

Stocks	
DGEN	-3.19%
	6,200.21
CSCX	-2.98%
	11,903.84
IDLC Index	
IDLC 50	-3.77%
	6,397.90

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Nassa Group comes back on stream

REFAYET ULLAH MIRDHA

Production in two units of one of the leading apparel manufacturing groups resumes today after a three-day interruption due to labour violence, said a top official of Nassa Group. Production in one unit resumed yesterday.

Nassa announced the suspension of production in three units of Nassa Basic at Nishchintapur in Ashulia on Wednesday, when the unrest turned violent, said Managing Director of the Group Mohammad Abdullah.

The workers have complained of misbehaviour by mid-level officials in the last few months. During the demonstration, a group of workers beat some mid-level officials and vandalised the factories, he said.

The workers had demanded the firing of the offending middle managers. Abdullah said Nassa has changed them. "We have appointed new officials; still the workers are demonstrating," he said.

Nassa filed complaints with the Ashulia Police Station Friday, accusing at least 120 workers of beating its officials and vandalising the factories. The resumption of operations was a decision made prior to the violence.

The police have not arrested any worker. The Officer-in-Charge (OC) of Ashulia Police Station Sirajul Islam said no case was withdrawn regarding Nassa Group. "But at the same time, none was also arrested until now in connection with Nassa Group's case," Islam said.

A few months ago, the workers agitated demanding for payment of overtime along with the month's salary. Nassa was paying them the monthly salary on the 10th and overtime after 20th of the month.

Nassa had already introduced the system of paying both salary and overtime money at a time before the violence, however, he said. He blamed outsiders for instigating the 6,000 workers.

Recently one of the five partners of Nassa left the leading garment-maker blaming an ownership dispute. Nassa started operations in the mid-1980s. It now has 33 units, 30,000 workers, and is worth Tk 2,000 crore.

Nassa growth has been accelerating. The group exported garments worth around \$275 million in 2009 and expects to reach \$300 million this year. In 2007, exports were around \$225 million, up from \$210 million in 2006.

K-mart, Wal-Mart, GAP, Sears, JC Penny and Woolrich and Metro are the major buyers of its shirts, blouses, shorts, pants, jackets, jumpers, rompers, swim shorts, pajama sets and hunting wear.

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Stocks in tailspin

Benchmark index dives by more than 3pc

STAR BUSINESS REPORT

Dhaka stocks yesterday suffered the biggest drop in a decade, mainly because of the regulators' market-cooling tightening of credit.

The regulator's move to cap single-client borrowing, and the central bank's show-cause notice to seven banks -- for not adjusting their overexposure to the capital markets -- prompted a panic sale in the secondary market, stockbrokers said.

The benchmark index of Dhaka Stock Exchange -- DSE General Index -- nosedived 204 points, or 3.19 percent, to 6,200.

The benchmark index of Chittagong Stock Exchange -- CSE Selective Categories Index -- also plummeted by 366.47 points, or 2.98 percent, to 11,903.84.

The DSE's was the steepest drop since the 1996 crash, when the market bubbled and then burst. On November 5 of 1996, the index rose to 3,649 points from 957 points on July 2 of 1996.

But the market started plummeting from November 6 of the same year with the index shaving 233 points on the day. The index went down by some 600 points to 3,065 points on November 30, and the decline continued to May of 1999.

The stockbrokers blamed the regulators' intervention in controlling the credit flow into the market.

"Securities regulator's and the central bank's move pulled the market down," said Md Shakil Rizvi, managing director of Shakil Rizvi Stock Ltd, a brokerage house.

However, he said, the market should not panic over the latest measures. "The banks' exposure to the stockmarket will be less than 10 percent of their total market capitalisation," explained Rizvi, also president of the DSE.

He also said they may sit with the Securities and Exchange Commission (SEC) to discuss its latest regulatory measures, which are eroding the investors' confidence.

The SEC stepped in at least four times in the last two months to calm the market

through controlling the credit flow.

The latest measure -- capping credit exposure to a single-client borrower at Tk 10 crore for merchant banks and Tk 5 crore for the stockbrokers -- came into effect yesterday.

Prior to that, the SEC also tightened the credit facilities by reducing the loan margin ratio to 1:1 from 1:1.5, and slashing the price-earnings (PE) ratio for marginable securities to 40PE from 50PE.

Last week, Bangladesh Bank (BB) served notice on seven banks for not complying with its directive on adjusting their overexposure to the stockmarket. Earlier, BB also asked all commercial banks not to invest more than 10 percent of their liabilities in the stockmarket, and to adjust their exposure by August.

Yesterday's shock, which reigned over the entire trading session, also prompted the SEC to increase single-client borrowing to Tk 10 crore from Tk 5 crore for the stockbrokers.

The SEC also extended the deadline to September 30 from August 31 this year for adjusting the margin loan for those clients whose credit exposure is over Tk 10 crore.

Most investors came to know about the latest move after the trading session.

Panicked by the cooling measures of the SEC, many rushed to sell shares, even at huge losses.

"I incurred Tk 6 crore losses today [yesterday], as I had to start selling to adjust my portfolio in line with the SEC directive on single-client exposure," said Md Sabuj Mia, an investor.

"Now I heard of an increase in single-client exposure and expansion in the deadline for adjustment. Who will take the responsibility for my losses?"

The premier bourse's four major sectors -- banking, non-bank financial institutions, fuel and power, and engineering -- contributed heavily to the dip in the market.

All sectors, except mutual funds, closed lower, as selling pressure dominated the board.

Foreign drug-makers rush for slow patents

JASIM UDDIN KHAN

Multinational pharmaceutical companies operating in Bangladesh continue to apply for patents on products even though the government long ago suspended the issue of new patents until 2016.

Foreign telephone and electronics companies are also applying for patents on their technologies.

Officials of the Department of Patents, Designs and Trademarks (DPDT) said more than 60 percent of the applications received for patents by the DPDT are from multinational pharmaceutical companies.

Telenor, Ericsson, Nokia and other leading technology companies also applied for patents for their innovations.

Local drug producers know that after the expiry of a waiver -- allowed to the least developed countries (LDCs) under a WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) -- the companies will be allowed to charge royalties and/or bar copying of their products.

DPDT officials said that local and foreign companies submitted 204 patent applications in the first six months of 2010; of these, 117 were from multinational pharmaceutical companies.

The ratios were similar in recent years. Multinational pharmaceutical companies submitted 143 applications out of 330 cases in 2009, and 178 out of 338 the year before.

Enamul Haque, registrar of DPDT, said they are keeping the applications in the department mailboxes for due evaluation after expiry of the waiver.

Abdul Muktedir, secretary general of Bangladesh Association of Pharmaceutical Industries, said the multinational

companies would like to see the local industries barred.

"They will try to create barriers so that their products cannot be copied by others eventually. They would like to see our activities suspended at any cost," he added.

MA Kalam, who belongs to the same association, said the multinational companies do not care about the poor. "Prices of popular life-saving drugs would increase manifold if the multinational companies start charging royalties," said the chairman of Chemico Laboratories. "This will put pressure on the poor patients of the least developed countries."

A senior official of a leading multinational pharmaceutical company who requested that he not be named said the patents ensure standards. "Bangladesh will be benefited in terms of strength of the sector if patent registration continues. Other countries will evaluate the situation that Bangladesh has a strong base of patent regime and its products carry specific standards."

Patent registration for pharmaceutical products was suspended in Bangladesh in January of 2008. A circular issued then by the DPDT said all applications for patents on medicines and agricultural chemicals will remain suspended until 2016, in line with the TRIPS agreement of World Trade Organisation (WTO).

A patent is an exclusive right for an invention, a product or a process that provides a new way of doing something or offers a new technical solution to a problem. A patent, if approved, provides 16 years of rights starting from the date the application was filed.

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Kanghyun Lee, managing director of Samsung Electronics Dhaka branch, poses with the company's latest smartphone at its launch at Dhaka Sheraton Hotel yesterday. Samsung launched two cellphones: Samsung Galaxy S (Tk 46,900) and Samsung Wave (Tk 32,500). Read the story on B3

Investment drop alarms MCCI

STAR BUSINESS REPORT

A leading chamber yesterday expressed concern over the bleak investment scenario.

The Metropolitan Chamber of Commerce and Industry (MCCI) said there are some signs of improvement, but the actual increase in investment would depend on how effectively the government addresses the power and energy crises.

"The acceleration of growth would depend upon the success in raising investment, especially in the private sector," said the MCCI in its review on economic situation for April-June 2010 (Q4 of FY10).

The chamber said raising public investment through improved implementation of annual development programme and success in rapidly

institutionalising the public-private partnership efforts in the infrastructure sector will be important to crowd-in private investment.

It stressed quick and innovative actions in economic management to improve implementation capacity, raise the level of economic activity, and make progress towards realising the social goals, including the poverty reduction targets.

The government should keep inflationary pressure under control through judicious coordination of fiscal and monetary policies, said the MCCI.

The recovery from the slow growth in the previous quarters enabled the economy to achieve a 6 percent growth during fiscal 2010, surpassing the 5.74 percent growth in the previous fiscal year.

Exports recovered from a negative

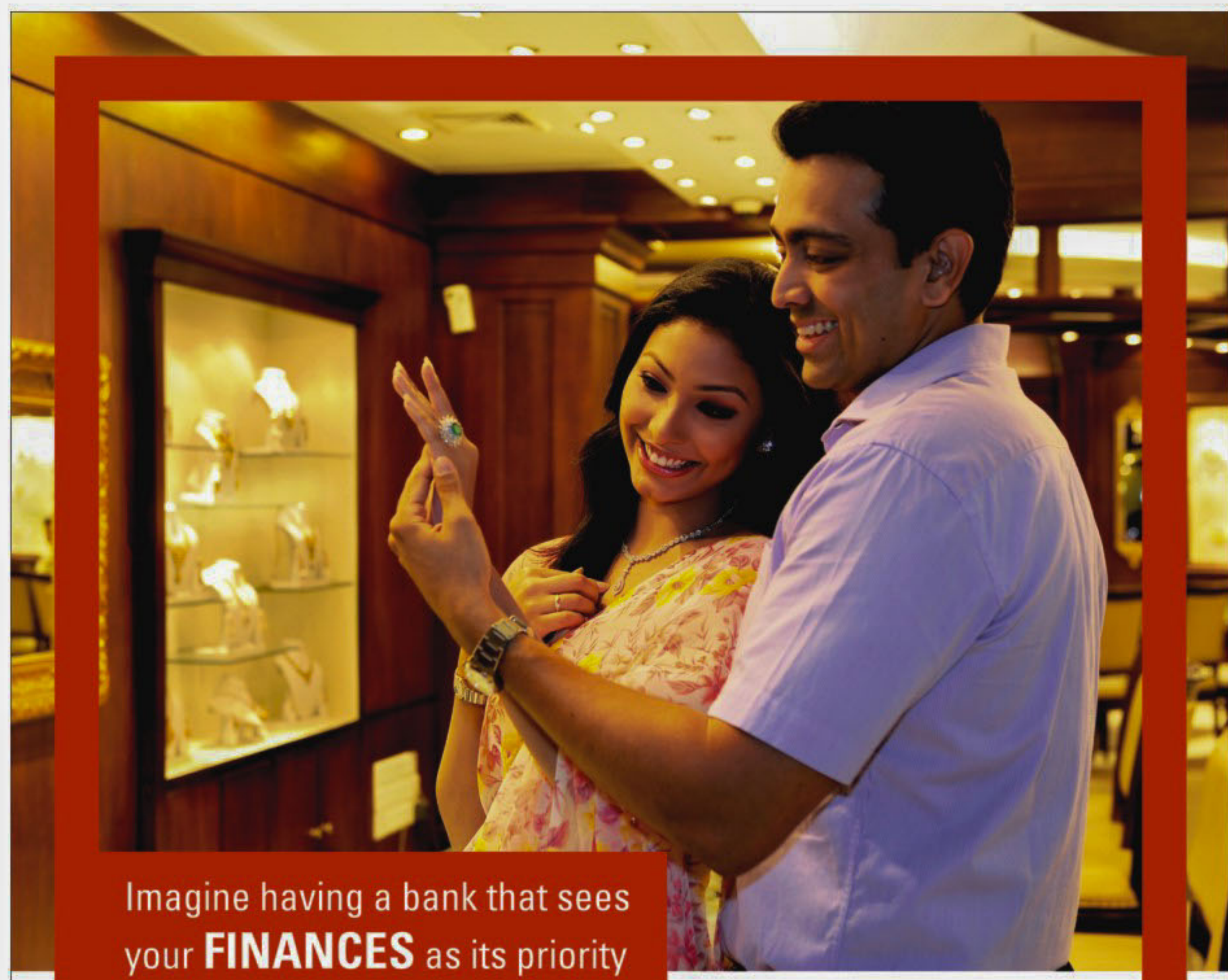
growth in the second and third quarters, recording a 2.4 percent growth in the eleven months of the fiscal year till May 2010.

The review also said revenue collection, inflows of remittances and growth in industrial and services sectors also rose in the April-June period, compared to the previous quarter.

The chamber said the supportive conditions in the Bangladesh Bank's latest monetary policy were intended to facilitate the recovery of exports and attract new investments.

Crop production is expected to exceed the fiscal 2008-09 output, although it may fall short of the FY10 target, said the chamber.

The target for food grains production for FY10 was set at 35.05 million tonnes, 9 percent higher than the actual total production.



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BGMEA seeks opinions over worker wage

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) held an extraordinary general meeting (EGM) with factory owners yesterday to seek opinions about the new pay structure for workers.

The minimum monthly salary of the garment workers may be fixed at Tk 2,562.50, said a member of the board.