



STEEL AND RE-ROLLING INDUSTRY:

AN OVERVIEW



Steel and Re-Rolling Industry: An Overview

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Abstract

This study analyzed the import, production, and demand of steel and re-rolling industry in Bangladesh, using data from the Bangladesh Bank, Export Promotion Bureau, World Steel Association, and other relevant websites. Bangladesh mainly extracts steel from its shipbreaking industry and is also able to export a negligible amount of steel after meeting the domestic demand. In FY21, the export growth of steel was 177.94% compared to the previous fiscal year. Bangladesh's re-rolling capacity for steel is, on average 9 million metric tons and the local demand is around 7 million metric tons. Among the total demand, 60% is used in public sectors, 25% is used in households and the rest of the 15% is used in commercial construction. However, the demand for steel and re-rolling would increase by 6%-7% annually till 2025. Moreover, the top three market players control 50% of the market.

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Introduction

Steel is one of the utmost important raw materials in infrastructure development in modern civilization. Steel can be considered the backbone of infrastructure, so infrastructure development cannot be imagined without steel. In recent years, Bangladesh is going through rapid infrastructure development. Thus, there is an increased demand for steel in the domestic market. At the same time, the number of steel and re-rolling mills has amplified. However, compare this to the initial year when the first steel mill was established before independence in the year 1952 and after independence, the second steel mill was established in 1984 (Islam, 2022).

Bangladesh now produces a significant quantity of steel some of which are exported after meeting the local demand. The current market size of steel is around BDT 72,000 crore (Chakma et al., 2022). The per capita consumption of steel was 45 kg in 2020 and is expected to increase to 75 kg in 2022 (Islam, 2022). Among the total steel demand, 60% is used in public sectors, 25% is used in households and the rest of the 15% is used in commercial construction (Islam, 2022). According to the forecast of SteelMint, the demand for steel and re-rolling would increase by 6%-7% annually till 2025 (SteelMint, 2022). However, in FY22 the export of steel stood at USD 120.04 million which is 17.20% higher than the previous year's export due to higher demand in the international market, and in FY21 was 177.94% growth (Export Promotion Bureau, 2022). However, Bangladesh also imports steel too according to the Bangladesh Bank data in the recent FY22 the import amount of iron and steel is BDT 51,057 crore (Bangladesh Bank, 2022).

Bangladesh has 400 steel and re-rolling mills of which the top three players are meeting half of the domestic demand. The steel and re-rolling industry mainly processes three types of steel which are called TMT, Flat steel, and Stainless steel to meet domestic demand and export to international markets (Md. Mehedi Hasan, 2022).

Types of Steel

In Bangladesh, steel and re-rolling mills mainly manufacture three types of steel such as TMT bar, flat steel, and stainless steel. The TMT bars are the most strong steel and it has a minimum level of erosion. This is why the TMT bars are mostly used in heavy construction-related work like bridges, flyovers, dams, etc. Another type of steel is flat steel which is mainly used in the automotive industry and manufacturing of home appliances. On the other hand, stainless steel is used for general construction, kitchen, and manufacturing of medical equipment. This steel is also used for several government infrastructural development projects.

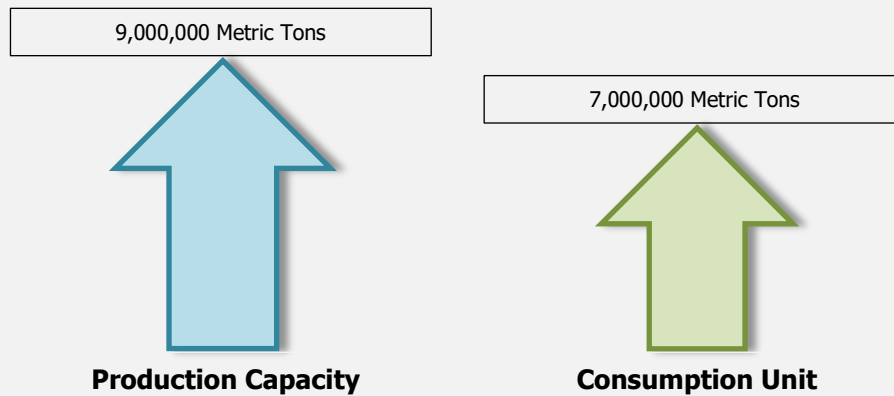
Figure 1. Types of Steel



Local Production

The yearly steel production capacity in Bangladesh is around 9 million metric tons. The domestic consumption of steel is more than 7 million metric tons. This local demand is mostly fulfilled by the local steel manufacturing industry. The main raw material of the steel industry is iron which mainly comes from the shipbreaking industry. However, in the case of other types of steel (carbon, manganese, silicon, sulfur, furfural, copper) materials that cannot be manufactured in Bangladesh those are imported from different countries to fulfill the local demand. According to the IDLC, there are approximately 400 steel and re-rolling mills in Bangladesh (IDLC, 2022).

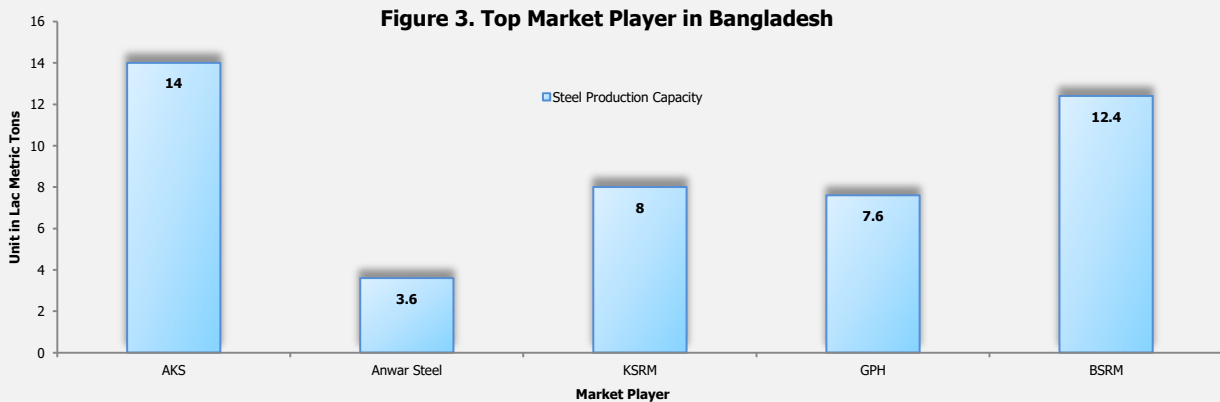
Figure 2. Production and Consumption



Source: IDLC

Market Player

Bangladesh has various steel and re-rolling mills, among those mills, few market players are producing the major portion of the steel. Figure 3 shows that Abul Khair Ispat (AKS) Company has the largest steel production capacity, which is 1.4 million metric tons. The following position is held by Bangladesh Steel Re-Rolling Mills (BSRM) and the production unit is 1.24 million metric tons. Kabir Steel Re-rolling Mills (KSRM) is in the third position in this production chain. The production of KSRM is 0.8 million metric tons. Among the market leaders, AKS, BSRM, and KSRM meet up half of the local steel consumption demand.

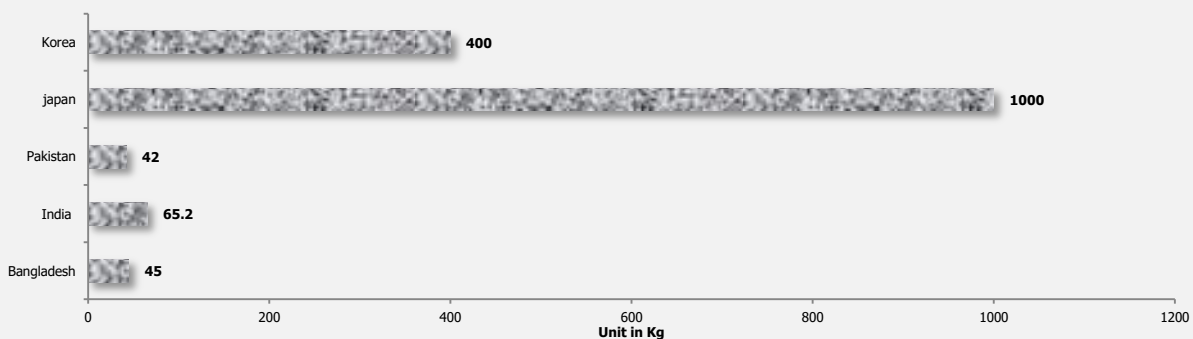


Source: AKS, Anwar Steel, KSRM, GPH, and BSRM Website collect through (Business Inspection, 2022)

Demand of Steel

At present time the current rate of the steel and re-rolling market size is around BDT 72,000 crore in Bangladesh (Chakma et al., 2022). According to the (World Steel Association, 2022), the global per-capita steel consumption is 208 Kg whereas, in Bangladesh, it is significantly lower than the average consumption. Bangladesh's per capita consumption had been 45 Kg on January 2020 (Figure 4), and it's expected that the consumption will hit 75 Kg in the year 2022. The average per capita consumption of iron and steel in neighboring countries like India is 65.2 Kg and 42 Kg in Pakistan (Figure 4). On the other hand, the per-capita consumption is significantly higher in developed countries like Japan which consumes steel 1,000 Kg per capita and South Korea consumes 400 Kg per capita (Figure 4). Nevertheless, the consumption of steel in Bangladesh is increasing with the rapid development of infrastructure. According to the forecast of SteelMint (2022), the demand for steel and re-rolling would increase by 6%-7% annually till 2025.

Figure 4. Per Capita Consumption

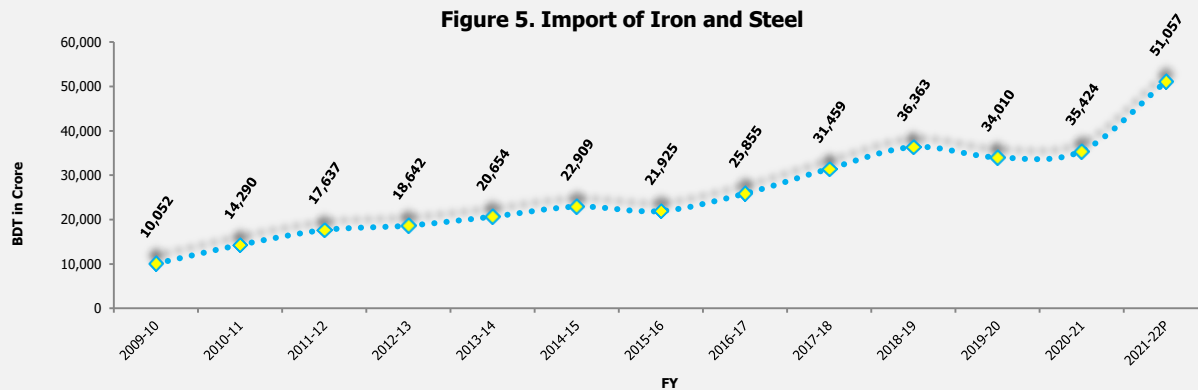


Source: World Steel Association

Import of Iron and Steel

Bangladesh is a bay land. It has several resources under the territory but iron cannot be found in this land. The steel and re-rolling industry's main raw material is iron which is formed as a natural resource and is extracted for refining. In Bangladesh, raw iron is collected from the ship-breaking industry.

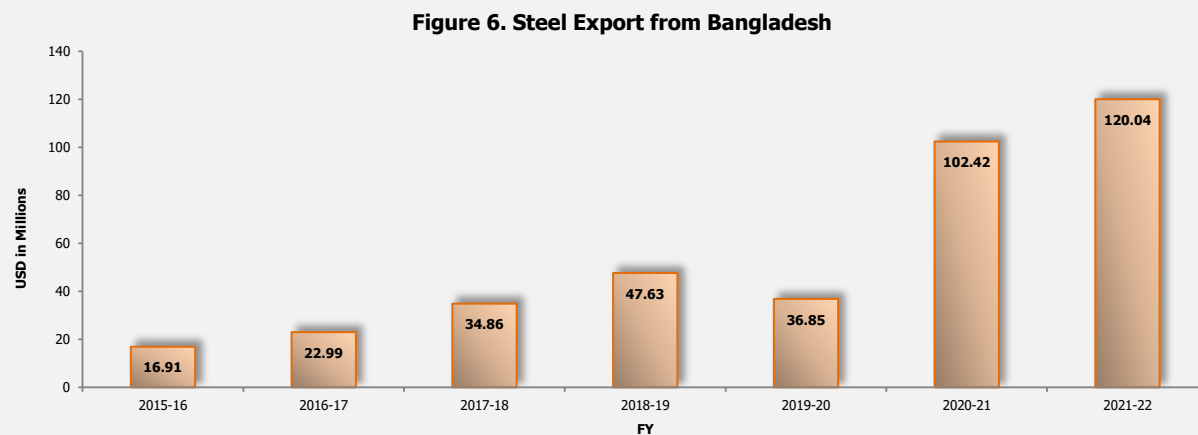
Figure 5 reflects the history of the import of steel and iron in local currency. It shows that in the last 10 years the import of iron and steel has increased continuously. Although, during the time of Covid-19, the increasing trend slow down, after that the prediction shows imports will increase significantly. However, in FY22, the prediction shows that the import of iron and steel will increase to BDT 51,057 crore which will be the highest amount of import of all time.



Source: Bangladesh Bank

Export of Steel

Bangladeshi steel and re-rolling mills produced steel to meet the local demand, and the surplus production has been exported. Figure 6 shows the last seven years' export in million USD. In FY16, the total export was USD 16.91 million, which increased continuously up to FY19, as shown the Figure 6; but in FY20 the export of steel dropped by 22.63% due to the Covid-19 pandemic. However, after Covid-19, the export of steel growth was 177.94% in FY21. In FY22, the steel export grows to USD 120.04 million, which is the maximum.



Source: (Export Promotion Bureau, 2022)

Conclusions

Currently, the steel and re-rolling industry is expanding in Bangladesh due to the increase in infrastructure development. The world steel association data shows that the per capita steel consumption is expected to increase by 75 kg in 2022. The study discovered that Bangladesh has around 400 steel mills, and the top three firms (AKS, BSRM, and KSRM) fulfill the country's 50% of the total demand. However, Bangladeshi firms can meet the rising local demand and serve the international market through surplus production. Moreover, it is noticeable that the export amount of steel is significantly lower than the neighboring countries. Therefore, the recommendation for Bangladesh is to focus on the shipbreaking industry, the backward linkage sector of this industry, because this would allow adding another pillar for the collection of foreign reserves.

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About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

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