



**JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA**

**PGDM 2017-19 BATCH; TRIMESTER-III  
MID – TERM; FEBRUARY, 2018**

**SUBJECT: STRATEGIC MANAGEMENT-1 (GM-301)**

**TIME: 1 Hours**

**Max. Marks: 20**

*Read the given case on 'Nestle India becomes the first listed "pure-play food firm" to cross milestone in India' and answer the following questions.*

Swiss packaged food company Nestle SA has finally joined the Rs10,000 crore sales club in India—more than a century after it entered the burgeoning market to sell Swiss condensed milk as a trader. On Wednesday, its local entity Nestle India Ltd reported total sales at Rs10,135.11 crore for the year ended December 2017. The maker of Maggi noodles, Kit Kat chocolates and Nescafe instant coffee mixes follows a January-December accounting year.

Nestle, which began trading in India in 1912, is the first listed "pure-play food company" to cross Rs 10,000 crore in sales in India. While there are many packaged goods companies in India with more than Rs10,000 crore sales, Nestle India is among the very few to have crossed the mark with a pure-play food business. Among the listed firms, ITC Ltd's food business was estimated at around Rs 8,000 crore in fiscal year ended 31 March 2017 (FY17) and Britannia Industries Ltd reported sales at Rs 8,684 crore in FY17. The country's largest packaged goods company Hindustan Unilever Ltd and New Delhi-based Dabur India Ltd have much smaller food businesses. Among unlisted firms, Amul brand marketer Gujarat Co-operative Milk Marketing Federation Ltd's revenue stood at Rs 27,043 crore in FY17, according to a company statement issued last year. Biscuit maker Parle Products Pvt. Ltd reported Rs 9,331.42 crore revenue from operations in FY16, according to its filings with Registrar of Companies (RoC). "It is extremely pleasing that we ended year 2017 on a strong note by reaching a historic milestone of over Rs 10,000 crore in revenue, in a year where we had to adapt to significant changes in the external environment," Suresh Narayanan, chairman and managing director, Nestle India said in a statement.

Nestle India may well have crossed the Rs 10,000 crore mark in sales a couple of years back, had its Maggi noodles not been slapped with a ban in 2015 over a health scare that caused an estimated half-a-billion-dollar dent to the company. For the year 2014, Nestle India reported total sales at Rs 9,854.84 crore. But sales dropped to Rs 8,175.31 crore in 2015 after the Maggi noodles controversy. On 5 June 2015, India's

food regulator Food Safety and Standards Authority of India (FSSAI) asked Nestle to take Maggi instant noodles, its single largest revenue earner at the time, off retail shelves for alleged presence of monosodium glutamate and lead beyond permissible limits. Maggi was off retail stores for six months. For the quarter ended 31 December, Nestle India reported a 59.6% jump in net profit, backed by higher volume. Profit for the quarter stood at Rs 311.83 crore, as compared with Rs 195.41 crore in the corresponding year-ago period. Total sales increased 10.9% in the quarter to Rs 2,589.64 crore. Sales in the domestic market rose 10.8% and export sales increased by 12.7%. On a comparable basis, Nestle India said, sales in the domestic market increased by 18.1% due to “increase in volumes including rebuild of Maggi noodles, supplemented by better underlying realizations coming from previous periods”. According to the company, growth was on a base that was “impacted by withdrawal of high denomination currency notes in circulation” in 2016. “These growth rates are adversely impacted due to lower reported sales by the change in structure of indirect taxes and reduction in realisations to pass on the GST (goods and services tax) benefits,” Nestle India added. For the full year, Nestle India’s total sales increased by 7.7% to Rs10,369.10 crore in 2017 backed by an 8.2% growth in domestic sales. Adjusting for accounting changes following the rollout of the goods and services tax, Nestle India said, the domestic sales growth is estimated at 11.8%. “Nestlé is over a 105 years old in India and is building for the next 100 years. This is showcased by our continuous thrust on innovation and renovation with over 15 products launched last year,” Narayanan said. During the October-December quarter, the country’s largest packaged goods company Hindustan Unilever Ltd (HUL) reported a 28% rise in net profit as sales rose 2.5% backed by an 11% growth in volume. Dabur India posted a 13% increase in net profit backed by a 13% volume growth.

Nestle, which began trading in India in 1912, has become a leading FMCG company in India. A firm’s strategy demonstrates how it differs from its competitors and how each player tries to gain competitive advantage by playing the game differently.

1. How is a company’s mission statement related to its strategy? Identify the essential components of mission statement for a new company in FMCG industry and chalk out a relevant ‘mission statement’ for the same. (5 Marks)
2. Propose a PEST (PESTEL) analysis of the company to identify relevant factors for constructing external environmental analysis matrix. (8 Marks)
3. Do you agree or disagree with ‘Resource Based View’ theorists that internal resources are more important than external factors in achieving and sustaining competitive advantage. Enlist strategic capabilities of the firm and explain your position using empirical indicators. (7 Marks)