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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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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 construc-

tion 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 RECOMMENDATIONS Establish good governance

in garment sector **BGMEA** must play proactive

Launch trade unions Share 5% of profits with

roles in worker safety

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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# Rana Plaza collapse | Private banks' capital goes a governance failure 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 runup to the national elections and the central bank's new loan provisioning rules.

NBR shuffles

147 officials

STAR BUSINESS REPORT

The National Board of

Revenue has made a major

reshuffle in its customs and

The revenue authority

handed new assignments

to five commissioners, 11

additional commissioners

and 10 joint commission-

ers along with 54 revenue

officers and 65 assistant

revenue officers. Another

"commissioners in charge".

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.

"It is part of adjustment

two officials were made

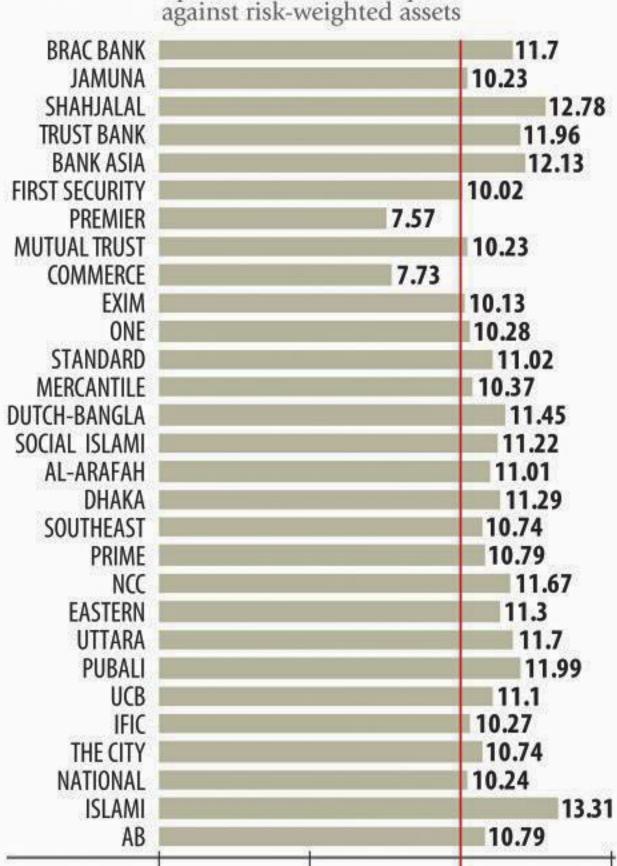
VAT wings by transferring

147 officials.

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## CAPITAL ADEQUACY RATIO IN %

Banks are required to maintain capital at 10% rate against risk-weighted assets



# 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 ager. 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 yearon-year rise of 5.87 percent.

Actual investment in the EPZs, however, dropped 3.16



SOURCE: BEPZA

lion in fiscal 2012-13 from the previous year. The scarcity of land is to blame, Nazma said.

percent to \$328.53 mil-

"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 man-

"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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## 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 will continue." 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 jour-He said Bangladesh had sought a mini-

mum 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 consump-

tion 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

"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.

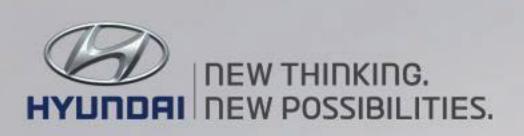
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