

Bangladesh Steel Industry Review

Bangladesh is one of Asia's leading emerging steel markets and has a growing need for raw materials and steelmaking technologies. The World Bank forecasts that average GDP growth in Bangladesh in the period from 2016 to 2018 will be 6.8%, which is significantly higher than that of many other emerging markets. The movement towards a progressive national economy strongly depends on the how construction materials specially steels related industries has evolved and such products are readily available. Fortunately, the country has a proud heritage for the art of steel making and shaping for a long time.

Steel is a basic raw material for infrastructural development and multiple other uses. The demand for steel will inevitably grow in line with the country's economic and infrastructural development. Major buyers of mild steel and re-rolled products include individuals, government and institutional buyers in the real estate sector. Implementation of the government's huge infrastructural development plans have been driving the double digit growth rate in the country's steel industry and the growth is expected to persist for the next two decades amid ambitious development initiatives by the government.

Currently, in Bangladesh, there are more than 400 steel, re-rolling and auto-re-rolling mills. However, most of the millers produce steel through conventional process of re-rolling ship cutting plates.

Classification of Steel

Steel producers manufacture steel in several shapes according to demand from end consumers. Based on shape, the steel industry in Bangladesh can be categorized into two classes of products: long steel (MS rod/TMT bar) and flat steel (mainly CI sheet and CR coil).

In Bangladesh most construction steel can be traced to local production of long products, most of it in reinforcing steel, commonly known as M.S. Rods. Long Steel products are used in all industrial sectors, particularly in the construction and engineering industries.

Different Types of Long Steels

Bars	<ul style="list-style-type: none"> • Rebar • Merchant Bars
Structural	<ul style="list-style-type: none"> • Beams • Channels & Angles
Tubes	<ul style="list-style-type: none"> • Oil country tubular goods (OCTG) • Other tubular products

Different types of flat products includes Plates, Hot Rolled Sheets, Cold Rolled Sheets and Coated Sheet. Steel stock from capital goods such as machineries and transportation vehicles are entirely imported. Corrugated galvanized roofing sheets commonly known as C.I. sheets are also produced in Bangladesh.

Production & Market Size

There is no exact year-to-year data regarding the production and market share of the steel industry of Bangladesh is available. However, according to the leading manufacturers, more than 4.0 million MT steels are currently produced in the country representing a market value of BDT 300 billion roughly. The industry grew from producing a meagre 47,000 MT in 1971 to 4.0 million MT in 2015. The production of this sector is expected to double in 2022 by the industrialists.

The country's annual demand for only "branded" MS rod is estimated at more than 2.5 million MT, where the country usually consumes over 1.7 million MT of branded (high quality) MS rod or 70% of its annual demand in the peak season.

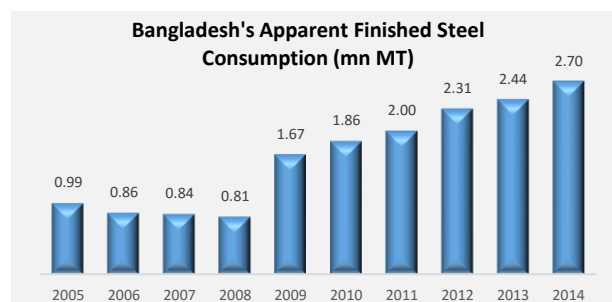
The increased production of steel industry, special in the long steel, can be signified by the increased amount of import of the raw-materials i.e. scrap materials and billet for the industry in the last few years. According to a leading local daily, import of iron scrap materials and billets in the FY2013-14 was 2.8 million MT, which increased to 4.43 million in FY2014-15 and 5.54 million MT in FY 2015-16.

Industry leaders says, currently the industry has been witnessing 5-7% growth from year to year and the industry is expected to enjoy more than 15% growth, once the country's real estate sector revives from its present sluggish period.

Consumption

The demand for steel industry is mainly driven by two factor; one is the implementation of the government's ADP plans and government's infrastructure building activities and the other is from the industrial and individual level demand especially for the real estate sector. Currently, the government projects account for nearly 40% of total steel consumption.

According to the local industry leaders, present per capita steel rebar consumption in Bangladesh is only 25 kg and this is expected to grow to 50 kg by 2022.



Source: World Steel Association and EBSL Research

According to the World Steel Association, apparent steel consumption of the country was 2.7 million MT in the FY 2014 compared to 2.4 million MT in the FY 2013, posting 10.4% YoY growth. However, According to the industry insiders, the annual steel consumption of steel (both graded and non-graded) products now stands at roughly 4.0 million MT for long products and 0.7 million MT for CR/GP sheet.

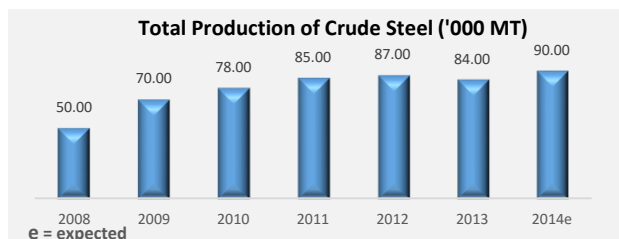
Production capacity

In terms of production capacity for both finished and semi-finished (billet) steels Bangladesh is now self-sufficient. Presently, in Bangladesh, the combined annual production capacity for steel is more than 8.0 million MT. Moreover, major industry players are injecting fresh investment in this sector to enhance their production capacity to grab the potential of huge demand for the implementation of government's gigantic infrastructure development plans.

For the semi-finished steel melting production, only three big players in the industry Abul Khair (AKS), BSRM and Kabir Steel (KSRM) has more than 3 million MT of billet producing capacity now and total industry as a whole have the capacity to produce roughly 3.6 million MT of billet, representing 90% of total requirements.

Raw-materials

Among the crude steel products, Billet is considered as the prime raw-materials for producing steel products. Bangladesh had roughly 1.0 million MT of crude steel capacity in 2014 but this figure has grown to more than 3.6 million MT now due to massive investment in the steel melting projects by large market player. The local mills in Bangladesh currently need more than 4.0 million MT billet annually owing to steady economic growth and the demand is growing in line with capacity enhancement of re-rolling mill in the industry.



Source: World Steel Association and EBLSL Research

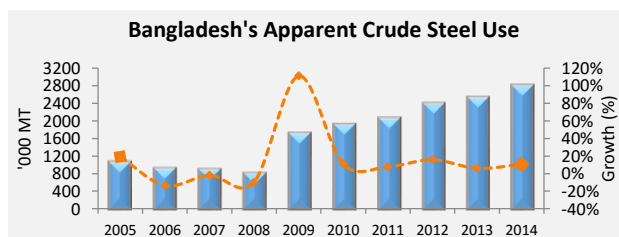
Most of the re-rollers are adopting backward integration process in order to produce quality and cost-effective products. Large players such as Abul Khair (AKS) and BSRM are reported to have already commissioned high-capacity induction and electric arc furnaces which would expand crude steel (billet) production significantly.

Manufacturers of Billet	Capacity in mn MT
Abul Khair Steel (AKS)	1,400,000
BSRM Group	1,187,000
Kabir Steel Rolling Mills Ltd. (KSRM)	600,000
GPH Ispat Limited (GPH)	168,000
Bashundhara Steel Complex Limited	100,000
Sheema Automatic Re-Rolling Mills Ltd.	70,000

Source: EBLSL Research

As a result of significant investment by the giant steel millers in steel melting plants to produce billets, Bangladesh now capable of supplying 90% of the required local demand for billets. However, the country still need to import billet as most of the billet millers mostly serve as the backward linkage for their own re-rolling mills.

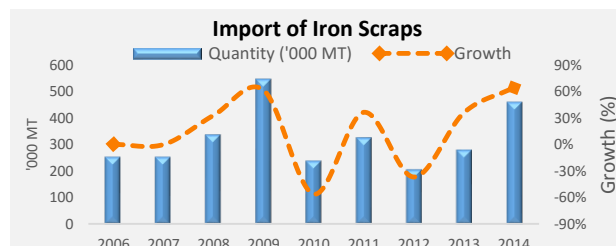
The import of billet has reduced notably in recent years. In 2013-14, import of billet in Bangladesh was 1.6 million MT which plunged by 18.8% to 1.3 million in the FY2015-16.



Source: World Steel Association and EBLSL Research

Iron scrap is a major raw material for steel melting units based in Bangladesh. Only a small amount of required scrap materials are available from local sources (ship-breaking businesses) and the country need to import significant volume of iron scrap materials from abroad.

World steel data shows that import of scrap iron in Bangladesh was only 0.46 million MT. However the import volume has witnessed tremendous growth in the last two years in response to capacity enhancement by local billet manufacturers in recent period. Bangladesh imported 4.1 million MT raw-materials for producing billets, including iron scraps, in the FY2015-16, which is 51% higher than that of the previous financial year.



Source: World Steel Association and EBLSL Research

Bangladesh is believed to have the potential to become the second largest scrap importer in East Asia, after India, and the fourth largest importer in Asia as a whole.

Major Industry Players

The steel industry in Bangladesh is oligopoly in nature. Even though there are currently over 400 active firms in the industry, three big steelmakers -- BSRM, Abul Khair Steel and KSRM - supply more than 50% of the country's annual need of steel. The market leader Abul Khair Steel (AKS) and BSRM Group have been continuing their dominance in steel market.

About Abul Khair group: Abul Khair group is the largest steel producer in the country. Abul Khair Steel's re-rolling mill (AKS) is capable of producing 12.75 lac metric tons high quality graded hot-rolled steel (TMT) bars per annum. The company's capacity utilization is ratio is roughly 80-85%.

Abul Khair group has total steeling melting (billet) capacity of 1.4 million MT per annum and will be expanded further to 1.6 million MT per annum. The company does not import any billet for its re-rolling mills now. AKS has a special reputation for price adjustment to avail larger market share and other companies do the same accordingly to maintain the competitiveness.

BSRM Group: BSRM Group is the pioneer in the steel industry of Bangladesh and has strong presence in the market with around 1.15 million MT capacity of MS rod and bar annually. The group has good track record for producing quality steel and strong market penetration.

Recently, BSRM group has commenced its 0.86 million MT capacity billet melting plants resulting into a total of 1.19 million yearly capacity of billet in the group level. However, BSRM group could not utilize full billet making capacity of its new plant till now and still imports around 0.5 million MT billets to meets its demand.

Major Players in Steel Market	Capacity in mn MT
1 Abul Khair Steel (AKS)	1,275,000
2 BSRM Group	1,150,000
3 Mohsteel Limited	500,000
4 Kabir Steel Rolling Mills Ltd. (KSRM)	400,000
5 Anwar Ispat Limited	360,000
6 Ratanpur Steels Re-Rolling Mills Limited	187,200
7 Baizid Steel Industries Ltd.	180,000
8 Bashundhara Steel Complex Limited	160,000
9 GPH Ispat Limited (GPH)	120,000
10 Bandar Steel Limited	120,000
11 Sheema Automatic Re-Rolling Mills Ltd.	45,000
12 Rahim Steel Mills Co. (Pvt.) Ltd	n/a*

*Information not available; Source: EBLSL Research

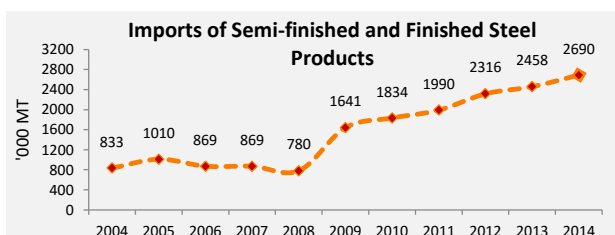
To cater to the growing demand in coming days, other major industry players like KSRM and GPH Ispat are also increasing their production capacity significantly. KSRM is undergoing an expansion plan to expand its capacity by 45% in addition to its existing 0.4 million MT annually. While GPH Ispat also announced for a massive expansion of its re-rolling mill capacity from 0.12 million MT to 0.76 million MT per year and billet making capacity from existing 0.17 million MT capacity to 1.0 million MT.

According to the market players, presently 65% of the country's annual need is met by the graded millers. Even though non-graded millers held 50% of the total market share three years ago, it has now dropped to 35%.

Export & Import

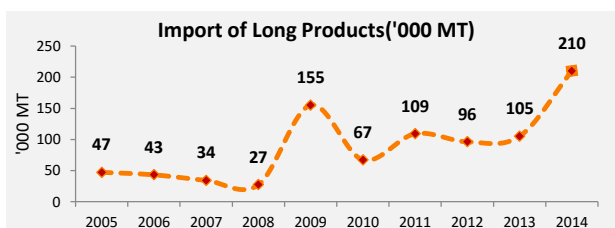
Even though local steel industry has the capability to feed entire demand of the steel products in Bangladesh, the country also imports roughly 2.5 million MT of semi-finished (billet) and finished steel (both long and flat) products each year.

Bangladesh imports mostly semi-finished steel products including billets to serve the demand for re-rolling millers. Billet imports to Bangladesh surged in last few years due to cheaper offers from Chinese suppliers but this is likely to decline in the coming years due to capacity enhancement by local industry players and imposition of duty and VAT on billet import.



Source: World Steel Association and EBLSL Research

Import of long products like MS rod and bar is insignificant. Around 5% of the local demand for long steel products are currently imported. Non-graded steel products are imported by some rent-seeking enterprise and such importers have minor dominance in the market.



Source: World Steel Association and EBLSL Research

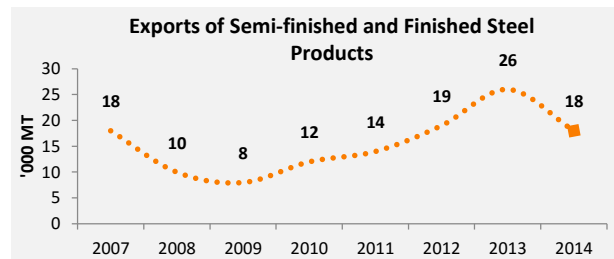
In 2015, Bangladeshi importers spent on the most on the following 10 subcategories of iron and steel:

Bangladesh's import payment on steel related products in 2015			
	Amount (USD mn)	Amount (BDT mn)	Change From FY2011
1 Hot-rolled iron or non-alloy steel products	447	35,111	↓ -14.5%
2 Allow steel bars, rods	440	34,553	↑ 24187.4%
3 Iron or steel scrap	278	21,867	↑ 56.4%
4 Flat-rolled iron or non-alloy steel products (plated/coated)	248	19,469	↓ -4.9%
5 Iron or non-alloy steel products (semi-finished)	133	10,430	↓ -75.2%
6 Flat-rolled other alloy steel products	103	8,088	↑ 486.5%
7 Flat-rolled stainless steel items	68	5,345	↑ 187.8%
8 Iron ore reduced products	43	3,388	↑ 16.1%
9 Cold-rolled iron or non-alloy steel products	42	3,278	↓ -61.2%
10 Flat-rolled iron or non-alloy steel products (plated/coated)	20	1,596	↑ 185.7%

Source: International Monetary Fund, World Economic Outlook Database and EBLSL Research.

Among imports, Bangladeshi purchases of alloy steel bars and rods, flat-rolled miscellaneous alloy steel products and flat-rolled stainless steel items grew at the fastest pace from 2011 to 2015.

Although the country's steel sector remains mostly focused on domestic demand, owing to over capacity and incessant investment by the market leaders, the country has the potential to export steel, especially to the northeastern states of India. However, the opportunity has been destroyed as the state governments of India have imposed 13% tax on imported rod.



Source: World Steel Association and EBLSL Research

Moreover, Transit will enable the Indian states, near to Bangladesh border-side, to transport steels related products from one state to another at low-cost. Hence, the transit facility also ruined the opportunity to export from Bangladesh.

Budgetary Protection

As the country is getting enriched in terms of billet producing capacity, the government has imposed various safeguard duty in terms of import duty, VAT, SD and RD on purchase of finished and semi-finished steel from foreign sources.

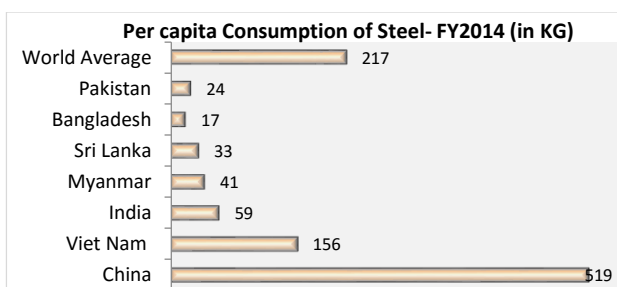
Bangladesh steelmakers are preferring imported scrap over billet due to differential duty structure. Scrap attracts an import duty of BDT 1,500/MT (USD 19/MT). Whereas, RD of 20.0% and VAT of 15.0% has been imposed on import of billet from the existing SD of BDT 7,000.0 on per MT imported billet. Moreover, 45% SD has been imposed on bars and rods, hot-rolled, cold-rolled of iron or non-alloy steel.

Anti-Dumping Tariffs For Steel Industry Of Bangladesh Over The Year		
FY2013-14	FY2015-16	FY2016-17
Exemption on billet manufacturing raw materials such as sponge iron and reduced iron	Increased CD on Iron and non-alloy steel in ingots or other primary forms or semi-finished products of iron or non-alloy steel from BDT 5,000/MT to BDT 7,000/MT will benefit BSRM, GPHISPAT and other billet manufactures	By fixing the price of Billet as BDT 31,200 per ton finance minister proposed 20% revenue duty and 15% VAT on the import of Billet.
Import tax rate for Billet & Ingot raised to BDT 5,000/MT from BDT 3,500/MT		45% SD imposed on bars and rods, hot-rolled, cold-rolled of iron or non-alloy steel. Benefits BSRM, GPHISPAT and other steel manufactures.
Bar & Rods will have higher import tax rate, at 25%, from existing 10%		

However, the benefit of imposition such duty and taxes is not equal to all the market players. Only few large players, who are now self-sufficient can avail the cost benefit but most of the small millers are now facing serious challenges and failing to survive due to high imported raw-material cost.

Regional Comparison

Bangladesh is one of the lowest consumers of steel products in the world. According to the Steel Statistical Yearbook 2015 of the World Steel Association (WSA), average per capita steel consumption in the world was 217 kg while that of Bangladesh was only 17 KG in the year 2014. However, per capital steel consumption in Bangladesh witnessed 9% growth in the 2014 than that of 2013 according to WSA.



Source: World Steel Association and EBLSL Research

Per capita steel consumption in Bangladesh now stands at only 25 kilograms, according to the local industry players. The sector is expected to grow further in Bangladesh, driving on the increasing purchasing power and ongoing infrastructural developments by both public and private sector of the country.

Industry Prospects & Challenges

Availability of raw materials, transportation, port facilities and tariff rationalization are the key challenges for the development of steel industry. Traditionally, steel is produced through conventional process of re-rolling ship cutting plates. But a structural change is noticed in the steel industry.

Over capacity of the steel industry also indicates enormous export potential, though the option is yet to be explored. Since steel demand is derived from other sectors like construction buildings, roads, consumer durables and infrastructure, its fortune is dependent on the growth of these user industries. However, initiation of Padma Bridge construction, acceleration of Government's big infrastructure projects under Annual Development Program (ADP) and revival of the local real-estate industry will undoubtedly boost-up the steel consumption locally.

However, uneven competition from big players, price fall in international steel market, dependency on imported raw materials and a decline in domestic demand for construction materials due to bearish vibe in the real estate sector are forcing the small mills owners out of the market.

Steel Industry in Bangladesh Capital Market

Steel Industry has a phenomenal presence in the capital market of Bangladesh. There are 6 steel manufacturing company, listed in Bangladesh capital market out of which, four are specialized in the making of MS Rod, MS Bar and MS billet while other two are specialized in Cold rolled and Galvanized steel sheets/coils. Here we have presented a comparative review on the listed steel industry manufacturing companies that are specialized in MS rod and bar.

Company Overview

BSRM Steels Limited (BSRMSTEEL): BSRM Steels Limited is a high grade steel manufacturing company, mainly engaged in the production and supply of "Xtreme 500W" deformed bars of reinforced steel. The company was incorporated in 2002 and commenced commercial operation in 2008.

The product portfolio of BSRM Steels Limited comprises Xtreme-500W, D-Bar Grade-60, D-Bar GR300, D-Bar Grade-75 and Miss Rolls etc. The Company's flagship product 'Xtreme-500W' contributed 93.7% of the revenue (Stand-alone) while its new product line D-Bar Grade-B420DWR generated 4.0% and rest 2.3% revenue was contributed by other products. Present Installed Capacity is 700,000 MT and capacity utilization in FY2015 was 99.5% (weighted average).

Bangladesh Steel Re-Rolling Mills Limited (BSRMLTD): Bangladesh Steel Re-Rolling Mills Limited is the first fully automatic re-rolling mills built in the country. BSRMLTD

produces a low carbon weldable quality high strength and high ductility concrete reinforcing bar. The company was incorporated in 1960 and commenced commercial operation in 1961.

The company mainly produces MS products like 60 grade and 40 grade MS bars, Angles, Channels, I-beam, Great-beam, etc. and MS billet (Raw-materials for MS Products). BSRMLTD is now operating with two different units: (i) Re-Rolling unit for M.S.Rod, Channel, Angle and (ii) Steel Melting Works unit for production of M.S. Billet. Currently, annual installed capacity of BSRMLTD is 450,000 MT for Re-Rolling Unit and 135,000 MT for Melting Unit.

The company does not have any subsidiary but has two associates namely BSRM Steels Limited (31.19% ownership) and BSRM Steel Mills Limited (44.97% ownership). The company also has indirect control over few other companies, upon which its associate concern has controlling share. The company became listed with DSE and CSE on 27 April 2015.

Comparative Snapshot				
	BSRMSTEEL	BSRMLTD	RSRMSTEEL	GPHISPAT
Relative Position (As on 06 September 2016)				
Current Price	100.3	178.4	42.9	28.9
52 Week Range	81.0 – 106.9	106.2 – 207.7	39.3 – 65.9	26.3 – 57.7
No. of Shares	341.8	195.1	78.6	311.9
Free-Float*	29.1%	44.2%	52.9%	44.0%
EPS (annualized)	11.0	10.1	3.5	1.2*
DPS (C/B)%	30/0	5/10	5/20	17/0
NAVPS	29.8	52.3	40.2	17.0
P/E (x)	9.1	17.7	12.3	23.6
P/V (x)	3.4	3.4	1.1	1.7
Market Share*	17.5%	8.8%	2.6%	3.0%
Company fundamentals				
Assets (BDT mn)	29,705	28,394	4,598	7,884
Long term debt (BDT mn)	585	4,040	-/-	450
Total debt (BDT mn)	12,965	12,315	1,077	5,295
Equity (BDT mn)	10,178	10,209	3,162	2,120
Capacity ('000 MT)	700	450	190	120
Market Cap (BDT mn)	34,280	34,805	3,373	9,012
Market weight	1.07%	1.08%	0.10%	0.28%
Financial Information (annualized)				
Revenue	41,068	21,652	5,811	6,207
Gross Profit	7,655	3,031	666	1,028
Operating Profit	6,347	2,491	602	818
Net Profit	3,759	1,968	274	382
Profitability				
Gross Profit Margin	18.6%	14.0%	11.5%	16.6%
Op. Profit Margin	15.5%	11.5%	10.4%	13.2%
Net Profit Margin	9.2%	9.1%	4.7%	6.2%
ROA	12.6%	6.9%	6.0%	4.8%
ROE	36.9%	19.3%	8.7%	18.0%

*Free float shares exclude sponsor and government holding. * EPS of GPH Ispat has been restated based on post right issue number of shares outstanding.

Ratanpur Steel Re-Rolling Mills Limited (RSRM): Ratanpur Steel Re-Rolling Mills Limited was incorporated on 22 April 1986 & commenced its commercial production in 01 July 1986. The Company is engaged in manufacturing and selling of various graded of M.S Deformed Bar (500W /TMT, 400 W and 300W) from M.S. Billet.

The company's present production capacity is 187,200 MT and in its FY2014-15 the company utilized 55.23% of its production capacity.

GPH Ispat Limited: GPH Ispat Limited is an integrated steel manufacturing company in Bangladesh that engaged in manufacturing of M.S. Billet from Steel Scrap & M.S. Rod from M.S. Billet and marketing of the same. It was incorporated in

Bangladesh as a Private Limited Company on May 17, 2006, commenced its commercial production on 21 August 2008 and got listed to DSE and CSE in 2012.

Ownership structure: As of 31 August 2016, BSRMSTEEL has the highest sponsor holding while 30.58% of the shares of the BSRMLTD are hold by the foreign shareholders. It is to be mentionable that foreign holding of the company represents shares held by the foreign relatives of the company's sponsors/directors. Institutional holding is high for RSRMSTEEL followed by BSRMSTEEL and GPHISPAT.

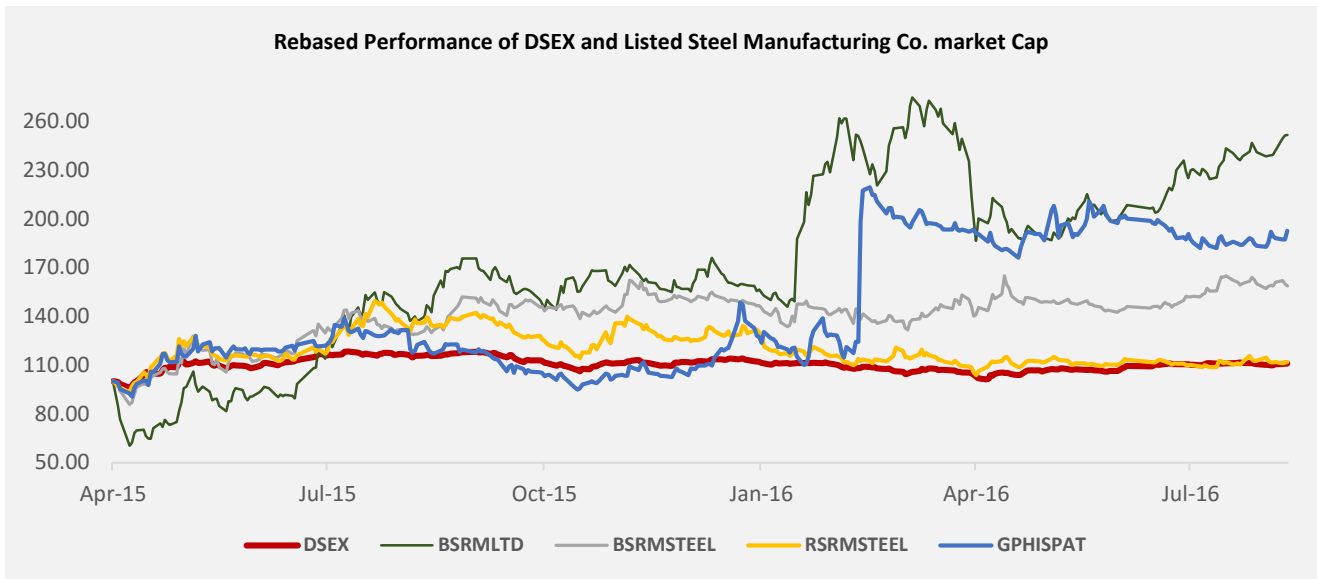
Shareholding Structure					
	Sponsor/ Director	Govt	Institute	Foreign	Public
BSRMSTEEL	70.87%	0.00%	18.13%	0.36%	10.64%
BSRMLTD	55.77%	0.00%	6.06%	30.58%	7.59%
RSRMSTEEL	47.14%	0.00%	19.94%	0.00%	32.92%
GPHISPAT	56.03%	0.00%	13.94%	0.00%	30.03%

Source: DSE Website

Analysis on Listed Steel (MS Rod & Bar) Producing Companies

- Among the listed steel manufacturers, BSRMSTEEL has the highest production capacity. The company's sister concern BSRMLTD holds the second largest position in terms of capacity. However, other two companies are also undergoing major expansion project in increase their production capacity.
- As per the latest available financial results of all the four companies, Gross profit margin was higher for BSRMSTEEL (18.6%) and GPHISPAT (16.6%). However, Net profit Margin was higher for both the sister concern of BSRM group (9.2% and 9.1% respectively). Non-Operating income from investment in associates has increased the net profit margin of BSRMLTD.
- Except RSRM, all the other three companies have significant interest bearing debt in their capital structure.
- BSRMSTEEL and BSRMLTD has significant market capitalization ratio (1.08% and 1.07% respectively) while RSRMSTEEL and GPHISPAT has very low market weight.

Investment Insights			
Investment Positives			
BSRMSTEEL	BSRMLTD	RSRMSTEEL	GPHISPAT
<ul style="list-style-type: none"> Increased production capacity to 700,000 MT from earlier 600,000 MT per annum. Capacity enhancement is boosting up the quantity sold of the company and resulting into increased profitability Plants can yield production more than their capacity. Has backward linkage for raw materials through its Subsidiary (BISCO) & Associate (BSML) rather than importing Setting up a coal based 150 MW merchant power plant by investing BDT 1.0 billion, which is likely to commence operation within 2018. Investment in the power project will generate incremental profit for the company in the future. Less affected by increase in the price of gas supply compared to competitors as the company now uses alternative fuel (LDO) for its plants. 	<ul style="list-style-type: none"> Increased capacity of the re-rolling mill from 120,000 MT to 450,000 MT per year. BMRE implementation enabled the company to enjoy sizable growth in production and revenue. An associate of the company, BSRM Steel Mills Limited (44.97% owned) has commenced operation June 2016. High quality product (hot rolled bars, 500 grade Rebar and TMT) line extension is helping the company to significantly increase the profitability with increased profit margin. Launched a new steel rebar 'Maxima', designed for super big structures in December 2015 to cater to the growing needs of mega construction projects in Bangladesh. Going to introduce ASTM 572 and Grade 50 angles, which are used for the manufacture of floor trusses. Gets significant amount of management fees from BSRM Steels Limited for providing management services. 	<ul style="list-style-type: none"> Increasing the production capacity to 357,200 MT per year (90.8% enhancement), which is expected to complete by December 2016. Possess a huge amount of unutilized capacity (44.76%). Any upsurge in demand of MS Rods can be responded quickly with production increase. Has a lower D/E ratio compared to other rod makers in the market. 	<ul style="list-style-type: none"> Decided to outsource for additional sales of MS Rod from local manufacturers with a target of approximately 60000 MT per annum. Outsourcing will generate sales amounting to BDT 3000 mn and NPAT of BDT 60 mn per annum. Enhancing production capacity of MS Billet and MS Rod for an additional amount of 840000 MT and 640000 MT respectively per annum. (Approximate additional sales per annum will become BDT 30618 mn for MS Rod and BDT 1148 mn for MS Billet because of such production enhancement)
Investment Negatives			
<ul style="list-style-type: none"> Exposed to foreign exchange risk in certain purchase of raw materials from abroad. Majority of the foreign currency transactions are denominated in USD and relate to procurement of raw-materials from abroad. Heavily exposed to leverage. High interest eats-up a significant portion of its profit. 	<ul style="list-style-type: none"> Have high exposure to leverage. High interest eats-up a significant portion of its profit before interest and tax. Exposed to foreign exchange risk in certain purchases and borrowings. (In 2015 net exposure to foreign exchange rate stood at USD 15.86 million (BDT 1.25 billion). Majority of the foreign currency transactions are denominated in USD and relate to Liability for accepted bills for payment) 	<ul style="list-style-type: none"> The financial statement (Q3, 2016) does not reflect any significant capital expenditure yet even after the expansion decision taken in August 2015. Dependent on a single supplier for its raw materials (M.S. Billet). It procures major portion of its raw materials from Modern Steel Mills Limited. Revenue & Profit shows a fluctuating trend over the years. OCF has been fluctuating throughout the years. RSRM has the lowest revenue compared to its competitors. 	<ul style="list-style-type: none"> Highly leveraged firm and D/E ratio shows an increasing trend over the periods. Moreover, company is going to take further loan from bank/financial institutions to finance their increased capacity which will increase their D/E ratio further. Approximate loan amount will be BDT 14380 mn. Revenue, Operating Profit and Net Profit growth depict great volatility over the periods.



Data source: DSE website & EBLSL Research.

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- EBL Securities research

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