

# Cost Analysis and Profit Margin Calculation of Arafat Scarf (Keffiyeh) Exports from India

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## ABSTRACT

The export of textile products plays a vital role in the growth of India's economy, contributing significantly to foreign exchange earnings and employment generation. Among various textile products, Arafat scarves (Keffiyeh) have gained increasing demand in international markets due to their cultural significance and growing fashion appeal. This research paper focuses on the cost analysis and profit margin calculation involved in exporting Arafat scarves from India.

The study aims to identify all major cost components, evaluate export pricing strategies, and analyze profitability in the export business. It adopts a descriptive and analytical research approach using secondary data sources such as industry reports and export management concepts. The study considers both direct costs (raw material, labor, production) and indirect costs (logistics, freight, insurance, and documentation).

The findings indicate that many exporters underestimate hidden costs, which negatively impacts profit margins. It is observed that bulk production, efficient supply chain management, and proper pricing strategies significantly improve profitability. The research also highlights the importance of understanding export terms like FOB and CIF in pricing decisions.

The study concludes that exporters who adopt systematic costing methods, strategic pricing, and effective risk management can achieve sustainable profitability and long-term success in international markets.

## KEYWORDS

Arafat Scarf, Keffiyeh, Cost Analysis, Export Pricing, Profit Margin, Textile Exports

## INTRODUCTION

India is one of the leading producers and exporters of textile products in the world. The industry benefits from abundant raw materials such as cotton, skilled labor, and cost-efficient manufacturing processes. Textile exports include garments, fabrics, and fashion accessories like scarves and stoles, which are widely demanded across global markets.

The Arafat scarf, also known as Keffiyeh, is a traditional Middle Eastern accessory that has evolved into a global fashion product. Its lightweight nature, affordability, and versatile design make it popular among consumers worldwide. This increasing demand provides significant opportunities for Indian exporters.

However, despite favorable market conditions, many exporters struggle with profitability due to improper cost estimation. Most exporters focus only on visible production costs while ignoring hidden expenses such as logistics, customs clearance, insurance, and currency fluctuations. These overlooked costs can significantly reduce actual profit margins.

Therefore, this study aims to provide a detailed understanding of cost structure and profit calculation in scarf exports, helping exporters make better pricing and business decisions.

## LITERATURE REVIEW

Existing literature on export management emphasizes that cost control and pricing strategies are critical for success in international trade. Researchers have highlighted that accurate cost estimation must include both direct and indirect costs to ensure profitability.

Studies on the Indian textile industry indicate that India has a strong competitive advantage due to low production costs and availability of raw materials. However, several researchers point out that small and medium exporters often face challenges due to lack of proper cost planning and financial management.

Previous research also shows that hidden costs such as documentation charges, customs duties, and bank fees can reduce profit margins if not properly accounted for. Additionally, studies suggest that bulk production and economies of scale play a key role in reducing per-unit cost and increasing profitability.

Overall, the literature supports the idea that effective cost analysis and strategic pricing are essential for sustainable export business.

## RESEARCH METHODOLOGY

This research is based on a descriptive and analytical research design aimed at understanding cost structures and profit margins in export business.

- Type of Research: Descriptive and Analytical
- Data Source: Secondary data (books, reports, export guidelines)
- Approach: Qualitative analysis
- Scope: Export of Arafat scarves from India

The study analyzes cost components, pricing strategies, and factors affecting profitability. It also considers practical export scenarios to understand real-world challenges faced by exporters.

## ANALYSIS

The export of Arafat scarves involves two major categories of cost:

### 1. Production Cost

This includes all expenses related to manufacturing:

- Raw Material (cotton, dyeing): ₹80
- Labor (cutting, stitching): ₹20–25
- Factory Overheads: ₹10–15

### 2. Export Cost

These costs arise during international shipping:

- Packaging: ₹10
- Transportation: ₹8
- Freight & Insurance: ₹15
- Documentation: ₹7
- Total Cost per Scarf = ₹160
- **Pricing Strategies Used**
- Cost-Plus Pricing: Adds fixed profit margin
- Competitive Pricing: Based on market rates
- Value-Based Pricing: Based on quality/design

A proper pricing strategy ensures that all costs are covered and a reasonable profit is earned.

## FINDINGS

The study reveals the following key findings:

- Proper cost calculation is essential to avoid losses
- Hidden costs significantly impact profitability
- Bulk production reduces per-unit cost
- Efficient logistics improves overall profit margin
- Pricing strategy plays a major role in competitiveness
- Exchange rate fluctuations affect final earnings
- Risk management is necessary for stable export business
- Quality control helps maintain long-term buyer relationships

## CONCLUSION

The study concludes that exporting Arafat scarves from India is a profitable business opportunity if managed properly. Accurate cost analysis is essential to ensure that all expenses—both direct and indirect—are included while determining the selling price.

Profit margin analysis shows that exporters can earn reasonable returns by adopting efficient production methods and bulk operations. However, external factors such as currency fluctuations, market competition, and logistics challenges must also be considered.

The research highlights that successful exporters are those who combine cost efficiency, strategic pricing, and effective risk management. By focusing on these areas, exporters can achieve sustainable growth and long-term success in international markets

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