Star Business

DHAKA WEDNESDAY JANUARY 7, 2009

Stocks

DGEN	▼ 1.84%	2,756.66
CSCX	▼ 1.73%	5,549.03

Asian Markets

MUMBAI	▲ 0.59%	10,335.93
TOKYO	▲ 0.42%	9,080.84
SINGAPORE	▼ 0.58%	1,913.66
SHANGHAI	▲ 3.00%	1,937.15

Currencies

	Buy Tk	Sell Tk
USD	68.94	68.95
EUR	93.86	93.90
GBP	101.34	101.39
JPY	0.74	0.74

SOURCE: BANGLADESH BANK

Commodities

Gold	▼	$844.40 (per ounce)
Oil	▲	$49.50 (per barrel)

SOURCE: AFP

(Midday Trade)

Telecom firms seek secure climate

MD HASAN

A bleak year rolled past the telecom industry.

But stakeholders -- instead of reminiscing the past -- look to the new government's steps to tackle the global economic crisis that threatens to dampen mobile operators' massive investment intentions.

It is still too soon to assess how the new democratic government will carve out a strategy for the sector, but a loud pledge to build a Digital Bangladesh surely raised hopes for better days.

The telecom watchdog's intention to introduce several technologies within a short period of time will warrant a suitable environment for investment.

Some of the world's telecom giants, such as Vodafone, Sistema, Etisalat and Airtel, may tie up with Bangladesh's telecom market, depending on the government's policies and the regulator's role.

"Growth of the sector in 2009 will depend on the reduction or withdrawal of the SIM tax, but even more on the development of the Bangladeshi economy, in relation to the global economic crisis," said Oddvar Hesjedal, chief executive officer of Grameenphone, the country's leading telecom operator.

"I believe Bangladesh can overcome the crisis and this will have a positive effect on the telecom industry. Still, we will need to focus on increased operational efficiency, to optimally use our investment," he said.

A high official of Banglalink, the second market leader, said: "The market will definitely grow as communication needs are high and the overall penetration level is still low in Bangladesh. However, in the wake of the global recession, some slowdown should be expected in the form of Capex and overall investment."

"The regulator's role will be crucial as policies will dictate the course the industry takes in 2009 and how the industry, as a whole, becomes sustainable and profitable," he added.

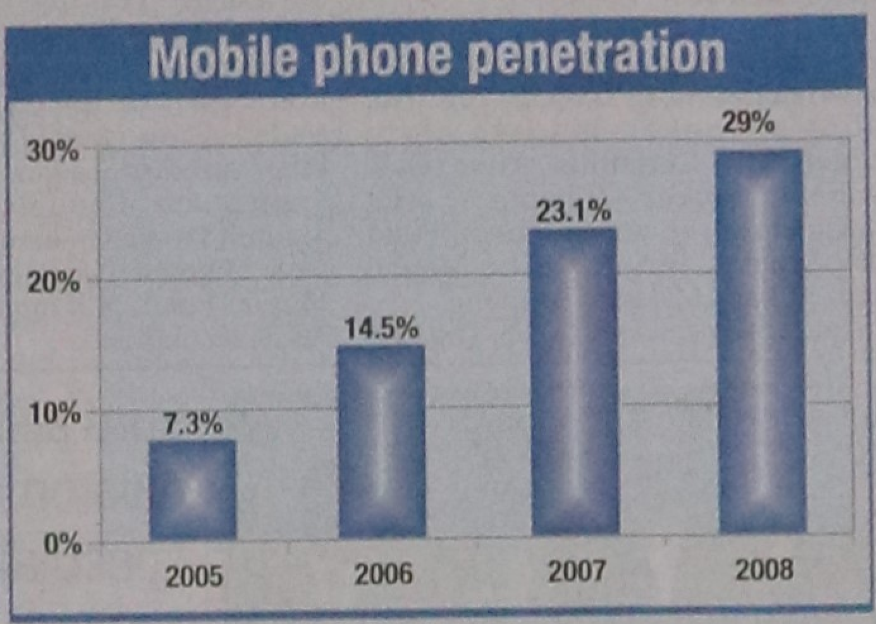
A question -- whether the telecom regulator's strong role will continue through 2009 -- is on the back of everyone's mind.

The year 2008 had shaped up into a turning point for the telecom industry, where technology introduction dominated the scene. Whether the market was worth such technology remains to be judged.

Bangladesh Telecommunication Regulatory Commission (BTRC) issued licences for call centres, international gateway, WiMax, internet service providers, interconnection gateway and international internet gateway.

The year 2008 saw a change in the relationship between the regulator and operators. It seemed that the regulator had no longer cared for the operators' whims.

Four telecom companies had compensated for past illegal practice -- international call termination -- by paying Tk 588.4 crore in a combined fine. Analysts say malpractices crept in because of the laidback policy followed by the regulatory top brass in the past.



Grameenphone's intention to list on the capital market took centre stage in 2008. The company received high acclaim.

Furthermore, optimism over a smooth IPO process had been briefly undermined by a dispute between the two main shareholders: Telenor of Norway and Nobel laureate Muhammad Yunus' Grameen Telecom.

On September 4, the microfinance pioneer said: "The recent activities (of Telenor-controlled management) in Bangladesh leaves me with little alternative other than to investigate the possibility of taking legal action." He softened his stance a day later by stating that a lawsuit was only a remote possibility and "this is not an outcome that we think is necessary".

Telenor, however, had its own interpretation of the 1996 partnership deal. "In the conflict regarding the ownership of Grameenphone, Telenor disagrees with Muhammad Yunus that we have an agreement to sell our stake in the company to him. We would like to emphasise that the shareholder agreement clearly states that any disagreements should be resolved through the Swedish courts," Telenor said.

The conflict came to an end, thanks to both partners looking forward to the IPO issue, by signing a joint press statement that they are firm on listing on the capital market as early as possible. The announcement came as a relief to investors.

Grameenphone was busy in December with pre-IPO private placement of shares, which amounted to $60 million (Tk 413 crore), to local institutional investors.

Grameenphone filed its final application for an initial public offering (IPO) of $65 million (Tk 449 crore) with the Securities and Exchange Commission on December 11.

Grameenphone's Board of Directors had earlier approved a proposal for an IPO of its shares, subject to necessary approval and market conditions. The price for the IPO has been proposed at Tk 7 a share, subject to SEC approval.

In mid-2008, Japanese NTT DoCoMo entered Bangladesh by purchasing a 30 percent stake in AKTEL for $350 million, aiming to introduce high-tech mobile products in Bangladesh.

The Japanese giant's entrance broadened AKTEL'S horizon, which is mainly controlled by the shareholding company Telekom Malaysia.

AKTEL also promised to go public by 2008. However, the dismal state of the balance sheet in 2007 discouraged such steps.

"The prospects of Grameenphone's issue will likely prompt other telecom operators to come to the market. The sector will be of significantly greater focus to capital market investors," said Ifty Islam, managing partner of Asian Tiger Capital Partners.

"We believe that once Grameen and AKTEL are listed, there will be a regulatory pressure on other mobile phone operators to offload shares onto the local stock exchanges," he added.

The private landline operators' allegations against the regulator of policy discrimination developed into another much-talked-about issue in 2008. The issue was partially solved by introducing interconnection exchanges in December 2008.

The industry also faced hurdles in WiMax licensing. Although the auction price was Tk 215 crore, BTRC is struggling to hand over one WiMax licence, out of three.

The high-priced auction also rattles prospective 3G operators, as they think that if the 3G auction goes beyond a moderate level, operators may be reluctant to invest in the technology.

"BTRC is expected to give 3G licences in 2009. Taking the current economic crisis into consideration, it is not likely that operators will be keen to invest heavily in mobile broadband. Therefore, the license requirements and auction prices should be set carefully," said Oddvar Hesjedal, the Grameenphone CEO.

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Yarn sales slump on demand drop

REFAYET ULLAH MIRDHA

Yarn sales in the local market dropped significantly mainly due to depreciation of the Indian currency against the US dollar and a slump in demand for apparel items on international market, said spinning millers.

The spinning mill owners in Dhaka said they stockpiled yarn for four months up to December as the buyers have now the alternative cheaper Indian market for purchasing yarn.

"Nowadays most of the local fabrics and knitwear manufacturers import yarn from India as recently India depreciated the value of its currency against the US dollar by around 20 percent," said MA Matin Chowdhury, managing director of Rahim Textile Mills Ltd.

According to Bangladesh Bank (BB) data, L/Cs (letters of credit) worth US$205.39 million were settled in July-October period of 2008 compared to $142.70 million in the same period of 2007 to import cotton yarn.

In July-October period of 2008 fresh L/Cs worth $150.04 million were opened to import cotton yarn against $141.77 million in the same period of 2007, the BB data said.

Matin said the other reasons for declining demand for yarn in the local market are the ongoing global financial crisis and over production of yarn by the local mills.

According to BTMA statistics, a total of 43 new spinning mills were set up in 2008 (January-December) with 9,44,744 spindles and in 2007 a total of 28 mills were installed with 4,42,848 spindles.

At present the country has a total of 341 spinning mills with an annual production capacity of 1600 million kg of yarn and the total investment in this sector is 4.0 billion euros, BTMA statistics said.

As per BKMEA data, Bangladesh consumed 789.6 million kg yarn in 2007-08 fiscal year against 658.5 million kg in FY2006-07, while the average consumption growth of yarn in the country is more than 21 percent per year.

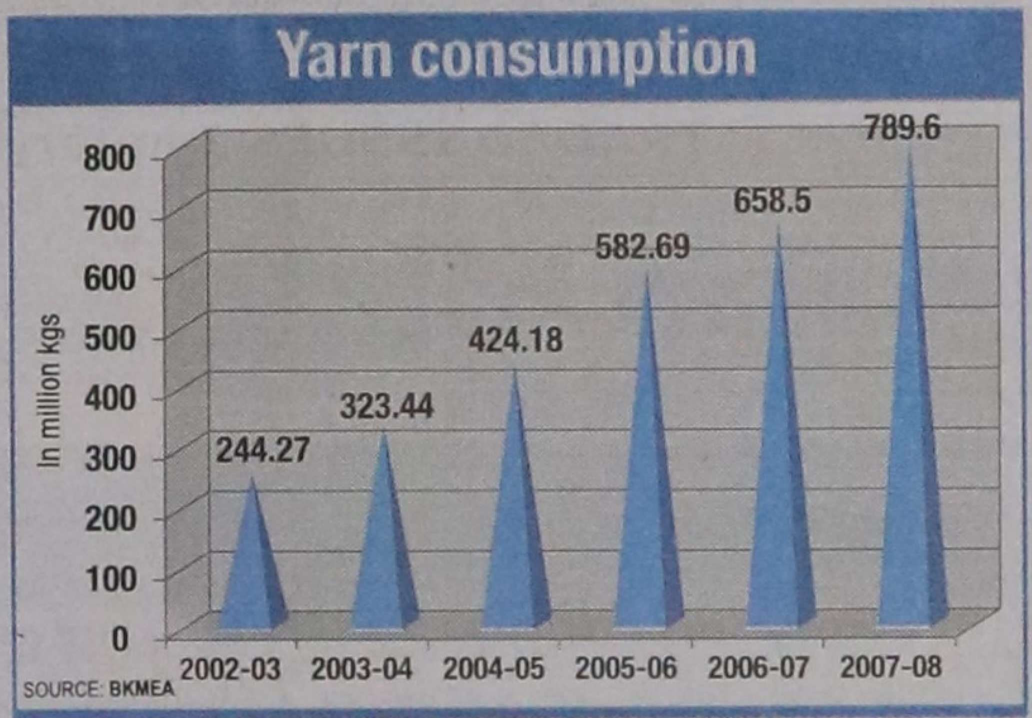
The country consumed 582.69 million kg yarn in 2005-06 fiscal against 424.18 million kg in 2004-05. Such consumption in 2003-04 fiscal was 323.44 million, while in 2002-03 fiscal it was 244.27 million kg.

The added advantage in yarn business for India is that it (India) is one of the major cotton producing countries, whereas Bangladesh is a net importer of cotton mainly from Uzbekistan and other CIS (Commonwealth Independent States) countries, Matin said.

"As a result, India can easily dump yarn on Bangladesh market," he said.

Echoing Matin's views, Chairman of Prime Group of Industries MA Awal said the newly elected political government should take immediate action against such dumping.

Abdul Hai Sarker, president of Bangladesh Textile Mills



Association (BTMA), said they can sell yarn at $2.55 per kg produced in their factories, but the same kind of Indian yarn sells at $2.15 per kg.

"It takes at least three months for Bangladesh to enjoy any benefit from price decline, as the country is a net importer of cotton and recently the prices of raw cotton declined significantly on international market," he said.

As a result, local manufacturers can hardly sell yarn at lower price, he added. Sarker said they would call upon the BB governor soon for taking immediate measures to this effect.

Now 30-count variety of yarn, which is consumed most, sells at $2.60 per kg in the local market, down from $3 three months back.

Bangladesh imports 4 million bales of cotton a year at a cost of over $1 billion, a BTMA official said.

The BTMA chief said local yarn manufacturers now supply up to 90 percent raw materials to the knitwear sub-sector and 40 percent to woven.

Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said the sales drop in yarn indicates that the country has started suffering from the negative impacts of the ongoing global financial crisis.

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Institute of capital market by March

SARWAR A CHOWDHURY

An educational institute meant for capital market will start its journey within March this year, aiming to provide training to develop skilled human resources for the country's stock market.

There is a huge shortage of knowledgeable persons about capital market in Bangladesh, people close to the formation of the institute said. The institution styled 'Bangladesh Institute of Capital Market' (BICM) will meet the requirement for skilled manpower in the capital market, they said.

A five-member BICM working committee, headed by Investment Corporation of Bangladesh (ICB) Managing Director Ziaul Haque Khondker, yesterday prepared a five-year budget for the institution.

"We will submit the budget proposal to the Board of Directors of the institute for approval," said a member of the working committee.

After approval, the committee will write to different stakeholders of the capital market for raising fund, he said.

He said the committee suggested Tk 4 crore for the first year's budget and Tk 30 crore for the entire five-year budget.

The committee, which was formed four months ago, also set the terms and conditions for appointing the institute's executive president, the top post.

Initially, the BICM will offer short-term training course on capital market to any interested person including working officials in the market.

"We have plans to provide long-term training course in future. Introduction of PhD and MPhil courses is also in our future plan," said a director of the BICM's 12-member board.

Although former SEC chairman Mirza Azizul Islam first initiated the move to establish a capital market training institute, its progress was very slow for different reasons.

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More News

Cane industry close to oblivion

The country's once famous cane industry now battles for its existence. The district of Sylhet was known far and wide for its intricate cane furniture. The circumstances are so grim now that only a few cane furniture manufacturers are holding on to their ancestral business.

B-4

Stocks end down

Dhaka stocks continued to fall yesterday, influenced by early-day confusion over who to take over as finance minister in the new government, and profit-taking by investors. The benchmark index of Dhaka Stock Exchange, DSE General Index, went down 51.79 points, or 1.84 percent, to 2,756.65 points. The DSE All Share Price Index also dropped 42.7 points, or 1.83 percent, to 2,278.29 points.

B-2

International

Balkans shiver as Russia gas crisis worsens

A Russia-Ukraine gas dispute worsened for the Balkans on Tuesday, with shipments ceasing to two ex-Yugoslav states and slashed to another as temperatures plunged far below freezing.

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

Economic crisis may hit millions of children: UN

AFP, *Singapore*

The deepening global economic crisis could significantly raise infant mortality and malnutrition rates, a UN official said Tuesday, urging Asian governments to protect millions of vulnerable children.

Despite budgetary constraints, there is no reason to cut back on social spending, said Anupama Rao Singh, director for East Asia and the Pacific at the United Nations Children's Fund (UNICEF).

Singh warned that, based on previous experience, the current economic crisis could result in a 5-10 percent increase in anaemia among pregnant women and a 10 percent rise in low birth weights among babies in severely affected countries.

Infant mortality is expected to increase between 3.0 and 10 percent and the malnutrition rate among children could rise by 10 percent, she said, without specifying exactly the number of youngsters at risk.

Real data on the impact of the global meltdown was not yet available, Singh said at a conference to assess the impact of the global economic crisis on children. The event was jointly sponsored by UNICEF and the Lee Kuan Yew School of Public Policy.

While economies in the region have been affected by the global slump, many are still expected to post economic growth, although at a slower pace, Singh said.

"In this context, I think the first implication for us is that there is absolutely no justification for cutting back programmes and services for the poor or for children. This is not the time to do it," Singh said.

"On the contrary, this is the time to sustain and actually expand social investments."

She suggested that social protection programmes be made an integral part of government stimulus packages aimed at reviving economies. That would create jobs for teachers, healthcare workers and social workers, she said.

There are concerns that shrinking national budgets could force governments to cut back on social spending in areas such as health care, nutrition and education, potentially affecting a huge number of children, according to experts.

During the 1997-1998 Asian financial crisis, Thailand's public health budget shrank by 9.0 percent and its education budget fell 6.0 percent, according to figures cited by UNICEF.

At that time, the infant mortality rate in Indonesia rose 14 percent.

In the Philippines, the immunisation rate fell nearly 15 percent and public health expenditure tumbled six percent, while school enrollment rates for children declined and the number of child labourers increased, UNICEF said.

AFP

Prof Kishore Mahbubani of Lee Kuan Yew School of Public Policy in Singapore speaks to the press yesterday after a conference on the Impact of the Economic Crisis on Children.