

## CAPACITY UTILISATION AND PROCESSING COST IN TECHNICALLY SPECIFIED RUBBER INDUSTRY IN INDIA

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Veeraputhran, S. (2009). Capacity utilisation and processing cost in technically specified rubber industry in India. *Natural Rubber Research*, 22 (1&2): 106-116.

This paper examines the constraints in the growth and capacity utilisation of the Technically Specified Rubber (TSR) processing industry in India. The study was based on a census of 51 TSR processing units, conducted across different sectors covering the five-year period from 2001-02 to 2005-06. TSR constituted less than 12 per cent of the total production of NR and the capacity utilisation was only 54 per cent during the year 2005-06. Less demand and margin, increasing cost of processing, processing based on the systems of "advance sales order" or "contract" triggered by market and price uncertainties, the position of processors as price takers in both the input and output markets etc. were the major factors responsible for the poor growth and low capacity utilisation of the industry. As a result, the unit cost across the industry, sectors and size classes, does not reveal a significant inverse relationship with the scale of operation and production. The processing units were found to be surviving with context - specific managerial practices.

**Keywords:** Advance sales order, Capacity utilisation, Contract processing, Market and price uncertainty, Processing industry, Technically specified rubber.

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### INTRODUCTION

Various promotional programmes have been initiated and implemented since 1973 by the Government of India through the Rubber Board to boost up the production of Technically Specified Rubber (TSR) in the light of its advantages to both the producing and consuming sectors and its growing demand at global level (Jacob, 1984; George, 2002). However, the production and consumption of TSR constitute only 12 and 16 per cent, respectively of the total natural rubber (NR) produced and consumed in the country (Rubber Board, 2007), though it accounts for more than 60 per cent at global level (IRSG, 2008).

In India, capacity utilisation of the industry has also been reported to be less than 60 per cent. Higher capital investment, shortage of raw materials, inefficient use of available working days and higher operational costs (Nair *et al.*, 1977; George, 1988; George and Kumaran, 1990), higher cost of field latex, competition from crepe units, unremunerative pricing of TSR grades, lack of demand (Reichhold, 2003), higher energy cost of processing (Nair and Rajagopal, 2006) and inconsistency in the quality of TSR produced in India (Ravindran, 2005) were the major factors responsible for the poor growth and lower capacity utilisation of the TSR industry.

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