Q.1) The capital of ABC Ltd. consist of 9% Preference Share of 10 each Rs. 3,00,000, Equity share of Rs.10 each Rs.8,00,000, The Profit After Tax is Rs.2,70,000, Equity dividend is each 20% and Market Price of Equity shares of Rs.40. You are required to calculate following ratio.

a) Dividend Yield Ratio
b) Dividend Cover Ratio
c) EPS
d) P/E Ratio
e) Return on Equity

Q.2) ABC Ltd. following information for the year ended 31st march 2017.

Profit Before Interest and Taxes (EBIT)	=	Rs.16,50,000
Tax Rate	=	30%
Proposed Equity Dividend	=	25%
Capital Employed :		
80,000 Equity Share of Rs. 10 each	=	8,00,000
10% Preference Share Capital	=	15,00,000
15% Debenture of Rs.100 each	=	7,00,000
Reserves and Surplus	=	12,00,000
Total	=	42,00,000

Current market price per equity share is Rs. 50 per share.

You are required to calculate:

1. EPS
2. Dividend yield ratio
3. P/E ratio
4. Dividend cover ratio
5. Return on equity
6. Return on proprietary fund
7. Return on capital employed
8. Book Value per Share
9. Interest Coverage ratio
10. Debt equity ratio

Q.3) Following information is available relating to A Ltd. and B Ltd.

Particulars	**A Ltd. Rs. In Lakhs**	**B Ltd. Rs. In Lakhs**
Equity share of Rs.10 each	200	250
10% Preference share capital	80	100
15% Debenture	20	60
EBIT	60	80
Proposed Dividend	20	25
Provision for Tax	17	21
Market Price per Share	Rs. 50	Rs. 60

You are required to calculate: a) EPS
b) P/E Ratio
c) Dividend Payout Ratio
d) Return on Equity
e) Return on Capital Employed.

Q.4) The following information is available in respect of 2 companies namely.

Particulars	**Yuhina Ltd.**	**Monal Ltd.**
Equity share capital (Rs.10 each)	600 lakhs	1000 lakhs
12% Preference share capital	100 lakhs	200 lakhs
Profit after tax	400 lakhs	600 lakhs
Tax rate	30%	30%
Dividend per share	Rs.3	Rs.2
Market price per share	Rs.150	Rs.120

You are required to calculate:

1. Earnings per share
2. P/E ratio
3. Dividend payout ratio
4. Return on total capital

Q1).

given

Pref div = 9% of 3, 00, 000 = 27 000
FV of Pref = Rs. 10.
ESC = RS. 8.00.000
FV of ES = RS 10
PAT = 2, 70, 000
Equity dividend = 20 %
MPS = Rs 40.

Ans:

1) Dividend Yield.

$$\frac{DPS}{MPS} \times 100 = \frac{2}{40} \times 100 = 5\%$$

$\because$ DPS = Face Value x Dividend pay out
= 10 x 20 %
= RS. 2

2) Dividend cover

1) Equity div cover $= \frac{EPS}{DPS} = \frac{3.04}{2} = 1.52$

$$EPS = \frac{\text{Profit avail to ESH}}{\text{NO of ES}} = \frac{2.43.000}{80.000} = 3.04$$

$$\text{No of ES} = \frac{8.00.000}{10} = 80000$$

profit avail to ESH = PAT - Pref Div
= 2.70000 - 27.000
= 2.43.000

2) Pref Dividend Cover

$$\frac{PAT}{Pref\ Div} = \frac{2.70.000}{27.000} = 10.$$

3). EPS = $\frac{\text{Profit avail to ESH}}{\text{~~Total Eq Div~~ No of ES}}$.

$$= \frac{2.43.000}{80.000} = 3.04$$

4) $P/E = \frac{MPS}{EPS} = \frac{40}{3.04} = 13.15$

5) Return on equity:

$$\frac{\text{Profit avail to ESH}}{ESC} \times 100$$

$$= \frac{2.43.000}{8.00.000} \times 100$$

= 30.38%

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Q2.

Given:

PBIT = 16.50.000

Tax Rate = 30%

Equity div : 25%

ESC = 800.000

FV of Equity : 10.

Pref = 10% of ~~7.00.000~~ 15.00.000

Debtenture = 15% of 7.00.000 ⇒ Interest.

FV of debt : 100.

R & S = 12.00.000.

MPS = 50

Ans:

1) EPS = $\frac{\text{Profit avail to ESH}}{\text{No of ES.}}$ = $\frac{9,31,500}{80,000}$ = 11.64

No of ES = $\frac{\text{ESC}}{\text{FV}}$ = $\frac{8.00.000}{10}$ = 80.000.

Profit avail to ESH = 9,31,500

EBIT − Interest = 1650000 − 105000
= 1545000

EBT − Tax = 1545000 − 4,68,000
= 10,81,000

PAT − Pref Div = 10,81,000 − 1,50,000
= 9,31,500.

2) Dividend Yield.

$$\frac{DPS}{MPS} \times 100 = \frac{2.5}{50} \times 100 = 5\%$$

$$DPS = FV \times \text{Div pay out}$$
$$= 10 \times 25\%$$
$$= 2.5$$

3). P/E Ratio : $\frac{MPS}{EPS} = \frac{50}{11.64} = 4.29$

4) Dividend cover ratio:

1) Equity Div cover

$$\frac{EPS}{DPS} = \frac{11.64}{2.5} = 4.66.$$

2) Pref Div Cover

$$\frac{PAT}{\text{Pref Div}} = \frac{10,81,500}{1,50,000} = 7.21$$

5) Return on Equity:

$$\frac{\text{Profit avail to ESH}}{ESC + R \& S} \times 100 = \frac{9,31,500}{8,00,000 + 12,00,000} \times 100$$

$$= 46.58\%$$

6) Return on proprietary fund.

$$\frac{PAT}{ESC + R\&S + Pref.Share\ Cap} \times 100 = \frac{10,81,500}{8,00,000 + 12,00,000 + 15,00,000}$$

$= 50.30\%$

7) Return on capital employed.

$$\frac{EBIT}{Capital\ Employed} \times 100 = \frac{16,50,000}{42,00,000} \times 100$$

$= 39.29\%$

8) Book Value per share* $= \dfrac{ESC + Total\ R\&S}{No\ of\ ES}$

$= \dfrac{8,00,000 + 19,31,500}{80,000}$

$= 34.14$

9) Interest coverage ratio.

$$\frac{EBIT}{Interest} = \frac{16,50,000}{1,05,000}$$

$= 15.71$

10) Debt Equity Ratio

$$\frac{Long\ term\ Debt}{Equity\ Investment} = \frac{7\ 00\ 000}{20,00,000}$$

$= 0.35 : 1$

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Book Value Per Share

$$\frac{\text{ESC} + \text{Total R \& S}}{\text{No of ES}}$$

Total Reserve & Surplus
= Existing R & S + New R & S
= 12,000,000 + 7,31,500
= 19,31,500.

New R & S. = Profit avail to ESH − Total Eq Div
= 9,31,500 − 2,00,000
= 7,31,500

Total Eq. Div = 2.5 x 80,000

Q3)

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1) EPS

Company A EPS = $\frac{\text{Profit avail to ESH}}{\text{No of ES.}}$ = $\frac{47,00,000}{20,00,000}$

No of ES = 20,00,000 = 2.1

Profit avail to ESH = PAT − Pref Div.

EBIT − Interest = 60,00,000 − 300,000
= 5~~7~~,00,000

EBT − Tax = 57,00,000 − 17,00,000
= 50,00,000

EAT − Pref Div = 50,00,000 − 8,00,000
= 42,00,000

Company B EPS = $\frac{\text{Profit avail to ESH}}{\text{No of ES}}$ = $\frac{40,00,000}{25,00,000}$ = 1.6

Profit avail to ESH = PAT − Pref Div

EBIT − Interest = 80,00,000 − 9,00,000
= 71,00,000

EBT − Tax = 71,00,000 − 21,00,000
= 50,00,000

EAT − Pref Div = 50,00,000 − 10,00,000
= 40,00,000

2) P/E Ratio

Company A P/E Ratio:

$$\frac{MPS}{EPS} = \frac{50}{21} = 23.80$$

Company B P/E Ratio:

$$\frac{MPS}{EPS} = \frac{60}{1.6} = 37.50.$$

3) Dividend pay out Ratio.

Company A: $\frac{DPS}{EPS} \times 100. = \frac{1}{2.1} \times 100 = 47.61$

DPS = FV x Div pay out
= 10 x 10 %
= 1

Company B = $\frac{DPS}{EPS} \times 100 = \frac{1}{1.6} \times 100 = 62.5$

4) Return on Equity.

$$\frac{\text{Profit avail to ESH}}{ESC} \times 100 =$$

Company A = $\frac{42,00,000}{20,000,000} \times 100 = 21$

Company B = $\frac{4000,000}{250,00,000} \times 100 = 16.$

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e) Return of Capital Employed

$$\frac{EBIT}{\text{capital Employed}} \times 100.$$

Company A $= \dfrac{60,00,000}{300,00,000} \times 100 = 20$

Company B $= \dfrac{80,00,000}{410,00,000} \times 100 = 19.51$

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Q4).

1) EPS

Company A : Yuhima Ltd

$$EPS = \frac{\text{Profit avail to ESH}}{\text{No of ESH}} = \frac{388,00,000}{60,00,000} = 6.47$$

Profit avail to ESH = PAT − Pref div
= 400,00,000 − 12,00,000
= 38,800,000

Company B : Monal Ltd

$$EPS = \frac{5,76,00,000}{100,00,000} = 5.76$$

Profit avail to ESH = PAT − Pref div
= 600,00,000 − 2,400 000
= 576,00,000

2) P/E Ratio

Company A :

$$\frac{MPS}{EPS} = \frac{150}{6.47} = 23.18$$

Company B :

$$\frac{MPS}{EPS} = \frac{120}{5.76} = 20.\cancel{78}$$

3) Dividend payout ratio

$$\frac{DPS}{EPS} \times 100$$

Company A :

$$\frac{3}{6.47} \times 100 = 46.36$$

Company B

$$\frac{2}{5.76} \times 100 = 34.722$$