

star BUSINESS



From Tk 600 to Tk 36,000cr: The MGI story



Mostafa Kamal

AHSAN HABIB and SUKANTA HALDER

The Meghna Group of Industries (MGI), which markets products under the brand name "Fresh", attained a turnover of \$3 billion (over Tk 36,000cr) in 2024 after embarking on its journey around 50 years ago.

The entity had opened in 1976 with capital of around Tk 600 to Tk 650.

Around Tk 300 of this capital was availed as a loan on mortgaging some land, said Mostafa Kamal, chairman and managing director of the group, in a recent interview at his office in Gulshan, Dhaka.

He took to doing business at a young age with no big plans. He sought to fulfil his childhood dream of becoming a businessperson, and that inspiration came from seeing his uncle's weekly trade of betel nuts.

He availed a trade licence under the name "Kamal Trading Company" showing the address of his brother's roadside shop at Sher-e-Bangla Nagar.

From vehicle business to demand orders, buying and selling was his primary business. Some of the business was profitable and some was not, Kamal said.

In 1989, he established his first factory, Meghna Vegetable Oil, to refine edible oil. From his own profit, he started diversifying the business, and now the group has 54 factories with four more to open soon.

"I targeted to expand my business to my backward and forward linkages when I felt that sometimes it became difficult to get necessary raw materials for my products," he said.

Kamal once felt that he had to face a huge queue to get cartons, and it delayed his

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0.66% 5,165.17	0.63% 14,460.20

COMMODITIES	
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\$2,640.6 (per ounce)	\$74.08 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.90% 79,223.11	▼ 0.96% 39,894.54	▲ 0.03% 3,801.83	▼ 1.57% 3,211.43

AT A GLANCE

Inflation forcing consumers to change their spending habits

Some consumers lowered purchase of their favourite brands

Some consumers are opting for cheaper brands

Use of bottled shampoo is declining, use of sachet rising

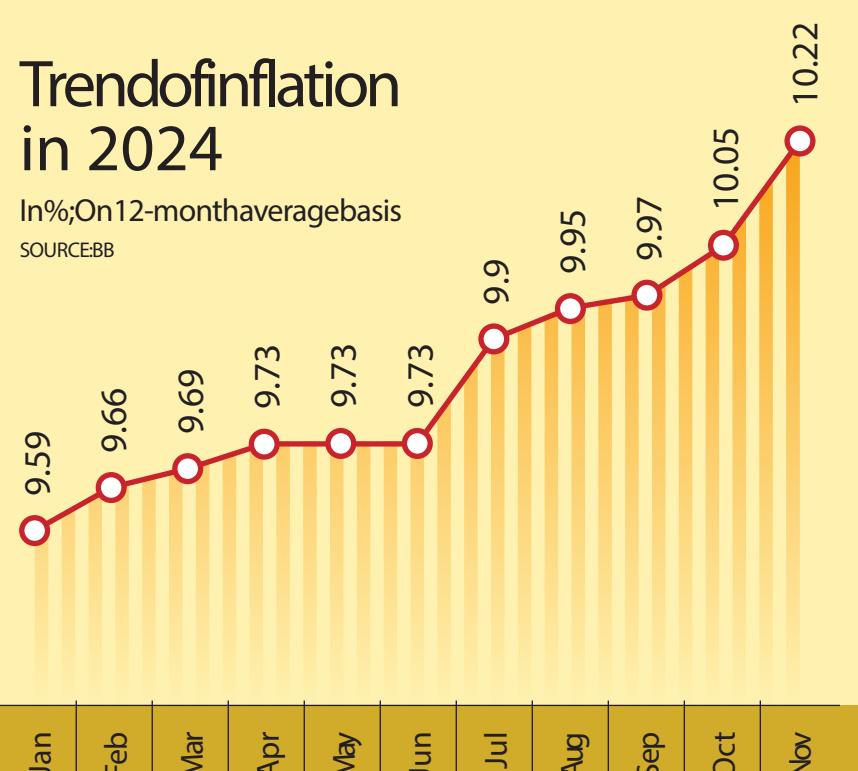
Retail sales decreased significantly in the last one year

Market size
Annual FMCG market size is Tk 48,000cr



Trend of inflation in 2024

In %; On 12-month average basis
SOURCE: BBB



SUKANTA HALDER and LUTHIFA ARA TINA

People are switching to shampoo mini-packs from regular bottles, women are sacrificing their tiny luxuries of cosmetic puffs while households are embracing cheap but substandard detergents for laundry: this is exactly what happens when brutal price pressures push around 78 lakh people below the poverty line in just two years and stalk another 1 crore to do so.

This shift by consumers to smaller quantities of non-essential items began in 2022, continued throughout 2023, and intensified by the end of 2024, according to manufacturers.

But all available options -- smaller bottles, mini-packs and cheaper alternatives -- seem no longer effective against stubbornly high inflation.

Now with no respite from crushing price pressures in sight and the government rushing to raise value-added tax (VAT) on 43 items and services, including some branded products, middle-income consumers continue to dive deeper into junk and substandard products.

Since March 2023, the country has been facing stubbornly high inflation, with price pressures hovering above 9 percent. In November, inflation soared to 11.38 percent, according to the Bangladesh Bureau of Statistics.

A recent analysis by industrial

conglomerate Unilever Bangladesh Limited shows that inflation is prompting consumers to reconsider their spending habits, particularly on non-essential items such as conditioners, meal replacement shakes and face moisturisers.

Major fast-moving consumer goods (FMCG) companies said that their sales declined around 5 percent in the third quarter of 2024



compared to the same period last year.

Hossain Mohammad Saram, category head for fabric cleaning at Unilever Bangladesh, told The Daily Star that the increase in the cost of essentials and other goods for consumers has had a massive impact on their lifestyle, which has, in turn, hit the FMCG market.

"In this situation, customers will first meet

their essential requirements, then they will think about FMCG," he said.

"The buyer who is trying to stay with the higher quality brand and not shifting to the lower quality brand is buying a small pack," he added.

Due to high inflation, many people are switching from standard washing powder brands to cheaper brands. This is happening across all FMCG categories.

Saram said this trend began around 2022.

It continued in 2023 and intensified in 2024. "Those who cannot even afford the small pack have moved to the lower brand," he said.

"We expected people to switch from 500 gramme packs to 1 kg or 2 kg washing powder packs because it would save on cost. But the opposite is happening," he added.

He said they launched 150-gram toothpaste tubes as bachelor and travel packs. "Now we see that many families are using them."

SACHETS BECOMING MORE POPULAR

In 2022-23, 60 percent of daily shampoo sales were in sachets. But now, 75 percent of daily shampoo sales are in sachets, Saram said.

He said the amount of profit they made in 2023 decreased by 10 percent compared to the previous year. It also decreased slightly in 2024.

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Shahidullah Chowdhury, executive director of Noman Group, which accounts for more than 70 percent of Bangladesh's home textile exports.

"We also increased our capacity to an extent with the improvement of gas supply, and exports from the company are growing now," Chowdhury said.

Last month, total home textile exports from his group reached nearly Tk 72 million while it was worth Tk 22 million in the previous month.

He also said the gradual restoration of normalcy in Bangladesh and political unrest in Pakistan also played a role in the restoration of home textile exports.

The country's home textile exports had crossed \$1 billion in FY21, registering a whopping 49.17 percent year-on-year growth.

That momentum continued the following year, with exports rising by another 40-odd percent to \$1.62 billion.

However, the gas crisis upended that trend the following year, with home textiles fetching \$1.09 billion, down by almost a third.

Bangladesh was struggling to recover lost work orders in the home textile segment, a significant volume of which was shifted to Pakistan nearly two years ago.

This shift occurred mainly due to the sudden doubling of gas prices in Bangladesh and significant devaluation of the Pakistani rupee against the US dollar.

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Home textile exports bounce back

Taka devaluation, increased production capacity boost shipment

REFAYET ULLAH MIRDHA

The export of home textiles is on the path to recovery after nearly one year because of the devaluation of the local currency, increased production capacity and improvement in gas supplies to some extent.

Home textile exports grew by 7.85 percent year-on-year in the July-December period of the current fiscal year to \$410.81 million while it was in the negative even two to three months ago.

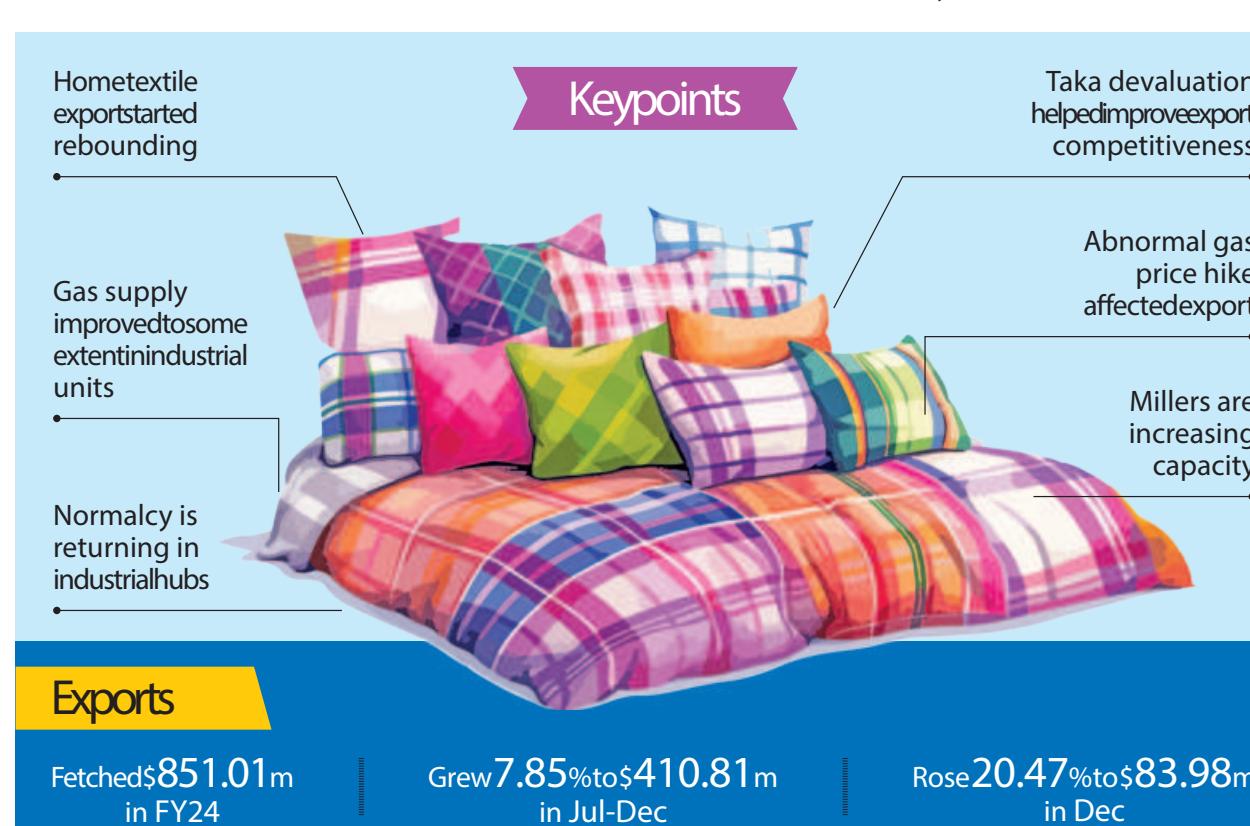
Apart from garment items, home textile is one of the three new sectors whose exports crossed \$1 billion recently. The two other sectors are jute and jute goods and leather and leather goods.

Home textile exports showcased strong growth of 20.47 percent year-on-year in December to reach \$83.98 million, according to data from state-run Export Promotion Bureau (EPB).

Home textile mainly refers to carpets, rugs, floor coverings, curtains, cushion covers, napkins, towels, bedspreads, furnishing fabric, table linen, bed linen, sheets and pillowcases, blankets, shower curtains, aprons, and wallpapers.

Its export fell sharply almost year-round in 2023 and 2024 as the local exporters did not book new work orders for an abnormal price hike of a gas.

The Bangladesh government suddenly hiked gas prices by 150.41 percent in February 2023, from Tk



11.98 per unit to Tk 30 per unit, and a good volume of work orders shifted to Pakistan.

Work orders for home textile are booked for one or two seasons in bulk quantities.

With the abnormal gas price increase, exporters could not manage

the cost of production, and they did not run their units at full capacity and refused some work orders, which went to Pakistan.

However, the devaluation of the local currency against the US dollar, increased spinning capacity and improvement in gas supplies to some

extent helped pull back the business confidence of local exporters.

The shipment of home textile is also returning to its previous volumes gradually.

Also, the fall of inflation in Europe and the US has also been helping to recover home textile exports, said Md

"Along with the VAT, various steps are being taken to increase the tax base in the case of income tax," NBR said in a statement

"Additional measures are currently underway," it added.

On top of that, the tax administration is now reviewing plans to phase out existing exemptions for poultry farming, hatcheries and processors, including breeders, and feed millers.

Currently, the first Tk 10 lakh of income is tax-free, while a 5 percent tax applies to the next Tk 10 lakh. Incomes exceeding Tk 20 lakh but up to Tk 30 lakh are subject to a 10 percent tax rate.

Finally, a 15 percent tax rate is applied to incomes above Tk 30 lakh.

"We are yet to take any final decision. We are reviewing the issue," said an official of the NBR.

"If we want to raise the tax to GDP ratio, we have ultimately no option but

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