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GP profits fall on lower prices, competition

Company invests Tk3550cr in 2007

MD HASAN

Grameenphone's operating profits fell by 33 per cent in 2007, as the country's number one mobile phone operator struggled with lower call prices, higher marketing costs and the need to compensate the government for its role in the illegal call termination business.

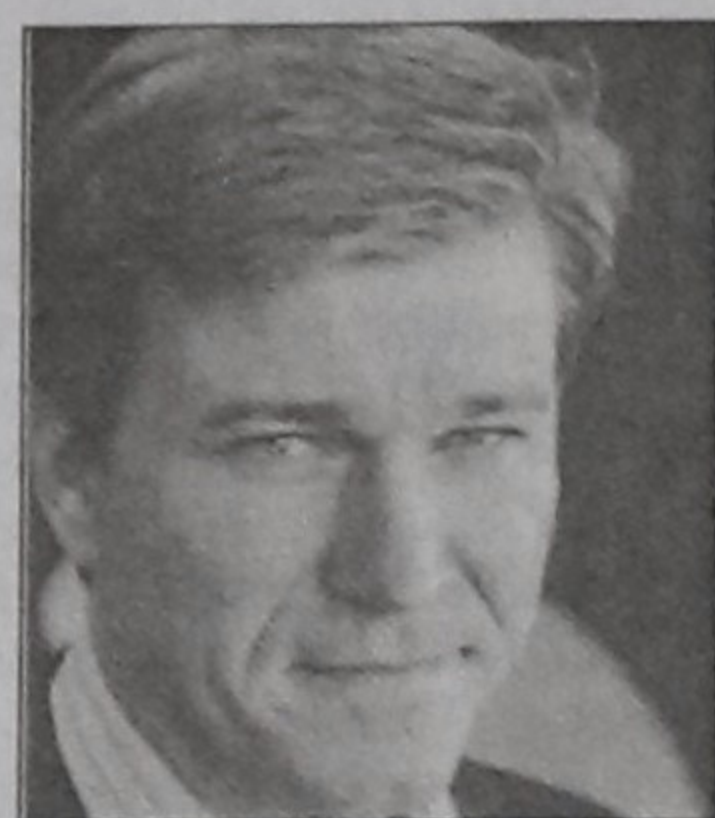
The company also said that it was still under investigation by Bangladesh's telecom regulator and warned that the "ultimate consequence" could be the suspension or cancellation of its licences.

After years of increasing profits 2007 saw Grameenphone battling against increased competition, notably from Banglalink and the new entrant Warid Telecom. Although the company added 5.5 million new subscribers during the year to reach 16.48 by the end of December, it was forced to cut prices by around 40 per cent.

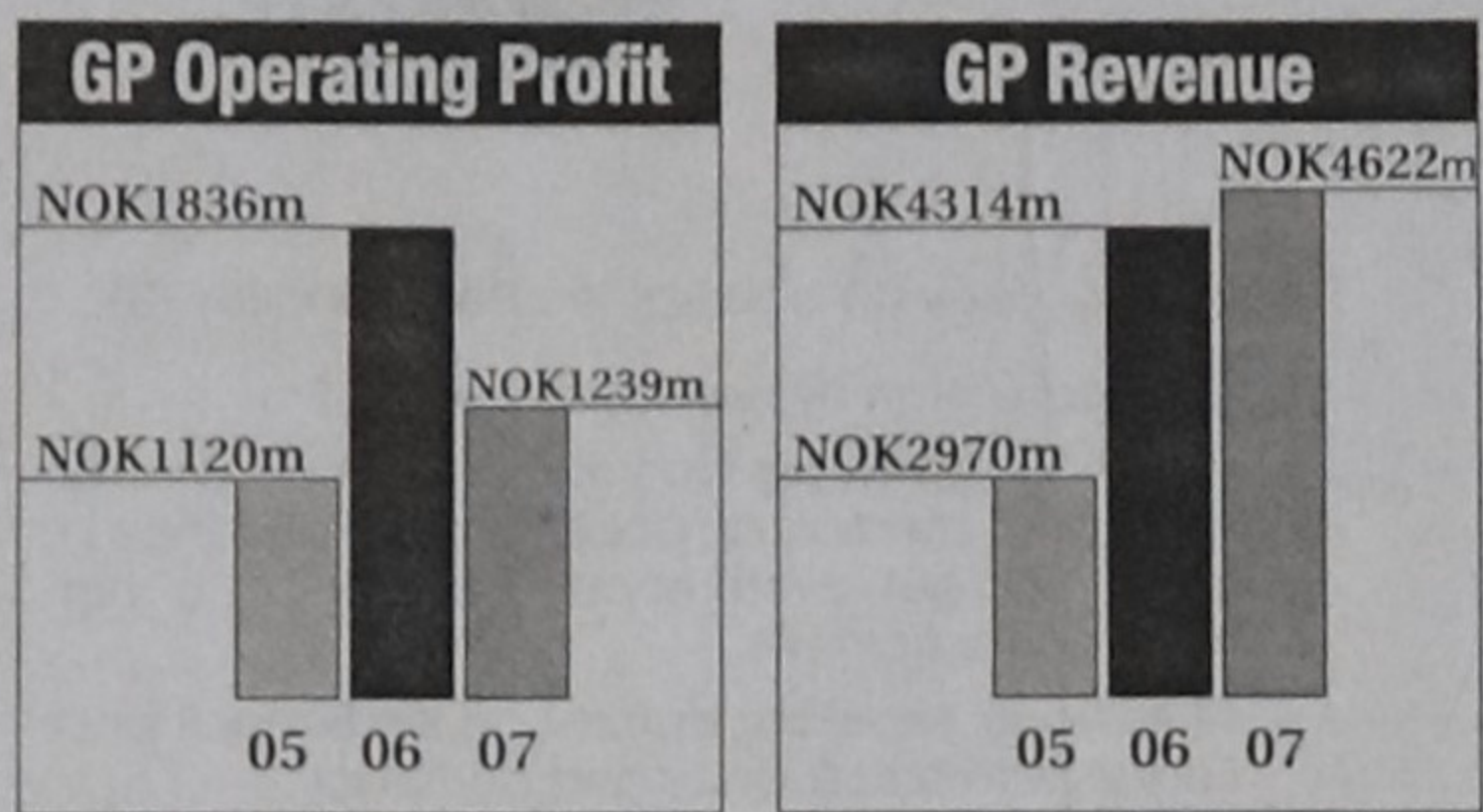
Grameenphone said its market share remained stable during the year at around 48 per cent, according to figures from the Bangladesh Telecommunications Regulatory Commission. Using its own figures GP had claimed a market share of 63 per cent in December 2006.

"In a market with falling prices, adjusting costs accordingly is very important. In the fourth quarter of 2007 we did this in an efficient manner which is reflected in the results," said GP's CEO Anders Jensen.

"The outlook for the future is about continued growth and to do so



Revenues in Norwegian krone continued to grow in 2007 albeit at a slower rate, however profits were hit by increased competition. Anders Jensen, CEO, said the company will continue to invest in improving its network in 2008.



we have to address the rural market in an increasingly efficient way. One of our key tasks will be to ensure that Grameenphone remains the most well-known and preferred brand in the telecom and data communications industry," he said.

In 2007 total revenues were Norwegian Krone (NOK) 4622 million compared to NOK4314 million in 2006. However operating profits fell to NOK1836 compared to NOK1239 million.

In the three months to December 31 operating profits fell to NOK292 million, down 43 per cent on the same period a year earlier.

The company said during the fourth quarter its average revenue per user (ARPU) per month fell by 30 per cent on a year earlier, primarily due to decreasing average prices and the reduction in inter-

connect prices. Bangladesh's Grameen Telecom holds 38 per cent of the shares in the mobile operator and Norway's Telenor the remaining 62 per cent. The company is preparing to offload its shares in the capital market by the third quarter of the current year.

Like several of its rivals in 2007 the company had to face allegations of involvement in illegal international call termination. As a consequence of this investigation Bangladesh Telecommunication and Regulatory Commission (BTRC) has filed cases against some of company's former and sitting high officials.

Grameenphone has already paid Tk168 crore compensation to the government for the company's alleged involvement in the scandal. Yesterday the company stressed

the increased scale of its investments in its network in Bangladesh, spending Tk3550 crore in 2007 compared to Tk2150 crore in 2006.

"As such, we have continued to make large investments in the network. With more than 10,000 base stations in over 6,000 locations around the country, the Grameenphone network already covers more than 98 per cent of the population," said Grameenphone CEO Anders Jensen.

The company also said that it contributed over BDT 3400 (NOK2,720 million) crore in direct and indirect taxes to the national exchequer, up from BDT 2050 in 2006.

The country's total mobile phone subscriber reached 34.37 million by the end of the year 2007.

GP CellBazaar wins Global Mobile Award

CellBazaar, an innovative market-access service from mobile phone operator Grameenphone Ltd, has won the '3GSM Global Mobile Award 2008' in the category of 'Best Use of Mobile for Social & Economic Development', says a press release.

The 3GSM Global Mobile Awards represent a stage for all players in the mobile world to attract the attention of their peers and the global media. The award was announced at a gala function at Tuesday night on the sidelines of the Mobile World Congress currently being held in the Spanish city of Barcelona.

The CellBazaar concept was developed at MIT Media Lab by Kamal Quadir and he later founded a company to establish a partnership with Grameenphone. Using Grameenphone CellBazaar, buyers and sellers can trade basic goods such as rice, fish, motorcycle and used goods from their mobile phones.

GP CellBazaar is a user-generated market, accessible via mobile phones or computers in Bangladesh. It is a low-cost, pay-as-you-use service where users pay the standard SMS (short message service) or GPRS (General Packet Radio Service) charges for accessing the service. There are no monthly or posting fees.

"CellBazaar is a great example of Grameenphone's continued leadership in simple, smart and customer-relevant innovation," noted the cellphone operator's CEO Anders Jensen. "This award along with the awards GP previously won for HealthLine and Village Phone is a global recognition of the spirit of innovation within Grameenphone," he added.

Janata Bank eyes business expansion

SAJJADUR RAHMAN

Janata Bank, the loss making state-owned bank, could be profitable within three years, according to the new CEO SM Aminur Rahman who warned however that such a transformation would need a major change of attitude among staff.

Speaking to The Daily Star, Rahman outlined a range of new services and products aimed at both retail and business customers that he hopes will help the bank turn the corner.

He also backed calls from the finance adviser and Bangladesh Bank governor to reduce the spread between deposit and lending rates that he said should not exceed five percentage points.

Janata Bank was corporatised in November last year and Rahman said he believes the board will be able to work independently and free it from any government and political pressure.

But he said in order to take advantage of the new situation: "There must be a change in the attitude of the employees."

"Habits such as lateness, and slow and poor working practices have to be dealt with firmly. Now, there will be no mercy. There will be a time limit for all tasks," he added.

Moves had already been taken to cut unnecessary overtime bills, spending from petty cash and non-transparent procurement procedures.

However Rahman said that to compete with the private commercial banks, Janata needs an infusion of fresh talent.

"People are retiring and there is a shortage of quality staff," he said. "Already, we've told the government and Bangladesh Bank of our requirement to recruit quality staffs," he added.

At the same time, Rahman said the bank must also reach out to



SM Aminur Rahman

Janata Bank at a glance

Authorised capital: Tk 800 crore
Paid up capital: Tk 259.39 crore
Reserve: Tk 172.65 crore
Total assets: Tk 21,266.39 crore as on Dec 2006
Total Branches: 848 including 4 overseas branches.

Source: Bank website

customers and compete with its private rivals. To do this, a range of new products are to be launched by the end of March. These are expected to cover accounts for education, marriage and the Hajj.

According to officials, Janata Bank had 16 per cent classified loans in 2007, compared to about 13 per cent in 2006. As on

December 31, 2007 classified loans of the bank stood at Tk 1,909.01 crore from Tk 1,703.84 crore last year.

Rahman said: "We're identifying reasons why the default loans are becoming bigger."

Wilful and genuine defaulters will be identified and treated accordingly, he said.

Govt relaxes rules on 'cost of fund recovery' to waive interest

STAR BUSINESS REPORT

The government has relaxed rules on the cost of fund recovery regarding waiver of interest against loans provided by the state-owned banks, a finance ministry circular issued Tuesday said.

However, economist Dr Atiur Rahman suggested that bankers should not get monopoly to implement the new decision.

"Government representatives and other experts should be included in the implementation process so that defaulters could not escape the purview of the new rules," Rahman, who teaches Development Studies at Dhaka University, told The Daily Star yesterday.

The banks earlier could write off the interests against loans with charging the 'cost of fund'. With the issuance of the circular Tuesday, now the banks are allowed to waive the interests without taking anything for such a cost.

The cost of fund hovers between eight and nine percent, depending on the banks.

According to a Janata Bank official, the bank charges 8.5 percent of the cost of fund, which includes 7 percent interest for deposits and 1.5 percent for administrative costs.

The government relaxed the cost of fund recovery rules in four categories. These are: Closed and abandoned projects, projects whose collateral is not enough to realise the cost of fund, if the interest exceeds 200 percent of the actual loan amount and finally, in case of death of the clients, natural disasters and river erosion etc.

Biscuit, bread makers want lower rates

STAR BUSINESS REPORT

Biscuit and bread makers have demanded that government take initiative to bring down bank interest rates on loans below 10 percent.

"We want the government to reduce lending rates below 10 percent. We also expect the government to continue cash incentives for the export-oriented agricultural products," Shafiqur Rahman Bhuiyan, president of Bangladesh Auto Biscuit & Bread Manufacturers Association, told the association's annual general meeting in Dhaka on Tuesday.

Shafiqur also expressed concern over imposition of VAT (Value Added Tax) on food products.



Chief Adviser Dr Fakhruddin Ahmed addresses the opening of the 2nd National SME Women Entrepreneurs Conference 2008 at a city hotel yesterday. SME Foundation Chairperson Abdul Mueyed Chowdhury and ADB Country Director Hua Du are also seen.

Ease lending system for SMEs run by women entrepreneurs

STAR BUSINESS REPORT

Chief Adviser Fakhruddin Ahmed has asked banks and other financial institutions to ease their lending system so that loans at a reduced interest rate for any SME (small and medium enterprise) scheme taken up by women entrepreneurs are ensured.

"All private and public commercial banks should set up SME operation units or desks in their organisations for speedy and easy delivery of loans to women entrepreneurs," the head of the caretaker government said inaugurating the second National SME Women Entrepreneurs Conference 2008 at the Pan Pacific Sonargaon Hotel in Dhaka.

He identified collateral, high lending rate, inadequate market information, traditional management culture and family obligations on women's part as some hurdles that stand in the way of flourishing SMEs.

Fakhruddin asked the banks to waive collaterals and lower lending rates.

The theme of the conference this year is 'empowering women entrepreneurs towards a shared economic growth'.

Chaired by SME Foundation

Chairperson Abdul Mueyed Chowdhury, the opening session was attended among others by Mahbub Jamil, special assistant to the chief adviser, Dr Salehuddin Ahmed, Bangladesh Bank governor, Hua Du, ADB country director, and Ayub Miah, SME Foundation managing director.

Fakhruddin Ahmed said since SMEs have been playing a vital role in the national economy through generating employment and empowering women, every bank and financial institutions should create woman-friendly environment to provide loans for them.

He also advocated making tariffs SME-friendly to facilitate the sector to contribute more to the national economy.

Lauding female workers' contribution to the ready-made garments sector, Fakhruddin pointed to the fact that local apparel exporters have been showing their good performance even in the quota-free global business regime due to strong support from these RMG workers.

Mahbub Jamil laid emphasis on launching some model and pilot projects for the development of the SME sector in the greater interest of industrialisation.

"SME sector should be devel-

oped for raising women's participation in mainstream economic activities," Jamil said.

Salehuddin Ahmed said Bangladesh Bank (BB) has defined the SME as a micro-level sector to facilitate small entrepreneurs' easy access to credit.

According to the central bank definition, SME is an enterprise having a capital ranging from Tk 50,000 to Tk1 crore.

The BB governor said BB has a fund of Tk 606 crore, of which Tk95 crore has been kept earmarked especially for the women entrepreneurs at maximum 10 percent interest rate.

Salehuddin Ahmed expressed his dissatisfaction over the attitude of the commercial banks and financial institutions towards loans for the SME projects run by women entrepreneurs.

"If necessary, BB will enhance the amount of reserved fund for the SMEs run by women entrepreneurs," he said.

He suggested that women should come forward to invest money in sectors like agro-processing, RMG and furniture.

Hua Du said SME development can contribute a lot in removing gender discrimination and skill development for the women in ICT.

Price of edible oil to be fixed fortnightly

UNB, Dhaka

The price of edible oil will be adjusted fortnightly with the international price, a meeting at the commerce ministry decided yesterday.

"The refiners will adjust the price in consultation with the commerce ministry," Bangladesh Vegetable Oil Importers and Refiners Association President A Rof Chowdhury told reporters after the meeting.

Commerce Adviser Dr Hossain Zillur Rahman chaired the meeting, which was attended by BDR director general Maj Gen Shakil Ahmad, senior officials from government agencies concerned, and representatives from edible oil importers, refiners and traders.

Hossain Zillur said a decision regarding the marketing of edible oil at negotiated price has been made at the meeting.

He said the meeting also decided to enforce mandatory attachment of MRP (maximum retail price) sticker on the edible oil containers.

"Otherwise, stern legal measures would be taken," he added.

He also urged the people not to pay more than what is printed on the price-sticker.

The adviser said a briefing with print and electronic media on edible oil price issue will be held on February 24.

CSR, compliance issues stressed to better business

STAR BUSINESS REPORT

Business houses should ensure corporate social responsibility (CSR) practices and address other compliance issues for their smooth operations, said deputy British high commissioner to Bangladesh at a seminar in Dhaka yesterday.

"CSR is not only the right to do morally but also the correct thing to do commercially," Duncan Norman said.

The seminar on 'The Corporate Social Responsibility in the Factory' was jointly organised by British High Commission in Dhaka, UK Trade and Investment, British Business Group, and Reed Consulting (Bangladesh) Ltd.

Norman said every business has some social obligations that include maintaining good labour relations, and ensuring safety in workplace and least harm to environment.

\$125m Catalyst loan to ASA for overseas operations

JASIM UDDIN KHAN

Catalyst Microfinance Investors (CMI) will provide US\$ 125 million to one of Bangladesh's leading micro-finance institutions, ASA, to fund its rapid establishment and growth in Asia and Africa.

An agreement to this effect was signed recently between CMI and ASA, sources said.

The CMI has managed the fund from leading international institutional and private investors -- ABP, a Dutch pension fund, and TIAA-CREF, a US financial services organisation.

CMI is a private equity fund that invests in emerging, high potential micro-finance institutions, selected and managed by a team of globally renowned micro-finance practitioners and corporate finance specialists.

ASA International is one of the CMI's major investment vehicles,

managed in partnership with ASA, which serves over 6 million micro-entrepreneurs from around 3,000 branches spread across the country.

Each of ASA International's micro-finance operations has adopted ASA's successful model of micro-finance, which is well recognised for its rapid scalability and low operating costs.

CMI and ASA International have already started operations in Cambodia, Ghana, India, Nigeria, Pakistan, the Philippines and Sri Lanka, and the organisations expect to commence operations in China and Indonesia within this year.

ASA President Md Shafiqul Haque Chowdhury said there are an estimated 1 billion potential micro-finance clients around the world of which around 120 million are being served now.

He expressed hope that the fund will enable ASA to build and develop large-scale and highly

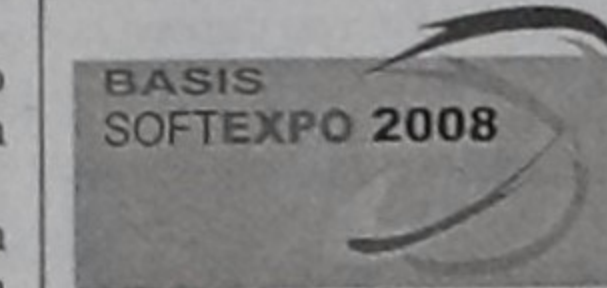
efficient micro-finance institutions in developing markets around the world.

"It will also provide the poor in these regions, who have no access to banks or financial institutions, with credit and other basic financial services for the first time," he said.

The Asian Development Bank termed the ASA's 'cost-effective sustainable micro-finance model' as the 'Henry Ford Motor Model of Micro-finance'. Recently, ASA was recognised by Forbes Magazine as the world's most successful micro-finance institution.

As of December 31, 2006, ASA had a total loan portfolio of US\$294 million, of which less than one percent was overdue, and retained earnings of US\$196 million.

Its 6.5 million clients, of whom 5.2 million are borrowers, have been served through 2,931 branches by 18,400 staff members.



Industry claims local IT, software save Tk500cr annually

STAR BUSINESS REPORT

Local information technology and software service providers yesterday claimed that they were helping Bangladesh to save Tk 500 crore foreign currency annually.

Most of the large exporters, particularly in readymade garments, knitwear, pharmaceuticals and leather sectors, are using local software and IT-enabled services making the software a significant contributory factor for national export earning, they said.

"If local companies could not deliver the required software and services, it would have to be purchased from foreign companies at higher price," Rafiqul Islam Rowly, president of Bangladesh Association of Software and Information Services (BASIS), told a press conference in Dhaka on the eve of the BASIS SOFTEXPO 2008, an annual fair.

More than two hundred local and international exhibitors will take part in the fair, with top management, chief executive officers and directors of some of the world's leading companies attending.

Visitors will be able to explore the latest technology and service provided by Bangladeshi companies in various countries, industry people said.

One of the major goals of the event is to present Bangladesh ICT market potentials to the local and international players in the field such as service providers, foreign investors, development agencies, policy makers and ICT associations etc.

The exhibitors will represent different sectors of the ICT industry, such as IT training institutes, consultancy firms, developmental companies, government departments and financial service providers. Seminars and workshops will keep visitors busy, organisers said.