

THE COSTS OF DELAY

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 in to 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 bounced back to \$24 per barrel. And the Elf of France had virtually taken away the deal from under IOC's nose by acquiring the Premier Oil.

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

QUESTIONS

1. Discuss internal, domestic and global environments of business revealed by this case.
2. Discuss whether it is the domestic or global environment that hinders the globalisation of Indian business.
3. Even if Elf had not acquired Premier Oil, what would have been the impact of the delay in the clearance on IOC?
4. What would have been the significance of the foreign acquisition to IOC?
5. What are the lessons of this case?



NATURAL THRUST

Balsara Hygiene Products Ltd., which had some fairly successful household hygiene products introduced in 1978 a toothpaste, *Promise*, with clove oil (which has been traditionally regarded in India as an effective deterrent to tooth decay and tooth ache) as a unique selling proposition. By 1986 *Promise* captured a market share of 16 per cent and became the second largest selling toothpaste brand in India. There was, however, an erosion of its market share later because of the fighting back of the multinationals. Hindustan Lever's *Close-Up* gel appealed to the consumers, particularly to the teens and young, very well and toppled *Promise* from the second position.

Supported by the Export Import Bank of India's Export Marketing Finance (EMF) programme and development assistance, Balsara entered the Malaysian market with *Promise* and another brand of tooth paste, *Miswak*.

The emphasis on the clove oil ingredient of the *Promise* evoked good response in Malaysia too. There was good response to *Miswak* also in the Muslim dominated Malaysia. Its promotion highlighted the fact that *miswak* (Latin name: *Salvadora Persica*) was a plant that had been used for centuries by as a tooth cleaning twig. It had references in Koran. Quoting from *Faizal-E-Miswak*, it was pointed out that prophet Mohammed used "miswak before sleeping at night and after awakening." The religious appeal in the promotion was reinforced by the findings of scientists all over the world, including Arabic ones, of the antibacterial property of clove and its ability to prevent tooth decay and gums.

Market intelligence revealed that there was a growing preference in the advanced countries for nature based products. Balsara tied up with Auromere Imports Inc. (AAIL), Los Angeles. An agency established by American followers of Aurobindo, an Indian philosopher saint. Eight months of intensive R&D enabled Balsara to develop a tooth paste containing 24 herbal ingredients that would satisfy the required parametres. *Auromere* was voted as the No.1 toothpaste in North Eastern USA in a US Health magazine survey in 1991.

The product line was extended by introducing several variants of *Auromere*. A saccharine free toothpaste was introduced. It was found that mint and menthol were taboo for users of homoeopathic medicines. So a product free of such mints was developed. *Auromere Fresh Mint* for the young and *Auromere Cina Mint* containing a combination of cinnamon and peppermint were also introduced. When the company realised that *Auromere* was not doing well in Germany because of the forming agent used in the product, it introduced a chemical free variant of the product.

QUESTIONS

1. Explain the environmental factors which Balsara used to its advantage.
2. What is the strength of AAIL to market ayurvedic toothpaste in USA?



A QUESTION OF ETHICS

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7

QUESTIONS

1. Why did Telco land that job?
2. Is the allegation about the job?
3. Evaluate the ethical issue.
4. What Government...

TELCO opened bookings for different models of its proud small car *Indica* in late 1998. The consumer response was overwhelming. Most of the bookings were for the AC models, DLE and DLX. The DLE model accounted for more than 70 per cent of the bookings.

Telco has planned to commence delivery of the vehicles by early 1999. However, delivery schedules for the AC models were upset because of some problems on the roll out front. According to a report in *The Economic Times* dated 13 March 1999, Telco officials attributed the delay to non-availability of air conditioning kits.

Subros Ltd. supplies AC kits for the DLE version and Voltas is the vendor for the DLX version. Incidentally, Subros is also the AC supplier to Maruti Udyog Ltd.

Telco officials alleged that Subros was being pressured by the competitor to delay the supply of kits. "If this continues, we will be forced to ask Voltas to supply kits for the DLE version too," a company official said.

QUESTIONS

1. Why did Telco land itself in the problem (supply problem in respect of AC kits)?
2. If the allegation about the supplier is right, discuss its implications for the supplier.
3. Evaluate the ethical issues involved in the case. (Also consider the fact Maruti was 50 per cent Government owned).



ILL TREATMENT

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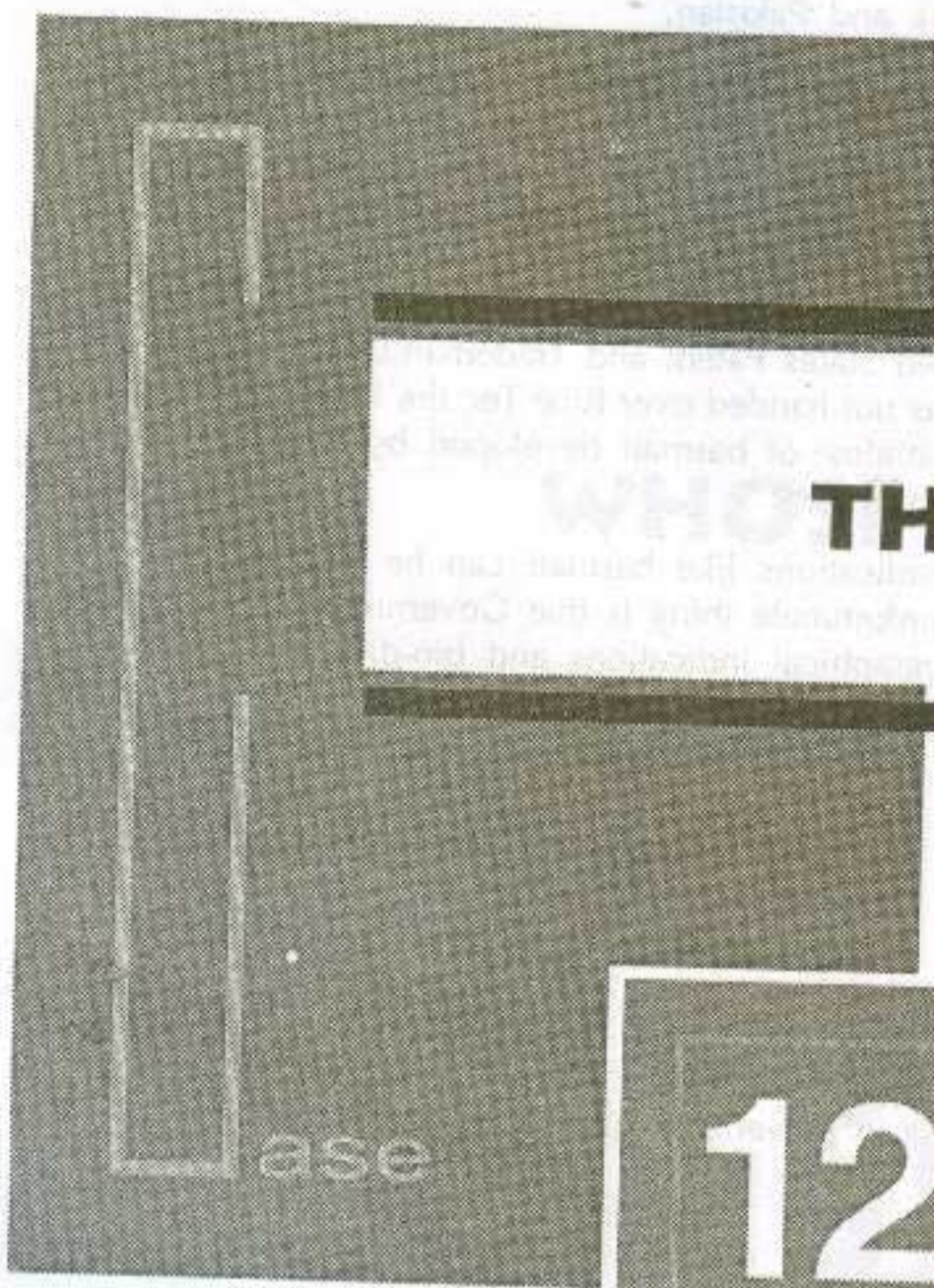
9

Indian leather exports, an important foreign exchange earner for the country has been reportedly hit hard by the decision of some major US retail chains like Eddie Bauer, LL Bean, Timberland and Casual Corner, and a German company Bader to boycott leather goods from India in protest against the ill-treatment of animals here. This move came shortly after a decision by global retail chains Gap, Marks & L. Spencer, Liz Claiborne and J. Crew not to buy Indian leather goods. This development has a lot to do with the lobbying by the US-based animal rights group People for Ethical Treatment of Animals (PETA) for a ban on leather goods from India by documenting evidence of "cruelty to animals" killed for making leather. It has been reported that the overseas firms have officially communicated to the Indian outfit of PETA that they will not be sourcing leather products from India until there is strict enforcement of animal protection laws. Following this, the Mumbai-based Teja Industries, the official supplier of leather goods for Marks & Spencer in India, started out-sourcing leather from other countries to manufacture products for the global chain.

QUESTIONS

1. In the light of the above, discuss the implications of social activist groups for business.
2. With reference to this case, discuss the failure of the governments, Council for Leather Exports and the leather industry and the lessons of this case.
3. What should the governments, Council for Leather Exports and the leather industry do to overcome the problem?





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WHO THE SENSEX

12

QUESTIONS

Can any of the following be formed by substituting your answer for the blank in the word by Government?

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____
- 11. _____
- 12. _____

That the BSE Sensex crashed by 140 points, causing a fall in the investor wealth by Rs. 25,000 crore (due to the fall in the market capitalization) the day the *Economic Survey 2000 – 01*, which indicated the possibility of an economic slow down, was presented in the Parliament is an indication of the importance of economic factors to business. It is interesting to note that four days later when the Finance Minister presented the Union Budget for 2001– 02, which was widely regarded business friendly and which claimed to initiate the second generation economic reforms, the sensx soared by 177 points. However, on the second day the sensx nose-dived by 176 points reacting to the news of sustained weaknesses in technology stocks across the globe and certain vicious rumours.

The stock markets all over the world took a severe beating following the terrorist attack on the World Trade Centre and the consequent military actions. Although the Sensex made some recovery for about a week around mid October 2001 largely because of positive government measures and sustained purchases by FII's. However, the mounting fears triggered by the spread of the deadly anthrax disease and concerns about bio-terrorism triggered panic selling in most European and Asian markets, leading to chain reactions on Indian bourses. The bellwether Sensex tumbled 62 points or 2 per cent to close below the psychologically important 3,000-mark at 2,981 on 18th October, putting an end to the seven-day 279 point rally which had led to a 10 per cent rise of the Sensex. However, on the next day, equities staged a smart recovery, once again lifting the Sensex above the psychological mark of 3000 to about 3017 encouraged by Governments liberalization share buyback conditions.

While the anthrax scare caused a set back to the stock market in general, shares of pharmaceutical companies which produce anthrax antidote ciprofloxacin like Ranbaxy, Dr. Reddy's and Cipla gained significantly. The rice of Bayer India scrip increased by 52 per cent in 10 days ended 17th October following the news that the Chennai based Indian Syntans group was increasing its stake in Bayer through open market purchases.

QUESTIONS

1. Discuss the factors affecting Sensex.

