Laugfs Gas to invest $120m in Bangladesh in four years

Md Fazlur Rahman

LAUGFS Gas Bangladesh Ltd, a leading liquefied petroleum gas supplier, will invest $120 million in Bangladesh in the next four years to expand its footprint and meet the growing energy demand, said the chairman of its parent company.

Since starting its journey in the country in 2015, the Colombo-based company has invested $40 million.

"We have almost $120 million in the pipeline for investing in Bangladesh within next four to five years," said WKH Wegapitiya, chairman of Laugfs Holdings Ltd, in an interview with The Daily Star in Colombo recently.

Laugfs Holdings Ltd acquired 69 percent share of Petredec Elpiji Ltd two years ago in its first overseas venture. Last year, it acquired the remaining share from Elpigi Sd Bhd Malaysia.

The company operates LPG import, bottling and distribution facilities at Mongla port having storage capacity of 1,800 tonnes now. The company is in the process of extending the capacity.

The company's own LPG carrier vessel, Gas Courage, will be parking for the first time at Mongla port in the first week of March which would increase the storage capacity to over 3,800 tonnes. In addition, the company is preparing to set up multiple satellite filling stations in different parts of the country to boost the storage capacity.

It distributes over 50,000 tonnes of LPG per year. Last year, the total LPG consumption in Bangladesh was 350,000 tonnes, which gave Laugfs Gas Bangladesh over 13 percent of market share in the country.

Wegapitiya said LPG consumption in Bangladesh is very negligible compared to most of other Asian countries.

Only 2 percent population has access to LPG as urban households, industries and automobiles largely depend on natural gas. But with the fast-depleting gas reserves the country is looking for alternatives such as LPG.

Wegapitiya estimates the annual LPG consumption can go up to 2 million tonnes or even more within five years to a decade.

WKH Wegapitiya

Thilak De Silva

However, LPG infrastructure has to be put in place to pave the way for the expected growth. The LPG infrastructure requires time and heavy investment.

Laugfs Holdings is setting up an LPG plant in Hambantota in the south of Sri Lanka at a cost of $80 million. Once commissioned in April 2018, it will be the largest regional energy hub.

"The region is starving for LPG. So, the Hambantota project will be a game-changer in the region's LPG market," said Wegapitiya.

The entrepreneur said Laugfs Gas has an advantage of being located in the centre of the Indian Ocean, positioned to serve the markets of India, Bangladesh, Myanmar and other countries in Asia.

"These markets would be competitively catered from Sri Lanka, and as a result, you will have very competitive LPG prices."

There are already a number of LPG operators in the local retail market. More companies are also planning to enter the market. More than 80 percent of the demand is met by imports.

Wegapitiya said the estimated annual consumption of 2 million tonnes is sufficient to provide good business for all the LPG players in Bangladesh.

He said all players will have to work together to help the industry grow. They will have to put in place good industrial practices, modern technologies and associations. Otherwise, it will ruin the market growth.

The Hambantota plant will help bring LPG to Bangladesh within three days and a half.

Laugfs Holdings is the largest solar power producer in Sri Lanka. The company is also in talks with a Bangladeshi company for a venture in solar power. "We are seriously looking at the issue. But nothing has been finalised yet," he said.

Thilak De Silva, group managing director, said the company has a lot of plans for Bangladesh.

"We are going to be a very formidable player in Bangladesh by working with the people of the country."

Silva said the Hambantota project will have huge impact on LPG industry in South Asia. "We will be rapidly expanding in the years to come."

At present Bangladesh's LPG supplies are coming from either Singapore or Dubai. As a result, the freight cost is high. The Hambantota project will reduce the freight cost drastically as well as bring down the time it takes to supply the LPG in the region.

Silva said since Laugfs Gas's entry into Bangladesh there has been drastic drop in freight cost: before the company entered the market the freight charge was $170 to $200 per tonne but the company managed to bring it down to $110-$100 per tonne.

The Hambantota operation will bring it below $100 per tonne.

The reduced freight charges will benefit the Bangladeshi retail market, consumers and LPG operators. As a result, there will be huge change in LPG prices in the time to come, said Silva.

The company plans to set up a world-class cylinder manufacturing plant in Mongla to supply safe cylinders to customers.

The company has 40 superstores in Sri Lanka and plans to roll out similar superstores in Bangladesh as well.

Laugfs Group's Chairman Wegapitiya said they have taken Bangladesh seriously as the country has provided the Sri Lankan firm first international experience.

"Bangladesh's experience is very encouraging for us to go to other regional markets. We are very comfortable in Bangladesh and looking forward to make more investment in different sectors."

The company has also introduced auto gas (LP gas for automobiles) in Bangladesh and has service stations in Khulna, Jessore, Rajshahi, Rangpur and Dhaka.

The journey of the company began in 1995 after it set up the first auto gas vehicle conversion business. Since then the company has diversified into many industries with pioneering enterprises.

It introduced the first 24-hour supermarket in the country in 2000, the first Sri Lankan lubricants brand in 2008, and the first local company to set up a lubricant plant in 2015.

Today it has expanded over 20 industries across power and energy, manufacturing, supermarkets, tea, beverages, restaurants, ecommerce, air quality testing system, logistics and real estate.

It employs more than 5,000 people. The group's annual turnover stood at $400 million in the last fiscal year of 2015-16 which ended in June.

China overtakes US as Germany's top trade partner

AFP, *Frankfurt Am Main*

China overtook the United States last year to become Germany's biggest trading partner for the first time, official data showed, a shift likely to reassure Berlin as worries grow over US President Donald Trump's protectionist leanings.

The figures compiled by federal statistics office Destatis and seen by AFP on Friday showed that the total volume of trade between China and Germany climbed by four percent to just under 170 billion euros ($180 billion) in 2016.

France remained Germany's second largest trading partner while the US slipped from first to third place, as bilateral trade contracted by five percent to 165 billion euros.

The development comes as German firms and the government brace for a protectionist backlash under Trump, who has pledged to rip up free trade deals and threatened to slap punitive tariffs on German carmakers.

Berlin has struck back at Trump's complaints of an "unfair" trade imbalance with Germany, with Vice Chancellor Sigmar Gabriel memorably retorting that the US should "build better cars" if it feared German competition.

But analysts cautioned against reading too much into the latest trade rankings, pointing out that the change was mainly down to strong demand for imports from China.

The US meanwhile remained by far the biggest buyer of German goods, with exports totalling nearly 107 billion euros in 2016.

Imports from the US to Germany on the other hand amounted to just 58 billion euros.

By contrast, Germany imported 94 billion euros worth of goods from China, compared to exports of 76 billion euros, although this was a seven-percent increase on the year before.

"As long as the title of biggest trading partner is mostly determined by imports, it doesn't take away fears that protectionist measures under Trump could hurt the German economy," analyst Carsten Brzeski from ING-Diba bank told AFP.

While Gabriel has urged Germany to respond to the challenges posed by Trump by building closer trade ties with other countries, particularly in Asia, Brzeski said this was easier said than done.

"If things get tougher under Trump, companies will look at external destinations but no other countries right now have the same size and purchasing power as the US," the economist said. "It will not be that easy."

The US only became Germany's most important trading partner in 2015, snatching the title from France which had held it from 1975 until 2014.