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**MANAGEMENT PROGRAMME**

**Term-End Examination**

**December, 2012**

**MS-93 : MANAGEMENT OF NEW  
AND SMALL ENTERPRISES**

*Time : 3 hours*

*Maximum Marks : 100*

*(Weightage 70%)*

- Note :** (i) Attempt **any three** questions from **Section-A**.  
(ii) **Section - B** is **compulsory**.  
(iii) **All** questions carry **equal** marks.
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**SECTION-A**

1. "Entrepreneurs are self driven people with strong internal locus of control". Explain giving examples of some successful entrepreneurs.
2. What are the various financial institutions providing long and medium term loans ? Discuss their role in brief.
3. (a) What factors a small entrepreneur has to consider while deciding the location of the plant ?  
(b) Enumerate the positive and negative sides of family business.

4. (a) What is meant by market segmentation?  
What are the bases for market segmentation ?  
(b) Define "Advertising". What are the functions of advertising ?
5. What is Human Resource Management in small Industry ? What are the activities that are performed as a part of HRM in small business ? Discuss.

## SECTION-B

6. Read carefully the case given below and answer the questions given at the end :

He can afford to blow his own horn, Loudly. And the reason lies right under your hood. After all, the 45-year-old K. Ramaswamy's Roots Industries (Roots) is the largest manufacturer of electric horns in the country. Of the 9.3 lakh horns sold in the replacement market each year, over half are branded Roots. And the man who built this Rs 12-crore start-up has even swung a tie-up with the German automobile components giant, Bosch. "I can finally call my company a Bosch licensee," says Ramaswamy proudly.

By end-1994, Bosch will relocate a horn-making line from its La Carolina facility in Spain to the Roots unit in the Ganapathy precincts of Coimbatore(Tamil Nadu). And this Rs.5-crore project will hike Roots' annual capacity to two million horns from the present 1.2 million. By March 1996, says Ramaswamy, Roots' turnover will double and exports will rise five-fold to Rs. 7 crore. "Bosch's decision to go with us is an affirmation of its trust in our quality," says he.

Bosch is not the only transnational to trust Ramaswamy. Germany's Hako Group picked up a 26 percent stake in his first diversification. Roots Multiclean, which was set up in January 1994.

Making industrial commercial vacuum cleaners, Roots multiclean is cleaning up, with a monthly turnover of about Rs.18 lakh. And in July 1994, Reliance Capital and Finance Trust picked up 25 percent of Roots' Rs. 1.60-crore equity at a premium of Rs. 150 per share in a bought-out deal. "A public issue would have taken me months", admits Ramaswamy, who has coolly picked up Rs. 4 crore, promising only to get Roots listed on the over The Counter Exchange of India in 15 months' time.

Carving out a niche hasn't been easy, though; it is the culmination of a 30-year obsession and several false starts.

A farmer's son, Ramaswamy recalls tinkering around with cars from his childhood. He had ample opportunity to do so : his father, R.Krishna swamy Gounder, 87, would buy a new car every two years, and import the latest horns accessories that fascinated his son. "It always used to beat me why we couldn't make good horns in our country," he recalls.

That, as he was to discover, was easier said than done. After acquiring a diploma in mechanical engineering from the Coimbatore institute of Technology in 1968, Ramaswamy studied automobile engineering at the Lincolor technical Institute at Newark in the US for a year. Checking up a \$ 7000 a month job with Ford motors,

Ramaswamy returned to coimbatore in 1969, And he set-up shop in a small shed, calling his firm American Auto Service (AAS). "My father backed me financially and emotionally, " he says.

After developing two bombs-a recovery system that improved radiator efficiency and a low-pressure vacuum brake for cars - Ramaswamy had to beat a hasty retreat. And he managed to develop an air-pressure horn. But he could sell only 500 of them in all of 1974. Finally, in a last-ditch effort to stay in business, Ramaswamy and his team of engineers went back to the drawing board and designed the country's first electric-powered air horn.

Strategically, Ramaswamy priced his product at Rs. 85, 15 percent higher than the competition. "I was doubly sure of my product," he says. Five years later, when he was selling over 25,000 air horns a year. Ramaswamy also developed an electric horn. " Experience taught me to be different." Four times lighter, it used far less power than competing products sold by leaders like Lucas, TVS and Jalwa.

Starting off as a supplier to Hindustan Motors, Roots' client base soon included Premier Automobiles and TELCO. But in order to grow, Ramaswamy had to enter the replacement market. He did so in 1985, when he launched Vibrosonic, a heavy-duty horn priced at Rs. 150.

By March 1988, AAS was selling over 100,000 horns a year, and turnover had crossed Rs. 1 crore. Earlier, in 1985, Ramaswamy set up Roots Auto Products-named after the telegraphic address of his father's sago unit, ROOTS-to make an exhaust-powered jack from polyvinyl chloride-coated (PVC) material.

Then, the government hiked the import duty on PVC from 98 percent to 298 percent, which resulted in the doubling of the jacks' retail price to Rs.600. After Ramaswamy had lost Rs. 50 lakh on that product, he transferred his electric air horns business to Roots Auto. And by 1989, both Roots Auto and AAS had cornered market shares of 70 percent and 40 percent in the air and electric horn segments, respectively. In 1991, Ramaswamy renamed AAS Roots Industries to cash in on the brand's equity. Now, his strategy is clear : focus on quality, keep costs low, price high, and cap dealers' margins.

Frugality is reflected in Ramaswamy's personal life. A devotee of Lord Muruga, he rises at 5 a.m. is a strict vegetarian, doesn't even drink tea, and prefers nature cure to allopathy. He wears the Roots uniform-cream shirt, brown trousers-and cycles to work each day. Don't be fooled by this conservative exterior; under the three horizontal lines of vibhuti on Ramaswamy's forehead is a mind obsessed with the state-of-the-

art. His office has sophisticated communications systems, and most of his senior executives have been provided with pagers.

And Ramaswamy relished a challenge. When Bosch refused to even meet him when he first sought a tie-up, he decided to prove his mettle. After Ramaswamy dared to exhibit his products at the Automechanica, auto components fair in Frankfurt (Germany) in September 1992 exports shot up from Rs. 41 lakh in 1992-93 to Rs. 1.4 crore in 1993-94. "My basic idea was to get a toe-hold in the world market and be noticed for my quality," he says. If that were partly fulfilled when Bosch agreed to team up with him, it will be doubly endorsed when Ramaswamy receives the ISO-9001 certification in Germany this month. **Clearly success is finally honking at Ramaswamy's door.**

Questions :

1. What factors were responsible for the success of Ramaswamy as an entrepreneur ?
2. Evaluate the strategy "Focus on quality, keep costs low, price high and cap dealer's margins" adopted by Ramaswamy in terms of longterm implications.

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