UNIVERSITY OF PETROLEUM & ENERGY STUDIES

DEHRADUN

End Semester Examination –May, 2017

Name of the Program: MBA (International Business) | **Semester – II**

Subject Name : International Business | **Max. Marks : 100**

Subject Code : | **Duration : 3 Hrs**

This question paper has 3 page(s).

Section – A (2*10 =20 Marks)

1. Answer the following questions:
    a) Foreign Policy Global Index
    b) Functional Currency
    c) Provide the names of the international institutions from World Bank Group
    d) Who is the President of World Bank
    e) Which currency was included in SDR Basket as fifth currency on October 2016.
    f) Explain Six-tier institutional framework of international trade in India.
    g) Explain the concept of Income Barter Terms of Trade.
    h) What is Leontief Paradox?
    i) Explain the concept and types of tariff
    j) Explain the rule of thumb “Follow the cash flow” for BOP Transactions.

Section - B (5*6=30 Marks)

Answer Any Six Questions.

2. Discuss Economic Implications of Trading Blocks.
3. Explain the impact of BREXIT on India.
4. Discuss the concept of Capital Account Convertibility and Current Account Convertibility.
5. Explain purchasing power theory or law of one price with the help of example.
6. Explain the following maxims with the help of examples:
    a. Buy High and Sell Low
    b. Buy Low and Sell High
7. Following is the table showing output per hour of work about apparels and mobiles in India and China.

OUTPUT PER HOUR OF WORK		
	APPARELS	MOBILES

INDIA	14	8
CHINA	4	6

Calculate total production before and after trade. Assume that total number of hours is 1000 out of which 750 is dedicated to manufacturing apparels and 250 for mobiles.

Section - C (2*12.5=25 marks)

Attempt Any Two Questions:

8. Fast-moving consumer goods company Patanjali's aim to out class multinational rivals in the domestic market appears well on course, according to numbers disclosed by it on May 4, 2017. Baba Ramdev led company clocked revenue of 10, 561 crore in FY17. Making it the second largest pure-play FMCG player after market leader Hindustan Unilever. What's even more impressive of MNC giants Colgate-Palmolive, GSK, Consumer healthcare, and P&G hygiene and Healthcare. Ghee is the best seller for Patanjali, contributing 14% to total revenue, followed by toothpaste (9%) and hair oil (8%). Its Divya pharmacy store contributed 8%. At Rs. 825 crore, Patanjali's hair oil sales are higher than that of key player Bajaj Corp. And adding a smile to Patanjali's revenues are its tooth paste sale at Rs. 940 crore, a segment where the home bred player has captured 14% market share. Profits are galloping too, and have increased 100%, though actual numbers have not been disclosed yet.
   Discuss the theoretical definition of Blue Ocean and Red Ocean and compare the two markets with the help of given information and based on your understanding.
9. Haberler said that the Terms of Trade should be optimized rather than maximized.
   Explain the given statement with the help of an example.
10. Please provide the comparative analysis of different trade theories and their relevance in the given scenario of Protectionism.

Section - D (25 marks)

Apparel Export Margins Shrink

Strong Rupee's Adverse Impact Reduces Competitiveness

With the rupee appreciating 5% against the US dollar so far in 2017, the strongest among key competitors including China, the operating profit margins of apparel exporters are estimated to by 1.5% in the last quarter of 2016-17. More than 70% of textile and apparel exports from the country are dollar denominated.

While currencies of China and Bangladesh have moved up by only 1% and 0.5% respectively against the dollar, Vietnam's currency has dropped 1% so far 2017. "A strong rupee is likely to have an adverse impact on the export trade volumes and earnings, since fresh export orders will have reduced competitiveness," Experts tracking the textiles sector said. Export realisations would get dented due to the strong rupee and EBITDA (earnings before interest, taxes, depreciation and amortisation) margins would drop by around 150 bps on year-on-year (YOY) basis in fourth quarter of 2016-17, India Ratings and Research estimated.

"Rupee realisations will shrink by 3%-5% in the near term and hence will impact the profitability of companies across the textile value chain," analysts at India Ratings and Research Said. This could offset some the gains, which would accrue from the union government's export stimulus

package, GST implementation and decision of the US to exit from the 'Trans-Pacific Partnership', they said.

"The rupee appreciation has affected us badly. Buyers are not increasing prices and it would hit our export volumes," Said Raja M Shanmugham, President, Tirupur Exporters' Association Apparel exports from Tirupur, the largest hub in the country, are pegged at around Rs. 25,000 crore on an annual basis now.

Exporters are taking a cautious approach and order booking could slow down if the rupee remains strong, he said. "Exporters are not able to book orders due to over-valued rupee as apparel exporters are highly price sensitive," according to Ashok K. Rajani, Chairman, Apparel Export Promotion Council (AEPC). "The growing cotton prices and rupee appreciation is not only going nullify the intended impact of the (export stimulus) package, but also weaken India's position against our competitors," he stated.

"Export-oriented apparel manufacturers with unhedged receivable positions will be the hurt the most, due to their geographically concentrated (US and Europe) earnings profile, low market share and restricted bargaining power with their global clients," the analysts said. Readymade garment exports moved up 4.8% y-o-y to Rs. 116381 crore during 2016-17, AEPC data showed.

Export improved by a mere 2.33% y-o-y in dollar terms of $ 17.336 billion during the fiscal year. This was much slower than the double-digit growth witnessed both in rupee and dollar terms in 2015-16.

Earnings and EBITDA margins of India Ratings rated large spinners and weavers would be relatively less impacted due to their diverse earnings profile, coupled with cost and quality leadership of their products," the agency said.

While domestic demand has recovered from the negative impact of demonetisation, strong cotton prices coupled with increased price competitiveness of imported yarn and fabric would pressurise profit margins, experts said.

(Source: Times of India, May 5, 2017)

Q.1 "A strong rupee is likely to have an adverse impact on the export trade volumes and earnings, since fresh export orders will have reduced competitiveness." Explain the basics of foreign exchange fluctuations with reference to the given case. (05 Marks)

Q.2 Establish various linkages of international business of apparel export based on given case. (10 Marks)

Q.3 "Exporters are not able to book orders due to over-valued rupee as apparel exporters are highly price sensitive", discuss the concept of price sensitivities and its business implications with reference to the given case. (05 Marks)

Q.4 What strategy you would recommend to overcome fluctuations in foreign exchange. (05 Marks)