

PROJECT REPORT

Of

LEATHER PURSE MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Leather Purse Manufacturing unit.

The objective of the pre-feasibility report is primarily to facilitate potential entrepreneurs in project identification for investment and in order to serve his objective; the document covers various aspects of the project concept development, start-up, marketing, finance and management.

[We can modify the project capacity and project cost as per your requirement. We can also prepare project report on any subject as per your requirement.]



Lucknow Office: Sidhivinayak Building ,
27/1/B, Gokhley Marg, Lucknow-226001

Delhi Office : Multi Disciplinary Training
Centre, Gandhi Darshan Rajghat,
New Delhi 110002

Email : info@udyami.org.in
Contact : +91 7526000333, 444, 555

PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxx
- 3 Father / Spouse Name : xxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxx
- Pin: xxxxxxx State: xxxxxxxx
- Mobile xxxxxxx
- 5 Product and By Product : **LEATHER PURSE**
- 6 Name of the project / business activity proposed : **LEATHER PURSE MANUFACTURING UNIT**
- 7 Cost of Project : Rs.12.03 Lakhs
- 8 Means of Finance
- Term Loan Rs.7.83 Lakhs
- Own Capital Rs.1.2 Lakhs
- Working Capital Rs.3 Lakhs
- 9 Debt Service Coverage Ratio : 2.96
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 40%
- 13 Employment : 12 Persons
- 14 Power Requirement : 8.00 HP
- 15 Major Raw materials : Tan Leather, 2mm Lacing, Linned or other waxed thread, Needles, Leather Dyes, Acrylic Paints, Hardware, Contact Adhesive
- 16 Estimated Annual Sales Turnover (Max Capacity) : 103.70 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Building / Shed 1200 Sq ft	5.00
Plant & Machinery	2.50
Furniture & Fixtures	1.20
Working Capital	3.33
Total	12.03

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.20
Working Capital(Finance)	3.00
Term Loan	7.83
Total	12.03

LEATHER PURSE MANUFACTURING UNIT

Introduction:

Leather is commonly used for designer labels and other luxury bags. It is because it can easily be cut, shaped, and designed in many ways. Furthermore, its durability has been tested by time. The beauty it provides is evident in many social events. There is no question that it is one of the most favorite materials by many fashion aficionados. Now women can purchase high-quality designer handbags- with-a-conscience that they can be proud to carry. The only concern about this material is the price. Definitely, it is by far expensive, especially if it comes from exotic animals. Even ordinary leather is not cheap at all. It is because the process of making it is laborious.



Uses & Market Potential:

A handbag, commonly known as a purse is a handled medium-to-large bag used to carry personal items by women. These products are great in style and durable. In this project we are making leather purse (Ladies Purse) of different shapes and size. Leather accessories accounts for 26.44% export shares in the country. The Handbags market in India can be segmented into four: totes, shoulder bags, purses and wallets, satchels and saddles, as per the handbag market research report. The purses and wallets held the largest handbag market share in terms of both revenue and volume, accounting for 34.8% and 35.4% share of the market. The products have unique feature of artistic work, workmanship, aesthetic look and finish. As a result, Artistic leather goods have very good market and demand in West Bengal. The main export markets are U.S.A, Japan, Great Britain, Brazil, Canada and Italy. The products have good demand in many places of India also. Technavio's report, the Handbags Market in India 2015-2019, has been

prepared based on an in-depth market analysis with inputs from industry experts. The industry is known for its consistency in high export earnings and it is among the top ten foreign exchange earners for the country. If manufactured locally these shoes can be sold at a comparatively lower price and will not only be able to cater to the needs of the state but also supply such shoes in the markets of neighboring states.

Product:

LEATHER PURSE

Raw Material:

1. Tan Leather
2. Quality 2mm Lacing
3. Linen or other waxed thread
4. Lacing needles and Stitching needles
5. Leather Dyes and Acrylic paints
6. Hardware (rivets, buckles, keepers & a closure)
7. Contact adhesive

Manufacturing Process:

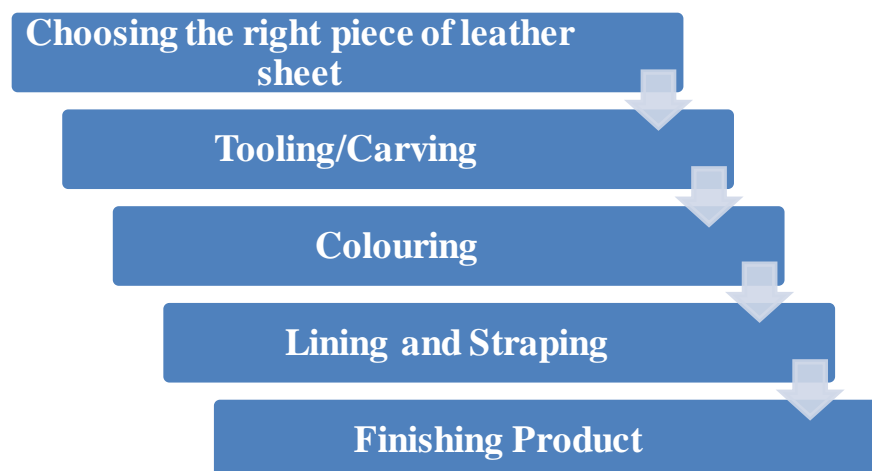


Fig. 1 – Process Flowchart

Area:

The industrial setup requires space for Inventory, workshop or manufacturing area, space for power supply utilities and stitching and polishing area. Also some of the area of building is required for office staff facilities, documentation, office furniture, etc. Thus, the approximate total area required for complete small scale factory setup is 1000-1600Sq. ft. approximately..

Cost of Machines:

S No.	Machine	Unit	Price (INR)
1.	Sewing Machine	3	1,11,000/-
2.	Stainless Steel Edge Paddle	3	72,000/-
3.	Pressing Tool Machine	3	50,000/-
4.	Cutting Tools & Other Tools & Equipment's		17,000/-
	Total		2,50,000/-

Power Requirement- The estimated Power requirement is taken at 8 HP.

Manpower Requirement- Following manpower is required:

- Skilled/unskilled worker-3
- Helper- 4
- Stitching/Cutting Person - 3
- Sales Personal and Accountant- 2

FINANCIALS

PROJECTED BALANCE SHEET					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Capital Account					
Opening Balance	-	2.42	3.88	5.88	8.03
Add: Additions	1.20	-	-	-	-
Add: Net Profit	1.81	3.46	5.00	6.15	7.68
Less: Drawings	0.60	2.00	3.00	4.00	5.60
Closing Balance	2.42	3.88	5.88	8.03	10.11
CC Limit	3.00	3.00	3.00	3.00	3.00
Term Loan	6.96	5.22	3.48	1.74	-
Sundry Creditors	2.10	2.36	2.63	2.91	3.19
TOTAL :	14.48	14.45	14.99	15.67	16.30
APPLICATION OF FUND					
Fixed Assets (Gross)	8.70	8.70	8.70	8.70	8.70
Gross Dep.	1.00	1.87	2.64	3.33	3.93
Net Fixed Assets	7.71	6.83	6.06	5.37	4.77
Current Assets					
Sundry Debtors	2.13	2.48	2.79	3.12	3.46
Stock in Hand	3.60	4.06	4.55	5.06	5.59
Cash and Bank	1.05	1.08	1.58	2.12	2.48
TOTAL :	14.48	14.45	14.99	15.67	16.30
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT					
PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale	63.80	74.52	83.83	93.55	103.70
Total (A)	63.80	74.52	83.83	93.55	103.70
B) COST OF SALES					
Raw Material Consumed	42.00	47.19	52.56	58.11	63.84
Electricity Expenses	0.90	0.98	1.07	1.16	1.25
Repair & Maintenance	1.28	1.49	1.68	1.87	2.07
Labour & Wages	12.10	13.31	14.90	16.99	18.69
Depreciation	1.00	0.88	0.77	0.68	0.60
Cost of Production	57.26	63.85	70.99	78.82	86.46
Add: Opening Stock /WIP	-	2.20	2.49	2.80	3.13
Less: Closing Stock /WIP	2.20	2.49	2.80	3.13	3.47
Cost of Sales (B)	55.06	63.56	70.68	78.49	86.12
C) GROSS PROFIT (A-B)	8.74	10.96	13.15	15.06	17.58
	13.70%	14.71%	15.69%	16.10%	16.96%
D) Bank Interest (Term Loan)	0.85	0.69	0.50	0.31	0.12
ii) Interest On Working Capital	0.33	0.33	0.33	0.33	0.33
E) Salary to Staff	4.79	5.36	5.90	6.43	7.07
F) Selling & Adm Expenses Exp.	0.96	1.12	1.26	1.40	1.56
TOTAL (D+E+F)	6.92	7.50	7.99	8.47	9.08
H) NET PROFIT	1.81	3.46	5.16	6.59	8.51
	2.8%	4.6%	6.2%	7.0%	8.2%
I) Taxation	-	-	0.16	0.44	0.83
J) PROFIT (After Tax)	1.81	3.46	5.00	6.15	7.68

PROJECTED CASH FLOW STATEMENT					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Own Contribution	1.20	-			
Reserve & Surplus	1.81	3.46	5.16	6.59	8.51
Depriciation & Exp. W/off	1.00	0.88	0.77	0.68	0.60
Increase In Cash Credit	3.00				
Increase In Term Loan	7.83	-	-	-	-
Increase in Creditors	2.10	0.26	0.27	0.28	0.29
TOTAL :	16.94	4.59	6.20	7.55	9.39
APPLICATION OF FUND					
Increase in Fixed Assets	8.70	-	-	-	-
Increase in Stock	3.60	0.46	0.49	0.51	0.53
Increase in Debtors	2.13	0.36	0.31	0.32	0.34
Repayment of Term Loan	0.87	1.74	1.74	1.74	1.74
Taxation	-	-	0.16	0.44	0.83
Drawings	0.60	2.00	3.00	4.00	5.60
TOTAL :	15.90	4.56	5.70	7.02	9.03
Opening Cash & Bank Balance	-	1.05	1.08	1.58	2.12
Add : Surplus	1.05	0.03	0.51	0.53	0.36
Closing Cash & Bank Balance	1.05	1.08	1.58	2.12	2.48

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
Finished Goods					
(10 Days requirement)	2.20	2.49	2.80	3.13	3.47
Raw Material					
(10 Days requirement)	1.40	1.57	1.75	1.94	2.13
Closing Stock	3.60	4.06	4.55	5.06	5.59

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	3.60		
Less:			
Sundry Creditors	2.10		
Paid Stock	1.50	0.15	1.35
Sundry Debtors	2.13	0.21	1.91
Working Capital Requirement			3.26
Margin			0.36
MPBF			3.26
Working Capital Demand			3.00

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	7.83	7.83	0.22	-	7.83
	IInd Quarter	7.83	-	7.83	0.22	-	7.83
	IIIrd Quarter	7.83	-	7.83	0.22	0.44	7.40
	Ivth Quarter	7.40	-	7.40	0.20	0.44	6.96
					0.85	0.87	
II	Opening Balance						
	Ist Quarter	6.96	-	6.96	0.19	0.44	6.53
	IInd Quarter	6.53	-	6.53	0.18	0.44	6.09
	IIIrd Quarter	6.09	-	6.09	0.17	0.44	5.66
	Ivth Quarter	5.66		5.66	0.16	0.44	5.22
					0.69	1.74	
III	Opening Balance						
	Ist Quarter	5.22	-	5.22	0.14	0.44	4.79
	IInd Quarter	4.79	-	4.79	0.13	0.44	4.35
	IIIrd Quarter	4.35	-	4.35	0.12	0.44	3.92
	Ivth Quarter	3.92		3.92	0.11	0.44	3.48
					0.50	1.74	
IV	Opening Balance						
	Ist Quarter	3.48	-	3.48	0.10	0.44	3.05
	IInd Quarter	3.05	-	3.05	0.08	0.44	2.61
	IIIrd Quarter	2.61	-	2.61	0.07	0.44	2.18
	Ivth Quarter	2.18		2.18	0.06	0.44	1.74
					0.31	1.74	
V	Opening Balance						
	Ist Quarter	1.74	-	1.74	0.05	0.44	1.31
	IInd Quarter	1.31	-	1.31	0.04	0.44	0.87
	IIIrd Quarter	0.87	-	0.87	0.02	0.44	0.44
	Ivth Quarter	0.44		0.44	0.01	0.44	0.00
					0.12	1.74	

Door to Door Period 60 Months
Moratorium Period 6 Months
Repayment Period 54 Months

CALCULATION OF D.S.C.R

PARTICULARS	I	II	III	IV	V
<u>CASH ACCRUALS</u>	2.81	4.34	5.78	6.83	8.28
Interest on Term Loan	0.85	0.69	0.50	0.31	0.12
Total	3.66	5.03	6.28	7.14	8.40
<u>REPAYMENT</u>					
Repayment of Term Loan	0.87	1.74	1.74	1.74	1.74
Interest on Term Loan	0.85	0.69	0.50	0.31	0.12
Total	1.72	2.43	2.24	2.05	1.86
DEBT SERVICE COVERAGE RATIO	2.13	2.07	2.80	3.48	4.52
AVERAGE D.S.C.R.			2.96		

Assumptions:

1. Production Capacity of Leather Purse is 100 pcs per day. First year, Capacity has been taken @ 50%.
2. Working shift of 10 hours per day has been considered.
3. Raw Material stock and Finished goods closing stock has been taken for 10 days.
4. Credit period to Sundry Debtors has been given for 10 days.
5. Credit period by the Sundry Creditors has been provided for 15 days.
6. Depreciation and Income tax has been taken as per the Income tax Act, 1961.
7. Interest on working Capital Loan and Term loan has been taken at 11%.
8. Salary and wages rates are taken as per the Current Market Scenario.
9. Power Consumption has been taken at 8 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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