STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (STANDARD CHARTERED BANK)				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY
▼ 1.61%	▼ 1.76%	▼ $1,841.20 (per ounce)	▼ $86.01 (per barrel)	▼ 2.17%	▼ 2.31%	▼ 2.89%	Closed	BUY TK	73.90	99.35	115.14	0.95
5,920.84	10,721.38			16,501.74	8,535.67	2,743.58		SELL TK	74.90	103.35	119.32	1.04

Star BUSINESS

DHAKA TUESDAY SEPTEMBER 13, 2011, e-mail:business@thedailystar.net

Merchant bankers offer recipe to prop up markets

Merchant banks meet SEC with a set of recommendations today

Some stock investors stage a sit-in in front of Dhaka Stock Exchange in the busy commercial hub of Motijheel yesterday to protest a market fall. Street protests halted traffic for three hours.

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STAR BUSINESS REPORT

Merchant bankers have sped up efforts to increase the liquidity flow to the bruised stockmarket and rebuild investor confidence.

Bangladesh Merchant Bankers' Association (BMBA) will urge the Securities and Exchange Commission (SEC) at a meeting today to allow merchant banks to raise their own funds to invest in the market.

"We are facing a credit crisis. We don't have our own funds as we are subsidiary companies," said Mohammad A Hafiz, president of BMBA.

Many merchant banks failed to provide credit to stock investors due to the so-called single-party exposure limit set by the central bank.

According to Bangladesh Bank, financial institutions are not allowed to lend more than 15 percent of their 'investable' amount to a single borrower.

The tight single party exposure pushed merchant banks into a liquidity crisis as their parent companies failed to supply adequate funds to their subsidiaries (merchant banks) for lending to borrowers, said Hafiz.

The concerns spelt by the association underline deeper volatility in the market. The benchmark index of Dhaka Stock Exchange suffered a 1.61 percent fall yesterday.

"Investor confidence and liquidity inflow are important to bring normalcy back to the markets," Hafiz said.

He urged all stakeholders to work together to boost investor confidence.

BMBA will sit with the SEC today on how to stabilise the market as early as possible.

The association will urge the SEC to extend the adjustment period of single-party exposure to 2014.

Most merchant banks will then get enough time to adjust their single-party exposure if the regulator approves it, Hafiz added.

"We will also urge the regulator to allow us to raise our own funds to invest in the market."

Merchant banks failed to raise capital due to some legal restrictions as the ownership of the subsidiary companies was not separated from their parent companies, Hafiz said.

"Securities rules should be changed. Then we can go to sponsors and companies to raise funds," he said.

Meanwhile, the SEC approved the dividends of Grameen One Mutual Fund and Grameen One: Scheme Two.

Trading of two mutual funds starts today, said Saifur Rahman, executive director of SEC.

The trading of the two funds was suspended on August 25 by DSE as they declared dividends without approval from SEC.

Dhaka bourse now Asia's worst

GAZI TOWHID AHMED

Dhaka Stock Exchange became the worst performer in Asia this year, ridiculing the premier bourse's ranking last year when it was the third among the global best, according to Bloomberg News.

The Dhaka bourse lost 25 percent in the last nine months this year, while its general index advanced 82.81 percent last year.

The steep fall in the indices was mainly due to various topsy-turvy initiatives by the stockmarket regulator and the central bank, said analysts.

Prof Mahmood Osman Imam, a teacher of finance at Dhaka University, said: "The initiatives of the regulator and the central bank created a credit crunch that dented the investors' confidence and pulled down the market."

Bangladesh's stockmarket at first bubbled and then burst following sharp but irrational gains last year, said Imam, also a member of the index development committee of the Dhaka Stock Exchange.

Imam said the government missed a great chance last year to collect funds for developing the country's infrastructure.

New issues and market friendly initiatives are important for developing the markets, said Imam.

The government should go for motivational packages for high profile non-listed firms to encourage them to be listed on the bourses, he added.

However, he said the authorities of many non-listed firms do not want to lose control on management and are not interested to follow the listing rules.

The current price earnings (PE) ratio, which is 16.34 on September 6, is lucrative for long term investment, said an official of the Securities and Exchange Commission.

"We are working hard to develop the country's stockmarket as all kinds of rules and regulations will be reformed soon," he said.

However, he said various domestic factors such as soaring inflation and high interest rates for borrowing money dampened investors' confidence.

The Bangladesh Bank has increased the policy rates for the fifth time in the last 13 months as non-food inflation soared in the last few months.

The central bank recently raised the repurchase rate, at which it lends to commercial banks, to 7.25 percent from 6.75 percent. The reverse repurchase rate was hiked to 5.25 percent from 4.75 percent.

Market capitalisation declined by Tk 60,126 crore in the last nine months and now stands at Tk 290,674 crore. In 2010 market capitalisation gained 84 percent and reached Tk 350,800 crore.

The Indian stock market, hit by global woes and a high inflation-interest rate regime, has been the second-worst performer in Asia this year, according to Bloomberg.

The Bombay Stock Exchange Sensitive Index, or Sensex, declined about 18 percent so far this year.

Most Asian markets lost between 10 percent and 15 percent this year, as a worsening eurozone debt crisis and fears of a double-dip recession in the US have eroded investors' confidence.

Meanwhile, the Dhaka bourse's benchmark general index, DGEN, closed to 5,920 points, after plunging 97 points or 1.61 percent yesterday.

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ASIA-PACIFIC INDICES

BPC seeks $150m from foreign banks

REJAUL KARIM BYRON

Bangladesh Petroleum Corporation seeks $150 million in syndicated loans from foreign banks to purchase petroleum products, said a top official yesterday.

BPC approached Citigroup Inc, HSBC Holdings Plc and Standard Chartered Plc to arrange the loan, BPC Chairman Muqtadir Ali told The Daily Star.

The banks will organise a roadshow in Singapore on September 26-27 to raise the syndicated loan.

A BPC official said if the available loan size is $200 million, the company will accept it. BPC is facing a fund crisis due to increasing imports.

The loan is a short-term oil and port financing and has an average life of six months. The loan pays a margin of 275 basis points over the London interbank offered rate, the official said.

BPC imports 26-32 lakh tonnes of petroleum products. But due to installation of quick rental power plants, demand for petroleum went up. Last year, BPC imported about 54 lakh tonnes of petroleum products.

BPC will import 68-70 lakh tonnes of petroleum products this year.

Last year, BPC paid oil import bills of more than $200 million a month, Ali said. In the current fiscal year, the monthly import bill on petroleum products will cross $300 million.

As the petroleum products were sold at a subsidised rate in the last fiscal year, Tk 8,198 crore had to be counted in subsidies. The finance ministry paid BPC Tk 5,000 crore.

Subsidy may nearly double to Tk 16,000 crore this fiscal year, Ali said.

RMG exporters urge India to erase non-tariff barriers

STAR BUSINESS REPORT

Garment exporters yesterday urged India to remove non-tariff and para-tariff barriers and implement a decision on duty-waiver on exports of 46 garment items from Bangladesh.

Exports of apparel items from Bangladesh to India will increase manifold, thanks to duty-free access to India, an emerging market, the exporters said.

The plea for removing trade barriers came at a press conference at the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) office.

"Garment exports to India will increase because of the latest move by the Indian government," said Shafiul Islam Mohiuddin, BGMEA president. "We hope the trade imbalance will decrease to a great extent."

Still, the exporters will have to pay 12 percent duty for non-tariff and para-tariff problems such as countervailing duty, educational duty, special additional duty and some provincial duty.

On the other hand, the garment exporters will enjoy 23.5 percent direct duty-waiver due to the Indian move, said Faruque Hassan, vice-president of BGMEA.

He said both the volume and value of garment exports to India are still low, as most of the shipments go to the western world.

Of the total garment exports from Bangladesh, 56 percent go to the European markets, 25 percent to the USA and 5 percent to Canada and the remainder to the rest of the world.

Like Japan, Malaysia, China and Korea in Asia, India emerged as a new export destination for Bangladeshi garment items, he said. "The other new export destinations are Latin America, South Africa, New Zealand and Australia."

Now the 10-million quota is irrelevant as the 46 garment items cover 80 percent of products under the quota, Hassan said.

AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, said garment exports to India from Bangladesh will increase for higher quality of products.

AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry, urged the Indian government to give duty-free facility to other goods of Bangladesh as well, which will help reduce the trade gap.

The students from the BGMEA Institute of Fashion and Technology (BIFT) will be able to get scholarship and credit transfer to National Institute of Fashion and Technology, in India, for an agreement signed between the two institutes during the visit of Indian Prime Minister Manmohan Singh, said Muzaffar Uddin Siddique, BIFT president.

Jahangir Alamin, president of Bangladesh Textile Mills Association, also spoke.

FULL LIST OF DUTY-FREE PRODUCTS ON B3

Refiners get one month to clear pending DOs

STAR BUSINESS REPORT

The government yesterday asked sugar and oil refiners to complete within the next one month the supply of the commodities against the pending 'delivery orders' (DOs) the companies had issued earlier.

According to the directive, Meghna Group of Industries, one of the major commodity importers and processors, will have to deliver 20,000 tonnes of sugar to the holders of DOs it had issued earlier.

The commerce ministry at a meeting gave the time to Meghna, people present at the meeting said.

"Our factory had been shut for two months. That's why we could not clear some DOs we had issued earlier," said Mostafa Kamal, chairman and managing director of Meghna.

He, however, did not talk about the volume of sugar required to be delivered against the pending DOs.

The government in March scrapped the DO system to curb volatility and manipulation in prices of sugar and cooking oil.

It directed processors and marketers of the two commodities to appoint dealers by June to market these commodities.

Under the age-old DO system, sugar and cooking oil processors used to sell these commodities in advance to big wholesalers. Issued DOs often used to change hands several times at kerb market before the final delivery from the mills leading to volatility in the prices.

Following the directive, most of the commodity marketers including Meghna Group of Industries appointed distributors.

Commerce Secretary Ghulam Hussain told reporters on Thursday that some businessmen are still trading under the DO system as the deals were signed before June 21, when the DO system was replaced by the current distributor system.

Bangladesh Tariff Commission's Joint Chief Abdul Quaiyum, who attended the yesterday's meeting at the commerce ministry, said the government gave a month time to Meghna to deliver 20,000 tonnes of sugar against the DOs the company issued earlier.

NOTICE

We bring out today four pages instead of our regular eight, as business activities are yet to pick up after the Eid-ul-Fitr holidays.