

Report On

# Financial performance analysis of Linde Bangladesh Limited

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of  
Master of Business Administration

BRAC business School  
BRAC University  
June, 2021

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**



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**Md. Ziad Hassan**

Student ID: 18264042

**Supervisor's Full Name & Signature:**

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**Meer Sajed-Ul-Basher**

Adjunct Professor, BRAC Business School

BRAC University

## Letter of Transmittal

Meer Sajed-Ul-Basher  
Adjunct Professor,  
BRAC Business School  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Submission of report on Financial performance analysis of Linde Bangladesh Limited

Dear Sir,

I am very pleased to submitting my internship report on **Financial performance analysis of Linde Bangladesh Limited**. As it is an important part of MBA degree requirement, I have included all the knowledge I gained from my academic knowledge. I tried my best to prepare this internship report though I have to face various challenges and obstacles while making this internship report.

I would like to thank my supervisor for guiding me to prepare the report. Hence, I hope you will appreciate the information that I have provided in the report. However, this report shows some limitation because of lack of my knowledge and shortage of time duration. Please inform me if you have any inquiries about the report, I am glad to provide you any help to clarify on my report.

Sincerely yours,



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Md. Ziad Hassan  
Student ID: 18264042  
BRAC Business School  
BRAC University  
Date: June, 2021

## **Non-Disclosure Agreement**

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between [Name of Company] and the undersigned student at BRAC University Student .....

## **Acknowledgement**

First of all, I would like to thank Almighty Allah for giving me the strength, opportunity and will power for the completion this internship report successfully.

I am also grateful to all who have motivated me and support me during the internship period.

I am very much thankful to my Supervisor Meer Sajed-UI-Basher who guided me while preparing my report.

Lastly, I would like to thank my friends Farhan Chowdhury, Khalid Saif and Naushin Mahmud Sarna for helping me with different matters while creating this report.

## **Executive Summary**

Financial Performance analysis is essential for an organization or business or an individual. Because every company needs to know about its performance whether they are doing well, whether it is going with international standards. There are a few tools or formulas out there to calculate or know the effectiveness of a corporation. It is possible to analyze the performance of an organization using these tools. By doing this analysis it can understand how an organization earns its assets, equity, or income, how debt or liability is managed, what is the ratio of debt to assets, etc. My supervisor assigned me to do Linde Bangladesh Limited Performance analysis. For this performance analysis of Linde, I have tried to gather as much achievable information as possible through online or secondary data. So, for performance analysis, I have selected five years which are 2016 to 2020. I have collected Linde's annual report and Financial statements of Linde Bangladesh Limited from 2016 to 2020 and other related information. Then I have listed some ratios formulas and calculate with Linde's worth and lastly, I have interpreted ratios with graph and table.

Linde is a multinational company; therefore, this company has large data and complexity. I have analysis with limited data. Though having limited resources, I have done this report and tried to make it as much correct as possible. Overall, I can see that almost all results are preferable for the company and business.

**Keywords:** Financial performance analysis; Linde's Annual report; Financial statements; Ratio analysis; interpreted ratios.

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## **List of Acronyms**

LBL	Linde Bangladesh Limited
BOL	Bangladesh Oxygen Limited
WCFP	Working Capital Financing Policy
RRR	Required Rate of Return
CAPM	Capital Asset Pricing Model

# **Chapter 1**

## **Overview of Internship**

### **1.1 Student Information**

I am Md. Ziad Hassan student of BRAC University. My Id is 18264042 and my major is in Finance. I am doing MBA in BRAC University. For completing this program, I need submit an internship report on “Financial Performance analysis of Linde Bangladesh Limited”. I will submit this report to Meer Sajed-Ul-Basher sir, who is my supervisor.

### **1.2 Problem/ Difficulties**

The report is prepared in a very detailed and integrated format. Still, there may have some information gap because of some limitations. The limitations what I face are given below:

Firstly, I cannot visit of Linde office employee. As a result, I cannot get to know the corporate culture and proper information for my report.

Secondly, there is a shortage of availability of articles and research on Linde Bangladesh Limited. They keep their operations information hide from online and also forbade to share their confidential files.

Thirdly, they have limited customer and spread all over the country. So, it was not possible to get more details from customer and not to reach them.

Finally, I had not enough experience to make this report professionally which may also a cause of missing company information.

## **Chapter 2**

### **Organization Part**

#### **2.1 Overview of the Company**

##### **Linde Bangladesh Limited**

Linde Bangladesh Limited is a member of the Linde group. Linde Bangladesh Limited started its journey in 1958 as Pakistan oxygen Limited. After the Liberation war in 1971, Pakistan oxygen Limited renamed as Bangladesh oxygen Limited. In 1973 Bangladesh oxygen Limited received government approval for the first full-fledged company of the newly formed country. The first CO<sub>2</sub> Plant was introduced in 1976. In 1979 welding Training Centre is started its journey. The company changed its name from "Bangladesh oxygen Limited" to "BOC Bangladesh Limited" in 1995. Rupganj Plant was commissioned in 1997. And in 2006 the company was acquired by the Linde group. After that, the company achieved a total profit of hundred crores in 2010.

Linda Bangladesh Limited is a Pioneer multinational company in gas businesses. The company's factory is situated in three major locations. Tejgaon, Rupganj, Shitalpur. It has also 18th sales centers spread throughout the country. The sales centers provide service to over 35,000 people. The Company can produce 80 tons of liquid ESU gases and 23100 MT of welding electrodes per year per day.

##### **2.1.1 LBL Mission:**

Linda Bangladesh Limited as a forerunner is not only a Gas Manufacturer however also a Welding Training Centre. Hence, the motto is straightforward, "Ensure optimum conditions in health, safety and the environment for its employees, customers and stakeholders".

##### **2.1.2 LBL Vision:**

Linde Bangladesh Limited is committed to fulfilling our vision to be the best performing global industrial gases and engineering company, where their people deliver innovative and sustainable solutions for our customers in a connected world.

**2.1.3 LBL Strategic Direction:** LBL will work as One Linde to build on our individual and collective strengths across a larger global footprint. They will increase network density in core industrial gas geographies and will execute our robust backlog. They are fully committed to capturing the full value of the merger.

### **2.1.4 Company Core Values**

- **Safety:** Company put safety first. They believe all incidents are preventable, and their goal is no harm to people, communities or the environment. They continuously work to improve their safety culture and performance worldwide.
- **Integrity:** Company always strive to achieve their goals ethically, and with the highest integrity. They expect transparent and respectful interactions between management, employees and their business partners, consistent with our Code of Business Integrity.
- **Community:** They are committed to improving the communities where they live and work. Their charitable contributions, along with employee volunteerism, support initiatives that make important and sustainable contributions to the world.
- **Inclusion:** They embrace diversity and inclusion in order to attract, develop and retain the best talent and build high-performing teams. By hearing all voices and benefiting from diverse opinions, thoughts and perspectives, they achieve their full promise and potential.
- **Accountability:** Company hold themselves accountable for our performance, individually and collectively. They focus both on what we accomplish and how they accomplish it, and are committed to delivering on individual and company goals.

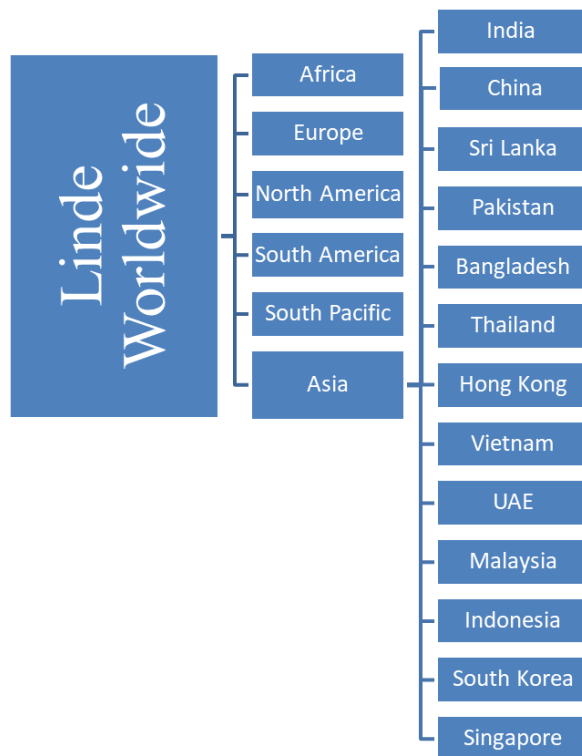
### **2.1.5 LBL milestones at a glance**

1953	Chittagong Oxygen plant was commissioned.
1973	Bangladesh Oxygen Limited (BOL) Incorporated in the joint stock companies and received government approval as the first full-fledged “Company” of the newly formed country.
1976	First CO2 plant was introduced.
1979	Welding Training Centre started its journey.
1995	The Company changed its name from “Bangladesh Oxygen

Limited” to “BOC Bangladesh Limited.”

- 1995 The Company has commissioned a 30TPD ASU Plant and 1st Welding Production line at Rupganj.
- 1998 2nd Welding production line at Rupganj was commissioned.
- 1999 20 TPD Shitalpur plant was acquired.
- 2000 ASPEN at shitalpur and LPG Bottling plant at Bogra commissioned.
- 2004 Moved into newly built Corporate Office.
- 2006 The BOC Bangladesh Limited acquired by the Linde Group, Germany.
- 2010 Achieved BDT 100 Crore EBITDA.
- 2011 3rd Welding production line at Rupganj was commissioned.
- 2011 The Company changed its name from “BOC Bangladesh Limited” to “Linde Bangladesh Limited.”
- 2012 4th Welding production line at Rupganj was commissioned.
- 2013 LPG Plant at Bogra decommissioned.
- 2017 Rupganj 100 TPD ASU plant was commissioned.
- 2019 36 TPD CO2 plant was commissioned at Rupganj

## Linde Operates countries



## 2.3 Marketing Practices

Linde Bangladesh Limited has a dedicated marketing team who mainly handle the marketing sector. Since Linde Bangladesh limited has two customer segment one is Government sector and another is Private sector but marketing team only works for the private customers because in the government sector marketing is not working that way. Each depo has their marketing officer for the sale of private hospital, clinic etc. on the other hand Government project comes through win the Central Tender.

## 2.4 Industry and Competitive Analysis

### SWOT Analysis

<b>Strength</b>	<b>Weakness</b>
<ul style="list-style-type: none"> <li>• Highest depo in this sector</li> <li>• Huge skilled manpower,</li> <li>• Own gas and liquid plant facility</li> <li>• Own gas machinery setup team</li> <li>• Multinational company affiliation</li> </ul>	<ul style="list-style-type: none"> <li>• Low production in quantity of total demand</li> <li>• Company has limited Depo</li> <li>• Company do not have their VIP tank</li> </ul>
<b>Opportunity</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Company has high Market Demand,</li> <li>• Gases demand for industrialization sector increase day by day</li> <li>• Private hospital increase, govt. increases hospital upozila health complex</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of continuous Electricity availability,</li> <li>• Official documentation or license takes long time to process</li> </ul>

# **Chapter 3 Financial performance analysis of Linde Bangladesh Limited**

## **3.1 Introduction**

This report is based on different financial ratios and performance measurement of Linde Bangladesh Limited which is listed in Dhaka Stock Exchange. Main motive to gather practical knowledge and the theoretical knowledge and their differences for the completion of 'Internship' of MBA program in BRAC University.

### **3.1.1 Objective(s)**

There are mainly two objectives behind the preparation of this report. They are primary and secondary objective.

#### **Primary objective**

The primary objective of preparing this report is to fulfill the practical requirement of internship of MBA program and to gain knowledge on "Financial Performance Assessment".

#### **Secondary objective**

The secondary objective of the report is as below: -

- To co-ordinate between theory and practice and to gain theoretical and practical knowledge on ratio analysis.
- To know about the financial performance of selected company's registered in the 'Dhaka Stock Exchange' by analyzing ratios.
- To apply theoretical knowledge and compare their financial status between year 2016, 2017, 2018, 2019 & 2020.

## **3.2 Methodology**

In this report the topic is suggested by my supervisor Meer Sajed-Ul-Basher. The report is designed in a way so that it can meet the objects of this report. The study is descriptive in nature. The data for this paper has been collected from secondary sources of information. Data were derived from various sources including the website of DSE, journals & articles of related topics, different books and materials from libraries to prepare this report.



### 3.3 Findings and Analysis

<b>Linde Bangladesh Limited</b>					
<b>Statement of Financial position</b>					,000Taka
<b>Details</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3,424,786	3,606,503	3,445,462	3,218,638	2,543,935
Intangible assets	485	5,295	11,755	18,699	26,412
Advances, deposits and prepayments	104,811	109,752	90,757	80,500	74,390
	<b>3,530,082</b>	<b>3,721,550</b>	<b>3,547,974</b>	<b>3,317,837</b>	<b>2,644,737</b>
<b>Current assets</b>					
Inventories	873,442	831,800	842,895	683,575	728,622
Trade and other receivables	731,868	714,085	618,969	608,505	487,824
Advances, deposits and prepayments	200,319	123,868	224,415	180,886	217,181
Investment in fixed deposit receipts - FDRs	1,511,202	1,244,619	10,753	10,535	10,299
Cash and cash equivalents	1,145,026	1,004,646	1,604,221	1,132,356	1,391,223
	<b>4,461,857</b>	<b>3,919,018</b>	<b>3,301,253</b>	<b>2,615,857</b>	<b>2,835,149</b>
<b>Total assets</b>	<b>7,991,939</b>	<b>7,640,568</b>	<b>6,849,227</b>	<b>5,933,694</b>	<b>5,479,886</b>
<b>Equity and Liabilities</b>					
<b>Shareholders' equity</b>					
Share capital	152,183	152,183	152,183	152,183	152,183
Other component of equity	(36,479)	(28,912)	16,069	9,915	
General reserve/retained	5,297,610	4,985,000	4,304,151	3,513,559	3,032,714
	<b>5,413,314</b>	<b>5,108,271</b>	<b>4,472,403</b>	<b>3,675,657</b>	<b>3,184,897</b>
<b>Non-current liabilities</b>					
Employee benefits	180,180	166,963	155,465	161,342	139,007
Deferred tax liabilities	405,533	374,931	327,328	299,171	115,776
Lease liability-non current	7,260	4,943			
Other non-current liabilities	261,545	248,839	248,235	235,499	215,861
	<b>854,518</b>	<b>795,676</b>	<b>731,028</b>	<b>696,012</b>	<b>470,644</b>
<b>Current liabilities</b>					
Trade and other payables	1,341,525	1,270,987	1,413,511	1,411,322	1,469,399
Provision for expenses	191,249	216,242	146,017	161,814	136,355
Current tax liabilities	101,144	166,726	86,267		
Unclaimed dividend	97,763	88,602			
	<b>1,731,681</b>	<b>1,742,557</b>	<b>1,645,795</b>	<b>1,573,136</b>	<b>1,605,754</b>
<b>Total liabilities</b>	<b>2,586,199</b>	<b>2,538,233</b>	<b>2,376,823</b>	<b>2,269,148</b>	<b>2,076,398</b>
<b>Total equity and liabilities</b>	<b>7,999,513</b>	<b>7,646,504</b>	<b>6,849,226</b>	<b>5,944,805</b>	<b>5,261,295</b>

**Fig 1: Balance Sheet**

<b>Linde Bangladesh Limited</b>					
Details	Profit or Loss statement			,000Taka	
	2020	2019	2018	2017	2016
Revenue	4,711,417	5,683,441	5,460,190	4,941,799	4,270,585
Cost of sales	(2,483,572)	(3,170,929)	(3,177,097)	(2,632,227)	(2,290,426)
Gross profit	2,227,845	2,512,512	2,283,093	2,309,572	1,980,159
Operating expenses	(779,624)	(833,774)	(906,805)	(933,955)	(743,510)
Profit from operations	1,448,221	1,678,738	1,406,827	1,356,770	1,233,564
Net foreign exchange loss	(7,126)	(7,831)			
Other income/loss	1,630	4,877	30,539	(18,847)	(3,085)
Net finance income	78,127	72,474	29,335	16,009	19,833
Profit before contribution to WPPF	1,520,852	1,748,258	1,466,701	1,353,932	1,250,312
Contribution to workers' profit participation fund (WPPF)	(76,046)	(87,420)	(71,814)	(68,645)	(62,675)
Profit before tax	1,444,806	1,660,838	1,394,887	1,285,287	1,187,637
Income tax expenses	(371,267)	(429,401)	(360,700)	(351,522)	(309,634)
Profit after tax	1,073,539	1,231,437	1,034,187	933,765	878,003
Earnings per share (EPS) in taka	70.54	80.92	65.95	62.60	57.90

**Fig 2: Income statement**

The analysis and interpretation of financial statement is used to determine the financial position and result of operation as well. In this report we have use the following ratios that are used for analyzing the financial position of the Linde Bangladesh Limited:

### 3.3.1 Assess Working Capital Policy:

(1) **Working Capital Investment Policy:** The working capital policy of a company refers to the level of investment in current assets for attaining their targeted sales. It can be of three types viz. restricted, relaxed, and moderate. The relaxed policy has higher and restricted has lower levels of current assets whereas moderate places itself between relaxed and restricted. Commonly, these policies are also named as aggressive, conservative and hedging policy.

➤ Current Asset to Total Asset =  $\frac{\text{Current Asset}}{\text{Total Asset}}$

➤ Sales to Current Asset =  $\frac{\text{Sales}}{\text{Current asset}}$

**Liquidity Ratio:** A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due.

### Examples of Liquidity Ratios

Typically, the following financial ratios are considered to be liquidity ratios:

- Current ratio
- Quick ratio or acid test ratio

The amount of a company's working capital is also cited as an indicator of liquidity.

**Current ratio:** The current ratio is a liquidity and efficiency ratio that measures a firm's ability to pay off its short-term liabilities with its current assets. The current ratio is an important measure of liquidity because short-term liabilities are due within the next year. This means that a company has a limited amount of time in order to raise the funds to pay for these liabilities.

**Calculated as:**

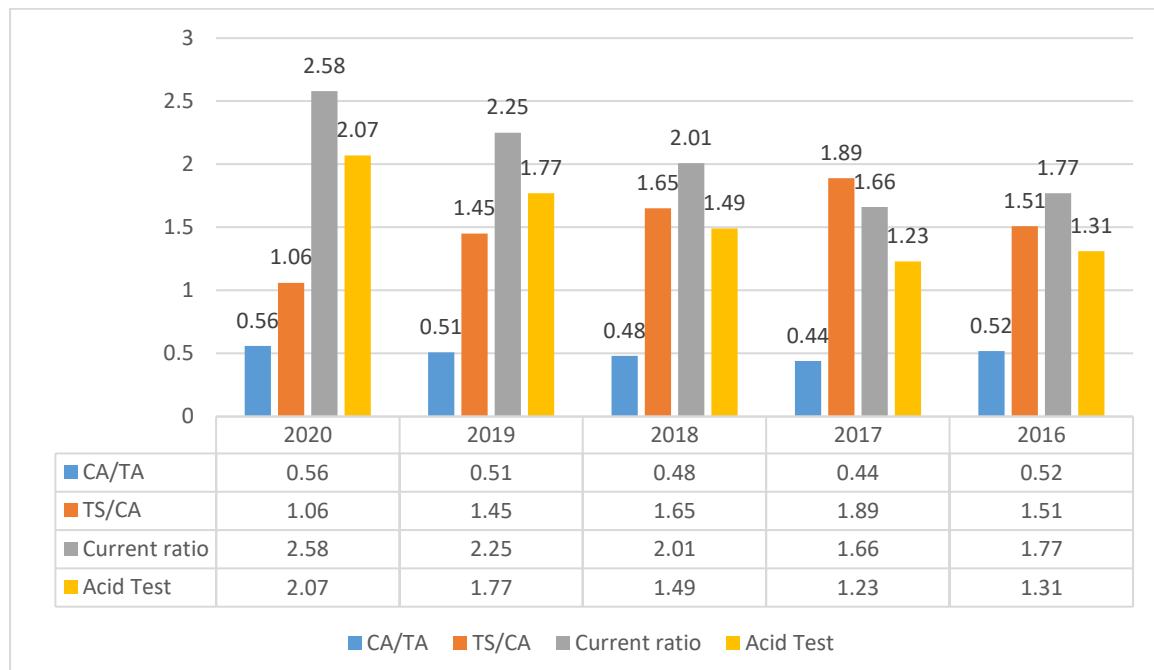
$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

**Quick Ratio:** The quick ratio is a financial ratio used to gauge a company's liquidity. The quick ratio is also known as the *acid test ratio*. The quick ratio differs from the current ratio in that some current assets are excluded from the quick ratio. The most significant current asset that is excluded is inventory. The reason is that inventory might not be "quick" to turn to cash.

**Calculated as:**

$$\text{Current ratio} = \frac{\text{Current asset} - \text{Inventories}}{\text{Current liabilities}}$$

**Trend Analysis:**



**Fig 3: Working capital investment policy**

**Interpretation:** In case of CA/TA. Linde Bangladesh Limited shows that its ratio has been decreases 2016 to 2017, The company had more current asset in 2016 is 0.52. Then it starts to goes up continuously in 2018, 2019 and 2020. That means it lose its current asset in 2017 and again gain good grip in current asset simultaneously. In 2020 its CA/TA ratio is 0.56. The current assets actually account for half of its total assets and firm can easily realize return on investment.

In sales to current asset ratio is a financial calculation how efficiently a company is making to use of its current assets to generate revenue. For LBL, the ratio is higher in 2017 is 1.89. That means company has make more sales in 2017 by using their current asset like marketable securities, inventories etc.

In Current ratio, LBL has growing from 2017 to 2020. The highest ratio is 2.58 in 2020 that indicates that company has more ability to cover its current liabilities by paying utility bills, accounts payable etc.

In Quick or Acid test ratio, LBL ratio is increasing from 2017 to 2020, that provides the ability to make payments on current obligations is growing. A higher ratio gained in 2020 is 2.07 indicates that, company is making more assets by convert their inventories in cash.

**(2) Working Capital Financing Policy:** WCFP basically deals with the sources and the amount of working capital that a company should maintain. A firm is not only concerned about the amount of current assets but also about the proportions of short-term and long-term sources for financing the current assets. There are several working capital investment policies a firm may adopt after taking into account the variability of its cash inflows and outflows and the level of risk.

$$\text{➤ } \underline{\text{Current Liability to Total Asset}} = \frac{\text{Current Liability}}{\text{Total Asset}}$$

Trend Analysis:

Company	Linde Bangladesh Limited				
CL/TA	2020	2019	2018	2017	2016
	0.22	0.23	0.24	0.27	0.29

Table 1: WCFP

**Interpretation:** The Current liabilities to Total asset ratio is a solvency ratio that shows how much of a company's assets are made of liabilities. In case of LBL Ratio is continuously decrease on 2016 to 2020. The company has more profit and return on 2016 than 2017, 2018, 2019 and 2020. As in 2017, 2018, 2019 and 2020, interest expense more because of long term debt.

**3.3.2 Assess Capital Structure Policy:** The capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth. Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, preferred stock, or retained earnings. Short-term debt such as working capital requirements is also considered to be part of the capital structure.

- **Financial Leverage Ratio:** Financial leverage is the use of debt to buy more assets. Leverage is employed to increase the return on equity. However, an excessive amount of financial leverage increases the risk of failure, since it becomes more difficult to repay debt.
- **Debt to Equity:** The debt-to-equity (D/E) ratio is calculated by dividing a company's total liabilities by its shareholder equity. The ratio is used to evaluate a company's financial leverage. The D/E ratio is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds.

**Calculated as:**

$$\text{Debt to Equity ratio} = \frac{\text{Total Debt}}{\text{Total shareholders equity}}$$

- **Debt to Total Asset:** The debt to total assets ratio is an indicator of a company's financial leverage. It tells you the percentage of a company's total assets that were financed by creditors.

**Calculated as:**

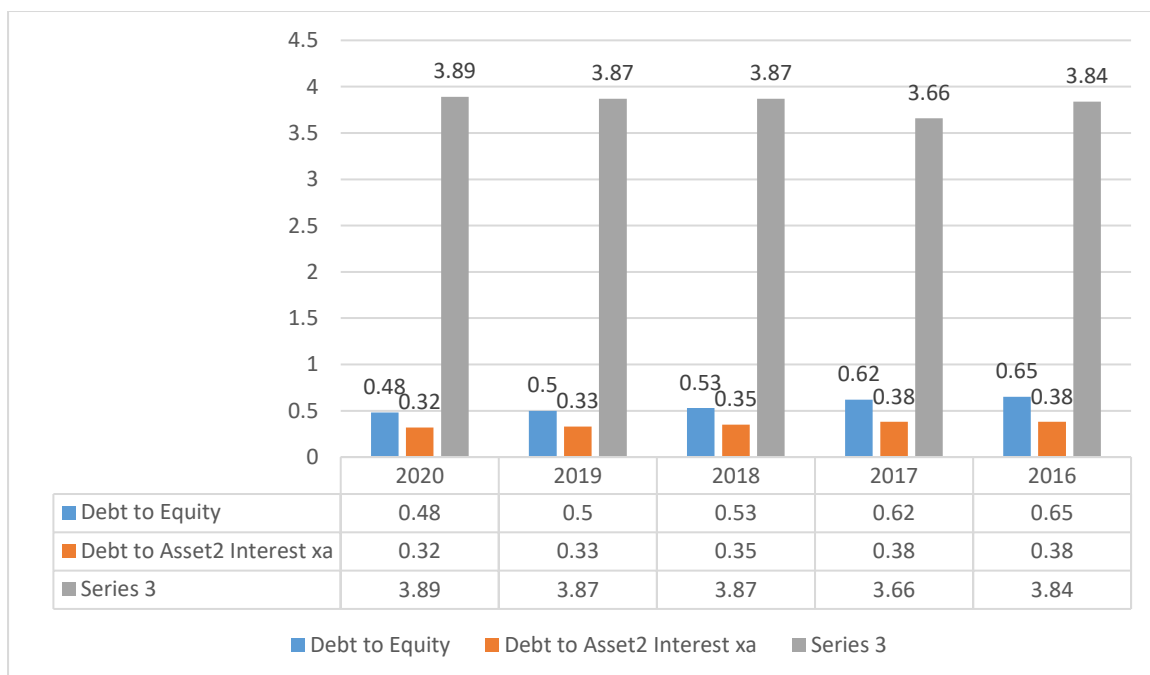
$$\text{Debt to Total Asset ratio} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

- **Interest coverage ratio:** The interest coverage ratio (ICR) is a measure of a company's ability to meet its interest payments. Interest coverage ratio is equal to earnings before interest and taxes (EBIT) for a time period, often one year, divided by interest expenses for the same time period. The interest coverage ratio is a measure of the number of times a company could make the interest payments on its debt with its EBIT. It determines how easily a company can pay interest expenses on outstanding debt.

**Calculated as:**

$$\text{Interest coverage ratio} = \frac{\text{EBIT}}{\text{Debt interest charge}}$$

**Trend Analysis:**



**Fig 4: Assess Capital Structure Policy**

**Interpretation:** In debt to equity ratio, Linde Bangladesh Limited ratio is decreasing from 2016 to 2020. It showed that company is doing good in this ratio. Its lowest debt from five years is 0.48 in 2020 than other four years. So, the company position is getting better and better in each year because low ratio indication is good. In 2020 it done better than other years.

In debt to asset ratio, LBL ratio is stable in 2016 to 2017 and after that it goes down simultaneously in 2018, 2019 and 2020. So, company had more financial risk in 2017 and 2016. From 2018 it starts covering some risk then previous risk.

In Interest Coverage ratio, LBL ratio is highest in 2020 is 3.89. So, company has high earnings to cover its interest charges. In 2016 company's ability was lowest to cover it charges then rest of four years.

### 3.3.3 Assess Dividend Policy:

**Dividend Payout ratio:** The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It is the percentage of earnings paid to shareholders in dividends. The amount that is not paid to shareholders is retained by the company to pay off debt or to reinvest in core operations. It is sometimes simply referred to as the 'payout ratio.'

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend}}{\text{Net income}}$$

**Dividend Yield Ratio:** The dividend yield is the ratio of a company's annual dividend compared to its share price. The dividend yield is represented as a percentage and is calculated

$$\text{Dividend Yield Ratio} = \frac{\text{Dividend Per Share}}{\text{Price Per Share}}$$

Company	Linde Bangladesh Limited				
Year	2020	2019	2018	2017	2016
Dividend Payout	70.028%	45.834%	21.026%	48.939%	52.996%
Dividend Yield	3.56%	2.77%	1.10%	2.48%	2.43%

Table 2: Assess Dividend Policy

**Interpretation:** In Dividend Payout ratio is decrease in 2017 compare to 2016 and then decrease in 2018 and then it starts goes up in 2019 and 2020 it achieves its best compare to the rest. Company was paying highest dividends in 2020, 2<sup>nd</sup> highest was 2016 and paying lowest

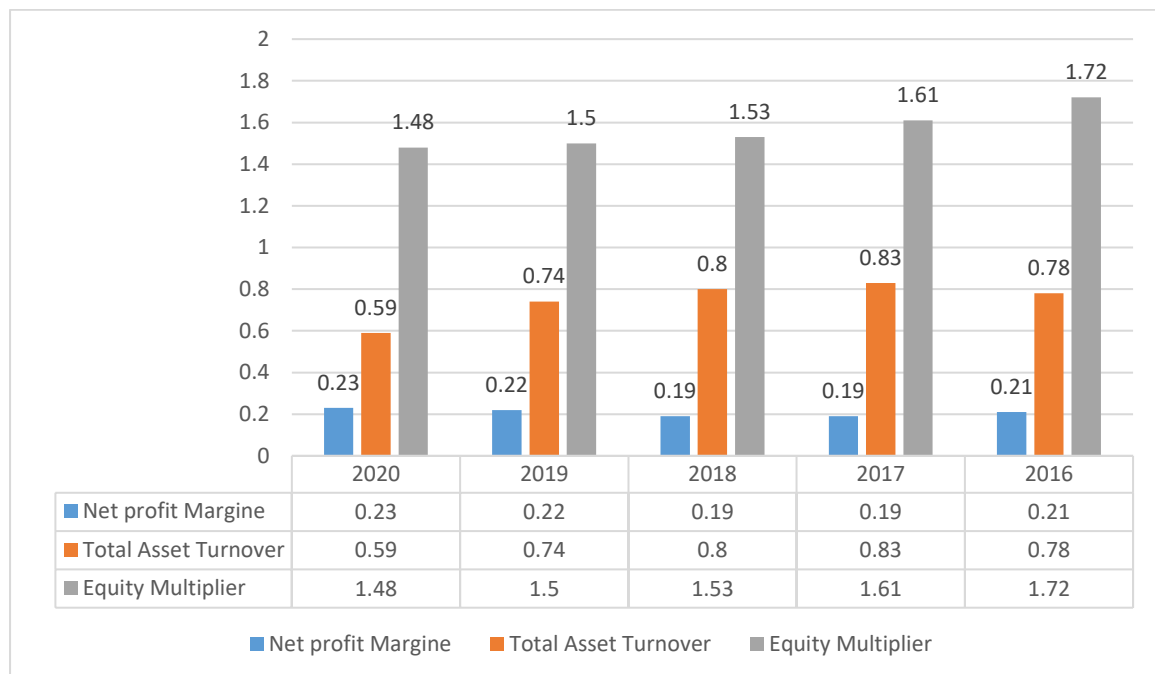
in 2018. A high ratio shows, they had more shares and investors as they paid more dividends and then it decreases by paying low dividend in 2018.

Dividend Yield Ratio is increases from 2016 to 2017 and then decrease in 2018. The high ratio indicates, the asset value is increases by stock appreciation. So, company position was good in 2020,2019,2017 and 2016 and worst in 2018 by asset value decreased. Though in 2019, they cover up asset value and start going upward.

**3.3.4 DU Pont Analysis:** DuPont Analysis is an extended examination of Return on Equity (ROE) of a company which analyses Net Profit Margin, Asset Turnover, and Financial Leverage. This analysis was developed by the DuPont Corporation in the year 1920. In simple words, it breaks down the ROE to analyze how corporate can increase the return for their shareholders.

Return on Equity= Net Profit Margin x Asset Turnover Ratio

Financial Leverage= (Net Income / Sales) x (Sales / Total Assets) x (Total Assets / Total Equity).



**Fig 5: Du Pont Analysis**



Net profit margin ratio increases from 2016 to 2020 and being stable in 2018 and 2017. High ratio measures profitability with respect sales generated, net income per taka of sales. So, in 2020, industry was more profitable than past years.

Total asset turnover ratio is fluctuating. In 2016 to 2017 it increases by 0.05 and then start decrease in simultaneously 2018, 2019 and 2020 by 0.80, 0.74 and 0.59. High ratio indicates the good efficiency of total assets to generate sales. In 2017, they make good sales by their asset. However, we see opposite scenario in 2018-2020. They continuously lose their efficiency of total assets to generate sales.

Equity multiplier ratio was decreasing continuously each year from 2016 to 2020. In 2016 it was 1.72 and in 2020 it was 1.48. We know A higher ratio indicates the more leveraged and therefore must generate higher revenue to meet the debt expenses but here we could assume that company may reduce their use of leveraged.

### **3.3.5 Analyze Price Multiple:**

Price Multiple: A price multiple is any ratio that uses the share price of a company in conjunction with some specific per-share financial metric for a snapshot on valuation. The share price is typically divided by a chosen per-share metric to form a ratio.

Price Earnings ratio: The price to earnings ratio (PE Ratio) is the measure of the share price relative to the annual net income earned by the firm per share. PE ratio shows current investor demand for a company share. A high PE ratio generally indicates increased demand because investors anticipate earnings growth in the future. The PE ratio has units of years, which can be interpreted as the number of years of earnings to pay back purchase price.

Calculated as:

- Price earnings ratio= Market Price per share/ Earning per share

Price Sales ratio: The price-to-sales (P/S) ratio is a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value placed on each dollar of a company's sales or revenues.

The P/S ratio can be calculated either by dividing the company's market capitalization by its total sales over a designated period – usually twelve months, or on a per-share basis by dividing

the stock price by sales per share. The P/S ratio is also known as a "sales multiple" or "revenue multiple."

Calculated as:

- Price Sales ratio= Price per share / sales per share

Price Net Cash Flow ratio: The price-to-cash flow (P/CF) ratio is a stock valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share. The ratio uses operating cash flow which adds back non-cash expenses such as depreciation and amortization to net income. It is especially useful for valuing stocks that have positive cash flow but are not profitable because of large non-cash charges.

Calculated as:

- Price Net Cash Flow Per ratio= Price per share / cash flow per share

Company	Linde Bangladesh Limited				
Year	2020	2019	2018	2017	2016
Price Earnings	19.670	16.560	19.196	19.704	21.822
Price Sales	4.48	3.59	3.53	3.80	4.50
Price Net Cash Flow	15.34	13.45	14.66	16.27	18.48

**Table 3: Analyze Price Multiple**

Price earnings ratio is higher in 2016 and lowest in 2019. The Company Earn more money in 2016 and then falling down in 2017, 2018 and 2019 from 21.822 to 16.560. After 2018 price earnings ratio increase. A higher ratio indicates that investor expect higher earnings. The company Position is better.

In year 2016, investors are paying 4.50times more for per share, that is highest value over five years. A higher ratio means that the market is willing to pay for each taka of annual sales. The value was decrease in 2017 and 2018. After 2018 it starts increase and 2020 again it cross four times. We assume that it's the effect of Covid-19.

Price Net Cash Flow is higher in 2016 is 18.48taka for one taka cash flow. Higher ratio indicates that company in the stages of development when the share price is mostly valued based on their future growth prospects.

### 3.4 Required Rate of Return and Share Price

CAPM full form is Capital Asset Pricing Model. It is used to calculate the Required rate of Return of a stock based on risk free rate, expected return of the market and Beta.

CAPM formula

$R_f$  = Risk free rate;  $R_m$  = Return of a market;  $\beta$  = Beta (Investment Risk)

Here,

$$R_f = 0.0568;$$

[Bangladesh Government Treasury Bond Rate is the best source to get the risk free rate. 10 Years data was reported at 5.680 % pa in May 2021.]

$$R_m = 0.10;$$

[In last 100 years, the average stock market return is about 10% per year. The S&P 500 is often considered the benchmark measure for annual stock market returns.]

$$\beta = 0.22$$

[I use Linde Bangladesh price and DSEX value's historical data of August, 2016 to July, 2021 to calculate beta]

$$RRR = R_f + \beta(R_m - R_f) = 6.6\%$$

Since, its beta is low it is obvious that its expected return also be low. We know that return has a positive relation with risk of a share. If risk is high of a share, then expected return will also high. However, share price will decrease if risk increase.

So, based on my opinion if I buy Linde bd share in June at a price of 1,324.70tk then my expected return for July will be  $1,324.70 * (100+6.6)\% = 1412.13\text{tk}$ . However, in July the share price is 1,338.30 which is 73.83tk less than my expectation.

### **3.5 Conclusions and Recommendations**

I completely did my report. I am trying to analyze Bangladesh one of the leading company's financial performance perfectly. There I finding company's overall position. The financial analysis helps me to find out the actual scenario of that company. Performance analysis is a huge term, performance analysis consists so many calculations, observations, knowledge and skill. For company like Linde Bangladesh doing performance analysis is a very tough and complex task. Linde's most of the performance is up to the mark. In 2016 to 2020 Linde's performance was good enough but company should try to cover up their drawbacks. As their key concern to serve customer so they can improve their service more and they can keep exploring more new ideas.

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