

# CASE STUDY: WHO MISSED THE BUS?

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**Abstract— Mr. S.K. Mishra, the branch manager of ICV limited is perplexed because his branch didn't able to meet up the targets of loan disbursement.**

**ICV limited is one of the leading NBFC of India and because of the growing competition facing tough roads ahead. The advent of private sector banks who have deep pockets and well-developed marketing divisions of these banks has adversely affected the positions of small companies like ICV. The case discusses the process of loan disbursement and put lights on salient features of NBFCs**

Keywords— Case study, commercial Vehicle Loans, Truck Industry of India

## I Introduction

It was a chilly day for S.R. Mishra, the Branch Manager of *I.C.V. Finance limited*. One of the Southern NBFC, operating in commercial vehicle financing, in Bikaner, Rajasthan. Mishra has just come from Central Head Quarter, New Delhi where he was humiliated enough for not full filling the given targets for the year 2004.

Manish Sarkar the immediate boss of Mishra was in fact furious with lackadaisical approach of Mishra. "Mishra Ji, change the attitude of you and then your boys otherwise we will have to initiate changes," Manish passed his verdict. Bikaner division was given a target of 11.50 crore disbursement for the year 2004, a 50% jump from the previous year target despite the objections raised by Mishra. And the achievement was 10 crores against the target.

It was not only Bikaner branch, which was facing the troubles the whole northern region was facing the suffocation. Two big giants ICICI and HDFC came into the forays like never before with their cutting-edge marketing arms, deep pockets and very well brand image.

Bikaner division was started in 1997 with a given target of 0.50 crore, and this was the tendency of the company to raise the target 50% every year till 2003 the targets were achieved but 2004 proved the dry year.

## II Indian Commercial Vehicle Industry

India's Truck and bus industry, the world's fifth biggest, is on course to report its third straight year of near 30 per cent growth but a cyclical downswing could slow growth to 10 per cent in 2005/06. To beat a cyclical decline, top firms led by market leader Tata Motors Ltd. and third-ranked Eicher Motors Ltd. are considering new improved models, expanding their product range and tapping into export markets. The country's commercial vehicle industry, that

makes products ranging from small pickups to large multi-axle trailer trucks, has been boosted by strong replacement demand in the past three years and robust economic growth that increased freight movement. The cheapest vehicle loans in three decades, rising government investment in bulky infrastructure projects and the construction of a national highway network that fueled the movement of large volumes cement and steel also helped demand. Nearly 70 per cent of the freight is moved by road. The factors combined to lift domestic sales of trucks and buses by 36.5 per cent in the past business year ended March 2004 to 260,345 units and by 30 per cent in the preceding year. Sales rose 28.5 per cent in the first half of this business year. Commercial vehicle demand in the country is cyclical, though the duration of the cycles follows no pattern. After the previous sales peak of 1996/97, when the industry reported domestic sales of 221,256 vehicles, sales crashed 35 per cent in 1997/98. Another trough in 2000/01 contributed to dragging Tata Motors to its biggest loss of Rs 500 crore. Eight firms make trucks and buses in India, broadly divided into light vehicles, with vehicle and payload weight of up to 7.5 tones, and medium and heavy, with weight over 7.5 tones. But vehicle sales are clustered around 7.5, 16 and 25 tones. Analysts said industry sales were unlikely to drop sharply as in 1997/98 or 2000/01 as economic and industry growth remained strong, and spending on new industrial projects and road construction activity continued.

## III Indian Commercial Vehicle Finance Industry

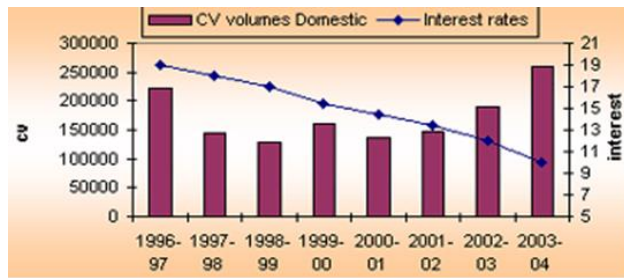
Indian C.V. Finance industry has been on growth road. In 2001 it was estimated in the tunes of 10,000 crore and in the year 2003 it touched the figure of Rs.18, 000 crore. Commercial Vehicle market includes 2 further sub segments i.e., Truck segment and Bus Segment and financing is being done in different manners for these sub segments.

The financing is being done by, both Nationalized and Private banks (e.g., SBI, PNB, ICICI, HDFC etc.) and NBFCs (Non-Banking Financial Corporations) such as CholaMandalam, G.E., Sundram.

The competition is intense as the profit margins are fat and safe since Commercial Vehicles unlike Cars and Passenger vehicles, work as bread and butter for the owner, owner pays almost on the time otherwise the vehicle can be ceased by the Financer.

ICICI and HDFC since 2001 emerged as the strongest players in this segment clearly surpassing the erstwhile dominance of Nationalized banks.

The falling of interest rates propelled the market like never before and below table summarizes the pattern



#### IV C.V. Finance limited

The I.C.V. Finance limited started as the south based Chit Fund Company and soon entered in the Commercial vehicle foray.

The I.C.V. Finance limited began financing individuals for purchase of trucks in 1979. Today, the Group is among the largest financiers of individual truck purchases. Over 60,000 truck drivers have been transformed into owners of trucks, thanks to the I.C.V. Finance limited. Nearly 140 I.C.V. Finance limited s are active all over India, empowering small truck operators to prosperity. And in the process, help moving the Indian economy ahead.

These Branches also manage a huge truck portfolio for Citigroup, UTI Bank and other Banks, exceeding Rs.500 crores (US\$ 107million). With its trained manpower and a huge database of customers, I.C.V. Finance limited helps deploy and manage roughly Rs.2, 000 crores (US\$ 425 million) in truck finance, annually.

#### V Bikaner Branch: -

With increasing competition, the company is facing lots of problems in cities like Bikaner. For instance, in Bikaner, ICICI disbursement is around 5 crore HDFC is 2 crores, Chloamandalam is 1 crore, around 0.5 crore by ICV, and 1.5 crore is being financed by the various banks.

Mishra joined the Group in 1997 and since then achieved all the targets given to him but with the advent of big giants with lower interest rates Mishra went into crisis. A look into some salient features of the ICV will be better here to judge the scenario

Interest rates: - ICV interest rates are highest in industry the IRR (Internal Rate of Return) is 14% for the new vehicle and 28% for the old ones which is all most double then ICICI and HDFC even more than Nationalized banks

Document Procedure: - ICV has the minimal Document system thus the Documenting is a hassle-free job for customer on which the other Institutions are quite rigid.

Presence: - Tanks to the better manpower, which is also the most cost effective from the industry parameters; ICV presence is almost in all the villages where its branch is established.

Retention: - ICV is the lowest pay master in the industry, so the average stay of the employee is just 7 months which is a big worry for the managers like Mishra since due to the lower pays better brains go elsewhere and most of them absorbed by the rival groups.

#### VI What lays ahead:-

As a C.A. Mishra realized that there are N number of problems surrounding him. Higher interest rates of the company attracted only those customers who are defaulters and rejected by rivals, these defaulters further give nightmares to the recovery agents

The Executives who are already depressed by not getting business further get verbal rebukes from the head office, coupled with lower pays and practically no HR policies they often leave the office without any information even. As a Manager Mishra Tried his hard to keep the office employees satisfied but at times the pressure is so much that even he got angry. Mishra got the message very clearly from the head office and called the meeting at his desk.

As Mishra opened the discussion the sales executives were worried as they knew it's difficult to change the table. Anurag Gaur, the most trusted ally of Mishra and the most cool and calm Asst. manager in the entire zone initiate the dialogue.

"Mishra ji, I appreciate your desires but every now and then we can't be helpless and getting the bundles of rebukes and allegations regarding our performance from Head office. So, I urge you to talk to HQ for some freedom at Branch level so that we can breathe easy, yes as far as meeting the targets is concerned, we should do our SWOT and then try to follow the leaders".

"Hey, Anurag Ji what you are talking about, protested, Rahul Bansal, the most successful Sales Executive of the branch, "if we could lower our interest rates only then it's possible to challenge them but we can't do this rather we have to look for the things which these giants are not doing, you know that our attrition rate is highest but do you know why, because we are madly following them, be it in target sense or getting the quality customer, but at least on branch level we have to draw some strategies like more penetration or hassle free documentation what these big people are not doing at this moment or at least customer oriented attitude

"Yes, I agree Mishra Ji, Shibu Gosh, the sales executive, said, "at this point we are more inward driven then outward driven. We should be more focused and customer friendly. But how we can challenge them I mean these giants have deep pockets and brand image, these are MNCs, and we are like local players. I pray to you please talk the head office to change the Interest rates and alter the target to become more pragmatic.

It was again Rahul who protested strongly," No Gosh ji, if it would be the case then all the local players in FMCG or in durables would be sitting in their homes. No, I don't think that this is the remedy

"But Rahul in FMCG or in Durables the local players have one big advantage and that is their significantly lower prices against MNCs", sound Gosh. "You can't draw parallels between these and our market which is typically interest driven and have complex behavior.

The discussion was leading to nowhere and Mishra was deep in thought. He must draw the strategy somehow and quick.

**Summary:** - the main aim of this case is to draw attention of the students of MBA II year program on the corporate strategic planning of the organizations.

Mr. S.K. Mishra, the branch manager of ICV limited is perplexed because his branch didn't able to meet up the targets of loan disbursement.

ICV limited is one of the leading NBFC of India and because of the growing competition facing tough roads ahead. The advent of private sector banks who have deep pockets and well-developed marketing divisions of these banks has adversely affected the positions of small companies like ICV. The case discusses the process of loan disbursement and put lights on salient features of NBFC s.

**Scope:** - The case targets the students of MBA II year students esp. those who wish to embark upon the strategic marketing as well as the case is relevant to the practicing managers of small inc.

**Analysis:** - the case can be discussed on the lines of strategic marketing using skill set of PESTEL framework and exploring 4 Ps of marketing.

As per the case study it is evident that the only way out for ICV is getting its feet on Physical Presence in the territory firmly. ICICI and HDFC have the strong brand image in the urban area, but buyers of Commercial vehicles live mostly in villages, ICV can get a leverage here because its manpower is strong and dedicated.

moreover, Marketing in the rural areas is quite different as compared to that in urban areas. rural areas the most important channel is word of mouth publicity. ICV may do well by building rapport with the villagers by going in the villages also on the macro level ICV may ask its branches to Simplify procedure of loan disbursement

another strategy for ICV may be to use unorthodox marketing channels to counter the growing power of ICICI and HDFC.

