

DHAKA FRIDAY JULY 31, 2015

## Rate cuts hinge on inflation's downward curve: BB

*The central bank unveils monetary policy statement for Jul-Dec*

STAR BUSINESS REPORT

The central bank yesterday signalled cuts in policy rates in the coming months if inflation continues its downward trend.

Bangladesh Bank will have no hesitation in easing the repo and reverse repo policy interest rates right away should the headline and core CPI inflation take a clear downward turn, said Governor Atiur Rahman.

Rahman's comments came yesterday at the unveiling of the monetary policy for the first half of the fiscal year.

The repo and reverse repo rates have been kept unchanged at 7.25 percent and 5.25 percent respectively since February 2013.

General inflation fell from 6.87 percent in January to 6.4 percent in June.

A decline in inflation over just one or two months would not induce rate cuts, said Biru Paksha Paul, chief economist of the central bank.

Core inflation, which counts non-food and non-fuel inflation, is on the rise: it rose from 6.08 percent in January to 6.74 percent in June.

Non-food and non-fuel core consumer price index (CPI) inflation has remained upward in May and June, indicating that the task of bearing down on inflation expectations is not yet over,

### POLICY STANCE

Key rates unchanged

Private credit growth target: **15pc**

Focus on inflation reduction

### BANGLADESH BANK EXPECTS

Pick-up in investment and imports; appreciation pressure on taka to ease

Forex reserves to reach **\$26b**

**14pc** import growth; **7.5pc** export growth; **10pc** remittance growth

Rahman said.

The central bank has opted for a restrained but explicitly pro-growth monetary policy stance, one that supports the 7 percent growth target and the 6.2 percent inflation target for fiscal 2015-16.

Private sector credit may grow 14.3 percent for the first half and 15 percent for the entire fiscal year, according to the BB.

The new target is 0.5 percentage points lower than the one in the previous monetary policy but 1.4 percentage points higher than the actual figure.

As of May, the private sector credit growth stood at 13.6 percent and was most definitely the same in June, against the growth target of 15.5 percent.

Rahman said some quarters hold the view that setting high targets for credit expansion is needed for stimulating higher rates of GDP growth.

However, pumping in excessive liquidity in absence of progress in addressing the infrastructural adequacies and other well-known investment impediments will only stoke inflation and worsen social inequity by encouraging unproductive speculative pursuits.

The stance is serving the economy well in maintaining a moderate inflation on a sustained basis, Rahman said, adding that the new MPS is almost the continuation of the previous one.

"The car is motoring ahead -- we don't want to create any instability by increasing or decreasing the speed of it."

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## Top court upholds suspension of Standard Insurance licence

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The Supreme Court yesterday upheld the Insurance Development and Regulatory Authority's decision to suspend the operating licence of Standard Insurance, a private insurer.

The Appellate Division of the country's apex court sustained its chamber judge's order to halt the High Court directive that stayed the regulator's decision to suspend the insurer's licence last month. A four-member bench, headed by Chief Justice Surendra Kumar Sinha, issued the order after a hearing on the regulator's writ petition.

Following the SC order, Standard Insurance's licence will remain suspended until the insurer's petition challenging the IDRA decision is heard, Deputy Attorney General Ekramul Haque Tutul told The Daily Star.

The IDRA on June 21 suspended Standard Insurance's licence for three months after finding that the insurer had failed to reinsurance its policies worth Tk 46.3 crore. The interim suspension will end on September 21.

The insurer challenged IDRA's suspension with the HC on June 29, which then stayed the insurance regulator's decision for six months and ruled that the concerned authorities explain as to why the IDRA's decision should not be declared illegal.

Later, the IDRA challenged the HC stay with the Supreme Court, and after a brief hearing, the SC chamber judge halted the junior court's stay order and sent it to the full bench of the Appellate Division.

In the order issued by IDRA, the insurance company was given 30 days to explain why its licence should not be suspended or cancelled. IDRA also offered scope for a personal hearing on the issue, but the insurer chose to go to court.

## Envoy Textiles' profit soars

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Net profit of Envoy Textiles rose 139.8 percent year-on-year to Tk 51.45 crore during October-June.

Higher utilisation led to volume growth, and year-on-year margin improvements drove the stellar performance of the company, said Brac-EPL Stock Brokerage, a security analyst.

Referring to the textile company's half yearly statements, Brac-EPL said scale benefits from utilisation of the added capacity was the main driver of such a strong performance.

"Top line grew by 47.8 percent in the first half, despite a 5.5 percent fall in cotton prices over the same period in the international market -- which directly impacts the selling price," it said.

The expansion project came into operation in the second quarter that increased capacity by 35 percent to 5 crore yards a year from 3.7 crore yards, but operations began in full swing from the third quarter, it added.

Listed in 2012, each share of the company traded between Tk 51 and Tk 48.2, before closing at Tk 49.2 on the Dhaka bourse yesterday.

## BTRC revenue slips to four-year low

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator's revenue slumped 59.26 percent year-on-year to Tk 4,109 crore last fiscal year -- a four-year low.

The earnings of Bangladesh Telecommunication Regulatory Commission also fell far short of the revised target for the year at Tk 6,902 crore. Initially the target was Tk 13,660 crore.

The regulator earned Tk 10,085.35 crore in fiscal 2013-14.

The revenue target for the current fiscal year has been set at Tk 5,300 crore, officials said.

The BTRC failed to hold a spectrum auction in time, which is partly to be blamed for the fall in its revenue.

"What we collected last year was actually our regular revenue," said Md Sarwar Alam, the spokesperson for BTRC.

"Earnings in fiscal 2013-14 were higher as the 3G spectrum auction was held that year."

Some state-owned companies such as Teletalk and Bangladesh Telecommunications Company and some private firms owned by politically influential people owe a big amount of money to the BTRC, another official said, asking not to be named.

International incoming call termination rate was halved to 1.5 cents a

### BTRC REVENUE

*In crores of taka*



minute and the revenue sharing structure has changed, which also affected the revenue, he said.

The BTRC informed the finance ministry that lower earnings from mobile phone operators impacted its total collection.

The regulator has already deposited Tk 4,050 crore to the state coffer for last fiscal year.

Mobile operators share 5 percent of their total revenue with the government. The BTRC also collects annual spectrum fees from operators and 40 percent of the income generated from international incoming calls.

Licence fees and fines are some other sources of income of the telecom regulator.

## Argon Denims plans expansion as demand rises

SARWAR A CHOWDHURY

Argon Denims, a subsidiary of Evince Group, plans to purchase nine air jet looms at Tk 5 crore to increase its production capacity and generate higher revenue.

"Our reputation is increasing in the international markets and customers have confidence in us. We need to expand our business to meet increased demand," said Anwar-ul Alam Chowdhury, managing director of Argon Denims.

"Without expansion we cannot keep meeting customers' requirements," he said, adding that his company currently produces around 13 lakh yards of denim fabrics a month with 106 looms.

The new looms will increase the company's versatility in making value-added products, he added.

"We are going for value added products and the new machines will help us diversify these," said Chowdhury, also chairman of Evince Group.

With an air jet loom, it is easy to manufacture high-quality denim fabrics, he said.

Apart from supplying to international retailers and brands, Argon Denims has started exporting fabrics to Vietnam. "We also plan to export denim fabrics to China."

Based in Gazipur, Argon Denims mainly produces medium and premium range denim fabrics and exports to brands like H&M, Tesco, Zara, Bershka, Alcott, Next, C&A, P&B, Lefties, Matalan and Aldi, according to its website.

Listed on the stockmarket in 2013, each share of the company traded between Tk 26.2 and Tk 25.4, before closing at Tk 25.7 on the Dhaka Stock Exchange yesterday.

The company's earnings-per share fell to Tk 1.39 at the end of June, from Tk 1.93 a year ago.

Some 25 denim factories operate in Bangladesh now, producing around 20 million yards of the fabric a month to meet half of the local demand. The rest is imported. Five to six new companies are also setting up factories.

Currently, 41 textile companies are listed on the premier bourse, accounting for around 4 percent of total market capitalisation that stood at Tk 337,005 crore after yesterday's trade.

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