The Daily Star
BUSINESS
DHAKA, THURSDAY, AUGUST 24, 2000

Nestlé *mantra* finally works for Bangladesh

By Inam Ahmed

At long last, Nestlé Bangladesh has broken its depressive cycle and clocked profits for the first time since its operation launch in the local market.

Despite a strong presence in most parts of the world and with leaderships in many segments, Nestlé's hold on the Bangladesh market over the years had been less than impressive.

Although a new plant has been in operation for five years at Sripur, profits remained elusive for the world's largest food company.

But things took a turn in 1999 when a new countrywide strategy was implemented with a strong focus on strategic pillars like

- ★ Implementation of a low-cost, highly-efficient operation
- ★ Boosting of product range through innovation and renovation
- ★ Product availability assurance to consumers on a broader scale, and
- ★ Reinforcement of communication with consumers, traders, etc.

The results that followed proved the strategy pretty right for Nestlé. For the first time, the company clocked a profit of Tk 20 million, according to industry sources.

The result strengthened the company's operations in Bangladesh after an accumulated loss of Tk 750 million. There was never a question of surrendering to the market forces, rather the commitment to build a strong base and create trust and confidence in the consumers' mind fuelled the management ambitions.

The growth from a Tk 18 crore turnover in 1994 to a Tk 72 crore in 1999 was fairly impressive. That's a growth of 400 per cent in five years, which any company would envy.

The Daily Star recently interviewed Nestlé Bangladesh Managing Director Aldo Siegrist.

Nestlé is the world's largest food company with leadership positions in many areas, namely infant formula, instant coffee, powdered milk, chocolate, soups and mineral water. A lesser-known fact about Nestlé in Bangladesh is its number two position in the ice cream and breakfast cereal categories worldwide.

In the milk category, its NIDO full-cream milk brand is the global market leader.

It is also a well-known fact that over 3000 cups of Nescafé are consumed every second all over the world.

With 30 Nestlé products already in the market, Siegrist said that the company's ambitious plans for the near future include introduction of 20 new products for the Bangladeshi consumers.

"The new products will be made available and affordable for the masses. Furthermore, we have focused more on the nutrition values as a marketing strategy because Bangladesh, like any other markets of the world, is now focused more on nutritionally-fortified products," explained Siegrist.

"Our business strategy is simple. We have to recognise that Bangladeshi customers have specific needs in terms of packaging, price, taste and nutrition. We will simply try to meet their cravings, " said Siegrist, opening a shiny packet of 'Crack-a-Snack' - an innovative new snack that has recently been launched in the local market by Nestlé Bangladesh.

It is his belief that though the prepared foods market in Bangladesh is currently very small, it has the potential to grow substantially in future.

"Globally, processed and branded foods account for 50 per cent of the total food market, but in Bangladesh, it is only five per cent. This shows that the market is really small. But on the brighter side, it is growing. It is more important to note that today 55 per cent of household income is spent on foods, although only a fraction of it goes into buying processed food items. "

Siegrist further explained that "The food industry is in a very early stage of development and at the same time food in Bangladesh is very expensive. It may sound strange, but the fact remains that good-quality raw materials for the processed food industry are very expensive. For example, if you buy sugar here and make biscuits, it is hard to compete with their Indian varieties. World sugar price hovers around Tk 14 a kg, but here in Bangladesh you have to pay roughly twice the international rate. Milk in the local market is also much more costly than in neighboring countries. The price of milk in the metropolitan areas in Bangladesh is Tk 24 per litre, while the same costs just Tk 12 a litre across the borders. This high price is an indication of certain inefficiencies that exist in the country's dairy industry, which is not in a position to flourish despite the protective duty structure on milk solids in the past."

The difficulty Nestlé experiences in getting raw materials with the right bacteriological and physiological quality has compounded the problem of high-cost ingredients.

"Although spices are found in abundance in this part of the world, the microbiological properties of the locally-grown varieties are not in line with our stringent requirements. We still need to import most spices from abroad," Siegrist elaborated.

Moreover, a number of specialty ingredients are required to produce a variety of food products. These are normally used to boost flavours, textures or nutritional contents of the finished products. Currently, duties on these components are high despite the fact that no local industry is or will be producing these key ingredients in the short or even medium term. Therefore, value added food items become expensive and non-competitive.

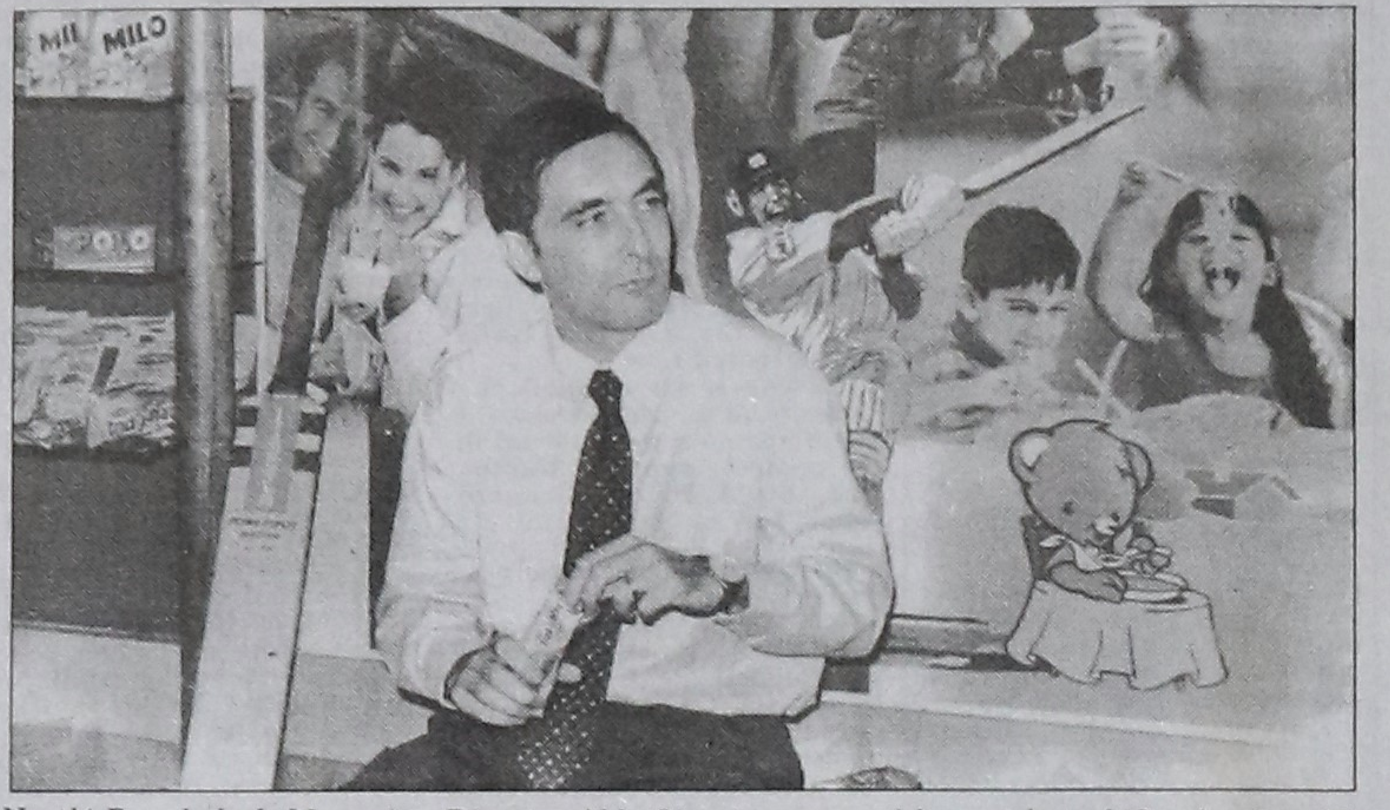
Despite this, our policy is to use as much local raw materials as possible and therefore we have to constantly search the market. Currently, 70 per cent of our products has local value-addition.

Absence of a level-playing field has made it difficult for companies going by ethics to compete in the market, asserted Siegrist.

"Agro-based industries have a bright future, as the government has rightly identified. But it has to guarantee certain prerequisites so as to ensure a thriving environment for the honest and scrupulous companies. Enforcement of the Intellectual Property Rights is a big problem for us. The products of multinational companies are readily being copied, which is very damaging to their reputation. Justice is being delayed, and in the meantime, makers of these spurious products bail themselves out and reappear on the scene with fake items. This is a real nagging problem.

"The introduction of Pre-Shipment Inspection (PSI) will help the industry create a more even-playing field. Unfortunately, PSI is also causing us some unnecessary problems. It has so happened that we imported certain products at an agreed transfer price in line with our global standards, but the PSI agents refused to accept our price. This resulted in lengthy review meetings and caused production delays, let alone cost hikes."

To conclude, Siegrist emphasised that "Nestlé ventures into businesses for sustainable long-term and profitable growth. If this is to be achieved, then timely and appropriate investments need to be made in our people, brands and products in a well-planned and consistent manner. We are confident that the business scenario for Nestlé Bangladesh will only get better, and though we continue to foresee ambitious targets for the future, we are very satisfied with the way things look today."



Nestlé Bangladesh Managing Director Aldo Siegrist poses with a packet of 'Crack-a-Snack' - a new product that has recently been launched by the company in local market. – Star photo

Hundreds of visitors block ITEXPO 2000 despite hartal

Star Business Report

Hundreds of visitors flocked the Indian textile exhibition, titled ITEXPO 2000, at Dhaka Sheraton Hotel on its second day yesterday despite the Opposition-sponsored half-day hartal.

Most of the visitors were from different business houses related to garments and textile sectors who visited the exposition to explore a cheaper and feasible import of the raw materials for their industries from India.

ITEXPO 2000, organised by Synthetic and Rayon Textiles Export Promotion Council (SRTEPC) of India in association with the Indian High Commission in Bangladesh, also attracted a large number of women visitors.

According to the database of the local promoter of the show, Conference and Exhibition Management Services (CEMS), nearly 1000 local businessmen visited the fair till yesterday.

The participants of the show are highly pleased with the fair feedback.

Expressing satisfaction, Joint Director of SRTEPC, E.L. Paulo said : "We are really happy that the Bangladeshi garments producers are showing their interest in our products."

Talking to The Daily Star, he said : "Actually, it is the Bangladeshi garments producers who will be the gainers by importing products from India as it is cost-effective in comparison with that from the Far Eastern and other countries in the globe."

He further said that the products which they were showcasing at the ITEXPO 2000 were of better and competitive quality.

A total of 31 member companies of SRTEPC are taking part in the exposition. They are Panna Textile Industries Ltd , Madhusudan International, Kanha Impex, Ratangiri India Ltd., Ginza Industries Ltd., Mudra Texturising Ltd., GSNS Spuntex, Bombay Dyeing, Morarjee Goculdas, BSL Ltd, Pioneer Embroideries Ltd, S Kumar Synfabs, Vijay Fabrics, Kamadgiri Synthetics Ltd, P J International, Oriental Synthetic and Rayon Mills Ltd., JB Exports, Sumeet Industries Ltd., Indo Rama Synthetics, Sultej Industries Ltd, Gravity Ltd, Topman Exports, Vijay Silk House, Oxford Industries, JKT Fabrics, Shamken Group of Companies, Donear Industries, Eden Agencies, G-Tex Exports, Vardhman Spinning and General Mills and Pee Tee Silk Mills.

Sony Days 2000 opens

Sony Days 2000 was formally opened recently by Kirk Lim, Senior Manager of Sony Singapore, who was on a visit to Bangladesh as the leader of a 6-member delegation from Singapore to attend the Sony Product Seminar and Exhibition 2000 held at a local hotel, says a press release.

Kirk Lim expressed his satisfaction over the arrangements made in connection with the observation of Sony Days 2000 by the Rangs Electronics Ltd in order to popularise Sony products, especially the latest Sony full flat colour television WEGA FD Trinitron and other products like playstation, Glasstron, and various types of Sony Digital Mavica cameras.

Aktar Hussain, Managing Director, Rangs Electronics Ltd, Director Mahbubul Gani, Sachimi Hussain, General Manager Sabur Ahmed and members of the delegation from Sony Singapore Eddy Lim, Richard Thong, Diana Soh, Pereira Leon Gerard, Wu Wen Dou, Rangs Electronics' associate EC Yeo and the officers and other staff members of Rangs Electronics Ltd were present.

During the Sony Days, price discount will be available for the valued customers from all the Rangs Electronics show rooms and Sony Rangs dealers.

Malaysian GDP grows by 8.8pc in 2nd quarter

KUALA LUMPUR, Aug 23: Malaysia's economy expanded by 8.8 per cent in the second quarter of this year, slightly less than analysts had forecast and at a less torrid pace than in the first quarter, the central bank said today, reports Reuters.

Bank Negara said gross domestic product (GDP) grew by 8.8 per cent in the April-June period over the same three months in 1999. A Reuters poll on Monday yielded a consensus GDP growth forecast of 9.2 per cent.

The central bank revised upwards its estimate of first quarter GDP growth to 11.9 per cent, compared with an earlier estimate of 11.7 per cent.

Over the first half of this year, GDP expanded by a robust 10.3 per cent, marking an acceleration of economic growth after 1999 when GDP jumped by a revised 5.8 per cent.

Govt initiates BMRE of Karnafuli Paper Mills

Project aims at adding 20,000 tons capacity

CHANDRAGHONA, Aug 23: The government will undertake a Tk 400 crore balancing modernisation rehabilitation and expansion (BMRE) project for Karnafuli Paper Mills (KPM) to enhance its annual production capacity by 20,000 tons, says UNB.

Tenders dropped by international companies for the project are now under scrutiny, Industries Minister Tofail Ahmed said here Tuesday while addressing a meeting of workers and employees of the KPM at Karnafuli View Club in the mill campus.

He said work on BMRE will start very soon to modernise the decades-old paper mill and raise its annual production capacity to 50,000 tons from 30,000 tons at present.

Established in 1953 in the hilly area, the country's biggest paper mill was initially capable of exporting its products after meeting the domestic demand. But with manifold increase in demand, the mill can now meet 25 per cent of local requirement estimated at 120,000 tons.

The gap is met mostly by import although there are some paper industries in the private sector.

Last year KPM produced 30,306 tons of paper and sustained a loss of Tk 16 crore mainly due to higher production cost.

Tofail cited KPM, an enterprise of BCIC, as another example of a profitable enterprise becoming a loosing concern due to wrong policy of the government. He said setting up of pulp plants in KPM and three other public sector paper mills at a cost of Tk 40 crore proved futile and left the industry in a dire situation with interest bearing heavy loans.

He said the BNP government also rendered Khulna Newsprint Mills a loosing enterprise by reducing newsprint price by 50 per cent than the market price only to benefit the dealers loyal to the party.

He said the present government removed import tariff anomalies between raw materials and finished products.

He called upon the workers to see that the overhead expenditure is reduced and their overtime bill justified. "You will have to come out from the vicious circle of loss-making for your own existence as the government cannot bear it for an indefinite period."

Kirk Lim, Senior Manager of Sony Singapore, opens Sony Days 2000 recently. Aktar Hussain, Managing Director of Rangs Electronics Limited, is also seen. — Sony Rangs photo

Air Commodore M Rafiqul Islam, Managing Director of Biman Bangladesh Airlines, and Nazrul Islam, Executive Director and CEO of IIFC, sign a development services agreement for restructuring and commercialisation of Biman on behalf of their respective organisations recently. Anwar Hossain Khan, General Manager, Corporate Affairs, Wahiul Haque Khandoker, Director (Project & Planning) of Biman Bangladesh Airlines, and Md Shamsul Arefin Arif, Company Secretary, IIFC, were also present. – IIFC photo

21 firms keen to develop CDS software

Star Business Report

Some 21 vendors have responded to a call for developing software for the proposed central depository system (CDS) in the country.

However, only one local company, Technohaven, has shown interest in the software job. Technohaven had developed the online reservation system for Bangladesh Railways.

CDS officials said the initial evaluation of vendors is scheduled to be completed by September 3 and the final selection of three vendors will be done by September 11.

The much-needed depository will pave the way for scripless trading on the stock exchanges by providing clearing and settlement services to the bourses.

Technohaven has signed a memorandum of understanding with another local company -- Assest and Investment Management Services (AIMS) of Bangladesh -- for the CDS work.

Officials of both the companies say that they have joined hands to win the bid for developing the software, using local resources.

"This is important as the growth and export of software depend on successful conclusion of local projects," said an official of Technohaven.

He said that in order to augment foreign exchange and create employment, local industry should be able to make breakthrough in international markets.

At a function few days back Finance Minister Shah AMS Kibria lamented that despite all encouragement and incentives, the software industry was still to make a headway.

"So, in order to give a headway, the local industries should be allowed to participate and develop software for the local companies," said another software vendor.

He said most of the companies, who are participating in the bid to develop CDS software, have first developed it in their own countries.

The depository is expected to reduce cost of listed companies by eliminating the necessity of maintaining a fully-fledged share division and by facilitating share registration services. It would also ensure safe-keeping of valuable share certificates on behalf of the local and foreign investors. The CDS will operate in the form of book-keeping entry.

The bourses will send all transactions to CDS, which will record the transfers, and the shares will automatically change accounts. The shareholders will not have to go to the companies to transfer their scrips. Fees will be charged against every transaction and that will be the return for the company, he said.

Exchange Rates

Following is yesterday's forex trading statement by Standard Chartered Bank.
Central bank buying and selling rate of USD: BDT 53.85/BDT 54.15

Selling		Currency	Buying		
TT/OD	BC		TT Clean	OD Sight Doc	OD— Transfer
54.2500	54.2800	USD	53.8150	53.6464	53.5779
49.0527	49.1396	EUR	47.2688	47.0854	47.0088
80.8374	80.8794	GBP	79.0252	78.7587	78.7041
32.1276	32.1521	AUD	29.0906	28.9981	28.9180
0.5118	0.5119	JPY	0.4935	0.4933	0.4923
31.3136	31.3381	CHF	30.6185	30.5240	30.4395
5.8151	5.8203	SEK	5.7156	5.6980	5.6820
36.9886	37.0132	CAD	36.1023	36.0086	35.9254
6.9910	6.9923	HKD	6.8675	6.8498	6.8324
32.095	32.1163	SGD	30.9173	30.8735	30.7589
14.8919	14.9095	AED	14.5023	14.5242	14.4838
14.5799	14.5983	SAR	14.2402	14.2035	14.1853

Usance export bills

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
53.7041	53.3727	52.9304	52.4217	51.8688	50.6303

Exchange rates of some Asian currencies against US dollar

Indian Rupee	Pak Rupee	Thai Baht	Mal. Ringit	Indo. Rupiah	NZ Dollar
45.63/ 45.73	54.60/55.30	40.60/40.65	3.7995/ 3.8005	8045/8065	0.4336 / 0.4343

US Dollar			LIBOR			
	Buying	Selling	Months	1	3	6
Cash notes	53.6150	54.2800	USD	6.62	6.69	6.8
TC	53.5650	54.2600	GBP	6.05	6.22	6.3

Venezuela sees OPEC upping output by 2 pc next month

CARACAS, Aug 23: Venezuelan officials expect the OPEC oil cartel to come under pressure to lift supply by more than 500,000 barrels per day (BPD) at its policy meeting next month to cool prices, which are the highest in a decade, reports Reuter.

A 500,000 bpd hike, equivalent to 2 per cent of OPEC output, would come as no surprise to the international oil market as it will be automatically triggered by OPEC's price band mechanism if prices stay above its $22-$28 per barrel target range.

But Venezuelan officials expect the pressure for a more substantial increase to bring prices back down to levels acceptable to the industrialised world, as the United States enters the final stage of an election campaign and OPEC prepares for a rare heads-of-state summit.

"OPEC will not take automatic action a few days before the meeting," said a Venezuelan oil official who asked not to be identified.

"In three weeks' time we have an OPEC meeting and there they will take a decision. Some in OPEC and outside will be pressing for more than 500,000 bpd," he added.

World oil prices are hovering around their highest levels in a decade as growing world demand faces limited supply from the cartel that controls two-thirds of world exports.

OPEC's benchmark export basket price stood at $29.33 per barrel. Monday well outside the group's $22-$28 per barrel target range.

The European Union contacted Venezuelan OPEC President Ali Rodriguez Monday to voice concern over high oil prices and asked Venezuela to "moderate its stance."

Venezuelan President Hugo Chavez made an unprecedented tour of OPEC this month to rally support for an historic OPEC heads-of-state summit next month, and insisted that current prices were not high, but "fair".

If prices stay above $28 for the next three weeks, Rodriquez has insisted that OPEC's target mechanism will automatically trigger a 500,000 bpd supply increase on Sept 8 just two days before the meeting scheduled in Vienna.

"Venezuela wants to follow the price band procedure, but I am not sure we will manage to convince the others, and the others means Saudi Arabia," another official said.

Saudi Arabia blocks Firestone tyre import

RIYADH, Aug 23 : Saudi Arabia has blocked imports of Firestone tyres following doubts over their technical specifications after repeated tyre failures were linked to 62 deaths in the United States, a newspaper reported today, reports AFP.

The kingdom's standards and specifications organisation has "stopped issuing certificates of conformity to imported consignments of Firestone tyres following the emergence of doubts about their technical specifications," the Saudi Gazette said.

It has also blocked the import of new and used vehicles fitted with Firestone tyres, the paper added.

Firestone's parent company, the Japanese group Bridgestone, was forced to recall 6.5 million tyres manufactured in North America under the Firestone brand name earlier this month after repeated tyre failures, many of them due to tread separation.

The tyres have been reported to burst or peel off at speeds of 100 to 120 kilometers (60 to 72 miles) and hour.

The US National Highway Traffic Safety Administration (NHTSA) is investigating 62 deaths and 100 injuries linked to accidents involving Firestone tyres, it said this week.

It has also received 750 complaints of tire failure involving the brand.

Many of those accidents involved Ford Explorer or Ranger models.

IIFC to fund $2.5m for Biman restructuring

The Infrastructure Investment Facilitation Centre (IIFC) and Biman Bangladesh Airlines have entered into development services deal for the restructuring and commercialisation of Biman, says a press release.

As part of the restructuring and commercialisation programme of Biman, consultant Citibank Group is expected to find a strategic airline investor for the airline. IIFC will make a payment of US$ 1.8 million to the Citibank Group and further US$ 0.626 million for consultancy and other costs, which may total US$ 2.5 million.

The Biman project being one of the first of its kind, is likely to lead the way for a number of future privatisations in Bangladesh. The work is expected to be completed by December 2000.

Air Commodore M Rafiqul Islam, Managing Director of Biman Bangladesh Airlines, and Nazrul Islam, Executive Director and CEO of IIFC, signed the development services agreement on behalf of their respective organisations.

Hyundai files for permission to spin off car units

SEOUL, Aug 23: Hyundai Group filed an application Wednesday with the Fair Trade Commission for permission to spin off Hundai Motor Co. and seven other carmaking units, company officials said, reports AP.

Hyundai Group founder Chung Ju-yung sold a 6.1 per cent stake in Hyundai Motor in the local stock market Tuesday, a key demand by creditor banks pushing for radical restructuring at the conglomerate.

The sale reduced Chung's stake in the carmaker to 3 per cent.

Hyundai said eight carmaking units have combined assets of 25.5 trillion won (US$23.2 billion), and that sales at the companies last year reached 28.6 trillion won ($26 billion).

Commission officials said the body is legally required to complete its review of the application within 90 days and plans to finish the review as soon as possible.

ROK economy needs reforms

SEOUL, Aug 23: South Korea's finance ministry said today that the country's economic growth could be threatened if corporate and financial reforms were not implemented smoothly in the next year, repots Reuter.

"The next six months to one year is a crucial period for the nation's economy," the ministry said in a statement outlining its longer-term objectives.

The ministry is spearheading reforms to strengthen companies and banks shaken by the currency crisis that rocked Asia in 1997.

The crisis forced Seoul to accept a $58.35 billion bailout led by the International Monetary Fund under which it pledged reforms.

The ministry said on Wednesday that reforms in the corporate, financial, public and labour sectors were to be completed by February.

Longer term goals include privatising state-run companies and nationalised banks.