

Stocks

DGEN	0.33%
	2,611.55
CSCX	0.43%
	5,476.47

Asian Markets

MUMBAI	0.74%
	10,817.54
TOKYO	0.18%
	8,727.30
SINGAPORE	2.32%
	1,843.41
SHANGHAI	2.94%
	2,461.35

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	86.81	91.50
GBP	98.58	103.81
JPY	0.68	0.75

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	\$885.21
(per ounce)	
Oil	\$48.87
(per barrel)	

SOURCE: AFP

(Midday Trade)

More News

Dubai days



Darkness gathers and storefronts are abuzz with low-budget shoppers. The tiny congested rooms, the shared kitchen in labour camps, the dimly-lit sandy backyard, all come alive with crowds. In the distance, burning cigarettes shine in the dark, indicating the presence of a small group of people.

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International

Yahoo! reports sagging profit and job cuts

Yahoo! on Tuesday reported that its net profit slumped nearly 80 percent in the first three months of the year and that it will trim its workforce by five percent. Yahoo! said its net income for the first quarter was 117.6 million dollars, or eight cents per share, compared to 536.8 million dollars, or 37 cents per share, during the same period last year.

Malaysia to liberalise parts of services sector

Malaysia said Wednesday it will liberalise parts of the services sector, removing ownership rules linked to a controversial affirmative action policy for majority Muslim Malays. Prime Minister Najib Razak, who was sworn in earlier this month, said that 27 sub-sectors would be liberalised "to attract more investments, bring in more professionals and technology as well as strengthen competitiveness."

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

Bank profits to go down in 2009

SAJJADUR RAHMAN

Banks are likely to pass through a tough year in retaining the profitability and productivity because of the falling domestic demand and commodity prices, top bankers fear.

They believe lending rate cuts and loan rescheduling without down payment would hurt bank profits significantly.

The banking industry, comprising 48 banks, heavily depends on the garments and spinning sectors for investment. Some 4,500 woven, 1,700 knitwear and about 350 spinners sprang up with the help of banks.

A severe slump in global economy and consumption has caused an investment-sluggishness in these industrial areas in the country. Even the existing factories do not go for any expansion, according to senior bank officials.

"We are not getting any new investment proposal this year as we had received previously," said Kaiser A Chowdhury, president and managing director of AB Bank.

AB Bank, a 27 year old bank, had posted a 6 percent growth in advances in the first quarter of

2009.

United Commercial Bank's advance growth was within 3 percent. This bank has been in operation for the last 26 years.

"It will be extremely challenging this year to retain even the profit we earned in 2008, as the credit demand diminishes," said Chowdhury.

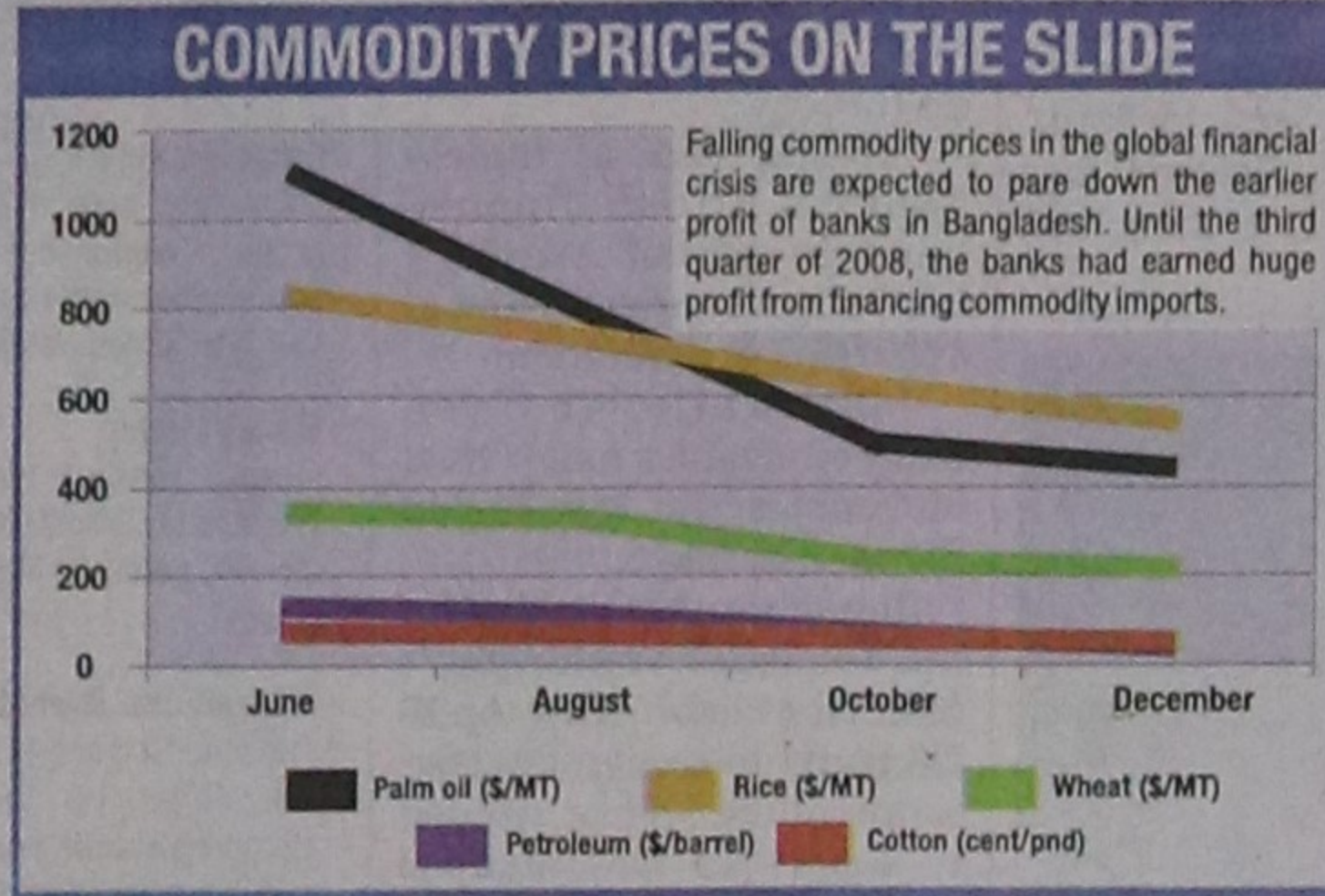
Of the 48 banks, 30 are private commercial banks, nine foreign and nine state banks. Except five state-run specialised banks, all these banks were making profits riding on booming garments and spinning sectors and a rapid spike in the prices of commodities in 2007 and 2008.

Till the third quarter of 2008, the banking sector earned huge money from charges and commissions by financing commodity imports.

Meanwhile, bank share prices have already considerably come down. Market capitalisation of banking stocks was Tk 35,453.12 crore at the end of March 2008, which came down to Tk 27,155.16 crore as of March 23 this year.

Financial disclosures and dividends announced for 2008 performance have also failed to attract small stock investors.

The central bank has recently



pressurised scheduled banks to cut the lending rate to maximum 13 percent, which the bankers believe would erode the profits significantly.

"A bank like us will profit around Tk 70 crore less this year because of such rate cut," said Mahmud Sattar, managing director of The City Bank.

"Credit growth is very slow less than 3 percent so far in 2009," said Shahjahan Bhuiyan, managing director of United Commercial Bank.

Bhuiyan said: "Economy is in a stagnant position. We are getting no new loan proposal."

He attributed the lesser profit this year to the rise in the cost of fund, less income from trade financing and lower business demand.

"Banks will be under a severe pressure this year. No doubt, this year's income will go down," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

"We have to look for new avenues for investments, otherwise sustaining the business will be tough this year," said Kaiser Chowdhury of AB Bank.

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Ford makes a stronger comeback

MD HASAN

Ford Motor Company has re-entered Bangladesh with a strong brand promotion to grab its share in the country's already downsized brand new car market.

The US auto giant last year signed a deal with AG Automobiles, a concern of local Anwar Group, to exclusively sell its products.

In the 1990s, some Ford cars were brought here through a local distributor but could not do business at an optimum level.

AG Automobiles, which already sold 20 Ford jeeps and pickups this year, now eyes a big commercial venture into Ford car sales.

Ranger pickups and Everest jeeps are now available in the market.

"We have got a good response from customers," said Rashed Hossain, manager, marketing and research, AG Automobiles, adding that Ford's Focus brand cars will hit the market within a very short time.

Mitsubishi, Toyota and Nissan mainly dominate the Bangladesh brand new car market, while Mercedes-Benz and BMW brands cater to needs of the members of the posh society.

Hossain said pickups are sold mainly to the government agencies, while businessmen are Ford jeep customers.

The number of Ford vehicles sold in the global market during the first quarter of 2009 is 324,371, a 43.2 percent down, compared to the sales of 571,527 in the same period a year earlier.

The company manufactured 349,000 vehicles in the first quarter, 26,000 units lesser than the first quarter of 2008, according to the company's latest report.

Following a slack business during fiscal year 2007-08, the local new car market rebounded slightly in the January-February period of 2009. However the market again experienced a slack sale on a huge import of reconditioned vehicles in the last two months.

"Ford's entrance is good news, as customers will have the pleasure to choose the world's one of the leading brands," said M Salahuddin, president of Bangladesh Automobiles Distributors Association.

He, however, pointed to the fact that reconditioned car imports have hurt, to some extent, the brand new car market.

In Bangladesh, around 20,000 cars are imported every year. Of these cars, 2,000 are brand new ones.

AG Automobiles officials expected that Ford Fusion and Mustang cars would enter the market in the years to come.

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Ford cars are on display in a showroom of AG Automobiles Ltd in Dhaka. Ford Motor Company has signed a deal with the local company to re-enter Bangladesh with a strong brand promotion.

STAR

Southeast Bank to launch mutual fund

STAR BUSINESS REPORT

Southeast Bank is set to launch a Tk 100 crore mutual fund in a move to join the foray of similar funds floated by a number of other commercial banks.

Southeast will subscribe at least 25 percent of the fund titled "Southeast Bank 1st Mutual Fund", according to the Dhaka Stock Exchange website.

The rest of the fund will be raised through pre-IPO placement and IPO (initial public offering), which are subject to approval from the Securities and Exchange Commission.

Southeast is the latest in a series of private commercial banks (PCBs) that have already proposed to launch mutual funds.

Eastern Bank, Trust Bank and IFIC Bank have already finalised the process of launching some "closed-end" mutual funds by year-end. Prime Bank has this week announced that it will sponsor a closed-end mutual fund. A closed-end fund is a collective investment scheme with a limited number of shares for a limited period.

The Eastern Bank First Mutual Fund valued at Tk 100 crore will make debut this month, while the IFIC First Mutual Fund worth Tk 100 crore and the Trust Bank First Mutual Fund worth Tk 200 crore is likely to enter the market by July.

The Prime Bank 1st ICB Mutual Fund worth Tk 100 crore will be floated as soon as possible.

Some other non-bank financial institutions and nationalised commercial banks are also striving to float mutual funds.

A total of 17 mutual funds listed on the bourses. Of them, ICB and its subsidiaries manage 13 mutual funds, AIMS Bangladesh three and BSR one.



\$181m investment in KEPZ Extension hangs in balance

SAYEDA AKTER

A Bepza suspension order on the construction works at the project sites at Karnaphuli EPZ (KEPZ) Extension in Chittagong and a fear of taking back the land by the food ministry have cast a shadow of uncertainty over the future of \$181.2 million foreign investment.

The Bangladesh Export Processing Zones Authority (Bepza) on March 25 sent a letter to the KEPZ asking it to suspend construction works of Bepza and other industries in the allocated industrial zone at the Halishahar CSD in the port city until further notice.

The order came at the time when around 70 percent of the construction works were complete with the investors already depositing around \$500,000 to Bepza as security deposit, stamp duties and rents, said investors.

The construction works have remained suspended since March 28.

In a letter to the Bepza chairman on April 18, the investors demanded 'definite answer or offerings' before April 27, and said otherwise they would go for legal action, demanding compensation worth \$100 million from the authorities.

The investors also sent letters to the Federation of Bangladesh Chambers of Commerce and Industry, Metropolitan Chamber, American Chamber, foreign and industries ministries and Taiwan Trade Centre.

Investors including nine from Taiwan, two from South Korea, and one each from India, Sri Lanka and China are now thinking of withdrawing investment if Bepza fails to offer them any decision by this time.

"This decision (of suspending construction works) will create a 'negative impact' on foreign direct investment to the country," said Jeff Chuang, managing director of Cosmos Shoes International Ltd that invested the largest amount in KEPZ.

"Foreign investors maintain good networks and potential investors always seek information from existing investors, embassies or investment promotion bodies of their countries," he said.

"Furthermore, this decision has ruined my and other investors' reputation with customers as well as the reputation of both the Bepza and investment environment of Bangladesh," said Chuang, who is acting on behalf of all the investors at KEPZ Extension CSD (Central Storage Depot).

"All the investors at KEPZ Extension suffered great losses during this suspension of construction works."

He said the plants they were going to build in the abandoned CSD land in Halishahar would have created jobs for at least 24,000 people by 2010.

"We have long-term agreements with top global brands. Now if the deals are cancelled, we will have to face adverse impacts," he said.

Bepza allocated 59.28 acres of land to the KEPZ Extension in December 2006, which was earlier an abandoned CSD warehouse of the government's food department, for transforming the area into an EPZ.

Fourteen foreign investors were given allotments and they signed 30 years' lease agreements with Bepza from June 2008 to January 2009.

There were 86 CSD buildings, of which Bepza demolished 53 unusable ones and spent Tk 33 million for developing infrastructure.

An engineers' committee has inspected the remaining buildings, and found that 25 are no longer suitable for neither industrial use nor storage use for food grains.

As the Halishahar CSD's 33 remaining buildings were not fit for food grain storage, the food ministry declared the CSD abandoned in 1997 and gave it to Bepza.

The CSD had the capacity to store 85,000 tonnes of food grains but was rarely used before the handover.

A committee headed by industries secretary suggested in 2008 that it was not possible to return the land to the food ministry and advised the government to set up a food depot with 15,000 tonnes of capacity at Dewanghat in Chittagong.

To compensate the food ministry, the finance ministry has taken away Tk 300 crore from Bepza fund and allocated the money for construction of a food depot at Dewanghat.

The present government has decided to take control of the abandoned CSDs and make more CSDs across the country to ensure food security.

The suspension order is a part of this concern and it is speculated that the land would be taken back to the food ministry, said a senior Bepza official.

He said the government recently sought explanation as to why the CSD land was allocated to Bepza. After that Bepza sent a letter to the Prime Minister's Office explaining all the factors.

Now the decision is under consideration of the prime minister.