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Paint industry thrives on real estate boom

M ABDUR RAHIM

Riding on success in real estate sector, Bangladesh's paint industry is witnessing enormous growth.

An official of Rehab (Real Estate and Housing Association of Bangladesh) said the paint industry is drawing local and foreign investments as the industry sees almost double-digit growth annually.

"Use of paint for both interior and exterior decoration is rising, giving a boost to the paint industry," said Ziaul Ahsan, executive committee member of Rehab.

Rehab sources said around 5,000-7,000 apartment units and 4,000-6,000 plots are handed over to buyers a year. Developers have so far handed over 70,000-80,000 apartment units to buyers in the last 20 years.

With arrival of Asian Paints, India's largest paint manufacturer, Bangladesh has now become almost self-sufficient in paint. Officials of Asian Paints said annual demand growth at 7 percent prompts the company to make foray into Bangladesh market.

Asian Paints formed a joint venture with local company Confidence Cement in 2002 to set up a hi-tech plant at Gazipur with a capacity of 2,500 tonnes and initial investment of about Tk 15 crore.

Right from the beginning, Asian Paints aimed to pound the citadel of Berger Paints Bangladesh Ltd, which has long been dominating Bangladesh market with about 40 percent market share.

RV Ramanujam, chief executive officer and director of Asian Paints (Bangladesh) Limited, said the company wants to be number one in Bangladesh. "We will double our capacity within two months and further increase the capacity from time to time as demand is rising due to a booming construction sector here," he told The Daily Star.

The fierce rivalry with the Indian giant forced UK-based Berger Paints to hone its marketing strategy by introducing Colorbank, offering over 5,000 shades.

BB Saha Roy of Berger Paints said competition is stiff as many companies have gone for capacity expansion. "Now, paint companies are going through a difficult phase due to 15 percent duty hike on titanium and dioxide, main raw materials, and a price war among companies," he said.

He said paint industry has immense growth potential as paint consumption is rising due to real estate boom. "What government should do is to reduce duty on raw materials, 100 percent of which come from foreign sources," he said.

Some 38 small and medium size companies are engaged in paint production in Bangladesh. The total Bangladesh paint market is estimated to be over 50,000 tonnes valued at around Tk 450 crore. Per capita paint consumption is around 250gm.

A high official of a leading paint company said low per capita consumption of paints, vast potential to upgrade the market, limited product range, increasing urbanisation and consistent GDP growth of around 5-6 percent have made Bangladesh paint industry a promising area for investment.

With rising demand, other local players such as Elite, Romana, Roxy, Al Karim and Aqua Paints, are also devising their marketing strategies to increase market share by introducing new products and promotional offers, industry sources said.

Siemens launches four new mobile sets

Siemens Bangladesh Limited has launched four new mobile phone sets in local market.

Rudolf Paul Klink, CEO and managing director of Siemens Bangladesh Limited, formally launched the new sets -- SL65, S65, A65 and A57 -- at a function in Dhaka recently, says a press release.

The SL65 is a slider phone with video camera, upgraded digital zoom and 65.000 colour TFT display. The triband S65 is a business class handset with a 1.3 MegaPix integrated video camera, 65k colour display and 32MB of memory. The A65 has 4-way navigation key, a 4K colour screen and optional clip-on camera with flash while A57 is the latest entry-level handset.

Aminur Rashid, general manager (Consumer Product Division), Aftab Mahmud Khurshid, corporate communications and business development manager, Salahuddin Taimur, marketing manager (Mobile Phones) of Siemens Bangladesh Limited, among others, were present at the function.

CRISL to rate Midas Financing

Credit Rating Information and Services Ltd (CRISL) will rate the performance of Midas Financing Limited (MFL).

A memorandum of understanding (MoU) to this effect was signed in Dhaka recently, says a press release.

MFL Managing Director Abdur Rashid Gazi and CRISL President and CEO Muzaffar Ahmed signed the MoU on behalf of their organisations.

Group4 now GrameenPhone corporate client

Group 4 Securitas Bangladesh (Pvt) has become a corporate client of GrameenPhone (GP) Ltd.

An agreement to this effect was singed between the two companies.

Selim Chowdhury, managing director of Group 4 Securitas, and Tanvir Ibrahim, head of sales of GP, recently signed the agreement on behalf of their organisations, says a press release.

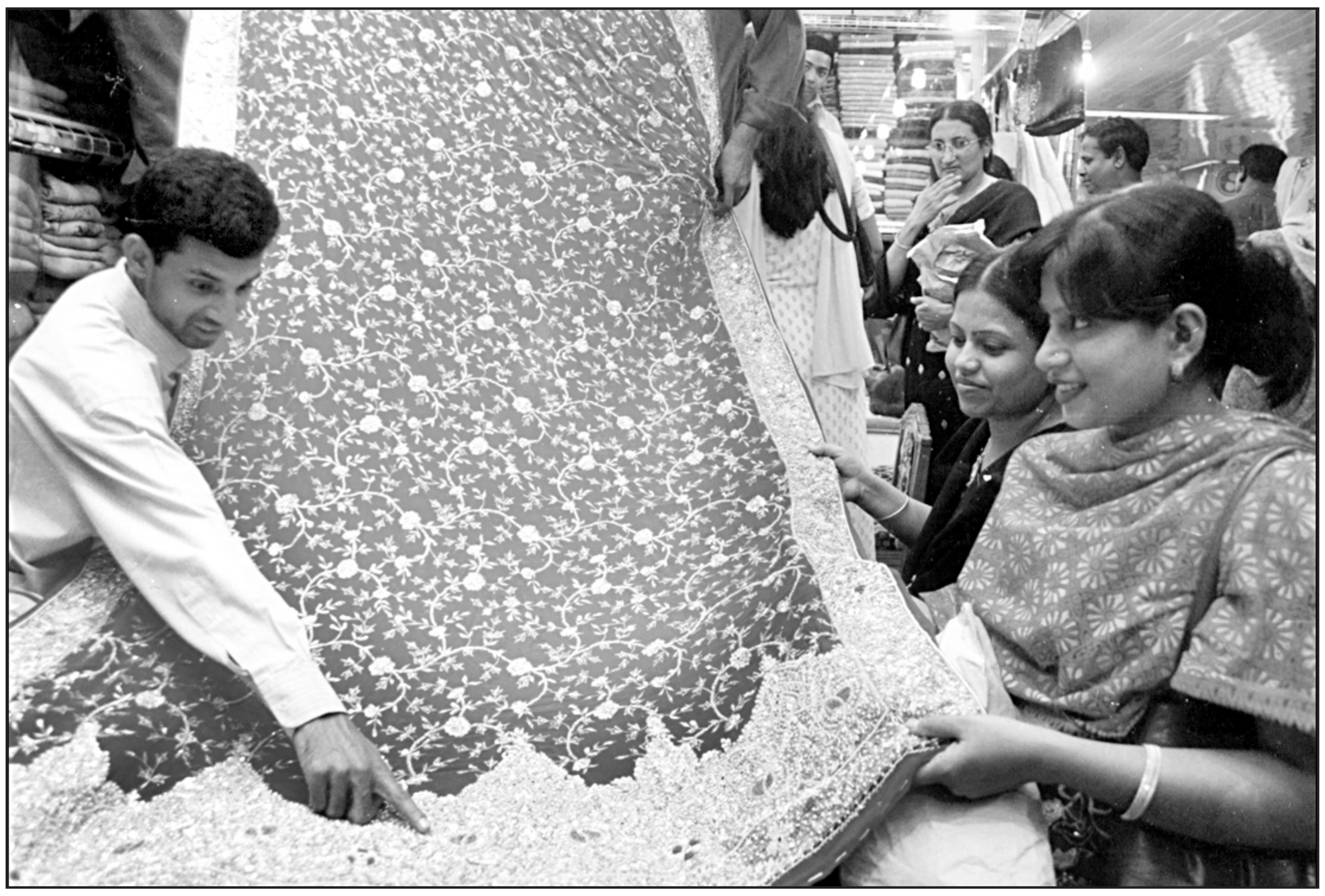

PHOTO: STAR

A salesman displays a saree as some female shoppers look on at an outlet at Eastern Plaza in Dhaka yesterday. As the Eid-ul-Fitr nears, the shopping spree that has already got momentum is likely to reach its peak in the next week.

India investment boost to go on despite rate rises

REUTERS, *Bombay*

A revival in business investment in fast-growing India will gather steam despite possible further monetary tightening by a central bank worried about inflation, economists and business executives say.

The Reserve Bank of India raised its repo rate by a quarter point to 4.75 percent this week -- the first rise in four years.

While more could be in store, rate rises are not likely to be substantial enough to dent investment, which is picking up after a more than half a decade of weakness.

Below-normal monsoon rains forced the central bank to scale down its growth forecast for the year to March 2005 by half a percentage point. But the still-respectable 6.0-6.5 percent is well above India's five-year average of 5.7 percent.

Credit remains cheap and incomes are rising, which is expected to sustain strong consumer spending. This, combined with robust export growth after the stunning success of the technology-enabled services sector, has encouraged companies to invest to churn out more goods and services.

At 2.3 trillion rupees ($50 billion), investment in the year to July was 50 percent higher than in each of the previous two years, says the Centre for Monitoring Indian Economy, an independent think-tank.

In the pipeline are 2 trillion rupees of fresh investment by leading companies, ICICI Bank estimates.

No one expects a return to double-digit interest rate levels seen half a decade ago. Measured rate rises, as hinted at by the central bank, will not dampen firms' interest in the growing and increasingly affluent middle-class, now 300 million strong.

Aggressive monetary tightening in the mid-1990s halted a boom triggered by economic reforms. This time, local prices are being held in check by intense competition between firms. Inflationary pressures mainly reflect high global oil and commodity prices.

Siddharth Roy of Tata Services, the research wing of India's top business group by market capitalisation, says funding costs will not rise more than 50 basis points in the next year.

That potential was apparent earlier this month, when South Korean consumer goods giant LG Electronics launched a plant to make appliances. Toyota Motor Corp. opened a gearbox plant in August.

India to take care of risk for local firms' overseas investment

PALLAB BHATTACHARYA, *New Delhi*

The Indian government is considering working out a cover for political risk for domestic companies for their investments abroad. Commerce and Industry Minister Kamal Nath told the Confederation of Indian Industry (CII) here Thursday that while the commercial risks are underwritten by Export Credit Guarantee Corporation, the government would take care of the political risk for Indian companies' direct investment abroad.

"We are working to address the issue," he said and pointed out that extending political risk cover is a common practice in the United States. Nath said Indian exporters are hamstrung by the absence of such political risk covers. An estimate by trade bodies put the total foreign investment by Indian corporate entities at present at nearly five billion dollars.

With Indian companies, particularly state-owned Oil and Natural Gas Corporation and Indian Oil Corporation, planning to launch aggressive overseas expansions, the need for covering political risks is being increasingly felt, CII sources said.

Nath said India's economic activities have to be spearheaded by trade and the government would continue to set the tone of liberalisation in this area.

He said exports have been a major driver of the growth of Indian economy in the last few years and would continue to be so.

The minister suggested every economic ministry has a separate trade and investment promotion body so that greater investment in those sectors can be attracted.

The suggestion came close on the heels of the Indian cabinet's decision to set up a one-stop Investment Commission under the Ministry of Finance replacing the Foreign Investment Promotion Board.

Nath's proposal assumes significance in view of the reported turf battle between his ministries and Ministry of Finance for control of the planned Investment Commission and Prime Minister Manmohan Singh was understood to have stepped in to rule in favour of the finance ministry.

Pakistan cotton prices firm as buying picks up

REUTERS, *Karachi*

Pakistani cotton prices were firm in the past week on buying by mills and the state-run Trading Corporation of Pakistan (TCP), and could pick up further as exporters have also entered the market, dealers said Thursday.

Activity has picked up as TCP has bought over 333,000 bales (375 lbs each) and plans to buy a total of at least one million bales this season, they said.

"Some leading exporters, who have made larger forward sales, are active buyers," said Naseem Usman, a dealer at the Karachi Cotton Association.

He said constant depreciation of the local currency has made local products more competitive internationally.

World oil prices fall on profit taking ahead of US election

AFP, *New York*

Oil prices slid for a third day running Friday as speculators banked profits ahead of next week's US presidential election amid easing supply fears and China's move to hike interest rates, analysts said.

New York's main contract, light sweet crude for delivery in December, edged down two cents to 50.90 dollars a barrel in electronic trading.

In London the price of Brent North Sea crude oil for delivery in December lost 29 cents to 48.08 dollars a barrel in early deals.

New York's main contract tumbled 1.54 dollars, or 2.9 percent, to finish at 50.92 dollars a barrel on Thursday, a loss of 7.7 percent since Tuesday's close.

"Prices have been falling since Wednesday as speculative funds exit the market" ahead of next Tuesday's dead-locked US presidential vote, Societe Generale analyst Frederic Lasserre said.

He added that a win for Democrat candidate John Kerry could send prices further down as it could mean a change of US policy in major oil producer Iraq.

Global crude oil prices began tumbling when a government survey published Wednesday showed US commercial crude oil inventories surging by a bigger than expected 4.0 million barrels the previous week.

Supply nerves calmed further on a US Department of Interior report showing an improvement in output from the Gulf of Mexico, where hurricane-triggered landslides had buried oil platform pipeline networks.

News that China, a voracious oil consumer, had raised interest rates Thursday for the first time in nearly a decade to brake activity helped also to push prices down.

"China's decision to raise interest rates for the first time in nine years, as it attempts to slow the rampant economic growth that has played a key role in boosting world oil demand, helped reverse the mid-session (oil) rally," said analysts at the Sucden brokerage.

"Surging Chinese consumption has played a key part in global energy demand and sustaining this year's price rally."

But Barclays Capital analyst Kevin Norrish said the impact of China's rate hike on oil demand had been "overestimated".

He said: "China's oil demand is, to an extent, sheltered from a slowdown in general economic growth. Widespread power cuts in many regions means that demand for energy is already being rationed and that the economy has room to slow down considerably to bring it into line with energy availability."

China's central bank has raised its benchmark one-year lending rate to 5.58 percent from 5.31 percent. The one-year deposit rate was hiked, also by 27 basis points, to 2.25 percent.

S American nations to sign integration pact Dec 9

REUTERS, *Brazil*

Ten South American countries plan to launch a new accord in December that hopes to better integrate the nations politically and economically, a top diplomat in the region said on Thursday.

Eduardo Duhalde, a former Argentine president and head of the Mercosur trade bloc's permanent council, said the 10 countries would officially launch the so-called "South American Community of Nations" in the Peruvian city of Cuzco on Dec 9.

"We've always thought that it was possible for South America, a great nation of independent republics, to build not just a common market, but a political union," Duhalde said in the Brazilian capital.

The new group was made possible after Mercosur, which includes Brazil, Argentina, Uruguay and Paraguay, signed a trade deal with Andean Community members Peru, Bolivia, Ecuador, Colombia and Venezuela earlier this month.

Chile, which is an associate member of Mercosur, will also join the new group, Duhalde said.

China may be forced to raise rates further: Analysts

AFP, *Beijing*

China's surprise decision to raise interest rates may not be enough to slow runaway investment and rising prices, and more tightening is likely to be needed before long, analysts said Friday.

At the same time, the move may even force China's hand on changing its pegged currency system, something the country's trade partners have been pressing for as they grapple with a flood of cheap Chinese exports.

After months of speculation, the central bank took the markets by surprise with an announcement late Thursday that it would raise the benchmark 1-year lending rate 27 basis points to 5.58 percent, the first hike in nine years.

"Unless inflation comes down, they'll probably have to do it again, perhaps some time in early 2005," said James Cairns, a Singapore-based analyst at research firm IDEAglobal.

The move came less than a week after China issued third-quarter data showing that efforts at slowing the economy essentially had not had the desired effect.

Overall growth was 9.1 percent in the July to September period -- a dizzying pace by most countries' standards -- and even more worrying, inflation last month was 5.2 percent, effectively meaning real interest rates were zero.

If there are no signs soon that China's drastic new measures have had an effect, interest rates could go yet higher, and even the currency, which has been pegged to the dollar since 1994 at 8.28 yuan, could be affected.

"We believe the focus now is on the October activity and inflation data," ING Financial Markets economist Tim Condon wrote in a market commentary.

"If they show the same trends as the September data we believe the likelihood of another interest rate hike and/or a (yuan) revaluation would rise," he said.

Nissan revenue hits record high

AFP, *Tokyo*

Japanese automaker Nissan Motor said Friday its interim sales hit a record high but net profits rose only slightly, hurt by a stronger yen, costlier sales incentives and increased investment.

Nissan, controlled by Renault SA of France, said sales rose 12.7 percent to a record 4.0 trillion yen (36.4 billion dollars) in the six months to September, while recurring profit gained 2.8 percent to 401.4 billion yen.

Interim net profit edged up 0.5 percent to 238.8 billion yen.

Globally, Nissan sold 1,596,000 vehicles in the first half, up 8.8 percent, boosted by 16.6 percent growth in the United States to 489,000 and 6.6 percent growth in Europe to 285,000. Sales in Japan fell 4.9 percent to 368,000.