

Stocks fall, driven by textile

Political violence dampens investor sentiments

STAR BUSINESS REPORT

The textile sector fell 2.52 percent yesterday despite positive export figures in anticipation of a bleak corporate outcome in future in the face of strikes and blockades.

The sector was the day's worst loser. Despite positive export data of textile, the sector saw a decline as investors weighted expected sub-optimal performance of the sector in the future, IDLC Investments said in its daily market commentary.

Knitwear products brought home \$877.61 million in November, up 34.2 percent from the previous year, while woven garments fetched \$889.35 million, an improvement of 25.3 percent over 2012's November receipts, according to Export Promotion Bureau.

All major sectors declined: non-bank financial institutions 1.13 percent, telecoms 0.59 percent, pharma 0.34 percent, power 0.30 percent and banks 0.21 percent. However, general insurance gained 0.95 percent and tannery 0.18 percent respectively.

The benchmark general index of Dhaka Stock Exchange, DSEX, declined 0.55 percent or 23.62 points, to close the day at 4,265.24 points.

All eyes seem to be on the outcome of ruling party's stance over a consensus on the recent political tensions, which are yet to show any abatement, LankaBangla Securities said in its daily market analysis.

Some major sectors saw selling pressure as investors are anticipating that business will start scaling back in the next quarter on account of ongoing political unrest, the stockbroker said.

Investors bagged profit on large- and mid-cap stocks where the textile sector got the highest beat, it added.

"Investors were cautious, pulling down the index," IDLC said.

Turnover, the most important indicator of the market, declined 35.72 percent to Tk 456 crore, compared to the previous day.

An aggregate of 1.15 lakh trades were executed with 12.18 crore shares and mutual fund units changing hands on the Dhaka bourse.

Losers took a strong lead over gainers with 154 to 96, while 39 issues closed unchanged on the DSE.

Generation Next Fashion generated the highest liquidity with 66.96 lakh shares worth Tk 25 crore changing hands.

Green Delta Insurance was the day's highest gainer, posting a rise of 9.82 percent, while Samata Leather Complex was the worst loser, slumping by 10 percent.

The Chittagong Stock Exchange also ended lower with its selective categories index, CSCX, losing 42.72 points, to close at 8,392.51.

Losers beat gainers 157 to 47, with 22 issues remaining unchanged at the port city bourse that traded 3 crore shares and mutual fund units, with Tk 160 crore in turnover.

GSL joins hands with German investor to set up toy factory

STAR BUSINESS REPORT

A local, private company joined hands with a German entrepreneur to set up an export-oriented toy-manufacturing unit in Chittagong.

GSL Export, a subsidiary of Golden Son, has recently signed a deal with Stephen Christenson, a foreign entrepreneur.

Golden Son, also a listed firm, will finance half the total investment of Tk 50 crore in three years, while Christenson will invest 40 percent and the rest 10 percent will be financed by Belal Ahmed, managing director of Golden Son.

Production will initially begin on 50,000 square feet of rental space on Golden Son's premises, Ahmed said. "Gradually, we will expand the unit to 2 lakh square feet."

"In the first phase, the production of soft toys for children will start in April 2014 in the factory," he said. The second phase, manufacturing vinyl toys, will begin by the end of 2014.

Christenson runs businesses and factories with similar product lines in Germany, Latvia and China, of which, the Latvian Corporation has been in operation for the last 103 years, Ahmed said.

"Due to recent hikes in labour and production costs in those countries, Christenson decided to shift his business from those countries to Bangladesh," added Ahmed, also the chairman of GSL Export.

GSL Export is a newly formed company, and toy manufacturing under a joint venture will be its first project.



STANCHART

Bitopi Das Chowdhury, head of corporate affairs at Standard Chartered Bangladesh, and Steven Roy, chief executive of Ispahani Islamia Eye Institute and Hospital, attend a programme recently when the bank signed a deal with the hospital to provide the bank's customers with special services. Under the deal, StanChart credit-card holders will be able to donate their 360 degree reward points for basic cataract surgeries with regular lens to underprivileged patients at the hospital.



IBBL

Mohammad Abdul Mannan, managing director of Islami Bank, receives the first prize in private sector banks and SAARC Anniversary Award from corporate governance category from AMA Muhith, finance minister, at the ICAB National Award 2012, in Dhaka on Saturday.



NRBCB

Farasath Ali, chairman of NRB Commercial Bank, and MA Jalil Ananta, chairman of AJI Group of Industries, inaugurate the bank's seventh branch in Hemayetpur of Savar yesterday.

Political unrest hits fruit vendors

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The Badamtali market deals nearly 40 percent of the country's total fruit imports, Islam added.

Nearly 150 of the country's 300 fruit importers belong to the Badamtali market, the largest sales point in Bangladesh, from where wholesalers supply fruits to retailers at different districts, Islam said.

Fruits are imported from around 25 countries, including India, China, USA, Bhutan and Australia, he said.

There has been a drastic drop in sales for falling demand in the market, he said.

Mohammad Russel Hawlader,

an importer and owner of Marium Enterprise at Badamtali, said his fruit-carrying vans were stuck on the roads for 3-5 days, and around 40 percent of the perishable items became rotten.

"I faced a loss of Tk 20 lakh in the last two months for the blockades," Hawlader said. "The prime minister and opposition leader are fighting for their own benefit; they are not thinking about us."

A lingering political climate will spell disaster for the sector as local businesses are failing to keep commitments they made to exporters, he said.

"I made commitments to some

Bhutanese exporters three and a half months ago to import 3,000 trucks of oranges. Two months have already flown by and I could bring a mere 400 trucks so far."

The season for Bhutanese oranges begins in November and continues till mid-February.

"Normally we spend Tk 20,000 to Tk 25,000 on a truck or covered-van from different land borders like Hili, Benapole, Sonamasjid and Burungamari, but van owners are now charging Tk 80,000 to Tk 90,000."

"We have cut down on fruit imports, as it has become risky and unprofitable," said Kuddus Mawla

Shimul, manager of Al-Madina Fruits at Badamtali market.

He said miscreants set fire to one of their vans on a blockade day, making them incur a loss of Tk 25 lakh.

"We are facing a loss of Tk 1.5 lakh a month, as we regularly have to pay staff salaries and rent on warehouses."

Mohammad Hassan Morol, a fruit seller at Dayaganj in Old Dhaka, said customer turnout has dropped to a half in the last two months.

"I sell fruits worth Tk 5,000 to Tk 6,000 a day now, which was nearly double three months ago. I bore a loss of Tk 10,000 last month for a lack of customers."

Political turmoil slows plant safety review

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Labour Secretary Mikail Shipar blamed the slow pace of inspections on worsening political turmoil triggered by opposition demands for the resignation of Prime Minister Sheikh Hasina and the scrapping of general elections slated for January 5. "The abnormal political situation has slowed down the inspection drive," Shipar said, adding inspectors had been unable to reach larger plants in industrial areas outside the national capital Dhaka.

Both Shipar and Ansary said that the inspections had been held up due to disruption in transport links caused by the continuing unrest, which has seen Dhaka virtually cut off from the rest of the country due to blockades and strikes called by the opposition parties.

Most of Bangladesh's 4,500 garment factories are based in the industrial zones outside Dhaka, which are home to factories making clothes for the world's top retailers such as Walmart, Tesco, Gap and H&M. "If the situation continues this way, we'll miss the deadline to inspect more than 1,000 factories by August," Shipar said.

Ansary, a professor of civil engineering at Bangladesh University of Engineering and Technology (BUET), said of the 75 factories inspected so far, all were found safe.

Some 30 teams from BUET are conducting the drive based on common safety guidelines agreed by Western retailers. Retailers and BUET experts have developed the guidelines. US and European retailers signed up to two separate safety pacts after coming under intense pressure in the wake of the Rana Plaza disaster.

The two groups will carry out inspections of more than 2,000 factories using the new standards, while the government will check about 1,500 factories not covered by the pacts. Bangladesh's \$22-billion garment industry is the world's second largest after China's and employs four million workers, most of them women.

Scores of people have died in clashes since late October when the opposition launched the protests calling on Hasina to resign and make way for the polls to be held under a neutral caretaker government. This year, Bangladesh has witnessed its worst political violence since independence. In another dispute, clashes between opposition protesters demanding a halt to war crime trials of their leaders and police have left at least 150 people dead.

BB relaxes loan rules for affected businesses

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At present, depending upon the type of loans banks take 10 to 15 percent down payment for loan rescheduling and give six months to three years for loan repayment.

The BB official said depending upon the bank-client relationship, the banks can now lower the down payment ratio and increase the loan repayment period.

However, the facilities will not be extended to those who were defaulters before the political unrest started.

Prior to releasing the guideline, the central bank sat down with all commercial banks to discuss the current situation, where all bankers were against the idea of extending the facilities to all on ground that it will increase the default loan culture.

The bankers instead suggested that the central bank relax the loan rescheduling rules on a case-to-case basis, as it will help reduce the amount of classified loans, increase recovery rate to some extent and maintain the banks' profitability.

RMG stimulus in the offing

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Three platforms of garment and knitwear makers and textile mill owners placed a three-point demand to the finance minister on December 11 to help them offset the extra cost following the recent hike in garment wages.

They also demanded measures to make up for the losses caused by political unrest.

Finance Minister AMA Muhith later sat with the officials of the central bank, the finance ministry and the National Board of Revenue.

In another demand, the garment makers said all existing loan classification rules should be relaxed, and term-loans and forced loans in the textile, garment and backward linkage industries should be given a grace period of two years.

However, Bangladesh Bank said they will not relax rules on a wholesale basis but will provide compensation to the genuinely affected factories individually.

The BB yesterday discussed the matter with the state-owned and private banks.

The central bank also issued a directive to all commercial banks and gave them a guideline about rescheduling the loans of all industrial units affected by the political unrest.

A central bank official said, apart from the benefits meant for the garment sector, some loan facilities may be announced after receiving an instruction from the government.

Managing Director of Pubali Bank Helal Ahmed Chowdhury said many compliant businesses with a good track record are going through tough times due to the ongoing blockades and shutdowns.

The government as well as the central bank should support the businesses that were really affected, he said.

A central bank official said the banks have expressed concern about the ongoing political unrest. He said the turmoil would cause an increase in banks' default loans, which will have an effect on various indicators of the banks.

30pc banks exposed to high risks of online fraud: study

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Mohammed Nurul Amin, chairman of the Association of Banks, Bangladesh, a platform of banks' chief executives, also agreed that the banking sector has a deficiency of IT risk management.

"We have already seen a number of disasters in the banking sector due to poor security systems," he said at the seminar on Saturday to share a part of the study.

He, however, added that the sector has stepped up its efforts of late. Khondkar Ibrahim Khaled, a former deputy governor of the central bank, called for an increase in IT budget to ensure risk-free transaction.

"This study is an eye opener for the central bank, so it should create a separate wing or department to monitor the IT risk," he said at the seminar.

Banking on SMEs

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The bank charges Tk 12 for sending Tk 1,000 - a rate much lower than those of other service providers. The bank has 10,000 agents across the country and already 30,000 accounts registered. The bank plans to increase the number of agents to 30,000 in a year.

"We have got very good response," he said, adding that on average Tk 6 crore changes hands every week through the service.

Ali also said the state of the banking sector is very delicate, as the overall demand for loans has gone down to below 11 percent from the central bank's stated private sector credit growth target of 16 to 17 percent.

"Banks are not being able to utilise their liquidity properly as entrepreneurs are not taking loans. Nobody wants to take risks. Their cost of doing business has gone up sharply. As a whole, the business has become very costly."

About the recent scandals in some banks,

Emerging economies are making big leaps in 'real' development

FROM PAGE B4

Slower growth helps, but also in developed countries, the pressure to clean up the environment and avoid degradation is stronger. This is not to say that all objectives are being met, but there are at least signs of movement in the right direction on measures such as CO2 emissions and habitat protection.

Dealing with environmental degradation is the most challenging area of development, because countries with higher income per capita, as well as countries growing GDP fast, tend to have the greatest impact on the environment. Poor countries want to develop, of course, and people in richer countries don't want to give up what they have. So something has to give, and it is most often the environment.

GDP is still an important measure of

Ali said like every other sector there are some black sheep in the banking sector.

"It is not possible to wipe out them totally. But good governance, robust monitoring system and strong regulatory policies can rein in their activities."

He warns if one irregularity is compromised then the floodgate will open. The bank, which has 139 branches, has included microfinance in the SME banking segment.

At present, the bank is catering to micro-borrowers through microfinance institutions, but it has plans to create a separate division for the sector in a bid to give the borrowers access to funding much lower than the 27 percent that MFIs charge at present.

"As a result, there is a pressure on the borrowers in terms of high interest rates. So, we are planning to do something on our own."

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AAMRA TECHNOLOGIES

Syed Faruque Ahmed, chairman of Aamra Technologies Ltd, presides over the 24th annual general meeting of the company in Dhaka yesterday. The company announced 5 percent cash and 10 percent stock dividends for 2013. Syed Farhad Ahmed, managing director, was also present.



MTB

Md Hashem Chowdhury, deputy managing director of Mutual Trust Bank, inaugurates the bank's 87th branch in Mirpur, Dhaka recently. Syed Rafiqul Hossain, head of Dhaka division branches, was also present.