

# Cement industry bears the brunt of flood 45pc decline in sales

## STAR BUSINESS REPORT

Squeezed by surplus production against falling consumption, the country's cement industry is now in a critical state as the current flooding has triggered a 45 percent sales drop of the key construction material.

According to a preliminary estimate of local cement companies, the total loss could stand at about Tk 300 crore due to the alarming fall in sales.

Some leading manufacturers fear if the current flood spell continues few more weeks it will bring the cement sector down to earth as already a number of companies have gone out of the sector due to saturation.

Floodwaters have entered many

cement factory premises on the banks of Meghna and Shitalakhya rivers. Though Chittagong factories have not been affected, most of the flood-hit plants in Sylhet suspended their production.

Besides, the factories in Khulna region, which is not affected by the flood, have reduced their production significantly as they cannot supply cement to the northern region now reeling under the devastating flood.

At present, some 40 operational companies have an installed production capacity of 1.5 crore tonnes per year while the consumption is only 70 lakh tonnes. The low utilisation of capacity is causing huge loss to the industry, which requires big investment.

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DK Chakraborty, marketing manager of Shah Cement Industries Ltd, one of the leading cement producers, said, "Production in the factories in Munshiganj and Narayanganj areas has declined by at least 30 percent."

The floods have led to a collapse in communication system of the country, which affected the supply chain. Due to flood most of the construction works have been kept suspended resulting in as high as 65 percent dip in consumption.

"The total consumption in Dhaka, Chittagong and Barisal has fallen by 50 percent, north Bengal by 60 percent and Sylhet by 90 percent," Alamgir Kabir, director of marketing of Premier

Cement Ltd, said referring to his brief market study.

"We have incurred a loss of Tk 50 lakh in last one month due to sales drop," said Abdul Quaiyum Miah, executive director, MTC Cement Industries Ltd. About infrastructure loss, he said, "It will cost another 2.5 crore to reconstruct the plant".

Talking about succour plan, Azizur Rahman Selim, secretary of Bangladesh Cement Manufacturers Association, told The Daily Star, "If the government makes a tax waiver and promote use of concrete in road and highway construction, the demand for cement will rise as well as the longevity of the highways will increase."



PHOTO: STAR

Siddiqua Kabir, nutritionist and culinary consultant of Nestle, inaugurates a promotional campaign for kitchen cabinets and bedroom furniture at chain superstore Agora's Rifles Square branch in Dhaka yesterday. Niaz Rahim, managing director of Rahimafrooz Superstores Limited, Kawsar H Chowdhury, managing director of Green Marketing Limited, the marketing company of the products, and TD Pakir, head of operations of Agora, were also present.

## British envoy praises Bangladesh's efforts towards privatisation

### UNB, Dhaka

Britain has praised Bangladesh's privatisation efforts and assured of its continued co-operation in overall socioeconomic development of the country.

The assurance came when British High Commissioner to Bangladesh Anwar Choudhury called on Industries Minister Matur Rahman Nizami at his office yesterday.

During the meeting, they discussed issues of bilateral interest, particularly various aspects of mutual co-operation in the industrial sector.

Existing problems in Bangladesh's industrial sector and recent initiatives taken by the government for the development of small and medium industries also came up for discussion at the meeting.

The minister told the British envoy that the present government is implementing massive reform programmes, including privatisation, for making the state-owned industrial enterprises profit-making units.

"The government continues to help the private sector entrepreneurs set up industries instead of going for establishing industries in the public sector," Nizami said.

He said the government is going to

announce a new industrial policy for the development of small and medium industries, and sought all out assistance of the UK for successful implementation of the privatisation programme, which would create alternative jobs for the country's huge population.

Referring to the existing friendly relations between Britain and Bangladesh, the high commissioner said his country wants to see Bangladesh as a happy and prosperous country, both socially and economically.

There is ample scope for setting up of labour-intensive industries in Bangladesh, Anwar said adding that Bangladesh could utilise its unemployed people by setting up industries in IT, electronics goods assembling, jute and leather, ready-made garment and automobile sectors.

He stressed the need for taking up an industry-friendly strategy at the state level to make industrialisation successful.

The industries minister expressed the hope that the existing bilateral relations between Britain and Bangladesh would be strengthened further in the years to come.

## YKK to inject more funds into DEPZ plant

### BSS, Dhaka

YKK, one of the world's leading zip fastener companies, will increase its investment to over \$35 million in Bangladesh.

Fresh investment will be made in completing the second phase of the company's zip plant in the Dhaka Export Processing Zone (DEPZ). The plant is expected to employ 600 more people. It will be fully operational by the end of this year, company sources said Thursday.

The first phase of the plant was opened in February 2002. Before setting up of the plant in Dhaka, YKK used to meet zipper need for the garment industries through the zips produced outside Bangladesh. The Dhaka plant created jobs for around 550 skilled people.

The number of items produced in the Dhaka plant will be doubled and the company would be able to meet 45 percent of the demand for the zips in Bangladesh, the source said.

"YKK feels this investment is crucial for its continued goal of improving services to the Bangladesh garment factories," a press release of the company quoting its Bangladesh Managing Director Eiji Sekine said.

The dramatic increase in capacity will reduce the amount of fastener's dependency on the imported zips.

## FBCCI calls for politics conducive to business

### UNB, Kushtia

Chief of FBCCI, the country's apex business body, yesterday reiterated the business community's call for discarding the politics of confrontation and intolerance.

"Lack of tolerance in politics is seriously hampering our national development activities," said Abdul Awal Mintoo, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said at a book launching function.

He said the business community is the worst victim of repeated hartals and political anarchy. "The scope of both domestic and foreign investment will come to a halt if the political parties cannot be refrained from calling destructive programmes like hartal."

Mintoo also identified the deteriorating law and order situation as a barrier to trade and investment. "We lag behind compared to even our neighbouring countries and in economic competition we are at the bottom. We need to initiate a united effort to get over the situation," he told the launching of a publication, "History of Kushtia Chamber."

Appreciating the efforts for such a

publication, the FBCCI President emphasised capacity building to face competition in the present era of globalisation and free market economy.

"Neither the business flourishes nor the business community get dynamic leaders and guardians for lack of strong business bodies," he said adding, "Any division deprives the community of materialising their due demands."

As the local business leaders raised various issues, including the necessity of a land port in Meherpur and problems relating to VAT, Mintoo said he would take up the matters to the authorities concerned.

Speaking on the occasion, FBCCI Vice President Kamaluddin Ahmed said hartal, extortion and deteriorating law and order situation are the main problems for running businesses and making investments.

Chaired by Kushtia Chamber President M Majibar Rahman, the function was attended, among others, by FBCCI leaders SM Nazrul Islam, Shamsul Alam, Mir Nasir Hossain, Abdul Wahed, Afazuddin Ahmed and Aminul Haq.

## Global economic growth this year may cross 4.6pc IMF chief tells journos

### REUTERS, Libreville, Gabon

Global economic growth this year could top the IMF's April forecast of 4.6 percent, despite a surge in oil prices to record levels, International Monetary Fund chief Rodrigo Rato said Wednesday.

Rato, speaking to reporters during a visit to Gabon, said the global economy was currently strong and he saw that strength persisting through to the end of 2005.

"What we see right now is a strong recovery in 2004 and 2005, probably even stronger than we predicted in April," he said.

The recovery should be able to withstand the surge in oil prices, which are at record levels on strong demand and concerns about supply stability, Rato said.

"It is true that oil has an effect on the world economy ... but other positive issues are balancing that situation," the IMF managing director said.

The next World Economic Outlook, the Washington-based lender's twice-yearly snapshot of economies around the globe, is expected in late September.

The fund forecast 2004 world growth of 4.6 percent when it released its last outlook in April, but officials have since suggested that number may be revised higher.

Oil prices struck fresh record highs above \$44 a barrel on Wednesday, spurred to further gains after OPEC President Purnomo Yusgiantoro said Saudi Arabia had spare production capacity but could not immediately raise output to rein in soaring prices.

## Rural development key to India's high growth

### REUTERS, Bombay

The development of India's 600-million-strong rural sector holds the key to sustained high growth for the vibrant but poor economy, analysts say.

With a more prosperous rural sector likely to boost and stabilise the economy and make it a more attractive destination for foreign capital, investors are awaiting a package of government reforms due soon.

Little has been done for the farm-dominated sector since the 1960s, when investment in irrigation and high-yielding seeds ended rice and wheat shortages.

The countryside has lagged urban

India, which has thrived on 14 years of liberalisation that exposed industry to global competition.

Analysts say rural poverty has stymied broader growth and undermined efforts at luring job-creating foreign investments by constraining the growth of the market for goods and services in the world's second-most populous country.

Economic growth has averaged 6 percent a year since liberalisation reforms were started.

But farm output growth has averaged barely 3 percent and has fluctuated wildly because of India's reliance on capricious annual monsoon rains. Only a third of cultivated land is irrigated.

## Green Marketing starts product promotion at Agora

### STAR BUSINESS REPORT

Green Marketing Limited, a local company which markets kitchen cabinets and bedroom furniture made of high-density board, started a 10-day promotional campaign at Agora chain superstore at Rifles Square in Dhaka.

"Customers will get five percent discount during the promotional sales with a warranty of 20 years and servicing guaranty of two years," said Abed Huda, marketing manager of the company, speaking at the launching of the campaign.

Green Marketing is the only local company which uses high-density boards and membrane sheets in furniture and cabinets. The cabinets are designed and assembled locally with materials imported from Germany and Belgium, Abed said.

The boards covered with membrane sheets are water and high temperature resistant.

Green Group Ltd has been in marketing business here since 45 years, said Kawsar H Chowdhury, managing director of Green Marketing Limited.

Siddiqua Kabir, nutritionist and culinary consultant of Nestle, inaugurated the programme while Niaz Rahim, managing director of Rahimafrooz Superstores Limited and TD Pakir, head of operations of Agora, were also present.

## Asia gunning for deep-sea oil, gas

### REUTERS, Singapore

Failure to find enough oil and gas onshore is pushing energy-thirsty Asia further out to sea in search of more black gold despite the higher risks.

The lure looms large: by some estimates, 20 billion barrels of oil equivalent (boe) await prospectors in Asia-Pacific's vast but largely untapped deepwater acreage, representing more than 40 percent of the region's proven oil reserves.

Yet to find hydrocarbons hidden hundreds or thousands of metres under the seas is tough and costly, and such exploration is relatively new to Asia starting barely a decade ago.

"The technical challenge for exploring the deepwater region of this area (Southeast Asia) can be geologically complex. Obviously, without a lot of previous exploration, it is a high-risk and high-cost area to explore," Norman Valentine, an analyst at Wood Mackenzie, said by telephone from Edinburgh.

It is also uncertain how much of the estimated 20 billion boe in Asia can be profitably recovered using existing technology, which is being pushed to the hilt.

"Technology has to prove itself

against commercial conditions as anticipated in the future. So if you are convinced that you are going to have \$40 oil, you keep on drilling," said Al Troner, managing director of US-based Asia Pacific Energy Consulting. "But a lot of people, myself included, are not."

Malaysia, Indonesia, Brunei and India have made notable deep-sea finds, raising hopes of more major discoveries. Malaysia, where Murphy Oil Corp. and Shell have made major finds in deepwater, plans to open ultra-deepwater areas to foreign investors.

But most discoveries are dominated by natural gas, which is more difficult to handle and transport than oil and requires a dedicated market for sales.

Asia has to vie with other regions for big players such as BP and Royal Dutch/Shell, which have the most advanced deepwater technology. These companies are focusing on more promising deepwater areas in West Africa, the US Gulf of Mexico and Brazil.

Most reserves found in West Africa are crude oil. The success ratio for deep-sea drilling in Angola exceeds 80 percent, above the global average of about 50 percent.