

# Star BUSINESS

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**জীবনে প্রয়োজন আরো বেশি স্বাচ্ছন্দ্য**  
 সর্বাধুনিক প্রযুক্তি সম্বলিত ব্যাংকিং সেবায় মাসিক আয়ের সাথে বাড়তি আয় যোগ করুন আর জীবন করুন সুস্বন্দ্য।

যে কোন প্রয়োজনে ০৯৬১২০০১১২২  
 ইসলামাবাদ শরিয়াহ'র মুনরাব্বা নীতির ভিত্তিতে পরিচালিত



## Orion steps into upmarket footwear business

### Sales start at Dhaka Trade Fair Thursday

**SUMAN SAHA**  
 A new footwear company -- Orion Footwear Ltd -- is set to start its journey today to cater to the middle- to high-income segments of the market. "Despite the presence of many footwear companies, those segments' tastes are not catered to. We aim to fill that gap," Md Ruhul Amin Molla, the company's chief executive officer, told The Daily Star.



**PLANS TO**

- Roll out about **450** designs of footwear
- Open three outlets in Gulshan, Banani and Wari in mid-January
- Invest around Tk **150** cr in five years
- Prices to range between Tk **500** and Tk **10,000** each pair

Group, plans to invest around Tk 150 crore in the next five years to build the business, he said. Orion Footwear's entry comes at a time when the market is brimming with competitive local brands. Furthermore, many companies are

opening new stores to increase sales. Meanwhile, a number of industry people say the home market, which has long been dominated by multinational Bata and local Apex and shunned by exporters producing high-quality wares for Western buyers, is progressively becoming more attractive for footwear makers, as exports entail a lot of complexities.

While the exact statistics on retail footwear sales are hard to come by, one estimate puts the annual sales figure to be Tk 2,400 crore by assuming that at least one pair of shoes is used by one person. The leather industry in the past three decades has transformed itself from the low value-added tanning activity to a producer of leather footwear and leather goods along with the high value-added crust and finished leather, according to experts.

It exported a record \$1.29 billion last fiscal year, up 32.12 percent year-on-year, according to the Export Promotion Bureau.

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## Pay hike may not fuel inflation

### New BB Chief Economist Biru Paksha Paul stresses improving productivity

**SUMAN SAHA**  
 The proposed pay hike of government employees will not fuel inflation if productivity improves, the newly-appointed chief economist of the central bank has said.

Biru Paksha Paul said Bangladesh Bank is now examining whether the raise will put an impact on inflation.

Containing money supply is important to keep inflation at a tolerable level in the long term, he said.

"Money supply is an input to restrain inflation. It works like the accelerator of a car," Paul said.

In a study on Bangladesh and India, he found the rise or fall in inflation is mainly driven by money supply.

"The inflation differential between Bangladesh and India is mainly a monetary phenomenon," Paul told The Daily Star on the sidelines of a conference on economic research in Dhaka yesterday.

During 1980-2012, Bangladesh registered, on average, an annual growth of 16.87 percent in money



**Biru Paksha Paul**

supply and 6.81 percent in inflation, he said.

Paul, also an associate professor of economics at the State University of New York at Cortland, said he is not against an increased supply of money

in emerging economies like Bangladesh.

"Bangladesh's economy has been growing at around 6 percent for the last several years. So there will be some inflation. If we don't pump money into the economy, it will not grow," Paul said.

Giving an example, he said: "It will not create any inflation if we print a Tk 100 note, and at the same time, produce the same amount of goods."

Prudential management of money supply will keep inflation in check or at a desired level, he said.

Paul also said inward remittances should be managed properly so that prices of essentials do not go up.

"Inward remittance does not create inflation. It creates inflation when it is not properly managed by the central bank."

Bangladesh's inflation has been on a downward curve -- it came down to 6.21 percent in November, which was the lowest in 24 months.

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## VAT on passports troubles workers

**SOHEL PARVEZ**  
 People will now have to pay extra bucks to get their passports issued or renewed as the Department of Immigration and Passport yesterday started collecting 15 percent VAT on fees for the travel document.

Though the VAT was introduced in 2010, it could not be collected so far, mainly due to a relaxed stance of the National Board of Revenue.

However, the move came as a surprise to many, especially low-income people.

"I was unaware of the VAT. Luckily, I had some extra money. Otherwise, I would have been in trouble," said Mohammad Russell, who came from Keraniganj to Dhaka to apply for a new passport as he plans to go abroad for a job.

He paid Tk 3,000 as fee for a regular passport, plus Tk 450 as value-added tax. The cost for an "urgent passport" will thus rise to Tk 6,900, including VAT.

On December 23, the immigration department issued a letter to banks to collect the VAT.

But bankers yesterday said it was not clear

when the VAT would be effective. In absence of any clear guideline, several branches of banks stopped receiving money for passports.

The Daily Star visited the Segunbagicha branch of Sonali Bank where officials said they were not receiving the money in absence of clear instruction from their higher authority.

Md Siraj Uddin, additional director general at the passport department, said VAT collection began yesterday, but he could not clearly say why the process started without any prior notice.

Md Matiar Rahman Biswas, manager of Sonali Bank's Agargaon branch, said the branch office initially received only fees for passports, as there was no instruction from which date the VAT has to be collected.

"We had to face huge crowd today for payments of fees for passport and VAT," he said.

Overseas jobseekers are going to be hit hard by the VAT. Currently, over 80 lakh Bangladeshis work abroad and sent \$14 billion home last fiscal year.

## 2014: LOOKING BACK

# For stocks, it was the year of comeback

**SARWAR A CHOWDHURY**  
 In history, 2014 will go down as the year that the stockmarket shook off the after-effects of the price crash of 2011 and set off on a path to stability and progress.

"The market has stabilised at a positive level," said Faruq Ahmad Siddiqi, a market expert and a former chairman of the Bangladesh Securities and Exchange Commission (BSEC).

The indicators, too, suggest so, and not least, the returning investor confidence, which plunged to almost zero after the crash.

Between January 1 and December 28, DSEX, the benchmark index of the Dhaka Stock Exchange, rose 12 percent to close at 4,801 points. Market capitalisation stood at Tk 322,254 crore, a 21 percent rise from the previous year.

The daily turnover, an important gauge, stood at Tk 506 crore on average, up 26.5 percent year-on-year.

Foreign investment saw 23 per-

cent growth up to November, which indicates that the capital market is being viewed as a viable investment destination.

"This year we have learnt that investors are making more informed decisions than ever before, proven by the increase in market capitalisation of fundamentally strong stocks and are less speculative than before," Kh Asadul Islam, managing director of Alliance Capital Asset Management Company, said.

Siddiqi said investor confidence has not come back completely, as institutional investors such as merchant banks and asset management companies are yet to jump into the market wholeheartedly.

The reason is, the financial services sector is still suffering from the overleveraging and financial discipline caused by the 2011's stock market crash, according to Islam.

"The complete recovery of the market will not happen unless the institutional investors go all in,"

**BY THE NUMBERS**

- DSEX **12%**
- Average daily turnover **26.5%**
- Market capitalisation **21%**
- Foreign turnover **23%**
- New listing **17**

readjustment of their stockmarket exposure for the year falling short of its potential. "There was too much supply, while the demand was lukewarm," he added.

During the year, 17 new securities were listed on the DSE, which raised around Tk 1,000 crore. With the inclusion of the new securities, the total number of listed securities on the DSE stood at 547.

On the oversight level, the BSEC and Bangladesh Bank were seen to be strengthened, empowered and independent. The former regulated the capital market and the latter the money market, thus ensuring the development and smooth operation of both.

One of BSEC's main focuses was strengthening the enforcement activities, its Commissioner Arif Khan said.

In line with this, the regulator took actions against the issuer companies, the issue managers and the auditors for their wrong doings

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## Saudi soft loans for Teesta bridge

**STAR BUSINESS DESK**  
 Saudi Arabia will provide 18.75 billion Saudi riyals (\$50 million) in soft loans for building a bridge over the Teesta river in Gaibandha.

An agreement was signed in Dhaka on Friday between the Saudi Fund for Development and Bangladesh's finance ministry.

Ahmed Al-Ghannam, director general of Saudi Export Programme, and Mohammad Amjad Hossain, joint secretary of Economic Relations Division, signed the agreement, the Saudi Embassy in Dhaka said in a statement yesterday.

This latest commitment brings the Saudi Development Fund's total financing for projects in Bangladesh to around \$562 million.

## Foreign funds in DSE scale new height

**SARWAR A CHOWDHURY**  
 The Dhaka stockmarket is on course to receive its highest flow of foreign investment this year, as the inflows in the first 11 months have already surpassed previous records.

Net investment between January and November stood at Tk 2,388.09 crore, which is almost 23 percent higher than the last year's total.

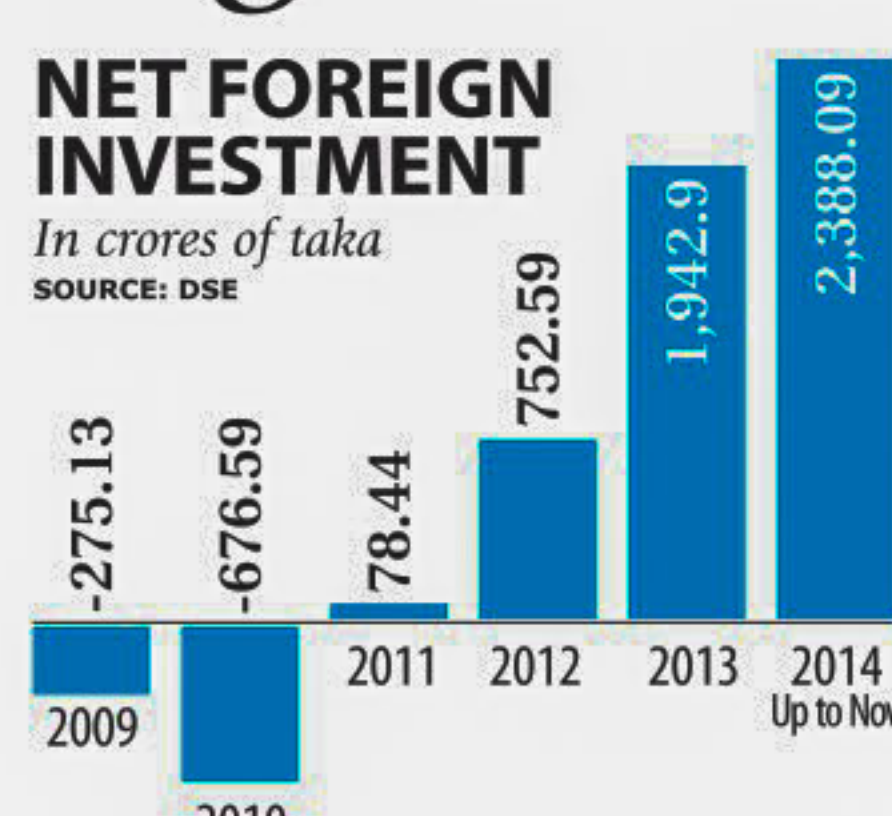
A comparatively better political situation, positive market outlook and favourable macroeconomic indicators have encouraged foreign investors to inject money into local securities, said stockbrokers who deal with portfolio investments.

Aggressive overseas marketing by local stockbrokers and the government's foreign policy towards Southeast Asian countries also attracted overseas investors to the Dhaka stockmarket.

The market value of fundamentally strong shares was very lucrative to foreign investors, whose focus was mainly toward consumer-driven securities, said Md Saifuddin, managing director of IDLC Securities.

Though there was a political instability in the first quarter of the year, the situation started easing from the second quarter onwards, he said.

Other than the political calm, economic indicators such as exports and remittance are maintaining a steady



growth, he said.

The country's efforts to strengthen regional relationship especially with the Southeast Asian nations are also lending added confidence to the foreign investors, he added.

The managers include world renowned fund managers like Morgan Stanley, JPMorgan, Goldman Sachs and BlackRock. They managed various types of funds like endowment fund, hedge fund, long-only fund and mutual fund, and they invest in the country's capital market through these funds.

Faruq Ahmad Siddiqi, a market expert and a former chairman of the Bangladesh Securities and Exchange Commission, said it will be good for the market if the investment is made with a long-term outlook.

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## Anlima Yarn's profits fall on political chaos

**GAZI TOWHID AHMED**  
 Net profit of Anlima Yarn Dyeing fell 23 percent year-on-year to Tk 1.86 crore last fiscal year.

Mahmudul Hoque, managing director of the company, blamed the slide in profits on political instability in the run up to the national election in January.


Demand for their products also fell, as buyers took a cautious stance following twin industrial disasters in the garment sector.

The garment industry faced fresh compliance requirements from European and US buyers after the Tazreen fire and Rana Plaza collapse, the company said in its financial report.

The company has also brought down the prices of its products and embarked on an aggressive marketing drive, which helped it find better business since the beginning of fiscal 2014-15, Hoque said.

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