DHAKA SUNDAY JUNE 13, 2010

1.04%

**1.01%** 

**0.84%** 

**1.70%** 

17.064.95

9,705.25

0.60%

2,796.29

0.29%

2,569.94

\$1,220.00

(per ounce)

\$73.78

(per barrel)

(As of Friday)

(Friday closings)

(Week-on-week)

Asian Markets

11,858.95

6,269.70

Stocks

**DGEN** 

CSCX

MUMBAI

TOKYO

SINGAPORE

SHANGHAI

**Commodities** 

Gold

Oil

Indo-Bangla

trade soon

STAR BUSINESS REPORT

India and Bangladesh will

soon introduce border haat,

a traditional commodity

market, in a bid to revive

trade in the areas bordering

Such trade was halted

after the partition of India

and Pakistan, resumed after

a few years and suspended

The concept of such

border trade was endorsed

during Prime Minister

Sheikh Hasina's January 10-

Mukul Sangma, chief

minister of the Indian state

Meghalaya, told the state

assembly on Friday that Delhi and Dhaka had identi-

fied two places for such bor-

der markets as pilot projects, according to Indian media

reports available in internet.

once a week," Sangma said.

"The haats will be held

Contacted, a senior offi-

cial of the Ministry of Foreign

Affairs said Bangladesh is

ready to open the border

haats. India agreed to start

such haats from Pohela

Boishakh, the first day of

Bangla calendar year, but

could not do it because of its

The locations of the mar-

kets to be started in the first

phase are at the border

points between Kaliachar in

Meghalaya's West Garo Hills

district and Lawar Ghar in

Bangladesh's Sunamganj

district and between Balat in

West Khasi Hills district and

Narayantala in Bangladesh's

The commodities to be

exchanged through this

border trade include fruits,

spices, minor forest prod-

ucts excluding timber, fresh

and dry fish, dairy, fishery

and poultry products, cot-

tage industry items like

gamchha (thin towels),

wooden furniture and cane

products and utensils.

Sunamganj district.

lack of preparation.

the two countries.

again after 1971.

13 visit to India.

border

TRANSCOM

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Visitors browse through jute-made clothes at a stall at a three-day fair at Bangabandhu International Conference Centre in Dhaka yesterday. The show highlighted jute diversification and products made of garment waste and dried hyacinth.

# New tax may rattle stocks

#### Say brokers and merchant bankers

STAR BUSINESS REPORT

The proposed tax on the income of institutional investors may upset stockmarket, as a selling spree will continue throughout this month before the new measure becomes effective, stockbrokers and merchant bankers said yesterday.

They also criticised the government proposal to impose tax at source on commissions received by stockbrokers, saying it would hamper market growth.

They urged the government to revise the rate at 0.035 percent instead of the proposed 0.1 percent.

The proposal of imposing tax on premium value of shares also contradicts the income tax rules, as the premium value is not added or showed in the balance sheet of a company, said the stockbrokers and merchant bankers.

The premium is not profit for a company, they said in a postbudget press briefing organised by Dhaka Stock Exchange at Dhaka

Sheraton Hotel yesterday.

"There are many institutions that have unrealised capital gains, and there will be a tendency to realise the profits by selling shares from their portfolio within June 30 to avoid the tax," said Arif Khan, president of Bangladesh Merchant Bankers' Association. "If such selling pressure comes

from them, it will destabilise the market. A proposal has been made in the

budget for fiscal 2010-11 to impose for the first time a 10 percent tax on a company that profits from share trade.

Khan said the 10 percent tax in one go was too high. "The government could impose tax in two tiers -- maximum 5 percent, if an institution makes profits within a year, and the rate should be much lower in case of investment for more than a year," he said.

It will encourage long-term

investment, said Khan, also deputy managing director of IDLC Finance. The stockbrokers also urged the

government to set the tax on com-

panies' income from share trade at 5 percent. "In our pre-budget recommendations, we proposed a 3 percent

tax on capital gains of institutional investors. However, the rate can be as high as 5 percent," said Md Shakil Rizvi, president of the DSE. He also said the proposed tax at

source on brokerage commissions will seriously affect the growth of the market, which is still at a developing stage. It will also hurt the individual

investors, as the brokerage houses will have to increase the rate of commission, which is actually realised from investors for every trade, Rizvi said.

Presently, the brokerage houses receive Tk 0.04 from every Tk 100 transaction, or 0.04 percent, as com0.025 to the government exchequer. The proposed tax rate of 0.1

mission on an average and pay Tk

percent shows a 300 percent rise, meaning the brokers will need to receive commission on an average at Tk 0.12. "It will be too high," said the DSE president.

"Besides, the brokers will not go for expansion," he said.

Other brokers and merchant bankers said the private sector companies do not want to be listed on the market, and the bourses always persuade them into the market even with premium value. But, the tax on premium value will discourage the companies to be listed, they added.

The shares with premium value or without premium value are related with a company's paid-up capital. The money raised through floating shares is not a company's income or profit, so is not shown in the balance sheet, they explained.

## A new look for jute

SOHEL PARVEZ

The mannequin duo, one dressed in a sari and the other in a sherwani, stood at the entrance in a welcome gesture.

Sonali Swapna, painted in green and decorated with plants and flower vases, is a place to celebrate jute products. Clothes and other items, like curtains, cushions and

handbags, displayed inside the house are all made of jute. "It's a symbol that the story of jute is no longer only about sacks or pot hangers. It has the potential to enter the

niche market," said Saibal Saha, product development designer at Sonali Swapna. Sonali Swapna is a stall that displayed various jute-based

products at a three-day fair at Bangabandhu International Conference Centre, Dhaka. More than 50 organisations attended the show to popularise local products. Saha, who works for the International Jute Study Group

and various fashion houses, said displays were made to show people how far jute could go. He said commercialisation is yet to start for jute clothing.

"We want the making and marketing of such items to begin," he said. Handbags, cushions and cotton blended jute fabrics have started gaining popularity, he added.

The cushions and cotton blended jute fabrics are being exported.

Sonali Swapna is not the only stall that displayed the jute fabrics. Government agencies, such as Jute Diversification Promotion Centre, also showcased jute clothing, such as suits and blazers for the youth.

Adhara Basu, marketing director of Jute Diversification Promotion Centre, said the agency is making Jamdani fabrics and suits based on jute yarn.

"Some businessmen have shown interest in exporting these clothes."

Knitwear by-products and dried hyacinth were also used to make rugs and handbags. Hasmat Ali, a salesman at a stall named Satranji, said

they make household products, such as mats and curtains, using jute, dried hyacinth and garment byproducts. The fair exemplified the endeavour of Bangladeshi

entrepreneurs to compete in the global market. Assemblers of solar panels, generators, electric and

electronic products; cosmetics makers; plastic ware; and food processors were also present at the event that ended yesterday. Hasanur Rahman Shadheen, assistant general man-

ager (sales and marketing) of EM Power Ltd, said the company has been assembling generators since 2006.

"We already sold more than 1,000 generators in the local market," he said, adding that the local buyers have low confidence in the products, as they fear poor quality.

Bangladesh Chamber of Industries, E3 and Carnival organised the event.

### Losses pile up at state entities

REJAUL KARIM BYRON

Losses incurred by state-owned enterprises increased by 38 percent to Tk 4,130 crore in the outgoing fiscal year. The Power Development Board

(PDB) and Bangladesh Petroleum Corporation (BPC) accounted for about 86 percent of the total loss. According to the Economic

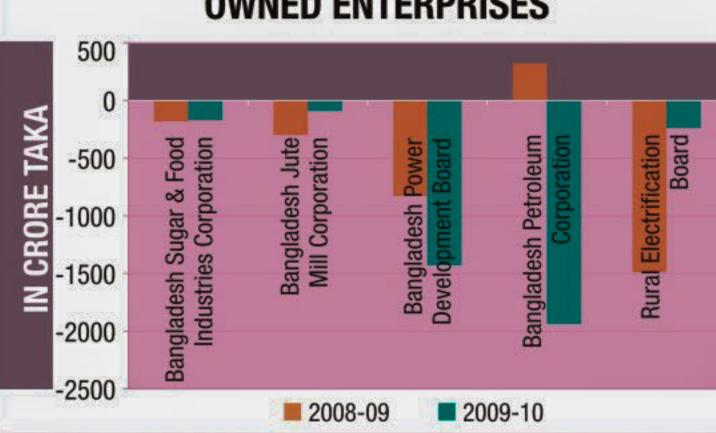
Review 2010, PDB incurred losses worth Tk 1,428 crore in fiscal 2009-10, which was Tk 828 crore last year. PDB officials said the power

plants in the public sector are rundown and their generation capacity has dropped. "This is not only contributing to the loss, but is also the reason for an increase in loadshedding," said one of the officials. The government sells electricity at

a price lower than production costs. It buys power from rental plants at much higher prices and sells for less, which inflates the loss figures.

PDB plans to buy 1,000-1,200 megawatts of electricity next fiscal year from the rental power plants. The loss will pile further up, the official said.

#### **FINANCIAL STATUS OF SOME STATE OWNED ENTERPRISES**



But the loss may go down, if the government adjusts the price of power, he said.

The Rural Electrification Board (REB) pared down losses: it suffered a loss of Tk 240 crore this fiscal year, down from Tk 1,488 crore a year ago.

BPC incurred the highest loss of Tk 1,936 crore in the current fiscal year, while it made a profit of Tk 322 crore last year.

Officials at the Energy Division

said the prices of petroleum products fell on the international market because of global recession, which enabled BPC to profit last fiscal year.

But in the recent times, the prices of petroleum products are increasing and BPC is recording deeper losses.

Officials said BPC would have to supply furnace oil and diesel to the rental power plants at market price. This is a major concern, as it will increase losses, they said.

Of the 46 SOEs, 17 were in the red. The rest made a profit of Tk 4,001 crore in the current fiscal year. BTRC recorded the highest profit of Tk2,074 crore.

Many state enterprises also failed to pay bank loans. Until February, default loans by the SOEs stood at 7 percent of total outstanding loans. The amount of outstandingloans was Tk 16,208 crore.

Bangladesh Jute Mills Corporation (BJMC) defaulted on Tk 687 crore, a third of its outstanding loans of Tk 2,466 crore. A high official of BJMC said the government has taken massive plans to reorganise the jute sector and if the plans are implemented, loan defaults will drop.

In his budget speech, Finance Minister AMA Muhith said: "To revive the jute sector, BJMC has been given Tk 1,092 crore in funds through cash and bank guarantees in the current fiscal year."

Bangladesh Textile Mills Corporation (BTMC) was second in terms of loan defaults: Tk 272 crore. About 99 percent of BTMC's outstanding loans are default loans.





## Recognising Ocal efforts for a global concern Species: Neolamarckia Cadamba ocation: Southeast Asia Threats: Habitat loss, climate

### **HSBC - The Daily Star Climate Awards 2010**

HSBC, the first carbon neutral bank in the world, seeks to promote environmental preservation through worldwide projects and programmes. The Daily Star, the country's largest English newspaper, is also committed to the cause of managing climate change in Bangladesh.

The "HSBC - The Daily Star Climate Awards" is being introduced to recognise and promote individuals and institutions that are working towards adaptation, mitigation, running environment friendly business operations and doing research for climate change in Bangladesh. Open to majority owned Bangladeshi companies and Bangladeshi individuals, the awards will be given in four

Nomination forms and programme details can be found in www.hsbc.com.bd and www.thedailystar.net. Nominations must be

- Climate change adaptation: for public, private sectors, NGO/CBOs etc. Climate change mitigation: for public, private sectors, NGO/CBOs etc.
- Climate change research and knowledge management: for educational/research institutes, researchers, public,

private sectors, NGO/CBOs etc. Green Business Entrepreneurships: mainstream businesses with environment friendly operations

submitted to The Daily Star on or before 31 August 2010. Knowledge partner for this initiative is Waste Concern.

The Baily Star