

LEATHER BAGS MAKING

1. INTRODUCTION

People use shopping bags to carry things to home ,which they purchase from market. Different material like cloth, nylon, plastic etc are used for manufacturing of bags. But they are less durable and lack aesthetic appeal. Leather can be used for manufacturing high quality shopping bags to carry grocery, cloth ,cosmetics and other such similar items. Most of the women used leather hand bags in India . The raw material availability is high in Tribal areas of AP and Orissa state. The industry depends on tanning industry.

2. MARKET

There is considerable demand in the local market and export. The people are very fashion conscious, especially the younger generation do not mind paying a high price for fashionable items having aesthetic value. Most of the leather shopping bags that are sold in the local market are manufactured in other states. It is assumed that if some units start manufacturing leather shopping bags they can easily capture the local market.-

3. MANUFACTURING PROCESS

The different components as per the approved design is clicked from dry milled pigmented lining leather by hand. The edges of these components are skived by hand to remove bulkness at seams. Then the components of lining are clicked. The components are then taken for stitching. The decorative items like buckles, buttons, chains are fitted. Then the bags are finished for removing different defects. Before taking the bags for marketing they are packed properly.

4. PRODUCTION CAPACITY PER ANNUM

Capacity 7000 Bags per annum
Selling Price Rs. 180 Per kg

5. PROJECT COST/CAPITAL INVESTMENT

S.No	Description	Amount Rs.
1	Preliminary & Preoperative Expns	2000
2	Fixed Capital	118000
3	Working Capital for 1 month(s)	95615
	Total Project Cost	215615

6. MEANS OF FINANCE

S.No	Description	%age	Amount Rs.
1	Promoter Contribution	15%	32342.25
2	Subsidy /Soft Loan	20%	43123
3	Term Loan	65%	140149.8
	Total		215615

7. FINANCIAL ASPECTS

A. FIXED CAPITAL

i. Land and Buildings Rented 2000 per month

ii. Machinery and Equipment

S.No	Description	Qty.	Rate	Amount Rs.
1	Leather finishing and stitching machii Nos	1	90000	90000
2	Sewing machines	2	6000	12000
	Other tools Lum	1	10000	10000
5	Packing machine	1	3000	3000
6	Electrification	1	3000	3000
	Total			118000

B. WORKING CAPITAL

i. Salaries & Wages (per month)

S.No	Description	Nos.	Sal/mon.	Amount Rs.
1	Supervisor/Entrepreneur	1	2500	2500
2	Skilled	3	2000	6000
3	Unskilled	3	1500	4500
	Total			13000

ii. Raw Material (per month)

S.No	Description	Unit	Qty.	Rate	Amount Rs.
1	Ljning cloth	Mtrs	715	66	47190
2	Cloth	Mtrs	600	30	18000
3	Buckles	Nos	600	10	6000
4	Finishing chemicals		1	625	625
5	Packing material	Nos	600	0.5	300
	Total				72115

iii. Utilities (per month)

S.No	Description	Unit	Amount Rs.
1	Power	LS	2000
2	Water	LS	500
	Total		2500

iv. Other Expenses (per month)

S.No	Description	Amount Rs.
1	Postage & Stationery Expenses	1500
2	Transportation Expenses	1000
3	Advertisement Expenses	1000
4	Consumeble Stores	500
5	Miscellaneous Expenses	2000
	Total	6000

v. Total Working Capital (per month)

S.No	Description	Amount Rs.
1	Rent	2000
2	Salaries and Wages	13000
3	Raw Material	72115
4	Utilities	2500
5	Other Expenses	6000
	Total	95615

8. COST OF PRODUCTION (PER ANNUM)

S.No	Description	Amount Rs.
1	Total Working Capital	1147380
2	Depreciation @ 15%	17700
3	Interest @ 12%	16818
	Total	1181898

9. TURNOVER (PER YEAR)

S.No	Description	Unit	Qty.	Rate Rs.	Amount Rs.
1		Bags per ann	7000	180	1260000
	Total				1260000

10. FIXED COST (PER YEAR)

S.No	Description	Amount Rs.
1	Depreciation	17700
2	Interest	16818
3	Rent	24000
4	Salaries & Wages @ 40%	62400
5	Other Expenses incl. Utilities @ 40%	40800
	Total	161718

11. PROFIT ANALYSIS & RATIOS

1	Net Profit	Rs.	78102
2	Percentage of Profit on Sales		6%
3	Percentage of Return on Investment		36%
4	Break Even Point		67%