Star Business

Dhaka Thursday March 11, 2010

Stocks

DGEN	▲	2.20% 5,519.67
CSCX	▲	2.17% 10,500.78

Asian Markets

MUMBAI	▲	0.29% 17,052.54
TOKYO	▼	0.04% 10,563.92
SINGAPORE	▲	0.80% 2,862.29
SHANGHAI	▼	0.66% 3,048.93

Currencies

	Buy Tk	Sell Tk
USD	69.25	69.27
EUR	94.18	94.22
GBP	103.81	103.88
JPY	0.76	0.76

SOURCE: BANGLADESH BANK

Commodities

Gold ▲ $1,125.00 (per ounce)

Oil ▼ $81.37 (per barrel)

SOURCE: AFP (Midday Trade)

News in Brief

BB moves on Basel II requirements

STAR BUSINESS REPORT

The central bank has directed all scheduled banks to implement capital adequacy ratio (CAR) and minimum capital requirement (MCR) in three phases that started from the first of January this year.

The directive came in line with Basel II requirements.

Bangladesh entered the Basel II regime, the latest version of risk-based capital standards set for banks worldwide, on January 1 this year.

The scheduled banks will maintain CAR not less than eight percent between January 01, 2010 and June 30, said a Bangladesh Bank circular issued yesterday.

The CAR will have to increase at least to nine percent between July 2010 and June 2011 and 10 percent in July 2011 to onwards.

The MCR must be eight percent of a bank's risk weighted asset by June 30, 2010, nine percent by June 2011 and 10 percent from July 2011 to onwards.

The circular also said the amount of MCR may be fixed by the Bangladesh Bank from time to time.

BA, American, Iberia to cede airport slots

AP, *Brussels*

British Airways, American Airlines and Iberia have offered to give away takeoff and landing slots at London and New York airports to soothe European Union antitrust worries, EU regulators said Wednesday.

The European Commission said it would ask other airlines whether freeing up slots at London Heathrow, London Gatwick and New York's John F Kennedy airports would be enough to create more competition and entice rivals to start new routes from those airports to New York, Boston, Dallas and Miami.

If rivals are supportive, regulators said they would move to make the three airlines' offer legally binding and drop an antitrust case that could have racked up millions of euros (dollars) in fines.

Banglalink issues more bonds on high demand

SOHEL PARVEZ *and* MD HASAN

Banglalink has sealed deals with subscribers to borrow Tk 707 crore through bonds to expand its network in the near-untapped rural telecom market.

The figure is an increase from its initial bid for Tk 425 crore.

Banglalink, the subsidiary of Egypt-based Orascom Telecom Holdings (OTH) in Bangladesh, revised the figure up, inspired by over-subscription of its bond offer by private placement.

A bond is a debt instrument. A stock investor takes ownership in the company in which he is investing, but a bond does not represent ownership.

Banglalink received subscriptions worth Tk 900 crore from investors. Some 26 institutional investors, such as banks and non-bank financial institutions, insurance companies, corporate houses and mutual funds, subscribed to the Banglalink bonds. Participants termed the offering the largest bond offer in the telecom sector from the domestic market.

Banglalink is offering 13.5 percent interest a year for its five-year senior secured bond of Tk 1 crore each, which is proposed to be redeemed by 2014. The existing average interest rate in Bangladesh is Tk 13 a year.

The Securities and Exchange Commission (SEC) approved Banglalink's upward revision of the debt amount after the mobile operator said its offer was oversubscribed.

"We received an overwhelming response to our bond offering from local investors. Investors have shown solid confidence in Banglalink. Their initial submission was for Tk 9 billion (Tk 900 crore) against our offer of Tk 4.25 billion (Tk 425 crore)," Ahmed Abou Doma, chief executive officer and managing director of Banglalink, told The Daily Star yesterday.

"Banglalink decided to upsize the bond amount to focus on the financial plan of the company. The additional money will offset other sources of foreign lending as planned earlier, which complies with the requirements of BoI, to concentrate on local funding rather than foreign."

The amount will mainly be spent on network expansion to the deep rural areas and improve service quality.

Citibank NA is acting as the lead arranger and placement agent for the bond offer.

"We consider that subscribing to the Banglalink bond will be financially viable. Its huge demand in the private sector has given us confidence that we will be able to dispose of the bonds easily in times of our need," said Yawer Sayeed, chief executive of AIMS of Bangladesh, an asset management firm.

In the first nine months of 2009, the operator registered 25 percent growth in revenue to over $259 million (Tk 1,796.186 crore) from a year ago. In the same period, Banglalink achieved EBITDA (earnings before interest, taxes, depreciation and amortisation) of $95 million (Tk 658 crore) because of a decrease in customer acquisition and interconnection cost, coupled with an increase in revenue, according to the company.

The cell phone operator invested a total of Tk 7,974 crore until the end of 2009 in Bangladesh.

The EBITDA margin for the third quarter of 2009 remained steady at 40 percent, allowing for an increase in margin for the nine months of 2009 to 37 percent from a negative margin of 4 percent in the same period of 2008.

Aggressive marketing made Banglalink the market's second largest operator at the end of 2007, after overtaking Aktel in terms of subscriber acquisition. As of September 2009, Banglalink had a 24.2 percent share in the six-operator mobile market.

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KEY FACTS

- Banglalink seals deals with local investors to borrow Tk 707 crore through bonds
- Earlier, the company had planned to raise Tk 425 crore through bonds
- 26 institutional investors agree to buy bonds
- The interest rate is 13.5 percent a year
- The tenure of Tk 1 crore-valued bond is five years
- The money will be used for network expansion in rural areas
- The company's total investment stands at Tk 7,974 crore in 2009

HASIBUR RAHMAN BILU

Potato sacks pile up in front of a cold store in Bogra Sadar Upazila. This year's potato output may reach 100 lakh tonnes, while the capacity of all the cold stores in the country is no more than 24 lakh tonnes. A hike in rents by cold storage owners has also worsened the growers' plight.

Potato growers in the blues

JASIM UDDIN KHAN

Potato growers are in a glum mood despite a probable bumper production, as their produces are being sold at prices below production costs and cold storage is inadequate.

A hike in the preservation charges by cold storage owners has made the situation worse.

Farmers predict this year's output will reach 100 lakh tonnes, while the capacity of all cold stores is no more than 24 lakh tonnes.

Officials in the Department of Agricultural Extension (DAE) said smooth distribution of fertilisers and seeds, policy support and favourable weather conditions have contributed to a good yield this time.

In addition, last year's high price of this perishable item has lured farmers to extend potato acreage.

To cut transport and preservation costs, farmers are being compelled to sell potatoes from their farmlands at throwaway prices, as they have to pay back loans, according to the DAE officials.

Our Munshiganj correspondent says potato is selling at Tk 9.50-Tk 11 a kilogram at field level against an average production cost of Tk 17.

At wholesale level, a 40-kilogram sack of potato sells at Tk 300-Tk 400, while its production cost is between Tk 400 and Tk 500, said Alek Chan, a farmer in Munshiganj.

"We're forced to sell potato from our fields at low prices as it saves our transport costs. Had we preserved the crop in our makeshift stores near our homes, it would also have added to our costs."

Even though they wish to preserve potatoes for better prices in the coming months, they have to sell a large portion of their produces to pay back the money they borrowed, Alek Chan added.

The district DAE has presumed 11 lakh tonnes output against the target of 5 tonnes of potato.

A Rangpur despatch also points to the sales of the item at a rate much below its cost for production because growers there have braced for a large volume of output.

The selling price ranges between Tk 550 and Tk 600 for each 84-kilogram sack, while production has cost not less than Tk 650-Tk 700.

Our correspondent pointed out that the hike in the rent for cold storage space put farmers in a flux.

"We're struggling to meet our normal expenses this year as potato is selling at a very low price," said the frustrated farmer Abul Hossain Bhuiyan.

The high rate for preservation at cold storages is also a cause of their concern, Bhuiyan said.

When his attention was drawn to such concern of potato growers, Mohammad Jasim Uddin, chairman of the Bangladesh Cold Storage Association, defended the hike as reasonable. He said the cold storage rent has not been raised as much as the costs of electricity and labour.

Cold store operators increased the rent by 18 percent to Tk 260 per sack for the current year.

"We had thought of fixing the rate at Tk 280, but we finally settled for Tk 260. The farmers can bear this," Jasim said.

Besides preserving around 24 lakh tonnes of potato in cold stores, farmers countrywide usually store around 40 lakh tonnes at home to sell it in the first half of the year, industry insiders say.

Meanwhile, the chief of the cold storages' association suggested the government raise the export incentives for potato to 20 percent from the existing 10 percent.

The setting-up of at least four potato flakes plants by the government can help tackle, to some extent, the problems stemming from massive production of the perishable item, the association said in a statement.

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Khulna Power Company plans to offload 25pc share by next month

STAR BUSINESS REPORT

Khulna Power Company Ltd (KPCL) has a plan to offload 25 percent of its share in the stockmarket by next month.

An indicative price for each KPCL share has already been built at Tk 162 through bidding by seven institutions from five sectors.

Standard Bank joined the indicative price bidding from the banking sector. The other companies who took part in such bidding are Continental Insurance as an insurer, Swadesh Investment Management as a merchant banker, Bangladesh Finance and Investment Company as non-bank financial institution and SAR Securities, B&B Enterprise and Royal Capital as brokerage houses.

Now on the basis of the indicative price of Tk 162, an offer price will be discovered through institutional bidding. In the price discovery phase, bidders cannot quote 20 percent more or less than the indicative price, meaning they will have to bid between Tk 129.60 and Tk 194.40 for each share.

For price discovery, the newly introduced book building system will be followed during the bidding for KPCL shares, as prescribed by the stockmarket regulator. The KPCL will be listed directly.

The book building method, a widely practised price fixing mechanism for initial public offering (IPO), was introduced in March last year, aiming to encourage private-sector entrepreneurs to list their big and profitable companies on bourses at fair prices.

These were disclosed at a presentation on KPCL in Dhaka yesterday, organised for prospective institutional investors.

In total, KPCL will offload 5,21,48,250 ordinary shares of Tk 10 each -- of which, the eligible institutions will bid for 1,04,29,650 shares, while the rest shares have been kept for general investors.

The institutions will not be allowed to sell shares in the first 15 trading days under the lock-in system.

In line with the book building mechanism, institutions bid for shares through which the price is determined. A weighted average price is fixed based on the highest and lowest prices, and shares are allotted for institutions at the weighted average price. The lowest price is considered a cut-off price for public offers or general investors.

KPCL, the paid-up capital of which is Tk 208.59 crore, now owned by Summit Industrial & Mercantile Corporation (Pvt) Ltd and United Enterprise & Co Ltd (Bangladesh) with equal 50 percent stake.

The independent power producer, which started supply of electricity to national grid in 1998, forecasts net profit of Tk 89.28 crore by 2010, Tk 175.05 crore by 2011, Tk 184.64 crore by 2012, Tk 196.85 by 2013 and Tk 210.16 by 2014 with earnings per share of Tk 3.40, Tk 7.17, Tk 7.31, Tk 7.39 and Tk 7.82 respectively.

In 2009, the company made Tk 69.60 crore in net profit.

AAA Consultants and Financial Advisers is the issue manager.

Stocks buck losing trend

STAR BUSINESS REPORT

Dhaka stocks bounced back yesterday on speculation that the regulator was going to reset margin loans criteria.

The key index, DSE General Index, jumped more than 119 points or 2 percent to 5,519.66. The broader DSE All Share Price Index went up 94.57 points, or 2.13 percent, to 4,522.98.

Influenced by a meeting of the Securities and Exchange Commission, investors expected that the SEC might revise the margin loans ratio, which is now fixed at 1:1 for shares whose price-earnings (PE) ratio is within 50, market insiders said.

But there was no declaration of any change in the existing criteria yesterday.

As all sectors, except for services and real estate, rose on the trading floor of Dhaka Stock Exchange (DSE), advancers outnumbered losers 170 to 65. Six securities remained unchanged.

Chittagong stocks posted a sharp rise yesterday. The CSE Selective Categories Index went up 223.2 points, or 2.17 percent, to 10,500.78.