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THE FINANCIAL FEASIBILITY OF EXPANDING NATIONALLY AND GLOBALLY: THE CASE OF A SHIPBUILDING COMPANY IN BANGLADESH

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INTRODUCTION

With 166,000[2] kilometer of sea along with over 200 rivers spread widely within the country, Bangladesh is popularly known as a maritime nation. Historically, it is observed that the water vehicles have significant contributions to socio-economic developments of Bangladesh. Particularly, about eighty-five percent of major international trade of the country are conducted by sea (Hasan et al., 2017). Currently, over ten thousand ships are running within inland and beyond in the country. These vessels are accountable for carrying ninety percent of aggregate oil items, seventy percent of shipment and thirty-five percent of commuters. This is a labor intensive sector where above one hundred thousand workers are skilled and the rest, which is nearly 150,000 are considered to be semi-skilled (Zakaria et al. 2010).

Besides, Bangladesh ship breaking industry has positioned itself in the second place globally. This massive sector acts as a prime source of raw materials for local shipbuilding industry to manufacture and repair inland ships. Irrespective of Bangladesh's long standing proud foothold in the shipbuilding industry, it is only a decade that the attention regarding the prospects of the shipbuilding industry has surfaced. This rise of focus is primarily the results of acts of few shipbuilding firms who successfully achieved cross-border business by building few ocean-going vessels for international buyers. The internationalization of this sector started in 2008 when an ocean going ship—*Stilla Marriage*—was first built and exported to Denmark by Ananda shipyard. This initiative helped the shipbuilding industry of Bangladesh to firmly establish its footprint into the international arena where opportunities are now wide open for many emerging firms in Bangladesh. The ultimate goal of the case study is to evaluate the financial feasibility of the Western Marine Shipyard Ltd. to expand nationally and globally.

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PURPOSE/OBJECTIVE

This case primarily has two objectives, first, examine the potentiality of Western Marine Shipbuilding Ltd. to expand domestically and internationally. Second, is to create a platform for students to get a real life example to connect the financial theory by applying different financial tools to evaluate the financial feasibility of a firm.

METHODOLOGY

This case is based on secondary data. Published annual reports available from the official websites have been used to collect required data. Detail of the financial data that has been used in this case is shown in the appendix section (See Appendix A to D). Moreover, some relevant data about labor hour, labor cost efficiency and worldwide market share have been collected through extensive review of literature-- newspapers and journal articles.

SHIPBUILDING INDUSTRY IN BANGLADESH

Though the history of the Bangladeshi water vessels and its supporting industry is fairly old, the history of the formal shipbuilding industry of Bangladesh can be traced back since the end of World War II when Bangladesh became a part of Pakistan. At that time the shipbuilding industry was dominated by fifty state owned firms who mostly operated in few river side cities-Khulna, Dhaka, Narayanganj, Chittagong, and Barisal (Hasan et al. 2017). During that time mostly inland coastal and fishing fleets were being built. After independence in 1971, in order to formally handle the activities related to water transport and shipbuilding, a separate regulatory body (Department of Shipping-DOS) was created in 1976. Simultaneously, the first legal instrument known as Inland Shipping Ordinance was also developed in 1976 and, later, Bangladesh Merchant Shipping Ordinance came into force in 1983.

Since then the shipbuilding industry gradually progressed in building various forms and carrying-capacities of water vessels (e.g. ferry, cargo vessel, passenger vessel, fishing fleets) though only fulfilling inland water and local ocean demands. Later, as mentioned earlier, Bangladesh shipbuilding industry came into the significant attention in the international market in 2008 when an ocean going ship-*Stilla Marriage*-was first built and exported to Denmark by Ananda shipyard. Meanwhile, *"export earnings from the thriving shipbuilding industry of Bangladesh has reached a year-on-year growth of 456.88%, in the first half (H1)*

of the current fiscal year 2017-18 (FY18)" (Islam and Islam, 2018). Currently, out of hundreds of shipbuilding firms in Bangladesh, one hundred and twenty-four firms are registered with the DOS.

Table I: *Shipyards location and relative share.*

Dhaka And Narayangong (Dhaka Division)	70%
Side of Karnapuli river (Chittagong division)	20%
Poshur river (Khulna division)	6%
Barishal division	4%

Source: (Zakaria et al., 2010)

Recently eleven shipbuilding firms have achieved the ability to manufacture higher capacity ships (e.g. upto 10000 DWT). These are Western Marine Shipyard Ltd., Ananda Shipyard ltd., High Speed Shipbuilding, Chittagong Dry Dock Ltd., Dockyard and Engineering Works Limited, Chittagong Dry Dock Limited, Narayanganj Engineering and Shipbuilding Ltd., Khulna Shipyard Ltd. and Basundhara Steel and Engineering Ltd. However, the export market of Bangladesh is led by The Western Marine Shipyard Ltd. and Ananda Shipyard Ltd. These *"…two shipbuilders exported 40 ships, both small and medium size vessels, worth $170 million, to 14 countries from 2009 to 2017"*(Islam and Islam, 2018). However, more than 20% local shipbuilding firms are nearly ready in manufacturing vessels that meet international requirements of small and medium size vessels. According to Islam and Islam (2018) the shipyards of Bangladesh can be classified into four categories as per the criteria of contemporary shipbuilding standards.

Table II: *Category of shipyard based on capacity and standards in Bangladesh*

Types	**Capacity/Sizes**	**Standards**	**Status**
A	Small and Medium	International Standard	Ready to work
B	Small and Medium	International Standard	Need to expand capacity and also need renovation

C	Small and Medium	Will achieve International Standard soon	Proposed Shipyard
D	N/A	Local Regulatory Standards	Manufacture inland vessels only

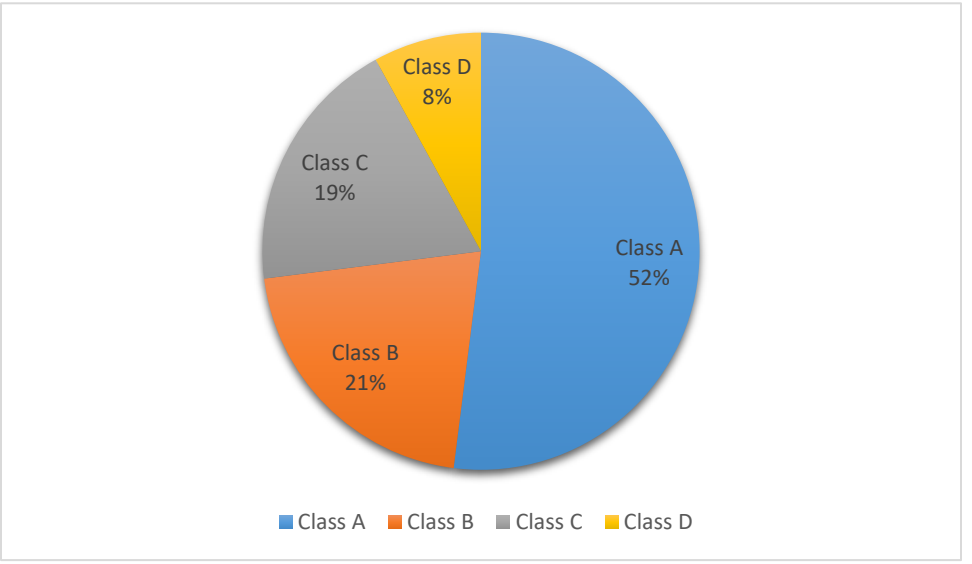


Figure I: Category of shipyard based on capacity and standards in Bangladesh

Currently, shipbuilding sector of the country enjoys vast prospect due to undertaking of giant development projects like LNG terminal and power plant at Matarbari in Cox's Bazar, proposed Bay-terminal of Chittagong port, Paira port and Rampal power plant. It would open up a new horizon for the shipbuilding and heavy engineering industry. As estimated US$30 billion will be invested by Japan, USA, China, India and France for implementing these projects in next five years. Around 30 percent of this massive investment would be paid for logistic support and infrastructural development (Mahmud, 2016). To develop infrastructure and logistical establishment, it would also require a remarkable number of vessels, heavy metal engineering works, tugboats, barges and other water transports for their construction and transportation of raw materials, which can be provided only by local shipyards or dockyards.

PROSPECT OF THE BANGLADESHI SHIPBUILDING INDUSTRY IN THE GLOBAL MARKET

Japan, South Korea and China dominate world's shipbuilding industry to a greater extent. Roughly ninety-three percent of the GT (Gross Tonnage) is delivered by these three nations. China's competitive advantaged is its low labor cost associated with concerted institutional support from the government. Whereas Japan is favored by many investors for establishing shipyards there for technological advancement resulting in fuel efficiency and also Japan exporters enjoy competitive advantage in the global market. South Korea is well known for achieving highest productivity in their shipyards. Besides these three nations new emerging countries in this industry are Bangladesh, India, Vietnam, Philippines and Brazil which have shown to be rapidly progressive players in this sector. Table III shows major vessel manufactured courtiers and their relative share along with Bangladesh, an emerging country.

Table III: Percentage of vessels manufactured countries and relative share across countries

Years	World Total (Vessel Number)	China	Japan	South Korea	Bangladesh
2007	2500	16.00	20.80	9.20	0.08
2008	2250	11.11	22.22	10.00	0.00
2009	2850	16.29	22.58	16.45	0.10
2010	3000	20.25	21.75	13.08	0.10
2011	3950	20.78	13.25	12.73	0.03
2012	5050	29.38	14.85	14.85	0.35
2013	6600	33.33	11.21	19.70	0.08
2014	5400	30.00	16.50	13.33	0.57

Source: (Shemon, 2017)

The above data shows that since 2010 the dominance in shipbuilding industry shifted from Japan to South Korea and China. Irrespective of the growth dynamics in the shipbuilding industry, the overall trend illustrates a clear rise of the global shipbuilding industry including that in Bangladesh as well. It is to be noted that this industry is significantly marked as a labor intensive. Hence, the shift of the shipbuilding industry from developed to developing nations resulted due to its extensive dependency on human labor. It is quite obvious that the significant lower labor cost is one of the major comparative advantages of Bangladeshi industrial revolution which engulfed the shipbuilding industry as well. Within short span of time Bangladeshi work force acquired enough skills to actively take part in this industry and, with growing young demographics the opportunity flourished quickly. Specifically, the noticeable growth of the Bangladeshi shipbuilding industry can be traced in 2012 which, later with a little declining due to global recession, came back to momentum in 2014. The comparative data of labor costs and productivity of various competing countries are depicted in the tables IV and V.

Table IV: Labor costs of select countries participating in global shipbuilding industry

Country	Average hourly rate of wage (in Us $)
Bangladesh	0.5
India	1.0
China	1.5
Singapore	3.0
South Korea	6.0
Japan	12.0
Italy	13.0
France	13.0
Norway	14.0

Source: (Zakaria, Iqbal & Hossain, 2010)

Table V: Comparison of cost effectiveness across countries

Country	Weighted labor cost	Weighted productivity	Weighted average output cost
Bangladesh	0.05	1.0	0.50
India	1.5	1.2	1.25
China	1.5	1.4	1.07
South Korea	6.0	3.0	2.00
Singapore	4.0	2.0	2.00
Germany	15.0	5.0	3.00

Source: (Shemon, 2017)

By 2026, expected investment on the purchase of new ships across the world will be around $651 billion, as estimated by Business Wire. Moreover, small sea vessels market would increase to $400 billion yearly. Local industry experts are hopeful that Bangladesh could achieve at any chance 1% of total small sea vessels order - worth $4 billion yearly. At present leading shipbuilders such as Japan, South Korea and China are shifting their role from small and medium to super-ships (Islam and Islam, 2018). As a result, Bangladesh's shipbuilding industry has immense prospect to grab the advantage of increasing demand for smaller ships in the international arena.

WESTERN MARINE SHIPYARD LIMITED (WMSHL) - A SNAPSHOT

The WMShL is a Chittagong-based prominent shipbuilder in Bangladesh. Since inception, it is continuing its efforts for development of shipbuilding industry and heavy metal engineering in the country. Initially, a team of professionals who had expertise on repairing ships and international trading of product related to marine started a firm titled Western Marine Services Ltd. (WMS) which, basically is the parent company of WMShL. The primary goal of the entrepreneurs was to establish an integrated high-tech support to cater the international need of the shipbuilding and supporting industry. In 2000, by acquiring 1.5 acres of land beside the east-coastal side of the Karnaphuliriver the WMShL established its ship-manufacturing facilities with own shipyard. At first, the firm was manufacturing inland barges and vessels. With passes of time, the company gradually expanded

its operations and now it is located on more than 45 acres of land. The total investment of the company is TK. 300 crore, of which a major part was used to procure state-of-the-art hi-tech and heavy technological equipments and facilities that gave the firm a competitive edge in this industry. The total value of the firm has increased by around 81% between 2014 to 2018 (See Appendix A).

Moreover, due to increase of foreign order WMShL increased its slipway and its building area. The shipyard has built 130 ships so far. Fifteen of these ships have been exported to eight countries. Western Marine is now building ships for seven countries including Bangladesh, Kenya, India, Denmark, UAE, Dubai, Saudi Arabia and Uganda. Ten of these ships are being built for Jindal groups of India. Nearly 3500 skilled and semi-skilled workers are currently employed by the firm. In addition, over 500 high skilled technical and managerial professionals are also working for this firm. They are specialized in new building of multi-purpose cargo ships, Inland container ships, Inland tankers, Passenger ships, ro-ro ferries, port utility ships, tugs, offshore petrol vassals, specialized fishing trawler, barge, dredgers, landing crafts etc.

Western Marine secured many awards *"including the 2016 Bangladeshi President's Award for Industrial Development (in the Hi-Tech industries category), the 8th HSBC Export Excellence Award, the Gold National Export Trophy for the 2010-2011 financial year, and the World Maritime Day Award in 2007"* (Western Marine Shipyard's Acquired Awards and Certifications). Besides, the company also acquired 2 certificates provided by Bureau Veritas: OHSAS 18001 for health and safety, as well as ISO 14001 for the environment, in addition to also receiving an ISO 9001 certificate from Germanischer Lloyd for quality. By acquiring these, Western Marine has become the only Integrated Management System (IMS) certified company in Bangladesh. Apart from reputation for being a trustworthy company, providing superior service and quality, quoting reasonable price and meeting deadlines, the company has few core competitive advantages such as an ideal location in the major port city of the country, has a pool of skilled & dedicated workforce, and modern shipyard with latest equipment.

DOMESTIC EXPANSION

To capture the domestic market opportunity Western Marin Shipyard may consider to open new shipyard near in Mongla port and Payra port due to giant projects taken up by government for developing establishments like Bay-terminal of Chittagong port, Paira port, Mongla port and Rampal power plant. To develop infrastructure and logistical establishment, it would also require a remarkable number of vessels, heavy metal engineering works, tugboats, barges and other water transports for their construction and transportation of raw materials, which can be provided only by local shipyards or dockyards. It is to be noted that the

Mongla Port has been already one of the top client of western Marine. They have built dredger and many vessels for the port. Having this background, The Western Marine is exploring the possibility of expanding its business in Mongla Port and Payra Port in Bangladesh.

A number of capital budgeting tools need a discount rate. The financial manager of the company identified that the firm's Weighted Average Cost of Capital (WACC) is the appropriate discount rate for evaluating the projects applying the capital budgeting tools. But, its WACC is not yet calculated. So, now the firm is interested in measuring its overall cost of capital. The firm is in the 5% tax bracket.

Current investigation has gathered the following data:

Debt

The firm can raise debt using collaterals from Bank

Preferred stock

The firm does not issue preferred shares

Common stock

The firm's common stock is currently selling for BDT 15.10 per share. The firm expects to pay cash dividends of BDT 0.28 per share next year. The firm's dividends have been growing at an annual rate of 7.43%, and this rate is expected to continue in the future. To setup international standard shipyards, the investment will be around tk 700 crore (Mahmud, 2016).

The following table provides a summary of the after-tax cash flows associated with two investment alternatives. The after-tax cash flows associated with each investment are:

Table VI: After-tax cash flows of Investment Alternatives

Year	**Payra Sea Port Investment** (7500000000)	**Mongla Sea Port** (7000000000)
1	1,958,930,427	1,958,930,427
2	2,104,466,426	2,104,466,426
3	2,260,814,818	2,260,814,818
4	2,428,778,895	2,428,778,895
5	2,609,221,629	2,609,221,629

The firm needs to decide now which project it should invest and thus it needs to apply different capital budgeting tools.

GLOBAL EXPANSION

To capitalize the global market opportunity, the Western Marin Shipyard may consider to open a subsidiary in the Middle East. For example, among all the Middle Eastern countries Oman has quite a good number of ports. Therefore, Oman could be good option. To establish a subsidiary in Oman it requires around $60 million investment. Western Marine is expecting to sell the subsidiary at OMR 10 million at the end of 3 years. At the very first year after investment Western Marine predicted that their before tax earnings to subsidiary will be OMR 4889443 and expects that it will increase by 5% each year.

CONCLUSION

Shipbuilding in Bangladesh plays a significant role to earn foreign currency, domestically distribute 85% of import goods cost effectively, increasing employment opportunity. This case will create a good opportunity to examine the shipping industry of Bangladesh, particularly the prospect Western Marine Shipyards Ltd. to move ahead. Outcome of case will be useful for Western Marine Shipyards Ltd. to consider their business for domestic and global extension. Moreover, student will be also beneficiary to get a practical scenario to analyses the performance and link the financial theory to evaluate the financial feasibility of the firm.

QUESTIONS

- Try to identify the core challenges of our country to take the advantages of increasing demand for small ships in the international market.
- What proposal you would like to suggest to address these challenges?
- Analyze the Profitability, Asset Utilization, Liquidity and Debt Utilization of Western Shipyard Ltd. (Hint: Ratio Analysis; See Appendix A, B, C and D for Financial Statements)
- Assume that you are considering an investment in shares in shipping industry. Since Western Marine is the only one shipping company listed in Dhaka Stock Exchange, you have to analyze whether the stock is currently undervalued or

overvalued in DSE. During your undergraduate degree you have learnt how to calculate the intrinsic value of a share. Using dividend valuation method and free cash flow method calculate the intrinsic value of Western Marine Shipping. (Hint: Stock valuation)

- Calculate specific cost of each source of financing (Round the answer to the nearest two decimal points percent, like 11.12%). (Hint: Cost of Capital)
- Calculate the weighted average cost of capital (The firm's optimum capital structure shows 69% Long-term debt; 31% Common stock equity). (Hint: Cost of Capital)
- Determine the Payback period, net present value, internal rate of return and profitability index for both ports. (Hint: Capital Budgeting; See table VI)
- Which one is the best port to invest if they are independent or mutually exclusive projects?
- Suppose The Payra Seaport is risky due to the port being quite new. Accordingly, the risk-adjusted discount rate for this investment will be 7% plus existing rate. How this will affect your decision? Support your decision by calculation.
- Determine the exchange rate between Bangladeshi taka and Omani Rial. Assume that the exchange rate will remain constant for the next 3 years. Determine Payback Period, Net Present Value and Internal Rate of Return for the project. Should Western Marine establish a subsidiary in Oman? (Hint: Multinational Capital Budgeting)
- Assume there is no salvage value. Determine Payback Period, Net Present Value and Internal Rate of Return for the project. Should Western Marine establish a subsidiary in Oman? (Hint: Multinational Capital Budgeting)
- Suppose earnings remitted to subsidiary is 60%. Determine Payback Period, Net Present Value and Internal Rate of Return for the project. Should Western Marine establish a subsidiary in Oman? (Hint: Multinational Capital Budgeting)
- What is the exchange rate between Bangladeshi taka and Omani Rial for year 1, 2 and 3? Determine Payback Period, Net Present Value and Internal Rate of Return for the project. Should Western Marine establish a subsidiary in Oman? (Hint: Multinational Capital Budgeting)

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Appendix A

Western Marine Shipyard Limited
Statement of Financial Position
From 30 June 2014 to 30 June 2018

Amount in Taka

Particulars	30 June, 2018	30 June, 2017	30 June, 2016	30 June, 2015	30 June, 2014
Assets					
Current Assets					
Trade & Other Receivable	3,392,176,046	3,108,075,847	3,175,592,466	3,155,581,195	3,408,201,405
Inventories	2,317,160,305	2,003,722,825	1,797,426,920	1,821,591,140	1,035,597,138
Prepayments, Deposits and Advances	2,445,051,832	2,381,761,290	1,740,777,895	788,120,334	681,321,453
Cash and Cash Equivalents	261,674,349	557,274,089	846,023,390	882,802,306	692,957,208
Total Current Asset	8,416,062,532	8,050,834,051	7,559,820,671	6,648,094,974	5,818,077,204
Fixed Assets					
Property, Plant & Equipment - net	8,615,250,425	7,617,388,054	6,694,086,103	6,014,229,871	3,371,928,110
Investment	8,877,000	8,877,000	8,877,000	8,877,000	8,877,000
Due from Affiliated Companies	728,185,130	570,356,775	585,089,046	609,330,686	628,089,625
Deferred Tax Assets	-	-	-	-	7,630,465
Total Fixed Asset	9,352,312,555	8,196,621,829	7,288,052,149	6,632,437,557	4,016,525,200
Total Assets	17,768,375,087	16,247,455,880	14,847,872,820	13,280,532,531	9,834,602,404
Shareholders' Equity & Liabilities					
Current Liabilities					
Term Loan - Current Portion	572,832,637	1,493,532,896	1,588,624,689	1,422,489,287	1,139,867,527
Reserve & Provisions	-	-	171,817,724	188,059,336	231,844,084
Provision for Current Tax	114,398,557	95,633,293	-	-	-
Provision for WPPF	42,774,007	46,279,321	-	-	-
Provision for Warrenty	41,307,791	46,966,421	-	-	-
Bank OD/CC - Short Term Loan	510,110,244	1,680,855,777	1,577,314,579	1,789,020,541	229,493,669
Trade & Other Payable	110,497,210	113,363,068	119,201,727	136,529,291	154,251,097
Total Current Liabilities	1,391,920,445	3,476,630,776	3,456,958,718	3,536,098,455	1,755,456,377
Non-Current Liabilities / Long-term Liabilities					
Term Loan - Non Current Portion	10,840,146,464	7,641,594,401	6,582,984,263	5,245,028,280	5,330,059,543
Deferred Tax Liability	46,176,213	45,703,653	42,085,739	32,524,230	-
Total Long term liability	10,886,322,678	7,687,298,054	6,625,070,002	5,277,552,510	5,330,059,543
Shareholders' Equity					
Share Capital	1,662,805,020	1,484,647,340	1,205,070,900	1,205,070,900	645,519,000
Share Premium	1,186,842,320	1,365,000,000	1,365,000,000	1,365,000,000	240,000,000
Revaluation Reserve	681,554,197	686,872,270	692,134,832	697,397,394	702,653,871
Retained Earnings	1,958,930,427	1,547,007,440	1,503,638,369	1,199,413,272	1,160,913,613
Total Shareholders' Equity	5,490,131,964	5,083,527,050	4,765,844,100	4,466,881,566	2,749,086,484
Total Shareholders' Equity & Liabilities	17,768,375,087	16,247,455,880	14,847,872,820	13,280,532,531	9,834,602,404

Appendix B

Western Marine Shipyard Limited
Statement of Profit or Loss
For the Year Ended 30 June 2014 to 30 June 2018

Particulars	30 June, 2018	30 June, 2017	30 June, 2016	30 June, 2015	Amount in Taka 30 June, 2014
Sales Revenue	3,024,284,044	2 ,978,544,328	2,813,975,718	2,551,851,870	2,578,080,015
Cost of Shipbuilding	(1,911,573,056)	(1,995,792,869)	(1,919,811,035)	(1,810,573,253)	(1,929,837,159)
Gross Profit	1,112,710,989	982,751,460	894,164,683	741,278,617	648,242,856
Operating Expenses					
Administrative Expenses	(40,399,686)	(41,106,672)	(40,156,189)	(56,172,323)	(46,323,921)
Selling and Marketing Expenses	(1,523,238)	(2,268,690)	(2,539,156)	(2,242,231)	(3,472,433)
Total operating expenses	(41,922,924)	(43,375,362)	(42,695,345)	(58,414,554)	(49,796,354)
Operating Profit / EBIT	1,070,788,065	939,376,097	851,469,338	682,864,063	598,446,502
Net Financial / Interest Charge					
Interest Income	111,219,310	83,065,498	90,579,756	1 08,840,346	89,613,950
Interest Expenses	(681,605,102)	(667,363,725)	(604,251,076)	(558,993,882)	(492,646,713)
Net interest income	(570,385,792)	(584,298,227)	(513,671,321)	(450,153,536)	(403,032,763)
Profit Before Income Tax & WPPF	500,402,273	355,077,871	337,798,017	232,710,527	195,413,739
Contribution to Workers' Profit Participation & Welfare Fund	(25,020,114)	(17,753,894)	(16,889,901)	(11,635,526)	(9,770,687)
Profit Before Income Tax	475,382,159	337,323,977	320,908,116	221,075,001	185,643,052
Income Tax Expenses					
Current Tax	(23,765,264)	(16,023,113)	(12,384,074)	(5,502,342)	(12,519,474)
Deferred Tax	(472,560)	(3,617,915)	(9,561,509)	(40,154,695)	(23,383,929)
Total tax	(24,237,825)	(19,641,028)	(21,945,582)	(45,657,037)	(35,903,403)
Profit After Tax for the year	451,144,335	317,682,949	298,962,534	175,417,963	149,739,649
Earnings available to common stockholders	**451,144,335**	**317,682,949**	**298,962,534**	**175,417,963**	**149,739,649**
Earnings Per Share	**2.71**	**2.14**	**2.48**	**1.65**	**2.11**

Appendix C

Western Marine Shipyard Limited
Statement of Changes of Equity
For the Year Ended 30 June 2018

Amount in Taka

Particulars	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Total Equity
Balance as on 01 July 2017	1,484,647,340	1,365,000,000	686,872,270	1,547,007,440	5,083,527,050
Adjustment for depreciation charge on revaluation reserve	-	-	(5,318,072)	5,318,072	-
Dividend (Stock)	178,157,680	(178,157,680)	-	-	-
Dividend (Cash)	-	-	-	(44,539,420)	(44,539,420)
Net Profit after tax transferred from Statement of Comprehensive Income	-	-	-	451,144,335	451,144,335
Balance as on 30 June 2018	**1,662,805,020**	**1,186,842,320**	**681,554,197**	**1,958,930,427**	**5,490,131,964**

For the Year Ended 30 June 2017

Particulars	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Total Equity
Balance as on 01 July 2016	1,205,070,900	1,365,000,000	692,134,832	1,503,638,369	4,765,844,100
Adjustment for depreciation charge on revaluation reserve	-	-	(5,262,562)	5,262,562	-
Dividend (Stock)	279,576,440	-	-	(279,576,440)	-
Net Profit after tax transferred from Statement of Comprehensive Income	-	-	-	317,682,949	317,682,949
Balance as on 30 June 2017	**1,484,647,340**	**1,365,000,000**	**686,872,270**	**1,547,007,440**	**5,083,527,050**

Statement of Changes of Equity
For the Year Ended 30 June 2016

Particulars	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Total Equity
Balance as on 01 July 2015	1,205,070,900	1,365,000,000	697,397,394	1,199,413,272	4,466,881,566
Share issued during the year	-	-	-	-	-
Share premium received on share issue during the year	-	-	-	-	-
Dividend (Stock)	-	-	-	-	-
Dividend (Cash)	-	-	-	-	-
Adjustment for depreciation charge on revaluation reserve	-	-	(5,262,562)	5,262,562	-
Net Profit after tax transferred from Statement of Comprehensive Income	-	-	-	298,962,534	298,962,534
Balance as on 30 June 2016	**1,205,070,900**	**1,365,000,000**	**692,134,832**	**1,503,638,369**	**4,765,844,100**

For the Year Ended 30 June 2015

Amount in Taka

Particulars	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Total Equity
Balance as on 01 July 2014	645,519,000	240,000,000	702,653,871	1,160,913,613	2,749,086,484
Share issued during the year	450,000,000	-	-	-	450,000,000
Share premium received on share issue during the year	-	1,125,000,000	-	-	1,125,000,000
Dividend (Stock)	109,551,900	-	-	(109,551,900)	-
Dividend (Cash)	-	-	-	(32,622,881)	(32,622,881)
Adjustment for depreciation charge on revaluation reserve	-	-	(5,256,477)	5,256,477	-
Net Profit after tax transferred from Statement of Comprehensive Income	-	-	-	175,417,963	175,417,963
Balance as on 30 June 2015	**1,205,070,900**	**1,365,000,000**	**697,397,394**	**1,199,413,272**	**4,466,881,566**

Statement of Changes of Equity
For the Year Ended 30 June 2014

Amount in Taka

Particulars	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Total Equity
Balance as on 01 July 2013	645,519,000	240,000,000	713,865,546	999,962,289	2,599,346,835
Share issued during the year	-	-	-	-	-
Share premium received on share issue during the year	-	-	-	-	-
Adjustment for depreciation charge on revaluation reserve	-	-	(11,211,675)	11,211,675	-
Adjustment for asset sales net off depreciation	-	-	-	-	-
Adjustment for negative balance of revaluation reserve	-	-	-	-	-
Net Profit after tax transferred from Statement of Comprehensive Income	-	-	-	149,739,649	149,739,649
Balance as on 30 June 2014	**645,519,000**	**240,000,000**	**702,653,871**	**1,160,913,613**	**2,749,086,484**

Appendix D

Western Marine Shipyard Limited
Statement of Cash Flow
For the Year Ended 30 June 2014 to 30 June 2018

Amount in Taka

Particulars	30 June, 2018	30 June, 2017	30 June, 2016	30 June, 2015	30 June, 2014
Cash Flow From Operating Activities					
Collections from Customers	2,740,183,846	3,046,060,947	2,793,964,447	2,804,472,080	2,183,795,314
Payment to Suppliers & Others	(1,859,062,389)	(2,432,994,756)	(2,682,339,507)	(2,604,291,710)	(2,127,507,286)
Payment to Employees	(218,319,128)	(189,247,172)	-	-	-
Income Tax Paid	(5,000,000)	(7,520,000)	-	-	-
Net Cash flows (Inflows / Outflows) from Operating Activities	**657,802,329**	**416,299,019**	**111,624,939**	**200,180,370**	**56,288,028**
Cash Flow from Investing Activities					
Addition of Property, Plant & Equipment	(1,289,031,539)	(1,202,541,908)	(951,359,598)	(2,878,435,163)	(989,418,367)
Net Cash from Investing Activities	**(1,289,031,539)**	**(1,202,541,908)**	**(951,359,598)**	**(2,878,435,163)**	**(989,418,367)**
Cash Flow from Financing Activities					
Loan-Current & Non Current	2,277,851,804	963,518,345	1,504,091,386	197,590,497	1,535,254,095
Due from Affiliated Parties	(157,828,355)	14,732,271	24,241,640	18,758,939	25,103,736
Bank OD-Short Term Loan	(1,170,745,534)	103,541,199	(211,705,962)	1,559,526,872	(19,529,641)
Share capital	-	-	-	450,000,000	-
Share premium	-	-	-	1,125,000,000	-
Dividend Paid	(43,262,653)	-	-	(32,622,881)	-
Financial Charges-Net	(570,385,792)	(584,298,227)	(513,671,321)	(450,153,536)	(403,032,763)
Net Cash from Financing Activities	**335,629,470**	**497,493,588**	**802,955,743**	**2,868,099,892**	**1,137,795,426**
Net Increase/ (Decrease) in Cash & Cash Equivalents	**(295,599,740)**	**(288,749,301)**	**(36,778,916)**	**189,845,098**	**204,665,087**