Star BUSINESS

Gas price hike to fuel costs for ceramics makers

JAGARAN CHAKMA

Production costs in the ceramics industry of Bangladesh will rise by up to 15 per cent due to a recent hike in the price of gas, which adds to the list of crises threatening the sector's overall growth, according to manufacturers.

For large industries, the unit price of gas will increase nearly threefold from Tk 11.98 to Tk 30, as per a notification from the Energy and Mineral Resources Division effective from February 1.

Ceramics makers already spend 7-8 per cent of the total production cost on gas, but it will go

Md Mamunur Rashid

up to 12-13 per cent due to the recent price hike, said Md Mamunur Rashid, additional managing director of X Ceramic Group in an interview.

Earlier, production costs increased by around 35 per cent as raw materials became costlier in the face of an ongoing US dollar shortage.

At present, about 40 per cent of the production cost goes into importing the required raw materials, whether it be for tiles, sanitaryware or tableware.

So, the higher price of gas will push up the cost of inputs even further. For example, the cost of producing floor tiles will increase to Tk 12 from Tk 8 per square foot, he added.

Rashid, also vice president of the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA), then said that ceramic industries have been suffering from a shortage of gas for the past six months.

"We are getting less than 50 per cent of the required gas due to low pressure despite paying more for the fuel. As a result, we are running our factories at only 35-40 per cent capacity," he added.

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Workers are seen using a scaffold made of bamboo to apply a fresh coat of paint on a residential building in Khulna city on Thursday. Like other industries, paint makers in Bangladesh are feeling the pinch of an ongoing US dollar shortage as banks have become reluctant to open letters of credit for importing raw materials.
PHOTO: HABIBUR RAHMAN

Higher input, dollar costs take gloss off paint industry

JAGARAN CHAKMA

Like other sectors, the paint industry in Bangladesh is in troubled waters as the US dollar crunch has made it difficult for manufacturers to import raw materials in line with their demand.

Paint manufacturers had posted solid growth in the five to six years on the back of consumption in both urban and rural areas and rising per capita income, before the economic slowdown caused by the coronavirus pandemic and the Russia-Ukraine war hurt sales, industry insiders say.

Now, owing to the US dollar shortage, the opening of letters of credit (LCs) has fallen, as the Bangladesh Bank has tightened rules to discourage the imports of non-essential and luxury items in order to save the foreign currency reserves from fast depletion.

At present, the annual demand for paint is nearly 200,000 tonnes, a rate that has remained unchanged for the last three years.

But paint makers say although the local market for decorative paints is not enormous at the moment, the future is bright as consumption is expected to go up in keeping with the recovery of the economy.

"The overall market is not impressive as people are not interested to spend money on non-essential items such as paints owing to the ongoing economic uncertainty caused by the inflationary pressure," said Khandker Abu Jafar Sadique, company secretary of Berger Paints Bangladesh Ltd.

The largest paint manufacturer in Bangladesh said its net income declined 16 per cent year-on-year in the October-December quarter as rising import costs for raw materials and the depreciation of the local currency erased sales gains.

The multinational company's net profit stood at Tk 68.30 crore in the third quarter of its financial year from Tk 81.24 crore. As such its earnings in the April-December period grew only 2.26 per cent although it recorded 17.5 per cent sales growth to Tk 1,890 crore.

Profits rose to Tk 204 crore in the nine months to December from Tk 200 crore a year ago.

Although sales were higher in April-December compared to a year ago, there is no way to make profits due to the higher price of raw materials, Sadique said.

"The sale volume matters for business, but it becomes a burden when the production cost is high."

Most industries in Bangladesh received a blow even before the Ukraine war began in February as pent-up demand and record freight costs sent prices higher in the global market for most commodities. The war-induced supply disruptions and energy crisis have just added fire to the fuel.

The taka has lost value by about 25 per cent against the US dollar in the past one year, making imports expensive.

Buddhadipto Mukherjee, chief executive officer of Asian Paints (Bangladesh) Ltd, said "As per our information, the overall paint market in Bangladesh has not witnessed much of a build-up as it was seen in the past due to the ongoing economic turbulence the country is facing like the rest of the world."

The industry's overall volume production is running below capacity due to subdued demand. That, coupled with the sharp appreciation of the US dollar in the third quarter, increased the prices of raw materials and overheads percentage of sales, he said.

"Operating overheads also increased due to inflation in fuel prices and other factors. All these are putting pressure on the bottom-line."

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Sugar prices edge up in wholesale market

SUKANTA HALDER

Sugar prices edged up in the wholesale market of Bangladesh within days after refiners declared that they would sell the sweetener at higher prices from the first day of February.

The rate rose even after the government fixed the retail prices for the sweetener that are far lower than the existing market rates, raising questions whether consumers, who have been hit with a soaring cost of living, would benefit from the latest move.

On January 26, the Bangladesh Sugar Refiners Association discussed with the Bangladesh Trade and Tariff Commission and the commerce ministry the price situation and announced an increase of Tk 5 per kilogramme on the same day.

The new rate of Tk 112 for packaged sugar and Tk 107 for non-branded ones will come into effect on February 1.

But loose sugar is being sold at Tk 115 to Tk 120 per kg and the packaged ones at Tk 120 to Tk 125 in different parts of the country, including Dhaka and Chattogram.

Abdur Razzak, a wholesale trader in Khatunganj, a commodity hub, said soon after the announcement of the new rates, the wholesale price of sugar per maund (37.32 kgs) increased by Tk 50 to Tk 3,920 to Tk 3,950.

Sugar is being sold at higher prices due to supply shortage, the increase in production costs, and higher import payments, retail traders and importers say.

Refiners, however, say the supply shortage will be resolved soon.

Hazi Mizan, a retailer in Karwan Bazar, one of the biggest kitchen markets in Dhaka, said there has not been an adequate supply of sugar.

The retailer claims that he has had to buy packaged sugar at Tk 110 per kg from the dealer although the packet showed a price of Tk 107.

"Otherwise, the dealer will not sell sugar to me," he said.

"The dealer did not give me any receipts and

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STOCKS (WEEK-ON WEEK)

DSEX ▲	CASPI ▲
0.49%	0.48%
6,296.26	18,565.63

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▲
$1,927.60	$86.66
(per ounce)	(per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.45%	▲ 0.07%	▲ 0.76%	▲ 0.05%
59,330.90	27,382.56	3,264.81	3,394.21