

PROJECT PROFILE

ON

LEATHER COATS & JACKETS

PART-I

NAME OF THE PRODUCT : **LEATHER COATS & JACKETS.**

QUALITY & STANDARD : Leather Coats & Jackets for Men & Women as per Buyer's Specification.

PRODUCTION CAPACITY :

Products	Quantity (Nos.)	Rate (Rs.)	Value (Rs.)
Leather Jackets	36000	2500/-	9,00,00,000/-
Leather Coat for Men & Women	19200	2800/-	5,37,60,000/-
Total:			14,37,60,000/-

MONTH & YEAR OF PREPARATION : November, 2012.

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PART-II

INTRODUCTION:

Leather Coats & Jackets are one of the sophisticated products of finished leather. Leather Garments consist of articles of leather apparel and other cloth accessories as per classification which would include more specifically gents Leather Jackets, Long coats, Waist/Shorts, Leather Pants/Shorts (Gents), Leather Jackets for ladies, Long coats, Waist Coats/Shirts, Pant/Shorts and Children Garments. These are used only in cold places and usually garments made for autumn – winter are made of some what heavy leather from Hides with thick lining of either wool or artificial fur. Demand for Goat suede and light sheep nappa is generally high for European markets in spring summer while that for cow hides and somewhat heavy sheet skin is high for the autumn-winter in Europe and the USA.

MARKET POTENTIAL:

Digital Technologies are changing the perspectives of business and culture with the advent of new computing tools for the home and office or new communication net works in the world. Technology is the single most important force behind the creation of enterprise. The Leather Garment sector is in close contact with the latest trends in the fashion. Therefore, the new winds in the fashion world always have a direct effect on the development of the sector and gives a wider scope for marketability.

Production of Leather Coats & Jackets in India is almost exclusively for export. Some demand for Jackets exists but this is limited to some North Indian towns, which experience severe winter.

BASIS & PRESUMPTIONS:

1. For achieving the full capacity utilization of the plant, the efficiency should be 100% with 2400 working hours.
2. The time period for achieving the full capacity is three years – 60% in 1st year, 75% in 2nd year and 90% in 3rd year.
3. Labour wages as per the existing rates in the region.
4. Interest Rate: 15% for the fixed and working capital.
5. Margin Money: 33% of the total capital investment.
6. Pay back period: 5 years after starting the regular production.
7. Land and Building: Rented.

IMPLEMENTATION SCHEDULE

The implementation schedule is anticipated to be about one year which is necessary considering the time required for preparation of project report and appraisal, registration, obtaining loan, acquiring land, building, plant and machinery, organizing working infrastructure, establishing contacts with parties, buyers and market agencies etc.

TECHNICAL ASPECTS**Process of Manufacture:**

The manufacturing process in the industry does not involve much complicated techniques. Leather Coats & Jackets manufacturing industry is normally based on strict specification of buyer and country to which items are exported. Due care has to be taken in the manufacturing leather coats & jackets as follow:

- (i) The component of the article is to cut from the materials as per specification or keeping in view the quality. This comprises a complete list of properly evaluated

materials both leather and auxiliaries, components in addition to correct pattern for cutting leather, lining etc.

- (ii) The design evaluation may be conducted in a small batch or trial production to find out the production difficulties so that these can be sorted out and timely corrected.
- (iii) The items should be manufactured as per strict design and specification of the buyer or standards.
- (iv) **Components Specification:** This consists of details of materials plus dimensional stability or tolerance so that the component will fit up or stand satisfactorily.
- (v) **Process and Production Control:** This is an area where control could be actually implemented. As for materials, Leather lining and auxiliaries should be tested for tear, stitch tear and tensile strength Fastness of colours of Leather has to be tested repeatedly.

Threads: One of the most important requirements in thread is a level of properly balanced twist, particularly in Garment industry, stitching plays a vital role and synthetic thread is much stronger than cotton and does not absorb moisture so readily.

Glue and Cements: Adhesive plays a dominant role in the fabrication of leather joints and testing of emblem. Invariably, the closing of joints is first secured by adhesives and later by means of stitching.

Grindery and Hardware: These are known as metal grindery or hardware and some of the embellishments and fittings are also grouped in this category.

Zip Fasteners: In Garment Industry Zip Fasteners plays a key role and oftenly tear and wear related complaint come from buyers. So the imported fastener may be used duly tested by repeated closing and opening method. Finally in the assembling section, which is mainly concerned with the workmanship is carried out at each stage. The final inspection takes place before the goods are packed and sent for stores.

Embellishment: Due care should be taken while doing this job; a small negligence will damage the whole product.

QUALITY CONTROL & STANDARD:

No particular specification of this product is available. The specifications in the export market mainly relate to the quality of leather i.e. colour fastness, softness and resistance to moisture and cold. Other specifications like pattern, design would be as per the requirements of the buyers. However, the following specification for accessories has been given below which are as per BID.

Elastic Tapes	IS 9686
Metal Buckles	IS 96986:1980
Threads	IS 1376/1803
Leather Garment Sizing System	IS 10397
Care of Leather Garments	NIL
Metallic Slide Fastener	IS 3148:1983
Garment Quality Guide	IS 12675
Leather For Garments	IS 12718
Fur Leather	IS 3840/2961
Fusible Lining	IS 12806
Zip Fasteners	IS 8894/3184/4829

PRODUCTION CAPACITY (Annual):

Products	Quantity (Nos.)	Rate (Rs.)	Value (Rs.)
Leather Jackets	36000	2500/-	9,00,00,000/-
Leather Coat for Men & Women	19200	2800/-	5,37,60,000/-
Total:			14,37,60,000/-

MOTIVE POWER REQUIRED:

5 KV

POLLUTION CONTROL:

The Leather Coats & jackets manufacturing unit does not contain any environmental hazards, the performance of production system is through waste minimization/utilities and it is revealed that the waste emanating from 70% of the unit is utilized by the small leather goods (Tiny Sector) industries i.e. Chappal Manufacturing, Small Coin Purses manufacturing and Key Chain Purse Manufacturing units.

ENERGY CONSERVATION:

Energy is spent in the factory in the form of electricity and fuel. The workers should be properly trained to operate the machines as and when required. They should be trained cautioned to yield maximum units during the machine operation which would not allow the machine to run by motive power unnecessarily. The electrical lines should be properly made and checked at regular intervals.

FINANCIAL ASPECTS:**(A) Fixed Capital****(i) Land & Building (Rented per month):****Rs. 20,000/-****(ii) Machinery & Equipments**

Sl. No	Machinery Description	Imp/ Ind	HP	Qty Nos.	Rate (Rs.)	Value (In Rs.)
1.	Flat Bed, Lock Stitch Sewing Machine	Imp.	33	5	30000	1,50,000/-
2.	Flat Bed Two Thread, Double Needle Lock Stitch Sewing Machine	Imp.	33	4	69000	2,76,000/-
3.	Zig-Zag Stitch Sewing Machine	Imp.	33	2	28000	56,000/-
4.	Cylinder Bed Lockstitch Sewing Machine	Imp.	0.50	2	70000	1,40,000/-
5.	High Speed Single Thread Lock Stitch Sewing Machine	Imp.	0.50	2	40000	80,000/-
6.	Strap Cutting Machine	Imp.	0.25	1	18500	18,500/-
7.	Post Bed Lock Stitch Sewing Machine	Imp.	0.33	2	39000	78,000/-
8.	High Speed Single Tread Chain Stitch Sewing Machine	Imp.	0.33	1	32000	32,000/-
9.	Button Stitching Sewing, Single Thread	Imp.	0.25	1	38000	38,000/-
10.	Hem Turning Machine Slicking Press	Imp.	0.25	1	27000	27,000/-
11.	Skiving Machine	Imp.	0.50	1	39500	39,500/-
12.	Clicking Press	Imp.	1	1	275000	2,75,000/-
13.	Tools & Equipments	LS				20,000/-
14.	Office and Workshop Furniture	LS				1,00,000/-
15.	Electrification and Installation of machinery @ 10% of machinery cost					1,33,000/-
					Total:-	14,63,000/-

(iii) Total Fixed Cost:

Plant & Machinery	14,63,000/-
Total Fixed Capital:	14,63,000/-

(B) Working Capital (Per Month)**(i) Staff & Labour (Per Month):**

Sl. No.	Personnel	No.	Rate(Rs.)	Amount (In Rs.)
1.	Manager/Designer	1	15000	15,000/-
2.	Supervisor	2	10000	10,000/-
3.	Clerk-cum-Typist	1	6000	6,000/-
4.	Accountant-cum-Store Keeper	1	6000	6,000/-
5.	Watchman-cum-Peon	2	3500	7,000/-
Technical Skilled and Semi-Skilled				
6.	Skilled Workers	15	7500	1,12,500/-
7.	Semi-Skilled Workers	6	5000	30,000/-
8.	Unskilled Workers	3	3000	9,000/-
Total:				1,95,500/-
Perquisites @ 15% on the total salary				29,325/-
Grand Total				2,24,825/-

(ii) Raw Material (Per Month):

Sl. No	Item description	Qty.	Rate (Rs.)	Value (In Rs.)
1.	Sheep / Goat softy leather (For Jackets)	675000 DM	6/DM	40,50,000/-
2.	Sheep / Goat softy leather (For Coat))	560000 DM	6/DM	33,60,000/-
3.	Satia cloth for lining Rib cloth etc.	10500 Mtrs.	120/Mtr	12,60,000/-
4.	Zip, Button, Thread, Adhesive, Shoulder Pads, Fur and other accessories	4600 Nos.	200/Pc	9,20,000/-
5.	Packing material	4600 Nos.	50/Pc	2,30,000/-
			Total:	98,20,000/-

(iii) Utilities: (Per Month)

1.	Power	Rs.	15,000/-
2.	Fuel and Water	Rs.	7,000/-
Total:		Rs.	22,000/-

(iv) Other Contingent Expense (Per Month):

1.	Rent	Rs.	20,000/-
2.	Postage & Stationery	Rs.	5,000/-
3.	Advertisement & Publicity	Rs.	2,000/-
4.	Telephone	Rs.	5,000/-
5.	Transportation charges	Rs.	10,000/-
6.	Consumables stores	Rs.	5,000/-
7.	Legal expenses	Rs.	3,000/-
8.	Insurance	Rs.	10,000/-
	Total:	Rs.	60,000/-

(v) Total Recurring expenses (Per Month):

i.	Staff & Labour	Rs.	2,24,825/-
ii.	Raw Material	Rs.	98,20,000/-
iii.	Utilities	Rs.	22,000/-
iv.	Other contingent expenses	Rs.	60,000/-
	Total:	Rs.	1,01,26,825/-

(vi) Total Working Capital for 3 months: 1,01,26,825 X 3 = Rs. 3,03,80,475/-**(C) TOTAL CAPITAL INVESTMENT:**

1.	Fixed Cost	Rs.	14,63,000/-
2.	Working Capital for 3 months	Rs.	3,03,80,475/-
	Total:	Rs.	3,18,43,475/-

MACHINERY UTILISATION:

Capacity utilization of plant and machinery is considered as 75% of installed capacity. However, this can be improved to 80% during 3rd year of production.

FINANCIAL ASPECTS:**(1) Cost Of Production (Per Annum):**

1.	Total Recurring Expenditure Rs.3,18,43,475 X 4	Rs.	12,73,73,900/-
2.	Depreciation on Machinery @ 10% Rs. 13,33,000/-	Rs.	1,33,000/-
3.	Depreciation on tools and equipment @ 25%	Rs.	5,000/-
4.	Depreciation on furniture @ 20%	Rs.	25,000/-
5.	Interest on Total Capital Investment @ 15% of Rs. 3,18,43,475/-	Rs.	47,76,521/-
	Total:	Rs.	13,23,13,421/-
	Say:	Rs.	13,23,13,500/-

(2) Turn Over (Per Year) by Sales:

Products	Quantity (Nos.)	Rate (Rs.)	Value (Rs.)
Leather Jackets	36000	2500/-	9,00,00,000/-
Leather Coat for Men & Women	19200	2800/-	5,37,60,000/-
	Total:		14,37,60,000/-

(3) Net Profit (Per Year):
(Before Income Tax)

$$\begin{array}{rcl}
 \text{Annual Turnover} & (-) & \text{Cost of Production} \\
 14,37,60,000/- & (-) & 13,23,13,500/- \\
 & & = \text{Rs. } 1,14,46,500/-
 \end{array}$$

(4) Net Profit Ratio:

$$\begin{array}{rcl}
 \frac{\text{Net profit} \times 100}{\text{Turn Over/Annum}} & \frac{1,14,46,500/- \times 100}{14,37,60,000/-} & = 8\%
 \end{array}$$

(5) Rate of Return on Investment:
(Net Profit/Total Capital Investment)

$$\begin{array}{rcl}
 \frac{\text{Annual Profit} \times 100}{\text{Total Capital Investment}} & \frac{1,14,46,500/- \times 100}{3,18,43,475/-} & = 36\%
 \end{array}$$

(6) Break Even Point/Analysis:**Fixed Cost (Per Annum):**

1.	Total Depreciation	Rs.	1,33,000/-
2.	Interest on Capital Investment	Rs.	47,76,520/-
3.	40% of Wages of Staff & Labour	Rs.	10,79,160/-
4.	40% of other contingent expenses and utilities	Rs.	1,44,600/-
5.	Insurance	Rs.	1,20,000/-
6.	Rent (Full)	Rs.	2,40,000/-
	Total Fixed Cost:	Rs.	64,93,280/-

Break Even Point:

$$\frac{\text{Fixed Cost} \times 100}{\text{Fixed Cost} + \text{Annual Profit}} = \frac{64,93,280/- \times 100}{64,93,280/- + 1,14,46,500/-} = 36\%$$

Name & Addresses of Machinery & Raw Material Suppliers**Sl. No. Name & Address**

1. M/s Prototype Development Training Centre,
B/24, Guindy Estate, Ekkaduthangar, Chennai – 9.
2. M/s Twin Star Engineering,
2, Thiruneermala Road, Pammal, Chennai – 75.
3. M/s Atlant Trading Pvt. Ltd.,
Atur House, Worli Naka, Mumbai – 400018.
4. M/s Valliappa Leather Corporation,
3/5, Narayana Chetty Street, Periamet, Chennai -3.
5. M/s Solar Atur House, Worli Naka, Mumbai – 400 018.
6. M/s T. Abdul Wahid and Co.,
26, Vepery High Road, Chennai – 3.
7. M/s Chandra's Chemical Ent. Ltd.,
5, Naval Hospital Road, 1st Floor, Periamet, Chennai -3.
8. M/s Akay Sales Corporation,
Office: C-8-346, Ring Road, Naraina, New Delhi – 110 028.
9. M/s Zeb Exports Pvt. Ltd.,
280, Sidappa Lay Out, Bommanhalli Post, Madivala, Bangalore – 560 068.
10. M/s Jay Cee Enterprises (P) Ltd.,
E-357, Greater Kailash –II, New Delhi – 110048.
11. M/s Super House Ltd., Jajmau, Kanpur – 208010.
12. M/s Zam Zam Tanners, Unnao / Kanpur.
13. M/s Zaz Sons Exports Ltd., 4-B, Sheetla Bazar, Kanpur.
14. M/s Rahman Industries Ltd., 184/167, Wajidpur, Jajmau, Kanpur-208010.
