

# Indian sugar mill defaults on bank loans, others may follow

REUTERS, Mumbai  
Plunging sugar prices in India have forced at least one sugar mill to default on bank loans and could drive others to do the same, the latest sign of the heavy toll a four-year-old supply glut in the country is taking on producers of the sweetener.  
One of the country's largest sugar mills, Mawana Sugars Ltd, has defaulted on 2.5 billion rupees (\$40 million) of outstanding loans from a consortium of lenders, according to an official from the company.  
"We are losing 5-6 rupees per kg of sugar we produce. It is not viable to operate mills with the current pricing of sugar and cane," said Rajendra Khanna, a director at the company which posted a 245.2-million rupee loss in the three months ending in June.  
"We have defaulted on term loan due to the disparity in cane and sugar prices," Khanna told Reuters by telephone.  
Squeezed margins in sugar mills

internationally, caused by depressed prices after years of global over-supply, are hastening closures and consolidation in the sector around the world.  
In India, millers face an even steeper challenge as the government in the main cane-growing state of Uttar Pradesh, has told mills to pay 280 rupees per 100 kg of cane, compared to the 210 rupees recommended by the central government as its so-called 'fair and remunerative price'.  
Uttar Pradesh's government is yet to come out with a cane price for the 2014/15 marketing year that started on Oct. 1, but most mills in the state have decided to suspend cane crushing in the new season unless the state links cane prices to sugar prices.  
Sugar prices have fallen nearly 13 percent in the last 12 months. The state-advised cane price has climbed 65 percent in five years, while the sugar price has risen by just 1 percent.  
Abinash Verma, director general

of national lobby group the Indian Sugar Mills Association (ISMA), said key lenders such as state-run banks had stopped providing fresh working capital to mills and had asked Uttar Pradesh's government to change its cane-pricing formula.  
"Unless the state government rationalises its cane pricing formula, we will see more and more sugar mills falling into non-performing accounts," Verma said.  
The leading 14 sugar companies' cash-to-short term debt ratio has dropped to the lowest in at least a decade at 6.7 percent, indicating companies don't have sufficient cash to meet debt obligations, according to Thomson Reuters data.  
"Some mills don't have money to pay the salaries of employees. They will default in coming months. They don't have an option," said a senior official at a sugar mill in Uttar Pradesh. He declined to be named as he was not authorised to speak with media.  
Major sugar producers such as Bajaj Hindusthan, Balrampur

Chini Mills, Shree Renuka Sugars and Simbhaoli Sugars posted losses in the June quarter.  
All leading Indian sugar companies have low Altman Z-Scores, which measure the likelihood that a firm will enter bankruptcy within the next two years, according to the latest data from Thomson Reuters Starmine.  
India is set to produce surplus sugar for a fifth straight year, suggesting the country's notorious cycle of glut and deficit in sugar supplies could have broken, said Ashok Jain, president of the Bombay Sugar Merchants Association.  
"Prices will remain under pressure due to ample carry forward stocks and good production prospects," Jain said.  
The South Asian country started the new marketing year with 7.5 million tonnes of so-called carry-forward stocks and is expected to produce 25 million to 25.5 million tonnes this year against local consumption of around 23 million tonnes.

# German, French trade data hit by falling exports

AFP, Frankfurt  
The economic skies above the eurozone darkened again on Thursday as data showed a sharp drop in exports from its two biggest economies, Germany and France.  
German exports contracted by a massive 5.8 percent in August -- the steepest drop since January 2009 -- causing the trade surplus to shrink to 17.5 billion euros.  
In neighbouring France, exports dropped by 1.3 percent, pushing the trade deficit up to 5.8 billion euros, the highest figure since January.  
France's big trade deficit is worsening with the United States and with Asia, notably because of a decline in Airbus deliveries.  
The German statistics office Destatis explained that the late timing of the summer holidays -- in August instead of in July -- had weighed on economic activity.  
German factory orders and industrial output had already fallen in August for the same reason. However, analysts have so far insisted that the weakness will be short-lived.  
But the disappointing export data could now suggest that the fallout from the Ukraine crisis is proving more severe than initially anticipated.  
The data showed that exports to the EU rose by 2.0 percent, with eurozone exports

edging up by just 0.2 percent. Exports to countries outside Europe, however, slumped by 4.7 percent.  
"The German economy has experienced an extremely sharp stand-still in August. Industrial production, new orders and exports were down. And the magnitude of the fall brings back memories of the peak of the financial crisis in early 2009," said ING DiBa economist Carsten Brzeski.  
The development was not easy to explain, he said.  
"Of course, the cooling of many export destinations combined with increased uncertainty stemming from the Ukrainian crisis look like the main drivers of the slowdown but in our view fall short explaining the entire story," he said.  
"Looking ahead... the economy seems to need a small miracle in September to avoid a recession in the third quarter," he warned.  
The German economy contracted by 0.2 percent in the second quarter and a renewed drop in the third quarter would technically put the country in recession.  
Berenberg Bank economist Christian Schulz said "evidence of a German slowdown is more prevalent in imports, which fell for a second successive month and are heading for a 0.6-percent decline in the third quarter."



Arifur Haque Chowdhury, mayor of Sylhet city, and Akku Chowdhury, managing director of Transcom Foods, attend the opening of Pizza Hut and KFC outlets in Zindabazar, Sylhet recently.

# Banks need overhaul, but risk to recovery: IMF

REUTERS, Washington  
A much-needed pruning of banks across the world could stifle lending and dampen economic recovery, the International Monetary Fund said on Wednesday.  
To boost profits, banks need to raise prices in certain business lines, pull out of others altogether, and put their money where it yielded more, the Fund said.  
"The transition to new business models could... potentially (create) a headwind against the recovery," the IMF said in its biannual Global Financial Stability Report.  
After the devastating 2007-09 financial crisis, regulators across the world have forced banks to raise more shareholder equity as a buffer against losses, and to pull out of the riskiest investments and loans.  
But the industry had been slow in finding new ways to make money, and the return on equity of banks representing 80 percent of the assets of the largest institutions now was lower than what was required by shareholders, the IMF estimated.



Katalyst, flagship market development project of Swisscontact, has recently been rewarded and recognised with the International Innovation Scale Award 2014 by the Organisation for Economic Co-operation and Development in an award ceremony at the OECD's Headquarters in Paris, France.

# India now seeks tele-transit, not bandwidth

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The final decision will come at the board meeting of the company, he said, adding: "There should not be any loopholes."  
If Bangladesh agrees to the new proposal, its plan to sell bulk internet bandwidth to northeastern Indian states will not materialise, another official of Submarine Cable Company said.  
The neighbouring country will only use Bangladesh's land to transport voice or data from one state to another, he said, asking not to be named.  
He said the proposal has surprised them as Bharat Sanchar Nigam cannot suggest inclusion of any company in a contract.  
BTCL provides fibre optic network to operators along with voice and data services to its customers.  
"The tele-transit is a matter of high-level policymakers and the ministry alone cannot deal with it," the official said.  
Earlier the Indian government

allowed six Bangladeshi international terrestrial cable (ITC) companies to purchase internet bandwidth from different Indian companies. The ITCs supply international data and voice services in the country.  
Abu Saeed Khan, senior policy fellow of IIRNEasia, a Colombo-based ICT think tank, puts mutual open-access at the core of tele-transit, which is more than a bilateral issue.  
He said all the ITC operators of Bangladesh must be allowed to directly deal with any Indian and non-Indian carrier, including the ones from Bhutan and Nepal.  
"Thereafter the tele-transit facility through Bangladesh could be reciprocated to all the Indian carriers instead of exclusively favouring the state-owned Bharat Sanchar Nigam," said Khan who also advises UN ESCAP on building a pan-Asian cross-border optical fibre link along the Asian highway.

# Arms crossed, heels dug in: French not in the mood for reforms

AFP, Paris  
In his pristine dispensary on a quiet corner in Paris, chemist Antoine Louguot never thought he would hang up his white coat in protest and go on strike.  
But fury at a government proposal to deregulate pharmacies saw Louguot, 40, join an unusual group, including notaries, doctors and bailiffs, in walking off their lucrative jobs recently over a similar threat to their respective monopolies.  
Analysts say that even in a country known for its legendary labour disputes, the action showed an extraordinary level of defiance against a deeply unpopular government, making much-needed economic reforms nearly impossible to implement.  
"This strike was a strong action against the government and a sign to the people that it is we who have the power," said Louguot.  
"When we stand together they cannot change our way of life."  
Guy Groux, a specialist in labour conflict said that while there was a "folkloric culture of striking" amongst some French workers, the wave of action by self-employed professionals was highly unusual.  
"In France today we have not only an economic crisis, we have a political crisis, even a moral crisis some say, which involves a very strong defiance towards the executive," said Groux.

Hardly a day seems to go by without a cortege of striking workers weaving their way through the streets of France, angrily trying to prevent a change to the status quo.  
And it has been white-collar workers leading the charge recently.  
High earning Air France pilots last month held a record two-week strike which cost a hefty estimate of 500 million euros (\$623 million) and ended in stalemate.  
They fear they could be replaced by cheaper pilots as Air France launches into the low cost flight market, seen as vital to remaining competitive in the cut-throat world of aviation.  
The long-held view that striking is somewhat of a national sport in France is not entirely unjustified.  
France topped European charts in terms of strike volume between 2001 and 2010, according to Kurt Vandaele of the European Trade Union Institute, who said there were however no data available for Greece, and records were patchy for Italy and Portugal.  
Economist Stephane Garelli, an expert in world competitiveness, agreed, saying that with 43 days lost to strikes per 1,000 inhabitants for the three years ending in 2012, France was "one of the biggest sinners on the market."  
Ironically, this is because French unions are relatively weak and divided, with only eight percent of workers unionised, said Groux.

"The reform problem is completely different when you have very weak, divided unions all looking to protect themselves."  
Add this to a highly politicised society, and you have -- from Revolution to the Recession -- a nation quick to its feet when it feels its way of life is threatened.  
Whereas in countries like Germany, unions take part in negotiations from the get go and going on strike is a last resort, in France the strike is usually part of the negotiating process. "Sometimes aggressiveness is a sign of weakness," said Garelli.  
"It would not be unusual that when you start a negotiation in a company, people will start to strike just to say you know we are serious about it and this is what it may cost you, and then after they may negotiate."  
With three decades of mounting unemployment, people feel their jobs are all the more uncertain, worsening the confrontation, he said.  
But Groux argues that while "spectacular" strikes involving rail workers and pilots are hugely visible in France, due to their disruptiveness, the overall number of strikes in the country is now just a tenth of that recorded 40 years ago.  
The latest wave of strikes comes as France tries desperately to bat away criticism that it is paralysed by economic failure and unwilling to change.  
Prime Minister Manuel Valls

# Acme Laboratories set to go for IPO

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The sector is now one of the fastest growing sectors in the country, with its average growth rate coming to 17.2 percent over the last five years and 13.1 percent over the last decade.  
The market growth in 2011 was 25 percent, with approximately Tk 9,000 crore in revenues, it said.  
Acme Laboratories expects the pharma market size to exceed Tk 15,000 crore by 2015 and subsequently, wants to take advantage of the business opportunities.  
The company is engaged in manufacturing and marketing of generic

pharmaceuticals formulation products including human, veterinary and herbal drugs. The products of the company are sold in domestic as well as international markets.  
The history of Acme Laboratories dates back to 1954, when a proprietorship firm was founded at Chashara in Narayanganj on a three-bigha land with around 33 people to manufacture drugs.  
The firm relocated its plant to Dhamrai in Savar on a land of 10 acres after converting into a private limited company in 1976. Commercial operations at the modern plant began at the end of 1983.

# Durreen Shahnaz wins global honour for social impact

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Other recipients of the 2014 awards include Robert Crandall, former chairman of American Airlines; Alex Gorsky, chairman of Johnson & Johnson; and Neil Blumenthal and Dave Gilboa, co-founders and co-CEOs of Warby Parker.  
"Equitable and sustainable growth cannot be reached without our current systems. There has to be a middle ground between profit maximising businesses and charitable organisations that rely on donations," Shahnaz said in her acceptance speech on October 2.  
"This middle ground, or third way, is impact investing. IIX and Shujog have created a vibrant ecosystem for impact investing with thousands of companies and individuals working together to create a financial system that works for all."  
The work of the two organisations has impacted the lives of more than 10 million people positively while bringing an average return of over 10 percent for the investors.  
Impact Investment Exchange Asia provides social enterprises in Asia with greater access to investment capital, allowing them to expand more rapidly. IIX currently offers three investment platforms -- Impact Accelerator, Impact Partners and Impact Exchange.  
Impact Accelerator provides seed-stage enterprises with mentorship and private capital through a structured and customised process. Impact Partners connects accredited impact investors to selected growth-stage enterprises to raise investment capital.  
Impact Exchange, the world's first social stock exchange operated by the Stock Exchange of Mauritius in collaboration with IIX, is a regulated stock exchange dedicated to listing and trading securities issued by mature social enterprises and other socially-driven organisations.  
IIX has so far facilitated \$8.5 million of investments impacting more than eight million people

across Asia with \$13.4 million in social value created.  
A non-profit organisation, Impact Investment Shujog aims to strengthen, deepen and expand the impact of social enterprises in poor and vulnerable communities, according to the statement.  
More than 1 million underserved people have benefited from the increased efficiency and effectiveness of Shujog's social value creation, the organisation said in the statement.  
"Over 3,700 impact investing professionals have been introduced to the social finance through education and training; and more than 234,000 people have been engaged and exposed to the field of social enterprises and impact investing."  
In a career spanning over two decades, Shahnaz has built a track record as a successful academic, banker, media executive and social entrepreneur.  
She began her professional career as an investment banker at Morgan Stanley in New York, followed by stints at Grameen Bank in Dhaka, World Bank in Washington and Merrill Lynch in Hong Kong.  
She founded the Programme for Social Innovation and Change at Lee Kuan Yew School of Public Policy, National University of Singapore.

# Retailers urge US to cut tariff on apparel imports

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But Bangladesh's main export item -- garments -- is not among these 97 percent products.  
Also, the US last year scrapped the generalised system of preferences for some selected Bangladeshi products, citing serious shortcomings in workplace safety and labour rights.  
Garment exports to the US rose 3 percent year-on-year to \$5.15 billion in fiscal 2013-14.  
The US imported \$80.78 billion worth of apparel items in fiscal 2014, a rise by around 3 percent year-on-year.  
Bangladesh is the third largest apparel supplier to the US, with a 6.06 percent share in its market, after China's 36.81 percent and Vietnam's 10.83 percent, according to the US Department of Commerce.  
"We need to evolve, but we need to evolve in the right direction."