

Court Shoe

PRODUCT CODE	:	291101003 (Leather Shoes)
QUALITY AND STANDARDS	:	1) Footwear IS 2051 2) Chromed Leather IS 578 3) Leather Shoe IS 11543 4) Glazed Kid IS 576 5) Lining Leather IS 3840
PRODUCTION CAPACITY	:	Quantity : 60,000 Pairs (per annum) Value : Rs. 2,40,00,000
MONTH AND YEAR OF PREPARATION	:	March, 2003
PREPARED BY	:	Small Industries Service Institute Kanjani Road, Ayyanthole, Thrissur - 680003

INTRODUCTION

Footwear is the most common and utility-wise important end product of the Leather industry. India, which is one of the largest leather producing countries, is fast getting into shoe trade. Most European Business Executives are formal in their dress, unlike the somewhat casual dress code in the business sector of certain other countries. The location also influences the degree to which formal dress is required, for instance whether it is in the capital or the provinces and, accordingly, the style of footwear has changed. Court Shoe is used mainly in the developed countries and varies the heel height and design.

MARKET POTENTIAL

The manufacture of footwear is one of the traditional industries of India and

Leather Footwear has meanwhile become an important product for the Indian and Export markets. Footwear serves to protect the human foot from all kinds of injury and is conveniently classified into open footwear and closed footwear.

The past five years have been a period of rapid growth for the Indian Shoe Industry. Many structural changes have occurred over the years in the footwear industry. More than 90% of footwear is produced by small scale and cottage units, which also accounts for 65% of all exports of leather footwear. 90% to 95% of the total output of the small and cottage industry are produced by manual or semi-mechanised methods.

According to the estimate, the degree of capacity utilisation in the footwear sector was around 60 to 65%. No official

statistics exists for production capacities and actual production in the small scale units. However, approximately there are around 2,00,000 units existing in India producing around 400 million pairs of footwear.

Footwear exports have been encouraging during the past few years. The major importers of Indian footwear are the U.S.A, The Federal Republic of Germany, U.K., France and the other EC countries. Many other countries have also expressed interest in purchasing Indian Footwear because of the high quality of the calf and kid leathers. The Indian products also have a price advantage and lower wage costs that means the manufacturing costs are not too high. Other production factors, such as environmental pollution problems in the above countries may lead to greater imports of shoe from developing countries such as India.

BASIS AND PRESUMPTIONS

1. The time period for achieving the full capacity is three years: 60% in 1st year, 75% in 2nd year and 90% in 3rd year.
2. Labour wages are as per the existing rates in the region.
3. Interest Rate: 15% for the fixed and working capital
4. Marging Money: 30 % of the total capital investment
5. Pay back period: 5 years after starting the regulation period
6. Land and Building: Own

IMPLEMENTATION SCHEDULE

The implementation schedule is anticipated to be about one year which

is necessary considering the time required for preparation of project report and appraisal, registration, obtaining loan, acquiring land, building, plant and machinery, organising working infrastructure, establishing contacts with buyers and market agencies etc.

TECHNICAL ASPECTS

Process of Manufacture

Presently, there is a tremendous change in the manufacturing of shoes. Various new processes have come up like cemented direct moulding, direct injecting etc. Besides this, unit soles are readily available in the market in different designs and standards with latest shapes for production.

Quality Control and Standards

Following BIS specifications for manufacturing shoes are:

1) Footwear	IS 2051
2) Chromed Leather	IS 578
3) Leather Shoe	IS 11543
4) Glazed Kid	IS 576
5) Lining Leather	IS 3840

Production Capacity

It is proposed to manufacture 60,000 pairs of Court Shoes @ Rs. 400 per pair, total value Rs. 2,40,00,000

Motive Power 5 k.V.

Pollution Control

In particular, a Leather Shoe unit does not create any environmental hazards, the performance of Production System is through waste minimisation/utilities. It is observed that the waste emanating from 70% of the unit is utilised by the

small leather goods (Tiny Sector) industries i.e. Chappal Manufacturing, Small Coin Purses manufacturing and Key Chain Purse Manufacturing units.

Energy Conservation

The Energy is spent in the factory in the form of electricity and fuel. The workers should be properly trained to operate the machines as and when required. They should be cautioned to yield maximum units during the machine operation and should not allow the machine to run by motive power unnecessarily. The electrical lines should

be properly made and checked at regular intervals.

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building		(Rs.)
i)	Land – 25 Decimile @ Rs.10,000/Decimile	2,50,000
ii)	Built up area (Shed) 60'x30' 1800 sq.ft. @ Rs. 300 per sq.ft.	5,40,000
iii)	Office cum Store Rooms 40' x 20' = 800 sq.ft. @ Rs.500/sq.ft.	4,00,000
Total		11,90,000

(ii) Machinery and Equipments

Sl. No	Description	Imp./Ind.	Qty. Nos.	Rate (Rs.)	Value (Rs.)
1.	Single Needle Flat Bed Sewing Machine	Imp	5	21,000	1,05,000
2.	Post Bed Sewing Machine Single Needle	Imp	2	41,000	82,000
3.	Single Needle Cylinder Bed Sewing Machine	Imp	1	67,000	67,000
4.	Hydraulic Sewing Arm Upper Clicking	Imp	1	2,50,000	2,50,000
5.	Upper Leather Skiving M/c.	Imp	1	42,000	42,000
6.	Zig-Zag Sewing Machine	Imp	1	43,000	43,000
7.	4 Station Stuck on Press with Compressor	Ind	1	25,000	25,000
8.	Finishing and Polishing Machine	Ind	1	15,000	15,000
9.	Strap Cutting Machine	Ind	1	17,000	17,000
10.	Stamping Machine(Power)	Imp	1	80,400	80,400
11.	Tools and Equipment		LS	25,000	25,000
12.	PVC Shoe Last		400 pairs	500	2,00,000
13.	Office cum Workshop Furniture		LS		1,00,000
14.	Heat Activator	Ind	1	7,000	7,000
15.	Electrification and Installation Charges @ 10% on cost of machines				65,400
				Total	11,23,800
					Say 11,23,000

Total Fixed Capital		(Rs.)
i) Land and Building		11,90,000
ii) Plant and Machinery		11,23,000
	Total	23,13,800

B. Working Capital (per month)

(i) Raw Material (per month)

Sl. No.	Designation	Qty.	Rate (Rs.)	Value (Rs.)
1.	Upper Leather, Goat, Softy and Auliva etc.	90,000 Dcu	5.00 Dcu	4,50,000
2.	Lining Leather Softy Fabric Lining Cloth	20,000 SGF 500 mtrs.	25/ sq.ft 20/ mtr.	5,00,000 10,000
3.	Lusole, Toepuff, Stiffness Adhesives etc.	5000 pairs	20/ pair	1,00,000
4.	P.U. Adhesive and Grinders, Decorative Emblishments	5000 pairs	30/ pair	1,50,000
5.	Unit Soles P.U., PVC, TPR	5000 Pairs	50/ pair	2,50,000
6.	Packing Material	5000 pairs	Rs. 14/ pair	70,000
	Total			15,30,000

(ii) Staff and Labour (per month)

Sl. No.	Description	No.	Salary Rs.	Total (Rs.)
1.	Manager	1	7,500	7,500
2.	Designer-cum-Production Manager	1	5,000	5,000
3.	Supervisor	2	3,000	6,000
4.	Accountant-cum-Clerk	1	2,000	2,000
5.	Skilled Worker	10	2,500	25,000
6.	Semi Skilled Worker	5	2,000	10,000
7.	Peon/Watchman	1	1,500	1,500
8.	Sweeper	1	1,000	1,000
	Total			58,000
	20% Perquisites on Total Salary			11,600
	Total			69,600

(iii) Utilities (per month)	(Rs.)
Power and Water	15,000

(iv) Other Contingent Expenses (per month)

Sl. No	Description	Value (Rs.)
1.	Postage and Stationery	4000
2.	Consumable Stores	2000
3.	Telephone	3500
4.	Packing and Transportation Charges	2000
5.	Advertisement and Publicity	2000
6.	Insurance	1500
7.	Misc. Expenses	1000
	Total	16500

(v) Total Recurring Expenditure (per month)

Sl. No	Description	Amount (Rs.)
1.	Staff and labour	69,600
2.	Raw Material	15,30,000
3.	Utilities	15,000
4.	Other Contingent Expenses	16,500
	Total	16,31,100

(vi) Total Working Capital (for 3 months)

$$\text{Rs. } 16,31,100 \times 3 = \text{Rs. } 48,93,300$$

C. Total Capital Investment

Sl. No	Description	Amount (Rs.)
1.	Fixed Cost	23,13,800
2.	Working Capital for 3 months	48,93,300
	Total	72,07,100

FINANCIAL ANALYSIS

(1) Cost of Production (per annum)

Sl. No	Description	Amount (Rs.)
1.	Total Recurring Expenditure	1,95,73,200
2.	Depreciation on Machinery @ 10%	65,400
3.	Depreciation on tool and Equipments @ 20%	5,000
4.	Depreciation on furniture @ 20%	20,000
5.	Depreciation on Building @ 5%	47,000

Sl. Description No	Amount (Rs.)
6. Interest on total Capital Investment @ 15%	10,81,065
Total	2,07,91,665
Say	2,07,91,700

(2) Turnover (per annum)

Sl. Description No	Qty.	Rate Rs.	Value (Rs.)
1. By sales of Court Shoes	60,000 pair	400	2,40,00,000

(3) Net Profit (per annum)

$$= \text{Annual Turnover} - \text{Cost of Production}$$

$$= 2,40,00,000 - \text{Rs.} 2,07,91,700$$

$$= \text{Rs. } 32,08,300$$

(4) Net Profit Ratio

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

$$= \frac{32,08,300 \times 100}{2,40,00,000}$$

$$= 13.37\%$$

(5) Rate of Return

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

$$= \frac{32,08,300 \times 100}{72,07,100}$$

$$= 44.52\%$$

(6) Break-even Point

(i) Fixed Cost (per annum)

Sl. Description No	Amount (Rs.)
1. Depreciation on machinery, tools and furniture	90,400
2. Interest on Total Investment	10,81,065
3. Depreciation on Building	47,000

Sl. Description No	Amount (Rs.)
4. 40% of Salary	3,34,080
5. 40% of Other Contingents and Utilities	1,44,000
6. Insurance	18,000
Total	17,14,545

B.E.P.

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

$$= \frac{17,14,545 \times 100}{17,14,545 + 32,08,300}$$

$$= 34.83\%$$

Addresses of Machinery and Raw Material Suppliers

1. M/s. Prototype Dev. Training Centre
B/24. Guindy Estate,
Ekkaduthangar,
Chennai -9
2. M/s. Cochin Leathers Pvt. Ltd.
Industrial Dev. Area,
Edayar,
Muppathadam P.O.,
Cochin - 683 102
3. M/s. Solar
Atur House,
Worli Naka,
Mumbai-400 018
4. M/s. Chandra Chemical Ent. Ltd.
5, Naval Hospital Road,
Ist Floor, Periamet,
Chennai -3
5. M/s. Valliappa Leather Corporation
3/5, Narayana Chetty Street,
Periamet,
Chennai -3
6. M/s. Omega Polymicrons (P) Ltd.
Meerut Road, Mawana - 250401
Distt. Meerut (U.P.)