Star Business

Dhaka Friday October 22, 2010

Stocks

DGEN	▲ 1.23%	7,615.37
CSCX	▲ 0.80%	14,190.49

IDLC Index

IDLC 50	▲ 0.71%	7,428.66

Subject to Conditions contained in www.idlc.com

Asian Markets

MUMBAI	▲ 1.95%	20,260.58
TOKYO	▼ 0.05%	9,376.48
SINGAPORE	▼ 0.49%	3,163.53
SHANGHAI	▼ 0.68%	2,983.53

Currencies

	Buy Tk	Sell Tk
USD	70.08	71.08
EUR	95.72	100.29
GBP	108.80	113.78
JPY	0.84	0.91

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▲	$1,346.00 (per ounce)
Oil	▲	$82.09 (per barrel)

SOURCE: AFP (Midday Trade)

Regulator relaxes IPO rules

Sarwar A Chowdhury

Companies with Tk 18 crore in minimum paid-up capital will be allowed to go public, according to new rules set by the Securities and Exchange Commission (SEC) yesterday.

The minimum size of an initial public offering (IPO) should be Tk 12 crore, meaning a company with at least Tk 30 crore paid-up capital, including the minimum IPO size, can go public.

A company with big capital will have to go for an IPO with minimum shares equivalent to 10 percent of the total of its paid-up capital and IPO size.

For example, if a company's existing paid-up capital is Tk 150 crore and it wants to raise Tk 10 crore from the stockmarket, its IPO size should be at least Tk 16 crore, which is 10 percent of Tk 160 crore.

The stockmarket regulator took the decision of easing the IPO rules at a meeting on Tuesday, according to the minutes of the meeting made public yesterday.

Market experts and merchant bankers welcomed the SEC move on the IPO rules, but said the regulator should have relaxed the rules much earlier.

They said it will encourage more new companies to go public at a time when the demand for fresh issues is increasing day by day.

"Though it's late, it will help bring new issues, as many will be interested now to go public," said Salahuddin Ahmed Khan, former chief executive of Dhaka Stock Exchange.

Arif Khan, president of Bangladesh Merchant Bankers' Association, said: "It's a positive development. Many more companies will be eligible to be listed now."

"Although we earlier requested the SEC to allow a company with at least Tk 25 crore in paid-up capital, including the IPO size, to go for listing, the Tk 30 crore ceiling is okay," said Khan, also deputy managing director of IDLC Finance Limited.

Other merchant bankers, who manage IPO floatation, said with the relaxed IPO rules, they will now be able to attract more companies to the market.

In line with the previous IPO rules that were laid out in March this year on the government's prescription, a company must had a minimum of Tk 40 crore in paid-up capital, including the IPO size, to list on the exchanges.

If the company's existing paid-up capital and IPO offer size was Tk 75 crore, it had to offer new shares equivalent to 40 percent of Tk 75 crore, while the percentage ratio for paid-up capital above Tk 75 crore to Tk 150 crore was 25 percent or Tk 30 crore, whichever higher; and for more than Tk 150 crore it was 15 percent or Tk 40 crore, whichever higher.

Now, as per the relaxed IPO rules, there will be no such slabs.

The IPO rules were relaxed following continuous criticisms from economists, entrepreneurs and merchant bankers during the last seven months.

In August, the consultative committee of the SEC recommended relaxation of the IPO rules to encourage more companies to be listed.

With the previous rules in place, only a few companies entered the market.

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NEW CRITERIA

Lowest ceiling for existing paid-up capital

Tk 18 crore

Minimum IPO size

Tk 12 crore

A company must float

10%

of paid-up capital (including IPO size)

BB okays extra home loans

Bss, *Dhaka*

Bangladesh Bank's housing refinance scheme will get an additional Tk 57 crore to adjust the excess credit already disbursed by banks and other financial institutions.

Bangladesh Bank (BB) at its board meeting yesterday approved the proposal for sanctioning the extra amount to meet April's demand for home loans, said a BB official.

The amount will be in addition to the total refinanced amount of Tk 700 crore under the scheme, which has already been exhausted in March.

"This is a good initiative of the central bank to resolve the crisis that arose after the disbursement of home-loan of Tk 72 crore by the banks and financial institutions for April," said QM Shariful Ala, managing director of Delta Brac Housing Finance Corporation.

He said the home-loan scheme has received a tremendous response from the middle and low-income people.

The loan scheme has created an opportunity for the middle and low-income group in the city to have homes of their own, taking home-loans from the banks and financial institutions at an interest rate of 9 percent, but their dreams would be dashed if the project does not get more fund, he said.

Sharif said BB should continue the scheme with a bigger fund of at least Tk 1,000 crore.

The central bank launched the refinancing scheme initially with Tk 300 crore for housing loan in fiscal 2007-08.

Later, the fund was increased to Tk 700 crore. The entire amount of Tk 700 crore exhausted in March, as the financial and banking institutions took about Tk 45 crore to Tk 50 crore in a month to disburse loan to buyers of flats and houses who have monthly income of up to Tk 50,000.

Borrowers are entitled to a loan of up to Tk 20 lakh at a 9 percent interest for a period of 20 years.

Fashion boutiques in the blues

Sohel Parvez

A spike in the prices of yarn and fabrics has put small and medium fashion boutiques in a tight corner, as their production costs are rising.

Industry insiders also described rising rents of showrooms and pressure from the increased value-added tax imposed by the government this financial year as hurdles to their business.

The local boutiques make dresses mainly from handloom fabrics.

To adjust the rise in cost, the enterprises opt to raise prices, although some are worried about how consumers will react if the extra burden of higher production costs is passed on to buyers.

Some boutiques are looking for ways of keeping prices at reasonable levels without compromising the quality of dresses, worn mainly by urban middle class people and youths.

One of the options, they said, is to reduce contents of value addition, such as needle works, to keep prices low.

"We are not sure how buyers will take it, although we've no alternative but to increase prices. Already some of our mates have raised prices," said Rashedul Hafiz, who runs Kingbadantee, a small boutique at Aziz Super Market at Shahbagh in the capital.

He said consumers flock to Aziz Supermarket to buy clothes such as T-shirt, panjabi, fatua and salwar kameez at prices lower than other markets.

"That's why, we're in a dilemma over how much we should increase," said the Kingbadantee official.

Local boutiques face the rising cost of fabrics at a time when they are to collect 5 percent VAT on sales from the buyers for the current fiscal year. The VAT rate was 1.5 percent last year.

Operators said it discourages people to buy clothes with needle works and crafts.

The boutiques started feeling the pinch of soaring prices of fabrics prior to the Eid-ul-Fitr, as weavers were demanding higher prices for fabrics in the wake of gradual spike in yarn and cotton prices since July 2010.

In the past three months, cotton has rallied on the world market after floods in Pakistan and adverse weather in China affected crops. It has caused hike in the prices of yarn in Bangladesh, which imports 50 lakh bales of raw cotton a year.

Shahid Hussain Shamim, director of Prabartana, said they bought one bale (440 pound) of yarn at Tk 45,000 in February-March this year. The price of the same quantity of yarn reached Tk 106,000 last week, he said.

"There is a limit of increase. It is rising in an irrational manner. The government should intervene into the market," said Shamim of Prabartana, which works with 1,000 weavers.

"We're unable to buy yarn as per our plan, while our customers have started complaining against the rise in clothes prices," said Shamim, also the president of National Crafts Council of Bangladesh.

The boutiques encounter the rise in production costs at a time when Bangladeshis are showing renewed interests in wearing clothes with motifs of indigenous culture and heritage.

This has also enabled thousands of weavers to stay afloat in the face of competition from low-priced power-loom clothes.

"Many people in both rural and urban areas are linked with us. The government should treat it as an special sector to boost employment," said Khalid Mahmood Khan, director of Kay Kraft.

He however said the increase in VAT to 5 percent hurts buyers. He feared that many buyers might switch from handloom clothes to low-priced ones, made on power-looms or imported.

"The government increases VAT without considering the contribution of local fashion boutiques to job creation," Khan said. "Such a decision to increase in VAT goes in favour of traders, not producers like us."

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ZAHEDUL I KHAN

Dhaka to seek separate quota for Indian cotton

Refayet Ullah Mirdha

Bangladesh will demand a separate quota for raw cotton from India to ensure the item's adequate supply for the readymade garment sector, the prime foreign exchange earner.

The cotton price has reached its all-time high of $1.19 a pound on the international market this month, which troubles Bangladesh and China -- the two countries that depend on cotton imports for their textile industries.

Industry insiders pointed out that crop damage by floods in Pakistan, the world's fourth largest cotton producing country, and a ban India has imposed on cotton exports have led to the price spiral.

"We'll demand a separate quota for raw cotton during the bilateral trade talks with India," said Commerce Minister Faruk Khan yesterday, before leaving for New Delhi to lead a 23-member business delegation.

Khan said Bangladesh wants to settle the cotton supply problem with India so that the country remains immune to any Indian ban on the item's export.

Delhi enforced the ban in April in an effort to ensure supply to its own textile mills. Apparel makers of the neighbouring country also opposed the export of 5.5 million bales of raw cotton pointing to a possible deficit.

Ashish Bagrodia, chairman of North Indian Textile Mills Association, has been quoted by Indian newspapers as saying: "Cotton exports beyond 5.5 million bales should not be allowed at any cost, since domestic industry consumption as per projections by the Cotton Advisory Board is going to be more than 26.6 million bales."

Bangladesh is expected to sign four memoranda of understanding on border haats and standard operating procedures of trucks with India.

Primarily, two border haats -- one at Kurigram and the other at Sunamganj -- will be operational as soon as possible, Faruk Khan said.

Easing business terms for bilateral trade expansion, zero-tariff for 61 Bangladesh products, removing non-tariff barriers to jute export and duty-free export of RMG products to India will be high on agenda.

India has pruned its list of products that cannot be exported to India from 700 to 480. However, Bangladeshi traders have been complaining that the cuts did not help much as garments and footwear, where Bangladesh could easily gain a market in India, were still on the banned list.

In 2008, India had allowed import of eight million pieces of Bangladeshi garments but Dhaka points out that Bangladeshi has already exported 70 percent of its allowed quota in five months of this calendar year and the quota needs to be expanded besides withdrawing duty on 61 product lines.

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Lafarge gets no objection from India's village council

UNB, *Dhaka*

The traditional council of Nongtrai village in the Indian state of Meghalaya, where Lafarge's limestone mining project is located, has extended no objection to the French cement giant.

In a court affidavit filed at the court on October 5, the head of Nongtrai village Durbar BL Lyngdoh said the arrival of Lafarge in their area has opened up employment opportunities along with many other benefits and assistance, according to a press release.

He said some vested groups comprising exporters, whose business interests have been affected by the Lafarge project, filed the application to the Supreme Court opposing Lafarge operations.

The affidavit countered the claims of Shella Action Committee, the organisation whose primal objection spawned the whole affair.

The affidavit states that the opposing party consists of limestone exporters who used to export limestone to Bangladesh without sharing any benefits with the locals. Lafarge pays a royalty fee which resulted a total amount of 3.15 crore Indian Rupee for the whole village and 1.4 lakh for each household, till December 2009.