

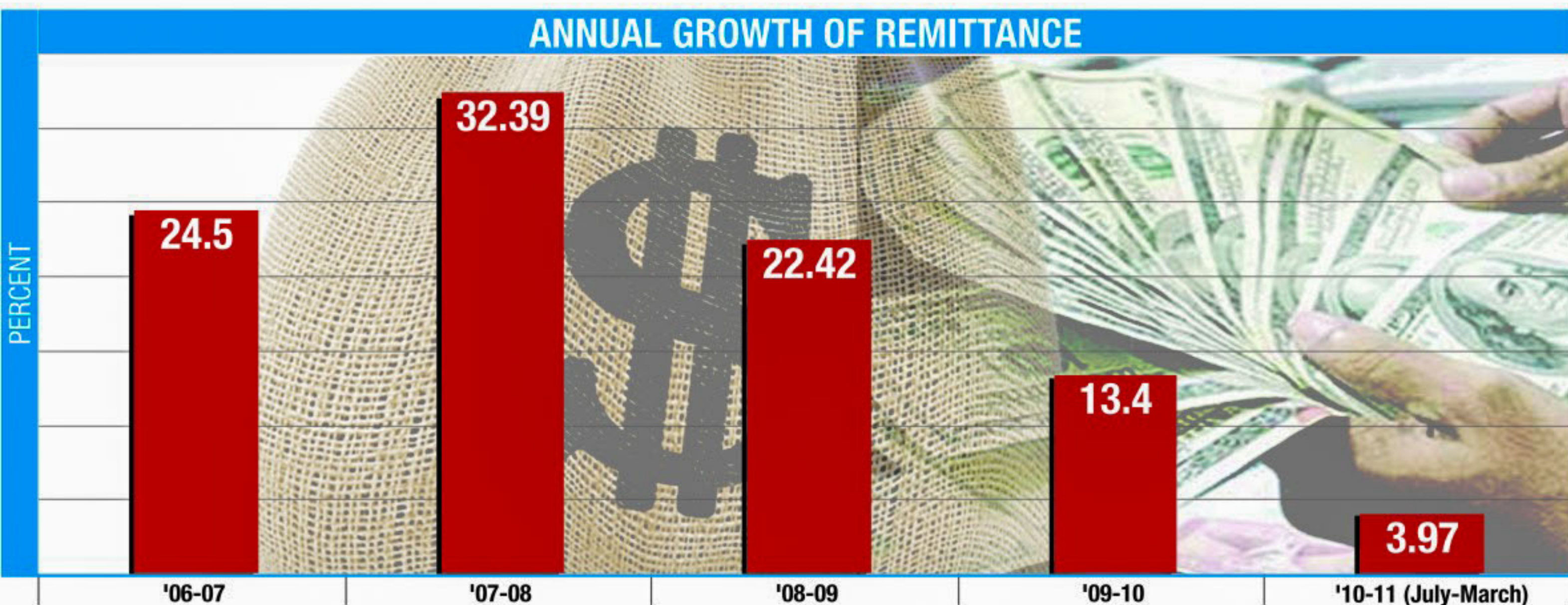
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Costly dollar hits remittance

BB tracks reasons for low inflow of money



REJAUL KARIM BYRON

The remittance flow is losing its momentum as the exchange rate of the dollar against the taka has gone up in the informal market, Bangladesh Bank said in a report.

Among other causes of the diminishing flow, the report cited low interest rates in case of expatriates investing their money in various savings instruments.

As per the decision of the central bank board of directors, the causes of plummeting remittance were identified.

In fiscal 2008-09 the remittance growth was about 22 percent, which came down to 13 percent last fiscal year.

In the first few months of the current fiscal year, the growth was negative. Although the amount has marked a slight increase recently, it is still below 4 percent in the nine months of the current fiscal year.

The central bank report said the unofficial exchange rates are higher than the official rates in an import-dependent country like Bangladesh. So the remittance inflows through illegal channels are high.

The central bank said the huge difference -- almost Tk 4 --

between official and unofficial rate during May 2010 to November 2010 had a negative impact on the remittance flow. Ideally the difference is around Tk 1.

The BB in its study said, from May 2010 unofficial exchange rate of the dollar was on the rise and it crossed Tk 73 against the taka. The official rate was slightly over Tk 69.

The report said the remittance inflow slowed down as the rate of interest was slashed in different savings instruments, including wage earner development bond, and due to the imposition of tax at source.

From July 2010, the rate of interest on wage earner development bond was lowered from 12 percent to 10.5 percent.

From July to February in the current fiscal year, the investments in wage earner development bond stood at 0.95 percent of the total remittance which was 1.5 percent during the same period last fiscal year.

During the recession, people's trust in banks and financial institutions throughout the world sagged and the expatriates send their earnings instead of depositing with the banks and financial institutions there.

However, the BB found no link

between the fall in manpower exports and the slow pace of remittance inflow.

The report said the government has data of Bangladeshi nationals going abroad for job but the exact information on their income is not available. However, general observation is that if the manpower exports slow down, and expatriates come back from some countries, and it deals a negative blow on remittance, the BB report said.

The central bank has made a number of recommendations to increase remittances, including the introduction of pound and euro bonds alongside the dollar bonds. The foreign currency bond has achieved much popularity and is playing a role in increasing remittance.

Alongside increasing manpower exports to the existing labour markets, new markets should be explored, the BB said. Manpower exports to some African countries like Algeria, Angola, Nigeria, Botswana, and South Africa have started but the process needs to be expedited, it said.

Knowledge of language is very important for workers holding jobs abroad. Bangladeshi workers are lagging behind the Indian, Sri Lankan and Nepali workers in the

labour market due to their inadequate language skills. Alongside work, training on language should be given equal importance.

As sending workers abroad is costly now, the government should take necessary steps for keeping the migration costs at logical level, the central bank said.

The BB disagreed with some experts' apprehension that remittance inflow will fall due to the political turmoil in Egypt, Libya and some other Middle East countries and natural disaster in Japan.

The central bank said the remittances from these countries were very small. However, projecting a bright prospect it said, due to a hike in oil prices on the international market, the economy of the Middle East has the prospect of being buoyed. On the other hand, the ME countries have been announcing different incentive packages to calm down the political flare.

The BB said, due to increasing development works the wage of the workers and their demand will increase.

Taking into consideration that the economies of the US and the UK are also likely to improve, Bangladesh economy will grow faster, the BB report said.

Question marks on MI Cement

Stockmarket probe committee digs up anomalies

GAZI TOWHID AHMED

The stock market probe committee has found some questionable statistics in the profile of MI Cement Factory Ltd, which is set to raise "excess capital" from the share market.

"We think that more capital was proposed to be raised than what was necessary," the probe committee said.

The company has recently received the green light from the Securities and Exchange Commission to list on the bourses.

MI Cement is one of the 17 cases studied by the four-member committee during its two-month investigation into the recent stockmarket crash.

Before raising capital from the capital market, the company's production capacity was 2,800 tonnes a day and the total investment was Tk 116.4 crore, which is Tk 4.15 lakh per tonne of production capacity, according to the probe report.

But the capital proposed to be raised from the capital market amounts to Tk 335.05 crore for 3,000 tonnes a day, which is Tk 11.1 lakh per tonne, the report said.

The committee found three major reasons for variance.

The first was the "other operating income", with 35.58 percent variance. "The reason behind the variance is that it is the decrease of some irregular income," the report said.

Second, the other non-operating income variance was 52.5 percent. "For example, the income from sales of scrap has decreased amounting to Tk 56 lakh and other income decreased amounting to Tk 4 lakh," the report said.

Third, a reason behind an increase is the initiation of some staff benefits and an increase in advertising expenses.

The report said sales revenue for six months during 2008-2009 has been disclosed at Tk 136.06 crore, which is inconsistent with the cash flow and balance sheet amount as excess sales shown in the profit and loss account amounts to Tk 7.4 crore.

"Purchases during the period (2008-2009) for six months have been shown as

Tk 96.9 crore, which contradicts with the cash flow and balance sheet to the tune of Tk 4.8 crore," said the report.

"The sales revenue of the company has been increased by 33.42 percent in comparison to the same period of the previous year. But an addition in fixed assets during the same period was Tk 42.4 lakh which is not consistent with the increase in sales," the report said.

"We understand that the company does not have enough spare capacity to increase its sales without further investment," the probe committee said in the report.

The purpose of initial public offering (IPO) was to raise money for the implementation of expansion plan of MI Cement Factory. At present, the company has three units for production and intends to introduce the fourth.

MI Cement, manufacturer of Crown Cement, will float three crore ordinary shares of Tk 10 each, using the book building method.

The indicative price of each MI Cement share has already been fixed at Tk 93. The cement maker will raise funds through the IPO for business expansion. Earnings per share of MI Cement as of 2009 were Tk 1.27 and net asset value per share was Tk 15.78.

Chief Finance Officer of MI Cement Muktar Hossain Talukder said: "We have provided all kinds of actual data to stockmarket regulators."

"Perhaps the investigators did not dig deep into the company's profile," he added. "We are ready to tackle all kinds of allegations made by the stock probe committee as our listing [on the stockmarket] is now uncertain because of the report."

The stalemate continues over the listing of MI Cement, although the SEC instructed the bourses to take a listing decision as per rules. The stock exchanges are yet to give the listing approval to the company.

The deadlock was created after the book-building method was suspended by the SEC on a government direction following huge criticisms over the misuse of the system.

Cotton price on the rise

REFAYET ULLAH MIRDHA

Surging demand, stockpiling by China and a ban on exports by major growers have fuelled the cotton prices on the international market.

Cotton was traded between \$2.10 and \$2.15 per pound last week, the importers said. Though the price came down to \$1.78 at the New York Futures trading yesterday, it is on an upward curve, they said.

The cotton prices started spiralling since 2008. Before 2008, the cotton prices ranged between 60 cents and 70 cents per pound for a period of more than 15 years.

"Just one year ago, cotton was trading at 70 cents a pound," said Money Morning, an investment research organisation based in the US. Now it is trading at roughly \$2 a pound, said the organisation.

"China imported 390,720 tonnes of cotton last month. That's 31 percent more than a year earlier," Money Morning said. "Global cotton supplies are not keeping pace with China's growing appetite."

A senior official of the local DBL Group, one of the major importers, said even last Thursday cotton was quoted at \$1.95 per pound.

The official said traders of West African countries, a major hub of cotton, are either delaying shipment or cancelling the contracts for civil wars in that region.

"Moreover, India, the second largest cotton producer worldwide, has again slapped a ban on cotton export since January," the official said, requesting not to be named.



A hike in global cotton prices will put pressure on local garment makers.

All these factors contributed to the rise in prices on the international market, the official said.

"I don't see any price improvement in the next four to five months," said Abdullah Al Mahmud, managing director of Mahin Group.

A Matin Chowdhury, a leading cotton importer, also said the production shortfall following natural calamities in cotton growing countries such as Pakistan and Australia, speculative buying by China and a surge in demand in garment producing countries are responsible for the price hike of cotton worldwide.

Probir Kumar Saha, another cotton importer, said India is a major source of cotton for Bangladesh. "But we are not getting cotton from India following the government ban on export of the commod-

ity there," he said.

"We can hardly predict the future prices of cotton until the next crop is harvested in the November-December period. The prices are declining slightly, but it is difficult to predict to what extent the price will fall," said Jahangir Alamin, president of Bangladesh Textile Mills Association.

He said the internal consumption of cotton in India also increased significantly due to the rising demand of the item from the garment makers and primary textile markers there. The ultimate sufferers would be the consumers, he said.

"There is no possibility of the cotton prices getting any more stable this year as its demand has increased worldwide," said Mohammad Ayub, president of Bangladesh Cotton Association.

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- **Exporter of the Year - Enterprises in the Export Processing Zones (EPZ) of Bangladesh**
- **Exporter of the Year - Traditional and Emerging sector companies (Non RMG and Textiles) with an annual export turnover of US\$3 million or more**
- **Exporter of the Year - SMEs (Non RMG and Textiles) with an annual export turnover less than US\$3 million**

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