

STOCKS		COMMODITIES				ASIAN MARKETS				CURRENCIES			
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	BUY TK	SELL TK
0.76%	0.08%	\$1,363.00	\$91.18	0.12%	0.04%	0.22%	3.03%	71.05	95.02	112.68	0.85	71.05	95.03
7,377.58	13,567.73	(per ounce)	(per barrel)	18,882.25	10,502.86	3,238.63	2,706.66						

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Left to right, UN Secretary General Ban Ki-moon, Prime Minister Sheikh Hasina, Luxembourg's Crown Prince Guillaume, Pakistan President Asif Ali Zardari, Crown Prince of Abu Dhabi Sheikh Mohammed bin Zayed al-Nahyan, Iceland President Ólafur Ragnar Grímsson and Sweden's Crown Princess Victoria pose for photographs at the annual World Future Energy summit in Abu Dhabi yesterday. (Story on page 1)

PHP Float Glass gears up for public offer

SARWAR A CHOWDHURY

PHP Float Glass Industries Ltd plans to go public to raise funds for enhancing working capital, business expansion and repayment of loans taken from financial institutions.

If approved by the regulator, it will be the first glass manufacturing company from the private sector to enter the country's stockmarket after the lone state-run listed firm Usmania Glass.

PHP Float Glass, a concern of Chittagong-based PHP Group, will float three crore ordinary shares of Tk 10 each using the book building method, a modern pricing mechanism for initial public offering (IPO).

The company that specialises in making float glass, organises a roadshow in Dhaka today for institutional investors for indicative price setting of its shares.

A roadshow is required by the book building regulations and the eligible institutional investors will not be allowed to participate in the bidding unless they participate and quote prices at the roadshow for setting the indicative price.

The company with an existing paid-up capital of Tk 70.51 crore has proposed an indicative price for each share at Tk 75, including Tk 65 in premium.

"Entire proceeds of the IPO will be utilised for the expansion of the capacity with diversified and value added products along with strengthening the distribution channel," the company said in its 'IPO information memorandum'.

The company said it has plans to set up an aluminium plant at an approximate cost of Tk 24.75 crore by May.

It also aims to set up three more projects costing around Tk 89 crore -- one for glass bevelling, edging and drilling; a second for producing tempered glass; and a third for setting up warehouses and distribution facilities -- within a year from the IPO fund receipts.

A glass laminating plant is also planned to be set up within 18 months from the IPO fund receipts. "The remaining fund will be utilised for repayment of loans to financial institutions," it said.

PHP Float Glass, whose earnings per share (excluding capital gains) was Tk 1.94 and net asset value per share was Tk 47.49 as of September 2010, was set up in 2003 with technical assistance of Luoyang Float Glass Technology of China.

Currently, the principal products of the company are clear glass and mirror glass sheets. Clear-glass sheets range from 2MM to 12MM, of 10 different sizes. Mirror glass sheets produced are of two types -- single coating and double coating that range from 3MM to 5MM.

PHP mirror boasts around 70 percent of the mirror market share in Bangladesh.

Alliance Financial Services Limited is the issue manager for the IPO.

Banks tread perilous path

REJAUL KARIM BYRON

Most private banks have ventured into risky business to bag excessive profits that inflated share prices and call-money rates.

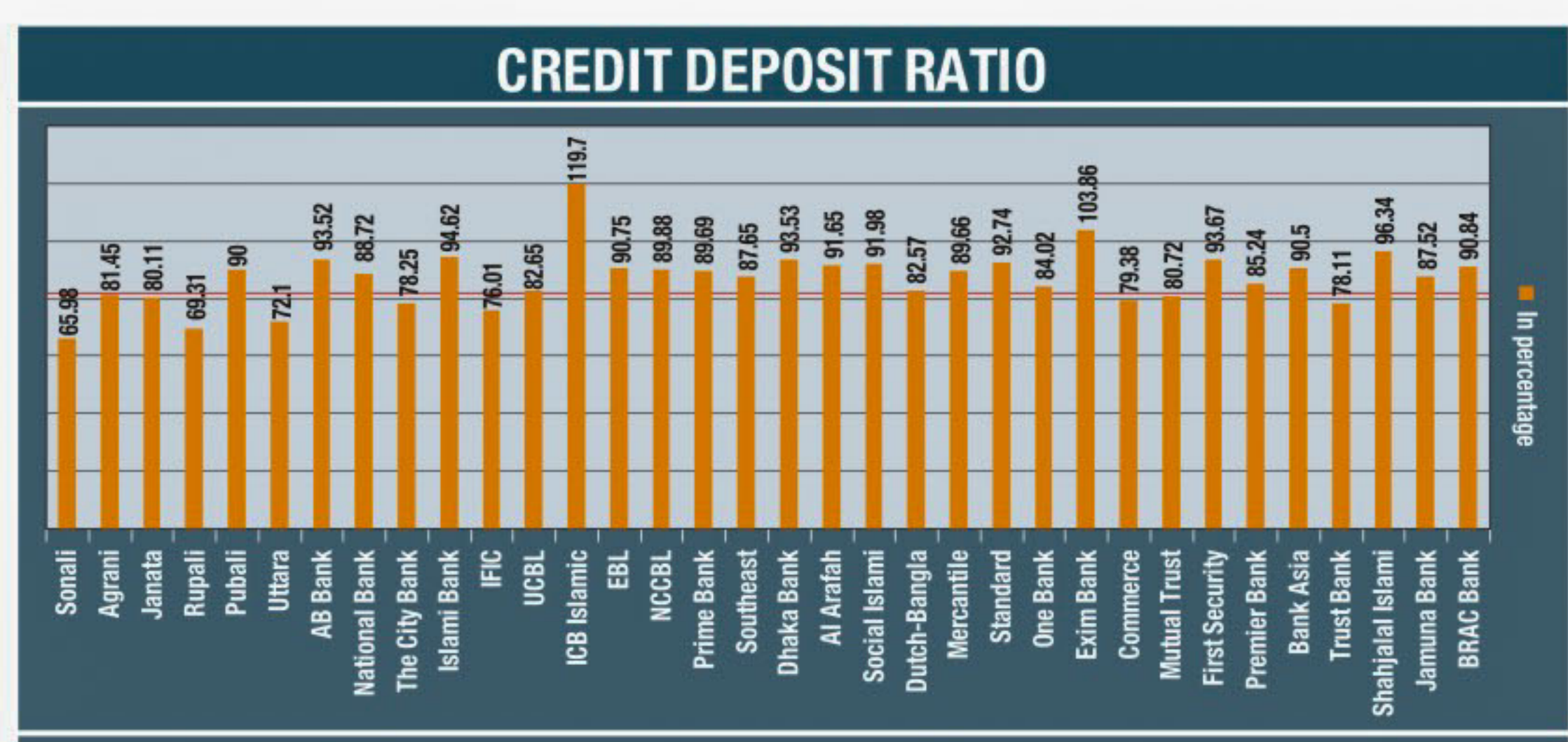
According to Bangladesh Bank (BB) statistics, the credit-deposit ratio in private banks was 89 percent last year, which was 73 percent in state-owned commercial banks (SCB) and 83 percent in foreign banks.

Banks are allowed to lend up to 82 percent after maintaining a statutory liquidity requirement against deposits. If any bank wants to go for aggressive banking it can raise the ratio to 85 percent by adding capital alongside deposits, the central bank said.

It was revealed that 20 out of 30 private banks lend up to 85 percent against deposits. Some banks lend more than 100 percent, which means they lend by borrowing from the call-money market at higher interest rates.

Lending growth of 30 out of 43 local and foreign commercial banks was much higher than their deposit growth.

According to senior bankers, banks cannot lend more than its deposit growth but many private



sector banks, even SCBs, defy the norm.

The deposit growth of one private bank was 4 percent whereas its credit growth was 22 percent. Another private bank posted 34 percent deposit growth, while its credit growth was 64 percent.

Bangladesh Bank officials said the banks went into risky banking to make high profits overnight.

In recent times, the banks made most of such investments in the share market to take returns on investment. As a result, shares were overvalued, one of the officials said.

The chief executive officers of private banks receive high salaries, so the shareholders consider their banks will make more profits quickly, enabling them to earn more in turn, said an official of Sonali Bank to The Daily Star.

K Mahmud Sattar, president of the Association of Bankers Bangladesh (ABB) and managing director of City Bank, said there was huge liquidity surplus in the banking sector last year. As a result, the banks put emphasised increased credit investment.

While lending excessive amounts, many banks failed to manage their assets and liability properly, he added.

"Our banking sector is in a very strong position now. Depositors have no risk as the banks are going for aggressive banking. Some banks may not have maintained ideal practices though."

Sonali Bank Chairman Kazi Baharul Islam and Krishi Bank Chairman Khandker Ibrahim Khaled said such risky and aggressive banking must be stopped.

If a bank is caught practising so risky and aggressive banking in any other country including neighbouring India, the central banks take punitive action against the delinquent bank.

Islam said it also shows the incompetence of the bank

authorities in fund management. Alongside, it seems that there was lack of competent supervision on the part of the board of directors of the banks concerned.

The central bank should take stern actions in this regard, he said.

"If the central bank goes for taking actions, you reporters should write that Bangladesh Bank is up to destroying the capital market," said Sattar.

BB Executive Director SK Sur Chowdhury said lending should be within 80 percent of its deposits for sound and safe banking. The central bank monitors it regularly to ensure that banks do not cross the limit. BB has been issuing warning letters, he said.

Many observers hold the central bank responsible for the recent slump in the share market. They say if the BB had monitored strictly and checked the aggressive banking, the shares would not have been overvalued.

A central bank official said BB was warning the banks since June last year. Despite resistance from some powerful quarters, the central bank advised the banks on July 6 last year to be cautious in lending in the capital market.

Biman flights to New York still hang in balance

SOHEL PARVEZ and SAYEDA AKTER

Biman's bid to resume flights to New York hangs in the balance, as the national flag carrier is yet to get delivery of a leased aircraft from its lessor Euro Atlantic Airways.

Biman was supposed to get the plane three months after the lease agreement that was signed in November 2009 to hire two Boeing 777-200 ER aircraft for a period of four years.

Euro Atlantic provided the first aircraft early last year, but later expressed inability to deliver the second one after it failed to buy the plane from Singapore Airlines. As an alternative, Euro Atlantic offered another aircraft owned by Egypt Air.

Biman at first was reluctant to accept the replacement, but later decided to take the alternative aircraft after inspecting it in Egypt.

However, Managing Director and Chief Executive of Biman

Bangladesh Airlines Muhammad Zakiul Islam said the airline has completed all the formalities to resume the flight.

"We want to start the flight to New York as soon as possible. But it depends on signing of an agreement for the second aircraft," he told The Daily Star.

"Now both parties (Biman and Euro Atlantic) have agreed on security deposit against an alternative aircraft, but we are yet to receive any paper from them," said The Daily Star.

However, Islam declined to say when they would sign the deal.

For the last two years, the national carrier has been on a promise of resuming flight to the loss-making Dhaka-New York route in line with its attempt to fulfil the present government's pledge to the US expatriates.

The airline abandoned the route in 2006 to trim losses.

Officials had earlier linked the delay to completion of various formalities such as permission from different US offices, including Federal Aviation Administration, New York Port Authority and John F Kennedy Airport.

The airline says these formalities are over now, but it cannot operate on the Dhaka-Manchester-New York with a single aircraft.

The fate of getting delivery of the second aircraft depends on the completion of the negotiation that began early 2010.

One of the objectives of the Biman-Euro Atlantic deal was to improve the capacity and ensure timely departure of Biman flights.

The agreement has the provision of one year wet lease followed by a three-year dry lease.

The rental during the wet lease period (when lessor had to bear the costs of aircraft, crew, maintenance and insurance) was set at \$6,400 each block hour.

The rate was \$600,000 per month during the dry lease

period (when the lessee has to bear the costs of crew maintenance and insurance).

After deciding on the aircraft owned by Egypt Air, Biman has moved to sign a Letter of Intent (LoI) with Euro Atlantic by giving concessions to the lessor on the requirement of showing the ownership proof of the aircraft.

But the discord continued as Euro Atlantic demanded full payment of security deposit from Biman against the aircraft as soon as the LoI is signed.

But Biman says it wants to pay half of the security money after signing the LoI for the replacement aircraft.

The remaining amount the carrier wants to pay after Euro Atlantic shows the proof of ownership.

Recently, Euro Atlantic has agreed with the Biman's proposal, although insiders doubt that the lessor might be unable to deliver the aircraft soon.

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