Star Business

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Stocks

DGEN	3,025.56	0.30%
CSCX	5,432.19	0.96%

Asian Markets

MUMBAI	15,626.62	0.11%
TOKYO	12,656.42	1.04%
SINGAPORE	3,046.54	1.30%
SHANGHAI	3,329.16	4.13%

Currencies

	Buy TK.	Sell TK.
USD	68.20	69.20
EUR	106.06	110.69
GBP	133.62	138.79
JPY	0.68	0.71

SOURCE: STANDARD CHARTERED

Commodities

Gold	Oil
$920.00 (per ounce)	$101.31 (per barrel)

SOURCE: AFP (As of Friday)

More News

SK ENAMUL HAQ

Stephen R Bolze, president of Power Generation Division of global power giant General Electric (GE) Company, says Bangladesh is the world's fastest growing small gas engines market for power developers.

B-4

Third asset management firm gets SEC nod

After a 10-year break the stock market regulator yesterday allowed the third asset management company, Venture Investment Partner Bangladesh Limited, for managing funds including mutual.

B-3

International

UBS reveals another $19b subprime drama

Swiss bank UBS revealed a second round of subprime-related writedowns of about 19 billion dollars on Tuesday, becoming the world's worst-hit bank in the US mortgage crisis.

The latest writedown was the biggest single subprime hit so far worldwide, and came on top of 18.4 billion dollars (11.7 billion euros) the bank wrote down in 2007.

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

Three state-run banks eye IPOs

Sonali expects Tk 900 premium on Tk 100 share

SAJJADUR RAHMAN

The three newly-corporatised state-owned banks -- Sonali, Agrani and Janata -- have sought the finance ministry's approval to raise funds from the primary market to shore up their capital. The three banks face a total capital shortfall of Tk 6,500 crore.

A senior Sonali Bank official, who did not wish to be named, told The Daily Star, "In the transitional period post-corporatisation, we have jointly proposed to tap the market to meet our capital needs." The finance ministry had earlier refused the three banks, corporatised in November 2007, to transfer their profits to make up for a shortfall in their capital.

SA Chowdhury, CEO, Sonali Bank, the largest commercial bank in the country with total assets of Tk35,000crore in September 2007, signed the joint proposal. Sonali has sought permission to raise Tk 1,000 crore by floating one crore shares, each with a face value of Tk 100, at a premium of Tk 900.

In fact, according to the Supervision Report for July-September 2007 of Bangladesh Bank, the regulator for the banking sector, Sonali Bank faces a huge shortfall of Tk 3,600 crore, Agrani and Janata banks' shortfall are Tk 2,000 crore and Tk 900 crore, respectively.

BANKING ON CAPITAL

STAR BUSINESS exclusive

	SONALI	JANATA	AGRANI
Accumulated loss	3,976	653	1,445
Deficit in provision	521.95	0	52.03
NPL[a]	7,065	1,831	2,925
ROA[b]	-1.31	0	0
Camels Rating	4	3	4

Note: In CAMELS rating, 1 is the best and 5 worst
a-non performing loans; b-Return on assets
All fig in TK crore; ROA in %

Officials attributed the huge shortfall due to a continuous rise in accumulated losses and non-performing or classified loans. The accumulated losses of the three banks cumulatively stand at Tk 6,074 crore. The NPLs of Sonali, Janata and Agrani, as a percentage of their total advances, were 30.33 percent, 14.63 percent and 29.37 percent, respectively, at the end of September 2007.

State-owned banks not only face capital shortfall but also image and governance crisis due to unabated corruption and malpractices by a section of officials for years. Under the nationalised commercial banks reform programme, the government corporatised Sonali, Janata, and Agrani in November last year, and put the fourth bank Rupali on the privatisation track.

The government then asked these banks to submit a three-year transitional plan to overcome the capital shortfall crisis and improve their services to sustain the competition. State-owned banks have been continuously losing market share and accounted for 32.7 percent of the total industry assets in 2006 compared with 37.4 percent in 2005.

In their earlier proposal to the finance ministry, the three banks proposed three options transfer of profit, offloading shares in the capital market and revaluation of assets to make up their capital shortfall. With the ministry refusing to let them transfer profits, the banks are left with just two options. "But we prefer raising funds from the market," a senior Sonali Bank official said. "We will approach the SEC after the finance ministry approves the fund raising plan," he added.

sajjad@thedailystar.net

WB warns East Asia on food, fuel prices

AFP, *Singapore*

Soaring food and fuel prices are now East Asia's biggest challenge, even more than the US financial turmoil which is roiling global markets, the World Bank said on Tuesday.

In its half-yearly report on East Asia, it said the region could see an aggregate income loss of one percent of gross domestic product due to price increases, which it said were hitting the poor especially hard.

"Dealing with high food and fuel prices probably constitutes a greater challenge to governments in East Asia than the financial turmoil in the United States and a slowing global economy," it said.

The bank defines East Asia as including Southeast Asia and most other countries in the region, including China but not Japan.

Vikram Nehru, the bank's acting chief economist, warned higher commodity prices are not about to ease up, making it even more urgent that policymakers take the right measures to alleviate the burden on the poor.

"I think for all commodity prices, this is not a short-term problem," he said during a teleconference from Tokyo.

"There may be volatility, they may come down for awhile, but I think eventually we are expecting a relatively long period of elevated prices in metals, in food and oil," he said.

PAYING A PRICE FOR RICE

AMRAN HOSSAIN

People throng BDR-run fair price shops at Agargaon Community Centre ground to buy subsidised rice at 25-30 percent less than market rate.

Yarn consumption jumps in Jan-Feb

With new factories coming up, knitwear sector hopes to grow 40pc this year

REFAYET ULLAH MIRDHA

Yarn consumption jumped sharply in the first two months of the current calendar year, reflecting Bangladesh's knitwear sector's growing strength.

The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) says consumption in January was 67 percent higher than what it was in the same month a year earlier. In February, it jumped 35 per cent than the consumption in February 2007.

Yarn is the main raw material used in knitwear products. Last year knitwear overtook woven products as the country's largest single export item.

"The trend of yarn consumption in March is also very high. We are looking at a year-on-year increase of around 40 percent," said MA Baset, managing director of Southern Knitwears Ltd, based in Gazipur.

The country's knitwear sector witnessed huge investment in the last quarter of the current fiscal on huge orders from foreign buyers, industry owners said. Investors attributed the Generalised System of Preference (GSP) facility to such a boom in the sector. Under GSP, developing countries such as Bangladesh get tariff exemption on export garments to developed markets.

Easy availability of fabrics and yarn in the local arkets has prompted entrepreneurs to come up with the increased investment proposals.

Appreciating Yuan has helped export more knitwear

BKMEA's latest data show local suppliers can now provide 90 per cent of the total fabric and 75 per cent of the yarn requirement. As many as 15 knitwear factories are being added every month, said Fazlul Hoque, president of BKMEA.

"I hope many more knitwear factories will come into production soon given the opportunity that has been thrown open for Bangladesh following the appreciation of Chinese currency against the US dollar," Hoque said.

At present, there are over 1,700 factories in Bangladesh. But BKMEA has just about 1,350 members. The Chinese Yuan appreciated over six per cent in 2007 and at least three per cent in the first two months against a fast falling US dollar, some media reports said.

As per BKMEA data, Bangladesh consumed 582.69 million kgs of yarn per day in 2005-06 fiscal against 424.18 million kgs per day consumption in 2004-05 fiscal. Such consumption in 2003-04 fiscal was 323.44 million kgs per day, while in 2002-03 fiscal it was 244.27 million kgs per day.

reefat@thedailystar.net

Weak exports may pull down China growth: WB

AFP, *Singapore*

China's economic growth will slow to an estimated 9.4 percent in 2008 from 11.4 percent last year, ending five straight years of double-digit expansion, the World Bank said Tuesday.

Growth next year is projected to ease still further, to 9.2 percent, with the slack partially offset by robust domestic demand, the Washington-based institution said in a half-yearly report on the East Asia region.

The slower growth, a result of weaker exports, will likely be welcomed by Beijing policymakers who have struggled to cool the economy despite a raft of measures aimed at averting overheating, the bank said.

"While the uncertain global outlook may slow China's exports, the country's growth is expected to remain robust, and the authorities are well positioned to stimulate demand if needed," it said.

"This growth rate reflects not only the ability of Chinese exporters to seek alternative export markets but also the growing role of domestic demand."

The Chinese economy held up in 2007, posting its fifth straight year of double-digit expansion despite slowing exports, especially to the United States, the report said.

However, inflation rose last year and showed no signs of easing this year because of higher food prices, which were made more pronounced due to tight pork supplies, it said.

"With households spending on average more than one-third of their incomes on food, the food price hikes have affected purchasing power, particularly of the urban poor and some rural groups, although higher food prices benefit net food producers in rural areas," it said.

"In addition, international prices of energy, industrial materials and agricultural products continue to rise and will gradually exert their influence on domestic prices."

Premier Wen Jiabao and other officials have repeatedly called for the stabilisation of food prices, voicing worries that rising costs of food could lead to social unrest.

The Chinese government has targeted eight percent economic growth for this year while aiming to maintain inflation at 4.8 percent.

Another report from Phnom Penh adds: Cambodia's economic growth is expected to slow by more than two percentage points this year to 7.5 percent due to high inflation and a downturn in garment exports, the World Bank said Tuesday.

The economy grew by 9.6 percent in 2007, but growth this year will be held back by weakness in the garment sector, Cambodia's largest source of foreign exchange, the bank said.

The garment industry grew only 8.0 percent last year after suffering a dismal fourth quarter that saw orders plummet by nearly half, it said.

Biman listing likely to hit regulatory snag

SOHEL PARVEZ

State-owned Biman Bangladesh Airlines plans to list on the stock markets through a public offer of shares may encounter a regulatory hurdle. The Direct Listing Regulations of Dhaka Stock Exchange require a company to be profit-making in at least three of the immediate past five years to be eligible for getting listed.

Biman Chairman Mahbub Jamil, who is also Special Assistant to Chief Adviser Fakhruddin Ahmed, had on Monday, said the government planned to sell 49 per cent in Biman to raise funds for the cash-strapped national carrier. "The offer will also create a remarkable impact on the stock markets," he had said.

While Biman has an authorised capital of Tk 15,000 crore, much more than the regulatory requirement of Tk 10 crore, it has been posting continuous losses for the last many years. For the year-ending June 2007, the losses were to the tune of $100 million (about Tk 700 crore).

Biman's rivals, however, expressed mixed reaction on the national carrier's plan to tap the primary market. Hanif Zakaria, area manager for Emirates in Bangladesh, said selling shares to public would bring better results for Biman since it would then focus on profitability. "It will employ more commercial-minded people, which in turn, will improve Biman's service standard," he said.

Emirates, which is the market leader in Bangladesh, feels there is enough business for every airline. "The market is growing and everybody will benefit from this," Hanif said.

"The move will enable Biman to be stronger and help it become competitive," said M Haider Uzzaman, Chairman of Best Aviation Ltd, a new private domestic airline, which launched operations in January this year

> While the Dhaka Stock Exchange listing regulations require a company to post profits for at least three years in the immediate past five years, Biman has been posting losses for the last many years

and now expects to fly aboard in the coming months. "People (investors) will be more interested in the business, and it will bring dynamism in Biman's operation," he said.

Not all rivals, however, agree with Hanif and Haider. Shahab Sattar, managing director of country's biggest private operator GMG Airlines, feels the move will not mean much if management control remains in the hands of government.

Sohel@thedailystar.net