

BSRM Steel to invest Tk 100cr in own billet making entity

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BSRM Steel Ltd plans to invest Tk 100 crore in BSRM Group's billet manufacturing arm to be able to source raw materials locally and reduce dependency on imports.

"We have decided to subscribe for a 25 percent stake, or 10 crore shares, in BSRM Steel Mills Ltd using our own source fund," said Aameir Alihussain, managing director of BSRM Steel, a listed firm.

BSRM Steel and BSRM Steel Mills are separate entities of the Chittagong-based steel conglomerate BSRM Group.

"BSRM Steel Mills will supply all the billets it will produce to BSRM Steel, as a result of the share purchase," said Alihussain.

At present, BSRM Steel's annual consumption of billet is five lakh tonnes, majority of which are imported from Japan, Taiwan, Korea, Turkey, India, North America and South America.

Billet, also formally known as bar stock, is a common form of raw purified metal, used to manufacture metal parts and products.

But the prices of billet fluctuate violently in the international market, increasing the cost of rod production locally, said Alihussain.

"Availability of billet from a local manufacturing company will reduce the per tonne cost of rod production by Tk 2,000 to Tk 5,000," he said, while adding that it will also increase BSRM Steel's profitability in the days ahead.

With the expansion of business, BSRM Steel will annually need around 10 lakh tonnes of billet casting in future, said Alihussain.



A worker is busy at a factory of BSRM Group in Chittagong. BSRM Steel plans to invest Tk 100 crore in BSRM Steel Mills.

STAR/FILE

The company, in a posting on the Dhaka Stock Exchange website, said BSRM Steel Mills is setting up a new billet making plant at Mirsarai in Chittagong with an approximate cost of Tk 1,300 crore.

The production capacity of the plant will be 8.6 lakh tonnes of billet per annum, sufficient to feed the entire raw

materials or billet requirements for BSRM Steels and its parent group's other concerns.

Commercial production of the new billet plant is expected to commence by mid-2014, said the web posting.

The news, however, did not have a positive impact on BSRM Steel's share prices.

Founded in 1952, the BSRM Group is now the leader in the local steel market.

BSRM Steels started operation in June 2008, and now has an annual production capacity of around six lakh tonnes of steel rods; it was listed on the stockmarket in 2009.

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Europe seeks Asian support on debt crisis

AFP, Vientiane

EUROPEAN leaders said Monday they were finally getting a grip on the eurozone debt crisis and urged Asia to do more to boost global economic growth.

Top European officials at a major summit in impoverished Laos, including French President Francois Hollande and Italian Prime Minister Mario Monti, led efforts to encourage much-needed trade with Asia's fast-growing economies.

Europe has made a "huge effort" to tackle the euro crisis "by more coordination, by fleshing out the future of a genuine economic and monetary union", Monti said, noting that Asia also faced slowing economic growth.

"Past events showed us that the current crisis does not stop on the edge of town but it is really knocking at all doors," he warned.

Dozens of leaders jetted into the small landlocked nation for the Asia-Europe Meeting, which provides an opportunity to strengthen trade links between two regions that together account for about half of global economic output.

There were calls for Asia to play a greater role in efforts to revive the world economy and to renounce trade barriers, after years of rapid growth in the region on the back of rising exports to Europe and other Western markets.

"Promoting trade is not only fostering domestic demand but also avoiding protectionism," said European Union president Herman Van Rompuy, who sought to allay fears that the eurozone might break up.

"The financial stability of the eurozone is much stronger than a few months ago. The euro is an irreversible project and on this basis growth can pickup in the course of 2013," he said.

For years Western outrage over Myanmar's human rights abuses -- including the longtime detention of Nobel laureate Aung San Suu Kyi and other political prisoners -- was a major cause of friction between the two regions.

Unlike other participating nations, Myanmar was only allowed to send its foreign minister to previous Asia-Europe summits.

HSBC says US money-laundering bill hits \$1.5 billion

AFP, London

HSBC has increased the amount set aside for fines linked to money-laundering in the United States to \$1.5 billion, the British banking giant said Monday, adding it could face criminal charges over the matter.

The Asia-focused lender also announced in a results statement that net profits tumbled by more than half to \$2.498 billion in the third quarter, or three months to September, compared with a year earlier.

HSBC's earnings were hurt by an extra \$800-million provision over the money-laundering affair. It had already allocated \$700 million earlier this year and admitted Monday that the overall total could be "significantly higher".

The London-listed bank also took another charge of \$353 million to compensate clients in Britain who were mis-sold payment protection insurance, in a separate scandal which has blighted the country's banking sector.

HSBC has so far booked a total provision of \$2.1 billion for the mis-selling scandal.

The bank was thrown into a separate crisis earlier this year when a US Senate report found it had allowed affiliates in Mexico, Saudi Arabia and Bangladesh to move billions of dollars in suspect funds into the US without adequate controls.

"These results include an additional provision of \$800 million in relation to US anti-money laundering, Bank Secrecy Act and Office of Foreign Asset Control investigations," the bank said in Monday's statement.

"We are actively engaged in ongoing discussions with the relevant authorities regarding steps to achieve a resolution, including potential fines, penalties and forfeitures, although no agreement has yet been reached.

"The resolution of at least some of these matters is likely to involve the filing of corporate criminal as well as civil charges and the imposition of significant fines, penalties and/or monetary forfeitures," HSBC added.

The bank in July apologised for failing to apply anti-laundering rules and one senior executive resigned. US lawmakers have accused the global bank of giving Iran, terrorists and drug dealers access to the US financial system.

David Bagley, the head of group compliance for London-based HSBC, was forced to step down from his post in the wake of a US Senate subcommittee's damning report on the bank's operations.

"The US authorities have substantial discretion in deciding exactly how to resolve this matter," HSBC chief executive Stuart Gulliver said on Monday.



People walk past an HSBC bank branch in central London. The bank yesterday said its third-quarter profits slumped after taking \$1.15 billion in extra charges for a money-laundering scandal in the US and insurance mis-selling claims in Britain.

AFP

"Indeed, the final amount of the financial penalties could be higher, possibly significantly higher, than the amount accrued."

HSBC on Monday added that the bank's pre-tax earnings slumped 51 percent to \$3.5 billion in the third quarter on large fluctuations in the value of its own debt.

After stripping out exceptional items, adjusted pre-tax profits more than doubled to \$5.04 billion, aided by a strong performance at HSBC's investment banking division, and

easing eurozone conditions.

Market expectations had been for adjusted profit of about \$5.45 billion, according to analysts polled by Dow Jones Newswires.

Total revenues meanwhile soared by 20 percent to \$16.13 billion in the reporting period. The group also slashed bad debts

HSBC's share price dropped 1.42 percent to 617.20 pence on London's FTSE 100 index of leading companies, which was 0.60 percent lower at 5,832.52 points in midday deals.

India retail reforms face broad alliance of foes

AFP, New Delhi

THE ruling Congress party has rolled out its big guns to defend the move to let the likes of Walmart set up shop in India, but they are confronting an alliance stretching across the political spectrum.

Prime Minister Manmohan Singh's left-leaning government announced in September that it was lowering the bar for foreign firms to operate in sectors ranging from retail to insurance, in a bid to revive its fortunes before elections in 2014.

But by leaving it up to individual states to decide whether they want to implement them, analysts say the retail reforms are in danger of fizzling out as opponents ranging from communists to right-wing nationalists mobilise resistance.

Congress party president Sonia Gandhi and even her son Rahul -- the scion of the Nehru-Gandhi dynasty -- spoke at a mass rally in Delhi on Sunday to espouse the benefits of the reforms before tens of thousands of supporters.

"We need economic reforms because only when businesses operate well will there be progress, and then we can run programmes to benefit the poor," said Rahul whose father, grandmother and great-grandfather all led India.

But elsewhere in the country, a broad array of Congress opponents are vowing to scupper the changes.

If anywhere in India might be expected to welcome major international firms, it should be Gujarat -- a state whose relative prosperity over the last decade has been built in part on its success in attracting the likes of Ford and Shell.

Its Chief Minister Narendra Modi, a leader of the Hindu nationalist Bharatiya Janata Party (BJP), has even instigated a campaign called "Vibrant Gujarat" to draw in investors.

In a recent interview with AFP, Modi's comments that "only economic reforms can improve the lives of millions across India" appeared to echo government policy -- before he promptly slapped down the proposals.

"The federal government did not take our opinion before introducing the reform," said Modi whose BJP is hoping to unseat Congress in 2014.

The BJP says an estimated 50 million "mom and pop stores" will go bust

under Singh's plans to let foreign firms open supermarkets for the first time in India.

While the opposition from the right is inspired in part by an instinctive desire to support small businesses, the left has a deep suspicion of Western giants.

"We have made our stand very clear that FDI (foreign direct investment) in retail will be a disaster. We cannot sell Indian markets to foreign companies," Brinda Karat, leader of the Communist Party (Marxist), told AFP.

Major multinationals such as Coca-Cola and McDonalds were effectively locked out of India until as late as the mid-1990s before the government began to open up the economy.

According to the Nobel prize-winning economist Joseph Stiglitz, India has an unusually large entrepreneurial class for a developing nation which "raises the question as to why India needs foreign entrepreneurs".

"To me, as most economists say, a little competition is good. On the other hand, the worry is that a company like Walmart may owe some of their success to its power and ability to drive down prices," he told India's Outlook magazine.

To date, only 12 of the 28 states in India are in line to implement the new rules allowing in foreign supermarkets.

But while the opposition of state leaders such as Modi may be politically expedient, analysts say they face a complex dilemma as they strive to integrate their local economies with the global economy.

"The BJP is opposing the FDI in the retail sector only to appease the small traders and business houses who traditionally vote for their party," said Ranjan Nathani, an economics professor at Delhi University.

"But they forget that FDI in retail is the need of the hour to sustain growth."

There is little doubt among all parties about retail's huge potential for growth, even if it is one of the least evolved sectors.

Foreign firms are currently allowed to operate but only when selling single brands.

According to the Investment Commission of India, the influx of multi-brand supermarkets should help the retail sector to grow to almost three times its current levels, to \$660 billion a year by 2015.