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The Daily Star BUSINESS

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LC opening up
37pc despite
fall in food
import

Despite substantial fall in food imports, the opening import L/Cs rose by 37 per cent in the first month of the current fiscal compared to the corresponding period of the previous fiscal due to rise in production-oriented imports, reports UNB.

Authorised dealer banks opened import L/Cs worth about Tk 3,843 crore in July, 2000, according to a Bangladesh Bank statement.

It said L/Cs for food import reduced by 63 per cent during the period compared to the same period last fiscal while production related imports like intermediate goods, industrial raw materials, petroleum and petroleum products and capital machinery increased by about 47 per cent.

The banks opened Tk 16 crore L/Cs for rice, Tk 39 crore for wheat, Tk 38 crore for sugar, Tk 18 crore for pulses and Tk 20 crore for milk products.

Textile fabrics and RMG accessories topped the import list (Tk 810 crore) followed by machinery (Tk 438 crore), chemical products (Tk 312 crore), POL (Tk 195 crore), corrugated sheets, BP sheets, GP sheets and tin plates (Tk 142 crore) and cotton and artificial fibre (Tk 141 crore).

China to invest in projects to turn coal into oil

KUNMING, Sept 25: China will invest heavily in two projects which can turn coal into petroleum to ease the shortage of petroleum resources, said sources from the State Development Planning Commissioner, says Xinhua.

The two projects will be constructed in Xianggeng Coal Mine in Yunnan, southwest China, and Shenshu Coal Mine in Shaanxi, northwest China. Costing a combined total of 20 billion yuan (about 2.4 billion US dollars), the two projects can produce two million tons of petroleum annually.

8-member leasing team off to Taiwan to attend ALA assembly

An eight-member delegation of Bangladesh Leasing and Finance Companies Association has gone to Taipei to attend the 18th General Assembly of the Asian Leasing Association (ALA) to be held in the Taiwanese capital from Wednesday.

The members of the team are: M Aminul Islam, Managing Director, Industrial Development Leasing Company Ltd (IDLC), MM Alam, Managing Director, United Leasing Company Ltd (ULC), A Quadir Chowdhury, Managing Director, Phoenix Leasing Company Ltd (PLC), Kazi Emdadul Hoque, Senior Vice President, Phoenix Leasing Company Ltd (PLC), Sayed Husain Jamal, Managing Director, Uttara Finance and Investment Ltd (UFIL), Mafizuddin Sarker, Managing Director, International Leasing & Financial Services Ltd (ILFS), Azadur Rahman Khan, Managing Director, Bay Leasing and Investment Ltd and Tapan K Poddar, Managing Director, Prime Finance and Investment Ltd.

The 3-day meeting will end on Friday, says a press release.

RAKUB takes up massive farming project for 16 N dists

KURIGRAM, Sept 25: The Rajshahi Krishi Unnayan Bank (RAKUB) has undertaken a five-year term farming project at a cost Tk 27 crore in 16 districts of northern region, says BSS.

The massive programme has been taken up to create self-employment for the landless, small and marginal farmers and unemployed youths, official sources said.

According to RAKUB sources, a total of 2,500 different types of self-employment generating farms will be set up in the region under the assistance of National Animal Husbandry Resource Development Entrepreneurs Project (NAHRDEP) under an agreement signed recently.

To make the programme a success, a meeting was held at the RAKUB's headquarters at Rajshahi city early this month.

Under the project 300 dairy farms, 160 cow rearing farms, 300 cow fattening farms, 160 goat and sheep rearing farms, 80 duck rearing farms, 720 boiler variety of chicken farms and 180 pullet variety of chicken farms will be established in the 16 northern districts including Kurigram.

Merchant banks demand soft fund for portfolio investment

Analysts find idea unworkable

By M Shamsur Rahman

The merchant bankers have demanded a capital market development fund by the central bank for portfolio investment which should be channelled through them, an idea vehemently opposed by market analysts.

The interest of the fund should be kept minimum rate, said Dr Mohammad Musa, Convenor of the Merchant Bankers Association (BMA), at a meeting with the Securities and Exchange Commission (SEC) yesterday.

The merchant bankers also

demanded fund from commercial banks to launch portfolio management services, which they said is needed to salvage the depressed stockmarket.

The BMA leaders said that through portfolio management reduces the risk of the investors.

But analysts say that funding these merchant banks won't be viable. The commercial banks lend at over 15 per cent interest rates, and in order to make profit the merchant banks will have to earn more than 20 per cent which

will be very difficult because of the present market condition.

"But how many companies give more than 20 per cent dividend?" asked one market analyst. "Besides, Finance Minister SAMS Kibria in a seminar on August 10, last year said that the government has other priority sectors to finance."

He also pointed out that a number of merchant banks have more than Tk five crore paid up capital which they can easily invest in the market without any bank

finance to build up their own portfolios.

The SEC first gave licences to merchant banks in 1998 and till now, as many as 27 merchant banks have taken registrations.

The merchant banks have three key functions - issue management, underwriting and portfolio management. But the country's merchant banks are yet to pool any recognisable fund from investors for portfolio management.

SB allows 27 defaulting garment units to open back-to-back LCs

Sonali Bank yesterday decided to withdraw restrictions on opening back-to-back LCs, facilitating 27 garment factories to execute export order directly, reports UNB.

The bank imposed the restrictions on the factories, 15 in Chittagong and 12 in Dhaka, due to overdue loans for which the factories could not execute direct export order for long.

The decision was taken at a meeting between Sonali Bank and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at the bank's head office, meeting sources said.

Chaired by bank's Managing Director Enamul Huq Chowdhury, the meeting was attended by BGMEA Vice-President Anisul Huq and senior bank and BGMEA officials.

The bank managing director agreed to transfer the amount of interest to block accounts without interest, which should be paid by the defaulter factories within two years. The accumulated interests amount 3-4 times of the principal.

The principal loan amounts with a nominal rate of interest (packing credit rate) will be deducted from the export pro-

ceeds. As per the decisions, the defaulter factories will have to resume their accounts with the respective branches of Sonali Bank depositing a down payment at a rate of 5-10 per cent of the total credits, sources said.

The factories were forced to borrow from the bank branches following stock lot as an outcome of political instability and 1998 flooding, said a BGMEA statement today.

Anisul Huq appreciated the decision and hoped that other commercial banks would also give big hands to the RMG sector as Sonali did.



Finance Minister SAMS Kibria addresses the inaugural ceremony of Rupa Knitwear (Pvt) Ltd recently. Rupa Group Chairman Md Shamsul Alam presided over the function, which was also attended, among others, by Managing Director Shahidul Islam.

-- Rupa Knitwear photo

Crude oil prices decline by \$1 as US releases from stock

Iraq to up output to 3.4m bpd by early 2001

SINGAPORE, Sept 25: US NYMEX benchmark light crude futures slumped by more than \$1 a barrel today following the US decision to release oil from its Strategic Petroleum Reserve, says Reuters.

The November contract opened 48 cents a barrel lower on the out of hours ACCESS trading system and quickly skidded to \$30.86 a barrel, down \$1.82 from Friday's close in New York.

It soon rebounded, however, to stand around \$31.50, down \$1.18.

The December contract took heavier losses, tumbling more than \$2 to \$30, before recovering to \$31.10 a barrel, down \$1.17.

Crude prices had been expected to fall sharply following an announcement late on Friday that the United States had decided to tap into its emergency stockpiles to rein in decade high oil prices and ensure ample winter supplies.

The US government will release 30 million barrels of oil in October from the 571 million barrel reserve.

"We are hoping that the equipment we expected in September will arrive in January or February. This would bring us up to 3.3

million bpd or perhaps 3.4 million bpd in the spring of 2001," Rashid told the Middle East Economic Survey (MEES).

Meanwhile, another report from Nicosia adds: Iraqi Oil Minister Amer Rashid said today that Iraq hoped to up crude output to around 3.4 million barrels per day (bpd) by spring 2001, reiterating that it was adopting a maximum production policy.

"We are adopting a maximum production policy. But if we have difficulties, if we have shortages, if we see attacks against us, then we have to adapt our production accordingly," Rashid said.

"We will probably continue at this (current) rate of 3.0 million bpd until January 2001," he told the specialist newsletter. "Everything depends on the approval and arrival of the equipment."

It is only the second time the United States has used the reserve. The first was during the 1990 Gulf crisis.

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