The government allocated Tk 3,500 crore for the Padma Bridge Rail Link Project from foreign assistance in fiscal year 2023-24. PHOTO: STAR

PADMA BRIDGE RAIL LINK PROJECT

Railway seeks one-year extension on loan tenure

JAGARAN CHAKMA

Bangladesh Railway (BR) is seeking a one-year extension on its loan tenure for the Padma Bridge Rail Link Project as a means to avoid upward cost revisions resulting from hassles in clearing payments after the task is complete.

Md Kamrul Ahsan, director general of BR, made this request to the government of China through the Economic Relations Division (ERD) last month.

As per the loan-financing agreement signed between the ERD and officials of the Chinese embassy in Dhaka on April 17, 2018, the loan duration is set to end on May 12, 2024.

The extension was sought by BR as the contractor, China Railway Group Ltd (CREC), informed that it would not be possible to finish implementing the project within the stipulated deadline on May 4, 2024.

This is due to delays in land acquisition along the Dhaka-Mawa and Bhanga-Jashore sections as well as the shifting of utility lines.

In addition, there were changes to the plan, such as constructing railway underpasses instead of level crossings at the Tularampur and TT Para points, among other reasons, Ahsan said in a letter to the ERD.

So, if all tasks are completed as per the request of the contractor, additional time of four months will be required to pay the total cost, including the 85 per cent share of the Exim Bank of China, he added.

The government allocated Tk 3,500 crore for the project from foreign assistance in fiscal year 2023-24, which is to be spent within the loan duration.

Considering the rate of expenditure from project assistance in previous years, it will be possible to spend Tk 2,009 crore within the next 10 months before the deadline.

In that case, project assistance within the loan availability period amounting to Tk 1,910.43 crore will remain unspent within the stipulated timeframe, according to BR.

So, if the loan availability period is not extended as per the terms of the agreement, it will not be possible to spend the money allocated for the remaining works.

As such, the government of Bangladesh would have to spend Tk 1,910.43 crore, for which resources are not available in the sanctioned budget.

"We urged to increase the loan availability period by at least 12 months until June 2025 to complete all bill disbursements smoothly," said Afzal Hossain, project director of the Padma Bridge Rail Link, citing that they will complete implementation in due time.

According to him, they have overcome the land acquisition hassle, which was a lengthy process.

"This was done by virtue of cooperation from the concerned deputy commissioners to expedite the acquisition process," he added.

Hossain said that till June, overall physical progress was 80 per cent while financial achievement was 75 per cent.

According to ERD officials, they have already discussed with the embassy of China to extend the duration of the loan availability.

The Exim Bank of China was asked to wait until December this year to observe the progress of implementation, Hossain said, adding that if the progress is not as per their expectation, then the loan duration may be considered for further extension.

The Executive Committee of the National Economic Council approved the project at a cost of Tk 34,988.86 crore on May 3, 2016.

Of the total cost, the government is spending Tk 10,239.81 crore while the remaining Tk 24,749.04 crore is being financed by the Exim Bank of China.

Commerce Bank gets new DMD

STAR BUSINESS DESK

Bangladesh Commerce Bank recently appointed Mohammad Jamil Hossain as its deputy managing director.

Hossain was serving Premier Bank as its senior executive vice-president and head of corporate banking division, CAMLCO, zonal head, and chief risk officer concurrently prior to joining Bangladesh Commerce Bank, said a press release.

Hossain started his banking career with Eastern Bank as a probationary officer in January 1997.

He then worked for Woori Bank, Prime Bank and NRB Bank.

Hossain was a certified management accountant from the ICMA in Australia and New Zealand, and a certified credit professional from the OMEGA Credit in the UK.

Janata Bank customers now can 'Add Money' to bKash

STAR BUSINESS DESK

Janata Bank's account holders can now transfer money to bKash accounts from anywhere and anytime without additional charges using its internet banking app "eJanata".

bKash account needs to be added as the beneficiary of JBL account through "eJanata" app in the first place to add money.

A customer can tap the "Add Money" icon to select "Internet Banking" from the "bank to bKash" section, said a press release.

Customers can also directly add money to bKash via the eJanata app following simple steps from the "Transfer" menu of the app.

Currently, customers of bKash can "add money" instantly to their accounts from 44 top commercial banks in the country as well as Visa and MasterCard issued by banks.

Tesla beats delivery estimates

REUTERS

Tesla Inc on Sunday said it delivered a record number of vehicles in the second quarter, topping market estimates as price cuts and US federal credits helped make its electric vehicles more affordable.

The Elon Musk-led company handed 466,140 vehicles in the April to June period, up 10 per cent from the preceding quarter, and 83 per cent higher from a year earlier.

Oil giants drill deep as profits trump climate concerns

REUTERS, *London*

Oil and gas companies have intensified the hunt for new deposits in a long-term bet on demand, as they reinvest some of the record profits from the fossil fuel price surge driven by the Ukraine war, according to data and industry executives.

The exploration revival – on the part of European majors in particular – reflects a renewed commitment to oil and gas after Shell and BP went back on pledges to reduce output and invest in renewables as part of the energy transition.

It responds to pressure from a majority of investors to maximise their oil and gas profits rather than invest in lower margin renewable energy businesses.

It also defies protests from a minority of activist investors who want oil companies to be more closely aligned with global efforts to mitigate climate change.

The renewed appetite for oil and gas reserves and production is an especially big turnaround for BP, which got rid of most staff from its exploration unit three years ago.

Exploration is a long-term, high-risk business. Big-ticket offshore projects typically take five years to develop from discovery and at least another 10 years to return the initial investment.

But as a source of profit, it has proved more reliable for the energy majors than the very different business model of producing renewable energy.

Upstream oil and gas have historically had returns of around 15 per cent-to-20 per cent, while most renewables projects have delivered up to 8 per cent.

An oil and gas price rally driven by energy producer Russia's invasion of Ukraine translated into record profits for the energy majors.

That has increased confidence in the most costly, high-risk offshore exploration that can also deliver the highest rewards.

"Offshore is experiencing a renaissance," oilfield services company SLB Chief Executive Olivier Le Peuch said on June 21.

Leading industry data providers and consultancies endorse the view.

The number of offshore drilling vessels used to explore and produce oil and gas recovered in May to pre-pandemic levels, rising by 45 per cent from October 2020 lows, an analysis of data from oil services firm Baker Hughes showed.

Wood Mackenzie analysts predict a continued increase in activity, forecasting offshore exploration and drilling activity to grow by 20 per cent by 2025. Already, the rise in drilling has helped to drive daily rates for leasing drilling rigs to the highest levels since a 2014 downturn when commodity markets crashed.

"Higher oil prices, the focus on energy security and deep water's emissions advantages have supported deep water development and, to some extent, boosted exploration," Wood Mackenzie analyst Leslie Cook said.

Tannery CETP needs renovation

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Two companies have already obtained permission to set up the facility on their own. Many others have also applied to DTIEWTPC for the same.

Since local tanners don't have the LWG certification and thus can't export leather to developed markets because of poor compliance, they are not getting fair prices, according to Md Shaheen Ahmed, chairman of the Bangladesh Tanners Association.

At present, companies can export tanned leather only to some non-compliant Chinese buyers at rates that are more than 40 per cent lower than global prices.

Bangladesh earned $1.22 billion in the just-concluded fiscal year by selling leather and leather products. But industry people say the leather sector has the potential to earn more.

Shaheen said tanners do not have the capability to spend Tk 1,000 crore to refurbish or rebuild the CETP. "We have already invested more than Tk 10,000 crore at the STIE."

"The government's grant is needed to make the CETP fully functional," he said, adding that seven months would be needed to complete the task.

According to Mustak Ahmed, two companies – one from Australia and another from Italy – have conducted audits to construct or renovate the CETP.

If one of them is selected either to rebuild or renovate the plant, it will also get the opportunity to run the plant for nearly 15 years since it will have to perform the task using its own funds, he said.

"However, the process is still at a primary stage."

The LWG was formed in 2005 as a collaborative initiative between footwear, apparel and upholstery brands and leather manufacturers. Today, it has become the world's largest leather industry-specific stakeholder organisation, representing over 2,000 stakeholders in more than 60 countries.

Without a fully functional CETP, Bangladeshi companies will not be able to obtain the much-required Leather Working Group certification. PHOTO: STAR/FILE

Inflation climbs to 12-year high

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"Contrary to lowering demand, the government policy sought to boost demand by increasing domestic credit through controls over interest rates and a higher fiscal deficit. These policies further added to inflationary pressures."

"Evidence shows that countries that adopted demand reduction policies through hikes in interest rates have all succeeded in reducing inflation substantially."

The central bank has blamed several factors for the elevated domestic commodity prices and inflation, including higher prices of imported items and a larger depreciation of the taka, which fell around 25 per cent against the US dollar in the past one year.

The upward adjustments in fuel and energy prices have also significantly contributed to the inflationary pressure, it said.

"All these factors have collectively contributed to the overall increase in domestic commodity prices. The lack of a competitive environment, along with market syndication, could have also contributed to the current CPI inflation."

The BB said the elevated level of inflation across the globe has declined due to the easing of supply-side conditions, and lower food and energy prices.

"The adjustments have not been reflected equally in Bangladesh's economy mainly due to the domestic price rigidity, lack of adequate market competition and large depreciation of the domestic currency."

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said headline inflation declined somewhat primarily due to a decline in non-food inflation in both rural and urban markets.

"It appears that the decline in the purchasing power of consumers has started to pinch demand for non-food items in which consumers have some discretion."

He said both monetary and fiscal policies have so far not made any significant move to combat inflation or to make it bearable for those who live hand to mouth.

"The family card programme is one exception, but it is beset with irregularities."

The government hopes that due to the decrease in the prices of fuel, food, and fertiliser in the global market, along with the adjustment of fuel prices in the domestic market and government initiatives to keep the food and supply systems normal, inflation will remain much controlled in FY24.

Thus, it has targeted to limit it to around 6 per cent in the new fiscal year. The World Bank forecasts inflation to average 6.5 per cent in FY24 before falling to 5.7 per cent in FY25.

The IMF, however, predicts that inflation will likely exceed targets in most countries in 2024, but the rate is expected to approach targets in 2025 as global commodity prices trend lowers and oil prices decline.

The BBS said it has been updating its CPI compilation method in line with the 2020 CPI manual of the IMF from April 2023.

It has changed the base index from 2005-06 to 2021-22 and introduced the new basket weights based on the Household Income and Expenditure Survey of 2016-17.

The new basket contains 383 items (goods and services) with 749 varieties, including 127 food items with 242 varieties and 256 non-food items with 507 varieties.

CPI data are collected from 154 markets from 64 districts, according to the BBS.

Navana Pharma

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Other than establishing a new general production unit, Navana Pharma had planned to spend Tk 9.7 crore for constructing a new utility and engineering building, according to the IPO prospectus.

Additionally, Tk 17.8 crore was lined up for refurbishing the company's cephalosporin unit and Tk 21.1 crore for repaying loans.

The balance of the IPO proceeds remains the same with 52 per cent having been spent so far.

Navana Pharma has paid-up capital of Tk 107 crore and a reserve of Tk 250 crore, according to DSE data. Stocks of the drug maker yesterday dropped 2.53 per cent to Tk 111.6 per share.