

Leather Chappals

PRODUCT CODE	: N.A.
QUALITY AND STANDARDS	: As per Buyers requirement.
PRODUCTION CAPACITY	: Qty. : 30,000 Pair chappals (per annum)
MONTH AND YEAR OF PREPARATION	: March, 2003
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INTRODUCTION

Since time immemorial man has been using footwear of different kinds to protect feet from the extremities of weather and external injuries. In addition to functional utility chappal has also become an item of fashion and also forms a part of dress. Today chappals are used by simple villagers, farmers, common people of urban areas and also by the rich people. To cope with the requirement of different users chappals are made of different type of materials.

MARKET POTENTIAL

Leather Chappals are being used by the people from all categories due to their low cost in comparison to the closed shoes. These Chappals are very much in demand by ladies, gents and children because of the climatic conditions and high temperature prevailing in most of the parts of our country. The demand of such Chappals is increasing rapidly due to the increase in population every year. Apart from this,

the increase in demand is also due to the fashion consciousness created among young generation as most of the youth have started using Chappals as a part of their dress.

Since the demand of Gents/Ladies Chappals is increasing day by day, the demand of Leather straps is automatically increasing not only for new Chappals but for replacement market also.

BASIS AND PRESUMPTIONS

1. The basis of production is based on single shift of 8 hours a day and 300 working days in a year.
2. The salary and wages for the personnel/labour are based on the prevailing pattern in the leather industry and Minimum Wages Act.
3. Interest rate is calculated @ 15% per annum on total investment on total capital investment.
4. Land and Building rented.
5. Power tariff @ Rs. 3 unit.

IMPLEMENTATION SCHEDULE

Sl. Activity No.	Period (in month)
1. Selection of site	1
2. Registration of SSI from DIC	1
3. Sanction of loan from financial Institutions	2
4. Procurement of machinery	1
5. Electrification and Installation of machine	1
6. Trial production and procuring confirm orders	1
Total	7

TECHNICAL ASPECTS

Process of Manufacture

As per the graded patterns of various sizes of both upper and bottom, the components are cut. The edges of cut components are skived and stitched. After the completion of stitching operation, decorative treatment on the upper such as punching, fixing of buttons, metal fittings etc. is done either by hand or machine. The straps of the upper are inserted in the slots of the insoles. The inserted portion of the straps and its corresponding portion in the flesh side of the insole are roughened and cemented. Finally the flesh sides of both the insole and bottom sole are roughened and the adhesive is applied. The cemented soles and insole are stuck and pressed in Cementing press to make the bond permanent.

The next operation is finishing in which the edges of sole and heel are trimmed, inked and set on the machine or by hand. The upper is cleaned and dressed before packing into boxes.

Quality Control and Standards

Standard product as per ISI specification.

1. IS 578:1964 for Upper leather.
2. IS 5867:1979 for leather board.
3. IS 1741:1960 for synthetic rubber sheet.
4. IS 4663:1968 for adhesive.

Production Capacity

The unit is proposed to produce 30,000 pairs Chappals in a year.

Motive Power 3 H.P.

Pollution Control

This industry does not come under the category of polluting industry.

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building	(Rs.)
2000 sq.ft. area rented @ Rs. 4,000 per month	4,000

(ii) Machinery and Equipments

Sl. No.	Description	Qty.	HP	Rate (Rs.)	Amount (Rs.)
1.	Strap Cutting Machine 300 mm hand operated	2	-	10,000	20,000
2.	Upper Sewing machine Power operated	2	2	10,000	20,000
3.	Sole Cementing press, 4 bed operated with Air Compressor with Motor	1	1	30,000	30,000
4.	Double ended buffing machine with exhaust motor	1	1	15,000	15,000

Sl. No.	Description	Qty.	HP	Rate (Rs.)	Amount (Rs.)
5.	Trade mark embossing machine with heating device	1	-	5,000	5,000
6.	Electrification and installation of machine @ 10% on cost of machine				9,000
7.	Wooden Cast	100 pairs	-	-	15,000
8.	Tools and Equipments	-	-	-	10,000
9.	Cost of office equipments and furniture				50,000
Total					1,74,000

(iii) Pre-operative Expenses Rs. 16,000

(iv) Total Fixed Capital (ii+iii) 1,90,000

B. Working Capital (per month)

(i) Personnel/Technical (per month)

Sl. No.	Designation	No.	Salary (Rs.)	Total (Rs.)
1.	Manager (Self)	1	10,000	10,000
2.	Designer-cum-Supervisor	1	7,000	7,000
3.	Skilled Worker	3	4,000	12,000
4.	Machine Operator	3	4,000	12,000
5.	Semi Skilled Worker	3	3,000	9,000
6.	Un-skilled Worker	5	2,000	10,000
7.	Accountant-cum-Store Keeper	1	5,000	5,000
8.	Clerk-Cum-Typist	1	4,000	4,000
9.	Watchman	1	2,000	2,000
10.	Sweeper	1	2,000	2,000
Total				73,000
			Add perquisites @ 20% on Salary	14,600
Total				87,600

(ii) Raw Materials (3000 Pairs per month)

Sl. No.	Description	Qty.	Rate (Rs.)	Amount (Rs.)
1.	Upper leather @ 1.5 Sq.ft./pair	3750 Sq.ft.	30 Sq.ft.	1,12,500
2.	Lining Leather @ 1 Sq.ft./pair	2500 Sq.ft.	20 Sq.ft.	50,000
3.	Insole	2500 pairs	15 pair	37,500
4.	Sole and heels (Rubber)	2500 pairs	15 pair	37,500
5.	Grinderies	2500 pairs	8 pair	20,000
6.	Packing materials	2500 pairs	5 pair	12,500
Total				2,70,000

(iii) Utilities (per month)

Sl. No.	Description	Amount (Rs.)
1.	Power	3,000
2.	Water	1,000
Total		4,000

(iv) Other Contingent Expenses (per month)

Sl. No.	Description	Amount (Rs.)
1.	Rent	4,000
2.	Postage and Stationery	2,000
3.	Repair and Maintenance	3,000
4.	Transportation	3,000
5.	Telephone	2,000
6.	Sales Expenses	3,000
7.	Consumable stores	3,000
8.	Other contingent Expenses	5,000
Total		25,000

(v) Total Recurring Expenditure (per month)

Sl. No.	Description	Amount (Rs.)
1.	Raw Materials	2,70,000
2.	Staff and Labour	87,600
3.	Utilities	4,000
4.	Other contingent expenses	25,000
Total		3,86,600

(vi) Working Capital (for 3 months)
 $3,86,600 \times 3$ Rs. 11,59,800

C. Total Capital Investment

Sl. Description No.	Amount (Rs.)
1. Fixed Capital	1,90,000
2. Working capital	11,59,800
Total	13,49,800

FINANCIAL ANALYSIS

(1) Cost of Production (per year)

Sl. Description No.	Amount (Rs.)
i) Total recurring cost	46,39,200
ii) Depreciation on machinery @ 10%	9,900
iii) Depreciation on tools and last @ 25%	6,250
iv) Depreciation on office equipment @ 20%	10,000
v) Interest on Total Capital Investment @ 15%	2,02,400
Total	48,67,750
Say	48,67,800

(2) Turnover (per year)

Sl. Items No.	Qty.	Rate (Rs.)	Amount (Rs.)
1. Leather Chappals	30,000 pairs	175 per pair	52,50,000
Total			52,50,000

(3) Net Profit (per year)	(Rs.)
Total Sales	52,50,000
Cost of Production (-)	48,67,800
Total	3,82,200

(4) Net Profit Ratio

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

$$= \frac{3,82,200 \times 100}{52,50,000}$$

$$= 7.28\%$$

(5) Rate of Return on Total Investment

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

$$= \frac{3,82,200 \times 100}{13,49,800}$$

$$= 28.31\%$$

(6) Break-even Point

Fixed Cost

Sl. Description No.	Amount (Rs.)
a) Rent	48,000
b) Depreciation on machinery @ 10%	9,900
c) Depreciation on tools and last @ 25%	6,250
d) Depreciation on office equipment @ 20%	10,000
e) Interest on Total Capital Investment @ 15%	2,02,400
f) 40% on Salary of Staff and Labour	4,20,480
g) 40% on Utilities and Others Contingent expenses	1,20,000
Total	8,17,030

B.E.P.

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

$$= \frac{8,17,030 \times 100}{8,17,030 + 3,82,200}$$

$$= 68.12\%$$

Addresses of Machinery and Equipment Suppliers

1. M/s. Peelu Sales Corporation,
6/38, Galib Pura Kalan,
Nai Ki Mandi,
Agra-282010.
2. M/s. Prototype Development
and Training Centre,
B-24, Guindy Industrial Estate,
P.O. Ekkaduthangal,
Chennai-600 097.

3. M/s. Masa Engineering (India),
4/H/4, Rifle Range Road,
Kolkata - 700 017.
4. M/s. Industrial Machines (Delhi)
Pvt. Ltd.
1/23-B, Asaf Ali Road,
New Delhi-110002.
5. M/s. S.P. Engineering Works
Dayal Bagh Road, New Agra,
Agra-282 005.

Raw Material Suppliers

Raw material required for the production can be procured locally.