

Stocks

DGEN ▲ 0.08% 2,838.54

CSCX ▲ 0.23% 5,655.18

Asian Markets

MUMBAI ▲ 0.4%
13,315.60

TOKYO ▼ 2.22%
11,489.30

SINGAPORE ▼ 0.08%
2,419.21

SHANGHAI ▼ 1.72%
1,895.84

Currencies

	Buy Tk	Sell Tk
USD	68.00	69.00
EUR	96.00	100.47
GBP	121.99	127.13
JPY	0.65	0.68

SOURCE: STANDARD CHARTERED

Commodities

Gold ▲
\$876.00
(per ounce)

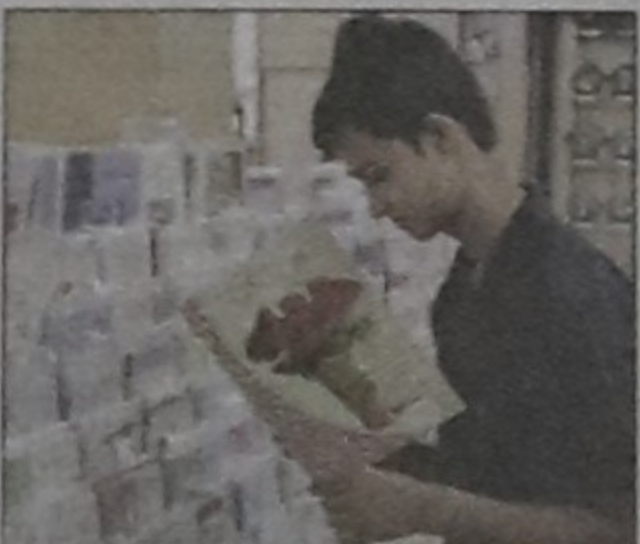
Oil ▲
\$98.75
(per barrel)

SOURCE: AFP

(Midday London Trade)

More News

Tech alters ways of greeting



In the era of booming mobile phone technology, it has now become a matter of debate whether your way of wishing by paper card to someone special was better before than now. Some prefer short messages from a handy device to paper-card greetings.

B-4

Stocks close nearly flat

Dhaka stocks wrapped up the week almost flat yesterday, with the majority of securities closing up. The benchmark index of Dhaka Stock Exchange, DSE General Index, rose 2.48 points, or 0.08 percent, to 2838.54 points, while the DSE All Share Price Index increased 1.25 points, or 0.05 percent, to 2396.8 points.

B-2

International

British bank Lloyds TSB announces HBOS takeover

British bank Lloyds TSB announced on Thursday it was taking over distressed rival Halifax Bank of Scotland (HBOS) in a 12.2-billion-pound (15.4 billion euro, 21.8 billion dollar) deal.

B-4

Contact Us

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

Costly accessories erode RMG profit margin



Workers manufacture polybags, one of the major garment accessories, to be used for wrapping garment items. Prices of RMG accessories increased both in local and international markets.

REFAYET ULLAH MIRDHA

Profit margins on the export of RMG items will erode further as the prices of garment accessories have increased both in local and international markets, said a major manufacturer.

Garment manufacturers in Bangladesh are largely dependent on the international market for garment accessories, market operators said.

President of Bangladesh Corrugated Carton and Accessories Manufacturers'

and Exporters Association (BCCAMEA) Safiullah Chowdhury said the prices of accessories on the world market increased more than 50 percent over the last one year. Prices increased 30 percent on the local market in the same period.

Major accessories, which are used in exportable RMG items, include polybags, plastic hangers, cartons, labels, zippers, stone, lace, buttons and stickers.

Chowdhury also said the local manufacturers spend 15-18 percent of total export value

of their exportable RMG products on accessories.

"Local companies are able to meet 70 percent of total domestic demand for accessories, and the rest of the accessories are imported from abroad," Chowdhury said, adding that the members of BCCAMEA supplied garment accessories of Tk 7,500 crore to the local manufacturers last year.

"In the country's RMG sector, the rate of value addition is as low as 30 percent due to higher prices of garment accessories. Bangladesh is mainly interested in producing basic

Highlights

- A 50 percent rise in world prices
- A 30 percent rise in prices on the local market
- Major accessories: Polybags, plastic hangers, cartons, labels, zippers, stone, lace, buttons and stickers.
- Accessories account for 15-18 percent of total export value
- Local firms meet 70 percent of demand

garment items," he said.

Khalilur Rahman, managing director of KDS Accessories, one of the largest makers of garment accessories in the country, said garment accessories include a lot of items.

"Investments are coming to meet growing demand for accessories as the country has already turned into a global garments outsourcing hub," Rahman said.

Local RMG manufacturers have no other way but to import capital machinery, raw materials, dyes, chemicals and fabrics for producing RMG

items.

As a result, the local RMG exporters can hardly compete with other RMG exporting nations said the local manufacturers.

Those countries produce their own raw materials and capital machinery.

In fiscal 2007-08, Bangladesh earned \$10.69 billion from RMG exports. Bangladesh spent almost a third of export value for importing accessories, raw materials, capital machinery, dyes, chemicals, fabrics, yarn and cotton.

More than four million bales of cotton of \$1 billion were imported mainly from Uzbekistan last year, said BTMA President Abdul Hai Sarker.

An official with Bangladesh Textile Mills Association said textile machinery worth \$145.8 million was imported in the last two and a half months.

Moreover, the price index of Bangladesh's RMG products declined more than 1 percent last year, although locally the cost of production increased more than 15 percent.

"But charges for making a garment item either declined in some cases or remained stable over the last two years as international buyers are not willing to pay more," said a major manufacturer.

reefat@thedailystar.net

BSRM embarks on billet-making project

Factory to cost Tk 277cr



KAWSAR KHAN

BSRM Iron and Steel Co Limited (Bisco), the newly established concern of BSRM Group, has started constructing a billet factory at a cost of Tk 277 crore, in a bid to supply raw material to its steel manufacturing plant.

The group claims that the factory would be the largest billet manufacturing plant in the country.

BSRM Steels Ltd (BSL), another concern of BSRM Group, will use the billet produced in the new factory as raw materials for manufacturing 500-grade steel rods. BSL is the country's only manufacturer of 500-grade steel rod.

"The entire annual production of the factory, which is 1.52 lakh tonnes, could easily be used by BSL," said Aamer Alihussain, director of BSRM Group.

"Since BSL has huge demand for billets, there will still be a supply shortage even after we have consumed the total production of Bisco," he said.

BSL's annual demand for

billets is 4 lakh tonnes.

Bisco is constructing the billet factory on a 2.7-acre plot, located near Meghna Engineering Works, the group's lone billet factory in Chittagong, the company officials said. The factory is set to go into production in one year.

"The volatile steel prices on the international market demand that domestic investments should be undertaken for manufacturing billet in the country," BSRM Group said in a statement.

Costs of locally manufactured billet would be around Tk 8,500 cheaper than the imported billet, company officials said.

In a bid to arrange funds for the factory, the company has recently signed a memorandum of understanding with Industrial and Infrastructure Development Finance Company Limited to get a syndicated loan financing of around Tk 193 crore.

The sector people said there are around 10 billet factories in the country.

kawsar@thedailystar.net

Credit demand fuels inflationary pressure

BB steps in to calm worries

STAR BUSINESS REPORT

The central bank has identified excessive credit growth, both in government and private sectors, over the last few months as the probable reason for the current inflation worries and rising food prices, officials said.

Bangladesh Bank (BB) also found that commercial banks are increasingly becoming dependent on the central bank to meet growing credit demand for financing investment ventures. The BB has, consequently, made the money from the bank costlier.

As a move to discourage the banks to borrow from the central bank, the BB has hiked the Repo rate after more than three years. The central bank, through Repo auction, injected over Tk 2,100 crore at 8.75 percent interest rate on Wednesday, raising the rate of 8.50 percent that prevailed over the past three years.

According to BB data, the credit growth over fiscal 2007-08 was 26.11 percent and 30.41 percent in private and government sectors, respectively.

The credit growth for the private sector rose 1.07 percent in July 2008 compared to 0.46 percent in July last year, while the credit growth in the government sector in July this year rose to 3.16 percent from 2.99 percent of last year.

The BB reset the interest

	July '07	June '08	July '08	% change July to July
Total domestic credit	205,824	248,768	252,007	22.44
Credit to govt	37,121	46,999	48,484	30.61
Credit to private sector	151,466	190,136	192,176	26.88

rate on Repo auction at 8.75 percent Wednesday from the prevailing 8.50 percent on its lending of fresh funds to commercial banks and non-banking financial institutions (NBFI).

"The BB has increased the interest rate for Repo (repurchase agreement) auction Wednesday to discourage banks and non-bank financial institutions to borrow from the central bank," a senior BB official said.

"This is a temporary measure. The BB has increased the interest rate for Repo auction considering the overall liquidity situation in the money market," the official said.

The interest rate for Repo auction has been increased to give banks a signal that they (banks) should lend by their own funds, not by borrowing from the BB, he added.

The central bank found that banks are financing more and more on trading and are getting involved in risky lending by crossing the BB set limit, restricting them from lending more than 82 percent of their deposits.

According to BB statistics, most of the private commercial banks have been found lending more than 82 percent of their deposits. Some other banks' lending has been found surpassing their deposits, meaning that they rely on

borrowing from the BB for meeting their demand for cash.

"The BB has started making a list of banks that are violating central bank's set limit for lending," another BB official said.

The central bank would also consider applying other tools, if the banks do not rein in their soaring credit financing, he said.

The BB is also worried with the soaring inflationary pressure. According to government data, inflation reached 10.04 percent on point-to-point basis in June from 7.44 percent in May 2008.

Meanwhile, fund managers of different commercial banks said the inter-bank call money rate remains stable for the last two days after its hike to 18 percent on Monday.

"The call money rate hovered between 12 and 14.5 percent today (Thursday)," said a fund manager at state-owned Janata Bank. He said the banks' demand for liquidity is more than that of the NBFI.

Some banks still have a huge demand for liquidity due to customers' demand for cash ahead of the Eid festival. The National Credit and Commerce Bank sought Tk 190 crore from the BB through Repo auction yesterday, said an official of the bank, to meet the demand.

Leasing firms grapple with default loans

SAJJADUR RAHMAN

Default loans of leasing companies rose significantly -- by 2 percentage points -- between March and June this year, according to Bangladesh Bank (BB).

Such loans reached Tk 790 crore, or 8 percent of Tk 9,667 crore the companies lent as of June 30, 2008. These classified loans account for 6 percent of the total loans in March the same year, BB officials said.

The central bank in separate letters recently has asked some

seven leasing companies, which have high amount of default loans, to speed up their drives to recover the loans as soon as possible.

These companies are Saudi Bangladesh Industrial and Agricultural Investment Co Ltd (Sabanco), International Leasing and Financial Services Ltd, Bangladesh Industrial Finance Co Ltd, Union Capital Ltd, Fareast Finance and Investment Ltd, Oman Bangladesh Leasing and Finance Ltd and Industrial Promotion and Development

Co of Bangladesh.

There are 29 leasing companies operating in Bangladesh, total investment of which is around Tk 10,000 crore, according to the market players. They said the financial institutions that are bad-loan-hit are struggling to get their loans repaid.

"We have planned to take legal actions against the defaulters. Already we have served notices to some of the big defaulters to repay the amounts they borrowed," Ramendranath Paul, managing

director of Union Capital Limited, told The Daily Star.

He, however, admitted that declining business confidence and infrastructure constraints, i.e., erratic supply of gas and power, hinder their business and investment growth and recovery moves as well.

A senior official of the International Leasing and Financial Services Ltd said, "Businesses are struggling hard to sustain in the wake of hike in oil and raw material prices in the international market."

sajjad@thedailystar.net

Mobile operators get fewer customers

Six companies post 45pc decline

STAR BUSINESS REPORT

Customer acquisition by the six mobile phone operators dropped 45 percent to 0.6 million in August from 1.1 million in July.

Bangladesh Telecommunication Regulatory Commission (BTRC) data showed that not a single customer was added to Grameenphone's network in August. The mobile company's customer base remained unchanged at 20.84 million during the month.

The company officials said it happened as GP strictly complied with BTRC's re-registration process. As per the company's customer acquisition process, GP considers a customer 'active' when he or

MOBILE PHONE SUBSCRIBERS		
Operators	Active Subscribers (July)	Active Subscribers (August)
Grameenphone	20.84	20.84
Banglalink	9.90	10.17
Aktel	7.98	8.14
Warid	3.48	3.68
Citycell	1.67	1.68
Teletalk	0.93	0.89
Total	44.8	45.4

Source: BTRC

in million

she remains with the company's network for three months after getting connected.

So the new customers who signed up for Grameenphone connection will be added to the existing customer base at the end of September.

"The unchanged customer base is due to a general market slowdown, strict compliance with proper registration and a bar on non-registered customers after the end of BTRC deadline," said Anders Jensen, chief executive officer of Grameenphone.

BTRC data showed that the number of mobile phone sub-

scribers reached 45.4 million in August, which was 44.8 million and 43.7 million in July and June, respectively.

Earlier, in August last year BTRC issued an order to Grameenphone, AKTEL, Banglalink, Citycell and Teletalk to re-register customers who bought connections before February 28, 2006. BTRC extended the deadline four times, which finally ended on May 31.

According to BTRC data, the top three operators are still dominating the market.

Banglalink, the market's second largest operator, has a customer base of 10.17 million with an addition of 0.27 million

in August, followed by AKTEL's 8.14 million, adding 0.16 million in August.

In terms of subscriber base, top three companies Grameenphone, Banglalink and AKTEL dominates more than 90 percent of the market, according to the BTRC.

The other three operators -- the country's oldest mobile operators Citycell, state-owned Teletalk and UAE-based Warid -- hold the rest of the market shares.

The top three operators hold 39.154 million until August 2008, while the rest three hold only 6.25 million.

According to BTRC, lost 0.04 million customers in August. The company's customer base was 0.93 million in July.

Citycell's subscribers increased 0.01 million to 1.68 million in August from 1.67 million in July 2008. Warid subscribers reached 3.68 million at the end of August, while the company's subscriber base was 3.48 million by the end of July 2008.