

Maf Shoes to invest Tk 1,118cr to set up new factory

The sister concern of TK Group will establish the unit inside Bangabandhu Shilpa Nagar

JAGARAN CHAKMA

Maf Shoes, a sister concern of TK Group, is set to invest Tk 1,118 crore to establish an export-oriented footwear manufacturing unit alongside other backward linkage industries at the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) in Chattogram.

"We want to increase our exports and provide backward linkage products to local footwear manufacturers," said Mohammad Shahadat Ullah, executive director of Maf Shoes.

"For this reason, we have decided to invest in export-oriented factories for synthetic sports shoes, sports-gears and other associated backward linkage facilities at BSMSN," he added.

Maf Shoes will set up a total of 10 manufacturing units related to footwear and its backward linkage industries, he said.

The proposed project will create 5,500 job opportunities, Ullah said.

Of the Tk 1,118 crore investment, 30 per cent will come through equity while the remaining 70 per cent will be funded by banks.

Two private banks have already assured that they would finance the new labour-intensive footwear factory.

Maf Shoes has already submitted an investment proposal to the Bangladesh Economic Zones Authority (Beza), seeking a 50-acre plot for the new facility, which will be the company's third footwear manufacturing unit.

"We will give them the land they wanted as the company will produce both export-oriented and import substitute products at the same time," Paban Chowdhury, executive chairman of Beza, told The Daily Star.

Renowned footwear retailers want to explore sources other than China for their products, leading to increased competition in the global footwear market, which has encouraged Maf Shoes to go ahead with its plans, he added.

The global market size for synthetic footwear is about \$150 billion but there is still huge

potential for growth in the sector, which could turn into the second largest export earning sector for Bangladesh with proper and timely policy support from government.

Ullah also said the government has brought the sports and synthetic footwear sector into focus, making it the most preferred sector under the latest export policy.

accounts for 20 per cent.

On average, the company has grown by 20 per cent annually for the last five years, he added.

The company exported 1.14 crore pairs of sport shoes in 2019 while the figure was 91 lakh in 2018.

However, Ullah expects to export 1.25 crore pairs this year and 2

umbrella, engaging 8,500 workers in the process.

Maf Shoes is one of the most reliable and dedicated sourcing partners of Decathlon, a leading sportswear retailer based in France.

Maf Shoes covers 15 per cent of Decathlon's global market demands and has also started making shoes for another global footwear giant, Deichmann from Germany.

Currently, most raw materials Maf Shoes uses in its products are sourced from China, Vietnam, South Korea etc.

But due to the ongoing Covid-19 pandemic, the company loses at least eight weeks on each shipment, allowing its global competitors to reach an advantageous position, Ullah said.

To create ample production facilities that will be suitable for the next 15 years equipped with proper backward linked facilities like circular knitting, warp knitting, rubber outsole, etc, Maf Shoes will manufacture these products at its new units.

The company will also step into other sports-gear segments like swimming goggles, swimming caps, kickboards and the like.

In October 2019, Prime Minister Sheikh Hasina announced the continuation of financial incentives in the leather sector for at least the next five years to help the country achieve its targeted export earnings from the leather goods and footwear industry.

She made the announcement while inaugurating the Bangladesh Leather Footwear and Leather Goods International Sourcing Show.

The PM said that as part of export diversification, the leather goods industry has been identified as a priority sector for Bangladesh's economy and national industrial development strategy.

"For this, various initiatives have been taken to develop the leather and leather footwear industries," she said, adding that barely a decade ago, most of the country's export earnings from this sector mainly came from shipments of leather as a raw material.



A GLIMPSE OF THE PLAN

- Total investment: Tk **1,118cr**
- Jobs to be created: **5,500**
- Manufacturing units: **10**
- Total land: **50 acres**
- Own funds: **30%**
- Bank finance: **70%**
- Products: footwear and backward linkage

The authorities concerned have even proposed special facilities like tax rebates for the sector.

Moreover, a 4 per cent export cash subsidy was recently introduced for this highly labour-intensive sector to make it suitably incentivised to attract more export orders.

Maf Shoes, a pioneer in synthetic or non-leather sports footwear products in Bangladesh, is a 100 per cent export-oriented company with the highest solo investment, Ullah said.

Bangladesh annually earns about \$300 million from sports shoe exports, of which Maf Shoes

crore pairs next year.

"We began commercial export in 2011 with only \$0.17 million. Last year, we exported \$57 million and despite pandemic affect, we are projecting \$70 million in export receipts for this year," he said.

Maf Shoes is already in the process of establishing their second unit at the Nasirabad industrial zone at cost of Tk 137 crore. The facility is set to go into commercial production in March next year.

The company produces a wide range of footwear for all age groups and provides complete manufacturing solutions under one

Changes in rules make it difficult for importers to enjoy duty benefit

JAGARAN CHAKMA

Importers are facing difficulty in availing duty benefit under the South Asian Free Trade Area after a recent change in rules that are compelling them to offer the hard copy of a key trade document or a bank guarantee to qualify.

The Safta agreement, which came into force in January 2006, has a common rule of origin to determine the eligibility of a country for the preferential tariff treatment.

The customs authorities in Bangladesh relaxed the rules on the submission of the certificate of origin (CoO) for the import of raw material under the Safta because of the pandemic. The decision on the acceptance of the electronic copy was taken at a meeting of the commerce ministers of the Saarc countries in April.

In a circular on July 29, the National Board of Revenue said it would accept the electronic copy of the CoO in absence of paper documents and the benefit will remain effective until December 31.

Accordingly, the customs authorities started accepting electronically issued CoOs from May. But on September 29, the customs authorities issued another circular, saying the importers would have to provide bank guarantee along with the electronic copy of the CoO to be eligible for the duty benefit if they cannot manage the hard copy.

The decision came at a time when normalcy has not returned to international trade as the pandemic is still wreaking havoc across the globe.

Mohammed Amirul Haque, managing director of Premier Cement, said his company faced trouble in submitting the hard copy of the CoO to qualify for the duty benefit while importing fly ash from India.

He said due to the pandemic, India has stopped issuing the hard copies of certificate of origin for exports from April. Instead, it is providing an electronic certificate.

"We will suffer financially if we have to

pay the 5 per cent customs duty."

It would also be difficult to provide a bank guarantee for each consignment as importers would have to spend an extra in the form of margins and commissions to secure bank guarantee, he said.

"It is also time-consuming," said the entrepreneur, calling on the government to reconsider the decision.

Bangladesh imports 6.5 million tonnes of fly ash from India per year.

Abdul Matlub Ahmed, president of the India-Bangladesh Chamber of Commerce and Industry, said if Bangladesh does not accept the electronic copy of the CoO, India will not accept it either.

As a result, traders will not receive the duty benefit and will have to pay an extra custom duty instead, he said.

Importers are struggling as bank guarantee against every import has been made mandatory

Importers are also facing another challenge because of a misunderstanding among the field-level officials of the NBR about the latest circular, said a senior official of the revenue administrator.

There should not be any misunderstanding between the importers and customs officials as traders will continue to enjoy the benefit if they follow the rules, he said.

He said importers would have to give the bank guarantee if they could not submit the hard-copy of the CoO.

An amendment to the Safta agreement would be needed if the bank guarantee requirement is to be scrapped, the NBR official said.

Ambrosia Restaurant in Ctg dodges Tk 17 lakh in VAT

STAFF CORRESPONDENT, Ctg

A team of the VAT Audit, Intelligence and Investigation Directorate has filed a case against Ambrosia Restaurant in Chattogram, as the eatery has dodged about Tk 17 lakh in value added tax on sales from July 2018 to July 2020.

"The actual sales of the restaurant during July 2018 to July 2020 was Tk 3.69 crore and it was supposed to pay a VAT of Tk

55.33 lakh," Moinul Khan, director general of the directorate, told The Daily Star.

"But it paid only Tk 38.09 lakh."

A team of the directorate during a surprise visit to the restaurant on September 7 seized some documents and found huge discrepancies between the sales and the amount of VAT paid.

So the VAT audit team filed a case yesterday to compel the restaurant to pay the VAT, Khan said.

Can Bangladesh challenge Vietnam in Japan's ICT market?



RASHAD KABIR

Starting in the early 90's, Bangladesh's IT industry was reborn in 2009, when Prime Minister Sheikh Hasina declared the Digital Bangladesh programme on December 12 in 2008.

From that day onwards, a country whose economy is heavily dependent on the RMG sector and remittance from non-resident Bangladeshis, started to think of a new sector which could be the main pillar of economy by 2030.

This sector would have to be an industry that consists of innovation and brain work rather than conventional physical labour.

There is no doubt that the fourth industrial revolution (4IR) will bring challenges to the garment sector in the coming days due to the introduction of robotics and AI at the factory level.

This means that Bangladesh will no longer be able to leverage the advantage of low-cost labour.

Considering these factors, the government is now seriously thinking about increasing the IT and ITES exports and developing more skilled human resources in this sector.

The government has already declared a target to export \$1 billion IT and ITES products by 2018 and \$5 billion by 2024.

To achieve this target, Bangladesh has to be very strategic and focused. Japan could be a very good market for the local IT and ITES industry in the coming decade. The Bangladesh Association of Software and Information Services (BASIS), the apex trade body for the local IT and ITES industry, is considering Japan as the most promising market.

BASIS, in collaboration with the ICT division, started to work in the Japan market in 2015.

Bangladesh participated in the Japan IT week every year since 2015, arranged a number of seminars and B2B sessions both in Bangladesh and Japan and last year, BASIS also celebrated a special day titled 'Japan Day' during the BASIS SoftExpo, with a focus on strengthening the ICT relationship between these two countries.

Aside from all this, this year BASIS launched a special desk called the 'BASIS Japan Desk', which is the first country-based trade focus desk in the country's history.

BASIS also has a plan to establish another desk in Japan that will be called 'Bangladesh Desk', a proposal for which has already been sent to the ministry concerned.

The main reason Bangladesh is considering Japan with special care and importance is the diplomatic relationship and also the demographic dividend of the two countries, from which Bangladesh can leverage the advantage.

Ever since Bangladesh gained independence, Japan has been the biggest development partner for the country. The Metrorail project, Matarbari coal power plant project, extension



COLLECTED

The young, energetic and enthused talent pool can be a game changer for Bangladesh.

of a third terminal at Hazrat Shahjalal International Airport and many other mega projects are being implemented through Japanese investment.

The government has also declared a special economic zone in Arahazar Narayanganj solely for Japanese investors and companies.

But aside from diplomatic relations, the opportunity that is going to be created in the Japan IT market in the coming days is due to demographic dividend and Bangladesh is in a very good position to grab this opportunity using its young population and diplomatic relation.

In Japan, the average age of 70 per cent of the population is 65, whereas it is just the opposite in Bangladesh.

In average, 70 per cent of our population is below 35 while 50 per cent is below 25.

This young, energetic and enthused talent pool can be a game changer for Bangladesh. Statistics from the Japan International Corporation Agency (JICA) suggests that by 2025, there will be a shortage of 425,000

engineers in the Japanese market.

Now the question is can Bangladesh take this opportunity?

The biggest competitor for Bangladesh in Japan is definitely going to be Vietnam. Due to the early moves in Japan market and also due to the language advantage, Vietnam is currently in a better position than Bangladesh in this regard.

To work in Japan, language is the main barrier as Japanese people are often not fluent in English and prefer to deal with companies who have Japanese language speaking skills.

In Vietnam, children learn Japanese language from the school level. With rapid progress in IT development in the past, Vietnam ranks highly in the world map of IT.

It holds the number one spot in the field of global outsourcing software services and also ranks first in the mobile application economy index of ASEAN countries. In fact, most Japanese companies who are doing off-shore development has experience of working with Vietnamese companies in one way or the other.

To work in Japan, language is the main barrier as Japanese people are often not fluent in English and prefer to deal with people who have Japanese language speaking skills. In Vietnam, children learn Japanese language from the school level.

But when we deal with conventional technology like web application development, mobile application development or customised software development, there is not that much of a difference in quality and skills between a Bangladeshi engineer and a Vietnamese engineer.

But when speaking of advanced technology like artificial intelligence, block chain, big data, IOT or robotics, the skills of a Bangladeshi engineer will definitely be in advantageous position compared to a Vietnamese one.

It has been seen historically proven that children in countries of south east Asia are very skilled in logic and number problems by dint of birth. Technologies of the 4IR like artificial intelligence, block chain or robotics are nothing but a game of logic and numbers.

Besides, the government has also taken several initiatives to increase foreign investment in the country. Bangladesh has a plan to develop 28 hi-tech parks all around the country.

READ MORE ON B2

The opportunity that is going to be created in the Japan's IT market in the coming days is due to demographic dividend and Bangladesh is in a very good position to grab this opportunity using its young population and diplomatic relations