Star Business

DHAKA MONDAY SEPTEMBER 28, 2009

Stocks

DGEN	▲	0.53%
		3,075.06
CSCX	▲	0.34%
		6,739.33

Currencies

	Buy Tk	Sell Tk
USD	68.42	69.42
EUR	98.37	104.11
GBP	106.93	112.76
JPY	0.75	0.84

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼	\$991.50 (per ounce)
Oil	▼	\$66.62 (per barrel)

SOURCE: AFP

(As of Friday)

News in Brief

Japan minister says JAL won't be liquidated

AP, *Tokyo*

Japan's transport minister said Sunday he will not force the struggling Japan Airlines, Asia's biggest airline, into bankruptcy.

"We will not crush and liquidate (the airline)," Land, Infrastructure and Transport Minister Seiji Maehara said on a TV Asahi talk show. "It's just impossible."

A team of government-appointed corporate turnaround experts was set up Friday to create a restructuring plan for the airline, whose own draft reconstruction plan Maehara called "insufficient."

The team will make a recommendation to the transport minister by late October or early November.

Officials from the airline and the transport ministry were not available for comment Sunday.

The airline incurred its biggest-ever quarterly net loss of 99 billion yen (\$1 billion) in the three months to June, and has forecast a net loss of 63 billion yen (\$701 million) for the current fiscal year to March 2010. JAL was privatised in 1987.

Iran state telecom firm privatised in \$8b deal

AFP, *Tehran*

A majority stake in Iran's only state-owned telecommunications firm was sold on Sunday to a private consortium in an eight-billion-dollar deal, the largest privatisation in the Islamic republic.

Three Iranian firms, part of a consortium named Etemad Mobin Development, bought 50 percent plus one share of Telecommunication Company of Iran for 78.191 trillion Iranian rials (7.8 billion dollars or 5.3 billion euros), state television reported.

The deal, which had a base price of 3,400 rials (34 cents) per share, was completed in just 35 minutes during Sunday's trading hours on the Tehran Stock Exchange.

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

Banks directed to lower SME lending rate

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Bangladesh Bank Governor Dr Atiur Rahman sits for a meeting with the chief executive officers of different banks in Dhaka yesterday.

The central bank cautioned all commercial banks yesterday for charging high interest rates for loans by distorting the definition of small and medium enterprises (SMEs).

Bangladesh Bank (BB) also expressed displeasure over the banks' preparation to implement Basel II from next year.

BB made these observations at a meeting with the chief executives of all scheduled banks, with BB Governor Dr Atiur Rahman in the chair.

"We observed that banks define SMEs as they wish and charge up to 18 percent against loans," BB Deputy Governor Nazrul Huda told reporters after the meeting at his office.

"Banks place the SME loans under other categories where the interest rate is high," he said.

Huda said the governor directed banks not to charge a high rate for SME loans anymore.

Other topics discussed at the meeting are -- disbursement of farm credit, implementation of BASEL II, introduction of the Dhaka Inter Bank Offer Rate or DIBOR and progress in launching the Bangladesh Automated Cheque Processing System.

The BB deputy governor said the biggest impediment to SMEs is lack of capital, while banks remain reluctant to lend to small entrepreneurs despite the central bank's continuous efforts.

Currently, only 21 percent of the banks' total loan portfolio is dedicated to SMEs, which is 50 to 60 percent in other countries, Huda said.

"SME loans have increased by only 2 percent in the past two years, which is much lower than expectation," he said. "If we can raise the banks' total loan portfolio to 50 percent, the outlook of the nation's economy will change."

He asked the banks to change their mindset towards SMEs.

The deputy governor however admitted that banks are unwilling to issue small loans due to the high monitoring and supervision costs.

To achieve farm credit targets, Huda said BB has decided to monitor it strictly.

"There will be a three-tier monitoring system for farm credit-- the bank itself, BB branches and the BB headquarters," he said.

BB targets disbursement of Tk 11,500 crore this fiscal year.

On the implementation of Basel II, a core risk management guideline for the banking sector, the deputy governor said most banks are not ready to adopt it.

According to a BB decision, all banks in Bangladesh should implement Basel II from January next year.

"Nine foreign banks and only seven private banks are ready to adopt Basel II," Huda said. "The four state-owned banks are lagging behind in capital formation."

"It will be tough for the remaining banks to implement the system if they do not prepare a plan of action immediately," he added.

Banks have to raise their paid-up capital to Tk 400 crore under the Basel II framework and be strict towards credit risk management.

"If banks fail to implement Basel II on time, they may face punitive measures, including no new licences for new branches, authorised dealerships or foreign exchange houses," he said.

BB also directed banks to introduce DIBOR to set up a stable inter bank exchange rate. "We have proposed it and banks have agreed to adopt it," he said.

The governor asked CEOs of the banks to disburse more credit to women entrepreneurs, Huda said.

FBCCI demands more time for income tax return

UNB, *Dhaka*

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) requested the government to extend the time for submitting income-tax return, as many taxpayers might miss the deadline.

In a letter, signed by FBCCI President Annisul Huq, the apex trade body asked the National Board of Revenue (NBR) chairman to consider the request as members of the business community were busy for Ramadan, Eid-ul-Fitr and Durga Puja.

Currently September 30 is the last date for annual submission of the income-tax return.

The request "is under active consideration", an NBR official said, while the response so far from the taxpayers is very negligible.

"I think majority taxpayers are expecting extension of the time like previous years," the official added.

The deadline is likely to be extended by one month at initial stage. Last year, the board had extended time for individuals' tax return twice.

A large number of businessmen, professionals and top individual taxpayers who are yet to submit return have requested the revenue board to extend the time.

NBR received a total of 670,000 million tax returns worth Tk 7.92 billion within the deadline of November 12 last year.

The income-tax-collection target has been fixed at Tk 16,560 crore for the current fiscal, 27 percent higher than previous year.

Meanwhile, the government is expecting to increase the annual income tax by more than Tk 20,000 crore at the end of its 5-year tenure through creating a spontaneous environment.

Cabinet body okays new import-export policy

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A new import policy is on the cards envisaging special for the garment industry, essential commodities and the industrial unit with 100 percent foreign direct investment (FDI).

Yesterday, the cabinet committee on Economic Affairs at a meeting, with Finance Minister AMA Muhith in the chair, approved the three-year import and export policy.

The policy allowed imports of raw materials and capital machinery for the garment industry without opening letter of credits (L/C). To keep commodity prices stable, essentials and raw materials of industries with 100 percent FDI are also allowed without L/C opening.

In the case of importing powdered milk, a certificate that ensures that the item is melamine-free should be attached to the import documents. Additionally, the private sector will be allowed to import telecommunication equipment, fulfilling some conditions.

In the export policy, the number of thrust sectors -- agro-products and agro-processing commodities, light engineering goods, shoes and leather products, pharmaceutical products, software and ICT products and home textiles -- has been increased from six to seven, adding the sea-going ship building industry.

The number of special development sectors has been increased to eleven from nine, adding ceramic, melamine and plastic goods.

The previous export policy included cash incentives for the thrust and special development sectors. But the new export policy will also include cash incentives for the emerging sectors.

The export policy emphasised setting up accredited testing laboratories to ensure a high quality of products.

To increase the export of pharmaceutical products, the ceiling for sending specimens has been increased to \$ 30,000 from \$ 10,000 annually.

The proposed policy allowed exports of petroleum and petroleum products like naphthalene, furnace oil, lubricant oil, bitumen, condensate, MTT and MS, with a no objection certificate from the energy and mineral resources division. Earlier, these were exportable without any condition.

The proposed change will prioritise domestic demand.

The government, a facilitator in expanding trade, is taking necessary steps to gradually liberalise and ease the trade policy in the light of WTO rules.

The import system is also being liberalised gradually and the tariff rate has been set at the lowest possible level.

The cabinet committee was also told that productivity of domestic industrial units has to be increased in order to maintain the present growth of export.

Improved and diversified commodities and markets also have to be emphasised.

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Jatya Garments Sramik Federation (a forum of apparel workers) takes out a procession in Dhaka yesterday demanding a duty-free access of RMG products to the US market.

Huge apparel buyers expected this year

REFAYET ULLAH MIRDHA

Bangladesh expects a massive brace of international buyers this year as two major trade bodies are preparing to host two important international apparel expositions in November.

In the last fiscal year the country outperformed in garment exports to many destinations as the buyers flocked here to purchase cheap apparels despite recession, industry insiders said.

The BATEXPO-09 will be held on November 5-7 under the auspices of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"We expect buyers in large number this time because Bangladesh is now considered a lucrative place for global apparel merchandisers," BGMEA President Abdus Salam Murshedy said.

Cheap basic apparel products will attract new buyers from Japan, South Africa, Mexico and Brazil to the annual exposition this time, he added.

Countries like USA, EU, Australia, Canada, China and India are also expected to participate in the show

This year the foreign buyers have already confirmed for 11 stalls to participate in the 20th BATEXPO to be held at the Pan Pacific Sonargaon Hotel, according to the apex trade body for the apparel sector.

Similarly, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) is going to organise its 5th Knitexpo-09 on November 2-4 at Dhaka Sheraton Hotel, a BKMEA official said.

As part of the exposition, Fazlul Hoque, the BKMEA president, visited Japan and Hong Kong recently to invite the buyers of these potential markets to participate in the exposition.

"This year's Knitexpo will be the biggest event as 80 international buyers have already confirmed their participation. The number of such foreign participants would cross 100," Hoque said.

He said he is going to South Africa and Botswana Saturday to invite the buyers and investors to visit Bangladesh.

Bangladesh exported knitwear worth \$6.429 billion in 2008-09 fiscal-year showing a 16.21 percent growth over the same period a year earlier. During the same time Bangladesh exported woven items worth \$5.918 billion registering a 14.54 percent growth, Export Promotion Bureau (EPB) data said.

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Call handlers fear loss as govt mulls licensing new operators

STAR BUSINESS REPORT

The nascent call handlers are worried about losing business, as the telecom regulator has announced to issue eight more licences in a bid to set up both local and international call handling exchanges soon.

The existing call handlers said the new operators will not be a problem for them if the guidelines for the new licences remain the same.

They said there remains a chance of manipulating the licence awarding process.

According to International Long Distance Telecommunication Services Policy, there is an obligation not to award more than three IGW licences. However BTRC officials said the policy is under review and the clause may be amended.

The last caretaker government issued three International Gateways (IGWs), two Interconnection Exchange (ICXs) and one International Internet Gateway (IIG) licences to local private sector to provide national and international data and voice services.

Bangladesh Telecommunication Regulatory Commission (BTRC) has set guidelines to award additional phone call and internet data handling licences recently for public consultation.

According to IGWs and ICXs operators, on an average calls worth 21 million minutes enter Bangladesh every day through legal channel, which sometimes come down to 15 million minutes due to illegal call handlers' operation.

Industry insiders said illegal VoIP (voice over internet protocol) operators were offering less than 2 cents when the government fixed the rate at 3 cents. Such illegal business also keeps the call handlers far beyond the expected revenue earnings.

According to legal call handlers' business model, call volume should be raised by more than 40 percent if they want to keep their revenue at the earlier level when they charged 4 cents. But it does not happen as yet.

"So the move to issue new licences will create panic in the market," said a call handler.

However the BTRC officials said the market will be more competitive if new operators come.

"There is no other alternatives to make the market competitive," said a BTRC high official.

"It's a new threat to the novice telecom call handlers," said Mir Nasir Hossain, president of Telecommunication Infrastructure Operators of Bangladesh.

"We have just invested in the sector, and expected returns are yet to come. We don't understand why the government is planning to allow new players at this stage," he said.

Besides local callers, the main customers of international call handlers are Bangladeshi expatriates. According to a government estimate, around 60 lakh Bangladeshis work abroad. Manpower export witnessed a 100 percent growth in 2007-08.

Government data shows the number of outbound workers was only four lakh in 2007, which increased to eight lakh in 2008. The government expects the number of migrant workers to go up to nine lakh in 2009.

The increased number of outbound workers has intensified local businessmen to go for big investment in the sector. Bangladesh has 48 million telecom customers and the most are mobile phone users.