Pran-RFL: the ideal bank borrower

The business giant never defaulted on loans, its CEO tells The Daily Star

STAR BUSINESS REPORT

PRAN-RFL Group has never defaulted on any of its loans even despite borrowing thousands of crores of taka from banks to run its massive operations -- a remarkable feat in a country where default culture is becoming deep-rooted.

"Our principle is to return the debt on time," said Ahsan Khan Chowdhury, chairman and chief executive of Pran-RFL Group, which has about Tk 10,000 crore in bank loans.

Chowdhury's comments came in a freewheeling interview recently with The Daily Star, during which he shared his plans for the pioneering food exporter, which has recognised with the coveted National Export Trophy for 14 years in a row.

The 48-year-old, who succeeded his father Amjad Khan Chowdhury following his death in 2015, dreams of taking Pran to the global stage in a big way.

And neighbouring India can be one of the biggest markets for Pran. "We dream of selling 10 times more in India than in Bangladesh."

Other than India, the company has set its sights on Australia and the Netherlands, where it would make its full-fledged entry under local names and not the Pran brand.

But for going global, capital account convertibility is crucial, which is a no-go for the Bangladesh Bank as of now.

Capital account convertibility allows the freedom to convert local financial assets into foreign financial assets and vice versa. It includes easy and unrestricted flow of capital for all purposes.

"We must set up a factory abroad if we want to be a global company."

There are some companies in Bangladesh -- particularly 4-5 pharmaceuticals -- that are world-class, according to Chowdhury.

"Our local companies can make very good products. If they are allowed to set up factories abroad, their footprint will expand."

Chowdhury also shed light on why big Bangladeshi business giants, such as Pran-RFL, do not raise money from the capital market.

"Doing business with other's money is a risky thing. If I can't give dividend to shareholders, it will be tensed."

He also stressed on the growing need for working capital, both in local and foreign currencies.

But he lamented not getting the capital in foreign currency due to the central bank's embargo.

Ahsan Khan Chowdhury

"When your business has grown, you need a lot of working capital. But the Bangladesh Bank doesn't allow foreign currency working capital," he said, adding that their competing companies in Indonesia, Vietnam and Malaysia get low-cost foreign funding.

"We have to think big to become big."

The journey for Pran-RFL began in 1981 when his father Amjad Khan Chowdhury entered the world of business after retiring from army.

Since its inception in 1981 as a manufacturer of light engineering products, PRAN-RFL Group has diversified into many areas.

PRAN-RFL GROUP IN NUMBERS

- Established in **1981**
- Companies: **25**
- Locations of factories: **13**
- Employment: **100,000**
- Sales turnover in 2017: Tk **6,000** crore
- Exports in 2017-18: $**330** million (Tk **2,772**cr)
- Export to India: Average Tk **50** crore a month

Now, the group has 25 companies in areas such as plastic products, processed foods, garments, dairy, bicycle, furniture, cable and electronics. It has set up factories in 13 locations in the country.

Its combined sales turnover was about Tk 6,000 crore last year and it may rise 30 percent to Tk 8,000 crore at the end of 2018. The company employs about 100,000 people.

Over the years, quality food products bearing the Pran brand have not only been savoured by consumers in Bangladesh but also exported to more than 140 countries. Its export crossed the $300 million-mark last fiscal year.

But this success did not come easily, he said, while remembering his father's struggle.

"Pran has taken all the low-cost financing facilities of the government. In fact, Pran Dairy is the creation of the government's matching grant."

The company also took funds from the Entrepreneurship Equity Fund provided by the Bangladesh Bank.

The businessman also talked about quality, especially in food products.

"When you are selling millions of pieces, one can go wrong. We don't say we are perfect, even the best companies in the world make mistakes," Chowdhury said, while acknowledging their limitations.

He also stressed on the importance of developing a distribution channel for making businesses successful.

"We understand the distribution channel very well. But if we want to go abroad, we prefer local channel to our own," he said.

Developing a thriving ecosystem for start-ups

ERESH OMAR JAMAL

DURING a national dialogue to foster the start-up ecosystem in Bangladesh, nine start-ups consisting of two members each were given a unique opportunity to present their business ideas in front of top corporates on September 7. Prior to that, the teams received assistance and mentoring for two days to polish their ideas before their final presentation.

The project, presented by Youth CoLab and Youtopia. Bangla, led jointly by UNDP and Citi Foundation, is a "key initiative which has been introduced in 18 countries throughout the world", according to Ke Linka Lin, national dialogue coordinator, UNDP's Bangkok regional hub.

And, because of its success, it is now being extended to even more countries, including Bangladesh.

For a country like ours, where nearly a third of the population is between the ages of 18-35 (numbering 60 million by 2020), this is particularly exciting.

Bangladesh is soon set to become a middle-income country after several years of consistent economic growth, which means investing in start-ups and small business enterprises now becomes even more crucial.

Thus, a great way of combining the two together is to encourage young people to become entrepreneurs, as that would be a great way of ensuring that we maximise the benefits of our current demographic dividend.

This is where UNDP, along with its partners, have teamed up to act as an accelerator behind accelerators to try and empower young people to start their own businesses. But, for young people, starting a business is not an easy task by any means, especially in Bangladesh.

Despite today's youth being more educated and proficient with technology than previous generations, financial constraints remain a major barrier for them to start their own business.

Getting the necessary financing from banks become especially difficult because of their demand for collateral which many young people do not have readily available. What then is the alternative?

Well, as this project demonstrated, getting start-ups to pitch their ideas to corporations, who can then finance their projects is one innovative way of circumventing the problem of financing.

Not only does this help start-ups find alternative investment sources, but it also helps established corporations overcome some of their rigidity and invest in potentially great business ideas that can change society for the better.

Given that it is often difficult for start-ups to get their ideas to the market, interacting with well established businesses, on the other hand, can help young entrepreneurs overcome some of the common problems that they face such as finding the right direction for their ideas, sustainability and the scaling up of their business later on.

But what value can start-ups bring to society, in exchange?

As Tina Jabeen, deputy project director for ICT innovation at Startup Bangladesh, explained during the discussions, Bangladesh is targeting to become a developing country by 2021.

For the past few years it has been enjoying a 7-plus percent GDP growth. However, "in order to sustain we need to have minimum 8 percent GDP and that is not easy."

This is why start-ups are so important, as they "can bring a lot of employment with more innovative businesses which would require technical knowledge".

Moreover, "in order to enjoy 8 percent GDP we need $20-25 billion foreign investment in Bangladesh". And start-ups are perfectly aligned to attract the increased investment that is necessary, as in today's world, it is much easier to attract investors through companies that are tech-driven.

Therefore, although the start-up ecosystem in Bangladesh is currently in its infancy, more focus should be shifted towards it so that the economy can reap the benefits from it in the long-run.

In that regard, it is important to understand that there are more barriers to setting up a new business than financing alone.

Young people in Bangladesh are often discouraged from taking the risk of starting their own business, and are encouraged to settle for something that seems to be a safer bet. Because of familial and other kinds of pressure, they are prevented from pursuing their dream of starting a new business.

However, as Wahid Hossain, founder and CEO of Tiger Bow, explained, start-ups need training and guidelines, besides other kinds of support.

The government alone cannot provide these supports.

And, along with that, society at large too must be made aware of the benefits that start-ups can provide to our economy. Once that has been achieved, developing a thriving ecosystem for start-ups can proceed much faster, generating much greater profits for our nation in the years ahead.

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UNDP

Participants and organisers of a competition for start-ups, organised by UNDP and Citi Foundation, pose at the prize giving ceremony at Bangabandhu International Conference Centre in Dhaka on September 7.

Alibaba's Ma calls trade war 'stupidest thing in the world'

AFP, *Shanghai*

The US-China trade war is the "stupidest thing in the world," Alibaba e-commerce tycoon Jack Ma declared at an import fair that China opened Monday partly to counter foreign criticism of its trade policies.

Ma, who recently took back an earlier pledge to create a million jobs in the US -- blaming the trade war launched by Donald Trump -- made the comments in a panel discussion at the massive expo in Shanghai. "(The) trade war is the most stupidest thing in this world," the Alibaba founder said, without mentioning Trump by name.

"Trade is to form ... peace. Trade is to communicate...nobody can stop free trade."

President Xi Jinping opened the China International Import Expo earlier Monday with a vague pledge to widen access to his country's economy, as Beijing faces growing impatience from trading partners.

But he also delivered a veiled rebuke to Trumpism, decrying "protectionism", "isolationism" and "the law of the jungle".

Ma, the billionaire owner of China's largest online shopping portal, made the headline-grabbing job-creation promise to Trump last year, when Beijing was still courting the then-newly elected president.

But Ma told official news agency Xinhua in September that the trade war had "destroyed the premise the promise was made on."

Anger over the trade surpluses that China enjoys has triggered growing foreign criticism and the worsening commercial conflict with Washington, which has seen both sides impose punitive tariffs on hundreds of billions of dollars worth of goods.

Beijing has touted the first annual import expo as a sign of its willingness to take in more imports and thereby reduce the surpluses.

Ma, who announced in September that he would step aside in a year's time to focus on philanthropy, said China's plans to remake itself as an importing nation would provoke resistance from vested interests.

"For my understanding, it's the greatest challenge for China. It's a great opportunity for the world," he said. The shift will "fundamentally change ... the whole infrastructure of business and (the) ecosystem. It's going to be a huge pain to a lot of businesses, but it's also going to be a good opportunity for a lot of consumers."

Rich Asians crazy about securing wealth spark family office boom in HK, Singapore

REUTERS, *Hong Kong*

RICH Chinese and other Asians are increasingly seeking more control of their wealth, driving a rapid rise in the number of so-called family offices, or private investment vehicles, being set up in Hong Kong and Singapore.

As the wealthy target greater investment diversification and as business owners hand over the reins to successors, family offices are sprouting in the Asian financial hubs, taking advantage of incentives such as tax breaks and residency being offered.

The family office is a relatively new concept in Asia, with less than 500 such entities, compared to thousands in the West. There is no precise number available, given the private ownership structure and secrecy around these businesses.

They offer a one-stop solution to managing the wealth of the rich, including investments, charitable giving, taxation and wealth transfer. Staffed by bankers, fund managers, lawyers and tax practitioners, some even provide overseas private schooling and travel arrangements as add-on services.

The rich are favouring family offices as they get personalised attention and are able to have a bigger say in their wealth management.

"This year the activity for setting up family offices is definitely more," said Lee Wong, Swiss private bank Lombard Odier Asia's head of family services. "The growth of family offices in Asia should continue on its current trajectory."

Asia Pacific had 814 billionaires at end-2017, accounting for 38 percent of the global billionaire population, with China minting two new billionaires every week, a report by UBS and PwC said last month.

That momentum was aided by the boom in Hong Kong for initial public offerings which saw a record $27.7 billion raised in the first nine months of 2017 mostly by Chinese tech firms, turning many founders into millionaires and billionaires.

Six private bankers on average estimated the number of new family offices in Asia had risen 15 percent in the first three quarters of this year over the year-ago period. This could pick up pace with a worldwide wealth transition of $3.4 trillion expected over the next two decades, as per the UBS/PwC report.

Asian family offices are evolving from being just investment focused to offering a platform for dispute resolution and succession planning, as the new generation in the family-owned businesses expand into newer areas, bankers said.

Buoyed by the growth prospects, private bank units of global firms including Citigroup, Credit Suisse, HSBC, and UBS are looking to expand family office services, headhunters and bankers said.

Stephen Campbell, chairman of the global family office group at Citi Private Bank, which serves over 1,500 family offices globally, said the bank had seen "dramatic growth" in the number of its clients, including in Asia.

India govt says some shadow lenders face liquidity stress

REUTERS, *New Delhi*

A top Indian government official on Monday said the nation's non-banking housing finance companies were facing liquidity stress, in comments that are likely to put more pressure on the Indian central bank to ease its policy towards the sector.

The intervention by Corporate Affairs Secretary Injeti Srinivas came after Finance Minister Arun Jaitley and other government officials raised the issue of a liquidity crunch at a meeting with Reserve Bank of India's (RBI) Governor Urjit Patel and other regulators last week.

The government has asked the RBI for a dedicated liquidity window for these lenders similar to one allowed for the entire Indian financial sector during the 2008-2009 global financial crisis.

But so far, the central bank has not agreed to the request, as it fears that such an accommodation to those who haven't been prudent with their lending will only encourage reckless behavior.

Currently, the shadow banking sector comprising around 11,400 firms with a combined balance-sheet worth over 22 trillion rupees ($301.26 billion) face central bank's restrictions on borrowings from banks, keeping provisions for the safety of depositors. The government and the RBI are currently at loggerheads over a series of issues, including control of its reserves, its power over the payments system, and monetary policy.

"The segment of housing finance within the NBFC (Non banking finance companies) sector is facing stress of liquidity," Srinivas told reporters on Monday, adding the government was trying to address the issue.

The sector needs to reassess how it operates, he said noting there was a need to adopt a sustainable model which could minimize the mismatch between their borrowing and lending.