



Pre-Feasibility Study

(Production of Exotic Leather from Chicken Paw Skins)

**Pakistan Council of Scientific and Industrial Research. PCSIR.
HEAD OFFICE.
Constituent Avenue Sector G-5/2
Islamabad.
051-9225393**

**Leather Research Centre PCSIR,
D-102, S.I.T.E, South Avenue Karachi
Tel.# 021-32581018, 021-32570765,
Fax #021-32578748**

Note: All Services / information related to PM's Youth Business Loan are Free of Cost

March, 2014

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2. PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in Exotic Chicken Paw Leather by providing them a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain

industrial norms that become a guiding source regarding various aspects of business set-up and its successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later on, which form basis of any Investment Decision.

3. INTRODUCTION TO LEATHER RESEARCH CENTRE, KARACHI.

In 1959 Leather Section was established in PCSIR Labs., Karachi to serve the tanning industry, under the purview of the ministry of Science and Technology. In 1981 this Leather Section was upgraded into Research Division. Later on in 1984 Leather Research Division was upgraded into Leather Research Centre at SITE, Karachi. There is a team of Technologists along with highly qualified chemists and engineers form a well experienced and trained research group. For further promote the objectives of PCSIR and guide the Scientific and Industrial Research towards the utilization of indigenous resources, a Project of “Upgradation of Leather Research Centre” with a Cost of Rs. 39.50 millions was under taken in the year 2003 and was completed in 2007. New Leather Research Centre has established excellent facilities to strengthen the tanning industry.

4. EXECUTIVE SUMMARY

Leather Industry of Pakistan, including leather based manufactured goods, is ranked among Pakistan’s top 5 export earners, contributing significantly to the national exchequer. International demand for Pakistan’s leather products, low investment as compared to other sectors, easy availability of quality hides and skins, high quality craftsmanship, and cheap availability of skilled labor are some of the encouraging factors that provide a potent opportunity for a new entrant to venture into leather industry business.

The proposed chicken paw Leather processing business project entails involves a total investment of about Rs. 2.03 million. The project will generate direct employment opportunity at least for 6 persons. Higher return on investment and a steady growth of business is expected with the industrialist having some prior experience or education in the related field of business. This pre-feasibility encompasses essential information regarding various aspects of starting a Leather processing unit – Exotic business in Pakistan.

5. INTRODUCTION TO SCHEME

Prime Minister's 'Youth Business Loan', for young entrepreneurs, with an allocated budget of Rs. 5.0 Billion for the year 2013-14, is designed to provide subsidized financing at 8% mark-up per annum for one hundred thousand (100,000) beneficiaries, through designated financial institutions, initially by the National Bank of Pakistan (NBP) and the First Women Bank Ltd. (FWBL).

Loans from Rs. 0.1 million to Rs. 2.0 million with tenure up to 8 years inclusive of 1 year grace period, and a debt: equity of 90: 10 will be disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit Baltistan, Azad Jammu & Kashmir and Federally Administered Tribal Areas (FATA).

6. BRIEF DESCRIPTION OF PROJECT & PRODUCT

Leather goods industry of Pakistan enjoys active demand in the world as well as domestic markets. Besides being a potential source of foreign exchange earnings it provides an important means diversification within leather industry by allowing conversion of domestically produced leather into higher value added leather goods

Pakistan has an established manufacturing base for leather garments, leather gloves, leather goods and leather footwear's. This sector is an important foreign exchange earner. The exports of this sector's were 2.95billion during the year 2011-2012.

This industry also provides employments opportunities for skilled and semi skilled labor, which is easily available in area, where the cluster of this industry exist. The development of this industry not only offer attractive return on capital but is also advantageous to the economy as its exports maximize value addition to raw hide and skins

On other side the skins of chicken paws and other valuables material goes into poultry feeds or deputed with solid waste and cause adverse side effect on our environment because they contain protein material which are good source of microbes . They cause bad smell and are highly toxic to environment. These skins can be converted into exotic type leather for value added items like Ladies handbag, purse, passport holder visiting card holder keychain, man wallets and diary covers. Such leather good would be a potential source of foreign exchange earning.

The chicken paw leather processing unit needs an investment estimated at Rs.2.03million. This pre-feasibility is based on 01 Automatic drum and spray plant with a capacity of 8000 thousand pieces per week. The total labor required for this unit would be 8 persons.

7. CRITICAL FACTORS

- Availability of skilled labor.
- Awareness about international leather fashion trends especially exotic type articles.
- Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur and employees.
- Prior experience and related /education in the related field of business.
- Knowledge about Strict compliance regarding local and international environmental regulations and compliance requirements.
- Good quality leather conforming to the international standards like Registration, Evaluation, Authorization & Restriction of Chemical (REACH) substances.

8. INSTALLED & OPERATIONAL CAPACITIES

This pre-feasibility is based on 01 Automatic Drum with a capacity of 8000 piece/ week. The total labor required for this unit would be 6. Total number of pieces process in year one would be 332800 *achieving 80% of the total installed capacity, while maximum capacity (100%)* will be achieved with production reaching at 416000 piece. .

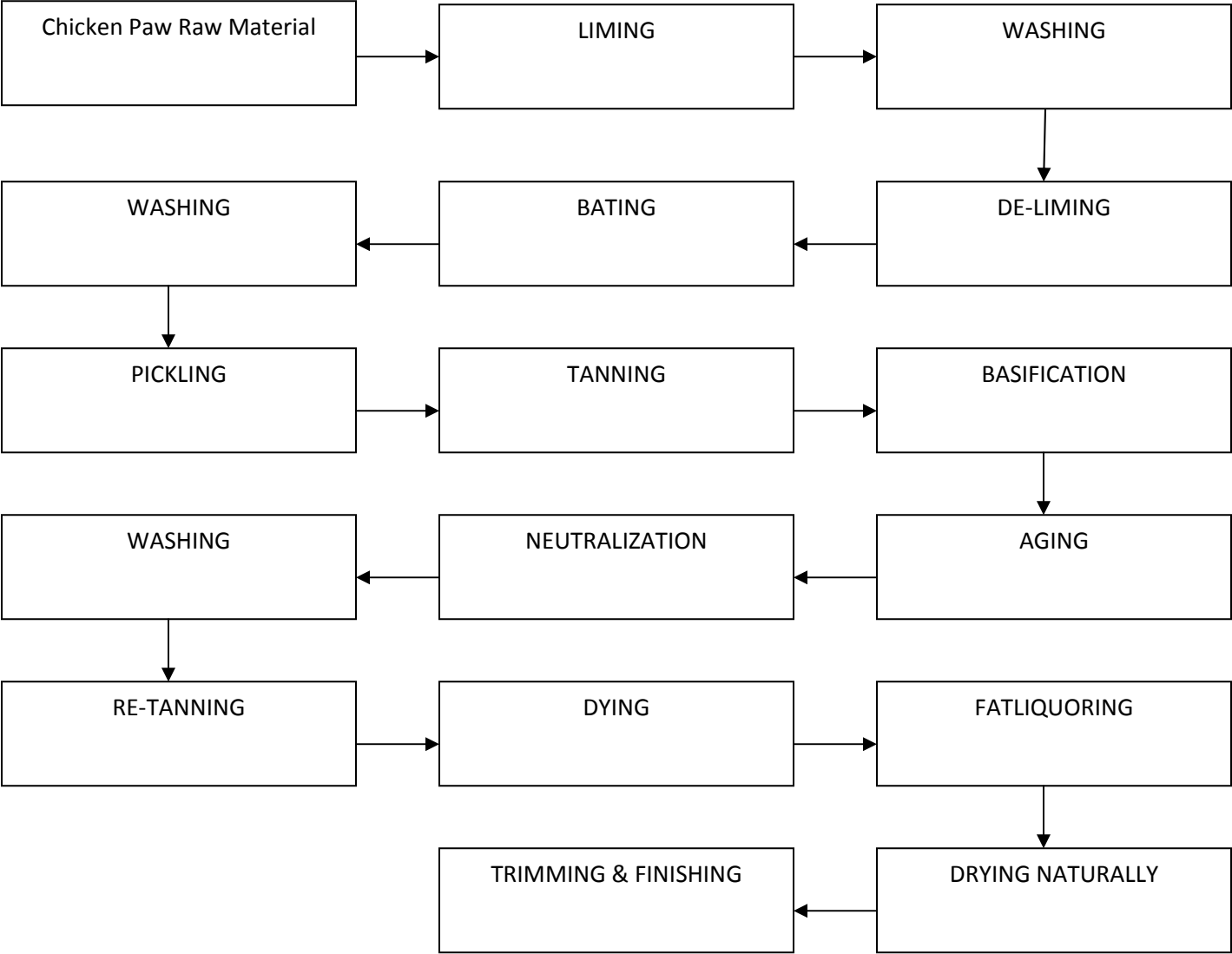
9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Karachi ,Sialkot , Kasor and Lahore are four key clusters of leather processing area's Availability of skilled labor is vital while selecting a location. All the above cities have adequate availability of skilled labor, raw material and other support infrastructure. Leather processing unit can be established in the suburbs / periphery areas of these cities.

10. POTENTIAL TARGET MARKETS

Exotic Leather will primarily be exported. Germany, USA, United Kingdom, Turkey, Japan, France & UAE are some of the key importing countries of Pakistani leather products. Export market customers mainly include chain stores and major leather product brands in Europe and USA.

11. PRODUCTION PROCESS FLOW



12. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of 'exotic Leather processing Unit – chicken paw leather under the 'Prime Minister's Youth Business Loan' scheme the project. Various cost and revenue related assumptions along with results of the analysis are outlined in this section.

12.1 Project Economics

The installed production capacity of the project is 4,16,0000 leather pieces per year. However during first year of operations, it will operate at 80% of the installed capacity producing 3,32,800 chicken paw piece.

The following table shows internal rate of return, payback period and Net Present Value;

Table 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	80%
Payback Period (yrs)	---
Net Present Value (NPV)	---

12.2 Project Financing

Following table provides details of the equity required and variables related to bank loan;

Table 2: Project Financing

Description	Details
Total Equity (10%)	Rs. 2,03,100
Bank Loan (90%)	Rs. 18,27,900
Markup to the Borrower (%age/annum)	8%
Tenure of the Loan (Years)	8
Grace Period (Year)	1

12.3. Project Cost

Following requirements have been identified for operations of the proposed business. A rented premise has been recommended for this project.

Table 3: Capital Investment for the Project

Capital Investment	Amount (Rs.)
Machinery	11,80,000
Furniture Fixture	138500
Office equipment	106500
Technology charges TBIC	400000
Pre operational expenses	96000
Total Capital Cost	19,21,000
Initial Working Capital	1,10,000
Total Project Cost	20,31,000.

12.4. Space Requirement

The area has been calculated on the basis of space requirement for production, management and storage. However, the units operating in the industry do not follow any set pattern. Following table shows calculations for project space requirement.

Table 4: Space Requirement

Space Requirement	Sq. Ft.
Management building	120
Processing area	600
Open area	200
Total Area	720

Premises may be obtained on rent @ Rs 30,000 per month.

12.5 Machinery and Equipment

Following table provides list of machinery and equipment required for an average exotic leather processing unit raw to finish.

Table 5: Machinery & Equipments

Equipment Description	Quantity	Cost Rs/unit	Total Rs.
Automatic drum 6'x 4' 15-20 RPM	01	10,00,000	10,00,000
Spray Plant (manual)	1	80,000	80,000
Accessories	--	1,00,000	1,00,000
Total		11,80,000/-	

12.6 Furniture & Fixture

Following furniture and fixture will be required for the unit:

Table 6: Furniture & Fixture

Details	Quantity	Cost	Amount
Office / Visitor Chairs	6	6,000	36000.0
Office Tables	2	10,000	20000.0
Fans	5	3,500	17,500.0
Air Conditioner (1.5 ton Split) for office	1	65,000	65,000.0
Total			138500.0

12.7. Office Equipment

Office equipment comprises of necessary IT equipment and furniture items.

Details	Quantity	Cost	Amount
Computer laptop	1	50,000	50,000.0
Computer desktop (used)	1	25,000	25,000.0
Computer printer	1	15,000	15,000.0
Flat bed scanner	1	10,000	10,000.0
Networking	1	5000.0	5000.0
Telephone	1	1,500	1,500.0
Total			106500.0

12.8 Raw Material Requirements

The chicken paw skins are easily available in local market and can be converted into exotic leather. **Technology for exotic leather from chicken paw available at leather research centre PCSIR through TBIC** the use of this novelty leather in conventional leather items may increase their values thousand times.

Table 8: Cost of Materials

Unit	Rate (Rs.)	Amount
Raw material chicken paw	150per kg	150.0 200pieces
Total Chemicals	150..00	150.0
Electric , water ,	100.0	100.0
Cost per Unit		400.00/

8000pieces per week

Cost per piece Rs.5.43

12.9 Human Resource Requirement

Following table provides details of human resource required for this venture:

Table 9: Human Resource Requirement

Description	No. of Employees	Salary per employee per month (Rs.)
Owner Manager	1	50,000
Leather technologist	1	16000
Helpers	2	16000
Security	2	12000.
Total Staff	6	94,000

Salaries of all employees are estimated to increase at 10% annually.

12.10 Revenue Generation

Product	Sales Price (Rs./Unit)	First Year Sales Quantity	First Year Sales Revenue (Rs)
Chicken paw leather	Rs. 8 per piece	416,000 piece	33,28000

12.11 Other Costs

Other essential costs to be borne by the company are; promotional and communication expenses due to the export nature orientation of the business.

13. CONTACT DETAILS

Director ,
Leather Research Centre ,PCSIR ,
D-102, S.i.t.e , South Avenue Karachi.
Tel# 021-32581018,0213570765