

Heavy Industry



DHAKA, SUNDAY, OCTOBER 9, 2011, E-MAIL: business@thedailystar.net

Pragoti makes a mark in car assembling



AMRAN HOSSAIN

Pragoti has newly launched the Mitsubishi Pajero Sport CR-45. It plans to manufacture cars for the masses in the future.

In the last three fiscal years, Pragoti has sold a total of 2,248 vehicles to the government, local government and autonomous bodies, bagging a net profit of Tk 276.15 crore

ABDULLAH MAMUN

PRAGOTI Industries Ltd is a well-known name in Bangladesh. From assembling various kinds of vehicles like cars, buses and trucks, it recently moved to make headlines with a new project.

The company has embarked upon assembling a sports utility vehicle (SUV) -- the Mitsubishi Pajero Sport.

The state-owned Pragoti, an enterprise of Bangladesh Steel and Engineering Corporation (BSEC) under the industries ministry, is trying to restore its lost fame with the new product.

The Mitsubishi Pajero brand -- V-31 SUV -- is well-recognised at even upazila level offices as the government purchases the model from Pragoti, said company officials.

According to a recent government order, all government products will have to be purchased from state-owned companies. Now the government or autonomous bodies are issuing orders to purchase cars from Pragoti.

With the last government in power, most vehicles were purchased from a specific car importing company. As a result, Pragoti's pro-

duction was low. Now Pragoti is trying to increase its production.

In the last three fiscal years, Pragoti has sold a total of 2,248 vehicles to the government, local government and autonomous bodies, bagging a net profit of Tk 276.15 crore.

The sports vehicle

Pragoti has introduced a new non-sedan sports car in the local market as a successor to the Pajero V-31. The SUV is the Mitsubishi Pajero sport CR-45 model.

Pragoti will produce 300 vehicles a year according to a five-year agreement with Mitsubishi Motors Corporation of Japan. This year, it will however assemble 200 vehicles, said officials.

Officials said they have already sold 15 of the new model vehicle to different government organisations. The car is being marketed under the Mitsubishi brand name.

The five-door four-wheel 2500 CC engine SUV will run on diesel. It has built-in air conditioning and air bags that will protect passengers from injury in the case of an accident.

The price of the SUV stands at Tk 69 lakh, while its production cost is more than Tk 64

lakh. Buyers will be entitled to 1 percent discount if they make cash payment in advance.

The vehicle is available for sale at Pragoti's showroom in Tejgaon industrial area for government agencies and at the Rangs Motors showroom for other buyers.

Although Pragoti has already started marketing the vehicle, the prime minister is expected to formally introduce it.

Industries Minister Dilip Barua said Pragoti has reached another level of manufacturing by marketing the SUV. The company will also introduce assembled sedans for middle income groups before the next national budget, he adds.

Mohammed Ali Chowdhury, managing director of Pragoti, said all the parts of the SUV come from Japan, the body comes from Thailand and Pragoti assembles the whole car.

The Japanese are very cautious about the quality of their products, as the car will be marketed under their brand name, said Chowdhury.

Currently Pragoti is also assembling one of Mitsubishi's old models -- the non-sedan Pajero V-31 -- which will be out of market from next year, as Mitsubishi has decided to discontinue its production.

Dreams of a sedan

Pragoti officials plan to assemble a sedan for the middle class consumers. The company has already started work on its plans; it is conducting a feasibility study on it.

"But it is not an easy task at all," said Chowdhury. "We will need a separate factory for that."

Rough estimates show that there is demand for 20,000 to 30,000 cars in Bangladesh a year that is mostly met by reconditioned cars. The plant to manufacture sedans would cost more than Tk 200 crore if it produces at least 5,000 cars a year, Chowdhury added.

The duty structure should be reviewed, he says, so that parts can be imported easily.

The government is trying to groom Pragoti as a manufacturer. For this, the government is trying to create backward linkage industries in the country, said Barua in a recent event at the Pragoti office in Tejgaon.

The minister said if spare parts could be produced in the country, then the vehicles manufactured locally would be competitively priced.

Pragoti and debt

In 2004-05, Pragoti supplied a large number of buses to state-owned Bangladesh Road Transport Corporation (BRTC) worth Tk 65 crore. But BRTC was unable to payback, said BSEC Chairman Mohammad Abu Hafiz.

Currently, BRTC owes Pragoti a total of Tk 118 crore, Hafiz said. The BSEC is now preparing to take legal action against BRTC.

Pragoti supplied the buses to BRTC after taking loans from banks. As a result, the company has to bear loan interest now.

Pragoti Tower

The company is also working to set up a 14-storey building in Tejgaon at a cost of Tk 150 crore.

The building will house a two-storey car service centre. Each floor will boast 37,000 square feet. The upper floors would be 26,000 square feet each.

The other floors would house showrooms and offices, said the company's managing director.

Challenges

The main challenge for Pragoti is to retain skilled personnel. A number of officials, especially engineers, leave frequently. To avoid this situation, the salary structure should be reviewed, said officials.

The collective bargaining agent is also an obstacle for the company, said a high official of Pragoti.

Pragoti in the stockmarket

The company would obtain a listing soon, said Chowdhury. He said the decision has been taken already and preparations are at final stages.

Thirty percent of its shares will be offloaded in the stockmarket, added Chowdhury.

abdullah.mamun@thedailystar.net

Proper govt guidance is key to sustainable growth

BSEC chairman tells The Daily Star

ABDULLAH MAMUN

BANGLADESH Steel and Engineering Corporation (BSEC) has a strong stance on business policies. Its first and foremost attention is towards quality.

"We never compromise on product quality," said Chairman Mohammad Abu Hafiz. "That is a reason why we don't use scrap metal."

However, to uphold quality and sustain business, government policy support is needed.

Hafiz is running nine establishments under the industries ministry, including vehicle assembling and marketing, ship maintenance, power generator manufacturing, cable industry, tube industry and blade manufacturing.

Hafiz, a retired additional secretary, has been working with BSEC under a contract from 2009. He sat with The Daily Star to share his views on the prospects and problems of the public industries.

He said a consistency in government policy can help the national industries sustain.

BSEC has earned profits worth Tk 73.77 crore in fiscal 2010-11 when its total sales amounted to Tk 1,119.54 crore.

Before the independence of Bangladesh, BSEC ran a total of 62 companies but now it is running only nine.

Hafiz said after the death of Bangabandhu Sheikh Mujibur Rahman in 1975, the then government changed the industry policies and turned many of the public companies into private ones.

The current government is encouraging the public sector to develop. It has issued an order to the government or semi-government offices to purchase products from public companies. He said the companies are trying to revive business in full force at present.

Emphasising Pragoti, a state-owned vehicle assembling company, Hafiz said the company got back momentum with directives from the prime minister. The company paid taxes worth Tk 492.37 crore to the exchequer last fiscal year.

He said the companies of the corporation are trying to do business with their own funds or bank loans. The government does not help them



Mohammad Abu Hafiz

with direct funding.

He is quite happy with the performance of Chittagong Dry Dock Ltd, which is responsible for servicing ocean going vessels.

"We are now planning to establish a full fledged ship-building plant. The industries ministry already has given its consent," said Hafiz.

He said a consulting firm has already been appointed to design the plant.

The new ship building company

would need an investment of at least Tk 200 crore, he said.

The company will produce 20,000 dead weight tonnage capacity ships, he added.

BSEC's National Tubes is a steel pipe manufacturer company of international standards that is enjoying a monopoly in the country. Petrobangla is the largest purchaser of this company, but as the oil company witnessed a budget cut last year National Tubes performed slower than previ-

ous years, he said.

But the company will do far better this year, he said.

Eastern Tube Ltd, the bulb manufacturing company under the corporation, is going to introduce compact fluorescent lamps very soon, Hafiz said.

When the BSEC steel mills were shut down, steel prices in Bangladesh began to rise gradually, said Hafiz. BSEC was shut down when the last political government was in power.

The other companies of the corporation are Atlas Bangladesh, a motorcycle importer, Eastern Cables Ltd, Gazi Wares Ltd, General Electric Manufacturing Ltd, generator producer, and Bangladesh Blade Factory Ltd, said Hafiz.

On operating challenges, he said, "We can't sack any of our employees even if he is unproductive or unskilled. This is an obstacle to moving forward."

The companies cannot invest in marketing activities unlike the private or multinational companies, he added.

abdullah.mamun@thedailystar.net

The current government is encouraging the public sector to develop. It has issued an order to the government or semi-government offices to purchase products from public companies. The public entities are trying to revive business in full force