

## Saifur for higher equity to better stock markets

### NCBs, FIs advised to discourage term loans

STAR BUSINESS REPORT

Banks have been advised to discourage term loans and increase equity portion of the debt-equity ratio while sanctioning loans in order to bring vibrancy in the stock markets.

The guidelines came when Finance Minister M Saifur Rahman and Bangladesh Bank Governor Fakhruddin Ahmed yesterday held a meeting with the chief executives of nationalised commercial banks (NCBs), specialised banks and financial institutions.

At present, the NCBs maintain 60:40 or 50:50 debt-equity ratio in providing loans to any project. However, sources said the meeting did not fix any specific ceiling, rather suggested the debt portion to be reduced to 20 or 30 from existing 50 to 60.

In that case, entrepreneurs will be encouraged to collect equity from the capital market or Equity and Entrepreneurship Fund (EEF) of the Bangladesh Bank. The NCBs and financial institutions have been advised to follow the suggestions in approving loans.

After the meeting the central bank governor told journalists that NCBs and financial institutions had been asked to reduce the debt ratio with a view to building a vibrant capital market and keeping the interest rates at a reasonable level.

The NCBs have also been advised to form a guideline as per the suggestions by holding talks among themselves, the BB governor said.

Finance Secretary Zakir Ahmed Khan and Securities and Exchange Commission (SEC) Chairman

Manir Uddin Ahmed were present at the meeting, which also discussed the current lending situation, sources said.

The finance minister at the meeting raised a question why public limited companies were given loans when they were making profits.

He directed the banks to abolish their loss making branches in urban areas and increase the loan amount for agro-based industries.

The central bank governor however said the directive served to the NCBs for controlling debts will not hamper the flow of term loans.

He also informed the meeting that the performance of the private commercial banks in providing industrial loans is now better than that of the NCBs.

## ADB approves \$9 lakh TA grant

UNB, Dhaka

Asian Development Bank (ADB) has approved a technical assistance (TA) grant of US\$900,000 to help Bangladesh prepare a water resources management project for the southwest region.

The TA grant, made available from Japan Special Fund, will help the government put into action its national water policy and draft water management plan, an ADB news release said yesterday.

Bangladesh government will provide US\$225,000 equivalent in counterpart funding for this TA, scheduled for completion in one year starting April 2003.

The signing of the grant was held at Economic Relations Division yesterday with ERD Secretary Mirza Tasadduq Hussain Beg and ADB Country Director Toru Shibuchi representing their respective sides. Japanese Ambassador Matsuhiro Horiguchi was present.

In the first phase of the TA, water management plans will be formulated for selected districts in the southwest region, including Faridpur, Jessore, Magura, Narail and Rajbari.

## FTA negotiations begin in Sept

### India, BIMST-EC on the first track

NAZMUL AHSAN

Bangladesh will start negotiations on signing free trade agreements (FTAs) with a number of countries and trade blocs in next September, official sources said.

India, Sri Lanka, Pakistan and the USA are in the priority list to go for bilateral negotiations on FTA in the first phase.

Talks on the same issue with sub-regional trade bloc, BIMST-EC or Bangladesh, India, Myanmar, Sri Lanka, Thailand-Economic Cooperation is likely to begin simultaneously.

The final talks on the signing of the South Asian Free Trade Area (SAFTA) will also take place at the end of the current year, sources in the commerce ministry said.

The final meeting of the SAFTA group of experts comprising representatives from all countries in the region is likely to be held in the next month in New Delhi.

Aiming to prepare the country position on FTA, the ministry of

commerce recently decided to prepare a 'negative list' for the purpose.

The negative list approach means allowing duty free movement of all products within the region barring those included in the list. The positive list approach means just the opposite-- duty free movement of only those items included in the list.

A mandatory condition of the World Trade Organisation (WTO) is that the signing of any FTA must be based on either a negative or a positive list.

The Tariff Commission, FBCCI, MCCI, DCCI, BTMA and BGMEA will submit separate negative lists by the end of this month. Consulting these, the commerce ministry will prepare a final list, officials said.

The decision was taken at a recent meeting of the coordinating task force on FTA with Commerce Secretary Suhel Ahmad in the chair. The meeting was attended by both public and private sector

representatives.

Earlier, the commerce ministry had decided to go for a negative list approach in signing FTA with the member countries of the BIMST-EC. The decision had been taken on the consensus of government and private sector.

India has long been pressing Bangladesh to sign a bilateral FTA between the two neighbours. An Indian delegation comprising high officials of its commerce ministry is set to visit Dhaka in next October to negotiate on FTA, sources said.

The USA, Pakistan, Sri Lanka and Slovenia have also showed their interests on FTA.

"We will be fully prepared to begin negotiations on FTA by next September both for bilateral and multilateral ones," Commerce Secretary Suhel Ahmad told The Daily Star.

The commerce ministry will begin negotiations on FTA by end of September or early October, he said without naming any particular country or trade bloc.

Meanwhile, the Economic and Social Commission for Asia and the Pacific (ESCAP) has taken initiative to conduct a study on the pros and cons of FTA, particularly in the case of the BIMST-EC. The study report will be made available by next August, sources said.

ESCAP appointed Australian trade consultant, Peter Georg Warr visited Bangladesh between June 30 and July 4 for the purpose.

The study will highlight the modalities for integration of two least developed countries, Bangladesh and Myanmar, with the BIMST-EC and overall economic impact of a probable FTA on the member countries.

The Metropolitan Chamber of Commerce and Industry (MCCI) in a recent observation suggested the government for inclusion of fair terms and conditions in the possible FTA with India to enable Bangladesh items to reap benefits. It recommended that the government should initiate a dialogue with India on the issue.

## ACI declares 37.5pc dividend

Advanced Chemical Industries Limited (ACI Limited) has declared a 37.5 per cent dividend for the shareholders.

The dividend was approved at the 30th annual general meeting of the company held in Dhaka yesterday, says a press release.

M Anis Ud Dowla, chairman and managing director of the company, presided over the meeting.

The financial results of the company showed an increase in sales turnover by 25.4 per cent over the previous year. The gross profit also increased by 39.1 per cent to Tk 630.67 million and profit after tax increased by 19.04 per cent to Tk 109.18 million over the previous year.

The EPS (Earning Per Share) stood at Tk 6.75 this year against Tk 5.76 during the previous year.

## Airspan made GSA of Mahan Air

Airspan Limited has been appointed general sales agent (GSA) passenger of Islamic Republic of Iran's Mahan Air, says a press release.

Established in 1991 as a private airline, it is based in Kerman and is the airline arm of Mola-Al-Movaheddin Charity Organisation, an Iranian business entity.

Mahan Air began its journey with two TU-154M passenger jets purchased from Egypt and its first flight was from Kerman to Tehran on May 16, 1992 and first international flight from Tehran to Damascus in December 1992.

It began cargo operation in 1994 with two IL-76-TDs. The first Airbus A-300-B4 joined the Mahan Air fleet in 1999.

Mahan Air has its own A-300 simulator at its training centre and has been providing training for A-300, TU-154 and IL-76 cockpit and technical crew of other Iranian airlines.

## DBBL training course ends

The eleventh foundation training course of Dutch-Bangla Bank Limited (DBBL) concluded at its training centre in Dhaka on Monday.

Officers of different branches and divisions of head office participated in the 19-day training course which began on June 16, 2003, says a press release.

Managing Director of the bank Md Yeasin Ali distributed certificates among the participants as chief guest.

Abul Hashem Khan, deputy managing director, also spoke at the programme.

Among others, AAM Zakaria, senior executive vice-president and manager Local Office, Md Abidul Haque, executive vice-president and manager Shantinagar Branch, were also present.

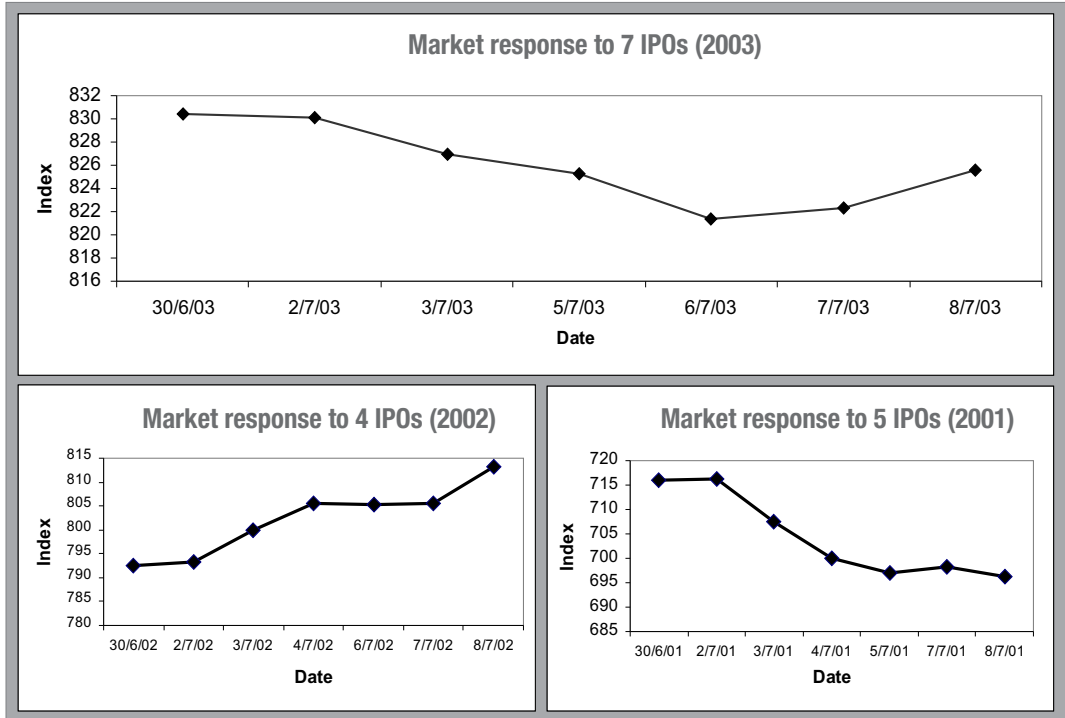
## REPO auction

UNB, Dhaka

The Reserve REPO auction of Bangladesh Bank for commercial banks and financial institutions was held yesterday.

Nine bids of 1-Day tenor amounting to total of Tk 555.00 crore were received, of which eight bids amounting to Tk 355.00 crore were accepted.

The rates of interest against the accepted bids ranged from 3.60 per cent to 3.95 per cent per annum.



## DSE fails to sustain pressure of seven new IPOs

M SHAMSUR RAHMAN and NAZRATUN NAYEM MONALISA

As many as seven new companies are making initial public offerings (IPOs) in quick succession with a hope to raise Tk 138 crore. But analysts expressed doubts whether the market can absorb the pressure of so many new issues.

All the IPOs were released in the last week of June. These companies will raise Tk 138 crore in a span of just four months from July to October this year.

Prior to allowing the seven companies, the Securities and Exchange Commission (SEC) allowed only four companies during the past six months (January-June) to raise around Tk 57.5 crore which includes a mutual fund.

In just one week, when the market was showing some signs of recovery in response to the budget incentives, the SEC decided to release the IPOs which many fear is now pulling the stock market down as the investors are cashing in to invest in the primary market.

A top DSE councillor said the IPOs should be released carefully in phases to make sure that the market is not disturbed. "The

release of so many IPOs at a time will disturb the ailing secondary market," he said.

The new companies which had been okayed in the last week of June are Jago Corporation Ltd, Agni Systems Ltd, First Lease International Ltd, Standard Bank Ltd, One Bank Ltd, Bank Asia Ltd and Mercantile Bank Ltd.

Market operators interpret the SEC action to be an act to show off its performance by recording better figures on book for the outgoing fiscal year.

The regulators however defend themselves saying that they equally treat all the IPOs. "It's not up to us to decide when the companies will come," says a senior SEC official.

He said balance sheets of most of the companies were drawn on December 31 last year and according to Companies Act the accounts remain valid for 180 days.

"If these were not allowed to come by June they would have had to apply again with new audited accounts," the official said.

Another stock market analyst said the reaction in the secondary market would be negligible since most of the good IPOs have been witnessing oversubscription.

"Besides, in primary market fresh funds find their way and the market also sees entry of a huge black money," he said anonymously.

Meanwhile, turnover on the DSE declined to Tk 4.59 crore on July 7 from Tk 28.09 crore on June 30, the last day of FY 2002-03.

General price index on the DSE started sliding down from 830.46 points on June 30 to 825.55 points yesterday.

In the previous year, the DSE price index started gaining with the start of the fiscal year. The general index gained a total of 20.71 points to 813.27 points on July 8, 2002 from 792.56 points on June 30, 2002.

Market analysts say the market did not witness a sluggish trend last year since there were only four IPOs, of those one came in July, two in October and one in November.

The total IPO market in the last six months was only Tk 55 crore which was evenly spread in the last half of the year.

However, in 2001 five new companies made their debut inviting public subscriptions, two were in the month of July, two in October and one in November. The total size of the IPO was Tk 53 crore.

## Dollar steady against taka

BSS, Dhaka

The US dollar was steady against the Bangladesh taka in inter-bank trade yesterday amid higher demand from importers. But the greenback rode higher against the euro and yen on rising optimism about the outlook for the US economy, dealers said. The Call money also remained steady.

The dollar traded at 58.4150-4350 to the taka in line with its previous closing on Monday, dealers of leading commercial banks said.

But sentiment on taka was bearish as credit flow remained sluggish but the demand for the greenback was strong from importers who were under pressure to pay their import bills, dealers said.

They said the volume of dollar-taka trade was higher as importers purchased dollar to pay their import payments against taka and some government paid gas bills to foreign oil companies.

But the volume of foreign currency trading was lower after the

euro's fall to its lowest level.

The euro fell to below the 1.13-dollar threshold for the first time since early May, buying 1.1288 dollars against 1.1316 dollars late on Monday while the dollar stood at 118.59 yen from 118.13, dealers said.

Confidence in prospects for the dollar has risen in recent days, with investors more expectant of a rebound in the US economy thanks to cuts in interest rates and levels of taxation.

Sentiment has changed with respect to the US economy. If we go back to just after the end of the war, the bond market seemed to be very concerned about deflationary risks in the US economy, currency analysts said.

With the dollar on a roll, the market shrugged at data showing a surprise fall in the German unemployment total of 33,000 in June from May on a seasonally adjusted basis, confounding consensus analyst forecasts of a rise of 10,000, they said.

In late inter-bank trade, the

euro was changing hands at 1.1288 dollars from 1.1316 late on Monday in New York, 133.84 yen (133.69), 0.6878 pounds (0.6859) and 1.5525 Swiss francs (1.5531).

The dollar was being quoted at 118.59 yen (118.13) and 1.3757 Swiss francs (1.3723) and the pound was at 1.6412 dollars (1.6492), 194.60 yen (194.90) and 2.2572 Swiss francs (2.2632), dealers said.

Meanwhile, the inter-bank call money market was dull as most banks held surplus liquidity due to thin credit flow and low investment, fund managers of leading commercial banks said.

The overnight money rate ranged between 2.50 per cent and 4.50 per cent -- its lowest ever level as the demand for short-term money was very thin, fund managers said.

"Huge liquid funds are now in the banks' cash vaults when banks are busy to close their accounts just ahead of June closing," fund managers of leading commercial banks said.



PHOTO: STAR

A vendor arranges brinjals at a kitchen market in Dhaka. The prices of vegetables mark significant rise in the capital. The price of brinjals jumps to Tk 28-32 per kg at retail market which was Tk 12-15 a week ago. Traders attribute the price rise to floods in some parts of the country.

## Ctg tea market witnesses good demand

UNB, Chittagong

The tea sale here yesterday witnessed a good demand with the Afghan buyers very active on black, well made Broken and Fannings that appreciated quite considerably over last level.

Pakistan buyers also lent a good support, but often at slightly easier rates, according to a market report.

CIS also lent fairly good support, but at slightly reduced levels. Internal buyers, including the Packeteers, operated actively for clean liquoring types.

Dusts also sold well at around last levels with the better liquoring types remaining firm.

CTC Leaf, 1,641 c/s, 19,338 g/s, 2,935 ppws, 14 ps and (163 g/s of old season) on offer met with a good demand.

Broken: A few black, well made medium and small Broken were strongly competed for and sold at dearer rates realizing between Tk 75 and Tk 80.

Others were mostly easier following quality, often shedding Tk 1 to Tk 3. Large Broken were mostly an easier market, but plainer types declined in price.

## AB Bank, Anwar Galvanising sign loan agreement

Arab Bangladesh Bank Limited (AB Bank) and Anwar Galvanising Ltd signed a loan agreement of Tk 320 million in Dhaka recently.

Under the deal, AB Bank will provide the loan to Anwar Galvanising as working capital finance for producing CI sheet, says a press release.

Abu Haniff Khan, managing director of AB Bank, and Manwar Hossain, chairman of Anwar Group, signed the agreement on behalf of their organisations.

M A Awal, advisor of AB Bank, Ali Reza Iftekhar, Iqbal U Ahmed, senior executive vice-presidents, and Anwar Hossain, managing director of Anwar Galvanising were also present.