

Stocks	
DGEN	0.37% 4,356.01
CSCX	0.46% 8,175.99

Asian Markets	
MUMBAI	1.44% 17,277.68
TOKYO	0.27% 10,140.47
SINGAPORE	0.30% 2,805.50
SHANGHAI	1.06% 3,296.66

Currencies	
Buy Tk	Sell Tk
USD	69.12 69.15
EUR	102.44 102.49
GBP	113.64 113.71
JPY	0.77 0.77

SOURCE: BANGLADESH BANK

Commodities	
<b>Gold</b>	\$1,162.60 (per ounce)
<b>Oil</b>	\$74.22 (per barrel)

SOURCE: AFP (Midday Trade)

## Pharma packaging shores up foothold

SAYEDA AKTER

The pharmaceutical industry is fast becoming self-sufficient in packaging and meets more than 90 percent of the need, which was previously import-dependent.

Industry people said the local packaging industry is growing at a rate of 10 percent a year. Simultaneously, pharmaceutical companies are sourcing most primary and secondary packaging from local manufacturers.

They said the packaging industry is divided into two types -- primary and secondary. Primary packaging includes blisters (tablet strip), aluminium foil printing, glass and pet (plastic) bottles, PVC film, bottle caps, saline bags and flaps of seal. Bottle labels, plastic wrapper, cardboard boxes and wooden cartons are part of the secondary packaging industry.

The packaging industry is growing fast in mainly three categories: manufacturing of glass and plastic bottles, cardboard and printing.

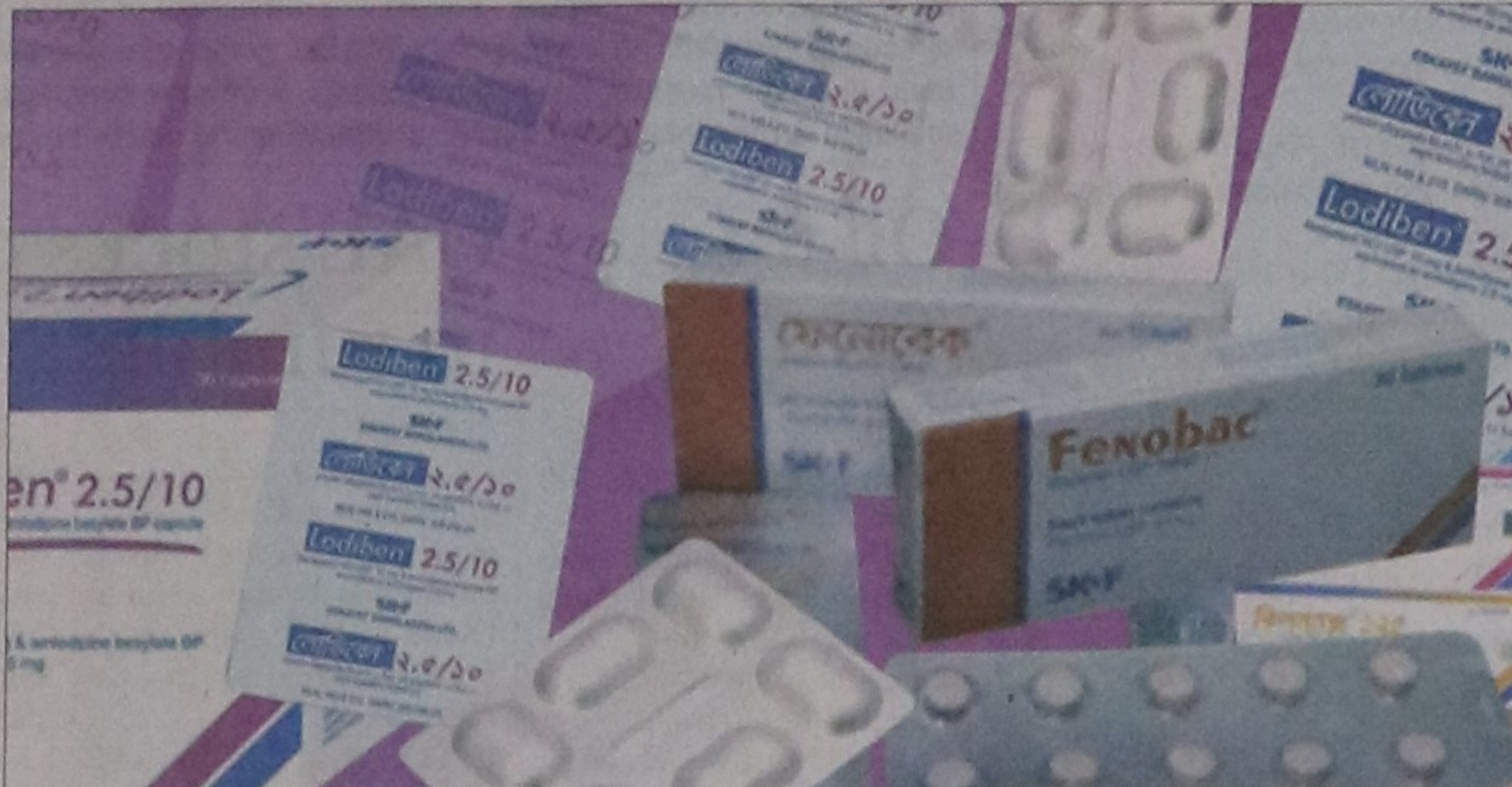
It started developing in 1982 when the National Drug Policy was laid out and the local pharmaceutical industry started gaining momentum. However, the industry started growing at the present rate in the last decade, said industry people.

The market size of the pharmaceutical packaging industry stands at around Tk 500 crore a year, which is 7 percent of the pharmaceuticals' total market size, according to an estimate.

AM Faruque, managing director of Eskayef Bangladesh Ltd, said the packaging industry has developed a lot, now meeting more than 90 percent of the domestic need.

"The growth of the packaging industry is closely linked to the advancement of the local pharmaceutical industry," he said.

"The growing packaging industry helped local pharmaceuticals save on the cost of packaging



material imports," Faruque said. "But now, local companies are producing all types of primary and secondary packaging, except PVDC film and aluminium foil."

PVDC film, or commonly known as transparent foil, is mainly used in making capsules, while aluminium foil is used in producing strips for capsules or tablets.

Eskayef has been growing at a rate of 30 percent a year, which also indicates growing demand for packaging.

Around 350 small, medium and large companies are involved in packaging, printing and glass manufacturing to serve the 250 local and multinational pharmaceutical companies.

Tahmid Ahmed, director of Bengal Glass Works Ltd, the largest glass bottle manufacturer and supplier to the pharmaceutical industry, said his company started in 1974, but commercial production picked pace in the past decade.

"Our present annual production capacity is 250 million glass bottles of various sizes with very fine specifications. These bottles cater mainly to the needs of the pharmaceutical industry for bottling their lifesaving medicines," he said.

"The locally produced bottles help preserve the quality of medicine. It keeps the medicine cool and ensures longevity."

The company makes two types of bottles -- of amber glass and flint glass -- with capacities ranging between 15ml to 500ml. Flint glass bottles are also known as white glass bottles, which are typically used in storing antibacterial solutions such as Savlon and Dettol.

The demand for amber glass accounts for around 90 percent of total consumption, which is used to store all other types of syrups.

Ahmed said the market size for glass bottles hovers around Tk 80 crore.

However, demand for plastic (pet) bottle is grad-

ually rising. Many pharmaceutical companies have developed their own production unit for pet bottles, such as Square Pharmaceuticals Ltd.

Ahmed Kamrul Alam, assistant general manager of Square Pharmaceuticals Ltd, said his company sources all sorts of secondary packaging locally and they produce pet bottles in their own factory.

"Additionally, we have a printing house to produce labels for bottles and plastic wrappers for saline solutions."

Apart from the giants, small and medium entrepreneurs are also producing bottles, saline bags and syringes. Their production accounts for 20 percent of the country's local plastic goods market that is worth Tk 4,000 crore a year.

Selim Ahmed, managing director of Meghna Plastic Ltd, an old Dhaka based pet bottle producer, said he started production in 2001 and delivers to reputed local pharmaceuticals.

However, he complained the high duties on raw materials are raising the prices of the locally produced plastic goods. As a result, local products sometimes have to compete with cheap Chinese and Indian substitutes.

The country imported polypropylene, polyethylene and spherizone, the raw materials for plastic goods, worth \$40 million in 2008.

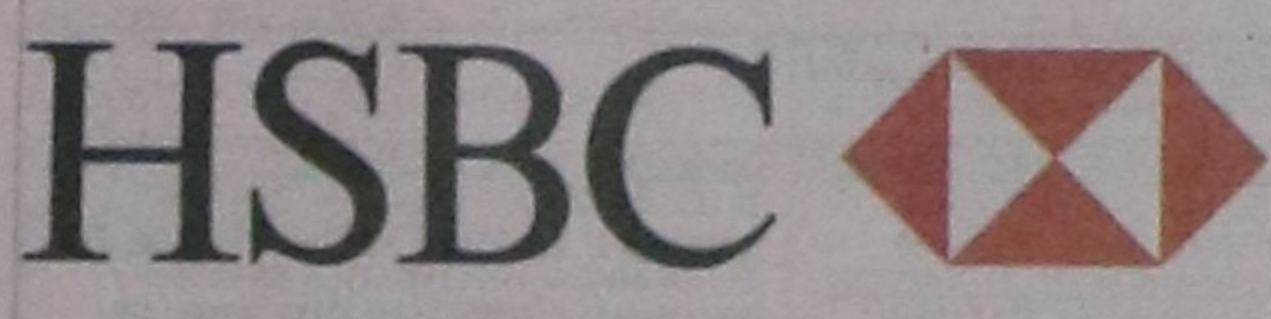
Simultaneously, the carton and printing industry also grew shoulder-to-shoulder with other packaging materials, with a market size of around Tk 200 crore a year.

Abdullah Al Redwan, director of The Merchant, a printing and packaging company, said many new investors are coming to the sector, inspired by growing demand for local packaging materials.

Around 30 local companies are producing and supplying cardboard boxes and wooden cartons to the pharmaceutical industry.

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## HSBC launches first taka-dollar derivative



STAR BUSINESS REPORT

HSBC has launched the first taka-dollar option in Bangladesh to help customers manage the risks of future foreign exchange in a volatile market.

The foreign bank has already transacted two US dollar-taka options for Viyellatex, one of the largest garment exporters, and Coats Bangladesh, a leading supplier of yarn and raw materials.

This derivative helps exporters and importers hedge their forex exposures effectively, Tarique I Khan, head of global markets of HSBC, Bangladesh, told reporters at the launch of the product at Dhaka Sheraton Hotel yesterday.

Futures, swaps, forwards and options are examples of a derivative, a financial arrangement that has its value determined on the price of an asset or rate.

"In some cases, an option is better than a forward deal," Khan said.

An option deal is a future agreement where the seller (bank) is obliged for a certain period, but the buyer or customer has an option, not an obligation. In a forward deal, both the buyer and the seller are obliged.

There is a range of prices of the taka against the dollar quoted in the two option deals, HSBC declined to disclose the prices.

"If the dollar moves beyond the rate a customer has hedged, he can exercise his right. If the rate moves in favour of the underlying forex exposure, the customer can only benefit up to a certain

level," he said.

Khan cited an example saying that if a customer is an exporter, he is vulnerable to the depreciation of the dollar against the taka. So an exporter will want to protect him from a falling USD/BDT rate, but is likely to benefit from appreciation.

Similarly, a bank quotes a lower rate accepted by a customer in an option deal, Khan said.

An importer who is to buy in future will also face the risks of a rising dollar, but will benefit from depreciation.

Earlier, HSBC had launched some non-BDT forward deals, such as USD/JPY, EUR/USD and some commodity hedges (cotton and wheat).

"So it is not difficult for us to offer these products after the local regulation allows it," Khan said.

Customers also sounded upbeat about the benefits of the new product.

"We think the option will be helpful for us," said Rahmotullah Khondoker, chief financial officer of Viyellatex that exported over \$100 million worth of garment products last year.

Bishnu Pada Saha, management accounting manager of Coats Bangladesh that imports on an average \$2-3 million worth of goods, echoed him.

"We expect this trade will create a positive impression among potential foreign investors," said M o h a m m a d Wahiduzzaman, head of corporate sales, global markets of HSBC, Bangladesh.

## Half of banks lag in SME loans

SAJJADUR RAHMAN

Nearly half of the 30 private commercial banks (PCBs) exhibit poor performance in SME credit disbursement, despite the central bank's continuous efforts to boost it.

Thirteen PCBs disbursed less than 5 percent of their total loan portfolios to small and medium enterprises, according to Bangladesh Bank data. The average SME loan portfolio for a PCB is 13.45 percent.

On the other hand, six PCBs lent around 40 percent or more of their total loans to SMEs, statistics show.

"This is embarrassing," says Anis A Khan, managing director and chief executive officer of Mutual Trust Bank, on the banks' poor credit disbursement to SMEs. Khan believes it should be at least 30 percent as Bangladesh's economy is SME-driven.

Although there are no exact figures, sector people guess there will be around four to five lakh SMEs in the country.

According to the Bangladesh Economic Review 2009, around 6 percent of the country's \$90 billion economy comes from SMEs, which is also the largest sector in terms of employment generation.

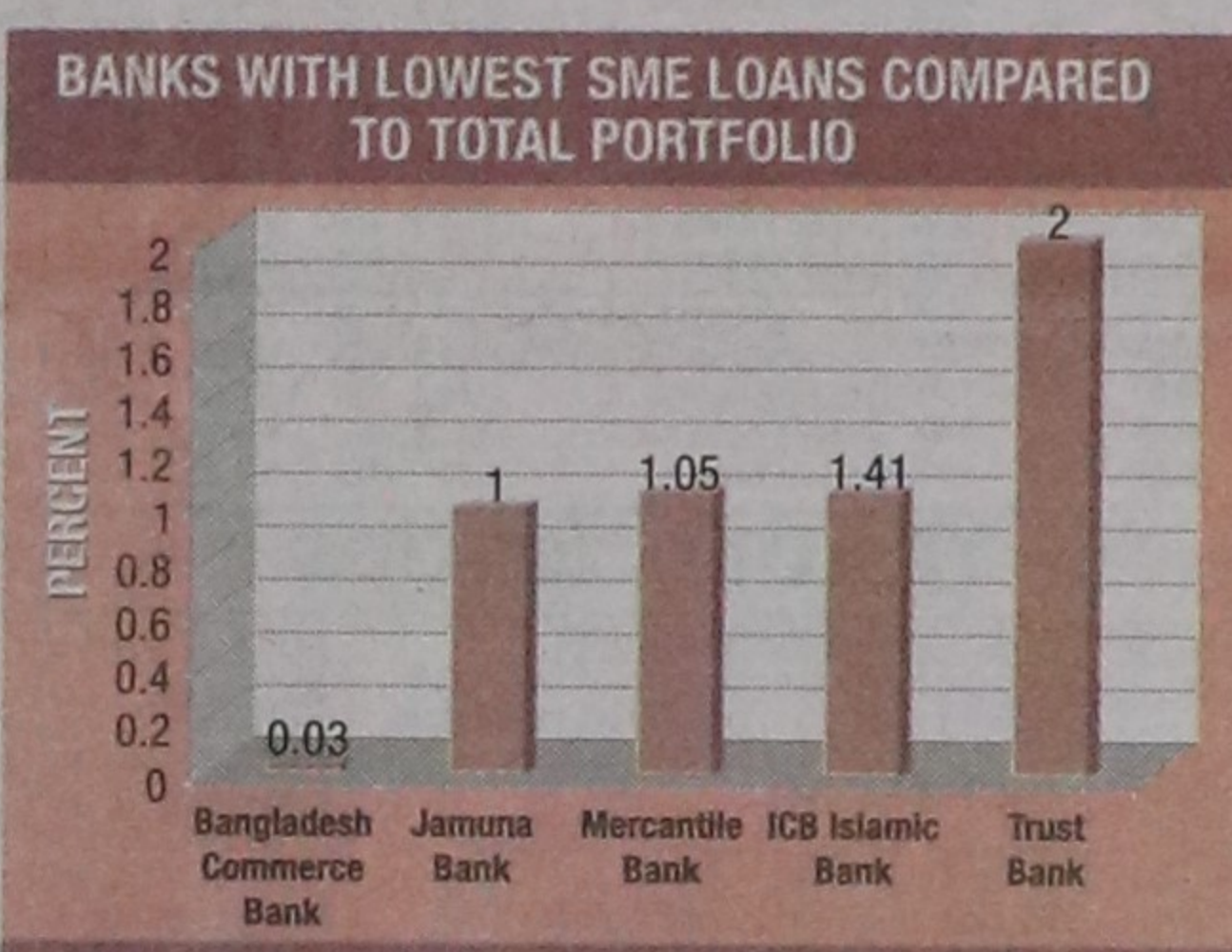
But different studies conducted over the years found that most SMEs do not get bank finance and even if they do, they will have to show collateral and pay high interest rates.

Bangladesh Commerce Bank, the poorest performer with only 0.03 percent of its total loan portfolio, disbursed only Tk 2 lakh in SME loans in January-March.

The SME loan by Jamuna, Mercantile and ICB Islamic Bank is only around 1 percent of their total portfolios. Jamuna Bank disbursed Tk 24 crore, Mercantile Bank Tk 13 crore and ICB Islamic Bank Tk 12 lakh to SMEs in the January-March quarter.

Trust Bank's SME loan stood at only 2 percent of its total loan portfolio, which is 3 percent for Dutch-Bangla Bank and 4 percent each for Social Investment Bank and One Bank.

The SME loan distributed by Eastern, Standard, Mutual Trust, Bank Asia and Shahjalal Islami Bank is around 5 percent of their total loans. Pubali Bank's SME loan takes up slightly over 8 percent of its total loan portfolio.



On the other hand, BRAC Bank topped the list with over 62 percent, followed by EXIM Bank at 48 percent and AB Bank and Uttara Bank at nearly 40 percent each.

Dr Monzur Hossain, research fellow at Bangladesh Institute of Development Studies (BIDS), identified risk, collateral, high interest rate and a lack of knowledge among the sector people for poor credit disbursement.

Hossain, who is now preparing the sixth five-year plan on SME financing, asked banks to be innovative in developing products for SMEs.

"Banks are developing expertise and increasingly becoming interested in funding SMEs," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

He said his bank's SME credit portfolio is not so poor in terms of amount (Tk 515 crore).

"If we include traditional small loans ranging between Tk 10 lakh to Tk 20 lakh in the SMEs, the portfolio will increase significantly," he claimed.

Anis A Khan of Mutual Trust Bank also said his bank has been taking measures to increase loans to SMEs.

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## Forex ceiling goes up for travellers

STAR BUSINESS REPORT

The central bank has raised the ceiling of foreign currency for Bangladesh nationals allowing them to spend more while travelling abroad.

The Bangladesh Bank (BB) issued a circular in this regard yesterday.

In case of travelling to the Saarc countries and Myanmar, the limit on taking foreign currency has been fixed at \$1,500. Earlier the ceiling was \$1,000 for travelling by air and \$500 by road.

For other countries, a Bangladeshi traveller now can take \$5,000, which was \$3,000 earlier.

BB officials said the move has been taken as the foreign exchange reserve has crossed a satisfactory \$10 billion mark.

The central bank in another circular said it would pay 10 percent of the losses incurred by banks for disbursing farm loans at lower interest rates.

The BB will pay the amount within one month of disbursement, while the rest amount will be paid after necessary review.

**SME Financing Fair 2009**  
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# LANCER CUP GOLF TOURNAMENT

Date : 10th & 11th of December 2009  
Venue : Kurmitola Golf Club, Dhaka

All golfers are invited to participate

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