

#### Company Background

Dominage Steel Building Systems Ltd. (DSBSL) is engaged in manufacturing various Pre-Engineered Steel Buildings Structure, providing full pledge architectural and consultancy services and marketing of the Pre-Engineered Steel Building. The products of the company are produced through the use of both imported and local materials. Being the pre-fabricated steel structure manufacturer, DSBSL also provides other relevant construction work services and products including I-Section, PPGI Sheet for Roof & Wall Panel, GP Parlina, GP Decking Panel, Anchor Bolt (HDG), Nut Bolt (HDG), Sag Rod (HDG), Cable Bracing, Louver (GP), Pipe, Steel Door, etc.

The company was incorporated as a Private Limited Company in March 2007 and subsequently started its commercial operations in September 2007. DSBSL Started its journey in 2007 for the fabrication and erection of pre-engineered steel buildings in Bangladesh. The company's core strength is the ability to deliver unsurpassed service to a wide range of clients with understanding and managing a high-quality construction project – completing it on time within budget.

#### IPO Details

DSBSL will raise BDT 300.0 million as an initial public offering (IPO) through the fixed price method. The fund will be used mainly for the acquisition of new machinery and for building and other construction works.

The company is planning to spend 56% of the IPO Proceeds for the acquisition of new machinery, which includes a 12-ton Hydraulic Crane (BDT 20.4 mn), H-Beam Work Station for Assembly-Welding (BDT 25.9 mn), Sheet Shot Blasting Machine (BDT 16.3 mn), Infitech -Spray Booth (Paint Chamber) (BDT 13.2 mn), Automatic C/Z Purlin Roll Forming Machine (BDT 13.7 mn), Hydraulic Swing Cutter Machine with P40T Control System (BDT 13.2 mn) etc. DSBSL will also spend 30.1% of the IPO Proceeds (BDT 90.4 mn) for building and other construction work of proposed 3-Storeyed 8,895 sft per floor (with the foundation of five-storeyed) new Pre- Fabricated Building (8,895x3=26,685.00 Sft.) on Existing Factory Site (Ashulia Factory).

The breakdown of the IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Building and other construction	90.4	30.1%
Electrical installation	22.7	7.6%
Acquisition of new machinery	167.3	55.8%
<b>Sub Total</b>	<b>280.4</b>	<b>93.5%</b>
IPO Expenses	19.6	6.5%
<b>Total</b>	<b>300.0</b>	<b>100%</b>

#### Key Points

- Pre-Fabricated Steel Buildings are becoming increasingly popular in Bangladesh due to lower investment, lesser construction time requirements, and higher resale value of steel structures. Dominage Steel Building Systems Ltd., being a pre-engineered steel infrastructure manufacturer, has the opportunity to grow in the country's growing pre-engineered building industry that mostly involved in building High rises, Multi-story Buildings, industries, Workshop, Warehouse Housing, Training Center, Gymnasium, Basketball Court, Swimming pools, Markets Shopping center, Bus Station, Police station Border Posts, Grain storage, steel-framed commercial buildings, and waste/recycling facilities, commercial showrooms, distribution centers, restaurants, CNG stations, Fruit and vegetable Storage, Cold Storage, Equipment Storage, Military Applications, Aircraft Hanger, etc.
- DSBSL experienced revenue growth of 8.0% CAGR during 2015-19. The revenue stood at BDT 631 million in 2019 from BDT 462 in 2015. The company's main revenue comes from the structural steelwork services, and the entity recognizes contract revenue and contract cost using the percentage of completion method.
- Almost 80% of the raw materials used in production are imported mainly from China and India. Therefore, the import duty of the raw materials and exchange rate fluctuation play a substantial role in product pricing, which in turn may make pre-engineered steel building costlier than conventional RCC structure. The key imported raw materials include MS Plate, PPGL Sheet, MS Sheet, Electrodes, Flux, welding wires, etc.
- The lack of enough knowledge about the pre-fabricated structures often discourages potential customers from using this kind of buildings. The sense of familiarity with conventional RCC building subdued the desire for experimentation. Therefore, bringing positive changes in the customers' perception of this technology is a challenge for the industry players, including Dominage Steel Building Systems Ltd.
- DSBSL has no cash dividend history in the last five years. The company only declared a stock dividend in 2016, which was issued in 2017.

#### Comparable & Trading Multiple

Trailing P/E multiple of the listed comparable stock in the Engineering sector is given below:

DSE Ticker	MCAp (BDT Mn)*	LTM Earnings (BDT Mn)*	LTM PE*
BBS	2,653	185.0	14.0x

\*As of 18 October 2020, Source: DSE, BRAC EPL Research

#### IPO Summary

Post IPO No. of Shares (Mn)	95.0
Post-IPO Paid-up Capital (Mn BDT)	950.0
Pre-IPO Paid-up Capital (Mn BDT)	650.0
New Shares Issued (Mn)	30.0
IPO Proceeds (Mn BDT)	300.0
Face Value	10.0
Free Float	31.5%
Accounting Year End	June
Auditor	Ashraf Uddin & Co., Chartered Accountants
Issue Manager	Shahjalal Equity Management Limited

#### Income Statement

Mn BDT	2015	2016	2017	2018	2019
Revenue	462	498	521	589	631
COGS	(330)	(357)	(371)	(404)	(436)
<b>Gross Profit</b>	<b>132</b>	<b>141</b>	<b>149</b>	<b>185</b>	<b>196</b>
Administrative Expenses	(18)	(18)	(20)	(22)	(24)
Marketing & Selling Expenses	(6)	(7)	(7)	(4)	(4)
Other Operating Income	0	0	0	-	-
<b>Operating Profit</b>	<b>107</b>	<b>117</b>	<b>122</b>	<b>159</b>	<b>168</b>
Finance Income	0	0	0	0	0
Finance Expense	(9)	(8)	(11)	(16)	(12)
<b>Profit before tax and WPPF</b>	<b>99</b>	<b>109</b>	<b>112</b>	<b>144</b>	<b>156</b>
WPPF	-	-	-	-	(7)
<b>Profit before tax</b>	<b>99</b>	<b>109</b>	<b>112</b>	<b>144</b>	<b>149</b>
Income tax	(19)	(15)	(14)	(54)	(52)
<b>Net Profit</b>	<b>79</b>	<b>95</b>	<b>98</b>	<b>90</b>	<b>97</b>
Total Comprehensive Income.	79	95	98	90	97
<b>EPS</b>	<b>1.22</b>	<b>1.45</b>	<b>1.51</b>	<b>1.39</b>	<b>1.49</b>

#### Balance Sheet

Mn BDT	2015	2016	2017	2018	2019
Property, Plant & Equipment (PPE)	452	428	422	511	695
Project in Progress	97	134	170	171	178
Capital Work in Progress	-	-	-	11	18
<b>Non-Current Assets</b>	<b>549</b>	<b>562</b>	<b>592</b>	<b>692</b>	<b>891</b>
Inventories	188	225	258	289	333
Trade Receivables	99	109	124	159	187
Advance, Deposits & Prepayments	82	119	223	79	101
Cash and Cash Equivalents	6	20	7	15	18
<b>Current Assets</b>	<b>374</b>	<b>473</b>	<b>611</b>	<b>542</b>	<b>639</b>
<b>Total Assets</b>	<b>923</b>	<b>1,035</b>	<b>1,203</b>	<b>1,234</b>	<b>1,530</b>
Share Capital	0.17	0.17	0.17	98	650
Retained Earnings	316	411	509	541	637
Share Money Deposit	407	407	407	367	-
<b>Shareholder's Equity</b>	<b>723</b>	<b>818</b>	<b>916</b>	<b>1,006</b>	<b>1,287</b>
Long Term Loan	20	25	19	9	6
Deferred Tax Liability	28	33	37	50	69
<b>Non-Current Liabilities</b>	<b>50</b>	<b>58</b>	<b>56</b>	<b>59</b>	<b>75</b>
Short Term Loan	52	36	91	65	41
Trade Payable	50	53	65	53	39
Liabilities for Expenses	1	2	2	3	3
Income Tax Payable	31	41	51	37	70
Liabilities for WPPF	-	-	-	-	7
Current Portion of Long Term Loan	14	26	22	12	7
<b>Current Liabilities</b>	<b>150</b>	<b>159</b>	<b>231</b>	<b>169</b>	<b>167</b>
<b>Total Liabilities</b>	<b>199</b>	<b>217</b>	<b>287</b>	<b>228</b>	<b>243</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>923</b>	<b>1,035</b>	<b>1,203</b>	<b>1,234</b>	<b>1,530</b>

#### Cash Flow Statement

Mn BDT	2015	2016	2017	2018	2019
Operating Activities	165	163	138	362	285
Investing Activities	(242)	(140)	(185)	(291)	(422)
Financing Activities	80	(8)	33	(62)	141
<b>Net Cash Flow</b>	<b>4</b>	<b>15</b>	<b>(14)</b>	<b>8</b>	<b>4</b>

#### Ratios

	2015	2016	2017	2018	2019
<b>Gross Profit Margin</b>	<b>28.5%</b>	<b>28.4%</b>	<b>28.7%</b>	<b>31.5%</b>	<b>31.0%</b>
Op. Profit margin	23.2%	23.4%	23.5%	27.1%	26.6%
<b>Net Profit Margin</b>	<b>17.2%</b>	<b>19.0%</b>	<b>18.8%</b>	<b>15.3%</b>	<b>15.3%</b>
Revenue Growth	NA	7.8%	4.5%	13.1%	7.2%
NPAT growth	NA	19.0%	3.7%	-8.1%	7.3%
Receivable Turnover	4.7x	4.6x	4.2x	3.7x	3.4x
Inventory Turnover	1.8x	1.6x	1.4x	1.4x	1.3x
Debt to Asset	9.6%	8.6%	11.0%	6.9%	3.5%
Net Debt to Equity	11.5%	8.4%	13.7%	7.0%	2.8%
Return on Asset	8.6%	9.1%	8.2%	7.3%	6.3%
Return on Equity	11.0%	11.6%	10.7%	9.0%	7.5%
Effective Tax Rate	19.5%	13.4%	12.1%	37.3%	35.0%

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