The "Himsagar" variety of mango being neatly packed into crates in Kadamtola Mor at Khulna's Borobazar Station Road. Each maund (around 37 kilogrammes) is selling at wholesale for Tk 1,100 to Tk 2,200 depending on the size and quality. The photo was taken yesterday.

PHOTO: HABIBUR RAHMAN

NBFIs asked to complete procedures to add PLC suffix

STAR BUSINESS REPORT

The Bangladesh Bank has directed non-bank financial institutions (NBFIs) to complete legal procedures in order to replace their company suffix "Limited" with PLC.

The central bank gave the direction in a notice on Wednesday.

In Bangladesh, companies are switching to the PLC (Public Limited Company) suffix in order to comply with the amended Company Act 1994. The amendment was made in 2020.

A PLC is a public company and is the equivalent of a US publicly traded company that carries the Inc. or corporation designation. The use of the PLC abbreviation after the name of a company communicates to investors and to anyone dealing with the company that it is a publicly traded corporation.

As per the amendment, NBFIs would have to change the Memorandum of Association and the Articles of Association in order to assume the PLC suffix, said the BB notice.

Currently, 35 NBFIs are operating in Bangladesh while the maiden one was established in 1981. Of them, two are fully government-owned, one is the subsidiary of a state-run commercial bank, 19 were initiated by private domestic initiative, and 13 were initiated by joint venture initiative.

Major sources of funds for NBFIs are term deposits (at least three months tenure), credit facilities from banks and other NBFIs, call money as well as bond and securitisation.

NBFIs can conduct their businesses with diversified financing modes such as syndicated financing, bridge financing, lease financing, securitisation instruments, and private placement of equity.

They are not allowed to issue cheques, pay orders or demand drafts, receive demand deposits, and be involved in foreign exchange financing

Stop under-invoicing in sugar imports

Refiners' association urges NBR to take steps

SUKANTA HALDER *and* SAJJAD HOSSAIN

Sugar refiners of the country recently complained that some importers are under-invoicing their shipments of refined sugar in a bid to make more profit from higher prices of the sweetener.

This practice is not only hampering local mills by reducing the competitiveness of their product, but also taking revenue away from the government, Bangladesh Sugar Refiners Association (BSRA) said in a letter to the National Board of Revenue (NBR) on May 22.

With this backdrop, the BSRA urged the tax administrator to tighten import regulations as well as determine an acceptable price for refined sugar in line with the current market situation.

The domestic sugar industry plays a crucial role in the economy by catering to the demand for the sweetener and employing a significant number of workers.

So, the BSRA's primary concern is to ensure market stability as any disruptions would not only impact the mills, but also put jobs at risk.

Bangladesh now requires about 20 to 22 lakh tonnes of sugar each year. Of this amount, local mills can produce just 30,000 to 35,000 tones, necessitating imports of raw sugar by the country's five refiners.

At present, the global market price for raw sugar stands at about $600 to $700 per tonne while it is $750 per tonne for refined sugar.

BSRA members dutifully pay huge amounts of tax when importing raw sugar, according to the letter.

As such, the hike in global prices has positively impacted the government's revenue collection from shipments of the sweetener, which surpassed Tk 5,000 crore last year.

However, recent media reports indicate that refined sugar is being imported for as low as $430 per tonne in certain cases.

Bangladesh now requires about 20 to 22 lakh tonnes of sugar each year. Of this amount, local mills can produce just 30,000 to 35,000 tonnes, while five refiners import the rest.

This is because unscrupulous importers frequently understate import prices to evade duties and taxes, further highlighting the importance of price verification and regulatory measures, the BSRA said.

Taslim Shahriar, senior assistant general manager of Meghna Group of Industries, one of the biggest commodity importers and processors in Bangladesh, said this matter has turned into a big problem.

So, the government should take appropriate action in this regard, he added.

Golam Rahman, secretary general of the BSRA and managing director of Deshbandhu Sugar Mills Ltd, said some importers are evading duty when bringing sugar into the country to make more profit.

On the other hand, businesses that are not engaging in this practice are suffering commercially.

"Such shipments are being imported through the Benapole and Chattogram ports," he added.

Rahman went to say that the customs authority should verify these accusations as only then will the truth be revealed.

Consumers are having to pay more than the government-fixed rate for sugar as local millers and refiners were forced to adjust their prices in line with higher production costs.

The ongoing US dollar and energy crises stemming from the Russia-Ukraine war led to market volatility since July-August last year, inflating global prices for raw sugar and fuel in the process.

After that, the government fixed the local price of sugar in three rounds.

On May 10 this year, the commerce ministry increased the price of loose refined sugar to Tk 120 per kilogramme while the price of packaged refined sugar was set at Tk 125 per kilogramme.

However, sugar is currently being sold for Tk 130 to 140 per kilogramme at retail.

About 95 per cent of the imported sugar is unrefined, according to NBR data, which shows that shipments mainly come from Brazil, India, Australia, the UK, and Malaysia.

When the fox is the keeper

MAHTAB UDDIN AHMED

The tales of the cunning fox deceiving other animals are integral to our childhood. In one of these stories, this mother crocodile leaves her five babies with the clever fox to tutor them.

Every morning when the mother crocodile came to check on her young babies, the fox who was devouring them one by one would fool the crocodile by showing the same baby several times until there were none left to show, and the devastated mother then realised all too late what a fool she has been.

The story's moral is that trusting the wrong person can have severe consequences, especially when we trust big companies like the Big 4 without fact-checking their malpractices.

In the society that we live in, we have all had our fair share of foxes. While bankers are there to protect the public money, they are also busy on their fortune sprees. While lawmakers make laws to improve life, it is often the lawmakers themselves who believe they are above those laws.

Coming back to the Big 4, I had earlier written an article titled "Our Love for Big 4!" in which I shared some real-life stories that highlight how their greed for profit supersedes their business ethics which is core to their business.

Recently, PWC in Australia has come under intense political pressure after it was revealed that its top executive shared with other PwC employees the government's confidential plans to combat tax avoidance by multinational firms. They used that information to tailor tax avoidance plans for multinational firms, including Silicon Valley tech giants. The partner who worked on the Australian government tax assignment shared the confidential information with as many as 50 partners or employees.

"We are committed to learning from our mistakes and ensuring that we embrace the high standards of governance, culture and accountability that our people, clients and external stakeholders rightly expect," said Kristin Stubbins, acting chief executive of PwC. It is not about learning from mistakes but making money at any cost.

The annual revenue of the Big 4 ranges from US$34 billion to US$59 billion in 2022, according to Statista. The usual fine for non-compliance ranges from $1 million to $100 million, a negligible sum against the revenue. Such low fines, mostly in developed countries, encourage them to carry on with their unethical practices.

Considering the repeated conflict of interests, EY proposed to split into two separate businesses: one for audit and the other for advisory and consulting services. While EY expected the competitors to follow suit, the other three stood their ground because of the anticipated impact on revenue. Now, EY may backtrack from its original position.

The idea of a Big 4 split was first mentioned in a report by a UK parliamentary committee following the collapse of the construction group Carillion in 2020. The UK accounting regulator directed the Big 4 to split by 2024.

Developing countries, including Bangladesh, should muster up the courage to dissent against the unethical practices of Big 4 or alternatively have some control over them. The Financial Reporting Council may consider forcing these firms to split their consultancy and audit businesses as UK regulators did. Another point to consider is to look for subject matter experts from international or local markets instead of the Big 4.

We have little or no control over Big 4's operations in Bangladesh. Rather, our government and big corporates rely heavily on their services due to their perceived acceptance by the authorities. They are, in fact, used not as much for their reliability but to save their back in the face of a finger being pointed. About time to get alert!

The author is founder and managing director of BuildCon Consultancies Ltd

Shipping Corp profit up 23% in third quarter

STAR BUSINESS REPORT

Bangladesh Shipping Corporation (BSC) made a Tk 62.23 crore profit in the third quarter of the current financial year, an increase of more than 23 per cent year-on-year.

The state-run enterprise clocked a profit of Tk 50.49 crore in the same January-March quarter of 2021-22.

Thus, the earnings per share rose to Tk 4.08 in the first quarter of 2022-2023 from Tk 3.31 in the same quarter of 2021-2022. Similarly, BSC posted a 7.75 per cent higher profit at Tk 190.52 crore in July-March of FY23, which was Tk 176.79 crore during the identical nine-month period of FY22. So, the EPS rose to Tk 12.49 from Tk 11.59.

Shares of the company were down 0.07 per cent to Tk 134 on the Dhaka Stock Exchange yesterday.

Md Lal Hossain, company secretary, said the ship operation of BSC has improved and it maintains its schedule properly and makes delivery on time.

He said the corporation has met some criteria and complex regulations related to international compliance, which would help revenue grow. BSC has seven ships. Of them, five are ocean-going and the rest two are lighter vessels.

The corporation has undertaken a number of projects to modernise its ships and expand its existing fleet in order to tap the prospect of blue economy and future demand.

BSC's plan includes the acquisition of a number of vessels and replacing the existing ones with a view to increasing its capacity to carry export and import goods.

The Executive Committee of the National Economic Council endorsed a project for the procurement of two mother tankers and two mother bulk carriers.

Germany enters recession

Economy battered by higher inflation, interest rates

AFP, *Berlin*

Germany fell into a recession around the turn of the year, official figures published Thursday showed, as inflation and higher interest rates curbed demand in Europe's largest economy.

Over the first three months of 2023, the economy shrank by 0.3 percent, the federal statistics agency Destatis said, downgrading an initial estimate of zero percent.

Following a 0.5-percent contraction in the last three months of 2022, it was Germany's second consecutive quarter of negative growth -- the threshold for a "technical recession".

The slump came as Germany battled a surge in energy prices in the wake of the Russian invasion of Ukraine, which has weighed on households and businesses.

The increased cost of energy has driven inflation, which sat at 7.2 percent in Germany in April, down only slightly from its peak towards the end of 2022.

"The persistence of high price increases continued to be a burden on the German economy at the start of the year," Destatis said in a statement.

The impact was felt particularly by consumers who reined in their spending on items such as food and clothing.

The negative revision to the growth figure was no surprise following a string of weak economic indicators, LBBW bank analyst Jens-Oliver Niklasch said.

"The early indicators suggest that things will continue to be similarly weak in the second quarter" of 2023, Niklasch said. Industrial orders, which give a foretaste of factory output, plummeted in March when compared with the same month last year.

Germany, which had long been heavily reliant on Russian energy imports, was left particularly exposed following the Russian invasion in February last year.

An employee works at a gear in a assembly hall of the German gear manufacturing company Renk in Augsburg, southern Germany, on May 8.

PHOTO: AFP

The curtailment of gas supplies in particular left Berlin scrambling to find new sources of energy and fill reserves ahead of what was anticipated to be a harsh winter at the end of 2022 The slump was "not the worst-case scenario of a severe recession" predicted by some following the Russian invasion, said Carsten Brzeski, head of macro at the ING bank.

But mild temperatures, a rebound in key market China and the easing of supply chain problems following the coronavirus pandemic were "not enough to get the economy out of the recessionary danger zone", Brzeski said.

"A drop in purchasing power, thinned-out industrial order books as well as the impact of the most aggressive monetary policy tightening in decades" were likely to drag on the economy further, he said, referring to the European Central Bank's interest rate hikes against inflation.

An anticipated slowdown in the US economy and the continuation of the war in Ukraine would also weigh on output, he said.