

Asian Markets


MUMBAI ▲ 4.06%
10,061.36


TOKYO ▲ 1.84%
8,636.33

SINGAPORE ▲ 3.97%
1,758.79

SHANGHAI ▲ 3.06%
2,361.70

Commodities

 **Gold** ▲
\$936.30
(per ounce)

 **Oil** ▲
\$53.47
(per barrel)

SOURCE: AFP

(Midday Trade)

More News

Tannery relocation in limbo



The much-hyped relocation of the tanneries from Hazaribagh in the capital to the proposed 'leather estate' at Savar is still stuck in the ruts, with tannery owners blaming bureaucratic tangles for the unusual delay in the relocation process. The tannery owners are also bargaining hard with the government for compensation and other facilities.

B-4

International

Wary banks, weak demand curb eurozone loans

Growth in eurozone private sector loans dropped sharply in February, European Central Bank data showed Thursday, with analysts underscoring weaker demand and tighter conditions imposed by cautious commercial banks. The rate of lending to companies and individuals compared with a year earlier fell in February to 4.2 percent from 5.0 percent in January, an ECB spokesman said.

Toyota to sell 2 Prius models in hot hybrid battle

Toyota will continue to sell the current Prius when the revamped version goes on sale in May in an unusual move likely to help the top-selling hybrid ride out a threat from rival Honda. Toyota Motor Corp. President Katsuaki Watanabe said Thursday there is demand in the Japanese market for both the third-generation Prius and the smaller model that's already on sale.

Hutchison Whampoa profits drop 42pc

Hong Kong's richest man Li Ka-shing warned Thursday that Hutchison Whampoa faced its toughest trading conditions in recent times, after announcing profits at his flagship firm fell 42 percent in 2008. Li, nicknamed "Superman" for his long-running business success, said the global economic crisis would put unprecedented pressure on the firm.

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

Rod prices 20pc up

SAJJADUR RAHMAN

A hike in scrap metal prices in local markets has pushed the prices of mild steel (MS) rod by 20 percent in a span of two months.

The price of 40-grade MS rod is now selling at Tk 47,000-49,000 a tonne against Tk 37,000-38,000 two months ago, while the 60-grade category has soared to Tk 52,000 from Tk 43,000-44,000.

"Shipbreakers now charge Tk 35,000 a tonne of scrap, but the rate was Tk 26,000 two months back," said Mizanur Rahman, managing director of Rahim Steel Re-Rolling Mills.

The price of rod, an important construction material, is a concern for the people close to the urbanisation of the country, which has been experiencing economic growth of over 6 percent for the last four consecutive years.

The present stock of scrap in Chittagong is around nine lakh tonnes, according to a shipbreaker.

Shipbreakers blame the scarcity of oxygen for the surge in the price of scrap.

"Oxygen is an important ingredient for melting down the scrap. But recently we are facing its severe shortage," said Kamal Uddin Ahmed, owner of Sea-Shore International, a leading shipbreaker.

Industry insiders say the ship breaking industry cannot meet over 25 percent of the 25-30 lakh tonnes domestic demand for steel and iron products a year. The 75 percent demand is met by the imports of scrap.

The rod price recorded a peak early last year when the international market price of scrap jumped to nearly \$800 a tonne. At that time a tonne of 60-grade rod was charged up to Tk 70,000 and 40-grade Tk 65,000.

Bankers find no reason for the present price rise, as imported scrap now hovers around \$300 a tonne.

"Probably, the scrap importers want to make up for the losses they faced last year," said a top official of a private commercial bank.

Such a loss reached even around Tk 100 crore for some of the scrap importers in 2008 because of higher import cost and the sudden price-drop, locally and internationally.

Echoing bankers' views, Aameir Alihussain, director, Bangladesh Steel Re-Rolling Mills Ltd (BSRM), said, "Some importers are trying to average the price. They incurred a huge loss last year for the higher import cost."

sajjad@thedailystar.net



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A man works at a small steel re-rolling mill. The price of rod, an important construction material, is a concern for people in real estate. A hike in scrap metal prices in local markets has pushed the prices of mild steel rod by 20 percent in a span of two months.

Paragon set to grow organic tea



WWW.TEATULIA.COM

Kazi & Kazi Tea Estate Ltd is the country's lone producer of organic tea. Paragon Agro plans to be the second market player.

SOHEL PARVEZ

Paragon Agro, a concern of Paragon Group, plans to cultivate organic tea, aiming to exploit the growing consumer demand for the product in domestic and global markets.

"Everybody demands organic food. That is why we are preparing to organically grow tea. We are now readying our garden to accomplish the mission," said Moshir Rahman, chief of a poultry hatchery and feed based entity of the Paragon Group.

Paragon Agro, which stepped into the domestic market with eggs, mushrooms and poultry meat under the brand Tatka, is expected to be the second local firm to market "Organic Tea", also under the brand Tatka.

Paragon plans to grow tea using organic means, as the demand for the drink is on a steady rise due to growing health consciousness among the middle-income urban consumers. People like to drink the organic variety of the tea, despite its relatively higher price.

At present, KK Tea, produced by Kazi & Kazi Tea Estate Ltd, is the country's lone organic tea brand. An 80-gram tea pack of KK Tea, containing 40

bags, costs Tk 70 at the retail level, while a 100-gram pack of Ispahani tea, containing 50 bags, costs Tk 48.

Paragon Agro will be the second organic tea maker after Kazi & Kazi Tea Estate, a concern of the Gemcon Group. Kazi & Kazi ventured into organic tea plantations by taking up a project in the country's northwestern border belt of Tetulia, Panchagarh in 2000, to attract consumers in both the local and global markets.

Kazi & Kazi markets tea in the global market under the brand Tetulia.

The export of tea is on the downturn in recent months, but local consumption remains vibrant, helping to sustain the country's tea industry and providing employment for about 8,00,000 people, directly or indirectly.

In 2007-08, the total domestic consumption of tea stood at 48.26 million kilograms, out of the 58.83 million kilograms production. A decade ago, total internal consumption was 24.45 million kilograms, according to the Bangladesh Tea Board.

Despite huge domestic consumption, Kazi & Kazi Tea has the capacity to produce only about 2.4 lakh kilo-

grams of tea a year and the entry of Paragon Agro is expected to add about 1 lakh kilograms on a yearly basis, in the organic tea segment.

"We expect to introduce our tea by the end of 2010. We will focus both on the domestic and global markets," said the Paragon Group top official.

"Even though we eye international markets, our primary focus will be the local consumers," he said.

According to Paragon chief, organic tea will be grown on one of their two tea estates -- Hajinagar Tea Estate at Maulavibazar.

"We have not been administering chemical fertilisers for the last three years. We will observe the garden for another year," Moshir Rahman said. "On government approval, the product would then be put on the market."

The Paragon Group secured turnover worth about Tk 400 crore in the fiscal year 2007-08.

Setting up of a processing factory next year is now the group's plan, Rahman said.

"We will follow orthodox measures to produce organic tea," he said.

sohel@thedailystar.net

British Raleigh bicycles to land on local streets

SAJJADUR RAHMAN

The country's leading bicycle maker and exporter Meghna Group is going to launch British brand 'Raleigh' bicycle in the local market in the next two months.

"The factory for making the bicycles will be ready for commercial production by two months," said Halim Khan, executive director of Meghna Group, one of the conglomerates in Bangladesh.

Meghna Group will launch the business plan formally today. John G Macnaughtan, managing director of Raleigh International Ltd, is in Dhaka to attend the programme.

The brand will be a 'premium quality' bicycle and cost up to Tk7,000 per piece, Khan said.

The group exported three lakh pieces of bicycle in 2008 out of the country's total export of four lakh.

The Raleigh Bicycle Company is a bicycle manufacturer based in Nottingham, UK. It is one of the oldest (120 year-old) bicycle companies in the world.

Meghna is setting up the new factory at a cost of Tk15 crore at Sripur under Gazipur district with top quality equipment.

Khan said Bangladesh could be a lucrative market for the bicycle as a huge number of youths are the main customers of the environment friendly two-wheeler. He said the country could consume three lakh pieces of new bicycle a year.

Phoenix, a Chinese brand, dominates the market with one lakh pieces and the rest are low-cost Indian bicycles, industry people said.

Meghna Group is the sole agent of Phoenix in Bangladesh.

"Our new factory will have the capacity to make one lakh pieces of bicycle a year," Khan said.

Local bicycle makers fetched \$52.74 million from exports of bicycle in the first eight months (July-February) of the current fiscal year, a 60 percent rise over the same period of the last fiscal year, according to Export Promotion Bureau.

Bangladesh exported bicycles worth \$64.28 million in FY2007-08, 18.93 percent up from that of FY2006-07.

A German-Bangla joint venture company started its operation in November last year to explore the potential in bicycle export from Bangladesh, while another Taiwan-Bangladesh joint venture already exists.

sajjad@thedailystar.net



LA Times, Chicago Tribune merge foreign operations

AFP, Washington

With their parent company in bankruptcy, the Los Angeles Times and Chicago Tribune have announced plans to combine their foreign reporting operations.

The editors of the Los Angeles Times and Chicago Tribune, which are owned by the Chicago-based Tribune Co, made the announcement in separate memos to their staffs on Tuesday.

"The Chicago Tribune and Los Angeles Times are unifying their foreign reporting operations into a single organization to serve all Tribune newspapers," Chicago Tribune editor Gerould Kern wrote.

Kern said the joint operation will be "run from Los Angeles, where most of the foreign reporting and editing staff is based."

"The Chicago Tribune will work with the Times on a daily basis to shape coverage priorities," he added.

The editors did not provide details about the reorganisation but Kern said "the foreign operation will consist of correspondents placed strategically around the globe, including some from the Chicago Tribune."

The Chicago Tribune currently has reporters in five cities abroad -- Beirut, Islamabad, London, Mexico City and Moscow -- while the Los Angeles Times has 15 -- circling the globe from Baghdad to London to Seoul.

Foreign editor Bruce Wallace stressed that the Los Angeles Times would remain committed to providing foreign coverage.

"You need a critical mass of people to do it and we'll have that, which is important," he told AFP. "The commitment to doing it is strong."

"That commitment's important because many papers have simply gotten out of the business of doing (foreign reporting)," he said. "We still believe it's a pillar of the place."

Faced with a steep drop in print advertising revenue and steadily declining circulation, US newspapers have been cutting back on their foreign reporting, closing bureaus and focusing more on local coverage and the Web.

Bank stocks suffer losses

SARWAR A CHOWDHURY

Banking stocks lost around 25 percent of their market capitalisation in last one year because of the investors' increased interest in short-term speculative gains instead of long-term returns.

Market capitalisation of banking stocks was Tk35,453.12 crore at the end of March 2008, which came down to Tk27,155.16 crore on March 23 this year, according to Dhaka Stock Exchange statistics.

Since April last year, share prices of 30 listed banks have been going down continuously, although many of them already declared handsome dividends.

Financial disclosures by the banks also failed to attract the investors although their performances were good in 2008 over the previous year, according to market analysts.

Seven banks declared dividends in

last few days, but share prices of six of them declined following their financial disclosures as those did not match the investors' expectations, analysts said.

News of BRAC Bank, which declared a 30 percent stock dividend, was posted on March 15 and its price fell 1.64 percent to Tk523.80 on the same day. Also, price of Southeast Bank, which announced 15 percent cash and 20 percent stock dividends, slid 1.14 percent to Tk260.80 on March 16, while IFIC Bank, which declared a 30 percent stock dividend, dropped 12.36 percent to Tk683.30 on March 17.

Prices of Trust Bank, Pubali Bank and Mutual Trust Bank also declined after they declared dividends last week.

Standard Bank was the only bank whose share price rose 2.57 percent to Tk209.50 on March 15 following its declaration of a 20 percent stock dividend.

Changes in investors' trading behaviour and psychological pressure

stemmed from the ongoing global financial crisis can be attributed to this decline, according to an analysis by AIMS of Bangladesh, an asset management company.

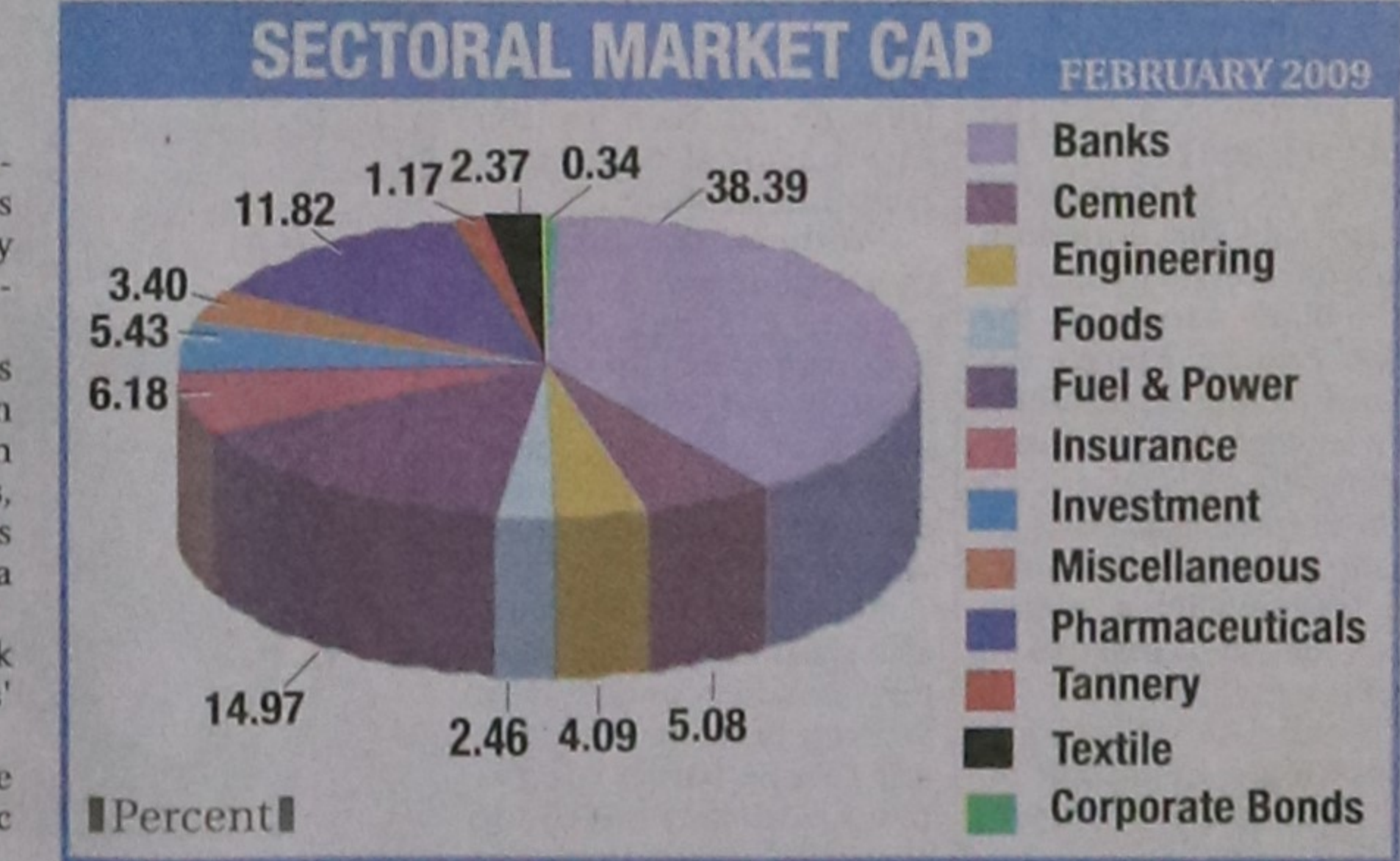
"In recent times most of the investors and traders are fascinated by short-term speculative gains rather than long-term returns. So ignoring banking stocks, investors and traders are pouring funds into small and mid-cap stocks to make a quick buck," the analysis said.

The recent unusual price hike of junk shares is the reflection of the traders' speculative attitude, it said.

The analysis said the bank shares are now being traded close to their historic lows.

Equity Partners Limited, an investment bank, also echoed the same in a recent market analysis.

It said: "The banking shares have been on the downturn for a long time and some of those shares have reached



extremely low P/E levels. Banking as a sector has become the cheapest with a P/E (price earning) ratio of less than 11."

However a DSE broker said bank stocks are now being traded at attractive

and cheaper prices.

"The investors should now turn to banking stocks, which are considered fundamentally sound," he added.

sarwar@thedailystar.net