Star Business

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Stocks

DGEN	▼ 0.06%	2,611.21
CSCX	▼ 0.42%	5,167.35

Asian Markets

MUMBAI	▲ 0.57%	9,201.85
TOKYO	▲ 2.73%	8,038.94
SINGAPORE	▼ 0.26%	1,707.39
SHANGHAI	▲ 2.28%	2,107.75

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	87.27	91.91
GBP	95.58	101.49
JPY	0.76	0.80

SOURCE: STANDARD CHARTERED

Commodities

Gold	▼	$902.69 (per ounce)
Oil	▲	$41.45 (per barrel)

SOURCE: AFP

(Midday Trade)

Bankers fear spinners may fall behind in loan payback

Low-cost Indian yarn flows in

SAJJADUR RAHMAN

FAISAL PARAG

Workers pack yarn rolls at a factory in Narayanganj. Banks see signs of slowing loan repayment from the troubled spinners.

Bankers fear that an increased import of low-cost yarn from neighbouring India will make their clients from the textiles sector more susceptible to loan defaults.

Mindful of turbulent times facing the sector, banks have tightened their grip on new lending to an area of the economy that demonstrated consistent growth over the past decade.

"Payment from the spinning millers is slowing," Ali Reza Iftekhar, managing director and chief executive officer of Eastern Bank, said yesterday.

Banks are also under threat because they are immensely exposed to the capital-intensive activities of spinning mills.

"We are in stiff uncertainty. Immediate steps are needed to address the issue," said Shahjahan Bhuiyan, managing director of United Commercial Bank.

Bhuiyan said about Tk 60,000 crore is involved in the textile sector -- spinning, knitting, dyeing and the import of raw materials required for the industries.

The ongoing global recession has already caught up with the country's yarn industry with substantial falls in its local and export demands and a huge pile-up of unsold yarn.

Easy access to import of the item from India at a cheaper rate has worsened the situation and increased local millers fear.

According to industry insiders, the spinning mills in the country worth Tk 27,000 crore are having difficulties with an inventory of 2.5 lakh tonnes of unsold yarn, worth Tk 2,500 crore. Millers failed to clear stocks due to a decline in demand and a flood of comparatively low-cost yarn from India.

Earlier, yarn imports from India were restricted, but the caretaker government had withdrawn those restrictions allowing importers to act free.

Manufacturers are now importing Indian yarn at 15 to 20 cents lower rates than the prices of local yarn on every pound.

Bangladesh's commercial banking sector, comprising 30 private banks, nine foreign banks and four state-owned banks, has financed the development of the textile industry. Banks have financed the set-up of about 350 spinning mills in the country to supply yarn to manufacture woven and knit garments. They also fund the import of raw materials for spinners.

Bhuiyan said many clients had failed to pay back loans due to sluggish sales of local yarn.

"Now local yarn producers are forced to sell their products at lower rates for survival," said Ali Reza Iftekhar of Eastern Bank.

Bangladesh's yarn is better in quality than the Indian counterpart, he said.

"Immediate corrective measures are needed, otherwise the industry will be in deep trouble," he said.

A senior official of Janata Bank seconded the view. The bank is also deeply rooted in the sector.

"The local industry would have been better off if the government had not allowed the entry of low-cost Indian yarn," added the official.

A Prime Bank official said they have arranged syndicated finance for some proposed large scale spinning mills. "We are cautious to lend at the moment."

"And borrowers are equally reluctant to receive loans at the same time."

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RAK Airways shuts operation

SOHEL PARVEZ

UAE-based carrier RAK Airways has shut down its operation in Bangladesh as global financial meltdown is causing a drop in demand for air travel, officials said yesterday.

The closure of operation has forced about around 15 employees of the Dhaka office of the airline out of job.

However, the carrier's General Sales Agent (GSA) Mohammed Aviation said the shut down is 'temporary'.

"We have suspended operation for the time being. It's mainly because of global financial crisis," SAK Ekramuzzaman, chief executive of Mohammed Aviation, told The Daily Star.

RAK Airways, based in Ras-al-Khaimah of UAE, has moved to exit Bangladesh aviation market about two months after it had suspended flights from Dhaka and Chittagong as its fleet reduced from three to one.

This lone aircraft also went grounded on technical glitch early December 2008.

RAK is the latest one to withdraw business from Bangladesh aviation market.

Earlier, Singapore Airlines, one of the world's leading carriers, said it would reduce to five flights a week from Dhaka from the present daily flights as it counted less than expected travellers in the wake of global economic downturn.

Slowing demand for air travel also had prompted Thai Airways to suspend operations from Chittagong earlier and cut the number of flights from Dhaka.

The airline, which entered Bangladesh aviation market by the end of November 2007, had been operating three flights a week from Dhaka and two flights from Chittagong to Ras-Al-Khaimah before it suspended flights.

Undergoing management overhaul, RAK Airways, UAE's fourth carrier after Emirates, Etihad and Air Arabia, also cut about 60 staff and terminated flights to other destinations like Calicut, India and Colombo, Sri Lanka.

Officials said the airline had been faring well since it started flying from Bangladesh, recording an average 90 percent load factor in its flights.

Its offices at both Dhaka and Chittagong airports have recently been closed.

Ekramuzzaman said the carrier's office at airports have been shut down because there is no flight schedule right now.

"We want to come back. We hope for the best," he said.

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More News

Carbon footprint kicks up debate

The shilly-shally global debate between developed and poor nations on carbon emissions, a result of massive industrialisation, is not new. But the intentions of an industry such as the telecom -- to alter its technology and adapt to environment-friendly networks -- surely create a spark among environmentalists.

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FDI rises 101pc in July-November

REJAUL KARIM BYRON

Foreign direct investment has marked a 101 percent rise but a fall in portfolio investment in the first five months of the current fiscal year.

The country's external balance sheet witnessed a deficit of over $500 million because of global currency market volatility stemming from the ongoing financial trauma.

The balance of payments was a $77 million surplus during July-November of the last fiscal year.

According to the Bangladesh Bank (BB) January update, the FDI inflow stands at $480 million during July-November, while the figure was $238 million in the same period a year earlier.

The central bank sources consider the purchase of AKTEL's 30 percent stake at $350 million by a Japanese company a major factor behind the surge in Bangladesh's FDI inflow in the backdrop of declining global FDI scenario.

On the contrary, portfolio investment dropped by $34 million, whereas it increased $45 million during the time last fiscal.

Many who used to make such investment have withdrawn their investments due to the present situation in the world economy.

Bankers have said that the overall balance deficit increased because exporters were either denied fair price for the commodities they sold out or their orders were cancelled. Frequent fluctuation in foreign currency rates also contributed to such a deficit.

BB data show $713 million was deducted in the balance of payments, which was $384 million last fiscal year. The amount of difference between assets and liabilities in a balance of payments is usually deducted.

MCCI urges govt to modernise BSTI

STAR BUSINESS REPORT

STAR

A delegation of the Metropolitan Chamber of Commerce and Industry meets Industries Minister Dilip Barua at his office yesterday.

Leaders of Metropolitan Chamber of Commerce and Industry (MCCI) yesterday urged Industries Minister Dilip Barua to modernise Bangladesh Standards and Testing Institution (BSTI) so its certification is accepted worldwide for smooth running of international trade and commerce.

At present many countries especially India do not accept the certification of state-run BSTI.

As a result, Bangladesh suffers a lot in business with India, said the MCCI leaders at a meeting with the minister at his office in Dhaka. Chamber President Abdul Hafiz Choudhury led the business delegation at the meeting.

In a written statement Choudhury said Bangladeshi exporters face severe problems while exporting food and consumer items to India.

He said in line with Indian Prevention of Food and Adulteration Act 1954, Bureau of Indian Standards Act 1986, and Essential Commodities Act 1955, there are 85 items that require mandatory testing while being exported to India.

"Our export cargoes remain stacked up at the border crossing-points for test clearance certificates and on the process, lose shelf life as well as get damaged," Choudhury said.

In most cases, Indian testing laboratories are located either in Kolkata or in Chennai, he said, adding that as a result the process requires a couple of weeks to get clearance certificate.

"Unfortunately, our BSTI is not a recognised body. Hence, testing certificates issued by BSTI are not recognised by India," Choudhury said.

The MCCI called upon the minister for preparation of a strategy paper to reduce the losses of the sector corporations under the Ministry of Industries --Bangladesh Chemical Industries Corporation, Bangladesh Sugar and Food Industries Corporation and Bangladesh Steel and Engineering Corporation.

"The losses of the sector corporations under the Ministry of Industries amounted to Tk 608 crore in the last fiscal year," the MCCI statement said.

The chamber leaders also called for turning the industrial policies into regulations so the policies get the enforcement power.

At the meeting the MCCI leaders demanded cash incentives as many neighbouring countries have already offered stimulus packages in the face of global financial crisis.

The MCCI also recommended that the duties on basic raw materials should be 2.5 percent and on intermediate raw materials 7.5 percent.

The chamber president urged the minister to reduce installation fees of captive power plants and standby generators since the power generating equipment minimises dependency on national power grid.

The minister said he wants to prepare a comprehensive and long-term industrial policy, rather than a policy on ad hoc basis.

Barua called upon the businessmen not to do only trading business, but establish industrial plants and safeguard the interest of the local industries.