

## **CHAPTER V**

# Conclusions and Recommendations

- I Introduction
- II Conclusions
- III Recommendations

---

---

## **I Introduction :**

This Chapter deals with conclusions that we draw from our analysis of industrial recession and its impact on GPI Ltd & the recommendations made

## **II Conclusions :**

**First :** The most important conclusion that we draw is that the ancillary units like GPI are the result of vertical disintegration by big industries or Original Equipment Manufacturer (OEM). Ancillary units thus supply to and depend on big industries (OEM). Their growth depends directly on the growth of the big industries to which they supply. Therefore, their growth is dependent growth. So long as the OEMs are performing well, ancillary units will also perform well. However, if there is any slowdown in OEMs that automatically creates problems for ancillary units. This is exactly happened in case of GPI Ltd.

**Second :** During the second half of the 1990s, industrial sector in India has under performed as compared to early 1990s. This trend is continued in early years of new century. The slowdown

---

---

in industrial performance reflected in falling trend growth rate of IIP.

**Third** : The most important reasons for industrial slowdown in the second half of 90s in India are the poor performance of agriculture & fall in public investment

**Fourth** : Industrial recession has affected private companies adversely & the situation is even made worse by the competition resulting from change in policy stance.

**Fifth** : Industrial recession, particularly the Tractor & Automobile industry recession has taken its toll on GPI in the form of decreasing turnover, sales, shrinking bottomline, underutilised capacity and declining employment, etc.

**Sixth** : The exception for the overall downturn in GPI is its export performance, notwithstanding the global recession.

However, the global recession has started affecting the export earnings of GPI recently.

**Seventh** : The recessionary impact is more observed in case of foundry division of GPI. This is due to excessive dependence of

---

---

foundry division on tractor & commercial vehicle segment of automobile industry, which are hard hit by recession.

**Eighth** : The product division is more diversified in its product range & thus relatively insured against recessionary impact.

**Ninth** : One more indirect impact of recession on GPI has been the worrisome industrial relations in the company due to pending revision of wage agreement.

**Tenth** : The GPI has survived during these bad times of competition & industrial recession by introducing some internal measures such as increasing its dependence on product division, concentration on export business, cost reduction measures, mainly labour & overhead costs, upgradation of technology & lastly control of rejection percentage.

**Eleventh** : As a result of the internal measures introduced by the company and a revival seen in demand for castings has enabled the company to reduce its losses.

**Twelfth** : Now a days, the outsourcing business is in full boom. This is, however, true in case of outsourcing in services sector. Though, the outsourcing is not a new phenomenon to industrial

---

---

sector, This is going to benefit the components & parts manufactures like GPI.

**Thirteenth** : Though the company has performed poorly in the second half of the 1990, due to recessionary impact, this downturn is not going to last forever. Downturn in industrial performance of GPI, therefore should be taken as part of ups & downs in the economy. With the growing population & growing GDP, Government's major stress on infrastructure development & high potential in export market, company foresee a soon revival in its activities & thus overall performance.

In sum, it appears that the component business is as cyclical as any other & sees scenarios where different sectors keep waxing & wanning. Like the current mind blowing growth in passenger cars & multi utility vehicles, while tractor & commercial vehicle sales are falling. Those, who stuck in one segment have suffered.

**BARR. BALASAHEB KHARDEKAR LIBRARY**  
SHIVAJI UNIVERSITY, KOLHAPUR.

---

---

### **III Recommendations :**

After the thorough analysis of industrial recession & its impact on GPI, we make some recommendations, which may help the company in its operations.

**First :** The camp should awaken to the danger of being over dependent on one or two segments, viz. the tractor & commercial vehicles. Therefore, the company should diversify its product range, particularly of the foundry division.

**Second :** In view of the looming global recession, company should diversify and de-risk its export basket in terms of products, customers & geographies.

**Third :** The company should take some further actions to reduce input cost of power, raw material & overheads & should also reduce rejection of products.

**Fourth :** As the certification by the International Organisation for Standardisation & American Petroleum Institute can prove to be an export passport for company's products, It should further make some attempts to get the rigorous QS 9000 certification. For this, it should improve the quality of its products.

---

---

**Fifth** : The current appreciation of the rupee to around Rs.46 a dollar has put auto component exporters in a tight spot. The GPI is no exception to it. The company can overcome this situation through a mix of productivity improvement, cost cutting, price renegotiations & changing their import & export basket. The effective step would be one of increasing the share of imported inputs in its production.

**Sixth** : The company should give specific thrust on research & development to capture the overseas market, particularly. the oil field valve market.

**Seventh** : Further, the company should focus on manufacturing high quality & value added products.,

**Eighth** : The company should take action to increase labour productivity & end the pending industrial dispute & maintain healthy industrial relations.

**Lastly**, liberalisation, privatisation & globalisation (LPG) in the economy has stimulated extremely high level of competition, vast & rapid changes in the business environment both internally & externally. This has contributed to increasing uncertainty,

---

---

stress and strain on managers & employees in every organisation to perform well & show profitability unto the investor's satisfaction.

Thus, the GPI being leading & biggest engineering firm located in Kolhapur, must awaken to the realities of business and international competition & take necessary steps as early as possible, in order to become competitive.

In sum, the foundries focussing on quality, controlling costs & having a diverse customer mixture are going to be successful in the long run & hopefully the M/s Ghatge Patil Industries Ltd., Uchgaon, kolhapur will be one among them.