Maddhapara Granite faces financial woes amid weak sales

KONGKON KARMAKER

Despite a doubling of local demand over the past decade, the country's lone state-owned hard rock mining venture Maddhapara Granite Mining Company Limited (MGMCL) is facing challenges with declining sales and mounting stockpiles.

According to MGMCL officials, a combination of factors, including a lack of marketing initiatives, cheaper imported rocks from India and Nepal, and a decline in sourcing by public construction projects, contributed to the situation.

The granite miner, a subsidiary of state-run Petrobangla, is located in the Parbatipur upazila of the northwestern district Dinajpur.

According to official data, MGMCL's monthly production capacity is around 1.2 lakh tonnes, while average monthly sales hover around 50,000 tonnes.

Officials say the company's financial health is deteriorating as a result of unsold stockpiles, estimated to be worth over Tk 400 crore and exceed 10 lakh tonnes.

To ease the pressure, the mining company was forced to suspend hard rock production for two months at the start of February due to limited storage space and high output by Germania Trest Consortium (GTC) -- Maddhapara's contractor for mining operation and production.

After additional storage space was secured, stone extraction resumed on a limited scale.

In an exceptional surge, sales in September this year reached 1.2 lakh tonnes. To sustain the business, MGMCL is now advertising in national and local newspapers, encouraging public and private sectors to use its hard rock in development projects.

The company produces hard rock in five sizes: 5/20mm, 20/40mm, 40/60mm, blast and boulder. Besides, it produces 5mm dust as a mining byproduct.

The country's annual demand for hard rock was around 1 crore tonnes a decade ago. Currently, it has increased to around 2.2 crore tonnes.

MGMCL produces 11 lakh tonnes of hard rock per year, which accounts for roughly 10 percent of the local demand.

In 2007, the government made it mandatory for public projects to source 50 percent of rocks from domestic sources, a move that boosted MGMCL's sales.

Officials now urge the government to impose high import duties on hard rock and call for stricter quality control measures for imported products.

"The import of hard rock is draining a huge volume of foreign currencies despite the existence of sufficient domestic sources," said Md Fozlur Rahman, managing director of MGMCL.

Maddhapara hard rock mine began commercial production on May 25, 2007.

However, initial production was limited to 700-800 tonnes per shift due to various operational challenges whereas the daily production target was set at 5,000 tonnes across three shifts.

As a result, the company incurred losses of around Tk 100 crore in six years till June 2013.

On February 20, 2014, Germania Trest Consortium (GTC) was awarded a contract to manage MDMCL's mining operations. GTC has employed 850 local miners and 100 international workers, mainly from Russia.

Maddhapara Granite Mining Company has more than 10 lakh tonnes of unsold stockpiles. The price of the unsold hard rocks is estimated to be around Tk 400 crore, which is weighing on the financial health of Bangladesh's lone state-owned hard rock miner. PHOTO: KONGKON KARMAKER

Why RMG exporters chose Maldives shipping route

REFAYET ULLAH MIRDHA

Bypassing the traditional air shipment routes through India or Bangladesh, garment exporters have found the Maldives to be a cheaper as well as faster route.

Exporters said air freight through the island nation of the Indian Ocean, about 2,800km away from Dhaka, saved them almost up to a dollar per kilogram of shipment to European countries.

They said the traditional shipment routes through Dhaka, Kolkata, Colombo or Singapore had either become too expensive or too slow.

The India-based business news outlet Mint reported that Bangladesh, the world's second-largest garment producer, has opted to bypass India and ship its textiles to global markets through the Maldives, hurting the cargo revenue prospects of India's airports and ports amid strained bilateral ties.

The RMG industry was facing a substantial backlog in the wake of the student protests in July and August when everything had ground to a halt. Shipment rates through Dhaka had climbed to $6.30-$6.50 per kg, which has now come down to $3.80-$4.10 per kg for shipping to Europe.

This is when Bangladeshi exporters stumbled upon the new route through the Maldives. Kabir Ahmed, president of Bangladesh Freight Forwarders Association (BAFFA) said, the Maldives airport route emerged almost organically as the cost of shipment was too high through other routes.

There was a sudden surge of shipment demand as factories resumed production after the restoration of order as the interim government took over in the second week of August. The demand for dry cargo shipment almost doubled to 800-900 tonnes at Dhaka airport from the usual 400-450 tonnes per day.

The exporters could not ship goods via the maritime route using Chattogram either because the student movement in July and August had halted operations at the port as well as much of the country. The consequent backlog also had to be cleared quickly once operations resumed as exporters became desperate to meet their looming deadlines, many of which had presumably been extended considering the political situation.

Dhaka's Hazrat Shahjalal International Airport is expensive for exporters because of its high operational costs, levies and operational hazards. The Dhaka airport also suffers from a dearth of necessary equipment like scanning machines and explosive detection systems (EDS). Furthermore, there are not enough airlines connecting to Dhaka to fly the goods out.

In contrast, local exporters say shipment through the Maldives is faster and costs only $3-$3.50 per kg.

Besides the few airlines -- US Bangla, Maldivian airlines, Sri Lankan airlines -- connecting Dhaka with Male, exporters also send their cargo on feeder vessels via Colombo, explained Kabir Ahmed. The cargo is then put on air freight from Male to European destinations.

Ahmed explained over phone that Kolkata and other airports in India typically prioritised their own cargo over Bangladeshi goods when shipping to Europe. Moreover, many more airlines connect with Male than with Dhaka, he added.

To make matters worse, a number of international airlines have curtailed operations in Dhaka because of Bangladesh's foreign currency crunch which meant that they could not repatriate profits. That problem has been alleviated to a large extent of late due to central bank intervention, he said.

Ahmed explained that while Bangladesh has a very good relationship with India, shipping goods via Kolkata airport or any other Indian airports by overland shipment through Benapole is costly for exporters. The Maldives offers a cheaper alternative, he said.

The demand for air shipment from Asian countries including Bangladesh has been rising also because of the prevailing crisis in the Red Sea -- the main conduit between Asia and Europe -- with its Houthi attacks.

Ever since the Iran-backed Houthis started attacking commercial vessels in retaliation to Israeli attack on Palestinians, cargo ships have had to sail an extra 4,000 kilometres around Africa's Cape of Good Hope to reach Europe, which is both expensive and time consuming.

Faruque Hassan, former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the top RMG exporters' platform, said the number of cargo planes from Dhaka airport is really low as international airliners curtailed operations here. "At the same time, it is expensive and services are poor."

Moreover, while the volume of dry air cargo, like garments, has increased manifold over the years, capacity of the airlines has in fact decreased, he said.

He said exporters were facing a lot of pressure for shipment from Colombo, Singapore, Malaysia and other Indian ports so the Maldives is a preferable alternative.

Shahjalal Islami Bank's profit soars 22% in Q3

STAR BUSINESS REPORT

Shahjalal Islami Bank PLC recorded a 22 percent increase in profit to Tk 117.54 crore in the July-September quarter of 2024 driven by rising investment and commission incomes.

This was up from Tk 96.24 crore in the same period a year earlier, according to its unaudited financial report.

However, the cash flow of the Shariah-based lender fell amid increased investments in customer assets.

The performance pushed the bank's consolidated earnings per share to Tk 1.06 for the third quarter (Q3), compared to Tk 0.86 in the same period of the corresponding year.

The bank attributed the profit rise to increased net investment income and higher income from commission, exchange, brokerage and investments in securities.

The third quarter earnings resulted in a total profit of Tk 406.41 crore for the January-September period for the bank. However, consolidated net operating cash flows per share showed a decline, dropping to Tk 7.84 in the first nine months from Tk 11.92 the previous year.

The bank explained that the reduction was made due to increased investments in customer assets and other operational assets.

Shares of the bank were up 0.56 percent to Tk 17.80 at the Dhaka Stock Exchange yesterday.

Founded in 2001, Shahjalal Islami Bank runs its countrywide operations under Islamic Shariah principles with the help of 140 branches, 4 sub-branches, 2 priority banking centres, 132 ATMs and one offshore banking unit.

India's factory growth accelerates in October

REUTERS, *Bengaluru*

India's manufacturing growth gained momentum in October after decelerating for three months as demand improved significantly, helping in job creation and leading to a better business outlook, according to a business survey released on Monday.

The HSBC final India Manufacturing Purchasing Managers' Index complied by S&P Global, rose to 57.5 in October from an eight-month low of 56.5 in September and was above a preliminary estimate of 57.4.

"India's headline manufacturing PMI picked up substantially in October as the economy's operating conditions continue to broadly improve," noted Pranjul Bhandari, chief India economist at HSBC.

"Rapidly expanding new orders and international sales reflect strong demand growth for India's manufacturing sector."

The output and new orders sub-indexes rose to three-month highs with a notable increase in demand.

International demand improved from a year-and-a-half low in September. A desire for Indian goods lead to orders from Asia, Europe, Latin America and the US.

Buoyant demand also boosted the outlook for the year ahead.

"Business confidence is also very high due to expectations of continued strong consumer demand, new product releases, and sales pending approval," added Bhandari.

To meet growing demand, firms took on many more workers than in September. Hiring increased for an eighth consecutive month.

That would probably bring some relief to the government, which has failed to create enough well paying jobs for those entering the workforce. Economists cautioned job creation will remain muted over the next 12 months, a Reuters poll published a week ago showed.

Inflationary pressures increased with both input and output prices rising faster. Input cost inflation was the highest in three months, elevated by higher material costs, wage bills and transportation fees.

Firms passed on the extra costs to their clients at a much quicker pace than in September.

India's inflation rose to a nine-month high of 5.49 percent in September, largely driven by higher food prices and close to the upper end of the Reserve Bank of India's (RBI) 2-6 percent target.

Despite that, a separate Reuters poll last week showed a slim majority of economists expected the RBI to cut interest rates in December, to 6.25 percent from 6.50 percent currently.

China to hash out stimulus plan with US elections in sight

AFP, *Beijing*

China's top lawmakers gathered Monday to hash out a major stimulus package that analysts say could grow even bigger if former US president Donald Trump wins the White House this week.

Beijing has in recent months heeded calls to step up support for the economy after years of inaction, announcing a raft of measures including rate cuts and the easing of some home buying restrictions.

But they have refrained from unveiling a figure for the long-awaited stimulus, disappointing investors after a market rally fizzled when officials repeatedly failed to commit to a top line.

Analysts now hope this number could emerge from this week's meeting of the Standing Committee of National People's Congress, the top body of China's rubber stamp parliament headed by number three official Zhao Leji.

Nomura economists expect lawmakers this week to approve around one trillion yuan ($140 billion) in extra funds.

The measures are expected to be announced when the meeting wraps up on Friday -- in time for Beijing to take stock of results of presidential elections in the United States.

Both candidates in the race have pledged to get tougher on Beijing, with Trump promising tariffs of 60 percent on all Chinese goods coming into the country.

And Nomura economists expect Beijing to adjust the size of its stimulus depending on the outcome.

"We believe the US election results will have some impact on the size of Beijing's stimulus package," said Ting Lu, Nomura's chief China economist, in a research note.

"In our view, the size of China's fiscal stimulus package would be around 10 to 20 percent bigger under a Trump win than under the scenario of a (Kamala) Harris win," Lu wrote.

The standing committee reviews and approves all legislation, including allocating funds out of China's budget.

"We are expecting more details on (stimulus) proposals to be passed," said Heron Lim of Moody's Analytics.

The session kicked off on Monday with discussion of laws on arbitration and science and technology, state news agency Xinhua said.

Analysts also expect Beijing to approve a separate, one-off one trillion yuan for banks, aimed at writing off non-performing loans over the past four years.

But Natixis economist Alicia Garcia Herrero cautioned that "a lot of money will go to cover losses".

"It's not really a growth push," she said.

Yeap Jun Rong, an analyst at trading platform IG, agreed.

"The measures appear to focus more on preventing further economic decline, rather than catalysing a stronger growth recovery," he wrote.

China is battling sluggish domestic consumption, a persistent crisis in the property sector and soaring government debt -- all of which threaten Beijing's official growth target of five percent for this year.

PHOTO: AFP/FILE

People walk along a dedicated food street in Beijing. China has in recent months heeded calls to step up support for the economy after years of inaction.

Crown Cement posts Tk 100cr profit in FY24

STAR BUSINESS REPORT

Crown Cement's profit registered solid growth in the fiscal year ending on June 30, 2024, driven by an uptick in sales and cost-control measures by the cement producer.

The company posted a profit of Tk 100 crore for fiscal year 2023-24.

The profit growth reflected solid year-on-year earnings per share (EPS) growth of 64 percent, climbing from Tk 4.11 to Tk 6.74, according to a recent Dhaka Stock Exchange filing.

The company attributed the EPS increase to a combination of sales growth and an uptick in sales prices, alongside cost-control measures and strategic management of foreign currency transactions.

Driven by these positive results, the board recommended a 21 percent cash dividend, its highest in 8 years.

However, Crown Cement's net operating cash flow per share (NOCFPS) declined to Tk 8.71, down from Tk 11.43 the previous year. The company cited increased payments to suppliers, including settling an outstanding ocean freight bill, as well as higher inventory and accounts receivable, as key reasons for the decline.

Founded in 1994 and rebranded from MI Cement Factory Limited, Crown Cement is one of the leading cement producers in Bangladesh.

The company began exporting in 2003 and currently holds a dominant 50 percent market share of Bangladesh's cement exports, mainly to India's northeastern states, including Tripura, Meghalaya and parts of Assam, as per its website.