

Dyeing mills returning to life

REFAYET ULLAH MIRDHA

The local dyeing industry has begun recovering slowly from losses as garment work orders started to pick up thanks to the reopening of retail stores in the West.

Most dyeing factories, which mainly process woven, yarn and knit garment items, remained shut for about two months until May 30, when the government announced a countrywide closure to curb the spread of Covid-19.

The sector's recovery began when apparel producers started placing work orders for processed fabrics in June.

Many mills had to close their doors or continue operations on a limited scale, said Abul Kalam Azad, director of Labib Group, a leading exporter of sweater products.

"Now they have started to process yarn for sweaters and other warm clothing items ahead of winter."

Bangladesh ships 0.85 billion pieces of sweaters worth \$4.25 billion each year and in the process consumes 700 million pounds of yarn, around 30 per cent of which comes from local millers and the rest mainly from China.

Despite signs of recovery in the yarn processing business, the sector will lose at least 25 per cent of its exports due to the epidemic, he added.

Khaled Hossain Mahbub, managing director of the Mega Yarn Dyeing mill based in Savar, echoed the sentiment.

Mahbub's company used to process 40 tonnes of yarn at his \$30 million factory each day before the emergence of the coronavirus.

AT A GLANCE

- Factories are reopening gradually
- Local dyers process **90%** yarn in knitwear sector
- Local sweater factories consume **700m** pounds of yarn a year
- Bangladesh exports **0.85b** pieces of sweaters of **\$4.25b** a year
- At least **25%** sweater export would be affected this year due to pandemic
- Setting up a dyeing mill requires **Tk 50cr-Tk 500cr** investment
- Currently the country has more than **250** woven dyeing factories



And now he hopes to return to its full production capacity soon as local garment makers have come back to the scene with new work orders.

It requires a lot of investment to set up an industry-standard dyeing mill, he said, adding that the pandemic has affected overall investment in the sector.

Shibbir Ahmed, secretary to the Bangladesh Dyed Yarn Exporters Association, also said the

dyeing industry is returning to its previous position due to the inflow of work orders.

The dyeing industry has become strong over the years as a major supplier to the local knitwear industry.

For instance, local dyers can meet 90 per cent of the knitwear industry's demand for yarn, as only the yarn dyeing industry has a total investment of over Tk 50,000 crore, he said.

The daily sales are adequate now and the

industry players expect to see more investment in the sector in the post-pandemic period, Ahmed said.

Meanwhile, Monsoor Ahmed, secretary to the Bangladesh Textile Mills Association, said recovery has also started for woven dyeing industries as garment exports started to grow following a short period of decline.

Currently, more than 250 woven dyeing mills can process export-oriented fabrics.

More investment in the woven dyeing sector will take place in the post-pandemic period as some big plants are waiting for normalcy to be restored, Ahmed said.

A huge investment, varying between Tk 50 crore to Tk 500 crore, is needed to set up a dyeing mill, he added. Signs of recovery in the garment sector as a whole was noticed in the export figures for July.

That month, Bangladesh earned about \$3.24 billion from garment shipments, which is 1.98 lower from the sector's earnings for the same period the year before.

However, the earnings from garment exports in July were 14.18 percent higher than the monthly target of \$2.84 billion.

Of the total earnings from garment shipments, knitwear grew by 4.30 per cent year-on-year to \$1.75 billion while woven exports fell by 8.43 per cent year-on-year to \$1.49 billion, according to data from the Export Promotion Bureau released earlier this week.

Export earnings from the sector was \$0.37 billion in April, \$1.23 billion in May and \$2.28 billion in June, the data shows.

Personal Protective Equipment, such as masks and other insulation fabrics, have become new export items for Bangladesh as a good number of international buyers are placing work orders for those products amid the ongoing pandemic.

Although the demand for branded apparel items has declined, the demand for basic ones remain the same and so, basic garment items are rescuing Bangladesh's export revenue, according to various exporters.

Steel makers want policy support for faster recovery

STAFF CORRESPONDENT, Chattogram

Bangladesh's steel industry is yet to recover from the losses incurred due to disruptions in the supply chain brought about by the ongoing coronavirus pandemic while producers are bracing for new challenges, according to industry insiders.

However, the country's steel makers do not seek financial assistance but instead they want policy support from the government to sail through this difficult time, they said.

These comments came during a webinar styled, 'future challenges of Bangladesh steel industry and the way forward', organised by The Daily Star.

The programme was broadcast live on The Daily Star's Facebook page yesterday.

Despite being a highly capital-intensive industry, the covid-19 outbreak affected the country's steel sector far worse than other heavy industries, said Manwar Hossain, chairman of the Bangladesh Steel Manufacturers' Association.

Hossain, also the managing director of Anwar Group which owns Anwar Ispat, went on to say that if his factory remains closed, overheads reach up to Tk 70 lakh for each day.

During the peak pandemic period, most steel manufacturers ran at only 30 to 35 per cent capacity but even then not one factory went for job cuts or layoffs, the association chairman said.

The steel sector is yet to recover from losses as it is facing new and dynamic challenges, Hossain said.

When the economy began recovering since May following a two-month lockdown, flooding



KEY RECOMMENDATIONS

- Increase support from the banking sector
- Extend the existing five-year term loan scheme to 12 years
- Relax tax rules/barriers imposed by NBR
- Revitalise the construction sector to benefit backward linkage industries

set the industry back once again, he added.

Following the Covid-19 outbreak, the import of various raw materials, such as scrap metal, from countries like the US were badly disrupted.

This led to a \$50-55 increase in the cost of raw materials while steel prices decreased by 15 per cent over the last six or seven months. Moreover, a huge quantity of scraps that were stored under open sky rusted in the monsoon, Hossain added.

Fearing that the sector may not fully recover any time soon, he urged everyone present to be patient and remain prepared.

This crisis is not exclusive to

Bangladesh and so the country's recovery will come alongside global recovery, he said.

However, while saying that the government has been very proactive in problem solving for the steel sector, Hossain sought special attention from banks for this highly capital-intensive industry.

Tapan Sen Gupta, deputy managing director of the BSRM Group, urged the government to start spending more on the construction sector to make it vibrant so that all related industries would be active as well.

"You have to make the construction sector vibrant and create demand. When demand grows, the industry will run at full

capacity," Gupta said.

If there is adequate demand, the industry can run and they can sell the products and their cash flow will automatically be improved.

"We are using recycled materials, all of which come from developed countries. Now, developed countries are badly affected by the pandemic and so material generation decreased at an extraordinary rate," he added.

At the same time, since many governments, like the one in China, provided substantial stimulus packages to keep their construction sectors vibrant, they are importing huge amounts of billet while their growing demand

has led to a tremendous price hike for raw materials.

The price of raw materials increased by \$60-80 but on the other hand, the cost of finished products has not gone up, leading to the erosion of working capital, Gupta said.

While mentioning that the steel industry is a capital-intensive sector with very low profit margins, the deputy managing director informed that they have to pay a minimum tax of Tk 1,150 for each tonne of steel produced, which eclipses any potential profit they can make at this time.

To adjust to this minimum tax, producers need to make a profit of Tk 5,000 per tonne but currently, most factories cannot even turn a Tk 1,000 profit.

"We are not earning but our liabilities are increasing continuously," he said.

In light of the situation, Gupta urged for a reduction in advance income tax at the import stage and tax deductions at source to not be considered as a minimum charge so that the steel industry gets some breathing space.

Md Shahidullah, managing director of Metrocem Group, said if a steel factory can run at 60 to 70 per cent capacity, it should be able to maintain a break-even point.

However, the country's steel makers are still unable to take their production levels over 40 per cent at this point, he added.

Considering the current high price level for raw materials, the price range for finished products should be around Tk 60,000 to Tk 65,000 per tonne but at present, products are being sold in the Tk 50,000 to 55,000 ranges.

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'Document verification system' to ensure financial discipline

NBR chairman says

STAR BUSINESS DESK

The document verification system (DVS) that authenticates audited financial statements will help bring financial discipline in the country, said Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue (NBR).

"Due to the absence of automation, there is a lack of transparency in the country's financial sector which ultimately breeds corruption. DVS will definitely help bring financial discipline."

"Due to the absence of automation, there is a lack of transparency in financial sector which breeds corruption. DVS will definitely help bring financial discipline."

He made the comments at a virtual conference of the members of the Institute of Chartered Accountants of Bangladesh (ICAB) on "Document verification system and authenticity of audited financial statements" on Thursday.

Once the system is developed, the level of financial crimes will be reduced, he hoped.

"Some companies prepare two financial statements. One is genuine while the other is prepared with a view to dodging taxes," he added.

There are no legal complexities to make DVS-verified audited reports mandatory, he said.

DVS is an application under which a document verification code (DVC) will be automatically generated by the system after the submission of some specific information by the auditor.

"No changes in laws will be required to make it mandatory except the issuance of an administrative order," said Md Alamgir Hossain, member (tax policy) of the NBR. "We want to ensure compliance. DVS might be one of the instruments to verify accounts," he said.

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Barishal potter innovates Tk 1 single-use clay cup

SUSHANTA GHOSH

Amid the ongoing coronavirus pandemic, drinking from communal cups at traditional tea stalls and the like is considered as a potential risk of infection. However, a one-time use cup made of clay has opened the door to new possibilities.

Tapan Pal, a 45-year-old potter from Shimuleswar village under Jhalakati Sadar of Jhalakati district, has developed an eco-friendly cup made of clay that costs only Tk 1 a piece.

These clay cups will be delivered to select tea stalls located in Barishal city on an experimental basis and if the response is good, all other tea shops in the area will be introduced to the use of such earthen wares, Pal said.

"Sales decreased significantly over the past six months due to the Covid-19 outbreak. So, I am trying to survive through this innovation," he added.

Pal mainly retails various self-made pottery items such as bird nests and toys.

He usually makes a number of toys for the Mansaghat fair, which commemorates Manasha Puja for the Hindus at Srabon Sankranti, but he only managed to sell off half of his stock this time around as most people



Tapan Pal delicately sculpts small tea cups in his home at Shimuleswar village in Jhalakati district using clay dug up from rivers and which he will later bake in an open fire. The pandemic-induced economic slowdown has halved his sale of toys and household utensils, including pots, jars and pitchers. Now he plans to make ends meet by capitalising on health safety concerns at tea shops and attempting to replace paper cups with ones he makes for merely Tk 1 a piece.

stayed at home due to the coronavirus.

There are two other potters in the village aside from Pal. However, they are not habituated to go with the market trend and therefore only make traditional items.

Sumon, who owns a tea stall at the Hospital Road area in Barishal city, said although one-time use paper cups cost just Tk 1 per piece, he would prefer using earthen cups if it costs the same.



TITU DAS

Bisweshwar Pal, a veteran potter from the Baufal pottery hub and an adviser to the Mritshilpi Sammelon o Sammanana, a welfare organisation for traditional potters, said that the country's potters were in dire straits during

the outbreak's peak between March-June.

Other than continuing their traditional work, they have come forward with new types of products, he added.

According to Bisweshwar, over 2,000 families are involved in numerous ways with the pottery business, such as idol making for Hindu families in Barishal division.

In Barishal, there are a number of pottery intensive villages but Baga and Baufal in Patuakhali district are the main hubs for earthen ware products.

Many clay ware items made in Baufal are exported each year, making the upazila a brand name for pottery products.

Chinmoyi Sikder, associate professor of the department of ceramics and faculty of fine arts at Dhaka University, said raw materials for pottery are readily available and they will be able to earn their livelihood through the trade if they receive proper modern training.

Jalilur Rahman, deputy general manager of the Bangladesh Small and Cottage Industries Corporation (BSCIC), said they are thinking of giving better training to the potters.

"If earthen cups are introduced in every tea stall, the pottery industry would be greatly benefitted," said Nisar Hossain, a researcher of the clay artisan community and dean of the Institute of Fine Arts at Dhaka University.