**Mr. Biswas’s Dilemma**

**Prof. Arundhati Ray**

Mr Biswas is the Chief Executive of Samit Pumps Pvt. Ltd., who are in the business of household water pumps. They have been able to maintain a respectable market share in this highly competitive market. But the sales figures of last three years have worried him. They are showing a clear downward trend, as indicated in the table below:-

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Selling Price of a pump set in Rs. | No of sets sold | No of sets produced |
| April 2015 – March 2016 | 1575 | 512300 | 520000 |
| April 2016 – March 2017 | 1575 | 500000 | 510000 |
| April 2017 – March 2018 | 1575 | 478500 | 490000 |

His cost figures are appended below:-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Cost per unit | | | | |
| Land & Building | Other Fixed Costs | Materials | Labour | Other costs |
| 2015-2016 | 100 | 90 | 600 | 50 | 20 |
| 2016-2017 | 100 | 90 | 680 | 60 | 25 |
| 2017-2018 | 100 | 90 | 770 | 70 | 30 |

Mr Biswas is faced with the option to continue producing lesser quantity or opt for high productive machines that would enhance the other fixed cost per set to Ra 115, but reduce the labour cost to the level of Rs 30 and taking into consideration all incidental expenses, the other costs will go up by Rs 10 for this year and will revert to Rs 30 in the next year. The production volume will reach 680000 sets per annum.

**Discussion Topics**

1. *What should Mr. Biswas do?*
2. *Should he go for the enhanced volume or maintain a status quo?*