

PROJECT PROFILE
ON
SHOWER PROOF GARMENT LEATHER



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SHOWER PROOF GARMENT LEATHER

PRODUCT CODE : NIC 2004: 19112
ASIIC: 43389

PRODUCTION CAPACITY : Qty: 6,00,000 Sq. Feet.

QUALITY AND STANDARDS : AS PER BUYER'S SPECIFICATION

MONTH AND YEAR
OF PREPARATION : October 2006.

PREPARED BY : LEATHER DIVISION
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INTRODUCTION

Leather garments are mainly used in cold places and they have great demand in western countries, where the winter is very severe. Most of the foreign countries has low temperature and high humidity. Therefore, using the leather garment is not only a fashion but also forms part of dressing materials. Demand for light sheep Napa is generally in high demand in Western countries in spring and summer seasons - and somewhat heavy sheepskin is used especially during autumn and winter in Europe and the USA. There is a very good export market for this product. Shower proof garment leather can be used even in rainy season also. Garment leather with water repellency properties has very good demand in all these countries.

MARKET POTENTIAL

Leather Garments hold a share of 12.19% in India's total leather products export whose export has shown a marginal decline of 0.30%. The major markets for Indian Leather Garments are Spain (18%), Germany (17%), Italy (14.30%), USA (14%), France (7%), Canada, Denmark and Netherlands (3% each). These 7 countries together accounts for 80% of India's total leather garments export. Export to Spain shows positive growth of 8.04%, Denmark 28.90% and Canada 38.59%. Declining trend is seen in countries like Germany (3.47%), USA (1.98%), UK (3.9%), Italy (10%), France (9.42%), and Netherlands (6%).

In the circumstances, it would, therefore, be prudent to concentrate India's efforts in the currently strong importing countries, viz., USA, the UK, Germany, Italy, France, Netherlands, etc.

BASIS AND PRESUMPTIONS

| | |
|--|--|
| 1. Efficiency and working hours | Single shift basis consisting of 8 hours per day, 25 working days in a month and 300 working days in a year. |
| 2. Time period for achieving the full envisaged capacity utilization | 5 years |
| 3. Labour & wages | Monthly basis |
| 4. Interest rate for fixed working capital | 15% |
| 5. Margin money | 25% |
| 6. Operative period of the project | 5 to 10 years. |
| 7. Land and building | Own |
| 8. Pay back period of loan | 10 to 12 years. |

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IMPLEMENTATION SCHEDULE

| | |
|--|-------------------|
| 1. Registration and other formalities | 1 month |
| 2. Land acquisition and quotation | 2 months |
| 3. Construction work | 4 to 6 months |
| 4. Machinery purchase and installation | 2 to 3 months |
| 5. Trial production | 1 month |
| Total | 12 months. |

TECHNICAL ASPECTS

(i) PRODUCTION DETAILS & PROCESS OF MANUFACTURE:

Wet salted sheep skin free from all kinds of defects, average weight 2 to 5 kgs, are soaked, limed, haired, fleshed, delimed, bated, pickled, degreased, brain washed, re-pickled and chrome tanned. In addition to that, specially made water repellency agent is also added in the tanning agent which gives water repellency properties to leather. Then, the leathers are neutralized, dried, fat liquored, samed, saw dusted, staked, buffed and finished. Then, the surface of the leather is treated with silicon material for its water repellency properties. Finally the leathers are trimmed, measured and packed.

(ii) QUALITY SPECIFICATION: As per the customers' requirement.

(iii) Production Capacity:

| Sl No. | Item | Quantity | Rate (Rs.) | Value (Rs.) |
|--------|--|------------------|--------------|-------------|
| 1. | Shower proof Garment Leather "A" grade | 4,80,000 sq. ft. | @ 65/sq. ft. | 3,12,00,000 |
| 2. | Shower proof Garment Leather "B" grade | 1,20,000 sq. ft. | @ 40/sq.ft. | 48,00,000 |

(iv) Motive Power (Approximate) : 85 KV

(v) Pollution Control:

_____Pollution control measures are to be given utmost attention as the effluence coming of the process are very toxic and they are likely to affect the flora and fauna of water if disposed off into rivers. More over, effluents are likely to degrade the fertility of the soil. So proper effluent treatment plant is to be installed in the tannery to treat the effluent and make the treated water go out in to river or use the same for irrigation purpose.

(vi) Energy Conservation:

Energy is spent in the tannery in the form of electricity and fuel. However, there exists a lot of scope for conservation of electricity and fuel as a measure of energy conservation. The workers should be properly trained to operate the machines as and when required. They should be cautious to yield maximum units during the machine operation and should not be allowed to run the machine by motive power unnecessarily. The electrical line should be properly made and checked at regular intervals. In respect of fuel, proper attention is to be paid. The boiler should be properly maintained and misuse of fuel in the form of wood, petrol, kerosene should be avoided.

FINANCIAL ASPECTS:**1. Fixed Capital:**

| | | |
|-------------------------------------|-----------------------|------------------|
| i) Land | 2 acres @ Rs.1,50,000 | 3,00,000 |
| ii) Office & Store building | 1000 sq. ft. @ Rs.600 | 6,00,000 |
| iii) Working shed | 10000 sq. ft. @ Rs.50 | 5,00,000 |
| iv) Well, Pump-set & over head tank | LS | 1,00,000 |
| Total | | 15,00,000 |

2. Machinery and Equipment:

| Sl No. | Description of Machinery & Equipment | Imp/ Ind. | Qty. | Rate (Rs.) | Value (Rs.) |
|--------|---|-----------|------|------------|-------------|
| 1. | Wooden Paddle 8' x 7' with 10 hp motor & starter | Ind. | 2 | 1,00,000 | 2,00,000 |
| 2. | Fleshing Machine 1500 mm working width with 10 HP motor & starter | „ | 1 | 4,00,000 | 4,00,000 |
| 3. | Scudding machine 1500 mm working width with 10 HP motor & starter | „ | 1 | 1,00,000 | 1,00,000 |
| 4. | Tanning drum 8'x6' with 7.5 HP motor & starter | „ | 3 | 2,00,000 | 6,00,000 |
| 5. | Shaving machine, working width 600 mm with 10 HP motor & starter | „ | 1 | 2,00,000 | 2,00,000 |
| 6. | Dyeing Drums 6'x6' with 7.5 HP motor & starter | „ | 1 | 1,50,000 | 1,50,000 |
| 7. | Reversible setting out machine working width 1500 mm with 20 HP motor & starter | „ | 1 | 3,00,000 | 3,00,000 |
| 8. | Buffing machine single width with 3 HP motor & starter | „ | 2 | 1,50,000 | 3,00,000 |

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| | | | | | |
|--------------|---|---|---|----------|------------------|
| 9. | Staking machine with 5 HP motor & starter | „ | 2 | 1,00,000 | 2,00,000 |
| 10. | Ironing machine with motor & starter | „ | 1 | 1,00,000 | 1,00,000 |
| 11. | Level bed glazing machine with 5 HP motor and starter | „ | 1 | 75,000 | 75,000 |
| 12. | Measuring machine | „ | 1 | 2,50,000 | 2,50,000 |
| 13. | Baby Boiler | „ | 1 | 1,00,000 | 1,00,000 |
| 14. | Spray booth, air compressor with gun | „ | 1 | 1,00,000 | 1,00,000 |
| 15. | Generator set | „ | 1 | | 3,00,000 |
| 16. | Electrification & Insulation charges @ 10% | | | | 3,25,000 |
| 17. | Office equipment | | | | 1,00,000 |
| Total | | | | | 38,00,000 |

3. Pre-operative Expenses

Rs. 1,00,000

Total Fixed Capital (1+ 2+3)

Rs.54,00,000

WORKING CAPITAL (per month)

(i) **Personnel/Technical (per month)**

| Sl No. | Description | No. | Salary (Rs.) | Total (Rs.) |
|--------------------|---------------------------------|-----|--------------|-----------------|
| 1. | Manager-cum-Tanner | 1 | 20,000 | 20,000 |
| 2. | Supervisor | 2 | 7,500 | 15,000 |
| 3. | Mechanic | 1 | 5,000 | 5,000 |
| 4. | Accountant-cum-Storekeeper | 1 | 8,000 | 8,000 |
| 5. | Clerk-cum-Typist | 1 | 5,000 | 5,000 |
| 6. | Peon | 1 | 2,000 | 2,000 |
| 7. | Watchman | 1 | 2,000 | 2,000 |
| 8. | Machine Operators | 8 | 5,000 | 40,000 |
| 9. | Skilled Workers | 5 | 5,000 | 25,000 |
| 10. | Semi-Skilled Workers | 5 | 3,000 | 15,000 |
| 11. | Unskilled Workers | 4 | 2,000 | 8,000 |
| | Total | | | 1,45,000 |
| | Add perquisites @ 20% on salary | | | 29,000 |
| Grand Total | | | | 1,74,000 |

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(ii) **Raw Materials** (per month)

| Sl No. | Description | Qty | Rate | Amount (Rs.) |
|--------------|---------------------------------------|---------------------------|--------------|------------------|
| 1. | Wet salted sheep skin | 12500 Nos. 62,500sq.ft | Rs.200/piece | 25,00,000 |
| 2. | Chemicals and other tanning materials | | Rs.15/sq.ft | 9,37,500 |
| Total | | | | 34,37,500 |

(iii) **Utilities** (per month)

| Sl No. | Description | Amount (Rs.) |
|--------------|-------------|---------------|
| 1. | Power | 35,000 |
| 2. | Fuel, Water | 12,500 |
| Total | | 47,500 |

(iv) **Other Contingent Expenses** (per month)

| Sl No. | Description | Amount (Rs.) |
|--------------|------------------------------|---------------|
| 1. | Repair & maintenance | 20,000 |
| 2. | Postage and Stationery | 5,000 |
| 3. | Transport charges | 10,000 |
| 4. | Telephone | 5,000 |
| 5. | Advertisement and publicity | 2,000 |
| 6. | Packing & forwarding charges | 10,000 |
| 7. | Insurance | 5,000 |
| 7. | Misc. Expenses | 10,000 |
| Total | | 67,000 |

(v) **Total Recurring Expenditure** (per month)

| Sl No. | Description | Amount (Rs.) |
|--|--------------------------------|------------------|
| 1. | Personnel - Salaries and wages | 1,74,000 |
| 2. | Raw Materials | 34,37,500 |
| 3. | Utilities | 47,500 |
| 4. | Other contingent expenses | 67,000 |
| Total Working capital per month | | 37,25,000 |

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(vi) **Working Capital for 3 months: Rs.1,11,75,000/-**

(vii) **Total Capital Investment**

| Sl No. | Description | Amount (Rs.) |
|--------------|------------------------------|--------------------|
| 1. | Fixed Capital | 54,00,000 |
| 2. | Working Capital for 3 months | 1,11,75,000 |
| Total | | 1,65,75,000 |

6. MACHINERY UTILIZATION

Anticipated utilization of the machinery is about 75% to 90%. All machine operations are important. Hence, it is difficult to cut power supply to any particular machine which is a bottleneck. However, it can be said that machines like shaving, setting, buffing occupy an important position in the manufacturing process. Hence, proper control and monitoring is required so that an even flow of production is assured. Moreover, the supervisory personnel should be effective enough to reduce the down time of the machine, carry out regular maintenance of the machines.

FINANCIAL ANALYSIS

(i) **Cost of Production** (per year)

| Sl No. | Description | Amount (Rs.) |
|--------------|---|--------------------|
| 1. | Total recurring expenditure per year | 4,47,00,000 |
| 2. | Depreciation on machinery & equipment @ 10% | 3,25,000 |
| 3. | Depreciation on furniture, fixtures @20% | 20,000 |
| 4. | Depreciation on building @ 5% | 70,000 |
| 5. | Interest on Total Capital Investment @ 15% | 24,85,000 |
| Total | | 4,76,00,000 |

(ii) **Turnover** (per year)

| Sl No. | Description | Quantity | Rate (Rs.) | Value (Rs.) |
|--------------|---|------------------|--------------|--------------------|
| 1. | Shower proof Garment Leather "A" grade | 5,00,000 sq. ft. | @ 80/sq. ft. | 4,00,00,000 |
| 2. | Shower proof Garment Leather "B" grade | 2,00,000 sq. ft. | @ 60/sq.ft. | 1,20,00,000 |
| Total | | | | 5,20,00,000 |

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(iii) **Net Profit** per annum (before taxation)

| | |
|------------------------|------------------|
| Annual Turn over | 5,20,00,000 |
| Cost of Production (-) | 4,76,00,000 |
| Net Profit | 44,00,000 |

(iv) **Net Profit Ratio:**

$$= \frac{\text{Net Profit} \times 100}{\text{Turn-over per year}}$$
$$= 8.46\%$$

(v) **Rate of Return on Total Investment**

$$\frac{\text{Net Profit per year} \times 100}{\text{Total Capital Investment}}$$
$$= 26.55\%$$

BREAK EVEN ANALYSIS:

(i) **Fixed Cost**

| Sl No. | Description | Amount (Rs.) |
|--------|------------------------------|--------------|
| 1. | Total Depreciation | 4,15,000 |
| 2. | Interest on Total Investment | 24,85,000 |
| 3. | 40% of wages & salaries | 8,40,000 |
| 4. | 40% of other contingents | 3,00,000 |
| 5. | Insurance | 60,000 |
| | Total | 41,00,000 |

BREAK EVEN POINT

$$\text{B.E.P.} = \frac{\text{Fixed cost} \times 100}{\text{Fixed cost} + \text{Net Profit}}$$
$$= \frac{41,00,000 \times 100}{41,00,000 + 44,00,000}$$
$$= 48.25\%$$

Addresses of Machinery & Equipment Suppliers:

1. M/s Shiva Engineering Co., Ambur, North Arcot Dist., Tamilnadu.
2. M/s Prakash Engineering, MC Road, Madanapur, North Arcot Dist., Tamilnadu.
3. M/s Deepu Industries, Plot No. 29, Appu Mudali Street, Chennai – 600 001
4. M/s Bengal Tanning Machinery Co. (P) Ltd
9 A, New Tanga Road, Kolkatta – 700 046
5. M/s Shalimar Engg Works, 12/13, Prabhuram Shankar Lane, Kolkatta – 700 015
6. M/s Annapurna Enterprises, F-10/2 MIDC, Shirol, Kholapur – 416 122

Addresses of Raw Material Suppliers:

1. M/s Bayer India Ltd, 749, Annai Salai, Chennai – 600 002
2. M/s Tamil Nadu Chromates Chemicals Ltd
13, Nungambakkam High Road, Chennai – 600 039.
3. Texfan Chemicals, Texfan House, 47, Fourth Avenue,
Ashok Nagar, Chennai – 600 083.
4. M/s Quinn India Ltd, Quinn House, Road No. 2, Banjara Hills,
Hyderabad – 500 034.
5. M/s Colourtex Ltd, 91, Navasari Road,
Opp. Navin Flourine Ind Bhasan, Surat – 395 023.
6. Colour Chem Ltd, Ravindra Annexe, 194 Churchgate, Reclamation,
Mumbai – 400 020.
7. M/s B.A.S.F. India Ltd, Rhone Poulanc House, Sudam Kalv Ahire Marg,
Mumbai – 400 025
8. Haryana Leather Chemicals Ltd, 1004, Bhikaji Bhawan, Bhikaji Cama Place,
New Delhi – 110 066
