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*Alihussain Akberali, FCA  
Chairman, BSRM Group of Companies*

**Q** Please evaluate the position of steel industry seen in 2012. What is your expectation regarding 2013?

**A** In Industry owners and entrepreneurs take initiatives to set up new projects for capacity increases only on the basis of estimated government development plans. Unfortunately, we are never able to fulfill the ambitious projects of the government and thus with lower ADP utilization, the demand raise is not there and hence the plans of expansion is wasted. Furthermore, Padma Bridge project is still limping and had it been implemented nearly 5 leading mills in the country would have been busy supplying steel to this prestigious project. It is our earnest desire that government must try their best to implement all their projects as quickly as possible with sound honest and efficient Project Director given the job till the completion of the Project.

In 2013, I feel there will be huge demand arising out of various projects that government is going to undertake on roads and power sector. But infrastructural projects like bridges may not start in the coming year. However, there is a huge investment going on in the real estate sector and the main thrust is coming from the wage earners' remittance that is either going in real estate directly or through the banks where their savings is parked.

We feel with such low per capita consumption of steel BD has a long way to go.

In case there is no major demand increases, the smaller players will have a tough time competing with high efficient mills operating in the country.

**Q** Most of the big players are going for expansion. Abul Khair Group introduced a plant with 800000 ton. The demand is around 2.5 Mn Tonnes while the capacity is 3.4 Mn Tonnes. Do you feel that the industry is becoming oversupplied or do you feel there are still scopes to penetrate?

**A** I feel the capacity of the country is already saturated and it is evident from the fact that even though the rolling mills are shut off 12 hours a day in the past 2 months still the prices have not risen due to shortages. It would not be wise for new comers to come with new capacities since the existing mills are already in the process of increasing their capacities. However, if the infrastructural projects take off in 2013, which is not likely, then all the mills will be able to sell their products at a profit.

**Q** BSRM Group is setting up a new billet plant? How will it affect BSRM Steels' business? Are other companies willing to go for expansion as well?

**A** Last year, I had mentioned that our biggest hurdle to stable marketing efforts is the raw materials pricing which fluctuates too much and thus our results every quarter also keep fluctuating. Lots of people asks us the reasons for such fluctuations. But our reply is the same viz international market prices.

Now with our new billet plant already underway, we will have huge stabilization in our operations and we will be getting continuous billets at a much competitive rates and just in time whereby our interest burden on carrying huge inventory will be overcome.

**Q** Industry produces more or less undifferentiated products. So competition seems to be mainly price based. How price is set in the industry? Do you wish to bring any modification in this in 2013?

**A** In our country we have different types of buyers of steel products:

- Those who do not care about quality but want cheap rods.
- Small projects builders where the quality of steel is not important.
- Those projects who are not building their own homes but want to build and sell.
- Those owners who are building their own homes want quality goods and will not compromise on quality since steel consumption is max 5 kg per sq. ft of construction area.
- Those foreign aided projects who will not compromise on quality a bit and will go for extensive testing.
- Lots of government projects may not get quality goods due to prices difference being there between scrap rods and quality rods thanks to the low prices of scrap vessels. Steel from ship breaking is of good quality but the only problem is that their strength is not adequate.

Hence it seems price brackets are prevailing in the market for different type of customers.

**Q** Why the margin of steel companies of Bangladesh is so narrow? What was the situation in 2012? What do you expect in 2013? In our last December Issue, you said, "Power shortage is also a very big concern. We are sometimes out of power even in peak hours. On the other hand government is increasing price of electricity, which will increase our cost." Do you feel the power miseries will come under the tolerance level in 2013?

**A** Actually margin in steel was much higher than normal due to lower capacity and high demand. Now that the capacity is adequate and the demand is not that much, the industry is now coming to a normal range of profits which I feel is healthy for all. Only those industries with high volume and lower cost of production will be able to make more money than the inefficient ones.

Last 2 months our mills were forbidden to run 12 hours in the night which has now relaxed. We feel the Power Division should ration power throughout the country industry wise. What has happened in the past 2 to 3 months is that gas embargo has been put on all steel mills in Chittagong area but all over the country steel industries are getting gas 24 hrs. Such embargo is against our fundamental rights. Government should close down all industries in the same sector to enable an even playing ground. Just to save one lone fertilizer factory in Chittagong entire industrial belt mainly steel industries are asked to close down in the night for 12 hours. Interestingly gas to the fertilizer is also sold at a discount so where is the benefit the government gets out of cheap fertilizer?

From KAFCO government is obliged to give gas at a huge discount but they have to buy fertilizer at international market prices. They only save freight costs on such buying!!!

**Q** "I do not think steel industry is in bad shape. The only problem is fluctuation of raw material price in international market. On the other hand the value of taka is going down everyday which increases our import cost of raw material. But the demand is there for a growing country like Bangladesh where lots of infrastructural development to be made."---was what you said in our last year's issue. The steel industry mainly imports billet from abroad. Some scrap is domestically generated and rest is imported. Does not this high dependency put the industry in risk of raw material price fluctuation? What do you expect the raw material scenario to be in 2013?

**A** This question is already answered. We will in next 18 months be able to compete with any mills in the country in a more befitting manner. Presently all our savings due to high and efficient production goes to compete with our competitors. Now with our own billets we will have a huge flexibility in getting billets at attractive prices. Plus we are also in the midst of setting up first ever 150 MW coal based power project under the Merchant Power Policy and this will change the economics of all our group companies.

**Q** Where do you see the steel industry five years down the line?

**A** With MRT, elevated express way, bridges, power projects, economic zones etc coming up we feel huge demand of steel is upcoming.

**Q** Is there anything else you would like to highlight?

**A** Other points that I would like to highlight:

Government is being requested by Indian, Japanese and Chinese and other European investors to allot them an economic zone for

*Interview is taken by Md. Ashaduzzaman Riadh and Tanzina Ahmed Choudhury. All views and opinions expressed here are solely of the interviewed persons and neither represent the views of LankaBangla Securities Ltd. nor those of any of its associated institutions.*

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setting up cluster of industries. My earnest request to the Govt. is to please give the option to get plots in such economic zones to local industrialists and entrepreneur so that they too can get the land in such zones on same terms and conditions as we are offering to the foreigners. Presently buying land for industry is a night mare and one of the major reasons why industrialization is not taking place quickly.

Government must never put part of industry on embargo and part of the industry to run. This will ruin the industrial base if it continues for long term. Even playing ground field must be given. How much more it will cost for the government to procure fertilizer should be calculated and compared to the huge loss the entire industrial belt in Chittagong is suffering from closure 12 hours a day !!!

Government must immediately float tenders that they will buy LNG at market prices just like they have issued tenders for quick rental projects. However, with such tenders government must offer the land by the sea and must guarantee all connecting infrastructure to connect to the main grid to be done by the government I feel lot of new entrepreneurs will come forth. This also goes for all coal based power projects which government wants to set up on their own.

Sometimes when we want to set up an industry and have bought major portion of land, some small land owners owning say not even 1% of the total land, being instigated by vested interest, do not sell the said lands. Thereby the entire project work is held up. In such circumstances how can an industry be set up. Our earnest suggestion to the government is to amend laws that will allow us to request the government to requisition the said land at 2 times the prices we have paid to the last land purchase. This way we will not have a problem. We are already facing this problem in our largest every billet plant in the country. No agency is available for us to help us in such situation.

We feel the government must immediately issue a circular allowing anybody to set up a floating jetty parallel to the ship breaking plots so that duty paid bulk cargo can be unloaded in these jetties. This will greatly reduce the burden on the main jetty for our 1 mn tons billets plant and also our 150 MW coal based power project which we are planning where another 800,000 tons of coal will be needed to be imported. Imagine 18 lacs tons of scraps and coal coming into the Chittagong port and plying the entire city before it hits the highway!!!

We want BOI to really be a BOI effective with vast powers. They cannot even give us permission to remit advance to consultants because the Bangladesh Manual does not allow such remittance. BOI wants us to give them copies of LCs. I feel huge reforms is needed in all the departments of the government which deals with investments. Huge hurdles are there to investment smoothly. Suggestions from us will speak volumes where improvement can take place provided the intention is there. For this advance payment we have written letters to the Principal Secretary who tells us to go to BOI, whom approached only to be told to approach BD Bank who in turn bounced the ball back to us saying please visit BOI. We have evidence of this state of affairs. Give us the support and see how our able industrial group progress and show what we can do.