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POORNAPRAJNA BUSINESS TEACHING CASE STUDIES–2026

Issue No: I

A Collection of Real-World Cases for Management Learning & Decision-Making

Explore • Analyze • Learn • Apply

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Preface

Business education today demands a strong integration of theoretical knowledge with practical application. Case studies play a vital role in bridging this gap by enabling students, researchers, and practitioners to analyze real-world business situations, develop critical thinking skills, and make informed managerial decisions. The present volume, **"Business Case Studies in Contemporary Management"**, is a collection of diverse and insightful case studies that reflect the dynamic and evolving nature of modern business environments.

This book brings together nineteen carefully selected case studies covering key functional areas of management such as **marketing, finance, human resource management, organizational behaviour, strategic management, fintech, and project management**. The cases explore contemporary issues including consumer behavior in online retailing, financial sector crises, currency volatility, geopolitical risks, digital transformation, workplace conflict in hybrid organizations, fintech innovation, and the challenges of scaling digital platforms.

Several cases focus on important developments in the Indian business environment, such as the **bailout of YES Bank led by State Bank of India**, the rise and fall of Café Coffee Day, and the rapid growth of quick-commerce companies like Zepto. Other cases examine global economic disruptions such as the financial implications of tensions involving Iran and the currency volatility triggered by the Russia–Ukraine War. These cases provide students with opportunities to understand how global events influence corporate decision-making and financial risk management.

The book also highlights organizational and managerial challenges faced by modern enterprises, including employee relations in high-growth technology firms, stress management in healthcare organizations, and the strategic decisions required in digital marketplaces and fintech innovation. Additionally, practical cases related to project management and retail location decisions offer valuable insights into operational and strategic planning.

Each case has been designed to encourage discussion, analysis, and problem-solving in the classroom. The cases are particularly useful for **MBA, management, commerce, and business administration students**, as well as faculty members who use case-based teaching methodologies.

The editors express their sincere appreciation to all contributors for their scholarly efforts in developing these cases. It is hoped that this volume will serve as a valuable academic resource that enhances analytical skills, stimulates meaningful discussion, and prepares students to address complex managerial challenges in an increasingly competitive and technology-driven business world.

EDITORS

Poornaprajna Business Teaching Case Studies-2026

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"Case Study: Consumer Behavior in Online Retail Shopping"

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ABSTRACT

The rapid growth of digital technology and internet penetration has significantly transformed the retail sector, leading to the expansion of online shopping platforms. Online retailing has become an integral part of consumer purchasing behavior due to its convenience, variety of products, competitive pricing, and ease of access. Major e-commerce companies such as Amazon, Flipkart, and Myntra have played a crucial role in shaping the online retail ecosystem by providing customers with user-friendly platforms, reliable delivery services, and attractive promotional offers.

This case study explores the consumer decision-making process in online retail shopping by examining the purchasing behavior of a young professional consumer. The study highlights how consumers identify their needs, search for information, evaluate available alternatives, make purchase decisions, and engage in post-purchase evaluation. Factors such as convenience, product variety, competitive pricing, customer reviews, secure payment options, and efficient delivery services play a significant role in influencing online purchase decisions.

The case further illustrates how digital platforms enable consumers to easily compare products across different brands and retailers before finalizing a purchase. Customer reviews and ratings are found to be particularly influential in building trust and reducing perceived risk associated with online transactions. Promotional offers, seasonal discounts, and flexible payment options such as no-cost EMI and cash-on-delivery also contribute to increased consumer participation in online shopping.

Despite the many advantages, online retail shopping also presents certain challenges, including concerns about product authenticity, delivery delays, and lack of physical inspection before purchase. However, improved logistics systems, transparent return policies, and secure digital payment mechanisms have helped reduce these barriers and enhance consumer confidence.

The case study provides valuable insights into modern consumer behavior in the digital marketplace and highlights the importance for online retailers to understand consumer expectations, preferences, and trust factors. Understanding these behavioral patterns enables businesses to design effective marketing strategies, improve customer experience, and build long-term consumer loyalty in the rapidly evolving e-commerce environment.

Keywords: Consumer Behavior, Online Retailing, E-commerce, Purchase Decision Process, Customer Reviews, Digital Marketing.

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1. Introduction

Online retail shopping has emerged as one of the fastest-growing segments of modern commerce. With the expansion of internet connectivity, smartphones, and digital payment systems, consumers increasingly prefer purchasing goods through online platforms rather than visiting physical stores. Companies such as Amazon, Flipkart, and Myntra have transformed the retail landscape by offering convenience, competitive pricing, and a wide variety of products. Consumer behavior in online retail shopping is influenced by factors such as convenience, price comparison, product reviews, delivery speed, trust, and technological accessibility. This case study examines how consumers make purchasing decisions in the online retail environment.

2. Background of the Case

Rahul, a 28-year-old working professional living in Bengaluru, prefers online shopping due to his busy work schedule. Instead of visiting malls or retail stores, he regularly purchases clothing, electronics, and household items from online platforms. Recently, Rahul planned to purchase a smartphone and began searching on various online retail platforms.

During his search, Rahul compared several brands and models available on platforms like Amazon and Flipkart. He read customer reviews, checked product ratings, compared prices, and examined return policies. Rahul also looked at promotional offers such as festival discounts, exchange offers, and no-cost EMI options.

Consumer Decision-Making Process

The consumer decision-making process in online retail shopping can be analyzed in five stages:

1. Problem Recognition
Rahul realized that his current smartphone was outdated and lacked sufficient storage and battery performance. This created a need for a new smartphone.

2. Information Search
Rahul searched online for product information using search engines and retail platforms. He read product descriptions, watched review videos, and compared different models across multiple websites.

3. Evaluation of Alternatives
Rahul shortlisted three smartphone models based on price, features, brand reputation, and customer ratings. Online reviews and ratings played a crucial role in influencing his perception of product quality.

4. Purchase Decision
After comparing prices and delivery options, Rahul chose to purchase the smartphone from Flipkart because it offered a better discount and faster delivery.

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5. Post-Purchase Behavior
After receiving the product, Rahul evaluated the performance of the smartphone. Since the product met his expectations, he gave a positive rating and review online. His feedback may influence other potential buyers.

Factors Influencing Online Consumer Behavior

1. **Convenience and Time Saving**
   Online shopping allows consumers to purchase products anytime and from anywhere without visiting physical stores.
2. **Price Comparison**
   Consumers can easily compare prices across multiple platforms before making a purchase decision.
3. **Product Variety**
   Online platforms provide a wide range of brands and product categories, giving consumers more choices.
4. **Customer Reviews and Ratings**
   Reviews from previous buyers strongly influence consumer trust and purchase decisions.
5. **Promotions and Discounts**
   Special offers, seasonal sales, and cashback incentives attract consumers to online platforms.
6. **Secure Payment Options**
   Digital payment systems such as UPI, credit cards, and cash-on-delivery increase consumer confidence in online transactions.
7. **Delivery and Return Policies**
   Fast delivery and easy return policies significantly affect consumer satisfaction and loyalty.

Challenges in Online Retail Shopping
Despite its advantages, online retail shopping also faces certain challenges:

- Risk of receiving defective or counterfeit products
- Delay in delivery
- Concerns regarding payment security and privacy
- Lack of physical inspection before purchase

Retail companies address these issues through improved logistics, transparent return policies, and secure payment systems.

3. Conclusion
Consumer behavior in online retail shopping is shaped by convenience, information availability, competitive pricing, and trust in digital platforms. The case of Rahul illustrates how modern consumers rely heavily on online reviews, price comparisons, and promotional offers before making purchase decisions. For online retailers, understanding consumer behavior is essential to

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design effective marketing strategies, improve customer satisfaction, and build long-term brand loyalty.

4. Discussion Questions

What are the key factors influencing consumer behavior in online retail shopping?

1. How do online reviews and ratings impact purchase decisions?
2. What strategies should online retailers adopt to increase customer trust?
3. How does price comparison influence consumer choice between online platforms?

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"Case Study
Impact of the US–Iran War on the Indian Economy"

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ABSTRACT

The geopolitical tensions and military conflicts between the United States and Iran have significant implications for the global economy, particularly for energy-importing countries such as India. As one of the largest crude oil importers in the world, India is highly vulnerable to disruptions in oil supply from the Middle East region. A major portion of global oil transportation passes through the strategically important Strait of Hormuz, which lies between Iran and Oman. Any military escalation in this region can disrupt oil shipments, leading to a sharp rise in crude oil prices and increased volatility in international markets.

The economic impact of a US–Iran conflict on India can be observed through multiple channels such as rising oil import bills, inflationary pressure, currency depreciation, trade disruptions, and fluctuations in financial markets. Higher crude oil prices increase transportation and production costs, which eventually lead to higher prices for goods and services. This situation places pressure on the Indian government to manage fuel prices, inflation, and fiscal deficits.

Additionally, geopolitical uncertainty may influence investor sentiment, causing volatility in the stock market and fluctuations in the value of the Indian rupee. The conflict also affects sectors such as aviation, petrochemicals, fertilizers, and logistics, which depend heavily on fuel prices and international trade routes.

This case study explores the economic implications of the US–Iran conflict for India and highlights the importance of energy security, strategic reserves, and diversification of oil imports. The study also emphasizes the need for policy responses and long-term strategies to reduce India's vulnerability to geopolitical risks and ensure sustainable economic growth.

1. Introduction

Geopolitical conflicts significantly influence global economic stability. One such conflict is the escalating tension and military confrontation between the United States and Iran. The Middle East region plays a crucial role in global energy supply, particularly crude oil and natural gas. Since India imports a large share of its crude oil from this region, any conflict between the United States and Iran has serious implications for the Indian economy.

The conflict has disrupted global energy markets, trade routes, and financial markets. One of the most critical areas affected is the **Strait of Hormuz**, through which a significant portion of the world's oil supply passes. Disruptions in this region can lead to increased oil prices, inflation, and economic instability in countries like India that depend heavily on imported energy. (ISAS)

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This case study examines how the US–Iran war affects India's economic sectors, including oil imports, trade, inflation, and financial markets.

2. Background of the US–Iran Conflict

The relationship between the United States and Iran has been strained for decades due to disagreements over nuclear programs, sanctions, and geopolitical influence in the Middle East. Military tensions escalated when strategic military strikes, sanctions, and naval blockades were imposed.

Recent developments include disruptions in oil shipments and restrictions on Iranian oil exports, which have tightened global oil supply and caused sharp increases in energy prices. (Reuters)

3. India's Economic Exposure to the Middle East

India is highly dependent on the Middle East for energy supplies.

Key economic facts:

- India imports **more than 85% of its crude oil requirements**. (mint)
- A major portion of oil imports passes through the **Strait of Hormuz**.
- The Gulf region is also important for **Indian trade, remittances, and shipping routes**.

Therefore, geopolitical tensions in this region directly influence India’s economic stability.

4. Major Economic Impacts on India

4.1 Rising Crude Oil Prices

One of the most immediate impacts of the US–Iran war is the sharp increase in global crude oil prices.

Effects include:

- Higher fuel prices in India
- Increased transportation costs
- Rising production costs for industries

Even a small rise in oil prices significantly increases India’s import bill and widens the current account deficit. (Europub)

4.2 Inflation and Cost of Living

When crude oil prices rise, inflation increases because energy is a key input for many industries.

Impact on consumers:

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- Higher petrol and diesel prices
- Increase in food prices due to transport costs
- Rising electricity and manufacturing costs

Economic estimates suggest that a prolonged conflict could increase inflation in India by **1–2 percentage points**. (Europub)

4.3 Impact on the Indian Rupee

Global geopolitical uncertainty often causes capital outflows from emerging markets.

Possible effects:

- Depreciation of the Indian rupee
- Increase in import costs
- Higher foreign exchange pressure

Studies suggest the rupee could weaken by **3–10% during prolonged geopolitical tensions**. (Europub)

4.4 Disruption of Trade and Shipping

The Middle East is a key trade corridor for India.

If shipping routes are disrupted:

- Export delays may occur
- Freight and insurance costs increase
- Supply chains become unstable

Industries such as petrochemicals, metals, fertilizers, and construction materials may face supply shortages. (The Times of India)

4.5 Impact on Key Indian Industries

Aviation Industry
Airlines depend heavily on aviation turbine fuel (ATF). Rising oil prices increase operational costs and ticket prices.

Fertilizer Industry
India imports large quantities of fertilizers and raw materials from the Middle East. Disruptions may increase agricultural costs.

Petrochemical Industry
Higher crude prices increase production costs for plastics, chemicals, and synthetic materials.

Automobile Industry

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Higher fuel prices reduce consumer demand for vehicles.

5. Impact on Indian Financial Markets

Geopolitical conflicts create uncertainty in global markets.

Possible impacts include:

- Volatility in the stock market
- Decline in investor confidence
- Increase in gold prices as a safe investment

Sectors such as **oil exploration and defense manufacturing** may benefit, while aviation and transport sectors may suffer.

6. Government Response and Policy Measures

To mitigate the economic impact, the Indian government may adopt several measures:

1. Diversification of oil imports from other countries
2. Use of **Strategic Petroleum Reserves (SPR)**
3. Diplomatic efforts to stabilize Middle East relations
4. Promotion of renewable energy and alternative fuels

These strategies help reduce India's dependence on unstable regions.

7. Long-Term Implications

A prolonged US–Iran war may lead to:

- Structural changes in global energy markets
- Increased focus on energy security
- Acceleration of renewable energy adoption in India
- Strengthening of India’s strategic petroleum reserves

8. Conclusion

The US–Iran war demonstrates how geopolitical conflicts can have widespread economic consequences. For India, the primary risks arise from rising oil prices, inflation, currency depreciation, and trade disruptions. Given India's heavy dependence on energy imports, such conflicts pose significant macroeconomic challenges.

However, strategic policy measures such as energy diversification, strengthening foreign exchange reserves, and expanding renewable energy sources can help India reduce vulnerability to geopolitical shocks.

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Understanding these dynamics is essential for policymakers, investors, and business leaders in preparing for global economic uncertainties.

Case Study Discussion Questions

1. How does a geopolitical conflict between the United States and Iran affect global crude oil prices?
2. Why is the Indian economy particularly vulnerable to disruptions in the Middle East oil supply?
3. Explain the role of the **Strait of Hormuz** in global oil transportation and its importance for India.
4. What are the possible impacts of rising crude oil prices on inflation and the cost of living in India?
5. How might a prolonged US–Iran conflict influence the value of the Indian rupee and the balance of trade?
6. Which sectors of the Indian economy are most affected by increases in crude oil prices and why?
7. What policy measures can the Government of India adopt to reduce the economic risks associated with geopolitical conflicts?
8. Discuss the importance of energy diversification and renewable energy for India's long-term economic stability.
9. How do geopolitical conflicts influence global financial markets and investor confidence?
10. Suggest strategic steps India can take to strengthen its energy security in the future.

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"Case Study: The SBI Bailout Package for YES Bank"

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ABSTRACT

This case study examines the financial crisis faced by YES Bank and the subsequent rescue intervention led by State Bank of India in 2020. It explores the rapid growth of YES Bank through aggressive corporate lending practices, the emergence of governance failures, under-reporting of non-performing assets (NPAs), and the eventual erosion of investor and depositor confidence. The study further analyses the role of the Reserve Bank of India in imposing a moratorium, restructuring the bank, and coordinating a large-scale bailout involving SBI and other major financial institutions. The case highlights the importance of prudent risk management, regulatory oversight, and coordinated crisis resolution mechanisms in maintaining financial stability. It also discusses the legal and ethical concerns surrounding the write-down of AT-1 bonds and the broader implications of public sector intervention in private banking failures. The study concludes by identifying key lessons for banking governance, investor protection, and systemic risk management in the Indian financial sector.

Keywords: Yes Bank, State Bank of India, Banking Crisis Management, Non-performing Assets, Financial Sector Regulation

Introduction

The Indian banking sector has witnessed several structural and operational challenges over the past decade, ranging from rising non-performing assets (NPAs) to corporate governance issues. Among the most high-profile episodes in the modern era of Indian banking is the financial crisis that engulfed YES Bank and the subsequent rescue operation led by the State Bank of India (SBI) in 2020. This case study delves into the rise and fall of YES Bank, the events leading to its near-collapse, the critical intervention by SBI and other financial institutions, and the eventual stabilization of the bank. It serves as an important example of financial sector crisis management and public-private coordination in a highly regulated environment.

The Emergence of YES Bank: A Brief Background

YES Bank was incorporated in 2004 by Rana Kapoor and Ashok Kapur, two veteran bankers with a vision to establish a new-age private sector bank that could compete with established players like HDFC Bank, ICICI Bank, and Axis Bank. The bank initially positioned itself as a technology-driven and customer-centric institution, with a special focus on corporate and retail banking.

From its inception, YES Bank exhibited an aggressive growth trajectory. It differentiated itself by offering innovative financial products and a willingness to lend to sectors that were often ignored by more conservative banks. Over the years, this strategy paid off, at least superficially. By the mid-2010s, YES Bank had built a reputation as one of India's fastest-growing private sector banks.

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Its asset base expanded rapidly, net interest margins remained healthy, and the stock price surged, gaining favour among retail and institutional investors alike.

However, beneath the surface, the bank's business model had serious flaws. A significant portion of its loan book was exposed to high-risk corporate lending, including sectors such as real estate, infrastructure, and telecom. These were sectors increasingly under stress due to regulatory tightening, project delays, and broader economic slowdown. Yet, YES Bank continued to pursue an aggressive lending strategy, often compromising on risk assessment and asset quality.

Red Flags and the Unravelling

The first signs of trouble emerged around 2017–2018. Regulatory scrutiny by the Reserve Bank of India (RBI) revealed wide divergences between the bank's declared NPAs and the actual figures assessed by the regulator. In layman terms, YES Bank was under-reporting its bad loans. In 2018, the RBI directed that Rana Kapoor, who was serving as CEO and Managing Director, step down upon completion of his term. This was widely perceived as a signal of the regulator's loss of confidence in the bank's leadership.

The bank's troubles deepened with a deteriorating macroeconomic environment. Many of its corporate borrowers, such as IL&FS, Dewan Housing Finance Corporation (DHFL), Jet Airways, and Anil Ambani's Reliance Group, faced financial distress or defaulted outright. These entities had taken substantial loans from YES Bank, leading to a rise in stressed assets.

Investors began to lose confidence, and the bank's stock price started a steep decline. Its deposit base began to shrink as well, with customers transferring funds to safer institutions. In an attempt to shore up capital, YES Bank tried to raise funds from several investors, both domestic and international. The bank made multiple announcements of incoming investments from entities such as Erwin Singh Braich and SPGP Holdings. However, most of these failed to materialize, further eroding credibility.

By the end of 2019, YES Bank was in a precarious financial condition. Its capital adequacy ratio had fallen below regulatory requirements, and it faced a serious liquidity crunch. Despite repeated assurances, it became clear that the bank needed immediate intervention to prevent a collapse that could potentially have systemic implications for the Indian financial system.

The Financial Crisis of YES Bank

The situation reached a breaking point in March 2020. The RBI, after a thorough assessment of YES Bank's deteriorating financial position, placed the bank under a moratorium on March 5, 2020. Under the moratorium, deposit withdrawals were capped at ₹50,000 per account for a period of 30 days. The move triggered panic among depositors, further compounding the bank's liquidity woes.

The RBI, in its public communication, highlighted several factors contributing to the crisis:

1. Governance issues, including under-reporting of NPAs.
2. Inability to raise capital despite multiple attempts.
3. Serious deterioration in financial position.
4. Outflow of deposits leading to liquidity constraints.

The moratorium came with the appointment of an administrator by the RBI. Prashant Kumar, former Deputy Managing Director and CFO of SBI, was appointed to manage the affairs of YES

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Bank. The regulator also announced a draft reconstruction scheme that would involve capital infusion and restructuring of the bank's board and governance systems.
The crisis was not just about one bank. The interconnected nature of the financial system meant that YES Bank's failure could have ripple effects across various sectors. Mutual funds, NBFCs, and corporate treasuries had exposure to the bank's bonds and deposits. A sudden collapse could potentially lead to a domino effect, similar to the IL&FS crisis of 2018.

SBI's Role in the Rescue Plan

In a bold and unprecedented move, the Government of India and the RBI decided to rope in SBI to lead the rescue operation. SBI, as the largest public sector bank in India, had both the credibility and capacity to undertake the task.
On March 6, 2020, SBI's board approved a proposal to invest in YES Bank. According to the RBI's reconstruction scheme, SBI would acquire up to a 49% stake in the bank. Initially, SBI invested ₹7,250 crores for a 48.21% stake, purchasing shares at ₹10 apiece. This infusion of capital provided immediate relief and restored some level of confidence among depositors and the market.
However, the rescue was not to be carried out by SBI alone. The government and RBI encouraged other domestic financial institutions to participate in the revival. Several other banks and institutions stepped in:

- ICICI Bank invested ₹1,000 crores.
- HDFC invested ₹1,000 crores.
- Axis Bank contributed ₹600 crores.
- Kotak Mahindra Bank invested ₹500 crores.
- Bandhan Bank and Federal Bank also contributed to the recapitalization.

In total, the consortium of investors infused over ₹10,000 crore into YES Bank. This coordinated effort ensured that the bank met its regulatory capital requirements and resumed normal operations.
Under the reconstruction plan, several governance changes were mandated:

- A new board of directors was appointed.
- Prashant Kumar was made the CEO and MD.
- The articles of association were amended to prevent any one shareholder (including SBI) from having unchecked control.

The RBI also ensured that a portion of the bank's bonds (AT-1 bonds worth ₹8,415 crore) were written down to improve the capital position, a move that led to some legal battles but was seen as necessary to preserve solvency.

Post-Bailout Recovery

The bailout marked a turning point for YES Bank. Over the next few months, the bank worked aggressively to stabilize its operations, regain depositor trust, and clean up its balance sheet. Deposits began to return slowly, and the moratorium was lifted on March 18, 2020, just 13 days after being imposed.
Under the leadership of Prashant Kumar, the bank adopted a more conservative approach. It scaled down its risky corporate loan portfolio, emphasized retail and MSME lending, and undertook

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digital transformation initiatives. In FY2021 and FY2022, the bank managed to reduce its gross NPAs and improve its provisioning coverage ratio.

However, challenges remained. The legacy loan book still contained stressed assets, and the bank faced increased competition in retail banking from both established players and fintech start-ups. Additionally, the write-down of AT-1 bonds attracted scrutiny and led to legal challenges from bondholders, raising questions about investor protection in the Indian financial system.

SBI, meanwhile, gradually reduced its stake in the bank in accordance with regulatory timelines. While the initial investment was not made with a profit motive, the strategic intervention prevented a systemic crisis and preserved financial stability.

Lessons from the YES Bank Crisis

The YES Bank crisis offers several important lessons for regulators, banks, and investors.

First, it highlights the dangers of unchecked growth and poor corporate governance. YES Bank's aggressive lending strategy, combined with weak internal controls and opaque disclosures, made it vulnerable to shocks.

Second, it underscores the importance of timely regulatory intervention. While some critics argue that the RBI acted late, its eventual actions were decisive and well-coordinated.

Third, the crisis showed that public-private cooperation can be effective in crisis resolution. The participation of SBI and other banks not only stabilized YES Bank but also prevented a broader contagion.

Finally, the case raised important questions about investor rights, especially concerning the treatment of bondholders. The write-down of AT-1 bonds, though legally supported, sparked debate about financial instruments' transparency and risk disclosure.

Conclusion

The bailout of YES Bank by SBI and other financial institutions in 2020 will remain a defining episode in the annals of Indian banking. It was not just a rescue of a private bank but a crucial step in safeguarding the trust of depositors, preserving the integrity of the financial system, and avoiding a potential economic shock during an already turbulent time marked by the onset of the COVID-19 pandemic.

YES Bank's story is one of rapid ascent, precipitous fall, and a remarkable revival backed by a decisive policy framework. As of 2025, the bank continues to rebuild, focusing on sustainability, prudent risk management, and customer-centric services. The scars of the crisis remain, but they also serve as important reminders of what can go wrong—and how collaborative action can make it right.

Analytical Questions

1. How did YES Bank's corporate lending strategy contribute to its financial instability, and could earlier regulatory intervention have prevented the crisis?
2. Was the write-down of YES Bank's AT-1 bonds justified from a legal and ethical standpoint, considering the impact on retail investors?
3. What are the long-term implications of using public sector banks like SBI to rescue private financial institutions in terms of market discipline and moral hazard?

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"Tata Steel's Acquisition of Corus – A Strategic Leap into the Global Arena"

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ABSTRACT

This case study analyses the acquisition of Corus Group by Tata Steel in 2007, one of the most significant cross-border mergers and acquisitions in Indian corporate history. The study explores the strategic motivations behind the deal, including Tata Steel's ambition to achieve global scale, gain access to advanced technology, expand into European markets, and strengthen its international presence. It examines the financial and operational challenges faced after the acquisition, particularly the impact of the 2008 global financial crisis, rising debt burden, cultural integration issues, and persistent losses in the European operations. The case further highlights the restructuring measures adopted by Tata Steel, including cost rationalization, deleveraging, strategic refocusing on the Indian market, and operational transformation initiatives. The study evaluates whether the acquisition ultimately delivered long-term strategic value despite short-term financial stress. It also discusses broader implications for emerging-market multinational corporations undertaking large-scale international acquisitions, particularly in relation to post-merger integration, risk management, and global competitiveness.

Keywords: Tata Steel, Corus Group, Cross-Border Acquisition, Strategic Management, Post-Merger Integration

1. Introduction

In the realm of Indian corporate history, few strategic deals have generated as much attention, admiration, and later, debate, as the acquisition of Corus Group by Tata Steel. Announced in 2006 and completed in 2007, this landmark $12.1 billion deal was, at the time, the largest overseas acquisition by an Indian company. It symbolized the ambitions of Indian businesses to expand beyond national borders and establish a formidable presence on the global stage.

However, the acquisition was not without its complications. Tata Steel's entry into the global steel market through Corus was a high-stakes move that combined vision and risk. This case study explores the motivations behind the acquisition, the background of both companies, the strategic rationale, post-acquisition performance, and long-term implications for Tata Steel and the broader Indian corporate sector.

Tata Steel: Origins and Transformation

The Legacy of Tata Steel

Tata Steel Limited, originally founded as Tata Iron and Steel Company (TISCO) in 1907, was India's first integrated steel plant and a product of the visionary leadership of Jamsetji Tata.

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Situated in Jamshedpur, the company grew into a symbol of industrial self-sufficiency during the colonial era and post-independence industrialization.

For most of the 20th century, Tata Steel operated within India's protectionist economic environment, producing flat and long steel products primarily for domestic consumption. The liberalization of the Indian economy in the early 1990s brought about structural changes. Suddenly, Tata Steel was operating in a more competitive, deregulated, and globalized market.

Under the leadership of Ratan Tata, the company embarked on a strategy to modernize operations, adopt cutting-edge technology, and expand capacity. The success of this transformation was visible by the early 2000s, as Tata Steel emerged as one of India's most efficient and profitable steel producers. Yet, its production capacity remained modest by global standards—around 5 million tonnes annually. To remain competitive in an industry where scale is critical, Tata Steel needed to look outward.

The Strategic Vision

Ratan Tata's vision for Tata Group was rooted in globalization. He firmly believed that Indian companies could not afford to operate in silos while the rest of the world integrated. The steel industry, in particular, was undergoing rapid consolidation. Large players were merging to gain economies of scale, access to new markets, and leverage over raw materials. If Tata Steel did not scale up, it risked being marginalized.

Thus, the strategic intent became clear: to leapfrog into the league of top global steel producers through acquisition. The opportunity came in the form of Corus Group.

Corus Group: Formation and Challenges

The Origins of Corus

Corus Group PLC was formed in 1999 through the merger of two European steel giants—British Steel of the UK and Koninklijke Hoogovens of the Netherlands. The merger aimed to create synergies through shared production facilities, a broader product range, and consolidated research and development.

At its peak, Corus was the second-largest steelmaker in Europe and the eighth-largest in the world, with a production capacity of over 18 million tonnes per annum. It operated plants in the UK, the Netherlands, and several other European nations and had a strong presence in automotive, construction, packaging, and engineering sectors.

However, Corus was also a legacy firm dealing with aging infrastructure, high labour costs, and overcapacity. By the early 2000s, the company was struggling with profitability. The European steel market was mature and heavily regulated. Unlike emerging markets, growth was slow, and competition from cheaper Asian imports was rising. Corus needed an infusion of capital, low-cost inputs, and access to growing markets—precisely what Tata Steel could provide.

The Acquisition: An Indian Multinational Comes of Age

Bidding War and Strategy

In October 2006, Tata Steel formally expressed interest in acquiring Corus for £4.3 billion. The deal seemed to progress smoothly until Brazilian steelmaker Companhia Siderúrgica Nacional

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(CSN) entered the fray with a counter-bid. What followed was a high-stakes bidding war between Tata Steel and CSN.
The bidding climaxed in January 2007 when Tata Steel made a final offer of 608 pence per share, valuing Corus at £6.2 billion ($12.1 billion). This was nearly 34% higher than its initial bid. CSN eventually withdrew, and Tata Steel emerged victorious.
The acquisition was financed through a mix of equity and debt, with over $9 billion of the purchase funded through leveraged loans. The deal was widely celebrated in India. It was not just a corporate acquisition—it was viewed as a national milestone. For many, it symbolized the arrival of Indian companies on the global stage with the confidence and capital to compete with established Western conglomerates.

Strategic Rationale

The acquisition of Corus allowed Tata Steel to:

- Instantly become the world's fifth-largest steelmaker.
- Gain access to high-end markets in Europe, particularly in automotive and construction sectors.
- Acquire advanced R&D facilities and intellectual property.
- Secure a global customer base and distribution network.

The idea was to combine Tata Steel's low-cost production model with Corus's market access and technology. There was also potential for raw material integration—Tata's access to cheaper iron ore and coal from India and its mining assets could eventually be used to feed Corus's high-cost plants.

Integration and Initial Challenges

The 2008 Financial Crisis

Barely a year after the acquisition, the world was plunged into the 2008 global financial crisis. The steel industry was among the hardest hit, with demand collapsing across sectors. For Tata Steel, the timing could not have been worse.
The Corus acquisition had significantly increased Tata Steel's debt burden. When global demand fell, Corus's already thin margins turned negative. The high operating costs in Europe—driven by energy prices, environmental regulations, and labour expenses—further exacerbated losses. In FY2009, Tata Steel reported a consolidated loss of ₹2,009 crores, driven largely by the underperformance of its European business.

Operational Integration

Cultural integration between the Indian parent and the European subsidiary proved to be a complex task. Management structures, labour union negotiations, and operational practices differed significantly. While Tata Steel India was known for its frugality and discipline, Corus operated in a more liberal European corporate culture.
Efforts were made to align operations, reduce redundancies, and optimize capacity. However, progress was slow. Political resistance and labour union influence in the UK and Netherlands made restructuring efforts difficult.

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Post-Acquisition Performance and Restructuring

European Business Struggles

Over the next several years, Tata Steel Europe (the rebranded Corus) remained a drag on the parent company's financials. Despite revenue growth, profitability remained elusive. Key problems included:

- Overcapacity in Europe.
- High energy and compliance costs.
- Volatile raw material prices.
- Inability to fully leverage Tata's low-cost Indian inputs.

Several cost-cutting measures were implemented. Plants were shut down in the UK and restructuring programs were rolled out, including job cuts and product rationalization. However, these were met with public protests and political scrutiny in the UK.
In 2016, Tata Steel announced its intention to sell its UK business, including the iconic Port Talbot plant, due to sustained losses. Talks with potential buyers like Greybull Capital ensued but did not result in a complete exit. Instead, Tata Steel focused on joint ventures and asset-light strategies.

Strategic Refocus and Recovery

Despite the European troubles, Tata Steel remained committed to global aspirations. Back home, the company expanded its Indian operations significantly. With the commissioning of the Kalinganagar plant and the acquisition of Bhushan Steel under India's Insolvency and Bankruptcy Code (IBC), Tata Steel India's capacity nearly doubled.
In 2018, Tata Steel and Germany's Thyssenkrupp agreed to merge their European operations into a 50:50 joint venture to create synergies. However, this deal was later blocked by the European Commission over antitrust concerns.
By 2020, Tata Steel began restructuring itself into two core verticals: Tata Steel India and Tata Steel Europe. Under the leadership of CEO T.V. Narendran, the company undertook aggressive deleveraging and capital efficiency strategies. It prioritized the Indian market, where demand was robust and margins were higher.
During the COVID-19 pandemic, Tata Steel was able to maintain operations, reduce debt, and improve EBITDA margins. In 2022 and 2023, the company reported record profits, driven by high steel prices and a surge in domestic demand. The European business, while still challenged, saw some improvement due to better demand and cost rationalization.

Long-Term Impact and Reflections

Was the Acquisition Worth It?

Nearly two decades after the deal, the acquisition of Corus is still debated in business circles. Critics argue that Tata Steel overpaid for an aging asset, burdening itself with long-term debt and integration headaches. They point out that the promised synergies never fully materialized and that the European business continues to underperform.

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However, defenders of the deal cite the strategic value and long-term positioning it offered. Tata Steel gained brand recognition, global experience, and diversified revenue streams. The acquisition forced Tata Steel to evolve into a multinational organization, adopt global best practices, and learn the complexities of cross-border M&A.

A Defining Moment in Indian Corporate History

Regardless of its financial merits, the acquisition marked a turning point in Indian corporate history. It inspired other Indian firms to pursue global opportunities with confidence. Companies like Hindalco (Novelis), Mahindra (SsangYong), and Bharti Airtel (Zain) followed suit, though with mixed results.

For the Tata Group, the Corus deal was part of a broader pattern of globalization—Tata Motors' acquisition of Jaguar Land Rover (JLR), Tata Tea's acquisition of Tetley, and Tata Chemicals' global expansions. These moves have collectively redefined the group's identity from a domestic industrial house to a global conglomerate.

Conclusion

Tata Steel's acquisition of Corus remains a seminal case in strategic management, corporate finance, and international business. It exemplifies the ambition and risk appetite of emerging-market multinationals in the 21st century. While the deal tested Tata Steel's financial and operational resilience, it also expanded its vision and reach.

The lessons from this case are manifold: the importance of timing in M&A, the challenges of cross-border integration, the need for flexibility in strategy, and the enduring relevance of long-term vision over short-term results.

As of 2025, Tata Steel stands as one of India's most respected companies, with a strong domestic base and a global presence. The Corus acquisition, despite its initial challenges, was a bold bet on the future—one that fundamentally altered the trajectory of the company.

Discussion Questions

1. How did Tata Steel's strategic objectives align with the acquisition of Corus, and what were the key miscalculations, if any?
2. Could Tata Steel have achieved similar global scale through greenfield investments or smaller acquisitions instead of a large leveraged buyout?
3. What are the broader lessons for emerging-market multinationals in managing cross-cultural integration and post-merger restructuring?

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1. Case Title

The Web of False Invoices: Uncovering GST and Income Tax Evasion in an Indian Electronics Distributor

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Date of Publication: April 2026

2. Abstract / Executive Summary

Purpose of the Case Study:

To examine how a rapidly growing electronics distribution company used fake invoices, shell suppliers, and underreported profits to evade Goods and Services Tax (GST) and Income Tax, eventually triggering multi-agency investigation and business collapse.

Key Highlights:

- The company created bogus purchase entries through fake vendors to inflate expenses.
- GST input tax credit was claimed on non-genuine invoices.
- Income Tax authorities detected suppressed profits, unaccounted cash transactions, and related-party fund diversion.

Learning Objectives:

- Understand the distinction between tax planning, tax avoidance, and tax evasion.
- Analyze how fake invoicing affects both GST and Income Tax liabilities.
- Evaluate the role of GST intelligence, Income Tax Department, auditors, and company directors in fraud detection.
- Explore legal provisions under the Income Tax Act, CGST Act, Benami Transactions Act, and PMLA.

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3. Introduction

Background Context:

BrightWave Electronics Distributors Pvt. Ltd., established in 2013, grew rapidly as a wholesaler of mobile phones, accessories, and consumer electronics across major Indian cities. The company reported sharp year-on-year sales growth and gained a reputation for aggressive pricing. However, its growth was allegedly supported by a network of shell vendors, circular transactions, and manipulated books of accounts.

Between 2019 and 2024, tax authorities began to notice mismatches in GST returns, unusual input tax credit claims, and discrepancies between reported profits and actual cash flows. A coordinated investigation by GST intelligence and the Income Tax Department revealed that the company had fabricated purchases, suppressed taxable income, and routed funds through related entities.

Key Players:

- Mr. Arvind Mehta – Managing Director of BrightWave Electronics
- Finance Head and Internal Accounts Team
- Directorate General of GST Intelligence (DGGI)
- Income Tax Department of India
- Statutory Auditors and Board of Directors
- Related-party shell companies and dummy suppliers

Relevance:

This case is ideal for understanding tax compliance failures in high-volume trading businesses. It connects directly to GST fraud, income suppression, corporate governance, forensic accounting, and regulatory enforcement in India.

4. Main Body

Detailed Problem Description:

From 2020 to 2024, BrightWave Electronics was alleged to have evaded taxes using the following methods:

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• Creating 40+ fake supplier accounts to book bogus purchases
• Claiming input tax credit on invoices without actual movement of goods
• Underreporting sales made through cash channels
• Diverting profits to promoter-controlled related entities
• Maintaining parallel records for internal and statutory reporting

Authorities observed that although the company showed modest margins in its financial statements, its cash deposits, director withdrawals, and related-party transfers suggested significantly higher real profits. A search and survey operation later uncovered duplicate ledgers, unsigned transport documents, and digital evidence of invoice layering.

The investigation concluded that the company had artificially reduced taxable income by inflating purchase expenses and had wrongly availed GST credits based on non-genuine transactions. As the case widened, banks froze working capital limits, vendors withdrew credit support, and business operations were severely disrupted.

Quantitative Data:

- Bogus purchases detected: Rs. 480 crore
- Wrongful GST input tax credit claimed: Rs. 86 crore
- Suppressed taxable income: Rs. 210 crore
- Estimated Income Tax evaded: Rs. 63 crore
- Number of shell suppliers identified: 40+
- Fall in turnover after investigation: 70%

Situation Analysis

External Analysis:

- Increased digital matching of GSTR-1, GSTR-3B, and e-invoice records
- Stronger use of data analytics by GST and Income Tax authorities
- Rising regulatory scrutiny of related-party transactions and beneficial ownership
- Pressure on businesses to maintain transparent supply chain documentation

Internal Analysis:

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- Weak internal controls over procurement and vendor onboarding
- Excessive concentration of financial authority with promoter group
- Lack of independent board oversight and forensic review
- Auditor overreliance on management representations
- No effective whistleblower or compliance escalation mechanism

Decision Points

1. How could BrightWave have built a compliance framework to prevent fake invoicing and profit suppression?
2. Which provisions under GST law and the Income Tax Act were likely violated, and what penalties may apply?
3. What responsibilities did auditors and directors have in identifying red flags earlier?
4. How should regulators coordinate to detect tax evasion without unduly affecting genuine business activity?

5. Supporting Data and Exhibits

Exhibit A: Timeline of Events

Year	Event
2013	BrightWave Electronics Distributors Pvt. Ltd. incorporated
2018	Company expands into 12 states through distributor network
2020	Sharp rise in purchase entries and GST input tax credit claims
2022	Authorities detect vendor mismatches and suspicious invoice patterns
2024	Search and survey operations uncover fake suppliers and duplicate ledgers
2025	Tax demands issued; lenders tighten exposure and operations decline

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Exhibit B: Financial Snapshot

Metric	FY 2023	FY 2024
Reported Revenue	Rs. 1,150 crores	Rs. 1,280 crores
Reported Net Profit	Rs. 18 crores	Rs. 21 crores
Suspected Bogus Purchases	Rs. 190 crores	Rs. 290 crores
Wrongful GST Credit	Rs. 34 crores	Rs. 52 crores
Unexplained Cash / Fund Diversion	Rs. 72 crores	Rs. 95 crores

Exhibit C: Key Laws Invoked

• Income Tax Act, 1961 – Sections relating to concealment of income, search and seizure, reassessment, and penalty
• CGST Act, 2017 – Wrongful input tax credit, fake invoicing, and tax evasion provisions
• Benami Transactions (Prohibition) Act – Use of name-lenders and proxy entities
• Prevention of Money Laundering Act (PMLA) – Layering and laundering of illicit funds
• Companies Act, 2013 – Board responsibility, financial reporting, and auditor obligations

6. Teaching Note

Instructor Guidelines:

• Begin by asking students to distinguish between aggressive tax planning and outright tax fraud.
• Introduce how bogus purchases affect both GST liability and income tax computation.
• Divide the class into groups representing management, auditors, GST officers, and Income Tax investigators.
• Ask each group to identify red flags and propose control mechanisms.

Time Required:

2 hours for case discussion + assignment

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Recommended Tools:

• GST Reconciliation Framework

• Tax Risk Matrix

• Forensic Accounting Indicators

• Internal Control Checklist

• Corporate Governance Evaluation Model

7. Questions for Classroom Discussion

Research and Analysis:

- What early warning signs should auditors and independent directors have detected?
- How do fake invoices distort both profitability and indirect tax reporting?

Strategic Decision-Making:

- Could the company have reduced tax burdens legally through restructuring and better compliance?
- How should management respond once tax authorities identify suspicious vendor networks?

Implementation and Impact:

- What internal controls are essential in a trading business with large vendor volumes?
- How do tax raids affect lender confidence, supplier relations, and employee morale?

Broader Perspectives:

- What lessons does this case offer for Indian SMEs and family-managed businesses?
- How can tax authorities balance strict enforcement with a predictable business environment?

8. Conclusion

The Bright Wave Electronics case demonstrates how rapid expansion without proper governance can encourage manipulation of accounts, fake invoicing, and large-scale tax evasion. What begins

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as an attempt to reduce tax liability can escalate into a full compliance breakdown involving multiple laws and agencies. The case underscores the importance of ethical leadership, transparent documentation, board oversight, and technology-driven compliance. Ultimately, it shows that long-term business sustainability depends not on hiding profits, but on building trustworthy systems of financial reporting and tax discipline.

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2. Case Title

The ₹ 706 Crore GST Fraud Case: Fake Invoicing and Tax Evasion in India

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Date of Publication: April 2026

2. Abstract / Executive Summary

Purpose of the Case Study:

To examine a large-scale GST fraud involving fake invoicing and wrongful input tax credit claims, and to understand how Indian tax authorities investigate and prosecute such cases.

Key Highlights:

- GST fraud worth ₹706 crore detected by Directorate General of GST Intelligence (DGGI)
- Use of shell companies to generate fake invoices without actual supply of goods
- Arrest of accused and escalation to higher judiciary
- Supreme Court granted interim bail in 2026

Learning Objectives:

- Understand GST fraud mechanisms such as fake invoicing and ITC misuse
- Analyze enforcement provisions under GST law
- Evaluate the role of DGGI and judiciary in tax enforcement
- Study legal consequences including arrest, prosecution, and penalties

3. Introduction

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Background Context:

In one of the most significant recent GST fraud cases, authorities uncovered a ₹706 crore tax evasion racket involving fake invoices and shell entities. The case was investigated by the Directorate General of GST Intelligence (DGGI), which specializes in detecting indirect tax fraud.

The accused, Manoj Vijay, allegedly created multiple fake firms to issue invoices without actual business transactions. These invoices were used to fraudulently claim Input Tax Credit (ITC), reducing tax liability and enabling illegal financial gains.

Key Players:

• Manoj Vijay – Accused individual
• Directorate General of GST Intelligence (DGGI)
• GST Department of India
• Supreme Court of India
• Rajasthan High Court

Relevance:

This case is highly relevant for understanding modern GST fraud techniques, enforcement mechanisms, and the legal framework governing indirect taxes in India.

4. Main Body

Detailed Problem Description:

The fraud was executed through a structured network of shell companies that existed only on paper. The modus operandi included:

• Creation of multiple fake GST-registered firms
• Issuance of invoices without actual supply of goods/services
• Claiming fraudulent Input Tax Credit (ITC)
• Circular trading to legitimize fake transactions
• Layering of financial transactions to avoid detection

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Authorities identified that the accused used these fake invoices to inflate purchase records, thereby reducing GST liability and unlawfully claiming tax credits.

The DGGI launched an investigation involving:

- Data analytics of GST returns (GSTR-1, GSTR-3B)
- Verification of supplier existence
- Bank transaction analysis

Following evidence collection, the accused was arrested under GST law. After legal proceedings, the matter reached the Supreme Court, which granted interim bail in 2026, making it a landmark recent judicial development.

Quantitative Data:

- Total GST fraud detected: ₹706 crore
- Number of shell companies involved: 20+ (estimated)
- Fake invoices issued: Hundreds of crores
- Legal status: Arrest + interim bail granted
- Nature of fraud: Fake ITC claims without actual supply

Situation Analysis

External Analysis:

- Increased digitization of GST system enabling detection
- Government crackdown on fake invoicing networks
- Rising number of GST fraud cases across India
- Stronger coordination between tax authorities and enforcement agencies

Internal Analysis:

- Deliberate creation of fraudulent business entities
- Absence of genuine business operations
- Manipulation of accounting records

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- Intentional evasion of tax through structured schemes

Decision Points:

1. How can GST systems be strengthened to prevent fake invoicing?
2. What internal controls can businesses implement to avoid involvement in such frauds?
3. Should GST fraud be treated as a criminal offense with stricter penalties?
4. How can authorities balance enforcement with ease of doing business?

5. Supporting Data and Exhibits

Exhibit A: Timeline of Events

Year	Event
2023–24	Suspicious GST transactions detected
2024	DGGI initiates investigation
2025	Fraud network identified and accused arrested
2026	Supreme Court grants interim bail

Exhibit B: Fraud Structure

Component	Description
Shell Companies	Fake firms used for invoicing
Fake Invoices	No actual goods/services supplied
ITC Claims	Fraudulent input tax credit claimed
Circular Trading	Transactions routed to appear genuine

Exhibit C: Key Laws Invoked

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• CGST Act, 2017 – Section 132 (Offences and penalties)

• Income Tax Act, 1961 – For undisclosed income

• Prevention of Money Laundering Act (PMLA) – For fund layering

• IPC provisions – Fraud and criminal conspiracy

6. Teaching Note

Instructor Guidelines:

• Begin with explanation of Input Tax Credit (ITC)

• Use diagrams to explain fake invoicing chain

• Conduct role-play: DGGI officers vs. accused vs. judiciary

Time Required:

2 hours

Recommended Tools:

• GST Compliance Checklist

• Fraud Risk Assessment Model

• Forensic Accounting Techniques

• Data Analytics in Taxation

7. Questions for Classroom Discussion

Research and Analysis:

- What red flags indicate fake invoicing in GST filings?
- How does GST data analytics help detect fraud?

Strategic Decision-Making:

- Could stricter vendor verification prevent such fraud?
- How should companies ensure compliance in supply chains?

Implementation and Impact:

- What is the impact of GST fraud on government revenue?

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- How do such cases affect business credibility and banking relationships?

Broader Perspectives:

- Is India's GST system robust enough to prevent fraud?
- What lessons can other countries learn from such cases?

8. Conclusion

The ₹706 crore GST fraud case highlights the growing sophistication of tax evasion techniques in India's indirect tax system. While digitization has enabled faster detection, it has also exposed vulnerabilities that fraudsters exploit through fake invoicing and shell entities.

The case underscores the importance of strong compliance systems, ethical business practices, and proactive enforcement. It also demonstrates how India's legal framework is evolving to treat tax fraud as a serious economic offense, ensuring accountability and deterrence.

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"Oil Shock and Currency Turbulence: Managing Financial Risk in the US–Iran Hormuz Crisis"

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Date of Publication: May 6th 2026

Abstract / Executive Summary

Purpose of the Case Study

This case examines the financial and strategic challenges faced by an oil-importing firm amid the escalating tensions between United States and Iran, leading to disruptions in the Strait of Hormuz. The central issue revolves around how firms operating in oil-dependent economies manage **exchange rate volatility, rising import costs, and financial risk exposure** during a geopolitical crisis. The case places students in the role of a Chief Financial Officer who must decide on appropriate **currency risk management and hedging strategies** under extreme uncertainty.

Key Highlights

The case is set against the backdrop of a global oil shock triggered by the partial blockage of the Strait of Hormuz, a critical route for international crude oil transportation. The disruption leads to a sharp rise in oil prices, increased demand for the US dollar, and significant depreciation of currencies in oil-importing nations such as India.

Key stakeholders include:

- Oil-importing firms (e.g., Indo-Petro Energy Ltd.)
- Central banks such as the Reserve Bank of India
- Oil-exporting Gulf countries
- Global financial markets and investors

The main challenges involve:

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- Managing increased import bills due to both oil price escalation and currency depreciation
- Handling foreign exchange exposure in a volatile market
- Balancing hedging costs against potential losses
- Responding to macroeconomic pressures such as inflation and current account deficits

Learning Objectives

By engaging with this case, students will be able to:

- Analyze the impact of geopolitical events on exchange rates and global financial markets
- Understand the relationship between commodity prices (oil) and currency movements
- Evaluate different foreign exchange risk management strategies, including forwards, futures, and options
- Assess the trade-offs between hedging and remaining unhedged in volatile conditions
- Apply concepts such as transaction exposure, balance of payments, and currency pass-through effects in real-world decision-making

Keywords

- Exchange Rate Volatility
- Oil Price Shock
- Currency Risk Management
- Geopolitical Risk
- Hedging Strategies
- Balance of Payments

1. Introduction

1.1 Background Context

Indo-Petro Energy Ltd. is a leading Indian oil refining and distribution company operating in a highly volatile and globally interconnected energy market. Established in the early 2000s, the company has grown into a major player in India's downstream petroleum sector, supplying refined petroleum products across domestic and select international markets. Its business model is heavily dependent on the import of crude oil, primarily sourced from the Gulf region, where countries such as Saudi Arabia, the UAE, and Kuwait dominate global oil exports.

The global oil industry is inherently sensitive to geopolitical developments, particularly in strategically significant regions such as the Middle East. One such critical chokepoint is the Strait of Hormuz, through which a substantial portion of the world's oil supply is transported. Any disruption in this region has immediate and far-reaching implications for global oil prices, supply chains, and financial markets.

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In 2026, escalating tensions between United States and Iran led to partial blockages and heightened uncertainty in the Strait of Hormuz. This geopolitical crisis triggered a sharp increase in crude oil prices, alongside heightened volatility in global currency markets. For oil-importing countries like India, the impact was twofold: a surge in the cost of imports and significant depreciation pressure on the domestic currency.

For IndoPetro Energy Ltd., these developments created an unprecedented financial challenge. The company not only faced escalating raw material costs but also increased exposure to foreign exchange risk due to its dependence on US dollar-denominated transactions. As global markets reacted to the crisis, fluctuations in exchange rates compounded the financial strain, forcing the company to reassess its risk management strategies in real time.

1.2 Key Players

At the center of the case is the Chief Financial Officer (CFO) of IndoPetro Energy Ltd., who is responsible for managing the firm's financial stability in an increasingly uncertain environment. The CFO must evaluate various risk management tools and make strategic decisions regarding hedging, pricing, and sourcing under volatile market conditions.

Another key stakeholder is the operations and procurement team, which oversees crude oil imports from Gulf countries. Their decisions regarding supplier contracts, shipment timing, and logistics are directly impacted by disruptions in the Strait of Hormuz and rising transportation and insurance costs.

External stakeholders also play a critical role in shaping the firm's operating environment. The Reserve Bank of India influences exchange rate stability through monetary policy interventions, including forex reserves management and interest rate adjustments. Oil-exporting Gulf nations, as suppliers, affect pricing dynamics and payment terms, often denominated in US dollars, thereby increasing the firm's exposure to currency fluctuations.

Global financial markets and investors further contribute to the volatility. As uncertainty rises, investors tend to move toward safe-haven assets, strengthening the US dollar and exerting additional depreciation pressure on emerging market currencies like the Indian Rupee. Customers, including industrial buyers and retail consumers, also influence the firm's pricing decisions, as the company must balance cost pass-through with demand sensitivity.

Thus, the case involves a complex network of internal decision-makers and external forces, all interacting within a highly dynamic and uncertain global environment.

1.3 Relevance

This case is highly relevant to the study of International Financial Management as it integrates key theoretical concepts with a real-world geopolitical crisis. It provides students with an opportunity to understand how macroeconomic shocks, such as geopolitical conflicts and supply chain disruptions, translate into financial risks at the firm level.

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The case directly relates to core IFM topics, including exchange rate determination, foreign exchange exposure, and risk management strategies. It enables students to analyze how fluctuations in currency values impact import costs, profitability, and financial planning. Additionally, it highlights the interdependence between commodity markets and currency markets, particularly the role of oil prices in influencing exchange rates in oil-importing economies.

From a strategic perspective, the case challenges students to evaluate alternative courses of action under uncertainty. They must assess the effectiveness of hedging instruments such as forwards and options, consider the implications of passing increased costs to consumers, and explore diversification strategies in sourcing and currency exposure.

Moreover, the case fosters critical thinking and decision-making skills by placing students in the role of financial managers navigating a crisis. It bridges the gap between theory and practice by demonstrating how concepts such as transaction exposure, balance of payments, and currency pass-through operate in a real-world setting.

Overall, this case serves as a valuable pedagogical tool for MBA students, enabling them to develop a deeper understanding of international finance while enhancing their analytical and strategic capabilities in managing global financial risks.

2.1 Detailed Problem Description

In the first quarter of 2026, IndoPetro Energy Ltd. encountered one of the most severe operational and financial disruptions in its history. The escalating geopolitical conflict between United States and Iran led to heightened military activity around the Strait of Hormuz, a narrow maritime route through which nearly one-fifth of global crude oil trade passes. Concerns over potential blockages, delayed tanker movement, and rising maritime insurance costs caused immediate disruptions in international oil markets.

For IndoPetro Energy Ltd., which imports nearly 78% of its crude oil requirements from Gulf nations, this disruption posed a direct threat to profitability and operational continuity. The company's crude procurement contracts are denominated entirely in US dollars, making it highly vulnerable to exchange rate fluctuations.

Within three weeks of the crisis escalation:

- Global crude oil prices rose from USD 72 per barrel to USD 118 per barrel
- The Indian Rupee depreciated from ₹82/USD to ₹88/USD
- Marine freight charges increased by 32%
- Insurance premiums for Gulf routes increased by 45%

The company imports approximately 12 million barrels annually, averaging 1 million barrels per month.

Financial Impact Calculation

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Before crisis:
1,000,000 × $72 = $72,000,000
At ₹82/USD = ₹5,904 million

During crisis:
1,000,000 × $118 = $118,000,000
At ₹88/USD = ₹10,384 million

Monthly increase in import cost:
₹10,384 million – ₹5,904 million = ₹4,480 million

This represents a 75.9% increase in monthly procurement expenditure.

The company's operating margin, previously maintained at 14.5%, is projected to decline below 6% if current pricing structures remain unchanged.

Compounding the issue is the uncertainty surrounding the duration of the geopolitical crisis. The management team must make immediate financial decisions despite incomplete information.

The central problem is not merely rising crude prices but the interaction between commodity price shock and currency depreciation, creating a dual-risk exposure. The company must determine whether to:

- Hedge its foreign exchange exposure immediately
- Absorb temporary losses
- Pass increased costs to domestic consumers
- Diversify sourcing despite higher logistical costs

The challenge is intensified by the risk that an incorrect decision could significantly impact market competitiveness, shareholder confidence, and long-term financial sustainability.

2.2 Situation Analysis

External Analysis

The external business environment surrounding IndoPetro Energy Ltd. is shaped by geopolitical uncertainty, exchange rate volatility, regulatory intervention, and rapidly shifting commodity market dynamics.

The most significant external factor is the geopolitical tension in the Middle East. Since Gulf nations account for a substantial share of global crude exports, any instability in this region triggers immediate reactions across commodity and foreign exchange markets. Investors seeking safer assets increase demand for the US dollar, strengthening it against emerging market currencies.

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This has placed substantial pressure on the Indian Rupee. Currency depreciation raises the effective import cost for Indian firms purchasing dollar-denominated commodities.

Market Trends

The global energy market is experiencing:

- Rising spot crude prices
- Supply chain disruptions
- Increased speculative trading
- Volatile forex movement

Additionally, global central banks, including the Federal Reserve, have maintained relatively high interest rates, attracting capital inflows into dollar assets and intensifying dollar strength.

Competitive Environment

Indo-Petro competes with:

- Large public-sector refiners
- Private integrated oil majors
- Regional fuel distributors

Competitors with stronger treasury management capabilities and diversified sourcing contracts are better positioned to absorb shocks.

Regulatory Environment

The Reserve Bank of India may intervene to stabilize the rupee through forex reserve deployment. However, sustained intervention is costly.

Government restrictions on immediate fuel price hikes limit IndoPetro's ability to pass costs directly to consumers.

Internal Analysis

Internally, IndoPetro possesses strong operational capabilities but exhibits weaknesses in strategic financial risk management.

Strengths

- Established supplier relationships in Gulf markets
- Robust refining infrastructure
- Strong domestic distribution network
- Consistent historical profitability

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Weaknesses

- High dependence on Gulf crude imports
- Limited forex hedging coverage
- Overreliance on spot market procurement
- Lack of diversified currency settlement arrangements

Currently, only 25% of forex exposure is hedged, exposing the company to substantial currency losses.

Leadership Challenges

The leadership team is divided.

The CFO advocates aggressive hedging to stabilize cash flows.

The COO argues for maintaining flexibility, fearing that hedging costs may become excessive if the rupee stabilizes. The CEO seeks a balanced solution that protects profitability without compromising operational agility. This internal disagreement creates strategic tension at a time requiring rapid decision-making.

2.3 Decision Points

Indo-Petro's leadership faces several interconnected strategic decisions, each involving trade-offs between risk mitigation, cost control, and competitive positioning.

Decision Point 1: Should the company hedge its forex exposure?

The CFO proposes increasing hedge coverage from 25% to 80% using forward contracts.

Supporting Argument:

- Protects against further rupee depreciation
- Stabilizes procurement cost projections
- Enhances financial planning accuracy

Counterargument:

If geopolitical tensions ease, the rupee may appreciate, causing the company to incur unnecessary hedging costs.

This raises a classic International Financial Management dilemma involving **transaction exposure management**.

Decision Point 2: Should IndoPetro pass increased costs to consumers?

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Finance executives recommend fuel price adjustments.

Advantages:

- Protect margins
- Preserve shareholder confidence

Disadvantages:

- Potential consumer backlash
- Regulatory scrutiny
- Demand elasticity concerns

This decision connects to exchange rate pass-through theory, where firms determine how much currency-induced cost increase should be reflected in final prices.

Decision Point 3: Should sourcing be diversified?

Alternative suppliers in:

- Nigeria
- Brazil
- United States

could reduce geopolitical dependence.

However:

- Logistics costs are higher
- Delivery times are longer
- Refinery compatibility adjustments are required

This introduces strategic trade-offs between **operational resilience and cost efficiency**.

Decision Point 4: Should non-USD settlement mechanisms be explored?

Some analysts suggest negotiating settlement in:

- Euro
- Yuan
- Bilateral rupee arrangements

This raises broader theoretical questions related to:

- International monetary system dependence

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- Currency diversification
- Exchange reserve strategy

Theoretical Connections

This case integrates several core concepts of International Financial Management by linking macroeconomic shocks to firm-level financial decisions.

1. Transaction Exposure

IndoPetro Energy Ltd. faces significant **transaction exposure** because its crude oil imports are invoiced in US dollars, while its revenues are largely generated in Indian Rupees. Transaction exposure arises from the risk that exchange rate fluctuations between the time a transaction is initiated and when it is settled will adversely affect the firm's cash flows.

In this case, the depreciation of the rupee against the US dollar increases the firm's payment obligations in domestic currency terms. For example, a payment obligation of $1 billion would cost ₹75 billion at an exchange rate of ₹75/USD, but ₹87 billion if the rupee depreciates to ₹87/USD. This exposes the firm to substantial exchange losses, independent of operational efficiency.

The uncertainty created by the crisis in the Strait of Hormuz amplifies this exposure by increasing exchange rate volatility. As a result, the firm must consider hedging strategies such as forward contracts or currency options to stabilize cash flows and reduce financial risk.

2. Purchasing Power Parity (PPP)

The concept of **Purchasing Power Parity (PPP)** helps explain the long-term relationship between inflation and exchange rates. According to PPP, currencies of countries with higher inflation tend to depreciate relative to those with lower inflation.

In the context of this case, the surge in crude oil prices leads to **imported inflation** in India, as higher energy costs increase transportation, production, and overall price levels. This inflationary pressure reduces the purchasing power of the rupee, contributing to its depreciation.

Thus, the weakening of the rupee is not merely a financial market reaction but also reflects underlying macroeconomic fundamentals. The oil shock triggered by geopolitical tensions between the United States and Iran feeds into domestic inflation, which, in turn, aligns with PPP theory by exerting downward pressure on the currency.

However, it is important to note that PPP holds more accurately in the long run; in the short run, exchange rates are also influenced by capital flows, speculation, and policy interventions.

3. Interest Rate Parity (IRP)

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The **Interest Rate Parity (IRP)** theory explains the relationship between interest rate differentials and exchange rate movements. According to IRP, currencies of countries with higher interest rates tend to depreciate (or are expected to depreciate) relative to those with lower interest rates, assuming free capital mobility.

In this case, the strength of the US dollar is partly driven by monetary policy actions of the Federal Reserve, which has maintained relatively higher interest rates to combat inflation. Higher US interest rates attract global capital inflows, increasing demand for the dollar and leading to its appreciation.

Conversely, emerging markets like India may face capital outflows as investors shift funds to higher-yielding US assets. This reduces demand for the rupee, contributing to its depreciation.

IRP also has practical implications for hedging decisions. The forward exchange rate, which firms like Indo-Petro may use to hedge currency risk, is determined by the interest rate differential between two countries. Thus, higher US interest rates increase forward premiums, making hedging more expensive for the firm.

4. Balance of Payments (BoP)

The **Balance of Payments (BoP)** framework provides a macroeconomic perspective on exchange rate movements. It records all economic transactions between a country and the rest of the world, with the current account capturing trade in goods and services.

In this case, the sharp increase in oil prices significantly raises India's import bill, as crude oil constitutes a major share of total imports. This leads to a widening of the **current account deficit (CAD)**, as the value of imports exceeds exports.

A higher CAD implies increased demand for foreign currency (primarily USD) to pay for imports, putting downward pressure on the domestic currency. This structural imbalance contributes to the depreciation of the rupee.

The Reserve Bank of India may intervene in the foreign exchange market by selling reserves to stabilize the currency. However, sustained deficits limit the effectiveness of such interventions over time.

Thus, the BoP framework explains how external sector imbalances, triggered by geopolitical disruptions and oil price shocks, translate into exchange rate pressures.

Integrated Understanding

Together, these theories provide a comprehensive framework for analyzing the firm's situation:

- **Transaction exposure** explains firm-level risk
- **PPP** explains inflation-driven currency depreciation

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- **IRP** explains capital flow-driven exchange rate movements
- **BoP** explains structural external imbalances

This integrated perspective enables a deeper understanding of how global geopolitical shocks cascade through macroeconomic channels and ultimately impact corporate financial decision-making.

3. Supporting Data and Exhibits

Exhibit 1: Crude Oil Price Trend (Pre- and During Crisis)

Year/Period	Brent Crude Price ($/barrel)
2023 Avg	78
Q1 2025	82
Q4 2025	74
Jan 2026	70
Crisis Peak (Mid-2026)	122
Post-Shock Estimate	110–115

Interpretation for students:

- Identify volatility and price shock magnitude
- Link oil price spike to geopolitical disruption
- Use for import cost calculations

Exhibit 2: Exchange Rate Movement (USD/INR)

Period	USD/INR Exchange Rate
2023 Avg	₹74
2024 Avg	₹76
2025 Avg	₹79
Jan 2026	₹75
Crisis Peak	₹87
Volatility Range	₹84–₹88

Tasks for students:

- Measure depreciation (%)
- Assess impact on import payments
- Forecast possible scenarios

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Exhibit 3: IndoPetro Import Cost Analysis

Annual Import Volume: 12 million barrels

Before Crisis:

- Oil price = $72
- Exchange rate = ₹75

Total Cost:

- $864 million
- ₹64,800 million

During Crisis:

- Oil price = $122
- Exchange rate = ₹87

Total Cost:

- $1,464 million
- ₹127,368 million

Student Analysis:

- % increase in dollar cost
- % increase in rupee cost
- Separate impact of price vs exchange rate

Exhibit 4: Cost Breakdown of Import Operations

Cost Component	Before Crisis	During Crisis	% Increase
Crude Oil Cost	100% base	+69%	High
Freight Charges	Normal	+22%	Moderate
Marine Insurance	Low	+30%	High
Financing Cost	8%	11%	Rising

Purpose:
Students evaluate **total landed cost escalation**, not just oil price.

Exhibit 5: Hedging Cost Data

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Instrument	Cost	Benefit	Risk
Forward Contract	3% premium	Certainty	Opportunity loss
Currency Option	5% premium	Downside protection	Higher cost
No Hedging	0%	Full upside	High risk

Student Task:

- Compare hedged vs unhedged outcomes
- Evaluate cost-benefit trade-off

Exhibit 6: Scenario Analysis – Exchange Rate Impact

Scenario	USD/INR	Import Cost (₹ million)
Optimistic	82	120,048
Base Case	87	127,368
Worst Case	92	134,688

Student Task:

- Sensitivity analysis
- Risk exposure estimation

Exhibit 7: Simplified Balance of Payments Impact (India)

Component	Pre-Crisis	During Crisis
Oil Imports ($ bn)	100	160
Trade Deficit ($ bn)	70	120
Current Account Deficit (% GDP)	2.5%	4.8%

Interpretation:

- Link oil imports to CAD
- Explain rupee depreciation

Exhibit 8: SWOC Analysis (Indo-Petro Energy Ltd.)

Strengths

- Established supplier relationships
- Strong domestic distribution

Weaknesses

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- High import dependency
- USD exposure

Opportunities

- Alternative sourcing
- Currency diversification

Challenges

- Geopolitical risk
- Price regulation
- Currency volatility

Exhibit 9: Pricing Impact Analysis

Strategy	Impact on Profit	Impact on Demand
Full Pass-through	Protects margins	Demand may fall
Partial Increase	Balanced	Moderate demand impact
No Increase	Losses rise	Demand stable

Student Task:

- Evaluate pricing elasticity
- Suggest optimal pricing strategy

Exhibit 10: Risk Matrix

Risk Type	Severity	Probability
Oil Price Risk	High	High
Currency Risk	High	High
Supply Disruption	Medium	High
Regulatory Risk	Medium	Medium

Students can perform:

◆ **Quantitative Analysis**

- Import cost calculation
- Hedging payoff analysis
- Sensitivity analysis

◆ **Strategic Analysis**

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- Risk management decisions
- Pricing strategy
- Supplier diversification

◆ **Theoretical Application**

- Exchange rate impact
- Balance of payments
- Hedging effectiveness

5. Teaching Note

5.1 Instructor Guidelines

This case, *"Oil Shock and Currency Turbulence: Managing Financial Risk in the US–Iran Hormuz Crisis,"* is designed to provide students with a **holistic understanding of how geopolitical events influence international financial decision-making**. It is best suited for MBA courses in **International Financial Management, Financial Risk Management, or Strategic Finance**.

The instructor may begin the session by briefly discussing the geopolitical importance of the Strait of Hormuz and its role in global oil supply chains. This helps students appreciate the macroeconomic backdrop before moving into firm-level implications.

Suggested Classroom Flow:

1. **Case Introduction (10–15 minutes):**
   - Present the crisis context and IndoPetro's situation
   - Highlight the dual shock: oil price increase + currency depreciation
2. **Problem Identification (15 minutes):**
   - Ask students to identify key financial risks
   - Encourage classification: commodity risk vs currency risk
3. **Group Discussion (30–40 minutes):**
   - Divide students into groups representing different perspectives:
     - Finance team (hedging focus)
     - Operations team (supply continuity)
     - Marketing team (pricing strategy)
4. **Decision Debate (20–30 minutes):**
   - Each group presents recommendations
   - Instructor challenges assumptions (e.g., "What if rupee appreciates?")
5. **Concept Integration (15 minutes):**
   - Link decisions to IFM theories:
     - Transaction exposure
     - Balance of Payments
     - Hedging strategies

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Teaching Tips:

- Encourage **quantitative analysis** using provided exhibits
- Push students beyond textbook answers—there is **no single correct solution**
- Highlight trade-offs (risk vs cost, short-term vs long-term)
- Use real-world parallels to reinforce learning

5.2 Time Required

The case can be used flexibly depending on course depth:

Activity	Time Required
Pre-reading by students	30–45 minutes
Classroom discussion	75–90 minutes
Extended analysis / assignment	1–2 hours

Suggested Formats:

- **Single session (90 minutes):** Focus on discussion and decision-making
- **Two sessions:**
  - Session 1: Case discussion
  - Session 2: Quantitative analysis + solution presentation
- **Assignment-based use:**
  Students prepare written analysis including hedging calculations and recommendations

5.3 Recommended Analysis Tools

To ensure structured learning, the following frameworks and tools are recommended:

1. PESTLE Analysis (External Environment)

Students can analyze macro-level factors affecting Indo-Petro:

- **Political:** US–Iran tensions, Gulf instability
- **Economic:** Oil price surge, inflation, currency depreciation
- **Social:** Impact of fuel price increase on consumers
- **Technological:** Alternative energy possibilities
- **Legal:** Government fuel pricing regulations
- **Environmental:** Energy sustainability concerns

2. SWOC Analysis (Internal + External Position)

Helps evaluate Indo-Petro's strategic position:

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- Strengths: Supplier relationships, market presence
- Weaknesses: Import dependency, forex exposure
- Opportunities: Diversification, hedging strategies
- Challenges: Volatility, geopolitical risk

3. Exposure Analysis Framework

Students classify financial exposure into:

- Transaction exposure (primary focus)
- Economic exposure (long-term impact)

4. Scenario Analysis / Sensitivity Analysis

Using Exhibit data, students evaluate:

- Impact of exchange rate changes
- Impact of oil price fluctuations

Example:

- What happens if USD/INR moves from 87 to 92?
- How does profitability change?

5. Hedging Decision Framework

Students compare:

- Forward contracts
- Currency options
- No hedging

Evaluate based on:

- Cost
- Risk reduction
- Flexibility

6. Decision Tree Analysis (Advanced Tool)

Students can map possible outcomes:

- Hedge vs No Hedge
- Currency appreciation vs depreciation

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This helps quantify expected outcomes and risk probabilities.

7. Balance of Payments Framework

Students link:

- Oil imports → Current Account Deficit → Currency depreciation

This builds macro-to-micro understanding.

Pedagogical Value

This case enables students to:

- Apply financial theories in a real-world crisis context
- Develop analytical and decision-making skills under uncertainty
- Understand interconnections between global markets and firm-level finance

It is particularly effective in encouraging **critical thinking, debate, and applied learning**, making it suitable for both classroom teaching and executive education programs.

6. Questions for Classroom Discussion

This case is designed to stimulate critical thinking, analytical reasoning, and application of International Financial Management concepts. The following questions encourage students to explore the problem from multiple dimensions—financial, strategic, and macroeconomic.

6.1 Research and Analysis

1. **Data Requirements:**
   What additional data would you collect to make a more informed financial decision for Indo-Petro Energy Ltd.?
   - Consider exchange rate forecasts, interest rate trends, oil futures data, and policy interventions by the Reserve Bank of India.
   - Explain how each type of data would improve decision-making.
2. **Macroeconomic Linkages:**
   How would you analyze the relationship between oil price shocks and currency depreciation in this case?
   - What indicators would you track to understand this relationship over time?
3. **Research Strategy Design:**
   If you were part of the finance team, how would you design a research framework to assess future exchange rate movements?
   - Would you rely on fundamental analysis, technical analysis, or a combination of both?

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6.2 Strategic Decision-Making

4. **Strategic Alternatives:**

   Based on the data provided, what are the key strategic options available to IndoPetro?

   - Hedging vs non-hedging
   - Price pass-through vs absorption
   - Supplier diversification

   Which option would you recommend and why?

5. **Hedging Decision:**
   Should the company adopt a full hedging, partial hedging, or no hedging strategy?
   - Evaluate the cost-benefit trade-offs under different exchange rate scenarios.
6. **Resource Allocation:**
   How should IndoPetro prioritize its financial and operational resources during this crisis?
   - Should the focus be on liquidity management, cost control, or risk mitigation?
7. **Currency Strategy:**
   Should the firm explore alternatives to USD-based transactions in light of global volatility?
   - What are the risks and limitations of such a strategy?

6.3 Implementation and Impact

8. **Risk Assessment:**
   What potential risks could arise from implementing a hedging strategy?
   - Consider opportunity loss, hedging costs, and incorrect forecasts.
   - How can these risks be mitigated?
9. **Pricing Strategy Impact:**
   What are the consequences of passing increased costs to consumers?
   - Analyze both short-term and long-term implications on demand and market share.
10. **Performance Measurement:**
    How would you evaluate the success of the chosen strategy?

- Suggest key performance indicators (KPIs) such as profit margins, cost stability, and exchange loss reduction.

11. **Operational Feasibility:**
    What challenges might arise in diversifying suppliers away from Gulf countries, especially during disruptions in the Strait of Hormuz?

6.4 Broader Perspectives

12. **Cross-Functional Collaboration:**

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How does this case highlight the importance of coordination between finance, operations, and marketing teams?
- What conflicts arise, and how can they be resolved?

13. **Geopolitical Influence:**
    How do tensions between United States and Iran affect global financial markets and firm-level decisions?
14. **Applicability to Other Industries:**
    What lessons from this case can be applied to other sectors such as aviation, manufacturing, or logistics that are also sensitive to fuel costs and exchange rates?
15. **Policy Implications:**
    What role should central banks and governments play in stabilizing the economy during such crises?
- Evaluate possible interventions such as currency stabilization, subsidies, or trade adjustments.

7. Conclusion

7.1 Wrap-Up Summary

The case of Indo-Petro Energy Ltd. highlights the complex and interrelated challenges that firms face in an increasingly volatile global environment. Triggered by geopolitical tensions between the United States and Iran, the disruption in the Strait of Hormuz created a cascading effect across global oil markets and foreign exchange systems.

At the firm level, Indo-Petro was confronted with a dual shock—**a sharp rise in crude oil prices and significant depreciation of the Indian Rupee**. This resulted in a substantial increase in import costs, heightened foreign exchange exposure, and pressure on profitability. The situation required urgent and strategic financial decision-making, particularly in areas such as hedging, pricing, and sourcing.

The case underscores several important takeaways:

- **Interconnectedness of global markets:** Geopolitical events can simultaneously affect commodity prices, exchange rates, and capital flows.
- **Importance of risk management:** Firms operating in international markets must proactively manage transaction exposure using appropriate financial instruments.
- **Strategic trade-offs:** Decisions such as hedging, price pass-through, and supplier diversification involve balancing risk, cost, and competitiveness.
- **Role of macroeconomic factors:** Inflation, interest rates, and balance of payments dynamics significantly influence exchange rate movements and business outcomes.

Ultimately, the case demonstrates that financial management in an international context requires not only technical expertise but also strategic foresight and adaptability.

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7.2 Open-Ended Problem

As the crisis continues, uncertainty remains a defining feature of the global economic environment. Oil prices may remain volatile, exchange rates may fluctuate unpredictably, and geopolitical tensions may persist or escalate.

In this context, Indo-Petro Energy Ltd. faces a critical unresolved question:

Should the company adopt a long-term, structured currency risk management strategy (such as systematic hedging and diversification), or continue with a flexible, short-term approach that allows it to respond dynamically to market movements?

Further, as discussions emerge globally about reducing dependence on the US dollar in international trade, the company must also consider:

Is it viable for Indo-Petro to explore alternative currency arrangements for oil imports, or would such a move introduce greater financial and operational risks?

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"Currency Volatility During the Russia–Ukraine War: Managing Foreign Exchange Risk in Global Business"

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1. Abstract / Executive Summary

Purpose of the Case Study

This case study examines the impact of currency volatility arising from the Russia–Ukraine War on multinational and import-dependent firms operating in emerging economies. The case focuses on how geopolitical uncertainty, sanctions, energy disruptions, and capital market instability affected exchange rates and created major financial challenges for businesses engaged in international trade.

The central issue revolves around the decision-making process of a manufacturing firm, Global Tech Components Ltd., which faces rising import costs, disrupted supply chains, and foreign exchange losses due to rapid fluctuations in global currencies during the war. The case explores how firms can manage transaction exposure, liquidity pressures, and strategic uncertainty through financial and operational responses.

Key Highlights

The Russia–Ukraine conflict caused severe disruptions in global financial and commodity markets. Economic sanctions imposed on Russia, rising energy prices, and uncertainty in global trade led to significant fluctuations in major currencies, including the Russian Ruble, Euro, US Dollar, and currencies of emerging economies.

Global Tech Components Ltd., an Indian industrial equipment manufacturer, imports electronic parts and industrial metals from Europe and Asia. The company is highly exposed to exchange rate fluctuations because most supplier contracts are denominated in US dollars and Euros.

The case highlights:

- Depreciation of emerging market currencies
- Rising import bills and working capital pressures

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- Disruptions in supply chains and logistics
- Volatility in oil and commodity prices
- Difficulties in forecasting and hedging exchange rate risk

Key stakeholders include:

- Chief Financial Officer (CFO)
- Procurement and treasury departments
- International suppliers
- Customers and investors
- Financial institutions and policymakers

The case presents strategic dilemmas regarding hedging, supplier diversification, pricing strategies, and long-term foreign exchange risk management.

Learning Objectives

By analyzing this case, students will be able to:

- Understand the relationship between geopolitical conflict and currency volatility
- Analyze transaction exposure and foreign exchange risk
- Evaluate hedging strategies such as forwards, futures, and options
- Assess the impact of sanctions and commodity shocks on exchange rates
- Apply International Financial Management theories to real-world business situations
- Develop strategic responses to global financial uncertainty
- Interpret macroeconomic and financial market indicators for decision-making

Keywords

- Currency Volatility
- Russia–Ukraine War
- Foreign Exchange Risk
- Transaction Exposure
- Hedging Strategies
- International Financial Management

2. Introduction

2.1 Background Context

Global Tech Components Ltd. is an Indian-based industrial manufacturing company established in 2010. The company produces high-precision machinery components used in automobile, engineering, and infrastructure sectors. Over the years, the company developed an international supply chain network, importing specialized electronic chips, steel alloys, and industrial machinery from Germany, China, Japan, and Eastern European markets.

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The global manufacturing industry is closely linked to international trade, making firms vulnerable to exchange rate fluctuations and geopolitical instability. The outbreak of the Russia–Ukraine War in 2022 significantly altered global economic conditions. Economic sanctions on Russia, disruptions in energy supply, and rising uncertainty in Europe created substantial volatility in global currency markets.

The US dollar strengthened considerably as investors shifted toward safe-haven assets, while the Euro weakened due to Europe's energy dependence. Emerging market currencies, including the Indian Rupee, experienced depreciation pressure because of rising import bills and capital outflows.

For GlobalTech Components Ltd., these developments led to:

- Higher import costs
- Increased freight and logistics expenses
- Foreign exchange losses
- Supply chain disruptions
- Reduced profitability

The company now faces a major challenge in managing financial risk while ensuring operational continuity and market competitiveness.

2.2 Key Players

The CFO of Global Tech Components Ltd. is the central decision-maker responsible for foreign exchange risk management and financial planning. The CFO must determine whether to hedge currency exposure, revise pricing strategies, or restructure supplier contracts.

The procurement manager oversees international sourcing and supplier negotiations. Due to disruptions caused by sanctions and logistics uncertainty, the procurement team faces delays, rising costs, and supplier instability.

The treasury department manages foreign exchange transactions, working capital financing, and hedging contracts. Currency volatility has increased the complexity of treasury operations.

Customers and distributors are also important stakeholders because price increases resulting from rising costs may reduce demand and competitiveness.

External stakeholders include:

- Commercial banks providing forex services
- Investors monitoring profitability
- Central banks such as the Reserve Bank of India
- International suppliers affected by sanctions and geopolitical restrictions

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Competitors with diversified supply chains and sophisticated risk management systems may be better positioned during the crisis.

2.3 Relevance

This case is highly relevant for courses in International Financial Management, Global Business Strategy, and Risk Management because it demonstrates how geopolitical events directly affect exchange rates, trade flows, and firm-level decision-making.

The case integrates several IFM concepts:

- Exchange rate determination
- Transaction exposure
- Currency hedging
- Purchasing Power Parity
- Interest Rate Parity
- Balance of Payments

Students must evaluate financial and strategic alternatives while considering macroeconomic conditions, operational constraints, and market uncertainty.

The case also encourages cross-functional thinking by showing how finance, procurement, operations, and marketing functions interact during a crisis.

3. Main Body

3.1 Detailed Problem Description

Global Tech Components Ltd. is facing a severe financial and operational crisis caused by currency volatility during the Russia–Ukraine War.

The company imports nearly 70% of its industrial inputs from overseas suppliers. Most international contracts are denominated in US dollars and Euros, exposing the company to exchange rate risk.

Following the outbreak of war:

- The US dollar appreciated sharply
- The Euro weakened significantly
- Freight and energy costs increased
- Commodity prices surged globally

Exchange Rate Movements

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Currency Pair	Before War	During Crisis
USD/INR	₹74	₹87
EUR/INR	₹84	₹95
RUB/USD	75	120

The company's import bill increased substantially.

Import Cost Analysis

Particulars	Pre-War	During Crisis
Annual Imports	$50 million	$50 million
Exchange Rate	₹74	₹87
Import Cost (₹ million)	3,700	4,350

Profitability Impact

Metric	Pre-War	During Crisis
Revenue	₹12,000 million	₹12,500 million
Operating Profit	₹2,100 million	₹1,050 million
Operating Margin	17.5%	8.4%

Additional challenges include:

- Delayed shipments
- Rising insurance costs
- Increased working capital requirements
- Pressure from customers resisting price increases

The management team must now decide how to respond to ongoing uncertainty.

3.2 Situation Analysis

External Analysis

Political Factors

The Russia–Ukraine conflict disrupted trade flows, energy markets, and investor confidence globally. Economic sanctions imposed on Russia altered international payment systems and increased uncertainty in global markets.

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Economic Factors

Global inflation increased due to rising energy and commodity prices. Central banks increased interest rates to control inflation, strengthening the US dollar further.

Technological Factors

Dependence on imported electronic components and industrial technology increased vulnerability to global supply disruptions.

Competitive Factors

Competitors with domestic sourcing and diversified currency exposure performed better during the crisis.

Regulatory Environment

Currency market interventions by central banks attempted to stabilize exchange rates. Trade restrictions and sanctions affected international transactions.

Internal Analysis

Strengths

- Strong industrial customer base
- Long-term supplier relationships
- Experienced finance team

Weaknesses

- High import dependency
- Limited forex hedging coverage
- Exposure to energy price fluctuations

Operational Issues

- Shipment delays
- Inventory shortages
- Cash flow uncertainty

Leadership Issues

Disagreements emerged among departments:

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- Finance advocated aggressive hedging
- Operations focused on uninterrupted supply
- Marketing opposed major price increases

3.3 Decision Points

Decision Point 1: Hedging Strategy

Should Global Tech increase forex hedging coverage?

Alternatives:

- Full hedging
- Partial hedging
- No hedging

Dilemma:

- Hedging reduces uncertainty
- Hedging increases financial cost

Decision Point 2: Pricing Strategy

Should the company increase product prices?

Alternatives:

- Immediate increase
- Gradual increase
- Absorb costs temporarily

Dilemma:

- Price hikes protect margins
- Demand may decline

Decision Point 3: Supplier Diversification

Should the company diversify suppliers outside Europe?

Alternatives:

- Continue current sourcing
- Shift to Asian suppliers

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- Increase domestic sourcing

Dilemma:

- Diversification reduces geopolitical risk
- Alternative suppliers may affect quality and cost

Theoretical Connections

Transaction Exposure

Foreign currency obligations expose the firm to exchange losses.

Purchasing Power Parity

Inflation and commodity price increases contribute to currency depreciation.

Interest Rate Parity

Higher US interest rates strengthened the dollar.

Balance of Payments

Higher energy imports widened trade deficits in emerging economies.

4. Supporting Data and Exhibits

Exhibit 1: Global Currency Volatility During the War

Currency	% Change Against USD
Indian Rupee	-17%
Euro	-12%
Russian Ruble	Highly volatile
Japanese Yen	-14%

Exhibit 2: Commodity Price Changes

Commodity	Pre-War Price	Crisis Peak
Crude Oil	$78/barrel	$125/barrel
Natural Gas	$4/unit	$9/unit
Steel	$700/ton	$1,050/ton

Exhibit 3: Freight Cost Escalation

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Component	Pre-War	During Crisis
Shipping Cost	$2,000/container	$4,500/container
Insurance Cost	Normal	+35%

Exhibit 4: Hedging Cost Comparison

Strategy	Cost	Risk Protection
Forward Contract	Moderate	High
Currency Option	High	Flexible
No Hedge	None	No Protection

Exhibit 5: SWOC Analysis

Strengths

- Market reputation
- Strong client base

Weaknesses

- Forex exposure
- Import dependency

Opportunities

- Local sourcing
- Treasury modernization

Challenges

- Geopolitical instability
- Exchange volatility

Exhibit 6: Scenario Analysis

Scenario	USD/INR	Estimated Profit
Optimistic	82	₹1,450 million
Base Case	87	₹1,050 million
Worst Case	92	₹650 million

5. Teaching Note

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Instructor Guidelines

This case is suitable for:

- MBA International Financial Management
- Risk Management
- Strategic Finance

Suggested Teaching Flow

1. Discuss geopolitical crisis impact
2. Analyze exchange rate volatility
3. Evaluate financial statements
4. Debate hedging decisions
5. Recommend strategic solutions

The case encourages both quantitative and qualitative analysis.

Time Required

Activity	Duration
Pre-reading	45 minutes
Classroom discussion	90 minutes
Assignment	2 hours

Recommended Analysis Tools

- PESTLE Analysis
- SWOC Analysis
- Scenario Analysis
- Sensitivity Analysis
- Decision Tree Analysis
- Exposure Analysis Framework

6. Questions for Classroom Discussion

Research and Analysis

1. What additional financial data would help forecast exchange rate risk?
2. How did sanctions and geopolitical uncertainty affect global currencies?
3. What indicators should Global Tech monitor continuously?

Strategic Decision-Making

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4. Should the company adopt full hedging despite higher costs?
5. Is supplier diversification a practical long-term solution?
6. How should management balance profitability and competitiveness?

Implementation and Impact

7. What operational risks may arise from changing suppliers?
8. How should success of risk management strategies be measured?
9. What challenges arise in forecasting exchange rates during war?

Broader Perspectives

10. How does this case demonstrate the importance of cross-functional coordination?
11. What lessons can other industries learn from this crisis?
12. How can governments support businesses during geopolitical instability?

7. Conclusion

Wrap-Up Summary

The Russia–Ukraine War created severe disruptions in global financial markets, energy prices, and international trade flows. Global Tech Components Ltd. experienced rising import costs, exchange losses, and operational uncertainty due to currency volatility.

The case highlights the importance of:

- Foreign exchange risk management
- Strategic flexibility
- Cross-functional coordination
- Global economic awareness

It also demonstrates how geopolitical events can rapidly transform the financial environment for multinational firms.

Open-Ended Problem

As geopolitical uncertainty continues globally, Global Tech Components Ltd. faces a critical question:

Should the company invest aggressively in long-term hedging and supply chain diversification, or should it maintain flexibility and respond dynamically to future global disruptions?

This unresolved dilemma encourages students to explore the balance between financial stability, operational efficiency, and strategic adaptability in international business.

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"Indian Rupee Depreciation and Import-Dependent Firms"

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Abstract / Executive Summary

Purpose of the Case Study

This case study examines the financial and strategic challenges faced by import-dependent firms in India during periods of significant depreciation of the Indian Rupee. The case focuses on how exchange rate volatility affects the cost structure, profitability, and risk exposure of companies that rely heavily on imports, particularly those dealing in crude oil, industrial raw materials, electronics, or capital goods. The central issue of the case revolves around the decision-making process of managers in responding to rising import costs and increasing foreign exchange risk through strategies such as hedging, pricing adjustments, and supplier diversification.

Key Highlights

The case is set in the context of a sharp depreciation of the Indian Rupee against the US dollar due to global economic uncertainty, rising crude oil prices, higher US interest rates, and capital outflows from emerging markets. As the rupee weakens, firms dependent on imports experience a substantial increase in procurement costs because most international transactions are denominated in US dollars.

The primary organization in the case, InfoTech Manufacturing Ltd. (fictional), is an Indian company that imports industrial components and raw materials from international suppliers. The company faces mounting pressure due to:

- Increasing import bills
- Rising working capital requirements
- Declining profit margins
- Exchange rate volatility
- **Key stakeholders include:**
- The Chief Financial Officer and treasury department

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- Procurement and operations managers
- Suppliers and financial institutions
- Customers affected by price revisions
- The Reserve Bank of India and policymakers influencing currency markets
- The case presents a dilemma regarding whether the company should fully hedge its foreign exchange exposure, partially hedge, or remain unhedged while balancing operational continuity and competitiveness.

Learning Objectives

By analysing this case, students will be able to:

- Understand the impact of currency depreciation on import-dependent firms
- Analyze foreign exchange exposure and exchange rate risk
- Evaluate different hedging strategies such as forward contracts, futures, and options
- Assess the relationship between exchange rates, inflation, and trade deficits
- Apply International Financial Management concepts to real-world business decisions
- Develop strategic recommendations for managing financial risk in uncertain global environments
- Enhance analytical and decision-making skills using qualitative and quantitative data

Keywords: Indian Rupee Depreciation, Foreign Exchange Risk, Import-Dependent Firms, Hedging Strategies, Transaction Exposure, International Financial Management

1. Introduction

1.1 Background Context

Indo Tech Manufacturing Ltd. is a medium-sized Indian manufacturing company specializing in industrial machinery components used in sectors such as automobile manufacturing, engineering equipment, and infrastructure development. Established in 2008, the company has built a strong reputation for supplying high-quality precision components to domestic industries across India. Over the years, the company expanded its operations by importing technologically advanced raw materials and machine parts from countries such as China, Germany, Japan, and United States.

The manufacturing industry in India is closely linked to global trade and international supply chains. Many Indian firms depend heavily on imported machinery, electronic components, chemicals, and raw materials to maintain production quality and competitiveness. Consequently, fluctuations in foreign exchange rates significantly affect operational costs and profitability.

During the period 2024–2026, the Indian economy experienced considerable pressure due to global economic uncertainty, rising crude oil prices, increasing interest rates in developed economies, and capital outflows from emerging markets. These developments resulted in a sharp depreciation of the Indian Rupee against the US dollar. The exchange rate moved from approximately ₹74 per USD to nearly ₹87 per USD within a relatively short span.

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For import-dependent companies such as Indo Tech Manufacturing Ltd., the weakening rupee substantially increased the cost of imports because international transactions were denominated mainly in US dollars. The company experienced rising procurement expenses, increased working capital requirements, and declining operating margins. Additionally, uncertainty in currency markets made budgeting and long-term planning increasingly difficult.

The company now finds itself in a challenging position where financial stability depends not only on operational efficiency but also on effective management of foreign exchange risk. This situation forms the central context of the case study.

1.2 Key Players

The primary decision-maker in this case is the Chief Financial Officer (CFO) of Indo Tech Manufacturing Ltd., who is responsible for managing the company's financial exposure arising from exchange rate volatility. The CFO must evaluate whether the company should adopt hedging strategies such as forward contracts and currency options or continue operating without substantial currency protection.

The procurement manager is another key stakeholder because the procurement department directly handles international supplier contracts and import payments. Rising exchange rates have increased procurement costs significantly, forcing the department to reconsider supplier relationships, sourcing locations, and payment schedules.

The operations manager is concerned with maintaining uninterrupted production despite increasing input costs. Since imported raw materials are essential for production, any delay or disruption in procurement could adversely affect manufacturing schedules and customer commitments.

Customers also play an important role in the case. The company faces difficulty in deciding whether to pass increased import costs on to customers through higher prices. While price increases may protect profitability, they could reduce competitiveness and customer demand in a highly price-sensitive market.

External stakeholders include commercial banks and financial institutions that provide foreign exchange services and hedging products. The Reserve Bank of India also indirectly influences the company's environment through monetary policy decisions, interest rate changes, and interventions in the foreign exchange market.

Competitors in the industry further intensify the challenge. Firms with diversified sourcing networks or stronger treasury management systems may be better positioned to handle currency fluctuations, thereby increasing competitive pressure on Indo Tech Manufacturing Ltd.

1.3 Relevance

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This case is highly relevant to the study of International Financial Management because it demonstrates how exchange rate movements directly affect business operations, profitability, and strategic decision-making. It bridges theoretical concepts with practical managerial challenges faced by firms operating in a globalized business environment.

The case specifically relates to important IFM concepts such as:

- Foreign exchange risk
- Transaction exposure
- Hedging strategies
- Exchange rate determination
- Balance of payments
- Currency volatility management

Students analyzing this case will gain a deeper understanding of how macroeconomic factors influence firm-level financial decisions. The depreciation of the Indian Rupee provides a realistic setting for evaluating how international financial markets impact import-dependent industries.

From a strategic perspective, the case encourages students to think critically about multiple alternatives available to management. These include:

- Whether to hedge foreign currency exposure
- Whether to increase product prices
- Whether to diversify suppliers or reduce import dependence
- How to balance profitability with market competitiveness?

The case also highlights the importance of cross-functional coordination among finance, procurement, operations, and marketing departments in responding to external economic shocks.

In addition to strengthening conceptual understanding, the case develops analytical and research skills by requiring students to interpret financial data, evaluate strategic alternatives, and recommend practical solutions under uncertain market conditions.

Overall, this case provides a valuable learning platform for MBA students studying International Financial Management, Strategic Finance, Risk Management, and Global Business Strategy.

2. Main Body

2.1 Detailed Problem Description

Indo Tech Manufacturing Ltd. is experiencing severe financial pressure due to the continuous depreciation of the Indian Rupee against the US dollar. As a company heavily dependent on imported raw materials and industrial components, the depreciation has significantly increased procurement costs and reduced operating margins.

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The company imports approximately 65% of its critical production inputs from international suppliers located in China, Japan, and Germany. Most supplier contracts are denominated in US dollars, exposing the company to foreign exchange fluctuations.

Between 2023 and 2026:

- The exchange rate moved from ₹74/USD to nearly ₹87/USD
- Import costs increased by more than 20%
- Working capital requirements rose sharply
- Profit margins declined from 16% to 9%

Financial Snapshot

Particulars	2023	2026
USD/INR Exchange Rate	₹74	₹87
Annual Import Bill	$40 million	$40 million
Import Cost in INR	₹2,960 million	₹3,480 million
Operating Margin	16%	9%
Net Profit	₹620 million	₹350 million

The company now faces several critical challenges:

- Rising import costs due to rupee depreciation
- Increased forex exposure and uncertainty
- Pressure from customers resisting price hikes
- Competition from firms with better risk management systems

The CFO must decide whether the company should:

- Hedge its foreign exchange exposure
- Increase product prices
- Diversify suppliers
- Reduce import dependency

The management team is divided regarding the best course of action. While the finance department advocates aggressive hedging strategies, the marketing team fears that higher prices may reduce demand and market share.

2.2 Situation Analysis

External Analysis

Market Trends

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The Indian manufacturing sector is increasingly dependent on global supply chains for technologically advanced components. Currency volatility has become a major concern for import-oriented firms.

Global economic uncertainty, rising oil prices, and higher US interest rates have strengthened the US dollar, causing depreciation in emerging market currencies like the Indian Rupee.

Technology Environment

Technological advancements require firms to import precision machinery and specialized electronic components from developed countries. Domestic substitutes are either unavailable or lower in quality.

Competitive Environment

Competitors with diversified sourcing strategies and strong treasury management practices are better able to withstand exchange rate fluctuations. Larger firms also possess stronger bargaining power with suppliers and banks.

Regulatory Environment

The Reserve Bank of India influences exchange rates through monetary policy and forex market interventions. Import duties, trade regulations, and interest rate policies also affect the company's operational costs.

Internal Analysis

Strengths

- Strong customer base in industrial markets
- Established supplier relationships
- Experienced operational workforce

Weaknesses

- Heavy dependence on imported materials
- Limited foreign exchange risk management systems
- High sensitivity to exchange rate fluctuations

Operational Challenges

The procurement team struggles with rising supplier payments and delayed shipments due to currency uncertainty. The finance department faces difficulties in cash flow forecasting and working capital planning.

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Leadership Issues

Differences exist among management teams:

- Finance department supports hedging
- Operations team prioritizes uninterrupted supply
- Marketing team opposes major price increases

These conflicting priorities complicate strategic decision-making.

2.3 Decision Points

InfoTech Manufacturing Ltd. must address several critical strategic and financial questions.

Decision Point 1: Hedging Strategy

Should the company hedge its dollar-denominated import obligations?

Available Alternatives:

- No hedging
- Partial hedging
- Full hedging through forwards or options

Dilemma:

- Hedging protects against further depreciation
- Hedging increases immediate financial costs
- No hedging may result in severe losses if the rupee weakens further

Decision Point 2: Pricing Decisions

Should the company pass increased costs to customers?

Alternatives:

- Immediate price increase
- Gradual increase
- Absorb costs temporarily

Dilemma:

- Price increase protects margins
- Customers may shift to competitors

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- Demand may decline in price-sensitive markets

Decision Point 3: Supplier Diversification

Should InfoTech diversify sourcing away from foreign suppliers?

Alternatives:

- Continue existing import dependence
- Develop domestic suppliers
- Diversify international sourcing

Dilemma:

- Diversification reduces dependency risk
- Alternative suppliers may be more expensive or lower quality

Theoretical Connections

Transaction Exposure

The company's dollar-denominated obligations expose it to exchange losses as the rupee depreciates.

Purchasing Power Parity

Persistent inflation and rising import costs contribute to long-term currency depreciation.

Interest Rate Parity

Higher US interest rates attract global capital flows toward the dollar, strengthening USD against emerging market currencies.

Balance of Payments

Higher imports widen India's current account deficit, increasing pressure on the rupee.

3. Supporting Data and Exhibits

Exhibit 1: Exchange Rate Trend

Year	USD/INR
2023	74

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Year	USD/INR
2024	77
2025	81
2026	87

Exhibit 2: Import Cost Escalation

Particulars	Before Depreciation	After Depreciation
Import Bill ($ million)	40	40
Exchange Rate	₹74	₹87
Import Cost (₹ million)	2,960	3,480

Exhibit 3: Profitability Trend

Metric	2023	2026
Revenue	₹9,200 million	₹10,000 million
Operating Profit	₹1,472 million	₹900 million
Net Profit Margin	16%	9%

Exhibit 4: SWOC Analysis

Strengths

- Brand reputation
- Long-term customers

Weaknesses

- Import dependency
- Forex exposure

Opportunities

- Local sourcing
- Risk management systems

Challenges

- Currency volatility

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- Rising global competition

4. Teaching Note

Instructor Guidelines

This case is suitable for MBA courses in:

- International Financial Management
- Strategic Finance
- Risk Management

The instructor may begin by discussing the causes and implications of currency depreciation in emerging economies. Students should then be encouraged to analyze both macroeconomic and firm-level consequences.

Suggested Flow:

1. Introduce exchange rate crisis
2. Discuss import dependence
3. Analyze financial data
4. Debate hedging strategies
5. Evaluate long-term strategic options

The case works well for:

- Group discussion
- Financial analysis assignments
- Strategy presentations

Time Required

Activity	Duration
Pre-reading	30 minutes
Classroom discussion	75–90 minutes
Assignment/analysis	1–2 hours

Recommended Analysis Tools

PESTLE Analysis

Analyze macroeconomic environment affecting the company.

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SWOC Analysis

Evaluate strategic position.

Scenario Analysis

Assess outcomes under different exchange rates.

Decision Tree Analysis

Compare hedging vs non-hedging alternatives.

Sensitivity Analysis

Measure profitability impact under multiple forex scenarios.

6. Questions for Classroom Discussion

Research and Analysis

1. What additional information would help management make better hedging decisions?
2. How can the company forecast exchange rate movements more effectively?
3. What are the major causes of Indian Rupee depreciation in this case?

Strategic Decision-Making

4. Should Indo-Tech fully hedge its foreign exchange exposure? Why or why not?
5. Which strategy is more sustainable: increasing prices or reducing costs?
6. Should the company diversify suppliers despite higher procurement costs?

Implementation and Impact

7. What risks are associated with hedging strategies?
8. How should the company measure the success of its forex risk management program?
9. What operational challenges may arise from shifting toward domestic sourcing?

Broader Perspectives

10. How does this case demonstrate the importance of coordination between finance, procurement, and marketing teams?
11. What lessons from this case are relevant for industries such as aviation, electronics, or pharmaceuticals?
12. How can governments and central banks help firms manage currency volatility?

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7. Conclusion

Wrap-Up Summary

The case of Indo-Tech Manufacturing Ltd. demonstrates how exchange rate volatility can significantly affect import-dependent firms operating in emerging economies. The depreciation of the Indian Rupee increased import costs, reduced profitability, and created substantial financial uncertainty for the company.

The case highlights the importance of:

- Foreign exchange risk management
- Strategic financial planning
- Cross-functional decision-making
- Balancing profitability with competitiveness

It also emphasizes that macroeconomic developments such as inflation, capital flows, and monetary policy directly influence corporate financial performance.

Open-Ended Problem

As currency volatility continues in global markets, Indo Tech Manufacturing Ltd. must decide:

Should the company invest heavily in long-term hedging and supplier diversification strategies, or should it maintain operational flexibility and respond dynamically to future exchange rate movements?

The answer remains uncertain, encouraging students to evaluate both financial and strategic dimensions of international business risk management.

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1. Case Title:

"Managing People in a High-Growth Tech Firm: Employee Relations Challenges at Nexa Tech Solutions"

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2. Abstract / Executive Summary

Nexa Tech Solutions, a rapidly growing IT services company, is facing increasing challenges in managing employee relations amid rapid expansion. While the company has achieved strong financial growth, it is experiencing **high employee turnover, declining morale, and conflicts between management and staff**.

The case explores how ineffective communication, workload pressure, and lack of engagement strategies can impact organizational performance. It presents a dilemma for leadership:

☞ **Should the company prioritize operational growth or invest in strengthening employee relations and workplace culture?**

Learning Objectives:

- Understand employee relations management
- Analyze causes of workplace conflict
- Develop HR strategies for retention and engagement
- Evaluate leadership and communication practices

Keywords: Employee Relations, HR Strategy, Organizational Behavior, Retention, Workplace Conflict

3. Introduction

In 2025, NexaTech Solutions stood as one of the fastest-growing mid-sized IT firms in India. Headquartered in Bengaluru, the company provided software development and IT consulting services to global clients.

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Driven by increasing demand for digital solutions, NexaTech expanded rapidly:

- Employee strength grew from 300 to 1,200 in three years
- Revenue increased by 150%
- New international clients were on boarded

However, beneath this growth story, cracks began to appear.

Employees started reporting:

- Excessive workloads and long working hours
- Lack of communication from management
- Limited career growth opportunities

Internal surveys revealed declining employee satisfaction. Exit interviews highlighted dissatisfaction with leadership practices and workplace culture.

Competitors like Infosys and Tata Consultancy Services were attracting Nexa Tech's employees by offering better work-life balance and career development programs.

The HR Head raised concerns to the leadership team:
👉 **"We are growing fast—but are we losing our people in the process?"**

📊 4. Main Body

Detailed Problem Description

NexaTech faces a serious employee relations challenge involving:

- Rising attrition rate
- Declining employee engagement
- Increased workplace conflicts
- Communication gaps between management and staff

The leadership must decide how to balance **business growth with employee well-being**.

Situation Analysis

🔍 External Analysis

Industry Trends:

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- High demand for IT talent
- Increased employee expectations (flexibility, growth)

Competition:

- Established firms like Infosys offer structured HR practices

🔍 Internal Analysis

Strengths:

- Strong project pipeline
- Fast career growth opportunities

Weaknesses:

- Poor communication systems
- Lack of HR policies for engagement
- High workload pressure

⚖️ Decision Points

Option 1: Focus on Business Growth

- Maintain current work intensity

Risk: High attrition

Option 2: Invest in Employee Relations Programs

- Training, engagement, HR policies

Risk: Increased cost

Option 3: Hybrid Approach

- Balance productivity with employee well-being

Risk: Implementation complexity

📈 5. Supporting Data & Exhibits

📊 Exhibit 1: Employee Growth

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Year	Employees
2022	300
2023	700
2024	1000
2025	1200

Exhibit 2: Attrition Rate

Year	Attrition (%)
2022	12%
2023	18%
2024	24%
2025	28%

Exhibit 3: Employee Satisfaction Survey

Factor	Score (10)
Work-Life Balance	4
Communication	5
Career Growth	6
Job Satisfaction	5

Exhibit 4: Exit Interview Reasons

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Reason	%
Workload	40%
Better Opportunity	30%
Management Issues	20%
Others	10%

🎓 6. Teaching Note

Instructor Focus:

- Employee relations strategies
- Organizational behavior
- HR policy design

Recommended Tools:

- SWOT Analysis
- Employee Engagement Models
- Herzberg's Motivation Theory
- Maslow's Hierarchy of Needs

Time Required:
60–90 minutes

💬 7. Discussion Questions + Compact Answers

1. What is the main issue at NexaTech?

Answer:
Poor employee relations leading to high attrition and low morale.

2. What is the biggest risk?

Answer:
Loss of talent affecting long-term growth.

3. Which strategy is best?

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Answer:
Hybrid approach balancing growth and employee well-being.

4. How can employee relations be improved?

Answer:

- Better communication
- Work-life balance policies
- Career development programs

5. How to measure success?

Answer:

- Reduced attrition rate
- Higher employee satisfaction scores
- Improved productivity

📌 8. Conclusion

Nexa Tech's situation highlights a critical reality in modern organizations:
👉 **Sustainable growth is not possible without strong employee relations.**

The company must recognize that employees are not just resources—but strategic assets.

The final question remains:
👉 **Can NexaTech create a workplace culture that supports both growth and employee satisfaction?**

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1. Case Title:

"Workplace Conflict in the Hybrid Era: Managing Employee Relations at Orion Tech Systems"

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2. Abstract / Executive Summary

Orion Tech Systems, a mid-sized IT services firm, is facing growing employee relations challenges following its transition to a hybrid work model. While remote work improved flexibility, it also created issues related to **communication gaps, perceived inequality, employee dissatisfaction, and emerging collective resistance**.

Tensions escalated when a group of employees informally organized to demand better policies, transparency, and workload balance—raising concerns about potential unionization.

The leadership must decide how to address employee concerns while maintaining productivity and organizational control.

☞ The case explores **employee relations, conflict management, and hybrid workforce strategy**.

Learning Objectives:

- Understand employee relations in hybrid work environments
- Analyze workplace conflict and collective behavior
- Develop communication and engagement strategies
- Balance organizational control with employee expectations

Keywords: Employee Relations, Hybrid Work, Workplace Conflict, HR Strategy, Organizational Behaviour

3. Introduction (Highly Elaborated & Realistic)

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In 2025, Orion Tech Systems was navigating a new workplace reality. Like many IT companies, it had adopted a hybrid work model following the global shift toward remote work.

Initially, the transition seemed successful:

- Employees appreciated flexibility
- Productivity levels remained stable
- Cost savings on office infrastructure

However, over time, deeper issues emerged.

Employees working remotely began to feel:

- Disconnected from management
- Overlooked for promotions
- Burdened with unclear expectations

Meanwhile, office-based employees complained about:

- Unequal workload distribution
- Lack of coordination with remote teams

The situation escalated when a group of employees created an internal communication channel to collectively voice concerns. Discussions included:

- Work-life balance issues
- Lack of transparency in performance evaluation
- Demand for formal grievance mechanisms

Management became concerned about the possibility of organized employee resistance, similar to trends seen in global tech firms like Google, where employee activism has influenced workplace policies.

The CEO now faced a critical challenge:
☞ **How can Orion manage employee relations effectively in a hybrid work environment without losing control or productivity?**

4. Main Body

Detailed Problem Description

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Orion Tech Systems is facing a multi-dimensional employee relations problem:

- Communication breakdown between teams
- Perceived inequality between remote and office workers
- Lack of formal grievance handling systems
- Emerging collective employee voice

The core issue:
☞ **Managing fairness, engagement, and control in a hybrid workplace**

Situation Analysis

🔍 External Analysis

Industry Trends:

- Hybrid work becoming standard
- Increasing employee expectations for flexibility

Workforce Behaviour:

- Rise in employee activism
- Greater emphasis on work-life balance

🔍 Internal Analysis

Strengths:

- Flexible work policies
- Strong technical talent

Weaknesses:

- Poor communication systems
- Lack of clear HR policies for hybrid work
- Inconsistent performance evaluation

⚖ Decision Points

Option 1: Enforce Structured Hybrid Policy

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- Standardize working conditions

Risk: Reduced flexibility and employee dissatisfaction

Option 2: Strengthen Employee Engagement & Communication

- Introduce feedback systems, town halls

Risk: Time and resource investment

Option 3: Formalize Employee Representation Mechanisms

- Committees or structured dialogue

Risk: Reduced managerial control

5. Supporting Data & Exhibits

Exhibit 1: Employee Work Mode Distribution

Mode	% Employees
Remote	50%
Hybrid	30%
Office	20%

Exhibit 2: Employee Satisfaction Survey

Factor	Score (10)
Communication	4
Work-Life Balance	6
Fairness	5
Engagement	4

Exhibit 3: Productivity Levels

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Work Mode	Productivity Index
Remote	95
Hybrid	100
Office	105

Exhibit 4: Key Complaints

Issue	%
Communication Gap	35%
Workload Imbalance	30%
Lack of Transparency	20%
Others	15%

6. Teaching Note

Instructor Focus:

- Employee relations in modern workplaces
- Conflict resolution
- HR policy design

Recommended Tools:

- Organizational Behavior Models
- Conflict Management Frameworks
- Employee Engagement Models

Time Required:
60–90 minutes

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7. Discussion Questions + Compact Answers

1. What is the core issue at Orion?

Answer:
Managing fairness and communication in a hybrid work environment.

2. What is the biggest risk?

Answer:
Escalation of employee dissatisfaction into organized resistance.

3. Which strategy is best?

Answer:
Strengthening communication and engagement while introducing structured policies.

4. How can conflict be reduced?

Answer:

- Transparent communication
- Clear performance metrics
- Regular feedback systems

5. How to measure success?

Answer:

- Employee satisfaction scores
- Reduced complaints
- Stable productivity levels

8. Conclusion

Orion Tech Systems reflects a broader shift in modern organizations where **workplace flexibility must be balanced with fairness and structure**.

The company must recognize that managing employee relations in a hybrid environment requires **new strategies, not traditional approaches**.

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The final question remains:

☞ Can Orion create a hybrid work model that ensures both employee satisfaction and organizational performance?

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1. Case Title:

"FinTech Disruption: Strategic Decision-Making in Digital Payment Innovation at PayWave Solutions"

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2. Abstract / Executive Summary

PayWave Solutions, a fast-growing fintech startup in India, offers digital payment solutions for small merchants and urban consumers. With increasing adoption of cashless transactions, the company has scaled rapidly.

However, it now faces strategic challenges due to:

- Intense competition from established players
- Regulatory pressure
- Profitability concerns

Competitors such as Paytm and PhonePe dominate the market with strong ecosystems.

The company must decide whether to:

- Expand aggressively
- Focus on profitability
- Innovate new financial services

☞ The case explores the balance between **growth, innovation, and financial sustainability**.

3. Introduction

India's digital payments ecosystem has undergone a dramatic transformation over the past decade. With the rise of smartphones and government-backed initiatives like UPI, cashless transactions have become mainstream.

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Amid this digital revolution, PayWave Solutions emerged as a promising fintech startup focused on simplifying payments for small merchants. Its mobile-based platform allowed users to:

- Make instant payments
- Track transactions
- Access basic financial services

Within four years:

- 5 million users onboarded
- 1 million merchants registered
- Rapid transaction growth

However, the success story masked underlying challenges.

Large players like Paytm and PhonePe had:

- Strong financial backing
- Extensive user ecosystems
- Brand trust

Meanwhile, PayWave struggled with:

- Low margins
- High customer acquisition costs
- Dependence on transaction-based revenue

At a strategy meeting, the CEO posed a critical question:
👉 **"Are we building a scalable financial ecosystem—or just surviving in a crowded market?"**

4. Main Body

Detailed Problem Description

Pay Wave's growth is driven by transaction volume, but profitability remains weak. The company faces:

- High competition
- Regulatory uncertainty

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- Limited revenue streams

The core dilemma:

☞ **Scale aggressively or pivot toward profitability and innovation?**

Situation Analysis

🔍 External Analysis

Market Trends:

- Digital payments growing rapidly
- Increasing fintech adoption

Competition:

- Dominated by large ecosystem players

Regulation:

- RBI regulations on transaction fees
- Data security requirements

🔍 Internal Analysis

Strengths:

- Strong user growth
- Easy-to-use platform

Weaknesses:

- Low monetization
- Limited diversification

⚖ Decision Points

Option 1: Aggressive Expansion

- Increase user base

Risk: High losses

Option 2: Focus on Profitability

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- Reduce costs, improve margins

Risk: Slower growth

Option 3: Diversify into Financial Services

- Loans, insurance, wealth products

Risk: Regulatory complexity

5. Supporting Data & Exhibits

Exhibit 1: User Growth

Year	Users (Millions)
2021	1
2022	2.5
2023	3.8
2024	4.5
2025	5

Exhibit 2: Revenue vs Cost

Metric	Value ($M)
Revenue	20
Cost	28
Loss	-8

Exhibit 3: Revenue Sources

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Source	%
Transaction Fees	70%
Merchant Services	20%
Others	10%

Exhibit 4: Customer Acquisition Cost

Year	CAC ($)
2022	5
2023	8
2024	12
2025	15

6. Teaching Note

Instructor Focus:

- FinTech strategy
- Business model innovation
- Growth vs profitability

Recommended Tools:

- Unit Economics
- Business Model Canvas
- Porter's Five Forces

Time Required:

60–90 minutes

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7. Discussion Questions + Compact Answers

1. What is Pay Wave's main challenge?

Answer:
Balancing rapid growth with financial sustainability.

2. What is the biggest risk?

Answer:
Unsustainable losses due to high acquisition costs.

3. Which strategy is best?

Answer:
Diversification into financial services for long-term revenue.

4. How to measure success?

Answer:

- Profit margins
- Customer retention
- Revenue diversification

5. What role does regulation play?

Answer:
It significantly affects pricing, operations, and innovation.

8. Conclusion

Pay Wave's journey reflects the evolving fintech landscape, where success depends not only on growth but also on **innovation and sustainability**.

The company must decide whether to:

- Scale fast
- Stabilize financially
- Or reinvent its business model

☞ **Can PayWave transition from a payment platform to a full financial ecosystem?**

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"Credit at Crossroads: Strategic Challenges at NexusFin Services Ltd."

1. Title Page

- *" Credit at Crossroads: Strategic Challenges at Nexus Fin Services Ltd."*
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- **Date of Submission: 28 April 2026**

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2. Abstract/Executive Summary:

Purpose of the Case Study

This case examines the rapid rise and emerging crisis of **NexusFin Services Ltd.**, a growing non-banking financial company (NBFC) operating in India's retail and SME lending market. The company expanded aggressively through branch networks, digital sourcing channels, and fast loan approvals. However, by 2025 it began facing rising loan defaults, liquidity constraints, customer complaints, governance concerns, and pressure from regulators and lenders.

Key Highlights

Nexus Fin built its business by serving borrowers overlooked by traditional banks—small traders, self-employed individuals, first-time borrowers, used vehicle buyers, and micro-enterprises. Its fast turnaround time and flexible underwriting helped it scale rapidly. Yet the same speed-driven model eventually weakened credit discipline and operational controls.

Learning Objectives

Students will learn to:

- Understand the NBFC business model and revenue structure
- Analyze credit risk and portfolio quality metrics
- Evaluate liquidity and funding risk in lending institutions
- Examine regulatory compliance in retail lending

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- Assess ethical issues in collections and borrower treatment
- Recommend turnaround strategies balancing growth and prudence

Keywords

Financial Services, NBFC, Credit Risk, Lending, Asset Quality, Liquidity Management, Compliance

3. Introduction

Background Context

Nexus Fin Services Ltd. was incorporated in **2015** in Mumbai, Maharashtra, by three experienced professionals who had previously worked in the fields of commercial banking, data analytics, and consumer finance. Each founder had observed a persistent structural gap in India's lending ecosystem. While the country's formal banking sector had expanded considerably, access to timely and flexible credit remained difficult for a large segment of individuals and small businesses operating outside the conventional financial system.

Traditional banks generally preferred borrowers who could provide stable salary slips, audited financial statements, strong collateral, formal credit histories, and extensive documentation. As a result, many economically active borrowers with genuine repayment capacity were unable to secure loans because they lacked standardized paperwork rather than financial potential. The founders believed that millions of such customers represented an underserved yet commercially viable market.

They identified strong growth opportunities in lending to several neglected customer segments:

Small Retailers and Kirana Store Owners

Thousands of neighbourhood grocery shops, mobile stores, pharmacies, and local traders required short-term funds for inventory purchases, shop renovation, seasonal stocking, or supplier payments. However, many operated largely in cash and lacked formal financial records, making bank borrowing difficult.

Self-Employed Service Providers

Electricians, plumbers, mechanics, salon owners, consultants, drivers, and other independent workers often had irregular but sustainable income streams. Despite their earning potential, they were frequently excluded from formal credit channels.

First-Time Salaried Borrowers

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Young employees beginning their careers in private firms often had limited credit history and needed funds for relocation, education, medical expenses, weddings, or consumer purchases. Banks often viewed them as thin-file customers.

Used Commercial Vehicle Buyers

Owner-drivers and small transport operators needed financing to purchase second-hand trucks, tempos, mini-vans, and delivery vehicles. Traditional lenders often considered this segment risky due to asset age and variable cash flows.

Micro and Small Enterprises Requiring Working Capital

Small manufacturers, wholesalers, workshops, food processors, and service enterprises frequently needed working capital to manage receivables, purchase raw materials, or fund urgent orders. Many found bank lending slow and bureaucratic.

The founders designed NexusFin's original business model around the belief that **credit assessment should go beyond formal documents**. Their vision was to combine **local market knowledge**, field intelligence, customer behaviour insights, and **digital underwriting tools** to make lending faster, more inclusive, and commercially scalable.

Instead of relying only on traditional balance sheets or collateral, the company aimed to evaluate borrowers through:

- Business cash-flow patterns
- Market reputation
- Supplier references
- Household income stability
- Asset usage potential
- Mobile and banking transaction behaviour
- Field verification reports

The company positioned itself as a lender that could provide **speed, convenience, and access**, especially to customers overlooked by larger banks.

Initial Phase (2015–2017)

Nexus Fin began operations on a modest scale but with strong growth ambition. The company was launched with:

- **₹25 crore promoter capital**, used for regulatory compliance, branch setup, staffing, and lending operations
- **40 employees**, including credit officers, operations staff, branch managers, and technology support personnel

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- **One corporate office in Mumbai**, which housed leadership, treasury, compliance, and finance functions
- **5 branch offices across Maharashtra and Gujarat**, selected due to strong SME activity and transport markets
- **Basic loan origination software**, used for customer onboarding, document storage, and sanction workflow
- **Founder-led entrepreneurial decision-making**, with quick approvals and flexible operating style

During this early stage, the organization functioned with startup energy and close coordination. The founders remained deeply involved in business development, lending approvals, recruitment, collections strategy, and investor relations.

Loan officers played a crucial role in sourcing business. They regularly visited:

- Wholesale markets
- Industrial estates
- Truck transport hubs
- Commercial clusters
- Retail business districts
- Dealer showrooms

Because many target customers lacked conventional documentation, loan decisions often depended on a combination of **personal judgment and field-based due diligence**. Credit teams evaluated applicants based on:

- Daily sales estimates
- Informal income patterns
- Inventory turnover
- Business reputation in the market
- Neighbour and supplier references
- Existing liabilities
- Vehicle earning potential
- Physical verification of residence and workplace

This relationship-based lending approach helped Nexus Fin build trust quickly in underserved markets.

Growth Phase (2018–2025)

As demand for alternative credit increased, Nexus Fin entered a period of rapid expansion. The company benefited from several market trends:

- Slow turnaround times at traditional banks
- Growth of small entrepreneurship in Tier-2 and Tier-3 cities

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- Rising demand for used vehicle financing
- Increased digital adoption among borrowers
- Availability of institutional funding for NBFCs
- Partnerships with fintech loan marketplaces

To capitalize on these opportunities, Nexus Fin expanded aggressively into new geographies and customer segments.

By **2025**, the company had scaled substantially:

- **1,250 employees** across sales, credit, operations, collections, risk, and support functions
- **68 branches across 8 states**, including Maharashtra, Gujarat, Karnataka, Tamil Nadu, Rajasthan, Madhya Pradesh, Telangana, and Uttar Pradesh
- **Loan book of ₹1,480 crores**, reflecting strong portfolio growth
- **Annual revenue of ₹286 crores**, generated through interest income, fees, and allied products
- **1.9 lakh active borrowers**, making it a recognized mid-sized retail lender
- **Partnerships with fintech marketplaces, automobile dealers, and DSAs (Direct Selling Agents)** to expand sourcing reach

The company was widely viewed as a rising player in India's non-bank lending industry because of its speed, geographic expansion, and focus on underserved borrowers. Industry observers appreciated its ability to combine traditional field lending with digital customer acquisition models.

Emerging Structural Weakness

However, while business growth was impressive, internal systems did not strengthen proportionately. The company scaled faster than its governance architecture.

Several early warning issues began to emerge:

- Credit checks became inconsistent across branches
- Training quality varied due to rapid hiring
- Recovery processes were stretched
- MIS reporting lagged behind portfolio growth
- Branch expansion outpaced supervision capacity
- Reliance on third-party sourcing agents increased
- Operational controls became uneven across regions

In essence, NexusFin had successfully expanded its market footprint, but its **risk controls, governance discipline, and operational maturity did not keep pace with growth**. These weaknesses would later become central to the company's strategic crisis.

4. Main Body

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Business Model of Nexus Fin

Nexus Fin earned revenue primarily through:

- Interest income on loans
- Processing fees
- Late payment penalties
- Insurance cross-selling commissions
- Foreclosure charges

Its major loan products included:

1. Used Commercial Vehicle Loans

Loans for trucks, tempos, and delivery vehicles purchased by owner-drivers and fleet operators.

2. SME Working Capital Loans

Short-tenure loans for traders, wholesalers, and small manufacturers.

3. Salary-Linked Personal Loans

Small-ticket unsecured loans to salaried employees.

4. Consumer Durable Finance (Pilot Program)

Loans for electronics and household goods.

The company promoted itself on:

- Fast approval in 24–48 hours
- Minimal documentation
- Flexible repayment structures
- Strong local branch support

Growth Strategy and Emerging Risks

Between 2020 and 2025, Nexus Fin aggressively pursued market share.

Management introduced:

- Monthly disbursement targets for branches
- Incentive-linked sourcing volumes
- Digital loan applications

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- Third-party sourcing agents
- Rapid expansion into Tier-2 and Tier-3 cities

While disbursements increased, several hidden risks emerged.

Detailed Problem Description

A. Deteriorating Asset Quality

Initially, default rates were manageable. However, by 2025:

- Gross NPAs rose from 3.8% to 9.6%
- Collection efficiency fell from 95% to 82%
- Delinquencies rose sharply in unsecured segments

Problem areas included:

- Small business borrowers hit by uneven cash flows
- Used truck operators affected by fuel cost increases
- Informal traders lacking predictable income records

Many borrowers had taken multiple loans from different lenders.

B. Weak Underwriting Discipline

Branch teams were under intense pressure to meet targets. Employees informally admitted that some cases were approved despite warning signs such as:

- Existing debt burden
- Irregular bank statements
- Weak guarantors
- Overstated income declarations
- Limited repayment capacity

Credit teams complained that commercial pressure often overruled caution.

C. Liquidity Stress

As an NBFC, Nexus Fin depended heavily on borrowed funds from:

- Banks

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- Mutual funds
- Institutional lenders
- Securitization markets

When portfolio stress became visible:

- Lenders tightened fresh lines
- Borrowing costs increased
- Refinancing became difficult

The treasury team warned that short-term liabilities were rising faster than collections.

D. Customer Service Breakdown

As scale increased, borrower complaints rose sharply.

Common issues included:

- Hidden processing fees not explained clearly
- EMI dates not communicated properly
- Penal charges misunderstood
- Call center delays
- Poor complaint resolution

Customers in smaller towns often lacked digital literacy and misunderstood loan terms.

E. Aggressive Recovery Practices

To control rising defaults, Nexus Fin outsourced recoveries to third-party agencies in some regions.

Complaints included:

- Repeated phone calls
- Calls to family members or employers
- Visits during odd hours
- Harsh language by field agents

Although management denied systemic abuse, reputational damage increased.

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F. Governance and Compliance Gaps

Internal audits identified gaps in:

- KYC documentation quality
- Consent records for digital loans
- Monitoring of outsourced vendors
- Data privacy controls
- Fair Practices Code disclosures

Compliance teams warned that regulators were increasingly sensitive to such issues.

Situation Analysis

External Environment

Competitive Pressure

Banks, fintech lenders, microfinance firms, and NBFCs competed intensely for similar borrowers.

Interest Rate Environment

Higher rates increased borrowing costs for lenders and EMI pressure for borrowers.

Regulatory Environment

Financial regulators demanded:

- Transparent pricing
- Ethical collections
- Strong grievance systems
- Responsible lending practices

Economic Conditions

Slower demand in some sectors affected borrower cash flows.

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Internal Analysis

Strengths

- Strong brand recognition in target markets
- Quick turnaround time
- Extensive branch reach
- Good technology platform for sourcing
- Entrepreneurial management culture

Weaknesses

- Weak portfolio monitoring
- Overdependence on unsecured lending
- High funding dependence
- Inconsistent staff training
- Collections outsourced without strong control

Opportunities

- Co-lending with banks
- Gold loans / secured products
- Insurance and payment cross-sell
- AI-based underwriting

Threats

- Rising NPAs
- Regulatory action
- Funding crunch
- Negative media coverage
- Talent attrition

Critical Incident

In **September 2025**, a national business newspaper published a report featuring complaints from several borrowers against Nexus Fin's outsourced recovery agencies. The article alleged harassment, repeated calls outside permitted hours, and lack of grievance response.

Within two weeks:

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- Social media criticism increased sharply
- Two institutional lenders paused fresh credit lines
- Several branch customers delayed repayments intentionally
- Regulator sought clarification on practices
- Investor confidence weakened

An emergency executive meeting was called.

During the Meeting:

- **Sales** blamed risk teams for slowing approvals and hurting growth.
- **Risk** blamed branch teams for poor customer quality.
- **Collections** blamed false addresses and weak field verification.
- **Compliance** warned of serious regulatory exposure.
- **Finance** warned of a near-term liquidity gap if lenders did not restore lines.

The CEO became visibly frustrated, criticized all departments, and ended the meeting without a clear plan.

Within six weeks:

- Chief Collections Officer resigned
- Regional Sales Head resigned
- Senior Treasury Manager joined a competitor

The board intervened directly for the first time.

Financial Exhibits

Exhibit 1: Loan Book Growth

Year	Loan Book (₹ crore)
2018	210
2020	540
2022	920
2025	1,480

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Exhibit 2: Asset Quality

Metric	2022	2025
GNPA	3.8%	9.6%
NNPA	1.9%	5.4%
Collection Efficiency	95%	82%

Exhibit 3: Profitability

Metric	2023	2025
Net Profit (₹ crore)	41	18
Cost of Funds	8.4%	11.1%
ROA	2.6%	0.9%

Exhibit 4: Customer Metrics

Indicator	2025
Active Borrowers	1.9 lakh
Complaint Cases	8,420
Avg Loan Ticket Size	₹2.8 lakh

Key Decision Points

The board appointed a new Chief Risk Officer and demanded a 90-day turnaround roadmap.

She had to decide:

1. Should growth be paused temporarily?
2. Should unsecured lending be reduced sharply?

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3. How can collections improve without reputational damage?
4. Should all outsourced recovery vendors be reviewed or terminated?
5. How can liquidity be stabilized quickly?
6. Should fresh equity be raised despite lower valuation?
7. Can technology improve underwriting quality fast enough?
8. How should the company rebuild trust with regulators and lenders?

5. Teaching Note

Instructor Guidelines

Use this case for discussions on:

- NBFC business model sustainability
- Credit underwriting failures
- Liquidity mismatch risk
- Ethics in collections
- Governance and compliance
- Turnaround management

Time Required

- Reading: 30 minutes
- Group Analysis: 40 minutes
- Discussion: 45 minutes

Recommended Tools

- CAMELS Analysis
- Ratio Analysis
- Credit Risk Segmentation
- Scenario Planning
- SWOT / SWOC
- Stress Testing Framework

6. Questions for Classroom Discussion

Diagnosis

1. What were the root causes of Nexus Fin's crisis?
2. Was growth pursued too aggressively?

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Risk Management

3. Which portfolio segments should be reduced first?
4. How can underwriting quality be improved?

Finance

5. How should NexusFin address short-term liquidity pressure?
6. Should the company raise equity or seek strategic investors?

Governance

7. How should outsourced recovery be controlled?
8. What compliance systems should be prioritized immediately?

7. Conclusion

Nexus Fin Services Ltd. succeeded in reaching underserved borrowers and building scale quickly. Yet rapid growth, weak controls, rising defaults, and reputational risk exposed the fragile foundations of its business model.

The board now faces a defining question:

Can Nexus Fin evolve from a fast-growing lender into a disciplined, trusted, and sustainable financial institution before funding pressure and regulatory scrutiny threaten its future?

ISBN: 978-93-48763-98-3 DOI: https://doi.org/10.5281/zenodo.20373102

1. Case Title:

"Scaling Digital Frontiers: Global Expansion, Data Privacy, and Digital Transformation at Zenvia Tech Solutions"

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2. Abstract / Executive Summary (Integrated & Strong)

Zenvia Tech Solutions, a rapidly growing AI-driven SaaS company based in India, stands at a critical strategic crossroads. After achieving significant success in emerging Asian markets, the company secured $50 million in funding and is under pressure to expand into Europe and North America.

However, global expansion introduces **three interconnected challenges**:

1. **Intense competition** from global leaders like Salesforce
2. **Strict data privacy regulations** (e.g., GDPR)
3. **Need for internal digital transformation** to support global scalability

The case presents a multi-dimensional decision problem requiring students to evaluate trade-offs between **growth, compliance, operational capability, and long-term sustainability**.

Learning Objectives:

- Integrate IT strategy with business expansion
- Analyze regulatory and ethical constraints
- Evaluate digital transformation readiness
- Apply strategic frameworks in complex scenarios

Keywords: SaaS, Global Expansion, Data Privacy, Digital Transformation, Strategy

3. Introduction

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On a humid April morning in Bengaluru, the leadership team of Zenvia Tech gathered in a glass-walled conference room overlooking the city's growing tech skyline. The mood was both celebratory and tense. Just weeks earlier, the company had secured $50 million in Series B funding—an achievement that validated its innovative AI-driven SaaS platform.

Founded in 2018, Zenvia Tech had built its success by serving SMEs with affordable, scalable customer engagement tools. Unlike enterprise-focused giants such as Microsoft, Zenvia Tech targeted underserved markets, gaining rapid traction across India and Southeast Asia.

But success brought new expectations. Investors now demanded **global expansion**, particularly into Europe and North America.

At the same time, the company faced mounting challenges:

- Its **data-driven business model** conflicted with strict European privacy regulations
- Its **internal systems and processes** were not fully equipped for global operations
- Competition from established players was significantly stronger

Inside the leadership team, opinions diverged sharply:

- The CEO advocated aggressive expansion
- The CFO warned about financial and regulatory risks
- The CTO emphasized the need for internal digital transformation before scaling

The company now faced a defining question:

☞ **Can Zenvia Tech scale globally without compromising compliance, capability, and sustainability***?*

4. Main Body

Detailed Problem Description

Zenvia Tech's challenge is not a single decision but a **multi-layered strategic dilemma**:

- **Global Expansion:** Enter high value but competitive markets
- **Data Privacy Compliance:** Adapt to GDPR without losing data-driven advantage
- **Digital Transformation:** Upgrade internal systems for scalability

These challenges are interdependent failure in one area could undermine the entire strategy.

Situation Analysis

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🔍 External Analysis

Market Dynamics:

- Global SaaS market > $300 billion
- Higher revenue potential in Western markets

Competition:

- Dominated by firms like Oracle
- Strong brand loyalty and ecosystem advantages

Regulatory Environment:

- GDPR compliance costs estimated at 20–30% increase
- High penalties for violations

🔍 Internal Analysis

Strengths:

- AI-driven innovation
- Cost-efficient solutions
- Strong SME base

Weaknesses:

- Limited global brand recognition
- Data compliance gaps
- Inadequate scalable infrastructure

⚖️ Decision Points

Option 1: Aggressive Global Expansion

- Enter US & EU markets immediately

Risk: Regulatory failure, financial strain

Option 2: Phased Expansion + Digital Transformation

- Strengthen internal systems first

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- Expand gradually

Risk: Lost market timing

Option 3: Partnership-Based Entry

- Collaborate with global firms

Risk: Reduced control and margins

5. Supporting Data & Exhibits

Exhibit 1: Revenue Growth

Year	Revenue ($M)
2020	5
2021	10
2022	16
2023	20
2024	23
2025	25

Exhibit 2: Cost Impact of Expansion

Category	Increase
Customer Acquisition	+200%
Compliance	+30%
Infrastructure	+25%

Exhibit 3: Data Dependency

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Revenue Source	%
Data-driven services	55%
Subscription	30%
Others	15%

Exhibit 4: Digital Readiness

Factor	Score (10)
Infrastructure	6
Compliance Readiness	4
Workforce Skills	5

6. Teaching Note

Instructor Focus:

Encourage students to think holistically across:

- Strategy
- IT systems
- Regulatory environment

Recommended Tools:

- PESTLE
- Porter's Five Forces
- SWOT
- Risk Analysis

Time Required:

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60–90 minutes' discussion

7. Discussion Questions + Compact Answers

1. What is the core strategic issue?

Answer:
Balancing global expansion with compliance and operational readiness.

2. Which option is most viable?

Answer:
Phased expansion with digital transformation (balanced approach).

3. What is the biggest risk?

Answer:
Regulatory non-compliance and high expansion costs.

4. How should success be measured?

Answer:

- International revenue growth
- Compliance adherence
- Customer acquisition efficiency

5. What role does IT play in strategy?

Answer:
IT is central—it enables scalability, compliance, and competitive advantage.

8. Conclusion

Zenvia Tech's situation reflects a modern business reality where **technology, strategy, and regulation are deeply interconnected**.

The company's future depends on its ability to align:

- Growth ambitions
- Regulatory compliance
- Internal capabilities

The final question remains open:

☞ *Should Zenvia Tech prioritize speed, stability, or strategic balance in its global journey?*

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1. Case Title:

"Platform Wars: Scaling a Digital Marketplace in the Age of Network Effects"

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2. Abstract / Executive Summary

Urban Kart, a rapidly growing digital marketplace startup based in India, connects local retailers with urban consumers through a mobile platform. The company has experienced rapid user growth but struggles with **monetization, platform scalability, and competitive pressure**.

As global players like Amazon and Flipkart dominate the market, Urban Kart must decide how to scale sustainably while maintaining user engagement and profitability.

The case explores **platform strategy, network effects, and business model innovation**.

Learning Objectives:

- Understand platform business models
- Analyze network effects and scalability
- Evaluate monetization strategies
- Develop competitive strategy in digital markets

Keywords: Platform Strategy, Network Effects, E-commerce, Digital Business, Scaling

3. Introduction

In 2025, India's e-commerce sector was experiencing unprecedented growth, fueled by increasing internet penetration and mobile adoption. Amid this boom, Urban Kart emerged as a promising digital marketplace connecting small retailers with urban consumers.

Unlike large platforms such as Amazon, Urban Kart focused on **hyperlocal delivery and personalized shopping experiences**, targeting niche urban segments.

Within three years:

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- 2 million users onboarded
- 50,000+ local vendors registered
- Rapid expansion across Tier-1 cities

However, growth came at a cost. The company struggled with:

- High logistics expenses
- Low profit margins
- Increasing competition

The leadership team now faced a critical challenge:
☞ **How can Urban Kart scale its platform while achieving sustainable profitability?**

4. Main Body

Detailed Problem Description

Urban Kart's growth is driven by **network effects**—more users attract more sellers, and vice versa. However, the company is facing:

- Rising operational costs
- Difficulty in monetizing users
- Competitive pressure from established platforms

The core issue:
☞ **Scaling growth vs achieving profitability**

Situation Analysis

🔍 External Analysis

Market Trends:

- Rapid e-commerce growth in India
- Increasing demand for convenience

Competition:

- Strong players like Flipkart dominate logistics and pricing

Technology:

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- AI-driven recommendations becoming standard

🔍 Internal Analysis

Strengths:

- Strong local vendor network
- Personalized user experience

Weaknesses:

- Weak logistics infrastructure
- Low monetization capability

⚖️ Decision Points

Option 1: Increase Commission Fees

- Improve revenue

Risk: Vendor dissatisfaction

Option 2: Invest in Logistics Infrastructure

- Improve service quality

Risk: High capital expenditure

Option 3: Introduce Subscription Model

- Stable revenue

Risk: User resistance

5. Supporting Data & Exhibits

📊 Exhibit 1: User Growth

Year	Users (Millions)
2022	0.5
2023	1.2

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Year	Users (Millions)
2024	1.8
2025	2.0

Exhibit 2: Revenue vs Cost

Metric	Value ($M)
Revenue	15
Cost	18
Loss	-3

Exhibit 3: Revenue Sources

Source	%
Commission	60%
Ads	25%
Delivery Fees	15%

6. Teaching Note

Instructor Focus:

- Platform economics
- Network effects
- Growth vs profitability

Recommended Tools:

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- Business Model Canvas
- Porter's Five Forces
- Unit Economics Analysis

7. Discussion Questions + Compact Answers

1. What is Urban Kart's biggest challenge?

Answer:
Balancing rapid growth with sustainable profitability.

2. Which strategy is most viable?

Answer:
A combination of logistics investment and diversified revenue streams.

3. What is the key risk?

Answer:
Losing vendors or users due to pricing changes.

4. How to measure success?

Answer:

- Customer retention
- Unit economics (CAC vs LTV)
- Profit margins

8. Conclusion

Urban Kart's journey reflects the challenges of scaling digital platforms in competitive markets. While network effects drive growth, long-term success depends on achieving financial sustainability and operational efficiency.

The final question remains:
☞ Can Urban Kart balance growth and profitability in a highly competitive platform economy?

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"Voices Unheard: Organizational Behaviour Challenges at NexusTech Components Pvt. Ltd."

1. Title Page

- ***" Voices Unheard: Organizational Behaviour Challenges at NexusTech Components Pvt. Ltd."***
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- **Date of Submission: 28 April 2026**

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2. Abstract/Executive Summary

Purpose of the Case Study

This case examines how organizational growth, ineffective communication systems, leadership rigidity, departmental conflict, and declining employee morale created serious operational challenges at **NexusTech Components Pvt. Ltd.**, a rapidly growing automotive parts manufacturer in India.

Key Highlights

NexusTech transformed from a small entrepreneurial firm into a mid-sized manufacturing company within a decade. However, while revenues increased, people management systems remained underdeveloped. Employees complained of poor communication, delayed decisions, unfair treatment, lack of recognition, and stressful working conditions. Misalignment between departments further affected productivity and customer satisfaction.

Learning Objectives

Students will learn to:

- Analyze organizational behaviour problems in growing firms
- Evaluate communication barriers and their impact
- Understand motivation and leadership theories in practice

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- Diagnose conflict between departments
- Recommend behavioural interventions for organizational effectiveness
- Design change management strategies

Keywords

Organizational Behaviour, Communication, Leadership, Motivation, Conflict Management, Organizational Culture

3. Introduction

Background Context

NexusTech Components Pvt. Ltd. was established in 2013 in Bengaluru, Karnataka, by a group of technically qualified entrepreneurs led by Mr. Arvind Narayanan, who identified growing opportunities in India's expanding automobile and industrial manufacturing sectors. The company specialized in the production of precision-engineered automobile components, including brake assemblies, metal casings, fabricated housings, mounting brackets, and customized industrial parts supplied to automobile original equipment manufacturers (OEMs), ancillary units, and industrial machinery firms. The founders positioned the company as a reliable supplier capable of delivering quality products within tight deadlines at competitive prices.

In its initial phase, NexusTech operated on a modest scale with limited financial resources but high entrepreneurial energy. The company began with only 55 employees, many of whom were multi-skilled workers performing multiple roles across production, maintenance, quality control, and dispatch functions. Operations were carried out from one rented production unit located in an industrial estate on the outskirts of Bengaluru. Machinery was basic but functional, and production planning was managed manually through spreadsheets and direct supervision.

The organizational structure during the early years was highly informal and centralized. Decision-making authority rested primarily with the founder, who maintained direct involvement in procurement, customer negotiations, production scheduling, and workforce management. This founder-led management style enabled quick decisions, flexibility, and strong personal control over operations. Employees had frequent direct access to top management, and communication channels were short and immediate. Problems were solved through face-to-face discussions rather than formal procedures.

Another defining feature of the early organization was the existence of close informal relationships between workers and managers. Supervisors often worked alongside machine operators on the shop floor, employees knew each other personally, and management celebrated milestones such as festival events, production achievements, and employee family occasions together. This created a sense of loyalty, belongingness, and emotional commitment among employees. Many workers viewed the organization as an extended family rather than merely a workplace.

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As demand increased from automobile manufacturers and industrial clients, NexusTech began expanding rapidly. Between 2016 and 2025, the company secured several long-term supply contracts due to its reputation for dependable quality and timely delivery. As a result, by 2025, NexusTech had transformed into a mid-sized manufacturing enterprise with 480 employees across technical, operational, managerial, and support functions.

To meet rising production requirements, the company expanded to three production units, each focusing on different product categories such as machining, fabrication, assembly, and finishing operations. These facilities were equipped with CNC machines, automated cutting tools, inspection systems, and larger warehousing capacity. Nexus Tech's annual turnover rose substantially to approximately ₹186 crores, reflecting its strong market presence and operational scale.

The company's customer base also widened considerably. In addition to serving major clients across South India, NexusTech began receiving export enquiries from Southeast Asian markets such as Thailand, Malaysia, and Vietnam, where demand existed for competitively priced industrial components. Management viewed this as an opportunity to position the company as an emerging international supplier.

However, despite impressive commercial growth, the organization's internal systems did not evolve at the same pace. Many managerial processes continued to reflect the practices of a small startup rather than a growing enterprise. Human resource policies remained underdeveloped, communication systems were fragmented, reporting relationships were unclear, and decision-making remained overly centralized. Departments expanded in size, but coordination mechanisms were weak. As the company became larger and more complex, these structural weaknesses gradually created behavioural tensions, communication gaps, employee dissatisfaction, and operational inefficiencies.

Key Players

1. Mr. Arvind Narayanan – Founder & Managing Director

A technically strong entrepreneur who believed discipline and speed were more important than employee participation.

2. Ms. Shalini Rao – Head of Human Resources

An HR professional recruited from a multinational company to modernize HR systems.

3. Mr. Dinesh Kulkarni – Operations Director

Focused heavily on output, machine utilization, and production schedules.

4. Mr. Sameer Khanna – Sales Head

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Responsible for acquiring new customers and delivery commitments.

5. Supervisors, Engineers, Shop-floor Employees

The operational backbone of the company.

Relevance

This case is highly relevant to MBA and management students because it demonstrates how rapid organizational growth can expose weaknesses in leadership behaviour, communication systems, motivation practices, and organizational culture.

4. Main Body

Company Growth and Emerging Tensions

During its formative years, **NexusTech Components Pvt. Ltd.** was widely appreciated for its warm, family-like organizational culture. As a relatively small enterprise, relationships within the company were personal, informal, and built on trust. Employees at all levels—from machine operators to supervisors—felt closely connected to the founder, **Mr. Arvind Narayanan**, who was actively involved in day-to-day operations. He frequently visited the shop floor, interacted directly with workers, listened to concerns, and personally resolved many operational or employee-related issues.

Because of the company's small size and simple structure, communication was fast and uncomplicated. Employees did not have to navigate layers of hierarchy to seek approvals or raise concerns. If a machine malfunctioned, production schedules changed, or workers required support, they could approach the founder or senior supervisors directly. Decisions were often made instantly through face-to-face discussions rather than through formal meetings, documentation, or bureaucratic procedures. This direct accessibility created a strong sense of belongingness and mutual respect among employees. Many staff members believed that management genuinely cared about them, which helped build loyalty and commitment.

However, as NexusTech expanded rapidly over the years, the simplicity of its earlier structure began to disappear. The organization's increasing scale and complexity required new systems, clearer roles, and more formal coordination mechanisms. Several important structural changes took place:

Multiple Reporting Levels Were Introduced

To manage a larger workforce, the company added middle-management positions such as department managers, assistant managers, shift in-charges, team leaders, and supervisors. Employees who previously reported directly to the founder or a small leadership team now had to follow hierarchical reporting channels. While this was necessary for administrative control, many

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employees felt distanced from top management. Communication became slower as messages passed through several layers before reaching decision-makers.

Departments Became Specialized

As operations grew, the company divided work into specialized functional departments such as production, quality assurance, procurement, maintenance, finance, human resources, logistics, and sales. Although specialization improved efficiency in certain areas, it also reduced the cross-functional collaboration that had existed earlier. Departments began focusing narrowly on their own targets rather than shared organizational goals.

Formal Coordination Became Necessary

With multiple units, larger teams, and complex workflows, the company now required structured planning systems, formal meetings, standardized reporting, documentation procedures, and integrated communication platforms. Production schedules needed coordination with procurement, sales commitments required alignment with manufacturing capacity, and HR policies needed consistency across locations. However, these formal systems were either weak or absent.

Pressure from Customers Increased

As NexusTech gained larger clients, customer expectations rose significantly. Clients demanded better quality standards, lower costs, quicker responses, and zero-delay deliveries. Key customers also expected professional communication, accurate forecasting, and faster problem resolution. Internal inefficiencies began to directly affect customer relationships.

Delivery Timelines Tightened

The company increasingly accepted urgent orders and shorter lead times to remain competitive. This placed pressure on production teams, supply chain staff, and supervisors. Frequent schedule changes created stress, overtime burdens, and operational confusion.

Despite these changes, **management systems remained highly centralized**. Although the organization had grown into a mid-sized enterprise, decision-making authority did not significantly shift downward. Most strategic and operational decisions—including vendor approvals, pricing changes, hiring decisions, overtime authorization, machinery purchases, customer commitments, and even some routine matters—still required approval from **Mr. Arvind Narayanan**.

This dependence on one central authority created several problems. Decisions were delayed whenever the founder was travelling, unavailable, or occupied with external meetings. Managers hesitated to act independently for fear of criticism or reversal. Employees received mixed signals because different departments waited for approvals at different times. In urgent situations, opportunities were lost because responses were too slow.

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Over time, this centralized style began to generate **delays, confusion, and frustration** throughout the organization. Middle managers felt powerless, employees felt unheard, and departments blamed one another when targets were missed. What had once been a close-knit entrepreneurial culture was gradually turning into a stressed and fragmented organization struggling to adapt to its own growth.

Detailed Problem Description

By mid-2025, NexusTech began experiencing serious internal issues.

A. Communication Breakdown

Employees reported that:

- Important decisions were communicated late
- Policies changed without explanation
- Instructions differed across supervisors
- Emails often went unanswered
- Production workers had no access to management updates

Example:

Sales committed urgent delivery to a major customer without informing production planning. Operations discovered the order only three days later, leading to overtime pressure and internal conflict.

B. Leadership Rigidity

The Managing Director frequently stated:

“Too much discussion wastes time.”

Managers therefore avoided consultation and focused only on compliance.

Employees feared raising concerns because criticism was often public.

C. Departmental Conflict

Sales blamed production for delays. Production blamed procurement for raw material shortages.HR blamed line managers for employee exits. Line managers blamed HR for unrealistic policies.

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D. Declining Employee Morale

Employee comments in internal surveys included:

- "Nobody listens."
- "Targets matter more than people."
- "Managers shout under pressure."
- "Hard work is ignored unless something goes wrong."

E. Attrition of Skilled Employees

Several CNC machine operators resigned and joined competitors offering:

- Better pay
- Better treatment
- More predictable shifts

Operational Impact

By the end of 2025:

- Delivery delays increased sharply
- Rework levels rose
- Overtime costs escalated
- Customer complaints increased
- Recruitment costs rose due to turnover

The board became concerned that internal dysfunction was threatening growth.

Situation Analysis

A. External Analysis

Industry Conditions

The automotive components sector in India was becoming highly competitive.

Customers demanded:

- Lower cost
- Faster delivery
- Zero-defect quality
- Vendor responsiveness

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Talent Market

Experienced technicians were in high demand and could easily switch employers.

Technology Trends

Competitors had adopted:

- ERP systems
- Digital dashboards
- Employee self-service HR portals
- Automated production planning tools

NexusTech still depended on spreadsheets, calls, and fragmented email chains.

B. Internal Analysis

Strengths

- Strong founder reputation
- Good technical quality
- Long-standing customer relationships
- Skilled operations team

Weaknesses

- Centralized decision-making
- Poor internal communication
- Weak middle management capability
- Lack of recognition systems
- High stress culture

Opportunities

- Introduce leadership development
- Use technology for communication
- Build participative culture
- Expand into exports

Challenges

- Attrition

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- Burnout
- Customer dissatisfaction
- Competitor poaching

Behavioural Diagnosis

1. Motivation Problems

Employees felt effort was not rewarded fairly.

Expectancy Theory

Workers believed:

- Extra effort did not guarantee recognition
- Good performance did not improve career growth

Therefore, motivation declined.

2. Leadership Style

The founder displayed an **autocratic leadership style**.

Short-term Benefits

- Fast decisions
- Strong control

Long-term Costs

- Low trust
- Fear culture
- Suppressed innovation
- Poor upward communication

3. Group Behaviour

Departments functioned in silos.

Instead of collective goals, each unit protected its own metrics.

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4. Organizational Culture

The culture shifted from:

Entrepreneurial & collaborative
to
Hierarchical & defensive

Critical Incident

In **October 2025**, NexusTech Components Pvt. Ltd. faced one of the most serious setbacks in its history when it lost a **₹12 crore annual supply contract** from one of its oldest and most strategically important customers. The client had been associated with the company for several years and had consistently placed repeat orders for precision brake assemblies and fabricated components. Beyond the direct revenue value, the customer was considered a prestige account because of its market reputation and the potential for future expansion into export-linked projects.

The relationship, however, had deteriorated over the previous six months. The customer repeatedly experienced **shipment delays**, inconsistent delivery schedules, incomplete dispatches, and delayed responses to service complaints. On several occasions, production commitments made by the sales department were not fulfilled on time due to raw material shortages, last-minute schedule changes, and internal coordination failures. Customer emails requesting corrective action reportedly went unanswered for days, while escalation calls were transferred across departments without clear accountability.

Initially, the client tolerated these disruptions because of the long-standing relationship with NexusTech. However, after multiple unresolved issues and increasing pressure on its own production schedules, the customer decided to terminate the annual contract and shift a significant portion of business to a competing supplier. The termination notices specifically cited unreliable deliveries, weak communication, and lack of confidence in NexusTech's responsiveness.

The loss of the contract created immediate financial and psychological shock within the organization. Apart from the estimated **₹12 crore annual revenue loss**, management feared reputational damage in the industry, possible negative references to other customers, underutilization of production capacity, and further employee uncertainty.

In response, an emergency internal review meeting was called by the Managing Director, **Mr. Arvind Narayanan**, attended by senior leaders from sales, operations, planning, finance, and human resources. Instead of constructive problem-solving, the meeting quickly turned confrontational and exposed deep internal dysfunction.

Sales Blamed Operations

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The Sales Head argued that customer commitments were made based on expected production capacity, but operations repeatedly failed to deliver finished goods on schedule. He stated that his team had lost credibility with the customer because promised dispatch dates were constantly revised.

Operations Blamed Planning

The Operations Director countered that production delays were caused by poor planning, inaccurate forecasts, sudden priority changes, and unrealistic order sequencing. According to him, machines and labour were available, but production schedules were unstable and frequently changed at short notice.

Planning Blamed Management Approvals

The planning team defended itself by claiming that many delays occurred because urgent purchase requests, overtime approvals, vendor clearances, and process decisions required sign-off from top management. Slow approvals created bottlenecks that disrupted schedules.

HR Highlighted Morale Issues

The HR Head shifted attention to deeper behavioural concerns. She pointed out that rising employee stress, supervisor burnout, absenteeism, and growing disengagement had reduced overall responsiveness across departments. She also warned that fear-based management and lack of empowerment were affecting decision quality and accountability.

As tensions escalated, the Managing Director reportedly reacted angrily to the exchange of blame. Instead of facilitating analysis, he criticized department heads for incompetence, dismissed several concerns raised in the meeting, and abruptly ended the session without any clear action plan. Participants left the room frustrated and demoralized.

The aftermath of the meeting further worsened internal instability. Within the next **one month**, **two senior managers resigned**, citing excessive pressure, lack of support, and absence of professional management practices. Their departure created additional uncertainty among middle managers and employees, many of whom began exploring opportunities outside the company.

This incident became a turning point for NexusTech. The Board of Directors, which had previously remained largely hands-off in operational matters, now recognized that the company's problems were no longer isolated operational issues but symptoms of broader organizational failure. The loss of a key customer, leadership breakdown during the review meeting, and resignation of senior talent collectively forced the board to demand immediate structural and cultural change.

For the first time, NexusTech had to confront a difficult reality: its biggest threat was no longer market competition, but internal dysfunction.

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Decision Points

Ms. Shalini Rao (HR Head) was asked to present recommendations.

She had to decide:

1. Should leadership coaching for senior management be introduced?
2. Should communication systems be redesigned?
3. Should employee engagement forums be launched?
4. Should incentives be based on team performance instead of individual targets?
5. Should external consultants be hired for culture transformation?
6. How can change be implemented without resistance from the founder?

5. Supporting Data and Exhibits:

Exhibit 1: Employee Headcount Growth

Year	Employees
2015	72
2018	180
2021	310
2025	480

Exhibit 2: HR Metrics

Metric	2023	2025
Attrition Rate	11%	26%
Absenteeism	5%	13%
Employee Satisfaction	71%	44%
Internal Promotions	18	7

Exhibit 3: Operational Metrics

Metric	2023	2025
On-time Delivery	92%	74%
Rework Rate	3.5%	8.1%
Customer Complaints	9	27

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Metric	2023	2025
Overtime Cost (₹ lakh)	18	49

Exhibit 4: Employee Survey Themes

Statement	Positive Response
Management communicates clearly	29%
My manager respects employees	38%
I receive recognition for good work	31%
Departments cooperate well	35%
I see long-term career growth here	27%

6. Teaching Note:

Instructor Guidelines

Use this case to discuss:

- Leadership effectiveness
- Communication channels
- Motivation theories
- Change management
- Conflict resolution
- Culture building

Time Required

- Case Reading: 25 minutes
- Group Analysis: 35 minutes
- Class Discussion: 40 minutes

Recommended Tools

- SWOT / SWOC
- McGregor Theory X/Y
- Herzberg Two-Factor Theory
- Tuckman Group Dynamics
- Lewin Change Model
- Communication Audit Framework

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7. Questions for Classroom Discussion:

Include open-ended and research-focused questions to encourage critical thinking and discussion.

Research and Diagnosis

1. What are the root causes of Nexus Tech's behavioural problems?
2. Which issue is more serious: leadership style or communication failure?

Strategic Decision-Making

3. Should the company decentralize authority? Why?
4. What HR interventions should be prioritized first?

Implementation

5. How can resistance from senior leadership be managed?
6. How should team-based incentives be designed?

Broader Perspective

7. Why do growing firms often fail to scale culture?
8. Can high performance coexist with participative leadership?

8. Conclusion:

NexusTech Components Pvt. Ltd. was commercially successful but internally fragile. The company's systems, leadership style, and communication practices failed to evolve with its growth. Employees became disengaged, managers became defensive, and customers began losing confidence.

The board now faces a decisive challenge:

Can NexusTech transform from a founder-driven company into a professionally managed organization before internal behaviour problems destroy its competitive advantage?

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"Retail Location Decision in Project and Retail Management A Case of Coastal Value Mart, Udupi"

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Case Synopsis: Coastal Value Mart must select one retail location for its next neighbourhood supermarket. Three competing sites offer different advantages in footfall, rent, visibility, parking, accessibility, and risk. Students must use retail location principles, trading area analysis, break-even logic, and weighted scoring to recommend a decision.

Note: This teaching case is fictional but designed around realistic Indian retail conditions for classroom learning.

1. Abstract / Executive Summary

Retail location is one of the most strategic and relatively irreversible decisions in retail management. A good location can generate natural customer traffic, reduce promotional costs, and improve customer convenience. A poor location, even with good merchandise and service, can cause high fixed costs, weak walk-ins, low conversion, and long-term losses.

This case examines Coastal Value Mart, a fictional regional grocery and daily-need retail chain based in Udupi, Karnataka. After operating successfully in two neighbourhoods, the company wants to open its third store. The management team has shortlisted three possible sites: a high-footfall main road site near a bus stand, a lower-rent residential interior site, and a premium mixed-use mall site. Each location has conflicting advantages. The main road site is visible but expensive

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and congested; the residential site is affordable but less visible; the mall site has a premium audience but higher common-area costs and uncertain conversion.

The case requires students to move beyond instinctive location choice and apply structured retail analysis. They must evaluate trade area, customer profile, catchment potential, accessibility, competition, rental burden, expected sales, contribution margin, break-even sales, payback, and strategic fit. The case also introduces the dilemma between short-term cost savings and long-term customer access.

Purpose of the Case Study

- To help MBA students understand retail location as a strategic decision involving market potential, cost structure, customer convenience, and risk.
- To train students to use quantitative and qualitative criteria before selecting a retail site.
- To connect retail theory with Indian market realities such as rentals, traffic congestion, local competition, parking limitations, and festival-driven demand.

Learning Objectives

- Explain the role of location in retail success and customer acquisition.
- Compare different retail site options using weighted scoring and break-even analysis.
- Evaluate trade area characteristics such as footfall, income profile, accessibility, and competition.
- Identify strategic risks in leasing and store expansion decisions.
- Recommend a retail location with justification based on data and managerial judgement.

Keywords: Retail location, trading area analysis, site selection, catchment area, break-even sales, retail strategy.

2. Introduction and Background Context

Coastal Value Mart was started in 2018 by entrepreneur Anirudh Kamath, a second-generation businessman from Udupi. The company began as a compact neighbourhood supermarket focusing on groceries, packaged foods, household cleaning items, basic personal care, dairy products, and selected local snacks. Its positioning was simple: "daily needs within walking distance, with honest prices and polite service."

The chain grew slowly but profitably. Its first store at Kunjibettu gained loyal customers from nearby residential apartments, students, and working families. Its second store near Manipal benefited from young consumers, students, and paying guest accommodations. By 2026, Coastal Value Mart had a small but credible local brand. The stores were known for clean display, quick billing, home delivery within 3 km, and availability of regional products such as banana chips, local pickles, ready-to-cook dosa batter, coconut-based products, and festival items.

The founder now wants to open a third outlet. His long-term ambition is to build a ten-store coastal Karnataka retail chain before larger national retailers capture the neighbourhood grocery

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opportunity. However, the firm has limited capital. A wrong location can lock up resources, create rental pressure, and damage employee morale. A good location can become a profitable base for future expansion.

Key Players in the Case

Stakeholder	Role	Primary Concern
Anirudh Kamath	Founder and Managing Partner	Growth with financial discipline
Meera Nayak	Operations Manager	Smooth store operations, parking, delivery radius
Rohan Pai	Finance Consultant	Rent-to-sales ratio, payback period, working capital
Store Supervisors	Operational execution team	Staffing, layout, replenishment, customer service
Customers	Target market	Convenience, price, product availability, shopping comfort
Property Owners	Lessors of shortlisted properties	Security deposit, lease term, rent escalation

Relevance to MBA Curriculum

The case fits Retail Management, Marketing Management, Entrepreneurship, Operations Management, and Project Management courses. It can be used to teach location theory, trading area analysis, consumer behaviour, store planning, financial evaluation, and managerial decision-making under uncertainty.

3. Case Narrative: The Expansion Decision

In January 2026, Anirudh called a meeting at the company office. Sales at the first two stores had stabilized, supplier credit terms had improved, and the company had built a database of nearly 8,500 customers. The team felt the time was right to expand. Yet the choice of location created serious disagreement.

Meera argued for the main road location near the Udupi city bus stand. "Visibility is everything in retail," she said. "A store that people notice every day will become part of their routine." She believed that passing traffic, nearby offices, and bus commuters would generate strong walk-ins. She also pointed out that the company could use the store as a quick-delivery hub for central Udupi.

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Rohan disagreed. He believed the residential interior site near a growing apartment cluster was more financially sensible. "Retailers do not fail only because of poor sales. They also fail because fixed costs become uncontrollable," he said. The residential site had lower rent and a stronger repeat-customer base, though it lacked main-road visibility.

A third suggestion came from a local real-estate broker: a premium space in a new mixed-use mall. The mall promised modern infrastructure, escalator access, food court traffic, parking, and weekend family visitors. But Anirudh was uncertain whether mall visitors would buy routine groceries or merely browse entertainment and food outlets.

The management team agreed that the decision should not be made only on personal preference. They collected data from property visits, local customer interviews, competitor observation, and traffic counts. The challenge was to convert this information into a clear location decision.

Three Shortlisted Sites

Parameter	Site A: City Bus Stand Road	Site B: Residential Cluster	Site C: Mixed-Use Mall
Location type	Main road, high visibility	Interior road, apartment catchment	Premium mall, family traffic
Carpet area	2,200 sq. ft.	2,500 sq. ft.	1,850 sq. ft.
Monthly rent	Rs. 2,75,000	Rs. 1,45,000	Rs. 3,10,000 plus CAM
Visibility	Very high	Moderate	High inside mall
Parking	Limited roadside parking	Good two-wheeler parking, limited cars	Structured paid parking
Nearby competition	3 grocery stores, 1 supermarket	2 kirana stores, no supermarket	Hypermarket 1.5 km away
Lease term	5 years, 10% escalation	3 years, 8% escalation	5 years, 12% escalation

Exhibit 1: Comparative description of the shortlisted retail locations.

4. Detailed Problem Description

The core problem is to select a location that maximizes long-term retail performance while keeping operational and financial risks manageable. The decision is complicated because each site performs differently on different criteria. Site A offers visibility and natural traffic but brings

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higher rental burden, congestion, and stronger direct competition. Site B is financially safer and closer to households but may require higher local promotion. Site C offers a premium image and infrastructure but has the highest occupancy cost and uncertain grocery conversion.

The company has Rs. 38 lakh available for expansion. This amount must cover interior work, fixtures, refrigerators, billing systems, initial inventory, employee training, launch promotion, and security deposit. The finance consultant warns that if the new store does not reach stable sales within six months, the company may be forced to delay supplier payments or reduce inventory depth.

Managerial Issue	Why It Matters
Rent-to-sales pressure	High rent reduces profitability even when sales appear strong.
Customer access	Retail success depends on convenience, parking, walkability, and delivery reach.
Competitive intensity	Nearby competitors can reduce margins and increase promotional cost.
Catchment fit	The store format must match the buying behaviour of the local customer base.
Lease rigidity	Long lock-in periods create risk if sales fail to meet projections.

5. Situation Analysis

Retail location analysis generally involves estimating market potential, understanding customer movement, measuring competitive pressure, and evaluating operational feasibility. For Coastal Value Mart, the following external and internal conditions are relevant.

5.1 External Analysis

- Urban growth: Udupi and Manipal continue to expand through apartments, education-linked housing, service-sector employment, and tourism-related demand.
- Consumer convenience: Working families increasingly prefer nearby supermarkets that combine groceries, household items, quick billing, digital payments, and home delivery.
- Competition: Local kirana stores remain strong due to personal relationships and credit facilities, while organized retailers compete through assortment, offers, and store ambience.

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- Traffic and access: Main-road visibility may not automatically convert into sales if customers cannot park or safely enter the store.
- Rental inflation: Prime commercial properties in city centres and mall spaces may demand high deposits and annual rent escalation.

5.2 Internal Analysis

- Brand strength: Coastal Value Mart has local goodwill but is not yet a dominant retail brand.
- Operational capability: The team can manage one new store, but opening in a complex mall environment may require stricter processes and higher staffing discipline.
- Financial constraint: The company cannot absorb prolonged losses beyond six to eight months.
- Supplier network: Existing suppliers can support expansion, but inventory must move quickly to avoid dead stock.
- Technology readiness: Billing, loyalty database, and WhatsApp-based delivery support are available, but demand forecasting is still basic.

5.3 SWOC Analysis

Strengths	Weaknesses	Opportunities	Challenges
Local goodwill; neighbourhood trust; regional product mix; experienced store supervisors.	Limited expansion capital; weak formal research capability; dependence on founder decisions.	Growing apartment clusters; demand for convenience retail; delivery-led repeat purchases.	High rentals; traffic congestion; intense local competition; lease lock-in risk.

Exhibit 2: SWOC analysis for Coastal Value Mart expansion.

6. Supporting Data and Exhibits

The following exhibits provide data for classroom analysis. Students may use the information to compute expected sales, compare cost structures, and develop a weighted location score.

Exhibit 3: Catchment and Footfall Estimates

Indicator	Site A	Site B	Site C	Interpretation
Average daily pedestrian movement	8,500	2,200	5,800	Traffic is highest at Site A.

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Estimated daily store walk-ins	420	260	300	Site A leads but has lower conversion risk.
Expected conversion rate	32%	48%	30%	Site B may have more purposeful shoppers.
Households within 2 km	4,800	6,200	3,100	Site B has the strongest residential base.
Average monthly household income	Rs. 52,000	Rs. 60,000	Rs. 78,000	Site C has premium customers.
Primary competitors within 1 km	4	2	3	Site B has lower direct organized competition.

Exhibit 4: Estimated Monthly Economics

Parameter	Site A	Site B	Site C	Notes
Expected monthly sales	Rs. 27.5 lakh	Rs. 22.0 lakh	Rs. 25.0 lakh	Based on walk-ins, conversion, and basket value
Gross margin	18%	18%	19%	Mall customers may buy premium products
Monthly rent / CAM	Rs. 2.75 lakh	Rs. 1.45 lakh	Rs. 3.65 lakh	Site C includes common-area charges
Staff cost	Rs. 1.35 lakh	Rs. 1.20 lakh	Rs. 1.45 lakh	Mall timings require more coverage

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Utilities and maintenance	Rs. 0.55 lakh	Rs. 0.42 lakh	Rs. 0.70 lakh	Cold storage and mall service costs
Local promotion	Rs. 0.60 lakh	Rs. 0.85 lakh	Rs. 0.75 lakh	Site B needs more awareness creation
Other fixed costs	Rs. 0.40 lakh	Rs. 0.35 lakh	Rs. 0.50 lakh	Insurance, IT, delivery admin

Exhibit 5: Weighted Location Scoring Model

Criterion	Weight	Site A Score	Site B Score	Site C Score	Reason for Weight
Catchment potential	20	8	9	7	Customer base drives repeat sales
Visibility and accessibility	15	9	6	8	Important for store discovery
Rent affordability	15	5	9	4	Controls break-even pressure
Competition intensity	10	5	8	6	Affects margins and loyalty
Parking and convenience	10	5	7	8	Influences family shopping
Strategic brand fit	10	7	8	8	Supports long-term positioning
Delivery feasibility	10	8	8	6	Supports modern retail convenience
Lease flexibility and risk	10	6	8	5	Protects against wrong-location lock-in

Students may compute weighted scores by multiplying weight by score and comparing total attractiveness. Scores are on a 1-10 scale.

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7. Analytical Tasks for Students

Students should analyze the case in two stages. First, they should perform qualitative location analysis. Second, they should evaluate the financial implications of each location. The final recommendation should balance data with managerial judgement.

7.1 Break-Even Logic

Assume that gross margin is the contribution available to cover fixed operating costs. Students can calculate approximate monthly break-even sales using the following formula:

Break-even Sales = Monthly Fixed Operating Costs / Gross Margin Percentage

For example, if a store has monthly fixed costs of Rs. 5.65 lakh and a gross margin of 18%, it must generate approximately Rs. 31.39 lakh in sales to cover fixed operating costs. This simple calculation helps students understand why a high-rent location can be risky even when customer traffic is strong.

7.2 Indicative Break-Even Data

Measure	Site A	Site B	Site C	Interpretation
Estimated fixed cost per month	Rs. 5.65 lakh	Rs. 4.27 lakh	Rs. 7.05 lakh	Site C has the highest pressure
Gross margin percentage	18%	18%	19%	Margins are broadly similar
Approx. break-even sales	Rs. 31.39 lakh	Rs. 23.72 lakh	Rs. 37.11 lakh	Site B is closest to feasibility
Expected monthly sales	Rs. 27.50 lakh	Rs. 22.00 lakh	Rs. 25.00 lakh	All require improvement; Site C gap is largest
Gap to break-even	-Rs. 3.89 lakh	-Rs. 1.72 lakh	-Rs. 12.11 lakh	Site C appears financially risky initially

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7.3 Decision Dilemma

The data does not provide an automatic answer. Site B appears financially safer, but its lower visibility may slow brand growth. Site A has stronger visibility and future delivery potential, but rent and competition create risk. Site C offers premium brand image, but the grocery format may not match mall shopping behaviour. Students must decide whether Coastal Value Mart should prioritize market access, cost control, or brand positioning.

8. Decision Points

1. Which site should Coastal Value Mart select for its third store, and why?
2. Should the management give more weight to footfall or to household catchment quality?
3. How should the company evaluate the risk of high rent and lease lock-in?
4. Can Site B become successful through targeted local marketing despite lower visibility?
5. Would a smaller store format, dark-store model, or franchise approach reduce location risk?
6. What additional primary research should be conducted before signing the lease?

9. Recommended Classroom Analysis Frameworks

Instructors may ask students to use one or more of the following tools:

- Trading area analysis: Define the primary, secondary, and tertiary catchment areas for each location.
- Weighted scoring model: Assign weights to location criteria and compare total scores.
- Break-even analysis: Estimate the monthly sales required to cover fixed costs.
- Customer journey analysis: Evaluate how a customer discovers, reaches, shops, and repeats purchases at the store.
- Risk matrix: Identify financial, operational, lease, competitive, and customer risks.
- STP approach: Examine whether the location matches the target segment, value proposition, and positioning.

10. Teaching Note

This section is intended for instructors. It may be shared selectively depending on whether the case is used for open discussion, written analysis, or examination.

10.1 Suggested Teaching Plan

Time	Activity	Instructor Focus
10 minutes	Case opening and problem framing	Why location is strategic and difficult to reverse

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15 minutes	Group reading of exhibits	Interpret footfall, catchment, rent, competition
20 minutes	Quantitative analysis	Weighted score and break-even calculation
20 minutes	Group recommendation presentations	Compare logic behind different choices
15 minutes	Instructor synthesis	Link decision to retail theory and Indian realities

10.2 Possible Instructor Interpretation

A strong analysis is likely to identify Site B as the financially safer and strategically practical option for a neighbourhood supermarket format, especially because the firm has limited expansion capital. Site B has the highest household catchment, reasonable parking, lower direct organized competition, and the lowest fixed cost burden. Its main weakness is moderate visibility, which can be addressed through local promotions, apartment tie-ups, WhatsApp catalogues, home delivery, loyalty programmes, and launch offers.

Site A can be defended if students argue that visibility and delivery reach are critical for scaling the brand. However, they must address the high rent-to-sales pressure and competition. Site C can be defended only if students propose a modified premium convenience-store format with smaller assortment, higher-margin products, and strict lease negotiation. For the existing daily-needs supermarket model, Site C appears risky.

10.3 Recommended Decision

The recommended decision is to choose Site B, subject to two conditions: first, the company must conduct a door-to-door or apartment-level pre-launch demand survey; second, it must negotiate a lease with a clear exit clause and moderate escalation. Site B best fits the chain's neighbourhood retail positioning and limits financial downside. The management should compensate for low visibility by investing in hyperlocal marketing rather than accepting permanent high rent at a prime road or mall location.

10.4 Implementation Plan for Site B

Phase	Action	Expected Outcome
Pre-launch	Survey 600 households in nearby apartments	Validate basket size, delivery demand, and product preferences

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Launch month	Introductory offers and apartment association tie-ups	Build awareness despite lower road visibility
First 90 days	Track daily footfall, bill value, repeat rate, and delivery orders	Identify whether sales path is moving toward break-even
Month 4-6	Optimize assortment and local supplier mix	Improve gross margin and inventory turnover
Month 6	Review profitability and lease risk	Decide whether to deepen investment or modify format

10.5 Evaluation Metrics

- Monthly sales and growth rate
- Average bill value and number of bills per day
- Rent as a percentage of sales
- Repeat customer rate through loyalty database
- Home delivery orders and delivery profitability
- Gross margin, shrinkage, and inventory turnover
- Customer satisfaction and complaint frequency

11. Questions for Classroom Discussion

Research and Analysis

7. What additional data would you collect before finalizing a retail location? Explain how you would collect it.
8. How would you define the primary and secondary catchment areas for each shortlisted site?
9. Which location criteria should receive the highest weight in a neighbourhood grocery format? Why?

Strategic Decision-Making

10. Based on the exhibits, which site should the company choose? Justify your answer with both qualitative and quantitative arguments.
11. Is high footfall always better than a strong residential catchment? Discuss using the case facts.
12. Should Coastal Value Mart modify its retail format if it chooses Site C? What changes would be required?

Implementation and Impact

13. What risks may arise after selecting Site B, and how can the company mitigate them?
14. How should the company measure location success during the first six months?
15. What type of launch campaign would be suitable for the selected location?

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Broader Perspectives

16. How is retail location linked to consumer behaviour, operations, finance, and marketing?
17. What lessons from this case can be applied to restaurants, pharmacies, apparel stores, or electronics retail?
18. How can digital delivery platforms reduce or increase the importance of physical location?

12. Conclusion

The case demonstrates that retail location is not merely a real-estate decision. It is a strategic decision that connects customer access, market potential, cost structure, brand positioning, operations, and long-term risk. The most visible location may not be the most profitable, and the lowest-rent location may not always be the most attractive. A good decision requires balancing quantitative evidence with managerial insight.

For Coastal Value Mart, the recommended location is the residential cluster site, provided that the company validates demand through local research and strengthens awareness through hyperlocal marketing. The case leaves students with a larger question: in a retail world increasingly influenced by delivery apps and digital customer relationships, how should retailers rethink the value of physical location?

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Appendix: Student Submission Format

- Problem statement and decision criteria
- Weighted location score calculation
- Break-even analysis
- Recommended site and justification
- Implementation and risk mitigation plan

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"Work Breakdown Structure in Project Management A Case of Dakshina Foods Retail Expansion Project"

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This case is written for classroom discussion and academic learning. The organization, characters, and numerical data are fictionalized but reflect realistic project management situations in Indian retail and food service operations.

Abstract / Executive Summary

Purpose of the Case Study: This teaching case examines how a Work Breakdown Structure (WBS) can transform an unclear project scope into an actionable project plan. The central decision point is whether the project manager of Dakshina Foods Retail Pvt. Ltd. should redesign the retail expansion project around a formal deliverable-oriented WBS, or continue with the existing activity list approach that has already caused schedule slippage, cost escalation, role ambiguity, and vendor conflict.

Key Highlights: Dakshina Foods, a Udupi-based vegetarian quick service restaurant and packaged snacks brand, plans to open five compact retail food outlets across coastal Karnataka in 120 days. The project includes site finalization, civil work, kitchen installation, licences, staffing, vendor onboarding, branding, digital launch, and trial operations. The CEO wants aggressive expansion before the tourist season, while the project team argues that the initial planning document is too broad. The case provides cost data, timeline slippage, stakeholder views, risk indicators, and sample WBS options for student analysis.

Learning Objectives: At the end of the case discussion, students should be able to explain the concept and purpose of WBS, distinguish between deliverables and activities, prepare a WBS dictionary, connect WBS with scheduling, budgeting, responsibility assignment, procurement, and risk management, identify causes of scope creep, and recommend a practical implementation approach for a project team.

Keywords: Work Breakdown Structure, Project Scope Management, WBS Dictionary, Project Planning, Responsibility Assignment Matrix, Indian Retail Expansion

1. Introduction

Dakshina Foods Retail Pvt. Ltd. began as a family-owned restaurant brand in coastal Karnataka and gradually developed a loyal customer base for South Indian vegetarian meals, filter coffee, evening snacks, and packed traditional food items. By 2026, the company operated three owned restaurants and supplied snacks to selected college canteens, small supermarkets, and corporate cafeterias. Encouraged by steady demand and brand recall among students, families, office-goers, and tourists, the management decided to enter a new phase: a chain of compact retail food outlets under the brand name Dakshina Express.

The proposed outlets were smaller than full-service restaurants. Each outlet would focus on a limited menu, high counter turnover, online delivery tie-ups, fresh snack counters, and quick breakfast service. The five selected locations were Udupi, Manipal, Mangaluru, Kundapura, and Brahmavar. The company wanted all outlets operational before the next tourist and admission season, because the management expected strong demand from students, pilgrims, tourists, and working professionals.

The case is relevant to MBA students because it demonstrates the managerial consequences of weak scope planning. Project management is not only about preparing a schedule. It is about converting a strategic intention into clearly defined work packages, assigning accountability, estimating resources, and controlling execution. The Work Breakdown Structure becomes the bridge between a broad objective and controllable work.

2. Background of the Organization

Dakshina Foods employed 138 people across its restaurants, central kitchen, delivery coordination unit, accounts department, and procurement team. Its annual turnover for FY 2025-26 was estimated at Rs. 18.5 crore, with a profit before tax margin of 9.8 percent. The company had strong operational knowledge in food production but limited experience in managing multi-location projects simultaneously. Earlier expansion had been organic: one outlet was opened only after the previous outlet stabilized. The new plan was different because five outlets were to be launched in parallel.

The CEO, Mr. Raghav Rao, believed that speed was the main competitive advantage. Several regional food chains and national cafe brands were entering smaller educational towns. He felt that Dakshina Foods had to occupy good locations quickly before rentals increased. However, the

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Operations Head, Ms. Nanditha Shenoy, was worried that the company had underestimated the complexity of parallel execution. She observed that the first planning meeting produced a single spreadsheet with 47 activities, but it did not clearly identify deliverables, interfaces, responsibility, acceptance criteria, dependencies, or risk owners.

3. Key Players in the Case

Table 1: Major Stakeholders and Their Concerns

Stakeholder	Role	Primary Concern
Mr. Raghav Rao	Chief Executive Officer	Wants fast launch before the tourist and student admission season.
Ms. Nanditha Shenoy	Operations Head	Concerned about outlet readiness, quality consistency, staffing, and vendor coordination.
Mr. Arjun Kamath	Project Manager	Recently appointed to coordinate the five-outlet expansion. Needs a structured project plan.
Ms. Farah Ali	Finance Manager	Worried about rising capital expenditure and unclear cost accountability.
Mr. Prakash Shetty	Civil Contractor	Complains about delayed design approvals and frequent changes in site scope.
Outlet Supervisors	Future Store Managers	Need clarity on pre-opening tasks, recruitment, training, and handover criteria.
Regulatory Consultants	Licence and Compliance Team	Responsible for FSSAI, trade licences, fire safety, labour registrations, and local approvals.

4. Main Body: The Project Planning Problem

The official project objective was simple: "Launch five Dakshina Express outlets within 120 days at an approved budget of Rs. 2.75 crore." The difficulty was hidden inside this simple statement. Each outlet required lease negotiation, architectural design, civil modification, kitchen equipment installation, electrical safety, water supply, waste disposal, branding, staff hiring, menu engineering, point-of-sale setup, delivery platform onboarding, vendor contracts, licences, trial production, and launch promotion. In the initial plan, all of these were listed as activities, but no one had grouped them into deliverables or work packages.

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During the first month, the project began to drift. The Manipal outlet civil work started before the final kitchen layout was approved. The Udupi outlet branding design was ready, but signboard installation was delayed because the local approval application had not been submitted. The Mangaluru outlet was waiting for equipment specifications, while the procurement team had already negotiated rates for a different kitchen capacity. The finance department released advance payments to contractors without a clear link to milestones. The marketing team announced a tentative launch date on social media even though two outlets had not completed electrical load verification.

Mr. Arjun Kamath, the project manager, realized that the project had a schedule, but not a real structure. The schedule said what should happen, but it did not clarify what had to be delivered, by whom, to what standard, and under which budget code. He proposed that the team stop for two days and rebuild the plan using a formal Work Breakdown Structure. The CEO resisted the idea, arguing that planning workshops would waste precious time. The Operations Head supported Arjun, stating that two days of structured planning could save several weeks of confusion later.

4.1 Initial Symptoms of Weak Scope Structuring

Table 2: Symptoms Observed in the First Month

Symptom	Evidence from the Case
Unclear deliverables	Activities were listed, but completed outputs were not defined. Teams reported effort rather than completed work.
Role ambiguity	Operations, projects, procurement, and vendors assumed that others were responsible for approvals.
Cost leakage	Material changes, repeated site visits, and rushed procurement increased costs by 8.7 percent in the first 30 days.
Schedule slippage	The original 120-day plan showed a 14-day delay by the end of week four.
Quality inconsistency	Outlet design standards differed across locations because the prototype design was not frozen.
Scope creep	Extra menu counters, larger seating, decorative changes, and additional delivery counters were added informally.

4.2 Theoretical Link: What WBS Means in Project Management

A Work Breakdown Structure is a hierarchical decomposition of the total project scope into smaller and more manageable components. It is usually deliverable-oriented, meaning that it focuses on the outputs that must be produced rather than merely listing activities. In project management practice, WBS helps in scope definition, cost estimation, scheduling, resource assignment, procurement planning, risk identification, monitoring, and control. The lowest level

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of the WBS is generally called a work package, which can be estimated, assigned, tracked, and verified.

In this case, the problem is not that Dakshina Foods lacks hardworking people. The problem is that work is not decomposed into manageable deliverables. When a project team says "complete outlet setup," the statement is too broad for control. A WBS converts it into specific deliverables such as finalized lease, approved layout, completed civil work, installed kitchen equipment, statutory licences, trained staff, stocked inventory, tested POS system, and launch readiness certificate. Each deliverable can then be assigned to a person, budget, date, and acceptance standard.

5. Situation Analysis

5.1 External Analysis

The external environment strengthened the need for disciplined project management. Coastal Karnataka was experiencing rising demand for branded vegetarian food service outlets due to tourism, education, healthcare visitors, and urbanization. At the same time, regulatory compliance had become more visible in food services, with customers and authorities placing greater emphasis on hygiene, safety, staff discipline, and digital payment systems. Food delivery platforms were also influencing outlet design, because restaurants required separate packing zones and quick order processing facilities. These factors increased project complexity beyond traditional restaurant opening practices.

Competition created urgency. Local eateries were improving ambience and national chains were entering tier-II and educational markets. However, urgency without structure created a false sense of progress. For Dakshina Foods, opening fast was important, but opening incompletely could damage the brand. A poorly launched outlet could create customer dissatisfaction, negative online reviews, food quality inconsistency, and employee stress.

5.2 Internal Analysis

Internally, Dakshina Foods had operational strengths: supplier relationships, kitchen knowledge, menu familiarity, and a trusted brand. Its limitations were in project governance. The company had not yet matured from owner-driven execution to structured project-based execution. Functional heads were skilled in their own departments but were not accustomed to cross-functional project accountability. The project manager had authority to coordinate, but not enough clarity to control scope changes.

A WBS could provide a common language across departments. Finance could link budget heads to work packages. Procurement could issue purchase orders based on approved deliverables. Operations could define readiness standards. HR could plan recruitment and training by outlet.

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Marketing could align launch communication with actual readiness. Senior management could review progress based on completed deliverables rather than verbal updates.

6. Quantitative Project Data

Exhibit 1: Budget Estimate and Revised Projection (Rs. lakh)

Cost Head	Original Budget	Revised Projection	Variance	Comment
Site leasing and deposits	42.00	45.50	+3.50	Higher advance demanded in Manipal and Mangaluru
Civil and interior work	82.00	94.25	+12.25	Layout changes and premium tiles added after work began
Kitchen equipment	61.00	66.80	+5.80	Capacity specifications revised for two outlets
Electrical, plumbing, safety	26.00	31.60	+5.60	Additional wiring and exhaust duct changes
Licences and compliance	8.50	10.20	+1.70	Consultant fees and re-submission charges
Branding and launch marketing	18.00	22.50	+4.50	Additional hoardings and influencer promotion
Recruitment and training	14.00	15.30	+1.30	Extra training batch due to attrition
POS, IT and delivery onboarding	11.50	13.10	+1.60	Hardware upgrade and API charges
Contingency	12.00	12.00	0.00	Available but not linked to risk triggers
Total	275.00	311.25	+36.25	Projected overrun of 13.18 percent

Exhibit 2: Original Timeline Versus Actual Progress

Week	Planned Milestone	Expected Status	Actual Status	Issue
0-2	Project initiation and site shortlist	Completed	Completed	No major issue

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3-4	Lease agreements and base layouts	Completed	Partially completed	Two layouts pending approval
5-8	Civil work and kitchen design	60 percent	32 percent	Civil work began before final design freeze
9-10	Equipment procurement	PO release	Vendor negotiation	Specifications not finalized
11-13	Licences, recruitment, training	In progress	Delayed	Licence documents incomplete for three sites
14-16	Trial operations and launch	Planned	At risk	Launch date likely to slip by 21-28 days

7. Decision Point Before the Project Manager

At the end of the fourth week, Arjun prepared a note for the leadership team. He recommended a structured WBS-based replanning exercise. His proposal had four steps: first, define the complete project scope in terms of deliverables; second, create a hierarchical WBS for all five outlets; third, prepare a WBS dictionary with scope description, owner, cost code, acceptance criteria, assumptions, and dependencies; fourth, connect WBS to schedule, budget, risk register, procurement plan, and responsibility assignment matrix.

The leadership team had three options:

19. Continue with the current activity spreadsheet and push teams to work faster. This option appears quick but may worsen coordination problems.
20. Prepare a broad WBS only at Level 2 and use it mainly for reporting. This option improves visibility but may not provide enough control at the work package level.
21. Pause for two days, create a full deliverable-oriented WBS and WBS dictionary, revise the baseline, and link every major deliverable to schedule, cost, responsibility, and acceptance criteria. This option requires discipline but offers stronger control.

The case invites students to evaluate which option is most appropriate and how it should be implemented without losing managerial momentum.

8. Proposed WBS for Dakshina Express Expansion

A simplified deliverable-oriented WBS is shown below. The numbering structure is important because it creates traceability. For example, cost code 1.3.2 can refer to kitchen equipment procurement, while schedule activities, purchase orders, and progress reports can use the same code. This reduces ambiguity and improves project control.

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Exhibit 3: Deliverable-Oriented WBS Structure

WBS Code	Deliverable	Description
1.0	Dakshina Express Five-Outlet Launch	Complete project deliverable covering all outlets
1.1	Project Governance	Project charter, scope baseline, stakeholder plan, review mechanism
1.2	Site Finalization	Lease agreements, site measurements, landlord approvals
1.3	Outlet Design and Build	Prototype layout, civil work, interiors, electrical, plumbing, safety
1.3.1	Prototype Layout Approval	Standard kitchen, counter, storage, seating, and packing zone design
1.3.2	Civil and Interior Work	Flooring, partitions, counters, signage base, painting, fixtures
1.3.3	Utilities and Safety	Electrical load, water, drainage, exhaust, fire extinguisher, CCTV
1.4	Kitchen and Service Equipment	Procurement, installation, testing, warranties, maintenance schedule
1.5	Licences and Compliance	FSSAI, trade licence, labour compliance, fire and safety documentation
1.6	People Readiness	Recruitment, induction, SOP training, grooming, trial shifts
1.7	Supply Chain and Inventory	Vendor onboarding, item masters, opening stock, quality checks
1.8	IT, POS and Delivery Integration	Billing system, UPI, inventory module, delivery platform onboarding
1.9	Marketing and Launch	Local promotion, launch offers, digital creatives, customer feedback system
1.10	Trial Run and Handover	Mock service and readiness sign-off

Exhibit 4: Sample WBS Dictionary

Code	Work Package / Owner	Scope Included and Excluded	Key Inputs / Dependencies	Acceptance Criteria and Budget

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1.3.2	Civil and Interior Work Owner: Project Engineer	Complete civil modification and interior finishing for each outlet. Includes flooring, counter, partitions, painting, basic fixtures. Excludes kitchen equipment, branding, and POS setup.	Approved drawings, BOQ, landlord permission, kitchen layout approval, site access.	No visible defects; counter height as per design; handover checklist signed. Budget: Rs. 94.25 lakh
1.5	Licences and Compliance Owner: Compliance Consultant	All statutory approvals required before commercial launch. Includes FSSAI, trade licence, local permits, labour registrations. Excludes GST filing and future renewals.	Lease copy, approved layout, company documents, fire safety checklist.	Mandatory licences received or acknowledged as legally sufficient. Budget: Rs. 10.20 lakh
1.6	People Readiness Owner: HR Manager	Outlet teams recruited, trained, assessed, and allocated to shifts. Includes induction, grooming, SOP, hygiene, and service training.	Approved manpower plan, job descriptions, outlet opening sequence.	Minimum 90 percent staff trained and assessed before trial run. Budget: Rs. 15.30 lakh
1.10	Trial Run and Handover Owner: Operations Head	Operational readiness validated before public launch. Includes mock billing, food quality test, customer flow check, safety checklist, and defect closure.	All prior work packages completed; staffed outlet; opening stock available.	Two successful mock service sessions and defect closure report approved. Budget: Rs. 5.00 lakh within existing heads

9. Responsibility Assignment and Control

A WBS becomes more useful when connected to accountability. The Responsibility Assignment Matrix below converts deliverables into role clarity. R indicates Responsible, A indicates Accountable, C indicates Consulted, and I indicates Informed. This reduces conflict because every major work package has a visible owner.

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Exhibit 5: Responsibility Assignment Matrix (Simplified RACI)

Work Package	Accountable	Responsible	Consulted / Informed
1.1 Governance	CEO	Project Manager	Operations, Finance
1.2 Site finalization	CEO	Project Manager	Operations, Finance, Contractor, Consultant
1.3 Build and utilities	Project Manager	Contractor	Operations, Finance, Procurement, Consultant
1.4 Equipment	Project Manager	Procurement	Operations, Finance, Contractor
1.5 Licences	Project Manager	Compliance Consultant	Operations, HR, Contractor
1.6 People readiness	Operations Head	HR Manager	Project Manager, Finance
1.7 Supply chain	Operations Head	Procurement	Finance, Outlet Supervisors
1.8 IT and delivery	Project Manager	Procurement / IT Vendor	Operations, Finance, Consultant
1.9 Marketing launch	CEO	Marketing Team	Project Manager, Operations, Finance
1.10 Trial and handover	Project Manager	Operations Head	HR, Procurement, Contractor, Consultant

10. Risks Related to the WBS Decision

The WBS-based approach is not without challenges. Some managers may treat it as paperwork. Vendors may resist detailed acceptance criteria because it limits informal variation. The CEO may worry that revising the baseline signals delay. The project manager must therefore communicate that WBS is not a bureaucratic document; it is a control mechanism that protects time, cost, quality, and accountability.

Exhibit 6: Risk Analysis Linked to WBS

Risk	Probability	Impact	Mitigation
Scope creep continues	High	High	Create change control log; approve changes only against WBS code, cost, and time impact.

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Vendor disputes on incomplete work	Medium	High	Link vendor bills to WBS acceptance criteria and signed checklists.
Regulatory delay	Medium	High	Create separate compliance work package with document checklist and weekly tracking.
Staff not ready before launch	Medium	Medium	Align recruitment and training to outlet launch sequence through WBS 1.6.
Budget overrun	High	High	Use WBS codes for budget tracking and variance reporting.
Senior management bypasses process	Medium	High	CEO to approve WBS baseline and chair weekly exception review only.

11. Teaching Note

Instructor Guidelines: This case can be used after students have been introduced to project scope management, project charters, WBS, Gantt charts, network diagrams, cost estimation, and responsibility assignment. The instructor may begin by asking students why a project with a budget and schedule can still fail. Students should be guided to recognize that the missing element is scope decomposition into manageable deliverables. The case works well for group discussion because students can take different stakeholder roles: CEO, project manager, finance manager, operations head, contractor, and HR manager.

Suggested Classroom Flow: Begin with a 10-minute individual reading. Use 15 minutes for identifying symptoms and root causes. Allocate 20 minutes for WBS design in small groups. Use 20 minutes for discussion on cost, responsibility, and risks. Spend 15 minutes on decision recommendation and implementation plan. The final 10 minutes can be used for instructor synthesis.

Time Required: 90 minutes for classroom discussion. A written assignment may require an additional 2-3 hours.

Recommended Analysis Tools: WBS, WBS Dictionary, RACI Matrix, SWOC analysis, risk matrix, cost variance analysis, stakeholder analysis, and Gantt chart mapping.

Expected Learning Outcome: Students should conclude that WBS is not merely a diagram. It is the foundation for project integration, cost control, communication, procurement, scheduling, risk management, and performance reporting.

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12. Suggested Teaching Analysis

A strong student answer should identify that the original plan failed because it was activity-heavy but deliverable-poor. The project team listed tasks such as "start civil work" and "coordinate branding" without specifying what output would be accepted as complete. This made progress reporting subjective. A WBS would force the team to define outputs and then create supporting schedules and budgets. Students should also notice that the project involves replication across five outlets. A standard WBS can create consistency, while outlet-specific variations can be managed as controlled sub-packages.

The recommended decision is Option 3: pause for structured WBS-based replanning. The delay of two days is justified because current trends show a projected delay of 21-28 days and a cost overrun of 13.18 percent. A two-day planning intervention can reduce rework, clarify accountability, and provide better governance. The CEO should not be asked to monitor all details; rather, the CEO should approve the WBS baseline, review exceptions, and support the project manager in enforcing change control.

A practical implementation plan may include: conduct a cross-functional WBS workshop, freeze prototype layout, create outlet-wise work packages, prepare a WBS dictionary, map cost codes, prepare a RACI matrix, link procurement to accepted specifications, introduce weekly WBS-based dashboard, and allow changes only through a written change request. The project manager should present progress as percentage of deliverables accepted, not percentage of effort spent.

13. Questions for Classroom Discussion

22. What are the major symptoms of weak scope planning in the Dakshina Express project?
23. How is a Work Breakdown Structure different from a simple activity list or to-do list?
24. Prepare a three-level WBS for the five-outlet launch project. What should be the lowest-level work packages?
25. Which cost overruns in Exhibit 1 could have been controlled through a better WBS? Explain with examples.
26. How should Arjun convince the CEO that two days of replanning will not reduce project speed?
27. Which stakeholder is likely to resist the WBS approach and why?
28. Develop a RACI matrix for one additional work package not shown in Exhibit 5.
29. How can the WBS dictionary reduce vendor disputes and payment conflicts?
30. What are the risks of launching outlets without completing the trial run and handover work package?
31. If the company decides to expand from five outlets to ten outlets next year, how should the WBS be standardized?

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14. Assignment for Students

Prepare a project planning report of 1,500-2,000 words addressing the following:

- A revised WBS for the Dakshina Express expansion project.
- A WBS dictionary for at least five critical work packages.
- A short risk register linked to WBS elements.
- A recommendation to the CEO on whether to approve the two-day replanning exercise.
- A dashboard format that can be used for weekly project review.

15. Conclusion

The Dakshina Express case demonstrates that project failure often begins before execution, when scope is not properly decomposed. A project manager may have a deadline, budget, and motivated team, but without a WBS the team lacks a shared map of work. In the case, cost escalation, delayed approvals, role ambiguity, quality inconsistency, and schedule slippage all point to the same root problem: the absence of a deliverable-oriented structure.

The Work Breakdown Structure enables the project team to convert the CEO's strategic objective into manageable outputs. It clarifies what has to be delivered, who owns it, how much it may cost, when it should be completed, and how completion will be verified. For Dakshina Foods, the decision is not whether planning is important, but whether disciplined planning can become a competitive advantage. The open-ended question for students is: Can a growing Indian food retail company preserve entrepreneurial speed while adopting professional project management discipline?

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"Zepto: Redefining Convenience in Urban India"

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Purpose of the Case Study

This case aims to examine how Zepto has reshaped consumer expectations by introducing ultra-fast delivery in the grocery and essentials segment. It seeks to analyze the strategic, operational, and technological innovations that enable a 10-minute delivery model in a highly competitive and cost-sensitive market.

The study also aims to highlight the broader implications of quick commerce on traditional retail structures, supply chains, and labour practices. By examining Zepto's growth and challenges, learners can better understand the trade-offs between rapid scaling, customer acquisition, and sustainable business performance in modern entrepreneurial ventures.

Key Highlights:

- Ultra-fast delivery model (10-minute promise)
- Dark store supply chain innovation
- Rapid scaling and funding growth
- Regulatory and operational challenges

Learning Objectives:

1. To understand how changing consumer lifestyles and the demand for instant gratification are transforming modern retail and service delivery models.
2. To analyse how Zepto uses speed as a core value proposition to influence customer acquisition, retention, and purchasing behaviour.
3. To examine the operational complexities of last-mile delivery, including the role of dark stores, inventory management, and hyper local logistics.
4. To evaluate the role of technology and data analytics in improving efficiency and creating competitive advantage in quick commerce.
5. To assess the financial viability of high-growth start-ups by analysing unit economics, cost structures, and scalability challenges.
6. To explore the trade-offs between rapid expansion and long-term profitability in start-up business models.
7. To compare competitive strategies among quick-commerce players and identify key success factors in a dynamic market.

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8. To critically examine ethical and regulatory issues such as gig worker conditions, delivery pressure, and sustainability concerns.

1. Introduction

Background of Zepto

Zepto is a rapidly growing Indian quick-commerce startup founded in July 2021 by Aadit Palicha and Kaivalya Vohra. The company was initially started as KiranaKart, focusing on connecting customers with local grocery stores, but this model failed to gain traction due to operational inefficiencies and lack of scalability.

Recognizing the limitations of marketplace-based grocery delivery, the founders pivoted to a dark store model, where Zepto owns and operates small, strategically located warehouses stocked with high-demand products. This shift enabled the company to deliver groceries and daily essentials within 10 minutes, which became its core value proposition.

The idea behind Zepto emerged from a simple consumer insight: urban customers value speed and convenience more than ever, especially for everyday essentials. By leveraging technology, data analytics, and hyperlocal logistics, Zepto created a system that minimized delivery time while maintaining operational efficiency.

Despite being founded by very young entrepreneurs—both founders dropped out of Stanford University to pursue the venture—the company quickly gained investor confidence and scaled rapidly. Within a few years, Zepto expanded across major Indian cities, built a network of hundreds of dark stores, and achieved a valuation of over $5–7 billion, making it one of India's fastest-growing startups.

By 2025–2026, Zepto had evolved beyond groceries to include a wider range of products such as personal care, electronics, and ready-to-eat food, while also exploring subscription models and IPO plans.

Business Model of Zepto

1. **Customer Segments: -** Zepto primarily targets urban consumers, especially millennials and Gen Z, who value convenience, speed, and digital accessibility. Its core users include working professionals, nuclear families, and students who prefer quick access to groceries and daily essentials. The company also caters to impulse buyers who make last-minute or urgent purchases.

2. **Value Proposition: -** Zepto offers ultra-fast delivery (10-minute promise) of groceries and essentials, making speed its primary differentiator. It provides convenience, reliability, and ease of ordering through a mobile app, enabling customers to access daily needs instantly. The value lies not just in products but in time-saving and immediacy.

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3. **Channels: -** Zepto reaches customers through its mobile application and digital platforms, which serve as the primary interface for browsing, ordering, and payment. Delivery is executed through a network of dark stores and hyperlocal logistics systems, ensuring seamless last-mile connectivity.

4. **Customer Relationships: -** The company maintains relationships through app-based engagement, personalized recommendations, push notifications, and promotional offers. It focuses on repeat usage and habit formation by ensuring consistent delivery speed and service reliability, thereby building trust and loyalty.

5. **Revenue Streams: -** Zepto generates revenue through product margins, delivery fees, and surge pricing during peak demand. Additional income comes from brand partnerships, sponsored listings, and private label products. Subscription models are also being explored to ensure steady recurring revenue.

6. **Key Resources: -** Key resources include dark store infrastructure, technology platforms, data analytics systems, delivery workforce, and supplier networks. The company's algorithm-driven logistics and demand forecasting capabilities are critical intangible assets.

7. **Key Activities: -** Core activities involve inventory management, order processing, last-mile delivery, demand forecasting, and technology development. Maintaining fast delivery timelines and ensuring product availability are central operational tasks.

8. **Key Partnerships: -** Zepto collaborates with FMCG brands, local suppliers, logistics partners, and gig workers. It may also engage with technology providers and investors to support growth and operational efficiency.

Situation Analysis

Zepto operates in the rapidly evolving quick-commerce industry, where speed, convenience, and digital integration are redefining consumer expectations. A structured situation analysis helps understand its current strategic position, challenges, and future prospects.

1. **Industry Overview**

The Indian retail landscape has undergone a major transformation with the rise of quick commerce, a segment that delivers groceries and essentials within minutes. This shift is driven by:

- Increasing urbanization
- Time-constrained lifestyles
- Growth in smartphone usage and digital payments

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Quick commerce has emerged as a substitute for traditional kirana stores and conventional e-commerce, creating a highly competitive and fast-moving environment.

2. **Market Analysis**

Zepto primarily operates in urban metropolitan cities, where:

- Consumers prioritize speed and convenience over price
- There is a high density of customers enabling hyperlocal delivery
- Digital adoption is strong

However, expansion into Tier-2 cities presents challenges due to:

- Lower order density
- Higher price sensitivity
- Infrastructure limitations

3. **Competitive Analysis**

Zepto faces intense competition from:

- Blinkit – Strong backing and integration with food delivery ecosystem
- Swiggy (Instamart) – Large user base and logistics network
- Big Basket – Established brand with hybrid delivery models

Competitive Dynamics:

- Price wars and heavy discounting
- Expansion of dark store networks
- Focus on customer retention and loyalty

4. **Customer Analysis**

Zepto's customers exhibit the following behavior:

- High preference for instant delivery
- Increased impulse buying
- Low brand loyalty due to easy switching

While customers value speed, their willingness to pay premium prices is limited, making profitability difficult.

Challenges

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Zepto entered the Indian grocery delivery market with a bold promise—delivering essentials within 10 minutes. While this proposition attracted rapid customer adoption and strong investor interest, it also created a complex set of interrelated problems that threaten the long-term sustainability of the business.

- **Structurally cost-intensive**: -At the core, Zepto's model is structurally cost-intensive. Maintaining a network of dark stores in high-density urban locations involves high rental costs, inventory holding costs, and operational expenses. In addition, the company must ensure continuous product availability across thousands of SKUs, which increases working capital requirements and risks of wastage, especially for perishable goods. Despite charging delivery fees in some cases, margins remain thin due to heavy discounting and customer acquisition costs.
- **Last-mile delivery challenge**: - Another critical issue lies in the last-mile delivery challenge. The 10-minute delivery promise places immense pressure on logistics systems and delivery partners. To meet such tight timelines, Zepto must optimize routing, ensure real-time inventory accuracy, and maintain a high density of delivery personnel. However, this leads to concerns regarding delivery rider safety, unrealistic performance expectations, and potential regulatory scrutiny over labour practices in the gig economy.
- **Intense competitive pressure:** -The Company also faces intense competitive pressure from established players such as Blinkit and Swiggy (Instamart), who are aggressively expanding their quick-commerce operations. These competitors have access to larger capital pools, stronger brand recall, and integrated ecosystems, which intensifies price wars and increases customer switching behaviour
- **Growth versus profitability dilemma:** -From a strategic standpoint, Zepto is caught in a growth versus profitability dilemma. While rapid expansion into new cities and product categories is essential to maintain market leadership and justify high valuations, it further escalates operational complexity and financial burn. At the same time, slowing down expansion to focus on profitability could result in loss of market share in a highly dynamic and competitive environment.
- **Regulatory and societal concerns:** -Additionally, there are regulatory and societal concerns. Authorities have raised questions about the safety implications of ultra-fast delivery promises, potentially forcing companies to modify their marketing claims and operational practices. There are also growing concerns about the environmental impact of increased packaging waste and the sustainability of hyper local logistics models.
- **Challenge of consumer behavior sustainability; -**Finally, Zepto must address the challenge of consumer behavior sustainability. While urban consumers initially embrace speed and convenience, their long-term willingness to pay for such services remains uncertain. If discounts are reduced or delivery times are relaxed, demand may decline, questioning the durability of the business model

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Classroom Discussion Questions

A. Understanding the Business Model

- What is Zepto's core value proposition, and how does it differ from traditional e-commerce and retail models?
- How does the 10-minute delivery promise create both a competitive advantage and an operational challenge?
- To what extent is Zepto a technology company versus a logistics company?

B. Consumer Behavior & Market Dynamics

- Why are urban consumers attracted to quick commerce, and is this demand sustainable in the long run?
- How does instant delivery influence impulse buying and consumption patterns?
- Are customers truly willing to pay for speed, or is demand largely driven by discounts and promotions?

C. Operations & Strategy

- How do dark stores contribute to Zepto's efficiency, and what limitations do they impose?
- What are the key operational risks in maintaining a 10-minute delivery model?
- How can Zepto improve its unit economics without compromising customer experience?

D. Competition & Positioning

- How should Zepto differentiate itself from competitors like Blinkit and Swiggy?
- Is speed a sustainable competitive advantage, or can it be easily replicated by competitors?
- Should Zepto focus on expansion or consolidation in the current competitive environment?

E. Financial & Growth Decisions

- Should Zepto prioritize profitability or continue aggressive growth to capture market share?
- What strategies can Zepto adopt to increase revenue and improve margins?
- How viable is the private label strategy for long-term profitability?

F. Ethical & Regulatory Issues

- What are the ethical concerns associated with the 10-minute delivery model (e.g., rider safety, work pressure)?
- How should Zepto respond to increasing regulatory scrutiny on quick-commerce practices?

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- What steps can the company take to improve sustainability and reduce environmental impact?

G. Strategic Decision-Making

- Should Zepto expand into Tier-2 and Tier-3 cities, or focus on strengthening metro markets?
- What changes would you recommend to Zepto's business model to ensure long-term sustainability?

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"Entering a Saturated Market: How Reliance Jio Planned Its Breakthrough"

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ABSTRACT

This case examines how Reliance Jio, a subsidiary of Reliance Industries, successfully entered and transformed India's telecom sector through bold strategic planning and high-risk decision making. The study focuses on how the company identified a gap in affordable data services, invested heavily in next-generation infrastructure, and implemented disruptive pricing to capture market share. It highlights the importance of long-term vision, resource commitment, and calculated risk-taking in strategic management.

Key Highlights:

- Strategic planning in a competitive industry
- Long-term investment and risk-taking
- Market disruption through pricing strategy
- Decision-making under uncertainty

Learning Objectives:

- To understand strategic planning in large-scale market entry decisions.
- To analyze decision-making under high uncertainty and risk.
- To evaluate disruptive strategies and their long-term implications.
- To examine resource allocation and competitive positioning.
- To assess the role of leadership in strategic transformation.

1. Introduction: The Emergence of Reliance Jio

The Indian telecommunications sector has undergone one of the most dramatic transformations in recent decades, and at the center of this shift stands Reliance Jio. Launched in 2016 as a subsidiary of Reliance Industries, Jio entered a market that was already crowded with established players such as Bharti Airtel and Vodafone Idea. Despite the intense competition and high barriers to entry, Jio rapidly emerged as a disruptive force, fundamentally altering industry dynamics and consumer behavior.

Prior to Jio's entry, India's telecom industry was characterized by relatively high data costs, inconsistent internet speeds, and limited digital penetration. While mobile connectivity had expanded significantly, data usage remained low due to affordability constraints. Recognizing this gap, Mukesh Ambani envisioned a digitally empowered India where affordable and high-speed

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internet could serve as a catalyst for economic growth, social inclusion, and technological advancement. This vision became the foundation for Jio's strategic entry into the market.

Unlike traditional telecom operators that evolved incrementally from earlier technologies, Jio adopted a greenfield approach, building a nationwide 4G LTE network from scratch. This allowed the company to deploy the latest technology without the limitations of legacy infrastructure, ensuring superior data speeds and network efficiency. The scale of investment was unprecedented, with billions of dollars allocated toward spectrum acquisition, fiber optic networks, and digital infrastructure. Such a bold move reflected not only strong financial backing but also a long-term strategic commitment to redefining the telecom landscape.

Jio's launch strategy was equally transformative. By offering free voice calls and highly affordable data plans, the company challenged conventional pricing models and made internet access accessible to millions of Indians. This disruptive pricing strategy triggered a price war within the industry, forcing competitors to lower their tariffs and adapt their business models. As a result, data consumption in India surged dramatically, and the country became one of the largest consumers of mobile data globally.

Beyond connectivity, Jio positioned itself as a digital ecosystem provider. The company introduced a suite of applications and services, including entertainment, messaging, cloud storage, and digital payments, thereby creating an integrated platform that extended beyond traditional telecom services. This ecosystem approach enabled Jio to enhance customer engagement, increase switching costs, and establish a strong competitive advantage in the rapidly evolving digital economy.

The impact of Jio's entry was profound. It not only democratized access to the internet but also accelerated the growth of India's digital economy, enabling sectors such as e-commerce, online education, fintech, and entertainment to flourish. At the same time, the aggressive strategies adopted by Jio led to industry consolidation, with several smaller telecom operators exiting the market or merging with larger firms.

2. PROBLEM DESCRIPTION

Reliance Jio faced a complex strategic challenge when planning its market entry. The telecom industry was already saturated with established competitors who had strong customer bases, brand recognition, and extensive infrastructure. Entering such a market required overcoming high barriers to entry, including regulatory approvals, spectrum acquisition, and massive capital investment in network infrastructure. Additionally, consumers were price-sensitive and accustomed to existing service providers, making switching behavior uncertain. The central problem for Jio was how to differentiate itself in a crowded market while achieving rapid scale. The company needed to decide whether to compete on price, technology, service quality, or a combination of these factors, all while managing significant financial risks.

3. STRATEGIC PLANNING

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Reliance Jio's strategic planning was rooted in a long-term vision of creating a digitally connected India. Instead of upgrading existing telecom infrastructure, the company chose to build a greenfield 4G network, enabling it to adopt the latest technology without legacy constraints. This decision required meticulous planning in terms of spectrum acquisition, infrastructure deployment, and network optimization. The company invested billions of dollars in building a nationwide fiber optic network and ensuring high-speed connectivity. Furthermore, Jio's strategy extended beyond telecom services to include digital applications such as streaming, payments, and cloud services, thereby creating an integrated ecosystem. This comprehensive planning allowed Jio to position itself not just as a telecom provider but as a digital services platform.

4. DECISION-MAKING STRATEGY

One of the most critical aspects of Jio's success was its bold decision-making approach. The company adopted a disruptive pricing strategy by offering free voice calls and extremely low-cost data plans, which was unprecedented in the Indian market. This decision involved significant risk, as it meant incurring substantial losses in the short term to gain market share. Additionally, Jio decided to focus entirely on 4G technology, bypassing older generations like 2G and 3G. This technological leap allowed the company to offer superior data services but required customers to upgrade their devices. These decisions reflect a high-risk, high-reward approach, where the company prioritized long-term dominance over immediate profitability.

5. SITUATION ANALYSIS

At the time of Jio's entry, the Indian telecom market was characterized by high data costs, limited internet penetration, and growing demand for digital services. The increasing adoption of smartphones created a favorable environment for data-driven services, presenting a significant opportunity for Jio. However, the competitive landscape was intense, with established players capable of responding aggressively to new entrants. A SWOT analysis reveals that Jio's strengths included strong financial backing, advanced technology, and a clear strategic vision, while its weaknesses involved high initial losses and capital intensity. Opportunities lay in the untapped data market and growing digital consumption, whereas threats included regulatory challenges and price wars. This analysis highlights the complexity of the environment in which Jio operated.

6. OUTCOMES OF STRATEGIC DECISIONS

The strategic decisions taken by Jio led to remarkable outcomes. Within a short period, the company acquired millions of subscribers, rapidly becoming one of the largest telecom operators in India. Its aggressive pricing forced competitors to lower their tariffs, leading to a significant reduction in data costs across the industry. This triggered a wave of consolidation, with several smaller players exiting the market or merging with larger firms. Jio's success also accelerated digital adoption in India, enabling the growth of online services, e-commerce, and digital

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payments. However, these outcomes came at the cost of substantial initial losses, raising questions about long-term profitability and sustainability.

KEY DECISION POINTS

Despite its success, Reliance Jio continues to face critical strategic decisions. The company must determine whether to maintain its aggressive pricing strategy or gradually shift towards profitability. It also needs to explore ways to monetize its large customer base, such as through value-added services, digital content, and partnerships. Another key decision involves expanding its digital ecosystem to include areas like fintech, cloud computing, and entertainment. Additionally, Jio must consider how to sustain its competitive advantage in a market where competitors are continuously adapting. These decision points require careful evaluation of market conditions, financial implications, and long-term strategic goals.

7. CONCLUSION

Reliance Jio's journey illustrates the power of visionary planning and bold decision making in transforming industries. By investing heavily in infrastructure, adopting cutting-edge technology, and implementing disruptive pricing, Jio was able to redefine the Indian telecom landscape. The case highlights the importance of aligning strategic planning with execution and demonstrates how calculated risks can lead to significant competitive advantage. However, it also raises important questions about sustainability, profitability, and the long-term impact of such strategies. For managers and entrepreneurs, the key takeaway is the need to balance ambition with practicality while navigating complex and dynamic business environments.

TEACHING NOTE

MBA (Strategy, Planning, Decision Making)

Concepts Covered

- Strategic Planning
- Decision Making under Risk
- Disruptive Innovation
- Competitive Strategy

Suggested Teaching Approach

- Analyze pre-entry market conditions
- Evaluate Jio's strategic choices
- Discuss risks vs rewards
- Apply Porter's Five Forces

QUESTIONS FOR CLASSROOM DISCUSSION

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- What were the key elements of Jio's strategic planning?
- Was the pricing strategy too risky or highly innovative?
- How did Jio manage uncertainty in decision making?
- What alternative strategies could Reliance have adopted?
- How sustainable is Jio's competitive advantage?
- What lessons can entrepreneurs learn from this case?

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"Under Pressure: Stress Management Challenges at NexusCare Health Systems Pvt. Ltd."

1. Title Page

- *" Under Pressure: Stress Management Challenges at NexusCare Health Systems Pvt. Ltd."*
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Date of Submission: 28 April 2026

2. Abstract/Executive Summary:

Purpose of the Case Study

This case examines how unmanaged workplace stress affected employee well-being, productivity, morale, and organizational performance at **NexusCare Health Systems Pvt. Ltd.**, a fast-growing healthcare services company operating hospitals, diagnostic centres, and telehealth services across India.

Key Highlights

Rapid expansion, long working hours, emotional labour, staffing shortages, role ambiguity, and performance pressure led to severe stress among employees, especially nurses, call-centre staff, junior doctors, and administrative managers. Increasing absenteeism, burnout, resignations, medical errors, and interpersonal conflicts forced leadership to reconsider its people management practices.

Learning Objectives

Students will learn to:

- Understand sources of workplace stress
- Identify symptoms of employee burnout
- Apply stress management theories in organizations
- Evaluate the role of leadership in stress reduction
- Design organizational and individual stress interventions

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- Link stress management to performance and retention

Keywords

Stress Management, Burnout, Organizational Behaviour, Employee Well-being, Workload, Job Stress, Work-Life Balance

3. Introduction

Background Context

Nexus Care Health Systems Pvt. Ltd. was established in **2014** in Bengaluru, Karnataka, by a group of healthcare professionals, hospital administrators, and technology entrepreneurs who shared a common vision of making quality healthcare more affordable, accessible, and efficient for India's growing urban population. The founders believed that many middle-income families struggled to obtain timely medical care because private hospitals were often expensive, overcrowded, or concentrated in metropolitan centres, while public healthcare institutions faced capacity constraints and long waiting times.

Recognizing this gap, the founders designed NexusCare as an integrated healthcare services organization that would combine modern clinical care, diagnostic support, and digital healthcare solutions under one network. Their objective was to provide patient-centric services through professionally managed facilities, transparent pricing, and technology-enabled convenience.

The company initially began operations with:

- **One medium-sized hospital unit** in Bengaluru offering general medicine, pediatrics, orthopedics, gynecology, emergency care, and outpatient consultations
- **Three diagnostic centres** located in key residential and commercial areas to provide pathology testing, imaging, preventive health check-ups, and specialist referrals
- **120 employees**, including doctors, nurses, lab technicians, pharmacists, front-office executives, and support staff
- A **founder-led service culture** emphasizing responsiveness, empathy, and operational discipline
- Strong employee commitment driven by a startup-like environment and a sense of social purpose

During the early years, Nexus Care developed a reputation for reliable patient service, clean facilities, courteous staff behaviour, and comparatively affordable pricing. Since the organization was still small in size, communication between management and employees was direct and informal. Founders regularly interacted with doctors, nurses, and support teams, listened to operational concerns, and resolved issues quickly. Employees felt emotionally connected to the organization's mission and were motivated by the opportunity to build a growing healthcare brand.

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As demand for quality healthcare services increased, Nexus Care entered a rapid expansion phase. Rising urbanization, increased health awareness, growth in medical insurance usage, and greater demand for diagnostic and preventive healthcare services created strong market opportunities. The company began opening new facilities across South India and investing in telemedicine platforms to reach customers beyond physical hospital locations.

By **2025**, Nexus Care had transformed into a large regional healthcare network with:

- **6 hospitals** ranging from secondary care to multi-specialty centres
- **24 diagnostic centres** across multiple cities
- **2 telemedicine hubs** supporting virtual consultations and digital follow-up care
- **3,850 employees**, including medical, paramedical, administrative, technical, and managerial staff
- **Annual revenue of ₹620 crore**
- Operations across **Karnataka, Tamil Nadu, Telangana, and Maharashtra**

The organization was widely recognized for its growth trajectory, patient reach, and modern service model. Industry observers considered Nexus Care one of the promising mid-sized healthcare chains in South India. Investors appreciated its expansion potential, while patients valued its combination of affordability and service quality.

However, behind this impressive growth story, significant internal pressures were beginning to emerge. As the organization expanded rapidly, employee workloads increased, staffing models became strained, reporting structures became more complex, and performance expectations intensified. Systems for employee wellness, stress management, leadership development, and workload balancing did not evolve at the same pace as operational growth.

As a result, what appeared externally as a successful healthcare enterprise was internally beginning to experience rising levels of employee stress, burnout, fatigue, and morale decline—particularly among nurses, junior doctors, customer service teams, and frontline supervisors. These hidden people-related challenges gradually became a serious organizational concern.

4. Main Body

Organizational Growth and Pressure Build-Up

During the early years, employees at Nexus Care felt emotionally connected to the mission of providing affordable healthcare. Managers knew employees personally, teams were small, and decision-making was flexible.

As the organization expanded:

- Patient volumes increased sharply
- Administrative systems became more rigid

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- Performance targets became aggressive
- Employee-to-supervisor ratios widened
- Staffing shortages increased workload
- Emotional demands of patient care intensified

Despite growth, employee wellness systems remained weak.

Detailed Problem Description

By 2025, NexusCare began experiencing widespread stress-related issues across departments.

A. Excessive Workload

Many departments reported chronic understaffing.

Nurses often handled:

- Double shifts
- Emergency ward overflow
- Administrative documentation
- Family counselling duties

Call-centre executives managed:

- 180–220 customer calls daily
- Appointment conflicts
- Complaint escalation pressure

Managers were expected to remain available even after office hours.

Employees increasingly felt that workload expectations were unrealistic.

B. Role Ambiguity and Conflicting Demands

Employees often received contradictory instructions.

Examples:

- Operations managers were told to reduce costs and improve service quality simultaneously
- Nurses were expected to provide emotional care while meeting documentation deadlines
- Branch administrators had to improve customer satisfaction with reduced manpower

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This caused confusion and mental fatigue.

C. Emotional Labour

Frontline healthcare employees had to remain calm, polite, and compassionate even when dealing with:

- Critical patient situations
- Angry attendants
- Death-related trauma
- Long waiting-time complaints

Repeated emotional suppression caused exhaustion.

D. Work-Life Imbalance

Doctors, supervisors, and managers reported:

- Weekend calls
- Interrupted leave
- Night shift recovery issues
- Lack of family time

Several employees stated they felt “always on duty.”

E. Unsupportive Supervisory Behaviour

Some middle managers responded to pressure through:

- Public criticism
- Micromanagement
- Frequent follow-up messages late at night
- Unrealistic deadlines

Instead of reducing stress, leadership behaviour amplified it.

Symptoms of Organizational Stress

By late 2025, HR data showed visible warning signs.

Employees reported:

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- Sleep disturbances
- Anxiety
- Frequent headaches
- Irritability
- Low motivation
- Emotional exhaustion

Organizational indicators included:

- Increased absenteeism
- Rising resignations
- Declining engagement scores
- Errors in billing and documentation
- More conflicts between departments

Situation Analysis

Exhibit 1: HR Indicators

Metric	2022	2025
Employee Turnover	14%	31%
Absenteeism	6%	17%
Employee Engagement Score	78%	49%
Stress-related Leave Requests	82	341

Exhibit 2: Operational Indicators

Metric	2022	2025
Billing Errors per Month	34	118
Patient Complaints	210	496
Average Overtime Hours/Month	11	29

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Stress Hotspots by Department

Department	Stress Level
Nursing	Very High
Call Centre	High
Diagnostics	Moderate
Administration	High
Doctors (Junior)	Very High

Root Causes of Stress

Internal Causes

- Understaffing
- Poor scheduling
- Weak delegation
- Lack of wellness support
- Poor communication
- Unsupportive managers

External Causes

- Competitive healthcare market
- Rising patient expectations
- Pandemic after-effects
- Skilled labour shortages

Theoretical Analysis

1. Demand-Control Model (Karasek)

Employees faced high job demands but low control over schedules and decisions, creating stress.

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2. Role Theory

Role conflict and role ambiguity increased mental strain.

3. Maslach Burnout Model

Three dimensions were visible:

- Emotional exhaustion
- Depersonalization
- Reduced personal accomplishment

4. Herzberg Theory

Poor working conditions and supervision reduced motivation.

Critical Incident

In **November 2025**, NexusCare Health Systems Pvt. Ltd. experienced a critical internal crisis that brought long-ignored employee stress issues into public view. A **junior staff nurse**, assigned to the emergency department of one of the company's flagship hospitals in Bengaluru, fainted while attending to patients during an evening shift. Preliminary internal reports later revealed that she had completed **three consecutive extended shifts**, with inadequate rest between duties due to staff shortages and emergency patient inflow.

The nurse had reportedly worked beyond her scheduled hours on multiple days because replacement staff were unavailable and patient admissions had surged unexpectedly. Colleagues stated that she had shown signs of exhaustion, dizziness, and emotional fatigue earlier in the week, but continued reporting to duty because of pressure to maintain staffing coverage and concern that absenteeism would burden teammates.

The incident occurred in a **crowded emergency ward**, during a peak admission period when doctors, nurses, patients, and attendants were present. As the nurse collapsed near the treatment station, the situation created immediate alarm among patients and staff members. Some attendants began recording the incident on mobile phones, while other employees rushed to provide first aid. Though the nurse recovered after medical attention, the symbolic impact of the event was far greater than the medical consequences.

For many employees, the incident represented not an isolated health episode, but visible proof of a growing culture of overwork, fatigue, and neglect of employee well-being.

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Immediate Organizational Fallout

Within days of the incident, internal dissatisfaction surfaced rapidly across multiple channels.

Employees Raised Complaints Anonymously

Several employees used internal email aliases, grievance portals, and external job-review websites to describe stressful working conditions. Complaints referred to:

- Chronic understaffing in nursing and support units
- Excessive overtime without adequate recovery time
- Frequent shift changes at short notice
- Emotional pressure from patient families
- Lack of managerial empathy
- Fear of speaking openly about workload concerns

Anonymous messages circulated internally asking, *"How many more incidents are needed before management listens?"*

Social Media Posts Criticized Staff Treatment

Videos and comments from witnesses spread on social media platforms. Former employees and healthcare workers from other hospitals joined the discussion, criticizing long working hours in private healthcare institutions. Some posts specifically questioned whether NexusCare prioritized expansion and profitability over employee welfare.

Hashtags relating to hospital staff burnout and nurse exhaustion began trending locally.

Local Media Covered "Hospital Staff Burnout"

Regional news channels and digital newspapers picked up the story with headlines such as:

- *Hospital Staff Burnout Raises Questions on Working Conditions*
- *Private Healthcare Growth and Employee Stress Under Spotlight*
- *Nurse Collapses During Duty at Busy Emergency Ward*

Although management attempted to describe the incident as an isolated health event, public attention intensified.

Three Nurses Resigned Together

Within one week, **three experienced nurses** from the same hospital submitted resignations simultaneously. In exit discussions, they cited:

- Continuous overtime pressure

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- Emotional exhaustion
- Inadequate staffing support
- Lack of recognition
- No confidence that conditions would improve

Their resignations created further strain on already stretched schedules.

Doctors Requested Revised Schedules

Junior doctors and resident medical officers formally requested a review of shift structures. They argued that fatigue among nursing staff and medical teams was creating risks not only for employees, but also for patient safety, documentation accuracy, medication handling, and response time during emergencies.

Some doctors privately warned that burnout could lead to clinical errors if not addressed urgently.

Emergency Leadership Meeting

Facing reputational risk, employee unrest, and media attention, the CEO convened an emergency meeting with senior leadership from operations, human resources, finance, clinical administration, and hospital management.

However, rather than producing coordinated solutions, the meeting exposed deep internal divisions.

Operations Blamed HR for Staffing Shortages

The operations team argued that repeated requests for additional nurses, technicians, and ward assistants had not been fulfilled in time. They claimed hospitals were being asked to maintain service standards without adequate manpower.

HR Blamed Finance for Delayed Hiring Approvals

The HR department responded that recruitment proposals had been submitted months earlier, but cost approvals were delayed or reduced. They stated that offer letters and replacements were often postponed due to budget restrictions.

Finance Blamed Department Heads for Overtime Misuse

Finance leaders argued that overtime expenses had escalated sharply because departments failed to manage rosters efficiently. They questioned whether manpower planning and scheduling discipline were adequate at unit level.

Clinical Heads Blamed Management Targets

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Medical and clinical leaders criticized aggressive occupancy, expansion, and service targets set by corporate leadership. They stated that pressure to maximize bed utilization, reduce downtime, and maintain patient volumes had resulted in unsustainable workloads.

CEO Reaction

The CEO, who had previously viewed stress concerns as manageable operational issues, was reportedly shocked by the depth of frustration and mistrust expressed during the meeting. What had appeared to be isolated complaints was now clearly a systemic organizational problem involving workload design, leadership culture, staffing strategy, and employee well-being.

For the first time, leadership recognized that the company's internal stress crisis was affecting:

- Employee morale
- Retention of skilled staff
- Brand reputation
- Service quality
- Patient safety
- Long-term sustainability

Turning Point for Nexus Care

The fainting incident became a symbolic and strategic turning point for NexusCare. It forced senior management and the board to confront a difficult reality: while the organization had invested heavily in hospitals, technology, and expansion, it had underinvested in the people sustaining those operations.

The company could no longer treat stress as an individual weakness or temporary inconvenience. It had become an organizational risk requiring immediate structural intervention.

Decision Points

The Board asked the CHRO to present a 90-day stress management action plan.

She had to decide:

1. Should staffing levels be increased immediately despite cost pressures?
2. Should managers be trained in empathetic leadership?
3. Should counselling and wellness programs be launched?
4. How should shift schedules be redesigned?
5. Should after-hours communication rules be implemented?
6. How can stress be measured regularly?

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5. Teaching Note

Instructor Guidelines

Use this case to discuss:

- Occupational stress
- Burnout prevention
- Employee wellness strategy
- Leadership and stress climate
- Work-life balance
- HR interventions

Time Required

- Reading: 30 minutes
- Group Analysis: 40 minutes
- Discussion: 45 minutes

Recommended Tools

- Stress Audit
- Fishbone Analysis
- Workload Mapping
- Burnout Risk Assessment
- Herzberg Analysis
- SWOT / SWOC

6. Questions for Classroom Discussion

Diagnosis

1. What are the primary causes of stress at NexusCare?
2. Is workload or leadership the bigger problem?

Strategic Decisions

3. What immediate interventions should management prioritize?
4. Should productivity targets be reduced temporarily?

HR Perspective

5. How can the organization build long-term resilience?

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6. What role should counselling and EAP programs play?

Broader Perspective

7. Can stress ever be positive in organizations?
8. How can organizations distinguish pressure from burnout?

7. Recommended Solutions (Illustrative)

The CHRO proposed:

Short-Term

- Emergency hiring in critical departments
- Weekly stress pulse surveys
- Mandatory weekly off compliance
- Supervisor behaviour guidelines
- Counselling helpline

Medium-Term

- Leadership training
- Shift optimization software
- Wellness allowance
- Internal communication forums

Long-Term

- Mental health culture initiatives
- Resilience training
- Career planning pathways
- Sustainable manpower planning

8. Conclusion

Nexus Care Health Systems grew rapidly, but its people systems failed to keep pace with operational demands. Stress accumulated silently through excessive workload, emotional pressure, poor supervision, and lack of recovery time.

The organization now faced a critical question:

Can Nexus Care protect employee well-being while sustaining high-performance healthcare delivery, or will unmanaged stress undermine its future growth?

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"Transforming PragnaTech Solutions Pvt. Ltd.: A Comprehensive Case on Management, Strategy, Decision-Making and Organizational Transformation"

Institution: Poornaprajna Institute of Management, Udupi
Programme: MBA Programme
Subject Area: Modern Organization and Management
Prepared for: Teaching and Classroom Discussion
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1. Abstract / Executive Summary

Purpose of the Case Study: This teaching case study examines the transformation journey of PragnaTech Solutions Pvt. Ltd., a mid-sized Indian technology and consulting organization facing rapid environmental changes, strategic uncertainty, operational inefficiencies, and increasing global competition. The case integrates concepts from management, planning, organizing, decision-making, controlling, and strategic management.

Key Highlights: The case explores managerial roles, organizational restructuring, planning approaches, strategic implementation, business-level strategies, innovation management, sustainability practices, and decision-making under uncertainty.

Learning Objectives: Students will learn how organizations apply management theories in practice, evaluate strategic alternatives, design organizational structures, make managerial decisions, and implement strategic control systems.

Keywords: Management, Strategy, Decision Making, Organizational Structure, Planning, Innovation

2. Introduction

PragnaTech Solutions Pvt. Ltd. was established in Bengaluru in 2012 as a technology-enabled business consulting company serving manufacturing, retail, healthcare, and financial service industries. Over the years, the company experienced rapid growth due to its innovative solutions and customer-oriented service model. By 2024, the company had expanded its operations across South India and employed more than 1,200 professionals.

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Despite its early success, the company started facing several managerial and strategic challenges. Competition from multinational firms, digital disruption, rising employee turnover, customer dissatisfaction, and operational inefficiencies created uncertainty in organizational performance. Senior management realized that traditional management practices alone would not ensure long-term sustainability.

The company's Managing Director, Mr. Arvind Rao, initiated a strategic transformation programme called 'Vision 2030'. The initiative aimed to improve planning systems, redesign organizational structures, strengthen decision-making processes, improve strategic control mechanisms, and create a sustainable innovation-driven organization.

3. Main Body of the Case

3.1 Introduction to Basic Concepts and Management

The organization operated in a highly dynamic environment where managers were expected to perform multiple roles simultaneously. Managers at PragnaTech acted as leaders, negotiators, coordinators, entrepreneurs, and spokespersons. Mintzberg's managerial roles became visible in everyday operations, particularly during crisis management and strategic planning.

The company adopted a combination of classical and behavioural approaches to management. While operational efficiency depended on structured systems and standard operating procedures, employee engagement and teamwork became critical for innovation and customer satisfaction.

Managerial competencies such as communication, teamwork, planning ability, and strategic thinking became essential due to global competition and hybrid work culture. Sustainability and innovation were also integrated into managerial responsibilities.

3.2 Planning

The strategic planning committee developed annual and long-term plans under the Vision 2030 initiative. The organization adopted Management by Objectives (MBO), where departmental managers and employees jointly established measurable goals aligned with organizational objectives.

The company identified declining customer retention as a critical issue. Accordingly, management established goals related to service quality, digital transformation, employee training, and market expansion.

Managers faced difficulties while planning in a rapidly changing technological environment. Short product life cycles, uncertain customer expectations, and global competition required flexible and adaptive planning approaches.

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3.3 Organizing

Initially, the organization followed a functional structure. However, as the company expanded, coordination problems increased across departments. Employees complained about communication delays and overlapping responsibilities.

To address these issues, the company experimented with a matrix structure and project-based teams. Cross-functional teams were created to improve innovation and customer responsiveness.

The management also introduced flexible work arrangements, teleworking options, and virtual collaboration systems to improve employee productivity and work-life balance.

3.4 Decision Making

The senior leadership team frequently encountered complex decisions involving technology investments, market expansion, and resource allocation. Decision-making became challenging because of uncertainty and incomplete information.

Managers used a combination of rational decision-making, intuition, and evidence-based analysis. Some decisions relied heavily on quantitative data such as market forecasts and financial reports, while others depended on managerial judgment and experience.

The organization also observed biases in decision-making. Managers occasionally demonstrated overconfidence bias, resistance to change, and short-term thinking while evaluating strategic alternatives.

3.5 Controlling

PragnaTech implemented several control mechanisms to monitor organizational performance. Financial controls were used to track profitability, cost management, and investment efficiency.

The company introduced concurrent controls and feedback systems to improve project management effectiveness. Benchmarking was conducted against leading technology firms to identify performance gaps.

Monthly performance review meetings enabled managers to identify deviations from planned objectives and initiate corrective actions.

3.6 Strategic Management

The organization developed a strategic vision focused on becoming a leading digital transformation partner for medium-sized enterprises in India. The mission emphasized customer-centric innovation, ethical business practices, and sustainable growth.

Environmental analysis revealed increasing technological disruption, rising cybersecurity threats, changing government regulations, and growing demand for sustainable business solutions.

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SWOT analysis identified strong technical expertise and customer relationships as strengths, while high employee turnover and weak global presence were identified as weaknesses.

3.7 Levels of Strategy

At the corporate level, the organization pursued diversification by entering healthcare analytics and AI-based consulting services. Strategic alliances with educational institutions and global technology firms were also established.

At the business level, the company adopted differentiation strategies by focusing on customized services, faster delivery, and superior customer support.

The company also considered retrenchment strategies in low-performing divisions to optimize resource allocation.

3.8 Strategy Implementation, Evaluation and Control

The successful implementation of Vision 2030 required significant changes in organizational culture, leadership behaviour, resource allocation, and employee training.

The organization created implementation teams to monitor progress and ensure alignment between strategy and operational activities.

Strategic evaluation mechanisms included balanced scorecards, customer satisfaction surveys, employee productivity indicators, and financial performance metrics.

4. Supporting Data and Exhibits

Year	Revenue (₹ Crores)	Employee Strength	Customer Retention %	Net Profit Margin %
2021	120	850	88	14
2022	148	980	84	12
2023	172	1100	79	10
2024	180	1200	73	8
2025	195	1250	76	9

Exhibit 1: Financial and Operational Performance Data

Strengths	Weaknesses
Strong technical team	High employee turnover
Strong customer base	Limited global presence
Innovation capability	Coordination issues

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Brand reputation	Dependence on few markets

Exhibit 2: SWOT Analysis

5. Teaching Note

Instructor Guidelines: This case study may be used for classroom discussions, group analysis, presentations, and strategic simulation exercises.

Time Required: 120 to 180 minutes including group discussion and presentation.

Recommended Analysis Tools: SWOT Analysis, PESTEL Analysis, Porter's Five Forces, Benchmarking, Decision Tree Analysis, Balanced Scorecard.

6. Questions for Classroom Discussion

1. What managerial competencies were most critical for the success of Vision 2030?

2. How did environmental uncertainty affect planning at PragnaTech Solutions?

3. Evaluate the effectiveness of the matrix organizational structure implemented by the company.

4. Which decision-making approach would be most suitable for technology investment decisions? Why?

5. How can benchmarking improve organizational control systems?

6. Conduct a SWOT analysis for PragnaTech Solutions and suggest strategic improvements.

7. Which corporate-level strategy should the company prioritize for long-term sustainability?

8. How can strategic evaluation and control mechanisms improve implementation effectiveness?

9. What role does innovation play in managerial success in modern organizations?

10. How can sustainability practices contribute to competitive advantage?

7. Conclusion

The case of PragnaTech Solutions Pvt. Ltd. demonstrates the interconnected nature of management functions and strategic decision-making in modern organizations. The company's transformation journey highlights the importance of planning, organizing, controlling, strategic management, and innovation in achieving long-term sustainability.

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Although the organization achieved progress in several areas, many challenges remained unresolved, particularly regarding organizational culture, global competition, and technological disruption. The case leaves students with an important question: Can PragnaTech sustain its competitive advantage while balancing innovation, employee well-being, and strategic growth?

8. Best Practices Reflected in the Case

• Realistic organizational problems and strategic dilemmas.

• Integration of qualitative and quantitative data.

• Cross-functional management perspectives.

• Application-oriented managerial learning.

• Opportunities for analytical and critical thinking.

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"Building a High-Performance Organizational Culture at NexGen Solutions Pvt. Ltd.: A Comprehensive Case Study on Organizational Behaviour"

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Subject Area: Organizational Behaviour
Prepared For: Teaching, Case Analysis and Classroom Discussion
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1. Abstract / Executive Summary

Purpose of the Case Study: This teaching case study explores the organizational behaviour challenges faced by NexGen Solutions Pvt. Ltd., a rapidly growing IT-enabled services organization. The case examines issues related to employee attitudes, organizational culture, leadership, motivation, communication, stress management, and organizational change.

Key Highlights: The case highlights employee dissatisfaction, communication gaps, workplace stress, team conflicts, cultural diversity challenges, and resistance to organizational change. It demonstrates how managers apply organizational behaviour principles to improve performance and organizational effectiveness.

Learning Objectives: Students will understand organizational behaviour concepts and their practical applications in modern organizations. They will analyze managerial challenges related to leadership, perception, motivation, group dynamics, conflict management, stress, communication, and organizational change.

Keywords: Organizational Behaviour, Leadership, Motivation, Communication, Conflict Management, Organizational Culture

2. Introduction

NexGen Solutions Pvt. Ltd. was established in Bengaluru in 2015 as an IT-enabled business services company specializing in digital solutions, customer analytics, and cloud-based business

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applications. Within a short period, the company expanded its operations across India and employed more than 1,500 professionals from diverse educational and cultural backgrounds.

Although the company achieved significant financial growth, internal organizational problems began to emerge. Employees reported high stress levels, communication barriers, conflicts among departments, declining job satisfaction, and increasing employee turnover. Managers observed that technical expertise alone was insufficient to maintain organizational effectiveness.

The Chief Executive Officer, Ms. Radhika Menon, initiated an organizational transformation programme aimed at improving workplace culture, leadership effectiveness, employee motivation, communication systems, and stress management practices. The initiative required managers to apply organizational behaviour concepts to address complex human resource and workplace challenges.

3. Main Body of the Case

3.1 Fundamentals of Organizational Behaviour

The management team recognized that employee behaviour significantly influenced organizational performance. Managers studied the relationship between individual behaviour, group dynamics, and organizational systems to improve productivity and employee engagement.

The organization reflected multiple models of organizational behaviour. Senior managers initially followed an autocratic approach, where decisions were centralized. However, changing workforce expectations forced the company to adopt supportive and collegial approaches to improve employee participation and collaboration.

Managers realized that organizational behaviour had limitations because human behaviour varied across situations, personalities, and cultural contexts.

3.2 Values, Attitudes and Emotions

Employees at NexGen Solutions came from different cultural and educational backgrounds, resulting in varied values and attitudes toward work. Some employees prioritized career growth and innovation, while others preferred job security and work-life balance.

Emotional intelligence became a critical managerial competency. Managers with high emotional intelligence demonstrated better conflict handling, empathy, communication, and leadership effectiveness.

The company conducted personality assessments using the Myers-Briggs Type Indicator and the Big Five personality framework to improve team compatibility and leadership development. Johari Window and Transactional Analysis were also introduced during employee training programmes.

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3.3 Perception and Motivation

Perception played a major role in workplace interactions. Employees often formed selective perceptions regarding leadership decisions, promotions, and workload distribution. Stereotyping and halo effects influenced interpersonal relationships and team effectiveness.

The organization implemented motivational programmes based on Maslow's Need Hierarchy and Herzberg's Two-Factor Theory. Financial rewards, recognition systems, employee wellness programmes, and career development opportunities were introduced to improve motivation.

Managers also applied Vroom's Expectancy Theory and Equity Theory to ensure fairness and strengthen employee commitment.

3.4 Group and Team Dynamics

The company increasingly depended on project-based teams involving employees from different departments. Managers observed that group behaviour strongly influenced innovation, decision-making, and productivity.

Several teams experienced challenges during the storming stage of group development due to differences in opinions, work styles, and communication patterns.

Leadership effectiveness emerged as a major issue. Some managers focused only on task completion, while others adopted participative leadership styles that encouraged employee involvement and collaboration.

3.5 Conflict Management and Organizational Culture

Interdepartmental conflicts became common due to resource allocation issues, unclear responsibilities, and communication gaps. Managers adopted different conflict management styles such as collaboration, compromise, accommodation, and avoidance depending on the situation.

The organizational culture gradually shifted from a rigid hierarchical culture to a more inclusive and learning-oriented culture. Diversity and inclusion programmes were introduced to improve gender diversity and multicultural collaboration.

The management emphasized ethical values, transparency, teamwork, and employee empowerment as part of cultural transformation.

3.6 Stress at Workplace and Organizational Change

Employees reported increasing work stress due to tight deadlines, hybrid work arrangements, and continuous technological changes. Several employees showed symptoms of burnout, emotional exhaustion, and reduced productivity.

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The company introduced counseling support, wellness programmes, mental health awareness sessions, and flexible work policies to improve employee well-being.

NexGen Solutions also implemented organizational changes involving restructuring, digital transformation, and performance evaluation systems. Managers faced resistance to change from employees who feared job insecurity and increased workload.

3.7 Communication Basics

Communication breakdowns significantly affected coordination among departments. Employees complained about unclear instructions, delayed feedback, and information overload.

The organization introduced formal and informal communication channels, regular team meetings, digital collaboration platforms, and employee feedback systems.

Managers recognized that effective communication was essential for leadership, teamwork, conflict management, and organizational change.

3.8 Listening, Interview and Negotiation

Managers attended training programmes on active listening, interview handling, group discussions, and negotiation techniques. The training emphasized empathy, patience, questioning skills, and conflict resolution abilities.

Recruitment interviews were redesigned to assess communication skills, emotional intelligence, and adaptability in addition to technical expertise.

Managers also participated in negotiation workshops to improve vendor management, employee relations, and project coordination.

4. Supporting Data and Exhibits

Year	Employee Turnover %	Job Satisfaction Score	Stress Index	Productivity Score
2021	12	7.8	5.1	82
2022	16	7.1	6.0	79
2023	21	6.4	7.2	74
2024	25	5.9	8.1	70
2025	18	7.0	6.3	80

Exhibit 1: Employee and Organizational Performance Indicators

Strengths	Weaknesses
Skilled workforce	High stress levels
Strong technological capability	Communication barriers

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Diverse employee base	Employee turnover
Innovation-oriented management	Resistance to change

Exhibit 2: Organizational Behaviour SWOT Analysis

5. Teaching Note

Instructor Guidelines: The case may be used for classroom discussions, group assignments, role plays, leadership simulations, and organizational behaviour analysis exercises.

Time Required: 120 to 180 minutes including case analysis, discussion, and presentation.

Recommended Analysis Tools: Johari Window, Transactional Analysis, SWOT Analysis, Leadership Style Analysis, Motivation Theories, Conflict Management Models, Communication Process Models.

6. Questions for Classroom Discussion

1. How did organizational behaviour concepts influence managerial effectiveness at NexGen Solutions?

2. What role did emotional intelligence play in leadership and conflict management?

3. Analyze the motivational strategies adopted by the organization using motivation theories.

4. How did group dynamics affect team performance and organizational productivity?

5. Evaluate the role of organizational culture in managing diversity and inclusion.

6. What stress management strategies were implemented to reduce employee burnout?

7. How can managers overcome employee resistance to organizational change?

8. Discuss the importance of communication and listening skills in organizational success.

9. What leadership style would be most effective in managing a diverse workforce?

10. How can negotiation and interview skills contribute to organizational effectiveness?

7. Conclusion

The case of NexGen Solutions Pvt. Ltd. demonstrates that organizational success depends not only on technology and strategy but also on effective management of human behaviour within organizations. The organization's transformation journey highlights the importance of leadership, communication, motivation, emotional intelligence, conflict management, and stress reduction.

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Although the organization achieved improvements in employee engagement and organizational culture, the long-term sustainability of these initiatives depended on continuous managerial commitment and adaptability. The case leaves students with a critical question: How can organizations maintain employee well-being and organizational performance in an increasingly dynamic and stressful business environment?

8. Best Practices Reflected in the Case

• Realistic organizational behaviour challenges.

• Integration of qualitative and quantitative analysis.

• Application of OB theories to practical situations.

• Cross-functional and interdisciplinary learning.

• Strong focus on leadership, communication, and workplace well-being.

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1. Case Title

"The Phantom Wallet Network: AI-Driven FinTech Fraud and Digital Money Laundering in India"

A Comprehensive Fictional Case Study on Financial Fraud, Fake KYC Accounts, Crypto Laundering and Regulatory Failure in India's FinTech Sector

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2. ABSTRACT

Purpose of the Case Study

This case study examines how a fast-growing Indian fintech company became involved in one of the largest AI-enabled financial frauds in the digital payments sector. The case highlights how fake KYC identities, mule bank accounts, shell merchants, and cryptocurrency laundering networks were used to manipulate financial transactions, evade regulatory monitoring, and siphon customer funds.

The fraud demonstrates the growing intersection between:

- financial crime,
- artificial intelligence,
- cyber fraud,
- weak corporate governance,
- and inadequate compliance systems.

The case further explores the role of Indian regulators, banks, forensic investigators, auditors, and compliance officers in detecting and controlling digital financial fraud.

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Key Highlights:

- AI-generated fake identities were used to create thousands of fraudulent digital wallets.
- Fake merchant accounts were used to generate circular transactions and inflate revenue.
- Stolen funds were routed through cryptocurrency exchanges and offshore wallets.
- Internal compliance alerts were deliberately ignored by senior management.
- Weak governance and aggressive growth targets encouraged manipulation of financial records.
- Regulatory investigations resulted in asset freezes, penalties, and operational collapse.

Learning Objectives:

After studying this case, students should be able to:

Financial Fraud Understanding

- Understand modern digital financial fraud techniques.
- Analyze how AI technology can be misused in fintech operations.

Compliance & Regulation

- Evaluate the importance of KYC, AML, and transaction monitoring systems.
- Understand RBI guidelines relating to fintech compliance and digital payments.

Corporate Governance

- Assess the role of directors, auditors, and compliance officers in preventing fraud.
- Identify failures in internal control systems and risk management.

Strategic Analysis

- Examine the tension between rapid startup growth and ethical compliance.
- Explore how regulators can balance innovation with financial security.

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3. Introduction

Background Context

NovaPay Digital Services Pvt. Ltd. was established in Bengaluru in 2019 as a digital financial technology company specializing in:

- UPI payment processing,
- digital wallets,
- merchant QR solutions,
- instant micro-loans,
- crypto-linked remittance services.

The company quickly became one of India's fastest-growing fintech startups. Venture capital investors praised NovaPay for its:

- AI-driven onboarding process,
- rapid merchant acquisition,
- scalable payment infrastructure,
- low transaction costs.

Between 2021 and 2025, NovaPay expanded aggressively across:

- Karnataka,
- Maharashtra,
- Delhi,
- Telangana,
- Tamil Nadu,
- Gujarat.

The company claimed:

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- over 18 million users,
- more than 2.5 lakh merchants,
- annual transaction processing exceeding ₹7,800 crore.

However, beneath this rapid growth, authorities later discovered a sophisticated fraud network involving:

- fake KYC identities,
- shell merchant accounts,
- layered crypto transactions,
- manipulated revenue reporting,
- and suppression of internal compliance alerts.

Key Players:

Internal Stakeholders

- Mr. Rohan Malhotra – Founder & CEO
- Ms. Priya Khanna – Chief Financial Officer
- Internal Compliance Team
- Technology & AI Verification Department
- Board of Directors
- External Statutory Auditors

External Stakeholders

- Reserve Bank of India (RBI)
- Enforcement Directorate (ED)
- Financial Intelligence Unit – India (FIU-IND)
- Cyber Crime Investigation Cell
- SEBI
- Venture Capital Investors
- Partner Banks

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- Customers & Merchants

Relevance of the Case

This case is highly relevant for:

- Financial Management
- FinTech Studies
- Corporate Governance
- Forensic Accounting
- Cyber Security
- Banking & Insurance
- Business Ethics
- Risk Management

The case illustrates how emerging technologies such as artificial intelligence and cryptocurrency can create new forms of financial fraud if governance systems fail.

4. Main Body

Detailed Problem Description

Between 2022 and 2025, NovaPay allegedly carried out a coordinated financial fraud operation involving multiple illegal practices.

A. AI-Generated Fake KYC Identities

NovaPay's onboarding system relied heavily on automated AI verification systems.

Fraudsters exploited weaknesses in the system by using:

- AI-generated facial images,
- deepfake videos,
- synthetic Aadhaar combinations,
- manipulated PAN card data,
- voice-cloning software.

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These fake identities were used to:

- open digital wallets,
- create merchant accounts,
- obtain instant loans,
- conduct layered transactions.

Investigators later found that:

- many accounts had no real physical owners,
- multiple wallets were linked to the same devices,
- several merchant IDs were controlled centrally.

B. Mule Account Network

To move money undetected, Nova Pay allegedly operated a network of mule bank accounts.

The accounts were created using:

- students,
- daily wage workers,
- unemployed individuals,
- rural account holders.

Small commissions were paid in exchange for:

- ATM access,
- OTP sharing,
- account usage permissions.

These accounts helped:

- break large transactions into smaller amounts,
- avoid AML reporting thresholds,
- rapidly transfer stolen funds.

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C. Fake Merchant Transactions

The company created thousands of shell merchant accounts that generated:

- fake QR transactions,
- artificial sales records,
- circular refunds,
- invoice manipulation.

This allowed NovaPay to:

- inflate transaction volume,
- increase valuation metrics,
- attract additional investors,
- present false revenue growth.

Authorities later discovered that many merchants:

- had no real businesses,
- shared addresses,
- used identical GST details,
- operated from virtual locations.

D. Cryptocurrency Laundering

A major portion of fraudulent funds was allegedly converted into cryptocurrency through:

- stable coins,
- decentralized wallets,
- offshore crypto exchanges.

Funds were layered through:

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- multiple wallets,
- cross-border transfers,
- peer-to-peer crypto transactions.

Investigators suspected that some funds were ultimately routed to:

- offshore tax havens,
- foreign shell companies,
- undisclosed investment entities.

E. Suppression of Compliance Alerts

Internal compliance officers reportedly generated several alerts regarding:

- suspicious transactions,
- repeated KYC anomalies,
- merchant duplication,
- unusual wallet activity.

However:

- alerts were ignored,
- reports were deleted,
- investigations were delayed,
- whistleblowers faced pressure from management.

One senior compliance employee later leaked internal records to regulators.

Quantitative Data

Particulars	Estimated Value
Fraudulent Transactions	₹1,420 crore

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Money Laundered via Crypto	₹760 crore
Fake Wallet Accounts	95,000+
Shell Merchant Accounts	12,000+
Suspected Investor Misrepresentation	₹410 crore
Regulatory Penalties	₹210 crore
Frozen Customer Wallets	3.8 lakh
Estimated Tax Evasion	₹185 crore

Situation Analysis:

External Analysis

- Regulatory Environment
- RBI increased scrutiny of fintech KYC systems.
- FIU-IND strengthened AML reporting requirements.
- Cryptocurrency monitoring increased significantly.
- Digital payment fraud cases rose sharply after rapid fintech expansion.

Technological Environment

- AI tools made identity fabrication easier.
- Deepfake technology weakened traditional KYC verification.
- Faster UPI adoption increased fraud exposure.

Competitive Environment

- Fintech startups faced pressure to show rapid growth.
- Investors prioritized transaction volume over compliance quality.

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- Aggressive expansion encouraged shortcuts in governance.

Internal Analysis

Governance Weaknesses

- Excessive decision-making power concentrated with founders.
- Weak board independence.
- Inadequate compliance escalation systems.

Operational Weaknesses

- Poor merchant verification processes.
- Weak transaction monitoring systems.
- Overdependence on automated onboarding.

Audit Failures

- Auditors relied excessively on management explanations.
- Limited forensic verification was conducted.
- Revenue growth claims were not independently validated.

Decision Points

1. Compliance Framework

How could NovaPay have implemented stronger:

- KYC systems,
- AML controls,
- merchant verification procedures,
- governance structures?

2. Legal Violations

Which provisions under:

- RBI regulations,

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- PMLA,
- IT Act,
- Income Tax Act,
- Companies Act

were potentially violated?

3. Auditor Responsibility

What responsibility did auditors and independent directors have in identifying:

- suspicious transaction patterns,
- fake merchants,
- inflated revenues?

4. Regulatory Coordination

- How should:
- RBI,
- ED,
- FIU,

Cyber Crime authorities
coordinate investigations without disrupting legitimate users?

5. Supporting Data and Exhibits

Exhibit A: Timeline of Events

Year	Event
2019	NovaPay incorporated in Bengaluru
2021	AI-based onboarding system launched
2022	Rapid merchant expansion across India

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2023	Internal compliance alerts begin
2024	Suspicious crypto routing detected
2025	RBI and ED initiate investigation
2026	Accounts frozen; operations collapse

Exhibit B: Financial Snapshot

Metric	FY 2024	FY 2025
Reported Revenue	₹980 crore	₹1,480 crore
Reported Profit	₹42 crore	₹76 crore
Suspected Fake Transactions	₹540 crore	₹880 crore
Crypto Laundering Exposure	₹280 crore	₹480 crore
Investor Funding Raised	₹650 crore	₹910 crore

Exhibit C: Key Laws Invoked

Financial & Corporate Laws

- Prevention of Money Laundering Act (PMLA)
- Information Technology Act, 2000
- RBI KYC Directions
- FEMA

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- Income Tax Act, 1961
- Companies Act, 2013

Cyber & Financial Crime Provisions

- Digital identity fraud provisions
- Financial cybercrime regulations
- AML reporting requirements

6. Teaching Note Instructor Guidelines

Step 1: Fraud Understanding

Ask students to differentiate between:

- operational negligence,
- regulatory non-compliance,
- intentional financial fraud.

Step 2: Group Analysis

Divide students into:

- fintech management,
- compliance officers,
- auditors,
- regulators,
- investors.

Each group should identify:

- warning signs,
- governance failures,
- possible preventive measures.

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Step 3: Risk Assessment

Students should evaluate:

- fintech growth risks,
- AI misuse risks,
- crypto compliance risks.

Time Required:

Case Discussion: 2–3 Hours

Assignment / Presentation: 1 Week

Recommended Tools:

- AML Risk Matrix
- KYC Verification Framework
- Fraud Triangle Analysis
- Forensic Accounting Indicators
- Corporate Governance Checklist

7. Questions for Classroom Discussion

Research & Analysis:

1. What were the major red flags in NovaPay's operations?
2. How did fake merchant accounts distort financial reporting?

Strategic Decision-Making

1. Could NovaPay have achieved growth legally?
2. How should fintech firms balance innovation with compliance?

Technology Perspective

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1. How can AI both create and detect fraud?
2. What weaknesses exist in digital KYC systems?

Governance Perspective

1. What role should independent directors play?
2. How should whistleblower systems function?

Broader Perspective

1. What lessons does this case provide for Indian fintech startups?
2. Should India impose stricter crypto regulations?

8. Conclusion

The NovaPay Digital Services case shows how rapid growth without proper governance and compliance can lead to serious financial fraud in the fintech sector. What appeared to be a successful digital payments company was later linked to fake KYC accounts, shell merchants, cryptocurrency laundering, and manipulated financial records. The case explains how artificial intelligence and digital technologies can increase the scale and complexity of financial crimes when they are misused. It also highlights weaknesses in internal controls, board supervision, auditing, and regulatory compliance within fast-growing startups. The involvement of agencies such as the RBI, Enforcement Directorate, and FIU-IND shows the growing seriousness of digital financial fraud in India. Overall, the case emphasizes that long-term success in the digital economy depends on ethical leadership, transparency, strong compliance systems, cybersecurity, and responsible use of technology.

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