

CAPACITY UTILISATION, AVERAGE COST AND PROFITABILITY : A SECTOR-WISE ANALYSIS OF BLOCK RUBBER PROCESSING INDUSTRY IN INDIA

K. Tharian George and M. G. Kumaran

Tharian George, K. and Kumaran, M. G. (1990). Capacity utilisation, average cost and profitability: A sector-wise analysis of block rubber processing industry in India. *Indian J. Nat. Rubb. Res.* 3(1): 43-52.

Relationships among capacity utilisation, average cost and profitability in the block rubber processing factories in the estate and non-estate sectors have been examined based on a cross-sectional analysis of 12 units producing block rubber in 1987-88. In terms of capacity utilisation and average cost of processing, factories in the non-estate sector were performing better than their counterparts in the estate sector. However, the non-estate sector had a higher average unit overhead and administrative cost and a relatively lower profitability in spite of its higher capacity utilisation and lower average unit cost of processing. The strength of the inverse relationship between capacity utilisation and average unit cost in the industry was found to be insignificant. Results of the study showed the influence of various extraneous factors contributing to the divergence in the behaviour of selected parameters. Policy imperatives emerging from the study call for re-organisation in the existing combinations of machinery, mode of raw material procurement and nature of raw material processed.

Key words Block rubber, Cost analysis, Profit analysis, Installed capacity, Capacity utilisation, Estate sector, Non-estate sector, Rubber processing industry.

K. Tharian George (for correspondence) and M. G. Kumaran, Rubber Research Institute of India, Kottayam - 686 009, India.

INTRODUCTION

Technically specified block rubber (TSR) is an important form of processed natural rubber (NR). A comparatively higher share of block rubber in the total NR production in Malaysia (53 per cent) and Indonesia (74 per cent) compared to India (4 per cent) is attributed to their export orientation. In India, commercial production of block rubber is of recent origin. During the year 1987-88 there were 16 TSR processing units in operation. The processing units belonged to both estate and non-estate sectors. Factories in the estate sector process raw-material (fresh field coagulum) available only from own sources and are

owned by large planting companies. The latter group consists of factories in the co-operative and private sectors and are completely dependent on dealers and small rubber growers for raw material (dry field coagulum).

An important characteristic of the industry is wide variations among the individual units with regard to installed capacity (size), capacity utilisation and accessibility to raw material. In a strictly operational sense, average unit cost and rate of profit are dependent more on the extent of capacity utilisation than on the size or scale of production. Across different types of industries, a situation of excess capacity or uneconomic levels of capacity utilisation are usually identified with