

Stocks: a week in the black

STAR BUSINESS REPORT

Stocks returned to the black in the last week thanks to the investors getting into a buying spree anticipating a bull-run after the Eid vacation.

DGEN, the benchmark General Index of Dhaka Stock Exchange, finished the week at 4,574.97 points, after surging 116.40 points or 2.61 percent.

Small investors are anticipating that big institutional investors will become active in full swing after the Eid, market analysts said.

The emotions of the investors will be hopefully curbed by the earnings declaration of the listed firms, the analysts added.

"A shortened week of three sessions due to the upcoming festival ended amid optimism," IDLC Investment said in its market commentary.

Sales pressures having lost steam, moderate gain was registered in the last two sessions amid choppy trading, it said.

"Meanwhile, earnings declarations of listed firms hit the bourse which inspired cautious movement of the investors. It was noteworthy to mention that the money

market was satisfactory ahead of the upcoming festivals," the merchant bank said.

"Third quarterly earnings of different companies have started to come and most of them have marginally positive or flat growth. Money market transaction and activities were mostly calm," said LankaBangla Securities, a top broker in Bangladesh.

The daily average turnover declined 24.89 percent, compared to the previous week.

Of the total 277 issues that traded on the DSE, 152 advanced, 114 declined and 72 remained unchanged.

Among the major sectors, telecom rose 6.4 percent, information technology 5.46 percent, textile 4.53 percent and banks 3.19 percent.

United Airways featured in the most traded stocks chart with 4.52 crore shares worth Tk 130 crore changing hands.

Jamuna Textile and Saiham Textile were the next popular stocks of the week.

Kohinoor Chemicals was the biggest gainers of the week, as it posted a 30.19 percent rise. The Imam Buton was the worst loser, slumping by 15.07 percent.

The market will remain open on Thursday.

Gloom deepens over Germany as business confidence falls

AFP, Frankfurt

The economic skies above Germany darkened Wednesday when business confidence slumped to a two-and-a-half-year low.

But top companies such as carmaker VW and software giant SAP rose above the gloom and confirmed or even upped their profit targets for the whole year.

"The clouds over the German economy are darkening," said the head of the Ifo economic think tank, Hans-Werner Sinn, after the institute's widely-watched business confidence index fell for the sixth month in a row to the lowest level since February 2010.

"Companies again expressed growing dissatisfaction with their current business situation," Sinn said.

That was not the case, however, for Volkswagen, Europe's biggest carmaker, which notched up a 60-percent increase in third-quarter net profit and confirmed its forecasts for the whole year.

"The Volkswagen Group maintained its positive trajectory in the first nine months of 2012 despite difficult conditions," said VW's chief executive Martin Winterkorn.

"Although the times aren't easy... we

remain committed to our ambitious goals for 2012, despite growing headwinds," he said.

German software giant SAP, too, said it was "pleased" with its overall performance in the third quarter, when it notched up double-digit software and software related service revenue growth for the 11th consecutive quarter.

And finance chief Werner Brandt insisted the software maker remained "confident in our full-year outlook."

VW and SAP effectively rang in the autumn season of quarterly earnings reports for Germany's biggest companies and it remains to be seen whether the other companies that make up the blue-chip DAX index are equally confident.

Sportswear maker Puma, which is on the Frankfurt stock exchange's mid-cap MDAX index, complained that heavy restructuring costs sliced 85 percent off its third-quarter profits.

The drop in the Ifo was unexpected, with analysts surveyed by Dow Jones Newswires expecting a small rise in the index, which is calculated on the basis of companies' assessments of their current business and the outlook for the next six months.



Nasir Khan, Jenny's group chairman, attends the inauguration of an outlet of the company at Sheorapara in Dhaka recently. Abdullah Al Mosaddeque, managing director, was also present.

Bangladesh fares poorly in resolving business disputes

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The indifference to reform the legal system that could have helped businesses expand their network and markets has contributed to the country's slip-page of five places in the Doing Business ranking.

Among the 185 countries, where the study was conducted, Bangladesh ranked 129th in terms of ease of doing business. Doing Business measures and tracks changes in regulations affecting 10 areas in the life cycle of a business.

The areas are starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

Bangladesh stands 95th in the ranking on the ease of starting a business although the South Asian regional average is 86.

In the category, the country has, however, slipped by nine notches from last year, as Bangladesh did not implement procedures in line with the Doing Business standards. Starting a business in the country requires seven procedures, takes 19 days, costs 25.1 percent of income per capita.

The country ranked 83rd on the ease of dealing with construction permits.

Dealing with construction permits in Bangladesh requires 11 procedures, takes 201 days and costs 126.5 percent of income per capita.

Bangladesh performed the worst among all the countries on the ease of getting electricity to stand at 185 in the ranking of 185 economies, although the country has nearly doubled its electricity production to 6,000 megawatt.

Getting electricity requires nine procedures, takes 404 days and costs 5,193.8 percent of income per capita, as getting a new power connection has become tough in the last couple of years.

Registering property has remained cumbersome, as businesses require to go through eight procedures, spend 245 days and count 6.8 percent of the property value to have their property registered, placing Bangladesh at 175 in the ranking.

The economy has a score of 2 on the depth of credit information index and a score of 7 on the strength of legal rights index.

Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

The country stands at 83 in the ranking of the economies on the ease of getting credit.

"When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit," said the report.

Bangladesh ranked lowly in the sub-index as the ranking shows that the country did not take any reform measures -- as measured by the Doing Business -- in the area until recently.

The country has maintained its strong position when it comes to providing investor protections. It was ranked at 25 in the ranking.

The IFC said, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector -- where businesses pay no taxes at all.

On an average, firms in Bangladesh make 20 tax payments a year, spend 302 hours a year in filing, preparing and paying taxes, and pay total taxes amounting to 35 percent of their profit.

Bangladesh stands 97th in the ranking, as the country did not take any major reforms in the last six years in line with global standards in helping people pay taxes.

The delay in international trade and higher cost gave Bangladesh a ranking of 119 on the ease of trading across borders.

Where speed, low costs and continuation of viable businesses characterise the top-performing economies, resolving insolvency in Bangladesh takes four years on average and costs 8 percent of the debtor's estate. In the sub-index, the country ranked 119th, putting questions over the efficiency



Md Moinul Huq, head of Citi Transaction Services, attends a client seminar organised by the bank on Bangladesh electronic fund transfer network and transforming corporate treasury practices, in Dhaka recently.



Ali Reza Iftekhar, managing director of Eastern Bank Ltd (EBL), and Matthew Dalby, counsel-legal affairs, Roger Hennekens, Financial Institutions-Asia, of FMO (Netherlands Development Bank), exchange documents after signing a term loan agreement in Dhaka recently. EBL will obtain foreign currency fund of \$20 million from FMO.

India tries handing out cash to help teeming poor

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It is also staggeringly inefficient. An estimated 58 percent of grains purchased by the government fail to meet their intended targets, data from the national Planning Commission showed in 2005.

-- Kotkasim trial --

The results in Kotkasim are described by the top local administrator, District Collector Ashutosh Pednekar, as "remarkable".

Figures from his office show kerosene consumption has fallen 82 percent since the cash scheme began, a saving for the government of 1.5 million rupees (\$30,000) per month.

Before, crooked dealers would siphon off subsidised kerosene at 15 rupees a litre and sell it on the black market for around 30 rupees, where it was purchased as a cheap replacement for diesel to run tractors or generators.

Those entitled to discounted fuel also had an incentive to draw their full allotment -- up to three litres per month -- and then sell it on at a profit.

"The diversion of kerosene for purposes other than cooking and lighting has been stopped," Pednekar told AFP.

"The moment you start selling kerosene at a market price, the business collapses for those with a business in 'leakages'," added the 34-year-old.

Under the next phase of his plan, the

sale of subsidised cooking gas cylinders will be phased out in Kotkasim.

In five months time, the whole of Pednekar's district of Alwar, home to 3.7 million people, will move over to the cash transfer system for kerosene.

While he conceded people were "not going gaga" over the cash system, "by now, there would have been a hue and cry" if they had not received the money.

In the dusty villages of the trial area, AFP spoke to households who said the cash had indeed arrived promptly.

But there was also anger and confusion.

Some complained of surly bank officials who refused to help them; others said repeated complaints had come to naught; many said they had either stopped buying kerosene altogether or were now paying the higher price from their own pockets.

John Blomquist, an economist from the World Bank in New Delhi and expert on welfare programmes, says cash transfers can be an effective strategy to cut fuel and power subsidies.

"As countries get more developed, you tend to see fewer in-kind benefits" such as subsidised fuel, he told AFP.

"You can design a great cash transfer system, but it's really about do you have the mechanism in place to implement well? Can you monitor well?"

Thai rice mountain casts shadow over world market

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He estimates that Thailand has about 10 million tonnes of stock sitting around in storage. The USDA predicts the country will have stocks of about 9.4 million tonnes at the end of 2012 and 12.1 million tonnes in 2013.

China and India also have large stockpiles but their production and domestic consumption are much higher.

While the scheme is putting strains on Thailand's government finances, it has been welcomed by many farmers, whose support helped sweep Yingluck to a landslide election victory last year.

Her older brother Thaksin Shinawatra, who was ousted as prime minister by royalist generals in a coup in 2006, is hugely popular with Thailand's rural poor thanks to his populist policies while in power.

"I want the government scheme to continue because, at the very least, it helps us farmers sell our rice at a high price," said Supoj Joopia, who has 9.6 hectares (24 acres) of rice paddy in Chachoengsao province east of Bangkok.

He said his annual earnings from rice cultivation have soared by more than half to 780,000 baht (\$25,000) since signing up.

About four million households rely to some extent on farming in Thailand, of which 900,000 have joined the scheme so far, according to the TDRI.

The policy is seen as benefiting owners of large farms in particular as they have a bigger surplus to sell to the authorities after their own household consumption. The scheme has also been dogged by allegations of corruption.

The government says it is confident that it can find buyers for its rice on world markets at a price that will raise the living standards of its farmers.

It says it has signed deals to sell rice directly to other countries.

Nigeria, Iraq, Indonesia, Ivory Coast and South Africa are the top customers so far this year, according to the Thai Board of Trade, which says exports slid 45 percent in January-September from a year earlier, to 5.0 million tonnes.

"We're still confident that we can keep releasing the rice that we have," Commerce Minister Boonsong Teriyapirom said earlier this month.

But not everyone is so optimistic and the fear is that Thailand might struggle to recapture lost market share.

"If the situation continues like this, you will see a lot of exporters gone out of business," Chookiat said.



Arif Dowla, chairman of Mutual Trust Bank, and Syed Manzur Elahi, founding chairman, cut a cake marking the 13th founding anniversary of the bank at a ceremony held at the bank's corporate head office in Gulshan, Dhaka yesterday.



Habibur Rahman Sarkar, chairman of Brothers Furniture, attends a dealers' conference of the company held in Baridhara, Dhaka recently. Md Elias Sarkar, managing director, was also present.

Proposed changes to Companies Act draw more flak

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Mir Nasir Hossain, a former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), told the BBC: "The proposed amendment might be misused for political purposes."

"We have no complaints if the government takes action against the MLM companies, which have illegal transactions," he said.

Abdus Salam Murshedy, president of the Exporters Association of Bangladesh, reiterated Hossain's views and urged the government to refrain from

Bahrain Air reconnects Dhaka

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Bahrain Air will operate its Airbus A-320/319 aircraft to Dhaka. The carrier will also provide lounge facilities to its premium Business class passengers.

The airline will operate three flights a week to Dhaka on Wednesdays, Thursdays and Saturdays.

Bahrain Air currently serves 18 destinations in GCC,