

# star BUSINESS

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## Borrowing by state enterprises worries BB

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The central bank yesterday expressed concerns over loss-making state enterprises' heavy borrowing from local banks and advised them to raise funds from the international market.

Borrowing by non-financial state enterprises escalated in recent years, which grew 32 percent in fiscal 2010-2011, according to Bangladesh Bank data.

"Many loss-making SoEs closed down earlier at considerable cost in severance payments and loan liabilities are being reopened with newly borrowed funds," the central bank said in its Monetary Policy Statement for July-December.

"It is unclear whether the reopening decisions were based on proper viability appraisals or the performance of these reopened SoEs is being monitored closely," Bangladesh Bank said. It must be an area of "priority attention", the central bank suggested.

Governor Atiur Rahman announced the policy statement at a press conference at his office in Dhaka yesterday.

In the statement, the central bank said it may be timely to initiate steps to raise external financing by longer-term bond issues on international markets for the larger public sector infrastructure projects.

"It will generate income streams for debt servicing as the processes require several months of preparatory work," it said.

The policy statement pre-



Atiur Rahman

sented a pattern of the government's borrowing from the banking system originating in BB's books, which are subsequently offloaded to banks in T bill/bond auctions.

"This is why reserve money spikes steeply every June as government departments and offices rush for full withdrawal of their annual budgetary allocations, often depositing the funds drawn in accounts with scheduled banks."

"When market liquidity swells from such end-FY spurt in reserve money growth, BB steps in to mop up excess liquidity and restore normal liquidity conditions."

According to the central bank, the government's target of 7 percent GDP growth would not be difficult to achieve, but reaching the goal of containing targeted inflation would be a challenge.

"Attaining or exceeding the 7 percent real output growth for FY12 targeted in the national budget wouldn't seem too difficult," BB said.

It linked economic growth to benign climatic conditions, rapid easing of power and gas shortages, timely and adequate availability of financing and physical inputs, and stable social and political environment.

On inflation, the central bank

said: "Even as the BB remains proactive in curtailing excess demand from undue monetary expansion, attaining the targeted decline of inflation rate to 7.5 percent, which was 8.8 percent in the last fiscal year, may prove challenging."

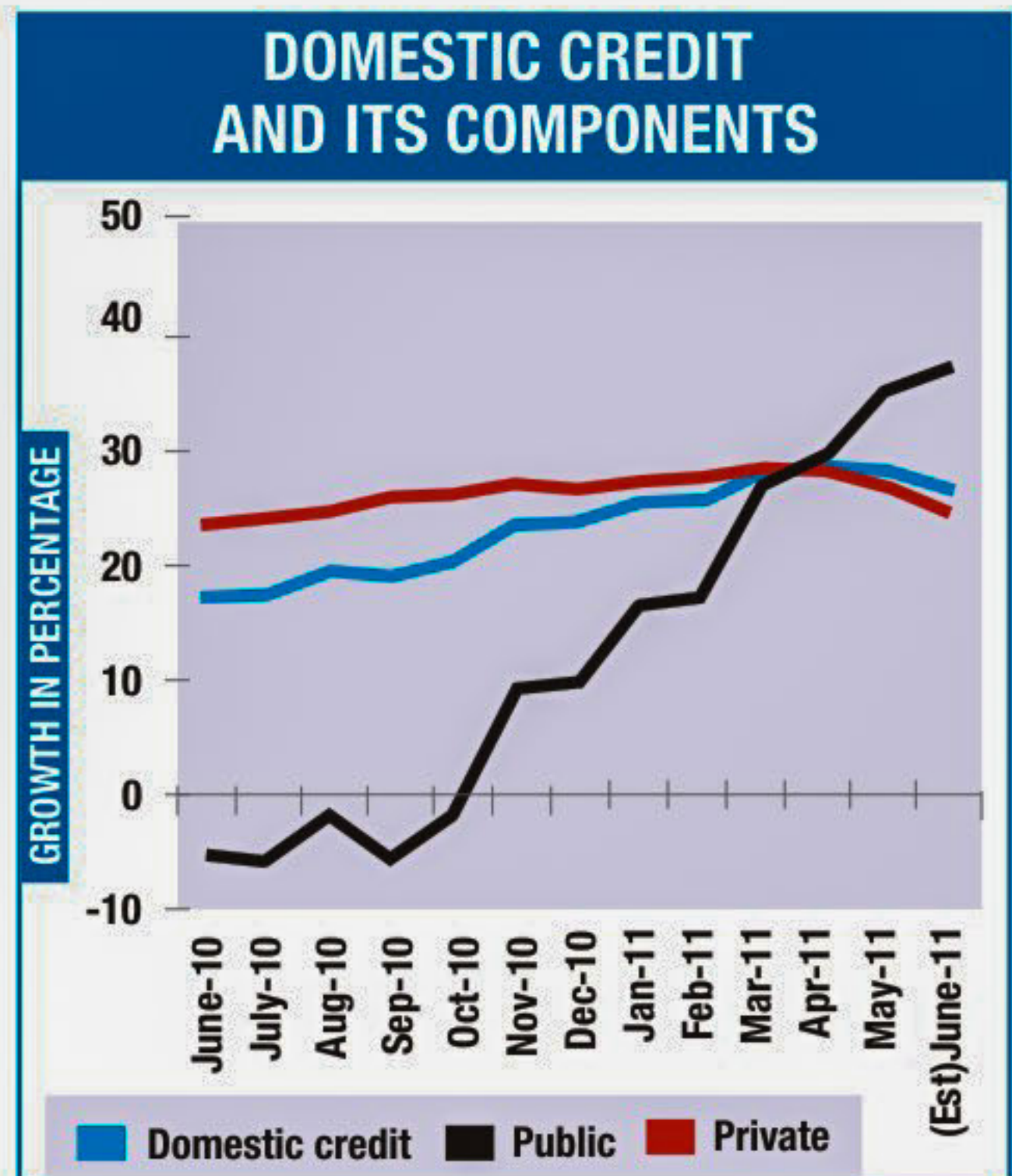
"Food inflation may fall slightly but non-food inflation may have some increase if the subsidised user price of gas, electricity and petroleum are revised upward to relieve the government's mounting budgetary burden."

In its policy statement, the central bank said exchange rate of Taka is likely to continue to be

under some pressure in FY12, as reserves are projected to decline slightly by close of the financial year.

It said the projected balance of payments outcomes for the current fiscal year are trend-based, with scope for improvement with appropriate policy efforts successfully promoting exports and attracting capital and workers' remittance inflows.

BB projected that in the current fiscal year the overall deficit in BoP would be \$439 million, which was estimated at \$38 million in the last fiscal year against their initial projection of a surplus of \$358 million.



## Govt goes soft on sugar scamsters

REFAYET ULLAH MIRDHA

The government asked the Deputy Commissioner's Office in Dhaka to 'go slow' in taking punitive action against the "dishonest traders" who were found involved in the recent sugar scam, said a senior government official yesterday.

The market monitoring and intelligence teams of the government sent a list of some traders, refiners and wholesalers to the Prime Minister's Office (PMO) recommending punishment against them for their alleged involvement in sugar sales through now-scrapped DO (delivery order) trade. The government introduced the distributorship system in marketing of sugar and edible oil after scrapping the DO system in April.

The businessmen were accused of creating an artificial crisis of sugar last week, said Mohibul Haque, deputy commissioner for Dhaka. The PMO sent the list to the Dhaka DC to take action against the businessmen at the heart of the controversy.

"First we were asked to punish those businessmen, but later the ministries concerned asked us to follow a go-slow policy after they increased sugar supply at customer level," said Haque. "So we did not file any case."

A senior official of the commerce ministry said the intelligence agency opened an investigation when a market monitoring team of the ministry complained about such practices by some traders.

The intelligence team also found a group of dishonest traders of Old Dhaka involved in mishandling of DO letters violating the laws. The commerce ministry has been monitoring the market to keep the prices of basic commodities at the government's set prices.

"Traders made manifold profits through changing hands of the DO letters. As a result, the price of sugar went up abnormally at the consumers' end," the official said requesting anonymity.

He, however, did not agree to disclose the names of the wholesalers, DO traders and refiners involved in the scam.

Last week, sugar was sold at Tk 75-Tk 80 per kilogramme across the country as some dishonest traders created an artificial crisis and were not selling the item at the government's set price.

Earlier on July 20, the government set the mill gate rate of sugar at Tk 58 a kg and the wholesaler's rate at Tk 62 per kg while retail sales price was fixed at Tk 65 per kg.

## Stocks suffer swings, end in the red

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Stocks fluctuated yesterday before settled in the negative zone as the investors went for selling shares to pocket profit.

The benchmark general index of Dhaka Stock Exchange, DGEN, shed 14 points or 0.22 percent to end at 6,627.

On the port city's bourse, the selective categories index, CSCX, the main yardstick of Chittagong Stock Exchange, lost 17 points or 0.15 percent, to close at 12,208.

Stocks on the DSE suffered a steep fall in the first five minutes of the day's trading, declining more than 50 points. However, it showed a dramatic recovery later. The indices of bourses closed negative.

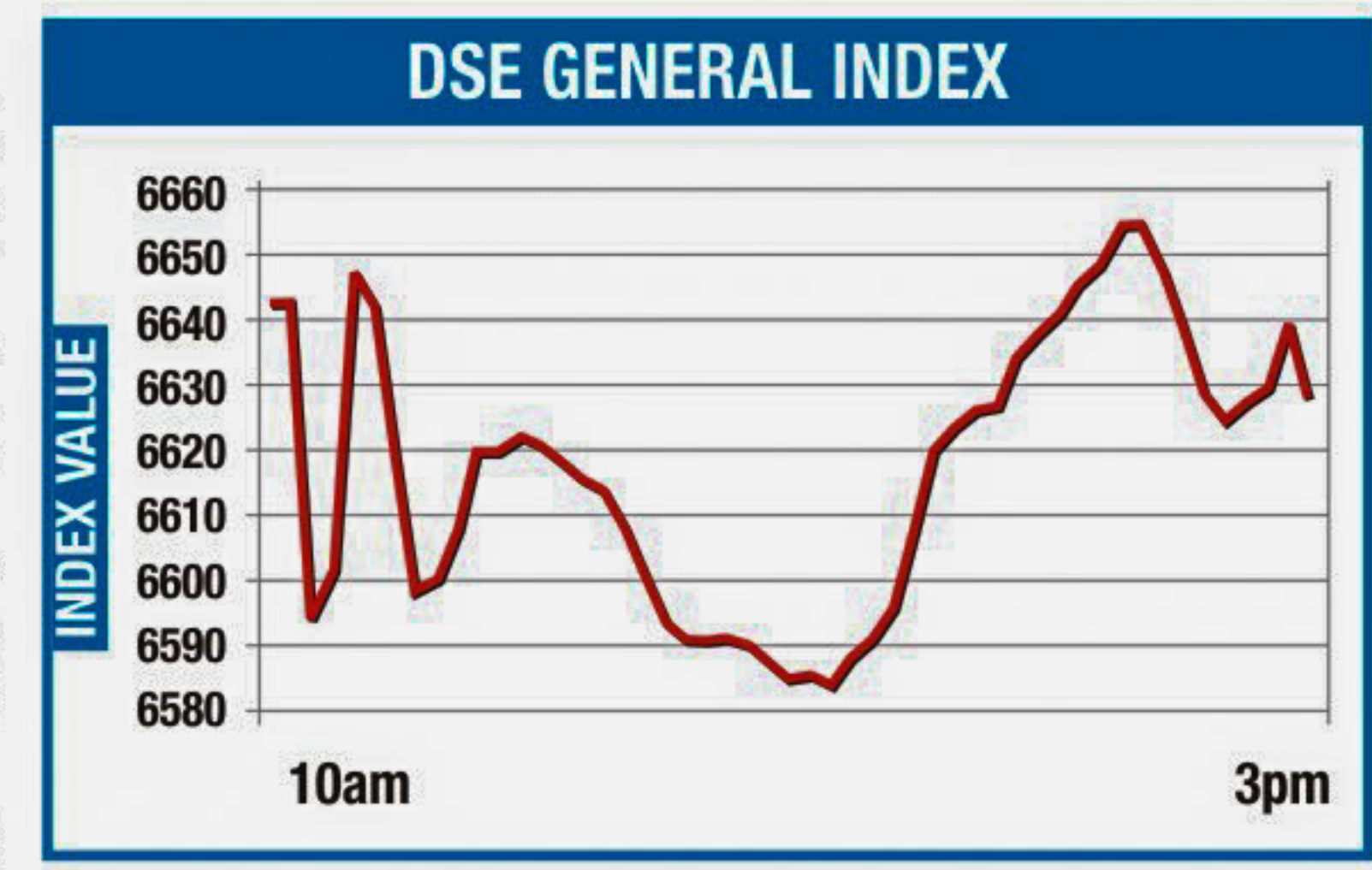
Analysts attributed the market swings to price corrections.

"It is a rational behavior of the market as share prices declined for three days after gaining for a few days," said Prof Salahuddin Ahmed Khan, who teaches finance at Dhaka University.

"It is a price correction as investors went for selling shares to make new investment into the market," said Khan, also a former chief executive officer of DSE.

Yawer Sayeed, managing director of AIMS of Bangladesh, said shares of AIMS declined as the investors went for profit-taking selling shares from different sectors.

He said the government's decision to offload more shares of the listed state-owned enterprises is a very good decision, which will increase the supply of scrips into the market.



*It is a price correction as investors went for selling shares to make new investment into the market: said Prof Salahuddin Ahmed Khan*

Two state-run companies Meghna Petroleum and Jamuna Oil started offloading shares onto the stockmarket yesterday. Meghna Petroleum and Jamuna Oil advanced 1.52 percent and 2.7 percent respectively, to close the day at Tk 200.7 and Tk 281.1.

The banking sector lost 1.2 percent and non-bank financial institutions were down by 1.5 percent. The telecoms sector however gained 0.29 percent, pharmaceuticals 0.89 percent and fuel and power 1.17 percent.

IDLC Finance declined 3.6 percent following its publication of half-yearly earnings, said BRAC EPL in its daily market analysis.

Of the total 263 issues traded on the DSE floor, 135 declined, 114 advanced and 14 remained unchanged.

United Airways topped the turnover chart with 11.41 lakh shares worth Tk 64.42 crore changing hands.

Sinobangla Industries was the biggest gainer of the day, posting 9.45 percent rise, while the IDLC Finance was the worst loser.

Turnover on the DSE floor stood at Tk 1,726 crore, a 2.8 percent hike over the previous day's Tk 1,680 crore. More than 20 crore shares and mutual fund units changed hands on the country's premier bourse.

## Regulator fines life insurer

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The regulator yesterday fined National Life Insurance Company for declaring dividends for 2007 and 2009 without valuation of the company's assets and liabilities in a breach of the insurance law.

The regulator imposed a Tk 50,000 fine for each year's violation totalling Tk 1 lakh, said Shefaque Ahmed, chairman of the Insurance Development and Regulatory Authority, after a hearing in Dhaka.

Tofazzal Hossain, chairman, and Jamal Mohammed Abu Naser, managing director (in-charge) of National Life Insurance, were present at the hearing.

IDRA has found that National Life gave dividends in 2007 and 2009 without actuarial valuation.

The life insurer could not declare dividends for 2010 due to a bar imposed by the IDRA. In a statement posted on the Dhaka Stock Exchange's website yesterday, the company said a meeting of the company's board of directors will be held on August 01 to consider audited financial statements for the year to December 31, 2010.

Dhaka-based National Life Insurance Company started operations in 1985 as the first private sector life insurer.

## DSE opens corporate governance wing Sunday

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The premier bourse will open a new department on Sunday to ensure corporate governance and bring more transparency among listed companies.

The new division titled "Department of Corporate Governance and Financial Reporting" will be engaged mainly in examining financial reports submitted by the listed firms, which are required to disclose financial statements every three months.

Professor M Khairul Hossain, chairman of Securities and Exchange Commission, is scheduled to launch the newly set up department, which will have to report to the commission on their activities and findings on a regular basis.

After approving the formation of the department at a board meeting recently the Dhaka Stock Exchange management issued an office circular to this effect on Sunday last.

Jiban Chandra Das, general manager (finance and accounts) of the DSE, will head the department, which will also comprise Kishor Kumar Gomasta, senior executive (finance and accounts), Gias Uddin Mollah, executive (research and development), Masud Khan, senior executive (finance and accounts) and Abdul Kader, executive (market operations).

The initiative meant to make the bourses the primary regulator, will also

help the investors in getting financial information or corporate disclosures more accurately, said Shakil Rizvi, president of the DSE. "Earlier we had a corporate governance wing. Now, with opening of the department the activities on corporate governance will be strengthened."

"Through this department we will promote the listed companies' disclosure of financial information, announcement of dividends and holding annual general meetings on time; it will also act as a primary regulator," he said.

The department will also check whether the listed companies are complying with the corporate governance guidelines set by the SEC, he added.

Earlier on July 13, the twin bourses at a meeting with the stockmarket regulator agreed to set up separate corporate finance departments within this month after the SEC proposed to them that it would launch such divisions to check and address the practices of financial manipulations and increase transparency and accountability.

There have been allegations that many listed companies inflate financial reports by showing higher earnings and profits, especially when they submit un-audited quarterly reports. But, when the reports are annualised and audited, huge anomalies are detected.

## Lufthansa reports half-year loss

AFP, Frankfurt

Germany's flagship airline Lufthansa reported on Wednesday a net loss of 206 million euros (\$299 million) for the first half of 2011, but maintained its outlook for the year.

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