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REPORTS

ON THE STRUCTURE OF PRODUCTION, THE TECHNOLOGICAL LEVEL, THE FINANCIAL SITUATION, THE ACCESS TO THE DOMESTIC AND FOREIGN MARKETS AND THE PROBLEMS AND CONSTRAINTS UNDER THE CHANGED ECONOMIC CONDITIONS FOR:

TROLLEY BUS TRANSPORT LTD. - Vratza
MEBEL LTD. - Vratza
GLAZNE LTD. - Bansko
BKS LTD. - Vratza
HLEBOPROIZVDSTVO LTD. - Vratza

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TROLLEY BUS TRANSPORT ITD - VRATZA

ENTERPRISE IDENTIFICATION

The enterprise is in the town of Vratza at: 3000 Vratza, Industrial district, tel. 092/490-30, fax 485-73.

Its legal status is Sole Proprietor Limited Liability Company (LTD.) with municipal property belonging to the Municipality of Vratza.

The company is managed by Chavdar Nikolov.

Its activity is in the sphere of public passenger transportation.

PRODUCTION STRUCTURE

In internal urban passenger transportation, the enterprise is an alternative to the state owned enterprise for bus transport. Taking into consideration the already well established contact network, the ecological characteristics, the price of energy, the potential of handling the major flows of passengers and the extremely important social indication - the price of tickets (the lowest in Bulgaria), it could be forecast that this enterprise will take an advantage over the bus transport enterprise. This process has already started and its signs are obvious.

The enterprise disposes with 24 trolley buses with about one million kilometers mileage last year and over 6 million passengers transported by the three lines with a total length of 28 km in 1993, at a city population of 85 000.

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With the objective of improving its financial results, to be able in the future to cut down or even to discontinue state subsidies for this social activity and to protect the low tariffs, the Trolley bus Transport LTD. Vratza is focusing its attention to other auxiliary activities. Thus, it starts the implementation of cable TV which will be jointly used with other companies. Another perspective activity is the manufacturing of electronic systems for the management of urban transport based on its proper designs, experience and intellectual and industrial property.

Number of staff - about 100 employees. As a result of the implementation of modern electronic technology for the control and management of the traffic, the enterprise has cut down the dispatchers, thus decreasing by 7% the number of staff. The professional and functional structure of the staff is appropriately set up in line with the scales and the nature of the enterprise.

Functionally the enterprise disposes with several production units - a trolley bus depot with a section for maintenance and repair, automatic washer for trolley buses and buses. It is as well the owner of the means of transportation and the contact network.

The intangible assets of the company include intellectual and industrial property co-owned with the Mechanical Electric Engineering Institute in Sofia. These assets comprise the designs and the manufacturing of a modern electronic system for control and

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management of the trolley bus traffic. Other Bulgarian cities have shown interest in buying the system along with a demand for export to Hungary. Thus, the economic effect will be multiplied.

Production capacities are concentrated on one spot in the Northwest industrial area of the city. The territory is not only sufficient, but even allows a future extension. The production, administrative and servicing buildings are there. The buildings owned by the company are new, built in recent years.

**FINANCIAL STATE**

The balance value of long-term assets (LA) by the 31.12.1993 amounts to about 44 924 thousand BG Leva, including long-term fixed assets (LFA) - 44 496 thousand BG Leva.

They are divided as follows:
- buildings and land - 2 977 thousand BG Leva;
- machinery and equipment - 31 722 thousand BG Leva;
- other - 9 657 thousand BG Leva.

The annual turnover realized by the enterprises in 1993 is about 12 mln BG Leva. Besides, the enterprise had received state subsidy amounting to about 5 mln BG Leva, or the total amount of income was in excess of 17 500 thousands BG Leva. The profit under the income part of the financial results has not only allowed to bring down the subsidy by about 500 000 BG Leva, but to make own investments through the purchase of new trolley buses, the manufacturing of the electronic

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control-management system and the building of a hall-automatic washer. These own investments amount to 1 500 000 BG Leva.

The analyses of financial indices based on accounting balances and accounts on income and expenses over the last three years (1991 - 1993) and the first half of 1994 showed:

The share of equity is significantly increasing - from 34% at the end of 1991 to already 45% at the end of the first half in 1994.

In total the value of assets is 52 897 BG Leva, the greatest portion belonging to long-term assets - 84,4%. The share of long-term fixed assets during last years shows a significant decrease (from 57% down to 48,3%).

Stocks increase slightly - by about 5%.

1. Liquidity

During the period analyzed, the liquidity coefficients (quick and current) keep a continuous high level in the range of 4,2 - 7,3.

2. Trade activity

In 1993 all indices of trade activity are exceptionally low. The turnover of long-term assets and long-term fixed assets are in the 0,20. Higher is the index of the net working capital turnover, but it still under 2. A steady trend since 1991 until now is the constant decrease in the turnover of stocks, whose figures have gone down from 14,3 to 4,7. This low value shows that the company maintains significant stocks, while the dynamics in the change of this index of trade activity show a continuous growth.

3. Indebtedness

During the period under review, there is observed a constant level
of a very low coefficient of general indebtedness - in the range of 0.02. The credit indebtedness decreases twice, but the short-term credit has been transformed into a long-term. Almost double is the increase of debts' share (from 24.7 to 44.6%). While the debts to suppliers decrease twice, the indebtedness in the "other" section is increasing, while the indebtedness to the budget drastically soars. The latter has jumped up from 3.6% to 19.15%.

4. Profitability - During the last years reviewed (1991 - 1994) the company has been working with substantial subsidies from the budget. It has gone down, in particular during the last year, as a result of the improving economic activity. During the period 1.01.1991 - 30.06.1994 the income from sales has increased by almost 68%, their portion increasing from 40.3% to 67.7%.

5. Loading of assets
Loading of assets (an index reflecting the correlation between the income from sales to the value of long-term fixed assets, respectively the part covering only machinery and equipment) is of very low values. Thus, for instance, the loading of all long-term assets in 1991, 1992 and 1993 is respectively 0.20, 0.10 and 0.27. The values of this index only with regard of machinery and equipment is respectively 0.28; 0.15 and 0.38. They have been calculated on the basis of financial results from the activity of the company during the first half of the present year. This forecast slight increase maybe proves that the company is facing a starting slow stabilization.
PROBLEMS AND CONSTRAINTS UNDER THE NEW ECONOMIC CIRCUMSTANCES

Along with any other problems the economic life in Bulgaria experiences, Trolley Bus Transport LTD., Vratza, being a municipal company for a mass urban passenger transport has difficulty mainly with respect of successfully combining the good economic (financial) results with keeping a steady socially oriented social policy.

Because of this problem, as well as the related to it financial situation of the enterprise, it needs qualified Consultancy assistance in the fields of:

- improvement of the management, sanitation of the enterprise thorough an improvement in the capital structure, increase of working funds and their more efficient use;

- its technological development, technical renovation, modernization and future growth through the identification of means for the attraction of investments for this aim;

- elaboration of a privatisation project and schemes or an alternative solution applicable to this sort of municipal enterprises.

NOTE

The Trolley Bus Transport Ltd. Vratza meets a number of the criteria listed for the inclusion of the enterprise under the Project:

- it is about 115 km on the highway from Sofia;
- the enterprise is middle sized;
- the enterprise has a potential for a future growth;
- the enterprise is among the major ones on the territory of the Municipality and plays a particularly important social function.
MEBEL LTD.- Vratza

ENTERPRISE IDENTIFICATION

The enterprise is in the town of Vratza at: 3000 Vratza, Northeast Industrial district, tel. 092/44 572.

Its legal status is a Sole Proprietor Limited Liability Company (LTD.) with municipal property belonging to the Municipality of Vratza. The decision for registration was made on the 02.12.1991 based on a previously existing enterprise.

The company is managed by Kossio Nikolov.

Its activities are in the manufacture of furniture - modules and upholstered items, both for homes and offices.

PRODUCTION STRUCTURE

The enterprise is small both with regard of the number of staff and the amount of its assets.

The enterprise is manufacturing upholstered, module and veneer furniture for homes and for the furnishing of production sites, of public premises under individual designs. The strong points of the production are: functionality, solid construction and stability of modules, competitive prices. Under its weak points we may list the lack of diversity in the selection manufactured, the delay in updating the designs (new designs are lacking). It is necessary to extend the range

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of attractive front materials and to implement lighter in construction items.

The production list includes:
- veneer furniture - bookshelves, bedroom suites, wardrobes, liquor cabinets;
- upholstered: sofas and living room sets. The enterprise is co-operated with the state owned company for medical furnishing in Vratza in the production of upholstered medical seats.

Number of staff - 69. The qualification and the functional structure of the enterprise is properly established.

It is allocated functionally as follows:
6 - in management;
5 - in administration;
58 - workers (involved directly in the production);

The qualification level of the staff is the following:
- university education - 6 people;
- secondary and vocational education - 52 people;
- primary education - 11 people.

The enterprise is working on one regular shift. The production capacity might be increased if needed through the adoption of two working shifts. This will lead as well to new job openings.

Functionally the enterprise has got two major production sectors - furniture and upholstery. Besides the company disposes with an exhibition hall in town (company's

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Production capacities are concentrated on one spot comprising:
- furniture workshop;
- upholstery workshop.

The administrative building of the enterprise is located on the same place. The company owns other real estate including the exhibition hall (company's shop) and a production-training workshop - The Atelier (both properties are in the town of Vratza) and a resort home in the village of Akheloy, Bourgas region.

The raw and prime materials are predominantly of local origin.

TECHNOLOGICAL LEVEL

The technological level is good. The machine park includes universal and specialized wood processing machinery.

The major weakness of the company in the technological aspect is the obsolete construction and design of furniture. There is made no use neither of impressive covers - veneer and foils, nor of upholstery fabrics in fashionable color and prints.
**FINANCIAL STATE**

The balance value of long-term assets (LA) at the 31.12.1993 amounted to about 8 240 thousand BG leva, including long-term fixed assets (LFA) - 6 336 thousand BG Leva.

The LFA are distributed as follows:
- buildings and land - 5830 thousand BG Leva;
- machinery, equipment, etc. - 342 thousand BG Leva;
- others - 164 thousand BG Leva.

The annual turnover of the enterprise in 1993 was 9 985 thousand BG Leva including income from sales of 9 422 thousand BG Leva. The income from sales is about 90% of income from activity and from the overall income.

The analyses of financial indices based on data available from accounting balances and accounts on income and expenses over the last three years (1991 - 1993) showed:

Equity in 1993 - 1994 is about 85% from the company’s liabilities.

The revaluation of assets made at the end of 1992 based on normative requirements has changed the balance structure applicable to 1993 through the increase of long-term assets and own capital.

The total value of assets is about 8 330 thousand BG Leva, the portion of long-term assets being the most significant - 6 270 thousand BG Leva (75.3%). Exactly the same is the percentage of the long-term fixed assets in

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overall long-term assets. Noteworthy is the dynamics of stocks during the last years reviewed - 1991 - 1994. Their share is respectively: 38%; 46.7%; 16.5% and 20.5%. For the last two years of this four years' period of time it has significantly decreased. Continuously the expenses on stock amount to about 60% of the company's expenses.

The company has no loans.

The analysis of financial shows at present (and over the whole period as well) a comparatively satisfactory current liquidity - about 2. The share of indebtedness in the company's liabilities is low - about 11-12%. For the last two years from the period under review it has decreased twice compared with the initial years. The time for collection of receivables increase from 2.26 to 6.68 days. 2. Trade activity is weak almost like all indices characterizing it in 1993 and 1994, which have down compared to 1992. As a result of all this profitability is low. The share of gross profit before interest and tax in the total income is a mere 4%.

Loading of assets (a ratio indicating the correlation of income from sales to the value of long-term assets, respectively in machinery and equipment part) indicates an ascending trend, e.g. the company has started to overcome the crisis and the results from its activities begin slowly, but steadily to improve. However, looking at the change in these two indices, we seem not to be entitled to such a conclusion. But the contradiction is merely ostensible and is due to the fact that at the end of 1992 an artificial revaluation was
made. e.g. the value of long-term assets had been exaggerated including machinery and equipment. Thus for instance the loading of all long-term fixed assets during those four years (1991 - 1994) has changed as follows: 4.22; 7.25; 1.49 and 1.57. What concerns the index accounting only for the machinery and equipment part, it developed in the following way: 28.9; 54.3; 27.6 and 30.3. These figures are too elevated and optimistic.

**Internal and external reserves**

The furniture sector in the country is characterized by an extremely big number of small, medium and large industrial enterprises - state, municipal or private property. This makes the competition on the domestic market more intensive. Despite the observed in later years stagnation on domestic markets, the enterprise has a good market position. However, a specific market strategy has never been elaborated. The shop-exhibition hall, property of the company is not been made efficient use for a research of the demand. The market niche for the furnishing of public and industrial sites is also a source of potential opportunities. There is a need of some efforts being made in the development of foreign markets.
PROBLEMS AND CONSTRAINTS UNDER THE NEW ECONOMIC CIRCUMSTANCES

Along with all common problems faced by the economy in Bulgaria, Mebel LTD., Vratza has difficulties and needs qualified advisory assistance in the following specific aspects:

- restructuring of the enterprise to two or three new small enterprises in the fields of:
  1. wood-processing and furniture manufacture;
  2. textiles;
  3. leather processing;
- technological updating, provision of morally and physically new equipment (more productive, energy saving, providing better working conditions and ecologically protective with regard of toxic discharges and noise pollution);
- market researches, a search for new domestic markets and development of foreign ones;
- extension of the list of products, development of sales and working (production) techniques.

NOTE

The MEBEL LTD., VRATZA corresponds to almost all criteria identified for selecting it under the Project:

- it is about 115 km away from Sofia on the highway;

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- the enterprise is small in scale;
- the enterprise has potential capacities for a future development both on the domestic and foreign markets;
- it makes use of mainly local raw materials.
GLAZNE LTD.- BANSKO

ENTERPRISE IDENTIFICATION

The enterprise is in the town of Bansko at: 2770 Bansko, 22 Bulgaria street, tel. 07443/22-89;

Its legal status is a Sole Proprietor Limited Liability Company (LTD.) with municipal property owned by the Municipality of Bansko.

The company is managed by Dimitar Kadev.

Its activities cover three production sectors: wood processing and furniture production; textiles and dressmaking - ready-to-wear; leather items.

PRODUCTION STRUCTURE

The enterprise is not properly focused production wise. Its activities cover there different manufacturing sectors. Thus, it needs to be restructured being the basis for several new enterprises. The structure of its assets and property, their location on one and the same spot with a significant surface and its dimensions provide for it.

The enterprise is manufacturing (in the wood processing and furniture field): wooden joinery, boards and elements made of soft and coniferous timber, module furniture in small series and by order; including office, shops and home furniture. Unsuccessful attempts have been made to export furniture. This production provides the major share of income from sales - 70%. About 70 people are employed there, the correlation men - women being 70 : 30.

The textiles sector provides approximately 25% of the sales. About 60 people work there, mainly women. This production closes the whole cycle from raw wool (processing, picking, combing), through

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spinning (including dying) to weaving. There are manufactured heavy woolen blankets (Rhodope style), bed covers with long hair, floor covers and other household textiles. The dressmaking production is rather limited in volume.

The leather production includes the processing of raw leather (services to the people comprised) resulting in processed leather from cattle, sheep and goats. No leather and fur items, nor leather haberdashery are produced there. The value of this activity is less than 5% from the realization of the enterprises, the number of staff employed in this sector being approximately the same.

Number of staff - 140. The qualification and the functional structure of the enterprise is corresponding to the scales and the nature of the enterprise. 6 - 7% of the staff are in administration.

The enterprise works one shift. The production capacity, if needed may be increased by adopting a two shifts' working regime. Besides this will lead to new job openings.

Production capacities are concentrated on one spot with the following characteristics:

- a lot of land of 10 600 sqm. m.
- and buildings with 3430 built-up area.

There is a production hall located on the same place, the construction of which has not yet been finished. At that time it was foreseen to set up a furniture workshop in it.

The other buildings and lots sheltering the administration and the workshop are located elsewhere in town.

The raw and prime materials for the wood processing and the furniture manufacture dispose with old and run-down machines. On the production site there is set up a steam producing unit of their own.

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TECHNOLOGICAL LEVEL

The major weakness of the company in the technological aspect is the relatively dilapidated equipment, in particular in wood processing, the need of improving the working conditions (toxic products and noise).

However, the major problem is the bad production focusing involving three different production sectors. This leads to a scatter multisided market strategy, differently channeled efforts in the management of activities. The solution to this problem calls for a restructuring of the company, creating on its basis several new, dynamically developing and efficient small enterprises.

FINANCIAL STATE

The balance value of long-term assets (LA) at the 31.12.1993 amounted to 3 438 thousand BG leva, including long-term fixed assets (LFA) - 3 438 thousand BG Leva.

The LFA are distributed as follows:
- buildings and land - 1072 thousand BG Leva;
- machinery, equipment, etc. - 385 thousand BG Leva;
- others - 135 thousand BG Leva.

The annual turnover of the enterprise in 1993 was 11 666 thousand BG Leva.

The analyses of financial indices based on accounting balances and accounts on income and expenses over the last three years (1991 - 1993) showed:

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1. Liquidity

In 1993 the liquidity ratio marked a slight decrease compared to 1992, 1.22 - current liquidity and 1.16 respectively quick liquidity ration.

With regard of receivables management a favorable trend has been observed - in general for all receivables from 51.82 (1992) to 34.90 (1993), while for the receivables from sales from 50.98 to 34.15. The average duration for repayment of dues has slightly increased from 102.13 (1992) to 34.90 (1993), but it is compensated by a significant decrease in the repayment to suppliers from 26.86 to 13.06.

Regardless of the improvement marked in the last year, the liquidity problems of the company have not been solved.

2. Trade activity

In 1993 all indices of trade activity raised in comparison with 1992. A significant increase in the turnover of LFA - from 2.70 to 3.10 and in the turnover of the net working capital - from 16.53 to 21.00 have been noted.

The trend illustrated has resulted from the increase of income in 1993 - 11666 thousand BG Leva (11175 thousand BG Leva in 1992).

A negative effect over the turnover of stocks has been exercised by their increase from 1838 thousand BG Leva (1992) to 2106 (1992), thus the stocks' turnover ratio keeps a relatively low value (2.89) showing that the company maintains a significant level of stocks.

3. Indebtedness

During the period under review an insignificant increase of the
ratio of general indebtedness - from 0.46 (1992) to 0.53 (1993) was observed, which was due to a raise in obligations towards the staff - from 246 thousand BG Leva (1992) to 353 (1993) thousand BG Leva; to the national budget - from 889 thousand BG Leva to 1362 thousand BG Leva and to social security - from 63 thousand to 161 thousand.

The company has exhausted its capital reserves.

4. Profitability

During the last year (1993) the company has been working at a minimum loss.

It may be forecasted that in the short-term the result from the activities of the company will remain the same. Taking into consideration the certain change over the last year, efforts should be focused to the efficient use of production capacities and the ongoing increase of income from sales, along with a lowering of the level of stocks.

5. Loading of assets

This ratio shows the correlation of income from sales to the value of long-term fixed assets, respectively only in the part machinery and equipment. Thus the loading of all long-term fixed assets in 1991, 1992 and 1993 was respectively 1.79; 2.7 and 3.1. The value of this index only with regard of the machinery and equipment part is respectively 12.9; 22.7 and 27.65. The same trend is noted when calculating of forecast values of these two coefficients for the current 1994. The latter two have been calculated on the basis of financial results from the company's activities during the first half of this year. The high for the country loading of assets and its constant increase is

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an indication of the successful and improving activity of the company, under the generally unfavorable economic juncture in the country.

DOMESTIC AND FOREIGN MARKETS

Because of the difference in the items manufactured, the company's markets should be analyzed separately: furniture and wood processing; textiles and leather sectors.

The boards and other cut timber, the sundry details made of solid timber, the wooden joinery and panels, as well as furniture are exclusively sold on the domestic market. Unsuccessful attempts have been made for the export of furniture, but the marketing on potential foreign markets is too insufficient. The perspectives of the region of the town of Bansko lie in the development of a steady tourism and tourist industry, thus revealing potential opportunities for orders in hotel, restaurants and other similar sites for equipment and furnishing.

The textiles with their specific folk elements and if emphasizing its souvenir character has got good marketing prospects too.

The leather manufacturing is rather limited, but bearing in mind that a considerable number of raw leathers from cattle, sheep and goat are produced in the region mainly in the private sector, the preservation and development of this type of services to the public is more than necessary.
PROBLEMS AND CONSTRAINTS UNDER THE NEW ECONOMIC CIRCUMSTANCES

Along with all common problems faced by the economy in Bulgaria, Glazne LTD., Bansko has problems and need qualified advisory assistance in the following aspects:

- restructuring of the enterprise to two or three new small enterprises in the fields of:
  1. wood-processing and furniture manufacture;
  2. textiles;
  3. leather processing;

- technological updating, provision of morally and physically new equipment (more productive, energy saving, providing better working conditions and ecologically protective with regard of toxic discharges and noise pollution);

- market researches, a search for new domestic markets and development of foreign ones;

- extension of the list of products, development of sales and working (production) techniques.

NOTE

The Glazne LTD., Bansko corresponds to almost all criteria identified for selecting it under the Project:

- it is about 150 km away from Sofia on the highway;
- the enterprise is small in scale;
- the enterprise has potential capacities for a future development both on the domestic and foreign markets;
- it makes use of mainly local raw materials;
- the processing of leathers produced by private individuals is an activity necessary for the region of Bansko Municipality and the
neighboring municipalities as well;

- a significant percentage of women are busy in the enterprise, while the textile sector is covered exclusively by a female staff;

- the enterprise is among the major ones on the territory of the Municipality.

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BKS LTD. - VRATZA

ENTERPRISE IDENTIFICATION

The enterprise is in the town of Vratza at: 3000 Vratza, 13 G. Apostolov street, tel. 092/271-03.

Its legal status is a Sole Proprietor Limited Liability Company (LTD.) with municipal property belonging to the Municipality of Vratza. The resolution for the registration of the company in its present format is dated 30.01.1992.

The company is managed by Stefan Chokoyski.

The field of activity includes construction and repair of buildings, the production of building items and materials, planting of urban territories and decorative trees' breeding, communal activities - cleaning, maintenance and repair of the municipal buildings and the state housing complexes.

PRODUCTION STRUCTURE

The enterprise is medium in scale. It undertakes the construction of any ground sites or buildings, public garden designing; typical communal activities related to the cleanliness on the territory of Vratza Municipality - the exploitation of the town's dung-hill, the garbage collection, the sweeping and washing of streets along with the maintenance of public buildings and housing complexes belonging to the state.

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The enterprise is producing building items and materials, material for planting and gardening.

The production list includes:
- concrete and lime solutions;
- ferroconcrete and concrete products;
- decorative trees, shrubs and flowers.

Number of staff - 285 people.

In the functional aspect the enterprise has three major production sectors - construction (with a concrete producing unit), communal (a dung-hill and buildings for the maintenance of the specialized vehicles) and gardening (including a nursery and hot houses). Besides that the company disposes with several administrative buildings. Location wise they are on different lots of land, thus enabling a future restructuring of the company.

The prime and raw materials are of local origin.

**TECHNOLOGICAL LEVEL**

The technological level is good. The company disposes with specialized machine and automobile park including machines and vehicles for the collection and transport of garbage, for the washing and sweeping of streets, for spreading sand on roads and with snow-ploughs. The construction sector disposes with the necessary machinery, equipment and installations.

A major deficiency of the company in the technological aspect is the fact that it is not adequately production and technology focused with the resulting organisation and managerial problems.

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FINANCIAL STATE

The balance value of the long-term assets (LA) at the 31.12.1993 amounted to about 9008 thousand BG Leva including long-term fixed assets (LFA) - 8998 thousand BG Leva.

They are distributed as follows:
- buildings and land - 2565 thousand BG Leva;
- machinery and equipment - 1288 thousand BG Leva;
- others - 2477 BG Leva.

The annual income from sales realized by the enterprise in 1993 was 19 970 thousand BG Leva. The relative share of expenses on materials is constant over the last three years (the figures are about 20 - 25%), but it is low for this type of activity, bearing in mind the average figure for the country. Moreover, it represents about 70% from expenses on staff (labor expenses).

The analysis of financial indices based on data available from accountancy balances and the accounts on income and expenses over the last three years (1991 - 1993) have justified the following conclusions to be made:

The capital structure is changing, the equity is going down from over 78% to about 70%. The revaluation of assets performed on the basis of normative requirements, showed a change in the balance structure compared to 1991, for instance long-term assets have increased more than 5 times. The same is applicable to the proper capital of the company. The total value of assets is 14 255 thousand BG Leva, the
The share of long-term assets being the biggest. Their share in 1991 amounted to 62%, showing a slight decline and amounting to 56% at present.

The level of stocks is reasonable, their share is approximately in the range 10 - 15%, their relative decrease during the period under review being about 30%.

The company has no credit indebtedness.

The overall indebtedness to all creditors (including the staff, the national budget and the social security) shows however, a steady trend of raising. Its share in the liabilities of the company increases from 10% to 19%.

1. Liquidity

The analysis of financial ratios shows at present (as well as over the whole period) good indices of current liquidity - over 2. At the onset of the period the index was much too high, but has been continuously going down. The figures during the last three years are respectively: 6.85; 4.10 and 2.64. The trend in the quick liquidity change is identical - 3.84; 2.64 and 1.82. The share of debts in the liabilities of the company, as it has already been noted, at the 31.12.1993 was about 19%. Particularly unfavorable is the duration of receivables, significantly raised from 16.6 to 136.7 days.

2. Trade activity

Trade activity is weak, as for example the turnover of long-term assets goes down from 6.1 to 2.2. As a result of all this, profitability is low (about 1 - 2%).

The financial situation of the company is slowly, but continuously deteriorating.

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3. Loading of assets

The loading of assets (a ratio showing the correlation between income from sales and the value of long-term fixed assets, respectively the part representing machinery and equipment) shows an ascending trend, the figures are good (elevated). This is the argument of the company proving that they start to emerge from the crisis. However, looking at the change in these two indices, we hardly have the right to come to this conclusion. But the contradiction is ostensible and is due to the fact that at the end of 1991 it was artificially re-evaluated, e.g. the value of long-term assets was exaggerated, including machinery and equipment too. Thus, for instance the loading of all long-term fixed assets during this four years' period (1991 - 1994) is changing as follows: 6.09; 1.95; 2.20. With regard of the index accounting only the share of machinery and equipment, it is subject to the following alteration: 40.8; 15.9 and 15.5. These are rather high and optimistic figures.

PROBLEMS AND CONSTRAINTS UNDER THE NEW ECONOMIC CIRCUMSTANCES

Along with all common problems economy in Bulgaria is facing, the company BKS Vratza has difficulties and needs qualified consultants' assistance in particular in the following aspects:

- restructuring of the company into two or three new small scale enterprises with the objective of better production focusing, improvement of its management and stabilization of the financial situation. The field of activity of the first enterprise (the major one) is

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to be the garden design, the repair of green spaces and the breeding of decorative trees and shrubs. The second one will undertake construction and repair, the units for the production of building solutions and concrete items should be attached thereto. Another alternative is to not to separate this activity as a new enterprise, but to have it transferred to the second municipal building company in Vratza - Injstroy LTD.

Eventually the activity of the third enterprise will be in the communal sphere;
- elaboration of privatisation project and schemes after the restructuring and the sanitation of the company.

The owner - the Municipality of Vratza is faced with the problem of the future of the company:
- Whether to remain municipal (in total or partially);
- Whether to let as a concession some communal activities;
- Is the creation of a municipal holding including similar companies relevant and how to accomplish it?

Note

The enterprise BKS LTD., Vratza fulfills all criteria identified for the selection of the enterprise under the Project:
- it is about 115 km far from Sofia on the highway;
- the enterprise is middle in scale;
- the enterprise has the potential for a future growth, especially on the local domestic market;
- it makes exclusive use of local prime and raw materials;

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- the female staff prevails;
- the enterprise is among the major ones on the territory of the Municipality, it plays an important economic and social role providing the basic communal activities for the public;
- enterprises with an identical profile exist in all Bulgarian Municipalities and they are absolutely indispensable there. The solution relating to the future of this kind of municipal enterprises may be implemented in almost any Municipality in Bulgaria.
HLEBOPROIZVODSTVO LTD. - VRAZTA

ENTERPRISE IDENTIFICATION

The enterprise is in the town of Vratza at: 3000 Vratza, 4 Hr. Smirnensnki street, tel. 092/24-151.

Its legal status is a Sole Proprietor Limited Liability Company (LTD.) with municipal property belonging to the Municipality of Vratza (court registration No 81/1993 of the commercial department of Vratza regional court)The company is managed by Ognian Vlahov.

The field of activity includes bread making and trade with bread items and confectionery.

PRODUCTION STRUCTURE

The enterprise belongs to the food industry. Its activities cover three interrelated production sectors. Location wise they are on the same site. Hleboproizvodstvo is the owner of a network of shops in town, where a portion of its production is sold.

The production list includes:
- bread - 6 major brands (white, luxury, Dobrudja, diet bread);
- special and luxury kinds of bread (wheat, French bread, small loaves, etc.
- 29 kinds of bread products, snacks and ready-to-cook (dry and juicy pastries, cakes, biscuits and meringues, pastry in syrup, bitter doughs, dough sheets, etc.).
- 34 kinds of confectionery and ready-to-cook (dry and juicy pastries, cakes, biscuits and meringues, pastry in syrup, butter dough, dough sheets, etc.

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Number of staff - 173 people. 35 is the number of managerial positions and specialists. The qualification and functional structure are adequately built up in line with the scales and the characteristics of the enterprise. Women are prevailing as a work force. The company disposes with a highly qualified staff with good potential. The enterprise is working one regular shift.

In the functional aspect the enterprise has four major production workshops: - breadmaking, pastry and snacks. Besides the enterprise owns 3 production units in town and 11 shops. The enterprise is selling its products to 51 private and state owned companies on top of its shops.

The production capacities are concentrated on the same location with the administrative building. The real annual production capacity is about 4500 tons bread, about 140 tons bread products and 45 tons confectionery.

The prime and raw materials are mainly of local origin with the exception of some ingredients: yeast, spices, conservants and various additifs.

TECHNOLOGICAL LEVEL

The technological level is good. In the main bread making workshop the basic technological equipment (furnaces, fermentation chambers, dough separators) had been supplied from Bulgaria and Poland.

In order to diversify the production list of the company it is necessary for example, to supply equipment and technology for the production of pasta, the demand for which has been recently raising.
A major deficiency of the company does not lie in the technological aspect, but in the market strategy and attitude.

FINANCIAL STATE

The balance value of the long-term assets (LA) at the 31.12.1993 amounted to about 14 071 thousand BG Leva including long-term fixed assets (LFA) - 14 036 thousand BG Leva.

They are distributed as follows:
- buildings and land - 10 846 thousand BG Leva;
- machinery and equipment - 2 906 thousand BG Leva;
- others - 284 BG Leva.

The net annual income realized by the enterprise in 1993 was 53 198 thousand BG Leva.

The analysis of financial indices based on data available from accountancy balances and the accounts on income and expenses over the last years (1992 - 30.06.1994) have justified the following conclusions to be made:

Equity maintains its level, going down insignificantly - by about 2%.

The total value of assets is 18.431 thousand BG Leva, the most significant portion belonging to long-term assets - 76.34%. The share of long term fixed assets almost has not changed over recent years and a slight decrease of 2% is observed.

The level of stocks in the period 01.01.1992 - 30.06.1994 have increased by over 53%. A positive trend in the activity of the company is the decrease in the relative share of expenses on materials compared to total amount of expenses. This reduction is from 40.4% to 36.3%. There are neither short, nor long-term loans.
The liabilities from 787 000 BG Leva at the end of 1992 raised to 1 257 000 BG Leva by the 31.12.1993. Besides, there is noted a strong relative decrease in the level of liabilities to suppliers, the staff and the national budget - on the average about 2 times. Over the last few years the enterprises has made an insignificant loss - 82 000 BG Leva in 1992 versus merely 31 000 BG Leva in 1993.

The income from sales in 1993 amounting to 52 915 thousand BG leva set up almost the total amount of income to the company. The remainder of income from activity, the financial and extraordinary income get an insignificant portion of 0.03%, 0.38% and 0.16% respectively and do not have any impact on the formation of profit (loss).

Extraordinary expenses and income change proportionally, their reduction being over 4 times. Cash in Bulgarian Leva has increased over 3 times.

1. Liquidity
   The analysis of financial ratios for 1993 shows a high level of solvency and liquidity. Thus for instance, over the last three years the coefficient-efficient of current liquidity is situated in brackets between 2.9 - 3.5; whilst those of quick liquidity are between 1.1 to 1.7.

2. Indebtedness
   Indebtedness is low ranging between 0.04 to 0.09.

3. Trade activity
   Trade activity and profitability show a tendency to decrease. The time for collecting dues has increased from 5.6 to 9.5 days.

4. Loading of assets
   The loading of assets (a ratio showing the correlation between income from sales and the value of long-term fixed assets, respectively the part representing machinery and equipment) shows
that the company has begun to emerge from the crisis and the results of the activity are slowly, but continuously improving. Thus, for example the loading of all long term fixed assets raises from 2.53 in 1992 to 3.77 in 1993. This index only with regard of machinery and equipment is changing from 9.29 to 18.21. Even more optimistic are the forecast values of those two coefficient- for the current 1994. The respective figures are 4.28 and 23.31. They have been calculated on the basis of financial results from the activity of the company in the first half of the current year.

DOMESTIC AND FOREIGN MARKETS

Due to its type of activity the company is operating solely on the domestic market.

The enterprise is a traditional producer of bread and confectionery items in the region. For the last two years it monopolistic position has been discontinued. However, it succeeded in retaining its traditional customers. Regardless of competition the enterprises is with steady market positions both in the town and the region.

PROBLEMS AND CONSTRAINTS UNDER THE NEW ECONOMIC CIRCUMSTANCES

Along with all common problems economy in Bulgaria is facing, the Hleboproizvodstvo LTD., Vratsa has difficulties and needs qualified consultants' assistance in particular in the following aspects:

- management improvement, stabilisation of the enterprise and subsequent preparation of a privatisation project and schemes;
- identification and acquisition of new market segments

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(marketing) through the development of additional domestic markets and the extension of the list of products (for instance the production of spagheti);

- progress in the technology and management of sales;
- technological renovation and updating through finding a means to attract investment for this purpose.

NOTE
The enterprise Hleboproizvodstvo LTD., Vratsa meets almost all criteria identified for the selection of the enterprise under the Project:

- it is about 115 km far from Sofia on the highway;
- the enterprise is middle in scale;
- the enterprise has the potential for a future growth, especially on the local domestic market;
- it makes exclusive use of local prime and raw materials with the exception of some additives such as yeast, substances preventing the ageing process;
- the female staff prevails;
- the enterprise is among the major ones on the territory of the Municipality, it plays an important economic and social role providing some of the basic foodstuffs to the population;
- enterprises with an identical profile exist in all Bulgarian Municipalities and they are absolutely indispensable there.
JOB DESCRIPTIONS

OF THE CONSULTANTS NEEDED FOR:

"MEBEL" LTD., VRATZA
"BKS" LTD., VRATZA
"HLEBOPROISVODSTVO" LTD., VRATZA
"TROLLEY BUS TRANSPORT" LTD., VRATZA
"GLAZNE" LTD., BANSKO

Asset Consulting Ltd.
1505 Sofia 2,Bunaia st. tel.(3592)467015 fax(3592)468517
CONSULTANT A:

EXPERT IN MODULAR FURNITURE PRODUCTION AND MARKETING OF FURNITURE

DURATION:
Three months

LOCATION:
Vratza, MEBEL LTD.
Bansko, GLAZNE LTD.

PURPOSE OF THE PROJECT, DUTIES AND RESPONSIBILITIES:

AT MEBEL LTD., VRATZA & AT GLAZNE LTD., BANSKO

Furniture design. The Companies clearly need an expert who would provide the designs of furniture that will find a
bigger market both in the Country and in the West. The Consultant should advise the Management of the Companies on the introduction of new designs of furniture with full utilization of the potential of the equipment and the human resources of the Companies.

Proper utilization of existing equipment and planning for the introduction of new equipment. At present the machinery and equipment in the company are used for the production of simple and unattractive models of furniture. The expert should be able to assist the company staff for full utilization of the possibilities of the existing equipment and if needed to recommend the introduction of new machinery and equipment which will drastically increase the assortment of furniture produced.

Restructuring the module furniture department in Vratza. The Consultant should assist the Management in restructuring this department, evaluating its potential possibilities and optimizing their product and staff structure. In the production of wood panels and module furniture another local Bulgarian partner should be approached in order to start a co-operation in the production of higher quality furniture.

Experienced trading and legal aid in the preparation of contracts. The existing practice shows a complete lack of knowledge of international prices and

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contractual possibilities. The Consultant should assist the management of the Companies in the relationship and negotiations with suppliers and clients.

Attraction of an external (Bulgarian or foreign) investor for the major share of the enterprise or a joint-venture with two sub-objectives:

i. mainly for fresh investments aiming at the modernization, the technical renovation and the technological development;

ii. development and expansion of foreign markets, including through new finished or semi-finished products.

The Consultant should provide contacts with potential foreign partners both in the trading field and in the investment field. The Consultant should also provide practical assistance in the elaboration of privatisation projects for the Companies.

QUALIFICATION:

At least ten years experience as manager of furniture making companies, preferably both in the production of upholstered furniture and in mass production of panel board modular furniture sections. Marketing and sales experience will be required. Established connections with furniture selling department stores and other wholesale traders. Knowledge of the international market for furniture elements.
Financial and personnel management skills are essential. Preferably with experience for restructuring and making profitable loss making companies.

**LANGUAGE:**

The local people would feel better if the Consultant speaks Bulgarian or Russian. If that is impossible, German, English or French would be suitable but an interpreter will have to be used.
CONSULTANT B:

EXPERT IN MANAGEMENT OF MUNICIPAL UTILITIES AND CONSTRUCTION COMPANIES

DURATION:
Three months

LOCATION:
MUNICIPALITY OF VRATZA AND BKS LTD.

PURPOSE OF THE PROJECT, DUTIES AND RESPONSIBILITIES:

Restructuring BKS LTD. An experienced consultant is needed to assist in the restructuring of the company into two or three new small scale enterprises with the objective of better production focusing, improvement of its management and stabilization of the financial situation. The field of activity of the first enterprise (the major one) is to be the garden design, the repair of green spaces and the breeding of 

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decorative trees and shrubs. The second one will undertake construction and repair, the units for the production of building solutions and concrete items should be attached thereto. Another alternative is to not to separate this activity as a new enterprise, but to have it transferred to the second municipal building company in Vratza - Injstroy EOOD. Eventually the activity of the third enterprise will be in the communal sphere.

Elaboration of a privatisation project and schemes after the restructuring and the sanitation of the company.

Creation of a municipal holding structure for all activities that will remain in the hands of the municipality after the privatisation of most of the existing municipally owned companies. The consultant will be expected to work together with the mayor, the municipal council and the municipality office on the elaboration of an effective structure for management of the typical municipal property and activities in order to achieve maximum economic results with minimum staff and expenditures. The consultant is expected also to advise on what activities could be leased to private companies and what type of control will the municipality exercise over the lessees.
QUALIFICATION:

At least ten years experience as manager of communal activities and property. Experience in municipal administration and local small construction contracting. Financial and organizational expertise.

LANGUAGE:

The local people would feel better if the Consultant speaks Bulgarian or Russian. If that is impossible, German, English or French would be suitable, but an interpreter will have to be used.
CONSULTANT C:

EXPERT IN PUBLIC TRANSPORT AND MANAGEMENT OF PUBLIC TRANSPORTATION COMPANIES

DURATION:
Three months

LOCATION:
Vratza, TROLLEY BUS TRANSPORT LTD.

PURPOSE OF THE PROJECT, DUTIES AND RESPONSIBILITIES:

Improvement of the management. The conflict between the social functions of public transportation and the market environment can be solved realistically only by an experienced manager who has already encountered similar problems in Western Europe and has found an effective solution. The consultant should be able to offer to the municipal council a new approach to the financial structure of the company so that it will not be a burden to the
municipal budget and at the same time the ticket prices will not become unbearably high.

Restructuring of the Company. Based on the results of the assessment of the marketing possibilities of the Company, the Consultant will assist the management in optimizing the structure of the Company, in particular in:

- Evaluating the condition of the busses, the machines and other equipment, the real transportation capacity needed and the necessary investments in new equipment.
- Revaluation of the human resources of the Company, based on the real needs of the company as well as on the social structure of the staff.
- Creation of a new system for the motivation of drivers and other staff and optimization of labor structure.
- Evaluation of the auxiliary activities of the Company, and their place in the Company structure.
- Identification of potential investors in the privatization of the Company or in the creation of a joint venture.

QUALIFICATION:

At least ten years experience as a manager in a public transportation company. Special expertise in marketing. Organizational and financial skills are essential.
The local people would feel better if the Consultant speaks Bulgarian or Russian. If that is impossible, German, English or French would be suitable, but an interpreter will have to be used.
CONSULTANT D:

EXPERT IN BREAD AND CONFECTIONERY
PRODUCTION AND MANAGEMENT OF
BREAD PRODUCING COMPANIES

DURATION:
Two months

LOCATION:
Vratza, HLEBOPROISVODSTVO LTD.

PURPOSE OF THE PROJECT, DUTIES AND RESPONSIBILITIES:

Restructuring of the enterprise. The competition of the emerging small private bakeries is inevitable if the Company continues to function in the same way. The units producing luxury bread, sweets, etc. should be structured and managed in a different way in order to survive. The big bread-making factory should be directed towards new products that would provide markets sufficient in size for the high capacity of the plant. The Consultant should assist the Management of the Company in the elaborating a plan for the clear...

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differentiation between the different sections, one for special brands of bread, the second for pastries and sweets, and the third (and biggest) for industrial bread production.

Identification and establishment on new market openings for the industrial bread factory through the development of additional domestic markets and the expansion of the production list, improvement of the technique and management of sales. The Consultant should provide expertise in the production and marketing of frozen bread products, toasts, crackers, biscuits, etc.

Technological renovation and updating of the industrial bread factory by finding ways of attracting investment and partners. The Consultant should provide assistance in the evaluation of the existing equipment and machinery, the new equipment needed and the eventual sources of financing of the renovation, including establishing contacts with potential partners and/or investors.

Creation of a new management and personnel structure of the industrial bread factory providing optimum results. The Consultant will be expected to share his experience in running such an enterprise in the best way.

New active sales policy will be needed. The Consultant should provide assistance in advertisement, prices, customer attraction, etc.
QUALIFICATION:

At least ten years experience as a manager in a bread producing company. Special expertise in marketing, sales and advertisement. Organizational and financial skills are essential. Established connections with international producers of the different types of products would be preferable. Knowledge of the international market of bread and confectionery machines and equipment is needed.

LANGUAGE:

The local people would feel better if the Consultant speaks Bulgarian or Russian. If that is impossible, German, English or French would be suitable, but an interpreter will have to be used.