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IDLC MONTHLY BUSINESS REVIEW

THE STEEL INDUSTRY OF BANGLADESH: CONSTRUCTING A COMPACT FOUNDATION OF GROWTH AMIDST ECONOMIC INSTABILITY

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কাঙ্ক্ষিত লক্ষ্যে পৌঁছাতে
দরকার হয় একটু নির্ভরতার!
আপনিও আস্থা রাখুন আইডিএলসি'র চার দশকের দক্ষতা ও অভিজ্ঞতায়
আপনার দুরন্ত স্বপ্নগুলোকে ডানা মেলার শক্তি দিতে চাই দূরদর্শিতা, দীর্ঘ অভিজ্ঞতা ও দক্ষতা। দীর্ঘমেয়াদী পরিকল্পনা, সুশাসন, স্বচ্ছতা ও আন্তরিক সেবা নিয়ে দেশের সর্ববৃহৎ আর্থিক প্রতিষ্ঠান আইডিএলসি লাখ লাখ মানুষের পাশে আছে আস্থা ও ভরসা হয়ে।
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The Steel Industry of Bangladesh: Constructing a Compact Foundation of Growth Amidst Economic Instability

The steel industry has consistently positioned itself as a vanguard of industrial progress, serving as the bedrock of an economy. Currently, the steel industry in Bangladesh is worth BDT 55,000 crore (USD 6.2 billion), as reported by The Business Standard with the per capita steel consumption forecasted to increase from 45 KG in 2022 to more than 100 KG by 2030. This industry is now flourishing, mainly relying on the investment of large conglomerates, diversifying products, and transforming production. However, a wave of crisis due to the Russia-Ukraine war has put the industry under immense pressure. The industry needs a strong lending sector, a stronger investment climate, government policy change (tax, VAT, etc.), and infrastructural development. In particular, economic instability caused by high inflation, dollar crises, rising interest rates, and political unrest may limit growth if not controlled appropriately.

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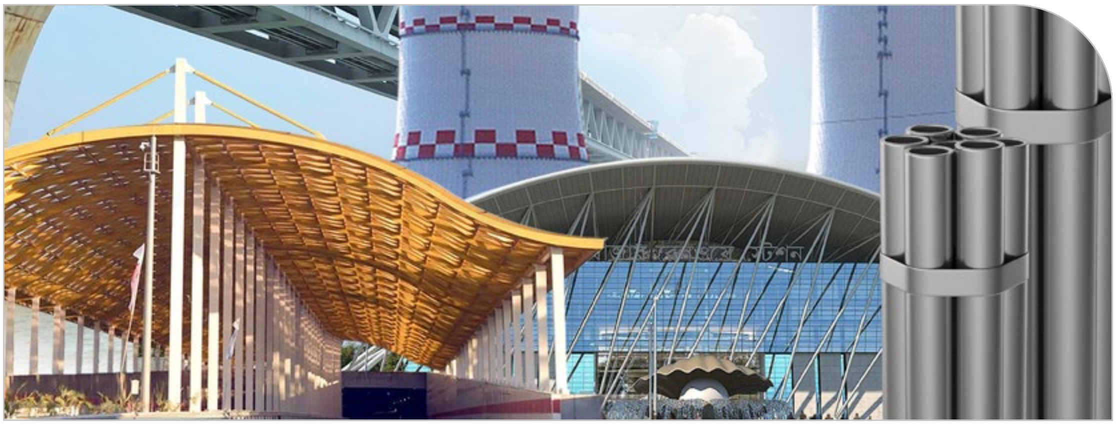
FROM THE

EDITOR



The Steel Industry of Bangladesh: Constructing a Compact Foundation of Growth Amidst Economic Instability

Infrastructural development has taken centre stage in Bangladesh in the last decade, with several ongoing mega projects fueling the significant demand for steel. The industry has flourished largely due to the investment of large conglomerates, diversification of steel products, and enhanced production capacity. According to the World Steel Association, the total consumption of steel was approximately 7.4 million metric tonnes in 2022, while the production capacity of steel mills stood at around 9 million metric tonnes in Bangladesh.

The private sector investment brought a significant overhaul to the steel industry in Bangladesh in the early 1990s. Through a resilient growth pace, the current market size of the steel industry in Bangladesh stands at an estimated BDT 55,000 crore (USD 6.2 billion) as per The Business Standard. Moreover, per capita steel consumption is projected to rise from 45kg in 2022 to over 100kg by 2030, indicating a high growth spectrum. Approximately 60% of the manufactured steel is used in government projects, 25% is used by consumers, and the rest 15% is reserved for the private sector.

Though having high growth potential, the steel industry, along with its allied industries, has been grappling with challenges in recent times owing to several critical factors like currency devaluation, high inflation, and a high margin on LC opening. This, in turn, has translated to supply chain disruptions, logistical inefficiency, an energy crisis, and a rise in financing costs. However, the easing of the economic slump would dramatically turn the tide in the steel industry's favour with the usual resumption of mega projects coupled with government policies. Undoubtedly, the steel industry will play a pivotal role in spearheading the industrial infrastructure in Bangladesh and transforming the country's economic outlook.

Md. Shah Jalal
Editor
IDLC Monthly Business Review

INDUSTRY & EQUITY ANALYSIS TEAM

ASIF SAAD BIN SHAMS
Email: shams@idlc.com

DEBAJIT DATTA
Email: debajit@idlc.com

MD. SHAH JALAL
Email: mjalal@idlc.com

AKHLAQUR RAHMAN SACHEE
Email: akhlaqur@idlc.com

SYED MD. RAKEEN
Email: rakeen@idlc.com

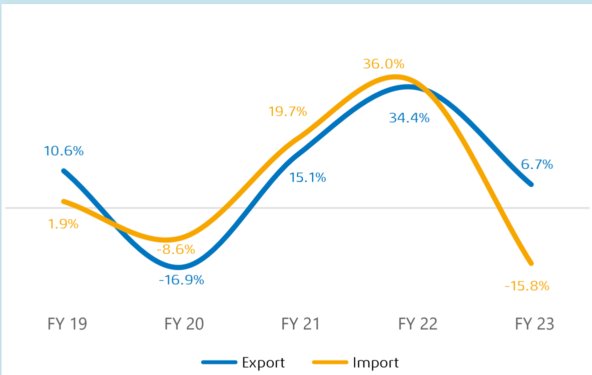
MUKTADIR MUBASSIR
Email: mubassir@idlc.com

ECONOMY AT A GLANCE

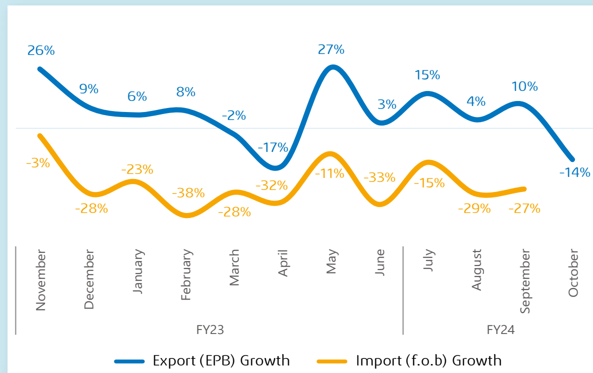
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

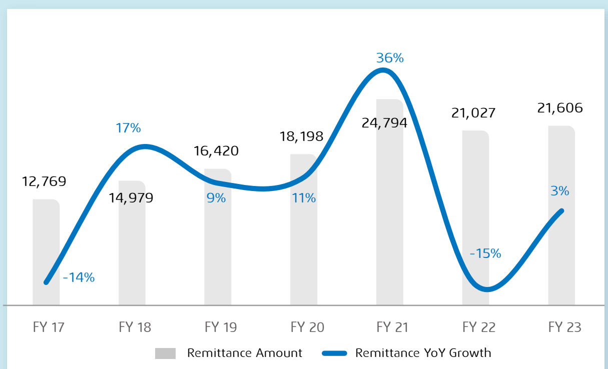


Export and Import Growth (Last 12 Months)

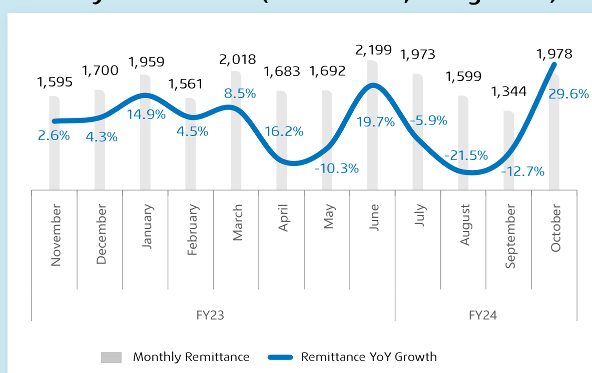


REMITTANCE

Remittance Amount (USD Million, YoY Growth)

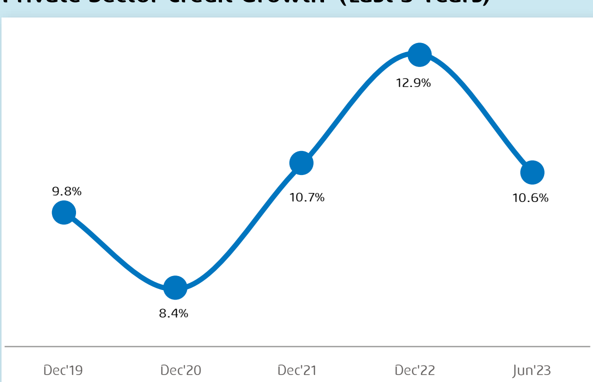


Monthly Remittances (USD million, YoY growth)

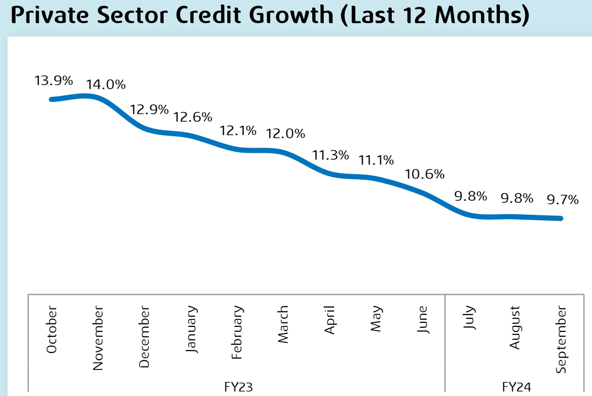


PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



MONTH IN BRIEF

● **As per a statutory regulatory order published on October 03, 2023, the National Board of Revenue has removed the existing 5% regulatory duty** on the import of soybean oil cake and other solid residues. Its usage as a raw material for poultry feed is expected to reduce the cost of poultry feed production.

● In an effort to combat inflation, Bangladesh Bank has taken the decision to increase the repo rate to **7.25% at the monetary policy committee meeting held on October 04, 2023.**

● As part of the climate change adaptation programme and the development policy credit, the World Bank is considering providing **USD 500 million in the form of budget support, as declared by the country director on October 04, 2023.**

● The Multilateral Investment Guarantee Agency, a member of the World Bank Group, is navigating the option of offering guarantees for short-term trade finance facilities in **Bangladesh ranging from USD 500 million to USD 1 billion for essential imports.**

● As per a report published on The Daily Star on October 09, 2023, the introduction of the Automobile Industry Development Policy 2021 has attracted fresh investment of approximately **BDT 2,500 crore in the automobile industry in the last two and a half years.**

● National savings certificates have experienced a significant increase in net sales, reaching **BDT 5,562 crore in July 2023–August 2023, compared to BDT 401.20 crore during the same period in the previous year.**

● **The government is considering waiving the 15% capital gains tax on land sales,** a measure imposed by the new income tax law, to alleviate the tax burden on individual taxpayers.

● **Eighteen private commercial banks have signed an agreement with the Bangladesh Bank on October 10, 2023,** to access funds from the central bank's long-term financing facility for export-centric manufacturing companies.

● At a meeting held on October 20, 2023, banks decided to offer an additional **BDT 2.75 on BDT 112.75 per dollar, along with a 2.50% incentive from the government to enhance the inflow of the greenback.**

● **In an effort to address persistent inflation, Bangladesh Bank has restructured its monetary policy committee** to involve external experts, aligning with recommendations from the International Monetary Fund.

AS PER THE SUGGESTION OF THE IMF, WE HAVE ALREADY IMPLEMENTED SOME REFORM MEASURES, INCLUDING RESERVE CALCULATION WITH THE BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION (BPM6). WE HAVE ALSO DISCUSSED THE OTHER REFORM MEASURES. THE CENTRAL BANK IS ALSO WORKING TO IMPLEMENT THE REFORMS.

Md Mezbaul Haque, Executive Director of Bangladesh Bank, on the reform measures Bangladesh Bank has taken in line with the International Monetary Fund's suggestions for its USD 4.70 billion loan programme. (October 04, 2023. The Business Standard.)

Banking sector has been reformed and the interest rate cap has been lifted. Along with the reforms, investment should be made for the people. Investments must be made to protect people from climate impacts.

Abdoulaye Seck, Country Director of World Bank, on Bangladesh needing to reform its financial sector to achieve macroeconomic stability. (October 04, 2023. The Business Standard.)

The central bank will have to move forward from the methods of the Association of Bankers Bangladesh and the Bangladesh Foreign Exchange Dealers Association to stabilise the USD market.

Dr Zahid Hussain, Former Lead Economist of World Bank, on initiating a market-driven exchange rate to stabilise the money market and prevent the decline of forex reserves. (October 27, 2023. The Business Post.)

We decided that banks can offer a maximum of 2.5 per cent incentive to remitters. Bank will offer a maximum of BDT 115.50 from CSR.

Selim RF Hussain, Chairman of Association of Bankers Bangladesh, on banks offering 2.5% extra incentive to remitters. (October 21, 2023. The Business Post.)

The government and the central bank are now on the right track. If the government had taken such steps in the last financial year, inflation would not have increased so much. Although belated, the policies being taken now to control inflation are right.

Ahsan H Mansur, Executive Director of Policy Research Institute, on the government's initiatives to reduce borrowing from the banking sector. (October 11, 2023. The Business Standard.)

Foreign banks will not hesitate to finance imports when they know that MIGA is the guarantor. It will act as a catalyst. Those getting coverage under this guarantee will have access to imports of more than USD 1 billion.

Dr Zahid Hussain, Former Lead Economist of World Bank, on the role of Multilateral Investment Guarantee Agency as a guarantor for short-term trade finance facilities boosting imports. (October 06, 2023. The Business Standard.)

You are probably aware that Switzerland is often regarded as a central hub in Europe. In a similar vein, Bangladesh possesses the potential to serve as a strategic hub. With its advantageous geographical location, this country can act as a pivotal transit point for global destinations.

Air-Vice Marshal M Mafidur Rahman, Chairman of Civil Aviation Authority of Bangladesh, on Bangladesh having the potential to become a strategic hub for global destinations owing to its geographical location. (October 25, 2023. The Business Standard.)

We will try to incorporate the minimum wage policy into the National Wage Policy and guarantee that workers receive a wage sufficient for their livelihood.

Chowdhury Ashiqul Alam, Secretary-General of Bangladesh Noujan Sramik Federation, on Bangladesh developing its first National Wage Policy to set standards for determining the wages of all workers. (October 23, 2023. The Business Standard.)

WORLD ECONOMIC INDICATOR

PREPARED BY IDLCSL RESEARCH TEAM

Country	Nominal GDP: 2022 (USD in Billion)	Real GDP Growth: 2022 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten years Treasury Bond	Currency Units (Per USD)
Frontier Markets							
Sri Lanka	75.30	-8.66	1.50	October-23	-1.94	13.28	326.34
Vietnam	406.45	8.02	3.59	October-23	-0.88	2.90	24,325.00
Kenya	115.99	5.37	6.90	October-23	-4.72	16.83	151.75
Nigeria	477.38	3.25	26.72	September-23	-0.72	15.43	805.00
Bangladesh	453.85	6.03	9.93	October-23	-0.70	10.41	111.00
Emerging Markets							
Brazil	1,924.13	2.90	4.82	October-23	-2.91	11.57	4.92
Saudi Arabia	1,108.15	8.74	1.70	September-23	13.79	N/A	3.75
India	3,386.40	6.83	5.02	September-23	-2.61	7.31	83.30
Indonesia	1,318.81	5.31	2.56	October-23	1.00	6.83	15,694.05
Malaysia	407.92	8.69	1.90	September-23	2.64	4.02	4.69
Philippines	404.26	7.60	4.90	October-23	-4.41	6.98	55.92
Turkey	905.53	5.57	61.36	October-23	-5.38	28.70	28.56
Thailand	536.16	2.64	-0.31	October-23	-3.26	3.16	36.29
China	18,100.04	2.99	-0.20	October-23	2.31	2.67	7.29
Russia	2,215.29	-2.05	6.70	October-23	10.27	11.99	92.18
Developed Markets							
France	2,784.02	2.61	4.00	October-23	-1.71	3.35	0.93
Germany	4,075.40	1.78	3.80	October-23	4.20	2.75	0.93
Italy	2,012.01	3.68	1.78	October-23	-0.73	4.57	0.93
Spain	1,400.52	5.48	3.50	October-23	1.06	3.81	0.93
Hong Kong	360.98	-3.51	2.00	September-23	10.73	4.04	7.81
Singapore	466.79	3.65	4.10	September-23	19.33	3.21	1.36
United States	25,464.48	2.07	3.70	September-23	-3.64	4.64	1.00
Denmark	390.68	3.62	0.10	October-23	12.82	3.00	6.98
Netherlands	993.68	4.52	-0.40	October-23	5.49	3.09	0.93
Australia	1,701.89	3.66	5.40	September-23	1.20	4.71	1.57
Switzerland	807.23	1.70	1.70	October-23	9.84	1.16	0.90
United Kingdom	3,070.60	4.05	6.70	September-23	-5.55	4.41	0.82

Bangladesh Data: The new GDP size (FY23) is as per the provisional estimate of Bangladesh Bureau of Statistics and real GDP growth (FY23) is as per new base year. Calculation Method of CA balance (% of GDP) = CA balance of FY23 /Provisional Estimate for GDP of FY23
Interest rate (%) 10 years TB as per October 2023, Inflation as per October 2023 and Currency Unit (per USD) as per 8th November are sourced from Bangladesh Bank

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2023 data (April, 2023 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of April, 2023 data (World Economic Outlook, April 2023)

Inflation: Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

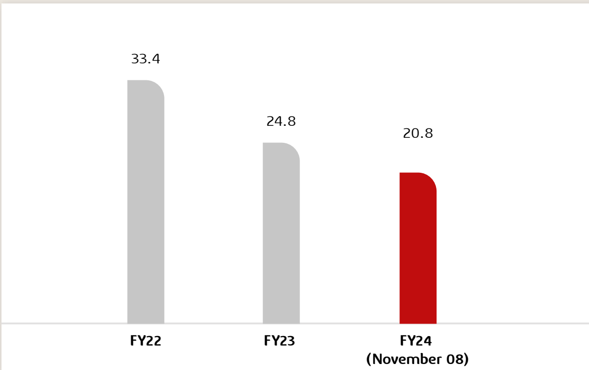
Interest rates 10 years TB and Currency Unit : Data of all countries apart from Bangladesh is sourced from Investing.com

BANKING DATA CORNER

Prepared by IDLCSL Research Team

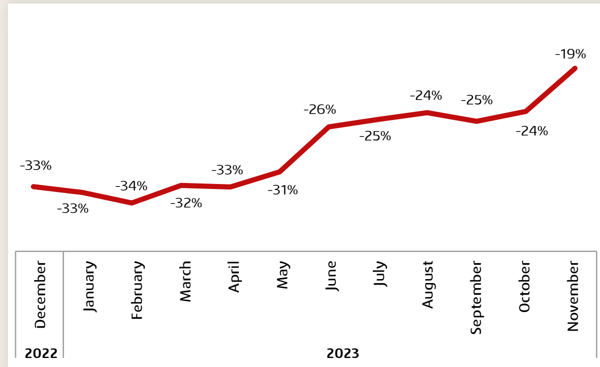
Gross Foreign Exchange Reserve as per BPM6

(In Billion USD and Last 2 Years)



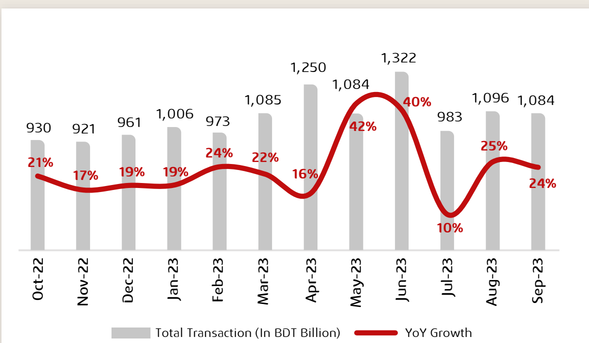
Gross Foreign Exchange Reserve

(Last 12 Months Trend)



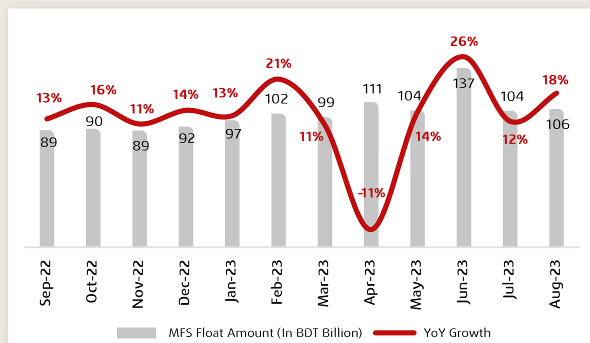
MFS Total Transaction Value

(BDT Billion and YoY Growth)



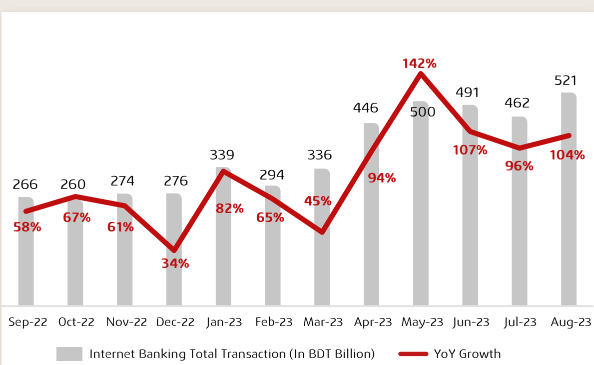
MFS Float Amount

(BDT Billion and YoY Growth)



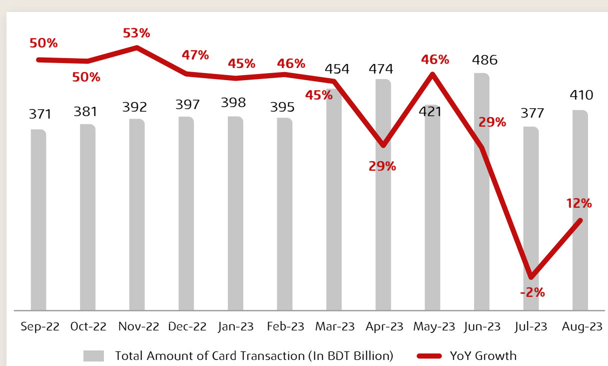
Total Amount of Internet Banking Transaction

(BDT Billion and YoY Growth)



Total Amount of Card Transaction

(BDT Billion and YoY Growth)



Source: Bangladesh Bank

AyyKori

Aminul Islam
Founder and CEO, AyyKori

Interviewed by
Syed Md. Rakeen, Team MBR

Pioneering the first cashback app in Bangladesh, AyyKori enables consumers to save money on their purchases as well as earn by sharing amazing brand bargains with friends and family. Their platform was created to offer everyone who enjoys shopping and saving money a rewarding and fulfilling experience. Realising the importance of receiving curated cashback offers in a sea of cashback offerings from myriad brands, they have developed an easy-to-use platform that enables customers to access cashback offers and avail those on their purchases. By spreading news of lucrative brand discounts throughout their network, they also provide users with the opportunity to earn money through the platform. To guarantee that customers always gain access to the best offers and discounts, they have collaborated with several renowned and new businesses and added the offerings of those companies to their app. Team MBR was in conversation with Mr. Aminul Islam to learn about his inspiration behind forming AyyKori as well as his long-term vision regarding AyyKori.

Syed Md. Rakeen: AyyKori has pioneered the first cashback site in Bangladesh, allowing consumers to gain access to exclusive cashback offers from renowned brands as well as save on their purchases. Would you kindly share what inspired you to create a unique platform like AyyKori?

Aminul Islam: AyyKori was born out of the desire to address a pressing need in the Bangladeshi market. The idea came from recognising that consumers were looking for ways to save money and earn extra while shopping, and brands wanted to reduce their reliance on marketplaces. This inspired us (the founders) to create a unique platform that not only bridges the income gap for users but also empowers brands to sell directly from their own platforms, reducing their dependency on marketplaces.

Syed Md. Rakeen: Daraz and Esquire Electronics are just two of the many renowned brand partners of AyyKori so far. Could you please share how the revenue distribution model works with the brands you have collaborated with?

Aminul Islam: Our revenue distribution model with brand partners is based on performance. Brands collaborate with AyyKori to offer exclusive cashback deals to our users. Users receive cashback from these deals, and AyyKori keeps a portion of the sales as a service fee. It is a win-win model that ensures brands gain visibility and users enjoy savings.

Syed Md. Rakeen: Given the price-sensitiveness of the majority of consumers in Bangladesh, an all-in-one cashback site will undoubtedly be lucrative to individuals seeking discounts while shopping. How is AyyKori raising awareness among consumers regarding its platform?

Aminul Islam: To raise awareness among consumers, we employ a multi-faceted approach. We leverage social media, influencer marketing, and partnerships with renowned brands to promote our platform. We also engage in targeted advertising campaigns to reach consumers seeking discounts, especially before major shopping seasons.

Syed Md. Rakeen: Consumer purchases tend to increase exponentially before religious festivals, with several renowned retail brands offering numerous cashback offers. Would you kindly share how AyyKori strategies during the seasonality of shopping and cashback trends?

Aminul Islam: Seasonal shopping trends are a significant focus for us. During the seasonality of shopping, we observe a cashback trend from the MFS and bank cards. But none of them represents a true form of cashback. They are all payment gateway discounts, and you cannot enjoy cashback while availing cash on delivery. On the other hand, AyyKori users enjoy cashback even after getting it from payment gateways! It means, in AyyKori, you will get cashback round the year along with other brands' offers.

Syed Md. Rakeen: The sheer volume of online and offline shopping can often lead to brands and retailers going out of stock for products with cashback offers. How does AyyKori ensure that all the cashback offers sourced from its partners remain updated?

Aminul Islam: Every brand partner of AyyKori has a tech integration, and our offerings are real-time with 100% accuracy with the help of AI and machine learning. Also, we are the largest tech-integrated local network, working with more than 100 local and foreign brands to serve the market.

Syed Md. Rakeen: AyyKori provides an attractive opportunity to earn from its website through affiliate marketing techniques. Would you kindly share how cashback redemptions and payment processing work on your platform?

Aminul Islam: Cashback redemptions on AyyKori are straightforward. Users shop through our platform, earn cashback on their purchases, and can then redeem it as a direct bank transfer or MFS transfer. Our payment processing is efficient, and we are continually working to provide multiple payment options to cater to user preferences.

Syed Md. Rakeen: The lucrativeness of cashback offers comes with its fair share of challenges, as some consumers may try to claim more cashback than they are entitled to. How is AyyKori addressing potential fraudulent cases and preparing to eliminate malpractice?

Aminul Islam: Addressing potential fraudulent cases is essential. AyyKori employs a robust system to monitor and detect any irregularities. In cases of suspected malpractice, we investigate thoroughly with our automatic AI spider and, if necessary, take appropriate actions to ensure the integrity of our platform.

Syed Md. Rakeen: AyyKori was recently ranked as one of the top 10 startups in the Bangabandhu Innovation Grant (BIG 2023) event, where it also secured government grants. Given the immense potential of your platform, what are the long-term aspirations of AyyKori in the future?

Aminul Islam: AyyKori's long-term aspirations are to become the go-to platform for both consumers and brands in Bangladesh. We aim to expand our brand partnerships, enhance our user experience, and continue to innovate in the field of cashback and affiliate marketing, both locally and globally. Ultimately, we envision AyyKori as a catalyst for digital inclusion and financial empowerment in the region.

The Steel Industry of Bangladesh:

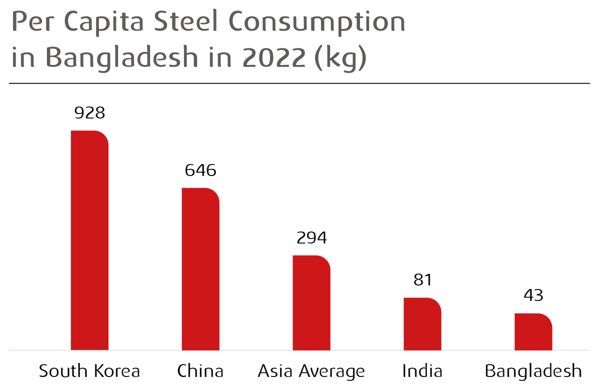
Constructing a Compact Foundation of Growth Amidst Economic Instability

Written By
Md. Mehedi Hasan

Bangladesh is the world's 3rd fastest-growing economy and has buoyed above 6% GDP growth over the years despite political turmoil, structural constraints, pandemics, global volatility, and the Russia-Ukraine war. According to the Asian Development Outlook (ADO) September 2023 report, GDP growth in Bangladesh is predicted to be 6.5% in FY2024 as opposed to 6.03% in the previous fiscal year. Its galloping growth rate requires infrastructure development at an unprecedented scale, underscoring the demand for steel. The steel industry has consistently positioned itself as a vanguard of industrial progress, serving as the bedrock of an economy. Currently, the steel industry in Bangladesh is worth BDT 55,000 crore (USD 6.2 billion), as per The Business Standard with per capita steel consumption forecast to increase from 45 KG in 2022 to more than 100 KG by 2030. Production capacity is experiencing a sharp rise along with demand at an annual growth rate of 10%. At present, 40 modern and 150 traditional factories are producing steel in Bangladesh. The economic slowdown due to COVID-19 caused per capita consumption of steel to slightly decrease from 45 KG to 43 KG in 2022.

Figure 01: Steel Production in Bangladesh

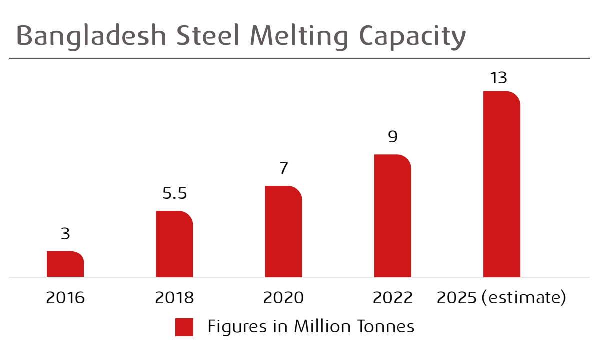
Figure 02: Per Capita Steel Consumption in Bangladesh



Meteoric Rise of the Steel Industry in Bangladesh

The steel industry experienced sharp growth in the early 1990s owing to private entrepreneurs' investment in the sector. This industry is now flourishing, mainly relying on the investment of large conglomerates, diversifying products, and transforming production. As per the World Steel Association, Bangladesh manufactured 5.2 million metric tonnes of steel in 2022, and its net import of steel decreased to 2.2 million metric tonnes, implying that the country's consumption of steel was roughly 7.4 million metric tonnes, whereas the combined production capacity of steel mills is around 9 million metric tonnes in Bangladesh. According to The Business Standard, there is an anticipated increase in the rate of expansion of factory capacity, with projections indicating a rise to 13 million metric tonnes by the year 2025. The increase in local steel manufacturers' production capacity has coincided with a decline in imports, as per the World Steel Association.

Figure 03: Bangladesh's Steel Melting Capacity



Global Outlook of Steel Industry

The global iron and steel market was valued at USD 1,599.4 billion in 2022 and is projected to reach USD 1,928.6 billion by 2027, with a compound annual growth rate (CAGR) of 3.8% during the forecast period from 2022 to 2027, as reported by MarketsandMarkets, a leading global market research and consulting firm headquartered in India. World crude steel production stood at 1256.4 million metric tonnes in the January–August 2023 period, registering a growth of 0.2% year over year, according to the World Steel Association. In the month of August 2023, world crude steel production stood at 152.6 million metric tonnes, a 2.2% increase compared to August 2022. China remained the leader in world crude steel production, with an output of 712.9 million metric tonnes in the January–August 2023 period, registering 2.6% yoy growth and accounting for 56.7% of world crude steel production during the first six months of 2023. India and Japan remain in the 2nd and 3rd positions, respectively, in the first half of 2023.

Table 01: Top 10 Steel Producing Countries
World Crude Steel Production (prov)

Rank	Country	Jan'23-Jun'23	% YoY Change
1	China	535.6	1.3
2	India	67.9	7.4
3	Japan	43.8	-4.7
4	USA	39.9	-2.9
5	Russia	37.5	1
6	South Korea	33.7	-0.05
7	Germany	18.5	-5.3
8	Iran	16.1	4.8
9	Brazil	16	-8.9
10	Turkey	15.9	-16.3
Top 10 Total		**824.9**	**0.4**
World		**943.9**	**-1.1**

Source: World Steel Association

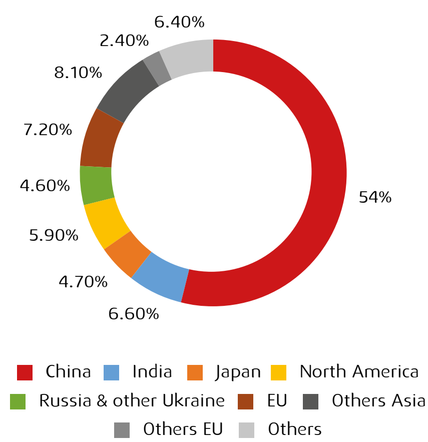
Table 02: Top Five Steel-Producing Companies 2022

Rank	Company	Million Metric Tonnes
1	China Baowa Group	131.84
2	Arcelor Mittal	68.89
3	Ansteel Group	55.65
4	Nippon Steel Corporation	44.37
5	Shagang Group	41.45

Source: World Steel Association

Figure 04: Crude Steel Production: Geographical Distribution

Crude Steel Production Geographical distribution 2022



Source: World Steel Association

Except for China, India, Russia, and Iran, global crude steel production in January–June 2023 remained on a declining trend in all the major steel-producing markets. Raw material prices are also in a declining trend. Iron ore and scrap future prices are hovering around USD 120 and USD 377, respectively, in October 2023, compared to USD 129 and USD 468, respectively, in March 2023. According to Trading Economics, steel rebar futures were at CNY 3,670 per tonne, and HRC steel futures were at USD 789 per tonne at the end of September 2023. As per the trend report by the Indian Steel Industry, global steel prices continued to remain volatile in the remaining year of 2023 due to a combination of local and global factors.

- China's economy slowed in September 2023, with manufacturing shrinking and the services sector deteriorating. Market players predict financial contagion for China's steel-intensive property development sector.

- High inflation in certain regions, stricter monetary policies, and financial market turbulence due to US bank failures are affecting industrial prospects.

- The Russia-Ukraine and Israel-Palestine conflicts have had broad implications, including raw material supply, logistics, trade uncertainty, and sanctions.

- Volatility in prices for key raw materials used in the production of steel, which had an adverse impact in the second quarter of 2023.

- The IMF raises its 2023 global growth prediction to 3% and its US and UK growth forecasts by 20 and 70 basis points, respectively. Germany is the only prominent economy experiencing a recession, with a projected 0.3% drop in 2023, whereas Britain's GDP is currently not predicted to contract.

- The US economy unexpectedly gained momentum in the second quarter as a result of firms' and consumers' ability to withstand high-interest rates.

Overview of the Steel Industry in Bangladesh

The nation's steel consumption exceeds 7 million metric tonnes. The steel industry has a workforce of approximately 1 million individuals, both in direct and indirect employment. The steel industry in Bangladesh has transitioned from an oligopolistic market structure to a perfectly competitive one. In addition to BSRM, prominent steel manufacturers such as Abul Khair Steel (AKS), KSRM, and GPH Ispat are situated in Chattogram. These factories in Chattogram cater to nearly half of the country's steel requirements. Several small millers, including steel product traders from Dhaka and Narayangonj, are establishing new plants with updated technology in an attempt to gain a foothold in the market. Large businesses are aiming for massive government projects, while small millers are mostly targeting the retail side of the market, which includes individual homebuilders and the real estate sector.

Figure 05: Geographical Distribution of Steel Production in Bangladesh

Major Players in the Steel Industry

Existing Players in the Steel Market:

BSRM building a safer nation | AKS | KSRM | GPH ispat

GOLDEN ISPAT LIMITED | ANWAR ISPAT STRENGTH WITHIN | BAIZID STEEL

Table 03: Production Capacity of the Major Players in the Steel Industry

Name	Production Capacity (Million Metric Tonnes)
BSRM Group	1.6
AKS	1.4
KSRM	0.8
GPH Ispat	1
Mostofa Hakim Group	0.85
Anwar Ispat	0.3
Bayezid Steel	0.1

Source: National Dailies (TBS, The Daily Star)

New Entrants in the Steel Industry

Major Players in the Flat Sheet Market

Currently, there are 9 CI sheet (flat steel) manufacturers in Bangladesh. Among them, AKS (Abul Khair Steel Mills), PHP Steels Mills, KY Steel Mills (KDS Group), S. Alam Cold Rolled Steels Ltd., and Karanaphuly Steels (TK Group) are the top players in flat steel manufacturers.

Table 04: Production Capacity of Major Players in the Flat Sheet Market

Name	Capacity (Million Metric Tonnes per Annum)
AKS	750,000
PHP Steels	0.250
S. Alam Group	120,000 (CR Coil) and 72,000 (NOF)
TK Group	80,000 (CR Coil)

Source: Company Website

Consumption Dynamics in the Steel Industry in Bangladesh

Although the combined capacity of steel mills in Bangladesh is 9 million metric tonnes, the country consumed approximately 7.4 million metric tonnes in 2022, leaving the remaining portion of the production for exports to other countries. The primary driver of local steel demand can be attributed to government mega infrastructure projects such as the Padma Bridge, Metrorail, Bangabandhu Tunnel, road networks, economic zones, bridges, and rural infrastructure. Additionally, the construction of pucca houses in villages, fueled by expatriate income and private investment, has also contributed significantly to the overall demand for steel. Approximately 60% of the manufactured steel is used in government projects, 25% is used by consumers as per The Business Standard, and the rest, 15%, is reserved for the private sector.

Figure 06: Consumption Dynamics in Bangladesh

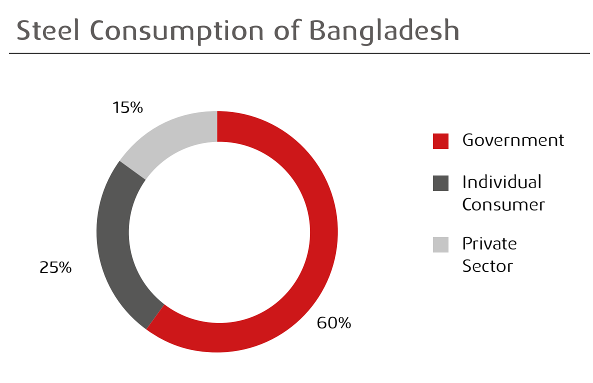
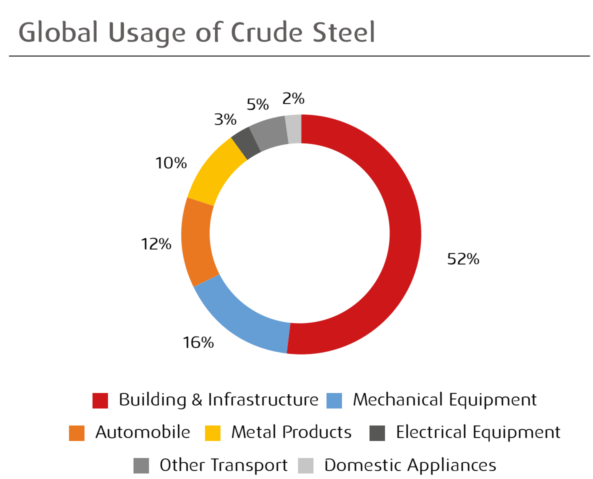


Figure 07: Global Usage of Crude Steel



Import of Steel Products in Bangladesh

Bangladesh's steel mills import scrap metal to make intermediate castings that need additional processing into final objects. Ferrous waste, scrap, remelted ingots, angles, rods, plates, and pipes are all handled by the industry. Bangladesh is the second-largest scrap ship destination and ferrous scrap consumer, importing 4 million metric tonnes. About 261 ships weighing 3.5 million LDT were demolished in 2021. A ship's lightweight displacement is its weight without people, cargo, bunkers, lubricating oil, ballast, fresh water, stores, etc. According to a UNCTAD analysis, Bangladesh remains the leading ship recycling nation despite a 65% drop in ship-breaking operations. Bangladesh recycled 50.4% oil tankers, 41% bulk carriers, 2% ferries and passenger ships, 1.9% chemical tankers, and 1.1% general cargo ships, accounting for roughly one-third of the worldwide ship recycling industry.

Figure 08: Imports of Scrap in Bangladesh

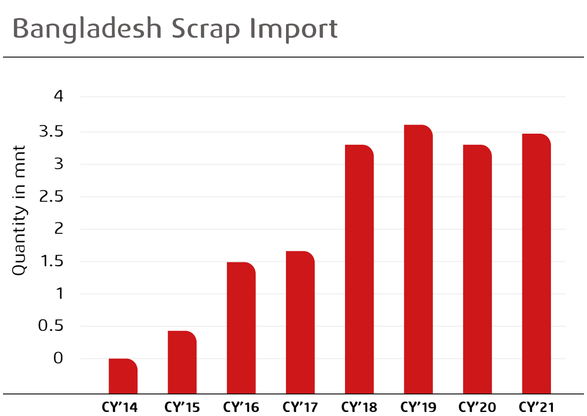
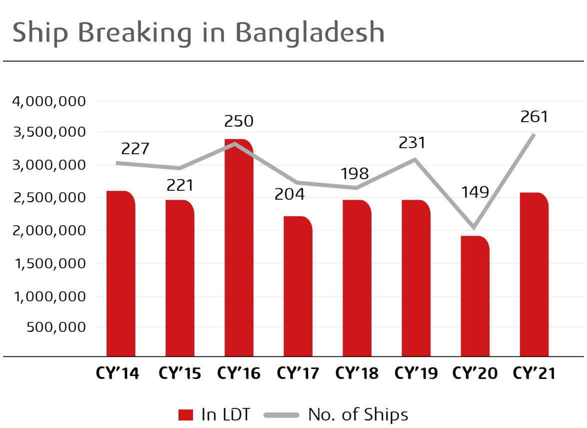


Figure 09: Ship Breaking in Bangladesh



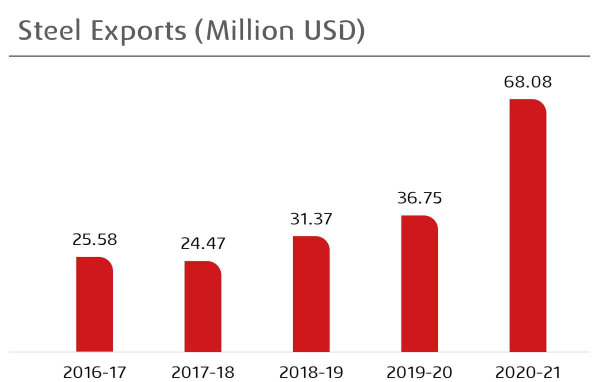
Source: SteelMint

Bangladesh's imported ferrous scrap market slowed due to limited trade. Mills are prioritising clearing pending letters of credit (LCs) for earlier orders due to foreign currency shortages. LCs for July and August reservations remain unresolved. Bangladesh imported 290,186 metric tonnes of bulk scrap in September, up by 37% compared to August. Bulk scrap imports are dominated by the US (133,443 metric tonnes), the UK (76,831 metric tonnes), and New Zealand (31,486 metric tonnes). The third quarter of 2023 had 1.31 million metric tonnes of scrap imports, with the figures rising by 0.33% relative to 2022.

Exports of Steel Products from Bangladesh

Because production costs are higher, the steel industry in Bangladesh is often viewed as being less competitive on a global scale. Most semi-finished casting products and byproducts are exported from Bangladesh as steel. Pakistan, Thailand, India, Malaysia, Japan, Myanmar, and the United Arab Emirates are the top export destinations. China, Taiwan, India, and other countries received exports of ferrous waste and scrap. Bangladesh has achieved an international standard for finished product quality, but export volumes have not met expectations. Even so, the quantity that was shipped to northeastern India was quite small. Not too long ago, GPH Ispat earned USD 71 million in 2021 by exporting 1.20 lakh metric tonnes of billet to China.

Figure 10: Steel Exports of Bangladesh



Source: Export Promotion Bureau

Raw Materials Price Trend

Scrap, old ships, plates, and billets have been decreasing in price locally and globally for months due to a sluggish global economy and lower steel mill demand. Local demand declined owing to higher rod prices, low monsoon building, and slower government projects. Iron ore and scrap prices on the London Metal Exchange were USD 129 and USD 468 in March 2023 and USD 120 and USD 377 in October 2023. In the first week of October, local ship scrap prices declined from BDT 70,000 in May to BDT 56,000. Shipbreaking dealers risk losing money by stocking heavily. All shipbreakers are reducing scrap supplies to avoid this. Despite reduced international scrap prices, big steel producers import scrap. October's first week saw the dockyard break roughly 80 ships.

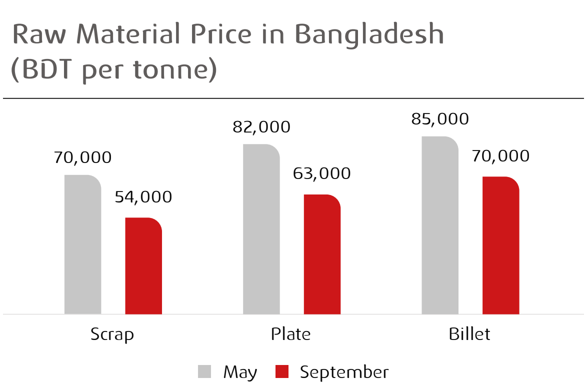
A large mill bought 15,000 metric tonnes of Japanese H2 material in the Kanto Tetsugen Scrap export contract this month. Booking cargo cost JPY 46,226/tonnene FAS (USD 405/tonnene CFR).

Local mills generate 6.5 million metric tonnes of billet annually, enough for 5.5 million high-quality rods. Approximately 35 mills import scrap for billet. Steel mills make billets for themselves and trade small amounts. Recently, GPH Ispat exported billets to China and Sri Lanka. The first week of October, local billet prices are BDT 67,000–BDT 70,000, and BSRM billet prices are BDT 75,000.

Figure 11: Global Scrap Price Movement

Source: London Metal Exchange

Figure 12: Raw Material Price Movement in Bangladesh

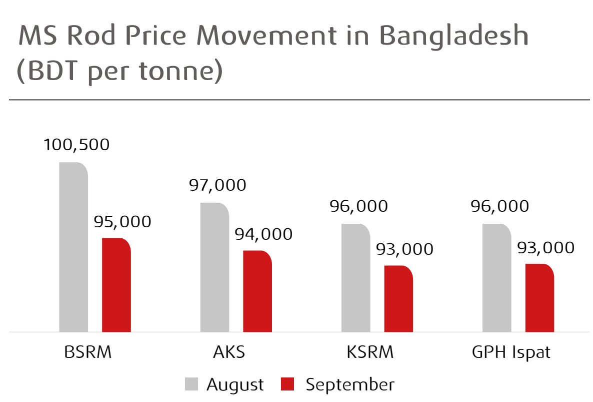


Source: The Business Standard

MS Rod Price Trend

High-quality 75-grade MS rod pricing touched BDT 100,000 per tonne in March and dropped to BDT 93,000 to BDT 95,000 in October due to steep depreciation in raw material prices (scrap, plate, and billet) and poor demand.

Figure 13: MS Rod Price Movement in Bangladesh

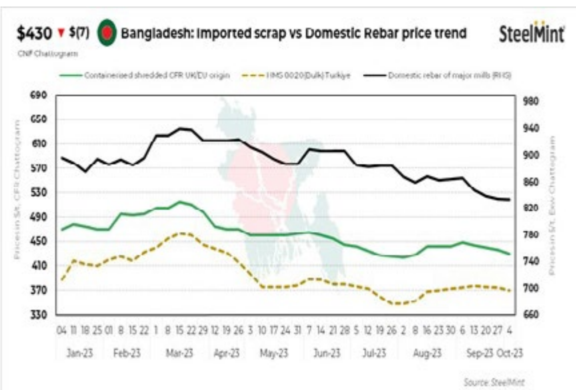


Source: The Business Standard

However, 60-grade rods (auto) have dropped by BDT 5,000 to BDT 7,000 per tonne in the previous several months and are now selling between BDT 83,000 and BDT 87,000 per tonne, depending on brand, down from BDT 90,000 to BDT 92,000 three months ago.

60-grade (semi-auto) rods, which cost BDT 90,000 three months ago, now cost between BDT 79,000 and BDT 80,000, depending on the brand.

Figure 14: Comparison of Imported Scrap vs Domestic Rebar Price Trend



Challenges Before the Steel Industry

The coronavirus pandemic in 2020 severely hampered the growth of steel production capacity. It is estimated that the total loss to steelmakers due to the coronavirus pandemic in 2020 was BDT 5,957 crore. Nevertheless, the situation has slowly normalised in 2021 after tackling the pandemic. However, another wave of crisis due to the Russia-Ukraine war has put the industry under immense pressure. Amid these global issues, a myriad of challenges in the local economy are also severely hurting industry growth.

Greenback Crisis and Taka Devaluation

The net forex reserve fell to USD 18 billion in September 2023, which peaked at USD 48 billion in 2021. Continuously falling reserves cause negative pressure on the exchange rate with local currency. Bangladesh Bank has continuously devalued the taka, which is still not enough, according to expert judgment. The wrong exchange rate, simply the undervaluation of the US dollar or an artificial overvaluation of the Bangladeshi taka, is one of the main reasons behind the country being pushed to the edge of the forex reserve crisis. Steel industry-related businesses struggle to open LCs due to the dollar crisis. In addition, the cost of production increases due to the higher exchange rate, or taka devaluation. Currently, Bangladesh Bank has fixed the forward exchange rate of USD at BDT 123.91.

Higher Margin on LC Opening

Due to the greenback crisis, much importance is given to opening LCs for food, commodity, and daily necessity goods imports. Due to their non-essential nature, not only is LC opening a challenge, but a higher margin is also sought for opening LCs related to steel raw materials and ship imports. This puts pressure on the steel millers' liquidity position to do business.

Higher Inflation: General inflation and food inflation remained at 9.93% and 12.56%, respectively, at the end of September. Inflation has consistently remained above 9%, and food inflation has exceeded 12% for the last couple of months, which significantly impacts the cost of living. Consumers are likely to spend more on essential food items, which can strain household budgets and reduce the purchasing power of individuals, leading to low demand for household construction in the country.

Slump of Private Sector Credit Growth

Private sector credit growth in Bangladesh slumped to 9.75% in August, the lowest in 22 months, despite Bangladesh Bank's projection that the growth rate will be 10.9% in this quarter. The global recession, the upcoming national election, higher borrowing costs, lower imports due to the dollar crisis, etc. led to a slump in private sector credit growth in the country. Due to tighter monetary policy to restrain inflation, a liquidity crisis may emerge, and construction demand and capital-intensive investment will decline, which will negatively impact steel industry growth. The culture of default loans is another obstacle to private sector investment, which is also a threat to the steel industry.

Finance Cost

Steel is a capital-intensive sector. Naturally, any expansion or new steel capacity enrichment is done through borrowed capital. In Bangladesh, the cost of finance is extremely high compared to the cost of finance in developed countries like China, Japan, and Korea. Funds are set to costlier as Bangladesh Bank raises the benchmark rate to SMART 7.43% in October (applicable for November) from September's 7.2% (applicable for October). Banks can charge a maximum of 10.93% interest, and NBFIs can charge a maximum of 12.93% interest on large-scale industrial loans, as per the latest circular from Bangladesh Bank. Our projection is that SMART will increase in the coming days, which will eventually increase the interest rate even higher. High borrowing costs will significantly impact the expansion and production of steel businesses.

Slow Payment of Government Projects:

The economic crisis has slowed down ongoing projects nationwide, affecting industries related to infrastructure development, especially the steel sector. To keep the development momentum going, the government should continue the nation-building activities and financing plan. Timely fund release from the development partners and a coordinated master plan are prerequisites for the survival of the steel industry, as government projects are the major demand drivers for large steel mill production.

Energy Crisis

The oil, coal, and gas crises caused by import complications led to disruptions in electricity and gas supply at the factory, impacting production. In addition, the price of electricity has been revised upward multiple times in the last year. Gas prices for captive power plants rose to BDT 30 from BDT 16 (88% jump), and for large industries, the price went up to BDT 30 from BDT 11.98 (150% jump) in January 2023. Upward revision of energy costs significantly increases production costs. Business cost hikes ate the profit of all steel companies. The government can accommodate a separate utility rate or policy to stimulate the steel industry.

Logistics

The logistics costs in our country are significantly high, encompassing expenses such as importing goods and domestic transportation. Steel plants in most countries, unlike China, Japan, and Korea, are typically situated inland rather than near the coast. Managing logistics requirements for steel plants in Bangladesh has become more challenging. Bangladeshi steelmakers struggle with logistics due to significant infrastructure limitations on the railways. Upgrading the highway with better quality to allow for higher load limits on trucks can result in significant cost savings for steel millers.

Taxes, duties, and VAT

To boost steel production, the government should reconsider the source tax policy. High source tax collects more tax at the source of scrap imports and finished goods sales than the firm owes in a fiscal year. Lawfully paid excess tax cannot be used for the following fiscal year's tax. Thus, dealers pay more tax than is necessary each year. The opportunity cost is huge for this tax adjustment glitch. A coordinated national-level policy and reform, including an upgrade of taxes, duties, and VAT, are required for the steel sector of Bangladesh. In India, we have seen that the government has one steel ministry to support the industry. Even so, they introduced the "National Steel Policy 2017" to patronise their industry.

Political Turmoil

We are heading to a national election soon. Political turmoil during the election period may hamper the growth of the industry.

Environment

Environmental concerns are growing, and the steel sector in Bangladesh is no exception. The steel industry uses plenty of energy, which increases carbon emissions and inflicts damage on the environment. Steel manufacturing may be cheaper and more competitive by using energy-efficient processes. This is possible with advanced energy management systems and steel manufacturing technology. Inefficient and small steel manufacturers will struggle to meet stricter environmental standards.

Digital Disruption and Emerging Technology in the Global Steel Industry

With robots, drones, and IoT providing business solutions, the global steel sector is undergoing an exciting period. These technologies automate operations and connect all plant units in real-time, improving system efficiency. Good asset performance and technology integration enhance labour productivity. This will lower industrial expenses and boost profits. However, new technologies will require a new talent pool and workforce upskilling. These places will benefit from education and training investments. Digital disruption has barely begun and will grow dramatically in 10 years. Successful adoption of developing technology is crucial for future success.

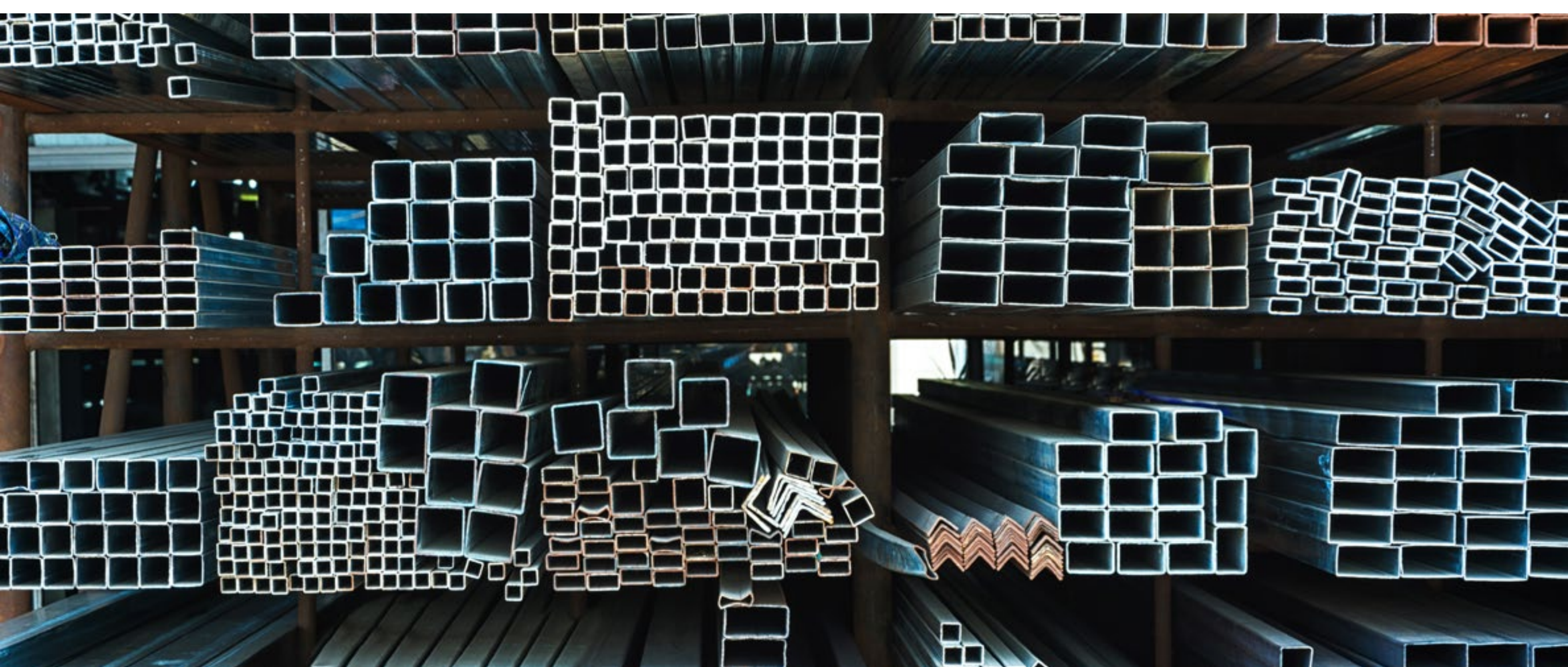
Forging a Path Forward

As Bangladesh works towards becoming an upper middle-income country by 2031 and a developed country by 2041, the steel industry has emerged as a major focus area given the dependence of a plethora of sectors on its output, raising eyebrows among many countries due to the following reasons:

- Bangladesh is the second-largest destination for shipbreaking facilities in the world.
- Scrap generation from shipbreaking is on the rise; imports rose by 40% in 2021.
- Bangladesh is becoming a new auto hub, with an annual growth rate of 8% in the last decade.
- Bangladesh's steel melting capacity is likely to ramp up from 9 million metric tonnes to 13 million metric tonnes by 2025.
- Positive demand from ongoing mega projects (Rooppur Nuclear Power Plant, Padma Bridge Rail Link, Matarbari Coal Power Plant, Dhaka MRT Line-6, Dhaka Airport Third Terminal, Matarbari Deep Sea Port, Chittagong-Cox's Bazar Rail Link, Dhaka Elevated Expressway, Bangabandhu Railway Bridge, etc.)

Increasing steel sector competitiveness should be a priority now. This requires supply chain cost reduction, logistical efficiency, energy security, investing in future technologies, and financial cost reduction. The industry needs a strong lending sector, a stronger investment climate, government policy change (tax, VAT, etc.), and infrastructural development. In particular, economic instability caused by high inflation, dollar crises, rising interest rates, and political unrest may limit growth if not controlled appropriately.

(Mr. Md. Mehedi Hasan is working as Assistant General Manager in the Department of Credit Risk Management at IDLC Finance Limited and can be reached at hmehedi@idlc.com)



Shekhar Ranjan Kar FCA

Group CFO & Company Secretary, BSRM Steels Limited

Interviewed by
Syed Md. Rakeen, Team MBR

With over 20 years of experience at the largest and leading industrial conglomerate in the steel industry, Bangladesh Steel Re-Rolling Mills (BSRM) Limited, Mr. Shekhar Ranjan Kar FCA has established himself as one of the most prominent faces in the steel industry. He is a Fellow Chartered Accountant (FCA) of The Institute of Chartered Accountants of Bangladesh (ICAB) and his instrumental role in the department of finance and accounts of BSRM has led him to become unparalleled in this arena. He is currently working as the Group CFO and Company Secretary at BSRM. Team MBR was in conversation with Mr. Shekhar Ranjan Kar FCA and was fortunate enough to receive his take on the current challenges of the steel industry.

Syed Md. Rakeen: Steel plays an instrumental role in Bangladesh's current development and megaprojects while supporting industries such as heavy engineering, energy, transportation, and construction by providing required steel products. From your perspective, how has the demand for steel evolved in Bangladesh over the last decade?

Shekhar Ranjan Kar FCA: When we talk about steel, the name of BSRM pops up at the top of our mind. Even though BSRM started its journey in 1952, the steel industry gained momentum in Bangladesh in the early 1990s. The steel demand evolved over the last decades primarily due to private sector investment, individual investment in urban and rural areas, as well as investment in government mega projects like Rooppur Nuclear Power plant, Padma Bridge, Padma Rail Link, Bangabandhu tunnel, MRT, 100 Economic Zones and various power projects, etc. Many big projects will be implemented in the public sector and continue for the next 15-20 years to support heavy engineering, energy, and transportation sectors, leading to enhanced steel production.

Syed Md. Rakeen: Currently, the government is planning to carry out a dozen mega projects with the majority of construction materials sourced locally as opposed to imports. In your opinion, which factors have played an influential role in the increasing contribution of local companies for raw materials?

Shekhar Ranjan Kar FCA: The private sectors are fully established with the capacity to meet the market demand for quality steel. We cannot produce specific steel sizes in our mills, and only this part is being imported, which is minimal in terms of percentage. Further, local products' quality is comparable to any other products as we meet all quality standards with full compliance. Apart from our BSTI American Society for Testing Materials (ASTM) consists of certain steel standards that are pivotal to classifying, evaluating, and specifying the material, chemical, mechanical, and metallurgical properties depending on the different types of steel. We follow all the standards for quality steel production in the country. By establishing mega steel mills, Bangladesh has created jobs by promoting a competitive business environment, increasing human capital, building a skilled labor force, building efficient infrastructure, and saving substantial foreign currencies while contributing to the government exchequer.

Syed Md. Rakeen: According to the World Steel Association, the per capita steel consumption in Bangladesh stood at around 43kg in 2022, while the likes of India and China consumed 81kg and 645 kg, respectively, during the same period. Would you kindly address the areas where Bangladesh currently lags behind its South Asian counterparts when it comes to steel consumption?

Shekhar Ranjan Kar FCA: Per capita steel consumption is a significant indicator of a country's development. Steel consumption is closely aligned with a country's economic growth. The per capita steel consumption was 45kg in 2020, dropping to 43 kg in 2022 which is vastly post- COVID and the Ukraine war. However, the rapid modernization of our economy, construction, infrastructure and manufacturing industries will support increasing the steel consumption in Bangladesh. Further, more new mega projects and construction works of economic zones will be started from next year to achieve its vision of attaining upper middle-income status by 2031.

Syed Md. Rakeen: The steel industry is closely associated with environmental concerns such as water pollution, air pollution, and carbon dioxide emissions. In your opinion, which new technologies can be integrated to reduce the adverse effects of steel manufacturing on the environment?

Shekhar Ranjan Kar FCA: By installing pollution control equipment, we can capture and treat pollutants emitted from the production processes of steel industries, reducing the amount of pollutants released into the environment. Water pollution can be addressed by ensuring zero discharge of processed water before treatment. Carbon dioxide emission can be controlled by consuming less power per ton of crude steel produced which can be attainable by making the process more efficient. In BSRM we use different measures to keep our water and air vis-à-vis the environment clean.

Syed Md. Rakeen: Bangladesh currently exports steel to various countries, largely due to facilities like economic zones and the availability of workforces. In your opinion, how can Bangladesh enhance its competitiveness in this sector in the context of exports?

Shekhar Ranjan Kar FCA: At present, Bangladesh exports a small portion of steel products to seven sister states of India. Furthermore, we export a part of the bi-products of steel to China and Indonesia. To increase the competitiveness of exports, the government can increase the export benefits and infrastructural facilities in the ports for the steel industry which will enhance export and foreign currency for our country.

Syed Md. Rakeen: As reported by the Business Standard, almost 80–90% of the raw materials required for steel rod manufacturing are sourced from the ship-breaking industry. How can Bangladesh reduce its dependency on raw materials for manufacturing steel rods from the ship-breaking industry?

Shekhar Ranjan Kar FCA: Above 90% of the raw materials of steel mills in Bangladesh are sourced from overseas. About 5%-10% of the scrap can be procured from the shipbreaking industry. So steel industries are not dependent on the ship-breaking industry. However, non-graded mills are using plates generated from ship-breaking industries.

Syed Md. Rakeen: The steel industry endured difficult times during COVID-19 and the Russia-Ukraine war owing to the oil and gas crisis, disruptions in electricity, raw material shortages, and the dollar crisis. From your perspective, how can the steel industry navigate through the current challenges and expedite its growth in this sector?

Shekhar Ranjan Kar FCA: Though all industries faced supply chain and production disruption during COVID-19, the manufacturing sectors ultimately performed well during that time, barring some exceptions like the tourist industry, which suffered a lot for long periods. However, the current challenges lie in opening Letter of Credit (LC), the devaluation of BDT against USD, increased gas, electricity and the cost of all other utilities. Finally, slow economic movements due to geopolitical crisis and stability have affected our country's economy as a whole.

Syed Md. Rakeen: Do you think the policy support is adequate for the industry? What are the areas in which policymakers can work to help the industry flourish even better?

Shekhar Ranjan Kar FCA: The steel industry of Bangladesh is struggling with the burden of high minimum income taxes, which needs to be reduced. Considering the profitably of steel industries, the government should change the minimum tax procedures. Companies should not be impacted by paying income tax, which is more than the regular tax rate. Only steel and cement industries are burdened with minimum tax, collected at the import stage of raw materials. Furthermore, income tax refund is a big issue and a massive amount of capital is blocked by the government. Both the issues should be addressed by the policymakers well for the benefit of our overall economy.

A Sustainable Future of Energy:

Embracing LPG as an Alternative Fuel for a Cleaner Tomorrow in Bangladesh

Written By
Syed Md. Rakeen

The exorbitant prices of oil and gas had thrown the world into turbulent periods shortly after the initiation of the Russia-Ukraine war, with its lingering effects inflicting economic turmoil on both developed and developing economies. Especially countries that rely heavily on oil and gas imports to keep their manufacturing plants and vehicular travel uninterrupted faced almost insurmountable challenges. The availability of sufficient fuel and energy sources has consistently posed a significant challenge for densely populated developing nations such as Bangladesh, where the demand from consumers far exceeds the limited supply of fossil fuels. All these repercussions have paved the way for the LPG industry to thrive at a breakneck speed in Bangladesh, largely owing to a shortage in natural gas availability coupled with the cleanliness and efficiency of LPG. This opportunity was seized by many conglomerates as they made forays into the LPG industry, with the government providing licences to 58 companies, of which 28 are currently in operation.

Figure 1: Annual Demand vs Projected Demand, Licensed Companies vs Operational Companies

Annual Demand

1.2-1.5 million
metric tonnes

Expected Demand by 2030

3.0 million
metric tonnes

58
companies licensed under the government

Only 28
operational companies

Source: The Financial Express

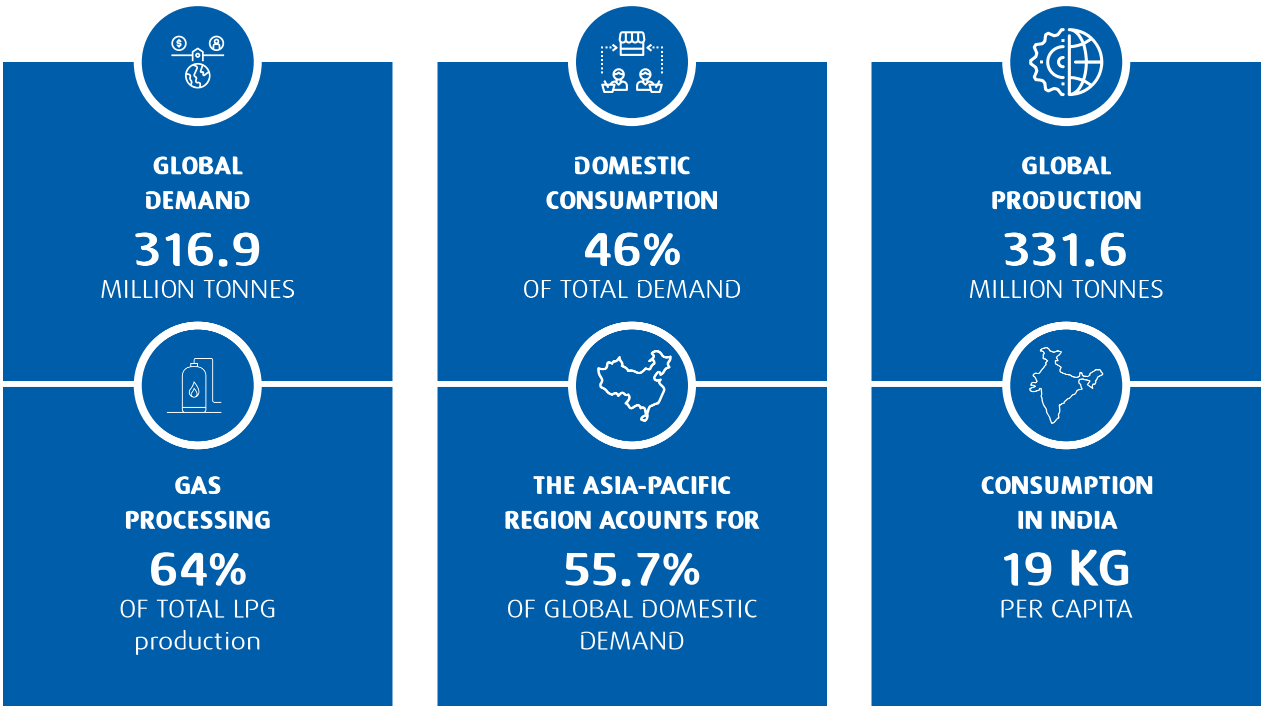
In 2022, Bangladesh witnessed a significant import of approximately 1.4 million metric tonnes of liquefied petroleum gas (LPG). Based on the analysis conducted by numerous industry experts, it is anticipated that the LPG market has the potential to experience rapid growth, with the demand expected to reach approximately 3.0 million metric tonnes by the year 2030.

Global Outlook of the LPG Industry

According to the World LPG Association (WLPGA), global LPG production was 331.6 million metric tonnes in 2022, while the corresponding demand for LPG was 316.9 million metric tonnes. So far, 46% of the total global demand has been reserved for domestic consumption. LPG consumption is largely dominated by the Asia-

Pacific region, accounting for 55.7% of the global domestic demand. A recent analysis by Grand View Research, Inc. suggests that the size of the worldwide market for liquefied petroleum gas was projected to be USD 117.31 billion in 2022 and is anticipated to grow at a CAGR of 3.7% to reach USD 154.49 billion by 2030. Over the predicted period, rising demand for liquefied petroleum gas (LPG) from developing nations is expected to propel the global market. Over the past few years, industrialisation and urbanisation have grown significantly on a global scale. The low cost of labour and infrastructure in emerging nations has caused a shift in the flow of investments away from industrialised countries and towards them.

Figure 2: Global LPG Industry in 2022 at a Glance



Source: World LPG Association (WLPGA)

List of Key Global Players of Liquefied Petroleum Gas Market

Rising Adoption of LPG in Bangladesh

The LPG industry has evolved at an unprecedented rate in recent years, demonstrating its gradual acceptance among the populace and leading to the transformation of the country's domestic energy system. The increase in demand for LPG can be attributed to its cost-effectiveness and most importantly, its growing acceptance as a clean cooking fuel. The government played a key role in driving this shift, with a sharp focus on encouraging cleaner energy sources.

The mammoth prices of natural gas, coupled with the government's restriction on piped natural gas connections in residential buildings, have also led to consumers switching from traditional fuels to LPG. Besides, the majority of the urban population has switched to LPG for cooking purposes. This increased demand translated to several private firms and entrepreneurs to invest in LPG by expanding its distribution network for LPG cylinders and promoting petroleum benefits. As a result, rural and remote areas gained access to LPG, which expedited its growth to a large extent.

Local Market Dynamics of LPG

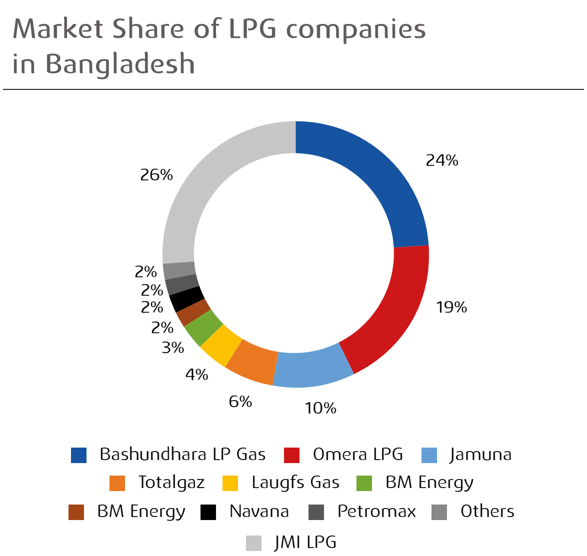
Currently, the market size of the LPG industry in Bangladesh stands at USD 3.2 billion, with 98% of the local demand fulfilled through private sector imports, as per the FBCCI. As per The Financial Express, the annual demand for LPG is currently between 1.2 and 1.5 million metric tonnes, which is primarily dominated by the top 10 companies in this space, which account for over 70% of the local demand. Around 12,000 metric tonnes are consumed each month by 800 auto gas stations in Bangladesh, according to UNB Dhaka, and 200 more are now being built. Till now, approximately 10,000 private automobiles, microbuses, and three-wheelers currently run on LPG.

Most LPG operators in Bangladesh procure from the Middle East by using the Saudi contract price as a reference point while buying. Bangladesh

Energy Regulatory Commission (BERC) revises the price of LPG every month, considering the Saudi contract price of raw materials, i.e., propane and butane.

With a 24% market share, Bashundhara LP Gas, the first cylinder maker, distributor, and importer of LP gas in the private sector, is currently the industry leader of the LPG industry in Bangladesh. Omera LPG ranks second to Bashundhara LP Gas with 19%, followed by Jamuna 10%, Totalgaz 6%, Laugfs Gas 4%, BM Energy 3%, Beximco, Navana, Petromax, and JMI LPG with 2% each, and the rest account for 30% of the industry.

Figure 3: Market Share of LPG Companies in Bangladesh

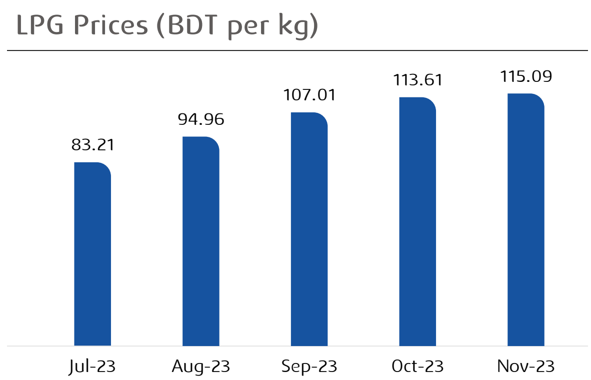


Source: Apprentice Consulting

Incremental Rise in LPG Prices

In recent times, LPG prices have risen sharply every month, with the latest price for November being BDT 115.09 per kg, an increase from BDT 113.61 in October, as per Bangladesh Energy Regulatory Communication (BERC). In the month of August, the price of liquefied petroleum gas (LPG) had increased significantly by BDT 11.75 per kg to BDT 94.96 per kg, indicating a massive change from the July price of BDT 83.21 per kg. Bangladesh would need to ensure that the import of LPG is handled as cheaply and efficiently as possible by optimising the supply chain, maximising storage, taking advantage of contract price differences, and working with both local and foreign partners.

Figure 4: LPG Prices (BDT per kg) in the Last 5 Months



Source: Bangladesh Energy Regulatory Commission (BERC)

Efficient Substitute in the Form of Autogas

The LPG fuel used in LPG-powered automobiles is commonly referred to as autogas. Fuels derived from petroleum are commonly used in transportation; however, the presence of autogas is emerging as a well-recognised and efficient substitute. The autogas market is well-established across various countries, with the World LPG Association reporting that 28.3 million autogas-powered cars are currently operating across the world. In Bangladesh, autogas is gradually becoming a popular choice as an environmentally friendly and efficient alternative fuel. To emphasise its usefulness, a 150cc CNG-converted automobile or truck with a 60L cylinder can travel 90–100 km between fill-ups (60L LPG cylinder).

Exploring Opportunities within the LPG Space

As mentioned earlier, the LPG industry boasts a market size of around 1.5 million metric tonnes per year. It currently presents a plethora of untapped opportunities that are poised to be capitalised upon, with investment in infrastructure emerging as a pivotal facilitator. The strategic development of storage facilities, bottling plants, and transportation networks will play a crucial role in effectively meeting the increasing demand for LPG. Additionally, the integration of technology will play a crucial role in maximising operational efficiency, facilitating a smooth flow of goods throughout the supply chain, and bolstering safety protocols.

Besides, the LPG industry has received massive foreign direct investments in the last decade, with figures reaching around BDT 30,000 crore. The Netherlands' SHV Energy, a leading global distributor of LPG and LNG, injected a combined fee of USD 100 million for its acquisition of Petromax LPG and Petromax Cylinders.

The government's role would be crucial in the form of subsidies, which would help promote the use of LPG as a clean fuel by various industries. A cylinder refurbishing and requalification policy is necessary to guarantee that existing cylinders are properly requalified, preventing any potential mishaps.

Prevailing Amidst Adversities

Despite registering impressive growth in recent years owing to the cohesive role of industry participants, the LPG industry is grappling with myriads of challenges. One of the key impediments to the industry is unethical cylinder scrapping, which often arises due to price imbalances, namely when the price of an empty cylinder is less than the price of its metal. Then, selling the cylinder for scrap on the open market becomes more profitable. To stop this cylinder scraping, a strict policy with severe penalty provisions is needed. According to current LPG regulations, cylinder cross-filling is not allowed, even though it can be spotted at different distribution levels. To prevent cylinder cross-filling, a specific policy with severe penalty clauses should be implemented.

Many companies are switching to LPG for their natural gas-based equipment due to low natural gas pressure. However, compared to industrial customers who receive enough natural gas pressure for their operations, the production costs for these clients are rising since LPG is more expensive than piped natural gas.

The exponential rise in the use of alternative fuels like LPG will also instigate a fierce rivalry to maintain a certain level of LPG sales that is sustainable and can guarantee a suitable return. Owing to current market conditions, a sizable portion of operators have resorted to selling their goods for less than what they cost to produce. In such cases, a lot of businesses would eventually end up in financial distress, signalling a significant rise in non-performing assets in investment portfolios.

Adopting Safety Measures

Finally, safety precautionary measures should rank as one of the key priorities to avoid risking accidents and ensure the protection of consumers and the safe handling of LPG. The LPG operators have adopted different international standard safety codes concerning storage tank construction, cylinder design, safety valves, and emergency response procedures. Even though the Department of Explosives is ensuring the compliance of safety standards, promoting awareness regarding the safe usage of LPG cylinders at home is of utmost importance considering the rising usage of LPG across the country.

The growing prominence of LPG in cooking fuel, industrial usage such as running boilers, furnaces, kilns, etc., as well as in transportation, has increased the likelihood of the industry's upward trend in the forthcoming years. Considering the excessive prices of natural gas relative to LPG, it can gradually replace the former in every aspect. Moreover, the LPG Operators Association of Bangladesh expressed a more forward-looking perspective, wherein LPG assumes a pivotal role in fostering the adoption of clean energy consumption within Bangladesh. Several LPG companies have demonstrated unwavering determination to unleash their complete capabilities and make significant contributions towards a more environmentally friendly Bangladesh. However, the industry would require a lot of backing, especially from the government's end, to help foster it. Whether it takes the form of LC opening and settling or extending long-term credits, the government must prioritise the LPG sector and give banks and financial institutions the required assistance. Additionally, in order to close any gaps and eliminate any obstacles to business, the government can consult with the Bangladesh Energy Regulatory Commission (BERC), the LPG Operators Association of Bangladesh (LOAB), financial institutions, and other pertinent parties. Certain measures, such as preventing supply chain disruptions, minimising the CNG and LPG price gap, adhering to regulatory requirements, and overhauling the infrastructure, could help increase access to LPG and eventually reduce Bangladesh's overreliance on natural gas to enhance the country's economic as well as infrastructural development.

Zatiq

Mumtahina Anika

Co-founder and COO, Zatiq

Interviewed By
Muktadir Mubassir, Team MBR

Thriving on turning complex challenges into strategic opportunities, Ms. Mumtahina Anika has spent the last five years building a chain of successful small businesses across multiple districts of Bangladesh. This journey has allowed her to understand how SMEs operate, their needs, and how to best adapt to their habits. With Zatiq, the vision is to help millions of SME business owners and entrepreneurs start, run, and manage their businesses using their ecosystem. Zatiq is an ecosystem of connected point-of-sale tools and services that are designed to accelerate business digitalisation and financial inclusion across Bangladesh and beyond. Her background in SME with in-depth knowledge of finance and experience in operations and management has allowed her team to shape products that they believe will help SMEs adapt much more quickly. Team MBR was in conversation with Ms. Mumtahina Anika regarding her journey through entrepreneurship and her vision for Zatiq.

Muktadir Mubassir: You have had an impressive journey in a variety of roles at different companies and even created a business chain at the age of 15. Would you share a pivotal experience from your early entrepreneurial endeavours that significantly shaped your approach towards creating Zatiq?

Mumtahina Anika: From the very start of my entrepreneurial journey, my main focus has always been creating an impact in whatever I do. Starting a business chain at 15 was not just a venture; it was a series of trials and valuable lessons. Failures and struggles were unavoidable at the beginning of my career, but rather than demotivating me, they sped up my learning curve and made it possible for me to use these insights to my later projects. This early start gave me a significant advantage. I learned to identify unique solutions and adopt strategic thinking rapidly. These experiences were fundamental in shaping my approach to building Zatiq, where thinking innovatively and acting decisively are part of our core philosophy.

Muktadir Mubassir: Zatiq offers a range of services, including POS software, tableside QR, business accounting, calculator, Bluetooth receipt printer, and inventory management. Could you provide an in-depth understanding of how these services work and how they empower SME businesses?

Mumtahina Anika: Zatiq is an ecosystem of integrated products and services designed to help SME business owners start, run, and grow their businesses. From managing daily sales to accessing financial services to maintaining customer relations and increasing sales, our products and services help at every stage of the business. We built different types of products for different stages of business, but all our products are focused on achieving the same goal for the business.

Muktadir Mubassir: Zatiq PocketPay is a service aimed at allowing customers to pay with their cards upon delivery. Could you explain the mechanics of how this service functions and your strategy for introducing it to the Bangladeshi market?

Mumtahina Anika: Zatiq PocketPay is a pocket-size card payment machine. We introduced it to help logistics, transportation, and delivery companies collect bank payments from customers' doorsteps and other out-of-office locations. Given it is a payment-related device, it is taking a bit longer for us to roll out the devices to the masses to ensure all regulations and security measures are upheld. However, given the launch of TakaPay and the push towards a cashless society, we see mini-pocket-size POS devices playing a crucial role in the future.

Muktadir Mubassir: Expanding the services of Zatiq towards regions like Khulna, Sylhet, and Chattogram will inevitably enhance the speed and efficiency with which businesses operate. Would you kindly share how your team is ensuring a smooth transition and broader adoption of services in those regions, along with its scalability both domestically and internationally?

Mumtahina Anika: None of our products were designed keeping Dhaka alone in mind. We chose to set up our main operations outside of Dhaka, but our ambitions and products are by default designed with the local and global markets in mind. Product scalability is part of our core strategy. We are continuously testing our products in different markets within Bangladesh and other emerging markets like Bangladesh.

Muktadir Mubassir: Adapting to new technologies can prove to be challenging for merchants with limited experience in dealing with technology. What strategies have increased their participation in these products and services?

Mumtahina Anika: Dealing with merchants daily has taught us that not all business owners have the same perspective towards technology. We have seen micro-merchants more tech-savvy and eager than larger merchants. At the same time, we have seen micro-merchants who are not interested in learning even the basics of technology. This has shown us that we needed to deliver the same solution in different mediums to different business owners. Hence, our wide selection of POS products is connected together in an ecosystem. Zatiq's point-of-sale solutions are available in a calculator, in a mobile app, in a POS tab, on a tablet, and on a computer.

Muktadir Mubassir: Availing of Zatiq's EasyBill service can simplify transactions and accounting with image recognition as well as reduce the time required for cash memo writing. Could you please share how this technology works as well as its likely impact on SME businesses?

Mumtahina Anika: EasyBill is one of our most successful products. It is a product that started as a simple photo-to-memo maker and over time has evolved into a tool based on the feedback of customers who use it daily to track their business expenses, manage their inventory, access financial and banking services, as well as manage online stores and e-commerce orders. EasyBill is a point-of-sale solution designed for small and medium-sized retail stores. It comes with a mobile app, a hardware tab and printer, and even computer software. We have realised existing retail POS solution companies focused a lot on adding as many features as possible, making it hard and complex to use, so we went bare-bones with this and kept only the essentials, keeping it simple and extremely user-friendly, which has led to its rapid sales growth.

Muktadir Mubassir: Enhancing products and services based on merchants' feedback can often play an important role during the development phase. Would you kindly share the experiences of the merchants and how their feedback has led to fine-tuning the user-friendliness of your products and services?

Mumtahina Anika: Co-founder of LinkedIn Reid Hoffman is known for the quote, 'If you are not embarrassed by the first version of your product, you have launched it too late'. At Zatiq, we take this quote very seriously. We believe in launching as quickly as possible and failing even quicker. We do not take time to launch ideas, nor are we afraid to close or pivot when something is not working. We launch a bare minimum product and build it based on customers' feedback, but we do it very quickly. Even large companies like Google, which spends millions on R&D, have 200+ failed products. That is why we do not spend a lot of time thinking about whether a product will work or not. We launch and find out. Based on the feedback, we either build on the product, pivot the product, or kill the product.

Muktadir Mubassir: Like most digital payment systems, ensuring the security of consumer data is one of the top priorities for any startup working in this space. How does Zatiq ensure the security of transactions, and what measures have been taken to protect customer data?

Mumtahina Anika: We take security, customer data, and other regulatory frameworks very seriously. Zatiq operates in partnership with licenced and regulated financial corporations that handle all this data. In most cases, Zatiq does not have access to any of these data, which could result in a security breach as it is directly collected and processed by the required financial institutions, which are heavily regulated.

Muktadir Mubassir: SMEs are massive contributors to the economy of Bangladesh, and offering convenient products and services to such businesses will undoubtedly elevate Zatiq to new heights. How do you envision the role of Zatiq in the digital transformation of Bangladesh's economy over the coming years?

Mumtahina Anika: It is a natural process for Bangladeshi SMEs to advance towards tech adoption and digitalise their businesses, no matter the size or type. We have seen this happen in every mature market. But one thing we have also seen in every mature market and emerging market that has digitalised their SMEs is that it was not done using a mobile phone. Even business owners in the most mature market with 99% smartphone penetration do not use smartphones to run their businesses. It is always a dedicated point-of-sale system, such as Square in North America, Zettle in the UK, or PineLabs in India. We believe the demand for a dedicated POS will increase as Bangladesh digitalises its economy.

CAPITAL MARKET REVIEW

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of October in negative territory, except the Shariah index. During the month, the broad index DSEX decreased by -0.1% and blue chip index DS30 declined by -0.3%. On the other hand, Shariah index DSES increased by 0.2% in October.

Among the regional peers, Pakistan reported a positive return of 12.4% while Sri Lanka reported a negative return of -6.1%. In addition, Vietnam (-10.9%) ended the month in negative. On the other hand, MSCI Frontier Markets Index fell by -5.2% in October. Over 5-year horizon, Sri Lanka (+78.8%) yielded the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, October 2023	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,278.7	-0.1%	-0.7%	1.2%	-0.5%	29.6%	18.8%
DS30	2,133.9	-0.3%	-1.1%	-2.8%	-4.2%	27.0%	13.6%
DSES	1,362.7	0.2%	-0.6%	0.3%	-1.1%	24.0%	N/A
Peer Countries							
Pakistan (KSE 100)	51,976.3	12.4%	25.8%	28.6%	26.0%	30.3%	24.8%
Sri Lanka (CSE - All Share)	10,647.3	-6.1%	24.5%	25.2%	23.8%	85.9%	78.8%
Vietnam (VNI)	1,028.2	-10.9%	-2.0%	2.1%	0.0%	11.1%	12.4%
MSCI Frontier Markets Index	**693.8**	**-5.2%**	**-7.3%**	**3.0%**	**3.1%**	**1.2%**	**1.8%**

*All returns are Holding Period Return.

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During October, the total market capitalization increased by 0.9%. The daily average turnover was BDT 4.6 bn (USD 41.4 mn) in October, down by -27.1% from that of last month. Turnover velocity which represents overall liquidity of the market stood at 15.4% in October, compared to 17.5% of last month. In 2022, turnover velocity of Bangladesh equity market was 30.7%, in comparison to 65.3% in 2021.

Table 2: Market capitalization and turnover statistics

Particulars	31-Oct-23	30-Sep-23	% change
Total market capitalization (USD* mn)	70,974	70,360	0.9%
Total equity market capitalization (USD mn)	40,510	40,509	0.0%
Total free float market capitalization (USD mn)	15,719	15,655	0.4%
Daily Avg. Turnover (USD mn)	41.4	56.8	-27.1%
Turnover Velocity~	15.4%	17.5%	N/A

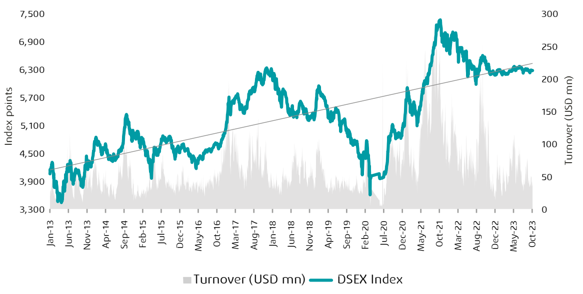
*All USD figures are converted using an exchange rate of 110.50 as of October 31, 2023 as per Bangladesh Bank website.

~Turnover velocity is calculated by dividing monthly total turnover with month-end market capitalization. The figures are annualized.

Historical Index Points and Market Participation Data

Since its inception on February 27, 2013, DSEX yielded a holding period return of 54.8% till October 2023. During this period, daily average turnover of the market amounted to BDT 6.8 bn (USD 61.5 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover

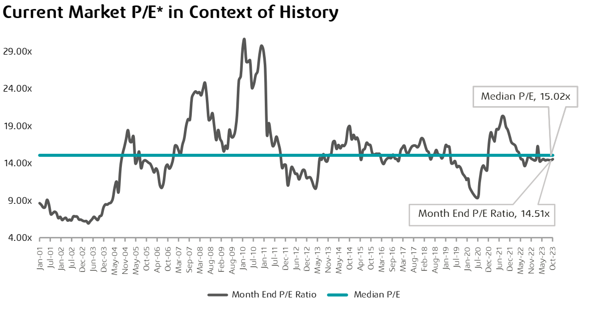


Source: DSE

Market Valuation Level - P/E Ratio

The market P/E increased to 14.51x in October compared to September's 14.36x. It is slightly lower than the 23 years' median market P/E of 15.02x (Figure 2).

Figure 2: Historical market P/E* and it's median



*Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their total audited annual earnings.

Source: CEIC, DSE

Sector Performance

Large cap sectors mostly posted positive return in October 2023. Engineering sector posted the highest return of 1.9%. On the other hand, Non-life Insurance sector (-5.4%) faced the most price correction.

Telecommunication sector has the highest dividend yield of 5.9% among all sectors.

Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Pharmaceuticals & Chemicals	6,528	3,507	0.7%	1.1%	-0.7%	-3.4%	39.9%	59.8%	17.1	3.1	2.4%
Bank	6,176	3,382	0.7%	0.0%	5.5%	5.0%	31.9%	35.2%	6.6	0.7	4.1%
Telecommunication	5,251	578	0.0%	0.1%	3.1%	3.2%	7.5%	7.1%	14.5	6	5.9%
Engineering	4,773	1,035	1.9%	2.0%	2.3%	0.9%	46.3%	48.5%	28.5	2.5	2.3%
Fuel & Power	4,058	1,166	0.1%	0.1%	1.0%	3.2%	11.9%	9.7%	13.4	1.4	4.9%
Food & Allied	3,598	1,159	0.0%	0.0%	5.3%	7.7%	57.6%	71.7%	17.6	9	3.1%
Miscellaneous	2,024	836	0.4%	-0.6%	2.4%	3.5%	113.0%	125.0%	15.8	2.4	1.5%
NBFI	1,691	549	0.0%	-0.2%	0.7%	0.7%	11.0%	3.9%	43.5	2	1.6%
Textile	1,516	869	-0.8%	-2.2%	-2.5%	-3.2%	43.3%	4.2%	21.5	1.1	2.2%
Cement	1,114	436	-0.3%	-1.0%	12.8%	14.6%	71.3%	26.1%	14.8	3.2	5.0%
Non-life Insurance	969	543	-5.4%	0.5%	18.0%	16.0%	15.4%	197.7%	18.2	2.1	2.7%
Life Insurance	665	390	-1.3%	-5.8%	4.8%	2.6%	28.8%	26.2%	110.6	7.3	1.8%
Tannery	303	161	0.2%	-2.1%	3.4%	2.9%	77.4%	21.9%	22.9	3	2.1%
IT	352	218	-4.9%	-3.6%	1.6%	4.0%	79.2%	87.6%	22.8	3.1	1.5%
Ceramics	285	114	0.0%	-0.3%	-1.1%	0.3%	60.8%	30.0%	44.2	2	1.7%
Travel & Leisure	415	219	-1.1%	-6.1%	7.4%	3.2%	91.7%	97.0%	14.2	1.6	1.7%
Paper & Printing	345	123	-3.7%	-7.0%	-2.9%	-22.1%	120.5%	22.8%	27.8	2.7	0.8%
Services & Real Estate	255	133	-2.2%	1.8%	4.6%	-6.1%	93.8%	73.8%	26.6	1.6	3.5%
Jute	43	22	21.0%	18.9%	29.6%	67.4%	134.1%	93.7%	390.6	14	0.0%
Market	**40,510**	**15,719**	**-0.1%**	**-0.7%**	**1.2%**	**-0.5%**	**29.6%**	**18.8%**	**13.9**	**1.8**	**3.4%**

*All returns are Holding Period Return.
**Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their annualized earnings.
^P/BV is calculated by dividing total market capitalization of listed companies with their respective total book values, excluding companies with negative book values.
~Dividend yield is calculated by dividing last year's declared cash dividend with market capitalization

Cap Class Performance

During the month of October, Large cap (+0.2%) class and Micro cap (+0.1%) class managed to close the month in positive territory. On the other hand, Mid and Small cap posted negative return of -0.5% and -1.0% respectively.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥92	76.8%	0.2%	0.0%	2.9%	3.4%	58.8%	59.9%	12.6	1.8	4.0%
Mid	28-91	12.0%	-0.5%	-1.0%	1.1%	-1.0%	-25.0%	-26.8%	19.3	1.5	2.5%
Small	9-27	8.1%	-1.0%	0.4%	3.1%	-2.8%	66.1%	72.4%	28.0	1.1	2.4%
Micro	<9	3.2%	0.1%	-2.8%	15.2%	11.2%	-82.5%	-81.9%	38.2	1.0	1.6%
Market		**100.0%**	**-0.1%**	**-0.7%**	**1.2%**	**-0.5%**	**29.6%**	**18.8%**	**13.9**	**1.8**	**3.4%**

*All returns are Holding Period Return

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, WALTONHIL increased by 2.9%, followed by LHBL (2.7%), UNILEVERCL (0.8%), SQURPHARMA (0.6%) and BERGERPBL (0.2%), while MARICO fell by -0.1%. All the other stocks of this list remained unchanged.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+1441.3%), BEXIMCO (+456.8%), UNILEVERCL (+226.2%), MARICO (+151.8%), BXPHARMA (+123.5%) and LHBL (+85.1%).

Among the scripts, GP, UPGDCL, LHBL, SQURPHARMA and BATBC recorded higher dividend yield compared to that of market.

Table 5: Snapshot of 20 largest companies in terms of market capitalization

DSE Code	Sector	Market Capitalization (USD mn)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommunication	3,502	350	0.03	0.0%	0.0%	3.3%	3.3%	-3.7%	-5.0%	10.7	13.3	7.7%
WALTONHIL	Engineering	2,872	29	0.00	2.9%	2.9%	2.9%	2.9%	59.5%	N/A	40.5	4.0	2.9%
BATBC	Food & Allied	2,535	670	0.04	0.0%	0.0%	1.9%	3.9%	61.0%	64.8%	14.7	8.5	3.9%
SQURPHARMA	Pharmaceuticals & Chemicals	1,693	1,106	0.70	0.6%	0.6%	0.6%	5.4%	22.7%	7.4%	9.9	2.6	5.0%
ROBI	Telecommunication	1,422	142	0.02	0.0%	0.0%	2.3%	2.3%	N/A	N/A	115.4	2.6	2.3%
RENATA	Pharmaceuticals & Chemicals	1,264	616	0.03	0.0%	0.0%	0.0%	-6.5%	38.6%	63.5%	34.2	7.1	0.5%
UPGDCL	Fuel & Power	1,226	123	0.00	0.0%	0.0%	0.0%	0.0%	-6.6%	-10.7%	12.4	5.1	7.3%
BEXIMCO	Miscellaneous	917	612	0.03	0.0%	0.0%	0.0%	2.6%	482.9%	456.8%	14.6	1.7	0.9%
LHBL	Cement	749	269	1.19	2.7%	3.9%	12.6%	15.1%	99.9%	85.1%	11.9	5.3	6.7%
BERGERPBL	Miscellaneous	742	37	0.05	0.2%	-1.7%	2.7%	3.3%	38.8%	55.4%	20.9	11.3	2.3%
MARICO	Pharmaceuticals & Chemicals	704	70	0.07	-0.1%	2.0%	3.2%	3.2%	27.7%	151.8%	14.6	42.2	3.0%
ICB	NBFI	671	24	0.00	0.0%	0.0%	0.0%	0.5%	5.6%	-8.0%	113.3	7.8	0.5%
BXPHARMA	Pharmaceuticals & Chemicals	590	412	0.01	0.0%	0.0%	0.0%	-2.0%	39.4%	123.5%	14.1	2.1	2.4%
BRACBANK	Bank	521	280	0.07	0.0%	0.0%	1.8%	1.8%	10.5%	-17.7%	9.3	1.5	1.9%
BEACONPHAR	Pharmaceuticals & Chemicals	512	359	0.02	0.0%	0.0%	-14.3%	-21.2%	195.0%	1441.3%	110.9	19.2	0.7%
ISLAMIBANK	Bank	475	276	0.34	0.0%	0.0%	1.8%	1.8%	33.0%	61.1%	9.0	0.9	3.1%
DUTCHBANGL	Bank	400	52	0.00	0.0%	0.0%	4.3%	4.3%	35.2%	81.7%	8.0	1.7	2.8%
TITASGAS	Fuel & Power	366	92	0.00	0.0%	0.0%	0.0%	2.4%	36.9%	41.9%	404.8	0.6	2.4%
UNILEVERCL	Food & Allied	354	59	0.01	0.8%	-0.2%	14.8%	14.8%	60.7%	226.2%	53.4	34.7	0.7%
POWERGRID	Fuel & Power	338	84	0.04	0.0%	0.0%	0.0%	1.9%	22.7%	30.8%	(8.4)	0.7	1.9%
Market		**40,510**	**15,719**	**41.42**	**-0.1%**	**-0.7%**	**1.2%**	**-0.5%**	**29.6%**	**18.8%**	**13.9**	**1.8**	**3.4%**

*All returns are Holding Period Return.

^ WALTONHIL got listed on Sep 23, 2020. ROBI got listed on Dec 24, 2020.

Top Performing Mutual Funds

The top ten open end mutual funds based on 5 year CAGR outperformed the market, during the same period. Among them, Zenith Annual Income Fund (+21.8%) yielded the highest return. On YTD basis, Vanguard AML Growth Fund, Second ICB Unit Fund, IDLC Growth Fund, Zenith Annual Income Fund and EDGE Bangladesh Mutual Fund outperformed the market.

Table 6: Top ten open end funds based on 5Y return (CAGR) performance

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			YTD 2023*	2022	2018-22
Zenith Annual Income Fund	ZENITH	0.9	1.9%	-1.0%	21.8%
Shanta First Income Unit Fund	SHANTA	8.5	0.1%	-5.3%	13.5%
Vanguard AML Growth Fund	VANGUARD	1.3	5.3%	-0.3%	12.1%
CAPM Unit Fund	CAPM	1.1	-0.3%	5.6%	12.0%
Credence First Shariah Unit Fund	CREDENCE	1.0	0.7%	3.2%	11.5%
HFAML-ACME Employees' Unit Fund	HFAML	1.7	-4.6%	-0.9%	11.3%
Second ICB Unit Fund	ICB AMCL	2.2	4.7%	-1.6%	9.4%
IDLC Growth Fund	IDLC	5.9	2.7%	-3.8%	9.1%
EDGE Bangladesh Mutual Fund	EDGE	2.2	1.1%	-4.2%	9.0%
Capitec Padma P.F. Shariah Unit Fund	CAPITEC	3.6	-5.1%	10.2%	8.3%
Market (Broad Index) Return (%)			**1.0%**	**-8.1%**	**-0.1%**

*Based on published NAV and DSEX point of November 02, 2023

All the top ten closed end mutual funds on the basis of 5 years (2018-2022) outperformed the market during the same horizon. Among them CAPMIBBLMF (+8.9%) posted the highest return. On YTD basis, PF1STMF (+5.8%), ICBSONALI1 (+4.4%) and ICBEPMF1S1 (+3.7%) were the top performers.

Table 7: Top ten close end funds based on 5Y return (CAGR) performance

DSE Code	Fund Size (BDT mn)	Fund Size (USD mn)	Price[1] (BDT)	NAV[1] (BDT)	Price/ NAV	Dividend Yield[2] (%)	NAV Return[3]				Redemption Year[4]
							YTD 2023	2022	2020-22	2018-22	
CAPMIBBLMF	722.0	6.5	11.1	10.8	102.8%	5.4%	-3.2%	0.0%	14.9%	8.9%	2027
1STPRIMFMF	269.2	2.4	15.2	13.5	112.9%	7.2%	2.8%	0.5%	23.6%	8.8%	2029
CAPMBDBLMF	548.9	5.0	9.9	11.0	90.4%	6.1%	-4.4%	4.7%	17.7%	8.1%	2027
ICBEPMF1S1	697.5	6.3	7.1	9.3	76.3%	4.2%	3.7%	0.8%	25.0%	7.8%	2030
PRIME1ICBA	955.0	8.6	7.7	9.6	80.6%	3.9%	2.0%	-2.3%	20.8%	7.6%	2030
ICB3RDNRB	897.0	8.1	6.5	9.0	72.5%	4.6%	3.5%	-1.1%	22.7%	7.0%	2030
PF1STMF	566.4	5.1	9.9	9.4	104.9%	3.0%	5.8%	-4.1%	21.4%	6.6%	2030
ICBAMCL2ND	501.0	4.5	8.7	10.0	86.8%	3.4%	2.7%	-0.8%	22.2%	6.4%	2029
ICBSONALI1	1,004.0	9.1	7.8	10.0	77.7%	3.2%	4.4%	-1.1%	17.1%	6.1%	2023
ICBAGRANI1	1,012.9	9.2	9.2	10.3	89.1%	5.4%	3.2%	-1.6%	17.2%	5.6%	2027
Market							**1.0%**	**-8.1%**	**12.0%**	**-0.1%**	

[1]Price as on November 06, 2023 and index value as on November 02, 2023.3.

[2]On last cash dividend declared.

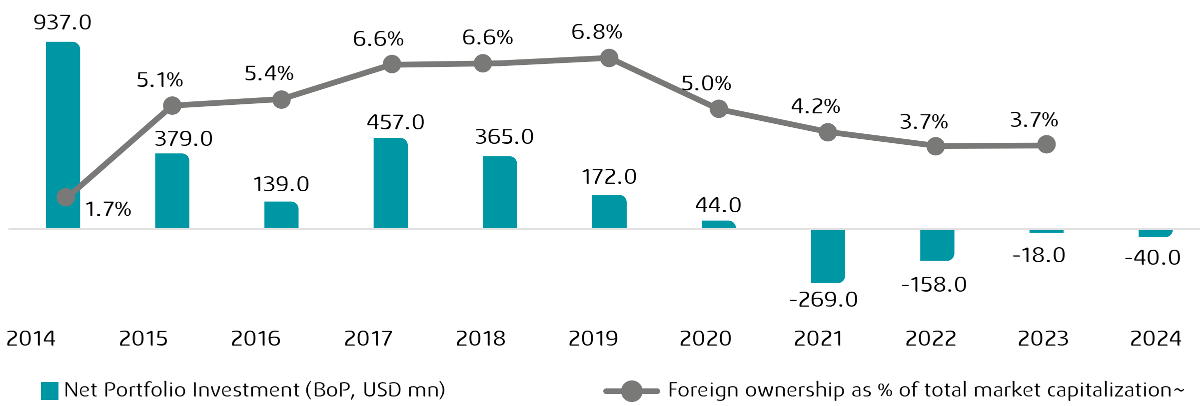
[3]CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

[4]In reference to BSEC Press Release বিএসইবস/মুখপাত্র (৩য় খন্ড)/২০১১/২৫ published on Sep 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years in total. However, the mutual funds those are not willing to extend their tenure will still have the option to convert or wind up as per rules and regulations.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a fall of foreign investment. As of September 2023, total foreign ownership stood at 3.7% of the total equity market capitalization, which was only 1.7% in February 2014.

Figure 3: Net foreign portfolio investment and foreign ownership as % of total equity market capitalization



Source: DSE and Bangladesh Bank
Note:
1. % of foreign ownership of equity market capitalization as of December and net portfolio investment as of June of the respective years.
2. Net portfolio investment of FY'24 includes Jul-Sept, 2023.

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 33.0% as of September 2023, followed by BXPHARMA with 28.9%.

Table 8: Top ten companies with highest foreign shareholding as of September 2023

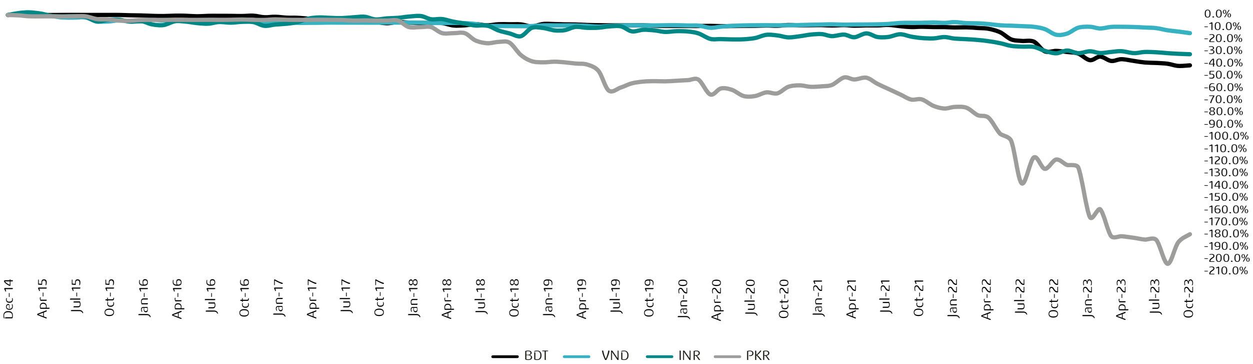
Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	33.0%
BXPHARMA	Pharmaceuticals & Chemicals	28.9%
NAVANAPHAR	Pharmaceuticals & Chemicals	27.7%
ISLAMIBANK	Bank	24.5%
OLYMPIC	Food & Allied	24.0%
RENATA	Pharmaceuticals & Chemicals	22.7%
DBH	NBFI	18.2%
BSRMLTD	Engineering	17.3%
SQURPHARMA	Pharmaceuticals & Chemicals	13.2%
SHEPHERD	Textile	9.5%

Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

BDT depreciated by 41.2% against US Dollar while other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) also lost value against US Dollar by 14.8%, 32.1% and 176.4% respectively, since December 2014.

Figure 4: Nine year's relative performance of BDT and peer currencies



Source: Investing.com

Major Commodity Price Movement

Among the major commodities, Wheat witnessed the most correction of -5.3% in October, followed by Crude oil (-3.4%) and Cotton (-2.5%). On the other hand, Aluminum increased by 0.3%. Over last 5 years, wheat price hiked the most by 39.6%.

Table 9: Major Commodity Price Movement

	Price Change (%)					
	1M	3M	YTD	12M	3Y	5Y
Crude oil, Average*	-3.4%	12.8%	14.1%	-1.4%	123.3%	16.1%
Wheat, US HRW	-5.3%	-13.7%	-22.8%	-31.9%	9.5%	39.6%
Cotton, A Index	-2.5%	2.5%	-5.3%	-4.2%	27.7%	10.1%
Aluminum	0.3%	1.5%	-8.7%	-2.8%	21.4%	8.0%

Source: World Bank Pink Sheet
*Average of Crude oil (Brent), Crude oil (Dubai), Crude oil (WTI)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