

# CONFIDENCE GROUP – Connecting Bangladesh to the Future

Bangladesh is booming. The economy has registered impressive GDP growth of over 7% for the past three years, and per-capita income has more than tripled over the past decade. As continued economic growth is forecast for the nation and its enviable demographic, with 65% of the population between 15 and 44 years of age, Bangladesh is among the more lucrative destinations for investment in South Asia.

**S**INCE BANGLADESH GAINED independence in 1971, international optimism about its future has grown along with its astonishing transformation, and interest has increased in recent years. It is also a resounding vote of confidence for the private-sector conglomerates of Bangladesh, such as the Confidence Group, who have played a significant role in making this happen.

The enormous contribution that Bangladesh's textile and apparel industry has made to the country's economic growth is well documented. Of equal importance are the long-term benefits the country is poised to reap from its accelerated infrastructure development, which has been a key focus for the government since 2009.

According to the World Bank's April 2019 Bangladesh Development Update, electricity generation capacity has tripled over the past 10 years, and the proportion of power derived from renewable sources is steadily increasing. Rapid mobile adoption and penetration have propelled the country to become the world's ninth-largest mobile market in terms of active subscribers, and mobile internet penetration is projected to reach 41% of the population by 2025. Rapid urbanization driven by increasing electricity consumption and connectivity—and more than 30 million middle-class citizens—is helping to turn the once politically unstable region into the newest Asian Tiger.

Engr. Rezaul Karim, Confidence Group's chairman and founder, is a visionary leader whose ethos permeates how the company conducts business. After graduating with a degree in mechanical engineering, Karim spent the next decade studying the extensive

development needs of a war-ravaged and newly independent Bangladesh, which was in dire need of cement to construct roads, ports, power stations, utilities, and other essential infrastructure. As 95% of the country's cement demand was being met through imports, Karim was determined to reduce this foreign dependence through increased domestic production.

In 1991, Karim and a group of like-minded entrepreneurs launched Confidence Cement Ltd. (CCL) and created Bangladesh's first private cement manufacturing plant. Today, CCL, a division of Confidence Group with concrete plants in the Chittagong area and an annual production capacity of 1.5 million metric tons, has consistently outperformed its competitors and maintained market dominance. Building on its success and market share, CCL is currently developing a new manufacturing plant near the capital, Dhaka, with a capacity of 1.8 million metric tons, which will bring the company's total production capacity to more than 3 million MT in 2021.

Over the past 30 years, Karim has systematically diversified the Confidence Group's business portfolio and transformed the company into one of the country's leading business groups, active in sectors ranging from cement production, construction, and paint production to infrastructure development, power generation and storage, telecommunications, technology, and the manufacture of light to medium engineering products. Today, Confidence is one of the largest and most prominent conglomerates in Bangladesh, with revenues expected to cross \$500 million by the end of 2020.

"We aspire to be a company that can represent Bangladesh at a global level," says Imran Karim, Confidence Group's vice chairman, who has been an instrumental driving force behind the group and is responsible for identifying opportunities and signing off on investments. "All our businesses are standalone entities and operate independently," he explains. They may be independently run, but all the group's business verticals have in common their founder's determination to combine revenue generation with national development.

As Bangladesh continues to invest heavily in infrastructure, increased economic prosperity is poised to trickle to suburban and rural areas. Confidence Infrastructure Ltd. (CIL)—Confidence Group's division handling development and construction of infrastructure for power projects, railways, telecom, road networks, dredging, and river protection—combines the manufacture of various light to middle engineering products with its front-end services to offer a high degree of added value. CIL employs more than 4,000 people along with about 250 engineers for its product development, manufacturing, and EPC (engineering, procurement, and construction) services. Continuously innovating its offerings, it has fashioned itself into one of the largest infrastructure players in Bangladesh.

The country's energy demand has doubled in the last decade. At the point when the gap between that demand and available supply was at its widest, a World Bank Enterprise Survey observed that Bangladeshi industry was experiencing power outages each year, which in turn was cutting an estimated 3% from the national GDP.

Before Confidence Group stepped in, the Rajshahi and Rangpur Divisions of Bangladesh were struggling with power cuts. Confidence Power Holdings Ltd. (CPHL) now owns and manages four independent power plants (IPPs), two in Bogura and one each in Rangpur and Chattogram. CPHL, already contributing 400MW to the national grid, is strongly positioned as a power producer in Bangladesh, with aspirations to take its total capacity to over 1,000MW by 2023 to meet increasing power demand in the coming years. It is also undertaking initiatives to develop renewable power generation capacities.

Established in 2010, Confidence Batteries Ltd. (CBL) was created in anticipation of the surge in demand for battery-powered transportation. The Western perception of Bangladesh's rickshaws chugging alongside semi-submerged rice paddies is partially correct; while that may be a tired stereotype, these tuk-tuks nevertheless remain the ubiquitous mode of transport, particularly in Bangladesh's rural areas. As concerns over their environmental impact has grown, the move to battery-powered versions has been gaining momentum for several years.

"There are about 600,000 battery-powered vehicles on the road at the moment, and we supply between 15% and 20% of the market," says Karim. With more than 650 staff employed at its 270,000-square-foot factory, CBL has also pioneered the application of solar panels in its Special Purpose Electric Vehicles.

"We are prepared to take risks and to think outside the box in order to diversify," Karim explains. "Because markets in Bangladesh are not as big as their equivalents in India, you cannot become really large if you limit yourself to any one of them. We work hard to get around such constraints, and we are always on the lookout for new business opportunities. We make meticulous efforts to select our businesses."

A prime example has been the group's achievement in carving out a niche for itself in the hugely lucrative and fast-moving ICT and telecommunications market through DigiCon Telecommunication Ltd. (DTL). As in many other emerging markets, the advent of mobile and satellite technology has allowed Bangladesh to leapfrog the fixed-



From the right: **Mr. Imran Karim**, Vice Chairman – Confidence Group; **Mr. Salman Karim**, Managing Director – Confidence Infrastructure Limited & Confidence Batteries Limited; **Mr. Zahir Uddin Ahmed**, Managing Director – Confidence Cement Limited; **Mr. Khalid Islam**, Managing Director – Confidence Power Holdings Limited & DigiCon Telecommunication Limited.

line evolutionary stage to rapidly become a fully-fledged mobile communications market. There are now 85 million unique mobile subscribers in Bangladesh, which means penetration stands at 51%, and almost as many mobile internet users (80.5 million).

Almost half of Bangladesh's population rely on proximity to cellphone towers to keep them connected, which is where Confidence Group comes in. As well as offering high-quality call routing, call termination, and ISP services, the group is one of the largest producers and installers of these towers, and has built approximately 14,000 of the 28,000 towers that the Bangladesh Telecommunication Regulatory Commission (BTRC) calculates are currently in use in the country. With 4G only introduced in 2018, this sector is destined to grow.

Two years ago, the BTRC announced that it was putting four licenses for the build, own, and management of telecom towers out to tender. One of the successful license applicants was Confidence Infrastructure's subsidiary Kirtonkhola Tower Bangladesh Ltd. (KTBL).

"We have partnered with GE in power generation, we have partnered with Asian Paints in paint manufacturing, and we are in talks with a company with the scale and quality of operations of, for example, American Tower Corporation," says Karim. "We strive to make a logical return on

our investments, and we understand the importance of strategic partnerships when it comes to big projects. Ideally, we are looking for partners that have strong global pedigrees in relevant business and are interested enough to invest and build businesses in Bangladesh."

The group has a successful track record working with overseas partners. In 2001, it entered a joint venture with Asian Paints, India's largest paint manufacturer, to set up a new plant and operation in Bangladesh. Today, Asian Paints is the country's second-largest paint company, with a presence in all its 64 districts, a 1,400-strong dealer network, and depots strategically placed in all its major conurbations.

The Confidence Group's role in helping Asian Paints set up its sales and distribution network in Bangladesh has been key to Asian Paints' success, Karim believes. "The whole point is for all parties to appreciate the value that each party brings into the partnership," he says.

As Bangladesh continues to grow, opportunities for the Confidence Group to enter into more beneficial partnerships are surely just around the corner.

