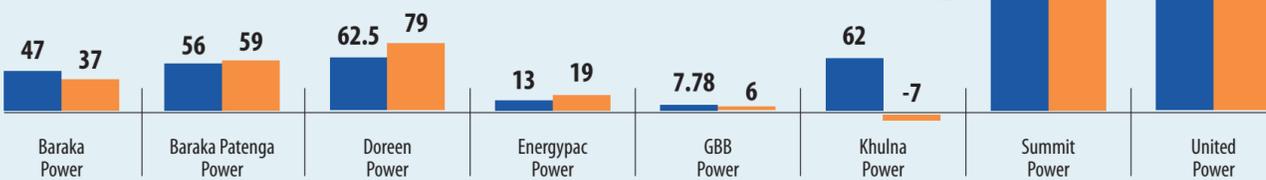


PROFITS OF LISTED POWER COMPANIES

In crore taka

■ Jul-Dec '20
■ Jul-Dec '21

SOURCE: FINANCIAL REPORTS



EXPIRY OF POWER PURCHASE DEAL

Electricity companies feeling the pinch as plants shut

AHSAN HABIB

Listed power generation companies of Bangladesh have started to feel the negative impact of the expiry of power purchase agreements with the government.

Of the eight listed power companies, four logged higher profits, one incurred a loss and the rest registered lower profits in the first half of the current financial year of 2021-22.

Khulna Power Company Ltd (KPCL) incurred a loss of Tk 7 crore during the period. It had made a profit of Tk 62 crore in the same period a year ago.

KPCL's revenue was zero during the July to December period against Tk 341 crore previously, according to the company's financial reports.

Due to the closure of operation of all of its power plants, no revenue was earned, leading to the losses.

The commercial operation of KPCL-II and KPCL-III has been suspended since the expiry of the tenure of the power purchase agreement in May last year.

The production of KPCL-I stopped in 2018 and no extension was granted since then.

The listed power generation companies are doing the business following a fixed-income model of selling power to the government, and many of them are going to face expiry of the tenure, said Mir Ariful Islam, managing director of Sandhani Asset Management Company.

"So, the share price of some of the companies remains low despite higher earnings," he said, adding that investors should be cautious while making investments and consider the agreement period.

Even if the government extends the tenure, it might be on the basis of the power supplied to the national grid, instead of the generation capacity, so the earnings of the companies will not be much higher, said Ariful.

Some other companies are also heading to the expiry of the agreements.

The profits of Summit Power dropped due to the closure of three

plants—Madanganj Power Plant (Unit 1), Chandina Power Plant (Unit 2) and Madhabdi Power Plant (Unit 2).

The profits were down 22 per cent at Tk 347 crore in the first half of 2021-22. The process is underway to have the agreements of the plants renewed, according to the company.

The profits of some companies fell due to the expiry of the agreements, while others observed ups and downs due to business factors, said Mohammed Monirul Islam, chief financial officer of Baraka Patenga Power.

The company's profits rose to Tk 59 crore in the recent six months, against Tk 56 crore during the same period a year ago.

It has a gas-based power plant in Sylhet and its tenure is expected to expire in 2024. "We are hopeful to see an extension," Monirul said.

He says people are now talking about the overcapacity of power generation whereas the situation was the opposite 14 to 15 years ago.

At present, the installed power

generation capacity of Bangladesh is 22,066 megawatt. The actual generation was 8,945 megawatts at day and 9,867 megawatts at night on Sunday, according to the data of the Bangladesh Power Development Board.

As per the roadmap of the government, which aims to turn Bangladesh into a developed nation by 2041, the country will need huge power, so the present capacity is aligned with the development vision, said Monirul.

Due to the coronavirus pandemic, the country's industrial growth has slowed, so the overcapacity is looking bigger, he said.

"If the planned economic zones start operations and electric vehicles hit the roads as per the government's plan, the demand for electricity will be much higher."

Among the power generation companies, United Power Generation registered the highest profit of Tk 699 crore in the first half of the financial year. It was Tk 561 crore in the same period of the previous year.

LafargeHolcim profit soars 64pc

STAR BUSINESS REPORT

Profits of LafargeHolcim Bangladesh rose 64 per cent to Tk 388 crore in 2021 due to higher incomes from its new products.

The multinational cement maker registered 27 per cent higher net sales of Tk 2,053 crore in the last year from Tk 1,622 crore that was in the previous year.

In its sales, aggregates generated a huge amount of turnover which is the first of its kind in the local manufacturing of high grade aggregates in Bangladesh.

"We continued to introduce new channel and new products in the market to fulfil the customer need and to reach our products to consumers' doorstep," said the company in a press release.

"SHOJON, a new distribution channel was introduced with a digital app to cater to white space retailers where our brand was not available," it said.

Holcim Shokti – the first rapid early strength cement in the Bangladesh market was launched in the later part of the year, it said.

Holcim Shokti is a game changer for its market as it improves construction turnaround times, lowers the construction costs and enables high-rise construction.

The board of directors of the company has recommended payment of 25 per cent cash dividend. Rajesh K Surana, CEO of the company, said 2021 has been an unprecedented year for everyone with many external challenges.

"During the year we successfully launched two new green and specialised cement products – Water Protect and Shokti – which have received very good customer response," he said.

The company's digital programme reached new milestones with the successful launch of the business channel "Shojon" and the "E-commerce" platform.

"We accelerated our focus on the usage of alternative fuels with our Geocycle business and launched aggregates business," he added.

BSEC gives nod to SAML Growth Fund

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission approved an open-ended mutual fund, named the SAML Growth Fund, at a commission meeting yesterday.

Mutual funds pool money from investors to channel it into securities such as stocks, bonds and other assets.

Depending on the profits earned, investors are then paid their share as dividends.

Open-ended mutual funds are not listed with the stock market but one can buy them from a fund manager's office on the basis of its net asset value. Similarly, investors can sell off fund units at any time at prices based on its current net asset value.

The primary target of the fund is Tk 25 crore, of which Shahjalal Asset Management provided Tk 2.5 crore.

The face value of each unit is Tk 10.

Shahjalal Asset Management is the fund manager while its trustee and custodian are Sandhani Life Insurance Company and Brac Bank respectively.

6pc private bankers lose jobs

FROM PAGE B1

"Besides, we extended the deadline by four to five months during the pandemic so that employees can attain the targets. We also hired many people during the pandemic."

Some 718 employees from City Bank resigned and 160 were laid off.

Mashrur Arefin, managing director of the bank, said that the lender had started reinstating the employees who had faced job losses.

"We have already reinstated 27 employees as per the central bank instruction. And more employees will be reinstated," he said.

The operating profit of City Bank jumped 57 per

cent year-on-year to Tk 1,101 crore last year.

Some 241 employees left their jobs at Dutch Bangla Bank Ltd (DBBL), which also terminated another 130.

"We have not forced any employee to resign," said DBBL Managing Director Abul Kashem Md Shirin.

Some probationary officers might have found government jobs without informing the bank, which is why they faced termination as per rules, he said.

DBBL, whose operating profit stood at Tk 1,228 crore last year in contrast to Tk 1,050 crore a year ago, re-hired seven officials.

Fifty-four officials of Pubali Bank resigned and 377 saw termination.

Mohammad Ali, additional managing director of the bank, said that the bank had not laid off any employees.

The officials who were terminated were absent from their jobs in breach of rules, Ali said.

The bank earned an operating profit of Tk 1,140 crore in 2021, a rise of 22 per cent year-on-year.

At NRB Commercial Bank, 256 officials resigned and nine staff members were sacked. Golam Awlia, managing director of the bank, said that the lender had not sacked any employee or asked anyone to resign. Its operating profit stood at Tk 450 crore, up 40 per cent from a year ago.

BB ACTION
The central bank

instructed banks on December 15 last year to reinstate all employees who applied to return to their previous jobs.

Banks have been asked to preserve the required documents relating to the reinstatement of the officials. The central bank will examine the documents to see whether its instruction has been followed.

On January 20, the BB said banks can't sack any employees over missing any deposit targets.

EXPERTS' REACTION
Fahmida Khatun, executive director of the Centre for Policy Dialogue, said a large number of job cuts was not expected at all during the pandemic. Almost all

private banks managed a healthy operating profit last year. The central bank had extended tremendous support to banks throughout the pandemic to help them keep their business afloat, she said.

"Banks should reinstate those who lost jobs, or else the image of banks will be affected."

Salehuddin Ahmed, a former governor of the BB, said that the massive resignation and layoff was a reflection of a lack of governance in the banking industry.

The easy hiring and firing policy is not a good sign, he said, adding the central bank should compel banks to follow a proper human resources management policy.

Japan's factory output dips more than expected

REUTERS, Tokyo

Japan's factory output shrank for the first time in three months in December as a decline in machinery production outweighed a small rise in autos, casting a cloud over the strength of the economic recovery.

Retail sales posted their third straight month of year-on-year gains in December as low coronavirus cases encouraged shoppers. Record infections this month driven by the Omicron variant, however, are expected to have hit consumer sentiment.

Factory output lost 1.0 per cent in December from the previous month, official data showed on Monday, pulled down by a decline in output of general-purpose and production machinery, including chip-making equipment and engines used in manufacturing.

That meant that output, which fell faster than the 0.8 per cent decline

forecast in a Reuters poll of economists, dropped for the first time in three months.

"Output especially fell among capital goods makers, probably due to the strong impact from the chip shortages," said Takeshi Minami, chief economist at Norinchukin Research Institute.

"It suggests its impact is widening even though the focus has been on the car industry."

Automakers have been forced to curb production even as demand in key markets such as China rebounds, while they also have had to contend with soaring semiconductor demand at consumer electronic companies.

Toyota Motor Co, the world's biggest car seller, said this month it expected production to fall short of an annual target of 9 million vehicles for its current business year that runs until end-March due to the drag from the chip shortage.

McDonald Steel first to begin

FROM PAGE B1

The official inauguration will be held as soon as possible once incorporated into Prime Minister Sheikh Hasina's schedule, they said.

Besides, eight industrial units are under construction, including that of Berger Paints Bangladesh, Bangladesh Auto Industries and Healthcare Pharmaceuticals, which are likely to start running operations by June next year.

According to Beza, the shilpa nagar has drawn investment proposals amounting to \$20.13 billion till date – \$19.85

billion from locals and \$1.28 billion from abroad.

However, the McDonald's new manufacturing unit will take up to one month to begin commercial production of galvanised and prefabricated steel sheets, said Sarwar Kamal, the company's managing director. The machinery was brought from Japan and China.

"Nippon McDonald already invested over Tk 100 crore in their joint venture factory to grab a bigger share of the growing market of steel plates along with economic growth and industrialisation in the country," he said.

Kamal went on to say that trial operations of the new unit began through the manufacturing of steel pipes.

"Nippon Steel Corporation is a highly compliant and well-renowned company around the world and it sees a good future for the steel sector in Bangladesh," he said.

Kamal believes they will be able to cater to the country's demand for prefabricated steel through the new unit, which will benefit the overall industry by substituting imports.

The company will import raw materials from China, Japan and

European countries while finished products will be mainly used by the local industries.

Kamal expects to make annual sales of \$20 million in the local market and also plans to export to South Asian countries once the unit becomes fully operational.

He said they have a good scope to export steel products to the northeastern states of India as well.

Industry insiders said the present annual demand for steel at home was around seven lakh tonnes, with an growth rate of around 12 per cent to 15 per cent.

Private credit growth up for 7th

FROM PAGE B1

ending in June. It missed its goal in the last fiscal year after the growth plunged to 8.35 per cent against the goal of 14.8 per cent.

"The ongoing credit growth will continue if no major obstacle emerges."

Emranul Huq, managing director of Dhaka Bank, says a majority of banks usually try to use their unutilised funds in December by giving out loans before the year closes.

Banks also followed the same path last month, lifting the credit growth.

Alesha Mart sued for unfair

FROM PAGE B1

examining all the evidence.

As such, the BCC yesterday served a notice on Alesha Mart in this regard, asking it to appear before the commission on February 16 to make a statement.

"Anyone in Bangladesh doing business, either online or offline, would have to do business as per rules. No one will be able to run any kind of business outside the rules," said Md Mofizul Islam, chairperson of the BCC.

When contacted, Md Monzur Alam Sikder, chairman of Alesha Mart, said he does not know anything about the case. He says that the firm

owes to 6,500 to 7,000 customers in terms of undelivered goods and refunds.

"I urge everyone to be patient. Alesha Mart is not going anywhere and I'm not going anywhere either. You'll get your money back," he said in a video message on the company's verified Facebook page on Sunday.

"We have an urgent meeting with the commerce ministry on February 6, after which you'll get a clear guideline," he added.

During a press conference in July last year, Sikder said his firm gave subsidies of Tk 350 crore in six months, all

of which was for selling motorcycles at a big discount. However, the company made a profit of Tk 140 crore by selling other products during the same period.

"As a result, the net subsidy in six months was Tk 210 crore but the products were sold for Tk 110 crore," he added.

Alesha Mart sought Tk 300 crore in working capital from the commerce ministry on December 2, as it plans to refund customers and resume operations in full.

But on December 15, the ministry said the government would not give any financial support to the e-commerce company.