

Stocks

DGEN ▲ 0.47%
3,296.03

CSCX ▲ 0.03%
7,156.49

Asian Markets

MUMBAI ▲ 1.20%
17,231.11

TOKYO ▼ 0.16%
10,060.21

SINGAPORE ▲ 1.50%
2,708.48

SHANGHAI ▲ 1.17%
2,970.53

Currencies

	Buy Tk	Sell Tk
USD	68.42	69.44
EUR	99.99	105.28
GBP	107.22	112.62
JPY	0.75	0.82

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲
\$1,066.25
(per ounce)

Oil ▲
\$75.15
(per barrel)

SOURCE: AFP

(Midday Trade)

News in Brief

JPMorgan Chase profit leaps to \$3.6b

AFP, New York

JPMorgan Chase said Wednesday its third quarter profit jumped to 3.6 billion dollars in a further sign of the rebounding fortunes of the banking sector.

The profit however was heavily skewed to investment banking and trading results, which offset weakness in the consumer sector, especially in credit cards.

The group, among the healthiest of the major US banks, said earnings were nearly seven times higher than the 527 million dollars in the same period a year ago.

The results translated to 82 cents per share, much better than expected by analysts, who had called for a profit of 52 million dollars.

China forex reserves hit \$2.27 trillion

AFP, Beijing

China's foreign exchange reserves surged to a record 2.27 trillion dollars at the end of September, the central bank said Wednesday.

The reserves, already the world's largest, grew by 19.26 percent from a year ago, the People's Bank of China said in a statement on its website.

Foreign exchange reserves stood at 2.13 trillion dollars at the end of June.

Correction

In a graph presented with yesterday's report headlined, "Draft laws worry insurers", it was inadvertently shown that Pragati Insurance's gross premium earning was Tk 91 crore in 2008. Actually, the amount is more than Tk 97.90 crore. We regret the mistake.

Local airlines falling off the skies

SOHEL PARVEZ

Foreign carriers have captured nearly two thirds of the Tk 3,000 crore Bangladesh aviation market as local airlines, especially Biman, suffer capacity constraints, industry analysts said.

The dominance is an indicator that huge forex is drained out of Bangladesh. Much of the money could have been saved if Bangladesh had paid enough attention to strengthening the capacity of the state-owned carrier.

Biman's market share hovers around 30 percent in passenger haul, down from more than 40 percent in 2001, despite air travel growth by the year due to the regular outflow of Bangladeshi migrants.

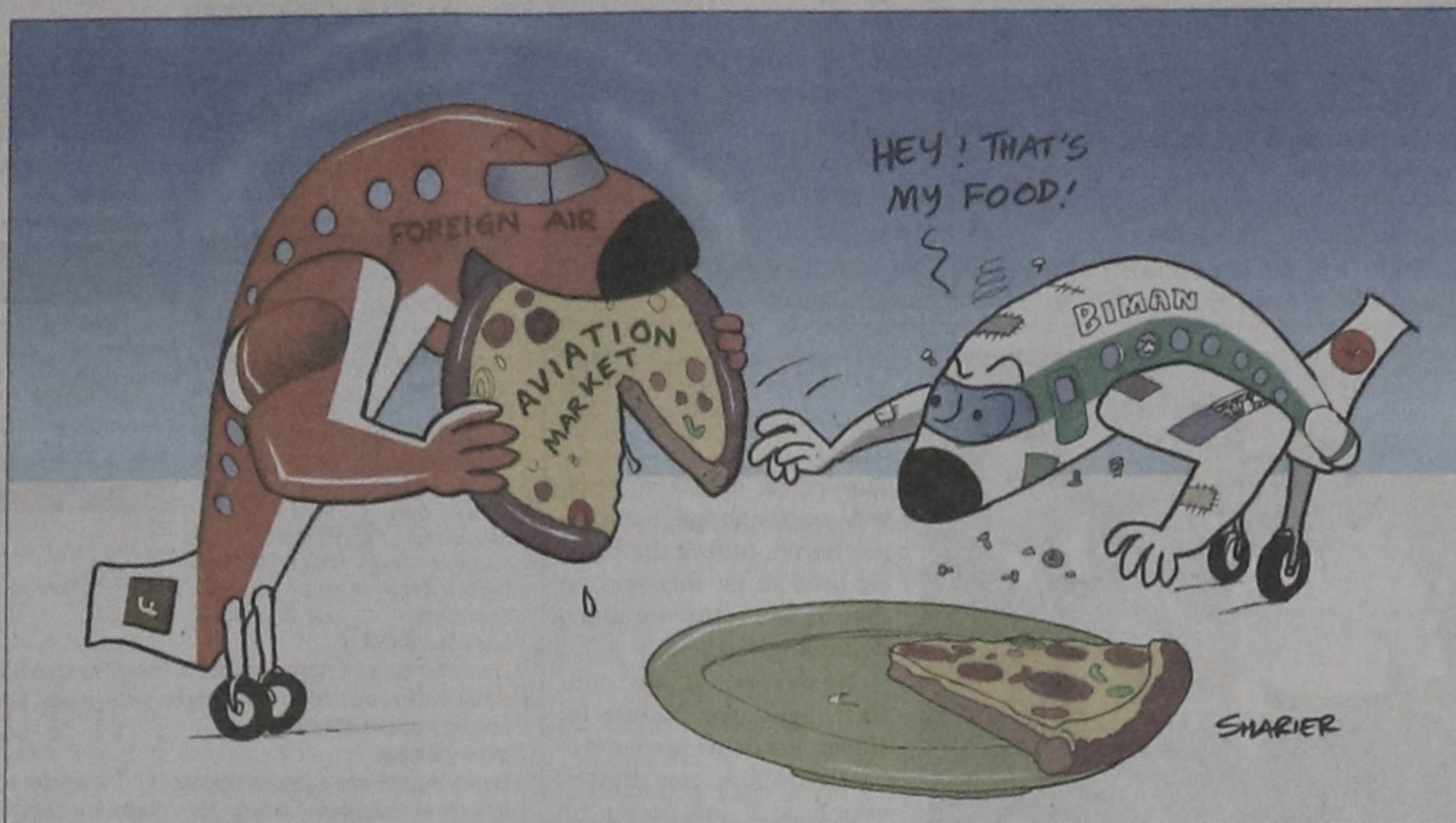
Foreign carriers largely account for market growth as new entrants debuted operations and existing carriers increased flight frequencies and enhanced products and services to catch up with an increased traffic flow in recent years.

"The reason behind the growth is that foreign carriers are able to present tailored services to the needs of their clients," said K Ashraf Kabir, country manager of UAE's national carrier Etihad Airways that began flights from Bangladesh in 2006.

"Along with enhancing our products, we offer connections to our guests' desired destinations through our own network or the international network," he said.

Onward connections, better services and diversified products have mainly helped foreign carriers secure much of the share in the Bangladesh aviation market.

Foreign carrier traffic surged 47 percent to 23.32 lakh passengers in 2008,



compared to 2005, out of Zia International Airport, according to Civil Aviation Authority, Bangladesh (CAB) data. By contrast, traffic to Biman grew 11 percent in the same period.

Total traffic from ZIA surged 43 percent to 37.48 lakh passengers in 2008, compared to 2005.

"It is true that the Bangladeshi aviation market has grown. But our capacity has not increased as much; rather it has declined over time. That's why we are losing our market share," Muhammad Zakiul Islam, managing director and chief executive of Biman.

Since 2005, the airline's fleet size

narrowed to below 10 aircraft from 14, which forced the national carrier to suspend flights on 10 routes and cut frequencies to several destinations. The carrier now flies to 16 destinations, down from 26 in 2005.

On the other hand, foreign airlines increased flight frequencies by offering increased onward destinations to Bangladeshi travellers. The latest offer was made by Kuwait Airways, which announced a plan to operate two flights a week from Chittagong.

Early this year, Emirates added three more flights a week to take the total weekly number to 17. The Dubai-based

carrier had earlier said it would operate 21 flights a week from Bangladesh in "near future".

New entrants have also made a mark in the Bangladesh skies. In the last three years, at least seven carriers began operations from Bangladesh, with three new names this year alone.

China Southern Airlines was the latest to begin flights from Bangladesh, followed by Kingfisher Airlines and budget carrier Air Asia X.

Biman officials said such an increase in frequencies and foreign carrier operations and subsequent cuts in Biman's operations led to the rise in foreign

carrier market share.

Government decisions on several past occasions to increase traffic rights of foreign carriers have also made contributions.

Officials said such decisions were not always taken by considering the basic traffic flow between the two countries, but by looking at the onward connections that the carriers have to offer.

Insiders said Biman is also hurt by technical glitches and irregular schedules because of an aging fleet -- the average age of the fleet is 25 years, with the youngest aircraft, A310-300, being 15 years old.

"Passengers have also lost confidence on us as we cannot always provide aircraft for scheduled flights," said the Biman CEO.

On how to regain a market share, Kazi Wahidul Alam, editor of an aviation and tourism fortnightly The Bangladesh Monitor, suggested: "Biman will have to bring in new aircraft to expand capacity."

To infuse dynamism into Biman, the government turned the carrier into a public limited company in July 2007. The carrier had later sealed a deal to acquire 10 aircraft from Boeing, which is expected to start delivery in 2011.

In the meantime, Biman planned to lease seven aircraft to operate flights on some suspended destinations, such as New York.

"We will be able to recover lost market share once we have aircraft," said the Biman chief.

But Alam said it is a must for Biman to restructure its management to compete with global carriers.

sohel@thedailystar.net

BB moves on merchant banking

Commercial banks directed to set up subsidiaries

REJAUL KARIM BYRON

Bangladesh Bank has directed commercial banks to form separate subsidiaries to operate any merchant banking.

The move is meant to uphold the interest of depositors, Bangladesh Bank said in a circular to commercial banks yesterday.

"The subsidiary companies to be formed under a bank for merchant banking must follow rules and regulations issued by the Securities and Exchange Commission," the central bank said.

"A bank will have to take permission from Bangladesh Bank to set up a subsidiary company for merchant banking," the circular added.

The subsidiary company will not

be allowed to purchase in its own portfolio or in customer accounts any share of a listed company where the directors of the subsidiary or its parent company or their family members are involved.

According to the circular, the banks -- already in merchant banking -- will have to turn their units into subsidiaries by January 2010.

Prime Bank, AB Bank, EXIM Bank, Trust Bank, Janata Bank, Southeast Bank and Standard Bank have merchant banking wings. Besides, Sonali Bank and Agrani Bank have merchant banking licences.

A subsidiary will have to attach its own financial report in the annual financial statement of its parent company.

If a subsidiary company seeks to purchase more than 15 percent

shares in any company with loans from its parent bank, it will have to take approval from Bangladesh Bank.

The Bangladesh Bank circular said many banks in merchant banking are violating rules under the Banking Companies Act.

The law says that no commercial bank can hold shares whose value exceeds 30 percent of its paid-up capital.

But some banks are not following this rule. Bangladesh Bank has advised the banks to properly follow the rule.

Some banks have been accused of getting involved in irregularities, which were later discovered by the central bank in its investigations.

A Bangladesh Bank official said the central bank had issued a policy guideline.

Tk 422cr suggested for Khulna Newsprint relaunch

QUAZI AMANULLAH, Khulna

An experts committee on Khulna Newsprint Mills (KNM) has pointed out that the mill needs at least Tk 422 crore in running capital to purchase machinery and other equipment for its reopening.

The lone state-run newsprint producing factory has remained closed for seven years.

The recommendations the committee put forward in its reports, submitted to the Bangladesh Chemical Industries Corporation (BCIC) last month, also included reforms and renovation of the mill.

This body, a nine-member one with BCIC's Technical and Engineering Director SM Hafizuddin and KNM Managing Director Khalilur Rahman as its head and member-secretary, made a survey of the mill's latest condition and ascertained what should be done to restore production.

It strongly opposed any divestment move and suggested ways and means to make the mill a profitable one.

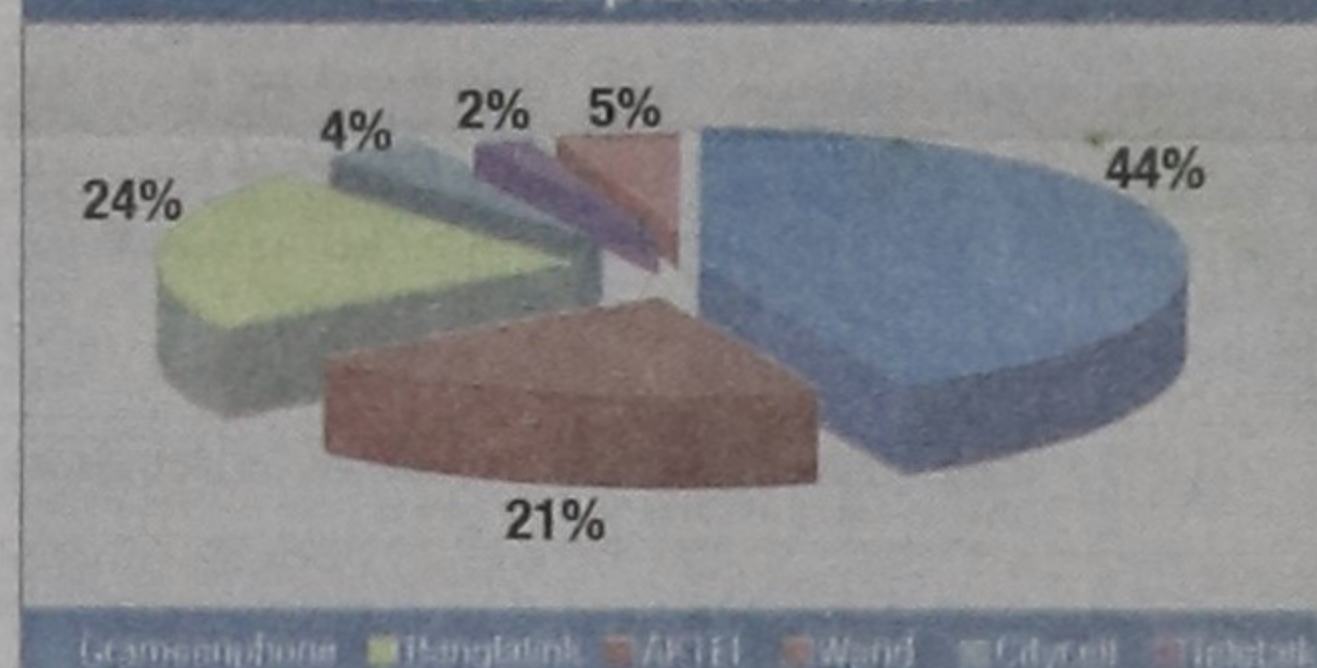
The government body, formed May 28 last, took five months to report its findings to the BCIC chairman.

"We have also discussed the sources of raw materials for the mill, proper marketing of its products at home and abroad and its cost effectiveness," the expert committee's member-secretary told The Daily Star.

Khalilur Rahman said the committee also recommended a Tk 500 crore debt write-off for the mill.

The government should go tough on any influence on the mill management by its CBA leaders, the experts further recommended.

MARKET SHARES OF MOBILE OPERATORS As of September 2009



Mobile users cross 50m

MD HASAN

More than a third of the country's 150 million population are now under mobile phone coverage, as six cellphone operators' total customers crossed the 50-million milestone in September to reach 50.4 million.

Bangladesh Telecommunication Regulatory Commission (BTRC) released the statistics yesterday.

Experts termed the achievement as a 'technology revolution' in the country with a saturated mobile market.

Voice communication through mobile telephony started with CDMA (code division multiple access) technology introduced by Pacific Bangladesh Telecom Ltd -- the owning company of Citycell -- in 1993.

The expensive communication device started to become handy gradually after the introduction of GSM (Global System for Mobile Communications) technology by Grameenphone and AKTEL in 1997.

Banglalink and state-run TeleTalk launched their services in 2005 and Warid came as the latest entrant in 2007.

BTRC data shows that customer growth jumped by 44 percent to 45.09 million in September 2008 from 31.42 million in the same month of 2007.

However the growth in September 2009 was 11 percent, as only 5.3 million customers were added to the network during the month against 13.67 million in the same month a year ago.

Oddvar Hesjedal, chief executive officer of Grameenphone, said the 50-million mark is obviously a major milestone for any country.

"Mobile communication will be a major driver for the Digital Bangladesh. The first 50 million has taken 15 years to reach; I feel that in the right business environment, the next 50 million subscribers will happen much faster," he said.

However a real hurdle for such development is the SIM tax, which makes new connections more expensive, he said.

"Mobile technology has brought a revolution here," said Zakiul Islam, president of Association of Mobile Telecommunications Operators of Bangladesh.

"If some tax structure eases, the market will grow further," he said.

hasan@thedailystar.net

STAR BUSINESS REPORT

The single-day turnover on the premier bourse crossed Tk 1,200 crore level yesterday, setting a new milestone in Bangladesh capital market history.

Benchmark index of the Dhaka Stock Exchange also hit a new high at 3,296.03 points. The previous high was 3,280 points on Tuesday.

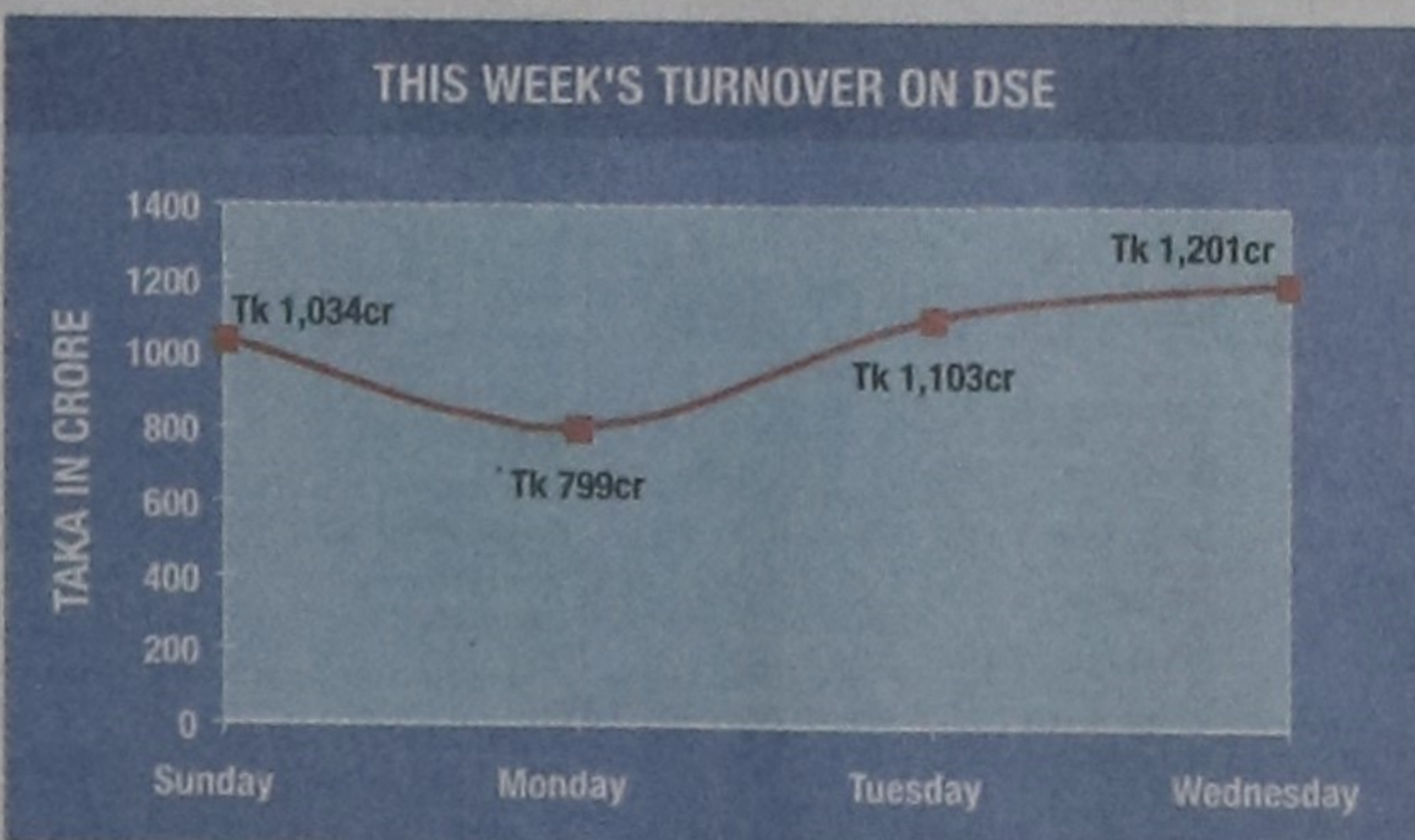
Experts say the liquidity glut caused by increasing investor participation pulled up the turnover, which touched Tk 1,149.71 crore on July 2 this year, the previous highest.

"Huge number of new investors, including individuals and institutions are entering into the market that resulted in a liquidity glut in the market," Sheikh Mortuza Ahmed, head of merchant banking division at Prime Bank.

He said some scrips are getting overvalued with injection of new funds, and the market will see a correction in share prices in the coming days.

The market regulator, Securities and Exchange Commission, said the current market trends are under its close lens.

"The new investors should follow the fundamental base investment. They should avoid any rumour-based investment," said Anwarul Kabir Bhuiyan, executive director of



SEC.

The broader DSE All Share Price Index rose by 12.26 points, or 0.44 percent to 2762.53.

Losers however beat advancers 119 to 117 with five securities remained unchanged. A total of 7,18,60,022 shares and mutual fund units worth Tk 1,201.05 crore were traded on the prime bourse.

Bextex topped the turnover leaders, with 1,07,84,000 shares worth Tk 82.07 crore being traded on the prime bourse.

BD Welding was the largest gainer that increased 14.75 percent, while BLTC was the top loser that declined 7.85 percent.

Chittagong stocks however closed almost flat yesterday. The CSE

Selective Categories Index rose 2.79 points, or 0.03 percent to 7,156.49. The CSE All Share Price Index increased 10.72 points, or 0.09 percent to 11,391.91.

A total of 98,29,459 shares worth Tk 116.03 crore changed hands on the Chittagong Stock Exchange. Of the traded securities, 81 advanced, 85 declined and seven remained unchanged.

Bextex topped the turnover leaders on the port city bourse with 18,92,800 shares worth Tk 14.31 crore being traded.

BD Welding, which advanced 17.49 percent, was the largest gainer on the CSE. Saiham Textile Mills, which declined 10.73 percent, was the biggest loser.

Mutual Trust Bank Ltd.
you can bank on us

you can bank on us
to grow your SME

Contact: 880 (2) 956 6181
smee@mutualtrustbank.com
www.mutualtrustbank.com