

**NCC Bank**  
**Elephant Road Branch**  
 is now at own premises from **02 February 2012**

New Address:  
 Spectra Maqsood Tower (1st Floor)  
 65, Elephant Road, Dhaka.

**NCC Bank Ltd.**  
 Where Credit and Commerce Integrates  
 www.nccbank.com.bd

# star BUSINESS

DHAKA THURSDAY FEBRUARY 2, 2012, e-mail:business@thedailystar.net

## Govt forms panel on sovereign bonds

**REJAUL KARIM BYRON**

The government has set up a seven-member committee to find ways to float sovereign bonds in the international market to ease pressures on the balance of payments, the country's accounting record.

The committee formed last week and headed by Syed Manjurul Islam, additional secretary of the Finance Division, will submit a report within one month.

Members of the committee include representatives from Bangladesh Bank, National Savings Directorate, Policy Research Institute (PRI) the finance ministry and managing directors of Sonali and Trust banks.

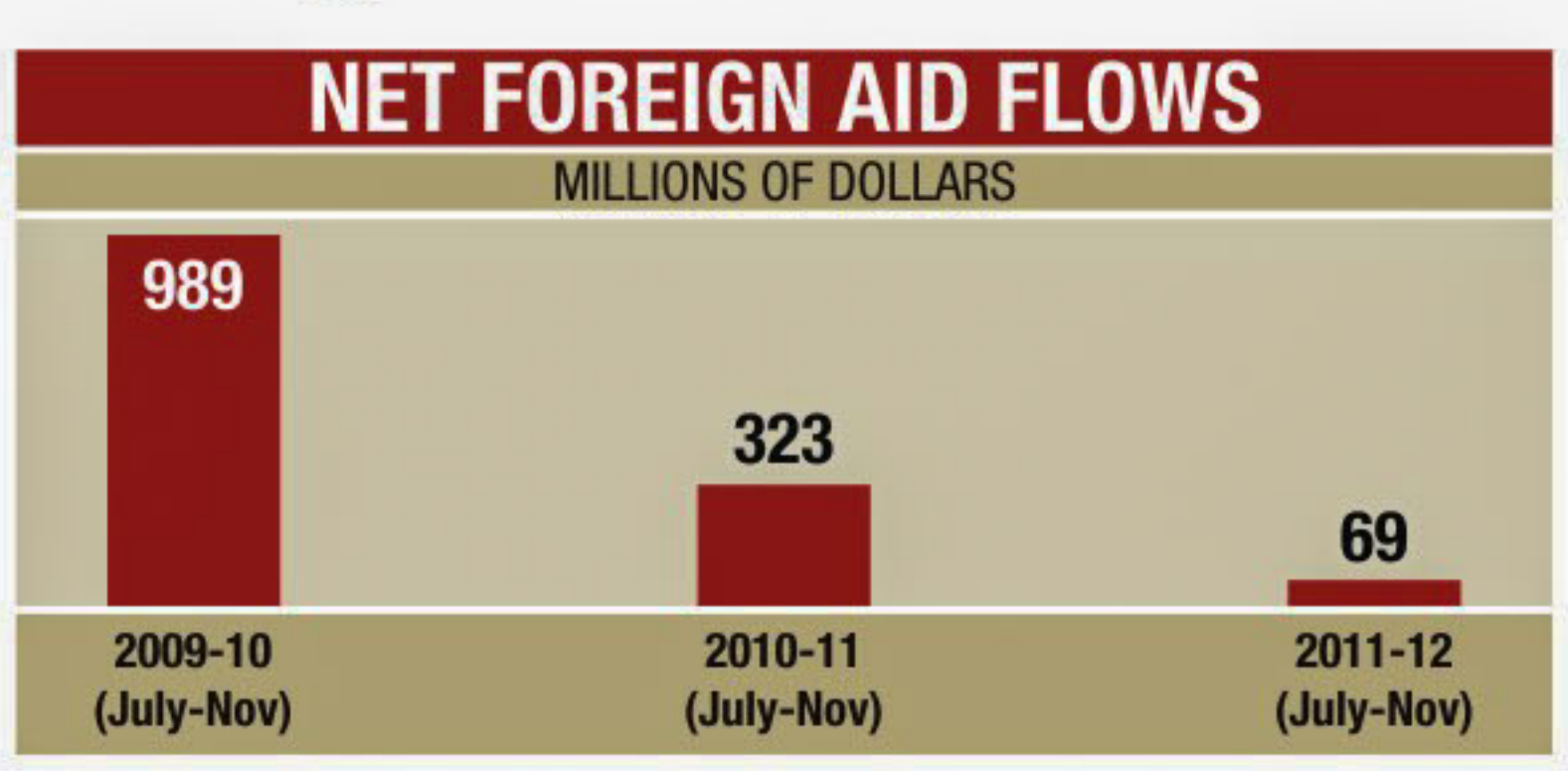
The government plans to float sovereign bonds to the tune of \$500 million in the international market. Two foreign banks have already submitted proposals to the finance ministry.

The committee's other responsibilities include studying the availability of credit in international markets and recommending interest rates.

The committee has also been told to redesign premium bonds for expatriate Bangladeshis and recommend whether the interest rates against the savings certificates should be adjusted upward or not.

Bonds issued by national governments in foreign currencies are normally referred to as sovereign bonds or debt instruments.

In December last year, BB gave a



set of recommendations to the government in favour of floating sovereign bonds, after the central bank's board of directors predicted that the BoP could become a major headache in the coming days.

The central bank also wrote that the government can take long-term credit at low costs by issuing the bonds.

It also mentioned some negative aspects of the bonds. It said at the time of repayment of loans in foreign currency, the country may face pressures due to a devaluation of the local currency.

Finance Minister AMA Muhith also said yesterday that the government is planning to float sovereign bonds.

"It is high time to float such funds," he told businessmen during a discussion at the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) in Dhaka.

He said international rating agencies -- Moody's and Standard & Poor's -- have assigned good ratings for Bangladesh. "We want

international market.

A finance ministry official said they are planning to raise \$500 million through bonds primarily to keep any potential risk under control. If the bond is undersubscribed for any reason, the country will not be able to float the same bond in the next two to three years, he said.

Sri Lanka has recently taken foreign loans for 10 years at an interest rate of 6.25 percent by issuing sovereign bonds, said a central bank official.

At present, the bond is being issued in the international market at an interest rate of 5 percent to 5.5 percent.

Bangladesh's BoP is now under pressure due to the import of a huge volume of petroleum to feed its power plants and a sharp decline in net foreign aid.

International Monetary Fund predicts the deficit in the current account balance could be \$1.4 billion dollar in the current fiscal year.

BB also projected the same scenario but put the figure at \$250 million.

In its monetary statement released on Thursday, the central bank said as a result of multiple pressures in the external sector, the exchange rate has depreciated, with the taka's value falling by around 15 percent vis-à-vis in the 12 months preceding mid-January 2012 and foreign exchange reserves have also fallen from \$10.1 billion to \$9.2 billion during the period.

## Bangladesh keeps up stable outlook

### S&P rates the country BB- in Jan update

**STAR BUSINESS REPORT**

Standard & Poor's, a leading rating agency in the world, has affirmed Bangladesh's sovereign credit rating with a stable outlook, which would give a much-needed boost to the country's under-pressure economy.

The US-based financial services company gave Bangladesh a "BB-", thanks to its strong growth prospects, adequate external liquidity and substantial donor commitment to improve its debt ratios, according to its latest update as of January 13.

Bangladesh received the same rating and outlook from the firm in 2011 and 2010.

The rating came a few days after another international rating agency, Moody's Investors Service, reassessed Bangladesh and left its rating unchanged at "Ba3", which the central bank believes would help the country float its first ever sovereign bonds.

The outlook reflects an unchanged rating based on their quarterly desk review of the economy, said Hassan Zaman, senior economic adviser to the governor of BB.

The rating agencies will visit Bangladesh for a more in-depth assessment of macroeconomic developments in April-May this year and will review the rating at that stage, he told The Daily Star.

Both ratings are expected to give Finance Minister AMA Muhith "a sigh of relief", who only Tuesday said a black shadow came over the economy due to uncertain trends on the global economic front.

In its report in November last year, Standard and Poor's said Bangladesh's limited fiscal flexibility due to a low revenue-generation capacity against, relatively high public and external debt and

significant physical and human capital development needs constrain the sovereign ratings.

"Strong and stable economic growth and ongoing substantial donor engagement, which support continued improvements in debt ratios, underpin the ratings. Adequate central bank reserve coverage is another supporting factor for the ratings," it said.

Sovereign credit rating is an important tool to position a country in the global financial arena by providing information on the overall economic situation.

Standard and Poor's said the stable outlook reflects Bangladesh's strong growth prospects and ongoing donor support, which ensures low-cost and long maturity external debt that minimises refinancing risk. These factors are balanced against emerging balance of payments (BoP) pressures as remittance growth slows and imports expand, and the risks from rising inflation and a weakened banking sector.

"We could raise the ratings if the government persists with measures to expand the revenue base and improve administrative and collection efficiency, leading to a material rise in its revenue. We could also upgrade Bangladesh if rising investment leads to a sustainable increase in real GDP growth."

"Conversely, we could downgrade the sovereign if fiscal slippages result in rising public debt and external donor support declines materially. We could also lower the ratings if incipient BoP pressures accentuate and lead to an erosion of external liquidity through lack of appropriate policy responses," said Standard and Poor's.

## SEC okays LankaBangla's rights offer

The company plans to raise Tk 82.35cr

**STAR BUSINESS REPORT**

The Securities and Exchange Commission has approved a rights offer of LankaBangla Finance, which will raise Tk 82.35 crore from its existing shareholders.

The permission came at a meeting of the stockmarket regulator on Tuesday with SEC Chairman M Khairul Hossain in the chair, according to a statement.

The company will issue over 8.23 crore ordinary shares of Tk 10 each at par. The joint venture financial institution will offer one rights share for each existing share.

LankaBangla Finance, with an existing paid-up capital of Tk 82.35 crore, will use the proceedings from the rights offer to strengthen its capital structure in line with Basel II requirement.

The Basel II regime is the latest version of risk-based capital standards set for banks and financial institutions worldwide. The accord has been prepared on the basis of three pillars: minimum capital

requirement, supervisory review process and market discipline.

All three types of risks -- credit risk, market risk and operational risk -- have to be considered under the minimum capital requirement.

LankaBangla Finance, which was listed on the stockmarket in 2006, is engaged in lease financing, term financing, factoring, auto loan, SME, deposit scheme, home loan and stock broking.

On the Dhaka Stock Exchange yesterday, each LankaBangla share was traded between Tk 147.60 and Tk 124.80, before closing at Tk 124.90.

**TVS Auto Bangladesh has been honoured as the 4th highest revenue paying company of Bangladesh**

TVS Auto Bangladesh has been recognized as the 4th highest revenue payer among all private organizations in financial year 2010-11 by National Board of Revenue at a ceremony of Chittagong Customs House. This honour will strengthen our commitment to our business ethics, transparency and in overall development of the country.

J. Ekram Hossain, Managing Director of TVS Auto Bangladesh, is receiving the crest from NBR Chairman as the 4th highest revenue payer

Our heartiest gratitude to all our customers, business-partners and well-wishers for being with us in this achievement.

**Now open**  
**MTB Booth & MTB ATM**  
 @ Arrival Hall  
 Hazrat Shah Amanat International Airport, Chittagong

MTB Contact Centre  
 just dial **16219** or **096040 16219**

মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড  
**Mutual Trust Bank Ltd.**  
 you can bank on us

www.mutualtrustbank.com

**Indian auto giants' sales on rise**

*AFP, Mumbai*

India's biggest auto maker Maruti Suzuki on Wednesday said sales in January rose for the first time in eight months, while rival car makers continued to show a steady pace of growth.

Maruti, majority-owned by Japan's Suzuki Motor Corp, said sales climbed 5.2 percent year on year to 115,433 vehicles, led by higher demand for its hatchback models and a jump in exports.

**SPARE PARTS AVAILABILITY - AFTER SALES SERVICE SUPPORT - POWER SOLUTIONS - O & M - EPC**

<p><b>Rolls-Royce</b>  <b>gas generator</b>          3610 KW - 9355 KW</p>	<p><b>Rolls-Royce</b>  <b>HFO generator</b>          5100 KW &amp; 6984 KW</p>	<p><b>Guascor Power</b>  <b>gas generator</b>          261 KW - 1025 KW</p>	<p><b>onsite energy</b>  <b>gas generator</b>          1166 KW - 1948 KW</p>
--	--	---	--

**energy works wonder**  
**ENERGY PAC**  
 www.ENERGYPAC.com  
**Energypac Power Generation Ltd.**

Hotline: 01711-ENERGY (01711363749)  
 E-mail: sales.pgd@energypac.com