



IPO Note on

Dominage Steel Building Systems Limited

IPO Size: 300 mn

Offer Price: BDT 10

DSE Ticker: DOMINAGE

Sector: Engineering

30 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	300
IPO Size (Shares in mn)	30
Offer Price Per Share (BDT)	10
Authorized Capital (BDT mn)	1,000
Pre-IPO Paid up Capital (BDT mn)	650
Post IPO Paid up Capital (BDT mn)	950
Year End	June
Revenue Size in 2018-19 (BDT mn)	631,43
Net Profit in 2018-19 (BDT mn)	96.72
Total Assets 2018-19 (BDT mn)	1,530.15
Retained Earnings 2018-19 (BDT mn)	637,48
Annualized. Post-IPO EPS (FY2019-20)	0.97
Post-IPO NAV per Share (FY2019-20)	17.68
Issue Manager: Shahjalal Equity Management Limited	

Source: BASL Research and Company Prospectus

IPO utilization Plan

Particulars	BDT (mn)	As (%)
Building and other construction	90.42	30.14%
Electrical Installation	22.69	7.56%
New plant & machinery	167.31	55.77%
IPO Expenses	19.58	6.53%
Total	300.00	100%

Source: BASL Research and Company Prospectus

The project is to be implemented within 24 months after receiving IPO Fund.

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	MF & CIS (10%)	3,000,000
	Other EIs (30%)	9,000,000
General Public	NRBs (10%)	3,000,000
	Gen. Public (50%)	15,000,000
Total		30,000,000

Source: BASL Research and Company Prospectus

Company Overview

Dominage Steel Building Systems Limited, started its journey in 2007. The principal activities of the company are manufacturing to manufacture of various Pre-engineered Steel Buildings Structure according to the designs and provide full pledge architectural and consultancy services and marketing of the Pre-Engineered Steel Building under "DSBSL" brand. This is a local own steel base construction company engaged in local development and construction of commercial buildings and factories and also engaged in fabrication, erection of steel parts. The Company engages in building pre-engineered steel buildings for multi storied buildings, factories, restaurants, CNG stations, warehouses, and so on.

Corporate Profile

Incorporation March 08, 2007
Commercial Operation September 08, 2007

Chairman

Muhammad Shamsul Islam, Chairman of Dominage Steel Building Systems Limited, was born in 1976, in a respectable Muslim family. He is a son of late Haji Nur Nabi and Mrs. Salema Khatun and his wife's name is Mrs. Razia Sultana. After completion of B.Sc in Civil Engineering from BUET he started career in engineering sector and gather past experience in this field.

Managing Director

Mrs. Mohammad Rafiqul Islam, Managing Director of Associated Oxygen Limited, was born in 1977, in a respectable Muslim family. He is a son of Mohammad Shahjahan and Mrs. Rahima Begum and his wife's name is Mrs. Sharmin Sultana. After completion of B.Sc. in Civil Engineering from BUET he started business as a Dominage Steel Building Systems Ltd.

Key Management Personnel

Md. Mahfizur Rahman, Company Secretary
Md. Zillur Rahaman, Compliance Officer
Santush Chandra Saha, Chief Financial Officer
Md. Shah Alam, Independent Director
Tapan Chandra Banik, Independent Director

Factory Location

Factory -01: Fulbaria, Parulia, Palash, Narshingdi.
Factory -02: Aukpara, Ashulia, Savar.

Subsidiary/Associate

None

IPO Note on Dominance Steel Building Systems Limited

Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	% held	No. of Shares
Muhammad Shamsul Islam	11,149,989	11.7%
Mohammad Rafiqul Islam	11,149,989	11.7%
Sujit Saha	2,437,522	2.6%
Rakibul Islam	1,974,125	2.1%
Abul Kalam Bhyian	1,974,125	2.1%
Total	30.20%	28,685,750

Source: BASL Research and Company Prospectus

Lock-In Free Shares & Period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	28,685,750	December 03, 2023
Private Placement Holders	36,314,250	December 03, 2022
Institution & MF (Post-IPO)	12,000,000	December 03, 2020
Public (Post-IPO)	18,000,000	December 03, 2020
Total	95,000,000	

Source: BASL Research and Company Prospectus

Revenue Composition

Particulars	BDT (mn)	As (%)
Pre-fabricated steel structure	444	70%
Others Construction work	188	30%
Total	300.00	100%

Bangladesh Power Development Board (BPDB) purchases around 30% of the Company's products and services

Capacity Utilization

Current Capacity (MT/SFT/RFT)

Product		2016-17	2017-18	2018-19
Pre-fabricated steel structure	Installed	5,100	6,120	6,710
	Utilization	3,937	4,357	4,780
manufacturing	Utilization (%)	77.19%	71.19%	71.24%

Projected Capacity

Product		2019-20	2020-21	2021-22
Pre-fabricated steel structure	Installed	11,407	11,977	12,576
	Utilization	7,162	8,826	9,862
manufacturing	Utilization (%)	62.78%	73.69%	78.42%

Industry Insights

Being one of the fastest growing sectors of Bangladesh, the Pre-engineered building industry could well be the next economy booster. A pre-engineered building is designed by a supplier/manufacturer, to be fabricated using best suited inventory of raw materials available from all sources and manufacturing methods that can efficiently satisfy a wide range of structural and aesthetic design requirements. Within some geographic industry sectors these buildings are also called Pre-Engineered Metal Buildings or simply Pre-Fabricated Steel Buildings as it is becoming increasingly common due to the reduced amount of pre-engineering involved in custom computer-aided designs. Steel structured buildings now have a strong hold in Bangladesh's construction sector. The demand for steel buildings is increasing in the country as it needs low investment and less time, and provides high safety. A higher resale value of the steel structure is another reason it has gained popularity. Local steel-building makers are expecting a bright future for the pre-fabricated building sector as an

increasing number of conglomerates, including foreign companies, are setting up such structures for industrial use. The country has immense potential in steel infrastructure as steel consumption per capita is still very low against global standards.

A pre-fabricated steel structure is now being used for different purposes such as setting up factories, multistoried buildings, power plants and bridges. Owners will be able to get four times the value if they sell the steel structure of the building as scrap even after 50 years, which is not possible for conventional buildings. The Pre-engineered steel Industry is 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. Being one of the fastest growing sectors of Bangladesh, the Pre-

engineered building industry could well be the next economy booster. A pre-engineered building is designed by a supplier/ manufacturer, to be fabricated using best suited inventory of raw materials available from all sources and manufacturing methods that can efficiently satisfy a wide range of structural and aesthetic design requirements. Within some geographic industry sectors these buildings are also called Pre-Engineered Metal Buildings or simply Pre-Fabricated Steel Buildings as it is becoming increasingly common due to the reduced amount of pre-engineering involved in custom computer- aided designs. Steel structured buildings now have a strong hold in Bangladesh's construction sector. The demand for steel buildings is increasing in the country as it needs low investment and less time, and provides high safety. A higher resale value of the steel structure is another reason it has gained popularity. Local steel-building makers are expecting a bright future for the pre-fabricated building sector as an increasing number of conglomerates, including foreign companies, are setting up such structures for industrial use. The country has immense potential in steel infrastructure as steel consumption per capita is still very low against global standards.

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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.

The major oxygen sector competitive companies of Associated Oxygen Limited are presented below: Bangladesh Building Systems Ltd., Steelmark Buildings Ltd., Mcdonald Steel Building Products Ltd., Buildtrade Engineering

Ltd., Peb Steel Alliance Ltd., Tiger Steel Bangladesh Ltd., Modern Structures Ltd., Sarker Steel Ltd.

Financial Highlights (BDT mn)-

Financials	FY17	FY18	FY19	FY19-20 (9m,An.)
Sales	521	589	631	678
Operating Profit	122	159	168	184
Profit After Tax	98	90	97	109
Assets	1,203	1,234	1,530	1,656
Short Term Debt	113	76	48	55
Long Term Debt	19	9	6	5
Equity	916	1,006	1,287	1,370
Dividend (C/B) %				
Margin Ratio (%)				
Gross Profit	29%	31%	31%	31%
Operating Profit	23%	27%	27%	27%
Pretax Profit	21%	24%	24%	25%
Net Profit	19%	15%	15%	16%
Growth (%)				
Sales		13%	7%	7%
Gross Profit		24%	6%	8%
Operating Profit		30%	6%	10%
Net Profit		29%	4%	13%
Profitability (%)				
ROA	8%	7%	6%	5%
ROE	11%	9%	8%	6%
Debt Ratio				
Debt Ratio	11%	7%	4%	4%
Debt-Equity	14%	9%	4%	4%
Int. Coverage	1521.2	693.8	427.7	3898.7
Valuation				
Rstd. EPS(BDT)	1.03	0.95	1.02	0.86
Post-IPO NAVPS	9.6	10.6	13.6	14.4

Source: BASL Research and Company Prospectus

Investment Rationale

- The company with the IPO proceeds of BDT 280.42 mn plans to increase its installed production capacity by acquisition of machineries & Plant and Civil construction of five storied new building and expects to start commercial operation within January 2023.
- The Company will also establish a galvanizing unit which will enable it to create product diversification introducing transmission lines, hot rolled galvanized section etc.
- The company also plans to manufacture welding electrodes as a backward linkage which will enable it to reduce cost of production.
- The company has lower amount of debt in comparison with Equity financing.



IPO Note on Dominage Steel Building Systems Limited

- The company has been maintaining the growth in revenue for last five years (Over 15% growth in any individual year).

Risk Factors

- Because of pandemic effect of Covid-19, industrial and economic activities put negative impact on earning of the company.
- The Company is highly exposed to foreign exchange risk as it imports 80% of raw materials from abroad. Thus, fluctuation in foreign currency and change in import duty of the raw materials may have significant negative impact on its earnings.
- Many of customers lacks of knowledge about the pre-fab structures. This often disheartens potential customers to use this kind of buildings.
- Any kind of change in economic recession, and entrance of new technology, changes in government monetary & industrial policy, increasing competition, power supply disruption and political unrest may affect the business of the Company.

Stock Pricing		
Relative Valuation	Multiple	Fair Value
Industry Forward P/E	13.7	13.3
Market Forward P/E	13.4	13.0
Average Price of Peer Companies		17.66
Latest Post-IPO NAV (Q3-2019-20)		17.68

Pricing Sensitivity at Different PE	Value
Stock at 15x PE	15
Stock at 20x PE	19
Stock at 25x PE	24
Stock at 30x PE	29
Stock at 35x PE	34
Stock at 40x PE	39

Source: BASL Research, Dhaka Stock Exchange Ltd and Company Prospectus

First Three Days Circuit Breaker and Price		
Day	Circuit	Price
First Day	50%	15
Second Day	50%	22.5
Third Day	10%	24.70

Source: BASL Research, Dhaka Stock Exchange Ltd and Company Prospectus

Latest Declaration:

Dominage Steel Building Systems Limited (Audited Annual Financials): As per audited annual financial statements, profit after tax was Tk. 92.27 million and basic EPS of Tk. 1.42 for the year (July 2019-June 2020) ended on 30 June 2020 against profit after tax of Tk. 96.72 million and basic EPS of Tk. 1.83 for the year (July 2018-June 2019) ended on 30 June 2019. However, Post-IPO basic EPS for the year (July 2019-June 2020) ended on 30 June 2020 would be Tk. 0.97. Pre-IPO Net Asset Value Dominage Steel Building Systems Limited): (NAV) per share (considering Pre-IPO paid up shares) is Tk. 21.23 as on 30 June 2020 and the same is Tk. 17.68 (considering Post-IPO paid up shares). Pre-IPO weighted average paid-up number of shares for the year (July 2019-June 2020) ended on 30 June 2020 was 65,000,000 which was 52,783,296 for the year (July 2018-June 2019) ended on 30 June 2019 and Post-IPO paid-up number of shares would be 95,000,000.

Through Newspaper: The Board of Directors has recommended 2% cash and 8% Stock dividend for the year ended on June 30, 2020. Record Date for AGM: 15.12.2020.

Statement of Profit or Loss and Other Comprehensive Income

Financials	FY17	FY18	FY19	FY19-20(9M)
Revenue	520,609,155	588,793,470	631,432,785	508,643,872
Cost of goods sold	371,402,303	403,578,388	435,660,715	349,770,715
Gross profit	149,206,852	185,215,082	195,772,070	158,873,157
Administrative Expense	20,056,784	21,698,356	23,784,808	17,609,778
Selling & Distribution Expense	7,228,415	4,209,858	3,901,166	3,055,198
Other Operating Income	256,984			
Operating Income	122,178,637	159,306,868	168,086,096	138,208,181
Financial Income	64,470	129,884	226,139	21,050
Financial Expenses	10,626,319	15,733,376	12,075,118	5,656,869
Net Profit Before Tax & WPPF	111,616,788	143,703,376	156,237,117	132,572,362
Provision for WPPF			7,439,863	6,312,970
Net Profit Before Tax	111,616,788	143,703,376	148,797,254	126,259,392
Current Tax	10,228,745	39,909,880	33,147,747	35,178,499
Deferred Tax	3,315,007	13,676,071	18,931,293	9,012,288
Net Profit after Tax	98,073,036	90,117,425	96,718,214	82,068,605
Restated Earnings Per Share (EPS)	1.03	0.95	1.02	0.86

Source: BASL Research and Company Prospectus

Statement of Financial Position

Financials	FY17	FY18	FY19	FY19-20(9M)
Assets:				
Non-Current Assets	591,928,304	692,073,581	890,793,681	939,937,542
Property, Plant & Equipment	422,033,504	510,683,868	694,573,079	712,880,933
Capital Work-In-Progress	169,894,800	170,529,153	178,434,247	66,369,361
Project in Progress		10,860,560	17,786,355	160,687,248
Current Assets	610,995,178	542,144,035	639,358,262	715,611,800
Inventories	257,776,870	288,822,096	333,405,588	350,592,435
Accounts Receivable	123,512,734	159,152,150	186,702,573	200,548,270
Advances, Deposits & Prepayments	223,196,667	79,481,189	100,947,242	120,878,304
Cash & Cash Equivalents	6,508,907	14,688,600	18,302,859	43,592,791
Total Assets	1,202,923,482	1,234,217,616	1,530,151,943	1,655,549,342
Shareholders Equity & Liabilities:				
Shareholders' Equity	916,089,583	1,006,207,009	1,287,477,371	1,369,545,975
Share Capital	173,000	98,321,700	650,000,000	650,000,000
Retained Earnings	508,832,129	540,759,155	637,477,371	719,545,975
Share Money Deposit	407,084,454	367,126,154		
Liabilities:				
Non-Current Liabilities	55,691,699	59,348,222	75,226,130	83,339,620
Long Term bank Loan	19,174,235	9,154,687	6,101,302	5,202,505
Deferred Tax Liability	36,517,464	50,193,535	69,124,828	78,137,115
Current Liabilities	231,142,200	168,662,385	167,448,443	202,663,747
Short Term Loan	90,698,599	64,576,937	41,022,820	47,235,058
Accounts Payable	64,757,898	53,092,220	39,469,462	26,135,860
Liabilities for Expenses	2,249,878	2,543,151	2,844,973	2,789,882
Income Tax Payable	50,991,107	36,620,111	69,767,858	104,946,358
Liability for WPPF			7,439,863	13,752,832
Current portion of secured Term Loan	22,444,718	11,829,966	6,903,467	7803757
Total Liabilities:	286,833,899	228,010,607	242,674,573	286,003,367
Total Shareholders' Equity & Liabilities:	1,202,923,482	1,234,217,616	1,530,151,944	1,655,549,342

Source: BASL Research and Company Prospectus



IPO Note on Dominage Steel Building Systems Limited

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