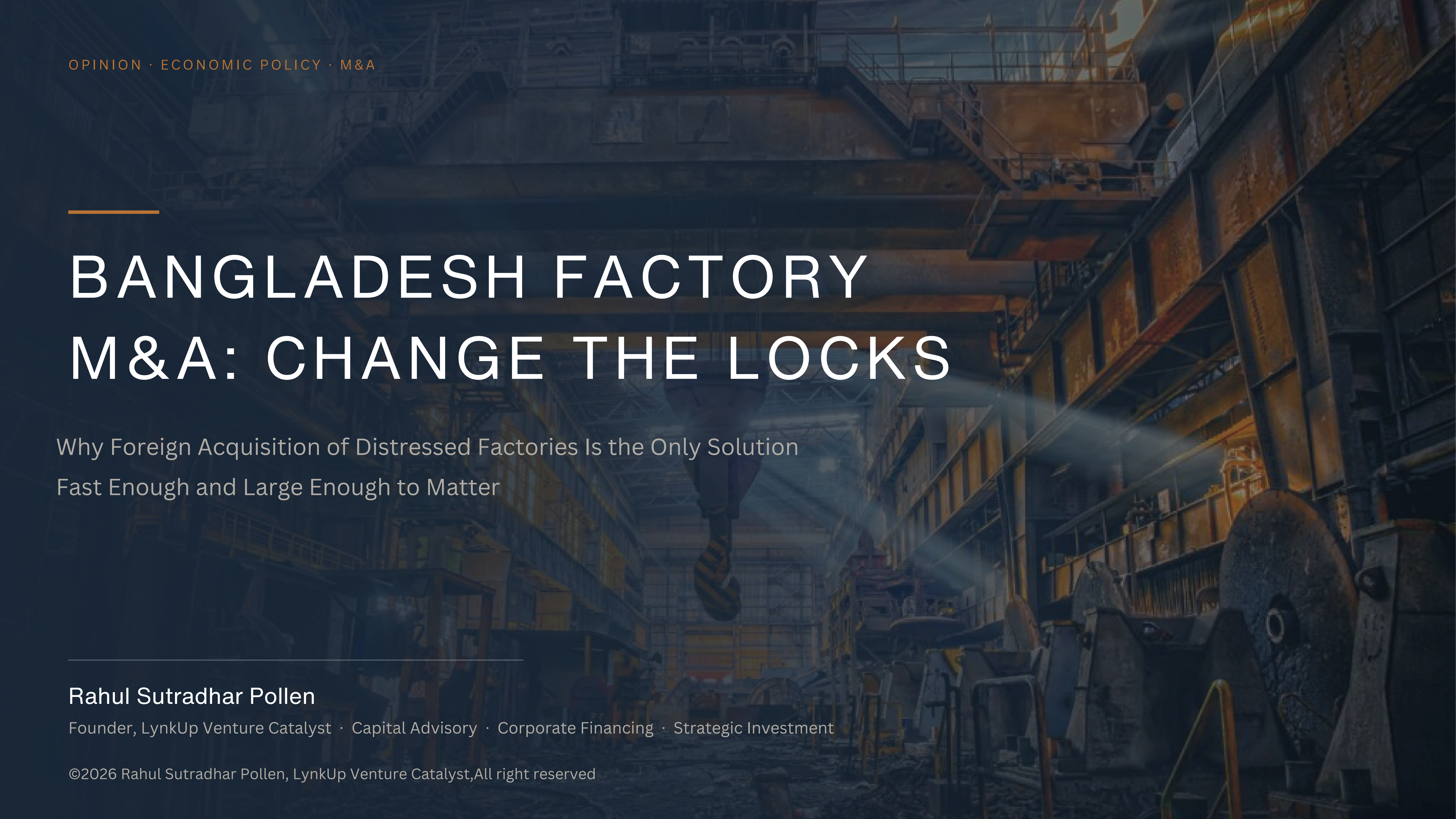

OPINION · ECONOMIC POLICY · M&A

BANGLADESH FACTORY M&A: CHANGE THE LOCKS

Why Foreign Acquisition of Distressed Factories Is the Only Solution Fast Enough and Large Enough to Matter

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245 Factories Closed. 2.1 Million Jobs Lost. One Root Cause.

245	2.1M	Tk 5.57T	30.6%
Factories shut down Aug 2024 – Jul 2025	Jobs lost in 10 months across all sectors	Non-performing loans in banking system	NPL ratio — highest in Bangladesh's history

This is not an RMG crisis. This is a national industrial leadership crisis. The collapse extends far beyond ready-made garments into **steel, shipbuilding, leather, ceramics, and plastics** — sectors employing millions and generating tens of billions in export earnings.

In **steel**, 40 modern mills in Chattogram have seen production collapse by 40–50%. Golden Steel — 600 tonnes of rods daily — has been closed for eight months. BSRM cut output by 1.2 million tonnes.

In **shipbuilding**, a sector with 150,000 skilled workers and 14th-place global ranking, there has been **no export of seagoing vessels for two consecutive years**.

In **leather**, the Savar Leather Industrial City has failed so completely that a parliamentary committee recommended its closure. 165 leather factories and 161 tanneries are in limbo.

Source: BGMEA, BSMA, BSIA, BBS, Bangladesh Bank Q1 2025

The Collapse Is Identical Across Every Sector

Sector	Mid-Size Factory Profile	Current Crisis	Workers at Risk
RMG / Textiles	Tk 500–1,000 Cr revenue; 800–1,500 workers; direct/sub-contract export	250+ factories closed; production paralysed	**220,000+** jobless
Steel	Tk 500–1,000 Cr revenue; 500–800 workers; govt/private construction supply	40 mills distressed; 40–50% production collapse	**~18,000** directly affected
Shipbuilding	Tk 300–800 Cr revenue; 1,000–3,500 workers; coastal/export vessels	Zero exports for 2 years; dockyards idle	**150,000** sector-wide
Leather / Footwear	Tk 200–500 Cr revenue; 300–800 workers; EU/US/Japan export	LWG certifications lost; Savar complex non-compliant	**165** factories in limbo

Each sector follows the same pattern: politically connected ownership → political architecture collapse → leadership vacuum → operational shutdown. The government's Tk 60,000 crore stimulus treats a **national leadership crisis** as a **sectoral liquidity problem**.

Source: BGMEA , BSMA , BSIA , LWG ,Parliamentary Committee ,BBS & LynkUp Analysis

Leadership Failure, Not Market Failure

The causal chain is identical across every sector:

1. Politically guaranteed procurement drives business model

2. Political architecture collapses

3. Access to contracts, buyer confidence evaporates

4. Factory shuts — leadership fled, not market failure

In steel, 62–65% of rods were consumed by government bodies. When political procurement dropped to zero, mills built on that pipeline collapsed.

The proof of the cure is equally stark:

When BGMEA leadership changed in September 2024:

99%

of **2,144 factories** resumed operations within days

Closed factories were those where **leadership could not resolve financial crises** — not where markets disappeared.

Leadership change produced immediate restart.

> *"The permanently closed factories — with politically exposed owners who have fled, been jailed, or gone into hiding — need external leadership at a scale and speed that neither domestic buyers nor government funds can provide. Foreign strategic acquirers are the only credible source."*

Source: BSMA, BGMEA , Global Press Journal

Greenfield Is Catastrophically Slow for a Jobs Crisis

Factor	Greenfield (New Build)	Brownfield M&A (Distressed)
Time to Operation	18–24 months	**3–6 months**
Initial Capital	$10–50 million	**$5–15 million** (distressed discount)
Workforce	Hire and train 500–2,000 from zero	**Existing trained workers** rehired immediately
Buyer Relationships	Build supply-chain credibility from scratch	**Inherited** sub-contracting and export relationships
Compliance	From scratch: LEED, LWG, ISO, class society	**Existing certifications** transferable
NPL Impact	Adds fresh exposure to 30.6% NPL system	**Foreign buyer extinguishes NPL** immediately
Leadership	Recruit in market with no executive surplus	**Foreign buyer brings** own management Day 1

The arithmetic is simple: A Turkish steelmaker acquiring a distressed rod mill gets instant capacity where per capita steel consumption will exceed **100 kg by 2030**. A Korean shipbuilder acquiring a Narayanganj yard gets **150,000 skilled workers** at distressed prices. A Chinese textile firm gets instant vertical integration into a **$39 billion export sector**. They need **legal certainty and policy support** — not market research.

Source: BIDA ,BEPZA , Bangladesh Bank ,LynkUp Analysis

The Four Pillars: Prerequisites, Not Suggestions

01 Distressed Asset Acquisition Fund

Government-backed first-loss guarantee vehicle covering **30–40% of acquisition cost** (SBA Model). Allows banks to recover partial principal immediately rather than holding dead assets indefinitely.

The problem: A foreign investor acquiring a Tk 800 Cr factory with Tk 40 Cr NPL exposure has **no co-investment option**. The deal dies before it begins.

02 100% Foreign Ownership + Repatriation

Pre-approved **100% foreign equity**, repatriation rights identical to greenfield EPZ investors, standardized distressed asset valuation, and **30-day share-transfer protocols**.

The problem: Bangladesh Bank approval processes take **6 months instead of 6 days**. Unclear share-transfer procedures kill deals.

03 EPZ Privilege Portability + Utilities

Foreign acquirers receive identical **10-year tax holiday**, duty-free capital machinery import, and **contractually guaranteed uninterrupted utility supply**.

The problem: Gas production fell from 2,500 to 1,700–1,800 mmcfd. Daily shortfall: **1,350–1,400 mmcfd**. Steel receives 25% less gas; textile 30% offline.

04 Safe Harbour + Worker Protection

New owners shielded from **72,543 writ petitions**. Clean CIB classification after 6 months. **80% worker retention mandate** for first 12 months.

The insight: Worker protection is not a constraint on M&A — it is **its political foundation**. Workers become the loudest advocates when factories reopen.

Source: BIDA ,BEPZA, Bangladesh Bank , BKMEA

Finance the Deal. Guarantee the Exit.

01 Distressed Asset Acquisition Fund

SBA MODEL ADAPTATION

The US SBA provides government-backed loan guarantees for distressed acquisitions. **Bangladesh has no equivalent.**

The mechanics:

- First-loss guarantee: **30–40% of acquisition cost**
- Banks recover partial principal **immediately**
- Dead assets convert to performing capital

Why it matters: Without co-investment, a foreign investor acquiring a Tk 800 Cr factory with Tk 40 Cr NPL has **no pathway to close**.

02 100% Foreign Ownership

AUTOMATIC REPATRIATION

Bangladesh technically allows 100% foreign equity and guarantees repatriation. **In practice, the system fails.**

The current reality:

- Unclear share-transfer procedures
- No standardized valuation methodology
- Bangladesh Bank approval: **6 months** not 6 days

The fix: Foreign acquirers get **full ownership**, pre-approved repatriation, and share-transfer protocols that **close within 30 days**.

Source: SBA, BIDA, Bangladesh Bank , Lynkup Analysis

Match Incentives. Protect Workers.

03 EPZ Privilege Portability

GUARANTEED UTILITIES

BEPZA offers greenfield EPZ investors a **10-year tax holiday**, duty-free capital machinery import, and on-site utility guarantees. A foreign acquirer of a distressed factory **outside an EPZ receives none of this.**

The energy crisis could defeat every reform:

- Gas production: **2,500 → 1,700–1,800 mmcfd**
- Daily shortfall: **1,350–1,400 mmcfd**
- Steel: **25% less gas**; Textile: **30% offline**

"No entrepreneur would expand investment unless gas and electricity supply improves." — BKMEA President Hatem

04 Safe Harbour + Clean Slate

WORKER PROTECTION

72,543 writ petitions block bank recovery. New foreign owners must be shielded from previous owners' political debts.

The protection package:

- **Safe Harbour:** Writs cannot attach to new ownership
- **CIB Clean Slate:** Clean after 6 months — old NPL stays with old owner
- **80% worker retention** mandate for 12 months

Why retention matters: Foreign buyers need trained workers most. The 450 jobless steelworkers, 1,500 shipyard workers — they become the **loudest advocates** when factories reopen in 90 days.

Source: BEPZA, Titas Gas, BKMEA, Bangladesh Bank

Proof of Concept: 10–20 Acquisitions, 4 Sectors, 90 Days

The government need not wait for system-wide reform. A targeted pilot of **10–20 acquisitions** across four sectors provides immediate proof of concept and political cover.

Month	RMG / Textile	Steel	Shipbuilding	Leather
1	Foreign retailer acquires factory; new management installed within 30 days	Turkish/Korean steelmaker acquires rod mill; technical leadership installed	Korean shipbuilder acquires yard; international engineering team arrives	Italian leather firm acquires tannery; LWG re-certification launched
2	Factory restarts with existing workers and machinery under new SOPs	Mill restarts at 60% capacity; existing furnace and workforce reactivated	Yard resumes coastal vessel construction with existing skilled labour	Tannery resumes processing; environmental upgrades begin
3	Old owner exits; bank recovers capital; **1,000+ workers** rehired	Old owner exits; bank recovers capital; **500 workers** rehired	Old owner exits; bank recovers capital; **1,500 workers** rehired	Old owner exits; bank recovers capital; **400 workers** rehired
4–6	Export production resumes; full supply chain restarts	Govt project supply resumes; private construction demand met	Export orders flow; global ranking trajectory restored	European and Japanese buyers return; export earnings resume

Note: The 90-day timeline applies to individual pilot acquisitions, not system-wide resolution. Full sector recovery will follow over 12–24 months. To implement at scale, Bangladesh must establish a statutory Distressed Asset Authority — modelled on Malaysia's Danaharta — with legal powers to identify, value, ringfence, and transfer assets. A voluntary fund without statutory authority will replicate the slowness it was designed to overcome.

Source: LynkUp Venture Catalyst analysis

This Model Has Worked Before — Three Proven Cases

MALAYSIA · 1998

Danaharta

MYR 47.7B

Bad loans acquired (15.5% of GDP)

63.7%

Recovery rate

Acquired mid-size enterprises with viable infrastructure but failed leadership across manufacturing, construction, and steel. All government bonds repaid by 2005.

UNITED STATES · 1989

RTC

747

Failed thrifts resolved

$465B

Assets resolved · 85% recovery

Resolution Trust Corporation achieved 85% recovery rate through structured asset sales to private investors who brought new leadership to steel, real estate, and manufacturing.

SOUTH KOREA · 1997

KAMCO

KRW 106.2T

NPLs purchased (18% of GDP)

43.4%

Recovery rate

Restructured the Daewoo conglomerate through debt-equity swaps that brought foreign management into shipbuilding, steel, and automotive sectors.

In each case, the critical ingredient was not money — it was statutory mandate backed by government resolve. Bangladesh must create a Distressed Asset Authority with power to act decisively.

Source: Danaharta,US RTC ,KAMCO

Disarming The Critics: Perception VS. Reality

Perception	Reality
Foreigners will own our national assets	These are not living companies; they are dead assets. The choice is between foreign revival and the total loss of **220,000 jobs** and **$39 billion** in export capacity
Local entrepreneurs should get priority	Local entrepreneurs are already NPL-burdened. They lack capital, technology, and global buyer relationships. Asking a drowning man to save a drowning man is not a strategy
This is selling national assets cheaply	These assets are already valued at zero by banks holding bad loans. A foreign buyer paying **$5M-$30M** is paying a premium over absolute nothing.
Worker unions will oppose foreign ownership	The Safe Harbour provision mandates **80% worker** retention for 12 months. The **450 jobless** steelworkers and **1,500 shipyard** workers will be the loudest advocates when their wages resume in **90 days**.

> The choice is not local vs foreign ownership. It is foreign revival vs total loss of **220,000 jobs, Tk 5.577 bank capital, and $398 export capacity.** Worker protection is M&A's political foundation.

Source: LynkUp Analysis

The LDC Clock Is Running — Managed Decline or Strategic Renewal?

2026	2029	Post-2029
LDC Graduation	Full Trade-Preference Loss	Compete on Merit, Not Preferences

The factories that close permanently now will not reopen under the old model.

Their machinery will rust. Their workers will migrate to the informal sector. Their export quotas and certifications will expire.

The World Bank warns that post-graduation relevance will depend on **"speed-to-market, innovation, and verifiable sustainability rather than baseline labour cost."**

The only viable pathway:

Mid-size factories under **foreign leadership** with global technology access are the only path to LDC graduation competitiveness.

The Tk 60,000 crore fund **preserves the old leadership**. Foreign M&A **replaces it**.

The choice: managed decline or strategic renewal.

Addressing the objections: "Foreigners will own our assets" — these are dead assets, not living companies. "Local entrepreneurs should get priority" — they are themselves NPL-burdened. "Selling cheaply" — banks value them at zero; $5–15M is a premium over nothing. "Worker unions will oppose" — mandate 80% retention and workers become advocates.

Source: World Bank , Bangladesh Bank , LynkUp Analysis

CONCLUSION

CHANGE THE LOCKS

Across Every Factory Gate in Bangladesh

The machines still work in Chattogram's steel mills. The dockyards still stand on the Meghna. The tanneries still exist in Savar. The workers still know their jobs. The export orders still flow — to Vietnam, to India, to Cambodia — but not to Bangladesh, because **no one is turning the keys.**

All we need are new leaders to turn the keys — and a government brave enough to change the locks.

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