

DAKA SUNDAY NOVEMBER 23, 2008

think electronics... think **DIGITAL**

TRANSCOM
DIGITAL

Stocks

DGEN ▼ 2.28%
2,615.92

CSCX ▼ 0.34%
5,267.99

Asian Markets

MUMBAI ▲ 5.49%
8,915.21

TOKYO ▲ 2.70%
7,910.79

SINGAPORE ▲ 2.98%
1,662.10

SHANGHAI ▼ 0.72%
1,969.39

(Friday closings)

Commodities

Gold ▲ \$744.60
(per ounce)

Oil ▼ \$52.50
(per barrel)

SOURCE: AFP
(As of Friday)

More News

Local T-shirts all the rage



Nowadays T-shirts not only bear the testimony to liberation war and language movement, but also shade lights on the whistleblowers in the fields of art, culture, literature, science and politics. The boom in garment industry has helped increase the availability of clothing items like T-shirt at relatively affordable price which has also become a boon for many small initiatives.

B-4

CNG refuelling stations to face shutdown in case of cheating

A government functionary has warned stringent punitive measures against the unscrupulous compressed natural gas (CNG) refuelling stations cheating consumers by giving less quantum of gas and charging extra. "Reports have it that some of the station owners are cheating consumers. They are giving less gas and charging more,"

B-3

International

HSH Nordbank gets 30b euros in state guarantees

HSH Nordbank announced it had obtained up to 30 billion euros (38.5 billion dollars) in loan guarantees from the German government as part of a national rescue plan for the banking sector. The regional bank reached a deal late Friday with a special market stabilisation fund created by the government to help banks in Europe's biggest economy weather the world financial crisis.

Nikon lays off 1,500 in Thailand

Japanese camera-maker Nikon has laid off 1,500 sub-contractors in Thailand, after a fall in demand put down to the global financial crisis, confirmed Amporn Nititirat, director general of the Labour ministry's labour protection and welfare department, Saturday.

B-4

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thecurrentstar.net

Syndicated bank loans on a roll

SAJJADUR RAHMAN

Bangladesh's syndicated loan market is growing fast, as more private local banks in a group have come forward to lend different organisations because of the less risk in such banking product, according to bankers.

Syndicated loan is an amount offered by a group of lenders (called a syndicate) who work together to provide funds for a single borrower. The borrower could be a corporation, a large project, or a government.

The 2008 data from major market playing banks show a 60 percent rise in such lending over the last year. The total syndicated loan this year stands around Tk 2,500 crore, while it was Tk 1,500 crore in 2007.

"The idea is getting increasingly popular," said Ali Reza Iftekher, managing director and chief executive officer of Eastern Bank Limited.

Different industries have so far raised about Tk 10,000 crore through such a facility since the adoption of the idea by some private commercial banks (PCBs) in the mid-1990s.

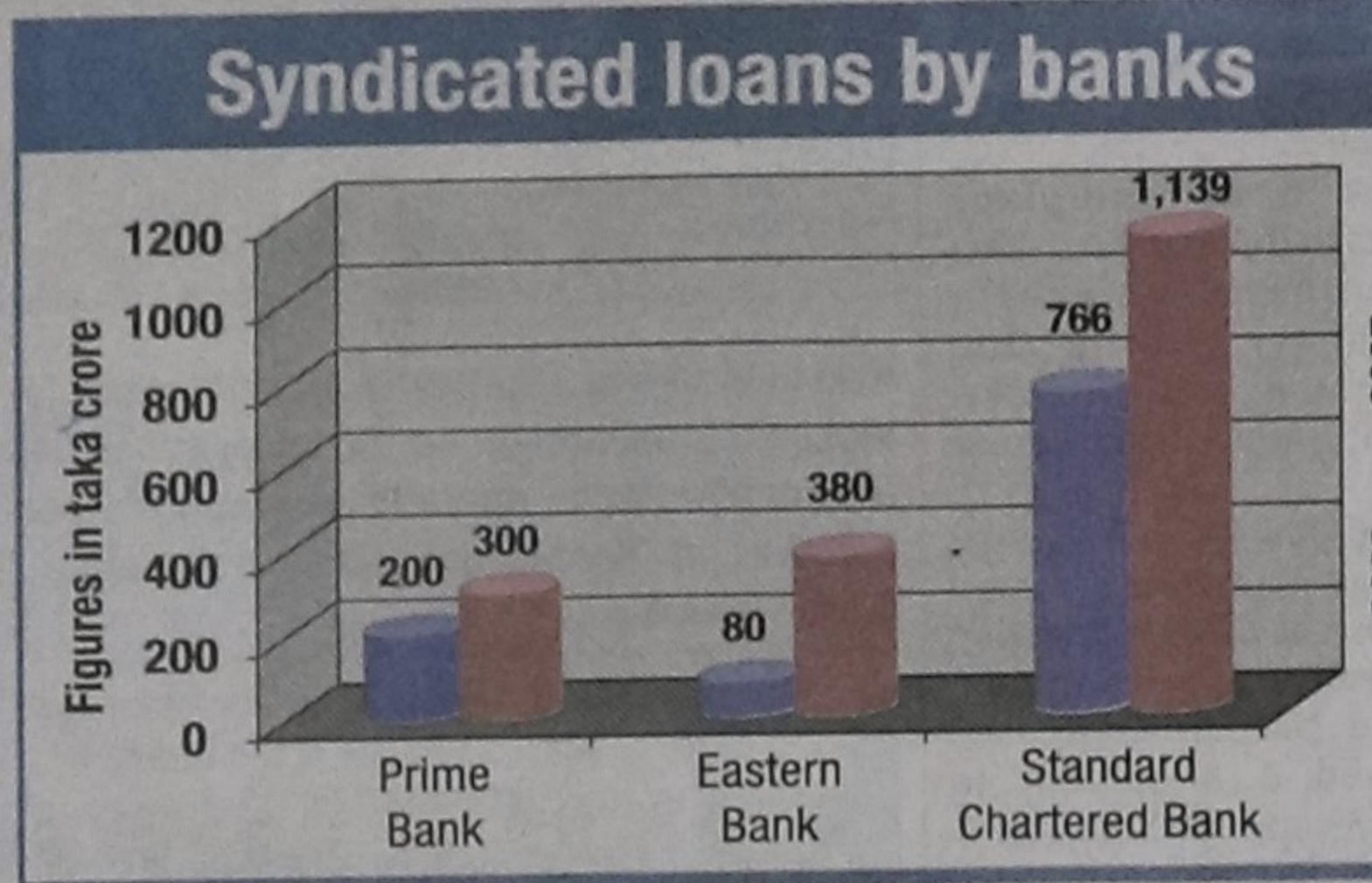
The market is also being diversified as the lenders are no more an exclusive club of well-capitalised foreign banks.

Foreign banks controlled the syndicated loan market as lead arrangers until 2000.

The lead arranger, or lead lender usually puts up a proportionately bigger share of the loan, or performs duties like dispensing cash flows amongst other syndicate members and administrative tasks.

"As a lead arranger, Prime Bank alone has raised Tk 1,100 crore in less than 10 years in syndication market," said Touhidul Alam Khan, head of Syndications and Structured Finance Unit of Prime Bank.

As the leader among the local



banks, Prime Bank has so far raised Tk 300 crore this year, which was less than Tk 200 crore in 2007.

"We have made over twenty syndication deals, amounting from Tk 20 crore to Tk 200 crore in 2008," Khan said.

Eastern Bank has arranged Tk 380 crore through five syndication deals in 2008. The figure was only Tk 80 crore involving only two deals in 2007.

AB Bank arranged a syndicated loan worth Tk 216 crore in just two deals in 2008. Of the other major local banks, Dhaka Bank, BRAC Bank and Mutual Trust also raised around Tk 100 crore each in 2008.

Of the foreign banks, Standard Chartered increased such a loan to Tk 1,139 crore through syndication deals in 2008 from only Tk 766 crore in 2007.

Citibank NA raised Tk 352 crore for a single project (Malek Spinning Mills Ltd) as lead arranger this year.

Underlining the importance of such syndication facility in lending for the country's industrialisation, the bankers say when bank does not want to comply with a big financ-

ing proposal alone considering risks and costs involved, it goes for syndication.

H P Chemicals Limited, the country's first hydrogen peroxide plant, Nasir Glass Industries Limited, Confidence Salt Limited, Popular Pharmaceuticals Limited (Phase-1 & Phase-2), Khulna Power Company Limited and many textile industries were set up by syndicated credits in recent years.

Prime Bank first took the initiative and became a lead arranger in a syndicated loan deal in 1999. Some other banks started following Prime Bank's footprint after 2003. At least four local private banks have set up separate units to deal with the syndicated financing.

However, some feel that there is a shortage of skilled manpower in the area.

But the Eastern Bank CEO differed with it saying that the skill issue is a national one.

"Syndicated lending is more or less similar to corporate financing... the difference is that this lending reduces risks for all the participating banks," Ali Reza Iftekher said.

Janata plans to raise Tk 100cr in IPO

SARWAR A CHOWDHURY

State-owned Janata Bank plans to raise Tk 100 crore from capital market through initial public offering (IPO) next year in a bid to strengthen its capital base.

A senior official of the bank on condition of anonymity said they expect to go for the IPO by June next year after finalising the bank's financial statement by March.

Janata Bank will be the second state-owned bank to be listed with the stock market, with Rupali Bank being the first one.

The Board of Directors of the bank, which has Tk 259.39 crore paid-up capital now, took the decision at a recent meeting.

The money to be raised from the capital market is meant to ensure capital adequacy of the bank.

Rupali Bank was listed with the stock market in 1986 as part of its privatisation process prescribed by the World Bank.

Presently, shares of Rupali Bank and 46 private commercial banks are being traded on both the Dhaka and Chittagong stock exchanges.

"We will sign an agreement with ICB Capital Management very soon to appoint it as issue manager for Janata Bank IPO process," the official said.

Janata Bank with Tk 800 crore authorised capital will seek a good amount of premium in addition to the share's face value of Tk 100 each considering the asset value, earnings and brand value.

The bank, which was transformed into a public limited company on November 15 last year in efforts to bring efficiency, transparency and accountability, has a total asset worth Tk 24,406 crore as of December 31, 2007.

An independent management and Board of Directors in accordance with the Banking Companies Act of 1994 are now operating it.

Two other state-owned commercial banks -- Sonali Bank and Agrani Bank -- were also turned into public limited companies at the same time with the same view.

At the end of June, total deposits of Janata Bank were Tk 20,278.85 crore and total advances were Tk 13,277.82 crore. Classified loans and advances stood at Tk 2,027.22 crore.

The return on investment and return on assets were 6.52 percent and 2.38 percent respectively.

Janata, which was nationalised as per



STAR
The headquarters of Janata Bank in Dhaka.

Net worth position

Components of net worth	As of June 30, 2008 (Provisional)	2007 (Audited)
Paid-up capital	259.39	259.39
Statutory reserve	87.78	23.81
Other reserves	224.60	265.86
Retained surplus/(deficit)	132.30	12.90
Total net worth	704.07	564.96

Bangladesh Bank (Nationalisation) Order 1972 immediately after the country's independence, has 848 branches including four overseas branches at the UAE. It is linked with 1,198 foreign correspondents all over the world.

A total of 13,000 people are working with the bank.

The mission of the bank is to actively participate in the socio-economic development of the nation by operating a commercially sound banking organisation, providing credit to viable borrowers, efficiently delivered and competitively priced, simultaneously protecting depositors' funds and providing a satisfactory return on equity to the owners.

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Bush urges Apec pledge to free markets

AFP, Lima

Yarn prices decline on global slump



REFAYET ULLAH MIRDHA and DIETER BACHMANN

Prices of yarn declined in the local market, helped by falling cotton prices in the international market, manufacturers said.

Industry insiders believe the volume of garment production will increase thanks to the yarn price decline. They said they would be more competitive in global apparel trading.

At the moment, the 30-count variety of yarn, a widely consumed yarn, sells at \$2.60 per kg in the local market now, down from \$3 a kg three months ago.

Cotton has been trading at 62-65 cents a pound in the international market, which was 85 cents per pound three months ago, according to importers.

Market operators attributed the decline in world cotton prices to declining freight charges in the wake of the slump in fuel prices and the global financial recession.

"The yarn price started peaking up from \$2.44 a kg in March and reached as high as \$3 a kg. The price started decreasing in September. Yarn now sells at \$2.60 a kg," said Fazlul Hoque,

president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

Ashraf Hossain Bakaul, managing director of AHB Cotton, who is also an indenter, said his company could not import cotton from Uzbekistan in the last two months as harvesting was going on there.

According to the statistics of Bangladesh Textile Mills Association (BTMA), Bangladesh imports 60 percent of cotton from Uzbekistan and the rest from other countries.

Bangladesh imports 4 million bales of cotton a year at a cost of over \$1 billion, a BTMA official said.

"Now, Bangladeshi yarn manufacturers import cotton from some alternative markets such as India, Pakistan, Australia, USA and some African countries," Bakaul said.

Local manufacturers are exploring some alternative markets to import cotton, popularly known as 'white gold'. Uzbekistan is likely to start exporting cotton in January.

BTMA President Abdul Hai Sarker said the falling price of cotton would boost its import.

The consumption of yarn in Bangladesh has been increasing for the last few years following the springing-up of new spinning mills and knitwear factories in the country, Sarker said.

The BTMA chief said local yarn manufacturers now supply up to 90 percent of the raw materials to the knitwear sub-sector and 40 percent to woven, driven by strong backward linkage industries.

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