

Stocks	
DGEN	0.99% 4,339.68
CSCX	1.28% 8,138.25

Asian Markets	
MUMBAI	0.69% 16,983.14
TOKYO	1.45% 10,167.60
SINGAPORE	0.21% 2,796.98
SHANGHAI	0.45% 3,331.90

Currencies	
Buy Tk	Sell Tk
USD	69.10 69.12
EUR	113.68 113.74
GBP	113.68 113.74
JPY	0.76 0.76

SOURCE: BANGLADESH BANK

Commodities	
 Gold	\$1,147.80 (per ounce)
 Oil	\$75.00 (per barrel)

SOURCE: AFP (Midday Trade)

\$22m ADB fund for tourism, bridge design

STAR BUSINESS DESK

The Asian Development Bank (ADB) and Bangladesh yesterday signed two agreements for \$22 million in soft loans to help promote tourism and complete the Padma Bridge design, the lending agency said in a statement.

M Musharraf Hossain Bhuiyan, secretary of the Economic Relations Division (ERD), and Paul J Heytens, country director of ADB's Bangladesh Resident Mission, signed the deals at a ceremony in Dhaka.

Around \$12 million in loans for tourism development in Bangladesh will come from the South Asia Tourism Infrastructure Development Project.

The supplementary assistance of \$10 million for the Padma Bridge design will help complete the design work of the vital infrastructure, ADB said.

Online shop launched



STAR BUSINESS REPORT

A new e-commerce site -- BoroMela.com -- was launched yesterday for internet-based shoppers.

The site also plans to offer services to small and medium enterprises.

The online market will initially settle the buyer-seller transactions through banks and courier companies. Later, customers will be able to shop through online payment system when the national e-commerce settlement gateway will be set up.

More than 3,000 items of 50 sellers are available at the site now. The items include books, cars and motor parts, computers and accessories, and real estate.

ClickBD.com and chorka.com are two other e-commerce sites in Bangladesh.

Shamsuddin Ahmed, chairman, and Majbah Ahmed, chief executive officer of the company, were present at the launch.



A farmer picks up a cotton boll from his field in Jhenidah. Farmers are looking forward to growing cotton through hybrid seeds that promise higher yields and better earnings than traditional high-yielding varieties.

Cotton joins hybrid race

Supreme Seed, Lal Teer market two varieties: HSC-4 and DM-1

SOHEL PARVEZ

Textile industry is poised for a stronger backward linkage as farmers have started growing cotton through hybrid seeds that promise higher yield and better earnings than those from traditional high-yielding variety (HYV) seeds, stakeholders said yesterday.

"The hybrid variety performs well. I am hopeful about better crop," Md Golam Sorowar, a cotton grower at Daulatpur of Kushtia district, told The Daily Star by phone.

Sorowar, who has planted hybrid seeds on one acre of land, expects around 15 maunds of cotton per bigha (33 decimal).

"By using traditional HYV such as CB-9, I had earlier received as much as 11 maunds per bigha," he said. "Hybrid variety offers better yields and prices."

This is the first time that Bangladeshi farmers have started growing hybrid cotton after two local businesses -- Supreme Seed Company and Lal Teer Seed -- began to market Chinese variety hybrid seeds.

The seeds covered around 289 hectares of land this year, according to Cotton Development Board (CDB).

The companies aim to boost the farmers' interests to grow more cotton and help meet a portion of demand from local spinning mills, which import more than 95 percent of their required raw cotton estimated at around 40 lakh bales.

The hybrid seeds came at a time when cotton production was suffering a gradual decline because of the farmers' lacklustre performance.

Analysts said lower income from the existing HYV discourages the farmers to grow cotton as they have other options for better gains -- maize, vegetables, banana and flower.

The stakeholders now expect a boost in the farmers' confidence with the advent of the hybrid seeds.

Officials of the seed companies and CDB said two hybrid seed varieties -- HSC-4 and DM-1 -- would provide around three tonnes of cotton in each hectare (1 hectare=2.47 acres) compared with two tonnes from traditional CB-9.

"Many of my neighbours are now talking about growing hybrid cotton," Sorowar said.

"I increased cultivation area this year because it offers more profit," he said.

The one problem with the hybrid seed, as Sorowar said, is its high price.

The price of a kilogramme of HSC-4 seed of Supreme Seed Company is Tk 2,000, while DM-1 of Lal Teer costs Tk 1,700.

"It also needs more fertiliser," said another cotton grower, Abdul Quddus of Chuadanga.

"Despite the additional costs, I hope to earn more," Quddus said.

M Farid Uddin, deputy director of CDB, said hybrid seed would help double production.

Cotton production stood at 50,175 bales in around 32,600 hectares of land in fiscal year

2008-09. The production target has been set at 60,000 bales for the current year, according to the CDB.

"The farmers seem to get interested in cultivating cotton. It will help increase production and reduce import dependency," Farid Uddin said, adding that cotton could be planted on around one lakh hectares of land.

Mohammed Masum, chairman of Supreme Seed, said increased earnings would restore farmers' confidence.

"We believe there is a huge business prospect as local textile industry depends on imported cotton."

Abdul Hai Sarker, president of Bangladesh Textile Mills Association, said increased cotton cultivation would benefit the local textile industry.

Mustafizur Rahman, executive director of Centre for Policy Dialogue, expressed hope that better production would enhance backward linkage capacity of the overall apparel industry.

Citing a discussion at the WTO about withdrawal of cotton subsidy by the US, he said if the US reduces subsidy, price on the international market might go up.

"So, if Bangladesh can grow quality cotton and offer competitive price, it will increase capacity of export-oriented apparel sector and benefit the farmers."

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Ban lingers on shrimp exports

KAWSAR KHAN

The six-month ban on the exports of sweet water shrimp to the European Union was extended, as it sought more time to assess Bangladesh's preparations in combating toxic contamination.

The ban, voluntarily imposed by Bangladesh government and exporters in June, was to expire in December. The embargo followed detection of 50 shrimp consignments as contaminated with nitrofurans, a hazardous antibiotic.

Later, the government marked December 7 to begin exports again. But that was not possible as the EU authorities sought information relating to Bangladesh's preparation over the last six month to prevent such contamination before resuming exports, said Rafiqul Islam, director general of the Department of Fisheries (DoF).

Islam said he was confident the EU authorities will give a green light soon in this regard, as Bangladesh worked vigorously to prevent such contamination, but he could not give any specific dateline.

Preparations included awareness campaigns, identifying the source of nitrofurans, strengthening lab facilities to detect any contamination and conducting research, the government and the sector people said.

"After government's approval, we were all set to begin exports. We began to buy shrimps, but the EU decision on December 3 created problems for us," said Ashok Mukharjee, director of Achia Sea Foods Ltd.

He said now exporters have to preserve their items, which will ultimately raise their bank interest burdens and leave capital unused.

Shrimp is the second largest forex earner, while sweet water shrimps account for around 30 percent of the total shipment, say sector people. Sixty percent of all sweet water shrimp exports are destined to the EU.

Frozen foods export, mainly shrimps, fetched \$454.53 million in fiscal year 2008-09, witnessing a 14.9 percent decline compared to the amount a year earlier because of low shrimp demand globally, impacted by financial meltdown.

However, shrimp cultivators were not affected much by the last six-month export ban as peak season for exports begin in November. But they will be affected if exports are not allowed immediately as the season has already begun, according to people close to the sector.

Due to the export ban, price of sweet water shrimp has also halved to around Tk 300 in the domestic market.

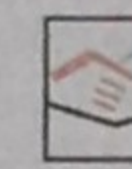
On the recent presence of nitrofurans in shrimps, sector people said out of the 50 consignments found to be contaminated, roughly 47 consignments were tested in a lab in Brussels that used different testing criterion from the EU.

"We informed the EU authorities on the testing standards. They understood our point," said Mahmudul Haque, chairman of Bangladesh Shrimp and Food Foundation, a non-government organisation.

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IPO restrictions may hinder market growth: Analysts

Four companies face uncertainty over listing plans

SARWAR A CHOWDHURY

A hard time for stock market is ahead, as the government has clamped restrictions on initial public offerings by the new companies intending to raise capital from public, market experts say.

When demand for new issues is increasing day by day in line with the growing pace, the restriction has also pushed at least four companies into uncertainty.

Although the four companies -- RAK Ceramics, Beacon Pharmaceuticals, LSI Industries and IIDFC -- have been awaiting a nod from the regulator for months after submitted their IPO prospectuses, the Securities and Exchange Commission is stuck in indecision.

The finance ministry at a meeting on November 5 decided that from now on a company will have to go for IPO with minimum shares equivalent to 40 percent of its paid up capital. The SEC has also been directed to go by the new decision.

The amounts of share offloading by the four companies are far below the government's new imposition on capital rise from the stock market.

RAK Ceramics IPO size is Tk 30 crore, which is more than 16 percent compared to its existing paid up capital of Tk 185 crore, while Beacon Pharmaceuticals' Tk 30 crore is

around 16 percent of its Tk 190 crore paid up capital.

LSI Industries IPO is offering Tk 20 crore worth shares each at Tk 80 including premium of Tk 70 per share. After issuance of new shares Tk 2.5 crore will be added with the existing Tk 22.6 crore paid up capital, which is around 11 percent of the paid up capital.

As of June 2009, IIDFC's paid up capital is Tk 14.72 crore, and with the IPO floatation another Tk 5 crore will be added to the existing paid up capital. The company is offering Tk 7.5 crore worth shares including premium of Tk 5 crore.

Asked about the IPO approvals, Mansur Alam, acting chairman of SEC, told The Daily Star that the commission would reach a decision on the scrutiny of all legal aspects.

Market analysts think government's fixing the amount of capital rise by any company may discourage going public. These companies will have, then, no other options than bank finance, they say.

Pointing to the fact that a company may not necessarily go for raising capital equivalent to 40 percent of its paid up capital, the analysts say any company may need to raise small size funds.

When his attention was drawn to the new restriction, former finance adviser Mirza Azizul Islam said it's

not a market-friendly directive.

"Many companies, especially the big ones with large paid up capital, would not come up with share offloading," he said.

Besides, he said, the market might not absorb IPO of large capital base companies like Grameenphone. "Grameenphone offered only five percent of its paid up capital through IPO and the IPO was oversubscribed by 3.5 times. If it offered 40 percent of its paid up capital, the IPO could be under-subscribed," he explained.

"It's their wrong perception those who said the new decision will protect price fluctuation of small size IPO. Price fluctuation depends on investors' view of perspective," said Islam, who also served as SEC chairman for three years.


The finance ministry at the meeting on November 5 also directed the SEC to introduce book-building method, a modern pricing system for IPO.

But the directive on book-building contradicts the earlier ones, which stated that no companies can come up with IPO less than 40 percent of its paid up capital.

According to book-building rules, a company can go for IPO with shares equivalent to 10 percent of its paid up capital, or Tk 30 crore, whichever is higher.

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