



BUSINESS

DHAKA SUNDAY JULY 9, 2017, ASHAR 25, 1424 BS

Rising production costs bite into profits

SAJJADUR RAHMAN

Manufacturing and operating costs of industries -- be it steel, cement, ceramics or pharmaceuticals -- have increased significantly this year, eating into businesses' profit margin.

If the trend continues, it will hamper investment and much-needed job creation in the country, industrialists and an analyst said.

The Daily Star analysed the first quarter data of 10 companies listed on the Dhaka Stock Exchange and found that eight saw a significant increase in their manufacturing and operating expenses from a year earlier.

Only two companies were able to keep their manufacturing costs in check.

Non-listed companies also witnessed the same situation, businesses said.

The prices of raw materials, oil and energy have shot up significantly, all of which have pushed up manufacturing and operating costs in recent months, said Masud Khan, an adviser of LafargeHolcim Cement, whose operating expenses jumped 11.1 percent in the first quarter of 2017.

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For instance, clinker, a raw material for cement, which sold at \$36 a tonne a year ago, is now selling at \$42, he said.

The prices of other raw materials used for producing cement, such as calcium carbonate, silica, alumina and iron ore, are also increasing.

The government raised gas price in September 2015, and twice this year -- by about 23 percent on both the occasions.

In September 2015, the power tariff was raised 26.29 percent on average at the consumer level, according to the Bangladesh Energy Regulatory Commission.

"The short-term impact would be the shrinking of profit margin. But the long-term impact will be much more serious."

New investments and job creation will be affected for the spiral in production cost, said Khan, who earlier worked with Lafarge as its chief financial officer.

"Our production cost has increased exactly to the tune of the energy price hike," said Luthful Bari, executive director of Meghna Group that manufactures bicycle, tyre and parts, all of which are energy intensive.

AB Bank in leadership vacuum

JEBUN NESA ALO

AB Bank has run into a leadership vacuum after its managing director and chief financial officer were among the 16 accused of embezzling Tk 383 crore from the bank by the Anti-Corruption Commission.

Following the filing of the corruption case on June 28, Moshiur Rahman Chowdhury, managing director of AB Bank, and Mahadev Sarker Sumon, chief financial officer and company secretary, have stopped coming to office.

Ten other senior and mid-level officials who were accused in the case are also not attending office. As a result, many vital internal matters have remained pending, including loan disbursement. The Daily Star tried to get in touch with Chowdhury but his mobile phone remained switched off.

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Policy drafted to discourage tobacco farming

SOHEL PARVEZ

The government has drafted a tobacco cultivation control policy that seeks to bar companies from encouraging farmers to grow the health hazardous crop.

The Tobacco Cultivation Control Policy 2017 drafted by the health and family welfare ministry also wants to restrict companies to provide tobacco growers with subsidies, loans or other supports.

It aims to bar cultivation of tobacco on public lands, particularly the leased-out lands.

"Tobacco cultivation does not contribute to the national development," said the draft policy.

The government aims to rein in tobacco production as it wrecks havoc on public health and the economy.

Smoking kills nearly one lakh people every year in Bangladesh.

It alone causes an estimated economic loss of Tk 16,000 crore per year, equivalent to about 1.4 percent of gross domestic product, according to the World Health Organisation.

"We want to finalise the policy as soon as possible," said a senior official

TOBACCO CULTIVATION AREA AND PRODUCTION

■ AREA (IN ACRES) ■ PRODUCTION (IN TONNES)

SOURCE: BBS



of the health ministry.

The draft policy stresses restriction on plantation and processing of tobacco products within 500 yards of homesteads, and its cultivation within 150 yards of the slopes of rivers, canals and lakes.

The use of wood to process tobacco will also be restricted to prevent environmental degradation.

The policy also aims to increase production of food crops by freeing farmlands from tobacco cultivation, which rose to a 29-year high of 1.27 lakh acres in 2014-15.

Tobacco was cultivated on 1.15

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Shahjalal Bank director wants to sell holdings violating rules

STAR BUSINESS REPORT

Mohammed Younus, a director of Shahjalal Islami Bank, gave a newspaper advertisement to sell his holdings and directorship in the bank violating securities laws.

Directors of listed companies must give announcement on the Dhaka Stock Exchange (DSE) website if they want to sell their shares since it is price sensitive news, according to the rules of the Bangladesh Securities and Exchange Commission (BSEC), the stockmarket regulator.

But Younus did not make any such announcement on the website of Dhaka bourse. Rather, he offered to sell his shares through a media advertisement.

He even did not disclose his name in the advertisement and offered interested buyers to contact with him through an e-mail.

Younus did not respond to mobile phone calls or messages from The Daily Star yesterday.

The board of the bank felt embarrassment about the issue as the director has not informed it about his planned sale of shares, said a senior executive of Shahjalal Islami Bank.

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India calls for raising cross-border trade

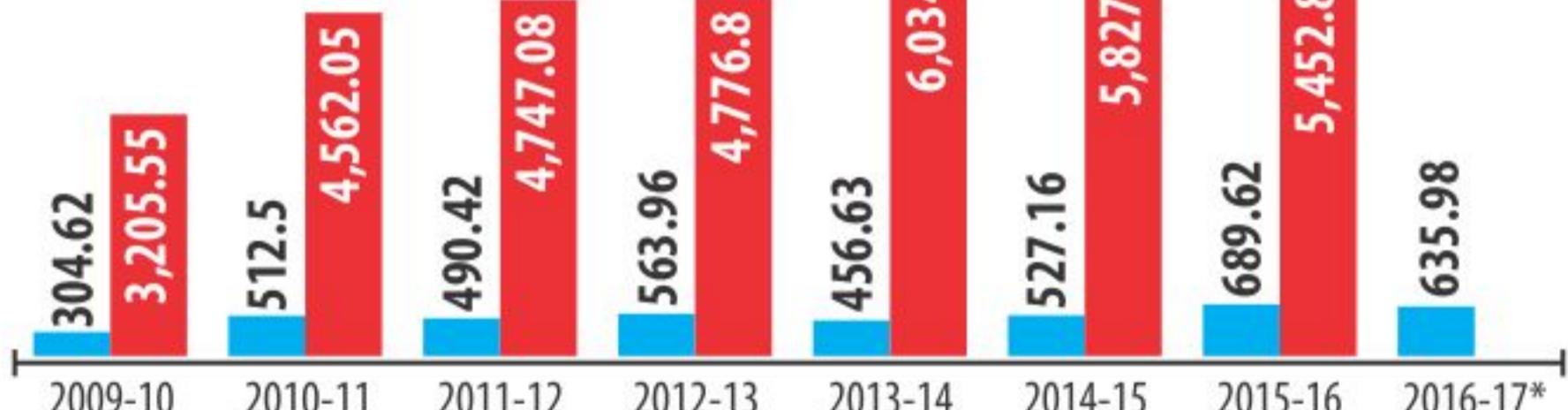
BANGLADESH's TRADE WITH INDIA

in millions of \$

* Jul-May; import figure not available

■ EXPORT ■ IMPORT

SOURCE: FBCCI



STAR BUSINESS REPORT

The Indian envoy in Bangladesh yesterday urged the business community to increase the volume of cross-border commerce to minimise the trade gap between the two countries.

The Federation of Bangladesh Chambers of Commerce and Industry, the Indian ministry of commerce and the Indian Chamber of Commerce jointly organised the conference at the capital's Sonargaon Hotel.

Bangladesh has quite a large market in India, especially in the northeastern parts, for many of its products such as bricks, cement, processed food and food products, agro-based products, toiletries and cosmetics, said Industries Minister Amir Hossain Amu.

Over the years, the agribusiness sector in Bangladesh has improved its processing facilities. Bangladeshi agricultural products such as fruits, vegetables and spices have huge untapped potential, Amu said.

India's exports to Bangladesh increased from \$1 billion in fiscal 2001-02 to about \$6 billion in fiscal 2016-17, and according to rough estimates another \$3 billion worth of goods are brought in informally, the minister said.

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day conference of the two countries' business community. A total of 51 Indian traders, importers, exporters, producers and processors are in Dhaka to explore business potential in Bangladesh.

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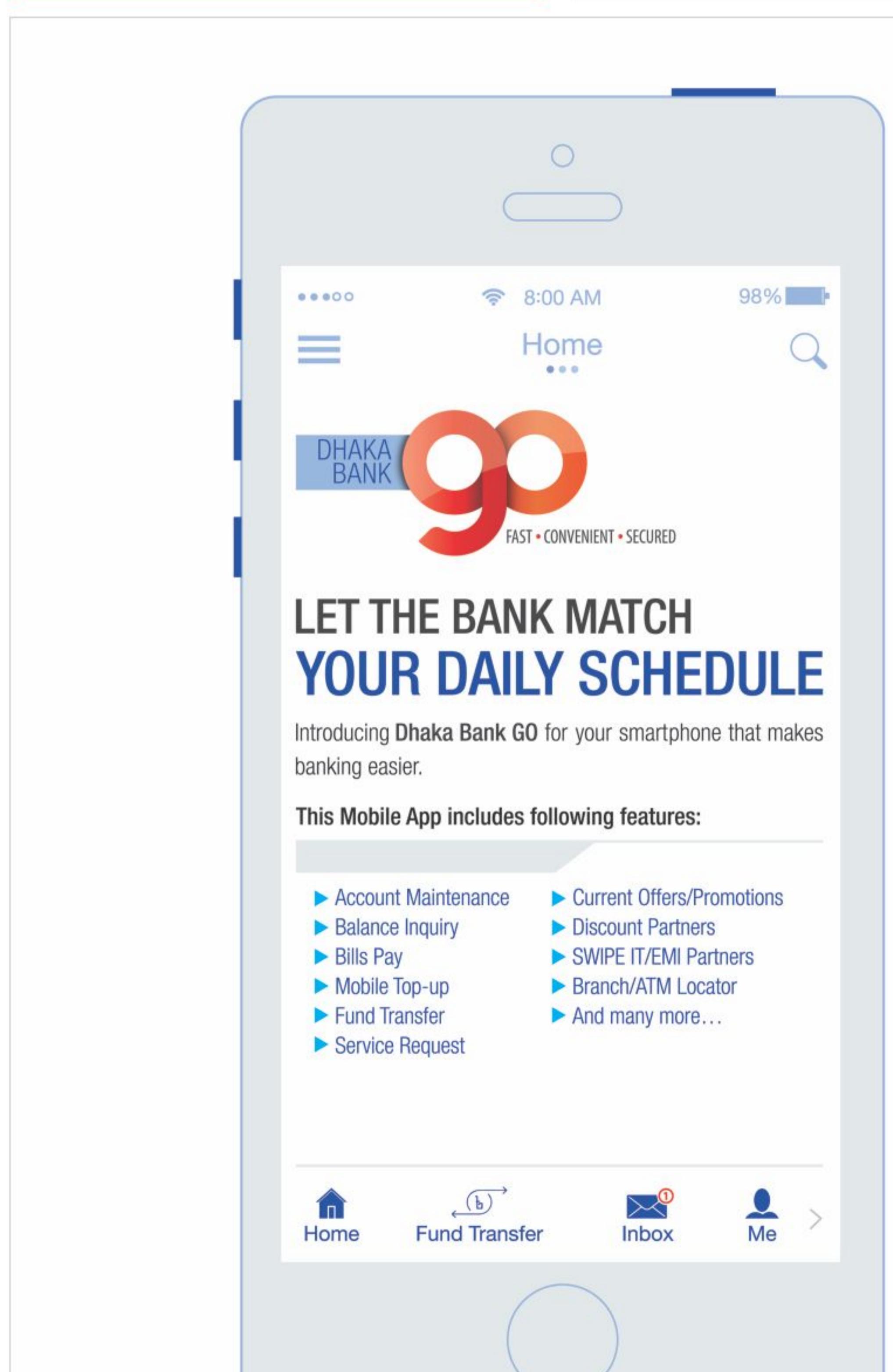
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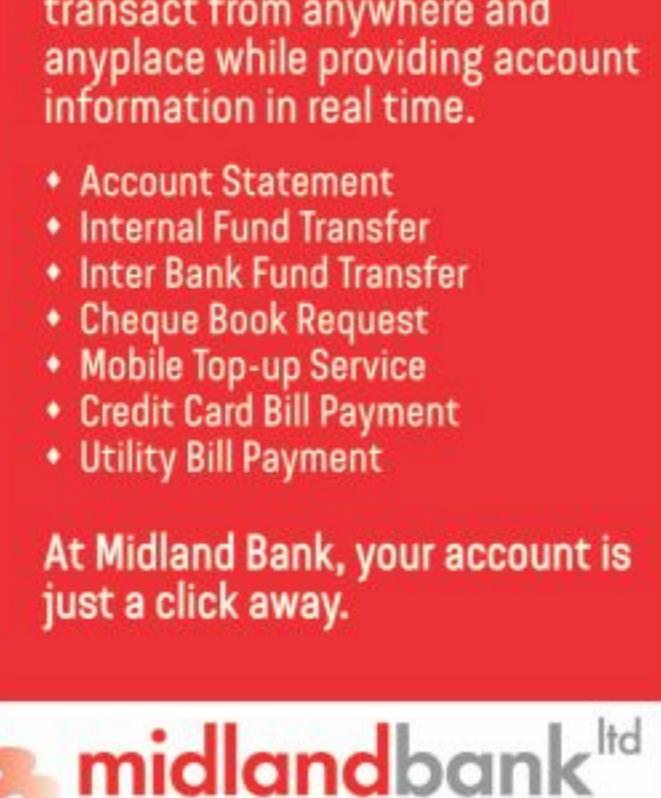
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