

PROJECT PROFILE

ON

LEATHER BELTS

Month & Year
December 2009

**PREPARED BY
TANSTIA-FNF SERVICE CENTRE
B-22, INDUSTRIAL ESTATE
CHENNAI-600032**

Supported by

Friedrich Naumann
STIFTUNG **FÜR DIE FREIHEIT**

LEATHER BELTS

INTRODUCTION

Leather belt is a popular item of leather used by every one. The school going children, young and old invariably wear a waist belt as an item of dress. It has a functional value besides being a fashion item. The actual use of this belt is to keep the pant tight at the waist. They are made in different widths and lengths to suit customers of all age groups and build. The leather used is plain or chrome tanned cowhides of even substance in different colours and shades of mainly black and brown. The buckles used are in different attractive designs and plated. They are detachable and fitted as per customers choice. Leather belts are more comfortable in use and long lasting than belts made of other materials. The manufacturing process of these belts are very simple. This item can easily be fabricated by small scale/cottage scale units.

MARKET

There has been remarkable demand for leather products and exports of leather garments, shoes, and shoe uppers have been having increasing trend in exports. The figures of leather exports from India in the past have been as under:

Year	Volume in Million US\$
1994-95	1612.16
1995-96	1762.99
1996-97	1618.27
1997-98	1671.90
1998-99	1654.89

1999-2000	1604.35
2000-01	1963.60
2001-02	1936.00
2002-03	1875.21
2003-04	2216.45
2004-05	2379.44
2005-06	2694.59
2006-07	2981.79
2007-08	3480.00
2008-09	3598.64

Source: Council for Leather Exports.

The product wise exports of leather and leather products from India for the past 5 years are as under:

US \$ million

Category	2004-05	2005-06	2006-07	2007-08	2008-09
Finished leather	577.00	606.06	688.05	807.19	673.37
Footwear	601.73	786.76	950.90	1174.03	1243.78
Footwear components	163.67	179.04	212.65	269.30	246.35
Leather garments	318.73	328.44	308.98	345.34	426.15
Leather goods	568.46	649.14	690.66	800.46	873.30
Saddlery and Harness	59.64	76.40	81.85	106.18	92.15
Leather gloves	*	*			
Non-leather footwear	90.21	68.75	48.69	46.02	43.53
Total	2379.44	2694.59	2981.75	3548.51	3598.64

Leather gloves are included in Leather Goods.

Analysis of Export Performance of leather and leather products during

April-March 2007-08 vis-à-vis April-March 2008-09

- The export of leather and leather products for the period April-March 2008-09 touched US\$ 3598.64 million against the performance of US\$ 3548.51 million in the corresponding period of last year, registering a positive growth of 1.41% in Dollar Terms. In rupee terms the export touched Rs.165513.28 million against the previous years performance of Rs.142865.69 million showing a positive growth of 15.85%.
- The export value during 2007.08 was revised upwards by DGCI&S, from US\$ 3477.52 million (Rs.140007.33 million) to US\$ 3548.51 million (Rs.142865.69 million).

A Statement showing the Product-wise Export performance during April-March 2007-08 vis-à-vis April-March 2008-09 is given below:

CATEGORY	(Value in Million Rs)		
	APR-MAR	APR-MAR	% VARIATION
	2007-08	2008-09	
FINISHED LEATHER	32498.11	30970.72	-4.70%
LEATHER FOOTWEAR	47267.13	57205.46	21.03%
FOOTWEAR COMPONENTS	10842.27	11330.34	4.50%
LEATHER GARMENTS	13903.47	19600.26	40.97%
LEATHER GOODS	32227.20	40165.81	24.63%
SADDLERY AND HARNESS	4274.78	4238.48	-0.85%
NON-LEATHER FOOTWEAR	1852.73	2002.21	8.07%
TOTAL	142865.69	165513.28	15.85%
Source : DGCI &S			

Export Target Vs Achievement

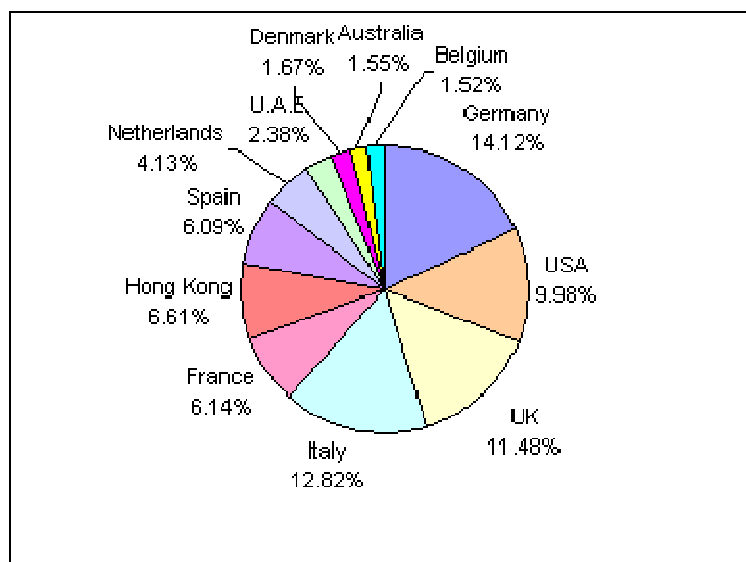
As against the envisaged export target of US\$ 4000 million for the year 2008-09, the actual export performance was US\$ 3598.63 million, recording an achievement of 89.97% over the targeted export. The product specific export target vis-à-vis achievement is given below:

		(In Million US\$)	
Product Category	Export Target	Actual Export	% Achievement
	2008-09	Apr- March 2008-09	
Finished Leather	799.00	673.37	84.28%
Footwear	1816.00	1533.66	84.45%
Leather Garments	380.00	426.15	112.14%
Leather Goods	875.00	873.30	99.81%
Saddlery & Harness	130.00	92.15	70.88%
Total	4000.00	3598.63	89.97%

Country-wise analysis

- The major markets for Indian leather products are Germany with a share of 14.12%, Italy 12.82%, UK 11.48%, USA 9.98%, Hong Kong 6.61%, Spain 6.09%, France 6.14%, Netherlands 4.13%, UAE 2.38% and Australia 1.55%. *These 10 countries together accounts for nearly 75.30% of India's total leather products export.*
- Overall positive growth is seen in markets like Germany 3.02%, USA 15.43%, France 11.34%, Spain 1.44%, Netherlands 10.40%, Australia 10.55%, Denmark 21.24%, Switzerland 1.09%, Austria 5.97%, Japan 26.93%, U.A.E. 12.54%, Finland 7.85% and Saudi Arabia 20.60%
- Overall decline is seen in markets like UK 1.06%, Italy 5.96%, Hong Kong 15.39%, Russia 23.86%, New Zealand 2.55%, Greece 24.43%, Canada 4.41%, Sweden 2.47%. South Africa 19.56%, and Portugal 15.38%

Major markets for Indian Leather Products and their import share



Trend in Major importing Countries of Leather & Leather Products

(Value in Million US\$)

COUNTRY	APR-MAR		% change
	2007-08	2008-09	
GERMANY	493.34	508.26	3.02%
U.S.A.	311.21	359.22	15.43%
U.K.	417.64	413.23	-1.06%
ITALY	490.77	461.52	-5.96%
FRANCE	198.52	221.03	11.34%
HONG KONG	280.97	237.72	-15.39%
SPAIN	216.07	219.18	1.44%
RUSSIA	15.77	12.01	-23.86%
NETHERLANDS	134.75	148.77	10.40%
AUSTRALIA	50.44	55.76	10.55%
NEWZEALAND	5.61	5.46	-2.55%
DENMARK	49.58	60.12	21.24%
GREECE	23.57	17.82	-24.43%
CANADA	36.92	35.29	-4.41%
SWITZERLAND	25.79	26.07	1.09%
SWEDEN	38.99	38.03	-2.47%
S. AFRICA	27.90	22.45	-19.56%
AUSTRIA	25.68	27.22	5.97%
BELGIUM	55.32	54.77	-1.00%
JAPAN	15.95	20.24	26.93%

PORTUGAL	56.93	48.17	-15.38%
CHINA	55.46	49.96	-9.92%
IRELAND	8.15	6.37	-21.92%
U.A.E.	76.23	85.79	12.54%
Source : DGCIS			

The Government of India had identified the **Leather Sector** as a **Focus Sector** in its Foreign Trade Policy 2004-09 in view of its immense potential for export growth prospects and employment generation. Accordingly, the Government is also implementing various **Special Focus Initiatives** under the Foreign Trade Policy for the growth of leather sector. **Hence, considering the current export trends and the previous growth rates, the export target in respect of leather & leather products is envisaged to touch US\$ 7.03 billion mark by the financial year 2013-14.**

There is a good demand for the Indian finished leather and the demand is increasing. The finished leather is converted into value added products and therefore the supply of the finished leather has to be increased.

There exists a large raw material base. This is on account of population of 194 million cattle, 70 million buffaloes and 95 million goats. According to the latest census, India ranks first among the major livestock holding countries in the world. With 48 million of sheep, it claims the sixth position. These four species provide the basic raw material for the leather industry.

The annual availability of about 200 million hides and skins is the main strength of the industry. Some of the goat/calf/sheep skins available in

India are regarded as specialty products commanding a premium market. Abundance of traditional skills in tanning, finishing and manufacturing downstream products and relatively low wage rates are the two other factors of comparative advantage for India.

The leather industry is spread in different segments, namely, Tanning & Finishing, Footwear & Footwear components, Leather Garments, Leather Goods including saddlery & Harness, etc. the estimated production capacity in different segment is furnished in the following table; -

Product	Capacity
Hides	65 million pieces
Skins	170 million pieces
Footwear & Footwear components	
a) Leather Footwear	776 Million pairs
b) Leather shoe uppers	112 million pairs
c) Non-leather Footwear	960 million pairs
Leather garments	18 million pieces
Leather goods	60 million pieces
Industrial gloves	52 million pieces
Saddles	0.10 million pieces

(Source: Council for Leather Exports)

The China has emerged as a major competitor for India holding nearly 27% of world market followed by Italy with 15%. India's share is only 2.59%, which has to be improved. The Council of Leather Exports has been successful recently promoting Indian exports after its delegation's visit to Latin American Countries, when they could muster large export orders.

The Government has recently set up Leather Technology mission to augment resources, improvement in quality and other technical aspects of leather production. The problems of effluent have been solved with the setting up of individual Effluent Treatment Plants and Common Effluent Treatment Plants. All necessary steps are being taken to boost the exports on one side and to maintain matching quality of production on the other by technological advancement.

The Global Import of Leather Goods in terms of value was around US\$ 4955 million, accounting for a share of 7.26% in the total global import of leather and leather products. India's export of total global import of leather goods is around US\$ 444 million holding a share of 7.60% in the global import of this product. There is thus enormous scope for furthering our export of leather products.

The major markets for Indian Leather and leather products are the USA, Germany, the UK, Italy, France, Spain and within lands accounting for almost 72% of total export.

INSTALLED CAPACITY

Product	No of working hours per day	Capacity per day	Capacity per annum 300 days per annum
Leather belts	8	60 nos	18000 nos

PLANT AND MACHINERY

Sl.No	Name of the Machinery	Qty	Value
1.	Strap cutting Machine	1	25000

2.	Upper Leather skiving machine	1	100000
3.	Single Needle flat bed Industrial sewing machine 31ND 15 Merrit	3	32000
4.	Side creasing machine	1	20000
5.	Hand tools and other equipments-Cutters, Pasting tables	1set	25000
6.	Electrification and installation		22000
	TOTAL		224000

MANUFACTURING PROCESS

After selection of suitable leather, the belts of different sizes are cut by strap cutting machine and skived from the edges. Similarly the lining of the same sizes of required leather is also cut. The skived edges are folded. Then the lining is attached by paste. After pasting the belts are stitched with help of stitching machine. The excess of lining are to be trimmed. The other operations like buckle attaching edge setting punching are then carried out according to the design. The belts are then finally inspected and packed.

RAW MATERIALS

The Raw materials required for the production at full capacity is given below:

Calculation of Raw Materials	Unit	Qty	Rate- Rs	Value- Rs.
Heavy cow or buffalo chrome tanned	sft	0.5	50.00	25.00
Split upper	sft	0.5	15.00	7.50
Buckle ,thread, solutions			10	10.00
				42.50

Raw material for 18000 pieces per annum-Rs.7.65 lakhs.

LOCATION LAND AND BUILDING

Built up area-Sq.ft	1000
Rent p.m.-Rs per .10 per sq.ft	10000
Advance-10 months. Rs	100000

UTILITIES

Three phase- 5HP KW	3.73
Power charges Rs. lakhs p.a	0.47
Power & fuel	0.47
For process-Litres per day	Nil
For human consumption- litres/day	200

MANPOWER

Category	Nos.	Monthly Salary	Total monthly Salary
Production Manager	1	8000	8000
Accountant	1	5000	5000
Skilled	4	5000	20000
Semiskilled	2	4000	8000
Total	8		41000
Add Benefits		0.20	8200

Annually

Rs.lakhs

49200

5.90

SCHEDULE OF IMPLEMENTATION

If the financing arrangements are finalized the project can be implemented in three months time.

COST OF PRODUCTION AND PROFITABILITY

A cost and profitability statement projected for the first 3 years of operations is given in Annexure. The profitability is based on the following assumptions.

Assumptions

Installed capacity	18000 Belts per annum
Capacity utilisation	Year-1-60% Year-2-70% Year-3-80%
Selling price	Rs.140.00 per Belt
Raw materials	As per the details given above
Packing materials	As per details given above
Power	Rs.0.47 lakh per annum at 100%
Wages and salaries	Rs. 5.90 lakhs with increase 5% every year.
Repairs and Maintenance	Rs.0.60 lakh per annum
Depreciation	Written down value method -15 % on machinery
Selling general and administrative expenses	Rs.2.40 lakh per annum
Interest on Term loan	13% per annum
Interest on working capital	13 % per annum

Income tax	34 % on profits
------------	-----------------

ADDRESSES OF MACHINERY AND EQUIPMENT SUPPLIERS

1. Juki Machinery (India) AC-8 (31) 1 st Floor
4 th Avenue Annanagar
Chennai 600 040
2. K.S.R.Agencies
17/13 First Floor,3. Kattur Sadayappan Street
Periamet
Chennai 600 003
3. Cardinal Industries
No 4/8 Ganapathy Nagar 1st street
Ekkatuthangal
Chennai 600 097
5. M/s. Leather Machinery Corporation
11, Harrington Road,
Chetpet,
Chennai 600 006.
6. M/s. Paul Bros. and Co.
642, Annal Salai,
Thousand Light,
Chennai 600 006.

RAW MATERIALS SUPPLIERS

All major finished leather suppliers in Chennai and other leather centres

1. M/s. Valliappa Leather Corporation
3/5 and 6, Narayana Chetty Street
Periamet,
Chennai 600 003.
2. M/s. T. Abdul Wahid and Co
26, Vepery High Road,
Chennai 600 003.
3. M/s. Tamil Nadu Leather Dev Corporation Ltd
857, Periyar SVR High Road,
Chennai 600 010.
4. M/s. Bharani Agencies
126, Thambu Chetty Street,
3rd Floor,
Chennai 600 001.
5. M/s. Popular Thread Factory
No.28, Kasi Chetty Street,
Chennai 600 097.
6. M/s. Skandia Sales and Services (P) Ltd
1-B, gen, Colling Road,
Choolai, Chennai 600 112.

FINANCIAL ASPECTS

1. COST OF PROJECT

(Rs.lakhs)

Building-Rented-Advance	1.00
Plant & Machinery	2.24
Other Misc. assets	0.50
Pre-Operative expenses	0.60
Margin for WC	0.86

	5.20

2. MEANS OF FINANCE

Capital	3.52
Term Loan	1.68

	5.20

3. COST OF PRODUCTION & PROFITABILITY STATEMENTS

Years	1	2	3
Installed Capacity (No.of pieces p.a.)	18000	18000	18000
Utilisation	60%	70%	80%
Production/Sales (No. of pieces p.a.)	10800	12600	14400
Selling Price	Rs.140 per piece		
Sales Value	15.12	17.64	20.16
Raw Materials	4.81	5.61	6.41
Power	0.28	0.33	0.38
Wages & Salaries	5.90	6.20	6.51
Repairs & Maintenance	0.60	0.63	0.66
Depreciation	0.47	0.40	0.35
Cost of Production	12.06	13.17	14.31
Admin, & General expenses	2.40	2.52	2.65
Interest on Term Loan	0.20	0.18	0.13
Interest on Working Capital	0.21	0.21	0.21
Total	14.87	16.08	17.30
Profit Before Tax	0.25	1.56	2.86
Provision for tax	0.09	0.56	1.03
Profit After Tax	0.16	1.00	1.83

Add: Depreciation	0.47	0.40	0.35
Cash Accruals	0.63	1.40	2.18

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	1.00	0.40	25%	0.10	0.30
Finished goods	0.50	0.50	25%	0.13	0.37
Debtors	1.00	1.26	10%	0.13	1.13
Expenses	1.00	0.50	100%	0.50	0.00
		<u>2.66</u>		<u>0.86</u>	<u>1.80</u>

Say --> Rs.1.77 lakhs

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

<u>Profit after Tax</u>	1.83	
Sales	20.16	9%

<u>Profit before Interest and Tax</u>	3.20	
Total Investment	6.97	46%

Profit after Tax	1.83
------------------	------

Promoters Capital

3.52

52%

7. BREAK EVEN LEVEL

Fixed Cost (FC):

	(Rs.lakhs)
Wages & Salaries	6.51
Repairs & maintenance	0.66
Depreciation	0.35
Admin. & General expenses	2.65
Interest on TL	0.13

	10.30

Profit Before Tax (P) 2.86

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{10.30}{13.16} \times 100 = 78.26\%$$

0.80 of installed capacity