

Summit attracts foreign investment

Finance Director Ayesha Aziz Khan calls for policies to bring banks' idle money into good investment

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SUMMIT Group has attained the ability to finance billion-dollar projects thanks to its goodwill in implementing successful ventures, wooing global investors to team up with the company to tap opportunities in Bangladesh, said a top official.

Ayesha Aziz Khan, finance director of Summit, said foreign investors are keen on investing in the company's Bibiyana II and Meghnaghat power projects.

"They have also offered to invest more than \$400 million in equity in future Summit projects," she told The Daily Star in an interview.

Her comments came as the 340-megawatt Meghnaghat plant in Narayanganj started producing power commercially for the national grid.

Also, the simple cycle part of the Bibiyana II project in Habiganj is producing 210MW on a test run basis and it will start to supply electricity on a commercial basis within a month.

The two developments will take the total power generated by Summit to 1,260MW, making the company the largest power producer in the private sector.

For the Meghnaghat project costing \$319 million, Summit received long-term loans of \$190 million from Standard Chartered, DEG of Germany, FMO of the Netherlands, Opec Fund for Industrial Development of Austria, CDC Group of the UK, OeEB (Development Bank of Austria), Belgian Investment Company for Developing Countries, and Infrastructure Development Company Ltd of Bangladesh.

Summit's equity investment of \$117.6 million in this project also makes it the single largest investor in a project by a local company.

The Bibiyana II 341MW gas-fired power plant, one of the largest independent power projects in Bangladesh, has received financing of \$210 million from International Finance Corporation, Asian Development Bank and Islamic Development Bank.

Summit Industrial and Mercantile Corporation Ltd (SIMCL) owns 80 percent of this project and the rest 20 percent is owned by US conglomerate General Electric.

"Our balance sheet is very strong, helping to attract large amounts of equity investment from external sources," said Khan.

Summit, with more than 25 years of experience, is a group of companies owned by SIMCL. Its investments are diversified across power, energy trading, port, telecoms, hospitality and real estate. The power sector accounts for 70 percent of its net revenue and 85 percent of net profits.

Khan said Summit borrowed from outside as local banks cannot lend a huge sum of money for long periods, despite sitting on huge liquidity.

"We just need to find ways to structure our policies and help the liquidity come to good investors and quality investment, such as in infrastructure."

The government can provide some freedom to local



Ayesha Aziz Khan

companies so they can invest outside the country where opportunities are aplenty, said Khan.

The securities regulators must help all investors, small and large, feel comfortable to invest, she added.

"Because of a lack of a vibrant stockmarket, people are investing in unproductive sectors such as land, property and savings instruments. We don't have adequate opportunities to invest."

Summit would continue to do business in physical infrastructure development, she said.

The company is interested in investing in hydropower projects in Bhutan and bringing electricity to Bangladesh, but to make the plan a reality, agreements have to be signed between Bangladesh, Bhutan and India, as Dhaka would have to use the land in New Delhi to import power from Thimphu, Khan said.

The company also plans to set up coal-based power plants. "Summit is committed to meeting the infrastructural needs of the country."

Bangladesh suffers from infrastructure bottlenecks, but these bottlenecks offer tremendous opportunities to companies willing to invest in infrastructure, Khan said.

"We have scope for investment in the areas of transport, energy and power, healthcare and education. The return is very good in these areas."

Khan said the stockmarket, which has been in the doldrums for the last four-five years, has to be flourished to finance large projects.

"If investors can't borrow money from the capital market, large projects in Bangladesh will either not happen or they will have to go for foreign sources."

The capital market regulators need to think about how to improve the market scenario so local companies can borrow locally, she said. "Besides, big business houses also need to trust the capital market to get the capital."

Summit raised \$600 million from international markets for the power sector in the last five years. "This is an extraordinary achievement for Summit and Bangladesh. But I would have been happier if I could raise \$100 million from the domestic capital market," said Khan.

The country should support local investors the way it supports foreign ones, said Khan, who graduated in economics and business from University College London, UK, and did her master's degree in business administra-

tion from Columbia University, USA.

"We can't give better treatment to foreigners compared to domestic investors. There are specific laws to protect the interest of foreign investors, but there are no such protections for local investors. The country should give me the same encouragement because Bangladesh is the only place where I can invest, as we are not allowed to invest outside the country."

Bangladesh offers the most liberal foreign direct investment regime in South Asia, allowing 100 percent foreign ownership with an unrestricted exit policy, easy remittance of royalties and repatriation of profits and incomes. The country also offers a number of export-oriented industrial zones with infrastructural facilities and logistical support for the foreign investors.

"If local investors are given the same privileges, Bangladeshis would be investing more and more in the country," said Khan.

Money flowing to the country in the form of remittance has to be brought into investment as well, she added. "The beneficiaries of remittance don't have the opportunities to invest their money."

In Bangladesh, 84 percent of remittance is consumed, and only 14 percent is saved, according to the Asian Development Bank.

Like Bangladesh, a lot of Filipinos also live outside the country and send billions of dollars home, Khan said. "But the Philippines created big infrastructure funds for the migrant workers to participate in. They can invest as little as \$100. These funds are used to finance large infrastructure projects, whose profits directly go to the shareholders."

She hopes the government would award more contracts to set up large power projects as the need for power in the country is huge.

"If the government does not award some large power plant projects, there will be a shortage of electricity within the next four years as demand is increasing fast. Then the country will have to go for small power plants to meet the demand."

About 65 percent of the country's population has access to the national grid, even though it produces 7,500MW of electricity on average; the current average production capacity falls far short of its demand for 10,000MW.

Khan said local companies should also be allowed to invest outside the country so they can grow. "Foreign companies are doing good business in Bangladesh and are growing. We can do the same."

"The government can tag conditions that the money to be invested outside and the dividends to be declared have to be brought back to Bangladesh. Companies don't have problems with that."

Under its corporate social responsibility, Summit supports SEID Trust to help them run two schools for autistic children, and Friendship, an NGO, to provide solar power to people living in char lands.



Nobel Laureate for Peace Kailash Satyarthi meets Finance Minister AMA Muhith, at the latter's office at the ministry in Dhaka on Sunday.

Malaysia Airlines cuts 6,000 jobs as new CEO rolls up sleeves

AFP, Kuala Lumpur

MALAYSIA Airlines is "technically bankrupt", its new German CEO said Monday as the carrier slashed 6,000 jobs as part of plans to recover from deadly disasters and a long run of red ink.

Christoph Mueller made public his plans for the troubled flag carrier for the first time since the aviation turnaround specialist was brought in on May 1 to save it from collapse.

They include the thousands of job cuts -- expected but made official on Monday -- a trimmed route network, a revamped brand image and an overhaul of the company's organisation and operations.

Mueller, whose job-cutting stints at Ireland's Aer Lingus and Belgium's Sabena earned him the nickname "The Terminator", said Malaysia Airlines' desperate situation made drastic action unavoidable.

"We are technically bankrupt and that decline of performance started long before the tragic events of 2014," Mueller told reporters, referring to a pair of disasters that rocked the already loss-making airline last year.

"The restructuring process will start today with a hard reset."

Beset by poor management, Malaysia Airlines had struggled for years to remain competitive, posting losses for most of the past five years.

But its two shocking disasters in 2014 were the final straw, pushing the carrier to the brink of collapse.

In March of last year Flight MH370 disappeared with 239 passengers and crew aboard and remains missing. Four months later Flight MH17 was blown out of the sky, killing all 298 aboard, by a suspected ground-to-air missile over Ukraine.

A Malaysian state investment fund took the reeling airline over late last year, later tapping Mueller to take the helm. He is the company's first non-Malaysian CEO.

On Monday the airline said it had issued termination letters to all of its roughly 20,000 employees, followed by new contracts offered to 14,000 of them as it aims to slim down.

Mueller said the 6,000 job losses were necessary as the company suffered from cost burdens 20 percent higher than those sustained by its rivals.

"Darkest moment" for employees -

Under Mueller, 52, the carrier plans to "re-invent" itself beginning from September 1 with a yet-to-be-revealed new brand image and livery as it seeks to shed the stigma of disaster.

Mueller indicated a name change was possible.

"We will test that very diligently with test groups because we have to achieve a perception of a completely new start in certain markets where our brand is particularly tarnished," he said.

S Korea, China formally sign free trade pact

AFP, Seoul

China and South Korea on Monday formally signed a free trade agreement (FTA) that would remove most tariffs between Asia's largest and fourth-largest economies, whose trade is already worth more than \$200 billion.

The pact -- largely agreed in November and signed by the two nations' trade ministers on Monday -- aims to gradually remove tariffs on more than 90 percent of traded goods within 20 years.

China is the South's top trading partner as well as the biggest export market, and two-way trade stood at around \$235.3 billion in 2014, according to state data in Seoul.

South Korea is also one of the biggest foreign investors in China, pumping in some \$1.6 billion in the first quarter of this year.

South Korean President Park Geun-Hye, in a letter to Chinese leader Xi Jinping, called the accord a "historic milestone" that would further cement relations.

"The Korea-China FTA will ... take the bilateral ties that had been built over the years to a whole new level," Park said in the letter delivered to the visiting Chinese trade minister Gao Hucheng.

Pending mandatory parliamentary approval, the FTA will allow small and medium-sized South Korean firms greater access to China's vast consumer market and help create more than 50,000 jobs in the South, Seoul's trade ministry said.

"In particular, exports of consumer goods in fashion, cosmetics, home appliances and high-end food products will increase greatly," it said in a statement.

Chicken prices in India surge to record as heat wave kills millions of birds



A man works on his account book as others unload chickens from a truck at a poultry market in Mumbai, India.

REUTERS, Mumbai

CHICKEN prices in India soared to a record high after a heat wave killed more than 17 million birds in May, as temperatures regularly above 40 degrees Celsius led to mounting casualties among livestock as well as humans.

May and June are typically India's hottest months but this year temperatures have been above normal in some regions partly due to the emergence of an El Nino weather pattern, which in 2009 brought the worst drought in four decades to the country.

The millions of dead birds will be a major blow both for the growing poultry sector in the world's second-most populous country and for local corn producers who were hoping rising feed consumption would soak up their grain supplies.

India has been struggling to export corn after global prices hit five-year lows late last year on record U.S. and South American production. And the outlook has now been further muddled by indications the country's poultry producers may not

consume as much of the grain as previously expected.

"In the last two-three weeks poultry feed demand has fallen nearly 30 percent," said K V Krishna Charan, general manager at feed producer Komaral Feeds and Foods Pvt Ltd.

Prices of corn and soy meal have dropped nearly 4 percent in May due to the weak demand driven by higher bird mortality.

Usually bird mortality rate remains around 2-3 percent during summer, but it rose to 10 percent last month amid the scorching heat, said Prasanna Pedgaonkar, deputy general manager at chicken processor Venky's.

With more than 17 million broiler chickens dying in May - the highest ever deaths per month - wholesale chicken prices in western India jumped to a record 95 rupees (\$1.49) per kg, up 35 percent over a month.

A ban imposed by the western state of Maharashtra on beef also contributed to the rise in chicken prices, offsetting a drop earlier in the year when a bird flu outbreak

pushed down prices to below production costs.

Chicken is set to become more costly as mercury levels continue to rise in June, industry sources said.

Broiler chickens cannot survive if the temperature stays above 45 Celsius for long, said Vasant Kumar, president of the Poultry Breeders Welfare Association of Maharashtra.

Maximum temperature in the southern states Andhra Pradesh and Telangana, which account for a third of India's poultry output, rose above 47 degrees Celsius last week, 3 to 7 degrees above normal, killing more than 2,100 people.

India was expecting monsoons to bring some relief, but the arrival of the June-September rains over the southern coast of Kerala has been delayed. The rains are now expected to reach by June 4, instead of May 30, a weather department official said.

"Temperatures need to go down. Further extension of the heat wave by a week can kill a few more million birds," said Pedgaonkar from Venky's.