

# **PROJECT PROFILE**

ON

## **LEATHER GLOVES**

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 GLOVES

## INTRODUCTION

Leather gloves are protective apparels used by workers. Leather gloves are available in various sizes such as 14", 16" a,18" etc. Leather gloves are manufactured with Chrome tanned split leather. Chrome tanned split leather can withstand the roughness and at the same time provides softness and flexibility for the hand to move in the gloves easily while working in machine shop. The demand for such leather gloves is increasing in line with the rapid industrialization .They are used in all factories, defence, railways and other power stations.

## 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:

<b>Year</b>	<b>Volume in Million US\$</b>
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

<b>Category</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
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
<b>Total</b>	<b>2379.44</b>	<b>2694.59</b>	<b>2981.75</b>	<b>3548.51</b>	<b>3598.64</b>

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:

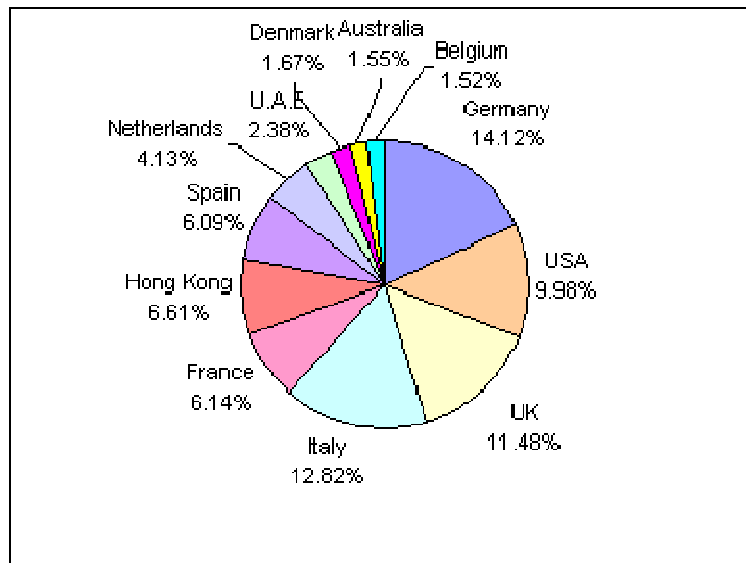
Product Category	(In Million US\$)		
	Export Target	Actual Export	% Achievement
	2008-09	Apr- March 2008-09	
Finished Leather	799.00	673.37	84.28%

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; -

<b>Product</b>	<b>Capacity</b>
Hides	65 million pieces
Skins	170 million pieces
<b>Footwear &amp; Footwear components</b>	
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 loaves	8	250	75000

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## PLANT AND MACHINERY

Sl.No	Name of the Machinery	Qty	Value
	Flat bed single needle industrial sewing machine	5	60000
	Cylinder bed single needle industrial sewing machine	1	30000
	Tools and dies		45000
	Electricals		15000
	<b>TOTAL</b>		<b>150000</b>

## MANUFACTURING PROCESS

The leather is checked for uniform thickness , holes and flying cuts if any. It is then marked with patterns and cut with the help of scissors or clicking knife into different components. After stitching all the components suitably, the gloves are turned inside out. The gloves are then ready for despatch.

## 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
Chrome tanned split leather	sq.ft	21429	40	857160
Thread	pcs	75000	1	75000

Packing materials	756	35	26460
			958620

## 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

The manpower requirement for the project is given below

Category	Nos.	Monthly Salary	Total monthly Salary
Supervisor	1	7000	7000
Accountant	1	5000	5000
Substaff	1	3000	3000

Skilled workers	6	5000	30000
Semi skilled	4	3000	12000
<b>Total</b>	<b>13</b>		57000
Add Benefits		0.20	11400
			68400
Annually		Rs.lakhs	8.21

### **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	75000 pairs of leather gloves per annum
Capacity utilisation	Year-1-60% Year-2-70% Year-3-80%
Selling price	Rs.42.00 per pair Leather glove
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. 8.21 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 1<sup>st</sup> 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,  
3<sup>rd</sup> 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	1.50
Other Misc. assets	0.50
Pre-Operative expenses	1.00
Margin for WC	0.94
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	4.94
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### 2. MEANS OF FINANCE

Capital	3.82
Term Loan	1.13
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	4.94
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### 3. COST OF PRODUCTION & PROFITABILITY STATEMENTS

Years	1	2	3
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Installed Capacity (No.of pairs p.a.)	75000	75000	75000
Utilisation	60%	70%	80%
Production/Sales (No. of pairs p.a.)	45000	52500	60000
Selling Price	Rs.42 per pair of Leather Glove		
<b>Sales Value</b>	<b>18.90</b>	<b>22.05</b>	<b>25.20</b>
Raw Materials	5.75	6.71	7.67
Power	0.28	0.33	0.38
Wages & Salaries	8.21	8.62	9.05
Repairs & Maintenance	0.60	0.63	0.66
Depreciation	0.41	0.35	0.30
Cost of Production	15.25	16.64	18.06
Admin, & General expenses	2.40	2.52	2.65
Interest on Term Loan	0.15	0.13	0.09
Interest on Working Capital	0.29	0.29	0.29
Total	18.09	19.58	21.09
Profit Before Tax	0.81	2.47	4.11
Provision for tax	0.28	0.84	1.40
Profit After Tax	0.53	1.63	2.71
Add: Depreciation	0.41	0.35	0.30
Cash Accruals	0.94	1.98	3.01



#### 4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	1.00	0.48	25%	0.12	0.36
Finished goods	0.50	0.64	25%	0.16	0.48
Debtors	1.00	1.58	10%	0.16	1.42
Expenses	1.00	0.50	100%	0.50	0.00
		3.20		0.94	2.26
Say -					
->		Rs.2.23	lakhs		

#### 6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

<u>Profit after Tax</u>	2.71	
Sales	25.20	11%
<u>Profit before Interest and Tax</u>	4.49	
Total Investment	7.17	63%

Profit after Tax  


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Promoters  
Capital

2.71  


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71%  
3.82

## 7. BREAK EVEN LEVEL

Fixed Cost  
(FC):

(Rs.lakhs)

Wages & Salaries	9.05
Repairs & maintenance	0.66
Depreciation	0.30
Admin. & General expenses	2.65
Interest on TL	0.09
	<hr/>
	12.75
	<hr/>

Profit Before Tax (P) 4.11

	FC x			
	100	12.75	0.80	
	<hr/>			
BEL =		16.86	61%	of installed capacity
	FC +P			

