

# DIRECTORS' REPORT

Dear Fellow Shareholders,

Assalamualikum.

On behalf of our Board of Directors, it is a privilege for me to welcome you all to our 20th Annual General Meeting and present before you the Directors' Report, Auditors Report together with the Audited Financial Statements of BSRM Steels Limited for the year ended June 30, 2022. 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 2021-22: Industry Outlook and Sustainable Future Development:

The Global economy is suffering with higher inflation than earlier years due to tightening financial conditions. According to IMF report, global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 and also decline to 6.5 percent in 2023. Structural reforms can further support the fight against inflation by improving efficient productivity and enabling supply constraints.

The IMF in its latest world economic outlook report published on October-22 estimated GDP growth at 6% for the financial year 2022-2023. Our government also estimated GDP growth 7.5% in its yearly budget 2022-2023. The ongoing mega structure project like flyover, airport, power plant, extension of highways and rail lines and new industries under special economic zone increasing the demand of steel products. The overall infrastructure development showing progressive opportunities for the development of steels industries.

## Segment wise or product wise performance:

Our Company have two category of production processes in our steel business. Melting and rolling operations. The company operating its business units based on its products and has two reportable segments, as follows:

- Melting Factory produce different graded Billets which we use for production of M.S Rod.
- Re-rolling Factory produces different graded MS Rod and sell the same to several dealers, end users, other corporate users, Government projects, EPZ based companies and India.

Segment information is included in note 3.14 and note 27.02 of the Audited Financial Statements.

BSRM Xtreme 500W was the first high strength steel in Grade 500 introduced in Bangladesh construction market in 2008. BSRM Xtreme 500W rapidly gained market share and is the undisputed market leader in this category. Besides Xtreme 500W, the company also manufactures Grade 420D steel to meet the requirements of certain Govt. projects. The company has branded the Grade 420D as 'Ultima'. The Company rolled out new Grade reinforcing steel conforming to the U.S. standard ASTM 706 Grade 80 in 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'.

Product-wise performances are as follows:

Products	Production (M. Ton)		Sales ( M. Ton)	
	2021-22	2020-21	2021-22	2020-21
Xtreme 500W/DWR	773,546	788,339	763,713	837,496
Other M.S Rod	94,908	28,155	85,623	31,001
M.S Billet	760,820	776,728	-	72

### New Product: BSRM Xtreme B500 DWR

During 2008 BSRM changed the reinforcing steel map of the country. It was 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 Xtreme 500W. After 12 Years, BSRM has again introduced a new product - BSRM Xtreme B500 DWR.

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 our business. The Management of our company regularly assessing, monitoring, and identifying potential risks and threats related to our business operations and develop guidelines to reduce the risk to an acceptable level to ensure sustainable growth of the company. Our Risk Management capabilities are supported by a strong internal control 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-44 of the Financial Statements.

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

BDT in million

Particulars	2021-22	2020-21	Change (%)
Cost of goods sold	60,075.52	47,752.09	25.81
Gross Profit	7,045.54	7,230.86	(2.56)
Net Profit	3,278.50	3,047.09	7.59

During the year net sales revenue stood at BDT 67,121 Million which is 22.08% higher than the previous year. But due to unfavorable movement of raw material, spares and consumables price resultant Cost of goods sold (COGS) stood Tk. 60,075.52 million and ultimately GP margin shrank by 2.56%. During the year net profit after tax stood BDT 3,278 Million.

### Extraordinary gain or loss:

After starting of Russian-Ukraine conflict, the international money market became volatile. Value of dollar showed uptrend against local currencies in many countries. In Bangladesh, value of dollar also increased against Taka about by 18%-20%. Consequently we had to incur substantial foreign currency transaction and translation loss. The amount of loss for this year was Tk. 1,106.08 Million.

### 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 39 of the financial statements as per IFRS/ IAS.

### 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:

BDT in Million

Particulars	July'21 - June'22	Apr'22-Jun'22	Jan'22-Mar'22	Oct'21-Dec'21	July'21 - Sept'21
Production (In MT)	868,454	227,813	234,783	207,430	198,428
Sales (In MT)	849,336	191,786	267,443	206,425	183,682
Revenue	67,121	16,745	21,531	15,662	13,183
Cost of Sales	60,076	15,119	19,633	13,996	11,328
Gross Profit	7,046	1,625	1,899	1,666	1,856
Profit Before Tax	4,505	581	1,325	1,192	1,407
Tax Expense	1,227	340	296	269	322
Profit after Tax	3,278	239	1,029	924	1,086
EPS (BD TK)	8.72	0.63	2.74	2.46	2.89

The sales volume of steel industries depends on seasons in Bangladesh and raw material prices fluctuate based on the international market. The major construction work usually originates during the winter season. The sales volume and profitability of those periods are always high. The Russia- Ukraine war triggered the global economy and created significant disruptions in the trade and supply chain system. Raw materials and consumables price increased due to unfavorable movement of the international market. We have handled a record increase in the foreign exchange rate between the USD vs BDT. Due to the foreign currency crisis, we had to pay our import liabilities at a much higher price than forecasted and ultimately total financial cost increased. We have recorded financial expenses of BDT 1,734 Million which is 235% higher than previous year.

### 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	Position	Attendance Fees	Remuneration	Total Paid
Mr. Alihussain Akberali FCA	Chairman	18,000	40,500,000	40,518,000
Mr. Aameir Alihussain	Managing Director	18,000	36,000,000	36,018,000
Mr. Zohair Taherali	Director	18,000	11,400,000	11,418,000
Mrs. Tehseen Zohair Taherali	Director	18,000	6,600,000	6,618,000
Mr. Mono Ranjan Dey FCA	Independent Director	180,000	-	180,000
<b>Total</b>		<b>252,000</b>	<b>94,500,000</b>	<b>94,752,000</b>

### 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 presented 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.

- c) 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)/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.
- e) The system of internal controls sounds in design and has been effectively implemented and monitored.
- f) There are no doubts about the company's ability to continue as a Going Concern and the Financial Statements 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'21 to June'22	July'20 to June'21
Installed Capacity (M. Ton)	800,000	800,000
Production (M. Ton)	868,454	816,494
Capacity Utilization (%)	108.56	102.06
Sales (M. Ton)	849,336	868,497

We have set up our plant using state-of-the-art technologies of Danieli, Italy and producing world-class products. We are continuously introducing innovative ideas to improve our operational process and management efficiency. As a result, the production efficiency of the mill is very impressive during last couple of years. We have utilized 108.56% production capacity during this year 2021-22.

#### Operating Results:

Particulars	Unit	July'21 to June'22	July'20 to June'21
Sales	TK in MLN	67,121	54,983
Gross Profit	TK in MLN	7,046	7,231
Profit before interest, taxes, WPP&WF	TK in MLN	5,428	5,596
Interest & WPP & WF	TK in MLN	1,036	664
Loss on derecognition of investment in associates	TK in MLN	-	1,013
Tax expenses	TK in MLN	1,227	872
Net Profit	TK in MLN	3,278	3,047
EPS	TK	8.72	8.10

During the period, total revenue has increased by 22.08% than the previous year. However, due to global crisis and increase in raw material price our cost of goods sold has also increased and the gross profit (GP) ratio declined by 2.56%. We have taken several initiatives to control our cost to maintain company's profitability, which made net profit increased by 7.58% with the help of our efficient workforce and optimum utilization of our resources. The basic earnings per share for the year 2021-22 is Tk. 8.72 against Tk.8.10 of previous year.

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

We are presenting herewith financial performance of our company for last five years for better understanding of the overall performance of the Company:

## Operational Performance:

Particulars	Unit	July'21 to June'22	July'20 to June'21	July'19 to June'20	July'18 to June'19	July'17 to June'18	July'16 to June'17*
Operations & Market:							
Installed Capacity	MT	800,000	800,000	750,000	700,000	700,000	700,000
Production	MT	868,454	816,494	643,917	758,405	727,034	681,061
Capacity Utilization	%	108.56	102.10	85.90	108.34	103.90	97.30
Sales	MT	849,336	868,497	635,911	756,820	710,995	692,504
Operational Results:							
Revenue	TK in MLN	67,121	54,983	38,681	61,060	48,290	37,996
Gross Profit	TK in MLN	7,046	7,231	5,173	5,052	4,879	4,557
Gross Profit Ratio	%	10.50	13.15	13.37	8.27	10.10	11.99
Net Profit After Tax	TK in MLN	3,278	3,047	742	1,728	1,800	1,705
Net Profit Ratio	%	4.88	5.54	1.92	2.83	3.73	4.49
Earning Per Share (EPS)	TK	8.72	8.10	1.97	4.60	4.79	4.98
Financial Position:							
Paid Up Capital	TK in MLN	3,760	3,760	3,760	3,760	3,418	3,418
Share Holders' Equity	TK in MLN	25,935	23,452	21,369	20,897	12,809	11,630
Current Liabilities	TK in MLN	48,776	40,141	33,270	33,888	29,799	23,550
Non-current Liabilities	TK in MLN	7,195	8,792	9,976	11,023	3,072	2,428
Addition to fixed assets & CWIP	TK in MLN	1,367	236	1,534	5,872	2,321	1,164
Operating cash flow	TK in MLN	3,993	7,846	2,094	(468)	752	364

\*Information of 2016-2017 shows consolidated financial data.

The Net Asset Value per share (NAV) of the Company has been increasing consistently due to our cost efficient operational performance. In this year, the NAV per share is Tk. 68.99 which was Tk. 62.38 in 2020-21.

## Board of Directors:

### I. Composition and size of the Board:

On 30<sup>th</sup> June 2022, 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 20<sup>th</sup> 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.

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 7 times during this period from July 01, 2021 to June 30, 2022. Following table shows the attendance of directors in the meeting.

Name	Position	No. of meeting held during the year	No. of meeting attended	
			Physically	Virtually
Mr. Alihussain Akberali	Chairman	7	-	7
Mr. Aameir Alihussain	Managing Director	7	-	7
Mr. Zohair Taherali	Director	7	-	7
Mrs. Tehseen Zohair Taherali	Director	7	-	7
Mr. Mono Ranjan Dey FCA	Independent Director	7	-	7

### The pattern of shareholding position on June 30, 2022:

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

Name	Relation	No. of Shares Held
Bangladesh Steel Re-Rolling Mills Limited	Affiliated Company	117,253,590
H. Akberali & Co. Limited	Affiliated Company	90,301,081
<b>Total</b>		<b>207,554,671</b>

#### 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	90,301,081
Mr. Mono Ranjan Dey FCA	Independent Director	130,410
Mrs. Sabeen Aameir	Wife of Mr. Aameir Alihussain	7,969
Mrs. Bilkis Alihussain	Wife of Mr. Alihussain Akberali	2,558,248
Mr. Shekhar Ranjan Kar FCA	Head of Finance & Accounts and Company Secretary	30,006
Mr. S.M. Nurul Karim	Manager & Chief Financial Officer	13,000
Mr. Golam Sarwar	Head of Internal Audit & Compliance	Nil

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

Name	Relation	No. of Shares Held
Hasan Zafar Chowdhury	Chief Operating Officer	Nil
A.F.M Mizanur Rahman	Head of Plant Operation, BSRM Steels	Nil
Jamil Ahmed	Head of Human Resources	Nil
Md. Azizul Haque	Head of Manufacturing	Nil
Mohammed Reazul Kabir FCA	Assistant General Manager Finance & Accounts	5,251

#### 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 Limited	Affiliated Company	117,253,590
H. Akberali & Co. Limited	Affiliated Company	90,301,081

### Management Discussion & Analysis:

Board of Directors periodically assess operational & financial performance of the company. 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 also placed with “**Stable Outlook**”.

#### **Internal Control system:**

A strong internal control system can ensure the achievement of company's ultimate goals and objectives with long term profitability and maximizing the wealth of shareholders. It also helps to ensure regulatory compliance as well as internal rules and regulations. 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 total 30% cash dividend for the year ended June 30, 2022. 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.

#### **Unclaimed Dividends:**

The Company disclosed the unclaimed dividend position as a separate line item in Balance Sheet as well as in company's website as per below:

Particulars	30 <sup>th</sup> June 2022	30 <sup>th</sup> June 2021
30 June 2021 (Final)	2,085,395	-
30 June 2021 (Interim)	764,250	898,826
30 June 2020 (Final)	1,269,477	1,333,821
30 June 2019 (Final)	5,102,304	5,168,957
30 June 2018 (Final)	-	855,090
Year 2011-2017	-	18,001,379

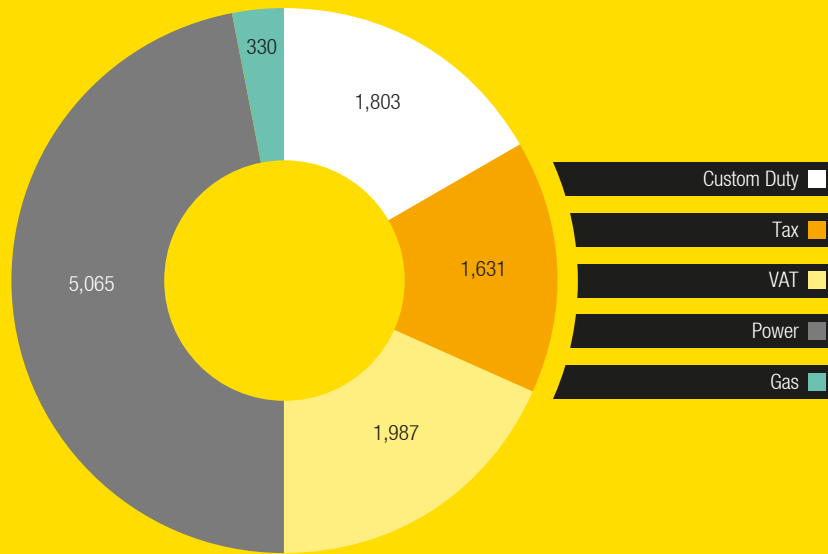
#### **Dividend Distribution Policy:**

The Company has devised a dividend distribution policy to ensure the entitlement of shareholders as well as profits to be retained in business for expansion or other business purposes. Dividend distribution policy is posted in company's website.

#### **Contribution to National Exchequer:**

BSRM has contributed significantly in the journey of government's revenue collection. Being one of the highest taxpayer under manufacturing category, we have contributed Tk. 10,816 million In 2021-2022 to the government exchequer as Income Tax, VAT and Duties along with utility bill. Segment wise contribution for 2021-22 has appended below-

## CONTRIBUTION TO NATIONAL EXCHEQUER (MILLION)



### Corporate Social Responsibilities:

CSR initiatives flow naturally from our BSRM's core values. It is integrated with the company processes and worked towards community development since its inception, 1952, demonstrating the commitment of the organization towards the triple bottom line of the business. 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 honor that BSRM Group have received some prestigious awards under various categories during the last few years. Here are the list of our achievements -

- 1) Gold Award - ICMAB Best Corporate Award, 2021, 2020, and 2019.
- 2) Best Brand of Bangladesh in Steel Category for the 10th time in a row -Year 2011 to 2021.
- 3) National Export Trophy – (BSRM Steels Ltd.) for 2017-18, 2016-17, 2014-15, and 2013-14.
- 4) Highest Taxpayer Award in the Manufacturing category from NBR for the tax period 2021-22.
- 5) Bronze Award – ICSB National Award, 2019
- 6) Certificate of Merit – 20th ICAB National Award for Best Presented Annual Report, 2019
- 7) Third Highest Taxpayer Award in engineering category for the tax period 2018-19.
- 8) ICAB National Award for Best presented Annual Report (second prize) in 2018.
- 9) Certificate of Merit ICAB Award 2018.
- 10) Certificate of Merit Award from SAFA in 2018.
- 11) National Productivity and Quality Excellence Award-2017.
- 12) Certificate of admiration from Ministry of Expatriates Welfare and Overseas Employment of Government Republic of Bangladesh at 4th National Development Fair 2018.
- 13) President's Award for Industrial Development 2014 in the category of Large Scale Industry.
- 14) Prestigious award for "Excellence in Supply Chain Relationship Management & Logistic Management" from Bangladesh Supply Chain Management Society.



- 15) ICAB National Awards for Best Presented Annual Reports for the year 2012, 2013, 2015 & Certificate of Merit for the year 2014, 2015.
- 16) Certificate of Merit from South Asian Federation of Accountants (SAFA) in 2012, 2013 & 2015 – (BSRM Steels Limited).
- 17) ICSB National Gold Award for best Corporate Governance Excellence 2015 – (BSRMLTD).
- 18) Awarded Tax Card from NBR for highest tax payment in 2016-17 – (BSRM Steels Ltd.)
- 19) Best Enterprise of the year 2010 – (BSRM Group).
- 20) D & B Corporate Awards 2010 & 2012 – (BSRM Steels Limited).
- 21) Pride of Chittagong (Chattagramer Ahonkar) 2012 (Mr. Alihussain Akberali FCA).
- 22) Divisional Environment Award 2013 – (BISCO).
- 23) 5th Standard Chartered-Financial Express CSR Award – (BSRM Group).
- 24) Japan Bangladesh Chamber of Commerce & Industry (JBCCI) Awards in 2014 – (BSRMLTD).
- 25) ICSB National Award (Silver Award) for Corporate Governance Excellence 2014. – (BSRM Steels Limited).

#### **Information Technology:**

BSRM has a dedicated and efficient IT team who manage our in-house integrated Oracle system. The Company has taken several initiatives to support all the functions within the business. To mitigate business risk, enhance business performance and to provide required information to the respective stakeholders we are continuously updating the ERP System. Details of Information Technology are set out in the Chapter “Sustainable Growth” in Page no. 85 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. 85 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 acceptance to its compliance.

#### **Auditors:**

Present auditor M/S Hussain Farhad & Co. (A member firm of ASNAF international), Yunusco City Center (9<sup>th</sup> Floor), 807, CDA Avenue, Nasirabad, Chattogram will retire in 20<sup>th</sup> AGM and being eligible to conduct audit for the year 2022-23, the Board has recommended M/S Hussain Farhad & Co., Chartered Accountants as the statutory Auditor for the year ended on June 30, 2023 subject to the approval of shareholders in the next Annual General Meeting.

#### **Professional Accountant for Compliance of Corporate Governance:**

Pursuant to the BSEC’s directive, Board has recommended Mr. Sidhartha Barua FCA, Senior Partner of M M Rahman & Co., Chartered Accountants, Aziz Chamber (2<sup>nd</sup> Floor), 6 Jubilee Road, Chattogram to appoint as a Professional Accountant to issue Certificate on Compliance of Corporate Governance Code enacted by Bangladesh Securities and Exchange Commission for the year ended on June 30, 2023 subject to the approval of the 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:**

Before I conclude, on behalf of the Board of Directors I wish to convey my sincere regards and deep gratitude to the valued stakeholders for continued support and trust. I hereby place on record my sincere thanks to the Board members, all the employees of the Company for their dedicated efforts and generous support. I extend my gratitude to the all Regulatory authorities, valued customers, suppliers, vendors, bankers and investors for their consistent co-operation and trust.

Allah Hafiz

Warm Regards,

On behalf of Board of Directors



Alihussain Akberali FCA  
Chairman

## DECLARATION BY CEO AND CFO

Dated: October 27, 2022

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

**Subject: Declaration on Financial Statements for the year ended on 30<sup>th</sup> June 2022**

**Dear Sir (s),**

Pursuant to the condition No. 1(5) (xxvi) imposed vide the commission's notification No. BSEC/CMRRCD/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 30<sup>th</sup> June 2022 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, 2022 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



**S. M. Nurul Karim**  
Manager & Chief Financial Officer

# CERTIFICATE ON COMPLIANCE WITH CONDITIONS OF CORPORATE GOVERNANCE CODE



এম এম রহমান এন্ড কোং  
**M M Rahman & Co.**  
Chartered Accountants



**Russell Bedford**  
taking you further  
Member of Russell Bedford International  
a global network of independent professional services firms

**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 **30 June 2022**. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 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:

- 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 remarks and observation as reported in the attached compliance status;
- 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;
- 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
- The Governance of the Company is satisfactory.



Place: Chattogram  
Dated: November 16, 2022

For & on behalf of  
**M M Rahman & Co.**  
Chartered Accountants

**Shidhartha Barua FCA**  
Senior Partner  
Enrollment no: 0699

# CORPORATE GOVERNANCE COMPLIANCE REPORT

Status of Compliance with the condition imposed by the Commission's Notification No. BSEC/CMRRCD/206-158/207/ 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	
<b>1</b>	<b>BOARD OF DIRECTORS</b>			
<b>1(1)</b>	<b>Size of the Board of Directors</b> 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).	√		
<b>1(2)</b>	<b>Independent Directors</b> 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 (NBFI);	√		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude.	√		





Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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.	√		
<b>1(3)</b>	<b>Qualification of Independent Director (ID)</b>			
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.	√		
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
<b>1(4)</b>	<b>Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer:-</b>			
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;		√	
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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.	√		
<b>1(5)</b>	<b>The Directors' Report to Shareholders</b>			
	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);	√		
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;	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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:			
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;	√		





Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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 <b>Annexure-A</b> ; 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 <b>Annexure- B and Annexure- C</b> .	√		
<b>1(6)</b>	<b>Meetings of the Board of Directors</b>			
	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	√		
<b>1(7)</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
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.	√		
<b>2</b>	<b>GOVERNANCE OF BOARD OF DIRECTORS OF SUBSIDIARY COMPANY</b>			
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
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
<b>3</b>	<b>MANAGING DIRECTOR (MD) OR CHIEF EXECUTIVE OFFICER (CEO), CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPLIANCE (HIAC) AND COMPANY SECRETARY (CS)</b>			
<b>3(1)</b>	<b>Appointment</b>			
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);	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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).	√		
<b>3(2)</b>	<b>Requirement to attend Board of Directors' Meetings</b>			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board:	√		
<b>3(3)</b>	<b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
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.	√		
<b>4</b>	<b>BOARD OF DIRECTORS' COMMITTEE</b>			
	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.	√		
<b>5</b>	<b>AUDIT COMMITTEE</b>			
<b>5(1)</b>	<b>Responsibility to the Board of Directors.</b>			
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.	√		
<b>5(2)</b>	<b>Constitution of the Audit Committee.</b>			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
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;		√	



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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.	√		
<b>5(3)</b>	<b>Chairperson of the Audit Committee</b>			
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).	√		
<b>5(4)</b>	<b>Meeting of the Audit Committee</b>			
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.	√		
<b>5(5)</b>	<b>Role of Audit Committee</b>			
	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;	√		





Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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;	√		
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
<b>5(6)</b>	<b>Reporting of the Audit Committee</b>			
<b>5(6)(a)</b>	<b>Reporting to the Board of Directors</b>			
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
<b>5(6)(b)</b>	<b>Reporting to the Authorities</b>			
	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
<b>5(7)</b>	<b>Reporting to the Shareholders and General Investors</b>			
	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.	√		
<b>6</b>	<b>NOMINATION AND REMUNERATION COMMITTEE (NRC)</b>			
<b>6(1)</b>	<b>Responsibility to the Board of Directors</b>			
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;	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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).	√		
<b>6(2)</b>	<b>Constitution of the NRC</b>			
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;		√	
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;	√		
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.	√		
<b>6(3)</b>	<b>Chairperson of the NRC</b>			
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.	√		
<b>6(4)</b>	<b>Meeting of the NRC</b>			
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	√		
<b>6(5)</b>	<b>Role of the NRC</b>			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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	√		
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	<b>EXTERNAL OR STATUTORY AUDITORS</b>			
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:	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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.	√		
<b>8</b>	<b>MAINTAINING A WEBSITE BY THE COMPANY</b>			
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).	√		
<b>9</b>	<b>REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE</b>			
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 <b>Annexure-C</b> attached, in the directors' report whether the company has complied with these conditions or not.	√		

\*\* Permission has 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 vide letter নং- বাম/টিও-১/এমডি/২১/২০১৬/৩২৬, তারিখঃ ০২ জুলাই ২০১৭.





## MANAGEMENT DISCUSSION AND ANALYSIS

During the year 2021-22 the company has encountered lots of challenges and management has taken several initiatives to cope with those challenges. We have implemented innovative ideas to control operational cost and maintain profitability like earlier year. To maintain profitability and enhance customer demand, company is going to install new rolling mills with a capacity of 600,000 MT and also enhancing the existing capacity of billet plant by 250,000 MT. BSRM Steels Limited maintains a leadership position based on its market-leading capacities, world-class manufacturing process, optimum utilization of production capacity, cost efficient operations, high volume of sales and smart distribution network, superior post-sales support and strong 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" for the fiscal year 2021-2022.

### Changes in accounting Policies and Estimates:

The Company has consistently applied the accounting policies to all periods presented in these financial statements. The company has not 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'21- June'22	July'20- June'21	July'19- June'20	July'18- June'19	July'17- June'18	Jul'16- June'17*
Revenue	67,121	54,983	38,681	61,060	48,289	37,996
Cost of goods sold	60,076	47,752	33,509	56,008	43,411	28,445
Gross Profit	7,046	7,231	5,173	5,052	4,879	4,557
Selling and Distribution Expenses	1,094	1,169	1,112	1,227	1,304	939
Administrative Expenses	537	485	506	472	409	367
Net Finance Cost	799	405	1,811	1,221	1,012	551
Income tax expenses	1,227	872	1,083	610	508	655
Profit after Tax	3,278	3,047	742	1,728	1,800	1,705
EPS (BD TK.)	8.72	8.10	1.97	4.60	4.79	4.98

\*Information of 2016-2017 shows consolidated financial data.



The above operating and financial information is presented to convey the Management's perspective on the financial and operating performance of the Company for the Financial Year 2021-22. During the year under review, the Company recorded a profit after tax of Tk. 3,278 million after setting off foreign currency losses of Tk. 1,106 million against previous year's profit of Tk. 3,047 million. This positive change is primarily for higher selling prices and lots of initiatives taken by management to control operational costs. The basic earnings per share for the Financial Year 2021-22 was Tk. 8.72 against Tk. 8.10 per share of previous year.

The revenue has increased compared to the previous year due to an increase in selling prices. The cost of goods sold was higher compared to the previous year by 25.80% due to a sharp increase in raw materials and direct consumables prices. The Company's operating expenses decreased by 2.91% due to strong cost control initiatives implemented by management but net finance costs increased by 97.28% due to unfavorable movement of foreign currency exchange rate.

#### Comparative Analysis on Financial position of the Company:

BSRM Steels Limited				Taka in Million		
Particulars	July'21 to June'22	July'20 to June'21	July'19 to June'20	July'18 to June'19	July'17 to June'18	July'16 to June'17*
Paid Up Capital	3,760	3,760	3,760	3,760	3,418	3,418
Share Holders' Equity	25,935	23,452	21,369	20,897	12,809	11,630
Current Liabilities	48,776	40,141	33,270	33,888	29,799	23,550
Non-current Liabilities	7,195	8,792	9,976	11,023	3,072	2,428
Addition to fixed assets & CWIP	1,367	236	1,534	5,872	2,321	1,164
Net Assets Value per share (BD Tk.)	68.99	62.38	56.84	55.58	37.48	34.03

\*Information of 2016-2017 shows consolidated financial data.

Shareholders' fund increased by 10.58% compared to previous year. The major additions to the fixed assets includes land, plant and machinery, motor vehicles and IT equipment etc. The Capital work-in-progress includes construction work for factory building, and machineries for new rolling plant. Inventory includes finished goods of BDT 8,301 million, raw materials of BDT 16,403 million, stores consumables and spares of BDT 1,990 million. The Company has a policy to maintain an 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 24 days. Cash and bank balances include cash in hand of BDT 4.38 million, balances in bank accounts of BDT 1,503 million and fixed deposits of BDT 7,452 million. Liquid balances of cash and bank are necessary for the smooth operation of the business.

Equity capital comprised 375,952,500 no. equity shares of BDT 10 each. The market value of the share was BDT 67.20 is (as on 30th June 2022, DSE) resulting market capitalization stood BDT 25,264 million. Non-current borrowings include BDT 3,746 million in 2021-22 for melting plant-02 at Mirsarai. Current liabilities include current portion of long term loan of BDT 1,025 million for melting plant-02 at Mirsarai. Current liabilities increased by 21.51% compared to previous year mainly for increase of short term loan.

### Comparative Analysis on Cash Flow of the Company:

BSRM Steels Limited				Taka in Million		
Cash Flow Movement:	July'21- June'22	July'20- June'21	July'19- June'20	July'18- June'19	July'17- June'18	July'16- June'17*
Cash generate from operating activities	4,742	9,232	4,708	(2,748)	2,687	1,588
Interest Paid	384	(318)	(1,804)	(1,221)	(1,012)	(849)
Income Tax Paid	(1,134)	(1,069)	(810)	(703)	(685)	(375)
Net Cash Flow from operating activities	3,993	7,846	2,094	(4,672)	990	364
Net Cash Flow used in investing activities	(2,563)	(1,647)	(1,644)	(6,099)	(2,152)	(1,596)
Net Cash Flow used in financing activities	(8,912)	9,273	(19)	11,161	1,612	1,133
Net Increase in Cash & Cash Equivalent	(7,482)	15,472	431	390	451	(98)
Cash & Cash Equivalent (Opening)	16,417	946	513	525	74	176
Effect of foreign exchange rate changes	24	(0.34)	1.70	-	-	-
Cash & Cash Equivalent Closing	8,959	16,417	946	915	525	78

\*Information of 2016-2017 shows consolidated financial data.

**Cash flow from operating activities:** During the year Cash inflow has been increased by BDT 11,053 million and purchase also increased by BDT 15,543 million. But due to increase in net finance cost by 97.28% net operating cash flow per share decreased to BDT 10.62 in 2021-22 from BDT 20.87 in 2020-21.

**Cash flow from investing activities:** Net cash under investing activities have increased to BDT 2,563 million in 2021-22 from BDT 1,647 million in 2020-21.

**Cash flow from financing activities:** Net cash outflow under financing activities have stood BDT 8,912 million in 2021-22 whereas it was an inflow for BDT 9,273 million in 2020-21. The company also paid cash dividend (i.e. @ 40%) in 2021-22.

### Financial Performance of Peer Industry:

Bangladesh Steel Re-Rolling Mills Limited				Taka in Million		
Operational Results:	July'21- June'22	July'20- June'21	July'19- June'20	July'18- June'19	July'17- June'18	Jul'16- June'17
Revenue	79,783	59,876	45,722	44,409	33,238	23,649
Gross Profit	6,486	7,097	3,674	4,992	4,828	3,237
Profit after Tax	3,088	4,970	922	1,861	2,778	757
EPS (Tk)	10.34	18.96	3.9	7.88	11.77	3.53
NAV Per Share (Tk)	134.29	127.56	99.89	97.46	63.75	55.75
NOCF Per Share (Tk)	22.50	29.24	40.47	2.81	(8.78)	(11.38)

GPH Ispat Limited					Taka in Million	
Operational Results:	July'21- June'22	July'20- June'21	July'19- June'20	July'18- June'19	July'17- June'18	Jul'16- June'17
Revenue(Net)	46,828	28,166	9,407	13,269	9,814	7,840
Gross Profit	6,349	4,201	1,554	2,158	1,603	1,373
Profit after Tax	1,494	1,661	299	806	666	571
EPS Tk.	3.42	4.18	0.79	2.24	2.03	1.83
NAV Per Share Tk.	28.79	29.86	17.01	17.59	16.87	16.15
NOCF Per Share Tk.	(7.15)	(4.05)	(8.10)	1.44	0.49	3.83

#### Global and Local Economic Scenario:

The global economy going through a major uncomfortable situation due to War. The Russia-Ukraine war triggered the global economy and created significant disruptions in the trade and supply chain system. A developing country like Bangladesh which is highly dependent on importing materials has faced an enormous turnback in the economy.

According to IMF report, global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 and also decline to 6.5 percent in 2023. Structural reforms can further support the fight against inflation by improving efficient productivity and enabling supply constraints.

The IMF in its latest world economic outlook report published on October-22 estimated GDP growth at 6% for the financial year 2022-2023. Our government also estimated GDP growth 7.5% in its yearly budget 2022-2023. The ongoing mega structure project like flyover, airport, power plant, extension of highways and rail lines and new industries under special economic zone increasing the demand of steel products. The overall infrastructure development showing progressive opportunities for the development of steels industries.

#### Risk Identification and mitigation plan:

The Management of our company regularly identifies, assesses and monitor potential risks and threats related to our business operations and develops guidelines to reduce the risk to an acceptable level to ensure sustainable growth of the company. Our Risk Management capabilities are supported by a strong internal control structure, efficient internal audit team, an information system through ERP software, 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 -44 of the Financial Statements.

#### Future planning:

We have two ongoing projects to expand our production capacity of quality steel to meet the requirements of our customers. Last year the Board has approved investment of BDT 18,465 million for setting up new steel rolling plant to raise capacity by another 600,000 MT and expansion of existing billet plant capacity by 250,000 MT. After setting up new plants total production capacity of MS rod would be 1,400,000 MT and MS Billet 950,000 MT. Among these projects the melting plant is expected to be in operation by June 2023 and rolling plant is expected to start its operation by the mid of 2024. Bangladesh has stepped into a new journey as it qualified to graduate into a developing nation from a Least Developed Country (LDC) after 45 years, which indicates further structural economic developments. We remain committed to the strategic goals and will continue to focus on improving the operational performance to ensure sustainable growth of the company.

Warm Regards



**Aameir Alihussain**  
Managing Director

# RISK FACTORS AND CONCERNS

## 1. Business Risks

### a) Risks associated with sourcing of Raw Materials

Against our production capacity of 8,00,000 M.T MS Rod, we have our two billet manufacturing plants with capacity of 6,80,000 MT. On the other hand BSRM Limited one of the sister concern of the group 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 a foreign currency account in which export collection is directly deposited and we can meet foreign currency payment requirements. In the year 2020-21 company has not been affected due to Foreign Currency fluctuation. But in the financial year 2021-22 like almost all the other industries, we have also been suffered from the sudden adverse dollar rate fluctuation caused by the political unrest in the world. Further, as a mitigation plan, our skilled team is planning to enhance export earnings as well as forward bookings.

### 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 15,000 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 Steels 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

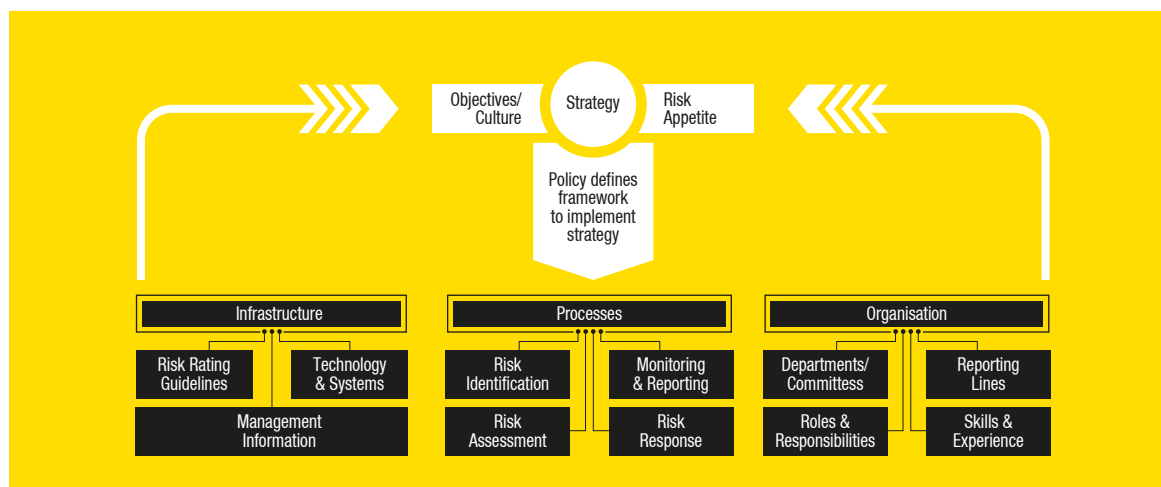
ERM will help BSRM Steels Ltd in managing risks in a proactive manner towards achieving its business objectives, performance & profitability targets and prevent loss of resources. BSRM's ERM is directed to help ensure effective reporting and compliance with laws and regulations, avoid damage to the entity's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

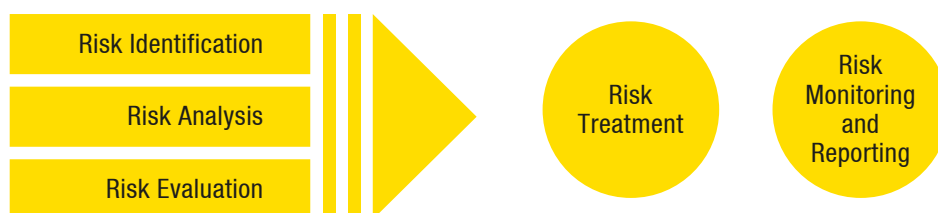
- Identifies risks that affect achievement of goals & objectives
- Measures the significance of each identified risk
- Determines the most appropriate business response to each risk
- Evaluates and reports on how well the chosen responses are being implemented

### 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.