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DHAKA, MONDAY, AUGUST 9, 1999

Tofail leaves for Male, Beirut

Commerce and Industries Minister Tofail Ahmed left Dhaka for Male and Beirut yesterday on a five-day official visit, says BSS.

At the first leg of his visit to Maldives capital, he will attend the SAARC Commerce Ministers meeting today where the issues relating to expansion of regional trade would be discussed.

They will also exchange SAARC country's views on the issues of the third WTO Ministerial meeting at Seattle late this year.

After the meeting, the minister will leave for Beirut, capital of Lebanon, to attend Group-77's Asia group Ministerial meeting.

Rahman Group's rejoinder

The Rahman Group has sent the following statement in response to The Daily Star story on August 8, 1999 under the heading 'Sonali defies BB, its own board. Top defaulter favoured again.'

"The loan amount increased because of addition of interest. This is not an intentional on our part. Prevailing political situation in the country, strike, natural calamities, structural problems, power failure, scarcity of gas, fall of prices of imported materials in the local and international market are responsible for this sort of situation. Earlier on several occasions we clarified the situation to the relevant authorities of the government.

The news published that the bank has been allowing its new credit facilities is not based on correct facts. Bank did not decide to allow us fresh credit facilities. Bank has decided to renew the loan limits sanctioned earlier and to reschedule the loans. These are not new credit facilities.

Sonali Bank granted credit facilities to our 11 units and out of this 11 units we adjusted full loan amount in one unit. Another unit relating to Yarn Twisting will be adjusted soon. Four are export-oriented spinning mills, garments dyeing and finishing composite units. Also three export oriented units have been set up out of our own finance. Defaulted loan figures shown in the report are not correct. That Sonali Bank has been rescheduling loans without deposit of 10% down payment at a time is not correct. An amount of Tk. 6 crore and 15 thousand (in different instalments) has been deposited as down payment in our different units as per bank's instruction. Bank authority accepted these down payments amount and recommended for reschedule of loans. In this particular case no exception has been made in following the banks accepted rules and procedures.

In the news item, it has been reported that the loan amount is without security. This fact is not correct. Rahman Group did not borrow money from bank without security. Bank also did not grant any loan to us without security.

Networth of Rahman Group was not negative and there is no chance that our position will deteriorate further. Bank granted loan at the ratio of 70:30 but due to more investment from our own resources debt equity ratio now stands at 50:50. Moreover value of properties retained against our bank loan will be much higher than the figures of loan granted by the bank.

Steps taken by Sonali Bank to review loans in favour of Rahman Group to the extent of Tk. 9 crore will not stand in the way of investigation being carried out by BIBM. Accordingly, if any decision is taken by bank to continue finance it will only expedite repayment of bank's loan.

As applied to bank for waiver of interest as per normal bank practice to expedite repayment of loan. In this respect no irregularity has been committed.

The report in your paper seems to be motivated, partial and with no purpose other than harming the interests of a thriving on-going industrial complex, the ruin of which will not only harm us but a huge number of workers and the country as well.

Our Reply

The rejoinder given by the Rahman Group itself is flawed. We did not say in our report that new loans were being given to the Group. Fresh funds will be given during loan limit renewal which tantamounts to giving new loans. Many of the allegations made in the rejoinder were not at all dealt with in our report. The report tried to unveil the truth about a so-called industrial group and the functions of a bank. According to the law, loans cannot be given to a company if any of its sister organisations has defaulted. In this case, Rahman Group has over Tk 69 crore in defaulted loans with Sonali Bank. When the Group has not fully repaid its huge past loans, the point that giving further loans to it will expedite repayment can be widely debated. And here, the Bangladesh Bank believes that such extension of loans will lead to further repayment failures. We, therefore, stand by our report.

64pc of target achieved last fiscal Healthy RAKUB loan recovery despite ravaging floods

From Abdul Wadood

RAJSHAHI, Aug 8: Rajshahi Krishi Unnayan Bank (RAKUB), functioning in the 16 districts under Rajshahi division, achieved a remarkable success in recovering agricultural loans during the just-concluded fiscal year as compared to that in the previous years.

The bank achieved 64 per cent of its recovery target for the fiscal year in spite of the devastating floods. The recovery rates were 45 per cent and 48 per cent in the 1997-98 and 1996-97 fiscal years respectively.

RAKUB recovered Tk 255.55 crore against the target of Tk 400 crore last year, showing a

rise of Tk 29.26 crore over the previous year. Managing Director of the bank Yasin Ali attributed the achievement to the all-out cooperation of farmers, bank officials, local representatives of the people and administrative officials.

"We especially thank the local representatives and the officials who worked for the success," he said.

This time, RAKUB involved the Divisional Commissioner, Deputy Commissioners, Thana Nirbahi Officers, local MPs, the Pourashava and Union Parishad chairmen and members in the loan recovery drive.

"We arranged credit fairs and set up loan recovery camps at every branch which proved pretty effective," the RAKUB MD said.

RAKUB has also achieved success in loan disbursement during the last fiscal year. It disbursed a total of Tk 316.61 crore, 96 per cent of the Tk 330 crore target. The previous year's achievement was Tk 208.21 crore, 83 per cent of the target.

Some 2,73,827 farmers got the loans through 300 branches of the bank. Considering the havoc wrecked by last year's devastating floods, RAKUB extended the time for loan repayment by one

year. "Most borrowers took the facility to get new loans and produced bumper boro paddy, potato, wheat and winter vegetables and thus compensated the damage caused by the floods," RAKUB MD Yasin Ali said.

The bank authorities maintained extensive field-level vigilance to ensure easy and rapid disbursement of loans with a view to boosting agricultural production and rural economy as a whole, he said. RAKUB will disburse Tk 350 crore in the current fiscal year. The bank has also fixed a target to realise Tk 350 crore during the same fiscal year.

Bad debt still plagues Japan financial sector

TOKYO, Aug 8: The collapse of a sixth Japanese bank in a year signals the depth of bad debt problems that still plague the country's financial sector, analysts say, reports AFP.

Namihaya Bank Ltd, based in the western Japanese city of Osaka, was declared insolvent Saturday a day after the debt-ridden regional bank applied to be put under state control.

"Namihaya Bank will not be the last one," said Yasuo Goto, researcher at Mitsubishi Research Institute Inc.

"The exit of Japan's bad debt problem is still not in sight," he added. "The problem may remain unsolved by the turn of the new century next year."

Namihaya will become the sixth Japanese bank to be taken over by the government in a sweeping clean-up of the sector

battered by huge bad debts following the end of the speculative "bubble" economy in the late 1980s.

Authorities are now likely to speed up financial reforms by forcing troubled banks to clean up bad debts or collapse, as in April Tokyo will put a limit on its depositors' safety net, which currently protects all bank deposits.

"Banking authorities are taking action to cut the number of troubled banks by the April 2001 deadline so they can avoid confusion," Goto said.

The government, however, remains optimistic.

"I hope no other bank will collapse in the future," Financial Reconstruction Commission chief Hakuo Yanagisawa told a news conference. Yanagisawa said other trou-

bled regional banks should be able to survive by propping up their capitals via new share or bond issues.

Regional banks in Japan are required to have a four per cent ratio to operate and the Financial Supervisory Agency can suspend a bank's operations if its capital adequacy ratio falls below a required level.

Analysts warn bad debts held by Japanese financial institutions may swell again if the country's economy fails to pull out of the nation's worst post-war recession.

For the past few months, Japan enjoyed signs of recovery, with the economy growing 1.9 per cent for the first three months of the year, the first positive growth in Japan for 18 months.



Finance Minister Shah AMS Kibria inaugurates the 1306th branch of Sonali Bank at Inatgonj in Habigonj recently. Mahbubur Rehman Khan, MD, senior executives of the bank and local elites are also seen.

Opinion

How necessary are brokers' trading monitors in public places?

I refer to your news report "SEC calls for brokers' trading monitors in public places." No doubt written by your enthusiastic reporters with some glee in finding yet another shortfall in the stock exchange. Please be assured that the Dhaka Stock Exchange and some brokers would be more than glad to set up "boiler houses" as it is called in the securities business, in order to broaden the base and disseminate real-time information. But let me dwell upon the consequences of what is called day trading by reviewing the system.

The computerised order matching system in most exchanges have created opportunity for investors to take positions on select stocks with the sole objective of squaring deals the same day. In other words, one could buy 1,000 shares in the morning and sell those very shares in the afternoon and collect the profit without involving debt equity ratio now stands at 50:50. Moreover value of properties retained against our bank loan will be much higher than the figures of loan granted by the bank.

Our market discovered the netting system or the day trading soon after the computerisation in August 1998. Instead of taking the advantages of the technology, some players found it yet another means to attract

those interested only in gambling. To raise the greed of clients to new heights through suspect pitch and forecast, not unlike the goings on of the illegal street traders of 1996.

Companies with strong fundamentals were no longer promoted. Some started promoting the day trading. They targeted junk shares; companies with very small capital base which could easily be captured in order to ensure successful control of the price movement; companies with wavy and poor history which could be presented as otherwise to the unsuspecting or very greedy client. The ability to influence the market news flash system in collaboration with inside contacts gave a few opportunities to make quick gains in the day's trade.

The share-dealing task is highly sensitive and stressful anywhere in the world. The psychological consequences are not fully understood. The day trader is always on his toes and more so if he has taken a short position. There is a natural inclination to square the deal or buy back the shares sold short. Any flash on the workstation is considered an opportunity rarely evaluated for quality or its real impact on price sensitivity. Such managed information often have adverse effect on price movement resulting in substantial loss to the trader after the information is analysed by the market for its actual value. Stock market is specula-

tive. Day trading accounts should be considered more speculative in nature as the objective is only to generate immediate profits. But, this may result in the loss of more than 100 per cent of an investment. The margin account, recently introduced by SEC regulations, has now increased the danger many fold by the simple concept of leverage. The increased capacity which margin provides may now heighten risk substantially, including the risk of loss in excess of 100 per cent of an investment.

The new technologies are in many ways transforming how our capital markets operate. There are clear benefits to these changes including lower costs and faster access to the market for investors. However the investors need to be more mature about the investment basics, and not allow the ease and speed with which they can trade to fill them either into a false sense of security or encourage them to trade too quickly or too often.

Every day, more and more persons are getting interested in the stock market, and many of them are now doing so through the wider network of the exchanges. With further improvement in the overall macroeconomic picture one could easily expect that investor accounts would really grow to a fantastic level in the near future. Investing in the stock market—however you do it

Oil-dumping case by US group Commerce Deptt rejection may lead to appeal

WASHINGTON, Aug 8: If a landmark oil-dumping case brought by a group of independent US oil producers is rejected by the Commerce Department on Monday, the group could appeal to a special federal court in New York, a lawyer for the oilmen said yesterday, reports Reuters.

Save Domestic Oil, a group of independent producers, has accused Saudi Arabia, Mexico, Venezuela and Iraq of selling government-subsidised crude oil in the United States and running independent producers

out of business. All four nations have denied the accusations, contending that oil prices are freely set on the open market.

Wiley, Rein & Fielding is the Washington, DC law firm representing the oilmen before the Commerce Department, which will rule on Monday if the complicated case has enough industry support to go forward.

Attorney Charles Verrill said that should the ruling go against his clients, they might choose to appeal the Commerce decision to the Court of Interna-

tional Trade in New York. The federal court handles only trade cases.

An appeal could be filed if the Commerce decision was inconsistent with the facts presented, or if regulators did not apply the law in a reasonable way, Verrill said.

Such appeals are relatively common by losing parties, and take about a year to complete, he said.

If the department rules there is enough industry support for the case to proceed, the US International Trade Commission will then have until early September to determine if producers were financially injured by the foreign oil imports.

Verrill represents a group of Oklahoma-based producers who banded together earlier this year to bring the dumping case.

The group may be relatively unknown producers from the Oklahoma oilpatch, but the lawyers representing them are inside the beltway pros. The firm of 220 lawyers has racked up several victories and argued trade cases involving complaints by US steel, camera film and printing press industries.

The oil dumping charges are a first for both Verrill and the Commerce Department—such a case has never been filed before over such a basic and widely-traded commodity.

After filing an initial 1,000-page suit petition with the Commerce Department five weeks ago, he followed up with more than a dozen letters quoting sections of the US trade laws to argue against the targeted countries and US oil firms that are fighting the case.

While there are only four or five firms in Washington that frequently represent petitioners in trade dumping cases, there are dozens of firms that help the countries and companies accused of illegal trade.

Each of the targeted countries, except for Iraq, has hired Washington lawyers to fight the dumping charges, as have several big US oil importing companies.

The unprecedented case brought by the Oklahoma oilmen has left Clinton Administration officials squirming. Energy Secretary Bill Richardson last month telephoned Saudi Arabia's oil minister to tell him the case did not represent the views of the US government. Saudi Arabia is currently mulling whether to open the kingdom's coveted energy sector to foreign oil investors.

Emirates raises freighter service to Europe & Far East

Emirates Sky Cargo has increased its freighter service between Dubai and Amsterdam, and Dubai and Hong Kong, with the launch on August 4, of a third weekly service to each destination, says a press release of the airlines.

The new frequencies to Amsterdam and to Hong Kong on Wednesday are in addition to the two existing frequencies to these points of Friday and Sunday. The services are operated with a Boeing 747 aircraft, leased from Atlas Air.

Hiran Perera, Emirates' Cargo Strategic Planning and Capacity Development Manager, said: "We have increased our freighter services on these sectors due to customers' demand both in Europe and the Far East, for additional capacity to and from their markets."

The freighter, which carries approximately 100 tonnes, regularly uplifts goods such as machinery, spare parts and various consolidated goods from Amsterdam, Emirates' cargo hub in the West, for markets in the Middle East and beyond. Goods from its Eastern hub in Hong Kong for markets in the Middle East and points further west, typically include electronics, toys, textiles and fashion goods.

Peter Sedgley, Emirates' General Manager Cargo-Commercial Operations, commented: "We are confident that the economic recovery now being seen in the Far Eastern markets and the increased demand in freighter services will ensure the successful operation of this third weekly operation to both destinations."

Mobile phone broking set to exceed HK online trade

HONG KONG, Aug 8: What do half of the 6.5 million Hong Kong residents have in common? They own a mobile phone, reports AFP.

That's why industry experts predict people in one of the most active investor markets in the world will buck an international trend towards Internet broking and opt for their phone instead.

"Hong Kong people rarely stay home. They're always out. They won't have time to sit in front of a computer," said Doris Lau, spokeswoman for Celestial Asia Securities Holdings.

The brokerage is one of two firms which this year launched a mobile phone trading for their clients—making Hong Kong one of the first to offer the service.

Not to fall behind, Celestial also launched online broking. But the company and others jumping onto the bandwagon of electronic trading admit they think the mobile phone market will take off faster in Hong Kong.

"Our view is there's greater

potential in the mobile phone market, but we just want to offer our clients a variety of choices," Lau said.

Investors can easily call in the transaction by simply touching a few buttons on their mobile phone while they are on the subway, walking on the street or passing the many monitors displaying stock prices outside banks, brokers said.

They can even key in commands on the phone to have the broker hold the transaction and sell or buy at the price they desire.

There are 769,000 customers with personal Internet accounts in Hong Kong, but more than three million people with mobile phones.

Life in the tiny territory is characterized by long days away from home and many rely on the mobile phone to take care of personal matters and business.

It is impossible to avoid the ringing of "Big Brother" as the mobile is nicknamed. To many,

it is just as important as one's wallet.

"Hong Kong is a small place. It's easy to go to your broker's office. It's not like the US where you're miles away from your broker. And Hong Kong people like to talk about what's going on in the market with their brokers," said Howard Gorges, vice chairman of south China Brokerage.

Several brokerage houses are getting involved in Internet broking, but so far they are not getting a lot of business, Gorges said.

"There's a fair amount of hype. We're doing it too, but we're not hyping it," he said.

Growth in Internet broking will be much slower than in the United States where it has exploded, said Andrew To, head of research for Tai Fook Securities.

A large majority of Hong Kong's investors are grandparent-illiterate—as they never had a chance to go to school having grown up during hard times in mainland China.

"Most people don't even have access to a computer at work," he added. "It doesn't make sense to copy the US."

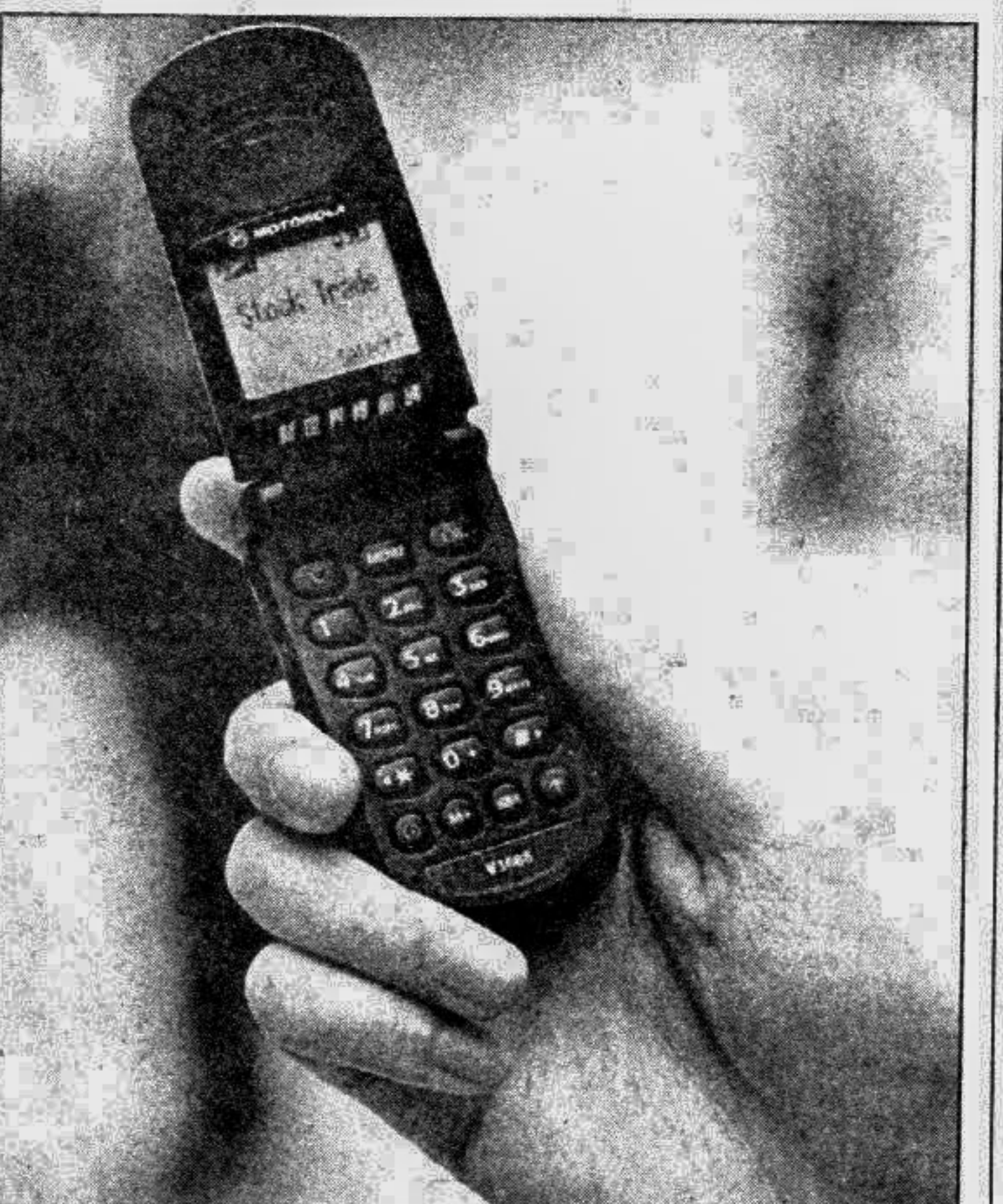
However, his company, like most others, also plans to offer online broking next year.

As a new generation of Hong Kongers becomes more Internet savvy, more people will warm to Internet trading, analysts said.

"Like any new technology it'll take time for people to be comfortable with it," said Andrew Nevin, managing director of TD Waterhouse, which plans to launch mobile phone and Internet trading this year and next year respectively.

"Internet trading in the US has exploded, but people forget it started in 1995 and in all of '97 and '98 it was flat."

A study commissioned by the Stock Exchange of Hong Kong and conducted by the Michigan Institute of Technology last year found that 30 per cent of stock investors in Hong Kong will trade on the Internet by 2010.



A man displays the ease of stock-trading on a mobile phone on Friday in Hong Kong, where two local companies recently made this option available. —AFP photo

Sangu gas field 1m man-hour of operation, no Lost Time Incident

The Sangu Field has been operated for one million man-hours without incurring a single Lost Time Incident (LTI). This milestone in safety was achieved during the 13 months of operations since the commencement of production in June 1998, says a press release.

Sangu is the first development in the Bay of Bengal to supply gas to the domestic market of Bangladesh. The Sangu field is operated under the Block 16 PSC on behalf of Petrobangla by a joint venture of Shell Bangladesh Exploration and Development BV, Cairn Energy PLC and Halliburton.

A Lost Time Incident (LTI) is defined as an incident whereby a person is so badly injured that they are unable to continue to work on the day of the incident. The measurement of the LTI is common throughout the oil and gas industry and allows benchmarking of Health Safety and Environment (HSE) performance across companies.

By any measure in the international oil and gas exploration and production sector this achievement is highly significant and is comparable with the safety performance of many operations in well established areas of the world. The milestone is the result of the commitment and dedication of the operations team to the HSE policy, says the release.

Andy Curtis, Manager of the Sangu Field said: "We are proud of the commitment to safe working demonstrated by our workforce, and their recognition that in doing so they do not only look after themselves, but also their colleagues and our onshore neighbours. By working with our employees and contractors together we are sure that we will continue to deliver this excellent health and safety performance."

The expertise of the Sangu operations team has grown rapidly over the last two years during which an intensive training programme has been conducted. The training programme focuses on safety and competence development of the team. The Sangu Field now employs directly 200 Bangladeshi staff under various contractors.

Andrew Vaughan, Managing Director of Shell Bangladesh Exploration and Development BV said: "Shell companies globally place great emphasis on the safety performance of their operations. This milestone places the Sangu operations clearly as a world class performer."

631st board meet JB credit net extension suggested

The 631st meeting of the Board of Directors of Janata Bank was held at its Head Office recently.

The meeting identified some obstacles and weaknesses regarding the overall development of the bank and took some effective remedial measures, says a press release.

To increase the volume of investment, the board advised the concerned divisions of the bank to ensure proper investment of the deposits.

The board also advised the management to take proper steps to recover the classified loans and advances and avoid further classifications. It discussed the profitability of the branches and advised transfers of the loosing branches to the commercially-important places to turn the same into profitable ones.

The Board suggested introduction of some new banking schemes like consumers credit, self-employment and loan to the professionals for purchasing equipment and instruments. It also gave emphasis on gearing up the activities of industrial credit.

The bank has invested Tk 245.51 crore since 1st July, '98 till date in the industrial sector and an amount of Tk 138.43 crore against 27 projects are under sanctioning process.