

DHAKA FRIDAY OCTOBER 31, 2008

Stocks

DGEN 0.37%
2,748.59

CSCX 0.61%
5,462.95

Asian Markets

MUMBAI Closed

TOKYO 9.96%
9,029.76

SINGAPORE 7.80%
1,801.91

SHANGHAI 2.55%
1,763.61

Currencies

	Buy Tk	Sell Tk
USD	68.50	69.50
EUR	88.82	93.50
GBP	111.69	116.84
JPY	0.69	0.73

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold \$770.15 (per ounce)

Oil \$68.45 (per barrel)

SOURCE: AFP

(Midday London Trade)

More News

Bangladesh, Libya to sign manpower export deal
Bangladesh and Libya will sign a new memorandum of understanding (MoU) on manpower export today, the Ministry of Expatriates' Welfare and Overseas Employment announced yesterday.

First German trade show Nov 6
The first-ever German Trade Show will begin here at the Bangladesh China Friendship Conference Centre on November 6. The Bangladesh-German Chamber of Commerce and Industry (BGCCI) in cooperation with the German Embassy will organise the three-day show.

International

Shift from West to East



Our industry is going through a crisis the like of which none of us has experienced before. Many people are asking if this is the worst financial crisis since 1929. It probably is. Is it the most complex financial crisis the world has seen? Certainly, it is. Will it usher in a recession? I'm afraid this seems inevitable.

Contact Us

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

Scrap compulsory reinsurance

Demand private insurers

SAJJADUR RAHMAN

The insurance industry has demanded that the government annul the compulsory cession of reinsurance business to the lone state-run general insurer, Sadharan Bima Corporation.

Currently, all the 43 non-life insurers in the private sector have to cede 50 percent of their reinsurance business to the corporation. This system allowed by the Insurance Corporations Act 1973 is considered detrimental.

Although two ordinances are already in place to regulate the industry, which grows around 15 percent a year on an average, the age-old insurance corporation law has been left unchanged by the government, according to the sector people.

Reinsurance cession is the system of reinsuring an individual risk. Reinsurance is the transfer of some or all of an insurance risk to another

insurer. The company transferring the risk is called the "ceding company" and the company receiving the risk is called the "assuming company" or "reinsurer."

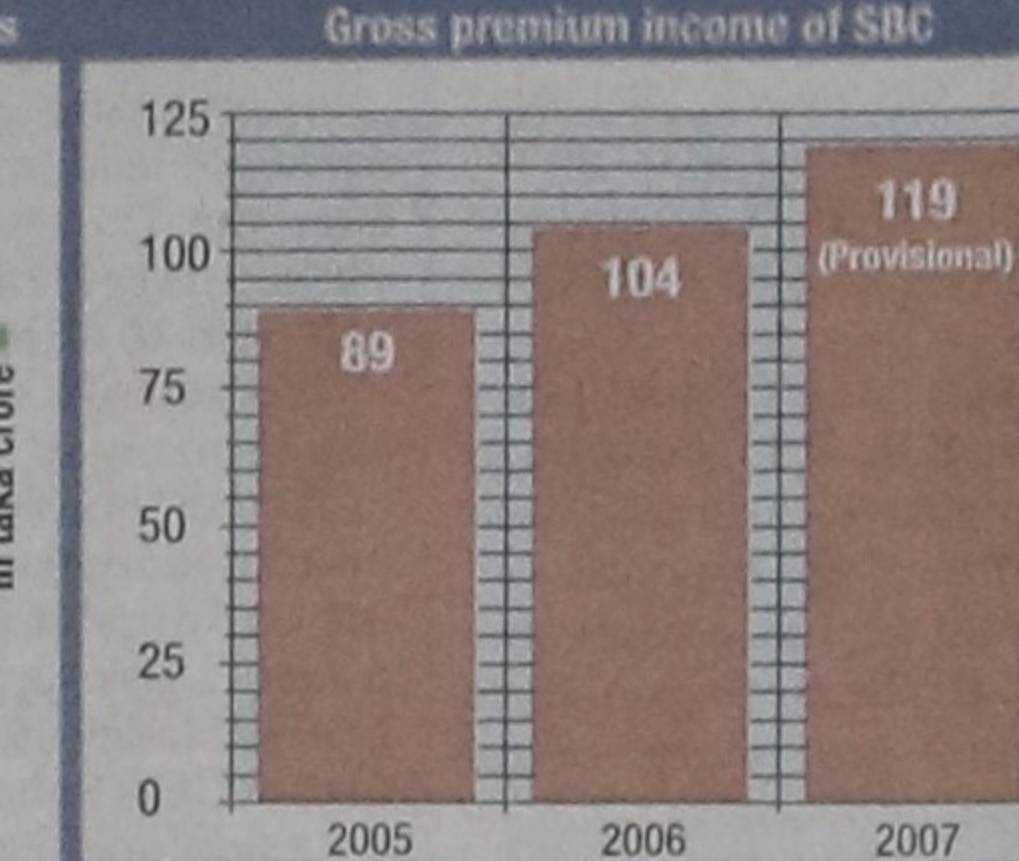
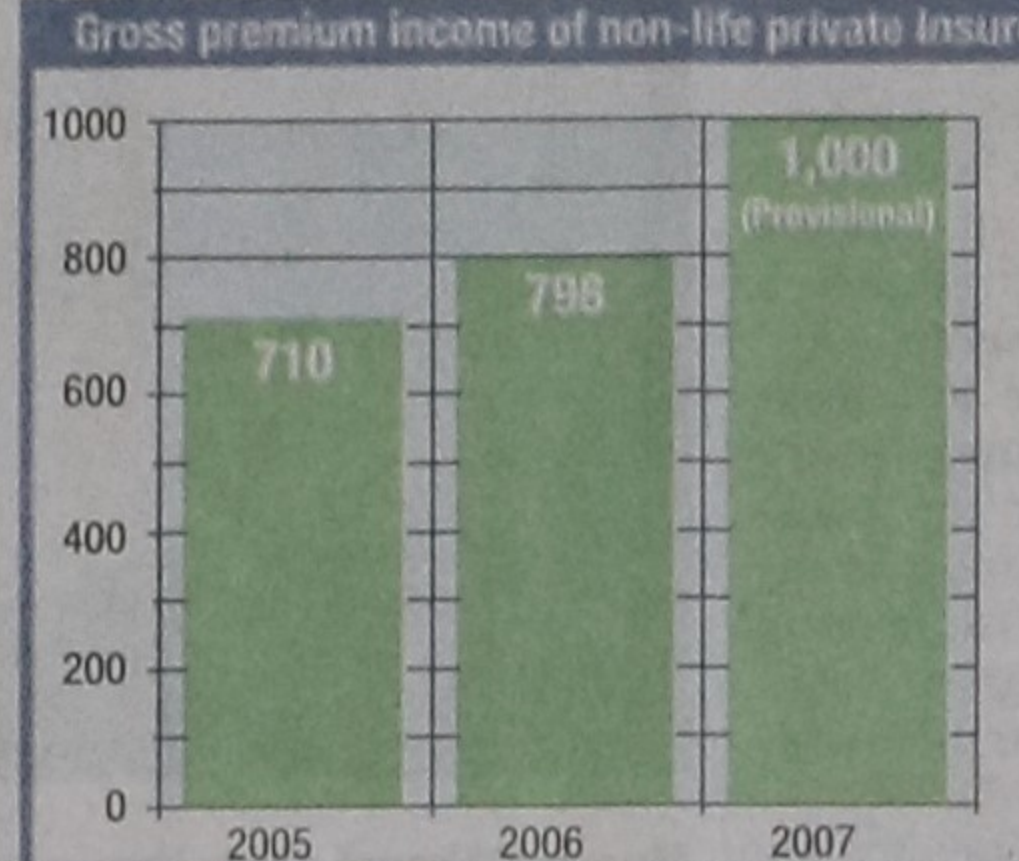
"The compulsory reinsurance cession is detrimental to the general insurance companies," said the Bangladesh Insurance Association in a recent letter to the commerce ministry.

Rafiqul Islam, president of the association, pointed to the fact that the ministry concerned has not yet reduced the amount of reinsurance cession money by 25 percent as per its earlier commitment.

Almost all countries around the globe, including India and Pakistan, have ceased to continue such a cession of reinsurance with state-owned reinsurers, he also pointed out.

"If we don't get our claims settled, what is the use of such reinsurance with the Sadharan Bima," said Akhtar Ahmed, chief executive officer of Reliance Insurance.

According to the sectoral trade body, at least Tk 200 crore claims from the 43 insurance



companies remained unsettled with the state-owned insurer because of what it says unprofessional attitude and bureaucratic tangles.

Nasir A Choudhury, managing director of Green Delta Insurance, is of the similar view. "Sadharan Bima has left many of the claims undecided even for years."

Choudhury said: "Green Delta has paid the last instalment of a Tk 33 crore claim of Lafarge Cement Company two months ago. But the corporation has failed to pay its reinsurance amount of only Tk 72 lakh."

Admitting the delay in settling claims, Sadharan Bima Corporation Managing Director Shafiqul Azam said, "We cannot do business like a private entity. We have to comply with many government rules as a state-run organisation."

However, he said his organisation has settled some 300 claims out of 366 since April this year.

"We have recently taken a crash programme to expedite the settlement of claims of the insurance companies," Azam added.

On the annulment of compulsory reinsurance cession,

he said, "It's a matter of government's decision."

The private insurers also demanded that Sadharan Bima should confine its functions to either as a direct insurer or a reinsurer.

Meanwhile, a senior official at a private insurance company pointed out that the removal of the obligatory cession might result in a rise in reinsurance cost, as reinsurance brokers would get involved in the business.

"The other view is that the premium and risk retention with the primary insurers will go up," he added.

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Middle East may halt recruitment

STAR BUSINESS REPORT

Middle Eastern countries may stop hiring new workers for the time being due to a probable slowdown in construction in the wake of the global economic meltdown and a slump in oil prices, said a media person from the Middle East yesterday.

"Despite problems, the recent crisis and subsequent decline in oil prices may lead to suspension of new large-scale projects and affect the creation of new jobs," said Ahmed Abdul Karim Hussain Alhothi, director of Al Jazeera, Oman.

"There may not be cuts in existing jobs, but there certainly will be a decline in recruitment for new jobs up to 2009," he said.

Alhothi made the remark at a media training session relating to global financial crisis and the possible impact on Bangladesh, organised by IFC-BICF (Bangladesh Investment Climate Fund) at The Westin Dhaka.

Moazzem Hossain, editor of The Financial Express, moder-

ated the discussion. Colum Murphy, deputy editor of Far Eastern Economic Review, and Prof Dao Nguen Cat, editor-in-chief of Vietnam Economic Times were also present.

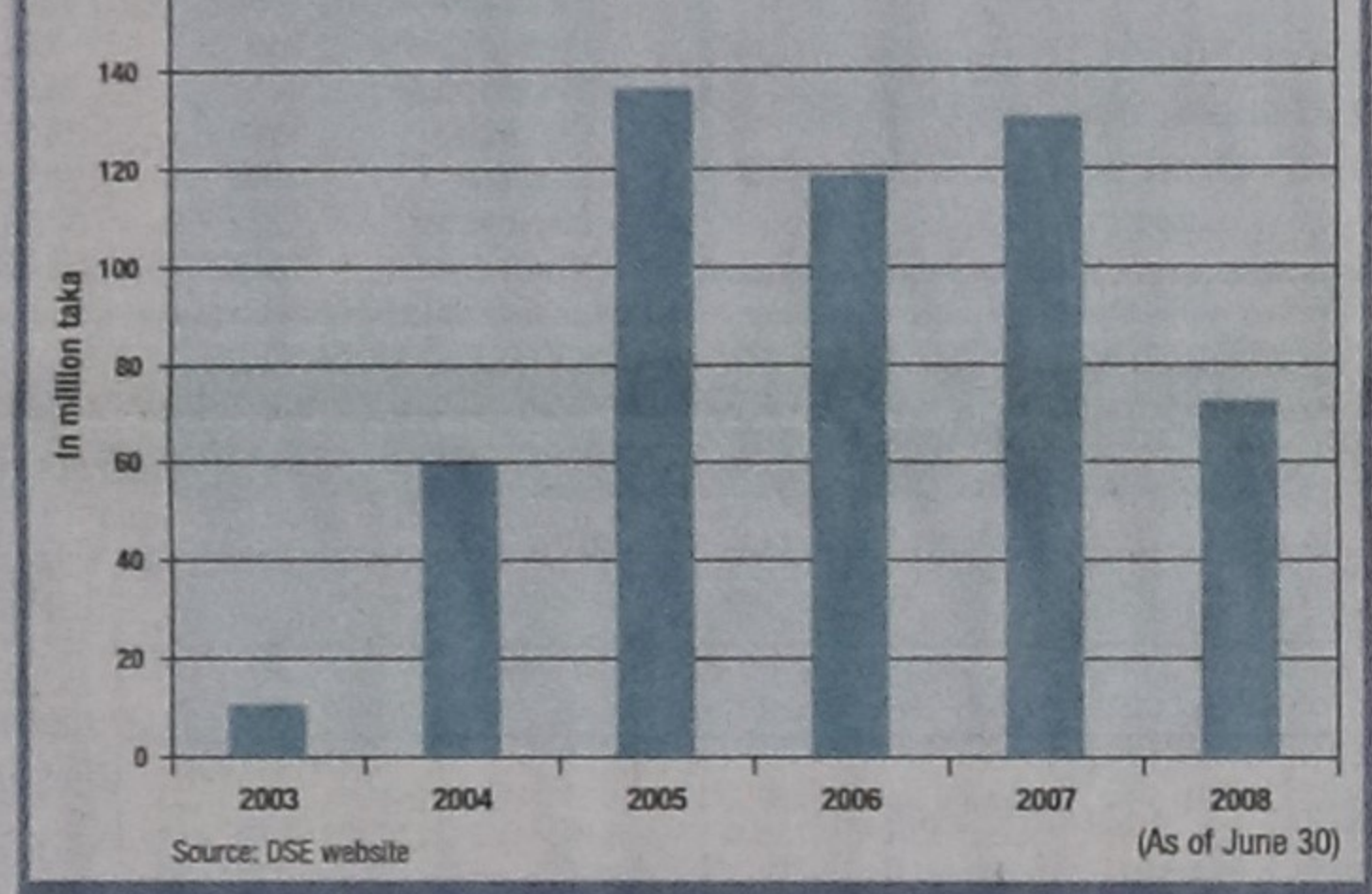
Chief Executive Officer and Managing Director of IDLC Finance Anis A Khan also spoke.

"Remittance from expatriate workers will not be affected that much. Some grandiose projects in the UAE, Qatar and Bahrain will still need Bangladeshi workers," he said expecting that the impact on Bangladesh due to the current economic turmoil would be minimal.

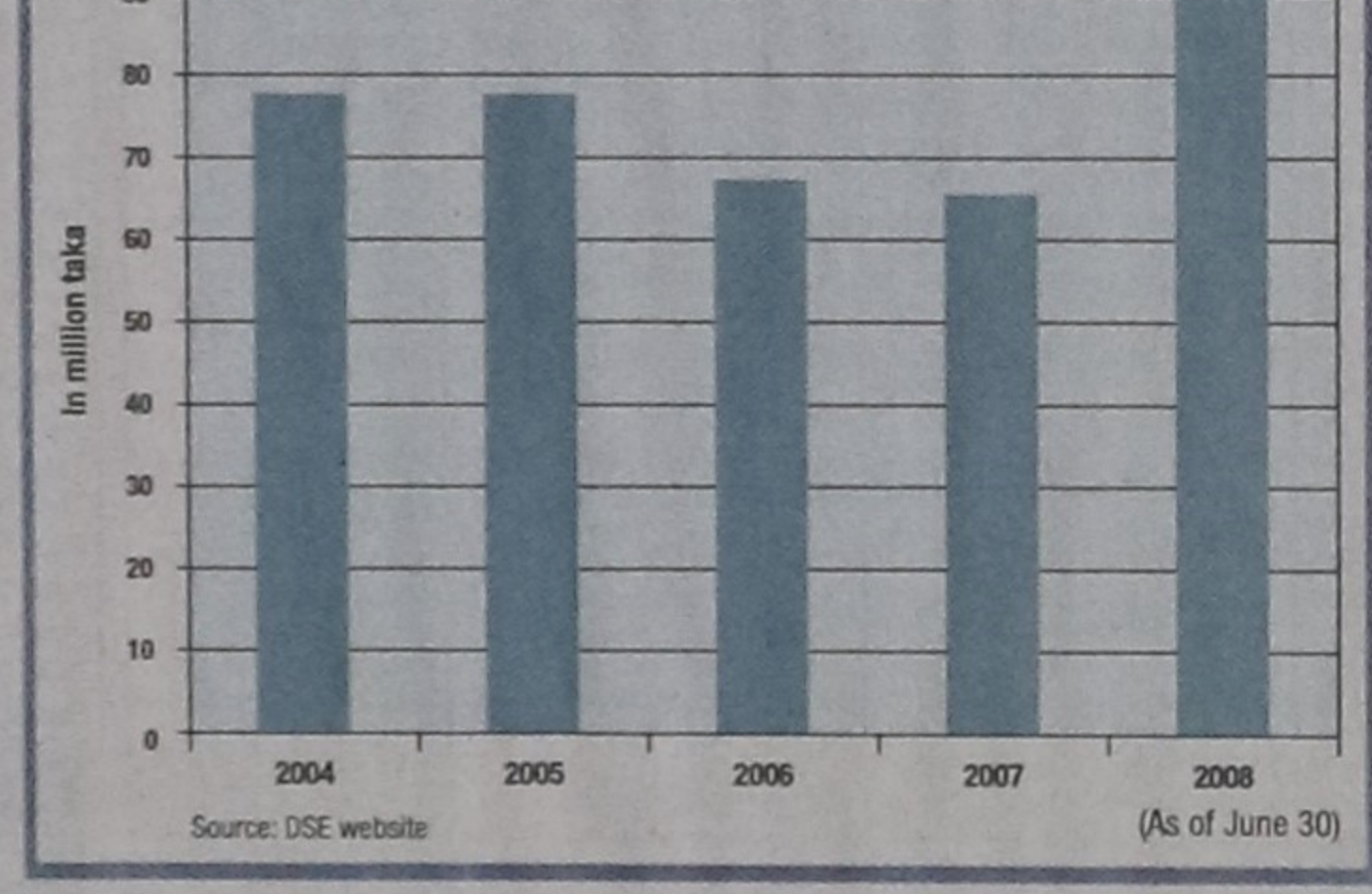
Colum Murphy of Far Eastern Economic Review believes the global financial crisis is going to affect the real economy and political institutions in Asia and change minds of the politicians.

"Things are not okay. Bangladesh may be different from other countries but there are some similarities as well, in facing consequence of the global crisis," he said. "This is also an opportunity for politicians to reshape their plans."

PROFIT GROWTH OF SHINEPUKUR CERAMICS



PROFIT GROWTH OF ACI FORMULATIONS



Two firms join direct listing

SARWAR A CHOWDHURY

ACI Formulations and Shinepukur Ceramics, two private sector companies, yesterday got go-ahead to be listed directly on the stock exchanges, showing a new gateway for profitable companies to offload shares with optimum prices.

Market analysts said the latest approvals of direct listing would encourage other private sector entrepreneurs to list their companies on the stock market.

"Direct listing is an alternative way of bringing profitable companies to the market that do not want to enter the initial public offering (IPO) system," said Yawer Sayeed, managing director of AIMS of Bangladesh.

"We welcome the direct listing of two new companies and hope more will join the market taking the benefits of direct listing," he said.

Direct listing ensures that the best value of the floated shares will go to the entrepreneurs, as the share price is built up directly in the secondary market.

On the other hand, the IPO system allows a company to float shares in the primary market with a fixed value. But, in most cases when trading of the shares starts in the secondary market, the prices shoot up manifold against the face value and the benefits go to the IPO lottery winners.

The stock market regulator and the bourse authorities have long been urging the private sector entrepreneurs to apply for listing their companies directly.

However five state-run enterprises offloaded their shares in the stock market under direct listing rules. The entities are Dhaka Electric Supply Company, Power Grid Company of Bangladesh, Jamuna Oil Company, Meghna Petroleum, and Titas Gas Transmission and Distribution Company.

All these state-run companies received a huge response from the investors in the secondary market, said an analyst. "Therefore, it can be said that private sector companies will

also get good response from the investors," he added.

ACI Formulations and Shinepukur Ceramics are the first two private sector companies that applied for direct listing since 2002, when Square Textiles was listed directly for the first time.

"We approved the direct listing of the two companies at a board meeting today [yesterday]," said Dhaka Stock Exchange Chief Executive Officer Salahuddin Ahmed Khan.

The DSE also decided that trading of the two companies will start simultaneously.

"Now the two companies will need to publish their information of documents in national dailies and submit the published versions to us," Khan said, adding that the trading date will be fixed after receiving the published versions of the information documents.

Shinepukur Ceramics, a subsidiary of Beximco Limited, applied to the premier bourse for direct listing on October 5 this year, while ACI

Formulations, a subsidiary of ACI Limited, applied on October 6.

Shinepukur Holdings in a DSE web posting disclosed that 3,50,11,800 ordinary shares of Tk 10 each of Shinepukur Ceramics will be offloaded under direct listing regulations.

The raised money will be utilised for investment in Beximco's subsidiary or investee companies (including Shinepukur Ceramics) for expansion of their capacities, repayment of their debts, diversification of their businesses and/or providing their working capital, according to the web posting.

ACI Formulations proposed to sell a maximum of 9,000,000 ordinary shares of Tk 10 each out of its 22,000,000 shares of Tk 10 each, DSE website said.

The raised money will be used for the company's investment in new projects or sectors, which have proven track records of giving high returns against low investment, rewarding the shareholders with good returns in commensurate with their contribution and taking steps to strengthen the balance sheet of the company.

Direct listing is a method that is unique to Bangladesh. While this method effectively addresses the matter of "price discovery" that incorporates input of both buyer and seller, there are some inherent structural considerations that could warrant further review, said Mamun Rashid, a leading banker.

Disclosure requirements for direct listing are not as regimented as IPO process and this can lead investors to not getting adequate information for investment decisions, he said, adding that there are increased chances of market manipulation since sell-down happens over a period of time.

In case of direct listing, a seller can become "hostage" to the 1-month sell-down period and may be required to do "fire sale" at the tail end of 1 month, Rashid said.

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US economy shrinks, worst yet to come

AFP, Washington

The US economy contracted at a 0.3 percent pace in the third quarter as a global credit crunch prompted consumers and businesses to retrench, government data showed Thursday.

The drop in gross domestic product (GDP) was the first negative figure since the fourth quarter of 2007, the Commerce Department reported in the first of three estimates on overall economic output.

Some analysts said the drop could be just the start of a deep and painful recession in the world's biggest economy.

"A hetfier decline in real GDP is likely in the fourth quarter, which will confirm that the US economy is in recession," said Dawn Desjardins, economist at RBC Capital Markets.

The decline, not as steep as the 0.5 percent annualized drop expected by private econ-

omists, comes amid mounting expectations of a sharp falloff in the US economy amid the worst banking and financial crisis in decades.

The decrease marked a sharp fall from the 2.8 percent growth rate of the second quarter and reflected weaker consumer and business spending and housing activity, offset in part by strong exports and government spending.

With the decline, output was estimated at an annualized 14.43 trillion dollars.

"What is noticeable is that the US economy is hanging onto support from exports that will not last in the fourth quarter," said Avery Shenfeld, economist at CIBC World Markets.

"The rest of the world is slowing and the rising dollar will take some of the shine off exports. The fourth quarter is going to be much worse, with a decline of perhaps as much as two percent."

Consumer spending, the main driver of economic activity, fell 3.1 percent in the quarter on a sharp 14 percent plunge in spending on so-called durable goods like cars and appliances expected to last three years or more, the report showed.

Spending on nondurables such as food and clothing slid 6.4 percent, the biggest decline since 1950.

In housing, which has seen a horrific meltdown after a long boom, investment fell 19.1 percent, a major drag on the economy.

While the decline in activity was somewhat mild, the report comes amid expectations for one of the worst recessions in decades as the economy is strangled by a collapse in credit amid troubles from banks that bet on the US property bubble.

Robert Brusca at FAO Economics said the report was "worse than it looks."



Commerce Adviser Hossain Zillur Rahman along with DCCI President Hossain Khaled inaugurates a three-day trade fair yesterday by ringing a bell to mark the chamber's 50th founding anniversary.

DCCI rings in 50th year

STAR BUSINESS REPORT

The gala event to celebrate the 50th founding anniversary of Dhaka Chamber of Commerce and Industry (DCCI) kicks off in the capital from today.

On the sidelines of the event, DCCI will arrange a seminar styled 'International Business Conference' where several important personalities will present keynote papers.

Chief Adviser Fakhruddin Ahmed is scheduled to inaugurate the conference today at Bangladesh-China Friendship Conference Centre at 9.30am.

Meanwhile, Commerce Adviser Hossain Zillur Rahman along with DCCI President Hossain Khaled inaugurated a three-day trade fair yesterday to mark the chamber's founding anniversary.

Sixty-three stalls of more than 40 companies including banks, non-banking financial institutions and companies involved with food, garment, leather, security equipment, toy and plastic goods business, will showcase products and services at the fair.