GUIDELINES FOR CASE STUDY COMPETITION

1. The case study competition is an assessment of the students analytical thought process and their understanding to the content subjected in the case.
2. The competition will be held faculty wise where in students from participating colleges of similar faculty will be selected randomly to form a group.
3. The case will be allotted to the group before-hand. The case would be both analytical and informative in nature.
4. The case study competition will culminate in a power point presentation, where all the students' participation is anticipated as one of the part of assessment.
5. Individual assessment of the students will be done during the presentation. Students are required to introduce themselves, stating their Name and student code allotted to them.
6. The assessment will on the basis of
    a. Comprehension of the Case
        - Introductory content
        - Statement of Problem
    b. Analysis and solution to the stated problem/condition in the case.
    c. Presentation and Report.
    d. Skill Assessment will on :
        - Problem-solving skill
        - Creativity skills and
        - Presentation skills.
7. The assessment will also be in the form of questions raised by the judges to any of the group member, therefore a thorough understanding and full coordination is expected by all the members in the comprehension of case study.
8. The time allotted for the presentation of the case is 4 minutes. The presentation should not be more than 5-8 slides.
9. The first slide should specify the topic/ title, Discipline (Management, engineering....), and name of the group members along with student code.
10. Students are required to stick to the time limit as there would be negative marking.

Case Study – Ethics and Governance

Eicher Motors Ltd. (EML), belonging to the Eicher group, is a leading Commercial Vehicle (CV) manufacturer, with a significant presence in the 6 to 9 ton segment. It has a market share of 33% in this segment. Recently, the company has decided to enter the medium/ heavy commercial vehicle segment. Recognizing the need for an "environment friendly vehicle", EML has developed a new engine compliant with Bharat 2001 norms in collaboration with AVL of Austria.

Eicher Motors has acquired formidable expertise in designing and developing commercial vehicles. It has a world-class R&D centre manned by a team of engineers and equipped with latest Computer Aided Design (CAD) and Computer Aided Engineering facilities like NASTRAN, FEM analysis packages. Leveraging its in-house expertise, this unit has successfully developed a wide range of commercial vehicles to meet varying customer needs.

The inception of Eicher goes back to the year 1948, when the Goodearth Company was set-up to sell and service imported tractors in India. Slowly and steadily the company started gaining a strong hold in the Indian market. The Eicher Tractor Corporation of India Private Ltd. was incorporated on April 24, 1959. It was a company formed in technical collaboration with the reputed Gebr. Eicher of Germany. This was a very critical phase in the company’s history, since the idea was not only to come out with Eicher’s first tractor, but India’s very first tractor. The consistent efforts of Eicher towards indigenous manufacture of tractors were rewarded on September 3, 1960, when Eicher rolled out India's first indigenously built tractor from its Faridabad factory.

The genesis of Corporate Social responsibility (CSR) at EML began with the growth of business. The company has undergone numerous changes since its inception, based on mergers and acquisitions and a growing realization of the environmental impacts of a large automotive company.

The management communicates and demonstrates support for CSR at Eicher Motors. Business units and managers are required to incorporate economic, social and environmental objectives into their business plans. The understanding of CSR is very well articulated under "**corporate Values**" and thereby the actions are guided accordingly from those values of the company: The core values are being secular,

A political, fair, trusting, empowering of employees and adopting ethical practices. The CSR at Eicher Motors is more than philanthropy. It takes care of all its stakeholders, which can be very well understood by a corporate initiative under e-motion.

The CSR principles of the company are found mostly in the areas of environment, employer-employee relationship, ethics and community investments. Eicher Motors is committed to be environmental leader and puts a great deal of emphasis on environment as a priority CSR program. Company environmental commitments are reflected in its EHS policy and its environmental management system. EMP (Environmental management plan) at Eicher Motors is a logical conclusion of EIA (Environment Impact Assessment). The company is very conscious of the environmental impacts and pollution hazards. The EMP was integrated into the business plan to guide the business operations, which mitigate the environmental risks and concerns.

The EMP is prepared for formulation, implementation and monitoring of all local processes, development and environment protection measures during plant operation. EMP includes the following four stages:

- Conceptualization: Existing environmental scenario;
- Planning: detailed study of environmental impact and identifying the necessary control/ mitigation measures;
- Implementation: Implementation of environmental control measures;
- Operation: Monitoring the effectiveness of existing measures and those proposed in the EMP.

The mitigation measures of the company include the management and maintenance of air quality, water quality, land, noise levels, ecology, solid waste, socio-economic and health aspects of the community.

Over the year the consumption of water in the region has gone up and the water table and the level of water in dams and reservoir has gone down. The worst was seen in 2002 when it rained the lowest ever, about 20 inches against the average of about 35 inches in the previous years. It was around that time Eicher Motors took initiatives towards water conservation and Rainwater harvesting. Under this rain water from the hill slopes was channelized through specially constructed trenches and was dropped in 20 percolation pits made at pre-defined locations. Stored rainwater was filtered and used for the industrial purposes and rest was allowed to percolate down to the ground. Rain water even from the roof slopes was collected through pipelines and was discharged into the percolation pits through the same channel.

During 2003-04 the following energy conservation measures were adopted at Eicher Motors.

- Promoting non-conventional and green energy by harvesting additional windmill power resulting in lower costs;

- Installation of new natural draft cooling towers, Air booster for coordinates and measuring machine;
- Energy Efficient motors and pumps for water supply in the plant;
- High luminous low wattage lamps for boundary and plant lighting etc;
- Usage of energy saving air blow guns and optimization of compressors;
- Cold washing of components and eliminating electrical heating;
- Automatic switch off of Press motor during idle conditions.

New initiatives are being taken with regard to modified piping system of engine shop cooling tower and installing automatic cut off for pumps and blower of engine washing machines. Use of CNG as green energy for internal use of paint shop and washing machine chemicals was another effort in this direction. In order to reduce the power consumptions, the company has replaced the corrugated sheets with transparent sheets in the entire assembly and store area. During the day hours the area is naturally lighted and does not require electrical energy for lighting purpose. Another innovative idea to conserve the energy is through enhancing the efficiency of the systems installed in pneumatic lines where the pressure and flow of air is controlled. This saves the power requirement significantly.

Eicher Motors has also taken a proactive step in developing superior fuel-efficient and environmental friendly vehicles. The heavy commercial vehicle project, which started in 1997, in the beginning was planed for introduction with BS-I (Euro-I) compliant engine. However, considering the concern for environment, a pro-active step to introduce BS-II (Euro-II) compliant engine was developed. With a view to conserve the precious fuel, the engines have been designed to improve fuel consumption by reducing the emissions of various pollutants as well as CO2, again a green house gas. The vehicles have demonstrated improved fuel economy up to 8- 10%. Investing in employee programs is a very important focus area for Eicher Motors. The company as manufacturer knows that people are its strongest asset and has thus developed many progressive employee programs to retain and attract skilled, quality employees. Eicher has around 5000 employees located in 5 manufacturing facilities and 56 marketing & area offices all around India.

The company provides a wide range of employees' welfare programs, which ensures the social security of the employees and their families. The welfare scheme includes the provident fund, health care, education & scholarships support, interest free loans for marriage, death benefits, leave, maternity benefit and uniforms etc. There is a canteen at the work place for all employees where food is made available to employees at a subsidized rate.

Eicher as a company is committed to the community in its broadest sense. This commitment takes many forms, with special attention to enhancing education and quality of healthcare facilities throughout the country. Eicher's commitment to the cause of education saw the birth of the three Eicher Schools at different locations in the country. These schools are recognized co-educational, English medium and are affiliated to the Central Board of Secondary Education, Delhi. A Foundation was also set up by the Eicher Group of companies to strengthen the educational system and provide quality education to the children in rural India. This program currently runs in Rai Bareilly, Alwar and Solan districts. In the field of healthcare, Eicher's contribution is in the management and funding of the Dr. Shroff Charitable Eye Hospital, located in Delhi. Eicher has been managing the operations of this hospital since the year 1996. Located in the heart of Delhi, this hospital is a non-commercial, non-profit trust set up to enable people from all walks of life and all sections of society to receive quality eye care. A School Screening Programme is also in place for identification and treatment of kids who are visually impaired. To combat the blindness problem a satellite clinic has also been set up in the Alwar district of Rajasthan. In the city of Indore in Madhya Pradesh the company has taken the responsibility of road safety. The company has provided traffic light equipments atall the crossroads and is also responsible for its maintenance.

1. The genesis of Corporate Social responsibility (CSR) at Eicher Motors Ltd. (EML),began with the growth of business. Discuss.
2. The CSR at Eicher Motors is more than philanthropy. It takes care of all its stakeholders, which can be very well understood by their corporate initiative. In this context, discuss the responsibilities of corporate towards their consumers and justify whether EML is fulfilling its responsibility towards its consumers.

Case Study 2 - The ITC Classic Story

In late 1996, almost half of the executives on board of the tobacco to hotels major ITC Ltd. were in jail on charges of FERA and excise violations. It was at this point that the downfall of ITC Classic Finance (Classic), ITC's flagship financial services 49% subsidiary, began.

The scandals in ITC had a massive damaging effect on the ITC brand and corporate image. The impact got reflected on Classic too and it was inundated with desperate fixed deposit holders wanting to withdraw their funds. Funds worth over Rs 50 crore were withdrawn within a few days after the crisis broke out. The continuing uncertainty on fund flows into the company and the eroded value of its portfolios began scaring off potential investors and foreign partners as well. International Finance Corporation (IFC), which was to provide a credit of $ 45 million to Classic, also held back the offer till 'things cleared up.' Analysts were quick to raise fingers at Classic's negative cash flows, its huge asset liability mismatch and the slow process of divestment of stakes held by Classic in the ITC group companies. Like the proverbial 'final nail in the coffin,' Classic declared a Rs 285 crore loss in June 1997, which almost wiped out its entire net worth.

Meanwhile, troubles mounted as redemptions kept increasing - from Rs 750 crore in mid-1996, deposits came down to Rs 550 crore in May 1997. From a peak level of one million depositors, Classic was left with just six lakh. ITC gave Classic a Rs 75 crore credit line to maintain cash flow to meet the redemption pressure. There were even reports that Classic had to take inter-corporate deposits1 to fund the outflow. The sustained downturn in the capital markets during 1995-96 added to the company's woes and soon, key personnel began leaving the company. Already neck-deep in legal troubles, ITC realized that it would be better off without Classic to add to its problems. ITC then initiated discussions with Daiwa Securities of Japan and a few Korean, British and American investment banks for a possible tie-up. A Business Today report claimed that ITC was desperate not to let Classic go for liquidation, as that would have reflected badly on its brand power. ITC announced that it was even willing to infuse more funds to keep Classic afloat.

Both GE Capital and the Hinduja Group evinced interest in Classic. Since they laid down very stiff terms for the buy-out and valued Classic much below ITC's expectations, talks did not proceed further.

Nothing seemed to be working out in favor of Classic as there were no takers for a company with non-performing assets of over Rs 350 crore and an investment portfolio that was by any standards an extremely poorly executed one. At this juncture, ICICI Ltd. stepped in as the 'knight in the shining armor' to rescue Classic, taking the corporate world and the media by surprise. All those involved in the issue kept asking themselves - What did ICICI see in Classic that so many other companies could not?

Named after ITC's premium cigarette brand 'Classic,' Classic was incorporated in 1986. Classic was a non-banking finance company (NBFC) predominantly engaged in hire purchase and leasing operations. Besides, the company undertook investment operations on a substantial scale. The company did very well in the initial years and developed a strong network to mobilize retail deposits. Its fund-based activities such as corporate leasing, bill discounting and equities trading also grew substantially over the years. At a compounded annual growth rate of 78% during 1991-96, Classic's annual turnover increased from Rs 17.3 crore to over Rs 310 crore and net profits from Rs 2.3 crore to Rs 31 crore in the same period. By June 1996, the company had a deposit portfolio of Rs 800 crore consisting mainly of retail deposits. The capital market boom of the early 1990s was responsible to a large extent for Classic's impressive financials. Around 50% of Classic's assets had to be kept in financing and a further 25% was to be held in liquid funds or cash to handle cash outflows. However, Classic was free to invest the remaining 25% as it deemed fit - which happened to be in the 'boom stocks.' When the markets crashed in 1992, Classic had to face heavy losses.

Like most other finance companies, Classic too saw the 1995-96 stock market downturn taking a toll on its performance. A sharp increase in cost of funds, weak capital market conditions and the general liquidity crunch marked the beginning of the company's poor financials. Almost all the 145 scrips in the stock-in-trade list in the company's balance sheet had lost nearly half their value during 1995-96. While Classic's quoted investments stood at Rs 231.06 crore as on March 31, 1996, the market value as on that day was just Rs 57.40 core. In 1996, ITC had to infuse Rs 60 crore in Classic by buying up group company shares held by it.

Soon after this, troubles began at ITC's headquarters with the Enforcement Directorate (ED) initiating large-scale investigations against ITC top brass in connection with various issues of unethical practices. Almost half of the ITC board was arrested and the intensive negative media coverage significantly harmed the ITC brand equity. Amidst all this, it seemed as if ITC had given up all hopes of ever being able to find a suitable partner for Classic.

Many management consultants remarked that though Classic emerged as a full-scale financial services company in early 1990s, it never matured from its original status as an asset financing subsidiary. A majority of Classic's problems stemmed from the structural anomalies like cross holdings in other group companies. Although consultants McKinsey & Co and Arthur Andersen (who had been mandated to go into the details of restructuring Classic in the mid 1990s), had emphasized the need for untangling Classic from the corporate maze of cross holdings in the group companies, no action was taken to do so. A Classic source3 remarked, "McKinsey could not even figure out why some of the financial services companies existed and why Classic should hold equity in such companies." McKinsey wanted to form Classic into a single financial services company by merging various group companies involved in financial services such as Classic Infrastructure Development Ltd., International Travel House Summit, Sage, Pinnacle, ITC Agrotech Finance and a host of other small companies. McKinsey further recommended that Classic should reduce its investment banking exposure, concentrate more on asset financing and re-enter niche segments like automobile finance.

The Arthur Andersen study talked about the need for a leaner organization with strong management. The consultants identified a complete lack of focus as the most crucial problem faced by Classic. However, ITC sources brushed aside the recommendations stating that, "Reorganizing the business is very much on our agenda but our immediate concern is to keep the company liquid."

ITC soon realized that only one of the country's three mega-financial institutions - Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), or ICICI would be in a position to absorb Classic's losses and bad loans. ITC approached IDBI and ICICI and held extensive discussions with both the FIs. Eventually, a deal was struck with ICICI at a swap ratio of 1

ICICI share for 15 shares of Classic4.

In January 1998, shareholders of Classic approved the company's amalgamation with ICICI with 99.93% of the votes in favor of the resolution. Justifying the merger from ICICI's perspective, Kamath said, "Our goal is to move towards universal banking with a spectrum of financial solutions. Any opportunity to move closer to the goal will be capitalized." However, a section of ICICI shareholders, holding shares of both ICICI and ITC Classic, opposed the merger resolution claiming that the merger ratio was unfair and was 'leaked' to the market. They said that the price dropped and adjusted to the merger ratio much before the announcement of the ratio by the company. They also alleged that if the market price of the share was one of the considerations, then the fall in the price of the share just before the merger was a clear indication that the swap ratio was already in the market before the announcement. Voices were also raised against ICICI's decision to retain only those Classic employees whom it found capable after internal evaluations. However, since the dissenting shareholders were in minority, the resolution was successfully tabled.

ITC and its affiliate companies subscribed to a preferential share issue of Rs 350 crore of ICICI as part of the merger proposal. The preferential share capital carried a nominal interest of Re 1 for every Rs 1 crore of share capital issued for a period of 20 years. The infusion of funds in ICICI by ITC was to take care of any future liabilities arising out of the merger. One-fourth of Classic's asset base of Rs 1,000 crore accounted for investments in subsidiaries that operated in the stockbroking and mutual funds business. As ICICI was not interested in them, ITC provided Rs 272 crore to repay secured creditors, and to make up for the losses due to the decline in the investments made by these subsidiaries.

1. Analyze the reasons behind Classic's failure. Do you agree that the company's demise was largely due to ITC's poor handling of the company? Support your answer with reasons.
2. 'Classic should have stuck to its leasing and asset financing business rather than entering secondary market operations.' Critically comment on the above statement.