



STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES						
DSEX	CSCX		Gold ▲ \$1,848.89 (per ounce)		Oil ▲ \$73.32 (per barrel)	MUMBAI ▲ 0.15%	TOKYO ▲ 0.74%	SINGAPORE ▼ 0.15%	SHANGHAI ▼ 0.58%	STANDARD CHARTERED BANK	USD	EUR	GBP	CNY
▼ 0.37%	▼ 0.36%									BUY TK	83.95	100.51	117.58	12.87
6,013.61	10,516.56					52,551.53	29,161.80	3,153.14	3,589.75	SELL TK	84.95	104.31	121.38	13.53



star BUSINESS

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Rising yarn prices threaten garment export recovery

REFAYET ULLAH MIRDHA

Local garment exporters are feeling the pinch of a sudden unusual rise in yarn prices in the local and international markets, a development that is threatening to derail the recovery of the apparel shipment from the pandemic-induced slowdown.

Yarn prices rose 40 per cent between December and June because of the cotton price hike in the international futures markets, exporters say.

Yarn accounts for 50 per cent of the cost to produce a t-shirt or a garment item, while button, zippers and other accessories comprise the rest.

The yarn prices increased in the local markets because of the cotton price spike, the abnormal rise in freight charge, and the hike in utilisation capacity at the mill level due to the resumption of production after a pause caused by



AT A GLANCE

- Garment export recovering gradually
- Yarn price rose **40%** during Dec-Jun
- Production cost of garments went up **25%** for yarn price hike
- Share of yarn in a finished t-shirt is **50%**
- Buyers offering **3-10%** higher prices for old work orders
- They are giving **15%** higher prices for fresh work orders

lockdowns. In the international futures markets, cotton was traded between \$88.21 per pound and \$87.72 per pound on June 11, up

from \$72.65 to \$72.90 on December 14.

Cotton prices soared 21 per cent year-on-year to \$1.99 per kilogram in the January-March quarter of 2021, World Bank Commodities Price Data showed.

As a result, the widely consumed 30-count yarn sold for \$4.25 to \$4.30 per kg in the local markets on Sunday. It ranged from \$3.9 to \$4 in December.

The rise in the freight charge has affected the yarn price badly in the local market.

The freight rate was \$1,000 per

40-foot container in December. It rose to \$3,000 in June, said Monsoor Ahmed, additional secretary of the Bangladesh Textile Mills Association (BTMA), a platform of primary textile millers.

The demand for cotton rose 163 per cent between April and June compared to the corresponding period last year as almost all the local mills either enhanced their capacity or have gone for the highest use of the installed capacity because of the rise of demand for yarn, he said.

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Strong bike industry inspires component makers

JAGARAN CHAKMA

Buoyed by the government policy aimed at developing the motorcycle industry, local companies are gradually making a foray into the component manufacturing segment with a view to cutting the country's reliance on imports.

The motorcycle industry needs more than 700 components to manufacture a bike. The local light engineering industry can make four components, namely drive chain, seat, stand, and battery.

At first glance, the achievement might seem like nothing compared to the vast requirement. But producing the components locally is a major stride

compared to a decade ago when the industry had completely relied on imports to meet the demand.

At least four companies manufacture components in Bangladesh, and one of them is QVC Bangladesh.

Located in Sundarban union in Dinaipur sadar upazila, the company produces around 2.5 lakh drive chains every year against the capacity of about 5 lakh.

ATM Shamsuzzaman, managing director of QVC Bangladesh, started making drive chains in 2014 after seeing the potential of the bike market. He invested around Tk 35 crore to set up the factory, which employs around 200 people.

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The motorcycle industry needs more than 700 components to manufacture a bike.

ACI stocks soar on news of Tk 84cr foreign investment

STAR BUSINESS REPORT

ACI stocks soared yesterday when news broke that its subsidiary ACI Motors is set to receive Tk 83.99 crore in foreign investment for the expansion of its vehicle manufacturing capacity.

Stocks of ACI closed 2.51 per cent higher at Tk 269 at the Dhaka Stock Exchange (DSE).

The plants in question are of Yamaha motorcycle and agro machinery. The company is also planning to set up a plant to assemble Foton-branded commercial vehicles.

With the investment, the motorcycle plant's annual production capacity will reach 1,40,000 units from 1,08,000.

The investment is being made by Dutch investment bank FMO, United Kingdom's development finance institution Commonwealth Development Corporation (CDC) and Norfund through Bangladesh Managed Account CV, which is a limited partnership.

"We decided to take the equity investments not for money, but for innovation and utilisation of their experiences," said Pradip Kar Chowdhury, chief financial officer of ACI.

"We wanted to get investment from those who can contribute to our business

expansion, technological innovation, and idea generation," he said.

"The CDC can add value to our company as it has experience in innovation, artificial intelligence etc," he said.

"All the companies have worldwide exposure, and they will sit in our board so we hope that they will contribute to improve our company," Chowdhury added.

The ACI will issue 15.55 lakh convertible, non-cumulative preference shares worth Tk 100 each at a premium of Tk 440 per share.



In case of non-cumulative preferred stocks, the dividend is only payable from the net profits of each year. If the company makes no net profit in a year, the arrears of dividend can not be claimed in subsequent years.

"The proceeds of the investment will be used for business growth as well as for expansion of existing manufacturing facilities of ACI Motors," the company said in a disclosure published on the DSE website yesterday.

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Tax benefit to spur growth of oceangoing shipping sector

Entrepreneurs say



STAR BUSINESS REPORT

Bangladesh's fleet of oceangoing vessels is expected to expand in the coming years after the National Board of Revenue eased age rules for ships to qualify for VAT exemption during imports and cut advance income tax.

The revenue authority said it would extend the value-added tax (VAT) exemption to import up to 25-year-old ships in the next fiscal year from the existing 22 years.

It also relaxed the restriction on the sales of vessels over 5,000 deadweight tonnages. Importers will be able to sell ships after three years from the current five years from the next fiscal year.

The NBR brought down the advance income tax (AIT) on vessel imports to 1 per cent for FY22 from 2 per cent in the outgoing fiscal year.

"It will have a very positive impact because the investment size in oceangoing ships is huge.

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Currently Bangladeshi entrepreneurs have 70 ships operating on international routes and the number of vessels doubled in the last couple of years.

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Make farm machinery affordable

Farmers, machinery makers, importers call for 80pc subsidy

STAR BUSINESS REPORT

The government should provide at least 80 per cent subsidy to farmers to bring agriculture machinery within their purchasing power.

Representatives of farmers, machinery manufacturers and importers made this call at the "National Workshop on Agricultural Mechanisation Project through Integrated Management" at the Krishibid Institution Auditorium in the capital's Khamarbari yesterday.

To speed up farm mechanisation across the country, they also urged the government to provide bank loans and agriculture machinery to small entrepreneurs in villages.

The government is currently giving 70 per cent subsidy to farmers in the haor areas and 50 per cent subsidy to the farmers in the rest of the country to buy agriculture machinery.

But most farmers cannot afford the rest of the cost to buy machinery like a combined harvester, which costs around Tk



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Modernise FBCCI

Commerce minister urges leaders of the apex trade body



STAR BUSINESS REPORT

Commerce Minister Tipu Munshi yesterday asked the leaders of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) to leave their traditional way of thinking and contribute more to trade by modernising the country's apex trade body.

Munshi made this request during a meeting at his secretariat office with a 45-member delegation of the newly elected FBCCI body led by its president, Md Jashim Uddin, according to a statement from the commerce ministry.

Bangladesh has been preparing to sign free trade agreements and preferential trade agreements with some of its major trading partners as the nation is set to graduate from a least developed country (LDC) in 2026.

The government has been forming several sub-committees to prepare for the challenges it may face after LDC graduation.

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