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Moody's reassigns stable rating to Bangladesh

STAR BUSINESS REPORT
Global rating agency Moody's yesterday gave Bangladesh a stable sovereign outlook of Ba3 for the third consecutive year.

The continuation of the same rating by the agency shows optimism about the country's macroeconomic stability and growth prospects, said Bangladesh Bank Governor Atiur Rahman.

The rating also shows Bangladesh' competence in timely debt repayment, successes in managing external pressures and a largely stable banking system that poses manageable contingent risks to the government's balance sheet, Rahman said.

Bangladesh's rating is higher than that of Sri Lanka (B1) and Pakistan (Caal) and one notch below India's.

The rating agency released its assessment of Bangladesh's 2012 credit rating after a recent visit by its officials.

The governor said the rating did not come as a surprise for the central bank, as they had been expecting this type of rating because of the consistent macroeconomic stability and growth prospects.

He said several other strengths of the economy have also contributed to the stable rating. "Our capacity to pay off foreign debt is increasing day by day. The government's debt to GDP ratio is going down."

The debt to GDP (gross domestic product) ratio was 41 percent in 2009, which has come down to 37 percent this year, thanks to a rapid GDP growth and a modest deficit.

Rahman said the country's trade is also increasing, which is now 65 percent of GDP. "Our export growth is relatively stable despite a decline in demand in the western economies," he said, adding that the country's exports have doubled since 2005 and the growth is faster than that in the neighbouring economies.

Rahman said the country's reserves grew 8.6 times in the last one decade, rising from a modest \$1.3 billion in 2001 to \$11.2 billion now. Remittances are also going up.

Moody's said the rating reflects its methodological assessment of low economic, institutional and government financial strengths.

"Offsetting such weak structural fundamentals, Bangladesh has established a track record of resilient growth and poverty reduction, while exhibiting a low susceptibility to event risks -

- despite the contentiousness of its parliamentary democracy," it said.

It said the recent macroeconomic pressures stemming from a negative terms of trade shock and delays in aid disbursements have weakened the balance of payments.

For now, external liquidity remains sufficient, but export products and market concentration risks

HIGHLIGHTS

- Bangladesh's rating is higher than Sri Lanka and Pakistan
- Bangladesh has established a track record of resilient growth
- External liquidity remains sufficient
- Bangladesh's near-term risks in exports, foreign direct investment and foreign aid
- Monetary policy has resulted in some deceleration in inflation
- The contentious political landscape has dented investor confidence

DSE wants curbs on RN Spinning's share sale

SARWAR A CHOWDHURY

The Dhaka Stock Exchange yesterday requested the stockmarket regulator to impose restrictions on the selling of shares by sponsors, directors and their spouses of RN Spinning Mills, as the bourse detected anomalies in the company's rights issue.

The DSE also urged the Securities and Exchange Commission to impose a lock-in on the share sale by the underwriters of the RN Spinning rights issue.

"We have found massive irregularities in the rights issue process of RN Spinning," said Rakibur Rahman, president of the DSE, which probed the rights issue.

A rights issue is an issue of additional shares by a listed company to raise capital from 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.

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One of the three cars that were imported with false declarations in a container through Chittagong Port.

Ctg customs seizes falsely declared cars

STAR BUSINESS REPORT

Chittagong customs officials yesterday seized three luxury cars imported with false declaration.

The Lexus, Mercedes and Porche cars were imported in a container with a declaration that the shipment was a set of passenger lifts, said Mahmudul Hassan, deputy commissioner of the Customs House.

The container was brought in the name of Etacol, a company that has operations in Dhaka Export Processing Zone, said Omar Faruque, superintendent for audit, investigation and revenue of the Customs House.

Faruque said the customs officials found the cars when the container was opened at around 1:30pm.

The customs sent a letter to Etacol yesterday through its clearing and forwarding agent Mymoon Trading Corporation Ltd, he said.

Both Etacol and Mymoon Trading Corporation have denied any link to the illicit import.

"The claims of the customs officials were wrong because the importer may be another company with the same name," Peter Seah managing director of Etacol Bangladesh, a France-based interlining garment company, told The Daily Star by phone.

BB offers \$50m for eco-correct brick kilns

STAR BUSINESS REPORT

The central bank has introduced a refinance loan scheme worth \$50 million to encourage environment-friendly and automatic brick kilns in the country.

The Asian Development Bank (ADB) has given the fund to the Bangladesh Bank, said a circular issued by the BB recently.

All banks and non-bank financial institutions (NBFIs) are eligible to get the fund from the central bank at 5 percent, while banks and non-banks would charge reasonable interest rates from their clients.

The BB also issued a guideline in this regard.

Of the total fund, \$30 million will be disbursed to convert the existing fixed chimney kilns into the improved Zigzag kilns.

The remaining \$20 million will be lent to new vertical shaft brick kilns, hybrid Hoffman kilns and tunnel kilns, said the circular.

A commercial bank or an NBF can get maximum 50 percent of the total project costs from the BB's refinance fund and 20 percent from their own fund.

An entrepreneur must provide the rest 30 percent of the costs.

The repayment period of such loans will be five years, with six months' grace period.

The circular said a bank will have to take prior approvals from the ADB and the BB before disbursing more than \$2 million loan for a project. A bank can lend up to \$5 million for a single pro-

Stocks lure foreign fund managers

Officials of six global asset management firms visit Dhaka

SARWAR A CHOWDHURY

The stockmarket is becoming a potential investment destination for foreign fund managers; some of them are currently in the country to discover opportunities.

The fund managers sat with some fundamentally strong and large-cap companies, including Titas Gas, Grameenphone, Lafarge Surma Cement, ACI and Unique Hotel as part of a process to gather information.

They also met the officials of the Dhaka Stock Exchange and expressed their interest to invest in the secondary market of the premier bourse.

At the invitation of a local stockbroker -- LankaBangla Securities -- nine representatives from six internationally reputed asset management companies arrived in Dhaka on Sunday on a two-day visit.

They tried to evaluate the investment opportunities in listed

companies. The fund managers are TIAA-CREF, William Blair, Everest, Columbia Management, Artemis, and Victory Capital Management - all North America-based asset management firms.

"The invitation was as part of our programme to attract foreign investment to the stockmarket," said Wali Ul Islam, chief executive officer of LankaBangla Securities.

To the foreign investors, Bangladesh has now become an important choice among the "Next-11 countries", he said.

As a result, foreign fund managers are actively considering the secondary market of the Bangladeshi stockmarket, Islam added.

Although foreign investment, also called portfolio investment, accounts for less than 1 percent of the total market capitalisation, their investment movements carry a great deal of weight.

The lower value of securities, following the stockmarket crash

last year, tempted the foreign investors, most of whom are global fund managers, to hoard stocks.

Foreign investments in the Dhaka bourse almost doubled to Tk 137 crore in July from the previous month.

The foreign investors went for fresh investments as most of the fundamentally strong stocks have become lucrative now, local stockbrokers said.

In the first six months this year, the foreign investors' purchases amounted to Tk 770 crore, while their sales stood at only Tk 263 crore.

In 2011, the foreign investors bought shares worth Tk 1,216.83 crore, an increase of around 12 percent from 2010. Sales fell by 35 percent to around Tk 1,138.40 crore in 2011 from a year ago.

The foreign investors sought the banking sector stocks the most, while power, pharmaceuticals, life insurance and multinational companies were also attractive.

Stocks back to black on WB loan optimism

STAR BUSINESS REPORT

Stocks returned to the black yesterday riding on investor optimism fuelled with renewed possibility of World Bank's loan revival for the Padma bridge.

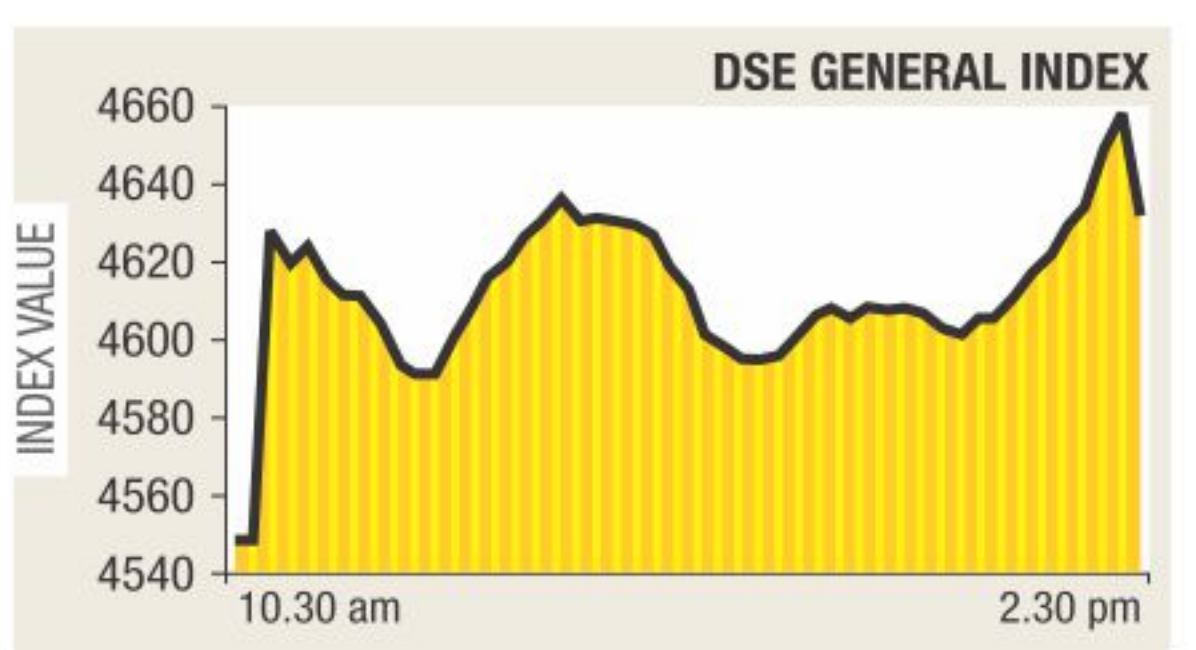
DGEN, the benchmark General Index of Dhaka Stock Exchange, finished the day at 4,632.10 points, after surging 53.20 points or 1.89 percent.

Media reports on the one-month leave of Mashiur Rahman, the prime minister's economic affairs adviser, stroked investor sentiments positively as it demonstrated the government's intent to get the \$1.2 billion loan from World Bank for Padma Bridge construction, LankaBangla Securities said.

"Investors' optimism about the Padma bridge financing helped the market to have a broad based rally," stated IDLC Investments.

A strong liquidity inflow supported by optimistic buying by the investors pulled the market and helped it break above 4,600 points, it said.

"Cement rallied strongly at the news of possible breakthrough about the latest of World Bank financ-



ing," the merchant bank said.

Turnover rose 14.49 percent to Tk 1,089 crore, compared to the previous day.

A total of 2.14 lakh trades were executed with 22.47 crore shares and mutual fund units changing hands. Newly listed companies continued to dominate the top gainers list. Financial sector companies had corrections after posting gains.

Among all the major sectors, information technology rose 7 percent, followed by textile at 6.92 percent and cement by 4.54 percent. Banks closed in the red.

An individual shouldn't be a barrier to Padma bridge fund: Akbar Ali

STAR BUSINESS REPORT

The country's interest matters more than that of an individual, former caretaker government adviser Akbar Ali Khan said yesterday.

He was talking about the reported 'leave' of Prime Minister's Economic Affairs Adviser Mashur Rahman.

"A person does not matter more than the country," Khan said.

An individual should not be a barrier in construction of the Padma bridge as it is necessary for Bangladesh, he said.

Khan spoke to a group of reporters after a regular meeting of the American Chamber of Commerce in Bangladesh (AmCham) at Ruposhi Bangla Hotel in Dhaka.

The government must convince the World Bank to release the Padma bridge fund for the sake of the nation, Khan said.

"The government's efforts to get the Padma bridge fund from the WB are in right direction."

"But the government should also notice whether those measures are adequate for getting the loan," Khan said.

Earlier in June, the WB cancelled its \$1.2 billion loan deal citing "corruption conspiracy" in the Padma Bridge project and set three conditions for revival of the loan deal.

READ MORE ON B3

NEW MOORING CONTAINER TERMINAL

Review panel asks CPA to scrap tender

DWAIPAYAN BARUA, Ctg

A review panel of Central Procurement Technical Unit (CPTU) has asked the Chittagong Port Authority (CPA) to cancel a tender launched in June for appointment of a private operator for New Mooring Container Terminal.

The panel has also asked the CPA to retain the list of four pre-qualified firms originally selected in line with terms and conditions of 2008.

The four firms are APM Terminals (Netherlands), Hutchison Port Investment Ltd (British West Indies), International Container Terminal Services (Philippines) and The Peninsular and Orient Steam Navigation Company (UK).

The review panel issued a letter to the shipping secretary, director general of CPTU, CPA chairman, project director of NCT and the representative of the petitioner.

The move by CPTU came after Jose Manuel M De Jesus, vice-president of International Container Terminal Services, a bidder, filed an appeal with the CPTU last month alleging that CPA did wrong by revising terms and conditions of the pre-qualification document in 2010.

Under the new terms and conditions, CPA in May last year selected two more firms, PSA Europe Pte Ltd, a foreign operator, and Saif Powertec Ltd, a local operator, as pre-qualified bidders. It created a buzz of controversy.

Project Director of New Mooring Container Terminal Captain Nazmul Alam, however, told The Daily Star that CPA was yet to receive any letter from the review panel.

"We explained our position to the review panel at several hearings held in the last three weeks and we are waiting for the panel's decision," said Nazmul, also the deputy conservator of CPA.

If the review panel makes any such decision, the CPA



Chairman of United Commercial Bank Limited and Chairman of Parliamentary Standing Committee on Ministry of Textiles & Jute, Mr. Akhtaruzzaman Chowdhury, MP presiding over the bank's 336th meeting of the board of directors in the city on Monday.