Star Business

DHAKA THURSDAY MAY 20, 2010

Stocks

DGEN	▲ 0.76%	5,921.49
CSCX	▲ 0.54%	11,189.24

Asian Markets

MUMBAI	▼ 2.77%	16,408.49
TOKYO	▼ 0.54%	10,186.84
SINGAPORE	▼ 2.45%	2,774.54
SHANGHAI	▼ 0.27%	2,587.81

Currencies

	Buy Tk	Sell Tk
USD	68.65	69.65
EUR	82.31	86.31
GBP	96.65	100.87
JPY	0.73	0.78

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼	$1,215.50 (per ounce)
Oil	▼	$67.90 (per barrel)

SOURCE: AFP (Midday Trade)

WB forecasts slow growth

GDP growth may range between 5.5-6.1pc

STAR BUSINESS REPORT

The World Bank (WB) yesterday projected low economic growth for Bangladesh in the next fiscal year, taking into account fallout from the continuing energy crisis.

The WB said GDP could be between 5.5 percent and 6.1 percent, against the government's prediction for 6.7 percent.

"A shortage of energy poses perhaps the biggest threat to Bangladesh's growth recovery," the WB said in its Bangladesh economic update.

The multilateral lending agency said the country's economy would grow by 5.5 in fiscal 2009-10, against the government estimate of 6 percent.

In fiscal 2008-09, Bangladesh recorded 5.9 percent GDP growth, despite the adverse impacts of global recession.

The WB said the growth outlook for fiscal 2010-11 depends on the domestic supply constraints, particularly energy. Energy shortages will continue to stifle Bangladesh's recovery, it said.

The estimated demand-supply gap is currently a third of demand (2,000 MW) at peak hours. A shortage of gas accounts for nearly a half of this gap.

"Maintaining growth at its recent 6 percent average over the medium term will thus be a challenge to Bangladesh, given the current infrastructure and energy deficit," it said.

The power and gas crunch remains a major constraint to businesses in Bangladesh. Gas production declined by 2.4 percent in July-December 2009, and gas sales to the power sector declined by 20.3 percent in the same period, resulting in frequent power cuts.

Even factories within the export processing zones (EPZs) experienced power cuts. Many large readymade garment (RMG) factories have their own power plants, but have had operations disrupted because of gas shortages, said WB.

The report says industrial production in apparels, ceramics, fabrics, steel and particles is particularly hard hit. Many factories in industrial areas in Dhaka and Chittagong are unable to use more than 50 percent of their capacity, while small industries, which cannot afford diesel generators, are on the brink of closure.

AFP

Brunei's Sultan Hassanal Bolkiah (C) offers Prime Minister Sheikh Hasina (L) to proceed first along with other leaders at the end of the opening ceremony of the Sixth World Islamic Economic Forum (WIEF) in Kuala Lumpur yesterday. *Other leaders seen from left:* Senegal's President Abdoulaye Wade, Malaysia's Prime Minister Najib Razak, Indonesian President Susilo Bambang Yudhoyono, Maldives President Mohamed Nasheed and WIEF Chairman Musa Hitam.

Hasina urges resource sharing within Muslim world

UNB, KUALA LUMPUR

Prime Minister Sheikh Hasina yesterday urged the Muslim countries to share resources, technologies and market opportunities to build on the synergies and have a multiplier effect on their efforts.

She was addressing the opening session of the sixth World Islamic Economic Forum (WIEF) at the plenary hall of Kuala Lumpur Convention Centre in Malaysia.

Malaysian Prime Minister and patron of the WIEF Foundation Najib Tun Abdul Razak opened the two-day forum with the theme -- 'Gearing for Economic Resurgence'.

WIEF Chairman Tun Musa Hitam gave the welcome address, while the Malaysian prime minister delivered the keynote address.

Sultan Hassanal Bolkiah of Brunei Darussalam, Senegalese President Abdoulaye Wade, Indonesian President Susilo Bambang Yudhoyono, Kosovo's President Dr Fatmir Sejdiu and Maldives President Mohamed Nasheed also addressed the opening session.

Hasina called for finding new solutions conforming to own economic policies to shield themselves from the uncertainties of the external financial system.

She also proposed establishment of an 'OIC/WIEF Task Force' to find ways to support the member countries facing the challenges of climate change.

Hasina called upon the business champions of the Muslim countries to invest in Bangladesh.

"You may get involved in various development sectors of Bangladesh with win-win partnerships."

News in Brief

Padma Oil undecided on rights shares

STAR BUSINESS REPORT

Padma Oil, a state-owned listed company, said yesterday it did not take a decision on the issuance of rights shares.

That was the company's reply to a query by Dhaka Stock Exchange.

According to a news report, the government has allocated Tk 14.8 crore for rights shares and the fund will be utilised for the entitlement of rights shares.

In a Web filing to the premier bourse, Padma Oil said it was not aware of such price sensitive information as published in the media.

Under a secondary market offering, a company can opt for a rights issue to raise capital.

A rights issue is different from primary shares issued to the public through stock exchanges.

Existing shareholders have the privilege to buy a specified number of new or rights shares from the company at a specified price within a specified time.

The government holds a 50.35 percent stake in Padma Oil, which listed on stockmarket in 1976. Institutions hold a 31.34 percent stake and the public holding is 18.31 percent.

The company procures and markets petroleum products, lubricants, greases, bitumen and LPG (liquefied petroleum gas). It also manufactures agro-chemicals.

Padma Oil has Tk 29.4 crore in existing paid-up capital. Each share of the company traded between Tk 930 and Tk 1,037.7 on the DSE yesterday.

Malaysia to issue first Islamic bonds in eight years

AFP, *Kuala Lumpur*

Prime Minister Najib Razak yesterday said Malaysia will issue its first Islamic dollar bonds, or sukuk, in eight years, with analysts suggesting it is aiming to raise up to a billion dollars.

Barclays Capital, HSBC Holdings and Malaysia's CIMB will jointly lead the sale in Asia, the Middle East and in the US.

Farm output bumps up on subsidy

BUDGET IN MIND

SOHEL PARVEZ

The farm subsidy has increased 16.66 percent to around Tk 4,200 crore in the current fiscal year from the proposed allocation of Tk 3,600 crore.

The subsidy was meant for supplying farm inputs at lower prices.

An allocation of over Tk 700 crore to provide cash subsidy in diesel has bumped up the outlay.

The money was allocated for 91.61 lakh small, marginal and medium farmers in the current Boro season.

Apart from the reduced costs of fertilisers, Bangladesh Agricultural Development Corporation's (BADC) initiative to supply increased amount of seeds at lower prices has helped the farmers contain their production costs.

Analysts say these supports have helped the farmers bump up production.

Rice output is likely to exceed three crore tonnes this fiscal year due to good Boro and Aman harvest.

Production of potato has also hit a record this year.

"Input management was fine. Lower prices of fertiliser and its availability have revamped the farmers," said Mahabub Hossain, executive director of Brac, a non-governmental development organisation.

"But the weaknesses in market management to ensure fair prices for various agricultural products have caused losses to many farmers," he said.

In the recent months increased production forced the growers to sell their tomato at nominal price and potato below production costs.

Many small farmers also incurred losses early this fiscal year as they failed to get the government-set price due to a lack of storage capacity in the public warehouses.

At present, the total storage capacity in the government warehouses is 15 lakh tonnes.

Ahmed Hossain Khan, director general of Directorate of Food, said the government has taken steps to increase the capacity of the existing godowns by around 25,000 tonnes.

"We have already given work orders to set up warehouses to store 1.10 lakh tonnes of food grains. These storages will be operational by the middle of the next fiscal year."

Also, the government has started implementing 36 small irrigation projects at Tk 312.86 crore.

These projects, taken to boost crop production in water logged, haor and southern regions, will bring around 81,090 hectares of land under irrigation facility.

All these projects will be complete within December and support production of additional 2.31 lakh tonnes of food, said a senior official of agriculture ministry.

But Mahabub Hossain of Brac said investment in water management, especially surface water, has been inadequate considering the necessity of reducing the pressure on underground water.

"It appears that the government is focusing on short-term targets. It should also concentrate on increased allocation for water management," he said

Mahabub also stressed the need for more fund for farm sector research. He called for developing seed varieties to face the impacts of climate change.

Farm loan disbursement is another bright spot in the sector. In the nine months to March this fiscal year, disbursement of farm loans rose by 18.13 percent to Tk 8,159 crore, which was 71 percent of the overall target of Tk 11,512 crore.

"The overall situation in agriculture looks good this year. Now the main challenge for the government will be to reduce the farmers' production costs," said Uttam Kumar Deb, head of research, Centre for Policy Dialogue, a leading think tank. Mechanised farming should be expanded to cut the production costs, he said.

Uttam also put forward a subsidised insurance programme for crop, livestock and poultry sectors.

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DSE urges probe into Pragati land sale

STAR BUSINESS REPORT

Dhaka Stock Exchange (DSE) has urged the market regulator to investigate a controversial sale of lands by a listed insurer.

The premier bourse questioned the sale after Pragati Insurance wrapped up the deal at a price lower than what the DSE offered to pay.

The DSE alleged that the plots had been sold to Pragati Insurance insiders, rather than to the highest bidder.

The premier bourse's board sits today to decide on the fate of Pragati managing director's directorship, an official said. The Pragati managing director is also a nominated director of the DSE board.

The Dhaka bourse said it was ready to pay Tk 2.5 crore a katha for the Pragati land, while the insurance firm announced on Wednesday that it decided to sell each katha at Tk 1.72 crore.

"Isn't it suspicious?" said DSE President Md Shakil Rizvi.

DSE said it had expressed its interest several times in writing and verbally to purchase the lands in Pathapath, Dhaka. "The offer is still on," the president added.

The Pragati board of directors decided to sell lands, measuring 82.42 kathas, to Chittagong-based Zara Holdings Ltd at more than Tk 141 crore. The family members of a Pragati Insurance director own Zara.

ATM Rafiqul Islam, managing director of Pragati Insurance Company Ltd, said his company advertised the land sale in daily newspapers. "We also invited developers and financial institutions in writing to buy the lands."

Islam said his firm wrote to the DSE at least three times, seeking the bourse's offer price on the land. "But we did not get an offer from the DSE even once," Islam said.

The Pragati managing director said the highest bid came from Zara. "There is also no restriction on whether we can sell our land to Zara."

In a letter to the Securities and Exchange Commission, the DSE said the bourse was keen on procure the land at a competitive price and was prepared to meet the requirements.

Pragati listed on the stockmarket in 1996. Each share of the company traded between Tk 1,690 and Tk 1,823 yesterday on the premier bourse.

Vodafone, Bharti win 3G spectrum in India

REUTERS, *New Delhi*

Vodafone and Bharti paid a combined $5.1 billion for 3G mobile licences in India, ending an epic auction that yields a bonanza for a deficit-strapped government but puts winners under pressure.

Reliance Communications also won the right to provide third-generation services in an auction that lasted 34 days and will generate $14.6 billion for the government, authorities said on Wednesday, nearly twice what it had expected.

"It's good news for the government, no doubt," said Arun Kejriwal, strategist at Kris Research in Mumbai.

"For the operators it's a large sum of money that has to be paid out. We have to see how these services are priced and received by the subscribers and how it will impact their profitability," he said.