

# The textile industry arvind mills bombay dyeing marketing essay



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The Textile industry contributes around 14% to India's Industrial Production, 4% to the GDP and 17% to the country's export earnings. It provides direct employment to around 35 million people, which is second only to agriculture. Fabric production has risen to around 61000 million sq meters in 2011 from around 56000 million sq meters in 2007. India has the potential to increase its textile and apparel share in world trade from the current 4. 5% to about 8%, reaching \$80 billion in value by 2020. The country's geographical location is well suited for trade purposes and cheap labor and raw material also make it a prime target for foreign investment. Major apparel and designer brands are setting up shop in India thus, further enhancing the growth of the industry.

## **MAJOR PLAYERS**

### **INDUSTRY ANALYSIS: PORTERS 5 FORCE MODEL ANALYSIS**

250px-Porters\_five\_forces. PNG

## **INDUSTRY RIVALRY**

Huge number of competitors

Competitors like Raymond's, Levi's giving stiff competition by strong marketing and branding strategies

Competitors adopting aggressive growth strategies to maximize market share.

Also faces stiff competition from small town retailers and specialty stores.

## **THREAT OF NEW ENTRANTS**

Lucrative market for newer entrants leading to higher level of competition.

Big international fashion brands with high brand value looking to establish in India.

Low barriers to entry in the unorganized retail sector is also causing problems.

## **THREAT OF SUBSTITUTES**

Growth in online shopping

Small town stores offering proximity and specialized attention to consumers

Plenty of offerings in premium and super premium category

Also face competition from cheap imports from China and South East Asia.

## **BARGAINING POWER OF SUPPLIERS**

Increased level of competition has increased the bargaining power of suppliers

Arvind Mills is at an advantage due to complete vertical integration allowing it to handle the entire manufacturing process.

## **BARGAINING POWER OF BUYERS**

Lack of loyalty due to the variety of substitutes available

Low switching costs of consumers allows greater freedom of choice

## COMPANY PROFILE

Arvind Mills, based in Ahmadabad, Gujarat, is the flagship company of the Lalbhai Group. It is one of India's leading Composite manufacturers of textiles. It has a wide product range, manufacturing a wide variety of textiles ranging from cotton shirting, denim, knits and bottom weight fabrics. It is India's largest denim manufacturer, apart from being the 4th largest producer and exporter of denim in the world. It was responsible for bringing denim to India in the early 1980's, thus starting the Jeans revolution. It not only owns and retails its own brands like Flying Machine, Newport and Excalibur but also licensed international brands like Arrow, Lee, Wrangler and Tommy Hilfiger, through its nationwide retail network. Arvind Mills also runs a value retail chain, Megamart. The company was started with a budget of fifty five thousand dollars and is today valued at over \$500 million. Its enterprises are equipped with state-of-the-art technology entailing the full manufacturing cycle- from painting the fibres till the finished product.

Arvind Limited started with a share capital of Rs 2, 525, 000 (\$55, 000) in the year 1931. With the aim of manufacturing the high-end superfine fabrics Arvind invested in very sophisticated technology. With 52, 560 ring spindles, 2552 doubling spindles and 1122 looms it was one of the few companies in those days to start along with spinning and weaving facilities in addition to full-fledged facilities for dyeing, bleaching, finishing and mercerizing. The sales in the year 1934, three years after establishment were Rs 45. 76 lakh and profits were Rs 2. 82 lakh. Steadily producing high quality fabrics, year after year, Arvind took its place amongst the foremost textile units in the country.

(Source: <http://www.arvindmills.com/heritage/history.htm>, [http://en.wikipedia.org/wiki/Arvind\\_Mills](http://en.wikipedia.org/wiki/Arvind_Mills))

BDMCL was incorporated in 1879 at Mumbai under the house of Wadias. The company is a flagship brand of the Wadia group, which has a presence across foods and dairy, airlines, chemicals, plantations, laminates, electronics, healthcare, architecture and clinical research. BDMCL manufactures cotton textile, non-woven fabrics and di-methyl terephthalate (DMT). The textile division was initially located at Worli, Mumbai, but has been relocated to Ranjangaon near Pune. This division continued to report operating losses in FY10. The company has started to use PTA, an alternative feedstock, to manufacture polyester; the new plant is under stabilisation and continued to show operating losses during FY10. The real estate division, which commenced operations with the development of the Spring Mills (Dadar) and Textile Mills (Worli) properties during 2005, registered an operating profit of Rs 3.4 bn in FY10.

(Source: [http://www.nseindia.com/content/corporate/eq\\_BOMDYEING\\_base.pdf](http://www.nseindia.com/content/corporate/eq_BOMDYEING_base.pdf))

## **TIMELINES**

### **ARVIND MILLS**

1931 – The inception of Arvind Mills Limited at the hands of three brothers – Kasturbhai, Narottambhai and Chimanbhai Lalbhai

1934 – Arvind establishes itself amongst the foremost textile units in the country.

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1980 – Arvind records highest levels of profitability. The new strategy – ‘Reno vision’, points at changing the business focus from local to global, towards a high-quality premium niche market.

1987-88 – Arvind enters the export market for Denims with a dual focus – Denim for leisure and Denim for fashion wear.

1991 – Arvind emerges as the third largest manufacturer of denim in the world.

1997 – India’s largest state-of-the-art facility for shirting, gabardine and knits is set up at Santej.

2005 – Arvind creates a unique one-stop shop service on a global scale, offering garment packages to reputed national and international customers.

2007 – Arvind expands its presence in the brands and retail segment by establishing MegaMart – One of India’s largest value retail chains.

2010 – Arvind launches The Arvind Store, a concept putting the company’s best fabrics, brands and bespoke styling and tailoring solutions under one roof. Arvind launches its first major Real Estate projects. Arvind becomes one of India’s largest producers of fire protection fabrics.

(Source: <http://www.arvindmills.com/heritage/journey.htm>)

## **BOMBAY DYEING**

1879 – Company incorporated on August 23rd in Mumbai bby Nowrosjee Wadia

1962 – Nusli N Wadia joins the company as a trainee at the Bombay Dyeing Spring Mills

1971 – Neville N Wadia, Nusli Wadia's father, wants to sell the company to Calcutta based R. P. Goenka and retire. Nusli opposes sale, enlists J. R. D Tata's support in shareholder battle that follows and prevents the sale

1977 – Nusli N Wadia takes over the company from his father, Neville

1978 – Company applies for a license to setup a DMT plant, which is used to manufacture polyester

1985 – Fierce corporate rivalry over polyester, often called the polyester war, starts between Bombay Dyeing and Reliance Industries

2000 – Jute baron Arun Bajoria acquires near 15% stake in Bombay Dyeing, raising fears of a takeover. Arun Bajoria offers to sell the shares to Wadia at a premium, which is refused by Wadia.

2001 – Ness N Wadia, Nusli's son, becomes Deputy MD of Bombay Dyeing

2002 – Bajoria and Wadia reach a settlement

2011 – Jeh Wadia takes over as Managing Director, Ness Wadia shifts to GoAir.

(Source: <http://businesstoday.intoday.in/story/bombay-dyeing-among-100-year-old-companies/1/16499.html>)

## **ANALYSIS OF OPERATIONS**

### **VALUE CHAIN OF TEXTILE COMPANIES**

#### **PRODUCT LINE**

##### **ARVIND MILLS**

##### **BOMBAY DYEING**

##### **DENIM**

##### **SHIRTING**

##### **BOTTOM WEIGHTS**

##### **KNITWEAR**

##### **ADVANCED MATERIALS**

##### **REAL ESTATE**

##### **TELECOM: SYNTEL & ARYA OMNITALK**

##### **CHEMICAL PROCESS EQUIPMENT(ARYA ENGINEERING)**

##### **WATER TREATMENT (ARVIND ACCEL)**

##### **BED LINEN**

##### **BATH TOWELS**

##### **SATIN HOME FURNISHINGS**

##### **MENS WEAR**

##### **WOMEN'S WEAR**

##### **KIDS WEAR**

##### **SPORTS WEAR**



## **SHOE LINING AND DUCK FABRICS**

### **BRANDS**

#### **ARVIND MILLS**

OWNED BRANDS

LICENSED BRANDS

JOINT VENTURE BRANDS

PREMIUM BRANDS

Mainstream

Excalibur Gant

Flying Machine

Ruf & Tuf

New Port University

**Bridge to Luxury**

**U. S. A 1949**

**Energie**

**Bridge to Luxury**

**Tommy Hilfiger**

**USPA**

**Arrow**

**IZOD**

**Lee**

**Wrangler**

**BOMBAY DYEING**

BED LINEN

BATH

Normal

Designer collection

Wedding Collection

**Tulip**

**Areo**

**Santino**

**Ultrx Fantasy**

**PROFIT AND LOSS STATEMENT ANALYSIS**

**BALANCE SHEET ANALYSIS**

**RATIO ANALYSIS**

**Z SCORE ANALYSIS**

The parameters for Z score analysis were defined as:

**A****Working Capital/Total Assets****B****Retained Earnings/Total Assets****C****Earnings Before Interest & Tax/Total Assets****D****Market Value of Equity/Total Liabilities****E****Sales/Total Assets****Z****1. 2A + 1. 4B + 3. 3C + 0. 6D + 1. 0E****CAPITAL STRUCTURE ANALYSIS****INVESTMENT STRATEGY****ARVIND MILLS**

Arvind Mills began as a manufacturer of textile but became known later for as the largest manufacturer of the country. After the affect on the performance of the company due to the increase in the price of cotton in mid 1990's, the company has been on the lookout for other areas of revenues other than just being an exporter of denims. It was with this intent that jeans brands like Ruf n Tuf, Flying Machine and Ruggers. This was also the time that it started facing serious financial problems. In 2007 true to its nature it started to invest again in brands and retail segment by creating Megamart.

In 2010 Arvind launched The Arvind Store, a concept putting the company's best fabrics, brands and bespoke styling and tailoring solutions under one roof. It also started investing in real estate projects and has become the largest manufacturer of fire protection fabrics. The medium term strategy of Arvind Mills is now to improve ROCE from 105 to 18%, bring down its dependence on debt and reduce its dependence on denims by getting into other area of investment.

## **BOMBAY DYEING**

The retail and the realty business of the Wadia Group are controlled by the Bombay Dyeing company itself. It has a distribution chain consisting of 600 plus exclusive shops throughout the country and also has 14 flagship stores for selling premium brands. The company now plans to create a portfolio of products for use across economic classes. The 'home & you' concept is the group's strategy in many segments, under which it will be offering wide range of. Bombay Dyeing already makes products for the home textiles segment. For the production it plans to source both in house and from outside. Their strategy is to sell what people want and not what they produce.

Bombay Dyeing has also entered in the real estate industry to diversify its risk. It has formed a real estate arm, Bombay Realty, which will develop real estate projects of the company and the land bank of the parent bank. The group claims to have 10000 acres of land across India. The firm has reportedly launched 2.5 million square feet of projects in Central Mumbai making it's the largest real estate development it has done till date. This

diversification is being done in a bid to ensure a consistent cash flow to help a turnaround of the company.

## **NEW PRODUCT DEVELOPMENT/ INNOVATIONS**

### **BOMBAY DYEING**

E-magic bed sheets: Launched a new range of Bed sheets with properties of Vitamin E called E Magic to promote the idea of healthy living and a great lifestyle. This new range boasts of new contemporary and modern designs with bold and passionate colours. Taking the world of home furnishings to a completely different level, the E Magic collection from Bombay Dyeing promises to create a bench mark for the brand. This luxury driven soft cotton satin, high thread count bed linen has vitamin E stored as microcapsules in the threads during the process of weaving. When rubbed against the skin, the microcapsules break to release vitamin E. Vitamin E is absorbed much better through the skin especially while sleeping, resulting in a radiant looking skin. The properties of Vitamin E that encapsulated in the bed sheets last for over 20 washes and thus, the value for money spent is also justified.

Aroma Rich Bedsheets: This luxurious soft cotton satin, high thread count bed linen is lightly fragranced with pleasant natural aroma that boosts relaxation and enhances sleep. During the production process, use of a touch of microencapsulated fragrance helps to deliver a mild aroma as the skin rubs against the fabric during usage.

### **INNOVATION**

Bombay Dyeing has been an innovative company in the sense that it has constantly differentiated itself from others using innovative techniques in

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printing, raw materials and processes. The aroma rich and e magic line-up is testament to its capabilities in manufacturing highly innovated products, thus adding better value to its customers.

Arvind Mills is focussed on delivering high quality products to its licensed partners and its product line exists to the entire value chain no new product offerings have been made to the customers. It is also not a very innovative company as they have innovated very little in the textile front, focussing mainly on improving technology to keep its processes up to date. This is evident in the fact that Arvind continuously modifies its production process to enhance flexibility on the use of various types and quality of cotton. To further meet customer needs, Arvind has also introduced a new dyeing and processing method for denims.

## **PAYOUT POLICY**

### **BOMBAY DYEING**

The company has had a good payout policy with consistent dividends over the past years and has offered a minimum of 10% dividend and has offered a dividend of 50% last year.

The dividend payouts have been given as follows:

Year

Dividend(%)

2012

50

2011

35

2010

25

2009

10

2008

35

## **ARVIND MILLS**

Arvind Mills has had a history of not giving out dividends consistently. It had offered a dividend of 10% last year.

Year

Dividend(%)

2012

10%

2011

10%

2010



10%

2009

Nil

2008

Nil

## **MANAGEMENT EVALUATION**

### **BOMBAY DYEING**

The management at Bombay Dyeing has been continuously refocusing and thinking out new avenues of investment in order to make a turnaround for Bombay Dyeing. The management has been in a consolidation phase as it was trying to sell its polyester arm business in July 2010. But it did manage to make a turnaround in the polyester business after Jeh Wadia was appointed as the MD of Bombay Dyeing. The stock markets reacted positively to this news. The period after Jeh Wadia was appointed was filled with investment restructuring plans like monetising its land bank to prop its retail arm, opening of a new retail store counter everyday and its eventual foray into e-commerce to sell its bed and bath products.

The market has reacted positively to most of these changes and the stocks have generally gone up on receiving the news. But it has had its fair share of problems of coming under the CCI scanner for abusing their market position and the HC order to hand over land to BMC.

Jeh was given the reins to Bombay dyeing in 2001 after Ness Wadia who had been at the helm since 2001. Jeh Wadia has taken up reins at a time when the going for Bombay Dyeing has been very tough and the public thinking is that the attrition at the top level is very high. Jeh Wadia has primarily focussed to mitigate the losses in Bombay Dyeing through diversification and has directed the group towards the construction of some high profile projects in some very posh areas of Mumbai.

## **ARVIND MILLS**

Arvind mills is headed by Mr Sanjay S Lalbhai and has been associated with Arvind Mills for more than 30 years. The management consists of Mr Jayesh Shah(Director and CFO), Mr Punit Lalbhai(Executive Director) and Mr Kulin Lalbhai(Executive Directors). There also other independent directors on the board. In 2004 Arvind Textiles faced a rapid outflow of people from its top management which was blamed for lack of professionalism in the company. This was also the period when Arvind Mills started facing a lot of losses. Since then the top management has stalbilised and initiatives have been taken by the top management to diversify into more areas in order to mitigate the risk offered by any one business. This has resulted in the taking up of initiatives like the opening up of Megamart and more recently Arvind Store which will house the best of practices of the firm. The company has also sought to diversify into the realty business recently. All this has boosted up the revenues of the company and Arvind Mills is slowly recovering from the lack of demand and the saturation of the denim market abroad, mainly Europe.

Mr Sanjay S Lalbhai has been seen as a leader who takes fresh initiatives every three to four years in order to keep the brand profitable. It is under his able administration that Arvind Mills opened the Megamart stores and the more recently Arvind Stores. He is seen to take critical decisions along with the CFO, Mr. Jayesh Shah, to look out for areas to diversify and in which Arvind can profit.