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BUSINESS

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# Regulator alters share pricing system

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) yesterday modified the book building method, removing the much-talked-about clause on stock valuation.

The clause was related to determining the indicative price of shares of a company, which will use the book building system for an initial public offering, based on the company's earnings per share (EPS) and net asset value (NAV).

The removal of the clause underlines the importance of the mechanism of discovering demand and price of shares by market forces.

The clause that attracted criticism from analysts prescribed that indicative price does not exceed the following yardsticks: 15 times of weighted average EPS of the preceding three years, or three times of NAV, or whichever is lower but no less than NAV of a share.

The stockmarket regulator finalised the amendment at a meeting chaired by Prof M Khairul Hossain, chief of the SEC.

"The commission removed the proposed clause on valuation after scrutinising stakeholders' observation and opinions and taking into account international practices on the method," Saifur Rahman, a spokesperson for the SEC, told reporters after the meeting.

After the stockmarket debacle in January, the government directed the SEC to suspend the book building method. But following recommendations by a high-profile probe committee on the share market crash, the government later instructed the regulator to alter book-building rules, instead of suspending the system, as it is practised in other countries.

In line with the final modification, Rahman said, directors and sponsors of an issuer company would not be an issue manager for their own company under

*An eligible institutional investor can bid for the highest 5 percent share: SEC*

the system.

An issuer company will have to run advertisements in five national dailies with a 10-day notice about holding a road-show, and within next three workdays of the road-show, the issuer company must set the indicative price of its shares and submit it to the SEC, according to the rules.

In the bidding for price discovery, at least 20 institutions from six categories will have to participate. From each category,

at least three institutions will have to take part in the bidding, said Rahman, also an executive director of the SEC.

The asset management companies would be allowed to become institutional investors, and they can participate in the bidding, he said.

Ten percent shares of an IPO will be reserved for the institutional investors who will set the indicative price, and the ratio of eligible institutional investors would be 40 percent. An eligible institutional investor can bid for the highest 5 percent share, he said.

The lock-in period for the eligible institutional investors would be six months, the SEC official said.

The SEC also finalised a draft on amendment of right issue rules and it will be published in the daily newspapers for public opinion. The regulator further completed a guideline on placement, and a notification will be issued soon to this effect, Rahman added.

# Sleeping bags retain duty-free access to US

SAJJADUR RAHMAN

Finally, Bangladesh-made sleeping bags retain the duty-free export facility in the US market till July 31 2013.

The decision came after the US Senate passed a legislation renewing the expired Generalised System of Preferences (GSP) programme on September 22.

"Finally, our efforts have paid off," a commerce ministry official told The Daily Star yesterday.

The US instituted the GSP in 1976 by the Trade Act of 1974. Congressional authorisation of the GSP programme expired in December 2010. As of mid-September this year, the Congress had not reauthorised the programme, shadowing the export prospect of the Bangladesh-made sleeping bags.

The GSP provides preferential duty-free entry for about 4,800 products from 129 designated beneficiary countries and territories, including Bangladesh. But Bangladesh does not benefit much from the GSP as there are no apparel products on the list of the preferential items.

The Bangladeshi sleeping bags used to enjoy the GSP in the US market till 2010 as it does not fall under the textile category. But a blow came in late 2010 when Excel Outdoors, a US manufacturing company,

lodged a petition with the United States Trade Representative to request cancellation of the GSP for sleeping bag imports from Bangladesh.

Senator Jeff Sessions of Alabama also lodged an objection in December last year demanding a ban of duty-free import of sleeping bags. Sessions argued that sleeping bags should be subject to tariff, like other textiles, because the item competes with American manufacturers.

Bangladesh did not only protest the inclusion of sleeping bags in the textile category but also lobbied strongly involving exporters.

Bangladesh had to face at least two hearings before the United States International Trade Commission on the GSP facility for Bangladesh-made sleeping bags.

Duties on the export of sleeping bags to the US vary between 10 percent and 40 percent, while the average duty for the item is 12 percent, according to exporters.

The sleeping bags manufacturing industry in Bangladesh is still new and only two or three companies (foreign) are making the item. Total export income from sleeping bags was \$5.3 million in 2010, up by 770 percent from that of 2009. Their exports were \$17,000 in 2008.

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Sanjiv Kapoor, second from left, chief executive officer of GMG Airlines, announces some special services for its hajj passengers, in a press briefing at Dhaka Regency Hotel yesterday.

# GMG's public offer far off

## Airline launches special hajj services

STAR BUSINESS REPORT

The initial public offering (IPO) of GMG Airlines is likely to be delayed as the airline looks to find a 'good time' to go public after having a revised business strategy.

According to GMG, the stockmarket regulator had suspended the book-building method earlier this year, halting the carrier's plan to float shares to the public. The country's largest private airline is owned by Beximco Group.

GMG was one of several companies whose planned IPOs were put on hold as a result of the book-building suspension, Chief Executive Officer Sanjiv Kapoor said in a writ-

ten statement yesterday.

The airline issued the statement after a news conference at Dhaka Regency Hotel where the top executive, replying to a query, said GMG's IPO has been 'postponed'.

"We intend to do the IPO. But the exact date has not been determined yet," he told the press meet organised to unveil services for hajj pilgrims this year.

The airline that starts its first hajj flight tomorrow will transport 14,000 pilgrims this year, up from 3,000 pilgrims last year.

Kapoor said GMG has set up a 24-hour help desk to let passengers get information related to hajj flights. It hopes to operate 79 flights and eight

flights a week for carrying the pilgrims.

"We hope this special arrangement will be helpful for the devotees," said Kapoor.

To let the passengers be in touch with their loved ones in Bangladesh, GMG has signed a deal with Airtel Bangladesh and United Commercial Bank Ltd (UCBL). Airtel will offer special rates on roaming solutions for the hajj pilgrims of GMG and UCBL will provide GMG customers discounted fees on their international credit cards.

Upon returning from the hajj, Airtel roaming customers who flew GMG Airlines will receive a 7 percent discount on service given by GMG.

# Stocks slip back into the red

STAR BUSINESS REPORT

Stocks plunged 1.87 percent as a price correction pushed down market indices yesterday.

The benchmark General Index, DGEN, the yardstick of Dhaka Stock Exchange, closed at 5,879, after declining 112 points.

The market that started off amid buoyant spirits was on course to cross 6,000 points, a psychological support level, but profit booking pushed the index into the red, said LankaBangla Securities.

The general index started falling slowly after a series of rapid fluctuations.

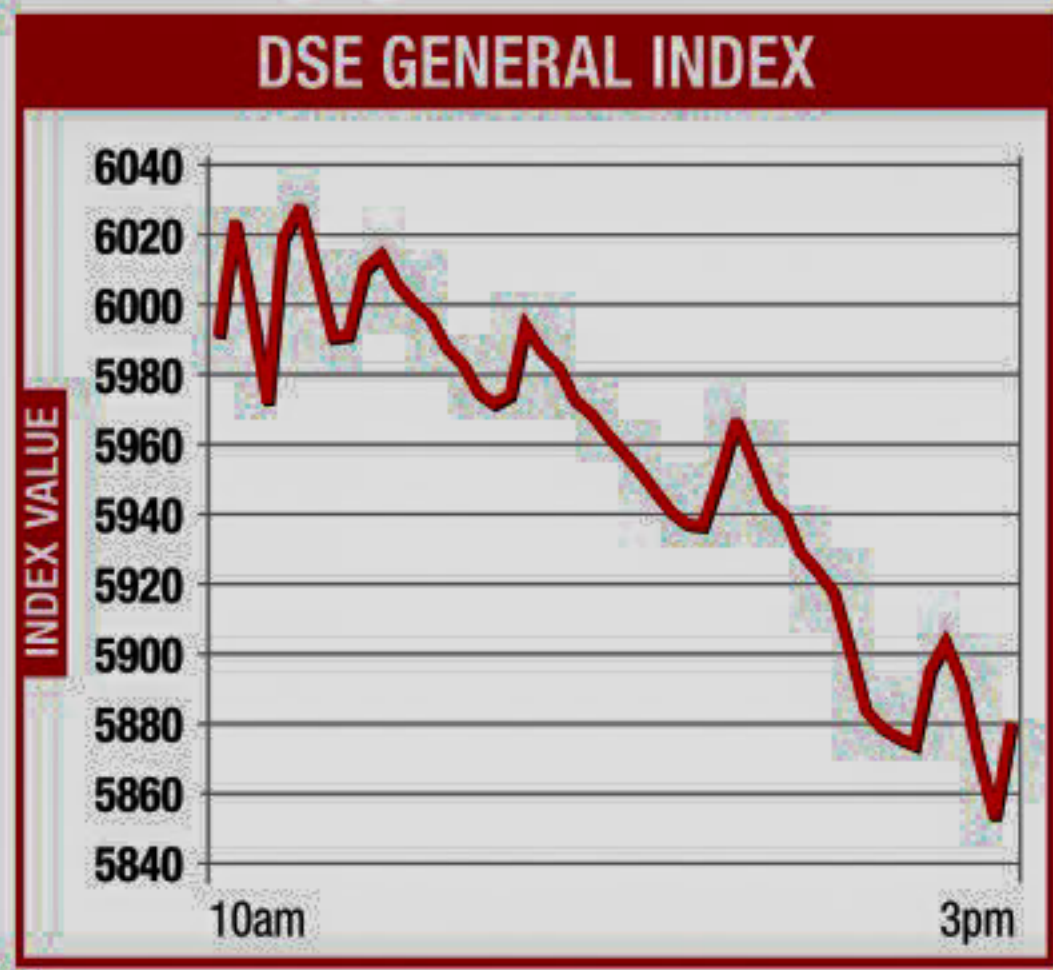
Turnover on the premier bourse stood at Tk 512 crore, which is down 4.02 percent, while the volume stood at 5.55 crore, down 6.07 percent from the previous day.

The total trade slipped to 1.20 crore, 4.74 percent down from the previous day's total trade.

Of the 261 issues that traded on the DSE, 235 declined and 24 advanced. Two securities remained unchanged.

Lafarge Surma Cement topped the turnover leaders with 3.80 lakh shares worth Tk 23.91 crore changing hands.

EBL NRB Mutual Fund was the biggest gainer of the day as it posted an 8.53



percent rise. Alltex Industries was the worst loser, slumping 6.29 percent.

All sectors retraced: banks 2.01 percent, non-bank financial institutions 1.35 percent, pharmaceuticals 1.46 percent and power 1.58 percent.

Grameenphone, which represent the telecoms sector, lost 2.08 percent.

The Chittagong Stock Exchange also declined yesterday with the Selective Categories Index, CSCX, closing at 10,662, after declining 234 points or 2.14 percent.

The port-city bourse traded more than 1.09 crore shares and mutual fund units worth Tk 79.05 crore. Losers beat

advancers 22 to 167. Two securities remained unchanged.

# BB seeks applications for new banks

REJAUL KARIM BYRON

Bangladesh Bank (BB) has invited applications from interested sponsors to set up new banks in the private sector with stringent conditions.

The entrepreneurs have been asked to submit applications by November 30 along with a non-refundable fund of Tk 10 lakh to the central bank.

The BB also posted a final guideline on its website what the applicants should follow in submitting their proposals.

Though many quarters, including the International Monetary Fund (IMF), opposed the move to allow new banks in the private sector, BB has finally sought applications for the proposals.

Sponsors for a proposed bank will have to provide an initial mini-

mum capital of Tk 400 crore, which must come from net worth declared to the tax authorities.

According to the guideline, if any individual or any member of his family is or had been a loan defaulter with a bank or financial institution at any time during the first five years shall not be eligible to apply as a sponsor of the proposed bank.

The guideline said an individual who is awaiting verdict of any undisposed lawsuit in any court or tribunal against his loan default status shall be disqualified.

It said if anybody has an unpaid undisputed arrear of income tax assessed for the current year or any past year will not also be eligible.

If any sponsor who is penalised or awaiting verdict on any suit in any court or tribunal or has not

submitted overdue tax return for the current year or has undisposed tax prosecution reopened will not be eligible.

The guideline also said, any body having unpaid liability for any undisputed customs duty, value-added tax, supplementary duty, excise duty or is awaiting verdict on any prosecution in any court or tribunal shall not be eligible to be a sponsor of the proposed bank.

The guideline said BB will evaluate proposed sponsors on expertise and integrity and any potential for conflicts of interest. The proposed sponsor will have no record of criminal activities or adverse regulatory judgments that make the person unfit to uphold important position in a bank.

Though the number of banks in Bangladesh is the highest in the

countries of the sub-continent, but the finance ministry requested the central bank to allow some new banks as per the government's political decision.

However, the central bank is the sole authority regarding giving permission to set up new banks. The central bank board recently approved a proposal to allow some new banks with some stringent conditions attached so that good entrepreneurs come to the sector.

Last week, the visiting IMF mission led by David Cowen in a report sent to the government said the government should defer lifting the cap on new banking licences until the central bank's supervisory capacity is strengthened, the commercial banks' liquidity pressure eases and new governance standards are in place.

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