JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -2 EXAMINATION- October 2024

BBA-I Semester

COURSE CODE (CREDITS): 23BB1HS113 (4) MAX. MARKS: 25

COURSE NAME: BUSINESS ENVIRONMENT

COURSE INSTRUCTORS: Prof Amit Srivastava MAX. TIME: 1 Hr 30 Mins

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Note: (a) All questions are compulsory.

(b) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems

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QNo	Question	CO	Marks
Q1	Short notes (max 50 words) **a)** Environmental Scanning **b)** Five Forces of Competition **c)** Capitalism **d)** Inflation **e)** Liberalisation	CO1	1x5=5
Q2	How does India's parliamentary system function, and what are its main components? Briefly explain the roles of the Lok Sabha and Rajya Sabha, in the process of forming laws are passed within this system?	CO2	4
Q3	"Cultural environment of a country influences its social norms, values, and business practices". Discuss the statement with reference to a country of your choice.	CO2	4
Q4	How Financial System of India helps in its economic development. Briefly explain different components of financial system.	CO3	4
Q5	Please read the case given below carefully and answer the questions following it:	CO4	2x4=8

Tesla's Challenges in India

Tesla, the globally renowned electric vehicle (EV) manufacturer, has been exploring the possibility of entering the Indian market since 2016. With a population exceeding 1.4 billion and a rapidly expanding middle class, India represents a promising market for EVs. The Indian government has also set ambitious goals for the adoption of electric vehicles, aiming for 30% of new vehicle sales to be electric by 2030. This is part of a broader initiative to reduce air pollution and decrease the nation's dependence on fossil fuel imports.

Despite the market potential, Tesla's entry into India has faced significant hurdles, primarily due to the country's regulatory and political environment. India imposes high import duties on fully assembled cars (completely built units, or CBUs), with tariffs reaching up to 100% for vehicles priced above $40,000. This makes Tesla's cars—typically sold at premium prices—substantially more expensive when imported into India. For instance, a Model 3, which is Tesla's most affordable car priced around $40,000 in the U.S., would cost close to $80,000 in India due to the import duties, putting it out of reach for many potential buyers.

Elon Musk, Tesla's CEO, has actively engaged with the Indian government through social media and other channels to advocate for a reduction in import duties. He has argued that lower tariffs would make Tesla's cars more affordable and accessible, allowing the company to assess demand before committing to setting up a local manufacturing facility. However, the Indian government has remained firm, stating that Tesla should first commit to producing cars locally to enjoy reduced tariffs, aligning with the government's "Make in India" initiative aimed at promoting domestic manufacturing.

In addition to the tariff issue, Tesla faces other regulatory challenges in India:

a) **Bureaucratic Hurdles:** The complex regulatory environment, including multiple layers of approval and compliance requirements, makes it difficult for foreign companies to navigate the system. Issues such as land acquisition for factories and obtaining environmental clearances can be time-consuming and unpredictable.
b) **Charging Infrastructure:** While India's EV policy emphasizes electric mobility, the country still lacks a robust charging infrastructure. Tesla's Supercharger network has been a key element of its strategy in other markets, enabling widespread adoption. In India, however, the existing charging infrastructure is limited, posing a significant challenge for EV manufacturers.
c) **Local Competitors:** Domestic companies like Tata Motors and Mahindra & Mahindra have accelerated their EV plans, with Tata Motors dominating the EV segment in India through its affordable models such as the Nexon EV. These companies, benefiting from local production facilities, can offer competitive pricing without being affected by high import duties. Additionally, startups such as Ola Electric are rapidly expanding their presence in the two-wheeler EV market, adding to the competition for Tesla.

d) **Policy Uncertainty:** While India has made strides in promoting electric vehicles, there remains a lack of consistency in policies across different states, including varying subsidies, incentives, and infrastructure plans. This can create uncertainty for companies planning long-term investments.

Recent Developments:

In 2023, there was renewed interest in discussions between Tesla and the Indian government. The company proposed an alternative strategy that included a potential "trial phase" of importing a limited number of vehicles at reduced tariffs to gauge demand. However, the government maintained that any significant concession on import duties would need to be accompanied by a concrete commitment to local manufacturing. Additionally, discussions have surfaced regarding a possible collaboration with Indian manufacturers for assembling vehicles, potentially using India as an export hub for other markets.

Meanwhile, Tesla announced plans to expand in other Asian markets, including Indonesia and Thailand, where the regulatory environment was perceived to be more favorable. This decision led some analysts to speculate whether India might miss out on becoming a significant EV manufacturing base if the issues remain unresolved.

Based on the above discussion, answer the following questions:

a) Considering the high import duties and regulatory hurdles, what are the potential risks and rewards for Tesla if it decides to set up a local manufacturing facility in India? How could this decision affect its global strategy?

b) The Indian government's "Make in India" initiative aims to boost local manufacturing and create jobs. How can Tesla align its entry strategy with this policy to negotiate more favorable terms for market entry?

c) How does the lack of a robust EV charging infrastructure in India impact Tesla's business model? What strategies could Tesla implement to address this challenge and promote EV adoption in the country?

d) If Tesla decides not to pursue significant investments in India at this time, what alternative markets in the region could offer similar growth opportunities, and why might they be more attractive?