Steel makers feel the pinch of a subdued private sector

Profits of all but one listed rod maker slump

Ahsan Habib

All but one of the listed rod makers' profits dropped in the first half of the current financial year on the back of lower sales volume and higher deferred tax expense.

Only SS Steel logged in higher profits, while BSRM Steels, Ratanpur Steel Re-rolling Mills and GPH Ispat saw their profits contract during the time.

"Construction activities of the private sector was 'abnormally' slow in the first half of the financial year," said RSRM Director Marzanur Rahman.

The demand for rod fell though the supply remains the same, which ultimately led to lower sales volume and shorter profit margin. The rod maker supplies to both the government and the private sector.

Shekhar Ranjan Kar, company secretary of BSRM Steels, echoed the same about the shrinking profitability: lower sales volume.

BSRM's profits for the months of July and December last year crashed a staggering 78.71 per cent year-on-year to Tk 16.8 crore.

But Kar, also the general manager of finance & accounts of the steel maker, also blamed the higher deferred tax burden.

The steel company made a provision for deferred tax expenses of Tk 11.48 crore for the first half of the financial year 2019-20. A year earlier, it was Tk 1.73 crore.

At least Tk 500 per tonne has to be provided now as minimum tax when steel is imported.

"When we sell we have to pay 3 per cent tax, which comes to about Tk 2,000 per tonne. This is the minimum tax. Whether we make profit or loss these taxes are mandatory."

The value-added tax of Tk 1,100 per tonne must be paid too.

"Such a high tax regime ate into our profits and it will continue to fall," Kar added.

The Chattogram-based rod maker also made a provision of current tax of Tk 27.47 crore as a minimum tax this year, which is not comparable with the previous year as tax provisioning for the previous year was calculated on net profit.

RSRM also said there was an impact from advanced trading tax, which is newly imposed, and an increase in import duty.

Industry insiders said the gas price hike has also impacted rod makers' business: about Tk 1,500 has to be paid extra for every tonne of rod now.

The energy regulator increased gas prices for manufacturers by about 17.5 per cent from July 1, 2019.

The impact was slightly less for newly listed SS Steel, whose earnings rose in the first half.

SS Steel mostly sells to the government, so its earnings remains strong, according to analysts.

However, in the last quarter SS Steel's earnings was flat.

Between the months of October and December of last year, the steelmaker's earnings per share was Tk 0.46, which was Tk 0.43 a year earlier.

Big companies' sales are diversified, said Javed Opgenhaffen, chairman of SS Steel.

In the coming years, rod makers will face a challenge because capacity of their production rose but the demand has not.

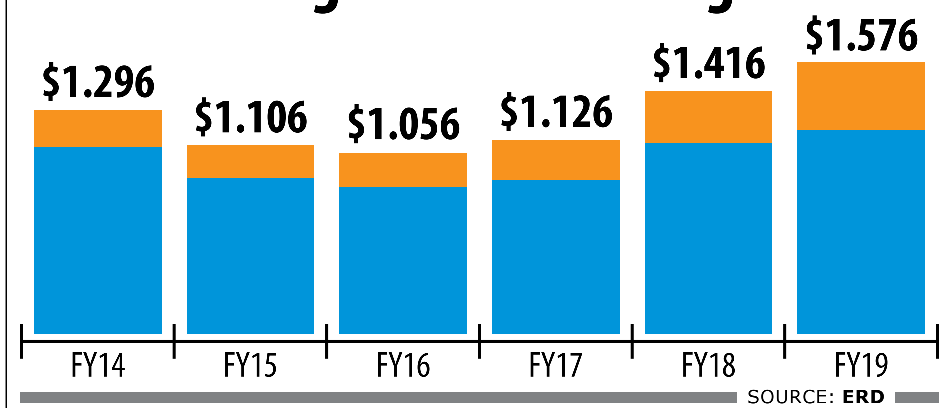
"So, demand will have to increase to overcome the challenge," Opgenhaffen added.

Since the rod makers' raw materials come from China, the impact of coronavirus will be felt deeply in the days ahead, Rahman of RSRM said.

Company	Half-yearly (2018-19)	Half-yearly (2019-20)
BSRM	EPS = Tk 2.10 Revenue = Tk 2,870cr	EPS = Tk 0.45 Revenue = Tk 2,031cr
GPH ispat	EPS = 0.88 Revenue = Tk 544cr	EPS = 0.86 Revenue= Tk 548cr
RSRM	EPS = Tk 3.63 Revenue = Tk 393cr	EPS = 1.05 Revenue = Tk 193cr
SS STEEL	EPS = 0.78 Revenue = Tk 200cr	EPS = 1.15 Revenue = Tk 224cr

LDC graduation to boost Bangladesh's creditworthiness

Govt's foreign debt servicing burden



SOURCE: ERD

Star Business Report

Graduation into the developing country bracket in 2024 is likely to increase foreign assistance flows as it would enhance Bangladesh's creditworthiness, said the Economic Relations Division (ERD) yesterday.

Bangladesh will enjoy various benefits, including an immense enhancement of the country's image before the global community, said Kazi Shafiqul Islam, former secretary to the ERD.

The private sector's contribution to the economy was almost 80 per cent and they would be able to avail market loans at cheaper interest rates for higher credit ratings.

Side by side foreign direct investment will also increase, he said at a workshop styled "Effective Partnership with Media for Sustainable Development" organised by the ERD on its Sher-e-Bangla Nagar premises in Dhaka yesterday. Around 50 reporters of print and electric media took part.

However, Bangladesh will face three problems: a reduction of scholarships, concessional loans and trade benefits.

Disbursement of foreign assistance would increase to around $15-16 billion within the next 10 years.

External debt repayment will reach $2.5 to $3 billion in fiscal 2024-25, when some big foreign loans are scheduled to mature.

Last fiscal year Bangladesh's debt service, meaning principal plus interest, was $1.56 billion, up from $1.40 billion a year earlier.

"Bangladesh will not fall in any problem regarding debt servicing within the next 10 years although the amount of repayments will be double in fiscal 2024-25," said Kazi Shafiqul Islam, former secretary to the ERD.

The country is at a comfortable level as the debt-GDP ratio is still at only 14 per cent and it would reach 20 per cent once the big foreign loans mature within the next 10 years.

The international standard is 40 per cent, so Bangladesh has a huge scope to take more foreign loans, he said.

On rising interest rates, there is no direct connection of it with LDC graduation.

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Tangerines are now being grown in Sylhet and the hill districts of Rangamati and Bandarban and selling for Tk 80-100 per kilogram. The photo was taken in Karwan Bazar in Dhaka on Tuesday.

ANISUR RAHMAN

Platform for interoperability in digital financial transactions by 2021

Star Business Report

The government yesterday approved a project which would make public a platform for interoperability in digital financial transactions, ensuring seamless transactions between payment systems alongside transparency and reducing transaction costs.

To cost Tk 54.85 crore, the "Interoperable Digital Transaction Platform Service" project will be up and running by February next year.

A joint venture firm comprising Orion Informatics, Microsoft, Fintech and Sain Ventures won the procurement order and will start installing the platform from next month.

The government will pay Tk 43.27 crore to the joint venture and another Tk 11.68 crore as value added tax.

The Cabinet Committee on Public Purchase at the Cabinet Division have the nod to the project.

It will act as a bridge between customers, merchants, payment processors, e-wallets, banks, financial institutions, payment systems operators and government and private institutions.

It will also make it easy to make payments, including that for e-commerce and bills, and send remittance, said officials related with the process.

Briefing journalists after the meeting, Finance Minister AHM Mustafa Kamal said the platform would help digitalise the financial system.

"We found top global players in the joint venture and hope to get the optimum benefit by 2021," Kamal said.

Through a meeting with Prime Minister's ICT Affairs Adviser Sajeeb Wazed Joy in 2017 the Information Communication Technology Division first undertook the project.

Managing carbon footprint -- a must do for sustainability

Sazzadul Hassan

About 100 companies are responsible for 71 per cent of the world's greenhouse gas emissions, says a report published by UK-based renowned organisation CDP in 2017. These companies had produced about 923 billion tonnes of carbon dioxide-equivalents between 1988 to 2016. No wonder now-a-days carbon footprint is one of the key strategic issues being widely discussed in business world.

Traditionally most of the organisations' primary focus is on growing business by any means. Not many of them are truly concerned about environment. However, off late, because of increasing awareness of the adverse impact of carbon emission, there have been incessant pressure on businesses to play their part to fight this global crisis.

Increasing carbon footprint has profound effects on our planet. The world has been witnessing continuous rise in its temperature causing changes in the growth patterns of plants. Increased temperature will also cause rise of the sea levels which will eventually erode shorelines, displace human habitats and destroy the overall ecosystem.

In some of the geographies we see prolonged droughts while some of the areas experiencing unprecedented flooding. This adverse weather conditions naturally impact the overall food production. Consequently, people would suffer from hunger, malnutrition and also from different deadly diseases. Wildlife is also getting severely impacted due to this unusual behaviour of weather.

In a nutshell, climate change has negative impacts on economies, populations, resources and all these consequences ultimately boil down to increased cost of doing business.

It is quite evident that business organisations contribute significantly in greenhouse gases (GHG) emissions. Study shows, major sources of GHG emissions are electricity production as fossil fuels like coal and gas are mostly used here in transportations and manufacturing sectors. Therefore, businesses do have an ethical

obligation to reduce their carbon footprint. Moreover, it has also got business justifications to do so.

Before getting into the in-depth discussion, we need to first understand carbon footprint which fundamentally refers to the amount of carbon dioxide (CO_2) emissions associated with all the activities of a person or other entity. It includes direct emissions, such as those that result from fossil fuel combustion in manufacturing, heating, and transportation, as well as emissions required to produce the electricity associated with goods and services consumed.

In addition, the carbon footprint concept also often includes the emissions of other greenhouse gases, such as methane, nitrous oxide, or chlorofluorocarbons (CFCs).

World leaders signed an agreement in 2015 famously known as Paris Agreement to limit greenhouse gas emissions to levels that would prevent global temperatures from increasing more than 2 degree Celsius (3.6°F) above the temperature benchmark set before the beginning of the Industrial Revolution and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

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