

TUSHAR METRO CORPORATION

(A case of Strategic Decision Making)

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Abstract –

Tushar Metro Corporation was the idea which was initiated by Radheshyam since he was not happy with his present job profile. Since last 3 years he is getting frustrated doing the same routine work and was awaiting for a major challenge. The change in Indian Government resulted into fulfilling the ambitions of Radheshyam of become an entrepreneur. The various projects of metro and concrete roads all across have been a boon for Radheshyam and with his brother in law Ganesh he went to fulfill his ambitions. The case deals with the obstacles that Radheshyam is presently facing and looking for options to counter it.

Key words – Entrepreneur, Partnership, metro rail, budget, obstacles

Background Note –

Tushar Metro Corporation is an organization which deals in manufacturing bogies or compartments exclusively for Metro train. The corporation started in the year 2007 under the leadership of Mr. Radheshyam a renowned professional working in HR and marketing consultancy. On the birth of his first son he started this company. It is a joint venture with Sai travel agency owned by Mr. Ganesh. The collaboration of two people in setting up an organization was to expand and invest in a new venture where they predicted huge profit.

India is developing at a huge pace and to keep up with this it requires many ventures to fulfill the various demands as far as infrastructure is concerned. Huge concrete structures are coming up with flyovers and concrete roads. Metro rail is an endeavor that needs to be addressed as many cities in India are going for it. With the phenomenal increase in the demand of compartments or bogies for Metro rail Radheshyam and Ganesh came together and started a new venture. The initial investment for this venture is Rs. 5 crore which they have borrowed from Vidyapati Bank Ltd, Jabalpur. The loan has been given at an annual interest of 11.5%.

Tushar Corporation's plan was as sequenced below –

Acquire a huge place for office purpose – One Ram Naik approached the partners with an identified place perfect for putting up the manufacturing plant. On 16th April 2015 Radheshyam with Ganesh went to the place located in Wardhaman nagar which has been a real estate office and the interiors are quite okay. The proposed rent is Rs. 1.25 lakhs per annum. In order to get convince with respect to rent and space, went on identifying few more places since if we acquired once a place it cannot be changed. Two more places were seen one in MIDC, where they can put the office as well as manufacturing plant. The problem was the clients might not be in a position to visit the office in MIDC. So it was decided that the place of office

should be in city and the manufacturing plant in MIDC. Finally it was decided to take the place in Wardhaman nagar on rent.

Rent an area for manufacturing compartments – As per the corporation regulation a manufacturing plant cannot be located in the city; it must be out of city limits. In order to have a sprawling manufacturing plant a paper company was identified which is closed for last three years due to huge losses to the management, a place was seen which was under construction stage and will be completed within next 2 months, a running manufacturing plant was identified which was been provided on lease basis and lastly an open plot was seen which is ready for sale. The plot can be bought and the plant can be constructed on the same area. The owner instead on taking plot on rent tried to convince Ganesh to buy it. The price was fixed at 11 crore to be paid within 5 years. The deal was on final stage. Both the partners have already paid Rs. 2 crore as advance amount and the remaining will be given in equal instalments.

Purchase of equipments and installing.

Initiated this process by identifying vendors for selling the various equipments required for manufacturing compartments.

1. Submitting 3 or 4 tenders for procuring projects – 3 tenders has been submitted in Nagpur, Varanasi and Allahabad.
2. Recruiting staff for the office and field work – At present hired 4 mechanical engineers and a technical expert from France.
3. The manufacturing commencement date was fixed as 15th August 2017.

Budget Allocation –

EXHIBIT 1

S. No	Particulars	Amount (Rs.)
1.	Office rent	125000
2.	Manufacturing plant	22000000
3.	Salary to staff	1000000
4.	Electricity, water, transportation etc.	500000
5	Miscellaneous/Contingency expenses	500000
	Total	24125000

In order to get the loan Radheshyam and Ganesh has mortgaged there land which is having a market price of 15 crores. The entire plan was working well but suddenly Indian government implemented GST (Goods simple tax) and all the operations came to a standstill. All the equipments purchase was stalled till further notice. Banks disbursement was stalled till further orders from there board of directors.

Obviously the partners were in soup what to do and what not to do? The dilemma led to medical problems to one of the partner. After few months Ganesh dropped out himself from the partnership leading to further problem to the enterprise. The resultant break in partnership means Radheshyam has to arrange the entire investment of 11 crores. In order to run the business he started tapping other partners and since he did not have any stand in the market nobody came forward. Radheshyam was a broken man and he was not able to come out of this problem.

One day a call came which was shocking, one of the leading businessmen from Nagpur Mr. Rajkumar Tripathi gave a deal to Radheshyam. The proposal was as given below –

1. The businessman Rajkumar Tripathi will be a sleeping partner. The partnership with him will not be disclosed.
2. The total investment will be done by Tripathi of 11 crore.
3. Running of the business will be totally Radheshyam's responsibility.
4. The partnership will be 70:30, 70% will be Radheshyam's share and 30% will be Tripathi's share.
5. The partnership will be only for a year after which Tripathi will back out from the project.
6. After completion of one year there will be no deal between Radheshyam & Tripathi.

TEACHING NOTE

Case Synopsis

The case describes a situation where a company into manufacturing of bogies and compartments for metro rail faces various obstacles and the process through which they have to come out of it at any cost. It also shows the partnership dilemma during negotiation and decision making. The case showcases how a partner has to face a situation where he has to give up to his principles and face the challenges.

Students will be encouraged to show their concept dealing and solving business problem acumen.

Target Audience

The target audience for this case is students pursuing Master of Business Administration or Master of Management Studies. It is also mandatory that in the syllabi of MBA / MMS a subject of Strategic Management is in existence. As far as the autonomous syllabus that we are running, the course is in existence in the syllabus of third semester and as far as Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur is concerned it is in the third semester.

Learning Objective

- a. To guide the students facing a strategic business problem.
- b. Terms and conditions relation to partnership firm.
- c. Encouraging one of the partners to come out of the dilemma and make decision.
- d. Students getting a feel of real business problem.

Detailed Teaching Plan

All lectures will be of 60 minutes duration.

* Faculty members must avoid taking participation in the discussion

**Each student must take active part in discussion

***The case must be distributed to all groups 07 days before the start of discussion.

****The case discussion will last 6 days.

Day	Matter to be discussed	Pedagogy	Outcome	Assignment

1	Background note and introduction to case	<ul style="list-style-type: none"> The faculty member will brief the students regarding the case – 20 minutes Students in the class will be grouped in 5 – 05 minutes Group of students will discuss the case in the class – 30 minutes Faculty member will give an assignment (mentioned in last column) 	Students will come to understand the case and its issues.	Do a critical analysis of Tushar Metro Corporation?
2	Assignment given by the faculty member	<p><u>Analysis review</u></p> <ul style="list-style-type: none"> Presentation by groups (60 students@5 per group = 12 groups) – 4 groups 40 minutes@10 minutes Summary of the discussion by one of the group leader – 10 minutes Assignment by the faculty member for next day 	<ol style="list-style-type: none"> 1. Every student must discuss in detail the in and out of strategic management 2. The operational part of Tushar Metro Corporation. 3. The various probable ways to tackle such situations faced by Radheshyam, Ganesh & Tripathi. 	What should be the reaction of Radheshyam to the proposal given by Tripathi?
3	Assignment given by the faculty member discussed	<ul style="list-style-type: none"> Assignment discussion – 15 minutes by faculty member Presentation by groups (60 students@5 per group = 12 groups) – 4 groups 40 minutes@10 minutes Summary of the discussion by one of the group leader – 05 minutes Assignment by the faculty member for next day 	<ol style="list-style-type: none"> 1. Every student must discuss in detail the in and out of strategic management 2. The operational part of Tushar Metro Corporation. 3. The various probable ways to tackle such situations faced by Radheshyam, Ganesh & Tripathi. 	Why Ganesh dropped out from the partnership?
4	Assignment given by the faculty member discussed	<ul style="list-style-type: none"> Assignment discussion – 15 minutes by faculty member Presentation by groups (60 students@5 per group = 12 groups) – 4 	<ol style="list-style-type: none"> 1. Every student must discuss in detail the in and out of strategic management 2. The operational part of Tushar Metro 	To create a counter proposal of Radheshyam to put forward to Tripathi

		<p>groups 40 minutes@10 minutes</p> <ul style="list-style-type: none"> • Summary of the discussion by one of the group leader – 05 minutes • Assignment by the faculty member for next day 	<p>Corporation.</p> <p>3. The various probable ways to tackle such situations faced by Radheshyam, Ganesh & Tripathi.</p>	
5	Preparation of plan by each group to solve situations prevalent in DSM institute.	<ol style="list-style-type: none"> 1. To find the reply to Tripathi's proposal. 2. To give a full proof plan to tackle the present situation from Radheshyam's point of view. 3. Presentation of new proposal from Radheshyam. 	Create a model to have a healthy partnership between Radheshyam and Ganesh. Also create it to avoid such break in partnership.	
6	Evaluation exercise	Evaluation test by the faculty member consisting of 10 short questions covering the case and its analysis	Each and every group of students will be able to tackle any type of strategic decision making.	

Evaluation Exercise – All questions carry equal marks – 05 marks each. Total marks = 50 marks

1. What is the main situation in the case?
2. Explain the various positives and negatives of the case?
3. Why this situation aroused?
4. Who is responsible for the situation?
5. How should Radheshyam react to the situation?
6. Describe the major reason behind breakup of the partnership between Radheshyam and Ganesh.
7. How a new proposal from Radheshyam can be presented to create a consensus with Tripathi?
8. As a student of strategic management how you will tackle such situation?
9. How you will rate your success if you are able to handle the situation?
10. If you fail in solving the problem, what other remedy is there to solve?