Star Business

DHAKA THURSDAY JULY 15, 2010

Stocks

DGEN	▼	1.19% 6,304.86
CSCX	▼	0.74% 11,970.12

IDLC Index

IDLC 50	▼	1.44% 6,670.66

Subject to Conditions contained in www.idlc.com

Asian Markets

MUMBAI	▼	0.27% 17,938.16
TOKYO	▲	2.71% 9,795.24
SINGAPORE	▲	0.82% 2,952.81
SHANGHAI	▲	0.82% 2,470.44

Currencies

	Buy Tk	Sell Tk
USD	68.78	69.78
EUR	86.07	90.15
GBP	103.28	107.60
JPY	0.75	0.81

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼	$1,212.53 (per ounce)
Oil	▼	$77.00 (per barrel)

SOURCE: AFP (Midday Trade)

Garment exports to India high on duty-free quota

STAR BUSINESS REPORT

Exporters have nearly used up the duty-free quota to export up to eight million pieces of garment to India.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) mentioned this in a letter to Mani Shankar Aiyar and sought support from the former Indian minister in lifting the quota restriction.

"Only 19,000 pieces remain to be allocated for the year 2010," said BGMEA President Abdus Salam Murshedy in the letter. Aiyar left Dhaka yesterday after a four-day visit.

The quota for 2010 has almost been used up in the first six months of the year, Murshedy said. "I demanded the quota-free facility for garment products from the Indian government, as exports to that country are growing rapidly."

Bangladesh signed an agreement with India in September 2007 to export eight million pieces duty-free garment items a year, to narrow the trade gap between the two countries under the South Asia Free Trade Agreement (Safta).

Murshedy said the garments sector that employs about 35 lakh workers and a lifeline to Bangladesh's economy took the duty-free RMG export opportunity as "the beginning of vast possibilities".

Despite the scope, garments exporters had failed to fulfill the whole quota in the past due to a number of barriers, such as 18 percent excise duty imposed by India.

"But the situation has improved," said Murshedy. "It is very encouraging to note that by the first half of the current year, we have almost utilised the entire quota limit."

"We will appreciate now if you take initiatives to lift the quota limit."

Responding to the BGMEA plea, Aiyar said, "I shall take the matter up with authorities in New Delhi."

Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association, speaks at a meeting with the editors of different newspapers at Dhaka Sheraton Hotel yesterday. (Story on B3)

STAR

13 RMG units sold out

REFAYET ULLAH MIRDHA

Garment factory owners have sold out at least 13 units in the 15 months to March, mainly because of labour unrest and energy crunch.

Many other businessmen are in talks with foreign entrepreneurs for sell-outs.

The major garment factories sold out over the time include SQ Crystal Celsius, Shanta Garment, Ajax Sweater and Shahriyar Fabrics.

Frequent labour unrest, a shortfall in output following the acute gas and power crisis and sagging profit have forced them into such sell-outs, the owners pointed out.

"It's labour unrest that prompted me to sell out my stakes in two sweater factories to my British partner," said Ghulam Faruque, chairman and managing director of SQ Group, a local apparels giant that has eight units.

Faruque, however, declined to disclose the amount for which his stakes were sold out.

The group boss also pointed to the prevailing payment system at sweater factories, which he described as complicated.

The system is, the more pieces they make, the higher is their income, which puts them ahead of the fellow workers at other factories in terms of earnings.

The anomalies in such piece rates have led to labour unrest in many sweater factories, said Faruque.

"I've already stopped expansion plan in sweater division."

Another point has been made by Zinat Ali Mia, former owner of Hollywood Garment Ltd.

"Managing workers is a difficult job in a labour- intensive garment factory."

Tipu Munshi, the owner of Mastered Garment Ltd, said he sold out his stake because he was counting losses.

"I could hardly make any profit from Mastered's operation," said Munshi, also a lawmaker and former president of Bangladesh Garment Manufacturers and Exporters Association.

Shahriyar Fabric Industries Ltd is the latest factory that joined hands in transferring ownership. Canadian T-shirt giant Gildan Activewear Inc took the acquisition of this Ashulia-based 100 percent export-oriented garment factory for $15 million in March.

"The gas and power crisis, coupled with some personal problems, forced me to sell the factory where 3,000 workers were employed," said Shahriyar Hossain, the owner of Shahriyar Fabric.

When his attention was drawn to such sell-out of RMG units, Abdus Salam Murshedy, the garment sector trade body's incumbent chief, admitted to the situation. "The investor confidence is everything for running business."

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SOLD-OUT FACTORIES
SQ Crystal Celsius
SQ Loop
Shanta Garment
Ajax Sweater
Hollywood Garment
Sterling Garment
Rose Knitting
Rose Fashion
Fortuna Garment
Trust Sweater
Union Sportswear
Mastered Garment
Shahriyar Fabrics

Twelve ISPs to take cables underground

Summit Communications plans Dhaka network in 6-8 months

STAR BUSINESS REPORT

Summit Communications Ltd (SCL) yesterday signed agreements with 12 internet service providers (ISPs) to provide them with access to its underground fibre optics network in Dhaka city.

The move will ensure unlimited capacity in bandwidth and security of connectivity, and help entangled Dhaka city get rid of a huge mess of overhead utility wires.

The 12 ISPs are Agni Systems Ltd, Grameen Cybernet Ltd, Link3 Technologies Ltd, Optimax Communications Ltd, CITech CyberNet Ltd, Aamra Network Ltd, Prisma Digital Network Ltd, Access Telecom (BD) Ltd, Information Services Network Ltd, Always On Network Bangladesh Ltd, ConnectBD Ltd and Dhakacom Ltd.

SCL, a nationwide telecommunication transmission network (NTTN) service provider, initially plans to establish an underground optical fibre network of 100 kilometres in the Dhaka metropolitan within the next 6-8 months, said Md Arif Al Islam, managing director of the company.

He said plush areas like Gulshan, Banani and Uttara will be covered within four months.

"This will increase uptime, and ultimately ensure uninterrupted internet service for corporate and personal users," said Salahuddin Chowdhury, chief operating officer for Access Telecom.

Communication is an emerging industry and will help the poor come to the light of knowledge, said Summit Group Chairman Muhammed Aziz Khan.

SCL started journey in December 2009 after getting a licence for Tk 3 crore from Bangladesh Telecommunication Regulatory Commission (BTRC) to operate NTTN service.

SCL is a subsidiary of Summit Group, which contributes to power and port sectors.

SCL will provide NTTN coverage to all the upazila headquarters in 10 years.

Earlier the telecom regulator decided to take overhead cables underground to free Dhaka from a tangle of cables from sight.

Under the move, all overhead wires that are used to provide internet and cable television services will be transferred to an underground transmission system.

In Dhaka, more than 10 lakh internet users are connected through overhead cables. Additionally, around 3.5 lakh television viewers are also connected with overhead cable to the television networks.

Fiber@Home is another market player of the NTTN service, which has already set up an underground fibre optic cable network. It has already developed 1,200 kilometres of countrywide networks that cover 23 districts and 90 upazilas.

Earlier four ISPs signed similar agreements with Fiber@Home.

Engine oil market grows on high demand

SAJJADUR RAHMAN

The market for engine oils, known as lubricants, is growing rapidly, driven by an increasing number of motor vehicles in Bangladesh.

Of the Tk 1,000 crore lubricant retail market in 2009, the automobile industry consumed 77 percent, while the manufacturing sector consumed the rest, market data shows.

A study by Mobil Jamuna Ltd, a leader in engine oil blending and sales in Bangladesh, has projected lubricant consumption at 62,600 tonnes for 2010. Such consumption was over 60,000 tonnes in 2009 and 58,300 tonnes in 2007.

The study shows the engine oil market, which grows at 3 to 3.5 percent a year, has more potential to grow as thousands of new motor vehicles are plying the roads every year. World demand for lubricants is forecasted to advance 2.3 percent a year to 41.7 million tonnes in 2010.

However, a disruption in manufacturing and industrial activity because of the energy crunch has reduced the potential for further growth of the product.

"Engine oil consumption could easily grow by 5 to 6 percent annually, if there was a constant supply of gas and electricity," Sanaul Haque, chief executive officer of Mobil Jamuna, told The Daily Star yesterday.

Mobil Jamuna, a joint venture of state-owned Jamuna Oil Company and Mobil Asia Pacific, set up its own blending plant in 2003 to blend and market quality lubricants for the growing Bangladeshi market. The company imports all ingredients, including base oil and additives to make lubricants.

Mobil Jamuna is also the first Bangladeshi company that is exporting lubricants. It exports to countries like Nepal and Bhutan. The company has exported lube oil worth more than $ 450,000 to Nepal in 2009. The export target for this year has been set at a million dollars.

Engine oil, also known as motor oil, is a liquid product used to lubricate various types of internal combustion engines, such as automobile and industrial engines. It is also used in marine, agricultural, train and aeroplane engines. The key function of the oil is to lubricate and clean the moving parts of machines or engines. It also prevents corrosion and rust and keeps the engines cool by carrying away the heat from the sliding parts.

The lubricant business in Bangladesh in the private sector is less than a decade-old. Until 2000, only the state-owned oil companies were allowed to import, blend and distribute lubricants here. At that time, majority lube oils (65 percent) contained no additives.

The government liberalised the market and banned non-additised lubricants in 2001, to ensure minimum standards. Since then, more than 50 brands of lubricants, including renowned multinationals, have entered the market. But half a dozen brands account for nearly 50 percent of the total business.

Mobil Jamuna's brand, Mobil, is by far the market leader with a 26 percent stake worth Tk 350 crore, followed by BP with 11 percent, Total 6 percent, Shell 2 percent and Castrol 2 percent. The rest 53 percent is dominated by low quality, low cost brands.

According to Azam J Chowdhury, chairman of Mobil Jamuna Limited, low-quality engine oil has become a concern, as it destroys an engine. "The industry needs government intervention to ensure the quality of engine oils."

A litre of low-quality lubricant costs only Tk 120 to Tk 130, whereas the price of a litre of oil by Bangladesh Petroleum Corporation is over Tk 150 and a minimum of Tk 240 by Mobil.

"A section of unscrupulous businessmen import used lubricants from Dubai by mis-declarations and recycle those for sale at a lower price," Mobil Jamuna's CEO said.

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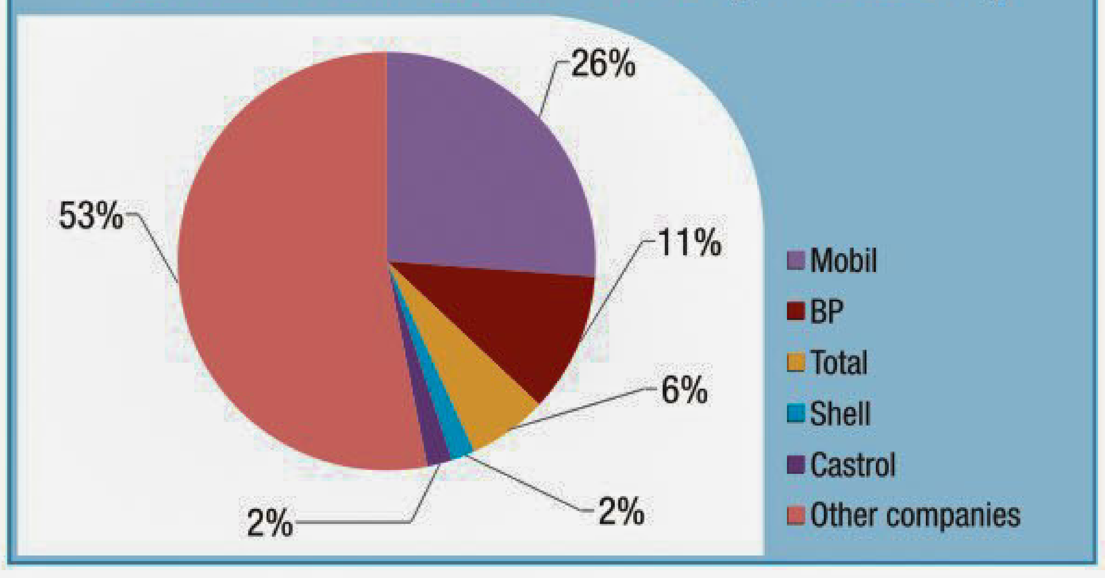
MARKET SHARES OF DIFFERENT BRANDS OF LUBRICANTS IN BANGLADESH (IN PERCENT)



Economic integration with India's NE states stressed

STAR BUSINESS REPORT

Businesspeople yesterday called for urgent steps to recoup the lost opportunities by re-establishing economic integrity between Bangladesh and eight northeastern states of India.

"The overarching aim of such cooperation is to restore the sub-region to its position of economic eminence it enjoyed until a few decades ago," said India and Bangladesh business delegations in a joint statement.

The declaration came after a four-day visit of an Indian business delegation led by Mani Shankar Aiyar, a former union minister of India for the development of the north-east region, to sensitise Bangladesh businesses to invest in and trade with the north-eastern Indian states.

At a press conference at Dhaka Sheraton Hotel, Aiyar read out the declaration. Ayiar and Abdul Matlub Ahmad, president of India-Bangladesh Chamber of Commerce and Industry signed the declaration.

Indian and Bangladesh delegations expressed their commitment to the development of trade, investment, infrastructure and general economic cooperation between the two countries, particularly within the sub-region of South Asia.

The sub-region comprises Bangladesh and eight states of India's norheastern part, which remains disconnected with the mainland of India, the biggest economy of South Asia.

"The lost opportunities of the past have to be recovered urgently with a view to re-establishing the economic integrity of this sub-region," stressed the former Indian minister.

Until the 1965 war between India and Pakistan, the sub-region was connected to each other and the January 2010 visit of Sheikh Hasina laid out a scope for reintegration of the region.

The next meeting between the business delegations of the two countries will be held in Agartala of Indian state Tripura after six months, as said yesterday's joint business declaration.

"It's (agreement) the most important achievement that we'll work together. It's a significant milestone to help each other and build economic ties," said Ritesh Bawri, secretary of the Indian delegation, comprising more than 30 business persons from various sectors including cement, shipbuilding, tourism and cosmetics.

On the problems Bangladesh entrepreneurs face in India such as visa issuance and custom clearance, Bawri said, "We'll carry these to the authority. Hopefully, we can make a difference."

He said a number companies from India are interested to form trade and investment ties with businesses of Bangladesh in areas of cosmetics, cement, tower construction and tourism.

Bawri said a couple of agreements were singed during the visit of the delegation.

"We've signed an agreement to source 7 million cement bags from Bangladesh," said Bawri, also owner of Calcom Cement.

The other deal was inked between Nitol Niloy and India's Amrit Feed to market poultry feed in Bangladesh.

Shell, PetroChina seal Arrow takeover

AFP, *Sydney*

Resource majors Shell and PetroChina succeeded in their joint takeover of Australia's Arrow Energy Wednesday after the coal-seam gas deal was approved by shareholders and Chinese regulators.