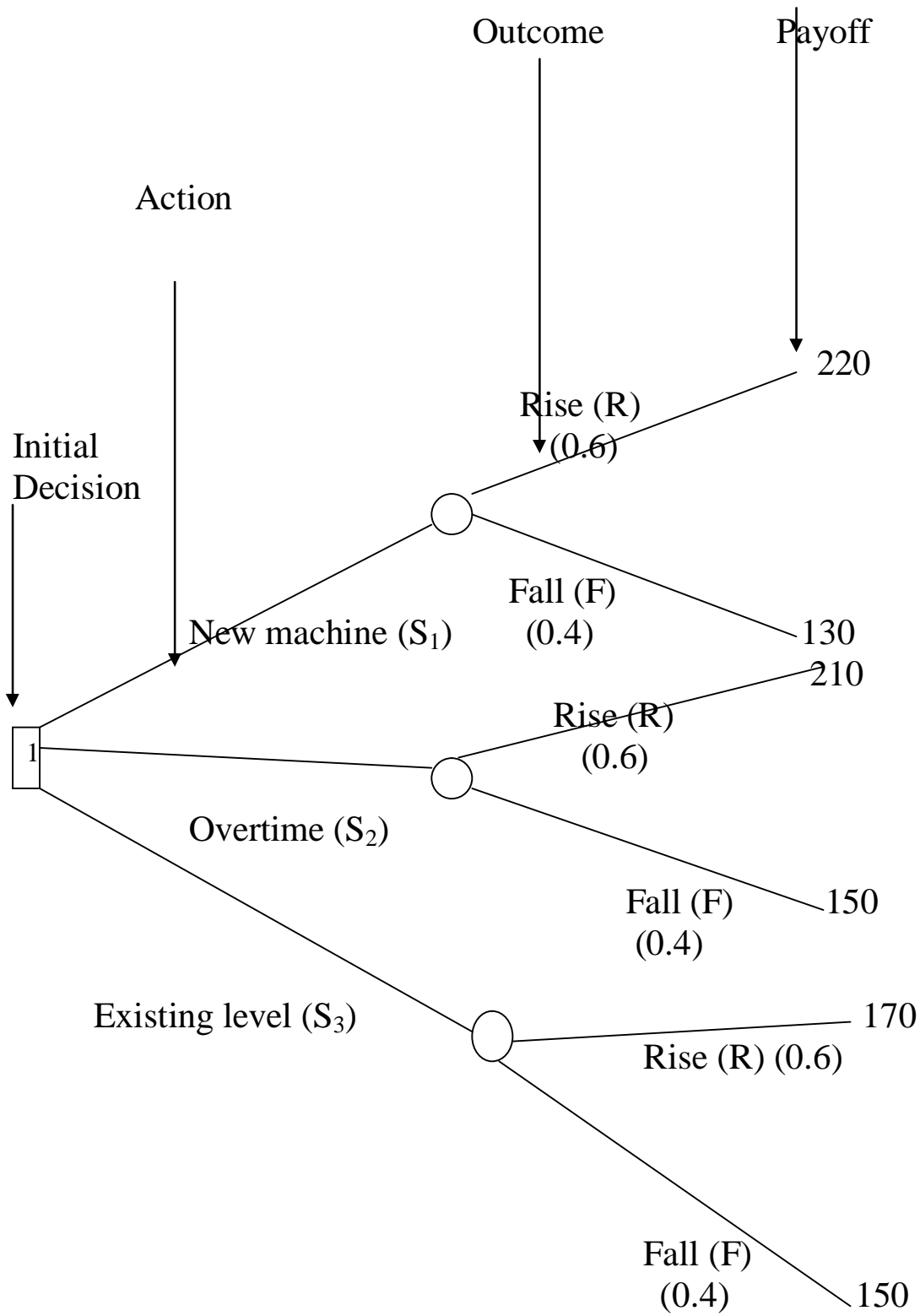


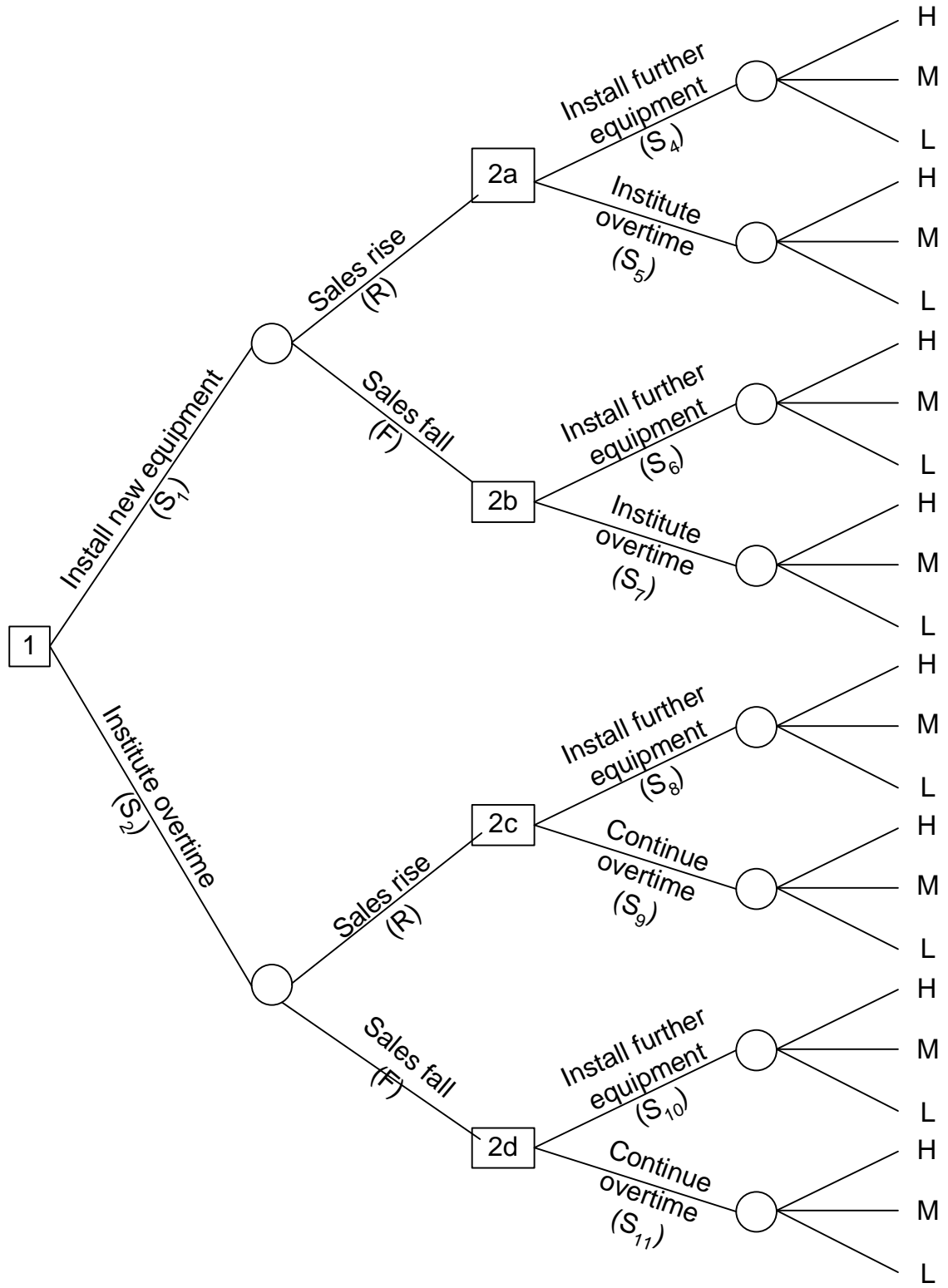
Table: Payoffs and probabilities

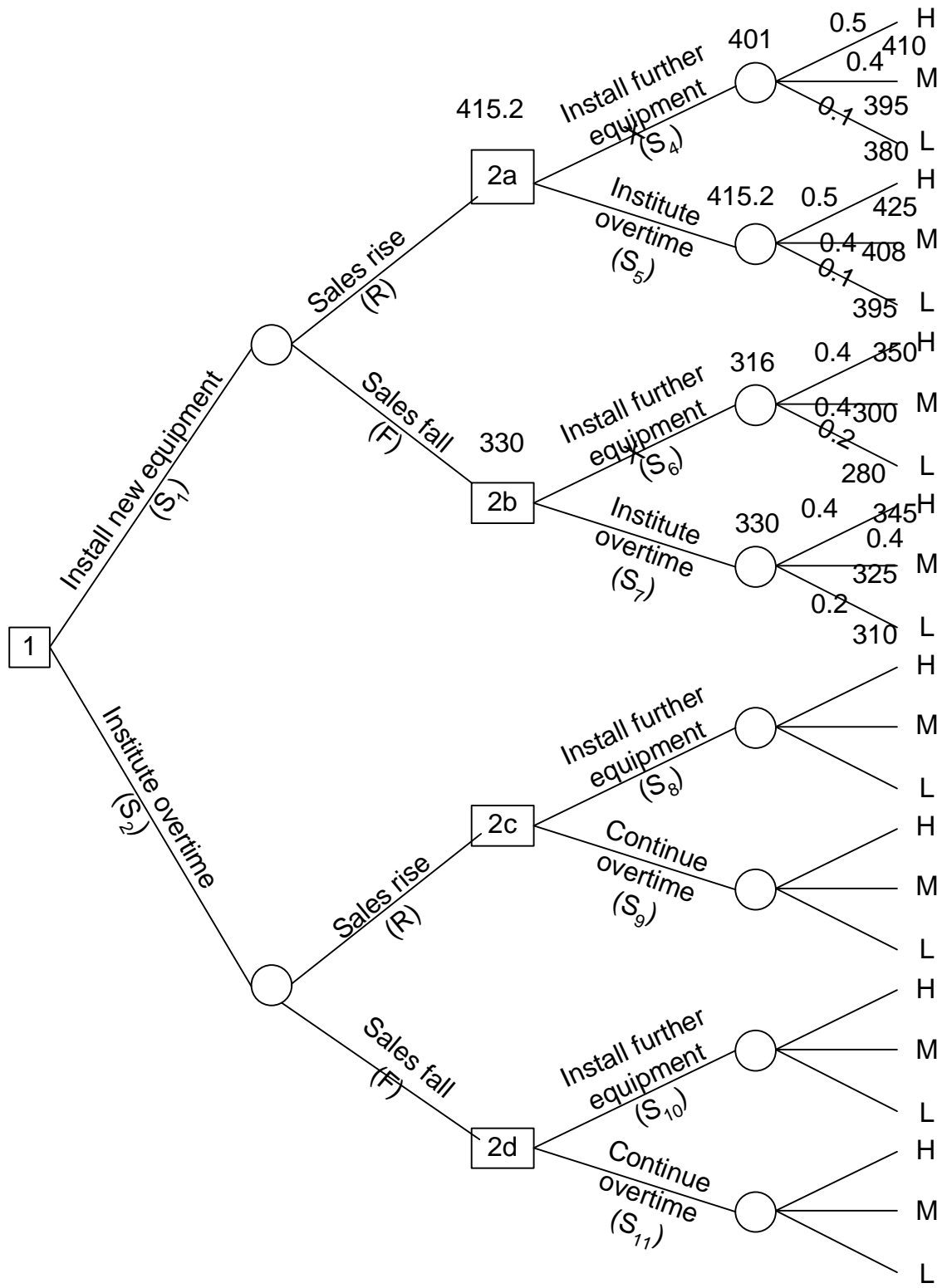
Action	Demand (Probabilities in parentheses)	
	5% fall (0.4)	15% rise (0.6)
New Equipment (S_1)	130	220
Overtime (S_2)	150	210
Existing Level (S_3)	150	170

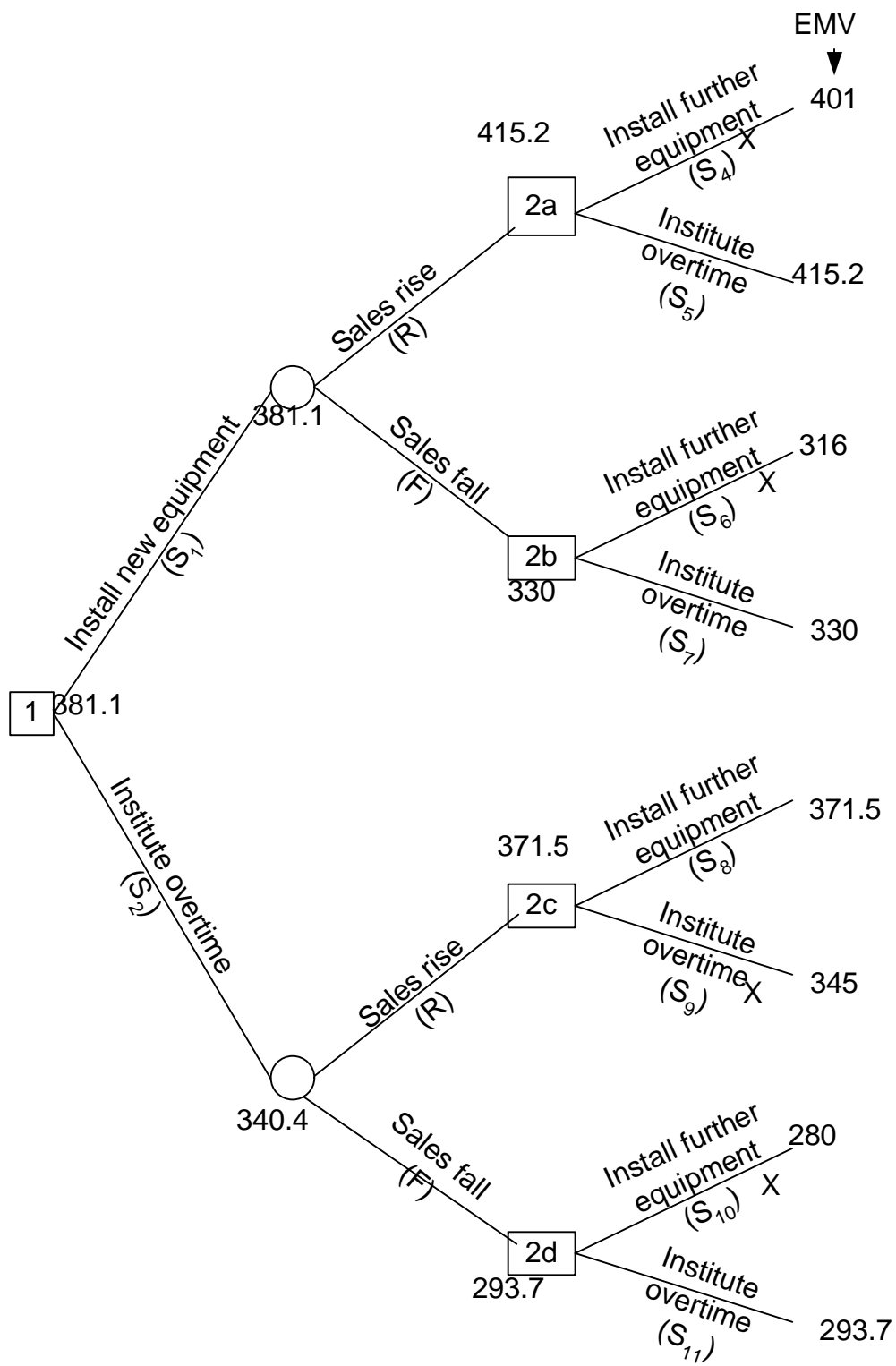
figures in Rs. Crore

Initial Decision Tree



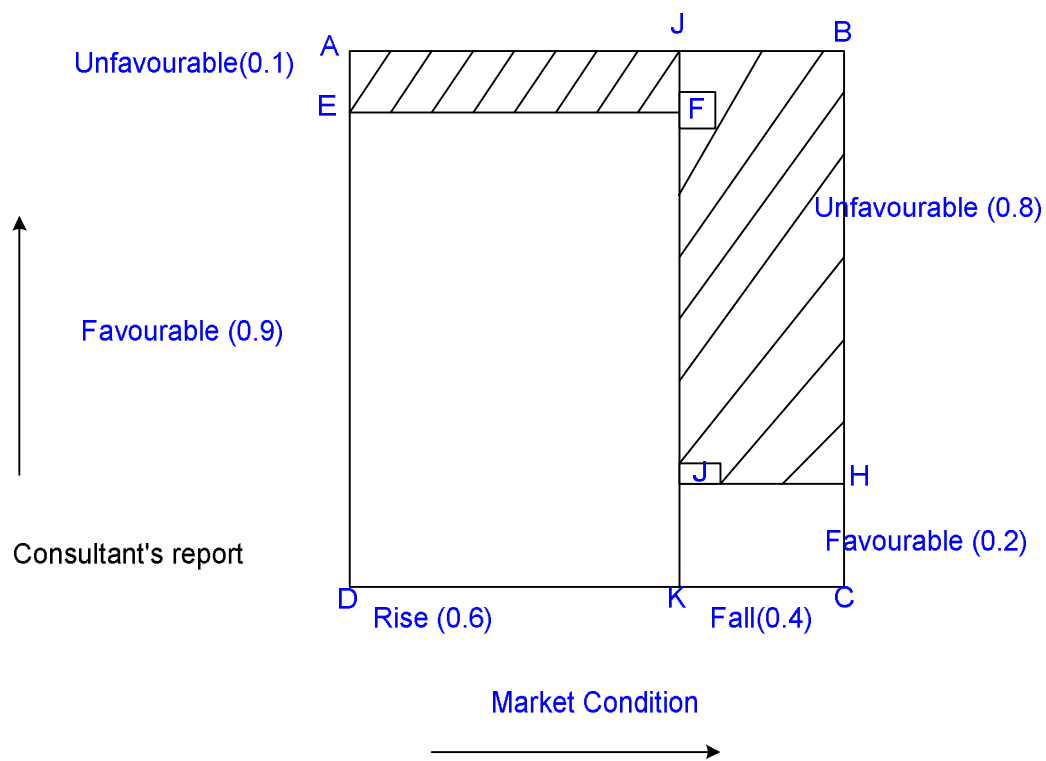






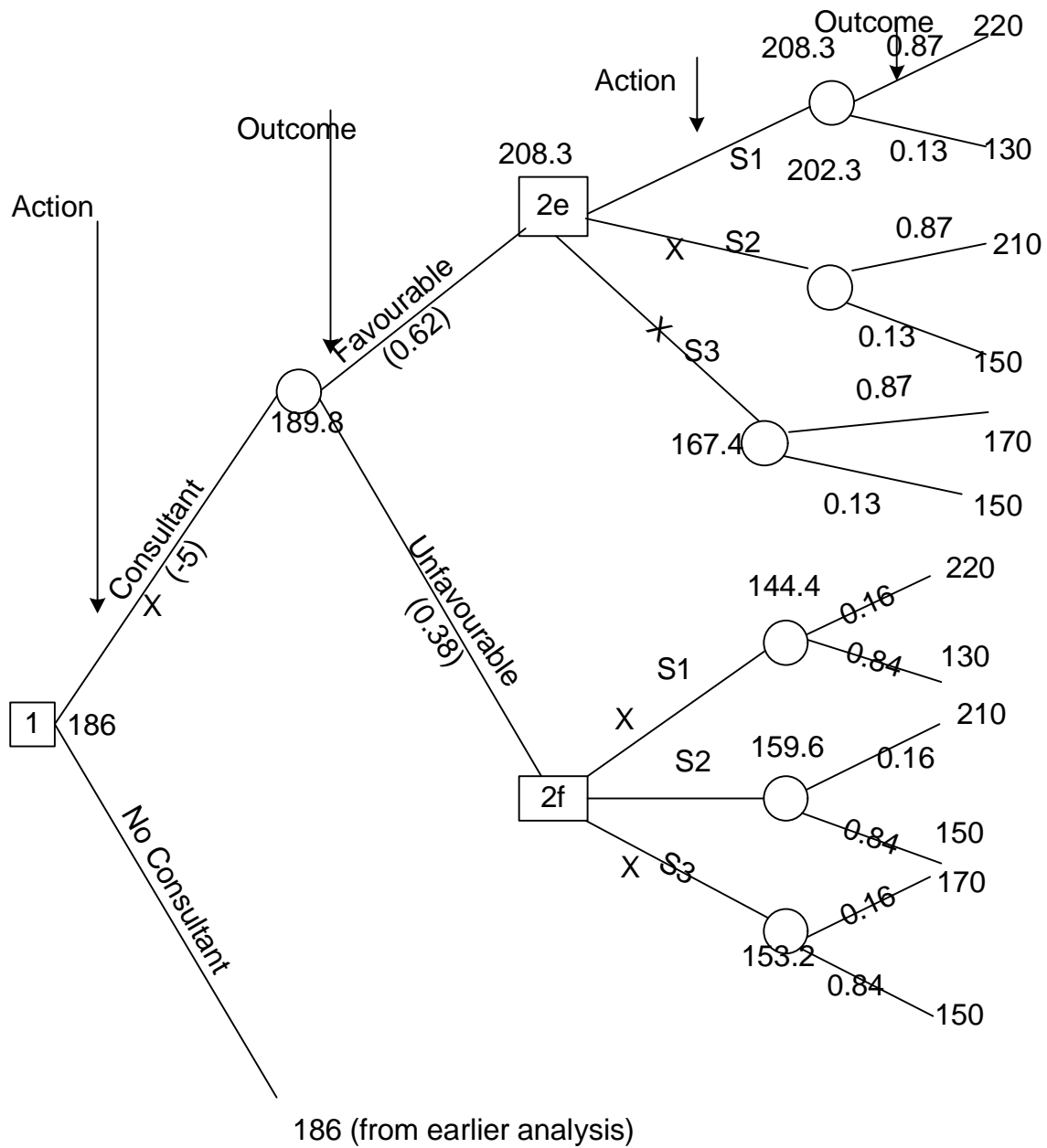
Outcome probabilities

Market Outcome	Consultant's report		totals
	favourable	unfavourable	
Rise	0.9	0.1	1.0
Fall	0.2	0.8	1.0



Market discrimination

Market Expectation	Consultant's report	
	Favourable	Unfavourable
Rise	0.87 (0.6)	0.16 (0.6)
Fall	0.13 (0.4)	0.84 (0.4)
Totals	1.00 (1.0)	1.00 (1.0)



Choice of Criterion

Action	Market Demand	
	15% rise	5% fall
S_1	220	130
S_2	210	150
S_3	170	150

Maximin		
S_1	130	
S_2	150	150
S_3	150	150

Maximax		
S_1	220	220
S_2	210	
S_3	170	

Regret Criterion

	15% rise	5% fall	Maximum Regret	Minimum of Maximum Regret
S_1	0	20		
S_2	10	0		10
S_3	50	0		

