

Banglalink to tap into growing 3G potential

VimpelCom CEO says they are ready to invest for the future

SUMAN SAHA

BANGLADESH will soon see robust growth in the use of data services owing to rapid expansion of the 3G networks, said a top official of VimpelCom, the majority shareholder of Banglalink.

"I think people will be hungry for 3G services here when they realise the benefits of such services," said Jo Lunder, chief executive of VimpelCom.

The market will grow further, both in the number of subscribers and data revenue, he told The Daily Star in an interview at Ruposhi Bangla Hotel in Dhaka recently. He was in the country from March 31 to April 1 to sit in meetings with officials from Banglalink and the government.

Around 70 percent people in Bangladesh use cell phones at present, he said. "We believe the rate will increase significantly in the coming years."

Banglalink registered an 85.45 percent growth in data business last year; the company earned Tk 102 crore from data services in 2013, up by Tk 55 crore from the previous year, according to VimpelCom's fourth quarter data in 2013.

The CEO said they are pouring funds into Banglalink, considering the long-term business perspectives.

"We want to develop a good 3G network and new ecosystem with support from local applica-



VimpelCom CEO Jo Lunder, right, and Banglalink CEO Ziad Shatara during an interview

tion providers and software companies, to better peoples' lives," said Lunder.

VimpelCom will invest around \$350 million in the next two years to build the 3G network of the local mobile operator, but Banglalink will need a "bit more time to see positive net income", he said.

"But as a shareholder, we have zero concerns about Banglalink's net income, as we are investing here for the future," said Lunder, who has been serving as CEO

since July 2011. He was the chairman of the board of directors of VimpelCom previously.

In 1999, he came to VimpelCom from Telenor, where he was employed in various capacities, including chief operating officer of Telenor Mobile.

Though the country has a huge population base, the average revenue per user is still very low, he said. "So, we have to focus on increasing revenue by providing innovative services." Political turmoil last year

affected the telecom sector badly as "we saw less traffic and less revenue," said Lunder.

On whether VimpelCom has any plans to offload Banglalink's shares on the Dhaka Stock Exchange, he said, "At present, we have no such plans."

VimpelCom, headquartered in Amsterdam, has invested around \$600 million in Banglalink since 2011 when it acquired a majority stake in Orascom Telecom, the former owning company of the local

operator, according to Lunder.

Banglalink acquired 5 MHz of spectrum at a price of \$105 million last year and so far, received a good response from customers on its 3G services, said Ziad Shatara, the operator's chief executive.

The operator has completed setting up its 3G network in all the divisional cities and plans to bring all the districts under 3G coverage by June, said Shatara.

Banglalink is fully owned by Cairo-based Global Telecom Holding, where VimpelCom has a 51.7 percent stake.

Orascom entered Bangladesh in September 2004 when it purchased Sheba Telecom for \$60 million. It later rebranded itself and launched its services under the Banglalink brand in February 2005.

Banglalink has around 2.9 crore subscribers as of February 2014, with around 25 percent share in the six-operator mobile market, according to Bangladesh Telecommunication Regulatory Commission.

VimpelCom, a joint venture between Norwegian telecom giant Telenor and Russian banking group Alfa, is the seventh largest mobile operator in the world in terms of subscribers, according to Lunder.

This company is listed on Nasdaq in New York and has operations in Asia, Europe, North America and Africa with 60,000 employees, he added.

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Investors of luxury hotels get duty cuts

STAR BUSINESS REPORT

The revenue authorities have reduced import duties on capital machinery and other equipment needed to set up luxury hotels, in a bid to boost the local tourism industry.

The National Board of Revenue will charge 5 percent duty on the import of certain capital goods and accessories to facilitate establishment of chain and standard hotels in Bangladesh, it said in a notice on Tuesday.

The items include interior decor materials, kitchen and cooking equipment, building security equipment, fire fighting and protection equipment, electric substations, furniture, lighting, and health club equipment.

The NBR said hotel chain franchises and hotels certified as 'standard' by the tourism ministry will get the privilege of importing goods at a concessional rate and enjoy waivers for VAT, supplementary and regulatory duty.

However, the NBR attached conditions for hotel investors who will have to submit VAT registration as residential hotels, copies of registration with Board of Investment, copies of agreements with global hotel chains and hotel lay-out plans approved by competent authorities.

To define standard hotels, a panel of experts and stakeholders will be formed by the tourism ministry, the NBR said in the notice.

Based on the benchmark, the tourism ministry will prepare a letter of recommendation, it added.

"Every application will require approval from the NBR," said the notification issued by its Chairman Md Ghulam Hussain.

Applicants will also be required to give details of the amount of equipment and their related uses in the applications to receive the duty benefits.

The NBR said the benefit will be provided before commercial launch of the related hotel.

In October last year, the NBR took the decision to offer reduced duties for import of capital machinery and equipment based on applications by investors to set up luxury hotels in Dhaka, Cox's Bazar and Sylhet.

Some of the applicants included investors of Sea Pearl Beach Resort and Spa Ltd in Cox's Bazar, Radisson Bay View Hotel in Chittagong, Hotel La Rose in Sylhet, Unique Hotel and Resorts Ltd (Unique-2), Premier Hotel Management Co Ltd and Hilton in Dhaka.

The NBR later formed a panel to place a report by examining the present duties on importable or imported capital goods to set up hotels.

Revenue officials expect the benefit to attract more investment in setting up standard hotels at popular destinations, which will help attract more foreign tourists.

The travel and tourism sector in Bangladesh accounts for 2.1 percent of its GDP, according to a report by World Travel and Tourism Council.

Dedicated solar product testing lab by August

STAR BUSINESS REPORT

The government is set to establish the country's first dedicated solar equipment testing laboratory by August to ensure superior quality in renewable energy-related products.

State-owned Infrastructure Development Company Ltd (Idcol) signed a deal in this regard with Bangladesh University of Engineering and Technology at the office of Buet Vice Chancellor Professor SM Nazrul Islam in the Dhaka yesterday.

"Given the size and growth of solar home system programmes and emergence of different solar-based projects, it has now become imperative to build domestic capacity," said Mahmood Malik, chief executive officer of Idcol.

The testing lab will heighten performance of the solar home systems and other photovoltaic (PV) systems like solar lanterns, solar irrigation pumps and solar mini-grids, and it will ensure consumer satisfaction at household levels, he said.

The laboratory will randomly and continuously test and monitor the prod-

ucts to improve their quality, said Malik, who is also the executive director of the non-bank financial institution that promotes green technology.

To set up the lab, Idcol will use around \$550,000 provided by the World Bank under the Rural Electrification and Renewable Energy Development Project-2.

The PV testing lab will be implemented by the electrical and electronics engineering department of Buet.

Besides, Idcol will also assist Buet to make this lab an ISO/IEC 17025 accredited photovoltaic testing laboratory to give accreditation for major solar equipment in the future.

Currently, the imported PV solar components are approved based on the independent test results provided by the manufacturers and suppliers.

On an average, around 70,000 families are now installing solar home systems each month to meet their daily electricity requirements. As of March, Idcol has installed 2.8 million units.

Zubair KM Sadeque, senior energy finance specialist of World Bank's Dhaka office, was also present.



Nobel laureate Professor Muhammad Yunus meets with Michael Sommer, chairman of the Federation of German Trade Unions, and his delegation at the residence of German Ambassador Albrecht Conze in the capital on Tuesday. Sommer discussed social business ideas with Professor Yunus and presented his experience with trade unions.

YUNUS CENTRE

Samsung, Apple have margins on their minds

REUTERS, Seoul

AS the smartphone action shifts to the mass market, leaders Samsung Electronics Co Ltd and Apple Inc are under pressure to make their high-end phones more affordable to revive sales. And that may spell trouble for already-softening margins.

Samsung, which said on Tuesday it would likely post a second straight quarterly profit decline, has knocked around a tenth off the price of its Galaxy S5 in South Korea, in the first such move for a marquee smartphone launch - the S5 rolls out globally on Friday. And it's throwing in a free gift pack of media subscriptions and web apps worth 600,000 won.

The mass market - where a smartphone can be had for as little as \$25 - is the new mobile device battleground, as high-end growth eases off with sales slowing in mature markets. Japan, for example, may see smartphone shipments shrink this year, according to researcher IDC. Samsung's flagship S5 price cut



A woman looks at advertisements promoting Samsung Electronics' Galaxy Note 3 smartphone at the company's headquarters in Seoul on Monday.

suggests the South Korean firm wants to encourage users to trade up to a fancier phone - at a potential cost to its margins. Samsung's mobile business operating margin dipped to 16 percent in October-

December from 18 percent over the whole of 2013.

"It reflects how much Samsung is agonizing to secure margins. They're now offering premium models at lower prices as the demand outlook for high-

end phones remains uncertain," said Lee Seung-woo, an analyst at IBK Securities.

Premium smartphones tend to be priced at above \$300 and pack in more features, such as more powerful processing power, high resolution display, better cameras and fingerprint reading. With the S5, which has few hardware improvements from its S4 predecessor, industry watchers reckon Samsung is aiming more at a broad mass market than tech savvy users.

To be sure, Samsung has a far broader product line-up than rival Apple, and it has some leeway to trim prices given that manufacturing costs have fallen. Lee Min-hee, an analyst at IM Investment, reckons the total cost of production materials for the S5 - from the battery and screen to the processor and sensors - will be 10-15 percent lower than for the S4.

While this allows vendors to make quality phones for less, it makes it tougher for them to maintain a premium brand image.

"Samsung needs to be very clear about the market segment it's pursuing," said

Clement Teo, analyst at Forrester Research in Singapore. "Take Apple - it didn't drop prices on its iPhones, even with the new models. This helps it maintain a margin premium and attracts a certain loyal user base."

But Cupertino, California-based Apple is also taking note of the growing potential of the mass market. Internal documents revealed during an ongoing US patent trial against Samsung indicates some at Apple felt the company priced itself too high.

According to an April 2013 presentation filed to a US court, executives had debated plans for Apple's 2014 fiscal year and concluded that consumers wanted what it wasn't offering: cheaper phones - for less than \$300 - and bigger screens.

It's unclear how representative that presentation is of Apple's mindset. Nor are there signs that Apple, which thrives on its premium positioning and plays down suggestions that it go mass-market, intends to deviate from its path.

Apple did not respond to requests for comment.

Walmart beefs up wholesale business in India

AFP, New York

US retail giant Wal-Mart Stores plans to add 50 new wholesale stores in India as it seeks growth in a key market where it has been unable to launch retail stores.

Walmart said it will open the new "cash and carry" stores over the next four to five years, adding to its 20 existing stores.

It also plans to extend its e-commerce platform to members of the existing stores, which operate under the name Best Price Modern Wholesale.

"Walmart is committed to India and we are excited about our growth plans," said Scott Price, chief executive of Walmart Asia. "We will continue to focus on the cash and carry format as we are very happy with the way it has shaped up in the last few years."