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BB warns banks against rising classified loans

SAJJADUR RAHMAN

The central bank yesterday warned 16 banks against a rise in their classified loans in recent months and asked them to bring down the amount immediately.

The instruction came at a meeting between the Bangladesh Bank (BB) and the Association of Bankers Bangladesh (ABB), a forum of chief executive officers of banks. Governor Dr Atiur Rahman chaired the meeting.

The average rate of classified loans of the country's banking industry is 6.57 percent, but the rate is much higher at some banks.

This type of loan has a high rate of borrower default, and raises the cost of borrowing money for the other customers, according to Investopedia.

"The governor also asked these banks to reduce credit growth, which is on the rise, and to control the advance-deposit ratio in line with the monetary policy stance," said the managing director of a private commercial bank who was present at the meeting.

The BB found the private sector credit growth increased to 19 percent now from 16 percent last month.

The governor also asked all commercial banks to settle accepted bills between them as per agreements.

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Rahman said, recently a bank complained to the BB that four banks (accepting banks of bills) are not paying it the bills.

"We have cut the amount from those four banks and deposited it to the complainant bank," the governor said in a statement.

Similarly, some other banks made such complaints and six banks have been given 10 days of time to settle those payments, said Rahman.

By accepting the bill or draft, a bank agrees to pay the face value of the obligation if the issuer bank (the drawer of the draft) fails to pay. By lending its name to the transaction, the accepting bank makes it easier for an importer or exporter to obtain trade financing. A bank, once it has accepted a draft, can either hold the bill or cash it in the money market.

The accepting bank assumes some risk, although in most cases the credit risk is minimal as banks generally deal only with tolerated companies. Maturities on accepted drafts generally range from 30 to 180 days; payment is due at maturity, which usually coincides with delivery of goods to the buyer.

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Bangladesh-made uniforms for British army

Satexco has been supplying uniforms to the army for the last 10 years

REFAYET ULLAH MIRDHA

A Bangladeshi company supplies uniforms to the British army, which is another testimony to the excellence of the country's garment sector.

Satexco, a garment company inside Dhaka Export Processing Zone (DEPZ), has been serving the British army for the last 10 years, said Iqbal Hossain, managing director of the company.

Besides uniforms, the company also regularly supplies army jackets, rucksack, webbing, ammunition pouch, water containers, bayonet holders, pistol holsters and heavy tents, Hossain told The Daily Star yesterday.

He said his company also supplies camouflage dresses, dark olive-coloured dresses, winter jackets, light desert uniforms, wind proof jackets and normal jackets to the army.

"We also supply uniforms and other stuffs to some other European countries like France, The Netherlands, Belgium and Denmark."

He said sometimes he supplies uniforms to the Royal Air Force as well.

"We have a good opportunity to



BRITISH HIGH COMMISSION
Left, Alistair Burt, UK Foreign Office minister for South Asia, takes a look at a military jacket during his visit to a garment factory of Satexco in Dhaka Export Processing Zone on Monday.

grab a bigger market of military uniforms among the NATO [North Atlantic Treaty Organisation] countries, as we have already proved our strength in the segment in major European nations."

"Established in 2000, a European-Bangladeshi joint venture Satexco supplied uniforms and accessories worth \$3 million to the British army while the com-

pany's current annual sales value is \$36 million."

The company maintains a modest 10 percent year-on-year business growth in revenue generation, he said.

He praised the performance of his 500 skilled workers who have been making such specialised clothing items over the years for such sophisticated

customers.

"All the factory personnel of the company are Bangladeshi. But, sometimes we bring skilled technical persons from Europe and other countries to train our workers."

He said his company imports most of the uniform-making fabrics for the European army.

"We make the uniform as per the design and style supplied by the authorities concerned. The high-ups of the armies of the concerned countries regularly inspect the factory and production processes at the DEPZ to ensure quality production," he said.

The uniforms and others stuffs are exported after being tested by a third country, he said.

Hossain started uniform-making business in 2000. A Bangladeshi who was brought up in England, Hossain started garment business with a retired British army major.

"One day the major asked to set up a factory for making uniforms for the British army that matched with my thinking. Finally I partnered with him and set up a factory at the DEPZ."

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MFIs must have succession plans

Say Muhith, Abed and Kholiuzzaman

STAR BUSINESS REPORT

Microfinance institutions (MFIs) should not be dependent on an individual to function properly. These should rather create strong institutional structures and succession plans to carry out activities without their founders or leaders.

AMA Muhith, finance minister, Sir Fazle Hasan Abed, founder and chairperson of one of the largest microfinance institutions BRAC, and Qazi Kholiuzzaman Ahmad, chairman of Palli Karma-Sahayak Foundation (PKSF), shared this opinion at a national conference on microfinance yesterday.

Institutional structures should be such that organisations will run well in future even without their founders or initiators, said Muhith at the inauguration of the event.

Credit and Development Forum (CDF), a network on microfinance, organised the programme chaired by Sir Abed of BRAC, world's largest development organisation.

Bangladesh Bank Governor Atiur Rahman also spoke.

Muhith's remark came after PKSF Chairman Ahmad stressed the need for making succession plan of organisations, especially



STAR
Finance Minister AMA Muhith gives a crest to Bangladesh Bank Governor Atiur Rahman on behalf of Credit and Development Forum at a conference on microfinance at Bangabandhu International Conference Centre in Dhaka yesterday. Sir Fazle Hasan Abed, chairperson of BRAC, is also seen.

the MFIs.

Abed echoed Muhith and Ahmad, saying that initiatives should be taken to ensure institutionalisation and improve governance of the MFIs.

Institutionalisation will facil-

tate the MFIs to improve governance and help them come out of the limitations of depending on individuals, said Abed.

The call comes as some quarters doubt over well functioning and the future of Grameen Bank

without its founder Nobel laureate Prof Muhammad Yunus. The government removed microfinance campaigner Dr Yunus from the post of managing director of Grameen Bank in March last year.

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Local orders cushion shipbuilders against European crisis

SOHEL PARVEZ

Builders of export-oriented vessels are focusing on domestic demand as export orders are on the decline in the face of a debt crisis and economic turmoil in Europe, a key market for local shipbuilders.

Since the beginning of 2012, no orders to make vessels came from foreign buyers, said industry insiders.

"We are paying attention to making vessels for local buyers as the orders from foreign buyers have slowed down," said Md Sakhawat Hossain, managing director of Western Marine Shipyard Ltd.

After making eight vessels for a German buyer, Western Marine, in October last year, inked a deal with the same buyer to make four more vessels.

In line with the previous practices, work on those four vessels was expected to begin from March when the last of the first eight vessels was delivered.

But due to global recession, the buyer has shifted financing for the vessels from March to September, said Hossain.

However, the government's move to allow more oil tankers to carry petroleum, and establish an inland container terminal at Pangaon to carry goods from Chittagong Port through waterways has created scope for the export-oriented shipbuilders to sustain the fall in the

global demand.

Hossain said Western Marine has so far got contracts to make a total of 18 vessels for both private and public sectors in Bangladesh. The vessels include six tankers and nine fishing trawlers, he said.

"Confidence of the local buyers has gone up after we built ships for the Germans. Previously, many fishing trawlers were imported from abroad," said the Western Marine executive.

He said the government should make all its vessels locally to help the shipbuilders overcome the downturn in the global demand. "There should also be provisions so that the private sector makes vessels domestically," he said.

He hoped that the shipbuilding demand might pick up after the year 2012.

This is the second time that the shipbuilders of Bangladesh, relatively new to the smaller vessels segment of world shipbuilding market, face shrinking orders from abroad. During the global recession in 2008-09, the flow of orders to Bangladesh fell considerably.

Abdullahel Bari, chairman of Ananda Shipyard & Slipways Ltd, said the company got many contracts prior to the immediate past global financial meltdown. Of those, a big number of orders did not become effective, he said.

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Indian bank business shrinks: central bank

REUTERS, Mumbai

Deposits and advances with Indian banks have shrunk so far in the fiscal year that began in April, with sluggish economic growth crimping loan demand, the Reserve Bank of India said on Wednesday.

Banks typically see a sharp fall in business growth in the first couple of

months of a new fiscal year as new projects tend to gather steam in the latter half of the year.

Banks saw a net withdrawal of funds, with deposits falling by 367.5 billion rupees to 60.8 trillion rupees as of May 18 from April 6, while advances fell 454.9 billion rupees to 46.5 trillion rupees, the central bank release showed.



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