

## Stocks

DGEN ▲ 0.14%  
2,760.66

CSCX ▲ 0.05%  
5,552.03

## Asian Markets

MUMBAI ▼ 7.25%  
9,586.88

TOKYO ▲ 1.74%  
9,239.24

SINGAPORE ▼ 1.73%  
1,880.58

SHANGHAI ▼ 0.68%  
1,924.01

## Currencies

Buy Tk Sell Tk  
USD 68.45 69.45

EUR 90.98 95.67

GBP 100.35 105.33

JPY 0.72 0.76

## Commodities

Gold ▲ \$864.17  
(per ounce)

Oil ▼ \$50.05  
(per barrel)

SOURCE: BANGLADESH BANK

## More News

### New labour minister thrusts on skill development

Skill development and overseas labour market diversification will be the main thrust of the present government to create more job opportunities, Labour and Expatriates' Welfare Minister Khandker Mosharraf Hossain said yesterday.

### Local firm wins telecom network licence

The telecom watchdog yesterday issued a nationwide telecom network licence to Fiber@Home Ltd, a local company, in a bid to minimise hazardous overhead optical fibre usage for various voice and data services.

B-3

## International

### Russian halt deepens gas crisis



All deliveries of Russian gas through Ukraine were halted yesterday, intensifying a bitter dispute between Moscow and Kiev which risks depriving Europeans of gas amid freezing weather. In a new twist, Russian Prime Minister Vladimir Putin told state-run energy giant Gazprom on Wednesday to cease all deliveries of natural gas into Ukraine.

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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](mailto:business@thedailystar.net)

# BB to keep policy expansionary

SAJJADUR RAHMAN

Bangladesh Bank (BB) will continue to follow expansionary monetary policy to drive growth and create jobs in line with the agenda of the new government, central bank officials said yesterday.

"The central bank will prioritise an unhindered flow of credit to productive sectors to support a growth-promoting policy," a BB economist told The Daily Star.

The semi-annual monetary policy to be announced for January-June by the end of next week marks agriculture, SMEs and the rural economy as the prime targets, the economist said.

Credit to unproductive sectors, such as trade financing, will be discouraged in the new policy. Price stability will be another focal point in the policy. Officials said the BB had been meant to announce the policy earlier this week, but was delayed to incorporate the ideas of the new government formed on Tuesday.

In its election manifesto, the Awami League vowed to curb inflation and poverty by stimulating domestic growth.

The country's monetary policy works indirectly by influencing the costs and availability of credit and

money. Fiscal policy (government expenditure and taxes), on the other hand, impacts aggregate spending directly.

The central bank last announced the monetary policy in July last year, which prompted the International Monetary Fund to recommend a tight policy to rein in inflationary pressure.

An expansionary monetary policy lowers short-term interest rates to stimulate investment and consumption. A contractionary monetary policy yields the opposite effects.

BB officials said measures would be meant to ensure credit to the productive or manufacturing sectors to make the policy growth-oriented and employment-supportive.

But commercial banks and other financial institu-

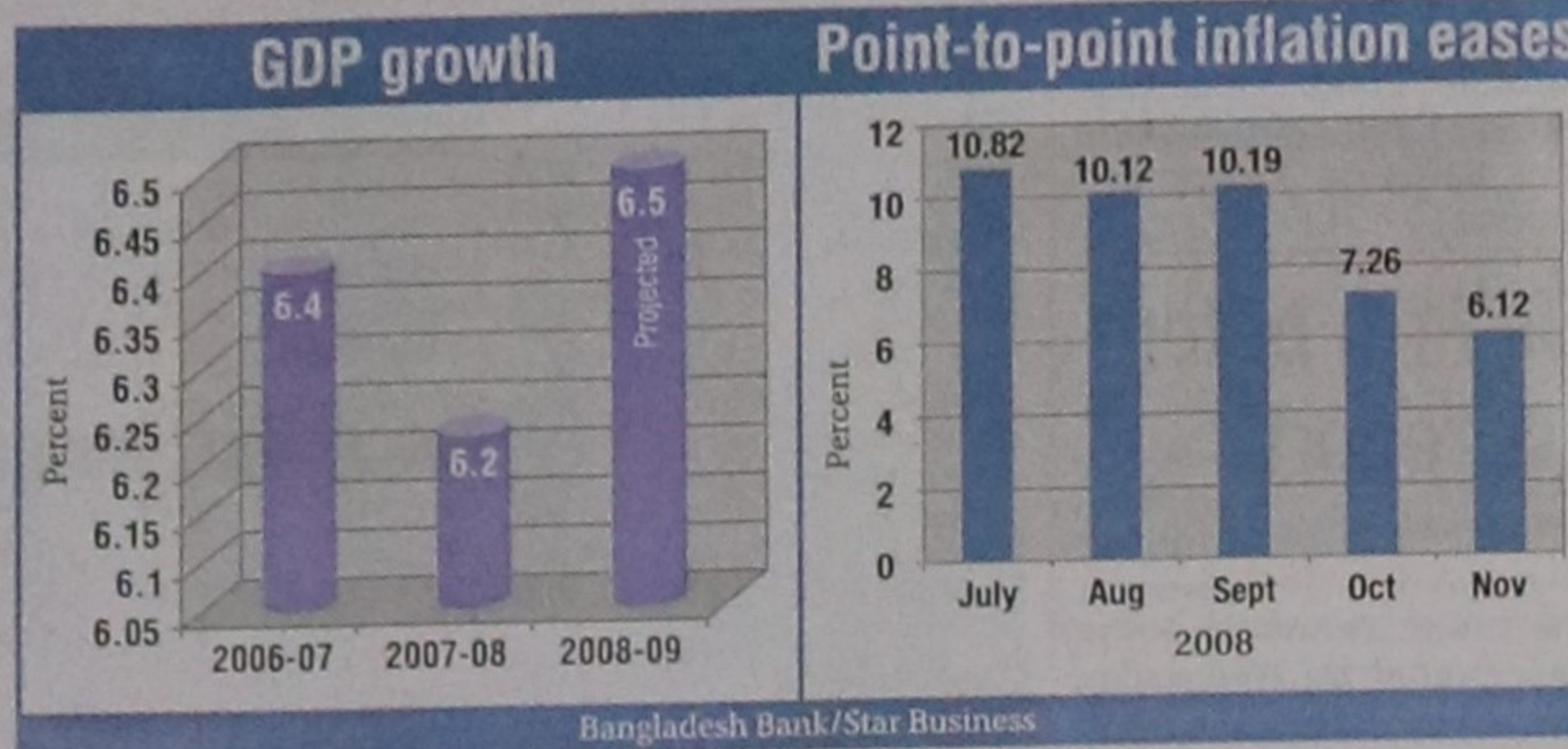
tions are increasingly financing the unproductive sectors, such as trade financing.

About 50 percent of their credit was channelled into trade financing although it had been discouraged in the last policy stance, officials said.

"Measures such as imposition of higher capital charge in the form of higher general provision requirement on such loans may be considered in the new policy," another official said.

On controlling inflation, the official said the policy would underscore an increase in the domestic production base of food grains by providing easy credit to agriculture.

Thanks to the falling prices of fuel and essential commodities on the international market, inflation at home may ease further.



Bangladesh Bank/Star Business

# Signs of capital flight from DSE mark 2008

## LOOKING BACK

SARWAR A CHOWDHURY

Sell-offs by foreign fund managers outpaced the buying pressure on the country's prime bourse in growing signs of capital flight from the stock market in 2008 in the wake of the global financial crisis.

The foreign investors sold shares worth Tk 814.96 crore, while they bought shares worth Tk 550.54 crore last year, according to Dhaka Stock Exchange (DSE) statistics.

However the DSE in 2007 had received Tk 889.06 crore in net foreign investment, which was a jump of around 830 percent compared to the previous year. Throughout that year, the foreign investors bought shares worth Tk 1439.76 crore, while the selling amount was Tk 550.7 crore.

Many a fund manager had become bankrupt because of the global financial meltdown and withdrew their investments from the stock markets in different countries to meet liquidity crisis, according to market analysts.

They said Bangladesh capital market was also on the money withdrawal list, despite the market was not so big as India, China and Japan.

On the onset of global financial crisis, the foreign or portfolio investment accounted for less than three percent of the total market

capitalisation, or around US\$ 60 crore.

By the end of 2008, such investment came down around \$40 crore.

"There was a selling pressure instead of injecting fresh fund last year because of the profit-taking move by the global fund managers to meet their liquidity crisis, stemmed from the financial meltdown," said Salahuddin Ahmed Khan, professor of Finance at Dhaka University.

However, the foreign investors had started injecting fresh fund in the later part of the year, although the pace was very slow, said Khan, also the immediate past chief executive officer of DSE.

"As our market has been maintaining a steady growth and the global credit crunch could not put any impact on our market, foreign investment will go up in near future," he hoped.

Since the onset of the crisis, economists, experts and stakeholders of the capital market repeatedly said Bangladesh market is less allied with the global stock markets and there will be no fallout from the financial crisis.

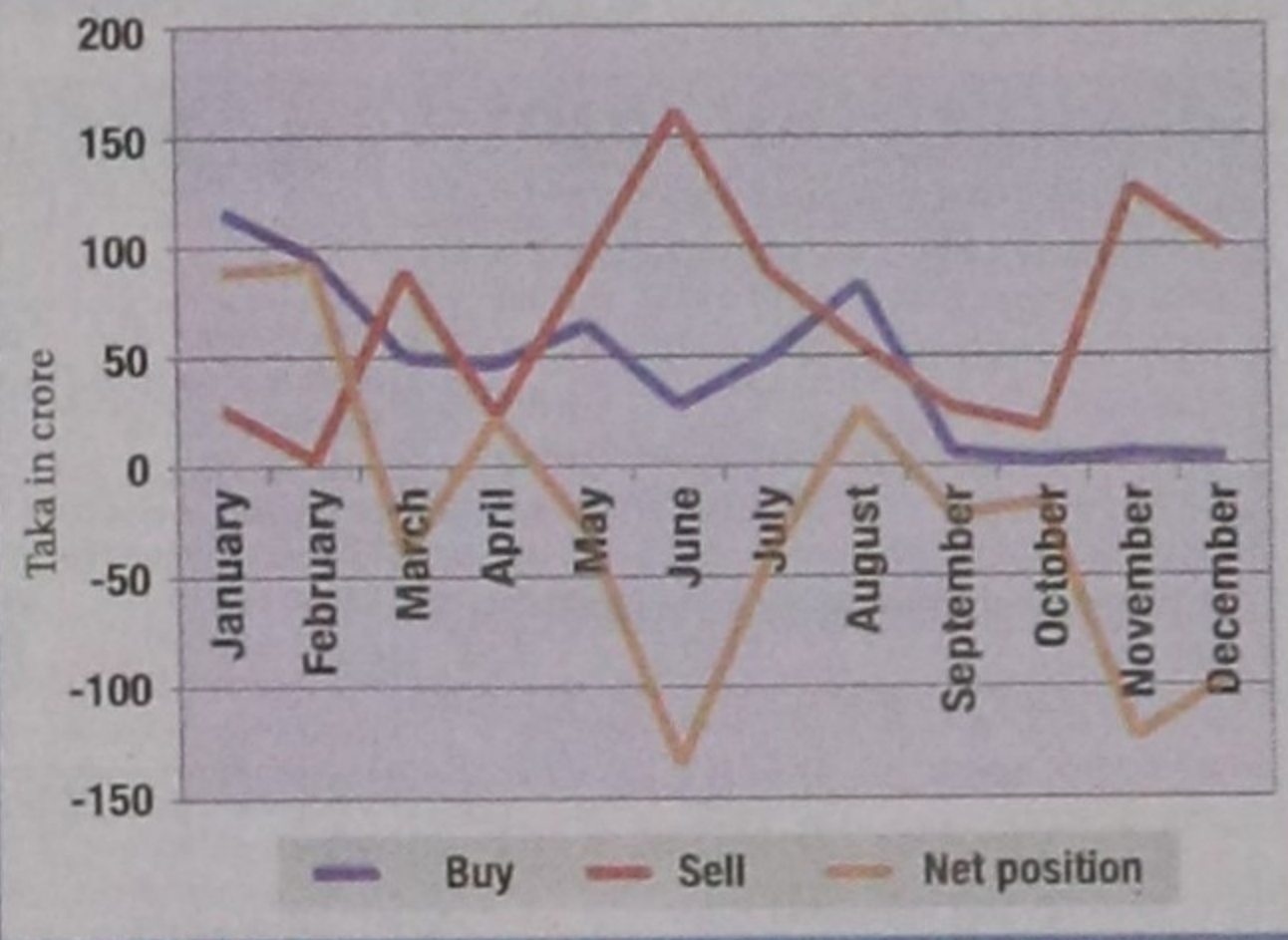
Some analysts also see the Dhaka market as an emerging market because the diversion of global fund managers is likely due to the fact that returns from investment are ensured here.

They said inclusion of Bangladesh in the Goldman Sachs' 'Next 11' countries is another evidence that international investors now take interest in the country's stock market.

Banking sector shares followed by fuel and power, pharmaceuticals and cement sectors are on the choice list of foreign investors, mainly from the US and Europe.

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## Positions of foreign investors in 2008



# Biman scopes out financiers for aircraft purchase

SOHEL PARVEZ

Biman Bangladesh Airlines is on the lookout for financiers to make pre-delivery payments (PDP) for purchasing Boeing aircraft, aiming to further boost the once-struggling national carrier.

Initially, the airline seeks a consortium of banks to gather the pre-delivery amount that totals about \$249 million, which needs to be paid in phases within 2013, the year the first consignment is expected.

The first PDP instalment, equalling to about \$32 million, will have to be paid between July and December this year, people familiar with the matter said.

"We are considering options like raising funds from a consortium of banks, to make the pre-delivery payment to Boeing," Mahub Jamil, immediate past special assistant to the chief adviser, told The Daily Star recently.

Jamil, who recently stepped down from the reconstituted board of Biman, disclosed that the national carrier plans to start making the PDP from the middle of this year.

Bankers, however, said the move to manage finances through a consortium of banks, without any government guarantee, might be bumpy for Biman.

But on the ground of Biman's projected cash



flows, financiers are expected to come forward.

Given the turmoil in the global financial markets, it may be tough for Biman to collect funds from global markets, they added.

Gripped by aircraft shortages, Biman sealed a deal worth about \$2.5 billion with Boeing in June last year to acquire 10 new aircraft.

Questions were raised as to how the purchase would be carried out without government guarantee, given the carriers' fund constraints.

The carrier paid \$ 1.54 million in confirmation fees from its own funds for the purchase of the Boeing aircraft last year.

Biman, a public limited company (Plc) since July 2007, earlier said that it wanted to collect about 85 percent of the required funds, based on the guarantee it would avail from the US-based Exim Bank. It also planned to borrow the remaining portion of money from a consortium of banks.

Officials said Exim Bank might assess Biman's

overall performance by 2012 and if performance of the carrier fails to satisfy the bank, it may seek sovereign guarantee.

Jamil hoped that the sovereign guarantee against the bank's guarantee might not be required, as Bangladesh has become the signatory of the Cape Town Convention. Ratification of the treaty means a reduction of risks to aircraft financiers as it allows global lenders to take control of aircraft, in case of default.

"Bangladesh, being the Cape Town Convention signatory, may not need sovereign guarantee," Jamil pointed out.

Officials hope that the carrier will be better off after addition of the new aircraft to its existing fleet of a dozen, which is currently comprised of leased and decade-old fuel-guzzler aircraft.

"We are looking at all the options and exploring all the possibilities. We are hopeful that we will be able to manage the fund," said Biman spokesperson Nafees Ahmed Imtiazuddin.

He said Biman is in talks with some banks to collect the money. "It can either be for the entire sum of the pre-delivery payment or a portion of it," he said, adding that it also has plans to seek global financiers.

Another option available for the carrier, the official said, is to sell off shares to the public through the stock exchange in line with a government plan to offload 49 percent of its stake in Biman.

Ali Reza Iftekhar, managing director and chief executive officer of Eastern Bank, said it is possible to finance Biman by syndication.

"We are definitely interested to lend to Biman, which is a prospective company and can generate a healthy cash flow," Iftekhar said. "Government guarantee is not necessary. Banks can finance assessing Biman's projected cash flow."

He said Biman has no problem getting passengers, but it faces a severe shortage in aircraft.

If Biman wants loan in a foreign currency, it has to go through a foreign bank. It can also obtain a portion of the loan in the local currency from local banks, said Touhidul Islam, head of the Structured Finance Unit of Prime Bank.

But another banker said bankers may not be confident enough to finance Biman, unless the government offers guarantee.

"It appears that Biman's cash flow may not be healthy enough to repay the loan in the next couple of years. The government guarantee is critical," the official observed. "If government assures payback, it is possible to arrange the funds."

However, Biman officials are hopeful that the carrier might not need the guarantee from the government due to improvements in its cash flow. In the fiscal year 2007-08, the national airline was back in the black after four years.

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# Indian outsourcing giant hit by billion-dollar fraud

AFP, Mumbai

The head of one of India's biggest outsourcing firms, Satyam Computer, resigned on Wednesday amid a scandal over a billion-dollar fraud that sent company stocks into freefall.

Company founder and chairman B. Ramalinga Raju admitted the Hyderabad-based software services firm had falsified accounts and assets and inflated its profits over several years.

The company overstated its cash and bank balances of 50.4 billion rupees (1.03 billion dollars) in its September-end balance sheet, "purely on account of inflated profit over a period of several years," Raju said in a statement.

Satyam shares plummeted 82.75 percent, or 148.2 rupees, to 30.9 rupees on the Mumbai Stock Exchange late afternoon on Wednesday, as investors dumped the company.

The broader benchmark 30-share Sensex plunged more than seven percent to 9,603.74 points. Satyam had announced the 1.6-billion-dollar buyout of the Maytas infrastructure firms earlier this month, but abruptly reversed its decision after investors rejected the plan.

Raju admitted in the statement that the Maytas acquisition plan was "the last attempt to fill fictitious assets with real ones."

Analysts and the stock market regulator have reacted with shock at the fraud, calling for stringent action.

"This is an event of horrifying magnitude and it's first of its kind," C B Bhav, chairman of market regulator Sebi, told the Press Trust of India on Wednesday.

"We are in touch with ministry of corporate affairs... we are also in discussion with them as to what steps need to be taken," Bhav said.

"This is alarming and disturbing... like a punch which catches you unawares. The fraud will have an impact over the short-term," Bharat Iyer, India strategist with JP Morgan, told AFP.

The investment bank had already placed a "sell" rating for the stock, amid the global economic slowdown.

"The Satyam management's continuance seems to be untenable regardless of the new board composition. What this sorry episode has done is leave a huge hole in corporate governance at Satyam," said Viju George, analyst at Edelweiss Securities, in a report to clients.

The Satyam chief apologised "to all Satyamites and stakeholders, who have made Satyam a special organisation, for the current situation."

"I am now prepared to subject myself to the laws of the land and face consequences thereof," Raju added.

The Satyam management is expected to meet shortly in the wake of the fraud, media reports said.

"We are shocked by the contents of his (chairman's) letter. We will meet shortly to strategise a way forward in the wake of the fraud," Satyam's interim chief executive Ram Mynampati told media in Hyderabad.

Late last year the World Bank barred Satyam from doing business with it for eight years over "improper benefits" paid to staff.

Satyam Computer Services is a leading software consultancy, system integration and outsourcing firm with clients across 65 countries.



B Ramalinga Raju, chairman of Satyam Computer Services, resigned yesterday.

## Five facts about Satyam

STAR BUSINESS DESK

\* India's No.4 software services exporter, Satyam Computer, was founded in 1987 by Chairman B Ramalinga Raju, who was born into a family of farmers and is a Management graduate from Ohio University.

\* Satyam debuted on the Indian markets in 1991, followed by a listing in New York in 2001.

\* Satyam, whose clients include General Electric, Nestle, Qantas and Fujitsu, specialises in business software, and offers back-office outsourcing and consulting services.

\* In the year to end-March 2008, Satyam posted a 46.3 percent rise in revenue to \$2.1 billion under US accounting standards, while net income rose 39.7 percent to \$417 million.

\* Satyam, based in the southern city of Hyderabad, had 52,865 employees at end-September.