"An Appraisal of Dividend Policy of Selected Engineering Industry"

A report submitted to the Department of Business Administration, East West University, Dhaka, Bangladesh in partial fulfillment of the requirements for the degree of Bachelor of Business Administration.

December, 2011

East West University.
43 Mohakhali C/A Dhaka -1212
Bangladesh

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This report "An Appraisal of Dividend Policy of Selected Engineering Industry" is submitted by

Safat Iftekhar Hossain

2008-1-10-189

Submitted to

Dr. Tanbir Ahmed Chowdhury

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Declaration

This is to certify that this report has been done by the author under Dr. Tanbir Ahmed Chowdhury, Professor, Department of Business Administration, East West University and it has not been submitted elsewhere for any degree.

Signature of Author

18.12.11

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Safat Iftekhar Hossain

Signature of Supervisor

....

Dr. Tanbir Ahmed Chowdhury

Professor, Department of Business Administration

East West University

Letter of Transmittal

Date: 18th December 2011

Dr. Tanbir Ahmed Chowdhury

Professor

Department of Business Administration

East West University

43, Mohakhali C/A,

Subject: Submission of the Project on An Appraisal of Dividend Policy of Selected Industry.

Dear Sir,

I would like to present the Project on Analysis of Dividend Policy of the Selected Companies. To complete this project i have gathered as much information as i find. According to your valuable advice i did a look over related articles, journals, newspapers. The remaining data i got from the different websites and articles. I really have learned a lot and gained valuable experience while preparing this project.

If you need any further clarification for any part of this project, I am eagerly always ready to provide any kinds of information regarding this project on Analysis of Dividend Policy of the Selected Companies.

Safat Iftekhar Hossain

2008-1-10-189

18-12-11

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Acknowledgement

In the beginning, i want to give many thanks to the Almighty Allah for helping us completing this project on Analysis of Dividend Policy of the Selected Companies. I am also thankful to my honorable Dr. Tanbir Ahmed Chowdhur, who helped me a lot to complete this project in the right process. Without his unconditional help i would not be able to complete this project in due time. His valuable advice and proper direction helped me to complete this project within a short time.

Table of Content

Chapter 4: AFTAB AUTOMOBILES LIMITED

Chapter 5: AZIZ PIPES LIMITED

Executive Summary

Engineering sector is one of the prominent sectors of Bangladesh. It is one of the largest growing sector of our country. Almost 75000 peoples are working in this sector and it is one of the major sources for earning foreign currency.

In this project i have tried to portrait the dividend policy followed by the selected engineering companies that are enlisted in Dhaka Stock Exchange. I have also tried to look into the capital structure of the companies by analyzing their debt and equity portion in financing their asset.

It has been found that almost all the companies that i have worked with do not follow any particular dividend policy rather dividend payment is a subjective judgment of the managers. Dividend payment does not follow any constant payout ratio. The companies also do not pay dividend regularly.

In terms of capital structure most of the firms i have analyzed here mainly depends on debt to finance their assets. In one sense this is making the firms more risky but as the cost of debt is lower than cost of equity and it will also get tax advantage. The firm can use debt up to that level where it will fit with the firm optimum capital structure.

At the very end of this project i tried to make a comparison between the firms dividend policy and capital structure to see the industry trend in those two areas.

Chapter-1

Introduction

1.1 ORIGIN OF THE REPORT

The BBA program itself is an attempt to provide students an orientation to the real world business situation in which they can observe and evaluate the use and applicability of theoretical concepts. But the mere theoretical concepts taught in the classroom are not sufficient enough to realize the complexity of real business world. In this perspective, Internship Program has been made an integral part of BBA degree and it's a great opportunity for a student to gather some practical knowledge of business through this program. The Project work covers the following steps:

- Selection of problem area to work on both theoretically and practically.
- Preparation of project on the specific problem area on the basis of quantitative and qualitative analysis.
- Participation in the Viva Voce examination that is mainly conducted on the basis of the report prepared.

1.2 OBJECTIVES OF THE REPORT

1.2.1 Broad Objective:

The Broad Objective of the project is to analyze the

- To give a brief overview of Dividend Policy.
- To have a close view as well as analyze the performance of the selected companies.
- To analyze of the previous and present situation of the selected companies.
- Finally, to identify major problems of the selected companies.

1.2.2 Specific Objectives:

- Analysis of Earning Per Share
- Analysis of Dividend Per Share
- Comparison between EPS and DPS
- Analysis of Dividend payout ratio
- Analysis of Price Earnings Ratio,
- Analysis of Market price and payout ratio

1.3 SCOPE OF THE REPORT:

This project focused on the dividend policy, capital structure, and market price, based on the data collected from Dhaka Stock Exchange. Since i worked on six companies, the analysis was done using comparisons among the companies of the same industry. I particularly tried to focus on ; Earning per Share(EPS), Dividend per Share (DPS), Payout Ratio, Market price, Debt to Asset Ratio, Equity to Asset Ratio and Debt to Equity Ratio, as these are the major components of dividend policy of a firm.

1.4 METHODOLOGY:

This study required a systematic procedure from selection of the topic to final preparation. To perform the study data sources were identified and collected, they were classified, analyzed, interpreted and presented in a systematic manner under the key points.

- **Data Source Identification:** Essential data sources both primary and secondary were identified which are needed to complete and workout the study.
- **Data Collection:** Required data was collected from last five years' Annual Report of each of the companies.
- **Classification, analysis, interpretation & presentation of data:** To classify, analyze, interpret and presentation of data I used some graphical tools to understand them clearly. Moreover this report includes some trend analysis. Furthermore, a qualitative analysis is performed with the primary data.
- **Findings of the Study:** After scrutinizing the data problems of the study are pointed out and they are shown under concerned heads. Recommendations are suggested thereafter to overcome the problems.

1.5 LIMITATIONS:

I faced the following problems while preparing this report:

- Since the firms we analyzed do not have the same business focus and product lines, we had problem in relating these six companies' information
- Not all the firms have yet published their 2011 annual report so I was not able to conduct this analysis on the latest data for all six companies. To maintain uniformity, i used 2010 data of these firms for analysis purpose.

1.6 ORGANIZATION OF THE REPORT:

This report is broadly organized into two major parts. The first part includes the theoretical study and the second part includes the company analysis findings, quantitative and qualitative analysis and the resultant recommendations and conclusion.

Chapter-2

Dividend Policy Theory

2.1 Dividend Policy

Dividend policy is the policy used by a company to decide how much it will pay out to shareholders in dividends. After deducting expense from the revenue, a company generates profit. Part of the profit is kept in the company as retained earnings and the other part is distributed as dividends to shareholders. From the share valuation model, the value of a share depends very much on the amount of dividend distributed to shareholders. Dividends are usually distributed in the form of cash (cash dividends) or share (share dividends which are beyond the remit of this article). When a company distributes a cash dividend, it must have sufficient cash to do so. This creates a cash flow issue. Profit generated may not be in the form of cash. This is a concern to the management as insufficient cash may mean the company is unable to distribute a dividend. Investors earn returns from their shares in the form of capital gains and dividend yield. Dividend yield is an important ratio in evaluating investment. Dividend payout ratio is another important indicator: This ratio indicates how much of the profit is distributed as dividend to shareholders. The higher the dividend payout ratio, the more attractive the share is to shareholders. Dividend payout ratios vary among companies. Other factors in addition to profit and cash flow may influence the dividend level. In some countries, dividends are taxable. The higher the dividend, the higher the tax an investor needs to pay. In such cases, high dividends are not desirable. If a company is expanding, it needs to keep sufficient cash for its plans rather than having to go to the equity or debt market to raise additional finance. Dividend policy is based on the answers to several important questions. Like, How much dividend should a company distribute to shareholders? What will the impact of the dividend policy be on the company's share price? What will happen if the amount of dividend changes from year to year?

2.2 The Residual Theory of Dividend

A theory that dividend paid by a firm should be the amount left over after all acceptable investment opportunities have been undertaken.

Residual theory of dividends purports that dividends must only be distributed after a firm undertakes all acceptable investments. To determine whether any retained earnings are left to be distributed to shareholders, the three steps described below are undertaken.

Step 1 – The optimal level of capital expenditures is determined by finding the intersection between the investment opportunities schedule and the weighted marginal cost of capital schedule.

Step 2 – Taking into account the optimal capital structure proportions, the amount of financing that must come from equity is determined.

Step 3 – Retained earnings are used to cover necessary expenditures in proportion to a company's capital structure equity percentage. If retained earnings do not cover the portion that must come from equity then new stock is issued.

The dividends are only distributed if retained earnings were enough to cover the equity portion of the investment (the second portion of investment is covered by debt) and only if there are any funds left in the retained earnings after investment expenditure is covered. The residual theory of dividends also implies that if companies do not have investments with returns (IRR) higher than weighted marginal cost of capital or NPV higher than zero than all retained earnings should be distributed as dividends.

2.3 Dividend Irrelevance Arguments

A theory put forth by Metorn H. Millar & Franco Modigliani (M&M) that in a perfect world, the value of a firm is unaffected by the distribution of dividends and is determined solely by the earnings power and risk of its assets. M and M's theory shows that in a perfect world:

- Certainty , no taxes, no transaction cost and no other market imperfection.
- In a perfect world the value of the firm is unaffected by the distribution of dividend.
- Firm's value is determined solely by the earnings power & risks of the assets (investment).
- In response to studies showing that large dividend changes affect share price.

If a company makes money, in the form of cash inflows, that money belongs to shareholders. It should not matter whether a company keeps money and invests it or returns the money to shareholders. This is what is assumed, correctly, by most valuation methods such as free cash flow DCFs.

It is also possible to show that it should make little difference to investors whether dividends are paid or not as investors they can reproduce the cash flows of different dividend policies. For example, if a company pays out dividends, but an investor would prefer the money to be re-invested, then the investor can simply use the dividends to buy more shares.

Conversely, if a company retains too much (from a shareholder's point of view), then the share price will be boosted by the company's stronger cash position, and the shareholder can offset that by selling a few shares.These arguments for dividend irrelevance are closely related to the Modigliani-Miller arguments for capital structure irrelevance.

However investors do often react to changes in dividend policy for a number of reasons.

One reason for paying or not paying dividends are the tax consequences. What a companies can do to minimize the ultimate tax bill (its own and shareholders' combined) will vary with tax rules and its shareholder base (different types of shareholders, such as individuals and pension funds, face different tax rules).

Tax undoubtedly has an important effect but it is far from being the whole story: companies pay dividends even under tax laws which make it always better, from that point of view, to retain the money. The simple version of dividend irrelevance also ignores transaction costs (the costs of buying and selling shares). If a company follows a dividend policy that suits them, shareholders are saved the transactions costs incurred by mimicking a different policy.

Finally, and most importantly, paying dividends sends signals to the market. Most companies' management do not like cutting dividends. This is why special dividends are used for one-off payments. Therefore, when a company pays a dividend it is showing that the management are confident that the company's earnings will always be sufficient to pay that dividend.

Returning money to investors, whether through dividends or returns of capital, also shows investors that a company is willing to return money it cannot invest profitably enough to benefit shareholders. This is, of course, what companies should do but, given that many companies have wasted shareholder's money on empire building (i.e. over-expansion and acquisitions), a willingness to return money is reassuring for investors.

Although dividend irrelevance is not completely correct, it a good enough approximation to reality that fundmental valuation should usually ignore dividend policy. The signalling aspect of the more complete theory suggests that dividend yield is an important measure of management confidence, and therefore can be taken as an indicator of the stability of earnings.

2.4 Bird-in-the-hand Theory

Bird-in-the-hand Theory is one of the major theories concerning dividend policy in an entreprise. This theory was developed by Myron Gordon and John Lintner as a response to Modigliani and Miller's dividend irrelevance theory.

Gordon and Lintner claimed that MM made a mistake assuming lack of impact of dividend policy on firm's cost of capital. They argued that lower payouts result in higher costs of capital. They suggested that investors prefer dividend as it is more certain than capital gains that might or might not appear if they let the firm retain its earnings. The authors indicated that the higher capital gains/dividend ratio is, the larger total return is required by investors due to increased risk. In other words, Gordon and Lintner claimed that one percent drop in dividend payout has to be offset by more than one percent of additional growth.

Bird-in-the-hand theory was criticized by Modigliani and Miller who claimed that dividend policy does not affect the firm's cost of capital and that investors are totally indifferent if they receive more dividend or capital gains. They called Gordon and Lintner's theory a bird-in-the-hand fallacy indicating that most investors will reinvest the dividend in the similar or even the same company and that company's riskiness is only affected by its cash-flows from operating assets.

2.5 Factors which affect dividend policy

There are number of external and internal factors which affect dividend policy.

External factors which affect dividend policy

Contractual constraints – refer to restrictive provisions in a loan agreement and may include dollar or percentage of earnings limit on dividends and an inability to make dividend payments until certain levels of earnings is reached.

Legal constraints - this type of constraints depends on the location of the firm. Usually, due to legal constraints, firms are not able to pay out any dividends if the firm has any overdue liabilities or if it is bankrupt.

Firm also cannot pay any part of par value of common stock. Sometimes, in addition to the inability to pay any part of par value of common stock, firm also may not pay any part of paid-in capital in excess of par.

Market reactions – a firm needs to consider how markets will react to its dividend decisions. For example, if dividends are not paid or decreasing then markets will see it as a negative signal and the stock price will likely to drop. This will decrease shareholders' wealth. If dividends are paid out consistently or even increasing in amounts, this can be seen as a positive signal by the market participants and stock price will likely to increase. This will increase shareholders' wealth.

Shareholders generally prefer fixed or increasing dividends. This decreases uncertainty and investors are likely to use lower rate at which earnings will be discounted. This will lead to an appreciation of share and an increase in shareholders' wealth.

Current and expected state of the economy – If state of the economy is uncertain or heading downward than it may be wise for management to pay smaller or no dividends to prepare a safety reserve for the company which can help to deal with future negative economic conditions.

However, if the economy is growing very fast then the firm may have more acceptable investments to take advantage of. It can be best not to distribute dividends but rather use these funds for investments.

Changes in government policies and state of the industry must also be taken into account.

Internal factors which affect dividend policy

Financing needs of the firm – Mature firms usually have better access to external financing. Therefore, they are more likely to pay out a large portion of earnings in dividends. If a company is young and rapidly growing than it will likely be unable to pay a large portion of earnings in dividends as it will require retained earnings to finance acceptable projects and its access to external financing is likely to be limited.

Preference of the shareholders – a firm should consider the needs and interests of the majority of its shareholders when making dividend decisions. For example, if shareholders will be able to earn higher returns by investing individually then what firm can earn by reinvesting funds than a higher dividend payment should be considered.

If the firm will have to issue more stock to be able to pay out dividends than it may be in the best interest of the current stakeholders not to issue dividends to avoid potential dilution of ownership. Dilution of ownership occurs because after issuing of additional stock, retained earnings will have to be distributed over a larger amount of the shareholders. This leads to dilution of earnings for existing shareholders. This also leads to dilution of control.

Firms also need to consider the wealth level of the majority of its shareholders. If the majority of shareholders are lower income earners than they likely will need dividend income and will prefer payment of dividends. Interestingly, in an efficient market, preferences of the shareholders should be met by price mechanism. If dividend payments are lower than required by many investors than those investors will sell their shares. Share prices will drop and this will raise an investors' expected return. Higher expected return will increase the weighted marginal cost of capital and intersection between IOS and WMCC schedules will occur at a lower optimal capital budget point. Due to higher WMCC, less of the projects will be acceptable and more of the retained earnings can be paid out as dividends. Therefore the owners' preferences are satisfied by price mechanism.

Stability of earnings – If earnings of the company are not stable from period to period than it is wise to follow conservative payments of dividends.

Earnings requirement – this constraint is imposed by the firm. It consists of a firm not being able to pay out in dividends more than the sum of the current and the most recent past retained earnings. However, the firm still can pay out dividends even if it incurred losses in the current financial period.

One of the reasons firms may want to pay dividends in years when the firm incurred a loss is to send positive signal to the market indicating that the loss is only a temporary phenomenon and that the company has its operations under control. Otherwise, shareholders may start selling shares which will decrease price of the shares and even further decrease wealth of the owners of the company (shareholders).

Lack of adequate cash and cash equivalents – occurs when firm do not have adequate cash and cash equivalents, such as marketable securities, to make dividend payments. Borrowing with intention to use funds to pay out dividends is usually not welcomed by lenders because the use of funds is not aligned with activity that would help firm to pay back debt to the lender. Borrowing to pay dividends is also usually not a wise business decision.

2.6 Types of Dividend Policy

Constant payout ratio dividend policy – according to this dividend policy, stockholders receive dividends at a fixed percentage rate from earnings every financial period that resulted in a profit. In financial periods when loss is incurred, no dividends are distributed. Dividends increase or decrease based on the amount of profit the firm made during a particular year. This type of dividend policy is not recommended because fluctuations in the dividends from one period to another may adversely affect the share price.

Regular Dividend Policy – In this policy dividend payment is fixed, if the earning of the company increases than the dividend also increases. Here company provides positive information to the owners.

Low Regular Dividend and Extra Dividend Policy: This policy is a hybrid of the last two policies. It is meant to keep expectations low for dividends, and supplement those dividends with bonuses in good years.

Cash dividends and stock dividends:

Cash dividends are dividends which are paid out in cash to the shareholders via cheque or electronic transfer. When cash dividends are distributed to shareholders, the share price tends to drop by an amount similar to the cash dividend. This occurs because the economic value was distributed from the firm to shareholders. Shareholders have to pay tax on cash dividends. Therefore, the amount that they receive decreases in value.

Stock dividends are dividends paid out in additional stock. There is no cash outflow. The funds are just shifted between accounts (from retained earnings to common stock and paid-in capital in excess of par). If a company issues a 3% stock dividend this means that if one owns 100 shares of this company than 3 additional shares will be received. Overall, stock dividends do not bring any value to the shareholder. Stock dividends decrease the share price.

Chapter-3

Company Analysis

Chapter-4

AFTAB AUTOMOBILES LIMITED

aftab

Aftab Automobiles Limited

AFTAB AUTOMOBILES LIMITED

Aftab Automobiles Ltd, a sister concern of NAVANA Group mainly a vehicle assembling and small parts manufacturing company. The company has been successfully assembling TOYOTA & HINO vehicles for Bangladesh market since 1982, recently lunched HINO - Mini bus. It has a great IT and R&D department. Aftab Automobiles Limited was incorporated in Bangladesh in 1967 as a Private Limited Company. In 1981 the Company registered itself as a Public Limited Company which is one of the largest automobile assembling plants in the private sector. The Company was listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in the year 1987 and 1996 respectively. The principal activities of the Company throughout the period were assembling of Toyota Land Cruiser soft top/ Pick-up, Land Cruiser Prado, Hino Bus, Hino Mini Bus / Truck Chassis with a production Capacity of 2400 units of vehicles in 3 shifts in Assembling Unit. But since inception, the Plant is running single shift considering the market demand. The Company has added four units namely Body Building Unit, Paint Unit, Battery Unit & Furniture Unit and the commercial production of which started w.e.f. May 5, 1997, November 01, 1999, January 03, 2002 and May 01, 2002 respectively.

4.1 DIVIDEND POLICY

Table 4.1 : Dividend Policy of Aftab Automobiles Limited

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Net Profit/(Loss)	47,079,000	30,471,000	57,424,000	316,617,000	693,786,000
No. of Share outstanding	7420000	9018000	11533000	9049000	14557000
Earning per Share (EPS)	6.34	3.37	5	35	47.66
Cash Dividend (Tk.)	14840000	5410800	0	9049000	14557000
Stock Dividend (Tk.)	-	9018000	28832500	36196000	4367100
Dividend	14840000	14428800	28832500	45245000	18924100
Dividend per Share (DPS)	2	1.6	2.5	5	1.3
Price Earning Ratio	48	108.6	78.35	45.42	4.08
Market price	304	366	391.75	1,589.75	194.50
Payout Ratio (%)	32%	47%	50%	14.28%	2.72%

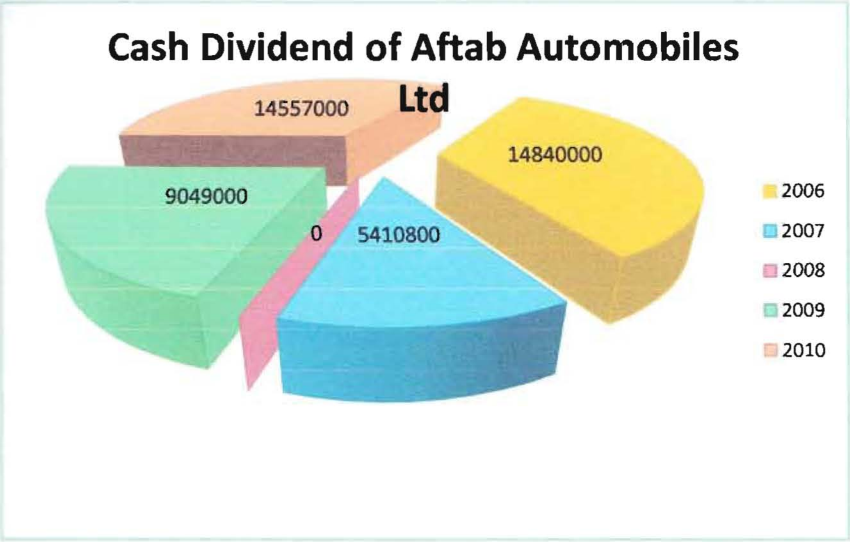


Figure-4.1: Cash Dividend of Aftab Automobiles Ltd

Particulars	Year				
	2006	**2007**	**2008**	**2009**	**2010**
Cash Dividend (Tk.)	14840000	5410800	0	9049000	14557000

Table 4.2: Cash Dividend of Aftab Automobiles Ltd

The above figure shows the company's practice of providing cash dividend from 2006 – 2007 and 2009-2010. The company provided 20% cash dividend in 2006. This trend drastically fell to 6% (Tk. 10.12 million) in 2007, and no cash dividend was declared in 2008. So a decreasing trend is found in these years. However, a 10% (Tk. 23.20 million) cash dividend was paid in 2009.

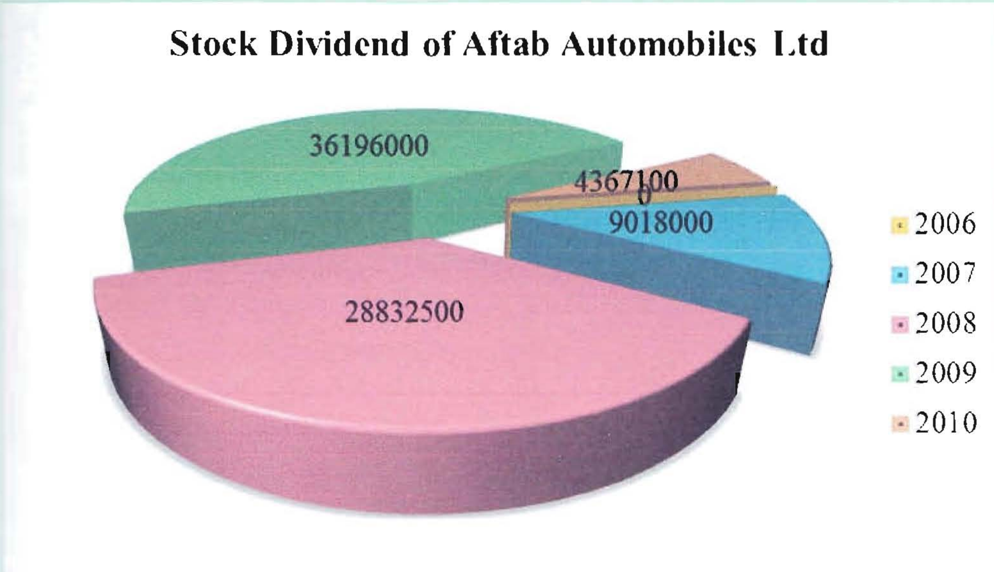


Figure-4.2: Stock Dividend of Aftab Automobiles Ltd

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Stock Dividend (Tk.)	0	9018000	28832500	36196000	4367100

Table-4.3: Cash Dividend of Aftab Automobiles Ltd

In 2006, the company paid no stock dividend. From 2007 onward, it started to pay stock dividend, and the rate increased over years. The figure above shows how the company is raising its portion of stock dividend, from 10% in 2007, to 25% in 2008, 40% in 2009 and finally 30% in 2010.

4.2 Comparison between Cash Dividend and Stock Dividend

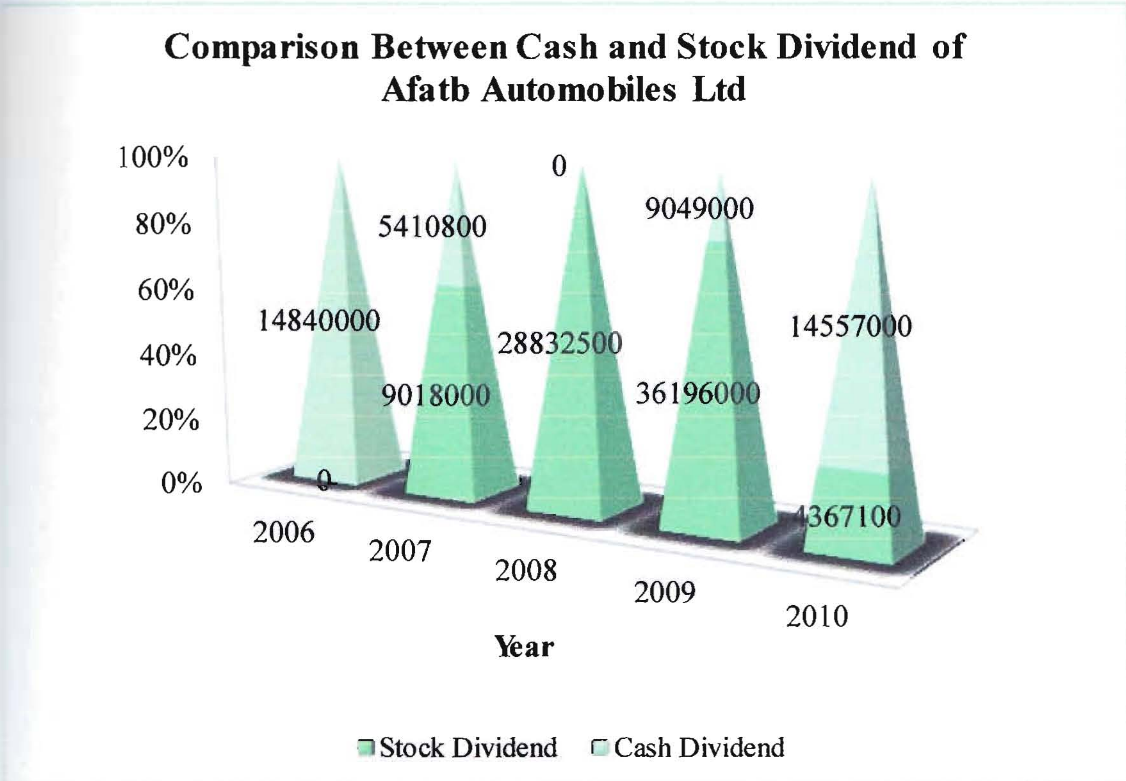


Figure-4.3: Comparison between Cash Dividend and Stock Dividend

According to the trends shown in the above figure, it can be said, from 2006 to 2010, the company is moving more towards paying stock dividend, and quite in decreasing manner in paying cash dividend. That is, the company is trying to satisfy the shareholders by paying more dividends in terms of stock.

Total Dividend

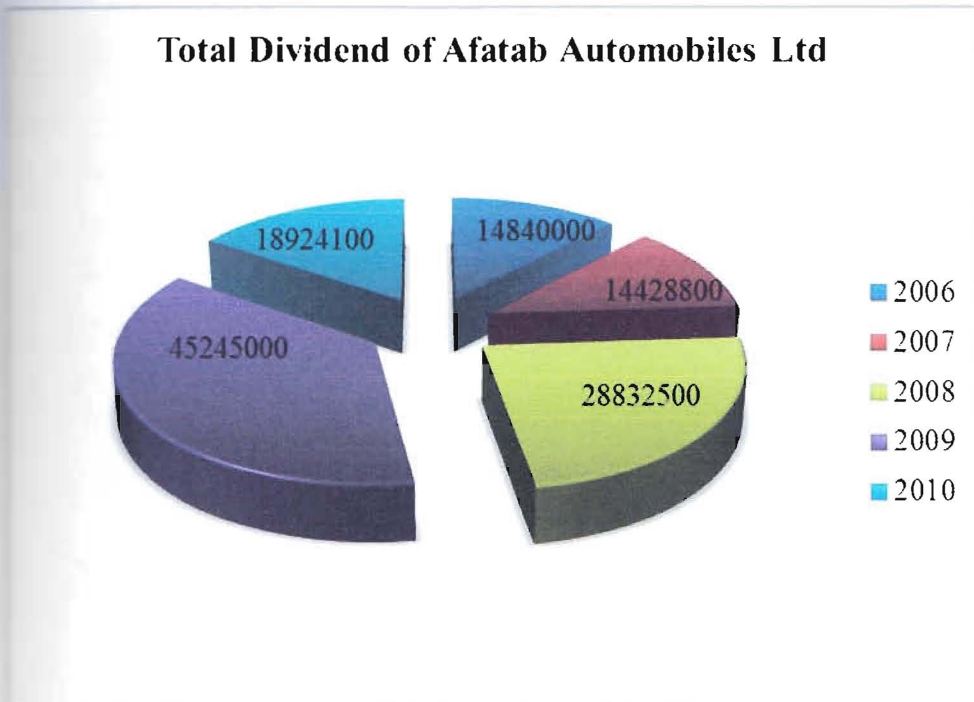


Figure-4.4: Total Dividend of Aftab Automobiles Ltd

	Year				
Particulars	2006	2007	2008	2009	2010
Total Dividend (Tk.)	14840000	14428800	28832500	45245000	18924100

Table-4.4: Total Dividend of Aftab Automobiles Ltd

The pie chart shows the total amount of dividend paid, both in terms of cash and stock, in the five years. It clearly gives us the idea that proportion of dividend payment is increasing year by year, as the size of the pie is smallest in 2006, which increased in the following years.

4.4 Earnings per Share and Dividend per Share

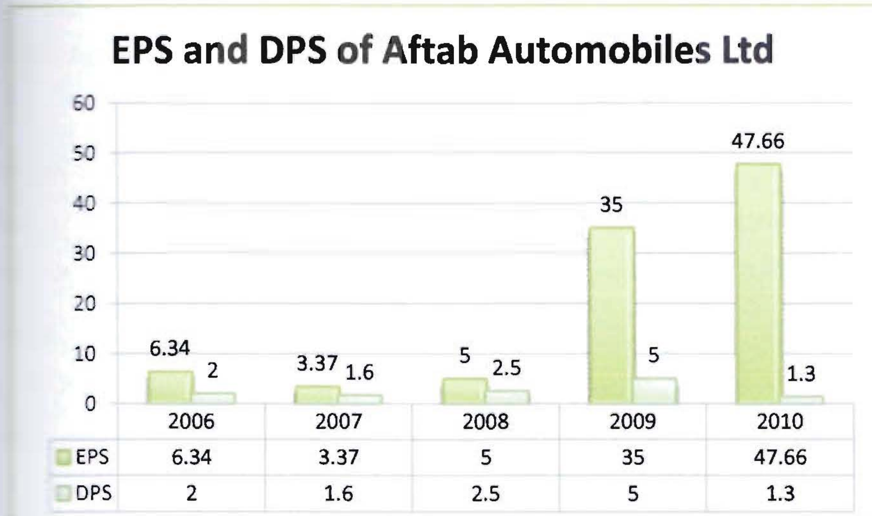


Figure-4.5: EPS and DPS of Aftab Automobiles Ltd

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
EPS	6.34	3.37	5	35	47.66
Growth	-	-46.85%	48.37%	600%	36.17%
DPS	2	1.6	2.5	5	1.3
Growth	-	-20%	56.25%	100%	-74%

Table-4.5: EPS and DPS of Aftab Automobiles Ltd

4.4.1 Earnings per share (EPS)

Earnings per share (EPS) are the portion of profit allocated for each common stock outstanding in a company. It is calculated by equally dividing the net income among the number of shares outstanding. For Aftab Automobiles, EPS was in a decreasing trend from 2006 to 2007, Tk. 6.64 to Tk. 3.37 respectively. The year 2007 was the turning point from where EPS again turned into an upward trend. In 2008, EPS was Tk. 5, which rose to Tk. 35 in 2009 and in 2010 it rose to [illegible] In case of growth; in 2007 they had a negative growth which became positive in the following year. In 2009 there was a boom in their growth of 600% but it went down in 2010 again.

4.4.2 Dividend per share (DPS)

Dividend per share (DPS) is the portion of profit that a shareholder is actually getting for holding each share of the company. From the graph, it can be seen that, unlike EPS, the DPS is following a stable trend up to 2008, and then moved slightly upwards in 2009. The movement is due to the increased rate of stock dividends paid to the shareholders in 2009. So, the trend of DPS suggests that the company is using a *regular dividend policy.* In 2008-2009 the firm had growth of [illegible]% and 100% but in the next year it went down to -74%.

However, the figure above clearly shows that the company did not let the DPS fluctuate much, since an unstable dividend paying trend dissatisfies the shareholders. The EPS values fluctuated in these five years, but the DPS remained quite at the same level. So the company efficiently provided stockholders with positive information indicating that the firm is doing well and also minimized uncertainty of the investors.

4.5 Payout Ratio

The payout ratio shows what percent of EPS is paid out as dividend. A high payout ratio indicates that company is paying most of its earnings as dividend, whereas, a very low payout ratio indicates that a company is primarily focused on retaining its earnings rather than paying out dividends.

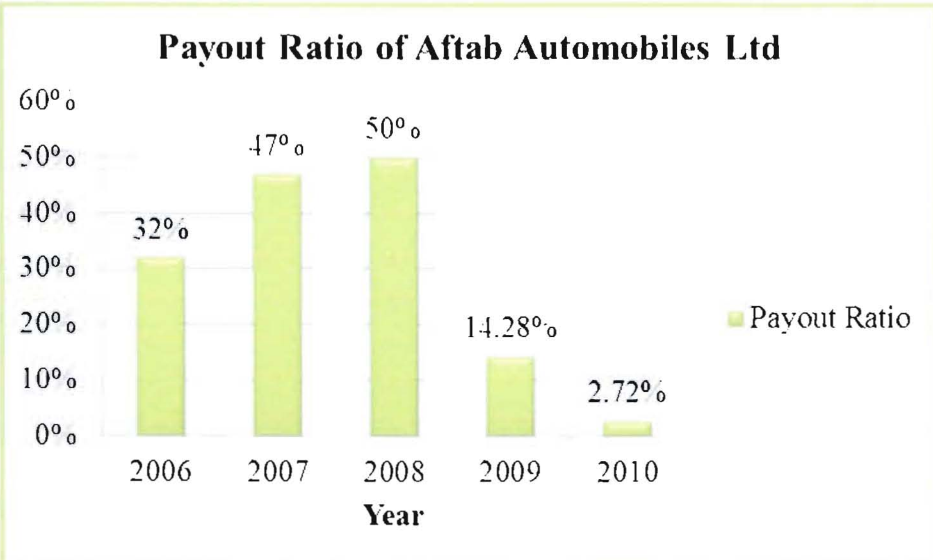


Figure-4.6: Payout Ratio of Aftab Automobiles Ltd

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Payout Ratio (%)	32%	47%	50%	14.28%	2.72%

Table-4.6: Payout Ratio of Aftab Automobiles Ltd

From the above figure, it is seen than the payout ratio of Aftab Automobiles is moving upward from 32% in 2006 to a of 47% in 2007, in 2008 it was maximum of 50% and then turned downward till 2010. This is the result of having fluctuation in EPS, whereas DPS was stable.

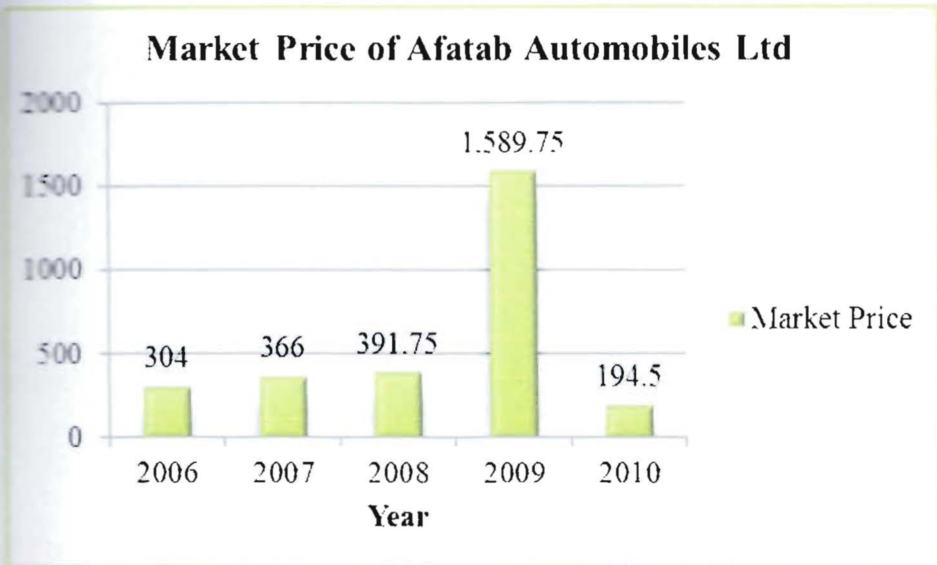


Figure-4.7: Effect of Dividend Policy and Payout Ratio on Market Price of Share of Aftab Automobiles Ltd

The market price of shares over these five years moved upward, showing a growing demand of shares of Aftab Automobiles Ltd. It indicates that the dividend policy the company is following is effective enough to attract investors. Also, the pay-out ratios every year are able to satisfy the shareholders. However, from the information provided, it can be assumed that a stable rate of DPS and a significant pay-out ratio is giving a positive signal into the market about the income generating capacity of the company, which eventually, raised the demand, as well as, the market price of its shares

4.7 CAPITAL STRUCTURE

Table 4.7: Capital Structure of Aftab Automobiles Limited

	2006	2007	2008	2009	2010
Total Debt	1,206,531,023	1,436,709,938	1,615,269,223	1,533,364,403	974449226
Equity	601,016,976	585,748,820	621,050,571	905,519,493	3207346849
Total Assets	1,807,547,999	2,022,458,758	2,236,319,794	2,438,883,896	4181796074
Debt : Equity	2.01	2.45	2.60	1.69	.30
Debt to Asset Ratio	66.75%	71.04%	72.23%	62.87%	23.3%
Equity to Asset Ratio	33.25%	28.96%	27.77%	37.13%	76.6%

Capital Structure is the combination of debt and equity that a firm uses to finance its assets or investments. The main components of capital structure are Debt to Asset ratio, Equity to Asset ratio, and Debt to Equity ratio. In the capital structure of Aftab Automobiles Ltd., it is decreasing its portion of debt and increasing the portion of equity to fund its total assets in the five years (2006 - 20010).

4.8 Debt to Asset Ratio

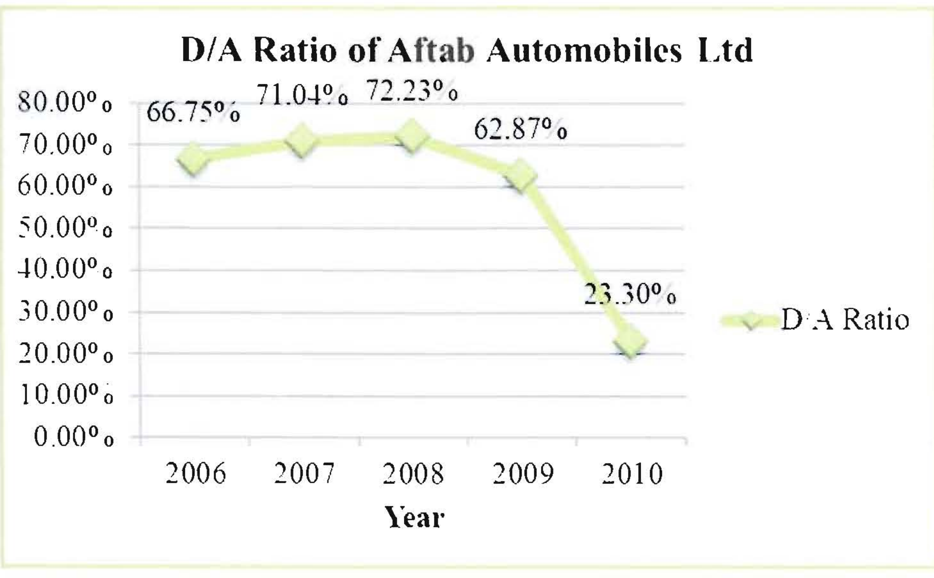


Figure-4.8: D/A Ratio of Aftab Automobiles Ltd

In 2006, 66.75% of its assets were financed by debt, which increased to 71.04% in 2007. This rate slightly increased to 72.23% in the following year, and again fell by almost 10% in 2009 (62.87%) and it went to 23.3% in 2010. However, the trend is indicating that slowly the company is decreasing its level of debt.

4.9 Equity to Assets Ratio

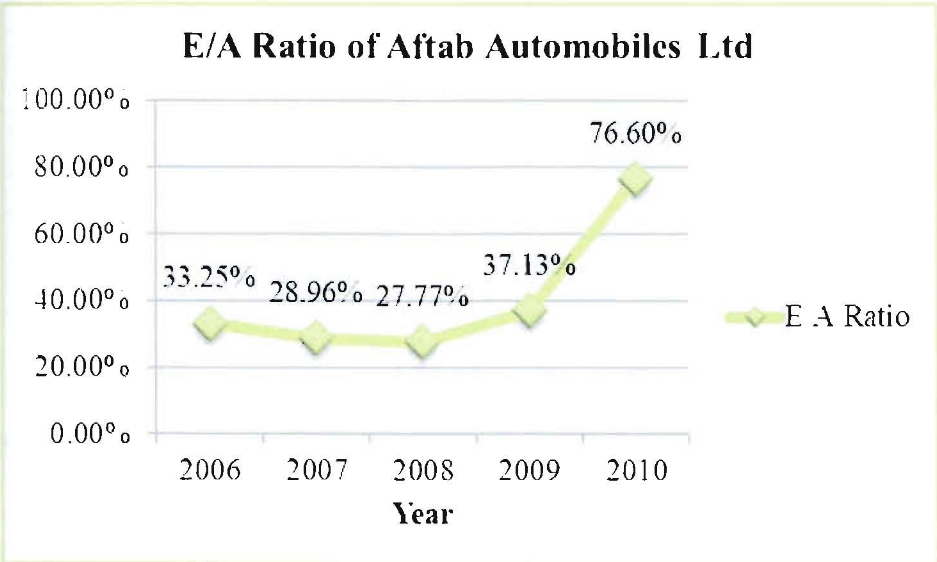


Figure-4.9: E/ A Ratio of Aftab Automobiles Ltd

In Aftab Automobiles, the use of equity to fund the assets is in an increasing trend, since the Debt to Assets is following a decreasing trend. Portion of debt is decreasing means the portion of equity is growing.

4.10 Debt / Equity Ratio

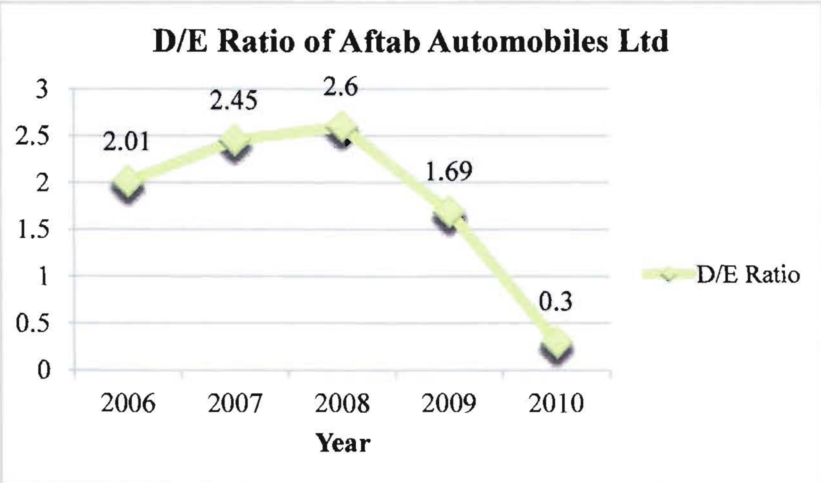


Figure-4.10: D/E Ratio of Aftab Automobiles Ltd

From the year 2006 to 20010, the debt / equity ratio fell by a significant percentage, showing that the firm is achieving its desired capital structure by reducing its level of debt. In 2006, debt was 2.01 times of equity, which increased to 2.45 times in 2007. Although, in 2008 the ratio slightly went up to 2.60 times respectively, however, debt level again fell sharply to 1.69 times of equity in 2009. After that in 2010 it felt to .30 times. Overall, the company is reducing the gap between debt and equity of the firm.

4.11 Profitability Condition of Aftab Automobiles Ltd

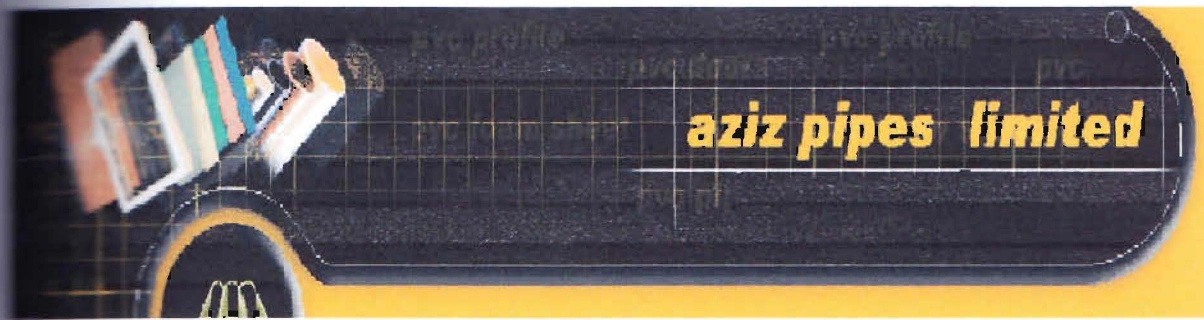
Years	2006	2007	2008	2009	2010
Net Income	47,079,000	30,471,000	57,424,000	316,617,000	693,786,000
Total Asset	1,807,547,999	2,022,458,758	2,236,319,794	2,438,883,896	4181796074
Total Equity	601,016,976	585,748,820	621,050,571	905,519,493	3207346849
ROA	2.6%	1.5%	2.57%	12.9%	16.5%
ROE	7.8%	5.2%	9.2%	34%	21.6%

Table 4.8: Profitability Condition of Aftab Automobiles Ltd

From the above table we can see that for last two years Aftab Automobile Ltd is maintaining a good condition in terms of their profit. Though the ratios were low in 2006-2008 bt they have overcome from this situation since 2009.

CHAPTER-5

AZIZ PIPES LIMITED



AZIZ PIPES LIMITED

Starting back in 1985, Aziz Pipes Limited has become the principal producer & supplier of PVC pipes in Bangladesh. It is a public limited company and its registered office is at Dhaka, Capital City of Bangladesh. Factory is located about 120 km away from the capital in its own freehold area of 5.595 acres.

Beginning productions were in PVC Pipes ranging from 21mm to 219mm in diameter. Although local market was saturated with pipes from other major suppliers, Aziz Pipes Ltd. slowly made its way up to leadership by continually supplying international standard pipes. Its pipes correspond to British Standards BS3505/BS3506 and American Standards ASTM D785, D695, D570, D792, D638.

Aziz Pipes reputations rapidly increased throughout the years and in 1991 it received the Prime Minister's Award for one of the Ten Best Industries in Bangladesh. Other notable award includes Jasimuddin Award in 1998 for business developments.

Company Name: Aziz Pipes

Trading Code: AZIZPIPES

Company no: 13202

Listing Year: 1986

Market Category: Z

Electronic Share: Y

Market Category

Companies which have failed to hold the current annual general meetings or have failed to declare any dividend or which are not in operation continuously for more than six months or whose accumulated loss after adjustment of revenue reserve, if any, is negative and exceeded its paid up capital is known as "Z" category companies. Aziz Pipes belongs to "Z" category in market as it has been suffering from losses from the year of 2001-2008 and has not been able to pay dividend for several years.

5.1 DIVIDEND POLICY

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Net Profit/(Loss)	(3,222,284)	(33,391,230)	(47,780,694)	3,006,905	3,482,533
No. of Share outstanding	485,000	485,000	485,000	485,000	485,000
Earning per Share (EPS)	(6.64)	(68.85)	(98.52)	6.20	7.18
Dividend	0.0	0.0	0.0	0.0	0.0
Dividend per Share (DPS)	0.0	0.0	0.0	0.0	0.0
Price Earning Ratio	(24.1)	(2.46)	(1.83)	78.06	39
Market price	160	170	180	485	280
Payout Ratio	0.0	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Table 5.1: Dividend Policy of Aziz Pipes Limited

5.2 Earning Per Share (EPS)

The earning per share for Aziz Pipes Limited is -6.64, -68.85, -98.52,6.20 and 7.18 for the year 2006, 2007, 2008, 2009 and 2010 respectively. There is a decreasing trend of EPS from 2006 to 2008 but after 2008 there is an increasing trend in 2010. This company's growth is not consistent, because from 2007-2010 it has been going through a zigzag situation.

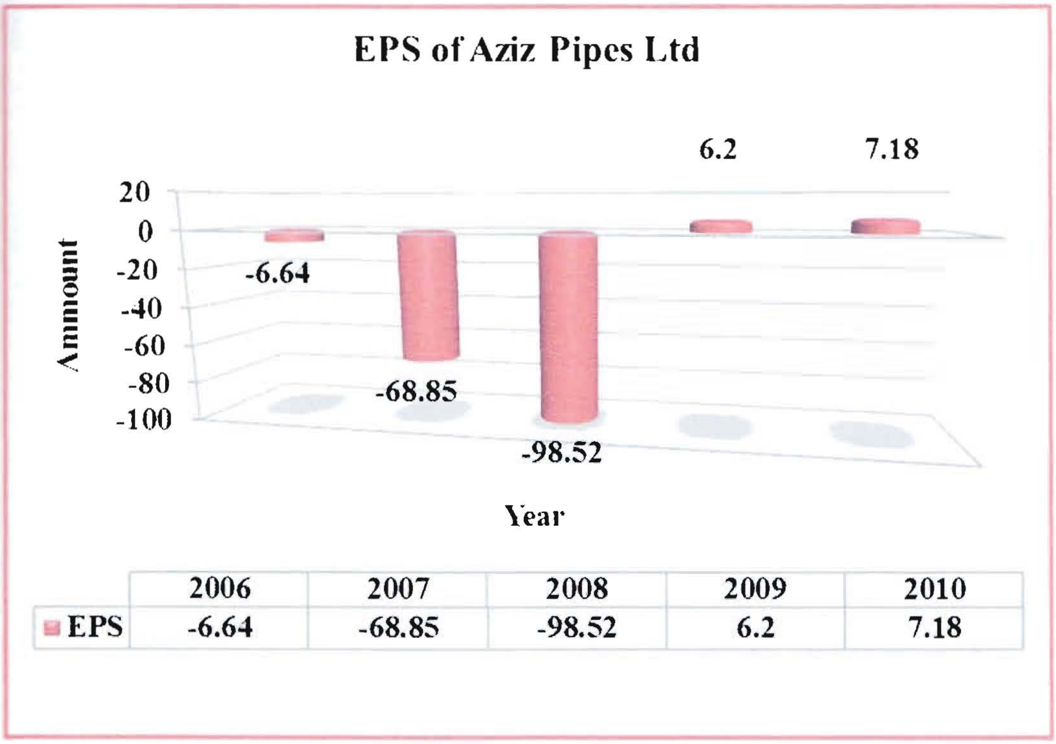


Figure 5.1: EPS of Aziz Pipes Limited

Particulars	Year				
	2006	2007	2008	2009	2010
EPS	(6.64)	(68.85)	(98.52)	6.20	7.18
Growth	-	-936.9%	43.1%	-106.3%	15.80%

Table 5.2: EPS of Aziz Pipes Limited

5.6 Price Earning Ratio

The P/E is sometimes referred to as the "multiple", because it shows how much investors are willing to pay per dollar of earnings. In the year 2006, 2007, 2008 the price earning ratio was 0. But in the year of 2009 and 2010 the price earning ratio became 78.06 and 39. The price earning ratio was available in the year of 2009 and 2010 as it has net profit in those particular years, which is rear in the previous years. This is also shown in the diagram below:

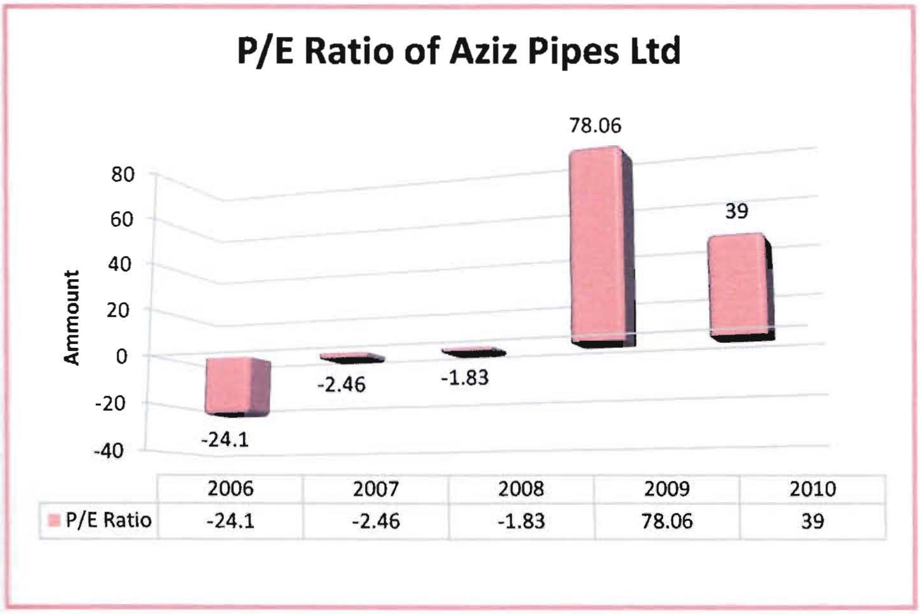


Figure 5.3: P/E Ratio of Aziz Pipes Limited

The company is not following any particular dividend policy. Dividends are a form of profit distribution to the shareholder. As the company can not earn any profit, they can not declare any type of dividend.

5.7 CAPITAL STRUCTURE

Particulars	Year				
	2006	2007	2008	2009	2010
Total Assets	60,556,611	534,637,558	506,564,328	491,252,623	454245201
Total Debt	1,186,000	182,386,000	173,886,000	165,700,000	158228150
Total Equity	59,370,611	352,251,558	332,678,328	325,552,623	344201567
Debt to Asset (%)	102.721%	112.405%	99.300%	96.797%	34.8%
Debt to Equity (%)	1.998%	51.777%	52.269%	50.898%	46%
Equity to Asset (%)	3.10%	3.86%	5.12%	5.21%	7.6%

Table 5.3: Capital Structure of Aziz Pipes Limited

5.8 Debt to Asset ratio

Indicates what proportions of the company's assets are being financed through debt. To calculate the debt to asset ratio the formula is- Total liabilities divided by total asset. From the table we can see that the debts to asset ratios are 102.721, 112.405, 99.300, 96.797 and 34.8% for the year 2006, 2007, 2008, 2009 and 2010 respectively. From this figure it is clear that the Aziz pipes is in a good condition compare to the previous years.

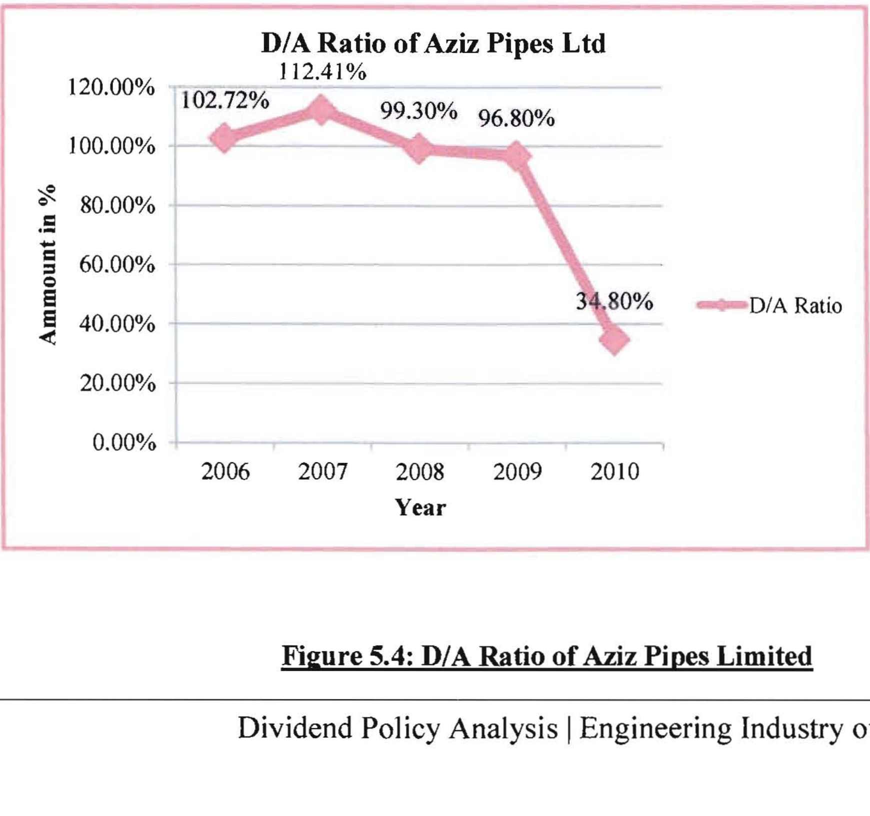


Figure 5.4: D/A Ratio of Aziz Pipes Limited

5.9 Debt to equity ratio

A measure of a company's financial leverage is calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

From the chart above we can see that the Debt to Equity ratio for the year 2006, 2007, 2008, 2009 and 2010 is 1.998%, 51.777%, 52.269%, 50.898% and 46% respectively. A high debt/equity ratio generally means that the company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense. In this case the situation is not as much danger as the D/A ratio. Here the percentage of D/E ratio is high but not as much as D/A ratio. But still experiencing D/E ratio more than 50% can be alarming news for the Aziz Pipes.

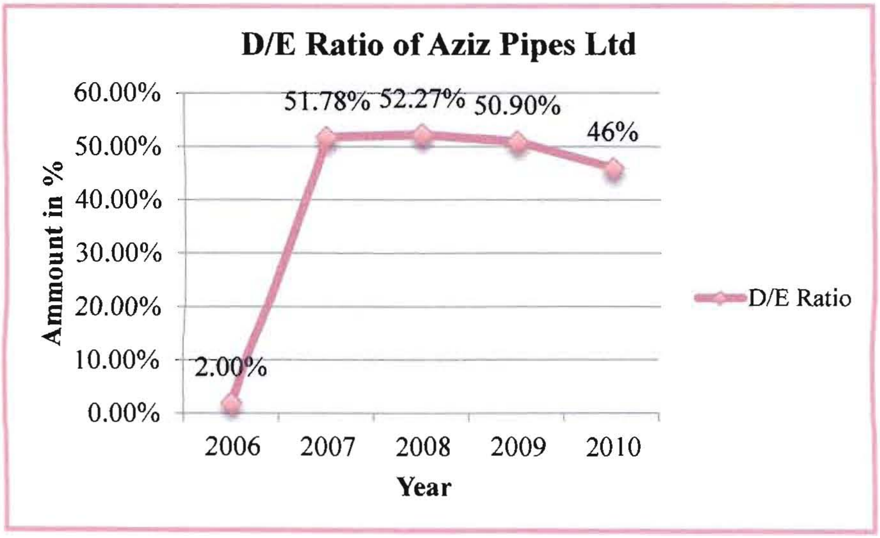


Figure 5.5: D/E Ratio of Aziz Pipes Limited

5.10 Equity to asset ratio

For the year of 2006,2007,2008,2009 and 2010 APL's E/A ratio is 3.10, 3.86, 5.12, 5.21 and 7.6% respectively. It shows that their equity is increasing against asset gradually, for the company which is a negative sign for the company.

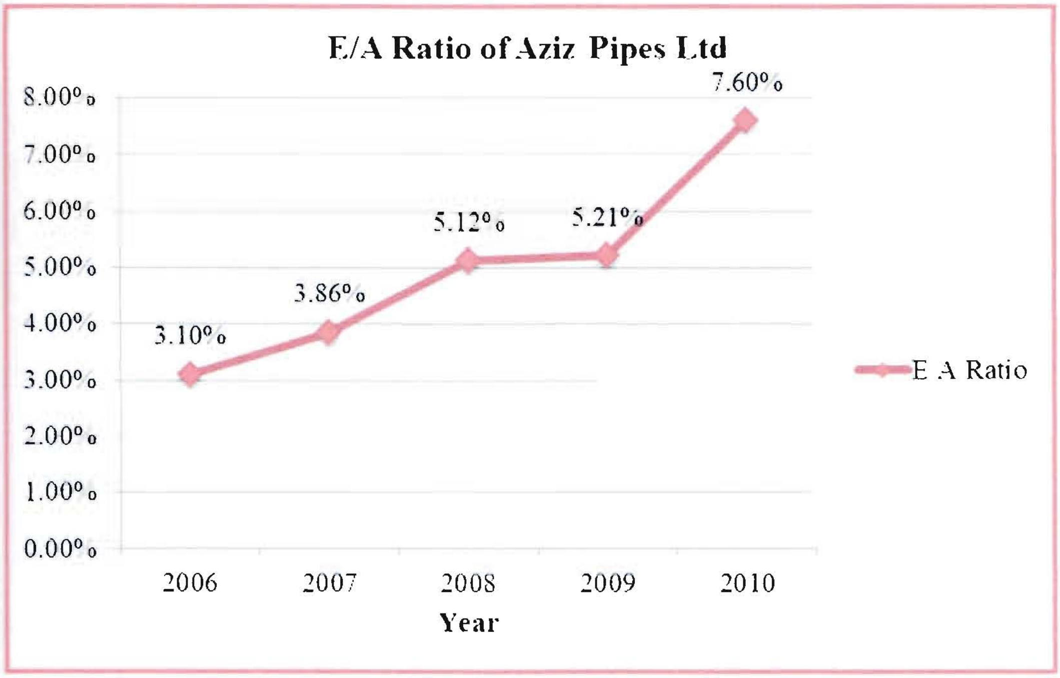


Figure 5.4: E/A Ratio of Aziz Pipes Limited

5.11 Profitability Condition of Aziz Pipes Ltd

Years	2006	2007	2008	2009	2010
Net Income	(3,222,284)	(33,391,230)	(47,780,694)	3,006,905	**3,482,533**
Total Asset	60,556,611	534,637,558	506,564,328	491,252,623	**454245201**
Total Equity	59,370,611	352,251,558	332,678,328	325,552,623	**344201567**
ROA	(5.32%)	(6.24%)	(9.43%)	.61%	**.77%**
ROE	**(5.43%)**	**(9.48%)**	**(14.36%)**	**.92%**	**1.1%**

Table 5.4: Profitability Condition of Aziz Pipes Ltd

From 2006-2008 Aziz Pipes Ltd has faced negative condition but from 2009 they have overcame again and maintained a positive condition.

By analyzing the capital structure of Aziz Pipes it is difficult to find good news for the shareholders. The increasing and most importantly more than 90% D/A ratio tells us that majority of its assets are financed through debt. It is true that a company can earn by borrowing. But, borrowing exceedingly can bring negative news for the Aziz pipes. As their cost of borrowing will increase. And if their bankruptcy cost is greater than the tax advantage in that case their share price will decline. And having more excessive debt in the capital structure is alarming because it arises the issue of fixed obligation payment. No matter what their profit is they have to pay interest and principle. And their D/E ratio is more than 50% for the last 3 years. That means the management has been aggressive in financing its growth with debt. So, the overall position of Aziz Pipes is not favorable and the future prospect is also not so bright.

Chapter-6

ATLAS BANGLADESH LIMITED

ATLAS BANGLADESH LIMITED

Atlas Bangladesh limited (An enterprise of Bangladesh Steel & Engineering Corporation). The company was established in 1966 under private management by the then West Pakistani entrepreneur. It was nationalized and placed under the management of Bangladesh Steel & Engineering Corporation (BSEC) in 1972 and converted into a Public Limited Company in 1987 when 49% of its share was sold to general public and 51% is retained with BSEC.

Amount of authorized capital of the company is TK.20.00 Crore and Paid-up Capital is TK.10.00 Crore.

Trading Code: ATLASBANG   Company No: 13212

Other Information of the Company:

Listing Year 1988

Market Category A

Electronic Share Y

Share Percentage: Sponsor/Director 0 Govt.51 Institute 10.96 Foreign 0 Public 38.04

Remark

Basic Information:			
Authorized Capital in BDT* (mn)	1000.0		
Paid-up Capital in BDT* (mn)	178.0	52 Week's Range	252 - 720
Face Value	10.0	Market Lot	50
Total no. of Securities	17777777	Business Segment	Engineering

6.1 DIVIDEND POLICY

Particulars	2006	2007	2008	2009	20010
Number of Shares Outstanding	6000000	8000000	10000000	10000000	13333333
Net Profit after tax	71792700	101021500	96886703	223889202	287740013
Earnings Per Share (EPS)	11.97	12.63	9.69	22.39	21.58
Cash Dividend	51000000	100000000	100000000	75000000	100000000
Stock Dividend	20000000	20000000	0	33333000	44444000
Total DIVIDEND	71000000	120000000	100000000	108333000	144444000
Dividend Per Share (DPS)	11.83	15.00	10.00	10.83	10.83
Price/Earnings Ratio	13.84	16.84	24.42	37.70	28.45
Market Share Price	165.66	212.69	236.63	844.10	613.95
Pay Out Ratio	98.83%	118.76%	103.20%	48.37%	50.19%
Dividend policy	Low regular dividend plus extra				

Table 6.1: Dividend Policy of Atlas BD Limited

6.2 Earnings Per Share (EPS)

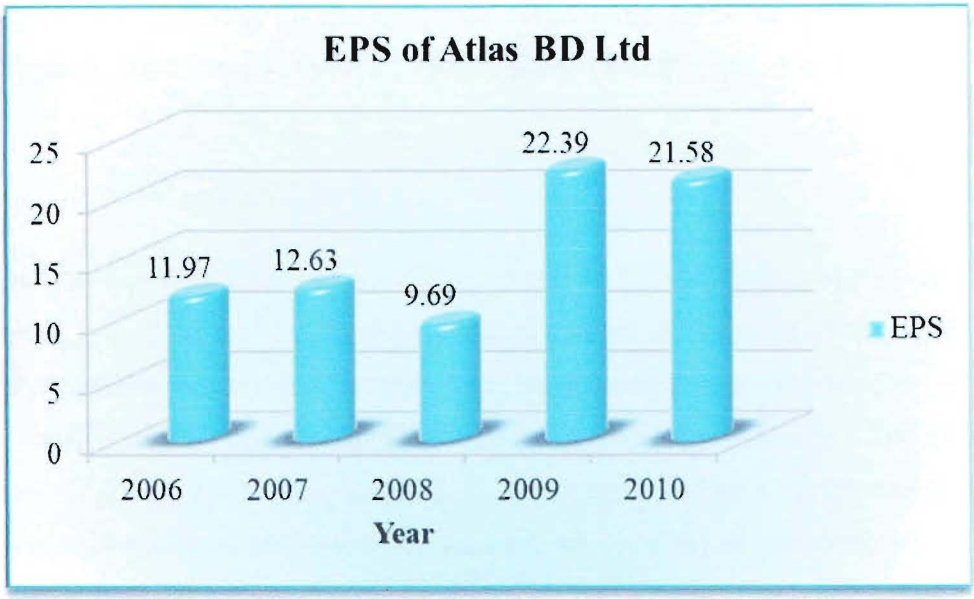


Figure 6.1: EPS of Atlas BD Limited

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
EPS	11.97	12.63	9.69	22.39	21.58
Growth	-	5.513%	-23.3%	131.06%	-3.62%

Table 6.2: EPS of Atlas BD Limited

As we know, EPS represent the amount of money earned on holding each outstanding share of common stock. It is calculated by dividing the net profit after tax by the number of shares of common stock outstanding. Since all the share holders of Atlas Bangladesh are common share holders, so the net profit after tax is divided by number of shares outstanding to find the EPS of Atlas Bangladesh. In the year 2006 Atlas Bangladesh made a net profit after tax of 71792700 TK and is EPS was 11.97. In 2007 Atlas Bangladesh made a net profit after tax of 101021500 TK and is EPS was 12.63. In 2008 Atlas Bangladesh made a net profit after tax of 96886703 TK and is EPS was 9.69. In 2009 Atlas Bangladesh made a net profit after tax of 223889202 TK and is

EPS was 22.39. In 20010 Atlas Bangladesh made a net profit after tax of 287740013 TK and is EPS was 21.58.From the EPS graph it can be seen that in recent years (from 2008) EPS is substantially good and rising. So it can be said Atlas Bangladesh has a good profitability. In 2007, 2008, 2009, 2010 the growth was 5.51%, -23.3%, 131.06%, and -3.62%.

6.3 Trend of Dividend and DPS

Dividend per share is the actual amount of divided paid to the each common share holders with a financial year. It is calculated by dividing the total amount of dividend by the total number of common shareholders outstanding. In 2006 Atlas Bangladesh paid a total dividend of 71000000 Tk. which consists of cash dividend of 51000000 Tk. and a stock dividend of 20000000 Tk. and the DPS was 11.83. In 2007 Atlas Bangladesh paid a total dividend of 120000000 Tk. which consists of cash dividend of 100000000 Tk. and a stock dividend of 20000000 Tk. and the DPS was 15. In 2008 Atlas Bangladesh paid a total dividend of 100000000 Tk. All of which was cash dividend, and the DPS was 10. In 2009 Atlas Bangladesh paid a total dividend of 108333000 Tk. which consists of cash dividend of 75000000 Tk. and a stock dividend of 33333000 Tk. and the DPS was 10.83. In 20010 Atlas Bangladesh paid a total dividend of 144444000 Tk. which consists of cash dividend of 100000000 Tk. and a stock dividend of 44444000 Tk. and the DPS was 10.83. Atlas Bangladesh follows a low regular dividend plus extra policy.

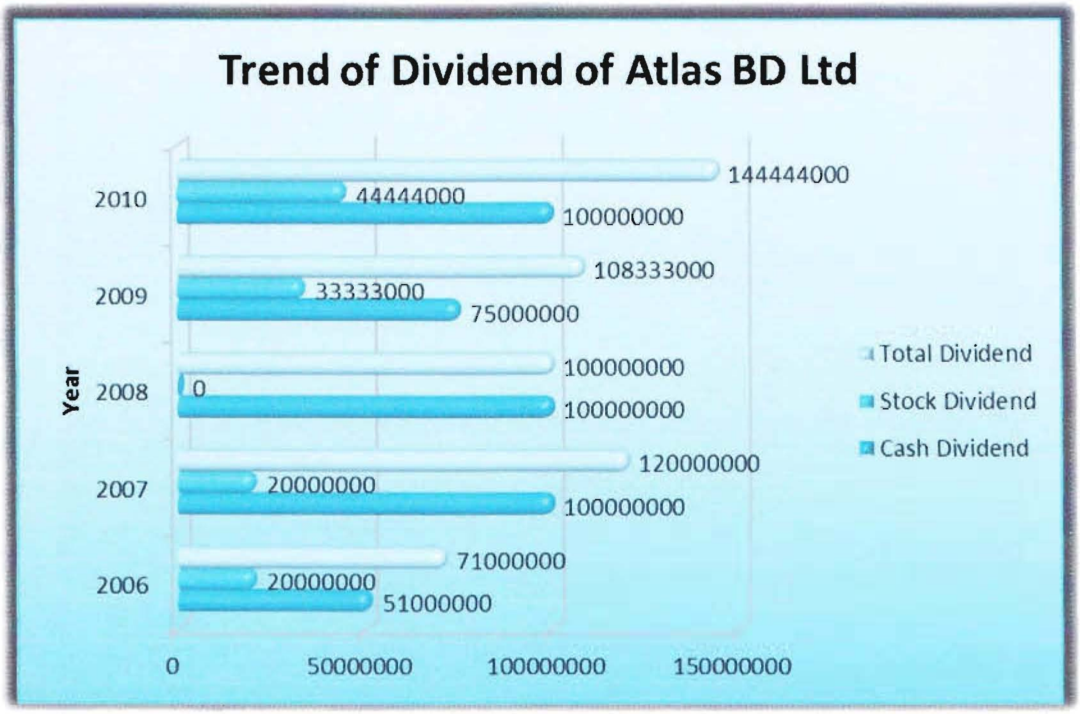


Table 6.2: Trend of Dividend of Atlas BD Limited

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Cash Dividend	51000000	100000000	100000000	75000000	100000000
Stock Dividend	20000000	20000000	0	33333000	44444000
Total DIVIDEND	71000000	120000000	100000000	108333000	144444000

Table 6.3: Trend of Dividend of Atlas BD Limited

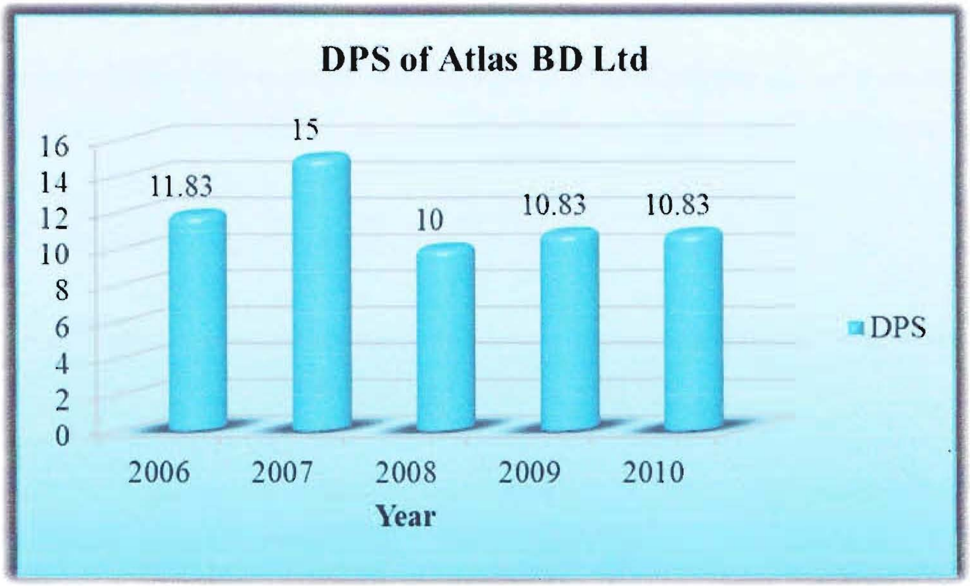


Figure 6.3: DPS of Atlas BD Limited

From the DPS Graph above it can be seen that Atlas Bangladesh the amount of DPS paid has decreased in recent years. Though the growth of DPS was 26.8% in 2007, it went to -33.33% in 2008, again in 2009 it went to positive but in 2010 there was no growth.

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
DPS	11.83	15.00	10.00	10.83	10.83
Growth	-	26.8%	-33.33%	8.3%	0%

Table 6.4: DPS of Atlas BD Limited

6.4 Price/ Earnings Ratio

The price/earnings (P/E) ratio how much investors are willing to pay per dollar of reported profit. Price/Earnings Ratio is calculated by dividing a market price per share with its earnings per share. In 2006 Atlas Bangladesh's price-to-earnings ratio (P/E) is 13.84, in 2007 it is 16.84, in 2008 it is 24.42, in 2009 it is 37.70, and in 2010 it is 28.45.

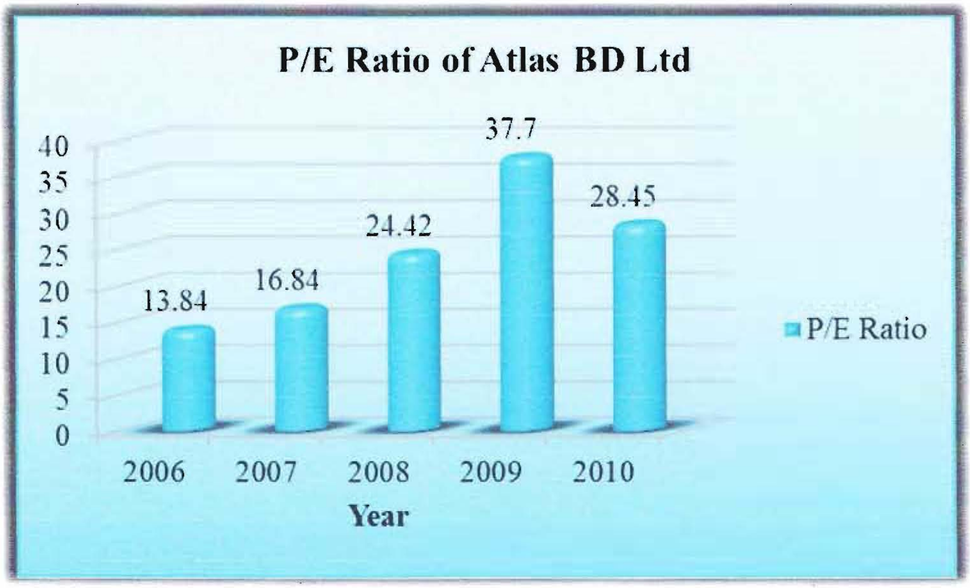


Figure 6.4: P/E Ratio of Atlas BD Limited

Particulars	Year				
	2006	**2007**	**2008**	**2009**	**2010**
Price/Earnings Ratio	13.84	16.84	24.42	37.70	28.45

Table 6.5: P/E Ratio of Atlas BD Limited

From the graph it can be seen the price/earnings (P/E) ratio of Atlas Bangladesh is substantially good. There is a huge demand for the share of Atlas Bangladesh. Thus its shares are having high liquidity

6.5 Payout Ratio

The payout ratio indicates how much the company has paid as dividend from its earning and is calculated by dividing the DPS by EPS.

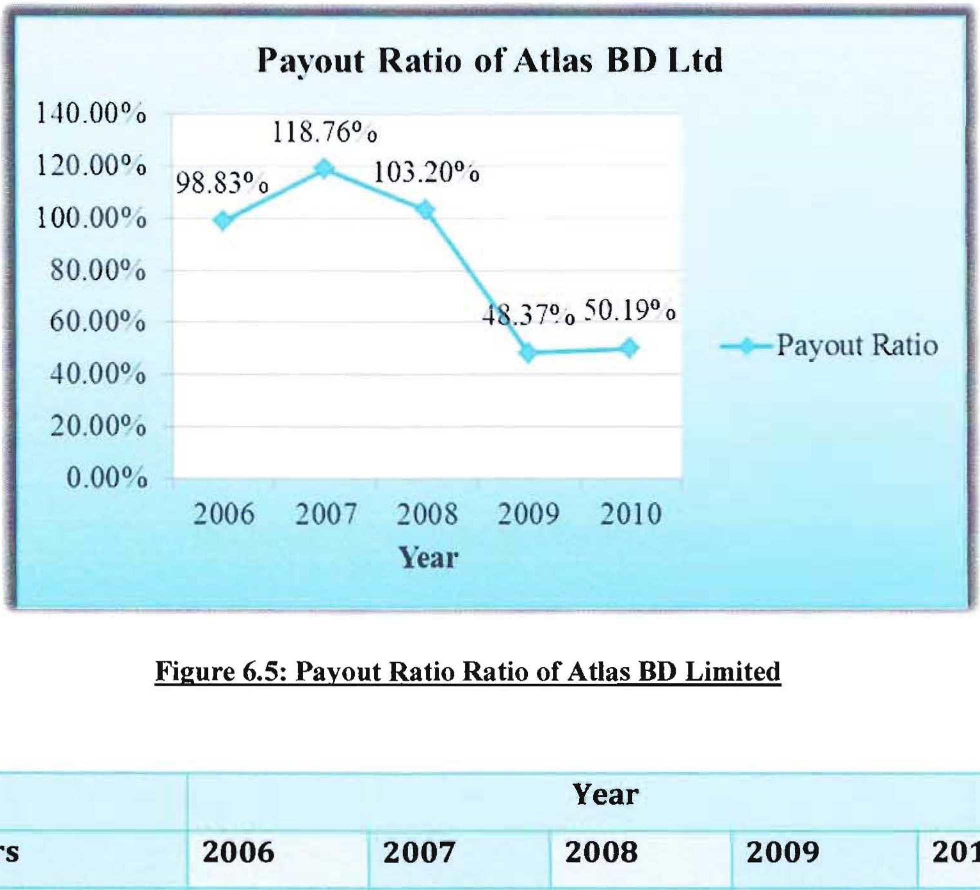


Figure 6.5: Payout Ratio Ratio of Atlas BD Limited

Particulars	Year				
	2006	**2007**	**2008**	**2009**	**2010**
Pay Out Ratio	98.83%	118.76%	103.20%	48.37%	50.19%

Table 6.6: Payout Ratio Ratio of Atlas BD Limited

From the payout ratio graph it can be seen that in 2006 the payout ratio was near 100%. This means all the earnings were paid out as dividend in 2006. In 2007 and 2008 the payout ratio is more than 100%. This means that in 2007 and 2008 Atlas Bangladesh paid more dividends to each share holder than its earnings per share. But in recent years i.e. 2009 and 2010, payout ratio is around 50%, which means Atlas Bangladesh is keeping most of its profit as retained earnings.

...arket Price and Dividend Pay Out Ratio

Figure 6.6: Market Price of Atlas BD Limited

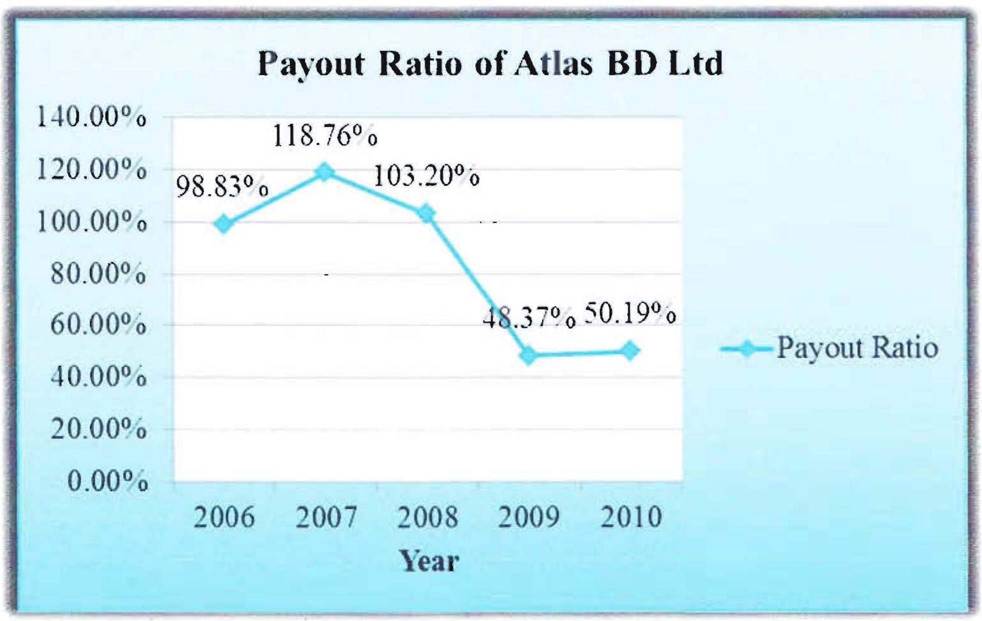


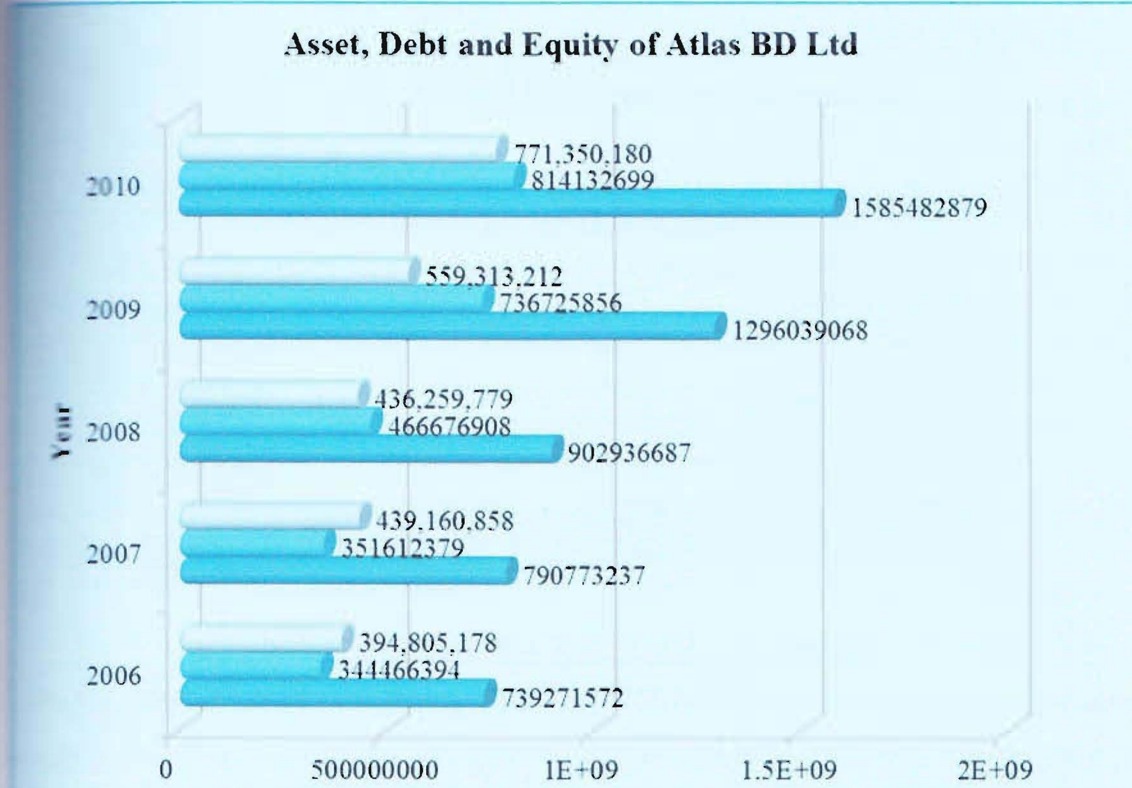
Figure 6.7: Payout Ratio Ratio of Atlas BD Limited

If we compare the graph of market price and payout ratio it can be seen with decreasing payout ratio the market price is increasing.

CAPITAL STRUCTURE

Particulars	2006	2007	2008	2009	2010
Total Assets(Tk)	739271572	790773237	902936687	1296039068	1585482879
Total Debt (Tk)	344466394	351612379	466676908	736725856	814132699
Total Equity (Tk)	394,805,178	439,160,858	436,259,779	559,313,212	771,350,180
Debt to Asset Ratio	46.60%	44.46%	51.68%	56.84%	51.35%
Equity to Asset Ratio	53.40%	55.54%	48.32%	43.16%	48.65%
Debt to Equity Ratio	87.25%	80.06%	106.97%	131.72%	105.55%
Market Share Price	165.66	212.69	236.63	844.10	613.95

Table 6.7: Capital Structure of Atlas BD Limited



	2006	2007	2008	2009	2010
Equity	394,805,178	439,160,858	436,259,779	559,313,212	771,350,180
Debt	344466394	351612379	466676908	736725856	814132699
Asset	739271572	790773237	902936687	1296039068	1585482879

Figure 6.8: Asset, Debt & Equity of Atlas BD Limited

Analyzing the table and the bar diagram of capital structure of Atlas Bangladesh, we can say:

Debt to Asset Ratio and Equity to Asset Ratio

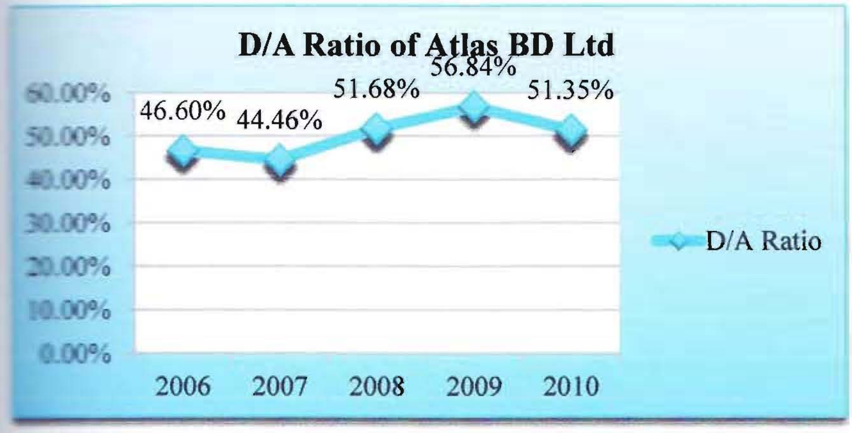


Figure 6.9: D/A Ratio of Atlas BD Limited

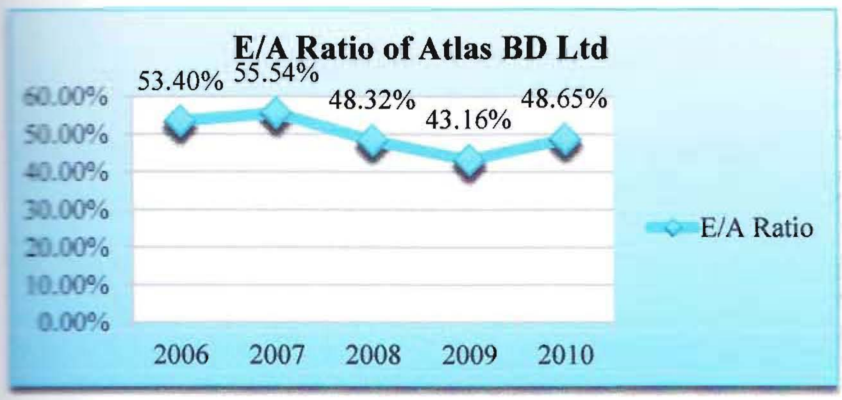


Figure 6.10: E/A Ratio of Atlas BD Limited

From the graph it can be seen that in 2005 and 2006 asset were financed by a higher proportion of equity than debt. In 2005 the debt to asset ratio was 46.60% and equity to asset ratio 53.40%, and in 2006 the debt to asset ratio was 44.46% and equity to asset ratio 55.54%. But the proportion changed in 2007, from 2007 the more debt used is in the capital structure. In 2007, 51.68% debt and 48.32% equity; in 2008, 56.84% debt and 43.16% equity; in 2009, 51.35% debt and 48.65% equity was used to finance the assets.

6.9 Debt to Equity Ratio

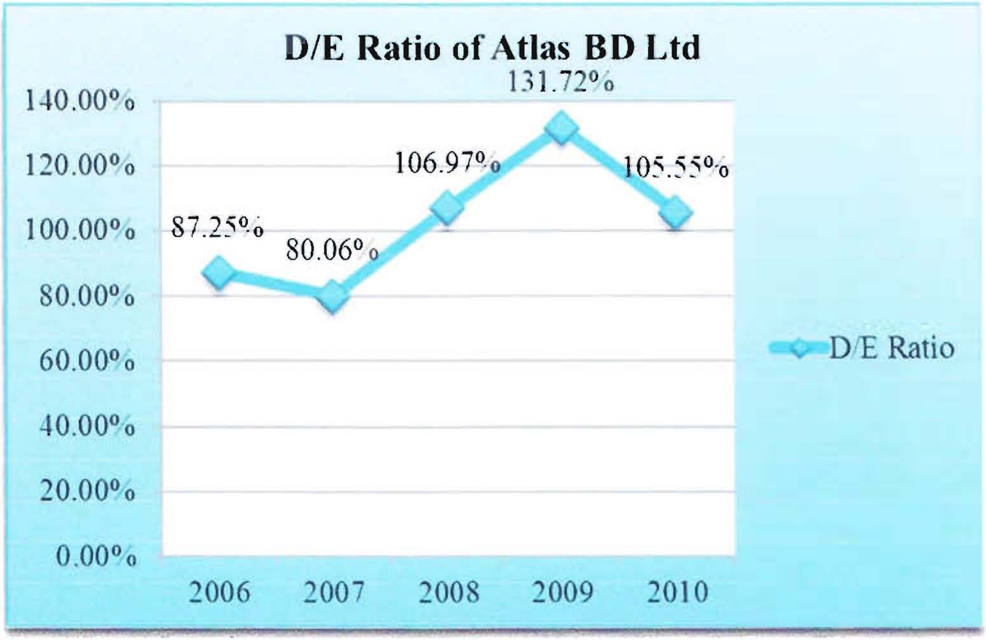


Figure 6.11: D/E Ratio of Atlas BD Limited

With increasing debt to asset ratio and decreasing equity to asset ratio, debt to equity ratio is decreasing. In 2005 the debt to equity ratio is 87.25%, in 2006 it is 80.06%, in 2007 it is 106.97% in 2008 it is 131.72% and in 2009 it is 105.55%.

6.10 Impact on the Market Price

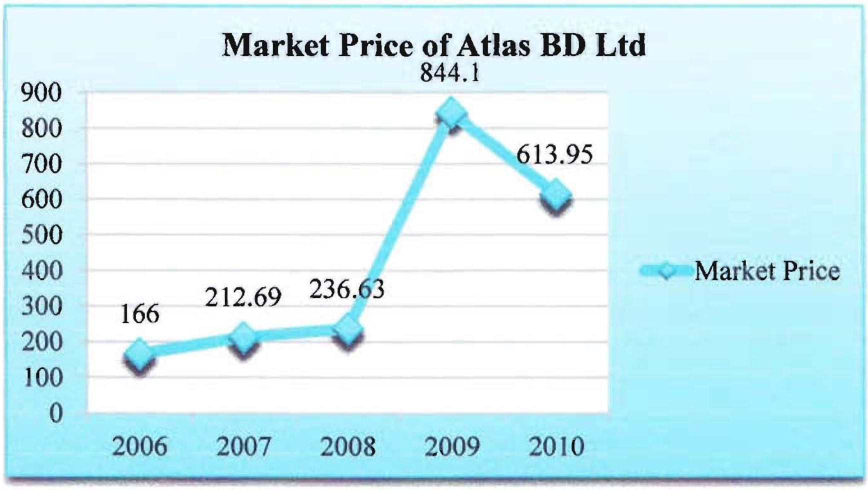


Figure 6.12: Market Price of Atlas BD Limited

If we compare the debt to equity ratio graph with the market share price graph it can be concluded the share price is directly proportion to the amount of debt used. It is seen with increasing amount of debt used share price also increases. So we may assume that if more debt is used in the capital structure then share price will also increase.

Chapter-7

ANWAR GALVANIZING LIMITED

Anwar Galvanizing

ANWAR GALVANIZING LIMITED

Anwar Group of Industries (AGI) has a glorious business heritage, a glittering present and a sparkling future. Established during the year 1834 by Late Lakku Mia, when he started his business career with the trade of 'Hides & Skins', it remains a family owned business. Since its inception its mission has been very clear "Satisfying consumers by providing the best possible goods & services, pursuing appropriate business ethics and ambition to reach the top".

As one generation passed over the management responsibility to the next, it provided the wisdom and experience achieved during its own era. This knowledge was rightly used by each new generation to make their mark and take the Group to new heights. Overtime it grew to become an industrial giant of the country and succeeded in creating a national & international network that comprises of many subsidiaries and affiliates. The Group (including the associating companies) employs over 12,000 dedicated people, whom it considers the backbone of all the success. Presently, the Group is chaired by Mr. Anwar Hossain who enjoys a very high reputation in the society and has also served the nation as a legislator. The management of Anwar Group maintains strong ties with members of political parties, civil administration, and defense.

The Group takes pride in the success of its associating companies that includes composite textile, jute, financial service like banks & insurance, building materials, real estate, home décor, engineering, trading, and automobiles.

Company Name: Anwar Galvanizing Limited

Trade Code: ANWARGALV

Company No: 13221

Information of the Company:

Listing Year	1996				
Market Category	Z				
Electronic Share	Y				
Share Percentage:	Sponsor/Director 38.32	Govt.0	Institute 33.95	Foreign 0	Public 27.73
Remark					

Source: DSE Website

Market Category:

Companies which have failed to hold the current annual general meetings or have failed to declare any dividend or which are not in operation continuously for more than six months or whose accumulated loss after adjustment of revenue reserve, if any, is negative and exceeded its paid up capital is known as "Z" category companies. Anwar Galvanizing belongs to "Z" category in market as it has been suffering from losses for several years and has not been able to pay dividend since year 2007 to year 2009.

Basic Information:

Authorized Capital in BDT* (mn) 200.0

Paid-up Capital in BDT* (mn) 132.0 52 Week's Range 220 - 620

Face Value 100.0 Market Lot 50 Total no. of Securities 1320000

7.1 DIVIDEND POLICY

Dividend policy plays an important role as an indicator of performance for a company in the capital market. Different dividend policy has a different impact on the stock price and also indicates different strategies of a company.

In this part, Earning per share and Dividend per share of the company over the last five years is used to calculate and the dividend payout ratio to identify what type of dividend policy the firm follows.

But one thing is to be remembered that, increasing EPS doesn't necessarily means increase in share price and thus it is only one side of the coin. As the analysis move further, more instruments will be included to measure and identify firm's dividend policy and its impact on the capital market.

Table 7.1: Dividend Policy of Anwar Galvanizing Limited

	Year				
Particulars	**2007**	**2008**	**2009**	**2010**	**2011**
Net Profit/(Loss)	(46,164,744)	(11,216,975)	(9,505,965)	2,040,392	199,277
No. of Share outstanding	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000
Earning per Share (EPS)	(34.97)	(8.50)	(7.20)	1.54	.15
Dividend per Share (DPS)	0	0	0	0	0
Dividend	0	0	0	0	0
Price Earning Ratio(times)	2	12.70	43.19	186.36	1,655
Market price	70.50	108	311	287	248.25
Payout Ratio (%)	0	0	0	0	0

7.2 EPS

Earnings per share (EPS) shows the earnings of a company on a per share basis and it is seen that AGL company's EPS has increased in 2010-2011, from the last five years which gives us a positive impression about the company's performance.

It also sends a positive signal in the market about the performance of the company. The EPS is highest in 2010 which is 1.54 among the last five years. It also indicates the company has higher earnings in 2010-2011 year compare to previous year and thus the firms earning is increasing.

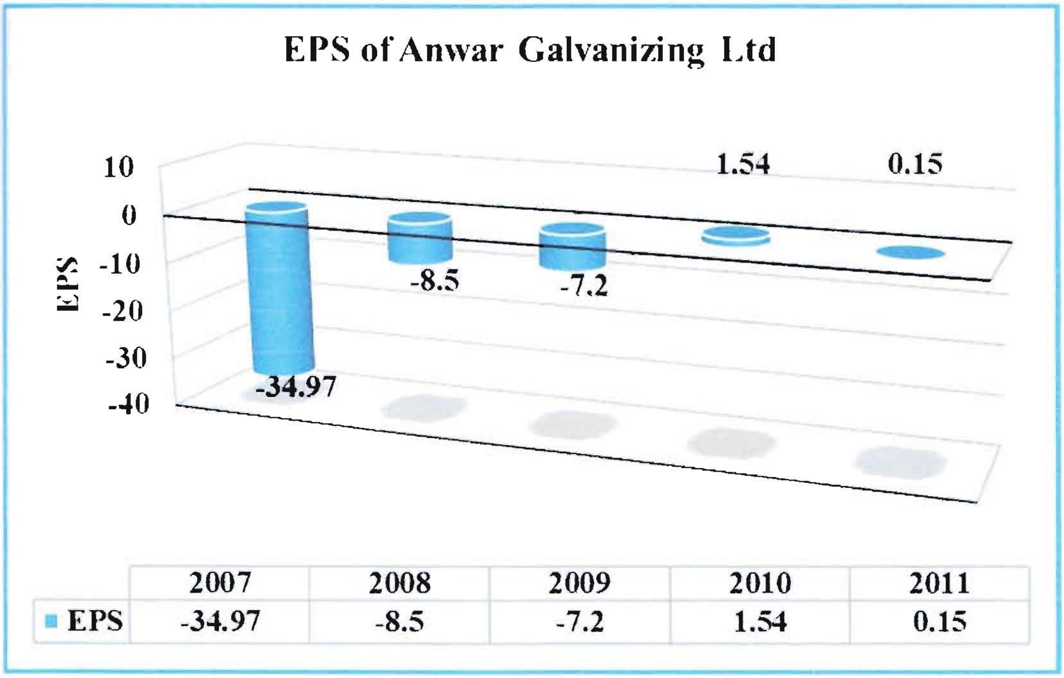


Figure 7.1: EPS of AGL

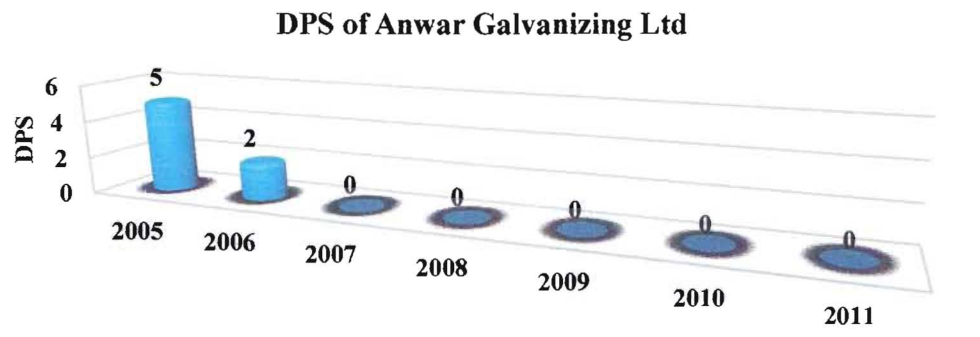
	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
EPS	(34.97)	(8.50)	(7.20)	1.54	.15
Growth	-	-75.69%	-15.29%	-121.4%	-90.3%

Table 7.2: EPS of AGL

In 2007-2009, Anwar Galvanizing Limited had suffered losses which resulted in negative EPS of Tk 34.97, Tk 8.50, and Tk 7.20 in the mentioned years consecutively. It shows the company shared its losses in these years with its shareholders. But in 2011 they have encountered profit and there EPS went positive, 1.54 and.15.Throught the last four ears the growth of AGL has maintained a negative trend.

7.3 DPS

The actual cash dividend per share (DPS), which is the amount of cash distributed during the period to each outstanding share of common stock as dividend.



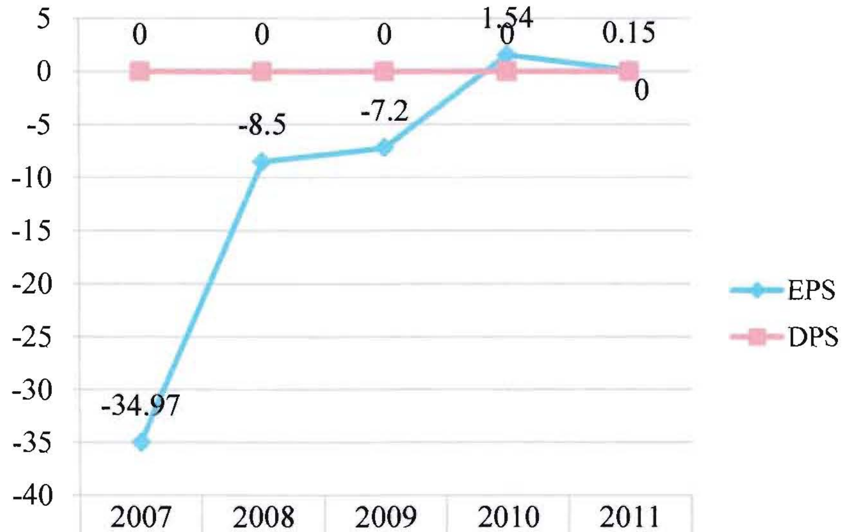
	2005	2006	2007	2008	2009	2010	2011
DPS	5	2	0	0	0	0	0

Figure 7.2: DPS of AGL

It was paid in the years 2005 and 2006; Tk 5 and Tk 2 respectively for each common stock held. As the firm incurred losses in the years 2007-09 they could not pay any dividend. Therefore no DPS for the following years are present. Though they incurred profit in 2010-2011 but no dividend was paid.

7.4 Comparison between EPS and DPS

In comparison we can find that Anwar Galvanizing's DPS increases with the EPS on the respective year and DPS becomes zero (0) due to negative EPS earned in the years 2007-09.



	2007	2008	2009	2010	2011
EPS	-34.97	-8.5	-7.2	1.54	0.15
DPS	0	0	0	0	0

Figure 7.3: Comparison between EPS and DPS of AGL

Therefore when the individual values are compared from the graph, it can be said that Anwar Galvanizing follows the policy of paying dividend proportionate to its profit and avoids dividend when the company suffers losses.

7.5 Price Earning Ratio

Anwar Galvanizing has negative price-to-earnings ratio (P/E) in the last 3 consecutive years (2007-09) due to the negative EPS. But in 2010-2011 the P/E ratio was positive.

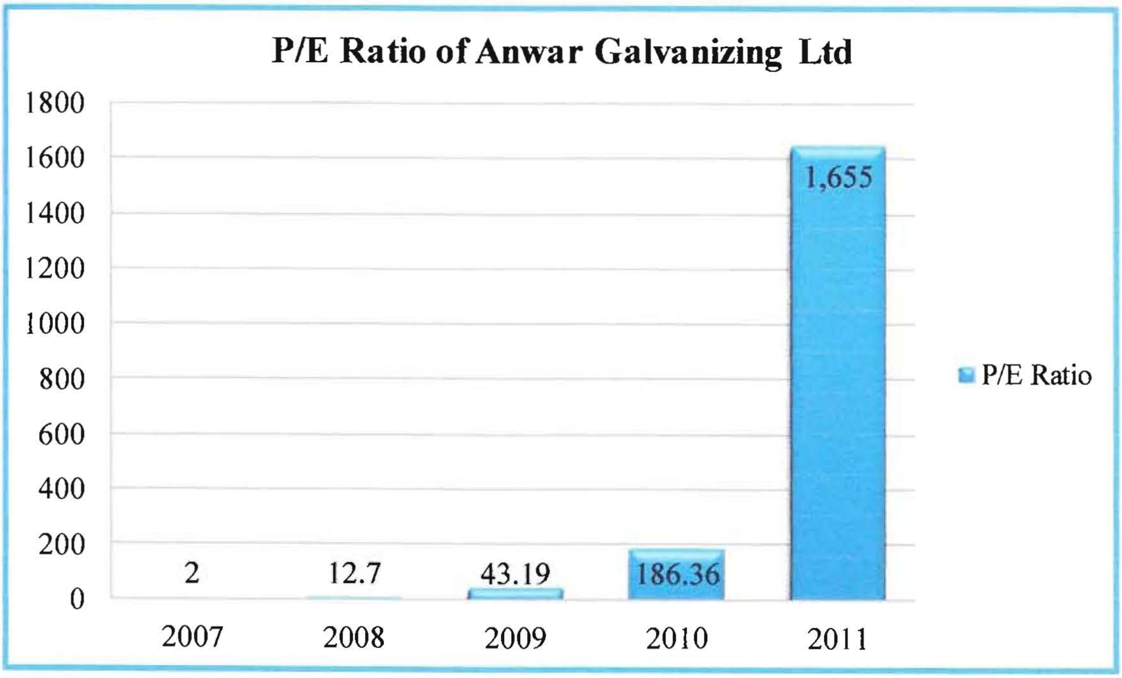


Figure 7.4: Price Earning Ratio of AGL

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Price Earning Ratio	2	12.70	43.19	186.36	1,655

Table 7.3: Price Earning Ratio of AGL

This ratio is generally calculated by dividing a financial asset's current share price with its earnings per share. Investors buying a company with a negative P/E ratio should be aware that they are buying a share of a company that has been losing money on its share for some time and in financial distress.

7.6 Pay-out Ratio

The pay-out ratio indicates how much the company has paid as dividend from its earning and is calculated by dividing the DPS by EPS.

Over the years we can see that in 2007-2011 they paid no dividend so the payout ratio is 0.

7.7 Market Price and Dividend Pay-out Ratio

It is evident that the market price of Anwar Galvanizing's stock is not following any trend at all. No impact can be clearly spotted on the dividends paid or the dividend pay out ratio with the changes of the market price of Anwar Galvanizing.

7.8 CAPITAL STRUCTURE

Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Total Assets(Tk)	252354619	165836022	175792999	179574941	203527178
Total Debt (Tk)	86018391	45664538	20952271	23023203	103902432
Total Equity (Tk)	166336228	120171484	154840728	156551738	99624746
Debt to Asset Ratio (%)	34.09%	27.53%	11.91%	12.82%	51.05%
Equity to Asset Ratio (%)	65.91	72.46	88.08	87.17	48.9
Debt to Equity Ratio (%)	51.71	37.99	13.53	14.70	104.29

Table 7.4: Capital Structure of Anwar Galvanizing Limited

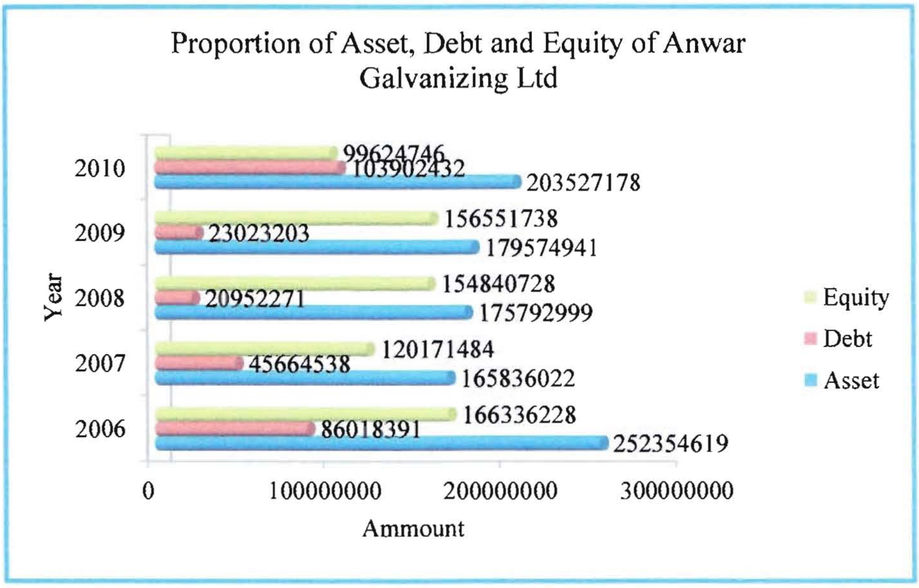


Figure 7.5: Proportion of Asset, Debt and Equity of AGL

After analyzing the table and the bar diagram of capital structure of Anwar Galvanizing, we can derive the following interpretations of key ratios:

7.9 Debt to Asset Ratio

The debt to asset ratio is gradually decreasing following a decreasing trend.

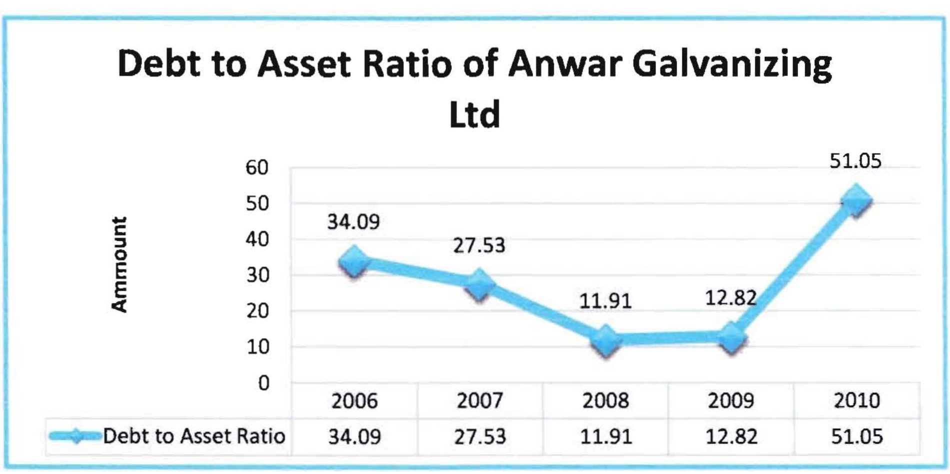


Figure 7.6: D/A Ratio of Anwar Galvanizing Limited

Even though in 2009 debt increased from 11.91% to 12.82%, over the course of last 5 years this ratio showed almost 69% decline. This indicates the company is using declining debt to finance its assets. In 2010 it went 51.05%.

7.10 Equity to Asset Ratio

As a result of a decreasing debt to asset ratio, the equity to asset ratio is following an increasing trend. This means the company is raising its dependency more and more on the equity capital to finance its assets. But in 2010 it has decreased again.

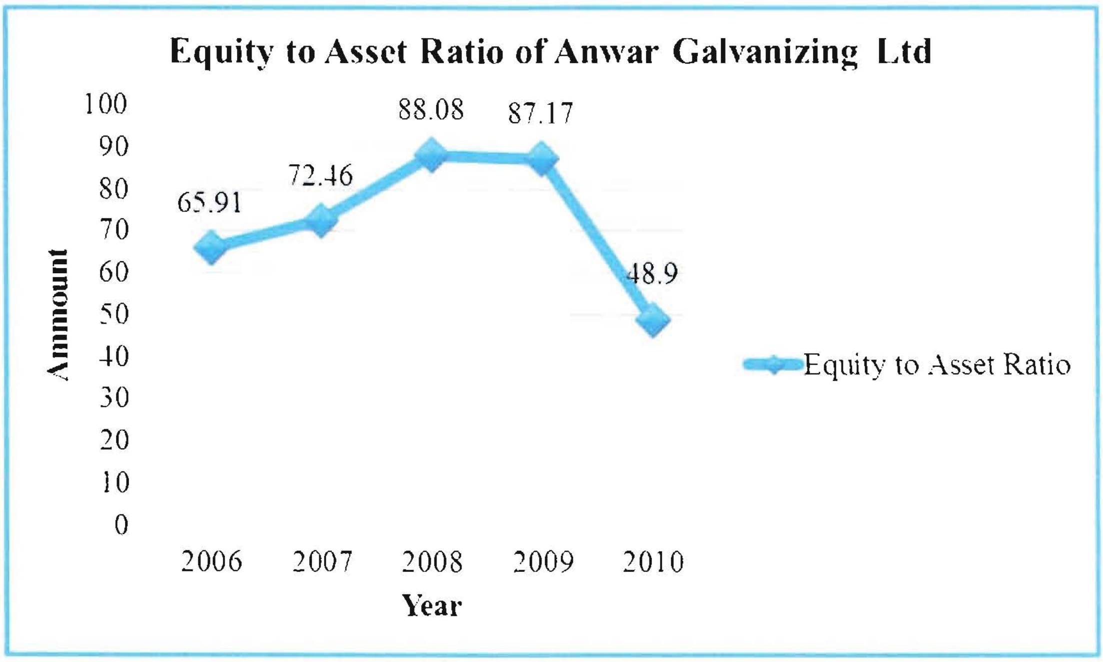


Figure 7.7: E/A Ratio of Anwar Galvanizing Limited

7.11 Debt to Equity Ratio

As a result of decreasing D/A ratio and increasing E/A ratio, the D/E ratio is decreasing.

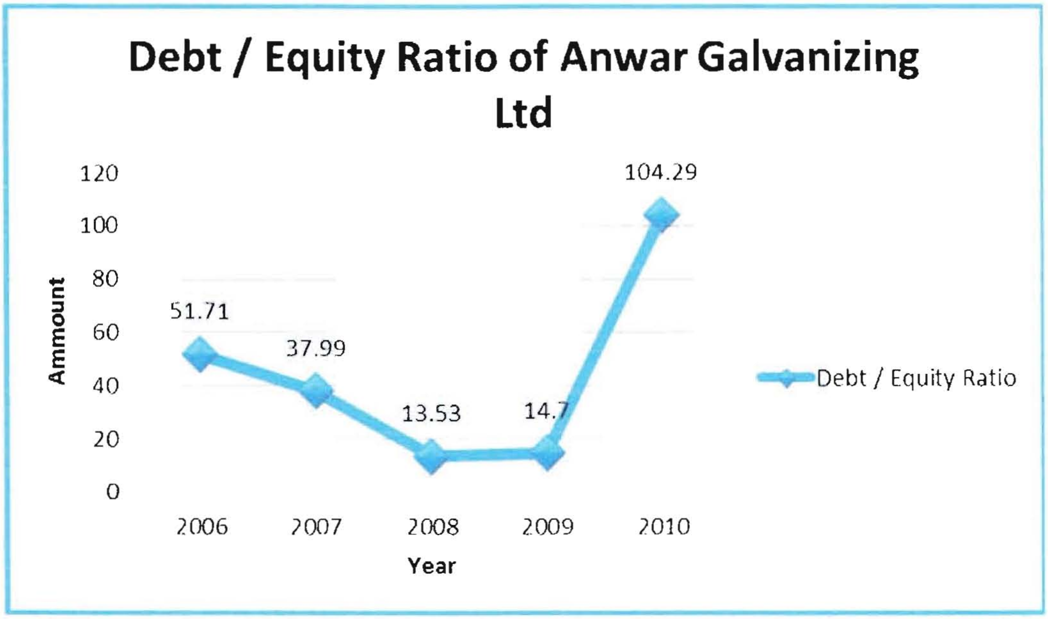


Figure 7.8: D/E Ratio of Anwar Galvanizing Limited

7.12 Profitability Condition of AGL

Years	2006	2007	2008	2009	2010
Net Income	2,245,149	(46,164,744)	(11,216,975)	(9,505,965)	**2,040,392**
Total Asset	252354619	165836022	175792999	179574941	**203527178**
Total Equity	166336228	120171484	154840728	156551738	**99624746**
ROA	.89%	(27.84%)	(6.38%)	(5.29%)	**1%**
ROE	**1.34%**	**(34.41%)**	**(7.24%)**	**(6.07%)**	**2.04%**

Table 7.5: Profitibility Condition of AGL

ROA and ROE ratios have become positive in last year from overcoming the situation of previous three years. This is a light sign for the firm.

Chapter-8

Bangladesh Thai Aluminium Limited

BANGLADESH THAI ALUMINIUM LIMITED

Bangladesh Thai Aluminium Limited (BTA) is the pioneer and the largest manufacturer of anodized and powder coated aluminum profiles, doors, windows, curtain wall, unitized curtain wall, railway coach windows,ladders, bolts and allied items in Bangladesh. It's voyage began in 1979 as a joint venture company with Thailand. From a humble beginning with fabrication of aluminim products BTA, through its untiring endeavors grew into a sizeable organization of over 500 skilled and dedicated personnel. It has aluminium billet casting plant,aluminium extrusion presses, anodization system, aluminium powder coating plant, extrusion die making plant, automatic wrapping and printing system, in house power generation and advanced aluminium fabricating facilities for manufacturing of unitized curtain walls, aluminium composite wall panel, railway coach windows requiring sophisticated tig welding,hardwares etc.

8.1 Dividend Policy

Table 8.1: Dividend Policy of Bangladesh Thai Aluminium Limited

	Year				
Particulars	2006	2007	2008	2009	2010
Net Profit/(Loss)	(68,800,000)	(24,300,000)	35,900,000	69,555,983	69,769,098
No. of Shares	1,117,820	1,117,820	1,117,820	1,703,950	1,703,950
Earning per Share	(61.54)	(21.76)	32.13	40.82	40.94
Cash Dividend (Tk.)	0	5,589,100	27,816,400	851975	0
Stock Dividend (Tk.)	0	0	0	3407900	4,259,875
Dividend		5,589,100	27,816,400	4259875	4,259,875
Dividend per Share		5	24.88	2.5	2.5
Price Earning Ratio	(.78)	(4.35)	13.15	29.20	14.65
Market price	49	97.75	422.5	1192.25	600
Payout Ratio (%)			77.44%	6.12%	6.10%

Each and every company follows a specific dividend policy to provide dividend its shareholder. Every company does not follow a specific dividend policy. Dividend policy varies among companies due to dissimilar strategy. Some companies follow residual dividend policy where company retains sufficient earnings to finance and rest of the earnings distributes. A number of companies can follow stable, predictable dividends where firm provide a specific amount of dollar for per share to shareholder as a dividend. A few companies pursue constant payout ratio where firm pay a specific rate from EPS as a dividend. Another companies can pay their dividend by following low regular dividend plus extra where company pay a regular dividend but a low amount along with that if company earn high, then provide extra dividend. Dividend policy plays a crucial role over the capital market, because there have many categories customers. One group want capital gain on the other hand another group can want higher dividend as they don't like risk. So company has to choose a dividend policy based on its future prospect, shareholder and so on. Bangladesh Thai Aluminum limited company also pursues a dividend policy.

8.2 Trends of stock dividend

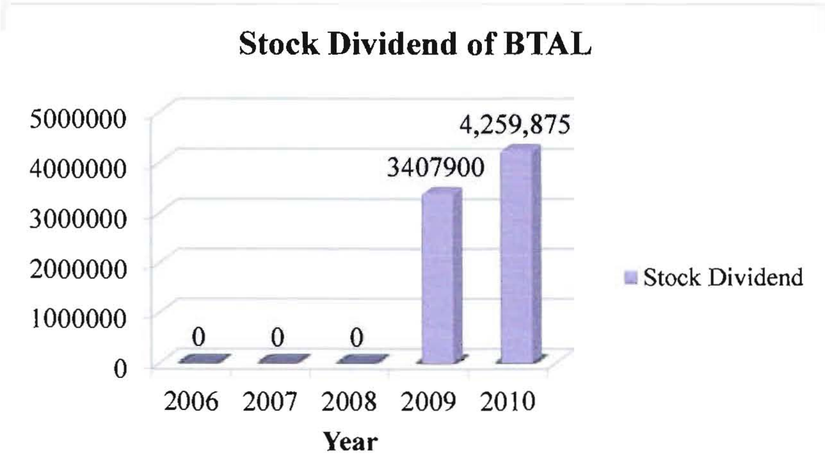


Figure 8.1: Stock Dividend of BTAL

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Stock Dividend (Tk.)	0	0	0	3407900	4,259,875

Table 8.2: Stock Dividend of BTAL

Bd. Thai Aluminum usually do no issue stock dividend but in 2009 company issue 20% stock dividend along with 5% cash dividend. In 2010 they only issued stock dividend of 25%.

8.3 Trends of cash dividend

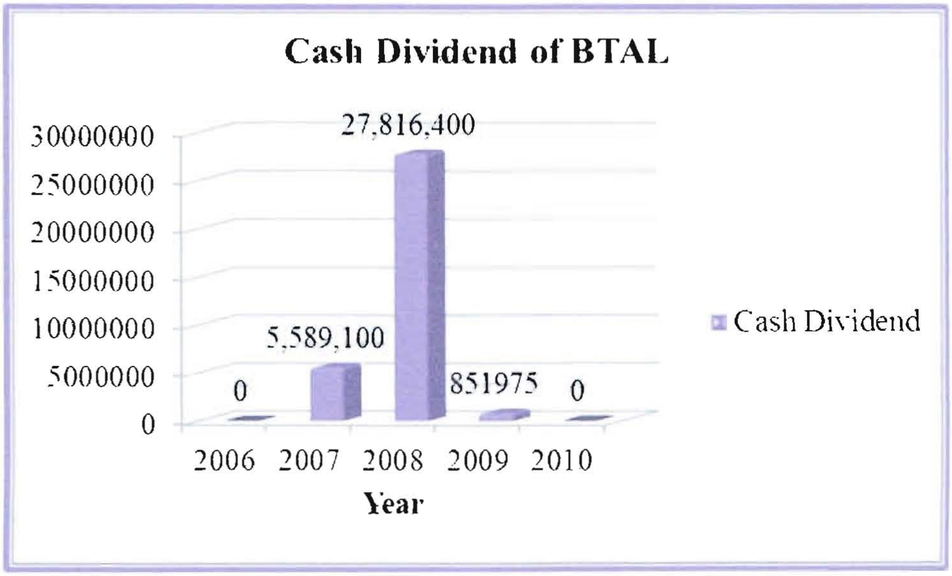


Figure 8.2: Cash Dividend of BTAL

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Cash Dividend (Tk.)	0	5,589,100	27,816,400	851975	0

Table 8.3: Cash Dividend of BTAL

Bangladesh Thai Aluminum limited maintains low regular dividend plus extra dividend policy to give dividend to its shareholdr. From 2006 to 20010 we see that company pay 5% cash dividend in 2009 and 2007. Along with this the company pays 20% cash dividend in 2008 which indicates plus extra dividend with low regular dividend. In 2008 company gives more 15% with lower rate 5%.

8.4 Earnings per share (EPS)

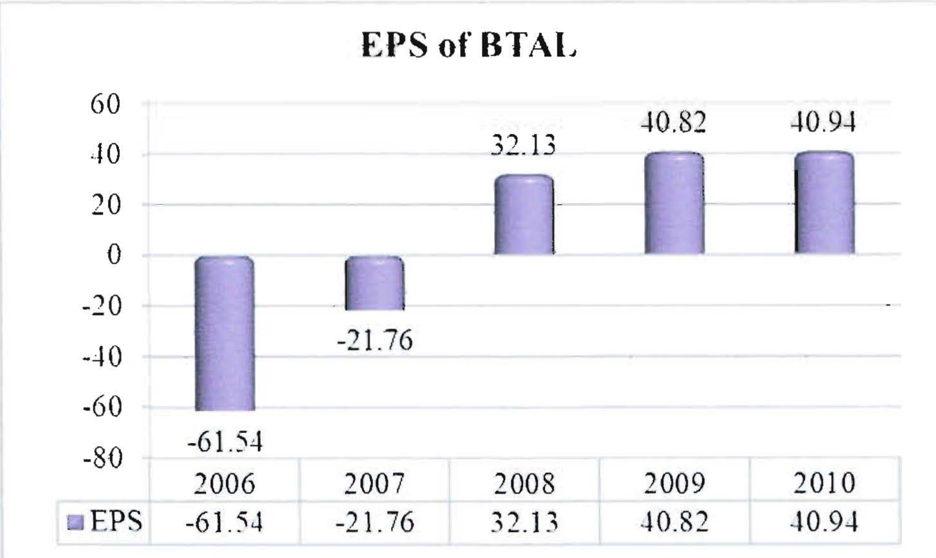


Figure 8.3: EPS of BTAL

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
EPS	(61.54)	(21.76)	32.13	40.82	40.94
Growth	-	-64.6%	-247.7%	27.1%	.29%

Table 8.2: EPS of BTAL

The earnings per share is (62.26), (21.76), 32.13, 40.82 and 40.94 for the year 2006, 2007, 2008, 2009 and 2010 respectively. There has fluctuation of EPS over 2006 to 2007 at decreasing rate but from 2008 there has an increasing trend of EPS. In 2007-2008 the growth of EPS was negative but after that in 2009-2010 it went to positive again.

8.5 Dividend per share (DPS)

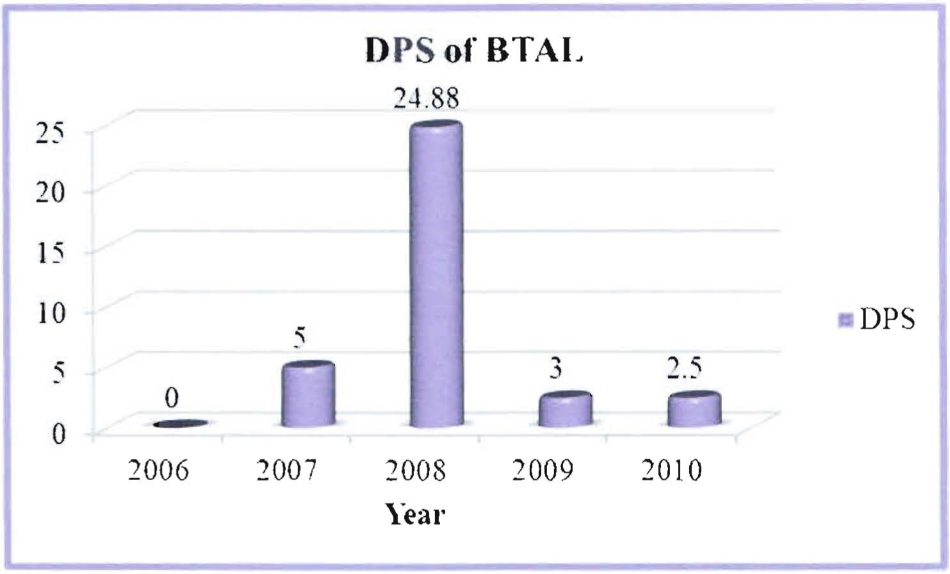


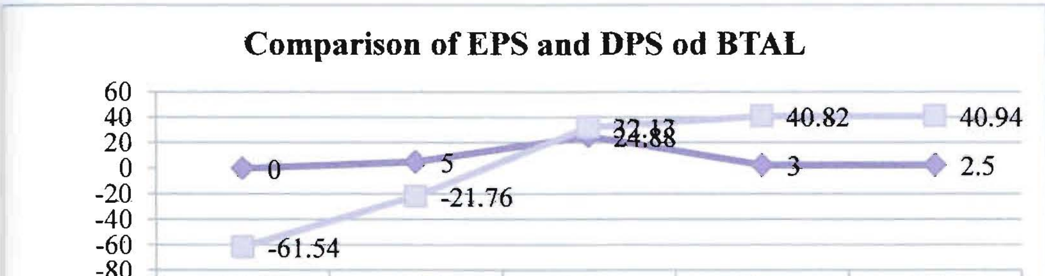
Figure 8.4: DPS of BTAL

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
DPS	-	5	24.88	2.5	2.5
Growth	-	-	397.6%	-90%	0%

Table 8.3: DPS of BTAL

The company has provided cash and bonus share both type of dividend, cash dividend in all the years without 2006 and 2010. And provide bonus share 20% in 2009 as well as 25% in 2010. There is an increasing trend of cash dividend from 2007 to 2008. After considering the cash dividend, the dividend per share of the company was 5, 24.88, 2.5, and 2.5 for the year 2006, 2007, 2008, 2009 and 2010 respectively. In 2008 the growth was very high (397.6%) but the following two years it went to negative again.

8.6 Comparison between DPS and EPS



	2006	2007	2008	2009	2010
DPS	0	5	24.88	3	2.5
EPS	-61.54	-21.76	32.13	40.82	40.94

Figure 8.5: Comparison between DPS and EPS of BTAL

In case of EPS, we have seen that the company was in highly negative trends of EPS (62.26), (21.76) 32.13, 40.82 and 40.94 is the respective EPS in 2006, 2007, 2008, 2009 and 2010 of the company. In 2006 EPS was highly negative but after company's growth increased and earn a good EPS in 2008 and 2009. On the other hand, despite company has negative EPS in 2006, 2007 it provided cash dividend as they maintain low regular dividend plus extra. Due high growth and earn high EPS company provide extra 15% cash dividend in 2008 along with regular 5% cash dividend. The positive sign is that their EPS has gradually increased from 2008-2010.

8.7 Payout Ratio

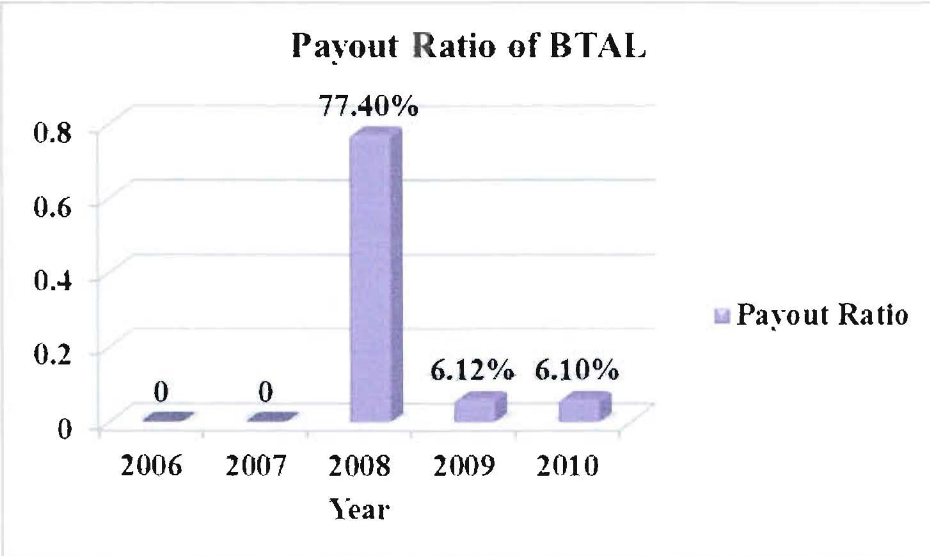


Figure 8.6: Payout Ratio of BTAL

	Year				
Particulars	2006	2007	2008	2009	2010
Payout Ratio (%)			77.44%	6.12%	6.10%

Table 8.4: Payout Ratio of BTAL

The payout ratio indicates that how much the company has paid as dividend from its earning. In 2009, the rate was 61.24%, which means the company has provided 61.24% dividend of its income. The rate was also high in 2008, which was 62.24%. In 2006, 2007 there has negative EPS. Even after that the company pays a regular dividend at 5%, because company wants to maintain a regular dividend policy.

8.8 Capital Structure

Capital structure is the combination of preferred stock, equity, debt and so on used to finance a firm. Capital structure is very important for a company. Without using optimal capital structure a firm could not enhance share price as well as minimize weighted average cost of capital. So determining optimal capital structure of a company is very important. But most of the time firm does not use its optimal level debt, because they reserve future borrowing capacity. If firm use optimal level debt now, the firm would not accept attractive investment opportunities due to unavailable financing.

Table 8.5: Capital Structure of Bd. Thai Aluminum

Year	2006	2007	2008	2009	2010
Debt	525,441,225	571,025,223	768,077,889	811,905,908	798872228
Equity	80,959,305	54,132,715	957,008,659	1,157,786,547	1745408568
Asset	656016373	679102949	1725086548	1969692455	2544280796
Debt :Equity	87.13	91.9	45.55	41.59	45.8
Debt: Asset	45.55%	46.54%	31.69%	30.70%	31.4%
Equity: Asset	12.34%	7.97%	55.48%	58.78%	68.6%

8.9 Debt to Equity ratio

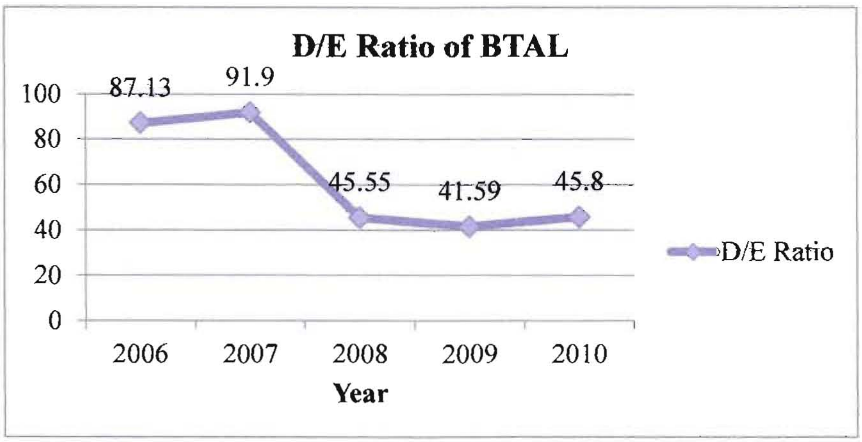


Figure 8.7: D/E Ratio of BTAL

From the above figure if we follow at debt to equity ratio then we can see that debt and equity ratio is changing over five years. In 2006 company use high debt and after that equity portion was increased and debt portion was decreased in 2007. In 2006 this company was under loss so that they did not issue new share to rise the fund, because if firm rise fund by equity then it should pay dividend. So that firm uses highly financial leverage by taking high risk. That means the firm has raised more fund by using debt, which will maximize the shareholder wealth. Apart from it the company can also get tax advantage if it uses more debt. If the company uses more debt than it will have to pay more interest on the debt and interest is exempted from tax. So the company's tax will be low than the firm that use equity for financing. The firm can invest the saved amount and can earn a positive return. After rising profit firm reduce its debt and increase its equity by issuing bonus share. Finally now Bd. Thai has a good debt and equity ratio than before.

8.10 Debt to Asset Ratio

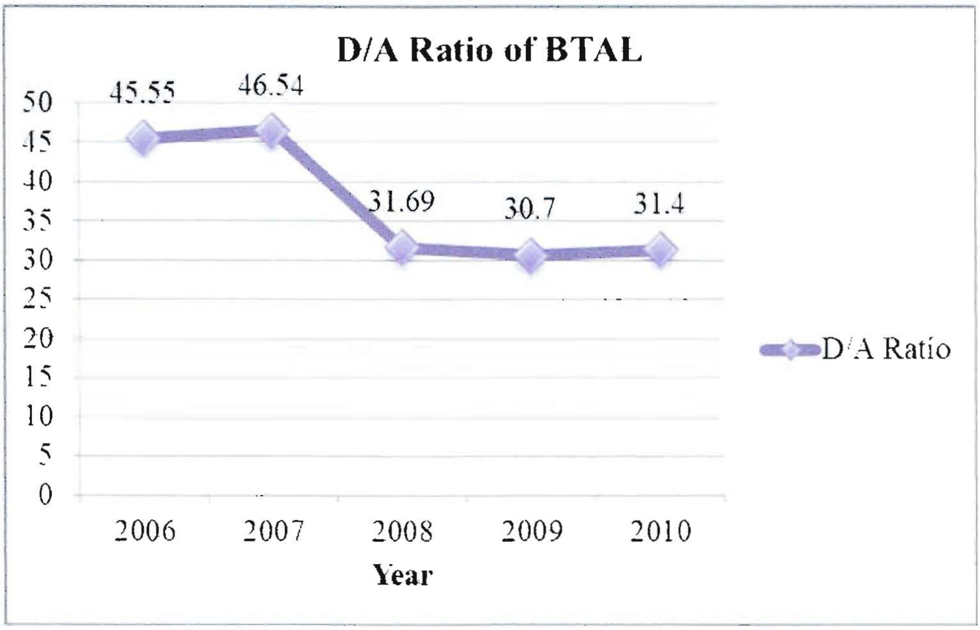


Figure 8.8: D/A Ratio of BTAL

Debt to asset ratio shows the percentage of debt instead of asset. If we follow the above illustrator, we can see that percentage of asset is increasing over five years. This is the good sign for a company.

8.11 Equity to Asset ratio

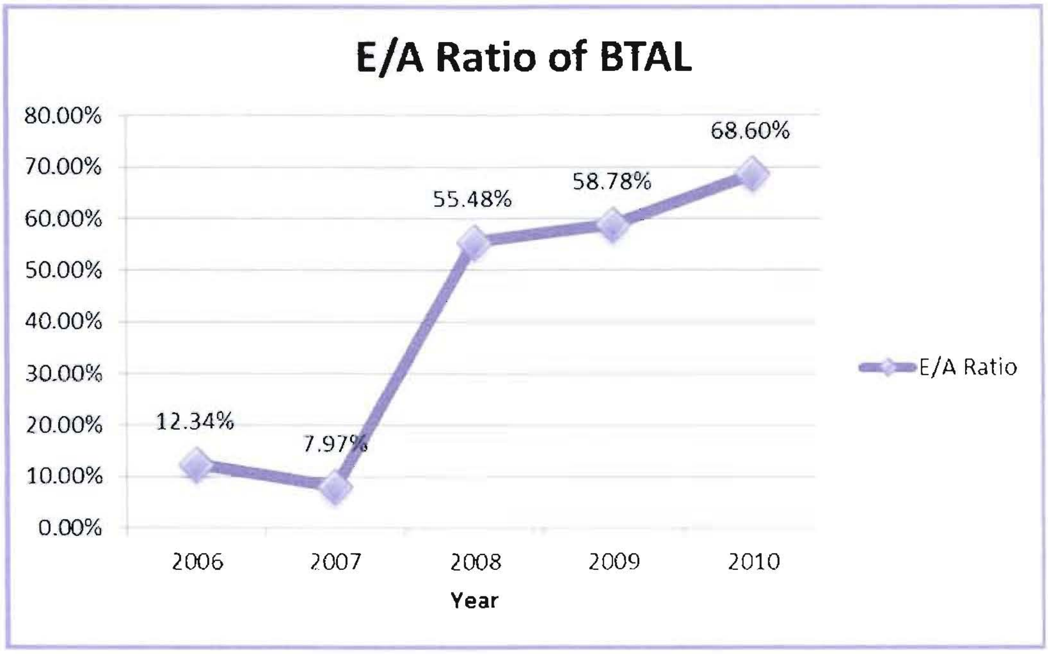


Figure 8.9: E/A Ratio of BTAL

From the graph we can see that the company's equity against asset increased dramatically which is aggressive signal for them.

8.12 Profitability Condition of BTAL

Years	2006	2007	2008	2009	2010
Net Income	(68,800,000)	(24,300,000)	35,900,000	69,555,983	**69,769,098**
Total Asset	656016373	679102949	1725086548	1969692455	**2544280796**
Total Equity	80,959,305	54,132,715	957,008,659	1,157,786,547	**1745408568**
ROA	**(10.48%)**	**(3.8%)**	**2.08%**	**3.53%**	**2.74%**
ROE	**(84.9%)**	**(44.88%)**	**3.75%**	**6%**	**4%**

Table 8.6: Profitability Ratio

Though the ratios are following a zigzag trend for last three years bt it has improved a lot compare to 2006-2007.

Chapter-9

Singer Bangladesh Limited

SINGER®

SINGER BANGLADESH LIMITED

Singer Bangladesh operates 256 'Singer Plus' retail stores and 30 smaller satellite shops. Singer Asia owns 75.0% of the shares of Singer Bangladesh. Singer has operated in the geographic area of Bangladesh since 1870.Singer Bangladesh is the largest retailer in Bangladesh of durables for the home with an approximate 16% overall market share and significant market shares across several product categories including a 17% market share in refrigerators, a 16% market share in televisions and a 5% market share in washing machines, as well as a 24% market share in consumer sewing machines. Sales of non-sewing products represent approximately 97% of Singer Bangladesh's total sales. Products traditionally have been sold in Bangladesh using the Singer brand. During 2005, the Bangladesh company began to offer non-Singer brand home appliances, electronics and motorcycles, some of which brands, such as Haier, Whirlpool and Samsung, are being sold under exclusive or co-exclusive brand distribution arrangements.

At the end of 2010, Singer Bangladesh had 72,543 active installment accounts with a total installment accounts receivable, net of unearned finance charges and allowances, of $8.6 million. Only about 4.0% of Singer Bangladesh's installment accounts receivable are in arrears past the due date. Singer Bangladesh's strategy is to seek to further boost revenue and profit by: increasing the number of sales locations, particularly in rural areas; modernizing and improving existing outlets; improving and broadening the product offering; and expanding the range of financial services offered. The Bangladesh company has approximately $24.7 million in cash on deposit plus an additional $35.0 million of unutilized, confirmed credit facilities available to help fund its expansion.Singer Bangladesh has its own manufacturing facility that presently assembles televisions and motorcycles and manufactures consumer and industrial electric wire and cable. The Bangladesh company is planning a significant investment in an additional manufacturing facility, possibly in a joint venture with an international manufacturer, to manufacture refrigerators and related products.The Bangladesh company also has approximately 972 independent dealers, most of whom sell the company's electric wire and cable products. Singer Bangladesh has 829 employees.

9.1 DIVIDEND POLICY

PARTICULARS	2006	2007	2008	2009	2010
Net Profit (TK)	116650000	101820000	180000000	396790000	1973760358
No. of Share Outstanding	1662155	1662096	2243862	2243862	2243862
Earnings per Share (EPS) Tk.	70.18	61.26	80.22	176.83	879.63
Dividend per Share (DPS) Tk.	35	35	30	90	75
Dividend (Tk.)	58175425	58173360	67315860	201947580	168290100
Price Earnings Ratio	11.04	31.02	24.71	15.79	2.933
Market price (Tk.)	774.7872	1900.2852	1982.2362	2792.1457	2580
Payout Ratio (%)	49.87	57.13	37.4	50.9	8.52

Table 9.1: Dividend Policy of Singer BD Limited

9.2 EPS

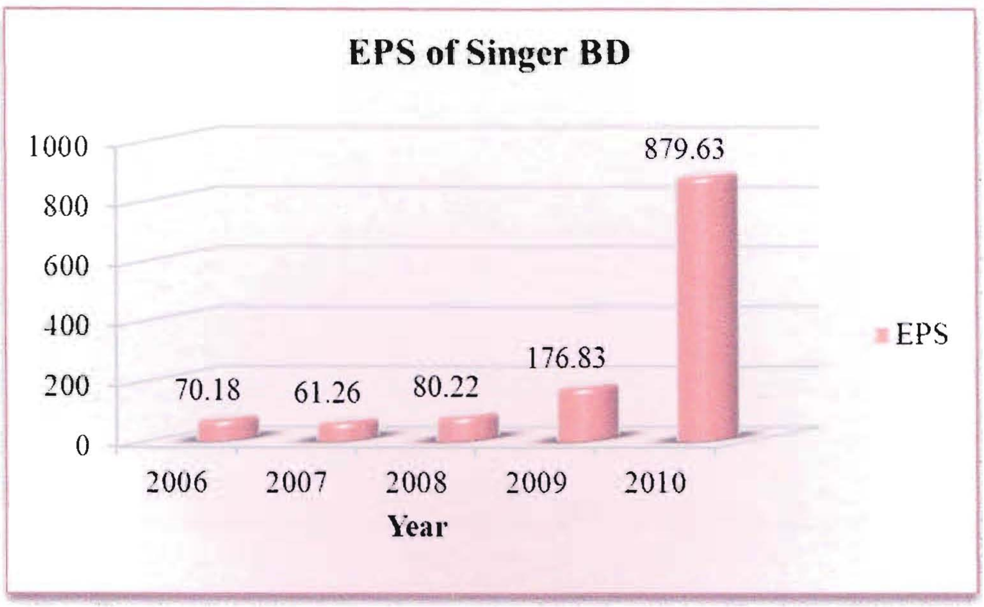


Figure 9.1: EPS of Singer BD

Particulars	Year				
	2006	2007	2008	2009	2010
EPS	70.18	61.26	80.22	176.83	879.63
Growth	-	-12.7%	31.5%	120.43%	397.4%

Table 9.2: EPS of Singer BD Limited

When the 'Net Income available for common stock holders' is divided by, the 'number of shares of common stock outstanding' the result that is received is the 'Earnings per Share' (EPS). EPS is represented by the amount of money earned during the period, on behalf of each outstanding share of common stocks.

In 2006, 2007, 2008, 2009 and 2010 Singer Bangladesh consecutively earned Tk 116650000 representing EPS of Tk 70.18; Tk 101820000 representing EPS of Tk 61.26; Tk 180000000 representing EPS of Tk 80.22; Tk 396790000 representing EPS of Tk 176.83 and Tk 1973760358 representing EPS of Tk 879.63

So it can be concluded that EPS is following an overall increasing trend on a long term basis.

In case of the growth of EPS; in 2007 the growth was negative (-12.7%) but after that in 2008-2010 their growth has rapidly increased.

9.3 DPS

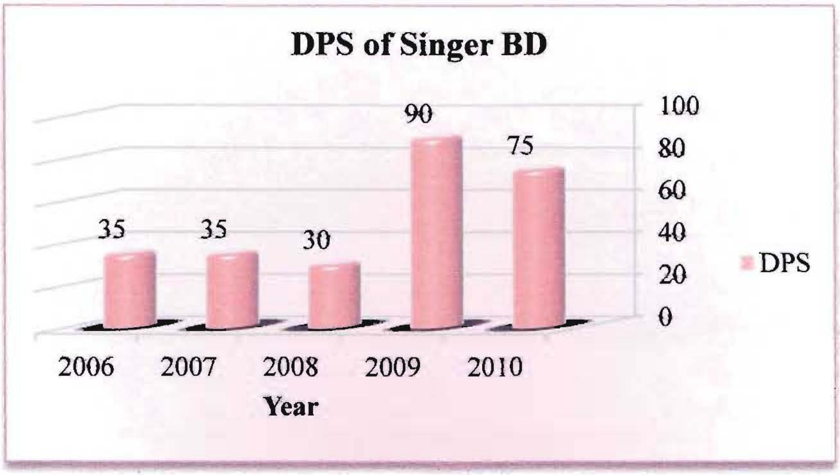


Figure 9.2: DPS of Singer BD Limited

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
DPS	35	35	30	90	75
Growth	-	0%	-14.3%	200%	-16.66%

Table 9.3: DPS of Singer BD Limited

DPS stands for the actual amount of cash 'Dividend per Share'. It is the amount of cash distributed during certain period for each outstanding share of common stock.

The DPS paid on 2006, 2007, 2008, 2009 and 2010 are Tk 35, Tk35, Tk 30 and Tk 90 and 75 respectively. In 2009 their growth of DPS was 200% but the rest of the years they maintained negative growth.

9.4 Comparison of the EPS and DPS

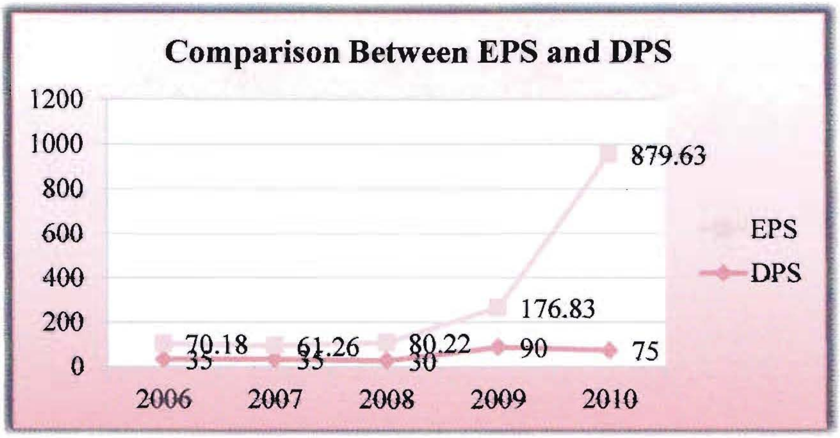


Figure 9.3: Comparison of the EPS and DPS of Singer BD Limited

In this graph the EPS and DPS are compared on the same basis.

It is clearly visible that the EPS and DPS both consists an increasing trend if compared to each other.

So, it can be said that when EPS is increasing, the DPS is also increasing.

When the individual values are compared from the table, we cannot say anything particular about the dividend policy that the company is following. In fact we can say that the company is not following any particular dividend policy. The DPS does not vary much with the changes of the EPS. For example, in 2007, though the EPS decreased than in 2006, still the same divided of Tk 35 was provided.

9.5 Payout Ratio

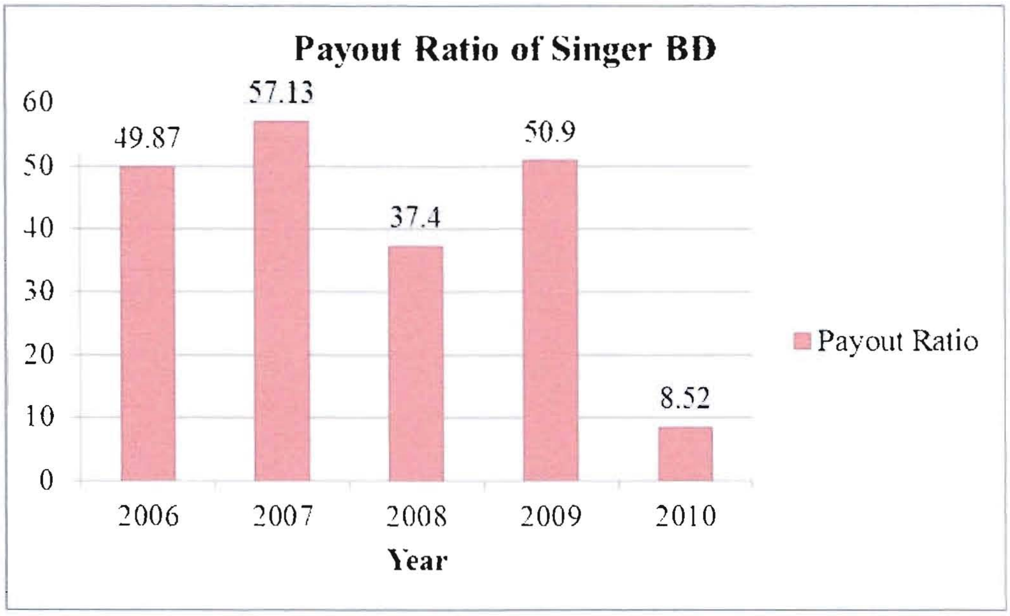


Figure 9.4: Comparison of the EPS and DPS of Singer BD Limited

	Year				
Particulars	**2006**	**2007**	**2008**	**2009**	**2010**
Payout Ratio (%)	49.87	57.13	37.4	50.9	8.52

Table 9.4: Payout Ratio of Singer BD Limited

The 'Payout Ratio' states to the amount of cash the company pay as dividend from its earnings. It is calculated by dividing the DPS by EPS.

Over the years we can see that the payout ratio adopted by Singer does not follow any trend at all. Nor it is decreasing nor it is increasing, it is arranged in an uneven manner.

9.6 Market Price and Dividend Payout Ratio

From the table, it is clearly visible that the market price is not following any trend at all rather arranged in a disorganized pattern. Not the dividends paid in the years and nor the dividend payout ratio has any reactions to the changes of the market price of Singer Bangladesh.

9.7 CAPITAL STRUCTURE

PARTICULARS	Year				
	2006	2007	2008	2009	2010
Total Assets(Tk.)	1791830000	2293310000	2959862237	2189382294	4119072427
Total Debt (Tk.)	1462490000	1920330000	2073875160	1108551828	978554712
Total Equity (Tk.)	329340000	372610000	885980000	1080830466	3140517715
Debt to Asset Ratio (%)	81.62%	83.74%	70.07%	50.64%	23.76%
Equity to Asset Ratio (%)	18.38	16.25	29.93	49.36	76.24
Debt to Equity Ratio (%)	444.07%	515.32%	234.11%	102.59%	320.9%
Market Price (Tk.)	774.79	1900.29	1982.24	2792.15	2580

Table 9.5: Capital Structure of Singer BD Limited

9.8 Debt to Equity Ratio

Figure 9.5: Debt to Equity Ratio of Singer BD Limited

For last five years their equity is very high against the debt, it came little low in 2009 but in 2010 it went high again.

The detailed analysis of table and the bar diagram of capital structure of Singer Bangladesh is given below:

9.9 Debt to Asset Ratio

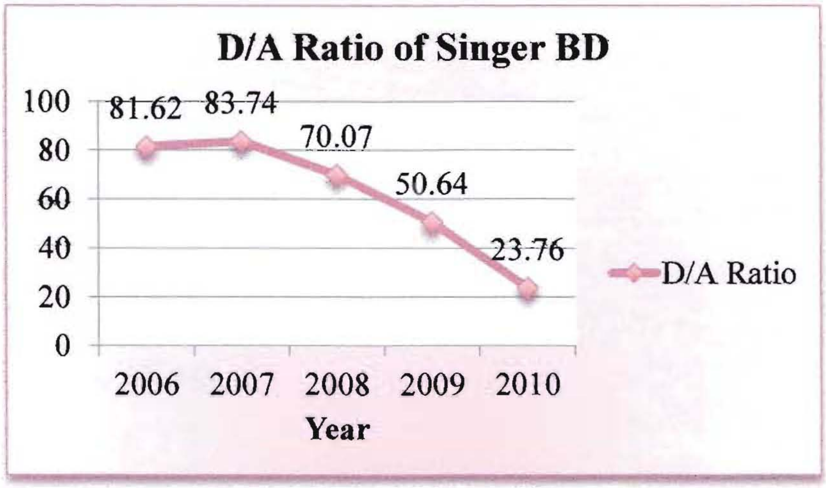


Figure 9.6: Debt to Asset Ratio of Singer BD Limited

Here, it can be said that the debt to asset ratio is gradually decreasing following a decreasing trend. This in turn means that the company is using less and less debt to finance the assets over the years from 2006 to 2010.

In 2007 debt increased from 81% to 83% but, in the following two years it decreased to a 70 % in 2008 eventually 50% in 2009 and 23% in 2010.

9.10 Equity to Asset Ratio

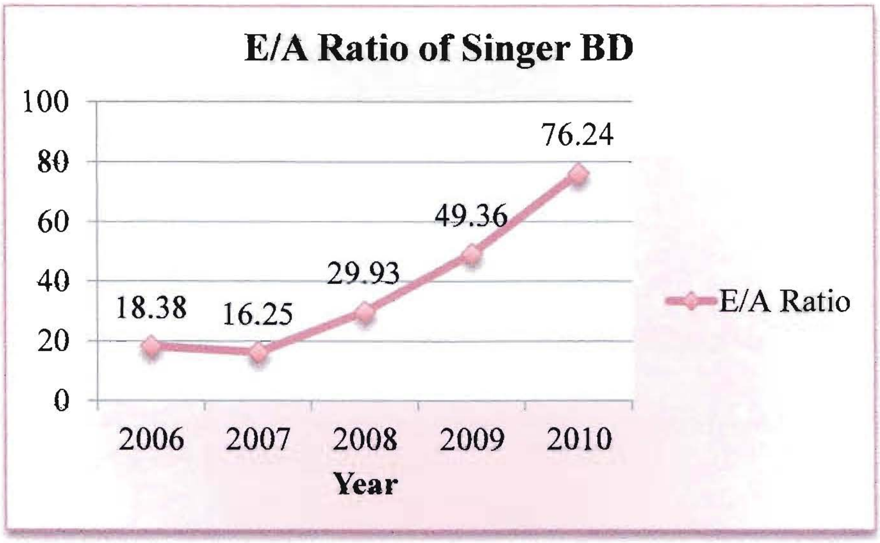


Figure 9.7: Equity to Asset Ratio of Singer BD Limited

The debt to asset ratio is decreasing but, as a result of this decrease, the equity to asset ratio is following an increasing trend. This in turn also means the company is increasing its dependency more and more on the equity capital to finance its assets. In 2010 in went almost 76%, which is a alarming signal for the company.

So considering the above discussion, as D/A is decreasing and E/A is increasing, the D/E ratio is decreasing except 2010.

9.11 Profitability Condition Singer BD Limited

Years	2006	2007	2008	2009	2010
Net Income	116650000	101820000	180000000	396790000	1973760358
Total Asset	1791830000	2293310000	2959862237	2189382294	4119072427
Total Equity	329340000	372610000	885980000	1080830466	3140517715
ROA	6.51%	4.4%	6.08%	18.1%	47.9%
ROE	35.4%	27.3%	20.3%	36.7%	6.16%

Table 9.6: Profitability Condition of Singer BD Limited

As it is seen, Singer's ROA is increasing rapidly but in terms of their ROE, in the last year it has declined a lot compare to previous years.

Chapter-10

Selected Engineering Industry Analysis

INDUSTRY ANALYSIS

10.1 Industrial Trend of DPS

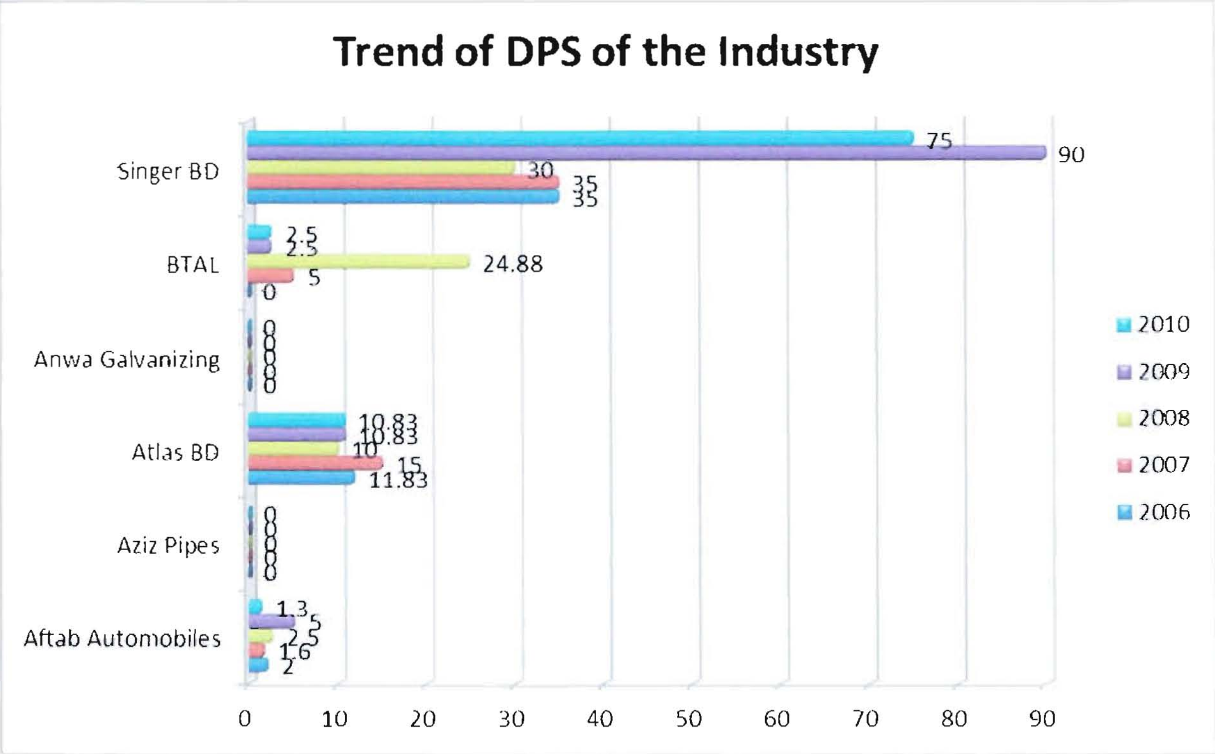


Figure 10.1: Trend of DPS of the Industry

The firms in the engineering industry listed with the stock exchange of Bangladesh do not follow any particular dividend policy in general. Firms who earn adequate profit try to provide dividend; those who incur losses fail to provide dividend. As visible from the graph, Aftab Automobiles, Singer Bangladesh, and Bangladesh Thai Aluminum are having an upward trend in paying dividend due to them having positive earnings in the observed years. However firms like Atlas Bangladesh has a decent stable trend, and the rest of the firms are either paying very low or not in the position of paying dividend at all. So in summary we can state that the distribution of dividend is entirely made up of the firm's operations, and the policies followed are therefore purely firm specific.

10.2 Industrial Trend of Pay-out Ratio

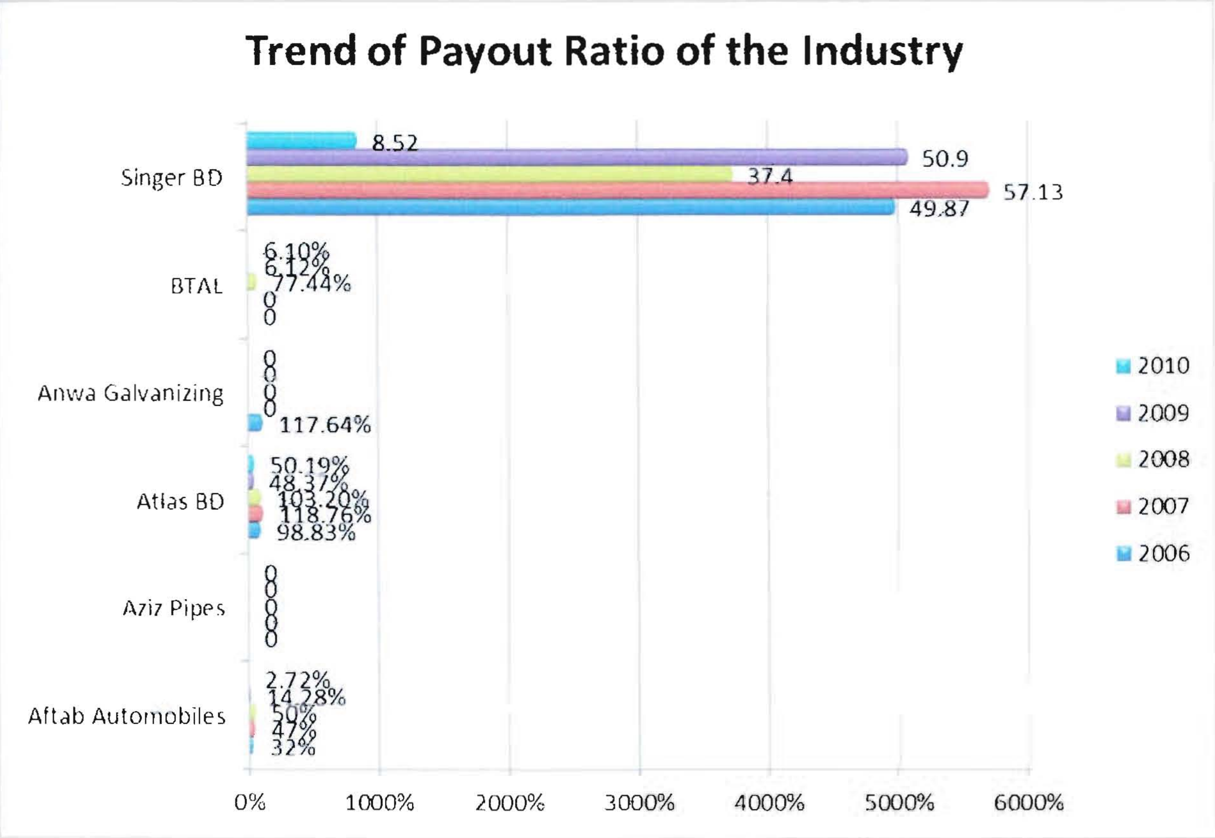


Figure 10.2: Trend of Payout Ratio of the Industry

In this graph, it can be clearly seen that over the years from 2006 to 20010, the pay out ratios of the different companies of this industry are purely firm specific. Each company is following their individual pay out ratio pattern, and they do not have any similarity between themselves.

Only Singer Bangladesh, Aftab Automobiles, and Atlas Bangladesh have maintained a significant level of pay out ratio over the five years, and Bangladesh Thai Aluminum has achieved a significant pay out level in 2008. On the other hand, Anwar Galvanizing had a very high pay out ratio in 2006, which afterwards sunk down to nil in the subsequent years due to its negative EPS and negative earnings. Aziz Pipe Ltd. did not pay any dividend at all, therefore, had no pay out ratio over the five years.

10.3 Industrial Trend of Capital Structure

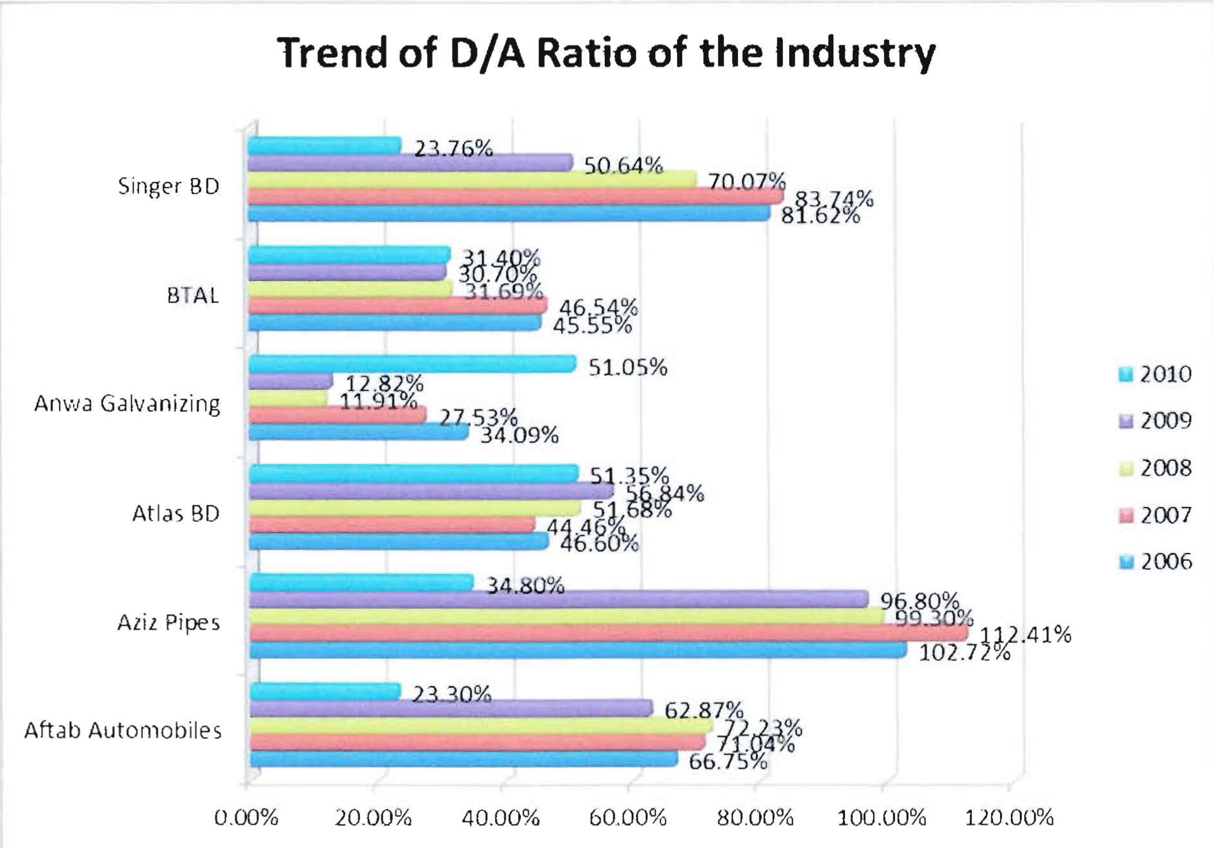


Figure 10.3: Trend of D/A Ratio of the Industry

As a whole, this industry's capital structure, if measured through the firm's Debt to Asset ratio, has a declining trend. Gradually the overall debt to asset ratio of the industry is reducing. This indicates the industry is moving itself from debt financing to majority equity financing; thereby reducing their dependence on debt. These actions may have been performed because the management of these firms believes their shares have an increasing demand in the market resulting in an increasing share price in the market. Industry drifting in this particular aspect is creating a prominent impact in this engineering sector.

10.4 Industrial Trend of Market Share Price

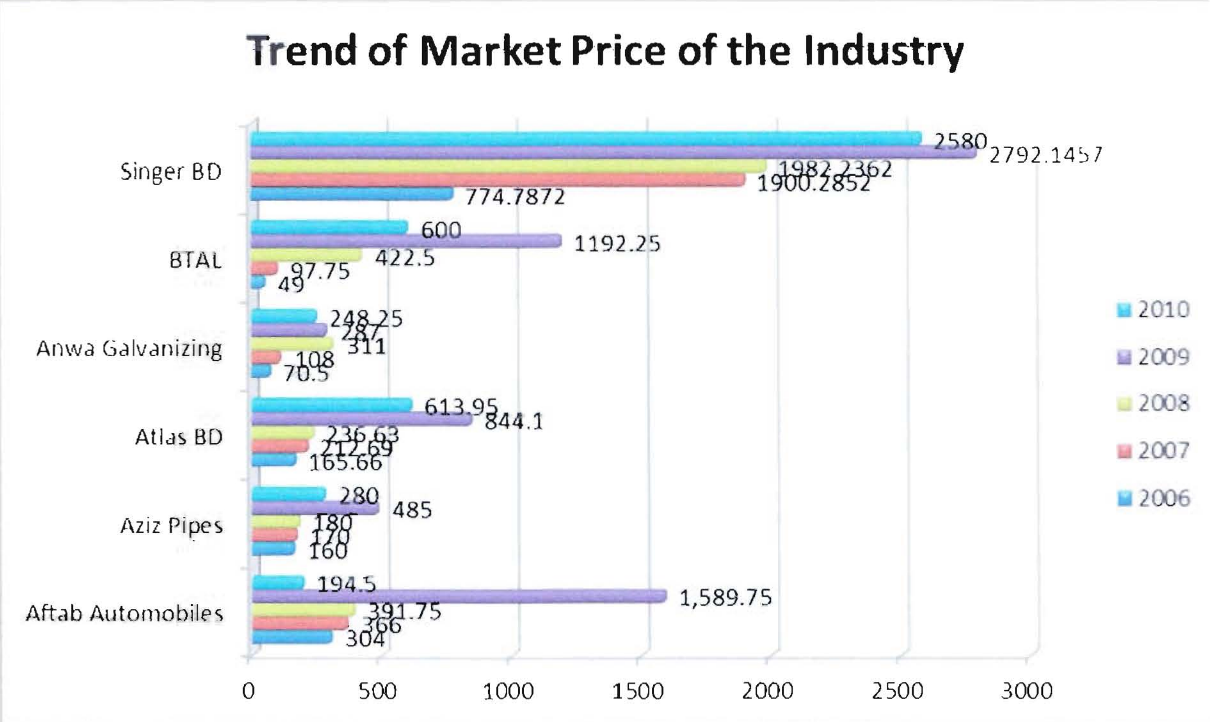


Figure 10.4: Trend of Market Price of the Industry

Industrial trend in this aspect presents an upward shifting tendency; indicating the shares of the engineering industry of Bangladesh is having an emerging demand in the share market.

As per our capital structure analysis, we believe the decreasing debt to asset ratio may be a relevant cause of this increasing trend of the share prices. As firms of this industry are declining their level of debt, risky ness is also diminishing. This effect may be attractive a large number of potential investors, resulting in increased demand and stock price.

Chapter-11

CONCLUSION

In this report, I have tried [redacted] best to provide a clear and descriptive analysis of the Engineering industry of Bangladesh. I have provided necessary graphs, tables and encompassed necessary ratios to form a clear picture about the capital and dividend policy these listed firms of this specific sector uses. Here I was able to use the theoretical knowledge learned in my previous courses in the setting of real world. Despite some problem raised in the creation of this report writing process, i would like to express my gratitude to our honorable course instructor for providing necessary guidance. This process has opened my eyes and gave me a in-depth look into real life financial world on the context of Bangladesh, something i hope to incorporate in out future life.

Chapter-12

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