

Roll No.

OPEN BOOK EXAMINATION

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 11

NOTE : Answer ALL Questions.

1. Read the following case study and answer the questions given at the end :

As the world is speedily inclining towards pure and organic products, the most ancient science of medicine, healthcare, personal care, food and beverages, Ayurveda is reliving its glory. Many recent studies and report clearly explain that the revival of Ayurveda is not restricted to India and China but spreading across all continents, Ayurveda is successful in creating domino impact all across the globe.

As per a market research, the Indian Ayurveda market is all set to register 16% growth (CAGR) till 2025. At present, the size of the domestic market is ₹ 30,000 Crores, and Ayurveda's market penetration is increasing in both rural and urban areas. A 2019 report also conveys that 77% of Indian households are using Ayurvedic products as against 69% in 2015. The major chunk of the domestic revenue (75%) comes from the sale of Ayurveda products whereas services/consulting contribute only 25% to the total business.

The industry whose market size was USD 3.4 billion in 2015 is expected to reach USD 9.7 billion by 2022. Growing awareness among masses about potential side effects of present day modern medicine, healthcare, personal care, food and beverages on various media platforms has compelled them to switch to natural safer, and holistic alternative, Ayurveda. The future

of Ayurveda is looking fabulous as more and more players are entering the market with innovative products, quality packaging, and strategic marketing activities. Earlier, Ayurvedic companies failed to impress customers with presentation and promotional activities, but the new generation of entrepreneurs is smartly working on these aspects to partake in growing market competition.

One of the major companies in Indian Ayurvedic Industry, Ashwamedha Rudrapeeth Limited (ARL) was founded by Rudra and his friend. ARL is consumer product giant that is beating the world's most recognised FMCG companies in India. ARL has managed to expand an empire so big that it is shaking the fast-moving consumer goods industry in India to its core. It is no mean achievement for someone like Rudra, who does not have any formal education on brand and marketing could beat world class brand in a very short span of 10 years. *The answer lies at the core of building a brand – being “Purpose” driven.* The objective of ARL was to develop a holistic approach to improve the quality of life of all beings, world over. It was conceived with the objective of amalgamating the ancient wisdom of the Science of Ayurveda with the modern scientific techniques of industrial management. Its intention was to distribute quality, tested and hygienic products with wide ranging effects to the largest section of populace at reasonable prices enabling the common citizen to avail their benefits. It also aimed to establish Ashwamedha Ayurveda as a science based, intentional, problem-solving, natural and trusted for healthy lives.

Rudra and his friend knew that they have created a captive market with their efforts since last one and a half decade, which values health, yoga, pranayama and above all, Rudra

: 3 :

has become brand ambassador for ARL. This captive market is health conscious, looks out for affordable products, believes in the philosophy of swadeshi (home grown) and above all considers Rudra as their idol. When Ashwamedha Ayurveda launched its products in the Indian retail sector, this captive market was among the first to buy and use its products. This captive market developed instant loyalty to Brand Ashwamedha. The role of this captive market was not only limited to buying, using and spreading good word of mouth about ARL products but they also became partners with ARL by becoming their franchisees. In the initial days' majority of the franchisees established by ARL came from this captive market. These franchisees along with the distribution of products also advertised and promoted ARL products in their respective regions, hence establishing brand Ashwamedha firmly into the mind of local populace. When compared to an FMCG multinational which uses a traditional distribution channel, ARL followed a different distribution strategy, effective in catapulting it to its present position. Presently, Ashwamedha's turnover stands close to ₹ 7000 Crore with a mammoth goal of reaching close to ₹ 10,500 Crore in Financial Year ending 2023 and close to ₹ 21,000 Crore by Financial Year ending 2025. Ashwamedha Ayurveda's value creation and delivery strategy encompassing both the Strategic and Tactical Marketing is instrumental in making it a force to reckon with in the Indian FMCG industry.

ARL's target segment comprise of health-conscious people who prefer "value for money" natural products. ARL has products targeted at children (health drinks) and elderly people (some ayurvedic preparations). Almost all products of ARL are affordable (at a price 15%-30% lower than the competition), hence the income segmentation strategy has worked.

Initially, the products were targeted at lower and middle-income groups but with the present turnover of close to a billion dollars this fiscal, it is evident that ARL's products have buyers not only from the lower income and middle-income segments but also from health conscious upper-middle and upper-income segments. These two segments have found value in ARL's natural and ayurvedic products. ARL's market targeting strategy is that of "Selective Specialization" as they cater to a large segment in their market but not the entire market. The company is planning to venture into packaged cow milk, 'Khadi' and animal feed this year. Ashwamedha uses natural ingredients and herbs to manufacture its products. They have state of the art Research and Development (R&D) facility, involved in the latest research on products which can benefit their target market. It has few star products in its product portfolio. Ashwamedha's cow ghee, Shampoo, Hair care and oral care products have a combined turnover more than ₹ 1500 Crore. One of the reasons Ashwamedha Ayurveda has been able to garner market share so rapidly is because of low lead times between the product concept and product launch. Ashwamedha Ayurveda's R & D team has been able to produce high quality products at low price in short duration. Ashwamedha Ayurveda's products are generally economically priced except for Ashwamedha Cow Ghee. This is sold at a premium in the market, every other product has a market penetration pricing strategy. The pricing strategy has helped Ashwamedha establish itself in the marketplace. Established brands which did not consider it as a competition initially, are now forced to sit and take note of it. Its core values are driven by Rudra's beliefs and hence there is no difference between the two. What drives Rudra, drives brand Ashwamedha Ayurveda.

: 5 :

Ashwamedha uses multiple distribution channels to cater to the market. Company has 2 Lakh outlets in India. ARL has a strong presence in the market through its 1200 Chikitsalayas, 2500 Arogya Kendras. For Rural market they have got 7000 stores in villages and 5600 marketing vehicles which roams across all villages. ARL also plans to establish 250 mega stores in tier 1 and tier 2 cities in next 3 years. ARL also has a tie-up with behemoths of modern retail Groups, which carry its entire product range in their exclusive retail chain across all stores in the country. ARL has embraced the e-commerce mode of retailing products through Ashwamedhaayurved.net and has a strong presence in the modern retail format. Rudra through his Yoga Camps not only talks about the different Yoga postures and their benefits in curing the diseases but also about the Ashwamedha Ayurved products aiding in a healthy lifestyle and a disease-free life. This is one of the most potent promotion tools used by ARL. Word of mouth communication certainly has a higher believability factor compared to other mediums of advertising. Rudra has created a strong community of loyalists through the efforts of Ashwamedha Yogapeeth Trust and Yoga Camps, which speak very high of Rudra and Ashwamedha products. Recently, Ashwamedha Ayurveda has seen a spurt in its promotional outlay. Ashwamedha Ayurveda has its channel on YouTube which features more than 1000 videos on Yoga and on product information.

Ashwamedha has made disruptive progress in the FMCG sector. Within a span of less than 10 years, it has displaced ayurvedic market leaders and has become synonymous with ayurvedic products. Rudra's charisma has pushed Ashwamedha to grow over 10 times in a span of less than 10 years. The FMCG giants are also taking steps to check its advancements. However, now it has gained public attention in the market and there is overwhelming demand for its products, it will be difficult for them to win back their lost market shares.

Questions :

- (a) A successful business strategy is a combination of multiple elements. Explain.
- (b) What do you understand by SMART objectives ? Elucidate in background of ARL's objectives.
- (c) 'Focus on quality and quantity of offerings while assuming that customers will seek out and buy reasonably priced, well-made products'. Comment.
- (d) "A communication strategy is designed to help you and your organization communicate effectively and meet core organizational objectives". Is the communication strategy of Ashwamedha Ayurveda effective ?

(10 marks each)

2. (a) Pentagon Medical Marketing India Private Limited was incorporated in December 2006. The Company was profitable initially, however in few years there were internal issues and the Board decided to apply for Striking off with Registrar of Companies (ROC). An application was made for striking off its name under the Fast Track Exit Scheme, 2011, which was processed by ROC, Ahmedabad. The ROC sent a notice to the Company and Income-tax authorities seeking objections, if any within a stipulated period. Later, ROC struck off the name of the Company, as no objections were received by it within the stipulated period. Later, on the Income-Tax Authorities filed an appeal to the NCLT seeking restoration of the name of the company on the ground that the tax dues against the company were not determined. Comment briefly in background of decided case law(s).

(6 marks)

: 7 :

- (b) CO2 Technologies Limited provides various fintech and software innovation solutions. The Company was engaged by Energy Infra Exchange Limited, an exchange for carbon credits in India. The founder and chairman of CO2 Technologies Limited, Ziruch was convicted of fraud. Upon investigation, it was found that the fraud committed by Ziruch perpetrated through multiple layers impacting both the Company and Energy Infra Exchange Limited. Taking into consideration the provisions of the Companies Act, the Government of India ordered compulsory amalgamation of the CO2 Technologies Limited and Energy Infra Exchange Limited.
- Evaluate in background of decided case law(s).

(6 marks)

3. (a) Swadha Shareholding Limited, is a company incorporated under the Companies Act and functioned as a clearing house for BSE Ltd. and having its own depository participant services. SEBI conducted an inspection of the Company's books of accounts to examine whether it had put in place systems and processes to comply with the Circulars issued by SEBI relating to the Anti Money Laundering (AML) policy to be adopted, amongst others. SEBI issued a Show Cause Notice to the Company alleging violation of AML policy under the Prevention of Money Laundering Act, 2002, as to why adjudication proceedings should not be initiated against the appellant for violation of the said requirements. The Company submitted that it had belatedly complied with the requirements of AML policy.
- Is the Company's submission valid ? Justify with reasons.

(6 marks)

- (b) In the year 2018-19 there were more than 10 Initial Public Offers (IPOs) in the Indian Stock Market. Certain IPOs were marred by controversies including irregular allotment of shares. It was brought to the notice of the Securities and Exchange Board of India (SEBI) that several serious irregularities/illegalities had been committed by certain High Networth Individuals who manipulated the business by purchasing large chunk of shares through unscrupulous methods (benami/fictitious demat account holders) in these Companies to manipulate the price in the market.

Comment in the background of judicial pronouncements.

(6 marks)

4. (a) Ala Technologies India Limited is engaged in the business of IT consulting, software development services and sale of proprietary software under its coined trademark/tradename “Quickthink” since 2003. It had registered its trademark ‘Quickthink’ in India in 2010 under Class 9.

In the year 2012, Hermaan, a disgruntled employee quit the Company and started his own software venture and started a domain name ‘Quickthink.in’. In the year 2015, the Company’s management became aware of the domain name registered by Hermaan, when one of its employees accidentally, noticed the website and informed the Management. Immediately, Ala Technologies filed a complaint against Hermaan.

Will the Company succeed ?

(6 marks)

: 9 :

- (b) Surapad was a clerical level employee working with a public sector bank in Calicut. He was convicted of an offence involving moral turpitude and dismissed from service. He approached the employee staff union for support. A case was filed in higher Court by the staff union challenging the dismissal. Evaluate in background of judicial pronouncement(s).

(6 marks)

5. (a) Vivardhan Industries Limited (VIL) had taken loan of Rs. 60 Crore from India Bank Limited. Due to slowdown in the economy and other external factors, the Company incurred huge losses and could not repay a portion of the loan taken from the Bank. The Bank filed an application before Debt Recovery Tribunal (DRT) Trivandrum against the VIL for recovery of dues through the sale of VIL's property under SARFAESI Act. The Company preferred an appeal before Debt Recovery Appellate Tribunal (DRAT) by depositing a sum of Rs. 5 Crore as it is a prerequisite for filing an appeal before the Appellate Tribunal. Subsequently, VIL sought to withdraw appeal and sought refund of deposit.

Will VIL succeed in its claim of refund of deposit ?

(6 marks)

- (b) Kitchenise is an online sale portal which displayed Hypersteel India Private Limited's, steel products on its portal at a discounted price. Aggrieved by this Hypersteel displayed a caution notice on its website ('Caution Notice') alleging that the its products sold by the Kitchenise through its website are without its authorization and are counterfeit.

Further, the Caution Notice stated that the Hypersteel will not honour warranties on its products sold through the Kitchenise's website and any purchase made from these websites shall be at customers' own risk. Kitchenise served a legal notice to Hypersteel for withdrawal of the Caution notice.

Comment in the background of decided case law(s).

(6 marks)

6. Amrut is a Director (Finance) of a Mutual Fund Company. The Board had requested Amrut to work towards introducing effective internal control systems and enhance inter-departmental and stakeholder relationship. He was given the liberty to choose his own team for this work. He recruited a deputy, Kalpa, who, was technically competent but seemed to have attitudinal issues. Some of his team members informed him, that Kalpa prefers to hold back information and her behavior is at times rude towards the team. However, no staff has formally complained or yet left the organization.

As such there was friction between Amrut and Kalpa. She seems to resent any suggestions that he provides and is not open to feedback. She has implied, several times, that she feels she is being unfairly harassed and bullied.

Amrut discussed this situation informally with the Managing Director. Although he has found Kalpa awkward and defensive, and he knows that another director also considers her somewhat abrasive, he has identified nothing that would warrant disciplinary action. Kalpa informs Amrut that she has been shortlisted for a role as Director (Finance) at another Mutual Fund house. Quietly, Amrut felt elated at the prospect that she might be leaving. The following day he

: 11 :

receives a letter from Kalpa's prospective new employer. Kalpa had given his name as referral without informing him. The letter asks questions concerning the ability of the candidate to work in team, to motivate volunteers and to accept advice.

For several reasons, Amrut would very much like Kalpa to be offered the position with the other employer. However, he is concerned that an honest response to the enquiries would jeopardize his desire of keeping her out of the organization, as such a response can only be negative.

Based on the above fact, answer the following :

- (a) Explain in detail what is the dilemma Amrut is going through.
- (b) As a Company Secretary and Compliance Officer what would be your suggestion to Amrut, for further course of action ?

(6 marks each)