

Textile sector breathing a sigh of relief with the rebound of apparel export orders

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The sale of yarn and fabrics of export-oriented spinning and weaving mills is on the rise thanks to a higher inflow of work orders from international clothing retailers.

This has put the country's primary textile sector, which incurred losses of more than Tk 20,000 crore for the economic whiplash by the coronavirus pandemic, on the path of a quick recovery although prices remain below expectations, said millers.

Both textile millers and garment exporters say more and more of the production capacity of their factories was coming to use for the higher inflow of work orders from retailers.

On the other hand, normalcy has returned to the supply chain with China, the main sourcing destination for Bangladesh's textile and garment-related raw materials.

As a result, the business of textile production and garment exports are witnessing improvements fast, according to industry insiders.

"We have just completed our marketing for next seasons," said Faisal Samad, vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), adding that the inflow of work orders is also better than that of the previous three months.

A good number of buyers have been reissuing work orders they had previously cancelled and placing new ones as the retailers in the EU and US have opened up their stores.

The shipment of the new work orders will start from November, Samad said.

His views were echoed by A Matin Chowdhury, managing director of Malek Spinning Mills, a leading spinner and garment exporter.

Sales from his spinning mills had increased compared to what was in the last few months but the prices are not what he was expecting.

This is because of cheaper yarn from other countries that have been flooding the domestic markets of late, although there was no such smuggling of yarn over the last few months because of the coronavirus pandemic.

As a result, the sale of fabrics from local mills for the domestic markets had witnessed a surge.

But as normalcy is being restored in business, cheap yarn from neighbouring countries has started pouring in, he said.

American buyers are increasingly placing more work orders, presumably because their sales have increased with the reopening of stores, he said.

A \$600 payment to American citizens under an unemployment scheme by the US government has helped to create new demand for goods in their markets.

This is why the sales of clothing items in the US markets have improved a lot. So the shipment of clothing items to the American markets is also increasing a lot from the country, Chowdhury added.

A Narayanganj-based yarn merchant, seeking anonymity, also blamed the invasion of cheap yarn from neighbouring countries for giving rise to challenges at his factory.

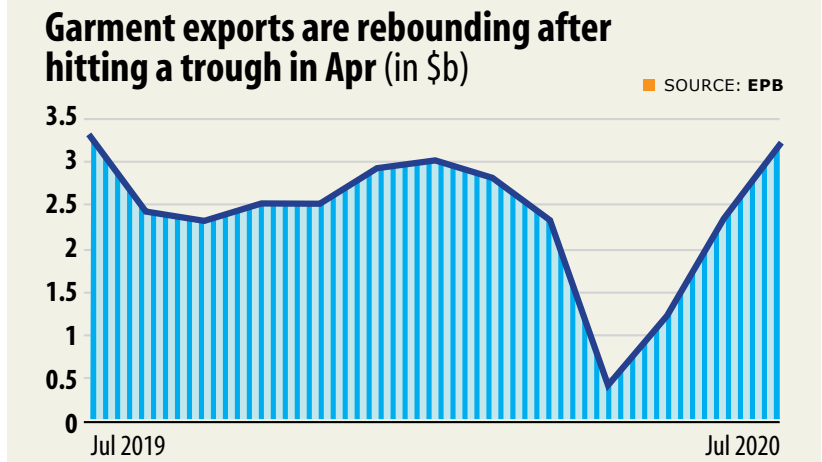
Moreover, some unscrupulous traders were selling yarn imported under the bonded warehouse facility

imported clothing items to discourage the smuggling, he added.

Demand has been increasing a lot from the buyers for yarn and fabrics but the prices are not at the satisfactory level, said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA), the platform for spinners and weavers.

Some of the mills are now running at 70 per cent capacity, while the others are operating at 65 per cent and some less than 60 per cent as the demand for yarn and fabrics has been increasing.

Before the pandemic, he used to sell yarn worth \$55 lakh on an average every month but during the pandemic, the sales from his mill were negligible.



in the domestic markets.

"We received better prices from the sales of yarn in January, February and March of this year," the yarn merchant told The Daily Star over the phone.

He went on to urge the National Board of Revenue to monitor the use of bond facilities such that they were not abused.

"The government should also improve patrolling at the bordering areas so that the invasion of cheap yarn is stopped for the sake of the domestic textile industry."

The local entrepreneurs have already invested more than \$8 billion in the primary textile sector and have been acting as the main player in supplying raw materials for the export-oriented garment industry by reducing lead time substantially.

Sometimes, the prices of even smuggled clothing items are less than that of the local yarn, which is absurd in business.

The Bangladesh Trade and Tariff Commission should also set out a proper valuation of local and

However, with the reopening of the economy, he sold yarn worth \$23 lakh last month and another \$12 lakh this month.

"Maybe this month's sale will be low, but I am hopeful that the sales will grow from next month as I am receiving a lot of response from my buyers," Khokon added.

The widely consumed 30 carded yarn sold between \$2.50 to \$2.53 per kilogram in the local markets in July and August, said Monsoor Ahmed, secretary to the BTMA.

Before the pandemic, the same 30 carded yarn had sold between \$2.80 to \$2.90 per kg in February and March, he said.

Although prices of cotton, the raw material of yarn, has declined in the international markets, local spinners cannot take advantage of this as the cotton they had was imported before the pandemic at 75 cents to 80 cents per pound, Ahmed said.

Currently cotton is selling between 64 cents and 65 cents in the futures markets in New York.

BSEC orders firms to report on lending to sister concerns

AHSAN HABIB

The stock market regulator has asked all listed companies to inform it whether they are lending to their associated and sister companies at the expense of general investors, in another bold step from the new top brass.

The Bangladesh Securities and Exchange Commission (BSEC) has found that some of the listed companies are extending interest-free loans to their associated or sister concerns, ballooning the profits of the companies of sponsors and directors.

What is more, some listed companies are borrowing from banks at a higher interest rate but are giving loans to sponsors' companies at cheaper rates.

This compelled BSEC to write to all listed companies on 13 August asking them to submit a report within 10 working days about such transactions with sister concerns where sponsor shareholders and directors are common.

"We have found that several companies are cheating general investors by lending to their own companies at a very negligible rate -- this is total dishonesty," said a top official of the BSEC.

Such lending reduces the listed companies' profits and dents general investors' confidence.

The regulator has recently taken steps against some companies on the grounds.

"Now, we want to investigate to find out how much has been given in such a manner by all listed companies," the official said.



Some of the companies have shown substantial amounts in the mode of loans or advances with sister concerns, ignoring instructions from the regulator, the letter said.

In 2006, BSEC issued a notice banning them from lending to associated companies and giving guarantees to loans secured by directors or sponsors.

However, if the board recommends, the lending can be offered subject to approval from general shareholders.

Moreover, the lending amount should be lower than the half of the paid-up capital of the listed companies, the notice said.

It appears that the loans were given to associated companies without any interest or at a nominal cost, whereas listed companies are bearing interest expenses for the fund in their books.

As a result, privately-owned companies of the directors and sponsors are gaining a huge undue financial advantage at the expense of the listed companies, by which the earnings of the listed companies are being siphoned off to the associated private companies, it said.

In its first-quarter report for the 2018-19 financial year, MI Cement, listed with the Dhaka Stock Exchange since 2011, extended interest-free loans of Tk 70.4 crore to its sister concerns, BSEC found.

It did not take approval from the general shareholders. The sister concerns were fully owned by the sponsors of the cement manufacturer.

The regulator slapped a Tk 10 lakh fine on each of the directors of MI Cement except independent ones.

"The sponsors are using listed companies to help their own companies benefit, which is unacceptable," said Kazi Mahfuzur Rahman, an investor active since 2006.

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Investors of economic zones seek PMO's help to clear hurdles

JAGARAN CHAKMA

The Bangladesh Economic Zones Investors Association (BEZIA) has sought intervention from the Prime Minister's Office (PMO) to help address some of the obstacles for investment in the country's economic zones.

A letter was sent to the PMO on 30 June in this regard, according to Safwan Sobhan Tasvir, association chairman and vice-chairman of Bashundhara Group.

Potential investors were recently blindsided by the implementation of a 15 per cent value-added tax (VAT) charge for a land lease at any of the various economic zones.

Besides, investors are unable to attain bank loans against rented land due to the unfavourable conditions of leasing policies, BEZIA said in a statement.

"Our confidence and expectations were shattered when we unexpectedly

received letters from the Bangladesh Economic Zones Authority (BEZA) on the VAT issue," read the statement.

This will increase their outlay.

"Furthermore, we are keen to enjoy out tax holiday as provided for industrial units regardless of what they produce within the economic zones," it added.

BEZIA also said that investors are facing indefinite delays in the hand-over process for leased lands at economic zones and are also uncertain about whether the infrastructure and facilities present there will be as promised by BEZA.

This includes the construction of a port facility at the Bangabandhu Sheikh Mujib Shilpa Nagar in Mirsarai, Chattogram, a project which has already far exceeded its completion deadline.

While true that investors were exempt of VAT charges and were given a tax holiday for a certain period as well, the National Board of Revenue

recently issued a notice declaring that 15 per cent VAT would be imposed on land leasing from now on, according to BEZIA.

The organisation also said that banks are uninterested in providing loans for investment in economic zones while using leasing agreements as collateral since the potential borrower does not own the land.

BEZA was created by law and is responsible for protecting investor interests, said BEZIA Vice-President Ashrafur Haq Chowdhury.

However, BEZA's frequent policy changes discourage investors while other organisations, such as the National Board of Revenue and various banks, do not follow the Bangladesh Economic Zone Act-2010.

If BEZA does not ensure benefits for investors, it will fail to attract both domestic and foreign investment for the economic zones.

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Efficient logistics network a must to boost e-commerce post pandemic



MOHAMMAD RASHEDUL ALAM

The journey of e-commerce started in Bangladesh almost 30 years ago in the late 90s with gift sites targeting the non-resident Bangladeshis.

Since the beginning, there was very slow growth until 2008. In 2009, two major changes took place as Bangladesh Bank allowed online payment and the country witnessed the introduction of WiMAX internet that became quite popular in the country and official journey of e-commerce started in the same year. Bangladesh Association of Software and Information Services was formed.

In 2013, the Bangladesh Bank gave permission to buying products and services online using international credit cards.

From 2013 to 2019, this sector observed tremendous growth and is considered the next major driver of economic development mainly because of the favourable environment of e-commerce business such as ever-growing internet penetration, the rapid growth of financial inclusion, consistently developing web population, focus on digital Bangladesh initiatives, a cultural shift of consumer spending behaviour to digital, increasing per capita income, foreign investment-friendly policy, developed infrastructure and most importantly a bunch of young and tech-savvy population and a big market of 167 million population.

Unlike other decades, the starting of the new decade in 2020 was different

due to coronavirus. The pandemic has fundamentally changed the world as we know it.

This coronavirus crisis has created new opportunities to some businesses and the most booming one is the e-commerce sector. It has caused a shift in consumer behaviour and a handful of these new habits will likely remain in the long-run.

Online purchasing will continue to be a prominent channel for consumers. The coronavirus will permanently change consumer behaviour and purchasing habits, which will remain in the post-pandemic era too.

It is estimated that at present there are approximately 2,000 e-commerce sites and 50,000 Facebook-based outlets and 80 per cent of the online sales are taking place in a couple of major cities only. Some 35,000 individuals and above 25,000 small and medium enterprises (SMEs) are part of this sector.

Mainly, three types of e-commerce are popular in Bangladesh: Business-to-Business (B-2-B), Business-to-Consumer (B-2-C), Consumer-to-Consumer (C-2-C).

The e-commerce sector in Bangladesh is on a growth trajectory and current market size is approximately Tk 8,000 crore and has been growing at about 50 per cent annually and is projected to cross Tk 25,500 crore by 2023.

The ongoing expansion and robust outlook have led to a progress story that will positively impact the entire e-commerce ecosystem through creation of employment and entrepreneurship opportunities.

As per a global study finding, for every job that is created by the e-commerce industry, three or four more jobs are created in downstream industries and the e-commerce industry is making an important contribution in ensuring gender equality, by providing women with increasing opportunities to become



SK ENAMUL HUQ

Established in 1987 to aid industrial units located in Dhaka and its adjoining areas, Dhaka Inland Container Depot in Kamalapur, right, plays a vital role in connecting with the Chattogram port to enable fast transport of export-import cargo. The photo was taken recently.

part of the growing bandwagon.

The factors behind the boost of the e-commerce segment are double-digit growth of internet penetration, financial inclusion, government policies, and a shift of consumer behaviour.

The digital logistics ecosystem plays the main role in the expansion of e-commerce business. E-commerce sector's presence, success and growth mainly depend on the capability and efficiency of the nationwide digital logistics ecosystem.

Here in Bangladesh, all sectors have developed a lot, save for one of the key drivers, which is a nationwide digital logistics ecosystem and network.

Every order of e-commerce includes product flow, information flow and capital flow. Much of these flows should be achieved by logistics.

If the logistics of e-commerce is not cost-efficient or modern or do not have a nationwide footprint, consumers may go for traditional commerce again.

As we know for any e-commerce business, properly coordinated logistics is the key to grow and succeed.

Looking back 30 to 40 years ago, there was a relatively straight line between suppliers and retailers. As

and collaboration, technology, resources, and best practices can help this business to grow and some of the steps that can be taken for it are as follows.

NATIONWIDE LOGISTICS FOOTPRINT

Anyone living in Dhaka can easily wish to get product or services from e-commerce and the same way any Dhaka-based merchant can easily sell and deliver product or services through e-commerce. For example, anyone living in a remote thana of Tangail can place an order in an e-commerce platform.

But chances are very low for the product to satisfy the consumer due to long delivery lead time, high cost, poor product safety and packaging.

If someone, who is living in Khulna adjacent to the Sundarbans, wants to sell pure honey, we are assuming that he/she may get online orders. But due to the absence of e-commerce logistics services, his/her opportunity of becoming an entrepreneur and earning financial solvency may come to an end.

Currently, e-commerce logistics companies are doing business by focusing mainly on delivering products from Dhaka. But to spread wings across the country, e-commerce logistics footprint should be established all over Bangladesh and only then new entrepreneurs and new employments will be created.

Bangladesh Post Office, which is providing postal services, has nationwide footprint having 9,886 post offices, infrastructure as well as own fleet facilities. Within a very short time, they can establish a vibrant e-commerce logistics services across the country.

Due to a lack of resources, skills gap and other limitations it would be best if they can go for public-private partnerships to make the most use of its vast network across the country.

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