AL Mills cut its production to minimize losses. But it had entered into forward-supply agreements with its buyers and since the Letter of Credit had been opened. It had to honour such agreements. The cost of the company's new project at Santej escalated from Rs.1100 crore to Rs.1500 crore. The company could not meet intrerest payment obligations and it started accumulating debt leading to a downgrading of its credit rating. The company also lost some of its senior executives.

AL Mills went into a massive debt restructuring of Rs.2000 crore with the cooperation from its largest creditors. AL Mills engaged international consultants to reposition itself. Denim division's head says, "We are redefining our core competency; it's not size, but its product innovation. We are now in a position to lead denim fashion". AL Mills also started making denim garments for leading players like Zara, Levis and Next. Shirtings from Santej plant were outsourced by labels like Marks & Spencer's, Gap and Saitt. The company planned to move up the value chain from fabric to garments.

The company restructured its business with the following initiatives:

- A new concept 'design your fabric' was initiated in 2002 that sought the requirements of its clients to design its fabric.
- New ranges were introduced like the 'Wild and Free' in 2002
- Opened seven exclusive outlets in the gulf region.
- Brand promotion
- Revamped its marketing initiatives like that for Wrangler brand.

January 1, 2005 saw another major change in the form of removing quota restrictions on textile exports due to the Multi Fibre Agreement (MFA) being annulled. India's quota for export of textile was 2% to the US (2% of the total US imports) and 4% of the European Union! Whereas, the same for China was 19% and 21%.

Questions

1. Analyse the major environmental changes and how AL Mills responded to them.
2. What went wrong with AL Mills and why?
3. Design an international strategy for AL Mills for the post MFA period.

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