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	3,835.28

Currencies	
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EUR	89.22 / 93.34
GBP	103.37 / 107.69
JPY	0.71 / 0.75

SOURCE: STANDARD CHARTERED BANK

## BB to hike bank reserve ratio

REJAUL KARIM BYRON

The central bank will raise the cash reserve requirement for banks in a bid to contain inflation.

Bangladesh Bank (BB) is expected to issue a circular to different commercial banks today. With the new directive out, CRR (cash reserve ratio) will rise by 0.5 percentage point to 5.5 percent.

The new decision comes after a gap of more than four years. Earlier on October 1, 2005, the ratio increased by 0.5 percentage point to 5 percent.

The reserve requirement is a central bank regulation that sets the minimum reserves each bank must hold against customer deposits. The reserve ratio is sometimes used as a tool in the monetary policy, influencing the country's economy, borrowing and interest rates.

A central bank official elaborates that any rise in CRR means mopping up excess liquidity from the money market by using the instrument as part of demand management to curb inflation.

Economists and businessmen think the new step will make the businessmen's access to bank finance difficult. It will also sag the investment that has shown signs of a pickup.

Bangladesh Bank Governor Atiur Rahman had earlier indicated that this measure would be meant to contain inflation.

"It's true that the private sector will be a bit unhappy. Still, we are doing it because we have to check inflation." He termed the rise nominal.

Rahman said: "The private sector credit has increased much. To cut it a little we're going to take this step so that inflation remains within the government target of 6.5 percent on average."

BB's weekly selected indicator shows a 13.80 percent rise in private sector credit during July-February of the current fiscal

year. It was 9.13 percent in the same period a year ago.

The inflation, which was showing downward trend in the months before this government assumed power, stood at 2.25 percent in June 2009. But in February 2010 it increased to 9.06 percent.

Such upward trend continues every month, although the government has fixed a target of keeping inflation within 6.5 percent on an average.

The central bank officials think the CRR rise will result in a substantial fall in excess liquidity in the money market.

According to the BB monthly economic update, excess liquidity was Tk 32,515 crore at the end of March. However, BB sources said the amount of actual cash excess liquidity is less than Tk 4,000 crore, which will drop below Tk 2,000 crore due to the latest increase in the CRR.

Zaid Bakht, research director of the Bangladesh Institute of Development Studies, said, "There is huge excess liquidity in the market. So I don't see any need to increase CRR to contain inflation. Actually it is a contractionary monetary policy, which will make loans for businessmen difficult."

The surge in inflation is a result of the hike in commodity prices in international market, Bakht said, pointing out that the rise in credit has no relation with the increasing inflation.

He said investment has started picking up which may be adversely affected by the central bank decision. Besides, the BIDS official said, investors' import costs will go up.

Abul Kasem Khan, president of Dhaka Chamber of Commerce and Industry, also thinks that the BB step will squeeze the loan accessibility for businessmen. "The central bank should look how the cost of doing business is reduced."

He suggested the BB take steps to keep the lending rate below 11 percent.

## Correction

The headline of a report published yesterday on B3 of Star Business contains a mistake that Marico directors were fined by the Securities and Exchange Commission. In fact, it was two investors of Marico shares, who were fined by the regulator, and the directors had nothing to do with this. We apologise for this inadvertent mistake.

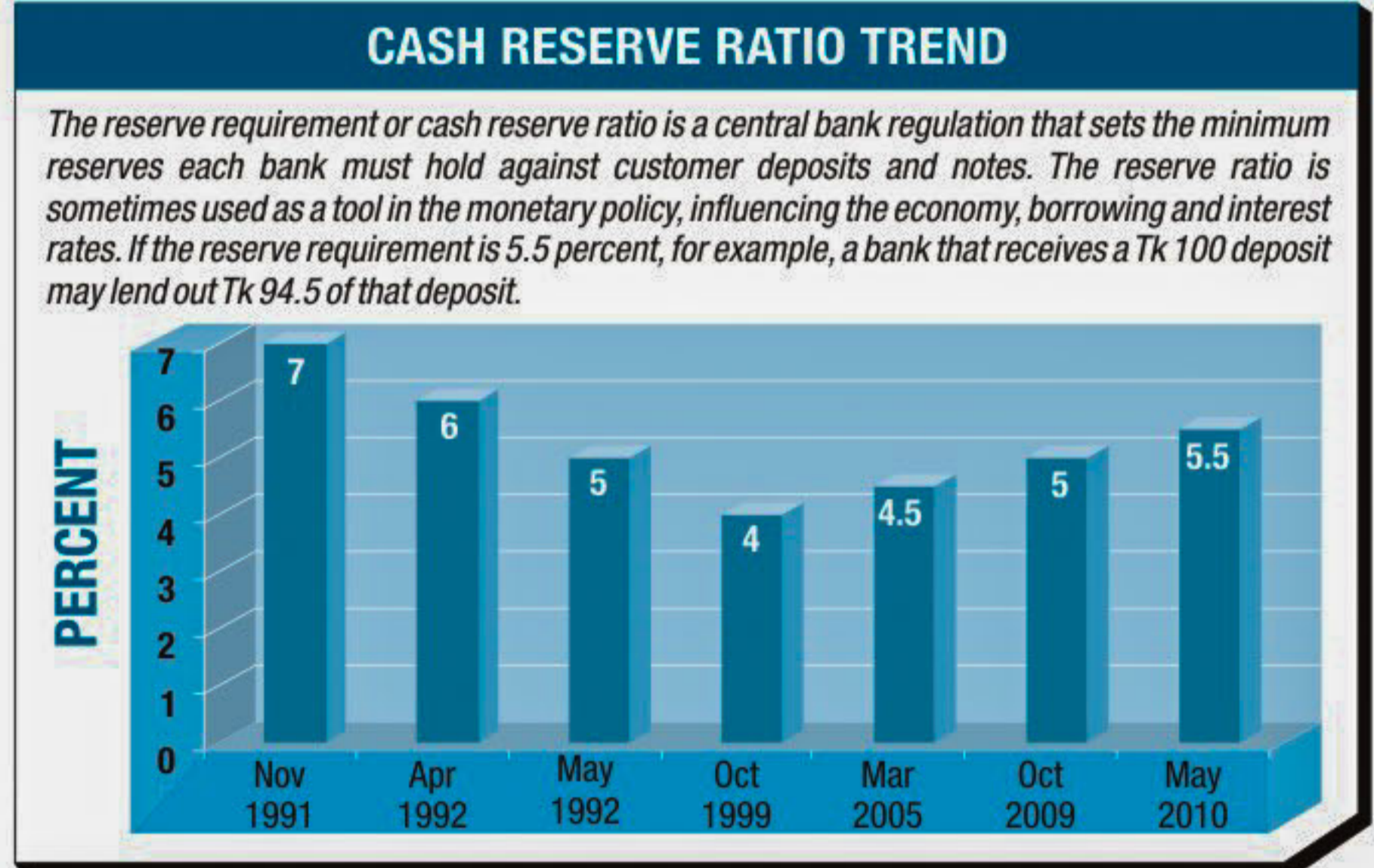
## Nissan to recall Infiniti G35

AP, Washington

Nissan Motor Co said Tuesday it will recall nearly 135,000 Infiniti G35 sedans and coupes to address a problem that could lead to the air bag not deploying in a crash.

Nissan said the recall involves G35 Coupes from the 2005 to 2007 model years and G35 Sedans from the 2005 to 2006 model year.

The automaker says the air bag unit's wire harness under the front passenger seat could wear down and interrupt the air bag's signal. In a crash, the air bag may not deploy and could increase the risk of an injury.



Oddvar Hesjedal, middle, chief executive officer of Grameenphone, speaks at a press meet to announce the mobile operator's first quarter financial results at Westin Dhaka yesterday.

## GP logs robust profit Telecom shares dip on low investor spirits

STAR BUSINESS REPORT

Grameenphone (GP) rang up Tk 316 crore net profit with earnings per share (EPS) of Tk 2.34 in the first quarter this year.

But the mobile operator's share prices suffered the deepest fall in more than two months following its corporate declaration yesterday.

The 38 percent profit rise in the first quarter from Tk 228 crore net profit in the same period last year was an outcome of the company's internal cost cutting strategy, GP officials said.

The leading cellphone operator also earned the highest-ever revenue of Tk 1,700 crore in the first three months to March 2010, an 8 percent increase from Tk 1,574 crore in the same period of 2009.

"It's the highest-ever revenue earning in the GP history," Oddvar Hesjedal, chief executive officer of the company, said at a press meet at the Westin Dhaka hotel.

Each GP share plummeted 5.7 percent to Tk 294 on Dhaka Stock Exchange yesterday, as the company's corporate disclosures did not match the investors' expectation.

The EPS of the company -- Tk 2.34 -- in the first quarter this year was more than that of the same period last year -- Tk 1.88 -- but is far below the immediate past quarter's Tk 6.44.

Among the six mobile operators in the country, only GP is listed on the bourses.

The fall in GP share also pulled

down the Dhaka stocks with the benchmark index of the premier bourse, DSE General Index, plummeting by 59.14 points, or 1 percent, to 5,534.65.

Hesjedal said increased usage of voice and data service along with the company's internal cost reduction has helped log the profits.

"The profit making growth will hopefully continue as we have taken initiatives to expand business in some areas such as setting up an IT company that can provide services for local and international markets," he said.

Grameenphone IT Ltd, the new venture of GP, started commercial operations on April 1.

GP, the market leader in terms of subscriber base, added 645,000 new customers in the first quarter, and now holds 44 percent market share with 23.9 million users as of March 2010.

The company has already declared 60 percent cash dividend for its shareholders for 2009, which is equivalent to Tk 6 per share. The dividend disbursement is subject to approval of the shareholders at the annual general meeting of the company scheduled for June 8.

GP yesterday launched 'Investor Relations' web portal in its website to ensure an easy access to relevant information for the shareholders.

Now its shareholding structure is 55.8 percent for Norway's Telenor, 34.2 percent for Grameen Telecom and 10 percent for general and institutional investors.

## Committee to define SME

STAR BUSINESS REPORT

The national taskforce on SME sector yesterday formed a three-member committee to make a uniform definition of small and medium enterprises.

Aftab ul Islam, chairman of SME Foundation, heads the committee, while Dewan Zakir Hussain, industries secretary, and ABM Khorshed Alam, additional secretary, are members.

The committee will also re-define scope of the sector and ways of financing and establishing clusters for industries.

The committee will submit its report by early July.

The decision was made at the first meeting of the taskforce at the Prime Minister's Office.

"This initiative will help eliminate conflicting definitions of SME by different organisations, ministries, development partners and donors, which often hamper the growth of the sector," said Aftab ul Islam.

"The committee is also expected to accelerate steps taken by the government and SME Foundation to help small and medium entrepreneurs further."

## Apparel exports flicker into life

REFAYET ULLAH MIRDHA

Apparel exports grew 18.38 percent in March, compared to the same period a year ago, data from Export Promotion Bureau (EPB) shows.

Exports are breaking free from the negative trend with a rebound in apparel exports.

Overall exports in the July-March period declined only 0.8 percent from the same period last year.

The single month export for apparels in February was 8 percent.

"In March, the export of knitwear grew by 15 percent and woven items by 13 percent from the same period a year ago," said Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

The price hike of yarn in local and international markets will hurt growth of such exports although quick implementation of the government's second stimulus package for the sector will help offset the crisis slightly, Hoque said.

The concern for Bangladesh is, knitwear exports out of Pakistan grew by 20 percent, and the figure was more than 15 percent in Vietnam as orders from China were diverted to different other countries, he added.

The EPB data shows exports in March 2009-10 were worth \$1.52 billion, up from \$1.28 billion in the same month last year, registering 2.28 percent growth.

In the first nine months of 2009-10, Bangladesh exported goods worth \$11.541 billion, compared to \$11.634 billion in the same period last fiscal year.

The single month export of apparels rose substantially but meeting targets may still not be possible. Knitwear exports were 3.64 percent behind the target and woven products fell 3.04 percent short of expectations in the July-March period, said Abdus Salam Mursheedy, president of Bangladesh Garment Manufacturers and Exporters Association.

"The sudden price hike of raw cotton and yarn will definitely be a threat to achieving the target, as manufacturers will not be able to supply the garment items at cheaper rates to Europe and the US," Mursheedy said.

He said the nagging power and gas situation affected the sector badly.

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