SYNOPSIS

INTRODUCTION

The textile industry, apart from being one of the oldest, occupies a premier position on the industrial map of India. Its sales turnover constitutes nearly 20% of the gross value of the country's total industrial production in the 80's. It occupies second position coming next to agriculture.

The textile industry comprises mainly of two sectors:

a) The organised sector popularly known as composite mill sector with 282 mills.

b) Decentralised sector which includes powerloom, handloom and khadi sectors.
The shares of the decentralised sector which was below 25% in the early fifties has gone up to 75% at present. The organised sector is faced with sickness in the industry. The literature both journalistic and research has received substantial attention on sickness crises affecting the industry. The sickness is not restricted to any given geographical location nor size of the mills. It is found in small as well as big units all over the country. The industry is faced with the problems of sickness, lack of modernization, low profitability, deceleration in growth of demand, increase in cost of production and frequent changes in government policies and controls which favour the decentralised sector.

It was in 1951 that 150 mills in textile industry were identified as sick. To this list a number of mills were added in later years.

Also every year many of the mills are either closed down or merged with successful units. Against this depressing background, it is heartening to see few mills which are healthy and performing well. In
fact, it was this observation which inspired me to select this industry for research study. My contention is that these problems are due to the lack of proper direction by the mills in the product policy area of management, among other possible factors. This study concentrates on product policy management aspect of the dual characteristics of the textile industry of the country.

II OBJECTIVES OF THE STUDY

The study is restricted only to the so called organised mill sector and the product planning aspect of the management. The objectives of the study are:

a) To examine and understand the relationship between product policy and performance.

b) To make an attempt to develop a set of criteria which would help management to take proper product policy decisions.

c) To analyse the factors influencing the product mix decisions.

Thus the framework will develop an approach for:
i) Identifying opportunities for expanding product range.

ii) Developing criteria for deciding upon additions and deletions/dropping of the products to the product line.

III METHODOLOGY

At first, a macro level analysis of the industry level data was carried out to examine and understand the structure of the textile industry. The various analytical approaches suggested by Porter (1980)* were used for the purpose of industry structure analysis. In the absence of data on the production figures of various mills, under sample, the study used the loom as an indicator of the market share. To understand the industry structure, the market share was arrived at by dividing number of looms in each mill by total number of looms in the industry. Thus, looms was used as an indicator of market share.

The production figures of the 25 product categories manufactured by the textile industry, from the year 1969 to 1981 was analysed, to understand the

product mix and product line at the industry level. The analysis helped to identify the product mix and product line changes over the period of study.

This macro level analysis is followed by micro analysis i.e. Case studies of Three textile mills. Mill (A) which is a large and successful mill, and Mills (B) and (C), small mills which became sick and were taken over/merged with successful mills and turned around. Mill (B) was taken over by Mill (A) and turned around. The performance of the mills was analysed as well as the product mix and product line. Mill (A) has been analysed in greater depth while in case of B and C mills, only the product mix changes before and after taken over are highlighted and its impact on performance seen.

On the basis of case studies:

a) The hypothesis that product mix has a significant impact on the performance is developed.

b) A set of criteria which would help the management to take proper product policy decisions are evolved, by analysing Mill A data and
The hypothesis is tested on empirical data of 72 mills for the year 1983. The study has selected the following variables:

<table>
<thead>
<tr>
<th>Performance variables</th>
<th>Product market variables</th>
<th>Investment variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. R.O.I. (%)</td>
<td>1. Product mix (%)</td>
<td>1. Working capital</td>
</tr>
<tr>
<td>2. Contribution as a % of production value (%)</td>
<td>2. Exports (%)</td>
<td>investment per 100 loom shift (Rs)</td>
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<tr>
<td>3. G.P.M. on Sales (%)</td>
<td>3. Yarn Sales (%)</td>
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<td>4. Sales revenue per metre of cloth sold (Rs)</td>
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<td>5. Equity Dividend (Rs)</td>
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<tr>
<td>6. Sales per loom shift (Rs)</td>
<td></td>
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<tr>
<td>7. Contribution per 100 loom shift (Rs)</td>
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At first, the mills were divided into 3 distinct groups on the basis of product mix, which is the share of the synthetic fabric sales to the total sales of firm. Accordingly, the groups are:
Simple mean and standard deviations of various performance variables for the 72 mills together and 3 groups separately were calculated to see whether there is any difference between the groups. Further, with the application of Analysis of Variance (ANOVA) programme, the means of the groups were tested for significance at 1% level.

To understand the relationship between product mix and performance, a partial approach of the correlation and simple regression analysis has been applied. Product mix was taken as the independent variable with alternative measures of performance as the dependent variable separately. For a thorough study, the multiple regression analysis has also been attempted. Along with the product mix, other product policy related variables like exports, yarn sales to total sales were also taken to explain the performance.

To analyse the factors influencing the product mix
decisions. The multiple regression technique was again used. Here the product mix was used as the dependent variable and cost of raw material consumption and investment in working capital as independent variables.

Finally, the conclusions were drawn on the basis of data analysis and personal interviews with the chief executives of various mills.

IV DATA BASE

To build data base, the study used both the primary and the secondary sources of information. The primary data was collected from the record of the mills and personal interviews.

The secondary data base was developed from the following sources of information:

a) Handbook of Statistics published by Indian Cotton Mills Federation.

b) Inter firm comparison reports of Ahmedabad Textile Industry Research Association (ATIRA)

c) Bombay Mill Owner's Association Publication.

d) Balance sheets of the mills.
The thesis is presented in 9 chapters. The introductory, Chapter I discusses the problems of textile industry in detail. This is followed by Chapter II which is survey of literature. Chapter III conceptualises the present research while Chapter IV presents the industry level data analysis. The next, Chapter V is the case study of Mill A, followed by Mills B and C in Chapter VI. In Chapter VII, a set of criteria are developed which would help for identifying opportunities, as well as product additions and deletions. Also, evaluation of the past and future strategies of Mill has been done. Chapter VII examines the relationship between product mix and performance by using the statistical techniques of ANOVA correlation and regression analysis. The last Chapter IX presents the summary and conclusions.
VI MAJOR FINDINGS

On the basis of analysis, some of the major findings arrived at are as follows:

- Textile has a competitive and fragmented industry structure.
- Product mix plays an important role in determining the performance.
- Amongst the selected performance variables, the impact of product mix is more on sales as compared to the contribution and profits.
- Predictive models could not be developed for prediction of performance variables, except sales.
- The criteria which would help management for taking effective product policy decisions are: Market Share, market growth, profitability, organisation culture, demand, competition and product life cycle.

In the final chapter the implications of the findings for the mills, industry, government and researchers are discussed.