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(Week-on-week)

Asian Markets

MUMBAI ▲ 0.31%
16,357.96

TOKYO ▼ 2.08%
10,198.04

SINGAPORE ▼ 0.45%
2,745.35

SHANGHAI ▼ 0.16%
2,989.29
(Friday closings)

Commodities

Gold ▼
\$1,1078.50
(per ounce)

Oil ▲
\$74.30
(per barrel)
(As of Friday)

SOURCE: AFP

News in Brief

ACI bond subscription starts today

BSS, Dhaka

Supply to the primary share market is increasing this week with the offers of bond and mutual fund by two companies.

ACI Limited is offering public bonds when IFIC Bank is coming up with its first mutual fund.

The subscription to ACI zero-coupon bonds begins today, as the company plans to raise more than Tk 133 crore for product diversification.

Of the amount, the company will raise over Tk 80 crore through private placement and the rest (Tk 53 crore) from public offering.

Zero coupon bonds are a debt security that does not pay interest but is offered at a discount rate, leaving profit at maturity.

ACI is offering the bond for Tk 3,743 and the investors will get back Tk 5,000 after four years at maturity.

The investors can also convert 20 percent of their bonds into the regular shares of the company on an optional basis.

Investors, however, should submit applications for a market lot of five bonds, costing 18,715. One can submit two applications. The second should be under joint names.

The subscription offer will remain open until February 4 for local investors, but non-resident Bangladeshis can apply until February 13.

Davos ends with recovery warning

AFP, Davos, Switzerland

The world economy is recovering but remains fragile and dogged by huge deficits, top officials said Saturday at the end of a blue-chip Davos summit clouded by divisions over banking reform.

Asia is leading the resurgence after the worst crisis for decades with China eyeing double-digit growth, but the United States and Europe remain dogged by unemployment and the eurozone is grappling with a crisis over Greece.

"The situation is better, but fragile," said International Monetary Fund (IMF) chief Dominique Strauss-Kahn, adding: "We have to go ahead strongly in the financial sector reform, much more rapidly than has been done until now."



A worker runs a machine-check on garment products for needles at a factory. In the July-November period of the current fiscal year, Bangladesh exported woven garments worth \$2.13 billion and knitwear items of \$2.59 billion, with the share of garments in national exports increasing.

RMG looks to good time

REFAYET ULLAH MIRDHA

The contribution of readymade garment (RMG) to the national export increases with the rebound of orders from international buyers following a recovery in the global economy, according to trade data of the Export Promotion Bureau.

The share of RMG products reached 77.17 percent in the July-November period from 77.15 percent in July-October of the current fiscal year.

During the July-November period, the country exported woven garments worth \$2.13 billion and knitwear items of \$2.59 billion totalling \$4.72 billion.

The share of woven garments in the total exports of the country was 34.84 percent and that of knitwear (including sweater) was 42.34 percent, the data said.

During the five-month period, the total national export was worth \$6.10 billion.

In fiscal 2008-09 the RMG contribution was 79.33 percent, while woven segment added 38.02 percent and knitwear items 41.30 percent.

Bangladesh exported woven garments worth \$5.92 billion and knitwear worth \$6.43 billion in 2008-09, registering growths of 14.54 percent and 16.48 percent respectively compared to the previous year.

Shahadat Hossain Kiron, managing director of Dekko Group, said the flow of orders from the international buyers was higher this winter compared to the last season as the global economy is recovering from the recession.

"The number of orders outpaced the capacity of my factories," Kiron said.

Chairman and Managing Director of SQ Group Ghulam Faruque said the situation is improving as the buyers are placing more orders.

"The trend of order placement indicates that the country's apparel export will go to its previous high level at the end of the year," he said. But the perennial problem of offering low prices by the buyers remained the same, he added.

The sign of recovery in the RMG export is also seen in the increasing trend of consumption of Utilisation Declaration (UD) by the exporters from their respective trade bodies.

Bangladesh had been experiencing a nega-

tive growth in UD consumption for the last few months because of low orders following the global recession.

The UD consumption improved in January by 4.0-5.0 percent compared to the same month last year, according to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data.

"But the concerns for Bangladesh are the sudden price hike of cotton by 25 percent on international market and yarn price rise on the local market by 30 percent as the Free on Board (FoB) value remained static," said BGMEA President Abdus Salam Murshed.

If a commodity is quoted on an FoB basis it means the cost of the goods and their loading on to a ship are included but not the insurance or freight charges.

He said the exporters' cost increased as they have to send the goods by air to maintain the lead-time.

Recently the exporters are continuously failing to maintain the lead-time due to failure in on-time production caused by low gas pressure in the plants, he said.

Trust Bank to go big on biogas fund

SAJJADUR RAHMAN

Trust Bank, a third generation private commercial bank, will fund for the first time biogas plants on a large scale to help rural people get renewable energy, which will ultimately make them more economically viable, said the bank's chief executive.

Initially, under a pilot project the bank has allocated Tk 5 crore for the programme and the amount will go up on the basis of the feedback it receives.

"If we succeed, then such projects will proliferate," Shah S Sarwar, managing director, told The Daily Star.

The programme will formally be inaugurated on February 8 in Manikganj district with handing over cheques to 16 beneficiaries, Tk 3 lakh for each.

A beneficiary will buy four cows with the money.

The Trust Bank MD firmly believes these biogas plants will be able to provide livestock farmers with a sustainable cooking fuel and potent organic fertiliser. This will help face power and gas crisis by using eco-friendly technology, Sarwar said.

The bank has taken up the project to avail of the

KEY FACTS

Start of business:
Nov 29, 1999

Listing on the DSE:
Sept 25, 2007

Authorised capital:
Tk 500 crore

Paid-up capital:
Tk 184.8 crore

Branches:
41 (plus six SME centres)

Employees:
1,031

Profit after tax in 2008:
Tk 23 crore

Sources: The bank's website and DSE

refinancing facility introduced by Bangladesh Bank in August last year.

The central bank has formed a Tk 200 crore

revolving fund to provide loans at low interest rate for setting up solar energy, biogas and effluent treatment plants through the commercial banks.

BB will charge 5 percent interest rates on commercial banks that will take 9 percent from the customers.

Biogas practices in poor African and Asian countries are on the rise, mainly with the help of the donor and nongovernmental organisations' financial supports. Some NGOs in Bangladesh are also providing funds for the rural folk to implement biogas plants.

According to bankers, commercial banks took least interest in stepping into this area because of what they said high cost of delivery and supervisory role.

Trust Bank has made a strategic alliance with Enterprise Development Company Limited (EDCL) to reduce its costs for the loans.

"It's a combination of commercial and social institutions to make the delivery easy," said Sarwar.

The EDCL will help borrowers develop their business and commercialisation of biogas.

The move will also help the bank reach out to millions of the rural people who have less access to banking, Sarwar said.

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Economy shows signs of pick-up

High-profile meeting reviews indicators today

REJAUL KARIM BYRON

The rise in collection of VAT and imports of capital machinery and industrial raw materials in the first six months this fiscal year showed clear signs that increased trade and commerce and investments are helping domestic economy pick up, officials say.

Data shows July-December earnings from value-added tax have marked 24 percent growth, while opening of letters of credit for the imports of capital machinery has grown by 28 percent and raw materials by 22 percent. However, these indicators were negative a month back.

tion comes up for review today at a high-profile meeting with Prime Minister Sheikh Hasina in the chair, according to a finance ministry official.

The ministry will also report it to parliament later.

"There are clear signs that Bangladesh economy is picking up," the official told The Daily Star, pointing to the necessity of adequate supply of gas and power to make such trends sustainable.

Meantime, revenue recorded 18 percent growth against the overall target of 15 percent.

According to the tax administration, increased VAT collection is the major contributor to such growth, which also indicates brisk economic activities.

Private sector credit, another indicator of the economy, posted 16.73 percent growth in November last. The June growth was 14.62 percent.

Today's review meeting will also be informed that gross domestic product growth will be between 5.5 and 6 percent, despite global recession fallout.

Also, the finance ministry apprise the crucial sitting of the contributions of the sectors like agriculture, industries and services to the GDP.

The government expects that average inflation will not cross 6.6 percent, although it marked a slight upward trend in recent times.

Indian minister invited to deal signing

PALLAB BHATTACHARYA, New Delhi

India's Minister of State (with independent charge) for Micro, Small and Medium Enterprises (MSME) Dinsha Patel has been invited to visit Bangladesh to attend the signing of a bilateral agreement on cooperation in the MSME sector likely in March.

National Small Industries Corporation Ltd, an enterprise of Indian government, and Industrial and Infrastructure Development Finance Company Ltd in Bangladesh will sign the deal. Barua and Patel will discuss issues relating to MSME development in the two countries.

RAK holds roadshow for investors

Ceramics maker first to go public under book building method

STAR BUSINESS REPORT

RAK Ceramics, a Bangladesh-UAE joint venture, will offer primary shares to institutional investors in next three weeks after discovering the price of each share using the book building method.

The company will go for a public offer in 25 days from the closure of institutional bidding, officials and issue managers said at a projection meeting in Dhaka yesterday.

The meeting or roadshow -- part of the book building process -- was designed to woo eligible institutional investors to participate in bidding to be held in three weeks.

The tiles and sanitary-ware maker, which received primary approval for floating shares from the securities regulator in December last year, is the first to list on stock exchanges under the book building method.

"We are proud of coming to Bangladesh," said Khater Massaad, chairman of RAK Ceramics (Bangladesh), describing the company's prospects and future plans to impress the institutional investors.

There is huge demand for quality products in Bangladesh with its large population and growing per capita income that mainly encouraged RAK to invest in the country, he said.

"Meeting local demand, the company has already started exporting products to India, Sri Lanka and Nepal, and plans to enter the European market in the coming days."

Arif Khan, deputy managing director of IDLC Finance, the lead issue manager, presented the company's financial strength. Saiful Islam, director of BRAC-EPL, the co-issue manager, explained the logic of the company's indicative price and described the bidding process.

DSE President Rakibur Rahman and RAK Ceramics (Bangladesh) Managing Director SAK Ekramuzzaman also spoke.

RAK will offer 3.45 crore shares of Tk 10 each using the book-building method. Of the shares, 20 percent will be sold to institutional investors, 10 percent has been reserved for mutual funds, 10 percent for non-resident Bangladeshis and 60 percent will be offered to public.

An indicative price for each RAK share has already been built at Tk 40 through bidding by seven institutions from four sectors.

Now in the price discovery phase, bidders cannot quote 20 percent more or less than the indicative price, meaning they will have to offer between Tk 32 and Tk 48 for each share. Fixing the indicative price is required to obtain regulatory approval.

The institutions will not be allowed to sell shares in the first 15 trading days under the lock-in system.

RAK's paid-up capital is Tk 195 crore. As of December 2009, the company's net asset value was Tk 13.69 per share and earnings per share were Tk 1.83.

Foreign entrepreneurs own 90 percent of the company, while local entrepreneurs own the remainder, but local ownership will become 20 percent after the IPO.

RAK started business in Bangladesh in 2001. Presently, the company holds an 80 percent market share in the sanitary-ware market and around 35 percent in the ceramics market.

The company also holds 58 percent shares in RAK pharmaceuticals, 57 percent in RAK Power, 35 percent in RAK Security, 40 percent in RAK Paints, 51 percent in RAK Foods and 51 percent in Classic Porcelain.

The book building mechanism, a widely practised price fixing mechanism for IPO, was introduced in March, aiming to encourage private-sector entrepreneurs to list their large and profitable companies on bourses at fair prices.

In line with the book building mechanism, institutions bid for shares through which the price is discovered. A weighted average price is fixed based on the highest and lowest price and shares are allotted for institutions at the weighted average price. The lowest price is considered a cut-off price for public offers or general investors.

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