Star Business

DHAKA THURSDAY FEBRUARY 12, 2009

Stocks

DGEN	▼ 3.46%	2,416.67
CSCX	▼ 3.59%	4,793.31

Asian Markets

MUMBAI	▼ 0.30%	9,618.54
TOKYO	Closed	
SINGAPORE	▲ 1.10%	1,721.97
SHANGHAI	▼ 0.19%	2,260.82

Currencies

	Buy Tk	Sell Tk
USD	68.40	69.40
EUR	86.45	91.08
GBP	97.43	102.36
JPY	0.75	0.79

SOURCE: STANDARD CHARTERED

Commodities

Gold ▲ $922.00 (per ounce)

Oil ▼ $37.77 (per barrel)

SOURCE: AFP

(Midday Trade)

More News

Let's drift out of Dhaka

In a bid to cut housing pressure on Dhaka, the government should earmark some areas and develop lands around the capital to build satellite townships, says the chief of a real estate giant. "Housing-sector problems will not be resolved unless the supply is increased," says SM Kamaluddin, chairman of Concord Group.

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International

Belgium faces 'serious recession' in 2009

Belgium faces "a serious recession" this year, central bank governor Guy Quaden said Wednesday after most economic indicators, apart from inflation, slumped in 2008. "Unfortunately we are talking at the moment about a contraction of 1.9 percent of gross domestic product (GDP) in 2009. It's not a depression, but it's a serious recession," he said.

GM cuts 10,000 salaried jobs, trims employees' pay

General Motors Corp is planning to slash another 10,000 salaried jobs this year, saying the cuts are unavoidable with a government restructuring deadline looming and industrywide sales in one of the worst downturns in history.

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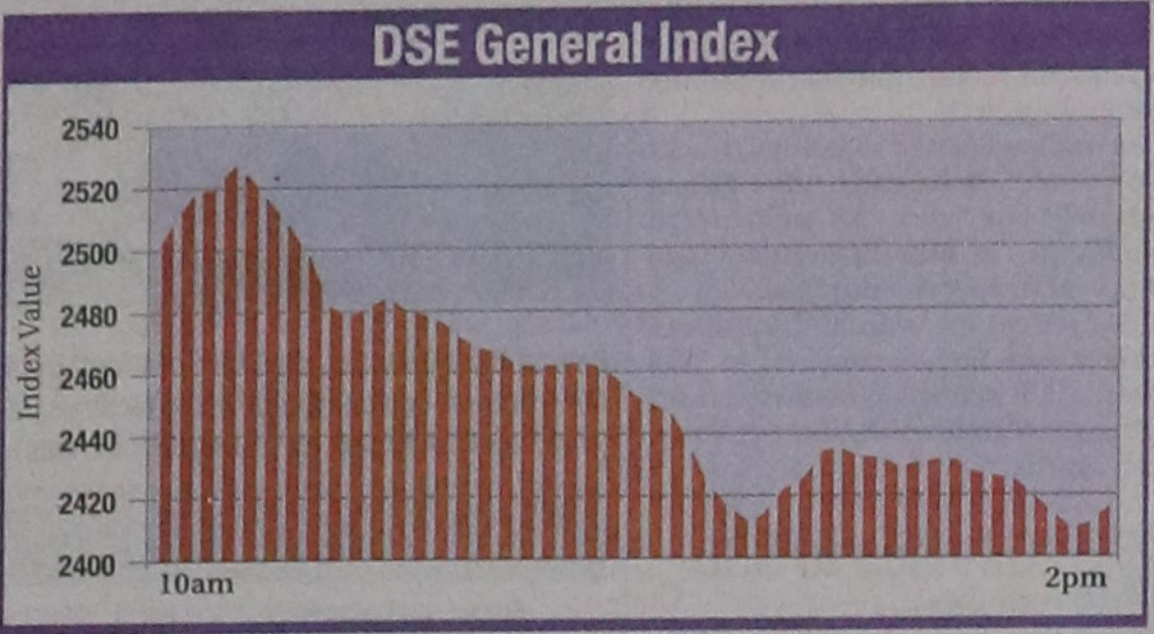
If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Stocks skid in panic sell-offs

STAR BUSINESS REPORT



- Protests hurt trade in Khulna, Sylhet
- SEC further increases brokers' credit extension facility
- Janata Bank gets merchant banking licence

Stocks plummeted to the lowest yesterday in nearly one and a half years, triggered by panic sell-offs in almost all sectors led by banks, a lifeline to the market.

Transactions came to a halt at the Sylhet and Khulna offices of the twin bourses amid a short spell of demonstration over the freefall of shares. Some angry investors ransacked the Khulna office of Dhaka Stock Exchange (DSE).

The benchmark DSE General Index skidded 86.54 points, or 3.45 percent, to 2416.66, the lowest since August 2007.

The DSE All Shares Price Index slumped 70.91 points, or 3.40 percent, to 2013.61. The DSE-20 blue chip index fell 72.23 points, or 3.48 percent, to 1997.90.

The markets in Dhaka and Chittagong suffered losses a day after the Securities and Exchange Commission (SEC) pledged some measures such as increasing brokers' credit extension facility from 1:0.67 to 1:1 to increase fund flows and investor confidence, which has been wobbly for about six weeks.

To prop up the troubled market, the SEC yesterday further increased brokers credit extension facility from 1:1 to 1:2.

Among other steps was the opening of a separate window for trading on non-performing shares of low-quality or Z shares.

"A fall in almost all traded issues reinforces the feeling that investor confidence is down," said Prof Mahmood Osman Imam, who teaches finance at Dhaka University.

"Under these circumstances, investors will want to offload their shares faster fearing a further decline in prices," he said.

Imam suggested that brokers and institutional investors play proactive roles in stabilising the market.

Opening upbeat, the market lost pace shortly amid selling pressure propelled by thin participation of institutional investors in trade.

Growing fears over lower-than-expected dividends from banks fuelled jitters on the DSE, the prime bourse.

Next came a Bangladesh Bank call to banks to give up risky banking, which also hurt investor sentiments, analysts said.

The central bank made the call on Tuesday as the credit-deposit ratio of seven banks crossed the permissible limit of 82 percent and hurtled from 85 percent to 98 percent in 2008. The BB termed the ratio risky.

The credit-deposit ratio of AB Bank was 91.57 percent, NCC Bank 95.63 percent, Standard Bank 97.96 percent, First Security Bank 96.39 percent, Trust Bank 83.24 percent, Shahjalal Islami Bank 95.01 percent and BRAC Bank 88.45 percent.

Of the 266 issues traded on the DSE, only 28 issues ended as advancers, outnumbered by 233 laggards. Five issues finished unchanged.

Turnover however rose on the DSE with Shinepukur Ceramics, Beximco Pharma and Uttara Bank topping the turnover board. All the issues declined.

Md Rakibur Rahman, director of DSE, said the market rout had been deepened by rumours by "some quarters".

"The market should not suffer such a fall even if there is a shortage of liquidity. I think the situation has heavily been fed by rumours," he told The Daily Star by phone.

Rahman claimed that an unnamed quarter had spread rumours by mobile text, which hurt small investors.

"It appears that someone is trying to take advantage of the situation by creating volatility," said Rahman.

A market analysis by Equity Partners Ltd (EPL), an investment bank, observed that the losses in the market were due to panic that influenced the "psyche of general investors".

"This fall is not due to any weakness in the real economy. The real economy of Bangladesh has been performing admirably during this global downturn," said EPL, citing growth in exports remittances and import of capital machinery and banks health.

EPL also linked the decline to high dividend expectations, which had earlier pulled the prices of issues.

"With the declaration from Dutch-Bangla Bank Limited, the retail investors believe the similar companies will not provide expected dividends. It has had a negative impact on a number of companies," it observed.

But EPL said the prices of stocks on the DSE are not overvalued. "There are great opportunities for return from some extremely good companies."

"We reckon that this will be temporary. Once investor confidence is restored, the market will start performing according to its underlying strength," it said.

SEC Executive Director Farhad Ahmed said the regulator had awarded Janata Bank a merchant banking licence, expecting that the bank would contribute to the liquidity flow into the market.

GP profit jumps on low acquisition costs

STAR BUSINESS REPORT

Leading mobile phone operator Grameenphone's (GP) net profit jumped by 68 percent to Tk 320 crore by the end of 2008 compared to Tk 130 crore a year ago, mainly due to a decline in customer acquisition costs.

The company's operating profit however dropped by 10.33 percent to NOK 1,111 million by the end of 2008, compared to NOK 1,239 million a year ago. (NOK 1 = BDT 12.16).

"While it continues to grow, our subscriber growth is effected by the existing high SIM tax, which limits affordability for customers with limited incomes," said Oddvar Hesjedal, GP chief executive officer, at a press conference in Dhaka yesterday.

"Nonetheless, we have consolidated our position in the market and closed the year on a positive curve," he added.

Grameenphone's significant profit rise may bring good news to the prospective shareholders of the company. The company's share offloading through IPO (initial public offering) is in the final stage, waiting for stock market regulator's nod.

GP added 4.51 million customers in 2008, which is around 1.5 million less than it was a year ago. Along with low customer acquisition, the company also reduced subsidy for each connection from Tk 800 to Tk 300, which ultimately helped earn a significant profit.

In 2007, the company added around 6 million customers.

GP's monthly average revenue per user however reduced by 7 percent to NOK 22 in 2008 from NOK 28 a year ago.

"We followed a conscious business strategy in 2008 which basically helped earn significant profit," said Md Arif Al Islam, chief financial officer of the company.

"We didn't go for a 'loss marketing' and therefore had a stable year," he said at the press meet.

Norway's telecom giant Telenor owns 62 percent of the company, which launched operation in 1997, with the rest 38 percent being held by local Grameen Telecom.

The full year performance in terms of revenue earnings also saw a positive trend. The company's revenue increased by around 13 percent at the end of December 2008 to NOK 5,049 million compared to NOK 4,622 million in December 2007.

According to its financial report (January-December) posted by Telenor, GP's market share in terms of subscriber base also remained 47 percent by the end of December 2008.

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Grameenphone Chief Executive Officer Oddvar Hesjedal, middle, speaks at a financial results conference in Dhaka yesterday.

GP's EBITDA (earnings before interest, taxes, depreciation and amortisation) was NOK 2,342 million in 2008, which was NOK 2,122 in 2007.

Telenor said GP's revenues increased mainly on usage growth, revenue from newly established International Gateway and booking of accumulated interconnectivity revenues from Bangladesh Telecommunications Company Ltd since the fourth quarter of 2007.

GP is the Bangladesh's market leader among the six mobile operators having 20.99 million customers followed by Banglalink's 10.33 million and AKTEL's 8.20 million.

According to Telenor group financial report, the Norwegian telecom operator posted lower net profits for the fourth quarter and 2008, warning it would feel the full effect of the global economic crisis this year, an AFP report said.

Last year, Telenor saw its net profit slump by 26.1 percent to 13.31 billion kroner (1.53 billion euros, 1.98 billion dollars), with its fourth quarter net profit slashed by more than a third to 2.21 billion kroner.

"The telecom sector has so far been less affected by the global recession than other industries," company Chief Executive Jon Fredrik Baksaas said in the financial statement.

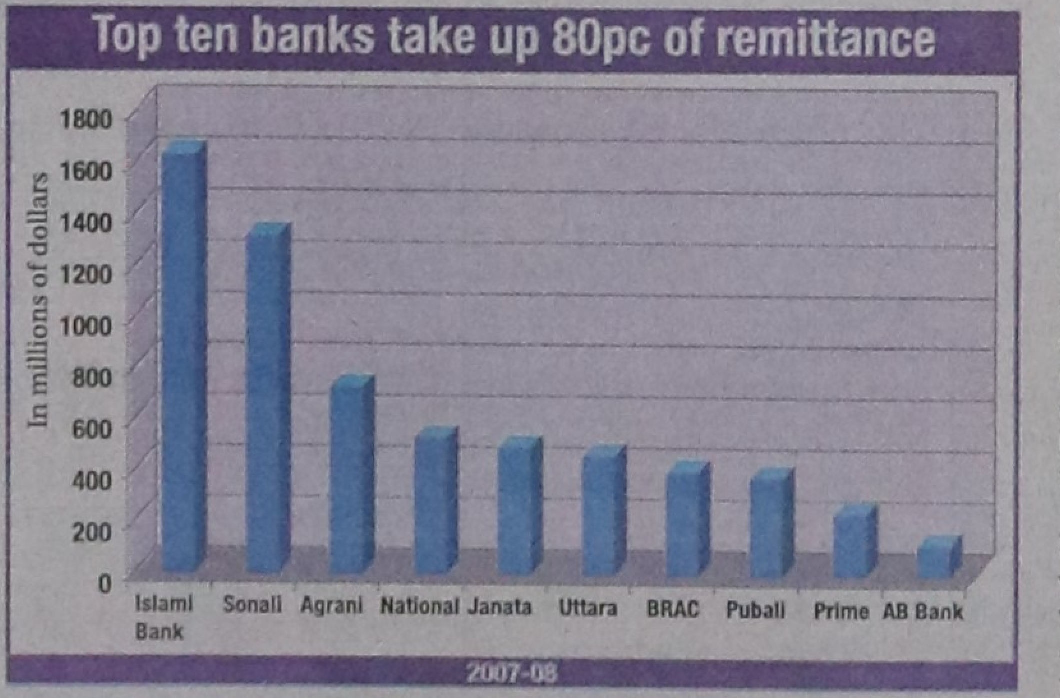
"As a result, the focus in 2009 will be on cost efficiency and capex (capital expenditure) control," he added.

For 2009, Telenor said it expected sales to be "in line" with its 2008 figure with an EBITDA margin of around 34 percent.

Last year, the company's EBITDA margin stood at 35 percent while its sales grew by 5.1 percent to 97.19 billion kroner on a year-on-year basis. In pro forma terms, sales meanwhile grew 5.7 percent to 111 billion kroner, Telenor said.

Move to up remittance thru' legal channels

REJAUL KARIM BYRON



In a bid to increase remittance inflow through legal channels, Bangladesh Bank (BB) is going to divide the countries across the world into five zones and introduce reward worth Tk 30 lakh to a remitter from each zone.

The BB has prepared a proposal for remittance reward and planned to select one remitter from each zone through lottery. The central bank has sent the proposal to all banks for their opinions.

According to the proposal, Zone A will include the Middle East countries such as Saudi Arabia, the UAE, Kuwait, Oman, Bahrain and Qatar, while Zone B will be comprised of Far Eastern countries such as Singapore, Malaysia, Brunei, South Korea, Hong Kong and Japan.

European countries like Italy, the UK, Sweden, Spain, Greece, Rumania and Poland will fall in Zone C, while Zone D will consist of South and Northern American countries, and Zone E will include Australia, New Zealand and Papua New Guinea.

The BB proposal said initially the lottery will be introduced to the remitters working in the Middle East countries who mainly send their money home through informal channels.

Gradually the lottery process will expand to other zones after having success in Zone A countries, the proposal said.

There will be only one prize for each zone in each draw. The reward money will be Tk 30 lakh for every zone in every draw.

"The reward amount will be underwritten by the BB and supplemented in whole or in part by voluntary commercial banks' sponsors. Banks' contributions would be expected to be equivalent to their proportionate shares of remittance taka volume transacted by all banks during the lottery draw period," the proposal said.

The banks that will not contribute accordingly will not be allowed to participate in the reward programme, and their remitters will not be included in the lottery process.

The BB proposal said as presently remittances have become a major source of earning for banks and such lottery is expected to increase the remittance flow through banking channel, banks will be requested to voluntarily support the lottery process.

"As underwriter, BB will provide any shortfall in the required funding. Banks will fund their proportionate shares one week prior to the draw to allow the central bank to calculate the shortfall," said the proposal.

The draw will be held four times a year for each zone.

"A zone and country wise database containing the details of the remitters will be collected from the commercial banks. Banks will be requested to make the primary list of eligible participants by taking the remitters' data from the overseas exchange house with whom they have arrangement," according to the proposal.

Names and remittance ID number of the migrant workers (along with the beneficiaries' names) who will send remittance in a particular quarter (like June to August) will be taken for the draw.

Banks will be asked to send such data in soft and hard forms where hard form should be certified and signed in each page by bank's authorised officer. The cut-out time to send such data will be one month from ending of the particular quarter. Banks failing to send remittance data within the stipulated time will not be considered for the draw and will not be required to provide funding.

"The draw process would be staged to attract as much publicity as possible. The draw shall take place on BB premises and will be broadcast in those countries for which the draw is made," the proposal said.

India injects $800m into state banks

AFP, *New Delhi*

India's government announced Wednesday plans to inject nearly 800 million dollars into three state-run banks to spur lending and give a boost to the country's slowing economy.

The government will pump a total of 38 billion rupees (779 million dollars) into UCO Bank, the Central Bank of India and Vijaya Bank, Finance Minister Palaniappan Chidambaram announced in the Indian capital.

The injection is aimed at enabling the banks to support "the credit requirement of the productive sectors of the economy," the government said in a statement.

Fearful of loan defaults, banks have become increasingly hesitant about extending credit to consumers and businesses, and the government has been pushing state-run financial institutions to allow easier credit.

"This will help banks raise capital adequacy over 12 percent, much above the Basel II norms of nine percent," Chidambaram said.

The Basel II agreement aims to ensure that banks globally meet similar conditions for matching reserves to risks.

The government is injecting 12 billion rupees into UCO Bank, 14 billion rupees into the Central Bank of India and 12 billion rupees into Vijaya Bank over a two year period.

The government said the move was part of an "ongoing process" and was aimed at maintaining a "comfortable level" of capital to risk assets.

The government had earlier announced it would ensure minimum capital adequacy ratios of 12 percent for all government banks.

Growing non-performing or defaulted loans, problems with loans granted to small- and medium-sized enterprises and falling stock prices have all weighed on banks' balance sheets as India's rapid expansion has stumbled.

The government is anxious to help businesses get funds to operate in a bid to prevent the country's economy going into a deeper downturn. It is also keen to boost lending to consumers.