Star Business

DHAKA MONDAY AUGUST 9, 2010

Stocks

DGEN	▲ 0.39%	6,601.77
CSCX	▲ 1.36%	12,646.45

IDLC Index

IDLC 50	▼ 0.21%	6,722.29

Subject to Conditions contained in www.Idlc.com

Currencies

	Buy Tk	Sell Tk
USD	68.77	69.77
EUR	89.32	94.94
GBP	107.63	113.52
JPY	0.79	0.85

SOURCE: STANDARD CHARTERED BANK

AMRAN HOSSAIN

Workers carry goods out of a warehouse of Trading Corporation of Bangladesh at Tejgaon in Dhaka. Commerce Minister Faruk Khan yesterday inaugurated the state-run company's distribution of 'fair-priced' commodities to 1,819 dealers from 12 points across the country ahead of Ramadan.

Top companies wrestle energy crisis to ground

SAJJADUR RAHMAN

Top industrialists have decided to use a four-pronged strategy -- involving furnace oil, lower bank-lending rates, lower margin and strict cost controls -- to offset the losses amid the crisis in natural gas supplies.

Industrial conglomerates such as Abul Khair, PHP, Nasir, Akij and Jamil groups took the decision to keep their business units afloat.

"We sat at a meeting four months ago to discuss how to run our business in the face of the energy crisis," said Nasiruddin Biswas, chairman of Nasir Group that has business from tobacco manufacturing to float glass and energy saving bulbs.

"Some banks have already agreed to lend us at 9 percent to 9.5 percent instead of 12 percent," he said.

According to estimates, these five conglomerates have nearly $3 billion in their combined annual turnover.

The industrial sector is faced with a serious setback due to severe gas and electricity crises. Investments worth hundreds of crores of taka have been stuck because of no gas connection and a poor electricity supply. The business houses are experiencing increased demand from national and international buyers, but the energy crisis is blocking the potential, according to industrialists.

Some major factories have installed their own power generation units to overcome the electricity crisis, but this power costs three times more than the power companies'. And the use of furnace oil, an alternative to gas, would cost the industries five times more.

For the past several months, gas suppliers stopped new connections and the existing industries are not getting required gas due to low pressure.

The banks' relatively higher lending rates -- 11 percent to 14 percent -- for loans to industries also reduce the competitiveness of the local industries.

"We know that our profit margin will go down, but it is better to run the business units than sitting idle," said Nasiruddin Biswas.

He is happy to see that the banks have come forward to help the industries with a single digit interest rate.

A Tk 700 crore tube and glassware factory of Nasir Group cannot start production due to the gas crisis. The business has to count Tk 7 crore every month to the bank.

A top official of Dhaka Tobacco, owned by Akij Group, said some of their industries are in a very bad condition due to the gas crisis.

Akij has invested more than Tk 50 crore in a ceramics and tiles factory on Dhaka-Manikganj Road, but it is not getting a gas connection for months.

"We cannot sit idle with thousands of crores of taka in investment in different industries. We are trying to find alternatives to the energy crisis," said the official, requesting not to be named.

The chief executive officer of Mutual Trust Bank, however, said he could not slash the interest rate without a reduction in cost of fund that hovers between 9 percent and 10 percent.

"Deposit cost is still high up to 9.5 percent. If I don't give a good rate, I will lose deposits to other banks," said Anis A Khan.

But he supports the cause of the industrialists.

Khondkar Ibrahim Khaled, former deputy governor of the central bank, said the banks could consider the causes of the industries.

"A bit less profit can give the industries a boost," said Ibrahim Khaled.

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SEC body to jaw over margin-call rules

SARWAR A CHOWDHURY

The Consultative Committee of Securities and Exchange Commission (SEC) sits today to decide whether to relax a strict valuation policy on the portfolios of investors who trade on margin.

Merchant bankers say the policy, put in place four months ago, pushes too many investors to either sell off their holdings on the day after stock prices drop if these were purchased using margin loans, or else to immediately put up more cash as collateral.

The sales, also known in the market as "trigger sales," calculate percentage of debt an investor can have to maintain his or her margin requirement with his or her broker.

Most of the stocks in the Bangladesh's market trade at multiples of net asset value (NAV. The margin calculation based on NAV asks a broker providing credit to determine value of a stock portfolio by adding the market value to NAV and dividing the sum by two.

Computation of the portfolio's value is necessary to check the balance between the loan and its equity value by comparing the unpaid share values with those that are fully paid for. The credit-providing brokers must then ensure the margin-loan maintenance of each client.

The leverage rules allow investors to buy more than they can afford. For example, a trader asks his broker to buy a share of a company at Tk 200, using Tk 100 as his own money and Tk 100 as margin loan.

If the company's NAV is Tk 80, and the value of the stock is unchanged on the next day, the trader will be in the danger zone that will cause a trigger sale.

The broker must calculate the market value to maintain the margin requirement not at Tk 200, but at Tk 140 [(Tk 200 + Tk 80)/2]. The equity of the client now stands at Tk 40, showing a margin ratio of 40 percent [Tk 140 - margin loan Tk 100 = Tk 40].

"We request the commission to abolish the NAV-based valuation policy altogether," read a letter of the merchant bankers that was submitted to the SEC in May this year.

The SEC referred the issue to the consultative committee, which has representatives from Bangladesh Bank, Dhaka Stock Exchange, Chittagong Stock Exchange, Bangladesh Association of Publicly Listed Companies, Institute of Chartered Accountants of Bangladesh, Bangladesh Merchant Bankers' Association and the SEC.

The committee advises the SEC on capital market regulation, but the SEC can accept or ignore the advice as it sees fit.

The committee will also discuss a proposed amendment to capital issue rules.

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New local boss for Ericsson

STAR BUSINESS DESK

Ericsson, the dominant provider of telecom technology used in Bangladesh, has appointed Per-Henrik Nielsen as managing director of its operations here, according to a company statement yesterday.

Nielsen, a postgraduate in engineering who studied export engineering, international marketing and economics from Copenhagen University College of Engineering in Denmark, has 15 years of industry experience, after roles in Europe and South America.

He was formerly the vice president of consulting, systems integration and multimedia for an Ericsson unit based in Argentina, a position he held for three years.

"We have an innovative and experienced team here, and I believe we will be able to play a very constructive role in developing the essential telecommunications infrastructure in Bangladesh," said Nielsen.

He succeeds Håkan Rusch at the nation's branch of the global provider of technology and services to telecom operators.

Non-economic constraints threaten RMG sector: EU

BSS, *Dhaka*

The European Union (EU) has identified some non-economic constraints as prime challenges to sustainable growth of the country's apparels sector.

The EU in its quarterly bulletin, published in July, pinpointed on labour and political unrests as major hurdles, which need to be addressed.

The EU also raises concern over the stiff competition from other countries in the region and cautioned about power crisis, but marked the non-economic issues as the major challenges.

"The country has shown remarkable resilience in the past and is likely to overcome its current difficulties if there are no other non-economic constraints such as labour unrest, political turmoil or disruption to shipping," the bulletin said.

Cox's Bazar to get another luxury hotel

STAR BUSINESS REPORT

Fort Hotels Group is developing a 720-room five-star hotel in Cox's Bazar, and the 15-floor luxury hotel will open for visitors in 2014, its officials said.

Initially, the company plans to invest $40 million to build the hotel, Best Western Premier Fort Marino Hotel, at Kolatoli.

US-based Best Western, a leading hotel company operating under a single brand name, is partnering the venture as the management operator.

Best Western Premier and Fort Hotels Group signed an agreement yesterday at Dhaka Sheraton Hotel.

"The number of local and foreign tourists is increasing fast in Cox's Bazar, which creates a demand for better accommodation and services. This scenario makes us take initiative to develop the biggest five-star hotel of the country there," said Sayeed Parvez Reza Latif, managing director of Fort Marino Hotel.

He said the number of tourists will increase further once the proposed airport and a railway connection from Chittagong to Cox's Bazar is established.

"We have started the construction in July and are optimistic about completing it by 2012. After that it will take one and a half years to add other amenities to make it an international standard hotel," said Latif, also the architect of the hotel.

He said the hotel would be developed using state-of-the-art technology and 'green architecture' so the establishment becomes eco-friendly and carbon-neutral.

Initially, local corporate executives and family tourists, and foreign travellers are the main target group of the hotel.

Latif also said his company plans to open three more five-star hotels in Dhaka, Chittagong and Rangamati in the next five years.

"The partnership between Best Western International and Fort Hotels Group will position the new hotel as the largest international hotel in Cox's Bazar," said Glenn de Souza, vice president of Best Western International.

"Best Western's strong sales and marketing network and distribution channel will be instrumental in bringing international guests to the destination and boost the country's tourism sector," added Souza.

Civil Aviation and Tourism Minister GM Quader launched the project at the agreement signing ceremony.

Sandra J Ingram, acting deputy chief of US Embassy in Dhaka, and Mohammad Liaquat Ali, executive member of Board of Investment, were also present.

Laws to check financial crimes to see more changes

STAR BUSINESS REPORT

The government will amend again the anti-money laundering act and terror financing act to meet the obligations of Financial Action Task Force (FATF) that sets world standards for preventing such crimes.

A meeting with Finance Minister AMA Muhith in the chair yesterday formed a working group to scrutinise the draft of the amendments to the two laws. A joint secretary of the finance ministry will head the working group.

Bangladesh Bank and the home ministry have separately formulated drafts for the amendments.

Bangladesh will face problems in international transactions if the country fails to formulate an action plan by October to adopt the global standards in its fight against money laundering and terror financing, according to a finance ministry report.

The report was placed at yesterday's meeting at the finance ministry conference room.

The FATF has set October as the deadline for Bangladesh, and if the government fails to meet the deadline, it will take action.

The prime minister's principal secretary, the attorney general, the central bank governor, and secretaries of the ministries concerned were present at the meeting.