

Saddlery and Harness

PRODUCT CODE	: 290607000
QUALITY AND STANDARDS	: As Per BIS Specification/ Customer Specification
PRODUCTION CAPACITY	: Qty. : 60000 Nos. (per annum) Value: Rs. 1,89,00,000
MONTH AND YEAR OF PREPARATION	: February, 2003
PREPARED BY	: Small Industries Service Institute 111-112, B.T. Road, Kolkata – 700 035.

INTRODUCTION

Saddlery and Harness is made out of vegetable tanned leathers and is used as the top part of the horse back bone seat which gives comfort in horse riding. The Saddlery is flexible and possesses high degree of tensile strength due to which it lasts for a long period of time. The industry is mostly concentrated at Kanpur, Meerut (UP) and Ambala(Haryana). Two types of saddlery are used by the horse rider. One is for general purpose and the other is for horse show jumping. The raw material for manufacturing of saddlery are indigenously available at Phillaur, Jalandhar, Bath Kalan, Kaithal (Haryana), Kolkata, Kanpur, Meerut (UP) etc.

MARKET POTENTIAL

There exists a huge potential for marketing the harness and saddlery both in the Indian market as well as in the export market. The potential centres for marketing the harness and saddlery are the Race Clubs, Defence Department, Police Deptts., Model Schools, Sports

Schools etc. At present there are a number of units manufacturing harness and saddlery at Kanpur, Meerut and Ambala. Since, India has the largest cattle population and possesses the requisite technical know-how and cheap labour, there exists an enormous scope for the growth of harness and saddlery units. Although there has been a substantial growth in respect of the exports of Leather. Leather goods, footwear, leather garments etc. harness and saddlery sector is lagging behind. The overall exports performance of Harness and Saddlery can be understood.

The fact that while there has been a rise in export of Leather and Leather Products by 29.52%, the export performance in respect of Saddlery and Harness has increased by 32.04%, though its size of exports is less compared to other categories.

BASIS AND PRESUMPTIONS

- 1) The unit would work for 8 hours on the single shift basis for 25

days in a month i.e. 300 days in a year.

- 2) 75% capacity utilisation is envisaged.
- 3) The time period for achieving the envisaged capacity utilisation is expected to be within 3 years of time.
- 4) Wage rate is as per the rates existing in the locality.
- 5) Interest rate for the capital investment is taken to be 15%.
- 6) Pay back period for the project is approximately 3 years.

IMPLEMENTATION SCHEDULE

Sl. No.	Activity	Period (in months)
1.	Selection of the product and provisional SSI registration with Directorate of Industries/DIC	1
2.	Preparation/appraisal of the project report, application for obtaining loans from the Banks/ Financial Institution	3 to 5
3.	Construction of Factory shed/building and ordering for machinery and its Installation, electrification etc.	6 to 8
4.	Recruitment of labour/ staff, trial production run etc.	1

TECHNICAL ASPECTS

Process of Manufacture

Vegetable tanned leather is buffed and cut to the standard pattern with the help

of clicking press and clicking dies. Then they are split to the required thickness of the end product. These cut patterns are moistened and moulded in the moulding press to get the desired shape of the product. After the desired shape of the saddlery is achieved, the materials are taken out of the moulding press and dried in the hot chamber. Then the sides of materials are nicely trimmed off.

Then, 2 nos. of side flaps 17" x 12" each, 2 nos. of long belts for steps 1 1/2 " wide and 5 feet long each and sir single leather belt 36" long are fitted.

Then, the whole saddlery is finished by spraying pigmented lacquer to the desired column and allowed to dry before packing.

Quality Control and Standards

The BIS quality specification IS 1637:1971 is to be followed to maintain the quality of the product.

Production Capacity (per annum)

Quality: 60,000 nos. of Harness and saddlery

Value: Rs.1,89,00,000

Motive Power 7.5 kW.

Pollution Control

No pollution problem arises in the manufacture of harness and saddlery.

FINANCIAL ASPECTS

A. Fixed Capital

(i) Land and Building	(Rs.)
i) Land 500 sq.mtr.	2,50,000
ii) Factory shed 200 sq.mtr.	4,50,000
iii) Office building, stores, godown etc.	1,00,000
Total	8,00,000

(ii) Machinery and Equipments

Sl. No.	Description	Ind/ Imp.	Qty.	Value (Rs.)
1)	Clicking Press Hydraulic with sets of cutting dies with 1.5 HP motors.	Ind.	1	80,000
2)	Moulding Press (Hydraulic) with the heating arrangements and sets of moulds for different sizes	Ind.	1	75,000
3)	Heavy leather splitting Machine, working with 60 cm	Ind.	1	25,000
4)	Trimming machine.	Ind.	1	15,000
5)	Buffing machine with arrangement of removal of dust	Ind.	1	25,000
6)	Strap cutting machine	Ind.	1	10,000
7)	Spray booth with two Spray gums and compressor	Ind.	1 set.	15,000
8)	Hot chamber for drying	Ind.	1	15,000
9)	Office and workshop furniture	Ind.	-	8,000
10)	Tools and equipment	Ind.	-	6,000
11)	Electrification and installation @ 10%	Ind.	-	26,000
			Total	3,00,000

(iii) Pre-operative Expenses Rs. 10,000

Total Fixed Capital (i+ii+iii) Rs. 11,10,000

B. Working Capital (per month)

(i) Personnel (per month)

Sl. No.	Designation	Nos.	Salary (Rs.)	Total (Rs.)
1)	Manager	1	4000	4,000
2)	Supervisor	1	2500	2,500
3)	Accountant-cum-store keeper	1	2000	2,000
4)	Peon	1	1000	1,000
5)	Watchman	1	750	750

Sl. No.	Designation	Nos.	Salary (Rs.)	Total (Rs.)
6)	Sweeper	1	500	500
7)	Machine operator	6	1750	10,500
8)	Mechanic	1	1500	1,500
9)	Skilled Worker	6	1500	9,000
10)	Un-skilled Worker	3	1000	3,000
			Total	34,750
			Add: Perquisites @ 15% of salary (approx.)	5,250
			Total	40,000

(ii) Raw Materials (per month) (Rs.)

1)	Vegetable tanned leather of 20000kgs. @ Rs.60 per Kg. (@ 4 kgs. Per saddlery for production of 5000 pcs. (per month)	12,00,000
2)	Finishing chemicals like pigment, binders, lacquer, thickness strap buckets and other grinders @ Rs.20 per pc.	1,00,000
		Total
		13,00,000

(iii) Utilities (per month)

Power	1,000	
Fuel	500	
		Total
		1,500

(iv) Other Contingent Expenses (per month) (Rs.)

1)	Telephone charges	1,000
2)	Postage and stationery	750
3)	Consumable stores	1,000
4)	Repair and maintenance	1,000
5)	Transport charges	500
6)	Insurance	1,000
7)	Travelling and conveyance	1,000
8)	Sales expenses	1,000
9)	Adversary and publicity	750
10)	Misc. expenses	1,500
		Total
		9,500

(v) Total Recurring Expenditure (per month)	(Rs.)
i) Raw Materials	13,00,000
ii) Personnel	40,000
iii) Utilities	1,500
iv) Other Contingent Expenses	9,500
Total	13,51,000

(vi) Total Working Capital (for 3 months)
 Rs. 13, 51,000 x 3 = Rs. 40,53,000

C. Total Capital Investment

i) Fixed Capital	Rs. 11,10,000
ii) Working capital for 3 months	Rs. 40,53,000
Total	Rs. 51,63,000

MACHINERY UTILISATION

The machinery utilisation is expected to be about 75% to 80% of the installed capacity.

FINANCIAL ANALYSIS

(1) Cost of Production (per annum)	(Rs.)
i) Total Recurring cost	1,62,12,000
ii) Depreciation on building @ 5%	27,500
iii) Depreciation on machinery @ 10%	28,600
iv) Depreciation on tools and equipment @ 25%	1,500
v) Depreciation on furniture @ 20%	1,600
vi) Interest on total investment @ 15%	7,74,450
Total	1,70,45,650

(2) Turnover (per annum)	(Rs.)
60,000 nos. of Harness and Saddlery @ Rs.315 per pc.	1,89,00,000

(3) Net Profit (per year) (Before Income Tax)

$$\begin{aligned}
 &= \text{Turnover} - \text{Cost of production} \\
 &= \text{Rs. } 1,89,00,000 - 1,70,45,650 \\
 &= \text{Rs. } 18,54,350
 \end{aligned}$$

4) Net profit Ratio on Sales (Profitability Ratio)

$$= \frac{18,54,350 \times 100}{1,89,00,000}$$

$$= 9.8\%$$

(5) Return on Investment

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

$$= \frac{18,54,350 \times 100}{51,63,000}$$

$$= 35.91\%$$

(6) Break-even Point

Fixed cost (per annum)	(Rs.)
a) Total depreciation	59,200
b) 40% of wages and salaries	1,92,000
c) 40% of other Contingent expenses	48,000
d) Total Interest	7,74,450
Total	10,73,650

$$\text{B.E.P.} = \frac{\text{Fixed Cost} \times 100}{\text{Fixed Cost} + \text{Profit}}$$

$$= \frac{10,73,650 \times 100}{10,73,650 + 18,54,350}$$

$$= 36.66\%$$

Addresses of Machinery and Equipment Suppliers

1. M/s. Harman Sales Pvt. Ltd.
201/A, Byculla Service Ind. Estate,
Dadoji Konddeo Marg,
Byculla,
Mumbai – 400 027.
2. M/s. Bharat Sales Agenices
14, Maruti Lane,
Near Handloom House,
Fort, Mumbai – 400 001.
3. M/s. Indo-German Shoe Machine Co.(P) Ltd.
107, Govt. Industrial Estate,
Kondivilli (West),
Mumbai – 400 067.
4. M/s. Benson Industries,
96, Sri Arobindo Road,
Salkia,
Howrah – 711 106.

5. M/s. Shalimar Engg. Works(P) Ltd.
12-B, Prabhunath Sarkar Lane,
Kolkata – 700 015.
6. Prototype Development and
Training Centre
Sector- B-24,
Guindy Industrial Estate,
P.O.- Ekkaduthangal,
Chennai – 600 097.
7. M/s. S.P. Engineering Works
Dayal Bagh Road,
New Agra – 282 005.
8. M/s. Ideal Udyog
149-150, Gwalior Road,
Shalizadi Mandi,
Agra Cantt.

Raw Material Suppliers

1. M/s. Pioneer Tannery
Jajmau,
Kanpur – 10.
2. M/s. Zaz Tannery
Jajmau,

- Kanpur – 10.
3. M/s. Asia Tannery
Jajmau,
Kanpur – 10.
4. M/s. S.K. Omkar Tannery
Nurmahal Road,
Phillaur,
Dist- Jalandhar.
5. M/s. Clariant (India) Ltd.
129, Matheswartala Road,
Kolkata – 700 046.
6. M/s. Dayer (India) Ltd.
749, Anna Salai,
Chennai – 600 002.
7. M/s. Indofil Chemical Ltd.
Nirlon House,
Dr. Annie Besant Road,
Mumbai – 400 025.
8. M/s. Balmer Laurie and Co.
10, Spur Tank Road,
Chetput, Chennai.