

PROJECT REPORT

Of

LEATHER BAG

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Leather bag 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.]



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PROJECT AT GLANCE

1 Name of Proprietor/Director	XXXXXXXXXX
2 Firm Name	XXXXXXXXXX
3 Registered Address	XXXXXXXXXX
4 Nature of Activity	XXXXXXXXXX
5 Category of Applicant	XXXXXXXXXX
6 Location of Unit	XXXXXXXXXX
7 Cost of Project	10.08 Rs. In Lakhs
8 Means of Finance	
i) Own Contribution	1.01 Rs. In Lakhs
ii) Term Loan	5.00 Rs. In Lakhs
iii) Working Capital	4.08 Rs. In Lakhs
9 Debt Service Coverage Ratio	4.28
10 Break Even Point	29%
11 Power Requirement	12 KW
12 Employment	10 Persons
13 Major Raw Materials	Tan leather, quality 2mm lacing, linen or other waxed thread, lacing needles & stitching needles, leather dyes & acrylic paints, hardware and contact adhesive

14 Details of Cost of Project & Means of Finance

Cost of Project	Amount in Lacs
Particulars	Amount
Land and building	Owned/Leased
Plant & Machinery	4.80
Furniture & Fixture	0.25
Other Misc Assets	0.50
Working Capital Requirement	4.53
Total	10.08

Means of Finance

Particulars	Amount
Own Contribution	1.01
Term Loan	5.00
Working capital Loan	4.08
Total	10.08

LEATHER BAGS MANUFACTURING UNIT

1. 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.

2 PRODUCT DESCRIPTION

2.1 PRODUCT USES

As long as leather has been used; it has been a vehicle for transporting objects. Originally, there were just simple leather bags. Today there are an infinite number of bag types from the leather handbag, which are most widely used.

2.2 MANUFACTURING PROCESS

- Bags made from garment-weight leather require the same tools and supplies as garments. Specialized cutting tools, hole-piercing gadgets, rivets, and glues are the mainstay of handbag-making; using them makes the difference between an average bag and a professional- looking one.

- First of all the components are cut from suitable materials. The basic raw material is the finished leather, which is not uniform, irregular in shape and size, variation with grain structure and presence of defects on the surface.
- Scissors and rotary cutters can go only so far in cutting heavy skins and hides. However, with the proper tools and techniques, the bags can be finished and shaped differently and beautifully.
- The cut components are then skived to the edges for ease of folding and/or stitching.
- The edges are then beaded and the zips and other fasteners attached as per the specification.
- The outer surface (leather), the inner surface (lining) and the reinforcement materials if required adhesive and then by stitching.
- The linings and thread-ends are trim trimmed and sealed. The surface is cleaned and polished and made ready for packing.

3 PROJECT COMPONENTS

3.1 Land /Civil Work

The industrial setup requires space for Inventory, workshop or processing area, space for power supply utilities, packaging 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 1000-1500 Sq. ft. approximately. Micro, small and medium enterprises are engaged in this work accounting for the total manufacturing units.

We have not considered the cost of Land purchase & Building Civil work in the project. It is assumed that land & building will be on rent & approx. rental of the same will be Rs.20000-30,000 per month.

3.2 Plant & Machinery

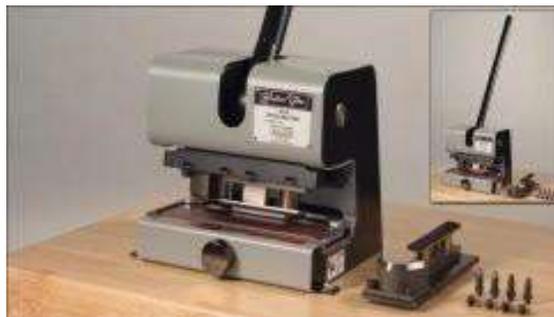
Sewing Machine: This machine is used to stitch the fabric and gives appropriate shape.



Stainless steel edge paddle: This is the perfect little tool for applying paints to an edge. One end is square while the other is rounded. The tip shapes enable you to apply precisely without any waste.



Pressing Tool Machine: This is used to flatten the areas and edges around the bags.



Cutting Tools & other equipments

A utility knife and trim knife with straight and curved blades, plus a protective surface for cutting. Other hand tools & equipments (bins, trolleys, pumps, etc.) are also used in Leather purse making unit.



➤ **Material handling equipment:** SS Utensils, trolley, bins Hand Gloves etc.
Miscellaneous tools are required during processing.



S. No.	Machine	Cost
1.	Sewing Machine (50,000*5)	2,50,000
2.	Stainless Steel Edge Paddle (25000*4)	1,00,000
3.	Pressing tool Machine (40,000*2)	80,000
4.	Cutting tools & other equipments	50,000
TOTAL		4,80,000

6. LICENSE AND APPROVALS

- GST Registration
- Udyam Registration
- Trademark (Choice of brand name – Optional)

PROJECTED BALANCE SHEET					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>Liabilities</u>					
Capital					
Opening Balance		1.73	2.52	4.13	5.30
Add:- Own Capital	1.01				
Add:- Retained Profit	2.23	3.04	5.10	6.18	7.08
Less:- Drawings	1.50	2.25	3.50	5.00	5.50
Closing Balance	<u>1.73</u>	<u>2.52</u>	<u>4.13</u>	<u>5.30</u>	<u>6.89</u>
Term Loan	4.44	3.33	2.22	1.11	-
Working Capital Limit	4.08	4.08	4.08	4.08	4.08
Sundry Creditors	0.91	1.48	1.72	1.96	2.23
Provisions & Other Liabilities	0.50	0.75	0.90	1.08	1.30
TOTAL :	11.66	12.16	13.04	13.53	14.49
<u>Assets</u>					
Fixed Assets (Gross)	5.55	5.55	5.55	5.55	5.55
Gross Depreciation	0.82	1.52	2.11	2.62	3.05
Net Fixed Assets	4.73	4.03	3.44	2.93	2.50
Current Assets					
Sundry Debtors	2.19	2.70	3.13	3.59	3.79
Stock in Hand	3.24	3.94	4.57	5.22	5.92
Cash and Bank	0.49	0.74	0.65	0.79	0.77
Loans and advances/other current assets	1.00	0.75	1.25	1.00	1.50
TOTAL :	11.66	12.16	13.04	13.53	14.49

PROJECTED CASH FLOW STATEMENT**(in Lacs)**

PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>SOURCES OF FUND</u>					
Own Margin	1.01				
Net Profit	2.23	3.04	5.28	6.63	7.76
Depriciation & Exp. W/off	0.82	0.70	0.59	0.51	0.43
Increase in Cash Credit	4.08	-	-	-	-
Increase In Term Loan	5.00	-	-	-	-
Increase in Creditors	0.91	0.57	0.23	0.24	0.27
Increase in Provisions & Other liabilities	0.50	0.25	0.15	0.18	0.22
TOTAL :	14.53	4.56	6.26	7.56	8.67
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	5.55				
Increase in Stock	3.24	0.69	0.63	0.66	0.70
Increase in Debtors	2.19	0.51	0.43	0.45	0.20
Increase in loans and advances	1.00	0.25	0.50	0.25	0.50
Repayment of Term Loan	0.56	1.11	1.11	1.11	1.11
Drawings	1.50	2.25	3.50	5.00	5.50
Taxation	-	-	0.18	0.45	0.68
TOTAL :	14.04	4.31	6.35	7.42	8.69
Opening Cash & Bank Balance	-	0.49	0.74	0.65	0.79
Add : Surplus	0.49	0.25	-0.09	0.14	-0.02
Closing Cash & Bank Balance	0.49	0.74	0.65	0.79	0.77

PROJECTED PROFITABILITY STATEMENT

(in Lacs)

PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
Capacity Utilisation %	35%	40%	45%	50%	55%
SALES					
LEATHER BAGS	43.89	54.02	62.69	71.79	81.30
Total	43.89	54.02	62.69	71.79	81.30
COST OF SALES					
Raw material cost	21.00	24.72	28.62	32.70	37.13
Electricity Expenses	2.02	2.22	2.44	2.68	2.95
Depreciation	0.82	0.70	0.59	0.51	0.43
Wages & labour	9.96	11.45	13.17	15.15	17.42
Repair & maintenance	0.33	0.54	0.75	0.90	0.91
Consumables	0.66	0.81	0.94	1.08	1.22
Packaging cost	0.44	0.54	0.75	0.86	0.89
Cost of Production	35.22	40.98	47.27	53.87	60.95
Add: Opening Stock	-	2.19	2.70	3.13	3.59
Less: Closing Stock	2.19	2.70	3.13	3.59	4.07
Cost of Sales	33.03	40.47	46.84	53.42	60.48
GROSS PROFIT	10.86	13.55	15.86	18.37	20.83
Salary to Staff	3.72	4.28	4.92	5.66	6.51
Interest on Term Loan	0.49	1.40	0.31	0.19	0.07
Interest on working Capital	0.45	0.45	0.45	0.45	0.45
Rent	2.88	3.17	3.48	3.83	4.22
Selling & Administration Expenses	1.10	1.22	1.41	1.62	1.83
TOTAL	8.64	10.51	10.57	11.74	13.07
NET PROFIT	2.23	3.04	5.28	6.63	7.76
Taxation			0.18	0.45	0.68
PROFIT (After Tax)	2.23	3.04	5.10	6.18	7.08

CALCULATION OF D.S.C.R

PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
CASH ACCRUALS	3.05	3.74	5.70	6.68	7.51
Interest on Term Loan	0.49	1.40	0.31	0.19	0.07
Total	3.54	5.13	6.01	6.87	7.58
REPAYMENT					
Instalment of Term Loan	0.56	1.11	1.11	1.11	1.11
Interest on Term Loan	0.49	1.40	0.31	0.19	0.07
Total	1.05	2.51	1.42	1.30	1.18
DEBT SERVICE COVERAGE RATIO	3.38	2.05	4.23	5.29	6.45
AVERAGE D.S.C.R.					4.28

REPAYMENT SCHEDULE OF TERM LOAN							
					Interest	11.00%	
Year	Particulars	Amount	Addition	Total	Interest	Repayment	Closing Balance
1st	Opening Balance	-					
	1st month		5.00	5.00	-	-	5.00
	2nd month	5.00	-	5.00	0.05	-	5.00
	3rd month	5.00	-	5.00	0.05	-	5.00
	4th month	5.00	-	5.00	0.05	-	5.00
	5th month	5.00	-	5.00	0.05	-	5.00
	6th month	5.00	-	5.00	0.05	-	5.00
	7th month	5.00	-	5.00	0.05	0.09	4.90
	8th month	4.90	-	4.90	0.04	0.09	4.81
	9th month	4.81	-	4.81	0.04	0.09	4.72
	10th month	4.72	-	4.72	0.04	0.09	4.63
	11th month	4.63	-	4.63	0.04	0.09	4.53
	12th month	4.53	-	4.53	0.04	0.09	4.44
					0.49	0.56	
2nd	Opening Balance						
	1st month	4.44	-	4.44	0.04	0.09	4.35
	2nd month	4.35	-	4.35	0.04	0.09	4.26
	3rd month	4.26	-	4.26	0.04	0.09	4.16
	4th month	4.16	-	4.16	0.04	0.09	4.07
	5th month	4.07	-	4.07	0.04	0.09	3.98
	6th month	3.98	-	3.98	1.00	0.09	3.89
	7th month	3.89	-	3.89	0.04	0.09	3.79
	8th month	3.79	-	3.79	0.03	0.09	3.70
	9th month	3.70	-	3.70	0.03	0.09	3.61
	10th month	3.61	-	3.61	0.03	0.09	3.52
	11th month	3.52	-	3.52	0.03	0.09	3.42
	12th month	3.42	-	3.42	0.03	0.09	3.33
					1.40	1.11	
3rd	Opening Balance						
	1st month	3.33	-	3.33	0.03	0.09	3.24
	2nd month	3.24	-	3.24	0.03	0.09	3.15
	3rd month	3.15	-	3.15	0.03	0.09	3.05
	4th month	3.05	-	3.05	0.03	0.09	2.96
	5th month	2.96	-	2.96	0.03	0.09	2.87
	6th month	2.87	-	2.87	0.03	0.09	2.78
	7th month	2.78	-	2.78	0.03	0.09	2.68
	8th month	2.68	-	2.68	0.02	0.09	2.59
	9th month	2.59	-	2.59	0.02	0.09	2.50
	10th month	2.50	-	2.50	0.02	0.09	2.41

11th month	2.41	-	2.41	0.02	0.09	2.31
12th month	2.31	-	2.31	0.02	0.09	2.22
				0.31	1.11	
4th Opening Balance						
1st month	2.22	-	2.22	0.02	0.09	2.13
2nd month	2.13	-	2.13	0.02	0.09	2.04
3rd month	2.04	-	2.04	0.02	0.09	1.94
4th month	1.94	-	1.94	0.02	0.09	1.85
5th month	1.85	-	1.85	0.02	0.09	1.76
6th month	1.76	-	1.76	0.02	0.09	1.67
7th month	1.67	-	1.67	0.02	0.09	1.57
8th month	1.57	-	1.57	0.01	0.09	1.48
9th month	1.48	-	1.48	0.01	0.09	1.39
10th month	1.39	-	1.39	0.01	0.09	1.30
11th month	1.30	-	1.30	0.01	0.09	1.20
12th month	1.20	-	1.20	0.01	0.09	1.11
				0.19	1.11	
5th Opening Balance						
1st month	1.11	-	1.11	0.01	0.09	1.02
2nd month	1.02	-	1.02	0.01	0.09	0.93
3rd month	0.93	-	0.93	0.01	0.09	0.83
4th month	0.83	-	0.83	0.01	0.09	0.74
5th month	0.74	-	0.74	0.01	0.09	0.65
6th month	0.65	-	0.65	0.01	0.09	0.56
7th month	0.56	-	0.56	0.01	0.09	0.46
8th month	0.46	-	0.46	0.00	0.09	0.37
9th month	0.37	-	0.37	0.00	0.09	0.28
10th month	0.28	-	0.28	0.00	0.09	0.19
11th month	0.19	-	0.19	0.00	0.09	0.09
12th month	0.09	-	0.09	0.00	0.09	-
				0.07	1.11	
DOOR TO DOOR	60	MONTHS				
MORATORIUM PERIOD	6	MONTHS				
REPAYMENT PERIOD	54	MONTHS				

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