

IPO to raise Tk 5 cr by Taiwanese tiles producer

Fu-Wang conceals information

By Toufique Imrose Khalidi

When transparency is seen as the key to salvaging the ailing capital market, a foreign-invested company seems to have collided with its local issue manager and others to conceal some vital information which could erode public confidence further.

A Taiwanese-owned company, Fu-Wang Ceramic Industry Limited, failed to give a vital investment-sensitive information in its prospectus for an initial public offering to raise five crore taka. The public money is intended to fund a raw material plant. The subscription began February 8 and will close February 17.

Registered in 1995 with the Board of Investment as a joint venture which would export all its products, the company enjoyed such facilities as duty exemptions on import of capital machinery.

The company later found the export market far more competitive than it thought it would be and began marketing its product, ceramic tiles, in Bangladesh. Accordingly, it took permission from the BOI.

Arab Bangladesh, Dhaka Bank sign Tk 320m syndicated credit accord

Star Business Report

Arab Bangladesh Bank Ltd and Dhaka Bank Ltd have signed a Taka 320 million syndicated credit agreement to set up a cold rolled steel sheet plant.

The accord was initialised by A Rahim Chowdhury, Managing Director of Arab Bangladesh Bank Ltd and A Ashfaque U Chowdhury, Managing Director of Dhaka Bank Ltd on behalf of their respective banks in the city recently, says a press release.

The plant will be the first of its kind in the country under the name RM Cold Rolled Mills Ltd.

The project, as an import substituting industry, will manufacture cold rolled steel strip — which is a major raw material for the galvanizing industry in the country.

The project is being promoted by Al-haj Md. Roknuddin Mollah and Al-haj Mohammad Mizanur Rahman of RM Group of Industries.

MA Awal, Deputy Managing Director of ABBL, Md. Mokhlesur Rahman, Deputy Managing Director of Dhaka Bank Ltd, Syed Nurul Amin, EVP of ABBL, Abu Haniff Khan, EVP of ABBL, Nasir Bukhtear Ahmed, EVP of ABBL, Md. Abu Musa, SVP of Dhaka Bank Ltd. and Al-haj Md. Roknuddin Mollah & Al-haj Mohammad Mizanur Rahman, Chairman & Managing Director respectively of RM Cold Rolled Mills Ltd. were also present at the signing ceremony.

Indian expert to conduct training programmes at US trade show

An Indian marketing and sales trainer Sheila V Singla, arrives in Dhaka today at the invitation of Rapport Bangladesh Limited to conduct a number of training programmes at the US Trade Show to be held from February 12 to 14, says a press release.

She will give presentation on sales, promotion and marketing at the breakfast meetings for the exhibitors of US Trade Show.

She will also act as one of the judges for selecting three best exhibitors at the show.

Singla will conduct a special Sales Management Training course on February 15.

MIDAS course on small business planning opens

Star Business Report

A two-week training course on small business planning has begun at the head office of Micro Industries Development Assistance and Services (MIDAS) in the city on Monday.

It was inaugurated by the Managing Director of MIDAS, Abdul Karim, on Sunday, says a press release.

The course has been designed to improve the planning skill of the participants for small business undertakings.

This programme is a part of the "Promotion of Private Sector (PPS) Project" under implementation by MIDAS and German Agency for Technical Cooperation (GTZ).

Bazlur Rahman Khan, Director Development of MIDAS and Ms Ricarda Weidinger, Project Adviser to Bangladesh-German CEFE Project also spoke on the occasion.

Fu-Wang tiles soon became a good bargain for local consumers, but BOI put a spoke in their spanner. The Board demanded that the company now pay the dues it was not required to pay being a 100 per cent export-oriented enterprise. "They should return it," Zahid Hossain, a member of BOI, said speaking to The Daily Star.

The exact amount of unpaid dues is unknown. Repeatedly approached by The Daily Star, the company officials were evasive. So were the executives of the issue manager, Swadesh Investment Management Limited. One source, however, put the figure at close to two crore taka.

By law, the information, being extremely investment-sensitive, should have been made public. And, according to international accounting practices, tax-related information is the most vital point of disclosure to the public when operating in the capital market.

The issue comes at a time when regulators in Bangladesh

are desperately trying to set new standards of transparency and accountability, lack of which is cited as the key reason why the market has suffered and the investors refuse to feel confident in the manner of operation of the business.

According to the prospectus published in newspapers, the company's capital employed as on October 31, 1997 is Tk 22.65 crore, of which Tk 20 crore is share capital and the rest are borrowed funds and reserves.

The company's pre-tax profit was shown to be Tk 43.63 lakh during July-October 1997, which gives a very low return on share capital — only 2.18 per cent.

At this stage, says an investment analyst, "a sudden tax burden will upset the company plans, which include setting up a raw material plant at a cost of five crore taka, and push the profitability to an even lower level."

So how could the company pass through the SEC scrutiny? SEC officials in charge do not have a proper answer to it.

The company's board swore that they did not conceal anything and assured of accuracy

today certificate," one SEC official said.

And then, what about the so-called "due diligence certificate" by the issue manager?

As issue manager, Swadesh Investment Management Limited is supposed to share the responsibility.

Investors are ignorant about this state. And, already three days into the subscription period, many may have already deposited money to buy Fu-Wang shares.

What will happen to these poor investors? Is the company paying VAT and other taxes if its products are marketed locally?

If yes, that will raise questions about the project viability. For a simple reason: the taxes will add to the price tag and erode marketability in terms of loss of the competitive edge.

The key element in the whole story is the company's failure to furnish this piece of information.

The company's board swore that they did not conceal anything and assured of accuracy

of the information given in the prospectus.

All conditions concerning this public issue and prospectus have been met, and that there are no other information or documents the omission of which may make any information or statements therein misleading, for which the Commission (SEC) may take any civil, criminal or administrative action as it may deem fit," the directors said in a statement.

The managing director of Swadesh Investment Management Ltd, the issue manager, gave a similar statement, part of the due diligence certificate as required by rule.

"This prospectus has been prepared by us; and we confirm, after due examination, that the prospectus constitutes full and fair disclosures about the issue and issuer; and complies with the requirements of the Public Issue Rules; and the issue price is justified with reference to i) net asset value per share, and ii) earning-based value per share," the Swadesh managing director said in the prospectus.

"If yes, that will raise questions about the project viability. For a simple reason: the taxes will add to the price tag and erode marketability in terms of loss of the competitive edge.

The key element in the whole story is the company's failure to furnish this piece of information.

The company's board swore that they did not conceal anything and assured of accuracy

Indonesia wants joint ventures in petroleum sector

Dhaka-Jakarta push for increased trade

Star Business Report

in the gas and oil sector."

The Indonesian minister

hoped that the two accords

would make the traders and entrepeneurs of the two friendly

countries feel much more comforable

in carrying out their

activities.

"Such an agreement will in-

crease manifold trade and eco-

nomic activities between the two countries," he told a press

conference at Dhaka Sheraton

Hotel prior to his departure.

ending a three-day visit.

Ali Alatas signed an agree-

ment with his Bangladesh

counterpart Abdus Samad Azad

on Monday on the Promotion

and Protection of Investment.

"All the hindrances in ex-

changing trade were discussed

during my meetings with

Bangladesh leaders," he said

adding that they also agreed to

remove the barriers to wider

cooperation in textiles, oil and

gas, shipping and agriculture

sectors.

Indonesia, being an oil ex-

porter, would also extend coop-

eration to Bangladesh in

petroleum sector," he said.

"We're also looking forward for

single-country trade fairs

would be held in Dhaka and

Jakarta sometime this year.

"I am quite convinced that

there is a greater political will

and wider capacity from both

sides in expanding economic

cooperation," he told reporters.

The Indonesian Foreign Minister termed his visit to Dhaka a "visit of friendship" and referred to his meetings with President Shahabuddin Ahmed, Prime Minister Sheikh Hasina, Foreign Minister Abdus Samad Azad and other cabinet ministers. "Exchange of views on enhancing economic cooperation dominated the discussions."

He has also invited Azad to visit Jakarta.

Noting that transportation plays a very important role in bilateral trade, Ali Alatas said he discussed with the concerned ministers of Bangladesh increasing cooperation in shipping and aviation.

Stressing on peace and stability in the country and its surrounding areas to ensure economic growth, Ali Alatas also spoke of closer ties between the ASEAN and the SAARC.

He appreciated Prime Minister Sheikh Hasina for including businessmen as part of his entourage while visiting Jakarta saying "it helps the investors to come closer and know each other better."

The next parliament session to consider proposed Act

Central depository framework drafted

By M Shamsur Rahman

A legal and operational framework for a central depository for the stock market has been drafted, which will be submitted by ministries of finance and law before being sent to parliament to enact a law.

A committee for setting up a Central Depository System (CDS) yesterday finalised the draft, which sources said would now be forwarded to the finance ministry.

The committee at its final meeting also recommended all shares be transferred through CDS after the system is put in place. An automated CDS will

eliminate physical transfer of shares.

The proposed CDS will be a public limited company with sponsors like banks, brokerage firms, institutions like ICB, DSE and CSE.

"They will form a company and apply for permission to SEC," a source said of the proposed CDS. "There should be a law styled Central Depository Act which will guide the operation of the CDS, and the SEC will monitor its activities."

The committee is now drafting the proposed Act.

A committee source said both the bourses would be able to adapt to the proposed CDS with their current setup.

The bourses will send all transactions to CDS, which will record the transfer, and the shares will automatically change accounts. And the shareholders will not have to go to the companies to transfer their shares. There will be a fee which will be charged after every transaction.

"No changes will be required and automation is not a pre-requisite to CDS," a committee source said.

New Money Changers' Name and Address

Eastern Money Exchange Ruma Mansion, 1/4A College Avenue, Mirpur Road, Dharmundo, Dhaka

Nam Money Exchange 167/2 Motijheel C/A Dhaka.

London Sylhet Money Exchange Amjad Ali Road, Kalighat, Sylhet.

Rajput Money Exchange 68 Dilkusha C/A, Dhaka.

Mondal Money Exchange 53 DIT Extension Road, Naya Paltan, Dhaka.

Eastern Union Money Changing 149 DIT Extension Road, Fakirpool, Dhaka.

Paramount Money Exchange 1 Doctor Kudrat-e-Khuda Road, Dharmundo, Dhaka.

Imperial Money Exchange 54 Dilkusha C/A Dhaka.

Merce Money Exchange Plot # 15, Barun Bhaban, Gulshan 2, Dhaka.

Mirza Money Exchange 77/1 Kakrail, Dhaka.

Pioneer Money Exchange House Purba Mirabazar, Sylhet.

Quick Money Changer 136 Shantinagar, Dhaka.

Mohona Money Exchange Co 11 Fakirpool, Motijheel, Dhaka.

Modern Money Exchange 53/1 Mirpur Road, Rajanigandha Bhaban, Dhaka.

MS Money Changer 2 Custom Gate, Benapole Bazar, Jessor.

Shahabadi Foreign Exchange House 129 Nawabpur Road, Dhaka.

Classic Money Exchange 118/A, Aziz Co-operative Super Market, Shahabadi, Dhaka.

Munshi Money Changer 161, Motijheel C/A, Dhaka.

Overall Money Changer Alia Bhaban, 1301/1, Rokeya Sarani, Mirpur, Dhaka.

Karuna Exchanger 43, Natun Market, Laldighirpar, Sylhet.

Legal Money Exchanger 56, Purana Paltan, Dhaka.

J Q Money Changer 590, Prodhan Sarak, Cox's Bazar.

Lucky Money Exchange 20, Baitul Aman Jame Masjid Market, Motij