

# Star BUSINESS

The Bangladesh economy came to a sudden stop in July 2024 as the student movement against quota in civil service took a disruptive turn.



Write-up in B4

## Multinationals' profits drop for lower sales, higher costs

AHSAN HABIB

Most listed multinational companies in Bangladesh witnessed lower profits in the April-June quarter this year as sales dropped due to the erosion of people's purchasing power amid runaway inflation.

Among 13 renowned MNCs, 10 have published their financial reports for the three-month period.

Of these, five logged lower profits while one incurred loss despite being in the green during the corresponding period last year.

And other than lower sales, the companies also blamed the rising raw material and funding costs for their reduced earnings.

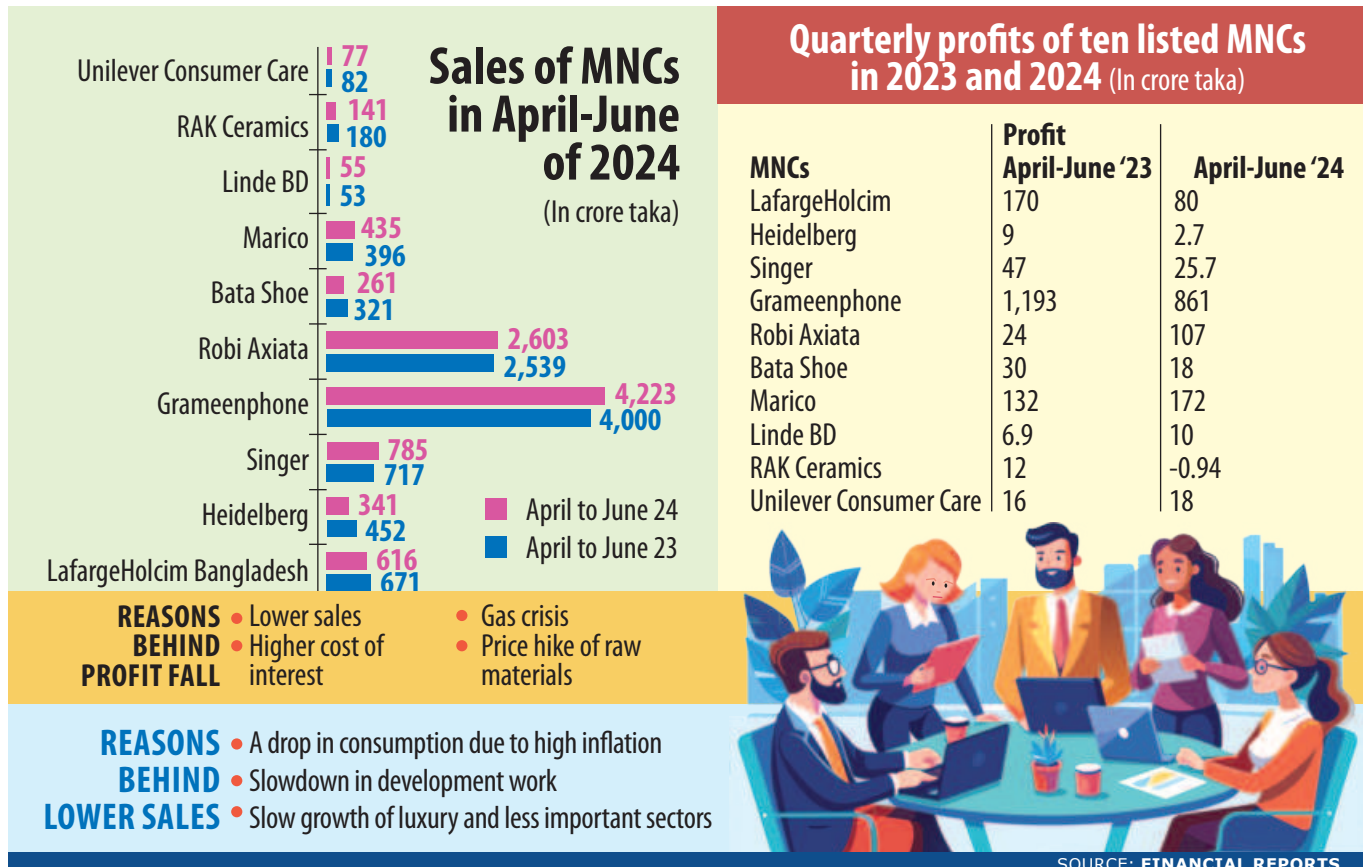
"The drop in sales is purely an economic issue as inflation rose at a higher pace than people's income," said Shahidul Islam, CEO of VIPB Asset Management.

So, lower profit stemming from fewer sales indicates that people have decreased consumption amid the rising commodity prices, he added.

The country's annual inflation rate surged to a 12-year high of 9.73 percent in fiscal 2023-24, according to data of the Bangladesh Bureau of Statistics.

Islam also pointed out that the government has tightened its development spending while people are apprehensive about starting construction projects amid the current economic climate.

As such, the cement industry is among



the worst affected by lower sales, he said.

For example, sales of LafargeHolcim Bangladesh Ltd and Heidelberg Materials Bangladesh PLC dropped by 8 percent and 24 percent respectively.

Their profits plunged at the same time: LafargeHolcim registered a 52 percent decline while Heidelberg saw erosion of 70 percent during the three-month

period.

"The economy is facing challenges that are affecting the construction industry, resulting in lower sales growth," said Iqbal Chowdhury, chief executive officer of LafargeHolcim Bangladesh.

Heidelberg mainly blamed lower sales for the company's reduced profit, but also said higher tax payments contributed to the decline.

The situation is similar for other industries as RAK Ceramics incurred losses of Tk 94 lakh in the April-June period despite logging profits of Tk 12

crore during the same time last year. It is the lone MNC to incur losses so far this year.

In its financial report, RAK Ceramics said the primary reason for its losses is that they had to reduce production due to the lack of gas supply.

Besides, the company's sales have decreased 21 percent year-on-year to Tk 141 crore. However, its fixed costs have not proportionately come down.

Finance costs also rose due to higher interest rates and increased bank borrowing, it added.

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## USD turns 5% costlier in 2 weeks

STAR BUSINESS REPORT

The price of each US dollar has gone up by around 5 percent in the kerb market over the past two weeks amidst volatility in the foreign exchange market triggered by the recent violence stemming from the quota reform movement.

Each US dollar was selling for Tk 124 to Tk 125 in the open market in Dhaka yesterday whereas it was Tk 118 to Tk 119 two weeks back, according to market insiders.

The forex market has been volatile owing to a sudden reduction in remittance inflow as remitters could not send the greenback through banking channels due to an internet blackout, said money exchangers.

On top of that, the number of expatriates returning home over the last couple of weeks was low, deepening the crisis, as they usually bring along US dollars to sell at the kerb market.

**Each dollar was selling for Tk 124 to Tk 125 in the open market in Dhaka yesterday whereas it was Tk 118 to Tk 119 two weeks back**

As a result, the price has increased, the market insiders said.

Seeking anonymity, a money exchanger in Dhaka's Mirpur area said each US dollar was trading between Tk 118 and Tk 119 in the open market two weeks ago.

Following the student movement, the price started to increase, with each dollar trading for Tk 122 on Monday and then Tk 125 yesterday.

However, MS Zaman, president of the Money Changers' Association of Bangladesh, claimed that members of his association were selling each dollar at Tk 119.

"I have visited many offices of money changers in different areas of the capital, including Motijheel, Paltan and Dilkusha, and found them selling each greenback at Tk 119," he said.

He also said there was a small crisis in the market as people could not return home from abroad over the past couple of weeks.

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## IT firms suffer low productivity amid slow internet

**MAJOR POINTS**

- Internet speed was insufficient though connectivity was restored
- Internet instability threatens ongoing contracts and future business prospects
- Increased operational costs impacting IT companies
- Foreign clients expressed dissatisfaction over unreliable internet

**BY THE NUMBERS**

- Mobile internet was shut for 10 days; broadband was closed for 5 days
- IT firms incurred 50% productivity loss
- IT exports may drop by 20-30% this year
- There are 3 lakh Facebook-based entrepreneurs in Bangladesh

MAHMUDUL HASAN

Although broadband and mobile internet is again available in the country, most software, IT service and business process outsourcing (BPO) companies are experiencing significant productivity losses due to insufficient internet speeds.

The IT firms said they are grappling with speeds far below their operational needs, even though they are willing to pay a premium for better service.

This shortfall is causing a significant decrease in productivity and an uptick in operational costs.

According to industry people, productivity has been lost by about 50 percent since the return of the internet. They said with an initial internet blackout for a few days and the current low speed internet, dissatisfaction among foreign clients is increasing as reliable internet speeds are critical for constant communication.

This instability threatens ongoing contracts and heightens the risk of losing future business as clients demand seamless and uninterrupted connectivity for efficient operations,

they said.

"Clients are not happy with such internet speeds," said Zayed Uddin Ahmed, CEO of ASL BPO, which provides back office and live support to clients globally.

"They are constantly asking when everything will be back to normal in our country," he added.

He said his office staff are struggling to complete assigned tasks in due time, which was severely hampering productivity.

Russell T Ahmed, president of the Bangladesh Association of Software and Information Services (BASIS), said the IT firms are facing difficulty in sending and downloading files due to the low speed internet.

In the wake of student protests over reforming the quota system in public jobs and violence centring it, the government shut down mobile internet for over 10 days and broadband for 5 days in July.

The broadband internet service was restored on July 24 and mobile internet service on July 28. However, strict restrictions on social media and filtering mechanisms enforced by the government have led to a slowdown of the internet,

according to people involved with the proceedings.

Fahim Mashroor, former president of the BASIS, said irrespective of their focus, be it export or local markets, the companies are being hit hard for the slow internet.

"In today's environment, cloud-based development is paramount, requiring robust bandwidth to function efficiently," he said.

"However, nearly all IT firms are grappling with speeds far below their operational needs, even when we are ready to pay a premium for better service," he added.

"We are afraid that export of software and IT services, which have already been under pressure over the last two years, may fall 20-30 percent this year because of this shutdown and slow bandwidth issue," he added.

"The internet speed is absolutely in no way close to what is required for doing any professional work and our development work and day to day activities are being greatly hampered," said Rashad Kabir, managing director of software company Dream71 Bangladesh.

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