

## Leather Travelling Bag

PRODUCT CODE	: 293101000
QUALITY AND STANDARDS	: As per buyers specification
PRODUCTION CAPACITY	: Quantity: 15,000 pieces (per annum) Value: Rs. 1,02,00,000
MONTH AND YEAR OF PREPARATION	: March, 2003
PREPARED BY	: Small Industries Service Institute, P.O. Tadong, Gangtok - 737102.

### INTRODUCTION

Travelling bag is one of the convenient goods used for carrying the belongings such as clothes, daily-use articles and other essentials during travelling from one place to other. Some other types of products are also used for carrying important documents and office use equipments by the executives and high profile personnel. Although this product is manufactured from various types of materials such as textile, jute, coated fabrics, yet leather travelling bag is having wider acceptance due to its superior strength, aesthetic look and up-man-ship among middle and high-income group people. A wide range of travelling bags are in use for various purposes. The cost of the leather bags depends upon the type of leather, space and/or style of it. This project aims at manufacturing two types of bags i.e.:

- i) Bags of single large pocket with one or two zips usually made from heavy cow or buffalo leather and

- ii) Bags of multi pockets with interlining and re-enforcement, flap type, fitted with magnetic press buttons, commonly made from cow nappa leather.

### MARKET POTENTIAL

The demand of the leather travelling bag is increasing day-by-day in tune with the growth of industrialization, economic standards of people, tourism and fashion consciousness. The important customers of such products are medium and high-income group people belonging to service, business and executive classes. The products with a price range of Rs. 400 to Rs. 2,500 are commonly seen in the market. The proposed product with the price of about Rs. 600 to Rs. 800 is felt quite acceptable with reasonable quality. Further, export worthiness of this product is quite substantial with qualitative and latest designed ones. A small manufacturer can have tie-up with any exporter merchant in the country

for executing the order as per the specified design. There is an ample scope of leather travelling bag units with

easy and considerably cheaper availability of indigenous raw material and skilled manpower.

## BASIS AND PRESUMPTIONS

This project profile has been prepared on the basis of following assumptions:

1. Working Hours : Single shift of 8 hours a day for 300 working days in a year
2. Capacity Utilisation : 60% during first year  
70% during second year  
80% during 3rd year and onwards
3. Entrepreneur : Anybody having knowledge/experience of leather goods and/or venture to start leather based units.
4. Location : Anywhere in India, preferably nearby any tannery pocket or export facility zone.
5. Land and Building : Rented
6. Raw Materials : Chrome tanned heavy cow or buffalo bag leather and softy cow nappa leather.
7. Salary and Wages : All employees are paid on monthly basis.
8. Transportation and Taxes on purchase : Included in purchase price.
9. Power Charges : Rs. 3 per KWH from power supply source
10. Depreciation : 5% on building and civil construction  
10% on plant and machinery  
25% on tools and equipments  
20% on furniture and fixture  
10% on other fixed assets
11. Margin Money : 30% of total capital investment
12. Interest Charges : 15% has been calculated on total capital investment considering the opportunity cost of margin/equity money.
13. Fixed Cost for BEP Analysis : 100% rent, insurance, interest and depreciation  
40% of total salary and wages  
40% of total utilities and other Contingent expenses excluding rent and insurance.

## IMPLEMENTATION SCHEDULE

<i>Sl. Activity No.</i>	<i>Period (in months)</i>
1. Site selection, negotiation with landlord, market survey preparation of project report and other formalities	2
2. Seeking quotation of machines, purchase and installation	2
3. Trial production, arranging working capital, Procurement of raw material and market tie up	2
Total period required for commencing commercial production	6

## TECHNICAL ASPECTS

### Process of Manufacture

The leather travelling bags proposed to be manufactured in this project are mainly of two types. One is of single large pocket with a space of 3 to 6 ft. fitted with one or two fasteners and a long strap handle and other one is of multi-pockets (3 to 5) fitted with different types of fasteners like zips, velcro or press buttons. While heavy cow or buffalo bag leather with the thickness of 2.0 to 2.5mm without lining is preferred for making the former, the softy type of leather like cow nappa leather with the inter-lining and reinforcement is usually used for the later.

First of all the components are cut from suitable materials. The basic raw material is the finished leather, which is

not uniform, irregular in shape and size, variation with grain structure and presence of defects on the surface. On the other hand, the components are generally regular or rectangular shape and the adjacent components should have similar shade and structure. Therefore, necessary care should be taken in cutting the components. The cut components are then skived to the edges for ease of folding and/or stitching. The edges are then beaded and the zips and other fasteners attached as per the specification. The outer surface (leather), the inner surface (lining) and the re-enforcement materials if required so, are attached first with the adhesive and then by stitching. The linings and thread-ends are trimmed and sealed. The surface is cleaned and polished and made ready for packing.

### Quality Control and Standards

The quality of this product has to be maintained as per buyer's specification. However, the main criteria for quality control are selection of suitable materials, (especially the leather with required thickness, shade, strength and softness) cutting components from suitable portions of leather, uniform folding, fastener attachment, regular stitching with suitable thread with specified stitch length and finishing.

### Production Capacity (per annum)

- i) Leather travelling bag 9000 Pcs. of single pocket with one long and two small handles (20"x5"x18") Rs. 54,00,000
- ii) Leather travelling bag-multi pocket flap type with one long and two small handles (18"x5"x15") 6000 Pcs. Rs. 48,00,000

Motive Power 10 HP.

### Pollution Control

The proposed unit does not produce any effluent. However, the scraps of leather and other materials are to be collected and disposed-off at appropriate place or are burnt at an isolated place.

### Energy Conservation

All machines are power driven and are run individually, whenever required.

## FINANCIAL ASPECTS

### A. Fixed Capital

#### (i) Land and Building (Rs.)

Floor area of about 1000 sq. ft. to be taken on rent @ Rs. 5,000 per month 5,000

#### (ii) Machinery and Equipments

Sl. No.	Description	Imp. Ind.	Qty.	Rate (Rs.)	Value (Rs.)
1.	Strap cutting machine Straight (12 knives)	Ind.	1	50,000	50,000
2.	Pneumatic stamping machine-stamping wheel (0-9 nos.) (A-Z)	"	1	75,000	75,000
3.	Upper Skiving machine	"	1	50,000	50,000
4.	Flat bed single needle sewing machine	"	3	22,000	66,000
5.	Heavy duty flat bed single needle sewing machine	"	1	30,000	30,000
6.	Cylinder bed sewing Single	"	2	70,000	1,40,000
7.	Combined finishing machine	"	1	55,000	55,000

Sl. No.	Description	Imp. Ind.	Qty.	Rate (Rs.)	Value (Rs.)
8.	Rivetting machine	Ind.	1	5,000	5,000
9.	Electrification and erection of machine @ 10% on machine cost				47,100
	Total				5,18,100
	Say				5,18,000

#### (iii) Tools and Equipments and Other Fixed Assets

Sl. No.	Description	Imp. Ind.	Qty.	Rate (Rs.)	Value (Rs.)
1.	Leather goods makers tool kit	Ind.	3 sets	2,000	6,000
2.	Machine maintenance and electricians tool kit	"	1 set	L.S.	2,000
3.	Testing equipments-thickness gauge, measuring scales etc.	"	-	L.S.	2,000
4.	Workshop working tables, racks etc.	"	-	L.S.	30,000
5.	Office furniture and equipments	"	-	L.S.	50,000
6.	Misc. equipments	"	-	L.S.	2,000
	Total				92,000
	Total (ii + iii)				6,10,000

#### (iv) Pre-operative Expenses (Rs.)

1.	Preparation of project report and consultancy	20,000
2.	Administrative expenses	5,000
3.	Travelling, Market development and tie-up	20,000
4.	Other formalities and expenses prior to production	5,000
	Total	50,000
	Total Fixed Capital (iii+iv)	6,60,000

## B. Working Capital (per month)

### (i) Staff and Labour (per month)

Sl. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
1.	Manager	1	5,000	5,000
2.	Supervisor cum Designer	1	4,000	4,000
3.	Skilled Worker	5	2,000	10,000
4.	Semi-skilled workers	3	1,500	4,500
5.	Unskilled worker	2	1,200	2,400

S. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
6.	Electrician and mechanic	1	2,000	2,000
7.	Accountant cum Cashier	1	2,000	2,000
8.	Store keeper cum assistant	1	1,500	1,500
9.	Attendant	1	1,200	1,200
	Total			32,600
	Add perquisites @ 15% on Salary			4,900
	Total			37,500

### (ii) Raw Material Including Packaging Materials Per Piece of Bag (per month)

Sl. No.	Description	Quantity	Rate (Rs.)	Total (Rs.) Bag SP	Bag MP
1.	Heavy cow or buffalo Chrome tanned Bag Leather (2.0 mm)	8.5 Sq. ft.	50	425	-
2.	Cow nappa/softee leather (1.4 mm)	9.0 Sq. ft.	55	-	495
3.	Linings and reinforcements	LS		10	50
4.	Magnetic press buttons	LS		-	35
5.	Zips, Threads, adhesive, Finishing and other misc. materials	LS		15	32
6.	Packaging materials	LS		6	10
	Total			456	622
Total materials requirement (per month) (456 x 750 + 622 x 500)				Rs. 6,53,000	

### (iii) Utilities (per month)

Sl. No.	Description	Amount (Rs.)
1.	Electricity bill LS	2,700
2.	Water LS	300
	Total	3,000

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

Sl. No.	Description	Amount (Rs.)
1.	Rent	5,000
2.	Repair and maintenance	2,000
3.	Other consumable	1,500
4.	Insurance	300
5.	Telephone, fax and other postal expenses	1,200
6.	Stationery and printing	500
7.	Other misc. expenditure	1,000
	Total	11,500

### (v) Total Recurring Expenses (per month)

Sl. No.	Description	Amount (Rs.)
1.	Staff and Labour	37,500
2.	Raw Materials	6,53,000
3.	Utilities	3,000
4.	Other contingent expenditure	11,500
	Total	7,05,000

### (vi) Total Working Capital Requirement (Rs.)

i.	Raw material stock-one month	6,53,000
ii.	Stock in process-2 days	52,250
iii.	Finished goods stock-Half month	3,52,500
iv.	One month expenses:	52,000
	a. Salary and wages	37,500
	b. Utilities	3,000
	c. Other Contingent expenses	11,500

**(vii) Total Working Capital Requirement (Rs.)**

v. Receivables (One month credit sale)	8,50,000
Total	19,59,750
Say	19,60,000

**C. Total Capital Investment**

Sl. Description No.	Amount (Rs.)
1. Fixed Capital	6,60,000
2. Working capital	19,60,000
Total	26,20,000

**FINANCIAL ANALYSIS****(1) Cost of Production (per year)**

Sl. Description No.	Amount (Rs.)
i) Total recurring cost	84,60,000
ii) Depreciation on machinery and equipments @ 10%	51,800
iii) Depreciation on tools and equipments @ 25%	3,000
iv) Depreciation on Furniture and Fixture @ 20%	16,000
v) Interest on Total Capital Investment @ 15%	3,93,000
Total	89,23,800

**(2) Turnover (per year)**

Sl. Items No.	Quantity	Rate (Rs.)	Value (Rs.)
1. Leather travelling bag- Single pocket	9000 pieces	600	54,00,000
2. Leather travelling bag- Multi pockets	6000 pieces	800	48,00,000
Total			1,02,00,000

**(3) Net Profit (Before Taxation) (per year) (Rs.)**

Turnover	1,02,00,000
Cost of Production (-)	89,23,800
Total	12,76,200

**(4) Net Profit Ratio**

$$= \frac{\text{Net Profit per year} \times 100}{\text{Turnover per year}}$$

$$= \frac{12,76,200 \times 100}{1,02,00,000}$$

$$= 12.51\%$$

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

$$= \frac{\text{Net Profit Per year} \times 100}{\text{Total Investment}}$$

$$= \frac{12,76,200 \times 100}{26,20,000}$$

$$= 48.71\%$$

**(6) Break-even Point**

Fixed cost

Sl. Description No.	Amount (Rs.)
a) Rent for one year	60,000
b) Total depreciation	70,800
c) Interest on capital investment	3,93,000
d) Insurance	3,600
e) 40% of Salary and Wages	1,80,000
f) 40% of other contingent expenditure and utilities	44,200
Total	7,51,600

B.E.P.

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

$$= \frac{7,51,600 \times 100}{7,51,600 + 12,76,200}$$

$$= 37.06\%$$

**Addresses of Machinery and Equipment Suppliers**

1. NSIC Technical Service Centre  
Sector B-24, Guindy Indl. Estate,  
Ekkaduthangal,  
Chennai-32.
2. M/s. Atlanta Trading (P) Ltd.  
Atur House,  
Worli Naka,  
Mumbai-18.

3. M/s. Twin Star Engineering  
No. 98, Pammal Main Road,  
Pammal,  
Chennai-75.
4. M/s. Raj Machine Home  
Opp. New Jyoti Building,  
35/44, Karabala Road,  
Agra-5.

#### Raw Material Suppliers

1. M/s. Alpha Global  
445/1, 6th Cross, 7th Block,  
Jayanagar KPM Road,  
Bangalore-560 082.
2. M/s. Amjad Finished Leather Co.  
54, Maddox Street, Choolai,  
Chennai-112.
3. M/s. Arkay Leathers  
No. 3, Third Floor, Crown Court,  
34, Cathedral Road,  
Chennai-86.
4. M/s. Mow Chung Tannery Pvt.  
Ltd.  
47, South Tangra Road,  
Kolkata-46.

5. M/s. Pidilite Industries Ltd.  
J.B. Marg, Nariman Point,  
Mumbai  
*(for adhesive)*
6. M/s. APL Poly Fab Pvt. Ltd.  
48 C, Matheswar Tala Road,  
Kolkata-46  
*(for lining)*
7. M/s. Coats India Ltd.  
144, M.G. Marg,  
Bangalore-1  
*(for stitching thread)*
8. M/s. Asia International  
1523, Qasimjan Street,  
Lal Kuan, New Delhi  
*(for fasteners)*
9. M/s. Bharani Agencies  
No. 126, Thambu Chetty Street,  
III Floor, Chennai-1  
*(for fasteners)*
10. M/s. Hyde Park India Pvt. Ltd.  
C-21, Sector-7, Noida,  
Ghaziabad Distt., U.P.  
*(for fasteners)*