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DHAKA, SUNDAY, NOVEMBER 29, 1998

Comptroller and Auditor General's report on Sonali Bank Massive flaws in lending to Dhaka Vegetable

Water found in soybean oil tanks, SB Board gives new loans to save company from becoming defaulter

By M Shamsur Rahman

An audit report submitted to the President has found that Sonali Bank had given crores of Taka as new loans to a company, Dhaka Vegetable Oil Industries, without adjusting its existing default amounts.

The report also said, the SB Board of Directors had rescheduled the company loans and sanctioned new ones, just to save the company from becoming a defaulter.

The SB head office recommended renewal of Dhaka Vegetable's loan limits without considering the irregularities, it alleged.

Dhaka Vegetable Oil Industries has defaulted in payment of Tk 37 crore loan taken as cash credit from Sonali Bank. The current amount of the company's default loan stands at Tk 46.55 crore.

A special team from the Office of Director General, Commercial Audit Directorate, Dhaka, conducted the audits on the bank's defaulted loans.

Dhaka Vegetable Oil Industries was sanctioned Tk 14 crore loan as CC pledge, Tk 11 crore as CC Hypo and Tk 12 crore as letters of credit.

The audit report further said the nature of the quasi equity loan and the low quality of soybean oil will make the recovery of the entire default amount of the company difficult even if it is taken to the court.

The audit report held all the concerned officials of General Loan Division-1 of SB's Local Office in Dhaka and General Loan Division-5 of the head office responsible for the loan sanctioning irregularities.

Dhaka Vegetable Oil Industries Limited was registered with the Registrar of Joint Stock Company as a private limited company under the name of Dhaka Vegetable and Allied Industries in March, 1958. The authorised capital of the company was Tk one crore.

Later on February 7, 1963, the company changed its name to Dhaka Vegetable Oil Industries and was registered with the Registrar of Joint Stock Company. After independence, the company was nationalised and was placed under

down-payment within the stipulated period. "The bank officials did not carry out the order of the MD although the company failed to make repayments," the audit report pointed out. The current outstanding loans of the company stands at Tk 46.55 crore, it added.

Flaws detected by the audit team
 "All the fixed assets of the company including land, buildings, plants and machinery were first mortgaged to the government for quasi equity loans. The company did not repay the instalments of the quasi equity loans and all its fixed assets were mortgaged for the second time to Sonali Bank. The bank

money, which the company again failed to comply with.

| Year | Sales (Tk in crore) | Deposit with bank (Tk in crore) |
|------|---------------------|---------------------------------|
| 1994 | 66.13 | 18.66 |
| 1995 | 36.82 | 10.04 |
| 1996 | facts unavailable | 0.52 |

| Loans | Limits | Terms | Current Outstanding |
|----------------|----------|----------|---------------------|
| CC Pledge | 14.00 cr | 31/12/95 | 15,40,07,106 |
| CC Hypo | 11.00 cr | 31/12/95 | 15,04,02,960 |
| AAM | 12.58 cr | 31/12/95 | 15,79,82,523 |
| Bank Guarantee | | | 31,62,615 |
| Total | | | 46,55,55,204 |

Water in soybean oil
 Sonali Bank requested the company several times to take delivery of its goods deposited as pledge in the bank's warehouse. As the company failed to respond to repeated requests, the bank then decided to test the quality of the crude soybean oil preserved in tanks.

In the presence of the bank and company representatives, a chemical engineer collected samples of the soybean oil kept in nine tanks and sent it to Bangladesh Standard and Testing Institute (BSTI). The BSTI, in its report on June 23, 1997, said the samples contained 14.99 per cent to 38.92 per cent water, regarded to be a very high ratio.

Board decision violated
 Later, the company submitted a guarantee on June 8, 1997, saying that it would make a 10 per cent down-payment of its different loan balances within 90 days for getting them rescheduled. The managing director of the bank had also directed the officials to sue the company if it failed to make the

would, therefore, receive against its disbursed loans whatever is left after settlement of the government claims," the auditors said. "Since the company is considered a loan defaulter, there are less chances for settlement of the bank's claims through sales of collateral."

Pledged goods
 A report carried out by the SB special investigation team said that the soybean oil imported by the company had been pledged in 1993, 1994 and 1995. According to BSTI report, the oil had high water contents. As the oil had been stored for a long time, it lost its quality and made slimmer the scope for recovering the bank's loans by selling mortgaged stock. The auditors also called for explanations as to how water entered into the oil tanks, which were under the supervision of the bank.

More flaws
 1) The audit also pointed out that the company was supposed to deposit the product sales

Bank's reply to the audit team
 Sonali Bank informed the

audit team that cases would be filed after lawyers were selected.

This proves the bank's lack of control over loan accounts, which calls for an explanation," the report said.

2) The books say that on different occasions the company was allowed to draw money in excess of its limits which resulted in deficit of its accounts.

3) The branch office allowed the company's accounts to become overdue and cross CC limit violating loan conditions. This shows that the branch manager did not protect the bank's interest and favoured the borrower. Despite having a burden of unrealised amounts, fresh loans were okayed which resulted in a total of Tk 15,79,82,523 unrealised loans.

4) Although the company had low output capacity, a high production target was set and the limit for working capital was extended.

In 1994, the project achieved 50 per cent of its production target. According to a Bangladesh Bank circular, the amount of the current year's working capital was to be worked out by adding five per cent to the actual production. But in violation of the provision, working capital for 1995 was worked out by showing 75 per cent production achievement. But the actual production target achieved during the year was only 22 per cent.

5) Loan recommendations and accounts maintaining authorities:

Bazlur Rahman, GM, currently working in Rupali Bank.
 (B) AKMA Basit Ali, GM, currently working in Agrani Bank

2) Loan sanctioning authorities:
 (A) General Loan Division-5, MD Sanaul Haq, GM, (retired), Abdul Halim Siddiq, DGM (retired)
 3) Managing Director M Ahsanul Haq (retired)

6) The audit also pointed out that the company was supposed to deposit the product sales

remained unrealised for a long period. Despite deficits in different accounts, the borrowers were allowed the new loan limits, which hampered the interest of the bank.

Sonali Bank's head office recommended renewal of the loan limits without considering the irregularities, the audit report further said.

The worst thing is that the SB board of directors had rescheduled loans and allowed fresh funds without any logical ground and just to save the company from becoming a loan defaulter.

The audit report held several officials responsible for the irregularities in the loan sanctioning.

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Sick industry problems must end by June: Kibria

Finance Minister Shah A M S Kibria said here yesterday that the sick industry culture in the country must come to an end by June 30 next, reports BSS.

While fixing the target time for freeing the country from this bad culture, Kibria said the culture of sick industry must be rooted out side by side with the bank loan default culture for industrial promotion.

Kibria said he would give directives to the nationalised banks to speedily settle the problem of sick industries by adopting realistic plans.

Kibria was speaking as chief guest at the conference of entrepreneurs of small and medium-size industries organised by Bangladesh Association for Promotion and Rehabilitation of Industries (BAPRI) at the auditorium of Bangladesh Chemical Industries Corporation.

The minister said those sick industries which come out successful within the target time will be rehabilitated. The industries which will fail to come out of the sickness, should not be given any help, he added.

The graceful way for the really sick industries is to get out of this particular business, Kibria observed.

The minister said after the end of the sick industry culture, the remaining industries should be regulated by a set of modern rules and regulations.

Describing over-capitalisation as a major cause for failure of any particular industry or business, Kibria said the practice of over-capitalisation, which is rampant in our business, would not be allowed any more.

The minister said the fundamental principle of business involves the risk factor and

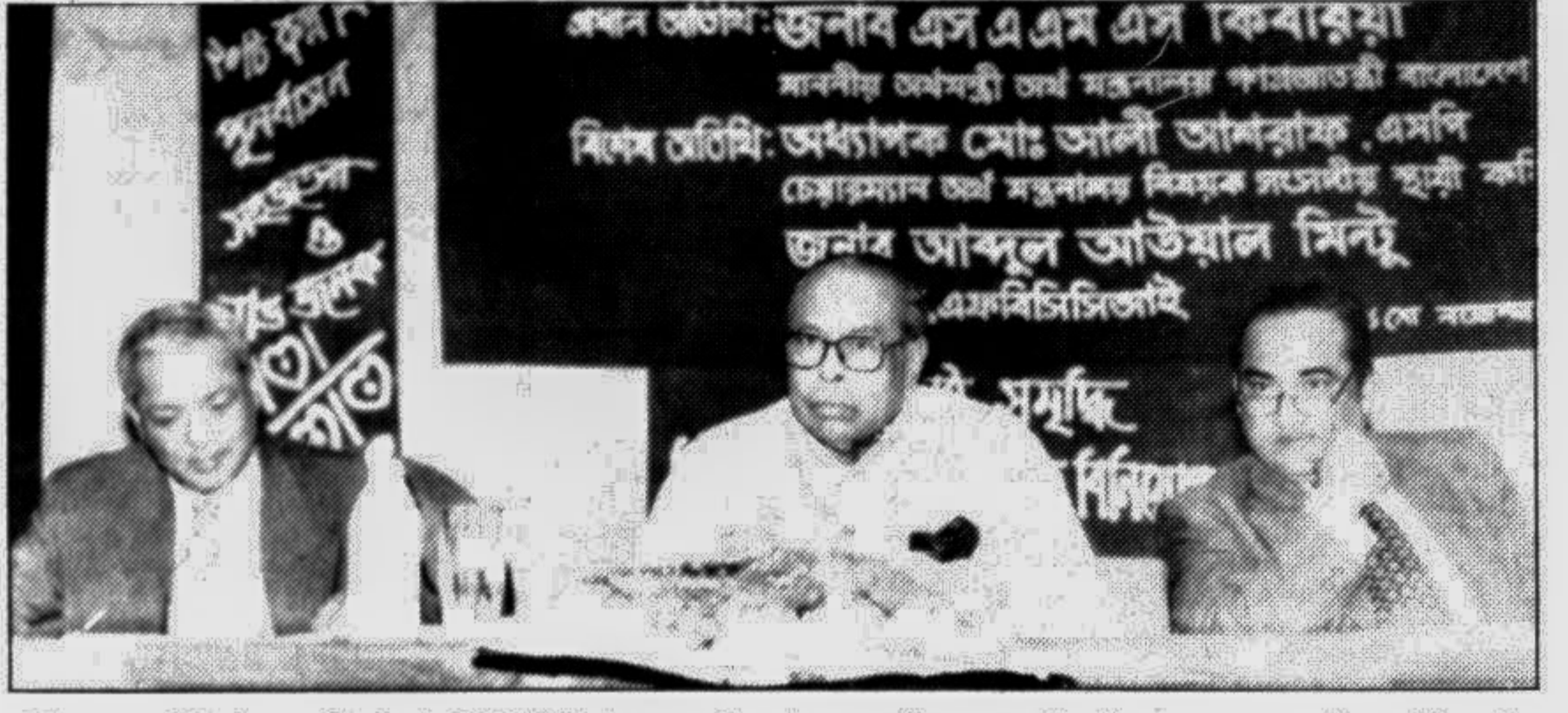
profit is the reward of entrepreneurial capability.

He identified weak management, over capitalisation and lack of proper market feasibility as the major reasons for failure in any business.

Opposing the imposition of loan, Kibria said this turns the whole thing into a punishment. Those who repay the loan should be given rebate to give encouragement to them, he added.

Describing the agro-processing industries as a thrust sector, the minister said the government would give support to the agro-processing industries.

Kibria also underscored the need for building up supportive and respectful relationship between the banks and the clients. The minister urged the private banks to take initiatives to help get over the problems of sick industries and default bank loan culture.



Finance Minister Shah A M S Kibria speaks at a conference of entrepreneurs of small and medium-size industries in the city yesterday. — Star photo

European bourse heads go on first date in Paris

PARIS, Nov 28: Europe's bourse bosses meet in Paris on Friday with all the coyness of couples on a first date, aiming to avoid publicly as they lay the groundwork for the creation of a truly pan-European exchange.

Stock exchange officials were sparing about details of the gathering, stressing the preliminary nature of the talks. A short statement on commitment to continued cooperation was the most likely outcome, they said.

The meeting has aroused intense media interest, but Paris bourse officials have tried to deflect that attention as they brought together the heads of nine national stock exchanges to seek a cooperative basis.

"It really is at very preliminary meeting," one official told Reuters late on Thursday. The talks are scheduled to start between 0930 and 1030 GMT and finish between 1530 and 1630 GMT.

French finance minister Dominique Strauss-Kahn last week said Paris would join forces with London and Frankfurt in January in a joint venture, but the bourse quickly denied that discussions had reached that stage.

Yet as exchanges battle for survival with technological change threatening to make every bourse a virtual electronic market, the Paris meeting was symbolic.

It brought together officials from Brussels, Amsterdam, Frankfurt, London, Madrid, Milan, Stockholm and Zurich with their Paris counterparts.

The Paris initiative seemed set to end an official standoff sparked after London and Frankfurt said they had held secret talks and planned common access for members to each others' exchanges from the start of next year. — Reuter Internet

'Govt backs pvt investment in transport sector'

Communication Minister Anwar Hossain Manju has said the government is encouraging private investment in the transport sector to improve urban transport and ease traffic congestion, says APB.

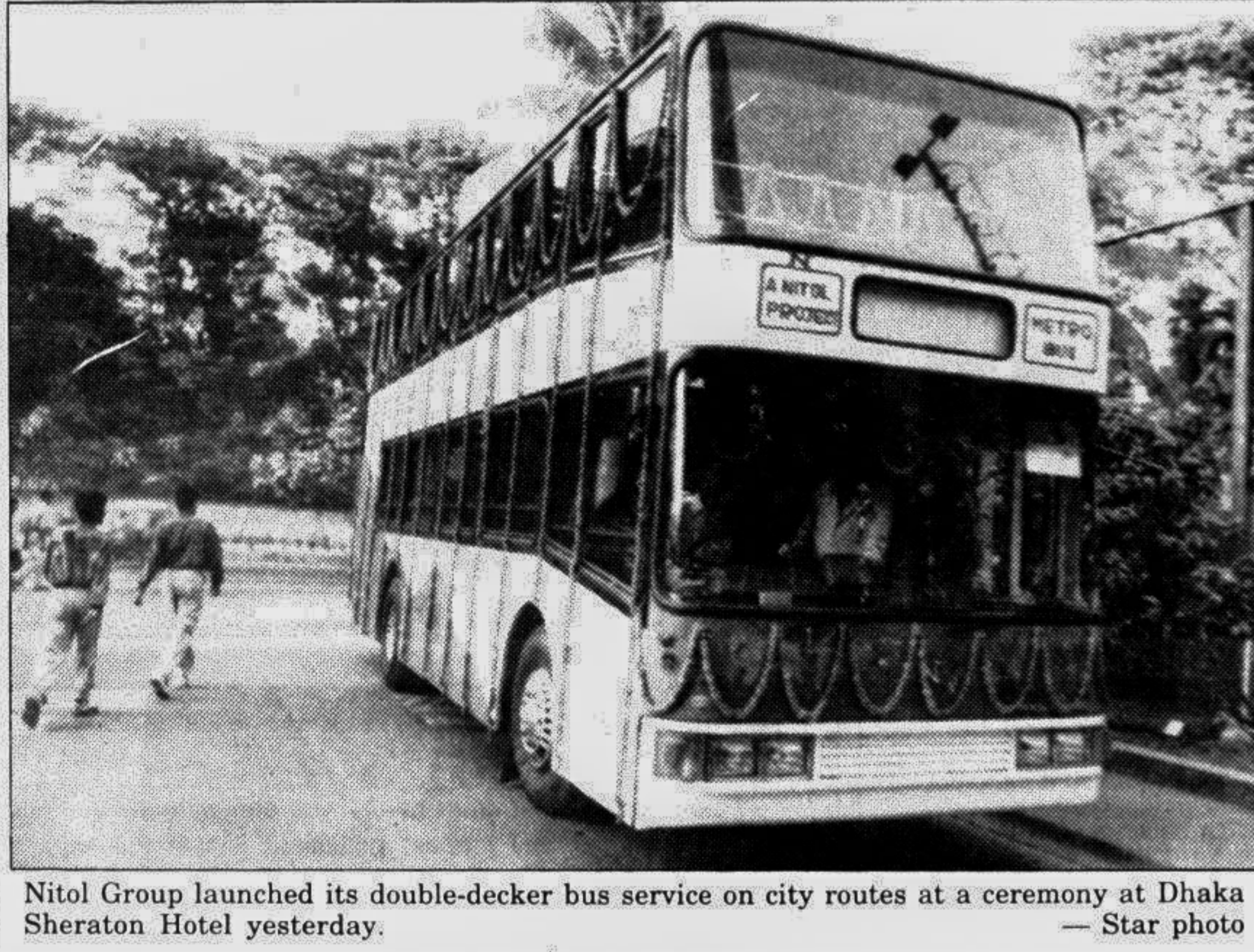
He said this while launching the double-decker bus service of Nitol Motors Ltd in the city yesterday.

In the first phase, Nitol will commission 10 double-decker buses from the first week of December. Each of these buses will have a capacity to carry 115 passengers.

Nitol Group Chairman Abdul Matlub Ahmad said that his company had a programme to introduce 200 such buses in Dhaka, Chittagong and Khulna.

He told APB that the buses would be pressed into service on Mirpur-Gulistan and Uttara-Gulistan routes in Dhaka. The fares of these double-deckers would be less than that of Nitol's Metro buses.

Matlub said the Nitol double-deckers have been specially designed for the city roads of Bangladesh. The buses were built in China, but their engines are from the USA.



Nitol Group launched its double-decker bus service on city routes at a ceremony at Dhaka Sheraton Hotel yesterday. — Star photo

Commodity: Weekly Roundup

Crude oil hits historic low on OPEC failure to boost prices

LONDON, Nov 28: The failure of the OPEC meeting this week to prop up oil prices left crude at historic low levels, while elsewhere in the commodities markets coffee prices heated up, reports APB.

Brent, the reference North Sea crude, fell under the 11 dollars barrier this week in London, while in New York light sweet crude fell under 12 dollars.

During the week, Brent sank to a historic low opening price of 10.85 dollars a barrel as investors wrote off the chances of OPEC, which held a crucial meeting on Thursday, being able to use its cartel powers to pull prices out of the slump.

son, said the meeting did not even do enough to keep make sure that prices won't fall below 10 dollars a barrel.

Current production cuts amounting to 2.6 million barrels a day will be applied until June, as previously agreed.

RUBBER: Flat. Rubber prices were little changed this week, with the London rubber index up slightly at 497.50 pounds a tonne for November and 502.50 pounds for December.

The RSS1 index in Kuala Lumpur fell to 2.65 ringgits a kilo from 2.71 ringgits.

COFFEE: Strong. Coffee prices rose, especially for January robusta which rose 106 dollars to 1,749 dollars a tonne, in response to tightening supply.

Heavy rain in Vietnam caused by tropical storm Elvis damaged plantations and also delayed deliveries, traders said.

ICMAB reception to new CMAs

The certificate-awarding ceremony and reception to the newly-qualified CMAs was held Thursday evening at ICMA auditorium under the auspices of Dhaka Branch Council (DBC) of the Institute of Cost and Management Accountants of Bangladesh (ICMAB), says a press release issued in city yesterday.

A S H K Sadique, MP, Minister for Education, was present as the chief guest while Dr Mizanul Haq, MP, Chairman of the JS Committee on Estimate, was the special guest. It was presided over by Md S R Khan, ACMA, Chairman, DBC of ICMAB.

In his address, the minister said that our resources are scarce and we are facing so many problems. To overcome the problems and for ensuring proper operational efficiencies in economic undertakings, checking wastage of resources, optimising profit margin, identifying causes of industrial sickness, cost and management accounts can play an important role.

Russia ready to meet IMF conditions: Primakov

MOSCOW, Nov 28: Prime Minister Yevgeny Primakov said Saturday that his government was prepared to comply with conditions set by the International Monetary Fund for the resumption of aid to Russia's ailing economy, says UNB.

Primakov said he hoped to reach an agreement soon with the IMF Managing-Director Michel Camdessus, who was scheduled to come to Moscow on Dec. 1, the Interfax news agency reported.

Speaking to the legislative assembly in the southern Russian city of Belgorod, Primakov said his government was prepared to fulfill the fund's conditions because Russia badly needs the next \$1.8 billion installment of an IMF loan.

"This money will allow us to clear some foreign debts and to inject 85 billion roubles into the economy," Primakov said.

The IMF has insisted on seeing a sound economic program by the Russian government, and sings that is has been implemented, before releasing any more of the \$22.6 billion aid package that has been frozen since August.

An IMF delegation left Moscow earlier this week with no promise that it would resume an existing loan, and Primakov was critical of some of the fund's methods of granting loans.

"We should comply with their conditions, but not because we are overly obediently Primakov said, according to Interfax.

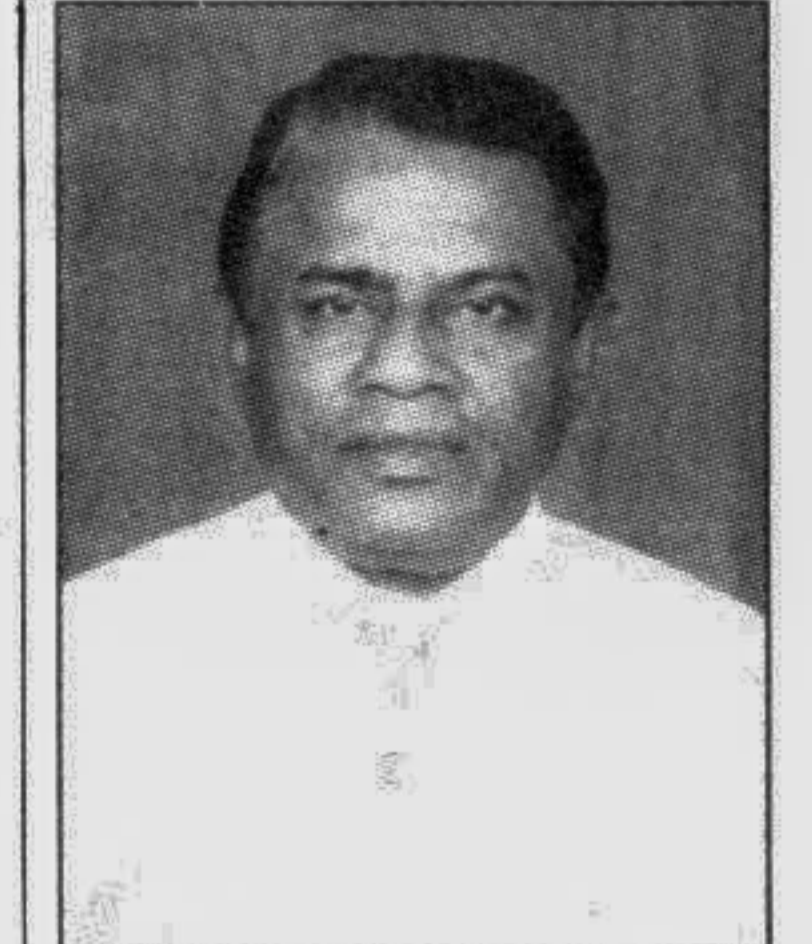
"I find myself irritated when young boys come (to Moscow) and start imposing their conditions," he said. "They have read many books but they don't know life as it is or the actual situation in Russia."

Russia is facing its worst economic crisis since the Soviet collapse, after succumbing to the global economic troubles that started in Asia, which prompted Russia to default on loans and devalue the ruble in August.

COTTON: Flat. Cotton prices were unchanged this week after weeks of declines, mostly due to the absence of US investors over the long Thanksgiving holiday weekend.

The calm gave the market some respite after hitting rock bottom prices on speculative selling. The cotton outlook index was unchanged at 55.90 cents a pound.

WOOL: Thin. The British wool market saw a poor week with low demand and heavy swelling by producers cashing in on last week's gains, said the committee of London wool brokers.



Md Abu Taher Chowdhury



Tulu Kalimullah

New chairman, vice-chairman of Central Ins

Star Business Report

The meeting of the Board of Directors of Central Insurance Company Ltd has elected Md. Abu Taher Chowdhury and Tulu Kalimullah Chairman and Vice Chairman respectively, says a press release issued in city yesterday.

Md Abu Taher Chowdhury, the Managing Director of Fairouz Flour Mills Ltd and Osmania Flour Mills and proprietor of A T Corporation, is a renowned business personality of Chittagong.