

Form 1.

Summary of leather production unit with modern technology

1. Introduction to products or services

1.1. The goal of plan

The main goal of this plan is to establish the leather production unit with annual capacity of 3000000 f² in Lorestan province. This plan will be exploited from 2018 with 70 personnel and 70% of the practical capacity in 1 working shift of 8 hours and 300 day annually and will reach its 100% of the practical capacity by 2020.

1.2. Characteristics and advantages

Leather is a durable and flexible material obtained from animals' skin tannery. Due to being breathable, leather is of particular and important place in garment section. The raw skin in its natural form is not consumable; since it is corroded over time and its properties changes due to the temperature fluctuations. It is rigid in cold and soft in warm weather. The tannery process makes the skin non-spoilable, naturally stable and durable and flexible material for different applications. The leather in combination with wood was used in ancient technologies.

Skin structure: epidermis layer, dermis layer, hypodermis layer

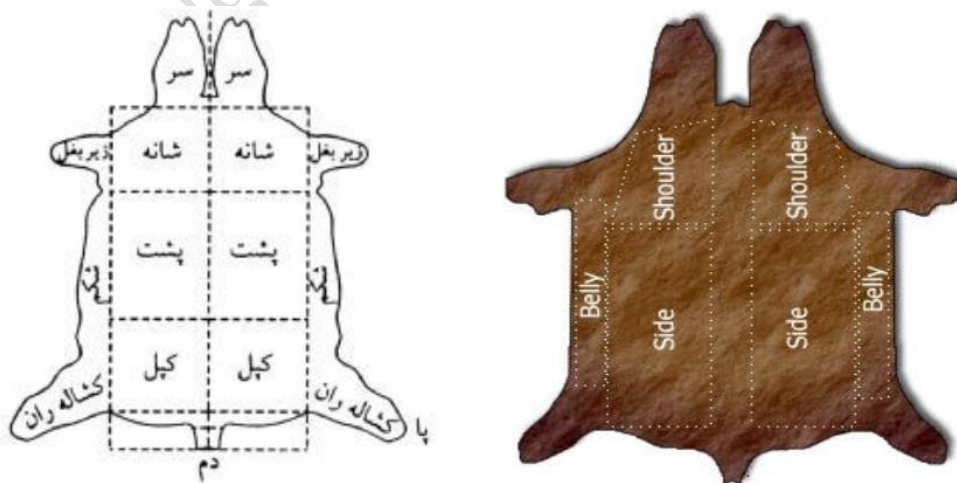
Epidermis layer: it is the outer layer of the skin which is usually thin and its sub-layers are: cuticles, transparent layer, grain layer, barbed layer and germinal layer.

Dermis layer: this is the layer under the epidermis and is the main material becomes leather and includes:

Upper layer and grid layer

Hypodermis layer: the third and last layer of the skin which is connected to the muscular tissues.

Skin different parts



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1.3. Custom fees

Table1. Leather custom fees and tariffs

Description	Tariff code	Fees	VAT
Leather	41071100, 41071200, 41071900, 41079100, 4107920, 41079900, 41120000, 41131000, 41132000, 41133000, 41139000, 41141000, 41141000, 41142000, 41151000, 41152000	26-32	9

1.4. ISIC code

The plant considered is for producing light and heavy leather. The ISIC code related to this product is 1911 in the department of industry, mine and commerce systems in subgroup of natural leather production and its measurement scale is f².

Table2. Product ISIC code

ISIC code	Description	Scale
1911512318	Light leather	f ²
1911512321	Heavy leather	f ²

1.5. Introduction to products application

Generally, more than 90% of the leather produced worldwide is consumed for shoes, bag, belt and garment, furniture and leather products. Moreover, there are other applications for leather: music instrument, fireproof blankets, washer and plug, laboratory delicate tools cover, parchment (high durability and strength), artificial part cover, cue, a type of hammer preventing from dust, water and soil passage with good filtration. Majority of applications of leather are as follow:

1. Cow leather
 - Leather shoes
 - Leather artifacts and bags
 - Industrial conveyor
 - Belt
 - Furniture cover and car seat cover
 - Industrial glove
 - Fantastic products
2. Goat leather
 - Shoe cover and austere
 - Leather cloths
 - Leather bag and artifacts such as lac, chamois leather, austere and wristlet
3. Sheep leather

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- Cloths
- Gloves
- Shoe surface cover
- Leather and fantastic artifacts and bag

2. Suggested sites

Based on surveys, the cities such as Aligudarz, Borujerd and Khoramabad are suitable sites for establishing this unit.

3. Raw, auxiliary materials and consumables

Raw materials in this plan include sheep light raw skin, cow heavy raw skin, sodium sulfur, lime, ammonium sulfate, sodium bisulfite, salt, formic acid, sulfuric acid, chrome 23%, magnesium oxide, sodium bicarbonate, antifungal material, sodium Fermi, TOP color, Sunnis, oil and acrylic Sunnis.

4. Sales plan and target market (local and foreign)

The target market at first is to supply locally in sections and then for additional production, the export would be done.

Table3. Products production and sales plan

Description	1 st	2 nd	3 rd	4 th
Production capacity	70%	80%	90%	100%
Production level				
Cow light leather	1050000	1200000	1350000	1500000
Sheep light leather	1050000	1200000	1350000	1500000
Total (f ²)	2100000	2400000	2700000	3000000
Sales level				
Cow light leather	136500	156000	175500	195000
Sheep light leather	63000	72000	81000	90000
Total (m.Rial)	199500	228000	256500	285000

5. Annual nominal and practical capacity

Nominal capacity

The Nominal capacity is the production in ideal situation. This capacity is registered by the machineries manufacturers and is based on the engineering and designing principles.

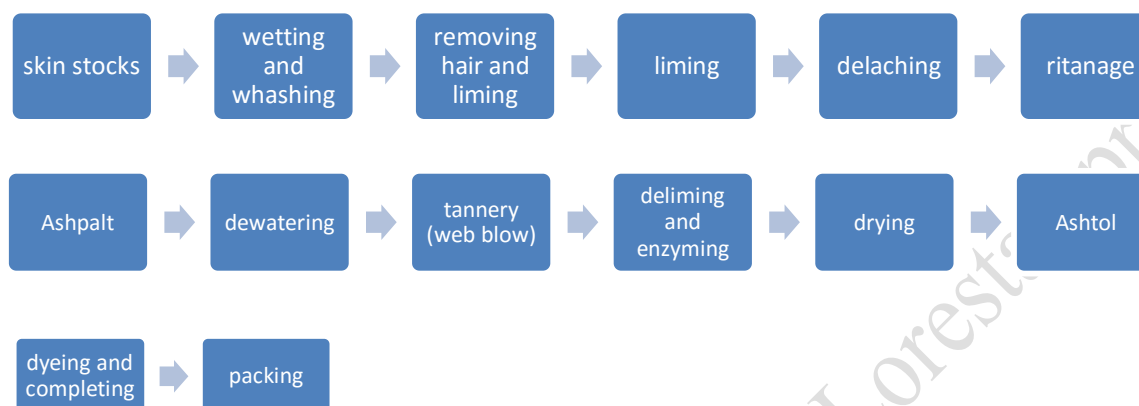
5.2. Practical capacity

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The practical capacity is the maximum available capacity in typical situation which is considered as a percentage of the nominal one. The practical capacity for this unit is 3000000 f² annually of natural leather (light and heavy) in 300 working days.

6. Production procedure and technology



7. Investment costs

7.1. Fixed investment

Table4. Investment costs

No.	Description	Costs			
		Dollar	Rial	Rial	Total
2	Land	0	0	10000	10000
3	Landscaping	0	0	5653	5653
4	Building construction	0	0	80295	80295
5	Machineries and equipment	4800000	165744	16574	182318
6	Branches and installation	0	0	8427	8427
7	Vehicles	0	0	3120	3120
8	Service and official equipment	0	0	295	295
9	Other and unpredicted costs (5% of above costs)	0	0	14505	14505
10	Pre-exploiting costs	0	0	1100	1100
11	Total fixed investment costs	165744	4800000	139969	305713
12	Working capital in 100% of capacity	0	0	30585	30585
13	Total investment costs	165744	4800000	170554	336298

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7.2. Working capital

Table7. Working capital

No.	Description	Day	1 st year	Base year
1	Raw and auxiliary materials	15	3043	4347
2	Current and produced products inventory	30	8405	11555
3	Debts	30	8571	11792
4	Cash	30	2328	2892
Total			22346	30585

8. Production costs

Table8. Production costs

Description	Total costs (m.Rial)
Raw and packing material	104318
Energy	2488
Repair, maintenance and spare parts	11033
Personnel's salary	12450
Unpredicted (6%)	7817
Depreciation	27226
Insurance	549
Sales and official costs	2850
Total operational and non-operational production costs	168732

9. Economic indices

Description	Amount-measurement scale
NPV	3939732 m Rial
IRR	26.18%
PBP	5.4 years equal to 2021

PROJECT PROFILE – SUMMARY SHEET

<i>Project Introduction</i>
1. Project title: establishment of the leather production unit with modern technology
2. Sector : making luggage, handbag, saddle, lace and shoes Sub sector: leather tannery
3. Products/Services: manufacturing light and heavy leathers
4. Location: ... Free zone <input type="checkbox"/> Economic special zone <input type="checkbox"/> Industrial Estate <input checked="" type="checkbox"/> Main Land <input type="checkbox"/>
5. Project description: Leather is a durable and flexible material obtained from animals' skin tannery. Due to being breathable, leather is of particular and important place in garment section. The raw skin in its natural form is not consumable; since it is corroded over time and its properties changes due to the temperature fluctuations. It is rigid in cold and soft in warm weather. The tannery process makes the skin non-spoilable, naturally stable and durable and flexible material for different applications.
6. Annual capacity: 1500000 f ² of light leather and 1500000 f ² of heavy leather

<i>Project Status</i>
7. Local / internal raw material access 100 %
8. Sale : 80% locally - Anticipated export market 20 %
9. Construction Period 2 Year Beginning of activity: 03/2016 In-site beginning of activity: 03/2017 End of project: 02/2018 Commercial activity beginning: 03/2018

Project Status

10. Project Status :

- Feasibility study available? Yes No
- Required land provided? Yes No
- Legal permissions (establishment license, foreign currency quota, environment, etc) taken? Yes No
- Partnership agreement concluded with local/foreign investor? Yes No
- Financing agreement concluded? Yes No
- Agreement with local / foreign contractor(s) concluded? Yes No
- Infrastructural utilities (electricity, water supply, telecommunication, fuel, road, etc) procured? Yes No
- List of know-how, machinery, equipment, as well as seller / builder companies defined? Yes No
- Purchase agreement for machinery, equipments and know- how concluded? Yes No

Financial Structure

11. Financial Table

Description	Local Currency Required			Foreign Currency Required Million Dollar	Total Million Dollar
	Million Rials	Rate	Equivalent in Million Dollar		
Fix Capital	131969	34530	4.1	4.8	8.9
Working Capital	30585	34530	0.12	0	0.9
Total Investment	170554	34530	4.9	0	9.7

- Value of foreign equipment/machinery 4.8 million dollar
- Value of local equipment/machinery 0.48 million dollar
- Value of foreign technical know- how 0 million dollar
- Value of local technical knows- how 0 million dollar

- Net Present Value (NPV): 3939732 million Rial for Year
- Internal Rate of Return (IRR) 26.18%
- Payback Period (PP) 5.4 Year (2021)

General Information

12. Project Type : Establishment Expansion and completion

13. Company Profile:

- Name (legal /natural persons) : Sepinud Shargh institute of strategic studies
- Company Name : engineering consultation
- Address : unit 5, No. 3, Boostan 3 St., Pasdaran, Tehran
- Tel: 02122584901 Fax: 02122580343
- E-mail: info@sepinud.com Web site: www.sepinud.com

- Local entrepreneur : private sector public sector other

Please attach follow documents if available

- Pre-feasibility study ■
- Feasibility study □
- Legal permissions (establishment license, foreign currency quota, environment, etc) □

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