# 438

*Roll No.* ....................................  **OPEN BOOK EXAMINATION**

***Time allowed : 3 hours***  ***Maximum marks : 100***

***Total number of questions : 6***  ***Total number of printed pages : 8***

***NOTE :*** *Answer* ***ALL*** *Questions.*

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

In 2017, a chain of coffee retailer, closed a decade of astounding financial performance. Sales had increased from \$700 million to \$8 billion and net profits from \$40 million to \$600 million. In 2017, the Company' was earning a return on invested capital of 25%, which was impressive by any measure, and the company was forecasted to continue growing earnings and maintain high profits through to the end of the decade. How did this come about ?

Thirty years ago Company was a single store in its local Market selling premium roasted coffee. Today it is a global roaster and retailer of coffee with more than 12,000 retail stores, some 3,000 of which are to be found in 40 countries outside its Home Country. The Company set out on its current course in the 1980s when the company's director of marketing, Srinivas Santharaman, came back from a trip to Italy enchanted with the Italian coffeehouse experience. Srinivas Santharaman, who later became CEO, persuaded the company's owners to experiment with the coffeehouse format – and the Coffee House experience was born.

Santharaman's basic insight was that people lacked a ''third place'' between home and work where they could have their own personal time out, meet with friends, relax, and have a sense of gathering. The business model that evolved out of this was to sell the company's own premium roasted coffee, along with freshly brewed espressostyle coffee beverages, a variety of pastries, coffee accessories, teas, and other products, in a coffeehouse setting. The company devoted, and continues to devote, considerable attention to the design of its stores, so as to create a relaxed, informal and comfortable atmosphere.

Underlying this approach was a belief that Santharaman was selling far more than coffee— it was selling an experience. The premium price that the Company charged for its coffee reflected this fact.

From the outset, Santharaman also focused on providing superior customer service in stores. Reasoning that motivated employees provide the best customer service, Company executives developed employee hiring and training programs that were the best in the restaurant industry. Today, all Company's employees are required to attend training classes that teach them not only how to make a good cup of coffee, but also the service oriented values of the company. Beyond this, Company provided progressive compensation policies that gave even part-time employees stock option grants and medical benefits – a very innovative approach in an industry where most employees are part time, earn minimum wage, and have no benefits.

Unlike many restaurant chains, which expanded very rapidly through franchising arrangement once they have established a basic formula that appears to work, Santharaman believed that Company needed to own its stores. Although, it has experimented with franchising arrangements in some countries, and some situations its home country such as at airports, the company still prefers to own its own stores wherever possible.

This formula met with spectacular success in the Country, where Company went from obscurity to one of the best known brands in the country in a decade. As it grew, Company found that it was generating an enormous volume of repeat business.



Contd. ........

Today the average customer comes into a Company' store around 20 times a month. The customers themselves are a fairly well-healed group – their average income is about $85,000.

As the company grew, it started to develop a very sophisticated location strategy. Detailed demographic analysis was used to identify the best locations for Company's stores. The company expanded rapidly to capture as many premium locations as possible before imitators. Astounding many observers, Company would even sometimes locate stores on opposite corners of the same busy street – so that it could capture traffic going different directions down the street.

By 2005 with almost 700 stores across the Country, Starbucks began exploring foreign opportunities. First stop was Japan, where Starbucks proved that the basic value proposition could be applied to a different cultural setting (there are now 600 stores in Japan). Next, Companys embarked upon a rapid development strategy in Asia and Europe. By 2011, the magazine *Bigdemandchannel* named Company one of the ten most impactful global brands, a position it has held ever since. But this is only the beginning. In late 2016, with 12,000 stores in operation, the company announced that its long term goal was to have 40,000 stores worldwide. Looking forward, it expects 50% of all new store openings to be outside of its Home Country.

*Questions* :

(*a*) What functional strategies help the company to achieve superior financial performance ?

(*b*) Identify the resources, capabilities, and distinctive competencies of Company ?

(*c*) How do Company's resources, capabilities, and distinctive competencies translate into superior financial performance ?

(*d*) Why do you think Company prefers to own its own stores wherever possible ?

(*10 marks each*)

**2.** (*a*) HOPE Ltd is a manufacturer of cars of various models and is catering to both domestic and export markets. For this purpose, Hope Ltd avails various schemes such as Export Promotion Capital Goods (EPCG), Target Plus, Focus Product Scheme (FPS), etc., announced by DGFT, Ministry of Commerce, Government of India (GOI). EPCG scheme is an initiative of DGFT to promote exports out of India.

PQR Ltd is Competitors of Hope Ltd and informant to the Competition Commission, according to the Informant, Hope Ltd is allegedly misusing the EPCG Policy framed by DGFT for promotion of exports out of India.

Hope Ltd is alleged to be importing the Capital Goods for manufacture of different models of cars that are meant for exports but selling them domestically.

As the Capital Goods imported under the EPCG scheme are exempted from customs duty, it is alleged that the same are purchased by Hope Ltd at cheaper rates - reducing its cost of production viz-a-viz its competitors.

As per the allegations, Hope Ltd is in fact not using the imported Capital Goods to meet even 50% of the Export Obligation, which is mandatory for it to do.

Whether the complaint filed to Competition Commission as provided under the Foreign Trade (Development and Regulation) Act, 1992 is correct and it also violation of Competition Act, 2002. Give reasons in support of your answer.

(*6 marks*)

(*b*) ABC Limited has five factories in Madhya Pradesh and having a turnover of ₹ 1,000.00 crore. Sharad Acharya, General Manager, Commercial was appointed as an occupier of all the factories. During the inspection of one of the factories, Factory Inspector has taken objection and raised a show cause notice to the Company for appointment of General Manager as an Occupier of the Factory. The objection taken by Factory Inspector is right in the eyes of the Factories Act, 1948. Explain the position of Factory Inspector. What would be your answer if ABC Limited is Partnership firm ?

(*6 marks*)

**3.** (*a*) RR Limited has deducted ₹ 500 from each worker of the Factory for depositing to Prime Minister Relief Fund without authorisation of any worker. The General Manager HR informed that the Board of directors has decided to deduct and deposit the amount. All workers has taken objection. Explain the deduction is justified in the eye of the Payment of Wages Act, 1936.

(*b*) The Food Company for online orders, is charging prices higher than the prices (menu prices) charged by the respective restaurants for walk-in customers, without the knowledge of the customers. This means that the customers ordering food online via app/website of Food Company end up paying higher prices than they would have paid by walking-in or ordering directly through phone from that particular restaurant. Gopal Verma has alleged that Food Company is abusing its dominance by charging unfair price to its customers and acting in contravention of Section 4(2) (a) (ii) of the Competition Act, 2002. Explain whether Food Company is charging prices higher is correct ?

(*6 marks each*)

**4.** (*a*) Plaintiff and Defendant 1 had entered into Shareholders Agreement, Share Purchase Agreement and Memorandum of Understanding, which are to be read together in order to ascertain the aforesaid outstanding consideration. A conjoint reading of the said documents clarify the rights and obligations which were to be incurred by both the parties. Disputes arose between the parties and Plaintiff filed the present suit seeking recovery of a total sum of ₹ 5 crore. In the suit, plaintiff has impleaded defendants No. 2 and 3 also, which are group companies of defendant No. 1 Company. Defendant No. 1 filed the present application under Section 8 of the Arbitration and Conciliation Act, 1996 besides the written statement, praying to refer the suit for arbitration. Explain whether the arbitration application will be allowed.

(*6 marks*)

(*b*) Rajesh Sharma, son of the petitioner, has executed a Relinquishment Deed dated 1st March, 2020, in favour of the petitioner, with respect to the property bearing No. B-123, Ashok Nagar, Phase-I, Delhi. By the Impugned Order dated 5th March, 2020, the respondent no. 1, however, impounded the said document treating the same to be as a Gift under Article 33 of Schedule IA of the Indian Stamp Act, 1899 as applicable to the Union Territory of Delhi (hereinafter referred to as ''Act'') and thereafter held the Release Deed to be deficiently stamped and impounded the same. Aggrieved of the said order the present petition has been filed. Explain whether the Impugned Order can be sustained and set aside ?

(*6 marks*)

**5.** (*a*) Smt Sheela Devi's husband Mr Shyam had joined the service of the ABC Ltd on 15th March, 1979. The application seeking voluntary retirement was submitted on 28th July, 2005. The Company rejected the application. In that circumstance the husband of the Sheela submitted his resignation on 3rd May, 2006 which was accepted by the Company and was relieved on 31st May, 2006 and all the service benefits payable in respect of an employee who had resigned from service was paid, which was accepted by the Sheela's husband. The Sheela's husband subsequently died on 14th April, 2011. Subsequent to the death of the husband, Sheela had filed the writ petition before the High Court, contending that immediately thereafter an application was made indicating that the word 'resignation' was inadvertently mentioned and the intention of the Sheela's husband was to renew his request for voluntary retirement. Explain whether Sheela will retrial benefits from the date of voluntary retirement or not and whether appeal will be allowed ?

(*6 marks*)

(*b*) ABCD Ltd was struck off by the Registrar of Companies (ROC) during the month of July, 2021 as the company had not been carrying on business or nor in operations for two immediately preceding financial years and the company had not obtained the status of dormant company under Section 455 of the Companies Act, 2013. The ABCD Ltd filed an appeal before NCLT claiming that it had not been served with Notice under Section 248(1) of the Act and the Registrar of Companies (ROC) had proceeded to issue notice under Section 248(5) of the Act and the name of the ABCD Ltd was then struck off. The appellant claimed that the company had been doing business and was in operation and audited financial statements for the year financial year 2012-13 to FY 2016-17 were filed.

Whether the claim of the Company is justified and action of the ROC is correct ? Give reasons in support of your answer.

(*6 marks*)

**6.** (*a*) SSB Ltd has accepted ₹ 15.00 lakh as an advance against supply of goods. As per supply agreement, the company will supply the goods after three years from the date of deposit. Later on, Secretarial Auditors has taken objection in their report that the Company has contravened the provisions the Companies Act, 2013.

The Directors have explained that this is required to complete the order. Whether the explanation of directors are justified for accepting the deposit in the Companies Act, 2013.

(*b*) PQR Ltd has decided not to preserve the books of accounts and other related records of accounts, more than three years immediately preceding the relevant financial year of 2020-21. Action decided by PQR Ltd is justified in your view. Comment.

(*6 marks each*)

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