



Inspiring Excellence

FIN433: FINANCIAL MODELING

SECTION 1

Equity Valuation Project



BSRM Steels Limited

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Md Junaid Khan	21304070	Executive summary, Company overview, Market multiplier Model, Written part analysis of weighted Intrinsic value, Total Analysis, Recommendations, Conclusions.
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Executive summary

This equity valuation report of BSRM Steel is a comprehensive steel manufacturing company in Bangladesh. The report goes into the company's financial performance, its industry dynamics, valuation metrics to find out the intrinsic value and the investment potential of the company.

Key findings Includes

Over the past few years, BSRM Steel has successfully achieved high profitability and growth as supported by its good financial ratios as well as high Market Capitalization. Infrastructural development and urbanization in Bangladesh are driving the company in a growing steel industry. Weighted Average Cost of Capital (WACC) is calculated to represent the cost of capital for a company and is learned to discount future cash flow. Using several different valuation methods, the intrinsic value of the stock would imply the current market price is a possible investment.

Company Overview

BSRM Steel is one of the well-known steel manufacturing industries situated in Bangladesh. The company has its operational base in Bangladesh, and it is listed under the Dhaka stock exchange that has a market capitalization of 245. Twelve billion of Bangladeshi Taka (BDT).

Business Description: The business of BSRM Steel is mainly based on manufacturing and selling structure steel, rebars and wire rods. These products are very much useful in the construction of buildings and other infrastructural structures as well as in other industrial projects.

BSRM STEEL	
Company Overview	
Market Capitalization (BDT)	24512103000
Shareholders Equity (BDT)	76899120000
P/E Ratio TTM	5.28
Price to Sales TTM	0.29
Price to Cash Flow MRQ	2.26
Price to Free Cash Flow TTM	-2.66
Price to Book MRQ	0.82
Price to Tangible Book MRQ	0.82
Revenue/Share TTM	222.52
Basic EPS ANN	7.92
Diluted EPS ANN	7.92
Book Value/Share MRQ	78.26
Tangible Book Value/Share MRQ	78.14
Cash/Share MRQ	15.55
Cash Flow/Share TTM	9.16
5 Year EPS Growth 5YA	10.59%
5 Year Sales Growth 5YA	11.85%
5 Year Capital Spending Growth 5YA	33.30%

Valuation Ratios:

As of Date, BSRM Steel's valuation ratios provide insights into its financial performance:

P/E Ratio (TTM): 5.28, indicating that investors are willing to pay 5.28 times the company's earnings.

Price-to-Sales (TTM): 0.29, suggesting that investors are paying 0.29 times the company's annual sales.

Price-to-Book (MRQ): 0.82, indicating that the stock is trading at a discount to its book value.

Market Capitalization:

The market capitalization of BSRM Steel is quite significantly large being 245.12 billion BDT makes it as one of the leading firms in Bangladesh steel industry. Large market cap means have earned the confidence of investors and that it has the potential to increase in the future.

Other Key Metrics:

Shareholders' Equity: 76.89 billion BDT

Revenue/Share: 222.52 BDT

Basic EPS: 7.92 BDT

Cash/Share: 15.55 BDT

Financial Performance:

Return on Assets (ROA): 4.20%

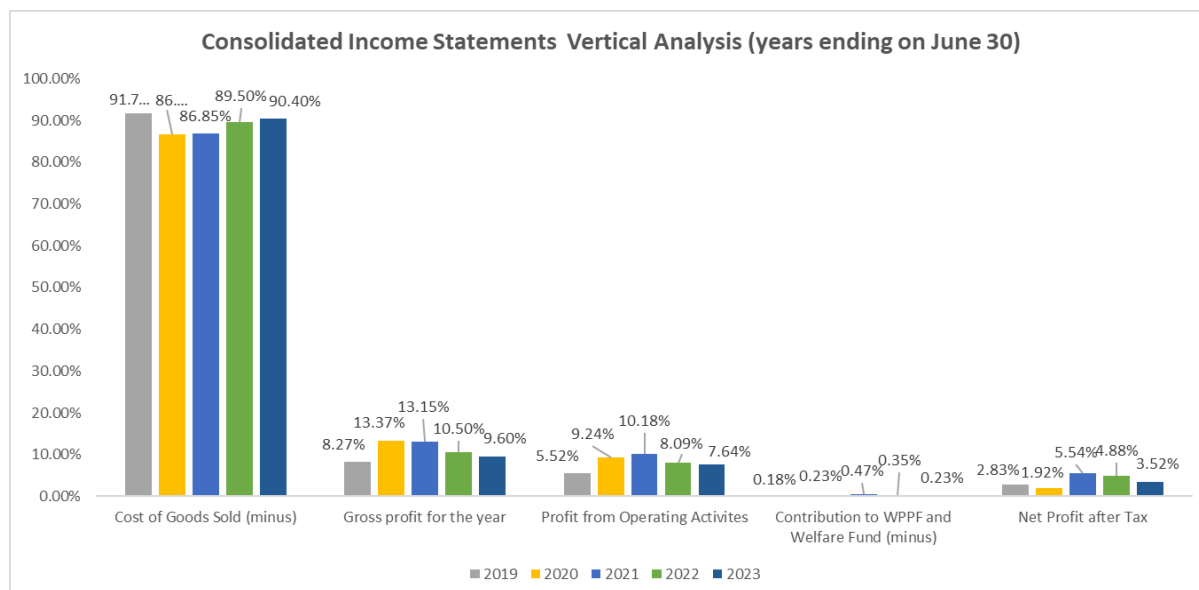
BSRM Steel demonstrates it yields 4.20% profit for every dollar allocated to assets. A better ROA reflects resource optimization and comes to profitability.

Return on Equity (ROE): 10.36%

This calculates the earnings outcome concerning the capital investment of its backers. With an ROE of 10.36%, investors of BSRM Steel are experiencing solid profit.

In general, BSRM Steel can be suggested to be a first-generation organization, which started its activity in the context of the Bangladeshi steel market. The sound performance as reflected by its financial performance and high market capitalization put it in a vantage position that is likely to reap big in the future.

Pro Forma Financial Statements



Graph: 1.1

Here, the vertical analysis on BSRM Steels Ltd. has been done to understand the underlying trends of the proportion of each line item on their Financial Statement. In the above **Graph 1.1** the major items such COGS, Gross Profit, Profit from operating Activities, Contribution to Welfare funds, Net profit after tax has been given, just to provide an instant perception of how much stability the company can have and be financially profitable. Starting with the audited Income Statements (2019-2023), the last five years of report can be analyzed into below segments,

- Profitability Analysis_Pro-forma Income Statement**

BSRM Steels Ltd. had stable COGS expenses over the five years, the percentage being around 90% as shown in Graph 1.2 . This means that the company has been greatly managing its direct costs. This can be further supported with the analysis of its Net Profit after tax and sales growth report over the last 5 years **(7 years has been used for better understanding future prospects in pro-forma)** . If we take a look into its historical sales growth, we see that the company has been successfully making growth in revenues **(around average of**

Year	2019	2020	2021	2022	2023
Cost of Goods Sold	91.73%	86.63%	86.85%	89.50%	90.40%
Standard Dev	2.23%				

Graph 1.2

Year	2019	2020	2021	2022	2023
Revenue	37996.4	37996.4	37996.4	37996.4	37996.4
	27.09%	26.44%	-36.65%	42.14%	22.08%
	Graph 1.3				

25.39% without considering the outliers of 2020 & 2021). But during the Covid initial period of 2020, the sales went down by 36.65% but the COGS remained the around the same value, in fact it went down 86.63% In the same year, the company had made lower but

Year	2019	2020	2021	2022	2023
Cost of Goods Sold (minus)	91.73%	86.63%	86.85%	89.50%	90.40%
Net Profit after Tax	2.83%	1.92%	5.54%	4.88%	3.52%

Graph 1.4

profits (**Graph 1.4**, 1.92% of sales), again meaning the company does have the strength of being above profit margin and had managed its operating costs (administrative & Selling costs) quite well. In the post Covid scenario, the company did make a huge jump in sales which highlights its recovery strength in the post extreme scenarios. Even, the **Graph 1.1** tells that the company managed higher operating profit margin, its peak in **2021: 10.18% in regards to its sales, towards the end of post covid scenario**, and this was possible due to the higher Gross profit, though the selling & Distribution, and Admin. Costs were higher that year than any other. Now, net revenues in the last 5 years in proportion to revenues might seem low but the company has been generating enough to provide stable EPS to its investors (**Graph 1.5** shows stable EPS and the 2021 eps could be counted as outlier) (1). The company has around 25% market share in the steels industry and is the top steels manufacturer in Bangladesh. So, the steady growth idea is attributable to BSRM Steels. Ltd.

Year	Net Profit	EPS
2019	2.83%	4.60
2020	1.92%	1.97
2021	5.54%	8.10
2022	4.88%	8.72
2023	3.52%	7.92

Graph 1.5

Proforma_Financial Statements

- Pro forma Income Statement

For the pro-forma future financial statement forecasting, the calculations for forecasting have been catered towards understanding the profit capability of BSRM Steels Ltd. through its operational activities which are re-current and sustainable. **Many items such as Associate Investment profit/loss and such non-recurring items have been ignored in the forma calculations for providing the potential investors a better understanding of the actual profit making capacity through its regular operations.** Now, projected future revenue for the company has been assumed to go from approx. 261,849 million (in tk) in 2028 from 84.524 million in 2023 at a CAGR of 25.39%. These forecasting numbers might seem aggressive but they are aligned with the historical performances (see Appendix no.). Also the numbers for

Pro-forma Assumptions	
Avg. Revenue growth	25.39%
COGS Structure	89.00%
Avg. Net Profit Margin Growth	59.12%
Avg. Eps Growth	59.12%

Graph 1.6

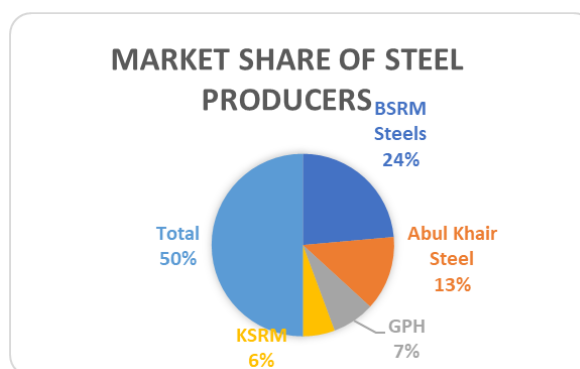
COGS might seem a bit on the extremely higher side but the market competitors in the steel industry incurs around 85%-90% COGS in relation to revenue (exmp- GPH Ishpat having a COGS of 84.21% as of year end of 2023). The numbers here represented could be more on the higher side given the company generates irregular profits such as- share of its profit from

Associates which could create a good percentage of jumps into its profit tables (such as the **Graph 1.7**). However, this pro-forma basically delves into technical analysis of how much profit can be realized through its operations but it cannot be ignored that the comprehensive income could be a lot higher, and a concern for investors.

Again, in support of the profitability analysis, it is pretty obvious how BSRM is leading the market with being in the top 53% market makers alongside other competitive competitors like GPH Ishpat, Abu Khair etc. But the company by far is way ahead of any named competitors

Effects of Non-recuurent Income on Profit before Tax	
Share of Profit Associates (Year wise)	Increased N.P. before Tax
2018	11.48%
2019	14.60%
2020	9.07%

Graph 1.7



● Profitability Analysis_Pro-forma Balance Sheet

Now, moving onto pro-forma modeling, we estimate the company's growth in asset classes and in use of its assets efficiently.

Elements for Pro-forma Modelling	
Total Non-Current Assets	37.08%
Total Current Assets	62.92%
Total Equity	33.29%
Total Non-Current Liabilities	11.56%
Total Current Liabilities	50.26%
Total Liabilities	61.82%

This section provides a detailed analysis of the pro forma balance sheet of BSRM Steels Ltd. for the fiscal years 2024 through 2028. The study was carried out using historical data from 2017 to 2023 as well as forecasted data for the following five years.

A linear forecasting method has been used to find the number of percentages used to build the pro forma balance sheet for BSRM Steel. The relationships between various asset and liability categories are depicted by these percentages. The total non-current assets are represented by the following percentages: 37.08 percent; total assets: 62.92%; total liabilities: 61.82%; total non-current liabilities: 11.56%; total current liabilities: 50.26%. The company's financial state is projected using these percentages during the forecast timeframe.

BSRM Steel expects a considerable increase in its overall non-current assets over the next few years. Based on the pro forma balance sheet, non-current assets are expected to rise from 47.94 billion Taka in 2024 to 91.13 billion Taka in 2028. The corporation has greatly increased its non-current assets and long-term investments, as evidenced by a linear predicted growth rate of about 17.4%. However, the total current assets are expected to stay constant at 53.57 billion taka. This steadiness raises the possibility that the business is giving longer-term capital expenditures and investments priority over short-term working capital expansion, especially in light of the predicted notable growth in non-current assets.

The total non-current liabilities increased significantly from 7.2 billion taka in 2024 to 11 billion taka in 2028, indicating a growth rate of almost 11.2%, as the next item in the liability and equity section. On the other hand, a far faster increase in total current liabilities is anticipated, going from 64.1 billion taka to 326.8 billion taka at a growth rate of 50.3% over the same period. It is concerning that current obligations are growing so quickly because this could point to possible liquidity problems. On the other hand, it is anticipated that total equity will stay at 27.6 billion taka, indicating that future growth will likely be financed by debt.

A strong reliance on debt financing is shown by the pro forma financial sheet of BSRM Steels Ltd., which shows a notable increase in the debt-to-equity ratio from 2.58 in 2024 to 12.25 in 2028. More debts and greater interest costs could result from this. Additionally, the current ratio is predicted to decrease from 0.84 to 0.16, increasing concerns about future liquidity challenges. Finally, the ratio of non-current assets to total assets is predicted to go up from 47.2% to 63%, reflecting a trend towards long-term investments and heavy capital undertakings.

Again, with the forecasted values representing “Return Metrics & Efficiency of Assets” maneuver of BSRM Steels Ltd., we see potential of progressive numbers achievement from 2024-2028 (see **Graph 1.8**) , indicating that the company will be able generate more revenues in the future and be efficient in using its assets in that sense as we

Return Metrics	Year	2024	2028
	ROE	5.50%	16.48%
	ROA	2.05	7.89%
Efficiency	Year	2024	2028
	Asset Turnover	1.35x	2.42x

Graph 1.8

CAPM

Beta Calculations

DSEX			BSRM Steels Ltd.		
Date	Price	Return	Date	Price	Return
Jul 04, 2024	5,497.56	2.30%	Jul 04, 2024	58.5	1.56%
Jul 03, 2024	5,373.84	0.63%	Jul 03, 2024	57.6	0.00%
Jul 02, 2024	5,340.19	-0.28%	Jul 02, 2024	57.6	-2.54%
Jun 27, 2024	5,355.41	0.99%	Jun 27, 2024	59.1	0.51%
Jun 26, 2024	5,302.72	1.16%	Jun 26, 2024	58.8	3.89%
Jun 25, 2024	5,241.84	0.41%	Jun 25, 2024	56.6	-1.39%
Jun 24, 2024	5,220.19	-0.46%	Jun 24, 2024	57.4	5.51%
Jun 20, 2024	5,244.13	1.60%	Jun 20, 2024	54.4	3.82%
Jun 19, 2024	5,161.38	0.85%	Jun 19, 2024	52.4	1.55%
Jun 13, 2024	5,117.81	0.68%	Jun 13, 2024	51.6	2.38%
Jun 12, 2024	5,083.20	0.26%	Jun 12, 2024	50.4	-0.79%
Jun 11, 2024	5,070.02	-0.70%	Jun 11, 2024	50.8	-2.31%
Jun 10, 2024	5,105.89	-2.51%	Jun 10, 2024	52	-2.62%
Jun 06, 2024	5,237.32	0.25%	Jun 06, 2024	53.4	-1.84%
Jun 05, 2024	5,224.37	-0.44%	Jun 05, 2024	54.4	0.00%
Jun 04, 2024	5,247.53	0.23%	Jun 04, 2024	54.4	-0.55%
Jun 03, 2024	5,235.63	-0.31%	Jun 03, 2024	54.7	-1.44%
May 30, 2024	5,251.96	0.45%	May 30, 2024	55.5	2.02%
May 29, 2024	5,228.53	-0.95%	May 29, 2024	54.4	-1.09%
May 28, 2024	5,278.88	-0.60%	May 28, 2024	55	-1.08%
May 27, 2024	5,310.52	-0.04%	May 27, 2024	55.6	-0.89%
May 23, 2024	5,312.40	-1.09%	May 23, 2024	56.1	0.18%
May 21, 2024	5,371.10	-0.42%	May 21, 2024	56	-0.53%
May 20, 2024	5,393.65	-2.24%	May 20, 2024	56.3	-1.75%
May 16, 2024	5,517.42	-0.18%	May 16, 2024	57.3	0.88%
May 15, 2024	5,527.40	-1.04%	May 15, 2024	56.8	0.71%
May 14, 2024	5,585.62	-1.43%	May 14, 2024	56.4	-2.08%
May 13, 2024	5,666.76	0.10%	May 13, 2024	57.6	-0.52%
May 09, 2024	5,661.05	-0.52%	May 09, 2024	57.9	-0.69%
May 08, 2024	5,690.78	-0.60%	May 08, 2024	58.3	0.00%
May 07, 2024	5,725.28	-0.03%	May 07, 2024	58.3	-0.17%
May 06, 2024	5,727.02	1.98%	May 06, 2024	58.4	-0.51%

The objectives of this reports are to Calculate Expected market return using both DSEX index values and Market Cap, Calculate Cost of Equity, Calculate the cash dividend growth rate, Calculate, cost of equity using the Gordon model and finally Compare the two Cost of Equity While finding out an appropriate rate of return for your company.

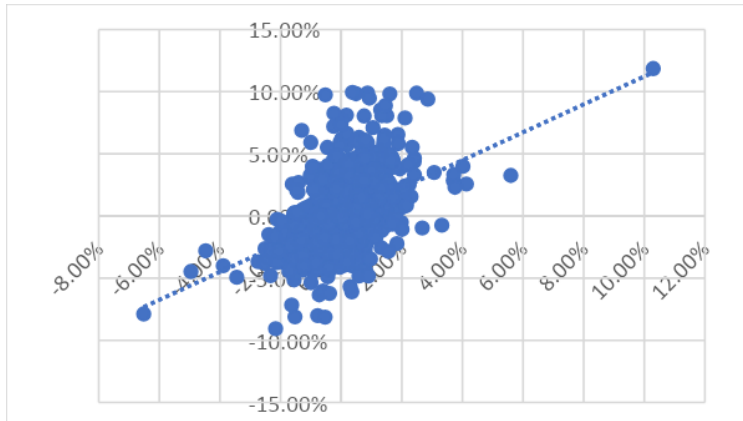
In order to complete all this task, the first thing we need is to calculate beta.

In finance, beta is a statistic that reflects the expected fluctuation in an individual's stock price to that in general stock price of the market. It is a measure of the non- diversifiable risk also referred to as market risk that exists in the general market that cannot be removed by investing in a large number of stocks.

In order to calculate the beta we need to think first we need the return of the market which is DSEX and the return of the company BSRM Steels Ltd. We have collected the 10 years data of the market and the price of both the market and the company where we are working. The reason we choose to collect 10 years daily data is because that the daily returns will give us more accurate BETA for our company we choose to go for the 10 years data instead of 5 years because the last 5 years was very volatile and the market was in a unique situation like, there was Covid and lifting of the floor price so it was more reasonable for us to use data of the last 10 years to calculate the beta.

Here we have calculated the beta using a scatter plot as it is known that the equation Of a straight line is $Y = MX + c$. Here in the M slope is the calculated data which is the same as if we do the regression analysis.

First, we have collected the data of the price for both the market and the preferred company. Then, we calculated the daily returns for both the market and the company using the price. Finally, we have calculated the beta using a scatter plot while selecting both the returns for the market and the company, then generating a scatter plot graph based on both returns.



The calculated beta that we have found is 1.123.

Calculated Beta from Scatter Plot	1.123
Again, beta calculated using slope (estimating results accuracy of beta calculated from scatter plot)	1.123

Here we can see that the beta is much higher than beta of 1 which means The stock price is expected to move more than the market is and the stock is much more volatile then the volatility of the market.

Beta

				using Index		Using Market Cap			
Whole Period	using Market Cap	usign index		last 5 years	last 10 years	last 5 years	last 10 years	last 15 years	Last 3 years
R_m	18.879%	6.746%		5.528%	1.822%	12.3200%	10.2473%	9.28%	11.60%
Average	15.600%								

While a beta of 1.1191 suggests that BSRM Steel's stock is slightly more volatile than the market, it's important to consider the factors mentioned above to determine if this beta is appropriate. If the company's business model, financial strength, and market conditions align with the observed beta, it suggests that the calculated beta is a reasonable representation of the stock's risk.

CAPM using Price-weighted	
R_m	15.599632%
R_f	12.00%
Beta	1.123
CAPM	16.04%

In Bangladesh, the average market capitalization over 20 and 5 years is used to calculate market return (R_m). This provides a balanced method of understanding recent and long-term market performance, mitigating short-term volatility, and avoiding intermediate time frames in order to effectively capture historical and recent trends. We get the R_m of 15.600% by averaging the last 20 years and the last 5 years. Additionally, it provides us with a 3.6% premium for equity risk.

Since this R_m is more than Bangladesh's current risk-free (R_f) rate, the cost of equity for BSRM Steel Ltd. appears profitable at 16.04%.

Using 20 years gives us a long-term perspective and a border historical overview of the Bangladesh stock market. These data consider multiple market cycles, economic growth, and recession, along with political changes and external shocks. This long-term perspective is more realistic about the market's potential for long-term growth while reducing short-term volatility. On the contrary, choosing 5 years represents more recent patterns in the growth of Bangladesh's stock market, which has been affected by regulatory reforms, the impact of the COVID-19 epidemic, and the engagement of both domestic and foreign investors.

However, if we have considered the R_m of 10 years, 15 years, and 3 years in calculating the cost of equity of BSRM Steel Ltd, the equity risk premium would have been less than 4%. For instance, the average market return (R_m) of 20 years and 10 years is 14.5% which leads to a lower equity risk premium (ERP). As a result, a cost of equity of less than 15% is not a lucrative investment.

When comparing market capitalization averages over a 20-year and 5-year period, BSRM Steel Ltd. 's CAPM surpasses 15%, drawing interest from Bangladeshi investors. Taking into account both recent and historical patterns, this strong return justifies the inherent risks of investing in Bangladesh's financial markets.

Here we are not going for 3, 10, or 15-year averages considering the peculiarities existing in our stock market. When it comes to distinguishing stability over time and short-term trends, a 15-year or 10-year average doesn't do justice. Both the length of the market cycle and the current state of the market might not be fully reflected in such a period. In markets with high volatility like Bangladesh, short-term averages may mask substantial market swings, confusing investors and analysts.

The Bangladeshi market's short-term volatility and frequent fluctuations could cause the 3-year average in particular to present an unduly distorted picture. Shorter periods are more prone to distortions caused by short-term events like political elections, changes in policy, or recessions. For example, the Bangladesh market was extremely volatile during the COVID-19 pandemic, with sudden falls followed by fast recoveries. A three-year average would catch these outliers, resulting in an exaggerated and less accurate forecast of long-term risk and returns. In comparison, the 5-year and 20-year averages provide a more balanced and realistic picture of both short- and long-term market circumstances.

BDT mn	Weight of Debt and Equity	
Total Debt	6,567.69	24.01%
Market Cap	20790	75.99%
Total	27,357.69	
WACC	17.7%	

Weighted Average Cost of Capital (WACC)

BSRM Steels Ltd.'s WACC of 17.68% and Cost of Equity of 16.04% indicate that the company's debt is more expensive than its equity, suggesting a higher overall cost of financing. Whether this WACC is appropriate depends on factors like the company's risk profile, market conditions, and financial health. A higher WACC might be justified for

riskier companies or in periods of higher interest rates, but it also means that the company needs to generate higher returns on its investments to create value for shareholders

Valuations

		HISTORICAL					
BDT in mn		2019	2020	2021	2022	2023	Average Growth
Revenue		61060.15	38681.38	54982.96	67121.06	84524.77	
Growth			-36.65%	42.14%	22.08%	25.93%	30.05%
Operating Income		3369.05	3573.15	5596.03	5427.69	6460.55	
Growth			6.06%	56.61%	-3.01%	19.03%	
% of revenue		5.52%	9.24%	10.18%	8.09%	7.64%	8.13%
Net Profit		1728.13	742.28	3047.09	3278.5	2979.4	
Growth			-57.05%	310.50%	7.59%	-9.12%	
% of revenue		2.83%	1.92%	5.54%	4.88%	3.52%	4.65%
EPS		4.6	1.97	8.1	8.72	7.92	
Growth			-57.17%	311.17%	7.65%	-9.17%	63.12%
Dividend Paid		341.78	273.76	938.50	1144.89	1132.18	
Growth			-19.90%	242.82%	21.99%	-1.11%	
% of revenue		0.56%	0.71%	1.71%	1.71%	1.34%	
Dividend Payout Ratio		19.78%	36.88%	30.80%	34.92%	38.00%	35.15%

Revenue growth: To calculate the revenue growth I have considered 2021, 2022 and 2023. Here, 2020 was the COVID years and the growth rate is an outlier. 2021 was the post COVID period when there were many ongoing projects. That's why the 2021 revenue growth is higher, so omitting the 2021 revenue growth rate wouldn't provide a desirable average revenue growth because revenue growth in steel industry is highly variable. It depends on factors like economic demand, infrastructure development and industrial demand.

Dividend Payout Ratio: The dividend payout ratio is stable for BSRM Steel Ltd. So, to calculate the average dividend payout ratio, the year 2020-2023 dividend were considered. The year 2019 was treated as an outlier, as including it could distort the average due to the company's more stable dividend policy in recent years.

DDM (Gordon Growth)

DDM (Gordon Growth)						
	2024	2025	2026	2027	2028	2029
Dividend/share	4.78	6.21	8.08	10.51	13.66	17.77
Terminal value using gordan model					176.98	
Total CF Gordon	4.78	6.21	8.08	10.51	190.64	
Present Value Gordon	5.54	8.36	12.62	19.05	401.10	
Intrinsic value/share (Using Gordon)	446.68					
Cuurent Price 3th October 2024		55.3	Undervalued			

The dividend discount model has been implemented for the valuation of BSRM Steel Ltd because they have given dividends over the last 5 years. This calculation will estimate the intrinsic value of the stock while calculating the future dividends, assuming that the dividend will grow at constant growth rate indefinitely. The historical average

dividend payout ratio from 2019-2023 is 35.15%. The historical dividend payout ratio is very stable for BSRM Steel with slight variations from year to year. In this analysis the dividend will grow from 1796.86 BDT mn in 2024 to 6684.31 BDT mn in 2029 forecasted period. The number of shares were kept fixed at 376.1868687 to calculate the dividend per share, which escalated from 4.78 in 2024 to 17.77 in 2029. So, it depicts that the dividend per share has slightly increased over the forecast period. Moreover, the long-term growth rate is 6% which is aligned with the GDP growth rate. According to the IMF, the GDP will grow at 6.6% for 2024-2025, since BSRM Steel Ltd is a steel engineering firm and it is very volatile, it may not necessarily grow at the same pace of overall economic growth. So, the 6% long term growth rate can be considered as a slightly conservative approach with a view to reduce the over-optimistic growth projections.

In the DDM valuation using Gordon Growth, the intrinsic value per share is 446.68 which depicts that BSRM Steel's stock price is undervalued.

DDM (P/E)

DDM (P/E)					
	2024	2025	2026	2027	2028
EPS	4.78	6.21	8.08	10.51	13.66
Total CF PE	4.78	6.21	8.08	10.51	268.66
Present Value PE	4.12	4.61	5.17	5.79	127.69
Intrinsic Value/share (using industry)	147.39				
Current Price 3rd October 2024		55.3	Undervalued		

The Price-to-Earnings (P/E) ratio of comparable companies—in this case, the steel industry—is used in the DDM employing P/E relative valuation approach to determine the worth of a company's stock. The

intrinsic value per share using the industry P/E is 147.39 indicating that BSRM Steel's stock price is undervalued. The EPS for the forecasted period has also significantly increased from 4.78 in 2024 to 13.66 in 2028. In this analysis, we assumed that BSRM Steel Ltd earnings will grow with industry expectations and industry like steel, where dividends can be inconsistent, but earnings provide a clearer picture of potential value. However, with this approach of calculating the intrinsic value the price of the stock remains undervalued. This

indicates that the price will grow in the future and could offer a capital gain although it is undervalued. This observation may reflect the volatility of the steel industry and market sentiment which made the stock price lower but has a potential growth in the future if the stock price grows to its true value. Therefore, the DDM (P/E) intrinsic value makes more sense in calculating the fair value of BSRM Steel Ltd stock price.

Sensitivity Analysis

Sensitivity Gordon

Sensitivity Gordon						
Growth rate	Required Return					
446.68	15%	16%	17%	18%	19%	20%
5.0%	429.241	413.502	401.312	391.879	384.639	379.179
5.5%	448.050	429.658	415.427	404.387	395.857	389.343
6.0%	468.950	447.430	430.825	417.937	407.937	400.233
6.50%	492.309	467.072	447.689	432.665	420.984	411.930
7.0%	518.588	488.896	466.240	448.733	435.118	424.527
7.50%	548.370	513.289	486.744	466.330	450.481	438.131

- The Gordon Growth Model assumes a long-term growth rate of 6%.
- **Analysis:** Varying the growth rate from 4% to 8% while keeping other assumptions constant:
 - **Lower growth rate (4%):** Intrinsic value decreases to BDT 379.179.
 - **Higher growth rate (8%):** Intrinsic value increases to BDT 548.370.

The intrinsic value is highly sensitive to changes in the long-term growth rate. A higher growth rate leads to a higher intrinsic value, reflecting the potential for greater future dividends.

Sensitivity to Industry P/E Ratio

Sensitivity P/E						
PE ratio	Required Return					
147.39	15%	16%	17%	18%	19%	20%
8	153.740	147.624	141.809	136.278	131.015	126.004
10	153.740	147.624	141.809	136.278	131.015	126.004
12	153.740	147.624	141.809	136.278	131.015	126.004
15	153.740	147.624	141.809	136.278	131.015	126.004
20	153.740	147.624	141.809	136.278	131.015	126.004
25	153.740	147.624	141.809	136.278	131.015	126.004

- The P/E-based DDM uses an industry P/E ratio of 18.66.
- **Analysis:** Varying the industry P/E ratio from 16 to 21 while keeping other assumptions constant:
 - **Lower P/E ratio (16):** Intrinsic value decreases to BDT 126.004.
 - **Higher P/E ratio (21):** Intrinsic value increases to BDT 153.740.

The intrinsic value is moderately sensitive to changes in the industry P/E ratio. A higher P/E ratio generally leads to a higher intrinsic value, reflecting a higher valuation.

Market Multiplier Model

BSRM STEEL				Ev/ebitda			
	PE	P/S	P/B	Revenue growth	ROA	ROE	
BSRM STEEL	4.82			11.85%	4.20%	10.36%	
GPH Ispat	10.93			42.50%	4.06%	10.02%	
Ratanpur Steel Re-Rolling Mills	-5.3			-23%	6.63%	8.60%	
S. Alam Cold Rolled Steels	89.5			9.29%	2.62%	3.41%	
S S Steel	86.98			-33%	5.88%	8.38%	
Appollo Ispat Complex Ltd	-33.83			-5.28%	4.83%	6.37%	
Dominage Steel Building Systems Ltd	-36.3			-10.75%	3.92%	5.13%	
industry	16.6857			-1.19%	4.59%	7.47%	
Industry PE	16.6857						
Company EPS	7.92						
BSRM STEEL Intrinsic value	132.151				56.94%		
BSRM STEEL stock Price 28th September	56.9						
The company is trading at a 56.94% discount to fair value, so we should buy							

The market multiplier model measures an organization's actual worth by examining its revenues and relevant industry ratios. For this scenario, we employ the market multiple of the Price-to-Earnings (P/E) ratio.

The P/E ratio shows what investors value as the amount of each dollar of a company's earnings. When the P/E ratio rises it usually means investors believe the company should expand its earnings more quickly in the future.

Calculation:

- **Intrinsic Value = EPS * Industry P/E**
- **Intrinsic Value = 7.92 * 16.6857**
- **Intrinsic Value ≈ 132.151**

Discount to Fair Value:

- **Discount = (Intrinsic Value - Stock Price) / Intrinsic Value**
- **Discount = (132.151 - 56.9) / 132.151**
- **Discount ≈ 56.94%**

Interpretation:

According to the market multiplier model BSRM STEEL seems considerably low in value. Its actual worth of 132.151 surpasses the existing market value of 56.9. There is a clear indication that the stock is selling at a reduction of around 56.94% compared to its real value

VALUATION USING THE FCFF

The **Free Cash Flow (FCF) Model** in valuation is a method used to estimate the intrinsic value of a company based on the future cash flows it is expected to generate. It focuses on the cash flows available to all investors (both debt and equity holders) after accounting for capital expenditures necessary to maintain or grow the business. We have used the free cash flow to Firm or FCFF model in our valuation.

Free Cash Flow to the Firm (FCFF): It represents the cash flow available to both debt and equity holders. It's calculated as:

$$\text{FCFF} = \text{EBIT} \times (1 - \text{Tax Rate}) + \text{Depreciation and Amortization} + \text{Change in Working Capital} - \text{Capital Expenditures}$$

1. Historical Free Cash Flow (FCF):

Our analysis of historical free cash flows reveals considerable fluctuations. In 2019, BSRM generated a positive free cash flow of **1,748.57 million BDT**, but by 2021, this figure plummeted to **-10,895.02 million BDT**. However, the company's free cash flow rebounded in 2023, reaching **7,943.21 million BDT**. This volatility was largely driven by shifts in **net working capital, earnings before interest and taxes (EBIT), depreciation & amortization, and capital expenditures (Capex)**.

2. Forecasted Free Cash Flow:

Looking ahead, we forecast free cash flows from 2024 to 2028. We estimate that BSRM's free cash flow will start at **1,629.5 million BDT** in 2024, growing to **3,207.27 million BDT** by 2028. To account for the significant fluctuations in prior years, we applied an **18% growth rate**, excluding the outlier years and taking the growth rate of 2021 and 2023 value difference, in order to stabilize the projections. We have taken an average free cash flow value of **1,375 million BDT** as the basis for our forecasting over the next four years due to the high market volatility observed in the company's historical performance. By smoothing out the fluctuations, this approach allows for more stable projections and reduces the impact of extreme outlier

3. Present Value (PV) of Forecasted FCF:

To assess the value of these future cash flows in today's terms, we discounted them using a **cost of equity of 17.68%**. This discount rate reflects the return investors expect for taking on the risk of owning BSRM stock. By applying this rate, we calculated the present value of the forecasted free cash flows, which reflects their worth at present.

4. Terminal Value Calculation:

At the end of our forecast period in 2028, we calculated the terminal value using an **average price-to-earnings (PE) ratio of 16.68**. This resulted in a projected terminal value of

53,497.27 million BDT, which, when discounted to the present, equals **23,703.82 million BDT**.

5. Intrinsic Value:

By adding the present value of the forecasted free cash flows to the discounted terminal value, we arrived at a total enterprise value of **35,219.76 million BDT**. Dividing this by the total number of shares, which stands at **375.95 million**, we determined the **intrinsic value per share** to be **93.68 BDT**.

6. Market Price Comparison:

Comparing this intrinsic value with the current market price of 55.3 BDT, we conclude that BSRM Steels Limited is undervalued. The intrinsic value suggests there is a strong potential for price appreciation if the company meets its projected growth in free cash flows and profitability.

Forecasted FCF				
Sl.		Year	FCF	PV
	1	2024	1629.5	1384.69
	2	2025	1930.08	1930.08
	3	2026	2286.1	2286.1
	4	2027	2707.79	2707.79
	5	2028	3207.27	3207.27
Terminal value using PE			*In Millions BDT	
	5	2028	53497.3	23703.8
Total EV				35219.8
Number of Shares				375.95
Intrinsic Value				93.68
Market Price		Undervalued		55.3

Final Recommendation:

Based on our free cash flow valuation model, BSRM Steels Limited appears to be trading below its intrinsic value, offering significant upside potential for investors. The stock's intrinsic value per share is calculated at **93.68 BDT**, substantially higher than its current market price of **55.3 BDT**. Our analysis underscores a promising opportunity for capital appreciation, assuming the company's forecasted growth and cash flow projections hold true.

Weighted Average Valuation

Model Name	Price	Weight	Weighted Price
FCF	93.68	70%	65.576
DDM	147.39	15%	22.1085
Mkt Multiplier	132.151	15%	19.82265
Total		100%	
Target Price		Intrinsic Value.	107.51
Market Price		Current Stock Price	55.3
		Undervalued by	49%

The valuation of BSRM Steel Ltd has been conducted using three different models, each assigned a specific weight to arrive at a final target price:

1. Free Cash Flow (FCF) Model: 70% weight
2. Dividend Discount Model (DDM): 15% weight
3. Market Multiplier Model: 15% weight

Breakdown of Models

1. **FCF Model:**
 - Price: 93.68 BDT
 - Weight: 70%
 - Weighted Price: 65.576 BDT
2. **DDM Model:**
 - Price: 147.39 BDT
 - Weight: 15%
 - Weighted Price: 22.1085 BDT
3. **Market Multiplier Model:**
 - Price: 132.151 BDT
 - Weight: 15%
 - Weighted Price: 19.82265 BDT

Target Price and Market Comparison

- **Calculated Target Price:** 107.51 BDT
- **Current Market Price:** 55.3 BDT
- **Undervalued by:** 49%

Analysis

1. **Model Weighting:** We gave the model FCF (the highest weight of 70%) implying this is the most reliable measure of BSRM Steel's value for the analyst. The use of this

approach enables us to look at the company's capability to raise cash, as steel companies tend to be capital intensive companies.

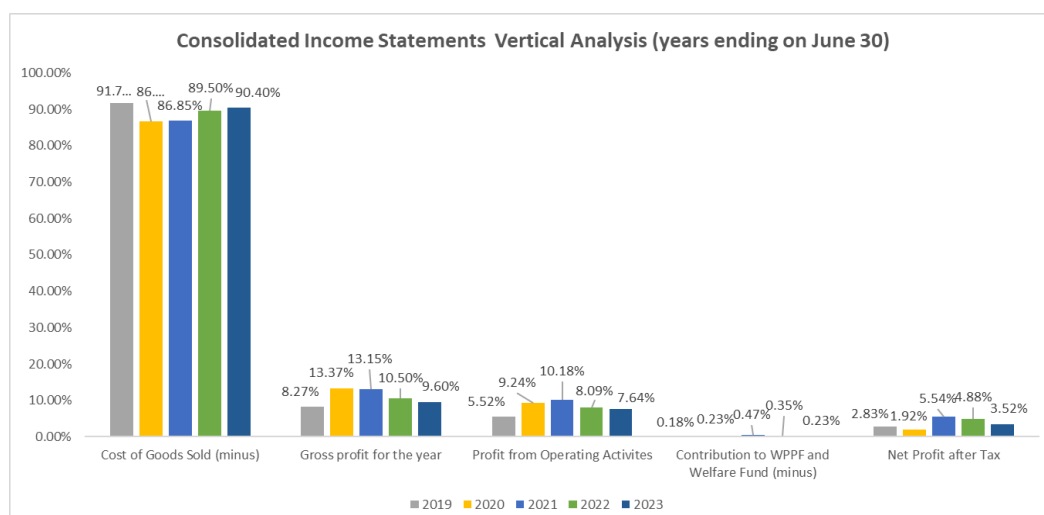
2. **Consistency in Undervaluation:** Each one of these three models shows that BSRM Steel is undervalued, though to varying extents. The robustness of overall conclusion is reinforced by the consistency, across various valuation methods.
3. **Conservative Approach:** The high weighting on the FCF model, which results in the lowest valuation of the three, implies conservative manner of valuation. Such uncertainty could be reason for volatility in the steel industry or for special reasons of BSRM Steel.
4. **Significant Upside Potential:** The weighted average target price of 107.51 BDT is compared to 55.3 BDT dirt cheap market price, that is to say, the upside potential is 49%. The big difference between these numbers suggests that the market may not be valuing BSRM Steel fully.
5. **Consideration of Different Aspects:** The analysis then rounds out the discussion of the financial performance of the company by incorporating multiple valuation models that factor in a range of factors.
 - Cash generation ability is the main focus of FC F
 - DDM looks at dividend policy and growth prospects of the company.
 - Comparison with industry peers is provided by the Market Multiplier.
6. **Balanced View:** The FCF model clearly outweighs in valuation, but the use of DDM (15%) and Market Multiplier (15%) models (each) helps to give a more well rounded, company specific as well as market based view.

BSRM Steel Ltd is heavily undervalued on the basis of the weighted average valuation. Assuming that each underlying assumption in each model holds true, investors are seeing a strong buy signal with 49% potential upside. But investors considering investing in this market should also consider the reasons of current market undervaluation, which may not be reflected in these valuation models — for example for the industry specific risks, market sentiment, or company specific problems.

Total Analysis

Financial Performance Analysis

a) Vertical Analysis:



Cost management has been well handled by BSRM Steel Ltd as Cost of Goods Sold (COGS) has remained at around 90% of revenue over the last 5 years. The cost of goods sold as a percentage of revenue have remained similar, around 10%. Challenges faced by BSRM Steel during 2020's COVID-19 era saw sales fall 36.65% but the firm remained profitable (at a lower level: 1.92% sales).

Notably, in the post pandemic recovery, the company posted strong numbers with upward sales and improved operating profit margins, which peaked out at 10.18% of sales in 2021. The company proved its resilience and its ability to adapt to the full market shock.

b) Pro Forma Analysis:

Pro-forma Assumptions	
Avg. Revenue growth	25.39%
COGS Structure	89.00%
Avg. Net Profit Margin Growth	59.12%
Avg. Eps Growth	59.12%

Graph 1.6

BSRM Steel Ltd's pro forma financial statements project that the Company will continue to grow: revenue is forecasted to crescendo from about 84,524 million BDT in 2023 to roughly 261,849 million BDT in 2028, where the Compound Annual Growth Rate (CAGR) will be 25.39%. This projection, though for growth, is in line with historic performance as the company has a strong market position.

Significant increase in non current assets of 47.94 billion BDT in 2024 to 91.13 billion BDT in 2028, thus indicating a lot of investments in long term assets. Nevertheless, the rapid growth in current liabilities from 64.1 billion BDT to 326.8 billion BDT over the same period is a cause for fear of liquidity problems. It will rise from 2.58 in 2024 to 12.25 in 2028, a sign of an increasing demand for debt financing. If it does happen, that means higher interest expenses and more financial risk.

Valuation Models

a) Dividend Discount Model (DDM):

Gordon Growth Method:

DDM (Gordon Growth)						
	2024	2025	2026	2027	2028	2029
Dividend/share	4.78	6.21	8.08	10.51	13.66	17.77
Terminal value using gordan model					176.98	
Total CF Gordon	4.78	6.21	8.08	10.51	190.64	
Present Value Gordon	5.54	8.36	12.62	19.05	401.10	
Intrinsic value/share (Using Gordon)	446.68					
Cuurent Price 3th October 2024	55.3	Undervalued				

Intrinsic Value per Share: 446.68 BDT

This value suggests that BSRM Steel's stock is significantly undervalued compared to its current market price.

P/E Method:

Intrinsic Value per Share: 147.39 BDT

While lower than the Gordon Growth method, this still indicates that the stock is undervalued.

b) Market Multiplier Model:

BSRM STEEL			Ev/ebitda				
	PE	P/S	P/B	Revenue growth	ROA	ROE	
BSRM STEEL	4.82			11.85%	4.20%	10.36%	
GPH Ispat	10.93			42.50%	4.06%	10.02%	
Ratanpur Steel Re-Rolling Mills	5.3			-23%	6.63%	8.60%	
S. Alam Cold Rolled Steels	89.5			9.29%	2.62%	3.41%	
S S Steel	86.98			-33%	5.88%	8.38%	
Appollo Ispat Complex Ltd	-33.83			-5.28%	4.83%	6.37%	
Dominage Steel Building Systems Ltd	-36.3			-10.75%	3.92%	5.13%	
Industry	16.6857			-1.19%	4.59%	7.47%	
Industry PE	16.6857						
Company EPS	7.92						
BSRM STEEL Intrinsic value	132.151					56.94%	
BSRM STEEL stock Price 28th September	56.9						
The company is trading at a 56.94% discount to fair value, so we should buy							

Intrinsic Value: 132.151 BDT

This model suggests a 56.94% discount to fair value, further supporting the undervaluation thesis.

c) Free Cash Flow to Firm (FCFF) Model:

Forecasted FCF				
Sl.		Year	FCF	PV
	1	2024	1629.5	1384.69
	2	2025	1930.08	1930.08
	3	2026	2286.1	2286.1
	4	2027	2707.79	2707.79
	5	2028	3207.27	3207.27
Terminal value using PE			*In Millions BDT	
	5	2028	53497.3	23703.8
Total EV				35219.8
Number of Shares				375.95
Intrinsic Value				93.68
Market Price			Undervalued	55.3

Intrinsic Value per Share: 93.68 BDT

The FCFF model, which takes into account the company's ability to generate cash flows, also indicates that the stock is undervalued compared to its current market price of 55.3 BDT.

Capital Asset Pricing Model (CAPM) and Required Rate of Return

The calculated beta for BSRM Steel is 1.123, indicating that the stock is slightly more volatile than the overall market. Using this beta, along with a risk-free rate and market risk premium, we can calculate the required rate of return:

Cost of Equity = 16.04%

Weighted Average Cost of Capital (WACC) = 17.68%

These figures suggest that investors require a relatively high return to compensate for the perceived risk of investing in BSRM Steel.

CAPM using Price-weighted	
R _m	15.599632%
R _f	12.00%
Beta	1.123
CAPM	16.04%

Weighted Intrinsic Valuation

Model Name	Price	Weight	Weighted Price
FCF	93.68	70%	65.576
DDM	147.39	15%	22.1085
Mkt Multiplier	132.151	15%	19.82265
Total		100%	
Target Price		Intrinsic Value.	107.51
Market Price		Current Stock Price	55.3
		Undervalued by	49%

To arrive at a final valuation, we applied the following weights to our valuation models:

Free Cash Flow (FCF) Model: 70%

Dividend Discount Model (DDM): 15%

Market Multiplier Model: 15%

The resulting weighted average target price is 107.51 BDT, compared to the current market price of 55.3 BDT. This indicates that the stock is potentially undervalued by 49%.

Recommendation

Investment Thesis

Based on our comprehensive analysis, BSRM Steel Ltd appears to be an attractive investment opportunity for the following reasons:

- **Consistent Undervaluation:** In all valuation models gives a edge of safety to potential investors for the stock.
- **Strong Market Position:** BSRM Steel has 25 percent market share in Bangladesh steel industry and since it is situated in right place at right time (i.e. country's ongoing infrastructure development and urbanization) will be able to reap the benefit.
- **Robust Financial Performance:** The company has shown its ability to match efficiency to the cost of its products even under very difficult economic conditions.
- **Growth Potential:** The analysis shows that pro forma, favorable industry dynamics in Bangladesh will provide significant revenue growth.
- **Dividend History:** With a pretty stable dividend payout ratio, income and capital appreciation opportunities are in place at BSRM Steel.
- **Resilience:** Adaptability to market challenges is illustrated by the strong recovery of the company post COVID.
- **Special Observation:** With just a one sight overview of the financial reports of BSRM STEELS, any potential investor might believe the company is able to generate stable but lower profits. However, delving further into its revenue trends, stable cost structure & its potential growth in asset classes in the future, this stock could be a great investment for those investors who are looking into the long-term scenario since the technical numbers & forecast numbers do show that the company is growing in stature as the year progresses.

Conclusion

As indicated by multiple valuation methods used in the paper and by its strong market leadership, consistent financial performance and marked undervaluation, BSRM Steel Ltd offers a compelling investment opportunity. From a weighted average valuation perspective, there is 49 percent upside potential to the market price.

Nevertheless, investors should appreciate that the identified risks — the increasing leverage and the possibility of liquidity issues — will need to be given careful consideration within the pro forma analysis. Thorough due diligence, and consideration of an investor's risk tolerance, are always advised before placing any kind of investment.

As the fundamentals are very strong and still have the scope of high price appreciation, hence BSRM Steel stock can also be viewed as a 'Buy' by those investors who have a medium to long term horizon with a modest risk appetite. With the stock being currently found undervalued, there is still the potential for a margin of safety, and with the company dominating in its market as well as seeing a lot of growth prospects, the upside is huge.

Appendix

BSRM STEEL	
Company Overview	
Market Capitalization (BDT)	24512103000
Shareholders Equity (BDT)	76899120000
P/E Ratio TTM	5.28
Price to Sales TTM	0.29
Price to Cash Flow MRQ	2.26
Price to Free Cash Flow TTM	-2.66
Price to Book MRQ	0.82
Price to Tangible Book MRQ	0.82
Revenue/Share TTM	222.52
Basic EPS ANN	7.92
Diluted EPS ANN	7.92
Book Value/Share MRQ	78.26
Tangible Book Value/Share MRQ	78.14
Cash/Share MRQ	15.55
Cash Flow/Share TTM	9.16
5 Year EPS Growth 5YA	10.59%
5 Year Sales Growth 5YA	11.85%
5 Year Capital Spending Growth 5YA	33.30%

MKT Multiplier

[illegible]

VERTICAL Analysis

of

BS

Consolidated Income Statements (years ending on June 30)

	2019	2020	2021	2022	2023
Revenue from contracts with customers	61060152014	38681377223	54982957715	67121061172	84524774603
Cost of Goods Sold (minus)	-56008238101	-33508838131	-47752093821	-60075522035	-76410892271
Gross profit for the year	5051913913	5172539092	7230863894	7045539137	8113882332
Selling and Distribution Exp. (minus)	-1227104692	-1111965100	-1168843931	-1093771815	-1035094642
Administrative Exp. (minus)	-471951537	-506430664	-485025737	-537188460	-638201016
	3352857624	3554143328	5576994226	5414578862	6440586674
Other Operating Income	16195350	19006162	19036512	13114097	19966639
Profit from Operating Activities	3369052974	3573149490	5596030738	5427692959	6460553373
Finance Costs (minus)	-2235414696	-1872525590	-535847981	-1734843318	-3022542044
Finance Income	1014034437	61390481	131121902	93616952	430777086
Non Operating Income	0	0	0	113406679	100800000
Net Profit before Tax and WPPF and Welfare Fund	2147672715	1762014381	5191304659	4742373272	3969588415
Contribution to WPPF and Welfare Fund (minus)	-107383636	-88100719	-259565233	-237118664	-198479421
	2040289079	1673913662	4931739426	4505254608	3771108994
Profit on Bargain Purchase	0	0	0	0	0
Share of profit of Associates (net of tax)	297973028	151791502	0	0	0
Loss on derecognition of Investment in Associate (minus)	0	0	-1012677667	0	0
Net Profit Before Tax	2338262107	1825705164	3919061759	4505254608	3771108994
Income tax expenses/benefits:					
Current Tax (minus)	-478712202	-756665322	-1089147924	-1304049020	-859252676
Deferred Tax	-131421082	-326763219	217171991	77293422	67543552
Net Profit after Tax	1728128823	742276623	3047085826	3278499010	2979399870
Other Comprehensive Income not to be reclassified to profit or loss					
Actuarial (loss)/gain on defined benefit	0	-1517336	0	0	0
Gain on revaluation of land (net of tax)	5340715313	0		0	0
Share of revaluation reserve of Associate (net of tax)	1356704445	0	-1356704445	0	0
Fair value reserve on Financial asset	0	0	1329120000	329184000	-225504000
Total comprehensive income for the year, net of tax	8425548581	740759287	3019501381	3607683010	2753895870
Total comprehensive Income					
Owners of the Company	8425548581	740759287	3019501381	3607683010	2753895870
	8425548581	740759287	3019501381	3607683010	2753895870
Outstanding shares	375952500	375952500	375952500	375952500	375952500
Earnings Per Share (EPS)	4.60	1.97	8.10	8.72	7.92

Consolidated Income Statements Vertical Analysis (years ending on June 30)					
Year	2019	2020	2021	2022	2023
Revenue from contracts with customers	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold (minus)	91.73%	86.63%	86.85%	89.50%	90.40%
Gross profit for the year	8.27%	13.37%	13.15%	10.50%	9.60%
	0.00%	0.00%	0.00%	0.00%	0.00%
Selling and Distribution Exp. (minus)	2.01%	2.87%	2.13%	1.63%	1.22%
Administrative Exp. (minus)	0.77%	1.31%	0.88%	0.80%	0.76%
	5.49%	9.19%	10.14%	8.07%	7.62%
Other Operating Income	0.03%	0.05%	0.03%	0.02%	0.02%
Profit from Operating Activities	5.52%	9.24%	10.18%	8.09%	7.64%
	0.00%	0.00%	0.00%	0.00%	0.00%
Finance Costs (minus)	3.66%	4.84%	0.97%	2.58%	3.58%
Finance Income	1.66%	0.16%	0.24%	1.39%	0.51%
Non Operating Income	0.00%	0.00%	0.00%	0.17%	0.12%
Net Profit before Tax and WPPF and Welfare	3.52%	4.56%	9.44%	7.07%	4.70%
Contribution to WPPF and Welfare Fund	0.18%	0.23%	0.47%	0.35%	0.23%
	3.34%	4.33%	8.97%	6.71%	4.46%
Profit on Bargain Purchase	0.00%	0.00%	0.00%	0.00%	0.00%
Share of profit of Associates (net of tax)	0.49%	0.39%	0.00%	0.00%	0.00%
Loss on derecognition of Investment in	0.00%	0.00%	1.84%	0.00%	0.00%
Net Profit Before Tax	3.83%	4.72%	7.13%	6.71%	4.46%
	0.00%	0.00%	0.00%	0.00%	0.00%
Income tax expenses/benefits:	0.00%	0.00%	0.00%	0.00%	0.00%
Current Tax (minus)	0.78%	1.96%	1.98%	1.94%	1.02%
Deferred Tax	0.22%	0.84%	0.39%	0.12%	0.08%
Net Profit after Tax	2.83%	1.92%	5.54%	4.88%	3.52%

Consolidated Balance Sheets (years ending on June 30)							
			Historical Data		Forecasted Data		
			2023	2024	2025	2026	2027
							2028
Assets							
Non-Current Assets:							
Property, plant & equipment			22,253,517,526	15821668935	15821668935	15821668935	15821668935
Right of use assets			218,495,880	218495680	4153808034	299524090	7609819673
							299524090
Intangible Assets			51,500,326	2665852005	3924882997	5253342866	70599054
							70599053.9394537+
Capital work-in-progress			9,853,579,508	9853579508	9853579508	9853579508	17163875090
							17163875090
Investment in associates			0	0	3854283943	3854283943	3854283943
Financial assets at fair value			2,592,000,000	2592000000	2592000000	7774743812	7774743812
							7774743812
Total Non-Current Assets			34,969,093,040	31151596128	40200223417	42857143155	52294990507
							44914095871
Current Assets:							
Inventories			18,501,679,245	21116030924	24970314867	30153058679	37463354262
Trade & Other Receivables			7,143,051,404	9757403083	9757403083	9757403083	9757403083
Due from related companies			3,541,967,035	3541967035	3541967035	3541967035	3541967035
Advances, deposits and prepayments			7,078,886,146	7078886146	7078886146	7078886146	7078886146
Short Term Investments			1,221,572,917	1221572917	1221572917	1221572917	1221572917
Cash and cash equivalents			4,443,074,215	4443074215	4443074215	4443074215	4443074215
Total Current Assets			41,930,030,962	47158734320	51013018263	56195762075	63506057658
							63506057658
Total Assets:			76,899,124,002	78310330447	91213241681	99052905230	1,15801E+11
							1,0842E+11
Equity:							
Share Capital			3,759,525,000	3759525000	3759525000	3759525000	3759525000
Revaluation Reserve			7,891,700,491	7891700491	7891700491	7891700491	7891700491
Fair value reserve			1,432,800,000	1432800000	1432800000	1432800000	1432800000
Non-controlling interest			0	0	0	0	0
Retained Earnings			14,480,528,363	16085834808	19905758740	23891138346	30273793657
							38829590722
Total Equity:			27,564,553,854	29169860299	32989784231	36975163837	43357819148
							51913616213
Liabilities :							
Non-Current Liabilities							
Long-term loans			4,397,519,453	4397519453	4397519453	4397519453	4397519453
Defined benefit obligations-Gratuity			260,427,314	260,427,314	260,427,314	260,427,314	260,427,314
Finance lease obligations			159,315,805	159315805	159315805	159315805	159315805
Deferred tax liabilities			1,659,575,182	1659575182	1659575182	1659575182	1659575182
Total Non-Current Liabilities			6,476,837,754	6476837754	6476837754	6476837754	6476837754
Current Liabilities							
Trade payable			3,009,467,836	3009467836	3009467836	3009467836	3009467836

Consolidated Balance Sheet Vertical Analysis (years ending on June 30)						
		2019	2020	2021	2022	2023
Assets						
Non-Current Assets:						
Property, plant & equipment		35.17%	36.22%	32.95%	28.12%	30.04%
Right of use assets		0.00%	0.20%	0.18%	0.34%	0.29%
Intangible Assets		0.07%	0.06%	0.05%	0.07%	0.07%
Capital work-in-progress		0.22%	0.04%	0.06%	1.48%	13.30%
Investment in associates		5.25%	5.48%	0.00%	0.00%	0.00%
Financial assets at fair value		0.00%	0.00%	3.55%	3.60%	3.50%
Total Non-Current Assets		40.72%	41.80%	33.06%	29.67%	43.41%
Current Assets:						
Inventories		22.78%	22.55%	19.56%	33.86%	24.97%
Trade & Other Receivables		15.40%	11.62%	11.04%	9.05%	9.64%
Due from related companies		12.93%	13.42%	3.88%	6.46%	4.78%
Advances, deposits and prepayments		6.04%	5.50%	5.63%	5.82%	9.55%
Short Term Investments		0.75%	1.65%	3.31%	3.64%	1.65%
Cash and cash equivalents		1.39%	1.44%	23.53%	11.50%	6.00%
Total Current Assets		59.28%	56.18%	66.94%	70.33%	56.59%
Total Assets:		100.00%	100.00%	100.00%	100.00%	100.00%
Equity:						
Share Capital		5.71%	5.01%	5.19%	4.58%	4.90%
Revaluation Reserve		12.07%	10.56%	10.93%	9.63%	10.29%
Fair value reserve		0.00%	12.90%	1.84%	2.02%	1.87%
Retained Earnings		13.98%	13.92%	14.43%	15.37%	18.88%
Total Equity:		31.75%	42.39%	32.40%	31.61%	35.94%
Liabilities :						
Non-Current Liabilities						
Long-term loans		13.78%	10.11%	9.23%	6.09%	5.73%
Defined benefit obligations-Gratuity		0.25%	0.27%	0.32%	0.25%	0.34%
Finance lease obligations		0.00%	0.10%	0.11%	0.29%	0.21%
Deferred tax liabilities		2.72%	2.81%	2.49%	2.19%	2.16%
Total Non-Current Liabilities		16.75%	13.29%	12.15%	8.81%	8.44%
Current Liabilities						
Trade payable		5.11%	0.18%	1.25%	0.29%	3.92%
Short term loan		31.09%	35.51%	45.36%	51.53%	44.58%
Current portion of Long term loans		3.49%	3.00%	2.61%	2.28%	2.52%
Finance lease obligations - current portion		0.00%	0.08%	0.07%	0.09%	0.10%
Due to related companies		7.48%	1.10%	1.33%	0.00%	0.00%
Liabilities for expenses		1.54%	1.42%	0.00%	1.71%	1.06%
Provision for income tax		1.11%	1.29%	1.75%	1.79%	1.41%
Provision for WPPF and Welfare Fund		0.16%	0.12%	0.36%	0.29%	0.26%
Unclaimed dividend		0.00%	0.03%	0.04%	0.01%	0.01%
Other liabilities		0.45%	0.99%	0.95%	1.01%	0.86%
Contract liabilities		1.07%	0.60%	1.74%	0.57%	0.91%
Total Current Liabilities		51.50%	44.32%	55.46%	59.58%	55.62%
Total Liabilities		68.25%	57.61%	67.60%	68.39%	64.06%
Total Equity and Liability		100.00%	100.00%	100.00%	100.00%	100.00%

98			Total Assets:	76,899,124,002	78310330447	91213241681	99052905230	1,15801E+11	1.0842E+11
99	Equity:								
100	Share Capital			3,759,525,000	3759525000	3759525000	3759525000	3759525000	3759525000
101	Revaluation Reserve			7,891,700,491	7891700491	7891700491	7891700491	7891700491	7891700491
102	Fair value reserve			1,432,800,000	1432800000	1432800000	1432800000	1432800000	1432800000
103	Non-controlling interest			0	0	0	0	0	0
104	Retained Earnings			14,480,528,363	16085834808	19905758740	23891138346	30273793657	38829590722
105			Total Equity:	27,564,553,854	29169860299	32989784231	36975163837	43357819148	51913616213
106									
107	Liabilities :								
108	Non-Current Liabilities								
109	Long-term loans			4,397,519,453	4397519453	4397519453	4397519453	4397519453	4397519453
110	Defined benefit obligations-Gratuity			260,427,314	260,427,314	260,427,314	260,427,314	260,427,314	260,427,314
111	Finance lease obligations			159,315,805	159315805	159315805	159315805	159315805	159315805
112	Deferred tax liabilities			1,659,575,182	1659575182	1659575182	1659575182	1659575182	1659575182
113			Total Non-Current Liabilities	6,476,837,754	6476837754	6476837754	6476837754	6476837754	6476837754
114	Current Liabilities								
115	Trade payable			3,009,467,836	3009467836	3009467836	3009467836	3009467836	3009467836
116	Short term loan			34,191,496,720	34191496720	34191496720	34191496720	34191496720	34191496720
117	Current portion of Long term loans			1,933,820,598	1933820598	1933820598	1933820598	1933820598	1933820598
118	Finance lease obligations - current portion			77,034,589	77034589	77034589	77034589	77034589	77034589
119	Due to related companies				0	0	0	0	0
120	Liabilities for expenses			812,451,180	812451180	812451180	812451180	812451180	812451180
121	Provision for income tax			1,083,846,530	1083846530	1083846530	1083846530	1083846530	1083846530
122	Provision for WPPF and Welfare Fund			198,479,421	198479421	198479421	198479421	198479421	198479421
123	Unclaimed dividend			4,900,540	4900540	4900540	4900540	4900540	4900540
124	Other liabilities			656,094,076	656094076	656094076	656094076	656094076	656094076
125	Contract liabilities			696,040,904	696040904	696040904	696040904	696040904	696040904
126			Total liabilities & Equity	42,663,632,394	42663632394	42663632394	42663632394	42663632394	42663632394
127			Total Liabilities	49,140,470,148	49,140,470,148	49,140,470,148	49,140,470,148	49,140,470,148	49,140,470,148
128			Total Equity and Liability	76,705,024,002	78,310,330,447	82,130,254,379	86,115,633,985	92,498,289,296	101,054,086,361

Growth/Pro-forma Policy Calculations for BSRM Steels. Ltd.																		
Sales Growth Forecast	2017 & 2018 have been considered for better understanding																	
	Historical Data								Forecasted Data								Average Value	
	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028					
	Sales	37996410539	48289925736	61060112014	38681377223	54982957715	67121061172	84524774603	105981520781.41	132885095522.53	166618184772.54	208914471466.73	26194736665.97					
	Yearly Growth		27.09%	26.44%	-36.65%	42.14%	22.08%	25.93%										
Linear Forecast (on yearly growth)																		
(Considering these as outliers)																		
(Average Sales growth without considering the potential outliers)																		
													17.84%	27.31%	25.93%	Preferable		
COGS Forecast	Historical Data								Forecasted Data								Average Value	
	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028					
	COGS	-33439115539	-43410757954	-56008238101	-33508838131	-47752093821	-60075522035	-76410892271	-97775003044.21	-125112414423.71	-160093231967.00	-204854514555.53	-26213083254.25					
	Absolute values of COGS	33439115539	43410757954	56008238101	33508838131	47752093821	60075522035	76410892271	94324911271.95	118269437465.23	148292319067.39	185936556101.80	233136841560.14	Preferable				
	Yearly Growth			29.82%	29.02%	-40.17%	42.51%	25.81%	27.19%									
Linear forecast (on yearly growth)																		
Ratio to Sales																		
Linear Forecast (on ratio to sales)																		
													27.96%	28.44%	29.31%	(Average COGS growth without considering the potential outliers)		
Selling and Distribution Exp. Forecast	Historical Data								Forecasted Data								Average Value	
	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028					
	Selling & Dis. Exp.	-938833694	-1304112525	-1227104692	-1111965100	-1168843931	-1093771815	-1035094642	-94324911271.95	-118269437465.23	-148292319067.39	-185936556101.80	-233136841560.14					
	Absolute values	938833694	1304112525	1227104692	1111965100	1168843931	1093771815	1035094642										
	Yearly Growth			-5.90%	-9.38%	5.12%	-6.42%	-5.36%										
Linear Forecast (on yearly growth)																		
Ratio to Sales																		
Linear Forecast (on ratio to sales)																		
													27.96%	28.44%	29.31%	Preferable		
Admin. Exp. Forecast	Historical Data								Forecasted Data								Average Value	
	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028					
	Admin. Exp.	-367132978	-409221690	-471951597	-506430664	-485025737	-537188460	-638201016	-638201016	-638201016	-638201016	-638201016	-638201016					
	Absolute values	367132978	409221690	471951597	506430664	485025737	537188460	638201016	638201016	638201016	638201016	638201016	638201016					
	Yearly Growth		11.46%	15.33%	7.31%	-4.23%	10.75%	18.80%										
Linear Forecast (on yearly growth)																		
Ratio to Sales																		
Linear Forecast (on ratio to sales)																		
													27.96%	28.44%	29.31%	Preferable		

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Growth/Pro-forma Policy Calculations for BSRM Steels. Ltd.																			
Admin. Exp. Forecast	Yearly growth	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average Value	11.71%	11.71%	0.90%	0.77%	Preferable &
	Ratio to Sales	0.97%	0.85%	0.77%	1.31%	0.88%	0.80%	0.76%	0.82%	0.79%	0.77%	0.75%	0.73%	0.73%	0.77%	0.73%	0.77%	0.73%	0.77%
	to Sales	0.97%	0.85%	0.77%	1.31%	0.88%	0.80%	0.76%	0.82%	0.79%	0.77%	0.75%	0.73%	0.73%	0.77%	0.73%	0.77%	0.73%	0.77%
Other Operating Income	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average Value	2.39%	2.39%	0.03%	0.03%	Preferable
	Other Op Income	22332394	14814291	16195350	19009362	19036512	131114097	19966699	19966699	19966699	19966699	19966699	19966699	19966699	19966699	19966699	19966699	19966699	19966699
	Yearly Growth		-33.47%	9.32%	17.36%	0.36%	-31.13%	52.25%	31.50%	39.81%	48.13%	56.45%	64.77%	64.77%	64.77%	64.77%	64.77%	64.77%	64.77%
Finance Costs	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average Value	78.54%	78.54%	31.72%	31.72%	Shows high rate
	Finance Costs	-580495247	-2039113061	-223544696	-1872525590	-553847981	-1734843316	-502242044	-9981202845	-5243922450	-6907128510	-907879208	-11982457092	-11982457092	-11982457092	-11982457092	-11982457092	-11982457092	-11982457092
	Yearly Growth		251.27%	9.63%	-16.23%	-71.38%	223.76%	74.23%	48.74%	40.23%	31.72%	23.20%	14.69%	14.69%	14.69%	14.69%	14.69%	14.69%	14.69%
Finance Income	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average Value	3.06%	3.06%	3.06%	3.06%	Preferable
	Finance Income	29447556	1027369378	1014034437	61390481	131211902	936118952	430777086	430777086	430777086	430777086	430777086	430777086	430777086	430777086	430777086	430777086	430777086	430777086
	Yearly Growth		3388.81%	-1.30%	-93.95%	113.59%	613.93%	-53.98%	-855%	-1288%	-1722%	-2154%	-2588%	-2588%	-2588%	-2588%	-2588%	-2588%	-2588%
Contributions to Equity and Other Income	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average Value	42.72%	42.72%	54.72%	54.72%	Preferable & Achievable
	Contributions	-136181349	-108445209	-107383636	-88100719	-209565233	-237118664	-198479421	-200000000	-200000000	-200000000	-200000000	-200000000	-200000000	-200000000	-200000000	-200000000	-200000000	-200000000
	Yearly Growth		-20.37%	-0.98%	-17.96%	194.62%	-8.65%	-16.30%	42.72%	48.72%	54.72%	60.72%	66.72%	66.72%	66.72%	66.72%	66.72%	66.72%	66.72%

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	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
22	The dividend payout ratio is very stable for BSRM STEEL							Total CF Gordon	4.78	6.21	8.08	10.51	190.64			
23	To calculate the average dividend payout we will take 2020,2021,2022 and 2023 for BSRM STEEL							Present Value Gordon	5.54	8.36	12.62	19.05	401.10			
24	Average dividend payout ratio							Year	1	2	3	4	5			
25								Intrinsic value/share	446.68 using Gordon							
26	We have taken 3 years revenue to calculate average because 2020 was the COVID years															
27	Sensitivity Gordon															
28	Growth rate															
29	Required Return							Total CF PE	4.78	6.21	8.08	10.51	268.66			
30	446.68	15%	16%	17%	18%	19%	20%	Present Value PE	4.12	4.61	5.17	5.79	127.69			
31	5.0%	429.241	413.502	401.312	391.879	384.639	379.179									
32	5.5%	448.050	429.658	415.427	404.387	395.857	389.343									
33	6.0%	468.950	447.430	430.825	417.937	407.937	400.233	Intrinsic Value/share								
34	6.50%	492.309	467.072	447.689	432.665	420.984	411.930	147.39 using industry PE								
35	7.0%	518.588	488.896	466.240	448.733	435.118	424.527									
36	7.50%	548.370	513.289	486.744	466.330	450.481	438.131	Current Price 3th October 2024								
37								55.3 Undervalued								
38	Values Ranges from							Required return								
39	to							Beta								
40								Risk free rate								
41	Sensitivity P/E							Long term growth rate								
42	PE ratio							6%								
43	Required Return							We have taken the long term growth 6% resemble to GDP growth rate								
44	147.39	15%	16%	17%	18%	19%	20%	Last 5 years company PE								
45	8	153.740	147.624	141.809	136.278	131.015	126.004	Peer Companies								
46	10	153.740	147.624	141.809	136.278	131.015	126.004	P/E								
47	12	153.740	147.624	141.809	136.278	131.015	126.004	GPH Ispat								
48	15	153.740	147.624	141.809	136.278	131.015	126.004	Ratanpur Steel Re-Rolling								
49	20	153.740	147.624	141.809	136.278	131.015	126.004	S. Alam Cold Rolled Steels								
50	25	153.740	147.624	141.809	136.278	131.015	126.004	S 5 Steel								
51	Values Ranges from							Appollo Ispat Complex Ltd								
52	to							Dominage Steel Building Sy								
53								Industry P/E								
54								18.66								
55																
56																
57																
58																

Ver. Analysis (Bal. Sheet)Pro-forma Financial StatementPro-forma Elements Cal.Pro-forma Elements Cal. (1)DDM WACC MKT Multiplier ...

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