Children Shoes

PRODUCT CODE	:	291101003 (Leather shoe)
QUALITY AND STANDARDS	:	As Per Buyer's Specification
PRODUCTION CAPACITY	:	Qty. : 60,000 pairs (per annum) Value : Rs. 1,29,00,000
MONTH AND YEAR OF PREPARATION	:	March, 2003
PREPARED BY	:	Small Industries Service Institute PO: Tadong, Gangtok-737102 (Sikkim)

Introduction

Children Shoes are used for protecting the children foot from injuries from stones, nails, broken glass pieces fallen on the road, infection from the dust, dirt, mud, water and to feel comfort during different climatic conditions. Children shoes in particular, are very important in order to save the foot not only from above incidents but also from the deformation of foot in the childhood because of their softness and growing tendency. Now a days, the children shoes are very common part of school uniforms introduced by many governments as well as public schools and these are mainly of a specific style i.e. derby with black colour. The shoes worn by the children are multifunctional such as to serve the purpose of uniform as well as for feeling comfort during sitting, walking, playing and so to say for every casual and rough uses. Therefore these type of shoes need to be well designed in order to have enough space inside the shoe, flexible, light weight, descent look in addition to correct fitting. In this project, it has been proposed to manufacture both children school shoes and children fancy shoes. Although these products are available with different materials like coated fabrics, textile, and a combination of variety of materials, yet leather shoes are having popularity due to comfort, durability, aesthetic look and up-manship. The children school shoes are suggested to be made black coloured derby style with PVC soles and the fancy shoes can be made with different styles such as boots, trainers and other descent look models by using single or multi coloured leather components and PVC or TPR soles.

Market Potential

The demand of the Children shoes is increasing day by day in tune with the growth of population, their economic standards, education system and fashion consciousness every where in the country. The increasing number of

public schools vis-a vis the number of school going children and foot care awareness along with the fashion orientation increases the demand of such products every day.

Thus it is felt that there is an ample requirement of children shoes in every locality. Moreover, the export worthiness of such products from our country is bright, seeing the present trend. Shoe units aiming to manufacture children shoe of different types, can, therefore, sustain viably by catering to the increasing needs.

BASIS AND PRESUMPTIONS

This project profile has been prepared based on the 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	:	Preferably by one or group of promoters having knowledge/experience in leather and footwear field and /or venturing to start leather based units.
4.	Location	:	Any where in India, preferably near any township.
6.	Land and Building	:	On rent at the beginning
7.	Important Raw Materials	:	Chrome tanned cow softy upper leather, flexible insole and PVC/TPR Soles.
8.	Salary and Wages	:	All the employees are paid on monthly basis.
9.	Transportation and Taxes on Purchase	:	Included in purchase price
10.	Power Charges	:	Rs.3 per KWH from power supply source
11.	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
12.	Margin Money	:	30% of total capital investment
13.	Interest Charges	:	15% has been calculated on total capital investment.

14. 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

Sl. No.	*Activity*	*Period*
1.	Site selection, negotiation with land lord, market survey, Preparation of project report and other formalities	2 months
2.	Seeking quotation of machines, purchase and installation and power connection	2 months
3.	Trial production, arranging working capital, Procurement of raw material and market tie-up	2 months
	Total period required for commencing commercial production	06 months

TECHNICAL ASPECTS

Process of Manufacture

In this project, the children shoes are proposed to be manufactured in two different types i.e.:

(i) Children school shoes, and (ii) Children fancy shoes. The former is derby type and is normally made from black coloured chrome tanned cow softy upper leather and the later is of fancy type with single or brilliant multi colour. Both types are made in different sizes and fittings.

The manufacturing process outline is as follows:

Designing and pattern cutting: As per the selected designs, the patterns are prepared, checked for accuracy, and then master patterns are developed. Then these patterns are graded into different sizes and dies are prepared.

Clicking: The upper, lining and sock components are cut from suitable materials by the help of dies with the clicking press. While clicking, it is essential to consider the importance of the components and the corresponding portion of leather, directional properties of components and that of leather portion, degree of defects, and the best possible inter lock to have minimum wastage. The components are to be necessarily marked with sizes and sides are kept separately to avoid the confusion.

Closing: The cut components are checked to sizes and defects, skived to the edges, folded and other edge treatments are done as per specification. These are then assembled together initially with adhesive and finally with stitching. The eyelets are fixed, the upper is checked and then sent for next operation.

Bottom components preparation: Bottom components such as the insole, toe-puff and stiffeners are cut from suitable materials and skived as per specification. The PVC sole is cleaned

with the solvent like Methyle-Ethyle-Ketone (MEK) and the TPR sole is cleaned and applied with chemical primer (Halogen) and dried.

Construction and shoe making: The toe-puff, stiffeners are inserted between upper and lining at the toe and back part. The insole is fixed on the last and the upper is mounted (Lasting) onto it by pulling the toe part, back part and finally the side portion. The edges are hammered for smooth feather edge. The bottom filling is done into the cavity formed due to lasting. The surface is then scoured and roughened to get levelled but rough surface is then cleaned with solvent like MEK and dried. Both the sole and lasted upper surface are then applied polyurethane adhesive and allowed to dry completely. The dried surfaces are then reactivated to gain adhesion properties and then the sole is fitted on the lasted upper accurately and pressed under sole attachment machine for strong and permanent bond. In this condition the shoe is kept for few hours for a permanent shape.

Finishing: The upper and sole is then cleaned and finished with the wax and other finishing chemicals. The shoe is then de-lasted, cleaned from inside, inserted with stamped sock lining, the laces are attached, inspected and packed for dispatch.

Quality Control and Standards

The quality of children shoe 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, assembling, regular stitching with suitable thread with specified stitch length and finishing, lasting, alignment, sole attachment, finishing and packing.

Production Capacity

i) Children school shoes
30,000 Pairs of Rs.60, 00,000

ii) Children fancy shoes
30,000 Pairs of Rs.69, 00,000

Motive Power 10 HP.

Pollution Control

Although shoe industry does not discharge any pollutants, the following precautions are to be considered for a better environment:

The adhesives prescribed are mainly solvent based and are inflammable and toxic in nature. It can cause problems, if inhaled. Therefore, a solvent extraction system is required in adhesive application area. Further the dust developed during scouring and roughing or even during finishing are necessarily to be collected through an exhaustion system attached to the concerned machine for making the work place dust free.

Energy Conservation

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

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building
Floor area of about 2000 sq. ft. to be taken on rent @ 5 i.e.Rs.10, 000 per month.

(ii) Plant and Machinery

Sl. No	Name of the Machine and Specification	Ind/ Imp	Qty (Nos.)	Price (Rs)	Total (Rs)
1.	Swing arm hydraulic clicking press, 16 ton	Ind	1	1,50,000	1,50,000
2.	Pneumatic stamping machine- stamping wheel (0-9 Nos,) (A-Z)	-do-	1	75,000	75,000
3.	Upper Skiving machine	-do-	2	50,000	1,00,000
4.	Flat bed single needle sewing machine	-do-	3	22,000	66,000
5.	Post bed single needle sewing machine	-do-	3	45,000	1,35,000
6.	Roughing and Scouring machine	-do-	1	35,000	35,000
7.	Reactivation chamber	-do-	1	15,000	15,000
8.	Pneumatic Sole attachment machine	-do-	1	50,000	50,000
9.	Combined finishing machine	-do	1	32,000	32,000
10.	Pneumatic de-lasting machine	-do	1	25,000	25,000
11.	Spray booth and spray gun	-do	1	12,000	12,000
12.	Air compressor and distribution system	-do	1	20,000	20,000
13.	Lasting jack	-do	10	5,000	50,000
	Electrification and erection of machine @ 10% on machine cost				70,000
				Total	8,35,000

(iii) Tools and Equipments and Other Fixed Assets

Sl. No	Name of the Equipments	Ind/ Imp	Qty (Nos.)	Price (Rs)	Total (Rs)
1.	Shoe designer's tool kit	Ind	1 set	3,000	3,000
2.	Shoe maker's tool kit	-do-	5 sets	2,000	10,000
3.	Machine maintenance and electricians tool kit	-do-	1 set	LS	2,000
4.	Clicking dies-2 sets each	-do-	20 sets	6,000	1,20,000
5.	PVC last	-do-	200 prs.	500	1,00,000
6	Clicking pads, spray gun, and other misc. equipment	-do-	LS	–	40,000
7.	Testing equipments-thickness gauge, measuring scales etc.	-do-	–	LS	20,000
8.	Workshop tables, racks etc.	-do-	–	LS	50,000
9.	Office furniture and equipments	-do-	–	LS	80,000
				Total	4,25,000
(iv)	Total Plant and Machinery, Tools and Equipments, Furniture and fixture and Other Fixed Assets (i + ii)				12,60,000

(v) Pre-operative Expenses	(Rs.)
1. Preparation of project report and consultancy	30,000
2. Administrative expenses	10,000
3. Travelling, Market development and tie-up	30,000

Pre-operative Expenses		
4. Other formalities and expenses prior to production		10,000
	Total	80,000
Total Fixed Capital Requirement (iv+v)		13,40,000

B. Working Capital (per month)

(i) Raw Materials (Including Packaging Materials) (per month)

Sl. No.	Name of the Materials	Quantity	Price (Rs.)	Total (Rs.)
1.	Chrome tanned cow softy upper leather Black colour (1.2 mm)	3750 Sq.ft.	45	1,68,750
2.	Chrome tanned cow softy upper leather Fancy colour (1.2 mm)	4375 Sq.ft.	50	2,18, 750
3.	Lining leather (1.0 mm)	2500 Sq.ft.	20	50,000
4.	Drill Cloth for lining	200 meters	32	6,400
5	Cellulose Board	250 sheets	110	27,500
6	PVC soles Children school Shoes	2500 pairs	25	62,500
7.	PVC/ TPR soles for fancy shoes	2500 pairs	35	87,500
8.	Adhesive- rubber Solution	50 litres	90	4,500
9.	Adhesive- polyurethane	100 litres	150	15,000
10.	Adhesive- polychloroprene	50 litres	100	5,000
11.	Eyelet, lace and thread and other grindery	LS Rs. 8 per pair		40,000
12.	Packing materials	LS Rs. 6 per pair		30,000
			Total	7,15,900

(ii) Salary and Wages (per month)

A. Personnel For Workshop

Sl. No	Name of the Post	Numbers	Salary (Rs.)	Total (Rs.)
1.	Production manager (Leather technologist)	1	10,000	10,000
2.	Designer	1	7,000	7,000
3.	Supervisors-Technical	1	5,000	5,000
3.	Skilled worker/ Machine operator	15	4,000	60,000
4.	Semi skilled worker	10	3,000	30,000
5.	Unskilled worker	4	2,000	8,000
6.	Electrician and mechanic	1	2,000	2,000
		Total		1,22,000

B. Personnel For Administration

Sl. No	Name of the Post	Numbers	Salary (Rs.)	Total (Rs.)
1.	Accountant cum Cashier	1	4,000	4,000
2.	Store Keeper	1	3,000	3,000
3	Watchman	2	1,500	3,000
		Total		10,000
	Total Salary and Wages per month (i+ii)			1,32,000
Add 20% perquisites				26,400
		Total		1, 58,400

(iii) Utilities (per month)	(Rs.)
Electricity	4,725
Water charges	275
Total	5,000

(iv) Other Contingent Expenses (per month)		Rs.
i.	Rent	10,000
ii.	Repair and maintenance	2,500
iii.	Other consumables	2,000
iv.	Insurance	1,000
v.	Travelling Expenses	1,000
vi.	Telephone, fax and other postal expenses	3,000
vii.	Stationery and printing	500
viii.	Other miscellaneous expenses	5, 000
	Total	25,000

(v) Total Recurring Expenses (per month) (i+ii+iii+iv)= Rs. 9,04,300

(vi) Total Working Capital

Requirement for three Months Rs. 3 x 9,04,300 = Rs. 27,12,900

C. Total Capital Investment

i.	Fixed capital	Rs. 13,40,000
ii.	Working capital	Rs. 27,12,900
	Total	Rs. 40,52,900
	Or say	Rs. 40,53,000

FINANCIAL ASPECTS

(1) Cost of Production (per annum)		(Rs.)
i.	Recurring Expenses	1,08,51,600
ii.	Depreciation on Machinery @10%	83,500
iii.	Depreciation on Tools and Equip.@ 25%	73,800
iv.	Depreciation on Furniture and Fixture @20%	26,000
v.	Interest on Total capital investment @ 15%	6,07,950
	Total	1,16,42,850
	or Say	1,16,43,000

(2) Expected Sales (per annum)			(Rs.)
i.	Children school shoes	30,000 pairs @ 200	60,00,000
ii.	Children fancy shoes	30,000 pairs @ 230	69,00,000
		Total	1,29,00,000

(3) Profit (per annum)

= Expected Sales – Cost of Production

= Rs. 12,57,000

(4) Percentage of Profit on Sales 9.74%

(5) Rate of Return 31%

(6) Break-even Point

Fixed cost (per annum)		(Rs.)
i.	Rent	1,20,000
ii.	Insurance	12,000
iii.	Depreciation	1,83,300
iv.	Interest	6,07,950
v.	40% of salary and wages	7,60,350
vi.	40% of utilities and other Contingent expenses (Excluding rent and insurance)	91,200
	Total	17,74,800

B.E.P.

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

= 58.53 %

Addresses of Manufacturers and Suppliers of Machines

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. S.P. Engineering Works, Dayal Bagh Road, New Agra-5
5. M/s. Raj Machine Home, Opp. New Jyoti building, 35/44 Karabala Road, Agra-5

Addresses of Material Manufacturers/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,
   Chathedral Road,
   Chennai- 86
4. M/s. Mow Chung Tannery Pvt. Ltd.
   47, South Tangra Road,
   Kolkata- 46.
5. M/s. Anka India Ltd.
   Vand PO – Kherki Daula,
   Gurgaon, - 122001(Haryana)
   (for soles)
6. M/s. Chem Crown India Ltd.
   Real Chambers, Maddox,
   3rd Floor, Vepery,
   Chennai- 600 012
7. M/s. Enkay HWS India Ltd.
   B-3 S.M.A. Co-op Ind. Estate,
   G.T. Karnal Road,
   Delhi - 110 033
   (for soles)
8. M/s. Flexolle Raman Ltd.,
   Mysore – Ooty Road,
   Thandavapura – 571 325
   (for insole)
9. M/s. Pidilite Industries Ltd,
   J.B.Marg, Nariman Point,
   Mumbai
   (for adhesive)
10. M/s. APL Poly Fab Pvt. Ltd.,
    48 C, Matheswar Tala Road,
    Kolkata- 46
    (for lining)
11. M/s. Coats India Ltd,
    144, M.G. Marg,
    Bangalore-01
    (for stitching thread)
12. M/s. Asia International,
    1523, Qasimjan Street,
    Lal Kuan, New Delhi
    (for fasteners)