

The Bangabandhu Sheikh Mujib Shilpa Nagar attracted investment proposals worth \$18.5 billion, but implementation has been far slower than expected

Story on B4



## Bangladesh's power purchase supercharges Adani revenue

AHSAN HABIB

Bangladesh's power purchase from Adani Power contributed to the massive profit the Indian conglomerate made in the first nine months of the 2023-24 fiscal year.

In November 2017, Bangladesh inked a deal with Adani Power Jharkhand, a wholly-owned subsidiary of the multinational company headquartered in Ahmedabad, to import electricity amid criticism from analysts that the deal would benefit the Indian company more.

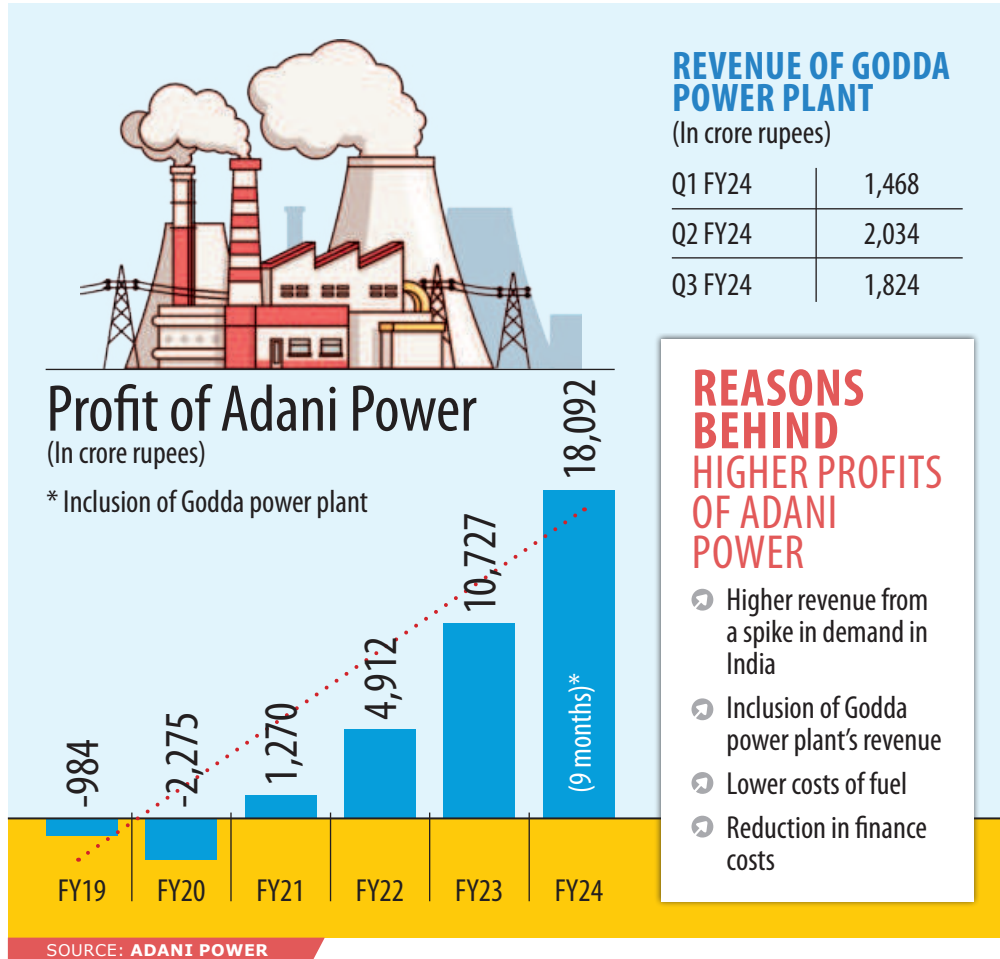
In April-December of 2023-24, Adani Power's continuing revenue rose 40 percent to 37,173 crore rupees (Tk 48,911 crore). The Jharkhand unit contributed 5,326 crore rupees, or 14.3 percent of the total.

Thus, Adani Power's profits rose 230 percent year-on-year to 18,092 crore rupees (Tk 23,805 crore) in the nine months, according to the company.

Bangladesh turned to the neighbouring country to meet its growing demand for electricity and supply power cost effectively to the northern part that does not have large power units.

When the deal was struck with Adani, Bangladesh's power production capacity stood at 12,922 MW, with the highest generation standing at 9,507 MW, according to the website of the Bangladesh Power Development Board.

The coal-based power plant, located on 425 hectares of land in the Godda district of the Indian eastern state of Jharkhand, started



**In April-December of 2023-24, Adani Power's continuing revenue rose 40 percent to 37,173 crore rupees (Tk 48,911 crore). The Jharkhand unit contributed 5,326 crore rupees, or 14.3 percent of the total**

commercial production in the first quarter of India's fiscal year that begins in April.

During the earnings call last week, Shailesh Sawa, then chief financial officer of Adani Power, said the company achieved sales growth in the third quarter. The operating and financial performance of the incremental capacity of 1,496 megawatts of the Godda power plant was included.

The continuing revenue of Adani Power increased 72 percent year-on-year to 13,405 crore rupees in the October-December quarter. Profit skyrocketed to 2,738 crore rupees from 9 crore rupees during the period, figures disclosed by the company showed.

The company attributed the heavy net profits to the surge in

revenue and lower finance and fuel costs.

"The revenue growth came thanks to the higher operating capacity after commissioning of the Godda plant, and improved power offtake following the growth in demand and lower imported fuel prices," the company said in its presentation made to analysts.

The inclusion of the Godda power plant added 1,824 crore rupees to the revenue of Adani Power in the third quarter.

The multinational's EBITDA (earnings before interest, taxes, depreciation, and amortisation) rose 242 percent year-on-year to 5,059 crore rupees in the quarter. EBITDA indicates how well a company is managing its day-to-day operations.

The company said the EBITDA grew on the back of a higher contribution on account of the lower fuel cost and strong merchant prices.

READ MORE ON B3

## BB's funds to banks complicate efforts to curb inflation

MD MEHEDI HASAN

The Bangladesh Bank is injecting fresh funds into the economy despite adopting a contractionary monetary policy, a contradictory move that may make it harder to tame stubborn inflation.

The central bank suspended lending to the government at the beginning of the current fiscal year since such a fund injection fuels consumer prices. The regulator has also kept hiking the policy rate to tame inflation, which has stayed more than 9 percent since March.

The policy rate, also known as the repo rate, is a powerful tool of monetary policy and central banks all over the world regulate the money supply, inflation levels and liquidity using it.

In its new monetary policy unveiled on January 17, the BB increased the policy rate by 25 basis points to 8 percent, its eighth straight hike since the tightening cycle began in May 2022.

On the other hand, the central bank is still injecting funds into the economy in various forms, including the liquidity support extended to conventional banks, the special liquidity assistance to Shariah-based banks, and the special repo facility against the special purpose treasury bond.

Banks usually borrow from the central bank under the repo facility, the assured liquidity support facility, the assured repo facility, the standing lending facility, and the Islamic banks liquidity facility to meet liquidity shortages.

In an auction on January 28, thirty-three banks and one non-bank financial institution took Tk 10,377 crore from the central bank and the tenure of the facilities ranged from one day to 14 days.

Banks borrowed Tk 13,08,779 crore from the central bank in the last fiscal year of 2022-23 under the repo and the assured liquidity support facility, up from Tk 175,987 crore a year ago, BB data showed.

The BB has also continued to provide liquidity support to some Islamic banks against promissory notes, under which a borrower pledges to repay a certain amount at a certain time.

On December 28, the BB provided Tk 22,000 crore in emergency funds to seven beleaguered banks, including five Islamic ones, to dress up their balance sheet before

the year closed. The banks are Islami Bank Bangladesh, Social Islami Bank, First Security Islami Bank, Global Islami Bank, Union Bank, Padma Bank, and National Bank.

Since January 22, the BB provided Tk 12,000 crore to six banks against the special purpose treasury bond issued by the government to settle outstanding payments for fertilizer and power.

Sonali Bank, Janata Bank, IFIC Bank, Islami Bank, City Bank and Eastern Bank took the fund, said BB Spokesperson Md Mezbahul Haque.

The policy rate, also known as the repo rate, is a powerful tool of monetary policy and central banks all over the world regulate the money supply, inflation levels and liquidity using it.

In its new monetary policy unveiled on January 17, the BB increased the policy rate by 25 basis points to 8 percent, its eighth straight hike since the tightening cycle began in May 2022.

On the other hand, the central bank is still injecting funds into the economy in various forms, including the liquidity support extended to conventional banks, the special liquidity assistance to Shariah-based banks, and the special repo facility against the special purpose treasury bond.

Banks usually borrow from the central bank under the repo facility, the assured liquidity support facility, the assured repo facility, the standing lending facility, and the Islamic banks liquidity facility to meet liquidity shortages.

**The Bangladesh Bank headquarters in Motijheel. Despite adopting a contractionary monetary policy, the central bank is still injecting funds into the economy in various forms.**

The conventional banks took the fund at the repo rate while Islami Bank Bangladesh secured it against the bond that carries a zero-interest rate, he added.

Zahid Hussain, a former lead economist of the World Bank, said that the central bank suspended the devolvement -- a process to print money for the government -- but monetary financing is still going on.

"The fund injection will not help the initiatives taken to control higher inflation."

READ MORE ON B3



## Textile millers demand gas at previous rates

STAR BUSINESS REPORT

Textile millers yesterday demanded that the government re-fix gas prices at the previous rate as they have been unable to run their industrial units due to low pressure of gas despite the rates being doubled since February 2022.

The government increased gas prices after providing assurances that it would ensure adequate supply of gas to industrial units, but mills could only run at 40 percent capacity in January because of low pressure of gas.

The state-owned oil and gas supplier, Petrobangla, should either re-fix gas prices or ensure adequate supply of gas to industrial units, said Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association (BTMA), during a press conference at the Pan Pacific Sonargaon Dhaka.

There has been virtually no supply of gas in areas across Narayanaganj over the past

15 days while mills are struggling to run at even minimum capacity in Chattogram, Savar, Ashulia, Araihaazar and Gazipur due to the pressure of gas standing between 0 and 2 PSI.

Annoyed by the low pressure of gas, five millers informed Khokon in one day that they may be forced to sell their textile units as they are fearing big losses due to the non-operation of mills, the BTMA chief added.

The home textile sector is also losing its shine because of the gas crisis.

Bangladesh used to export \$1.6 billion worth of home textiles, but the amount declined to \$600 million in the last fiscal year as many mills could not operate at full capacity.

Due to the gas crisis, mills which used to produce 50 tonnes of yarn a day are now producing 20 tonnes.

The crisis is also affecting foreign currency earnings. For instance, if the

READ MORE ON B3

## Machinery imports rise, reversing the downturn

STAR BUSINESS REPORT

Imports of capital machinery edged up in the first six months of the fiscal year (FY) 2023-24, reversing the downturn that persisted for nearly one and a half years as political uncertainty ebbs and exporters expect increased orders from western buyers.

Businesses opened letters of credit (LCs) worth \$1.34 billion to import capital machinery in the July-December period of this fiscal year, 1 percent higher year-on-year, data from Bangladesh Bank showed.

During the July-November period of this fiscal year, LC openings for capital machinery imports were 17 percent lower compared to the same period of FY23 as entrepreneurs did not get adequate amount of dollars from banks in the face of a perennial dollar shortage in the country for nearly two years.

In recent months, political uncertainty in the run up to the parliamentary elections held earlier this month also affected investment sentiment, with many investors taking a go-slow stance in making fresh investment.

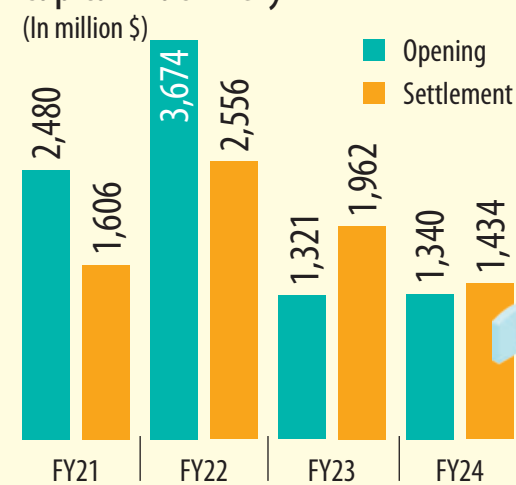
Syed Mahbubur Rahman, managing director and chief executive officer at Mutual Trust Bank Ltd (MTBL), said the increase in the opening of LCs for capital machinery import was not significant. However, he said it was good to see that it had not reduced.

"We need to wait for a couple of months more to say if there has been an improvement in the overall scenario," he said, adding that consumer demand is falling locally because of high inflation.

"The world economy is yet to become stable. We are also seeing liquidity pressure due to a shortage of local and foreign currency," said Rahman.

Data from the central bank showed that LC openings for imports of capital machinery

### LC opening and settlement for capital machinery



for garment, packaging and other industries increased in the July-December period of FY24 compared to a year ago.

For example, exporters opened \$142 million worth of LCs to import garment machinery during this period, compared to \$128 million in the July-December period of FY23.

LC openings for packaging machinery imports surged to \$29 million in six months to the end of December 2023 from just \$1.7 million a year ago.

Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said exporters are enhancing textile capacity as well as upgrading machinery to make them energy efficient and

environmentally-friendly so they can cut energy costs and increase value addition.

"We are encouraging our colleagues to strengthen backward linkage industries so that we can improve our value addition," he said, adding that they are importing technical sewing machines to make more technical clothes.

Hassan said exporters are showing interest to upgrade as political uncertainty related to the elections is over.

"We expect demand for clothing to rise globally too as inventory of buyers has reduced and retailers in the West had good sales in November-December months. As buyers will place orders now, entrepreneurs are upgrading their facilities," he said.

Scale-up Your Business with  
**Prime Aagami Mudaraba**  
Monthly Savings Scheme

HASANAH  
ISLAMIC BANKING

Prime Bank

