Reg. No.												

Question Paper Code	13020

MBA - DEGREE EXAMINATIONS, NOV / DEC 2024

Third Semester

Master of Business Administration

20MBT302 - STRATEGIC MANAGEMENT

Regulations - 2020

Duration: 3 Hours — Max. Marks: 100

PART - A (10 × 2 = 20 Marks)

Answer ALL Questions

		Marks	K – Level	CO
1.	Frame vision and mission for your proposed AI based technology company.	2	K3	CO1
2.	What is the origin of the concept strategic management?	2	K1	CO1
3.	Expand TOWS analysis.	2	K1	CO2
4.	Give an example of two competitive advantages for Maruti-Udyog Ltd.	2	K3	CO2
5.	State any four advantages of forward integration strategy.	2	K1	CO3
6.	When do you use strategic alliance in your experience?	2	K2	CO3
7.	How do you apply value chain analysis for strategic implementation?	2	K2	CO4
8.	State any three core culture that is important for strategic implementation in TVS Sundaram group.	2	K2	CO4
9.	Give the importance of understanding the VUCA in global business environment.	2	K1	CO5
10.	Give an example of innovation in Indian unicorn startup and its two goals.	2	K2	CO5

PART - B (5 × 13 = 65 Marks)

Answer ALL Questions

11.	a)	As a strategic manager, draft a strategic formulation process for a newly proposed healthcare company in India.	13	K4	CO1
		OR			
	b)	As the CEO of a cement manufacturing company, give your Corporate Social Responsibility to sustain the business in a competitive market.	13	K4	CO1
12.	a)	As a strategic formulator, what are the environmental factors to be considered by you for effective formulation of strategy?	13	K3	CO2
		OR			
	b)	How do you effectively use the Michael E. Porter's five forces business strategy for your business success?	13	K3	CO2
13.	a)	When do you adapt merger strategies in your corporate lifecycle? Explain with illustration.	13	K4	CO3

OR

b) When do you adapt integration strategies in your corporate lifecycle? Explain with illustration. *13 K4 CO3*

14. a) Discuss the various steps for evaluation of your proposed strategies for successful implementation in your organization. *13 K2 CO4*

OR

b) Explain different types of control methods for strategic implementation. *13 K2 CO4*

15. a) How Samsung Inc. adopted the innovation strategies to sustain its market in the Smartphone industry? *13 K3 CO5*

OR

b) Explain the importance of non-profit organizations and discuss their strategies to uplift the society. *13 K3 CO5*

PART - C (1 × 15 = 15 Marks)
(Compulsory)

16. a) **Is Lakshmi Vilas Bank – Alive With Stake Holders Or Alone?** *15 K5 CO5*

The Lakshmi Vilas Bank Limited was ninety years old, the bank was started by seven partners in the year 1926 from Karur underneath the full support and capable captain of Shri V.S.N. RamalingaChettiar. The motto of bank is to provide the financial requirements of diverse customer sectors.

HIGH LIGHTS OF THE BANK:

1. LVB is a 90-year-old regional bank in Tamil Nadu with 500 branches with 271 in Tamil Nadu. Nearly 50% of the business of the bank comes from the state of Tamil Nadu.
2. Constantly the bank registered a total turnover of ` 38116.53 crores in financial year 2019-20 as against ` 51235.40 crores in financial year 2018-19, the business turnover decrease of 25.61%. and the deposits fell by 26.76%, from ` 29279.44 crores as on 31st March 2019 to ` 21443.19 crores as on 31st March 2020, on the back of sensible decision to reduce bulk deposits.
3. Traditionally, their major source of income (Interest from Advances) was from corporate loan book.
4. The new management, under the leadership of Parthasarathy Mukherjee, acknowledged their limitation of small bank, and now has the focus on increasing their retail/SME lending.
5. “We are moving away from large corporate, which is not our cup of tea…. We are a smaller bank. So, it is better to concentrate on smaller advances, where we have local knowledge and local understanding of the businesses. So, we believe that is where we have the DNA. And we are trying to leverage on that DNA,” - NS Venkatesh, Executive Director.
6. “Currently, 50.8 per cent and 49.2 per cent of the bank’s loan portfolio comprise loans to large corporate, and RAM(Retail, Agriculture and MSME) and commercial banking segments, respectively. This bank plans to change the loan mix between large corporate, and RAM and commercial banking to 25: 75.”
7. Net revenues for DBIL raised by 85% to INR 2,673Cr. (includes INR 134Cr. from LVB) in Financial Year 2021 from INR 1,444 Cr in Financial Year 2020. Profit before tax (PBT) increase to INR 679Cr. from INR 170Cr. in Financial Year 2020. This is despite captivating LVB's pre-tax losses of INR 341Cr. from November 2020 to March 2021.
8. Total number of branches has increased from 292 to 566till 2020.
9. Gross Non-Performing Assets were at Rs 4,063.27Cr. as of Sep. 2020, against Rs

4,091.05Cr. by the year-ago month. On the other hand, net NPAs or bad loans showed development at 7.01 per cent (accounting for Rs 946.72Cr.) from 10.47 percent (Rs.1,772.67Cr.)

10. Consistent Dividend Payout: The bank has a decent dividend yield of 1.57% and in the last three years, their dividend payout has increased from 16.36% to 29.87%.

NEW MANAGEMENT:

LVB board has appointed Parthasarthy Mukherjee as a MD is basically chemistry graduated from Kolkata Presidency College and he had with 2 decades of experience in Axis Bank, after entering into the Bank he has completely changed the top management and appointed new experienced persons fromthe prestigious banks like HDFC, Axis and Royal Bank of Scotland. NS Venkatesh joined from IDBI as Executive Director. RVS Sridhar, who was earlier at Axis is now the new Chief Risk Officer. GovindRavindran has supposed the position of head consumer lending after serving HDFC for about 15 years in business development. Madhusudan Rao has joined as Chief Customer Service from SBI and Peeush Jain has united as head of business partnership and transformation. S Venkatesh, formerly with RBL Bank, is managing the credit and wholesale banking at LVB. B Nedumaran, who was with MaFoi HR consultancy, is into the human resources sector. In 2016, Mr.Parthasarthy introduced vision 2020 with intensive growth, that he decided to increase the branch network from 460 to 500 in 2017 and 750 in 2020,and achieved the 500 branch milestone and also target is 20-25% of annual evolution for the upcoming decade. “Mukherjee said, by 2026 the entire business including deposits and advance should be up to nine times higher than the current status Rs.45,000Cr. The profit should increase20 times than the usual run rate. The bank also focuses on pushing the segment of low-cost current account and savings account deposits up to 25% by 2020 from 14.5% and around 35% by 2026. As part of the strategy, the bank will bring down the pile of corporate loans to 25% from 42% and will focus on the higher receiving retail and SME loans. The cost of income ratio which is presently 57% would be brought down to 45%, at par with the industry level by Financial Year 2020”.

CHALLENGES AND RISKS:

1. **Concentration:** As mentioned above, having 50% of branches in TN exposes the bank to concentrated risks. This risk will be in all regional banks and the ability of the bank to expand in other state will be mitigate this
2. **New Management:** Although, individually the new management personnel may have performed in their previous role, can they work as a team and turnaround is yet to be seen. A lot will depend on ParthasarthyMukhejees leadership. This situation is very similar to IndusInd CEO Ramesh Sobti who turnaround the bank and results are for everyone to see.
3. **Competition:** Since this is a small bank and a regional player, there is high chance that it loses market share to big banks. Although, markets have been very bullish about regional banks like Fedral bank, karnataka bank, etc. we have to see how these small banks are able to survive the current competition from the HDFC and Kotaks of the world
4. **NPA:** Although, the bank wants to focus on the retail and MSME loans, their previous corporate loan can drag the bank down. In 2016, their top sectors break-up of advances includes infrastructure (7.16%), Textile (4.82%), Base Metals(4.56%), Food Processing(1.27%) and Chemicals(1.33%). With the new NPA resolution framework introduced by the government, the Bank will have to take tough decisions and provisions might go up. This might impact their future fundraising plans. The bank wants to raise 600 cr. of which 168 have already been raised.
5. **Serious governance issues:** In recent years, bank have gone to deterioration in its performance. LVB announced a net loss of Rs 397Cr. in the September quarter of Financial Year 2021, as against a loss of Rs 112Cr. in the June quarter. Almost one-fourth of advances of the bank have turned into bad assets.
6. **Poor Health Conditions:** For more than three years, LVB has not been in good condition. Rather, it was suffering from bad condition and continuous losses. The cause is well-known to all. They added that, the bank had granted bad loans of more than Rs.2,000Cr. to borrowers such as Jet Airways, Religare, NiravModi Group, Coffee Day, Cox and Kings and Reliance Housing Finance. Data from its annual reports show that the

bank seems to have decided to take up aggressive lending. Its total net advances expanded by a robust 8.59 per cent to ₹25,768.20Cr. as on March 31, 2018, from ₹23,728.91Cr. a year before. However, Gross Non-Performing Assets (NPAs) rising to 9.98 per cent of gross advances as on March 31, 2018, from 2.67 per cent a year earlier, coupled with lack of adequate capital, made the bank moderate its lending in 2018-19 and focus on “capital optimisation and conservation. As a result, net total advances declined 21.98 per cent to ₹20,103.26 crore by March 31, 2019.With its capital position deteriorating some more, net advances fell 31.22 per cent further to ₹13,827.89 crore by March 31, 2020, which LVB’s annual report attributed to “constraints arising from lower CRAR”. In September 30, 2020, advances further declined to ₹13,505.16 crores even as gross NPAs mounted to 24.45 per cent of gross advances and capital adequacy ratio fell to (-) 2.85 per cent.

7. The Sectoral wise NPAs About 37 per cent of Bank loan book is from the corporate segment, according to its annual report of 2019-20.A sectoral break-up of NPAs shows that bad loans from the infrastructure sector were the highest, at ₹718.97 crore, followed by basic metal and metal products, at ₹341.86 crores. In the FY20, the asset quality of bank is declined in the industry and many accounts have slipped to NPA from different segments including corporate, MSME and retail. Though the good performance under recovery of loans, the huge slippage of accounts to NPA overshadowed the recovery performance, the Bank annual report disclosed, adding that it recovered ₹761.38 crore from the NPA accounts. The bank’s efforts to find an investor and raise capital are well documented but the long wait seems to have finally made the RBI step in arranging a ‘rescue’ of LVB by DBS Bank.

Shareholders feeling about the bank crisis-The New Management authorizing of loans in three years and involved collusion with the board of directors and with the borrowers had led to this current crisis. The non- performing assets (NPAs)of the bank i.e., bad loans have gradually increased since 2017. Its troubles seem to have started sometime in 2016-17, after it decided to move to corporate lending from its earlier focus on SME and retail lending. Besides these existing critical financial issues, the bank was provided a loan of about ₹720 crore to former promoters of Ranbaxy and Fortis Healthcare, Malvinder Singh and Shivinder Singh, which later turned non-performing. In this respect, the bank NPAs have been projected between Rs.3,500Cr. and Rs.4,000Cr. The Capital Adequacy Ratio was in harmful terms in September 2020 after being stated at 0.17% in June, as the BASEL-III norms mention a 9% limit. The gross NPAs also increased to 25.4% in Financial Year 2020.

RBI Action: Based on the financial and administrative issues, the ministry of Finance and RBI has jointly initiated to protect the shareholder’s wealth, customer caring and employee’s welfare basis the RBI has appointed three expert committee members are Mr.MeetaMakhan, Mr.Shakti Sinha and Mr.Satish Kumar Kalra , they are monitoring the day today bank businesses along with four official seniors of the bank. The Reserve Bank of India had declared27thNovember as the effective date of merger for lvb with DBS(DBIL).All the branches of LVB will operate under DBIL with reflect from 27thNovember.

According to the Ministry of Finance and RBI took speedy actions, the stakeholders of Bank include employees’ unions, shareholders, deposit holders and customers have raised up interrogation to the authority, on which basis the LVB was amalgamated with subsidiary of a foreign bank (DBS), most of the stake holder’s perception about this merger, and started to Lament the RBI has gifted LVB at free of cost and also the authorities are failure to understanding the value of 94 years old bank in India. In addition to this the Government encouraged foreign Banks to enter into the back entry to occupy the Bank like Eastern companies.

QUESTIONS:

1. Analyse - what are the main causes for the Merger of LVB?

2.As you are a Shareholder of LVB - Give your opinion about this Merger.

3.As you are a Depositor of the Bank. Whether you would like to retain the Deposits or move to some other Bank. Discuss.

4.Assume as a MD of the LVB – What strategy to be followed to rescue this Bank from these critical issues?