

PROJECT PROFILE ON SADDLERY & HARNESS

PART-II

INTRODUCTION:

Saddlery and Harness leather is made out of Vegetable Tanned Leathers and is used as the top part of the horse back bone seat which gives comfort in horse riding. The saddlery is flexible and possesses high degree of tensile strength due to which it lasts for a long period of time. The industry is mostly concentrated at Kanpur, Meerut (UP) and Ambala (Haryana). Two types of saddler are used by the horse rider. One is for general purpose and the other is for horse show jumping. The raw material for manufacturing of saddlery are indigenously available at Phillaur, Jalandhar, Bath Kalan, Kaithal, Kolkata, Kanpur, Meerut.

MARKET POTENTIAL:

There is very good potential for marketing the harness and saddlery both in the Indian as well as International market. The potential centers for marketing of these products are Race Clubs, Defence Departments and Police Deptt., Model Schools, Sport Schools etc. Presently, a number of units are making harness and saddlery at Kanpur, Meerut and Ambala. Since, India has the largest cattle population and possesses the requisite technical knowhow and economical labour, there exists an enormous scope for the growth of harness and saddlery units. Although, there has been a substantial growth in respect of leather, leather goods, footwear, leather garments etc., harness and saddlery sector is lagging behind.

BASIS & PRESUMPTIONS:

1. The capacity is based upon monthly production 200 pcs. of harness and saddler per day on Single Shift of 8-hrs. a day and 25-working days in a month.
2. It is presumed that 1st 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 rate in the State of U.P.
4. Interest rate for the fixed and working capital has been taken @ 15% on an average whether financed by the Bankers or Financial Institutional.
5. The margin money required is minimum (25% of the total capital investment).
6. Pay –Back period may be five year after the initial gestation period.
7. 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.
8. The Break Even Point (BEP) of the scheme has been calculated on full capacity utilization basis considering 3 months working capital.
9. Capacity be achieved at the end of three years. However, a detailed PERT/CPM/chart with implementation period has been given in the profile.

IMPLEMENTATION SCHEDULE

The implementation of the project includes various jobs/ exercised such as procurement of technical knowhow transfer of technology market survey and tie ups preparation of project report selection of sitter, registration financing of project procurement of machinery and raw materials etc. recruitment of staff creation/commissioning of machines trial production and commercial production etc. In order to efficiently and successfully implement the project in the shortest period the slack period is curtailed to minimum possible and as far as possible simultaneous exercises are carried out. In view of above a CPM-PERT CHART has been illustrated below, According to which a minimum period of 227 days is involved in finally starting the project on commercial basis. By following this process a time period of 82 days can be saved.

Details of Activities**C.P.M.**

| Activity | Days | Activity | Days | Particulars of Activity |
|----------|------|-----------------|-----------------|--|
| 1-2 | 15 | 1-2 | 15 | Procurement of Tech. knowhow/transfer of technology. |
| 3-4 | 15 | 3-4 | 15 | Market Survey, tie up and obtaining quotations. |
| 4-5 | 7 | 2-3 | 7 | Selection of site. |
| 5-6 | 70 | 4-5 | 7 | Preparation of Project Report |
| 6-7 | 45 | 5-6 | 70 | Registration and financing |
| 7-10 | 30 | 6-7 | 45 | Placement of orders for machinery and receipt of machines. |
| 10-11 | 30 | 6-8 | 30 | Recruitment of staff and training. |
| 11-12 | 15 | 6-9 | 30 | Addition/Alteration in rental premises. |
| | | 8-10 | 15 | Procurement of raw material / Bought out components |
| | | 7-10 | 30 | Erection, Electrification and Commissioning |
| | | 10-11 | 30 | Trial Production. |
| | | 11-12 | 15 | Commercial Production. |
| | | 227 days | 309 days | |

TECHNICAL ASPECTS**Process of Manufacture:**

Vegetable tanned leather is buffed and cut to the standard pattern with the help of clicking press and clicking dies. Then they are split to required thickness of the end product. These cut components are moistened and moulded in the moulding press to get the desired shape of the product. After the desired shape of the saddlery is achieved, the materials are taken of the moulding press and dried into the hot chamber. Then the sides of material are nicely trimmed off.

The 2 nos. of side flaps 17" X 12" each, 2 nos. of long belts (1½" wide and 5 Feet long) and one single belt 36" long are fitted.

Then the whole saddlery is finished by spraying pigmented lacquer to the desired column and allowed to dry before packing.

QUALITY CONTROL & STANDARD:

The BIS quality specification IS: 1637 – 1973 is to be followed for supply in to local market. The international customer may give his own specifications and product should conform to those standards.

PRODUCTION CAPACITY (Per Annum):

| | |
|----------|-------------------------|
| Quantity | 60,000 Nos. (Per Annum) |
| Value | Rs. 3,90,00,000/- |

POWER REQUIREMENT:

7.5 KW

POLLUTION CONTROL:

This process is pollution free process and does not require any type of clearance from Pollution Department.

FINANCIAL ASPECTS:**(A) Fixed Capital****(i) Land & Building:**

| | | | |
|----|------------------------------|---|------------------------|
| a) | Land 600 Sq. Mtrs. | : | Rs. 3,00,000/- |
| b) | Office Building, Stores etc. | : | Rs. 2,50,000/- |
| c) | Workshop Shed 200 Sq. Mtrs. | : | Rs. 6,00,000/- |
| | Total: | : | Rs. 11,50,000/- |

(ii) Machinery & Equipments

| Sl. No | Machinery Description | Imp/Ind. | Qty Nos. | Value (In Rs.) |
|--------|--|----------|----------|----------------|
| 1. | Hydraulic Clicking Press with set of clicking dies | Ind. | 1 | 2,00,000/- |
| 2. | Moulding Press (Hydraulic) with Heating arrangements and sets of moulds. | Ind. | 1 | 3,00,000/- |
| 3. | Heavy Leather Splitting Machine 60 cm width | Ind. | 1 | 70,000/- |
| 4. | Trimming Machine | Ind. | 1 | 25,000/- |
| 5. | Buffing Machine with dust collector | Ind. | 1 | 1,00,000/- |
| 6. | Strap Cutting Machine | Ind. | 1 | 25,000/- |
| 7. | Spray Booths with two spray guns and compressor | Ind. | 1 | 30,000/- |

| | | | | |
|---------------|--|------|---|-------------------|
| 8. | Hot Chamber for drying | Ind. | 1 | 25,000/- |
| 9. | Generator 5 KW | Ind. | 1 | 50,000/- |
| 10. | Office Equipments & Furniture | | | 50,000/- |
| 11. | Workshop Furniture and Fixture | Ind. | | 20,000/- |
| 12. | Tools and Equipments | | | 10,000/- |
| 13. | Installation and Electrification charges @ 10% on total value of machine | | | 80,000/- |
| Total: | | | | 9,85,000/- |

(iii) Pre-operative Expenses 25,000/-

(iv) Total Fixed Capital: (i) + (ii) + (iii) = 21,60,000/-

(B) Working Capital (per month)

(i) Staff & Labour (Per Month):

| Sl. No. | Personnel | No. | Rate(Rs.) | Amount (In Rs.) |
|---------------------------------------|-------------------------------|-----|-----------|-------------------|
| 1. | Manager | 1 | 15000/- | 15,000/- |
| 2. | Supervisor | 1 | 8000/- | 8,000/- |
| 3. | Accountant-cum-Cashier | 1 | 6000/- | 6,000/- |
| 4. | Clerk-cum- Computer Operator | 1 | 5000/- | 5,000/- |
| 5. | Mechanic / Generator Operator | 1 | 4000/- | 4,000/- |
| 6. | Peon | 1 | 3000/- | 3,000/- |
| 7. | Sweeper (Part time) | 1 | 2000/- | 2,000/- |
| 8. | Watchman | 3 | 3000/- | 9,000/- |
| 9. | Machine Operators | 6 | 5000/- | 30,000/- |
| 10. | Skilled Workers | 4 | 4500/- | 18,000/- |
| 11. | Helpers | 6 | 3000/- | 18,000/- |
| Total: | | | | 1,18,000/- |
| Perquisites @ 20% on the total salary | | | | 23,600/- |
| Grand Total | | | | 1,41,600/- |

(ii) Raw Material (Per month):

| Sl. No | Description with Specification | Qty. | Rate (Rs.) | Value (In Rs.) |
|--------|---|-----------|---------------|--------------------|
| 1. | Vegetable Tanned leather (@ 4Kg per saddlery for 5000 Pcs PM) | 20000 Kgs | 120/Kg | 24,00,000/- |
| 2. | Finishing Chemical, Buckles & other grinders and packing etc. | | 50/Pc | 2,50,000/- |
| | | | Total: | 26,50,000/- |

(iii) Utilities: (Per Month)

| | | | |
|----|---------------|------------|----------------|
| 1. | Power | Rs. | 7,500/- |
| 2. | Fuel | Rs. | 2,000/- |
| 3. | Water | Rs. | 500/- |
| | Total: | Rs. | 4,500/- |

(iv) Other Contingent Expense (Per Month):

| | | | |
|----|------------------------|------------|-----------------|
| 1. | Postage & Telephones | Rs. | 2,000/- |
| 2. | Transport | Rs. | 1,000/- |
| 3. | Consumable stores | Rs. | 1,000/- |
| 4. | Sales Expenses / Advt. | Rs. | 5,000/- |
| 5. | Entertainment | Rs. | 2,500/- |
| 6. | Insurance | Rs. | 1,000/- |
| 7. | Other contingencies | Rs. | 5,000/- |
| | Total: | Rs. | 17,500/- |

(v) Total Recurring expenses (per month):

| | | | |
|------|----------------------------|------------|--------------------|
| i. | Staff & Labour | Rs. | 1,41,600/- |
| ii. | Raw Material and chemicals | Rs. | 26,50,000/- |
| iii. | Utilities | Rs. | 10,000/- |
| iv. | Other contingent expenses | Rs. | 17,500/- |
| | Total: | Rs. | 28,19,100/- |
| | Say: | Rs. | 28,20,000/- |

(vi) Working Capital for 3 months: 28,20,000/- X 3 = Rs.84,60,000/-

(C) TOTAL CAPITAL INVESTMENT:

| | | | |
|----|------------------------------|------------|----------------------|
| 1. | Fixed Capital | Rs. | 21,60,000/- |
| 2. | Working Capital for 3 months | Rs. | 84,60,000/- |
| | Total: | Rs. | 1,06,20,000/- |

FINANCIAL ANALYSIS:**(1) Cost Of Production (Per Annum)**

| | | | |
|----|--|------------|----------------------|
| 1. | Total Recurring Expenditure | Rs. | 3,38,40,000/- |
| 2. | Depreciation on Machinery @ 10% | Rs. | 90,500/- |
| 3. | Depreciation on Building @ 5% | Rs. | 42,500/- |
| 4. | Depreciation on tools, equipment & Furniture @ 20% | Rs. | 16,000/- |
| 5. | Interest on Total Capital Investment @ 14% | Rs. | 15,93,000/- |
| | Total: | Rs. | 3,55,82,000/- |

(2) Turn Over(per year) by Sales

| Products | Quantity (Nos.) | Rate (Rs.) | Value (Rs.) |
|--------------------|-----------------|------------|----------------------|
| Saddlery & Harness | 60,000 | 650/Pc | 3,90,00,000/- |

(3) Net Profit (per year)

(Before Income Tax)

| | | | | |
|-----------------|-----|--------------------|------------|--------------------|
| Annual Turnover | (-) | Cost of Production | | |
| 3,90,00,000/- | (-) | 3,55,82,000/- | Rs. | 34,18,000/- |

(4) Net Profit Ratio:

$$\frac{\text{Net profit} \times 100}{\text{Turn Over/Annum}} = \frac{34,18,000/- \times 100}{3,90,00,000/-} = 8.76\%$$

(5) Rate of Return on Investment:

$$\frac{\text{Annual Profit} \times 100}{\text{Total Capital Investment}} = \frac{34,18,000/- \times 100}{1,06,20,000/-} = 32.18\%$$

(6) Break Even Point/Analysis:**Fixed Cost (Per Annum):**

| | | | |
|----|--|------------|--------------------|
| 1. | Total Depreciation | Rs. | 1,49,000/- |
| 2. | 40% of Wages of Staff & Labour | Rs. | 6,79,680/- |
| 3. | 40% of other contingent expenses and utilities | Rs. | 48,000/- |
| 4. | Insurance | Rs. | 12,000/- |
| 5. | Interest on total capital investment | Rs. | 15,93,000/- |
| | Total Fixed Cost: | Rs. | 24,81,680/- |

Break Even Point:

| | | | |
|----------------------------|---------------------------|---|---------------|
| <u>Fixed Cost X 100</u> | <u>24,81,680/- X 100</u> | | |
| Fixed Cost + Annual Profit | 24,81,680/- + 34,18,000/- | = | 42.06% |

Name & Address of Machinery & Equipment Suppliers**Sl. No. Name & Address**

1. M/s. Harman Sales Pvt. Ltd.
201/A, Byculla Service Ind. Estate,
Dadaji Kondeo Marg, Byculla,
Mumbai-400 027
2. M/s Bharat Sales Agencies
14, Maruti Lane, Near Handloom House,
Fort, Mumbai – 400 001.
3. M/s Indo German Shoe Machine Co. Pvt. Ltd.,
107, Govt. Indl. Estate, Kondivilli (West)
Mumbai - 400 067.
4. M/s Benson Industries,
96, Sri Arobibdo Road, Salkia,
Howrah – 711 106
5. M/s Shalimar Engg. Works (P) Ltd.
12-B, Prabhunath Sarkar Lane,
Kolkata – 700
6. Prototype Development cum Training Centre
Sector B-24, P.O. Ekkaduthangal, Guindy Indl. Estate,
Chennai 600 097

Name & Address of Raw Material Supplies

1. M/s Pioneer Tannery, Jajmau, Kanpur
2. M/s Zaz Tannery, Jajmau, Kanpur
3. M/s Asia Tannery, Jajmau, Kanpur
4. M/s S. K. Omkar Tannery, Nurmahal Road, Phillaur, Distt. Jalandhar.
5. M/s Clariant India Ltd., 129, Matheswartala Road, Kolkata – 700 046
6. M/s Bayer India Ltd., 749, Anna Salai, Chennai 600 002
7. Indofil Chemicals Ltd., Nirlon House, Dr. Annie Besant Road, Mumbai 400 025.
8. Balmer Laurie and Co., 10, Spur Tank Road, Chetput, Chennai.
