STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (STANDARD CHARTERED BANK)				
DSEX	CSCX	Gold ▼	Oil ▼	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		$USD	€EUR	£GBP	¥CNY
Closed	Closed	$1,767.70	$34.59	▲ 3.44%	▼ 0.48%	▼ 0.62%	▼ 0.24%	BUY TK	83.95	89.84	100.72	11.65
		(per ounce)	(per barrel)	30,028.98	20,133.73	2,539.28	2,875.42	SELL TK	84.95	93.64	104.52	12.25

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TAMING CORONAVIRUS RAMPAGE

Overcapacity in power sector to increase financial loss: study

Rejaul Karim Byron

Bangladesh's plan for significant coal- and LNG-fired power plant additions will cause substantial overcapacity, with major financial implications, said a new study.

The country already has excess power generation with only 43 per cent capacity utilisation in fiscal 2018-19.

And this low usage even before coronavirus outbreak resulted in Tk 9,000 crore ($1.1 billion) capacity payments for power plants to sit idle, necessitating both government subsidies and electricity price hikes for consumers.

The pandemic-induced lull is currently lowering power demand significantly, increasing financial stress on the Bangladesh Power Development Board (BPDB) by reducing revenue whilst capacity payments to idle plants have to be maintained, according to the study by Ohio-based Institute for Energy Economics and Financial Analysis (IEEFA).

"Based on our own forecast of power demand growth, which takes the economic impact of the COVID-19 into account, we calculate that Bangladesh is on course to have capacity that can generate 58 per cent more power than the nation needs by 2030," said Simon Nicholas, the lead author of the study report and an energy finance analyst at the IEEFA in Australia.

Overcapacity is the situation in which a nation's power sector cannot sell as much as its plants are designed to produce.

The COVID-19's impact will also mean long-term power demand will be lower than forecast, making overcapacity by 2030 worse if the current plan for coal- and liquified natural gas (LNG)-based power capacity additions go ahead as usual.

"A long-term switch from cheap domestic gas towards more expensive imported coal and LNG, combined with the severe, long-term overcapacity Bangladesh is on course to see subsidies continue to rise," Nicholas said in a press release.

The study finds that power tariffs for consumers can also be expected to increase. It argues that large fleets of big coal and LNG plants are increasingly less appropriate to meet lower-than-expected demand growth in developing nations.

Sara Jane Ahmed, the co-author of the report, highlights that there are important lessons for Bangladesh from the experience of Indonesia, which is suffering the financial impact of overreliance on coal power.

PLN, the Indonesian state-owned power utility, has seen its over-commitment to coal power lead to a rapid escalation in government subsidies, which reached an enormous $5 billion in 2018, said Ahmed, also an energy finance analyst at the IEEFA in the Philippines.

Indonesia's power development plan includes an overestimated power demand growth forecast for 2019-2028.

Such mis-forecasts compound over time and are the basis for planning too much power capacity development, resulting in overcapacity, higher capacity payments, subsidies and tariffs.

The study draws similarities to the rapidly escalating financial crisis of BPDB resulting from existing overcapacity whilst pushing forward with the completion of the Payra coal plant.

Half the capacity of Payra will sit idle forcing BPDB to make additional payments of Tk 160 crore per month.

"Bangladesh needs to heed to these lessons," Ahmed said.

In Bangladesh, 35 per cent of the electricity will be generated from coal as primary energy by 2041 from 1.7 per cent now, according to the IEEFA and the annual report of state-run Coal Power Generation Company Bangladesh.

Considering the future electricity demand, the government has undertaken initiatives to construct about 9,000MW by 2030 and 20,000MW by 2041 coal-based power plants, both in public and private sectors.

Bangladesh currently produces 2,750 million cubic feet of gas per day against a demand of 3,850 mmcfd and expected demand of 6,713mmcfd in 2041, according to state-run Rupantarita Prakritik Gas Company.

The country is looking to LNG imports to bridge the gap between the local production and the demand amid fast-depleting natural gas resources and insignificant new gas discovery.

According to the study, it is now time for Bangladesh to consider more appropriate, modular renewable energy (without capacity payments) and grid investments to meet lower demand growth and reduce the overall system cost while improving domestic energy security and resilience.

"Bangladesh is well-positioned to take advantage of deflationary renewable energy to reduce overall system cost and provide affordable energy to households and industry."

The amount of land suitable for renewables in Bangladesh is likely to be more than previously assumed.

However, some tough choices over land use may have to be made if Bangladesh is to avoid entrenching a power system dominated by expensive, imported coal and LNG with higher power tariffs and government subsidies.

The COVID-19-induced delay to coal power projects allows Bangladesh to reset energy development policy and redirect resources to support economic fundamentals and energy price stability, the study said.

The cost of renewable energy is declining in Bangladesh and with proper backing and commitment from the government, the cost of renewable energy would decline even further as has been seen in other parts of South Asia.

There is a prevailing belief that Bangladesh does not have the land available for a major roll-out of wind and solar power installations, although some evidence suggests there are more suitable sites available than previously thought.

A 2019 study found the maximum installable capacity was: onshore wind 16 gigawatts (GW), offshore wind 134GW, solar photovoltaic rooftop 35GW, solar photovoltaic utility 156GW and floating photovoltaic 31GW.

"With neighbouring India well ahead in its transition towards renewable energy, importation of ever-cheaper wind and solar power from Indian states could be part of the long-term solution," the report said.

Globally and regionally in South Asia, renewable energy is already less than two-thirds the cost of imported fossil fuels.

Given likely falls in solar module prices of 5-10 per cent over the coming decade, not only will renewable energy soon be the cheapest form of new power generation in Bangladesh, but it will also be quick to build while not adding to air pollution or carbon emissions.

Marico minting the popularity of its Parachute Coconut Oil

Ahsan Habib

Indian fast-moving consumer goods company Marico's profits soared 30 per cent to Tk 264 crore in the financial year that concluded in March as its flagship Parachute-branded coconut oil continues to win the hearts of Bangladeshi customers.

Subsequently, the Bangladesh subsidiary of the Mumbai-based company declared 950 per cent cash dividend for the year.

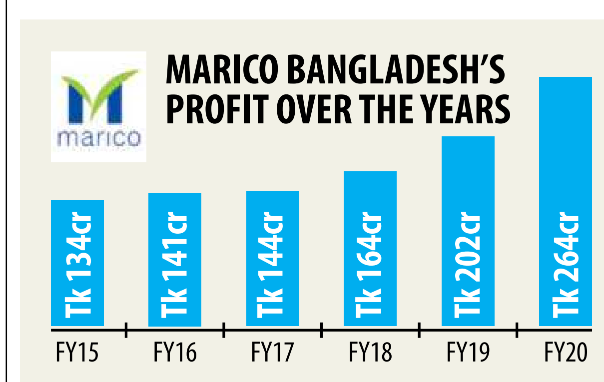
The company has been generous in sharing its spoils with its shareholders, announcing 450 per cent to 650 per cent in cash dividend since 2015. But the dividend for the just-concluded financial year is its highest since its listing on the Dhaka bourse in 2009.

In the 2019-20 financial year, Marico Bangladesh's revenue soared 11.7 per cent to Tk 979.59 crore, and Parachute Coconut Oil alone raked in Tk 636.30 crore, up 5.11 per cent year-on-year.

However, the company though is not hoping to coast on the popularity of the product indefinitely; it has been busy diversifying its product portfolio.

For instance, earlier in February, the company rolled out a male grooming line and a year earlier a baby product range.

Marico's value-added hair oil sales surged 25.23 per cent to Tk 262.34 crore and those of baby products, male grooming and skincare products 43 per cent to Tk 65.4 crore.



"Coupled with our quality offerings, we increased investment in advertising and promotion across portfolios that have contributed to the satisfactory growth in these segments," said Christabel Randolph, director for legal and corporate affairs of Marico Bangladesh.

The company's advertising, market research, communication, business promotions and other marketing costs were Tk 114.77 crore in the last financial year, up from Tk 77.37 crore a year earlier, according to the financial report.

The current coronavirus pandemic has affected consumption and it was reflected in the sales in March, the last month of the company's financial year, she said while replying to a query from The Daily Star.

The company's hair colour sales stood at Tk 5.84 crore in the 2019-20 financial year, up 5.2 per cent year-on-year. However, its edible oil sales dropped 9.36 per cent to Tk 9.68 crore.

Due to the coronavirus pandemic, consumers are now more conscious about hygiene and have a greater need for hygiene products in addition to daily consumer products, the company said.

"We expect the impact on the non-essential discretionary category of products like grooming and cosmetics as a result of this crisis."

Considering the change in consumer behaviour, last month the company launched Mediker SafeLife range of hand sanitiser and handwash with a "no profit" commitment for the first six months as a commitment to consumers.

The company initially faced challenges on account of disruptions to supply chain, logistics and movement of goods, it said.

"However, with excellent support from the commerce ministry, local administration and law enforcement agencies we were able to tide over the situation and continue the supply of essential products to the consumers."

Marico Bangladesh stocks traded at Tk 1,562 on March 25, the last trading before the bourses shut for the countrywide general shutdown to flatten the curve on coronavirus.

Tax-free income limit to go up to Tk 3 lakh

EYE ON BUDGET

Rejaul Karim Byron *and* Sohel Parvez

The government may increase the tax-free income limit for individual taxpayers after five years in fiscal 2020-21 to give relief to people in the lower-income bracket such that they can manage the economic hardship brought on by the pandemic better, said officials of the finance ministry yesterday.

The tax-free income threshold is likely to be Tk 3 lakh, up from Tk 2.5 lakh fixed back in fiscal 2015-16.

Besides, taxpayers in the lower income threshold are also likely to see a new slab -- 5 per cent -- next fiscal year as the government aims to increase the disposable income of taxpayers and their purchasing capacity in the initial slab.

Currently, the NBR collects tax from individual taxpayers on five rates beginning from 10 per cent for taxpayers with an annual income of between Tk 2.5 lakh and Tk 6.50 lakh.

The income tax rate goes up progressively to 15, 20, 25 and 30 per cent for taxpayers with higher annual income.

Some 30 per cent tax is levied on the taxpayers with an annual income of more than Tk 47.50 lakh, according to the National Board of Revenue (NBR).

Apart from the individual taxpayers, the government is also considering reducing the corporate income by 2.5 percentage points to 32.5 per cent for non-listed companies with the view to strengthening their capacity such that they recover from the devastating effect of the two-month-long lockdown enforced to slow the spread of coronavirus.

Companies typically provide more than 60 per cent of their total direct tax receipts to the state coffer and the government collects tax from companies in various categories -- from as low as 25 per cent for publicly listed companies to as high as 45 per cent for cigarette makers and non-listed mobile operators.

Some 40 per cent tax is applied on listed mobile phone operators. Grameenphone is the lone listed carrier at present.

And the tax rate for listed banks, financial institutions and insurance companies is 37.5 per cent. For non-listed banks, financial institutions and insurances, it is 40 per cent.

Apart from the rates, the government imposes a reduced tax of as low as 5 per cent for manufacturers of air conditioners, refrigerators and motorcycle, 12 per cent for garment factories and 15 per cent for textile mills.

Besides, a host of sectors, such as electricity and information technology, are enjoying tax breaks.

Officials said medical equipment makers may come into the list of the tax benefit from next fiscal year.

Direct or income tax is the second biggest source of the total tax collected by the NBR.

The share of income tax was 33 per cent of total annual collection Tk 223,890 crore in fiscal 2018-19.

On Sunday, the NBR held a meeting with Prime Minister Sheikh Hasina in her official residence to discuss budget proposals for next fiscal year.

The government expects the NBR to take tax measures that don't put any pressure on the common people and that protect domestic industries.

The revenue generation target for the NBR would not go up by more than 5 per cent in fiscal 2020-21 from the original target of Tk 325,600 crore for this fiscal year.

Steel makers seek Tk 3,000cr from stimulus package

Star Business Report

Steelmakers yesterday demanded Tk 3,000 crore working capital at low interest from the government-announced stimulus package such that they can make up for the losses caused by the pandemic.

During March-April, the industry faced a net loss of Tk 3,000 crore as sales were insignificant while the manufacturers had to pay staff salaries and bear other expenditures, said Manwar Hossain, chairman of Bangladesh Steel Manufacturers Association (BSMA).

"We are bracing for massive losses as the pandemic has disrupted import of raw materials and production, which will take a toll on infrastructure development," Hossain said at a virtual press conference where he also talked about tax and VAT issues.

As much as 90 per cent of the raw materials are imported from the US, Canada, Italy, the UK and Australia, which have gone into partial or full lockdown since the beginning of March to contain the spread of the novel coronavirus.

"The lockdown in those countries are unlikely to be lifted soon," said Hossain, also the managing director of Anwar Group of Industries that owns Anwar Ispat.

If the situation goes on like this until December, the losses will run into Tk 15,000 crore, he said, adding that steel manufacturers are also unable to bring in spare parts or capital machinery as economic activities have come to a standstill around the world.

"The sector would need around two years to recoup the present losses."

Regarding the stimulus package, he said some banks are showing a positive response but most of the lenders are giving them a wide berth.

"We are not seeking donation -- we are asking for low-cost loans to fight the ongoing crisis," Hossain said.

Banks can extend the tenure of payment for letters of credit by an additional six months without the need for taking prior permission from the central bank, he said, while calling for a fund for short-term loans against LCs.

In the past few years the country saw a good number of new steel and re-rolling mills that use state-of-the-art technologies and churn out world-class products, said Md Shahidullah, secretary general of the BSMA.

He demanded low-interest loans for 12 years with a grace period of six years to help them iron out the hitches brought about by the pandemic.

The association called for reducing customs duty to Tk 500 from existing Tk 1,500 for importing each tonne of melting scrap and imposing a 15 per cent supplementary duty on import of finished MS rod.

The BSMA also demanded reduction of corporate tax to 10 per cent from 35 per cent now and withdrawal of 5 per cent advance income tax at the import stage for the next fiscal year.

The steel industry is now worth Tk 50,000 crore and the country has about 40 active steel makers, who altogether can manufacture nine million tonnes of steel a year.

Of them, Abul Khair Steel, GPH Steel, BSRM and KSRM meet more than half the annual demand for about eight million tonnes.