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Star BUSINESS

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Microwave Oven

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Bonds can offset budget deficit

Christine Wallich tells workshop

STAR BUSINESS REPORT

A robust bond market can help Bangladesh overcome its budget deficit and reduce dependency on development partners, said World Bank Country Director Christine I Wallich.

"Bond is a major source of long term finance. Bangladesh can tap this unexplored source to generate much needed investment in power, port, oil, gas, road and other heavy infrastructure development," Wallich said while speaking at the inauguration of a two-day high-profile international workshop on bond market that began yesterday.

"Bond is a precious commodity. But it is frustrating that long term financial products have not developed in Bangladesh as required," Wallich told the workshop on "Development of Bond Market in Bangladesh" at Brac Centre at Rajendrapur in Gazipur.

Citing example, WB director said Jamuna Bridge is a big asset to Bangladesh and Padma Bridge is another in the line. Bonds can be issued for mobilising fund for such big infrastructures, Wallich said.

A strong bond market can also help overcome internal and external shocks, she said suggesting a secondary market development of bond.

Bangladesh Bank (BB) and Securities and the Exchange Commission (SEC) have organised the workshop as part of the World Bank-funded Financial Institutions Development Project.

Apart from top executives of local banks and financial institutions, officials from Reserve Bank of India, State Bank of Pakistan, Central Bank of Sri Lanka, Bank Negara of Malaysia, Clearing Corporation of India, National Housing Bank of India are participating in the workshop aimed at sharing regional experience for development of bond

market.

Addressing the inauguration, State Minister for Finance Shah Abul Hossain said the Ministry of Finance is in a process of establishing a public debt management unit to allow smooth issuance of government securities.

"The government has declared waiver on tax and value added tax and stamp duty on special purpose vehicle for issuance of securitised bond. The government has also cut down withholding tax on bonds and securities from 45 percent to 20 percent. All these incentives are initiated to develop a bond market," the minister said.

BB Governor Fakhrudin Ahmed said the country badly requires acceleration in productive investment for generating employment. And such investments can be financed through borrowing from banks, issuing equity and long term bonds. "Banks and other financial institutions alone cannot meet huge borrowing needs of the economy."

"So, there is an urgent need of developing a strong bond market which can be a source of long term fund for investment. Development of domestic securities market can also ensure financial stability," the governor said.

He, however, reminded of some bottlenecks in issuing new securities in regard to role of trustee, limitation of trust act and inadequate market infrastructure. "I understand some debenture issues were sour in the past and coupon payments were not paid which undermined investors' confidence. We must address such bottlenecks for healthy development of bond market," Ahmed added.

Finance Secretary Zakir Ahmed Khan, Chairman of SEC Mirza Azizul Islam and International Monetary Fund Mission Chief for Bangladesh Nissanka Weerasinghe also spoke at the opening of the workshop.

Lever Brothers outshines all Asian units in '03

Chairman and Managing Director Sanjiv Mehta tells *The Daily Star*

M SHAMSUR RAHMAN and M ABDUR RAHIM

Lever Brothers Bangladesh positioned itself as the highest growth performer among Asian subsidiaries in 2003 with 17 percent growth, prompting top executives of the parent company to term it a 'jewel in the crown'.

The company has been witnessing double-digit growth for the past six years through adoption of information technology and local outsourcing, helping it achieve such successes.

In an exclusive interview with *The Daily Star*, Chairman and Managing Director Sanjiv Mehta said the company maintained consistency in pricing over the past six years despite 35 percent devaluation of taka.

Mehta joined Lever Brothers Bangladesh in 1998 when the company was witnessing a turbulent year due to the onslaught of the so-called Halal soap. "Since the 1998 turbulence, we in the Lever Brothers Bangladesh did not look back and continued growing by increasing our market share."

The key to Lever Brothers success is quality products, good management, corporate disciplines and foolproof distribution system. All things are done in Lever Brothers in a systematic manner. The structures and corporate guidelines are set. What staff need to do is to execute in line with these formats. "I am the chief executive of the company but I

never sign a check," Mehta said.

He said Lever Brothers' commitments have helped its 13 products, out of 14, grab top positions in Bangladesh market.

Mehta said the journey in the past six years was not an easy one as he was sent to Bangladesh with specific agenda. "My six years with the company in Bangladesh is an exciting odyssey," the 12-year Unilever veteran said.

"I came here with a clear objective to rescue the company at a time when the company was in a decline. But we restored Lux market share against tough Halal soap campaign with strategic plan," the 44-year old Indian said.

"Now we are recording sales to the tune of Tk 800 crore a year. Six years back, local inputs of raw materials was 19 percent, which is 40 percent at the moment. Some 99 percent of Lever products are produced in Bangladesh plants now," he said.

"The remarkable thing is that all these achievement has been made by Bangladeshi people. Of the 10,000 people involved in the company only two are expatriates. This proves that talent and managerial skills of Bangladeshi people are on par with the world standard. If good environment and management are ensured, Bangladeshi people can give the best in the world," Mehta said.

"It is all about focus, specific targets and measurements. If you measure your performance, you can



"The success story of Lever belies ingrained impression against Bangladesh of being a corrupt country," Mehta

No change in prices despite 35 percent devaluation of taka in the last six years; Consistent double-digit growth in past six years; Local raw material inputs constitute 40 percent now against 19 percent six years ago; Lever Brothers' 13 products, out of 14, lead in Bangladesh market; Present sales amount to Tk 800 crore a year; Now 99 percent of Lever products are produced in Bangladesh plants.

improve it. I get sales statement of all products and other company figures of a month on the first day of the following month. This gives us a chance to measure performance and better it," he said.

Many people have the ingrained impression that Bangladesh is a corrupt country. So, if somebody is to do business here, he or she must entertain corrupt practices. But the story of Lever Brothers belies this, the Mumbai-born executive pointed out.

"Our company here does not get phone calls for recruitment and donations. People know that the company will not entertain these under any circumstances as the company has strict and clear-cut rules against such things," he said.

"It only proves that if you are firm, you can conduct businesses honestly in Bangladesh and see growth without entertaining corrupt practices," he observed.

Asked about secrets of continuous growth, he said, "We create demand for a product among consumers. We conduct market research to know what types of product consumers need. We translate people's need into a product. We hold field demonstration on use of a new product in rural areas that helps create a market there. We spend Tk 25 crore or four percent of sales for consumer research a year."

"Few years back there was little demand for detergent powder, deodorant and lotion but we have been able to create a demand for the

products. We are the first in Bangladesh to introduce sachets targeting the lower segment of the market. We knew that if we are to reach all sections of people we have to offer products in small packs," a beaming Mehta said.

"We also invest millions of taka to strengthen infrastructure and equip our plants with latest technologies. Investment in infrastructure is something that pays you back in the long run. It gives leverage to workers, improves working environment and saves electricity," a candid Mehta shared the secrets.

The employee incentive is lucrative in the company. Inspired by profit-sharing, the employees give hundred percent to the company. As the company shares a portion of profit with staff, the employees are more enthusiastic about growth and performance of the company, he said.

Unilever, the parent company of Lever Brothers Bangladesh, was established in 1930 when the British soapmaker Lever Brothers merged with the Dutch margarine producer, Margarine Unie. Employing 247,000 people in 150 countries, the consumer product manufacturing company's annual turnover is now over \$5 billion. In Bangladesh, Lever Brothers started business in 1964 as Lever Brothers Pakistan. In Lever Brothers Bangladesh, Unilever holds 61 percent stakes and Bangladesh government 39 percent.

Quota allocation delay may cost country \$2m

Terry towel exporters fear

STAR BUSINESS REPORT

Bangladesh may be deprived of \$2 million export earnings due to delay in allocation of quota to exporters, Terry towel exporters fear.

Manufacturers of Terry towel cannot export about 6 lakh dozens of towels to US market as the government is dilly-dallying in allocation of quota in the last two months. With only 29 days remaining in December, the last calendar month of quota fulfilment, exporters say they may not be able to utilise the quota completely.

Bangladesh Terry Towel & Linen Manufacturer's and Exporters' Association alleged in the middle of the current fiscal after monitoring the export trend they found that export of product of the said categories ran slow because many small exporters had been failing to export and utilise quota despite many others had capacity.

About 30 percent of quota in the two categories remained unutilised in current fiscal, this year, said M Anisuzzaman, chairman of the association.

He said such situation occurred in the previous years and to utilize the quota the National Committee concerned on quota distribution recommended the ministry to allocate and distribute quota on 'first come first serve' basis.

Anisuzzaman said, in September the committee again recommended the ministry to do the same but "due to inordinate delay in implementation of the decision by the authority, manufacturers and exporters are missing the opportunity and country is losing a good amount of earning."

"If the decision were implemented in time with subsequent allocations, many big manufacturers could utilise opportunities as they had capacity of production, letter of credits from buyers in hands and after shipping those they could ask for more L/Cs from their buyers," Anisuzzaman observed.

Anisuzzaman said in quota system there is an option for allocating a portion of quota as 'free quota' and this portion is usually traded among exporters to maximise their exports.

"Free quota allocation had also been delayed this year at least by one month," he added.

"We have now only 29 days left for the last quota year in this period. Even after hurrying productions and shipments, maximum quota will remain unutilised," Anisuzzaman lamented.

Anisuzzaman said manufacturers and exporters under his association usually earn about \$90 million a year by exporting towels, linen and allied products and they have a target to export goods worth \$100 million a year.

Earlier, Export Promotion Bureau (EPB) used to allocate quota to exporters. But EPB presently forwards the quota application to the Ministry of Commerce, which finally completes the quota distribution.

Exporters say involvement of two government organisations in the allocation brings nothing good rather it increases procedural delay. However, a high EPB official said the rest of this year's quota will be distributed on Saturday next.

DCCI polls on Dec 7

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Dhaka Chamber of Commerce and Industry (DCCI) will go into polls on December 7.

Some 3,000 voters will elect eight directors from 14 contestants while two directors have been elected uncontested in the meantime.

Of the eight directors, four will come from general group, two from associate group and one each from trade and town group.

Candidates of Samamana Parishad (like-minded panel) and Ganatantrik Parishad (democratic panel) have started intense campaign to win the election.

Shafiqul Islam from trade group and Mohammad Lutfur Rahman Badal from town group have been elected directors uncontested.

Candidates from Samamana Parishad of general group are MA Muhaimin Saleh, Md Shahjahan Khan, KMH Shahidul Huq and Kamrul Islam. They will contest with Ganatantrik Parishad's Osman Gani, Humayun Kabir, Md Bashirullah Bhuiyan and Syed Abdul Jalil.

In associate group Samamana Parishad's candidates Manzur-ur-Rahman (Raskin) and Md Alauddin Malik will lock horns with Ganatantrik Parishad's Shahnewaz Chowdhury and Shafiqur Rahman.

Sources said Samamana Parishad is likely to sweep the election as it has got support from 12 former presidents of the chamber, a trade body representative mostly of grassroots businessmen which was established in 1958.

According to the constitution of DCCI, eight directors out of total 24 in the DCCI board retire in rotation after serving three-year term. Elections to the eight vacant director posts are held every year. The newly elected eight and 16 serving directors elect one president, one senior vice-president and one vice-president for one-year term.

This year the presidential and vice-presidential elections will be held on December 9.

Brac receives certification for vegetable export to EU countries

Brac has received EUREPGAP certification from FoodCert Netherlands, BV recently to export vegetables to European Union countries.

Brac is the first organisation in Bangladesh to get such accreditation which will be required for fresh fruits and vegetables export to EU countries from January 2005, says a press release.

EUREPGAP (European Retail Parties Good Agricultural Practices) certificate endorses minimum residue level (MRL) and pesticide control.

Brac, also the first EUREPGAP certified primary market organisation for fresh fruits and vegetables in south-east Asia, started working to get this accreditation in 2003.

Cabinet body okays crude, furnace oil import

STAR BUSINESS REPORT

The Cabinet Purchase Committee yesterday approved import of 13 lakh tonnes of crude oil and 40,000 tonnes of furnace oil in December.

About seven lakh tonnes of crude oil will be imported from Saudi Arabia and the remaining six lakh tonnes from Arab Emirates. It is primarily estimated that due to the oil price hike it may cost Tk 2697 crore, which is 25 percent higher than the previous price.

The furnace oil will cost about Tk 62 crore.

The committee also approved a proposal of the Bangladesh Telegraph and Telephone Board to

take a 60-million-dollar loan from the Islamic Development Bank. This fund will be used to construct the submarine cable link that will connect Bangladesh with the information superhighway.

The committee approved a Tk 26 crore contract to a Chinese company the CNEWIC to supply and install 33 kv capacitor bank in five power sub-stations in Chittagong.

However, the committee asked the Power Development Board (PDB) to revise another tender bid to rebuild, rehabilitate and expand 28 substations in Chittagong. The PDB wants to award the Tk 104 crore project to the CNEWIC as it is the lowest bidder.

RMG raw material delivery time reduced to a day

STAR BUSINESS REPORT

With less than a month to the post-MFA (multi-fibre arrangement) era, the Chittagong Customs House has agreed to a Bangladesh Garment Manufacturers and Exporters Association (BGMEA) plea to bring down the raw material delivery time of ready-made garments to a day by abolishing five steps.

The decisions came following a meeting of BGMEA and senior customs official on Tuesday in Chittagong. BGMEA President Anisul Huq presided over the meeting, which was attended by BGMEA delegation and Chittagong Customs Commissioner Masrur Ahmed among others.

Presently, 11 steps prevail at the Chittagong Customs House before a consignment is delivered.

The meeting also decided to initiate moves for shipping goods and processing shipping bill after 10:00pm.

Decision was also taken to form a task force to update the entry of export information in the pass book within 15 days of export.

Talking to *The Daily Star* BGMEA president said the customs high officials have decided to meet most of the demands made by the BGMEA team and the decisions which will come into force through a circular within next 5 to 7 days.

French businesses keen to share technical expertise

Visiting trade team meets CCCI

STAFF CORRESPONDENT, Cg

French entrepreneurs are keen to invest and share technological expertise with their counterparts in Bangladesh to boost bilateral trade between the two countries.

The visiting high profile twelve-member French delegation while exchanging views with members of Chittagong Chamber of Commerce and Industry (CCCI) yesterday expressed their willingness to enhance cooperation and collaboration as it found an investment and business friendly climate in Bangladesh.

Philippe Vindry, the leader of the delegation, observed that the facilities offered here are sure to woo investors and entrepreneurs and said the delegation would help draw French investment in Bangladesh.

Philippe Vindry, also the President Delegation of Chamber of Commerce and Industry of Paris (CCIP), underscored the need for developing infrastructures, particularly that of export-oriented industry sector, as a pre-condition for increasing investment and said that

CCCI and CCCP would work jointly for the same.

The delegations expressed interest in providing technology and technical assistance to develop telecommunications and help high-speed Internet, and set up water treatment plants like the one at Sayedabad in Dhaka.

French Ambassador in Bangladesh Jacques-Andre Costilhes, speaking at the meeting, said the members of the French delegation as well as he were highly impressed with the Export Processing Zones and the other industrial units in Bangladesh.

Earlier, CCCI President Amir Humayun Mahmud Chowdhury in his welcome speech called upon the French delegation for making investment in Bangladesh, particularly in Chittagong, which with a geographically strategic location emerged as a business hub in this region.

CCCI Senior Vice-president Ershad Ullah, former CCCI President Engineer Ali Ashraf, CSE President Habibullah Khan, Rasul Nizam and Monowara Hakim Ali also spoke at the meeting.



Workers grade vegetables at Brac Vegetable Processing Centre at Chandina in Comilla. The organisation has received EUREPGAP certification recently to export vegetables to European countries.

PHOTO: BRAC

In a statement commemorating India's truly astonishing feat the TRAI said, "This unprecedented growth has been due to the fact that the mobile tariffs in India are the lowest in the world."

Some Indian mobile phone companies are charging call rates as low as two US cents a minute, which has made mobile phone popular among many millions of India's poor population. "Now they can afford a basic mobile handset and a limited pre-paid tariff and are thus able to simply bypass the sluggish, expensive and bureaucratic excesses of the state-run fixed-line operator," commented Martyn Warwick, editorial director of London-based telecomtv.com.