

TRANSTEC
Split AC

CS 24T/EM (24,000 BTU/hr)
CS 18T/EM (18,000 BTU/hr)
CS 12T/EM (12,000 BTU/hr)

TRANSCOM ELECTRONICS

8553464-8
01712-465463

Stocks

DGEN 1.01%
3,101.83

CSCX 0.50%
5,681.88

Asian Markets

MUMBAI 0.45%
16,275.59

TOKYO 1.79%
13,893.31

SINGAPORE 0.39%
3,115.35

SHANGHAI 0.89%
3,375.41

Currencies

	Buy TK.	Sell TK.
USD	68.05	69.05
EUR	105.93	110.54
GBP	133.22	138.39
JPY	0.65	0.69

SOURCE: STANDARD CHARTERED

Commodities

Oil \$133.22 (per barrel)

SOURCE: AFP

More News

Another firm to recast board

Following Mona Food's board reconstitution, another listed company, Niloy Cement Industries, is going to recast its board in line with the Securities and Exchange Commission (SEC) notification, to improve the company's performance.

Bangladesh to request IDB to double oil import financing

Bangladesh will request the Islamic Development Bank (IDB) to double its financing for fuel oil imports, a meeting on fuel oil financing at the Planning Ministry decided yesterday.

B-3

International

Airline, casino builder eye Vietnam's skies, beaches



An Australian low-cost airline and a Canadian luxury resort and casino developer have launched two ambitious projects that aim to revolutionise Vietnam's fast-growing tourism industry.

China plans creating three telecom giants

China plans to create three telecom giants as it seeks to bring balance back to an industry where mobile operators have seen the fastest growth by far, the government and state press said Tuesday.

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Contact Us

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

BB allows hedging against commodity price risks

STAR BUSINESS REPORT

The central bank yesterday published guidelines allowing hedging the price risks of commodities in Bangladesh.

Hedging is a future transaction that acts as a substitute for a later cash transaction. It is roughly equal and opposite to the position the hedger has in the cash market. End-users need to hedge the prices at which they can purchase these commodities following volatility in the international commodity markets.

"It has now been decided that authorized dealers (ADs) can hedge the price risk of commodities of their customers by prior approval of the Bangladesh Bank (BB)," a BB circular issued said.

ADs are those who can handle foreign exchanges in Bangladesh.

The circular said ADs must completely hedge the commodity price risk arising from the commodity hedge transactions by booking back to back transactions with banks having international standing or their branches operating in Bangladesh.

"Uncertainties in imports will be reduced and easier for

importers in speculative market," BB Governor Dr Salehuddin Ahmed told reporters at his office.

The BB Governor said risks would also reduce with allowing hedging.

Businessmen, particularly importers, have long been demanding hedging facility to minimize their risks in the wake of soaring prices of essentials and energy products in the international markets.

The BB guidelines said the use of commodity derivatives would only be permitted when customers have genuine underlying commodity price risk exposures. This can be monitored by the ADs through checking of the underlying risk exposure documents.

It said any kind of speculation through the use of commodity derivative instruments would not be permissible.

Commodity derivatives, which were traditionally developed for risk management purposes, are now growing in popularity as an investment tool. The commodity derivatives market is a direct way to invest in commodities rather than investing in the companies that trade in those commodities.

To become eligible for offering commodity derivative products, ADs must have the ability to monitor the credit and market risk arising from such products, the guideline said adding that ADs also have to forecast price to customers. ADs must mention all the downside risks and worst case scenarios of a commodity derivative hedge to the client prior to entering into a transaction.

The ADs will also have to follow the reporting requirements set by the central bank including audited financial statements with adequate disclosures of commodity hedge transactions. ADs will also have to send a detailed report to BB after each transaction reaches maturity.

Ibrahim Khaled, an experienced banker, said the move would benefit only if it is managed professionally. "Expertise is needed to exploit the benefit of hedging," he added.

Khaled said: "The move would benefit importers more than the consumers."

The central bank earlier on Wednesday asked commercial banks to treat the price risk of commodity transactions as an off-balance sheet item for calculation of the capital adequacy.



- Hedging is a future transaction that acts as a substitute for a later cash transaction.
- Authorized dealers can hedge the price risk of commodities of their customers by prior approval.
- Hedging will benefit importers more than the consumers.
- Any kind of speculation through the use of commodity derivative instruments will not be permissible.

Ex-Siemens official admits setting up slush funds

AFP, Germany

The first hearing on corruption at Siemens began Monday with a defendant acknowledging the existence of a slush fund at the giant German industrial group.

Reinhard Siekaczek, 58, a former head of Siemens' fixed telephone unit ICN, said he had set up, with the approval of his superior, a fund used to pay kickbacks.

Some 53 million euros (84 million dollars) was paid into this fund over three years, he said.

In all, Siemens has acknowledged that 1.3 billion euros disappeared into various funds following an internal probe that began in late 2006.

Investigators have since determined that payments to obtain foreign contracts was a widespread practice among Siemens' various divisions.

To date however, only one judicial ruling has been issued in connection with the affair.

In late 2007, a fine of 201 million euros was levied against the group's communications systems division, which was the first identified as having made illicit payments.

The trial of Siekaczek marks the start of proceedings against individual managers suspected of having taken part in the kickback system.

Several senior Siemens directors have also been identified as suspects but former boss Heinrich von Pierer, a high profile German industrial figure, is not expected to face serious charges.

10-yearly trade licence under scrutiny

DCC mayor assures businesspeople

STAR BUSINESS REPORT

The Dhaka City Corporation (DCC) mayor has assured businesspeople of examining the possibility of issuing trade licences to them for a period of 10 years, instead of the existing 5-yearly licences.

"I agreed in principle that the trade licences for a tenure of 10 years should be in place for the convenience of the businesspeople," Sadeq Hossain Khoka told a team of businesspeople yesterday, adding that the DCC would see how the licences could be issued immediately after they asked for those.

The delegation from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), led by its President Annisul Huq, met the mayor at his office.

During the meeting between the two sides, it was pointed out that the tenure of the existing 5-yearly trade licences would expire next month.

The mayor also assured the FBCCI team that the DCC continued to put its efforts in simplifying the procedure of issuing licences.

In 2003, the DCC started issuing trade licences to the businessmen for a five-year

period annulling the previous one-year renewal system.

As per a decision of yesterday's meeting, a DCC booth will be opened at the FBCCI office so that the businessmen can collect their necessary trade licences at their convenience.

Earlier, the FBCCI chief suggested that the new traders should be exempted from giving an advance income tax for two years at the time of getting licences, as many a traders cannot afford to give such tax just after stepping into a new business.

"Since the main strength of trade in Dhaka city is the small and medium enterprises (SMEs) and in most of the cases the owners are small capital holders so the DCC should not charge advanced income tax," Annisul Huq said.

In the meeting President of the Bangladesh Dokan Malik Samity Amir Hossain said, "There are more than 3 lakh shops in the city. Of them, one lakh are licenced."

He also pointed to the fact that small traders face troubles when tax and sanitary inspectors ask them to show fire licences and make queries whether the building, where their shops are housed, was commercial or not.

Two listed firms merge next month

SARWAR A CHOWDHURY

Two listed companies under the same ownership will merge next month as part of a new business strategy, a move market experts say will strengthen the country's stock market.

Tripti Industries, which has been in the red for the last five consecutive years, will be amalgamated with Olympic Industries, officials said. The name of the new company will be Olympic Industries, the officials added.

Dhaka Stock Exchange Chief Executive Officer Salahuddin Ahmed Khan said with the consolidation, shareholders of Tripti will be benefited.

Commenting on the issue, Yawer Sayeed, managing director and chief executive officer of AIMS of Bangladesh, said, "It's not new, it's an internationally accepted concept."

Olympic can be more cost effective through using the resources of Tripti, Sayeed observed.

"We will utilise the resources of Tripti Industries, which is now a poorly performing company, for businesses growth of Olympic Industries that is a well performing company," said a high official of Olympic Industries.

Moreover, he said, the shareholders of Tripti, who are not getting any dividends, will also be benefited. Olympic declares dividends regularly.

Chairman of both Tripti and Olympic is Mohammad Bhai.

MERGER FACTORS		
	Olympic Industries	Tripti Industries
Business segment	Food and engineering	Food and allied
Paid up capital	Tk 17.3 crore	Tk 15.4 crore
Face value	Tk 100	Tk 100
Last trade (yesterday)	Tk 434	Tk 54.25
Net profit/loss in 2006-07	Tk 3.25 crore	- Tk 1.79 crore
Earning per share	Tk 8.79	- Tk 4.67
Declared dividend in last year	11 percent	Nil

Members of the two boards are also same.

Tripti Industries, which manufactures edible oil, vanaspati ghee and ballpoint pen, incurred a loss of Tk 1.79 crore in 2006-07, while the loss was Tk 1.71 crore in 2005-06 and Tk 2.03 crore in 2004-05.

On the other hand, Olympic Industries, which produces biscuit, candy and dry-cell battery, made a net profit after tax of Tk 3.25 crore in 2006-07, while the profit was Tk 2.41 crore in 2005-06 and Tk 1.27 crore in 2004-05.

During the three fiscal years, Olympic gave 11 percent, 13 percent and 11 percent dividends to the shareholders.

One Olympic share will be offered for every 5.79 Tripti shares, said another official of Share Department of Olympic Industries.

"An extra-ordinary general meeting (EGM) will be held next month to this effect," he said, adding that their main target is to become a good

performing company through a merger between a weak company and a strong company.

Presently, shares of Olympic Industries, which was listed in 1989, are being traded under A category that reflects the company is regularly holding annual general meetings and declaring dividends.

On the contrary, shares of Tripti Industries, which was listed in 1986, are being traded under Z category that shows the company performs poorly.

Yesterday on the Dhaka Stock Exchange each Olympic share was traded between Tk 400 and Tk 435 against the face value of Tk 100, while each Tripti share was traded between Tk 54.75 and Tk 55.75 against the face value of Tk 100.

The amalgamation is not a new phenomenon in the country. Earlier in August of 2006, Beximco Group merged its four textile units into one unit.

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BIDS Director General Dr Quazi Shahabuddin speaks at a consultation meeting at the BIDS office yesterday, marking the release of the preliminary findings of the study on "Mapping and analysis of growth, employment and skill development potentials of Bangladesh's industrial sector".

MANUFACTURING SECTOR

Women's earnings lower than men's: BIDS study

STAR BUSINESS REPORT

Although women's employment in manufacturing sector is growing at a faster pace, their earnings are still significantly low compared to their male counterparts, a study finds.

The Bangladesh Institute of Development Studies (BIDS) survey shows a 26.5 percent rise in women's employment in the sector in between 1996 and 2002, but a 38.63 percent decline in their earnings.

"It is very surprising that women are increasingly getting involved in manufacturing sector. 15 years ago very few women came to work in this sector," Dr Rushidan Islam Rahman, research director of BIDS and the leader of the

survey team, told a consultation meeting at the BIDS office yesterday, marking the release of the findings of the preliminary study.

She pointed out that women get 38.63 percent lower wages than men's. "Women are employed mainly as production workers and therefore when average of all workers is considered, women's earning is much lower Tk 22,790 than men's Tk 37,139."

Different stakeholders were consulted before the commencement of the main study on "Mapping and analysis of growth, employment and skill development potentials of Bangladesh's Industrial sector".

BIDS and International

Labour Organisation (ILO) will conduct jointly this study in four months starting from June. The prime objective of the study is to identify the manufacturing sub-sectors that have potentials for growth and skill development.

The Bangladesh manufacturing sector has been experiencing a double-digit growth for the last few years.

Dr Quazi Shahabuddin, director general, BIDS, moderated the discussion addressed by Dr Rizwanul Islam, special adviser on growth, employment and poverty reduction, ILO, and Panudda Boonpala, director of ILO Dhaka office. A good number of private sector representatives took part in the discussion.

TOP 20 LOAN DEFAULTERS

State-owned banks achieve only 8.02pc of recovery target

STAR BUSINESS REPORT

Four state-owned commercial banks (SCBs) achieved only 8.02 percent of their loan recovery target from the top 20 defaulters and 16.64 percent from other defaulters in the first quarter of 2008.

Officials of the SCBs, at a meeting with the Bangladesh Bank (BB) governor yesterday, disclosed the present status of default loan and said various measures are on cards to recover the loans.

Chairmen and managing directors of the four SCBs attended the regular review meeting, the former joining the meeting for the first time when usually managing directors represent their respective banks.

SCB officials told the meeting that they are planning to form an asset management company on which the responsibility for managing bad loans will be bestowed. Besides, the banks are working on the formulation of a separate pay scale for the staff.

"We are expecting some positive results in terms of defaulted loan recovery in coming months once the plans are implemented," a source at the meeting quoted a SCB official as saying.

According to the BB statistics, the SCBs recovered Tk 15.6 crore against the annual target of Tk 194.6 crore from the top 20 defaulters from January to March of this year.

During the same period, the banks recovered Tk 173.20 crore from other defaulters against the targeted Tk 1040 crore.