

think electronics... think **DIGITAL**

**TRANSCOM**  
DIGITAL

Your Trusted Electronics Retailer

Consumer Electronics | Appliances | IT & Computer | Electrical Products

Customer Care Center: 8855366-9, 01712 865463

## Stocks

DGEN ▲ 0.93%  
2,575.20

CSCX ▲ 1.17%  
5,098.02

## Asian Markets

MUMBAI ▼ 2.94%  
8,197.92

TOKYO ▲ 1.95%  
7,433.49

SINGAPORE ▼ 1.66%  
1,518.64

SHANGHAI ▲ 1.04%  
2,221.08

## Currencies

	Buy Tk	Sell Tk
USD	68.40	69.40
EUR	84.62	89.21
GBP	94.99	99.87
JPY	0.68	0.72

SOURCE: BANGLADESH BANK

## Commodities

Gold ▼ \$912.00 (per ounce)

Oil ▲ \$44.51 (per barrel)

SOURCE: AFP

(Midday Trade)

**NOTICE**

The economic meltdown cuts its path through a large swathe of the world, but Bangladesh seems largely immune to the assaults. A question lingers -- how long? Star Business will run a series of special stories, starting Sunday, to gauge the effects of global recession on our economy.

## International

Vietnam workers head home in recession



Nguyen Van Ha's temporary lodgings are no bigger than a prison cell, his bed consists of wooden planks balanced on a few broken bricks and there is no electricity or running water.

China runs ahead with spending torch

China took over the lead in the race to beat the global economic crisis on Thursday, promising eight-percent growth and heavy social spending as US, European and Japanese data flagged. Japanese stocks closed with a gain of three percent after a 2.23-percent surge on Wall Street in anticipation of a boost to the global economy from China.

B-4

## 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)

# Winter RMG orders buoyant

REFAYET ULLAH MIRDHA

International buyers are placing a substantial number of bookings to collect winter clothing from Bangladeshi companies at cheaper prices as the major competitors are losing markets to the country amid global recession, apparel exporters said.

Bangladesh has already turned into a lucrative destination for the buyers for its cheaper clothes.

The exporters said the flow of orders indicates that exports of readymade garments (RMG) would pick up from the next few months although the prices offered are low.

Some recent Indian newspaper reports also supported such indication, saying the major competitors are losing markets to Bangladesh for its cheaper production costs.

The reports said Indian garment manufacturers have already been adversely affected by a steep fall in demand from the US and European countries, and Indian garment exporters may lose out to low-cost competitors.

Garment exports from India showed no sign of pickup this autumn-winter season following a gradual shift of international buyers to low-cost neighbouring countries, the reports said.

Bookings for Indian garments dropped sharply although exporters slashed prices by 11-12 percent.

"Major global buyers like Wal-Mart, JC Penney, Li & Fung, GAP and Target have indicated plans to cut offtake from India by 12-15 percent this year, while they are increasing their offtake in neighbouring countries," Rahul Mehta, president of the clothing manufacturing association of India, was quoted as saying in a report.

Garment exports from India would



RMG makers are upbeat as international buyers are booking orders to buy winter clothes from Bangladesh at cheaper rates in signs of a Wal-Mart effect amid global recession.

be lower than Bangladesh, Vietnam, Indonesia and Cambodia, the reports said.

India is expected to end up exporting garments worth \$9 billion this fiscal year, down by almost 10 percent compared to a year back, while Bangladesh is poised to export worth \$12 billion garments, the reports said.

Currently bookings for Indian gar-

ments are 20-25 percent lower than the same season last year and sentiments are weak because of a gloomy outlook of its textile industry.

"Our export target for the current fiscal year was \$9 billion. But due to the present market condition, we will be able to close the year with exports of only \$8.5 billion," Confederation of Indian Apparel Exporters President

Amit Goyal said.

Meanwhile, top local RMG makers are optimistic about meeting the export target in the current fiscal year although exports of some other products from Bangladesh declined in July-December period.

Executive Director of Ananta Garment Ltd Badius-Salam said the flow of orders is still high compared to those

of other competing countries. "I hope to meet our targeted 15 percent sales growth this year. Last year the company exported products worth \$26 million and this year it will increase," Salam said.

"But the offered prices are too low," he added.

A senior official of Opex Group, one of the leading apparel makers, said they have no problem with the flow of orders until now.

"But the problem is low price. The buyers are not offering higher prices for the recession. Now we are trying to make profit by increasing the volume for delivery," the official said requesting anonymity.

Monir Ahmed, managing director of Abedin Group of Industries, also said orders are satisfactory now although he experienced a relatively low volume of orders in the last three months.

He also vented frustration over the low prices offered by the buyers.

Woven garment surpassed the export target by 2.45 percent, knitwear 2.16 percent, terry towel 10.96 percent and textile fabrics by 8.16 percent during the July-December period of the current fiscal year, according to Export Promotion Bureau.

Bangladesh exported woven garment worth \$2.805 billion against the target of \$2.738 billion, knitwear \$3.240 billion against \$3.172 billion, terry towel \$66.39 million against \$59.83 million and textile fabrics \$41.63 million against the target of \$38.49 million in the period.

The export trend shows that the target of exporting woven and knitwear worth \$12.267 billion for the current fiscal year is quite achievable, exporters said.

reefat@thedailystar.net

# SEC approves book building for stocks

SARWAR A CHOWDHURY

The stock market regulator yesterday approved the much-talked-about 'book building,' a widely practised price fixing mechanism for initial public offering (IPO).

Capital market experts see this a move to encourage private-sector entrepreneurs to list their companies on bourses at fair prices.

However the existing IPO system will remain intact, officials of the Securities and Exchange Commission said.

A gazette notification on book building will be published within the next 15 days. "After the gazette notification, it will take three months to set up a unique platform on the Dhaka and Chittagong stock exchanges to implement the book building system," said Farhad Ahmed, SEC's executive director.

"It's a milestone for Bangladesh capital market. It will enhance market depth, turnover and the supply side," he said.

The SEC official also pointed to the fact that many a big and profitable companies keep them aloof from listing on bourses, for they fear that they might be denied proper prices of their shares under the existing IPO process.

"Now such companies will be interested to enter the market for capital raising, as the book building will ensure a fair price of their

shares," Ahmed said.

Book building is the process by which a price will be determined by institutional investors on the basis of an indicative price the issuer company offers.

"We believe that the introduction of book building in Bangladesh capital market will facilitate inclusion of large and profitable corporate houses in the market," said Silmat Chisti, head of Citigroup Global Markets Bangladesh Private Limited.

The SEC executive director said the book building is not for all companies. "There are some preconditions that a company will have to fulfil first to float shares under the book building method," he said.

A company will have at least a Tk 30 crore paid up capital, it will have to be in commercial operation for three years and made a net profit for the last two years of its operation.

The company will also have to show it has no accumulated loss at the time of application and holds regular annual general meetings.

The company will also be required to conduct an independent audit, annual reports by a chartered accountant firm selected by the SEC.

The IPO will have to be worth at least Tk 30 crore, or 10 percent of the company's paid-up capital, whichever is higher, if a company wants to make use of the book-

## Share distribution under book building

Issue size (In crore taka)	Eligible institutions' quota	Mutual fund quota	NRB quota	General investors' quota
30 to 50	20 %	10 %	10 %	60 % or balance
Above 50 to 100	30 %	10 %	10 %	50 % or balance
Above 100 to 500	40 %	10 %	10 %	40 % or balance
Above 500	50 %	10 %	10 %	30 % or balance

building process to set the stocks price.

The institutions which can participate in the price discovery system under the book building are: merchant banks (excluding the issue manager of the issuer company), foreign institutional investors registered with or approved by the SEC, recognised pension and provident fund, banks and financial institutions, insurance companies, institutional venture capital registered with or authorised by the SEC, stock dealers and any institution authorised by the SEC.

Share prices of an intending issuer company will be discovered and fixed for both institutional and general investors through various measures.

First, the issuer company will ask for share prices from the institutional investors through organising road show, projection meeting and seminar on the company.

Then the company in association with its issue manager will fix an indicative price, which will have to be based on offering prices by at least five institutions in three categories, and send it to the SEC and stock exchanges.

Based on the indicative price, the institutions will bid for shares. However, the bidders could not quote 20 percent more or less from the indicative price. Then a weighted average price will be fixed based on the higher and lower prices and shares will be allotted for institutions at the weighted average price.

The lowest will be considered as cut-off price for public offer or general investors.

The institutions will not be allowed to sell shares in the first 15 trading days under the book building's lock-in system.

sarwar@thedailystar.net

## Wal-Mart reports strong rise in sales

AP, New York

Tighter inventory control and milder weather helped retailers in February, as business at many merchants was not as bad as in January.

Wal-Mart's gains far outpaced expectations, but many stores, especially at the higher end, still struggled.

Wal-Mart Stores Inc posted much stronger results than analysts expected, saying its February same-store sales rose 5.1 percent. The results exclude fuel sales.

Target Corp's same-store sales declined 4.1 percent, less than the 4.8 percent drop that Wall Street expected.

Among department stores, Macy's Inc's same-store sales fell 8.5 percent, deeper than the 7.3 percent decline that Wall Street expected.

JC Penney Co Inc's 8.8 percent decline was less than the 12.9 percent drop expected.

# Bank of England creates \$106b to fight credit crunch

AFP, London

The Bank of England said Thursday it will create 106 billion dollars (84 billion euros) via extraordinary measures to boost lending after cutting interest rates to a record-low 0.5 percent.

In a bid to lift Britain out of recession, the BoE said it would create 75 billion pounds via so-called "quantitative easing" measures. It plans to buy government bonds over the next three months from commercial banks, which would use the new money to ease the credit crunch.

British finance minister Alistair Darling has authorised the BoE's monetary policy committee (MPC) to create up to 150 billion pounds of new money, the central bank said.

"The 75 billion pounds that the MPC is going to use initially is a good starting point in its first attempt to pump money into the system," said Ernst & Young analyst Hetal Mehta.

"No one knows how much money is required so the MPC's decision to use half of the authorised amount is sensible."

The Bank of England also on Thursday slashed British borrowing costs by half a percentage point



A photo illustration shows British sterling notes held against a backdrop of the Bank of England in London. The Bank of England said yesterday it had cut interest rates to a record-low 0.5 percent, adding it will create \$106 billion under a "quantitative easing" plan to boost lending.

to 0.5 percent -- the lowest level in the Bank of England's 315-year history.

The BoE's twin announcements came shortly before the European Central Bank lowered its main

interest rate by half a percentage point to a record low 1.50 percent as the eurozone also battles recession.

Quantitative easing refers to a central bank creating money as part of monetary policy to boost the money supply and prevent falling prices.

The MPC voted "to undertake a programme of asset purchases of 75 billion pounds financed by the issuance of central bank reserves," the BoE said in a statement on Thursday. "Credit conditions faced by companies and households remain tight," it added.

Faced with Britain's first recession in 18 years and falling inflation, the Bank of England also extended a series of sharp cuts since October, when interest rates stood at 5.0 percent.

BoE Governor Mervyn King last month wrote to Chancellor of the Exchequer Darling, seeking permission for quantitative easing -- a measure also being considered by the US Federal Reserve among others to get economies back on track.

With interest rates so low and having little traction, quantitative easing is seen as the next best option, modelled on the Japanese experience of the 1990s.

The BoE recently warned that the British economy risked shrinking 4.0-6.0 percent later

this year on a 12-month basis, before possibly returning to growth in 2010.

Britain entered recession in the second half of 2008 after the economy shrank 1.5 percent in the fourth quarter, official data confirmed last week.

The economy contracted 0.7 percent in the third quarter, meeting the generally-used technical definition of a recession as two quarters running of negative figures.

Britain is mired in recession for the first time since 1991 while the gross domestic product figure for the final quarter of 2008 showed the biggest fall since 1980.

Britain joins the United States, the eurozone and Japan in recession as the global economy struggles to recover from the impact of the worldwide credit crunch.

The BoE is tasked with trying to keep British annual consumer price inflation close to a government-set target of 2.0 percent.

In January, it dipped to 3.0 percent from 3.1 percent in December as oil prices and related energy costs fell, with analysts expecting inflation to fall further as the economy slows.