

DHAKA THURSDAY APRIL 23, 2009

| 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 |
| USD 68.45 |
| EUR 86.81 |
| GBP 98.58 |
| JPY 0.68 |

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.

B-4

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."

B-4

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

Bank profits to go down in 2009

SAJJADUR RAHMAN

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.

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.

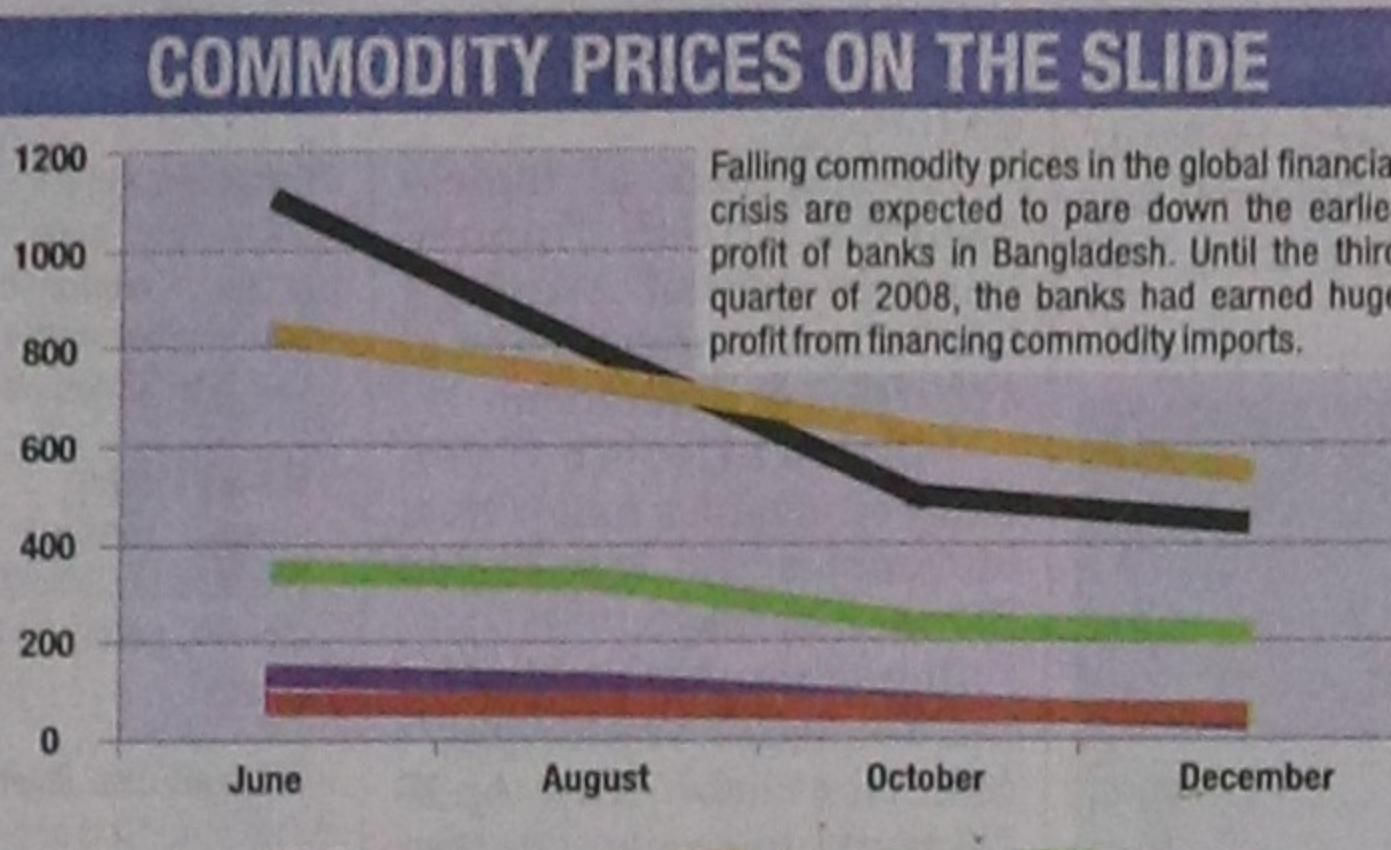
AB Bank, a 27 years old bank, had posted a 6 percent growth in advances in the first quarter of

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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Frozen food exporters seek further support

STAR BUSINESS REPORT

Frozen foods exporters yesterday claimed to have suffered losses of Tk 400 crore and demanded the government sanction an equivalent amount in easy loans to safeguard the sector from recession fallout.

The exporters urged the government to put the loans in "block accounts" to stop interests from piling up. They also asked the government to allow them to repay the amount in three-month instalments for seven years. The demands include a two-year moratorium on loan repayment.

"The amount demonstrates the accumulated losses that we incurred in the last one and a half years due to falling exports. If the government stands beside us, we will be able to continue exports," Md Musa Meah, president of the Bangladesh Frozen Foods Exporters Association (BFFEA), told a press conference at Hotel Ornet in Dhaka.

Musa said frozen foods exporters have bank loans worth Tk 800 crore.

Frozen foods exporters organised the programme after the government offered a Tk 3,424 crore bailout package to shield the economy from the global crisis that has affected the export earnings of sectors such as frozen foods, jute and leather.

In the bailout package, along with offering policy support, the government has increased the rate of cash subsidy for frozen foods exports from 10 percent to 12.5 percent for fiscal 2008-09.

"We thank the government for announcing the stimulus package. But we will benefit further if the money is paid based on real export prices, instead of offering cash subsidy against a fixed price," he said. The exports receive cash subsidy against a constant price of \$3.79 per pound.

"This price was fixed years ago. We want the cash subsidy against real FOB (free on board) prices. We are not demanding more," said Musa.

The economic meltdown has dampened demand for frozen foods in western economies such as the US and Europe, the main consumers of Bangladeshi frozen foods. It is the second biggest export earner after the ready-made garments sector.

"Frozen foods are considered a luxury food item. The price of the item is falling amid recession," he said.

Hitting a record \$534.07 million in fiscal 2007-08, the export of frozen foods, mainly shrimp, started dwindling early this current fiscal year.

In the July-February period of the current fiscal year, export earnings from the sector slumped 11 percent to \$331.01 million from \$371.93 million a year ago.

This resulted in the closure of 13 frozen fish processing plants, claimed Musa. According to the BFFEA, there are more than 140 fish processing plants, out of which, about 50 units are in operation now.

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.

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.

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 JCB 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 BSRS 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.

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