



From left, Md Nurul Islam, president of American Chamber of Commerce in Bangladesh (AmCham); Kazi M Aminul Islam, executive chairman of Bangladesh Investment Development Authority; Nihad Kabir, president of Metropolitan Chamber of Commerce and Industry, Dhaka, and Aftab ul Islam, former president of AmCham, attend the monthly luncheon meeting of AmCham at the Westin Dhaka hotel yesterday.

# FDI flow still slow despite policy support: AmCham

STAR BUSINESS REPORT

BDI is not getting foreign direct investment at an expected level although the government has taken different initiatives to give easy access to such funds, analysts said yesterday.

They spoke at a dialogue on foreign direct investment and development of Bangladesh, at the monthly luncheon meeting of American Chamber of Commerce in Bangladesh (AmCham), at the Westin Dhaka hotel.

The government agencies do not have a good relationship with the foreign investors, said Aftab ul Islam, former president of the chamber. Sometimes the government agencies harass the foreigners, who actually represent their countries in Bangladesh, he said.

There are very easy rules and regulations for the foreign companies to withdraw investment from Bangladesh, but the reality is different, he said. The exit of Chevron from Bangladesh is going to be the first instance of withdrawing investment from the country, Islam said.

But according to media reports, they are facing difficulties in leaving the market, he said.

Among all tax rates, the corporate tax rate is

the highest in Bangladesh and it is 42.50 percent for banks, he said.

India has introduced a flat corporate tax rate of 30 percent and the government has pledged to reduce it further to 25 percent in the next three years, Islam said.

"Although 72 percent of the lawmakers are businesspeople in Bangladesh, I have never heard them of talking about FDI, remittance and technology neutrality issues."

Expected amount of investments are not coming to the country, although the government has taken a number of initiatives to boost private sector investment and formed Bangladesh Investment Development Authority (BIDA) nine months ago, said Md Nurul Islam, AmCham president.

The private sector investment accounts for 23 percent of the country's gross domestic product, which has also failed to meet the expectations, he said.

Nihad Kabir, president of Metropolitan Chamber of Commerce and Industry, said the tendency to bring repeated changes to the regulatory policies is one of the major problems in Bangladesh.

The policies are sometimes changed in

between 9-10 months of their formation, which makes the foreign investors nervous, she said. The country also suffers from a perception problem as well, she added.

The foreign firms could not yet think of Bangladesh as an industrial economy, Nihad said.

"Rather, they think of the country as an agriculture-based economy although the country's dependency on agriculture has declined. On the other hand, contribution of the manufacturing and service sectors has increased significantly."

At present, the country has a mere \$2 billion in FDI, it should be double or even triple, said Kazi M Aminul Islam, executive chairman of BIDA.

On government initiatives, he said the cabinet has already approved the One-Stop Service Act and it would hopefully be enacted in the next parliament session.

Enactment of the act would help investors get a series of services by submitting just one application, he said.

"One thing is missing and that is a strong collaboration among the stakeholders to overcome the problem."

# Evolving with enterprise applications

ARIJIT CHAKRABORTI

COMPANIES in Bangladesh have been familiar with enterprise resource planning (ERP) for about two decades. ERP is business process management software that provides an organisation with a system of integrated applications to manage the business and automate functions. As companies began to embark on the journey towards implementing IT systems, ERP first entered as business jargon and later began to be adopted as a system.

With the world's large ERP system makers starting to focus on Bangladesh, businesses in Bangladesh have started developing in-depth awareness of their products. More importantly, companies in Bangladesh have started developing common minimum expectations from an ERP system. All IT applications are not enterprise applications. And all IT applications are not ERP. Business leaders today understand this difference and they are asking the right questions. This has also helped in maturing the expectations from such applications.

If we look at the leading companies of Bangladesh today, all of them have one enterprise application running. Some of them have also implemented more than one enterprise application to cater to their specialised needs. These companies are steadily learning to realise maximum benefits from these enterprise applications—either by transforming their business processes or by customising the systems to fit their existing business processes.

The experience of these companies for the first three to six months after the implementation has usually been painful. The implementation started with a lot of hype, which in turn led to many expectations. As the implementation neared completion, reality started to sink in. In theory, everybody appreciated the need for change management and the need to be trained. However, in reality, there was a lack of rigour and the stakeholders continued to have conflicting interests.

With the passage of time, employees developed a level of comfort with the use of enterprise applications to accomplish their tasks. At the same time, their efficiency improved. Some of the functions still continued to work in the old way till they received adequate attention from senior management.

Companies that had led change management successfully also started realising

the benefits quickly. For example, the finance function of quite a few companies realised that they could complete their book closure every month.

Moreover, this could be accomplished with less effort and high accuracy. Progressive finance professionals did not delay highlighting these achievements to their leadership and the senior management appreciated that. Such developments led to the emergence of a new set of professionals who are skilled and experienced in managing their functions using enterprise applications.

Companies that are slow in realising the benefits are going to lose out not just on business benefits but also on talent. Professionals with experience in using enterprise applications are less likely to choose an employer with no enterprise application in place. We will also see the emergence of a group of leading professionals who will champion the implementation of enterprise applications. In fact, such instances can already be noted.

Global opportunities have also been instrumental in facilitating the quick adoption of enterprise applications. Many successful companies in Bangladesh are now expanding their operations overseas. Some of them are also attracting foreign investors.

Thus, there is a need for globally recognised enterprise applications for international regulatory reporting and investor reporting. Companies that have started living with an enterprise application are going to find themselves in an advantageous position while pursuing such global opportunities.

The leading companies in Bangladesh have been striding forward. Many of them have started adopting multiple enterprise applications. Many companies are busy building their business intelligence platforms after successful implementation of an ERP. A few of them have adopted a specialised technology solution for customer relationship management, information discovery and data analysis. These initiatives confirm that enterprises are realising benefits from their ERP implementation, and the senior management understands the role of enterprise applications in the growth of their organisations. With the emergence of more opportunities, there will be more such successful journeys.

The writer is an executive director at PwC. The views expressed here are personal.



Harsh Vardhan Shringla, Indian high commissioner in Dhaka, speaks at the 12th annual general meeting of International Business Forum of Bangladesh at Sonargaon hotel in the capital yesterday. Abdul Matlub Ahmad, the immediate past president of the Federation of Bangladesh Chambers of Commerce and Industry, was also present.

# Indian yogi shows power of local consumer kings

AN Indian yogi is demonstrating the power of local consumer champions. Baba Ramdev, a saffron-robed tycoon, says his company, Patanjali Ayurved, doubled sales last year to more than \$1.6 billion, making it bigger than the local arms of Colgate and GlaxoSmithKline. His multinational rivals barely grew at all over the same period, as a shock move to scrap bank notes disrupted everyday life. Patanjali's powerful pull underscores a new trend of emerging market consumers attracted to national champions.

The secret of the group's success is complex. Ramdev, the public face and co-founder of the brand, rose to prominence on television practising breathing exercises and his related business has since grown by word-of-mouth. A special report by Reuters, published on May 23, shows the maker of ayurvedic toothpaste and edible oils, founded in 2006, has also received big discounts on land acquisitions in states controlled by the ruling Bharatiya Janata Party in the three years since Prime Minister Narendra Modi came to power. Neither the prime minister's office nor Patanjali responded to Reuters questions on the land sales, which were lawful.

Patanjali might now be worth \$9 billion, based on the valuation multiple of almost 6 times sales for its biggest rival, Hindustan Unilever. Margins for the privately held group look healthy for the year to March 2014, the most recent accounts available. Tax breaks have also helped parts of the empire.

Ramdev has tapped into two trends. The first is the rise of nationalism in India, as seen elsewhere in the world. A recent Credit Suisse survey points to case studies from China to Brazil showing local brands in sportswear to pharmaceutical products remaining popular even as consumers become wealthier and aspirations rise. In the past, consumers would have ditched them for international rivals.

A second trend is the move to "naturals", or products made with herbs and other earthly ingredients. These now account for around one-quarter of the toothpaste market, with Patanjali alone claiming 14 percent. That has forced established players like Colgate to introduce things like clove toothpaste. Credit Suisse reckons Patanjali could make similar inroads into areas like juice and biscuits, resulting in more pain for multinationals. The yoga tycoon may further contort the Indian consumer market.

# M&S posts slump in annual net profit

Marks and Spencer posted a 71-percent slump in annual net profits on Wednesday, hit by vast restructuring costs and sliding clothing sales, the British retail giant said Wednesday.

Net profits dived to £117.1 million (\$152 million, 135 million euros) in the group's financial year to April 1, M&S said in a statement. That compared with profit after taxation of £406.9 million a year earlier.

Underlying pre-tax profits sank 10.3 percent to £613.8 million.

Total sales grew two percent to £10.622 billion, but faltered in its clothing and home furnishings division.

# War on sugar takes toll; Asia, Brazil struggle to make up shortfall

REUTERS, London/New York

THE "war on sugar" being waged by governments and consumers to combat public health emergencies like diabetes is slowing growth in global demand, which along with other factors could signal a fundamental shift in consumption ahead.

Consumption may grow at its slowest pace in seven years in 2017/18, according to analyst group Platts Kingsman. It forecasts a rise of 1.04 percent, nearly half the average growth of about 2 percent per year over the last decade.

"Consumption is generally stagnating in developed countries," Tom McNeill, director at commodity analyst group Green Pool, told Reuters.

Falling consumption in more health-conscious markets has been exacerbated by higher prices and the use of alternatives like high-fructose corn syrup in developing countries that might otherwise have made up the shortfall.

Combined with weaker demand from food and beverage makers globally, this could represent a "step-change lower" - or a fundamental shift - in global consumption, according to Tropical Research Services.

"So, it may be that the real long-term 'trend' rate of global sugar demand growth has changed and is now lower," the group said in a May 7 report. At least 17 countries and a number of US cities have added an extra tax on sweetened beverages. Another 11 nations are implementing or considering similar levies.

Many are going further: France has coupled a tax with measures like banning vending machines in schools. Chile last year introduced black stop-sign warning labels on foods high in sugar, salt and fat.

Mexico is another example. With one in three adults in the country affected by obesity, the country slapped a levy on sweetened soft drinks in 2014.

Although the impact on health will take years to assess, early data shows consumption of soft drinks in



A worker checks the flow of sugar inside the Gandavi sugar factory, India.

Mexico has fallen by 12 percent since the tax was introduced.

"There is an increasing understanding for the need to control intake of free sugars, in public policy and in culture in general," said Francesco Branca, director of nutrition for health and development at the World Health Organization.

"With obesity and diabetes very quickly spreading, they are trying to do something about it early on."

The slowing pace of growth globally is adding to worries the world sugar market is headed for a surplus in 2017/18, after two consecutive deficits. It could also curtail ambitious plans by the European Union to sharply boost output in 2017/18 in an effort to again become a net exporter, after it ends subsidies and caps on exports in October.

High-income countries like Norway and Canada are already seeing a decline in sugar consumption, Euromonitor figures shows. Now the appetites of developing markets, whose rapid population growth was expected to drive future growth, also appear to be waning.

Sugar sales in India, the world's biggest consumer, are set to fall by roughly 1 million tonnes this season, the Indian Sugar Mills Association (ISMA) estimates, due to higher

domestic prices and a cash crunch that followed last year's demonetisation of high-value bank notes.

The government's decision earlier this year to abolish a sugar subsidy for poor families also dented consumption.

ISMA expects consumption to rebound next year as production in the country normalises and domestic prices come down, but analysts say long-term growth remains uncertain as the government mulls higher taxes and stricter labelling on sugary foods.

"If India also jumps on the bandwagon with such a levy, as the world's biggest sugar consumer, this could be felt in global growth," said Stefan Uhlenbrock, senior analyst at F.O. Licht.

Sugar demand also seems to be stagnating in China, the second biggest consuming country, as cheaper sweeteners like high-fructose corn syrup (HFCS) grow in popularity.

Chinese beet and cane farmers rely on state support to offset steep production costs. Imports, meanwhile, are subject to hefty duties meant to protect the industry, with an additional tariff introduced just this week.

As a result, domestic sugar prices are around double those on the world market. This, coupled with an abundance of cheap corn, has made HFCS highly competitive.