Star Business

DHAKA SUNDAY APRIL 19, 2009

Stocks

DGEN	▲ 5.90%	2,550.74
CSCX	▲ 4.38%	5,262.02

(Week-on-week)

Asian Markets

MUMBAI	▲ 0.69%	11,023.09
TOKYO	▲ 1.74%	8,907.58
SINGAPORE	▲ 0.25%	1,896.56
SHANGHAI	▼ 1.19%	2,503.94

(Friday closings)

Commodities

Gold	▼	$870.50 (per ounce)
Oil	▲	$50.87 (per barrel)

SOURCE: AFP

(As of Friday)

More News

The worst is over, perhaps

Fast forward to the seventeenth century. In the Dutch Golden Age, contract prices for bulbs of the tulip peaked to an extraordinary high only to collapse. The phenomenon came to be known as tulip mania dating back to 1637. By one estimate, tulip contracts sold for more than 10 times the annual income of a skilled craftsman. It is generally considered the first recorded speculative bubble. It is also a byname for any large economic bubble.

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International

Toshiba to raise $5b

Japan's electronics giant Toshiba Corporation plans to raise around 500 billion yen (five billion dollars) in a bid to reverse its worsening financial situation, news reports said Saturday. Toshiba is considering procuring 300 billion yen in capital through a public stock offering, the Nikkei business daily and Kyodo News reported, quoting industry sources.

Crisis could hit remittances to Philippines: WB

The global financial crisis could have a major effect on the remittances of overseas workers that have long kept the Philippine economy afloat, the World Bank country director said Friday. Bert Hofman also warned that the World Bank was "far more pessimistic" about the country's economic growth prospects than the government was, amid signs that the global crisis would be longer than initially expected.

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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

General insurers post high growth

SAJJADUR RAHMAN

General insurance companies' gross premium income grew by 16 percent in 2008 despite a reduction in business activities in the last quarter on the global recession coupled with a drastic fall in commodity prices.

There are 43 private players and one government-owned player in the general insurance sector that earned around Tk 1,245 crore last year, an increase of 15.96 percent from Tk 1,073 crore in 2007, according to available data.

"Increased economic activities are pushing the industry's premium up," said Nasir A Chowdhury, managing director of Green Delta Insurance that earned the highest premium worth Tk 140 crore after state-owned Sadharan Bima's around Tk 142 crore.

According to the sector people, fire insurance generated the highest premium followed by marine last year.

The third highest premium earner is Reliance Insurance with Tk 104 crore followed by Pragati that earned around Tk 91 crore.

Gross premium in a general insurance company means net premium, plus operating and miscellaneous expenses and agent's commissions.

Rafiqul Islam, chairman of Bangladesh Insurance Association, said two key features governed the growth in the sector in 2008 -- a huge increase in commodity prices and import of some 15,000 reconditioned motor vehicles.

He sees great prospects for the industry amid increasing awareness among the people.

The insurance sector is growing with a rise in industrial activities, he added.

"The sky is the limit for the companies," said Islam, also the managing director of Pragati Insurance.

Nasir Chowdhury said the country has a huge untapped market and the future is bright for general insurance companies because of the emergence of upper-middle-class income groups empowered with better spending power.

"The demands for housing and automobiles have increased and the insurance needs have also gone up," said Chowdhury who has over 50 years of experience in insurance industry.

But 2008 was not good for all the companies. Nine out of 44 companies had negative growth with the highest 20.53 percent by Union Insurance. Another nine companies posted single-digit growth and the remaining 26 grew by double digits.

Currently Bangladesh's insurance sector is being governed by the age-old 1938 Act. Recently the government approved new laws in a cabinet meeting to replace the old one.

Industry people said the new laws, if passed, would help the sector grow further.

There are 17 life insurance companies operating in Bangladesh.

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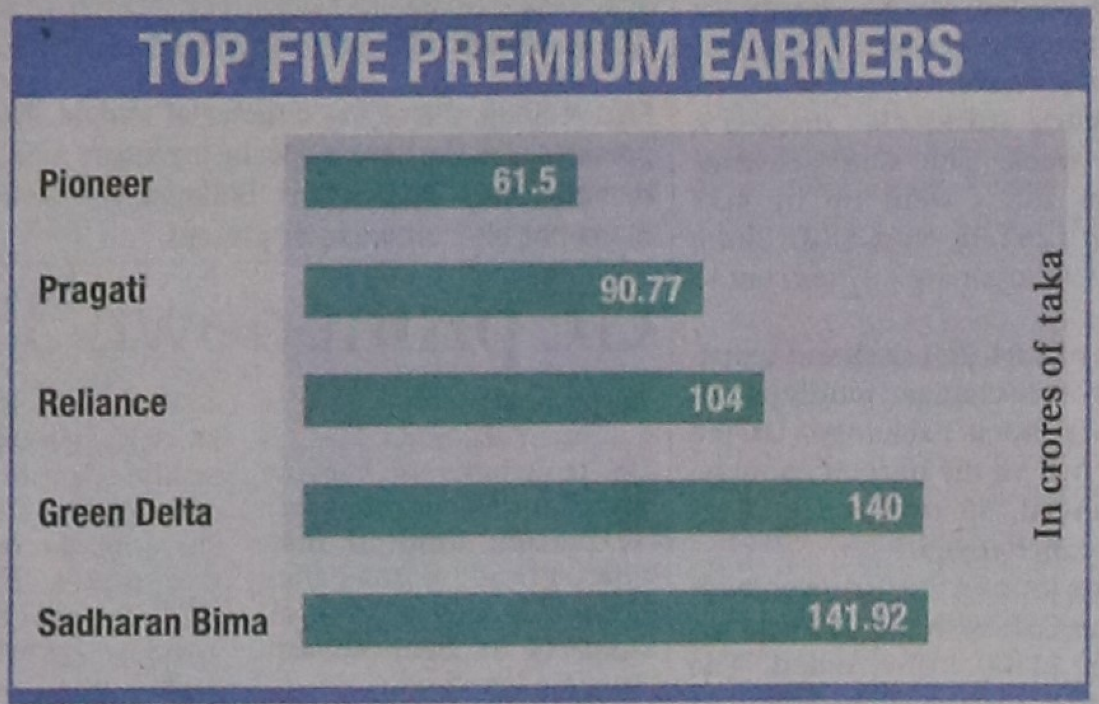

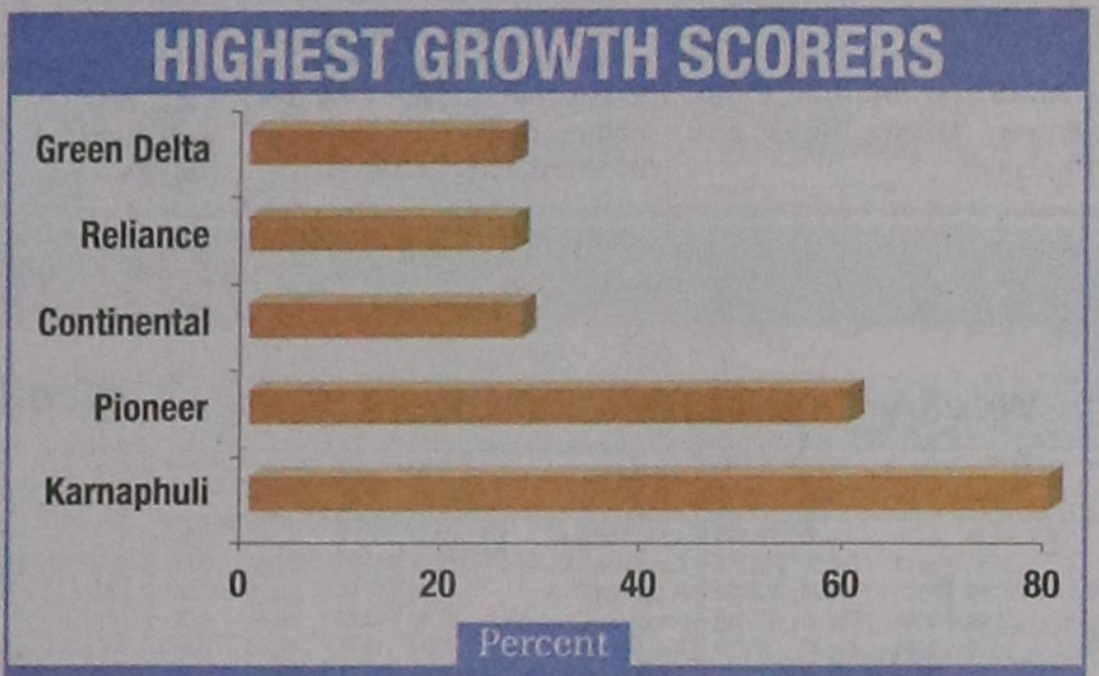

Energy, power shares claw back ground

SARWAR A CHOWDHURY

A steady performance by energy and power sector companies has made their stocks lucrative, leading to an increasing demand for their shares among the investors.

The rising demand is evident from the last month's sectoral turnover on the Dhaka Stock Exchange (DSE), wherein energy and power sector topped with Tk 1,478.08 crore turnover, which was 15.47 percent of the total turnover.

But in February the sector was in fourth place with Tk 674.27 crore turnover, which was 11.76 percent of the total turnover, according to DSE statistics.

The trend shows that the investors were much interested in energy and power sector companies than others.

Investors and analysts said without energy and power, development activities will come to a standstill.

"Here lies the potential of energy and power sector," said an investor.

Except only one out of the 10 listed energy and power companies, business performances of all are remarkable with steady profit.

Of those companies, Power Grid Company of Bangladesh (Powergrid), Dhaka Electric Supply Company (Desco), Titas Gas Transmission and Distribution Company, Summit Power and Padma Oil Company are the most lucrative for the investors.

The five other companies are Jamuna Oil Company, Meghna Petroleum, BOC Bangladesh, Eastern Lubricants and Bangladesh Welding Electrodes (Bd Welding).

Bd Welding is the only company whose performance is not up to the mark for the time being.

Powergrid, the state-run power transmission company that was listed in 2006, has been maintaining a steady growth since 2004. The company made a net profit of Tk 169.26 crore in 2008 against Tk 125.37 crore in 2007 and Tk 61.99 crore in 2006.

Another state-owned power supplier, Desco, which was also listed in 2006, has been continuing strong business growth since 2004. The company's net profit in 2008 was Tk 100.08 crore, while the profit was Tk 71.10 crore in 2007 and Tk 57.87 crore in 2006.

The balance sheet of Titas Gas, another state-run entity that distributes natural gas to greater Dhaka, greater Mymensingh and Brahmanbaria, shows its steady performance since 2005. The company, which was listed early last year, made a net profit of Tk 421.82 crore in 2008 against Tk 257.52 crore in 2007 and Tk 206.44 crore in 2006.

Summit Power, a concern of Summit Group and the first Bangladeshi independent power producer, has been maintaining tremendous business since its inception in 2001.

Summit, the only local company in private electricity generation and supply business, is adding power to the national grid and was listed in 2005. It made a net profit of Tk 26.51 crore in 2007 and Tk 17.51 crore in 2006. The company's net profit as of June 2008 was Tk 22.54 crore.

All the energy and power companies have a huge potential, said Salahuddin Ahmed Khan, former DSE chief executive officer.

"If their potential is tapped properly, investment from both home and abroad will come to the sector," he said.

He however said in case of failure to exploit their potentials, the stock prices of the sector will be overpriced and ultimately investors will lose money when the prices of the shares will see corrections.

Padma Oil, Jamuna Oil, Meghna Petroleum, BOC Bangladesh and Eastern Lubricants are also maintaining steady growth.

Bd Welding incurred a net loss of Tk 0.69 crore in 2007 against a net profit of Tk 0.24 crore in 2006. However, as of June 2008 the company made a net profit of Tk 0.40 crore.

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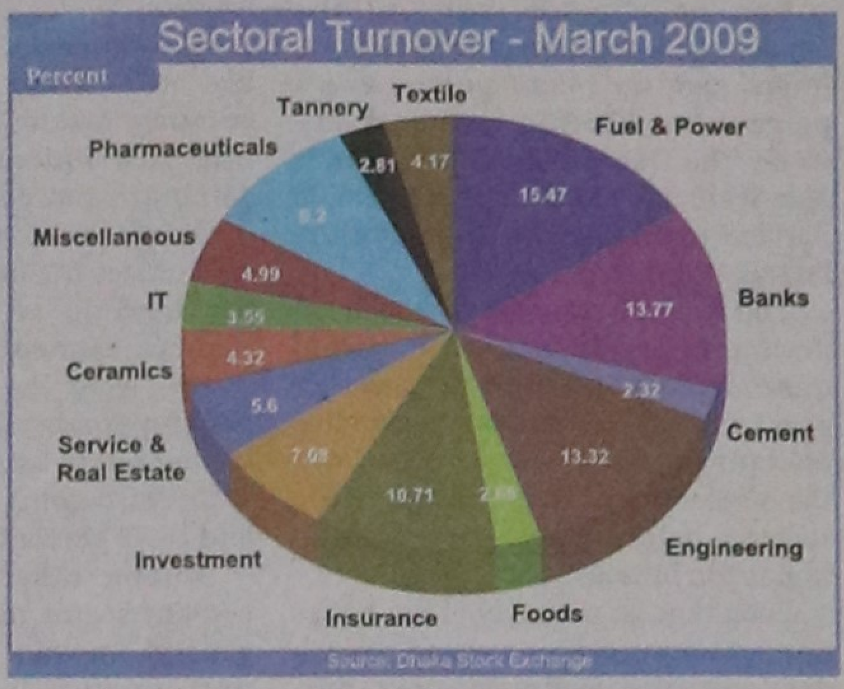

Revenue outlay to face cut in revised budget

REJAUL KARIM BYRON

Revenue expenditure will be brought down by Tk 1,762 crore in the current fiscal year's revised budget as the subsidy requirements for different sectors have been reduced.

The revenue outlay will be scaled down to Tk 72,600 crore from its original size of Tk 74,362 crore.

Although the revenue earnings dropped due to the global recession, the government will have to borrow less from the banking sector for deficit financing as the pressure of expenditure will ease, finance ministry officials said.

The finance ministry finalised the draft of the revised budget for the current fiscal year last week. The size of the revised budget may be Tk 95,600 crore, which was Tk 99,962 crore in the original budget.

Planning ministry officials said they have already finalised development expenditure or annual development programme (ADP). The revised ADP expenditure is Tk 23,000 crore, while the original size was Tk 25,600 crore.

As the prices of petroleum products, fertiliser and food items came down in line with their price fall on the international market, the subsidy for these will reduce and food items will not need any subsidy. There was around Tk 14,000 crore subsidy fixed for these items. The subsidy for urea fertiliser was around Tk 3,200 crore. Officials said even half of the amount will not be required now.

A Tk 6,100 crore subsidy was fixed for Bangladesh Petroleum Corporation but the subsidy will not be required as the petroleum prices have come down.

However for non-urea fertiliser the government may fix Tk 1,000 crore to Tk 1,500 crore subsidy.

The revenue expenditure on repayment of interest, government salary and maintaining law and order may increase, officials said.

Nonetheless, the government would have a wider fiscal space to divert its expenditure. The government is planning to form an export development fund to boost the export sector amid recession.

The revenue target in NBR (National Board of Revenue) portion may be trimmed down by around Tk 1,500 crore and fixed at Tk 53,000 crore.

NBR officials said this time the target of revenue earning in NBR portion is around 17 percent. In the July-February period the growth was 11.84 percent.

In the period collection was Tk 27,296 crore against the target of Tk 54,500 crore. To achieve the target more than Tk 27,000 crore will have to be collected by the end of the fiscal year, which the officials said is almost impossible.

So the deficit amount is likely to be more than Tk 1,500 crore, they said.

Finance ministry officials said although the revenue dropped in NBR portion, collection of non-NBR tax and non-tax revenue would be more than the target. Increase in the registration fees in different sectors including motor vehicles would bring more revenue.

Although the revenue earnings fell, the government's bank borrowing will also drop as expenditure will face cuts.

The target of bank borrowing is Tk 13,498 crore in 2008-09, which may come down below Tk 11,000 crore. Budget deficit may also decrease from 5.6 percent of the GDP to below 4 percent.

Citigroup returns to profit

AFP

Pedestrians walk by a Citibank branch office in San Francisco, California on Friday. Citigroup reported a better than expected first quarter with a loss of 18 cents per share, beating analysts' forecast of 34 cents a share.

AFP, *New York*

Citigroup swung to profit in 2009 with first-quarter earnings of 1.6 billion dollars, coming back from massive losses in 2008, the troubled banking giant said Friday.

Citi, which needed special help from the US government to weather the financial crisis, returned to the black in the January-March period following losses of 5.1 billion dollars in the same period last year and 18.72 billion for all of 2008.

Citi stockholders did not get a slice of the profit due to the special share arrangements of the banking group, and took a loss of 18 cents per share but this was not as bad as analyst projections of a loss of 34 cents per share.

"Our results this quarter reflect the strength of Citi's franchise and we are pleased with our performance," chief executive Vikram Pandit said.

"With revenues of nearly 25 billion dollars and net income of 1.6 billion, we had our best overall quarter since the second quarter of 2007."

The US government owns a 36 percent stake in Citi following the latest bailout and conversion of special preferred shares to common stock.

But other Citi shareholders did not share in the profit because of dividend arrangements on the US government shares as well as other private stakes including from a Saudi prince and the Government of Singapore Investment Corporation.

Total revenues rose 99 percent from a year ago to 24.8 billion dollars and the company's interest margins rose half a point to 3.3 percent.

The results come a day after JPMorgan Chase beat analyst forecasts with a profit of 2.1 billion dollars and comments from other major banks suggest an easing of the crippling credit crisis.

The optimism has helped Citi, which saw its share price fall more than 95 percent over the past year to under one dollar, but closed at 4.01 dollars on Thursday.

Jon Ogg at 24/7 Wall Street said shares appeared headed higher in premarket trades: "Citigroup is so far a winner this morning after a more than acceptable earnings report."

Citi, which has been hammered as a result of the US housing meltdown and subsequent credit crunch, said it had trimmed 13,000 jobs since the fourth quarter and 65,000 since peak levels to leave its total workforce at 309,000.

Its deposits remained steady at 763 billion dollars.

"While we and the industry face challenges in the coming quarters as we work through the weak economy, we will remain focused on strengthening the Citi franchise," Pandit said.

By segment, Citi said its consumer banking operations lost 1.2 billion dollars in the quarter, hurt in part by exchange rates but also from loan delinquencies.

2 more US banks fail

AP, *New York*

US regulators on Friday shut down two more banks, boosting the number of failures this year to as many as in all of last year.

The tally of 25 bank failures this year all but guarantees the number that fall into the arms of regulators will surpass what was seen in 2008. Two of the nation's largest savings and loans failed in 2008: Washington Mutual Inc and IndyMac Bank. Last year's total was more than in the previous five years combined and up from only three failures in 2007.

The latest banks seized were American Sterling Bank in Missouri and Great Basin Bank of Nevada. The Federal Deposit Insurance Corp will continue to insure deposits. Regular deposit accounts are insured up to $250,000.

Customers of both banks can still write cheques and use ATM or debit cards.

The Federal Office of Thrift Supervision took over American Sterling, while the Nevada Financial Institutions Division took control of Great Basin Bank of Nevada. The FDIC was appointed receiver of both banks.

The Missouri offices of American Sterling will reopen Saturday. Those in California and Arizona will open Monday. All will open as branches of Metcalf Bank. Depositors of American Sterling will automatically become depositors of Metcalf.

American Sterling is based in Sugar Creek, Mo. It had $181 million in assets and $171.9 million in deposits as of March 20. In addition to assuming the deposits of the failed bank, Metcalf Bank, based in Lee's Summit, Mo, agreed to buy about $173.6 million in assets. The FDIC will retain the rest of the assets to sell later.