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DHAKA FRIDAY JUNE 16, 2006 E-mail: business@thedailystar.net

## Provide policy support for light engineering industries

Sector entrepreneurs urge govt

**KAWSAR KHAN**

Approximately 40 thousand light engineering units in Bangladesh that employ five lakh people are lagging behind due to improper capital financing and unfavourable tariff policy of the government, the sector insiders said.

Since independence, the light engineering sector sprang up across the country with a very meagre support from policymakers. However, the sector has been producing machineries and spare parts that save an amount as big as Tk 3000 from the national exchequer, according to the entrepreneurs.

"Government never provided us with any mentionable policy and financial support, however, it is stumbling our growth through imposing growth-unfriendly tariff structure, Abdur Razzaq, president of Bangladesh Engineering Shilpa Malik Samity (BESMS) told The Daily Star.

He said they have potentials to emerge as the largest exporting

sector within the next five years if the government patronises the sector as the country has an advantage of availability of cheap labour and LDC status.

Light engineering sector entrepreneurs identified some obstacles to developing the sector that include lack of policy support, semi-skilled manpower and inorganised industries.

The entrepreneurs also considered the present tariff structure as the main impediment to development of the sector as in most cases import duty on finished machineries are lower than the duty on raw materials of the same products, which, they opined, made the locally made machineries less competitive.

"The raw material exporting countries are also the manufacturers of the same products. So without reshuffling duty and tariff structure it is not possible to compete with the local and global market", the BESMS chief said, describing the 15 percent duty on Alloy steel as very high when it is used as a raw material.

He lamented that the government did not pay heed to their demand for withdrawing value added tax from LP gas cylinder, though this cylinder manufacturing had turned into a promising sector. He said import duty on LP gas cylinders is only six percent.

The key person of the light engineering sector also urged the government for revival of the initiative to set up a separate park in the interest of facilitating relocation of such factories.

He said although the government responded in 2004 to their suggestion by promising allotment of plots for setting up an export processing zone exclusively for the light engineering industries, but for reasons unknown the project remained abandoned.

"If the zone is established a better co-ordination will certainly help develop the sector," Razzak hoped.

The investors mentioned that they could make the spare parts of even the world famous vehicle

## Int'l telecoms fair begins

UNB, Dhaka

Bangladesh International Telecom Fair-2006 began here Thursday with leading cellphone providers and handset importers taking part in it.

State Minister for Finance Shah M Abul Hussain inaugurated the five-day fair at Bashundhara Exhibition Centre.

Inspired by last year's tremendous success, the weekly Financial Mirror has organised the fair for the second time.

Speaking on the occasion, the minister said, "Bangladesh is now moving ahead in ICT as it has been linked with the global submarine cable recently. So we aren't lagging behind in any way in this sector."

The present government, he said, has declared ICT as one of the most important sectors alongside the apparel sector.

The main participants of the fair are three cellphone providers of the country, 10 mobile handset importers, two PSTN service providers, two ISP facilitators, five infrastructure developers, four accessories and PABX companies and two foreign companies.

The companies include GrameenPhone, Ring Bangladesh, the representative of Motorola in Bangladesh, Flora Telecom, the representative of SAGEM, I-Mobile, Anik Telecom, CBC Marketing, Intro Tech, Techno Source Group, Spectra Hisspeed, Bigi Tec and Rubotel Pvt Ltd.

There are 60 stalls in the fair, which will remain open for all from 8am to 10pm everyday.

Managing Director of TM International (BD) Ltd Ahmad Bin Ismail, Country Manager of Ring Bangladesh Amr Shauki and the Editor of The Financial Mirror were present at the inaugural function.

## DSE General Index dips to 1300 points mark

SARWAR A CHOWDHURY

As bearish trend continues in the Dhaka Stock Exchange (DSE), the DSE General Index yesterday dipped to below 1300 points mark for the first time since July 2004.

The premier bourse's general index yesterday lost 8.88 points or declined by 0.6 per cent to close at 1294.04 points from Monday's 1302.82 points. The trading on the DSE could not be held for two days -- Tuesday and Wednesday -- due to countrywide general strike.

The general index rose to highest points on January 1, 2005 to reach at 1999.71 points on that day while the index witnessed lowest point on July 4, 2004 to close at 1304.10 points on that day.

Market analysts said the liquid-

ity crisis in the stock market was one of the key reasons for the continuous slide in share prices and indexes.

However, they were also skeptical that the stock market might not be vibrant up to the present government's tenure. The market may rise when the Caretaker Government will take over the charge, they said.

"Investors are saving money to purchase the shares of Desco," said DSE Chief Executive Officer Salauddin Ahmed Khan.

The trading of shares of Desco will make its debut on the bourses on Sunday.

Besides, the analysts said, the banks raised their interest rates on fixed deposit receipts (FDRs) last year, while the government also increased the interest rates on savings schemes by 1.5 percentage points in last December, which encouraged the small investors to invest in such schemes instead of investing in shares.

They also said the institutional investors like banks and financial institutions, which play important role in keeping the market vibrant, are less interested in putting money in the market nowadays. Rather they are withdrawing money from the market by selling shares because of liquidity crisis in the banking sector.

A total of 19,76,693 shares of 179 issues worth Tk 16.68 crore changed hands on the DSE yesterday. Of the issues traded, 19 closed in gains, 120 suffered losses and 25 remained unchanged.

## Over 3000 SMEs benefited by BB refinance scheme

BDNEWS, Dhaka

Over three thousand small and medium enterprises (SMEs) have got the benefit of Bangladesh Bank's (BB) refinance scheme receiving about Tk 2.06 billion from banks and financial institutions until June, official sources said.

"We are receiving good responses from banks and financial institutions now as against the initial period of forming the fund to encourage banks to provide credits to the SMEs," a senior BB official told the news agency. This will encourage growth of SMEs in the country, he added.

BB statistics show that seven banks and nine financial institutions disbursed the amount under the central bank's SME refinancing scheme.

Of the beneficiary enterprises, trading enterprises received the

highest amount of credits followed by the industrial and service sector enterprises while the medium term credit was recorded higher, compared to working capital and long-term loans.

When asked, the BB official said initially they had to proceed in a liberal way to encourage banks providing credits to small entrepreneurs. Hence, credits flows to the trading sector were higher, he said.

"From now on, we will sanction refinance to banks and financial institutions examining their sector-wise credit disbursement portfolios," he said, adding if credits to the trading sector stand higher compared to the industrial one, we will discourage refinancing.

He said entrepreneurs of the agro-processing small industrial units, rice mills and less capital-intensive light engineering received a reasonable amount of credits under the refinancing scheme.

According to the Bangladesh Economic Review 2006, a total of Tk 1.9 billion was disbursed to banks and financial institutions as refinance till March. Of the amount, working capital financing was Tk 396 million, medium-term loan worth Tk 1.12 and the long-term finance stood at Tk 409 million.

The BB had in 2005 formed a Small Enterprise Fund (SEF) worth Tk 1.0 billion to provide refinance facility to the banks and financial institutions against their credits to the small and medium enterprises.

The World Bank later provided Tk 700 million to the Fund and the Asian Development Bank (ADB) sanctioned US\$ 50 million (Tk 2.0 billion) to the fund under the Small and Medium Enterprise Sector Development Programme (SMESDP).



Senior officials of Industrial and Infrastructure Development Finance Company (IIDFC) Ltd, AM Energy Ltd, Shahjalal Islami Bank Ltd, The City Bank Ltd, BRAC Bank Ltd and Mercantile Bank Ltd pose for photographs at a syndicated lease finance facility agreement signing ceremony on Wednesday in Dhaka. Under the deal, the IIDFC will arrange Tk 186 million for AM Energy to set up a 6 MW power generation plant.

## Citibank NA capital raised \$12.3m in Bangladesh

Citibank NA Bangladesh has augmented its capital in Bangladesh by US\$12.3 million. This includes the capitalisation of profits of the previous year as well as an additional infusion of \$5 million from its corporate headquarters in New York.

The increase would allow Citibank to support the growing needs of its major corporate and institutional clients in Bangladesh. It is also in line with the central bank's vision to further capitalise the banking institutions in the country, says a press release.

Sanjay Nayar, area head of Citigroup South Asia, in this regard said, "The increase in Bangladesh capital reflects our growth prospects through increasing investments."

Citibank NA Bangladesh has been catering to corporate, institutional, cash management and treasury clients. With this latest infusion, Citibank has increased its capital in Bangladesh by about \$35 million in nearly past five years. Citigroup has \$118.8 billion capital with an asset in excess of \$1.5 trillion.

## Iranian economists caution over inflation

**AFP, Tehran**

A group of 50 prominent Iranian economists wrote an open letter to President Mahmoud Ahmadinejad Thursday, criticizing his government policies for promoting skyrocketing inflation.

The Central Bank of Iran has put the inflation rate of last Iranian fiscal year (ended March 20) at 12.1 percent, while the unofficial sources estimate the figure is close to double the bank's said rate.

Ahmadinejad's policies are "lacking scientific and expertise basis, with such haste as to cause persistent inflation," leading university academics wrote in a letter printed in Iranian press.

The experts also criticized a governmental order to cut bank interest rates regardless of its consequences.

Ahmadinejad's government "has been adopting an expansive monetary policy against the state macro policies... This, combined with political instability, international threats, and decreasing interest rates can wake up the sleeping inflation beast."

The letter described the effects as being evident in "deteriorating foreign and domestic investment... escape of human and financial sources from the country and the consequent falling rate of economic growth."

Despite pressure from the United States, Iran refuses to give up sensitive uranium enrichment, which it says it is doing as part of a civilian nuclear power programme, but its actions have raised fears that the Islamic republic could be trying covertly to build a nuclear weapon.

During his electoral campaign in June, Ahmadinejad vowed to reduce poverty, stop corruption and share oil wealth more fairly, bringing "oil money to (Iranian) tables", a promise he less than one year later denied having given.

Instead, Ahmadinejad's first annual budget sought more control over the spending of oil revenues that are supposed to be saved in the country's Oil Stabilization Fund (OSF) for rainy days and to support private sector.

The letter said such "expansive policies" led to greater inefficiency for state companies and banks.

The letter also referred to rising oil prices which have brought more oil income, warning that the resulting 34 percent rise in liquidity could lead to higher imports and spell trouble for production.

The experts said government authority in the economy should be downsized in favor of greater investment in production projects and to help private businesses.

"Bottom line, we understand that the economic problems have not been caused overnight, but it should be said that if your government's policies continue, they can only worsen the situation and lessen people's trust in the government after all those promises to improve the people's welfare."



MH Rahman, managing partner and CEO of INTIMATE (Institute of Training Innovative Management and Technology), gives away certificate to a participant in a training course on 'Managing Credit Risk in Banking & Lease Financing' at a function on Saturday in Dhaka.

## IIDFC to arrange Tk 186m for AM Energy

AM Energy Ltd has signed a Tk 186 million syndicated lease finance facility agreement with four banks under lead arrangement of Industrial and Infrastructure Development Finance Company (IIDFC) Ltd.

The signing ceremony was held on Wednesday in Dhaka, says a press release.

The syndicated lease finance facility has been sanctioned for establishment of 6 MW power generation plant of AM Energy.

Mahmood Malik, managing director of the IIDFC, ASM Mohiuddin Monem, MD of AM Energy, Md Jilur Rahman, deputy managing director of Shahjalal Islami Bank Ltd, Sa'ad Zaglul Abbas, executive vice president (EVP) of The City Bank Ltd, Kaiser Tamiz Amin, EVP of BRAC Bank Ltd, and Md Abdul Jalil Chowdhury, EVP of Mercantile Bank Ltd, signed the deal on behalf of their organisations.

Other senior officials from the banks and the organisations were also present at the signing ceremony.

## New ADB policy targets corruption

**AFP, Manila**

Fighting corruption will be a key priority for the Asian Development Bank (ADB) under a revised medium-term plan to reduce poverty in the world's most populous region, the Philippines-based lender said Thursday.

"As the poor are often the worst victims of weak governance, the strategy has identified strengthening governance and preventing corruption as priorities," a bank statement said.

"ADB is working closely with other multilateral development banks to develop a common framework for preventing corruption," it said without giving other details.

Over the next three years, the bank would work to improve the region's investment climate as a prerequisite for sustaining high growth.

Towards this end, ADB operations would be more selective and focused, it said, with core operational sectors to include road transport, energy, urban infrastructure, rural infrastructure, education, and financial services.

"The new medium-term strategy sets out our vision of being an institution that is more effective and responsive to the needs of a region that is rapidly changing," ADB president Haruhiko Kuroda said in a statement.

## Germany to help improve SMEs' competitiveness

Germany will provide assistance to the BGMEA in strengthening its research cell, improving the regulatory framework conditions for SMEs (small and medium enterprises) in the RMG (readymade garment) woven sector and enhancing productivity through promotion of skills training and development.

An agreement to this effect was signed yesterday in Dhaka between Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and German Technical Cooperation (GTZ), says a press release.

This cooperation package is under the commerce ministry's overall programme titled 'Promotion of the Private Sector SMEs in the post-MFA Era'.

The programme is supported by the German Federal Ministry for Economic Cooperation and Development (BMZ).

The objectives of the programme also include developing service markets that are important for the creation and growth of enterprises and contributing to the improvement of competitiveness of the SMEs in Bangladesh.

## Kinetic to drive products into Bangladesh

**PALLAB BHATTACHARYA, New Delhi**

Leading Indian motorcycle manufacturer the Kinetic Group is set to drive its products into Bangladesh market under the local Walton brand.

The Indian firm has joined hands with Bangladeshi firm Walton to launch its motorcycles in local market and this is the first time that Kinetic is not going to use its brand name on its motorcycles in the market.

"We felt the local brand was stronger than our own brand in Bangladesh and decided to go ahead with the Walton brand," said Joint Managing Director of Kinetic Engineering Sulajja Motwani.

"We will measure the response to the bikes and then step up our plans for the market," she said, adding that the company has begun seeding volumes in Bangladesh market with 400 to 500 units.

## Oil rises back towards \$70

**AP, London**

World oil prices extended gains Thursday on ongoing supply concern and prospects of higher Chinese demand for energy, analysts said.

"Between geopolitics, hurricanes and normal upstream and downstream disruptions, there are numerous possible triggers on the horizon to push prices higher, said Mike Wiener, an analyst at Calyon.

New yrk's main contract, light sweet crude for delivery in July, climbed 3 cents to 69.80 dollars per barrel, electronic deals before the official opening of the US market.

**Monno Group of Industries**

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**02. HEAD OF EXPORT:** Master/Graduate having minimum 15 years (10 years in senior positions) practical experience in large export oriented industry(s), preferably in Ceramic Industries. Should be capable to deal with all export related matters such as preparing and maintaining documents, shipment schedules, making correspondence with the foreign buyers/agents, follow up production etc. Good communication skill in English and computer literacy essential.

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Interested candidates may also contact over mobile # 01199 859716 for direct interview to be held at 3-30 p.m. of Saturday, Monday & Wednesday.

**N.B. None needs to apply or appear for interview without required experience.**