Steel Sector of Bangladesh

Fueling National Economy, Shaping the Future

GREEN DELTA CAPITAL

Date: 29th November, 2023

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Bangladesh's steel sector has been essential to the development of the nation's infrastructure as a whole. Furthermore, by providing the necessary steel products, the steel sector has long supported other industries like energy, heavy engineering, transportation, and building. The local steel market in the country has expanded by 15-20% over the past few years, and it is currently valued at over USD 62 billion.

The Bangladesh Steel Manufacturers Association and business owners claim that the nation was producing 250 thousand tons of MS Rod annually even ten years ago. In 2022, according to the demand, the average annual production and marketing is about 5.2 million tonnes. However, as a result of the actions taken to expand the factories of some businesses, including those of BSRM and GPH Ispat, the total manufacturing capacity of steel (rod) has climbed to 9 million tons. By 2030, the rate of industry capacity expansion will reach 10 million tons.

The country's steel construction sector has been self-sufficient over the last 20 years. Approximately 30 companies now possess the expertise required for constructing large-scale steel buildings. In order to address the issues posed by the fourth industrial revolution, the government has decided to create 100 economic zones throughout the entire country. In the economic zones, thousands of steel buildings will be established, Bangabandhu Shilpanagar in Mirasarai, Chattogram being one of them. This suggests that this country's steel structure building sector has a promising future.

Overview

Bangladesh Economic Highlights

Gross Domestic Product (FY22-23)
USD **453.87** Billion

GDP Growth Rate (FY22-23)
11.77%

GDP Per Capita (FY22-23)
USD **2,657**

Total Population (2022)
171 Million

9th largest projected consumer market by **2030**

Income Per Capita (2022)
BDT **7,614**

Income Per Household (2022)
BDT **32,422**

Unemployment Rate (Q2, 2023)
3.14%

Inflation Rate (October, 2023)
9.93%

Amount Export (FY22-23)
USD **55.56** Billion

Forex Reserve on September 2023 (BPM6)
USD **21.06** Billion

Source: BB, BBS, EPB, HIES 2022, LFS 2023

Highlights of Bangladesh Steel Sector

Steel production in 2022
5.2 million tonnes

Ranked **31st** globally for Steel Production

3rd largest scrap importer with **4** million tonnes in 2021

2nd largest destination for ship breaking facility

2x steel production by 2030

Contribution of Broad Industry Sector to GDP in FY22-23
37.56%

Market value
USD **62** million

13 million tonnes melting capacity by 2025

Source: World Steel Association, Bangladesh Economic Review

National Regulatory Board & Association

Ministry of Industries
Primarily responsible for developing new policies and strategies for promotion, expansion and sustainable development of Industrial sector of Bangladesh

Bangladesh Steel and Engineering Corporation
Formed by the amalgamation of the then Bangladesh Steel Mills Corporation and Bangladesh Engineering & Shipbuilding Corporation under Bangladesh Industrial Enterprises

Bangladesh Steel Manufactures Association
Represents more than 41 largest steel producers of the nation, pioneering steel research and control quality of the production of steel

Steel Production

Shipbreaking industry is the major source of **steel demand** in Bangladesh

Around **80-90%** of the raw materials used for steel are sourced from the ship breaking industry

Currently **40** modern and **150** traditional factories are producing steel

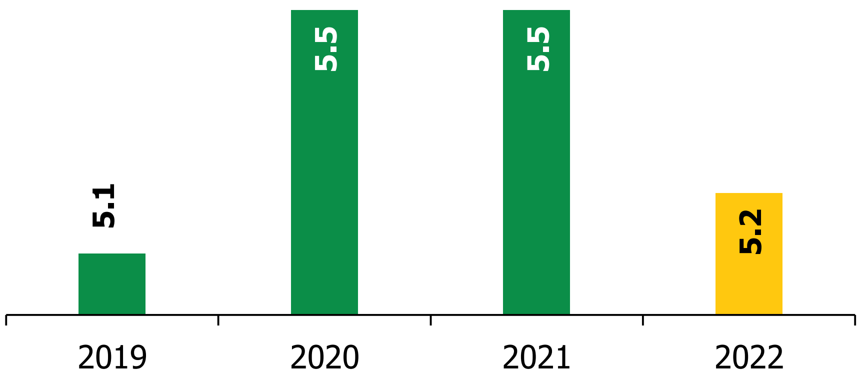
Production Capacity of steel (rod) **9** million tonnes

Annual average production **6** million tonnes

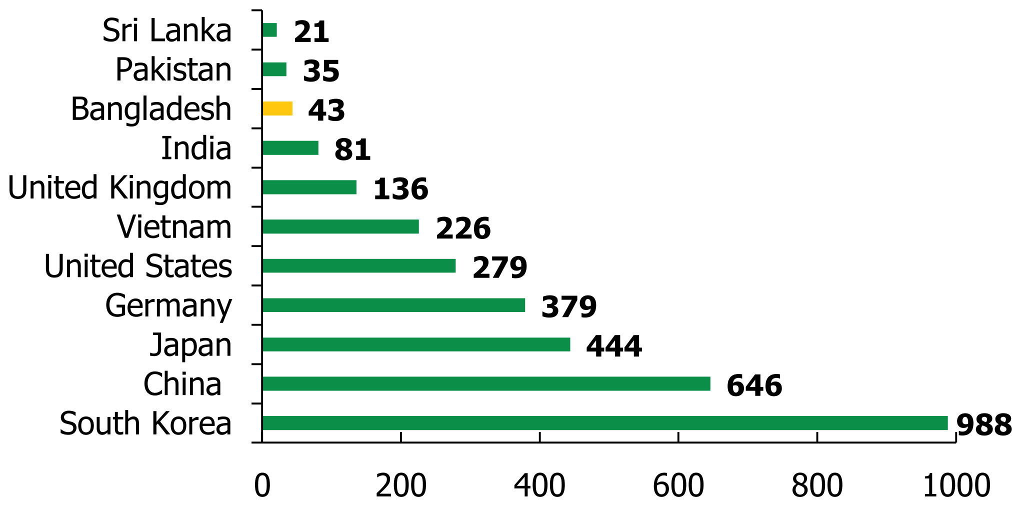
Market size in terms of investment **BDT 500 billion**

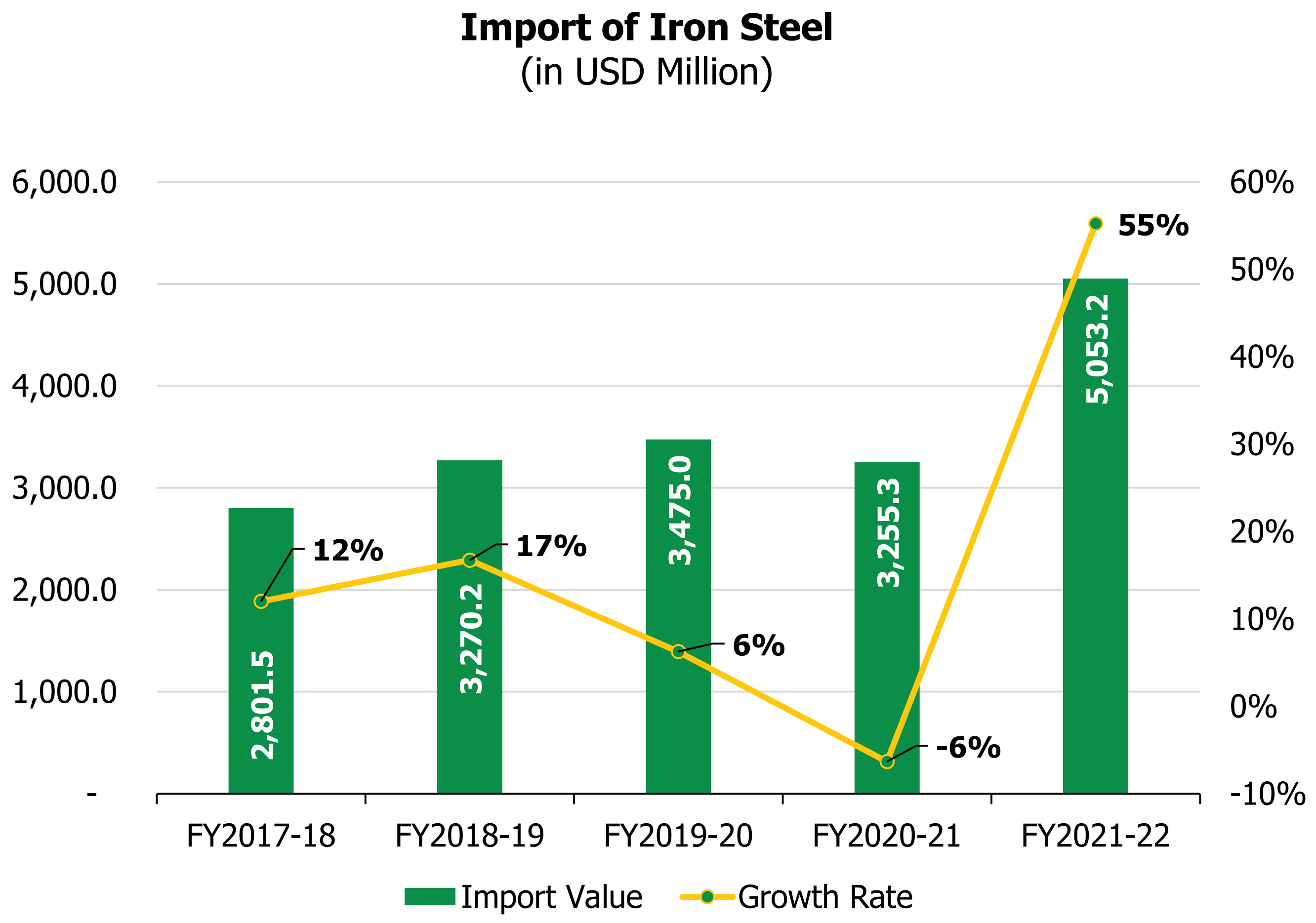
Employs **1** million people directly or indirectly

Steel Production in Bangladesh
(in million tonnes)



Per Capita Steel Consumption in 2022





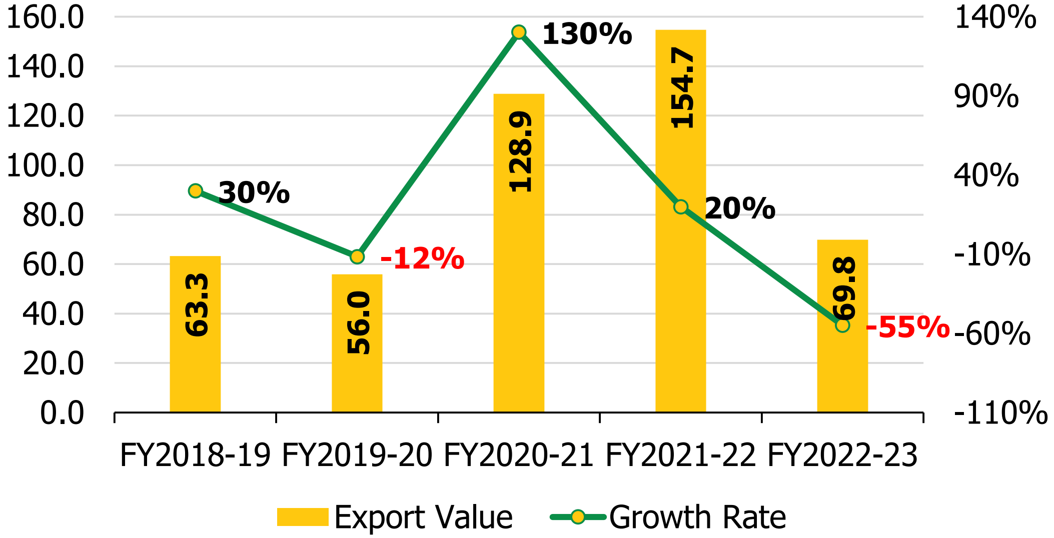
Import of iron steel witnessed a rise in FY 2021-22 of **55%**, where the value of the import was **USD 5,053.2 Million**. Bangladesh imported USD 3,255 Million worth Iron Steel in FY2020-21.

Source: BBS

Steel Import

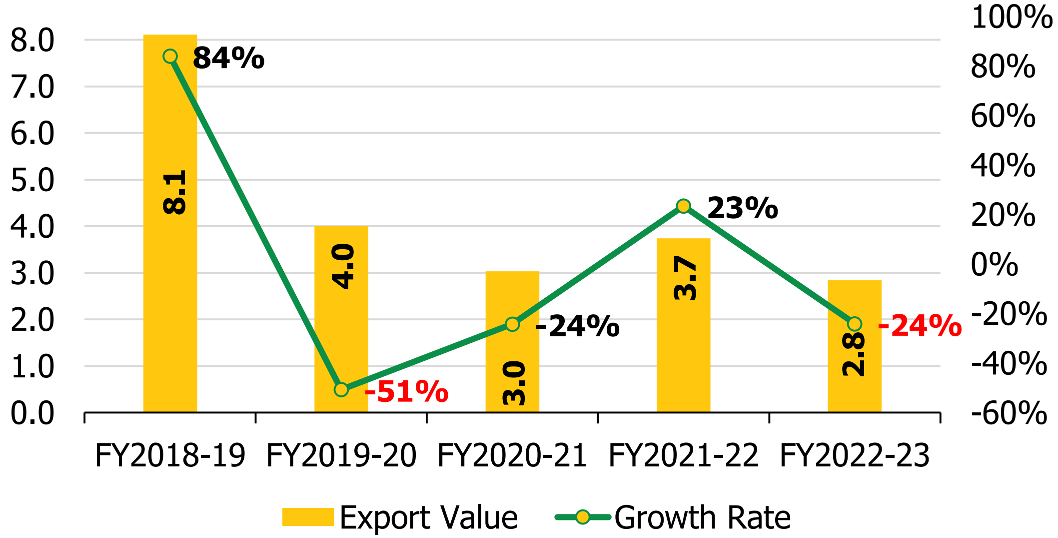
Steel Export

Export of Iron Steel
(in USD Million)



Export of iron steel witnessed a fall in FY 2022-23 of **55%**, where the value of the export was USD **69.8** Million. Bangladesh exported USD 154.7 Million worth Iron Steel in the FY2021-22.

Export of Stainless Steel Ware
(in USD Million)



Import of iron steel witnessed a rise in FY 2021-22 of **24%**, where the value of the import was USD **2.8** Million. Bangladesh imported USD 3.7 Million worth Iron Steel in FY2021-22.

Source: EPB

Bangladesh Ship Breaking Sector

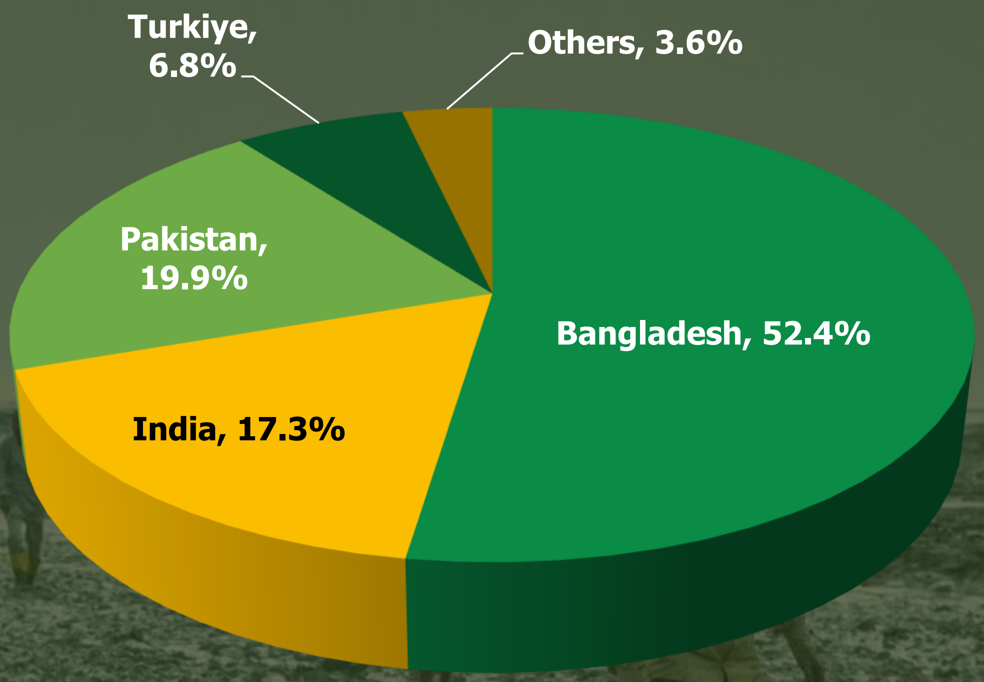
90% of the world's ship recycling facilities are in Bangladesh, India and Pakistan

Bangladesh derives **80-90%** of its steel from end-of-life ships

Some **20** Ship breaking yards currently are in operation in Bangladesh

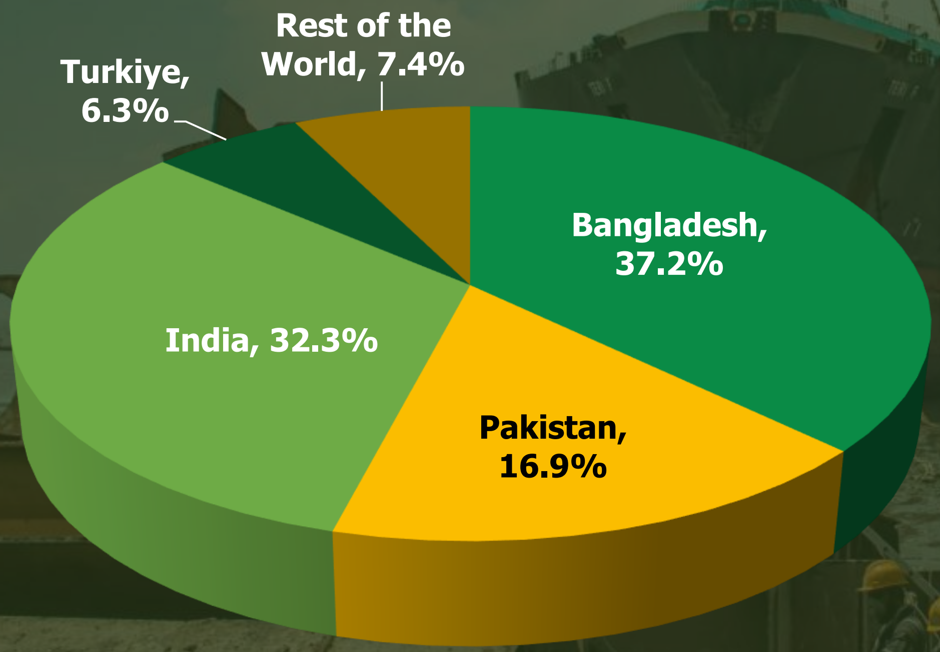
130 others are trying to reboot operation after pandemic related closures

Share of World's Total Ship-Breaking



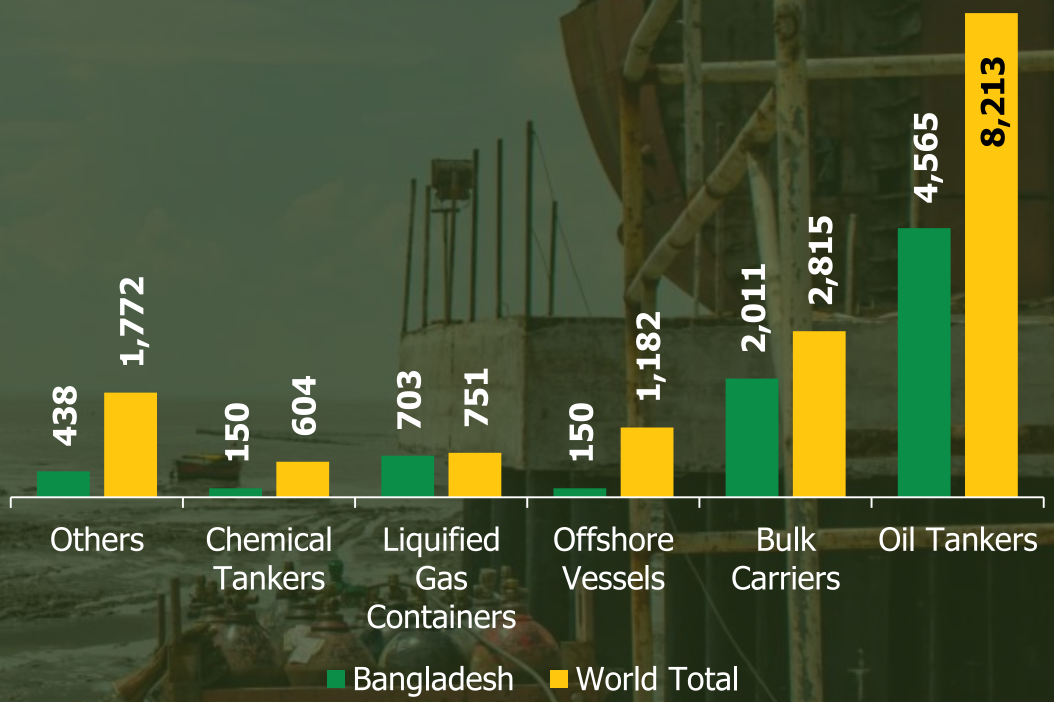
Ship Recycling Sector in Bangladesh

Share of World's Total Ship-Recycling



Ship Recycling by Major Vessel Type

(in thousands of tonnage)



In 2021, Bangladesh recycled more than **8** million tonnes of ship scrap. It account for **52.4%**, which is more than half of the world's total. Among them, **56%** were oil tankers.

Bangladesh Ship Building Sector

Bangladesh became the center of sea-going ship manufacturing industries in Asia in the **15^{th}-16^{th}** centuries

There are currently more than **100** ship builders and over **120** registered shipyards of varying size

The country is currently building ships with a maximum capacity of **10,000** DWT

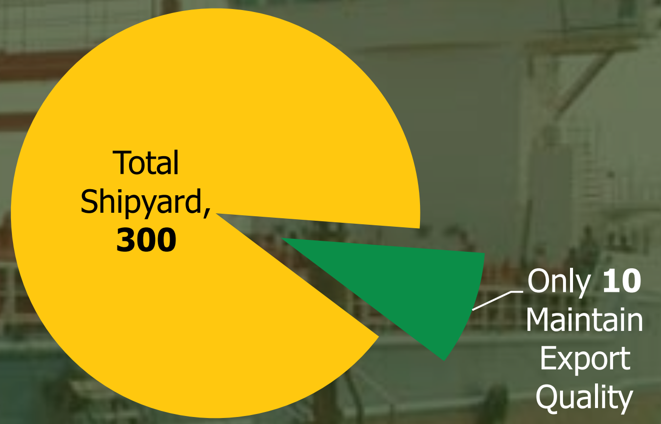
Annual market value of local shipbuilding industry is currently valued around **USD 1 billion**

Domestic ship builders have exported **40** ships to Europe, Africa and Asia

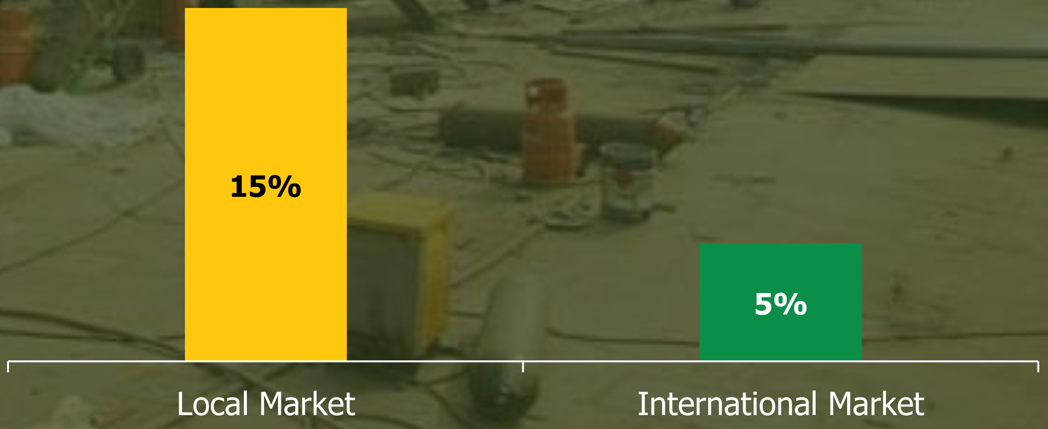
USD 180 million has been added to the government's exchequer from this export

It is possible to earn about **USD 4 billion** annually through exporting ships

Current Shipyards Scenario



Annual Growth of Ship-Building Industry



Opportunities for Shipbuilding and Recycling

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South Korea wants to hire skilled Bangladeshi workers for shipbuilding sector

Outgoing Ambassador of Republic of Korea to Bangladesh says his country is interested to take skilled manpower from shipbuilding sector of Bangladesh. He emphasized the enhancement of trade, official development assistance (ODA), employment and investment between the two countries.

PM seeks Dutch investment in Bangladesh shipbuilding sector

Prime Minister has offered lands to the Netherlands for investments in the shipbuilding sector of Bangladesh. Bangladesh can be benefited from the sharing of experiences over water management, agricultural development, and ICT as the Netherlands have enough expertise in these sectors.

Norway to invest USD 1.364m to make Bangladesh’s ship recycling yards eco-friendly

The Ministry of Industries, the Norwegian government and the International Maritime Organization (IMO) will jointly implement the project titled "Safe and Environmentally Sound Ship Recycling Project (SENSREC) Phase-3‟.

Infrastructures Creating Impacts on Steel Sector

Airports

Bridges

Buildings

Stadium

Roads

Railway

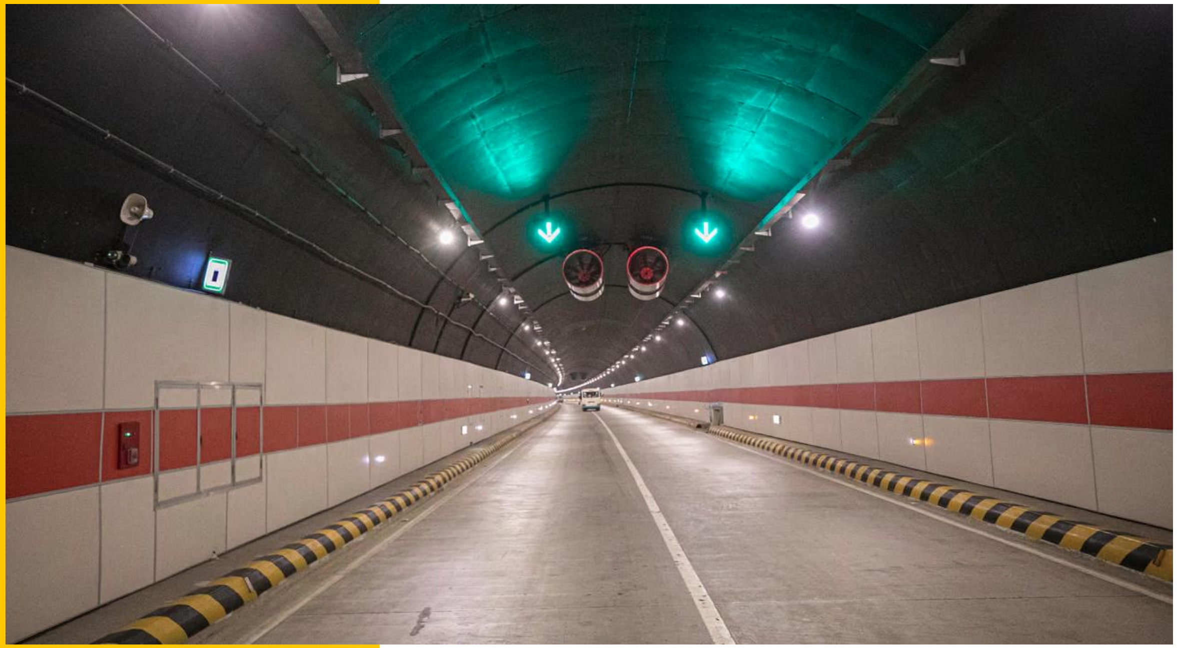
Sea Port

Energy

Defence

Agriculture

Barrage



Bangabandhu Tunnel

Propelling the Growth of Steel Industry

- The project has been instrumental in catalyzing **economic and industrial** growth in the southern part of Chittagong
- It poses as a pioneering endeavor in **South Asia**, playing a pivotal role in elevating the economy and the nation's image
- The enhanced connectivity with the southern district will facilitate swifter and more accessible **industrial growth**
- It will serve as a stimulus for industrialists to establish **new ventures** in the Anwara, Karnaphuli, and Banshkhali regions
- This surge in new industries will subsequently drive a heightened demand for **steel structures**, propelling the growth of the steel structure industry

Kewatkhali Bridge

Country's Biggest Steel Arch Bridge

- Located in **Kewatkhali**, Mymensingh
- **1.1km** bridge that has a 320m steel arch main bridge
- **6.2km** four-lane approach road
- Modelled after **Sydney Harbour Bridge**
- 2 rail overpasses of 120m each
- 3 road overpasses of 671m
- 2 lanes for slow-moving vehicles
- Will facilitate trade and communication in **north-eastern region**

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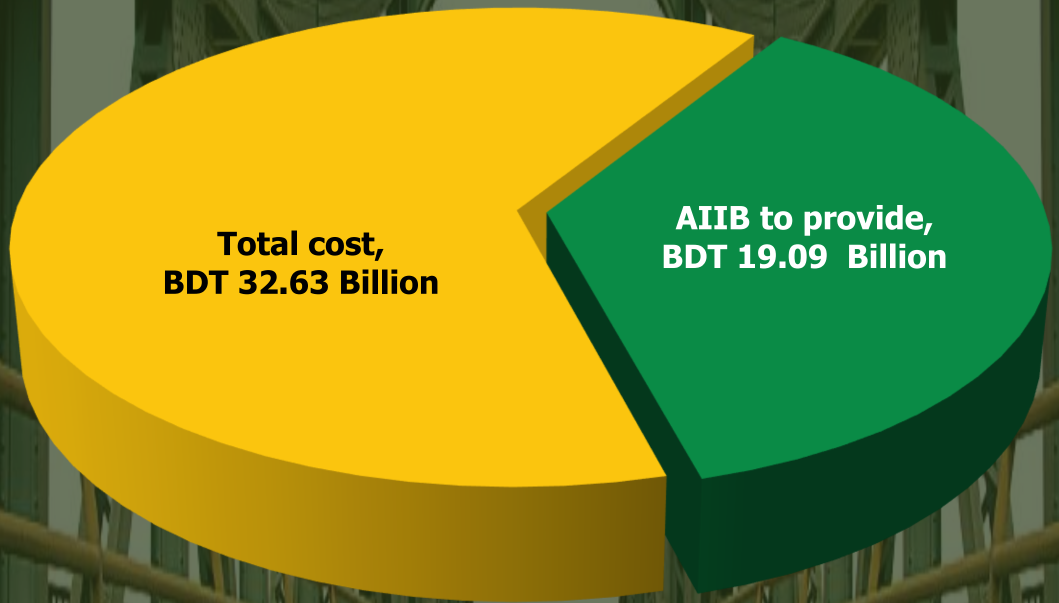
Financing of Kewatkhali Bridge



The Executive Committee of the National Economic Council (ECNEC) approved the project at an estimated cost of **BDT 32.63 Billion** in August 2021. The Asian Infrastructure Investment Bank (AIIB) will provide loans worth **BDT 19.09 Billion** and the government will provide the remaining amount from its own fund

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Challenges Facing

Uncertainties on the Headway of Steel Sector

An increase in raw material prices in the international market

The drive to include steel in the essential commodity segment

Power and energy crunch

A shortage of foreign currency and economic instability throughout the country

Severely hampered by the Coronavirus pandemic in 2020

Due to the Russia-Ukraine war

Industry facing a liquidity squeeze for not being able to open a Letter of Credit

Payments in some government projects being delayed

Consumers unable to afford as the prices have gone up

Bulk sales slowed down due to not being able to avail their full credit to purchase goods

Steps Ahead

To Ensure a Boosted Steel Sector

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- Serious reform of **policies** is needed to motivate the private sector to show a much better performance
- **Import** of raw materials should be continued to maintain production
- The government need to ensure the availability of **dollars**
- A separate **utility pricing** for steel industries besides the main raw materials is needed
- Government need to diversify the **export basket** beyond the garment industry
- Boosting **foreign exchange** reserves should be a priority, as well as increasing remittances and export income
- Taxation reforms are essential, including lowering income **tax and VAT** rates
- Roller-Compacted Concrete (RCC) **roads and highways** should be made to increase truck load limits for saving road, fuel and other costs

BIDA undertakes the functions of investment promotion and facilitation, and policy advocacy in accordance to the Industry Policy and provides inquiry/ consultation licensing facilitation services to the investors outside the jurisdiction of other investment authorities (BEZA, BEPZA, High-tech Park Authority). Those investors registering with BIDA for their investment projects are able to benefit from the following key incentives and privileges:

Category	Notes
Tax Holiday	- Phased Corporate Income Tax (CIT) exemption for 26 designated sectors/products (effective since July 2019), depending on location of factories - Phased CIT exemption for private IPPs (which construct powerhouse after June 2016) and full CIT/ capital gain tax exemption for PPP projects - Full CIT exemption for ICT/ software industry
Tax Rebate	Applicable for manufacturing industries of which factories: i) are located, ii) move, iii) have already operated, outside Dhaka City
Import Duty Exemption	- On capital machinery/ spares - VAT exemption for imported capital machinery/ spares
Other Tax Exemption	- On interest payable on foreign loans - On royalty/ technical license fees obtained from foreign company/ expert - On personal income tax for foreign technician - One capital gain from the transfer of shares of listed public companies
Non-Tax Incentives	- Accelerated depreciation for newly established industries in lieu of tax holiday on their factory, machinery and plant

Government Incentives

Market Dominators of Steel Market

BSRM
building a safer nation

SSRM
where quality comes first

SINCE 1984
RSRM
STEEL FOR THE NATION

KSRM
শেকড় থেকে শিখরে

RAHIM STEEL
R
Symbol of QUALITY
নির্মাণের অল রাউন্ডার

BSI
Believes in Quality

GPH ispat

100% REFINED STEEL
AKS
TMT 500W & 550W

RRM
GROUP

SCRM

ANWAR ISPAT
STRENGTH WITHIN

PHP Family

Global Steel Market

Global iron and steel market size was valued at **USD 1.6 trillion** in 2022

It is projected to reach USD 1.9 trillion by 2027 at a CAGR of **3.8%**

Steel is one of the **most widely used** commodities in industrial production

The rise in crude steel demand is expected to be driven by **developing countries**

By 2023, the demand for steel is estimated to exceed **1.4** million tonnes, with most from China and India

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Global Steel Production in 2022

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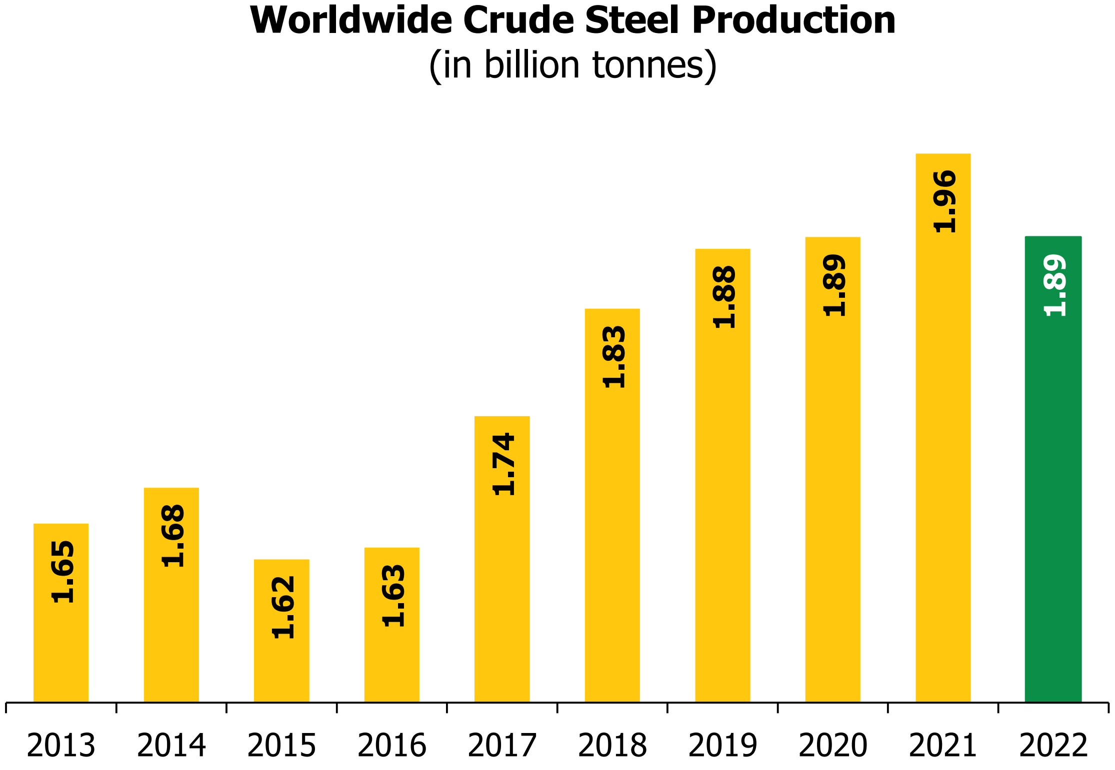
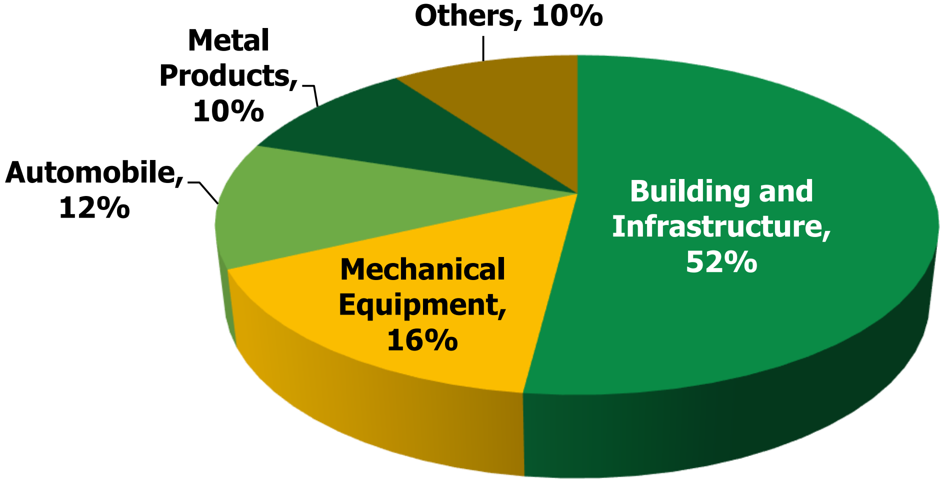
Countries	Production (in million tonnes)	Global Share
China	1,013.0	53.90%
India	124.8	6.60%
Japan	89.2	4.80%
United States	80.5	4.30%
Russia	71.5	3.80%
South Korea	65.9	3.50%
Germany	36.8	2.00%
Türkiye	35.1	1.90%
Brazil	34.0	1.80%
Iran	30.6	1.60%
Italy	21.6	1.10%
Taiwan	20.7	1.10%
Vietnam	20.0	1.10%
Mexico	18.2	1.00%
Indonesia	15.6	0.80%
Rest of World	201.0	10.70%
World Total	**1,878.5**	**100%**

World Crude Steel Production

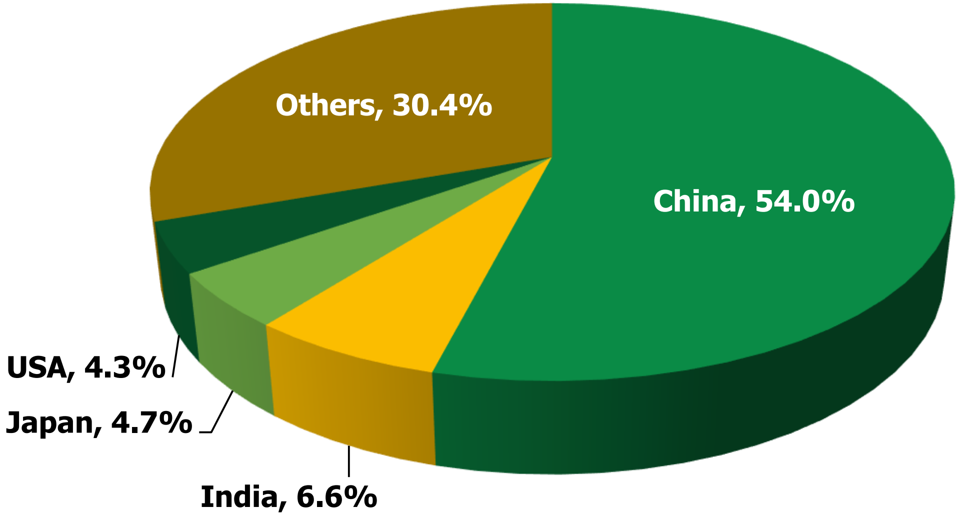


In 2022, the world crude stel demand was over **1.8** billion tonnes. That year, a total of around **1.9** million tonnes of crude steel were produced worldwide

Uses of Crude Steel in Different Segments



Share of World's Total Crude Steel Produced



International Steel Companies

& Annual Revenue

USD 7,657 billion

ArcelorMittal
Luxembourg

USD 2,660 billion

华菱钢铁 VALIN STEEL
China

USD 5,664 billion

BAOSTEEL
China

USD 6,672 billion

posco
South Korea

USD 2,320 billion

HBIS GROUP
China

USD 3,648 billion

NUCOR
United States of America

USD 6,062 billion

NIPPON STEEL
Japan

USD 2,120 billion

ANSTEEL
China

USD 3,304 billion

TATA STEEL
India

Position of Engineering in DSE

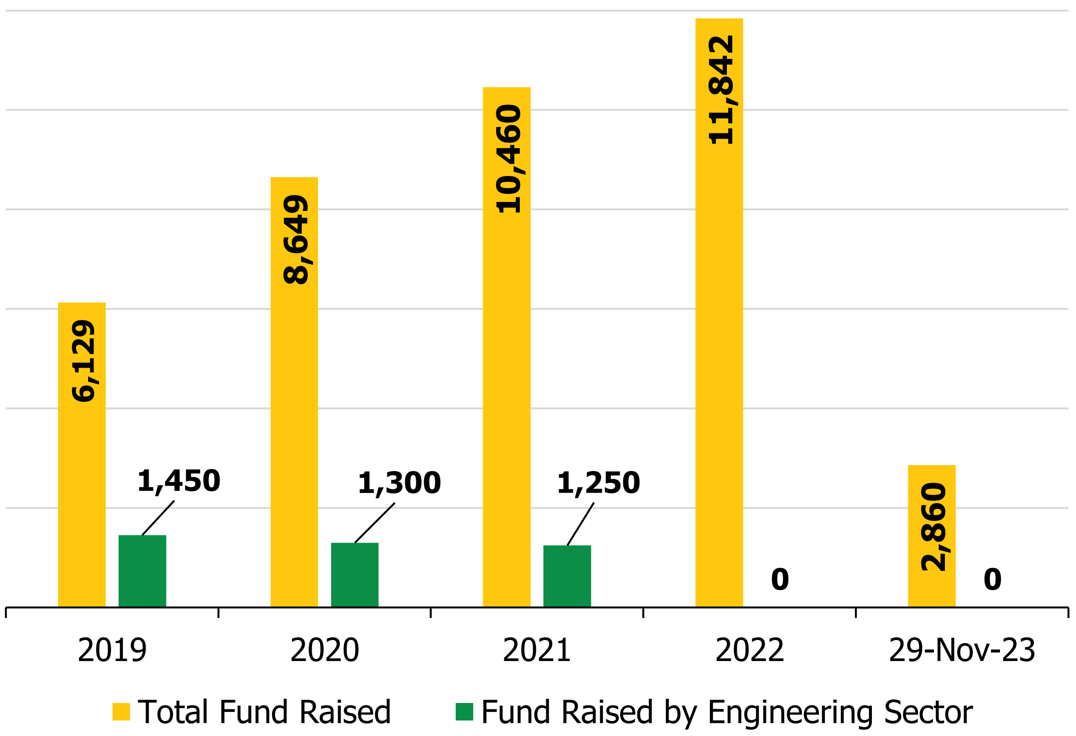
Total **42** companies are listed in Engineering Sector

Engineering Sector Market Capitalization is **BDT 523,350 million**

Sector PE is **37.27x**

Engineering sector holds **6.78%** of the Total Market Capitalization

Total Fund Raised through IPO
Over the last 5 years (in BDT million)

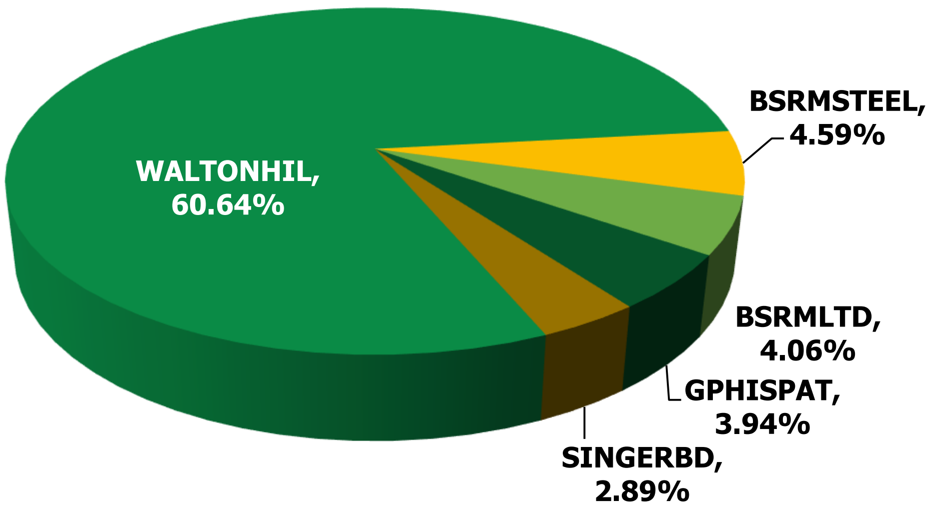


No engineering company entered the capital market in 2022 and 2023 (till November 15). IPO issuing for engineering witnessed a decline trend from 2019 to 2021.

Source: GDC Research
(As of November 29, 2023)

Engineering Sector Performance

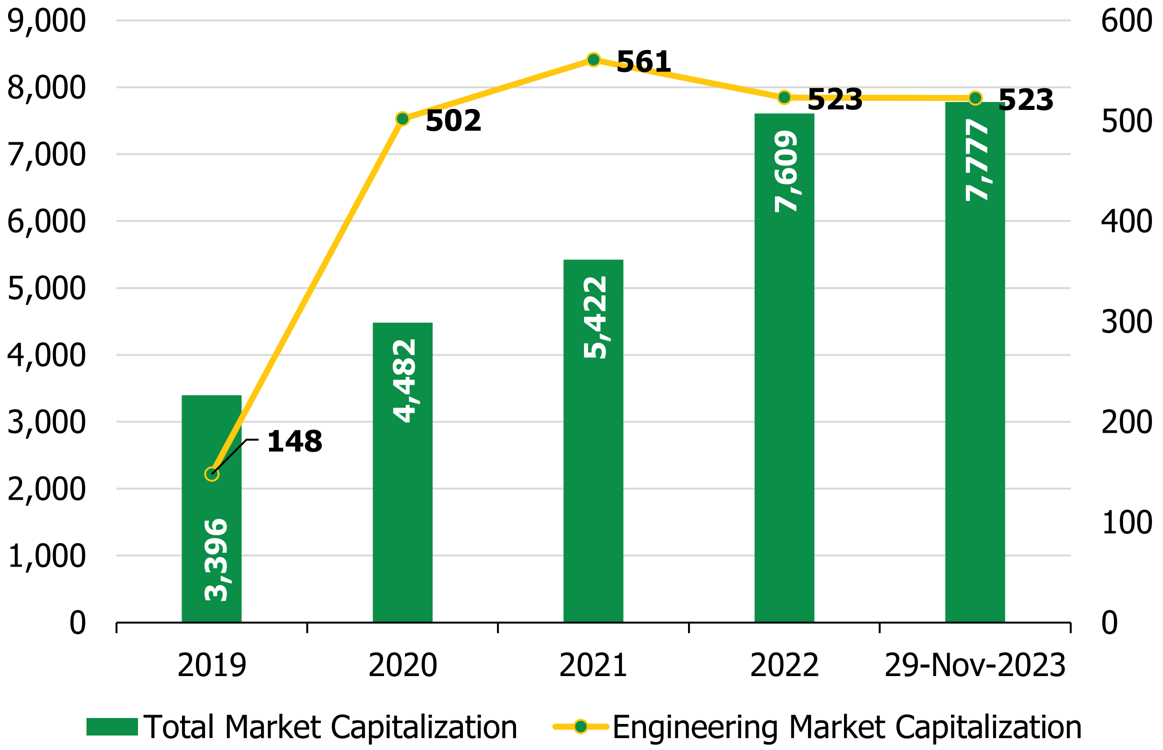
Top Performers in DSE



As of November 15, 2023, the top 5 companies has covered more than **75%** of the engineering sector (based on market capitalization). Whereas, Walton Hi-Tech Industries PLC holds majority of market shares, which is **60.64%**. BSRM Steels Limited is on the second position holding **4.59%**

Total Market Cap to Engineering Market Cap

(In BDT billion)



Engineering sector has been a fluctuating sector in DSE. From 2019, the total market capitalization was increasing gradually. But it encountered a fall on market capitalization from 2022

Source: GDC Research
(As of November 29, 2023)

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