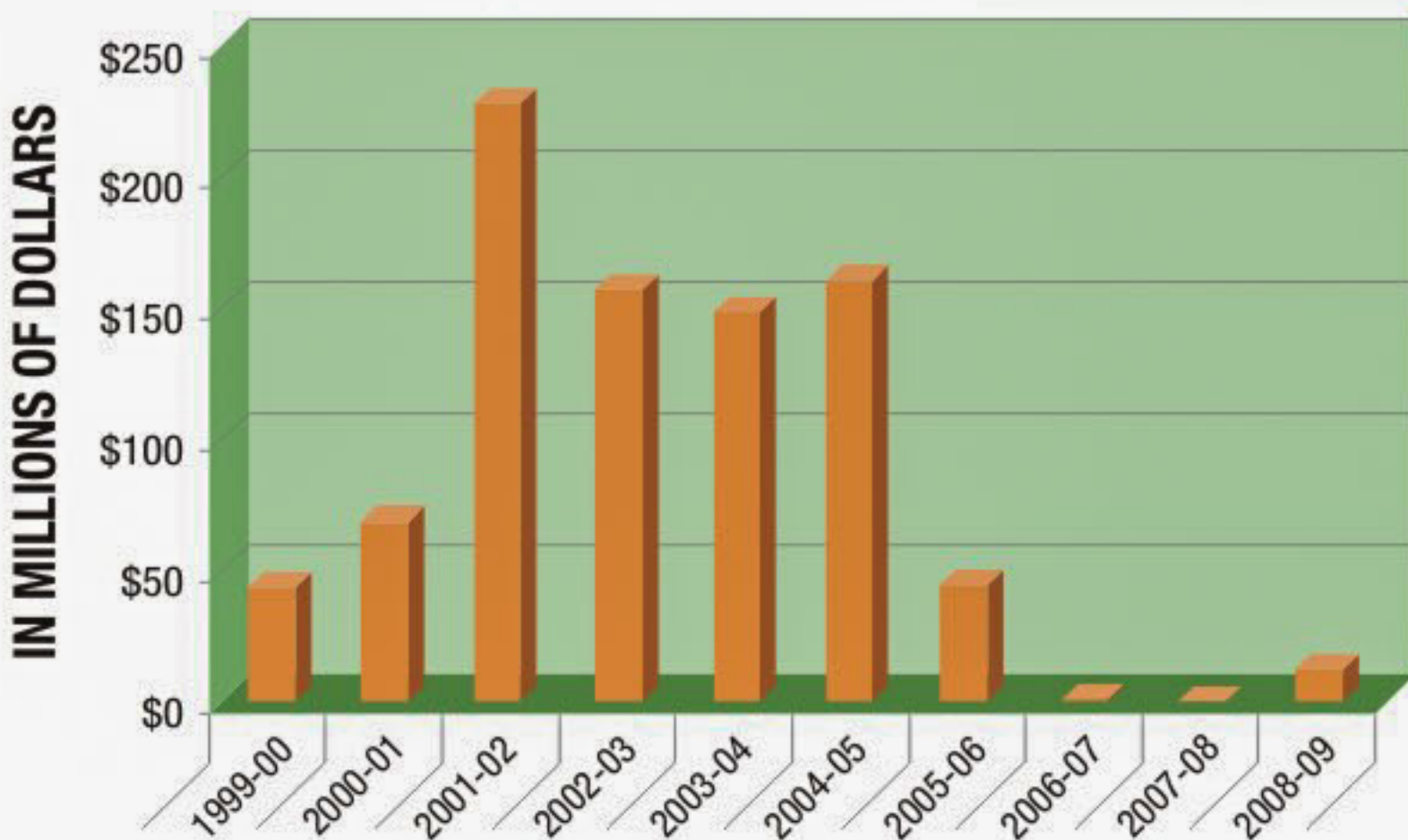


Stocks	
DGEN	▲ 2.51% 8,187.33
CSCX	▲ 2.93% 14,983.62 (Week-on-week)
Asian Markets	
MUMBAI	▼ 2.1% 20,156.89
TOKYO	▼ 1.39% 9,724.81
SINGAPORE	▼ 1.26% 3,252.00
SHANGHAI	▼ 5.16% 2,985.44 (Friday closings)
Commodities	
Gold	▲ \$1,388.50 (per ounce)
Oil	▼ \$86.24 (per barrel)

SOURCE: AFP (As of Friday)

Govt moves to limit high-cost borrowing

SUPPLIER CREDIT DISBURSEMENT



REJAUL KARIM BYRON

The government plans to set a ceiling for costly supplier credit for the next three years, as demand for funds by different ministries is rising.

A fiscal coordination meeting to be chaired by Finance Minister AMA Muhith discusses the issue today. Earlier this month, the finance minister sent a letter to different ministries in this regard.

In the letter, the minister suggested that the Finance Division, Economic Relations Division (ERD), the planning ministry and the central bank sit together to decide on how much supplier credit will be taken in the next three years.

Supplier credit is a financing arrangement under which an exporter extends credit to a foreign importer to finance his purchase. Usually, the importer pays a portion of the contract value in cash and issues a promissory note or accepts a draft as evidence of his obligation to pay the balance over a period of time.

Finance ministry officials said different ministries have taken plans for big projects in infrastructure,

power and energy sectors. Many of those will be implemented under public-private partnership (PPP) and need big public investment, as donors' fund will not be available for many such projects.

For funding the projects, the ministries have already sought supplier credit. The Finance Division also calculated the investment required and how much the government could supply.

The finance minister in the letter said an inter-ministerial meeting will decide on how much supplier credit will be taken in the remaining three years of the present government's tenure.

The minister also suggested that the whole amount for three years be taken in the first year.

Donor agencies such as the World Bank and International Monetary Fund have reservations about supplier credit as it charges high interest.

The letter also said there should be discussion with the international organisations in case of taking such credit.

Supplier credit charges higher interest from 3 percent to 9 percent

and has to be paid within 12-20 years. But the interest rate for soft borrowing, normally available from development partners, the interest rate is below 1 percent and payment time is 40-50 years.

Bangladesh's expenditure on account of interest payment has been increasing over the last seven years, whereas it has fallen in India, Pakistan and Sri Lanka, according to a WB report.

From fiscal 2001-02 to fiscal 2004-05, the government has received about \$700 million in supplier credit, which was only \$50 million from fiscal 2005-06 to fiscal 2008-09, an ERD report said.

The finance ministry officials said the government has taken initiative to go for soft-term borrowing, including budget support, for the infrastructure, education and health sectors.

They said the government has sought from the WB more than \$1 billion for the next three years as budget support -- \$350 million per year -- and another \$1 billion from the IMF. Both the parties responded positively.

However, there will still be a resource deficiency against the investment demand, which is another reason behind the high demand for supplier credit.

But the government will not take the credit in such a manner that may hamper macroeconomic balance, the ministry officials said, adding that today's meeting will discuss this issue.

The officials said the foreign exchange reserve may face pressure due to an increase in food import and investment in the infrastructure sector in the recent times.

In the last one year, the Bangladeshi currency was devalued by Tk 1.80 against the US dollar, according to Bangladesh Bank.



UNDP Administrator Helen Clark briefs journalists on the outcome of her three-day official visit to Bangladesh at Sonargaon Hotel in Dhaka yesterday. (Story on page 2)

Rahimafrooz Globatt enters China

SAYEDA AKTER

Rahimafrooz Globatt Ltd will export a \$15 million consignment of maintenance-free batteries to China in three years. The company sent two consignments on Wednesday, the first export of such an item to China by any local company.

"We will export at least half a million units of maintenance-free automotive, tractor, and inverter batteries to Dynavolt, China, within the next three years," said Munawar Misbah Moin, managing director of Rahimafrooz Globatt.

"We hope to earn revenues worth \$15 million a year from this deal," he said. "This is the country's first ever export of engineered goods to China."

"We are producing batteries designed specially for the markets of developed nations, including the US, Europe, Korea and Australia," said Moin.

The company exported 1.75 lakh pieces of car batteries worth \$5.5 million in October-June last fiscal year.

Globatt is a flagship project under Rahimafrooz's global expansion plans that were put in place in August 2009. Its exports started in October of the same year.

The batteries, which will be free of maintenance costs, were exported to 12 countries, including all Saarc nations, except Pakistan, and Singapore, Kuwait, Qatar, United Arab Emirates, Tanzania, Angola and

Namibia.

In addition, Rahimafrooz plans to export a million battery units to Australia and Europe by the end of this fiscal year.

The company's projected revenue was around \$28 million in 2009-10, which would grow to \$70 million this year. It started to export to 18 countries in the South Asian and Asean regions, Middle East and Africa, and exported over 250,000 units so far, said Moin.

Earlier, Rahimafrooz doubled its annual automotive battery production capacity to 25 lakh units, Moin said, adding that the establishment of a world class manufacturing plant is a part of global strategic plans.

The Tk 110 crore project situated in Ishwardi EPZ is using the latest in technology, including business software solution applications and services. It went into production in May 2009.

The project received the country's first-ever equity investment from Frontier Fund, a local partner of Brummer and Partners, Sweden's largest hedge fund manager, in January 2009.

Founded in 1954, Rahimafrooz is the pioneer in producing industrial batteries, solar power and IPS (instant power system) in the country. The company also spearheaded the export of batteries to more than 40 countries.

Currently, the group has seven operating companies, three other business ventures and a non-profit social enterprise.

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Chittagong port speeds up cargo handling

Turnaround time comes down to three days: CPA official

DWAIPAYAN BARUA, Chittagong

Container and cargo handling has gained momentum at Chittagong Port.

Pointing to an improved law and order thanks to army deployment at the port a month back, the Chittagong Port Authority secretary said the turnaround time of vessels has come down to three days.

Of the 16 berths, eight will be allotted for general cargo handling and the rest for container handling, Syed Farhad Uddin Ahmed told a

press conference in the port city yesterday.

In the wake of increasing number of general cargo vessels, berth allocation system in the port has been changed to ease cargo handling, he said, adding that the CPA will review such a change, if necessary.

At present, around 5,000 TEUs (twenty equivalent units) of containers are being handled at the port everyday.

The situation at the port is absolutely normal, the CPA official he added, as the CPA has begun taking

steps to fulfill demands of the workers.

Of 3,500 workers of different categories now working in different sections of the port, around 2,000 have already received their identity (ID) cards and the rest will get them gradually.

Moreover, Eid bonus has already been paid to all workers, Ahmed said.

Coordination Officer of Army Security Cell at the port Major Shahariar Morshed said port operation was not stopped for a single hour for any major problem in the last one month.

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3 years servicing cost
3 years spare parts cost

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