

**FEASIBILITY OF ISSUING
CORPORATE BOND FOR
BRITISH AMERICAN TOBACCO BANGLADESH**

BUS-499

PREPARED FOR

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**DATE – 17th DECEMBER 2005
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Dr. Tanbir Ahmed Chowdhury

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Submission of Report.

Dear Sir:

It is a pleasure submitting you this report on British American Tobacco Bangladesh in perspective with “**Feasibility of Issuing Corporate Bond of British American Tobacco Bangladesh**” that I prepared as a part of my BBA Program. I make an effort to harmonize and link the theoretical knowledge acquired in the BBA program with excellent practical knowledge, which I gathered during my internship in BATB. It not only gave me an opportunity to witness how a multinational operates in reality but also to synergies between academic theory and practice.

I hope the report will meet your expectation. I will make myself readily available if any query about this report is needed.

Sincerely yours,

Samira Rahman



I.D: 2002-3-10-137

East West University

ACKNOWLEDGEMENT

I would like to thank Dr.Tanbir Ahmed Chowdhury for giving me the opportunity to prepare this report. His continuous assistance and guidance in developing this report is worth mentioning. Without his consultation and guidance, this report would not have emerged.

I would like to extend my thanks BATB for accepting me as an intern, and my sincere gratitude goes to Ms. Monzula Morshed, Ms. Nurunnahar Khan who continuously supervised me during this internship period.

Last but not the least I would like to thank all my colleagues and others who gave me continual support by providing information which helped me a lot in the preparation of the report.

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EXECUTIVE SUMMARY

British American Tobacco Bangladesh (BATB) is one of the pioneer cigarette manufacturers in the world. The company was formed at the turn of the 20th century with the objective of establishing a worldwide business. Today British American Tobacco sells the leading brands in over 30 markets covering 102 countries, has more than 200 brands worldwide, employs more than 55,000 people and produces some 2 billion cigarettes every day.

This report has been organized into three major separate sections-

- ➔ First the organization part,
- ➔ Second part is the Financial Analysis part, and
- ➔ Part three discuss about the feasibility study for introducing bond by BATB.

In Part I, I tried to provide a brief overview about the company, its employees and its cultures. Second part is the Financial Analysis part, which comprises of- ratio analysis and the analysis of Common Size Income Statement and Balance Sheet. This part will help the readers to get a clear idea about the company's performance. In the last part I have discussed about the current scenario of the bond market and forecasted the cash flow statements for the year 2006-2010, furthermore I tried to find out the feasibility of introducing bond by BATB.

CHAPTER-1

INTRODUCTION

1. INTRODUCTION

British American Tobacco Bangladesh is the recognized leader in Bangladesh cigarette market, with a long established reputation for providing its consumers with consistently high quality brands. Efficiency, Quality, Innovation and Customer Responsiveness are the generic building blocks that BATB has always tried to adopt to build the competitive advantage in the national market. It has a very good corporate reputation in the market as a fair corporate governed company and is the highest corporate taxpayer of the country providing over 1500 crore Tk. to the Government of Bangladesh. BATB is holding the major market share in the Dhaka City 51%, whole country 41%. BATB also has earned fame as a highly socially responsible company and has been awarded many a times by the national and international authority.

In comparison to other bond markets around the world, Bangladesh market has not progressed much to develop a bond market for small investors as well as private companies. BATB has over the decades consistently invested in Bangladesh market. This report “Feasibility of Issuing Corporate Bond of British American Tobacco Bangladesh” tries to analyze the Mid-term fund requirement of BATB and the feasibility of issuing bonds in order to meet up their long-term fund requirements in the forthcoming years. This chapter provides an orientation to the report.

1.1. ORIGIN OF THE REPORT

The report is prepared under the supervision of Mr. Tanbir Ahmed Chowdhury, Associate Professor, School of Business Administration, East West University Bangladesh as a part of the internship requirement of BBA Program of EWU. Mrs. Monzula Morshed supervised the project on behalf of British American Tobacco Bangladesh. This report involves the project work at BATB, Mohakhali Dhaka for a 12 weeks period from September 1, 2005 to November 30, 2005.

1.2. OBJECTIVES OF THE REPORT

The objectives of the report are as follows:

- ✦ To appraise the financial statements of BATB
- ✦ To analyze the feasibility of issuing Corporate Bond of BATB.

1.3. SCOPE OF THE STUDY

The study will help the readers to get a clear idea about the financial condition of BATB and the feasibility of introducing bonds by the company in order to mobilize their long-term fund requirements.

1.4. METHODOLOGY

To carry out the proposed study both primary and secondary data are used. I got a lot of information from the people of BATB. Furthermore, company projects profile, related data, brochures, web page relating BATB has also been used as my source of secondary data.

1.5. LIMITATIONS OF THE STUDY

Although I have tried my best to prepare a report without any flaws, there were some limitations that hindered the flawless completion of the report. These include,

- ✦ Lack of access to data regarding cost of fund of selected banks and financial institutions might cause deviation in the presented data.
- ✦ There was some confidential information that was not accessible.
- ✦ Time constraint was another limitation of the report.

1.6. DEFINITIONS AND ACRONYMS

- + BAT: British American Tobacco
- + BATB: British American Tobacco Bangladesh

1.7. REPORT PREVIEW

The following pages cover topics and discussions on each regarding British American Tobacco Bangladesh according to the following construction:

- + Organization
- + Appraisal of Financial Statement of BATB
- + Feasibility of issuing bond by BATB

In Part I, I tried to provide a brief overview about the company, its employees and its cultures. Second part is the Financial Analysis part; it includes ratio analysis and the analysis of Common Size Income Statement and Balance Sheet. In the last part I have discussed about the current scenario of the bond market and forecasted the cash flow statements for the year 2006-2010, furthermore I tried to find out the feasibility of introducing bond by BATB.

CHAPTER-2

OVERVIEW OF BATB

2.1. OVERVIEW OF BRITISH AMERICAN TOBACCO GROUP

British American Tobacco Group

The British American Tobacco Group is one of the world's leading international manufacturers of cigarettes, marketing its products in almost every country worldwide. It is clear leader in a competitive and fast moving business.

Areas of Operation

British American Tobacco, the second largest Tobacco Company in the world is also the world's most global tobacco company. Based in London, UK, it operates in more than 50 countries with the strength of 100,000 employees and sells more than 300 brands in more than 180 markets worldwide. Tracing its heritage back to a joint venture formed by the Imperial Tobacco Company of the United Kingdom and The American Tobacco Company of the United States in 1902, today's British American Tobacco Company was born on the world stage. Extent of operation of British American Tobacco Company is given below:

- ✦ America-Pacific (USA, Japan, South Korea)
- ✦ Asia-Pacific (China, Indo-China, Taiwan, South-East Asia, Australia, Asia)
- ✦ Europe (50 countries including Russia)
- ✦ Latin America (Central & South America, Mexico, Caribbean)
- ✦ Africa (More than 50 countries)
- ✦ MESCA (Middle East, South & Central Asia)

British American Tobacco, better known as BAT, is the mother-company of, at present, around 56 companies worldwide. British American Tobacco (BAT) is the world's most international tobacco group. With a market share of 15 per cent, they make the cigarette chosen by one in seven of the world's one billion adult smokers and make nearly two billion-cigarette worldwide everyday. BAT holds strong market positions in each of its regions and has a leadership in more than 50 markets of the 180 markets where they have

an active business presence. In total BAT employs nearly 90,000 people worldwide and has over 80 factories in 64 countries.

Table: A Brief Overview of BAT Operation allover the world:

Gross revenue	£18,143.9 million
Net revenue	£1,454.5 million
Operating profit pre exceptional	£2,575 million
Pretax profit	£1,522 million
Adjusted EPS	57.87p
Dividends per share	29.00p
Group volumes	807 billion
Global market share	16 per cent
Assets	25,076.4 million
Stockholders' equity	6,918.9 million

Source: Internet

Table: 1

BATB History

In order to support the company's business goals, the merger of British American Tobacco with Rothmans International had been announced on 11 January 1999. This global merger was completed on 7th June 1999. This brought together the number 2 and 4 players which together will boost a combined volume exceeding 900 billion cigarettes around the world with some 120,000 employees and a worldwide market share of 16 percent (Phillip Morris has a 17 percent share). The merger is a major step forward in British American Tobacco's vision of:

“Becoming the world’s leading International Tobacco Company.”

2.2. BRIEF HISTORY OF BATB

British American Tobacco Bangladesh Company Limited is the recognized leader in Bangladesh cigarette market, with a long established reputation for providing its consumers with consistently high quality brands. The journey of this company started long back. BATB was established back in 1910 as Imperial Tobacco Company Ltd. with head office in Calcutta. In the very beginning Imperial Tobacco Company (ITC) launched a branch office at Moulivibazar Dhaka in 1926. Cigarettes were made in Carreras Ltd., Calcutta. Imperial and Carreras merged into a single company in 1943. After the partition in 1947, cigarettes were coming freely from Calcutta, but introduction of customs barriers in 1948 between India and Pakistan interrupted the smooth flow of cigarettes from Calcutta to East Pakistan. In March 01, 1949 Pakistan Tobacco Company (PTC) came into existence with head office in Karachi; with the assets and liabilities of ITC Limited held in Pakistan. The then East Pakistan Office was situated in Alico Building, Motijheel. In order to meet the increasing demand, the first factory in the then East Pakistan was established in Chittagong in 1952. From this time onwards requirements for cigarettes for East Pakistan markets were met from products manufactured in Karachi. In 1954 PTC established its first cigarette factory although high-grade cigarettes still came from West Pakistan. The Dhaka factory of PTC went into production in 1965. After the War between India and Pakistan in 1965; the import of tender leaf from India for the production of Biri was stopped. This gave a big boost to cigarette business. It was at that time the East Pakistani entrepreneurs set up 16 cigarette factories in this region.

Later in 1966, BAT set up a new factory in Dhaka. After the Liberation War, **Bangladesh Tobacco Company**, more widely recognized as **BTC**, was formed on 02 February 1972 under the Companies Act 1913, with the assets and liabilities of PTC. Shareholding position for GOB and BAT was 1:2. BTC (Pvt.) was converted into a public limited company on 03 September 1973. British American Tobacco played a pivotal role in BTC's creation in 1972 and since then has been involved in BTC's development every step of the way. It is a policy of BAT that when a daughter company, as BTC was,

achieves a certain standard of performance and exhibits at certain level of profitability, its nomenclature is upgraded to represent the original company, BAT. When BTC was successful in producing high quality cigarettes that met international standards in mid 1998, it came to be known as **British American Tobacco, Bangladesh**, more commonly called **BATB**.

March 1949	Formation of Pakistan Tobacco Company (PTC)
1954	PTC opened its first factory in Fouzdarhat, Chittagong
1962	Opened a branch in Moulavibazar, Dhaka
1965	Building of a factory in Mohakhali, Dhaka
February 1972	Incorporation of Bangladesh Tobacco Company with a paid up capital of Tk. 400 million
March 22, 1998	Changed its identity from Bangladesh Tobacco Company (BTC) to British American Tobacco Bangladesh Company Limited (BATB)

Source: BATB

Table: 2

BATB History

BAT has over the decades consistently invested in Bangladesh market through Bangladesh Tobacco Company (BTC). Thus BTC has always been on the business of manufacturing and marketing different brands that meet the standards found everywhere in the world.

BAT has a plan to build their business in three ways:

- ☞ Organic growth in their existing markets
- ☞ Quick and effective entry into new markets and
- ☞ Potentially attractive acquisition, joint ventures or other strategic alliances.

2.3. MISSION AND VISION OF BATB

Vision

“To extend our leadership through world-class performance”

British American Tobacco corporate vision is to become the world’s leading international tobacco group. This Vision motivates our people and drives our operations in order to extend our market leadership through world-class performance across all areas of our business. For achieving this vision the company should:

- + Seek leadership in individual markets
- + Grow strong positions in the premium segment
- + Improve our share of the value segment where it makes sense to do so

Mission

The company’s mission is to:

- + Growing company’s share of the total tobacco market
- + Dominating key identified segments

2.4. SHAREHOLDERS OF BATB

The composition of shareholders of BATB as at 31st December 1999 was as follows:

	Shareholders	Total No. of Shares	Holding %
1.	Raleigh Investment Co., UK	26,364,000 shares	65.91
2.	Investment Corporation of Bangladesh (ICB)	10,864,000 shares	27.16
3.	Sadharan Bima Corporation (SBC)	1,136,000 shares	2.84
4.	Bangladesh Shilpa Rin Shangstha (BSRS)	332,000 shares	0.83
5.	Sena Kalyan Shangstha (SKS)	208,000 shares	0.65
6.	Government of Bangladesh	260,000 shares	0.52
7.	Other Bangladeshi Shareholders	<u>836,000 shares</u>	<u>2.09</u>
		40,000,000 shares	100.00

Table 3: The Composition of Shareholders in 1999

2.5. CULTURES AND VIEWS OF BATB

2.5.1. Our Four Guiding Principles

✦ **Strength from Diversity** reflects the cultural mix within the Group and a working environment where employees' individual differences are respected and enjoyed. It also reflects our aim of harnessing diversity - of people, cultures, viewpoints, brands, markets and ideas - to create opportunities and strengthen performance

✦ **Open Minded** reflects openness to change, opportunities and new ideas, including ways of addressing regulatory issues and the changing expectations in society. We seek to be active listeners, genuinely considering others' viewpoints and not prejudging.

✦ **Freedom through Responsibility** reflects the devolved nature of the Group and our belief that decisions should be taken throughout the organization at the appropriate level, as close to the consumer as possible, and that decision makers should accept responsibility for their decisions.

✦ **Enterprising Spirit** has been a characteristic of our business through a century of operations. It is reflected in our ability to grow our business and its value within many challenging environments, through the confidence to seek out opportunities for success, to strive for innovation and to accept considered risk-taking as part of our way of working.

The flexibility, new thinking, financial strength and long term vision that has given us ‘sticking’ power for a century will continue to drive us forward in search of continuing success.

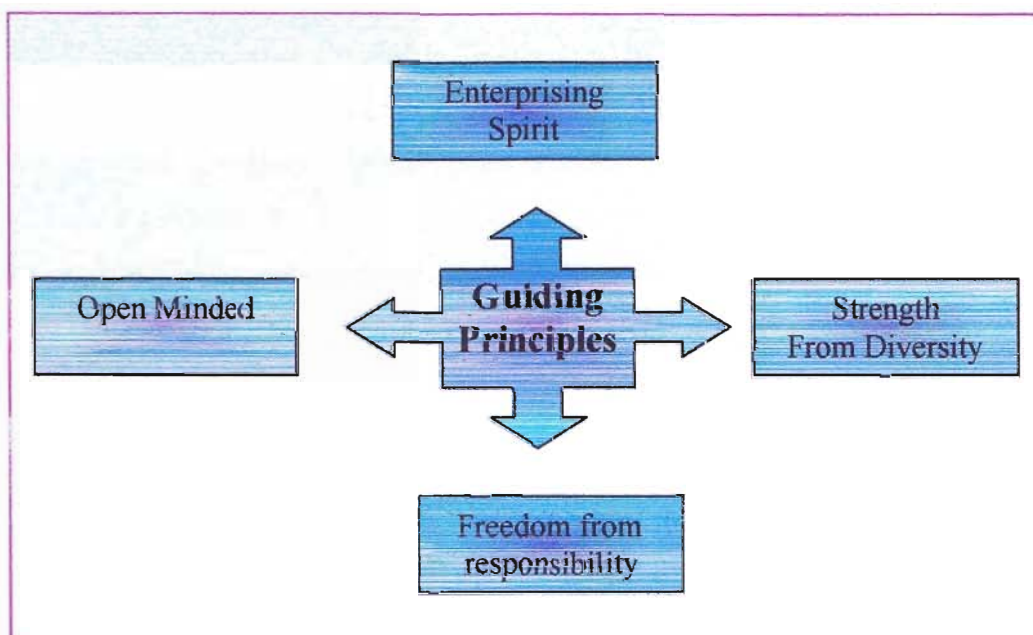


Figure-1

2.5.2. Four Building Blocks

Efficiency, Quality, Innovation and Customer Responsiveness are the generic building blocks that BATB has always tried to adopt to build the competitive advantage in the national market. BATB is highly efficient because of its intelligent skill distribution of the right persons in the right fields. The company has also invested in high-tech equipments to improve the input-output ratio. For example, in late August 2003, BATB imported two high-speed machine complexes from France spending multi million dollars. BATB also has adopted the 'Cell' structure to make their workforce more dynamic than ever.

BATB follows strict measures to maintain quality parameters. There are even very recent examples when a group of faulty cigarettes went out to the market and later they were tracked down from all over the country and representatives went to the distant parts of the country and gathered those cigarettes and brought them back to Dhaka factory for recycling. It shows the extreme concern of BATB to comply with the quality standards.

There is a very lower scope of innovation in tobacco industry. It becomes very expensive and risky to try out a new brand or blend as the consumers are receptive to changes in this industry and in such cases the company may face costly loss of goodwill. Again it takes very high lead-time to try out a new blend from the laboratory to the market. So, BATB is not very much interested in innovation, rather they are interested in continuous improvement of the product regarding its packaging, quality and different variations in blends within the same the brand portfolios.

BATB is a very high customer responsive company. The consumer base of this industry is very much involved with the products they consume and can track down slightest change in blend. As the owner of the premium brands of the country, BATB has no other option but become customer responsive organization. BATB carefully analyzes each and every customer complaints and strives to make prior adjustments so that no customer complaint arises.

2.5.3. Innovation, New Products or Services

As mentioned previously, BATB follows the path of continuous improvement rather than innovating new products. But BATB follows a diverse business strategy in different level of its operations and innovates different level of strategy to make their business more profitable. The thought of exporting vegetable, grown by their own farmers, certainly provides a good point in their innovative thinking. BATB is always striving to achieve superior results by improving their standards and keeping their marketing standards up-to-date.

2.5.4. Smoking-BATB View

As a key player of this highly controversial market, BATB put their own line of thought in marketing cigarettes. They believe in the following mottos regarding cigarettes:

✦ An Adult Choice

British American Tobacco companies produce superior quality products that provide pleasure to many millions of adult smokers around the world. Along with the pleasures of cigarette smoking come real risks of serious diseases such as lung cancer, respiratory disease and heart disease. BATB also recognize that, for many people, smoking is difficult to quit.

It is for these reasons that BATB have long considered that the choice to smoke or not is one exclusively for adults. BATB do not want children to smoke and BATB actively support programs to prevent and reduce under-age smoking.

Public health authorities have been successful over decades in publicizing their conclusions that smoking is a cause of disease and encouraging smokers to quit. Every pack of cigarettes BATB manufacture worldwide carries a health warning.

⊕ **High Awareness of Risks**

Some argue that smoking, whilst lawful, must be the result of a lack of information about the risks, an "addiction" or the power of cigarette advertising. However, there are ample surveys from around the world that demonstrate a remarkably high awareness of smoking risks, and there is nothing so powerful about the pleasure of smoking that prevents a smoker from reaching and carrying out a decision to quit, as hundreds of millions of former smokers demonstrate. Moreover, the cigarette market is mature, so advertising promotes a choice between brands for those who have already decided to smoke. Social factors, not cigarette advertising are the principal reasons why people start smoking. Public health authorities have been successful over decades in publicizing their conclusions that smoking is a cause of disease and encouraging smokers to quit. Every pack of cigarettes BATB manufacture worldwide carries a health warning.

The statistics that demonstrate the real increased risks of smoking also show that these risks are lower in groups of people who smoke less – start smoking later, quit earlier and smoke fewer cigarettes. The statistics have not demonstrated a risk free level of smoking, nor that will a particular individual smoker avoid an associated disease by smoking less. Statistics are unable to predict what will happen to an individual and science is still to determine which smokers will get a smoking related disease and which will not. BATB continue to support relevant research.

⊕ **Social Issues**

There are some people who will argue that leaving the choice to individual ignores the claimed health risks to others posed by environmental tobacco smoke. However, statistics do not demonstrate that environmental tobacco smoke is even a risk factor associated with the development of any long-term health effects or disease. BATB agree with public health authorities that it is proper not to smoke for prolonged periods around young children, but public smoking, which BATB recognize may be an annoyance and is therefore a social issue, can be resolved by having sensible regard for other people.

2.6. PRODUCT PROFILE OF BATB

2.6.1. Background of the Brands

After liberation, BATB, then BTC started its journey with a few prominent brands of the contemporary time. Among the brands: Pilot, Capstan, Gold Flake, Embassy and King Stock were the most prominent. Along with that BTC also produced pipe tobacco with the brand Gold Flake. Around the times, BATB has added and subtracted many brands for the demanding situations.

In 1999 and 2000, BATB had B&H (imported), SE 555, JPGL (John Player Gold Leaf), JPGL Lights, Star (filter and plain), and Scissors (filter and plain) under its portfolio of marketed brands. In 2001, BATB added the name of B&H Lights, Star Classic and London into its armory. Along with that they also started to produce the brand B&H locally.

In 2002, BATB discontinued Star Classic and Scissors Plain as they failed to gain the market as expected. BATB also launched a massive campaign to rejuvenate JPGL Lights to deeply penetrate through the market. In 2003, BATB temporarily discontinued the production of JPGL Lights to look for better blends. The company has also launched a new Campaign to re-energize Star Filters with the new packaging from 14th June, 2003. This new packaging and the new campaign is expected to put a significant impact on the ongoing battle for market share between Star of BATB and Navy of Dhaka Tobacco.

2.6.2. Present Brands

BATB markets three different types of cigarettes in the Bangladeshi market. These three segments are referred inside BATB as:

1. Premium
2. High
3. Domestic Value for Money Brands

Following are the brief description of the Premium and High brands for different consumer segments:



Originally launched in 1873, Benson & Hedges is now available in more than 80 countries. This premium brand is popular in Australia, South Africa, Malaysia and New Zealand.



Launched in 1895, State Express 555 is now sold in more than 55 countries and is popular with smokers in China, Taiwan, Bangladesh and Vietnam.



Launched in 1892, John Player Gold Leaf is now sold in more than 20 countries. It is particularly successful in Pakistan, Bangladesh, Sri Lanka and Saudi Arabia.

National Brands - Star family and Scissors family are also members of the portfolio.

BATB is now going for launching the Dunhill Cigars under the new segments of high premium. We are proud of our reputation for manufacturing high quality cigarette brands, which are enjoyed by millions of adult smokers. Our portfolio includes a range of Well-known international brands for different consumer preferences. Benson & Hedges and John Player Gold Leaf are available in Lights and Regular.

2.7. ORGANIZATION STRUCTURE OF BATB

BATB is a public limited company. Management Director is the operational head and appointed by the British American Tobacco. Head of every department carries out their functions with the help of line managers. Different departments have different structure according to their function and responsibility.

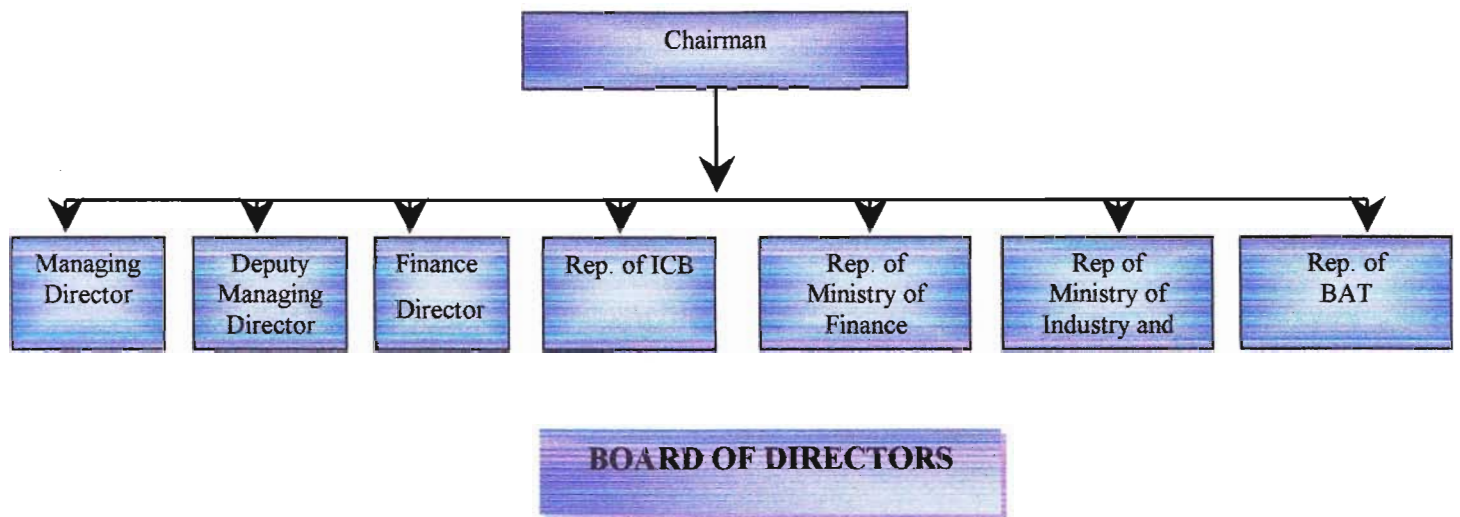


Figure: 2 Organization Structure

The “Board of Directors” and Executive Committee (EXCO) govern the overall activities of the company. The “Board of Directors” is composed of 10 members who are called Directors. The Chairman heads the “Board of Directors”. Chief Executive of British American Tobacco Bangladesh is called the “Managing Director” who is normally appointed by “BAT Holdings”. Managing Director of the company is the chairman of the Executive Committee. This committee includes the head of all the functional departments.

2.7.1. Departments of BATB

BATB is a process-based organization; instead of having isolated departments the company has some support functions and some core functions. Typically the structure of the organization can be explained through the supply chain. In BATB it is called seed to smoke as the supply chain process.

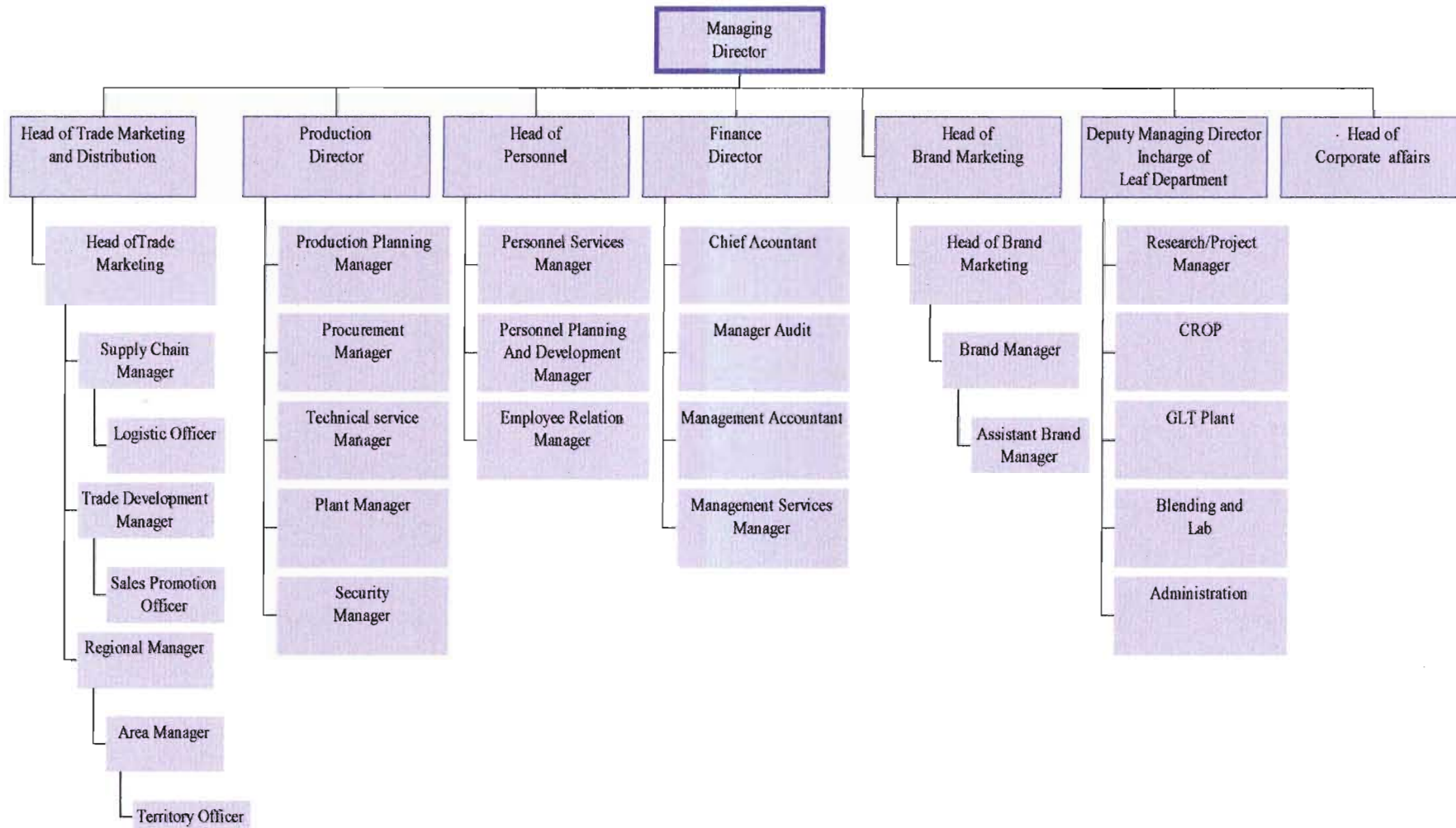
The core functions of BATB are:

- + Leaf
- + Production
- + Brand Marketing
- + Trade Marketing
- + CORA.

Along with the core functions there are some support functions such as

- + HR
- + IT
- + Finance

ORGANIZATION STRUCTURE OF BATB



2.8. COMPETITORS AND MARKET SHARE OF BATB

Competitors

Beside BATB, a number of the companies are engaged in manufacturing and marketing cigarettes. They are:

- + Dhaka Tobacco Company
- + Alpha Tobacco Company
- + Nasir Tobacco Company
- + Abul Khair Tobacco Company
- + Sonali Tobacco Company

Moreover, there are also some foreign brands, which are either smuggled or imported illegally, which have been termed as transit brands. The most important brands in this category are Dunhill, Benson & Hedges, Marlboro, London etc. It is notable that recently Marlboro has started operating seriously in Bangladesh.

The main brands of the competitors are as follows:

Name of the Company	Name of the Brands
Dhaka Tobacco	Five Star, Legend, Navy
Alpha Tobacco	Senor Gold
Sonali Tobacco	Five Five
Azizuddin Industry	Wilso Classic
Abul Khair Tobacco	Sun- Moon
Nasir Tobacco	Nasir Gold, Top-10

Table 4: Main Brands of Competitors

Although none of these companies have become a major threat to BATB, except perhaps Dhaka Tobacco, yet the presence of these companies' signals that other companies can also join in this market.

The market leader is Gold Leaf of BATB (15%), followed by Star of the same company, which accounts for 11% of the market share. Then comes Navy of Dhaka Tobacco, which accounts for 7% of the market share. The market shares of all main brands shown in the following table and graph:

Name of the Brand	Percentage of Share
Gold Leaf	15%
Navy	7%
London	3%
B & H (Transit & Own)	3%
SE 555	3%
Scissors	10%
Star	11%
Others	48%

Table-5

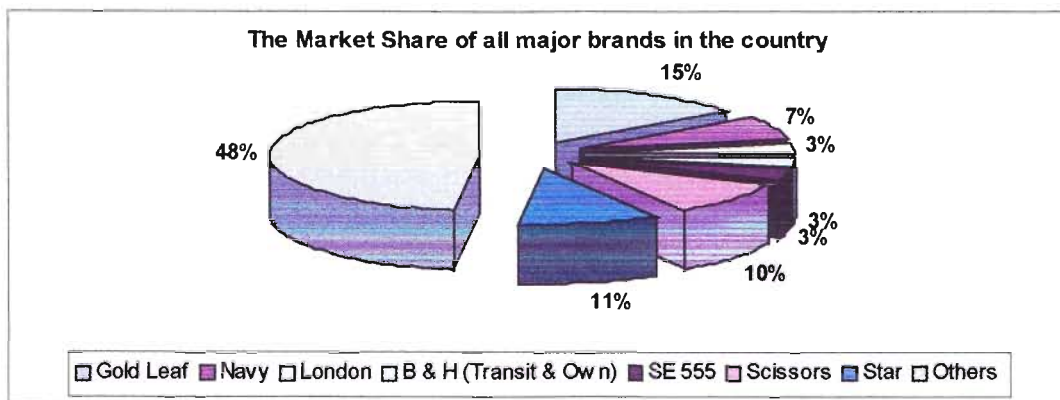


Figure 4: Market Share of Main Brands

Market Share of BATB and Its Competitors

Different brands of BATB and market share of its competitors are shown on the basis of price segment in table –6:

Price Segment	BAT	Competitors brand (Dhaka, Alpha and Transit & others)	Shares %	
			Competitors and Transit Segment share	BA segment share
Premium TK.3.00+	Benson & Hedges, 555	Marlboro, Rothmans	52%	48%
Medium TK.2.00+	Gold Leaf	London, The President	16%	84%
Low Tk.1.00+	Star, Capstan, Scissors,	Navy, Legend, Senor, Duke, Don, London, Top 10, Super Star	46%	54%
Very low Tk.0.25+	None	5 star, Red & White, Diamond, Surma,K-2, Cannon, Prince, Boss, Express, Wilson, Five Five, Nasir Gold, Good Leaf, Gold Star	100%	0%
BIRI	None	Akiz, Abul	100%	0%

(Source: Portfolio of BATB)

Table-6

The market share of BATB is around 51% in the Dhaka Metro. The share of all other companies in Dhaka Metro is shown in table-3 and pie chart.

<i>Name of the Company</i>	<i>Percentage of the Share</i>
BATB	51%
Dhaka Tobacco	11%
Alpha Tobacco	3%
Sonali Tobacco	2%
Transit	13%
Others	20%

Table-7: Source: BATB Monthly Audit Report: October 1999.

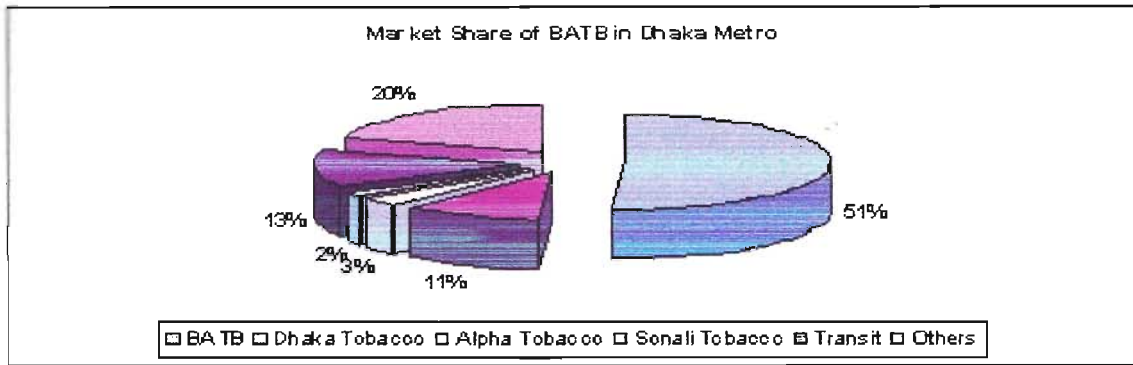


Figure-5 -: Market Share of BATB

The chart shows that BATB is holding the major portion of the market share in the whole country amounting to 41% and the nearest rival is Dhaka Tobacco with market share of 22% followed by Alpha Tobacco with 8% market share.

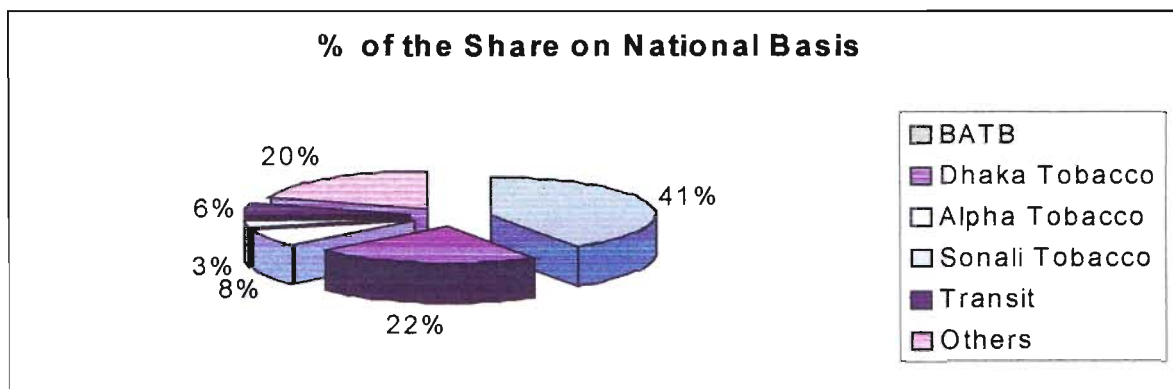


Figure-6 -: Percentage of Share on National Basis

Though BATB is holding the major market share in the Dhaka City as well as whole country, there are also other companies that are operating in the market.

2.9. RELATIONSHIP WITH THE PARTNERS/ STAKEHOLDERS

British American Tobacco Bangladesh is widely respected among its business partners. In BATB's journey towards continuous improvement and excellence in every area of BATB's operations, BATB always strive to take BATB's valued business partners with BATB – **with them acquiring skills and expertise** which they apply to develop their own businesses as well.

2.9.1. Relationship with the Employees and the Distributors

BATB's distributors are fully integrated into its business, continually improving standards in partnership with the company. BATB's local suppliers benefit from skills transfer of modern, cost effective working practices, resulting in increased velocity and efficiency in their own internal processes.

The employees of the BATB are dynamic, self-motivated and energetic to perform any assigned job, because they are selected on the basis of excellent academic and experience.

Trade union is established in the company's following working locations:

- + Head office and Dhaka factory
- + Chittagong factory
- + Rangpur leaf factory

There is a positive relationship between the company and the trade union based on mutual trust and respect. All the employees of the company belong to the trade union. When a worker becomes a member of the union, according to his request a certain amount of his wage is deducted as the union subscription fees on a check off system. Trade union election is held after every two years and governed by their respective constitutions. The terms and conditions of services of the employee are negotiated and

determined through a process of collective bargaining between the company and the union. BATB's registered farmers receive seed and advice on planting, growing and harvesting from the company. They apply their tobacco growing skills to growing other agricultural crops as well. It is through the farmers that BATB have been able to sustain such a successful a forestation program.

2.9.2. Relationship with the Parent Company

The following figure shows the flow from the parent company to BATB

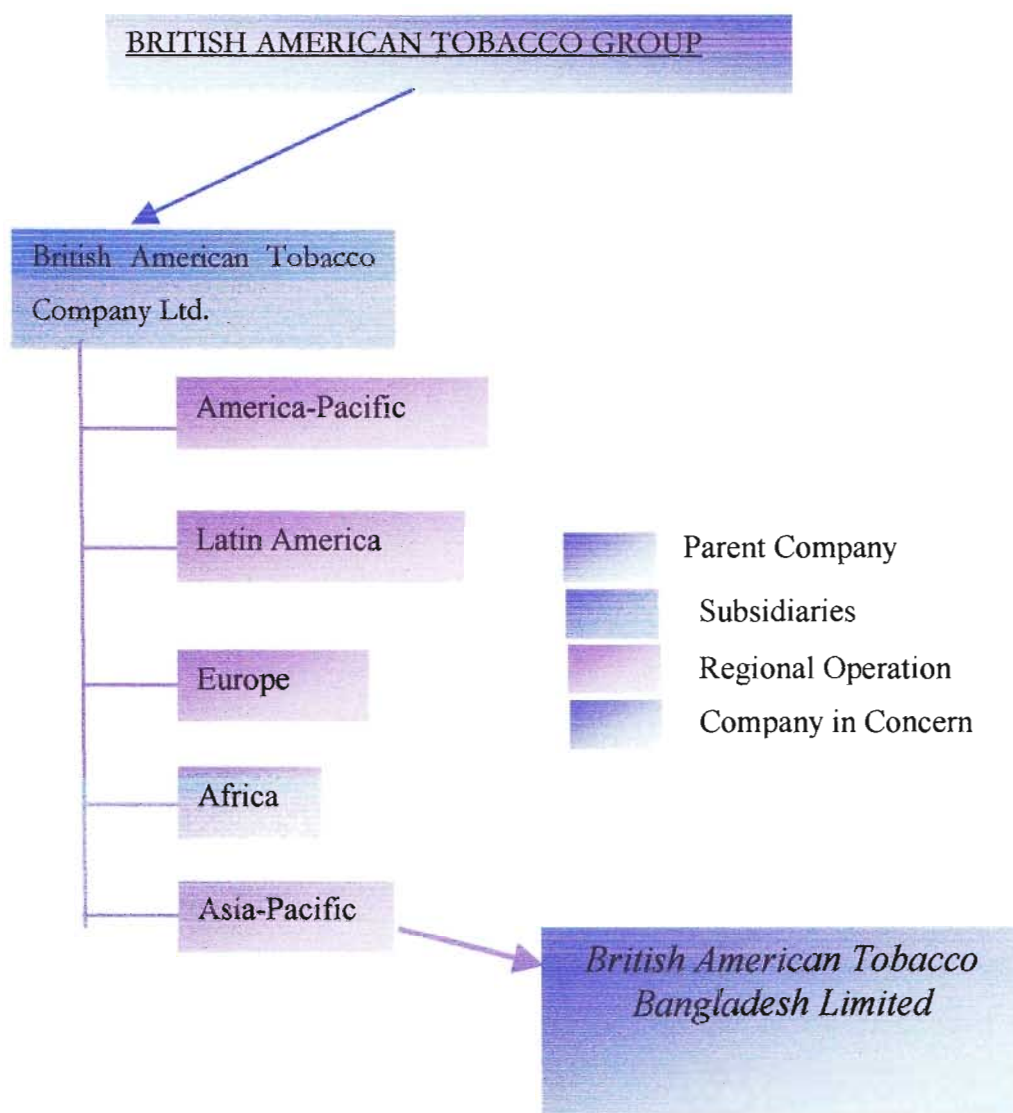


Figure-7

2.9.3. Relationship with Stockholders

British American Tobacco Bangladesh is listed in the "Dhaka Stock Exchange (DSE)". It has an authorized capital of Tk. 600,000,000 of 60,000,000 ordinary shares of Tk. 10 each. British American Tobacco Bangladesh encompasses 62% of the shares of the British American Tobacco, London. The Government held 32% of its shares. Subsequently the government has gradually sold its holdings to different organizations of the country. The composition of shareholders on December 31, 1999 was:

Raleigh Investment Co. Ltd. UK	65.91%
Investment Corporation of Bangladesh	26.99%
Sadharan Bima Corporation	2.86%
Bangladesh Silpa Rin Sangstha	0.84%
Government of Bangladesh	0.65%
Sena Kalyan Sangstha	0.52%
Others	2.23%

Source: BATB

Table: 8

Investment Percentage

2.9.4. Relationship with the Society

Over the years British American Tobacco Bangladesh has made significant contributions to the socio-economic development of the country. BATB are one of the highest taxpayers in the country, contributing more than Tk 1400 crore to the government exchequer annually. Through various projects and initiatives, BATB are involved in improving the environment, supporting philanthropic organizations and promoting arts and culture and assisting with disaster relief.

The following are a few demonstrations of BATB corporate social responsibility:

1. A longstanding afforestation program, planting and distributing more than 39 million trees across the country since 1980.
2. A one of a kind bio-filter installed in BATB's factory to reduce odor emissions is now used as an example for emulation by other industries.
3. Support for programs like Shandhani's posthumous eye donation, polio vaccination and blood donations.
4. Involvement in a vegetable seed multiplication program.
5. Assistance to tobacco farmers in crop cycle planning and optimum utilization of land.
6. Run programs to promote farmers' literacy, health, hygiene, education, family planning awareness and bank accounts.
7. Provide prompt relief and generous support to affected communities in cases of natural disaster.
8. Commitment to the principles of sustainable development through high international standards of environmental, health and safety practice.

For these extraordinary achievements British American Tobacco Bangladesh has been the proud recipient of a number of awards, including the National Export Trophy (2000), the Prime Minister's 1st Prize for Tree Plantation in 1999 and 2002 and the Food & Agriculture Organization (FAO) Award for pioneering the development of the vegetable seed industry in Bangladesh in 1999 and Prime Minister's Afforestation Award in 1993.

2.10. SWOT Analysis

SWOT is an analysis of organizations' strength, weakness, opportunities and threats. The company begins such a process with an analysis of the business environment in general. The process identifies internal strength and weakness and finally as a result of the environment analysis, it identifies opportunities and threats.

Strength

1. **Wide recognition** – BATB is widely recognized as good corporate company for its corporate value and ethics. The good deeds are in terms of highest tax payment, community services, afforestation programs and helping some social organizations like *shandahni*

2. **International brand Image** – BATB's manufactured premium and medium segment brands Benson & Hedges, State Express 555 and John Player Gold Leaf are internationally recognized & valued by its loyal customers. This is because these brands are manufactured in different BAT operating companies and dominating in the world market. Quality of these brands is legendary and consistent, when it is compared. In order to ensure the quality product BATB use global sourcing of all the raw material, this is common for all the operating companies in BAT.

3. **Strong brand portfolio:** BATB offers product in all price segments in the market. All their products are the market leaders, having the majority of market share in term of value and volume.

4. **Talented workforce** - People are BATB's fundamental advantage-the sources of all their strength. This include management, workforces and all other business partners, who are directly involved in the value chain process. People are highly trained and motivated, productive and team-oriented.

5. **Absorbing economies of scale in producing BAT products:** BAT product has a higher demand in Bangladesh. As the company produces in a large scale, it possesses economies of scale and hence per unit of cost is comparatively lower in Bangladesh. On the other hand production sources – land, labor and raw materials are also low in this country.

6. Cigarette share in Bangladesh market

Price segment	BATB	Other Companies
Premium (Tk. 3 and above)	48%	52%
Medium (Tk. 2 and above)	84%	16%
Low (Tk. 1 and above)	54%	46%
Very low (Tk. .25 and above)	0%	100%

(Source: BATB's portfolio, 2000)

Table-9-: Share of Cigarette in Bangladesh Market

7. Superior technology - Technology used in BATB is superior from the competition in Bangladesh. Their state of art manufacturing plant in Dhaka is not only sophisticated but also benchmark facility within the operating companies of BAT in their AMESCA (Africa, Middle East, and Sub-Continent & Asia) region. In this industry technology is the key for superior quality product.

Technology revolutionizes the product and production process and BATB always uses latest technology which smoothing out the production process.

8. Better product quality relative to the rivals: As mentioned earlier BAT maintains its consistent quality with good blend of tobacco through superior technology, thus BATB is always in an advantages position compare to its competitor.

BAT grows tobacco for their own consumption in Bangladesh and they have completely separate function responsible for tobacco growing and processing, which their competitors do not have.

9. High financial strength: BATB has a huge financial back up. The company can devote a large fund to R&D, advertisements, quality control, and training and also in other areas, which its competitor can't match.

10. BATB is the largest taxpayer in Bangladesh: BAT is the largest taxpayer in our country. It paid more than Tk. 267 million taxes in the year 1998 (source: Annual Report 1998). As a result of this huge amount BATB enjoys a cordial relationship with the govt. of Bangladesh.

11. Low manufacturing cost: There are many reasons for low manufacturing costs of BATB. First, it can hire labor at a cheaper rate, which is not possible in developed countries. Secondly, The company has been using the latest technology in production by which it is able to minimize its production cost by producing bulk of cigarettes. Thirdly, transportation cost is also comparatively lower in our country.

Weakness

1. Missing a large number of consumers due to high price: BATB is loosing a large number of consumers in Bangladesh due to high price of its products. It does not have a product for very low-income consumers and Biri consumers. Evidence shows that 74.5% of the total volume of market share of smokers (Cigarette and Biri combined) belongs to local company where BATB has no access.

2. Wholesalers and Retailers: Wholesalers and retailers are not getting enough attention: Distributors of BATB do not provide adequate attention to wholesalers and retailers. Enough merchandizing materials are also not provided to them.

On the basis of the above in depth external analysis the following opportunities and threats have been identified for BATB that need to be considered with due care.

Opportunities

1. Recent Global Merger with Rothmans: Recent global merger of BAT with Rothmans Industries and closer of all Rothmans facilities in South Asia gave BATB opportunity to become regional source of John Player Gold Leaf & Benson & Hedges for Middle-East market. BATB already sent samples of these two brands for physical & sensory test in R&D Center in the head quarter.

2. The increased number of smokers in Bangladesh: The number of professional smokers is gradually declining in the western countries where as the same is increasing in Bangladesh. BATB can grab this opportunity and can make a consumer forecast for the future. At present, the cigarette market in Bangladesh is growing at a rate of 10%. It is indeed a very good opportunity for BATB to grow.

3. Augmenting GDP: Bangladesh's recent economic performance demonstrated significant improvement over the first half of the previous decade. GDP of Bangladesh is increasing due to economic expansion, open market policy, industrialization and educational development. During the last five years Bangladesh has averaged nearly six percent growth in real GDP. The economy grew 5.9 percent in 2001 following 5.5 percent growth in 2000. While GDP growth in this range is expected over the next several years, it still falls short of the economy's potential.

It's a great opportunity for BATB to expand its market and product line.

4. Increasing number of population: The number of population is increasing at a higher rate in Bangladesh. And at the same time the number of smokers is increasing. So it is an opportunity for the company.

5. 80% people smoke Biri: In our country a large section of urban and rural people smoke Biri. This means that the market potential of BATB is very high. If the Biri consumers can be persuaded to smoke cigarettes instead, the company will have a very big market for its products in this country.

Threats

1. Government policy towards the industry: According to 2004-05 annual budgets, the government has increased the tax rate on tobacco products. Besides they have also formulated various anti-tobacco policies that limit the tobacco industries from advertising in mass media. Again they have installed fines for tobacco consumers who choose to smoke in public places. Based on the policy formulation and other factors we can say that the governmental policy towards this industry is highly unfavorable.

2. High Excise rate: Excise is another threat for BATB. In the recent past there was several increases in tax structure specific to BATB to get more revenue for the government. If this continues BATB's strategy for price leadership will be at stake.

3. Smuggled/ Transit cigarettes: Smuggled cigarettes are available in Bangladesh. These are companies same brand or other international brands. These transit cigarettes are decreasing locally produced international brands. This is one of the greatest threats for BATB. BATB cannot lower the price of its products, as the company has to pay a huge tax for those. But the same brands of smuggled cigarettes are sold in Bangladesh at a lower price. As a result consumer are purchasing the transit one.

4. Violation of patent: It is very common in Bangladesh, even though the government is taking legal action against it. Many companies are copying the brand names of BATB products. For example: there is a cigarette called "Five Five" which resembles to the BATB's popular international brand SE 555.

5. Social pressure on the company is increasing: At present people are becoming more and more health conscious and a strong social pressure is being created on the cigarette companies worldwide. BATB is not free from this pressure.

6. International competitors are coming to Bangladesh: Phillip Morris Incorporation has already started its operation in Bangladesh. This is a significant threat for BAT Bangladesh.

7. Political instability and violation: Political instability, hartal, public demonstration, anti social activities are the most common phenomenon in Bangladesh. These external forces hamper sound business environment. So these factors are big threats for the company.

8. Natural disasters: Natural disasters like flood, cyclone, and tornadoes are very common in Bangladesh. These natural disasters cause a huge loss of crops, production and property, which directly reduces the purchasing power of the consumers. This in turn reduces demand for cigarettes including BATB products. As BAT cultivates a considerable amount of tobacco in the country to use them as raw materials in cigarette production, sometimes-natural disaster greatly hampers leaf cultivation.

CHAPTER-3

FINANCIAL STATEMENT ANALYSIS

Financial Performance of BATB

This chapter analyzes the financial performance of BATB. The chapter comprises of Ratio Analysis and Common Size Income Statement and Balance Sheet to find out BATB's financial position and performances in different years.

3.1. Overall Performance of BATB

The overall performance of BATB as a multinational Company can be judged by having a look at the key financial aspects and the key financial ratios over the last few years.

Key Financial Aspects

Since 1998 the authorized capital of BATB has been TK. 600,000,000 of 60,000,000 ordinary shares of TK. 10 billion. The paid up capital has been TK. Earlier, the paid up capital of BATB was only TK400 million. Significant increase in paid up capital during 1999 coincided with the Incorporation of Bangladesh Tobacco Company.

Total asset of the company have been growing due to the rapid growth of leasing and real estate businesses. Growth in operational Revenue is a reflection of all the six business operations of BATB. Rise in profitability and shareholders equity testifies the good position of the company.

Growth in Sales Volume

One major reason for growth of the company is its growth in sales volume. With a very efficient and aggressive sales force and a good backup from every other department, BATB has achieved almost a linear rate of increase in sales through the years. In 1999 the sales volume was 10.8 billion cigarettes, whereas in 2004 the sales volume stood at 18.9 billion cigarettes that was a 6% increase on the previous year and represents the highest ever-annual sales. Benson & Hedges took a step into new territory with a price increase in february2004. Sales Volume was below 2003 levels and this was partially due to the impact of the flooding. The challenge for 2005 is to regain sales to consumers who moved away from the brand following the price increase.

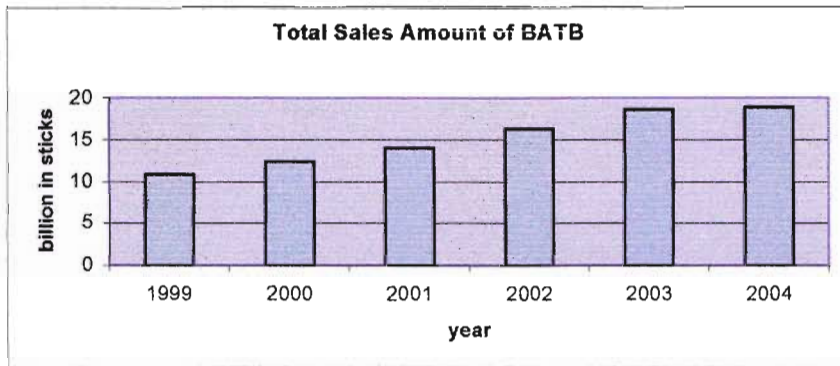


Figure: 8

3.2. FINANCIAL STATEMENT ANALYSIS OF BATB

Analysis of Common Size Income Statement

Common Size Statement (As % of Total Sales)

	2000	2001	2002	2003	2004
	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s
Gross Turnover/Receipts from Customers	100.00	100.00	100.00	100.00	100.00
Supplementary Duty, VAT and Surcharge	68.61	67.96	68.85	68.64	68.19
Net Turnover	31	32	31	31	32
Less: Operating Costs and Expenses	27.18	26.26	26.38	26.94	28.00
Profit Before Interest and Taxes	4.21	5.78	4.77	4.43	3.81
Interest	0.41	0.14	0.11	0.45	0.41
Profit Before Taxation	3.80	5.64	4.65	3.98	3.35
Taxation	1.02	1.41	0.54	0.62	0.87
Profit after Tax	2.78	4.24	4.11	3.36	2.48

Table: 10

One look at the common size income statement shows that there is not much change in any of the elements except the interest and tax. Interest has increased because of increased short-term loans and the tax has increased because of the increased tax the Government has imposed on the cigarette manufacturing companies.

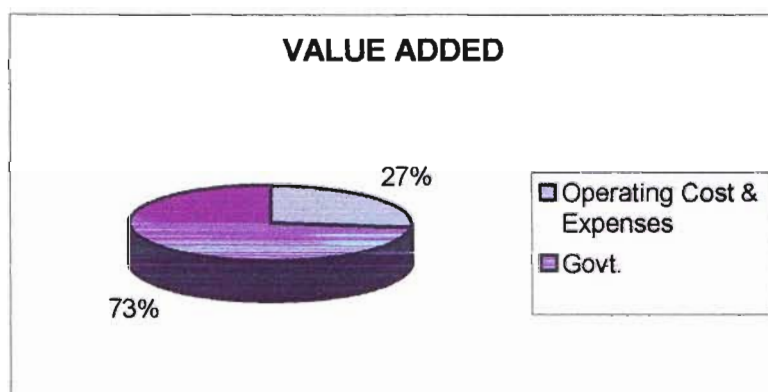


Figure: 9

Analysis of Common Size Balance Sheet

Common Size Balance Sheet as on 31st December

	2000	2001	2002	2003	2004
	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s
Current Assets:					
Stocks	36.19	36.35	37.11	34.16	32.98
Debtors	6.47	5.35	2.22	2.51	3.02
Advance Tax			1.13	1.48	1.32
Cash	0.06	3.97	3.30	2.01	1.62
Bank Balance	0.30	0.11	0.47	2.17	2.25
Total Current Assets	0.43	0.46	0.44	0.42	0.41
Fixed Assets:					
Tangible Fixed Assets	0.57	0.54	0.56	0.58	0.59
Long Term Loans and Advances	0.02	0.01	0.01	0.00	0.00
Total Assets	100.00	100.00	100.00	100.00	100.00
Current Liabilities:					
Bank Overdrafts	0.00	0.06	0.02	0.02	0.01
Short Term Bank Loans	9.25	0.00	8.27	14.55	11.14
Creditors and Accruals	33.99	30.89	32.95	30.60	30.87
Provision for Corporate Tax	2.50	3.65	2.39	1.21	3.05
Proposed Final Dividend	3.17	8.17	6.62	6.57	7.66
Total Current Liabilities	49.02	49.21	52.31	54.73	53.54
Long Term Liability					
Deferred Liability	4.73	5.06	4.58	4.86	4.85
Deferred Tax Liability	0.00	0	4.56	5.04	5.70
Total Liability	53.75	54.27	61.44	64.63	64.09
Shareholders Equity					
Shared Capital	10.57	13.62	11.03	9.19	9.28
Revenue Reserve	26.83	25.19	19.68	20.33	19.66
Capital Reserve	8.59	4.74	3.83	3.19	3.23
Tax Holiday Reserve	0.26	2.18	4.01	2.65	3.75
Total Shareholders Equity	46.25	45.73	38.56	35.37	35.91
Depreciation Charges	6.66	5.24	4.66	4.67	4.72

Table: 11

By looking at the common size balance sheet it can be seen that BATB has succeeded to lower its inventory overtime. The proportion of inventory dropped from 36.19% to 32.98% from year 2000 to 2004.

The proportion of debtors has suddenly dropped from 6.47% to 3.02%. Advance Tax, Cash and Bank Balance also fluctuated over the years. Every organization should have cash reserve. The proportion of fixed asset does not fluctuate over the year. The short-term bank loan seems to have increased over time. This is quite a big portion of the total liabilities. But the long-term liabilities have dropped immensely. The share capital, revenue reserve and capital reserve has dropped substantially over the year. But the company has increased their tax holiday reserve over time.

3.3. Ratio Analysis

Ratio analysis is the analysis that shows relationship among financial statement accounts. A single ratio is relatively useless in making relevant evaluations of a firm's health. For effective interpretation, a ratio must be systematically applied in one of the following ways"

- ➔ Comparing with several ratios in a network such as the Du Pont system analysis.
- ➔ Comparing with the trends of the firm's own ratios.
- ➔ Comparing with management's goals for key ratios.

Liquidity Ratios:

RATIOS	2000	2001	2002	2003	2004
Current Ratio	.878	.930	.846	.773	.769
Quick Ratio	.139	.192	.136	.149	.153
Cash Ratio	.001	.081	.063	.037	.030

Table-12

Liquidity ratios measure the extent to which the firm can service its immediate obligations, in effect assessing the firm's ability to meet short-run financial contingencies. The two commonly used liquidity ratios are the current ratio and the quick ratio, sometimes we also calculate cash ratio in order to get a better reflection about the firms liquidity position.

Current Ratio:

It is a measure of short-term debt-paying ability, determined by dividing current assets by current liabilities. Relatively high current ratios are interpreted as an indication that the firm is liquid and in good position to meet its current obligations, and vice versa.

BATB current ratio trend shows that it decreased over the years. In between year 2000 – 2002 BATB was holding sufficient current assets to satisfy current liabilities, which was

quite acceptable. In the year 2003 and 2004 it started decreasing, so company should try to increase this ratio.

Quick Ratio:

The quick ratio is the same as the current ratio except that the numerator does not include inventory. Inventory is typically the least-liquid component of current assets. The quick ratio provides a better measure of overall liquidity only when a firm's inventory cannot be easily converted into cash. The trend shows that the company has the ability to pay its short-term obligations without relying on the sale of inventories.

Cash Ratio:

It is the most conservative of these measures of cash resources, as only cash and securities easily convertible to cash are used to measure cash resources. And the trend shows that company was managing its cash resources better in year 2001 and 2002.

Activity Analysis:

RATIOS	2000	2001	2002	2003	2004
Inventory Turnover Ratio	3.222	3.239	3.022	2.993	3.421
Payables Turnover Ratio	3.431	3.812	3.404	3.342	3.654
Receivables Turnover Ratio	22.010	28.048	62.188	49.674	44.210
DAYS					
Day's Sales in Inventory	113.276	112.684	120.770	121.956	106.700
Day's Payables Outstanding	106.385	95.754	107.235	109.222	99.877
Day's Sales in Receivables	16.584	13.013	5.869	7.348	8.256

Table-13

Asset management ratios or activity ratios supposedly indicate how well the firm manages its assets by relating important asset accounts to operating results. These ratios are called turnover ratios because they show how rapidly assets are being converted into sales. Although generalizations can be misleading, high turnover ratios are usually

associated with good asset management and low turnover ratios with bad asset management.

Inventory Turnover:

Inventory turnover commonly measures the activity or liquidity of a firm's inventory and shows how efficiently the firm's inventory being managed. Generally, higher- than-average inventory turnovers are suggestive of good inventory management. Low turnovers may result from excessive inventory levels, the presence of damaged or obsolete inventory, or unexpectedly low gross turnover levels. On the other hand, abnormally high inventory turnovers may indicate inventory levels so low that stock outs will occur and future sales will be impaired.

As a manufacturing company BATB's inventory turnover in between 5 to 10 is acceptable. The average amount of inventory turnover over the 5 years is 3.18. The firm was not able to maintain their inventory close to the average level considering the cost through all those years so company should be more careful in handling their inventories.

Payable Turnover:

Accounts payables are liabilities rather than assets, their trend is significant as they represent an important source of financing for operating activity. BATB's payable turnover ratio is almost stable over the years.

Receivable Turnover:

It measures the effectiveness of the firm's credit policies and it also shows the level of investment in receivables needed to maintain the firm's sales level. The trend shows that company's turnover ratio increase it was highest in year 2002 and then again it started to decrease but still it the turnover ratio is very high

Long Term Activity Ratios:

RATIOS	2000	2001	2002	2003	2004
Fixed Assets Turnover	2.500	2.768	2.474	2.159	2.270
Total Assets Turnover	1.424	1.501	1.379	1.245	1.335

Table-14

Fixed Asset Turnover:

The fixed asset turnover measures the efficiency with which the firm has been its fixed or earning assets to generate sales. Generally, higher-than-average fixed-asset turnover ratios associated with better-than-average fixed asset management, and lower ratios with poorer management.

Fixed asset turnover for BATB is not a satisfactory one. The ratio starts with a result of 2.5 in the year 2000 and it was increasing gradually to 2.7 in 2001, which was very much impressive. Unfortunately BATB was unable to hold on to the growth. The ratio falls in the very next year to 2.47. The average of fixer asset turnover ratio over 5 years is 2.43. Last 5 years' fixed asset turnover ratios of BATB are lower than the average one.

Total Asset Turnover:

The total asset turnover indicates the efficiency with which the firm uses all its assets to generate sales. Generally, High total asset turnover ratios are supposed to indicate successful asset management, and low ratios to indicate unsuccessful management.

BATB had a consistent total asset turnover ratio from year 2000 to 2004. The top ratio found in the year 2001 that was 1.501. The average of the total asset turnover form the year 2000 to 2004 is 1.38. The total asset turnover ratio of BATB was not an increasing one rather it was a fluctuating one. The lowest ratio was generated in the year 2003.

Long Term Debt Ratios:

RATIOS	2000	2001	2002	2003	2004
Total Debt Ratio	.537	.543	.614	.646	.641
Debt-to-Equity Ratio	1.162	1.187	1.594	1.827	1.784
Times Interest Earned Ratio	4.13	4.11	8.84	7.17	4.36

Table-15

Leverage Ratio:

Leverage ratios or Long Term Debt ratios indicate to what extent the firm has financed its investments by borrowing. These ratios focus on the firm's financial structure. The issues are the amount of debt the firm is using and the firm's ability to service this debt. Debt financing increases the bankruptcy risk, so the more extensive the use of debt, the larger the firm's leverage ratios and the more risk present in the firm.

Debt Ratio:

The debt ratio measures the proportion of total assets financed by the firm's creditors. The debt ratio reflects the financial structure of the firm by showing the firm's financial risk posture, of primary interest to investors. The higher the percentage of financing provided by creditors, the more financial risk in the firm.

In the year 2003 BATB had the highest debt ratio of 64% among all the years. From the trend we can see that BATB in 2002 started with a high debt ratio and increase it in the very next year. The average of 5 years' debt ratios is 60%. So BATB's debt ratio has increased over the years it shows that in recent years the creditors supply 60% of the firms total financing.

Debt to Equity Ratio:

The debt-equity ratio indicates the relationship between the long-term funds provided by creditors and those provided by the firm's owner. It is commonly used to measure the degree of financial leverage of the firm. A high ratio means the firm has liberally used debt (has borrowed) to finance its assets, and a low ratio means the firm has paid for its

assets mainly with equity money (preferred stock, common stock, and retained earnings). Any ratio over 1.0 means the firm has used more debt than equity to finance its investments.

The average of 5 years' debt- equity ratio is 1.51. That means the firm has used more debt than equity to finance its investments in an average. The increasing trend in the total debt-equity ratio of BATB indicates that the firm is able to borrow increasing amount of credit on relatively lesser amount of assets. Indirectly it states that the company's brand image has a positive impact on the market and its credit worthiness is also increasing although the situation has decreased slightly in the year 2004 and 2003.

TIE Ratio:

The time interest earned ratio measures the firm's ability to make contractual interest payments. It is one of several debt-service ratios. The higher the value of the ratio, the better able the firm is to fulfill its interest obligations.

The time interest earned ratio for BATB seems acceptable. As a rule, a value of at least 3.0 – and preferably closer to 5.0 – is suggested. The TIE ratio fluctuated over the year on an average their TIE ratio is 5.7. Thus, the TIE ratio shows BATB's earnings are more than its fixed (interest) commitments. This implies BATB is in no danger of renegeing on its fixed commitments.

Profitability Analysis:

RATIOS	2000	2001	2002	2003	2004
Net Profit Margin	2.78	4.24	4.11	3.36	2.48
ROA	.13	.20	.18	.13	.10
ROE	.27	.43	.47	.38	.29

Table-16

Profitability Ratios:

Profitability ratios measure the profits of the firm relative to sales, assets or equity. It is important to emphasize that profitability ratios describe the firm's past profitability, especially because it is tempting to overemphasize these ratios when making an evaluation.

Net Profit Margin:

The net profit margin measures the percentage of each sales taka remaining after all costs and expenses, including interest and taxes, have been deducted. The higher the firm's net profit margin is the better for the firm. The net profit margin is a commonly cited measure of the firm's success with respect to earnings on sales.

Over the year the profit margin ratio was fluctuating. But in the year 2004 the margin declined at an alarming rate of 2.48 %. The average of 5 years' profit margin ratio is 3.4%. The net profit margin of BATB was not a consistent one.

Return on Assets (ROA):

It measures the overall effectiveness of management in generating profits with its available assets. The higher the firm's return on total assets is the better one.

The ROA ratio fluctuated over the year but still shows that the firms return from the total asset is good. BATB reached to 12.04% in the year 1987 with some fluctuations. The top ROA 18% in the year 2002 indicates that Tk. 1 asset investment generates Tk. 0.18 of annual earnings prior to subtracting after tax interest.

Return on Equity (ROE):

It measures the return earned on the owners' (both preferred and common stock) investment in the firm. Generally, the higher this return the better off is the owner.

Starting with 27% of ROE in 2000 BATB reached to 47% in the year 2002. After this year the ROE started declining, fluctuating and fall to 29% in 2004. The top ROE 47% in the year 2001 suggests it earns a robust Tk. 0.47 annually for each Tk. 1 contributed by equity holders.

Earning Per Share:

	2000	2001	2002	2003	2004
Earnings per Share	11.91	14.57	16.52	14.52	11.22

Table-17

The firm's earnings per share are generally of interest to present or prospective stockholders and management. The earnings per share represent the number of taka earned on behalf of each outstanding share of common stock. EPS is also an important indicator of corporate success.

BATB earned Tk. 11.91 per share in 2000 and that was the starting. The EPS of BATB started to increase gradually and the top EPS was Tk. 16.52 in the year 2002. After this year the EPS started declining and fall to Tk. 14.52 in 2003 and the reached to the lowest EPS of Tk. 11.22 in the year 2004.

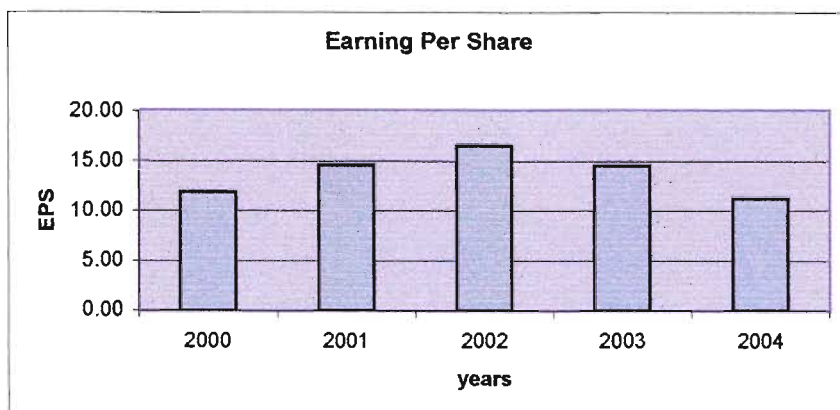


Figure-10

Dividend Per Share:

	2000	2001	2002	2003	2004
Dividends per Share	0.007	0.006	0.010	0.011	0.010

Table-18

Dividend per share is the dividends paid to the shareholders on a per share basis. In other words, DPS is the net distributed profit belonging to the shareholders divided by the numbers of ordinary shares outstanding.

BATB's DPS is fluctuating over the period 2000 to 2004; in year 2004 the rate has decreased from the previous year 2003 the reason might be that they are reinvesting their capital. Every year BATB distributed their profits to the shareholders no matter what the profit is to maintain the consistency and to satisfy the honorable shareholders.

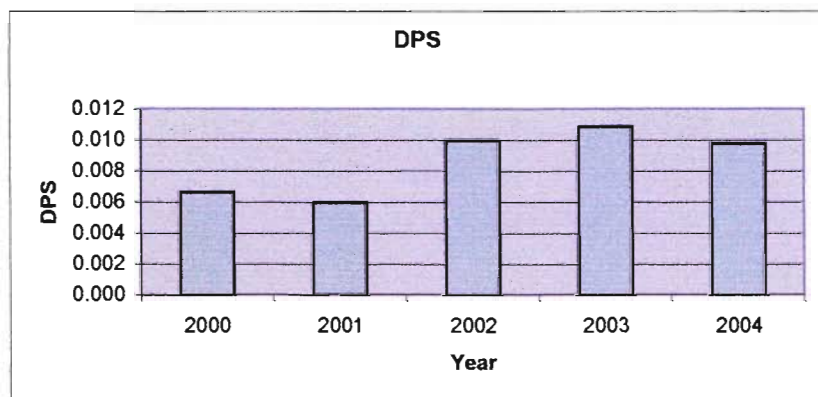


Figure-11

Price/Earning Ratio:

	2000	2001	2002	2003	2004
Price Earning Ratio	.84	.69	.61	.69	.89

Table-19

The price/earnings ratio is commonly used to assess the owners' appraisal of share value. The P/E ratio measures the amount investors are willing to pay for each dollar of the firm's earnings. The level of the price/earnings ratio indicates the degree of confidence (or certainty) that investors have in the firm's future performance. The higher the P/E ratio, the greater will be the reliability of the firm for the investors.

In the year 2000 BATB's P/E ratio is .84, which indicates that investors were paying Tk. .84 for each Tk. 1.00 of earnings. BATB had the highest P/E ratio in the year 2004 but in year 2001 the ratio was lowest. If we see the graph we can see that the ratio decreased up to a certain limit then again it started to increase. So on a whole the company's condition is improving.

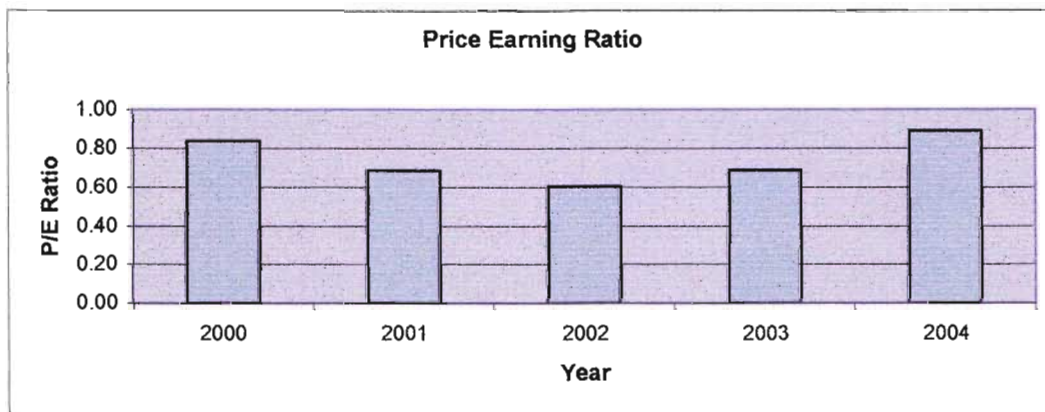


Figure-12

3.4. MAJOR FINDINGS AND RECOMMENDATIONS

- ✦ The Company borrows heavily on short-term basis or loan.
- ✦ The Company was successful to bring down long-term loan to substantially low level.
- ✦ The Company pays dividend consistently.
- ✦ The Company has no chance of being bankrupt.
- ✦ The Company's liquidity is low. Liquidity Ratios show that BATB is in a difficult position to meet its current obligation. From the commons size balance sheet it was understood that the inventory is not so high at this moment compare to Company's historical data. But the company should always be careful so that inventory does not pile up.
- ✦ Rise of operating cost, supplementary duties and surcharge on both raw materials and finished products, stiff competition from smuggled cigarettes and lack of protection from the law of the land led the turnover of the company to fall. It resulted that the profitability of the company slipped downwards sharply.

From the trend analysis it is seen that the value ratios are better in case of BATB. BATB gives good dividend and earning per share is also good. The company always keeps its shareholders happy but the company should remember that their main job is to increase shareholder's wealth not only offering high dividend.

4.1. OVERVIEW OF BOND MARKET

In finance and economics, a **bond** or **debenture** is a debt instrument that obligates the issuer to pay to the bondholder the principal (the original amount of the loan) plus interest. Thus, a bond is essentially an I.O.U. (I owe you contract) issued by a private or governmental corporation. The corporation "borrows" the face amount of the bond from its buyer, pays interest on that debt while it is outstanding, and then "redeems" the bond by paying back the debt. A mortgage is a bond secured by real state.

Bonds are securities but differ from shares of stock in that stock is an ownership interest (termed "equity"), but bonds are merely "debt": Therefore a shareholder is an owner, but a bondholder is merely a creditor.

Issuing Bonds

Bonds are issued by government or other public authorities, credit institutions, and companies, and are sold through banks and stock brokers. They enable the issuer to finance long-term investments with external funds. The term total volume refers to the number of individual bonds in a bond issue.

Features of Bonds

The most important features of a bond are:

- Initial value, known as the "par value"
- Maturity date - Bond maturity tells when the investor should expect to get the principal back and how long he can expect to receive interest payments. Bond maturities range from one year to 30 years. There are three groups of bond maturities:
 - Short-term bonds (notes): Maturities of 1-4 years
 - Medium-term bonds (notes): Maturities of 5-10 years
 - Long-term bonds: Maturities of 10-30 years

- The "coupon" or "nominal yield," effectively the interest rate
- Whether the interest rate is fixed or floating

The rights of a particular bond issue are specified in a written document, usually called an "indenture". In the U.S. federal and state securities and commercial laws apply to the enforcement of those documents, which are construed by courts as contracts. Those terms may be changed while the bonds are outstanding, but amendments to the governing document often require approval by a majority vote of the bondholders.

Interest is paid on the first "coupon date" and subsequently on coupon dates at regular intervals, assuming the issuer has the money to make the payments on those dates. If all interest ("coupon") payments have not been made when due, and so are in arrears, the issuer must also pay those back-due amounts when it redeems the bond, in addition to the principal ("face") amount.

The bond may have a "call" provision that allows the issuer to pay back the debt (redeem the bond) before its nominal maturity date. When there is no such provision requiring a holder to let the issuer redeem a bond before its maturity date, the issuer may offer to redeem a bond early, and its holder may accept or reject that offer.

Most bonds are callable, meaning even though the company has agreed to make payments plus interest towards the debt for a certain period of time; the company can choose to pay off the bond at once. This creates reinvestment risk, meaning the investor is forced to find a new place for his money, and the investor might not be able to find as good a deal, especially because this usually happens when rates are falling.

Bonds can also carry "put options", which allow the investor to sell the bonds back to the issuer at a date specified when the bonds are sold to the investor.

Types of Bonds

Bonds are classified according to various categories:

- **Fixed-rate bonds**- where the interest rate remains constant throughout the life of the bond.
- **Floating-rate bonds**- with a variable interest rate that is tied to a benchmark such as a money market index.
- **Zero-coupon bonds**- that do not bear interest, as such, but are sold at a substantial discount from their par value. The bondholder receives the full face value at maturity, and the "spread" between the issue price and redemption price is the bond's yield. Zero-coupon bonds may be created from normal bonds by finance institutions "stripping" the coupons (the interest part of the bond) from them - that is, they separate the coupons from the principal part of the bond and sell them independently from each other.

Bonds may be issued by various types of institution:

- Government bonds are issued by national governments.
- Municipal bonds are issued by local governments.
- Corporate bonds are issued by companies.

"**Convertible bonds**" or "convertible debentures" are those that can be converted into some other kind of securities, usually common stock in the corporation that issued the bonds.

"**Subordinated bonds**" are those that have a lower priority than other debts of the issuing corporation, so if there is not enough money to pay all the company's debts, the "senior" (higher-priority) bonds are paid first, and the subordinate bonds are paid out of what money, if any, is left.

High-yield bonds (with a correspondingly high risk) are sometimes known as junk bonds.

Trading and Valuing Bonds

The interest rate that the issuer of a bond must pay is influenced by a variety of factors, such as current market interest rates, the length of the term and the credit worthiness of the issuer. Since these factors are likely to change over time, the market value of a bond can vary after it is issued.

The market price of a bond may include the accrued interest since the last coupon date (some bond markets include accrued interest in the trading price and others add it on explicitly after trading). The price including accrued interest is known as the "flat" or "telquel price".

The interest rate adjusted for the current price of the bond is called the "current yield" or "earnings yield" (this is the nominal yield multiplied by the par value and divided by the price). Taking into account the expected capital gain or loss (the difference between the current price and the yield plus the capital gain (negative for loss) per year until redemption.

Investing in Bonds

Historically, bonds have been the investment of choice for "widows and orphans", or for certain wealthy nonworking individuals, who depend on a trust fund for income. The trust fund invests its money in government and corporate bonds (among other things), and the twice-yearly interest payments from these bonds are sent to the individuals.

Bonds are generally viewed as safer investments than stocks, but this perception is only partially correct. Bonds do suffer from less day-to-day volatility than stocks, and bonds' interest payments are higher than dividend payments that the same company would generally choose to pay to its stockholders. Bonds are liquid -- it is fairly easy to sell one's bond investments, though not nearly as easy as it is to sell stocks -- and the certainty of a fixed interest payment twice per year is attractive. Bondholders also enjoy a measure of legal protection: under the law of most countries, if a company goes bankrupt,

its bondholders will often receive some money back, whereas the company's stock often ends up valueless. However, bonds can be risky:

- Bonds incur interest rate risk, meaning they will decrease in value when the generally prevailing interest rate rises. This happens to all bonds, no matter what company or government issues them. When the market's interest rates rise, then the market price for bonds will fall, reflecting investors' improved ability to get a good interest rate for their money elsewhere -- perhaps by purchasing a newly issued bond that already features the newly higher interest rate. This drop in the bond's market price does not affect the interest payments to the bondholder at all; so long-term investors need not worry about price swings in their bonds. However, price changes in a bond immediately impacts mutual funds that hold these bonds, and if there is any chance a holder of individual bonds may need to sell his bonds and "cash out" for some reason, interest rate risk could become a real problem. (Conversely, bonds' market prices would increase if the prevailing interest rate were to drop, as it did from 2001 through 2003.) One way to quantify bond risk is in terms of its duration.
- Bonds can become volatile if one of the bond rating agencies upgrades or downgrades the credit quality of the issuing company or government. A downgrade can cause the market price of the bond to fall. As with interest rate risk, this risk does not impact the bond's interest payments, but puts at risk the market price, which affects mutual funds holding these bonds, and holders of individual bonds who may have to sell them.
- A company's bondholders may lose much or all their money if the company goes bankrupt. So bondholders are usually first in line to receive the proceeds of the sale of the assets of a bankrupt company, ahead of unsecured creditors. However, this is no guarantee of how much money will remain to repay bondholders.

4.2.OVERVIEW OF BOND MARKET IN BANGLADESH

4.2.1. Historical Background

Development of a bond market presupposes a vast and strong corporate sector especially private corporate sector because the companies are the principal supplier of debt instruments. It would therefore be worthwhile to trace the history of the corporate sector and industrial sector in Bangladesh.

Immediately after the emergence of Bangladesh as an independent country socialistic economic policy was adhered to. Almost all the medium and large-scale industries were nationalized with the result that government control of the industrial assets jumped from over 30% to over 90%. The Stock exchange was closed down and the stock market was non-existent. Banks were nationalized. In the initial period, private sector's role was limited. The scope of the private sector was defined in the Industrial Investment Policy announced in January 1973. In this policy private investment was allowed only to the extent of Taka. 25 lakh (US \$ 0.13mn). In the New Investment Policy of 1974, the ceiling on private investment was raised to Tk. 3.0 crore (US\$1.44mn) and foreign investment was permitted in collaboration with both government and local entrepreneurs. With the change in Government in mid 1975, there was notable shift in economic policy and the role of the private sector was given due prominence.

The intention of the government was clearly spelt out in the Revised Investment Policy announced in December 1975. The policy contained the following significant policies, apart from the others;

- i) Increase of the ceiling on private sector investment to Tk. 10.00 crore (US\$ 3.40mn)
- ii) Establishment of the Investment Corporation of Bangladesh to provide equity support.
- iii) Reopening of the Dhaka Stock Exchange.

In September 1978, the ceiling on private investment was withdrawn. The new Industrial Policy of 1982 was also positive towards the private sector and indicated a reversal of policy with priority to the private sector instead of public sector. Salient features of the policy were as below-

- i) Expansion of the manufacturing sector with increased participation of private sector.
- ii) Restriction of the role of the public sector to the establishment of basic, heavy and strategic industries.
- iii) Reduction of the Government control on industries by disinvestments of the abandoned industries.
- iv) Public issue of 49% shares of some nationalized industries in order to stimulate the stock market.
- v) Return of the nationalized jute and textile mills to their previous Bangladeshi owners.

As the private sector gradually stepped forward industrial financing was provided by the two development banks-The Bangladesh Shilpa Bank and The Bangladesh Shilpa Rin Sangstha and the nationalized commercial banks.

As the government put priority to promote industries in the private sector the nationalized commercial banks also geared up their industrial finance activity. At the same time the prospective entrepreneurs were not aware of the scope to obtain finance from the capital market by issuing bonds as the capital market was in incipient stage. Since at that time demand for loans was not very substantial, there also not much urges to develop a corporate bond market.

However with the expansion of the private sector and reopening of The Dhaka Stock Exchange Ltd. and establishment of Investment Corporation of Bangladesh capital market began to attract attention of both investors and entrepreneurs as a market for finance and investment.

4.2.2. Development of The Bond Market In Bangladesh

Bond markets link issuers having long-term financing needs with investors willing to place funds in long-term, interest-bearing securities. Bangladesh has both the issuers and the investors in place but it still has not been able to link them effectively through a bond market.

The positive effect of developing a domestic bond market on the economy is well known. On the one hand, bond markets are essential for a country to enter a sustained phase of development driven by market-based capital allocation and increased avenues for raising debt capital.

Capital markets are essentially about matching the needs of investors with those that need capital for development. Bangladesh has no shortage of both such parties, a young and dynamic population that increasingly wants, and is able to, make provision for lifetime events, to save for children's education, for the possibility of ill health and ultimately for old age and retirement. On the other side of the equation, Bangladesh has a pressing need for investment resources to bolster its stretched infrastructure resources, to build more power stations, bridges, ports and gas-pipelines to empower the people in the development of enterprise and the creation of jobs. Debt markets are an extremely effective mechanism for matching the long term needs of savers with those of entrepreneurs. Term capital is a precious commodity and it has been a frustration to see the process of long term savings, such as provident funds and life insurance contracts, being invested in short term instruments such as bank deposits, a process we call 'reverse term transformation' but we could equally call it "reverse alchemy" in which the gold of term capital is turned into the lead of short term liabilities.

As Bangladesh has led the world in its development of the micro finance industry, it has impressed us all with your ability to mobilize funds for productive purposes at the community level in the villages. As a development institution now it is our goal to establish sustainable capacity. Now we need to see a similar degree of success at the institutional level in terms of mobilizing resources for infrastructure and other uses of long term funds. World Bank will help in this endeavor; it is much more useful that Taka funds are mobilized to fund projects whose sole revenue source will be in Taka.

Bond markets in most countries are built on the same basic elements:

- ✦ A number of issuers with long-term financing needs,
- ✦ Investors with a need to place savings or other liquid funds in interest-bearing securities,
- ✦ Intermediaries that bring together investors and issuers, and
- ✦ Infrastructure that provides a conducive environment for securities transactions, ensures legal title to securities and settlement of transactions, and provides price discovery information.
- ✦ The regulatory regime provides the basic framework for bond markets and, indeed, for capital markets in general.

Efficient bond markets are characterized by a competitive market structure, low transaction costs, and low levels of fragmentation, a robust and safe market infrastructure, and a high level of heterogeneity among market participants. It is necessary to develop the intermediaries, infrastructure and the regulatory regime so that a vibrant bond market becomes a reality in Bangladesh soon.

An important element of a domestic bond market is the government bond market. Development of a government bond market provides a number of important benefits if the pre-requisites to a sound development are in place. At the macroeconomic policy level, a government securities market provides an avenue for domestic funding of budget deficits and avoids a build-up of foreign currency-denominated debt.

A government securities market can also strengthen the transmission and implementation of monetary policy, including the achievement of monetary targets or inflation objectives, and can enable the use of market-based indirect monetary policy instruments. The existence of such a market not only can enable authorities to smooth consumption and investment expenditures in response to shocks, but if coupled with sound debt management, can also help governments reduce their exposure to interest rate risk – a situation that is looming large in the National Savings Certificates market, currency, and other financial risks. Finally, a shift toward market-oriented funding of government budget deficits will reduce debt-service costs over the medium to long term through development of a deep and liquid market for government securities.

The prerequisites for establishing an efficient government domestic currency securities market include a credible and stable government; sound fiscal and monetary policies; effective legal, tax, and regulatory infrastructure; smooth and secure settlement arrangements; and a liberalized financial system with competing intermediaries. Since pension and life insurance reform helps in the development of government securities market, starting the process of pension and insurance reform now might be prudent because of the time it takes to feel the positive impact of such reforms on the capital market.

4.2.3. Issues In Local Bond Market Development

Like emerging-market countries around the world, Bangladesh could benefit from having a local-currency, fixed-income securities market. At present, its main fixed income financial products are bank deposits, bank loans, government savings certificates, term loans, treasury bills, and government bonds and corporate debt (syndicated loans, private placement, and debentures). But in general the corporate debt market is still very small compared with the equity market (table 21).

Instruments	Normal Amount (billion of Taka)	Relative Size
Bank Loans	474	31.9
Deposits	580	39.1
Term loans	184	12.4
Government savings certificate	123	8.2
Government bonds	55	3.7
Treasury bills	40	2.6
Equity (issued value)	27	1.8
	Not publicly available	Private placement
Debentures	1.3	.1

Table-20. Instruments Available in Bangladesh

Sources: Bangladesh Bank, National Savings Bureau, Dhaka Stock Exchange.

Numerous factors in Bangladesh today suggest that Bangladesh will not be able to develop an active, local-currency fixed-income market. Economic and Financial transactions are highly regulated, and the economy does not provide a sufficient number of appropriately structured and skilled issuers and investors. Bangladesh finds it difficult to move forward for several reasons:

- ➔ Weak governance at the institutional and market level,
- ➔ High non-performing assets among the nationalize commercial bank,
- ➔ Poorly defined and overlapping responsibilities of the Bangladesh Bank, Securities and Exchange Commission, and Ministry of Finance,
- ➔ And last but not the least the lack of incentives and private initiative to drive market developments.

These four problems are the principal obstacles to the development of bond markets in Bangladesh.

The government is aware of them, and the World Bank and other organizations have been published for solution. However the change is slow.

4.2.4. Market Participants:

Market participants can be divided into three categories: Issuers, Investors, and Intermediaries.

Issuers:

The foremost obstacle here is that Bangladesh lacks a significant number of potential, good quality issuers.

Most private sector enterprises are small and owner run, many are of 'cottage-size' and most are in the garments industry, which to date largely depends largely on short term bank loans for financing. These enterprises could benefit from long-term findings but are neither large enough nor well known enough to issue bonds. Most of the large scale industrial units and commercial enterprises are state owned and their financing needs are met by the government or by the state owned NCBs. These state owned firms generally stay outside the capital market.

Second, although Bangladesh has a debenture market, only a small number of well-known issuers have used the market (Table-2). The liquidity in those debentures at the stock exchange is insignificant because of the small number of investors and their buy-and-hold mentality. The investor community does not seem to find this market to attractive owing to weak disclosure by the issuers, which in turn reduces credibility and investors confidence.

Debenture	Coupon	Year of Flotation	Issued Debenture (in million of Tk)
Beximco Infusion Ltd	17	1992	14.5
Beximco Synthetics Ltd	14	1993	240.8
Bangladesh Chemical Industries Ltd.	17	1993	3.2
Eastern Housing Ltd	15	1994	202.5
Beximco Knitting Ltd	14	1994	188.4
Beximco Fisheries Ltd	14	1994	94.3
Beximco Textile Ltd	14	1995	222.8
B.D. Zipper Ind. Ltd.	14	1995	22.4
Beximco Denim Ltd	14	1995	278.5
Bangladesh Luggage Ind.	14	1996	135.0
Arami Cement Ltd	14	1998	112.5

Table-21: Prominent Issuers in the Debenture Market

Third, companies find that companies find that issuing debt is costly, both in monetary and non-monetary terms.

Fourth, it is difficult to persuade issuers to disclose sufficient information about their companies.

And lastly most potential issuers are unwilling to take the opportunity cost involved in issuing a long-term bond.

Investors:

On the inventor side, few investors are sophisticated enough to think about investigating in bonds. About 80% of the base here is made up of retail investors, whose primary concerns include the equity at the stock exchange or the government savings certificate.

Of the few institutional investors that could support a bond market, most are either prevented from investigating in corporate bonds by restrictive guidelines or are not professionally managed.

Intermediaries:

Intermediaries in Bangladesh lack many of the skills needed to foster an active local corporate bond market. As mentioned earlier, commercial banks dominate the financial sector and not enough intermediaries are skilled in securities. Few are able to identify issuers and investors and bring them to the market. They provide little or no research analysis on industries or companies to encourage investment in the local debt market. Too few private merchant banks are able to conduct financial advisory and trust services. Nor do any feel motivated to become a market maker for an issue. Hence the market is illiquid, with large spreads. At the same time the fee structure and pricing are high enough to allow intermediaries to make money, but because transactions are so limited, the intermediaries seldom make money. Even if they are able to participate, intermediaries are reluctant to take any risk in dealing.

4.3. RULES AND REGULATIONS

BATB wants to issue bonds they can either go for Initial Public Offering or Private Placement. There are rules and regulations for issuing bond publicly or privately. Therefore company has done an analysis and they prepared some questionnaires in order to find out the best option for issuing bonds.

1. Which companies can issue bonds in Bangladesh?
2. If it is then should the issue be offered publicly to the investing community at large or privately to a limited number of investors?
3. What are the advantages? (both cost and non-cost factors must be taken into account)
4. Is there any firm specializes in the marketing of new securities in Bangladesh? And how do they operate? What fees do these companies charge?
5. Can the issuing firm save money by performing some of the selling function itself?
6. What internal costs are involved?
7. What is the role of the banks?
8. What Government rules and regulations apply to the sale?

Since the issuing firm wants to sell its securities at the best possible price, it will want to know-

1. Who are the potential purchasers?
2. Where are they located?
3. How much they have to invest?
4. What type of bond they prefer?

It is also necessary to know-

- a) Who the competing fund raisers are
- b) Their demands for funds
- c) The terms on which they offer their securities to potential investors

The most important factor is to know which companies basically buy bonds?

- I. Life insurance companies, fire and causality companies tend to buy bonds.
- II. Pension fund
- III. Individuals are also attracted by high bond yields

4.3.1. Regulatory Process of Issuing IPO of Bond

The regulatory process of Initial Public Offering (IPO) of Bond is discussed here.

Applicable Rules:

Applicable rules for issuance of debt are Public Issue Rules, 1998 and Securities and Exchange Commission (Capital Issue of Public Limited Company) Rules, 2001. some relevant amendments made to public issue Rules, 1998 will also be applicable as regard public issuance of debt.

Synopsis:

A company (PLC) going for Public Issuance of Debt has to apply with fee to SEC for consent containing information about the organization (name, address, telephone number, fax number etc) with following documents signed by proper authorities-

1. Three copies of Prospectus with relevant Annexure and Memarts
2. Memorandum and Articles of Association- in original attested by the Managing Director.
3. Certificate of Incorporation and Certificate of Commencement of Business- Photocopy attested by the Managing Director.
4. Extract from the Minutes of Meeting of the Board of Directors for raising paid up capital- Photocopy attested by the Managing Director.
5. Consent of the Directors to serve- in original signed by all directors.
6. Land Title Deed- Photocopy attested by the Managing Director.
7. If Plant and Machinery is reconditioned or second hand- a certificate from SGS by Lloyds Agency on its economic life and price competitiveness duly certified by the Chamber of Commerce of the exporting country or the country of origin- in original.
8. Loan agreements if any- Photocopy attested by the Managing Director.
9. Banker's letter confirming opening of separate bank account for public issue purposes Photocopy attested by the Managing Director.
10. Due Diligence Certificate from the Investment Adviser- in original.
11. Due Diligence Certificate from the Issue Manager- in original.
12. Due Diligence Certificate from Underwriter- in original.
13. Due Diligence Certificate from Debenture- in original.
14. Agreement with (a) Investment Adviser, (b) Issue Manager, (c) Underwriter, (d) Debenture Trustees- Photocopy attested by the Managing Director.
15. Banker's to the issue's letter accepting their appointment as such - Photocopy attested by the Managing Director.
16. Joint Venture Agreement if any- attested by the Managing Director.
17. Tax Holiday Approval Letter from NBR- attested by the Managing Director.

All Stock Exchanges are to be supplied with one copy of Prospectus, relevant Annexure and any amendments to Prospectus if any.

Upon receiving the consent from SEC, the PLC will publish Prospectus in two national daily newspapers. After completion of subscription, PLC will inform SEC about completion of the offering mentioning date of completion, received amount, commission and no. of securities sold.

Prospectus has to be widely disseminated to all relevant parties involved with IPO issuance.

Prospectus must contain all material information to help investors for making informed decision. It will contain basic information as regards the PLC, a table of contents, risk factors, use of proceeds, description of business (major supplier, buyer, various products and market of these products etc.) properties and financial condition and plan of operation.

It will also contain information about its officers and directors (their names, ages, position held, length of service, any nominee, ant legal proceedings or conviction against them, any prior or proposed transaction with them)

Executive compensation of officers and directors, any options with them or any other person, any transaction with promoters and ownership structure of the PLC are to be mentioned in the Prospectus.

After submission of the application, Prospectus, other documents and fee, SEC will review these, if incomplete, SEC may ask for further clarification and documents. In that case PLC will furnish required documents. Or if unacceptable, SEC may reject the application. In that case PLC may ask for review. Then the decision of SEC will be final.

Fees And Charges of SEC

The applicant shall pay an amount of taka five thousand (nonrefundable) as application fee, along with the application, by way of pay order or demand draft issued in favor of the commission.

If consent is accorded to the issue of capital by the Commission, the applicant shall pay, within fifteen days of the issuance of the letter consent, a fee @ 0.1% on the total capital to be used by way of a pay order or demand draft in favor of the Commission.

If the applicant fails to pay the fee under sub rule (2) within the specified time, the consent accorded shall stand cancelled.

Comparative Issuance Cost Analysis

Issuance Cost of IPO in Bangladesh

Earlier

Now

Particular	One time cost	Annual cost	Comment	One time cost	Annual cost
Regulatory Expense					
1. SEC					
Application Fee	5,000		By regulation	5,000	
Consent Fee (500 mn * . 10%)	500,000			500,000	
2. Issue Manager	2,500,000			500,000	
Commission (0.5% of 500 mn)			Max 1%		
3. Banker to Issue					
Commission (0.25% of Public Offering)	1,250,000		Norm	1,250,000	
4. Underwriter					
Underwriting Commission (1% of Public Offering)	5,000,000		Max 2.5%	5,000,000	
5. Trustee					
Annual Fee (0.25% of 500 ml)		1,250,000	Negotiable		500,000
6. Credit rating Agency					
Rating Fee (0.1% of value Securities)	500,000		Negotiable	400,000	
Annual Fee		80,000			80,000
7. DSF					
Application Fee (0.25% of 500 ml)	1,250,000		DSE Regulation	625,000	
Annual Subscription		75000			75000
Service Fee	5000				
8. Brokerage					
Commission (1% of value of Securities sold through them)	3,000,000		Norm	300,000	
Cost of Regulatory Expense(A)	14,010,000	1,405,000		8,580,000	655,000
Other Expense					
1. Prospectus (3000 @ Tk 40)	120,000		At Actual	120,000	
Application form (2500 @ Tk .75)	18,750			18,750	
Allotment & refund Warrant (1500 @ Tk 1)	15,000			15,000	
Debt Certification (6000 @ Tk 14)	84,000			84,000	

Earlier

Now

Particular	One time cost	Annual cost	Comment	One time cost	Annual cost
2. Publication			At Actual		
Prospectus Two Daily Newspaper	600,000			600,000	
3. Distribution					
Local Agencies	5,000			5,000	
Foreign Mission(10 mandatory)	10,000			10,000	
4. Stamp on Certificates (6000 @ Tk 20)	120,000		At Actual	120,000	
5. Lottery (dependent on over subscription)	80,000		At Actual	80,000	
6. Others (Software, Training to Staff)	50,000		At Actual	50,000	
7. Media Communication	30,000		At Actual	30,000	
Cost for Other Expenses (B)	1,132,750			1,132,750	
Cost (A+B)	15,142,750	1,405,000		9,712,750	655,000,00
Total Cost, One Time + Annual Fee for 5 Year	22,167,750			12,987,750	
Total Cost as a % of total Issue	4.43%			2.60%	

Table-22

Other Parties:

As regards the Public Issuance of Debt, besides SEC, Stock Exchanges and potential investors, other parties are-

- ➔ Bankers to the issue- means any bank so named in the prospectus to collect monies from share subscription.
- ➔ Merchant banker means any person who is engaged in the business of issue management, either by making arrangements regarding selling.
- ➔ Issue Manager: The public company making initial public offering shall appoint as issue manger registered by the Securities and Exchange Commission.
- ➔ Underwriter- (1) The public company making initial public offering shall appoint one or more underwriters, having certificate of registration from the Securities and Exchange Commission to fully underwrite or place primary securities on a firm commitment basis.

(2) The issuer in the event of under subscription shall send notice to the underwriters within ten days of closure of subscription calling upon them to subscribe the securities and pay for them in cash in full fifteen days of the date of said notice and the said amount shall be credited into share subscription account within the said period.

(3) The underwriter agreement shall contain a condition to the effect as mentioned in sub-rule (2).

(4) The issuer shall, within seven days of the expiry of the period mentioned in sub-rule (2), send the Securities and Exchange Commission proof of subscription and deposit of share money by the underwriter.

➔ Debenture Trustees- (1) The public company issuing debentures shall appoint a debenture trustee to protect the interests of debenture holders.

(2) The debenture trustee shall be a bank, a financial institution or an insurance company.

Other Issues:

- ➔ Any amendments to the Prospectus signed by proper authorities have to be submitted to SEC and Stock Exchange.
- ➔ Prospectus has to be published in two national daily newspapers within ten days of receiving the consent of the SEC.
- ➔ No money will be taken from the subscribers until ten days of publications of prospectus.
- ➔ The subscription will remain open for fifteen days, which may be executed by SEC on request.
- ➔ Prospectus will be disseminated sufficiently so that any person can receive a copy with ease.
- ➔ Subscription may be terminated if any material change takes place in the information contained in the Prospectus.
- ➔ Any legal proceedings, conviction, order, decree of court, SEC or other regulatory bodies within last ten years has to be disclosed in the Prospectus.

- ➔ For three years, local sponsors' share will be subject to lock-in from publication of Prospectus or commercial operation whichever comes later.
- ➔ 10% of issue will be reserved for non-resident Bangladeshi and remaining 90% of Bangladeshi.
- ➔ Enlistment with at least on recognized Stock Exchange is compulsory.
- ➔ Issue manger and underwriter must be registered under SEC.
- ➔ In case of under subscription, PLC will send notice to underwriter within ten days of closure of subscription to absorb the unsold securities and give a period of fifteen days from receipt of the said notice for payment in cash.
- ➔ Neither company nor directors nor sponsors nor associates are defaulters with any bank in terms of CIB report.
- ➔ PLC must complete audit of Financial Statements and AGM within the specified time mentioned by SEC.
- ➔ PLC will submit audited Financial Statements, annual report and minutes of AGM within fourteen days of completion of the audit or AGM, which SEC may extend on good cause.
- ➔ Within thirty days from receipt of filing of debt issuance, any incompleteness has to be intimated by SEC. Otherwise, it will be deemed complete. After the specified time given by SEC for fulfillment. Further time to complete the requirement is applicable for incompleteness.
- ➔ Within sixty days for receipt of filing of debt issuance, the consent has to be given by SEC.
- ➔ If application and other documents are not acceptable, then SEC will issue rejection letter it within sixty days of receipt of application
- ➔ PLC has to apply for review within thirty days of receipt of application.
- ➔ Lock-in on sponsors' capital- The sponsors' share capital shall be subject to a Lock-in of three years from the date publication of prospectus or commercial operation, whichever comes later. This is not applicable for Foreign Sponsor either in Joint Venture Company or 100% Foreign Owned Company.
- ➔ Refund of over-subscription money- Refund of over subscription money of applicants resident in Bangladesh shall be made by account payee cheque

payable from any banks in Bangladesh as may be selected by the applicants and for this purpose the number of the bank account along with name of bank and branch shall be indicated in the securities application Form.

- ➔ Subscription and refund by or to non-resident Bangladesh- A non-resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh, for the value of securities applied for.
- ➔ The value of securities applied for by such person may be paid in Taka or US Dollar or UK Pound Sterling at the rate of exchange mentioned in the securities application Form.
- ➔ Refund of over-subscription, if any, shall be made in the currency in which value of securities was paid for, at the rate of exchange mentioned in the securities application Form by a foreign exchange draft payable in applicant country.
- ➔ Availability of Securities- 10% of all issues shall be reserved for non-resident Bangladesh and the remaining 90% shall be open for the subscription by the general public.
- ➔ In case of over-subscription of both the categories mentioned, the issue manger shall conduct an open lottery of all the applications received under each category separately.
- ➔ In case of under subscription of both the categories mentioned, the unsubscribe portion of share will be taken up by the underwriters.
- ➔ In case of under subscription under the 10% category as mentioned, the unsubscribe portion will be added to the general public category the issue manger shall conduct an open lottery of all the applicants added together taken up by the underwriters.
- ➔ In case of under subscription under the 10% category, the over-subscribed portion shall be added to the general public category and if after such addition there is over-subscription in the general public category the issue manger shall conduct an open lottery of all the applicants added together.

4.3.2. Rules and Regulations for Private Placement of Bonds

A private placement does not have to be registered with the SEC, but in Bangladesh until SEC finalize the rules by August 2006, if any companies want to issue bonds they need SEC approval. The approval time is three months but the maximum is up to six months. Although there is no rules but current practice is minimum 5 years. In Bangladesh the only prevailing private placement is of IDLC.

Requirements:

Last audited financial statements within past 180 days to be submitted along with application letter to SEC

Process:

The company has to apply to SEC for approval

After getting the approval the company can go for -

- Negotiation with Investor on Trustees
- Negotiation with Investor on Security
- Negotiation with Investor on the amount of interest rate of the bond

Cost Involvement:

1. Application Fee to SEC 5000 Tk one time
2. Upon approval, Consent Fee 0.1% on the total capital to be issued
3. Interest to the bond holder should be at least 1% higher than prevailing bond fixed deposit rate
4. There is likely to be a risk premium for a bond of Tobacco Mfg

So after considering the two options the company wants to go for private placement, because it is more cost effective as well as it requires minimal procedural formalities.

4.4. MID-TERM FUND REQUIREMENTS OF BATB

Analysis of Forecasted Monthly Cash Flow Statements from Year 2006-2010.

Average Balance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	(1,181.14)	(943.41)	(896.11)	(1,519.66)	(2,280.21)	(2,398.86)	(2,190.09)	(1,952.36)	(1,714.63)	(1,476.90)	(1,239.18)	(1,001.45)
2007	(1,167.67)	(903.01)	(837.52)	(1,464.76)	(2,224.74)	(2,351.66)	(2,176.66)	(1,982.00)	(1,774.85)	(1,522.69)	(1,248.03)	(973.37)
2008	(1,189.12)	(967.36)	(947.44)	(1,649.79)	(2,504.13)	(2,677.31)	(2,496.65)	(2,274.89)	(2,063.12)	(1,861.36)	(1,649.10)	(1,416.84)
2009	(1,171.08)	(913.25)	(871.33)	(1,625.73)	(2,517.97)	(2,667.63)	(2,463.54)	(2,230.71)	(2,047.88)	(1,850.04)	(1,602.21)	(1,344.37)
2010	(1,185.13)	(955.38)	(921.77)	(1,584.72)	(2,392.17)	(2,538.09)	(2,343.37)	(2,113.62)	(1,888.88)	(1,669.13)	(1,444.14)	(1,209.14)

Table: 23

Average Cash Balance Position

The average cash balance for BATB in the year 2006 starts in an increasing trend towards the beginning of the year, which reaches its peak towards the middle of the year and again falls down at the end of the year. A similar trend has been seen in the forecasted year 2007. The year 2008 is no exception in this regard except that the ending balance towards the end is higher than the previous two years. The same trend continues for both the year 2009 and 2010.

The trend that these average cash balance position indicate is that at the beginning of the forecasted years the amount of cash disbursed is not that great but it rises quickly during May, June and July. However this cash disbursement again quickly falls down towards the end of the forecasted years. These monthly cash flows are shown in the graph in the Appendix. However it has to be noted that the cash requirement for BATB has been increasing with the passing of each forecast years. So, in order to avoid future interest rate risk it might be wise for the firm to issue some amount of bond.

4.5. SETTING INTEREST RATE FOR BOND

Cost of Fund

In this chapter whether issuance of bond is cost effective from banks and company's perspective is analyzed.

Banks	Cost of Fund
HSBC	8%
Standard Chartered	7.5%
Commercial Bank of Ceylon	8%
Citi Bank NA	8%

Table: 24

From the table, we find that cost of fund hovers around 7.5-8 % for the multinational banks.

Interest Rate for Bond

To encourage the purchase of bonds from the investor base it has to be set over the fixed deposit rates to entice them into investment. At the same time the rate cannot be set too high which process to be very costly for the firm. The ideal range for bond issuance would be 9%-9.5%, which is set lower than the bank-borrowing rate of 11%. Here the bond should be priced at a price that is competitive and offers a better return to the potential bondholders than that of fixed deposit rates or any other alternatives. Three four banks' deposit rate average is 8%. And as such the proposed interest rate is given to be 9%.

4.6. EVALUATING OPTIONS

After forecasting the mid term fund requirements of BATB and taking into consideration the interest rate now I would like to estimate seven options in order to see whether it is feasible for the company to issue bonds for the forthcoming years.

The options are presented are discussed below

Option 1, No Bond Issuance

Option 2, 700 million bond issue

Option 3, 1000 million bond issue

Option 4, 1500 million bond issue

Option 5, 2000 million bond issue

Option 6, 2500 million bond issue

Option 7, 3000 million bond issue

Table: 25

Option - 1

In option 1 no bond issuance has been considered. The interest expense is considered here on the average cash balance required by BATB on the forecasted period, which is 2006 to 2010 and is set at 11% and rises up to 14%. Here it is assumed that the total amount required is borrowed from the bank.

This option however has a downside that is that there is a maximum limit as to how much the firm can borrow. This maximum funded facility is fixed at 2100 million. But during the forecast period of 2006 to 2010 we see that this amount is only enough to meet up BATB's fund requirement at the beginning and at the end of the year. During the peak fund requirement arrangement with the bank is not sufficient to meet up the firms cash needs.

Option - 2

In option 2, 700 million worth of bond issuance has been considered

Average Incremental cost saving (in million)	2006	2007	2008	2009	2010
Option 2	1.17	.88	.58	.29	.58

Table: 26

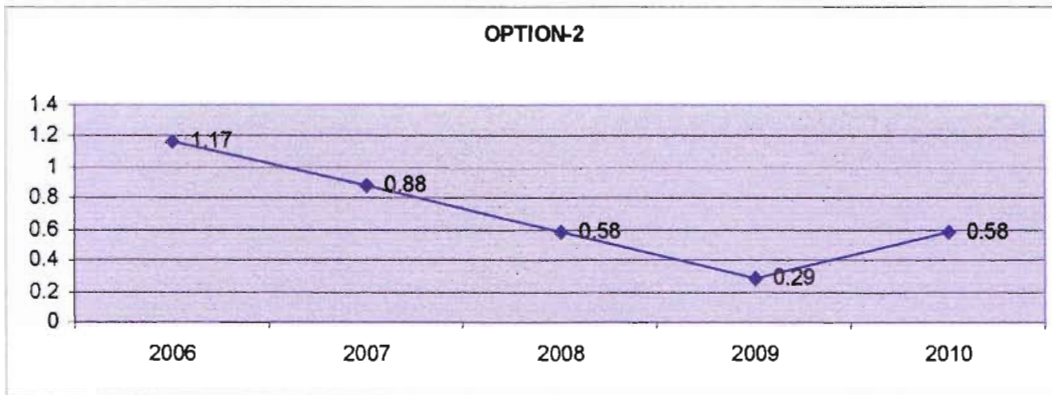


Figure: 13

The incremental savings here is assessed by subtracting the interest expense that the firm would have to incur in case of no bond issuance from the sum of total cost of issuing bond and the total cost of financing the rest of the required amount. Since it has a positive balance it yields incremental savings. It has to be noted here that the cost of issuing bond here is assessed to be 9% and cost of raising fund from the bank is also considered here which is 11% and goes up to 14%.

After assessing all the options of bond issuance we can say that issuance of 700 million is the most feasible option. Although this option is not the most cost effective one for the year 2006 to 2008 it does reduce the downside of choosing option 1 of total bank borrowing and no bond issuance. Issuance of bond in the amount of 700 million does provide the firm to remove the restriction of having only 2100 million at their time of cash fund requirement. It has to be noted that in the forecast period June 2010 the fund to be borrowed from bank goes up to 2206.16 million, which exceeds the maximum funded

facility limit of 2100 million. So in this year option two will be the best choice for the company.

Option - 3

In option 3, 1000 million worth of bond issuance has been considered. Like the previous two options the cost of borrowing from bank stays at 11% and that of bond issuance is set at 9%.

Average Incremental cost saving (in million)	2006	2007	2008	2009	2010
Option 3	1.54	1.02	.76	.23	.47

Table: 27

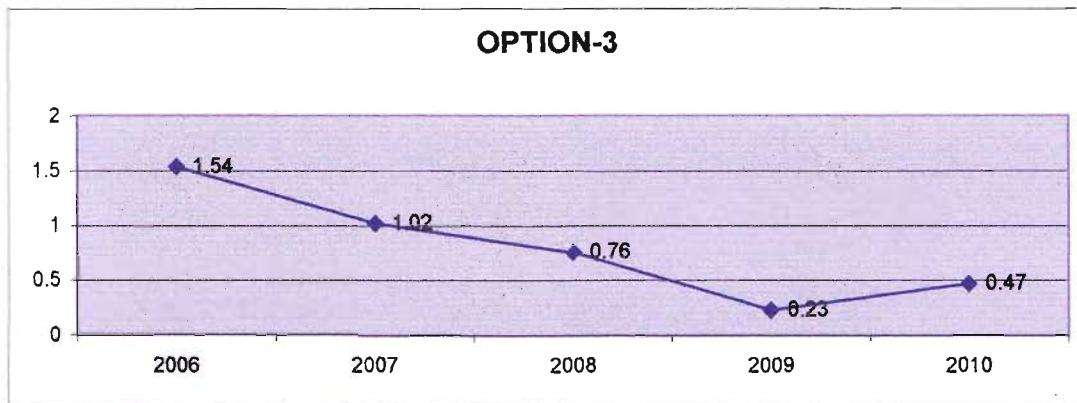


Figure-14

However choosing this option completely removes the restriction having 2100 from banks. Issuance of 1000 million worth of bonds reduces the fund requirement of BATB from banks to an average level of 1300 million. The floatation cost of bond issuance also has to be considered here. This option provides the most cost effective solution for the year 2006 to 2008. If the firm wants to issue bonds in these years it should issue 1000 million worth of bond because it will be more cost effective solution.

Option - 4,5, 6 and 7

In option 4, 1500 million worth of bond, in option 5, 2000 million worth of bond, in option 6 2500 million worth of bond issuance and lastly in option 7 3000 million worth of bond issuance has been considered. Similar to the previous options but it is assumed that the firm borrow from banks at 11% in year 1 which rises each year at the rate of 1%.

Average Incremental cost saving (in million)	2006	2007	2008	2009	2010
Option-4	.77	-.05	.02	-.85	-.48
Option-5	-1.31	-2.39	-1.52	-3.18	-2.54
Option-6	-4.39	-5.96	-4.99	-6.63	-5.68
Option-7	-8.14	-10.12	-9.63	-11.51	-10.24

Table: 28

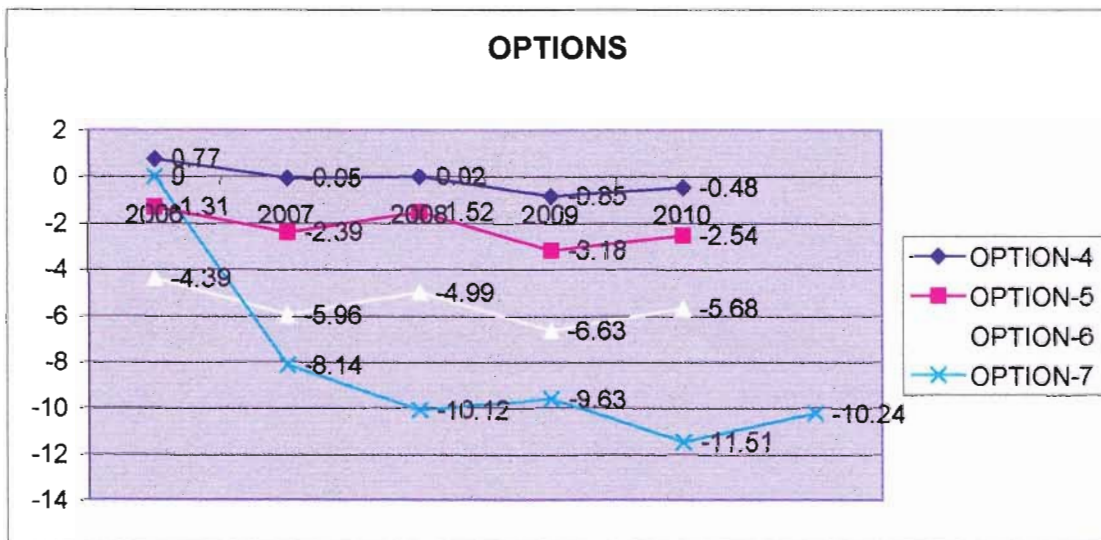


Figure-15

However choosing these options will result in a slightly over funded position on part of BATB. But it also has to be considered that beyond the forecast period of 2010 the cash requirement of BATB might increase and issuing bonds later might prove to be costlier. Again the firm can deposit the additional fund raised at different banks at different interest rates to prevent the money from staying idle. The rate of interest offered on these

banks might provide an insight as to how lucrative is the opportunity to issue additional bonds. Choosing these options is the most unfeasible one as it forces the firm to put in a lot of fund idle that ultimately raises the firm's opportunity cost. Here the need to find out alternative investment opportunity and expansion possibility might be given serious thought.

Comparison Among the Options:

The total cost for the seven options from year 2006 to 2010 are discussed are,

Total cost of issuing bond and bank

Option 1, No Bond Issuance	- 1,056.76
Option 2, 700 million bond issue	- 1014.76
Option 3, 1000 million bond issue	- 1,007.65
Option 4, 1500 million bond issue	- 1063.84
Option 5, 2000 million bond issue	- 1188.39
Option 6, 2500 million bond issue	- 1388.59
Option 7, 3000 million bond issue	- 1652.5

Table: 29

The interest rates that are considered here are 11% for bank borrowings that rises up to 14% and 9% for bond issuance. As we can see that the solution of choosing option 1 can only cover a substantial portion of the firm's cash requirement, not all of it. However option 2 & 3 removes this restriction as well as diversifies the firm's interest rate risk exposure from only bank borrowing. Again by analyzing the table we can see that the most cost effective solution is option 3, which yields the lowest cost of 1007.65 million. However the floatation cost as well as the consent fee of SEC has not been considered here which would ultimately raise the cost of bond issuance. On the other hand option 4, 5, 6 and 7 raises fund beyond the firm's cash requirement, which results in opportunity cost for the firm. Unless suitable investment opportunity is found the firm should think hard before considering these options.

However it has to be noted that the cash requirement for BATB has been increasing with the passing of each forecast years. As we can see from the graph that the maximum funded facility from bank is 2100 million, which is mainly required at the middle of the forecast years. So, in order to avoid future interest rate risk it might be wise for the firm to issue some amount of bond.

CHAPTER-5

RECCOMENDATIONS

CONCLUSION

British American Tobacco Bangladesh is a company with world-class people, products, systems and processes and tools. British American Tobacco Bangladesh, a market leader in the country, is a subsidiary of British American Tobacco P.L.C. Operating in Bangladesh since pre-independence, the company employs more than 1300 people and provides indirect employment to a further 24,500 farmers, distributors and suppliers.

This report is aimed to find out whether it would be feasible for the company to introduce bonds in order to congregate their long-term financial requirements in the forthcoming years. The bond market of Bangladesh is not that much developed enough and issuance of Bond at this stage might prove costly for the firm. The public confidence in the bond market is not that high as well. So, if the firm considers bond issuance then their best option is to go for private placement with option 3 provided they have enough viable buyers for the bond.

On a whole we can conclude that, observing the current economic scenario of Bangladesh I should suggest that the company should not issue bond just right now but it should try to rearrange the cash flow to suit their cash needs.

RECCOMENDATIONS

Based on the analysis the following recommendations might be proposed.

- ✦ BATB should go for private placement of bond as it is the most cost effective solution and it also includes less procedural formalities.
- ✦ BATB should go with either option 2 or option 3 for issuing bonds up to 2010, as these were the most cost effective solutions.
- ✦ Issuance of bond might save the firm from interest rate risk exposure.
- ✦ The future cash requirements are increasing steadily for the firm. So, bond issuance might be a good choice although issuance of too much bond might be a cause of substantial problem.
- ✦ Alternate investment opportunity should be identified in order to utilize the idle funds beyond the firm's cash requirement.
- ✦ Issuance of bond will also help to diversify the risk of the firm and lessen the over dependence on bank that might exercise monopoly power.

APPENDIX-A

Profit and Loss Account for the year ended 31st December					
	2000	2001	2002	2003	2004
	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s
Gross Turnover/Receipts from Customers	17,167,143	20,626,118	24,087,626	25,910,181	27,137,227
Supplementary Duty, VAT and Surcharge	11,778,166	14,017,552	16,583,773	17,783,884	18,505,658
Net Turnover	5,388,977	6,608,566	7,503,853	8,126,297	8,631,569
Less: Operating Costs and Expenses	4,666,247	5,416,196	6,354,983	6,979,656	7,598,698
Profit Before Interest and Taxes	722,730	1,192,370	1,148,870	1,146,641	1,032,871
Interest	71,139	28,053	27,682	115,336	112,537
Profit Before Taxation	651,591	1,164,317	1,121,188	1,031,305	910,334
Taxation	175,000	290,000	130,000	160,000	237,022
Profit after Tax	476,591	874,317	991,188	871,305	673,312
Appropriations:					
Revenue Reserve	106,645	188,286	208,997	38,210	-229,251
Tax Holiday Reserve	9,946	86,031	122,191	173,095	242,563
First Interim Dividend	120,000	120,000	240,000	210,000	150,000
Second Interim Dividend	120,000	120,000	60,000	-	-
Dividend Distribution Tax for Interim Dividend (@10%)				21,000	15,000
Proposed Final Dividend	120,000	360,000	360,000	390,000	450,000
Dividend Distribution Tax for Proposed Final Dividend (@10%)				39,000	45,000
Total	476,591	874,317	991,188	871,305	673,312
	Taka	Taka	Taka	Taka	Taka
Earnings per Share	11.91	14.57	16.52	14.52	11.22
Notes: -	Taka	Taka	Taka	Taka	Taka
First Interim Dividend per Share of Tk 10 each	3	3	4	3.5	2.5
Second Interim Dividend per Share of Tk 10 each	3	3	1	-	-
Proposed Final Dividend per Share of Tk 10 each	3	6	6	6.5	7.5

Balance Sheet as on 31st December

	2000	2001	2002	2003	2004
	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s
Current Assets:					
Stocks	1,369,892	1,600,813	2,018,752	2,230,201	2,132,167
Debtors	244,847	235,616	120,664	163,593	195,240
Advance Tax			61,359	96,871	85,206
Cash	2455	174673	179,542	131,351	104,829
Bank Balance	11,337	4,964	25,781	141,419	145,598
Total Current Assets	1,628,531	2,016,066	2,406,098	2,763,435	2,663,040
Fixed Assets:					
Tangible Fixed Assets	2,155,765	2,387,588	3,033,458	3,764,407	3,802,781
Long Term Loans and Advances	820	518	426	55	-
Total Fixed Assets:	2,156,585	2,388,106	3,033,884	3,764,462	3,802,781
Total Assets	3,785,116	4,404,172	5,439,982	6,527,897	6,465,821
Current Liabilities:					
Bank Overdrafts	4,190	286,194	112,952	117,507	53,721
Short Term Bank Loans	350,000	0	450,000	950,000	720,000
Creditors and Accruals	1,286,557	1,360,297	1,792,507	1,997,324	1,995,838
Provision for Corporate Tax	94,594	160,895	130,000	79,000	197,022
Proposed Final Dividend	120,000	360,000	360,000	429,000	495,000
Total Current Liabilities	1,855,341	2,167,386	2,845,459	3,572,831	3,461,581
Long Term Liabilities					
Deferred Liability	179,099	222,679	249,228	317,466	313,328
Deferred Tax Liability			247,809	328,809	368,809
Total Long Term Liabilities	179,099	222,679	497,037	646,275	682,137
Total Liabilities	2,034,440	2,390,065	3,342,496	4,219,106	4,143,718
Shareholders' Equity:					
Shared Capital	400,000	600,000	600,000	600,000	600,000
Revenue Reserve	1,015,658	1,109,577	1,070,765	1,327,143	1,270,987
Capital Reserve	325,072	208,553	208,553	208,553	208,553
Tax Holiday Reserve	9,946	95,977	218,168	173,095	242,563
Total Equity	1,750,676	2,014,107	2,097,486	2,308,791	2,322,103
Total Liabilities and Shareholders' Equity	3,785,116	4,404,172	5,439,982	6,527,897	6,465,821
Depreciation Charges	252148	230935	253749	304938	304938

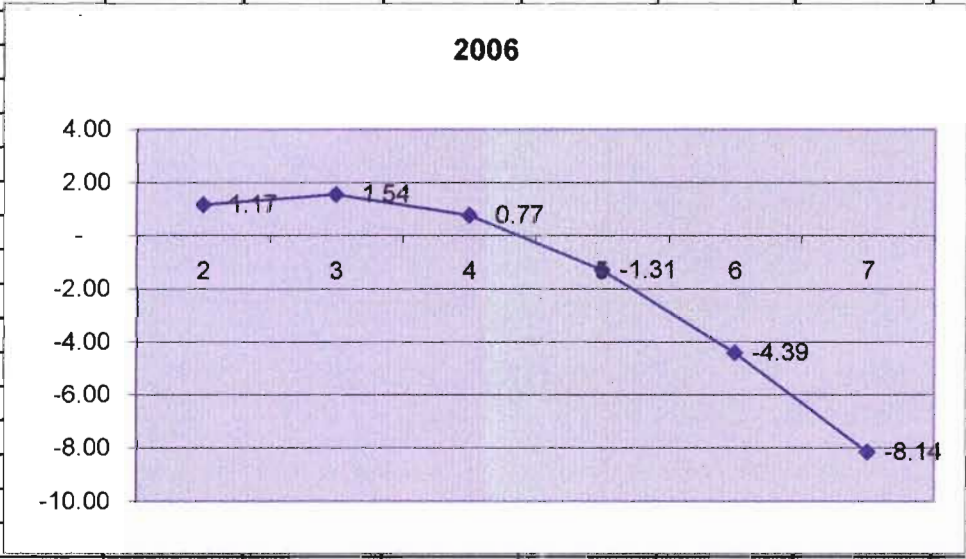
Cash Flow Statement for the year ended 31st December					
	2000	2001	2002	2003	2004
	Taka '000s	Taka '000s	Taka '000s	Taka '000s	Taka '000s
Cash Flow from Operating Activities: -					
Collection from Distributors, Leaf Export and Others	17,152,590	20,647,260	24,127,029	25,859,170	27114250
Payment for Costs and Expenses (including Supplementary Duty, VAT & Surcharge)	-15,718,993	-19,309,093	-23,085,362	-25,203,375	-26399332
Cash Generated from Operation	1,433,597	1,338,167	1,041,667	655,295	714918
Income Tax Paid	-155,293	-223,699	-222,254	-165,512	-67335
Interest Paid	-71,139	-28,053	-27,682	-115,336	-111717
Net Cash Flows from Operating Activities	1,207,165	1,086,415	791,731	374,447	535866
Cash Flow from Investing Activities: -					
Acquisition of Fixed Assets	-150,118	-520,279	-902,277	-1,115,421	-404972
Proceeds from Sale of Fixed Assets	11,313	13,221	9,382	4,495	7656
Received Against Last Year's Property Sale		14,182			
Advance Received Against Property Sale	90,000				
Net Cash used in Investing Activities	-48,805	-492,876	-892,895	-1,110,926	-397316
Cash Flows from Financing Activities: -					
Medium/Short Term Loan Received/(Repayment)	-150,000		450,000	950,000	720000
Other Loans Realized/(Paid)	474	302	92	371	55
Dividends Paid	-400,000	-360,000	-600,000	-651,000	-587162
Net Cash used in Financing Activities	-549,526	-359,698	-149,908	299,371	132893
Net (Decrease)/Increase in Cash and Cash Equivalents for the year	608,834	233,841	-251,072	-437,108	271443
Cash and Cash Equivalents at the Beginning of the Year	-949,232	-340,398	-106,557	-357,629	-794737
Cash and Cash Equivalents at the End of the Year	-340,398	-106,557	-357,629	-794,737	-523294

2006	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
Cash Inflow													
Gross Turnover	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91	2,947.91
Leaf Export	87.27	87.27	87.27	87.27	87.27	87.27	87.27	87.27	87.27	87.27	87.27	87.27	87.27
Total Cash Inflow	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18	3,035.18
Cash Outflow													
Excise	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72	2,072.72
Wrapping Material	291.98	291.98	291.98	291.98	291.98	291.98	291.98	291.98	291.98	291.98	291.98	291.98	291.98
Imported leaf	107.24	107.24	107.24	107.24	107.24	107.24	107.24	107.24	107.24	107.24	107.24	107.24	107.24
Domestic Leaf CashFlow			308.85	1,254.71	308.85	57.91	-						
Process Cost	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20
Brand support Exp	75.53	75.53	75.53	75.53	75.53	75.53	75.53	75.53	75.53	75.53	75.53	75.53	75.53
Marketing OH	56.19	56.19	56.19	56.19	56.19	56.19	56.19	56.19	56.19	56.19	56.19	56.19	56.19
Overheads	136.58	136.58	136.58	136.58	136.58	136.58	136.58	136.58	136.58	136.58	136.58	136.58	136.58
Royalty			72.00										
Dividend					346.00								
T&A fees				87.00									
CAPEX													
Total Cash OutFlow	2,797.45	2,797.45	3,178.30	4,139.16	3,452.30	2,855.36	2,797.45	2,797.45	2,797.45	2,797.45	2,797.45	2,797.45	2,797.45
Total flow	237.73	237.73	-143.12	-1,103.98	-417.12	179.82	237.73	237.73	237.73	237.73	237.73	237.73	237.73
opening balance	-1,300.00	-1,062.27	-824.54	-967.67	-2,071.65	-2,488.77	-2,308.95	-2,071.22	-1,833.50	-1,595.77	-1,358.04	-1,120.31	
closing balance	-1,062.27	-824.54	-967.67	-2,071.65	-2,488.77	-2,308.95	-2,071.22	-1,833.50	-1,595.77	-1,358.04	-1,120.31	-882.58	
Average Balance	-1,181.14	-943.41	-896.11	-1,519.66	-2,280.21	-2,398.86	-2,190.09	-1,952.36	-1,714.63	-1,476.90	-1,239.18	-1,001.45	
Interest Rate	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	
Option 1													
Interest Expense	-10.83	-8.65	-8.21	-13.93	-20.90	-21.99	-20.08	-17.90	-15.72	-13.54	-11.36	-9.18	-14.36

Option 2														
Funded by Bond	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	
Funded by bank	- 481.14	- 243.41	- 196.11	- 819.66	-1,580.21	-1,698.86	-1,490.09	-1,252.36	-1,014.63	- 776.90	- 539.18	- 301.45		
Cost of Bank	- 4.41	- 2.23	- 1.80	- 7.51	- 14.49	- 15.57	- 13.66	- 11.48	- 9.30	- 7.12	- 4.94	- 2.76		
Cost of Bond	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%		
Total cost of Bond	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25	- 5.25		
Total-Bond	- 9.66	- 7.48	- 7.05	- 12.76	- 19.74	- 20.82	- 18.91	- 16.73	- 14.55	- 12.37	- 10.19	- 8.01		
Incremental savings	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17
Option 3														
Funded by Bond	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	
Funded by bank	- 181.14			- 519.66	-1,280.21	-1,398.86	-1,190.09	- 952.36	- 714.63	- 476.90	- 239.18	- 1.45		
Cost of Bank	- 1.66	-	-	- 4.76	- 11.74	- 12.82	- 10.91	- 8.73	- 6.55	- 4.37	- 2.19	- 0.01		
Cost of Bond	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%		
Total cost of Bond	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50	- 7.50		
Total-Bond	- 9.16	- 7.50	- 7.50	- 12.26	- 19.24	- 20.32	- 18.41	- 16.23	- 14.05	- 11.87	- 9.69	- 7.51		
Incremental savings	1.67	1.15	0.71	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.54
Option 4														
Funded by Bond	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	
Funded by bank				- 19.66	- 780.21	- 898.86	- 690.09	- 452.36	- 214.63					
Cost of Bank	-	-	-	- 0.18	- 7.15	- 8.24	- 6.33	- 4.15	- 1.97	-	-	-		
Cost of Bond	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%		
Total cost of Bond	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25	- 11.25		
Total-Bond	- 11.25	- 11.25	- 11.25	- 11.43	- 18.40	- 19.49	- 17.58	- 15.40	- 13.22	- 11.25	- 11.25	- 11.25		
Incremental savings	0.42	2.60	3.04	2.50	2.50	2.50	2.50	2.50	2.50	2.29	0.11	2.07	0.77	
Option 5														
Funded by Bond	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	
Funded by bank					- 280.21	- 398.86	- 190.09							
Cost of Bank	-	-	-	-	- 2.57	- 3.66	- 1.74	-	-	-	-	-		
Cost of Bond	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%		
Total cost of Bond	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00		
Total-Bond	- 15.00	- 15.00	- 15.00	- 15.00	- 17.57	- 18.66	- 16.74	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00		
Incremental savings	4.17	6.35	6.79	1.07	3.33	3.33	3.33	2.90	0.72	1.46	3.64	5.82	1.31	

Option 6													
Funded by Bond	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00
Funded by bank													
Cost of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Bond	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Total cost of Bond	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75
Total-Bond	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75	- 18.75
Incremental savings	- 7.92	- 10.10	- 10.54	- 4.82	2.15	3.24	1.33	- 0.85	- 3.03	- 5.21	- 7.39	- 9.57	- 4.39
Option 7													
Funded by Bond	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00
Funded by bank													
Cost of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Bond	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Total cost of Bond	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50
Total-Bond	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50	- 22.50
Incremental savings	- 11.67	- 13.85	- 14.29	- 8.57	- 1.60	- 0.51	- 2.42	- 4.60	- 6.78	- 8.96	- 11.14	- 13.32	- 8.14

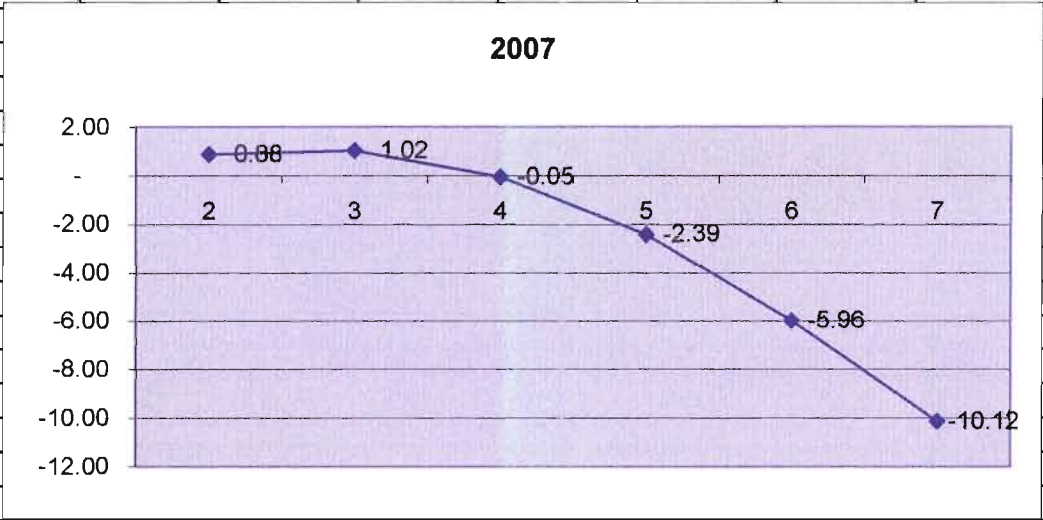
2	1.17
3	1.54
4	0.77
5	- 1.31
6	- 4.39
7	- 8.14



2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
Cash Inflow													
Gross Turnover	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38	3,179.38
Leaf Export	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36
Total Cash Inflow	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73	3,277.73
Cash Outflow													
Excise	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86	2,233.86
Wrapping Material	306.47	306.47	306.47	306.47	306.47	306.47	306.47	306.47	306.47	306.47	306.47	306.47	306.47
Imported leaf	110.11	110.11	110.11	110.11	110.11	110.11	110.11	110.11	110.11	110.11	110.11	110.11	110.11
Domestic Leaf CashFlow			316.33	1,288.47	317.81	59.33							
Process Cost	62.61	62.61	62.61	62.61	62.61	62.61	62.61	62.61	62.61	62.61	62.61	62.61	62.61
Brand support Exp	69.76	69.76	69.76	69.76	69.76	69.76	69.76	69.76	69.76	69.76	69.76	69.76	69.76
Marketing OH	62.98	62.98	62.98	62.98	62.98	62.98	62.98	62.98	62.98	62.98	62.98	62.98	62.98
Overheads	157.30	157.30	157.30	157.30	157.30	157.30	157.30	157.30	157.30	157.30	157.30	157.30	157.30
Royalty			72.00										
Dividend					346.00								
T&A fees				87.00									
CAPEX	10.00	10.00	20.00	20.00	10.00	70.00	70.00	90.00	45.00				
Total Cash OutFlow	3,013.07	3,013.07	3,411.41	4,398.54	3,676.88	3,132.41	3,073.07	3,093.07	3,048.07	3,003.07	3,003.07	3,003.07	3,003.07
Total flow	264.66	264.66	- 133.68	- 1,120.81	- 399.15	145.33	204.66	184.66	229.66	274.66	274.66	274.66	274.66
opening balance	- 1,300.00	- 1,035.34	- 770.68	- 904.36	- 2,025.17	- 2,424.32	- 2,278.99	- 2,074.33	- 1,889.67	- 1,660.02	- 1,385.36	- 1,110.70	
closing balance	- 1,035.34	- 770.68	- 904.36	- 2,025.17	- 2,424.32	- 2,278.99	- 2,074.33	- 1,889.67	- 1,660.02	- 1,385.36	- 1,110.70	- 836.04	
Average Balance	- 1,167.67	- 903.01	- 837.52	- 1,464.76	- 2,224.74	- 2,351.66	- 2,176.66	- 1,982.00	- 1,774.85	- 1,522.69	- 1,248.03	- 973.37	
Interest Rate	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	
Option 1													
Interest Expense	- 11.19	- 8.65	- 8.03	- 14.04	- 21.32	- 22.54	- 20.86	- 18.99	- 17.01	- 14.59	- 11.96	- 9.33	- 14.88

Option 2														
Funded by Bond	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00
Funded by bank	- 467.67	- 203.01	- 137.52	- 764.76	- 1,524.74	- 1,651.66	- 1,476.66	- 1,282.00	- 1,074.85	- 822.69	- 548.03	- 273.37		
Cost of Bank	- 4.48	- 1.95	- 1.32	- 7.33	- 14.61	- 15.83	- 14.15	- 12.29	- 10.30	- 7.88	- 5.25	- 2.62		
Cost of Bond	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total cost of Bond	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83	- 5.83
Total-Bond	- 10.32	- 7.78	- 7.15	- 13.16	- 20.45	- 21.66	- 19.98	- 18.12	- 16.13	- 13.72	- 11.09	- 8.45		
Incremental saving	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
Option 3														
Funded by Bond	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00
Funded by bank	- 167.67			- 464.76	- 1,224.74	- 1,351.66	- 1,176.66	- 982.00	- 774.85	- 522.69	- 248.03			
Cost of Bank	- 1.61	-	-	- 4.45	- 11.74	- 12.95	- 11.28	- 9.41	- 7.43	- 5.01	- 2.38	-	-	-
Cost of Bond	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total cost of Bond	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33	- 8.33
Total-Bond	- 9.94	- 8.33	- 8.33	- 12.79	- 20.07	- 21.29	- 19.61	- 17.74	- 15.76	- 13.34	- 10.71	- 8.33		
Incremental saving	1.25	0.32	- 0.31	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	0.99	1.02	
Option 4														
Funded by Bond	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00
Funded by bank					- 724.74	- 851.66	- 676.66	- 482.00	- 274.85	- 22.69				
Cost of Bank	-	-	-	-	- 6.95	- 8.16	- 6.48	- 4.62	- 2.63	- 0.22	-	-	-	-
Cost of Bond	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total cost of Bond	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50	- 12.50
Total-Bond	- 12.50	- 12.50	- 12.50	- 12.50	- 19.45	- 20.66	- 18.98	- 17.12	- 15.13	- 12.72	- 12.50	- 12.50	- 12.50	- 12.50
Incremental saving	- 1.31	- 3.85	- 4.47	1.54	1.88	1.88	1.88	1.88	1.88	1.88	- 0.54	- 3.17	- 0.05	
Option 5														
Funded by Bond	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00
Funded by bank					- 224.74	- 351.66	- 176.66							
Cost of Bank	-	-	-	-	- 2.15	- 3.37	- 1.69	-	-	-	-	-	-	-
Cost of Bond	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total cost of Bond	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67
Total-Bond	- 16.67	- 16.67	- 16.67	- 16.67	- 18.82	- 20.04	- 18.36	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67	- 16.67
Incremental saving	- 5.48	- 8.01	- 8.64	- 2.63	2.50	2.50	2.50	2.33	0.34	- 2.07	- 4.71	- 7.34	- 2.39	

Option 6													
Funded by Bond	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00
Funded by bank													
Cost of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Bond	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total cost of Bond	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83
Total-Bond	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83	- 20.83
Incremental saving	- 9.64	- 12.18	- 12.81	- 6.80	0.49	1.70	0.03	- 1.84	- 3.82	- 6.24	- 8.87	- 11.51	- 5.96
Option 7													
Funded by Bond	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00
Funded by bank													
Cost of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Bond	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total cost of Bond	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00
Total-Bond	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00
Incremental saving	- 13.81	- 16.35	- 16.97	- 10.96	- 3.68	- 2.46	- 4.14	- 6.01	- 7.99	- 10.41	- 13.04	- 15.67	- 10.12
2	0.88												
3	1.02												
4	- 0.05												
5	- 2.39												
6	- 5.96												
7	- 10.12												

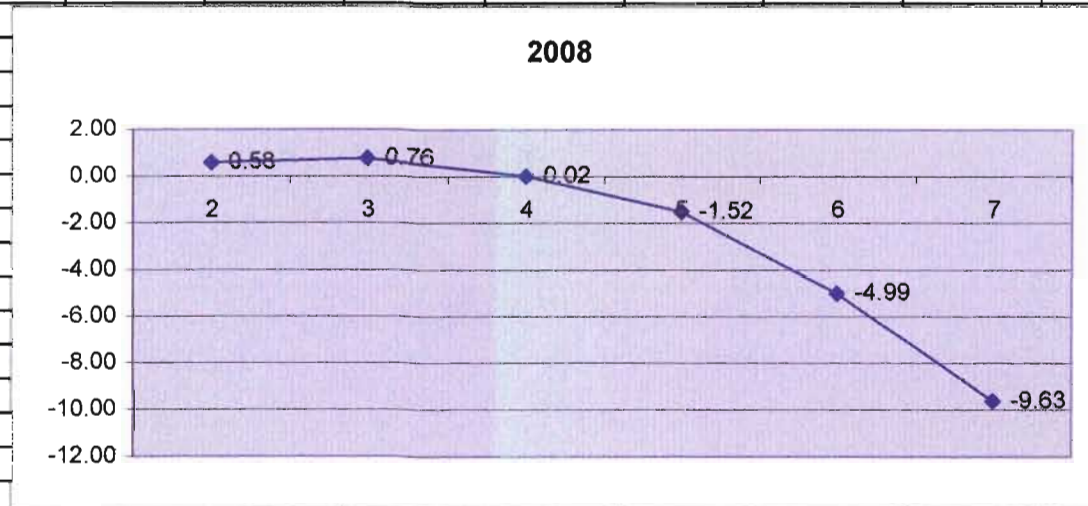


2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
Cash Inflow													
Gross Turnover	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	3,321.50	
Leaf Export	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	
Total Cash Inflow	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	3,419.86	
Cash Outflow													
Excise	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	2,345.28	
Wrapping Material	354.19	354.19	354.19	354.19	354.19	354.19	354.19	354.19	354.19	354.19	354.19	354.19	
Imported leaf	115.17	115.17	115.17	115.17	115.17	115.17	115.17	115.17	115.17	115.17	115.17	115.17	
Domestic Leaf CashFlow			331.70	1,347.51	331.70	62.19							
Process Cost	65.74	65.74	65.74	65.74	65.74	65.74	65.74	65.74	65.74	65.74	65.74	65.74	
Brand support Exp	75.14	75.14	75.14	75.14	75.14	75.14	75.14	75.14	75.14	75.14	75.14	75.14	
Marketing OH	60.87	60.87	60.87	60.87	60.87	60.87	60.87	60.87	60.87	60.87	60.87	60.87	
Overheads	161.70	161.70	161.70	161.70	161.70	161.70	161.70	161.70	161.70	161.70	161.70	161.70	
Royalty			72.00										
Dividend					346.00								
T&A fees				87.00									
CAPEX	20.00	20.00	20.00	30.00	50.00	40.00	20.00	20.00	40.00	40.00	19.00		
Total Cash OutFlow	3,198.10	3,198.10	3,601.79	4,642.61	3,905.79	3,280.29	3,198.10	3,198.10	3,218.10	3,218.10	3,197.10	3,178.10	
Total flow	221.76	221.76	- 181.93	- 1,222.75	- 485.93	139.57	221.76	221.76	201.76	201.76	222.76	241.76	
opening balance	- 1,300.00	- 1,078.24	- 856.48	- 1,038.41	- 2,261.16	- 2,747.10	- 2,607.53	- 2,385.77	- 2,164.01	- 1,962.24	- 1,760.48	- 1,537.72	
closing balance	- 1,078.24	- 856.48	- 1,038.41	- 2,261.16	- 2,747.10	- 2,607.53	- 2,385.77	- 2,164.01	- 1,962.24	- 1,760.48	- 1,537.72	- 1,295.96	
Average Balance	- 1,189.12	- 967.36	- 947.44	- 1,649.79	- 2,504.13	- 2,677.31	- 2,496.65	- 2,274.89	- 2,063.12	- 1,861.36	- 1,649.10	- 1,416.84	
Interest Rate	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	
Option 1													
Interest Expense	- 11.89	- 9.67	- 9.47	- 16.50	- 25.04	- 26.77	- 24.97	- 22.75	- 20.63	- 18.61	- 16.49	- 14.17	- 18.08

Option 2														
Funded by Bond	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00
Funded by bank	- 489.12	- 267.36	- 247.44	- 949.79	- 1,804.13	- 1,977.31	- 1,796.65	- 1,574.89	- 1,363.12	- 1,161.36	- 949.10	- 716.84		
Cost of Bank	- 4.89	- 2.67	- 2.47	- 9.50	- 18.04	- 19.77	- 17.97	- 15.75	- 13.63	- 11.61	- 9.49	- 7.17		
Cost of Bond	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Total cost of Bond	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42	- 6.42
Total-Bond	- 11.31	- 9.09	- 8.89	- 15.91	- 24.46	- 26.19	- 24.38	- 22.17	- 20.05	- 18.03	- 15.91	- 13.59		
Incremental savings	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58
Option 3														
Funded by Bond	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00	- 1,000.00
Funded by bank	- 189.12			- 649.79	- 1,504.13	- 1,677.31	- 1,496.65	- 1,274.89	- 1,063.12	- 861.36	- 649.10	- 416.84		
Cost of Bank	- 1.89	-	-	- 6.50	- 15.04	- 16.77	- 14.97	- 12.75	- 10.63	- 8.61	- 6.49	- 4.17		
Cost of Bond	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Total cost of Bond	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17	- 9.17
Total-Bond	- 11.06	- 9.17	- 9.17	- 15.66	- 24.21	- 25.94	- 24.13	- 21.92	- 19.80	- 17.78	- 15.66	- 13.34		
Incremental savings	0.83	0.51	0.31	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.76
Option 4														
Funded by Bond	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00
Funded by bank				- 149.79	- 1,004.13	- 1,177.31	- 996.65	- 774.89	- 563.12	- 361.36	- 149.10			
Cost of Bank	-	-	-	- 1.50	- 10.04	- 11.77	- 9.97	- 7.75	- 5.63	- 3.61	- 1.49	-		
Cost of Bond	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Total cost of Bond	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75	- 13.75
Total-Bond	- 13.75	- 13.75	- 13.75	- 15.25	- 23.79	- 25.52	- 23.72	- 21.50	- 19.38	- 17.36	- 15.24	- 13.75		
Incremental savings	1.86	4.08	4.28	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	0.42	0.02
Option 5														
Funded by Bond	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00	- 2,000.00
Funded by bank					- 504.13	- 677.31	- 496.65	- 274.89	- 63.12	138.64	350.90			
Cost of Bank	-	-	-	-	- 5.04	- 6.77	- 4.97	- 2.75	- 0.63	1.39	3.51	-		
Cost of Bond	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Total cost of Bond	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33	- 18.33
Total-Bond	- 18.33	- 18.33	- 18.33	- 18.33	- 23.37	- 25.11	- 23.30	- 21.08	- 18.96	- 16.95	- 14.82	- 18.33		
Incremental savings	6.44	8.66	8.86	1.84	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	4.16	1.52

Option 6													
Funded by Bond	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00
Funded by bank					- 4.13	- 177.31							
Cost of Bank	-	-	-	-	- 0.04	- 1.77	-	-	-	-	-	-	-
Cost of Bond	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Total cost of Bond	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92
Total-Bond	- 22.92	- 22.92	- 22.92	- 22.92	- 22.96	- 24.69	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92	- 22.92
Incremental savings	- 11.03	- 13.24	- 13.44	- 6.42	2.08	2.08	2.05	- 0.17	- 2.29	- 4.30	- 6.43	- 8.75	- 4.99
Option 7													
Funded by Bond	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00
Funded by bank													
Cost of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Bond	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	12%
Total cost of Bond	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 30.00
Total-Bond	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 27.50	- 30.00
Incremental savings	- 15.61	- 17.83	- 18.03	- 11.00	- 2.46	- 0.73	- 2.53	- 4.75	- 6.87	- 8.89	- 11.01	- 15.83	- 9.63

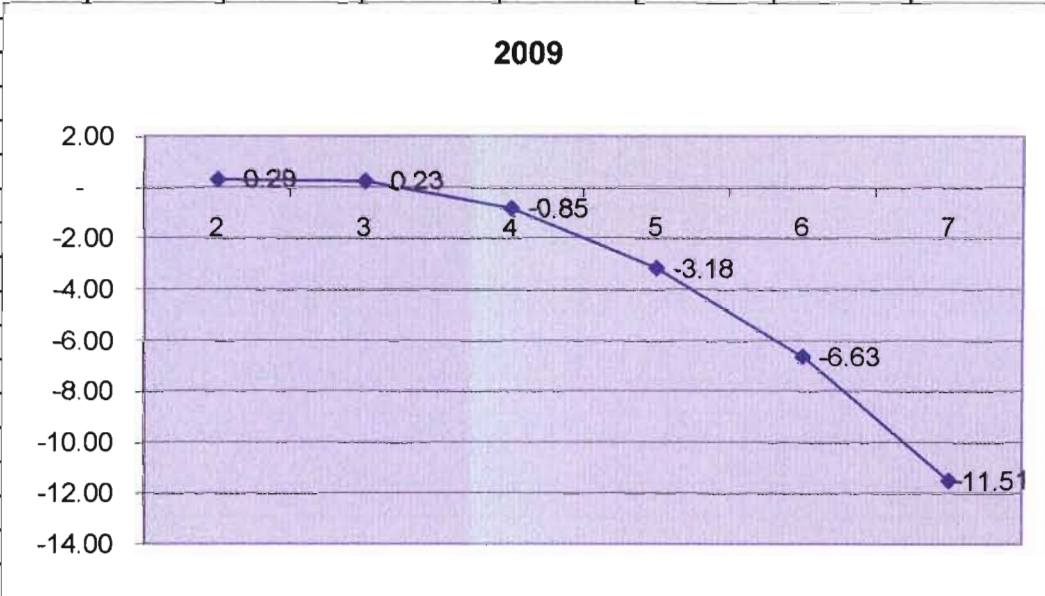
2	0.58
3	0.76
4	0.02
5	-1.52
6	-4.99
7	-9.63



Option 2														
Funded by Bond	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00
Funded by bank	- 471.08	- 213.25	- 171.33	- 925.73	-1,817.97	-1,967.63	-1,763.54	-1,530.71	-1,347.88	-1,150.04	- 902.21	- 644.37		
Cost of Bank	- 4.91	- 2.22	- 1.78	- 9.64	- 18.94	- 20.50	- 18.37	- 15.94	- 14.04	- 11.98	- 9.40	- 6.71		
Cost of Bond	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Total cost of Bond	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00	- 7.00
Total-Bond	- 11.91	- 9.22	- 8.78	- 16.64	- 25.94	- 27.50	- 25.37	- 22.94	- 21.04	- 18.98	- 16.40	- 13.71		
Inremental savings	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Option 3														
Funded by Bond	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00
Funded by bank	- 171.08			- 625.73	-1,517.97	-1,667.63	-1,463.54	-1,230.71	-1,047.88	- 850.04	- 602.21	- 344.37		
Cost of Bank	- 1.78	-	-	- 6.52	- 15.81	- 17.37	- 15.25	- 12.82	- 10.92	- 8.85	- 6.27	- 3.59		
Cost of Bond	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Total cost of Bond	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00	- 10.00
Total-Bond	- 11.78	- 10.00	- 10.00	- 16.52	- 25.81	- 27.37	- 25.25	- 22.82	- 20.92	- 18.85	- 16.27	- 13.59		
Inremental savings	0.42	0.49	0.92	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.23
Option 4														
Funded by Bond	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00
Funded by bank				- 125.73	-1,017.97	-1,167.63	- 963.54	- 730.71	- 547.88	- 350.04	- 102.21			
Cost of Bank	-	-	-	- 1.31	- 10.60	- 12.16	- 10.04	- 7.61	- 5.71	- 3.65	- 1.06	-		
Cost of Bond	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Total cost of Bond	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00	- 15.00
Total-Bond	- 15.00	- 15.00	- 15.00	- 16.31	- 25.60	- 27.16	- 25.04	- 22.61	- 20.71	- 18.65	- 16.06	- 15.00		
Inremental savings	2.80	5.49	5.92	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	1.00	0.85
Option 5														
Funded by Bond	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00
Funded by bank					- 517.97	- 667.63	- 463.54	- 230.71	- 47.88					
Cost of Bank	-	-	-	-	- 5.40	- 6.95	- 4.83	- 2.40	- 0.50	-	-	-		
Cost of Bond	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Total cost of Bond	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00
Total-Bond	- 20.00	- 20.00	- 20.00	- 20.00	- 25.40	- 26.95	- 24.83	- 22.40	- 20.50	- 20.00	- 20.00	- 20.00	- 20.00	- 20.00
Inremental savings	7.80	10.49	10.92	3.07	0.83	0.83	0.83	0.83	0.83	0.83	0.73	3.31	6.00	3.18

Option 6													
Funded by Bond	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00	-2,500.00
Funded by bank					- 17.97	- 167.63	36.46						
Cost of Bank	-	-	-	-	- 0.19	- 1.75	0.38	-	-	-	-	-	-
Cost of Bond	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Total cost of Bond	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00
Total-Bond	- 25.00	- 25.00	- 25.00	- 25.00	- 25.19	- 26.75	- 24.62	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00
Inremental savings	- 12.80	- 15.49	- 15.92	- 8.07	1.04	1.04	1.04	- 1.76	- 3.67	- 5.73	- 8.31	- 11.00	- 6.63
Option 7													
Funded by Bond	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00
Funded by bank													
Cost of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Bond	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Total cost of Bond	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00
Total-Bond	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00	- 30.00
Inremental savings	- 17.80	- 20.49	- 20.92	- 13.07	3.77	2.21	4.34	6.76	8.67	10.73	13.31	16.00	-11.51

2	0.29
3	0.23
4	0.85
5	3.18
6	6.63
7	11.51



2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
Cash Inflow													
Gross Turnover	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69	3,978.69
Leaf Export	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36	98.36
Total Cash Inflow	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05	4,077.05
Cash Outflow													
Excise	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41	2,806.41
Wrapping Material	405.31	405.31	405.31	405.31	405.31	405.31	405.31	405.31	405.31	405.31	405.31	405.31	405.31
Imported leaf	154.07	154.07	154.07	154.07	154.07	154.07	154.07	154.07	154.07	154.07	154.07	154.07	154.07
Domestic Leaf CashFlow			442.64	1,802.93	444.70	83.02							
Process Cost	72.48	72.48	72.48	72.48	72.48	72.48	72.48	72.48	72.48	72.48	72.48	72.48	72.48
Brand support Exp	86.02	86.02	86.02	86.02	86.02	86.02	86.02	86.02	86.02	86.02	86.02	86.02	86.02
Marketing OH	67.11	67.11	67.11	67.11	67.11	67.11	67.11	67.11	67.11	67.11	67.11	67.11	67.11
Overheads	178.27	178.27	178.27	178.27	178.27	178.27	178.27	178.27	178.27	178.27	178.27	178.27	178.27
Royalty			72.00										
Dividend					346.00								
T&A fees				87.00									
CAPEX				40.00		40.00	100.00	100.00	100.00	20.00			
Total Cash Outflow	3,769.66	3,769.66	4,284.30	5,699.59	4,560.37	3,892.68	3,869.66	3,869.66	3,869.66	3,789.66	3,769.66	3,769.66	3,769.66
Total flow	307.39	307.39	- 207.25	- 1,622.54	- 483.32	184.37	207.39	207.39	207.39	287.39	307.39	307.39	307.39
opening balance	- 1,300.00	- 992.61	- 685.23	- 892.48	- 2,515.02	- 2,998.34	- 2,813.97	- 2,606.59	- 2,399.20	- 2,191.81	- 1,904.43	- 1,597.04	
closing balance	- 992.61	- 685.23	- 892.48	- 2,515.02	- 2,998.34	- 2,813.97	- 2,606.59	- 2,399.20	- 2,191.81	- 1,904.43	- 1,597.04	- 1,289.65	
	-	-	-	-	-	-	-	-	-	-	-	-	
Average Balance	- 1,146.31	- 838.92	- 788.85	- 1,703.75	- 2,756.68	- 2,906.16	- 2,710.28	- 2,502.89	- 2,295.51	- 2,048.12	- 1,750.73	- 1,443.35	
Interest Rate	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	
Option 1													
Interest Expense	- 13.37	- 9.79	- 9.20	- 19.88	- 32.16	- 33.91	- 31.62	- 29.20	- 26.78	- 23.89	- 20.43	- 16.84	- 22.26

Option 2														
Funded by Bond	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00	- 700.00
Funded by bank	- 446.31	- 138.92	- 88.85	-1,003.75	-2,056.68	-2,206.16	-2,010.28	-1,802.89	-1,595.51	-1,348.12	-1,050.73	- 743.35		
Cost of Bank	- 5.21	- 1.62	- 1.04	- 11.71	- 23.99	- 25.74	- 23.45	- 21.03	- 18.61	- 15.73	- 12.26	- 8.67		
Cost of Bond	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Total cost of Bond	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58	- 7.58
Total-Bond	- 12.79	- 9.20	- 8.62	- 19.29	- 31.58	- 33.32	- 31.04	- 28.62	- 26.20	- 23.31	- 19.84	- 16.26		
Incremental saving	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58
Option 3														
Funded by Bond	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00
Funded by bank	- 146.31			- 703.75	-1,756.68	-1,906.16	-1,710.28	-1,502.89	-1,295.51	-1,048.12	- 750.73	- 443.35		
Cost of Bank	- 1.71	-	-	- 8.21	- 20.49	- 22.24	- 19.95	- 17.53	- 15.11	- 12.23	- 8.76	- 5.17		
Cost of Bond	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Total cost of Bond	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83	- 10.83
Total-Bond	- 12.54	- 10.83	- 10.83	- 19.04	- 31.33	- 33.07	- 30.79	- 28.37	- 25.95	- 23.06	- 19.59	- 16.01		
Incremental saving	0.83	- 1.05	- 1.63	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.47
Option 4														
Funded by Bond	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00	-1,500.00
Funded by bank				- 203.75	-1,256.68	-1,406.16	-1,210.28	-1,002.89	- 795.51	- 548.12	- 250.73			
Cost of Bank	-	-	-	- 2.38	- 14.66	- 16.41	- 14.12	- 11.70	- 9.28	- 6.39	- 2.93	-		
Cost of Bond	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Total cost of Bond	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25	- 16.25
Total-Bond	- 16.25	- 16.25	- 16.25	- 18.63	- 30.91	- 32.66	- 30.37	- 27.95	- 25.53	- 22.64	- 19.18	- 16.25		
Incremental saving	- 2.88	- 6.46	- 7.05	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	0.59	- 0.48
Option 5														
Funded by Bond	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00	-2,000.00
Funded by bank					- 756.68	- 906.16	- 710.28	- 502.89	- 295.51	- 48.12				
Cost of Bank	-	-	-	-	- 8.83	- 10.57	- 8.29	- 5.87	- 3.45	- 0.56	-	-		
Cost of Bond	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Total cost of Bond	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67	- 21.67
Total-Bond	- 21.67	- 21.67	- 21.67	- 21.67	- 30.49	- 32.24	- 29.95	- 27.53	- 25.11	- 22.23	- 21.67	- 21.67		
Incremental saving	- 8.29	- 11.88	- 12.46	- 1.79	1.67	1.67	1.67	1.67	1.67	1.67	1.67	- 1.24	4.83	- 2.54

Option 6													
Funded by Bond	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00	- 2,500.00
Funded by bank						- 256.68	- 406.16	- 210.28	- 2.89				
Cost of Bank	-	-	-	-	-	2.99	4.74	2.45	0.03	-	-	-	-
Cost of Bond	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Total cost of Bond	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08
Total-Bond	- 27.08	- 27.08	- 27.08	- 27.08	- 30.08	- 31.82	- 29.54	- 27.12	- 27.08	- 27.08	- 27.08	- 27.08	- 27.08
Incremental saving	- 13.71	- 17.30	- 17.88	- 7.21	2.08	2.08	2.08	2.08	2.08	- 0.30	- 3.19	- 6.66	- 10.24
Option 7													
Funded by Bond	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00	- 3,000.00
Funded by bank													
Cost of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Bond	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Total cost of Bond	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50
Total-Bond	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50	- 32.50
Incremental saving	- 19.13	- 22.71	- 23.30	- 12.62	- 0.34	1.41	- 0.88	- 3.30	- 5.72	- 8.61	- 12.07	- 15.66	- 10.24

2	0.58
3	0.47
4	- 0.48
5	- 2.54
6	- 5.68
7	- 10.24

