

# Corrugated sheets shine

## KYCR Coil plans to expand operations and raise funds from capital market

SUMAN SAHA, back from Ctg

A burner is blazing at nearly 900-degrees. It galvanises the cold rolled (CR) coils to give the metal a zinc coating.

Next in line, the metal goes through rolling dice, to take on a corrugated shape. This is the production process at KYCR Coil Industries Ltd, a subsidiary of KDS Group, at Kumira, situated 25 kilometres from Chittagong.

Munir H Khan, director of KDS Steel, walks us around the production lines to show how the final product, corrugated sheets, is made. The plant uses HR coil and zinc as raw materials.

"We set up the Cold Rolling Mills Complex in 2001 to provide the necessary raw materials for the KDS Group's own galvanising plant. The surplus production is supplied to other consumers in the industry."

KDS Group mainly does business in four segments -- garments and textiles, steel, accessories and logistics. Under KDS Steel, it has three companies -- KY Steel Mills Ltd, KYCR Coil Industries Ltd and Steel Accessories Ltd.

Machinery used at the KYCR Coil Industries plant has been supplied by SMS DEMAG Germany, a world leader in this sector. The complex, which was built on 10 acres, houses 6 Hi CVC cold rolling mill (costing nearly \$80 million), with an annual capacity of around 1.20 lakh tonnes, said Khan.

"It is an unknown process in Bangladesh and requires massive investment. As a result, only five companies are in operation in the corrugated sheet business," said Khan.

When the sheets are used as roofs, those are laid somewhat like tiles with a lateral overlap of two or three corrugations and a vertical overlap of about 150 millimetres, to provide waterproofing. The standard shape of corrugated material is round and wavy, but can be easily modified to a variety of shapes and sizes by simply changing the dice.

Bangladesh has to be self-



A view of the KYCR Coil manufacturing plant, 25 kilometres from Chittagong. Inset, Officials check the quality of products.

sufficient in steel production, if the country graduates to a middle-income category by 2021 because it is necessary for any development, said Khan.

China and India are also trying to be self-sufficient in steel, he added. Steel sufficiency has played a significant role to turn Japan into a developed country, he added.

Khan, who oversees the operations of KDS Steel, said the company mainly manufactures corrugated sheets, which is around 80 percent of its product range.

Its flagship brand is 'Murgi' marka tin and has a significant market share in Bangladesh since 1988, said Khan.

"The annual market size of corrugated sheet in Bangladesh is around 5 lakh tonnes. The market has witnessed stable growth

because the purchasing power of the lower income groups, who are the core customer for the product, is gradually increasing."

KYCR also produces galvanised coil (GC), CR coil, cycle rim strips and slitted sheet. The hard GC sheets are mainly used for roof cladding, while the soft GC sheets are used for AC ducting, colour coating applications, rice storage boxes and vehicle bodies.

Around 15 percent of KDS Steel products are also exported to Singapore, Thailand, Myanmar, Vietnam, Sri Lanka, Malaysia, the Philippines, Indonesia, Dubai, Pakistan, Afghanistan, Peru, Colombia and eleven countries in West Africa.

The company manufactures the corrugated sheet, which ranges between Tk 120 and Tk

600 per piece, targeting all income groups, said Khan.

Corrugated tin prices are very sensitive because nearly 90 percent of customers are rural farmers. The lowest market price of corrugated tin is Tk 40,000 per piece-tonne. Each piece-tonne consists of 282 pieces of 6-foot long tin sheets.

The price of the corrugated tin in Bangladesh mainly depends on the districts' economic condition, said Khan. For example, customers from Dhaka and its outskirts generally buy comparatively high priced products, while customers from relatively poor regions buy low priced products.

The company maintains a 24-hour production process with a 2-megawatt back-up

captive generator.

"We pay nearly Tk 70 lakh a month in electricity bills, said Khan. "But power fluctuations sometimes force us to bear huge costs for instrument recovery because low voltage triggers the malfunction of the circuit, which costs nearly Tk 12 lakh."

KYCR is also set to expand operations and plans to raise capital from the capital market. The company is scheduled for a roadshow on January 31 for the institutional investors to discover price under book building system.

"We plan to produce colour sheets in August," said Khan. "We also want to expand production capacity by an additional 1 lakh tonnes by 2013 because of the gradual increase in demand for the product."

For this, the company will invest nearly Tk 200 crore, he added.

The government should take proactive policies to deal with the external forces, especially for steel products.

"We import HR coil from the world market because we have no iron ore mines," said Khan. "So, if the prices of steel products go up on the international markets, there will ultimately be great pressures on its rural customers."

Khan urged the government to set a separate steel policy and fix the duty structure from time-to-time by considering the prices on the international markets as well as in the neighboring countries, such as India and China.

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# Food inflation returns to haunt India

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The rise in food inflation was a shocker. Prices jumped 18.3 percent giving the government and the RBI an uneasy feeling and the stock market a big disappointment. In spite of promises, it looks like headline inflation will not drop below 6 percent by March.

The return of food inflation was unexpected. Production and prices of cereals were steady and prices of pulses and sugar had actually come down. What kicked up the price index were the prices of vegetables, meat and eggs. These are only about 13 percent of the consumer basket.

But the price rise was too sharp and too sudden and in a matter of three weeks pushed up the food price index more than 6 percent. That will jack up headline inflation by more than one percent in December.

Inflation has affected most of the developing countries. In China, inflation is at 5.1 percent with food inflation running at 11.7 percent. In Russia, inflation is at 8 percent, in Indonesia at 7 percent and so on. There is a fall in world food production and international food prices have been aggressively moving up. What is unusual about India is that inflation which had receded, with food prices

remaining nearly steady since June, suddenly spiked in December.

The reason is that the rains were unusually excessive and irregular and production either dropped or there was exposure to pests. The prices of onions shot up more than 46 percent in the first three weeks of December and 67 percent over the year. In contrast, demand for fruits and vegetables increased with the expansion in population and improvement in incomes of urban and rural consumers.

This mismatch between demand and supply is not temporary. Production of fruits and vegetables is in the unorganised sector and the cultivation follows conventional methods. It is time that the vegetable sector receives greater attention. It has to be better organised using modern technology. ICAR and a number of universities have developed transgenic varieties of crops which are herbicide-tolerant and insect-resistant.

There are also non-transgenic biotech approaches for enhancing conventional farming like marker-assisted selection, tissue culture, etc. which can make a tremendous difference to yield and quality. Some of these technologies are still on the shelf when they



A farmer transports vegetables on an improvised tricycle towards a wholesale market in Kolkata.

should have been commercially exploited by the farmers.

Apparently, there is neglect or resistance on the part of the government. Brinjal is a case in point. Although it had been scientifically tested and

its safety well established by DBT, the ministry of environment delayed its implementation.

In future, the demand for fruits and vegetables will increase much faster than demand for cereals. Food infla-

tion will persist if fruits and vegetable supply does not commensurately increase. Broadly, vegetable production will have to increase at more than 10 percent per year. The only way that growth can be achieved is by adopting new

technologies which are the keys to larger production, higher farm incomes and stable prices.

The writer is a contributor to Reuters. The views expressed in this column are the author's own.

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