CASE 1

BROOKE BOND (INDIA) LTD. (A)

Brooke Bond (India) Limited (BB1), a FERA company in the Unilever fold, has come a long way since it began operations in India way back in 1912. The 77 -year-old company was incorporated in Calcutta under the name of Brooke Bond & Company (India) Limited with the twin objectives of introducing packaged quality teas to the Indian consumer and also of exporting bulk teas. The early products lines included Black *Label, Violet Label, Green Label, Red Label* and the popular *Kora Dust,*

Brooke Bond (India) Ltd. has been described as the world's largest tea marketing company by its executives. The company saw a period of growth and expansion during 1927-67 and it introduced new products, including coffee in conventional powder form. The company's main products are tea, coffee and instant coffee. Tea accounts for well over 70% of the company's sales and profits. Apart from tea and coffee which together accounted for an estimated 95% of the pre-tax profits of the company for the year 1981-82, Brooke Bond managers are trying their best to establish other lines of business - meat and leather exports, paper, oleoresins, spices and blades.

Marketing and Purchasing Operations

To read h largo consumer base, the company in Its initial singes set up a wide marketing organisation involving distributors and agents till over the country which, however, begun gaining ground after 1940 The direct selling system = known ns the depot system =is supposed to establish a permanent bond between BBIs salesmen and the retail outlets,

The impressive volume of branded or packaged tea is presently marketed by a large sales force of 1,352 salesmen, 100 controllers, 27 area sales managers, 27 deputy area sales managers and 6 zonal sales managers -"the largest corporate sales force in the world" -- servicing 6,35,856 retail outlets (including 1,50,000 hot tea shops) in 20,000 towns through 1,352 company-owned depots. Contrary to popular opinion, 70% of the company's sales are in the rural areas and the "world's largest corporate sales force also markets the world's cheapest branded article-the-5 paise tea packet" which contributes 18% of the sales revenue of the tea profit centre.

Brooke Bond is the single largest buyer of tea for domestic consumption and its team of 16 purchasers bought 67 million kg. of tea in 1981-82 through its five buying centres located in Guwahati, Siliguri, Cochin, Coimbatore and Calcutta. After the tea is purchased, it is dispatched to the company's six factories (where 4,300 employees including 80 executives work) for blending and packaging. The six factories are situated in Calcutta (West Bengal), Tundla (Uttar Pradesh), Kanha (Maharashtra), Jamnagar (Gujarat), Ghatkeser (AP) and Coimbatore (TN).

For a packet tea company such as BBI the emphasis is not so much on quality as it is on standardization. When the quality of the teas available in the auctions changes, the company has to vary its blends to maintain consistency in price and quality. Maintaining the consistency of branded tea is considered to be the primary function of BBI so that consumers -most of whom are loyal to a brand for years at a stretch - do not complain of deterioration in quality. The job of the production' department in the tea profit centre is therefore to carefully store and blend the tea as per the branding sheets received from the tasters, to package them in various packet sizes and dispatch them to the various depots as per indents received.

Case (1989) prepared By Dr. M.L. Bhatia, Formerly Member of the Faculty, School of Managment Studies, IGNOU.Case material has bee, prepared to serve as a basis for class discussion. cases are not designed to present illustrations of either correct or incorrect handling of managerial problem.

According to the company's Marketing Director, "The style of marketing is organic and unique and quite distinct from that of any other organised sector company in India." The marketing modus operandi has two unique features. Firstly, the company has a direct system of selling which completely eliminates the wholesalers and the middlemen. All the 6.5 latch retail outlets are supplied directly by the salesmen with the aid of a fleet of 1,000 vehicles ranging from motorized vans down to bicycles and mule carts. Secondly, all sales are cash sales and the company has no outstandings.

BBI's direct selling system is quite expensive because the average wage packet of the company's 1,352 salesmen is an impressive Rs. 2,400 per month (40% of which is earned by way of incentives). Several officials of the company believe that the direct selling system is the best system for the promotion of low price consumer goods. It eliminates outstanding and wholesaler's discounts. The direct selling system offers the quickest way to distribute a product and ensures a degree of attention to promotion of brand and corporate image that no wholesaler can possibly provide. For example, it could hardly be worthwhile for a wholesaler to promote the five paise tea packet which the company believes is the world's cheapest branded product, as his margin would be extremely small. Paradoxically, this product contributes almost 18% of the sales revenue of the tea profit centre. While the company's direct selling system and its gigantic field force is regarded as the major strength, some officials believe that it could prove to be its Achilles heels. The company believes that the cost of direct selling per product will be reduced as the company diversifies into low cost consumer products such as instant coffee, spices, blades, etc.

Marketing Environment

The average price of tea in London auction plummeted from an all time high of 156.3 pence (Rs. 26.59) per kg. In 1977 to an average of 107 pence (Rs. 18.19) per kg. During the first half of 1982. The total production in India which yields 32 per cent of all the tea production in the world has increased only marginally from 556 million kg. in 1977 to 561 million Kg. in 1981. With Kenya- a major exporter of tea - having opted out of International Tea Agreement which was painstakingly hammered out to allocate quotas to the tea exporting nations and with the entry of China into the world market for tea, around the corner, the future of Indian tea exports (which accounts for 43 per cent of its production) looks distinctly gloomy. Thus, the tea activity which accounts for well over 70% of the company's sales and profit is plagued with uncertainties, particularly on the profitable export front.

For BBI -a company which blend and markets packet or branded tea- the main competition in the domestic market comes from the cheaper unbranded tea which is sold loose in the market place. In 1981-82 the company sold the same volume of tea as in 1971, but its market share vis-a-vis loose tea is now much less. During this period the total share of packet tea has come down from 45 per cent to 30 per cent with a corresponding gain for loose teas. Though 1981-82 was considered a year of recovery and the company recorded a notable gain in sales volume, it was a challenge for the company to sustain this trend.

In the instant coffee business, the company has been playing an uncomfortable second fiddle to Food Specialities Limited (Nestle) whose brands Nescafe and Ricori together command a 60 per cent share of the national market, BBI spokesmen attribute Food Specialities market dominance to its larger licensed capacity and to the fact that the BBI was obliged to suffer production capacity constraints. For several years the company was not given a licence to expand production. However, by mid-1982 the company's third instant coffee plant at Hosur (TN) will go on stream, augmenting the production of the company's instant coffee - chicory combination market under the brand name **Bru.**

Though the company has carved out a, comfortable 16 per cent share in the national market for conventional coffee with their brands Green Label Cafe and Family, their real battle will not he fought against Food Specialities Limited (FSL) whose sales was to the order of Rs. 55.6 crores in the year ended December 1981 -which is the Indian associate of the multimillion dollar multinational conglomerate Nestle Holdings Limited - Bahamas, The company executives claim that Brooke Bond instant coffee - chicory blend has a 40 per cent share of the national instant coffee market which puts it ahead of Food Specialities prime brand Nescafe which is supposed to have a 39 per cent market share. However, they concede that because Food Specialities coffee-chicori blend Ricory has a 21 per cent market share FSL has an aggregate market share of 60 per cent of the instant coffee market. How Brooke Bond compares with other similar companies is presented in Exhibit 1.

With the Hosur factory which is expected to go into production in June 1983, marketing plans to promote Bru with greater vigour and launch a pure instant coffee (yet unnamed) with a reported sales promotional budget of Rs. 30 lakh per year are taking shape in Bangalore.

The Changing Profile

The Annual Report for the year 1981-82 states about the changing face of BBI in the following words:

> Change is a natural process of life. Without change, there would be no growth. In the life of a corporation too, change must come. Except that this process of metamorphosis cannot be an involuntary one. It must be controlled, channelised, carefully planned. It must depend on transformations taking place in the environment, the company's awareness of these changes and its ability to anticipate and mutate to meet the challenges of the future. Thus has it been with Brooke Bond. Today, Brooke Bond is a different Company from what it was a few years ago. Planned changes have been effected in the vital areas of holdings, operations, product mix and employment-an expression of corporate philosophy that has made the Company stronger, more dynamic, more responsive to the times.

Brooke Bond today is a multi-product, multi-divisional company, far removed from the beverage company that it was until the late seventies. A large measure of credit for masterminding and spearheading the company's diversification drive is given to T.S. Nagarajan (55) Vice-Chairman and Managing Director who supervises corporate planning and diversification function. A graduate of Banaras Hindu University, Nagarajan began his career in Hindustan Lever in the year 1948.

Profit Centre Structure

The profit centre organisation built around product groups is supported by service and advisory functions. The profit centres include all major operating activities which now act as separate organisational entities; each reporting to a profit centre head. Commodity purchase, Marketing and Production functions report to the head of each profit centre. These profit centres are supported by common services such as Finance, Transport and Distribution, Purchase of Packaging Material, and Advisory Service such as Technical and Secretarial. The services operates on functional basis, serving all profit centres.

The ten profit centres, as shown in Figure 2, are aggregated into three groups, each headed by an Executive Director of the company. A brief overview of the performance of each centre for the financial year ending on 27th June, 1981 is given below:

Tea: This is the major profit centre which contributed nearly 85% of the sales revenue and an estimated 80 of the pre-tax profits. The profit centre consists of Domestic Packet Tea, Domestic Bulks, Export Packet Tea, Export Tea Bags, and Export Bulks.

Industrial Machinery: This profit centre sold gravure cylinders and components, packaging and printing machines valued at Rs. 24.54 lakhs. Only 30% of the industrial machinery is sold in the market place. 70% is produced for captive consumption.

Paper: The company's Rs. 7 crone, 15,000 tonne paper manufacturing plant located at Bilaspur (M.P.) is scheduled to begin commercial production by the end of 1983.

Meat: The wholly integrated buffalo meat processing plant located in Aurangabad (Maharashtra) at a capital cost of Rs. 7.5 crores is the only one of its kind in the country and is a 100% export unit. Turnover, of its products (Export Corned Beef, Frozen Beef,' and Leather) amounted to a little over Rs. 6 crores. It has broken even.

Leather: In September, 1982 an affiliated leather processing unit went into commercial production and will produce value added processed leather and, later, on, shoe uppers for export.

Oleoresins: This profit centre which envisages the export of value added oil of resins, rather than the more bulky resin wood, has yet to get off the ground.

Coffee: Conventional coffee constituted half of total coffee value (conventional and instant) sold during the year.

Instant Coffee: Company executives claim that their instant coffee-chicory blend Bru has a 40% share of the instant coffee market and, as indicated earl lei, has been constrained from winning a larger market share only because of a delay in getting a licence to expand capacity. Currently the company's third plant with a production capacity of 750 tonnes per annum is taking shape in Hosur, Tamil Nadu, and is expected to go on stream by mid-1983,

Spices: The company is test-marketing packaged and branded spices in the domestic market. In the meanwhile it sold one crore rupee worth of spices in the export market.

Blades: Since 1979 the company has been marketing safety razor blades manufactured by the Centron Industrial Alliance Ltd., a Bombay-based unit with its factory in Aurangabad. This profit centre sold 35 million blades acquiring a 5.3% and 9% share in terms of units and value respectively of the Rs. 31 crores national market for razor blades,

The last four profit centres, comprising Group 2 accounted for 21% of the company's pre-tax profit.

As for 1981·82, the ten and two coffee profit centres (conventional and Instant) contributed an estimated 95 per cent of the pre tax profit of the cornpany, Thus the other profit centres are relatively speaking small potatoes for Brooke Bond, As Indicated earlier, the meat processing project is the largest and contributes turnover of Rs, b crores and it has broken even, The razor blades profit centre which has been marketing. blades manufactured by the ailing Centron Industrial Alliance Limited, Bombay, under the brand name Swish Stainless, Super Swish Silver, Steelex and Platinex made a contribution of Rs. 3 crores, But the future of this profit centre is dependent upon whether the company's proposed merger with Centron, stymied by the powerful Malhotras who dominate the indigenous razor blade industry, goes through. Thus, for the present management's ambitious plan to merge the ailing Centron into the company has been stymied by a host of legal and bureaucratic hurdles.

The company's packaged spices business is still at the test marketing stage. The company's leather plant commenced production in September 1982 and the paper manufacturing project will become operational at the end of 1983.

Profit Centres : Practices and Procedures

The following are the salient futures of profit centre structure at BBI and the practices and procedures followed:

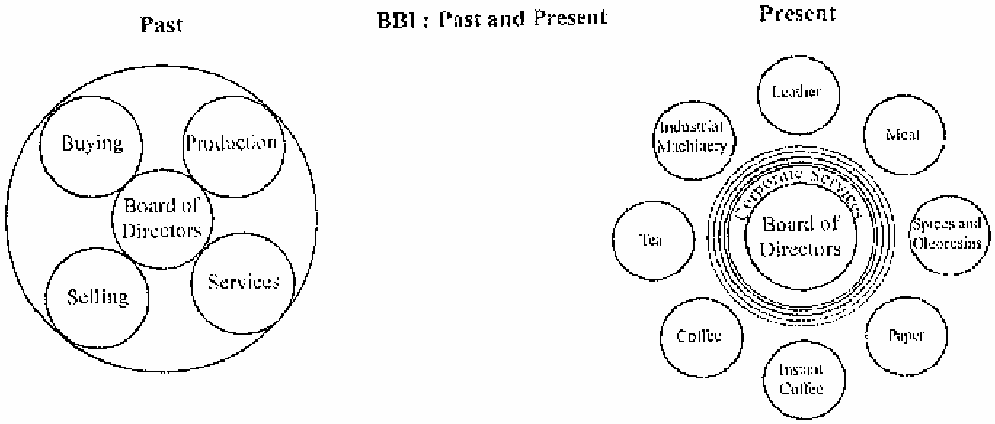
Organisation was considered adequate, or perhaps effective, as long as business of the company was less complex and limited to tea and coffee. Mr. Samuel (53) has been the Chairman and Managing Director of the Company since 1978.- Earlier a Chief Accountant at Hindustan Lever Ltd. (HLL), Mr. Samuel, joined Brooke Bond in 1971 as Finance Director. Mr. Samuel is the main force behind restructuring the 60-year-old company.

When the company commenced its meat project at Aurangabad. it found the need to make this unit a separate division to help identify the costs and profitability of the new project. At the same time, a group of people to work exclusively on the meat project was assigned and who could be held responsible for its performance and results. This development was the beginning of the concept of "profit centres" in the company.

When the company decided to go into the distribution of blades, the domestic marketing of spices, and with a third instant coffee plant, a leather unit and a paper project (which was round the corner), it felt the need to give these operations a more distinct identity. The responsibility for operations and results and accountability had to be clearly established at senior management levels.

FIGURE-1

BBI : Past and Present



In the past, the Company was organised according to functions and run as a single Profit Centre

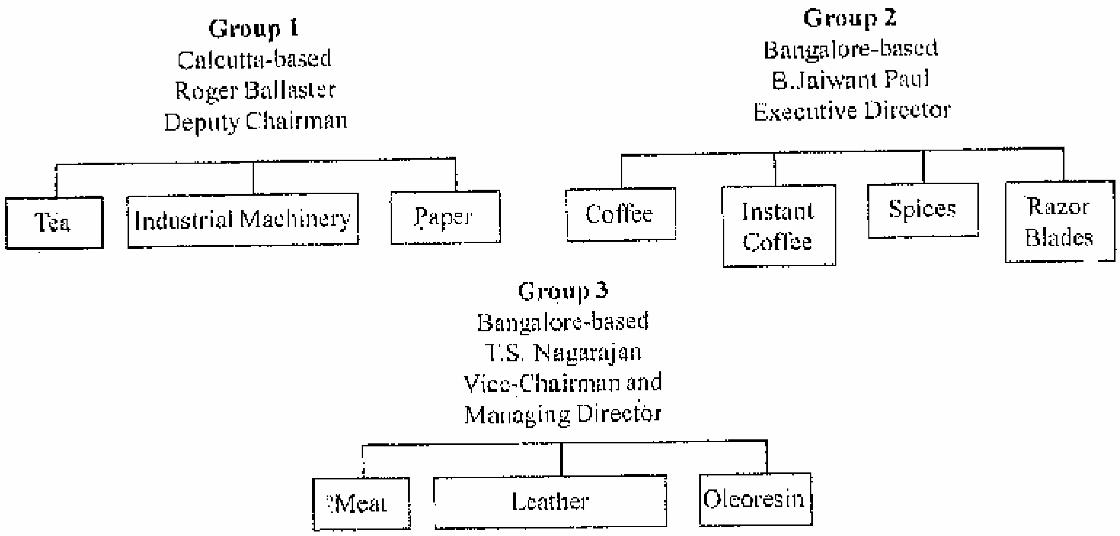
Source : Company's Annual Report, 1982

Since July 1981, decentralisation has taken place in order to manage the Company's widening spheres of activities more effectively. Now each product group forms a Profit Centre

A structure whose effectiveness can be judged by the current year's performance.

FIGURE – 2

Profit Centres at Brooke Bond India Ltd.



Source: Bhatia, Mamohar L., 1986, Profit Centres : Concepts, Practices and Perspectives, Somaiya Publications, Bombay, P. 235.

The company gave serious thought to the opportunities presented by the profit centre type of organisation, on which by then the company had some encouraging experience with the meat operation. It took some months, however, to implement the re organisation on a new pattern before it became fully operational throughout the organisation. Figure-1 captures the past and present of the company in so far as the organisation structure and management control are concerned.

According to Nagarajan, the diversification process has been spread out over three phases. The first phase began when the company made its diversification into the instant coffee business in pursuance of its perception that the demand for a product in a given market was neither constant nor inherent. It was the availability of a product in the market place that stimulated demand. This belief was put to test in the instant coffee market for which the national demand at that time was 200 tonnes per year. Today the company's production of instant coffee-checori blend is 1,600 tonnes per year and the demand for this blend and Bru exceeds supply.

A second phase in the company's diversification process began in the mid-seventies after the Foreign Exchange Regulation Act, 1973, was enacted and the equity shareholding of the parent company, the London based Brooks Bond Group was reduced from 100 per cent to 40 per cent in 1977-78. Under the provision of the Act, the company's future expansion had to be in relatively high technology areas or in the export sector. It was in this context that the company set up its meat export project in Aurangabad at a capital cost of Rs. 7.50 crores in 1976. In the year ended 27'" June, 1981 the company's meat exporting plant exported 6.25 million 340 gr. cans of corned (buffalo) meat valued at Rs. 4 crores. The meat is marketed in Britain and EEC countries. BBI's plant is regarded by the officials of the company as the first scientific meat processing plant set up in the country and is designed and integrated in such a manner that there is no wastage in operations. Even the effluent is used as fertilizer.

In the second phase of its diversification, the company also set up its oleoresins plant for export purposes, and an industrial machinery (printing and packaging) business which together recorded a sales turnover of Rs. I crore in 1981-82.

In the *third phase*, 13B1 set up a leather processing unit at Aurangabad, got its instant coffee plant at Hosur going by mid 1983 and set up a 15,500 tonnes per year paper manufacturing unit in Bilaspur, M,P, Of the recent diversifications, only the meat processing products is presently contributing to the profit pool of the company, The company's top management is convinced that the other diversifications, though currently at an incipient state, have very good potential.

The relevant excerpts relating to diversification projects of the company taken from the Directors' Report to shareholders for the period 28 June 1981 to 3 July 1982 are presented in Exhibit 2.

Operations and Performance

The BBI has a successful track record to its credit (see Exhibit 3). The company recorded an income of Rs. 217.24 crores for the financial year ended 3° July 1982. The total income of the company has increased more than two-fold since 1971-72 and pre-tax p^r^ofit has increased nearly three-fold. Though the exports since 1977-78 have declined, the company has been concentrating more on value-added exports (see Exhibit 4). The company's net worth which was Rs. 879 lakhs in 1967 has risen to Rs. 3,002 lakhs by 1982. The financial highlights for the ten year period (1972-73 to 1981-82) are given in Exhibit 5.

The Finance Director of BBI thinks that the financial health of the company is excellent. According to him "one important yardstick of gauging corporate performance is to take a look at a company's post-tax return on net worth. It denotes the money for distribution to shareholders and available to the company for re-investment. The company has earned a post-tax return on net worth of 18 per cent. The pre-tax profit in the recently concluded year which ended on 3rd July 1982 was 256 per cent higher than it was in 1977-78. The sharp increase in profitability is attributed to higher employee and machine productivity, control of overhead costs and exports. Further, according to him, the company's debt equity ratio is a mere 0.1: 1 against the IDBI's debt equity norm of 1 : 1 for non-capital intensive companies. The company's borrowals at Rs. 21.60 crores is only 1' per cent of its sales turnover of Rs. 212.69 crores in 1981-82.

Exhibits 6 and 7 present Balance Sheet and Profit and Loss Account of the company respectively.

Roger Ballester, who is President of the tea profit centre, attributes the improvement in sales and profitability on tea front to two factors. Firstly, there was an over production of tea and slackness in overseas demand. As a result the company was able to purchase tea from the auctions at a reasonable price. Secondly, the position of availability of sugar, which has a considerable bearing on the demand for tea, was comfortable.

Profit Centres: The Genesis

Earlier the organisation structure at BBI was based on functions. There were separate departments for managing factories, sales and markets, finance, commodity buying, etc. The responsibility for operating results to a great extent was diffused at senior management levels except for the collective responsibility for performance at the level of Board of Directors.

Interdependence: The profit centres at Brooke Bond are independent, except the leather profit centre which is dependent upon the meat profit centre for its input, viz. hides which are transferred at the current market price. There is no need for transfer pricing for other profit centres.

Method of Determining Profits: The procedure for determining profits of profit centres is:

a) All the variable expenses are charged against the specific income of each profit centre.

b) Presently, depreciation is charged to profit centres on the same basis as is being used for income tax purposes. However, the company is contemplating to provide depreciation on "Replacement Cost" basis in near future.

c) All fixed expenses, where they are easily ascertainable, are again specifically charged to products.

d) The remaining indirect overheads, including support and advisory services, are allocated to all profit centres on a "reasonable basis". The methods used depend on the type of services that are being rendered by the department concerned. All such allocations are clubbed together under "Indirect Overheads",

e) Interest charges are notionally debited to profit centres on the basis of Gross Working Capital employed.

Goals and Targets: The methods (or yardsticks) used for measuring the performance of profit centres for the purpose of evaluation are: (a) Profit before interest and income tax (absolute amount), (b) ROI percentage, (c) Percentage of contribution to sales, (d) Percentage of profit to sales, (e) Investment to turnover - times, and (f) Residual profit (i.e., after notional interest but before income tax).

Determination of Investment Base: The investment base of profit centres (technically, investment centres) for the purpose of ROI calculation is determined by taking fixed assets at the original cost which is assumed to equate very closely to the next replacement cost for the rest of the useful life of the assets. To this is added the working capital on gross basis, i.e., without deducting sundry creditors and other current liabilities.

A Climate of Optimism

The Chairman and Managing Director of the Company stated that the reorganisation of management structure (by product groups rather than by function) permitted it to act more independently. At the same time, if permitted this independence within an umbrella of corporate objectives and policies, determined by the Board of Directors. The independence permitted the profit centres to finely tune their operations to profitability in their own product groups, whether in commodity buying or marketing, production or development. This independent approach, according to the Chairman, had already started showing results though it was barely nine months since the change was introduced. "Each profit centre was not working on new ideas of their own, with greater relevance to their problems and opportunities. There was an understandable, even desirable, competitiveness between them which, of course, was held in balance so that the benefit was to the overall company interest. The, new organisation presented the company a new dimension in its attempt to maintain growing profitability with diversification. The profit centres have generated a new enthusiasm. There is also a new aggressiveness about how they operate; fully justified by the results they produce.

Shifting of Headquarters

In order to make the functioning more effective, the headquarters of smaller profit centres: Coffee, Instant Coffee, Blades and Spices were shifted (though not to the liking of Marxist Administration of West Bengal) to Bangalore where the Corporate Office is now located. The change of location was justified by the Chairman & M.D. for its being closer to commodity sources and major markets. "It has produced independence and impact to our expectations, and far in excess of what could have been possible if they had stayed in Calcutta. The profit centres, which are now small, are also our hopes for the future. So it is important that they receive the attention they now get for these operations. The shift to Bangalore has helped provide the attention which we hope will also assure future growth."

The tea profit centre, on the other hand. described as the backbone of the company's operations was allowed to stay in Calcutta which is the major centre for tea. Similarly, the paper project, which is more accessible from Calcutta, as well as Machine Building which is located at Calcutta, continue to be managed from there. Overall, therefore. the Chairman and M.D. exhorted: "We have combined the necessities of geography and business conditions with the organisational needs of the company for today and tomorrow." The Chairman decided to operate from both Bangalore and Calcutta. With his confidence in the Heads of profit centres, he hoped he would have less to do with the operations of individual profit centres and thus pay still more attention to overall corporate growth.

As the reorganisation involved relocation and shifting of staff from Calcutta to Bangalore, there was an understandable initial reaction from the employees to the changes, However, no member of the staff was forced to move, and no employee was retrenched because of the move, With understanding and accommodation, shown on both sides, it was possible to effect the changes without unhappiness, The shifting of the headquarters to Bangalore has been effected with unusual smoothness and without disturbing the tempo of the company's operations.

The shifting of the company's headquarters from the chaos of contemporary Calcutta to the more salubrious environment of Bangalore has coincided with the completion of a full year since the erstwhile functional structure was thoroughly overhauled in June 1981. Thus the. Company's recently concluded financial year (1981-82) was its first an organisation divided into ten profit centres and organised. for administrative convenience into three major groups (see Figure 2). "The sales and profits in the first year after the structural reorganisation have zoomed."

The improvement in the operating results was stated to be not only the consequence of a notable recovery in the domestic (tea and coffee) market but it also "reflects the effectiveness of the corporate reorganisation completed in 1981," said C.S. Samuel. "The marked improvement not only reflects the effectiveness of the major corporate reorganisation but also the theory lying behind it."

Personnel and industrial Relations

The immediate challenge before the top management is to groom in-house and recruit new managerial talent to man the ten profit centres that have spring to life consequent upon the restructuring of the company in 1981. Over the next five years the cornpany is likely to experience a large number of senior level retirements even as it is expanding the range and breath of its operations.. After five years, over 50 per cent of BBIs executives will have less than five years experience in the company. The challenge before the management is to preserve the healthy traditions of the company as relatively new recruits move into top and middle level positions.

The company's Employee's Federation has had the good sense to steer clear of all political parties. Fortunately, for all the constituents of the company, the apex level leadership from the very beginning has been provided by N.M. Barot, a leading light in the Mazoor Mahajan, Ahmedabad, founded by Mahatma Gandhi at the turn of the Century. The influence of Barot and the Mazoor Mahajan has kept industrial relations in BBI on an, even keel.

Questions

1. What triggered the introduction of profit centre system in BBI? Was the adoption of the profit centre structure, in your view, at the right time? Should the BBI have waited for some more years so that its recent diverse activities attained a level of maturity before introducing the concept of profit centres.
2. What are your comments on the practices and procedures regarding:
   i) determination of profitability and RO1 of Profit (or Investment) Centres, and
   ii) measuring of the performance of Profit Centres.
3. Evaluate the strategy of the company and its recent diversifications.
4. Do you share the optimism of the Chairman of the Company?
5. What are some apparent strengths and weaknesses of BBI? Comment on the -
   i) Direct Selling System of the Company (should it be changed in favour of distribution through intermediaries?); and
   ii) Performance of the company.

EXHIBIT-1

HOW BROOKE BOND COMPARES

	Year ending	Net Sales (Rs. Crores)	Profit before tax (Rs. Crores)	Profit after tax Net worth (%)	Return on Capital employed (%)	Total liabilities Net worth
Brooke I3orItl	30 06.8I	179,69	10,64	19,13	18.21	150
Lipton	30·06·81	69.90	(2.46)*	--	11.66	1157
Food Specialities	31-I2-8I.	55.65	6.70	31.75	28.39	92
Hindustan Lever	31-12-81	533.65	41.42	21.36	18.95	145
Voltas	31-08-81	273.18	8.90	25.53	17.94	582

* Loss

Source: Stock Exchange Official Directory.

EXHIBIT-2
DIVERSIFICATION AT BBI

MEAT

There was a general decline in price on the international meat market and the unit realisation was comparatively lower than the previous year. During the year, shipments to Egypt - our major market remained suspended, but have now resumed. We received another welcome order from Romania for an additional 1, 00,000 cases valued at Rs. 190 lakhs. The major part of this order was executed during the year, but unfortunately could not be completed because of a trade balance problem between India and Romania. This has now been resolved and shipments are expected to be resumed shortly.

Steps, considered essential by the UK/EEC authorities for import of meat into these countries, have now been taken by the Government of India for implementing meat inspecting procedures in our Aurangabad Plant. Representatives from the UK are expected to visit our meat plant soon for a final approval which should open up considerable opportunity for marketing our corned beef to the UK -- a major consumer.

LEATHER

The leather finishing plant at Aurangabad was commissioned on schedule in June 1982. The finished products from the plant covering Safety Prints, Upholstery and Softy leather were developed and displayed at the Paris Leather Fair and evoked considerable interest and response. The unit is now geared for regular commercial production.

INSTANT COFFEE

Our plans to commission the third instant coffee plant at Hosur by June 1983 are progressing satisfactorily.

We are taking suitable steps to meet our commitments to the Government on the introduction of a pure instant coffee in the domestic market and to export 50% of the production from the Hosur Plant.

PAPER MILL

Civil construction works at Bilaspur site are progressing satisfactorily. Imported paper machine has been received at site and work for overhauling and minor modifications is being taken up. Orders for the indigenous plant and equipments are being placed progressively. Barring any unforeseen developments, the paper mill is expected to be commissioned by December, 1983.

CENTRON MERGER

In January 1 982, the Company received the approval of the Central Government under Section 23(2) of the MRTP Act, 1969. 1-larbans Lal Malhotra & Sons Limited, a company engaged in the manufacture and distribution of razor blades filed an appeal in the Supreme Court and obtained a Stay against the operation of the order of the Central Government. The Supreme Court admitted the appeal but vacated the Stay.

The proceedings for sanction of the Scheme of Merger are currently in progress before the Bombay and Calcutta High Courts. The State industrial and Investment Corporation of Maharashtra and the United Commercial Bank who initiated the proposal of merger of Centron with the Company and voted for the Scheme of Merger at the meeting on 27[1]" January, 1981 held under the direction of the High Court in Bombay have now chosen to consider an alternate Scheme offered by Malhotras.

During the year Company has maintained a satisfactory level of sales of blades manufactured by Centron.

EXHIBIT-3

BBI; TRACK RECORD

Year	Total Income	Pre-tax Profit
1971-72	96.49	4.90
1972-73	101.98	5.12
1973-74	119.93	5.96
1974-75	142.22	4.47
1975-76	159.86	5.33
1976-77	188.32	4.58
1977-78	182.20	5.06
1978-79	183.65	8.59
1979-80	195.86	10.11
1980-81	183.28	10.64
1981-82	217.24	12.96

Source: Company's Annual Report for various years.

EXHIBIT-4

BROOKE BOND (INDIA) LTD

Exports

Year	Rs. (in !acs)	Value added Export (in lacs)
1977-78	4,356	--
1978-79	3,532	1,236
1979-80	3,771	1,716
1980-81	3,402	1,838
1981-82	3,167	1,820

Source: Company's Annual Report for various years.

EXHIBIT-5
BROOKE BOND (INDIA) LTD.
TEN YEAR'S FINANCIAL HIGHLIGHTS

Rs. In lakhs

	1981-82	1980-81	1979-80	1978-79	1977-78	1976-77	1975-76	1974-75	1973-74	1972-73
WORKING RESULTS										
Total income	2172·1	18579	10586	18365	18220	18832	15986	14222	11993	10198
Total Expenditure	20428	17515	18575	17506	17714	18374	15453	13775	11397	9686
Profit Before	1296	1061	1011	859	506	458	533	447	596	512
Profit After Taxation	576	529	451	374	247	181	139	167	214	204
Proposed Dividend	340	303	303	216	171	160	134	134	74	134
Retained Profits	236	226	148	158	76	21	5	33	140	70
TOTAL ASSETS										
Gross Fixed Assets	2281	1826	1785	1741	1525	1273	1041	966	947	920
Net Fixed Assets	1282	916	970	1017	894	722	533	502	528	548
Investments	19	19	19	19	12	4	5	5	5	5
Current Assets, Loans and Advances	5988	5978	6552	5172	5542	4774	3584	3688	3313	2558
Total Assets	7289	6913	7541	6208	6448	5500	4122	4195	3846	3111
BORROWINGS AND LIABILITIES										
Secured Loans	371	810	1278	757	1597	1095	691	805	701	437
Unsecured Loans	808	794	800	542	341	86	163	19	122	137
Current Liabilities and Provisions	3108	2543	2924	2518	2383	2288	1608	1716	1395	989
Total Borrowings and Liabilities	4287	4147	5002	3817	4321	3469	2462	2540	2218	1563
NET WORTH										
Share Capital	1512	1512	1512	1512	1424	1409	670	670	670	670
Reserves and	1490	1254	1027	879	703	622	990	985	958	878
Shareholders' Fund	3002	2766	2539	2391	2127	2031	1660	1355	1628	1548

Source: Company's Annual Report, 1982.

EXHIBIT-6
BROOKE BOND (INDIA) LTD.
BALANCE SHEET AS AT 3" JULY 1982

LIABILITIES			**ASSETS**		
	Rs. Lakhs			Rs. Lakhs	
	1982	**1981**		**1982**	**1981**
Share Capital	1512.31	1512.21	Fixed Assets	1282.25	916.41
Reserves and Surplus	1490.13	1253.98	Investments	18.72	18.84
Secured Loans.	370.94	810.15	Current Assets	5216,03	5557.44
Unsecured Loans	807.84	793.35	Loans and Advances	771.56	419.88
Current Liabilities	3107,44	2542.88			
and Provisions	**7288.56·**	**6912.88**		**7288.56**	**6912.57**

Source: Company's Annual Report, 1982

EXHIBIT•7
BROOKE BOND (INDIA) LTD.
PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 3RD JULY, 1982

	Rs. in Lakhs	
	1982	**1981**
Income		
Sales	21269.68	18220.47
Other Income	454.86	358.88
	21724.54	18579.35
Expenditure		
Materials	12352.43	10628,36
Expenses	7711.92	6552.83
Interest	260.67	266.59
Depreciation	91.06	92.25
	20416.08	17543.03
	1308.46	1036.32
Provisions Made		
Doubtful Debts and Advances	14.75	3.53
1293,71	1293.71	1032.79
Provisions Withdrawn		
Doubtful Debts and Advances	1,76	9,04
Contingencies	-	22,00
Profit on Disposal of Assets	0,93	0.41
Profit before Taxation	1296.40	1064,24
Provision for Taxation	720.00	535,00
Profit after Taxation	576,40	529.24
Development Rebate Reserve written back	14.00	2.50
	590,40	531.74
Appropriations to		
Investment Allowance Reserve	29.00	9.00
Proposed Dividend (subject to deduction of income tax)	340.25	302.44
General Reserve	221,15	220.30
	590.40	531.74

Source: Company's Annual Report, 1982.