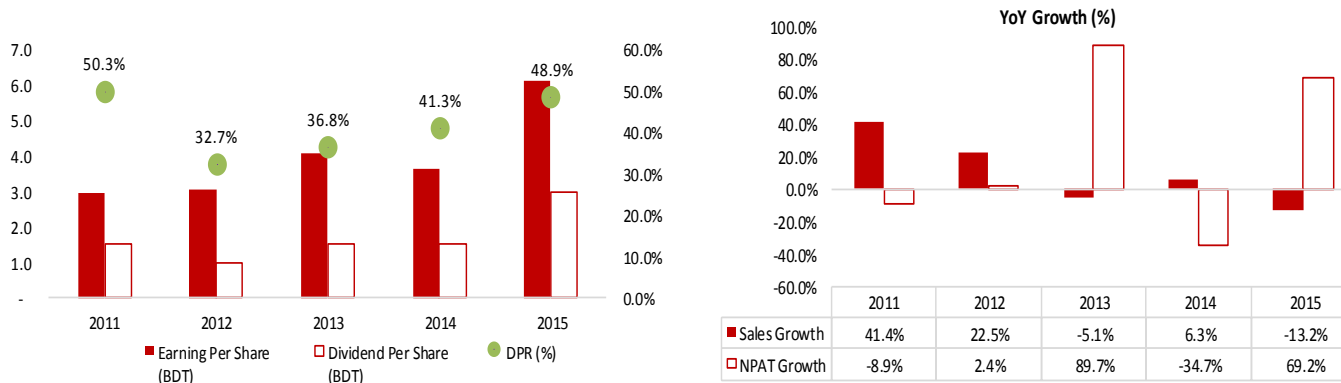


# Observations on BSRM Steels Limited - Q4 2015

## Margin Expansion Lifted Up Bottom-line to Demonstrate Robust Growth

### DSE News: BSRMSTEEL

The Board of Directors has recommended 30% cash dividend for the year ended on December 31, 2015. The Company has also reported consolidated net profit of Tk. 2,096.85 million, consolidated EPS of Tk. 6.14, consolidated NAV per share of Tk. 30.03 and consolidated NOCFPS of Tk. 19.78 for the year ended on December 31, 2015 as against Tk.1,239.22 million, Tk. 3.63, Tk. 25.34 and Tk. (8.16) respectively for the year ended on December 31, 2014.



Financials	Q1 2014	Q2 2014	Q3 2014	Q4 2014	YY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	YY 2015
Revenue	10,364	9,682	8,784	9,741	38,571	9,959	8,587	6,186	8,761	33,493
Gross Profit	1,275	1,131	654	428	3,488	819	1,428	1,339	1,228	4,815
Operating Profit	1,007	845	452	245	2,548	628	1,122	1,096	837	3,683
NPAT	403	414	174	248	1,239	303	751	583	459	2,097
EPS	1.18	1.21	0.51	0.73	3.63	0.89	2.20	1.71	1.34	6.14

Margins (%)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	YY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	YY 2015
Gross Margin	12.3%	11.7%	7.4%	4.4%	9.0%	8.2%	16.6%	21.6%	14.0%	14.4%
Operating Margin	9.7%	8.7%	5.1%	2.5%	6.6%	6.3%	13.1%	17.7%	9.6%	11.0%
NPAT Margin	3.9%	4.3%	2.0%	2.5%	3.2%	3.0%	8.8%	9.4%	5.2%	6.3%

YoY Growth	Q1 2014	Q2 2014	Q3 2014	Q4 2014	YY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	YY 2015
Revenue	-	-2.2%	-9.1%	22.7%	6.3%	-3.9%	-11.3%	-29.6%	-10.1%	-13.2%
Gross Profit	-	1.4%	-49.8%	-33.4%	-8.9%	-35.8%	26.3%	104.7%	187.0%	38.0%
Operating Profit	-	-3.8%	-58.4%	-44.6%	-10.9%	-37.7%	32.9%	142.6%	241.8%	44.5%
NPAT	-	-3.1%	-66.6%	43.0%	-34.5%	-24.8%	81.3%	236.0%	85.0%	69.2%

### Key Findings:

- Revenue declined over downward price adjustment in M.S. Rod/MT and lower sales volume.
- YY 2015 Capacity utilization rate was 99.5% which was 104.0% in last year. Declined capacity utilization was due to production suspension for capacity increase.
- The company was reaping the benefit of declined raw material price internationally as its Gross Margin was at higher end.
- Being largely dependent on leverage, it is enjoying the benefit of lower interest rates as overall cost of borrowing declined.
- Despite the top line de-growth of 13.2% YoY, NPAT grew by 69.2% YoY during YY 2015. This was mainly due to margin expansion.



## 2016 and Forward:

- Production Capacity increased by 1,00,000 MT to 7,00,000 MT which is expected to positively contribute to the revenue.
- Having the deal of major construction projects would encourage the company to run at maximum capacity.
- The company expects to enjoy the benefit of raw materials price decline until HY 2016 as billets are purchased at minimum 3 months period lags.
- As M.S. Rod price declined in local market at around 12%-15.0%, Gross Margin is expected to squeeze.
- BSRM launched another brand “Maxima” which is expected to contribute positively to the revenue of the company.
- Amalgamation of BSRMSTEEL and BISCO leaves minimum benefit as the parent company already owns 95.0% of BISCO.
- BSRM Steel Mills Limited, a billet making company is now under trial production. The company is expected to run commercial operation very soon.
- The company is planning to set up a 150MW coal based power plant.

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