

PROJECT PROFILE ON LEATHER SHOES

Product Code	:	
Quality Standard	:	Leather Shoes-IS: 2060-1962 Chrome tanned upper leather IS: 578-1971 Leather board for insole IS: 5867-1970 Adhesive IS: 4663-1968 Lining Leather IS: 3890-1966
Production Capacity	:	52, 50, 000/-
Quantity	:	15, 000 pairs
Value	:	52, 50, 000/-
Month & Year of Preparation	:	2010-11
Prepared by	:	Leather Division Micro Small & Medium Enterprise Development Institute, 34, Indl. Estate Nunhai, Agra-282006

Introduction:-

Footwear is mostly manufactured in India in cottage and SSI Sector. Till recently only a few large scale units were engaged in the manufacturing of footwear. Leather Shoes are used by all generation for their everyday use. This footwear is to the latest trend in the fashion world and at the same time being rugged enough to bear the wear and tear during the rough use.

Market Potential:-

The demand for the leather shoe is increasing rapidly. The youth being very much fashion conscious they are ready to pay exorbitant price for such shoes which are made at faraway places like Agra, Delhi and Mumbai etc. Though there are many registered footwear and leather goods industries very few are manufacturing leather Shoes. There is no dearth of skilled manpower as many of the youth have undergone training in reputed like CFTIS in footwear manufacture.

If manufactured locally these shoes can be sold at a comparatively lower price and will not only be able to cater to the needs of the state but also supply such shoes in the markets of neighboring states. Moreover there is a good scope for exports of such shoes.

(C) BASIS AND PRESUMPTIONS:

- 1) The proposed unit will work on single shift basis of 8-hrs duration with 25 working Days in a month. The envisaged efficiency of the proposed unit is 80%.
- 2). The unit will function at 70% of its capacity during the first year of its operation and will attain 90% of its capacity utilization by the end of third year of its operation.
- 3) Labour & wages as mentioned in the project profile are approximate and based on local Market.
- 4) The rate of interest has been taken as 18% per annum or as per guidelines of Reserve Bank of India issued from time to time.
- 5) The margin money is 24% of the cost of Plant and Machinery.
- 6) The period of loan recovery will be as per the norms of financial institutions.
- 7) The cost of machinery and equipments as shown in the project profiles is as per prevailing market rates.

(D) IMPLEMENTATION SCHEDULE:

The time required for completing each activity for implementing the commercial production is given below:-

i)	Preparation of Project	2 Months
ii)	Selection of site	2 Weeks
iii)	Registration of unit	1 Week
iv)	Availability of finance	6 months
v)	Procurement of machinery & equipments	2 months
vi)	Installation of machines	2 months
vii)	Recruitment of labour & trial runs	2 week

(2) Raw Material (per month)

S.no.	Description	Qty.	@	Value (Rs)
1.	Chrome tanned softy upper leather	3125sq.ft.	40/-sq.ft	1, 25,000/-
2.	Lining leather	3125sq.ft.	25/-sq.ft.	78,125/-
3.	Leather Board for insole stiffener etc.	1250 sq.ft.	10/-p/board	12,500/-
4.	P.U. Sole	1250 pair	80/- p/pair	1, 00,000/-
5.	Adhesive, Thread, Grinderries & Packing	1250 pairs	10/-p/pair	<u>12,500/-</u>
				<u>3, 28,125/-</u>

(3) Utility (per month):-

Electricity	600/-
Water (LS)	<u>200/-</u>
	<u>800/-</u>

(4) Other contingent expenditure (per month)

1.	Postage & Stationery	200/-
2.	Repair & maintenance	500/-
3.	Telephone	500/-
4.	Consumable stores	500/-
5.	Insurance	500/-
6.	Misc. expenses	<u>500/-</u>
		<u>2700/-</u>

(VIII) Total recurring expenditure (per month)

1.	Salary	36,340/-
2.	Raw material	3, 28,125/-
3.	Utilities	800/-
4.	Other contingent expenses	<u>2700/-</u>
		<u>3, 69,965/-</u>

(IX) Working capital for 3 months 11, 09,900/-

(X) Total Capital Investment

Fixed capital	1, 04,280/-
Working capital for 3 months	<u>11, 09,900/-</u>
	<u>12, 14,180/-</u>

(XI) Machinery Utilization:-

It is expected that during first year machine utilization will be 70% and during second year 85% and 100% in subsequent years.

XIII. FINANCIAL ANALYSIS

1 Cost of Production (per annum):-

Total Recurring cost per annum	44, 39,600/-
Depreciation on machinery & equipment @ 10%	7,750/-
Depreciation on office equipments tools& Shoe last@ 20%	3,800/-
Interest on total capital Investment @ 15%	<u>1, 82, 127/-</u>
Total	<u>46, 33,277/-</u>
	Say 46, 33,280/-

XIV. Turnover per annum

S.No	Description	Qty.	@	Value (Rs)
1.	Leather Shoes	15, 000 pairs	350/-	52, 50,000/-

XV Net profit per annum before income tax

Before income tax Turn over-Cost of Production = **6, 16,720/-**

XVI Net Profit Ratio

$$\frac{\text{Net profit ratio} \times 100}{\text{Turnover}} = \mathbf{11.7\%}$$

XVII Rate of Return

$$\frac{\text{Net profit ratio} \times 100}{\text{Total Investment}} = \mathbf{50.7\%}$$

XVIII Break Even Analysis

Fixed cost (per annum)

a. Total Dep. (on M/c & Equip., dies, tools, furniture)	11, 550/-
b. Rent	24, 000/-
c. Interest on total Investment	1, 82,127/-
d. Insurance	6,000/-
e. 40% salary	1, 74,432/-
f. 40% of other contingent expenses	<u>10,568/-</u>
(Excluding rent & insurance)	<u>4, 08,670/-</u>

XX Break even Point

$$\frac{\text{Fixed cost} \times 100}{\text{Fixed cost} + \text{profit}} = \mathbf{39\%}$$

Fixed cost + profit

XXI. List of Machinery & Raw material suppliers

- 1 M/s Prototype Deve. & Training Center, B-24, Guindy, Indl. Estate, Chennai.
- 2 M/s Chadras Chemicals Ltd. CIT Road, Kolkata

- 3 M/s Modi Thread, Modi Nagar.
- 4 M/s Raj Machine Home, Kaushal Puri, Agra