



An Inter-Mill Study on Fibre to Yarn Conversion Cost - 7th Study



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Table 1 Count-wise conversion cost

Period: October – December 2017

S. no.	Count*	Conversion cost/kg of yarn (Rs)				Conv. cost/kg/count (Rs)	Conv. cost/spl./shift (Rs) [@]	No. of mills
		Average	Minimum	Maximum	% difference**			
1.	40s -K	74.0	64.0	88.6	38	1.85	8.2	5
2.	30s -KH	49.9	43.1	57.8	34	1.66	9.2	4
3.	40s -C	76.0	69.1	82.6	20	1.90	9.2	7
4.	60s -C	116.9	87.7	179.9	105	1.95	7.7	8
5.	80s -C	178.2	144.4	257.7	78	2.23	7.8	5
6.	40s -C-Comp.	78.3	61.2	94.5	54	1.96	10.0	6
7.	60s -C-Comp.	125.9	92.5	179.9	94	2.10	8.8	12
8.	80s -C-Comp.	174.8	151.9	229.9	51	2.19	8.3	4
9.	24s -CH	48.4	44.5	56.9	28	2.02	11.8	4
10.	30s -CH	55.9	40.4	69.4	72	1.86	11.0	5
11.	40s -CH-Ex.	81.5	78.9	85.6	8	2.04	10.8	4

*' For count descriptions, please refer Annexure 3.

$$**' \left(\frac{\text{Maximum}}{\text{Minimum}} - 1 \right) \times 100$$

'@' $\frac{\text{Conversion cost/kg of yarn} \times \text{Prodn./spl./8 hours (g)}}{1000}$

It can be seen from Table 1 that the average conversion cost, in terms of per kilogram of yarn, was found to increase as the count became finer i.e. from as low as about Rs 48 in 24s CH to a high of about Rs 178 in 80s C counts. Between mills, the conversion cost differed considerably in all the counts, ranging from about 10% to more than 100% with the overall difference being high at 55%. Such a huge difference in the conversion cost between mills is largely due to the differences in the operational parameters like production rate, labour productivity, capacity utilisation, energy consumption etc., and cost parameters such as wage rate, staff salary, power cost per unit, stores and packing materials cost, interest commitment and investment on plant & machinery and partly because of the in-correct method of estimation of yarn cost.

In terms of per kilogram per count, the conversion cost did not show any clear trend between counts. The conversion cost averaged at Rs 1.98 per kg per count with the cost ranging from Rs 1.66 to Rs 2.23 between counts, i.e. average \pm 29 paise. However, in terms of per spindle shift, it showed a declining trend as the count became finer i.e. in 24s CH, it was around Rs 12 whereas in 80s, it was only about Rs 8.

3. Conversion cost and profit margin

Profitability of a spinning mill is decided by its commercial performance on one hand and conversion cost on the other. The difference between yarn selling price (YSP) and raw material cost (RMC) is a measure of commercial performance which is also known as net output value (NOV). Average NOV, conversion cost and net profit/loss for the 11 counts pertaining to the period October-December 2017 are given in Table 2 and count-wise average YSP and RMC are given in Table 3.

Table 2 Count-wise conversion cost and profit margin

S. no.	Count	Amount (Rs/kg of yarn)			As a % of YSP		
		NOV	Conversion cost (CC)	Net profit (NOV-CC)	NOV	Conversion cost (CC)	Net profit (NOV-CC)
1.	40s -K	68.1	74.0	(-) 5.9	34.3	37.3	(-) 3.0
2.	30s -KH	49.4	49.9	(-) 0.5	27.9	28.2	(-) 0.3
3.	40s -C	71.4	76.0	(-) 4.6	33.2	35.4	(-) 2.1
4.	60s -C	111.5	116.9	(-) 5.4	43.4	45.5	(-) 2.1
5.	80s -C	157.8	178.2	(-) 20.4	48.5	54.8	(-) 6.3
6.	40s -C-Comp.	87.7	78.3	9.4	38.3	34.2	4.1
7.	60s -C-Comp.	123.0	125.9	(-) 2.9	44.4	45.5	(-) 1.0
8.	80s -C-Comp.	180.5	174.8	5.7	47.7	46.2	1.5
9.	24s -CH	53.2	48.4	4.8	28.4	25.9	2.6
10.	30s -CH	62.2	55.9	6.3	31.9	28.6	3.2
11.	40s -CH-Ex.	73.6	81.5	(-) 7.9	35.2	39.0	(-) 3.8

Note: (-) sign indicates loss

It can be seen from the above table that during October – December 2017, only 4 counts had managed to earn profit whereas the rest of the counts registered a net loss. Compact and hosiery counts (domestic) were found to be more beneficial.

Since the external factors that tend to affect the commercial parameters viz., YSP and RMC, on most occasions, are not under the control of the managements, mills must give top priority to optimise the conversion cost on a regular basis towards earning a reasonable profit margin.

4. Item-wise conversion cost

Tables 3 and 4 show the item-wise average conversion cost in terms of per kg of yarn and as a % of YSP for all the 11 counts respectively.

Table 3 Item-wise conversion cost per kg of yarn

(Amount: Rs/kg of yarn)

S. no.	Count	YSP (a)	RMC (b)	Conversion cost							Net profit (a-b-c)
				SWC	Power	Stores & packing	Admn. OH	Int.	Dep.	Total (c)	
1.	40s -K	198.4	130.3	16.6	25.2	6.3	4.1	11.4	10.4	74.0	(-) 5.9
2.	30s -KH	176.8	127.4	11.0	20.1	3.8	2.3	4.5	8.2	49.9	(-) 0.5
3.	40s -C	214.9	143.5	17.5	28.0	8.4	4.8	9.4	7.9	76.0	(-) 4.6
4.	60s -C	256.8	145.3	28.9	41.2	11.1	6.4	14.8	14.5	116.9	(-) 5.4
5.	80s -C	325.4	167.6	45.6	61.2	22.3	10.8	17.3	21.0	178.2	(-) 20.4
6.	40s -C-Comp.	229.1	141.4	14.8	28.3	9.9	4.3	9.8	11.2	78.3	9.4
7.	60s -C-Comp.	277.0	154.0	31.6	47.2	15.1	6.5	14.2	11.3	125.9	(-) 2.9
8.	80s -C-Comp.	378.4	197.9	44.8	62.2	20.2	8.8	18.9	19.9	174.8	5.7
9.	24s -CH	187.0	133.8	11.7	16.5	7.9	2.5	5.7	4.1	48.4	4.8
10.	30s -CH	195.2	133.0	12.0	21.3	7.1	2.6	6.0	6.9	55.9	6.3
11.	40s -CH-Ex.	209.1	135.5	16.9	34.1	9.5	6.8	7.5	6.7	81.5	(-) 7.9

Table 4 Item-wise conversion cost as a % of YSP

S. no.	Count	RMC (a)	Conversion cost							Net profit (100-a-b)
			SWC	Power	Stores & packing	Admn. OH	Int.	Dep.	Total (b)	
1.	40s -K	65.7	8.4	12.7	3.2	2.1	5.7	5.2	37.3	(-) 3.0
2.	30s -KH	72.1	6.2	11.4	2.1	1.3	2.5	4.6	28.2	(-) 0.3
3.	40s -C	66.8	8.1	13.0	3.9	2.2	4.4	3.7	35.4	(-) 2.1
4.	60s -C	56.6	11.3	16.0	4.3	2.5	5.8	5.6	45.5	(-) 2.1
5.	80s -C	51.5	14.0	18.8	6.9	3.3	5.3	6.5	54.8	(-) 6.3
6.	40s -C-Comp.	61.7	6.5	12.4	4.3	1.9	4.3	4.9	34.2	4.1
7.	60s -C-Comp.	55.6	11.4	17.0	5.5	2.3	5.1	4.1	45.5	(-) 1.0
8.	80s -C-Comp.	52.3	11.8	16.4	5.3	2.3	5.0	5.3	46.2	1.5
9.	24s -CH	71.6	6.3	8.8	4.2	1.3	3.0	2.2	25.9	2.6
10.	30s -CH	68.1	6.1	10.9	3.6	1.3	3.1	3.5	28.6	3.2
11.	40s -CH-Ex.	64.8	8.1	16.3	4.5	3.3	3.6	3.2	39.0	(-) 3.8

Note: for Tables 3 and 4: (-) ve sign indicates net loss;

SWC: Salaries and wages cost;

OH: Overheads

Annexure 1 (contd...)
Count-wise and item-wise conversion cost

Period: Oct.- Dec. 2017

Amount: Rs per kg of yarn

Mill ref. no.	YSP (A)	RMC (B)	Conversion cost							Profit/loss (A-B-C)	Rs/spindle/shift	
			SWC	Power	Stores & packing	Admn. OH	Int.	Dep.	Total (C)		Conv-ersion cost	Profit/loss
40s C												
20	213.4	134.1	12.9	34.8	9.2	2.8	9.2	7.9	76.8	2.5	9.6	0.3
28	223.0	158.0	22.6	27.3	8.0	5.0	6.5	10.6	80.0	-15.0	10.1	-1.9
36	218.1	141.2	15.8	29.6	10.7	8.0	8.2	6.9	79.2	-2.3	9.8	-0.3
48	212.1	133.5	15.6	33.5	8.3	7.6	9.1	8.5	82.6	-4.0	9.4	-0.5
74	208.5	144.3	15.2	24.8	8.3	4.2	12.5	8.3	73.3	-9.1	9.2	-1.1
77	214.5	147.4	25.1	20.3	6.6	4.5	9.7	4.5	70.7	-3.6	9.0	-0.5
79	215.0	146.0	15.4	25.8	7.5	1.3	10.8	8.3	69.1	-0.1	7.4	0.0
Avg.	214.9	143.5	17.5	28.0	8.4	4.8	9.4	7.9	76.0	-4.6	9.2	-0.6
41s C												
36	216.2	141.2	16.2	30.3	11.0	8.2	8.4	7.1	81.2	-6.2	9.9	-0.8
54s C												
67	245.8	151.9	26.4	37.0	9.1	6.5	8.6	9.2	96.8	-2.9	7.2	-0.2
60s C												
41	269.5	142.9	33.7	38.6	10.9	0.9	8.3	2.5	94.9	31.7	6.4	2.1
46	261.4	138.4	20.7	49.0	16.9	5.8	10.1	11.0	113.5	9.5	7.9	0.7
49	248.4	143.9	20.0	36.3	12.2	17.7	4.6	11.7	102.5	2.0	6.8	0.1
61	263.0	140.2	32.6	29.2	10.5	8.3	5.7	14.0	100.3	22.5	6.4	1.4
67	252.2	151.9	27.3	38.1	10.3	7.5	10.4	11.0	104.6	-4.3	6.7	-0.3
74	247.0	144.3	15.2	33.0	9.9	4.9	14.8	9.9	87.7	15.0	6.0	1.0
93	260.1	155.9	31.2	44.8	11.1	3.2	24.4	38.1	152.8	-48.6	9.7	-3.1
95	253.0	144.7	50.8	60.7	7.1	3.2	40.0	18.1	179.9	-71.6	11.6	-4.6
Avg.	256.8	145.3	28.9	41.2	11.1	6.4	14.8	14.5	116.9	-5.4	7.7	-0.4
61s C												
69	268.0	148.9	34.1	34.8	19.8	7.1	17.6	5.5	118.9	0.2	8.1	0.0
84	260.5	147.0	34.3	38.8	10.7	3.4	10.8	8.1	106.1	7.4	6.2	0.4
65s C												
69	285.0	148.9	41.5	42.3	24.0	8.6	21.4	6.6	144.4	-8.3	7.7	-0.4
66s C												
49	271.3	143.9	22.7	41.8	12.8	21.5	5.3	14.2	118.3	9.1	6.4	0.5
84	276.0	147.0	33.2	43.6	11.6	3.4	10.8	8.1	110.7	18.3	5.8	1.0
68s C												
60	286.0	153.5	33.8	42.2	10.8	7.0	9.3	20.9	124.0	8.5	6.4	0.4
61	279.0	140.2	43.7	39.1	11.7	11.1	7.6	18.8	132.0	6.8	6.6	0.3

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