



PROJECT REPORT ON LEATHER SHOE MAKING UNIT



Govt. of Uttarakhand

Directorate of Industries, Uttarakhand

Industrial Area Patel Nagar, Dehradun.

Tele No: 0135-2728227 | Fax No : 2728226

Website- www.doiuk.org | Email- mpr@doiuk.org



PROJECT HIGHLIGHTS

PROPRIETOR	:	XXXXX
ADDRESS OF THE PROPRIETOR	:	YYYYY
		DIST..... STATE.....
CONSTITUTION	:	PROPRIETORSHIP
CATEGORY OF UNIT	:	MICRO UNIT
FATHER NAME	:	XXXXXX
DATE OF BIRTH	:	XX-YY-ZZZZ
CATEGORY OF THE PROPRIETOR	:	XXXXXX
QUALIFICATION	:	XXXXXX
LOCATION OF UNIT	:	XXXXXX
PROPOSED PROJECT	:	LEATHER SHOE MAKING UNIT
NAME OF SCHEME	:	PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME
UNIT (OWN/RENTED)	:	OWNED/RENTED
<u>(A) TOTAL COST OF PROJECT</u>	:	Rs.10,00,000.00
(1) Fixed Capital	:	Rs.5,50,000.00
(2) Working Capital Limit	:	Rs.4,50,000.00
<u>(B) MEANS OF FINANCE</u>	:	Rs. 10,00,000.00
(1) Term Loan for Machinery	:	Rs.5,00,000.00
(2) Working Capital Limit	:	Rs. 4,50,000.00
(3) Promoter's Contribution	:	Rs. 50,000.00
SUBSIDY UNDER PMEGP	:	Rs.3,50,000.00
EMPLOYMENT POTENTIAL	:	10 PERSON
NORMAL WORKING HOUR	:	8 HOUR



INTRODUCTION

In India, shoes are manufactured by cottage, small-scale and large scale industries. The 14 large scale industries produce less than 7%. Rest of the 93% of the production is done by cottage and small-scale industries and most of the work in these units are done by hand. There is not much difference in between cottage and small-scale industries, except the fact that in the cottage industries there are only 3 to 4 workers while in small-scale industries the number of workers is much more. Certain small scale units have installed machines which bring quality in shoe manufacturing and also increase the production. Making shoes manually requires a lot of skill and time. The demand both in India and on international front has increased along with increased importance of punctuality of export commitments has led to a requirements, partial mechanization of these units. This change has long come in western countries and the production process has also significantly developed.

PROMOTER & MANAGEMENT

The promoter is reported to have good financial standing presently. The Promoters is actively associated with the implementation of the project. Promoter is over all in charge of the working of the unit.

MARKET AND DEMAND

Due to high increase in demand for shoes and considerable change in the manufacturing process, the shoe-making units can be established anywhere. It is quite an appropriate units for concentrated production and can be established at the district level. Along with the indigenous market, it has a high demand outside. Leather shoe manufacturing units that daily produce 20 to 50 pairs are viable. In the

given unit initially 20 pairs would be manufactured daily and the production can be increased eventually keeping the increased demand in view.



MAJOR BENEFITS OF THE PROJECT

- I. Easy availability of material.
- II. Job opportunity for local people.

FURNITURE, FIXTURES ETC.

The total estimated cost of required Furniture & Fixtures would be Rs.- 45,000.00/-.

PREOPERATIVE EXPENSES

The total estimated cost of required Preoperative Expenses would be Rs.- 5,000/-.

PLANT, MACHINERY AND EQUIPMENTS

Plant, Machinery, Tools, Shed and other equipment's required for the proposed unit are available indigenously. The various items required for installation of Rs. 5,00,000/- details as per quotation attached herewith.



QUALITY CONTROL

The concern proposed to set up above unit for which provision testing equipment have been proposed in the project report.

TECHNICAL KNOW- HOW

The process for sale of products is simple and no sophisticated technology is involved. There is no requirement of any type of technical knowhow.

TRANSPORTATION

The proposed location is connected by road and near to the city. Thus the unit is not likely to face difficulty on account of transportation.

UTILITIES

a) **Power:**

The total connected load for the smooth operations of the unit has been estimated and Electricity connection will be obtained as per required load including lighting load if required.

b) **Water:**

The water will be available. Necessary provision for storage of water and water supply has been made in the project cost.

MANPOWER



The unit would require total manpower of person of different category. The details of salary/wages proposed to be paid together with annual Salary/wages bill is given in separate annexure.

DEPRECIATION

The depreciation on fixed assets has been computed in annexure of this project report in accordance with the admissibility of the same under the Income Tax Act, 1961.

TRAINING

Applicant has to complete two week EDP training specially designed for the purpose, which will be organized by KVIC/KVIB/DIC or the institution organized by or under the administration control of Minister of MSME or any other training center of repute before disbursement of loan by the bank. After the successfully completion of EDP training arranged by the KVIC/KVIB/DIC, the beneficiary will deposit his own contribution in the bank as per the guideline of scheme.

CAPITAL SUBSIDY UNDER PMEGP

Unit is eligible to get capital subsidy under Prime Minister Employment Generation Programme 35% of the total cost of the project (except cost of land). Total subsidy to be received Rs. 3,50,000/-

TERM LOAN AND WORKING CAPITAL LOAN PMEGP SCHEME

The unit proposed to have Term loan UNDER PMEGP of Rs. 5,00,000/- & working capital limit of Rs. 4,50,000/- Own contribution of unit will be Rs. 50,000/-, which is five percent of total cost of project. The total project cost will be Rs.1,00,000/-.



LOAN REPAYMENT SCHEDULE

Total Term Loan	:	Rs. 5,00,000/-
Total Duration	:	5 Years
From the next year		
Each yearly instalment	:	Rs. 1,00,000/-
Total instalments	:	Rs. 1,00,000*5 = Rs. 5,00,000/-
<hr/>		
Total		Rs. 5,00,000/--
<hr/>		

INTEREST COMPUTATION

Interest computation is given in Annexure 6.

PROJECTED INCOME/PROFITABILITY

The projected Income & profitability statement has been shown in the attached profit & loss account. Projected Balance sheet for the next five years is also enclosed as here for the reference.

ECONOMIC VIABILITY

Based on the projections attached it is observed that sufficient revenue shall be generated through operations served & it indicates the economic viability of the proposal. Hence the project can be considered as economically favourable and viable.



CONCLUSION

Based on the grounds discussed aforesaid it is concluded that project is economically & feasibly viable and should be considered favourably.



M/S LEATHER SHOE MAKING UNIT

ADDRESS: XXXXX

FINANCIAL ASPECTS OF THE PROJECT

A. FIXED CAPITAL

I-Plant & Machineries:

S.No	Particulars	No.	Rate (Rs.)	Amount(Rs.)
1	Sewing machine	5	25000	125000
2	Pores and small holes making Machine	4	10000	40000
3	Tools for correcting the stitch	4	5000	20000
4	Seal cutting machine	2	7500	15000
5	Butting machine with exhaust Machine	2	25000	50000
6	Upper sewing machine	2	30000	60000
7	Cementing machine	2	30000	60000
8	Machine for making the covers even	2	25000	50000
9	Machine for making the shoe comfortable	2	10000	20000
10	mould for other pair	100	100	10000
11	Wooden mould	100	500	50000
	TOTAL			500000

II-Other Fixed Assets:

S.No	Particulars	Amount (Rs.)
1	Furniture Counter Table, Godrej Almira, Chair & Table	40000
2	Other equipments like Ceiling Fans, Exhaust Fans, RO System, racks for raw material & partition, electrification etc.	5000
	TOTAL	45000



III-Preliminary & Pre-operative expenses:

S.No	Particulars	Amount (Rs.)
1	Transportation of Machinery	3000
2	Miscellaneous	2000
	TOTAL	5000

TOTAL FIXED CAPITAL

S.No	Particulars	Amount (Rs.)
1	Machinery and Equipments	500000
2	Other Fixed Assets	45000
3	Preliminary and Pre Operative Expenses	5000
	TOTAL	550000

B. WORKING CAPITAL

I- Raw Material (Per Month):

S.No	Particulars	UOM	Qty. kg/ltr	Rate (Rs.)	Amount (Rs.)
1	Chrome leather for the upper Part of the shoe	SFT	3000	75	225000
2	Lining leather cream of goat/ sheep	SFT	3000	40	120000
3	Bark leather for the front part	KG	300	50	15000
4	Sole	KG	600	60	36000
5	Other raw materials				4000
	TOTAL				400000



II- Man power (Per Month):

S.No	Particulars	Nos.	Salary	Amount (Rs.)
1	Skill Manpower	1	8000	8000
2	Semi Skilled Manpower	2	5000	10000
	TOTAL			18000

III- Utilities (Per Month):

S.No	Particulars	Amount (Rs.)
1	Electricity	1500
2	Phone bill	1500
3	Transportation	2000
	TOTAL	5000

IV- Misc. or other expenses: (Per Month)

S.No	Particulars	Amount (Rs.)
1	Repair & Renewal	22000
2	Other	5000
	TOTAL	27000



TOTAL WORKING CAPITAL (Per Month)

S.No	Particulars	Amount (Rs.)
1	Raw Material	400000
2	Manpower	18000
3	Utilities	5000
4	Misc. expenses	27000
	TOTAL	450000

C-ANNUAL SALES REALISATION

S.No	Particulars	Amount (Rs.)
1	Annul Sale	6600000

**D-BREAK EVEN POINT
(BASED ON FIRST YEAR OF OPERATION)**

S.No	FIXED COST	Amount (Rs.)	
1	Interest on loan	53365	
2	Depreciation	80000	
3	Man power expenses (40%)	86400	
4	Operating expenses (40%)	2073600	
	Total	2293365	
	BEP =	Fixed Cost * 100	2293364
		Fixed Cost + Net Profit	58
			2938630
			78.04



LEATHER SHOE MAKING UNIT

ADDRESS: XXXXX Annexure-1

PROJECTED BALANCE SHEET (Rs. In '000)

PARTICULARS	Operating Years				
	1st	2nd	3rd	4th	5th
<u>A-SOURCES:-</u>					
I) CAPITAL / OWN CONTRIBUTION	50	695	1400	2160	2973
ADD:- PROFIT	645	705	760	813	865
TOTAL	695	1400	2160	2973	3838
<u>II) LOAN FUNDS</u>					
<u>SECURED LOANS</u>					
Term Loan from Bank	400	300	200	100	0
C/C Limit from Bank	450	450	450	450	450
III) Margin Money under PMEGP	350	350	350	-	-
TOTAL (I+II)	1545	2150	2810	3523	4288
<u>B- APPLICATION:-</u>					
<u>I) FIXED ASSETS</u>					
GROSS BLOCK	545	545	545	545	545
LESS: ACC.DEPRICIATION	80	148	206	255	297
TOTAL	465	397	339	290	248
<u>II) CURRENT ASSETS LOANS & ADVANCES</u>					
PRELIMINARY EXPENSES	5	5	5	5	5
INVENTORIES	-	-	-	-	-
SUNDERY RECEIVABLES	550	578	605	633	660
CASH & BANK BALANCES	709	1340	2014	2743	3516
LOANS & ADVANCES	125	150	180	200	220
TOTAL	1389	2073	2804	3580	4401
<u>III) CURRENT LIABILITIES & PROVISIONS</u>					
SUNDERY CREDITOR	200	200	200	200	200
PROVISION FOR TAXATAION	31	38	48	58	67
EXPENSES PAYABLE	78	81	85	89	93
TOTAL	309	320	333	347	360
IV) NET CUREENT ASSETS (II-III)	1080	1753	2471	3233	4040
V) Margin Money under PMEGP	350	350	350	-	-
TOTAL (I+IV)	1545	2150	2810	3523	4288



LEATHER SHOE MAKING UNIT					
ADDRESS: XXXXX				Annexture-2	
PROJECTED COST OF PRODCUTION AND PROFITABILITY (Rs. In '000)					
Particulars	Operating Years				
	1st	2nd	3rd	4th	5th
Capacity Utilization	50%	55%	60%	65%	70%
A- INCOMES :					
GROSS RECEIPTS	6600	6930	7260	7590	7920
CLOSING STOCK	-	-	-	-	-
TOTAL (A)	6600	6930	7260	7590	7920
B- EXPENSES					
OPENING STCOK	-	-	-	-	-
PURCHASES AND CONSUMPTION	4800	5040	5280	5520	5760
SALARY & WAGES	216	227	238	248	259
UTILITIES EXPENSES	60	63	66	69	72
Total (B)	5076	5330	5584	5837	6091
C- GROSS PROFIT (A-B)	1524	1600	1676	1753	1829
ADMINISTRATIVE COST	324	340	356	373	389
SELLING & DISTRIBUTION EXPENSES	330	347	363	380	396
DEPRICIATION	80	68	58	49	42
FINANCIAL CHARGES					
Interest on Term Loan @11.75%	53	42	30	18	6
Interest on CC Limit @10.00%	45	45	45	45	45
Bank Charges	15	16	17	17	18
D-TOTAL	847	857	869	881	896
E- PROFIT BEFORE TAX (C - D)	677	743	808	871	933
F- PROVISION FOR TAXATION	31	38	48	58	67
G- NET PROFIT AFTER TAX	645	705	760	813	865



LEATHER SHOE MAKING UNIT					
ADDRESS: XXXXX					
					Annexture-3
PROJECTED CASH FLOW STATEMENT					
					(Rs. In '000)
PARTICULARS	Operating Years				
	1st	2nd	3rd	4th	5th
<u>A-SOURCE OF FUND</u>					
-					
1. Increase in Capital	50	-	-	-	-
2. Increase in Term Loan	500	-	-	-	-
3. Increase in C/C Limit	450	0	0	0	0
4. Profit / (Loss)	645	705	760	813	865
5. Depreciation added back	80	68	58	49	42
6. Increase in Creditors	309	11	14	14	13
TOTAL (A)	2034	784	831	876	921
<u>B-DISPOSAL OF FUND</u>					
-					
<u>I) FIXED ASSETS PURCHASED</u>					
1. Furniture & Fixtures	45	-	-	-	-
2. Plant & Machinery	500	-	-	-	-
<u>II) CURRENT ASSETS</u>					
3. Increase in Stock	0	0	0	0	0
4. Increase in Debtors	550	28	28	27	28
5. Increase in Preliminary Exp.	5				
6. Increase in Loans & Advances	125	25	30	20	20
<u>III) OTHERS</u>					
7. Payment of Term Loan	100	100	100	100	100
8. Decrease in Creditors	0				
TOTAL (B)	1325	153	158	148	148
Opening Cash & Bank Balance	0	709	1340	2014	2743
Surplus/(Deficit) (A - B)	709	631	674	729	773
Closing Cash & Bank Balance	709	1340	2014	2743	3516



LEATHER SHOE MAKING UNIT

ADDRESS: XXXXX

Annexure-4

COMPUTATION OF DEPRECIATION

Depreciation under WDV Method:

(Rs. in '000')

Particulars	Furniture & Fixture	Plant & Machinery	Total
Rate as per I.Tax Act	10%	15%	
Value of Assets at beginning	45	500	545
1st year Dep.	5	75	80
Balance at the end of 1st year	40	425	465
2nd year Dep.	4	64	68
Balance at the end of 2nd year	36	361	397
3rd year Dep.	4	54	58
balance at the end of 3rd year	32	307	339
4th year Dep.	3	46	49
balance at the end of 4th year	29	261	290
5th year Dep.	3	39	42



LEATHER SHOE MAKING UNIT

ADDRESS: XXXXX

Annexure -5

PROJECTED FINANCIAL RATIOS (Rs.In '000)

PARTICULARS		Operating Years				
		1st	2nd	3rd	4th	5th
1. CURRENT RATIO	CURRENT ASSETS	1389	2073	2804	3580	4401
	CURRENT LIABILITIES	759	770	783	797	810
	=	1.83	2.69	3.58	4.49	5.43
2. GROSS PROFIT RATIO	GROSS PROFIT	1524	1600	1676	1753	1829
	SALES	6600	6930	7260	7590	7920
	=	23.09%	23.09%	23.09%	23.09%	23.09%
3. NET PROFIT RATIO	NET PROFIT	645	705	760	813	865
	SALES	6600	6930	7260	7590	7920
	=	9.78%	10.17%	10.46%	10.71%	10.92%
4. DSCR	PAT+DEP.+INTT. ON TERM LOAN	779	814	848	880	914
	INTEREST+LOAN INSTALMENT	153	142	130	118	106
	=	5.08	5.75	6.53	7.45	8.59
5. INTT. COVERAGE RATIO	PAT+DEP.+INTT.	824	859	893	925	959
	INTEREST	98	87	75	63	51
	=	8.37	9.92	11.92	14.66	18.66
6. DEBT EQUITY RATIO	TOTAL TERM LIABILITY	400	300	200	100	0
	TOTAL NET WORTH	695	1400	2160	2973	3838
	=	0.58	0.21	0.09	0.03	0.00
7. STABILITY/GEARING RATIO	TOTAL OUTSIDE LIABILITY	850	750	650	550	450
	TOTAL NET WORTH	695	1400	2160	2973	3838
	=	1.22	0.54	0.30	0.18	0.12



LEATHER SHOE MAKING UNIT				
ADDRESS: XXXXX				
Loan Amount Rs. 500000				Annexture-6
Rate of Interest 11.75%				
Tenure 5 Years				(Rs. In '000)
SI.No.	Installment	Interest	Principal	Balance Loan
1st Year	153	53	100	400
2nd Year	142	42	100	300
3rd Year	130	30	100	200
4th Year	118	18	100	100
5th Year	106	6	100	0



DISCLAIMER

This project report is only for the purpose of reference and will give an idea and guidance to budding and existing entrepreneurs on how to prepare a project Report. The readers will come to know about the key components of a project. Every earnest-effort has been made in collecting the data and information available on the subject from different offline and online sources. This report (including any enclosures and attachments) has been prepared solely for the purpose for which it is provided.

Department suggest entrepreneurs to survey the market properly to find the actual cost of fixed assets and working capital. The actual cost of the project or industry will vary according to different elements like location, local regulation, financial requirements of industry, capacity, type of industry, cost of resources and other direct and indirect costs related to the project.

Department hereby disclaims any and all liability to any party for any direct, indirect, implied, punitive, special, incidental or other consequential damages arising directly or indirectly from any use of the Project Report Content which is provided “as is” and “as available” basis without any warranties of any kind.

In no event shall Department will be liable for any damages whatsoever resulting from the use or inability to use the project report content.

Prepared by



**THE NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND
SMALL BUSINESS DEVELOPMENT (NIESBUD)**
(Ministry of Skill Development and Entrepreneurship, Govt. of India)
HEAD OFFICE : A-23, Sector-62, NOIDA-201309 (U.P.)
Web. : www.niesbud.nic.in
REGIONAL OFFICE : NSTI Campus, Green Park Colony, Niranjanpur,
PO - Majra, Dehradun - 248171 (Uttarakhand)