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Star BUSINESS

RAW MATERIALS

Don't nominate any particular supplier

BGMEA requests buyers

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has urged international clothing retailers and brands not to nominate any particular supplier for the sourcing of raw materials and fabrics to prevent market distortions and bring back perfect competition.

There has been massive growth in the country's backward linkage industry for the export-oriented garment sector, BGMEA President Faruque Hassan told The Daily Star over the phone.

However, some international retailers and brands still nominate select suppliers, especially ones in other countries, for some 40 per cent of raw materials and fabrics, he said.

Bangladeshi companies are very much capable of supplying almost all the raw materials, fabrics and garment accessories necessary as the local primary textile sector has grown a lot over the past four decades, he said.

The nomination is leading to select suppliers availing most of the business, he said.

If the international retailers and brands buy the raw materials and fabrics on the basis of an open market system, there will be perfect competition in the markets, he said.

Also, Bangladesh will enjoy more local value addition in the supply chain which is very much needed for the country for its upcoming United Nations status graduation from a least developed country (LDC) to a developing nation in 2026, he said.

"With the growth of our readymade garment industry, the backward linkage industry including textiles and accessories has also grown significantly in recent decades," said Hassan.

"Now we are almost self-sufficient in knit fabric, though supply of woven fabric from local mills still remains inadequate," he said in a letter.

He said on the other hand, the local accessories industry has the capacity to meet almost 100 per cent demand.

However, Bangladesh still has to gain strength in the production of a number of special accessories and some specialised knit fabrics, particularly man-made fibre (MMF), polyester, synthetics. "We don't have enough capacity at this moment," he said.

"So, we need to import those. Here our observation is that in many cases buyers used to nominate the source of fabrics and accessories import," he said.

And in most of the cases, a single source

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A number of customers buy medicines from a drug store on the sadar road in Barishal city. Customers soon may have to pay more to access pharmaceuticals products as manufacturers are under immense pressure to adjust the prices following the spike in the cost of production. The photo was taken on Sunday. PHOTO: TITU DAS

Dollar shortage bites pharma industry

Companies face trouble in LC opening for importing raw materials

JAGARAN CHAKMA *and* AHSAN HABIB

The pharmaceuticals industry, which has made life-saving drugs available at lower costs, is facing troubles in opening letters of credit (LCs) to import much-needed raw materials and capital machinery owing to the US dollar crunch.

Bangladesh Bank data showed local drug-makers opened LCs for the imports of raw materials worth $465.43 million in the first six months of the current financial year, down 22.41 per cent from a year earlier. It was $599.85 million in the corresponding period in 2021-22.

Likewise, the LC opening for capital machinery used in the pharmaceuticals sector declined 35.15 per cent to $65.15 million between July and December.

Under the circumstances, the industry is worried about whether it would be able to deliver products to international buyers within agreed deadlines, failure to which may dent the image of the sector.

"The pharma industry is going through a challenging time as the prices of raw materials have risen, and sometimes, banks are delaying opening LCs," said Md Zahangir Alam, chief financial officer of Square Pharmaceuticals.

"But if pharma companies can't bring in enough raw materials, production would be hampered."

Bangladesh needs to import $1.3 billion worth of raw materials for the pharmaceuticals sector a year since local firms can at best meet 10 to 15 per cent of the annual demand for inputs.

The sector meets 98 per cent of the local demand and also ships products to around 150 countries, including several developed nations.

The finance cost to open LCs may go up as banks sometimes forward LC applications to their offshore branches to pave the way for the settlement of the import bills in US dollars, Zahangir said.

Bangladesh is facing a serious dollar shortage as escalated imports have driven down the foreign currency reserves and thus, the value of the local currency against the US dollar. So, businesses can't go ahead with required imports to feed the economy owing to banks' inability to supply the American greenback needed.

The central bank has restricted non-essential imports to save US dollars. Amid the tightening of purchases from external sources, overall LC opening in Bangladesh slumped 14 per cent year-on-year in July-December. Settlement declined 9 per cent.

"Amidst the sharp strengthening of the dollar, entrepreneurs are not getting adequate dollars to open LCs," said M Mohibuz Zaman, chief operating officer of ACI Pharmaceuticals.

"Banks are taking more time to provide approvals to the opening of LCs. This is prolonging the lead time."

SM Shafiuzzaman, secretary-general of the Bangladesh Association of Pharmaceutical Industries, a platform of about 250 local drug-makers, says manufacturers can't import ingredients on time.

"This is hampering the production of life-saving drugs. In some cases, importers can't have their raw materials released from the port on time as banks can't settle LCs."

"We can't open LCs even after providing a 100 per cent margin against the imports of raw materials and capital machinery."

Shafiuzzaman does not see an immediate solution to the crisis facing the industry.

"The government should give priorities to allow opening LCs for the pharmaceuticals sector considering its importance. The health sector will suffer a lot if the situation does not improve soon."

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BB brings back lending curbs for National Bank

STAR BUSINESS REPORT

The central bank has ordered National Bank Ltd not to disburse more than Tk 10 crore in loans to a single borrower as the lender is going through uncertainties after its Managing Director Md Mehmood Husain stepped down.

Besides, the private commercial bank has been allowed to disburse loans to a few sectors: working capital and loans to the cottage, micro, small and medium enterprises, according to a Bangladesh Bank letter sent to NBL on January 22.

The Bangladesh Bank has taken the decision to protect the interest of the depositors, said its spokesperson Md Mezbaul Haque.

"The managing director of the bank has submitted his resignation letter to the board, creating uncertainty about the operation of the bank. So, the central bank has beefed up its monitoring."

As part of the move, NBL has been instructed not to disburse more than Tk 10 crore in loans to a single borrower, he said.

The private commercial bank has been allowed to disburse loans to a few sectors: working capital and loans to the cottage, micro, small and medium enterprises

Husain submitted his resignation letter to the board on January 18. Sources at the central bank and NBL said that the board had asked him to resign.

He, however, cited personal reasons in the letter.

A good number of managing directors of the lender had earlier faced the same consequence amid pressure from the board, said the sources.

"The central bank will investigate if the resignation of the managing director was done complying with central bank rules," Haque said.

As per the central bank's order, NBL will not be allowed to renew the existing loans without recovering a certain cash portion of the credits.

In addition, the bank has not been permitted to open letters of credit if it does not secure a 100 per cent margin from importers.

If the lender wants to disburse loans of more than Tk 10 crore, it will have to take prior approval from the central bank. The central bank also asked the bank not to take over any loans from other banks and non-bank financial institutions.

In the past, the BB also imposed a similar

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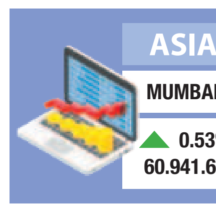
STOCKS

DSEX ▲	CASPI ▲
0.12%	0.01%
6,263.50	18,457.03

COMMODITIES

Gold ▲	Oil ▲
$1,926.96	$82.39
(per ounce)	(per barrel)



ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.53%	▲ 1.33%	▲ 0.54%	▲ 0.76%
60,941.67	26,906.04	3,293.71	3,264.81

1,250 tonnes of sugar stuck at Benapole for tariff stalemate

OUR CORRESPONDENT, *Benapole*

Around 42 trucks carrying 1,250 tonnes of sugar from India have remained stuck at Benapole port for the past 28 days as the local customs authorities allegedly imposed a higher tariff than that stipulated by the government.

Port sources say a total of 84 trucks loaded with 2,500 tonnes of sugar imported in six consignments by Setu Enterprises arrived in Benapole on December 25.

Of them, half were released after paying a tariff of $430 for each tonne of sugar as per the rate set by the National Board of Revenue (NBR), said Abdul Latif, the clearing and forwarding agent of Setu Enterprises.

However, customs authorities then imposed a higher tariff of $570 per tonne for the remaining 1,250 tonnes of sugar following a complaint by the Bangladesh Sugar Refinery Association.

In its complaint, the association stated that sugar is being released from the port by showing lower values than their actual worth.

Latif went on to say that customs authorities cannot increase the tariff beyond the government-stipulated rate at will.

"The 42 sugar-laden trucks remain stuck at the transhipment yard of the port's truck terminal as the importer is unwilling to clear the consignment by paying the higher tariff," he said.

"But if the sugar is cleared off with the payment of the unusually high tariff, the importers will suffer a huge loss," he added.

Latif also said they have been paying Tk 2,000 per day for parking each truck since their arrival from India.

Ashish Sarkar, a driver of one of the Indian trucks, said he has been living in his truck for 28 days now.

"I don't know how many more days I will have to pass here fighting the bitter cold," he added.

Md Shafayet Hossain, joint commissioner of Benapole Custom House, said they will take steps to end the stalemate in light of instructions from the higher authorities.

Indian trucks carrying 1,250 tonnes of sugar imported from the neighbouring nation have been idling at Benapole port for 28 days now as the importer, Setu Enterprises, alleges that an unusually higher tariff is being imposed. PHOTO: COLLECTED