

# Steel sector in need of policy support

Says Aameir Alihussain, managing director of BSRM

DWAIPAYAN BARUA, Chattogram

Bangladesh's steel sector needs business friendly policy support from the government in order to overcome the Covid-19 fallout, according to Aameir Alihussain, managing director of BSRM, a leading steel manufacturer.

"Growth in the steel industry has been set back by about one year and it will take at least two years for the sector to return to normal because of the ongoing pandemic," Alihussain told The Daily Star in a recent interview.

Soon after the coronavirus outbreak began in March, the government declared a 14-day 'general holiday', beginning on March 26.

But as the number of infected patients across the country continued to rise, the nationwide lockdown was repeatedly extended until it finally came to an end on May 30.

During this two-month period, public transport, markets and almost all other economic activities were completely shut down in an effort to curb the spread of Covid-19.

As a result, the entire supply chain was disrupted.

"The supply chain was significantly affected as shipments were delayed, raw material imports from India though land ports were halted and all logistics were frozen," he said.

BSRM overcame some of these challenges by convincing the Indian suppliers to reroute their cargo through the sea with special permission from the Indian government.

"After foreseeing a possible slowdown, we made some plans and pre-ordered raw materials from abroad," Alihussain added.

The Chattogram-based company kept its operations shuttered for about a week during the two-month lockdown to arrange health safety measures for factory workers. This included the installation of spray tunnels in all manufacturing units.

And although the market demand for steel has declined by around 30 per cent, BSRM was able to continue production on a limited scale by catering to certain government projects.

The decision to eventually reopen the economy was a smart move since a country like Bangladesh cannot afford a prolonged shutdown, the BSRM managing director said.

Alihussain also hailed the government's initiative to reduce the financial burden on steel makers by directing local lenders to not

impose any interest for April and May.

"This helped increase cash flow in the sector," he added.

And although steel is a capital-intensive industry that requires a huge workforce, BSRM did not cut salaries or layoff any workers due to the pandemic.

Instead, the country's largest construction steel manufacturer continued to pay salaries as well as Eid bonuses to its workers at a time when there was virtually no income.

"We did this with the hope that this pandemic won't last forever and because we consider our employees to be like extended family. We didn't want to hurt anybody," Alihussain said.

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However, the sector's momentum is yet to return.



Aameir Alihussain

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"Still though, as a country we are very fortunate," he said, citing that Bangladesh seems to be in a better position compared to the neighbouring India and the EU.

Bangladesh's macroeconomic position is good, its foreign exchange reserves have remained healthy and exports are growing.

"This is why the country has been able to sustain itself amid the pandemic," Alihussain added.

The current problem faced by suppliers of the local market is basically the creation of demand.

The private sector is not investing in new projects at the moment since everyone is just trying to survive the ongoing crisis and return to their pre-pandemic lives.

Therefore, government spending on infrastructure needs to be enhanced for at least the next one year to make up for the lack of private sector investment and help the steel sector get back on track, Alihussain said.

He is now concerned about a potential second wave of Covid-19 infections in the upcoming winter as countries with lower restrictions on public movement, such as the UK, France and Germany, have all reported an upward trend in the number of new cases.

Not only will a second wave of infections across Europe affect the supply chain, countries like Bangladesh where people are indifferent towards safety measures are more susceptible to mass outbreaks.

"A second wave here could majorly affect us," he added.

Another challenge for steel makers is that a huge amount of working capital that was paid as refundable advance tax (AT) on imports is still being held back by the government.

The total amount owed to the steel sector could be over Tk 800 crore. This includes the AT and advance income tax (AIT) paid by producers for the last four or five years.

"This is unnecessarily slowing the industry's momentum since manufacturers could use this money for their economic activities and boost growth," Alihussain said.

Termining the existing AT and AIT rates imposed on steel makers to be considerably high, he urged the government to reduce these charges to the bare minimum since the industry is a high volume with low margin sector.

"Therefore, we need business-friendly support from the government," he said.

Regarding capacity enhancement of Chattogram Port, he said that port authorities have initiated a few expansion projects, including the construction of new terminals and jetties, but the projects were not taken on time.

Alihussain also expressed dissatisfaction over delays in the construction of the much-required Bay Terminal at the port.

Although there is no congestion at the port these days thanks to fewer imports amid the ongoing pandemic, it will get congested once the country's economic activities resume in full swing.

Since foreign vessels end up having lengthy stays at Chattogram Port, they face extra freight charges of \$15 to \$20 per tonne compared to other ports in the region.

And so, there is a need for excess infrastructure at the port so that no ship is made to wait even during peak season, according to the BSRM managing director.

With hopes that things will return to normal in the coming years, BSRM will set up a new Tk 700 crore mild steel (MS) rod manufacturing plant. The new unit will add another 5 lakh tonnes to the company's existing production capacity and is expected to begin operations by mid-2023.

"The country's steel industry is very competitive since it has a number of players. So, you have to be on your toes all the time," Alihussain said.

The steel sector has the capacity to produce around 9 million tonnes of MS rod each year against an annual domestic market demand of just 5.5 million tonnes.

"But since we ensure quality and there is a rising demand for quality products in the country, we have decided to go forward with this expansion," he added.

With seven manufacturing units, BSRM has an existing annual production capacity of 1.6 million tonnes of MS rod and 1.9 million tonnes of MS billet.



Harvest of aman paddy has begun in many places around Rangpur, showcasing the resilience of the land and its people against the backdrop of inundations by floodwaters several times. The photo was taken from Darshana area of Rangpur recently.

PHOTO: KONGKON KARMAKER

## SUPPLY CHAIN ASSISTANCE

### USAID announces plans to get brands on board

STAR BUSINESS REPORT

The USAID has announced plans of getting some major US apparel and footwear retailers and brands involved in a memorandum of understanding to help supply chain workers in Bangladesh, Cambodia, Sri Lanka and Vietnam hit hard by the Covid-19 pandemic.

The participants include Carter's, Gap, Global Brands Group, Levi Strauss & Co, Nike, Tapestry, Target, VF Corporation, Walmart, American Apparel and Footwear Association, National Retail Federation, Retail Industry Leaders Association, and the US Fashion Industry Association.

The announcement came at the third annual Indo-Pacific Business Forum held online from Hanoi, Vietnam on October 28-29, says a statement from the US Department of State.

It was sponsored by United States Trade and Development Agency (USTDA) and co-hosted by the US Chamber of Commerce, the US-ASEAN Business Council, and the Vietnam Chamber of Commerce and Industry.

Over 2,600 business and government leaders from the US and Indo-Pacific region are said to have participated in the forum.

The state department said the forum showcased high-impact private-sector investment and government efforts to support market competition, job growth, and high-standard economic development for greater prosperity in the Indo-Pacific region.

It also said to have connected business executives and government leaders, taught about the industry, regulatory and policy trends, and explored new opportunities for contributing to regional and global economic recovery.

Discussions have highlighted key themes including energy and infrastructure, the digital economy, market connectivity, health and economic recovery, US-Indo-Pacific partnerships and commercial opportunities and women's economic empowerment.

The US also spoke of new activities to improve access to affordable, secure, reliable, and sustainable energy through the advancement of expanded, transparent, and efficient regional energy markets.

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## Bourses should keep an eye out for market manipulation

Says Salman F Rahman

STAR BUSINESS REPORT

The country's bourses should have monitoring in place against stock market manipulation considering all the wrongdoings that happen before their very eyes, according to Salman F Rahman, the prime minister's private industry and investment adviser.

"Tracing market manipulation is the first priority for stock exchanges all over the world, so why should we lag behind in this regard?" Rahman said.

This is the responsibility of the government, finance ministry, Bangladesh Securities and Exchange Commission (BSEC) and also the stock exchanges.

"So, they need to be strong," he added.

Rahman made these comments yesterday during a webinar styled "Towards Sustainable Development of Capital Market" jointly organised by the Capital Market Journalist Forum

and Bangladesh Merchant Bankers Association (BMBA).

Many listed firms have stopped production and yet their stock prices continue to soar.

The people who purchase these stocks and the way through which the share prices were increasing should be well documented by the bourses.

"But in Bangladesh, manipulation occurs in broad daylight so why are our bourses so inactive," said Rahman, adding that in many cases brokers were involved.

"We have to change our mindset from one that only blames the government if we want to see a developed stock market."

"Besides, investors need to be more careful about their spending," said Rahman, also a former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).



The new headquarters of the country's premier bourse Dhaka Stock Exchange at Nikunja in the capital.

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