The Daily Star BUSINESS

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SEC chief sees market turnaround by Jan

Arrival of good new issues likely

The Securities and Exchange Commission (SEC) Chairman, Manir Uddin Ahmad said that he expects the securities market in Bangladesh to improve around December or January on arrival of a substantial number of good new issues, reports BSS.

Though the SEC chief is far from satisfied with their present performance, he said in an interview with BSS, that the Bangladesh securities markets had improved over the past two months.

Shaky market confidence due to past experiences, he said, was responsible for the way the market was performing.

Lack of good issues, inadequacy of institutional investors together with predominance of day traders, taking advantage of netting in daily transactions, he said, were also contributing to the poor market performance.

Companies with good fundamentals and performance were being encouraged to get themselves enlisted with the stock exchanges, he said. For this purpose, he said, "I already had discussions with the leaders of different chambers – notably those of the Dhaka and the Metropolitan chambers."

Off-loading of even-minor stakes with the energy and natural resources sectors, which is under consideration of the government, would greatly boost the market confidence, enhancing the number of good issues, he said.

Off-loading of shares in the gas fields, gas distribution companies, oil marketing companies or some other ventures now owned wholly by the government, would qualitatively change the market outlook, he observed in this regard.

Not more than 20 to 25 per cent of the listed companies, the SEC chairman said, give dividends on a regular basis.

"It is unfortunates", he said, "that our market is not growing to its full potential depending on the innumerable small investors of our middle class-based society."

Companies and groups in different sectors like pharmaceuticals, leather, cement, textiles with good fundamentals are being encouraged to float primary shares, he said.

Given more good issues, he said, people would naturally avoid going for the bad or not-so-good ones.

The rigid SEC regulations for merchant banks had already been made flexible so that the commercial banks could also operate by opening a separate window alone, without having to go for launching a separate company which banks consider cumbersome, he said.

Out of the 25 or 26 merchant banks, not more than four or five, he said, were operating at a reasonable level. The SEC has been trying to improve auditing, accounting and overall company affairs, he said.

The SEC Chairman said that the Commission was tightening measures gradually to ensure discipline for all the players in the market by making sponsors, brokers as well as dealers accountable. "We are thinking of steps to protect interests of common shareholders against sponsor managed annual general meeting to deprive them through various mechanism," he said.

The Initial Public Offering (IPO) rules would be amended as required SEC, he said, to get rid of existing loopholes and lacunae.

"We are also thinking of steps against sponsors if it seems that the annual general meetings were being managed using parties to hoodwink the shareholders," he said. Gifts, lunches, or the like would not be allowed, nor discussions outside the agenda would be permitted for the same objective, he said.

The SEC is working, he said, on updating its rules and regulations to make them comprehensive, doing away with inadequacies of old regulations with the determination to enforce them without any let up.

The SEC Chairman listed a number of problems ailing the market including that of a number of listed companies holding four years' annual general meetings on a single day, instead of each year, taking advantage of condonation. "The SEC will take it up with the court in right earnest to protect the interest of common shareholders."

Categorisation of listed companies on their performance particularly, whether or not they give dividends on a regular basis, allocating separate counters in the bourses for their transaction, he said, helped improve the market to an extent.

WEAB calls for more women representation in trade bodies

Star Business Report

Speakers at a meeting in the city on Thursday stressed more women representation in the trade bodies including the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) with a view to allowing them to play their due role in the country's economic development.

Organised by Women Entrepreneurs Association of Bangladesh (WEAB), the meeting also urged the businesspeople to elect three women candidates in the upcoming FBCCI polls scheduled for October 12.

For the first time in country's trade body elections, three women – Farhana Naaz Chowdhury, Sellina Ahmed and Professor Masuda M Chowdhury – are contesting for the executive member posts.

Chaired by WEAB chief Nasreen Awal Mintoo, the meeting was also addressed, among others, by women lawmakers Shaheen Monowar Haque and Shegufta Yasmin, FBCCI Vice-president aspirant Mohammad Ali, MA Rouf Chowdhury of the Vegetable Oil Association, Anowar Hossain of Jewelry Manufacturers and Exporters Association, Khoka Shikdar of Paints Dyes Merchants Association and Mohabbat Hossain of Television Manufacturers and Dealers Association.

Foundation course for IFIC Bank officers begins

The foundation course for the 7th batch Probationary Officers of IFIC Bank Limited was inaugurated on Thursday by Dr Mohammed Farashuddin, Governor of Bangladesh Bank, says a press release.

The inaugural session was chaired by Manzurul Islam, Chairman of the Board of Directors of the Bank, while Ataul Haq, Managing Director, delivered the welcome address.

In his inaugural address, Dr Mohammed Farashuddin emphasised the need for investment in training and education for enhancing manpower efficiency of the banking sector. Dwelling upon honesty and transparency, he said technology is the need of the hour for working in the competitive environment.

Chairman Manzurul Islam thanked the BB Governor for showing confidence in the private sector, especially IFIC Bank. He praised the central bank for its vigilance and emphasis on honesty and integrity.

In his welcome address, Ataul Haq, Managing Director, emphasised the need for enterprise, creativity and skill. Giving brief account of the bank's progress, he mentioned that IFIC Bank maintains capital adequacy ratio and adequate provision as per Bangladesh Bank requirement.

Indian hotels to invest $500m in US, Europe

NEW DELHI, Oct 6: Indian Hotels Co Ltd said yesterday it was looking to invest roughly 500 million dollars to buying luxury hotels in the United States, Europe and Middle East as part of an expansion drive, says AFP.

Indian Hotels Managing Director RK Krishna Kumar told reporters at a conference here that his firm, together with a foreign partner, would acquire a property in New York for 140 million dollars.

Kumar did not reveal the foreign partner's identity, but said the acquisition deal was expected to be signed by the end of October.

"We have identified two to three properties in the US including Manhattan where we would like to move in. We have shortlisted two to three targets and we have also got a strategic partner to make the investment," Kumar said.

Indian Hotels plans to set up a separate company called Taj US in the United States to make the investments. Indian Hotels would hold a majority stake in the company with the rest held by the strategic partner.

"To be a big player in the hotel business we have to be present in major markets which includes the United States and European countries like Germany, France and Britain," he added.

Kumar said Indian Hotels had set aside 500 million dollars for acquiring properties in the Middle East, Europe and the United States.

He also said the firm planned to bid for some state-run Indian Tourism Development Corporation hotels which had been put on the block by the Indian government.

"We are planning a vigorous expansion in the hospitality business.

Indian Hotels is part of India's respected Tata group, which owns and operates the Taj chain of hotels. It is the country's largest luxury hotel chain with 57 properties in India and abroad.

Pakistan vows to forcefully stop steep fall in rupee

Battered currency trades at 59.88 to a dollar

KARACHI, Oct 6: Pakistan vowed today to forcefully stop the steep fall in its battered currency which has overshot a depreciation target agreed with the International Monetary Fund, reports Reuter.

Central Bank governor Ishrat Hussain also said in an interview he could not rule out the possibility of clamping another trading band on the interbank market if the rupee kept on falling against the dollar.

But Hussain said he believed that recent monetary tightening measures taken by the State Bank of Pakistan and the expected release of an IMF tranche within a few weeks, from a one-year standby loan facility, would bring stability to the market.

He said the rupee had depreciated beyond a target set with the IMF of 58 rupees to the dollar, after Pakistan agreed to remove a trading band in July to meet a key condition of the fund.

"The reason why the band was removed was because this was one of the prior conditions for the IMF to successfully conclude the negotiations for a standby agreement with the government of Pakistan," he said.

"Once you float the rupee then there are very few controls, therefore the rupee plunged beyond what was expected by the IMF," Hussain.

The rupee was trading at 59.88 to a dollar in late afternoon trade on Friday, and has lost 13 per cent of its value since July when an informal trading band was lifted on the interbank market.

Hussain said psychological factors such as excessive import demand and delayed export proceeds played a major role in weakening the currency.

He felt confident that a jump in key short-term interest rates, an increase in cash reserve requirements to squeeze liquidity and decisions by several banks to impose cash margins on imports would help the currency.

But he added that if the measures did not work the central bank could possibly have to impose a band again to stem the rupee slide.

"We cannot rule out the possibility of another band... We will talk to the IMF if that is needed," he said.

Hussain said a tighter monetary policy was being pursued to divert interest to rupee instruments which had started waning after yields on government paper plunged to record lows at the start of the year.

Similarly, the increase in key dollar interest rates had fuelled dollar purchases in Pakistan.

"If we don't take into account what is happening in the rest of the world, I don't think we can manage the economy in a rational and prudent manner," he said.

But Hussain made it clear that the short-term measures to calm the foreign exchange market did not mean the monetary tightening would continue.

"The volatility and the fluctuations of the exchange rate market have led us to use our monetary tools... we hope that when we revert to more normalcy, the direction of the monetary policy will assume its normal course," he said.

Hussain said he sees a better economic picture for Pakistan ahead because exports are rising and because the country has been able to cut its current account deficit.

Pakistan cut its current account deficit to 1.6 per cent for the fiscal year that ended in June, down from 2.8 per cent of gross domestic product the previous year.

The central bank has been funding the account by buying dollars from kerb currency markets where the rupee was trading at 62 to a dollar.

Dr Md Frashuddin, Governor, Bangladesh Bank, inaugurates the training course of the 7th batch of Probationary Officers of IFIC Bank Ltd at the bank's training academy Thursday. Manzurul Islam, Chairman, Elthem B Kabir, Vice Chairman, Directors AM Agha Yusuf, Syed Mohsen Ali, and Shafiul Islam and Ataul Haq, Managing Director of the bank, are also seen.
– IFIC photo

Euro slumps after ECB refinancing rate hike

NEW YORK, Oct 6 : The euro slumped to below 87 US cents yesterday after the market had digested a surprise rate hike by the European Central Bank (ECB) and concluded that it cut into euro-zone growth, says AFP.

At 2045 GMT, the euro fetched 0.8688 dollars compared with 0.8746 dollars late Wednesday in New York.

It marked the first time the common European currency had fallen below 37 cents since the concerted G7 central bank intervention September 22.

The ECB increased its regular refinancing ("refi"), rate by 25 basis points to 4.75 per cent from 4.50 per cent, and its deposit and marginal rates by 25 basis points to 3.75 per cent and 5.75 per cent, respectively.

The move in theory makes investments in euro-zone countries more attractive, but could also cut into economic growth, analysts said.

"We saw an initial bound after the decision, but then it came back after the market had digested the news and began to focus on the impact of such a hike on European growth prospects," said Standard Chartered Treasury economist Mike Moran.

The decision surprised the majority of economists, who had predicted that the ECB would maintain rates on hold. But they noted that euro-zone inflation had exceeded the ECB's target rate limit of two percent since July.

Moran said that the ECB had to balance its goal of price stability with the need to maintain euro-zone growth.

"With another hike, growth prospects are likely to be more negative," he said.

RBS Financial Markets chief European economist Catherine Lee said : "The strategic case for higher interest rates has been clear for a long time ... it shouldn't really be that surprising."

Lee said that a strengthening of the single European currency would help to keep a lid on inflation. "The source of inflationary pressures in the euro zone has always been the (weak) currency," she said.

Some traders said the hike was possibly part of a deal made in exchange for the Federal Reserve's participation in the recent intervention.

"This was the bargaining chip for the US commitment to intervention," said David Brown of Bear Stearns, who had previously detected signs of a deal on intervention and interest rates at the time of the Prague G7 summit.

Unless the ECB intervenes to support the euro, as many expect, analysts predicted that the euro would fall further as investors shift into US assets.

Japanese forex reserves hit record high

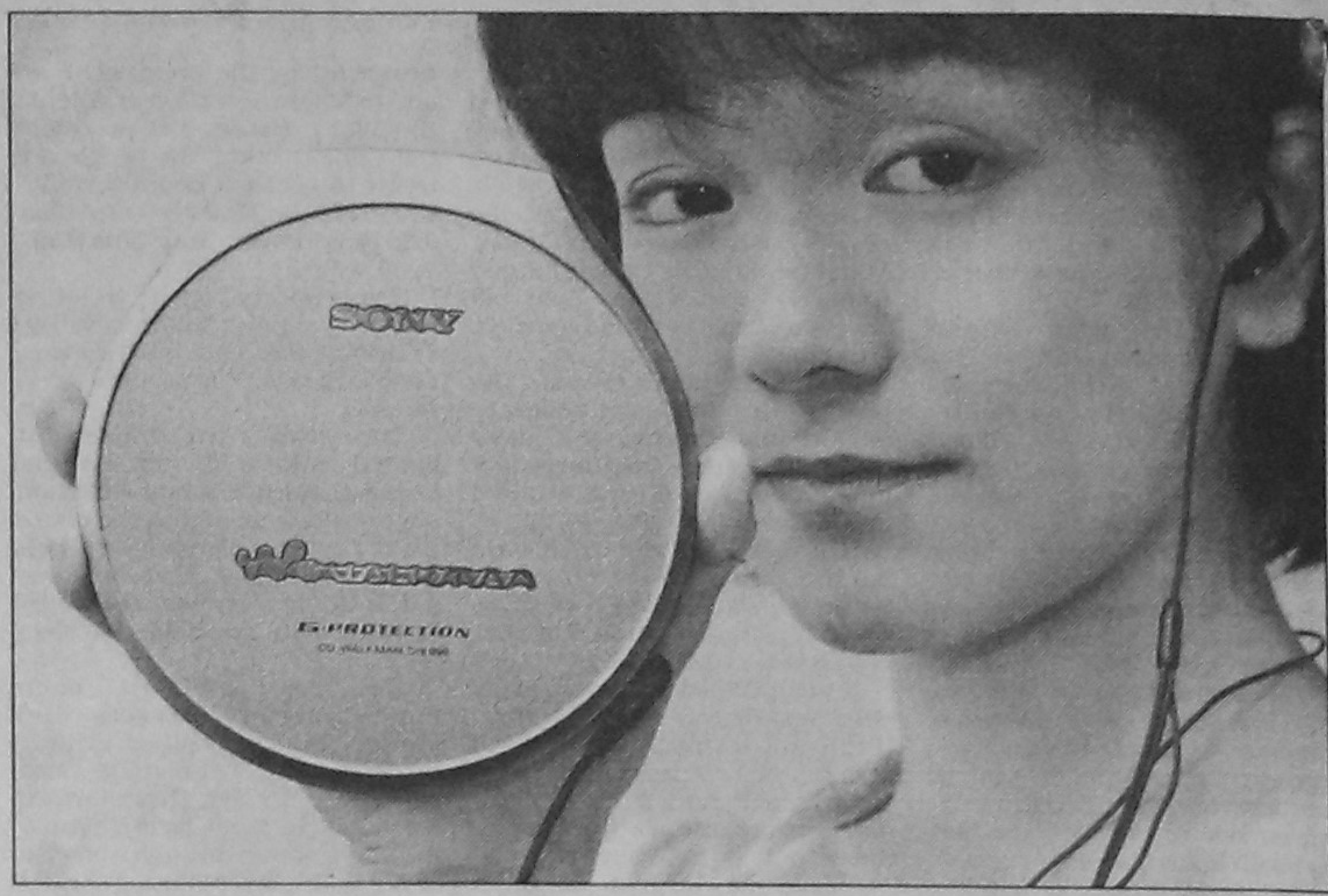
TOKYO, Oct 6 : Japan's foreign exchange reserves edged up to a record 348.95 billion dollars at the end of September, up 4.09 billion dollars from a month earlier, Japan's Finance Ministry said today, says DPA.

The increase partly stems from the euro-buying joint intervention by the central banks of Europe, the United States, Japan and Canada on September 22.

The reserves – securities and deposits denominated in foreign currencies, International Monetary Fund (IMF) reserve positions, IMF special drawing rights and gold – eclipsed the previous record of 344.89 billion dollars set in July.

At the end of September, Japan possessed 267.06 billion dollars in foreign securities and 67.91 billion dollars in foreign currency deposits.

Of the deposits, 6.51 billion dollars was in foreign central banks and the Bank for International Settlements, 40.27 billion dollars in Japanese banks and 21.13 billion dollars in foreign banks.



Japanese electronics giant Sony employee Fumie Kagaya displays the world's smallest and lightest portable CD player "CD Walkman D-E999" at the company's head office in Tokyo yesterday. The D-E999, weighing only 155 grams, is equipped with the new shock-proof mechanism G-protection II on the magnesium body. Sony will put it on the domestic market on October 10 with an estimated price of 20,000 yen (180 USD).
–AFP photo

India gets $250m ADB loan for power sector

MANILA, Oct 6 : The Asian Development Bank (ADB) today approved a 250-million-dollar loan to partially finance the establishment of a national grid for interstate power transmission in India, which will further reform the power sector, reports DPA.

The Manila-based ADB said it also extended India a partial credit guarantee for raising another 120 million dollars from commercial banks. The total cost of the project is 491.5 million dollars.

"The national grid will improve efficiency through the sharing of reserve margins, trading of surplus generation and long-term power transfer between regions with low-cost hydropower or coal resources," the bank said in a statement.

The ADB said the project will also enhance the autonomy of Power Grid Corporation of India (Powergrid), a government agency responsible for the construction and operation of the main transmission network.

"At present, the transmission links between India's five regional electricity grids are very limited," the bank noted.

Under the project, Powergrid will construct and operate regional system coordination centres, upgrade and expand transmission systems and improve reliability and enhance the utilisation of existing power plants.

"The project will provide additional and reliable power supply to all categories of customers, reduce electricity costs through economic load dispatch and help develop a regulatory framework for operating the national grid system," the ADB said.

The ADB said states which implement power sector reforms will receive preference for investments by Powergrid.

Power shortage is currently estimated to be about 11.3 per cent of peak load and 8.3 per cent of energy supply throughout India.

Prof A H Wahiduddin Mahmud (first from left), former adviser to the caretaker government, addresses the first roundtable on 'Bangladesh economy : Now and in 2025' organised by Rapport Bangladesh Limited and sponsored by Rhone-Poulenc Rorer Bangladesh Ltd. at Rapport Seminar Hall recently.
– Rapport photo

SATURDAY
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Q&A

Do you have business problems? Write to us at:
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Sarwar Ahmed, MBA (sarwar@asia.com), who heads a business sector of a multinational company in Bangladesh, hosts this column.

The Daily Star has introduced a new business solutions column, which appears every Saturday. While running your business, you come across problems and wish someone would help. This column provides you with possible insights to solve your problems.

SALES BUT NO MONEY

Q: We sell services through our sales department. Credit recovery however is the responsibility of the operations department. While sales - and incentive payments - are booming, our cash flow is getting tight. How do we improve our cash flow? *Cash Watch*

A: This is a very serious organisational flaw making the operations department responsible for sales activity. When we have such dual responsibilities for one activity, then no one is responsible. You can have a tremendous top line growth and be bankrupt in no time!

I know of situations where serious bad debts accumulated because of similar organisational dysfunction, which had to be eventually written off.

Your top management has to realise this, otherwise the organisation will be digging its own grave. The situation in your firm is even more aggravating if the sales persons are only paid incentives on their performance! I know of sales people who make their budget by giving incredible discounts.

What to do? The first and foremost thing is to make the sales persons responsible for collection too. It is only then that he will sell responsibly. Integrate sales and receivables collection there is no way out. The sales person must be made accountable for the collections.

Revamp the incentive scheme. Load it to ensure that receivables are collected. Just as much he gets an incentive for sales, the incentive calculation has to be weighted with receivables collected and outstanding. This way, the sales person will know that he ensures receivables are collected.

In the long run, make as much of the sales organisation's remuneration as variable (=incentive) as possible. The incentive to produce results will be spurred further.

Review your pricing policy. Salespeople in the frontline should not be allowed to give discounts without permission of the HQ. When you calculate sales for incentives, do it on the basis of net sales, that is, total sales minus the discount. This will further ensure that your profitability is not eroded due to discounts.

Your cash flow will only improve if you make your as much of your sales in cash/advance payments (think of discounting advance payments to get cash in) and, if the receivables collection betters. Go get the money!

Expats remit Tk 5.02 cr in September

Bangladesh received Tk 5,02,06,704 during the month of September as remittances from its nationals working abroad, says BSS.

According to a Bangladesh Post Office press release, Bangladeshi expatriates remitted $5,68,135.94 and 2,57,389.86 pound sterling through 5594 money orders last month.

After conversion, the exchange values of the foreign currencies stood at approximately Tk 5,0206,704, which was paid to the dependents of remitters living in different parts of the country.

A total of $ 19,00,937.45 and 8,71,319.65 pound sterling equivalent to Tk 16,02,93,602.93 were received during July to September of the current financial year 2000-2001, the press release added.

RPR-Rapport roundtable on economy held

The first roundtable on 'Bangladesh Economy: Now and in 2025' was organised by Rapport Bangladesh Limited at its seminar hall in the city on Saturday.

Sponsored by Rhone-Poulenc Rorer Bangladesh Ltd, the roundtable was presided over by M Mosharraf Hossain, Managing Director of Rapport Bangladesh Limited, says a press release.

Prof AH Wahiuddin Mahmud, former Adviser to the caretaker government, gave a presentation on the subject.

In his welcome speech, M Mosharraf Hossain said there will be a series of lectures on the subject by eleven more distinguished economists, heads of donor agencies in Dhaka and CEOs of national and multinational companies.

At the end of 2001, he proposed to hold an international conference on the issue.

Addressing the delegates, Prof Mahmud observed that the political scenario in the country is yet to be congenial to speak on the future economic environment on a firm conviction. Things were erratic in as much as that the political leadership is yet to be poised to take up the economic issues more firmly as would be needed.

He was optimistic about the maintenance of the economic growth rate. Indeed there is a sign of resolution so much so that the country has been thriving with much less foreign aid, he opined.

In terms of GDP growth rate, he foresaw Bangladesh would rank among the 10 countries within the next 10 to 15 years.

He said in view of the changing situation, export has to be more diversified, that is, more export would have to be made to the countries other than the industrialised West. He emphasised political stability to achieve economic self-reliance.

Turning to the challenges ahead, he reiterated the necessity of higher export volume to reduce our dependence on imported goods. In the ready-made garments (RMG) sector, he stressed on the importance of backward linkage. He talked of unhindered power generation for sustenance of our industrial growth.

Backward linkage would eventually provide us a comparative advantage, he thought. Manufacturing fabrics for our garment industry would be of highest importance to make a compatible thrust in the export market with ready-made garments.

Dr Mahmud talked about the illusion obtaining in the country about the demography of our country feigning ourselves as a landlocked country even though we were practically not. He advised that such an illusive conjecture must be discarded.