Jamuna Oil's profit surges 83% in FY23

STAR BUSINESS REPORT

Jamuna Oil Company Limited's profit jumped 83 percent year-on-year to Tk 340.88 crore in the financial year that ended on June 30.

The state-run petroleum products marketing firm made a profit of Tk 186.29 crore a year ago.

Thus, the company reported earnings per share of Tk 30.87 for 2022-23, up from Tk 16.87 in 2021-22, Jamuna Oil said in a filing on the Dhaka Stock Exchange.

The net asset value per share improved to Tk 205.49 from Tk 189 while the net operating cash flow per share rose to Tk 109.01 from Tk 101.43.

The board of directors of Jamuna Oil has recommended a 130 percent cash dividend for FY23, the filing said.

Shares of Jamuna Oil slipped 2.25 percent to Tk 178.20 yesterday.

Oil wavers on weak demand

REUTERS, *London*

Oil prices wavered on Monday, as renewed concerns over waning demand in the United States and China, coupled with mixed signals from the US Federal Reserve, kept markets uncertain.

Brent crude futures for January were down 8 cents at $81.35 a barrel at 0916 GMT, after losing $1 in earlier trading, while the US West Texas Intermediate (WTI) crude futures for December were at $77.11, down 6 cents.

Prices gained nearly 2 percent on Friday as Iraq voiced support for oil cuts by OPEC+, but lost about 4 percent for the week, recording a three-week losing streak for the first time since May.

"Investors are more focused on slow demand in the United States and China while worries over the potential supply disruptions from the Israel-Hamas conflict have somewhat receded," said Hiroyuki Kikukawa, president of NS Trading, a unit of Nissan Securities.

The US Energy Information Administration (EIA) said last week crude oil production in the United States this year will rise by slightly less than previously expected while demand will fall.

Next year, per capita U.S. gasoline consumption could fall to the lowest level in two decades, it said.

Farmers are working at an onion field in Sujanagar upazila of Pabna. The production cost for each bigha of Kondo onion, an early winter variety cultivated from mid-October and harvested in early January, has risen to about Tk 60,000 from Tk 30,000 previously. PHOTO: STAR

Higher prices of onion sets double production cost

AHMED HUMAYUN KABIR TOPU, *Pabna*

Onion set prices have doubled in Bangladesh, dashing the hopes of the inflation-hit people for an immediate reduction in the prices of the key cooking vegetable through the cultivation of early winter varieties.

Onion sets are small bulbs that are planted instead of seeds to yield a mature crop.

The production cost for each bigha of Kondo onion, an early winter variety cultivated from mid-October and harvested in early January, has risen to about Tk 60,000 from Tk 30,000 previously.

The variety is mainly cultivated to cater to the demand before new onions hit the market in summer.

Md Idris Ali, a development officer at the Department of Agricultural Extension (DAE) in Pabna, said they expect Kondo onion will be cultivated on 8,610 hectares of land in the district this year.

"We aim to get about 1.18 lakh tonnes of the crop early next year before new onions arrive."

Md Kamruzzaman, an onion farmer in Durgapur village, said each maund [37 kilogrammes] of onion sets is selling for as much as Tk 3,500 while it was Tk 1,500 previously

But during a visit to Sujanagar upazila, the country's biggest onion producing hub, local farmers were found cultivating the Kondo variety on a smaller scale than usual due to the higher production cost.

Md Kamruzzaman, an onion farmer in Durgapur village, said each maund [37 kilogrammes] of onion sets is selling for as much as Tk 3,500 while it was Tk 1,500 previously.

He initially planned to cultivate 40 bighas of Kondo onion but ultimately revised the target down to 32 bighas in the face of excessive production costs.

As the onion set price has doubled, so too has the production cost. At least 10 maunds of onion sets are needed to cultivate each bigha, he said.

Kamruzzaman also informed that marginal farmers who do not own land are bearing the brunt of the increased production cost as they have to spend extra on leasing plots.

Md Momin Khan, a marginal onion farmer of Ulat village, said he leased four bighas of land for Tk 60,000 to cultivate the Kondo variety.

"But I am worried about getting the expected profit due to the excessive production cost."

Echoing the same, Md Montu Miah, an onion farmer in the same village, said higher fertiliser and labour costs are making it difficult to continue cultivation as before.

Fertiliser prices have increased by Tk 10 per kg while labour costs have risen by Tk 100. So, the production cost has reached more than Tk 50,000 per bigha, he added.

Montu also said he does not dare cultivate more than one bigha of the early winter variety this year considering the excessive production cost.

He thinks onion prices will be higher even after the early winter variety is harvested.

He sold each maund of Kondo onion for about Tk 600 last season but this year, the price will be Tk 1,000 to Tk 1,200 due to the high production cost, he said.

Onion is currently selling for Tk 120 to Tk 140 per kg at retail, the highest in the past one year.

However, Md Jamal Uddin, deputy director of the Pabna DAE, said there is nothing to worry about as onion prices will come under control when there is sufficient supply in the market.

"The onion market is running with imports at the moment but after harvesting the Kondo variety, supply will be available and then the price will come under control."

The government official said that onion seeds will be available within two months of harvesting the early variety. "So, there will be no crisis for the crop next year."

According to the Pabna DAE, 44,665 hectares in the district are to be brought under onion cultivation to produce 6.45 lakh tonnes of the crop this year.

The onion seed cultivation will likely begin from the last week of December or early January with a harvesting target by March, DAE sources said.

Cash is king

SAZZADUL HASSAN

The phrase "Cash is King" became widespread during the financial crisis in 1987, courtesy Pehr G Gyllenhammar, the then CEO of Volvo. The statement signifies the importance of having cash on hand or instantly accessible cash, also known as free cash flow (FCF).

During an economic downturn, FCF provides flexibility to a company to repay its creditors and pay dividends and interest to investors without hampering the day-to-day operations. Naturally, the bigger the FCF amount is, the more flexibility a company will have.

The world has been experiencing prolonged economic turmoil since the outbreak of the pandemic back in 2020. The situation aggravated further after the Russia-Ukraine war.

According to the International Monetary Fund, the global growth will be 3 percent in 2023 against 3.5 percent in 2022. It is going to be even more challenging in 2024 with 2.9 percent growth, much lower than the historical average of 3.8 percent in recent times.

Bangladesh is no exception and feeling the same heat. The World Bank predicts that Bangladesh's GDP growth will be 6 percent in 2023, which is 1.1 percentage points lower than in 2022.

Presently, Bangladesh's economy is confronted with higher inflation, energy shortages, a balance-of-payments deficit, and a revenue shortfall. The import of capital machinery, raw materials, and intermediate goods is being curbed due to the ongoing USD crunch. Consequently, our growth is going to be slow in 2024.

In the backdrop of such huge challenges, many of our businesses are passing through tough times. In such difficult times, our businesses should be mindful of managing healthy FCF as it improves liquidity, which is critical for addressing any unforeseen expenses, meeting obligations, and even seizing opportunities.

One might ask, what is the threshold of a healthy cash flow? There is no straightforward answer to this as it varies from industry to industry, company to company, and situation to situation. Experts suggest organisations generate more cash than their expenditures. They must have sufficient working capital to cover at least three to six months of operating expenses, including paying the debts.

To maintain healthy FCF, companies need to focus on certain areas and put in efforts consciously and constantly. It all starts with having a cash flow forecast that outlines the expected inflows and outflows in detail.

Managing costs in difficult periods has a profound impact on the overall operations of any business. Businesses must review all their expenses and identify areas where they can reduce costs without impacting the core operations.

Renegotiating with the suppliers and postponing non-essential expenditures help manage costs effectively. Managing inventory contributes to reducing stress on working capital while faster inventory turnover enables to generate cash quickly.

Companies must accelerate accounts receivable by constantly following up on overdue accounts, encouraging clients to pay faster. Offering early payment discounts might help reduce receivables.

Companies should also constantly look to explore new revenue streams by entering new markets and introducing new products to reduce dependency on certain sources of income. Cost-effective financing options like lines of credit, loans or grants to inject cash need to be aimed at as well.

In the backdrop of an extremely challenging environment, businesses need to have proactive measures in place to ensure healthy cash flow. Yes, cash is going to be the king and saviour in turbulence.

The author is chairman and managing director of BASF Bangladesh Limited. Views are personal.

China's 'Singles Day' shopping bonanza loses its lustre

AFP, *Beijing*

China's annual "Singles Day" sales bonanza wrapped up at midnight on Saturday, but consumers this year appear largely unswayed by its flashy deals and discounts as the world's second-largest economy slows.

Conceived by tech giant Alibaba, "Singles Day" -- which this year spanned well over a week -- was launched in 2009 and has since ballooned into a yearly blockbuster retail period.

Sales for last year's Singles Day reached 1.1 trillion yuan ($153 billion), according to a recent report by consultancy firm Bain.

But among consumers surveyed by Bain this year, 77 percent said they did not plan to spend more than usual during the sales event.

"These days people are consuming less, people don't really have much of a desire to buy lots of things," recent graduate Zhang Chuwen, 23, told AFP.

She said her friends were instead using the sales to buy "everyday necessity products".

Others say that this year's Singles Day deals aren't as good as in the past, and that some websites had raised prices beforehand, only to cut them for the holiday.

"The prices are not that different compared to other days," Guan Yonghao, 21, told AFP.

"So I didn't buy anything," he added.

"We will save a little because we are making less money."

For the second year running, Singles Day sales should still exceed 1 trillion yuan, said Vincent Marion, co-founder of VO2 Asia Pacific, a consultancy specialising in the digital economy.

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This photo shows fruits and vegetables for sale at the entrance to a local supermarket in a shopping precinct in Tokyo. The effect of government subsidies to curb gasoline and utility bills will likely lead to a slowdown in Japan's consumer inflation by the close of the fiscal year ending March 2024, said an expert. PHOTO: AFP

Japan's wholesale inflation slows sharply

REUTERS, *Tokyo*

Japanese wholesale inflation slowed below 1 percent for the first time in just over 2-1/2 years in October, data showed on Monday, a sign that cost push pressures that had been driving up prices for a wide range of goods were starting to fade.

The slowdown in commodity-led inflation is in line with the Bank of Japan's projections, and puts the spotlight on whether wages and household spending would increase enough to generate a demand-driven rise in consumer prices, analysts say.

"Wholesale inflation seems to have cooled as past declines in raw material and energy costs filter through domestic business-to-business prices," said Takeshi Minami, chief economist

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