

Saudis to discuss multi-billion dollar investment

STAR BUSINESS REPORT

A large Saudi delegation, including two senior ministers, will arrive in Dhaka tomorrow to hold discussions on multi-billion dollar investment proposals in Bangladesh.

"Some agreements and MoUs will be signed between the countries during the visit," Kazi M Aminul Islam, executive chairman of Bangladesh Investment Development Authority (BIDA), told The Daily Star.

In the first phase of the meeting, Saudi investment in different government projects will be discussed, he added.

Abdullah HM Al-Mutairi, Saudi ambassador to Bangladesh, yesterday met Finance Minister AHM Mustafa Kamal.

At the meeting, the minister said 2,000 acres of land have already been allocated for Saudi investors.

Investors can use the land as per their requirements, he added.

Highlighting the potentials of Bangladesh's economy, the finance minis-

ter said the growth is expected to accelerate to 8.25 percent this fiscal year, up from 7.86 percent last fiscal year.

Saudi Arabia plans to invest several billion dollars in more than 30 projects in Bangladesh, including setting up an aircraft repair and maintenance facility in Lalmonirhat.

The plan is part of Saudi efforts to boost bilateral and economic ties between the countries, said government officials in Dhaka.

In January, Golam Moshir, Bangladesh Ambassador to Saudi Arabia, sent the Bangladesh foreign ministry a list of projects in which Saudi entrepreneurs have shown interest.

Around 30 to 35 projects are expected to come up for discussion when the Saudi delegation comes to Bangladesh, said the Bida official.

The Bida officials said the oil-rich kingdom wanted to invest in commercially viable projects in Bangladesh, targeting oil and gas, fertiliser, cement, power plants, solar energy, and physical infrastructures.

China plans to cut highest VAT rate by 3 percentage points

REUTERS, Beijing

China plans to cut the value-added tax (VAT) rate that covers the manufacturing sector by 3 percentage points, Bloomberg reported on Monday, citing a source familiar with the matter. The cut could be announced as soon as this week, the unnamed source was quoted as saying.

Premier Li Keqiang is due to deliver his work report at the annual meeting of parliament starting on Tuesday. In the report, the government will outline its targets for the economy, as well as its policy direction.

China has said it will pursue a more proactive fiscal policy this year as the world's second-largest economy further slows. Policy insiders previously said they expect the government to cut the VAT, which ranges from 6 percent for the services sector to 16 percent for manufacturers.



BANK ASIA

Khondkar Ibrahim Khaled, former deputy governor of Bangladesh Bank; Md Arfan Ali, president and managing director of Bank Asia, and SA Chowdhury, former managing director of Sonali Bank, pose with participants of a workshop on "Excellence in customer service" organised for senior managers of Bank Asia's Dhaka region at the Bank Asia Institute for Training and Development in the capital on Saturday.

Indian carmakers ride on boom of Bangladesh

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"The middle class who likes smooth travel in their daily life prefers Indian Suzuki cars due to its fuel efficiency and low maintenance cost," said Khaan M Sakib Us Salehin, deputy general manager for sales of Uttara Motors, the sole distributor of Suzuki India.

According to him, the demand for Indian Suzuki cars would gradually increase as people have come to know that the automaker uses Japanese technologies.

He said that their sales growth was 18 to 20 percent over the last five years while their annual growth target was 30 percent.

Salehin said customers could purchase Suzuki's brand new 1,500cc hybrid cars with automatic transmission within the range of Tk 22 lakh to Tk 24 lakh.

He further said they were offering three years' after sales service warranty while managing bank loans for customers.

Uttara Motors sold five units of a newly launched hybrid car at the fair, he said.

Md Shafiul Abedin Khan, deputy manager for sales of Rancon Autos, the distributor of Mahindra and Mahindra, said customers who want to buy SUVs at the price of a Japanese sedan prefer Mahindra cars due to its cheap price and fuel efficiency.

He also claimed that Mahindra was

improving its automobile technologies rapidly to fulfil demands of customers.

Top officials of corporate houses, banks, foreign non-government organisations and directors of government development projects are the main customers of SUVs of Mahindra and Mahindra, Khan said.

Top officials of corporate houses who want SUV facilities at competitive prices prefer Mahindra cars, he said.

Mahindra is showcasing all flagship models in the passenger vehicle category which are sold in Bangladesh, including the Maxximo HD and BOLERO PIK-UP and SUVs like the TUV300 and Bolero Power Plus.

Sanjay Jadhav, vice president and head of international operations, Mahindra and Mahindra, said over the last two decades, Mahindra has established a strong presence in Bangladesh with trusted partners and a range of new-generation products.

Intending to introduce the Mahindra car as a local vehicle in the coming days, he said to have already roped in Pragati Industries, a state-run car assembling plant.

Rohit Kumar Mandal, deputy manager export (sales and marketing) of MRF, said the tyre manufacturer sees a bright future for business in Bangladesh.

MRF has been present in the Bangladesh market for more than two decades with its entire range of prod-

ucts, starting from the smallest scooter tyre to the largest off-the-road ones.

Abdul Matlub Ahmad, chairman of Nitol Niloy Group, the sole distributor of Indian automobile giant Tata Motors, said Indian automobile manufacturers captured the commercial vehicle segment with reliability.

He was also optimistic about the passenger vehicle segment of Indian cars.

If the government formulates a policy for establishing four-wheeler manufacturing plants, prices will ultimately come down and the market will boom, he said.

In this regard, Sugata Sen, deputy director of the Society of Indian Automobile Manufacturers, said Bangladesh needs to set up manufacturing plants for rapid development of the automobile industry.

Trading does not bring significant development for the sector and does not generate employment opportunities and skilled manpower, he said.

"It is the best time for Bangladesh to set up manufacturing plant considering the automobile sector's growth," said Sen, adding that Indian automakers were ready to help Bangladesh establish completely knocked down alongside manufacturing plants.

Even automobile component makers are looking for partners to set up plants in Bangladesh, he said.

Banks charge importers more for greenback

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"If we try to bargain with banks and ask to follow the declared rate, they tell us to manage the dollar on our own."

Authorities should take immediate measure to cool down the exchange rate considering the upcoming Ramadan, which is likely to begin in the first week of May. Otherwise, an inflationary pressure will hit the commodity market, he said.

Meghna Group of Industries, another large commodity importer, is a bit lucky as many banks offer them good rate for being a top client.

"We also do forward exchange contract to avert the impact of fluctuations," said a senior official of the group. A forward foreign exchange is a contract to buy or sell a set amount of foreign currencies at a specified future date and at a predetermined price.

The central bank has ordered banks verbally to keep the BC selling rate at a tolerable level to protect the interest of importers, but lenders hardly listen, said a senior official of

the Bangladesh Bank, wishing not be named.

"Ignoring the declared BC selling rate is a punishable offence and the central bank earlier warned a number of banks for breaching the rate. Punitive measure will be taken against the wrongdoers if anyone complains," he said.

The central bank is selling the greenback to banks to address the shortage of the currency.

It has injected \$1.68 billion this fiscal year so far, but the move did not yield the desired result because of a large gap between demand and supply.

The official BC selling rate stood at Tk 83.95 per dollar on January 1 and it has been on the rise since then.

The interbank exchange rate also shot up to Tk 84.15 on March 1, up from Tk 82.96 a year earlier.

The ongoing tight situation in the foreign exchange market may not ease in the near-term as a major portion of the country's import payments has been used for infrastructure projects,

said Md Arfan Ali, managing director of Bank Asia.

"My bank has almost stopped opening letters of credit for luxurious items in order to tackle the foreign exchange pressure," he said.

Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, said both export earnings and remittances have to be increased to reduce the current account deficit.

The foreign exchange market will operate properly if the deficit in the current account lessens, he said.

The stagnant foreign currency reserve will dwindle in the coming years if export earnings do not pick up keeping pace with import payments, said Rahman, also the managing director of Dhaka Bank.

Since 2016, the foreign exchange reserve has been hovering between \$30 billion and \$32 billion.

Between July and December, imports rose 5.73 percent to \$27.82 billion and exports fetched \$20.16 billion, up 16.75 percent year-on-year.

Chemical imports treble in 10yrs

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Appliance and foam industries are also relatively big consumers of chemicals, according to operators.

A top official of a leading multinational company operating in Bangladesh said the market for chemicals has been growing by around 8 percent annually in the last eight years. The market here is of about \$2.5 billion, he added.

"There is no industry where chemical is not required. It is required in almost every industry beginning from making bread, chocolate, paper, electronics to crop and fish farming," said Anayet Hossain Maruf, adviser of the merchant association.

Several thousand tonnes of boron—a mineral—is imported to address its deficiency in the soil, he said. "Use of boron has contributed to the increase in crop production."

"We have many successes but the devastating fire at Nimtoli in 2010 overshadowed many of that," he said.

Export-oriented mills import chemicals under the bonded warehouse privilege and chemicals needed for textile factories

and such chemicals were not involved in the old town incident, said Mohammad Ali Khokon, president of Bangladesh Textiles Mills Association.

"The chemicals in Old Dhaka are needed mainly for small industries. Safety and security is very important in this trade and but there is no compliance in chemical trade in Old Dhaka," he said.

"Prospect of chemicals is good," he said, suggesting that the government relocate businesses from Old Dhaka.

Syeda Sultana Razia, professor of chemical engineering at the Bangladesh University of Engineering and Technology, said expansion of the textile industry fuelled the demand for chemicals in the country.

"Requirement for chemicals will increase with the growth of the sector," she said, "Pharmaceuticals sector is also booming."

As requirement and use of chemicals is rising, everyone should be taking a life cycle approach for management of chemicals. Coordination and monitoring should be strengthened to ensure safety and security, she said.

LPG becoming vital source of energy

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Bechtel, whose company provides engineering and construction services to LPG facilities in Bangladesh, said semi-urban and rural households have already moved away from traditional fuels such as wood and teak and are adopting LPG rapidly. "So, a good opportunity has been created to help Bangladesh companies set up LPG stations and different types of facilities," he said.

Luc Zecchinon, managing director of Design Engineering and Consulting, a Belgian company, said they are also helping companies in Bangladesh.

"I think it is only a matter of time to shift from the existing use of energy to LPG in households and industries," he said.

He said the fair would help develop business-to-business relationship between service providers and clients.

Abdur Rahman, project director (oil and gas) of Unigas, said the fair helps enhance sustainable business development opportunities across South Asia.

A total of 80 local and foreign companies from Bangladesh, the US, China, India, Malaysia, Sri Lanka and European countries as well as 200 foreign representatives took part in the summit.

The power, energy and mineral resources ministry and the LPG Operators' Association of Bangladesh organised the event.

No disclosure in 18 months

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The company's commercial operations were suspended temporarily on May 1 in the same year. Production will resume soon after the remediation is carried out, it said.

Almost two years have passed but the commercial operation has not begun yet and the company has not informed the investors about the development.

Market analysts say investors make investment on the basis of a company's financial statements. So, if the financial statements are not published, investors cannot understand the real situation of a firm. C&A Textile and Tung Hai Knitting did not reply to emails sent to them on February 26. Senior officials of the companies also did not receive phone calls.

Saifur Rahman, spokesperson of the Bangladesh Securities and Exchange Commission, said the commission would take action against the companies.

"Already, we have fined all of the directors, except the independent directors, of Emerald Oil for the same reason."

As of November 2017, sponsors of Tung Hai Knitting held 30.04 percent of shares whereas general investors held 64.34 percent. Meanwhile, C&A Textile's sponsors held 22.14 percent of shares and general investors 62.19 percent.

Through their listings, C&A Textile raised Tk 45 crore from the market and Tung Hai Knitting Tk 35 crore.

C&A Textile's stocks fell 2.56 percent to Tk 3.80 on the DSE yesterday while Tung Hai Knitting's were down 2.22 percent to Tk 4.40.

Provident fund of private firms can't sponsor mutual funds

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"As stock market investment is risky so the commission asked the fund manager (CAPITEC Fund Management Ltd) to get approval from the beneficiary of the provident fund about the investment." But, the fund manager submitted approval of the trustee board instead of the members of the provident fund, the commission said.

Considering the speculation and risks, members of any provident fund do not want to invest their money into stocks, a senior official of the BSEC said.