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Star BUSINESS

DHAKA FRIDAY AUGUST 13, 2004 E-mail: dsbusins@gononet.com

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Asset-backed securitised bond on the cards

First instrument likely by October: BB governor

STAR BUSINESS REPORT

With the growing demand for funds, the regulators have come up with asset-backed securitised bonds, a new idea of fund generation, to spur investment activities.

The idea is that a registered trustee will take over the assets or receivables and issue bonds against those. These bonds will then be made public through initial public offering (IPO) with some placements from institutions.

Through such issuance, excess liquidity with general public will be channelled for investment activities, Bangladesh Bank Governor Fakhruddin Ahmed told a workshop on 'Securitisation'.

"The securitisation of assets and debts will open up a greater avenue for mobilising funds for investment," the governor said while inaugurating the workshop.

He said such an instrument is in the pipeline, expected to get approval from the Securities and Exchange Commission by two months.

The instrument will bring diversity in the existing instruments listed with the bourses, said SEC Chairman Mirza Azizul Islam.

"Under the system, banks, financial institutions and other bodies will be able to issue bonds against their assets and long-term loan. The bonds can be traded in secondary market," he said.

Islam said the main problem of the capital market is paucity of quality scrips and lack of diversified instruments. "The assets and debt-backed bonds will help diversify instruments and provide more choices for investors."

He, however, has cautious words for the securitisation. "The experience of debenture is not so good. So, we have to be careful about the bond. Success

depends on quality of assets and debts to be securitised," he said.

"We have provisions in the existing law for allowing securitised bonds. But we have to change a section allowing trustees to issue the bond. We already have two applications for issuing such bonds and we will permit one from them at the first phase," he said.

Bangladesh Bank (BB) had been working on the modus operandi of channelling funds in the last three years through \$43 million World Bank-sponsored Financial Institutions Development Project (FIDP).

The central bank has prepared framework for assessing securitisation proposals and it also provided technical assistance to the SEC to develop new rules and guidelines on securitisation.

In Bangladesh, entrepreneurs depend on loans from banking system and fund from capital market for long term investment. "If debt market is explored, it can become a major source for investment fund," BB governor said at the function.

He said securitisation enhances transparency of the performance of a loan or leasing portfolio.

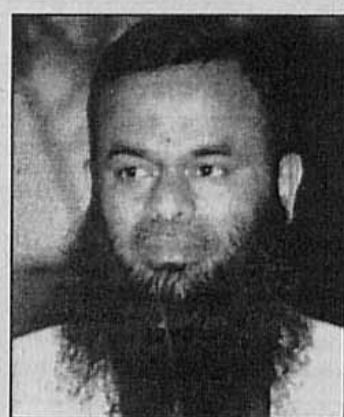
The asset and debt securitisation have proved highly successful in international markets in mobilising funds from insurance companies, pension funds, mutual funds and other institutional investors. In the last three decades, the global market for securitised bonds has grown to over six trillion dollars, the governor added.

"There exists a pool of high quality assets and cash-flow in the private sector and in some cases also in the public sector which could be used for securitisation," he said.

Ziaul Hassan Siddiqui, executive director of BB and project director of FIDP, and Kerry Aibby and Bruce Arnold, securitisation consultants of FIDP, also addressed the function.



Bangladesh Bank Governor Fakhruddin Ahmed addresses the participants of a workshop on 'Securitisation' at a hotel in Dhaka yesterday. The governor has announced that the country's first ever asset-backed bond will hit the capital market in two months.



EXIM Bank chairman re-elected

Md Nazrul Islam Mazumder has been re-elected chairman of Export Import Bank of Bangladesh Limited (EXIM).

The re-election was announced at the board meeting of the bank held in Dhaka recently, says a press release.

Mazumder is also the chairman of NASSA Group.

Apparel export to EU up

US market shows decline

STAR BUSINESS REPORT

Garment export to European Union (EU) increased while to US market it declined during the last fiscal year.

According to Export Promotion Bureau (EPB) statistics, knitwear export to EU market that includes the 10 new members of the union increased by 32.01 percent while woven garment export rose by 16.39 percent.

Knitwear export to US market declined by 33 percent and woven garment export also decreased by 9 percent.

EPB sources said the overall export earnings from woven garment registered 8.59 percent growth in last fiscal while the growth was 29.88 percent in knitwear.

"As the US, the major destination for Bangladesh's apparels, has signed free trade deals with several central American and African countries and also inked many agreements with other countries, export

to the market has declined," Annisul Huq, president of Bangladesh Garments Manufacturers and Exporters Association (BGMEA) told The Daily Star yesterday.

About the growth in EU market, the BGMEA president said as euro, which is used by maximum EU nations, became stronger last fiscal year against dollar export earnings from these particular countries, increased.

"GSP (generalised system of preferences) facilities provided by the EU countries for Bangladesh ready-made garments also played an important role," he added.

However, Huq feared at least seven out of 10 new countries may pose threat to Bangladesh's apparel export as these countries also are engaged in garment export.

Bangladesh exported knitwear worth \$23.6 crore to the US in the fiscal year while the amount was \$35.07 crore in 2002-03.

The country also exported woven

garments worth \$139.17 crore to the same market in the last fiscal against \$151.73 crore in 2002-03.

On the other hand, Bangladesh exported knitwear valued at \$178.68 crore to the EU in the last fiscal year against \$121.47 crore in 2002-03.

Bangladesh exported woven garments worth \$187.01 crore to the EU last fiscal year against \$156.44 crore in 2002-03.

Apart from the US and the EU, the country's overall exports to Canada and Japan increased by 41 percent and 9 percent in the last fiscal. However, export earnings declined by 17 percent from Australia.

Export earnings growth hit a six-year high of 16.10 percent in the fiscal year. The country fetched \$7.6 billion in the last fiscal surpassing the target by 2.2 percent. The targeted amount was \$7.4 billion.

The government has fixed this fiscal year's export target at \$8,565 million.

Citibank holds training for BB officials

A two-day training course on 'prevention and detection of money laundering' organised by Citibank NA Bangladesh began in Dhaka on Wednesday.

The Chief Executive Officer of Citibank, Mamun Rashid inaugurated the course.

The course is designed for senior Bangladesh Bank officials, says a press release.

The aim of the course is to make the officials aware of different money laundering and financial crimes in international perspective along with prevention measures.

Among other Citibank officials, Mamdudur Rashid, senior country operations and compliance officer, and Rashed Maqsood, head of Global Transaction Services, were present.

The sessions included video shows, examination of documentation and transaction reports followed by practical sessions with the relationship managers and process units.

Barrister Shahwar Jamal Nizam, manager compliance, conducted the sessions.

Local ISO 9000 consultant holds auditing course

United Registrar of Systems (URS), an ISO 9000 consultant company in Bangladesh, organised a five-day-long auditing recently in Dhaka.

The participants were provided with knowledge and ideas about international auditing and quality management consultancy service, says a press release.

Richard Murphy of URS Bangladesh conducted the course approved by the International Registrars of Certified Auditors.

Murphy has been auditing companies in Bangladesh for six years. He has the experience of auditing as many as 500 companies worldwide.

DITF steering committee formed

BSS, Dhaka

A 22-member steering committee headed by the commerce secretary was formed yesterday to hold the month-long Dhaka International Trade Fair-2005, scheduled to begin on January 1.

The body was formed at a meeting held at the Export Promotion Bureau (EPB) with Commerce Secretary Mohammad Aminur Rahman in the chair.

The meeting, however, constituted nine sub-committees in this regard, approved the formation of the fair secretariat and layout of the fair.

It also decided to provide necessary facilities to Malaysia by giving it as the status of a partner country on special consideration in this year's fair.

It laid emphasis on taking steps to make the interior decoration and lighting of the fair attractive as it coincides with the upcoming SAARC summit that will take place at the Bangladesh-China Friendship Centre on January 9-11.

Milk processors struggle to recover flood losses

Production dips 35pc

STAR BUSINESS REPORT

Local milk processing companies are yet to resume full production although the floodwaters have receded.

Leading companies have said they are now producing 35 percent less than usual and it may take another three months to return to normalcy.

They said when the countrywide flood reached its peak a couple of weeks ago leading to severe disruptions in communication and collapse in the supply chain, they were forced to cut their production by about 40 percent.

"With the gradual improvement in communication and supply chains, we are able to raise production slightly," said an official of a leading milk processing firm. "But we are not expecting to resume full production in next three months."

The floods severely affected dairy farms in northern districts, the main source of milk supply for processors, posing a threat to the growing milk processing industry, which meets four percent of country's total milk consumption.

As the flood destroyed grazing lands in Sirajganj, Pabna and other northern districts the processors said it will take several weeks to prepare the lands for fodder supply to cattle and only then it will be possible to resume bulk milk supply.

The milk processing companies

have been experiencing huge financial losses due to a 30 to 35 percent sale cut for the last one month.

"Still our milk collection rate is 25 percent less than usual and gross sale has declined by 30 percent," said Shantanu Dutta, brand manager of Igloo ice cream and Milk Unit, an enterprise of Abdul Monem Ltd, which markets Arno brand milk.

"Due to supply shortage of fresh milk, we are forced to stop sales in all the peripheries except the metropolitan areas of Dhaka, Chittagong and Comilla," he told The Daily Star.

He said the company is facing Tk 4 lakh to Tk 5 lakh loss everyday and total loss may reach as high as Tk 1 crore due to the flood.

The company collects fresh milk from Baghabari in Sirajganj and Pabna, which are among the country's worst flood-affected areas. "Our ice cream business is also being affected," the Igloo official added.

"Even with a strong backbone of 80,000 farmers working together in our co-operative union, we had to cut production by 5 to 10 percent," said Gobinda Chandra Saha, general manager of Milk Vita, which holds 68 percent share in the local processed milk market.

He said, "We have cut down production of powdered milk as well as diversified milk products like powdered milk, butter and ghee."

Mirza Sharifuddin, chief executive officer of Aftab Milk and Milk

Products, said the company counted Tk 7.8 lakh net loss in 13 days of production shutdown.

"We have to face another Tk 28.8 lakh loss in a month with a 40 percent fall in sales," Sharifuddin said. The company collects fresh milk from Shahjadpur in Sirajganj and Pabna and their processing plant is located at Bajitpur in Kishoreganj.

Ruhul Ferdous Talukdar, assistant brand manager of Pran Dairy Products, said four of their distribution points in Dhaka were badly affected by the flood and two of them have been shut down resulting in a 25 percent sale cut.

"We are still facing supply shortage of fresh milk," he said.

Mohammad Ali, marketing manager of Brac Dairy and Food Products, said though their business was not severely affected by flood they are concerned about flood-hit grazing lands that will take time to get ready for fodder supply.

Brac Dairy collects milk from Manikganj, Pabna, Sirajganj, Bogra, Joypurhat and Panchagarh districts.

The domestic production of fresh milk in Bangladesh is 17.40 lakh tonne a year. Import of powder milk is 1.9 lakh tonne per year, which costs Tk 350 crore. The imported milks constitute 10 percent of total consumption.

About 86 percent of the total fresh milk production is consumed directly without processing.

SEC showcauses seven cos

BSS, Dhaka

The Securities and Exchange Commission (SEC) yesterday issued showcause notices to the authorities of seven companies for non-submission of half-yearly accounts of the previous year with the SEC, stock exchanges and for not furnishing those to the shareholders.

The companies are Metalex Corporation, Tulip Dairy Ltd, Raspi Foods Ltd, Fine Foods Ltd, BD Zipper Ltd, M Hossain and Sonali Paper Ltd.

The SEC issued notices to the companies listed with the stock exchanges and their managing

directors and company secretaries for violating the SEC rules.

As per the SEC rules, companies operating share-trading at the stock exchanges should furnish their financial statements to the SEC, stock exchanges and the shareholders within 15 days of approval.

An SEC source said about 15 to 20 companies were defaulted for not holding AGMs and not furnishing financial statements to the concerned authorities and shareholders within the scheduled time.

The capital market watchdog is now considering stern action against the default companies for not holding

annual general meetings (AGMs) within four months of closing of the financial year and furnishing financial statements to the SEC, stock exchanges and shareholders within 15 days, the SEC source said.

The SEC, on August 4, for the first time took action against Maq Paper Industries Ltd for failure in furnishing the audited financial statement and ordered the company to send it within seven days.

The company contravened the SEC rules by not holding AGMs for the years 2001 and 2002, against which the SEC issued showcause notices.

US questions Brazil's status in WTO farm talks

REUTERS, New York

Brazil, an agricultural power which held the charge against US and EU subsidies, should no longer be treated as a developing country in farm trade talks under the World Trade Organization, a US official said Wednesday.

"It makes absolutely no sense for Brazil to be treated as a developing country when it has a first-world agriculture system," JB Penn, under-secretary of farm and foreign agricultural services in the US Department of Agriculture, said in remarks prepared for delivery to the annual meeting of the industry group American Sugar Alliance (ASA) in Vail, Colorado.

Penn said the WTO needs to 're-

examine' its practice of allowing countries to designate themselves as developed or developing.

Developing countries are given special considerations under WTO trading rules to help them develop economically.

The president of Brazil's Sao Paulo Cane Agroindustry Union (Unica) Eduardo Pereira de Carvalho, however, told Reuters that the statements made by the under-secretary should not be taken too seriously as they were "narrow minded."

Carvalho said Brazil was unlikely to be considered a developed country in any forum of negotiation because it had 40 million people living in poverty and a per capita income that paled in comparison

with the United States and Europe.

"The affirmations are so absurd that I can't believe that they were made in good faith," said Carvalho. "The US (sugar and ethanol) industry simply can't compete with us because their production costs are four times ours."

The WTO also needs to address "indirect, as well as direct subsidies" when farm trade talks resume after rich and poor nations forged a deal to eliminate trade distorting farm subsidies, said Penn.

Brazil, along with major sugar producers Thailand and Australia, won a victory against the EU's sugar programme's subsidies which could potentially affect world farm trade negotiations.

BSC to build 16,500 tonne capacity ship

BSS, Dhaka

Shipping Minister Akbar Hossain yesterday said Bangladesh Shipping Corporation (BSC) would build a 16,500-tonne capacity bulk carrier ship by following the design of its own ship 'Kakoli'.

"BSC will float a tender soon," he said while presiding over a meeting of the corporation in Dhaka.

Shipping Secretary Ismail Jabiullah, BSC Managing Director Mohammad Azizul Hoque and officials concerned attended the meeting.

They also discussed the BSC's progress achieved so far. The meeting was informed that the BSC earned Tk 12.14 crore in profit, an official handout said.

Akbar urged the officials and employees to bring dynamism in the workshop for repairing ships in the shortest possible time.

Shell moving to unify boards

AEP, London

Royal Dutch/Shell is moving to unify its two boards, and has hired bankers to look into whether its Dutch and British holding companies should merge, the Financial Times reported Thursday.

In a front-page report, the British business newspaper said there now is "informal agreement" that Shell's boards in London and The Hague should be unified, subject to a vote and approval at the next annual general meeting.

It also said that bankers have been hired "to assess the feasibility" of merging Royal Dutch Petroleum, which holds 60 percent of the group, and Shell Transport and Trading, the British arm that holds the rest.

Overhauling the world's third biggest energy group could take three to five years to complete, the Financial Times said, adding that details were expected to be made public in November.

Businesspeople seek more investment from Taiwan

STAR BUSINESS REPORT

Local businesspeople yesterday invited Taiwanese entrepreneurs to invest in Bangladesh to make up for the trade imbalance between the two countries.

"Taiwanese investors can invest either in joint ventures or in 100 percent ownership in the potential sectors," DCCI President Fazle RM Hasan said at a meeting with a 23-member Taiwanese trade delegation led by Dr Chii Ming Yin, administrative vice-minister, Ministry of Economic Affairs of Taiwan, at DCCI auditorium.

The Dhaka Chamber of Commerce and Industry (DCCI) organised the meeting to explore possibilities of trade and businesses of the two countries in the field of textile and backward linkage industries of RMG, food processing, electrical and electronics, bicycle, plastic machinery, clothing accessories, rubber and information tech-

nology.

The Bangladeshi businessmen said there is tremendous potential for trade and economic cooperation between the two countries but the progress is far below the potentiality.

The DCCI president said Bangladesh enjoys preferential access to different developed markets which the Taiwanese investors can exploit by investing in those sectors. He called for narrowing the trade imbalance between the two countries.

In 2002-2003, Bangladesh exported goods worth US\$ 14.35 million to Taiwan against an import of \$328.34 million from the East Asian country.

To increase export to Taiwan, the DCCI president sought duty-free and quota-free access to Taiwan for all Bangladeshi products.

Appreciating Taiwan's decision to open its labour market to Bangladeshi workers by September 2004, he hoped that the decision

would result in employment of around 10,000 workers in Taiwan.

Speaking on the occasion, Chii Ming said Bangladesh has a bright future with GDP growth rate continuing at five percent.

He however said in the quest for economic progress, Bangladesh must attract foreign direct investment by creating a favourable investment atmosphere.

Business entrepreneurs of both sides in the meeting showed interest in different products such as automobile parts, computer and IT products and joint marketing.

John JP Lin, chairman of Risesun Elec & Ind Co of Taiwan, Matir Rahman, former president of DCCI, AM Mubash-Shar, senior vice-president, and M Abu Horaira, vice-president of DCCI, also spoke at the meeting.

The Taiwanese delegation yesterday also met with the members of Bangladesh Textile Mills Association (BTMA) at its office in Dhaka.



Executive Director of Centre for Policy Dialogue (CPD) Debapriya Bhattacharya (L) presses button as he makes a presentation on 'Rapid Assessment of Flood 2004' in Dhaka yesterday while CPD Research Director Mustafizur Rahman (C) and Research Fellow Dr Uttam Kumar Deb look on.