

A PROJECT PROFILE ON Leather Watch Strap (New)

QUALITY STANDARD	:	As per customer's specifications
PRODUCTION CAPACITY	:	
QUANTITY	:	150000 Pcs Per Annum
VALUE	:	Rs. 2400000/=
MONTH AND YEAR OF PREPARATION:		Feb, 2011
PREPARED BY	:	Leather Division MSME Development Institute 34, Industrial Estate, Nunhai, AGRA- 282006 Ph: 2280879, Fax (0562) 2280882

Introduction: -

Leather Watch Straps are the items made up of leather. Watch Straps are mainly used for wrist watch which are used by the people. Today, these items fall under fashionable category and are available in various designs and colours. Due to change in life style of people, the demand for these items is coming even from villages and other tribal areas. This industry has become fashion oriented labour intensive industry. This project profile has been prepared for most common sizes of watch straps for ladies and gents.

These products can be produced from various types of leathers and synthetic leather. Leather waste or scrap is the raw material of the product which is readily available in the market.

Market Potential:-

These products have very good demand both in the national and the international market because these products are used by the people of all ages and all classes. Starting from school going boys/ girls, are using these products. Rich people buy these products made up of expensive leathers where as common man prefers for normal quality leathers and synthetic material

Scope :-

As the population of the country is increasing and living conditions are also improving, there is tremendous scope for development of this industry.

III. Basis & Presumption:-

1. The Project Profile has been prepared on the basis of Single Shift of 8-hrs. a day and 25-working days in a month at 75% efficiency.
2. It is presumed that Ist year, the capacity utilization will be 70% followed by 85% in the next year and 100% in the subsequent year.
3. The rates quoted in respect of salaries and wages for skilled worker and others are on the basis of minimum rates in the State of U.P.

4. Interest rate for the fixed and working capital has been taken @ 12% on an average whether financed by the Bankers or Financial Institutional.
5. The margin money required is minimum (30% of the total capital investment).
6. The rate quoted in respect of machinery, equipment and raw materials are those prevailing at the time of preparation of the Project Profile and are likely to vary from place to place and suppliers to suppliers. When a tailor made project profile is prepared, necessary changes are to be made.
7. The pay back period may be 5-years after the initial gestation period.
8. The gestation period in implementation of the project may be to the tune of 6 to 9 months which includes making all arrangements, completion of all formalities, market surveys and tie-ups etc. Once all the above arrangements are made and quality/standards achieved the 100% project capacity may be achieved at the end of three years. However, a detailed PERT/CPM/chart with implementation period has been given in the report.

V. Technical Aspect

Manufacturing Process:-

The actual manufacturing process and sequence of operations for these items may vary from design to design and company to company. Here a general manufacturing process have been outlined.

Various leather (Upper & Lining) components of the products are clicked as per the design. This can be done by the help of tin patterns manually or by hand cutting machine. The cut components are then skived to facilitate folding wherever is required. The components are stitched by stitching machine and lining is attached. The necessary grinders like eyelet, buckles, stickers are placed and stitched. The extra threads are then trimmed and products are finished. Then items are stamped with the brand name, finally finished, inspected and packed for dispatch.

Production (Target & Value):-

Target: **Leather watch straps 150000 Nos. per annum**

Quality Control & Standards:-

As per customer specification.

1. Power Requirement: - 3 K.W.
Water Requirement: 1500 K.L./monthly

2. Energy Conservation:-

The following steps may be taken for the conservation of energy.

1. Machinery & Equipment's parts, which are revolving and reciprocating should be properly, lubricated from time to time with suitable lubricant oil.
2. Lay out of the unit should be in such a way in that no back tracking of material is there.
3. All electric switches may be kept off, when not required.
4. The entire transmission belt will be tightened before starting the work is wherever applicable.
5. Fluorescent tube with electronic Chokes may be used for energy saving. Further recently developed compact fluorescent tubes called (CFT) of 10,15, watts Philips/Glaux made may be used for energy saving and decoration. These self ballasted fluorescent lamps are high efficiency replacements for

ordinary bulbs. For same light output, CFLEBs consume about one-fifth the power consumed by ordinary bulbs, thereby saving a lot of energy. The savings get further multiplied when CLEBs are used in air conditioned areas, since the saving of energy by using CLEBs also corresponds to less heat dissipation reducing load on air conditioners. The life of CFLEBs is about 8000/10000 hours i.e. about 10 times that of ordinary bulb.

The typical payback period in terms of savings of energy bills and cost of ordinary lamps is about 6 months operation. Unlike ordinary bulbs, these CFLEBs provide choice of three colours designated A, B & C, to suit individual requirements.

Electronic Ballast, with protection against high voltage spikes, along with high quality CFLs make these composite CFLEBs (or self ballasted CFLs) Slim, lightweight, efficient and reliable units.

6. will be reduced and high power factor will be used with the aid of capacitors of appropriate sizes.

7. Pollution Control:-

1. This industry does not involve pollution.
2. Minimum height of shed will be maintained with exhaust fans installed for proper ventilation.

VI. Financial Aspects:-

1. Fixed Capital:-

Land and Building (rented)		
On Rent @ Rs.25/-Sq. meter		
Covered Area 100 Sq. meter	Rs.	5000.00

2. Machinery and equipment:-

S.No.	Description	HP/KW	Ind/Imp.	Qty.	Cost (Rs)
(a) Production Unit					
1.	Cutting M/c. power operated	½ HP	Ind.	01	10,000.00
2.	Stitching M/c.K 31	0.33 HP	Ind.	04	40,000.00
3.	Punching and Riviting M/c.		Ind.	01	10,000.00
4.	Trade mark embossing M/c.	LS			1,500.00
6.	Tools & Equipments				5,000.00
Energy Conservation Facilities/ Equipment, if used:					
	CFT Tubes				
	Fluorescent Tubes with electronic chokes				2,000.00
	Electrification & Installation Charges @ 10%				6650.00
	Cost of Office Equipment/ Furniture etc.				50,000.00
	Total Cost of Machinery & Equipments				1,25,150.00
	3. Pre-Operative Expenses:-				<u>10,000.00</u>
	Total Fixed Capital (2+3)				1,35,150.00
	Say				1,35,000.00

VII. Working Capital (Per month)

(1) Staff and Labour (per month):-

S.No.	Description	No.	Salary @	Total Value (Rs.)
(a) Administrative & Supervisory				
	(i) Supervisor/ Foreman	1	10000	10,000.00
	(ii) Clerk cum Cashier cum store	1	5000	5,000.00
	(iii) Peon cum sweeper	1	3000	3,000.00
	(v) Watchman	1	3000	3,000.00
(b) Technical Skilled & Unskilled				
	Skilled Workers	4	4500	18,000.00
	Worker	2	3000	6,000.00
				45,000.00
	Perquisites @ 15 %			<u>6750.00</u>
	Total			51,750.00
	Say			51,800.00

(2) Raw Material (per month):-

S.No.	Description with specification	Qty.	Rate	Value (Rs.)
1	Scrap or waste leather	250 kg	150 per kg	37,500.00
2.	Accessories & Grinders	LS	5/- per piece	62,500.00
			Total	1,00,000.00

(3) Utility (per month):-

Electricity	2,500.00
Water	<u>500.00</u>
Total	3,000.00

(4) Other Expenditure (per month)

1.	Rent	5,000.00
2.	Postage & Stationary	500.00
3.	Advertisement	2,000.00
4.	Repair & Maintenance	500.00
5.	Telephone	1000.00
6.	Transportation	2,000.00
7.	Consumable	500.00
8.	Sales expenses	2,000.00
9.	Insurance	500.00
10.	Misc. Expenses	<u>2,000.00</u>
	Total	16,000.00

VIII. Total Recurring Expenditure (per month):-

1) Salary & Wages	51,800.00
2) Raw Material	1,00,000.00
3) Utilities	3,000.00
4) Other Contingent Expenses	16,000.00
Total:	1,70,800.00
Say	1,71,000.00

IX. Working Capital for three months:-

Total Recurring Expenditure for one month X 3 =171000X 3 =	5,13,000.00
---	-------------

X. Total Capital Investment:-

Fixed capital:	1,35,000.00
Working capital for 3 months:	5,13,000.00
Total	6,48,000.00

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.

XII. Additional Information if any;

Nil

XIII. FINANCIAL ANALYSIS**1. Cost of Production (per annum):-**

(a) Total Recurring Cost per year	20,52,000.00
(b) Depreciation on Machinery & Equipment @ 10%	6,150.00
(c) Depreciation on Tools @25%	1,250.00
(d) Depreciation on Office Furniture @ 20%	10,000.00
(e) Interest on Total Capital Investment @ 12%	77,760.00
Total:	21,47,160.00
Say	21,47,000.00

XIV. Turn Over per annum:-

S.No.	Description	Qty.	Rate	Value (Rs.)
1.	Leather Watch Straps	150000 Nos.	16/- per piece	<u>24,00,000.00</u>
			Total	24,00,000.00

XV. Net Profit per annum before Income Tax :-

Turn over –Cost of Production = 2400000 - 2147000 =	2,53,000.00
---	-------------

XVI. Net Profit Ratio:-

$\frac{\text{Net profit} \times 100}{\text{Turn over}}$	$\frac{253000 \times 100}{2147000}$	11.7%
---	-------------------------------------	--------------

XVII. Rate of Return:-

$\frac{\text{Net profit} \times 100}{\text{Total investment}}$	$\frac{253000 \times 100}{648000}$	39%
--	------------------------------------	------------

XIV. BREAK EVEN ANALYSIS: -**(1) Fixed Cost (per annum)**

(a) Total Depreciation (on m/c. & equipment, dyies, tools, furniture):	17,400.00
(b) Rent:	60,000.00
(c) Interest on borrowing:(Total Investment)	77,760.00
(d) Insurance	6,000.00
(e) 40% of salary:	2,48,640.00
(f) 40% of other contingent expenses: (Excluding rent & insurance)	<u>74,400.00</u>

Total	4,84,200.00
Say	4,84,000.00

XX. Break Even Point

$$= \frac{\text{Fixed Cost} \times 100}{\text{Fixed cost} + \text{profit}}$$

$$= \frac{484000 \times 100}{484000 + 253000}$$

65.6%

XXI. LIST OF MACHINERY & RAW MATERIAL SUPPLIERS

1. 1. M/s. Raj Machine Home, 35/44, Lashkarpur, Kamla Nagar, Agra.
2. M/s. Peelu Tools Industries, Meera Hussani Crossing, Agra.
3. M/s. Hind Sewing Machine Co., Peepal Mandi, Agra.
4. M/s. Shiva Sewing Machine Co., Peepal Mandi, Agra.