Crown Cement starts running sixth unit

STAR BUSINESS REPORT

Crown Cement, one of Bangladesh's leading cement makers, yesterday announced that it has been able to finally start commercial production at a sixth unit earlier this month on deferring it several times.

The reasons include difficulties in importing machineries for a US dollar crisis and delays by the associated suppliers for the Russia-Ukraine war, the company said in a statement on the Dhaka Stock Exchange (DSE) website.

The listed company had earlier targeted to begin production at the new unit in Mukterpur, Munshiganj, a district adjoining Dhaka, in October last year. Its previous probable schedule was February 2023.

With the sixth unit, Crown Cement's daily production capacity will reach 19,000 tonnes whereas it was 11,000 tonnes a year ago, as per the company's annual report for fiscal year 2022-23.

This takes its annual production capacity to 57 lakh tonnes.

"We have started production of the new unit from January 5. We wanted to begin production in October 2023 but we could not because of several challenges," Md Alamgir Kabir, vice chairman of Crown Cement, told The Daily Star yesterday.

The dollar crisis and the Russia-Ukraine war caused the delay, he said.

Shares of Crown Cement rose 3.46 percent before closing at Tk 77.80 at the DSE yesterday.

The cement maker produced 31.54 lakh tonnes of cement in fiscal year 2022-23 when its capacity was 33.24 lakh tonnes, meaning it had utilised 95 percent of its capacity.

Time extended for Tk 1,000cr loan facility for cinemas

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has extended the Tk 1,000 crore refinance scheme for cinema owners until December 31 this year, allowing them to avail the low-cost fund to renovate existing facilities or set up new ones.

The extension comes as the deadline for securing loans from the scheme ended in December 2023.

Launched in February 2021, the fund aims to ensure cheaper loans for the owners of cinemas, which lost their appeal over the past two and a half decades as audiences shifted to satellite televisions and streaming services.

Bangladesh had as many as 1,235 cinemas in 1998. Currently, about 60 are in operation, according to industry operators.

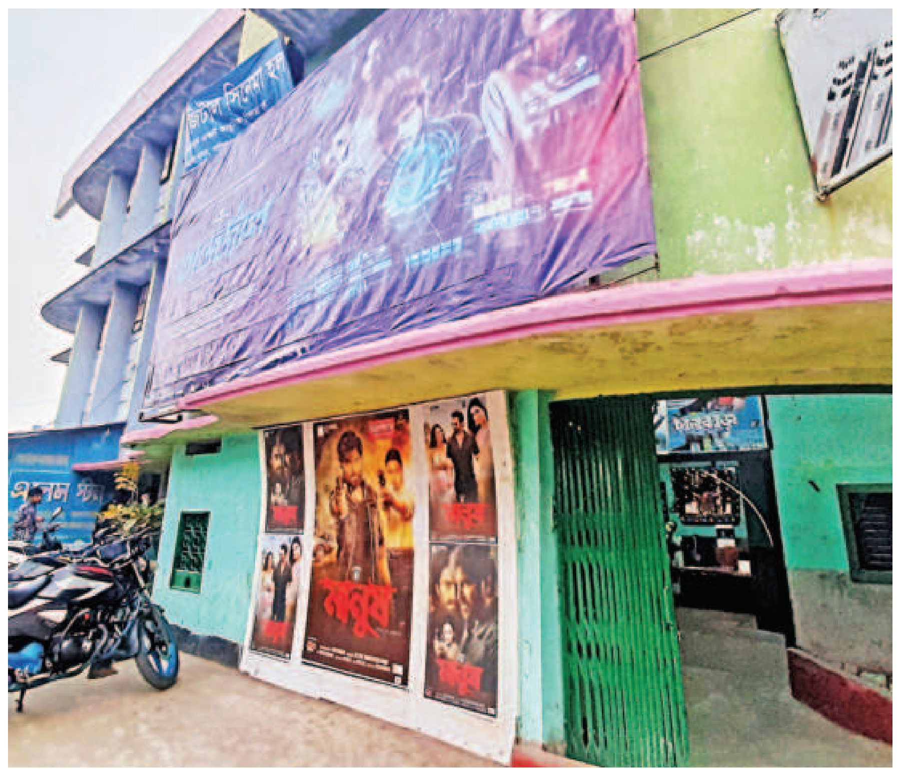
After the launch of the low-cost fund, the central bank asked hall owners to apply within March 2022, but many entrepreneurs were not aware about it.

Since then, the central bank extended the deadline twice: first to December 2022, and then to December last year.

A large portion of the fund is, however, still unused with only Tk 18 crore disbursed through two banks as of last month.

In its notice on Sunday, the BB said a good number of cinema owners are interested in availing the loan, but a lack of clear knowledge has hindered their ability to apply during the allotted time. So, the deadline has been extended.

Under the refinance scheme, entrepreneurs can borrow Tk 10 crore to set up new theatres whereas existing owners can avail Tk 5 crore to renovate their facilities.



Bangladesh had as many as 1,235 cinemas in 1998 but currently, about 60 are in operation, according to industry operators. PHOTO: STAR/FILE

The interest rate for end-users is 5 percent in metropolitan areas and 4.5 percent for those in other parts of the country. In contrast, the interest rate for other loans in the banking sector is nearly 12 percent.

The repayment period of the loan is eight years, including a one-year grace period. Instalments have to be paid on a quarterly basis.

Banks participating in the scheme need to pay an interest of 1.5 percent to the BB.

Six banks -- Premier Bank, ONE Bank, Trust Bank, Agrani Bank, Sonali Bank and Southeast Bank -- have so far signed deals with the central bank to disburse loans under the initiative.

Prime Bank gets $50m loans from FMO

STAR BUSINESS DESK

FMO, a Dutch entrepreneurial development bank, will provide a term loan of $50 million to Prime Bank to amplify the latter's commitment to inclusivity and sustainability.

The banks inked a strategic partnership agreement to this end recently, the bank said in a press release.

Hassan O Rashid, managing director and CEO of the local bank, and Huib-Jan de Ruijter, co-chief investment officer of the Dutch bank, inked the deal.

This partnership aligns with Prime Bank's vision to foster inclusive and sustainable prosperity through private sector investments that generate positive development impacts.

The collaboration reflects the shared commitment of both organisations to drive positive change and contribute to the economic development of the country.

STOCKS

DSEX ▲	CASPI ▲
0.24% 6,318.07	0.26% 18,710.05

COMMODITIES

Gold ▲	Oil ▲
$2,055.74 (per ounce)	$72.83 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.12% 73,391.58	▲ 0.91% 35,901.79	▲ 0.21% 3,198.52	▲ 0.15% 2,886.29

Biman title sponsor of Feb 8 tourism fair

STAR BUSINESS DESK

Biman Bangladesh Airlines has become the title sponsor of the 19th edition of an upcoming international tourism fair styled "Biman-Dhaka Travel Mart 2024".

Organised by travel and tourism publication The Bangladesh Monitor, the fair will be held at Pan Pacific Sonargaon Dhaka from February 8.

The three-day fair will end on February 10, said a press release.

Kazi Wahidul Alam, editor of The Bangladesh Monitor, and Mohammed Salahuddin, acting director of marketing and sales at the national carrier, signed a memorandum of understanding to this effect at the airline's Balaka head office yesterday.

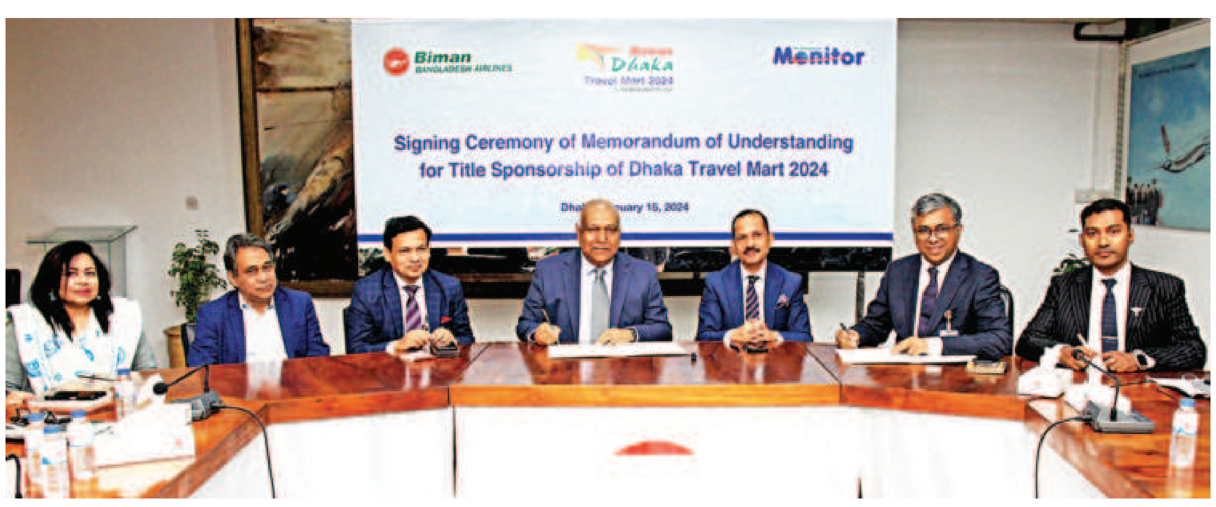
"We are thankful to Biman management for the partnership. I sincerely hope that their active participation this time would greatly help in generating bigger sales output and strengthening Biman's brand image," said Alam.

Shafiul Azim, managing director and CEO of the national carrier, was present.

Around 70 organisations from home and abroad will showcase their tourism products and services in the upcoming fair in 100 stalls and pavilions.

The participating companies will offer special packages during the three-day fair.

Tahera Khondoker, general manager for public relation of the airline, Md Al Masud Khan, manager for public relation, and Farhad Kamal, managing editor of The Bangladesh Monitor, were also present.



Kazi Wahidul Alam, editor of Bangladesh Monitor, and Mohammed Salahuddin, acting director of marketing and sales at Biman Bangladesh Airlines, pose for photographs while signing a memorandum of understanding at the airline's Balaka office in Dhaka yesterday. PHOTO: BANGLADESH MONITOR

Pharma profit falls

FROM PAGE B1

"The industry suffered in FY23 as the cost of doing business rose mainly for higher raw material, energy and finance costs," said Muhammad Zahangir Alam, chief financial officer of Square Pharmaceuticals.

He informed that the sharp fall in the value of the local currency is hurting their profits as the exchange rate at the time of opening letters of credit (LCs) on deferred payments ends up being far less than the final value.

For example, importers that opened LCs with an exchange rate of Tk 107 per US dollar in March last year had to pay Tk 108.90 per greenback when making payments three months later.

"In the meantime, the drug makers had to continue selling products at the previous rate. So, their profits fell," Alam said, citing how US dollar availability was a big issue in 2023.

However, the situation has had a comparatively lesser impact on Square Pharmaceuticals as profits of the largest drug company in Bangladesh grew 4.5 percent to Tk 1,898 crore in FY23.

"This was due to our huge product base and the minimum bank loan," Alam added.

Officials of Renata say the overall raw material cost increased by 20 percent to 25 percent year-on-year in the last fiscal year.

Electricity tariffs rose roughly 5 percent three times that year, resulting in a compound increase of around 15.7 percent. Likewise, the price of diesel rose 37 percent and furnace oil 41.4 percent.

Renata saw its profits plunge 47 percent in FY23, the steepest drop among the major drug makers.

Beacon Pharmaceuticals registered the second-sharpest decline with a 45 percent fall while profits of Beximco Pharmaceuticals edged down 9.41 percent.

Jubayer Alam, company secretary of Renata, said the taka's depreciation by more than 21 percent impacted the industry by driving up foreign exchange losses during the imports of raw materials and capital machinery.

Central bank data showed that local drug makers opened LCs worth $762.6 million to import raw materials in the July-April period of FY23, down 23 percent year-on-year. LCs for capital machinery declined 41 percent to $88 million.

The domestic pharmaceutical industry needs to import $1.3 billion worth of raw materials each year as local firms can at best meet 10 to 15 percent of the demand.

Alam said many people are unable to spend as much as they need amid the ongoing inflationary pressure, opting instead for only the most essential drugs.

Also, people have become more hygienic after the Covid-19 pandemic. So, the spread of flu-type diseases has reduced, resulting in slower sales of antibiotics.

"These are impacting the sales growth of drug companies," he added.

The financial reports of the listed pharmaceutical companies showed that their profit growth rate remained below double digits for the past two years despite higher medicine prices.

The industry's overall sales increased 9.9 percent year-on-year to Tk 20,261 crore in FY23 while the growth rate was 8.5 percent, 15.69 percent, 12.1 percent, 41 percent and 11 percent in the years prior.

Drug makers saw exceptionally high sales in 2018-19 when the demand for antibiotics soared for the spread of the flu, Alam said.

"We predicted from the start that drug makers would be hit in FY23, with small companies facing a dire situation," said Mir Ariful Islam, managing director and CEO of Sandhani Asset Management Company.

Sandhani Asset is a fund manager that invests in the stock market.

The pharmaceuticals industry usually remains unaffected in most situations, including economic or political uncertainty, for being a vital sector. Still, small companies struggled in FY23 for the shortage of raw materials and higher raw material prices.

"Hopefully, 2024 will be a better year for drug makers as they are learning to adapt to the US dollar crisis," said Islam, while pointing out that some large companies have stocked up on raw materials.

"Price adjustments for medicines could also be put in place this year."

Local drug makers cater to about 98 percent of the country's demand and also ship products to around 150 foreign markets, including several developed nations.

Pharmaceutical exports witnessed a downward trend recently with shipment having declined 23.7 percent to $175.4 million in FY23, shows data of the Export Promotion Bureau.

Priorities that should top

FROM PAGE B1

According to the World Bank, Bangladesh's economy is forecast to slow to 5.6 percent in the current financial year. This would be the lowest GDP growth in more than a decade if the Covid-hit 2019-2020 is excluded.

The former economist of the World Bank thinks the resumption of private investment expansion will benefit from the restoration of macroeconomic stability.

"But it will also require steps to reduce the cost of doing business through further deregulation of the investment climate, reducing the corporate tax rates, simplifying tax compliance procedures, and improving access to electricity and primary energy."

According to Ahmed, the implementation of the Eighth Five-Year Plan's fiscal policy framework is essential to restore the growth momentum to the Perspective Plan 2041 growth path.

Among other fiscal reforms, the framework calls for the tax-to-GDP ratio to grow from 8 percent of GDP in 2019-20 to 12 percent by 2024-25.

"Bangladesh is way, way behind on this. This ought to be a top policy priority," Ahmed said.

"Fiscal reforms will help reduce fiscal deficits while increasing public savings. These savings can be used to increase the public investment rate focused on infrastructure development and human capital."

Alongside, strong and effective financial intermediation is necessary to support the growth of national savings and private investment.

He says the mobilisation of bank deposits and reduction in non-performing loans (NPLs) will release the resources needed to finance working capital and private investment at reasonable interest rates.

"Strong efforts are needed to implement an export diversification strategy to provide the backbone for manufacturing growth and employment."

The export diversification agenda involves the institution of a market-based exchange rate, a sharp reduction in trade tariffs, including streamlining of all para-tariffs with a view to substantially reducing the anti-export bias of trade policy, and providing all RMG facilities to non-RMG exports.

Other initiatives should include lowering the cost of trade logistics through deregulation, port upgrading, and management improvements, participating in free trade agreements, participating in global value-chain arrangements, upgrading technology, research and development and labour skills, and substantial promotion of foreign direct investments by sharply improving the investment climate

The PRI vice-chairman said the surge in inflation has hurt the poor and the vulnerable section of the population and they need urgent relief.

Owing to budget cuts, a mere 0.8 percent of GDP is currently spent on social protection programmes for the poor if civil service pensions, which are not poverty-focused assistance, are excluded.

"Efforts must be made to increase income transfers to the poor by at least another 0.5 percent of GDP over the next 12-18 months."

He said the implementation of the National Social Security Strategy (NSSS) approved in 2015 is off track, so concerted initiatives are needed to bring it back on track in its entirety.

"It is also necessary to initiate the implementation of a universal health care programme."

It's peak season for potato

FROM PAGE B1

The Bangladesh Bureau of Statistics data shows that the average wholesale price of each kg of potatoes was Tk 19.63 in 2018, Tk 20.46 in 2019 and Tk 19.58 in 2020.

Mostafa Azad Chowdhury Babu, president of the Bangladesh Cold Storage Association, said last year's stock of potatoes in cold storage facilities had been exhausted before December last year.

As a result, cold storage facilities are not supplying any potatoes to the market at present.

He said that potato production had fallen behind demand this season as around 80 lakh tonnes were produced against a demand of 90 lakh. As a result, there are concerns about low potato storage in cold storage facilities.

He added that the cyclone had also delayed the planting of new potatoes, saying the potatoes available in the market now were immature. He also opined that because farmers were getting higher prices, they were selling potatoes at 35-40 taka per kg, he said.

The price of potatoes suddenly started increasing around September last year. To control the market, the government fixed the retail price of potatoes at Tk 35-36 per kg.

However, that measure did not pan out and so, on October 30 last year, the government permitted the import of potatoes until December 15. But even that had little impact on the market, with prices per kg not falling below Tk 50.

According to the Department of Agricultural Extension, the government had given permission to import 3.6 lakh tonnes of potatoes, but only 60,000 tonnes arrived.

According to the Bangladesh Cold Storage Association, total production did not exceed 85 lakh tonnes last year although the Department of Agricultural Extension estimated it to be 1.12 crore tonnes.

ABM Mizanul Hoq, agriculture marketing officer (in-charge) of Munshiganj district, one of the country's major potato-producing hubs, said: "Potato cultivation this year has been damaged due to cyclones, leading to inadequate potato supply in the market."

Potato prices have risen sharply in Munshiganj due to low supply this season, he said, adding that prices had nearly doubled compared to last year, with new potatoes being sold for around Tk 55 per kg.

"Last year, potato cultivation was affected as huge losses were incurred due to excessive rainfall caused by two cyclones. Due to this, potato production declined," said Hanif Mridha, a wholesale potato seller at Munshirhat Bazar, the potato market in Munshiganj.

Badal Chandra Biswas, director general of the Department of Agricultural Extension of Munsiganj district, said the arrival of new potatoes in the market had been delayed by a couple of weeks due to rain just before the start of the season.

Due to this, a gap has been created between demand and supply. But he stressed that there was no shortage of production.

He added that there was a trend of maximising profits at the primary, secondary and tertiary sectors because of which consumers had to buy potatoes at such a high price.