



Farmhands pick onion saplings from a nursery to transplant onto three bighas of land in Khowar village of Faridpur's Saltha upazila. Farmer Md Mafiqul Islam says the cultivation cost behind each bigha would be around Tk 1 lakh while the output would be around 60 maunds by June. Onion sold for around Tk 50 to Tk 85 per kilogramme in Dhaka yesterday, according to the Trading Corporation of Bangladesh. The photo was taken on Friday.

PHOTO: SUZIT KUMAR DAS

Engine oil sales double in 5 years

JAGARAN CHAKMA

Annual sales of engine oil in Bangladesh more than doubled to Tk 8,000 crore in 2024 from Tk 3,616 crore five years ago, driven by higher prices, increased mobility, industrial growth and overall economic activities.

And the sector is expected to clock more growth in the coming years, industry operators said.

The demand for lubricants will only increase in tandem with the industrial growth. Because it is essential for the maintenance and functioning of all kinds of machinery," said Zeeshan Saif, consultant for markets and brand at Sena Lubricant.

He said consumption of engine oil grew due to an increase in economic activities, electricity generation and mobility.

Bangladesh has around 200 firms selling lubricating oil, which amounted to an estimated 1.77 lakh tonnes last year. Five years ago, around 1.6 lakh tonnes

were used.

The automotive sector accounts for 68 percent of the annual demand for engine oil followed by the industrial sector with 38 percent. The marine and agriculture sector consume the rest, according to market insiders.

They said 16 to 17 companies blend base oil, the primary raw material, with chemical additives to produce lubricating oil fit for different machines.

Mobil Jamuna Lubricants Bangladesh Limited, Fuchs Lubricants Bangladesh Ltd, Trade Services International, Rahimafrooz, and Ranks Petroleum are the top five players in the engine oil market of Bangladesh.

Mobil marketed by the MJI leads the market with a 30 percent share.

It is followed by British Petroleum (BP) marketed by Rahimafrooz with a 10 percent market share and French lubricant brand Total marketed by Trade Services International with an 8 percent

market share.

A good portion of the market is also catered to by lesser-known brands.

Saif said the need for lubricants would increase 8 percent annually over the next five years.

He also said the local companies that blend the base oil with chemical additives have to pay a 38 percent import duty while importers bringing in refined lubricants have to pay a 49 percent duty.

However, SM Bakhtiar, head of marketing at Trade Services International, said growth of the automotive sector would determine the size of the market.

"As new brands are entering the market, some brands are also exiting the market," he said, adding that there has been growth in the market in terms of product value.

Consumption has not increased in line with the increase in product prices, he added.

The government has repeatedly

increased the price of petroleum oil. Import cost has increased too owing to a rise in tariff and the cost of the US dollar, he added. Bakhtiar said the use of engine oil has reduced in recent times because of a slowdown in industrial activities.

This was echoed by Syed Nazib M Rahman, chief marketing officer at Runner Lube and Energy Limited, the sole distributor of Servo engine oil.

The demand for engine oil has decreased significantly because of a decline in its use in industries, he added.

And when industrial production decreases, use of engine oil in trucks falls too, he said, adding that trucks were the major consumers of lubricating oil in the automotive sector.

The sector has been further impacted as industrial production suffered for labour unrest and the mass uprising which led to the ousting of the former government in early August, according to industry insiders.

Will VAT hike add to inflationary burden?

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The NBR yesterday said that the revenue administration had to come up with the "special measures" to expand the VAT net and rationalise rates and amounts of excise and supplementary duties.

However, economists maintain that this move could still stifle consumer spending, leading to lower revenue earnings as individuals already face rising living costs.

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They said the government should not rely on VAT hikes as an easy toll to boost revenue collection, but instead focus on increasing direct taxation.

As part of its \$4.7 billion loan programme for Bangladesh, the IMF advised the government to rationalise tax exemptions, improve compliance with tax laws and implement reforms in tax measures to enhance domestic revenue collection.

Bangladesh has one of the lowest tax to GDP ratios globally. This low revenue collection compels the government to resort to costly borrowing from both domestic and foreign sources.

Under a single VAT rate of 15 percent, various items will be included, such as medicine, restaurant services, residential hotels, sweets, biscuits and branded clothing.

For instance, residential hotels may have to pay 15 percent VAT, up from the current 7.5 percent. Consumers of branded clothing may also face a higher rate of 15 percent, compared to the existing 7.5 percent.

"The intention behind raising VAT was to boost revenue collection. But the ultimate outcome will likely be disastrous," said Khalid Mahmood Khan, co-founder of Kay Kraft, a retailer of fashion wear, accessories and home textiles.

He predicted a massive decline in overall sales. "A large portion of our customers come from middle-class families. They are not affluent. Ultimately, this VAT increase will lead them to cut back on their purchases," Khan commented.

He believes the government should instead focus on expanding VAT coverage, as many businesses remain outside the tax net.

According to the Fashion Entrepreneurs Association of Bangladesh (FEAB), nearly 5,000 companies operate in the fashion industry across the country.

"A large part of them are small and

medium entrepreneurs," said FEAB President Syed Md Azharul Hoque.

"Our restaurant was severely impacted during the July-August protests. We are still striving to recover," said Imran Hassan, general secretary of the Restaurant Owners Association.

"Amid inflationary pressures, people are already hesitant to dine out. If the government raises VAT in this situation, it will harm our business," he added.

Hassan said the association will write to the NBR and the finance adviser and hold a press briefing to protest the decision. "If our demands are not met, we, along with the sweets and other affected sectors, will go on strike," Hassan added.

Small and medium enterprises (SMEs) will face another challenge with the standard VAT rate as the ceiling for VAT-free turnover is being lowered from Tk 50 lakh to Tk 30 lakh.

Consequently, businesses with annual turnover exceeding Tk 30 lakh will now fall under the VAT net.

Moreover, the VAT rate for businesses with turnover between Tk 30 lakh and Tk 50 lakh will be increased to 15 percent, up from the current reduced rate of 4 percent.

Initial lists indicate that VAT on medicine at the trading stage may increase to 3.0 percent from the existing 2.4 percent.

However, Finance Adviser Salehuddin Ahmed said that this VAT hike would not fuel inflation further. "The items are an insignificant part of the basket for the consumer price index," he said on Thursday.

Ahmed believes that the VAT hike will not impact the prices of essential commodities, citing the government's waiver of all import duties on essential goods.

Towfiqul Islam Khan, a senior research fellow at the Centre for Policy Dialogue, said policymakers should not view inflation solely as a statistical figure. "It represents the cost of living, which directly impacts all segments of society," he said.

"We do not oppose the unitary VAT system, but concerns exist regarding its timing and implementation. Given the current circumstances, this is a highly sensitive issue," he added.

Khan also said that when it comes to scrapping tax exemptions, the NBR often relies on VAT as a convenient tool for revenue collection due to its administrative simplicity.

"However, greater emphasis should be placed on income tax," he said. "The NBR should also prioritise

addressing VAT evasion."

Rizwan Rahman, former president of the Dhaka Chamber of Commerce and Industry (DCCI), said, "The government should focus on reducing its expenditure rather than pursuing overly ambitious revenue targets."

"If the NBR attempts to meet these unrealistic targets, increasing taxes will not contribute to a more favorable economic climate," he said.

"Hiking VAT on 43 goods and services is not inherently wrong. However, implementing it at this time, amid soaring inflation and a historically low business climate, would be unwise," added Rahman, who also serves as the managing director of ETBL Holdings Ltd.

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Moreover, the exchange rate for both remittance collection and export earnings will be the same.

As some banks in December quoted higher rates for remittance collections due to increased demand for the greenback to settle overdue letters of credit (LCs) and open new ones for Ramadan essential imports, the central bank issued a warning to commercial lenders against spurring exchange rate volatility.

The BB said that banks found to be contributing to foreign exchange market volatility would face financial penalties, starting from a minimum of Tk 10 lakh.

Banks were also instructed to operate within a reasonable band on both sides of the mid-rate.

The difference between buying and selling rates should not exceed Tk 1 per US dollar, according to the BB.

Feed prices

FROM PAGE B1

The BPA plans to start selling eggs, frozen chicken and other agricultural items at fair prices from January 12 this year to ensure affordable poultry products during the upcoming month of Ramadan.

The association will first start the initiative at 20 locations of Dhaka city before gradually expanding it to 100 locations in phases, Howlader said.

BB finds Tk 82.44 lakh mismatch in BRAC Bank vault, books

Lender says it took action against the person involved

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has found a mismatch of Tk 82.44 lakh between cash kept in BRAC Bank's Chokoria branch vault in Cox's Bazar and that mentioned in its books.

The difference was detected during an inspection of the central bank.

The BB started the inspection on December 22 last year based on the financial statement of the bank as of June 30, 2024.

A central bank inspection team spotted the mismatch on December 19 last year after the close of banking hours on the eve of the inspection, showed a central bank document.

Such inconsistencies are a severe form of banking irregularity, it said.

The BB started the inspection on December 22 last year based on the financial statement of the bank as of June 30, 2024

After unearthing the mismatch, the central bank on December 22 sent a letter to the chairman of BRAC Bank informing about the issue.

In the letter, the BB asked to take necessary measures to address the discrepancy and take legal measures against officials responsible for it.

The banking regulator also asked to inform about the measures within 10 working days of the issuance of the letter.

Contacted, Ekram Kabir, head of communications of BRAC Bank, told The Daily Star that the bank immediately took legal action against the person involved as soon as the matter was identified.

He said the person responsible has been handed over to the police.

"We have already recovered Tk 47 lakh and are confident about recovering the remaining amount soon," he said.

All customer deposits in the bank are fully insured, and no customer has suffered or will suffer any financial loss due to this incident, Kabir said.

"No customer has ever suffered any financial loss in our bank due to such an incident," he added.

First Security MD placed on forced leave

FROM PAGE B1

On being contacted, Mohammad Abdul Mannan, independent director and chairman of the bank, said the bank sent Ali on a forced leave as a special audit would be conducted.

Ali did not receive phone calls from The Daily Star for comment till filing of this report last night.

He was appointed to the post in March 2015.

Officials of the bank said an internal audit found his involvement in loan irregularities concerning S Alam Group, for which he was sent on a forced leave.

The audit report cited one instance of a loan facility of Tk 40 crore being provided in favour of M/S Times Securities Ltd from the bank's Dilksuha branch whose manager at that time was Ali.

The company's chairman is Farzana Begum and managing director Marzina Sharmin, both sisters-in-law of Mohammed Saiful Alam, chairman of S Alam Group, who also serves as the managing director of ETBL Holdings Ltd.

Moreover, as of September 2024, 56 percent of the bank's loans were disbursed to companies linked to S Alam Group, according to an internal inspection of the bank.

In other words, those companies

account for Tk 33,791 crore of the bank's Tk 60,272 crore loan portfolio.

These loans were disbursed through 24 of the bank's branches in Chattogram to over 100 trading companies linked to S Alam Group, according to bank officials involved in assessing the commercial lender's exposure to the business conglomerate.

Mohammed Saiful Alam, chairman of S Alam Group, who was close to deposed prime minister Sheikh Hasina, was also chairman of the bank.

After the fall of Hasina's government on August 5 last year, Bangladesh Bank reconstituted the boards of directors of 11 banks, including that of First Security Islami Bank.

Government of The People's Republic of Bangladesh

Local Government Engineering Department

Office of the Executive Engineer

District: Panchagarh.

www.lged.gov.bd

Date: 02/01/2025

Memo No: 46.02.7700.000.17.001.24-14

Invitation for Tender (Works)

e-Tender Notice No: 17/2024-25

e-Tender is invited in the National e-GP System Portal (<http://www.eprocure.gov.bd>) for the procurement of works below under LGED, District: Panchagarh

Sl No.	Tender ID No	Package No	Tender Document Last Selling Date & Time	Tender Closing Date & Time	Procurement Method
01	1057501	GSID-2/PAN/DW-162	22-Jan-2025 17:00	23-Jan-2025 13:00	LTM
02	1057502	GSID-2/PAN/DW-163	22-Jan-2025 17:00	23-Jan-2025 13:00	LTM
03	1057503	GSID-2/PAN/SDW-164	22-Jan-2025 17:00	23-Jan-2025 13:00	LTM
04	1057504	GSID-2/PAN/DW-165	22-Jan-2025 17:0		