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Star BUSINESS

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A new horizon opens for pharma ingredient makers

Govt drafting policy to attract players

REJAUUL KARIM BYRON and MD FAZLUR RAHMAN

The government plans to offer a host of incentives to encourage local manufacturing of raw materials for the pharmaceutical sector with a view to boosting exports and lowering the cost for domestic consumers.

Bangladesh largely relies on imports for raw materials in the absence of local active pharmaceutical ingredients (API): about 95 percent of the Tk 5,000 crore worth of raw materials needed by the pharmaceutical sector are brought in from abroad.

Besides, the raw materials, which are mostly imported from China, South Korea and India, are not always of the requisite quality.

A dedicated backward linkage will not only enable the medicine manufacturers to produce world-class products at reduced prices but will also allow local consumers to buy high-quality medicines at lower prices.

Subsequently, the commerce ministry has drafted a proposed policy, which may be presented at today's

DRAFT API POLICY OFFERS

- Tax-holiday until 2032
- Waiver on VAT and VAT deduction at source
- 20pc cash incentive
- 12-year tenure for term loans for factories, equipment
- Export retention 40pc
- Back-to-back letters of credit facility
- No single borrower cap
- Priority in getting land in industrial parks, economic zones

meeting of the cabinet committee on economic affairs for initial approval. "The pharmaceutical sector cannot sustain on imported raw materials,"

said the commerce ministry in the National API and Laboratory Reagents Manufacturing and Exports Policy.

As per the proposal, the government will give unconditional tax-holiday to all API and laboratory reagents producers, both local and joint ventures, for five years from fiscal 2016-17 to fiscal 2021-22.

If a producer can manufacture at least five molecules every year it would get 100 percent tax holiday from fiscal 2021-22 through to December 31, 2032.

Firms that will produce at least three molecules will be entitled to a 75 percent tax holiday. Waiver on advance income tax and tax deduction at source will also be offered.

Because of the excessive reliance on imported raw materials the industry is vulnerable to external shocks, according to a last year report of LR Global, an asset management firm.

According to the draft policy, value-added tax and VAT deduction at source will be waived on purchase and sales of locally made API, laboratory reagents, all raw materials, immovable assets

Farmers Bank will be saved

Muhith says

STAR BUSINESS REPORT

Depositors of troubled Farmers Bank can now breathe a sigh of relief after Finance Minister AMA Muhith yesterday said the precarious bank will be saved at any cost.

"A bank will not fold in our term. However mischievous it may be, we want to fix it," he said at the dividend giving ceremony of the Investment Corporation of Bangladesh held at his secretariat office.

The ICB and four state-owned banks will invest about Tk 715 crore in Farmers Bank as their capital upon the insistence of the government and the Bangladesh Bank.

Asked about the World Bank's scepticism over the 7.65 percent growth estimate put forward by the Bangladesh Bureau of Statistics for this year, Muhith said the WB, the International Monetary Fund and the Asian Development Bank raise questions about the preliminary estimate every year.

"But later, they come to accept the BBS estimate." While the preliminary estimate is 7.65 percent, Muhith is sticking to the budget's projection of 7.3 percent.

"However, I think it will not be less than 7.5 percent."

Brighter days await ceramics

New entrepreneurs are coming with funds



BY THE NUMBERS

- 20 new entrepreneurs are getting ready to invest in the sector
- Demand for ceramics is increasing 20 percent on an average every year
- The sector's market size is Tk 29,000cr
- The sector meets 80pc of the local demand
- Bangladesh now holds 0.14pc of the global ceramics export market

JAGARAN CHAKMA

The spiralling growth of the ceramics industry is encouraging entrepreneurs to invest more in the sector, experts said.

Twenty new entrepreneurs are getting ready to enter the sector, said Shirajul Islam Mollah, president of the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA).

Local ceramics makers are also planning to expand their business in the field, he said.

China-Bangla Ceramic Industries Ltd, which started production in 2009, plans to invest Tk 200 crore to increase production capacity, said Mollah, who is also the managing director of the company.

Islami Bank Bangladesh is providing finance to set up the second unit of the joint venture between Bangladesh and China that was incorporated in 2001, he said.

China-Bangla currently employs 750 people and the new factory will need 800 more, said Mollah, also a lawmaker.

The new unit will annually produce 3.60 lakh square feet of tiles, he said.

The demand for ceramics in Bangladesh is increasing by 20 percent on an average every year, according to data from the BCMEA.

The sector, with a market size of around Tk 29,000 crore, has experienced a 200 percent growth in production in the last 10 years, and Bangladesh now holds 0.14 percent of the global export market, it said.

The sector caters to 80 percent of the local demand, Mollah said.

Ceramic makers in Bangladesh mainly produce three items: tiles, tableware and sanitaryware, he said.

Presently there are 62 ceramic manufacturers in Bangladesh. Of them, 20 produce tableware, 25 tiles and 16 sanitaryware.

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Stock taxes to be consistent: NBR

STAR BUSINESS REPORT

The National Board of Revenue will focus on bringing consistency among the tax measures related to the stockmarket, NBR Chairman Md Mosharrar Hossain Bhuiyan said yesterday.

The tax administrator will also consider making the corporate tax rate attractive for listed companies, he said at a pre-budget discussion.

The NBR organised the event at its headquarters to get views from economists and accounting experts as part of its regular exercise for the framing of fiscal measures for 2018-19.

"There should be consistency in the policies related to the stockmarket. This will help curb sudden ups and downs in the market," said Bhuiyan.

The comments came in response to recommendations for avoiding frequent changes in tax measures for the stockmarket and to cut the corporate tax for listed companies.

The gap in corporate taxes for listed and non-listed companies should be wider to lure more firms into going public, said Abu Ahmed, honorary professor of the Department of Economics at Dhaka University.

At present, non-listed companies pay 35 percent corporate tax when listed ones pay 25 percent.

Ahmed proposed lowering the tax for listed companies to 20 percent.

"Good firms will feel encouraged to be listed with the stock exchanges. They will be able to declare higher dividends benefitting the shareholders. Besides, they will be more transparent in disclosure."

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Yarn production to rise 2.67pc: USDA

REFAYET ULLAH MIRDHA

Yarn production is set to expand 2.67 percent to 7.70 lakh tonnes this fiscal year on the back of rising garment exports, according to a report from the United States Department of Agriculture.

But the Bangladesh Textile Mills Association says the amount of yarn produced in the country is much higher at 13.50 lakh tonnes a year.

"In our estimate, yarn production in Bangladesh is much higher as cotton import has been on the rise over the last several years thanks to higher demand from garment manufacturers," its Secretary Monsoor Ahmed said.

The total demand for yarn is more than 21 lakh tonnes. Of the amount, nearly 30 percent is imported, mainly from India, China, Vietnam and Pakistan.

Cotton import in Bangladesh has been increasing between 20 and 25 percent over the last few years, he said.

Last fiscal year, Bangladesh imported nearly 70 lakh bales [480 pounds make a bale], Ahmed said, adding that the quantity will increase 25 percent this year.

Bangladesh's 430 spinners can supply nearly 90 percent of the demand for yarn from the knitwear sector and 35 percent from the woven sector.

AT A GLANCE

- Yarn production would be 7.70 lakh tonnes this fiscal year, USDA says
- Total annual demand for yarn is more than 21 lakh tonnes
- Of the amount, nearly 30 percent is imported, mainly from India, China, Vietnam and Pakistan
- In fiscal 2017-18, yarn and fabric consumption is expected to rise to 1.13 million tonnes and 7.4 billion metres, according to USDA

As a result, Bangladeshi woven garment manufacturers import fabrics worth more than \$6 billion from countries like China, India, Vietnam and Pakistan.

Raw cotton consumption is projected to increase to 6.7 million bales in fiscal 2017-18 on stronger sales of garment and other value-added products in domestic and foreign markets as well, said the USDA

report published in November last year.

In fiscal 2016-17, raw cotton consumption was 6.3 million bales, the report said.

The USDA report said, in fiscal 2017-18 yarn and fabric consumption is expected to rise to 1.13 million tonnes and 7.4 billion metres on strong international demand for clothing due to population growth, urbanisation and disposable income growth.

Demand for quality cloth has also increased in domestic markets as wages and living standards are on the rise.

The retail market size of clothing in Bangladesh is nearly \$8 billion a year, according to industry insiders.

Gradual development of the upstream supply chain, including spinning, dyeing, finishing, weaving and printing, creates more demand for cotton to meet required supply to the garment industry, the USDA report said.

Siddiqui Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association, said: "It's normal. Our exports are rising. Since the government is giving LNG supply, so many more factories will come into operation and the yarn production will also grow."

Fazlul Hoque, managing director of Plummy Fashions Ltd, a Narayanganj-based green garment factory, said both yarn production and consumption will continue to grow as the country's garment export has been rising every year. Yarn consumption at his factory has been growing at more than 10 percent year-on-year as his knitwear export is also increasing.

Still, there is a gap of 10-15 percent in supply and demand of yarn in the local knitwear sector, Hoque said.

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WB gives \$515m for power, insurance projects

STAR BUSINESS REPORT

The World Bank has committed to providing \$515 million through two projects, one helping to expand electricity transmission networks and another to improve insurance coverage.

The two deals were signed at Economic Relations Division (ERD) in the capital's Sher-e-Bangla Nagar yesterday.

Mahmuda Begum, additional secretary to the ERD, and Qimiao Fan, WB country director for Bangladesh, Bhutan and Nepal, represented the two sides.

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Slight step-up in banks' IT security: BIBM

STAR BUSINESS REPORT

The banking sector's cybersecurity measures hardly saw any reinforcements despite being struck by one of the biggest cyber heists in history two years ago, displaying the stakeholders' casual attitude towards the rapidly emerging threat.

As many as 68 percent of the banks do not have any IT governance framework, while 78 percent do not have a data leakage prevention system, found a survey conducted by the Bangladesh Institute of Bank Management.

Eight percent of the banks have still not initiated the implementation of IT governance, while 60 percent have but they do not have a definitive completion date.

A lack of understanding on IT governance among the top managers and directors is responsible for the poor implementation record of IT

security, said the paper titled 'IT Operations of Banks'.

Shihab Uddin Khan, associate professor of the BIBM, presented the paper at a workshop at the BIBM auditorium. Abu Hena Mohd Raze Hassan, deputy governor of the Bangladesh Bank, was present.

Banks should give proper attention to the matter, it said.

The survey found that 60 percent of the banks had updated their cybersecurity policy in 2017, in contrast to 73 percent in 2016.

However, training for cybersecurity awareness increased as banks realised that IT training is vital for their survival.

Last year, banks trained 97 percent of the employees, up from 84 percent the previous year, according to the survey.

IT investment last year increased 13.49 percent to Tk 2,035 crore.

Of the sum, 36.5 percent went towards procuring hardware.

Higher IT investment will reduce the cost of business, said Abul Kashem Md Shirin, managing director of Dutch-Bangla Bank, while citing his bank as an example.

Dutch-Bangla's cost of fund has been the lowest among banks as it maintains low-cost deposit accounts.

People are more interested in keeping money in savings and current accounts, which cost banks less because of IT facilities, Shirin added.

Banks are still reluctant to spend more for training purposes, said Helal Ahmed Chowdhury, former managing director of Pubali Bank, while sharing his managerial experience.

The banking sector lacks in-house IT audit.

"Banks still float international tenders for IT auditing," said Chowdhury, also a supernumerary professor of the BIBM.

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EXPERIENCE REQUIREMENTS

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ADDITIONAL REQUIREMENTS

- Age maximum 55 (fifty five) years as on April 26, 2018.

Candidates possessing the requisite skills and qualifications should feel free to apply online through www.bjjobs.com or send CV along with a passport size photograph to "Head of Human Resources, NRB Bank Ltd., Corporate Head Office, Simple Tree - Anarkali, 89 Gulshan Avenue, Gulshan - 1, Dhaka, Bangladesh within April 26, 2018.

Only shortlisted candidates will be called for interview. NRB Bank reserves the right to accept or reject any application without assigning any reason whatsoever.