

## Stocks

DGEN ▲ 5.04%  
2,538.38

CSCX ▲ 4.84%  
5,025.27

## Asian Markets

MUMBAI ▼ 1.59%  
9,465.83

TOKYO ▼ 3.03%  
7,705.36

SINGAPORE ▼ 2.15%  
1,684.96

SHANGHAI ▼ 0.56%  
2,248.09

## Currencies

	Buy Tk	Sell Tk
USD	68.40	69.40
EUR	86.62	91.23
GBP	96.62	101.44
JPY	0.75	0.80

SOURCE: STANDARD CHARTERED

## Commodities

Gold ▲ \$945.25  
(per ounce)

Oil ▼ \$35.75  
(per barrel)

SOURCE: AFP

(Midday Trade)

## More News

### Money? Spend it for future



Free markets are on the skids. The once-unwavering belief in deregulation is at a low ebb. Champions of globalisation are shaken. The minted masters of the universe are now more inward-looking than ever before.

B-4

### Faruk assures traders of help for market

Commerce Minister Faruk Khan said yesterday the government would extend cooperation to businessmen to keep the prices of essentials stable. "The government has planned to strengthen the Trading Corporation of Bangladesh," he said.

B-3

## International

### India's inflation falls to one-year low

India's inflation hit a one-year low, government data showed Thursday, giving more room for interest rate cuts to spur Asia's third-largest economy. Annual inflation fell to 4.39 percent for the week ended January 31 from 5.07 percent in the previous week, Commerce Minister Kamal Nath said in New Delhi, on the back of falling fuel prices.

B-4

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# Stocks rebound as state banks buy into market

## STAR BUSINESS REPORT

Stocks rebounded yesterday as state-run banks entered the scene to rescue the troubled market from a slump in investor confidence and downturn for four days.

The benchmark DSE General Index surged about 15-month high at 121.71 points or 5.03 percent to close at 2538.37.

The DSE All Shares Price Index advanced 98.47 points, or 4.89 percent to 2112.08. The DSE-20 blue chip index gained 97.02 points, or 4.85 percent to 2094.92. Indices on the Chittagong Stock Exchange also bounced back.

State-run banks came as part of the government intervention for shoring up investor confidence and providing liquidity support to the market, which had earlier endured a liquidity shortage amid fund outflow and low participation of institutional investors, mainly from the private sector.

"I am happy with the recovery of the market. The government initiative has helped restore some confidence. I expect the confidence will continue to build up in the coming days," said Faruq Ahmad Siddiqi, chairman of Securities and Exchange Commission (SEC).

Thanks to a meeting between Finance Minister AMA Muhith

and SEC Chairman Faruq Ahmad Siddiqi on Wednesday that helped pave the way for three state banks entering the stock market in a big way.

Officials said these public sector institutions, which have adequate liquidity, would stay as long-term players and extend liquidity support in case the market suffers from fund constraints.

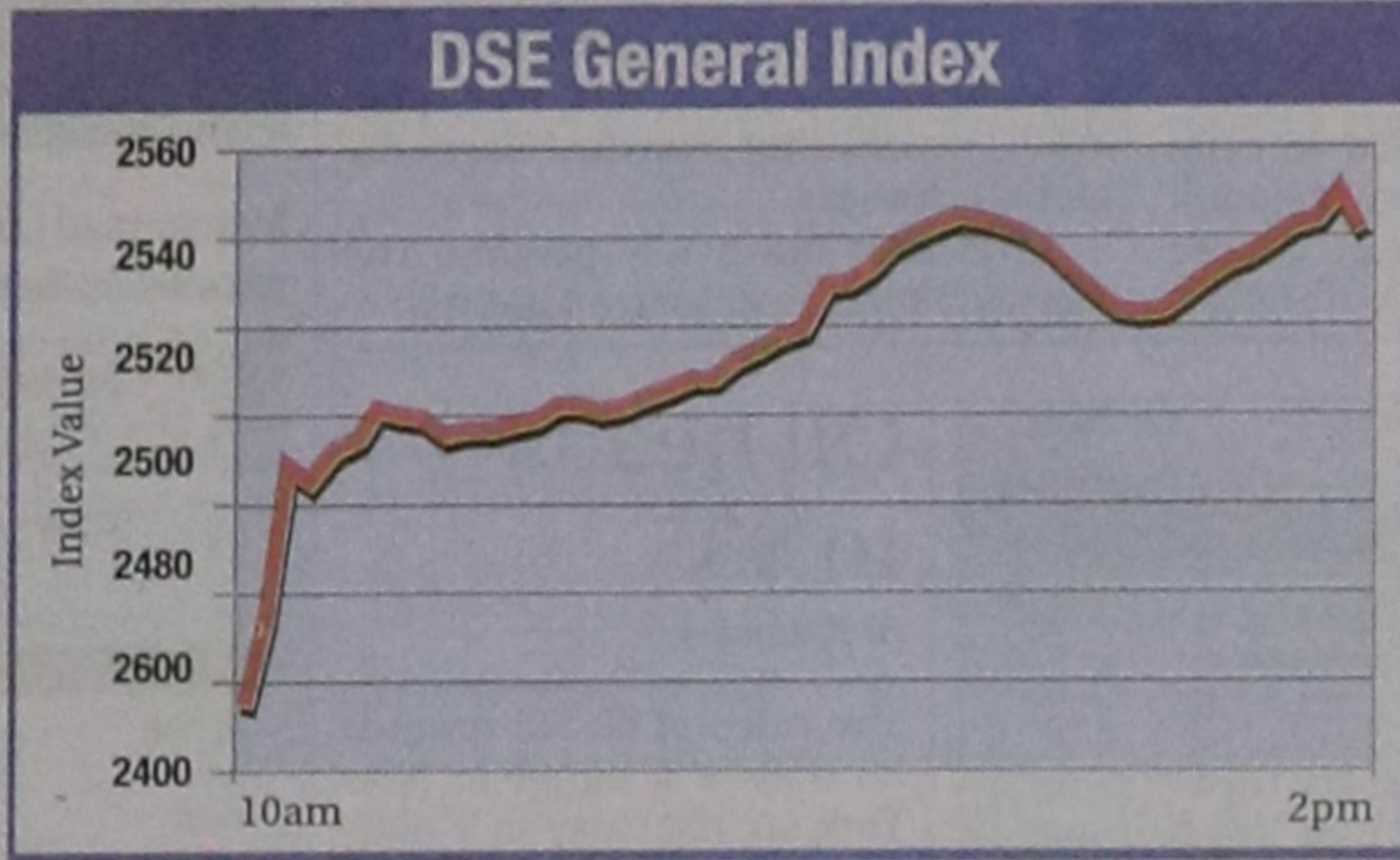
According to Bangladesh Bank statistics, state banks held about more than Tk 10,000 crore in excess liquidity out of Tk 20,275 crore by December 31, 2008.

Three banks Sonali, Janata and Agrani and a public sector insurance company, Shadharan Bima Corporation, bought shares.

Analysts praised the move saying that it has sent positive signal to the investors who became shaky in investing in the volatile market, which plummeted to one-and-half-year lowest Wednesday amid panic sell-offs.

"It gives a signal that government is concerned about the market. The news about entry of public sector financial institutions has created a positive impact among investors," said Yawer Sayeed, managing director and chief executive officer of Aims of Bangladesh, an asset management company.

Gainers beat losers 226 to 30. Only three issues closed



unchanged. All the sectors ranging from market bellwether banking sectors to laggard jute finished higher amid increased participation of both retail and institutional investors.

Turnovers on the Dhaka Stock Exchange increased.

"The continuous stabilisation effort from the regulator and government seems to have a positive impact on the market," according to a market analysis of Equity Partners Securities Ltd (EPL), an investment bank.

The SEC increased the margin loan extension limit of brokers twice from 1:0.67 to 1:1 Tuesday and 1:2 Wednesday respectively to help retail investors, many of whom found their funds dried up

in a six-week volatility.

The regulator also awarded merchant banking licence to state-owned Janata Bank as part of its move to stabilise the market.

"These latest developments seem to have stabilised the shaky confidence of the investors," said the EPL.

Experts found various indicators of the economy to be good but factors like investor confusion about the present government stance on the capital market, fear of slowdown in corporate earnings amid global financial meltdown and rumours have hurt the market.

They also linked prolonged volatility in stock prices to a gradual outflow of funds from the market, which had witnessed a

surge in liquidity flow amid anti-corruption and anti-tax evasion drives during the caretaker government.

"It appears that many of those who found the market as a safe haven during the caretaker government regime are now leaving," said a broker at the Dhaka Stock Exchange.

Institutional investors' low participation added fuel to the worsening investor confidence, market players said.

"We are very much present in the market. We have invested more than Tk 200 crore in a couple of days of downturn," said Ziaul Haque Khondker, managing director of state investment bank ICB (Investment Corporation of Bangladesh).

He said investor confidence has restored much after the government move. "Our presence in the market will continue," he said. "Entry of state banks and financial institutions in a big way will also contribute to the long term benefit of the market as well as investors."

Syed Abu Naser Bukhtear Ahmed, managing director of Agrani Bank, admitted that the bank invested in shares on the day.

"We have entered the market in a big way for the first time and our main ambition is to keep the market vibrant," he said.

## New chairman for National Housing Finance



STAR BUSINESS DESK

National Housing Finance and Investments Ltd has elected Latifur Rahman as the new chairman of the company, according to a press release.

Rahman is the chairman and chief executive officer of Transcom Group, which has diversified business in electronics, pharmaceuticals, beverage, tea plantations, insurance, finance, media and the food industry.

He is the vice president of the International Chamber of Commerce Bangladesh and the former president of the Metropolitan Chamber of Commerce and Industry and Bangladesh Employers' Federation.

Rahman is also a member of the executive committee of the Federation of Bangladesh Chambers of Commerce and Industry.

Also, Rahman is the chairman of Nestle Bangladesh Ltd and Holcim Bangladesh Ltd.

# Cupid promises to bring love, business

## SAYEDA AKTER

Romance is set to paint the town scarlet and several industries eye trade worth over Tk 100 crore on Valentine's Day, just around the bend.

Flowers and cards are good, but not good enough for Valentine's Day. Tailor-made packages for courting couples have been arranged by five-star hotels, restaurants, flower shops, card and gift shops, telecom operators, radio stations, bakeries, boutiques, lingerie stores, beauty salons, printing houses and real estate companies.

They have already received hefty advance orders for February 14.

Along with the world at large, Bangladesh is eagerly awaiting the celebrations that gained popularity only in the last decade and is perhaps the most celebrated day after religious festivals such as Eid and Christmas.

MA Awal, sales director of Sonargaon Hotel, said the hotel has already offered Valentine's Day specials, including food promotions and live band show for guests, spanning February 10-14.

"We received good responses from our clients for accommodation and dinner reservations and we anticipate more on the day," he said.

"Sales will double on Valentine's Day."

All five-star hotels are preparing to earn well over Tk 20 crore in combined additional revenues on Valentine's Day, Awal said. "It's not only the upper echelon of society that is celebrating love in these five-star hotels. People from the middle and upper middle-income groups are also coming to surprise their loved ones."

Radisson Water Garden Hotel also offers an array of services for couples:



candlelit dinners, duo spa dates, live performance by Filipino band Ureka and welcome drinks.

Sabreena Rahman, senior communication executive of Radisson, said the hotel has already received a large number of advance bookings for the services on offer.

Flower shops are also blossoming under Valentine's Day sales. Upohar Flowers, located at Rapa Plaza in Dhanmondi, received orders for around 12,000 bouquets for the special day.

Ashrafuzzaman Khan, manager of Upohar, said the shop started receiving

orders from the beginning of this month, if not before.

The prices of heart-shaped bouquets range from Tk 175 to Tk 1,750.

Ferns n Petals, a flower shop that imports flowers from India and Thailand, has received around 2,500 advance orders for the day.

In addition to the high-end bouquet makers, flower vendors in Shahbagh, Katabon and in the vicinity of the High Court are enthusiastic about upcoming sales.

Around 100 street flower vendors in the areas expect a rise in sales, as the

state of emergency has been withdrawn and the new elected government is in place.

"More people would now celebrate the day this year, as political stability has put people at ease," said Shahjahan Ali, a flower dealer in Shahbagh. "Another contributing factor is the ongoing Ekushey Book Fair, which would increase flower sales."

Ali said he sold flowers and bouquets worth Tk 22,000 on Valentine's Day of last year alone. He expects the figures to rise this year.

The advertising industry is also flourish-

ing as private television and radio channels are airing new advertisements from telecom operators, restaurants, beauty salons and boutiques.

Most advertisements are spreading news of the country's telecom companies' offers, including SMS contests, with opportunities for a couple to fly abroad, win ipods or lunch or dinner date with a pop icon or media personality. Operators expect a four-fold growth in SMS on that day.

Aminul Ashraf, marketing executive of Radio Foorti, said they have received around 40 new advertisements tailor-made for the day.

Greetings cards are the oldest agents to expressing one's feelings. Archies Gallery and Hallmark are two oldest gift shops that have seen continued growth in sales over the years.

"People still choose cards to express emotions despite an era of SMS," said Mushfiqur Rahman, manager of Archies Gallery in Banani.

Last year, the card industry earned revenues worth Tk 25 crore, a tenth of which came from Valentine Day cards, he said.

Whether one declares love for a person or rekindles relationships with one's sweetheart, many sectors are banking on love, as sales soar in February.

Diners including Bella Italia, Coffee World, Voot, Pizza Hut, KFC, Flambe, Spaghetti Jazz and Nando's are ready to face the valentine crowds.

Building Technology and Ideas, a real estate company, is also set to launch their newest venture Premier Plaza in Progati Sharani on Valentine's Day. They are offering discounts for advance bookings on that day.

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# Leasing firms face tough time as banks take slice of the pie

## SAJJADUR RAHMAN

Commercial banks are increasingly branching into leasing business, causing a great market competition.

Industry people said banks now do it through a subsidiary or unit, which is not sustainable. Some banks even run the business without a unit.

"If banks want to do leasing, they should do it by setting up subsidiary companies," Anis A Khan, chairman of Bangladesh Leasing and Finance Companies Association (BLFCA), told The Daily Star.

Khan argued that such subsidiaries should be governed by the rules that are similarly applicable to leasing companies.

In the past several years, at least 10 commercial banks have stepped into the arena, which

include Islami Bank, City Bank, Bank Asia, Mercantile, National Bank and Prime Bank.

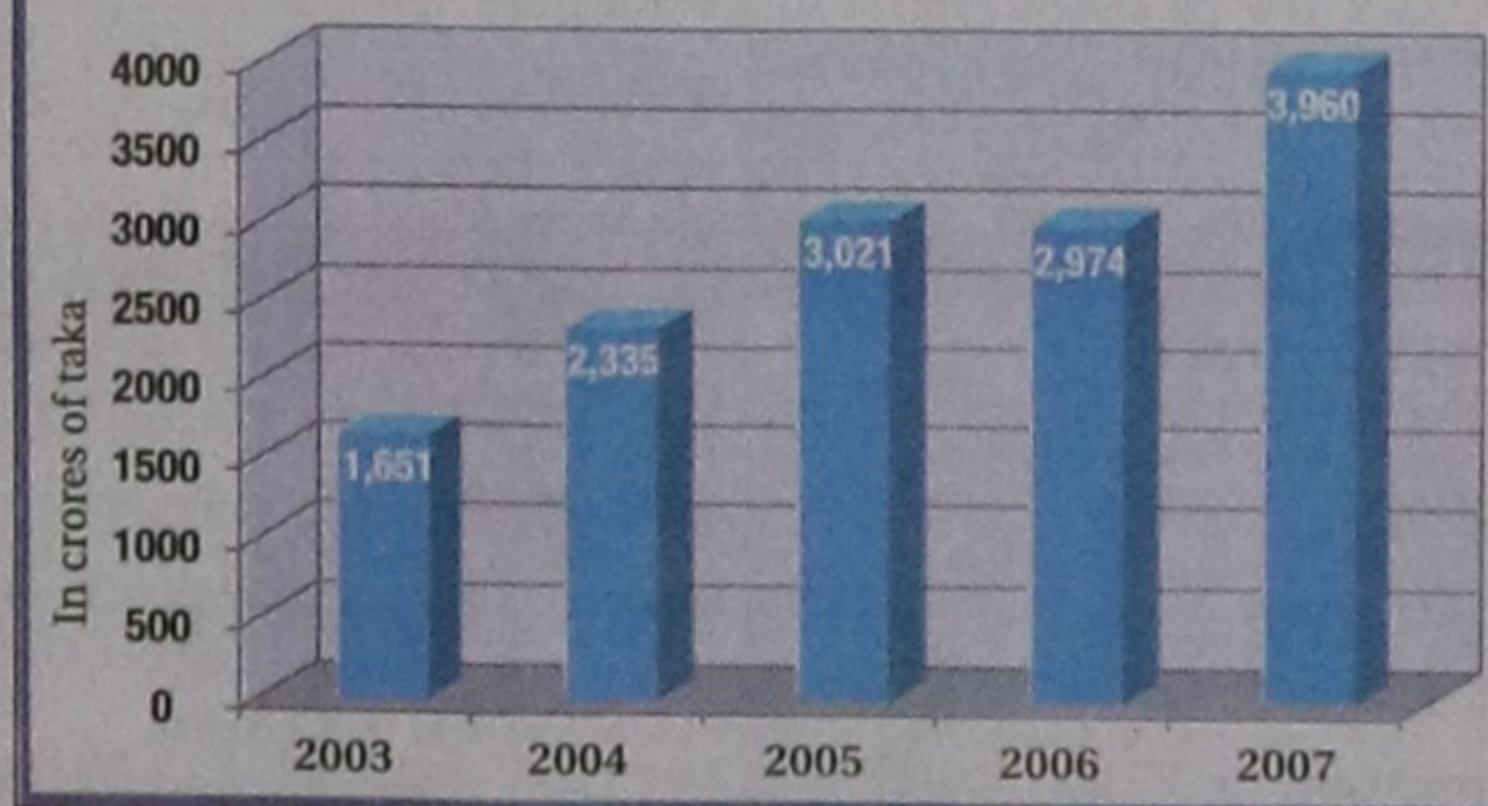
"How can a leasing company with a small capital base compete with banks that are wallowing in liquidity and undertake a wide range of activities," a senior official with a leasing company said.

The major focus of leasing in Bangladesh is on plant and machinery, which accounts over 50 percent of lease disbursement in the financial year 2007-08.

The first leasing company was set up in the country in 1985. The sector has since grown and now the total number of companies in the leasing sector stands at 29, of which 22 are specialised in lease and long term financing. Bangladesh Bank licensed these companies under the Financial Institution Act 1993.

Leasing is an important method

## Lease and loan disbursement



of financing. Lease firms play a role analogous to that of banks and other financial institutions, but act by buying and then leasing equipment to their clients rather than loaning money to buy it.

According to BLFCA data, leasing companies make long

term investment worth about Tk 3,000 a year. Outstanding long-term investment of these companies now stands at Tk 11,000 crore.

"Doing leasing business by banks is nothing illegal, laws allow it," said Shamsul Arefin,

managing director of Uttara Finance and Investment Ltd.

But the question arises, as the leasing companies are losing their clients, Arefin claimed.

"Banks offer the same interest to the leasing companies as their individual clients for lease finance are offered. It is not competitive for us," he pointed out.

Since banks are paying no more than 6-8 percent interest on customer deposits, leasing is immensely profitable for them. On the other hand, margins for leasing companies have shrunk. They need to pay 12 to 14 percent interest on funds and can seek 16-18 percent from lessees.

According to industry insiders, leasing companies depend on bank finance for their business. Small companies depend 100 percent on bank finance and large ones for 60 to 70 percent.

Leasing companies' financial strength is much lower than banks. A leasing company's required capital is Tk 25 crore, while it is Tk 400 crore for a bank (according to Basel II guideline).

Besides income from interest, bank earn from different commissions and charges for their services, the facility a leasing company does not enjoy.

"If all banks come into leasing business, we will be wiped out," Arefin feared.

Is the growth likely to cease with companies facing competition from banks? Anis A Khan, chairman, BLFCA, who also heads the IDLC Finance, is concerned, but not worried.

Khan said: "We have expressed our concern to the BB governor on the issue, but no measure is taken yet."

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