



REPORT OF THE
COMMISSIONER OF THE BUREAU OF LAND MANAGEMENT

1964



INTRODUCTION

The Bangladesh Rural Advancement Committee (BRAC) is a non-governmental organisation involved in multi-ferous activities with the objectives of contributing to the economic and social development of rural Bangladesh. Founded and run by Bangladeshi nationals it is registered under the Bangladesh Societies Registration Act of 1960 and the Foreign Donations Act of 1978.

BRAC began in February, 1972, to rehabilitate returning refugees of the 1971 Liberation War in Sulla Upazila of Sunamganj District. Since then BRAC is grown into a large organisation with projects and activities throughout Bangladesh. The scope BRAC's operations has evolved from relief and rehabilitation to integrated rural development, human and institutional development, and the design, testing and implementation of innovative approaches, techniques and methodologies for rural development. The focus of BRAC's development work has shifted from the community approach to the mobilisation and organisation of BRAC's target population - the poor landless disadvantaged sector of the population. In addition to the physical and operational growth of the organisation, twelve years of practical experience in the planning and implementation of rural development programmes has enabled BRAC to foster the development of people and institutions necessary for self-sustaining economic and social growth.

All the sectoral programmes such as agriculture, horticulture, pisciculture, animal husbandry, duck and poultry raising, nutrition, health care, family planning services and functional education are

initiated and controlled by groups composed of the target population. In support of these group activities BRAC provides training, extension of credit and logistic assistance. Linkage among the village level groups are being promoted through local and project level associations. BRAC's present annual operational costs of approximately US\$ 3 million is met by project grants from international agencies and non-governmental organizations (NGO).

PROJECT PROPOSAL

BRAC Printers was commissioned in 1977 with an initial project cost of US \$ 210,000 funded by OXFAM - Canada, OXFAM - U.K. and NOVIB and occupies 6,500 sq.ft. in the ground floor of BRAC's Dhaka head office building. BRAC Printers machineries comprise 4 rebuilt presses - 2 Roland offset and 2 Heidelberg letter presses of late 1950's vintage, camera, processing, composition, casting, cutting and other equipment.

Since 1977 BRAC Printers has succeeded in creating and maintaining a positive image in the market as a 'quality press'. BRAC Printers turnover has been increasing annually reaching its capacity with the dated equipment, therefore the time is right to modernize the plant so as to improve its performance, and increase the earnings BRAC Printers contributes to BRAC's development programmes.

BRAC printers offset presses were second hand when purchased and are now over 25 years old, coupled with the changing market demand and sophistication in printing required by clients today BRAC management



has decided to modernize BRAC Printers. It is expected that immediately after modernization the annual sales revenues will increase by 60-70% as the new equipment will produce quality products efficiently with minimum wastage of time and raw materials. Though the additions will increase production capacity by 60%, the annual sales revenues will magnify substantially due to the improvement in the product mix. Tk. 5,294,000 is required to finance the modernization, this includes a foreign currency component of Tk.3,194,000 for purchasing and importing offset press and phototype-setter; Tk.2,100,000 in local currency for project implementation and Tk.1,300,000 additional working capital to finance credit sales and additional stocks.

RATIONALE

A continuous expansion of BRAC's rural development projects have led to corresponding increases in BRAC's operational expenditures. The figure for 1984 was approximately Tk. 72 million (US\$ 2,660,000) which is expected to continue to rise in the future.

BRAC's programmes have thus far been funded by international agencies and NGOs. Although no difficulties have been encountered funding programmes, the certainty of a continuous flow of funds cannot be relied upon indefinitely. This leads to a feeling of uncertainty about BRAC's future by its staff, adversely effecting their morale. Therefore, BRAC feels as a matter of policy, dependance on foreign sources for project funds should be reduced, to enable BRAC

to develop greater control over its own future. Thus with a view of generating funds domestically BRAC has established two income generating projects (BRAC Printers and BRAC Cold Storage and Ice Plant) which are consistent with BRAC's overall development objectives and goals.

BRAC Printers was established to operate commercially after meeting BRAC programmes' printing requirements i.e. materials for the Functional Education and Primary Education Programmes, health materials for the Oral Therapy Extension Programme, flip charts, posters, low cost translations of classics written in Bengali and foreign languages, and university test books. BRAC Printers started earning profits in 1978 and till December 1984 it has contributed Tk.5,804,000 to BRAC's development programmes (Annual Operating Statement given in Appendix-1). In 1984 BRAC Printers earned a profit of Tk.1,600,000, and the 1985 target is Tk.1.8 million.

With the proposed modernization the Press will be able to generate an estimated annual profit and subsequent contribution to BRAC of Tk.2,662,000 (US\$ 98,593) in 1986, Tk.3,274,000 (US\$ 121,260) in 1987.

After the initial take-off period during 1977-78, the growth in BRAC Printers annual profitability has been steady. Both management and operating efficiency have risen with experience. The quality of production continues to improve while the proportion of wastage has been reduced considerably inspite of operating with 28 year old aged machinery. Evaluation of the present sales trend and market prospects

indicate that earnings can be increased considerably if the existing facilities are modernized.

MARKET PROSPECT

Though the demand for quality printing has increased correspondingly with the overall growth of Bangladesh's economy, the available printing capacity has increased at a lower rate than the demand leaving large supply and demand gap. The following table shows the estimated future market position of printing products in Bangladesh.

<u>YEAR</u>	<u>DEMAND/SUPPLY GAP</u> <u>(in million impressions)</u>
1985	3,464
1986	4,072
1987	4,527
1988	5,014
1989	5,535

Source: Bangladesh Shilpa Bank (BSB), Loan & Equity Department.

Figures have been calculated on the basis of average annual demand growth by 7% duly compared with annual expected supply of printing products. Past experience (time series) and an assessment of the future trends were considered by the BSB in their calculations.

BRAC Printers existing production capacity fulfills 0.84% of Bangladesh's effective demand for printing. With the proposed balancing and modernization BRAC Printers production capacity will increase by 21.6 million impressions per annum, totaling 57.6 million impressions annual capacity, which can reduce the national

supply and demand gap by 0.62% in 1985. Investment in the printing sector is propitious from the view point of meeting market opportunities while increasing BRAC's self-generated funds.

EARNINGS FORECAST

The existing BRAC Printers facilities are expected to generate sales worth Tk. 10 million in 1985. The proposed addition to the press is expected to raise the sales figure to Tk. 15 million and net profit of Tk. 2,661,000 in 1986, which is above by 48% of the estimated profit for 1985. Considerations have been made to increase the administrative and marketing expenses by 25%, inflation by 15% and depreciation on fixed assets by 10% while making the above estimates of 1986 sales and profits. (Appendix II).



BRAC PRINTERS MODERNIZATION BUDGET

Revised October 1985

(Tk. in '000')

I.	One Single Colour Heidelberg Deni Offset press (C & F Ctg.)	1,940	
II.	One Phototype-Setter with accessories (C & F Dhaka by Air)	<u>1,254</u>	
	Sub-total		3,194
III.	Import Duty		239
IV.	Clearning, Forwarding and Internal Freight		151
V.	Machinery Installation & Fixtures		<u>160</u>
	Sub-total (Machinery)		3,744
VI.	Space expansion cost		<u>250</u>
	Sub-total (fixed cost)		3,994
VII.	Estimated working capital		<u>1,300</u>
	TOTAL PROJECT COST		<u><u>5,294</u></u>

FINANCING PATTERN

Expenditure	Foreign currency (Tk.)	Local currency (Tk.)	Total (Tk.)
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Machinery and Equipment cost	3,194	550	3,744
Space Expansion cost	-	250	250
Working Capital	-	1,300	1,300
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Total	<u>3,194</u>	<u>2,100</u>	<u>5,294</u>
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COMPARATIVE STATEMENT OF BUDGETED COSTS

(Tk. in '000')

Heads of Expenditure	May 1985	October 1985	Incremental Budget
I. Single colour demi offset press	1,402	1,940	538
II. Phototype Setter	<u>1,015</u>	<u>1,254</u>	<u>239</u>
Sub-total	2,417	3,194	777
III. Import Duty	60	239	179
IV. Clearing, Forwarding and Internal Freight	149	151	2
V. Installation and Fixtures	<u>110</u>	<u>160</u>	<u>50</u>
Sub-total (Machinery)	2,736	3,744	1,008
VI. Space Expansion cost	250	250	-
Sub-total (fixed cost)	2,986	3,994	1,008
VII. Estimated Working Capital	<u>1,157</u>	<u>1,300</u>	<u>143</u>
TOTAL PROJECT COST	<u>4,143</u>	<u>5,294</u>	<u>1,151</u>

FINANCING

Foreign currency (Tk.)	2,417	3,194	777
Local currency (Tk.)	<u>1,726</u>	<u>2,100</u>	<u>374</u>
Total funds	4,143	5,294	1,151

Rationale for Budget Revision

- I(a). The cost of Heidelberg machine has been increased by approximately 7.5% as per revised quotation submitted by the manufacturer recently.
- (b). Adverse exchange rate of DH against local currency (Tk.) by 28%.
- II. Adverse exchange rate of Sterling (£) against local currency (Tk.) by 23%.
- III. The July 1985 Finance Bill of Bangladesh enhanced import duty on machinery to 10%.
- IV. &
- V. Revised Estimate.
- VII. Revised Estimate.

**ESTIMATED TOTAL BRAC PRINTERS
INVESTMENT AFTER MODERNIZATION**

(TK. IN '000')

<u>Expenditures</u>	<u>Existing (1984)</u>	<u>Additional (1986)</u>	<u>Total Cost (1986)</u>
Land and Building	1,468	250	1,718
Machinery and Equipment	389	3,744	4,133
Vehicle and Furniture	42	-	42
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Total Fixed Assets	1,899	3,994	5,893
Net Working Capital	<u>1,905</u>	<u>1,300</u>	<u>3,205</u>
TOTAL PROJECT COST	<u>3,804</u>	<u>5,294</u>	<u>9,098</u>
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APPENDIX I

ANNUAL OPERATING STATEMENTS

Figures in '000'

	1977	1978	1979	1980	1981	1982	1983	1984
Sales:	225	2,802	4,564	6,172	6,409	6,042	6,861	9,332
Cost of Sales:								
Cost of Production	311	2,072	3,220	3,931	4,448	3,814	4,429	6,453
Depreciation	-	379	402	463	470	475	396	168
General Admin. and Selling Expenses	79	274	317	603	767	972	926	1,111
Total Cost of Sales	390	2,725	3,939	4,997	5,685	5,261	5,801	7,732
Net Profit/(Loss) Before Tax	(165)	77	625	1,175	724	781	1,060	1,600

- * Since 1980 the total volume of sales has slightly decreased owing to unforeseen or uncontrollable events. In 1981 BRAC Printers had a labour problem in the form of a go-slow action which considerably reduced output. In the same year President Zia was assassinated and that led to a general economic recession, which Bangladesh has been climbing out of since.

Profits earned by BRAC Printers in 1984 surpassed the record profit earned in 1980. Increased Sales and profit earned during 1984 was the result of effective management and operation efficiency.

APPENDIX II

SUMMARY OF FORECASTED EARNINGS

(Tk. in '000')

Particulars	Actual for	Estimated for		
	1984	1985	1986	1987
Sales Revenue	9,332	10,000	15,000	17,500
Cost of goods sold	<u>6,453</u>	<u>6,800</u>	<u>10,200</u>	<u>11,900</u>
GROSS PROFITS	2,879	3,200	4,800	5,600
General, Administrative and Selling Expenses	<u>1,111</u>	<u>1,232</u>	<u>1,650</u>	<u>1,838</u>
Profit before depreciation :	1,768	1,968	3,150	3,762
Depreciation	<u>168</u>	<u>168</u>	<u>589</u>	<u>589</u>
NET PROFIT	<u>1,600</u>	<u>1,800</u>	<u>2,561</u>	<u>3,173</u>

PROFITABILITY

(TK. IN '000')

	Existing	After Modernization	
	(1985)	(1986)	(1987)
Fixed Assets	1,895	5,893	5,304
Less Average depreciation (10%)	<u>168</u>	<u>589</u>	<u>589</u>
Net fixed cost of the project :	1,727	5,304	4,715
Plus Working Capital	<u>2,041</u>	<u>3,205</u>	<u>3,572</u>
TOTAL CAPITAL EMPLOYED	<u>3,768</u>	<u>8,509</u>	<u>8,287</u>
% of Profit on Capital Employed:	47.77%	30.10%	38.29%

PROJECTWISE UTILIZATION OF BRAC PRINTERS PROFITS OVER THE YEARS

Tk. in '000

	1977	1978	1979	1980	1981	1982	1983	1984	Total
Net profits (Loss) for the years	(165)	77	625	1,175	724	781	1,060	1,600	5,877
Disposition of profits to BRAC Projects	-	-	(464)	(1,175)	(724)	(781)	(1,060)	(1,600)	(5,804)
Project wise allocations:									
Silla Project	-	-	-	-	200	200	217	400	1,017
Gonkendra Journal	-	-	364	625	224	100	248	350	1,911
Manikganj Integrated Project	-	-	-	-	-	181	-	-	181
Training & Resource Centre (TRC)	-	-	100	550	200	300	455	850	2,455
Publishing	-	-	-	-	-	-	140	-	140
Aarong	-	-	-	-	100	-	-	-	100