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MUMBAI ▲ 0.36%
20,117.38

TOKYO ▲ 1.39%
9,603.14

SINGAPORE ▲ 0.67%
3,113.46

SHANGHAI ▲ 1.41%
2,627.97

Currencies

Buy Tk Sell Tk

USD 69.15 70.15

EUR 91.40 95.90

GBP 107.67 112.56

JPY 0.80 0.87

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲
\$1,300
(per ounce)

Oil ▲
\$76.60
(per barrel)

SOURCE: AFP (Midday Trade)

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Exporters to get more cheap money

SAJJADUR RAHMAN

Bangladesh Bank will put another \$100 million into the Export Development Fund (EDF) amid rising demand from exporters who use it to finance purchases of foreign input once an export contract is signed.

Since 1989, the EDF has helped manufacturers of goods for export markets with financing in foreign exchange to pay for foreign raw materials, such as cotton. It now holds about \$300 million.

"Demand is picking up and the fund has been exhausted," said BB Governor Atiur Rahman. "So we will increase the fund probably by another \$100 million soon."

Exporters pay the fund back with about a 3.5 percent interest rate, much lower than the commercial borrowing cost of 12 percent. The actual rate is the London Interbank Offered Rate (LIBOR) -- now less than 1 percent -- plus 2.5 percent. So, a borrower costs less than 3.5 percent for EDF.

BB doubled the fund to \$300 million in December last to help exporters withstand the global recession. In October of 2007, the fund was raised to \$150 million from \$100 million.

But it remained unutilised for long. "Recently, demand has gained momentum, particularly from the apparel exporters," said a BB official with the Forex Reserve and Treasury Management Department.

Exporters hailed the move and



Workers are seen at a garment factory. Bangladesh Bank will increase a fund for exporters by \$100 million. The fund helps manufacturers of goods for export markets with financing in foreign exchange to pay for raw materials.

hope the fund rises gradually to \$1 billion.

"The fund benefits us hugely by making our prices competitive in the international markets," said Mizanur Rahman, chairman of Meghna Group of Industries, which manufactures bicycle for export.

Meghna exported \$30 million worth of bicycles in the first nine months of 2010, taking nearly \$10 million from the EDF. "The fund

works better than the cash incentives," Rahman said.

Anwar-ul-Alam Chowdhury Parvez, former president of Bangladesh Garment Manufacturers and Exporters Association, said the fund should be raised further to help exporters become even more competitive. He said the EDF is easy because it is given against export contracts.

Authorised dealer banks can

borrow US dollars from the EDF against their foreign currency loans. The banks may co-finance with the EDF from their respective non-resident foreign currency deposit (NFCD) accounts, but not with more than 50 percent of the account balance.

A total of 29 commercial banks use the EDF.

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Court stays SEC's directive on share credit

STAR BUSINESS REPORT

The High Court (HC) yesterday stayed the stockmarket regulator's directive on share credit and 'trigger sale' for three months.

The stay order means merchant banks and stockbrokers will not have to follow the net asset value (NAV) calculation in providing and maintaining margin loans -- for now.

An HC bench also issued a rule upon the government and the Securities and Exchange Commission (SEC) to explain within four weeks why they should not be directed to take steps to create an investment-friendly environment to keep the stockmarket stable.

The government and the regulator will also explain why the SEC directives will not be declared illegal.

The bench of Justice Mamnoon Rahman and Justice Syeda Afsar Jahan passed the order and rule following a writ petition jointly filed by two investors -- Morshadur Rahman and Shahnewaj Jewel.

Chairman of the SEC, presidents of Dhaka and Chittagong stock exchanges, and the secretary to the finance ministry were made respondents to the rule.

Barrister Sheikh Fazle Noor Taposh and Barrister Abul Kalam Azad appeared for the petitioners.

Recently, the SEC directed the merchant banks and stockbrokers to follow a NAV-based calculation for credit disbursement as well as loan maintenance.

The SEC in the directive instructed the merchant bankers and stockbroker to consider diluted earnings per share (EPS) on income from continuing core operations to calculate the price earnings (PE) ratio to disburse share credit. If diluted EPS is not available, basic EPS can be considered.

The Dhaka Stock Exchange will calculate margin maintenance figure based on NAV of the listed securities as per last available annual or audited or un-audited financial statements and closing price of the last trading day of the week. The bourse will then disclose the margin maintenance figure on the DSE website at the end of each week, which will be effective the following week.

Asset revaluation surplus, if there is any, will not be considered in computation of NAV of a company.

In case of mutual funds, the DSE will calculate margin maintenance figure based on the latest disclosed NAV at market price of the mutual funds and the closing price of the relevant fund at the end of the week.

For adjustment of the existing loans, the SEC also set September 30 as deadline, meaning the investors have to either sell off their holdings to adjust the margin loans, or have to put up more cash as collateral. The two are known in the market as "trigger sale" or "margin call".

Although the petitioners moved on Sunday, they could not complete the process due to shortage of time.

However, the media news on the petition pushed up the stocks, as investors speculated that the petition would be filed yesterday meaning no NAV-based margin or adjustment would be applicable, if the court stayed the SEC order.

The benchmark index of the premier bourse -- DSE General Index -- rose 67 points, or 0.97 percent, to 7,026. It is also the highest ever level for the index.

The key index of the Chittagong Stock Exchange, CSE Selective Categories Index, also advanced 110 points, or 0.84 percent, to 13,232.

Advancers beat losers on both bourses -- 157 to 92 with four securities remaining unchanged on the DSE and 125 to 67 with six remaining unchanged on the CSE.

Jewellers fear sales drop

Global gold price hits record

SAYEDA AKTER

Jewellers in Bangladesh are bracing for a slump in sales as gold prices rose to a new high on the international market.

Gold powered to a record high of \$1,300 an ounce on the international market yesterday, with investors pouring more cash into the market, unnerved by global economic health worries.

In Bangladesh, the price of 22-carat gold per bhori (11.66 grams), which is most popular among users, rose to Tk 38,958 yesterday from Tk 38,000 last week.

But local sales of diamond jewellery doubled in the last two years, due to an increase in gold jewellery prices, said industry insiders.

The price of 22-carat gold was Tk 10,614 per bhori in 2003. Buyers prefer 22-carat gold for its purity, as it is 96 percent pure gold. The price of 21-carat gold currently stands at Tk 37,208 per bhori on the local market.

Industry insiders said the sales of gold jewellery slumped more than 50 percent in the last three years, as demand for ornaments declined in line with soaring prices of the precious metal.

"The recent rise of gold prices in the international market will increase prices on the local market as well. And this will reduce consumption, which is alarming for the local ornament makers," said Anwar Hossain, president of Bangladesh Jewellery Manufacturers and Exporters Association.

"Except for weddings, a majority of the people are no longer buying gold ornaments. Jewellers were forced to increase the price of their products to adjust with international prices," said Hossain, adding that people are now spending the least on jewellery.

The annual demand for gold jewellery declined to 10-12 tonnes in 2010 from 45-50 tonnes in 2004, according to the association's data. The annual market for gold jewellery is worth around Tk 3,500 crore.

Recycled gold jewellery is the main source for the bullion traders to make new jewellery. The manufacturers also buy gold from migrant workers and other travellers, who are allowed to bring in 200 grams of gold on every visit to Bangladesh.

Local goldsmiths buy gold from travellers and migrant workers, mainly from the Middle East.



An employee of Tanaka Kikinzoku Jewellery displays a pure gold rabbit statue -- 17.5cm in height and 200g in weight -- with a price of \$18,800 at the company's Ginza shop in Tokyo yesterday. Gold prices shot above \$1,300 for the first time.

While they are struggling to survive amid declining demand for gold items, demand for alternatives, such as diamond and gold-plated jewellery, is growing.

Industry insiders said the sale of diamond jewellery increased manifold in the last few years in Bangladesh.

"The demand for diamond jewellery is rising very fast because prices are more tolerable than gold ornaments," said MA Wadud Khan, president of Bangladesh Jewellers' Samity.

The value of sales doubled to more than about Tk 200 crore in 2009 than last year.

In addition, many people are buying gold-plated ornaments these days. Gold plating is a method of depositing a thin layer of gold onto the surface of another metal, mostly silver.

Even though the sale of gold jewellery is dwindling, it will not be cut completely, said jewellers. The demand for gold has not faded in the local market as this precious yellow metal is used in different industrial sector.

Gold is used as a good conductor in many electronic items, such as mobile phones and computer keyboards, said Hossain.

"So the demand and sale of gold would not reduce completely."

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Arvind to set up denim plant in Bangladesh

STAR BUSINESS REPORT

Indian textile maker Arvind will set up a denim manufacturing plant in Bangladesh with an investment of \$66 million over three years, officials in Bangladesh said yesterday.

The Indian company has signed an agreement with the local Nitel Group in Dhaka on Sunday to invest in Comilla Export Processing Zone for producing exportable denim fabrics and denim trousers, said Nitel Chairman Abdul Matlub Ahmad.

He said the investment would be made in three phases in three years.

"Nitel Group will hold 20 percent of the stakes and Arvind the rest. I am hopeful that the formal operations of the company will begin within a year," Ahmad said.

He said more than 3,000 workers would be employed in the factory.

"We demanded 40,000 square metres of land in the CEPZ from the government. We, however, need more land for setting up the factory," Ahmad added.

He said this was the first investment in

textiles by the local industrial conglomerate. "Nitel Group is in talks with more Indian companies," he said.

Ahmad, also the president of India-Bangladesh Chamber of Commerce and Industry, said the present venture is expected to produce 13 million metres of fabric a month with a growth of 12 percent.

Cheap labour, lower production cost and a burgeoning fabric market are among the factors why India wants to invest in Bangladesh, he said.

"Since we are already exporting 36 million metres of denim to Bangladesh annually, we have a ready market available and hence the proposed plant shall be profitable from day one," news agency Reuters quoted Arvind's Chief Financial Officer Jayesh Shah as saying.

Moyzuddin Ahmed, a member of Bangladesh Export Processing Zones Authority, and Aamir Akhtar, chief executive officer of Denim Fabrics of Arvind Textile Mills Ltd, signed a memorandum of understanding in Dhaka.

Committee formed to control yarn prices

UNB, Dhaka

Three trade bodies yesterday formed a nine-member committee to control yarn prices.

The committee comprises three members each from the Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association and Bangladesh Textile Mills Association (BTMA).

The decision was taken at a tripartite meeting at the BTMA office in Dhaka.

The meeting also decided that the BTMA will take necessary steps to keep yarn price in control. The committee will take measures to address other demands on the issue.

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