

Seat
No.

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आभास - 050

406 - SPECIALIZATION - VII (MAJOR) 446 E
International Businesss Management
(Cases in International Business Management)

P. Pages : 4

Time : Three Hours

Max. Marks : 60

Instructions to Candidates :

1. Do not write anything on question paper except Seat No.
2. Answersheet should be written with blue ink only. Graph or diagram should be drawn with the same pen being used for writing paper or black HB pencil.
3. Students should note, no supplement will be provided.
4. Answer **any three** case studies.
5. All questions carry equal marks.

1.

Case No. - 1

20

Apex Corporation (C - I - A)

Apex Corp. is a US based MNC that has been in international business for the last several years. It has been conducting business with all the major countries of the world. One of the countries has allowed for its currency value to be market determined. The spot rate of currency is \$. 85. In addition the one year forward rate being quoted in the market is \$. 82. As a step to build the economy, the country is also allowing foreign investors to make investments. Various incentives are being offered by the country to attract foregion funds. The rate of interest on one year government securities is presently 16%. This is substantially higher than the 10% rate which is presently offered on one year US government securities.

Apex Corp. has asked you, as an employee in their international money market division, to assess the feasibility of making a short term investment in this country. The amount available for making the investment for the next year is \$ 12 million.

The Apex Corp. has also come to know that the exchange rate in the country will be market determined for the next few years. Financial managers in Apex Corp. are hence apprehensive about the high volatility of the currency till an equilibrium is reached. It is expected that the value of currency in one year will be approx. \$.85. However, there is a high degree of uncertainty attached with this value and predictions are being made that the actual value may be 30% above or below this expected value.

Questions:

- i) Would you be willing to invest funds in this country without covering your position ? If yes then answer, why ?
- ii) Would covered interest arbitrage be worth considering ? Show your calculations.
- iii) Are there any risks involved in using covered interest arbitrage ? Elucidate.

Case No. 2**20**

A Malaysian electronics company promoted its HR manager, who is also South Korean and a bachelor degree holder in Psychology to the level of the CEO of the company, based on his commitment and seriousness in rendering his responsibilities in his earlier jobs in different departments as well as at various levels. The company employed an Indian expatriate - a master degree holder in human resource management as the head of human resource department and a Fiji national who did his master's programme in Political Science and senior executive of a professional human resource association as assistant human resource manager. These three executives used to share their experiences and knowledge in human resource management in formulating human resource management policies, crafting human resource, as well as organisational strategies and human resource practices of the company.

The assistant human resource manager brought vibrant policies in designing human resource strategies in his area of operations of compensation management and earned the credits for his performance from the human resource manager as well as from the CEO of the company. Having earned the credit of the superiors, the assistant human resource manager, acquired the workplace cultures of an average Malaysian company like moonlighting, flexible work schedules, flexible timings, and flexible work programs that affect the work performance of the employee as well as the supply chain and the organisational performance adversely.

The head of Human Resource department and the CEO were aware of the developments leading to the shifts in the work behaviour of the assistant human resource manager and consequently its adverse affects on the delivery of output to the internal customers, work schedules, and ultimately performance of the employee concerned and the department as a whole. However, they were tolerating the behaviour of the assistant human resource manager and have given the benefit of doubt in his favour.

Ultimately, the level of irregularity cropped up leading to a noticeable event. The CEO informally told the assistant human resource manager to meet him to discuss the problem and settle the issue. The assistant manager paid a deaf ear and resorted to an unexpected and undesirable behavioural situation, resulting in a three-dimensional whistle blowing in the company.

Analyse the case.

Case No. 3**20**

The world's largest retailer, Wal-Mart, has been ordered to pay at least \$78m (£42m) in compensation to workers who were forced to work during breaks. A jury in a Pennsylvania court decided that Wal-Mart broke a state law by refusing to pay staff for the extra work they did. The class action was brought by about 187,000 staff who worked for Wal-Mart between March 1997 and May 2006. Wal-Mart said it was planning a 'very broad-ranging appeal'.

'Undisclosed Secrets':

The former employee who headed the case, Dolores Hummel, who worked at branch of Wal-Mart owned wholesaler Sam's Club for 10 years, said she regularly had to work during breaks and after closing time because of work demands. She estimated

she worked between eight and 12 hours unpaid each month. In the lawsuit, she said: "One of Wal-Mart's undisclosed secrets for its profitability is its creation and implementation of a system that encourages off-the-clock work for its hourly employees".

After the judgement, she said she and other staff had acted because they wanted to show "how we were treated working at Wal-Mart - working off the clock and not getting paid". A lawyer for the plaintiffs, Michael Donovan, said he would seek an extra \$62m in damages because the jury had found that Wal-Mart acted in bad faith. The jury found that the retailer had not denied the staff their meal breaks- but only rest breaks. In December, California court ruled Wal-Mart must pay \$172m in compensation to 116,000 employees who had been denied meal breaks.

- i) Why did not Wal-Mart pay for the work done during the breaks to its employees ?
- ii) Discuss the consequences that the Wal-Mart experienced for not paying for the work performed by employees during the breaks.

Case No. 4

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The public sector Indian Oil Corporation (IOC) the major oil refining and marketing company which was also the canalising agency for oil imports and the only Indian company in the Fortune 500, in terms of sales, planned to make a foray into the foreign market by acquiring a substantial stake in the Balal Oil field in Iran of the Premier Oil. The project was estimated to have recoverable oil reserves of about 11 million tonnes and IOC was supposed to get nearly four million tonnes.

When IOC started talking to the Iranian company for the acquisition in October 1998, oil prices were at rock bottom (\$ 11 per barrel) and most refining companies were closing shop due to falling margins. Indeed, a number of good oil properties in the Middle East were up for sale. Using this opportunity, several developing countries "made a killing by acquiring oil equities abroad".

IOC needed Government's permission to invest abroad. Application by Indian company for investing abroad is to be scrutinised by a special committee represented by the Reserve Bank of India and the finance and commerce ministries. By the time the government gave the clearance for the acquisition in December 1999 (i. e. more than a year after the application was made) the prices had bounded back to \$24 per barrel. And the Elf of France had virtually took away the deal from under IOC's nose by acquiring the Premier Oil.

The RBI, which gave IOC the approval for \$15 million investment, took more than a year for clearing the deal because the structure for such investments were not in place, it was reported.

Questions:

- i) Discuss internal, domestic and global environments of business revealed by this case.
- ii) Discuss whether it is the domestic or global environment that hinders the globalisation of Indian business.
- iii) Even if Elf had not acquired Premier Oil, What would have been the impact of the delay in the clearance on IOC ?
- iv) What would have been the significance of the foreign acquisition to IOC ?

Case No. 5**20**

It's an investment banker's dream come true—a complex, multilayered deal which culminates with a big buy-out. Swiss giant Holcim, the world's second-largest cement maker, is teaming up with Gujarat Ambuja Cement Ltd. (GACL) to bid for India's second-largest cement maker, ACC. At an open offer price of Rs. 370 per share, the deal is estimated to be worth Rs. 2,400 crore.

In a four-stage deal, Holcim will first acquire 4% ownership from the private equity investors in ACIL-AIG and GIC, the private equity arm of the government of Singapore - for \$200 million. In the second stage, the Zurich-based cement maker will invest \$600 million in ACIL and hike its ownership to 67%. The remaining stake will be held by GACL with a put option to sell it to Holcim after 2006. The acquirer will also subscribe to preference shares worth Rs. 810 crore which can be redeemed after two years.

In the third stage, ACIL will make an open offer for 36.21% (6.92 crore shares) of ACC to hike its shareholding to 50.1%. In the fourth stage, it will invest the remaining Rs. 79 crore to buy the minority share holders out of ACEL at Rs. 70 per share.

In all, Holcim will bring in FDI of \$800 million in India, the biggest investment by a foreign cement major in the country. Once the transaction is completed, Gujarat Ambuja will double its indirect ownership to 16.5% in ACC from the current 8.5% and Holcim will gain majority control with 33.5%.

As per the deal, Holcim will control ACC's 18.2 million cement capacity and GACL will manage the 2 million tonne capacity of ACEL.

After the deal, 70% of the Indian cement market will be under the control of five companies and multinationals will control close to 20% of the market.

Post-transaction, both Holcim and GACL will compete in the country's western and the northern markets. ACC, with a market share of 14%, is the second largest domestic cement producer with a capacity of 18.2 million tonnes spread across 15 plants, next to Grasim-Ultra Tech combine at 30 million tonnes and commanding a share of 26% with a capacity of 13.5 million tonnes and market share of 12% Ambuja is the third largest cement product in India. India has a total production capacity of 140 million tonnes.

Meanwhile the Reserve Bank of India on Thursday notified that no further purchase of equity shares of Gujarat Ambuja Cement Ltd (GACL) should be made on behalf of foreign institutional investors without its prior permission.

No purchases should be made through primary or secondary market as Gujarat Ambuja had reached the trigger limit of 28% of its paid up capital as the contribution from FII, the reserve Bank of India said in a release here. Source: Based on report published in TOI.

Questions:

- i) How did market react to Holcim / GACL deal with ACC ?
- ii) Explain the process of the acquisition deal.
- iii) What was the impact of acquisition on the market share of Holcim and GACL ?
- iv) Why did RBI prohibit purchase of equity shares of GACL by FIIs ?
