

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER 4 – EXAMINATION – SUMMER 2019**

**Subject Code: 3549242****Date:06/05/2019****Subject Name: International Supply chain Management****Time:10:30 AM To 01:30 AM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

|            |   |           |
|------------|---|-----------|
| <b>Q.1</b> | Definitions   | <b>14</b> |
|            | (a) Lex Mercatoria  |           |
|            | (b) Reinsurance   |           |
|            | (c) homologation  |           |
|            | (d) SWIFT   |           |
|            | (e) Freighters  |           |
|            | (f) IATA  |           |
|            | (g) Van parcel Unit   |           |
| <b>Q.2</b> | (a) Explain relationship between SCM and logistics. Identifies the differences and similarities. Is one part of other? How does one support the other?  | <b>07</b> |
|            | (b) Discuss the importance of international logistics in supply chain management.   | <b>07</b> |
|            | <b>OR</b>   |           |
|            | (b) International logistics is a tool for an organization to get competitive advantage. Explain   | <b>07</b> |
| <b>Q.3</b> | (a) Analyzes and evaluates the different methods used to forecast exchange rates  | <b>07</b> |
|            | (b) In the case of project import consisting of many items, it was advised that bundling of the scope of insurance for marine transit along with storage, erection and commission will attract a very competent premium can you explain the reasons for why would it be so? | <b>07</b> |
|            | <b>OR</b>   |           |
| <b>Q.3</b> | (a) Please explain the statement 'no entity can claim on insurance unless the entity has an insurable interest in the goods insured?'   | <b>07</b> |
|            | (b) Discuss the different types of aircrafts and its services in context of International air transportation.   | <b>07</b> |
| <b>Q.4</b> | (a) Define the Customs clearance, duty, Non-tariff barriers and procedure of custom clearance in brief.   | <b>07</b> |
|            | (b) How is the rail system integrated with multimedia transportation globally?  | <b>07</b> |
|            | <b>OR</b>   |           |
| <b>Q.4</b> | (a) What is the relationship between rail and road in end to end logistics  | <b>07</b> |
|            | (b) Describe three difficult types of ships used in international ocean transportation. What type of cargos are they used for?  | <b>07</b> |

## Q.5

### Case Study

AMC Motors, located near New Delhi, are specialists in the manufacturer of small motors and had a huge market base in India. They also export to markets in the Middle East, Europe, and US. The motors have sheet metal and the steel was usually bought from Indian steel manufacturers who have stockyards not away from the factory.

While ordinary HR coils are required for casting, for rotor stampings, electro steel was required, which was routinely imported from Japan in lots of 500 tonnes on CIF basis to Mumbai port where it was unloaded, custom-cleared and transported to the factory by road.

All of a sudden, as a result of the Target plus scheme, the company got huge duty credit license which only they could use to offset against duty on imported items. The company could import HR coils and looking at the overall costs, they found that they could save at least 20 per cent as compared to local purchase. The quantity was 2500 tonnes per month. The identified supplier was in Taiwan near Keelung port. The purchase was on free on board (FOB) basis and supplier offered to ship in break bulk in lots of 1000 tonnes every 12 days. ;

AMC's logistics manager, Mr. Shivshankar got quotes from freight forwarders and brokers for break bulk basis which was US \$65 per tonne. In the case of break bulk, imported goods will have to be received at Mumbai port where the consignee has to arrange receiving the materials under the hook move it to a yard, unload, and arrange customs inspection before movement. On a contract basis, this would mean rs. 100 per tonne. In addition, Mumbai port trust charges 0.22 per cent of CIF values as wharfage charges. If the goods are not cleared within five free days, a sum of rs.30 per tonne was charged as ground rent.

The coils were of a standard weight of 15 tonnes and on heavy trailers, a maximum of two coils could be loaded. The cranes for loading the truck are employed at shippers cost with a heavy duty crane costing rs. 7500/- per shift and a maximum of five trucks could be loaded in a shift. The freight rates on trailers fluctuated between rs. 3000 and rs. 3500 per tonne from Mumbai to Delhi area.

AMC was confident of clearing the consignment in seven to eight days, including customs clearance time, which could be three days.

Shivshankar was of the opinion that break bulk was an option. Their schedules were prone to delays as they added load and discharge ports to make sure the ships were as full as possible. Addition of ports does not arise only because of additional days to voyage loading and discharging time, but also due to diversion to additional ports. He was wondering whether the cargo could be containerized. However, there were two immediate problems. One was that coils of weight can be reduced to five tonnes, it could be done. Secondly, the supplier did not have the facility to containerize the goods in their premises. The suppliers agreed to make five tonnes of coils and also tender the goods at a container freight station near the port, where the shipping line has to take the responsibility of containerization. However, they would charge an extra US \$ 10 per tonne and tender the goods on FCA CFS basis.

The shipping line contacted for container carriage was eager to accept this cargo as moving this cargo in containers (20' size) would enable 20' containers becoming available in New Delhi area for carrying basmati rice out of this area to UK and Europe and 20' containers were short there and were being moved at a high cost empty from Mumbai.

They quoted a rate of US \$750 per 20' which could carry three coils of five tonnes each. They also quoted another US \$100 per 20' for stuffing the container lashing and moving to the ship at Taiwan.

At the Indian end, the containers could come to JNPT (container port in New Mumbai) and carried by rail to an inland container depot (ICD) near Delhi. The cost of rail movement would be rs. 30,000 per container

including terminal-handling charges at JNPT. The shipping line would charge further rs. 3000 as DO charges per consignment per consignment. A cleaning and crane charge of rs.1000 per container was further charged. At destination an ICD charge of rs. 3000 per container and a destination transport charge from ICD to the factory of Rs.5000 was charged. By adopting containerization, the goods could be shipped in lots of 30 containers per week rather than one of lot of 2000 tonnes, hence, something the supply chain.

After considering all empirical and also non-empirical factors, Mr. shivshankar decided on getting the goods by containers. Can you justify or otherwise the decision with detailed analysis? The FOB price of break-bulk HR coil can be assumed to be US \$120 per tonne. If you make any other assumption, please clearly enunciate the same. Consider the effect of inventory holding costs both options in arriving at your conclusion.

- (a) Can you explain the Target Plus Scheme in foreign trade policy and discuss its significance to the company in this case? **07**
- (b) Is there any transportation infrastructure lacking in the case? **07**

Or

- (a) What are the other qualitative factors which could affect the decision choices in the case? **07**
- (b) What does this case signify in terms of globalization of trade? **07**

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