Star BUSINESS

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RUPALI BANK SELL-OFF

Saudi prince now wants to pay $185m, not $456m

JASIM UDDIN KHAN

The Saudi prince who agreed to buy Rupali Bank has slashed more than US $270 million off the amount he is willing to pay for the state-owned enterprise, claiming he was misled about the size of the bad debts held by the bank.

In a letter to General Moeen U Ahmed, chief of Army Staff, Prince Bandar Bin Mohammed Bin Abdulrahman Al-Saud said he is now willing to pay only $185 million instead of the $456 million he offered last year.

However, the prince insists he wants to take over the bank 'immediately' and to sign a sales-purchase agreement and make payment before the end of the December.

In his letter the prince also heavily attacked the conduct of the Privatization Commission and the finance ministry during the sale process that he said had 'been riddled with discrepancies and insidious undercurrents.'

The prince said that during the process he had been the victim of media slurs, which had dishonoured him and the Saudi royal family.

"In my 60 years of global investments I've never faced such humiliation," he wrote in the letter dated November 15 and copied to the finance adviser and the chairman of the Privatisitation Commission.

The government initially offered to sell 67 percent of Rupali Bank in May 2005. Several investors submitted expressions of interest with Prince Bandar winning the contest. In February this year, the government approved the sale of a further 26 percent of the Rupali Bank to the prince.

However it has proven difficult to finalise the deal with several deadlines set by the government passing without results.

In the letter to General Moeen, the prince claims he was not officially informed of any deadlines.

The letter also contains a 'Final Submission' in which the prince's advisers claim the information provided by the government of Bangladesh about Rupali Bank was not accurate and that the level of lending and the amount of bad loans had been massively understated.

"Almost all participants, including HRH Prince Bandar, were kept in the dark regarding this. Even the due diligence process and time were deliberately made gloomy and shortened, not allowing for an accurate assessment to be made," the letter states.

In light of this the Prince makes his new offer in which he rejects the previous idea that the GoB will provide a bond to cover the Bank's bad debts.

"This non-tradable and non-convertible bond, however, is not beneficial to either the GOB or the buyer because of the negative credit rating of Bangladesh internationally," the letter states.

Instead the new proposal says the prince is willing to pay only $185m for the bank.

"It is the wish of HRH Prince Bandar to sign the Sales-Purchase agreement and make payment before the end of 2007," the letter concludes.

Earlier in the letter the prince said that he had contemplated withdrawing from the acquisition on several occasions, "but the thought of disappointing the five thousand employees of Rupali Bank and the millions in your nation who would benefit from my investment kept me from doing so."

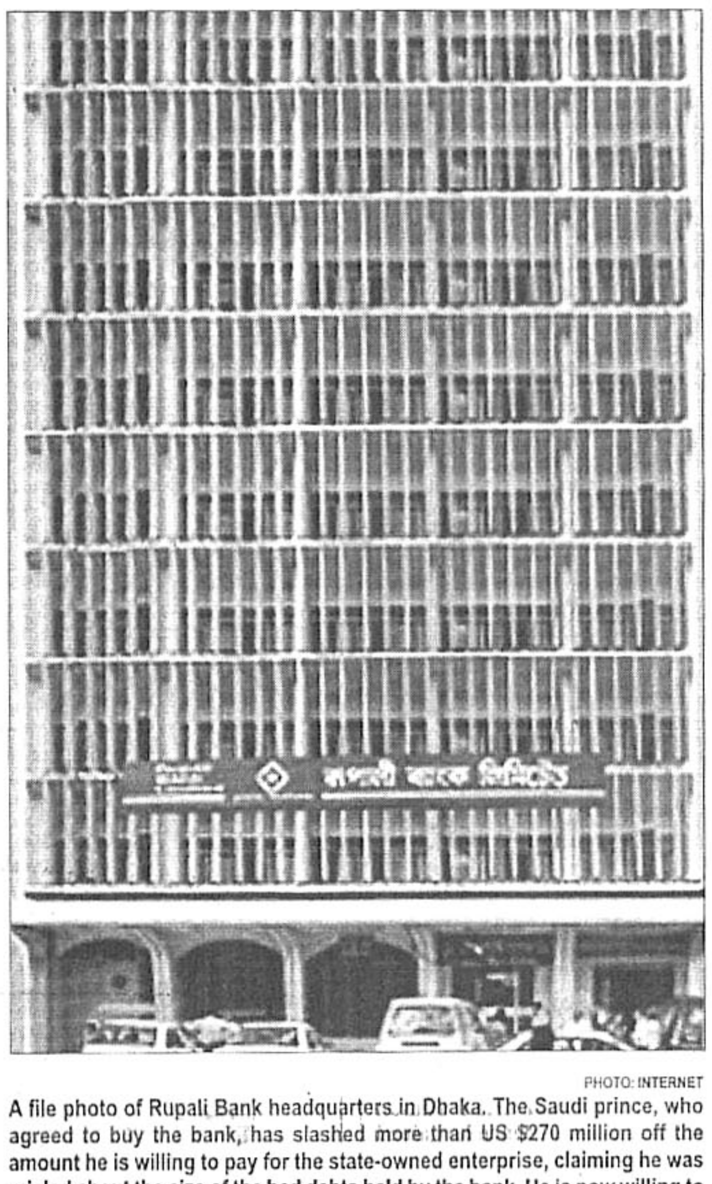


PHOTO: INTERNET

A file photo of Rupali Bank headquarters in Dhaka. The Saudi prince, who agreed to buy the bank, has slashed more than US $270 million off the amount he is willing to pay for the state-owned enterprise, claiming he was misled about the size of the bad debts held by the bank. He is now willing to pay only $185 million instead of $456 million he offered last year.

2nd int'l cellphone fair from today

UNB, *Dhaka*

A five-day 2nd Dhaka International Mobile Fair 2007 begins today at Bangladesh China Friendship Conference Centre.

Bangladesh Mobile Phone Businessmen's Association in association with the Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) is organising the fair.

The slogan of this year's fair is 'Always growing, always improving'.

The formal inaugural function of the fair will be held tomorrow.

The fair will remain open for visitors from 9:30 am to 8:30 pm daily, but on Friday or any holiday from 9:00 am to 10:00 pm. The entry ticket has been fixed at Tk 20 per person.

The aim of the fair is to increase the number mobile phone users and to provide necessary information and dispersal awareness to the mass people about mobile phone servicing, education on this concern.

Mobile phone operating companies, PSTN service providers, mobile phone set manufacturers and importers, mobile phone accessories, software and tools importers, land phone accessories importers, tele-education providing institutions and universities; M-commerce service providing companies; online banks, mobile phone oriented publishing houses and telecommunication and mobile phone oriented companies will participate in the fair.

There will be 62 stalls, 21 pavilions and one food court in the fair.

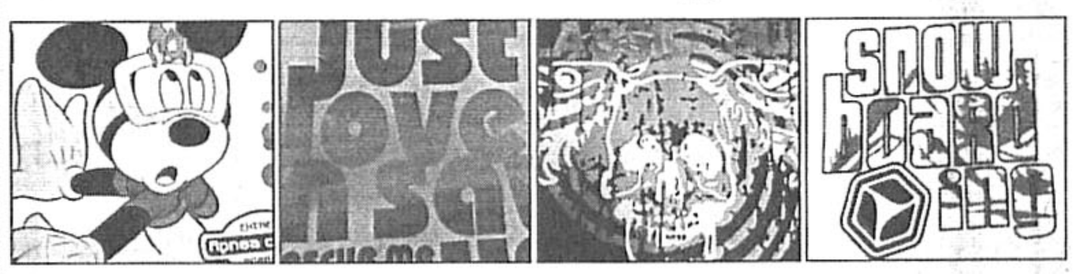
First, second and third prizes will be awarded for the best decorative stalls amongst the participants. Besides, other first, second and third prizes are also available for the highest sellers of SIM card and phone sets. A raffle draw for the visitors to the fair on the sold tickets will be held on the concluding day.

There will be 51 attractive and valuable gifts.

The operating companies participating in the fair will offer special packages, SIM and mobile sets will be sold on discounted prices, while there will be facilities of free ring tone download, free wall paper and logo downloading.

25-YEAR OLD FIRM TO EXPAND

New plant for high end printing to meet demand for value added garments



MD HASAN

Defoin, a local screen printing company, is to set up a new plant to do high end printing jobs on clothing, a further example of Bangladeh's attempt to expand to higher value production.

The new plant will specialise in several types of printing including plastisols, rubber, flock, glitter, discharge, foil, puff, photo and hi-density print.

With a daily capacity to print on 1.5 lakh pieces of apparels, Defoin Touch, Defoin's new project, will be located at Savar and will start production by mid 2008.

The move is the latest development for one of the pioneers in the country's garment industry with Defoin being set up 25 years ago.

M Rahman Chowdhury, director of the company, said increased global demand for high-end apparels with varieties of printed designs has contributed to the expansion.

"In the past, customers used to place basic manufacturing orders here and add value to those in some other places, but as the demand increases and we have been able to prove our quality, they are now preferring Bangladesh to place value added apparel orders," Chowdhury said.

"I am confident that the volume of orders will further increase as the buyers are happy with the quality of our jobs," he said.

The Defoin official said world's leading garment buyers, including GAP, Wall Mart and Walt, have already approved the company's printing.

The printing sector has grown rapidly in recent years in Bangladesh to support the boom in the garments trade. It is now estimated that more than 3000 printing units are in operation in the country.

Textile sector needs policy guideline to face global competitiveness

Workshop told

STAR BUSINESS REPORT

Speakers at a workshop in Dhaka yesterday pleaded for a proper policy guideline for the country's textile sector so that it can sustain global competitiveness.

Criticising the government's 'haphazard' draft policy on textile, they called for an inter-ministerial meeting to reach a consensus on making it more business-friendly.

The Ministry of Textile and Jute organised the workshop on Draft Textile Policy 2007 at the BTMA (Bangladesh Textile Mills Association) office.

BTMA's former chairman M A Matin Chowdhury suggested that the government should formulate a specific and unified textile policy like the ones India and Pakistan have formulated.

He said this policy must guide the local exporters and producers in the sector.

He also sought a better coordination in the textile-related responsibilities discharged by officials in the ministries of finance, commerce, industries and the National Board of Revenue.

He lamented that due to lack of such coordination the local textile producers and exporters often face problems.

"Firstly, the government should ensure availability of lands at cheaper value and lower registration fee to set up a textile industry. Secondly, it should ensure uninterrupted power supply, tax holiday facility to all textile units and loan facility for sick industry owners and for setting up effluent treatment plants (ETPs)," the veteran textile sector expert urged.

Industries Adviser Geeteara Safiya Choudhury was the chief guest at the workshop, while Jute and Textile Secretary Abdur Rashid Sarker chaired it.

BKMEA President Fazlul Hoque, BGMEA President Anwarul-ul-Alam Chowdhury Parvez and BTMA President Abdul Hai Sarkar were the designated speakers.

Maqbul Ahmed, an industrial economist of the Ministry of Jute and Textile presented the keynote paper at the workshop.

Terming the draft textile policy as 'toothless', Fazlul Hoque said it lacks any specific direction, moreover there is an overlapping in the policies of export and textile.

The two chiefs of Bangladesh Knitwear Manufacturers and Exporters Association and Bangladesh Garments Manufacturers and Exporters Association pointed out that a stiff competition is ahead for Bangladesh's RMG products when restrictions on Chinese RMG exports to the US and EU will be withdrawn in January.

BKMEA chief Fazlul Hoque said, "We should increase our cotton output and lessen dependence on importing this item from the Commonwealth Independent States (CIS)."

Hoque informed the workshop attendees that his organisation recently received a good number of letters from buyers who complained of exploitation of child labour in the cotton farming in those countries.

BGMEA chief Parvez echoed Hoque's views and insisted on lessening dependence on cotton from CIS.

He also expressed his hope that passage of the New Partnership Development Act (NPDA) in the US House of Representatives would help Bangladesh to sustain strong competitiveness in the world market.

BTMA chief Abdul Hai Sarkar stressed the need for enhanced cooperation among the exporting trade bodies to raise the export volume of RMG products.

Geeteara Safiya Choudhury said the government attaches due importance to the textile sector as the sector is considered main source of backward linkage for the RMG products.

She made an assurance that opinions from all the stakeholders before finalisation of the draft textile policy would be sought.

Trade liberalisation leads to joblessness: CPD-ILO study

Finance adviser disagrees

STAR BUSINESS REPORT

Trade liberalisation has cast a negative impact on the country's employment, a study revealed yesterday.

The finance adviser, however, disagreed with the findings saying it was due to 'management inefficiency of firms' and 'technological changes'.

"Export oriented sectors performed well in the liberalised regime. Other sectors failed to do well partly because of management inefficiency and technological changes," Finance Adviser Mirza Azizul Islam told a function at the BRAC Centre in Dhaka marking the release of the study.

Local research body Centre for Policy Dialogue and International Labour Organisation conducted the study on Impact of Trade Liberalisation on Employment in Bangladesh.

CPD Chairman Prof Rehman Sobhan chaired the function, also attended by ILO Special Adviser on Growth, Employment and Poverty Reduction Rizwanul Islam.

The study found that non-export oriented and non-labour intensive sectors witnessed lower tariff protection and employment growth.

"We have observed that trade openness has affected employment with varying degree of impact on different sectors. The sectors that were liberalised at a faster rate has had negative impact compared with the sectors with slow pace of liberalisation," said CPD Executive Director Mustafizur Rahman.

Trade liberalization was adopted in Bangladesh in the 80s focusing on export oriented and private sector-led growth instead of import- substituting and public sector-led growth.

Such liberalization caused downsizing tariff rates. The duties in all commodity categories fell mostly in a period between 1991 and 1995.

The CPD said weighted average tariff dropped to 6.98 percent in 2006-07 from 24.1 percent in 1991-92 with the tariff coming down to 25 percent in 2006-07 from the highest 350 percent in 1991-92.

The result, the study said, is a negative growth of employment in two main sectors agriculture and industry, especially during the 1991-95 period.

"In particular, agriculture and manufacturing sector experienced negative growth," it said, adding that employment in manufacturing has remained stagnant over the entire period since 1980s.

"Employment in manufacturing sector continues to be low and has not shown any increasing trend indicating its failure to absorb the growing labour force," the study said.

The CPD-ILO study, however, showed that protected sectors, especially export-oriented industries and labour intensive ones, saw relatively higher employment growth compared to that in non-protected sectors.

Prof Rehman Sobhan, referring to the sectors like garment and pharmaceuticals sectors, said, "None of these sectors would have come into existence unless protective regimes."

"We have learnt from the history that a country which has made progress provided tariff protection and incentives. So, if we want a positive impact on employment, we should resort to supporting industrialisation," CPD Executive Director Mustafizur Rahman said.

Referring to the Labour Force Survey (LFS) by the Bangladesh Bureau of Statistics, the study said unemployment rate stood at 4.2 percent in the fiscal year of 2005-06, up from 1.8 percent in 1983-84.

"Given the present employment scenario, it appears that achieving the PRSP (Poverty Reduction Strategy Paper) target of employment generation will not be attainable," said Rahman.

The PRSP set the target of total employment at 58.08 million by fiscal year 2008, while the LFS showed that total employment stood at 47.4 million in the fiscal year 2005-06.

To meet the PRSP projection, Mustafizur said, employment has to be generated at a rate of 10.69 percent at national level with 8.59 percent in the rural areas and 17.16 percent in the urban areas over the next two years.

Garment, allied machinery tech show begins Jan 12

A four-day international garment and allied machinery and accessories trade show will begin in Dhaka from January 12, says a press release.

Zakaria Trade and Fair International of Bangladesh and Zak Trade Fairs & Exhibitions Pvt Ltd of India are jointly organising the seventh version of the show at Bangladesh-China Friendship Conference Centre.

More than 200 companies of 30 countries will showcase their latest technology related to sewing, knitting, embroidery, laundry, finishing, dyeing, cutting machines, fabrics and accessories at the fair styled 'Garmentech'.

The objective of the exposition is to provide the Bangladesh garment industry with a platform to develop alternative sources of suppliers, make new contacts and discover new opportunities.

International seminar and workshop will be held on the sidelines of the fair.

AirAsia X carrying Bangladeshis to KL

STAR BUSINESS REPORT

Malaysia's long-haul budget carrier AirAsia X, a concern of Air Asia, has started operation in Bangladesh on charter basis to carry Malaysia-bound workers.

The airline has already operated two flights to Kula Lumpur since its debut in Bangladesh on December 3 with workers who have long been waiting due to lack of flights, said a press statement.

"We are looking for operating scheduled flights between Dhaka and Kuala Lumpur as Bangladesh is a potential market for airline business," said Sarjit Singh, the airline's ground operation service manager who is also looking after the airline's charter flights in Bangladesh.

The charter flights were arranged by the airline's local agent Celebrity Tours and Travels, which said five chartered flights will be operated on the route every week except for Friday and Sunday.

AirAsia X entered Bangladesh market after the government in September allowed designated airlines to operate more flights under an open sky policy for three months.

The open sky policy, due to expire by the end of December, is to facilitate travel of around 1,50,000 Bangladeshi workers to Middle East countries and Malaysia. These workers got stranded for flight shortages.

The government declared three airports -- Zia International Airport in Dhaka, Shah Amanat International Airport in Chittagong and Osmani International Airport in Sylhet -- open for international flight operators.

With a population of over 140 million and having over five million expatriate workers, the country has many advantages to draw the attentions of airline operators, said Singh.

Renault buys into Russia's largest carmaker

AFP, *Moscow*

Renault said Saturday it has agreed to buy a 25 percent stake in Avtovaz, Russia's largest auto group and owner of the Lada brand, to tap into the rapidly growing Russian car market.

"The Russian market is booming -- more than 20 percent growth this year and a significant growth in the mid-term," Renault chief executive Carlos Ghosn said at Avtovaz's factory at Togliatti on the banks of the Volga river.

Following a recapitalisation of Avtovaz in the first half of next year, Renault and Russian Technologies, currently Avtovaz's main shareholder, will own jointly a 50 percent stake, according to a memorandum of understanding.

Financial details of the deal, which Renault said it expects to finalise by February 25, were not disclosed. Russian Technologies is controlled by the country's state-owned arms export group Rosoboronexport.

Indian consumers risk beating if loan repayment late

AFP, *New Delhi*

Most consumers risk being hit by hefty fees or a nasty spike in interest rates if loan or credit card repayments are late -- but in India there is also the danger of being pummelled with an iron bar.

Consumer lending has taken off here, but few have credit histories that make it easy to weed out risky borrowers, so mainstream banks have resorted to other tools to keep defaulters on their toes.

The tools are small, unregulated loan recovery agencies -- whose tactics can include public shaming, kidnapping, death threats and even beatings.

Vinod Chaudhary, a 22-year-old student, happened to be in the car of a family friend who had fallen behind on repayments when he experienced loan recovery, Indian style.

"They grabbed my collar and started beating me. Someone hit me from behind and I almost passed out," Chaudhary said of his close encounter with agents, who were armed with an iron bar in their operation to recover the vehicle.

The car's owner and defaulter, Tapan Bose, sued ICICI, India's largest private bank. In November the bank was fined 5.5 million rupees (138,000 dollars).

ICICI declined to comment on the case, which is still in appeal.

In another case, the bank paid up 1.5 million rupees in damages after a father-of-three from the financial hub of Mumbai committed suicide, blaming threats from ICICI's recovery agents.

But ICICI, which accounts for a third of all consumer loans in India, is far from alone in using the heavy-handed agents.

A Mumbai branch manager for HDFC Bank, India's second-largest private bank, and two others were arrested by police in October for threatening to murder a customer who had defaulted on a 5,000 rupee loan.

National banking regulator the Reserve Bank of India is now circulating a draft of new guidelines on using recovery agents, a job that sprung from the less than decade-old boom in consumer lending in a fast-growing economy.

Until six or seven years ago, institutional consumer lending barely existed and Indians mostly borrowed from friends, family, or a neighbourhood money lender.

The arrival of private banks in the last decade has changed all that, and personal loans currently account for a quarter of India's 500 billion dollars of bank lending. Last year the sector grew by 30 percent.

During the holiday season, banks hold "loan festivals" urging borrowers to apply for credit. That credit has been good for the economy, financing the purchases of cars, motorcycles and other goods.

But more loans means more risk -- and debt lawyers say that even though the justice system can deal with cases of large debt, defaults on loans of a few hundred dollars are viewed as scarcely worth the trouble of going to court.

That's where the collection agents come in.

A New Delhi-based company, the DNL investigation agency, boasts on its website that 70 percent of cases it has dealt with are "resolved out of the court."

"We apprise the defaulters that their escape routes would be quickly closed," the company says. The agency's founder, Subhash Dutt, declined to be interviewed on what exactly this entailed.

Indian banks say they do their best to weed out risky customers but point to the lack of credit histories.

"There's a gap in Indian law. We don't have any records of the borrower. We don't have any credit control system. We don't have any credit reporting system," said lawyer Kaviraj Singh, whose firm Trustman Associates specialises in debt collection on behalf of foreign clients.

"In the US, if a lender enters your name in a database and you have a credit card, the bank will come to know if you are paying. Or if you are not paying."

Action is being taken with the Indian government setting up a specialised credit agency -- but in a country of 1.1 billion people, the task of building up an effective database will be colossal.

"Apart from the 50 million people who have credit, no one else has any record," commented a senior private bank official, who asked to be named.

"India is going through the same stage that many developed countries went through 15 to 20 years ago. It's going to be a long haul."