RAMADAN ESSENTIALS

Businesses demand zero margin LC for import

STAR BUSINESS REPORT

Basic commodity importers and traders yesterday demanded the government provide zero margin facility on opening of letters of credit (LCs) for imports of six commodities which will be essential during the upcoming Ramadan.

The six items are onions, edible oil, sugar, lentils, chickpeas and dates.

Businesses made the demand at a meeting with Senior Commerce Secretary Tapan Kanti Ghosh at his secretariat office in Dhaka.

Currently, the LC margin depends on bank-client relationships except in the case of import of luxury goods, on which there is a 75 percent to 100 percent margin in place.

However, Ghosh said businessmen in the meeting complained that LC margins as high as 100 percent were being imposed by banks for the import of essential commodities.

This means importers have to deposit 100 percent of their total import payments while opening LCs, which hinders competition among importers.

"We will write a letter to the central bank tomorrow [Thursday] seeking the easing of conditions like LC margin so that the Bangladesh Bank instructs scheduled commercial banks to make adequate dollars available to facilitate the opening of LCs for imports of six essential commodities," Ghosh said.

Currently, the LC margin depends on bank-client relationships except in the case of the import of luxury goods, on which there is a 75 percent to 100 percent margin

Senior officials of the National Board of Revenue (NBR), Bangladesh Bank, different ministries, and department of the government and commerce ministry were present at the meeting as Ghosh wanted to know about the stocks and supplies of those six commodities.

Businessmen also said sugar imports were a bit lower as India also stopped exporting sugar, which is why price of sugar is high in the domestic markets. But they added that the LC situation was improving and many had opened LCs to import sugar from Brazil.

After hearing complaints about delays in the release of goods, Ghosh said he would talk with officials of the Chattogram port and customs so that imported commodities are released as quickly as possible.

After the meeting, Ghosh told a group of journalists that the demand for some essential commodities rises ahead and during Ramadan as consumers buy more during this time.

For instance, the monthly demand for sugar in Bangladesh is 1.35 lakh tonnes, but increases to 3 lakh tonnes during the month of Ramadan, according to data from the commerce ministry.

Similarly, the demand for edible oil rises from a monthly average of 1.50 lakh tonnes to 3 lakh tonnes while demand for onions surges from a monthly average of 1.73 lakh tonnes to 5 lakh tonnes.

READ MORE ON B3

Small ETPs have high potential for bringing down pollution

But most entrepreneurs unaware of the benefits, analysts say

The dyeing process for threads and fabrics used by handloom weavers produces copious amounts of wastewater, which is usually dumped in nearby waterbodies. However, this factory in Chandangati village in Sirajganj set up its own small-scale treatment facility to reduce pollution.

PHOTO: MD ASADUZ ZAMAN, SHAFIQUL ISLAM

MD ASADUZ ZAMAN

Hazi Anwar Hossain has been operating a dyeing and weaving business in Tamai village under Belkuchi upazila of Sirajganj for about three decades now.

And much like the predecessors of his ancestral business, the 56-year-old used to throw polluted water resulting from the dyeing process in nearby ponds.

But a few months ago, Hossain set up a small-scale effluent treatment plant (ETP) in his own yard to remove contaminants from the wastewater so that it can be reused.

"I took this initiative because of my own guilt as I saw that harmful chemicals were gradually seeping into our groundwater," he said.

"We can no longer drink from our tube wells. Even bathing has become difficult as carcinogens in the water are causing skin diseases," Hossain added.

Sirajganj is one of the biggest regions for producing handloom fabrics and apparel in Bangladesh. So, it is no surprise that more than 90 percent of the families in Tamai are involved in the business.

The local dyeing and weaving factories have long been a major cause for pollution as they lack adequate wastewater treatment facilities

However, the local dyeing and weaving factories have long been a major cause for pollution in the area as they lack adequate wastewater treatment facilities.

But like Hossain, Ashish Kumar Chowdhury, who has been running a dyeing unit in Chandangati village under Belkuchi upazila for the past two decades, also set up a miniature ETP at a cost of Tk 26 lakh.

"Although it was a costly initiative, I did it after realising the benefits of keeping my pond pollution-free," he said, adding that he now plans to raise fish and ducks in the waterbody where he once dumped waste.

Still, only four of the roughly 300 dyeing units in Belkuchi upazila have installed ETPs despite the availability of technical and financial assistance under the Sustainable Enterprise Project (SEP).

The SEP was launched by the National Development Programme, a non-government organisation, to improve the sustainability and environmental-friendliness of cluster-based small businesses.

Funded by the World Bank, the Palli Karma-Sahayak Foundation (PKSF) has been implementing the $13 crore project across Bangladesh since 2019.

Of the 64 sub-projects under the SEP, one relates to setting up ETPs for dyeing and weaving industries in Sirajganj.

Md Ashrafuzzaman, manager of the SEP Loom Project, said they have designed small-scale ETPs that can treat 3,000 to 10,000 litres of wastewater each day, exceeding the average requirement of most units.

Dyeing factories in the Belkuchi upazila produce about 1,000 litres of liquid waste on a daily basis, he added.

Citing how most dyeing units currently discharge their hazardous waste into surrounding waterbodies, Ashrafuzzaman said the contaminated liquids often seep into the groundwater through boring.

There are currently about 1.16 lakh handloom weaving factories across the country, according to the Handloom Census 2018 of the Bangladesh Bureau of Statistics.

Md Rokonuzzaman, executive engineer of the Department of Public Health Engineering in Sirajganj, said environmental and health risks are much higher in areas with handloom weaving units.

This is because of the associated pollution stemming from the dyeing and weaving process, with women and children being the worst affected by waterborne diseases, he added.

Md Abdul Gafur, assistant director of the Department of Environment in the district, yesterday said they had fined two dyeing factories Tk 50 lakh and Tk 1 lakh for polluting nearby waterbodies.

"Earlier, we regularly counselled factory owners to set up ETPs. Now, we have started enforcing the law," he added.

Against this backdrop, he welcomes the initiative of PKSF to help set up ETPs.

Md Fazlul Kader, additional managing director of PKSF, said they are working for a sustainable and commercially viable solution to pollution.

He suggested local dyeing units could benefit from setting up ETPs on a cluster basis.

"Regardless, the participation of entrepreneurs in setting up ETPs has to increase if we want to get the benefit of this initiative," he added.

Will our money find its beloved investors?

MOHAMMAD KAZI MAMUN

Some days ago, I met a company secretary who was planning to knock the capital market for the finance required for its targeted growth. The cost of doing business for the company has risen around 50 percent due to the recent spike in the bank interest rate projected to fly to 15 percent soon.

Meanwhile, the capital market is waiting with yields at 8-10 percent. So, the company walked to a path once shunned due to fear of strict regulations hanging with a public limited entity.

However, this is not the case everywhere.

Banks appear as kind angels to depositors who are coming back in big numbers liberating their money from the imprisonment of house mattresses, insurance companies, non-bank financial institutions and the capital market. So, the hike in interest rate is likely to increase the finance-applicants in the capital market while decreasing its finance-suppliers.

The bank market is going to witness the opposite picture. It is not unlikely that banks themselves will turn to the capital market for low-cost funds causing a further flying of deposit money to costly savings certificates -- another imbalance in the economy.

While the switching of corporate entities to the capital market will be welcomed by economists, the shrinkage of investors will make them worry. The market, which witnessed a decline in turnover to Tk 500 crore in November from Tk 1,400 crore last year, is very likely to notice a further fall.

Market-based interest and exchange rate alone can't assure us of a bullish capital market since the bull itself is made of broken bones.

Low-performing stocks whose bank accounts are frozen for allegations of corruption clinch the "top gainer" title.

To restrain the freefall of the market, the free flow of money has been compromised. Still, fresh companies are mulling to buy tickets here. Are they going to supply much-required nutrition for the market or injure it through fresh speculation?

Why are the players of our financial market so hurry to jump from one place to another? A deep look into the matter indicates that the players are misplaced. In fact, a bank is not an ideal place for shareholder investors. It is the abode of savers who are expected to crowd here to rent a breathing place for the rainy season. The capital market should have offered a permanent living for investors.

The orientation of our companies is also not on the right track. Most companies crowd banks to feed their long-term projects while a bank has been historically born to serve the short-term plate of working capital. As a consequence, we have a lot of imbalanced banks, which might fail to meet the demand of depositors amid the slow return of long-term projects.

Then isn't there any road to offer us an exit from the current labyrinth created by the recent rise of interest rates?

A vibrant bond market can save both shareholder investors and companies by meeting their expectations. Though bond offers us freedom from intermediaries, the associated fixed income and transaction fees demotivate investors whose orientation develops based on speculation.

It is understood that our government wants to rein in inflation by the pill of interest rate. However, an imbalanced financial market is likely to lead to the path of recession, which is a worse evil than inflation.

If our market offers the right place for the right players, we will have healthy entrepreneur companies, shareholder investors, savers, and banks - all leading to a healthy financial landscape where an ideal marriage between a company and an investor would occur after setting free our money from the genie of speculation.

The author is a banker

India turns to Saudi as purchases of Russian oil fall

REUTERS, *New Delhi*

India increased imports of Saudi oil in December as payment problems drove its Russian oil buys to an 11-month low, with at least five cargoes of the sweet Sokol variant heading to other locations, also data from vessel tracking agencies showed.

Indian Oil Corp , which was set to get the Sokol oil, had to withdraw from its inventory and buy from the Middle East to make up the shortfall, sources told Reuters last month.

Top refiner IOC is the only state-run firm with an annual deal to buy a variety of Russian grades, including Sokol, from Russian oil major Rosneft.

India's oil imports from Russia in December declined between 16 percent and 22 percent, according to Reuters calculation on the basis of data from flow tracking agencies Vortexa, Kpler and LSEG.

Its imports of Saudi oil, rose by about 4 percent, however, data from Kpler and Vortexa showed.

LSEG data shows India's monthly Russian oil imports declining by 22 percent to 1.21 million barrels per day (bpd) in December, while Kpler shows a drop of 16 percent to 1.39 million bpd.

"Perhaps it's still too early to write off India's appetite for the Sakhalin grade (Sokol)," said Viktor Katona, lead crude analyst at Kpler, adding that three new Sokol cargoes on the NS Antarctic, Jaguar and Vostochny Prospect were heading for India.

Aframax ships NS Century, NS Commander, Sakhalin Island, Lityny Prospect and Krymsk; and a very large crude carrier Nellis carrying Russian Sokol oil for IOC were sailing for the Strait of Malacca, Kpler and LSEG ship tracking data showed.

Bangladesh's 2023 coal-fired power output tripled, easing shortages

REUTERS, *Singapore*

Bangladesh nearly tripled its coal-fired power output in 2023, a Reuters analysis of government data showed, helping it tide over the worst power shortages in over a decade and slash rising generation costs.

Coal rose to prominence in Bangladesh's power mix in 2023 at the expense of cleaner fuels, as the government struggled to pay for costly natural gas, furnace oil and diesel imports because of shrinking dollar reserves and a weakening currency.

Power generation from coal surged to a record 21 billion kilowatt-hours (kWh) in 2023, up from the 7.9 billion kWh of electricity produced from coal in 2022, an analysis of daily operational reports by the Power Grid Company of Bangladesh (PGCB) showed.

"The share of coal is expected to increase further this year as a new unit is expected to get commissioned. Dependence on gas is expected to remain steady and use of liquid fuels will fall," a senior energy ministry official said.

Coal's share of the power generation fuel mix rose to 14.2 percent in 2023, from 8.9 percent in 2022, the PGCB data showed, while the share of natural gas rose to 55.2 percent in 2023, the first increase in four years and up from 51 percent in 2022.

However, natural gas's share last year was much lower than the average of about 66 percent in the ten years to 2022 as high international prices for the fuel limited its usage. Dwindling local gas reserves and LNG, mainly from Qatar, are the main gas sources for the country.

Coal rose to prominence in Bangladesh's power mix in 2023 at the expense of cleaner fuels, as the government struggled to pay for costly natural gas, furnace oil and diesel imports.

PHOTO: STAR/FILE

Coal and natural gas gained mainly at the expense of liquid fuels such as fuel oil and diesel, whose share in power generation slipped to 20.1 percent in 2023 from 29.6 percent in 2022, the data showed.

Bangladesh, home to over 170 million people and the world's second-largest garments exporter, supplying global retailers including Walmart , H&M and Zara, faced unscheduled power cuts during three out of every four days in 2023.

Overall shortages surged nearly 40 percent year-on-year to 2.7 billion kWh in 2023, or 2.8 percent of demand, PGCB data showed, with shortages easing in the second half of the year because of higher coal-fired output.

Along with other major Asian economies India and Vietnam, Bangladesh boosted its use of relatively inexpensive coal to meet it surging power demand growth, which rose over 5 percent in 2023.

READ MORE ON B2