Star BUSINESS

Investor jitters grow over Beximco sukuk amid layoffs

STAR BUSINESS REPORT

Investors in the Beximco Green Sukuk al-Istisna are increasingly worried about recovering their principal amount after the conglomerate ran into a series of troubles following the political changeover in August last year.

With the latest layoffs across 15 apparel units of Beximco — one of the three assets where the sukuk proceeds were invested — investor concerns have intensified.

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Of these, Teesta Solar is supplying electricity to the Bangladesh Power Development Board (BPDB), and the payments made by the board are now being used for investor interest payments.

Korotoa Solar is under construction and will take another 10 months to complete.

The Investment Corporation of Bangladesh (ICB) is the trustee of the country's largest private sukuk.

ICB Chairman Prof Abu Ahmed said he is well aware of investor concerns. He added that income streams to investors would continue and that general investors would not be affected.

However, the assurance seemed to have fallen short of restoring investor confidence, as Beximco Green Sukuk al-Istisna closed at Tk 46 per unit on the bourses yesterday — a 54 percent discount on the face value of Tk 100 each.

In 2021, Beximco Ltd issued asset-backed sukuk bonds worth Tk 3,000 crore to finance the solar power plants as well as the expansion of its textile division.

The ousting of Sheikh Hasina in a mass uprising in August last READ MORE ON B3

Shrimp processing units close as exports halve in 7 years

DIPANKAR ROY, *Khulna*

The once-thriving shrimp processing industry is now facing a severe downturn, with processing units shutting down as exports have halved in seven years.

Formerly a major contributor to the country's export earnings and rural employment, the industry is struggling due to a combination of factors, including a shortage of raw materials, declining global demand, environmental changes, financial mismanagement and failure to adapt to changing market conditions.

Cashing in on export subsidies and rising global demand, many shrimp processing units sprang up in the southwestern, southern and southeastern regions in the 1990s, backed by low-cost bank financing.

The industry boom lasted for around a decade, but as global demand for shrimp subsided and incentives fizzled out, production began to falter. Shrinking local supply and the emergence of a domestic prawn market further contributed to the decline.

Currently, out of 109 registered shrimp processing factories, only 30 in Khulna and 18 in Chattogram remain operational, according to the Bangladesh Frozen Foods Exporters Association (BFFEA).

The primary raw materials for shrimp processors are black tiger shrimp (Bagda) and freshwater shrimp (Golda).

According to the BFFEA, these factories have an annual production capacity of around 4 lakh tonnes but are receiving only 7 percent of their required shrimp input.

"This scarcity has already forced many factories to shut down," said Shyamal Das, director of the frozen food association and managing director of MU Sea Food Limited.

"My own company is getting only 25-30 percent of the shrimp it needs, making it impossible to run operations throughout the year," he added.

This supply shortage has led to declining production and factory closures, affecting the livelihoods of around 60 lakh people who directly or indirectly depend on the industry.

Stakeholders in the shrimp processing and export industry cite high bank loan interest rates as a major challenge. Currently, companies in this sector must take loans at 13-14 percent interest rates, much higher than what the rates were in the 90s.

"Between 1995 and 2004, many shrimp processing factory owners invested in the sector. However, they failed to assess the actual availability of shrimp in the market," wrote researcher Gouranga Nandy in his book "Shrimp Profit for Whom".

"Instead, the sector expanded rapidly due to a lack of integrity among entrepreneurs and short-sightedness within the banking sector. Many investors secured large loans by showcasing processing factories but later defaulted on their payments," he added.

While shrimp farming is now categorised as an agricultural activity, processing and export are treated as commercial ventures.

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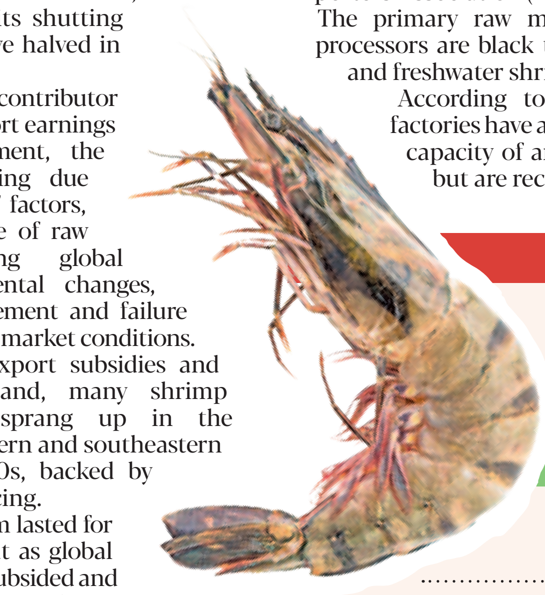

WHY SHRIMP PROCESSING UNITS SHUTTING DOWN

Shortage of raw shrimp (Bagda & Golda) | Declining global demand | Environmental changes | Mismanagement of bank loans by processors

INDUSTRY AT A GLANCE

Registered factories 109

Production capacity: 4 lakh tonnes per year

Now operational 48 — In Khulna: 30; In Chattogram: 18

But receiving only 7% of processing demand

SHRIMP EXPORTS

FY17 $446m

FY24 $248m

NBR lifts VAT on locally produced edible oils

STAR BUSINESS REPORT

Amid high prices and a shortage of bottled soybean oil, the National Board of Revenue (NBR) yesterday exempted traders from value-added tax (VAT) on locally produced edible oils, including mustard, sunflower, rapeseed, canola, and rice bran oils, in a bid to stabilise the domestic market.

The NBR said it had removed VAT at the production stage of rapeseed oil, colza seed oil, and canola oil until June 30 this year. In the case of mustard oil, VAT on the production of the main oilseed crop in Bangladesh has also been eliminated. The NBR did not mention any expiry date for this benefit.

The move by the revenue authority comes at a time when the edible oil market is volatile, and bottled soybean oil became scarce in many stores and markets just before Ramadan, when demand for edible oil rises.

Shopkeepers and distributors had earlier said oil refineries were delivering less than the demand for the month, which caused a supply shortage.

After visiting Mohammadpur Town Hall kitchen market in Dhaka yesterday, Commerce Adviser Sk Bashir Uddin

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Deep cut to dev spending

Allocation trimmed by 19% to Tk 2.26 lakh crore

STAR BUSINESS REPORT

The interim government yesterday approved a Tk 226,125 crore revised Annual Development Programme (ADP), while the health sector saw more than a 50 percent reduction in its original allocation despite being a priority sector.

The decision was made at a National Economic Council (NEC) meeting at its premises in the capital, with NEC Chairperson and Chief Adviser Prof Muhammad Yunus presiding.

The size of the revised ADP was reduced by 19 percent, from the original Tk 278,289 crore.

Although the health sector was among the top ten highest recipients in the original allocation, it has now faced a 59 percent cut, with its allocation slashed to Tk 8,463 crore.

Acknowledging the lower allocation in the revised ADP for health, Planning Adviser Wahiduddin Mahmud said the implementation rate of the sector was not satisfactory.

"In many areas, infrastructure and equipment remain abandoned due to a shortage of doctors, nurses and technicians," said the adviser.

"Doctors and nurses should be appointed in the health sector on a priority basis, rather than focusing solely on building infrastructure," he said.

"There are many vacant posts, and usually, doctors are reluctant to work in rural areas. This is a matter of governance," he said.

Like the health sector, the education sector saw a 34 percent cut, bringing its allocation down to Tk 20,349 crore.

Regarding this sector, Prof Mahmud noted that the performance of secondary and higher education had also remained poor.

He pointed out that several universities had set up campuses in various districts, but the number of staff recruited were more that of students and teachers.

Many of these staff members were hired based on political affiliations, he further said.

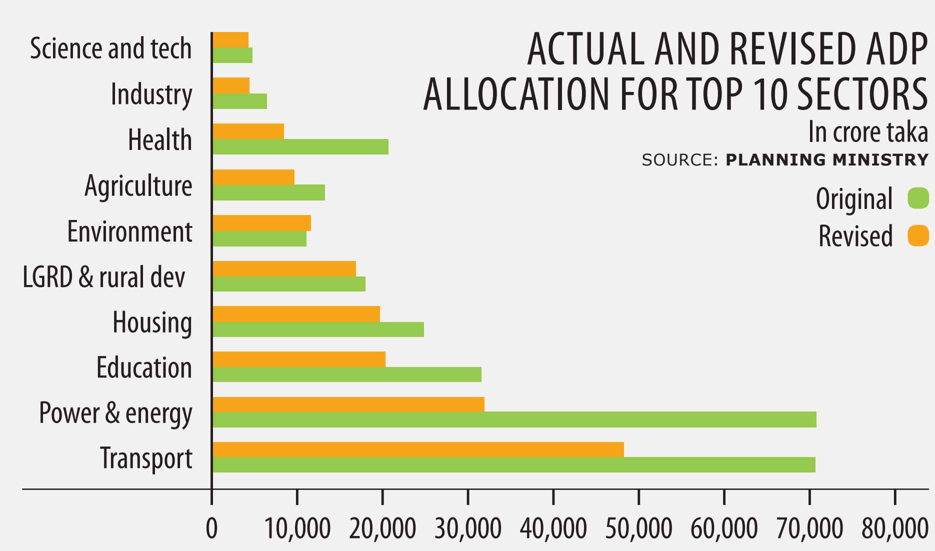
"Before increasing allocations, we must sort out these kinds of anomalies," he added.

In the revised ADP, the number of projects with allocations increased to 1,434 from 1,326 in the original ADP.

The interim government took office in August last year after a student-led mass uprising ousted the Awami League government, which formulated the FY25 budget in June.

However, this time, the ministries demanded less than Tk 200,000 crore in total, lower than the original ADP.

According to the planning ministry official, of the 57 ministries and divisions, eight saw an increase of 0.81 percent in their revised ADP allocations, while the allocation for 48 ministries and divisions decreased by 26 percent. The rest remained unchanged.



MAJOR POINTS ONOUTLAY

- ADP slashed by 19% to Tk 226,125cr
- Health allocation down 59% to Tk 8,463cr
- Education faces cut by 34% to Tk 20,349cr
- Only 21.52% of dev budget used in seven months

A planning ministry official said the pace of project implementation had been slow this fiscal year because of the political turmoil.

In the first seven months of the ongoing fiscal year, only 21.52 percent of the ADP was spent, 5.59 percent less than the expenditures made during the same period last fiscal year, said the official.

Usually, when the finance and planning ministries seek demands from various ministries, they tend to request higher allocations than granted.

The revised ADP allocated around 47 percent of total funds to the transport and communications, power and energy, and education sectors.

In the revised ADP, the government budget was reduced by Tk 49,000 crore to Tk 216,000 crore.

Of this, government funds were reduced by 18.18 percent to Tk 135,000 crore, while foreign funds fell by 19 percent to Tk 81,000 crore. READ MORE ON B3

Govt moves to encourage cancer drugs making

STAR BUSINESS REPORT

The tax authority has reduced the tax at source on the import of raw materials for the manufacture of cancer-related drugs, a development that is expected to reduce production costs and prices.

In a notification issued on Sunday, the National Board of Revenue (NBR) said it would collect 2 percent tax at source on the import of the ingredients of oncology medicines, down from 5 percent.

A senior official of the tax administration said they slashed the tax based on recommendations from the health ministry.

"This will be helpful for oncology product manufacturers and end users, as production costs will decrease, making the products more affordable," said Aminul Islam Khan, chairman and managing director of Ziska Pharmaceuticals Ltd.

This will be helpful for oncology product manufacturers and end users, as production costs will decrease, said sector people

The NBR's move comes at a time when the prevalence of cancer is growing in Bangladesh, and a number of pharmaceutical companies are manufacturing oncology products for both domestic and export markets.

At present, the cancer prevalence in the country is 106 cases per 100,000 population, with the prevalence being higher among males.

In Bangladesh, cancer is responsible for 11.9 percent of all deaths annually, according to a new study by the Bangabandhu Sheikh Mujib Medical University last month.

The study revealed that 52.9 new cases are reported per 100,000 people every year.

Khan said the price of oncology products in Bangladesh is lower than in any other country because the nation can produce generic versions of medicines without patent restrictions.

For this reason, cancer patients from different countries seek Bangladeshi oncology products at a lower cost, he added.

Oncology products made in Bangladesh are exported to advanced countries, including Europe and Australia, due to competitive prices and high quality, he said.