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# Star BUSINESS

DHAKA TUESDAY AUGUST 20, 2013, e-mail: business@thedailystar.net

## HALL-MARK SCAM Lawyers divided over loan rescheduling plan

REJAUL KARIM BYRON  
Sonali Bank's lawyers are split about the proposed rescheduling of Hall-Mark Group's loans worth Tk 2,600 crore loans, taken out through fraudulence.  
"Some of the lawyers are of the opinion that the amount was not a loan but embezzlement, so the question of rescheduling does not even arise. Rather, the steps taken in case of fraud need to be enforced," said a high official of Sonali Bank upon condition of anonymity.  
The other lawyers, however, are in favour of rescheduling, as it will ensure the recovery of at least a portion of the amount. They suggested that the bank gets hold of proper documentation and collateral and reschedules the loan against them.  
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## Rana Plaza collapse a governance failure

Rehman Sobhan says BGMEA should take its oversight responsibilities seriously

STAR BUSINESS REPORT  
The Rana Plaza collapse was an outcome of the governance failure in the society, an economist said yesterday.  
It is bad politics, injustice to workers, global competitive pressure and unfair working conditions that led to the deadliest factory accident that claimed 1,132 lives, said Prof Rehman Sobhan, chairman of Centre for Policy Dialogue.  
Bad governance prevailed from the very beginning, as the building was constructed on illegal lands and clearance to the construction was gained in a slipshod way, he said.  
"It is not only the failure of governance, it is also the failure of responsibility," Sobhan said.  
He said Bangladesh Garment Manufacturers and Exporters Association, the garment makers' platform, had not taken the oversight responsibilities seriously.  
Sobhan spoke on "lessons from the Rana Plaza tragedy" at the regular monthly meet-



**Prof Rehman Sobhan's RECOMMENDATIONS**

- Establish good governance in garment sector
- BGMEA must play proactive roles in worker safety
- Launch trade unions
- Share 5% of profits with workers

ing of American Chamber of Commerce in Bangladesh (AmCham) at Ruposhi Bangla Hotel in Dhaka as the chief guest.  
The economist said a politician's role was also responsible for the building collapse. Some local politicians helped construct the building bypassing rules, he added.  
Garment workers get poor wages, he said, adding that the retailers like Wal-Mart or the agents of the retailers gobble 63 percent of the total margin in the business, which adds to the global competitive pressure. Of the remaining percentage of the value chain, Sobhan said, 15-16 percent is spent on fabrics, 5 percent on wages and only 8 percent goes to the garment makers.  
The subcontractors enjoy 1 percent or less in the entire value chain, he said, adding that the profit margin for the manufacturers have to be raised from the 8 percent level.  
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## Private banks' capital goes up 7.75pc in six months

REJAUL KARIM BYRON  
Private banks' capital increased by 7.75 percent in the first half this year though their default loans marked a rise during the period due to the recent political unrest and low investments.  
Their capital stood at Tk 42,592 crore as on June 30, a rise by Tk 3,065 crore from December 31 last year, according to central bank statistics.  
Among 36 private banks, capital of all but three went up. The surplus capital of the banks was Tk 2,751 crore on June 30.  
However, their default loans rose by more than Tk 6,000 crore during the January-June period.  
Helal Ahmed Chowdhury, managing director of Pubali Bank Ltd, said though default loans increased in these banks, there was no provision shortfall against their bad loans. As a result, the banks were able to increase their capital, he added.  
After 2015, the banks will have to maintain higher capital as per the Basel-III requirements, Chowdhury said.  
At present, they maintain capital at 10 percent of their risk weighted asset in line with Basel-II requirements. Basel-III regime will be the latest version of risk-based capital standards set for banks worldwide.  
Keeping the future requirements in mind, the banks are increasing capital every year so that they do not face pressure after 2015, the Pubali Bank chief executive said.  
As the banks had to raise capital, most of them gave stock dividends instead of cash dividends in 2012, he said.  
Chowdhury also blamed the rise in default loans in the private banks on political unrest, low investment in the run-up to the national elections and the central bank's new loan provisioning rules.  
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**CAPITAL ADEQUACY RATIO IN %**  
Banks are required to maintain capital at 10% rate against risk-weighted assets

BRAC BANK	11.7
JAMUNA	10.23
SHAHJALAL	12.78
TRUST BANK	11.96
BANK ASIA	12.13
FIRST SECURITY	10.02
PREMIER	7.57
MUTUAL TRUST	10.23
COMMERCE	7.73
EXIM	10.13
ONE	10.28
STANDARD	11.02
MERCANTILE	10.37
DUTCH-BANGLA	11.45
SOCIAL ISLAMI	11.22
AL-ARAFAH	11.01
DHAKA	11.29
SOUTHEAST	10.74
PRIME	10.79
NCC	11.67
EASTERN	11.3
UTTARA	11.7
PUBALI	11.99
UCB	11.1
IFIC	10.27
THE CITY	10.74
NATIONAL	10.24
ISLAMI	13.31
AB	10.79

## EPZ exports rise with growing reputation

Shipments accelerate 15.2pc to \$4.85b last fiscal year

SUMAN SAHA  
Bangladesh Export Processing Zones Authority (BEPZA) has registered 15.2 percent growth in exports last fiscal year on the back of its rising reputation as a low-cost and dependable production base.  
In fiscal 2012-13, the enterprises within the export processing zones (EPZs) exported goods worth \$4.85 billion, up from the previous fiscal year's \$4.21 billion.  
"EPZ enterprises have made a good name for themselves among foreign buyers as a low-cost manufacturing base," said Nazma Binte Alamgir, general manager of BEPZA.  
The favourable business climate that can be found inside the EPZs is also of great significance, she said.  
"We provide a one-stop support system—customs, banking and uninterrupted power supply can all be found under one umbrella. The companies can stick to their lead times."  
Meanwhile, some 35,569 Bangladeshis got employment opportunities in the eight EPZs last fiscal year, a year-on-year rise of 5.87 percent.  
Actual investment in the EPZs, however, dropped 3.16

**NEW INVESTMENTS IN EPZs**  
In millions of dollars/fiscal 2012-13

Chittagong	2,095.12
Dhaka	1,780.63
Karnaphuli	379.61
Adamjee	274.1
Comilla	176.93
Mongla	74.1
Ishwardi	55.71
Uttara	20.38

percent to \$328.53 million in fiscal 2012-13 from the previous year. The scarcity of land is to blame, Nazma said.  
"We are unable to accommodate big scale industries, as a result," she said, while citing the flight of 17 entrepreneurs in the first half of fiscal 2012-13 as one of the reasons for the decline in investment.  
At present, there are no vacant plots in the Dhaka, Chittagong, Comilla, Adamjee and Karnaphuli EPZs and only a few available in Uttara, Ishwardi and Mongla EPZs, according to the BEPZA general manager.  
"But, most foreign investors feel discouraged to invest in the Uttara, Ishwardi and Mongla EPZs due to lack of utility connection, poor communication system and fear of security," Syed Ershad Ahmed, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).  
To counter the space crunch, the government suggested that BEPZA expands the existing factory buildings vertically to accommodate more industries. Expansion work is on way in view of that, at a cost of Tk 185 crore.  
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## NBR shuffles 147 officials

STAR BUSINESS REPORT  
The National Board of Revenue has made a major reshuffle in its customs and VAT wings by transferring 147 officials.  
The revenue authority handed new assignments to five commissioners, 11 additional commissioners and 10 joint commissioners along with 54 revenue officers and 65 assistant revenue officers. Another two officials were made "commissioners in charge".  
"It is part of adjustment that we usually do at the beginning of a fiscal year so that we can chase revenue collection for the year," said Hussain Ahmed, a member of NBR.  
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## India to supply 20 lakh bales of cotton to Bangladesh

PALLAB BHATTACHARYA, New Delhi  
India said yesterday it will export 20 lakh bales of cotton to Bangladesh in the 2013-14 cotton season starting in October, even if a ban is imposed on such exports.  
The two countries also exchanged the final draft of a cotton purchase deal and signed a textiles sector collaboration agreement after a meeting between visiting Bangladesh's Textiles and Jute Minister Abdul Latif Siddique and Indian Textiles Minister K Sambasiva Rao here.  
There is, however, no official word from either side as to when the agreement on cotton purchase will be finalised and signed.  
"Under the proposed cotton purchase agreement, I have assured Bangladesh's textiles minister that Bangladeshi textiles mills will get a smooth flow of cotton and would have no difficulties in sourcing it from India even if we have to ban cotton exports to other countries," Rao told journalists.  
He said Bangladesh had sought a minimum of 20 lakh bales and "we have assured them that we will give them that much and not ban it".  
India's cotton production was 340 lakh bales (170 kg each) last year and consumption 270 lakh bales, leaving a surplus of 70 lakh bales, Rao said. The cotton season in India runs between October and September.  
Rao said, "It was in India's interest that Bangladesh becomes strong as otherwise infiltration of people from that country will continue."  
"As regards the cotton purchase agreement, the final drafts have been exchanged between the three sides -- the textiles ministry, Cotton Corporation of India (CCI) and Trading Corporation of Bangladesh (TCB)," Rao said.  
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