



## **SHOE STORE**

### **Introduction**

A shoe is a type of footwear designed to keep the human foot safe and comfortable. Shoes can also be used for fashion and adornment. Shoes have evolved dramatically over time and from culture to culture, with shape and function initially being intricately linked. Fashion has also influenced numerous design components, such as whether or not shoes have very high heels or are flat. The style, complexity, and cost of contemporary footwear vary greatly. Simple sandals with simply a thin sole and a simple strap may be sold for a modest price. Famous designers' high-fashion shoes may be made of premium materials, have a complicated construction, and sell for a high price. Some shoes are created for specialised uses, such as climbing or skiing boots, while others have a broader application, such as sneakers, which have evolved from a single purpose sport shoe to a general purpose shoe. Shoes have traditionally been constructed of leather, wood, or canvas, but rubber, plastics, and other petrochemical-derived materials are increasingly being used.

### **Market Potential**

The Indian footwear market is growing steadily at the moment. With changing fashion and aesthetic trends in India, consumers are increasingly opting for footwear with advanced technical fabrications that provide maximum comfort in a variety of quality and styles. They are also suitable for both sports and non-athletic applications, resulting in a surge in demand across the country.

India, the world's second-largest buyer and producer of footwear, is expected to grow eightfold by 2030. From \$10.6 billion in 2019, India's footwear market is expected to grow to \$15.5 billion by 2022. India is the world's second-largest footwear producer, second-largest exporter of leather garments, and fifth-largest exporter of leather items. This portrays India to the rest of the globe as a country rich in potential in the footwear industry.

Over the next five years, it is predicted to expand at a rate of 11%. Non-leather footwear now accounts for 86 percent of global footwear consumption, and India is following suit. The non-leather footwear business has seen an increase in revenue as a result of this.

## Assumptions

1. For SME unit having yearly turnover of 500 lakhs, the Nayak Committee recommendation has been implemented by all the banks. Hence, we have worked out the funding requirement accordingly.
2. Sales of such trading units is majorly impacted by the selection of business location. The entrepreneur should examine all business aspects while selecting this location. Normally, a shoe store is established in a prevalent market area. Thus, we have assumed that the unit has been set up in a market area.
3. The shop premises of this unit is taken on lease. 500 sq. ft. is the proposed area which shall be spacious for stock display and stock-keeping.
4. Computation of Closing Stock is done on the basis of Working Capital cycle which is assumed to be of 3 months.
5. DSCR is high because of the term loan component is lesser than working capital requirement. We have not considered repayment for working capital and it is running on a continuous basis.

## Cost of Project

Particulars	Amount (Rs. in Lakhs)
Premises (Lease)	-
Interior Civil Work including False Ceiling, Wall Rack, Partition Rack, etc. (500 sq. ft. @ Rs. 700 per sq. ft.) (Shop Premises)	3.50
Equipment	-
Furniture and Fixtures	0.20
Electrical Equipment	1.00
Desktop and Printer	0.50
Software Cost (Tally/SAP)	0.30
Inverter (10 kv office inverter)	0.30
Preliminary & Preoperative Expenses	1.00
<b>Sub-total (A)</b>	<b>6.80</b>
Working Capital Margin @ 25% of Total WC Requirement	7.50
<b>Total Project Cost</b>	<b>14.30</b>
Total Working Capital Required (Lump sum) (B)	30.00
<b>MEANS OF FINANCE</b>	
<b>Total Funds Required (A+B)</b>	<b>36.80</b>
<u>Loan Component-</u>	-
TERM LOAN (75% of A)	5.10
WORKING CAPITAL (75% of B)	22.50
<b>Total</b>	<b>27.60</b>
Equity	9.20
<b>Total</b>	<b>36.80</b>

## Detailed Cost Element

Sl. No.	Particulars	Quantity	Rate	Amount (Rs. in Lakhs)
<b>Electrical Equipment</b>				
1	AC	1	50000	0.50
2	CCTV	LS	LS	0.25
3	Fan	LS	LS	0.15
4	Light	LS	LS	0.10
<b>Total</b>				<b>1.00</b>
<b>Furniture and Fixtures</b>				
1	Customer bench with cushion top	LS	LS	0.20
<b>Total</b>				<b>0.20</b>

## Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.10
Project Report Preparation	0.10
Interior Designer's Fee	0.25
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Salary (1 months)	0.32
Rent Expenses (1 months; Rs. 30/sq. ft.)	0.15
Interest Cost for Both Term Loan And CC (period before commercial production)	0.04
<b>Total</b>	<b>1.00</b>

## Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Sales Executive	1	2.40
Cashier	1	1.44
Sales staff	3	3.60

## Profitability Statement

Particulars	Amount (Rs. in lakhs)				
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5
<b><u>A. INCOME</u></b>					
Total Working Days in a Year	300	300	300	300	300
Estimated Sales per Day	0.40	0.44	0.48	0.53	0.59
Annual Sales	120.00	132.00	145.20	159.72	175.69
<b>Total income during the year</b>	<b>120.00</b>	<b>132.00</b>	<b>145.20</b>	<b>159.72</b>	<b>175.69</b>
<b><u>B. OPERATING EXPENSES</u></b>					
Stock Consumed (70% of Sales)	84.00	92.40	101.64	111.80	122.98
Salary	7.44	7.81	8.20	8.61	9.04
Rent	2.40	2.52	2.65	2.78	2.92
Power & utilities	2.40	2.45	2.50	2.55	2.60
Depreciation and Amortization	0.71	0.71	0.71	0.53	0.53
Administrative and General Expenses	2.40	2.64	2.90	3.19	3.51
<b>Total Operating Expenses</b>	<b>99.35</b>	<b>108.53</b>	<b>118.60</b>	<b>129.47</b>	<b>141.59</b>
<b>Operating Profit (A-B)</b>	<b>20.65</b>	<b>23.47</b>	<b>26.60</b>	<b>30.25</b>	<b>34.10</b>
<b><u>C.FINANCIAL EXPENSES</u></b>					
Interest on Term Loan	0.39	0.31	0.22	0.13	0.05
Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
<b>Total Expenses</b>	<b>2.31</b>	<b>2.22</b>	<b>2.13</b>	<b>2.05</b>	<b>1.96</b>
<b>Net Profit Before Tax</b>	<b>18.35</b>	<b>21.25</b>	<b>24.47</b>	<b>28.20</b>	<b>32.14</b>
Provision for Tax	4.59	5.31	6.12	7.05	8.04
<b>Profit after Tax (PAT)</b>	<b>13.76</b>	<b>15.94</b>	<b>18.35</b>	<b>21.15</b>	<b>24.11</b>

## Breakeven Point

Break Even Point (BEP)		Amount (Rs. In Lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
A.	Net Sales	120.00	132.00	145.20	159.72	175.69
B.	Variable Cost					
	Stock Consumed	84.00	92.40	101.64	111.80	122.98
	Power and Utility	2.40	2.45	2.50	2.55	2.60
	<b>Total Variable Cost</b>	<b>86.40</b>	<b>94.85</b>	<b>104.14</b>	<b>114.35</b>	<b>125.58</b>
C.	<b>Contribution (A-B)</b>	<b>33.60</b>	<b>37.15</b>	<b>41.06</b>	<b>45.37</b>	<b>50.11</b>
D.	Fixed cost					
	Salary	7.44	7.81	8.20	8.61	9.04
	Rent Expenses	2.40	2.52	2.65	2.78	2.92
	Interest on Term Loan	0.39	0.31	0.22	0.13	0.05
	Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
	Depreciation and Amortization	0.71	0.71	0.71	0.53	0.53
	<b>Total Fixed Cost</b>	<b>12.85</b>	<b>13.26</b>	<b>13.69</b>	<b>13.97</b>	<b>14.45</b>
E.	<b>Breakeven Point</b>	<b>38%</b>	<b>36%</b>	<b>33%</b>	<b>31%</b>	<b>29%</b>
F.	<b>Cash BEP</b>	<b>36%</b>	<b>34%</b>	<b>32%</b>	<b>30%</b>	<b>28%</b>

## Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
I	Profit	13.76	15.94	18.35	21.15	24.11
ii	Depreciation	0.71	0.71	0.71	0.53	0.53
lii	Interest	0.39	0.31	0.22	0.13	0.05
A	<b>Total (i + ii + iii)</b>	<b>14.86</b>	<b>16.95</b>	<b>19.28</b>	<b>21.82</b>	<b>24.69</b>
I	Interest	0.39	0.31	0.22	0.13	0.05
li	Principal repayment	1.02	1.02	1.02	1.02	1.02
B	<b>Total (i + ii)</b>	<b>1.41</b>	<b>1.33</b>	<b>1.24</b>	<b>1.15</b>	<b>1.07</b>
	<b>DSCR (A / B)</b>	<b>10.51</b>	<b>12.77</b>	<b>15.54</b>	<b>18.91</b>	<b>23.13</b>

## Interest on Term Loan and Principal Repayment

Refer Annexure I for Loan Repayment Schedule.

We have assumed the repayment tenure of term loan for a period of 5 years, Rate of interest being 8.5% p.a.

## Address of Vendors

Name of the Vendor	Address and Contact Number
Decathlon Sports India Pvt.	Azara, Guwahati - 781017, Near Kahikuchi Azara Circle & Dakhin Rani Rail Gate Contact No.- 8095079700
Leather & Shoe India Industries	No. 12, Radhanath Chaudhary Road,, Kolkata, West Bengal 700015 Contact No.- 033 2329 9757

# ANNEXURE - 1

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<b>I</b>												
<b>Principal</b>												
Opening	5.10	5.02	4.93	4.85	4.76	4.68	4.59	4.51	4.42	4.34	4.25	4.17
Repaid	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Closing	5.02	4.93	4.85	4.76	4.68	4.59	4.51	4.42	4.34	4.25	4.17	4.08
<b>Interest</b>	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
<b>II</b>												
<b>Principal</b>												
Opening	4.08	4.00	3.91	3.83	3.74	3.66	3.57	3.49	3.40	3.32	3.23	3.15
Repaid	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Closing	4.00	3.91	3.83	3.74	3.66	3.57	3.49	3.40	3.32	3.23	3.15	3.06
<b>Interest</b>	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02
<b>III</b>												
<b>Principal</b>												
Opening	3.06	2.98	2.89	2.81	2.72	2.64	2.55	2.47	2.38	2.30	2.21	2.13
Repaid	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Closing	2.98	2.89	2.81	2.72	2.64	2.55	2.47	2.38	2.30	2.21	2.13	2.04
<b>Interest</b>	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
<b>IV</b>												
<b>Principal</b>												
Opening	2.04	1.96	1.87	1.79	1.70	1.62	1.53	1.45	1.36	1.28	1.19	1.11
Repaid	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Closing	1.96	1.87	1.79	1.70	1.62	1.53	1.45	1.36	1.28	1.19	1.11	1.02
<b>Interest</b>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
<b>V</b>												
<b>Principal</b>												
Opening	1.02	0.94	0.85	0.77	0.68	0.60	0.51	0.43	0.34	0.26	0.17	0.09
Repaid	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Closing	0.94	0.85	0.77	0.68	0.60	0.51	0.43	0.34	0.26	0.17	0.09	0.00
<b>Interest</b>	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00