

COMMODITIES		ASIAN MARKETS				CURRENCIES						
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
0.14%	0.13%	\$1,628.80 (per ounce)	\$82.61 (per barrel)	1.46%	0.01%	1.22%	0.26%	BUY TK	75.25	101.05	116.00	0.98
5,910.74	10,665.05			16,453.76	8,700.29	2,675.16	2,359.22	SELL TK	76.25	105.14	120.09	1.07



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Star BUSINESS

DHAKA MONDAY OCTOBER 3, 2011, e-mail: business@thedailystar.net

Rush to set up LPG plants

SAJJADUR RAHMAN

Surging demand for liquefied petroleum gas (LPG) from the fast-expanding housing sector is forcing entrepreneurs to quickly install plants and grab a share of the growing market.

About a dozen companies are in line to join the existing six, which include two state-owned firms. But some 30 companies have applied to the government, seeking permission to install LPG plants, according to the energy and mineral resources ministry.

Business groups such as Orion and MJL Bangladesh are to hit the market soon while Navana, Amin Mohammad and Sanwara are also in the pipeline. ParTex Group plans to come into the business too. Most plants are being set up in Mongla Port areas.

"Many private companies are coming up to grab a share of the growing domestic market. Gradually, LPG may be used commercially in Bangladesh," said Salman Karim, managing director of Orion Group, the parent company of Orion Gas.

The Tk 150-crore Orion Gas is likely to start commercial production next year.

LPG, which is considered a safe, eco-friendly and healthy cooking fuel, is derived from both crude oil and natural gas. Along with domestic use, LPG is also used as an efficient source of energy in various industrial and commercial applications. But it costs several times more than natural gas and 20 percent more than kerosene.

The concept of LPG is relatively new in Bangladesh, arising after it was believed that there was not



enough natural gas both for household and industrial consumption. At present, many companies are affected by the gas crisis and new ventures are not getting gas connections. As a result, many are incurring huge losses and bearing the burden of bank interests.

Different estimates show demand for LPG is 500,000 to 600,000 tonnes a year against a supply of only about 75,000 tonnes. The supply is backed by imports of 50,000 tonnes.

The huge demand and supply shortfall often leads to a dramatic rise in prices of the product at local markets, according to industry players. A 12 kilogram cylinder

costs nearly Tk 1,500 at the retail level.

"A cut in VAT and duty reduction for imports have encouraged investors to come into the business," said Muhammad Sofir Uddin, head of operations of Orion Gas.

Importers can now easily import gas from Abu Dhabi, Singapore, Malaysia and Indonesia, he added.

"Hundreds of flats in different cities remain unsold or the buyers cannot reside in the flats due to the non-availability of gas connections," he said.

Fazlur Rahman, who is in charge of LP Gas Ltd, a subsidiary of state-owned Bangladesh Petro-

leum Corporation, said more companies in the private sector can help reduce the price of LPG at the consumer level.

"The present business model dominated by a few will be hit hard if more companies come into the business," said Rahman, citing an example where they sell a 12.5 kilogram cylinder to dealers at Tk 631 only, which is sold at more than Tk 1,200 at the user-level.

A senior official of Premier LP Gas Ltd that markets the brand TOTALGAZ also said the high price deters the growth potential of the market.

sajjad@thedailystar.net

SEC plans to rewrite rights issue rules

SARWAR A CHOWDHURY

The stockmarket regulator plans to amend the rights issue rules to ensure more transparency in the mechanism of raising funds by listed firms.

Profitability record in preceding years, submission of credit rating and original auditor's report in case of premium value, and "due diligence" certificate by directors are the key features in a proposed amendment to the Rights Issue Rules 2006.

The amendments will be published in several national dailies and also be posted on the website of the Securities and Exchange Commission for public and stockmarket analysts' opinion, said an SEC official.

"After scrutinising the public and experts' opinion, the amendment will be finalised in a commission's meeting and a gazette to this effect will be published later," the official added.

Earlier at a meeting on September 27, the commission approved a draft of the proposed amendment to the rights issue rules.

A rights issue is an issue of additional shares by a listed company to raise capital from the existing shareholders. With the issued rights, the existing shareholders have the privilege to buy a specified number of new shares from the firm at a particular price within a specified time.

A rights issue is in contrast to an initial public offering, where shares are issued to the general public through market exchanges.

In line with the proposed amendment, a listed company that will intend to offer rights issue must have profitability record in immediate preceding year. It will be a new insertion into the rules.

Removing the words "net positive cash flows from its operating activities" from an existing clause, the SEC proposed: "No issuer of a listed security shall price its rights share above par value, if it has not been in commercial operation for immediate past three years having a track record of profitability."

The SEC also proposed deleting a rule that asks for submitting cash flows state-

ment, profit and loss account, balance sheet and notes to the accounts of the issuer made up to a date not earlier than 180 days from the rights share offer document date, together with certificate from the auditors.

If a company offers rights issue at a premium value, it will have to have credit rating from a rating agency -- a new insertion into the rights issue rule.

Rules may be inserted to confirm submission of original auditor's report to the commission, due diligence certificate by the directors, and submission of Memorandum and Articles of Association, Certificate of Incorporation, Certificate of Commencement of Business, Return of Allotment of Shares and Particulars of Directors.

An application for issuing rights share along with the offer document will have to be furnished to the commission for approval within fifteen working days of approval of such issue by the shareholders of the company in a general meeting, the amendment proposal said.

The existing rules said, such application will have to be submitted within fifteen days of the general meeting.

As per the amendment, an issuer company will need to justify the offer price of its rights share. Presently, an issuer firm has to justify the offer price only if it seeks premium value.

An existing rule says earning-based-value per share should be calculated on the basis of weighted average of net profit after tax for immediately preceding five years or such shorter period during which the issuer was in commercial operation.

But now, according to an SEC proposal, "preceding six months' average sectoral price-to-earning should be taken into consideration."

The market also proposed imposing a lock-in period for three years for shareholders having 5 percent or more holding. Presently, a three-year lock-in period is effective only for directors.

sarwar@thedailystar.net

Analysts fear slowdown in exports to EU

REFAYET ULLAH MIRDHA

Garment exports to European countries may witness a sluggish trend in the coming months as a financial meltdown, stemming from a debt crisis, looms large over Eurozone, said analysts.

They suggested both the government and exporters monitor the market regularly to avert any disaster.

However, the analysts said the exports to the EU will continue growing, but not at the expected rate.

Businessmen said large exporters were called to Europe by the major clothing brands to decide on strategies during the crisis.

The EU-27 nations are in troubles when countries such as Greece are going through a financial crisis, while Spain, Portugal, Iceland and Italy also feel the pinch.

Ahsan Kabir Khan, managing director of Interfab Shirt Manufacturing Ltd, said the exports are still good.

"In near future, exports might slow down as demand will sink," he said. "We apprehend cuts in prices."

Anwar-ul-Alam Chowdhury Parvez, former president of Bangladesh Garment Manufacturers and Exporters Association, said retail sales are bad in the EU.

"But, Bangladesh will not be affected much as it is regarded as the replacement of China, the largest apparel supplier globally."

Zaid Bakht, research director of the Bangladesh Institute of Development Studies, said the garment sector might face problem, but it may not be any major setback as Bangladesh is a strong player in basic garment.



Women work at a garment factory in Gazipur. Apparel exports to the EU may slow down.

Bangladesh needs market diversification to offset any sudden financial crisis, he said.

Sadiq Ahmed, executive director of Policy Research Institute, said the EU economy has a good link with the US.

"If the EU is affected, the US will also be affected, meaning there will be a bad impact globally," he said. If the crisis is prolonged, exports will be affected, he said.

"Both the government and exporters should monitor the market regularly."

Khondaker Golam Moazzem, a senior

research fellow of Centre for Policy Dialogue, said exports might not be affected as the major destinations such as Germany, UK and Spain are still responding well.

"The problem will not last long as the leaders of the EU are trying hard," he said.

Bangladesh exported knitwear worth \$6.90 billion to EU in fiscal 2010-11 and woven garments worth \$3.61 billion, according to Export Promotion Bureau data. The amounts were \$4.71 billion and \$2.48 billion respectively in the previous year.

Arirang launches flying school

STAR BUSINESS REPORT

Arirang Aviation Ltd, a sister concern of Youngone Group, started its chartered operations and international standard flying school on Saturday.

Civil Aviation and Tourism Minister GM Quader inaugurated the flying school and chartered operations at a programme at the newly built Arirang Hangar Complex at Hazrat Shahjalal International Airport.

Ambassador of Republic of Korea Taiyoung Cho, Civil Aviation Secretary Atharul Islam, Chairman of the Civil Aviation Authority of Bangladesh Air Commodore Mahmud Hussain and Chairman and Chief Executive Officer of Youngone Group Kihak Sung spoke on the occasion.

"We've invested \$28 million from our own cash capital and are hoping for future investment with the expansion of the business," Arirang's Chief Pilot and Executive Director Sikder Mesbahuddin told The Daily Star.

Arirang started its flying school in December last year with eight students who will have 150 hours flying experience. The two-year course will cost them Tk 30 lakh each.

Mesbahuddin also said their chartered operation with four aircraft will be started

soon. He said all the aircraft will be used as air ambulance as those are fitted with modern medical evacuation equipment.

Now the flying school has 16 students as the second batch enrolled in July this year, said Flying Operation Manager Sarower Hossain.

"I got admitted into this school as it got new training planes -- a Cessna 152 and a Cirrus generation 3rd aircraft -- and has the most modern equipment," said Hossain who himself is a student.

The tourism minister welcomed Youngone Group CEO and said: "Such business is now a necessity. There is a dearth of pilots and chartered air services. The new Arirang Aviation ventures will meet the growing demands in this sector."

He said Youngone Flight Department is the pioneer in corporate flight operation for the last 12 years with excellent flight safety records. He pledged to ensure safe and secure flying and international standard training to pilots. The minister also pledged to extend all out co-operation to Sung.

"Youngone's this new investment will strengthen the friendly relationship between South Korea and Bangladesh," said Korean ambassador. He emphasised on investment between the countries which would help each other.

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