

## POST-MFA CHALLENGE FOR RMG EXPORTERS

# NBR may recommend for limited bonded warehouse

RAFIQ HASAN

The National Board of Revenue (NBR) may recommend setting up 'limited bonded warehouse' instead of central bonded warehouse as demanded by garment exporters to slice off their lead time, a major challenge they face.

A high-powered committee headed by Ali Ahmed, NBR member in charge of customs, excise and VAT, has finalised a report on the issue. Sources said the report will be submitted to the authorities concerned within a week.

The report is ready for submission, confirmed Ali Ahmed, when contacted. He however declined to make any comments on the recommendations.

But sources in the NBR said the committee will suggest allowing

limited bonded warehouse. Only fabrics like synthetic and other raw materials could be allowed to import and stock in the warehouse, they said.

But 'ready fabrics' like cotton would not be allowed to import and stock in the proposed warehouse, a source said adding, "It is recommended to protect local textile industry."

The committee may however consider import of 'gray fabrics' for the limited bonded warehouse as demanded by the garment exporters.

The Bangladesh Garment Manufacturers and Exporter Association (BGMEA) has long been demanding the central bonded warehouse that would help them reduce their lead time to 60 days from existing 90-120 days.

The exporters apprehend that 35-40 percent garment factories might face closure in two to three years after total phaseout of multi-fibre arrangement (MFA) next year.

They think if the government allows setting up of central bonded warehouse, it will bring huge foreign investment in the country's dyeing, finishing and printing sectors.

Some other sources said the government retreated from its earlier position on allowing central bonded warehouse at the pressure from some influential textile manufacturing groups who are opposed to the garment exporters' demand.

They said the government in principle agreed to allow central bonded warehouse in the 10th meeting of the National Committee on Export held on April 24 last year.

According to minutes of the

meeting, it was decided to form a committee comprising representatives from Ministry of Commerce, Finance Division and NBR to submit recommendations to the government in this regard.

The 11th meeting of the committee is likely to be held within a week, sources said.

Sources said the government is facing pressure from influential local corporate houses, the main beneficiary of the government's policy of protectionism, to do away with the central bonded warehouse.

BGMEA leaders however said if government does not come up with positive measures to protect the sector, the country's five billion dollars export volume and job of 20 million people would be at risk in a quota-free regime.

## Credit rating now must for banks floating IPOs

STAR BUSINESS REPORT

Credit rating has been made mandatory for banks seeking fund from the public through initial public offering (IPO).

Bangladesh Bank in a circular yesterday said all banks will have to mention their credit rating evaluation report in prospectus while going to the public for raising fund.

Sources said the measure has been taken to scrutinise the financial performance of banks more systematically and determine true financial strength so that investors can take investment decision more carefully.

The circular came within a week's time after the central bank and the Securities and Exchange Commission at a meeting agreed to make credit rating compulsory for banks seeking fund from public.

Credit Rating and Information Services Ltd and Credit Rating Agency of Bangladesh are the two companies engaged in credit rating in Bangladesh. Sources said it is overdue in Bangladesh that companies require credit rating before issuing IPOs which is a global practice.

Now, Exim Bank, Premier Bank and First Security Bank are awaiting SEC permission to go public.

# Bashundhara plans to spend \$200m on fixed phone network

## Group MD talks to The Daily Star

MUSTAK HOSSAIN

Bashundhara Group plans to invest \$200 million in a fixed line telephone network to launch the service through its concern, Bashundhara Communication & Networks Limited (BCNL), by May next year.

"We have a plan to launch the service as early as possible to meet the huge unmet demand for fixed line telephones," Group Managing Director Sayem Sobhan Anvir said in an interview with The Daily Star.

Anvir said his company will raise the fund from internal sources and is trying to manage a syndicated bank loan for the project.

Bangladesh Telecommunication Regulatory Commission (BTRC), the telecom watchdog, recently handed over the first PSTN (Public Switched Telephone Network) licence to the BCNL as it qualifies the criteria.

Bashundhara Group obtained licence for operating in four out of five zones. The BCNL has targeted to provide 3,000,000 fixed phone lines at a sign-up cost of Tk 7,500. Its per minute call charge within zone will be Tk 0.50.

However, the tariff rate will require approval from the BTRC. The BCNL will use CDMA (Code Division Multiple Access) 2000 1X



Sayem Sobhan Anvir

technology in its network. The technology is quickly deployable and capable of speedier data transfer.

The company will be able to provide connection within a day, Anvir said. "We'll add one million phones each year in the three-year project starting from May 2005."

The BCNL is now looking for a telecoms equipment vendor and the company has short-listed US-based Lucent Technologies Inc., Motorola Inc., Canada's Nortel Networks and Swedish Ericsson as potential equipment suppliers. The BTRC has divided the country into five zones -- Dhaka multi-

exchange area (city), Sylhet, Chittagong-Comilla, Barisal-Khulna and Rajshahi-Rangpur for private-sector landline telephone service.

The central zone has been kept off-limits to the current licensing process due to a pending dispute with UK-based WorldTel, which had obtained a licence in July 2001 to run fixed phone lines in Dhaka. "We are optimistic about getting licence for the central zone also as soon as the BTRC brings it under the licensing regime," Anvir said. Bashundhara Group is one of the biggest conglomerates of the country. Its annual turnover is about \$320 million from a range of business including industrial manufacturing, trading and real estate.

State-owned Bangladesh Telegraph and Telephone Board (BTB) currently provides 750,000 fixed phones across the country. On the other hand, four cellphone operators have a total of 2.25 million subscribers.

Bangladesh's teledensity is still the lowest in South Asia, according to the statistics of the International Telecommunication Union (ITU). Only 1.56 per 100 people have access to telecoms facility -- the 2003 data of ITU shows.



## New MD of Prime Bank

M Shahjahan Bhuiyan has taken over as managing director of Prime Bank Limited.

Prior to the new assignment, he was the additional managing director of the bank, says a press release.

Bhuiyan, who joined Prime Bank in 2000, started his banking career in the State Bank of Pakistan in early 1970.

During his long career, he held various important positions in United Commercial Bank, the City Bank and Pubali Bank Limited.

## Dhaka Bank okays 15pc cash, 25pc stock dividends

Dhaka Bank Limited has declared a 15 percent cash and a 25 percent stock dividends for the shareholders for the year 2003.

The dividends were announced at the 9th annual general meeting of the bank held in Dhaka on Thursday, says a press release.

ATM Hayatuzzaman Khan, chairman of Dhaka Bank Limited, presided over the meeting.

Afroza Abbas, vice-chairman, Directors Abdul Hai Sarkar, Khondoker Monir Uddin, Mohammed Hanif, Md Fazlur Rahman and Tahidul Hossain Chowdhury, sponsor-shareholders Mainul Islam, Altaf Hossain Sarkar, Aminul Islam, Md Amirullah, Reshadur Rahman, MNH Bulu and Khondoker Jamil Uddin, Managing Director Shahed Noman and Company Secretary Arham Masudul Haq were present.

## Eastern Bank opens ATM at Mirpur branch

Eastern Bank Limited has opened an ATM booth at its Mirpur branch.

M Ghaziul Haque, chairman of the bank, inaugurated the booth yesterday, says a press release.

Among others, K Mahmood Sattar, managing director & CEO, was present at the inauguration.

With the launching of EBL VISA Electron Debit Card, the online debit card, the bank customers can now have access to cash directly from their personal accounts through Q-Cash ATMs and can use the card at Q-Cash and Visa merchant locations equipped with 'Point of Sales Terminals'.

## Correction

In yesterday's Password column, it was erroneously mentioned that Bashundhara was investing US\$200 million to serve 30 million customers, which should read 3 million customers. The inadvertent error is regretted.

# CDS on right track with growing confidence

M ABDUR RAHIM

The central depository system (CDS) is getting stronger with positive response from both the companies and investors to the scrip-less trading settlement system introduced four months ago.

Eight companies have so far adopted the system converting their paper shares into electronic ones by the Central Depository Bangladesh Ltd (CDBL), the service provider. And seven more will join them on June 15.

The market regulator was initially a bit nervous about the outcome and response from investors, but the trend of de-matting and increasing trade volume over the last few weeks have brought in everyone's confidence in the system.

The seven companies in pipeline are Mutual Trust Bank Ltd, Standard Bank Ltd, Dutch-Bangla Bank Ltd, National Credit and Commerce (NCC) Bank Ltd, Prime Bank Ltd, Olympic Industries Ltd and Ambee Pharmaceuticals Ltd.

Besides, a number of multinationals and other companies including British American Tobacco, Singer, Glaxco, Bata, BOC, Lafarge, Beximco Pharma and Pran are waiting for the regulator's permission to adopt CDS.

"We assumed there will be no trade of CDS entrants in initial few weeks due to limited number of tradable shares. But we saw trade volume increasing and new companies

coming one after another," Farhad Ahmad, executive director of Securities and Exchange Commission (SEC), told The Daily Star.

The CDS went into operation on January 24 this year with only 1,200 de-matted shares of Square Pharma, of which only 106 securities transacted on the very first day. The company has now 22.85 lakh de-matted shares.

Over the last four months, Square Pharma emerged as one of the top 10 traded securities in both stock exchanges, encouraging other companies to adopt CDS.

On April 27 last, 36,302 shares of Square Pharma were traded on Dhaka Stock Exchange (DSE). On average, 2,000-3,000 shares of the pharmaceutical company are being traded a day, which is similar to pre-CDS time.

Industrial Development Leasing Company (IDLC), Square Textiles and Sandhani Insurance have been witnessing mixed response from investors. Square Textiles had good trading while IDLC and Sandhani witnessed negative trend.

On May 26, 64,000 shares of Square Textiles were traded on DSE and 1,100 on CSE (Chittagong Stock Exchange). IDLC shares were traded on only three trading days since its joining on April 27 while Sandhani shares were not traded after de-matting.

Four new entrants -- Southeast Bank, Dhaka Bank, Pragati

Insurance and Pioneer Insurance -- saw handsome trade volume after their adopting CDS on May 16. Their trade volumes on CSE were similar to pre-CDS period.

SEC has already waived beneficiary owner's account (BO account) fees for investors intending to de-mat and trade shares. SEC also relaxed BO account requirements for IPO (initial public offering) applicants.

Mohammad Habib Samad, managing director and CEO of CDBL, said market response is more than expected but small market size is problem for CDS growth.

"We have only about 3,000 beneficiary owner's account while it is five million in India and 1.2 million in Singapore," he said.

Samad said many companies are interested to join CDS, and 6-7 companies should come up a month for smooth transition to the system.

Yawer Sayeed, managing director and CEO of Asset and Investment Management Services of Bangladesh Ltd (Aims), said the cost for CDS service is high which may come down when volume will increase.

"CDS is a key element for total automation of share transaction. If brokerage houses are connected with online banking service for cheque clearance, it will introduce true automation in the capital market," he said.

## Emirates starts non-stop flight on Dubai-NY route Tuesday

STAR BUSINESS REPORT

Passengers from Dhaka now can save at least two hours in their journey to New York as Emirates starts a daily non-stop 14-hour flight between Dubai and the largest American city on Tuesday.

For passengers flying from Bangladesh, it will take 19 hours in total as Dhaka-Dubai flight takes five hours. Currently, Dhaka-NY journey takes at least 21 hours.

"It will be almost like a direct flight from Dhaka," Ahmad Al Falasi, area manager of Emirates, Bangladesh, said announcing the new Dubai-NY flight schedule at a press conference in Dhaka yesterday.

The flight will leave Dubai at 8am everyday and land at John F Kennedy (JFK) Airport in New York at 2pm. The return flight will depart JFK at 11:30pm and arrive in Dubai at 8:20pm the next day, he said. Emirates will operate A340-500 aircraft in the new flights. The aircraft can carry a total of 258 passengers, along with 16 tonnes of air-freight.

Falasi said the airline last month announced a record net profit of US\$429 million for the financial year 2003-04 which represents a 73.5 percent improvement over last year's net profit.

"The airline's revenue also reached a best ever US\$3.6 billion that is up 37 percent from the previous year," he added.

To mark the start of non-stop service to New York, Emirates and Dhaka Sheraton Hotel will jointly organise a weeklong food festival at the hotel from Tuesday.

"The diners will have the taste of specially prepared American cuisine during the programme," the Emirates area manager said.

The diners will also have a chance to win free air ticket to New York and a host of other attractive prizes in a raffle draw to be held on the concluding day of the food festival, he added.

## Reckitt Benckiser declares 30pc dividend

Reckitt Benckiser (Bangladesh) Limited declared a 30 percent dividend for its shareholders at its 43rd annual general meeting (AGM) in Dhaka Thursday.

Chander M Sethi, director of the company who also holds the responsibility for all South Asian businesses of Reckitt Benckiser Plc, presided over the meeting in the absence of its Chairman Colin Day who is also the chief financial officer of the group.

The company, a subsidiary of Reckitt Benckiser Plc based in the UK, announced a significant turnaround in its performance during 2003 with a revenue growth of 15 percent and a net profit growth of 168 percent.

Among others, Ata Safdar, managing director of the company, Md Ayub Miah and Nurul Amin, directors, Ranjan Naik, finance director and company secretary, Q Sajjad Hossain, HR director, Arshad M Chowdhury, supply director, and Khalid Mahmood, sales director, were present.



PHOTO: DHAKA BANK

ATM Hayatuzzaman Khan, chairman of Dhaka Bank Limited, speaks at the 9th annual general meeting of the bank at Bangladesh-China Friendship Conference Centre in Dhaka on Thursday.

# India vows to reform farm sector, improve credit

REUTERS, New Delhi

India's new government will introduce crucial reforms in the agriculture sector, step up investments and remove unwanted controls in farming, Food and Agriculture Minister Sharad Pawar said Friday.

"We have accepted reforms in many areas and we cannot bypass agriculture," Pawar said, while spelling out the policies he wanted to follow to make the farm sector vibrant.

"Reforms in the agriculture sector have been delayed. We have to see whether the rules in the agriculture marketing system are convenient or some changes are

required." Pawar said he was reconstituting a commission set up by the previous government to look into farmers' problems and asking them to make recommendations on reforms in the farm sector.

He said the government was keen to get rid of unwanted controls on marketing of farm produce both within and outside the country. "I feel there is tremendous scope to give more freedom to our farmer to dispose off his produce."

He said the government would ensure that the flow of rural credit was doubled in the next three years and would also review the delivery system for rural credit.

Pawar said the ministry will hold discussions with the Reserve Bank and the National Bank for Agriculture and Rural Development (NABARD), a bank specialising in agricultural loans, on ways to increase money supply to the farm sector.

The new government also plans a financial package to improve the health of the sugar sector, including talks with NABARD on restructuring the time period for repayment of dues.

Pawar reiterated the government had no plans to import sugar despite a fall in output. It will not export grains in the current year or provide subsidies to exporters.

# Oil climbs back near \$40

REUTERS, London

World oil prices regained upward momentum Friday after a heavy bout of midweek profit-taking and the dealers said it was too early to call time on oil's record-breaking rally.

US light crude closed up 49 cents at \$39.93 a barrel after Thursday's

dollar dive. London Brent crude ended up 35 cents at \$36.60 a barrel.

Oil has eased from a recent US record \$41.85 peak as the Organisation of the Petroleum Exporting Countries considers a big increase in output limits at a meeting in Beirut on June 3.

"Thursday's retracement was badly needed but there were many reasons the market went up and those reasons, political and otherwise, are still there," said Rob Laughlin of brokers GNI.

"We have started to see a bit of reality check on prices but in the longer-term I would not say the bull run was over," said Tom James of Tokyo Mitsubishi Bank in London.

Traders shrugged off suggestions from OPEC sources that the cartel could consider lifting quota restrictions altogether to help put psychological pressure on prices. Most expectations are for an increase somewhere on the scale of 2.3 million barrels daily, 10 percent, matching existing leakage above official limits.

### BUDGET QUIPS

**Budget vs Revised Budget**

"What is the difference between the budget and the revised budget?"

"The same as between dream and reality. It is like inviting additional guests to a tandoori chicken dinner in the hope that more eggs will be hatched this year than last year."

**MMI**