ASIAN MARKETS

TOKYO



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COMMODITIES

Sugar mills stuck Garment exports to US may lose out to Africa in huge losses

Raw sugar imports rise 31pc year-on-year

SOHEL PARVEZ

STOCKS

DSEX

Falling sugar prices on the global market and increased imports have lowered the prices of the sweetener In lakh tonnes in the domestic market, putting state-owned and private mills in a tight spot.

Raw sugar imports surged 31 percent year-on-year to 19.83 lakh tonnes last fiscal year amid the refiners' rush to capitalise on the lower international prices to build up stocks for export and the domestic market.

But the International Sugar Organisation on Tuesday said the global sugar consumption needs to outstrip supply by at least three

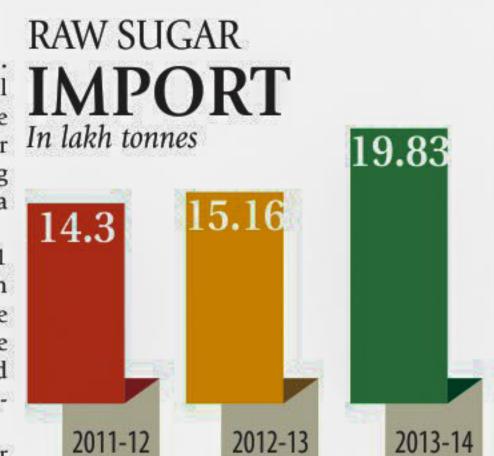
million tonnes before prices recover significantly. In other cost. words, the organisation forecasts extended weakness in prices.

Raw sugar price, which traded at \$467.9 a tonne at the end of last year, stood at \$426.3 per tonne on Wednesday, according to Sugaronline. A month ago, it traded at \$444.8 a tonne.

Bishwajit Saha, general manager of City Group of Industries that run the biggest sugar refinery, linked the local refineries' increased processing capacity to the increased imports.

The desire to export may be another reason, he said, adding that the volume of exports though was low.

Regardless, the increased availability of the sweetener in the local market has put a downward pressure on the prices, said Abul Hashem, vice-president of the Bangladesh Sugar Merchants Association at Moulvibazar,



FISCAL YEAR

SOURCE: CHITTAGONG CUSTOMS AND BSFIC

a wholesale market for sugar and cooking oil.

Sugar traded between Tk 43 and Tk 46 per kilogram at the retail level yesterday, down from Tk 45-48 a month ago, according to Trading Corporation of Bangladesh.

At the wholesale level, each kilogram of sugar traded at Tk 39 yesterday, down from Tk 39.50 a week ago, Hashem said.

The Bangladesh Sugar and Food Industries Corporation, which operates 15 state mills, is selling sugar at Tk 40 per kilogram in a bid to exhaust its stockpile of 1.56 lakh tonnes.

The present offer price, its officials say, is half BSFIC's production

The current production cost, including costs of imports, is Tk 41.5 a kilogram, said Saha.

"It is simply a demand and supply mismatch. It appears consumption is falling. Sluggish economy may be a reason as consumer confidence is not growing. All are making losses," said Golam Mostafa, chairman of Deshbandhu Sugar Mills.

Some 12 lakh tonnes of raw sugar have been imported since January this year, he said, while touting the whole year's imports to come to 17-19 lakh tonnes.

The country consumes 14-15 lakh tonnes of sugar annually, according to industry estimates. However, the import and local production numbers reflect a surplus in comparison to demand, said industry insiders.

Currently, private refineries and state mills have stock of nearly five lakh tonnes of sugar, said Saha.

CURRENCIES

SHANGHAI

Bangladesh may lose its competitiveness to African nations for exporting garments to the US in the face of discriminatory duty benefits.

REFAYET ULLAH MIRDHA

With a zero-duty benefit under the African Growth and Opportunity Act (AGOA), the export of garment items originating in different African nations has been on the rise to the US.

Garment exports to the US from nine leading African countries increased 9.66 percent year-on-year to \$926.8 million in 2013, according to data from the US Department of Commerce. Bangladesh exports apparel worth

the single largest export destination for the country, by paying 15.61 percent in duty. Bangladeshi garment exporters paid \$828 million in duties to US customs

last year and \$3.41 billion in the last

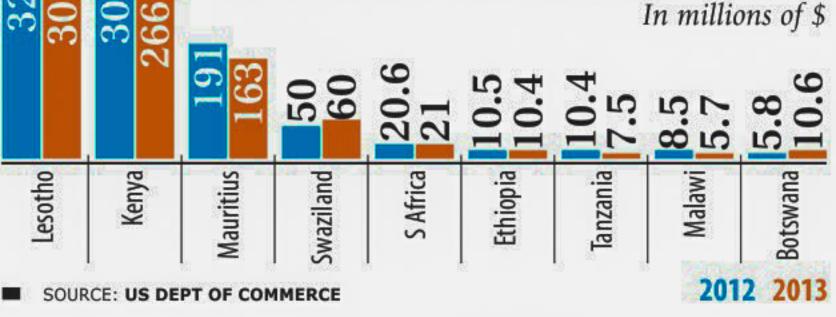
five years, according to the commerce

a little over \$5 billion a year to the US,

ministry of Bangladesh. However, apparel exports to the US from Bangladesh fell 1.12 percent to \$2.18 billion in the first five months of 2014 from the same period a year ago, according to the US Department of

"Obviously, the number of our competitors will increase, if the African nations grow in exports to the US," said Abdus Salam Murshedy, former president of Bangladesh Garment Manufacturers and Exporters Association.

"We will lose our competitive edge for a discriminatory duty structure and higher cost of production in



GARMENT EXPORTS TO US FROM AFRICAN COUNTRIES

the domestic market," Murshedy said. "African countries have the

cotton benefit, which Bangladesh does not have." Big companies such as VF Corp and PVH Corp are eyeing the massive continent of Africa as a future site for apparel

production that can be exported to the US, duty- and quota-free. "Africa is prime and ready to go," said Bill McRaith, chief supply-chain officer for PVH Corp, formerly known as Phillips-Van Heusen, whose labels include Tommy Hilfiger and Calvin

Apparel Magazine. The company is making a 20-year commitment to the African region with an eye on vertical operations and socially responsible factories.

Klein, according to a report by the

McRaith, who has been working in apparel sourcing for decades, was speaking at a panel organised by the United States Fashion Industry Association (USFIA) on August 17 at MAGIC Show in Las Vegas. The topic was 'Looking forward: from the Western hemisphere to Africa: pros and cons'.

One of the reasons why Africa is

becoming popular is the AGOA, which gives duty-free and quota-free status to apparel items made in more than 45 countries in sub-Saharan Africa.

Already PVH is producing clothing in Lesotho and Kenya but is eyeing a vertical model in which the company would use African cotton for fabric and then cut and sew apparel.

"You hear people saying, 'Where is the next China?' Africa appears to be the next solution for the United States," the PVH executive said, according to the magazine report.

"The beauty of Africa is low cost," McRaith said.

In Ethiopia, minimum wages can be as low as \$23 a month, he said. A living wage for apparel workers hovers around \$100 a month in a country where H&M, Tesco and Primark have been producing garments, McRaith added.

Also, landlocked Ethiopia is becoming a favourite sourcing spot because its energy is powered by geothermal and hydroelectric sources that make its electricity prices onefifth of those in China.

READ MORE ON B3

Lamudi makes house hunting convenient

Mobile phone service launched for real estate customers

STAR BUSINESS REPORT

Hunting for apartments or plots for purchase or rent has become a daunting task for today's busy urbanites. Lamudi, an online marketplace for real estate in Bangladesh, is here to solve just that.

It launched a new mobile phone service yesterday to ease the search for apartments and houses for customers. The local branch of the German-

based global property portal rolled out 'Dial for Home', a dedicated a mobile phone number to enable customers to search for suitable properties with little hassle.

Prospective buyers or renters will have to place a call at 01777777187 and tell the receiver his or her requirements. "Lamudi will find property matches

and will send the caller details on a return SMS in less than 10 seconds," Rajesh Grover, managing director of Lamudi Bangladesh, told reporters at Dhaka Reporters Unity in Dhaka.

The message will contain the names and mobile phone numbers of the developers, real estate companies and individual houses and apartment owners. The prospective renters or buyers will have to call the given numbers for further details.

"After we send the SMS to the caller, our association with the process will



Rajesh Grover

finish; it will then be between the caller and the companies," said Grover. A text message will also be sent to

the landlords or developers who have properties matching the caller's requirements. This text message will include the house seeker's contact details, so that the broker can directly get in touch with potential clients.

This one-of-a-kind service will bring property buyers, renters and sellers closer than ever before, Grover added.

There are about 700 developers and 30,000 property listings in Bangladesh,

making it tough for customers to find suitable houses and apartments for purchase and rent, he added.

"We will do the hard-work. It is totally free. Our new service will help customers save time and money, without hassles."

Soon after the launch of Lamudi services in Bangladesh in October last year, the website soon became the market leader in striking a match between developers, agents, landlords and buyers.

READ MORE ON B3

Share trading of **Tung Hai Knitting** begins Monday

Commerce.

STAR BUSINESS REPORT

Share trading of Tung Hai Knitting and Dyeing will begin on the stock exchanges on Monday.

The textile company raised Tk 35 crore from the public by floating 3.5 crore ordinary shares of Tk 10 each.

It will be the 35th listed firm in the textile sector that accounts for around 4 percent of the premier bourse's total market capitalisation.

AFC Capital and Imperial Capital jointly managed the Tung Hai Knitting's initial public offering, the proceeds of which are being used for meeting working capital needs, purchasing machinery and repaying term loans of banks.

The company's earnings per share stood at Tk 1.15 and net asset value per share at Tk 13.73 in December 2012.

Tung Hai Knitting is a subsidiary of Tung Hai Group, a leading manufacturer and exporter of knitted sweaters and jerseys, according to the group's website. The group's annual turnover is around \$50 million.

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Ruposhi Bangla renovation kicks off Monday

STAR BUSINESS REPORT

Ruposhi Bangla Hotel will go for a massive renovation from Monday to upgrade its standards.

The five-star hotel will keep all its operations closed for the next 16 months for the renovation work, Bangladesh Services Ltd, the owner of the hotel, said in a web-posting on the Dhaka Stock Exchange yesterday.

"The renovation is going to start from

September 1. Therefore, the hotel will be closed to guests from August 31 till rebranding," it said. The hotel will be rebranded as InterContinental Dhaka after the renovation, according to the posting.

The renovation will begin in line with a management agreement signed between Bangladesh Services Ltd and InterContinental Hotels Group (IHG), a leading global hotel chain.

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Banks' capital base crosses 10pc requirement enough cash reserves to cover risks.

STAR BUSINESS REPORT

The capital base of banks has swelled well above 10 percent of risk-weighted assets, a regulatory requirement, data from Bangladesh Bank shows.

Capital that banks should hold against their risk-weighted assets rose to Tk 63,694 crore or 10.68 percent at the end of June. The amount was Tk 26,713 crore in December 2009 when Bangladesh introduced Basel-II, an international standard that requires financial institutions to maintain "The rise in capital between

December 2009 and June 2014 is 139 percent. Banks' ability to absorb losses against risks has strengthened," BB said in a statement yesterday.

The BB said the quality of banks' assets has improved due to stricter rules in classifying bad loans. Loans will be defaulted if borrowers fail to pay back the money for consecutive three

months instead of earlier six months. Banks' profit before tax and provision surpassed Tk 10,000 crore in the

six months through June, compared to Tk 18,000 crore in full-year profits of 2013, according to the statement. Banks have adequate liquidity and

there is no pressure for money in the overnight call money market, the central bank said. Foreign exchange reserves crossed

\$22 billion, which is equivalent to seven months' import payments. Healthy reserves have prompted the central bank to raise the Export Development Fund to \$1.5 billion from \$1.2 billion.

