

M/s. Euro Safety Footwear (India) Pvt. Ltd, BO: IBB, Agra

Techno economic viability report- M/s Euro Safety Footwear Pvt Ltd, IBB Agra, CO Agra

Captioned party has proposed for Sanction of fresh term loan of Rs 13.50 Cr. for the expansion of existing unit. Accordingly site was inspected on dated 26.02.2020

M/s Euro Safety Footwear (India) Pvt. Ltd. is an Export oriented unit and the company has also entered in the domestic market through supply of shoes in bulk to Government departments etc. The company is an associate/allied concern of M/S Roger Industries Ltd. which is 100% export unit. Roger Group is one the valued customers dealing with the Bank since 1989 exclusively. This company is dealing with the Bank since inception in November 2005 and its entire financial needs have been met by the bank. The company has been established in Dec 2004 and has its Regd. office at B-49/4, 49/5, 54/2, 54/3 EPIP, Shastripuram, Agra and Corporate office at B-49/4, 49/5, 54/2, 54/3, EPIP, Shastripuram Agra. The Company is manufacturer & exporter of Leather Shoes (EOU) with a capacity of 3600 pairs per day. (Proposed Capacity 22.00 lacs per annum after proposed expansion), Sole Banking with us.

Other than this party is enjoying Fund based working capital limits of Rs 42.00 cr, NFB facilities of Rs. 8.00 cr. existing three term Loans with present o/s of Rs.5.67 cr, forward contract limit of Rs.135.00 cr.

| | Address | PIN Code | Phone | E mail |
|---------------|--|----------|----------------|-----------------------|
| WORK/ FACTORY | B-49/4, B-49/5, B-49/6, B-54/2, B-54/3, Industrial Area, Shashtripuram, Agra, -282007. | 282007 | +919897583682 | office@eurosafety.com |
| WORK/ FACTORY | B-54 & B-54/1, Industrial Area, EPIP, Agra | 282007 | +919897583682- | office@eurosafety.com |

| | |
|--|---|
| Constitution | PVT.LTD COMPANIES |
| Date of incorporation/Establishment | 03/12/2004 |
| Dealing with PNB since | 2005 (since inception) |
| Industry/Sector | Leather footwear Ind. |
| Business Activity (Product) / Installed Capacity | Mfg. & exporter of leather Shoes Capacity: Existing:-20 lakh p.a, Proposed-22 lakh p.a. |
| Corporate Identity No. (CIN) | U19201UP2004PTC029359 |

Name of promoters/ Directors:

| Name And | Address/Mobile No./e-mail address of Main | Whether |
|----------|---|---------|
|----------|---|---------|

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M/s. Euro Safety Footwear (India) Pvt. Ltd, BO: IBB, Agra

| Designation | Directors/Guarantor Directors/Key persons | Promoter/ Professional/ Nominee |
|-------------------|---|---------------------------------------|
| Stella Budhiraja, | 24- Lajpat Kunj, Agra 9897026682, office@rogerexports.com | Promoter |
| Varun Budhiraja, | 24, lajpatkunjagra, 9897026682, office@rogerexports.com | Professional |
| Kulbir singh, | 303, Kaveri Green Grand, Kailash Bihar, Agra, | Promoter |
| Dalbir Kaur, | 303, Kaveri Green Grand Kailash Bihar Agra, 9837091457, | Promoter |
| Deepak Budhiraja, | 24-Lajpat Kunj, Agra, 9927230666, Office@rogerexports.com | Promoter |

The company is being managed by the Board of Directors and ensuring smooth running of the Unit. Managing Director Mr. Kulbir Singh is a graduate engineer and having long experience in the manufacturing of shoes for International Market.

Mr. Deepak Budhiraja, Director is also having experience in the line of activity and is looking after quality checking for International Market. Mrs. Dalbir Kaur, Director is overall in charge of finance department of the Company. Mr. Varun Budhiraja has been appointed as Professional director in the company w.e.f. 05.11.2015.

The directors are well experienced in line of business. It is a pvt ltd company and all directors are family members. The next generation will take over the business in due course.

Resources:

Land, water, power, communication, labour as well as Transportation facility is properly available where the site expansion is proposed.

Purpose

The company has proposed to expand existing plant for manufacturing of Safety Shoes to the capacity of 22 lacs pairs shoes at B49, B49/1 To 3, EPIP Industrial Area, Agra for which they have proposed for fresh Term Loan of Rs.13.00 Crore for construction of building, installation of plant & machinery and other fixed assets.

The cost of project would be Rs 25.46 cr and means of finance will be in the shape of Term Loan of Rs. 13.50 cr. & internal accruals of Rs. 11.96 cr.

Out of the above COP, the company is planning to import machineries costing approx Rs.10.11crores and intends to open FLC (capital goods) of Rs. 6.00 crores in favour of machinery suppliers. These FLC's will be paid by way of debiting term loan.





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Summary of cost of project and means of finance

| Cost of Project | Amount in Crore |
|--|-----------------|
| *Land | 4.77 |
| Building | 8.79 |
| Plant and Machinery | 10.11 |
| Furniture and Fixtures including Industrial Electrification & Lift | 0.80 |
| Contingency and spares etc. | 0.99 |
| Margin Money For WC | 0.00 |
| Total | 25.46 |

| Means of Finance | Amount in Crore |
|-----------------------------------|-----------------|
| Capital/Fresh Funds from Promoter | 0.00 |
| Internal Accruals | 11.96 |
| Term Loan | 13.50 |
| Unsecured Loan | 0.00 |
| Total | 25.46 |

The land is owned by the company and it is mortgaged as collateral security to secure credit facilities sanctioned in favour of a Group concern M/s Euro Safety Equipment Private Limited. Due to this reason the Value of land is not taken as primary security in the account. By not adding the value, the cost of project & means of finance comes as under:

Cost of Project:

| Cost of Project | Amount in Crore |
|--|-----------------|
| Building | 8.79 |
| Plant and Machinery | 10.11 |
| Furniture and Fixtures including Industrial Electrification & Lift | 0.80 |
| Contingency and spares etc | 0.99 |

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| | |
|-------|-------|
| Total | 20.69 |
|-------|-------|

Land – Rs. 4.77 crores:-

The company has already purchased factory land being IP plot no. B49, B49/1 to B49/3 at EPIP industrial Area Agra. Cost of these two IP's is Rs. 4.77 crores including registration expenses & other charges. The total cost has been taken as Rs. 4.77 crores.

Building – Rs. 8.79 crores:-

Proposed cost of construction is 8.79 crores as per estimate submitted by Architect firm M/s Infinity. The same has been vetted by approved valuer at ours M/S Nirmaan and the cost of construction has been remained same as Rs.8.79 cr.

Plant & Machinery – Rs. 10.11 crores:-

Out of total Plant & Machinery costing Rs. 10.11 crores, machinery costing 2.74 crores approx. is to be imported either directly or through their agents in New Delhi.

List of plant & machinery is appended here below –

| MACHINE REQUIRED FOR 2000 PAIRS/DAY | | | | | | | | | | | |
|-------------------------------------|--------------------------|------------------|-----------|---------|----------------|------|---------|-----------|-----------|------|--------------|
| CUTTING DEPARTMENT | | | | | | | | | | | |
| No. | Name | SUPPLIER | MAKE | MODEL | Total Capacity | Nos. | R (CFM) | ER (K.W.) | E in US\$ | Rate | PRICE in INR |
| 1 | CUTTING MACHINE | ARES | ARES | F50 | 100 PAIRS | 4 | | 6 | 19500 | | |
| 2 | MATERIAL CUTTING MACHINE | ARES | ARES | F50 | 500 PAIRS | 2 | | 6 | | 72 | 1,404,000.00 |
| 3 | HEAVY DUTY BEAM PRESS | NINGBO MAMA PAPA | Atom | SP588/3 | 200 PAIRS | 2 | | 6 | 19400 | 72 | 1,396,800.00 |
| PREPRATION DEPARTMENT | | | | | | | | | | | |
| No. | Name | SUPPLIER | MAKE | MODEL | Total Capacity | Nos. | R (CFM) | ER (K.W.) | PRICE | Rate | PRICE in INR |
| 4 | SKIVING MACHINE | TOPSON | TOPSON | KA226 | 300 PAIRS | 7 | | 3 | INR | - | 33,800.00 |
| 5 | CLOTH PASTING | SIECK | WSK | 401 | 700 PAIRS | 1 | | 5 | 5750 | 80 | 460,000.00 |
| 6 | STAMPING MACHINE | WESTERN | WESTERN | | 500 PAIRS | 3 | | 3 | INR | - | 157,500.00 |
| 7 | SPLITTING MACHINE | SIECK | FORTUNA | AN 400 | 200 PAIRS | 1 | | 2 | 10500 | 80 | 840,000.00 |
| 8 | CE LABEL PASTING MACHINE | NINGBO MAMA PAPA | YILI | YL-8875 | | 1 | | 1 | 3850 | 72 | 277,200.00 |
| 9 | EMBOSSING MACHINE | NGEETHA ENT | RANGEETHA | SE005 | | 1 | 2 | 1 | 0 | | 70,800.00 |
| SOCKS DEPARTMENT | | | | | | | | | | | |
| No. | Machine Name | SUPPLIER | MAKE | MODEL | tal Capacity | Nos. | R (CFM) | ER (K.W.) | PRICE | Rate | PRICE in INR |
| 10 | 31K MACHINE | TOPSON ENT | | 31K | | 7 | | 3 | INR | - | 8,500.00 |
| 11 | ZIG ZAG MACHINE | HIND ENT | HIND | | | 2 | | 1 | INR | - | 10,080.00 |

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| R DEPARTMENT | | | | | | | | | | | |
|---------------------|------------------------------|---------------------|----------|-------------|----------------|------|-----------|--------------|-------|------|--------------|
| USE 50000 PRS/MONTH | | | | | | | | | | | |
| No. | Name | SUPPLIER | MAKE | MODEL | Total Capacity | Nos. | AIR (CFM) | POWER (K.W.) | PRICE | Rate | PRICE in INR |
| 12 | POST BED SINGLE NEEDLE | YUN SHUAIMA | TOYO | TY-8810 | | 60 | | 30 | 28300 | 72 | 2,043,360.00 |
| 13 | POST BED DOUBLE NEEDLE | YUN SHUAIMA | TOYO | TY-8820 | | 40 | | 20 | 22120 | 72 | 1,592,640.00 |
| 14 | ZIG ZAG MACHINE | HIND ENT. | HIND | | | 10 | | 5 | INR | INR | 10,080.00 |
| 15 | THREAD BURNING | KALRA MACHINE TOOLS | KMT | | | 3 | | 4 | INR | INR | 38,940.00 |
| 16 | GLUE SPRAY | GAITONDE | GAITONDE | | | 5 | 2 | | | | 313,880.00 |
| EYELET | | | | | | | | | | | |
| S.No. | Machine Name | SUPPLIER | MAKE | MODEL | Total Capacity | Nos. | AIR (CFM) | POWER (K.W.) | PRICE | Rate | PRICE in INR |
| 17 | AUTOMATIC O-RING | TMC | | C56 | 700 PAIRS | 1 | 1 | 1 | 12400 | 80 | 992,000.00 |
| 18 | EYELETING | TMC | | 96 10 | | 1 | 1 | 1 | 7200 | 80 | 576,000.00 |
| 19 | HOOK MACHINE | RS MACHINE TOOLS | | | | 3 | 1 | | INR | INR | 113,280.00 |
| 20 | PLASTIC HOOK SPS | TMC | SPS | 85 4 PL | | 1 | 1 | | 10800 | 80 | 864,000.00 |
| STROBEL DEPARTMENT | | | | | | | | | | | |
| S.No. | Machine Name | SUPPLIER | MAKE | MODEL | Total Capacity | Nos. | AIR (CFM) | POWER (K.W.) | PRICE | Rate | PRICE in INR |
| 21 | Counter Moulding MC | YILI | YILI | YL 686N 2HC | 1000 PRS/mc | 2 | 4 | 7 | 15800 | 72 | 1,137,600.00 |
| 22 | Strobel MC | GLOBAL | STROBEL | 441-1 | 400 PRS/mc | 4 | | 4 | 13580 | 80 | 1,086,400.00 |
| 23 | Strobel MC Heavy Duty | SIECK | STROBEL | KL 410-1 EV | | 1 | | 1 | 7450 | 80 | 596,000.00 |
| CEMENT LASTING LINE | | | | | | | | | | | |
| S.No. | Machine Name | SUPPLIER | MAKE | MODEL | Total Capacity | Nos. | AIR (CFM) | POWER (K.W.) | PRICE | Rate | PRICE in INR |
| 24 | Lasting Conveyor | KALRA MACHINE TOOLS | KMT | | 80 feet | 1 | | 2 | INR | INR | 711,540.00 |
| 25 | Toe Lasting MC | TMC | CERIM | K785Z-R | 700 PRS/mc | 2 | | 10 | 44000 | 80 | 3,520,000.00 |
| 26 | Muling MC | KALRA MACHINE TOOLS | KMT | | 700 PRS/mc | 2 | | 15 | INR | INR | 385,800.00 |
| 27 | Heel Sander | KALRA MACHINE TOOLS | KMT | | | 1 | | 8 | INR | INR | 342,300.00 |
| 28 | Buffing MC | KALRA MACHINE TOOLS | KMT | | DOUBLE SYSTEM | 1 | | 3.5 | INR | INR | 295,000.00 |
| 29 | Plate Press | KALRA MACHINE TOOLS | KMT | | | 1 | 2 | 0.5 | INR | INR | 348,100.00 |
| 30 | Heat Activator | KALRA MACHINE TOOLS | KMT | | | 1 | | 16 | INR | INR | 401,200.00 |
| 31 | Last d - lasting m/c | JORO TECH | GLOBAL | GL-902N-A1 | | 1 | | 1 | 2850 | 72 | 205,200.00 |
| 32 | Toe Filling MC | PIONEER TECH | PIONEER | | | 1 | 2 | 0.5 | INR | INR | 212,400.00 |
| 33 | Double pad sole press m/c | KALRA MACHINE TOOLS | KMT | | | 1 | 2 | | INR | INR | |
| 34 | Spray Booth | KALRA MACHINE TOOLS | KMT | | | 1 | 1 | 1.5 | INR | INR | 407,100.00 |
| 35 | Reactivating Plant for Soles | TMC | | 28TR | | 1 | 2 | | 9500 | 80 | 760,000.00 |

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Means of Finance:

| Means of Finance | Amount in Crore |
|-----------------------------------|-----------------|
| Capital/Fresh Funds from Promoter | 0.00 |
| Internal Accruals | 7.19 |
| Term Loan | 13.50 |
| Unsecured Loan | 0.00 |

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|----------|-------|
| Total | 20.69 |
| DER 1.88 | |

Promoters Contribution

The total promoter's contribution in the project is envisaged to be Rs. 11.96 Crore to be brought in by the company by way of internal accruals. Company has already incurred an expenditure of Rs. 4.77 Crores towards land acquisition and misc. fees. However land has not been taken as Primary security.

It has been further submitted that FLC of Rs. 6.00 crores workable within term loan is to be issued in favour of overseas suppliers. The said FLC will be repaid by debiting term loan @75% of FLC amount and remaining 25% amount will be repaid by liquidating FDR's held as margin against the said FLC.

Other costs include Furniture 0.80 crores, contingency 0.98 crores, including industrial electrification & lift installation and preliminary expenses. For furniture & fixture and Lift etc. no quotations were provided as it will be purchased from local suppliers of repute with some bargaining at borrower's end.

Implementation schedule

| Event | Target Timeline | Present Status |
|--------------------------------|------------------|-----------------------------|
| Company Incorporation | Existing Company | Completed |
| Purchase of land | Already acquired | Acquired |
| Construction start date | Feb 2020 | Digging work under process |
| Construction end date | December 2020 | NA |
| Placing orders for machineries | December 2020 | Placed for some machineries |
| Arrival of machineries | January 2021 | Yet to be arrived |
| Installation of machineries | February 2021 | After construction |
| Trial Runs | March 2021 | NA |
| Commercial production | April 2021 | NA |

Draw Down Schedule Month wise

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M/s. Euro Safety Footwear (India) Pvt. Ltd, BO: IBB, Agra

| Year | Month | Disbursement in crore | Cumulative amount in crore |
|-----------|-------------|-----------------------|----------------------------|
| 2020-2021 | Ist Quarter | 3.00 | 3.00 |
| 2020-2021 | II Quarter | 3.00 | 6.00 |
| 2020-2021 | III Quarter | 3.00 | 9.00 |
| 2020-2021 | IV Quarter | 4.50 | 13.50 |

Proposed Repayment Schedule

| | |
|--|---|
| Date of Commencement of Project | Already commenced |
| Implementation period (in months) | 15 months |
| Scheduled date of Completion of Project | March 2021 |
| Commercial Operations Date (COD) | April 2021 |
| Moratorium (in months) | 9 months |
| Repayment period in months/quarters/ Half year | Quarterly |
| No. of installment | 25 equal installments of Rs.52.00 lakh commencing from Dec 2020& 1 installment of Rs.50 lakh in March 2027. |
| Starting Date | 31 st Dec 2020 |
| End Date (Last instalment) | 31 st March 2027 |
| Door to door tenor | April 2020 to March 2027 (7 years) |

Industry Scenario

Executive Summary

The size of the Indian leather and leather products industry was an estimated at ~Rs 733 billion in 2017-18, with exports accounting for around 49 per cent of revenues. For the purpose of this IRS, only large integrated players with either complete operations until finished goods or also have retail outlets for better reach in domestic market would be included. In 2017-18, the total exports of the leather industry is estimated to have increased 3.2% to US\$5.5 billion due to a uptick in European and USA market which constitute for over 55% of the export market. On the other hand, domestic demand grew at a steady pace of 6-7% in fiscal 2018. Thus, overall revenues of leather industry are estimated to have increased by ~3% in fiscal 2018. Over the next 3 years (2018-19, 2019-20 and 2020-21), the revenues are expected to grow at ~ 5% CAGR as compared to 1-2% CAGR in the last 3 years. Competition from countries like China, Italy, Hong Kong and France will continue. On the domestic front, the industry is highly fragmented, and is characterized by the presence of several small and medium enterprises (SMEs), leading to intense competition.

Background

M/s. Euro Safety Footwear (India) Pvt. Ltd, BO: IBB, Agra

The leather and leather products industry in India has been an export heavy sector with ~50% of revenues for the industry coming through exports. Leather goods and products comprise footwear and footwear components, leather garments and goods, shoe uppers, and finished leather. The primary production centres for leather and leather products in India are Chennai, Ambur, Ranipet, Vaniyambadi, in Tamil Nadu; Kolkata in West Bengal; Kanpur, Unnao and Agra in Uttar Pradesh; Jalandhar in Punjab; Bengaluru in Karnataka; Hyderabad in Andhra Pradesh; Mumbai in Maharashtra; and in and around Delhi. There are ~12000-14000 SME units in India and which account for ~85-90% of industry's revenues. The leather industry ranks eighth in India's export trade. The chief export markets are Germany, France, Hong Kong, Italy, Spain, the UK and the US accounting for over 55% of overall exports from the country.

Demand - Supply

We estimate the Indian leather industry's revenue to have increased by ~8% to about ~Rs 790 billion in fiscal 2019. Exports accounted for around 49 per cent of revenues while domestic sales accounted for the rest. However, exports declined in dollar terms in Fiscal 2019 by around 1%. The decline in exports was due to decrease in demand in the European and Chinese market due to rising demand for synthetic leather. However, due to the depreciation of rupee by 8%, the exports increased by 7% (in rupee terms). Over fiscals 2019-20 and 2020-21, leather exports are expected to rise by about 2-3% per cent (in dollar terms). The growth will primarily be aided by a depreciated rupee and incremental demand expected from USA (as US govt. is expected to impose tariffs on footwear from China). Further, an increase in rebate given to exporters to five per cent, from three per cent, in the case of loans granted in the pre-shipment and post-shipment stages (which account for over 70 per cent of loans) is expected to give a further fillip to leather exports. On the domestic front, revenues increased by a faster 8-9% in fiscal 2019 and were primarily driven by footwear, garments and goods segment (which constituted for ~75-80% of domestic market in fiscal 2019). Our industry interactions suggest that players have had a healthy domestic order book for fiscal 2020 and we believe that these segments will continue to drive growth over the next two fiscals. Further, the import duty hike on leather footwear to 20-25% and leather goods such as suitcases and bags from 10% to 15% is also expected to have a marginally positive impact on domestic sales.

Government policies

