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Asian Markets

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17,422.51

TOKYO ▲ 0.75%
10,879.14

SINGAPORE ▼ 0.60%
2,916.11

SHANGHAI ▲ 1.91%
3,273.97

Currencies

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USD 68.65 69.65

EUR 98.25 102.50

GBP 109.03 113.43

JPY 0.72 0.77

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲ \$1,154.05 (per ounce)

Oil ▼ \$81.80 (per barrel) (Midday Trade)

SOURCE: AFP

SEC pores over 'flawed indexing' info

SARWAR A CHOWDHURY

Two bourses followed apparently flawed computations for Grameenphone shares in November, despite clear instructions from the market regulator to follow a standard indexing method.

The bourses were meant to follow the instructions from September last year.

The Securities and Exchange Commission (SEC) is yet to describe the bourses' calculations as a violation of law, but has said computations were far from "reliable and verifiable".

"We are evaluating all the information collected. If the commission finds any violation or flaw in the method of their calculation, the commission will take necessary action," said Farhad Ahmed, executive director of SEC, in a press briefing yesterday.

The Dhaka Stock Exchange follows IASCO-recommended guidelines in index counting, while the Chittagong Stock Exchange follows the Laspeyres index calculation method.

The SEC at a meeting on May 28, 2009 directed the two stock exchanges to strictly follow index calculations as prescribed by their respective systems.

IASCO guidelines say the calculation must be 'reliable and verifiable', and the Laspeyres method emphasises that index counting will be based on weighted average prices of a base period.

The search for information by the market watchdog comes, as it suspects that DSE followed different methods in different times.

Farhad Ahmed of SEC said the media reported that the exchanges had violated IASCO guidelines in index calculation and the market is based on flawed indexation.

"It is not appropriate, as the IASCO guideline does not say the index calculation should be from the second day of a company's share trading or that it should not be based on the first day's transaction," he said.

"The IASCO guideline says the calculations must

be reliable and verifiable, which means the index can be counted from any day of a company's trading debut."

But both DSE's and CSE's calculation while incorporating Grameenphone shares showed unusual reflections in the key indices, which means the index calculation was not reliable and verifiable, he said.

The flawed counting also resulted in confusion among market experts, analysts, investors and stakeholders.

On November 16, 2009, the trading debut day of Grameenphone, the benchmark index of DSE skyrocketed by more than 764 points, as DSE counted the index from the first day, based on the face value of each Grameenphone share at Tk 10.

On the other hand, CSE calculated the index on a five-day weighted average price of Grameenphone shares, which also did not give an accurate picture in the index.

About the meeting in May, Satipati Moitra, chief

executive officer of DSE, said: "I can hardly remember anything about the meeting. I will not say anything on the issue. Moitra was present at the meeting as the then chief financial officer."

CSE authorities say they calculated the index based on the Laspeyres method, the one they usually follow.

However, the distortion was acute in the case of Grameenphone, because of its size. Even though the same methods were followed in the previous cases, the distortions were not reflected because of the small capital sizes.

SEC now ordered the two exchanges to start counting the index from the second day of a company's trade, based on the first day's closing price.

"As it had seen a huge gap, in most cases, between the first day's trading price and the IPO price, the commission suggests counting the index from the second day," Farhad Ahmed explained.

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Dhaka yet to utilise zero tariff benefit from rich world

REFAYET ULLAH MIRDHA

The country has so far hardly made use of the zero tariff benefit offered by different advanced countries, as exports to the rich world show no signs of a rise.

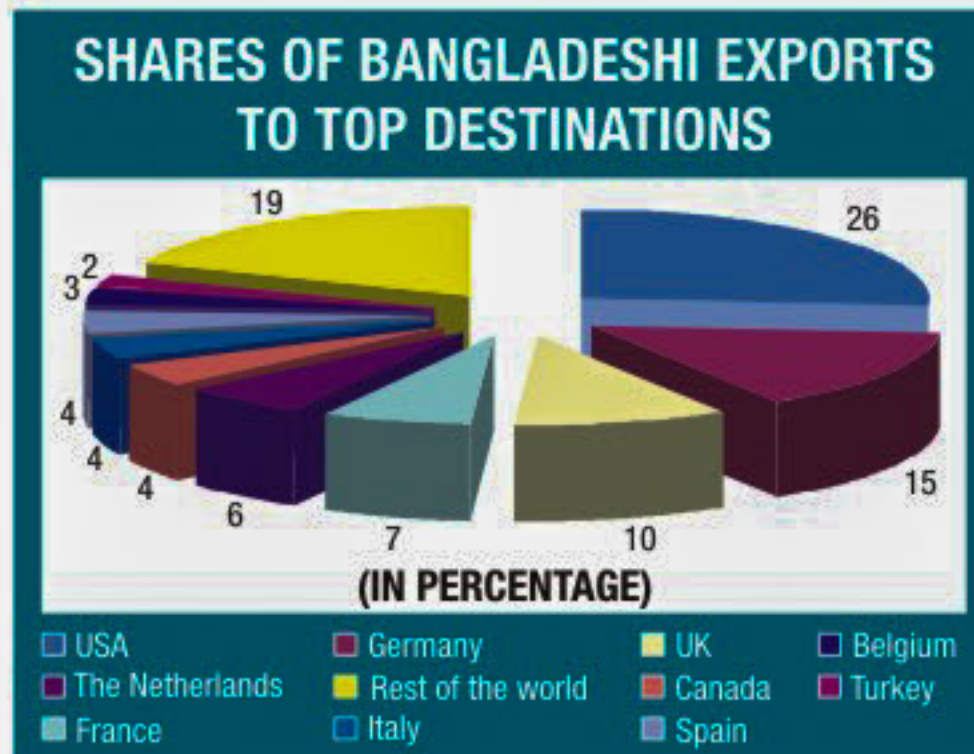
Being an LDC (least developed country), Bangladesh now enjoys either duty-free facility for everything but arms (EBA) or duty-preference for some selected products or duty concession for exports of products to 32 countries.

Businesspeople have identified some factors that contributed to such unutilisation of duty-free access, which include weak trade negotiation capacity, low industrial output, lack of proper knowledge of markets and consumer patterns, non-diversification of products, absence of any study or home-work by private and public sectors, various non-tariff barriers and sloth in performances in Bangladesh missions abroad.

Bangladesh exported 171 items to 189 countries in fiscal year 2008-09 and earned \$15.57 billion, a very small pie of the total merchandise imports by developed countries.

The 2008 trade data shows \$15,775 billion world merchandise exports, of which 49 LDCs account for only \$176 billion, 1.1 percent of the total trade volume.

The major export destinations under such duty facility include Austria, Canada, European Union, Finland, Japan, New Zealand, Norway, Sweden, Switzerland, USA, Bulgaria,



Czechoslovakia, Hungary, Poland, Russia, Australia, India, Thailand, Estonia and Belarus.

In the last fiscal, top 10-export destinations for Bangladesh were USA (26 percent), Germany (15 percent), UK (10 percent), France (7.0 percent), The Netherlands (6.0 percent), Canada, Italy and Spain (each 4.0 percent), Belgium (3.0 percent), Turkey (2.0 percent), and the rest of the world (19 percent), according to the Export Promotion Bureau data.

Of the exportable items, only six such as woven garment, knitwear, frozen foods, jute goods, leather and chemical products accounted for about 87 percent of the total exports.

The contribution of the rest of 165 items was only 13 percent to the export volume clearly indicates a lack in diversification of exportable products and the over-dependence on apparels.

Talking to The Daily Star Anisul Huq, president of the Federation of Bangladesh Chambers of Commerce and Industry, pointed his finger at the lack in proper marketing capacity of many businessmen who export to the rich world.

Bangladesh lags behind some countries that have already gained foothold on those markets. These countries include China, India and Vietnam.

"However, a ray of hope is there. We've found some new export destinations like Japan, Australia, New Zealand and Canada," Huq said.

K M Rezaul Hasanat, chairman and managing director of Viyellatex Group, said market access depends on many things.

"In the competitive age, we're strongly in need of brand of products and negotiation skills to earn the market pie. Duty facility is not the main driving force for market access," he said.

When asked, Commerce Minister Faruk Khan said exporters have limitations in marketing capacity and knowledge about export destinations. This is why they could hardly exploit potentiality of the duty-free facility in overseas markets, he added.

"It is true that the commercial wings in Bangladesh embassies have weaknesses. We are imparting training to both businessmen and officials of such wings so that the country can easily widen its export markets," Khan said, adding that raising the number of commercial wings to 30 from the existing 19 is now under a government plan.

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Investment to be raised to 30pc of GDP: Minister

STAR BUSINESS REPORT

The government has planned to raise investment rate to 30.32 percent of the gross domestic product to take GDP growth to 8 percent by 2013, Finance Minister AMA Muhith told parliament yesterday.

The current national budget targeted a 6 percent GDP growth for fiscal year 2009-10, which was 5.9 percent last fiscal (2008-09).

Developing infrastructure, ensuring supply of power and gas and full implementation of annual development programme (ADP) are some government plans to achieve this fiscal's targeted rise in GDP, the minister informed the House in a question-answer session.

Besides, PPP (public-private partnership) initiatives will be given a boost to up private investment and agriculture inputs and product fair price for farmers ensured.

Muhith also said in line with Vision 2021, the electoral manifesto of the present government, an 11-yearly (from 2010 to 2021) programme is now under preparation, which will be placed in parliament in June specifying the possible expenditure for execution of those.

As part of implementing the vision, the poverty reduction strategy paper (PRSP) was formulated and the five-year plan (2010-2015) is being prepared, he said.

On agriculture sector, the finance minister said farmers will be given soft loans under revolving crop credit programme.

While detailing the uplift budget implementation by different ministries, Muhith said Tk 6,900.62 crore was spent for development projects up to November 2009 against the Tk 30,153 crore earning in revenue.

Pointing to around 28 percent execution of the Tk 30,153 crore ADP, the minister said, "This is the highest-ever progress in a span of five months."

During the same period of the last financial year, 22 percent of the Tk 26,000 crore ADP could be implemented.

Responding to a query on prevention of money laundering, the minister spelt out various measures to prevent such malpractice.

These measures include, he said, establishment of a financial intelligent unit at the country's central bank, Bangladesh Bank.

The minister further informed his fellow lawmakers that Dhaka meeting of the Asia-Pacific Group of Money Laundering or APG would take place in October next.

On foreign loans and grants, he said in the first six months (July-December) of the current fiscal year, development partners provided \$1,166.70 million loans and \$372.13 million grants. "A total of \$ 6,000 million is in the pipeline as said."

Replying to another query, the finance minister said the businesspeople who were affected during the caretaker government's rule will be allowed rescheduling of their bank loans without giving down payment.

Govt to let more companies into long-distance call services

STAR BUSINESS REPORT

The government has moved to amend a long-distance telecom policy to award licences to more private companies to operate the services of international gateway (IGW), interconnection exchange (ICX) and international internet gateway (IIG).

Post and Telecommunication Minister Rajiuddin Ahmed Raju said this while responding to lawmakers' queries in parliament yesterday.

The International Long Distance Telecommunications Services Policy designed by the past caretaker government allowed only three private companies to operate IGW, two for ICX and IIG each.

"Once the policy is amended, it will break the domination of a few companies and will increase competition in the sector," the minister said.

The proposals to amend the policy will be placed before the cabinet this week, Raju said.

If the cabinet approves the changes, new companies will get licences to operate the services from February.

Replying to a query, the minister said the government had earned Tk 5,692.5 crore in revenue from six mobile phone operators last fiscal year.

Raju said the six operators have a total of 5.05 crore subscribers while state-run landline operator Bangladesh Telecommunications Company Ltd has roped in 9.52 lakh subscribers until November 2009.

Efforts are underway to modernise the post offices countrywide to provide improved and fast services to people, he said.



A client takes treatment from Kaya Skin Clinic, a premium skin care salon from Marico Bangladesh Ltd, in Gulshan, Dhaka. The clinic is set to formally start operations on January 18.

Marico to launch Kaya in Dhaka

SAYEDA AKTER

Marico Bangladesh Ltd (MBL) is set to expand its horizon by opening its premium skin care salon, Kaya Skin Clinic, which is set to start commercial operations on January 18.

The decision comes at a time when Parachute, the flagship brand of Marico that is worth \$477 million (Tk 3,339 crore), dominates over Tk 300 crore coconut oil market in Bangladesh and has been registering double-digit growth for the last couple of years.

Marico also launched its initial public offering (IPO) in 2009, to raise more than Tk 13.42 crore from Bangladesh capital market.

Each Marico share was traded between Tk 498.20 and Tk 524.90

yesterday on the Dhaka Stock Exchange (DSE), according to DSE data.

The company, which began operations in Bangladesh in 2002, markets well-known brands, such as Parachute, Aromatic, Camelia, Hair Code and Beliphool.

According to the MBL website, it holds a leading position in the fast moving consumer goods (FMCG) market in Bangladesh. Products of the company, including coconut oil, hair care and skin care products, reach more than 4.5 lakh outlets in Bangladesh.

"We are here to cater to the needs of the

beauty-conscious local population, since we have seen that the market for skin care services in Bangladesh widened a lot in the last

few years," said Soumendra Sankar Das, head of marketing of Marico Bangladesh Ltd.

"What is unique about Kaya is that we provide services by creating awareness about the need for dermatological tests, prior to providing any service," he said. "Since Kaya has gained expertise in understanding South Asian skin type in the last seven years, it will help us succeed here."

Kaya's first outlet is in Gulshan, and the company plans to set up five more salons across the country in the next three years, Das said.

The salon offers services for both men and women in three segments -- enhancement, problem solution and age control, while the Food and Drug Administration of US approves all services, said the mar-

keting boss.

Kaya, which started operations in September 2003 in Mumbai, now has 101 salons, including 83 in India and 17 in the Middle East.

The market for beauty care services in Bangladesh started growing mainly in the last decade, which is now a more than Tk 100 crore industry.

The reason behind the sector's growth was increased beauty consciousness among women and a desire to take care of one's appearance, especially among the urban middle class.

At present, there are a few thousand beauty salons across the country, providing employment for an estimated 1,00,000 people, of which 99 percent are women.

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