Star Business

Dhaka Monday March 31, 2008

Stocks

DGEN	3,021.68	1.66%
CSCX	5,359.15	1.08%

Currencies

	Buy TK.	Sell TK.
USD	68.15	69.15
EUR	106.14	110.88
GBP	134.22	139.37
JPY	0.68	0.71

SOURCE: STANDARD CHARTERED

Commodities

Gold	Oil
$934.25 (per ounce)	$105.62 (per barrel)

SOURCE: AFP

(As of Friday)

More News

Nasreen Awal Mintoo, chief of Women Entrepreneurs Association of Bangladesh, says women entrepreneurs need easy access to bank loans.

B-4

BASIS demands extension of tax holiday

Software and information services industry people yesterday demanded an extension of tax holiday until 2015 to help develop the software and IT enabled services industry in the country.

Bangladesh Association of Software and Information Services (BASIS) placed the demand at a press briefing in Dhaka.

B-3

International

Tougher times ahead For Chinese investors

The good times may be over on China's once soaring equity markets, but college student and stock punter Jason Zhao has a piece of advice for the nation's jittery investors: don't panic and sell.

Markets brace for slump in Japanese business confidence

A key survey of corporate Japan is expected to show that business confidence has plunged to a four-year low on worries about high oil prices, a stronger yen and a weak US economy, analysts predict.

B-4

Bangla Biz Lexicon

FBCCI - Federation of Bangladesh Chambers of Commerce and Industry, the apex representative organisation safeguarding the interest of the private sector in trade and industry in Bangladesh. Its current president is Annisul Huq.

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Chevron, BP among 76 in race for 28 gas blocks

Petrobangla hopes to sign contracts by October

Star Business Report

Over two dozen global energy giants including US-headquartered Chevron, China's CNPC International, UK's British Petroleum and India's ONGC Videsh Ltd, made a beeline for the first-ever international road show organised by Petrobangla, the state-owned oil, gas and mineral exploration company, in Dhaka, that plans to offer 28 blocks for offshore exploration rights.

Each of the 28 blocks eight shallow water and 20 deep sea blocks has an exploration area cover of between 3,000 square kilometres (sqkm) and 7,000 sqkm. Estimates of reserves in these 28 blocks, to be thrown open for bidding, were not immediately known.

Replying to questions by prospective bidders, Major Md. Muqtadir Ali, director, Production Sharing Contract of Petrobangla, said, "Petrobangla officials are scheduled to sit today with executives of prospective bidders individually to know their current status for participating in the bidding process."

This bidding is the first of its kind with an exclusive focus on the Bay of Bengal. "India has been heavily exploring the Bay in the recent years and has discovered 100 trillion cubic feet (tcf) gas and two billion barrels of oil in place," according to some media reports of India earlier. Even Myanmar last year discovered 7 tcf gas in an offshore area, which may be overlapping Bangladesh maritime boundary.

According to Muqtadir, Petrobangla had so far sold 17 promotional and 32 information packages to International Oil Companies (IOC) for their participation in the offshore bidding process. In the road show held on Sunday for the "Bangladesh Offshore Bidding Round 2008", 113 representatives from IOCs met Petrobangla officials at the city's Pan Pacific Sonargaon Hotel.

In all, 76 local and global companies participated at the road show and evinced interest in the bidding process to explore energy in the offshore areas. Companies have to submit bids for the current round by May 7. Petrobangla had in February 2008 announced the details of the current round of bidding.

"I hope Petrobangla is able to wrap up the agreement with prospective bidders by the first week of October this year. The evaluation of applications is scheduled to be completed by May," said Jalal Ahmed, chairman, Petrobangla.

Addressing prospective investors' concerns about gas exploration in offshore blocks bordering Myanmar, he said, "I hope there would not be any problem...as border areas have already been earmarked." The Ministry of Foreign Affairs will deal the matter, he added.

Muqtadir Ali further said foreign companies would be able to participate through the joint venture route as per the arbitration rules of Bangladesh in energy exploration. "But they must have a local office in Bangladesh," he said.

According to Petrobangla, some major characteristics of the biddings are - full repatriation of profit, no signature bonus or royalty, and no duty for equipment and machinery imported for petroleum operations during exploration, production and development phases.

Other features are: the contractor will give a carried stake of 10 percent to the government only for shallow offshore blocks, it will enjoy the provision for assignment, 100 percent cost recovery, maximum 55 percent cost recovery per calendar year and oblige to a mandatory seismic programme and one well for each block exclusive of biddable work programme.

The contract will enjoy a discount on gas sale, discovery and production bonuses and annual contract service fee and the contractor will be allowed local marketing of gas only if the government refuses to buy it first.

At the inaugural session of the road show, Special Assistant to Chief Adviser in the Ministry of Power, Energy and Mineral Resources M Tamim said the government was updating the National Energy Policy (NEP) with a view to providing energy for sustainable economic growth and meeting the energy needs of different areas and socio-economic groups of the country.

"Over the last decade, gas consumption has been increasing at an average rate of 8 percent per annum. Major consumers of gas are the power plants and the fertiliser factories," he said.

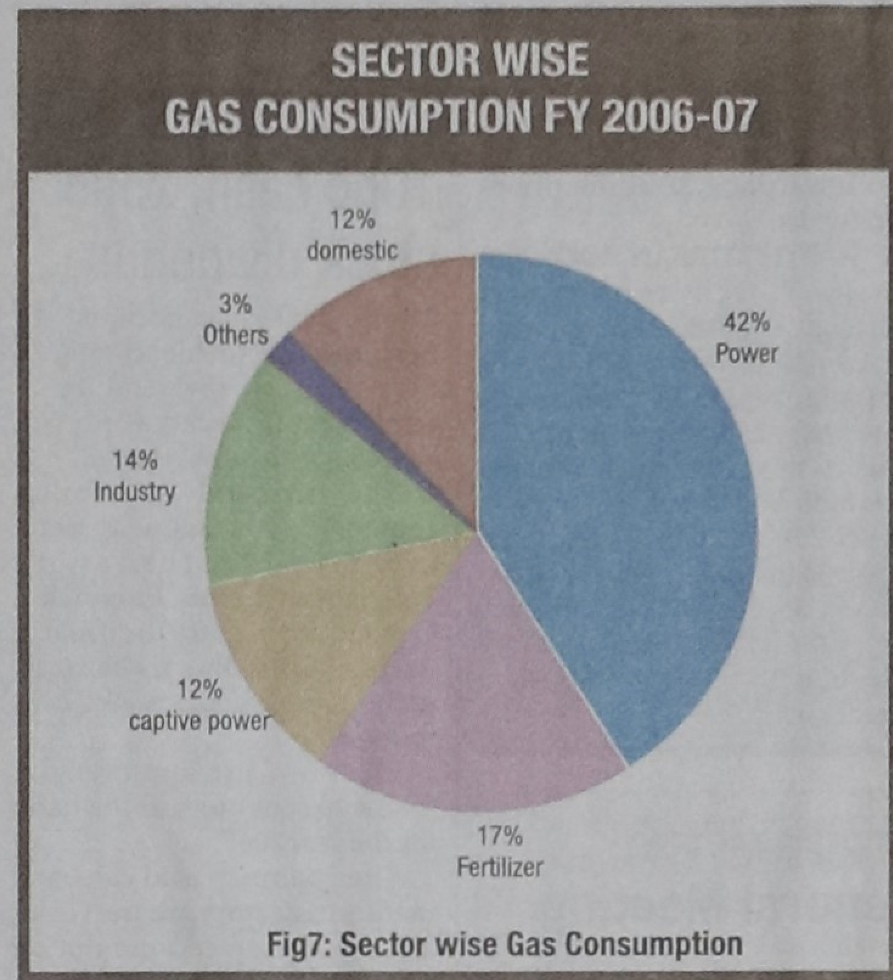

Fig7: Sector wise Gas Consumption

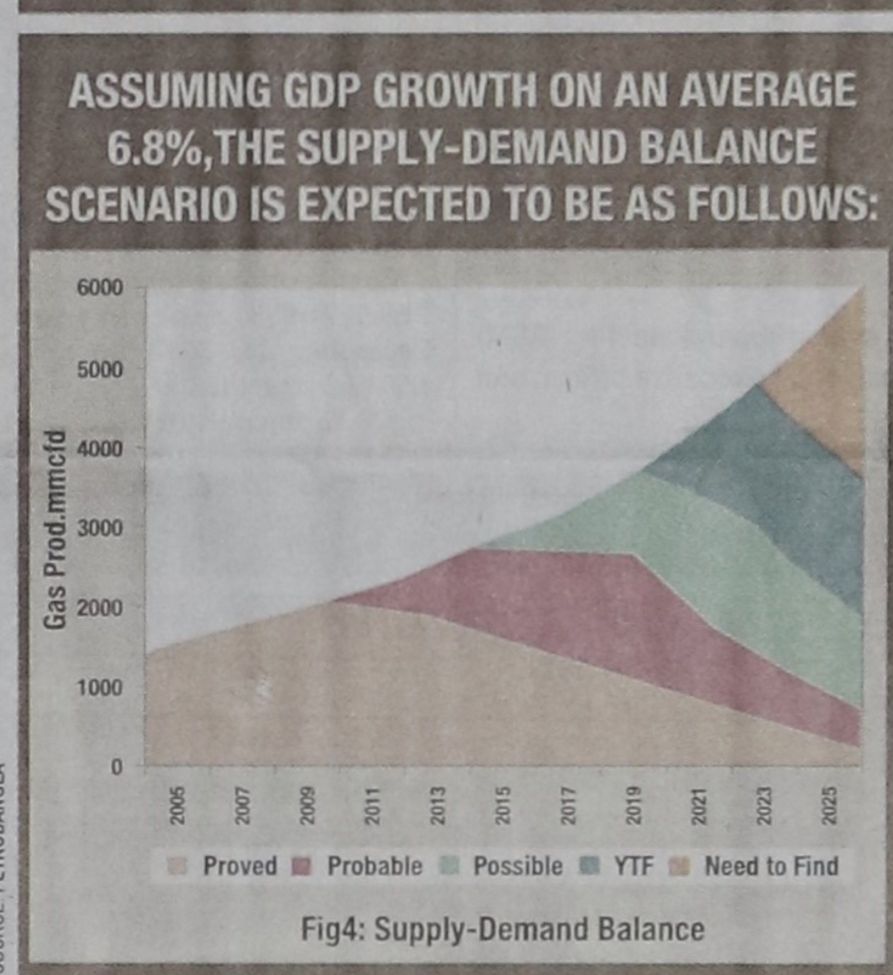

Fig4: Supply-Demand Balance

SOURCE: PETROBANGLA

Koreans, Japanese train local talents to be competitive

Jasim Uddin Khan

Considering the cost effectiveness of Bangladesh technicians, some major foreign investors, especially the Japanese, Koreans and Taiwanese who plan to expand their business here, are now increasingly hiring local workers and equipping them with advanced training and technical know-how.

They do not prefer to bring foreign technicians here as wages of the Chinese, Korean and other countries have recently increased manifold.

Bepza (Bangladesh Export Processing Zones Authority) sources say during the last couple of months Japanese textile giant Toray Group hired 60 workers from outside the EPZs to their Malaysian textile unit to impart them advanced training.

The number of workers hired by Paolo Footwear, a Korean shoe maker, from its Karnaphuli EPZ for this purpose is 40. Besides, Trimax, a Taiwanese company who is planning to invest in Bangladesh furniture sector, is now continuing its talks with the government to hire at least around 100 workers from outside the EPZs for an advanced training in Taiwan.

"We got people at a cost less than one fifth of that in Malaysia. So the calculation is very easy. Cheap labour will definitely help reduce our management and production cost. These trained people will see the highly technical sides of our factory and some of them will also oversee the management operation," said Wang, executive director, Toray Group, Malaysia.

He pointed to the fact that previously Japanese experts were hired, but now their expertise is very expensive.

Different foreign entrepreneurs who already invested at EPZs have imparted 700 workers training abroad.

Bepza Chairman Brigadier General Ashraf Abdullah Yussuf also admitted the cost effectiveness of Bangladesh expertise.

"Many potential investors are keen to impart advanced training to workers and employ them in their units in EPZs in future," said AZM Azizur Rahman, general manager (Investment Promotion) at Bepza.

"As Malaysian labour is expensive, some companies from that country will be relocating their factories in a low-cost country like Bangladesh," he added.

The official pointed out that such investment plan reflects Bangladesh's competitiveness in the textile industry, driven mainly by cheap labour.

"The country's EPZs are increasingly becoming attractive locations in Asia for multinationals that want to invest in manufacturing sector, notably in the apparel and textiles," he maintained.

He said the process helps investors as well as Bangladesh in terms of technology transfer.

Japanese textile titan, Toray Group, will pour around US$ 200 million into Bangladesh's textile sector, seeing the country's cheap labour and a potential huge apparel market.

Initially, the Tokyo-based corporation, known as the world's largest textile producer, already invested $90 million last year at the newly-developed Adamjee Export Processing Zone, according to Bepza sources.

As part of its investment plan, Toray will also relocate its Malaysia-based subsidiary, Pan Fabric Toray, in Bangladesh, the sources added.

Vietnamese wood exporters face high material costs

Ann/viet Nam News

Wood exporters in the southern province of Dong Nai have met with many difficulties, as input costs are rising and output has been affected by the ailing US dollar.

High material costs, sky-rocketing bank interest rates and the falling US dollar have strongly affected local wood producers and exporters, said Le Quy Hong, chairman of the provincial Forest Products Processing Association.

The Dong Nai Export Processing Joint Stock Company (Depco) is one among hundreds of wood exporters in the province which have been affected by inflation.

Recently, all of the company's production lines were working as usual, but the management board must now find a way to fight against the recent price hikes.

"Since the middle of the fourth quarter last year, wood exports have faced challenges due to high input costs," said Nguyen Minh Tam, deputy director of Depco. He also said that in 2008, as petrol prices continued to increase, other costs would go up.

Depco's key product is furniture for export to the European market. Last year, the company earned US$2 million from exports. This number, however, may not be reached this year.

To produce an export product, the company needs many other materials, such as paint and packing. Unfortunately, the price of these materials has increased as well.

Last year, 1kg of plastic packing cost VND23,000 ($1.42). Now, the price has risen to VND30,000 ($1.86). Prices for paint and wrapping paper have also increased by 30 and 50 per cent, respectively.

Transportation and labour costs are up by between 10 and 40 per cent. After the increase of all the income costs, Depco has had to increase the price of their products by 20 per cent.

But high prices are not the only thing challenging wood exporters. The falling US dollar has marked another hurdle, as it has reduced their profits by 3 per cent. "We could have profits at this moment; however, we cannot stop producing," Tam said.

The company has asked their customers to change their prices, but not all of them have agreed with this.

Confronting this challenge, the company has pointed out some short-term measures, such as cutting down unnecessary costs and saving on materials.

Washing powder boom bursts laundry soap bubble

Kallol Group, Square plan to raise production

Sohel Parvez

Several of the country's leading consumer products groups are making new investments in washing powder production as consumers shift from traditional laundry soaps in search of convenience.

Washing powder, led by branded products, now accounts for around half of the Tk 1,000 crore fabric wash market and sales are growing at about 20 percent a year.

Of the manufacturers, Keya Cosmetics is planning to increase its production capacity while Kallol Group of Companies, which now promotes Jet brand detergent powder, has hit the market with another brand Kohinoor. Kallol is also planning huge expansion, according to its Assistant General Manager (Marketing) Shahid Ali.

Square Toiletries is also raising its production capacity to cope with the demand.

"We are planning to set up more plants to meet the growing demand. We are now talking with suppliers," said Abdul Khaleque Phatan, managing director of Keya Cosmetics , which produces Keya brand washing powder.

"It's a growing market. People are shifting toward washing powder due to its convenient use compared with laundry soap," said Malik Mohammed Sayeed, head of marketing of Square Toiletries, which promotes Chaka brand washing powder.

Industry people said the market for washing powder is growing about 20 percent a year, while the demand for laundry and ball soap remains almost stagnant due mainly to a decline in demand for non-branded soaps produced by small scale and regional operators.

The use of washing powder started rising from late nineties after Unilever Bangladesh entered the market with its 'Wheel' brand washing powder. Local brand Jet was the lone player in the washing power segment prior to Unilever's entry.

Unilever is now the leader in the market controlling half of the total washing powder market, the size of which was nearly Tk 450 crore in 2007, up from about Tk 360 a year ago.

Square's Chaka, Keya Cosmetics' Keya and Kohinoor's Tibet are the smaller players in the segment, according to operators.

"We assure consumers of maintaining quality and their confidence in us is increasing," a senior official of Unilever (Bangladesh) Ltd said.

Of the total market, branded fabric wash items including laundry soap and ball soap now control about three-fourth with the share of small scale producers and regional operators on the downturn.

The Unilever official said the market is gradually shifting towards dual usage of soap and washing powder. "In future we expect a substantial portion of the market to shift towards the sole usage of washing powder," the official added.

Shariful Alam, president of Bangladesh Saban Prastutkarak Samiity admitted that the soap market is being affected by washing powder.

"But its use still remains in the urban areas," he said.

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AMRAN HOSSAIN

SK ENAMUL HAQ

Several of the country's leading consumer products groups are making new investments in washing powder (top) production as consumers shift from traditional laundry soaps (bottom) in search of convenience.