



## City Bank Capital - IPO Note

### Dominage Steel Building Systems Limited

DSE Ticker: DOMINAGE  
Tuesday, 1<sup>st</sup> December 2020

**Circuit Breaker**  
50% in First Two Days

**Free Float (Post IPO)**  
31.1% (30.0 mn Shares)

**Diluted EPS**  
BDT 0.97

#### IPO Summary

Authorized Number of Shares, mn	100.0
Authorized Capital, BDT mn	1,000.0
Pre IPO Number of Shares, mn	65.0
Pre IPO Paid Up Capital, BDT mn	650.0
<b>Post IPO Number of Shares, mn</b>	<b>95.0</b>
<b>Post-IPO Paid Up Capital, BDT mn</b>	<b>950.0</b>
Face Value (BDT)	10.0
New shares Issued through IPO, mn	30.0
IPO Size including Premium, BDT mn	300.0
Offer Price, BDT (no premium)	10.0
IPO Market Lot (no lot maintained in trading)	500.0
Directors Holding (post IPO), %	30.2%
Pre IPO General Holding, %	38.2%
Free Float, %	31.6%
Financial Year End	June
Listing Date	2-Dec-20
PAT, BDT mn	92.2
EPS, BDT (pre IPO)	1.42
EPS, BDT (post IPO)	0.97
P/E, X (pre IPO @ Offer Price)	7.04
P/E, X (post IPO @ Offer Price)	10.3

**Issue Manager: SHAHJALAL EQUITY MANAGEMENT LIMITED**  
**Auditor: Ashraf Uddin & Co**

#### Use of IPO Proceeds

Particulars	BDT mn	% of Proceed
Acquisition of new machinery	167.3	55.8%
Building and other construction	90.4	30.1%
Electrical Installation	22.7	7.6%
IPO Expenses	19.6	6.5%
<b>Total</b>	<b>300.0</b>	<b>100%</b>

#### Relative Valuation

Valuation Matrix	PE, x	Multiple		Weight
		Value, BDT	Weight ed Val-ue	
PE Multiple Valuation (DSEX)	15.0	16.8	30%	5.0
PE of peers	14.1	5.8	30%	4.7
PBV Multiple Valuation (Peers)	1.1	14.5	40%	5.8
<b>Weighted Average Valuation per share</b>			<b>100%</b>	<b>15.6</b>

#### Price Multiple based on theoretical price (post IPO ba-

Theoretical Market Price and PE		Based on EPS of June 2020- BDT 0.97	
Price	10	20	25
PE	10.3	20.6	25.8
		30	35
		30.9	36.1
		40	45
		41.2	46.4
		50	51.5

#### Latest Margin Ratio

Margin	FY 2017-18	FY 2018-19	9M'2020
Gross Profit Margin	31.5%	31.0%	31.2%
Operating Profit Margin	27.1%	26.6%	27.2%
EBITDA Margin	29.3%	29.4%	27.2%
Net Profit Margin	15.3%	15.3%	16.1%

Source : IPO Prospectus, DSE and CBC Research , December 2020

#### Dominage Steel Building Systems Limited

This IPO short note is initiated on Dominage Steel Building Systems Limited (DSE Ticker: DOMINAGE ) with no assigned rating. The company will be listed with the bourses on Wednesday, 2<sup>nd</sup> December 2020 under "N" category. DOMINAGE raised BDT 300.0 million through IPO and the fund will be utilized for Acquisition of new machinery (55.8%), Building and other construction (30.14%), Electrical Installation (7.56%) and IPO Expense (6.53%)

The capital structure of the company is mostly financed through equity .The company has interest bearing liabilities of BDT 60.2 mn; as of end-March 2020, the debt to equity and debt to assets ratio of the company was only 4.4% and 3.6% respectively. Debt to capital ratio was 0.42x (4.2% of the capital base was financed through debt).

On Post-IPO basis, the company is going to be listed with trailing ROE and ROA of 4.7% and 4.8% respectively (including IPO fund). It will be trading at 10.3x PE, 0.48X PBV (at offer price of BDT 10.0).

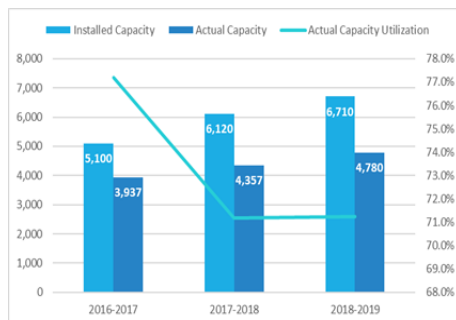
According to the recent discloser, The net profit of the company stood at BDT 92.2 million. As of June 2020, Per IPO EPS Stood at BDT 1.42, Whereas Post IPO EPS was recorded BDT 0.97.

#### Comparison between listed peer companies (post-IPO basis)

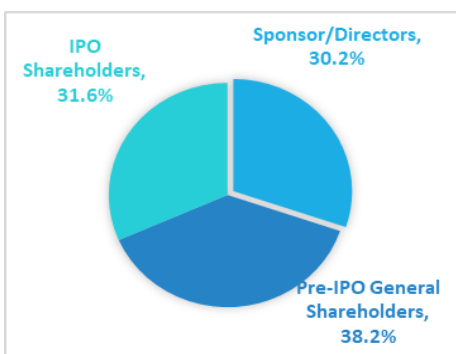
Particulars		DOMINAGE	BBS
Revenue (trailing 12 month)	BDT Million	675.9	1,118.8
Net Profit After Tax	BDT Million	92.2	188.6
Total Equity (Including IPO Fund)	BDT Million	1960.0	2,477.6
Total Assets (Including IPO Fund)	BDT Million	1936.0	925.9
Number of Share	Million	95.0	155.2
Sponsor & Director share holding	%	30.2%	30.0%
Free Float Shares	%	69.8%	70.0%
Paid up Capital	BDT Million	950.0	1,551.7
Market Capitalization	BDT Million	950.0	2,653.4
EPS	BDT ps	0.97	1.22
NAVPS (Including IPO Fund)	BDT ps	20.63	15.97
Price Per Share (Offer Price)	BDT ps	10.0	17.1
Gross Profit Margin	%	31.0%	23.1%
Operating Profit Margin	%	26.6%	16.4%
Net Profit Margin	%	15.7%	16.9%
ROE (trailing)	%	4.7%	7.6%
ROA (trailing)	%	4.8%	20.4%
Interest bearing liabilities	BDT Million	60.2	1,283.1
Debt/Equity	%	4.4%	51.8%
Debt/Assets	%	3.6%	138.6%
Debt/Capital	%	4.2%	34.1%
P/E (trailing)	X	10.3	14.1
P/BV	X	0.48	1.07
P/S	X	1.41	2.37
EV/EBITDA	X	5.42	6.92
Cash Dividend	%	2%	0%
Dividend Yield	%	2.0%	0.0%

\* Disclosures: A section at the end of the report is furnished for important required disclosures, including potential conflict of interests.

### Production Capacity and Utilization in MT



### Shareholding Structures (post-IPO basis)



### Shareholding Structures in detail (post-IPO basis)

Shareholders	% Hold	No. Shares
Sponsor/Directors	30.2%	28,685,750
Pre-IPO General Shareholders	38.2%	36,314,250
IPO Shareholders	31.6%	30,000,000
<b>Total Share (post IPO basis)</b>	<b>100.0%</b>	<b>95,000,000</b>
Name of Directors & Sponsors	% Hold	No. Shares
Muhammad Shamsul Islam, Chairman	11.74%	11,149,989
Mohammad Rafiqul Islam, Managing Director	11.74%	11,149,989
Sujit Saha, Director	2.57%	2,437,522
Rakibul Islam, Director	2.08%	1,974,125
Abul Kalam Bhyian, Director	2.08%	1,974,125
<b>Total Sponsors Holding</b>	<b>30.2%</b>	<b>28,685,750</b>
Global Shoes & Textiles Ltd.	1.1%	1,000,000
Global Max Packaging Industries	1.1%	1,000,000
M/S Bandhan International	5.3%	5,000,000
Heritage Capital Management Ltd.	1.0%	977,500
Razia Sultana	1.0%	936,000
ABACI Investment Ltd. (MDA)	0.9%	900,000
Md. Afzalur Rahman	0.9%	875,000
Other	27.0%	25,625,750
<b>Total General Share Holding</b>	<b>38.2%</b>	<b>36,314,250</b>

### Company Overview

Dominage Steel Building Systems Ltd (DSBSL) a locally owned steel base construction company. The company was incorporated on 08 March, 2007 as private limited company and started its Commercial Operation on September 01, 2007. The core operation of the company is to manufacture Pre-fabricated steel structure. The company is engaged in local development and construction of commercial buildings and factories and also engaged in fabrication, erection of steel parts.

The Company established its first factory on 2010 at Fulbaria, Palash, Narsingdi and the second factory on 2014 at Aukpara, Ashulia. DSBSL has a total production capacity of 550 tons per month of the pre-fabricated steel products. The Capacity utilization of the company is 71.2%.

The key raw materials for the company are MS Plate, PPGL Sheet, MS Sheet, Electrodes, Flux, welding wires etc. Around 80% of the raw materials are being imported from India and China.

Since inception, DSBSL has provided unsurpassed service to its clients and already completed more than 200 pre-fabricated steel building projects in different location of Bangladesh with a wide range of use – from warehouse to power plant, from multistoried commercial building to spinning mills, from pharmaceutical production facility to readymade garments factory.

### Key investment positives

- With the rapid economic growth and industrialization, the pre-engineered building or prefabricated steel structure industry saw a speedy growth in the past decade and almost doubled in the last five years. As the country is going through an infrastructural development period, there is huge business opportunity for the company.
- The production capacity of the company is increasing in past few years. Currently, the production capacity is around 6,710 MT and currently the capacity utilization is around 71.2%. The company can increase the production with the current capacity.
- The company has maintained a very stable top line growth. 3-year revenue CAGR of the company was around 8.2%.
- The company has a stable profitability margin over the years. As of March 2020, the gross profit margin of the company stood at 31.2%, operating Profit margin stood at 27.2% and net profit margin stood at 16.1%.
- The debt to Equity ratio of the company is very low compared to the engineering sector companies. As of March 2020, the debt to equity ratio of the company is 4.4% whereas the Peer company, BBS has a debt to equity ratio of 51.8%.

### Key risk and challenges for the company

- The key operation of the company is project based. In the competitive market like us, it would be difficult for the company to acquire new projects by offering quality products at lower prices.
- Around 80% of the raw material of the company is imported from China and India. So, the production of the company is highly dependent on the import of the raw materials. Moreover, the fluctuation of the exchange rate can also hamper the profitability of the company.

### Board and management

The board of Dominage Steel Buildings Systems consist of 7 members including chairman and managing director. The directors and sponsor's hold 30.2% of the share (on post IPO shares of 95.0 million).

**Engr. Muhammad Shamsul Islam**, The Chairman of Dominage Steel Buildings Systems, graduated from Bangladesh University of Engineering & Technology (BUET) in Civil Engineering in 2001. He is Widely known for his vast knowledge and expertise associated with interior decoration and construction management and quality control of both RCC & Steel structure buildings in Bangladesh & abroad. He is the co- founder of Dominage Steel Buildings Systems (Pvt.) Ltd. He is also Managing Director of "Dominage Consultants Ltd." and Director of Dominage Developments & Holdings Ltd.

**Engr. Mohammad Rafiqul Islam**, the Managing Director of the company has graduated from Bangladesh University of Engineering & Technology (BUET) in Civil Engineering in 2001 and completed MBA in Finance from Institute of Business Administration (IBA), University of Dhaka in 2004. As the co-founder of the company, he has established DSBSL as one of the trusted pre-fabricated steel manufacturer at Bangladesh.

## Financials of Dominage Steel Building Systems Ltd.

### Income Statement

BDT mn	FY 2014-2015	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	9M 2018-19	9M 2019-20
Year End	June	June	June	June	June	June	June
Revenue	462.3	498.3	520.6	588.8	631.4	464.2	508.6
Cost of goods sold	330.5	356.9	371.4	403.6	435.7	319.3	349.8
<b>Gross Profit (Loss)</b>	<b>131.8</b>	<b>141.5</b>	<b>149.2</b>	<b>185.2</b>	<b>195.8</b>	<b>144.9</b>	<b>158.9</b>
Operating Expenses	24.7	25.2	27.3	25.9	27.7	20.4	20.7
<b>Operating Profit</b>	<b>107.1</b>	<b>116.3</b>	<b>121.9</b>	<b>159.3</b>	<b>168.1</b>	<b>124.5</b>	<b>138.2</b>
Financial Expenses	(8.9)	(7.5)	(10.6)	(15.7)	(12.1)	(7.8)	(5.7)
Finance Income	0.2	0.1	0.1	0.1	0.2	-	-
Other Income	0.3	0.4	0.3	-	-	0.2	0.0
<b>Net Profit before Tax</b>	<b>98.7</b>	<b>109.2</b>	<b>111.6</b>	<b>143.7</b>	<b>148.8</b>	<b>111.4</b>	<b>126.3</b>
Current Tax	9.3	9.9	10.2	39.9	33.1	32.7	35.2
Deferred Tax (Income)/ Expenses	10.0	4.8	3.3	13.7	18.9	6.2	9.0
Provision for Tax	19.3	14.7	13.5	53.6	52.1	39.0	44.2
<b>Net Profit after Tax</b>	<b>79.4</b>	<b>94.5</b>	<b>98.1</b>	<b>90.1</b>	<b>96.7</b>	<b>72.4</b>	<b>82.1</b>
<b>PAT to CS</b>	<b>79.4</b>	<b>94.5</b>	<b>98.1</b>	<b>90.1</b>	<b>96.7</b>	<b>72.4</b>	<b>82.1</b>

### Balance Sheet

BDT mn	FY 2014-2015	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	9M 2018-19	9M 2019-20
Property, Plant & Equipment	451.7	427.7	422.0	510.7	694.6	NA	712.9
Project in Progress (Non-Current Portion)	97.1	134.0	169.9	170.5	178.4	NA	66.4
Capital work-in-progress	-	-	-	10.9	17.8	NA	160.7
<b>Non-Current Assets</b>	<b>548.9</b>	<b>561.8</b>	<b>591.9</b>	<b>692.1</b>	<b>890.8</b>	<b>NA</b>	<b>939.9</b>
Inventory	188.1	225.3	257.8	288.8	333.4	NA	350.6
Trade & other receivables	98.5	108.7	123.5	159.2	186.7	NA	200.5
Advances, deposits & pre-payments	81.9	119.3	223.2	79.5	100.9	NA	120.9
Cash & cash equivalent	5.6	20.1	6.5	14.7	18.3	NA	43.6
<b>Current Assets</b>	<b>374.1</b>	<b>473.4</b>	<b>611.0</b>	<b>542.1</b>	<b>639.4</b>	<b>NA</b>	<b>715.6</b>
<b>Total Assets</b>	<b>923.0</b>	<b>1,035.2</b>	<b>1,202.9</b>	<b>1,234.2</b>	<b>1,530.2</b>	<b>NA</b>	<b>1,655.5</b>
Long-term Bank Loan	20.2	25.0	19.2	9.2	6.1	NA	5.2
Deferred Tax Liabilities	28.4	33.2	36.5	50.2	69.1	NA	78.1
<b>Total non-current liabilities</b>	<b>50.0</b>	<b>58.2</b>	<b>55.7</b>	<b>59.3</b>	<b>75.2</b>	<b>NA</b>	<b>83.3</b>
Accounts & Other Payables	49.8	52.6	64.8	53.1	39.5	NA	26.1
Current portion of Long Term Loan	13.6	26.4	22.4	11.8	6.9	NA	7.8
Short Term Bank Loan	51.8	35.9	90.7	64.6	41.0	NA	47.2
Provision for Income Tax	30.8	40.8	51.0	36.6	69.8	NA	-
Liabilities for Expenses	1.5	1.9	2.2	2.5	2.8	NA	2.8
<b>Current Liabilities</b>	<b>149.5</b>	<b>158.9</b>	<b>231.1</b>	<b>168.7</b>	<b>167.4</b>	<b>NA</b>	<b>202.7</b>
Share Capital (Paid up)	0.2	0.2	0.2	98.3	650.0	NA	650.0
Retained Earnings	316.2	410.8	508.8	540.8	637.5	NA	719.5
Share Money Deposit	407.1	407.1	407.1	367.1	-	NA	-
<b>Shareholders' equity</b>	<b>723.5</b>	<b>818.0</b>	<b>916.1</b>	<b>1,006.2</b>	<b>1,287.5</b>	<b>NA</b>	<b>1,369.5</b>
<b>Total Equity &amp; Liabilities</b>	<b>923.0</b>	<b>1,035.2</b>	<b>1,202.9</b>	<b>1,234.2</b>	<b>1,530.2</b>	<b>NA</b>	<b>1,655.5</b>

## Financials of Dominage Steel Building Systems Ltd

### Key Indicators

	FY 2014-2015	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	9M 2018-19	9M 2019-20
<b>Debt Burden</b>							
Interest bearing liabilities	89.0	88.7	132.3	85.6	54.0	NA	60.2
Debt to Capital	11.0%	9.8%	12.6%	7.8%	4.0%	NA	4.2%
Debt to Equity	12.3%	11.5%	15.3%	8.9%	4.7%	NA	4.4%
Debt to Assets	9.6%	9.1%	11.8%	7.0%	3.9%	NA	7.3%
EBIT/Interest, X	0.1	0.1	0.1	0.1	0.1	0.1	0.0
NOCFPS (pre-IPO basis)	-	-	-	5.6	4.4	3.3	4.0
EPS (restated - pre IPO basis), BDT	1.22	1.45	1.51	1.39	1.49	1.11	1.26
EPS (restated - post IPO basis), BDT	0.84	1.00	1.03	0.95	1.02	0.76	0.86
BVPS (restated - post IPO basis), BDT	7.62	8.61	9.64	10.59	13.55	0.00	14.42
<b>Margin</b>							
Gross Profit Margin	28.5%	28.4%	28.7%	31.5%	31.0%	31.2%	31.2%
Operating Profit Margin	23.2%	23.3%	23.4%	27.1%	26.6%	26.8%	27.2%
EBITDA Margin	23.2%	23.3%	23.4%	29.3%	29.4%	26.8%	27.2%
<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>	<b>15.6%</b>	<b>16.1%</b>
COGS as % of Revenue	71.5%	71.6%	71.3%	68.5%	69.0%	68.8%	68.8%
<b>Effective Tax Rate</b>	<b>19.5%</b>	<b>13.4%</b>	<b>12.1%</b>	<b>37.3%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>
<b>Growth</b>							
Revenue Growth	NM	7.8%	4.5%	13.1%	7.2%	NM	9.6%
Gross Profit Growth	NM	7.3%	5.5%	24.1%	5.7%	NM	9.7%
Op. Profit Growth	NM	8.6%	4.8%	30.7%	5.5%	NM	11.0%
PAT Growth	NM	19.0%	3.7%	-8.1%	7.3%	NM	13.4%
<b>Return and valuation</b>							
ROE, %	11.0%	12.3%	11.3%	9.4%	8.4%	NM	6.9%
ROA, %	8.6%	9.7%	9.3%	7.8%	7.0%	NM	5.0%
PE, X (post IPO basis)	11.96	10.05	9.69	10.54	9.82	13.12	11.58
P/BV, X (post IPO basis)	1.31	1.16	1.04	0.94	0.74	NM	0.69
<b>Dividend History</b>							
Cash dividend (as % of paid-up cap)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Stock dividend (as % of paid-up cap)	Nil	Nil	145.0%	Nil	Nil	Nil	Nil

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