

Leather Garment

PRODUCT CODE	: N. A.															
QUALITY AND STANDARDS	: Leather Garments For Men, Women and Children as per Buyer's Specification.															
PRODUCTION CAPACITY	: Quantity: 60,000 Pcs. Value : Rs. 11,95,00,000															
	<table> <thead> <tr> <th>Sl. No.</th> <th>Description</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Leather Coat for Men, Women 3000 Pcs @ Rs. 2500</td> <td>75,00,000</td> </tr> <tr> <td>2.</td> <td>Leather Jackets, Shirts, Blouses and Trousers – 1500 pcs @ Rs. 2000</td> <td>3,00,00,000</td> </tr> <tr> <td>3.</td> <td>Leather Shorts, Shirts etc. 10,000 pcs @ Rs.1000</td> <td>1,00,00,000</td> </tr> <tr> <td>4.</td> <td>Children Leather Wears 5000 pcs @ Rs.900</td> <td>45,00,000</td> </tr> </tbody> </table>	Sl. No.	Description	Amount (Rs.)	1.	Leather Coat for Men, Women 3000 Pcs @ Rs. 2500	75,00,000	2.	Leather Jackets, Shirts, Blouses and Trousers – 1500 pcs @ Rs. 2000	3,00,00,000	3.	Leather Shorts, Shirts etc. 10,000 pcs @ Rs.1000	1,00,00,000	4.	Children Leather Wears 5000 pcs @ Rs.900	45,00,000
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MONTH AND YEAR OF PREPARATION	: January, 2003															
PREPARED BY	: Small Industries Service Institute Kanjani Road, Ayyanthole, Thrissur-680003 (Kerala)															

INTRODUCTION

Leather Garments are one of the sophisticated products of finished leather. Leather Garments consist of articles of leather apparel and other cloth accessories as per ITC Classification which would include more specifically Gents Leather jackets, Long Coats, Waist/Shorts, Leather Pants/Shorts (Gents), Leather Jackets for ladies, Long Coats, Waist Coats/Shirts, Pant/Shorts and Children Garments. These are used only in cold places and usually garments made for autumn – winter are made of

some what heavy leather from Hides with thick lining of either wool or artificial fur. Demand for Goat suede and light sheep nappa is generally high for European markets in spring summer while that for cow hides and somewhat heavy sheet skin is high for the autumn-winter in Europe and the USA.

MARKET POTENTIAL

Digital Technologies are changing the perspectives of business and culture with the advent of new computing tools for the home and office or new

communication net works in the world. Technology is the single most important force behind the creation of enterprise. The Leather Garment sector is in close contact with the latest trends in the fashion. Therefore, the new winds in the fashion world always have a direct effect on the development of the sector and gives a wider scope for marketability.

Leather Garment production in India is almost exclusively for export. Some demand for Jackets exists but this is limited to some North Indian towns, which experience severe winter.

India's export for Leather Garments has been 5.28 million, 6.50 million and 6.9 million pieces during the year 1997, 1998 and 1999 respectively. The estimated production capacity for Leather Garments in India has been estimated at 18 million pieces a year. In 1998, the total value of India's Garments export was the third highest next only to that of China and Turkey. In 1999, India has reached the second place next to China, Korea, which used to command the second position in export of garments has fallen way behind.

Now that the demand seems to be picking up from the beginning of 2000, it would open up scope for new garment units which will help the country to increase the export of garments. As a matter of fact, it is heartening to note that the total export of Leather Garments during the year 2000-01 was higher than the export during the same period in 1999-2000 by as much as 33% in terms of US \$.

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

BASIS AND PRESUMPTIONS

1. For achieving the full capacity utilisation of the plant, the efficiency should be 100% with 2400 working hours.
2. The time period for achieving the full capacity is three years - 60% in 1st year, 75% in 2nd year and 90% in 3rd year.
3. Labour wages as per the existing rates in the region.
4. Interest Rate: 15% for the fixed and working capital
5. Margin Money: 33 % of the total capital investment
6. Pay back period: 5 years after starting the regular production
7. Land and Building: Own

IMPLEMENTATION SCHEDULE

The implementation schedule is anticipated to be about one year which is necessary considering the time required for preparation of project report and appraisal, registration, obtaining loan, acquiring land, building, plant and machinery, organising working infrastructure, establishing contacts with parties, buyers and market agencies etc.

TECHNICAL ASPECTS

Process of Manufacture

The manufacturing process in the industry does not involve much complicated techniques. Leather garment industry is normally based on strict specification of buyer and country to which items are exported. Due care has to be taken in the manufacturing garments as follows:

- (i) The component of the article is to cut from the materials as per specification or keeping in view the quality. This comprises a complete list of properly evaluated materials both leather and auxiliaries, components in addition to correct pattern for cutting leather, lining etc.
- (ii) The design evaluation may be conducted in a small batch or trial production to find out the production difficulties so that these can be sorted out and timely corrected.
- (iii) The items should be manufactured as per strict design and specification of the buyer or standards.
- (iv) Component Specification: This consists of details of materials plus dimensional stability or tolerance so that the component will fit up or stand satisfactorily.
- (v) Process and Production Control: This is an area where control could be actually implemented. As for materials, Leather lining and auxiliaries should be tested for tear, stitch tear and tensile strength. Fastness of colours of Leather has to be tested repeatedly.

Threads: One of the most important requirement in thread is a level of properly balanced twist, particularly in Garment industry, stitching plays a vital role and synthetic thread is much stronger than cotton and does not absorb moisture so readily.

Glue and Cements: Adhesive plays a dominant role in the fabrication of leather joints and testing of emblem. Invariably, the closing of joints is first

secured by adhesives and later by means of stitching.

Grindery and Hardware: These are known as metal grindery or hardware and some of the embellishments and fittings are also grouped in this category.

Zip Fastener: In Garment Industry Zip Fastener plays a key role and oftenly tear and wear related complaint come from buyers. So the imported fastener may be used duly tested by repeated closing and opening method. Finally in the assembling section, which is mainly concerned with the workmanship is carried out at each stage. The final inspection takes place before the goods are packed and sent for stores.

Embellishment: Due care should be taken while doing this job, a small negligence will damage the whole product.

Quality Control and Standards

No particular specification of this product is available. The specifications in the export market mainly relate to the quality of leather i.e. colour fastness, softness and resistance to moisture and cold. Other specifications like pattern, design would be as per the requirements of the buyer. However, the following specification for accessories has been given below which are as per BIS.

Standards Related To Leather Garments Industry and Related Items

Elastic Tapes	IS 9686
Metal Buckles	IS 96986:1980
Threads	IS 1376/1803
Leather Garment Sizing System	IS 10397

Care of Leather Garments	NIL
Metalic Slide Fastner	IS 3148:1983
Garment Quality Guide	IS 12675
Leather For Garments	IS 12718
Fur Leather	IS 3840/2961
Fusible Lining	IS 12806
Zip Fasteners	IS 8894/3184/4829

Production Capacity

It is proposed to manufacture 60,000 pieces of Leather Garments for Men, Women and Children valued at Rs. 15,00,00,000

Quantity : 60,000 pieces

Value : Rs. 11,95,00,000.

Motive Power 5 KV.

Pollution Control

The Leather Garment Manufacturing unit does not contain any environmental hazards, the performance of Production System is through waste minimisation/ utilities and it is revealed that the waste

emanating from 70% of the unit is utilised by the small leather goods (Tiny Sector) industries i.e. Chappal Manufacturing, Small Coin Purses manufacturing and Key Chain Purse Manufacturing units.

Energy Conservation

Energy is spent in the factory in the form of electricity and fuel. The workers should be properly trained to operate the machines as and when required. They should be trained cautioned to yield maximum units during the machine operation which would not allow the machine to run by motive power unnecessarily. The electrical lines should be properly made and checked at regular intervals.

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building		(Rs.)
i) Land 1 Acres @ Rs. 1,00,000		1,00,000
iv) Building Covered Area Office cum sheds – 3000 sq.ft. @ Rs. 500		15,00,000
	Total	16,00,000

(ii) Machinery and Equipments

Sl. No.	Machinery and Equipments Description	Imp./ Ind.	HP	Qty.	Rate Rs.	Value (Rs.)
1.	Flat Bed, Lock Stitch Sewing M/c.	Imp.	33	5	30,000	1,50,000
2.	Flat Bed Two Thread, Double Needle Lock Stitch Sewing M/c.	Imp.	33	4	69,000	2,76,000
3.	Zig-Zag Stitch Sewing M/c.	Imp.	33	2	28,000	56,000
4.	Cylinder Bed Lockstich Sewing M/c.	Imp.	.5	2	70,000	1,40,000
5.	High Speed Single Thread Lock Stitch Sewing M/c.	Imp.	.5	2	40,000	80,000
6.	Strape Cutting M/c.	Imp.	.25	1	18,500	18,500
7.	Post Bed Lock Stitch Sewing M/c.	Imp.	.33	2	39,000	78,000
8.	High Speed Single Thread Chain Stitch Sewing Machine	Imp.	.33	1	32,000	32,000
9.	Button Stitching Sewing, Single Thread	Imp.	.25	1	38,000	38,000

Sl. No.	Machinery and Equipments Description	Imp./ Ind.	HP	Qty.	Rate Rs.	Value (Rs.)
10.	Hem Turning M/c. Clicking Press	Imp.	.25	1	27,000	27,000
11.	Skiving Machine	Imp.	.5	1	39,500	39,500
12.	Clicking Press	Imp.	1	1	2,75,000	2,75,000
13.	Tools and Equipments	LS				20,000
14.	Office and Workshop Furniture	LS				1,00,000
15.	Electrification and installation of machinery @ 10% of machinery cost					1,33,000
					Total	14,63,000

(iii) Total Fixed Cost		(Rs.)
i)	Land and Building	16,00,000
ii)	Plant and Machinery	14,63,000
Total		30,63,000

B. Working Capital (per month)

(i) Raw Material (per month) (for 5000 Pcs)

Sl. No.	Description	Qty.	Rate (Rs.)	Total (Rs.)
1.	Nappa Leather, Suede Leather, Cow Softy Leather, Cow/Sheep/Goat 1st grade Leather	1,25,000 sq.ft leather @ 25 sq.ft. per piece	55	68,75,000
2.	Lining, Non woven/ Woven Fusible, Interlining, Ribcloth, Satin, Jacquards, polyester, staple yarns	15000 Mts. @ Rs. 75/ mtr.	75	11,25,000
3.	Zip, Buttons, Threads, Adhesive, Embellishments and Other Accessories	For 5000 Pcs. @ Rs. 100/ pcs		5,00,000
4.	Packing Materials	For 5000 Pcs @ 15/ Pcs		75,000
Total				85,75,000

(ii) Staff and Labour (per month)

Sl. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
1.	Manager/Designer	1	10,000	10,000
2.	Supervisor	2	3,500	7000

Sl. No.	Designation	No.	Salary Rs.	Total (Rs.)
3.	Clerk-cum-typist	1	2000	2000
4.	Accountant-cum-Store-keeper	1	3000	3000
5.	Watchman-cum-peon	2	1500	3000
<i>Technical, Skilled and Semi-skilled</i>				
6.	Skilled Worker	10	4500	45000
7.	Semi-killed Worker	6	2000	12000
8.	Unskilled Worker	3	1000	3000
Total				85000
<i>Perquisites @ 15%</i>				12750
Total				97750

(iii) Utilities (per month)		(Rs.)
i)	Power	L.S. 15,000
ii)	Fuel and Water	L.S. 7,000
Total		22,000

(iv) Other Contingent Expenses (per month)

Sl. No.	Description	Value (Rs.)
1.	Postage and Stationery	1500
2.	Advertisement and Publicity	2000
3.	Telephone	5000
4.	Transportation	3000
5.	Consumables	2500
6.	Legal Expenses	2000
7.	Insurance	2000
Total		18000

(v) Total Working Capital (per month)

Sl. Description No	Amount (Rs.)
1. Raw Materials	85,75,000
2. Salary and Wages	97,750
3. Utilities	22,000
4. Other Contingent Expenses	18,000
Total	87,12,750
(vi) Total Working Capital for 3 months (87,12,750 x 3)	2,61,38,250

C. Total Capital Investment

Sl. Description No	Amount (Rs.)
1. Fixed Cost	30,63,000
2. Working Capital for 3 months	2,61,38,250
Total	2,92,01,250

FINANCIAL ANALYSIS

(1) Cost of Production

Sl. Description No.	Amount (Rs.)
1. Total Recurring Expenditure Rs. 2,61,38,250x4	10,45,53,000
2. Depreciation on Machinery @ 10% on Rs. 13,33,000	1,33,000
3. Depreciation on tool and Equipment @ 25%	5,000
4. Depreciation on furniture @ 20%	25,000
5. Depreciation on Building @ 5%	75,000
6. Interest on total Capital Investment of Rs. 2,92,01,250 @ 15%	43,80,187
Total	10,91,71,187

(2) Turnover (per annum)

Sl. Description No	Qty. Pcs	Rate (Rs.)	Value (Rs.)
1. Leather Coats Men/Women	30,000	2500	7,50,00,000
2. Leather Jacket, Shirts, Blouses and Trousers	15,000	2000	3,00,00,000
3. Leather Short, Shirts and Mini Skirts	10,000	1000	1,00,00,000
4. Leather Children Garments	5000	900	45,00,000
Total	60,000		11,95,00,000

(3) Net Profit (per annum)

$$\begin{aligned}
 &= \text{Annual Turnover} - \text{Cost of Production} \\
 &= \text{Rs. } 11,95,00,000 - 10,91,71,000 \\
 &= \text{Rs. } 1,03,28,813
 \end{aligned}$$

(4) Net Profit Ratio

$$\begin{aligned}
 &= \frac{\text{Net Profit} \times 100}{\text{Turnover per annum}} \\
 &= \frac{1,03,29,000 \times 100}{11,95,00,000} \\
 &= 8.6\%
 \end{aligned}$$

(5) Rate of Return

$$\begin{aligned}
 &= \frac{\text{Net Profit} \times 100}{\text{Total Capital Investment}} \\
 &= \frac{1,03,29,000 \times 100}{2,92,01,250} \\
 &= 35.3\%
 \end{aligned}$$

(6) Break-even Point

Fixed Cost (per annum)

Sl. Description No	Amount (Rs.)
1. Total Depreciation	1,63,000
2. Interest on Total Investment	43,80,187
3. Depreciation on Building	75,000
4. 40% of Salary	469,200
5. 40% of Other Contingent expenses and utilities	6,400
6. Insurance	24,000
Total	52,93,787

B.E.P.

$$= \frac{\text{Fixed Cost} \times 100}{\text{Fixed Cost} + \text{Profit}}$$

$$= \frac{527,93,7870}{46,87,687 + 1,03,29000}$$

$$= \frac{527,93,78,700}{1,562277}$$

$$= 33.8\%$$

Addresses of Machinery and Raw Material Suppliers

1. M/s. Prototype Dev. Training Centre
B/24. Guindy Estate,
Ekkaduthangar,
Chennai -9
2. M/s. Cochin Leathers Pvt. Ltd.
Industrial Dev. Area,
Edayar, Muppathadam PO,
Cochin 683 102
3. M/s. Twin Star Engineering
2, Thiruneermala Road,
Pammal, Chennai 75
4. M/s. Atlant Trading Pvt. Ltd.
Atur House, Worli Naka,
Mumbai 400 018
5. M/s. Valliappa Leather Corporation
3/5, Narayana Chetty Street,
Periamet, Chennai - 3
6. M/s. Solar
Atur House,
Worli Naka,
Mumbai 400 018
7. M/s. T. Abdul Wahid and Co.
26, Veperly High Road,
Chennai -3
8. M/s. Chandra's Chemical Ent. Ltd.
5, Naval Hospital Road,
1st Floor, Periamet,
Chennai -3
9. M/s. Akay Sales Corporation
Office: C-8-346, Ring Road,
Naraina, New Delhi -1 10028
10. M/s. Zeb Exports Pvt. Ltd.
280 Sidappa Lay Out,
Bommanhalli Post,
Madivala,
Bangalore-560 068
11. M/s. Jay Cee Enterprises (P) Ltd.
E-357, Greater Kailash - II,
New Delhi-1 10048.