

# Calculation of charges for commission weaving

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Commission Weaving is occasionally undertaken by independent weaving mills equipped with modern shuttle less looms for clients who supply their own yarn and specify fabric constructions. The charges are usually calculated per pick and quoted accordingly. The method of calculation is based on the installed capacity, operating speeds, fabric constructions, conversion cost etc. and is explained as follows:

## 1. Technical data and production capacity of a weaving mill comprising of 60 shuttle less looms

Particulars	Air Jet	Looms	Remarks
Number of Looms	30	30	Specified by the client Actual Production is equal to $\frac{RPM \times 60 \times 8 \times 0.9}{PPI \times 39.37}$
Reed Space of Looms	75 inch	110 inch	
Loom Speed in RPM	700	550	
Fabric Construction.	$\frac{16 \times 10 (\text{Denim})}{70 \times 40}$	$\frac{30 \times 30 (\text{Shirting})}{80 \times 60}$	
Width of cloth (inches)	63	98	
Efficiency (%)	90	90	
Actual production per loom shift in meters.	192.02	100.58	

## 2. Conversion Cost

The components of the conversion cost for the plant comprising of 60 shuttle less looms are listed in table 2 along with assumed monthly expenses. (Rs. in millions).

Mark-up on Loans.	7.319
Salaries, wages and overhead at the factory and head office	1.335
Utilities, electricity, gas, diesel, water etc.	2.10
Insurance of plant & machinery, vehicles, stock-in-process cash-in-transit.	0.20
Contractors for loading, unloading, packing, bailing etc.	0.10
Spare parts, stores, chemicals, sizing ingredients, lubricants, greases, etc.	0.50
<b>Total</b>	<b>11.554</b>

The conversion cost for own weaving is Rs.11.554 million per month. However, for commission weaving the amount of mark-up on loans is not included. Consequently, the conversion cost for commission weaving works out at Rs. 4.235 million. This is due to the fact that the finance of the management of the weaving mill is not involved for the yarn, stock in process and finished goods inventory. The conversion cost per meter of the fabric in both cases and charges per pick in the case of commission weaving are calculated as following Table 3.

These calculations show per pick charges to be quoted for denim and shirting fabrics @ ps.13 and ps.16 respectively. The client will make his own arrangements for taking delivery of the grey fabric. However, if the grey fabric is to be delivered to the client in the form of bales, extra charges have to be paid by the client ranging from about Rs.0.75 to Rs.1.00 per meter of the fabric. The management of the concerned weaving mills allocates adequate number of looms in proportion to the size of the order and the delivery period specified by the client. ♦

Particulars	Denim		Shirting		Remarks
	Own weaving	Commission weaving	Own weaving	Commission weaving	
Conversion Cost per month (Rs. in Million)	11.554	4.235	11.554	4.235	This calculation is based on 60 looms weaving shed.
Conversion cost per shift. (Rs. in Million)	0.1284	0.0471	0.1284	0.471	
Conversion cost per loom shift.	Rs.2140	Rs.784.20	Rs.2140	Rs.784.20	
Production per loom shift. (MTRS)	192.02	192.02	Rs.100.58	Rs.100.58	
Conversion cost per meter of fabric.	Rs.11.15	Rs.4.084	Rs.21.28	Rs. 7.80	
Charges per pick	---	Rs.0.1021 Ps.10.21	---	Rs.0.13 Ps. 13	
Adding 20 % profit margin	---	Ps.12.252	---	Ps.15.60	
Per Pick Charges to be quoted.	---	Ps. 13	---	Ps. 16	