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# Star BUSINESS

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**Washing Machine**

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## DSE greets New Year as T-bond debuts today

### Move to reduce dominance of corporate-based securities, offer guaranteed return on investment

#### STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) will greet the New Year by welcoming treasury bonds, expected to make debut in the secondary market today, a move DSE says will create a new dimension in reducing dominance of corporate-based securities in a market with few options.

Initially, treasury bonds worth Tk1,010 crore having five years and 10 years maturity periods will be enlisted on the DSE.

Five-year bonds worth Tk 6.68 billion (Tk 667.70 cr) will offer 7.5

percent interest while the 10-year bonds worth Tk 3.4267 billion (Tk 342.67 crore) will offer 8.5 percent interest. The minimum investment in these bonds is Tk1 lakh.

Welcoming the new instrument, DSE President Ahmed Iqbal Hassan said the bourse has long been championing diversification of securities in the secondary market to offer flexibility to investors for ensuring a vibrant secondary market.

Termining the move a milestone for the capital market, DSE president said, "The present market lacks diversity, resulting in failure to

attract potential investors." "So, we view the treasury bonds as effective solutions for investors, who are looking for long-term secured and guaranteed investment," Iqbal added.

He said the DSE offers a perfect launch pad for these debt instruments.

Chief Executive Officer of DSE Salahuddin Ahmed Khan said, "In the absence of a large number of good scrips, the bonds should woo investors."

He said since return on investment is guaranteed these bonds will gener-

ate interest among the investors.

The original primary dealers of the government bonds are eight commercial banks and a non-banking financial institution. But among these nine, only one - the National Credit and Commerce Bank Limited (NCCBL) -- has stock exchange membership.

Other primary dealers are Sonali Bank, Janata Bank, Agrani Bank, Prime Bank Limited, Uttara Bank Limited, Southeast Bank Limited, Jamuna Bank Limited and International Leasing and Financial Service Limited.

## Privatisation dilemma bogs BSRS activities down

#### M ABDUR RAHIM

Bangladesh Shilpa Rin Sangstha (BSRS), once leader in industrial lending, is now heading to nowhere with dilemma over privatisation putting a lid on its normal financial activities.

As decision on offloading shares hangs in the balance for the last 13 years, the specialised long-term lender ran into dormancy, showing a cloudy future to its dispirited staff.

BSRS, a state-owned financial institution, was involved in diverse activities such as long term lending, consumer lending, taking deposits, underwriting, stock brokering and fund managing and many others. But the privatisation dilemma has forced the authorities to squeeze its operations.

With a gloomy future many officials left the financial institution. The depleting manpower and

increasing government restrictions almost put a stop to BSRS financial activities.

Earlier, the government placed the classified loan-burdened BSRS on privatisation list but presently maintains a go-slow policy on its disinvestment.

The Privatisation Commission two months back appointed a chartered accountant company to assess assets and liabilities of BSRS. But the finance ministry asked the commission to decelerate its privatisation deferring the financial assessment.

Sources say the government advances slowly and cautiously before privatising large state undertakings such as BSRS and public banks. Now, Rupali Bank is the government's priority for privatisation.

Frequently subject to government embargo on certain activities,

BSRS was barred from extending any loan between 1985 and 1995. The government also stopped channelling foreign fund to BSRS from 1985, almost choking its lending activities. BSRS was also barred from providing loans over 25 percent of working capital of a project.

The BSRS officials and employees now want a clear-cut decision about their future. "We do not oppose privatisation. But no headway has been made in the last 13 years. The government should either privatise it or withdraw the restrictions," an official said echoing the 175 staff of BSRS.

"The prime problem of BSRS is its high classified loan amount which is 65 percent of total advance. Apart from that it is performing well. It is only one of the two public financial institutions after BASIC Bank that makes

profit," Mohammad Farhad Hossain, managing director of BSRS, told The Daily Star.

"BSRS pioneered industrial lending soon after the independence. Many of the state-owned enterprises took loan from BSRS and were closed down later. The high classified loan resulted from there. BSRS has problems but its full potential is still untapped," he said.

BSRS earned a pre-tax profit of Tk 8.6 crore in FY 2003-2004, Tk 8 crore in FY 2002-2003 and Tk 12 crore in 2001-2002. It pays Tk 1 crore on average to government exchequer as dividend and tax.

BSRS has an outstanding loans of Tk 703 crore and Tk 561 crore overdue. It also wrote off Tk 901 crore. With a paid-up capital of Tk 70 crore, total loans and advance stood at Tk 617 crore, total assets at Tk 772 crore and total liabilities at Tk 553 crore as on June 30, 2004.

## Daffodil Computers approves 10pc dividend

Daffodil Computers Ltd has approved a 10 percent dividend for its shareholders for the financial year 2003-04.

The declaration came in the company's seventh annual general meeting (AGM) held on Thursday in Dhaka.

Shahana Khan, chairperson of the company, presided over the AGM while Md Sabur Khan, managing director, Abdul Halim Patwary and Akhter Hossain Khan, company directors, were also present.

## India's inflation declines, growth slows down

#### PALLAB BHATTACHARYA, New Delhi

Indian inflation declined for the fourth week in succession to a six-month low of 6.5 percent and the economy growth slowed in the second quarter of 2004.

The point-to-point Wholesale Price Index (WPI) inflation fell by 0.23 percent from 6.73 percent in the previous week due to cheaper food items, edible oils and manufactured goods even as fuel prices remained unchanged.

Finance Minister P Chidambaram had recently said the government had used one or the other measures to moderate inflation from time to time.

Meanwhile, the economic growth, showing signs of a downslide over the first quarter (7.4 percent), was at 6.6 percent in the second quarter (July-September) of the current financial year.

The consolidated growth in the first six months from April to September stood at seven percent, marginally up from 6.9 percent growth registered in the corresponding period last year.

## India opens up pension fund sector

#### PALLAB BHATTACHARYA, New Delhi

In a key financial sector reform, India has opened up the pension fund sector to private and foreign players, fulfilling a promise made by Finance Minister Palaniappan Chidambaram in his budget five months ago.

An ordinance was issued on Thursday setting up the Pension Fund Regulatory and Development Authority (PFRDA) to undertake promotional and developmental functions for the pension sector.

The government will soon decide on the extent of Foreign Direct Investment (FDI) to be allowed in the sector, a senior finance ministry

official said.

Several insurance and pension fund companies including Aviva, Life Insurance Corporation of India, State Bank of India Life and Templeton have expressed keenness to set up shops as pension fund managers.

The PFRDA will choose pension fund managers who will run three types of pension plans with varying degrees of investment limits for exposure to equity markets.

The PFRDA has been given statutory status to protect the interests of the investors, the official said.

All recruits to India government jobs from January 1, 2004 have been included in the new contributory

pension scheme under which an employee has to contribute ten percent of his or her salary to the pension fund. While, the government will contribute a matching amount to generate a corpus fund to finance the pension.

At present, the total salary and pension bills of federal and state governments in India constitute 9.2 percent of Gross Domestic Product.

The ordinance on setting up the pension fund regulatory body came a few days after the government had passed a similar order with regard to introducing the product patent regime in India to meet WTO obligations from today.

## Lanka, Maldives bear brunt of tsunami

#### AFP, London

Sri Lanka and the Maldives are likely to suffer the heaviest economic consequences from the tsunami wave disaster, with bigger economies in the region better placed to withstand the fallout, analysts said.

The economies of India, Indonesia, Thailand and Malaysia were in a strong position to overcome the tragedy, they added, as the death toll from the deadly waves soared well past 100,000.

"While the tourist sector is a similar size of both Indonesia's and Sri Lanka's economies, the impact is likely to vary considerably," economists at the emerging markets bank Standard Chartered wrote in a research note.

"In Indonesia the main tourist areas of Bali and Lombok are not impacted. In contrast, the extent of the devastation on Sri Lanka suggests its tourist sector and economy will be hit harder.

"Given the size of the economies and the scale of the disaster, it is the Maldives and Sri Lanka that are worst affected in economic terms, although all countries will be impacted."

Travel and tourism represents both directly and indirectly 74.1 percent of the gross domestic product of the Maldives and 10.8 percent of Sri Lanka, according to figures from the World Travel and Tourism Council.

This compares with figures of 14.7 percent for Malaysia, 12.2 percent for Thailand, 10.3 percent for Indonesia and 4.9 percent for India.

## WB allocates \$250m for Asia quake emergency

#### AFP, United Nations

The World Bank announced Thursday a 250-million-dollar injection into emergency reconstruction financing after the deadly South Asia tidal waves.

The money instantly doubled the official financing available for rebuilding from the devastation.

"We are putting this on the table now," the World Bank's spokeswoman for South Asia, Dale Lautenbach, told AFP. "It is an amount that will be available for emergency reconstruction."

The money was scraped together by diverting funds from existing programs and by using "idle resources" that had yet to be committed to any project, she said.

The funds would be available for the "immediate aftermath" covering the next six months. Longer-term reconstruction needs would be assessed in the weeks ahead, the WB spokeswoman said.

The news was initially revealed by WB President James Wolfensohn in a conversation with United Nations Secretary General Kofi Annan, according to a UN spokeswoman.

Wolfensohn took part in conference calls with Annan, heads of UN agencies, ambassadors of affected countries, and the "core donor support group" of the United States, India, Australia and Japan, the Bank said.

The UN chief later called on nations to make a long-term commitment to rebuilding from the tsunami wreckage.

## Asia's currencies seen rising yet again in '05

#### REUTERS, Singapore

Foreign exchange forecasters are predicting a fourth straight year of gains for the South Korean won, Taiwan dollar, Thai baht and other Asian units in 2005, with Asia's horrific tsunami disaster failing to dampen the regional currency outlook.

Even as governments from Indonesia to India struggle to prevent epidemics among millions across southern Asia hit by a disaster that has killed more than 125,000 people, the won hit a seven-year high and the Taiwan unit set a four-year peak.

Analysts say Asian economies from China to India look stronger than those in Europe, Japan or the United States.

"The external environment in Asia has been remarkably good," said Ashley Davies, currency strategist at UBS in Singapore, adding that an expected cyclical slowdown in the region's economy seems to be shallower and less durable than previously expected.

Moreover, the US current account deficit has become more bloated than a year ago, and the inflows that have plugged that gap have declined, making US officials admit in public that the dollar needs to weaken to help narrow the shortfall.

In October net capital inflows to the US hit a one-year low \$48 billion versus a record \$55.5 billion trade gap.

An added boost to Asian currencies, analysts say, could come from speculation China may allow its currency to strengthen next year from a virtual peg of 8.28 per dollar.

Lehman Brothers expects China to allow a 5 per cent yuan rise next year, helping boost some Asian units as much as 20 percent.

"Our outlook is that 2005 will be the biggest inflection point for the region since the Asian crisis," Lehman said in a report this month. "It will be like the Asian crisis in reverse."

Yuan speculation has helped push up the South Korean won, Taiwan dollar, Singapore dollar and non-deliverable forward premiums

on the currencies of China, Hong Kong and Malaysia through 2004.

"The yuan revaluation could happen anytime in the first half," said Davies. "If that happens, it would encourage further equity flows into Asia. That would also encourage the other currencies that are seen a proxy for the yuan."

The won, which may benefit from a stronger yuan, is Asia's best performing currency this year, having gained 15 percent. The Taiwan dollar, another likely beneficiary, has gained 7 percent.

Despite those gains, strategists say Asian currencies remain undervalued compared with their trade partners in Europe and the US. That would make Asian governments more agreeable to letting their currencies gain once China revalues the yuan.

Even as Southeast Asia reels from the devastation caused by the tsunami, Sani Hamid at 4CAST in Singapore says Thailand's currency could stand out among the largely underperforming Southeast Asian currencies, and gain 5 percent in 2005.



Chairman of National Credit and Commerce Bank Ltd M Wazhiullah Bhuiyan inaugurates the bank's 36th branch at Baraiyhat, Mirsarai in Chittagong recently. Md Nurul Amin, managing director (CC), and other senior officials of the bank also attended the opening ceremony.

## Africa hit hard as global textiles market opens

#### REUTERS, Port Louis

African textile producers are expected to be the hardest hit when rich countries end a curb on clothing imports from developing nations from today, forcing Africa to compete with larger low-cost producers, analysts say.

Many African countries say the end of the World Trade Organisation Agreement on Textiles and Clothing, which for 40 years has guaranteed their textile exports duty-free, quota-free access to western markets, could spell a free-for-all rather than free trade.

Analysts say it will force countries like Mauritius, Madagascar, Uganda and Lesotho to compete with countries like China and India - larger low-cost producers which can sell their goods at cheaper prices on the global market.

"If you look at a study done by the WTO in September, it shows that India and China will grab about 80 percent of the world market and the remaining 20 percent will have to be shared by the rest of world," said Narainduth Boodhoo, duty director of Mauritius's Trade Policy Unit.

"Then there are other competitive suppliers like Indonesia, Thailand and Pakistan, so it is quite clear that these countries will share the remaining 20 percent. So what is there left for countries in Africa like Mauritius?" he added.

In a move to diversify from an economy based solely on sugar production, the tiny Indian Ocean island of Mauritius shifted into the textiles sector in 1970s.

Garment production became one of the main motors driving the economy, with the island taking advantage of the agreement to export its goods to lucrative American and European markets.

But in the last two years, in anticipation of the end of the quota system, dozens of textile factories which set up in Mauritius to take advantage of the agreement have closed down.

This has resulted in more than 10,000 people losing their jobs, and the island's unemployment hitting a record 10 percent.

Analysts project over 27 million people worldwide, mostly women, are likely to lose their livelihoods, because of the change.

"I think the impact will have a devastating socio-economic impact across the whole of Africa," says Atma Shanto, president of the Federation of United Workers, a Mauritian trade union representing hundreds of textile workers.

"Over the years, mothers have used their incomes from the textiles sector to put their kids through school and now we are finding that as they lose their jobs, they are pulling their kids out of school to look for jobs to help make ends meet."

While efforts to postpone the phasing out of the quota system have failed, officials say it is still possible for Western nations to mute its impact on Africa.

They say the WTO should put in place a fund to help African countries modernise and restructure their industries, concentrating on tapping into niche markets.

Textile factory owners add that western countries must make the global textile trade a level playing field by insisting conditions adhered to in Africa are also respected in Asia.

## SE Asian stocks end strong 2004 with small gains

#### REUTERS, Singapore

Shares in Singapore and Malaysia wrapped up a strong year yesterday by scoring minor gains, their upside limited by year-end position squaring and concerns about the tsunami's economic impact on Southeast Asia.

Singapore's Strait Times Index finished a half-day trading session up 0.22 per cent at 2,066.14, taking its gain for the year to 17 per cent.

Malaysia was up 0.05 per cent at 910.61, putting it on track for a 14.7 per cent rise when it closes later in the day.

Indonesia, Asia's top performing market this year, as well as the Philippines and Thailand, the region's second-biggest loser, were closed for the new year holiday. Markets in the region will reopen on Monday, but only on Tuesday in Thailand.

The top gainers in Singapore were land transport firm ComfortDelgro, up 3.3 per cent, and cellular firm MobileOne, up 1.1 per cent -- both among the highest yielding stocks in the market.

Wishing You a Very Happy New Year 2005

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