

Directors' Report

Dear Shareholders

Assalamualikum.

Your Directors take pleasure in presenting Directors' Report, Auditors Report together with the audited financial statements of BSRM Steels Limited for the year ended June 30, 2020. This report has been prepared in compliance with the Companies Act 1994 and Bangladesh Securities and Exchange Commission Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018.

Review of 2019-20: Industry out Look and Possible future development:

According to the Bangladesh Bureau of Statistics, the economy of Bangladesh grew by 5.24% in the FY 2019-2020 despite the devastating impact of the global pandemic, securely surpassing the projections of 3.8% from IMF and 1.6% from World Bank. Owing to the resilience of the private sector in the domestic economy, a 20% year-on growth in remittances, and a strong late recovery in the garment industry, Bangladesh's economic boom as was prior to the pandemic remains largely unfazed, laying the foundation for an unprecedented economic rebound in the upcoming fiscal years.

Steel industry of Bangladesh has contributed immensely in the country's overall infrastructure development such as constructing bridges, airports, highways, metro rail, economic zones and power plants. BSRM Steels Limited is proud to lead and contribute to the infrastructural and economic upsurge of Bangladesh. Demand for long steel has increased sharply in recent years – currently 7.5 million MT of rebar which was merely 2.5 million MT in a decade ago. Steel industry is heavily dependent on the construction sector and this sector is set to face serious challenge due to disruption in economic and development activities which were mostly put on hold at final quarter of this year. Despite recording rapid growth for decades, Bangladesh's steel sector now faces a serious threat due to coronavirus pandemic and BSRM Steels Limited recorded sales at 85% of its target for the year 2019-20.

A stark increase in infrastructural projects – for constructing bridges, airports, highway, metro rail, economic zones, Power-plants and so on – has driven up demand for steel significantly in recent years. Per capita consumption of steel stands at 45 kg which was only 25 kg in 2012. Per capita steel consumption is expected to be 73 kg by 2022. Government is the biggest user of rebar consuming 60% of total demand while household users need another 25% but this number is expected to increase rapidly in the coming years. Industry insiders predict that household users would require approximately 40% of total demand in the future – a shift in which general households would be using more steel. Private sector and household users will also consume a significant quantity of steel once this global pandemic is over. The government has declared some stimulus package worth to boost up economy during & after COVID-19.

Segment wise or product wise performance:

For management purposes, the company is organized into business units based on its products and has two reportable segments, as follows:

- The M.S Rod segment which produces different graded Rod and sell the same to several dealers, end users, other corporate users, Government projects, EPZ based companies and India.
- The M.S Billets segment which produces different graded Billets and transfer the same to produce M.S Rod.

Segment information is included in note 3.15 and note 27 of the Audited Financial Statements.

BSRM Xtreme500W was the first high strength steel in Grade 500 introduced in Bangladesh construction market in 2008. BSRM Xtreme500W rapidly gained market share and is the undisputed market leader in this category. Besides Xtreme500W, the company also manufactures Grade 420D steel to meet the requirements of certain Govt. projects. The company has decided to brand the Grade 420D as 'Ultima'. The Company rolled out new Grade reinforcing steel conforming to the U.S. standard ASTM 706 Grade 80 in the 2016 which is more economical as it will require 20% less steel in construction. The new Grade 80 is marketed under the Brand name 'Maxima'.

Detailed product-wise performances are as follows:

Products	Production (M. Ton)		Sales (M. Ton)	
	2019-20	2018-19	2019-20	2018-19
Xtreme500W	550,179	623,076	542,349	617,457
Others M. S Rod	93,737	135,329	93,563	139,363
M. S Billet	595,857	291,991	3,252	233,108

New Product: BSRM XtremeB500DWR

In 2008 BSRM changed the reinforcing steel map of the country. It introduced the first weldable grade high strength steel for the country's construction industry. It was the country's first Grade 500 steel and branded as BSRM Xtreme500W.

After 12 Years, BSRM has introduced a new product - BSRM XtremeB500DWR.

It is the first reinforcing steel in the country with 7 unique features:

- A guaranteed Tensile strength to Yield strength ratio at least equal to or greater than 1.25.
- This magic ratio of T/Y: 1.25 in steel is the most sought after property by veteran civil engineers and designers of high rise structures. It ensures Toughness of the Buildings.
- Guaranteed conformity to Carbon Equivalent ratio below 0.61 to ensure welding as per American Welding Society AWS D1.4 / D1.4 M
- Guaranteed bending properties for easy site fabrication into shapes required in civil construction as per British Standards BS 4466
- It fulfills all the requirements of Chapter 18 of the seismic design of Buildings of the American Concrete Institute ACI 318-19
- It is fully compliant to Bangladesh National Building Code (BNBC) 2018
- It is also fully compliant to BDS ISO 6935-2:2016 which is the official Reinforcing Steel standard of Bangladesh.

Risks & Concerns:

Risk assessment and mitigation is an integral part of any business. The Board of Directors are regularly monitoring, assessing and identifying potential risks and threats to our profitability and sustainable growth. Our Risk Management capabilities are supported by a strong management structure, information system, and regular analysis of market, economic scenario and robust policies to cope with the challenges.

A summary of the significant risks and the way of managing risks adopted by our company is included in Annexure-1 and Note -43 of the Financial Statements.

Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin:

Cost of Goods Sold:

BDT in million

Particulars	2019-20	2018-19	Change (%)
Cost of goods sold	33,509	56,008	(40)

During the year 2019-20 our COGS reduced to Tk. 33,509 million due to less quantity of sales; but per ton COGS decreased by Tk. 4,878 this year.

Gross Profit Margin

BDT in million

Particulars	2019-20	2018-19	Change (%)
Gross Profit	5,173	5,052	2.40

The gross profit for year 2019-20 increased by BDT 121 million compared to the last year 2018-2019. During the year 2019-20 Gross Profit Margin was 13.37% which was 8.27% in 2018-19. Percentage of Gross profit margin has increased as the company used its own M S Billets from melting shop.

Net Profit Margin

BDT in million

Particulars	2019-20	2018-19	Change (%)
Net Profit	742	1,728	(57.06)

Net profit has stood Tk. 742 Million which was Tk. 1,728 Million in 2018-19. During the year 2019-20 Net Profit Margin was 1.92% which was 2.83% in 2018-19. Minimum tax is one of the main reasons for reducing Net profit margin which is applicable as per sec 82C of IT ordinance 1984 and imposed specifically on steel & cement industry from this year. However, increase of deferred tax and finance cost due to addition to fixed assets of new melting unit are also other reasons.

Extraordinary gain or loss:

There is no extra ordinary gain or loss during the year.

Related Party Transactions:

All transactions with related parties have been made on a commercial basis. Details of the related party transactions have been disclosed under note 11 and Note 38 of the financial statements as per IFRS/BFRS.

Utilization of IPO proceeds and Financial Result after IPO:

Company had no unutilized IPO fund since 2009. The Company is maintaining a stable financial performance.

Explanation on Significant Deviation between quarterly and annual financial performance:

Particulars	July'19- June'20	Apr'20- Jun'20	Jan'20- Mar'20	Oct'19- Dec'19	July'19 Sept'19
Production (In M. Ton)	643,917	121,357	198,290	132,986	191,284
Sales (In M. Ton)	635,911	97,943	212,440	199,822	125,707
Revenue (BDT in Million)	38,681	5,755	12,616	12,002	8,308
Cost of Sales (BDT in Million)	33,509	4,610	10,852	10,803	7,243
Gross Profit (BDT in Million)	5,173	1,145	1,764	1,199	1,065
Profit Before Tax (BDT in Million)	1,826	421	847	302	255
Tax Expense (BDT in Million)	1,083	397	297	276	113
Profit after Tax (BDT in Million)	742	24	550	26	142
EPS (BD Tk.)	1.97	0.06	1.46	0.07	0.38

The sales and profitability of steel industry depends on seasons in Bangladesh and raw material prices in international market. Some of the months are in the peak season for steel industry. The profitability of those period is always high.

However, high price of raw materials, initial impact of increased VAT on products, increase of minimum tax, deferred tax and impact of COVID -19 are the reasons for deviation of quarterly/ annual earning/ financial performances of BSRM Steels Limited.

Remuneration of Directors including Independent Director:

Directors were remunerated as per the decision of the Board and a detailed report of the Directors' Remuneration is included in Note 30.01 of Financial Statements.

Name of the directors	Position	Attendance Fees	Remuneration	Total Paid
Mr. Alihussain Akberali FCA	Chairman	22,250	40,500,000	40,522,250
Mr. Aameir Alihussain	Managing Director	22,250	36,000,000	36,022,250
Mr. Zohair Taherali	Director	22,250	11,400,000	11,422,250
Mrs. Tehseen Zohair Taherali	Director	16,750	6,600,000	6,616,750
Mr. Gobinda Chandra Paul FCA	Independent Director	222,000	-	222,000
Total		305,500	94,500,000	94,805,500

Directors' Responsibilities Statements:

Pursuant to the BSEC notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018 the Directors confirm that:

- The financial statements prepared by the management of BSRM Steels Limited fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper Books of Account of the Company has been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.

- d) International Accounting Standard (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- e) The system of internal controls sounds in design and has been effectively implemented and monitored.
- f) There are no doubts upon the company's ability to continue as a going concern and the annual accounts have been prepared as a going concern basis.
- g) A compliance status report with requirements of corporate governance as required by BSEC has been disclosed in Regulatory Compliance Report segment.
- h) Directors' profile and their directorship and business interest in other organizations have been disclosed in Board of Directors segment.
- i) There was no declaration of bonus share or stock dividend as interim dividend.

Significant deviations from the last years operating results:

Operational Performance:

Particulars	July'19 to June'20	July'18 to June'19
Installed Capacity (M. Ton)	750,000	700,000
Production (M. Ton)	643,917	758,405
Capacity Utilization (%)	85.90	108.34
Sales (M. Ton)	635,911	756,820

We have set up our plant using state-of-the-art technologies and churn out world-class products. We are working on continuous improvement in our process and management efficiency. As a result, the production efficiency of the mill is very impressive during last couple of years but due to COVID-19, we have utilized our production capacity 85.90 per cent during this year 2019-20.

Operating Results:

Particulars	Unit	July'19 to June'20	July'18 to June'19
Sales	MLN TK	38,681	61,060.15
Gross Profit	MLN TK	5,172.54	5,051.91
Profit before interest, taxes, WPP&WF	MLN TK	3,573.15	3,369.05
Less: Interest & WPP&WF	MLN TK	(1,899.24)	(1,328.76)
Add/(Less): Share of profit/(loss) of associate	MLN TK	151.79	297.97
Less: Tax expenses	MLN TK	(1,083.43)	(610.13)
Net Profit	MLN TK	742.28	1,728.13
EPS	TK	1.97	4.60

Revenue of this year from sale of products was lower as compared to the previous year because there was no billet sales this year plus there was a significant impact of COVID-19 on demand and supply. However, the company has taken good initiative to control selling & distribution and administration expenses. Net profit has been decreased due to imposition of new minimum tax, increase of deferred tax & finance cost for new steel plant.

Key operating and financial data of at least preceding 5 (five) years:

Some operational and financial data are given below for better understanding of the overall performance of the Company:

Operational Performance:

Particulars	Unit	July'19 to June'20	July'18 to June'19	July'17 to June'18	July'16 to June'17*	Jan'16 to Jun'16 (6 months)	2015	2014
Operations & Market:								
Installed Capacity	MT	750,000	700,000	700,000	700,000	700,000	700,000	600,000
Production	MT	643,917	758,405	727,034	681,061	362,254	602,832	623,918
Capacity Utilization	%	85.90	108.34	103.90	97.30	103.50	99.50	104.00
Sales	MT	635,911	756,820	710,995	692,504	373,747	604,513	679,803
Operational Results:								
Sales	MLN Tk	38,681	61,060	48,290	37,996	17,265	32,316	38,536
Gross Profit	MLN Tk	5,173	5,052	4,879	4,557	3,115	4,369	2,807
Gross Profit	%	13.37%	8.27%	10.10%	11.99%	18.04%	13.52%	7.28%
Net Profit	MLN Tk	742	1,728	1,800	1,705	1,313	2,082	1,086
Net Profit	%	1.92%	2.83%	3.73%	4.49%	7.61%	6.44%	2.82%
EPS	TK	1.97	4.60	5.27	4.98	3.84	6.09	3.18
Financial Position:								
Paid Up Capital	MLN Tk	3,759.53	3,759.53	3,417.75	3,417.75	3,417.75	3,417.7	3,417.75
Share Holders' Equity	MLN Tk	21,369	20,897	12,809	11,630	9,371	9,081	7,495
Current Liabilities	MLN Tk	33,264	33,888	29,799	23,550	16,993	14,214	18,445
Non-current Liabilities	MLN Tk	9,976	11,023	3,072	2,428	2,445	1,436	1,200
Addition to fixed assets & CWIP	MLN Tk	1,538.65	5,871.94	2,320.56	1,163.89	83.78	758.16	227.39
Operating cash flow	MLN Tk	2,186	(467.88)	752	364	3,093	5,766	(2,995)

*Information of 2016-2017 shows consolidated financial data.

The Net Asset Value per share (NAV) of the Company has been increasing consistently which is a very positive sign of growth and prosperity of the Company. In this year the NAV per share Tk. 56.84 which was Tk. 55.58. EBITA also has been increased to Tk. 4,741 Million from Tk. 4,574 Million of previous year 2018-2019.

Board of Directors:

i. Composition and size of the Board:

On 30th June 2020, there were 5 members in the Board, The Board comprises of Chairman, Managing Director, two directors and one independent director.

ii. Details of Directors being appointed and re-appointed:

- Mr. Alihussain Akberali FCA and Mrs. Tehseen Zohair Taherali will retire by rotation at the conclusion of 18th Annual General Meeting as per section 97 & 98 of the Articles of Association of the Company, and being eligible Mr. Alihussain Akberali FCA and Mrs. Tehseen Zohair Taherali offer them-selves for re-appointment.
- Pursuant to the BSEC's directive and on discussion, Board Members have recommended to appoint Mr. Mono Ranjan Dey FCA as the Independent Director of the Company with effect from 1st November, 2020 for a period of next 3 (three) years. Mr. M. R. Dey was born in 1954. He has 25 years of experience in internal and external audit and assurance, developing internal control system, company related matters and taxation and VAT matters. He is a Qualified Chartered Accountant and Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). Currently he is Managing Partner of a reputed Chartered Accountancy firm namely **MRH Dey & Co., Chartered Accountants**.

iii. A brief resume of the directors and their expertise and names of Companies in which Directors holds the directorship and membership have been disclosed in Board of Directors segment.

iv. Board Meeting and attendance:

The Board met 5 times during this period from July 01, 2019 to June 30, 2020. Following table shows the attendance of directors in the meeting.

Name of the directors	Position	No. of meeting held during the year	No. of meeting attended	
			Physically	Virtually
Mr. Alihussain Akberali FCA	Chairman	5	4	1
Mr. Aameir Alihussain	Managing Director	5	4	1
Mr. Zohair Taherali	Director	5	4	1
Mrs. Tehseen Zohair Taherali	Director	5	3	1
Mr. Gobinda Chandra Paul FCA	Independent Director	5	4	1

The member who could not attend the meeting was granted leave or was outside the country.

The pattern of shareholding position on June 30, 2020:

a) Parent/Subsidiary/Associated companies and other related parties

Name	Relation	No. of Shares Held
Bangladesh Steel Re-Rolling Mills Limited	Associated Company	117,253,590
H. Akberali & Co. Limited	Associated Company	84,551,081
Total		201,804,671

b) Directors /CEO/CS/CFO/Head of Internal Audit & Compliance and their spouses and minor children

Name	Relation	No. of Shares Held
Mr. Alihussain Akberali FCA	Chairman	38,486,794
Mr. Aameir Alihussain	Managing Director	7,519,050
Mr. Zohair Taherali (Nominated Director of Bangladesh Steel Re-Rolling Mills Limited)	Director	117,253,590
Mrs. Tehseen Zohair Taherali (Nominated Director of H. Akberali & Co. Limited)	Director	84,551,081
Mr. Gobinda Chandra Paul FCA	Independent Director	Nil
Mrs. Sabeen Aameir	Wife of Mr. Aameir Alihussain	7,969
Mrs. Bilkis Alihussain	Wife of Mr. Alihussain Akberali	2,013,786
Mr. Shekhar Ranjan Kar FCA	General Manager Finance & Accounts and Company Secretary	30,006
Mr. Moklesur Rahman Akhtar FCMA	Senior Manager & Chief Financial Officer	Nil
Mr. Murtaza Zoher Bengali	Senior Manager Internal Audit & Compliance	Nil

c) Shareholding status of top 5 salaried employees other than CEO, CS, CFO & HIAC

Name	Relation	No. of Shares Held
Mr. Hasan Zafar Chowdhury	Chief Operating Officer	Nil
Mr. M. Firoze	Adviser Marketing & Product Development	Nil
Mr. Jamil Ahmed	General Manager Human Resource	Nil
Mr. A.F.M Mizanur Rahman	General Manager Plant Operation	Nil
Mr. Md. Azizul Haque	General Manager Manufacturing	Nil

d) Shareholders holding 10% or more voting interest in the company

Name	Relation	No. of Shares Held
Mr. Alihussain Akberali FCA	Chairman	38,486,794
Bangladesh Steel Re-Rolling Mills Ltd.	Affiliated Company	117,253,590
H. Akberali & Co. Limited	Affiliated Company	84,551,081

Operation of Associate Company: BSRM Steel Mills Limited

The Company has invested Tk. 1,000 MLN in shares of BSRM Steel Mills Limited and holding 25.35% of equity. This associates started its production in June, 2016. Equipped with the world's largest induction Arc furnace, the plant is capable to produce 862,500 M. Ton prime quality billets. The new plant supply us quality billet to produce our product. Some key financial information of this plant is appended below:

Description	Unit	2019-20	2018-19	2017-18	2016-17	2015-16
Production Qty	MT	605,726	913,241	860,543	588,536	121,871
Capacity utilization	%	70.23	105.94	99.83	68.28	27.95
Net Profit/(Loss) after Tax	MLN Taka	598.72	1,175.31	938.27	(890.93)	(87.47)
EPS	Taka	1.52	2.98	2.38	(2.26)	(0.22)
NAV	Taka	36.09	34.57	15.63	13.25	15.51

Management Discussion & Analysis:

Board of Directors periodically assesses operational & financial performance. A detailed report on discussion is included in Annexure-D.

Certification by the CEO & the CFO:

Declaration or certificate by the CEO & the CFO to the board as required under condition no. 3(3) is included in Annexure-A.

Credit Rating:

Credit Rating information and Services Limited (CRISL) assigned rating as below:

Long Term	Short Term
AA+	ST-2

The entities rated “AA+” are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.

“ST-2” indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Our Company in the evaluation of Credit Rating Company was also placed with “Stable Outlook”.

Internal Control system:

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the Company are safeguarded and appropriate systems are in place to minimize and detect fraud, errors and other irregularities. The Company has adopted Standard Operating Procedures (SOP) for the betterment of internal control system. To generate accurate data and information within reasonable time frame, we have already commissioned most modern software called Enterprise Resource Planning (ERP). The Company has established a separate internal audit department to ensure internal control and compliance in place. On the other hand, Audit Committee regularly monitors and review the reports generated by the internal audit department and takes corrective measures.

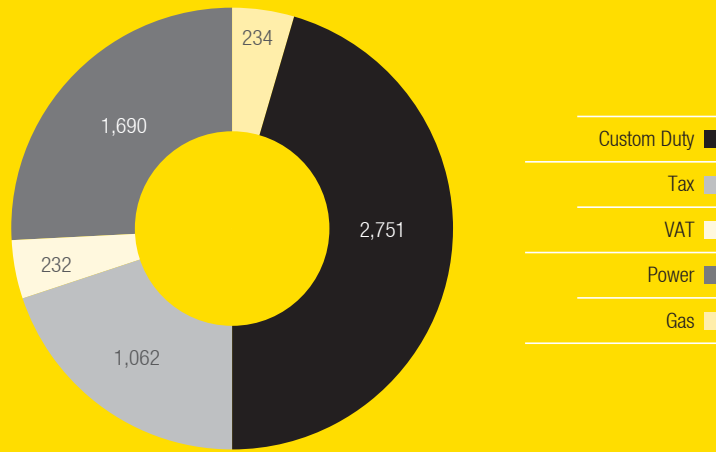
Dividend:

The Board of Directors has recommended 15% cash dividend for the year ended June 30, 2020. The dividend on equity shares, if approved would be paid to those members whose name appears in the register of members as on record date.

Contribution to National Exchequer:

Being a responsible corporate entity, BSRM is paying and facilitating collection of Government’s revenue. In 2019-2020, BSRM Steels Limited collected and contributed Tk. 5,969 million to the government exchequer as Income Tax, VAT and Duties along with utility bill which is appended below:

Contribution to National Exchequer (Million)



Corporate Social Responsibilities:

BSRM's commitment to connect business decisions to ethical, social and environmental concerns remains to be one of the strongest foundations of the Company. During 2019-20, your company has been contributing to the welfare of the community, research & development and for protection of environment. Details of CSR have been described in the chapter Corporate Social Responsibilities in page 75 of the Annual Report.

Awards and Recognition:

It is our great pleasure to let you know that we have achieved some prestigious awards during the last few years. A few of them are mentioned below:

1. Third Highest Taxpayer Award in engineering category for the tax period 2018-19.
2. ICAB National Award for Best presented Annual Report (second prize) in 2018.
3. Certificate of Merit ICAB Award 2018.
4. Certificate of Merit Award from SAFA in 2018.
5. National Productivity and Quality Excellence Award-2017.
6. National Export Trophy – (BSRM Steels Ltd.) for 2013-14, 2014-15, 2016-17.
7. Certificate of admiration from Ministry of Expatriates Welfare and Overseas Employment of Government Republic of Bangladesh at 4th National Development Fair 2018.
8. President's Award for Industrial Development 2014 in the category of Large Scale Industry.
9. Prestigious award for "Excellence in Supply Chain Relationship Management & Logistic Management" from Bangladesh Supply Chain Management Society.
10. ICAB National Awards for Best Presented Annual Reports for the year 2012, 2013, 2015 & Certificate of Merit for the year 2014, 2015.
11. Certificate of Merit from South Asian Federation of Accountants (SAFA) in 2012, 2013 & 2015 – (BSRM Steels Limited).
12. ICSB National Gold Award for best Corporate Governance Excellence 2015 – (BSRMLTD).
13. Awarded Tax Card from NBR for highest tax payment in 2016-17 – (BSRM Steels Ltd.)
14. Best Brand of Bangladesh in Steel Category in 2011, 2013, 2014, 2015 & 2016 & 2017 – (BSRM Group).
15. Best Enterprise of the year 2010 – (BSRM Group).
16. D & B Corporate Awards 2010 & 2012 – (BSRM Steels Limited).
17. Pride of Chittagong (Chattagramer Ahonkar) 2012 (Mr. Alihussain Akberali FCA).
18. Divisional Environment Award 2013 – (BISCO Ltd.).

19. 5th Standard Chartered-Financial Express CSR Award – (BSRM Group).
20. Japan Bangladesh Chamber of Commerce & Industry (JBCCI) Awards in 2014 – (BSRMLTD).
21. ICSB National Award (Silver Award) for Corporate Governance Excellence 2014. – (BSRM Steels Limited).
22. Best Electricity Consumer (Industry) award for the year 2015 (BSRMLTD).
23. Mercantile Bank Awards (Industry & Commerce) for the year 2015. (BSRM Group).

Information Technology

BSRM Steels Limited is a customer oriented company since inception. The Company has taken a group of IT initiatives to support its sales and support staff in considering client needs and satisfaction. We have automated money receipt posting system in ERP to support our customers. Now our dealers can give sales order using BSRM sales portal. All dealers get auto SMS after delivery of goods. To mitigate business risk, enhance business performance and to provide required information to the respective stakeholder we are continuously updating the ERP System. Details of Information Technology are set out in the Chapter “Sustainable Growth” in Page no. 80 in this report.

Human Resource Management

The Human Resource strategies applied and practiced by the Company have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkable low attrition rate. “Be an employer of choice, with focus on nurturing talent and developing future leaders of the organization” is one vision of BSRM Group. Details of Human Resource are set out in the Chapter “Sustainable Growth” in Page no. 79 in this report.

Code of Conduct:

The Board of Directors of the Company has adopted a Code of Conduct for the Directors. All the Directors have signed as acceptance to its compliance.

Auditors:

Present auditor A. Qasem & Co., Chartered Accountants (A member firm of Ernst & Young Global), Faruk Mahal (3rd Floor), Plot# 93, Agrabad C/A will retire in 18th AGM and are not eligible to conduct audit for the year 2020-21. The Board has recommended M/S Hussain Farhad & Co., Chartered Accountants as the statutory Auditor for the year ended on June 30, 2021 subject to the approval of shareholders in the next Annual General Meeting.

Reporting and Compliance of Corporate Governance:

Status of compliance with the requirements / conditions of Bangladesh Securities and Exchange Commission (BSEC) Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018 on corporate governance has been included in the Report in Annexure-C.

Subsequent Events:

There are no subsequent events after the date of Financial Position and till the date of this report which could affect the ability of the users of these financial statements to make an appropriate evaluation.

Acknowledgements:

The Board places on record their deep sense of appreciation to all employees who worked dedicatedly during this crisis period of pandemic. The Board also immensely thank all the Departments of Government of Bangladesh, Tax Authorities, BSEC, Stock Exchanges, bankers, vendors, customers, dealers and shareholders for their continued and consistent support to the company during the year.

Allah Hafiz



Alihussain Akberali FCA
Chairman

Declaration by CEO and CFO

Dated: October 15, 2020

The Board of Directors
BSRM Steels Limited
Ali Mansion, 1207/1099
Sadarghat Road, Chattogram.

Subject: Declaration on Financial Statements for the year ended on 30th June 2020.

Dear Sir (s),

Pursuant to the condition No. 1(5) (xxvi) imposed vide the commission's notification No. BSEC/CMRRC-D/2006-158/207/Admin/80 dated 03 June, 2018 under section 2CC of the Securities and Exchange Ordinance 1969, we do hereby declare that:

1. The Financial Statements of BSRM Steels Limited for the year ended on 30th June 2020 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the company has been taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:-

- (i) We have reviewed the financial statements for the year ended on June 30, 2020 and that to the best of our knowledge and belief:
 - a) these financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements collectively present true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



Aameir Alihussain
Managing Director & CEO



Md. Moklesur Rahman Akhtar FCMA
Senior Manager & Chief Financial Officer

Certificate on Compliance with Conditions of Corporate Governance Code

M.A.MALLIK & Co. CHARTERED ACCOUNTANTS

Head Office :

Aziz Chamber (2nd Floor)
6, Jubilee Road, Chattogram
Phone: 613331, 2853523

Branch Office :

Room No. 6, First Floor
Dost Building, H.S.Surhwardy Road,
Chattogram Phone No.: 622176
Date:.....

[Certificate as per condition No. 1(5)(xxvii)]

Report to the Shareholders of BSRM Steels Limited on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by **BSRM Steels Limited** for the year ended on **30th June, 2020**. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 3rd June, 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission subject to the comments mentioned by star marks in remarks column;
- b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- d) The governance of the company is highly satisfactory.

Place: Chattogram
Dated: October 22, 2020




(Shidhartha Barua FCA)
 Managing Partner
M.A. Mallik & Co.
 Chartered Accountants

Corporate Governance Compliance Report

Status of compliance with the condition imposed by the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June, 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report Under Condition No-9)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	BOARD OF DIRECTORS			
1(1)	Size of the Board of Directors The total number of members of a company's Board of Directors (hereinafter referred to as "Board") shall not be less than 5 (five) and more than 20 (twenty).	√		
1(2)	Independent Directors All companies shall have effective representation of independent directors on their Boards, so that the Board, as a group, includes core competencies considered relevant in the context of each company; for this purpose, the companies shall comply with the following: -			
1(2)(a)	At least one-fifth (1/5) of the total number of directors in the company's Board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	√		
1(2)(b)	For the purpose of this clause 'Independent directors' means a director-			
1(2)(b)(i)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	√		
1(2)(b)(ii)	who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company:	√		
1(2)(b)(iii)	who has not been an executive of the company in immediately preceding 2 (two) financial years;	√		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	√		
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
1(2)(b)(vi)	who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	√		
1(2)(b)(vii)	Who is not a partner or an executive or was not a Partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	√		
1(2)(b)(viii)	Who shall not be an independent director in more than 5 (five) listed companies;	√		
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBF);	√		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM).	√		
1(2)(d)	The post of independent director(s) can not remain vacant for more than 90 (ninety) days.	√		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3(three) years, which may be extended for 1(one) tenure only.	√		
1(3)	Qualification of Independent Director (ID)			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirement and corporate laws and can make meaningful contribution to the business.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(3)(b)	Independent director shall have following qualifications:			
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or			N/A
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company; or			N/A
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law; or			N/A
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or			N/A
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	√		
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b)	√		
1(3)(d)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			N/A
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer:-			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals.	√		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company			N/A**
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;			N/A*
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
1(5)	The Directors' Report to Shareholders			
	The Board of the company shall include the following additional statements or disclosures in the Directors' Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):-			
1(5)(i)	An industry outlook and possible future developments in the industry	√		
1(5)(ii)	The segment-wise or product-wise performance	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments			N/A
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;			N/A
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;			N/A
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	√		
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	√		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			N/A
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;			N/A
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:-			
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);	√		
1(5)(xxiii)(c)	Executives; and	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details);	√		
1(5)(xxiv)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:			

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xxiv)(a)	A brief resume of the director	√		
1(5)(xxiv)(b)	Nature of his/her expertise in specific functional areas;	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		
1(5)(xxv)(g)	future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure- A and	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure- B and Annexure- C.	√		
1(6)	Meetings of the Board of Directors			
	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code	√		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;	√		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.	√		
2	GOVERNANCE OF BOARD OF DIRECTORS OF SUBSIDIARY COMPANY			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;			N/A
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;			N/A
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company			N/A
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;			N/A

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company			N/A
3	MANAGING DIRECTOR (MD) OR CHIEF EXECUTIVE OFFICER (CEO), CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPLIANCE (HIAC) AND COMPANY SECRETARY (CS)			
3(1)	Appointment	√		
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		**
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
3(2)	Requirement to attend Board of Directors' Meetings			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board:	√		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:			
3(3)(a)(i)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
3(3)(a)(ii)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	BOARD OF DIRECTORS' COMMITTEE			
	For ensuring good governance in the company, the Board shall have at least following sub-committees:			
4(i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee.	√		
5	AUDIT COMMITTEE			
5(1)	Responsibility to the Board of Directors.			
5(1)(a)	The company shall have an Audit Committee as a subcommittee of the Board;	√		
5(1)(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business;	√		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)	Constitution of the Audit Committee.			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;	√		*
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
5(3)	Chairperson of the Audit Committee			
5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;	√		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM).	√		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year.	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	Role of Audit Committee			
	The Audit Committee shall:-			
5(5)(a)	oversee the financial reporting process;	√		
5(5)(b)	monitor choice of accounting policies and principles;	√		
5(5)(c)	monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	oversee hiring and performance of external auditors;	√		
5(5)(e)	hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5)(f)	review along with the management, the annual financial statements before submission to the Board for approval;	√		
5(5)(g)	review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5)(h)	review the adequacy of internal audit function;	√		
5(5)(i)	review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5)(j)	review statement of all related party transactions submitted by the management;	√		
5(5)(k)	review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(5)(l)	oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5(5)(m)	oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission.			N/A
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board on the following findings, if any:			
5(6)(a)(ii)(a)	report on conflicts of interests;			N/A
5(6)(a)(ii)(b)	suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			N/A
5(6)(a)(ii)(c)	suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			N/A
5(6)(a)(ii)(d)	any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			N/A
5(6)(b)	Reporting to the Authorities			
	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			N/A
5(7)	Reporting to the Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	NOMINATION AND REMUNERATION COMMITTEE (NRC)			
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;	√		
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;	√		
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No.6(5)(b).	√		
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	√		
6(2)(b)	All members of the Committee shall be non-executive directors;			N/A*
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;	√		
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;	√		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;	√		
6(2)(g)	The company secretary shall act as the secretary of the Committee;	√		
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;	√		
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.	√		
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;	√		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;	√		
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders.	√		
	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	√		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;	√		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);	√		
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC	√		
	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		
6(5)(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:			
6(5)(b)(i)	formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:			
6(5)(b)(i)(a)	the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√		
6(5)(b)(i)(b)	the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	√		
6(5)(b)(i)(c)	remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	√		
6(5)(b)(ii)	devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√		
6(5)(b)(iii)	identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	√		
6(5)(b)(iv)	formulating the criteria for evaluation of performance of independent directors and the Board;	√		
6(5)(b)(v)	identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(5)(b)(vi)	developing, recommending and reviewing annually the company's human resources and training policies;	√		
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	√		
7	EXTERNAL OR STATUTORY AUDITORS			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-			
7(1)(i)	appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	financial information systems design and implementation;	√		
7(1)(iii)	book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	broker-dealer services;	√		
7(1)(v)	actuarial services;	√		
7(1)(vi)	internal audit services or special audit services;	√		
7(1)(vii)	any service that the Audit Committee determines;	√		
7(1)(viii)	audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	any other service that creates conflict of interest.	√		
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company;	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
8	MAINTAINING A WEBSITE BY THE COMPANY			
8(1)	The company shall have an official website linked with the website of the stock exchange.	√		
8(2)	The company shall keep the website functional from the date of listing.	√		
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√		
9	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	√		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		

* We do not have any non-executive Directors in the Board

** Permission have been taken from Ministry of Commerce of People's Republic of Bangladesh under section 109 of Companies Act 1994 to hold the position as Managing Director in other some companies

Management Discussion and Analysis

BSRM Steels Limited has anchored this position based on its market-leading capacities, world-class manufacturing process, high production capacity utilization, optimized cost structures, vibrant sales and distribution network, superior post-sales support and robust customer engagement programs. The overall Company's position has been reflected in the Financial Statements which has prepared following all International Financial Reporting Standards and International Accounting Standards. The company's position and future planning, methods of financial statement preparation have been summarized below:

Accounting Policies and Estimates for preparation of Financial Statements:

The financial statements have been prepared in accordance with the (International Financial Reporting Standards (IFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations in Bangladesh as per requirements under the Financial Reporting Act 2015. Cash flows from operating activities are prepared under direct method as prescribed by the Securities and Exchange Rules 1987. These financial statements have been prepared on going concern basis under the historical cost convention except for some classes of property, plant and equipment which are measured at revalued amount. On 14 December 2017, the Institute of

Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this recent adoption will not have any impact on the financial statements of the Company going forward. Detail of significant accounting policies and Estimates are disclosed in "Note no. 3.00 of the statement of financial position" on page 13 for the fiscal year 2019-2020.

Changes in that accounting Policies and Estimates:

The Company has consistently applied the accounting policies to all periods presented in these financial statements. The Company applied IFRS 16 from 01 July 2019. As a result, the Company has changed its accounting policy for lease contracts. The Company applied IFRS 16 using the modified retrospective approach, under which the effect of initial application is recognized from July 01, 2019 in the financial statements. The details of the changes in accounting policies are disclosed in "Note no. 3.05 and Note 5.00 of the statement of financial position" on page 26 for the fiscal year 2019-2020.

The company has not early adapted any standards, interpretations or amendments that have issued but are not yet effective.

Comparative Analysis on Financial performance and position of the Company:

BSRM Steels Limited					Taka in Million	
Financial performance:	July'19- June'20	July'18- June'19	July'17- June'18	Jul'16- June'17*	Jan'16- June'16	2015
Revenue	38,681	61,060	48,289	37,996	17,265	32,316
Cost of goods sold	33,509	56,008	43,411	28,445	14,150	27,947
Gross Profit	5,173	5,052	4,879	4,557	3,114	4,368
Selling and Distribution Expenses	1,112	1,227	1,304	939	591	859
Administrative Expenses	506	472	409	367	146	268
Net Finance Cost	1,811	1,221	1,012	551	134	607
Income tax expenses	1,083	610	508	655	801	512
Profit after Tax	742.28	1,728	1,800	1,705	1,313	2,081
EPS (BD Tk)	1.97	4.60	4.79	4.98	3.84	6.09

*Information of 2016-2017 shows consolidated financial data.

The following operating and financial review is intended to convey the Management's perspective on the financial and operating performance of the Company for the Financial Year 2019-20. During the year under review, the Company recorded a profit after tax of Tk. 742 Million against previous years of Tk. 1,728 Million. The decrease is primarily for increased financial expenses and total income tax expenses. The basic earnings per share for the Financial Year 2019-20 were at Tk. 1.97 against Tk. 4.60 per share of previous year.

This year **Revenue** from sale of products was lower as compared to the previous year, because there was no billet sales plus sales reduced due to COVID-19. **Cost of goods sold** was lower as compared to the previous year by 40% due to same reasons. The Company's **operating expenses** (Selling, Distribution, Marketing, Administrative, Net Finance Cost and Income Tax expenses) increased by 28% to BDT 4,512 mn in 2019-20 from BDT 3,531 mn in 2018-19 due to considering deduction of all types of taxes as minimum tax, increase of Deferred tax.

Comparative Analysis on Financial position of the Company:

BSRM Steels Limited		Taka in Million				
Financial position:	July'19- June'20	July'18- June'19	July'17- June'18	Jul'16- June'17*	Jan'16- June'16	2015
Paid Up Capital	3,759.53	3,759.53	3,417.75	3,417.75	3,417.75	3,417.75
Share Holders' Equity	21,368.54	20,897.22	12,808.90	11,630.30	9,371.20	9,080.62
Current Liabilities	33,263.60	33,888.18	29,799.38	23,549.73	16,992.84	14,213.79
Non-current Liabilities	9,975.91	11,022.78	3,072.28	2,427.75	2,445.09	1,436.02
Addition to fixed assets & CWIP	1,538.65	5,871.94	2,320.56	1,163.89	83.78	758.16
Net Assets Value per share (BD Tk)	56.84	55.58	37.48	34.03	27.42	26.57

*Information of 2016-2017 shows consolidated financial data.

Shareholders' fund increased by 2% to BDT 21,369 mn in 2019-20, from BDT 20,953 mn in 2018-19. The major additions to the fixed assets were land, building, purchase of plant and machinery etc. Capitalization of all assets of second melting unit at Mirsarai has been completed this year. The remaining Capital work-in-progress includes construction work for factory building, some plant and machineries. **Inventory** comprises finished goods of BDT 6,456 mn, raw materials of BDT 6,070 mn, stores and consumables spares of BDT 2,316 mn. The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations. **Trade and other receivables** comprises of trade receivables where in average receivables cycle is maintained at 90 days. **Cash and bank balances** include cash in hand of BDT 5.84 mn, balances in bank accounts of BDT 933.55 mn and fixed deposits of BDT 512.97 mn. Liquid balances of cash and bank are necessary for the smooth functioning of the business.

Equity capital comprised 375,952,500 no equity shares of BDT 10 each. The market value of the share is BDT 33.60 is (as on 30 June 2020, DSE) resulting in a market capitalization of BDT 12.63 bn. **Non-current borrowings** include BDT 4,974 mn in 2019-20 for new melting unit plant at Mirsarai. **Current borrowings** include current portion of long term loan of BDT 1,015 mn for new melting unit plant at Mirsarai. **Current liabilities** decreased by 1.84% to BDT 33,264 mn in 2019-20 from BDT 33,888 mn in 2018-2019.

Comparative Analysis on Cash Flow of the Company:

BSRM Steels Limited					Taka in Million	
Cash Flow Movement:	July'19- June'20	July'18- June'19	July'17- June'18	Jul'16- June'17*	Jan'16- June'16	2015
Cash generate from operating activities	4,501	2,748	2,687	1,588	4,011	6,693
Interest Paid	(1,796)	(1,221)	(1,012)	(849)	(110)	(598)
Income Tax Paid	(519)	(703)	(685)	(375)	(808)	(328)
Net Cash Flow from operating activities	2,186	(4,672)	990	364	3,093	5,766
Net Cash Flow used in investing activities	(1,615)	(6,099)	(2,152)	(1,596)	(608)	(1,000)
Net Cash Flow used in financing activities	(32)	11,161	1,612	1,133	(2,774)	(4,819)
Net Increase in Cash & Cash Equivalent	538	390	451	(98)	(288)	(52)
Cash & Cash Equivalent Opening	915	525	74	176	469	521
Cash & Cash Equivalent Closing	1,452	915	525	78	108	469

*Information of 2016-2017 shows consolidated financial data.

Cash flow from operating activities: Due to smooth collection the balance of trade receivables have decreased for BDT 2,485 mn and cash inflow increased. Purchase also have decreased by BDT 3,223 mn during the year 2019-20. Hence, net operating cash flow per share increased to BDT 5.81 in 2019-20 from BDT (12.43) in 2018-19.

Cash flow from investing activities: Net cash used in investing activities have decreased to BDT (1,615) mn in 2019-20 from BDT (6,098) mn in 2018-19.

Cash flow from financing activities: Net cash used in financing activities have decreased to BDT (32) mn in 2019-20 from BDT 11,161 mn in 2018-19 due to positive cash inflow from operating activities. In the last year new loan taken for second melting unit. The company also paid cash dividend (i.e. @ 25%) in 2019-20 against 10% in 2018-2019.

Financial Performance of Peer Industry:

Bangladesh Steel Re-Rolling Mills Limited (BSRM)					Taka in Million	
Operational Results:	July'19- June'20	July'18- June'19	July'17- June'18	Jul'16- June'17	Jan'16- June'16	2015
Revenue	45,722	44,409	33,238	23,457	9,713	7,801
Gross Profit	3,674	4,992	4828	3,215	1,362	458
Profit after Tax	922	1,860	2778	756	588	827
EPS (Tk)	3.90	7.88	12.95	3.88	3.02	4.78
Net Assets Value (NAV) (Tk)	99.89	63.70	63.70	55.75	52.84	55.28
Net Operating Cash Flow (Tk)	40.47	2.81	(8.78)	(11.38)	(3.53)	(10.16)

GPH Ispat Limited (GPH)				Taka in Million		
Operational Results:	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Revenue	9,406	11,111	9,814	7,839	5,743	5,988
Gross Profit	1,553	2,158	1,603	1,373	960	901
Profit after Tax	299	806	644	571	289	292
EPS	0.79	2.24	1.97	1.83	2.65	2.34
Net Assets Value (NAV)	17.01	17.59	16.89	16.15	15.45	16.40
Net Operating Cash Flow	(8.10)	1.44	1.12	3.83	0.41	4.67

Global and Local Economic Scenario:

Before the pandemic, Bangladesh's economy was booming with a constant growth rate. The World Bank and IMF forecast that our GDP growth would be below 3.0 per cent. As per the Bangladesh Bureau of Statistics, or BBS, Bangladesh has reported 5.24 per cent GDP growth in FY 2019-20 after almost everything was closed for four months from March to June. Where the economy grew by a record 8.15 percent in FY 2018-19. With the economy almost fully reopened, the government has kept the annual GDP growth target for 2020-21 fiscal year unchanged at 8.2 per cent.

The steel industry plays a fundamental role in not only driving economic growth, but also other complementary industries such as transportation, energy, heavy engineering and construction. Considering that the government's lofty goals of achieving double digital growth in the economy and simplifying its foreign direct investment (FDI) policy, measures being taken to better facilitate the ease of doing business, and several mega projects, economic processing zones, and incentives for foreign investment, the macroeconomic factors to stimulate growth. Given all these measure with a growing capacity of producers and technological enhancement of operations currently being undertaken, the steel industry in Bangladesh looks to be strong in the next fiscal years.

Risk and mitigation:

Though the economy in Bangladesh is growing very fast and it creates an opportunity for steel industries, there are also some risks. Global warming and green house effects, makes Bangladesh cyclone prone area. Moreover, energy crisis, port congestion, poor infrastructure, etc. creates obstacles for prospect of steel industry. However, now some positive steps have been taken by the Government. LNG supply, Rooppur N. Plants will hopefully reduce energy crisis. Now construction of deep sea ports are in government agenda. Number of roads and bridges have been constructed. Government is going to set up some Exclusive Economic zones. Industry favorable policies and rules have been enacted. We have set up a separate department to identify and assess the internal potential risks and to find a way out how to mitigate those risks. The enterprise risk management policy has been enforced. A dedicated team is regularly monitoring the Enterprise Risk and take corrective measures.

Future planning:

The company will invest TK. 700 crore (approx.) for setting up a new steel plant to raise capacity by another 5.00 lac M. Ton MS Products per annum to cater the market demand. The new plant is expected to start its operation in 2023. BSRM Steels Limited is planning to sell 8.00 lac M. Ton M. S Rod in 2020-2021. Our production target for the Rolling Plant is 7.50 lac M. Ton and Melting Plant 7.02 lac M. Ton.



Aameir Alihussain
Managing Director

Risk Factors and Concerns

1. Business Risks

a) Risks associated with sourcing of Raw Materials

Against our production capacity of 7,50,000 mt MS Rod, we have our two billet manufacturing plants with capacity of 6,50,000 MT. On the other hand BSRM Steel Mills Limited, an associate company of BSRM Steels Limited can meet rest of the required billets for the company. So group is self-sufficient for basic raw materials of billets.

b) Risks associated with Power Supply

Presently the primary constraint on the economic development of Bangladesh is the shortage of power, for which new industrial investments proposal from home and abroad have failed to materialize.

For ensuring uninterrupted power supply BSRM Group has made a deal with PGCB and installed a substation for tapping power from the 230 KV national grids. Moreover, now more than 10,000 MW power can be produced in Bangladesh. The government is also planning on setting up some big power stations. There is another regular risk of having an adequate and regular supply of gas. The Company is also aware of such risks and its mitigation through alternative supplies of fuel.

2. Market Risks

Like other industry, trade, and commerce, we are also exposed to market risks arising from adverse changes in:

- Interest Rate
- Currency Rate (foreign exchange rates)
- Competition
- Economic conditions

To manage these risks, we undertake various risks specific measures and strategies on regular basis.

Interest Rates

Interest rate risk refers to the risk that increases cost of capital which will have an adverse impact on consolidated net financial income.

The business of BSRM Steels Limited requires huge working capital. Although the company closely monitors and manages requirement of capital investment, the actual capital requirement may deviate from the projected one due to factors beyond its control, thus potentially affecting the borrowing costs. Interest rate on working capital and term loan has increased during last six months of this year which also impact the net income of the company.

Prudent financial management and active negotiation with the lenders and timely collection from customers are few of the significant steps to reducing funding costs.

Foreign Exchange Fluctuations

Foreign currency risk is the risk of changes in exchange rates that adversely affect the company's earnings, equity, and competitiveness.

We are hugely involved with Foreign Trade i.e. Import & Export and thus we are also exposed to Foreign Currency Risks. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains and losses in our income statement as incurred. We also maintain foreign currency account in which export collection is directly deposited and we can meet foreign currency payment requirements. In the year 2017-18 company has not been affected due to Foreign Currency fluctuation. Further, as a mitigation plan we plan to purchase USD in advance based on the market situation.

Competition and Economic conditions

Competition refers to the risks of decreasing present market share caused by new entrants. We try to mitigate this risk through active brand management and customer relationship and by ensuring timely supply of quality product.

As we are continuously in attempts to explore any untapped opportunity and also to adopt customer's needs, we believe we would be able to cope with any situation in the industry we are working.

3. Technology Related Risks

Highly automated and competitive types of machinery are available with the Company for the manufacture of various steel products. The Company has so far been one of the pioneers in Bangladesh in setting up mills with State of the Art European Technology for further processing of the input materials. The Company also implemented Oracle e-Business Suite to integrate the operation of basic functions namely, Finance and Accounts, Sales and Marketing, Supply Chain, Inventory, Maintenance, and Manufacturing. Business Intelligence (BI) Analytics Tool for BSRM Group went go live in May 2018 which help senior management and Board members to have information from one central place.

4. Environmental Risks

BSRM is proud to be ZERO in factory emissions and effects on environment. To reduce pollution in our plants and protect human and nature alike, BSRM has undertaken environment friendly initiatives which are as follows:

i. BSRM Cleans 31,584,000 Cubic Meters of air every day. We are using Japanese air pollution control technology for this purpose.

ii. BSRM Recycles 373,700 Cubic Meters of water every day. We have invested in technologically superior European Water Treatment Plant in our steel plants which has helped BSRM to recycle every drop of used water and achieve zero water wastage.

iii. BSRM plants 10,000 trees in its factories. We have undertaken a plan for reforestation effort in collaboration with partner organizations which conducts tree plantation programs around main steel plants.

We firmly believe that-ZERO can save lives.

Enterprise Risk Management and Control Environment

Enterprise Risk Management framework

The Enterprise Risk Management framework (ERM framework) refers to a set of components that provide the foundation for designing, implementing, monitoring, reviewing and continually improving risk management throughout BSRM Group of Companies. The ERM framework for the Group has been developed keeping in mind the needs of internal and external stakeholders. The BSRM Group's ERM framework is based on the 'Risk Management - Principles and Guidelines' developed by the International Organization for Standardization (ISO 31000:2009 - Risk Management Principles and Guidelines).

In addition, several good practices recommended by the Committee of Sponsoring Organizations (COSO) for ERM have also been incorporated to further the BSRM Group's endeavor to build world-class ERM framework and processes.

BSRM Enterprise Risk Management ("ERM") Framework provides guidance to implement a consistent, efficient, and economical approach to identify, evaluate and respond to key risks that may impact business objectives.

BSRM's enterprise risk management framework is directed to enable management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

- Promoting risk awareness throughout the BSRM Ltd as well as BSRM Group of Companies.
- Defining risk appetite
- Identifying and managing multiple and cross-enterprise risks
- Identifying risk management team with clearly defined roles and responsibilities
- Formalizing risk response decisions
- Reducing operational surprises and losses
- Formalizing a process for identifying opportunities arising out of risk situations
- Improving deployment or more efficient use of capital and resources

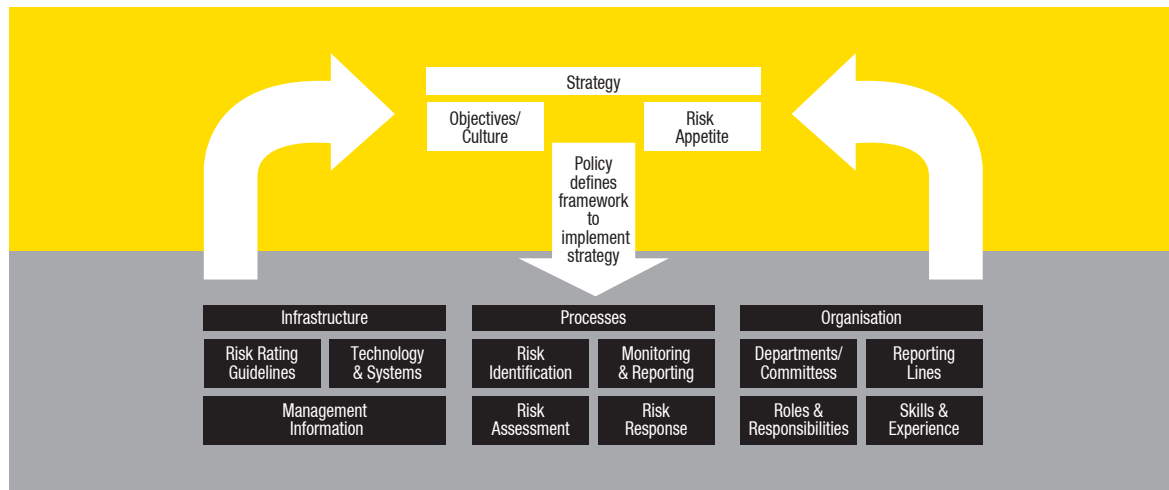
ERM will help BSRM Ltd in managing risks in a proactive manner towards achieving its business objectives, performance & profitability targets and prevent loss of resources. BSRM's ERM is directed to help ensure effective reporting and compliance with laws and regulations, avoid damage to the entity's reputation and its consequences.

Key principles of ERM Framework

The guiding principles of BSRM's Risk Management Framework are as follows:

- Risk Management should be a continuous process.
- Risk Management principles should be kept in mind during the strategy and objective setting processes as well as the day-to-day activities and decision-making
- Risks should be understood and prioritized based on the event frequency and impact to one or more objectives
- The same metrics used to measure objectives e.g., revenue, customer satisfaction metrics, are to be preferably leveraged during risk management activities
- Risk response strategies are to be evaluated for those risks deemed to be high or medium priority
- Key risk management information (e.g., key events, results of risk assessments, risk responses) is to be documented in a timely and structured manner
- Policies, procedures and practices should be in synchronisation with risks
- A portfolio view of risks is to be reviewed by the Board, Audit Committee, Management Team and Chief Risk Officer on a regular basis

BSRM's Risk Management Framework comprises of:



Risk Management Methodology of BSRM:

Risk

Simply stated risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risks can be thought of as threats, uncertainty or lost opportunity.

Risk Management as a process

The process of Risk Management deals with how the organization

- Identifies risks that affect achievement of goals & objectives
- Measures the significance of each identified risk
- Determines the most appropriate business response to each risk
- Evaluates and reports on how well the chosen responses are being implemented

Risk Management Guidelines

The ERM guidelines provide supporting information to assist Management in the execution of the ERM processes.

ERM process is the systematic application of management policies, procedures and practices to the activity of communicating, consulting and establishing the context for ERM in BSRM Group of Companies. The ERM process comprising of risk identification & assessment, risk treatment and risk monitoring applies across the organizational lifecycle.

Against the given background, the key process constituents of ERM are:



Disclosure of Risk Reporting:

We are following the below process for risk reporting in BSRM Group of Companies:

Documentation	Description	Monitored by
Risk Register and Profile	Record identified Risks and detailed description of risk which needs to be prioritized	Designated Risk Manager of each BU will monitor it.
Risk response and mitigation	Detailed current risk response and details of Management actions with timelines	Designated Mitigation owner and Risk Manager will monitor it.
Risk Report at Business unit and corporate level	A report/ form of communication intended to inform particular stakeholders by providing information regarding the current state of key risks and its management. It is represented by a "Heat Map" where key risks are plotted and is supported by the detailed risk profiles	Risk Managers, Chief Risk Officer and Risk Steering Committee will monitor it.
Risk report at group level	Executive Summary Report with the selected top risks and responses at group level	Chief Risk Officer will monitor it.