

1M6117

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M. B. A. I Sem. (Main/Back) Exam., Jan. 2016
M-107 A Business Environment

Time: 3 Hours**Maximum Marks: 70****Min. Passing Marks: 28***Instructions to Candidates:*

- (i) *The question paper is divided in two sections.*
- (ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is **compulsory**.*
- (iii) *All questions carry **equal** marks.*

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Q. 1 Discuss the interaction matrix of economic and non economic environment. How does the economic environment influence the non economic environment of business and vice versa? Explain with suitable examples. [14]

Q. 2 Write short notes on the following :

- (a) Export-Import policy and their impact on business environment. [5]
- (b) FDI in India: Current Status [5]
- (c) Commodity Exchange in India. [4]

Q. 3 (a) Describe the assessment of LPG in India with respect to financial automobile and FMEG using suitable examples. [7]

- (b) Highlight the salient features of consumer problem Act. The changing dimensions of these laws and their impact on business. [7]

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SECTION-A

Q. 4 State SEBI Guidelines in respect of:

- (a) Pricing securities at the time of making a public issue.
- (b) Promoters contribution in public issue of securities.
- (c) Documents to be submitted along with the offer document by the lead manager. [14]

Q.5 (a) Discuss the recent mergers and acquisitions in the IMEG sector in Indian industry. [7]

- (b) Discuss the main deficiencies of Indian market and state the reformist measures introduced by Reserve Bank of India to strengthen the Indian money market. [7]

Q.6 (a) Define balance of payments and explain its main categories. Discuss the factors causing disequilibrium in balance of payments. [4]

- (b) Write short notes on following :

- (i) Excin Policy
- (ii) SIDBI
- (iii) FEMA
- (iv) LPG
- (v) Exchange rate and competitiveness. [10]

SECTION-B

Case Study

Q.7 Read and analyze the case and answer the questions given in the end.

History of Lucent

The merger of various AT&T subsidiaries, including the Bell labs, a leader in the innovations in telecom industry, formed Lucent in the early 1990s in the U.S. After this Lucent became a major player in the telecom sector. AT & T had already been operating in India since 1990s in the form of joint ventures with various Indian conglomerates, including the Tatas in manufacturing and setting up of Network Access systems, and with Birlas in cellular services. They also had a joint venture with Finolex cable to manufacture optic cables. Later on, when AT & T subsidiaries combined to become Lucent in 1996, Lucent consolidated its business with partners in India also.

Telecom policy in India

The Indian telecom sector in India, priors to the National Telecom policy of 1994, was the monopoly of the Department of Telecom, a government body. The NTP of '1994'

concluded the private investment and involvement would be required to bridge the gap in resources for the telecom infrastructure, needed for the economic development. But the policy had many shortfalls. The policy allocated licenses on the basis of the highest bid resulting in unrealistic bids by the private service providers. The targets of NTP 1994 could not be achieved, as the shortfalls in the policy slowed down the private sector entry.

Indian Telecom Scenario

The Indian economy grew rapidly at an average rate of 7 percent during the last decade ending 2004. Meanwhile, the telecom service providers were not able to provide the required infrastructure to facilitate this surge in the Indian economy. The IT industry in India has been consistently growing at the rate of over 30 percent in the past few years. IT spending, as a percentage of GDP in India, as compared to the developed nations, was very low. Hence, the scope for domestic demand for IT services was also very high. Nearly a quarter of the fortune 1000 companies were outsourcing their software requirements to Indian companies. Lucent had strengthened its position in the broadband networking in the recent years.

The Indian government introduced various reforms through the new industrial policy of 1991. These had strengthened thought subsequent reforms though the last decade. By the year 2000, they had reached a stage where they could contribute significantly to India economic performance. In the later 1980s. The fiscal deficit of Indian government was very high, which was a cause for concern. The health of India's financial sector was also weak. The non-performing assets constituted a large percentage of bank's portfolios in India. During the same period. India was involved in various frictions with Pakistan. However, the telecom infrastructure was choking under the new requirements of the IT industry. The bandwidth and international gate away capacity were also bottlenecks. The fixed line penetration in India was one of the lowest in the world, at 2.69 percent. The presence of a huge waiting list for telephone connections in the many Indian towns, along with an expected GDP growth of near to 7.5 percent per annum in the long run, led to a huge requirement in the telecom services sector. The cellular subscriber base in India was amongst the fastest growing in the world, at the rate of 6 percent per month. With further growth in income, this was expected to grow at a faster rate in the future. Till 1998, VSNL was the only ISP in India. This restricted the growth of internet subscriber base in India. After 1998, the subscriber base had grown 5 times to 750,000. This is expected to grow at similar rate in the near future. All these are expected to fuel growth for Lucent products in India.

Prospects for Lucent in India

Lucent is looking towards capturing the huge Indian telecom market. Out of the five private basic telecom providers, four became Lucent customers. In addition, Lucent is also supplying equipments to the department of Telecom. The growing cellular market offers additional opportunities to the Lucent's operations in India. The Indian economy as a whole, was slated to grow at a very high rate; also the thrust on infrastructure in the reforms had increased, leading to an increase in investment in telecom sector. The growing IT industry needed better telecom services for its outsourcing operations, which needed high bandwidth as well. Lucent with its expertise in the area of telecom innovations, had been able to capture a large chunk of the telecom products market. The availability of high quality workforce also contributed to establishment of its Bell labs in Bangalore in India. It had the opportunity to tie up with Indian institutes of Technology. The Bangalore facility has developed software for various multimedia-messaging platforms. They also developed the 3-G mobile network platform. India has emerged as a software hub for many of the fortune 500 organizations. Lucent has been able to leverage this advantage due to its presence in India.

The Road Ahead

There has been a marked slowdown in the U.S. telecom industry and as such, India represents an opportunity for Lucent to keep growing at an increased pace. Also, India gives it an opportunity to hire low cost competitive workforce. This will help the company compete effectively in the international marks, at the same time keeping the cost of its products low. Even through the current political situation is not favorable, the benefits of investments in India far outweigh the costs.

- Q.8 (a) Discuss the business opportunities for a foreign company like Lucent in India, based in the present scenario in Indian economy and telecom industry? [7]
- (b) While the growth of India's economy in general and telecom sector in particular represent significant opportunities, the current politico-legal environment also highlights the constraints to operate in Indian economy. Critically examine this statement with reference to companies like Lucent. [7]