

DHAKA TUESDAY JUNE 15, 2010



Stocks	
DGEN	0.12% 6,324.97
CSCX	0.39% 12,039.26

Asian Markets	
MUMBAI	1.60% 17,338.17
TOKYO	1.80% 9,879.85
SINGAPORE	0.78% 2,818.07

Currencies	
Buy Tk	Sell Tk
USD	68.65
EUR	82.24
GBP	98.87
JPY	0.73

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	↑ \$1,232.50 (per ounce)
Oil	↑ \$75.60 (per barrel)

SOURCE: AFP (Midday Trade)

News in Brief

Robi signs \$100m deal with Chinese bank

STAR BUSINESS REPORT

China Development Bank (CDB), the largest bank for international investment and financing in China, yesterday signed a \$100 million deal with Bangladesh's third largest mobile operator Robi and Chinese vendor Huawei.

WU Xinxing, chairman of CDB, Motiul Islam Nawshad, head of human resource and corporate affairs of Robi, and Tony Zhang Hui, CEO of Huawei, signed the deal at Sonargaon Hotel in Dhaka.

Under the terms of a memorandum of understanding, Robi will purchase telecom equipment from Huawei to expand its network and improve mobile services, says a press release. CDB has already provided loans worth \$260 million to telecom operators in Bangladesh.

The deal will strengthen economic and financial cooperation between the two countries, and promote significant development of infrastructure in Bangladesh. Government officials from both China and Bangladesh were also present.

Envoy Group halts production

STAR BUSINESS REPORT

Envoy Group yesterday suspended production in its three units, fearing a labour unrest.

The units of the export-oriented garment company are Manta Apparels, Envoy Fashion and Envoy Design, said Abdus Salam Mursedy, managing director of the group.

The possibility of production resumption depends on the restoration of the working environment, Mursedy said.

He said workers of those units had been demanding a hike in their salary at minimum Tk 5,000 at Jamgarh in Savar. They also wanted the resignation of the workers' representative from the minimum wage commission that was formed to review a wage structure in January, he added.

Mursedy said there was no vandalism at any factory but most of the 6,000 were absent from work.



Products of FARR Ceramics are on display. Ceramic tableware makers are up for expansion to keep up with growing demand on international markets.

Massive VAT reforms on cards

REJAUL KARIM BYRON

The government is set to undertake a massive reform programme to raise revenue income through value added taxes (VAT) next fiscal year.

The programme includes appointment of an outsourcing company under public private partnership, provision for special search, formation of special courts to try large tax evasion cases, lower the truncated base and tariff value and introduction of a digital tax system.

National Board of Revenue data shows there are 6.36 lakh VAT registered firms at present, of which only 15 percent or less than one lakh submit monthly VAT returns.

To detect the registered firms that do not submit monthly VAT returns and strike those off the list, the reforms have been proposed with a provision to appoint an outsourcing company.

This outsourcing company will have to establish offices in all functional VAT commissionates to scan VAT returns and perform data entry operations.

The outsourcing company will bring the tax-dodging firms under a regular VAT net. It can be appointed for a period of five years to do the job. By that time, NBR could develop its capacity for data entry and other related operations.

The VAT registration system will be processed through computers so that all relevant information, such as names of the taxpayers that submitted tax returns, the amount of taxes paid and the exemption received, could be known easily.

Under the existing manual system, it is not possible to get this information. The outsourcing company will help NBR in this regard.

Another major step under the NBR plan is phasing out of the existing tax payment system through treasury challans (receipts). Tax payment through credit or debit cards and certified crossed cheques will be introduced. An amendment to the law in this regard has been proposed in the budget for the next fiscal year.

In addition, an amendment was also proposed to try the cases of the large VAT dodgers in special judges' courts instead of magistrate courts. However, in filing such cases, prior permission of an NBR official, not below the rank of assistant commissioner, will be required.

The special judge will enjoy the power of further enquiry, attachment of property and seizure of assets. In case of a further enquiry, the special judge will give a deadline, not exceeding six months, to the investigation officer.

The amendment will enable the officer to unearth any VAT evasion case, as he will be empowered to instantly stop any vehicle, enter production unit and inspect and search the goods kept or loaded there in the interest of his probe.

Although a complete reform in this regard is not possible within the next financial year, some measures have already been taken to this end.

One major reform is lowering the truncated base of the items under VAT in phases. The 2010-11 budget proposed withdrawal of 11 service sectors, including advertising agencies, courier services and picnic and

shooting spots, from such truncated base. Consequently, the sectors will have to pay 15 percent VAT on gross sales from the next fiscal year. Currently, the sectors pay 1.5 to 9 percent tax on a reduced value instead of gross value.

At present, VAT is also imposed on different commodities. The number of such commodities has been proposed to bring down to about 100 in the proposed budget. The budget also proposed a rise in the tariff values of these commodities in line with the market value. These items include buses and trucks of different sizes, electric transformers, coal, biscuits, soybean oil and palm oil.

The NBR sources pointed to the fact that tax exemption every year is equivalent to 2.24 percent of GDP.

So, the officials said, the next budget has proposed to shorten the list of items seeking tax exemption.

From the next fiscal year, the regional offices of NBR that exceeds their targets will be awarded 10 percent of the extra collection as incentives. Every member of the staff will receive such incentives.

Ceramics makers on expansion mode

SAJJADUR RAHMAN

Ceramics makers are on an expansion drive to cash in on growing demand for exports.

Expansion apart, new factories are appearing on the scene, industry people said.

Shinepukur Ceramics, a concern of Beximco Group, is investing an additional Tk 80 crore to expand its bone china production capacity by 4.5 tonnes to 7.5 tonnes a day by year-end.

A new factory will be set up with the fund, said a top official of Shinepukur Ceramics.

"We are trying to grab a bigger share of the international market," said Rizvi-ul Kabir, chief operating officer of Shinepukur Ceramics.

The fund is being invested to make and export premium-quality bone china products, Kabir said.

Fast-growing FARR Ceramics has set aside an additional Tk 65 crore to expand its porcelain production capacity by 13 tonnes to 23 tonnes a year.

Iftekhar Uddin Farhad, chairman and managing director of FARR Ceramics, said the company is pumping up funds into modern technology and capacity expansion.

"We'll use raw materials in dry format instead of wet format to improve the quality of products," said Farhad.

After expansion, he said his company's export earning will reach nearly Tk 85 crore a year from present Tk 30 crore.

FARR Ceramics was set up in 2005 and started commercial production in 2007.

Ceramics is a fast growing industry in Bangladesh. The country enjoys a comparative advantage in manufacturing ceramic products, as it is a gas-based, labour intensive and skills-oriented business. Value addition of ceramics is 70 percent.

Traditionally, Japan, UK, Germany and other European countries dominated exports of ceramic products to the world markets. But a jump in production costs, including wages and currency appreciation, made ceramic manufacturing unfeasible for those nations.

According to industry people, Bangladesh has certain competitive advantages over its competitors an availability of gas, cheap labour and the generalised system of preferences (GSP) that allows Bangladesh's duty-free exports to Europe. There is no quota restriction either on the export.

Bangladesh exported ceramic tableware worth over \$33 million in fiscal 2008-09, of which over 80 percent was destined to Italy, UK, USA, Germany, France, Canada and Sweden.

"We are getting export orders from new countries, like Turkey, India, Argentina and Brazil," said Farhad of FARR Ceramics, a fully export-oriented factory.

The company's exports to India have crossed Tk 5 crore in 2009, he said.

Entrepreneurs are also coming up to set up new factories, he said.

Two new factories -- Protik in Savar and Paragon in Gazipur -- are being set up, he said.

Monno Ceramics, a leading maker of the item, has no plan to expand its capacity, as it cannot utilise its full capacity due to the gas crisis, said an official of the company.

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AB Bank to invest in Sri Lankan bank

SARWAR A CHOWDHURY

AB Bank shares cheered up in DSE's morning trade yesterday after the bank announced a plan to make equity investment in a new Islamic bank in Sri Lanka.

The bank in a posting on the Dhaka Stock Exchange website said it had received approval from Bangladesh Bank to make an investment of 15 percent in the equity of Amana Bank Limited.

Amana Bank is the first Islamic bank in Sri Lanka that has received licence from the Lankan central bank recently.

"We'll invest around 66 crore Lankan rupees (around Tk 45 crore) on the bank aiming to make our presence in Sri Lanka as part of our expanding the network in Asia," M Fazlur Rahman, additional managing director of AB Bank, said.

"Besides, if we have liaison with others in the region, we can be updated about the trade and business of the region," he said.

Moreover, Rahman said, the venture will not only help the bank to bring

AB BANK BY NUMBERS

Listed in

1983

Paid-up capital

Tk 256.40cr

Basic EPS in Q1

Tk 36.02

Diluted EPS in Q1

Tk 28.82

Current PE ratio

13.36

profit in the country but it will also help get ideas and know-how from the other regional institutions making their investment on the Sri Lankan bank.

Apart from AB Bank, the Islamic Development Bank, Bank Islam of Malaysia and Bank of Ceylon will also invest in the equity of Amana Bank, Rahman said.

The AB Bank, a first generation bank that listed on the stockmarket in 1983, has also presence in Bombay and Hong Kong. "We're also trying to take the Bangladeshi flag in other countries in the region," Rahman added.

In yesterday's morning trade of the premier bourse, the AB Bank shares rose as high as by Tk 50, or 4 percent. The shares however finished the day only 0.13 percent up, as the overall market fell after midday trading.

However the volume indicates the interest of the investors on AB Bank shares. On the DSE, a total of 7,66,545 AB Bank shares were traded.

The bank was the second turnover leader on the DSE with shares worth Tk 93.35 crore being traded.

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DSE turnover soars to all-time high

STAR BUSINESS REPORT

The single-day turnover on the premier bourse touched a new high of Tk 2,440 crore yesterday.

A buying and selling spree, especially in the banking, non-bank and power sectors, was the major reason for the record, market insiders said.

Except one company, the top 20 turnover leaders were from these three sectors. Titas Gas, the state-run energy company, topped the list.

Retailers were in a cheerful mood, as the government did not impose taxes on the income of individuals from share trade, as reported in newspapers before the budget, said a stockbroker.

However, the buying spree in morning trade and the selling spree in the afternoon session led the market to go down slightly.

The benchmark index of Dhaka Stock Exchange (DSE) -- DSE General Index -- declined 7.71 points, or 0.12 percent, to

6,324.97. "Many are booking profits, while others are speculating good returns in the days ahead," the investor added.

Advancers beat losers 133 to 110, with nine securities unchanged on the DSE.

More than 7.38 crore shares and mutual fund units changed hands on the trading floor.

Chittagong stocks posted a slight rise yesterday with the CSE Selective Categories Index gaining 46.85 points, or 0.39 percent, to reach 12,039.26.

Chittagong Stock Exchange traded more than 65.71 lakh shares and mutual fund units with a turnover of Tk 149.31 crore.

Of the traded issues, 91 advanced, 81 declined and 10 remained unchanged on the port city bourse.

Beximco Ltd topped the list of turnover leaders with more than 2.17 lakh shares worth Tk 7.21 crore being traded.

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