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EXPANSION AND MODERNISATION OF BRAC PRINTERS

INTRODUCTION

The Bangladesh Rural Advancement Committee (BRAC) is a nongovernmental organisation which started working in rural Bangladesh in 1972. It floated rafts of bamboo down the river into the Sullia area of Sylhet District to assist the people to reconstruct their lives and homes in the wake of the destruction during the War of Liberation. After meeting initial relief demands, BRAC adjusted its strategies to encourage infrastructure development and longer term, sustainable, self-reliant growth.

From Sullia, BRAC expanded to other areas with its basic rural development community strategy. By 1976, however, it had become apparent to BRAC workers, in dialogue with the rural people, that the existing stratification of the communities meant that available services and resources were being retained in large measure by the upper socio-economic strata, leaving little to "trickle down" to the more disadvantaged. Consequently, BRAC developed the target population concept for its basic development efforts in which the focus is the landless poor -- those who must sell their manual labour for survival. Although the benefits of BRAC's work are often felt community wide, the landless marginal farmers, fishermen and artisans without implements and raw materials who make up about 40% of village families are directly benefitted.

By 1986, BRAC has grown into a multi-faceted development organisation with a staff of 2,500 men and women workers and a variety of social mobilization programmes in various parts of the country. Its basic development activities -- the Rural Development Programme and the three Integrated Development Programme -- have up to now organized over 2,500 self-reliant groups in some 1,500 villages. Its principal health programme, the oral rehydration therapy for diarrhoea teaching programme, has so far reached over 7 million households and

this year will expand into a more extensive primary health care programme. BRAC's non-formal primary education programme, just completing its model building stage is already providing education to over five thousand rural children.

Since its inception BRAC has grown steadily through replication of successful programmes from one village to another and through addition of components to existing programmes where field experience demonstrates a need. Ideas for activities and programmes are generated from interaction with the field. Activities are designed to build one on another and to mutually support each other so that gradually the community's underlying fabric of beliefs and socio-economic conditions can be altered.

A fundamental intention of BRAC's work is to help individuals and communities to become self reliant so they can function effectively without external assistance. The ultimate objective is to end the long-standing exploitative relationships that dominate rural life in Bangladesh.

BRAC was founded and is entirely managed by Bangladeshis. It is registered under the Societies Registration Act and the Foreign Donations Act. The annual operation budget is approximately Tk. 160 million (\$5.3 million).

BRAC rural development strategies operate with similar objectives to those declared by the government. BRAC attempts to complement the government's work by filling in the gaps or by carrying out those grassroot tasks that government agencies are not in a position to do. BRAC's strategy is to expand its work into areas where other organisations are not working, and to concentrate on model building in development activities to pave the way for others.

BRAC PRINTERS is a project of BRAC. It was commissioned in 1977 with the following objectives in mind:

- i) Generating a constant source of fund to support development activities of BRAC.
- ii) Gathering experience in the management of commercial enterprises which is so vital for the economic scheme undertaken with BRAC support.
- iii) Meeting BRAC's own needs of printing.
- iv) Creation of employment.

BRAC Printers has successfully contributed to the achievement of all these objectives. It has been continuously generating a surplus fund for use by the BRAC. In 1985 it made a profit of Tk. 26.55 lac which was transferred to BRAC to finance its development activities. A stable and effective management is in place. BRAC Printers now employs 80 staff.

PRESENT STATUS OF THE PROJECT

BRAC Printers is located in Mohakhali Commercial Area of Dhaka. Consisting of offset and letter press printing facilities, the press is housed in the ground floor of the 6 storied BRAC Head Office building. Funded originally by OXFAM Canada and UK and subsequently by NOVIB, BRAC Printers physical assets now consist of 2 single colour offset, 2 letter presses, 1 H offset, 1 CRTRONIC Photocomposer with allied camera, processing, composition, casting, cutting and other equipment and materials plus substantial volume of stocks and stores. Present status of BRAC Printers at 1986 end is shown below:

(in 000 taka)
1985

a. FIXED ASSETS

Land & Building	1,640
Plant & machinery	4,070
Furniture & Fixture	140
Vehicle	240
Total fixed assets	6,090
Less depreciation	517
Net fixed assets	5,573
b. Working capital	1,225
c. TOTAL INVESTMENT	9,567
d. TOTAL SALES	18,000
e. NET PROFIT (ESTIMATE)	2,503
f. RETURN ON INVESTMENT	26.16%
g. EMPLOYEES	80

GROWTH

Since inception BRAC Printers has shown a consistent growth as indicated by sales & profit figures.

OPERATING GROWTH
1977 - 1986

	1977	1978	1979	1980	1981
a. Sales	225	2,892	4,564	6,172	6,482
b. Production cost	311	2,872	3,220	3,931	4,448
c. Depreciation	-	379	402	463	470
d. Operating costs	12	274	117	691	767
e. Cost of make & sell (b+d)	323	2,725	3,337	4,627	5,285
f. Profit (Loss) (a-e)	(165)	77	625	1,175	724
	1982	1983	1984	1985	1986
a. Sales	5,652	6,861	9,333	12,652	16,000
b. Production cost	3,814	4,429	6,453	8,480	10,880
c. Depreciation	475	396	168	296	517
d. Selling & Adm. exp.	972	276	1,111	1,321	2,190*
e. Cost of make & sale (a-e)	5,261	5,801	7,732	10,397	13,497
f. Profit/(Loss) (a-e)	781	1,060	1,600	2,255	2,503

* including financial expense.

NATIONALS SHIIND EXPANSION AND MODERNIZATION

The project for modernization and expansion of HAVAC Printers was taken up because of the following reasons:

1. Furtherance of the initial objectives to set up a printing press which have now been fulfilled.
2. HAVAC'S annual expenditure is now over Tk. 160 million (US \$ 5.3 million) which has so far been funded by foreign donors with very little self contribution. This has been considered unhelpful and HAVAC is determined to increase its own contribution to development activities to at least 10% of its budget.
3. HAVAC Printers has created an image in the market as quality printers. This has opened up opportunity to expand sales by responding to customers demand through further investment.
4. HAVAC Printers present stock of machinery are by and large of old vintage.
5. HAVAC Printers does not have some basic equipment for multicolour printing e.g. scanner etc.
6. Printing work of HAVAC has increased manifold needing utilization of a substantial portion of HAVAC Printers' plant capacity.
7. The expansion and modernization has been found technically sound, economically profitable and otherwise feasible.
8. Country's present literacy rate is 26% which is expected to go up in future rapidly. The demand for quality printing will rise proportionately with the expansion of literacy. Thus printing will continue to be a profitable business.

THE PROPOSAL

The modernisation and expansion of BRAC Printers has been proposed to bring into effect by an additional investment of Tk. 21,486,000 as follows:

(Figures in 000 Taka)

I. One single colour double demi offset press machine (2nd hand)	1,700
II. One Scanner	5,500
III. One CRYTRONIC 360	1,600
IV. One automatic printing down frame	450
V. Land & building	7,736
VI. Transport	500
VII. Working capital	4,000
	<u>21,486</u>

FINANCIAL PATTERNS

NOVIB Contribution - All except Land & Building	13,750	64%
BRAC Contribution - Cost of Land & Building	7,736	36%
	<u>21,486</u>	

Phasing of Expenditure

	1987	1988	Total
Machinery & equipment	9,250	-	9,250
Land & building	5,636	2,100	7,736
Transport		500	500
Working capital	4,000	-	4,000
	<u>18,886</u>	<u>2,600</u>	<u>21,486</u>

Single colour double demi machine will increase capacity and improve quality. Presently owned machine of the kind is of 1956 vintage and unable to serve quality requirement. The proposed reconditioned machine will be of early 80's model.

Scanner is a very modern and sophisticated equipment used for colour separation. Presently BRAC Printers does not own such an equipment and has to depend on outsiders for all colour separation jobs. Since only one firm in the country has scanner, the market is monopolistically controlled and charges are usually very high. In addition, there is uncertainty in respect of availability of services in case of need or timely supply. A Scanner will reduce colour separating cost by at least 40%, improve quality of colour printing, and curtail dependency on others. By owning a Scanner, BRAC Printers will have a better image in the market and gain customers confidence.

Automatic Printing Down Frame is an exposure machine. It is used for making plates. The contents of the film are automatically transmitted to printing plate through this machine. BRAC Printers now has one locally built printing down frame. This machine is slow and cannot meet the present requirement. The new machine, which will be of latest vintage, will cut plate making time by at least 50%. By cleaning the plates automatically, which in case of existing machine is done manually, the new machine will save such time and energy. The proposed Printing Down Frame will also improve the quality of plates resulting in better quality printing.

CHRONIC 360 with communication interface is a photo-composition and typesetting machine. BRAC Printers now owns such a machine which is however of past model and will not be able to meet the growing requirement of composition after the printing capacity expansion. This new machine of latest vintage will double BRAC Printers capacity of photo-composition and typesetting and improve quality. The communication Interphase will also make it possible to take the services of BRAC Computer and the terminals in case of emergency.

Existing available space will not be sufficient for BRAC Printers to utilize efficiently the proposed investment in machinery. A piece of land has already been purchased for the purpose by BRAC. It has been proposed that a space of 7000 sqft. would be required for BRAC Printers.

For proper utilization of added machinery and equipment, working capital need will also increase by Tk. 40.00 lac to Tk. 80.00 lac. The increased volume of sales would warrant stocks, stores, work in progress and debtors to be proportionately increased.

INVESTMENT

With the proposed additional investment of Tk. 21,486,000 net investment will be as follows:

ITEM	EXISTING			ADDITION			T O T A L		
	1986	1987	1988	1987	1988	1989	1987	1988	1989
Land and Building	1,640	5,636	2,100	7,276	9,376	9,376			
Machinery & equipment	4,070	9,250	-	13,320	13,320	13,320			
Furniture & Fixture	140		-	140	140	140			
Vehicle	240		500	240	740	740			
FIXED ASSETS	6,090	14,886	2,600	20,976	23,576	23,576			
Less accumulated Depre.	517			*1,567	3,302	5,037			
	<u>5,573</u>			<u>19,409</u>	<u>20,274</u>	<u>18,539</u>			
Working Capital	3,994	4,000		7,994	7,994	7,994			
Net Investment	9,567			27,403	28,268	26,533			

* for 1987 investment 6 months depreciation has been calculated.

MARKET PROSPECTS:

The last 12 years has seen a substantial growth in national development expenditure and in industrial and commercial activity in Bangladesh. This has been a result of War of Independence in 1971 and the pursuance of an accelerated economic development policy by the Government. The demand for printing facilities has therefore increased proportionately. Although a number of printing presses have been set up since 1971, the availability of printing facilities presently do not meet the market demand particularly for quality printing. Due to the diversity in printing machine dimensions, output and product, it is difficult to identify a standard unit for measuring production and demand. For statistical purposes, therefore, in Bangladesh the standard qualification is assumed in total number of impressions.

In a market profile, Bangladesh Industrial Bank estimates that the demand on the printing industry will grow at an average rate of 7% annually. According to their estimate demand gap over the next three years is as follows:

YEARS	DEMAND GAP (in million impressions)
1987	4,527
1988	5,614
1989	5,535

The above demand gap forecasts are based on the growth of investment in printing capacity for these years as estimated by the Bank. The proposed expansion of BRAC Printers will increase the estimated effective printing capacity by 35 million upto 93 million impressions per annum.

On the basis of existing capacity BRAC Printers comprises 0.39% of the national effective existing capacity for 1985, and will comprise 0.33% and 0.78% of the same in 1987 & 1988. With the proposed expansion the capacity will fill 1.25% of the national effective demand in 1988.

FINANCIAL FORECAST

(Figures in 000 taka)

	Actual for	Estimates for			
	1985	1986	1987	1988	1989
a. Sales	12,652	16,000	25,000	29,500	34,000
b. Production cost before depreciation	8,480	10,880	16,250	19,175	22,100
c. Depreciation	296	517	995	1,625	1,625
d. Selling & Admin. costs	1,212	2,100	3,000	3,200	4,250
e. Cost to make and sell (b+c+d)	9,988	13,497	20,245	24,300	27,975
f. Profit (Loss)	2,655	2,503	4,755	5,200	6,195
g. Net Investment	5,118	9,567	27,403	20,260	26,533
Return on Investment (%)	51.87	26.16	17.35	18.40	23.35

Note: 1985 Return on Investment appears to be high. If current value of investment is considered, the return will be reduced to approximately 50%.