (B) Explain the importance of people in services using the 'service-change concept'. **5**

   (C) Explain the concept of 'Service Scape', 'Blue-printing' & 'Ergonomics in 'Service scape.' **5**

4. (A) Write down the main reasons for growth of services in the Economy. **6**

(B) Write a detailed description of various strategies used to match the ongoing demand-fluctuations and supply constraints in service sectors **14**

5. Write Short Notes on: (any **two**) **20**

(a) Service Quality Gaps

(b) Service Recovery and Recovery Paradox

(c) Rater Model

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LEADERSHIP IN ORGANIZATION

Time : 3 Hours] **[Max. Marks : 100**

1. (A) Define leadership and discuss the qualities of a leader in detail. **10**

   (B) Explain the relationship between intelligence and leadership. **10**

2. What is leadership development ? Discuss the mechanism of leadership development. **20**

OR

   (A) What is 360 degree appraisal ? Explain the RSDQ model of leadership ? **10**

   (B) Discuss the situational approach theory of leadership. **10**

3. Explain

   (A) The specific behaviours of leaders. **10**

   (B) The leader, the followers and the situation. **10**

4. Write note on any **two** :

   (A) Abraham H. Maslow's need hierarchy theory of motivation. **10**

   (B) Managerial Derailment and self-defeating behaviour. **10**

   (C) Counselling and coaching **10**

5. (A) Discuss the biography of N. R. Narayana Murthy as an achiever and organizational leader. **10**

   (B) Write the types of team and discuss the roles of team members. **10**

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