

# Assignment



**Eastern Housing Limited (EHL)**

## Submitted To

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## **BACKGROUND**

Eastern Housing Limited (the “company”), was incorporated in 1964 as a Private Limited Company under the Companies Act, 1913. In 1993 the company was registered itself with RJSC & F as a Public Limited Company which is one of the largest Real Estate Company in the private sector. The company raised its capital by way of an overwhelmingly subscribed IPO of shares and debentures through a prospectus issued in July, 1994.

The company is the pioneer as well as the only Public Limited Company in the country in Real Estate Business under the private sector. Eastern Housing Limited is one of the earliest members of the REHAB Association, the central body for private sector developers in Bangladesh. It was formed under the leadership of Mr. Jahurul Islam to reduce the housing problems of Dhaka city. It started its work by successfully implementing a project of building 700 houses in Pallabi Thana, Dhaka, and acquiring 910 acres (3.68 km<sup>2</sup>) of land. It was one of the first to provide low-cost housing to the residents of Bangladesh (then East Pakistan). Within a short span of time it turned out to be one of the most trusted company in the housing sector.

The company started operations by developing real estate mostly within Dhaka, the capital of the country and subsequently it has started to build shopping malls and apartment outside the capital. It regularly takes part in REHAB real estate fairs, both at home and abroad, and experiences sell-out performances.

## **VISION & MISSION**

Establish world class modern habitat by creating maximum value, providing quality land, houses and business premises to contribute sustainable development of the nation.

To build and develop environment friendly Apartment, Commercial Buildings and Land development by ensuring the highest standard facilities, safety, architecture, engineering and green technology abide by the National policy.

## **OUR FOCUS AREAS**

We offer clients world class real estate to create life of moments. In order to create moments we have chalked our core focus area in order to reach our goals.

## **CORPORATE GOVERNANCE & CORPORATE SOCIAL RESPONSIBILITY (CSR)**

### **Corporate governance**

Corporate governance is the system by which companies are directed and controlled by the management in the best interest of all the stakeholders, thereby ensuring greater transparency and better and timely financial reporting.

The Board of Directors is responsible for proper governance which includes setting out Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholders on their stewardships.

Eastern Housing is committed to continually reviewing all corporate governance policies and practices to ensure the ongoing transparency of the company's practices and the delivery of high standards and quality information to stakeholders.

The maintenance of effective corporate governance remains a key priority of the Board of Eastern Housing Limited. To exercise clarity about directors' responsibilities towards the shareholders, corporate governance must be dynamic and remain focused on the business objectives of the Company and create a culture of openness and accountability. Keeping this in mind, clear structure and accountabilities supported by well understood policies and procedures to guide the activities of the Company's management have been instituted.

### **Corporate Social Responsibility (CSR)**

Eastern Housing Limited is determined to carry out its business to achieve sustainable growth and ensure satisfaction of the customers, the employees, the vendors, the shareholders and every group of its stakeholders, in parallel with the company's corporate social responsible business approach. EHL focuses to support the social causes like Education and Youth development, Social and Environment, Religion and Art culture etc. Through the years, the company has continuously organized activities to pay back the society, hoping that everyone in the society will continue to co-inhabit with happiness and sustainable prosperity.

## **FIRM COMPETITIVE STRATEGIES**

Competitive strategies are essential to companies competing in markets that are heavily saturated with alternatives for consumers. This type of strategy is often used in advertising campaigns by somehow discrediting the competition's product or service.

### **Low-Cost Strategy**

This strategy also involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value. To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals.

**Example:** Eastern Housing Limited sets out to become the low cost producer and sources of cost advantage are varied and depend on the structure of the company. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors.

### **Differentiation Strategy**

The differentiation strategy offer unique products or services. Having a unique offering gives companies an advantage over their competitors because their competitors simply can't offer what they're offering. To develop unique products and services, companies often invest heavily in research and development something that many small businesses simply can't afford.

**Example:** In a differentiation strategy Eastern Housing Limited seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs.

### **Cost Focus**

The cost focus strategy is similar to the cost leadership strategy except that it focuses on a niche market. Instead of marketing a product to the entire population it is marketed to a particular segment of the population. The aim of the strategy is to then be the cheapest provider in that segment.

**Example:** Eastern Housing Limited focuses its market on a city; its goal would then be the cheapest in the city but not necessarily the cheapest overall.

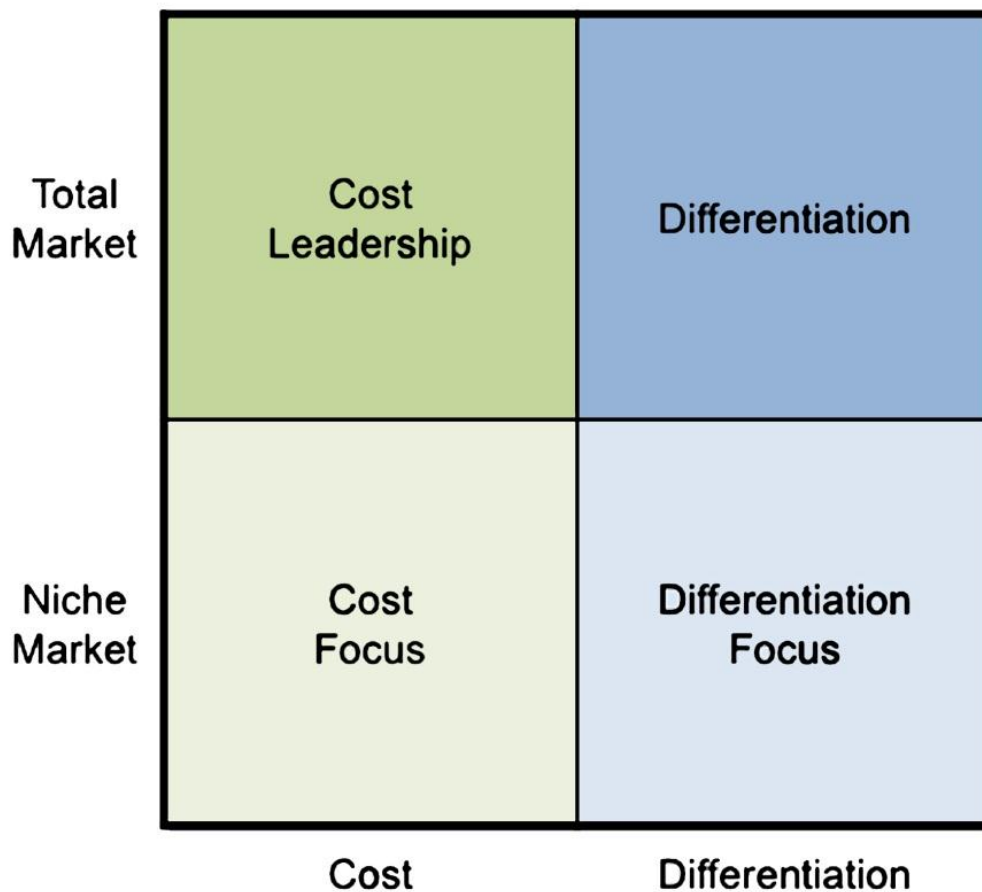
### Differentiation Focus

The differentiation strategy, like the low-cost focus strategy, also focuses on a specific subset of the market. But instead of marketing a product or service as the cheapest, it's marketed as being unique in some way.

**Example:** Eastern Housing Limited might develop a product that is specifically made for left-handed people. By focusing on a narrow market segment, a company can focus its efforts which may require fewer resources than developing a product for the broad market.

### My opinion of Firm Competitive Strategies

In my decisions, **low-cost strategy** is better for Eastern Housing Limited. The intention behind a low-cost leadership strategy is to be a lower cost producer in comparison to their competitors. In this strategy, the concentration is on acquiring quality raw materials for build their building at offers their lowest price for the customer's demands. Business owners additionally need to use the best resources to convert these strategies into valuable goods for the consumer. Thus, this strategy is especially beneficial for Eastern Housing Limited if the market is one where price is an important factor.



## SWOT ANALYSIS

A SWOT analysis is a strategic planning tool that helps a business owner identifies his or her own strengths and weaknesses, as well as any opportunities and threats that may exist in a specific business situation. A SWOT analysis is most commonly used as part of a marketing plan, but it is also a good tool for general business strategizing, and to use as a starting point for team discussions. In my assessment, the SWOT Analysis of Eastern Housing Limited is following:

<p><b>Strengths:</b></p> <p>Experienced management and large number of projects around the Mega city Dhaka.</p> <p>Strong and competitive customer channel network of the top management.</p> <p>Quality products and services.</p> <p>After sales services of the company.</p> <p>Company reputation and goodwill.</p> <p>A good number of multitasking dedicated employee.</p>	<p><b>Weakness:</b></p> <p>Lack of adequate marketing (advertising and promotion) effort.</p> <p>Lack of full scale automation.</p> <p>Lack of training facilities for the employees.</p> <p>Strong competition among the existing players of the industry</p> <p>Poor flat installment collection strategy.</p> <p>Inside trading by the top management.</p> <p>Nepotism of the top management.</p>
<p><b>Opportunities:</b></p> <p>Regulatory environment favoring private sector development.</p> <p>Increasing purchasing power of people.</p> <p>Increasing trend in international business.</p> <p>Increasing the population of Bangladesh.</p> <p>Expanding market, expanding sales &amp; profitability A healthy industry sector with quality business.</p> <p>Good purchasing power of target customers group.</p> <p>Government keen interest to solve housing problem with the rapid increase of urban population.</p> <p>Open market economy, recent housing policy etc. may favor sustainable growth of housing industry.</p>	<p><b>Threats:</b></p> <p>Increased price of industrial materials will be difficult to pass on the customers because the agreement in response of the price and construction standard is made 2 to 3 years before the actual handing over of the apartments</p> <p>The industry as a whole does not follow any standard business rules, therefore there remains uncertainty practices by some of the developers.</p> <p>Frequent changes of inhabitation rule of Bangladesh Government or RAJUK</p> <p>National and global political unrest.</p> <p>Lack of land of Bangladesh.</p>

## Assignment



The SWOT Analysis of Eastern Housing Limited provides a complete to determine what assists the organization in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results: where the organization is today, and where it may be positioned in the future. SWOT analysis should be short and simple, and should avoid complexity and over-analysis, as much of the information is subjective. Thus, companies should use it as a guide and not a prescription.



## **COMPANY ANALYSIS AND STOCK VALUATION OF EASTERN HOUSING LIMITED**

### **Company Analysis**

In my interpretation, company analysis and stock valuation of Eastern Housing Limited is determined by “**Speculative Companies and Stocks**”. The company analysis and financial analysis of Eastern Housing Limited are given below with financial year 2016:

### **Financial Reporting**

EHL has strong financial reporting procedures in line with the requirements of Bangladesh Financial Reporting Standard (BFRS), Bangladesh Accounting Standard (BAS) and other related local legislations.

### **Financial Review**

Financial Review is conducted quarterly. Financial Review provides the internal quarterly results follow-up for the Company. The purpose is to provide an analysis of the economic and financial situations, which will then form the basis for external reporting and presentations, and to provide quality assurance for the financial reporting. In addition, internal review on monthly financial results is conducted by Managing Director on a monthly basis.

### **Statutory Audit**

Statutory Audit of the Company is governed by the Companies Act, 1994 and Securities and Exchange Rules 1987. As per these regulations, auditors are appointed at each Annual General Meeting (AGM) and their remuneration is also fixed by the Shareholders at the AGM. Appropriate structure is in place as per corporate governance best practices to ensure independence of statutory auditors.

### **Internal Audit**

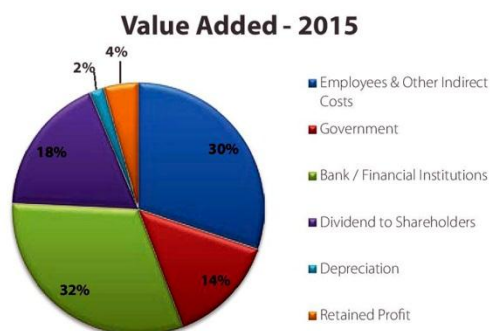
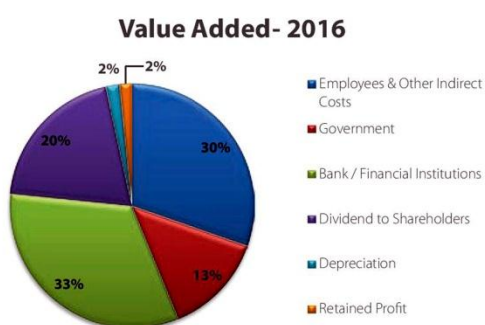
The Internal Audit department is independent of business operations. It undertakes a programme to address internal control and risk management processes with particular reference to the EHL Audit Charter. It operates a risk-based methodology, ensuring that the Company’s key risks receive appropriate regular examination. Its responsibilities include reviewing and reporting on the effectiveness of risk management systems and internal control with the Executive Committee, the Audit Committee and ultimately to the Board. Internal Audit facilitates oversight of risk and control systems across the company.



### Value Added Statement

The value added statement provides a detailed account of total value addition and the distribution of the value created by the organization. Eastern Housing Ltd. contributes positively to socio-economic development by empowering employees through the payment of salaries and allowances; by paying consistent dividend to the providers of capital; by assisting the regulatory capacities through paying taxes and of course keeping in mind company's continuous expansion and growth.

	<u>2016</u>		<u>2015</u>	
Sales	2,678,657,801		2,631,165,794	
Other Income	11,014,651		32,123,670	
Less - Cost of Sales	(1,796,823,313)		(1,719,400,941)	
<b>Available for distribution</b>	<b><u>892,849,139</u></b>		<b><u>943,888,523</u></b>	
<b>Distribution:</b>				
Employees & Other Indirect Costs	270,849,369	30%	284,352,420	30%
Government	120,042,730	13%	133,050,559	14%
<b>Provider of Finance:</b>				
Bank / Financial Institutions	293,231,556	33%	297,624,010	32%
Dividend to Shareholders	177,800,292	20%	169,333,612	18%
<b>Value Reinvested and Retained</b>				
Depreciation	16,509,233	2%	17,770,226	2%
Retained Profit	14,415,959	2%	41,757,696	4%
	<b><u>892,849,139</u></b>		<b><u>943,888,523</u></b>	



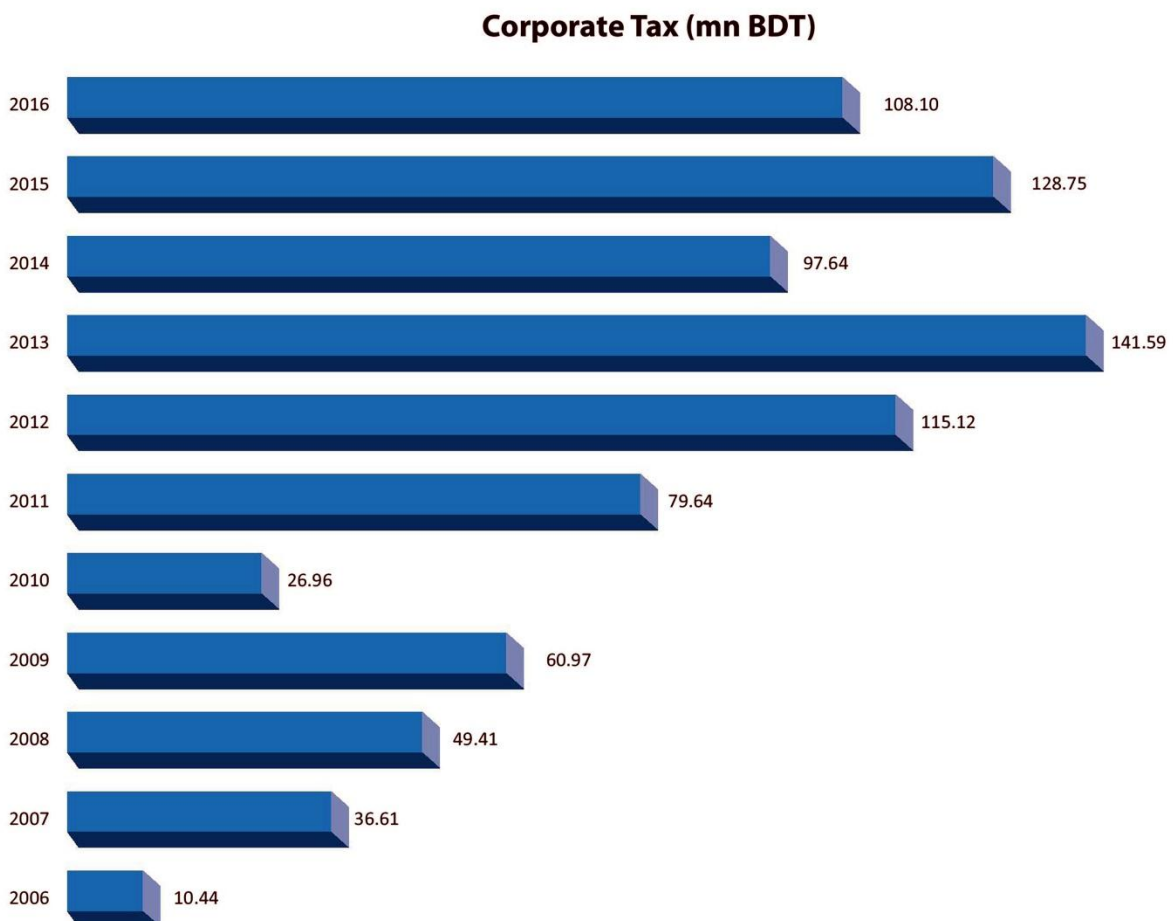
**Risk Assessment**

The company has an ongoing risk management process to identify key business risks. Process risks are also assessed at the planning stages whereby objectives are reviewed along with the associated risks that may potentially affect the achievement of objectives. Appropriate risk responses are articulated to enable the company to achieve its objectives effectively.

In Eastern Housing risks can come from uncertainty in form of project failures (at any phase in design, development, material cost), legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attack from an adversary, or events of uncertain or unpredictable root-cause.

**Corporate Taxpayer**

Eastern Housing Ltd is one of the largest corporate taxpayer in real estate sector of the country. Its contribution to the national treasure has been increasing significantly in the last few years. The contribution to the National Exchequer in 2015-16 (11 months) is BDT 108.10 mn compared to BDT 128.75 mn of 2014-15.

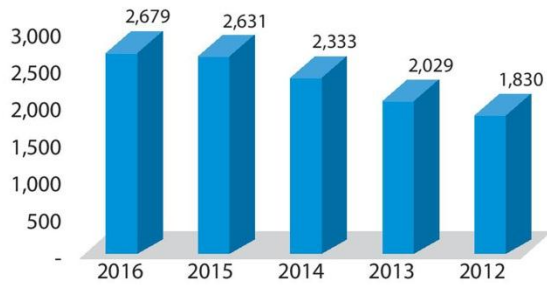


## Five Years' Financial Summary (2012-2016)

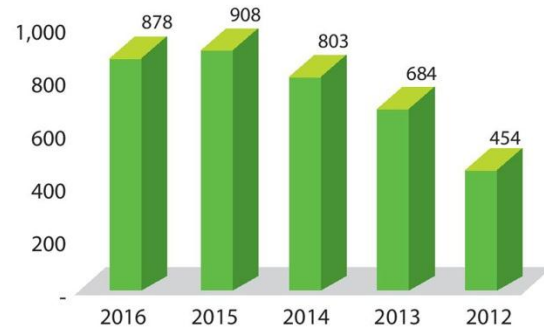
Year	2016	2015	2014	2013	2012
Revenue	2,678,657,801	2,631,165,794	2,333,019,487	2,028,721,932	1,829,635,067
Gross Profit	878,358,650	907,587,731	803,344,732	683,961,215	453,767,597
Operating Profit	619,854,093	642,491,879	557,443,785	439,027,152	239,834,880
Net Profit Before Tax	312,258,981	344,141,867	346,243,610	325,839,621	305,898,691
Net Profit After Tax	192,216,251	211,091,308	248,643,541	226,696,529	206,035,073
<b>Balance sheet</b>					
Authorized Capital	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Issued & Paid up capital	889,001,460	846,668,060	806,350,540	716,756,040	651,596,400
Shareholders Equity	6,015,764,964	5,950,548,923	5,860,410,196	1,486,383,763	1,324,846,873
Total Assets	21,987,448,078	22,059,578,795	23,493,131,160	18,291,412,654	16,585,460,371
Current Assets	17,316,371,707	17,362,778,519	18,790,716,700	18,134,961,158	16,423,596,877
<b>Ordinary share information (Comparatives Restated)</b>					
Face Value Per Share	10	10	10	10	10
Number of Shares Outstanding	88,900,146	84,666,806	80,635,054	71,675,604	65,159,640
Cash Dividend (Tk.)*	133,350,219	127,000,210	120,952,581	71,675,604	65,159,640
Net Assets Per Share (Tk.)	67.67	66.94	65.92	16.72	14.90
Market Price Per Share at year end (Tk.)	36.20	42.00	58.50	43.90	51.00
NOCFPS	(1.63)	3.06	(7.20)	(8.38)	(10.31)
Earnings Per Share (Tk.)	2.16	2.37	2.80	2.55	2.32
Dividend Per Share (Tk.)*	1.50	1.50	1.50	1.00	1.00
Bonus Share*	5.00%	5.00%	5.00%	12.50%	10.00%
<b>Financial ratios</b>					
Gross Profit Margin	32.79%	34.49%	34.43%	33.71%	24.80%
Operating Profit Margin	23.14%	24.42%	23.89%	21.64%	13.11%
Net Profit Margin	7.18%	8.02%	10.66%	11.17%	11.26%
Current Ratio (Times)	1.16	1.14	1.07	1.09	1.10
Administrative and Selling Cost to Revenue Ratio	9.98%	10.64%	11.30%	12.65%	12.20%
Finance Cost to Revenue Ratio	10.98%	11.31%	9.17%	7.88%	6.58%
<b>Others</b>					
Number of Employees	633	688	681	693	715
EBITDA	634,063,323	659,536,103	580,705,948	511,311,585	451,801,077

**Five Years' Financial Analysis (2012-2016)**

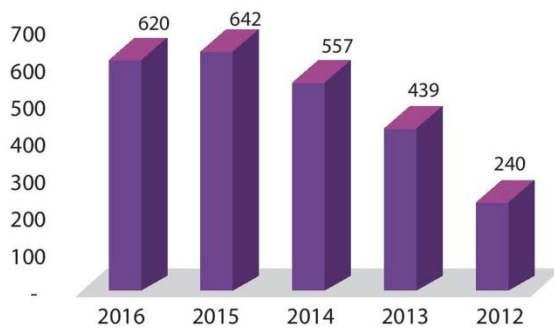
**Turnover (mn)**



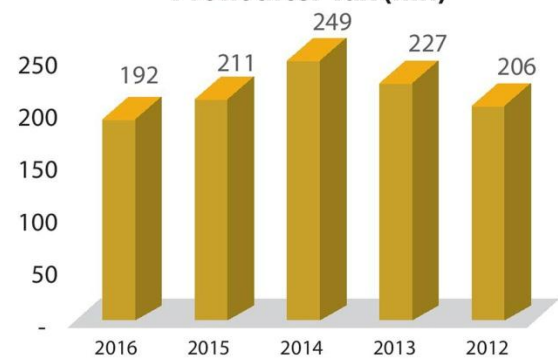
**Gross Profit (mn)**



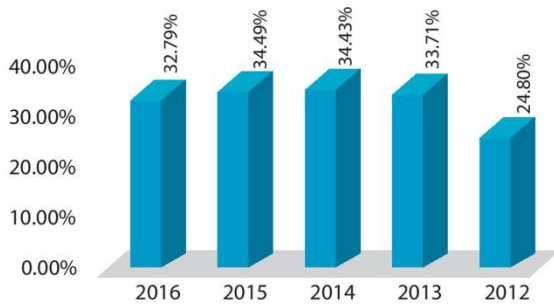
**Operating Profit (mn)**



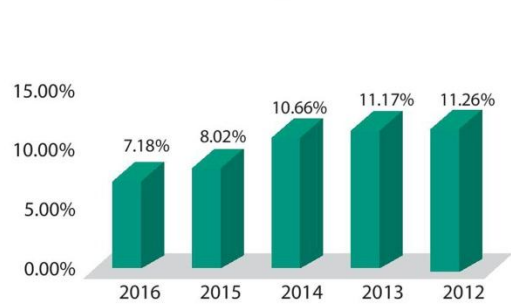
**Profit after Tax (mn)**



**Gross Profit Margin (%)**



**Net Profit Margin (%)**



## MARKETING STRATEGY

To analyze the market, Eastern Housing Limited found that the market leader takes following strategy to attract the customer:

<b>Direct Marketing</b>	Eastern Housing Limited drives the sales from direct marketing of the top management. This is called door to door marketing.
<b>Attractive Commission For The Sales Person</b>	Eastern Housing Limited offers a great sales commission for the sales person. So the director plays a great role to sell the product. Most of the flat and plot were sold among the relatives, friends and families. The network of the top management is very strong and wide. So, selling product is not so tuff.
<b>Exhibitions and Fair</b>	Eastern Housing Limited participated several exhibition and fair.
<b>Local Magazine And Bill Board</b>	Eastern Housing Limited sponsor in local magazine and bill board to the prime location and to their own project.
<b>Calendar, Bags, Wall Clock And Diary</b>	Eastern Housing Limited publishes calendar or t-shirts. Gift wall clock and diary the existing customer and potential clients.
<b>Annual Get Together</b>	Eastern Housing Limited arranges annual get together of the land owner, Flat or plot owner, potential customer, employee and supplier in every year.
<b>Foreign Agent</b>	Eastern Housing Limited Chairman and the top management make a tour to the abroad to promote their product to the foreign Bangladeshi's.

## OVERVIEW

Eastern Housing Limited (the company) was incorporated in 1964 as a private limited company under the Companies Act 1913. The main activity of the company is purchase of land to develop the same for urban housing. The company also purchases land for construction of multi-storied apartment buildings, shopping malls and office spaces. The company constructs multi-storied buildings on sharing basis by virtue of agreement with the owners of land. The real estate sector is growing and shows tendency of future growth. The GDP share and Growth of real estate and construction is growing. This indicates a hopeful future for this sector. Rise in house rent, increasing demand for housing, getting easy financing facility, rapid urbanization, inadequacy of land and many other factors are creating huge scope for this sector to grow. As a result aggregate demand for housing and apartments has shown increasing trend and is expected to increase further. Though inadequate, supply of apartments with the number of real estate developers also has shown rising trend and suggests future growth. Regulatory environment has been helpful for the sector to grow except the recent Real Estate Management Ordinance 2008 which is yet to be passed and is likely to be very important for protecting buyers' interest. Financing market for the real estate sector has become easier and more available than ever before. Private sector housing finance is available at competitive interest rate for flexible period but still the amount of loans given is very low compared with loans in other sectors. Strengthening the regulatory and supervisory system for the financial sector and improving and expanding debt markets are of particular concern for the housing finance sector. Cost for apartment has increased varying with different locations and size. Additional cost for additional facilities is required. On the whole, this study finds a very promising and positive tone of growth, provided this sector is given proper attention and facilities. It has certainly become very necessary to satisfy the increasing housing demand and minimize the supply gap in the country.

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