

UP MSME 1-Connect

PROJECT REPORT

PROJECT: LEATHER JACKET MANUFACTURING UNIT

PROJECT REPORT

Of

LEATHER JACKET MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Leather Jacket 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.]

PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
Pin: xxxxxxxx
Mobile : xxxxxxxx

State: xxxxxxxxxxxx
- 5 Product and By Product : LEATHER JACKETS
- 6 Name of the project / business activity proposed : LEATHER JACKETS MAKING UNIT
- 7 Cost of Project : Rs.10.44 Lakhs
- Means of Finance
Term Loan
Own Capital
Working Capital

Rs.5.4 Lakhs
Rs.1.04 Lakhs
Rs.4 Lakhs
- 9 Debt Service Coverage Ratio : 3.41
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 27%
- 13 Employment : 10 Persons
- 14 Power Requirement : 8.00 HP
- 15 Major Raw materials : Tanned Keather Fabric, Zippers, Buckle Belts, Buttons, Threads and other consumables
- 16 Estimated Annual Sales Turnover (Max Capacity) : 97.14 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	4.50
Furniture & Fixtures	1.50
Working Capital	4.44
Total	10.44

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.04
Working Capital(Finance)	4.00
Term Loan	5.40
Total	10.44

LEATHER JACKETS MANUFACTURING UNIT

Introduction:

Fundamentally, a leather jacket is simply a product of apparel and yet the peculiarities attached to the commodity are so radically different from the fabric and the end apparel. Firstly, the hides or skins are very different from each other in terms of texture and color. If one stitch is extra, or wrongly added, unlike any other textile material, the needle mark will stay forever – a sign for rejection is equivalent to losing US \$ 200 which is the average FOB of one jacket. Leather Jackets are one of the sophisticated products of finished leather. Leather Garments consist of articles of leather apparel and other cloth accessories as per classification which would include more specifically gents Leather Jackets, Long coats, Waist/Shorts, Leather Pants/Shorts (Gents), Leather Jackets for ladies, Long coats, Waist Coats/Shirts, Pant/Shorts and Children Garments. These are used only in cold places and usually garments made for autumn – winter are made of somewhat heavy leather from Hides with thick lining of either wool or artificial fur.



Uses & Market Potential:

Leather jackets come in the apparel section. The making undergo a thorough process of manufacturing to ensure it never fall short of delivering constant and excellent quality. The product is known for its mesmerizing design and durability. Digital Technologies are changing the perspectives of business and culture with the advent of new computing tools for the home and office or new communication net works in the world. Technology is the single most important force behind the creation of enterprise. Therefore, the new wind in

the fashion world always has a direct effect on the development of the sector and gives a wider scope for marketability. Production of Leather Jackets in India is almost exclusively for export. Some demand for Jackets exists but this is limited to some North Indian towns, which experience severe winter. As per the figures released by the Ministry of Commerce, Government of India, during FY 2014-15, leather apparels worth US \$ 604.5 million were exported out of India. Out of this, jackets and jerseys were worth US \$ 458.7 million – accounting for a whopping 75 per cent share. The leather jacket trade however has fallen by 3.25 per cent; while the country's total exports have shrunk by 1.29 per cent.

Product:

LEATHER JACKETS

Raw Material:

1. Tan Leather Fabric
2. Zippers
3. Buckle Belt
4. Buttons
5. Threads
6. Other Consumables - Treating Chemicals, Wax & Adhesive, Brush & tool kit which consists of scissors, holders & hammers.

Manufacturing Process:

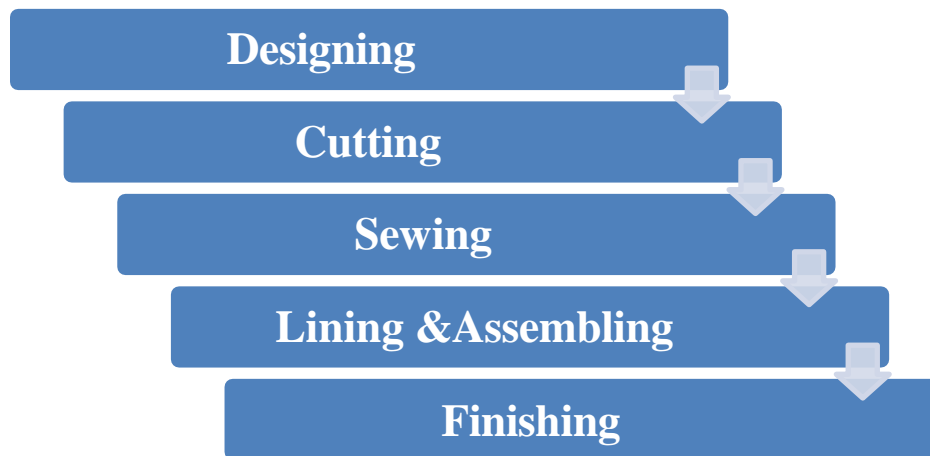


Fig. 1 – Process Flowchart

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 1800-2000Sq. ft. approximately..

Cost of Machines:

S No.	Machine	Unit	Price (INR)
1.	Flat bed single needle industrial sewing machine	2	1,10,000/-
2.	Cylinder bed single needle industrial sewing machine	1	96,000/-
3.	Fabric Cutter for leather	2	27,000/-
4.	End/Roller Cutter	2	37,000/-
5.	Button Hole Making Machine	2	1,80,000/-
	Total		4,50,000/-

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

Manpower Requirement- Following manpower is required:

- Skilled/unskilled worker-2
- Helper- 4
- Machine Operator - 2
- Sales Personal and Accountant- 2

FINANCIALS

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	2.43	3.75	5.13	6.68
Add: Additions	1.04	-	-	-	-
Add: Net Profit	1.68	2.72	3.88	5.05	6.09
Less: Drawings	0.30	1.40	2.50	3.50	4.50
Closing Balance	2.43	3.75	5.13	6.68	8.27
CC Limit	4.00	4.00	4.00	4.00	4.00
Term Loan	4.80	3.60	2.40	1.20	-
Sundry Creditors	2.16	2.39	2.62	2.86	3.11
TOTAL :	13.39	13.73	14.15	14.74	15.38
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	6.00	6.00	6.00	6.00	6.00
Gross Dep.	0.83	1.53	2.14	2.67	3.12
Net Fixed Assets	5.18	4.47	3.86	3.33	2.88
Current Assets					
Sundry Debtors	3.13	3.61	4.00	4.42	4.86
Stock in Hand	3.60	4.00	4.42	4.86	5.32
Cash and Bank	1.48	1.66	1.87	2.13	2.32
TOTAL :	13.39	13.73	14.15	14.74	15.38
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale	62.64	72.12	80.07	88.36	97.14
Total (A)	62.64	72.12	80.07	88.36	97.14
<u>B) COST OF SALES</u>					
Raw Material Consumed	43.20	47.74	52.42	57.24	62.21
Electricity Expenses	1.07	1.16	1.25	1.34	1.43
Repair & Maintenance	1.88	2.16	2.40	2.65	2.91
Labour & Wages	9.32	10.26	11.28	12.41	13.65
Depreciation	0.83	0.71	0.61	0.52	0.45
Cost of Production	56.30	62.03	67.96	74.17	80.66
Add: Opening Stock /WIP	-	2.16	2.41	2.68	2.95
Less: Closing Stock /WIP	2.16	2.41	2.68	2.95	3.24
Cost of Sales (B)	54.14	61.78	67.70	73.89	80.36
<u>C) GROSS PROFIT (A-B)</u>	8.50	10.34	12.37	14.47	16.78
	13.57%	14.34%	15.45%	16.38%	17.27%
D) Bank Interest i) (Term Loan)	0.59	0.48	0.35	0.21	0.08
ii) Interest On Working Capital	0.44	0.44	0.44	0.44	0.44
E) Salary to Staff	4.54	5.26	6.10	6.84	7.79
F) Selling & Adm Expenses Exp.	1.25	1.44	1.60	1.77	1.94
TOTAL (D+E+F)	6.81	7.62	8.49	9.26	10.26
H) NET PROFIT	1.68	2.72	3.88	5.21	6.52
	2.7%	3.8%	4.8%	5.9%	6.7%
I) Taxation	-	-	-	0.17	0.43
J) PROFIT (After Tax)	1.68	2.72	3.88	5.05	6.09

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	1.04	-			
Reserve & Surplus	1.68	2.72	3.88	5.21	6.52
Depriciation & Exp. W/off	0.83	0.71	0.61	0.52	0.45
Increase In Cash Credit	4.00				
Increase In Term Loan	5.40	-	-	-	-
Increase in Creditors	2.16	0.23	0.23	0.24	0.25
TOTAL :	15.11	3.66	4.73	5.98	7.22
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	6.00	-	-	-	-
Increase in Stock	3.60	0.40	0.42	0.44	0.46
Increase in Debtors	3.13	0.47	0.40	0.41	0.44
Repayment of Term Loan	0.60	1.20	1.20	1.20	1.20
Taxation	-	-	-	0.17	0.43
Drawings	0.30	1.40	2.50	3.50	4.50
TOTAL :	13.63	3.48	4.52	5.72	7.03
Opening Cash & Bank Balance	-	1.48	1.66	1.87	2.13
Add : Surplus	1.48	0.18	0.21	0.26	0.19
Closing Cash & Bank Balance	1.48	1.66	1.87	2.13	2.32

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(10 Days requirement)	2.16	2.41	2.68	2.95	3.24
<u>Raw Material</u>					
(10 Days requirement)	1.44	1.59	1.75	1.91	2.07
Closing Stock	3.60	4.00	4.42	4.86	5.32

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	3.60		
Less:			
Sundry Creditors	2.16		
Paid Stock	1.44	0.14	1.30
Sundry Debtors	3.13	0.31	2.82
Working Capital Requirement			4.11
Margin			0.46
MPBF			4.11
Working Capital Demand			4.00

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	5.40	5.40	0.15	-	5.40
	Iind Quarter	5.40	-	5.40	0.15	-	5.40
	IIIRD Quarter	5.40	-	5.40	0.15	0.30	5.10
	Ivth Quarter	5.10	-	5.10	0.14	0.30	4.80
					0.59	0.60	
II	Opening Balance						
	Ist Quarter	4.80	-	4.80	0.13	0.30	4.50
	Iind Quarter	4.50	-	4.50	0.12	0.30	4.20
	IIIRD Quarter	4.20	-	4.20	0.12	0.30	3.90
	Ivth Quarter	3.90		3.90	0.11	0.30	3.60
					0.48	1.20	
III	Opening Balance						
	Ist Quarter	3.60	-	3.60	0.10	0.30	3.30
	Iind Quarter	3.30	-	3.30	0.09	0.30	3.00
	IIIRD Quarter	3.00	-	3.00	0.08	0.30	2.70
	Ivth Quarter	2.70		2.70	0.07	0.30	2.40
					0.35	1.20	
IV	Opening Balance						
	Ist Quarter	2.40	-	2.40	0.07	0.30	2.10
	Iind Quarter	2.10	-	2.10	0.06	0.30	1.80
	IIIRD Quarter	1.80	-	1.80	0.05	0.30	1.50
	Ivth Quarter	1.50		1.50	0.04	0.30	1.20
					0.21	1.20	
V	Opening Balance						
	Ist Quarter	1.20	-	1.20	0.03	0.30	0.90
	Iind Quarter	0.90	-	0.90	0.02	0.30	0.60
	IIIRD Quarter	0.60	-	0.60	0.02	0.30	0.30
	Ivth Quarter	0.30		0.30	0.01	0.30	0.00
					0.08	1.20	
<div> <div>Door to Door Period</div> <div>60 Months</div> </div> <div> <div>Moratorium Period</div> <div>6 Months</div> </div> <div> <div>Repayment Period</div> <div>54 Months</div> </div>							

CALCULATION OF D.S.C.R

PARTICULARS	I	II	III	IV	V
<u>CASH ACCRUALS</u>	2.51	3.43	4.49	5.57	6.54
Interest on Term Loan	0.59	0.48	0.35	0.21	0.08
Total	3.09	3.91	4.84	5.78	6.62
<u>REPAYMENT</u>					
Repayment of Term Loan	0.60	1.20	1.20	1.20	1.20
Interest on Term Loan	0.59	0.48	0.35	0.21	0.08
Total	1.19	1.68	1.55	1.41	1.28
DEBT SERVICE COVERAGE RATIO	2.61	2.33	3.13	4.09	5.16
AVERAGE D.S.C.R.			3.41		

Assumptions:

1. Production Capacity of Leather Jackets is 60 pcs per day. First year, Capacity has been taken @ 60%.
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 15 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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