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BUSINESS



Premier Cement goes for merger with two concerns

STAR BUSINESS REPORT

Premier Cement Mills PLC has decided to absorb two of its concerns – National Cement Mills and Premier Power Generation – in a bid to streamline and optimise operational efficiencies.

Having reached this decision at a board meeting on March 13, the company announced its plans for the merger through a disclosure on the Dhaka Stock Exchange (DSE) website yesterday.

Following the announcement, Premier Cement saw its share price rise 5.85 percent from the previous day to close the session at Tk 52.50 per unit.

Premier Cement will be the sole surviving entity of this merger, which involves exchanging its shares with that of the two subsidiaries, according to Company Secretary Kazi Md Shafiqur Rahman.

“It [the merger] is not just an administrative change but in reality, it will provide significant advantages in terms of improving operational efficiency,” he said.

Rahman then explained that they currently file separate tax returns, maintain different licences and obtain individual environmental clearance certificates for each of the three companies.

“But after the merger, all of these processes will be consolidated into one, making operations simpler and cost-effective,” he added.

Rahman also said the merger will lead to substantial cost savings and synergy between the companies by reducing administrative overheads and improving knowledge-sharing between teams, thereby enabling more seamless operations.

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CPD wants budget anchored in economic stability

CHALLENGES FOR ECONOMY

- Restoring macroeconomic stability
- Tackling inflationary pressures
- Stabilising exchange rate
- Ensuring fiscal management
- Revenue mobilisation

RECOMMENDATIONS

- Don't hike gas prices
- Reduce subsidy and increase social spending
- Raise tax-free income limit to Tk 4 lakh from Tk 3.5 lakh
- Allocate funds for the injured and families of martyrs of July uprising
- Withdraw 5% VAT on tuition fees for English medium schools
- Reduce corporate tax for private educational institutes to 10%
- Develop a modern tax structure
- Create a consistent tax policy
- Establish a hassle-free tax payment system

The upcoming budget must prioritise the protection of vulnerable and disadvantaged groups and economic recovery.

Fahmida Khatun
Executive director of CPD

There is an assumption that the tariffs on China could benefit Bangladesh, as we compete in the US market... I don't believe there is a direct benefit for us.

Mustafizur Rahman
A distinguished fellow at CPD

STAR BUSINESS REPORT

Restoring macroeconomic stability should be the top priority for policymakers amid a challenging environment for the interim government, the Centre for Policy Dialogue (CPD) wrote in its budget recommendations yesterday.

“This requires targeted interventions to address inflationary pressures, stabilise the exchange rate, and ensure fiscal prudence,” it said.

The think-tank presented its recommendations for the upcoming national budget for fiscal year (FY) 2025-26 at the CPD office in Dhaka.

The CPD said that the interim government inherited an economy characterised by high inflation, subdued revenue collection, sluggish budget implementation, a liquidity

crunch in the banking sector, and fast-depleting foreign exchange reserves.

Fahmida Khatun, executive director of the CPD, remarked, “The upcoming budget must prioritise the protection of vulnerable and disadvantaged groups and economic recovery.”

“Short-term corrective actions are needed, along with medium-term reforms in resource mobilisation, public finance management, and spending efficiency,” she said.

DO NOT HIKE GAS PRICES

The CPD proposed not hiking gas prices, saying it would adversely impact the inflation scenario – particularly concerning non-food items.

The warning was sounded as consumer prices, despite easing in the last two months, have stayed over 9 percent since March of 2023, eroding purchasing power, especially for low-income households.

Last month, the Bangladesh Energy Regulatory Commission proposed increasing gas prices for new industries to Tk 75.72 per cubic metre, up from the current Tk 30, which drew widespread opposition.

“At this stage, if the proposal to hike gas prices is accepted, it will likely impact inflation adversely. The uncertainty in the global economy owing to the tariff war might add to this,” Fahmida added.

The Bangladesh Bank’s target

to contain inflation within a 7-8 percent range by end-June 2025 is likely to be missed if gas prices are raised, she said.

RAISE TAX-FREE INCOME LIMIT TO TK 4 LAKH

The CPD also recommended raising the tax-free income threshold to Tk 4 lakh in the next fiscal year’s budget to ease the burden on taxpayers amid high inflation.

Currently, the tax-free income threshold stands at Tk 3.50 lakh, which was set in the current fiscal year.

“Inflation eased in the last three months, perhaps due to the seasonal effects and policy intervention. However, it rose earlier in the current fiscal year. Furthermore, food inflation rates were substantially greater in rural areas than in cities,” Fahmida said.

“People are depleting their savings to buy food. In this situation, we believe it [raising the floor] will be logical.”

ALLOCATE BUDGET FOR JULY UPRISING INJURED AND MARTYRS

The CPD recommended allocating financial assistance in the upcoming national budget to support the families of those killed and injured in the July uprising last year, which led to the ouster of the Awami League government.

“During the July movement, nearly 1,400 people were killed, and 14,025 others were injured,” said Khatun, citing reports from the Office of the United Nations High Commissioner for Human Rights.

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Reforms on the move

ZAHID HUSSAIN

The Bangladesh Bank has embarked on a series of banking reforms with quiet determination. Most recently, it has tightened regulations regarding dividend payouts by scheduled banks, exemplifying the strategy of seizing low-hanging fruit in the pursuit of structural reforms.

Concurrently, an announcement was made to establish four new departments at the BB head office to bolster its operations and enhance oversight of the financial sector.

Just a few days prior, BB reformed the exit policy for non-performing loans (NPLs), specifically targeting defaulters who were not deemed to have failed in repayment due to wilful neglect or deceptive practices to evade payment.

The new regulations introduced by the BB, combining firmness with strategic leniency, lay the groundwork for a sturdy financial system. This article focuses on the most recent reform concerning dividend payouts, an addition to BB’s collection of quickly attainable yet impactful initiatives.

Observed dividend practices

Banks notorious for holding not just bad loans but also poor cash placements have distributed dividends amounting to 10 percent or more of their net paper profits after tax. These profits, termed as ‘paper’ due to their origins in creative accounting and lenient regulatory oversight, do not reflect real earnings.

Out of the 61 banks in Bangladesh, merely five achieved net profits exceeding Tk 1,000 crore in 2024, primarily due to a flight to safety amidst financial instability. The net interest income, typically the main revenue source for banks, paled in comparison to the returns from government securities.

Depositors shifted funds to institutions perceived as more secure, prioritising financial safety over profitability. Growth of nonperforming loans has outpaced deposit growth for longer than old, aged memories can recall.

Yet, practices in listed banks of Bangladesh show an increasing trend in dividend payments. This is puzzling with pieces that just don’t fit together. In a system plagued by tight liquidity, pervasive insolvency, and shaky confidence, positive and often high (above 10 percent) dividend yields observed in reality for a large number of listed financial corporates challenge understanding the drivers of their dividend policy.

Politically influential individuals took out funds and laundered them abroad. At the end of 2024, over one-fifth of the total loans in the banking sector were sour, largely due to embezzlement by owners. Distressed assets are probably two and a half to three times the reported NPLs.

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Satellite company seeks partnership to fast-track Starlink’s entry

MAHMUDUL HASAN

Bangladesh Satellite Company Limited (BSCL) is seeking a partnership with Starlink to facilitate the launch of satellite internet services in Bangladesh.

As part of the effort, the country’s sole satellite company has proposed hosting Starlink’s gateway at its ground stations in Gazipur and Betbunia, according to documents seen by The Daily Star.

At a meeting with Starlink officials in Dhaka yesterday, BSCL proposed a strategic collaboration and gave a presentation on its capabilities.

Faiz Ahmad Taiyeb, special assistant to the chief adviser with executive authority over the Ministry of Telecom, and Muhammad Imadur Rahman, managing director of BSCL, attended the meeting.

Rebecca Slick Hunter, director of Starlink Global Licensing and Market Activation, led the Starlink team.

“We have elaborated on BSCL’s technical capabilities and the range of services it can provide to support Starlink’s service delivery,” Imadur Rahman told The Daily Star.

“Since the chief adviser aims to launch Starlink’s service within 90 days from February this year, we are leveraging our capacity to expedite Starlink’s entry into Bangladesh,” he added.

In a virtual meeting in mid-February this year, Chief Adviser Prof Muhammad Yunus discussed potential collaboration with Elon Musk to advance the introduction of Starlink’s satellite internet service in Bangladesh.

Prof Yunus invited Musk to visit Bangladesh for the potential launch, to which Musk responded positively, saying, “I look forward to it”.

At yesterday’s meeting, BSCL’s presentation to Starlink officials highlighted the advantages of leveraging its infrastructure, including uninterrupted power, true-redundant fibre

KEY PROPOSALS FROM BSCL

- Hosting Starlink’s gateway at Gazipur and Betbunia ground stations
- Offering 99.99% uptime with uninterrupted power, fibre connections
- Providing KPI Category A facilities with round-the-clock maintenance

PARTNERSHIP BENEFITS

- Faster regulatory approvals, customs clearance
- Seamless sales distribution and revenue collection
- Enhanced internet access in remote areas

PROGRESS ON STARLINK ENTRY

- NDA signed with SpaceX
- 5 terminal tests completed
- BSCL submitted a positive report to BTRC

connections with 99.99 percent availability and round-the-clock maintenance by highly skilled personnel.

The company also emphasised that its facilities offer the highest level of security, classified under the government’s Key Point Installation (KPI) Category A.

“Starlink was amazed by BSCL’s capacity and said they would convey the proposal to their headquarters,” said a satellite company official familiar with the developments.

Under the proposed partnership, BSCL would provide services, including sales and marketing, post-sales customer support, user terminal import and distribution and revenue collection through banking channels.

Besides, the collaboration is expected to streamline regulatory approvals from the Bangladesh Telecommunication Regulatory Commission (BTRC) and relevant ministries.

The partnership’s potential benefits include enhanced nationwide sales and marketing, efficient distribution channels, on-site installation and troubleshooting and a reliable revenue collection mechanism under the government framework.

BSCL also guarantees a secure storage

facility for Starlink kits within its KPI-enlisted premises.

PROGRESS SO FAR

BSCL and Starlink have already made significant progress in potential collaboration, according to officials.

A non-disclosure agreement (NDA) was signed with SpaceX on May 12, 2023, followed by successful testing of five Starlink terminals in Bangladesh.

These tests, conducted in Dhaka, Rangpur, Hatia and the Bay of Bengal, demonstrated Starlink’s strong performance in various environments.

BSCL has since submitted a report to BTRC affirming the commendable functionality of Starlink’s service across all test locations.

“The collaboration between Starlink and BSCL presents a strategic opportunity to enhance satellite internet connectivity in Bangladesh,” said Mustafa Mahmud Hussain, a telecom expert.

“With technical expertise, infrastructure, an existing ground station, priority power supply, backup power and a data center, BSCL can ensure a seamless rollout of Starlink’s services,” he said.

READ MORE ON B3

Investors flag concerns over 700MHz spectrum auction

MAHMUDUL HASAN

Major international telecom investors expressed concerns about the proposed parameters for the upcoming 700MHz spectrum auction, citing technical, commercial, and economic challenges.

In a joint letter addressed to Faiz Ahmad Taiyeb, special assistant to the chief adviser with executive authority over the Ministry of Posts, Telecommunications, and ICT, the parent companies of Bangladesh’s leading mobile network operators urged the government to reconsider the auction’s timing and pricing structure.

Copies of the letter were also sent to the secretary of the Posts and Telecommunications Division, the Ministry of Finance, and the chairman of the BTRC.

Signed by senior executives of Axiata, Telenor, and Veon, the letter highlighted three key issues with the current plan: the limited amount of spectrum being released, the disproportionately high pricing, and the limited device compatibility with the 700MHz band.

The investors emphasised that proceeding with the auction under the current conditions could hinder the growth of Bangladesh’s telecom sector and delay the delivery of tangible benefits to consumers.

The parent companies of Bangladesh’s leading mobile network operators urged the government to reconsider the auction’s timing and pricing structure

The 700MHz spectrum auction, planned for the coming months, proposes releasing 2x25MHz of spectrum at a price of Tk 263 crore per MHz.

Investors argued that this pricing is significantly higher than global benchmarks and could increase spectrum costs to 14 percent to 16 percent of revenues, up from the current 9 percent to 12 percent. This, they warned, is unsustainable for the Bangladeshi market.

The investors’ concerns come at a critical time for Bangladesh’s telecom sector, as the government is seeking to enhance digital connectivity and drive economic growth through improved mobile broadband services.

Additionally, investors pointed out that only 50 percent of 4G-capable devices in Bangladesh currently support the 700MHz band.

Even with new devices supporting the band, it would take approximately four years for the spectrum to achieve widespread compatibility, limiting its immediate impact on service quality.

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VAT return deadline extended by 2 days

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has extended the deadline for VAT return submission till March 18 following a technical glitch in its online system, the Integrated VAT Administration System.

In a letter to field offices of customs and value added tax (VAT), the NBR said the issue occurred due to a surge in concurrent users and aging hardware.

March 16 was the last date for filing VAT returns, but as many taxpayers could not complete the process, the deadline was extended, it said.

Dr Md Abdur Rouf, member (VAT Policy) at the NBR, said the problem arose due to the rush of firms seeking to submit their returns.

“If companies file their returns by the 10th of every month, they will be able to do so smoothly,” he said.

Currently, around 3.25 lakh VAT-registered entities file returns online, while 23 percent submit hard copies.

In total, roughly 4 lakh firms out of 5.81 lakh VAT-registered entities file data, according to NBR data.

“We are discouraging submission of hard copies,” he added.