

A STUDY ON FACTORS RELATING TO TEXT TILE PRICE FLUCTUATION IN GANDHI NAGAR OF INDIA

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ABSTRACT

Gujarath is one of the major Text tile consuming states of India. In Gujarath there are about 18 plants with a capacity of 32.08 Million Tons. Gandhi nagar being the capital of Gujarath and one of the fast growing cities has shown a great, infrastructural and housing development. The current paper is done with the aim of analyzing the pricing fluctuations of Text tile, in particular the factors influencing Text tile pricing in Gandhi nagar city. The data for the analysis were collected from, Text tile dealers, sub dealers, Text tile manufacturers and consumers. From this analysis it is shown that in Gandhi nagar, Text tile prices are fluctuating to a greater extent due to supply, demand mismatches, increase of input cost and other factors.

Key words: Text tile pricing, Gandhi Nagar Text tile, Text tile sales.

INTRODUCTION

Text tile is a binder, a substance which sets and hardens independently, and can bind other materials together. It is also the second most consumed material on the planet (WBCSD 2002). Indian Text tile industry occupies prominent position in the Economy due to its vital role in creation of infrastructure like building, ports, roads, power plants; etc. India is the second largest Text tile producer in the world next to China.

OBJECTIVE OF THE STUDY

Text tile industry is cyclical in nature. The demand for Text tile is generally low during the monsoon season & festive season. Text tile price varies place to place due to various reasons. The viability of the location plays a major role in the economics of Text tile manufacturing (Schumacher and Sathaye 1999). Overcapacity situation is expected to put pressure on margins of Text tile companies. The market Prices tend to decline if the supplies from the factories are more and the prices goes higher if the supply is restricted. Traditionally, Text tile has been a heavily taxed sector with both the central and the state governments levying the taxes which amount to around 30% of the selling price of Text tile or around 70% of the ex-factory price (excluding local transport and dealer margins) (ICRA 2006) In the present study the factors and effects relating to price fluctuating

METHODOLOGY

Data collection Procedure: Primary data collection was done using the questionnaire .A survey was done with the respondents in Gandhi nagar city. The respondents' reference to each question was carefully noted for the analysis. Their perception and suggestions were carefully observed and interpreted.

Sample Size: The sample size is fixed as 100 Dealers, 100 Masons, 100 Civil Engineers and 100 general consumers.

Data collection from consumers – Questionnaire: The study relies to a great extent on primary data and to some extent on secondary data. Content of the questionnaire include fluctuation of prices across Gandhi nagar city, factors influencing price fluctuations, availability of Text tile and demand for the different brands of Text tile. To have wider response, Gandhi nagar is being divided in to four areas geographically to have more clarity. The dealers are selected from different places in Gandhi nagar.

FINDINGS AND OBSERVATION

Table 1: Major Brands available in Gandhi nagar Market

S No	Brand	Manufacturers
1	Coromandel Text tile	India Text tiles Ltd
2	Ramco Text tile	Madras Text tiles Ltd
3	Ultra Tech Text tile	Grasim Industries
4	Dalmia Text tile	Dalmia Text tile Ltd
5	Chettinad Text tile	Chettinad Text tile Ltd
6	Zuari Text tile	Zuari Text tile Ltd

Table 2: Tabular column showing sales of Text tile on the basis of major factors

Segment	Availability	Price	Quality	Color	Total
General Consumer	4	9	4	0	17
Masons	9	20	9	3	41
Civil Engineers	10	16	24	0	50
Dealer	12	18	15	2	47
Total	35	63	52	5	155

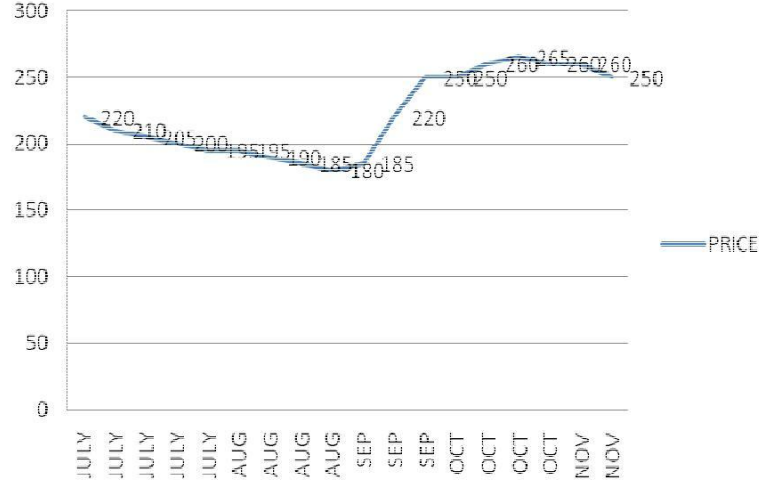
Table 3: Major Company wise dispatches from July to Nov' 2010

COMPANY	JULY'10	AUG'10	SEP'10	OCT'10	NOV'10
ZUARI TEXT TILE	84064	85666	71614	82545	60666
ICL	418229	344687	304067	288077	190673
MCL	394576	342848	274847	278319	174449
DALMIA	187882	179266	222223	263001	144442
UT	241051	217586	203280	182101	128932
PENNA	84758	77641	77960	76733	55073
PRIYA	58677	53219	52552	53808	37818
CHETTINAD	302180	253749	281160	323380	225888
Total dispatches	1771417	1554662	1487703	1547964	1017941

Table 4: Retail Prices from July to Nov 2010

JULY	RSP
01 TO 12	220-225
13 TO 15	210-215
16 TO 22	205-210
23 TO 25	200-205
26 TO 31	195-200
AUG	
1 TO 14	195-200
15 TO 22	190-195

23 TO 26	185-190
27 TO 31	180-190
SEP	
1 TO 8	185-195
9 TO 20	220-225
21 TO 30	250-255
OCT	
1 TO 4	250-255
5 TO 10	260-265
11 TO 23	265-270
24 TO 31	260-265
NOV	
1 TO 4	260-265
5 TO 30	250-255



RESULTS & DISCUSSION

Sharp fluctuations in the availability and prices of key raw materials have rocked the real estate sector over the past few months. Table 1, shows the major six brands of Text tile sold in Gandhi nagar city .Text tile, among other building industry inputs, has seen the wildest fluctuation in prices in the recent past .From questionnaires put on to different segments of consumers sited in Table 2, we find that among all other factors influencing the purchase of Text tile, pricing plays an important part, it is understood that more than 40% of the consumers ask for the price of the Text tile than other factors like availability, color and brand. From this study it is clear that in Gandhi nagar, Text tile prices are fluctuating to a greater extent due to supply, demand mismatches, increase of input cost etc. From the Table 4, it is known that the prices are varying from time to time from July to Nov 2010.Prices tend to decline if the supplies from the factories are more and the prices goes higher if the supply is restricted.

Supply was high in the month of July’10 due to more production of Text tile from all the manufacturers. (Table-3). Prices have dropped on irregular basis from time to time depending on the supply pressure from the manufactures. Manufacturers had to push more quantity in Gandhi nagar market to take additional share due to new additional production. In Gandhi nagar, there was a rate drop of Rs 15 to Rs 20 per bags in the month of July’2010 as per the market and dealer sources. As per Text tile manufacturers association report, the dispatches in the month of July’10 in Gujarath was 19 lacs metric tones against the average dispatches of 15 lacs metric tons, which in turn affects the price of Text tile. More availability of railway wagons is also one of the reasons for more dispatches from the factory in the neighboring states. Rates during September first week was in the range of Rs 185 to 195. Text tile price started to increase from 8th September onwards since manufacturers have restricting the supplies due to regular maintenance of factories. Prices of Text tile increased to Rs 255- Rs 255 per bag end of the study.

Text tile constituted 15 per cent of the total construction cost. Text tile prices have seen wide variations for a variety of reasons. Despite what appears to be slow off take, retail Text tile prices range between Rs.180 and Rs.265 for a 50-kg bag in the study period .This has happened due to various factors ranging from increase of excise duties, increase of input costs, transportation cost from the factory to the consumers. In addition to all these regular reasons factory maintenance during the monsoon also affects the dispatches which reduce the Text tile output. Dispatch restriction to avoid overflowing of brands also leads to the stabilization of Text tile prices. From the dealers views Text tile price

fluctuation is purely dependent of companies' policies and decisions. Text tile industry maintain that the costs of production have gone up tremendously over the years due to following reasons. Power is much more expensive than before, coal prices have gone up and transportation costs are prohibitive. Text tile is moved by rail, road and even by water and requires labor for loading and unloading too, raw materials have gone up in price too. All this has adversely affected operating margins. According to sources, it is these additional operational costs that are being passed on to consumers. Consumers presume that manufactures and dealers are having more profit by selling Text tile at the higher rates without having much knowledge about the reasons behind it. Manufacturers have increased their billing price 4 times from July to September. Projects of limited budget

were hit by the spiraling prices to large extent. The hike had affected the poor and the middle class small consumers whose life time dream is to have a roof over their heads.

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