throughout the country or distributorship either; but it has the most efficient system of distribution in the industry.

The products have been distributed through two sales centres, one in Dhaka & another in Pabna. To ensure smooth distribution, the country is divided into two territories, east and west zone of the river Jamuna. East zone is furnished from Dhaka while west zone is supplied from Pabna. Almost 15,000 chemist & druggist shops are being served from these sales centres.

Medical Promotion Officers (MPO) have been receiving orders from the chemists and druggists and sending these to the invoice section. Square has a fully computerized invoice system in the said sales centres through which the orders are being processed. The goods are packed as per the invoice (party-wise) in the Godowns and then the consignment goes directly to the respective chemist & druggist shops through Collection Persons (CP) of the market concerned for delivery.

About 125 Collection Persons, 15 Distribution Assistants have been working under the supervision of an Asst. Manager and a Senior Executive in Pabna & in Dhaka respectively.

The transport pool is headed by an In-Charge, who is supervising 100 drivers & helpers, involved in the delivery system of the products. Besides, there are about 70 persons working in the two warehouses cum sales centres.

About 20 trained persons are working in the invoice section, which is fully equipped with computers and is capable of processing more than 2000 invoices per day.

SPL have different types of delivery vans and trucks in Dhaka and Pabna. There are also some spot delivery vans in various FS base market. However, the present capacity of the fleet is around 172 Metric Tons which is planned to be uplifted to 200 Metric Tons by the end of this year.

15. FINANCIAL PERFORMANCE:

A review of the company's financial statements of Income Statement and Balance Sheet for the last completed five years ending 31 December 1993 reveal an outstanding performance.

Summarised positions of the Income Statements for 1989-1994 and Balance Sheets as on 31 December 1989 - 1993 along with relevant analyses are given below / following pages -

PROFITABILITY ANALYSES

(Taka in thousands)

Particulars	1989	1990	1991	1992	1993
Sales (Gross)	552,528	669,538	834,841	1,100,652	1,308,331
Gross profit	140,529	165,512	212,231	282,529	347,852
Operating profit	49,717	60,370	80,859	128,449	148,919
Net profit (BT)	49,717	60,370	77,008	122,026	141,602
Net profit (AT)	24,717	34,869	44,008	74,826	86,602
Gross margin	25.61%	26.11%	25.42%	25.67%	26.58%
Operating margin	9.06%	9.52%	9.69%	11.67%	11.41%
Net margin (BT)	9.06%	9.52%	9.22%	11.08%	10.82%
Net margin (AT)	4.50%	5.50%	5.27%	6.80%	6.62%
Earning per share	249.09	351.4	88.7	150.82	174.55
Price Earning Ratio	0.4	0.28	1.12	0.6	0.57
Dividend per share	30	30	35	15	20
Dividend Payout Ratio	12.04%	8.53%	39.45%	9.95%	11.46%

BALANCE SHEET (1989-93)

(Taka in thousand)

Particulars	1989	1990	1991	1992	1993
Fixed Assets (Net)	125,078	209,679	231,561	280,838	303,035
Investments			2,156	24,782	5,533
Current Assets	173,269	181,585	240,060	284,738	323,093
Total Assets	298,347	391,264	473,777	590,358	631,661
Paid-up capital	9,922	9,922	49,614	49,614	49,614
Retained Earnings	123,066	153,097	151,634	219,018	290,855
Total Equity	132,988	163,019	201,248	268,632	340,469
Long Term Loan			33,480	43,503	32,553
Current Liabilities	165,359	228,245	239,049	278,223	258,639
Total Equity & Liabilities	298,347	391,264	472,777	590,358	631,661
Debt Equity Ratio			14:86	14:86	9:91
Current Ratio	1:1.05	1:0.80	1:1.01	1:1.02	1:1.25
Asset Turnover	4.42	3.02	3.61	3.92	4.31
Inventory Turnover	6.17	5.51	5.13	6.75	7.38
A/c Receiveble Turnover	163.47	161.5	73.1	51.3	35.17
Free Reserves	123,066	153,097	151,634	219,018	290,855
Paid-up Capital	9,922	9,922	49,614	49,614	49,614
No. of shares outstanding	99228	99228	496140	496140	496140
Book value per share	1340.33	1642.87	405.62	541.44	686.24

An analysis of the Income Statements reveals that while sales recorded an average growth of 27.6% pa from 1989 to 1993, the Net Profit After Tax attained an average growth of over 50% pa during the same period. Gross margin, operating margin, net margins reveal growth at progressive rates. However, due to capitalization of reserves by issue of bonus shares, the Earning Per Share (EPS) has diluted, but increased with progressive rates. The average earning per share during 1989-93 stood at Tk. 202.91 which yielded a price earning ratio of 0.49 indicating the highly attractiveness of the shares. Since issuance of the bonus shares have diluted the Earnings Per Share without injecting fresh cash into the company it would rather more correctly reveal the Price Earning Ratio if bonus shares are not considered for the analysis. In that case the average earning per share would stand at TK. 534.17 reflecting a Price Earning Ratio (PER) of 0.187 which is exceptionally tempting for investors. The operations for 6 months ending 30 June 1994 reveal still better results.

The dividend per shares has declined though dividend pay out has increased. This has been due to increase in share capital by issue of bonus shares. An examination of the Balance Sheets for the period 1989-93 reflect growing financial strength. Fixed assets investment shows an average growth of 35.6% while current asset has increased by 21.67% and current liabilities increased by 14.1% thus improving the current ratio marginally. Since the company has financed its capital expenditures mostly from internal generation of funds and partly by short term borrowing the company had very low level of debt / equity ratio (14:86 to 9:91) and it did not face any liquidity problem.

16. FUND FLOW :

The fund flow position for the period ended 31st December, 1989-93 also reveals unhindered liquidity situation as analysed below

COMPARATIVE FUND FLOW STATEMENT

For the years ended 31st December, 1989- 93

PARTICULARS	YEARS				
	1989	1990	1991	1992	1993
SOURCES OF FUND :					
Net profit before provisin of I.T	49,717,498	60,369,611	77,008,425	122,026,430	141,602,755
Provision for Depreciation	14,688,641	14,923,204	20,191,011	21,810,636	17,043,834
Decrease in Current Assets :		17,714,900	5,588,870	1,758,143	45,337,508
Increase in Current Liabilites	53857,689	74,924,959	40,300,188	51,117,389	43,523,639
Long Term Bank Loan	-	18,535,916	13,894,385	11,072,711	-
Prior Years Adjustments	-	-	-	-	7,561,012
Total Source of Fund	118,263,828	186,468,590	156,982,879	207,845,359	255,068,768
APPLICATION OF FUND :					
Acquistion of Fixed Assets (Net)	36,472,408	99,523,807	42,072,799	71,087,696	39,240,915
Purchase of Treasury Bond	-	-	2,156,175	1,536,550	1,840,000
Increase in Current Assets	48,210,812	26,031,977	64,063,143	67,526,294	48,037,230
Decrease in Current Liabilities	30,603,768	57,935,966	45,217,782	60,252,719	145,078,020
Payment of Long Term Loan	-	-	-	-	10,949,803
Dividend	2,976,840	2,976,840	3,472,980	7,442,100	9,922,800
Total Application of Fund	118,263,828	186,486,590	156,982,879	207,845,359	255,068,768

17. EARNING FORECAST

(a) Assumptions on projected earnings

(1) Though the company's past five (5) years performance indicates over 25% growth in Sales Revenue for the projection up to year 1995 a growth rate of only 23% (approx.) has been assumed. Since the chemical plant (for manufacturing of raw materials) and the BMR&E project will be fully commercially operative by end 1995 a growth of 31% in sales has been assumed in 1996 and 20% thereafter.

(2) The company's plan for investment in a subsidiary modern composite textile project has been assumed to be implemented during 1995-96 and be fully operative from 1997. It is assumed that the subsidiary textile project will declare dividend from 1997 onwards.

(3) The company's toiletries division have already been sold on 30 June 1994 to a sister concern at an agreed price.

(b) Projected Earning Position:

The projected income and growth from the company's operations for the years 1994 to 2000 is given below:

	PROJECTED EARNING FORECAST (In '000 Tk.)			PROJECTED EARNING FORECAST AFTER B.M.R.&E (In '000 Tk.)			
	Year 1994	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000
Net sales Revenue	1,300,000	1,600,000	2,100,000	2,520,000	3,020,000	3,600,000	4,340,000
Less Cost of Goods sold	877,500	1,072,000	1,396,500	1,663,200	1,993,200	2,376,000	2,864,400
Gross Profit	422,500	528,000	703,500	856,800	1,026,800	1,224,000	1,475,600
Less Selling & Admin. Expense	195,000	240,000	304,500	365,400	430,350	513,000	618,450
Operating Profit	227,500	288,000	399,000	491,400	596,450	711,00	857,150
Less Financial Expense	35,750	44,000	57,750	69,300	83,050	99,000	119,350
Profit Before Cont. to WPP & WF	191,750	244,000	341,250	422,100	513,400	612,000	737,800
Contribution to WPP & WF	9,131	11,619	16,250	20,100	24,448	29,143	35,134
Net Operating Profit	182,619	232,381	325,000	402,000	488,952	582,857	702,666
Income From Other Sources	0	21,000	0	25,000	50,000	75,000	75,000
Net Profit Before Tax	182,619	253,381	325,000	427,000	538,952	657,857	777,666
Income Tax	65,058	88,046	97,500	140,527	176,437	216,096	254,735
Net Profit After Tax	117,561	165,334	227,500	286,472	362,515	441,760	522,931
APPROPRIATION							
A) Dividend	50,000	56,000	60,000	66,000	70,000	76,000	80,000
b) General Reserve	67,561	109,334	167,500	220,472	292,515	365,760	442,931
c) Tax Holiday Reserve	2,739	5,577	19,500	20,502	23,470	27,977	33,728
d) Accumulated Surplus	310,769	425,681	612,680	853,655	1169,639	1563,377	2040,036
FINANCIAL RATIOS							
a) Gross Margin	32.50%	33.00%	33.50%	34.00%	34.00%	34.00%	34.00%
b) Operating Margin	17.50%	18.00%	19.00	19.50%	19.75%	19.75%	19.75%
c) Net Margin	9.04%	10.33%	10.83	11.37%	12.00%	12.27%	12.05%
d) Weighted Average EPS	94.05	82.67	113.75	143.24	181.26	220.88	261.47
e) Price Earning Ratio at Tk. 900/-	9.57	10.89	7.91	6.28	4.97	4.07	3.44
f) Dividend Payout Ratio	42.53%	33.87%	26.37%	23.04%	19.31%	17.20%	15.30%

Note : These are not actuals but forecasts only. Actuals may vary from forcasts.

18. PREMIUM JUSTIFICATION:

The following factors have been considered while arriving at the issue price :

(a) **Past financial performance :** The company has been in profitable operation for the last 36 years and has grown as the mighty giant in the pharmaceutical sector among both local and multinationals. The "Image value" is tremendous which is manifest in its national market leadership. For the purpose of quantitative analysis, company's past five years operations, as given below, may be scanned through:

Particulars	1989	1990	1991	1992	1993
1. Total Revenue (Gross) (Tk. in '000)	552,528	669,538	834,841	1100,652	1308,331
2. Profit after Tax (Tk. in '000)	24,717	34,869	44,008	74,826	86,602
3. Paid-up Capital (Tk. in '000)	9,922	9,922	49,614	49,614	49,614
4. Reserves/Surplus (Tk. in '000)	123,066	153,097	151,634	219,018	290,855
5. Book value per share (Tk)	1340.23	1642.87	405.62	541.44	686.24
6. Face value per share (Tk)	100	100	100	100	100
7. Earning per share (Tk)	249.09	351.40	88.70	150.82	174.54
8. Dividend per share (Tk)	30	30	35	15	20
9. Price Earning Ratio (* without bonus share) @ Bonus share issued at 1:5	0.40	0.28	1.12 (0.22)*	0.60 (0.13)*	0.57 (0.115)*

The average EPS is Tk. 202.92 which gives a PER of 0.49. At an average standard PER of 12, the market price should be at Tk 2435 per share. After dilution of EPS due to issue of bonus shares raising capital to Tk. 100 million, at PER of 12, the market price should be at **Tk. 1217 per share.**

(b) **Issue of bonus shares :** The company has issued 503,860 bonus shares in June 1994 to the shareholders against their existing 496,140 shares at par value of Tk. 100.00 each. This has raised the paid up capital to Tk. 100,000,000.00 .

(c) **Breakup value (Book value):** The breakup value per share based on the paid up capital and reserves stand at Tk. 686.24 as on 31 December 1993. This is the resultant of over three decades (36 years) profitable operations and don't reflect current value.

However, for the purpose of an analytical comparison, the present worth of the reserves may be revalued by giving an inflationary effect of 2.7 times considering an average annual inflation rate of 7.5% pa. This would result in the present worth of the break up value of Tk. 1853 per share. After issue of bonus shares in June 1994 raising capital to Tk. 100 million this would stand at **Tk. 926.**

(d) **Projected Financial Position:** The projected income and growth of the company's operations for the years 1994-2000 would be as follows:

	1994	1995	1996	1997	1998	1999	2000
Net Sales (mln Tk.)	1300	1600	2100	2520	3020	3600	4340
Net Profit After Tax (mln Tk.)	117.6	165.3	227.5	286.5	362.5	441.8	522.9
Earning Per Share	94.05*	82.67	113.75	143.24	181.26	220.88	261.47
Price Earning Ratio (Tk.900/=Basis)	9.57*	10.89	7.91	6.28	4.97	4.07	3.44
Dividend Per Share	25	28	30	33	35	38	40
Dividend Payout Ratio	42.53%	33.87%	26.37%	23.04%	19.31%	17.20%	15.30%

* Annualised figure

The Price Earning Ratio on the average earning during 1994-2000 is 6.73. If 1994, by end of which the new investors will be required to invest, is excluded the Price Earning Ratio on the average PER during 1995-2000 would be 6.26 which is highly attractive in comparison to other neighbouring emerging markets in Asian countries and Bangladesh as well. At PER 12 the price would stand at **Tk. 1725.**

(e) The average PER of all listed Pharmaceutical companies with DSE is 142.51 as on 30 June 1994 (Source: Review, June '94). The volume leader of this sector has a EPS of Tk. 75.21 and a PER of 18.81 as on 30 June 1994 (closing price Tk. 1489.93). As against this SPL would have an EPS of over Tk. 100 for 1994 (based on half year's result & projection) with a Paid up Capital of Tk.100 million.

(f) The above analysis offers three prices based on past performances (Tk. 1217 at PER 12), revaluation of book/breakup value (Tk. 926) and projected earnings (Tk. 1725 at PER 12). **The average of these prices amounts to Tk. 1289.** However, considering that the company is issuing shares to the public for the first time, the sponsors have taken a lenient view and agreed to offer **shares at only Tk. 900 (including a premium of Tk. 800) per share.** This would surely be highly attractive to the small individual investors as well as institutional ones, especially, in view of the fact that foreign investors have already taken up 80% of the additional issue at the offered price almost instantly.

(g) The company has a good and effective R & D department which has already succeeded in developing new hi-tech product lines with foreign collaboration and technical know how. Future R & D operations are expected to open new areas of product lines giving the company an edge over others.

(h) At an extra-ordinary general meeting the members approved the issue of equity shares of Tk. 100 each at a premium of Tk 800 each.

(i) The underwriters and the company management have agreed to the level of premium per share and considered it appropriate.

(j) The shares of the company are yet to be listed on the Stock Exchange and hence no quotation for the market price of the shares are available. However the foreign investors have already taken up over 80% of the IPO at the proposed price including premium.

19. NETWORTH ON ASSET REVALUATION & IPO :

In order to reflect the current value to net worth of assets the assets were revalued by M/S. Asian Surveyors Ltd., a reputed survey firm in the country. Considering the revaluation of fixed assets of the Company, the book value of the shares before and after the Public Issue is shown below:

Continued...