

DHAKA SUNDAY DECEMBER 14, 2008

Asian Markets

MUMBAI ▲ 0.46%
9,690.07

TOKYO ▼ 5.56%
8,235.87

SINGAPORE ▼ 3.00%
1,740.34

SHANGHAI ▼ 3.81%
1,954.22

(Friday closings)

Commodities

Gold ▲
\$814.66
(per ounce)

Oil ▼
\$44.51
(per barrel)

SOURCE: AFP
(As of Friday)

More News

Ericsson ties up with TMIB

Ericsson, one of the leading telecom equipment providers, has tied up with Telekom Malaysia International Bangladesh (TMIB) to provide spare parts management services (SPMS) to AKTEL's network. The recent deal between the two companies will help boost operational efficiencies, revenue and network performance of AKTEL, Ericsson said in a press statement.

Citi best cash management bank in Asia

FinanceAsia, a Hong Kong based financial publishing company, has awarded Citi as Best Cash Management Bank in Asia for 2008. Citi was also awarded Best Cash Management Solution Bank for its global pooling solution for Samsung Electronics.

B-3

International

Dining out going out of fashion



AL poll pledges may run into setbacks

Say business leaders, analysts

STAR BUSINESS REPORT

Business leaders and economic analysts, apparently upbeat over the Awami League (AL) election manifesto, said yesterday the execution of the pledges would face big challenges, if the party was elected to power.

At the same time, they vented frustration over lack of a pledge to refrain from hartial.

"It seems they (AL) have identified well where the shoe pinches," said Mamum Rashid, a leading banker and economic analyst, a day after the AL unveiled its manifesto for the year-end parliamentary polls.

The parliamentary elections come at a time when global economy, weakened by deep recession in the US and Europe, is facing a downturn, leading to a slump in consumer spending and job cuts in the business and industrial units in many countries.

The recession has also led to a decline in the global commodity prices, which analysts say will be a boon for the next government to fight inflation.

In its manifesto, the AL set short-, medium- and long-term goals for up to 2021 prioritising five areas.

The AL said it would take steps to rein in soaring commodity prices, ensure food security and offset the effects of global economic turmoil. The party, which was in power from 1996-2001, also pledged to increase electricity generation up to 7,000 MW by 2013 and attain yearly economic growth of 8 percent by the same time.

The party said it would tackle the fallout of economic recession by forming a taskforce that will monitor national and global situation.

The AL, led by Sheikh Hasina, floated plans to exploit gas and coal resources, construct a deep-sea port, and set a vision to digitalise Bangladesh by 2021.

"Since most of these such as ensuring food security, energy security, accelerating anti-corruption drives, strengthening local government institutions, narrowing regional inequality and putting up a forward looking education system, we have been hearing for long, they need to really walk the talks," said Rashid.



Awami League President Sheikh Hasina greets the audience during the launch of her party's election manifesto in Dhaka on Friday.

Over the last couple of years, food security has been a burning issue as the prices of food items such as rice soared on the global market resulting in a sharp rise in rice price on the domestic front.

The price of edible oil and other essential food items, and oil also rose, sending the inflation level to a double-digit mark in mid-2007.

Inflation however came down to 7.26 percent in October from 10.19

percent in September this year as global commodity market eased.

Power shortage is affecting industrial production and dampening entrepreneurs' mood to start new venture.

"Execution and timely execution remain a key challenge," said Rashid. But he praised AL's thrust on the new generation leaders and focus on technology-driven solutions.

Anwar-Ul-Alam Chowdhury Parvez, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said the slogan of AL charters for change is good.

"But everything depends on implementation," he said, adding that if they can implement all the committed pledges, it will be good for the nation, otherwise not.

Parvez, referring to global economic meltdown, said the new government would face a tough situation.

"But the party's manifesto did not clarify in detail how they will tackle such a situation."

The garment maker said pledges for making the parliament really effective would help ensure political stability. "It's essential for the growth of business."

In his reaction following the manifesto announcement by BNP yesterday, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Annisul Huq said both the parties have given extensive schedule.

"Awami League has focused more structurally on some economic development issues such as growth and power generation with short-, medium- and long-term goals, while BNP has also pointed to many economic development issues but touched more on micro issues and focused more on political reforms," he said.

Huq however said they have not yet gone through the manifestoes of the two parties.

"We can be more specific after we go through the manifestoes placed by these two parties," he said but added that both the contenders missed a point to address the hartial issue.

"For economic development you need a congenial political atmosphere for which the biggest burden is hartial. It should be addressed because it can kill about 1.5 percent of GDP," he said.

"We call upon both the political parties to revise their manifestoes before the elections," the FBCCI president said.

Sheraton eyes 10pc profit rise



AMRAN HOSSAIN

Night-time view of Dhaka Sheraton Hotel. Sheraton expects a 10 percent rise year-on-year in operating profit.

SAYEDA AKTER

Dhaka Sheraton Hotel expects a 10 percent rise in operating profit this year from a year ago.

"We will post one of the biggest profits in the hotel's history by the year-end, 10 percent up," Trevor MacDonald, the hotel's general manager, told the Daily Star.

Dhaka Sheraton's operating profit reached \$4.16 million last year despite intense competition from its new rivals.

MacDonald attributed such a rise in profit to

Bangladesh's current political stability that attracted investments and tourists.

He, however, linked among other things the hotel's occupancy rate and annual expenditure to the achievement of the high profit expectation by its owning company Bangladesh Services Limited (BSL).

Dhaka Sheraton has gained 27.5 per cent of the total market share held by five-star hotels in the capital and achieved an average occupancy rate of 74 percent, the hotel's top official pointed out.

"We have to compete with new hotels opened in recent years, yet Sheraton is one of the oldest

and finest hotels in terms of its accommodation and services," he said.

"We are providing high quality products in comparison with Radisson and Westin, including wide accommodations and huge conference facilities," MacDonald added.

In 2007, Sheraton earned the second highest revenue of \$11.27 million in the hospitality sector, which is a 6 per cent rise over the last year.

However, MacDonald said Sheraton could gain much profit if goes for renovation, including reconstruction of rooms, bathrooms, kitchen, lobby and bar.

"It's urgent to renovate the hotel to attract more corporate business, now being captured by Westin and Radisson," he said, pointing to the fact that Sheraton has already been losing corporate business for the last two years.

Meanwhile, Starwood, the management company of Dhaka Sheraton signed a contract last month with the BSL to extend its tenure of service up to March 31.

Starwood's 25-year agreement with BSL to manage and operate the hotel will expire on December 31.

Earlier, Starwood conditioned any renewal of agreement with the hotel's immediate renovation and its shutdown for a period of one year.

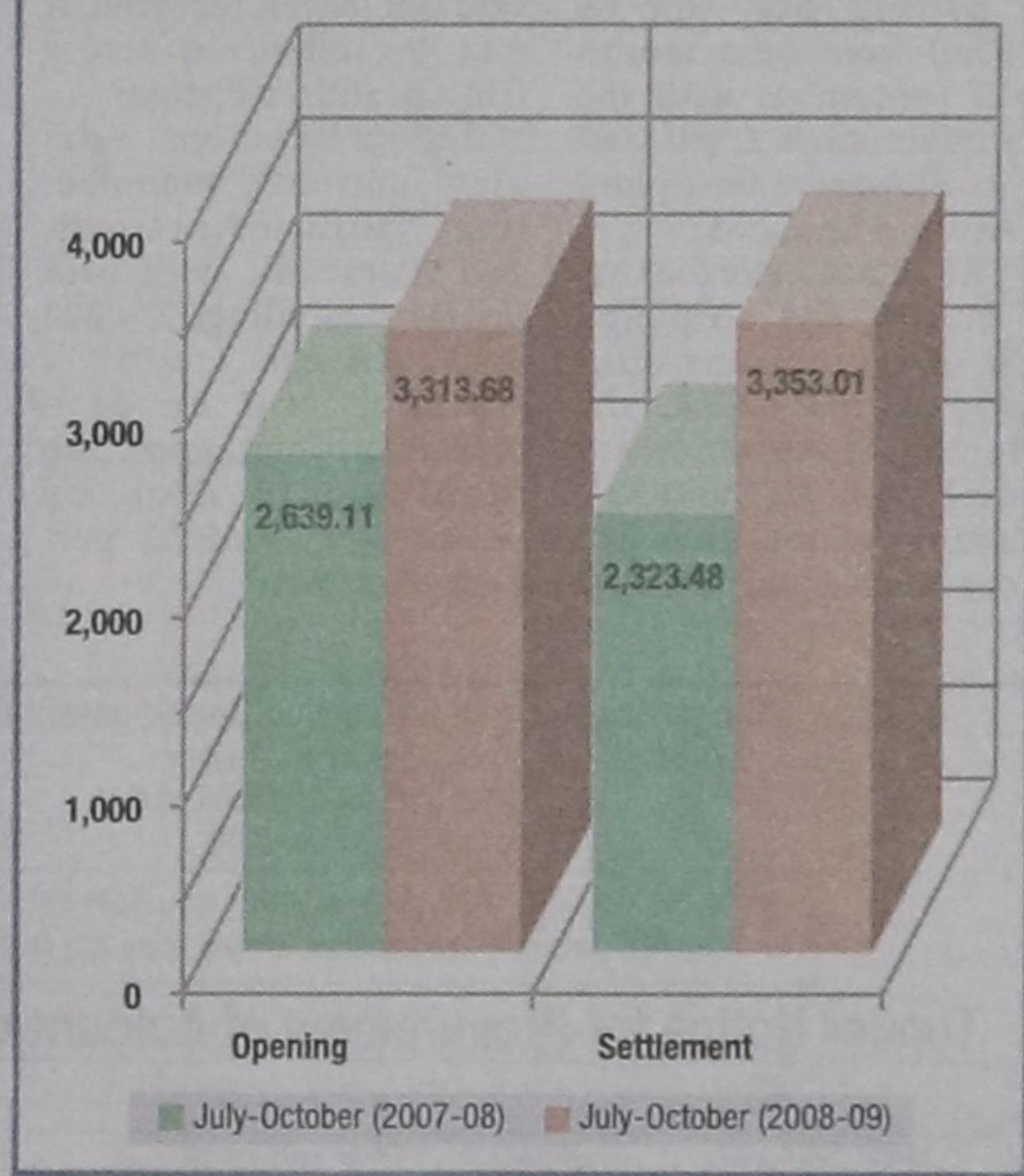
The BSL is hesitant to entertain the private management company's conditions on the plea that more than 600 employees of Dhaka Sheraton would lose their jobs on its closure of operation for one year.

Dhaka Sheraton, the first international five-star hotel in Bangladesh that started its operation in 1984, has now 272 rooms and five categories of suites.

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Industrial raw material imports rise 30pc

LCs FOR INDUSTRIAL RAW MATERIALS



SAJJADUR RAHMAN

Import of industrial raw materials is increasing at an amazing 30 percent rate this fiscal year, Bangladesh Bank (BB) data show.

Letters of Credit (LC) opened for import of industrial raw materials stood at \$3,313.68 million during the first four months till October of the current fiscal year from \$2,639.11 million in the same period of the previous fiscal 2007-08.

LC worth \$565.19 million was opened only in October, according to BB data. But LC worth \$878.14 million was settled in the month.

"A significant increase in industrial term loan has been pushing the import of industrial raw materials up this fiscal year," a senior BB official told The Daily Star.

Industrial term loan disbursement stood at Tk 4,951 crore during the July-September of FY 2008-09 from Tk 3,784 crore during the corresponding period of the last fiscal year. The growth rate is about 30 percent for the first three-month period of the current fiscal year.

"More spending on industrial raw materials import means the country is getting industrialised," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

Chowdhury said the country, which witnessed a stagnant situation for about last two years, is recouping now.

According to bankers, major three areas garments, textile and pharmaceuticals -- are consuming most of the imported industrial raw materials.

"This trend reflects rising confidence among entrepreneurs in the country's future industrial prospects," the Pubali Bank chief executive said.

But the state-owned Agrani Bank's managing director differed with the growth of import of industrial raw materials saying it has happened mainly because of the price hike of materials in international markets.

"I don't know whether the volume of import has increased or not. What I can say, Agrani Bank did not finance any new industry this year," Syed Abu Naser Bukhtear Ahmed said.

According to BB data, import of capital machinery -- industrial equipment used for production -- rose by 15.5 percent to \$423.74 million during the first quarter of FY 2008-09 compared to that of the last fiscal year.

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Pharma industry awaits boom

Says Novartis Bangladesh MD

DIETER BACHMANN

Swiss pharmaceutical company Novartis that has operations in Bangladesh sees growth opportunities ahead for the country with low-cost production.

Worldwide pressure on medicine prices stemming from the current economic slowdown could result in Bangladesh's increased exports, said Ashfaque ur Rahman, managing director of Novartis Bangladesh Ltd.

It may not be a big surprise when the 2008 award for the biggest pharmaceutical exporter of the country goes to Novartis, because it has done so for 2002-03 and 2003-04. With exports worth around \$15 million in 2008, the company accounts for approximately 40 percent of Bangladesh's pharmaceutical exports.

Yet, "this picture is gradually changing", said Rahman. "Within the next few years, more local players could catch up and come quite close which will emphasise the development of the industry," he said.

The global trend to affordable medicines is an opportunity for a country like Bangladesh with low base production cost."

Pharmaceutical sector experts expect the economic slowdown to force more patients to buy generic versions of drugs, which cost less than the original medicine. At the same time governments facing a slump in revenues are likely to put pressure on suppliers to cut health spending.



Ashfaque ur Rahman, managing director of Novartis Bangladesh Ltd

Nevertheless, they say it is still a long way to go until pharmaceuticals represent a substantial share of the country's exports. Totaling \$35 million (2007), this is in absolute terms roughly equal to the export value of readymade garment some 25 years ago.

While Novartis' focus for export is mainly the European markets, Rahman expects the Bangladeshi pharmaceutical players are gradually strengthening themselves for competition in the regulated market.

For his company Rahman estimates the annual growth of exports under the Sandoz brand around 10 percent for the next two years.

However, as far as the local market is concerned, Novartis is aiming to achieve approximately 20 percent growth, which is about twice as fast as the whole market is growing. In order to get there, Novartis is scaling up its marketing

activities.

"Today our market penetration is strategically focused, but we are gradually expanding our operations to create greater access to our brands for the larger population of the country," the Novartis Bangladesh MD said.

Something that prevent the business from growing faster, are the distribution channels in the country. "I would say that management of inventories, handling of customers, financial management of retail pharmacies and product storage could be a focus of improvement," he said.

Another problem is counterfeit medicine. It poses a health risk to patients and hurts the business of the pharmaceutical companies. The prevention of the production and sales of such harmful drugs should also be taken seriously by the law enforcing agencies and the regulatory body, Rahman said.

At the moment the Novartis plant in Tongi, built in 1989, is using around 80 percent of its production capacity.

Novartis is also planning to buy new machinery and make the production process more efficient. The pharmaceutical company will invest \$5-6 million to develop the Tongi site in three years.

Asked whether there is enough skilled staff in Bangladesh, Rahman said: "There are a lot of very qualified people in the country, the question is rather what opportunities can we provide to retain them here?"

Novartis Bangladesh, founded in 1973 (as Ciba-Geigy), currently employs 620 persons and has an annual turnover of \$50 million.

Contact Us

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

B-4