

Leather Sandal with P.U. Sole

PRODUCT CODE	: 2913
QUALITY AND STANDARDS	: There are no BIS standards for all raw materials and grinders. However, IS 6493:1971 may be consulted.
PRODUCTION CAPACITY	: Qty. 36000 pairs (per annum) Value : Rs. 1,08,00,000
MONTH AND YEAR OF PREPARATION	: March, 2003
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INTRODUCTION

Leather Sandals and Chappals in different designs and forms are made of leather which is a natural protective material for the foot. The purpose of using sandals is mainly to protect the feet from injury, thorn, insects, heat and cold. With the rapid increase of population and civilization more and more people are using footwear. It may be either chappal or sandal or shoe.

The term footwear covers mainly:

- (i) Chappal
- (ii) Sandal
- (iii) Shoe and
- (iv) Boot

The project profile deals with sandals with top made of upper leather and the bottom made of PU sole, which are available in the market readily. PU sole,

being more durable, will eliminate a number of operations.

MARKET POTENTIAL

Footwear in India is manufactured in cottage, small and large units. About 90% of the total output of footwear is made by cottage and small-scale sector.

Sandals are in more demand from the countries, which have moderate climate or hot climate. Sandals will be more useful than the chappal in populous cities like Kolkata, Mumbai, Delhi, Chennai, Bangalore and many other cities/towns because due to buckle/strap sandals will not come out of feet as the chappal does in a crowded bus or train. Hence from the utility point of view the sandals have also very good market in our country as well as abroad where climate is not cold.

BASIS AND PRESUMPTIONS

- 1) *Efficiency and working Hours:* 120 pairs of Gents sandal with leather upper and P.U. sole per day on single shift basis of 8 hours and 25 working days in a month. Or, 36,000 pairs of sandal/year.
- 2) *Time period for achieving full/envisaged capacity utilisation:* The project may take 12 months to achieve the full capacity utilisation.
- 3) *Labour wages:* On monthly basis including perquisites.
- 4) *Interest rate:* Assumed at 15% per year on capital investment.
- 5) *Margin money:* The entrepreneurs share is 20-25% of the capital.
- 6) *Operative period of the project:* 10-15 years
- 7) *Land and Construction Cost:* On rental basis
- 8) *Moratorium Period:* 3-5 years.

IMPLEMENTATION SCHEDULE

Sl. No.	Activity	Period (in month)
1.	Registration and other formalities	1
2.	Allotment of shed	2
3.	Machinery procurement and installation	3
4.	Recruitment of personnel	1
5.	Arrangement of electric supply	3
6.	Trial production	1
7.	Commercial production	1
	Total	12

TECHNICAL ASPECTS

Process of Manufacture

The upper components i.e. leather straps, split lining leather for outside straps and inside straps are cut. The straps are skived wherever necessary and pasted with latex or rubber solution. The front straps, which are having self-lining, are folded and stitched. The outside and inside straps are pasted and nicked at the deep carved portion to facilitate folding. The split linings are pasted and attached with the outside and inside straps. The buckle holder pieces are also cut and buckles are fixed. The buckle holder piece, which is carrying the buckle, is fixed on the outside by rivets. The ends of the straps are fitted between outside strap and lining, and inside strap and lining. The upper is secured by stitching.

The bottom surface of synthetic insoles (PVC) is buffed lightly. These are temporarily fixed under the bottom of the sandal last. The uppers are fitted on the last and lasted under the insole by pasting. Adhesive is applied under the buffed surface of the PVC insole and lasted upper. Mock welts (4 to 5 mm width) are attached on the PU soles all round the edges.

The top surface of PU soles treated by primer and then halogenated by chemical. Slight heat treatment is given on PU. The top surface of PVC insoles are buffed lightly and adhesive (SR-NL) is applied and slight heat treatment is given. After proper drying, both the surfaces are stuck together by cementing press. The upper complete with sole is removed from the last. The sandals are cleaned, polished and packed.

Quality Control and Standards

Quality and specifications are as per buyer's specification and for export, certain quality and specifications are maintained, but for local market, no strict quality standards are followed.

IS 578:1971 and IS 3890:1966 can be seen for chrome tanned upper leather and lining leather respectively.

The upper leather should be uniform in thickness and colour and should have water fastness property. Very good quality adhesive and chemicals are to be applied for fixing sole and insole. Proper care should be taken while doing final inspection before packing.

Production Capacity (per annum)

Quantity : 36,000 pairs
Value : Rs. 1,08,00,000

Motive Power : 3 HP.

Pollution Control

There is hardly any pollution except a little noise pollution on account of running of the machine.

Energy Conservation

Normally it is not required.

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building : Rented Building-covered shed approximate area 2400 sq. ft. (per month) 4,000

(ii) Machinery and Equipments

Sl. No.	Description	Ind./ Imp.	Qty.	Amount (Rs.)
1.	Flat bed single-needle stitching machine, power operated with 0.33 H.P. Motor	Ind.	3	30,000

Sl. No.	Description	Ind./ Imp.	Qty.	Amount (Rs.)
2.	Strap cutting machine, power operated with 0.5 HP Motor	Ind.	1	25,000
3.	Upper leather skiving machine complete with table, stand with 0.5 HP motor.	Ind.	1	50,000
4.	Hand operated strap folding machine	Ind.	1	5,000
5.	Buffing and roughening machine with 0.5 HP motor	Ind.	1	10,000
6.	Polishing Machine with 0.25 HP motor	Ind.	1	5,000
7.	Sole cementing press-4 bed operated with Air compressor 1 HP motor	Ind.	1	30,000
8.	Trademark embossing machine hand operated	Ind.	1	5,000
9.	Wooden sandal last	Ind.	100 pairs	15,000
10.	Tools, equipment etc.	Ind.	L.S.	20,000
11.	Office equipment, furniture etc.	Ind.	L.S.	50,000
12.	Electrification and Installation charges @ 10% on Rs. 1,60,000	Ind.	L.S.	16,000
			Total	2,61,000

(iii) Pre-operative Expenses 29,000

Total Fixed Capital (ii+iii) 2,90,000

B. Working Capital (per month)

(i) Personnel (per month)

Sl. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
1.	Manager	1	10,000	10,000
2.	Designer-cum-Supervisor	1	7,000	7,000
3.	Accountant-cum-Store Keeper	1	5,000	5,000
4.	Clerk-Cum-Typist	1	4,000	4,000
5.	Clickers	2	4,000	8,000

Sl. Designation No.	No.	Salary (Rs.)	Total (Rs.)
6. Upper assembly and preparation	2	4,000	8,000
7. Semi-Skilled Workers for bottoming	2	3,000	6,000
8. Machine Operators	7	4,000	28,000
9. Unskilled Workers	2	3,000	6,000

Sl. Designation No.	No.	Salary (Rs.)	Total (Rs.)
10. Watchman	1	2,000	2,000
11. Sweeper	1	2,000	2,000
	Total		86,000
	<i>Add. 20% perquisites</i>		17,200
	Total		1,03,200

(ii) Raw Materials (3000 pairs) (per month)

Sl. Description No.	Ind./ Imp.	Qty.	Rate (Rs.)	Value (Rs.)
1. Chrome upper leather lower quality	Ind.	3000 sq. ft.	40 per sq. ft.	1,20,000
2. Split lining leather (approx. 1/2 sq. ft. to be used for buckle strap and side strap only)	Ind.	1500 sq. ft.	20 per sq. ft.	30,000
3. PVC readymade insole	Ind.	3000 pairs	30 per pair	90,000
4. P.U. Sole	Ind.	3000 pairs	120 per pair	3,60,000
5. Grinders like Mock welt, Adhesive, Thread, Buckle etc.	Ind.	L.S.	15 per pair	45,000
6. Packing	Ind.	L.S.	5 per pair	15,000
			Total	6,60,000

(iii) Utilities (per month)

Sl. Description No.	Amount (Rs.)
1. Power	4,000
2. Water	1,000
	Total 5,000

Sl. Description No.	Amount (Rs.)
8. Insurance	2,000
9. Sales Expenses	3,000
10. Misc. Expenses	6,000
	Total 30,000

(iv) Other Contingent Expenses (per month)

Sl. Description No.	Amount (Rs.)
1. Rent	4,000
2. Postage and Stationery	2,000
3. Telephone	3,000
4. Consumable stores	3,000
5. Repair and Maintenance	3,500
6. Transport charges	3,000
7. Advertisement and publicity	500

(v) Total Recurring Expenditure (per month)

Sl. Description No.	Amount (Rs.)
1. Salary and Wages	1,03,200
2. Raw Materials	6,60,000
3. Utilities	5,000
4. Other contingent expenses	30,000
	Total 7,98,200

(vi) Working Capital for 3 months

(7,98,200 x 3) 23,94,600

C. Total Capital Investment

Sl. Description No.	Amount (Rs.)
1. Total Fixed Capital	2,90,000
2. Working capital for 3 months	23,94,600
Total	26,84,600

FINANCIAL ANALYSIS

(1) Cost of Production (per year)

Sl. Description No.	Amount (Rs.)
i) Total recurring cost	95,78,400
ii) Depreciation on machinery @ 10% of Rs. 1,60,000	16,000
iii) Depreciation on office furniture and equipment @ 20% on Rs. 50,000	10,000
iv) Depreciation on tools and equipment @ 25% of Rs. 35,000	8,750
v) Interest on Total Capital Investment @ 15% of Rs. 26,84,600	4,02,690
Total	1,00,15,840
Say	1,00,16,000

(2) Turnover (per year)

Sl. Items No.	Qty.	Rate	Price (Rs.)
1. Gents sandal with P.U. Sole	36,000 pairs	300 per pair	1,08,00,000
Total			1,08,00,000

(3) Net Profit (per year) (before Income Tax)	Amount (Rs.)
Turnover	1,08,00,000
Cost of Production	1,00,16,000
Total	7,84,000

(4) Net Profit Ratio

$$\begin{aligned}
 &= \frac{\text{Net Profit per year} \times 100}{\text{Turnover per year}} \\
 &= \frac{7,84,000 \times 100}{1,08,00,000} \\
 &= 7.25\%
 \end{aligned}$$

(5) Rate of Return on Total Investment

$$\begin{aligned}
 &= \frac{\text{Net Profit per year} \times 100}{\text{Total Investment}} \\
 &= \frac{7,84,000 \times 100}{26,84,600} \\
 &= 29.2\%
 \end{aligned}$$

(6) Break-even Point

Fixed cost

Sl. Description No.	Amount (Rs.)
i) Rent	48,000
ii) Depreciation on machinery	16,000
iii) Depreciation on tools and equipment etc.	8,750
iv) Depreciation on office equipment and furniture	10,000
v) Interest on Total Investment	4,02,690
vi) 40% of salary and wages	4,95,360
vii) 40% of utilities	1,39,200
viii) Insurance	29,000
Total	11,49,000

B.E.P.

$$\begin{aligned}
 &= \frac{\text{Fixed cost} \times 100}{\text{Fixed cost} + \text{Profit}} \\
 &= \frac{11,49,000 \times 100}{11,49,000 + 7,84,000} \\
 &= 59.44\%
 \end{aligned}$$

Addresses of Machinery and Equipment Suppliers

1. M/s. Benson Industries
96, Sri Aurobindo Road,
Salkia,
Howrah.
2. M/s. Bengal Machinery Co. (P) Ltd.
9-A, New Tangra Road,
Kolkata-700046.
3. M/s. PTDC (Under NSIC),
Industrial Estate,
P. O. Ekkaduthangal,
Chennai-600 097.

4. M/s. Indian Leather Machines
6, Sangita Indl. Estate.,
Pokkram Road, No. 1, Upwan,
Thane, Mumbai - 400 606.

Sandal Last

1. M/s. Alison Singh and Co.
174, Baluganj,
Agra-1.
2. M/s. Sanghavi Shoe accessories
Pvt. Ltd.
11, Harikripa, 10th Road,
Chembur,
Mumbai-400 071.
3. M/s. Footform,
30, Banerjee Para Road,
Sarsuna,
Kolkata-700 061.

Raw Material Suppliers

1. M/s. Modern Leather Stores
1, Bidhan Sarani,
Kolkata-12
(Misc. items)
2. M/s. Kohinoor Leather Co.
P-14, Bentinck Street,
Kolkata
(Misc. items)
3. M/s. Valliappa Leather Corporation
3/5 and 6, Narayana Chetty Street,
Periamnt,
Chennai-600 003
(Misc. items)
4. M/s. Bengal Tanning Company
1 1/2, Harshi Street,
Kolkata-9
(Leather only)
5. M/s. Super Tannery (India) Ltd.
Jajmau, Kanpur.

6. M/s. Omega Polymicrons Pvt. Ltd.
Meerut Road,
Mawana-250 401.
7. M/s. Sethu Exports Agencies
114, Vepery High Road,
Chennai - 600 003.
8. M/s. Saxon India
59/2, Cockburn Road,
Bangalore-560 051.
9. M/s. Chemet,
Taj Building, 1st Floor,
P. B. No. 195,
Dr. D. N. Road, Fort,
Mumbai-400 001.
10. M/s. Peoples Enterprises pvt. Ltd.
16/1, G. C. Avenue,
Kolkata-700 013.
11. M/s. Pidilite Industries Ltd.
Ramkrishna Mandir Road,
Andheri (E), P. B. No. 17401,
Mumbai-59.
12. M/s. Nanavati Engineering Co.
Pvt. Ltd.
A-195, 4th Cross Road,
Peanya Indl. Estate,
Bangalore-560 058.
13. M/s. Atlas Trading Corporation
7627, (P) Daroga Street,
Resham House, Sadar Bazar,
New Delhi-110 006.
14. M/s. Star Processors Ltd.
3, Chingrighata Lane,
Kolkata-700 015.
15. M/s. Bharani agencies
126, Thambuchetty Street,
3rd Floor,
Chennai-600 001.