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Stocks	
DGEN	▲ 0.30% 8,354.84
CSCX	▲ 0.38% 15,192.53

Asian Markets	
MUMBAI	▲ 0.55% 19,799.19
TOKYO	▲ 0.22% 10,316.77
SINGAPORE	▼ 0.17% 3,176.91
SHANGHAI	▲ 0.15% 2,927.08

Currencies		
	Buy Tk	Sell Tk
USD	70.05	71.05
EUR	92.01	97.10
GBP	109.37	114.51
JPY	0.82	0.88

SOURCE: STANDARD CHARTERED BANK

## New chief for MCCI



Amjad Khan Chowdhury

STAR BUSINESS DESK

Amjad Khan Chowdhury, managing director of PRAN-RFL Group of Companies, has been elected the president of Metropolitan Chamber of Commerce and Industry, Dhaka, says a statement.

The election was made at the first meeting of the chamber's new committee in the capital yesterday.

Chowdhury has investments in many sectors, including light engineering, milk products and agro processing products.

The chamber also elected Nihad Kabir as vice president. A senior partner of Syed Ishtiaq Ahmed & Associates, she is also a director of BRAC Bank and Infrastructure Development Company Ltd.

## Banks pinched for overnight cash

SAJJADUR RAHMAN

The interest rate at which banks lend money to one another shot up 60 percent yesterday, following a rise in the cash reserve requirement (CRR), according to top bankers, and squeezed the stockmarket.

The high "call money" rate, or overnight rate, affected stockmarket transactions despite a doubling of the ratio of share credit -- which was an effort to increase liquidity in the market.

The Tk 1,557 crore of bourse transactions yesterday was 11 percent lower than the previous day's turnover.

"Though the regulator raised the margin loan ratio by 50 percent to 1:1 ratio, the liquidity did not increase in the market, as the financial institutions themselves are suffering from low liquidity due to the high call money rate," LankaBangla Securities said in its daily stock market analysis.

Anis A Khan, managing director of Mutual Trust Bank, said banks' margins may go down this year due to the higher cost of overnight funds.

The reasons for the spike in the inter-bank call money rate, according to treasury bankers, include the recent auction of treasury bills, a surge in LC (letters of credit) payments, and the central bank's discontinuation of "repo" lending to the commercial banks.

The inter-bank rate will rise by 50 basis points today, according to a central bank decision last week. The bankers with decades of experience say they cannot remember cost of money in the overnight market at the present rate.

"The CRR rate hike will mop up additional Tk 3,000 crore from the market, which will push the banks into liquidity crunch," said a senior treasury official of a private commercial bank.

Auctions of treasury bills in October and November also took away Tk 3,200 crore from the market, he said. These treasury bills require a few months to mature.

A recent rise in payments for imports of petroleum, wheat, fertiliser and rice made the money market more volatile and created a shortage of US dollars, according to the bankers.

"Payment for imports went up significantly," said a treasury official of a third-

generation private commercial bank. He said the amount is much higher for a bigger bank. "We are paying on an average \$50 million a month against import bills."

The inter-bank call money market often gets volatile during Eid ul-Fitr and Eid ul-Azha, when people withdraw spending money from the commercial banks.

Banks try to attract individual depositors' savings, to make up the gap. The rate was between 10 percent and 12 percent during this year's Eids, and has since hit up to 13 percent.

The bankers blamed the rate hike on the Bangladesh Bank (BB). The central bank increased the CRR to 6 percent in a bid to tighten liquidity flows in the vola-

### REASONS FOR A DRAMATIC RISE IN CALL MONEY RATE

- BB raises Tk 3,200 crore from the market through treasury bills
- A hike in cash reserve requirement by 50 basis points will mop up Tk 3,000 crore
- Rise in import payments for petroleum, fertiliser, wheat and rice
- Decrease in inward remittances
- BB's silence on repo
- Outflow of depositors' money to stockmarket



tile capital markets. In May, the central bank hiked the CRR to 5.5 percent from 5 percent.

The treasury officials blamed the BB's non-intervention in the CRR and its "no to repo" for the pressure in the overnight money market.

"BB is neither intervening nor giving us money through repo," said a deputy managing director of a private commercial bank, requesting anonymity. He said his bank is offering up to 12 percent interest rate for deposits.

"Certainly, lending rate will also go up; and already it has happened with retail banking," he said.

Khan of Mutual Trust Bank also noted a hike in the deposit rate: "The deposit rate now went up to double digits from a single digit in my bank in the wake of the liquidity shortage."

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Nobel laureate Muhammad Yunus, left, talks to Prime Minister of Malaysia Najib Tun Abdul Razak, right, and Saudi Prince Turki Bin Talal, middle, at a function in Kuala Lumpur recently. Dr Yunus was invited by Prince Talal Bin Abdul Aziz Al Saud of Saudi Arabia to be the chief guest at the award giving ceremony of Arab Gulf Fund for Development in the Malaysian capital. The \$500 million fund supports human development efforts such as combating poverty and improving education and health standards.

YUNUS CENTRE

## Food processors in double bind

SOHEL PARVEZ

Makers of munchies feel the pinch of the rising prices of their ingredients but say they are hesitant to pass on the costs to consumers.

They said the spike in prices of sugar, edible oil and wheat, which are used to make snacks and beverages, is affecting their profitability. Some are looking to reduce factory and distribution costs, as well as cut promotional offers to retailers.

"Our production costs have increased because of the rise in prices of different raw materials," said Kamruzzaman Kamal, director in charge of marketing of Pran-RFL Group.

Pran, the leading processor of snacks in the domestic market, depends on sugar to make fruit-flavoured drinks, candy and biscuits. It uses edible oil to make traditional snacks like chanachur and chips.

The prices of these commodities -- edible oil, sugar and flour -- began rising mid-year, as the prices on the international market rose.

The ban on exports after a drought in Russia and floods in Pakistan triggered wheat prices to go up on the global market.

Soybean and palm oil prices also

rose on speculation of tight supply and a fall in output due to unfavourable weather. Sugar prices also soared as adverse weather affected crops.

"High prices are cutting down our margins," Kamal said, "but we are in a dilemma whether to transfer the burden to consumers, considering their sensitivity and affordability."

The annual average rate of inflation rose to 8.1 percent in September from 5.2 percent in the corresponding period of the previous year. Inflation on a monthly basis jumped to 7.6 percent from 4.6 percent in the same month a year ago.

"It's a price-sensitive market. If we increase the prices, our sales might drop because ours are not the basic commodities," said Kamal.

Carbonated beverage makers are also finding their profit dipping due to rising prices of raw materials.

NK Bhowmik, finance manager of Transcom Beverage Ltd, the franchisee of Pepsico in Bangladesh, said the company is yet to increase the prices of drinks although it is buying sugar at higher prices.

"If we increase the prices and our competitors do not, we may lose market share," Bhowmik said.

Nestlé Bangladesh Ltd, the market leader in noodles, raised the prices of

noodles on December 1 to reflect the increased prices of flour and palm oil.

The 62-gram pack of Maggi brand noodles is Tk 14 now, up from Tk 13 a year before, according to Shammil Rubayet Karim, marketing manager (culinary) of Nestlé Bangladesh.

"Although we have increased the prices, we had to sacrifice a portion of margins considering the sensitivity of the consumers," he said.

But Pran, which experienced a dip in sales during the 2007-08 food price spike, looks for options to trim costs. "We are trying to reduce costs for distribution and process loss at factory level," said Kamal of Pran.

At retail, flour, the main ingredient of biscuits, breads and chips, soared by 51 percent, to Tk 29-Tk 33 per kg, from a year ago.

Sugar, which traded at Tk 39-Tk 42 a kg in early June, is now Tk 52-Tk 54, up 5 percent from the previous year.

The price of edible oil used by households for cooking as well as for making chips and biscuits, rose on the domestic market. The soybean oil price increased by 21 percent to Tk 89-Tk 93 per kg and palm oil shot up by 43 percent to Tk 81-Tk 82 per kg.

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## National Bank's Tk 250cr bonds

STAR BUSINESS REPORT

National Bank Ltd has issued subordinated bonds worth Tk 250 crore to expand its investment in various sectors and consolidate its capital base in line with the Basel-II framework. This was disclosed at a ceremony at Sonargaon Hotel in Dhaka yesterday.

Standard Chartered Bank is the mandated lead arranger of the seven-year bonds, which will be amortised.

Twenty-one state-owned and private commercial banks are among the institutions that have subscribed to the bonds through private placement.

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