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BUSINESS

SC questions BB findings on embezzlement at International Leasing

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The Supreme Court yesterday raised questions about the Bangladesh Bank's findings into the embezzlement of funds from International Leasing and Financial Services (ILFS), a non-bank financial institution.

Proshanta Kumar Halder, also known as PK Halder, a former managing director of NRB Global Bank and Reliance Finance, was involved in the embezzlement of Tk 3,500 crore, according to media reports. But the central bank put the figure at Tk 1,596 crore.



"Is there any jugglery with figures [in the central bank's findings]?" questioned a three-member bench of the Appellate Division.

The bench, headed by Chief Justice Syed Mahmud Hossain, raised the question during a hearing on an appeal filed by ILFS's two shareholder-directors challenging the directives of the High Court.

The apex court also fixed today to pass an order on the appeal.

Earlier in the day's hearing, Md Shah Alam, an executive director of the BB, appeared before the apex court in line with its February 16 order and submitted a written statement to the court.

The central bank found that Tk 1,596 crore was transferred from ILFS in violation of rules through 48 accounts of various organisations related to the directors and shareholders of the NBFI, he said.

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Robust exchange rate critical for sustained growth

REJAUL KARIM BYRON and JAGARAN CHAKMA

Poorly managed exchange rate, ad hoc-based incentive and existing domestic protection levels will not make Bangladesh's exports competitive and help diversify both products and destinations, according to a new plan of the government.

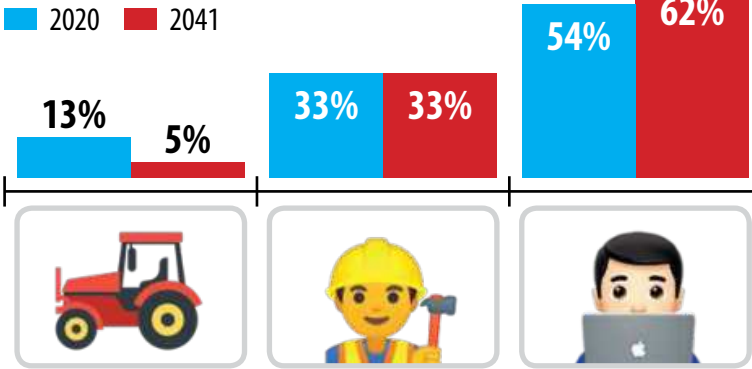
"Poorly managed exchange rate can be disastrous for economic growth," said the Perspective Plan of Bangladesh for 2021 to 2041.

The National Economic Council (NEC) at its meeting at Sher-e-Bangla Nagar in the city yesterday approved the plan. Prime Minister Sheikh Hasina, chairman of the NEC, presided over the meeting.

"For a long-term plan, an ambitious target is required first. Long-term and far-reaching political and economic steps are needed to advance the plan," said Shamsul Alam, a member of the General Economics Division, while presenting the summary of the plan.

In the plan, export diversification and competitiveness in the global market have been identified

SECTORWISE CONTRIBUTION TO GDP



as the major challenges facing Bangladesh.

The plan called for export diversification as over-reliance on a single export commodity makes the economy vulnerable to external shocks.

A diverse export basket is absolutely necessary for stable export revenue and its growth.

Garment accounts for more than 80 per cent of the national exports, while the EU, the US and Japan are the major export destinations.

According to the plan, researches showed that avoiding significant

overvaluation of the currency is one of the most robust imperatives that can be gleaned from diverse experience with economic growth around the world and one that appears to be strongly supported by cross-country statistical evidence.

Overvalued currencies are associated with foreign currency shortages, rent-seeking and corruption, unsustainably large current account deficits, balance of payment crisis and stop-and-go macroeconomic cycles, all of which are damaging to economic growth.

As a long-term strategy for

export expansion, the appropriate exchange rate management would be to avoid rigidity or real appreciation of the real effective exchange rate (REER).

A moderately depreciating REER would work better to sustain the competitiveness of exports, particularly non-garment exports.

About the trade policy stance, the plan said perhaps the single most important determinant of export competitiveness is the incentive regime emerging from trade policy.

International experience suggests that in a high tariff regime, export success cannot come through subsidies provided to thrust sectors.

It could, however, come through providing garment-like free trade channel to existing and potential exports.

"That is big policy change. While there is no magic recipe to promote diversification, a broad array of policies must be needed to create and sustain new export products."

Bangladesh's trade regime needs further rationalisation and modernisation of the tariff regime, it said.

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GSK Bangladesh ricochets to profits

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GlaxoSmithKline Bangladesh bounced back to profitability last year thanks to streamlining its business the previous year.

The British multinational shuttered its 60-year-old pharmaceuticals business in Bangladesh in 2018. The pharmaceuticals unit, based in Chattogram, was incurring losses in the previous five years, much to the concern of the GSK Bangladesh board.

With the view to preventing any more losses, the board decided to bring down the curtains on the business.

"The higher profit proves that the shuttering of the pharma business was the right decision," said Masud Khan, chairman of GSK Bangladesh.

In 2018, there were significant costs incurred for the factory closure in the form of severance payment to employees and so on, due to which

the company recorded losses, he said.

In 2019, the impact of discontinued business was minimal. And there were some cost-saving activities too, according to the company's posting on the Dhaka Stock Exchange website.

"So this year we booked higher profits," Khan added.

GSK's earnings per share (EPS) went up to Tk 81.83, up from Tk 52.75 in the negative in 2018.

The news of high profits sent the company's stocks up 1.23 per cent to Tk 1,867 yesterday. GSK made its debut on the DSE in 1976.

"The pharma unit was a money guzzler," said a top official of the company preferring anonymity as he is not authorised to speak with the media.

Now, shareholders are reaping the benefits of the decision, he added.

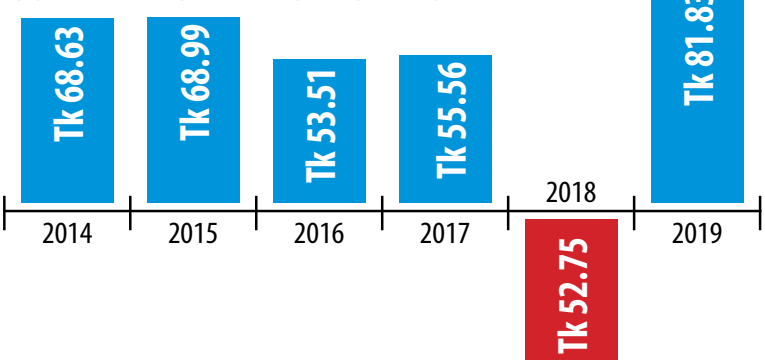


company's push to cash in on Asia's fast-growing economies.

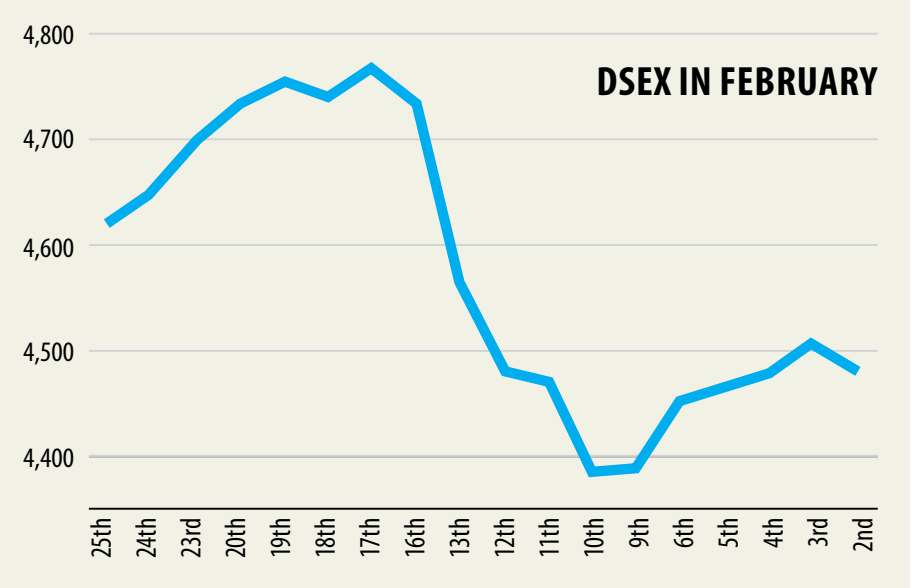
It is also purchasing GSK's entire health food and drinks portfolio in India as well as in 20 other Asian countries for 3.3 billion euros (about \$3.74 billion), after it fought off competition from rivals Nestle and Coca-Cola.

The transaction is yet to be completed, Khan said.

GSK BANGLADESH'S EPS



Bourse deflated by news from Grameenphone, banking sector



STAR BUSINESS REPORT

Stocks continued to fall in the last consecutive four days on the back of Grameenphone's share slide and growing fear of contracting earnings of banks.

Yesterday, DSEX, the benchmark index of Dhaka Stock Exchange (DSE), edged down 29.69 points, or 0.63 per cent, to stand at 5,621.19.

In the last four days the index plunged

137 points, or 2.87 per cent.

Market analysts pegged the drop to Grameenphone's fortunes.

The country's leading mobile operator's stocks slid 8.4 per cent in the last two days after it was ordered by the Supreme Court on Monday to pay Tk 1,000 crore within three months. Grameenphone had deposited Tk 1,000 crore to the state coffer just the previous day.

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Quasem Industries to set up an artificial quartz factory for Tk 92cr

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Quasem Industries, a listed dry cell and food product producer, yesterday announced its plan to set up an artificial quartz product manufacturing factory at a cost of about Tk 92 crore as part of its strategy to diversify its portfolio.

Artificial quartz, also called engineered quartz, is a manmade product created mostly from natural materials.

It is made of 90 to 94 per cent ground quartz and 6 to 10 per cent resins and pigments that are combined into durable and nonporous slabs.

The most common application of artificial quartz is indoor flooring and walls, while the quartz-based product is used primarily for kitchen countertops as an alternative to laminate or granite.

The plant will be established in collaboration with Sunstone International, LLC, US and targeted completion date of the project is June 2021.

The unit would be 100 per cent export-oriented with provision for local sales of artificial quartz product.

The news sent its stocks up 1 per cent to Tk 44.90 yesterday.

Quasem Industries, which manufactures the popular Sunlite brand of batteries, is expecting the plant to churn out Tk 17.45 crore in profit within the first year of its operation as it tries to offset the losses caused by the fire in its headquarters last year.

On 28 March FR Tower caught fire and claimed 30 lives, including an official of Quasem Industries.

"The fire affected the company's turnover and profit," said Tasvir Ul Islam, managing director and chief executive officer of Quasem Industries.

The company's turnover dropped about 8 per cent year-on-year to Tk 185.5 crore in the 2018-19 financial year. At the same time, profits plummeted 39.2 per cent.

This year has seen several factors that made doing business in Bangladesh a difficult proposition, Islam said.

The factors include devaluation of the taka against the dollar, which has left the large numbers of manufacturers that are reliant on import of raw materials with significantly higher costs, Islam said.

Additionally, the cost of utilities continues to rise in Bangladesh as does the cost of distribution and transportation increased.

These problems are further compounded by weak business and financial policies and an unstable banking

system.

The company's costs rose 35.12 per cent to Tk 5.54 crore in the last year.

However, Quasem Industries is trying to bounce back. The company has already rolled out "Wave" brand of air freshener and body spray.

And this year it is planning to introduce shaving foam and aerosol, which may boost its turnover in the coming years.

