

Southern Surgicals manufactures equipment used in hospitals and currently operating at 60% capacity. The current sales is Rs. 500 cr. The variable cost is Rs. 350 cr. and fixed cost is Rs. 70 cr. The business earns a profit of Rs. 80 cr. A hospital in Sri Lanka is interested in buying some of the hospital equipment from the company but expects a steep discount. The order is not likely to affect the delivery schedule of existing customers. The variable cost of the order is Rs. 20 cr. Incremental fixed cost is Rs. 4 cr. What should be the minimum price at which the order should be accepted? What is the desirable price to be quoted for the order?