

# Reliance plans major expansion of fashion store business

REUTERS, Mumbai

Reliance Industries Ltd plans to grow the number of low-cost Reliance Trends fashion stores across India to 2,500 from 557 over the next five years and integrate them with its online business, two people briefed on the plans said.

The expansion, which has not been reported before, is the latest move by the conglomerate's billionaire owner Mukesh Ambani to grab a dominant share of Indian consumer spending in a struggle with rivals, particularly e-commerce giants Amazon.com Inc and Walmart Inc's Flipkart.

Reliance's plans to diversify into e-commerce and expand in fashion come on the heels of India's new foreign investment curbs that have dealt at least a temporary blow to Amazon and Flipkart.

Prime Minister Narendra Modi's government in December modified foreign direct investment rules for e-commerce, barring online retailers from selling products via vendors in which they have an equity interest, and also from making deals with vendors to sell exclusively on their platforms.

Ambani, Asia's richest man, founded Reliance Retail Ltd in 2007 to transform his petroleum behemoth into a consumer-facing conglomerate.

Expectations that Ambani will increase bets on retail have been growing, and the latest plan was presented at meetings earlier this year, the sources said, citing proposals the company shared with retail advisors.

Reliance Retail did not reply to an email seeking comment.

The expansion plan should allow Reliance Trends, which sells accessories as well as clothing, to rapidly grow its private labels - the retailer's own brands - the sources said.

Reliance Trends would be in 300 cities in five years, from 160 now, said the second person briefed on the plan.

A Reliance executive, speaking on condition of anonymity, said integrating the availability of private labels with its e-commerce venture and penetrating deeper into smaller, tier 3 and 4 cities is the next level of growth for Reliance Trends.

The executive did not confirm the store expansion plan. Last year, Reliance Trends opened over 100 stores, according to the executive.

"With the new commerce venture that we have planned, it will even be easier to sell our private labels from even third-party stores," the executive said.

Ambani's so-called "new commerce" venture aims to connect small and mid-sized merchants with his retail network and warehouses, help-

ing them better manage inventory as well as boost sales of Reliance's private labels.

Both the sources declined to be identified as the plans have not been publicly announced.

India has the world's largest population in the 18-35 year age group at 440 million people, constituting nearly half of its workforce, global consultancy Deloitte said in a recent report. With rising use of the Internet and smartphones, e-commerce retailers have doled out discounts to lure people to shop online for goods as varied as basic groceries and large electronic devices.

"The millennial opportunity is what every retailer is looking at. Reliance is no different," said a retail industry veteran and independent advisor to several retailers.

Retailers tend to make better margins out of their own brands than third-party brands because they can keep a much sharper eye on costs of production and associated marketing.

"Reliance Trends' aggressive expansion will see products such as private labels available across multi-brand outlets and smaller format stores as well," said independent retail consultant Govind Shrikhande when asked how Reliance will manage the aggressive expansion.



MASTERCARD

Syed Mohammad Kamal, country manager for Bangladesh at Mastercard; Rajeev Kumar E, director of customer fraud management and franchise integrity for South Asia, and Joy Sekhri, director of customer delivery for South Asia, pose at a "Mastercard Operations and Fraud Risk Management Workshop" at a hotel in Dhaka recently.

## Sonali's profit hits 7-year high

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The ADR is used to assess a bank's liquidity by comparing its total loans to its total deposits.

If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be.

Last year, the loan growth of Sonali was about 9 percent whereas the average private sector credit growth was more than 14 percent throughout the year.

It recovered around Tk 3,770 crore from defaulters in 2018, up from Tk 1,091 crore a year ago. The bank managed to earn a significant amount from the large borrowers, including Beximco Group, Islam said.

The bank's default loan rate also declined to 30.06 percent last year from 38.11 percent in 2017, the central bank data showed.

Sonali itself was embroiled in huge scam. The Hallmark loan scandal involv-

ing Tk 3,500 crore was a major setback for the bank, which sank it to a loss of Tk 3,153 crore in 2012.

Since then the bank has remained shy when it comes to lending and has rather been trying to overcome the loss from other banking functions such as treasury management and investment, Islam said.

The bank, however, could not recover a single penny from Hallmark last year, he said.

Though the bank made hefty profit, it has a provision shortfall of around Tk 3,600 crore last year, according to data of the banking regulator.

The bank will seek provision forbearance from the central bank, Islam said.

Forbearance is refraining from the enforcement of something such as debt or obligation that is due.

The bank has already sought a capital support of Tk 6,000 crore from the government, he said.

## US home construction rebounds

AFP, Washington

Construction of new US homes jumped in January, reversing the declines seen in recent months, government data showed Friday.

A flurry of activity in the South as well as in the normally frigid Northeast and Midwest sent construction of single-family homes up to its fastest pace in a decade for those regions, the Commerce Department reported.

Meanwhile, new building permits, which are a sign of supply in the pipeline, showed a shift toward apartments and more weakening in the key single-family segment.

Total housing starts rose 18.6 percent to a seasonally adjusted 1.23 million units, overshooting economists' expectations.

Construction started on single-family homes rose 25.1 percent to an annual rate of 926,000.

Economists said December's sudden fall in construction was inspired by the rout on Wall Street, which decimated Americans' net worth.



LFMEAB

Kazi Roushan Ara, an executive director of the Leathersgoods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB), poses with participants of a training on "Basic Chemical Management System" organised by the association at a hotel in Dhaka recently.

## Munshi warns against illegal stockpiling

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No activity which ultimately affects consumers will be allowed while fair prices will be ensured through the creation of proper competition in the markets, he said.

The continuation of reckless anti-consumer activities will not be allowed further, he said, adding that people would be able to avail the opportunity of buying improved, quality goods through the establishment of fair prices.

The commission will have to be strict in enforcing laws so that fair prices of goods

are ensured, said the minister. He said Bangladesh was currently the world's 42nd largest economy targeting to be a developed country by 2041.

Abdur Razzaque, an economist specialising in international trades, labour and development, presented a keynote paper while Mofizul Islam, commerce secretary, Atiur Rahman, former Bangladesh Bank governor, and Shafiqul Islam Mohiuddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, also spoke.

## Tiger Steel making plant at Tk 200cr

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Just 10 years ago, the market size of prefabricated steel was only Tk 2,000 crore, according to the Steel Building Manufacturers Association of Bangladesh.

He said the annual demand for prefabricated steel in Bangladesh is around 10 lakh tonnes and local manufacturers could produce only 4 to 5 lakh tonnes. "The rest comes from India, China, Australia, Japan, Korea and Taiwan."

He said steel structures started to erect in Bangladesh in 1985 with the components being initially imported.

In 2001, local entrepreneurs

first took up the initiative to build steel buildings by themselves, according to industry insiders.

Now there are at least 30 local prefabricated steel makers in Bangladesh, each manufacturing specific items. According to Sharma, prefabricated steel was gaining popularity as it enabled rapid construction of structures which could withstand earthquakes.

Besides, the construction cost of these buildings is 25-30 percent lower compared to the concrete structures. He further said industrialists preferred prefabricated buildings as those were portable and the steel had resale value.

## GMO not dangerous as many think

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In Uganda, GM bananas account for 30 percent of the calorie intake as the native species were killed by a bacterial disease, Roberts said, adding that many African countries were now adopting GMO technologies to grow banana and papaya.

"We have a lot of politicians worldwide who are not scientifically educated to decide. So, a strong political will and understanding is important to ensure policy support to spread GMO."

Along with the politicians, he said, positive messages about GMO plants have to be spread among students so that they can spread the

word among their parents as well.

Roberts praised Bangladesh for having already starting the commercial cultivation of GM crop Bt brinjal and being on way to adopt another, golden rice. "It is a good sign."

M Anis Ud Dowla, chairman of the ACI Group of Companies, said the company wants to provide better equipment and seeds to farmers. "The ACI conducts research on it."

FH Ansarey, managing director of ACI Agribusinesses, said the ACI dream of making farming more enjoyable and exciting in the future.

"Educated and young people will be attracted to agriculture."

## Govt in a fix over revised budget

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Besides, a number of fresh projects were approved before the general elections in December last year and if they are given even a token amount, the government's contribution to the ADP will have to be increased significantly during the revision, he said.

However, the finance ministry may not be able to allocate funds as per the demand of the ministries and division, as it would have to keep the budget deficit within the standard practice of 5 percent.

The demand for the additional funds came although the revenue collection has remained slow so far in the current fiscal year. In the first six months of 2018-19, the tax collection growth stood at 6.36 percent, in contrast to 14.92 percent logged during

the same period a year earlier.

The government has set a revenue collection growth of 29 percent compared to that last fiscal year although it has been hovering around 16 to 20 percent for the last few years.

Officials of the National Board of Revenue said it would be difficult to pull off the average growth in the fiscal year.

In July-December, the NBR collected Tk 98,027 crore, which fell short of Tk 28,000 crore of the half-yearly target. The shortfall has widened further in the first eight months.

The government has set a revenue collection target of Tk 296,201 crore and the NBR informed the finance division that it may collect up to Tk 260,000 crore finally.

The finance ministry may set the revised target at Tk 280,000 crore.

## WB panel orders Venezuela to pay ConocoPhillips \$8.7b

AFP, Washington

A World Bank arbitration panel on Friday ordered Venezuela to pay oil major ConocoPhillips \$8.7 billion after taking control of three of its operations in 2007.

It was the latest blow for the once wealthy oil-producing nation, which has seen its economy collapse and has faced other such rulings favoring foreign companies seeking compensation.

The International Center for Settlement of Investment Disputes (ICSID) said compensation for the three facilities "shall be paid together with interest at an annual rate of 5.5 percent, compounded annually, until the date of full and final payment of these amounts."

ConocoPhillips welcomed the decision which it said reaffirms "governments cannot unlawfully expropriate private investments without paying compensation."

The ICSID tribunal ruled in 2013 that the expropriation of ConocoPhillips investments in the Hamaca and Petrozuata heavy crude oil projects and the offshore Corocoro development project violated international law.

The decision Friday set the payment amount.

Another international arbitration panel last year ordered Venezuela's state oil company PDVSA to pay ConocoPhillips \$2 billion in compensation for two of the projects.

The Houston-based oil firm's investments came in the late 1990s when Caracas opened the heavy oil projects in the Orinoco Belt to foreign investment.

PDVSA, once the lifeblood of OPEC-member Venezuela, has seen production plummet in recent years with the collapse of the economy.

President Nicolas Maduro has come under intense international pressure. His rule is being challenged by National Assembly leader Juan Guaido, who Washington and dozens of countries have recognized as the interim leader.

## UK sees more spending, tax cuts if Brexit deal done

REUTERS, London

British finance minister Philip Hammond said he would be able to free up billions of pounds in extra public spending or tax cuts if the country can resolve its Brexit impasse, the Financial Times said on Friday.

Hammond is due to announce a half-yearly update on the budget on Wednesday, a day after parliament votes on Prime Minister Theresa May's plan for a Brexit divorce deal with the rest of the European Union.

Hammond told the FT that the new official fiscal forecasts would show that the public finances were in better shape than in his last budget statement and he would have more than the 15.4 billion pounds of fiscal "headroom" he has previously earmarked for potential spending.

He said around 100 or so euro-sceptic Conservative Party lawmakers should back May's deal regardless of whether she secures further concessions from the EU in negotiations which are expected to continue this weekend.

Britain is scheduled to leave the EU on March 29. May has opened up the possibility of a short delay, possibly until June, if her plan is rejected next week by parliament which threw out a version of it in January.



Britain's Chancellor of the Exchequer Philip Hammond

When Hammond announced his most recent full annual budget plan in October, he also held out the prospect of higher spending if parliament backed the government's Brexit plans.

Hammond played down the concerns of Conservative lawmakers that the Northern Irish backstop - a guarantee sought by the EU to avoid the reintroduction of a hard border with Ireland - could leave Britain permanently trapped in Brussels' orbit.

"There is nobody in the EU I've

ever come across who thinks the UK could be held in perpetuity in an arrangement that was detrimental to its interests against its will," Hammond said. "Who is going to enforce such an arrangement on this?"

Earlier on Friday, May urged the EU to make "just one more push" to break the Brexit deadlock but proposals from the bloc's chief negotiator fell short of anything that would win over the British parliament.

## CEOs of Deutsche, Commerzbank resume merger talks

REUTERS, Frankfurt

Deutsche Bank and Commerzbank's chief executives have resumed talks over a potential merger, Focus magazine reported on Friday.

However, two people familiar with the matter told Reuters that Deutsche Bank and Commerzbank's top managers had no mandate from their respective supervisory and management boards for any talks about a merger of Germany's two biggest banks.

"There is no official mandate for merger talks with Commerzbank," one of the people told Reuters, contradicting the sources in the Focus report who said the CEOs had received the go-ahead for negotiations.

The second source said it was "total nonsense" that the boards had given their chief executives the go-ahead to begin talks and there had been no recent discussion at Commerzbank's supervisory board about a merger with a larger rival.

Spokesmen for Deutsche Bank and Commerzbank declined to comment on the Focus report which cited people familiar with the matter who said Deutsche Bank CEO Christian Sewing and his counterpart at Commerzbank, Martin Zielke, have been in intense talks for some days.

Deutsche Bank shares traded 0.5 percent lower early in Frankfurt, while Commerzbank was 0.1 percent higher. Speculation of a merger has heightened under the tenure of Finance Minister Olaf Scholz, who has spoken out in favour of strong banks. Both banks have been slow to return to sustainable profitability since the global financial crisis.

Last week, a person familiar with the matter said that U.S. investor Cerberus Capital Management, a major shareholder in both Deutsche Bank and Commerzbank, is open to a merger, raising the chances of a tie-up.