Star Business

DHAKA WEDNESDAY OCTOBER 08, 2008

Stocks

DGEN	▼ 0.31%	2,919.19
CSCX	▲ 0.25%	5,840.13

Asian Markets

MUMBAI	▼ 1.34%	11,643.58
TOKYO	▼ 3.03%	10,155.90
SINGAPORE	▲ 0.43%	2,177.55
SHANGHAI	▼ 0.73%	2,157.84

Currencies

	Buy Tk	Sell Tk
USD	67.95	68.95
EUR	90.31	94.70
GBP	116.90	122.10
JPY	0.66	0.70

SOURCE: STANDARD CHARTERED

Commodities

Gold	▲	$880.17 (per ounce)
Oil	▲	$90.47 (per barrel)

SOURCE: AFP

(Midday London Trade)

More News

Igloo doesn't contain melamine, maker claims

Abdul Monem Ltd (AML), manufacturer of Igloo brand ice cream, assured its customers yesterday that its ice cream does not contain melamine as it imports raw materials from Australia, not from China. "We do not use any raw material imported from China. So, there is nothing to worry about. Our products are totally hygienic and safe," said GM Kamrul Hassan, head of marketing of AML, at a press conference in Dhaka.

B-3

Dhaka stocks on downward curve

Dhaka stocks continued its downward trend yesterday, the second consecutive day, as investors kept selling shares to earn profit. The benchmark index of Dhaka Stock Exchange, DSE General Index, declined by 9.18 points, or 0.31 percent, to 2919.18 points.

B-2

International

Alarm keeps ringing over US economy

The credit crunch started as an obscure phenomenon in the financial sector, but as the crisis worsens, the impact on workers and businesses is causing growing alarm in the United States.

B-4

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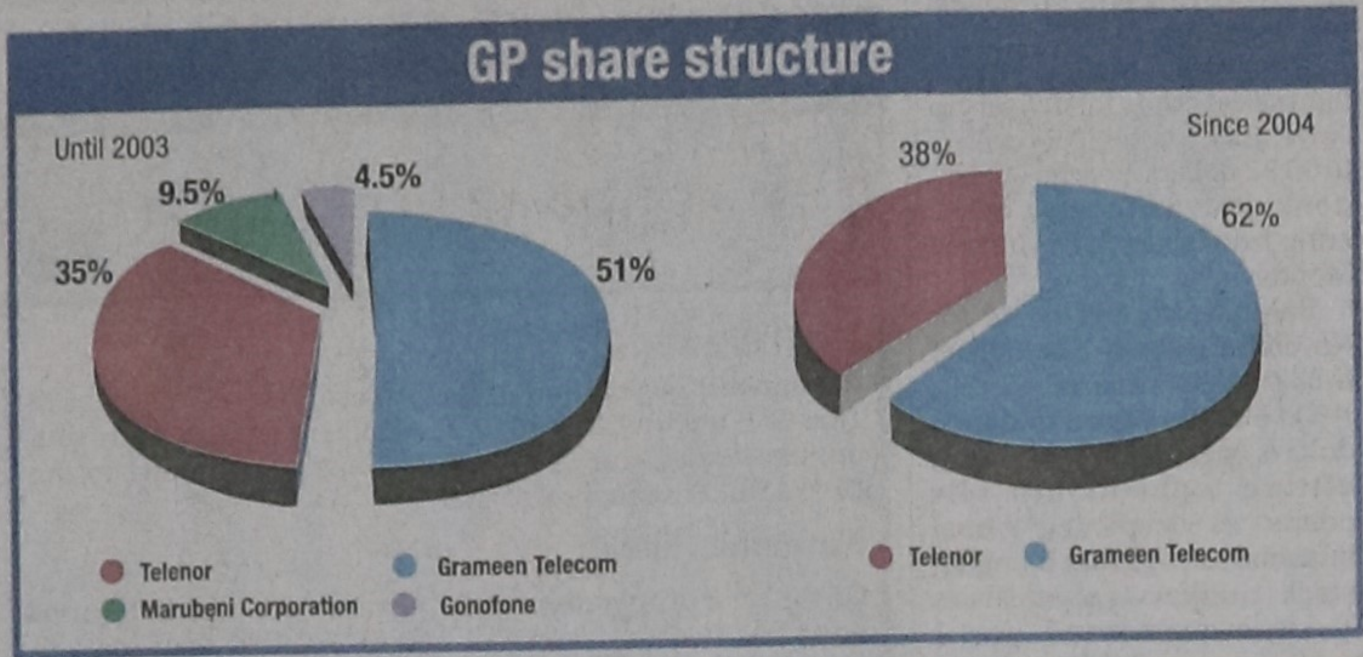
If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Telenor defends stake in GP

MD HASAN



Norwegian telecom heavyweight Telenor has reiterated its stand on controlling Grameenphone (GP) as a majority shareholder, saying the majority stake should remain in its hands because of its higher financial contribution to the largest cellphone operator in Bangladesh.

"It's not a problematic issue. We had discussions with Dr Muhammad Yunus in Oslo last month. And what I found in the discussions is that we are in a long-term relation for developing the country," said Telenor Chairman Harald Norvik in an exclusive interview with The Daily Star on Monday.

Norvik made the comments on the first day of a three-member high-profile Telenor team's visit to Dhaka.

Jon Fredrik Baksaas, chief executive officer of the company, explained why Telenor should not reduce its shares in Grameenphone.

The battle between Yunus' Grameen Telecom and Telenor intensified surrounding a clause in the deal between them. "It is Telenor's intention to reduce its shareholding to below 35 percent within a period of six years of incorporation (1997) of the company," the clause says.

But even after more than 10 years, Telenor is yet to reduce its control in Grameenphone. Recently Dr Yunus threatened to sue Telenor.

Asked about Nobel laureate Yunus' view on taking majority share of Grameenphone, Baksaas said there might be different perspectives on how to view that deal and Telenor intention. "But you have to look back on the company's history."

Baksaas said, "We see this very clear in the sense that Grameenphone was refinanced in the period 2003 to 2004. In that period when this refinancing was made we contributed, from Telenor perspective, very much to getting the company through that period and with the additional financing in hand with a projection that Telenor should remain the major shareholder by holding more than 51 percent share."

He said it was a combination of equity investment and loans to the company. "I think the financing side has been incredibly important ... (and) dividend payout from the company has been minimal," he added.

But what was the necessity to make an intention to reduce Telenor's shares? Why does Telenor now refuse to execute its intention?

Baksaas explained, "Grameenphone was our very first investment in Asia and the paragraph of intention, which describes the possibility that Telenor has the choice to reduce its holding down to 35 percent, was something that the board of Telenor at that time needed because of risk profile of the project at that time."

"But when we get new knowledge about the Bangladeshi market six years later and we participate in refinancing and creating additional financing for Grameenphone then of course we subscribe to the pact that Telenor should remain 51 percent shareholder in Grameenphone on project basis as well as refinancing. That is the story telling around intention paragraph as part of the shareholder agreement," he said.

The cumulative investment in Grameenphone up to July 2008 was $1.7 billion and the total dividend paid to shareholders by the end of 2007 was $142 million.

Until 2003, there were four shareholders in Grameenphone. Telenor owned 51 percent, Grameen Telecom 35 percent, Marubeni Corporation 9.5 percent and Gonofone owned 4.5 percent.

When Marubeni Corporation wanted to sell its shares in 2004, as per the incorporation deal, its shares were proportionately transferred to the other three stakeholders. Later Gonofone also wanted to sell its stake and Telenor bought it. Telenor claimed that Gonofone transferred its 6.5 percent shares to Telenor in line with Grameenphone's Board approval.

But Grameen Telecom alleged that Gonofone secretly sold shares to Telenor. When asked about the issue, Baksaas said, "I don't subscribe to this view."

He said, "Grameen Telecom did not take part in buying of Gonofone's shares although it had opportunity."

However, Telenor high-ups believe the shareholder dispute is less significant than the company's future prospect.

"The prospect of the company is very important in particular when we together do the IPO (initial public offering)," Baksaas said.

Grameenphone had a plan to raise $300 million -- half through a private placement and half through a subsequent domestic IPO. But in the latest development, its high officials indicated to cut its planned $300 million IPO to $125 million.

"From Telenor, we feel very positive about bringing Grameenphone to the local stock market," Baksaas said, but declined to tell about the exact date of listing. "The timing has been a bit hit by the international credit crisis and this is also under evaluation. So our intention is to carry out the IPO issue when the market allows it."

Commenting on illegal VoIP (Voice over Internet Protocol) issue, Telenor Chairman Norvik said, "The fine in connection to VoIP cases with Grameenphone is of course regrettable in our organisation. Our attitude is always going to be according to local laws within local framework."

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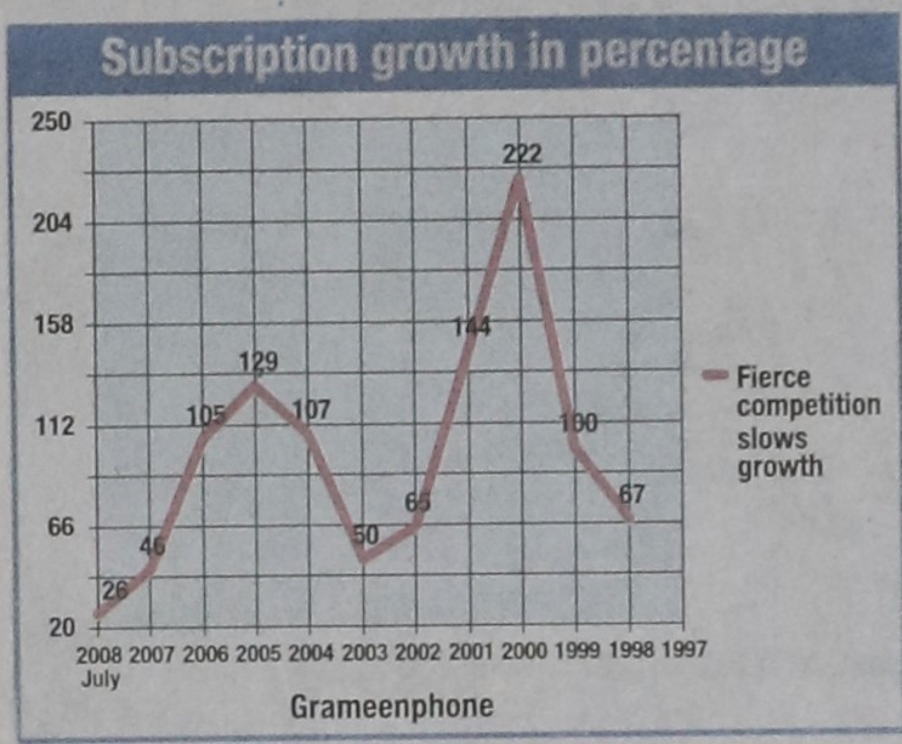
(From left) Telenor Chairman Harald Norvik, Chief Executive Officer Jon Fredrik Baksaas and Grameenphone CEO Anders Jensen.



In the six-operator market, Grameenphone still holds the leading position in Bangladesh with 20.84 million customers. The operator is now opting for third generation (3G) technology.

"We are looking forward to the 3G market knowing that 3G offers more services and build sort of new experience as that the market demands," Baksaas said.

3G technology is better for using internet than 2G or WiMax, he said, adding that the operators should also bring affordable technology.

About the recent bidding for WiMax licence in Bangladesh, he said the auction should not be so aggressive as it involves huge investment and affordability.

The auctions that happened in Europe between 1999 and 2000 basically slowed telecom investment, Baksaas referred.

He said telecom policies and tax structure should not be changed frequently as these hinder growth.

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Summit Power moves to double capacity

STAR BUSINESS REPORT

Summit Power Limited, the first local power producer, has moved to double electricity generation capacities of its power plants, a plan that will help the country bridge the gap between supply and demand for electricity.

The company has sought approval of the Ministry of Energy and Mineral Resources for increasing electricity generation capacity of its four under-construction power plants from 110MW to 220MW, according to a report posted on the Dhaka Stock Exchange website recently.

Summit Power -- through its subsidiaries Summit Uttaranchol Power Company and Summit Purbanchol Power Company -- is constructing the four plants. The new plants are scheduled to come on stream in December.

Of the four power plants, two 33MW power plants, located at Jangalia in Comilla and Rupganj in Narayanganj, are being constructed by Summit Purbanchol Power Company Limited. A 33MW power plant, located at Maona in Gazipur, and another 11MW power plant at Ullapara in Sirajganj are being constructed by Summit Uttaranchol Power Company.

Summit Power built three power plants in Savar, Narsingdi and Comilla in 2001 with a power generation capacity of 11MW for selling electricity to Rural Electrification Board. The company has already expanded its total generation capacity to 105MW.

In the backdrop of significant market potential, the company is striving to establish more small power plants -- ranging from 10MW to 50MW. The fast-growing company has set a goal for generating power to the tune of 1,000MW, a modest 20 percent of the total demand for electricity in Bangladesh.

US takes on corporate debt

Europe reels with new rescues

AFP, *Washington*

The United States opened up a major new front in the battle against financial turmoil Tuesday, sucking up huge amounts of corporate debt as European governments staged new rescues and nationalisations.

The US Federal Reserve's move to absorb short term company debt perked up volatile stock markets as they took new blows with Iceland nationalising another bank and Russia setting up a 36 billion dollar bank bailout.

Russia also agreed to negotiate a four-billion-euro (5.4 billion dollar) emergency loan to help Iceland's fight against national bankruptcy, while EU finance ministers increased a bank deposit guarantee ceiling from 30,000 euros to 50,000.

The Fed gave no estimate of how much money would be put into the new campaign, which it said was "necessary to prevent substantial disruptions to the financial markets and the economy."

The US administration has already committed 700 billion dollars to a bailout of banks' bad debt and the latest move extends the government support.

John Ryding, economist at RDQ Economics, said most of the new funds are likely to go to banks and financial companies that have been trying to roll over debts linked to troubled real estate investments.

"This is basically unsecured lending to the banks," Ryding said.

The market in short term company debt -- commercial paper and short-term securities issued by companies and banks for payrolls and day-to-day expenses -- is worth tens of billions of dollars each day.

In New York the Dow Jones Industrial Average rose 0.76 percent to 10,031.64 in early trading after slumping below 10,000 for the first time in four years on Monday.

The positive start on Wall Street lifted spirits in Europe. The London FTSE 100 index was up 2.67 percent, the CAC 40 in Paris gained 1.95 percent while the Frankfurt Dax added 1.51 percent.

London had slumped 7.8 percent and other European bourse saw similar freefalls in panic trading on Monday.

In Asia, Tokyo fell by 3.0 percent, while Sydney jumped 1.7 percent after Australia's central bank sprang a surprise interest rate cut.

But banks still suffered.

In London, Royal Bank of Scotland shares plunged up to 40 percent, Lloyds TSB fell 9.94 percent and Barclays 5.89 percent after the BBC reported that the three banks spoke with Chancellor of the Exchequer Darling about a possible capital injection.

RBOS and Barclays later denied they had sought government funds.

Russian President Dmitry Medvedev promised up to 36 billion dollars in credit to support its banks -- the country's biggest move to stabilise the financial system after huge falls paralysed the Moscow stock market for several days.

A trader looks at the closing numbers on the floor of the New York Stock Exchange yesterday. Wall Street tumbled after the opening bell as fallout from the credit crisis triggered concerns about the economy and the Dow fell below 10,000 for the first time in four years.

New law to make merger of smaller insurers inevitable

SAJJADUR RAHMAN

Sector people see the new insurance law as an opportunity for merger of the smaller companies grappling with a low capital base.

They say the ordinance that was promulgated on the President's assent to it on Monday will carry higher capital requirements for insurers.

With 60 private insurance companies competing for a market share in Bangladesh, the new law is meant to eliminate those firms whose solvency is inadequate.

"The move is a timely one. Small companies will face troubles to meet the capital requirement, but the situation may lead to merger of those companies," said Akhter Hossain, managing director of Reliance Insurance Limited.

"The new law will make such a merger inevitable," opined Nasir A Choudhury, managing director of Green Delta Insurance Company Limited.

Choudhury recently completed his 50 years in insurance career.

The two ordinances the President gave his assent to are: Insurance Regulatory Authority (IRA) Ordinance 2008 and Insurance Ordinance (IO) 2008. The ordinances that have already been sent to the law ministry for gazette notification will come into force in a week, officials of the commerce ministry said.

With the enforcement of the IRA Ordinance 2008, the Department of Insurance will no longer exist and the sector will get rid of the 70-year-old Insurance Act, 1938 once the IO 2008 comes into effect.

The main features of the ordinances include an increase in paid-up capital for both general and life insurance companies. The amount of paid-up capital for a general insurance company has been raised to Tk 40 crore from Tk 20 crore, and Tk 30 crore for life insurance companies from Tk 9 crore.

"The paid-up capital requirement is still low compared to international standard. The amount should be Tk 100 crore," Akhter Hossain said.

The companies will get five years time for raising the paid-up capital, Nasir Choudhury said.

The number of members in every insurance company board will be limited to 15, instead of the existing 20, according to the new law. Of the 15 board members, six directors should be policyholders, six from sponsors and three independent.

A mandatory solvency margin for the companies has also been introduced. The companies, particularly the general insurers, should have brokerage houses. Besides, the insurers, both life and general, are required to ensure international accounting practice, separate Islamic insurance from conventional ones and put a limit on commission expenses and reduce the number of directors in their respective boards. The new law has also allowed foreign investment in the insurance industry.

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Salient features

- President promulgated the Insurance Regulatory Authority Ordinance 2008 and Insurance Ordinance 2008 Monday
- The authority will have a five-member team led by a chairman
- Paid-up capital for general insurance and life insurance companies has been raised to Tk 40 crore from Tk 20 crore and Tk 30 crore from Tk 9 crore respectively
- Number of directors for a company has been reduced to 15 from 20
- Introduction of brokerage house and solvency margin. Limit on commission expenses
- A company cannot run Islamic and conventional insurances simultaneously
- Foreign investment in insurance is approved