ASIAN MARKETS

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DHAKA FRIDAY OCTOBER 7, 2011, e-mail:business@thedailystar.net

COMMODITIES

Fuel imports soar on rental power plants

REJAUL KARIM BYRON

STOCKS

DGEN

Import of both petroleum products and capital machinery increased significantly in the first two months of the current fiscal year mainly due to a rush in setting up quick rental power plants for a shortcut solution to the power crisis.

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According to the central bank's letter of credit (LC) settlement statistics, import of petroleum surged by 151 percent in the July-August period of the current fiscal year compared to the same period last year.

Such a rise was 50 percent in the same period last year.

According to the LC settlement statistics, capital machinery import went up by 44 percent during the two-month period this year, while such an increase was by 23 percent in the same period last year.

A finance ministry official said the import of petroleum shot up because of a rise in import of diesel and furnace oil to meet the soaring demand from the quick rental power plants.

The import of petroleum products will increase further in future, showed the LC opening statistics.

In the first two months of the current fiscal year, LC opening for import of petroleum products rose by 92 percent.

200 IMPORT TREND In percent 150 100 50 LC settlement LC opening LC settlement Petroleum Capital Machinery Petroleum LC opening Capital Machinery JUL-AUG FY11 JUL-AUG FY12

In the current fiscal year, the government will have to import 68.9 lakh tonnes of petroleum, of which 21.50 lakh tonnes will be consumed by the power plants, according to an estimate by the Finance Division.

Last year, the total fuel import was at 48.75 lakh tonnes, of which 9.26 lakh tonnes were used by the quick rental power plants.

Power generation by such plants started last year. Before that, Bangladesh used to import 32-35 lakh tonnes of fuel every year.

Due to these power plants, the import of capital machinery also marked a rise last fiscal year, and the trend will continue this year.

However, as most of the capital machinery for power plants has already been imported, the

import is showing a slow pace in

the current fiscal year.

In the first two months of the current fiscal year, LC opening for import of capital machinery dropped by 38 percent, against a 98 percent surge during the same period last year.

Till May this year, the government has awarded permission to the private sector to install 24 power plants with a total generation capacity of 2,770 megawatts.

Of them, 14 have already gone into power generation and the rest 10 are being set up. After May, the government also gave permission for setting up some more power plants under the private sector.

Seventeen power plants, most of them diesel-run, are also being set up on the government's own initiative.

CURRENCIES

SHANGHAI

0.09%

STANDARD CHARTERED BANK

€EUR ₩GBP ₩JPY

75.40 99.17 114.57 0.98

Capital machinery import increased in the recent times due to the power plants, but as no more permission is being given now, the import of capital machinery has taken a downslide.

However, import demand for petroleum products has been on the rise and it will continue to go up in future, the finance ministry official said.

Meanwhile, at a dialogue at The Daily Star office yesterday, economists said quick rental power plants have created various effects on the economy.

They said, as a short-run solution, there was no alternative to setting up quick rental power plants, but the government will have to come up with a long-term solution to the power crisis.

According to the finance division estimate, if the fuel price is not hiked, Bangladesh Petroleum Corporation will have to count a subsidy of Tk 28,014 crore this

A finance division official said, to pay the subsidy, the government will have to increase its borrowing from the banking sector, pushing up inflation and interest rate further.

It will also hinder private sector investment, the official added.

Submarine Cable Company submits IPO prospectus

SARWAR A CHOWDHURY and ABDULLAH MAMUN

Bangladesh Submarine Cable Company has submitted its initial public offering (IPO) prospectus to the stockmarket regulator, revising its previous listing plan, officials said. Earlier the telecom service provider

planned listing through a direct listing method, but now it opts for a fixed price system. Under the revised plan, the company

will float 3.10 crore ordinary shares of Tk 10 each at an offer price of Tk 35, using the fixed price method. Previously, under the direct listing method, the offloading price of each share was supposed to be determined by insti-

tutional investors through bidding. However, the bidding process was going to use the book building method, which has been suspended now. With instructions from the government, Securities and Exchange Commis-

sion suspended the book building

method in January, following a debacle in

the share market. The listing process of the company was stalled after the book building system was suspended, said an official of Bangladesh Submarine Cable.

"After that, we were advised by our issue manager to go for an IPO using the fixed price method," the official added.

The change in plans will also help the company financially, as it needs working capital to set up another substitute cable line

to acquire bandwidth and ensure uninterrupted voice and data supplies, he said.

"If the shares were offloaded through the direct listing method, the money would go to the shareholders and the company could not use it," the official said.

Now the funds to be raised can be used for the second cable line project, he added.

Md Monwar Hossain, managing director of Bangladesh Submarine Cable, confirmed that they submitted the IPO proposal to the SEC. They were asked to provide some necessary information to the commission.

"We will submit the additional information to the commission on Sunday," he

Nasir Uddin Ahmed, chief executive officer of ICB Capital Management, the issue manager, said the existing paid-up capital of Bangladesh Submarine Cable is Tk87.50 crore.

The net asset value per share with asset revaluation is Tk 17.56 and without asset revaluation is Tk 15.69. The existing earnings per share of the company is Tk 3.37, Ahmed added.

Formed in July 2008, Bangladesh Submarine Cable presently handles Bangladesh's lone submarine cable -- SEA-ME-WE-4 -- and represents the country in the SMW-4 international cable consortium.

The existing bandwidth of the company is 44.6 Gbps. The company is upgrading its capacity to 160 Gbps that will be completed by February next year. The company is spending Tk 50 crore for its capacity upgradation.

Customers take a look at furniture at the National Furniture Fair 2011 that started at Bangabandhu International Conference Centre in Dhaka yesterday. The event ends on October 11.

Minister signals steps to boost furniture exports

STAR BUSINESS REPORT

The government plans to cut year." duties on imports of raw materials for furniture to increase exports, said the commerce minister yesterday.

"Furniture has an international market of \$50 billion, and Bangladesh has good potential in the sector as we have enough manpower," Faruk Khan said.

The minister spoke at the inauguration of the "10th National ket. Furniture Fair 2011" at

Bangabandhu International Conference Centre in Dhaka. "Bangladesh exported furniand we can achieve our target the event that will remain open chairman of the Export Promoof exporting \$25 million this from 9am to 9pm. The fair ends on tion Bureau (EPB), and

heritage to the next generation and the international market as most of the designs of furniture came form our heritage," Khan furniture sector. added.

arranging "certificate-oriented training" to make experts for the national and international mar-

Eighty two local and interna- ucts. tional companies are participating in the six-day fair.

Most of the companies are ture worth \$21 million last year offering discounts on products in

October 11.

of Bangladesh Furniture Industry Owners Association, said export rules must be developed for the

The sector will create jobs for He stressed the need for 50 lakh people, he said, adding that an international furniture fair will be organised in Bangladesh in January to make the world market familiar with local prod-

Jashim Uddin, first vice president of the Federation of Bangladesh Chambers of Commerce and Industry; Jalal Ahmed, vice-

Mohammad Ullah, convener of "We can also showcase our KM Akhtaruzzaman, president the fair committee, also attended the programme.

EPB and Katalyst teamed up to produce furniture of "global standards" and widen the export basket. The EPB has taken a work plan to develop the sector.

NOTICE

We bring out today four pages instead of our

Govt goes for hefty borrowing from banks

REJAUL KARIM BYRON

The government's borrowing from banks increased substantially at the beginning of the current fiscal year.

In the first two and a half months of the current fiscal year, the government's borrowing from the banking sector surged by a whooping 2,086 percent over the same period last year.

Till September 15, the government

borrowed Tk 7,893 crore from banks -- of the amount Tk 4,203 crore was from the central bank, which is more dangerous for inflation. During the same period last year, the

government borrowed Tk 362 crore from banks.

However, the government's borrowing through savings instruments fell further this year.

Statistics of the government's borrowing through savings instrument was available only for the month of July.

According to central bank statistics, net ings instruments.

borrowing from the savings instruments fell by about 100 percent in July, compared to the same month last year.

The government's net borrowing from the savings instrument was Tk 311 crore in July this year, down from Tk 624 crore in July last year.

In the last fiscal year also, the government's borrowing from the savings instruments dropped significantly as these are less profitable than other savings tools.

At a dialogue at The Daily Star office yesterday, noted economists, including a former governor of the central bank, said the government must refrain from hefty borrowing from the central bank.

An Internal Resources Division official said interest on savings instruments was hiked slightly in the current fiscal year, but the rate of interest on bank deposit rose more than that.

As a result, the official said, people are more interested in keeping their money with the banks, instead of going for sav-

SME tech fair starts tomorrow

STAR BUSINESS REPORT

...... A nine-day fair to showcase small and medium enterprises technology begins in Dhaka tomorrow.

The "SME Technology Fair" will be held at the city's Bangladesh Handball Federation Covered Stadium, according to a statement.

The NSIC India, SME Foundation and Bangladesh Federation of Women Entrepreneurs are orginising the fair with support from the industries ministry and Bangladesh Bank.

About 40 SME enterprises from India are expected to attend the event that opens to visitors from 10am to 6pm daily.



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