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Offloading of Desco, PGCB shares to boost power sector

Says state minister

STAR BUSINESS REPORT

As the Dhaka Electric Supply Company (Desco) and Power Grid Company of Bangladesh (PGCB) offload their 25 per cent stakes in the capital market by next month, fund crisis in power sector will be minimised, state minister for power said yesterday.

"Being a capital-intensive sector, power generation needs more funds, but it is not an easy task to pour huge some into the sector when there is a mammoth systems loss there," Iqbal Hassan Mahmud said.

"Enlistment of the power companies will help the sector get liquidity support for investing more in power generation," he said, adding that it will also bring accountability in the sector as well as help the capital market become more vibrant.

The state minister was speaking at a press briefing on share offloading of Desco and the PGCB organised by the Dhaka Stock Exchange (DSE) in the capital.

Citing donors' reform conditions regarding power sector, he said they will not provide funds for the sector unless there is any reform.

Power Division Secretary ANH Akhter Hossain, Securities and Exchange Commission (SEC) Chairman Faruq Ahmad Siddiqi, DSE President Abdullah Bokhari and CEO Salahuddin Ahmed Khan also spoke at the press briefing.

Meanwhile, the country's bourses have agreed in principle to enlist the two power division entities of the government with the stock exchanges.

Desco will join the capital market within first week of the next month by releasing around 3.2 million shares worth Tk 317.80 million while the PGCB will join the market within the second half of June by releasing around 9.1 million shares worth Tk 910.89 million.

The face value of each share of Desco is fixed at Tk 100 while that of PGCB's share is fixed at Tk 1000 each.

The shares of those companies will be offloaded through direct listing rules with both the DSE and Chittagong Stock Exchange (CSE). Desco and the PGCB are the first companies to be listed with the bourses under direct listing rules.

Ten per cent of the offloaded shares will be released within the first month from the first trading date to avoid possible devaluation of the shares.

The initiative of offloading the shares of Desco and the PGCB is a part of the government's broader goal for giving all the power generation, supply and transmission entities a corporate shape.

The PGCB is engaged in transmitting power across the country while Desco is responsible for supplying electricity to the capital's Gulshan, Mirpur and Uttara zones.

Credit Rating Information and Services Ltd (CRISL), a credit rating company, has rated the PGCB as A and Desco as A+.

The PGCB and Desco have achieved A and A+ ratings from Credit Rating Information and Services Ltd (CRISL), a credit rating company.

The net asset value of the PGCB in 2004-05 stood at Tk 35,944.57 million while the earning per share was Tk 42.07. On the other hand, the total asset value of Desco in the same period stood at Tk 10,304.55 million while earning per share was Tk 40.14.

During 2004-05 period, operating revenue of the PGCB was Tk 4,683.35 million while the operating profit of Desco was Tk 1,211.61 million in the same period.

Talking about the trading system of Desco and the PGCB shares under direct listing rules, Salahuddin Ahmed Khan said the Investment Corporation of Bangladesh (ICB), issue manager of the PGCB and Desco, will offload shares on the first two days of trading for two hours a day. Normal trading will start on the fourth day while there will be no trading on the third day.

Prospective investors will offer prices for buying shares in the first 15 minutes of the first trading day. Based on the offered price, the ICB will fix a price of each share and thus offloading of shares will start. However, there will be scope for price modification depending on demand side.

Buyers will be allowed to place a maximum order for 1,000 shares at a time on the first day. The restriction on purchasing shares over 1,000 will be withdrawn on the second day and buyers will be allowed to place orders based on market lot and odd lot, Salahuddin said.

He said the trading of the companies' shares will start following completion of some formalities, which are under process.

GP has no immediate plan to float shares

Telenor CEO talks to The Daily Star

ABU SAEED KHAN

GrameenPhone has no immediate plan to float its shares in local capital market, Jon Fredrik Baksaas, president and CEO of GP's 62 percent owner Telenor, said in an exclusive interview with The Daily Star while visiting Dhaka last week.

Telenor's CEO has also categorically denied any borrowing from local banks for GrameenPhone. "Our external investment coupled with continuous reinvestment of GP's profit has created the only cellular mobile network that today covers the country's 95 percent population."

"We have done our part by deploying the nationwide network and connecting all these people depends on the rationalisation of policy and regulations," he observed.

He said GP repatriated US$70 million profit from Bangladesh in nine years while it invested more than $750 million and paid in excess of $700 million taxes and fees to the government since launching its services in 1997.

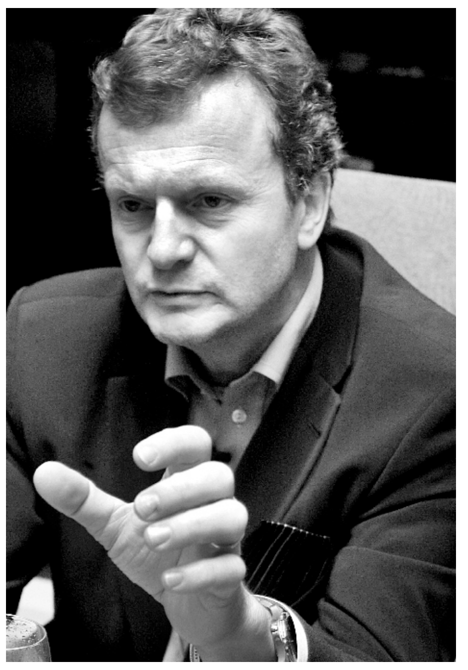
"Besides investing $150 million during 2006-07, GP will contribute at least $28 million (Tk.2,000 crore) to the exchequer this year alone," Baksaas said.

Baksaas has also urged Bangladesh government to remove taxes on SIM cards. He calls such taxation as equally counterproductive for the market and the government.

"Pakistan had 13 million mobile phone subscribers until December 2005 and it became 27 million in three months as a result of slashing the SIM tax. He said similar growth is also attainable in Bangladesh and the mobile industry can increase its contribution to the exchequer too. Baksaas has also praised Pakistan's fixed-mobile operators' revenue sharing and interconnection regime.

Generally the cellphone operators tend to acquire initial penetration through the urban market followed by extending the network coverage in rural Bangladesh. "But GP has been simultaneously deploying its network in the urban and rural areas since inception."

Baksaas said GP has 62 percent market share



Jon Fredrik Baksaas

and it will continue to lead with enhanced quality, extended coverage and versatile products.

Telenor is Norway's largest telecommunications provider and the Norwegian Ministry of Trade and Industry owns its 54 percent shares. Telenor Group's mobile operations contributed 57 percent of its $11.21 billion revenue in 2005. It has controlling stakes in the following mobile operations:

Telenor in Norway, Sonofon in Denmark, Vodafone Sweden, Kyivstar in Ukraine, Pannon in Hungary, ProMonte in Montenegro, DTAC in Thailand, DiGi in Malaysia, GrameenPhone in Bangladesh and Telenor Pakistan. Telenor also owns 29.90 per cent of Russia's VimpelCom and Connect Austria's 17.50 per cent share.

Telenor's CEO recognises competition in the matured as well as emerging cellular mobile markets. "Reducing the capital and operational costs while improving the quality of networks is a must in the industry." He, however, does not see any benefit in outsourcing of network operations a suitable cost-cutting measure.

"We have had disappointing experience in Telenor Pakistan's Managed Service Contract because the equipment supplier has failed to maintain Telenor's key performance indicator." Baksaas prefers to build Telenor's own human capital to run the cellular mobile networks regardless in Europe or Asia.

Telenor's CEO has admitted cellular mobile technology is facing competition from Wi-Fi and WiMAX technologies. "Any new technology initially appears threatening but it eventually compliments." He cited the example of VoIP, which first emerged as a "killer application" but now being widely provided by the telecoms operators.

In this context Baksaas underscores the significance of yet to be launched SEA-ME-WE4 submarine cable in Bangladesh. He believes it will reduce the cost as well as improve the quality of overseas phone calls. "While roaming in Dhaka I experience noise, echo and delay as the calls are passing through satellite links and that will not happen once the submarine cable takes over the international traffic."

While commenting on the European Commission's recent move to force the mobile operators to reduce roaming charge, Baksaas believes this issue should be left with the market. He said Telenor's European customers enjoy highly competitive tariff while roaming in Telenor's network in Thailand.

Baksaas, however, admitted such rewards are yet to be reciprocated to Telenor's Asian customers. He said Telenor's Asian cellular mobile ventures have prioritised the quality improvement of networks. Large number of GP users visit Thailand and Malaysia where Telenor also operates. "Shouldn't GP reward it customers when they roam in those Telenor-owned networks?" Baksaas avoided answering this question.

PHOTO: STAR

Bangladesh Enterprise Institute (BEI) President Farooq Sobhan (centre) speaks at a seminar on WTO in Dhaka yesterday as Inaamul Haque (left), WTO adviser to Punjab government in Pakistan, and Syed Alamgir Farouk Chowdhury, former commerce secretary, look on.

Frozen food exporters get $40m spot order in Brussels fair

BDNEWS, *Dhaka*

Local frozen food exporters received spot orders worth US$ 40 million at 'European Sea Food Fair' in Brussels last week.

A press release of the Export Promotion Bureau (EPB) said some 31 local exporters and 38 buying agents participated in the three-day fair held May 9-11.

The Bangladeshi pavilion attracted attention of hundreds of foreign buyers.

"Bangladeshi Black Tiger shrimp is a high-demanding food item in Europe and North America. Participants are also expecting more export orders of Black Tiger," it added.

Call for removing obstacles to women entrepreneurship

BSS, *Rajshahi*

Speakers at a seminar here yesterday called for removing the existing obstacles to the women entrepreneurship in commerce and industrial fields.

In this context, they observed that without participation and empowerment of women, real economic emancipation of the country cannot be achieved, as they constitute half of the country's total population.

Bangladesh Women Chamber of Commerce and Industry (BWCCI) in collaboration with the Center for International Private Enterprise (CIPE) organised the seminar on 'Women Entrepreneurship Development' at Parjatan hotel here.

Mayor of Rajshahi Mijanur Rahman Minu, MP, addressed the opening session as chief guest with BWCCI President Selima Ahmed in the chair.

It was also addressed by President of Rajshahi Chamber of Commerce and Industry (RCCI) Lutfar Rahman and Chairman of RCCI House Committee Khandaker Hafizur Rahman as special guests.

Mayor Minu said the women entrepreneurs should be acquainted with modern business techniques and management so that their products can be made popular in the competitive markets.

He also said access of women entrepreneurs to capital, credit and different other financial establishments should be granted for making their enterprises profitable and sustainable.

Concerted efforts of both men and women entrepreneurs are very essential to achieve the nation's cherished goal of economic prosperity, Minu added.

Project Coordinator of BWCCI Munir Uddin Shameem presented the keynote speech on the topic in the working session of the seminar.

S Asia trade summit needed to devise common stand in WTO: BEI seminar

STAR BUSINESS REPORT

Speakers at a seminar yesterday said a South Asia trade summit should take place to have their common position in WTO.

The summit will be very timely and it may benefit all the members of the South Asian countries, they noted.

Bangladesh Enterprise Institute (BEI) organised the seminar on WTO in Dhaka. Inaamul Haque, WTO advisor to Punjab government in Pakistan, spoke as guest speaker at the seminar while Farooq Sobhan, BEI president, presided over.

Speaking at the seminar, Haque said South Asia trade summit can be a good initiative.

Pinpointing on the current WTO issues, he noted market access for exporting most competitive labour intensive manufacturers of the developing countries remain highly restricted.

"Possible solution may be that all WTO members should commit themselves to offer free market access of all goods to all developing countries poorer and smaller than themselves," he suggested.

Explaining why Pakistan now wants to sign a bilateral free trade agreement with Bangladesh, Haque said multilateral system is not working and lack of confidence in the multilateral system is one of the reasons.

Participating in the discussion, Debapriya Bhattacharya, executive director of the Centre for Policy Dialogue (CPD), said a South Asia trade summit is very welcome.

Deadlock in the WTO is now much deeper and there is not a single champion who can make a breakthrough, he said. "The situation has not improved rather it has deteriorated and if we compare...we are many ways back in the Cancun days."

M Abdul Karim, commerce secretary, termed South Asia trade summit extremely important, saying it is possible for the member countries to have a common position in the WTO.

Bimstec apart, discussions on South Asia Free Trade Area (Safta) and bilateral free trade agreement (FTA) with Pakistan are going on, the secretary said. "But our negotiating skill is very very limited."

Syed Alamgir Farouk Chowdhury, former commerce secretary, identified non-tariff barriers (NTBs) a crucial problem for the poor nations, saying around 40 per cent of the products from the least developed countries (LDCs) are affected by the NTBs.

Professor M A Taslim, executive director of Development Initiative, said agreeing to give market access for 97 percent products is a substantial improvement.

Singer launches special World Cup campaign

Singer Bangladesh Ltd launched a special campaign yesterday on the occasion of World Cup Football 2006.

During the campaign with the purchase of a television set, buyers will win up to Tk four lakh in cash starting from a minimum of Tk 400, says a press release.

Against purchase of any model of Singer, Haier, Hitachi or MEG.XL brand television set from any Singer plus or Singer outlet across the country, buyers will get scratch cards that will entitle them to win up to Tk four lakh in cash.

Besides this offer, which will be valid until July 9, Singer is giving free installation facility for all models of Singer air conditioners (AC) and selected models of Haier AC during the campaign.

Buyers will also get zero interest facilities for up to 90 days for ACs, irrespective of models and brands.

In addition, Singer offers free raincoat and helmet with all models of Singer and Emeishan motorcycle during the campaign.

SAFTA

Officials talk non-tariff barriers today in Nepal

XINHUA, *Kathmandu*

Member countries of the South Asian Association for Regional Cooperation (Saarc) will start a two-day sub-group meeting in Kathmandu today on 'non-tariff barriers' under the South Asian Free Trade Area (Safta) framework, a government official said here yesterday.

According to the official at the Ministry of Industry, Commerce and Supplies, the meeting is to be held following a decision taken at the recently concluded Dhaka meeting.

Joint secretaries from the Saarc countries met on April 18-19 in Dhaka. The meeting decided to notify national inquiry and review products' list for export of each members of Saarc, the official said on condition of anonymity.

This meeting will be held at the under-secretary level and the outcome of the meeting will be submitted to the Committee of Expert meeting, which will be held in October.

Three dozens of government officials from Saarc states are attending the meeting.

Almost all the Saarc countries have failed to advance their export among member countries due to regional non-tariff barriers, according to the official.

Standards/quality of goods, laboratory issues and packing mechanisms are some of the issues that will be discussed at the meeting.

Saarc, formed in 1985, is comprised of seven countries -- Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Afghanistan will join the next Saarc summit in India in 2007 as a full member.

Oil below $70

AFP, *London*

World oil prices fell sharply on Monday, tumbling under 70 dollars in New York, as expectations of slower demand growth for energy eased supply concerns related to Iran, dealers said.

New York's main contract, light sweet crude for delivery in June, shed 2.22 dollars to 69.82 dollars per barrel in electronic deals before the official opening of the US market. The price was more than 7.0 per centbelow its record high of 75.35 dollars, achieved on April 21.

In London on Monday, Brent North Sea crude for June delivery fell 2.14 dollars to 70.18 dollars per barrel in electronic deals.

"Oil futures were down... adding to Friday's losses as concerns remain that high oil prices are denting global demand," said analysts at the Sucden brokerage firm in London.

On Friday, the International Energy Agency's (IEA) had cut its oil demand growth forecast for 2006.

The IEA, which monitors energy conditions for the world's leading industrialized states and oversees supply arrangements in times of crisis, added also that an increase in Iraqi exports had helped boost worldwide production in April.