United Power's profit up 5% in Q2

STAR BUSINESS REPORT

United Power Generation & Distribution Company (UPGDCL) saw its profit grow in the second quarter of the fiscal year 2024-25, driven by higher electricity tariffs and steady production.

The power producer's profit grew 5 percent year-on-year to Tk 292.59 crore in the October-December quarter of FY25.

The company's revenue rose 12 percent to Tk 953.53 crore in the same period.

Its consolidated earnings per share (EPS) stood at Tk 4.98 for October-December 2024, up from Tk 4.71 in the same period a year ago, according to a recent disclosure on the Dhaka Stock Exchange website.

The company attributed the increase to higher bulk electricity tariffs, stable production levels, and consistent foreign exchange rates.

For the first half of the fiscal year, its consolidated EPS surged to Tk 12.11 from Tk 7.84 a year earlier.

Its consolidated EPS stood at Tk 4.98 in October-December of 2024, up from Tk 4.71 in the same period a year ago

Meanwhile, its consolidated net operating cash flow per share (NOCFPS) jumped to Tk 7.55 from Tk 2.74.

The company said substantial collections of previous receivables from customers drove the NOCFPS growth.

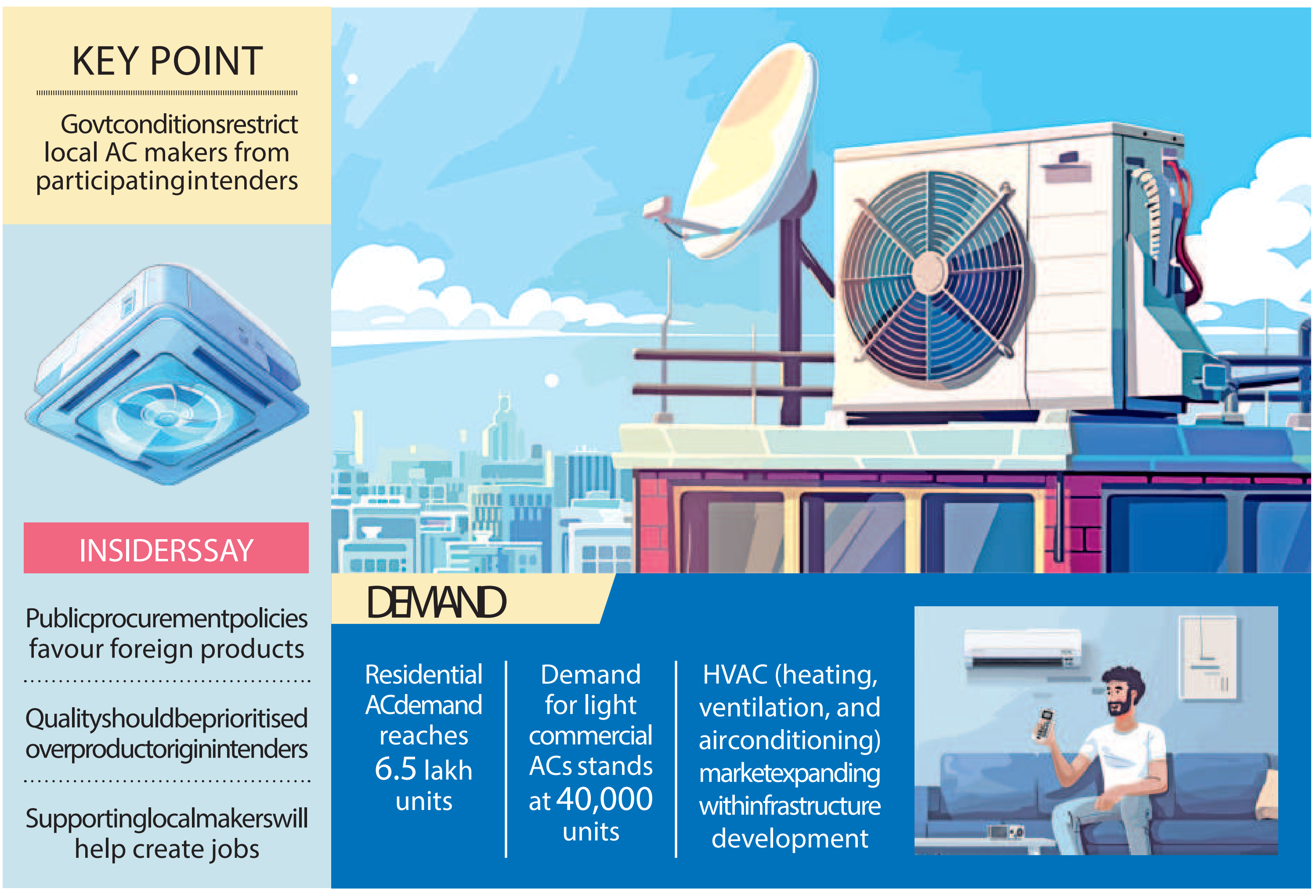
UPGDCL, formerly known as Malancha Holdings, is the country's first commercially independent power producer under the 2008 policy for private sector participation, according to its website.

Incorporated in 2007 as a private company and converted to a public company in 2010, UPGDCL was established to ensure uninterrupted power for industries in Bangladesh's export processing zones (EPZs).

It initially operated a 41 MW unit in DEPZ and a 44 MW unit in the Chittagong Export Processing Zone (CEPZ).

With World Bank funding, its capacity has expanded to 160 MW—86 MW in the Dhaka Export Processing Zone and 72 MW in CEPZ.

Local AC industry seeks 'fair' govt procurement policy



SOHEL PARVEZ and JAGARAN CHAKMA

Local air conditioner (AC) manufacturers in Bangladesh are pushing for "fair" government procurement policies, arguing that existing rules favour foreign brands despite local companies meeting global standards.

They urge the authorities to prioritise quality over origin.

According to industry insiders, around 6 to 6.5 lakh residential ACs are sold every year.

Moreover, there is a demand for around 40,000 units of light commercial ACs, including cassette and ceiling-type units.

Meanwhile, there is also significant demand for heating, ventilation, and air conditioning (HVAC) solutions, comprising variable refrigerant flow and chiller systems, for large spaces.

Generally, pricing for government purchases is determined based on the Harmonised System code, a standardised international numerical method of classifying products. However, industry insiders argue that this system does not always provide a level playing field for local companies.

Currently, the government procures products through various policies that align with international standards, following the schedule of rates set by the Public Works Department.

According to industry insiders, many local manufacturers, including Walton, Transtec, Gree, Singer, and Media, adhere to these standards and have acquired the necessary certifications.

Some have even secured international quality certifications, ensuring their products are competitive with imported alternatives.

Despite these achievements, local manufacturers face hurdles due to procurement policies that sometimes specify the country of origin rather than focusing solely on product quality and specifications.

"If the government provides clear and specific guidelines, we will be able to manufacture products accordingly," said Md Tanvir Rahman, chief business officer of Walton Air Conditioner.

"However, if procurement decisions are made solely based on the country of origin, it creates an unnecessary barrier for domestic producers," Rahman said.

He said public procurement in Bangladesh was governed by the Public Procurement Act, which mandates that purchases be made based on quality rather than specifying particular countries.

However, in practice, he said, many tenders still include specific country requirements, contradicting the intent of the law. This restriction prevents local manufacturers from competing fairly in government projects, he added. Despite controlling around 90 percent of the local AC market, domestic manufacturers struggle to secure government contracts, he said.

"We are not asking for undue preference. We only seek fair participation in government tenders," said Rahman.

"If the government provides clear and specific guidelines, we will be able to manufacture products accordingly," said Md Tanvir Rahman, chief business officer of Walton Air Conditioner

He also stressed that prioritising high-quality domestic products over foreign alternatives would not only strengthen the local industry but also boost employment and economic growth.

Salim Ullah, director (marketing) of Jamuna Electronics, said government entities impose certain conditions that prevent local manufacturers from participating in government tenders.

He stated that these entities specify certain product requirements that local electronic manufacturers cannot fulfil under the open tender method.

He claimed that local manufacturers have already met global standards for TVs, air conditioners, refrigerators, and other electronic appliances.

"We, the local manufacturers, cater to 80 percent of the demand for electronic home appliances across the country, while the remaining 20 percent is met by multinational companies," he pointed out.

However, he said, local manufacturers rarely supply government entities, as these entities follow the direct procurement method.

Md Nurul Afser, deputy managing director of Electro Mart, said government procurement entities usually do not prefer locally manufactured electronic items, as they explicitly mention the country of origin.

For this reason, there is limited opportunity to participate in government tenders, he said.

He emphasised the need to prioritise local manufacturers by ensuring they meet the required standards, as this would be cost-effective and help save foreign exchange.

With Bangladesh's AC industry reaching new heights, ensuring fair procurement policies will be crucial in maintaining growth and sustaining local manufacturing capabilities, Afser suggested.

Md Nasim Khan, additional chief engineer of the Public Works Department (PWD), Dhaka Metropolitan Zone, said the allegations made by local electronics manufacturers do not apply to all government entities, as procurement criteria vary from one entity to another.

According to him, there is no mandatory requirement to follow the PWD criteria. Rather, most public procurement entities set their own criteria based on public procurement rules (PPR).

He also stated that PPR 2008 emphasises supporting local manufacturers to protect domestic companies.

Md Aynal Haque, professor of the electronics and electrical engineering department at the Bangladesh University of Engineering and Technology (Buet), stated that local electronic manufacturers have achieved a certain level of standard.

Therefore, the government should allow them to participate in government tenders, he said.

He also suggested that the time has come to revise the conditions of the rate schedule of the PWD so that local electronic manufacturers can take part in tenders.

If there is a requirement for standard and quality checks, the procurement entities can have them tested at the Buet lab, he noted.

Why so many problems with FDI?

MAMUN RASHID

Bangladesh has mostly failed to achieve its targeted level of foreign direct investments (FDIs), with investment inflow amounting to only 0.75 percent of GDP in 2023, according to UNCTAD. Efforts to attract foreign investors by developing economic zones and adopting one-stop services have not yielded much results, raising the question: what's the country doing wrong? A recent report by the US administration has identified precisely what's holding the country back -- corruption, bureaucracy, an anti-competitive procurement system, violation of intellectual property rights, unreliable logistics, and lack of skilled labour, among others.

The United States Trade Representative (USTR) in its 2024 National Trade Estimate Report on Foreign Trade Barriers showed corruption to be deeply ingrained in Bangladesh's commercial environment. This is partly laxity in enforcement of relevant legislative measures. US investors have voiced concerns over the undue delays and bureaucratic hurdles they face.

Efforts to undermine the independence of the Anti-Corruption Commission (ACC) through legislation such as the Sarkari Chakori Ain Bill—which limits its ability to investigate corruption allegations against government officials effectively—only accentuate the problem. Adding to that is the backlog of unresolved corruption cases and systematic attempts to dilute anti-government safeguards in procurement processes. The Daily Star reported a backlog of 3,300 cases in 2024 alone. Adding to the burden, the conviction rate hit a record low of 47% in the same year.

Despite building the central procurement and technical unit (CPTU) and then the Public Procurement Company, the US report also highlights the lack of transparency and fairness in public procurement. It also points out deficiencies in our legislative and rulemaking processes, particularly concerning patent law, copyright amendments, and the enactment of the Industrial Design Act. Meanwhile, the proposed Personal Data Protection Act and regulations for digital, social media, and the top platforms pose potential threats to privacy and freedom of expression, raising apprehensions among the international investment community.

Another significant hurdle is the country's infrastructure deficit and logistical inefficiencies. While the country has made strides in power generation and connectivity, gaps in transport networks, port congestion, and inconsistent energy supply remain persistent challenges. The World Bank's Ease of Doing Business Index previously highlighted delays in land acquisition, customs clearance, and business registration as major obstacles. Foreign investors often cite the high logistics cost and unreliable utility services as deterrents. Without improving these fundamentals, the country will struggle to compete with regional peers like Vietnam and India in attracting high-value foreign investments.

Beyond infrastructure, Bangladesh must focus on building a skilled workforce to attract knowledge-intensive FDI. While the country enjoys a large, young labour pool, gaps in technical expertise and vocational training hinder its competitiveness in IT, manufacturing, and R&D. According to the World Economic Forum, automation and AI are reshaping global industries, making skill development more critical than ever. To stay ahead, Bangladesh must invest in STEM education, industry-driven training programmes, and stronger university-industry collaboration.

These challenges need to be taken seriously by our policymakers, as economic incentives to foreign investors can only work for a limited time. For Bangladesh to unlock its full economic potential and foster a conducive environment for foreign investment and sustainable growth, it must address the longstanding problems discouraging investors. This will require a concerted effort from the government, but first, there must be the political will to tackle entrenched corruption and bureaucratic inefficiencies. Meanwhile, the government needs to make serious improvements to the country's Intellectual Property (IP) regime, ensuring better coordination among enforcement authorities and government institutions and moving away from repressive regulatory frameworks for data protection and online content regulation.

The author is the chairman of Financial Excellence Limited.

Stocks gain for second week

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) extended its gains for the second consecutive week, driven by positive movements in the shares of banks, pharmaceuticals, chemical companies, and financial institutions.

The benchmark DSEX index rose by 66.28 points, or 1.30 percent, to close at 5,179.18 on Thursday, the last trading day of the week.

Investor participation grew as the daily average turnover surged 25.84 percent from the previous week to Tk 426.59 crore, according to data from the DSE.

However, the market capitalisation of the food and allied, general insurance, and tannery industries declined, Shanta Securities said in its weekly market review.

Among the key indices, the DS30, which represents blue-chip stocks, rose 0.48 percent to 1,912.9 points on Thursday.

The Shariah-based DSES also posted gains, increasing 1.22 percent to 1,147.8 points.

In terms of turnover, Beach Hatchery topped the list with an 8.93 percent gain, followed by Grameenphone (0.72 percent) and City Bank (0.00 percent).

Energypac Power Generation was the week's top gainer, soaring 59.12 percent to Tk 21.8 per share, while Renwick Jajneswar & Co suffered the biggest loss, dropping 17.49 percent to Tk 550.

The services and real estate sectors posted the highest gain of 6.86 percent, while the jute industry saw the steepest decline of 3.14 percent.

Big Tech's AI spending rattles markets

AFP, *San Francisco*

E-commerce giant Amazon reported strong earnings Thursday but, like its big tech peers Microsoft and Google, saw its stock price fall on concerns over high AI investment costs.

The mounting expenses of data-intensive artificial intelligence and its infrastructure have cast a shadow over this earnings season, with only Facebook owner Meta winning Wall Street's approval.

Meta's stock surged 18 percent in January as investors endorsed its AI strategy.

Amazon's AWS cloud division, along with rivals Microsoft and Google, are investing heavily in AI data centers while meaningful returns remain uncertain.

Amazon CEO Andy Jassy defended the spending, saying the company was on track to spend $100 billion on capital expenditure in 2025, with the "vast majority" on AI.

On a call with analysts, he dubbed AI a "once in a lifetime" business opportunity that couldn't be missed.

The emergence of China's lower-cost DeepSeek model has raised questions about such massive spending.

Despite US government efforts to maintain AI dominance through export controls on advanced chips, DeepSeek has achieved comparable results using authorized, less sophisticated Nvidia semiconductors. Microsoft, leading the generative AI revolution through its OpenAI partnership, plans to invest about $80 billion in AI this fiscal year.

And while it has rapidly deployed AI features under its Gemini brand, Google's Cloud revenue missed expectations, despite growing 30 percent to $12 billion.

Google also announced plans for $75 billion in capital expenditures for 2025, surprising analysts.

Amazon on Thursday reported its fourth-quarter net income doubled to $20 billion, with net sales rising 10 percent to $187.8 billion.

PHOTO: AFP/FILE

A laptop computer with Microsoft Copilot+ installed is on display at the Best Buy store in Miami, Florida. Microsoft plans to invest about $80 billion in AI this fiscal year.

AWS remained profitable with sales growing 19 percent to $28.8 billion, though slightly below market expectations. Jassy celebrated "the most successful holiday shopping season yet."

However, Amazon's shares dropped more than 5 percent in after-hours trading, mirroring reactions to Microsoft and Google's results - strong profits overshadowed by concerns about AI spending.

"Amazon delivered a knockout quarter, but a touch of softness in first quarter guidance has sent shares into a bit of a post-earnings wobble," said Matt Britzman, a senior equity researcher at Hargreaves Lansdown.

Amazon's forecast of 5-9 percent growth for first-quarter 2025, with sales between $151.0 billion and $155.5 billion, also fell short of analyst expectations and weighed on the stock price.

Independent tech analyst Rob Enderle suggested the conservative guidance might reflect uncertainty over US-China trade tensions.

"With the tariff uncertainty, Amazon is being much more conservative right now than they otherwise would be," he said.

China could also be a problem for Apple, which posted a record profit of $36.3 billion last week.