

Stocks

DGEN	0.17%
3,016.48	
CSCX	0.39%
5,380.16	

Asian Markets

MUMBAI	1.44%
15,644.44	
TOKYO	2.30%
12,525.54	
SINGAPORE	0.81%
3,007.36	
SHANGHAI	3.0%
3,472.71	

Currencies

	Buy TK.	Sell TK.
USD	68.20	69.20
EUR	106.33	110.96
GBP	134.49	139.68
JPY	0.68	0.71

SOURCE: STANDARD CHARTERED

Commodities

Oil	\$104.81 (per barrel)
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SOURCE: AFP

More News



Pierre-Henri Gourgeon, Deputy CEO of Air France-KLM and President and Chief Operating Officer of Air France, speaks during a press conference in Central London yesterday. B-4

MCCI demands tax holiday to local industries for another 5 years
Metropolitan Chamber of Commerce and Industry (MCCI) yesterday demanded of the government to renew the tax holiday benefit for another five years to enable local industries gain competitive strength. B-3

International

India's Hinduja group eyeing France's Valeo
Indian conglomerate Hinduja is in talks to buy a controlling stake in France's automotive supplier Valeo for up to 1.5 billion dollars, a newspaper report said Monday. B-4

Bangla Biz Lexicon

FBCI - Federation of Bangladesh Chambers of Commerce and Industry, the apex representative organisation safeguarding the interest of the private sector in trade and industry in Bangladesh. Its current president is Annisul Huq.

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Biman set to take on private airlines with 49pc stake sale

SOHEL PARVEZ

The government plans to sell 49 percent of its shareholding in Biman Bangladesh Airlines Ltd this year through stock markets. The offer, and subsequent listing in the country's stock exchanges, will help the beleaguered state-owned airline improve its cash flows substantially and take on private carriers, a top government functionary said yesterday.

"We will off-load 49 per cent of Biman's shares to raise funds and improve the cash flow. The public offer will also create a remarkable impact on the stock markets," Mahubul Jamil, special assistant to Fakhrudin Ahmed, Chief Adviser, in-charge of the Civil Aviation and Tourism Ministry, told The Daily Star, on the sidelines of a discussion organised by Metropolitan Chamber of Commerce and Industry. Biman has an authorised capi-

tal of Tk 15,000 crore.

The stake-sale announcement comes two weeks after Biman Bangladesh Airlines sealed a deal with US-based Boeing to purchase eight new aircraft for \$1.265 billion. The airline currently has a fleet of dozen aircraft, including four F 28s and three A 310-300s. With an expanded fleet, it hopes to take off and give domestic private carriers serious competition, besides cutting down its own losses, estimated at \$ 100 million during 2006-07.

Jamil, who also chairs Biman board, said the shares will be off-loaded through a direct listing process. "We will try our best to offload the shares within this year," he said. In fact, he expects the carrier to break-even in the current financial year itself. The government had corporatised Biman in July 2007, which has now enabled the divestment plan. This will be the first

READY FOR TAKE-OFF

TURBULENT PAST...

- Losses in 2005-06: USD120 million
- Losses in 2006-07: USD 100 million
- As on date, it operates on 16 international routes
- Number of aircraft: 12 now including four F-28s and three A 310-300s
- Suspended flights to New York, Paris & Tokyo among other cities in 2006

...ROCKING FUTURE?

- Has signed a deal with Boeing to buy 8 new aircraft
- Cost of acquisition: \$1.265 billion (Tk 8,855 crore)
- The purchase to be funded by US Exim Bank and syndicated bank loans
- Four Boeing 777-300s to be delivered by 2013 and four Boeing 787-8s to be delivered by 2017
- Workforce estimated post-restructuring: Less than 4,000

such listing of an airline in the country. In the last one year, as many as three new domestic private airlines have commenced operations.

The national carrier, which incurred a loss of Tk 455 crore in the fiscal year 2005-06, has narrowed the loss margin by over half to Tk 272 crore last fiscal.

Analysts, however, were not

sure if the minority stake sale will help Biman since it continued to be majority owned by the government. Imran Asif, an aviation industry consultant, said, "This will not help Biman sustain its business in the long run. The management control must go to the private sector if Biman is to be profitable and sustainable," he said, adding that only a sale of 51 per cent or

more will help Biman in the longrun.

The national carrier now flies to 18 international destinations, competing with over 20 local and foreign and local airlines, which together dominate the air. Saudia, Emirates, Singapore, Thai and Gulf airlines are the global players in the Bangladesh aviation market. Domestic firm GMG too is

"The offer, and subsequent listing in the country's stock exchanges, will help the beleaguered state-owned airline improve its cash flows substantially and take on private carriers"

spreading fast with flights to the Middle-East and South-East Asia. The country's total air traffic is estimated to be growing at over 7.5 per cent a year.

Losses and crew shortages had, in several earlier occasions, forced Biman to suspend flights to eight international destinations. The Biman chairman said the national carrier had paid of all its liabilities to Bangladesh Petroleum

Corporation. "We are now buying fuel in cash. We have paid over Tk 580 crore to BPC since April last year," said MA Momen, chief executive of Biman Bangladesh Airlines. The airline will go for an independent valuation of its assets once it pays dues to the tune of Tk 573 crore to civil aviation authority.

Momen said the listing would help the airline improve its accountability and also strengthen its financial health.

Yawer Sayeed, Chief Executive of asset management firm, AMS, which manages funds of over Tk 100 crore, said the market had the capacity to absorb such a big issue. "Whether the listing will benefit the market and investors will depend on correct valuation and pricing. There must be a transparent and competitive book building process," he said.

BTTB launches pre-paid cards to be more competitive

STAR BUSINESS REPORT

Bangladesh Telegraph and Telephone Board (BTTB), the state-run land phone operator, launched pre-paid cards last week for as many as 10,000 customers initially in Dhaka city to come back in the competition in the land phone market.

It also includes a proposal to reduce its call rate, which now awaits the telecommunications ministry's endorsement, in its plan to give customers a better service as it turns into public limited company this month.

Industry insiders say this move by the BTTB, which enjoyed a monopoly in the country's land phone market up to 2005, will certainly fuel competition between public and private landline operators.

As per the plan, the customers whose numbers start with 93, 834, 835, 95, 98, 885, 805, 91, 815, 90, 895, 96 and 865 can convert their existing post-paid line to a pre-paid one. The BTTB's prepaid customers will

also get broadband internet facility.

"The BTTB launched pre-paid billing system to provide hassle free services to its customers. If it succeeds, it could be expanded," Iqbal Mahmud, secretary to the Ministry of Telecommunications, told The Daily Star yesterday.

According to the BTTB's new pre-paid billing system, monthly line rent and VAT (Value added tax) will be deducted from the card automatically. The present BTTB's line rent in Dhaka is Tk80. The BTTB initially has launched two prepaid cards of Tk200 and Tk500.

Commenting on the BTTB's prepaid billing system, Masrur Nawaz Waiz, head of operation and coordination at RanksTel, the country's leading private land line operator, said, "We should welcome it. Because any new initiative from a rival will encourage others to do better for the customers."

Record levels of foreign investment in EPZs

JASIM UDDIN KHAN

Foreign investment into the country's Export Processing Zones has hit record levels this year, with the weaker dollar, low labour costs and easy access to markets in Asia encouraging foreign manufacturers.

Agreements have been reached for more than USD\$300 million worth of foreign investment in the EPZs since the turn of the year. This is on top of the \$130 million agreed in the last six months of 2007.

The surge is in marked contrast to foreign investment levels outside the EPZ which fell in the second half of 2007 to \$368 million compared to \$411 million in the same period a year earlier.

The Bangladesh Export Processing Zone (Bepza) also said it is receiving much larger scale investment proposals, many from non-garment manufacturers.

"The Bepza never received over \$100 million investment projects at a time, but during the last couple of months we

received several investment contracts that are worth more than \$100 million," Bepza Executive Chairman Brg. General Ashraf Abdullah Yussuf said.

He said Taiwanese furniture manufacturing company Tri Max Global Company Ltd. signed an expression of interest (EoI) with the government last month to invest around \$120 million. The company booked 54 plots at Chittagong Kharnafuli EPZ. According to its proposal the company is planning to relocate their Malaysian plant to Bangladesh to reduce skyrocketing production costs.

A South Korean company Paka Textile has proposed to set up a weaving mill to produce fashion fabrics for exporting or for garment manufacturers in Bangladesh by investing around \$120million. Paka Textile is acquiring for 60,000 square meter land at the Adamjee EPZ at Naryangonj.

Another Taiwanese company, Golden Chang, came to Bangladesh in January this year to invest here around \$70 million for setting a leather shoe

factory.

Besides an American company 'Leviathan Global Corporation' expressed its interest to invest \$70 million to set up a 50 MW power plant and a tyre industry in Karnaphuli Export Processing Zone (KEPZ).

The Bepza chairman said the international entrepreneurs are attaching top priority to Bangladesh because of the country's close proximity to the fast growing South and South Asian markets and the fact that it is within easy reach of the Middle East.

Another reason for Bangladesh's attraction for foreign investors has been the availability of an inexpensive and productive labor force, he added.

Azizur Rahman, Bepza General Manager (Investment Promotion) said some major footwear and leather goods producers and buyers from China, Taiwan and Italy are looking Bangladesh as a probable destination for relocating their production facilities.

Bangladesh has been spotted by the foreign shoemakers

INVESTMENT AT BEPZA		FOREIGN DIRECT INVESTMENT OF THE COUNTRY	
YEAR	INVESTMENT (in USD)	FISCAL YEAR	FDI
2000-01	48.41	2002-03	376
2001-02	55.61	2003-04	385
2002-03	102.63	2004-05	776
2003-04	115.04	2005-06	743
2004-05	118.52	2006-07	760
2005-06	112.89	2007-08	368
2006-07	152.37		(six months)
2007-08	129.85		
(1st Six Months)			

for investment as its shoes exports get zero tariff access to European markets while Chinese and Vietnamese shoes export face anti-dumping duty, Azizur Rahman added.

Changing economic and political conditions in the Asian region are now prompting many international investors to reassess their investment strategies and plan for relocating their investments.

Those changes are providing opportunities for Bangladesh to attract higher levels of FDI and take up production and marketing operations that are being shifted

from other countries.

Rising wage rate and production cost in many Asian countries are making them less attractive as sites for labor-intensive low-cost manufacturing.

Bangladesh Export Processing Zones Authority (BEPZA) was set up by an Act of Parliament in 1980 to attract foreign capital and technical know-how and thereby boost exports through the establishment of export-oriented industries in special zones with special facilities.

jasim@thedailystar.net



Nobel Prize winner Muhammad Yunus (R), the founder of Grameen Bank, talks with French President Nicolas Sarkozy (2ndL) at the Elysee palace in Paris, yesterday during a meeting with the Minister of Foreign and European Affairs Bernard Kouchner (L) and the President of the French Commission for the liberation of Economic growth Jacques Attali (2ndR). Grameen Bank made its name by lending money to poor women who are trying to start small businesses but cannot borrow from banks because they do not have a good enough credit rating or bank accounts.

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