

# **PROJECT PROFILE**

ON

## **LEATHER LACES**

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 LACES

## INTRODUCTION

Leather laces are generally used for ammunition boots, industrial safety boots, miners' boots. The items are used for specific uses.

## MARKET

The raw material for the manufacture of the leather laces are available in plenty and the requirement is considerable in certain areas. They can be manufactured with ease in Tamilnadu and supplied to the needy sectors.

## INSTALLED CAPACITY

The installed capacity of the proposed unit is 1000 Pairs of Leather shoe laces per day of 8 hours. On this basis the annual capacity works out to 300000 pairs.

## PLANT AND MACHINERY

The following items of plant and machinery are required for the project.

MACHINERY REQUIRED	Qty	Rs
Strap cutting machine 12" working width hand operated	1	23000.00
Measuring Tapes, gauges, set square, rampee, scissors		9000.00
Other grinders		15000.00
Total		47000.00
Total Rs lakhs		0.47

## MANUFACTURING PROCESS

The manufacturing process is given below.

The process consists of cutting the straps with the help of strap cutting machine ( hand operated) 12" working width to the desired thickness or to the standard thickness.

## RAW MATERIALS

The raw material required for the production at full capacity is given below

	Qty/sq.ft	Rate/sq.ft	Value
Medium quality zug grain 2.5 to 3 mm thickness	100		
sq.ft.per day	30000	40.00	1200000
Thread & others	30000	1.50	45000
Total			1245000
TOTAL for 300000	Rs. lakhs		12.45
Raw material cost per piece			4.15
Packing material cost			0.30

## LOCATION LAND AND BUILDING

The infrastructural facilities required for the project by way of land and building are the following.

Built up area-Sq.ft	500
Rent p.m.-Rs	5000

Advance-10 months.Rs                      50000

## UTILITIES

The utilities required for the project are the following

Three phase	KW	2.00
Power charges Rs.lakhs p.a		0.25
For process-Litres per day		0
For human consumption		200

## MANPOWER

The manpower requirement for the project is given below

		Monthly	Total
		wages	
Master/Supervisor	1	8000	8000
Operators	2	6000	120000
Helpers	1	4000	4000
sub total			24000
Add benefits		20%	4800
Total per month			28800
TOTAL PER ANNUM-Rs. lakhs			3.46

## 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 5 years of operations is given in Annexure. The profitability is based on the following assumptions.

### Assumptions

Installed capacity	300000 pairs of Leather laces per annum
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.7.00 per pair
Raw materials	As per the details given above
Packing materials	As per the details given above
Power	Rs.0.25 lakh per annum at 100%
Wages and salaries	Rs. 3.46 lakhs with increase 5% every year.
Repairs and Maintenance	Rs.0.12 lakh per annum
Depreciation	Written down value method -15 % on machinery
Selling general and administrative expenses	Rs.10000 per month
Interest on Term loan	13% per annum
Interest on working capital	13 % per annum
Income tax	34 % on profits

**MACHINERY SUPPLIERS**

Harman Sales Pvt Ltd

186,P.H.Road

Chennai 600 010

Shutan International

79 EVK Sampath Road

Chennai 600 007

**RAW MATERIAL SUPPLIERS**

Chandra Leathers

38 Anna Salai

Chrompet 600 044

M.Kauser & co

25 Wuthucattan Street

Chennai 600 003

**1. COST OF PROJECT**

(Rs.lakhs)

Land & Building (Advance)	0.50
Plant & Machinery	0.47
Other Misc. assets	0.50
Pre-Operative expenses	0.60
Margin for WC	0.13
	<hr/>
	2.20
	<hr/>

**2. MEANS OF FINANCE**

Capital	1.85
Term Loan	0.35
	<u>2.20</u>

### 3. COST OF PRODUCTION & PROFITABILITY STATEMENT

(Rs.lakhs)

Years	1	2	3	4
Installed Capacity Nos	300000	300000	300000	300000
Utilisation	60%	70%	80%	80%
Production/Sales Nos	180000	210000	240000	240000
Selling Price	Rs.8.00 per piece			
Sales Value (Rs.lakhs)	<b>14.40</b>	<b>16.80</b>	<b>19.20</b>	<b>19.20</b>
Raw Materials	7.47	8.72	9.96	9.96
Packing Materials	0.18	0.21	0.24	0.24
Power	0.15	0.18	0.20	0.20
Wages & Salaries	3.46	3.53	3.60	3.67
Repairs & Maintenance	0.12	0.13	0.14	0.15
Depreciation	0.07	0.06	0.05	0.04
Cost of Production	<u>11.45</u>	<u>12.82</u>	<u>14.19</u>	<u>14.26</u>
Selling, Admin, & General exp	1.20	1.26	1.32	1.39
Interest on Term Loan	0.05	0.04	0.03	0.03
Interest on Working Capital	0.03	0.03	0.03	0.03
Total	<u>12.73</u>	<u>14.15</u>	<u>15.57</u>	<u>15.71</u>
Profit Before Tax	1.67	2.65	3.63	3.49
Provision for tax	0.57	0.90	1.23	1.19
Profit After Tax	<b>1.10</b>	<b>1.75</b>	<b>2.40</b>	<b>2.30</b>

Add:	0.07	0.06	0.05	0.04
Depreciation				
Cash Accruals	1.17	1.81	2.45	2.34
Repayment of Term Loan		0.09	0.09	0.09

#### 4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	0.31	25%	0.08	0.23
Expenses	0.00	0.05	100%	0.05	0.00
	1.00	0.36		0.13	0.23

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

$$\frac{\text{Profit after Tax}}{\text{Sales}} = \frac{2.40}{19.20} = 13\%$$

$$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}} = \frac{3.69}{2.43} = 152\%$$

$$\frac{\text{Profit after Tax}}{\text{Promoters Capital}} = \frac{2.40}{1.85} = 130\%$$

#### 7. BREAK EVEN LEVEL

Fixed Cost (FC):	(Rs.lakhs)
	3.60
Wages & Salaries	0.14
Repairs & Maintenance	0.05
Depreciation	1.32



Admin. & General expenses  
Interest on TL

0.03  
5.14

3.63

Profit Before Tax (P)

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{5.14}{8.77} \times \frac{80}{100} \times 100$$

47% of installed  
capacity