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BRAC Bank to raise Tk130cr from capital market

Low dividend causes bank share prices on DSE to drop 12pc

STAR BUSINESS REPORT

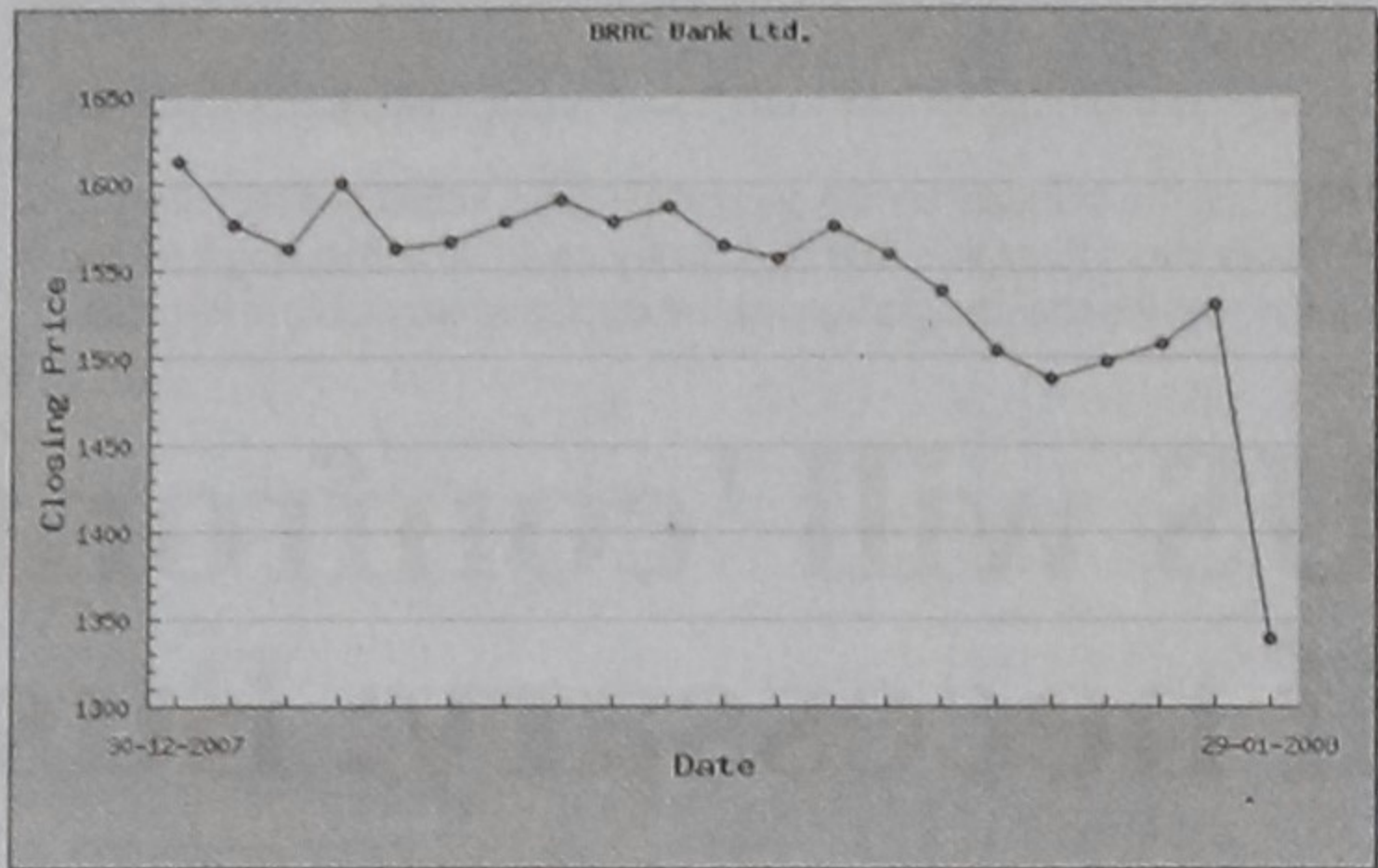
BRAC Bank said yesterday it will raise over Tk 130 crore from the stock market through a rights issue in order to strengthen its capital base to meet regulator requirements and to fund further growth.

"We want to meet the requirement on capital adequacy and total capital as set by the Bangladesh Bank. We also need the money to meet our future growth projection," said a senior official of the bank, who preferred to remain unnamed.

The news, which came as the bank announced a 10 percent stock dividend for 2007, was met with little enthusiasm by investors on the Dhaka Stock Exchange where shares in the bank fell more than 12 percent.

Under the terms of the rights issue the bank will offer one rights share for every five shares at Tk 500, with a premium of Tk 400. The book value of BRAC Bank's share is Tk 100.

At present, BRAC Bank's paid up capital stands at Tk 1.2 billion with



BRAC bank's closing share price on the DSE in one month.

the total number of shares standing at 12 million.

"We do not have a capital shortfall right now. But the funds will be needed in coming days to meet our expansion plan," he said.

BRAC Bank, which started its journey in 2001, has been making profits since 2003.

"We have an average growth of over 60 percent a year since 2003," said the official of the bank which

requirement of Tk 1 billion.

The Bangladesh Bank last year raised the requirement on total capital for banks to Tk 2 billion from Tk 1 billion. The BB however allowed banks to raise the funds in phases.

The need to maintain a capital adequacy ratio at 10 percent of the risk-weighted assets also led BRAC Bank to raise the fund, he said.

In terms of market capitalisation BRAC Bank is one of the largest companies on the DSE and the market had expected a more generous dividend.

"I expected a much larger amount from the BRAC Bank authorities," said one investor.

Investors said the dividend had been determined at par, meaning at the share's face value, which resulted in a much lower dividend than expected. BRAC Bank shares closed down 12.48 percent on the day at Tk1338.50 on the DSE.

The DSE online source said the Board of Directors of the bank also decided to increase authorised capital to Tk 500 crore from the existing Tk 200 crore subject to approval of EGM & the regulatory authorities.

Krishi Bank gets new chairman, MD



Khondkar Ibrahim Khaled

Khondkar Ibrahim Khaled, a former deputy governor of Bangladesh Bank, joined Bangladesh Krishi Bank as its chairman on Monday, says a press release.

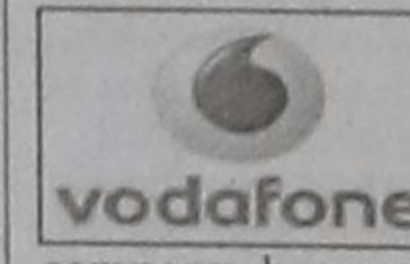
He was the managing director of Krishi Bank, Sonali Bank, Agrani Bank and Pubali Bank.

Khondkar Ibrahim is the president of Bangladesh Project Management Institute and MBA Association, and board member of Grameen Fund and Human Development Foundation.

He is the author of a book titled 'Banking Reforms and Management' and a well-known child organiser and director of Central Kachi Kanchar Mela, the largest national organisation for children.

Vodafone keen to invest in telecom sector

MD HASAN



Vodafone Group Plc, the world's leading telecom company, has expressed its keen interest to invest in the mobile phone sector in Bangladesh and has sent a delegation to the country to investigate possibilities.

Headed by Gavin Darby, chief executive officer of Vodafone America, Africa, China and India, a team from the company is presently in Dhaka.

The visit follows a recent letter to the Bangladesh Telecommunication Regulatory Commission (BTRC) in which the UK-based telecom giant said: "We are eager to visit Bangladesh to explore the potential of investing in the telecommunication sector."

However it is unlikely that Vodafone will be granted a new mobile operating licence. With six operators already competing in Bangladesh, Vodafone is more likely to be forced to seek a partnership with, or a takeover of an existing operator, industry experts predict.

The four-member Vodafone team met with the Brig Gen (Retd) MA Malek, chief adviser's special assistant who is in charge of the post and telecommunications ministry, yesterday morning.

Talking to journalists Malek said Vodafone is interested to invest in the telecom sector. From the government side the ministry will help them to make the investment.

British High Commissioner Anwar Choudhury was also present with the Vodafone team.

In an interview earlier this month with The Daily Star, Yusuf

Annual Yaacob, chief executive officer of Telekom Malaysia, the 70 percent shareholders of local AKTEL, said it was keen to work with Vodafone in Bangladesh. However Yaacob said at present they have no plans to sell their AKTEL stake.

"We are looking to develop our partnership relation with the Vodafone," adding that AKTEL may bring some products and services of Vodafone to Bangladesh after getting government's permission.

Vodafone has a significant presence in Europe, the Middle East, Africa, Asia Pacific and US through the company's subsidiary undertaking, joint ventures, associated undertakings and investments.

Vodafone Group Plc is a public limited company incorporated in England. The group had 241 million registered customers up to September 30, 2007.

British envoy attaches three issues to drawing foreign investment

UNB, Dhaka

Smooth function of business institutions, continued stability in investment environment, and democracy are the three prerequisites for attracting foreign investment, British High Commissioner in Bangladesh Anwar Choudhury observed yesterday.

"Businessmen look forward to stability and good returns on their investment and believe that the country continues to expand and gets better. And as time goes on, that confidence among the businessmen is improving," he told reporters.

When asked whether the current type of government or an elected one can draw more foreign direct investment (FDI), he said: "Of course, an elected government will bring maximum investment to the country."

He was speaking on the sidelines of a discussion programme styled 'Expression of Interest from NRBs' for investment in 'Probashi Palli', a real estate project of Inspired Development Ltd, held in Dhaka.

Foreign Affairs Adviser Dr Iftekhar Ahmed Chowdhury was the chief guest at the function, where non-resident Bangladeshi (NRB) investors signed deals for

investing in a housing scheme.

Asked about the country's current investment scenario, Anwar Choudhury said confidence is slowly returning to the investors after a low in the middle of last year due to anti-corruption drive.

"Business-related institutions should run smoothly without corruption, and with stability in environment (of investment) and democracy should work together," said the Bangladesh-origin British diplomat.

Meanwhile, Iftekhar said the country can draw more FDI if the current stability continues and the reform works of the government goes on.

Hailing the NRBs' contribution to the country's economic growth, he said the government is arranging a special economic zone for them.

The housing project, Probashi Palli, which is exclusively for the wage-earning NRBs, is located next to Rajuk's Purbachal Housing Project. The project's objectives are developing an exclusive residential zone for the wage earners and locals, building a sophisticated business enterprise and creating a secured investment platform for the wage earners.

DITF now to end Feb 7

UNB, Dhaka

The government decided to extend the 13th Dhaka International Trade Fair until February 7 on requests from visitors and top business organisations.

The decision was taken at a special meeting at the commerce ministry yesterday with Commerce and Education Adviser Dr Hossain Zillur Rahman in the chair.

The month-long trade fair at Sher-e-Bangla Nagar in Dhaka was scheduled to end on January 31.

Malaysian trade fair from Mar 20

A three-day Malaysian trade fair will begin in Dhaka from March 20, says a press release.

Bangladesh Malaysia Chamber of Commerce & Industry and Malaysia South-South Association will jointly organise the fair styled 'Showcase Malaysia-2008' at Sheraton Hotel.

Around 50 Malaysian companies will participate in the exposition to showcase their products and services.

A high-profile investment delegation from Malaysia will visit Bangladesh during the show.

A seminar on Investment Opportunities in Bangladesh and Relocation of Malaysian Labour Intensive Industries will be organised on the sidelines of the show.

Price war landing on local air market

SOHEL PARVEZ

A price war is expected to break out on Bangladesh's two major domestic air routes with the newly started Aviana Airways undercutting its rivals when it starts operations tomorrow.

Under the brand Royal Bengal, Aviana Airways will fly on Dhaka-Chittagong and Dhaka-Sylhet routes from January 31, offering a one-way (Dhaka-Chittagong) fare at Tk 3,520 and (Dhaka-Sylhet) at Tk 3,295, the lowest ever offered by a private operator on the routes.

"We do understand that there are a lot of competitors. But we want to make a fresh start with a level of product that has not been experienced yet by the domestic



PHOTO: AVIANA AIRWAYS

Under the brand Royal Bengal, Aviana Airways will start domestic operations from tomorrow, fuelling a price competition among the existing operators.

travellers in Bangladesh," said Syed Imtiaz Ali, deputy general manager (commercial) of the airline, yesterday.

Imtiaz said the airline will make travel affordable and generate new

passengers. "Our prices are really very good. But I hope there will be healthy competition generating new passengers," he said.

Aviana Airways is the fourth private airline to start operation in competition with the national carrier Biman Bangladesh Airlines. The others are GMG Airlines, United Airways and Best Aviation. All five will now be competing on the two most popular routes.

Some analysts have warned that the present level of competition is not sustainable considering the size of the market. However others hoped cheaper fares would encourage many more people to fly.

At present the one-way fare on Dhaka-Chittagong route charged by GMG Airlines is Tk 4,220, while on Dhaka-Sylhet route it is Tk 3,720. Other operators, excluding,

Biman, are offering fares between Tk 3,900 and Tk 3,945 on Dhaka-Chittagong route.

"The number of regular passengers is still below the present seat capacities of the airlines. If such a price war continues, it will be tougher for all to sustain," said Imran Asif, an aviation industry consultant.

"It's an unhealthy price war. It's not sustainable," he added.

MA Muhaimin Saleh, president of Association of Travel Agents of Bangladesh, said the airlines should compete for improving their services, not for cutting travel cost, as Bangladesh's domestic aviation market is small.

"I support increasing competition in terms of improving services, not cutting the prices. It is difficult for an airline to sustain in business by cutting down price," he said.



Md Mukter Hussain

Md Mukter Hussain has taken over as the managing director of Bangladesh Krishi Bank with effect from Monday.

Prior to this assignment, he was the managing director of Janata Bank.

Mukter Hussain started his banking career as a senior officer of Agrani Bank in 1976. He also worked as director of Small Enterprises Development Project of finance ministry, deputy general manager of Agrani Bank, general manager and deputy managing director of Sonali Bank and managing director of Bangladesh Shilpa Bank.

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