

# Lower interest rates to expedite business

## PHP Group chairman irked by default culture

UDAY SANKAR DAS, from Chittagong

**B**ANKS must reduce the abnormally high loan interest rates to facilitate genuine businesses, said the chairman of a conglomerate in Chittagong.

In an interview with The Daily Star, Sufi Mohammed Mizanur Rahman, chairman of PHP Group, said he was vexed by the culture of default for which the genuine entrepreneurs must pay a heavy price.

The banks and business community must also share the blame for this situation, while businesses are unable to carry out day-to-day activities and contribute to the economy for the high rate of interest, he added.

"Had the banks been more effective in monitoring the loans, the amount owed to them could significantly be reduced and entrepreneurs could get loans at a rate of five percent instead of 16 percent-17 percent."

Describing his own experience, Rahman said it is crucial that businessmen build a rapport with the banks and earn their confidence.

Recalling the early days of his career, Rahman said he joined National Bank of Pakistan (now Sonali Bank) in 1965 after passing his HSC examinations and later moved to Eastern Mercantile Bank (now Pubali Bank) after graduating and obtaining a diploma in banking.

After Bangladesh's liberation, Rahman felt there was a vacuum in entrepreneurship. His father, Sufi Mohammed Daemuddin, encouraged him to get into business and told him: "If you know the art of business, money will run after you."

His banking career helped in his first business venture when he imported tyres from Japan. One could, in the early 1970s, import several items against an 'export bonus scheme' and if the banks allowed, it could finance 100 percent of such schemes.

In 1972, Rahman received financing worth \$4,000 and churned profits three times more.

He then imported vacuum flasks from China and was able to set up an office in Khatunganj with two other staff.



Sufi Mohammed Mizanur Rahman

He later started a wholesale business, alongside his import business, in Maulvibazar, Dhaka, mostly selling edible products bought from Chittagong.

In the early 1980s, when there was a depression in the trading sector, Rahman started a ship-breaking plant.

"I bought a 5,000-tonne capacity ship made in Germany called 'Ocean Ace' in 1982. This project fetched me huge profits and I set up a re-rolling mill to manufacture MS rods later the same year."

Rahman feels that project was the turning point in his career as it raked in a profit of Tk 1.5 crore in 1982.

In 1985, Rahman set up an edible oil refinery; and in 1988, his plant in Madhabdi

near Narayanganj started producing corrugated iron sheets. Soon, he was able to set up another plant in the same area and expand his office in Khatunganj with 25 employees.

His success story continued to become PHP Group with 18 industrial and trading units, including CI sheet mills, cold roll coil mills, rubber plants, float glass manufacturing, fisheries, cotton mills, stocks and securities and properties.

The group chairman said he is now proud to be able to generate employment for about 11,000 people in his group, which had a turnover of nearly Tk 4,000 crore last year.

"We have also ventured into an agro-based business, and to this end, the group has pur-

chased 100 acres of land in Dinajpur producing mainly fruits, like mangoes and lychee."

The group also has a rubber plant in Baishari, Bandarban, which is expected to have a total output of 300 tonnes this year. With acquisition of an additional garden, it would be able to produce 600 tonnes next year.

On expansion plans, the chairman said they started a new project producing advanced grade MS rods, called TMT Bar 500, and purchased a plant that produces 80 tonnes a day.

"We revamped this plant and increased the capacity to 300 tonnes a day."

His latest project is to produce diesel, octane, petroleum and kerosene in a plant

that they set up in Barabkunda in Sitakunda upazilla. The company, PHP Refinery Ltd, would obtain raw materials from the government in the form of residue from its various gas-fields and supply the finished products to the government.

"This plant is expected to go into production in April with an expected total output of 40,000 tonnes a year." The plant would also employ 500 people and fetch annual revenue to the tune of Tk 300 crore.

PHP Group also forayed into exports with rubber, glass and steel to India, Sri Lanka, Pakistan, Myanmar, some African countries, Singapore and occasionally to the Philippines.

Rahman said the group's export last fiscal year exceeded \$65 million.

On corporate social responsibility, Rahman said in 1996, the group founded Alhaj Sufi Daemuddin Hospital at Kanchan, Rupganj, Narayanganj, where he was born.

This non-profit hospital provides low cost medical services to the needy. "We also plan to establish a medical university and a cancer research institute in the area."

In the field of education, PHP Group assisted the University of Information Technology and Sciences to make donations in excess of Tk 300 crore.

Various schemes for employee welfare and cultural activities are also encouraged in the group, said Rahman.

PHP Plantation is one project that the group chairman is proud about. The group owns about 120 acres of land in Barabkunda in the Sitakunda Forest range.

Plantation started in July 2005 and Rahman feels that planting trees can subsequently improve the quality of the environment.

"Private initiatives are required to improve the environment and PHP Group, keeping this in mind, has decided to invest in this plantation project to ensure a safe environment for our future generations."

On his principles, Rahman said he is involved with one of the largest charitable organisations, Rotary International, and both in his private and business life, he strives to follow its motto -- Service Above Self.

# The angels helping Indian start-ups spread their wings

BBC NEWS, Mumbai

**M**ANISH Taneja and Rahul Dash left their well-paid professional jobs in India's financial capital, Mumbai, because they wanted to start a business of their own.

They are among a growing tide of first-generation entrepreneurs in the country.

"Both of us were very interested in the internet space in India. We were looking for opportunities," says Taneja.

That was 13 months ago, and they've since co-founded Purpille.com, a beauty and grooming website.

Taneja adds: "We realised that beauty and grooming was at an inflexion point in India and we knew that it would take off."

Initially they used their own savings, before friends, family and former colleagues also came on board. Based at a tiny office and warehouse in the north of the city, they now employ 25 staff.

However, the pair have ambitious plans to grow their business, and increase orders tenfold over the next two to three years. So Manish and Rahul went to the group Mumbai Angels and pitched their business plan to a room containing 15 potential investors.

"Angel" investors are usually wealthy individuals, who typically invest between \$25,000 (£16,000) and \$1m in the early stages of enterprise.

One of the key elements is that the investor maintains a close relationship with the start-up and acts as a mentor. These "angels" are continuing to grow in number in India.

Advice and contacts Myshaadi.in, a wedding planning website, secured financial backing from Indian Angel Network a year ago. Founder



BBC

Google's Rajan Anandan is also an angel investor. He sees big opportunities for entrepreneurs in India.

Abhishek Jain says the one of the invaluable benefits is the access they have given him to expert advice and a network of contacts.

"In the first year of our venture we realised that money is definitely important, but it's not the only factor," he says.

He adds: "You're out of college, [but] a company needs a lot of different skill sets to build it. You might be able to build a product sitting in a room, but building a company to run that product is a different story altogether."

First-time entrepreneurs often lack business experience, and without much collateral it can be difficult or expensive to get funds from traditional sources such as bank loans.

Avneet Makkar is a co-founder of the two-year old business CarveNiche Technologies, an educational software provider. She says raising money is the biggest problem the company has faced over the past year.

"Securing funding from banks is difficult because of the lack of knowledge of IT [that they have], and if you are able to get it, the interest rates are pretty high."

She adds: "When we go to banks, they do not even understand what an IT product is. They really only want to fund manufacturing units where they can physically see it."

Makkar says there are too few angel investors, and not enough government help.

For every start-up that succeeds in winning investment, there are many more that fail.

Just five years ago, there were only a couple of angel investor groups in India. Now several have been established, with a presence in most of the country's major cities.

Anil Joshi, president of Mumbai Angels, says it is becoming easier for start-ups to raise the capital they need, provided they have a good team and good idea. However, it is essen-

tial an entrepreneur does their homework before making a pitch.

"We look at [the] team, intellectual property, how big is the market, revenue model, and... any investment we make, we would like to see an exit from it," he says.

Risk and appetite The head of Google's India operations, Rajan Anandan, is also an angel. He says he rarely bothers to read a business plan.

"I'd much rather look at a product, so if someone is approaching me I'd say, 'Well let's go to your site, let's look at your app, let's look at your software,'" he says.

It is a sentiment with which Dave McClure, often described as one of Silicon Valley's "super-angels", agrees.

McClure is a former Facebook fbFund and Paypal employee, and a partner of the investment fund 500 Start-ups. He was recently touring Bangalore, Mumbai and Delhi,

with Geeks on a Plane, an initiative that brings together start-ups and investors to explore opportunities in other markets.

He says: "We listen to ideas, but we look at products so what we like to see are functional prototypes that solve problems for customers - something they would be willing to pay for'.

Being an investor is not without risk either. McClure reckons only one in five of the start-ups they invest in will be viable over the long-term.

He adds: "The entrepreneur environment [in India] is changing fast because the customer environment is changing fast.

"There's huge adoption of mobile devices and tablets and I think that over the long-haul that's going to create a very big opportunity to deliver a bunch of products and services in commerce, in education, in small business services."

This also excites Anandan. "We have an internet user market that's just crossed 150 million users, we have a mobile phone market... with 25 million smartphones.

"We'll end this year with more than 50 million smartphones. Video is exploding in India, we're the second biggest market for Facebook."

With India's start-up scene still in its infancy, this growing market can provide fertile ground for entrepreneurship.

Manish Taneja and Rahul Dash of Purpille.com say they are still in discussions with Mumbai Angels - and they believe they are close to securing an agreement which will provide them with the investment and support they want.

"I think it's still early days for start-ups in India, but it's extraordinarily interesting," says Anandan.

## Microsoft, Nokia demand EU action over Google's Android

REUTERS, Brussels

**C**OMPANIES including Microsoft and Nokia have stepped up pressure on EU antitrust regulators to take action against Google, accusing it of blocking competition in mobile telephony.

The complaint comes as Google attempts to resolve a two-year long investigation by the European Commission into its internet search practices and avert a possible fine that could hit \$5 billion, or 10 percent of its 2012 revenue.

More than a dozen companies have voiced their grievances about Google's search practices to the Commission.

The investigation's initial focus was on its desktop search engine, but European Union Competition Commissioner Joaquin Almunia said last year he had received complaints about Google's Android, the world's most popular operating system for smartphones.

Almunia has said he aims to reach a settlement with Google in the latter half of the year. The complainants, however, are frustrated with the pace of his investigation.

In a complaint made public on Tuesday by their lobbying group FairSearch, Google's rivals accused the company of using Android to divert traffic to its search engine.

FairSearch's other members include world No. 3 software maker Oracle, online travel sites Expedia and TripAdvisor, French shopping comparison site Twenga, British price comparison site Foundem and US-based adMarketplace.

"Google is using its Android mobile operating system as a 'Trojan Horse' to deceive partners, monopolise the mobile marketplace, and control consumer data," FairSearch's lawyer Thomas Vinje said in a statement.

"Failure to act will only embolden Google to repeat its desktop abuses of dominance as consumers increasingly turn to a mobile platform dominated by Google's Android operating system," he said.

The Commission declined to comment. Google spokesman Al Verney said the company continued to work cooperatively with the regulator.

Google won a major victory in the United States in January when the Federal Trade Commission ended an investigation without any significant action against the company.