

## Stocks

DGEN ▼ 1.44% 2,761.05

CSCX ▼ 1.09% 5,517.53

## Asian Markets

MUMBAI ▲ 0.48%  
14,355.75

TOKYO ▲ 0.07%  
13,376.81

SINGAPORE ▲ 0.14%  
2,929.65

SHANGHAI ▼ 2.15%  
2,775.72

## Currencies

Buy TK. Sell TK.

USD 68.05 69.05

EUR 104.52 109.11

GBP 133.10 138.40

JPY 0.63 0.66

SOURCE: STANDARD CHARTERED

## Commodities

Gold ▼ \$911.34 (per ounce)

Oil ▲ \$126.22 (per barrel)

SOURCE: AFP

(Midday London Trade)

## More News

### Tk 450cr textile machinery imports in July

Textile machinery worth Tk 450 crores was released from customs in the month of July after a reduction in duties on the import of capital machinery and spare parts and the introduction of 1 percent procedural fee.

### UK keen to invest in telecom sector

British High Commissioner Stephen Evans said his country's businessmen are eager to invest in Bangladesh's telecommunications sector, which has a huge potential to grow. The British envoy disclosed this during a meeting with Special Assistant to Chief Adviser on Post and Telecommunications Ministry

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## International

### French family budget blues amid holiday exodus



French families, in the midst of the annual holiday ritual, are the gloomiest for 21 years about what their wages will buy, living standards and jobs, official data showed on Tuesday. The great exodus from the cities to the beaches, mountains and countryside is a high point in French family life and family budgets.

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# Cement plants face closure on production costs, declining demand

## Industry insiders see the state critical

SAJJADUR RAHMAN

More and more cement factories, especially small ones, are facing closure due to price hike of raw materials and low demand for the construction material.

Out of the 123 cement companies that had been registered with the Board of Investment, only 73 came into operation. Of these 73, at least 23 cement-manufacturing plants were shut down in last one year.

According to Bangladesh Cement Manufacturers Association (BCMA), most of the factories in Mongla, Khulna, Jessore and North Bengal areas have been shut down because of their financial inability to compete with big market players in the face of rising production cost.

Bangla cement, Taiheiou, Esco, Karim, Khulna, Noor Cement, Apan and Doel have already shutdown their manufacturing plants. Even Megna cement, produced by Bashundhara -- one of the largest business conglomerates in the country -- also reduced its production capacity recently, BCMA sources said.

Bangladesh's cement industry totally depends on imported raw materials, of which clinker is the main one. About 5-6 million tonnes of clinker is imported annually

from Thailand, Indonesia, Malaysia and the Philippines. Clinker is also imported in small quantity from India by railway.

"The price of raw materials, especially clinker (major component for cement manufacturing), has gone up by about 30 percent in one year," Azizur Rahman Selim, secretary of BCMA, said.

According to industry sources, clinker price has increased to \$73 a tonne from \$55-63 a tonne a year ago.

Price of other raw materials for cement like gypsum, fly-ash and slag have not only increased but also become unavailable because of extra demand for these items in countries such as China and India where the raw materials are produced, market players said. Gypsum is now selling at \$42-43 per tonne as opposed to \$32-35 in 2007, while fly ash and slag are being sold at \$18-20 and \$32-35 a tonne respectively.

To make things worse, cement consumption in Bangladesh has gone down significantly in 2007. Total cement consumption in 2006 stood at 8.4 million tonnes, which came down to 8 million tonnes in 2007 due to less demand from the construction sector.

"Considering the economic growth, the consumption was

## Cement industry in Bangladesh: At a glance

- Total production capacity: 21 million tonnes
- Total consumption: 8 million tonnes (2007)
- Total factories registered: 123
- Factories started operation: 70
- Currently only 30-35 plants are in operation
- Retail price of top premium brands (MNCs): Tk 355-370 per bag
- Local companies' top brands: Tk 350-360 per bag, while normal brands Tk 330-340 per bag



supposed to be nine million tonnes in 2007," Shankar Kumar Roy, general manager, Holcim (Bangladesh) Ltd, said.

Exorbitant steel price, slowdown of public sector construction works and unwillingness to disclose the source of income contributed to the downward trend in construction industry in Bangladesh, he added.

According to the market players, Bangladesh's cement industry is over-saturated with an annual capacity of 21 million tonnes against the demand for around only 8 million tonnes.

"The country's cement industry is now in a critical state. Factories have surplus production capacity against a fall in consumption demand and are unable to pass on the

additional cost on to the consumers," the Holcim general manager said.

The factories in operation are also unable to utilise their full capacity, the BCMA secretary said.

The industry sources also blamed lack of adequate power supply for making the industry more vulnerable. Rise in transportation costs following price hike of fuel, loading restriction imposed on vehicles crossing over the Jamuna Bridge and priority movement of vehicles carrying food grain are also causing problems for the industry.

"Considering the facts, an inescapable reality is that the cement industry is burdened with a 30-35 percent extra cost in a span of only one year, while the industry was able to

enhance price by only 5 percent during the period," Roy said.

The retail prices of each bag of cement of major brands Holcim, Scan, Cemex and Lafarge are Tk 370, Tk 368, Tk 360 and Tk 355 respectively. Other major brands, such as Shah, Crown, Seven Ring, Fresh and Premier are selling at Tk 355, Tk 356, Tk 354, Tk 350 and Tk 360 per bag respectively.

Market players believe international prices of clinker and other raw materials will not go down soon as the demand in China and India for these raw materials are rising rapidly.

"The government should reduce duty on the import of clinker and waive VAT to help the industry grow," Roy said.

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# Tata's quit discouraging for Bangladesh

## Economists, businessmen say

STAR BUSINESS REPORT

Tata Group's announcement of abandoning its \$3 billion investment plan from Bangladesh is discouraging news for the country, economists and businessmen said, blaming the government for failing to take a concrete decision.

They said the government should have taken a decision many months ago on whether to accept or reject Tata's investment proposal.

Tata Group yesterday scrapped its investment plan in Bangladesh, as the industrial conglomerate sees 'no prospect' of taking the project further.

"It is clear, however, that the government will not be in a position, in the foreseeable future, to grant the projects the natural gas commitment they would require," the Tata said in a statement circulated here yesterday. "Consequently there is no prospect of taking these projects further," it added.

The industrial conglomerate first proposed a few large projects -- steel, power and fertiliser -- in 2004 and continued intensive negotiations with the government until 2006.

Anisul Huq, president of Federation of Bangladesh Chamber of Commerce and Industry (FBCCI), said, "The general people are not clear on the economic implications of the withdrawal of Tata's investment proposal. This is because the proposal was influenced by politics of our country to a

great extent."

"But for sure," he continued, "This indication whether to accept the proposal or not and thereby withdrawal of a big foreign direct investment proposal will surely not give a positive signal to the industries."

"However, it is very difficult to predict what the economic loss for this withdrawal by Tata will be," he said.

The FBCCI chief also said the government should have taken a concrete decision earlier regarding the Tata investment proposal.

Executive Director Mustafizur Rahman of Centre for Policy Dialogue said it is discouraging news for the country. "Tata's investment plan abandonment reinforces the need for a strategic energy and gas position for the country," he said.

Mamun Rashid, a leading banker and economic analyst, said: "This was being discussed for last several months, as the previous government as well as the interim government could not decide on their investment interests. Besides, most of the Tata project, if not all have critical dependency on timely supply of gas at competitive price, where our domestic position is quite uncertain."

Board of Investment (BoI) Executive Chairman Kamal Uddin Ahmed does not see Tata's withdrawal as being discouraging saying, "If anyone leaves the country many other investors will come to invest in the future," he said.

# Developers review previous deals

## Allege customers

KAWSAR KHAN

Customers have alleged that developers are now raising the prices of apartments reviewing the previous agreements with their clients, despite the government's new law has a provision to bring the violators of such deals to book.

Developers claimed around 46 per cent rise in the prices of construction materials in the last two years have forced them to go for a hike in the flat prices to a level beyond the amount agreed between a customer and a real estate company.

"Most of the real estate companies are now reviewing their agreements with clients, particularly for those construction works which were scheduled to be completed between 2006 and 2007 in the backdrop of unprecedented price hike of construction materials," said Tanvirul Haque Probal, president of Real Estate and Housing Association of Bangladesh (REHAB).

According to sources, during the period the prices of MS rod increased by 90 per cent and brick by 70 per cent. Usually, MS rod accounts for 30 per cent of the total cost of an apartment.

The sector people said they are to raise Tk 300-Tk 500 per square feet.

"When we had signed agreements with buyers the rate was from Tk 1,300 to Tk 2,000 per square feet, which is now from Tk 3,000-Tk 3,500, so even if we charge additional Tk 300-Tk

500, it will not be any financial loss for the buyers," claimed SR Chowdhury, senior manager (Administration and Recovery) of Multiplan Limited, a real estate company.

"It is not unlawful to increase the cost, as our agreement papers with buyers have clauses that enable us to review cost in case of unusual price hike of construction materials," he further said.

Customers said the real estate companies are increasing the rate as high as Tk 1,500 per square feet.

"It is logical for the real estate companies to increase selling cost who conducted their construction last year and early this year, but the apartment costs are being increased which were constructed in 2006 when construction material prices were comparatively low," said a customer whose apartment cost was increased by Tk 500 per square feet.

M Mohsin Mia, who oversees customer services at the REHAB, admitted that some developers are taking advantage of the situation and increasing selling prices of the apartments that were constructed before the prices of construction materials soared.

He, however, said during the last two years expenditure on per square feet of any apartment increased by Tk 600, while the market price of per square feet of apartment increased by Tk 1,000. [kawsar@thedailystar.net](mailto:kawsar@thedailystar.net)

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