

DHAKA THURSDAY OCTOBER 1, 2009

Stocks

DGEN ▼ 0.09%
3,083.88

CSCX ▼ 0.09%
6,773.57

Asian Markets

MUMBAI ▲ 1.63%
17,126.84

TOKYO ▲ 0.33%
10,133.23

SINGAPORE ▲ 0.35%
2,672.57

SHANGHAI ▲ 0.90%
2,779.43

Currencies

Buy Tk Sell Tk
USD 68.42 69.42

EUR 98.13 103.42

GBP 107.62 113.05

JPY 0.74 0.84

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲ \$1,000.17
(per ounce)

Oil ▲ \$67.19
(per barrel)

SOURCE: AFP
(Midday Trade)

News in Brief

Wal-Mart warns of lethargic economic recovery

AP, Kuala Lumpur, Malaysia

The chairman of Wal-Mart Stores Inc warned Wednesday the global economic recovery will likely be lethargic, even as the retailing behemoth sees great growth potential in China and India.

"The world recovery is going to be led by Asia although it's going to be very challenging. I think this recovery is going to be a slow one," Robson Walton told a global CEO business conference here.

Walton said "sales have been tough" for Wal-Mart, the world's biggest retailer, even though it was benefiting from the economic downturn as more people shop at discounters for bargains including over-the-counter drugs and eat-at-home food.

Chevron names chairman, CEO

AP, California

Chevron Corp, the second-largest US oil company, said Wednesday that its board has promoted vice chairman John S Watson to chairman and chief executive.

Watson, 52, will succeed David J O'Reilly, who is retiring from the company after 41 years, including 10 years as chairman and CEO.

O'Reilly, 62, led two of the company's biggest deals -- its 2001 acquisition of Texaco Inc and its 2005 purchase of Unocal Corp.

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Padma bridge looks to market for Tk 4,200cr

SARWAR A CHOWDHURY

The government plans to raise Tk 4,200 crore from capital market for the construction of the country's largest civil engineering project -- Padma Multipurpose Bridge.

The amount, which will meet the fund deficit to construct the bridge, may be raised through issuance of equity shares and securitised, convertible, zero coupon and amortised bonds.

A proposal for raising the fund is awaiting approval of the cabinet committee on economic affairs, finance ministry officials said.

Investment Corporation of Bangladesh (ICB) has prepared the proposal and submitted it to the finance ministry last month.

"We have submitted the proposal to the finance ministry in mid-September," said Iftikhar-uz Zaman, general manager of ICB.

Although the proposal was scheduled to be placed in the last meeting of the cabinet committee for its approval, it will be placed in the next meeting as the commerce minister was absent in the previous meeting, the officials said.

The ICB suggested issuance of Tk 1,500 crore securitised bonds in the first phase or in fiscal year 2009-10, Tk 1,000 crore bonds in second phase or in 2010-11, Tk 1,000 crore bonds in third phase or in 2011-12 and Tk 700 crore in the last phase or in 2012-13.

including Asian Development Bank, World Bank, Islamic Development Bank, Japan International Cooperation Agency and Abu Dhabi Fund.

The bridge will connect the southwestern region directly with the capital and other parts of the country.

The ICB in its proposal has recommended three alternatives for raising the fund from the public.

According to the first alternative, the fund can be raised through issuing bonds and equity shares. The debt-equity ratio will be 70:30, meaning bonds worth Tk 3,000 crore will be issued, while Tk 1,200 crore will be raised through equity shares.

In the equity portion, the government and public ratio will be 51:49, which means the government will buy shares worth Tk 612 crore, while Tk 588 crore will be raised from general public.

In the second option, the ICB said, the fund may be raised through issuance of securitised bonds at an eight percent annual interest rate in four phases.

The ICB suggested issuance of Tk 1,500 crore securitised bonds in the first phase or in fiscal year 2009-10, Tk 1,000 crore bonds in second phase or in 2010-11, Tk 1,000 crore bonds in third phase or in 2011-12 and Tk 700 crore in the last phase or in 2012-13.

Here the grace period of the bond will be five years and the total time will be 25 years including moratorium period.

Securitisation is a structured finance process, in which assets, receivables or financial instruments are acquired, classified into pools, and offered as collateral for third-party investment. It involves the selling of financial instruments, which are backed by the cash flow value of the underlying assets.

The ICB in the third alternative recommended that the fund can be raised through issuing convertible, zero coupon and amortised bonds during FY2009-10 to FY2013-14.

Convertible bonds worth Tk 500 crore may be issued in FY2009-10. The bonds can be converted into shares after two or three years.

Another Tk 200 crore may be raised by issuing convertible bonds on toll collected by Bangabandhu Multipurpose Bridge Authority (BMBA) in the same year.

In the second fiscal year, the ICB proposed issuing convertible zero coupon bonds worth Tk 1,000 crore, of which 50 percent will be converted into shares and the rest 50 percent will be interest bearing.

In the third and the fourth fiscal year, each Tk 1,000 crore may be raised through issuing amortised bonds.

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Amortisation is the gradual repayment of a debt over a period of time, such as monthly payments on a mortgage loan or credit card balance.

In the fifth year, the BMBA will issue convertible bonds worth Tk 500 crore.

The ICB said the proposed bonds may be considered as "approved securities" to encourage banks and financial institutions to invest in such securities for statutory liquidity reserve benefits.

The proposed bonds or shares may be traded in both Dhaka and Chittagong stock exchanges.

Those who will invest in the bonds should enjoy tax benefits, but not less than the benefits to be enjoyed by the investment in zero coupon bonds.

The tax benefit to zero coupon bonds, which was given previously, should be provided, the ICB said.

Considering the social benefits of the project, the government may consider relaxation of VAT fully or partially from income of the Padma bridge.

Bangladesh Bridge Authority will need to appoint or form a company, trustee, issue manager, assets management company and law firm to perform their respective duties and responsibilities.

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Bankers back more credit raters

SAJJADUR RAHMAN

Bankers demand more credit rating firms to assess corporate clients under the Basel II framework that is to be implemented from January next year.

They placed the demand at a meeting with Bangladesh Bank Governor Dr Atiur Rahman on Sunday.

Under the Basel II agreement of the Basel Committee on Banking Supervision, the central bank as the regulator has allowed banks to use credit ratings from External Credit Assessment Institutions to calculate their net capital reserve requirements.

BB believes rating corporate clients would be the biggest challenge for banks, in the absence of an adequate number of rating firms.

"The number of credit rating agencies in Bangladesh is not sufficient. It is difficult for them to rate all corporate borrowers in time," said Nazrul Huda, deputy governor of the central bank.

There are only two rating firms -- CRAB and CRISL -- in Bangladesh. Bankers said it would not be possible for them to rate thousands of corporate clients.

"Two firms alone will not be able to rate all corporate clients. More rating firms are needed," said Muhammad A Rumeel Ali, chairman of BRAC Bank.

The BB governor said it is vital for all corporate clients to be rated.

"Ensuring credit rating of corporate clients is a matter of utmost importance," Rahman told the chief executives of all commercial banks at the meeting.

The central bank has stressed the need for more credit agencies. Eleven firms turned in applications to the Securities and Exchange Commission for licences.

Meanwhile, BB also found that most local banks are not ready to implement Basel II from the stipulated time frame of January 2010.

Only seven private banks are fully compliant, with five others partially compliant. However, no state-owned bank is ready to adopt Basel II, said Huda.

All nine foreign banks operating in Bangladesh are fully prepared to implement the requirements of Basel II, Huda added.

Basel II is an internationally agreed deal signed by the central banks of several countries. Implementation of Basel II is essential to Bangladeshi banks, as BB has agreed upon it.

Under the deal, banks here will have to comply with international standards that include capital adequacy, risk management and greater disclosure of bank business data.

"We have been working on the matter for the past three years. Now we see most banks are ill-prepared to adopt the accord," said the deputy governor.

Risk-weighted asset for state-owned banks will reach Tk 18,000 crore, while it will be Tk 4,000 crore for private banks in January 2010, if they adopt Basel II, he added.

According to the deal, the ratio of capital to risk-weighted asset for a bank will be 10 percent.

Banks will require additional capital worth Tk 2,300 crore, as a bank has to raise its paid-up capital to Tk 400 crore from Tk 200 crore now to adopt Basel II.

There are 48 banks: 30 private, nine foreign and nine state-owned, including five specialised banks.

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India pruning negative list

Envoy says as footwear show begins

STAR BUSINESS REPORT

India is pruning more products off its negative list to make overseas trade easier, said the country's high commissioner to Bangladesh yesterday.

Pink Ranjan Chakravarty said now the number of products on the negative list is 400, which were 700 a few years ago.

The envoy called upon both the Bangladeshi and Indian businessmen to come up with joint venture investment to increase bilateral and regional trade.

He was speaking at the inaugural ceremony of the fourth 'Buyer-Seller Meet cum Exhibition' of Indian footwear components and accessories at Bangabandhu International Conference Centre in Dhaka.

India, the second largest footwear products maker in the world, manufactures footwear and accessories worth \$7 billion a year of which products worth \$3.6 billion are exported.

Chakravarty suggested that the Bangladeshi businessmen and entrepreneurs hold seminars, organise road shows and conferences abroad to attract more foreign investors.

Council for Leather Exports India and Indian Footwear Components Manufacturers' Association organised the two-day exhibition, participated by 23 Indian footwear companies.

Saiful Islam, president of Leather goods and Footwear Manufacturers and Exporters Association of Bangladesh, said a process is underway to set up a joint venture of footwear accessories in the country.

He said Bangladesh started exporting footwear in 1990 when there was only one exporter, but now 70 companies export shoes with an average 30 percent export growth over the last few years.

"The total annual turnover will be half a billion dollar if we can use 60 percent raw materials from the local market," he said.

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Turkish protesters shout slogans during a demonstration against International Monetary Fund and World Bank in central Istanbul yesterday. Members of the IMF and World Bank will meet in Istanbul on October 6-7.

very different today," said Jose Vinals, IMF Financial Counsellor and Director of the Monetary and Capital Markets Department. "We are on the road to recovery, but it doesn't mean that risks have disappeared."

"Bank balance sheets have been stabilised," Vinals said. But "there is still a substantial need for capital" to safeguard the financial system.

A top IMF official noted that the conference in Istanbul was taking place just over a year since the Lehman Brothers bankruptcy triggered the sharpest phase of the global financial and economic crisis.

"Fortunately, the situation is

again.

The growing confidence has been most evident in stock markets around the world - most of the world's major indexes are now in positive territory for 2009 as investors have grown more optimistic about the outlook for the world economy.

Stock markets usually rally between six to nine months before actually recovering emerges and most economists reckon that most of the world's leading economic regions will be growing by the end of the year at the very least. Already, the recessions in France, Germany and Japan have officially ended, though it will take many years for the lost output to

be recouped.

The IMF's reassessment of the potential losses stemming from the financial crisis comes ahead of Thursday's World Economic Outlook, when the fund will publish its latest estimates for the global economy.

In Wednesday's report, the IMF indicated the outlook would raise its baseline forecast for global growth, with advanced economies expected to register positive growth in 2010, and emerging economies projected to rebound significantly.

Most analysts expect Thursday's report to show that 2010 global growth will be revised up to 3 percent from 2.5 percent.