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Cut costs of loans: MCCI

Leading chamber says costly credit, political unrest to hurt investment and GDP growth

STAR BUSINESS REPORT

Higher costs of credit, coupled with the ongoing political turmoil, are discouraging private investment, a leading chamber said yesterday.

"Unless the costs of bank credit are brought down to reasonable levels, private investment will not rise, and the expected GDP growth for the new financial year will be difficult to achieve," said the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI).

Credit growth in the private sector remained subdued and stayed much below the central bank's target, the chamber said in its Review of Economic Situation in Bangladesh: April-June 2013.

It said the overall credit to the public sector increased by 17 percent during July-April of FY13 against a 32.4 percent rise in the same period the previous year.

The domestic credit growth at 9.5 percent in the 10-month period of FY13 was lower than the 15.2 percent growth recorded in the same period a year ago.

Credit to the private sector registered a lower growth of 7.9 percent during July-April of FY13, which was 14.7 percent during the same period in the previous

fiscal year, the chamber said.

The credit growth fell although the weighted average spread between the lending and deposit interest rates offered by banks declined slightly to 4.98 percent in May from 4.99 percent in April.

Pressures from the central bank as well as businesspeople and industrialists helped narrow the spread.

The average lending and deposit rates in May were 13.63 percent and 8.65 percent respectively, which were 13.64 percent and 8.65 percent a month back.

The year-on-year decline in the domestic credit growth at the end of April was due to the lower growth in both public and private sector credit.

The MCCI also said a lacklustre situation prevails both in local and foreign direct investments mainly because of political uncertainties.

"The ongoing political unrest, accompanied by a shortage of power and energy, and a scarcity of lands are discouraging entrepreneurs from investing. Potential foreign investors are shying away from the country."

However, Bangladesh received the highest ever foreign investment, at around \$1.29 billion, in 2012.

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ANURUP KANTI DAS

Containers pile up at the Chittagong port as the delivery of goods slowed due to Eid holidays and a 48-hour shutdown enforced by Jamaat-e-Islami.

Realtors slash apartment prices to rope in customers

SUMAN SAHA

Realtors are slashing apartment prices in a bid to revive the housing sector.

"The apartment prices in Dhaka are around 25 percent cheaper now than three years ago," said Toufiq M Seraj, managing director of Sheltech (Pvt) Ltd, a real estate company.

In 2010-11, each square foot of a flat was trading at Tk 16,000 in Dhanmondi, he said. "Now, it has come down to Tk 12,000-13,000."

In sector-10 of Uttara, an apartment is now selling at Tk 4,500 per square

foot, which was Tk 6,000-6,500 in three years ago, according to Seraj.

Md Abdul Awal, managing director of Structural Engineers Ltd, another developer, however, said further price cuts are needed as apartment values "increased abnormally in 2010 and 2011".

Around 18,000-20,000 ready flats currently remain unsold, according to Md Wahiduzzaman, general secretary of Real Estate and Housing Association of Bangladesh (REHAB), a platform of realtors.

"Most of us are now at a break-even point. Cash-flow is needed to

adjust bank loans. If we don't pay interest in due time, our liability will rise significantly. We have no other option but to charge low rates."

Meanwhile, Bangladesh Bank's directive on Monday to rein in banks' exposure to real estate suggests apartment prices are likely to fall further.

Banks will not be able to spend more than 30 percent of their paid-up capital on real estate and are forbidden from buying any new property unless they bring down their portfolio to the new threshold, the notice said.

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Listed pharma firms shine in first half

GAZI TOWHID AHMED

Listed pharmaceutical companies saw healthy profits during the first half this year thanks to a growing demand in the local and international markets.

Of the 11 listed firms, six registered a rise in their profits ranging from 4.36 percent to 35.49 percent in January-June compared to the same period last year, while one witnessed a decline in its profits. Others are yet to release their reports.

Square Pharmaceuticals reported the highest profit at Tk 133.18 crore with earnings per share of Tk 3.59 in January-June as against Tk 98.29 crore and Tk 2.65 in the same period of the previous year.

After Square, GlaxoSmithKline's profit rose to Tk 34.65 crore with an EPS of Tk 28.76 in the period compared to Tk 22.36 crore and Tk 18.56 respectively in the same period last year.

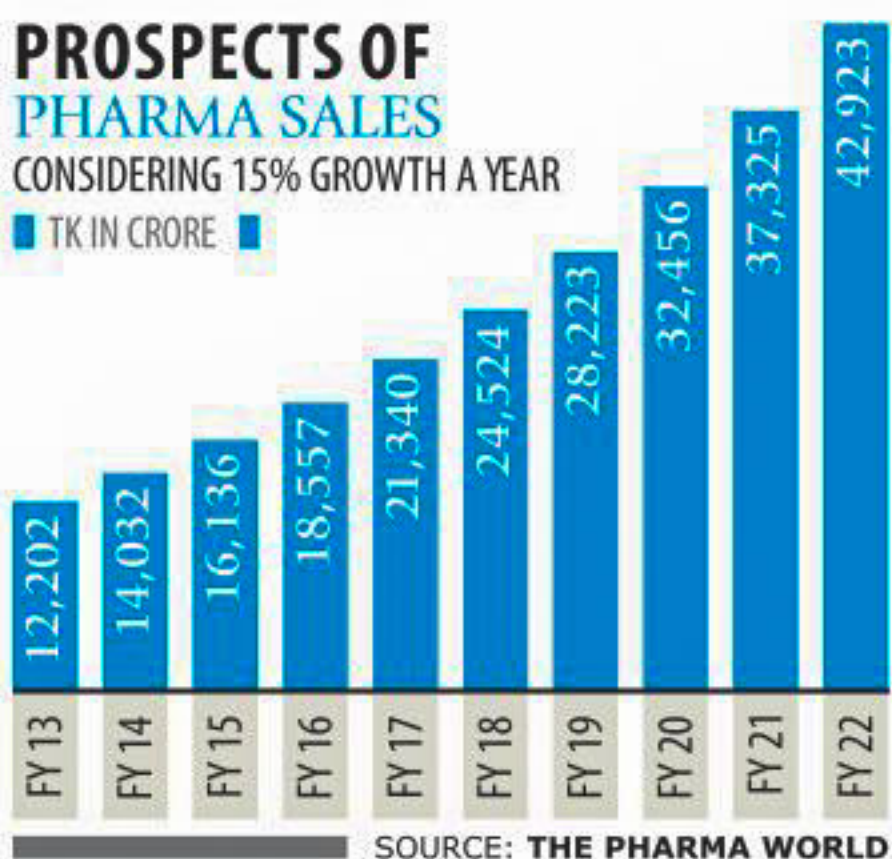
The pharma industry recorded a double-digit growth in the last one decade, said Maruf Matin, managing director of Alliance Capital, an asset management company.

The sector registered 12.1 percent growth in sales in 2012, 23.6 percent in 2011 and 23.8 percent in 2010. Sales dropped last year due to escalating raw material prices.

Pharma is the most developed manufacturing industry in Bangladesh and the third largest sector in terms of its contribution to the state coffers, Matin said.

The pharma companies are also offering healthy dividends to their shareholders, he said.

However, some big players, whose sales growth was 40 percent in 2012, are not



interested to come to the stockmarket, Matin said, adding that the market badly needs good quality shares.

The industry now meets 98 percent of the local demand and exports to more than 88 countries, he said.

Foreign companies are also showing interest to invest in the sector, he said. "Pharma is an excellent sector for investment."

Under an agreement -- Trade-Related Aspects of Intellectual Property Rights -- the World Health Organisation in 2001 allowed developing and poor nations to produce generic drugs without any licences or paying the patent holders till 2016, he said.

The sector has a huge potential in the upcoming years as the WHO extended the tenure of the benefit until 2021, he added.

Retail sales are expected to reach Tk 12,000 crore this year, riding on people's health consciousness and booming hospitals and clinics, according to the Pharma World, a pharma magazine in Bangladesh.

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Central Pharmaceuticals debuts on bourses today

STAR BUSINESS REPORT

Central Pharmaceuticals is set to make its trading debut today, the 25th company from the pharmaceutical and chemical category to do so.

The drug manufacturer is joining the stockmarket with 6.20 crore ordinary shares of Tk 10 each. However, of the total shares 1.40 crore will be tradable now.

Earlier, the company raised Tk 14 crore from public through initial public offering

(IPO) using the fixed price method, after getting approval from Bangladesh Securities and Exchange Commission on March 27.

The purpose of the IPO, conducted by Janata Capital and Investment, was to raise funds for repayment of the company loans, the prospectus said.

As of March 2013, the company's earnings per share stood at Tk 0.62 and net asset value per share Tk 11.61.

Central Pharmaceuticals produces 71 types of medicines, at present.

BGMEA suspends services to 160 factories

STAR BUSINESS REPORT

The BGMEA has suspended 'utilisation declaration' (UD) certificates—mandatory export documents—for 160 of its members for not sparing adequate space on rooftops of the factories.

To facilitate exit in cases of fire, Bangladesh Garment Manufacturers and Exporters Association stipulates at least 25 percent open space on a building's rooftop.

"Our inspection teams found zero open space in some of the factories," said Shahidullah Azim, vice-president of BGMEA.

The factories, however, can have it reinstated if they rearrange their rooftop layout to leave 25 percent open space.

"At least 12 factories that had their UD suspended got it back after managing the requisite open space on rooftops," he said, adding that the BGMEA is very strict regarding the issue.

The suspension of UD certificates means the BGMEA will not give these factories a vital export document that gives details about the use of imported fabrics and accessories in garment production.

The move comes after the Obama administration put pressure on Bangladesh to improve factory conditions, a requirement to regain trade privileges from the United States.

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