

The features of rubber goods economics essay

[Economics](#)



In the introductory part of the rubber Industry and its role in the Sri Lankan economy specified that PRISL (Plastic and rubber Institute of Sri Lanka) had Plan to come forward to hold RUBEXPO event which providing the basic Platform for all local rubber related producers to experience the new and extreme technologies and talent available in local as well as and foreign market. This event have target of increasing the production to the 200, 000 Million Tons till the year 2020 and thus be able to achieve the US \$5 billion till the year 2023. The main types of rubber produced in Sri Lankan companies like Associated Motorways Ltd. and D Samson Industries Ltd. And Lancor Rubber Industries and many more are Ribbed Smoked Sheets, Latex Crepe, Sole Crepe and Centrifuged Latex, Other products& in the world first time natural rubber is introduced by the Christopher Columbus in the year 1493 in the city Haiti and first rubber factory established at Paris in in the year 1803 the first in England by Mr. Thomas Hancock in the year 1820. The future of rubber industries holds bright for the rubber products of the Sri Lanka country the ministry plans on expanding rubber innovation in non-traditional plantation areas while introducing modern technology for different processing as well as providing access to export markets for auto industries in neighboring countries of sri lanka through joint ventures and other options. Sri Lanka country makes record around 2, 29, 000 hectares under rubber in the year 1960 but currently the land area under rubber is less than 1, 29, 000 hectares. Of this area approximately 65% is less than 20 hectares in size and mostly owned by smallholders of the industry. Currently Sri Lanka country produces about 1, 36, 880 metric tons of rubber as per annual basis and this trends continues with the country Sri Lanka exporting about from 20% to 30% of the rubber production in raw form while from 70% to 80% is <https://assignbuster.com/the-features-of-rubber-goods-economics-essay/>

used by the domestic industries. Sri Lanka is the third smallest country in South Asia followed by Bhutan and Maldives. The contribution from Industry and Services sectors to the overall growth was significant in 2011. The rubber industry share in GDP was 0.2 percent. In Sri Lanka rubber industry national income for 2011 increased by 0.97 per cent to US Dollar 117.7 billion from US Dollar 114 billion in the Previous year. The total extent under rubber tapping increased by around 4 per cent to 101,720 hectares. Natural rubber prices increased to unprecedented levels in the first nine months of 2011 with soaring prices of rubber futures and increases in demand for natural rubber from emerging economies. In 2011, when the Rubber industries recorded an annual turnover that exceeds US\$ 599 million and approximately over 6.5% of Sri Lanka's manufacture. The government allows 100% foreign investment in any commercial, trading, or industrial activity other than a few specified sectors. The following services sectors are opened to foreign investors: banking, finance, insurance, stock-brokering, construction of residential buildings, supply of water, mass transportation, telecommunications and information technology (software development and business process outsourcing), energy production (although energy generators must sell to the state-owned Ceylon Electricity Board), professional services, and the establishment of liaison offices or local branches of foreign companies. The rubber industry follows both organization structures, like organized as well as unorganized. Hierarchy of department is according to the function and authority; in this we follow Decentralization of decision making system. The rubber industries are divided according to the patten of usage of raw materials required. In Sri Lanka Transportation and Communication system plays integrated role, <https://assignbuster.com/the-features-of-rubber-goods-economics-essay/>

without any one of them it would be very difficult for the rubber industry to survive now a days in this present era. In this dynamic era is must be required for the rubber industry to have accept the change and alter according the innovation of latest technology. Labour force is the prime and most affective factor for the rubber industry and the available Labour force must be skilled, and in Sri Lanka for rubber industry skilled work force easily available at a cheaper rate. Sri Lanka used technology for increase productivity ' Technology of Eco designed Spherical for Latex Handling'. Where, In India used technology like Quality Control and Testing, Product Development, Training Services, Advisory Services, Latex Technology Services. GDP rate of rubber industry in Sri Lanka is 1% and in India 1. 2%. Sri Lanka have problem of transportation because they have not good facility of train. They used transportation mostly with road and for the export they use ship facility. In India used Steel Drums, ISO Tanks, and Flexi tank for the transportation. In Sri Lanka communication facility is good but not better than India. They provide various types of communication facilities are available like fixe line services, mobile handsets, internet, calling facilities, postal services and courier services which is very helpful in doing the business smoothly, internet service with low cost. In India communication is better than Sri Lanka. India provides good facility for the communication. Both the countries Distribution system of rubber industry is zero level. Manufacturers are directly selling the product to customer. Because of cost of production increase price is also increased year by year in both country. Production and consumption both are increased year by year in both countries. more than 60% was used by domestic only some portion is exported. Purchase pattern of both the country is direct. Customer directly

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purchased product directly from the manufacturer. Both countries buying behavior is mostly same like they consider the quality, price, availability, type of the product. Both countries target market is same. Mainly they focus on tyre and tube manufacturing companies. Other rubber base product companies like Hot water bottles, Gloves, balloons, Carpets. For India, Target market is the rubber tapping industry (particularly the industry in Kerala, which produces 92% of India's natural rubber³). Both countries have good raw material availability. Natural resources are very good for the Sri Lanka rubber industry. Around 127500 hectares land is under rubber plantation. In India also the good natural resources are available for rubber industry like land, manpower. Around 113, 685 hectares land is under rubber plantation. We can conclude that Sri Lanka export product like tea, spices, rubber product, gems, fish, textile and apparels, and coconut products etc. In 2006 Sri Lanka export is around \$7. 076 billion. Sri Lanka exports his product in little country. Sri Lanka main export product is rubber products. In 2004 Rubber tires and tubes of value US \$161, 547 was exported. This was followed in 2005 by an export of US \$ 258, 828. The corresponding figures for other rubber Articles were US \$ 31, 227 and US \$ 33, 649 respectively. As well as Natural rubber also is an important constituent of Sri Lankan goods Exported. The figures for 2004 and 2005 were respectively US \$50, 938 and US\$46, 871. There are many major rubber product exported by Sri Lanka. Here we can see that import product like Mineral fuels, Neutrals pearls, Metals jewelry, Boilers, Machinery, Electric machinery, Organic chemicals, Iron and steel, Plastic and article. And same as exported product like Tubes, Tyres, Auto parts, some industrial output etc. There are some exported countries by Sri Lanka like U. S. A., U. A. E, China, Singapore, U. K, Hong-

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Kong, West Africa, East Europe, Latin America and import countries like North America, EU Country, Latin America, European free trade association, South Africa, West Africa, Central Africa, Asian. Here we can see that the rank of Sri Lanka as an importing rubber is 70th and 51st in exporting rubber. Here we can mention that Sri Lanka into a balance of payments crisis from mid 2011 when authorities printed money to sterilize foreign exchange sales as large volumes of credit were taken by state enterprises to manipulate energy tariffs. In these figure Over the Past 35 Years, the Value for this Indicator Has highly Fluctuated. The current account deficit has declined each year since 1994 to 1999. Here we can mention last five year balance of payment and it was fluctuated. In 2005 to 2008 balance of payment is continuously increase. And then after two year is reduced compare to 2008. From above data we can conclude that the INDIAN RUPEE is stronger than SRI LANKAN RUPEE. At 1 INR there is 2.33 LKR which shows the ratio of 2.35: 1. Exchange rates are subject to change on market base.

There are some norm and policies in import and export which are as follow.

- The India -Sri Lanka Free Trade Agreement was signed on December 28, 1998 with an overall objective to promote trade and economic relations between the two countries and promote FDI. It entered into force from March 1, 2000.
- The relation between India and Sri Lanka is not working as per their potential. To overcome this situation the inter-party competitive politics among Dravidian political parties in Tamil Nadu over the issue of severing military-to-military linkages and cultural intercourse between India and Sri Lanka has come into play.
- India made maximum damages for being the

party to the USA sponsored UN Human Rights Council Resolution of March 2012 last year. •The progress for implementation of recommendations was critical and the Sri Lankan government was advised to take the proper steps for redressal of grievances on human rights. •India should improve the situation and perform its best to make the good relation with Sri Lanka. India should make the process sustainable. •Sri Lanka is dependent on exports. So India should help Sri Lanka in diversifying its exports, for example designing the clothes, food and beverages or may be jewelry. •This will be a good opportunity for Sri Lanka to increase exports to India •India should continue to maintain a good relationship with Sri Lanka by providing the high assistance to Sri Lanka. •A comprehensive approach should be adopted by the Government of India on cultural, economic and security fronts for stability of bilateral relations between India and Sri Lanka. In export-import concern we can say that custom duty is a tax levied on imports as well as exports by the customs authorities to increase the state revenue and to protect the domestic industries from the competitors from abroad. The President of All India Rubber Industries Association (AIRA) has said that " Inadequate availability of natural rubber and higher import duties on raw materials than on finished goods are impacting the competitiveness of rubber industry in India. According to AIRA, the import of even those raw materials of rubber industry which are not produced is subjected to the high rate of custom duty, making it very difficult for the rubber industry to survive and compete against import of finished goods. AIRA has asked for waiver of customs duty on raw materials not manufactured domestically such as butyl rubber, other hi- tech synthetic rubber and polyesters tyre cord. The industry body has even asked for the reduction of custom duty on raw materials

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where domestic production lags behind the consumption including raw materials like PBR, nylon tyre, cord fabric and steel tyre cord. The high customs duties on raw materials have affected severally and sometimes even the closure of rubber products manufacturing units. Here we can mention that import taxes. Which are The Sri Lanka Association of Manufacturers and Exporters of Rubber Products had requested the removal of the cess on raw rubber imports in order to strengthen local rubber value addition sectors. The Sri Lanka Association of Manufacturers and Exporters of Rubber Products had earlier asked the government to double to 24 rupees a kilo tax on raw rubber export to give them access to cheaper local rubber. The cases on exports of raw rubber were increased from earlier. Rubber Manufacturers earlier sought to control the freedoms of rubber farmers to export their produce freely by raising their export tax. The state earlier put import taxes on rubber to protect farmers. When the freedom of manufactures to source raw materials is blocked they cannot compete against the rivals who have access to cheaper material. Freeing export allows the rubber plantation to move to higher value raw products such as crepe and rubber goods manufacturers like tyre makers are free to import cheaper lower grades. In Sri Lanka Countertrade is a government mandate to pay for goods and services with something other than cash. It is a practice which requires a seller, as a condition of sale, to commit contractually to reciprocate and certain business initiatives that compensate and benefit the buyer. In short, a goods-for-goods deal is countertrade. Countertrade may involve several products, and such products may at different points in time while involving several countries. Sri Lanka foreign trade received in many other scheme and policies. Which the bilateral relations between India and <https://assignbuster.com/the-features-of-rubber-goods-economics-essay/>

Sri Lanka has been friendly but was affected due to the failure of " Indian Intervention" during Sri Lankan Civil War. The Sri Lankan Freedom Party and United Nationalists Party have contributed to the rapid development of bilateral relations in the last 10 years. In we can say that about labor work in Sri Lanka. Normally in working day is Monday to Friday and in Saturday its half day for work. As labor concern there are many facility provide by Sri Lankan government. Which is worker employed on night work to be allowed an adequate period for rest after such work, Matron/female supervisors to be present during the shift. Refreshments, medical and rest room facilities to be made available. Transport facilities to be made available for use in an emergency. There is some provision for wages. If overtime rate cannot determine, then wages must be calculated at one-and-a quarter times the rate pertinent to work. Every woman or young person worked in a plant shall be permitted six whole days as holidays on six consecutive week days per year. Both male and female cannot do a job incessantly for a spell of more than 4 and a half hrs without an interval of at least half an hrs. There is also some rules regarding leave and holidays. In respect of the first year of employment leave to be granted on a pro-rata basis depending on the date of commencing employment. Maximum number of annual holidays varies according to the formula adopted by the particular wages board. There are many benefits about employee. This is Statutes on Employee Welfare. According to Employees Provident Fund Act No 46 of 1980 there are some benefits as follow. " Earnings" include wages; cost of living allowance and similar allowances, payment in respect of holidays & leave, cash value of food provided by the employer (only where applicable) and meal allowance but excludes overtime payments. Payment for work done during normal

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working hours on weekly holidays, poya days or public holidays should be considered as earnings for the computation. The person who has finished five years' service shall be paid a gratuity on termination of his employment irrespective of if he has retired have been finished by the worker. Such gratuity shall be compute at the rate of half a month's wages for every year of completed service.

In government of Sri Lanka there are some restrictions about trade import and export.

FDI in Sri Lanka as Financial crises adopted technology component. India - Sri Lanka trade relation. In future Government plays very important role in research and development for rubber industry. Tariff / duties of rubber rate of basic duty custom duty on tyres 10%. As the law - rates that most manufactured goods are subject to rates between 5 to 17 percent. Product safety and rubber standards affecting imports in to Sri Lanka are increasingly established at the Su Level. There are no restrictions or regulations on export of merchandise of Sri Lanka, with exception of rubber products. In the study of global country report that we are selected rubber industry to work. In the introductory part of the rubber Industry and its role in the Sri Lankan economy specified that PRISL (Plastic and rubber Institute of Sri Lanka) had Plan to come forward to hold RUBEXPO event which providing the basic Platform for all local rubber related producers to experience the new and extreme technologies and talent available in local as well as and foreign market. From this event they have target of increasing the production of the rubber products to the 200, 000 Million Tons till the year 2020 and thus be able to achieve the US \$5 billion till to the year 2023. The main types of

rubber produced in Sri Lankan companies like Associated Motorways Ltd. and D Samson Industries Ltd. And Lancor Rubber Industries and many more firms are to be worked with the srilanka. in the world first time natural rubber is introduced by the Christopher Columbus in the year 1493 in the city Haiti and first rubber factory established at Paris in in the year 1803 the first in England by Mr. Thomas Hancock in the year 1820. Currently Sri Lanka country produces about 1, 36, 880 metric tons of rubber as per annual basis and this trends continues with the country Sri Lanka exporting about from 20% to 30% of the rubber production in raw form while from 70% to 80% is used by the domestic industries. Natural rubber was first scientifically described in 1735 by C.-M. De la Condamine. The history of Sri Lanka's rubber industry began way back in 1876 with the planting of rubber trees while took place in Henerathgoda. While the latex coming out from the rubber tree is used in the manufacture of various rubber products even the timber is used in treated form for producing furniture and other timber based products. Natural rubber from the latex yielding trees Hevea and Castilla was known to South American Indians in early times. Latex was allowed to evaporate naturally and processed into usable articles.

In our project report we also study the products of the rubber which are enlisted below here:

- Tyres and tubes
- Hot water bottles
- Auto parts
- Industrial components
- Gloves, condoms, balloons
- Boots, shoe soles
- Jar seals
- Carpets, mattresses

In our report that also evaluate the product as an innovation as it is perceived by the intended market of srilanka. In this topic that also study of Relative Advantage of the products and the main study of

Compatibility and complexity, trialability and also study of observability of the whole industry and its products. It's also identifying the Major problems & Resistance to product acceptance based on the preceding Evaluation. In the study of Markets that considers geographical region and many other factors which affects the rubber industry of srilanka. In the geographical region we are concluded that there are many states of srilanka in which rubber products are to be sold and manufactured. the states like mullaaittiva, mankulam, kokkilai, manner, gulf of manner, vavuniya, trincomalee, aruvakalu, kalpitiya, anuradha pura, galoya, liavankulam, kathiraveli, polonnaruwa, chenkaladi, batticola, chilaw, mattale, kandy, regalla, nagombo, bibile, ampara, kalmunai, nuwara ellya, uva, badulla, monaragala, kalutara, panadura, pottuvil, ratanpura, openayaka, galle, matara, tangalla, indian ocean, gulf of manner, bay of Bengal, southern province. In the study of various forms of transportations and communication available in that srilanka regions and communication facilities and Communication facilities and Transportation are also considered in the study. In the other part of study is related to the consumers point of view. in that we considers Consumer buying habits and Product use pattern of rubber industry products. In that we find that Rubber products are used in many ways like industrial solid tires, foot ware, pneumatic tires & tubes, flooring, latex dipped product, gasket, latex form and other products. Rubber products also used in pharmaceutical industry, automobile industry, agriculture industry, transport industry, packaging industry, dock yards industry. Product feature preference which is preferable by Consumers is that when consumers buy the rubber products they give preference to colors, range of product, durability, sizes, quality, etc. In the study of shopping habits of consumers are mostly rubbers

products are used by industrial consumers as per their requirement. They place order in bulk. House hold also use some rubber products like toys, tubes etc. In the Distribution of the product that Typical Retail outlet which is attract consumers are various outlets existed in the Sri Lanka like Departmental Store, Discount Store, Super Market, Specialty Store, Mom & Pop Store, E-trailers, Tier Dealership and Auto-Mobile Shop are also located in the country. So for our Industry here we are having the scope to trade our product in the Rubber Industry of Sri Lanka and in the study of Product sales by other middlemen there are three main channels for rubber marketing in Sri Lanka. The semi- direct sales channel, the direct sales channel and the indirect sales channel. Semi- direct sales taken place through a producers own organization through a buyers' agent. Direct-sales channels link may producers directly with buyer \subset stantial's intra-company transfer take place through the direct channel in the large vertically integrated multi nationals. Indirect sales take place through a network of International dealers such a market price. In the study of Advertising & Promotion championand advertising media usually used to reach target market of the industry there are many mediums for the advertising and broadcasting media like TV, Radio and of the Print-media like Newspaper, Magazine and other Tele-communication tools like Tele phones, Mobiles and Internet are generally used for advertising and promotion champion. In the study of Pricing Strategy of whole industry concludes that various Types of discounts are available in the industry aspires that Quantity would be of 13% to18%. Ancell lanka is always encouraging large quantity purchases from customers as it could directly reduce our shipping costs and other related operation costs. In the study of rubber & rubber based goods shows that trend stays with Sri <https://assignbuster.com/the-features-of-rubber-goods-economics-essay/>

Lanka trading about 20% - 30% of the rubber manufacturing raw form while 70% - 80% is used by the local industries. Value of Sri Lanka's rubber industry exports has been increasing steadily from approx. US\$ 135 million in 1995 to more than US\$ 284 million in 2004 and growing to US\$ 483 million in 2009. There are global enterprises too in process in Sri Lanka namely Ansell Lanka Ltd. which makings latex based goods and Trelleborg Lanka Ltd produces solid tires to the international marketplace. In the Export of rubber goods in the year 2010 is 547, in the year 2011 is 617, in the year 2012 is 696, in the year 2013 is 786, in the year 2014 886 and in the year 2015 is 1000 million US \$.

In the Competitors goods are enlisted below:

- Tires, tubes
- Hot water bottles
- Auto parts
- Industrial components
- Gloves
- Boots and shoe Sholes
- Jar seals

In the Brand features is being possible to evaluate the actual content of foreign and volatile matter mistakes can be escaped in determining the actual worth of the material. Natural rubber is equal with the development of modern civilization and business expansion. Today, rubber industry is the second largest industry in the world after iron and steel. The demand for Natural Rubber is assured to go up with the remarkable growth of the tire and automobile industries. The Global Rubber Study Group (IRSG) has forecast that Natural Rubber share of the global elastomeric consumption will rise from approximately 42% in year 2010 to slightly above 46% till in the year 2020.

The features of rubber goods which are considered in the study are enlisted below:

•Durable•Consumable•Re-cycle able•Flexible•Eco compatibility•Sustainable
In the distribution channel is generally prefer manufacturer manufacture goods and sell it out to the industrial customers for final use of goods and services. And there is various government and private institutes are working for the rubber industry of srilanka which are enlisted below:•Colombo Rubber Traders' Association•Ministry of plantation industry•The Plastics & Rubber Institute of Sri Lanka (PRISL)•Rubber Research Institute of Srilanka•Rubber Development Department of Srilanka•National Institute of Plantation Management

The major marketing plan study in the project report is given below:

•STP Analysis•Core Component•Entry Mode in Country•Media Mix•Promotion Mix•Channel of Distribution

Various where houses used to store products are enlisted below:

•Public ware house•Private ware house•Bonded ware house•Govt. ware house
After studying country and industry cost of project and proposed means of finance for the project are in the above tables. The total cost of the project will be 495. 85 in million. Cost for land and site development, building, plant and machinery and other fixed assets will be 50, 200, 150, and 10 respectively. Preliminary expense and pre-operative expense will be 10 and 50 respectively. Contingency margin and working capital margin will be 20 and 5. 85 respectively. In the Industry capacity it's analyzed that

Installed Capacity of the factory is 5000 Kgs. Utilization for the three years will be 70%, 80%, 90% and production will be 3500, 4000 and 4500 respectively. Installed capacity of the factory will be 5000 ton per annum. Capacity utilization for the next five years will be 70%, 80%, 90%, 90%, and 90% Total production will be 3500, 4000, 4500, 4500, 4500, for the next five years. Sales revenue for next five years will be 17062. 50., 19500. 00, 21937. 50, 21937. 50, and 21937. 50 respectively. This is projected estimates of Rubber for five years. The profit after tax is increasing. Net cash accrual is also increasing for 5 years as 641835. 48, 733538. 87, 886373. 13, 1375293. 93, and 1375225. 19 respectively which shows that the company will grow. This is projected balance sheet of Rubber for five years. In the initial year reserves and surplus is high and year by year is increasing because Rubber is getting profit. Here for Apparel trade creditors are increasing. From the total assets net fixed assets are decreasing and Apparel there is no debtors. Cash & bank balance is increasing year by year. So, overall assets, loans and advances are in upward trend.