Star BUSINESS

DHAKA FRIDAY JULY 9, 2004 E-mail: dsbusins@gononet.com

IPO fails to get SEC nod for concealing facts

SEC serves notice on company, issue manager

M SHAMSUR RAHMAN

The Securities and Exchange Commission (SEC) has served an explanation notice on a non-banking financial institution and its issue manager for trying to clear a prospectus by concealing facts to justify 50 percent premium.

Both the company and its issue manager have been asked to submit an explanation within seven days on receipt of the notice.

Sources said the company-- GSP Finance -- had concealed that it had announced and subsequently disbursed 33 percent dividend among its existing shareholders and the SEC was not informed of the fact.

The issue manager, Equity Partners and Services Ltd (EPSL), has also been asked to clarify its position for signing the due diligence certificate.

GSP Finance sought approval of a prospectus to raise Tk 3 crore from the stock market which includes Tk 1 crore premium.

Along with the application, the company submitted the audited balance sheet showing a retained earning of Tk 6.20 crore for the year 2003.

As the validity of the accounts were set to expire on June 30, 2004, the SEC was under obligation either to give consent, reject the IPO or state reasons for its failure to give permission to the IPO before expiry of the audited balance sheet.

Sources said that the SEC in its board meeting on June 24, 2004 initially granted approval but on receipt of the information of the fact concealment deferred the agenda and did not record granting of the approval in its meeting minutes.

But finally on June 29, 2004 SEC decided to decline the issue on ground of suppressing facts, sources said.

Highly placed sources said a senior cabinet minister, who was a founder director and still is shareholder of the company, is pursuing the issue with SEC, an allegation denied by the capital market regulators.

The Dhaka Stock Exchange (DSE) listing committee in a written statement informed the SEC that the company had declared and distributed dividend among its existing shareholders as per the minutes of the annual general meeting and that the net asset value was far less than what was stated in the prospectus.

"The company (GSP Finance) paid 33 percent as dividend out of retained earnings of the year 2003, although it calculated its NAV (net asset value) by including the retained earnings of Tk 6.20 crore which may be considered very alarming signal for the investors," observed the DSE listing committee.

"The non-disclosure of the company is contrary to the requirement of the due diligence certificates of the issuer and the issue manager. It also can be considered as concealment of the facts and figures to enhance the NAV of the company," the DSE committee said.

The committee further observed that premium based on current EPS (earning per share) and NAV may not be justified after the disclosure which scenario and position of the company.

It concluded by saying that the company did not make any provision for the dividend of 2003 in its accounts, which is essential part of recommendation of dividend in the AGM. "Although it (GSP Finance) has recommended and disbursed dividend for the year 2003, it indicates suppression of facts and figures and may misguide the investors."

Based on the finding of the DSE, the SEC in its board meeting on June 29, 2004 decided to reject the IPO and seek explanation from both the company and its issue manager.

Asked, SEC Executive Director Monsur Alam initially said that the IPO was still under review of the commission.

But when pointed out that the audited accounts have expired and there was no scope for SEC to review the issue, Alam declined to make any further comments on the issue which he said is handled by a different department.

Even after instruction from SEC member Abbas Uddin, Alam failed to give any satisfactory answer on SEC position on the IPO.

However, SEC Chairman Mirza Azizul Islam said the IPO department has been instructed to seek an explanation from the company concerned and its issue manager and based on the explanation SEC will derive its next course of action.

But as per minutes of commission meeting on June 29, 2004, "The board resolved not to approve the GSP finance. Decision has also been made to instruct the IPO department to seek explanation from the company and its issue manager for concealing the fact of disbursing 33 percent dividend."

When contacted managing director of GSP Finance Feroz U Haider declined to give any comment on the issue.

"As I have a meeting with SEC on Saturday, I will not make any comment on the issue now," the MD said.

When asked, EPSL officials also declined to give any comments.

Siemens to co-sponsor MEDEXPO '04

Siemens Bangladesh signed a memorandum of understanding (MoU) with Triune Exhibition and Event Management Services (Teems) on Tuesday in Dhaka to become co-sponsor of MEDEXPO-2004.

Teems will be organising medical exposition at Dhaka Sheraton Hotel from October 7 to 9, says a press release.

Christian Laufer, CFO and executive director of Siemens Bangladesh, Ltd and Kazi Wahidul Alam, chairman MEDEXPO-2004, signed the MoU on behalf of their organisations.

Laufer hoped that MEDEXPO-2004 will generate interest among foreign and local investors to establish standard hospitals in the country.

Siemens Bangladesh also expects to bring some international experts to address seminars to be held during the exhibition.

Singer, Gulshan Society sign agreement

Singer Bangladesh Limited has signed a three-year agreement with Gulshan Society for sponsoring all index maps and road signs in two zones out of six zones at Gulshan in Dhaka.

AM Hamim Rahmatullah, director and chief operating officer of Singer Bangladesh, and Anwarul Alam, general secretary of Gulshan Society, signed the agreement on behalf of their organisations in Dhaka on Monday.

Mahbub Jamil, chairman and managing director of Singer Bangladesh, and Abdul-Muyeed Chowdhury, president of Gulshan Society, were present at the signing ceremony, says a press release.

Indian budget focuses on agriculture, investment

Defence expenditure raised

PALLAB BHATTACHARYA, *New Delhi*

To protect ruling Congress-led United Progressive Alliance (UPA)'s new political constituency of farmers and rural poor, the Indian budget yesterday unveiled several sops and projects to boost the agriculture sector.

The budget also announced a sharp hike in defence expenditure as well as measures to secure more foreign direct investment.

Presented by Finance Minister P Chidambaram in parliament, the budget came out with excise duty cuts and exemptions on a number of agricultural inputs including tractor, hand tools and dairy machinery.

The budget promised more houses for the poor, decided to revive rural industrial development fund, announced pilot projects to link water bodies, a special package for rural irrigation, micro-irrigation and water harvesting schemes and vowed to provide insurance to farmers.

It allocated Rs 2,610 crore for rural drinking water schemes and exempted income tax on profits in agro-processing industries.

The budget promised help to farmers to go for diversification of crops including oilseeds and raised the customs duty on palm oil to 75 percent.

The thrust on agriculture sector was expected in view of the fact that Congress and allies secured a stunning victory in general elections in April-May this year riding on the votes of a vast section of farmers and rural and urban unemployed.

The budget also allocated an additional Rs 50 crore for development of minority communities.

The budgetary allocation for defence sector has been hiked from Rs 65,300 crore to Rs 77,000 crore with Prime Minister Manmohan Singh later telling reporters that the increase was necessary "for our national security."

He said defence expenditure has remained neglected in the last three to four years.

In a bid to make India a more attractive destination for foreign direct investment, the budget set up an Investment Commission and increased the cap on FDI in telecoms sector to 74 percent, in insurance sector from 26 to 49 percent and in civil aviation from 40 to 49 percent.

Chidambaram said FDI has the potential to give a major boost to the industrial sector including infrastructure, export and technology. The quantum of foreign direct investment has been falling in the last four to five years.

To help achieve industrial growth to ten percent on average, he announced hike in depreciation rate for capital equipment in new units and some duty concession to automobile sector.

The budget also gave some sops for a section of the textile sector, announcing exemption of millions of handloom and power-loom weavers from central value added tax and retaining some existing concessions to some other components of the sector.

Clearly, the finance minister expects the manufacturing sector to benefit in a big way from the huge boost in rural demand expected from the budget's thrust on agriculture sector.

The budget also announced a two percent cut on all taxes in order to fund education programmes and mid-day meals across the country and removal and reduction of customs and excise duties on a number of medical equipment to boost the health sector.

Aimed at wooing the middle class, the finance minister raised the limit of income tax exemption limit for individuals from Rs 60,000 to Rs 100,000.

He also increased the rate of interest from 8 to 9 percent on small savings instruments for senior citizens (above the age of 65) and exempted it from income tax pension for widows or other relatives of army men and paramilitary personnel killed for the defence of the country.

Chidambaram, however, did not tinker with the existing rates of income tax and corporate taxes and left untouched the rate of interest rate on small savings for those other than senior citizens.

He also announced excise and import duty concessions on a number of goods needed for the physically challenged people, including those with vision and hearing impairment, and diagnostic kits for all forms of hepatitis.

Nice Food introduces new products

STAR BUSINESS REPORT

Nice Food Products Limited, a subsidiary of RAB Group, has introduced food items in local market.

The food items include noodles and stick noodles, instant soup, macaroni and *chanachur*.

Advisor to the Commerce Ministry Barkat Ullah Bulu at a function in Dhaka on Wednesday formally launched the food items.

RAB Group Chairman Ruhul Amin, Nice Food Products Managing Director Shah Alam Bulbul and Director Zakaria Alam Shimul were also present at the function.

PHOTO: STAR

Advisor to Commerce Ministry Barkat Ullah Bulu formally launches food items of Nice Food Products Limited at Dhaka Sheraton Hotel on Wednesday.

BRAC Bank signs deal with Progressive Life Ins

BRAC Bank Ltd has recently signed an agreement with Progressive Life Insurance Company Ltd on Nationwide Collection Service (NCS) and Nationwide Payment Service (NPS), says a press release.

Under the deal, BRAC Bank will provide countrywide fund collection and payment services to Progressive Life Insurance Company.

This new service will also ensure faster collection and payments of various corporate houses for fund transfers across the country in a cost-effective manner.

Imran Rahman, deputy managing director of BRAC Bank Ltd, and Zafar Halim, managing director of Progressive Life Insurance Company, signed the agreement on behalf of their organisations.

Bhutan seeks free trade deal with Bangladesh

STAR BUSINESS REPORT

Bhutan yesterday sought a bilateral free trade agreement with Bangladesh with provision of zero duty access of its products to Bangladesh market.

Bhutanese Ambassador in Dhaka Dasho Jigme Tshultim said Bangladeshi products have the duty free access to Bhutanese market while there is 65 percent import duty on average for Bhutanese products to enter Bangladesh market.

"A complementary trade is possible when both the countries have tariff free access to each other's market," the ambassador said.

Bhutan can export fruits and vegetables to Bangladesh in summer while Bangladesh can do vice versa in winter taking the advantage of the climate, he added.

His observations came during the launching ceremony of weeklong festival of Bhutanese fresh summer vegetables and stone fruits along with agro-processed products that started at supermarket Agora's Gulshan outlet in Dhaka.

The Royal Bhutanese Embassy, Dhaka, in conjunction with Bhutan's Ministry of Agriculture and Agora, a sister concern of Rahimafrooz Group, organised the festival.

The Bhutanese envoy said the festival aims to promote fresh and natural fruits and vegetables grown in high altitude from GMO (genetically modified organism) free seeds.

Narrating the scopes to penetrate local market with Bhutanese agro products, Niaz Rahim, managing director of Rahimafrooz Superstores Ltd said, "Tax hike is obstructing direct import and encouraging illegal trade even in the food imports."

Chhime Tshering, an official of the Ministry of Agriculture, Bhutan, said they expect 5 to 15 percent average profit from fresh fruits and vegetable export to Bangladesh.

A range of vegetables such as asparagus, beans, cabbage, cauliflower, chillies, brinjal, ginger, peas, potato, pumpkin, radish, tomato, and fruits as well as processed products like jam, pickle and honey are put on display at the festival.

India's hi-tech industry sees boost from budget

AFP, *Bangalore, India*

India's booming hi-tech and outsourcing industry predicted a boost from the national budget announced Thursday which raised foreign equity limits in telecoms and lifted duty on computers.

Finance Minister Palaniappan Chidambaram announced higher caps for foreign investment in a number of sectors including telecommunications, where the limit would be raised to 74 percent from 49 percent.

"For the information technology industry it has been a positive budget," said R. Mohan, president of Hinduja TMT, an outsourcing firm based in the technology hub of Bangalore.

"Telecommunications is one of the biggest resources needed in the information industry and with this move we can probably get world class infrastructure into the country," Mohan said.

Vivek Kulkarni, chief of B2K Corp., another outsourcing firm, said the higher investment ceiling would make more foreign players see the Indian market as "lucrative."

"It will help foreign investment to flow into India and make it more competitive," Kulkarni said.

He also saw more investment from computer makers after the lifting of duty on PCs.

Agro processors, exporters to get higher incentives: Saifur

STAR BUSINESS REPORT

The government has increased cash incentive for agro-processing and agri-products exports from 25 percent to 30 percent from July 1.

Finance and Planning Minister M Saifur Rahman said this while briefing a group of newsmen at his secretariat office yesterday.

The finance minister said if an exporter ships goods through air cargo, 20 to 30 percent cash support will be given against the air-freight.

He, however, said in case shipment through other means, the modalities of providing the incentives are still being determined.

The fund will be disbursed from the Tk 600-crore agriculture subsidy allocated in the current budget.

Speaking on potentiality of agricultural sector, Saifur said that the fruits of Bangladesh are the best in the world and the country has a great opportunity to export the fruits and processed fruits in the world market.

The government is providing financial support to the exporters to be competitive in the international market, he said.

Citing example of Thailand, he said the country is earning hundreds of million dollars from flower exports.

"They are currently holding exhibition of agri-products in Dhaka," he said adding that Bangladesh has also potential of entering the global market with agri-products.

Referring to an international study, Saifur said Bangladesh produces one of the top quality bananas in the world but they are neglected here.

On the other hand, in the case of coconut, cauliflower and cabbage, there is scope to earn a huge amount of foreign currency by exporting food items, the finance minister said.

He said the government is ready to extend technological support to the growers and also in marketing their products in order to make access in the global market.

Finance Secretary Zakir Ahmed Khan was also present at the briefing.

Russians gear up for quota-free steel export to US

REUTERS, *Moscow*

Russian steel producers will be able to start quota-free steel exports to the United States from July, a senior Russian Economic Ministry official said Wednesday.

The move would come into effect after a five-year deal on steel trade -- signed by Moscow and Washington on July 12, 1999 and stipulating a quota trade regime -- expires in July.

"The agreement expires in July... and after that there will be quota-free shipments," Maxim Medvedkov told reporters.

Russian steel producers, such as Evrazholding and Severstall have been expanding steel production due to rising demand for the metal, and are keen to boost their presence on the global market.

The 1999 deal -- restricting the physical volume of shipments of some steel products -- was signed after Washington made it a condition of suspending anti-dumping proceedings against Russian hot-roll steel exports.

Analysts say quota-free trade will sharply boost Russian steel exports in the second half of 2004, but Russia fears the United States could use other measures to protect its markets and limit Russian imports.

Analysts have also said the volume of Russian exports to the United States would largely depend on global market conditions.

Demand from China, one of the world's biggest steel markets, is expected to remain stable after a slight dip in steel prices earlier this year on fears of an economic slowdown there.

GP's move to prevent pre-paid card forgery

STAR BUSINESS REPORT

GrameenPhone, country's leading mobile phone company, has decided to use thermal technology for preventing forgery of its EASY pre-paid card.

This was announced at the company's first EASY card distributors' meet held at Pan Pacific Sonargaon hotel yesterday.

About 300 EASY card distributors or their representatives from various parts of the country attended the daylong meet.

The GrameenPhone (GP) officials asked the distributors to be aware of fake EASY pre-paid cards for ensuring customer service.

GP has more than 1.5 million pre-paid subscribers throughout the country, Ola Ree, managing director of the company, told the meet.

Mehboob Chowdhury, director of Sales and Marketing, and Farukuzzaman, head of Scratch Card Distribution Unit, also spoke at the function.

Mehboob Chowdhury said GP will organise training programme for the distributors and also provide incentives to good performers.

GP has 59 card dealers and 10,000 authorised retail outlets in the country. The company's network coverage now spreads in more than 300 upazila of 61 districts.

PHOTO: GP

Ola Ree, managing director of GrameenPhone, speaks at the First EASY Card Distributors' Meet at Sonargaon hotel in Dhaka yesterday.

Lankan tea prices up

REUTERS, *Colombo*

Sri Lanka tea prices rose at the latest auction Wednesday as buyers sought good quality teas from both the low- and high-grown regions, brokers said.

The anticipated gross sales average was 161 rupees ($1.57) per kg, from 156 rupees per kg at last week's auction, Forbes and Walker Tea Brokers said in a statement.

"Overall it was a good market, where quality was there the prices moved up. Overall there is better demand," said Dilan Polonowita, a broker at Forbes and Walker.

Quality had been hurt by the onset of monsoon rains in late May and June, but Polonowita said prices were likely to continue to rise over the next few weeks as the rain eases and quality improves.

But he said there was still little demand for the teas at the bottom end of the market.

Leafy teas from the low-grown regions were generally firm, but lower quality Orange Pekoes fell two to three rupees.

Among the teas from the high-grown regions, Broken Orange Pekoe Fannings from Nuwara Eliya thought to be the island's best rose up to 10 rupees, while Broken Orange Pekoes from the area gained five to eight rupees.

Economic survey identifies 5 major challenges for India

PALLAB BHATTACHARYA, *New Delhi*

If the Indian government's latest report card on the health of the country's economy and suggestions to improve it is anything to go by, Finance Minister Palaniappan Chidambaram appears ready to come out of the curbs imposed on the ruling Congress-led coalition heavily banking on the support of the Left parties.

The economic survey tabled in parliament on Wednesday, a day before the presentation of the general budget, has identified five major challenges facing the Indian economy and proposals indicated to overcome them would not go down well with the Left parties, economic analysts say.

The challenges are sustaining economic growth rate of 7-8 percent per year in the next five years, reining inflation to single-digit level, boosting agriculture through crop diversification and agro industries, ten percent industrial growth to create employment and eliminating revenue deficit through tax reforms and expenditure management.

The survey talks about measures to attract more foreign direct income (FDI), flexibility in labour laws impeding building of large units and closure of firms in response to normal competitive market dynamics, high customs tariffs, dismantling of reservation system for small-scale industries to help boost growth of manufacturing sector and implement reforms in the power sector.

It also suggests abolition of the system of minimum support price for 24 major agricultural crops -- a politically-dictated measure resorted by successive governments to keep the farmers happy. All these would certainly not go down well with the Leftists, say the analysts.

The survey voiced concern over decline in FDI into India in the last few years and urged 'suitable liberalisation' of both FDI and foreign institutional investment regimes to ensure increase inflows.

Pitching in strongly for FDI, it says foreign investment is important not only for funds brought in but also for technology know-how, improved corporate governance and access to foreign markets that often come with them.

The FDI inflow into India was at its highest at 4.74 billion dollars in 2000-1 but fell since then to 3.73 billion dollars in 2002-3 and 3.57 billion dollars in 2003-4, as compared to 52.7 billion dollars of FDI attracted by China in 2002, says the survey. It also added that the FDI would also provide greater market access and cutting edge to Indian exports.

The survey says the policy of protection to small scale industries through reservation of goods to be manufactured by them has acted as a drag on overall growth. Instead, the small scale sector should be provided with adequate supply of credit, technology assistance and low transaction costs, it suggests.

The survey also advocates move towards gradually cutting peak customs duties and aligning them with that of Asean countries saying it will help the Indian industry. It says "belying the considerable gloom about the outlook for Indian manufacturing in a globalised era, the best firms of India have succeeded in realizing rapid growth rates in exports."

India has experienced steadily deepening globalisation and Indian firms are getting integrated into global production chains, according to the survey.

Even after the reduction in peak customs duties to 20 percent, India's import tariffs remain among the highest in the world, says the survey and recommends further cut in the duties.