

Star BUSINESS

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Low-cost loans for garment factory upgrades

Japan puts Tk 100cr in place; BB manages the fund and fixes 10pc interest rate

STAR BUSINESS REPORT

Garment manufacturers can now get low-cost funds -- at 10 percent interest rate -- for factory upgrades to ensure a safe working environment, Bangladesh Bank said yesterday.

BGMEA and BKMEA member factories employing between 100 and 2,000 employees will be eligible for the loan, which is to be used for rebuilding or relocation of factories and purchase of equipment to ensure health and safety of workers.

The loan repayment period is 15 years, with a two-year grace period, BB said.

Following the Rana Plaza collapse on April 24, which killed more than 1,100 people and injured thousands of others, Japan International Cooperation Agency (Jica) asked the central bank to divert Tk 100 crore from the Tk 500 crore it gave to BB's SME Refinancing Scheme to create a fund to help upgrade working conditions in garment factories.

"The financing initiative is expected to start soon on a pilot scale," said Atiur Rahman, governor of Bangladesh Bank, which will manage the fund on behalf of the Japanese donor agency.

vidual factory would not exceed Tk 10 crore, he said, adding that the loans would be disbursed through banks, which the central bank would later refinance.

Applications for loans will jointly be assessed by the engineers of Jica and the government's public works department, which will also monitor the utilisation of funds.

"We sincerely want to expand our efforts to improve the working conditions in factories here," said Shiro Sadoshima, ambassador of Japan to Bangladesh, at the unveiling of the fund.

Though Jica did not inject any fresh funds this time, more financial support would be on way if the pilot scheme starts to yield visible results.

"The scope to get new funding is not over -- but we want to see actual work takes place for the purpose first."

Khondaker Showkat Hossain, housing and public works secretary, said required attention was not given to the apparel sector in terms of wages and working conditions. "The Rana Plaza collapse has awakened us."

Takao Toda, chief representative of Jica in Bangladesh, also spoke on the occasion attended by top officials of different financial institutions.

The amount of financing for any individual factory will not exceed Tk 10 crore. The loans will be disbursed through banks to be refinanced by the central bank later

Rana Plaza survivors seek fair compensation

STAR BUSINESS REPORT

A group of survivors of the Rana Plaza collapse yesterday demanded fair disbursement of compensation as many victims are yet to receive any.

Rana Plaza Garment Sramik Union, a workers' platform, placed the demand at a rally in front of the Bangladesh Garment Manufacturers and Exporters Association in Dhaka.

The government and garment owners should publish the names and addresses of the recipients of compensation on the website to ensure transparency, said Mohammad Shahjahan, a survivor of the collapse.

Although BGMEA has disbursed money, many are yet to receive payment while some workers are receiving payment more than once, he said.

The government should finance the welfare of the workers, he said.

The workers also demanded that their identity cards and attendance cards be returned so that they can apply for jobs in other factories.

The government should also complete the DNA tests of the lost workers soon, the workers said. They demanded a minimum wage of Tk 8,000 a month and the freedom to form and participate in trade unions.



A woman sobs as she holds up the picture of her relative who is still missing from the Rana Plaza tragedy. Some survivors of the building collapse demanded payment of arrears and fair compensation, at a rally in front of the Bangladesh Garment Manufacturers and Exporters Association office in Dhaka yesterday.

End disputes before 3G auction

Mobile operators again urge govt

ABDULLAH MAMUN

Mobile operators have taken a strict stance and said they will go for 3G auction only after all tax-related disputes and court cases are resolved.

They also asked for ensuring transparency and predictability in the sector for making any further investment, according to officials of the operators.

The operators have recently sent the message through separate letters to different ministries and the telecom regulator.

It is not possible to make a plan on the 3G investment and predict the outcome of the investment if the tax-related issues and the court cases remain unresolved, they said.

Most of the operators are still in legal battles with Bangladesh Telecommunication Regulatory Commission and the National Board of Revenue. The 3G auction was scheduled for September 2 after facing delays for two times.

Mahmud Hossain, chief regulatory affairs officer of Grameenphone, said

the operators need clarity on the disputed issues before investing in 3G.

"We have requested the regulator to resolve the disputed issues before the auction," he said.

Zakiul Islam, a senior director of Banglalink, said the NBR should ensure the VAT rebate, clarify other issues and resolve the court cases.

He also said the operators want the SIM replacement issues to be resolved in a way that does not put any financial impact on them.

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Banks fare poorly in stockmarket

GAZI TOWHID AHMED

Banking shares are passing a sluggish time due to a fall in the operating profits of listed banks, analysts said.

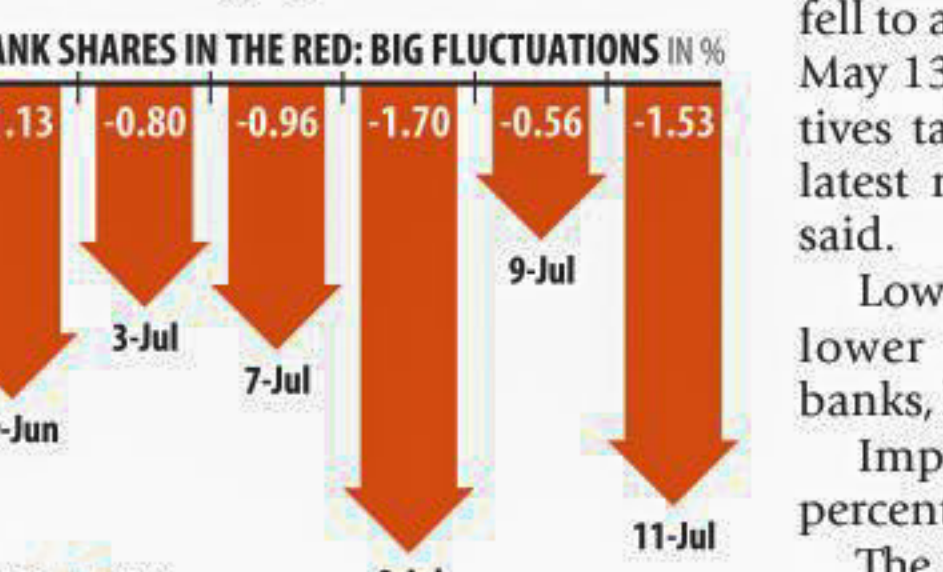
The market gained 26 percent between April 30 and July 7, while the banking sector gained only 4.7 percent, according to Dhaka Stock Exchange.

The banks with good dividend yields and profits always dominate prices in the bank sector.

For example, Dutch-Bangla Bank's share price closed at Tk 98 in August last year. It rose to Tk 123 in February only to come down to Tk 106 on July 9.

But many banks are generating negative returns in terms of price. Of the 30 private banks, 14 marked a decline in operating profit and the rest witnessed a slight rise in the first six months of this year, according to Bangladesh Bank.

The sector's weak performance was caused by poor loan and trade growth, higher provisioning on non-performing loans and a falling interest rate spread, said Mohammed Rahmat Pasha, managing director of BRAC.



EPL, a leading stockbrokerage.

Political uncertainty has also affected many businesses, which might have impacted the loan portfolio of many banks, certainly in terms of collection, Pasha added.

Loans and advances, the core operating asset of banks, have been experiencing a fall since the beginning of 2013, Pasha said.

Despite BB's target of 18.5 percent private sector credit growth by June, it fell to a ten-year low of 11.4 percent on May 13, defying all the positive incentives taken by the central bank in its latest monetary policy statement, he said.

Low import growth has resulted in lower commission income from banks, he added.

Imports in July-April fell by 5.63 percent from the same time last year. The interest rate spread is falling; it dropped below 5 percent in May, he said.

"The fall in profits of listed banks is the main reason behind this sluggish movement," said Yawer Sayeed, managing director of AIMS of Bangladesh, an asset management company.

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Jute exports take a hit from steep fall in India's rupee

SOHEL PARVEZ

Bangladesh has seen a decline in exports of jute and jute goods to India, one of the major markets, as the rupee's slide has pushed the neighbouring nation's import costs up.

"Our orders have dried up over the last several months," said Kaihan Rahman, deputy managing director of Pubali Jute Mills, a leading exporter to India. "Even if they [Indian buyers] wish to place orders, they quote prices which are unacceptable to us."

The rupee fell 15 percent against the dollar in the last one year, according to Gopi Kishon Sureka, chief executive of Fiber 'N Fibre, an exporter of jute products. "This has been very unkind to us."

The development comes at a time when markets in the Middle East have been shrinking amid sanctions against Iran by the Western nations and protracted political turmoil in Syria and Egypt. The Eurozone recession, too, had an impact.

The dollar traded at Rs 59.64 yesterday, which was Rs 54.73 on January 1, meaning the Indian currency lost 9.04 percent in value in 2013 alone.

In contrast, the local taka gained against the dollar, due to increased foreign exchange reserves and lower imports. The taka advanced 2.5 percent to Tk 77.75 against the dollar since January 2013.

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Cement output falls on sluggish demand

GAZI TOWHID AHMED

Cement production declined 20-25 percent in the first six months of the year from the same period last year, due to a slowdown in the construction sector, officials said.

Sluggish real estate and a slow pace in government's development projects also pulled down the demand by 10-15 percent in January-June, said Mohammed Jahangir Alam, chairman of MI Cement Factory that makes the Crown brand.

Political instability is another reason behind the fall in production, Alam said. People are reluctant to carry on their construction work due to the prevailing uncertainties, he added.

The government is not taking new development projects, while industrialisation is facing a drawback due to a gas and electricity crisis, he said.

The price of a bag of cement came down by 10-15 percent or Tk 30-Tk 50 to stand at Tk 400-Tk 420 during the period, compared to the same time last year, Alam said.

Usually, January-May is the peak time for the cement manufacturers but this year, the scenario is the opposite, Alam added.

"We have to run our factories round the clock during the peak season. But this year, we cannot even utilise our production capacity at the expected level."

Another reason behind the slowdown is low bank financing for the realtors, he said.

The recent government move to withdraw the opportunity to invest undisclosed money in the real estate sector will have a negative impact on the cement industry, he said.

Exports also dropped drastically as the dollar appreciated against the currencies of Bangladesh's neighbours, Alam said. The dollar now is worth 60 Indian rupees, falling from 53 rupees, which makes imports costlier for India, he added. The rupee has fallen more than 15 percent against the US dollar since October last year.

Usually, cement manufactures export 5 percent of their production, he said.

The government move to allow transit to India is another reason behind the fall in local cement production, Alam said. India brings cement at lower costs from the "Seven Sister States" of Northeast India through Bangladesh, he said, adding that the cost is lower compared to importing

from Bangladesh.

"So, they stopped importing from Bangladesh."

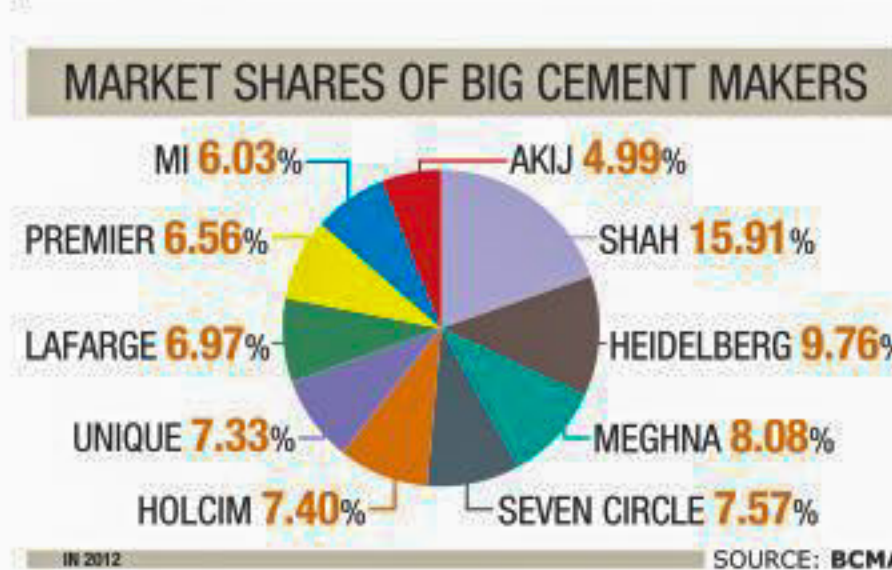
The government should affix duties on transit to India considering the export potential of the local companies, he said.

"If the Indian companies' transit and transport costs are higher than the import cost from Bangladesh, then India will look at Bangladesh to import cement."

Bangladesh exports around 12,000-14,000 tonnes of cement a month, mainly to India.

Production fell due to the rainy season as well, said Abdul Quayum Miah, executive director of Madina Group that produces Tiger brand cement.

The construction sector will get a boost in the last six months of the year as government expenditure on development projects will increase ahead of the national



elections, he said.

Despite political unrest and natural disasters, the cement market has been growing at around 9 percent a year, said Miah, who is also an executive member of Bangladesh Cement Manufacturers Association.

"The per capita cement consumption was 96 kilogram in 2011, which is the lowest in the world, whereas it is 500 kilogram per head in the developed nations."

The demand was 8.13 million against a production capacity of 12 million tonnes in 2005.

But in 2012, the production capacity stood at 22 million tonnes and demand at 15.25 million tonnes, he said.

"By 2015, our production capacity will rise to around 25 million tonnes and the surplus will be 7-8 million tonnes."

"So, what will we do with this surplus cement? The answer is, export," he said, adding that the future of the sector is bright.

"If the present government can start the Padma bridge project, the consumption will increase by up to 15 percent in 2014."

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Submarine Cable Company's profits increase 79pc

ABDULLAH MAMUN

Net profits for the country's lone Submarine Cable Company jumped 78.80 percent in the nine months to March 2013.

Profits jumped to Tk 71.92 crore from July 2012 to March 2013, which was Tk 40.23 crore in the same time last year.

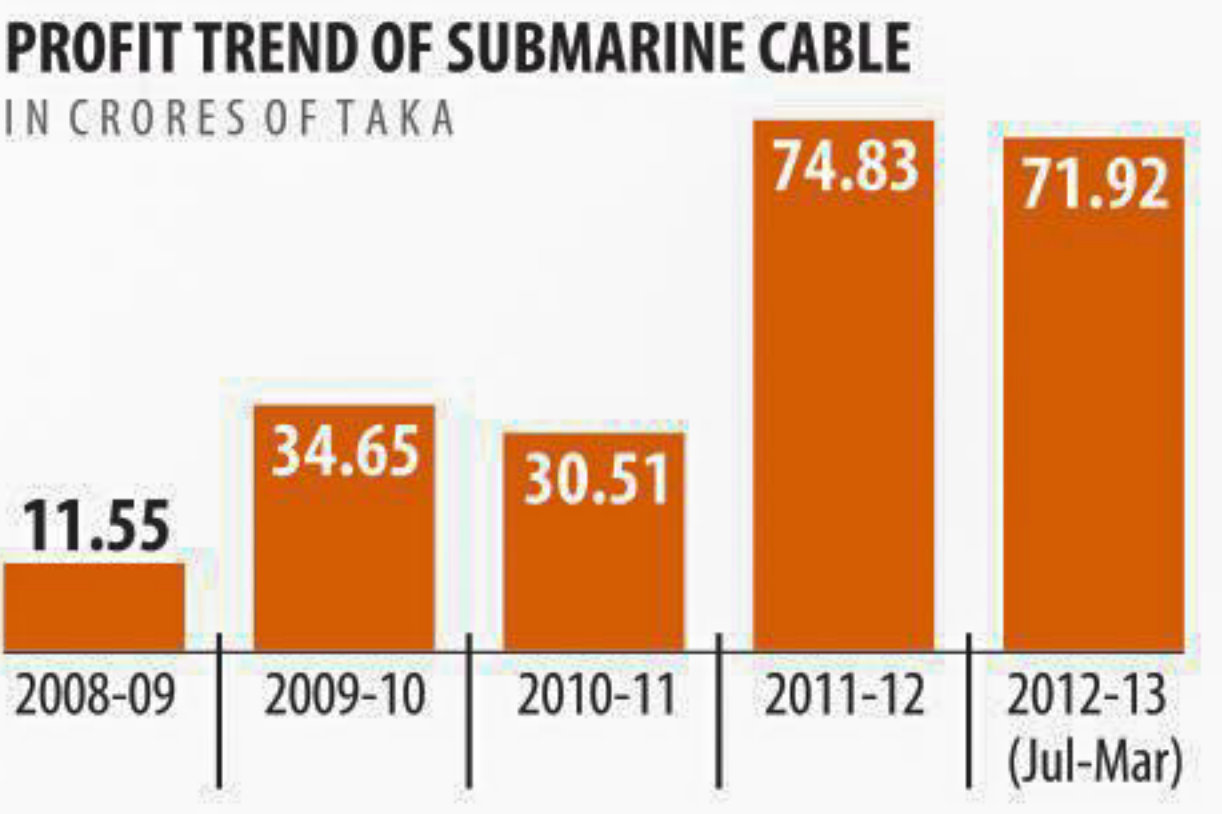
The cable company's profit is leapfrogging due to a gradual increase in demand for internet bandwidth. The Bangladesh Submarine Cable Company Ltd (BSCCL) is the major supplier of international internet connectivity, said its top official.

Monwar Hossain, managing director of the company, said they are now selling a total of 42 gigabits per second (Gbps) bandwidth to different companies, which was only 7.5 Gbps in 2009.

Of the amount it sells, 30 Gbps is used for internet and the rest for international voice communication.

There are six other International Terrestrial Cables (ITC) that provide internet connectivity of around 15 Gbps, said Sumon Ahmed Sabir, chief strategic officer of Fibre@Home, an ITC service provider.

So the people of Bangladesh are



using a total of 57 Gbps internet bandwidth for voice and data connectivity.

Submarine Cable Company basically provides international internet connectivity to the country's internet and voice service providers, but

recently it began the International Internet Gateway (IIG) service. It means that it will provide internet connectivity and bandwidth to different providers.

On Submarine Cable Company's future plans, Hossain said they would sell internet bandwidth to the North-eastern provinces of India and earn handsome amounts of foreign currency, if they get a green signal from the government.

Last month, Indian high commissioner in Dhaka placed a proposal with the foreign ministry to hire internet bandwidth from Bangladesh through optical fibre cable connectivity.

Submarine Cable Company will also have another sub-sea cable 'SEA-ME-WE 5' connectivity by the first quarter of 2015, the company's managing director added.

Currently the company is a consortium member of the 2,000 kilometres 'SEA-ME-WE 4'.