

Portfolio Bag

PRODUCT CODE	: 293999007/293101000
QUALITY AND STANDARDS	: As Per Buyer's Specification
PRODUCTION CAPACITY	: Qty. 18000 Pieces (per annum)
	: Value: Rs. 93,50,000
MONTH AND YEAR OF PREPARATION	: January, 2003
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INTRODUCTION

Portfolio bags made of leather are used generally by office goers as well as by business people to carry papers, pen, pencils, tiffin box and personal belongings etc. These types of bags are also widely used by medical representatives because they need to keep a large number of samples of medicines.

Portfolio bags are made of vegetable tanned leather/semi-chrome leather. All the machines and raw materials used for its manufacture are easily available from indigenous sources and not much technology is involved in manufacturing.

MARKET POTENTIAL

The scope of manufacturing this item is increasing due to the growing demand of Portfolio bags in cities from the increasing number of consumers. Hence, the market of portfolio bags required by the office-goers and travellers is very bright. Portfolio bags

industry is located mainly in Kolkata, Mumbai, Delhi, Chennai, Kanpur and Bangalore. The item has demand not only in India but also abroad. India is exporting portfolio bags and similar types of items to Bangladesh, Nepal, Middle East, Germany, Canada etc.

BASIS AND PRESUMPTIONS

- (1) The production is based on single shift basis of 8 hours per day and 25 working days in a month i.e. 300 working days in a year.
- (2) The unit is expected at 60% efficiency in the first year and 90% efficiency will be achieved within 3-4 years.
- (3) Time period for achieving envisaged capacity utilization is 3 months after trial run.
- (4) Interest rate is calculated @ 15% per annum on average.
- (5) Payback period is 4-5 years.
- (6) Labour will be engaged on monthly basis, which is more than

the minimum wage declared by the State Govts.

- (7) Considering the product and usage, the project can work for more than 20 years.

IMPLEMENTATION SCHEDULE

Sl. No.	Activity	Period (in months)
1.	Registration and other formalities	1
2.	Acquisition of land and shed	3
3.	Arrangement of electricity and water supply	2
4.	Machinery purchasing and installation	4
5.	Trial Production	1
	Total	11

TECHNICAL ASPECTS

Process of Manufacture

These articles are manufactured by different methods. However, the main operations are:

- 1) Pattern cutting
- 2) Economical layout of pattern
- 3) Clicking of components
- 4) Skiving
- 5) Colouring of edges
- 6) Assembling
- 7) Stitching
- 8) Fitting
- 9) Cleaning and finishing.

The components are cut as per the patterns of various sizes and designs, from the leather by hand after duly checking of the leather keeping in view holes and flaying cuts. The components

are then stitched after skiving, wherever necessary. After completion of stitching, handle is fixed and stitched on the central portion of the bag. Zips, buckles, rivets and other fittings are attached. The bags are cleaned, polished, finished and packed.

Quality Control and Standards

Specific standards are to be followed as mutually agreed upon between the manufacturers and the buyers. In case of export, rigid quality control is to be maintained. The quality of product depends upon the purchase of right raw material, grinders and strict supervision. Final inspection is a must before packing.

Production Capacity (per annum)

	Quantity	Rate	Value (Rs.)
Portfolio Bag (1st Quality)	8000 Pieces	575 each	46,00,000
Portfolio Bag (2nd Quality)	10000 Pieces	475 each	47,50,000
	Total		93,50,000

Motive Power 5 HP.

Pollution Control

These types of leather goods industries do not pollute. Hence, no arrangement is necessary to check the pollution.

Energy Conservation

Energy conservation in this type of unit is on the lower side since low power motors are used in the production line. The staff of the unit should be made aware of the need to conserve energy by switching off the energy sources when not required.

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building	Amount (Rs.)
Covered shed (2000 sq.ft.) allotted by State Govt. at subsidized rate on rent per month	5,000

(ii) Machinery and Equipments

Sl. No.	Description	Total HP	Ind. Imp.	Qty.	Amount (Rs.)
1.	Flat-bed Stitching machine	1	Ind.	2	20,000
2.	Cylinder-bed stitching machine	0.5	Imp.	1	1,00,000
3.	Skiving machine	0.5	Ind.	1	50,000
4.	Splitting machine	1	Ind.	1	2,00,000
5.	Punching machine	0.5	Ind.	1	20,000
6.	Roughing, Buffing and Polishing machine	0.5	Ind.	1	20,000
7.	Cutting table for components	-	-	2	10,000
8.	Tools and Equipments	-	-	L.S.	50,000
9.	Office equipment and furniture, Electrification and Installation charges @ 10% upto Sl. No. 6	-	-	L.S.	50,000
					31,000
					Total
					5,51,000

(iii) Pre-operative Expenses Rs. 49,000

Total Fixed Capital (ii+iii) 6,00,000

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.	Supervisor	1	7,000	7,000
3.	Cashier-cum-Accountant	1	5,000	5,000
4.	Store keeper-cum-typist	1	4,000	4,000
5.	Master Cutter	1	5,000	5,000

Sl. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
6.	Machine Operators	5	4,000	20,000
7.	Skilled Worker	2	4,000	8,000
8.	Semi-skilled worker	2	3,000	6,000
9.	Helper	2	2,000	4,000
10.	Peon	1	2,000	2,000
11.	Watchman	1	2,000	2,000
12.	Sweeper	1	2,000	2,000
			Total	75,000
			<i>Add. 20% perquisites</i>	15,000
			Total	90,000

(ii) Raw Material (per month)

1500 Nos. Portfolio Bag.

Sl. No.	Description	Qty.	Rate	Value (Rs.)
1.	V.T. finished leather/Semi-chrome leather-brown/coffee brown/black colour (1.2 mm to 1.5 mm)	1800 Kg. (Approx.)	200 per kg.	3,60,000
2.	Grinderries, Lock, D-ring, Zip, rivets, adhesive, thread etc.)	L.S.	100 per piece	1,50,000
3.	Packing	L.S.	4 per piece	6,000
			Total	5,16,000

(iii) Utilities (per month)

Sl. No.	Description	Amount (Rs.)
1.	Power requirement including lighting, fan etc.	4,500
2.	Water and Fuel	500
	Total	5,000

(iv) Other Contingent Expenses (per month)

Sl. No.	Description	Amount (Rs.)
1.	Rent	5,000
2.	Postage and Stationery	2,000
3.	Telephone	2,000

Sl. Description No.	Amount (Rs.)
4. Consumable stores	2,000
5. Repair and Maintenance	3,000
6. Transport charges	5,000
7. Advertisement and publicity	3,000
8. Insurance	1,000
9. Taxes	1,000
10. Sales Expenses	3,000
11. Misc. Expenses	3,000
Total	30,000

(v) Total Recurring Expenditure (per month)

Sl. Description No.	Amount (Rs.)
1. Salary and Wages	90,000
2. Raw Materials	5,16,000
3. Utilities	5,000
4. Other contingent expenses	30,000
Total	6,41,000

(vi) Working Capital (for 3 months)

$$\text{Rs. } 6,41,000 \times 3 = \text{Rs. } 19,23,000$$

C. Total Capital Investment

Sl. Description No.	Amount (Rs.)
1. Total Fixed Capital	6,00,000
2. Working capital for 3 months	19,23,000
Total	25,23,000

MACHINERY UTILISATION

Initially there will be 50% utilization of major machines which will increase thereafter @ 10% per year and consequently 90% utilization will be achieved in course of time, say, between 4-5 years.

FINANCIAL ANALYSIS

(1) Cost of Production (per annum)

Sl. Description No.	Amount (Rs.)
i) Total recurring cost	76,92,000
ii) Depreciation on machinery @ 10% including installation charges	34,100
iii) Depreciation on tools and equipment @ 25% on Rs. 60,000	15,000
iv) Depreciation on office equipment and furniture @ 20%	30,000
vi) Interest on TCI @ 15%	3,78,450
Total	81,49,550
Say	81,50,000

(2) Turnover (per annum)

Sl. Items No.	Qty.	Rate	Price (Rs.)
1. Portfolio bags 1st quality	8000 Nos.	575 each	46,00,000
2. Portfolio bags 2nd quality	10000 Nos.	475 each	47,50,000
Total			93,50,000

(3) Net Profit (Before taxation)	Amount (Rs.)
Turnover	93,50,000
Cost of Production	81,50,000
Total	12,00,000

(4) Net Profit Ratio

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

$$= \frac{12,00,000 \times 100}{93,50,000}$$

$$= 12.8\%$$

(5) Rate of Return on Total Investment

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

$$= \frac{12,00,000 \times 100}{25,23,000}$$

$$= 47.6\%$$

(6) Break-even Point

Fixed Cost

Sl. No.	Description	Amount (Rs.)
a)	Rent	60,000
b)	Depreciation on plant and machinery	34,100
c)	Depreciation on tools and equipments	15,000
d)	Depreciation on office equipments and furniture	30,000
e)	Interest on Investment	3,78,450
f)	Insurance	12,000
g)	40% of salary and wages	4,32,000
h)	40% of utilities	24,000
i)	40% of other Contingent expenses on Rs. 24,000 (excluding rent and insurance)	1,15,200
	Total	11,00,750

B.E.P.

$$\begin{aligned}
 &= \frac{\text{Fixed cost} \times \text{Profit}}{\text{Fixed cost} + \text{Profit}} \\
 &= \frac{11,00,750 \times 100}{11,00,750 + 12,00,000} \\
 &= 47.84\%
 \end{aligned}$$

Additional Information

With the same plant and machinery, it is possible to manufacture different types of leather goods namely industrial hand gloves, suitcases, briefcases, bags etc.

Addresses of Machinery and Equipment Suppliers

1. M/s. Benson Industries,
96, Shri Aurobindo Road,
Salkia, Howrah.
2. M/s. Bengal Machinery Co. (P) Ltd.
9-A, New Tangra Road,
Kolkata-700 046.
3. M/s. PTDC (Under NSIC)
Industrial Estate,

Ekkaduthangal,
Chennai-97.

4. M/s. Bharat Sales Agency
Gesham Assurance House,
3rd Floor, Sir P.M. Road,
Mumbai-1.
5. M/s. Leather and Packaging
Machinery Corpn.,
1/23-B, Asaf Ali Road,
New Delhi-110001.

Raw Material Suppliers

1. M/s. Modern Leather Stores
1, Biddhan Sarani,
Kolkata-700 012.
(Misc. Items)
2. M/s. Vallappa Leather Corporation
Narayana Chetty Street,
Periamet,
Chennai-1.
(Misc. Items)
3. M/s. Asia Tannery (P) Ltd.
1/A, Jazmau,
Kanpur.
(Leather only)
4. M/s. Zaz Tannery
150, Feet Road,
Jazmau,
Kanpur.
(Leather only)
5. M/s. Kazi Khilafat Hussain and Co.
Lower Chitpur Road,
Kolkata-700 001.
(Leather only)
6. M/s. T.A. Abdul Wahid and Co.
26, Vepery High Road,
Chennai-600 003.
(Leather only)