

PROJECT PROFILE

ON

LEATHER CHAPPALS

Month & Year
December 2009

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

Supported by

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STIFTUNG **FÜR DIE FREIHEIT**

LEATHER CHAPPALS

INTRODUCTION

Leather chappal is the most popular foot wear of the common man in India. Since time immemorial man has been using footwear of different kinds to protect feet from the extremities of weather and external injuries. In addition to functional utility chappal has also become an item of fashion and also forms a part of dress. Today chappals are used by simple villagers, farmers, common people of urban areas and also by the rich people. To cope with the requirement of different users chappals are made of different type of materials.

MARKET

The market for the leather chappal is dependent on the growth in population, standard of living of the people and the frequency of changing patterns etc. The growth in population is about 1% per annum and the standard of living of the people is increasing with better awareness for foot care. Several new patterns in leather footwear is being introduced and the demand is rising.

INSTALLED CAPACITY

Product	Capacity per day	Capacity per annum 300 days per annum
Leather Chappals	100 Pairs	30000 Pairs

PLANT AND MACHINERY

Sl.No	Name of the Machinery	Qty	Value
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1.	Strap cutting Machine 300mm hand operated	2	30000
2.	Upper sewing machine power operated	2	30000
3.	Sole cementing press, 4 bed operated with Air Compressor with Motor	1	45000
4.	Double ended buffing machine with exhaust motor	1	23000
5.	Trade mark embossing machine with heating device	1	7000
6.	Electrification and installation		12000
7.	Wooden Cast	100 pairs	24000
8.	Tools and Equipments		15000
	TOTAL		186000

MANUFACTURING PROCESS

As per the graded patterns of various sizes of both upper and bottom, the components are cut. The edges of cut components are skived and stitched. After the completion of stitching operation, decorative treatment on the upper such as punching, fixing of buttons, metal fittings etc, is done either by hand or machine. The straps of the upper are inserted in the slots of the insoles. The inserted portion of the straps and its corresponding portion in the flesh side of the insole are roughened and cemented. Finally the flesh sides of both the insole and bottom sole are roughened and the adhesive is applied. The cemented soles and insole are stuck and pressed in Cementing press to make the bond permanent.

The next operation is finishing in which the edges of sole and heel are trimmed, inked and set on the machine or by hand. The upper is cleaned and dressed before packing into boxes.

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.
Upper Leather	sft	1.5	45.00	67.50
Lining leather	sft	1	30.00	30.00
Insole leather	sft	1	20.00	20.00
Sole heels rubber	pairs	1	20.00	20.00
Grinderies	sft	1	10.00	10.00
Total material cost per pair				147.50

Total raw material cost for 30000 pairs works out to Rs.147.50 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	3	6000	18000
Semiskilled	3	5000	15000
Unskilled	3	4000	12000
Total	11		58000
Add Benefits		0.20	11600
			69600
Annually		Rs.lakhs	8.35

SCHEDULE OF IMPLEMENTATION

If the financing arrangements are finalised 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	30000 pairs of Leather Chappals per annum
Capacity utilisation	Year-1-60%
	Year-2-70%
	Year-3-80%

Selling price	Rs.240.00 per Pair
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. 8.35 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.3.60 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

4. M/s. Leather Machinery Corporation
11, Harrington Road,
Chetpet,
Chennai 600 006.
5. 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	1.86
Other Misc. assets	0.50
Pre-Operative expenses	0.60
Margin for WC	1.80

	5.76

2. MEANS OF FINANCE

Capital	4.37
Term Loan	1.40

	5.76

3. COST OF PRODUCTION & PROFITABILITY STATEMENTS

Years	1	2	3
Installed Capacity (No.of pairs p.a.)	30000	30000	30000
Utilisation	60%	70%	80%
Production/Sales (No. of pairs p.a.)	18000	21000	24000
Selling Price	Rs.240 per pair		
Sales Value	43.20	50.40	57.60
Raw Materials	26.91	31.40	35.88
Power	0.28	0.33	0.38
Wages & Salaries	8.35	8.77	9.21
Repairs & Maintenance	0.60	0.63	0.66
Depreciation	0.41	0.35	0.30
Cost of Production	36.55	41.48	46.43
Admin, & General expenses	3.60	3.78	3.97
Interest on Term Loan	0.18	0.16	0.11
Interest on Working Capital	0.78	0.78	0.78
Total	41.11	46.20	51.29
Profit Before Tax	2.09	4.20	6.31
Provision for tax	0.71	1.43	2.14
Profit After Tax	1.38	2.77	4.17
Add: Depreciation	0.41	0.35	0.30
Cash			
Accruals	1.79	3.12	4.47

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	1.00	2.24	25%	0.56	1.68
Finished goods	0.50	1.52	25%	0.38	1.14
Debtors	1.00	3.60	10%	0.36	3.24
Expenses	1.00	0.50	100%	0.50	0.00
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		7.86		1.80	6.06

Say --> Rs.6.03 lakhs

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

<u>Profit after Tax</u>	4.17	
Sales	57.60	7%

<u>Profit before Interest and Tax</u>	7.20	
Total Investment	11.79	61%

<u>Profit after Tax</u>	4.17	
Promoters Capital	4.37	95%

7. BREAK EVEN LEVEL

Fixed Cost (FC):

		(Rs.lakhs)	
Wages & Salaries		9.21	
Repairs & maintenance		0.66	
Depreciation		0.30	
Admin. & General expenses		3.97	
Interest on TL		0.11	
		14.25	
Profit Before Tax (P)		6.31	
	$\frac{FC \times 100}{FC + P}$	$\frac{14.25}{20.56}$	0.80
BEL =		20.56	55% of installed capacity