Management Case — describes a situation faced, a decision or action taken by an individual manager or by an organization at the strategic, functional or operational levels.

Asoka Spintex

Parvinder Gupta

The case featured in this issue discusses the turnaround of Asoka Spintex from an ailing company in 1987 to a growing company in the year 1997. What strategies should Anang Lalbhai adopt for the long-term survival of the company?

Readers are invited to send their responses on the case to *Vikalpa* Office.

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Anang A Lalbhai, the Authorized Representative of the Arvind Mills Limited, was happy to see the financial results of Asoka Spintex for the year 1996-97. Ailing since 1987, Asoka Spintex, a division of the Arvind Mills Limited, was on the verge of closure in 1991-92 but had started showing positive results. The sales had grown from Rs 334.45 million in 1991-92 to Rs 713.84 million in 1996-97. Simultaneously, the profit also grew. The profit before tax in 1996-97 was Rs 29.46 million as compared to a loss of Rs 170.75 million in 1991-92. However, Anang felt that more vigorous efforts were required for the long-term survival and growth of Asoka.

Background

Asoka Spintex, formerly known as Asoka Mills Limited, a Lalbhai group company, was set up in 1920 in Ahmedabad, Gujarat, to manufacture coarse and medium fabrics with a capacity of 13,000 spindles and 350 looms. Gradually, it expanded its spinning and weaving capacities. Additionally, it had set up a wet processing facility for bleaching, dyeing, and printing of fabrics. In 1986, Asoka had a capacity of 60,792 spindles and 1233 looms. Since its inception, the company did reasonably well, and by 1986, reserves and surplus stood at Rs 119.4 million on a paid-up equity of Rs 12.5 million. The book value of the share with face value of Rs 100 was Rs 1055, and the company had an uninterrupted earnings record of more than three decades. However, the balance sheet for the year 1987 showed cash loss for the first time in three decades (Exhibit 1).

The Troubled Times (1985-1990)

Environment

India had been known for textile manufacturing since ages. The quality of fabrics produced by Indian weavers and spinners was well recognized and appreciated across the world. In 1947, when India became independent, the textile industry was doing reasonably well. However, in 1960s, many textile mills started incurring financial losses primarily because of lack of understanding of the changing market needs. Almost all the textile mills were producing similar

fabrics and there were no efforts towards product development or brand image building barring a few. During 1970s and 1980s, many textile mills had closed down due to financial crisis. The unorganized sector — the powerlooms that existed since World War I period — started growing at a phenomenal rate during this period.

It was always felt that the unorganized sector could not compete with the composite[1] units due to lack of proper infrastructure and sophisticated machineries. However, in mid-1980s, the composite sector found itself facing competition from the unorganized sector which had tremendous cost advantage because of very low overheads and because it could get away by not paying the government duties. There were no entry or exit barriers for powerloom sector. They were able to make products that were marginally inferior due to lack of proper infrastructure and sell at lower prices. On the one hand, the composite textile units were reeling under a heavy demand recession coupled with rising costs, and, on the other hand, they were being challenged by smaller players with tremendous cost advantage and very little or no incidence of governmental levies.

Modernization

To survive under these conditions, the management of Asoka thought it necessary to expand and modernize to have high volumes, as margins in textile industry were very low. A division of Asoka Mills Ltd., namely Artex, was an art silk unit manufacturing polyester fabric. Artex was bought in 1969 from New Cotton Mills, which earlier was a part of Lalbhai business group. Asoka was the first company of the Lalbhai group that went in to manufacture polyester fabric in 1966. Even on plain looms (a total of 176 looms) and with below average infrastructure, Artex was doing extremely well till October 1986. It had a turnover of Rs 58.122 million and profit before tax (PBT) of Rs 2.422 million in 1986. It had a total of 369 employees in 1986 (out of which 358 were workers). Foreseeing the bright future in the business of polyester fabric, the decision to improve the technology and infrastructure of Artex was taken in 1985.

To modernize, the company started negotiating with some of the financial institutions in 1985 under the lead of Industrial Credit and Investment Corporation of India (ICICI) for a rupee term loan of Rs 69.9 million. The main focus of the modernization scheme was to upgrade the weaving facility with state-of-the-art airjet weaving machines. As per the plan, 24 airjet looms were to replace 178 old looms, which would quantitatively produce material equivalent of 120 old looms. Each loom was to cost approximately Rs 0.65 million, and an additional capital cost of approximately Rs 15.0 million was projected for the necessary ancillary set-up. The balance amount was for partially modernizing the spinning and processing units. The implementation of the scheme was estimated to begin in 1986 and was scheduled for completion in mid-1988. The Artex division, which was earlier situated at Kankaria in Ahmedabad, was shifted to a new air-conditioned building in Nicol road in 1986 with an objective to manufacture filament fabric,[2] high priced dress material, and sarees. Twenty-four new automatic looms were installed in 1987.

Till 1985, the art silk industry was a protected industry in the sense that neither the composite sector nor the unorganized sector was permitted to manufacture any fabric that had a polyester filament yarn[3] in warp[4] without a special licence from the central government. In 1985, the Government of India came up with a policy wherein anyone who wished to manufacture filament fabric could do so. Consequently, numerous manufacturers got into the business and were selling their products at very competitive prices.

Mounting Cash Losses

The first sign of trouble came in the last quarter of 1986 with the monthly profit and loss account showing marginal cash loss. The cost of production, on the one hand, was escalating and, on the other hand, per unit realization was almost stagnant. The management assumed that, after modernization, an improved yield would bring profits to the company since it would be manufacturing products at an optimum level. The financial year ending on 31 December, 1986 had a profit before depreciation and tax (PBDT) of Rs 18.1 million and profit after tax (PAT) of Rs 10.5 million on a turnover of Rs 402.16 million as compared to PBDT of Rs 15.58 million and PAT of Rs 9.481 million on a turnover of Rs 416.58 million in 1985.

In 1987, cash losses reported in the monthly profit

[1] A mill/unit is known as composite where spinning of yarn, weaving of fabrics, and chemical processing of woven fabrics is done under one roof.

[2] Filament fabric is a fabric woven with filament yarn for both warp and weft.

[3] Filament yarn is a bunch of continuous filaments spun from a spinneret.

[4] Vertical threads in a woven fabric.

and loss account amounted to Rs 3.5 to 4.0 million. The unsecured creditors were paid their dues after 120 days instead of the normal 60 days. The consortium of bankers with the lead of Central Bank of India started keeping more vigil on the operation of company's account with the respective banks. The company started approaching the head office in Mumbai for more working capital limits. The banks that treated the company with high esteem started taking a negative posture. However,, cluring the year, due to the inventory levels being sufficiently high, the question regarding security of bank finances did not arise. The year 1987 ended with the turnover falling by approximately 15 per cent and the company posting a loss of Rs 25.13 million.

In 1987, the company invested Rs 40.4 million mainly in peripheral set-up necessary for installing the airjet boms. The pressure on working capital became more acute because, under the projected modernization scheme, promoter's contribution of 25 per cent was to be met through internal accruals of the company. So, when the company was incurring a cash loss, the working capital funds were diverted for long-term use. This added fuel to fire, and, as a result, the unsecured creditors began to rise. Though all the statutory commitments were regularly being paid on time, due to increasing pressure on cash flow, the Ahmedabad Electricity Company (AEC) started to figure in the list of unsecured creditors for the first time with an outstanding of approximately Rs 1 million against a monthly billing of approximately Rs 4 million in 1988-89. By the end of the financial year on March 31, 1989, the company reported a higher loss before depreciation (LBD) of Rs 31.9 million, and a net loss of Rs 47.2 million.

In a composite unit, where the raw material contributes to 40 to 45 per cent of the total cost, it was absolutely imperative that the fluctuations in the cost of raw material were minimal. As per the assumptions, the cost of cotton in counts[5] of 31s carded yarn,[6] 30s carded hosiery,[7] and 40s combed hosiery yarn[8] had been projected at Rs 11,500, Rs 13,500, and Rs 15,000 per candy respectively. The cost of polyester staple fibre[9] had been projected at Rs 88 per kg, and viscose staple fibre[10] had been assumed at Rs 48 per kg. In the 1987-88 budget, the government had extended the scheme of VAT (value added tax) to polyester staple fibre and viscose staple fibre. Thus, the increase in the prices of these raw materials had not really affected the working of the company. However, the cost of cotton in 31s carded, 30s carded hosiery, and 40s combed hosiery had jumped up to Rs 17,000, Rs 19,000, and Rs 22,000 per candy respectively. The financial results were affected by almost 50 per cent rise in the raw material cost coupled with across the board rise in all major input costs. It resulted in an adverse impact on profitability to the extent of approximately Rs 60 million per year.

Employee Involvement

The decision to implement the modernization scheme to upgrade the weaving facilities was taken by the then managing director, Mr Ajay Chimanbhai (Exhibit 2) in consultation with senior technical and administrative staff of the company. The management felt that workers should be trained on the job by their supervisors. Training workers on the job after upgradation of technology was based on the assumption that since it was going to be the latest technology, skilled trainers would not be available. The management also believed that the company should be prepared for low productivity in the initial 3-4 months as employees would take time in adapting to the new technology. Consequently, the need to upgrade the technical skills of employees in advance so that they could start working more efficiently on the new looms as soon as those were installed was not felt by the management.

Mr Ajay Chimanbhai was highly respected for his technical competence and business acumen both in the Lalbhai family and in the textile industry. However, the employees of Asoka perceived him as a "tough" man. As a result, not many employees would meet him to share their concerns or problems. On his part, he never asked people about their problems on the job, nor helped if someone was facing problems on the job. However, if someone approached him with his personal problems, he used to go out of his way to help him.

Efficiency

The new looms worked at 60 to 65 per cent efficiency level. However, the projected sales/profits were based

[5] Number of hanks of 840 yards length in one pound (Ib).
[6] Carded yarn is ring spun yarn made without the process of combing.
[7] Ring spun yarn that is meant for knitting made without using the process of combing is called carded hosiery yarn.
[8] Combed hosiery yarn is ring spun yarn that is suitable for knitting. It also uses the process of combing.
[9] Polyester staple fibre originates in the form of filament from a spinneret, and is cut to specified lengths.
[10] Viscose staple fibre is a cellulosic man-made fibre prepared by passing chemically treated, conditioned wood pulp through a spinneret.

on 80 to 90 per cent efficiency level. Therefore, what was earlier being produced on poor quality looms was now being produced on technologically advanced looms, which actually were capable of producing much better fabrics in a more efficient way. Along with the modernization of technology, no attention was paid to the product mix. Moreover, while the processing was excellent, no attention was paid to the quality of dyeing, and, therefore, no amount of finishing could cover the defective dyeing. The raw material, that is, yarn itself was defective. And no technological upgradation was done in the spinning unit. In 1989-90, markets were sluggish and could not absorb art silk output at higher rates. In 1990, the inventory piled up. There was liquidity problem and hence inventory was cut down. The company started incurring huge losses (see Exhibit 1) because of depreciation and interests. Even at that stage, the company continued with the modernization scheme.

Exports

About 90 per cent of the looms possessed by the company were of a smaller width and only USSR accepted fabrics of those widths. Hence, instead of concentrating on hard currency areas with a reasonable chance of earning even from depreciation of rupee, the company was forced to export against rupee payment. During the year 1989-90, products such as printed satin developed for the overseas market posed problems in manufacturing such as lower efficiencies, high rate of wastage, etc. The difficulties faced in production of these varieties led to an adverse impact on the production values, which further led to severe operating losses causing a drain on the liquid resources of the company. Lack of liquid resources, in turn, forced the company to procure material at higher prices and prevented it from undertaking yarn sale activity that was profitable. Instead of choosing a product portfolio based on profitability, Asoka was forced to choose a product portfolio that was easily saleable and which yielded cash immediately. Thus, the company was caught in a vicious circle of losses leading to poor liquidity that further led to higher losses.

Creditors

Due to dismal performance of the company, the bankers started strengthening the noose by not providing adequate finance for working capital and charging interest at about 22.5 per cent on certain existing limits. As on March 31, 1989, the company had to pay Rs 2 million to the AEC. The AEC charged 24 per cent interest per annum. The number of unsecured creditors was increasing and the list of unsecured creditors had about 350 to 400 names. About 80 per cent of the unsecured creditors started receiving their dues after 180 days. The creditors found it extremely difficult to recover the loans that were taken by the company to modernize Artex division as well as other weaving and processing units because of depreciation and high interests. Each single rupee earned was being converted into working capital. In 1989, the management of the company took a decision to sell off Artex to recover some money, and the company entered into an "agreement to sell" with M/s Atir Textile Industries Private Limited subject to permission under various statutes. The company acquired a no objection certificate from income tax authorities for the sale of Artex and also sought permission from the Government of Gujarat in 1990 to proceed with the sale. However, due to non-receipt of amount as per payment schedule, the sale of Artex was stalled in April 1990.

Unsecured creditors, who were being paid after 270-300 days from the date of supplies, were virtually financing the operations. In order to tide over the problems regarding timely procurement of material, the management devised a scheme of taking five unsecured creditors into confidence. They were chosen based on their past relations with the company, and were asked to supply material without any fear of losing their capital. In the eventuality of closure, they were promised to be paid through supply of finished cloth that the company produced. However, AEC's dues had touched Rs 10.8 million in January 1990 and the company started receiving disconnection notices on a monthly basis. The officials requested AEC to bear with the company till a solution could be found. In fact, AEC officials knew from the market how bad the condition of Asoka was. However, because of the promises made by Asoka to liquidate its outstandings, AEC refrained from taking any extreme measures.

Registration as a Sick Company

In 1989-90, Asoka had posted a LBD of Rs 82.6 million, and was referred to the Board for Industrial and Financial Reconstruction (BIFR) in accordance with the provisions of Sick Industrial Companies (Special Provisions) Act (SICA), 1985. On June 27, 1990, the company was registered as a sick industrial company with BIFR. At that time, the company had 54,296 spindles, 748 looms, and a processing facility capable of producing 100,000 meters of fabric per day; 3564 number of employees; and a deficit of about Rs 41.93 million.

The Phase of Uncertainties (mid 1990-mid 1992)

Entry of New Managing Director

Mr Anang A Lalbhai took charge as managing director in October 1990 (Exhibits 2 & 3), and his father Mr Ajay Chimanbhai who had run the company for 33 years became the chairman. After completing Masters in Management from Fairleigh Dickinson University, New Jersey, in 1986, Anang had worked for a while from 1986 to 1987 as a management trainee at Asoka and then joined Asoka as director in March 1987. He was the joint managing director from July 1987 to September 1990. Anang said, "I was highly frustrated to see the deteriorating condition of the company, and was very keen to do something to improve the condition."

New Corporate Promoter

At the first hearing of BIFR in October 1990, it was concluded that the sickness of the company was due to external factors, and not because of mismanagement. ICICI was appointed as the operating agency. Since the company had made reference to BIFR, it was clear that significant funds would be required from the promoter for implementing a revival scheme. Arvind Mills Limited, a Lalbhai group company, had successfully commissioned the first denim plant in the country, and was planning a major capital outlay for expansion. Soon after Asoka Mills was declared a sick unit, Arvind Mills expressed its willingness to become the new corporate promoter of Asoka Mills. Anang said, "Arvind Mills' willingness to become corporate promoter of Asoka Mills was because of the emotional attachment as Asoka Mills was also a part of Lalbhai business group as was Arvind Mills." Many financial institutions reportedly requested the managing director of Arvind Mills, Mr Sanjay Lalbhai, to bail them out as their money had been sunk into Asoka. After a few meetings with Mr Arvind N Lalbhai (chairman, Arvind Mills) and Mr Sanjay Lalbhai, it was decided that Arvind Mills would become the corporate promoter of Asoka instead of individual promoter, and would buy the shares of Asoka Mills at a nominal price of rupee one per share. It was decided to strengthen the management set-up of Asoka Mills by deputing a senior executive from another company of Lalbhai business group. Mr Purandare, who was working as general manager at Arvind Polycot, started coming to Asoka for three hours a day since May 1990.

Revival Scheme

After negotiations with ICICI, a draft revival scheme for the company was submitted to BIFR in March 1991. The total outlay of Rs 80.0 million included modernization and expansion of plant and machinery, labour rationalization, margin money for working capital, and payment to the pressing creditors. The scheme was proposed to be financed by term loans from financial institutions of Rs 34.9 million, term loans from banks of Rs 19.8 million, and unsecured loans from Arvind Mills of Rs 25.3 million. The scheme envisaged a change in the management of the company and control was to be taken over by Arvind Mills. Further, the scheme provided for concessions from banks, financial institutions, and Government of Gujarat. The company was envisaged to produce and market blended yarn as well as fabrics. The crux of the plan was to repay pressing creditors and spend the balance amount on procurement of new machines, mainly for weaving and processing units.

The new industrial policy announced on July 24, 1991 changed the entire outlook of the corporate sector. It underlined the necessity for technological upgradation and a need for creating an export culture. Critical economic situation of the country and a grave balance of payment position were, for the first time, highlighted by the finance minister. The government, with a view to restrict outgo of foreign exchange, imposed strict deterrent measures. The government, then, followed up these measures with two successive devaluation of the rupee. This not only made the imports costlier but also had an inflationary effect on the economy in general. The project finance became costlier and the interest charges on working capital were substantially higher. The draft revival scheme had not contemplated any of these issues and hence to implement that scheme would have meant a certain chance of failure. Therefore, ICICI was asked to again undertake a feasibility study.

Distress Signals

In 1990-91, Asoka had posted a LBD of Rs 43.7 million. In the absence of any bank finance, the company's operations were fundamentally being financed through the funds of unsecured creditors and Arvind Mills. The company was no longer in a position to buy its raw material and hence started job-work conversion of yarn. The plant utilization fell drastically to approximately 60 per cent, as raw material supply became irregular. The LBD rose to Rs.11.5 million per month. In the meanwhile, Anang got involved in the planning of a greenfield spinning project of the Lalbhai group coming up at Kolhapur. Though Purandare was running the show, he was available only thrice a week

in the mornings. Panic began to spread among the workers as many of the textile mills in Ahmedabad had closed down in 1980s due to low profitability. They approached the Textile Labour Association (TLA) (a trade union) to represent their cause.

Proposal to Close Down Weaving and Processing Units

After discussions with Anang, Purandare, and Sanjay Lalbhai, ICICI submitted a revised scheme to BIFR in December 1991, whereby it was proposed to close down the weaving and processing sections of the company employing approximately 2250 employees and convert the mill into a spinning unit. The option of closing down weaving and processing units was considered advantageous because of various reasons. Firstly, everyone could not set up a spinning unit, as it requires double the investments as compared to weaving and processing units. Even the task of purchasing raw material is specialized and would give the company a competitive edge as it requires expertise in selecting the right variety of cotton and many companies may not have the expertise. Secondly, about 92 per cent of fabric was being manufactured by powerlooms and the remaining 8 per cent by composite units. Consequently, powerlooms had high requirement of yarn, which could be supplied by spinning units only. In Ahmedabad, there were only three spinning units and powerlooms were procuring yarn from far off places. Thus, there was great demand for yarn in and around Ahmedabad itself. Further, there was a lot of untapped potential for marketing yarn. Out of the total global trade of textiles, India's share was a meagre 1.5 per cent including grey fabric, processed fabric as well as yarn.

Thirdly, out of the total looms at Asoka, 90 per cent of looms were capable of producing 36 inches finished fabric. This meant that the product could not be exported as the international market had a requirement of 64 inches finished and 63 inches grey fabric. In fact, even the new automatic looms that were installed after modernization of weaving facilities were capable of producing only 36 inches fabric as the company's strategy at that time was to concentrate mainly on the domestic market. To compete in the global market, more investments (about Rs 250-300 million) were required to replace old looms. Additionally, more investments were required in the spinning unit to manufacture better yarn. There was no guarantee of additional benefits even after making huge investments in weaving. The cost of labour was also high in weaving. If weaving was to be shut down, there was no point continuing with the processing unit because processing facility at Asoka was not so modernized, and procuring fabric from outside to process would have made the task of ensuring the quality of the product extremely difficult. Therefore, concentrating on the spinning unit to supply good quality yarn was considered to be a better option. Lastly, spinning was considered to be profitable, as it did not require any investments to control pollution. Further, despite high cost of power, the labour cost was quite low in spinning. Spinning had the lowest working capital requirement, lowest cycle time for the product to be manufactured, and the lowest receivable period.

Considering the above-mentioned reasons and the financial crisis the company was facing at that time, the option of continuing with the spinning unit and closing down weaving and processing units was thought to be the best. The cost of the scheme was estimated at Rs 198.8 million out of which an amount of Rs 69.0 million was earmarked for retrenchment of almost 2500 workers employed at the weaving and processing units and the Artex division. Moreover, an amount of Rs 111.8 million was earmarked for spinning and post-spinning such as, winding,[11] warping,[12] and sizing[13] machineries, and the balance amount was to provide for contingencies.

The Phase of Struggles and Challenges (1992-1995)

Retrenchment of Workers

In the rehabilitation scheme submitted by the ICICI in December 1991, the projections related to the working of the company and implementation of the scheme were envisaged from April 1, 1992. However, a final decision could not be reached regarding the implementation of the scheme even at the hearing on April 6, 1992. Instead, the Bench decided to circulate the draft of the rehabilitation scheme to all the concerned parties in that meeting. The next meeting on August 26,1992 also ended without any finalization due to a discrepancy in working capital term loan figure.

Arvind Mills Limited started pursuing the reha-

[11] Winding is the process of removing defects and making bigger packages.

[12] Warping is the process of forming a continuous sheet of yarn of specified length and width by spacing individual ends uniformly.

[13] Sizing is the process done to improve the weavability of warp by forming a film of starch on the yarn.

bilitation scheme without waiting for a nod from BIFR. Since the decision to close down the weaving and processing units at Asoka was taken, it started the process of retrenchment of workers working in these units. The company delayed the wages further and circulated talks regarding closure of the unit to indirectly pressurize people to voluntarily resign. Some of the creditors were stretched up to 15 months. It persuaded the TLA to convince workers to voluntarily resign. In order to pressurize the workers further, it even asked the management and technical personnel to tender their resignations. Finally, TLA decided to sign the agreement for retrenching 2183 employees of Asoka. However, doubts of receiving the resignations still remained. When the TLA signed the agreement, the company had to arrange finance for paying employees their dues. Liquidation of inventory began at full steam. Finished goods were being billed under a single name to one of the group companies in order to get the funds on time. February 15, 1992 was the day on which weaving and processing departments were shut down, and 2762 people (2250 workers of weaving and processing units, 358 workers of Artex division, and the rest were technical personnel) received their retrenchment and gratuity dues. Many people in the company believed that this was probably the first case of mass retrenchment in the corporate history of India where employees were paid all their dues as per the legal requirements. In comparison to the employment figure of 4175 in 1986, the company had only 1413 employees in 1992 (Exhibit 4). The year ended with a net loss of Rs 170.8 million on a turnover of Rs 334.5 million. Banks were upset with the company for dilution of security and wanted to criminally prosecute the MD for liquidating the stocks without intimating them earlier. The top officials made frequent trips to the banks to explain to them that whatever had been done was in the larger interest of the company and that the stocks would return to normal levels once the spinning operations were properly stabilized.

Entry of New General Manager

Mr B B Sharma, who had earlier worked at New Cotton Mills, a Lalbhai group company, was working with Mahendra Mills, Kalol in 1992. He was a textile graduate and an MBA. Since he was keen to come back to a Lalbhai group company, he was initially offered a position at Arvind Cotspin Limited, a greenfield spinning export-oriented unit that was being set up at Kolhapur. Knowing his background and his way of working, the company decided to post him at Asoka Mills. Since Asoka was going through a rough patch, he was reluctant to join an ailing company. Hence, Sanjay Lalbhai promised him that in case of Asoka's closure, he would be absorbed in another company of the Lalbhai group. He joined Asoka as general manager in February 1992.

When Sharma joined Asoka, weaving and processing departments had been closed, and more than 2000 workers had been retrenched. About 50-60 workers had refused to submit their resignations and were demanding more money to do so. Mr J R Baxi, the then factory manager who had handled the retrenchment of workers, was dealing with the remaining 50-60 workers. Sharma said, "I personally feel that weaving unit should not have been closed as we had state-of-the art machinery, and our strength lay in weaving. However, it had already been closed before my joining. The company faced losses not because of modernization, but because of improper utilization of the investments made."

Approval of Revival Scheme

Once again a meeting was convened in January 1993 to decide on the draft revival scheme submitted by the ICICI to BIFR, wherein the scheme finally met with approval of all concerned parties. Thus, the scheme was approved almost a year later with the date of implementation remaining unchanged from April 1, 1992.

Having clearly understood that the delay was due to the late sanction of the scheme, BIFR in its order had explicitly mentioned that an extension of all reliefs and concessions might be granted for a further period of up to 18 months. A schedule of implementation for various commitments and obligations related to each party under the scheme was also decided in the aforesaid meeting, and was a part of the existing BIFR scheme. After the scheme met with approval, the necessary spinning and post-spinning machineries were ordered out and the entire investment could be made only by March 31, 1994. This was due to two reasons: (a) late deliveries of machineries ordered, and (b) late receipt of term loans under the scheme. Hence, due to one reason or the other, the entire implementation of the scheme was delayed by a period of exactly two years. During these two years, the company had no working capital and had been utilizing only a small limit of approximately Rs 4.5 million by way of bill discounting.

Increasing Interest Burden

When the scheme of rehabilitation was being worked

out, the commercial rate of lending of banks was in the vicinity of 21 per cent per annum, and hence a sacrifice of 6 per cent per annum was projected under the approved scheme. As the domestic economy started doing well, the rate of lending gradually started to fall and the commercial rate of lending was as low as 17.5 per cent per annum. Hence, the sacrifice envisaged under the scheme had not really materialized. The same was the case with respect to loans from the financial institutions. Moreover, after agreeing to a floor rate of 12.5 per cent per annum on old term loans, the financial institutions had subsequently raised it to 13.5 per cent per annum. The government, by way of concessions, had agreed to grant interest-free loans equivalent to the amount of sales tax actually paid by the company on its purchases of raw materials and sale of finished goods. However, the interest-free loan had been granted only on the sale of finished goods and not on the purchase of raw materials. Viewing all these factors in totality, it was quite clear that most of the parties had not fulfilled the commitments made by them as per the BIFR package.

Demoralized Employees

Sharma recalled the times he joined Asoka. "When I joined here, nothing seemed to be in order. The employees were highly demoralized and they did not see any hope of the survival of the company. They used to sit idle for most of the time as they were almost sure of the closing down of spinning unit also in the near future. The employees were waiting passively for the company to finally close down. It was a highly complacent environment and no one seemed to be assuming accountability for anything in the company. Job-work was being done, and the conversion charges were very low. The traders used to move inside the factory freely as if it was their personal property. There was complete chaos."

Plan of Action

Three plans were quickly drawn by Sharma and Anang to upgrade the in-house facility. The first plan laid emphasis on short-term measures, like clearance of maintenance backlog, to boost productivity and curtail losses. The second was a medium-term plan that sought to remove job-work conversion gradually by supplementing company's own raw materials, and the third plan was to modernize spinning department with a view to produce at least 25 per cent for export markets. Since many problems pertaining to outside parties such as financial institutions, unsecured creditors, etc. needed to be dealt with, a strategy was devised by the top management under which Sharma would handle personnel, productivity, and production-related issues, and Anang would tackle issues regarding banks, financial institutions, unsecured creditors, AML, receivable from cloth businesses, liquidation of surplus machinery, etc. To sell off the weaving and processing machinery as per the directive of BIFR, a committee was formed which included nominee directors of BIFR, ICICI, and Central Bank of India. Bids were invited and the machinery was decided to be sold in block for a net consideration of Rs 67.5 million.

Building Employee Confidence

Since the employees were highly demoralized and had given up all hopes of survival of Asoka, Sharma realized that, in such an environment, talking to people alone would not have helped in making them believe that the management was trying hard to save the company from closing down. To build the confidence of the remaining employees, he thought it was necessary to run the production line to make the employees feel that there were orders to supply the output. For this purpose, arranging for working capital to buy the raw material was extremely important. The new corporate promoter was approached for providing about Rs 15.0 million as working capital.

Sharma also convinced the employees that the company would survive only if everyone worked hard and gave his best on the job. He further said, "I was going to each and every corner of the mill, observing people to know the kind of interactions they had with each other, talking to people to understand their problems, and identifying people who were negatively influencing others. I was with employees most of the time. If a worker faced a problem with any of the machines, as many machines were out of order, I was there to guide him and did whatever I could to solve his problem."

Though the job-conversion charges were not as profitable as one's own production and the quality of the product was much below standard, it was decided not to stop job-work immediately as it was giving some returns. However, Sharma asked traders to provide suitable raw material and stop overutilization of raw material. It resulted in better quality of output and traders started getting better price for the product. In March 1992, Sharma insisted on doing job-work only on cash payment and not on credit. Gradually, the company's turnover started improving. In the process, some working capital could also be generated.

The required capital investment of Rs 6.5 million was met with by way of unsecured interest-free loans from the corporate promoter. Some job-work continued till July 1993. Since early 1993, raw material procurement was undertaken to manufacture company's own products. Though nothing special was produced at that time, run-of-the mill type of products, such as 31s carded, 30s carded hosiery, 62s polyster cotton blended yarn were manufactured to create market presence. Price realizations were about 4-5 per cent lower than competitors but, eventually, the gap started becoming narrow. The workers started getting their salaries in time.

Emphasis on Quality and Productivity

Realizing that the survival of the company depended on producing a quality product, the employees were encouraged to come up with plans of improving the quality and productivity. Quality consciousness was developed by explaining to employees the cost of poor quality. Sharma assured employees that the funds would be made available and support would be provided. Once the funds were arranged, employees' confidence in the system was restored. Sharma said, "It took me about six to eight months to take control of the system. I spent the initial 4-5 months in understanding the system, establishing rapport with workers, helping employees, and encouraging them to take initiatives in improving productivity. Once I was able to establish credibility, I became ruthless with non-performers, as I wanted to set a culture of hard work." The department heads were asked to identify the problem creators. Employees who were not willing to work hard were sacked. Out of 20 technicians, 16 were sacked on a single day, as they were not willing to adapt to the new work culture that emphasized quality and productivity. About 50-60 workers belonging to weaving and processing facilities, who were asked to resign, were still continuing with the company. On January 21,1993, Sharma stopped them from entering the main gate. They threatened Sharma that they would kill him. There were pressures from the unions to allow them to enter the company. Negotiations with the unions took place and finally resignations of six workers were obtained in June 1996. These six workers were actually the leaders, and were paid more money to obtain their resignations. The remaining workers lost their confidence since their leaders were thrown out. They apologized and requested Sharma to retain them. Out of those, ten who were found to be hardworking and sincere were retained, and the rest were made to resign.

The technical staff and management personnel were recruited as and when there was a need. Since good people were not willing to join because of uncertainties the company was facing, many a times, a particular person, though not suitable, was taken as a stop-gap arrangement, and was fired later after finding a better substitute for him. Good performers received quick and big raises in terms of money and positions. Since good performers were being rewarded and poor performers were being thrown out, the employees started to work hard and give their best.

The quality of the product could be improved by procuring good quality raw material and by checking at various stages of processing. Emphasis was laid on meeting targets of volumes and quality. Quality Circles Programme was introduced in 1992 in all the departments. The programme did well only in those departments where the heads of departments were good in taking people along and encouraging them to give their best.

Sharma said, "I did whatever I thought was necessary. Since things were moving in the right direction, no one stopped me. Because of my honesty and integrity, nobody could raise a finger against me." Sharma was promoted to the position of vice president in December 1992 (Exhibit 5), and had the full authority to hire, fire, and promote anyone he wanted to. Anang, who was busy dealing with BIFR, the government, and legal matters, was kept well informed by Sharma about major happenings inside the company. Sharma said, "Authoritarian style did work at that time. It helped in restoring discipline and communicating the importance of quality and productivity though this was never thought of as a long-term strategy."

Emphasis on Employee-Management Interactions

The employees (supervisors and above) were encouraged to meet the vice president and MD whenever they had any problem, but were also asked to come prepared with solutions to problems. Anang said, "The previous management used to rule the company with a ruler in its hand. I really believe that people do not give an honest response if they are scared of management. My way of working is very different than my predecessors. I appreciate if someone tells me that he has not been able to do the job and wants to correct his mistakes. I believe that if you help a person understand his mistakes, he would never repeat it. I admire a quality of Arvind Kaka (Arvind Lalbhai). He behaves the same way towards people, no matter whether they belong to lower ranks in the organization or they are heading a division." He

further said, "Here, I have an open-door policy. Anyone from among the staff can walk into my office to meet me and discuss the problem he has on the job. Though I do not have an open-door policy for workers, they are free to go to their supervisors whenever they want to. In case, a worker feels that his immediate supervisor has not been fair to him, he is free to go to the boss of his superior." Employees were encouraged to critically examine how well they were doing, and what more they could do to further improve the performance. Employees were made cost conscious. Mr U K Shah, DGM-Finance said, "There were times when we did not switch on fans and air-conditioners unless it was too hot."

In 1992-93, to develop a feeling of 'belonging' to the organization, the staff proposed to have a uniform for everyone in the company. After checking informally with a few people in the company about the colour and design of uniform, Sharma asked the HR executive to inform everyone about the new dress code, and also help the staff to get the uniform stitched by a few skilled tailors identified by the HR executive. The expenses of the uniform were to be borne by the staff themselves. The dress code was introduced for workers also, and each worker was provided with two pairs of uniform. Later, the workers started misusing and it was decided to drop the idea of uniform for the workers.

The Merger

On many occasions, more working capital was required, which was made available by Arvind Mills by way of unsecured interest-free loans. The unsecured loans received from the promoter company as on March 31, 1992 stood at Rs 40.81 million which rose to Rs 112.28 million as on March 31, 1994. To ensure proper utilization of resources, Asoka was asked to explain where the money was being spent, and what plans it had for revival. Numerous plans were prepared by Sharma and Anang, and presented to the corporate promoter for approval. The promoter, who was quite reluctant earlier, readily provided the funds as soon as the plans were available.

As per the BIFR scheme, it was decided that the company would work on a three-shift basis for seven days a week and 348 days in a year from April 1, 1992 to increase the production and utilization of systems. However, this could be implemented only from September 1993 since the representative union entered into an agreement only around that period.

Improvement in product mix, unsecured loans from group companies, and timely procurement of raw material resulted in a saving of approximately Rs 40 million in 1993-94. The sales started increasing soon. It was also found possible to sell against cash. Within a year, cash losses were reduced, production went up, and utilization of machineries improved. Employees were now getting their salaries and wages on time. In 1992-93, turnover from the spinning activity was Rs 180 million.

Though the company made good progress during 1992-93 and cash losses could be arrested to a large extent, it was realized that it would not be possible to. attain positive net worth at the end of current tenure of rehabilitation scheme[14] because of high interest on old outstanding and depreciation. In light of this background, formal talks were held with ICICI Ltd., the operating agency. Having looked at a number of options available, ICICI was of the firm opinion that there was no other way for a fruitful revival of Asoka Mills except by merging the company with Arvind Mills. This was formally conveyed by ICICI to Arvind Mills Ltd. in May 1994. Since Arvind Mills had manpower, locational advantage, and also experience in turnaround (it had turned around another sick company 'Laxmi Cotton Mills' about a decade back), merging Asoka with Arvind Mills was thought to be the only option left to prevent Asoka from closing down. The boards of directors of Arvind Mills and Asoka Mills finally agreed to amalgamate Asoka Mills Ltd. with Arvind Mills Ltd. subject to certain terms and conditions approved by the boards of both the companies. The final order for merger was passed by BIFR on 23 June 1995. Merger entailed legal transfer of all movable and immovable properties including Artex. As soon as the merger was passed, Asoka Mills Limited was renamed as Asoka Spintex in 1995, and was merged with Arvind Mills Limited (Exhibit 6) as its Yarn Business Division. Sharma was promoted to the position of chief executive of the division. Artex was sold off immediately after the merger.

In 1994, before the merger, Asoka had incurred a loss of Rs 470 million. In the same period (1994-95) Arvind Mills had a net profit of Rs 1060 million (Exhibit 7) which was taxable. At the rate of 45 per cent on Rs 1060 million, Arvind Mills had a tax liability of about Rs 480 million. Under the Income Tax Section 72 A, if a company merges with a sick company, it gets tax benefits if the amount is spent on rehabilitation of the sick company. Arvind Mills got a tax benefit

[14] As per BIFR rules, if a sick company is not able to have a positive networth by the end of seventh year from the date of sanction of rehabilitation scheme, it is declared unviable.

of Rs 480 million which it paid to creditors after merger. Rest of the interest burden was converted into shares of Arvind Mills.

The Phase of Consolidation and Growth (1995-1997)

Removal of Interest Burden

Since many of the textile mills were ailing in late 1980s, the Government of Gujarat offered deferment of payment of sales tax up to 30 June 1995. Under the original BIFR and merger scheme, the government agreed to extend the deferment for two more years, i.e., up to 30 June 1997. Asoka got the benefit of deferment till 30 June 1997 though interest at a nominal rate started accruing since 1995. The government has now asked the company to pay the tax by the end of year 2003 along with accrued interest since 1995. Asoka had become self-sufficient since 1993 as far as the working capital requirement was concerned. Once the interest burden was removed through merger, Asoka had no problems in running its operations efficiently.

Focus on Spinning

Post-1992, in order to avoid competition among the companies of Lalbhai business group (Exhibits 8 and 9), the products of various companies had been decided at the group level. It was decided that Asoka would concentrate on spinning only. It was also decided that if group companies needed yarn, the spinning units would supply yarn at the market price. The business plan was to sell the yarn in open market — domestic as well as international. Within the group, there were four spinning units — Asoka Spintex, Asoka Cotsyn (a division of Arvind Mills), Arvind Cotspin, and Arvind Intex.

Autonomy of Operations

Though Asoka merged with Arvind Mills, it had the autonomy to run its operations and there was no interference from Arvind Mills in Asoka's day-to-day operations. It was being run as a profit centre. The decisions regarding where to procure the raw material from, whom to sell in the open market, what price to sell, what machinery to buy, whom to hire, fire, or promote, etc. were taken by Asoka. However, the decisions on the amount of investment to be made by Asoka were taken jointly by Asoka and Arvind Mills.

Concern for Quality

Though the quality of the product had certainly improved, there were fluctuations in quality and productivity. In order to deal with this problem and to bring some standardization, it was decided in 1995 to work towards getting an ISO 9000 certificate. This required detailed documentation of working instructions, procedures, and guidelines. Though Asoka could not get the certificate, efforts made towards getting it helped the company to have some documentation of working procedures in place.

For better functioning and co-ordination, more interaction among various departments was encouraged, and except for strategic decisions, many of the task-related decisions, such as changing the technical settings on machines, changing the speed of machines, extraction of wastage percentage at various levels, etc. were taken by the operation people. Efforts were made to strengthen HR systems, primarily to recruit and retain talented and qualified employees and to help employees upgrade their skills. There were plans to place more emphasis on the development of multi-skills by rotating people in different departments barring a few senior executives holding key positions, and those who were in specialized jobs.

Employees had always been recruited, promoted, and relieved as per the needs and requirements of the company. However, till 1992, most of these functions were performed by the personnel manager, and from 1992 to 1996 by Sharma. In 1992, for the first time, a HR executive was appointed. The HR executive's main role was to handle administrative functions, such as settlement of travel allowances, getting the uniforms stitched for employees, etc. Though there was a factory manager whose role was to handle matters related to IR, personnel, and court cases, almost all the decisions of hiring, promoting, and firing were taken by Sharma. Upon merger, the HR policies for recruitment, compensation, promotion, etc. as specified by Arvind Mills were being followed quite systematically at Asoka. A goal-setting exercise was being done every year since 1996 to set the goals and targets at each department level as well as for each employee at Asoka. The employee's performance was appraised every six months, and employees were classified into four categories — excellent, satisfactory, average, and poor — based on how well they could achieve the set targets. If average or poor performance was found to be because of lack of required skills, employees were encouraged to attend training programmes to upgrade their skills. Though sacking was

not being done so often in the company since 1996, Sharma says, "I believe 5 to 10 per cent employee turnover per year is good. We should keep identifying poor performers and chuck them out."

After 1996, the company could not achieve any further improvement in the quality of existing products. Also, there were occasional fluctuations in quality and productivity. There was a need to develop systems to sustain the improvements and to achieve consistency in product quality. Though the company had done well in the past 3-4 years, the top management felt that the system could still collapse, as it had primarily been a one-man show. Since the company had emphasized on getting the tasks done in the recent past, it was now necessary to examine and work on employees' commitment and attitudes toward the organization and their jobs. The concern was to set the systems and processes right so that the company becomes self-sufficient. The top management shared this concern with the senior employees of the organization and, after discussions, decided to implement Total Quality Management Programme (TQM) in setting the systems right. An external consultant was hired to help in this task and preliminary meetings to create awareness about the programme had just begun.

Future Plans

Some of the key customers of Asoka were West Coast Industries, Sunanda Industries, Morarjee Mills, etc. Asoka was aiming to develop a clientele of 70 per cent repeat customers. This was thought to be possible only if the customer was satisfied not just with the quality of the product but also with the quality of services provided to him. The company, therefore, developed formal procedures to receive feedback from the dealers on the quality of output, replace output or refund money if the customer was not satisfied with the product, and give guidelines as to how he could get high returns on his products. The company's infrastructure improved further. The company's technology was upgraded by investing in state-of-the-art machines. It now had 57424 spindles. There were plans to get into value-added qualitative yarns, such as singed yarn, melanged yarn, and dyed yarn in the near future.

In 1996-97, the company exported products worth Rs 250 million whereas exports in 1995-96 was just about Rs 50 million. In 1997-98, exports was expected to touch Rs 400 million. The company exported about 35 per cent of the total production in hard currency. Its objective was to export 50 per cent of the total output and to achieve 20 per cent growth every year either through volumes or value addition. In 1997-98, the turnover of the division was expected to be Rs 1000 million.

Anang Lalbhai said, "We had been quite crude in our approach towards people in the past. However, we have now changed and become sophisticated. We have been doing well but a lot needs to be done to always remain on a growth track. In the changing environment, many more textile mills are likely to close down in the near future. I think only those mills would be able to survive which could make a value addition — either technology-based or investment-based. The emphasis of our growth plan *is* on value addition. I believe an organization really becomes strong when people in the organization take charge and stop looking at top management for ideas. This is the state we ought to reach in the next five years. There are questions in my mind about how to do it. We have started exploring and thinking about ways to do it."

Exhibit 1: Asoka's Performance

(Rupees in Million)

	December 1985	December 1986	December 1987	March 1988-89	March 1989-90	March 1990-91	March 1991-92	March 1992-93	March 1993-94	March 1994-95	March 1995-96	March 1996-97
Gross Sales	416.58	402.16	338.64	481.96	346.71	383.40	334.45	232.51	359.24	480.33	608.07	713.84
PBIDT	28.57	30.1	5.15	-3.36	-52.56	-6.13	-112.27	-7.94	31.80	39.08	104.23	95.67
Profit Before Tax	9.48	11.71	-25.13	-47.17	-95.51	-56.65	-170.75	-57.60	-19.15	-9.64	53.09	29.46
Average Working Capital	97.69	101.93	94.55	60.48	8.25	-8.16	-58.08	-102.72	-51.70	-25.82	43.17	124.37
Interest	12.99	12.00	19.07	28.58	30.05	37.60	44.97	40.38	37.31	27.68	7.23	12.67
Depreciation	6.10	6.39	11.20	15.23	12.90	12.91	13.51	9.28	13.63	21.03	43.91	53.83
Net Fixed Assets	126.74	130.30	158.45	158.49	145.48	137.25	134.89	142.68	186.21	193.70	402.95	435.70
Inventory	94.92	111.99	137.58	134.30	108.10	96.95	33.30	35.01	86.81	114.64	96.32	89.64
Debtors	61.96	68.01	45.80	65.41	48.16	86.97	40.80	54.70	70.24	61.86	88.32	69.65
Creditors	80.40	97.80	123.42	181.13	198.13	201.59	218.46	200.26	216.16	248.86	110.44	99.96
Net working Capital	97.69	106.17	82.92	38.03	-21.54	5.22	-121.38	-84.07	-19.32	-32.32	118.67	130.07
Net Capital Employed	213.57	219.48	227.83	208.27	188.65	227.89	282.85	352.28	473.35	460.07	450.21	544.63

Note: PBIDT (Profit Before Interest Depreciation and Tax) for March 1997 is net of an extraordinary interest liability of Rs 26.59 million pertaining to earlier years. Had this liability not arisen, PBIDT and PAT would have been higher by the same amount.

Source: Company records.

Exhibit 2: Chairmen and Managing Directors of Asoka Mills Limited

Chairmen of Asoka

Name	*Period*
Chimanbhai Lalbhai	May 1920-June 1931
Kasturbhai Lalbhai	August 1931-June 1960
Arvind Narottam Lalbhai	July 1960-September 1990
Ajay Chimanbhai	September 1990-June 1995

Note: All chairmen were from the Lalbhai family.

Managing Directors of Asoka

Name	*Period*
Ashoke Chimanlal (MD)	January 1970-December 1979
Ajay Chimanbhai (MD)	January 1979-October 1990
Rajiv C Lalbhai (WTD)	January 1980-December 1984
Rajiv C Lalbhai (MD)	January 1985-February 1987
Anang A Lalbhai Qt. MD)	July 1987-September 1990
Anang A Lalbhai (MD)	October 1990-June 1995

Note: All managing directors were from the Lalbhai family.

WTD = Whole time director. Jt. MD = Joint managing director.

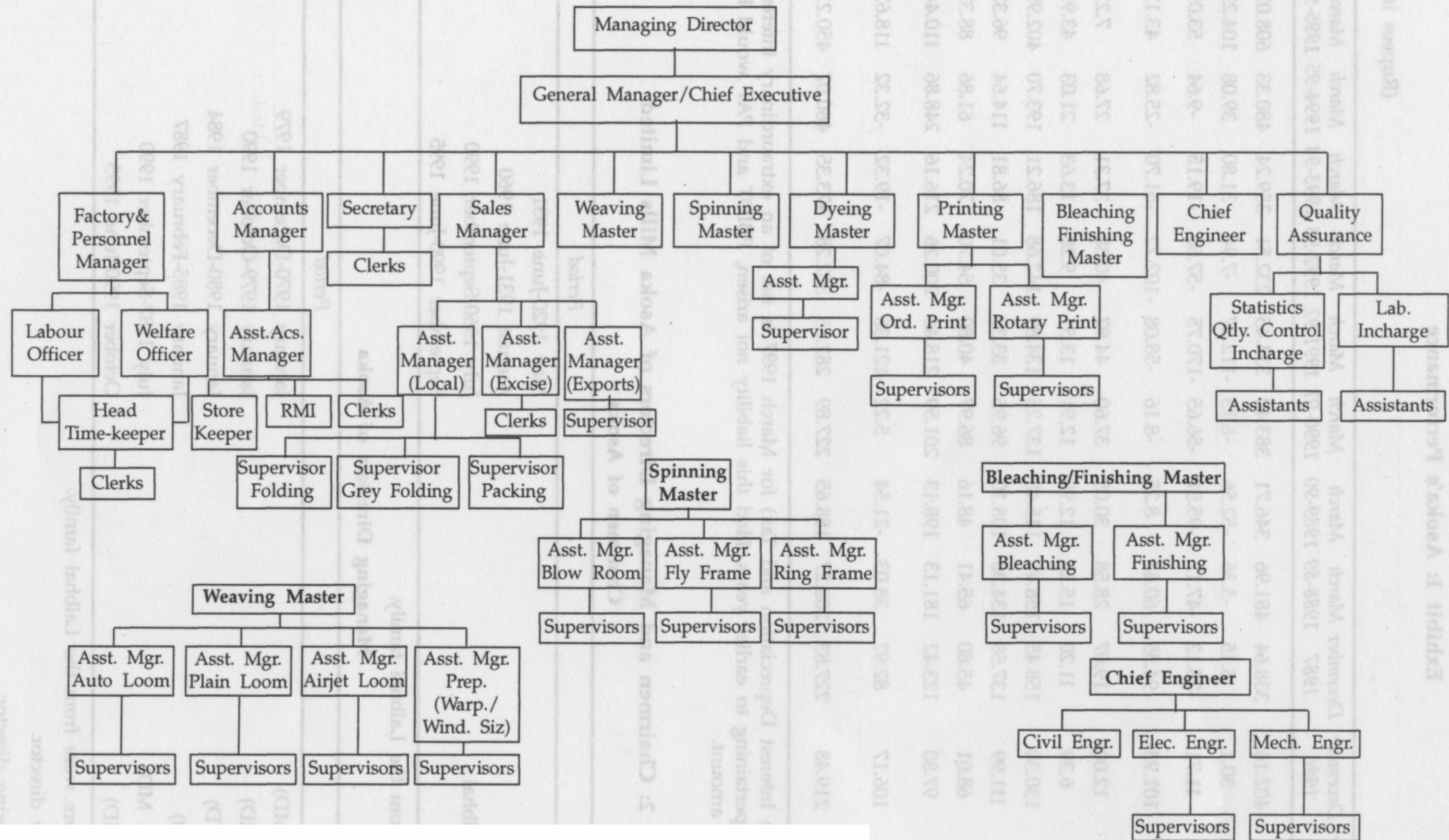


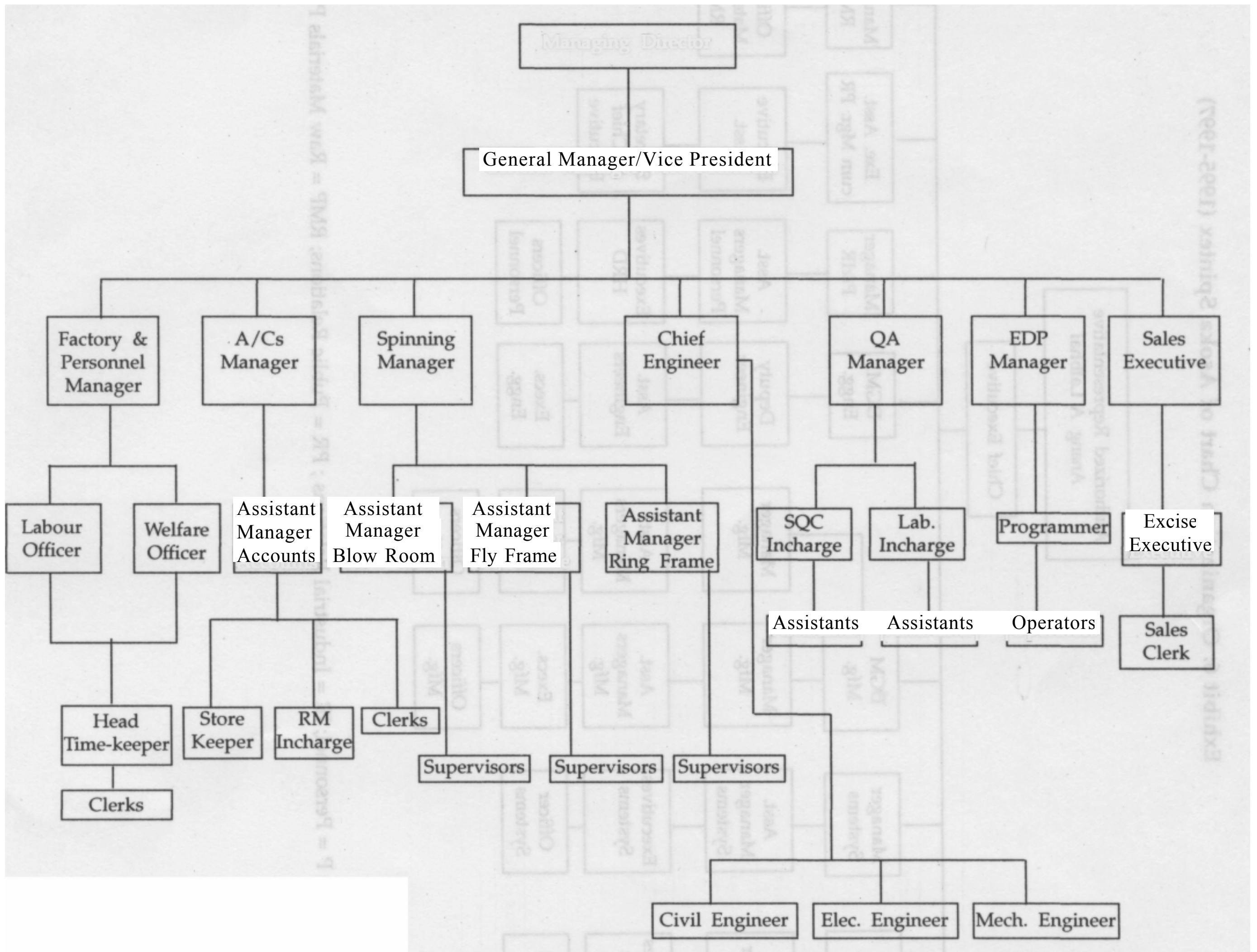
Exhibit 3: Organization Chart of Asoka Mills Limited (1986 - 1992)

Note: Asst.Mgr. = Assistant Manager; RMI = Raw Material Incharge; Ord. = Ordinary; Qly. = Quality; Lab. = Laboratory; Prep. = Preparatory; Warp. = Warping; Wind. = Winding; Siz. = Sizing; Elec. Engr. = Electrical Engineer; Mech. Engr. = Mechanical Engineer.

Exhibit 4: Manpower of Asoka

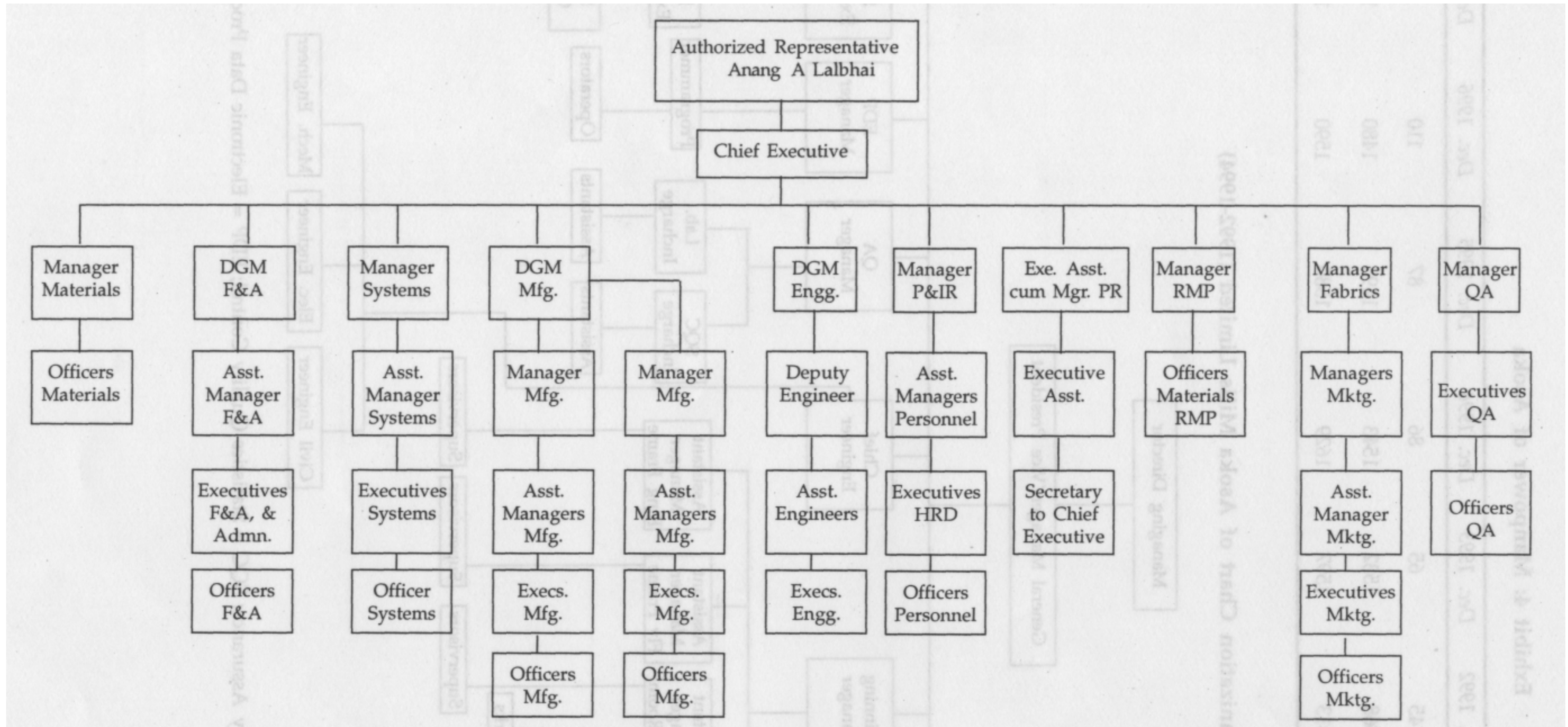
	Dec. 1986	Dec. 1992	Dec. 1993	Dec. 1994	Dec. 1995	Dec. 1996	Dec. 1997
Management	184	45	65	86	87	110	117
Workers	3991	1368	1532	1543	1493	1480	1480
Total	4175	1413	1597	1629	1580	1590	1597

Exhibit 5: Organization Chart of Asoka Mills Limited (1992-1994)



Note: RM = Raw Material; QA = Quality Assurance; SQC = Statistics Quality Control; EDP = Electronic Data Processing.

Exhibit 6: Organization Chart of Asoka Spintex (1995-1997)



Note: F&A = Finance & Accounts; P = Personnel; IR = Industrial Relations ; PR = Public Relations; RMP = Raw Materials Purchase; QA = Quality Assurance.

Exhibit 7: Arvind Mills Limited's Performance

(Rupees in Million)

	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	*1989-90*
Sales and Operating Income	8631.52	7090.60	5690.52	4164.90	2867.95	2382.86	1954.80	1794.88
Gross Profit	2027.92	1646.90	1481.67	1010.83	563.44	301.47	181.47	115.11
Profit before Tax	1328.20	1138.60	1059.31	700.80	413.74	200.49	107.11	52.47
Equity Share Capital	1005.50	998.50	994.90	700.02	403.30	136.42	103.88	71.34
Reserves	9781.52	9953.70	9263.93	6598.92	1784.74	746.94	490.40	384.00
Earning per Share (Rs)	12.67	11.40	10.65	10.01	10.26	14.70	10.31	7.36
Book Value (Rs)	105.85	104.84	101.77	103.41	53.62	63.11	55.75	61.20
Dividend (%)	45	45	41	41	41	35	32	27
Average Realization per Meter (Rs)	90.74	73.65	61.59	52.92	52.08	39.26	31.12	25.98

Note: All figures indicate rupees in million except for EPS, Book Value, and Average Realization per Meter.

Arvind Mills Ltd., a member of the Lalbhai group, was incorporated in 1930 by three brothers — Kasturbhai Lalbhai, Narottambhai Lalbhai, and Chimanbhai Lalbhai — to produce fine and superfine cotton fabric as well as traditional material for the Indian market. In a short span of time, the company became the domestic market leader in these fabrics. The product range expanded over the years to include wide range of shirting, blended shirting, blouse material, sarees, dress material, cotton voiles, and indigo-dyed blue denim of various weights as well as a range of coloured denim. By 1990, the company had established its presence internationally as a supplier of quality fabric and India's largest exporter of denim.

Source: Company records.

Exhibit 8: Lalbhai Group Companies and their Partners/Collaborators

Company	*Product Group*	*Joint Ventures/Collaborations*
Cynamid India ATIC	Pharmaceuticals, Agrochemicals	Atul Products Ltd. and American Cynamid Ind., USA
Industries	Fast Vat Dyes and Solubilized Vat Dyes, Procion Reactive Dyes and Disperse Dyes	
Cibatul	Thermosetting Resins, Drug Intermediates and Bulk Chemicals	Atul Products Ltd. and Ciba Geigy, Switzerland
Anil Starch	Starch, Pharmaceuticals and Fertilizers	Nagase and Company, Japan
Arvind Mills Limited	Shirts, Jeans, Cotton and Blended Yarn, and Knits	Cluett International, USA V.F. Corporation, USA
Amtrex Appliances	Room Air-conditioners	Hitachi Limited, Japan Grefco Inc.,
Amol Dicalite	Filter Aids Financial	USA Wellington AMC, USA
Anagram Finance	Services Broking Services	Morgan Grenfell Asia, Singapore
Anagram Securities	Cotton Yarn Cotton	
Arvind Cotspin	Yarn	
Arvind Intex		

Note: The Lalbhai group, a family-owned business group, originated in 1908. Since its inception, the Lalbhai group's portfolio had encompassed diverse activities such as textiles, starch, dyes, chemicals, etc.

Source: Company records.

Exhibit 9: Lalbhai Family Tree