

Gents Leather Long Boot (Welted)

PRODUCT CODE	: 291101003
QUALITY AND STANDARDS	: BIS has specified the following certain specifications which can be followed for manufacturing a long boot welt with double insole: a) Gents Leather Shoes IS 2060:1962 b) Chrome Upper leather IS 578:1971 c) Lining Leather IS 3840:1966 d) Vegetable tanned sole leather IS 579:1973 e) Adhesive IS 4463:1968
PRODUCTION CAPACITY	: Quantity : 30,000 pairs (per annum) Value : Rs. 1,02,00,000
MONTH AND YEAR OF PREPARATION	: March, 2003
PREPARED BY	: Small Industries Service Institute, Kanjani Road, Ayyanthole, Thrissur-680 003, Kerala Phone Nos.: 360536/360686 E Mail: sister@md3.vsnl.net.in

INTRODUCTION

Footwear has come a long way from its humble beginning. It is no longer just a functional necessity, but rather, something that is flaunted as a fashion statement. In earlier days, a person was considered well heeled if he had a pair of formal shoes, a pair of chappal and may be one pair of sandal foot casual footwear. Today's average consumer is more conscious of his image and more selective in his preference. He is interested in variety and style all this has helped the boom of the footwear industry. Gents Leather long boot welted with double insole is one of the sophisticated items of footwear industry. Footwear industry is one of the major export oriented industries in India. The raw materials for the manufacture of

these boots are indigenously available. There is no dearth of raw material as well as labour for the manufacture of the boot because these are available locally.

MARKET POTENTIAL

Footwear industry is one of the major foreign exchange earners of India. Out of the export of around Rs. 7000 crores today leather goods and footwear constitute about 83% and finished leather about 15%, a real leap forward. In 1999-2000 finished leather fetched Rs. 1035 crores, from leather footwear, Rs. 1,433 crores, from footwear component, Rs. 994 crores from leather garments, Rs. 1380 crores and other leather goods Rs. 155 crores. The demand of the boot is increasing in the overseas market as well as internal market. In international market, the

demand is increasing day-by-day as the export of boot is increasing every year.

BASIS AND PRESUMPTIONS

Production of the boot is based on single shift operation of 8 hrs. duration daily with 25 working days in a month.

It has been presumed that the proposed unit will achieve 50% of its capacity in the first year of operation which will raise to 60%, 70%, 80% and 90% in second, third, fourth and fifth year respectively.

Sales revenue has been calculated on full capacity utilisation as given above. In the manpower projection, it has been presumed that the administrative and managerial staff will remain the same. Direct as well as casual labour will be utilized at 60% of their strength in first, second and third and 90% in the fourth and fifth year.

Depreciation has been charged on machinery at 10% on Boot last and tools @ 25%, office equipment @ 20% and interest on capital investment is taken at 15%.

IMPLEMENTATION SCHEDULE

Sl. No.	Activity	Period (in months)
1.	Registration and other formalities	1
2.	Selection of site	1
3.	Availability of finance/loan	2
4.	Procurement of machinery	3
5.	Erection and commissioning	1
6.	Recruitment of labour	1
7.	Total production	1
	Total	10

TECHNICAL ASPECTS

Process of Manufacturing

As per graded pattern of various sizes for upper and lining components are cut by clicking machine and sent to the closing section. In the closing section these upper components are skived and folded as per requirements. The lining is then stitched with upper on various sewing machines and excess lining is trimmed. Finally, the eyelets are fixed and the uppers are cleaned and ready for lasting.

In the making section the upper is lasted either by machine or by hand and rubber sole is attached to the upper by various processes like hand sewn, shock on process. The shoes are then finished by combined finishing machine, stamped and packed.

Quality Control and Standards

At present no quality specification for the particular boot. But for the export order specifications are provided by the buyer's only.

Production Capacity (per annum)

Quantity :	30,000 pairs
Value :	Rs. 1,02,00,000

Motive Power 10 HP.

Pollution Control

Not applicable.

Energy Conservation

Regular power supply is required to run the unit smoothly as the sewing machines are motorised.

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building

Rented @ Rs. 10,000 per month Rs. 10,000

(ii) Machinery and Equipments

Sl. No.	Description	Imp./Ind.	Qty.	Rate (Rs.)	Value (Rs.)
1.	Clicking Press	Ind.	1	1,00,000	1,00,000
2.	Skiving machine	Ind.	1	60,000	60,000
3.	Stamping machine	Ind.	1	25,000	25,000
4.	Punching and Eyeletting	Ind.	1	30,000	30,000
5.	Flat bed Industrial sewing machine	Ind.	4	9,000	36,000
6.	Zig-Zag Sewing machine	Ind.	1	10,000	10,000
7.	Cylinder bed sewing machine	Ind.	1	15,000	15,000
8.	Post bed sewing machine	Ind.	1	15,000	15,000
9.	Fore Part Lasting machine	Imp.	1	7,00,000	7,00,000
10.	Side and Seat lasting machine	Imp.	1	8,00,000	8,00,000
11.	Combined finishing machine	Ind.	1	55,000	55,000
12.	Cementing press-four bed operated with Air compressor 1 HP motor	Ind.	1	25,000	25,000
13.	Wooden Last		200 pairs	200	40,000
14.	Tools and Equipments				40,000
15.	Office equipments and furniture				50,000
16.	Electrification and Installation charges @ 10% of Rs. 18,71,000				1,87,000
				Total	21,88,000
	(iii) Pre-operative Expenses				12,000
				Total Fixed Capital (i+iii)	22,00,000

B. Working Capital (per month)

(i) Staff and Labour (per month)

Sl. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
1.	Production Manager	1	10,000	10,000
2.	Designer	1	8,000	8,000
3.	Supervisor	2	5,000	10,000
4.	Accountant-cum-Cashier	1	4,000	4,000
5.	Clerk-cum-typist	1	3,000	3,000
6.	Mechanic	1	3,500	3,500

Sl. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
7.	Machine Operator/Skilled Worker	15	4,000	60,000
8.	Semi-skilled workers	5	2,500	12,500
9.	Store keeper	1	2,500	2,500
10.	Peon/Chowkidar	1	2,200	2,200
11.	Sweeper	1	2,000	2,000
	Total			1,17,700
	<i>Add perquisites @ 15% on Salary</i>			17,655
	Total			1,35,355
	Say			1,35,400

(ii) Raw Materials including packing requirements (per month)

Sl. Description No.	Qty.	Rate (Rs.)	Value (Rs.)
1. Upper Leather	87,500 dcm	4/dcm	3,50,000
2. Softy lining	50,000 dcm	2.50/dcm	1,25,000
3. V.T. Sole for Insole, Toe puff and Stiffener	875 kgs.	100/kg.	87,500
4. Fabric lining	250 mts.	30/met	7,500
5. Rubber Sole	500 sheets	350/sheet	1,75,000
6. Grinders	2500 pairs	20/pair	50,000
7. Packing material	2500 pairs	10/pair	25,000
		Total	8,20,000

(iii) Utilities (per month)

Sl. Description No.	Amount (Rs.)
1. Power	5,000
2. Water	300
Total	5,300

(iv) Other Contingent Expenses (per month)

Sl. Description No.	Amount (Rs.)
1. Rent	10,000
2. Postage and Stationery	2,500
3. Transportation charges	8,000
4. Repair and Maintenance	3,500
5. Consumable Stores	5,000
6. Advertisement and Publicity	5,000
7. Telephone	3,000
8. Insurance	2,000
9. Miscellaneous Expenses	11,000
Total	50,000

(v) Total Working Capital (per month)

Sl. Description No.	Amount (Rs.)
1. Raw Materials	8,20,000
2. Staff and Labour	1,35,400
3. Utilities	5,300
4. Other contingent expenses	50,000
Total	10,10,700

(vi) Working Capital (for 3 months)

Rs. 10,10,700 x 3 = Rs. 30,32,100
Say Rs. 30,32,000

C. Total Capital Investment

Sl. Description No.	Amount (Rs.)
1. Fixed Capital	22,00,000
2. Working capital (for 3 months)	30,32,000
Total	52,32,000

MACHINERY UTILISATION

All sewing machines, skiving, clicking, buffing and roughing are the major machines, which are expected to be utilized upto 80%.

FINANCIAL ANALYSIS

(1) Cost of Production (per year)

Sl. Description No.	Amount (Rs.)
i) Total recurring cost	1,21,28,400
ii) Depreciation on machinery @ 10%	1,87,100
iii) Depreciation on equipments @ 25%	10,000
iv) Depreciation on office equipments @ 20%	10,000
v) Depreciation on wooden last @ 25%	10,000

Sl. Description No.	Amount (Rs.)
vi) Interest on Total Capital Investment @ 15%	7,84,800
Total	1,31,30,300

(2) Turnover (per year)

Sl. Items No.	Qty.	Rate	Value (Rs.)
1. Boots	30,000 pairs	490 per pair	1,47,00,000
		Total	1,47,00,000

(3) Net Profit (before taxation) (per year)

Turnover	1,47,00,000
Cost of Production	1,31,30,300
Total	15,69,700

(4) Net Profit Ratio

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

$$= \frac{15,69,700 \times 100}{1,47,00,000}$$

$$= 10.68\%$$

(5) Rate of Return on Total Investment

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

$$= \frac{15,69,700 \times 100}{52,32,000}$$

$$= 30.0\%$$

(6) Break-even Point

Fixed Cost

Sl. Description No.	Amount (Rs.)
a) Rent for one year	1,20,000
b) Depreciation on machinery	1,87,100
c) Depreciation on office equipment	10,000
d) Depreciation on Wooden last	10,000
e) Interest on capital investment	7,84,800
f) 40% of Salary and Wages	6,49,920
g) 40% of utilities and other Contingent expenses	1,92,000
Total	19,53,820

B.E.P.

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

$$= \frac{19,53,820 \times 100}{19,53,820 + 15,69,700}$$

$$= 55.45\%$$

Addresses of Machinery and Equipment Suppliers

1. M/s. S.P. Engineering Works,
Dayal Bagh Road,
New Agra,
Agra.
2. M/s. Technical Service Centre,
(NSIC),
Sector B-24,
Guindy Industrial Estate,
Ekaduthangal Post,
Chennai-600 097.
3. M/s. Harman Sales Union,
24, Kala Bhavan,
Mathew Road,
Mumbai-400 004.
4. M/s. Benson Industries,
96, Sri Arbindo Road,
Salkia, Howrah,
West Bengal.
5. M/s. Bharat Sales Agencies,
Gresham Assurance House,
3rd Floor, Sir P.M.Road,
Mumbai-400 001.
6. M/s. Leather Packing Machinery
Corp.,
1/23-B, Asaf Ali Road,
New Delhi.
7. M/s. Paul Bros. and Co.
642, Anna Salai,
Thousand Light,
Chennai-600 006.
8. M/s. Footform,
30, Banerjee Para Road,
Sarsuna, Kolkata.

9. M/s. Precision Shoe Last Factory,
60, Industrial Estate,
Nanhai,
Agra-6, U.P.
10. M/s. Sanghri Shoe Accessories
Pvt. Ltd.
11, Harikripa, 10th Road,
Mumbai-400 071.

Raw Material Suppliers

1. M/s. T. Abdul Waheed and Co.
26, Vepari High Road,
Chennai-600 003.
2. M/s. Valliappa Leather Corpn.
3/5 & 6, Narayana Chetty Street,
Periyamet,
Chennai-600 003.
3. M/s. Abdul Khander and Co.
8, Kumarappa Chetty Street,
Periyamet,
Chennai-600 003.
4. M/s. Shafeeq Shameed and Co.
26, EVR Sampath Road,
Vepari, Chennai-600 007.
5. M/s. Farida Prime Tannery,
936, Periyar EVR High Road,
Chennai-4.
6. M/s. Modi Threads,
Modi Nagar,
Meerut, U.P.
7. M/s. Synfhokem Industries,
5, Hindi Prachar Sabha Street,
Chennai-600 017.
8. M/s. Pidilite Industries Ltd.
244, Louds Road,
Gopalapuram,
Chennai-600 086.
9. M/s. Bharani Agencies,
126, Thambhu Chetty Street,
Third Floor,
Chennai-600 001.
7. M/s. Golden Chemicals (P) Ltd.
Vile Parle, Mumbai - 56.
8. M/s. Allied Resin Chemicals Ltd.
134/1, M.G.Road,
Kolkata
9. M/s. Swastic Chemicals
Industries (P) Ltd.
Vile Parle,
Mumbai - 56
10. M/s. Indogil Chemicals Industries,
Ticoieon House,
Dr. E. Moses Road,
Mumbai.