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Poor performance at Halda well downs Cairn stock price

Naeem Mohaiemen writes from New York

After years of being stereotyped as a "basket-case", Bangladesh has begun to register on international radar screens. In the last one year, the frenzy of activity by oil companies in Dhaka has piqued the interest of companies and traders alike. In an ironic twist, some oil companies' fortunes are now directly dependent on their performance in Bangladesh. Today, exposure to projects in Bangladesh came back to haunt one of these oil companies, Edinburgh-based Cairn Energy PLC.

Cairn's troubles began with the recent announcement that the onshore Halda-1 exploration well in Bangladesh had flowed mostly water, with very small amounts of gas, during testing. Following this came the announcement Monday that first half profit (after tax) had fallen to 1.55 Million Sterling from 3.13 Million in 1997. In London, Cairn Energy PLC chief executive Bill Gammell announced the results at a press conference, and admitted that the company was "vulnerable" to a bid at current share price levels — which were below the lowest core asset valuation

estimates from sector analysts. Since the earnings results were announced Monday, following the Halda-1 well news, shares in Cairn fell nearly 19 per cent (down 30 pence to 131-1/2 pence). This was significantly below analysts' estimates of Cairn's core asset value (ranging from 185 to 250 pence per share). Shares in Cairn Energy PLC were sharply lower in early trade, topping the list of FTSE Mid 250 index fallers.

The market was quick to downgrade Cairn based on recent poor performance in Halda. Analysts have suggested that the Halda-1 well failure, along with the inconclusive licensing award round in Bangladesh, had left Cairn's strategy "in tatters". One leading analyst, who declined to be named, said the "clean" first half results were "really not that bad", but the real blow was the news that tests have revealed no gas at Halda-1. "This will be seriously bad for sentiment. Halda was the first big well to be drilled after Sangu and it is key to Cairn's strategy going forward," he said. Drilling at Halda was also expected to provide further in-

formation on the whole prospect — and these Halda results do not augur well for that." [AFP-Extel News]

Another leading broker, who had been a buyer of the stock, said: "Halda is a massive disappointment. There are costs over-runs yet again and there is just nothing of interest in drilling elsewhere." Panmure Gordon, which only recently moved the stock to an outright buy, is understood to be looking to move back its recommendation on Cairn to a "hold".

Following the unexpected announcement of a partial award in the Bangladesh 2nd licensing round, Cairn said it along with its partner Shell were seeking means of extending their in-country alliance in Bangladesh and conducting extensive gas utilisation and marketing studies in the entire Indian sub-continent. As a result of the partial award, Cairn will be participating in an exploration well on Shells acreage in Rajasthan.

Analysts raised doubt about the future of Cairn's joint venture link with Shell. Shell had taken a 25 per cent interest in

Russian crisis, Wall Street fall weigh heavy Tokyo stocks hit 12-year low

TOKYO, Aug 28: The Tokyo Stock Exchange's main index finished at its lowest level in a dozen years Friday, undermined by Russia's deepening political and economic crisis and steep falls overnight on Wall Street. The US dollar dropped against the yen, reports AP.

The 225-issue Nikkei Stock Average closed below the 14,000 points, losing 498.16 points, or 3.46 per cent, to finish the week at 13,915.63.

It was the Nikkei's lowest finish since March 6, 1986, when it closed at 13,901.56. Friday's fall followed a 452.24-point, or 3.04 per cent, drop Thursday.

On the Tokyo foreign exchange market, the dollar bought 141.64 yen in mid-afternoon trading, down 2.02 yen from late Thursday in Tokyo and below its late New York rate of 142.18 yen overnight.

The Nikkei index trimmed some of its early losses by mid-day on bargain-hunting by institutional investors toward the end of the morning session, but selling intensified again toward the closing bell.

Japanese share prices plunged almost across the board, as foreign and domestic institutional investors as well as individual Japanese investors sold shares.

"After dropping this much, the market should have factored in all the foreseeable bad news," said Masaru Arai, general manager at Ryoko Securities Co. "The government must inject public funds (into the market) before Japanese stocks become non-performing assets, like real estate," Arai added.

Global stock markets went into free fall as news reports spread that Russian President Boris Yeltsin may soon resign because of his nation's financial crisis. The Kremlin denied the reports.

Russia's central bank froze dollar trading for a second day to preserve its dwindling foreign reserves. The bank also called off dollar trading for Friday.

Uncertainty buffeted other stock markets, with the Dow Jones industrial average in New York falling 357.36 to 8,165.99, a roughly 4 per cent decline, on Thursday.

Another factor weighing on the market was poor earnings prospects for Japanese companies amid the nation's worst recession in decades.

Prime Minister Keizo Obuchi and opposition parties remain at loggerheads over critical bank reform bills promised for early September.

While Obuchi wants to commit public funds to bailing out large banks such as the Long-Term Credit Bank of Japan Ltd, opposition lawmakers are demanding more extensive reform.

"There is no more time for debate on bank reform," said Kunihiko Hatae, a general manager at Tokyo Securities Co. "Speed is of utmost importance."

LTCB, the most actively traded issue, was up 3 yen at 54 yen with 15.01 million shares changing hands.

The broader Tokyo Stock Price Index of all issues listed on the first section was down 29.98 points, or 2.68 per cent, at 1,086.99. The TOPIX closed down 30.24 points, or 2.64 per cent, the day before.

Meanwhile, the Japanese yen strengthened against the US currency Friday as overseas investors continued to take profits on the dollar to make up for large losses resulting from investment in markets in Russia and on Wall Street, traders said.

The yield on the benchmark No 182 10-year Japanese government bond fell to a historical low of 1.060 per cent from Thursday's finish of 1.115 per cent, driving its price up to 112.72 yen from 112.32 yen.

Business Briefs

Japan's joblessness at 'gloomy level'

TOKYO: Japan's unemployment rate improved in July from the previous month, but joblessness remained at an "extremely severe" level, the government announced Friday.

Unemployment in July fell from 4.1 per cent from the previous months record high of 4.3 per cent, according to a report issued by the statistics bureau of the Management and Coordination Agency.

The report was otherwise gloomy, however.

It said the overall number of people employed in Japan declined from a year ago for the sixth straight month. The number of employed fell by 720,000 to 65.77 million people during July.

By age group, men between the age of 15 and 24 remained the hardest hit, with an unemployment rate of 7.9 per cent, up 1.6 percentage points.

"The situation remains extremely severe," the agency said.

In a separate report, the Labour Ministry said Friday the ratio of job offers to job seekers, an indicator of demand for labour, fell to 0.50 from 0.51 in June, the lowest level since the ministry began compiling the data in January 1963.

Ford to recall over half-million cars

DETROIT, Aug 28: Ford Motor Co said Thursday that it will recall more than a half-million cars and pickup trucks to replace defective suspension parts that could pose safety problems.

About 310,000 1993 Ford Taurus and Mercury Sable sedans and station wagons are being recalled to replace their front coil springs. Ford says the springs could break from cracks and corrosion, which could damage the tires.

The cars being recalled are in 21 mostly Northern states and Canada where corrosion is more of a problem. About 25,000 of the recalled cars are in Canada.

Ford also said since 1997 and '98 F-150 four-wheel-drive pickups were being recalled because of a problem with the rear leaf springs. If the truck is overloaded, the springs may break and strike the fuel tank. About 247,000 pickups are being recalled, of which about 44,000 are in Canada.

The F-150 is the top-selling vehicle in the United States.

Ford said it has not received any reports of accidents, injuries or fires related to the problems.

DPRK defence industry sagging

SEOUL: North Korea's once-robust defence industry is sagging, depriving the cash-strapped country of a vital source of foreign currency, South Korean officials said Friday.

North Korea is believed to have earned \$2.5 billion by selling missiles and other weapons mostly to Middle East countries in 1980-89. Unification Ministry officials said.

But the North is believed to have earned only \$300 million in arms sales between 1990 and 1995, the officials said.

"Signs are clear that North Korea's defence industry is declining," said one ministry official, speaking on condition of anonymity.

The centerpiece of North Korea's defence industry is its missile development programme. But it faces difficulty because of a lack of technology and funds, the ministry officials said.

The officials believe that North Korea's missile sales to Iran, Syria and other Middle East countries have dropped sharply because of the weapons' low quality and difficulty in transporting them.

Tokyo to introduce overflight fees

TOKYO: Japan plans to charge overflight fees from foreign airlines flying through Japanese airspace beginning in January 2000, a Transport Ministry official said Friday.

The aim is to bring Japan in line with similar measures taken by other nations, including European states and Canada, said Toshihiro Yamakoshi of the ministry's Air Traffic Services System Division.

Yamakoshi said the United States introduced a similar fee system in May of last year, but it has been temporarily suspended pending an ongoing revision of the way costs are calculated.

Yamakoshi said Japan's overflight fee will be charged only for air traffic control services provided to foreign aircraft that fly through airspace under its control, but that do not land or take off here.

At present, domestic and foreign carriers pay for air traffic control services only when their planes land and take off in Japan, Yamakoshi said.

Details of the overflight fees, including what price per plane should be appropriate, will be calculated later, Yamakoshi said.

— AP reports

Biman engineers salvage Qatar Airways plane

Star Business Report

Biman Bangladesh Airlines' engineering division personnel have salvaged the bird-hit Qatar Airways A300-600R flight QR345, which met with an accident during a take-off at Zia International Airport on August 20, says a Biman press release.

The incident occurred at about 7:30 in the morning when the Doha-bound aircraft with 216 passengers and 10 crew on board, bearing registration A7-ABO, was bird-hit as it was about to take-off. The sudden appearance of the birds made the pilot stop the plane at the middle of the runway.

Both the plane's under-carriages caught fire as a result of the abrupt halt.

Immediately after the accident, Biman engineers headed by Director, Engineering, rushed to the spot and voluntarily started the rescue operation of the ill-fated aircraft.

They made a preliminary evaluation of the damage and found the mainwheels and tyres of both landing gears crumbled, brakes completely damaged, landing gear fixed, doors damaged, booby beam, hydraulic line, trim cylinders and flap fairing all damaged due to over temperature. The aircraft was immovable due to the about damage.

A team of 6 engineers and 20 technicians were deployed. The aircraft was defuelled as a precautionary measure and emergency slides were removed. All the damaged wheels and brakes were removed and replaced by new ones from Biman's stock. Finally, the aircraft was towed to the hanger at about 07:30 pm.

Pioneer Insurance earns Tk 4.38m pre-tax profit

Star Business Report

Pioneer Insurance Company Limited has earned a net profit of Taka 4.38 million before tax in 1997.

This was revealed at the 2nd Annual General Meeting of the company held in the city recently with its Chairman, Syed Manzur Elahi, presiding, says a press release.

The company earned a gross premium amounting to Tk 85.47 million.

During the period under review, the company opened 9 branches raising the total number to 10.

In his report, the Chairman said the company is determined to make it an ideal institution for playing a pioneering role in the field of general insurance.

Aptech crosses hundred-student mark in Ctg

Star Business Report

Aptech Computer Education Centre in Chittagong crossed the hundred-student mark recently.

The Centre was launched on January 21 this year by Aptech's business partner The Computers Limited.

"Our aim is to produce a thousand computer professionals in Chittagong by the year 2000, said Aptech in a press statement.

Aptech Chittagong centre offers three-year course which can also be undertaken in modular form.

Aptech's education support services are ISO 9001 certified, it added.

Russia's financial crisis affects neighbours

KIEV, Ukraine, Aug 28: Three burly men in bright sportswear paused in front of a currency exchange office in central Kiev, stared glumly at the climbing rate for buying dollars and walked away, reports AP.

The constantly-changing billboards quoting rates outside exchange offices is perhaps the most visible sign of the shock waves Russia's financial crisis is sending across the former Soviet Union.

The impact is felt most strongly in Ukraine and Belarus, whose economies and trade are closely linked with their much bigger neighbour.

"If not today, then tomorrow this crisis situation will affect Ukraine," Ukrainian President Leonid Kuchma said Thursday.

But it already has.

Ukraine's hryvna currency has fallen steadily against the US dollar, and some food prices have gone up at outdoor markets.

There are concerns that the flight of foreign investors, who now hold 18 per cent of state Treasury bills, will increase. The cash-strapped government is offering domestic investors a bond debt restructuring plan and is said to be considering a

Subsidy withdrawal protested Export of jamdani sari comes to a halt

Star Business Report

Bangladesh Jamdani Manufacturers and Exporters Association has decided to stop production and export of jamdani sari, protesting the withdrawal of subsidy by the government.

The decision was taken at a meeting of the association on Tuesday last at a city hotel, said a press release of the association.

The association formed four separate committees to evaluate export market situation and bring the jamdani industry under rules and regulations, the press release said.

Rezaul Haq Chowdhury, President of the association, presided over the meeting while Vice-President Monir Hossain, General Secretary Zahurul Haq and Joint Secretary Maziful Haq were also present.

The association also urged the government to withdraw the order of stopping subsidy to jamdani export.



Aptech Chittagong Centre Chief Kondakar Atique-E-Rabbani, Zonal Manager Alok Baraiya, Tarun Mitra, Mallik Rafat Ahmed and Nurul Alam Zillu speak at a press conference held at Chittagong Press Club recently. — Aptech photo



Three-fourths of the inter-district bus terminal premises at Mohakhali have gone under knee-deep water, forcing the operators to move some 400-500 buses out of their usual location. — Star photo by Anisur Rahman

\$2b Soros money gets lost in Russian mire

NEW YORK, Aug 28: Billionaire investor George Soros' Quantum Fund has lost about two billion dollars through investments in Russia, Soros' chief investment strategist said, reports AP.

Stanley Druckenmiller, who manages the 10.6 billion dollar Quantum Fund for Soros, said in an interview on CNBC Wednesday that losses from the hedge fund so far this year was about two billion dollars.

There was a view in our shop that Russia had turned the corner and had gone the capitalist route," Druckenmiller said. "We thought they had gone to open society and would come out of this, and frankly, they've been caught in the financial meltdown that has affected the rest of the world."

The Quantum Fund is part of a group of investment funds with assets 21.5 billion dollars overseen by Soros Fund Management.

A majority of the Quantum Fund's Russia investments is in equities, Soros Fund spokesman Shawn Pattison said. So far Russian stocks have lost more than 80 per cent of their value since January.

Even with the losses in Russia, the Quantum Fund is up 19.1 per cent overall for the past year, said Pattison.

News of Soros' fund losses comes less than two weeks after a letter from Soros was published in the Financial Times, an international newspaper based in London.

In that letter, Soros called for the government to devalue the ruble by 15 to 25 per cent and to introduce a currency board to regulate its value.

"The meltdown in Russian financial markets has reached the terminal phase," he wrote.

Four days later, Russia announced plans to devalue the ruble by up to 34 per cent, though it has not introduced a currency board.

Central bank governor, deputy resign Malaysia to downgrade its economic estimates for '98

KUALA LUMPUR, Aug 28: Malaysia will lower its economic estimates for 1998 after the once booming economy shrank by 6.8 per cent in the second quarter, Malaysia's finance minister said Friday, reports AP.

"We have to review the performance for the year," said Finance Minister Anwar Ibrahim, who's also deputy prime minister. He added that the revised numbers, likely to be released with October's annual budget, would be "slightly lower."

Currently, the government expects the economy to shrink by up to two per cent for the year. Most economists, however, believe a five per cent contraction is more realistic.

They note that this estimate also dovetails with the central bank's grim announcement Thursday that the country has fallen into full-blown recession after its second quarter gross domestic product contracted by 6.8 per cent.

Central bank officials and the country's top leaders, meanwhile, have all said the worst is over for the Southeast Asian nation's faltering economy.

Prime Minister Mahathir Mohamad said Friday that the extent of the country's dramatic economic slide will lessen in the second half of the year, backing up what his top economists adviser, Daim Zainuddin, said a day earlier.

Mahathir placed much of the blame on external factors, particularly the recession in Japan, a main importer of Malaysian products.

"This consequently affected our manufacturing industries," the premier said. The manufacturing sector shrank by 9.2 per cent in the second quarter of 1998, compared to a robust 13.5 per cent growth last year.

Central bank officials and Anwar have also chimed their agreement with Mahathir's prognosis.

Meanwhile, Malaysia's central bank governor and his deputy tendered their resignations on Friday, a day after the government announced the economy had fallen into full-blown recession.

Bank Negara governor Ahmad Mohamed Don, and deputy governor Fong Weng Phak, submitted their resignations to Finance Minister Anwar Ibrahim, Dow Jones Newswires reported.

Bank Negara officials could not be reached immediately, but an announcement was expected later Friday.

Market observers have speculated that the resignations may be a direct result of the sharp contraction in the Malaysian economy, which Prime Minister Mahathir Mohamad has blamed repeatedly on the central bank's tight monetary policy.

The central bank announced Thursday that the country's second quarter gross domestic product shrank by 6.8 per cent compared with the same period last year, pitching the economy into recession for the first time in 13 years.

It remains unclear whether Ahmad and Fong resigned on their own volition to take responsibility for the dismal economic results or whether political pressure played a part.

Mahathir has long blamed high interest rates — a policy Bank Negara adopted to stabilise the ringgit and keep a lid on inflation — as largely responsible for strangling business activity and curbing economic activity.

Economists say that the potential ramifications of two top central bankers quitting Bank Negara is far-reaching and could increase the chances the country will adopt a loose monetary policy as advocated by Mahathir.

"This is very worrisome when the top technocrats are leaving their seats," said Jimmy Koh, an economist with Independent Economic Analysis Ltd in Singapore. "It shows that Mahathir is firmly in the driving seat."

Earlier this year, Mahathir allowed his deputy, Finance Minister Anwar Ibrahim, along with Bank Negara officials, to engineer Malaysia's efforts to recover from prolonged Asian financial crisis.

But the 72-year old prime minister has taken a more hands-on approach in influencing economic policy in recent months.

Seminar on 3M Telecom goods held

A day-long seminar-cum-demonstration on "3M Telecom Products" jointly sponsored by 3M, Singapore and Bidisha International Limited, Dhaka, was held at a city hotel recently, says a press release.

Various aspects of 3M Telecom copper and fibre optics products and their utility were highlighted at the seminar.

The morning session on copper products was presided over by A M Nowsher Ali, Member (M&O), BTBB, while the afternoon session on fibre optics products was presided over by Habibur Rahman, Member (P&O), BTBB.

The seminar was attended by the General Managers, Directors, Divisional Engineers of BTBB and the representatives of private companies dealing with telecom business in Bangladesh.

M A Mannan Choudhury, Chairman of BTBB, attended the concluding session.