

# Cement industry beset by market saturation

## Companies can hardly utilise 50pc of production capacities

### STAR BUSINESS REPORT

Local cement industry is beset by market saturation with the grinding plants incurring huge losses for poor sales and non-utilisation of their installed capacities.

With a continuous decline in sales, cement companies are now able to utilise hardly 50 per cent of their production capacities as the country's present demand is 65 lakh tonnes against the total capacity of more than 135 lakh tonnes.

"Local cement plants are now in deep trouble and some of them are on the verge of collapse as they are heavily dependent on imported clinker," said an official of Bangladesh Cement Manufacturers Association (BCMA).

However, the multinational cement companies are in an advantageous position as they have their own sources of main raw material -- clinker. Besides, they can manage loans from banks abroad at three to

four per cent while local companies have to borrow money from local banks at around 15 per cent interest rate, he said.

Confidence Cement Ltd, one of the leading local companies, could utilise around 50 per cent of its total capacity during July-December period of last year and incurred a net loss of Tk 2.37 crore, company officials said.

Aramit Cement Ltd having an annual capacity of producing 2.10 lakh tonnes could utilise 51.86 per cent of its capacity and incurred a loss of Tk 4.53 crore in 2002. Its loss in the first six months of 2003 has been estimated at Tk 3.04 crore.

With an annual capacity of five lakh tonnes Mongla Cement Ltd utilised less than 50 per cent of its capacity in July-August of this year. "We had a net loss of Tk 3 crore in 2002-03 fiscal year," said an official of the company.

Niloy Cement Industries Ltd could utilise 51 per cent of its

installed capacity and had to incur a loss of over Tk 2.50 crore in the last financial year.

The capacity utilisation and sales of the multinational cement companies also saw dips substantially but they managed to make little profit.

Heidelberg Cement Bangladesh's net profit dipped to Tk 4.65 crore in 2002 from Tk 20.9 crore in 2001 and sales to Tk 134 crore from Tk 141 crore.

In a bid to cope with the adverse situation, some companies have taken various cost-cutting measures, including prudent consumption of electricity. Some companies are considering job cut also, industry insiders said.

"We have reduced power cost through prudent use of low tariff hours and installation of capacitor banks," said an executive of HeidelbergCement Bangladesh Ltd.

In 2001, cement industry witnessed a sharp growth as the num-

ber of plants increased to 50 from only 20 in the previous year. The number of plants went up to 61 in 2002 with a total capacity of 135.57 lakh tonnes.

According to BCMA, 63 local and multinational companies have been given the association's membership. On the other hand, a recent survey of the Board of Investment (BoI) revealed 46 companies are currently in operation.

The annual demand for cement is growing at the rate of eight per cent owing to growth in housing and construction industry in Bangladesh. This high demand attracted world's six leading cement manufacturers-- Lafarge, Holcim, Heidelberg, Taiheiyu, Cemex and Scancem to start their operations in the country.

The current price of a 50-kg bag cement ranges between Tk 200 and Tk 215 at the retail level depending on brand.



PHOTO: STAR

Visitors make enquiries at a stall at the international exposition of medical equipment, products and services, Medexpo-2003, at Sheraton Hotel in Dhaka yesterday, the last day of the three-day fair.

## Nokia hopes to spur sales with gaming device

AFP, Helsinki

When it launches the N-Gage gaming device on Tuesday, Nokia will take its first step towards a new business model targeting wireless entertainment and business solutions in a bid to spur stagnating sales.

While Nokia phones have been sporting games for years, the N-Gage -- which also functions as a handset -- is its first handheld product to place entertainment at center stage.

"This will be an important step for Nokia," Ilkka Raiskinen, Nokia's senior vice president for multimedia and enterprise solutions, told AFP.

"My target for N-Gage is to drive more growth, using our core competence" to increase sales.

Two weeks ago Nokia announced a major restructuring that puts wireless entertainment and corporate network applications on a par with its traditional mobile phone and network businesses.

"It shows that Nokia is putting more focus on multimedia and enterprise solutions, changing Nokia to other things than just mobile voice," he noted.

Even though Nokia remains the star performer in the mobile phone industry, it has had a tough time combating the sector's dwindling fortunes.

Analysts estimate Nokia's overall revenues will decline by three per cent this year from 30 billion euros in 2002, a year which saw sales fall by four per cent.

Nokia has had little choice but to branch out to spark a turnaround.

"It's something Nokia has to do if it wants to maintain its current situation, or to grow somehow," noted Mika Paloranta, telecom analyst with the investment bank Carnegie.

If N-Gage catches on in 2004 Nokia's overall sales could increase by a percentage point or two while crucial handset sales are expected to slide by two per cent, Paloranta estimated.

## New chairman, vice-chairman of Continental Ins



Musa Meah Mohammad Iqbal

Musa Meah and Mohammad Iqbal have been elected chairman and vice-chairman of Continental Insurance Limited.

They were elected at the 39th meeting of board of directors of the company held in Dhaka recently, says a press release.

One of the sponsor directors of Continental Insurance, Musa Meah, is also the chairman of Kuliarchar Group.

Mohammad Iqbal, one of the sponsor directors of the insurance company, is also the chairman and managing director of ICC Limited and managing director of Millennium Holdings Ltd.

# Freight forwarders collecting extra charges unlawfully

## CCCI complains to commerce minister

STAFF CORRESPONDENT, City

Chittagong Chamber of Commerce and Industry (CCCI) has accused a section of freight forwarders of unlawfully realising various charges from the exporters and importers and urged the authorities concerned to take necessary steps in this regard.

In a letter to commerce minister recently the CCCI alleged that a section of freight forwarding agents were realising charges for NOC, documentation, LOL and status change in addition to China additional charge.

The freight forwarders are enti-

tled to collect NOC charge only, but they are realising the other charges without approval from the authorities concerned, it said.

It said the freight forwarders operating under the banners of International Freight Forwarders Association of Bangladesh (IFFAB) and Association of Air Cargo Agents of Bangladesh (ACAB) have been engaged in such practice.

They are not even registered with the controlling authority, the CCCI said in the letter.

The registration of these two bodies with the National Board of Revenue (NBR) is now under process. But CCCI and some other

business organisations urged the commerce ministry to approve IFFAB and ACAB as a single organisation.

The CCCI urged the commerce minister to arrange a joint meeting with representatives from all ministries and departments concerned and shipping agents to find out ways and means for introducing a smooth system of freight forwarding.

In this regard CCCI made recommendations to make freight forwarders accountable to both NBR and Bangladesh Bank and also to make it compulsory for them to take NBR licence in carrying out their operations.

# France pressed to redress decades of economic errors

AFP, Paris

The French deficit problems that came to a head last week underscore problems facing several major European economies, but Paris is being pressed to fix sundry errors that span several decades.

On Friday, French officials were summoned to Brussels to present a plan for bringing the enormous French public deficit into line with European Union (EU) rules for countries that share the single currency.

While it was clear Paris would not meet the Friday deadline for reducing its deficit to below three per cent of output as required by the Maastricht treaty and the Stability and Growth Pact, the consequences of that failure were not yet known.

France could be fined around three billion euros (3.46 billion dollars) for repeatedly exceeding the limit, having posted a deficit equivalent to 3.1 per cent of gross domestic product in 2002 and heading for one of roughly 4.0 per

cent this year.

Germany and France will hold a joint economic and financial council in the western German town of Trier on Monday amid a gloomy economic climate caused in part by their respective public deficits that have provoked sharp criticism from EU partners.

Certain to be high on the agenda of the 33rd such council are the public deficits and the EU stability and growth pact.

In 2004, France will likely miss the target once more, with a forecast deficit of 3.6 per cent.

EU officials have had enough, saying they are ready to take additional steps against France, which already faces an excessive deficit procedure contained in the stability pact in the event of repeated violations.

The European Commission will take the matter up this week and recommend steps to be taken on October 15 or 21, a spokesman said Friday.

"The (recommendation's) content is obvious for all who have

followed the case," Gerassimos Thomas added.

Austrian Finance Minister Karl-Heinz Grasser said he was "absolutely certain" the commission would recommend further action against France.

He told the Financial Times: "What France is doing is simply a provocation towards all the other euro-zone countries."

"I see no opportunity for a compromise."

In Lisbon Portuguese Prime Minister Jose Manuel Durao Barroso said: "It is not the moment to play with the rules," he said. "If we have rules we must respect them and accept the consequences."

European Central Bank President Wim Duisenberg told a German newspaper last week: "The heads of state and of government have sworn to abide by the pact. If a country repeatedly breaks it, you have to ask yourself what role that country can play in European policy in future."

## Malaysia may use microchips to beat govt cheque cheats

AFP, Kuala Lumpur

Malaysia may place microchips into government treasury cheques to prevent forgery involving government financial transactions, local media reported Sunday.

"The cheats are getting smarter and we have to ensure we are always one step ahead of them," Second Finance Minister Jamaludin Jarjis was quoted as saying by the New Straits Times.

Jamaludin said his ministry would meet with relevant financial representatives, including from the Central Bank to discuss the matter.

"We will be calling for a meeting and I am confident we can find a solution to this."

One microchip that has been identified for use is the Malaysian Microchip, the paper said.

With a 0.5 millimetre square contact patch, an area as large as the head of a safety pin, it contains one of the world's smallest radio frequency identification antenna-integrated circuit, it said.

At least four Malaysian state governments have been the victim of a syndicate which has been issuing cloned State treasury cheques for the past three years, prompting a call this week by Prime Minister Mahathir Mohamad to set up a special body to detect bogus government cheques.

## EU negotiators in Brazzaville for partnership agreements

AFP, Brazzaville

Partnership accords being negotiated between the European Union and African regions must not lead to the partitioning of Africa, EU Trade Commissioner Pascal Lamy warned Saturday.

"The integration that we have to seek together must be open to neighbouring countries and to the rest of the world," he said in Brazzaville, capital of the Republic of Congo, the western neighbour of the much larger Democratic Republic of Congo.

"The Economic Partnership Agreements must in no circumstances lead to the partitioning of Africa," the Brussels official cautioned.

"Any other way of looking at things would be politically unacceptable and economically irresponsible," said Lamy, who arrived here for negotiations, accompanied by EU Development Commissioner Poul Nielson.

The aim of negotiations here is to contribute to development by giving priority to regional integration, in order to achieve an economic partnership between the EU and the Central African Economic and Monetary Community (CEMAC) by 2008.

The "Brazzaville Process" aims in the long term to turn central Africa into a "pole of economic attraction which will attract investments and mobilise private initiative," Lamy explained.

# Thai Grand Fair begins Thursday

STAR BUSINESS REPORT

A four-day Thai Grand Fair, first of its kind in Bangladesh, begins in Dhaka on Thursday showcasing a wide array of products and services from Thailand.

"The aim of this grand event is to project high quality Thai products before the Bangladeshi people," Virasak Chullawichit, minister counsellor of Royal Thai Embassy, said at a press conference at Thai Embassy yesterday.

Royal Thai Embassy in Dhaka is organising the fair in collaboration with Lactasoy Company, Novo Cargo Services, Roop Communications, Saint Louis Hospital and Thai Airways International.

Commerce Minister Amir Khosru

Mahmud Chowdhury is expected to inaugurate the fair at Udhayan Thai in Baridhara diplomatic enclave.

A total of 70 stalls will display consumer goods, kitchenware, stationary, handicrafts, household electrical appliances, auto spare parts, fresh fruits and vegetables, cosmetics, food and beverage, jewelry and ladies ornaments as well health, beauty and medical services, education, tourism and airline cargo agents at the fair.

On the opening day, a buyers-sellers meeting will be held at the fair venue from 9am to 2pm. The show will remain open for visitors from 9am to 9pm everyday.

A heart specialist from Saint Louis Hospital of Thailand will provide free medical consultation to the visitors everyday at the fair

venue.

Thai embassy officials said the

Thai government has given duty-free access to 50 Bangladeshi items to enter Thai market in order to reduce the huge trade gap between the two countries. At present, the bilateral trade is heavily tilted in favour of Thailand.

There is a huge potential of Bangladeshi seafood, jute goods, fertiliser and chemicals in Thai market, they said.

Luthom Wankeao, minister counselor of commercial affairs, and Paniti Uthairat, counselor (commercial) of Thai Embassy were present at the press conference.

# Canada aims to export AIDS drugs to developing world

AFP, Montreal

Canada has sought to be an example to other industrialized nations by altering its legislation to allow for generic AIDS drugs to be exported to developing nations.

Over the past few days, Industry Minister Allan Rock and International Trade Minister Pierre Pettigrew stressed that Canada has worked tirelessly to amend its patent laws.

Canada hopes to become the first country in the Group of Seven to make major laboratories operating within its borders -- both Canadian companies and multinational firms -- share their formulas with the manufacturers of generic AIDS drugs for export to developing countries, which are hardest hit by the pandemic.

These countries, primarily in

Africa, quite often have no means for producing the drugs and are at the mercy of developed countries to obtain them.

Ottawa wants to be the first industrialized country to make good on an agreement, reached by the 146 World Trade Organization (WTO) member nations in late August in Geneva, to furnish low-priced medications to developing nations.

For now, the details of a bill are still being hammered out, but supporters hope to see a measure passed by Parliament within as little as one week.

"I would like to present a draft to ministers in the next few weeks or months, (but) I have not been given a deadline. We've been asked to take the time we need but to speed up the process," Eric Dagenais, head of patent policy at the Ministry of Industry, told AFP.

The United Nations' special envoy for HIV/AIDS in Africa, Stephen Lewis, said that "the additional capacity to produce generics is vital because, at the moment in Africa, only between 50,000 and 75,000 people are in treatment, out of 4.1 million that are said to be eligible for treatment."

While many nongovernmental organizations expressed doubts about the scope of the WTO accord, several of them -- including Doctors Without Borders and Oxfam -- called a press conference Wednesday in Toronto to congratulate the Canadian government on its plans and to keep the pressure on.

The groups fear that the legislation will get mired in "legal fineries," as Doctors Without Borders said, or fall victim to the pharmaceutical lobby.

# European firms urged to boost business in China

AFP, Paris

Market positions held by European companies in China are too small for the firms to fully benefit from strong economic growth forecast there this year and next, analysts say.

China is emerging as a major locomotive for global growth, with its economy tipped to expand by a robust eight per cent this year and slightly better in 2004.

The US economy remains fragile meanwhile, and that of the EU even more uncertain.

But "for the time being, European businesses' part in Chinese economic activity is very small. It is still a bit early for growth in the region to have an impact" on their results, says Jean-Noel Vieille, research

director at the Aurel Leven brokerage.

Among the French firms that have a foothold in the Chinese market are the telecommunications equipment company Wavecom and smart-card makers Oberthur and Gemplus.

But aside from these "very particular cases ... the US growth on which we are counting is a much stronger factor" in judging short-term prospects for European firms, he adds.

China's rise among the global economic giants will nonetheless make itself felt soon.

"China's passage from a production zone to a consumer country will help provide fuel for the global economy," says Alain Bokobza,

strategy head at Societe Generale Equity Research.

Chinese consumers will not see their buying power increase much however as long as the yuan remains undervalued owing to its indexation to the dollar.

Great disparities also exist between economically active coastal areas and underdeveloped interior regions.

"While there is definitely a new dawn in China, per capita gross domestic product remains very low," notes Hughes de Montvalon, director of economic studies at Oddo Securities.

Some even insist that China is dangerous for certain western companies.