Pran-RFL sets sights on global domination

SAJJADUR RAHMAN

PRAN-RFL Group, the market leader in the processed food and plastic segments, has now set its sights on becoming a formidable player in the overseas markets too.

"I want to see Pran products in every supermarket in the world," Ahsan Khan Chowdhury, deputy managing director of Pran-RFL Group, said in a recent interview.

If a Swiss food company can become a leader in the world, there is no reason that Pran cannot emulate it, he said.

To fulfil the ambition, the group has planned to expand much faster than ever before.

Dozens of new products -- from frozen foods to sweets, poultry, nuts, toys, long-life cake and plastic -- will be added to the product basket in the next one year.

"We have a target to grow our export by at least 30-40 percent every year. Accordingly, we are exploring new products and markets."

The company's exports, which started off with puffed rice and chanachur several years ago, stood at $184 million (equivalent to Tk 1,443 crore) last fiscal year.

There is another philosophy behind the group's strong push to the export markets.

"We are doing very well in the local market and we don't need to export where the margin is very low. But we are exporting because it helps us learn and become more competitive."

Chowdhury, 46, who joined his father's company 25 years ago, is now leading the group after the death of his father last year.

Yet, like other family-owned businesses in the country, he did not become the managing director and chief executive officer of the group. Rather, he has concentrated more on operations and expansion of the business.

Ahsan Khan Chowdhury

Chowdhury went on to assure bankers and others who are concerned to see Pran-RFL Group's aggressive expansion in the last few years.

"If bankers are concerned, I request them to come and see us and our factories. Then, you (bankers) will understand what Pran is doing."

The reason rapid expansion is taking place is because there is demand in the market, he said, adding that continuous reinvestment has helped Pran to expand rapidly.

The group is also focused on consolidating its position in the growing Bangladesh market by introducing new products.

There is huge business potential in the toy segment in Bangladesh, as it is mostly supplied by imports. "We will make toys at affordable prices in the next one year."

The product range and employment figures will show how the Pran-RFL Group has grown in the last few years.

Now, Pran (food) and RFL (plastic) each has a product line of about 800 items, which were just few dozen of products five years ago.

The group's employee count is 84,000, which is considered the highest in Bangladesh. Six years ago, the number of employees was just 20,000.

Employment has grown at 30 percent a year for the last seven years, and the number will reach 115,000 by next year, Chowdhury said.

"Everything is possible in Bangladesh that has a strong consumer base of over 160 million. The demand is also growing faster. There is nothing to be surprised if Pran grows three times in four to five years."

Chowdhury also touched upon the issue of quality of Pran products, as consumers, both at home and abroad, often raise the matter.

He admits that the overall food quality in Bangladesh is not very good. "We are also not perfect and trying to improve the quality by learning continuously."

He said Pran-RFL Group has been learning from the overseas markets, and consumers have helped them too.

"Many consultants, including foreigners are working on the quality and safety of our food products. Also, new machines are being installed to ensure quality."

Furthermore, Pran is taking help from the International Finance Corporation, USAID and some other donor agencies to develop the quality of the products.

Even short of extremes, Trump protectionism damaging: economists

AFP, Washington

WHILE his advisors have played down some of President-elect Donald Trump's most extreme trade threats as negotiating tactics, economists remain worried about the potential to inflict real damage.

The Republican billionaire has said that on his first day he will label China a currency manipulator, has threatened to pull out of free trade agreements like NAFTA and slap punitive tariffs of up to 45 percent on China and Mexico.

And there is no question the US president has the power to take those actions unilaterally, without the consent of Congress, economists say.

In a campaign season drenched in hyperbolic rhetoric, those protectionist threats have pushed economists to issue truly apocalyptic projections, warning of job losses of four million or more, and a deep and damaging recession in 2018, with negative spillovers to the global economy.

Since his surprise election win November 8, Trump's advisors have suggested his threats were designed simply to push trading partners to agree to a better deal for the US.

Even so, economists say Trump's stance already has done damage, although it is hard to quantify what might happen until he provides specifics.

The Trans-Pacific Partnership, which comprised 12 economies and would have been the biggest US trade deal, is widely considered dead following Trump's election.

US Trade Representative Michael Froman said the deal "is in purgatory."

"We've seen a rise of populism, not just in this country... politics that did not always permit a full debate on the facts," he said at a forum late Monday.

It could be that Trump's threats have worked to some extent, since Canada and Mexico each announced last week that they are willing to sit down with the new administration to reexamine NAFTA.

But not factored in to the Trump team calculation is the reaction of US trading partners to Trump's protectionist policies. Marcus Noland, executive vice president of the Peterson Institute for International Economics, points out about US trading partners: "They've got complaints too" about NAFTA.

Under the rules of the US free trade agreements like NAFTA, the president can pull out simply by notifying the other members. Notification triggers a 180-day clock for new negotiations, but absent a new agreement -- which must be ratified by all member legislatures -- the accord would disappear.

If that occurs, Noland warns that Trump's most famous promise to build a wall may become necessary quickly. As the Mexican economy takes a huge hit from lost trade, many more immigrants may try to come to the United States in search of work.

"That is potentially a very risky move," Noland told AFP. "There is a high degree of trade integration between the US and Mexico. In Texas a lot of people make a lot of money off trade from Mexico, so he could get resistance."

Edward Alden, trade specialist at the Council on Foreign Relations, said it is hard to predict what could happen in hypothetical trade wars, but the uncertainty around Trump policies is concerning, what he calls the "unknown unknowns."

"His goal here is leverage. He doesn't just want to tear up NAFTA, he wants to use the threat to negotiate something better," Alden told AFP. "The problem is we don't know what his vision is of something better."

Part of the reason Trump's protectionist rhetoric resonated with voters is that the US has trade deficits with each of its top three trading partners, Canada, Mexico and China, with China amounting to over $30 billion a month. But China, the economists warn, will react to any US moves, with direct and indirect retaliation.

"China has a long history of tit-for-tat retaliations to any trade restrictions. While the media terribly overuses the specter of a 'trade war' in which countries reciprocally escalate tariffs, that is a real possibility if Trump makes good on his threats," Alden wrote in a recent blog.

The economists say Trump seems to be modeling his trade policy on Ronald Reagan, who sharply cut taxes, deregulated and pushed through enormous increases in spending (in his case on the military, while Trump is focused on infrastructure). This created huge fiscal and trade deficits, which then created a protectionist backlash.

India's gold traders on edge as Modi fights black money

REUTERS

India is the world's second biggest gold buyer, and it is estimated that one-third of its annual demand of up to 1,000 tonnes is paid for in black money.

REUTERS, New Delhi/Bengaluru

SOME Indian gold traders are placing bulk, short-term import orders on fears that Prime Minister Narendra Modi might soon add curbs on overseas purchases of the metal to his withdrawal of high-denomination banknotes in his fight against 'black money', traders and jewellers said.

India is the world's second biggest gold buyer, and it is estimated that one-third of its annual demand of up to 1,000 tonnes is paid for in black money - untaxed funds held in secret by citizens in cash that don't appear in any official accounts.

Modi has said he may not stop at the shock currency move that has led to a massive cash shortage, but has not made clear what his next step would be in his drive to uncover the wealth. That uncertainty is likely to create sharp swings in purchases, affecting world prices.

"We're uncertain about what the government will do next," said Daman Prakash Rathod, a director at MNC Bullion in the southern city of Chennai. "No legal business trader is willing to risk very big quantity. (Some) want to buy 2-3 kgs extra so that in future they could conduct their business for a month or two until the situation is sorted out."

Panicked gold traders and jewellers have circulated messages amongst themselves saying the government could ban import of gold for domestic use from early next year to March, according to several jewellers in New Delhi and Mumbai who have seen the message. India's ongoing wedding season - traditionally a focus for gifting gold - is fuelling the disquiet.

The All India Gems and Jewellery Trade Federation dismissed the messages among traders as a rumour, but some are nevertheless buying extra gold for the wedding season and to see themselves through the next few months, said an official with the India Bullion and Jewellers Association.

A finance ministry spokesman did not immediately respond to a request for comment. One senior official involved with government policy-making on gold said there has been no discussion on import curbs but that supply has gone up through "unofficial channels".

"If you see the premiums, you know that there is demand," the official said, speaking on condition of anonymity.

In domestic markets, jewellers are charging premiums of as high as 50 percent but have not committed to buy any new gold, said several jewellers who declined to be identified.

The cash crunch has badly hit demand in rural areas, which account for two-thirds of total demand. But in the main gold markets of Zaveri Bazaar in Mumbai and Karol Bagh in New Delhi, there are ready buyers of the metal willing to pay in the old bills.

Oil wars: how Kremlin's $13b Indian deal almost fell apart

REUTERS, London/New Delhi/Moscow

A multi-billion-dollar Russian deal to buy Indian refiner Essar was nearly sunk at the eleventh hour by a rival bid from Saudi Arabia as the two oil superpowers vie for supremacy across the world.

The deal between Essar and a consortium led by Kremlin oil giant Rosneft appeared dead in the water two months ago after Saudi state energy firm Aramco weighed in, according to seven Russia, India and Saudi-based industry sources familiar with or involved in the negotiations.

It was salvaged due to the involvement of Russian President Vladimir Putin and Indian Prime Minister Narendra Modi, who were keen for it go through, and after the consortium agreed to pay $13 billion - more than double what Rosneft had initially valued Essar at, sources told Reuters.

This made the refiner the biggest-ever foreign acquisition in India and Russia's largest outbound deal.

The tussle for Essar -- a state-of-the-art plant in the world's fastest-growing fuel market -- illustrates the growing battle for oil markets between Russia and Saudi Arabia, the world's two largest crude exporters.

It also sheds light on the challenges OPEC member Saudi Arabia and non-OPEC Russia - which are also fighting a proxy conflict in Syria's civil war - will face in trying to clinch a global agreement to limit output growth to prop up oil prices.

The full details of how the Essar deal was struck remain unclear. Two industry sources said it was rescued thanks to the involvement of Putin and Modi while three other sources said Rosneft had simply outbid Saudi Aramco.

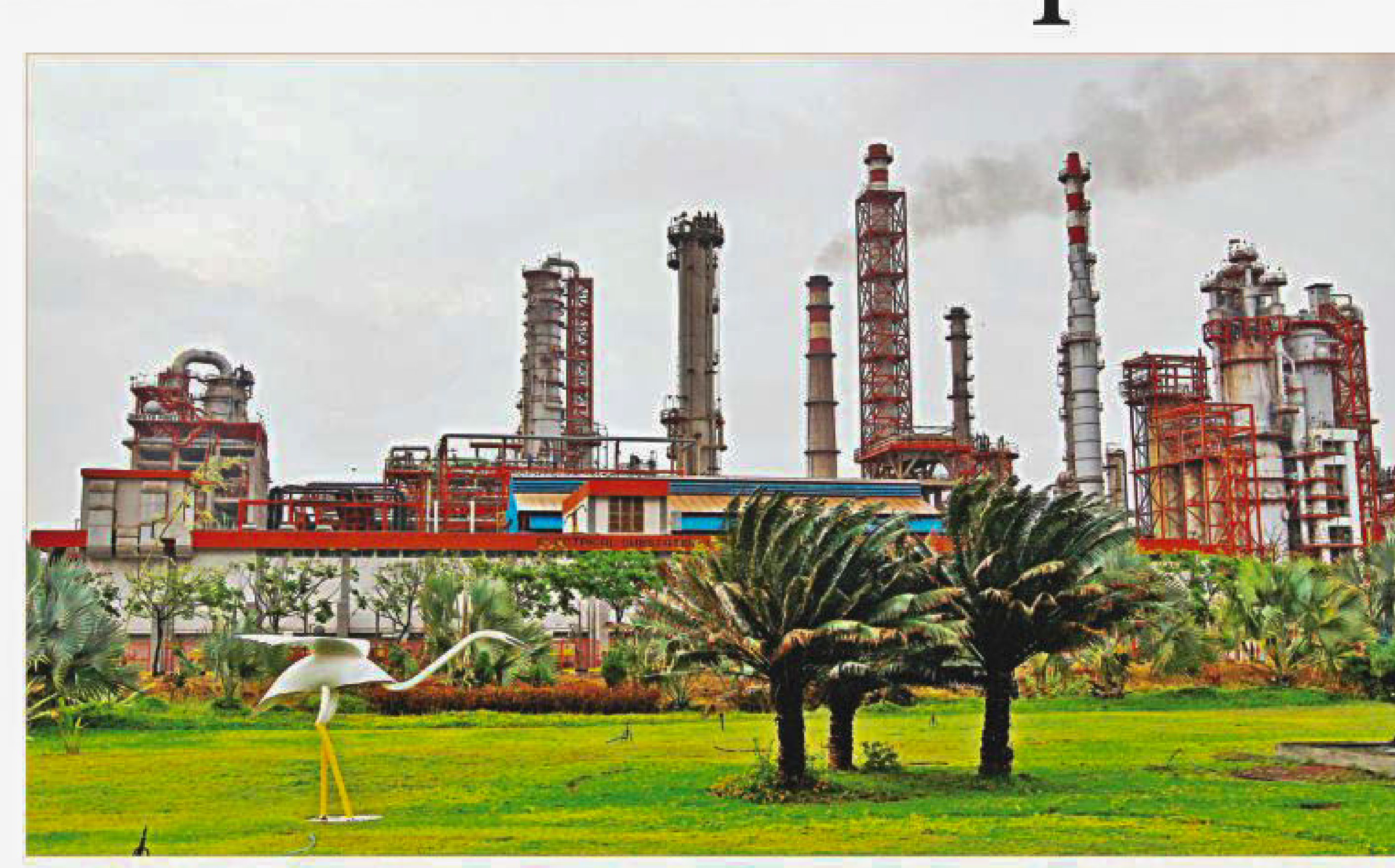
Officials in Modi's office declined to comment while Putin's spokesman Dmitry Peskov denied there was any Kremlin intervention in the deal.

"Naturally, we defend the interests of our companies. Of course we lobby for them, especially on such large deals," said Peskov, but added that in the case of Essar "there were no orders from the Kremlin".

"It was a corporate decision by Rosneft to gain synergies via cooperation with India," he said. Rosneft and Saudi Aramco declined to comment.

Essar said it had held discussions with several potential buyers but had gone with the Rosneft consortium because their offer was considered the most attractive. It denied there was any intervention from Putin or Modi.

Rosneft boss Igor Sechin is keen to buy refining assets around the world to guarantee outlets for Russian oil. He had been negotiating since 2014 to buy 49 percent of Essar from its owners, Indian brothers Ravi and Shashi Ruia, and the two parties had been in exclusive talks since July 2015 when a preliminary deal was signed.



REUTERS

An oil refinery of Essar Oil, which runs India's second biggest private sector refinery, is pictured in Vadinar in the western state of Gujarat, India.

While the exact amount Rosneft was prepared to offer for the stake at that stage is unclear, Russian and Indian industry sources said it valued the whole of Essar at about $5.7 billion.

However it became apparent that there were problems with the deal in early September, when Sechin travelled to India to meet the Ruia brothers, flying from Hangzhou, China, where he had been part of Putin's G20 summit delegation.

Sechin walked into the meeting with the Ruia brothers soon after landing in India at 1 a.m., determined to close the deal, according to sources briefed on the discussions.

As the meeting started, one of the brothers told Sechin the deal process had been going on for too long, the exclusivity period had expired in July and Essar was now talking to other parties. Those other parties included Saudi Aramco, he said.

According to the sources familiar with how the meeting unfolded, Sechin responded by saying that if Essar walked away from the deal it risked losing Rosneft financial and oil-supply support. The Ruia brothers then said the talks with Rosneft were over and called an abrupt end to the meeting.

"People started leaving the room, embarrassed," one of the sources said. Another source said the Essar management had drafted a statement to say the deal with Rosneft was off.

Rosneft and Essar declined to comment on what transpired at the meeting, or on whether such a statement had been drafted. Sechin and the Ruia brothers could not be reached for comment.

Three Saudi-based sources familiar with details of talks between Essar and Saudi Aramco said the firm was seriously considering buying Essar. One of the sources said Aramco was prepared to pay up to $9 billion for all or most of the refiner.

Aramco declined to comment on whether it had made a bid. In the end, however, the Rosneft-Essar deal proved to be too big to fail.

For India, a deal collapse or a delay because of talks with another party would set back Modi's drive to clean up India's $140 billion mountain of bad debt given Essar's multi-billion-dollar debts to local and foreign banks after years of rapid expansion.

For Russia, the deal in the huge Indian market represented an important milestone in building a global oil empire despite Western sanctions imposed on Russia over its actions in Ukraine.

Facing the Saudi competition, Rosneft formed a consortium that bought 98 per cent of the refiner plus a fuel terminal for $13 billion. The Kremlin oil firm bought 49 percent - below the 50 percent level that would have fallen foul of Western sanctions - with Swiss trading house Trafigura and Russian private investment group UCP buying the other 49 percent.