



Star BUSINESS

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Govt to discontinue interest rebate on farm loan

STAR BUSINESS REPORT

In the wake of drastic interest rate cut on agriculture loans by nationalised commercial banks (NCBs), the government has decided to discontinue two percent interest rebate for farmers who repay loans in due time.

Finance ministry sources said for food-grain production NCBs now charge only eight percent interest on loans which was between 11 percent and 14 percent until 2003. The NCBs went for the drastic rate cut in line with government's policy to promote agriculture sector.

The finance ministry on

Wednesday issued a circular to announce discontinuation of the interest rebate. Ministry sources said if two percent interest rebate continues, the rate stands at six percent whereas cost of fund of NCBs remains 7.22 percent.

The ministry in the circular says interest receipts of Bangladesh Krishি Bank (BKB) may be reduced by Tk 124.45 crore a year due to drastic cut in interest rate.

BKB and Rajshahi Krishি Unnayan Bank (Rakub), the two specialised banks on agriculture loans, are seeing huge income loss due to rate cut. Other NCBs have

different loan portfolios but the BKB and Rakub only channel credit into farm sector. So, the two specialised banks are becoming weak concerns, the circular said.

The government introduced the two percent rebate system on agriculture loans repaid in original schedule from July 1, 1995.

However, Bangladesh Bank (BB) recommended continuing the rebate facility. According to BB, BKB offered interest rebate worth Tk 1.5 crore in the last five years of which BB refinanced 50 percent.

Discontinuation of such scanty rebate would hardly affect BKB's

earnings. Agri-loan defaulters often enjoy interest waiver in line with government's decision to cope with natural disaster. So, discontinuing the interest rebate for law-abiding farmers will not be justifiable, the central bank claimed.

After the BB observation, finance ministry convened a meeting with representatives of BB, NCBs, BKB and Rakub in October with Finance Secretary Zakir Ahmed Khan in the chair. After analysing pros and cons, the meeting resolved that the rebate facility may be withdrawn in view of worsening financial health of BKB and Rakub.

New MD of BFIC



GM Salehuddin Ahmed has joined Bangladesh Finance and Investment Company Limited (BFIC) recently as managing director.

Prior to joining BFIC, Ahmed served as the managing director of Bay Leasing and Investment Limited, says a press release.

During his 29 years of experience in commercial and investment banking Ahmed held several important positions in Bangladesh Krishি Bank and Saudi Bangladesh Industrial and Agricultural Investment Company Limited.

Mobile phones beat land lines in India

ANN/The Island

Indian mobile phone users have outnumbered fixed-line customers for the first time, according to the Telecom Regulatory Authority of India.

The number of mobile phone subscribers grew by 1.4 million to 44.9 million last month, overtaking the 43.9 million registered land line users, TRAI said.

The surge in mobile users reflects highly competitive tariffs offered by Indian operators.

Some Indian mobile companies offer call rates as low as two US cents a minute.

Oil prices firmer in cautious Asian trade

AFP, Singapore

Oil prices were firmer in Asian trade Friday after a sharp drop in US hours when concerns over supplies of heating oil during the northern hemisphere winter had eased, dealers said.

They said, however, that in Asian trade, the market was not as optimistic about the situation and were taking a more cautious wait and see stance.

At 4:15 pm, light sweet crude for December delivery was at 47.57 US dollars a barrel, up 15 cents from its close of 47.42 dollars in New York on

Thursday when it had dropped 1.44 dollars.

"People are in a wait-and-see mood regarding the demand-supply balance during the northern hemisphere winter," said Tetsu Emori, chief commodities strategist at Mitsui Bussan Futures in Tokyo.

"This is kind of correction (period), before prices go up in winter ... it's idling time ahead of winter."

Despite prices falling to below 48 dollars from record highs of above 55 dollars last month, Emori is maintaining his projection for oil to hit 63 dollars by end December or

early January because of anticipated higher demand for winter heating fuel.

The US Energy Department on Wednesday said US crude oil inventories rose 1.8 million barrels to 291.5 million.

However, the stockpile for distillates -- mostly heating oil and diesel -- fell by 100,000 barrels to 115.6 million in the week to November 5, the eighth consecutive drop.

Heating oil inventories alone fell 100,000 barrels to 48.4 million barrels while diesel stocks were flat at 65.2 million.

Weekly Currency Roundup

November 06-November 10, 2004

Local FXMarket

US dollar was stable against Bangladeshi taka this week on back of higher remittances before Eid. But at the end of the week, US dollar was slightly weaker against Bangladeshi taka.

Money Market

Bangladesh Bank borrowed BDT 3,954.00 million through the Treasury bill auction held on Sunday, compared with BDT 6,053.00 million in the previous week's bid. Weighted average yields of t-bills of different tenors were slightly lower from the previous bid.

Call money rate was higher from last week due to higher demand before Eid. Call money rate ranged between 4.25-5.00 percent in the beginning of the week. It rose to as high as 15 percent by the end of the week due to huge demand for cash prior to Eid.

International FXMarket

- Euro hit new record high
- Canadian dollar on 12 year high against USD.

In the beginning of the week, the dollar hit a new record low against the euro and nine-year low on a trade-weighted index on Monday as investors continued to shun the greenback on worries over the United States' bloated deficits. Traders said that it was only a matter of time before USD dropped through the psychological \$1.30 level. The latest leg of dollar weakness began last Wednesday as investors took the view the administra-

tion of re-elected President George W. Bush would do little to alleviate United States' budget deficit, which is about \$427 billion, or 3.7 percent of GDP. Dollar also hit 12 year low against the Canadian dollar and multi-month lows against the sterling and the yen.

The dollar steadied at half a cent from its record low against the euro in the middle of the week. A warning over the euro's rapid climb from European Central Bank President Jean-Claude Trichet on Monday also made investors pause for thought. US trade data due on Wednesday has kept the market focused on the structural imbalances in the US economy. Analysts expect the US trade deficit to have narrowed slightly in September, largely banking on weaker dollar. But the improvement may be hampered by the impact of higher oil price. US interest rate is also expected to be raised by a quarter bps to 2.0 percent.

The dollar crept higher by the end of the week as traders took a respite from recent heavy selling and digested a series of remarks from European officials warning against the euro's rapid rise. While dollar remains on a downturn over the medium term, due to worries about the record US budget and current account deficits, verbal intervention from Euro zone policymakers has put a brake on its slide in the near term. Judging by interest rate futures, another rate rise is seen by the market as almost certain at the Fed's final policy meeting of the year in December.

-Standard Chartered Bank



PHOTO: STAR
People crowd open sky shoe shops on footpath near New Market in Dhaka where shoes are available at cheap price. Markets and roadside makeshift shops are crammed with people who are busy in last-minute Eid shopping.

HSBC set to buy Korea First Bank

AFP, Seoul

HSBC, the London-based financial services giant, has offered to buy Korea First Bank for somewhere between three and 3.5 trillion won (2.7-3.2 billion dollars), news reports here said.

The Joongang daily and the Korea Economic Daily quoted a banking source close to the deal as saying that HSBC had offered to purchase the country's seventh largest bank by taking over stakes held by US-held Newbridge Capital and the state-run Korea Deposit Insurance Corp.

Newbridge owns 48.56 percent of Korea First Bank and Korea Deposit Insurance Corp. owns 48.49 percent.

"HSBC plans to buy the shares that Newbridge holds as well as most of those owned by the Korea Deposit Insurance Corp.," the source was quoted as saying by Joongang.

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STOCK

TRADED ISSUES IN THE WEEK

Company	FV-NL (Tk No.)	DSE		CSE		Financial Performance	
		Price Closing (Tk)	Turnover Pre Day Share	Price Closing (Tk)	Turnover Pre Day Share	Last EPS AGM (Tk.)	DPS (%)
BANK							
AB Bank Ltd	100	5 297.75	3.48	287.75	5770	299.75	6.29
City Bank Ltd	100	5 330.00	10.24	320.00	933	320.00	10.00
ITC Bank Ltd	100	5 106.50	3.45	185.50	2295	403.25	Net
Islami Bank Ltd	1000	5 1517.50	1.87	445.00	389	452.50	1.11
National Bank Ltd	100	20 391	0.39	389	21168	190	4.70
Pubali Bank Ltd	100	5 106.50	1.14	104.50	5720	1042.00	6.00
Rupali Bank Ltd	100	5 107.00	0.70	105.50	2100	1042.00	6.00
UBI Bank Ltd	100	5 106.50	3.45	117.50	1100	1180.00	5.00
Uttara Bank Ltd	100	5 207.25	0.68	117.50	4915	15.00	99.15
The Oriental Bank Ltd.	1000	5 1576.75	-0.14	1579.00	238	Not Listed	9.00
IDLC Ltd.	100	20 106.75	-0.97	1100.00	380	1050.00	0.00
Eastern Fin. Co. Ltd	100	20 107.00	0.30	107.00	300	107.00	0.00
Uttara Fin. & Inv. Co. Ltd	100	5 227.75	-1.15	182.50	2100	910.00	0.00
Al Afra Islamic Bank	1000	5 827.75	-3.65	855.50	3200	850.00	Not Listed
Prime Bank Ltd	100	5 68.00	8.04	23.75	107616	398.00	4.43
Sohag Bank Ltd	100	5 439.50	-2.41	522.00	1000	1042.00	16.00
Shahid Bank Ltd	100	5 68.00	6.39	110.00	300	1042.00	16.00
N.C.C. Bank Ltd.	100	5 399.50	8.86	367.00	137804	399.50	8.63
Social Investment Bank	1000	5 178.25	-0.93	1100.00	2078.75	399.50	17.85
Dutch Bank Ltd.	100	5 132.00	-0.97	1601.00	1600	1600	Not Listed
Montreal Trust Bank Ltd	100	5 327.75	0.87	327.75	100	327.75	0.87
First Leasing Fin. Co. Ltd	100	5 106.00	0.00	106.00	100	106.00	0.00
Standard Bank Ltd.	100	5 403.25	8.04	23.75	107616	398.00	20.00
One Bank Ltd.	100	5 391.00	5.81	374.50	146787	398.00	13.11
Bank Asia Ltd.	100	5 47.50	4.83	81.50	8136	703.00	4.67
Mercantile Bank Ltd.	100	5 487.25	8.25	443.50	163910	489.00	10.63
Farmers Fin. Co. Ltd.	100	5 661.50	2.25	102.50	21070	658.50	5.39
INVESTMENT							
ICB	100	5 195.00	1.89	198.75	1260	130.00	Not Traded
1st CMB Mutual Fund	100	5 100.00	1.00	100.00	100	100.00	1.00
2nd CMB Mutual Fund	100	5 100.00	0.00	100.00	100	100.00	0.00
3rd CMB Mutual Fund	100	5 100.00	0.00	100.00	100	100.00	0.00
4th CMB Mutual Fund	100	5 100.00	0.00	100.00	100	100.00	0.00
5th CMB Mutual Fund	100	5 100.00	0.00	100.00	100	100.00	0.00