Star Business

DHAKA THURSDAY APRIL 8, 2010

Stocks

DGEN	▲	0.24% 5,515.97
CSCX	▲	0.03% 10,480.27

Asian Markets

MUMBAI	▲	0.16% 17,970.02
TOKYO	▲	0.09% 11,292.83
SINGAPORE	▲	0.42% 2,988.10
SHANGHAI	▼	0.33% 3,148.22

Currencies

	Buy Tk	Sell Tk
USD	68.62	69.62
EUR	90.51	94.64
GBP	103.31	107.63
JPY	0.71	0.76

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▲	$1,134.15 (per ounce)
Oil	▲	$86.71 (per barrel)

SOURCE: AFP (Midday Trade)

JS body suggests reduced duties on telecom accessories

STAR BUSINESS REPORT

A parliamentary body yesterday recommended cuts in all taxes and duties on public switched telephone network (PSTN) and mobile handsets, fibre optic and other ICT and telecom accessories.

The parliamentary standing committee on the post and telecommunications ministry asked the government to ensure zero tax on mobile SIM cards, software for transmission and receiving apparatus, base stations, telephonic and telegraphic switching apparatus and to impose Tk 100 duty on mobile handsets.

"The existing tax and duty rates on ICT and telecom are not business-friendly," Hasanul Haq Inu, chief of the committee, told reporters after a four-hour meeting at Jatiya Sangsad (JS) Bhaban.

The committee members will meet the finance minister and the National Board of Revenue (NBR) chief soon on these issues.

The committee asked the finance ministry and NBR to cut duties from 7 percent to 3 percent on transmission and receiving apparatus, base stations, telephonic and telegraphic switching apparatus, SDH and PDH links with antenna.

On antenna and feeder cables, the committee asked the authorities to impose 3 percent duty, down from 25 percent.

For battery, power distribution box, DDF optical cabinet, dual band combiner, parts and accessories, scratch card, the committee recommended 3 percent duty, down from 25 percent now.

"We will not be able to build a Digital Bangladesh in line with the government's dream unless we cut tax on ICT and telecom accessories," said Inu, also president of Jatiya Samajtantrik Dal.

RASHED SHUMON

Bags back in style

SAYEDA AKTER

Going out of home without a bag in a busy corporate world gives a feeling that something is missing. So demand for bags is on the rise.

Bags have been accompanying men and women for no less than 5,000 years -- design, size and making materials being changed.

The use of bags started going up soon after the country's corporate sector took a leap. Also the youth are carrying a lot.

Industry people estimate the overall market size of bags, including wallets and purses, at around Tk 100 crore, of which almost half are imported mainly from China, Thailand and Singapore.

Around 10 lakh pieces of bags, both local and imported, are being sold every year, they said.

Different types of bags are on the market -- clutch, satchel, tote bag, messenger bag and duffle bag.

Tamara Abed, director of Aarong, one of the leading bag makers, said they have been producing bags for the last 30 years.

"When we first launched our bags' collection, we tried to use local materials such as leather, cloths, jute, bamboo and cane," she said.

Prices of Aarong bags for men and women range from Tk 150 to Tk 4,500.

Mehfuz Alam, brand manager of Bata Bangladesh, said the company launched its bag collection in 2002.

"Our main target groups are middle- and higher-middle income people," he said, adding that the company sold more than 20,000 pieces of bags in 2009.

He also said the company is working to make low-cost bags.

Apart from branded items, locally made high quality bags log good sales at New Market and Bashundhara City.

Pipul Islam, manager of Ruayet Enterprise at New Market, said the demand for local bags are increasing fast mainly among men.

"We sell bags for men, women and children, but women like imported bags," he said, adding that the demand for laptop bags is on the rise.

He said local makers often lack technical know-how and also high-quality design that increase the demand for imported products.

Islam sold around 35,000 bags of Tk 350-Tk 6,000 each in 2009.

Local manufacture of high quality leather bags and purses increased mainly from October 2008 when the demand for finished leather dropped on the international market due to global recession.

Many manufacturers and exporters opted for value-added products, including footwear, leather bags and purses, for both local and international markets to minimise losses.

The exporters earned $7.26 million from leather bags and purses in the July-December period of fiscal 2009-10, while the total earning was $16.89 million in FY 2008-09 and $8.87 million in 2007-08.

Sultanul Arefin, managing director of Global Trade Concern, a manufacturer and exporter, said around 60 companies are producing leather bags and purses, of which 35 are export-oriented.

"We make leather bags mainly for export, but we also sell in the local market," he said. "We sell low-cost items in the local market."

He said his company plans to introduce new materials and textiles such as waterproof canvas, synthetics and artificial reptile skin to make bags.

However, the industry people demanded government support to safeguard the local manufacturers.

Alam of Bata said the government should lower import duty on materials such as cloths and zipper to help make high-quality products.

He also stressed developing new designs to attract young customers.

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Leasing firms, banks in turf war

SAJJADUR RAHMAN

Competition is intensifying for leasing companies, as at least seven commercial banks and state-owned Investment Corporation of Bangladesh (ICB) have got into the leasing business.

Banks now undertake leasing through a division or unit. In addition, banks receive a depreciation allowance, which the leasing companies have been missing out on since fiscal 2007-08, industry people said.

In the past few years, banks, such as The City, Prime, Pubali, Dutch-Bangla, Mutual Trust, National Credit and Commerce Bank and Uttara, have stepped into the arena, putting up a good fight for the leasing and finance companies.

The main focus of leasing is on new ventures, machinery and motorised vehicles, which accounted for over 50 percent of lease disbursement in fiscal 2007-08. The focus is now shifting to other areas, such as capital market, SME and home loans.

"Leasing accounted for nearly 80 percent of our business in 2005. It came down to only 30 percent in 2009," said Mafizuddin Sarker, managing director of LankaBangla Finance, a leading leasing company.

"It is more or less the same with other companies," said Sarker, also chairman of Bangladesh Leasing and Finance Companies Association (BLFCA), a forum of 29 companies.

Leasing is an important method of financing. Leasing firms play a role analogous to that of banks and other financial institutions, but act by buying and then leasing equipment to their clients rather than loaning money to buy it.

Sarker said if banks want to venture into leasing, they should do it by setting up subsidiary companies. He argued that such subsidiaries should be governed by the rules applicable to leasing companies.

Permitting banks depreciation allowance that the leasing companies are missing out for the past three years is unacceptable and unsustainable, the BLFCA president said.

It will be tough for the leasing companies to compete with banks, as they enjoy much greater liquidity, clients and network, the industry people said.

Since banks are paying no more than 6-8 percent interest on customer deposits, leasing is immensely profitable for them. On the other hand, margins for leasing companies have shrunk. They need to pay 12 to 14 percent interest on funds and can seek 16-18 percent from lessees.

According to industry insiders, leasing companies depend on bank finance for their business: small companies depend 100 percent on banks while the larger ones depend 60 percent to 70 percent.

The association has also expressed concern to the central bank governor on the issue, but no measures have been taken yet.

Anis A Khan, managing director of Mutual Trust Bank, said banks should undertake leasing by forming a separate company. He however said it is not illegal for banks.

"Leasing by banks is not illegal. The law permits it," said Helal Ahmed Chowdhury, managing director of Pubali Bank. The bank has set up a division to take on leasing.

The first leasing company was set up in Bangladesh in 1985. The sector has since grown and now the total number of companies in the leasing sector stands at 29, of which, 22 are specialised in lease and long-term financing. Bangladesh Bank licensed these companies under the Financial Institution Act 1993.

According to BLFCA data, leasing companies make long-term investment worth about Tk 3,000 a year. Outstanding long-term investment of these companies now stands over Tk 11,000 crore.

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Muhith: RMG exporters to get stimulus in a month

STAR BUSINESS REPORT

Finance Minister AMA Muhith has assured readymade garment exporters of implementation of the government's Tk 1,000 crore second stimulus package in a month.

"To finalise the package for the RMG sector within the stipulated time, another taskforce, with the central bank officials at the helm, has already been formed," Muhith told reporters after a meeting with the leaders of BGMEA and BKMEA at his office in Dhaka yesterday.

On a query, the minister pointed to the government's decision to make some changes in the original documents of the stimulus that was declared last November. "Now we'll offer stimulus to small and medium enterprises (SMEs), which were not incorporated in the original documents."

Any garment factory owner exporting clothes worth $250 million would be considered an SME.

There are at least 1,500 SMEs in the apparel sector, according to the industry people.

Under the bailout plan, such SMEs will be entitled to exemption of licence renewal fee for captive power plants, the finance minister said, adding that RMG exporters would also enjoy a cut in taxes on house rent and loan rescheduling facilities.

On the minister's assurance, Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association, said, "We'll be very happy, if the package is implemented within the set time."

Pointing to the energy crunch in the industrial sector, Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association, demanded that the government withdraw the peak hour rate, minimum charges and recently increased gas and power tariffs for the RMG sector.

"We still experience a negative growth in RMG exports, so stimulus is necessary for the revival of the sector," he said.

The November 25 bailout plan, which aims to cushion global recession fallout, earmarks compensation package for the captive power plants used in industrial units from November 1, 2009 to June 30, 2010.

It also offers bank loan re-scheduling facility without any down payment up to June 30, 2010 from October 2009 at a 10 percent interest rate instead of the current 13 percent for the RMG and textile sectors and 5 percent cash incentives for new export destinations for three years.

The exporters will get 5 percent cash incentives in the first year, 4 percent in the second year and 2 percent in the third and final year.

According to the package document, members of Bangladesh Textile Mills Association (BTMA) will receive this facility only for direct export of yarn.

Forward exchange booking is a must for exporting home textile in other currencies than dollar. This sub-sector will also receive the bank loan re-scheduling facility.

Saarc may sign deal on trade in services

REZAUL KARIM

The Saarc member countries are likely to sign an agreement on trade in services in the upcoming 16th summit of the South Asian bloc scheduled for April 28-29 in Bhutan, said officials.

If signed, the deal will come into effect by the year-end, they added.

The officials said the South Asia Agreement on Trade in Services would cover four parts -- cross border supply of services like those of telecommunication, making available medical services abroad, commercial presence in the form of opening bank branches and movement of natural persons.

The draft of the deal is under active consideration of experts from all the member countries of South Asia Free Trade Area (Safta) agreement.

The officials also said a schedule of commitment would be agreed on regarding the sector that would be opened by the member countries for enhanced trade in services, and actual market access would be agreed on after signing the deal.

The development was achieved at the last meeting of the Committee of Experts of the Safta member countries held recently in Kathmandu, Nepal, where senior officials from the commerce ministries of the member countries were present.

The agreement will be signed for three years with a provision for renewal.

The Kathmandu meeting also reached a consensus about reduction of the existing trade sensitive lists by 20 percent by the member countries to expand the present volume of trade among the South Asian bloc.

A timeframe has been agreed on between the member countries at the meeting of the Committee of Experts to complete the process of cutting the sensitive lists by September 2010.

The officials said there is no disagreement about reduction in the sensitive lists among the non-least developed countries -- India, Pakistan and Sri Lanka, and least developed countries -- Bangladesh, Bhutan, Nepal and the Maldives.

The reduction in the sensitive lists by 20 percent by each member country will allow trading of 20 percent more items within the region.

Saarc (South Asian Association for Regional Cooperation) now comprises Bangladesh, India, Pakistan, Sri Lanka, Nepal, Bhutan, the Maldives and Afghanistan.

Godrej buys Indonesian firm

PALLAB BHATTACHARYA, *New Delhi*

India's Godrej Consumer Produces has acquired popular Indonesian household goods major Megasari Group and its distribution arm Infrasari Raya in an all-cash deal for up to $300 million.

The deal, whose exact size has not been officially disclosed, is expected to catapult Godrej into a third position on the insecticide market in Asia.

"Megasari Group gives us a strong platform to establish a significant foothold in Indonesia," said Godrej Group Chairman Adil Godrej on Tuesday.