

International Business News

India hikes interest rates

PALLAB BHATTACHARYA, New Delhi

Concerned over inflation nearing a double-digit mark, the Reserve Bank of India (RBI) yesterday increased short-term interest rates for the second time in a month.

The central bank raised the repo -- the rate at which it lends to commercial banks -- by 25 basis points to 5.25 percent and the reverse repo -- the rate it pays to banks for deposits -- by the same amount to 3.75 percent.

These increases were announced by RBI Governor Dhuuvuri Subbarao in the central bank's annual Monetary and Credit Policy for financial year 2010-11 in Mumbai.

RBI said lower policy-rates can impair inflationary expectations.

The hike in repo and reverse rates was expected and came a day after the central bank in its macroeconomic survey cautioned against the risk of hardening inflation expectations on account of supply side, international commodity prices, especially of crude oil and industrial inputs, which have been rising in recent months.

Goldman Sachs posts hefty profit

AFP, New York

Investment giant Goldman Sachs on Tuesday posted surging first quarter profits of 3.46 billion dollars, doubling its profit of one year ago, even as it faces US government probe into its role in the US financial meltdown.

Net earnings were up a whopping 91 percent against the same three months a year ago, blowing Wall Street expectations out of the water.

"Our performance in the first quarter reflects more signs of growth across the economy and the strength of our client franchise," said Goldman chief executive Lloyd Blankfein.

The earnings announcement comes as a special US Senate panel prepared next week to unveil the results of yearlong inquiries into the roles played by Goldman Sachs and credit ratings agencies such as Moody's Investors Service in the subprime mortgage meltdown.

Greece borrows 1.95b euros

AFP, Athens

Greece on Tuesday raised 1.95 billion euros (2.6 billion dollars) in a well oversubscribed treasury bill issue but at more than double the cost of its last comparable issue, the Greek debt agency said.

"The total bids reached 6.92 billion euros and the amount finally accepted was 1.95 billion," the Greek debt management agency said in a statement.

The agency had originally sought to raise 1.5 billion euros.

It added that buyers were offered a uniform yield of 3.65 percent compared to 1.67 percent in the last three-month bill issue in January.

INTERVIEW

Brakes on manufacturing

Purbani Group chief points to chronic energy crisis

REFAYET ULLAH MIRDHA

The gas and power situation has changed for the worse. The company had to cancel a substantial number of apparel orders from a top international brand as the factory's production capacity declined by more than 30 percent due to inadequate gas pressure. It is a story about Purbani Group.

The brand shifted orders to China from Bangladesh as Chinese manufacturers could ensure a timely delivery of high-end products, says Purbani Group Managing Director Abdul Hai Sarker in an interview at his factory in Kaliakoir, Gazipur.

However, top international apparel brands think Bangladesh is still a lucrative destination to place orders for the country's cheap and fine apparel items, Sarker says.

"In my group, the garments division has lost 30 percent of productivity and the fabrics division lost 60 percent over the last six months," he adds.

Sarker pointed to the gas and power crisis in industrial zones such as Savar, Ashulia, Kaliakoir and Gazipur.

He said like many other owners, he has been running the factory only for survival with hopes of good supplies of gas and power in future.

Woes aggravated when workers' efficiency lowered due to frequent power cuts and lower gas pressure, as they have to work unscheduled hours to carry out the orders in time.

Walking through different units of the factory, he says the quality of fabrics deteriorates when the machines stop halfway because of low gas pressure, leaving fabrics in piles.

Blotches appear on damp fabrics and it becomes difficult to separate colours in the dyeing process. The result is, all production goes to waste.

According to Sarker, when anything deviates from the normal process in industrial production, everything goes haywire and the cost of business ramps up.

He says he will have to pay the workers double when they work at off-hours, due to the shortage of energy during peak hours, even during poor business days.

"Profitability reached the lowest margin now, as I have to spend huge sums on new generators, bank interest, higher fuel costs and overtime payment to workers."

He said the generators do not run due to inadequate gas pressure and as a result, production at both the fabrics and garment divisions remains suspended for hours.

The company has to bear high bank interest rates regardless of whether production continues or not, Sarker says, adding that investors lose confidence and feel discouraged due to such unwanted energy crisis and labour unrest.

The gas pressure hits its lowest from 8am to 2pm, the main working hours for the day, Sarker says. Pressure starts



Abdul Hai Sarker

improving from 6pm and the factory receives full pressure in the dead of night, but it is difficult to run production then, he adds.

The factory requires 10-PSI (pound force per square inch) gas pressure for spinning, dyeing and the finishing units to run at full capacity, he says. At present, Titas Gas Transmission and Distribution Company Ltd can supply near about 4 to 5 PSI, which is not enough to run production.

According to him, air shipment is the final solution for garment exports, as international buyers demand on-time delivery of goods. Otherwise, they cancel orders or place fines, he says.

Recently, the cargo village of Shahjalal International Airport has witnessed a rise in air shipments for apparel items because of delayed production in the factories for inadequate gas and power supplies, Sarker says.

Air shipment charges about \$4 a kilogram, where trans-

port costs via seaway for same quantity accounts for less than a dollar, he says.

Sarker says if businessmen ship goods by air, profitability reaches zero -- but it is needed to survive in the business.

Bangladesh's apparels sector has a chance at expansion by setting up new factories or BMRE (balancing, modernisation, renovation and expansion), but the government should first ensure continuous and an adequate supply of gas and power, he said.

Purbani generates 2.7 megawatts (MW) of electricity from two generators, but at most times, the generators also do not run due to insufficient gas pressure.

"Generally, our annual turnover is at Tk500 crore. This year, I am worried whether this turnover will be achieved or not, as I have to spend a lot of money to keep my business afloat," Sarker says.

reefat@thedailystar.net



HSBC Export Excellence Awards 2009

Awards Ceremony

21 April 2010

We are proud of our exporters who carry the "Made in Bangladesh" mark across the world and also demonstrate commendable business excellence. Tonight, we will honour five of them for their excellence in 2009.

The award categories are:

- ▶ Exporter of the year **RMG and Textile - Group A**
- ▶ Exporter of the year **RMG and Textile - Group B**
- ▶ Exporter of the year **Enterprises in Export Processing Zones**
- ▶ Exporter of the year **Traditional and Emerging Sectors**
- ▶ Exporter of the year **Small and Medium Enterprises**

HSBC  The world's local bank