

Walton is a household name in Bangladesh. Now it wants the world to take to its products.

Its MD speaks with The Daily Star about its ambitions and ethics

AHSAN HABIB

It will take no less than a year from hereon for normalcy to return to businesses that have been devastated in the past four months following the novel coronavirus outbreak, said SM Ashraf Alam, managing director of Walton Hi-tech Industries.

A vaccine will be available by this year, he said, referring to anticipations of the World Health Organisation and quite a few research organisations.

Meanwhile, people have already started venturing out of their homes and in many instances going about their business so as soon as the vaccine sees the light of day the situation will become normal very fast, Alam told The Daily Star in an interview last week.

But all businesses will not fare the same when it comes to recovery, said the top brass of Walton, which manufactures a host of household electronic products including refrigerators, freezers, air conditioners (ACs) and compressors since early 2008.

"So our business will take more time compared with the food business, whereas the business of luxury products will take the highest time to return to normalcy that had prevailed before the arrival of the pathogen."

An economy is dependent on a country's consumption level but the consumption of people was affected for the pandemic. Consumption slumped not only in Bangladesh but in the whole world.

So, the economic impact was massive, be it on investment, employment generation or international trade, he said.

Walton, which was founded in 1977, witnessed tremendous growth in its business performance until the 2017-18 financial year, when natural calamities in the form of flood hit hard, coinciding with a huge amount of investment they had made that year.

"Our performance bounced back the following year thanks to the huge investments and extreme marketing."

In the 2018-19 financial year, Walton's revenue soared 89 per cent year-on-year to Tk 5,177.3 crore. The company's earnings per share stood at Tk 45.87 in that period.

Walton's target was to boost its profit in the 2019-20 financial year riding on the additional benefits of the investment that was made the

previous year.

With a paid-up capital of Tk 300 crore, Walton is already in the process of raising Tk 100 crore in capital this year from the stock market through an initial public offering.

"However, the pandemic had a big impact."

The main sales season for refrigerators, the top-selling product of Walton, begins in March. This year, it was spoiled for the coronavirus.

Bangladesh's first cases of COVID-19 were confirmed on 7 March and three weeks later the government put the country on shutdown until 30 May.

"Along with the domestic market, our export market was also smacked down by the contagion. We had targeted to complete our shipments within October to November so that we could grab the Christmas sales."

But all preparations had been impacted.

The company had orders for 2.5 lakh refrigerators and 22,000 ACs from India. It only managed to dispatch 2,000 ACs, with the rest deferred.



SM Ashraf Alam



"Now, we are recovering from the situation but still we fear a fall in our profits and turnover by at least 30 per cent. Hope lies in the fact that the impact was not as bad as we had feared."

Fearing the worst in early March, Walton had stopped all new investments, procurement of raw materials and kept a big amount of money with banks to ensure that its employees get their salaries, Alam said.

Just before the general shutdown began on 26 March, Walton disbursed Tk 77 crore among its 20,000 employees in 22 production bases from the profit-sharing fund for the 2018-19 financial year.

"In this pandemic period, we are trying to provide some relief to people and frontline

health workers."

The company also started work on manufacturing various lifesaving medical equipment including ventilators, protective face shields, safety goggles, UV-C disinfectant system and medi-cart robot alongside hand sanitisers.

"We are yet to supply the ventilators in the market but we are ready to produce 100 ventilators as soon as we get approval upon completion of clinical trials."

Now, Walton can manufacture 8,000 international standard face shields and more than 8,000 safety goggles a day. They are sold at home and abroad.

"We always try to meet people's demands with new designs and modern technology, so if you go to a shop after three months you will surely find a change in every product of ours. This is a continuous process of ours."

Apart from these, Walton is also expanding its washing machine factory and the factory of some home appliances like clothes iron, blender, induction and rice cookers, microwave oven and components along with base polyol chemical factory, which will be used in the rigid and flexible foaming industry.

"We are extending the investments in these

products as local demand is rising as well as global demand. The local consumption of these products is still not so big but it is growing. So, there is huge potential," Alam said, adding that the consumption would rise along with urbanisation and growth of per capita income.

Alam also touched upon the thorny subject of job and pay cuts amid the pandemic.

Many companies were cutting jobs during the pandemic, which was not a good decision because employees are assets, he said.

"When the situation will turn around, how will you find efficient people? Moreover, if you don't stand by your employees in times of peril, you will not get the real dedication from your employees when things are normal."

To ensure adequate liquidity at hand at this juncture, entrepreneurs need to take measures. "But cutting jobs cannot be one such measure. They can halt capital investment right now to manage liquidity."

He recommended people diversify their products. For diversification there should be a target to attain specialisation; otherwise, it would not be possible to compete in the market.

He said patience is of the essence to survive during such a critical time. "If people survive,

profits will come again."

Walton began its manufacturing journey as a motorcycle manufacturer but later pivoted to electronics.

Asked the reason behind the move, he said they stopped producing conventional motorcycles because the major sources of the world's best engines were on their way to closing down.

Engine-run motorcycles are going to turn obsolete globally, so Walton is shifting to battery-run engines. "However, our people are still fond of engine-run big motorcycles."

Walton has a plan to go for bulk production of battery-run electric motorcycles depending on suitable policy support from the government.

It already has the production plants for batteries and motors of international standard, which are needed to produce electric vehicles, he said.

Responding to another question, he said they were now focusing on ensuring high quality, for which they were using copper condensers in refrigerators.

Copper condensers increase the life span of the home appliance and make those more energy efficient.

"We produce our refrigerators with the thought of keeping those usable for 20 years."

Walton is producing compressors with technology developed in Germany and has an annual production capacity of 4 million. The company has targeted to manufacture 10 million compressors annually within 2025.

"Our compressor is the world's most silent, whose noise level is 28 decibels on an average, whereas, other global manufacturers' products have noise levels of 35 to 42 decibels. As our product is new in the global arena, we tried to ensure good quality so that people get amazed by the performance."

Walton exports its products to more than 35 countries, including the US and Europe, and now it is working to expand the market to South and North America, Russia and different European countries.

"We are targeting to export 1 million compressors by 2021, which is expected to increase to 5 million by 2025. We are marching forward to become the world's fifth top electronic products and components manufacturer by 2030."

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Runner Auto bringing KTM motorcycles to Bangladesh

JAGARAN CHAKMA and AHSAN HABIB

The famed off-road motorcycles of KTM would soon be available in Bangladesh thanks to Runner Automobiles, which yesterday announced an agreement with Bajaj Auto that part-owns the Austrian bike brand to become its authorised distributor.

Up until now Bajaj motorcycles were solely distributed in Bangladesh by Uttara Motors.

Runner will distribute the high-end motorcycles of Bajaj in Bangladesh while Uttara Motors the standard ones, said Shanat Datta, chief financial officer of Runner Automobiles.

"The young generation loves new features and new models of motorcycles, for which Runner Automobiles decided to take on the distributorship."

Through the new agreement, Runner will avail the distributorship under either completely built up, semi knocked down or completely knocked down conditions or for parts and spares supply, it said in a posting on the Dhaka Stock Exchange website.

Runner, which already has its own line of motorcycles and also markets American brand UM and Italian brands Vespa and Aprilia, will start the process for upgrading its assembly plant in Bhaluka of Mymensingh so that KTM motorcycles can begin taking shape there from next month.

"We don't need to invest a lot as we already have a plant. We just have to add some equipment to ensure the quality of the high-end bikes."



Now Japanese companies Yamaha and Suzuki are selling premium motorcycles in Bangladesh, Datta added.

The current market share of premium motorcycles is about 15 per cent whereas it was only 5 per cent just four years ago.

Just two years ago, Bangladesh was dependent on imports to meet 95 per cent of its demand for motorcycles.

But the situation has completely reversed: today, about 96 per cent of the two-wheelers plying on the roads are either locally manufactured or assembled, according to the industry people.

Seven firms -- Japanese brands Honda, Suzuki and Yamaha, India's Bajaj, TVS and Hero, and Runner Automobiles of Bangladesh -- have made the country almost self-sufficient in motorcycle manufacturing or assembly in the fast-growing market.

Operators now predict that the market

would grow manifold in the next two-three years because of rising incomes, steady growth of the economy and favourable policy and tariff structure despite the pandemic hampering their production and sales in the last four months.

About 1,600 motorcycles are sold every day in the country, nearly doubling from 900 in 2016, according to market players.

In 2018, about 480,000 motorcycles were sold, up from 387,000 in 2017 and 270,000 in 2016.

Bajaj is the market leader with a 40 per cent share. It sold about 2.25 lakh units in 2018. It churns out 12,000 units per day at its Zirani factory in Savar.

Earlier, Dileep Banerjee, chief executive of Uttara Motors, the sole distributor of Bajaj motorcycles, had stated that Bajaj sold more than 20 lakh units in the past 40 years.

Bajaj Auto, the world's third-largest motorcycle manufacturer and second-largest in India, originally acquired a 14 per cent stake in KTM in 2007 and has subsequently raised it to 48 per cent.

Currently, it exclusively manufactures the Duke range of KTM motorcycles.

The arrangement with Bajaj Auto is expected to further strengthen Runner's position in the high-end segment of the motorcycle market, it said in the web posting.

Listed in 2019, Runner's stock closed at Tk 49.80 yesterday, up 2.9 per cent from the previous day.

France to provide €150m to bounce back from downturn

Joins the likes of Japan and other multilateral lenders in rallying behind Bangladesh

JAGARAN CHAKMA

The Agence Française de Développement (AFD), the French government arm that deals with overseas aid, has joined the long list of development partners that have come forward to help Bangladesh in its efforts to recover from the economic whiplash brought on by the global coronavirus pandemic.

The French development agency has agreed to provide Bangladesh with a soft loan of €150 million following the government's request for financial assistance, said Md. Ali Hossain, joint

Cooperation Agency and the Islamic Development Bank had responded to the calls before AFD's announcement.

"We have gladly received their response and a draft of the financing agreement from the French embassy," Hossain told The Daily Star.

Hopefully, the financing agreement will be officially signed within a short period after being vetted by the concerned ministries.

The concessional loan will also contribute towards the WB's Cash Transfer Modernisation project, according to the Embassy of France in Dhaka.



The project, which is co-financed by the AFD and World Bank, seeks to improve the transparency and efficiency of selected cash transfer programmes (CTPs) for vulnerable population by modernising service delivery.

It has three components. The first is to enhance cash transfer programmes and incentivise action towards

secretary of the Europe wing of the Economic Relations Division.

Following the outbreak of coronavirus in the country in March, the government enforced a countrywide general shutdown to flatten the curve on the rogue pathogen and effectively forcing the economy to take a hit.

While the virus could not be snuffed out, the shutdown caused great damages to livelihoods.

The pandemic stands to wipe off the gains made in poverty reduction in the past decade, according to the World Bank; and as per estimates, more than 1.5 million of the poor and the vulnerable have lost their livelihoods for the shutdown.

This means the need to spend substantially on social safety net programmes and job creation has become imperative. At the same time, its purse strings have been tightened for the near-collapse of economic activities.

This has compelled the government to seek for financial assistance from abroad.

And the World Bank, the Asian Development Bank, the Asian Infrastructure Investment Bank, the International Monetary Fund, Japan International

the improvement of business processes under select CTPs.

The second is to modernise service delivery, which provides technical assistance, helps utilise integrated information systems for targeting and payment and improves citizen engagement.

The third is to strengthen a country's human resources and Contingent Emergency Response (CER) in a bid to ensure the rapid mobilisation of funds from the project in times of natural or human-induced disasters.

Therefore, the CER component will help cover Bangladesh's response to the economic fallout from coronavirus.

The loan from AFD will also provide co-financing for the age-old allowance programme of the ministry of social welfare (MoSW) and department of social services (DSS) until 2023.

The fund will directly support the country's most vulnerable population, the intended beneficiaries, while other MoSW cash transfer programmes, as well as non-intended beneficiaries, may qualify for the programme, according to the Embassy of France.

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Interest rate cap, pandemic battered City's fortunes in 2020

AHSAN HABIB

City Bank's profit tumbled 42 per cent in the first half of 2020 due to the new interest rate regime and disruption in business caused by the pandemic.

The lender's profit after tax between January and June stood at Tk 106.8 crore, according to the bank's half-yearly report.

"The decline in the profitability of the bank during this period is mostly caused by external, regulatory and macro factors rather than internal lack of efficiency," said Mashrur Arefin, managing director of City Bank.

The government imposed a ceiling of 9 per cent in the lending rate that came into effect on April 1.

This ceiling brought down the interest income of City Bank in the first half of the year to Tk 1,248 crore, down 2.8 per cent year-on-year.



On the other hand, the bank's interest expense grew 10.8 per cent in the same period depending on the growth in deposit volume, although its cost of deposit remained the same at 5.5 per cent.

The bank's deposits grew 11.4 per cent year-on-year to Tk 27,465 crore.

"A testament to this fact is the outstanding growth in the balance sheet items of the bank during this period, even with the coronavirus outbreak impacting business severely," Arefin said.

The bank's loans increased 18.3 per cent to Tk 29,322 crore and total assets 12.5 per cent to Tk 40,164 crore.

Its default loan ratio fell to 4.5 per cent from 5.8 per cent six months earlier.

City's agent banking and women banking along with the retail banking are expected to contribute considerably in low-cost deposit mobilisation in the coming years, according to Arefin.

The lender's agent banking deposits increased 17.2 per cent in the last six months and women banking deposits 7.6 per cent. Its SME loans have soared 21.7 per cent.

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