

CSCX  
7.75%  
7,135.02

▼ 6.32%  
13,295.99

Gold  
\$1,366.50  
(per ounce)

Oil  
\$88.34  
(per barrel)

MUMBAI  
▼ 2.44%  
19,691.81

TOKYO  
▲ 0.11%  
10,541.04

SINGAPORE  
▼ 0.56%  
3,261.35

SHANGHAI  
▲ 0.52%  
2,838.80

(Friday closings)

USD  
BUY TK 70.95  
SELL TK 71.00

EUR  
BUY TK 91.60  
SELL TK 91.71

GBP  
BUY TK 110.38  
SELL TK 110.49

JPY  
BUY TK 0.85  
SELL TK 0.85



# BUSINESS

DHAKA MONDAY JANUARY 10, 2011, e-mail: business@thedailystar.net

## Bangladesh Bank warns of shoddy multilevel marketing

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked people to be cautious while putting their money in multilevel-marketing companies in the hope of higher returns as they yield high risks.

In the name of multilevel marketing business, a number of companies are collecting money from people, promising unrealistic high returns. In some cases, 10 percent or more profit is offered, said the central bank in a statement.

"Through websites or small meetings of their representatives, the companies tempt people saying that this money is being deposited through purchase of gold abroad or foreign currency or is used in business transactions."

"Transfer and overseas investment of such funds without the central bank's approval is a punishable act," BB said.

It said transactions of many such companies are already suspended under the anti-money laundering law, and Anti-Corruption Commission (ACC) also filed cases against some.

These companies are operating across the country in different names. Companies whose accounts are suspended by the central bank or ACC soon start operating in other areas under different names, according to the statement.



Rapid Action Battalion officers stand guard against any vandalism in Motijheel after Dhaka stocks suffered a 600-point fall yesterday.

## Muhith goes tough on stock protests

STAR BUSINESS REPORT

Finance Minister AMA Muhith yesterday warned that the government will not put up with any vandalism and demonstration on the streets for a fall in prices on the stockmarket.

"The government will take punitive actions against those who will try to catch fish in the troubled waters," he said at a hurriedly-called press briefing at his residence in Dhaka.

The minister called the briefing to clear the government's position on the falling stockmarket.

The benchmark index of the Dhaka Stock Exchange, DSE General Index, plunged by 600 points, or 7.75 percent, to 7,135

yesterday.

"A correction was inevitable, and it happened now," Muhith said.

He said the investors do not make merry when they gain for higher prices. But, when the prices go down, they go for protest and vandalism, he added.

The newcomers should know first how to invest in the market, he said. "Since ours is a rising market, the regulators will intervene," he said.

The minister also said the recent Bangladesh Bank move to contain inflation was not responsible for such a fall. Regulatory intervention will continue until the market is demutualised, Muhith said.

The minister also blamed the liquidity dearth on Unipay2u, a 'gold trading company' that he said has taken hold of huge money from the stock investors with promises of high returns on their investment.

"The government will take punitive actions against the company," the minister said.

At the briefing, Bangladesh Bank Deputy Governor Ziaul Hasan Siddiqi said the central bank move to increase the cash reserve ratio (CRR) did not lead to any liquidity crisis in the market or the current volatile situation.

"Generally, we sell Tk 6,000 crore in the money market every day. But today [Sunday] we sold Tk 7,000 crore through different

banks," Siddiqi said. The crisis is not due to a tight monetary policy, he said.

Economic Affairs Adviser to Prime Minister Mashiur Rahman, Secretary of Bank and Financial Division of the finance ministry Shafiqur Rahman Patwary, Securities and Exchange Commission Chairman Ziaul Haque Khandaker and BB Deputy Governor Nazrul Huda were also present at the briefing.

As the market remains volatile, additional police and members of Rapid Action Battalion were deployed in front of the DSE building to avoid any untoward incident. Police detained a trader, Mamun, in front of the building.

## Tax rules fuel shadow economy: TIB

STAR BUSINESS REPORT

Complex regulations and inefficiency of tax collectors are fuelling the shadow economy, according to a Transparency International Bangladesh (TIB) study released yesterday.

The study conducted in two methods found dissimilar figures on the size of the shadow or black economy.

According to currency demand approach, the size of the shadow economy in Bangladesh averaged 10.1 percent of GDP during 1975-2008. The highest peak was at the end of the 1970s when the size of the shadow economy reached 20 percent of GDP, but later it came down to average 10 percent.

The dynamic multi-factor multivariable approach found the size at 38.1 percent of GDP during 1996-2008.

Shadow economy is part of the income of a nation that remains illegally undeclared either as a result of payment in kind or as a means of tax avoidance.

"Shadow economy worth 10 percent of GDP is generated only for tax burdens because people use currency to avoid paying taxes," said Kabir Hassan, professor of University of New Orleans, USA, who conducted the study on behalf of TIB.

All variables, including regulations, taxes, economic status and indicator variables such as labour participation generated 38 percent combined.

The researcher averaged the size of the shadow economy at 24 percent of GDP, taking into account the outcome of the two approaches -- 10 percent and 38 percent. Informal economy was kept out of the study.

Mohammed Farashuddin, former governor of the central bank, and Syed Manzur Elahi, former caretaker government adviser, differed on the outcome of the study.

Questioning the study result, Farashuddin said it gives wrong message to the nation. "Don't compare between two dissimilar things," he said.

Syed Manzur Elahi said corruption persists widely in many countries including India and China, but they do not portray those to the world.

TIB Chairperson Hafizuddin Khan presided over the meeting.

## Kafco plans \$1b plant

STAR BUSINESS REPORT

The Karnaphuli Fertiliser Company Limited (Kafco) plans to set up its second plant to produce 3,000 tonnes of urea fertiliser a day.

"We'll submit our proposal to Industries Minister Dilip Barua soon for the \$1 billion plant. Primarily, we'll choose a site anywhere at Ashuganj, with a hope of available gas supply here," said

Sales: 4.21 lakh tonnes of urea in local market in 2009-10
Exports: 91,851 tonnes in 2009-10
Production capacity: 2,000 tonnes a day
Commercial operation starts in 1995
Located in Chittagong

Salahuddin Ahmed, Kafco's chief executive officer.

"We now await government's nod to start construction work this year. The profit of the existing plant will be reinvested in the new plant," he told The Daily Star after a press conference at Sonargaon Hotel in Dhaka yesterday.

Ahmad also said Kafco has been a totally debt-free company since February 1, 2006.

The company contributed \$744.48 million to the government's exchequer since fiscal 2004-05 to 2009-10, he informed the press.

Kafco sold 82 percent to 421,384 tonnes of urea to the government last fiscal year and exported 91,851 tonnes.

The company has to export fertilisers despite the item's scarcity in the local market, as it was set up in 1990 with foreign investment, the CEO said.

Bangladesh government holds 43.51 percent share of the company, Kafco Japan 31.28 percent, Subcontinent Ammonia Investment 8.63 percent and Stamicarbhone 1.57 percent shares.

Since inception, Kafco paid \$247.44 million in taxes and duties, the company's top official said.

"Kafco has paid dividends to its shareholders since FY2005-06. Bangladesh government is the single largest beneficiary. Up to FY 2009-10, the company has paid dividends of \$441.8 million, out of which the government has received \$191.6 million," he added.

While his attention was drawn to the planned new factory, Industries Minister Dilip Barua said he is not aware of it. "Perhaps, the plan is yet to be finalised. The government is busy with its own plant now," Barua said.

## BB injects Tk 7,000cr into banks, non-banks

STAR BUSINESS REPORT

The central bank injected Tk 7,000 crore as liquidity support into banks and non-bank financial institutions yesterday. The amount is Tk 1,000 crore higher than the support given on Thursday.

Bangladesh Bank (BB) found no valid reason for any crisis in the money market, it said in a statement, reacting to some officials' claim that the liquidity crunch is a consequence of a hike in cash reserve requirement (CRR). BB had withdrawn Tk 2,076 crore only against such CRR hike by 50 basis points on December 15.

BB also supported the primary dealer banks through permitting direct transaction of dollars and overdrafts from the clearing account.

Happy New Year  
**2011**

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# ROAD SHOW FOR THE ELIGIBLE INSTITUTIONAL INVESTORS (EII)

As per Securities & Exchange Commission (Public Issue) Rules, 2006, all Eligible Institutional Investors (EII) are invited to participate in the Road Show for Price Discovery of indicative price for Initial Public Offering (IPO) of KYCR Coil Industries Limited under Book Building Method.

The Schedule:  
Venue : Grand Ballroom, Pan Pacific Sonargaon Hotel, Dhaka.  
Date & time : 31 January 2011, 6.30 PM

Information Memorandum will be sent to EIIs through courier and also be available in the website of the issuer (www.kdsgroup.net) and Issue Manager (www.allfin.org). Representatives are advised to bring authorization letter from their respective organizations.

Manager to the Issue  
**Alliance Financial Services Limited**

**KYCR Coil Industries Limited**

**KDS Steel**

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