

DBL Group to set up \$100m garment factory in Ethiopia

REFAYET ULLAH MIRDHA

DBL Group, a leading apparel exporter, is investing \$100 million to set up a garment factory in Ethiopia, encouraged by duty benefits for exports from the African nation to US markets, a top official of the company said yesterday.

"The new factory will go into production in February next year. We expect to employ 3,500 workers. Of them, 150 will be employed as executives -- all from Bangladesh," the official said.

The integrated textile and garment factory to be built in the Tigray region of Ethiopia will add immense value to the Ethiopian economy and strengthen exports, according to news agency Bernama.

"We are going to Ethiopia as this African nation enjoys zero-duty benefits from the United States on exports. The benefits will continue for a long time as Ethiopia is a member of the least developed countries," the official said.

The US government last year renewed the African Growth and Opportunity Act or AGOA for the African LDCs for the next 10 years to provide zero duty benefits on export.

Bangladesh, despite being an LDC, does not enjoy a duty benefit from the US as the American government suspended its general-



THE GIANT STEP

Total investment: **\$100 m**

Ethiopian Development Bank will give **\$55m at 7% interest**

DBL got **\$15m from Sweden at a 6% rate**

Number of workers at the factory will be **3,500**

Factory management will be led by **Bangladeshis**

DBL will enjoy duty benefit under African Growth and Opportunity Act

Production to begin in February next year

The firm will export to US, Europe and Middle East

ised system of preferences in June 2013. Garment products were not included under the GSP scheme to the US market when it used to enjoy the GSP.

For construction of the factory in Ethiopia, DBL obtained \$15 million in loans from the Swedish government's development fund Swedfund at an interest rate of 6 percent and \$55 million from the Ethiopian Development Bank at nearly 7 percent.

The Ethiopian project is a debt-funded venture of DBL and is not a joint venture.

"We aim to export to the US and European, African and Middle Eastern countries from Ethiopia."

DBL obtained permission for overseas investment from the central bank.

"DBL is a platinum-rated apparel supplier to Swedish retail giant H&M. Our main target is to supply to H&M," the official said.

On the availability of a workforce in Ethiopia, the official said there may be a shortage of skilled workers initially, but after a few years, the number of skilled workers will increase due to training imparted by companies and the government.

"I hope the group would be able to bring back a substantial amount of foreign currency from its Ethiopian operations."

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Gas subsidy in the offing

Food subsidy to rise 50pc to Tk 2,800cr

REJAUL KARIM BYRON

The government plans to set aside funds for gas subsidy in the upcoming fiscal year though it shook off the burden of fuel subsidies amid plummeting oil prices.

An official of the energy ministry said the finance division is likely to allocate Tk 5,000 crore as subsidy for gas in fiscal 2016-17, which was never given before.

The government purchases gas from international oil companies and sells it in the local market at prices lower than the buying prices.

Earlier the government used to waive tax imposed on gas at the time of purchase. But no tax waiver will be available for government organisations or projects as per a new decision.

Rather, the government will maintain a separate fund, and it will give money from the fund, if needed, said the official.

However, at the end of the fiscal year, the government might not need the entire Tk 5,000 crore in gas subsidy, he added.

For the first time, the finance division is not allocating any fund as subsidy for Bangladesh Petroleum Corporation (BPC).

The government had given the state-run agency Tk 800 crore in 2015-16, but later, the fund was withdrawn as it was not required.

Instead, the finance division has asked the BPC to deposit to the state coffer the

profit it has been making for the last two years.

In the last eight years, BPC received more than Tk 42,000 crore from the government as subsidies.

The energy ministry official said BPC, the country's lone oil importer and seller, is likely to make a profit of more than Tk 11,000 crore in fiscal 2016, though the government cut prices of petroleum products last month.

Despite the price adjustment, BPC's production cost will remain much lower than the retail rate. The agency made profit of Tk 4,107 crore in fiscal 2015.

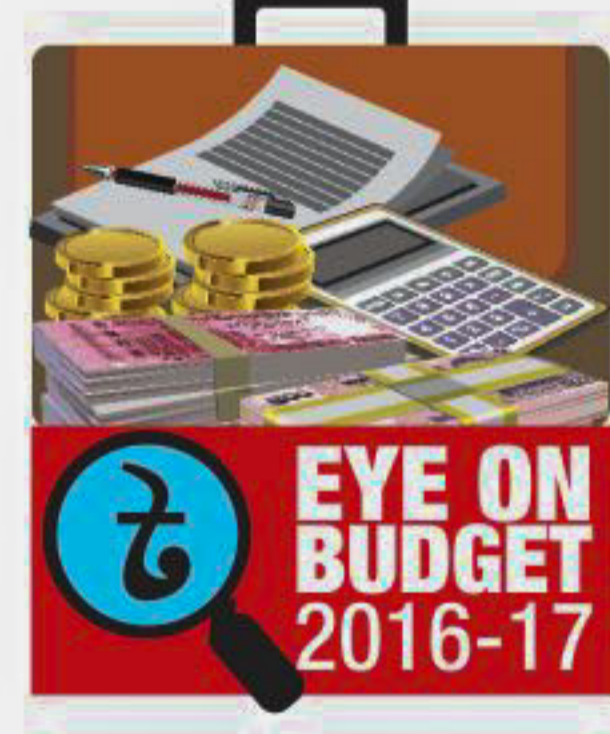
Food subsidy will increase 50 percent to Tk 2,800 crore though prices of staples fell at both international and local markets.

The government will have to increase the food subsidies as it had to cut prices of rice and wheat under its open market sale (OMS) programme twice in the current fiscal year, said a food ministry official.

At the OMS level, the price of rice is Tk 15 a kg and Tk 17 for wheat. The price will remain the same in the next fiscal year. The government's latest rice procurement price is Tk 32 a kg.

The government was forced to cut the OMS rates as the price of rice was lower in the local market. Had the government not cut the prices, the supply of the staple would have been huge.

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BB asks Al-Arafah not to sell stake to foreign investors

SAJJADUR RAHMAN

Bangladesh Bank did not allow Al-Arafah Islami Bank to sell 10 percent of its shares to Saudi-based Islamic Development Bank (IDB).

"We advised Al-Arafah to sell those shares to local parties, if necessary, to increase the bank's capital," said a senior official of the central bank.

The Islamic Corporation for the Development of the Private Sector or ICD, the private sector financing arm of IDB, signed a deal in March to invest about Tk 155 crore to acquire a 10 percent stake in Al-Arafah.

Al-Arafah was supposed to issue around 11 crore fresh shares worth Tk 10 each with a premium of Tk 4 to the ICD, in a bid to raise its capital.

Khaled Al Aboodi, chief executive of ICD, and Badiur Rahman, then chairman of Al-Arafah Islami Bank, had inked the agreement on behalf of their respective organisations.

Accordingly, Al-Arafah applied to the central bank for regulatory approval. After analysing the situation, the central bank suggested that if Al-Arafah needs capital, it should raise it from the local market, not from any foreign organisation.

Habibur Rahman, managing director of

Al-Arafah Islami Bank, also confirmed the central bank's stance.

"If we need to raise our capital, we can do it by issuing fresh shares to local parties," said Rahman, quoting a letter that BB sent to them about 10 days back.

When asked whether IDB was updated on the matter, the managing director said, "Not formally."

"We will place the issue before the board of directors, and the board will decide what to do," said Rahman.

Earlier, the board of Al-Arafah was divided over the issue of selling a 10 percent stake to IDB, particularly on the issue of giving veto power to IDB.

The aggrieved group had also taken the issue to court. A shareholder, Shamim Khaled, filed a writ petition last month, opposing the veto power to IDB.

According to the deal signed between IDB and Al-Arafah, the Saudi-based development bank was allowed to nominate two directors in the bank's board with veto power, which no other directors had.

"Those two directors can no way enjoy veto right... it is unacceptable," an aggrieved director of the bank told The Daily Star, wishing not to be named. He also said they were not aware of the veto right before signing the deal.

Banks still slack on security at ATMs

SAJJADUR RAHMAN

Banks installed anti-skimming devices only on 20 percent of automated teller machines in the last three months since the central bank's order to do so -- to tighten security after fraudulent cash transactions at ATMs.

Bangladesh Bank, in a notice on February 14, asked the banks to install anti-skimming devices and PIN shields in all ATMs within a month.

Bankers said they are still in the procurement stage even though three months have passed.

"Anti-skimming devices are in-built in some ATMs, which have been bought in recent times. In addition, the devices have been set up in 20 percent of all ATMs," said Subhankar Saha, executive director and spokesman for the central bank.

"Progress remains lower than expected."

Banks are taking time in the name of procurement and installation, he added.

There are about 8,000 ATMs in Bangladesh and about 2,000 of those have in-built anti-skimming devices, leaving a majority of the machines still vulnerable to easy fraud, according to industry insiders.

The BB's directive came after fraudulent cash transactions were detected at six ATM booths of three banks in early February, involving 40 cards and a sum of over Tk 25 lakh.

Fraudsters stole the data of at least 2,000 cards by placing skimming devices in those ATMs, according to the BB. But industry insiders said the number would be 4,000-5,000.

Investigators later arrested six persons, including a foreigner and his three accomplices, who



ATM SECURITY

There are about **8,000** ATMs in Bangladesh

About **2,000** of the ATMs have built-in anti-skimming devices

Banks ignore chip technology that is becoming the global standard

About **2 to 3** lakh transactions worth about **Tk 500cr** take place through ATMs a day

were marketing executives of a private bank.

The incidents rattled the banks and their customers, who are increasingly relying on ATMs to withdraw cash.

The recent detection of an illegal cash-out by a Chinese national at an ATM booth of Prime Bank in Dhaka also worried bankers as well as customers.

"You can never stop these frauds. It seems to me that we should go back to the manual system," said Ahmed Kamal Khan Chowdhury, managing director of Prime Bank, the latest victim of card frauds.

A Chinese national was caught red-handed withdrawing money using a forged card from an ATM of Prime Bank on March 18. He was held with Tk 66,000 that he withdrew by using a card issued by a Saudi bank from the ATM booth.

Chowdhury said fraudsters took away around Tk 7.5 lakh on that day from their booths by using forged cards.

The ATM has evolved as an important part of the financial infrastructure for cash withdrawal, since being introduced on a large scale just a decade ago.

While the majority of the automatic tellers do not have simple anti-skimming devices and PIN shields, banks also ignored issuing chip technology that is becoming the global standard for credit card and debit cards. Chip-enabled cards store their data on integrated circuits rather than magnetic stripes.

Industry insiders said some banks have even invested in substandard technology tellers to save money, which puts the system at risk.

Abul Kashem Mohammad Shirin, deputy managing director of Dutch-Bangla Bank, said only the WINCOR brand of ATMs have in-built anti-skimming devices. The NCR brand of ATMs has anti-skimming devices, but buyers have to pay a licence fee to run the device, which many banks did not purchase, he said.

When asked to comment, a senior official of Al-Arafah Islami Bank said: "We have recently placed ads to procure the devices, and installation will take time."

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PHP Float Glass to double production in 2 years

STAFF CORRESPONDENT, Chittagong

PHP Float Glass Industries Ltd, a leading float glass maker, is set to double its production capacity to 300 tonnes a day in two years to meet the growing local demand.

"It will take 12 months to manufacture and import the required machinery," Md Amir Hossain, managing director of PHP Group, said in a press meet in the port city yesterday.

"After that we will start the conversion process, including installation of the additional facilities, which will take 12 more months."

It is a short-term expansion project of the factory, Hossain said as he hoped the Tk 300-crore conversion process would start in the middle of 2017.

The factory now employs 800 people, including executives, engineers and workers, and will be able to employ 700 more after the expansion,



chief of the company said.

As part of its mid-term expansion plan, the group also plans to set up another plant in the next five years, which will be able to produce 600 tonnes of glass a day, Hossain said.

The company aims to be the leader in the glass manufacturing sector in 10 years, he said.

A major portion of the company's produce remained unsold when it started its commercial production in Sitakunda in 2005, he said.

"But things have changed in the last 10 years with the rise in demand of float glass."

"We initially started exporting glass to Nepal, Bhutan and India. But we could not give much concentration to the export due to the increase in local demand."

Ali Hossain and Jahirul Islam, directors of the company, also spoke.

Payment system start-up CloudWell gets \$2m from India

STAR BUSINESS REPORT

Indian venture capital firm Aavishkaar has made its inroads into Bangladesh with an investment of \$2 million into CloudWell Ltd, a Dhaka-based payment systems company.

The investment will accelerate CloudWell's growth and scale up its network, Aavishkaar Frontier Fund said in a statement yesterday.

CloudWell provides agent-based payment solutions to a host of service providers such as telecom operators, mobile financial service providers and other billers under the brand name -- PayWell.

Founded in November 2012, PayWell leverages technology and aims to provide convenient payment solutions to major

business-to-consumer organisations in utility, telecom, financial services, transport, retail and e-commerce in Bangladesh.

By using point-of-sale, mobile apps and web apps available in retail outlets of PayWell, customers can get various payment and transaction services, including airtime top up, utility bill payments, purchase bus or train tickets and do transaction through mobile financial services accounts.

CloudWell has a network of over 5,000 retailers across 34 districts in the country.

Anisul Islam, chairman of CloudWell, said with this investment from Aavishkaar, PayWell will expand its market across Bangladesh with a targeted network of more than 30,000 agents in two years.

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