STOCKS		COMMODITIES (As of Friday)		ASIAN MARKETS (Friday closings)				CURRENCIES (STANDARD CHARTERED BANK)				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY
▲ 0.97%	▲ 1.51%	▼ $1,221.56 (per ounce)	▼ $92.55 (per barrel)	Flat	▲ 1.58%	▲ 0.24%	▲ 0.58%	BUY TK	76.90	96.95	123.57	0.70
4,913.24	9,217.88			27,090.42	16,321.17	3,305.05	2,329.45	SELL TK	77.90	100.95	127.60	0.73

Star BUSINESS

DHAKA MONDAY SEPTEMBER 22, 2014, e-mail:business@thedailystar.net

Shipbuilders on the mend

Growing domestic market and global recovery make them optimistic

GAZI TOWHID AHMED

The shipbuilding industry expects better business ahead as demand from domestic market is picking up, shipbuilders said.

Orders from international buyers resumed with the recovery of the global economy after several years in the doldrums, they said, adding that the blue economy has also opened a window of opportunity.

Western Marine Shipyard, a leading shipbuilder, has now work orders worth Tk 500 crore from domestic and foreign buyers, said Md Sakhawat Hossain, managing director of the shipbuilder.

It has Tk 250 crore orders from Japan, Denmark, Kenya and Tanzania, while the rest is from the domestic market. Western Marine will hand over all the ships to the foreign buyers within one and a half years.

"Additionally, five buyers are communicating with us. Their orders will be finalised in January," Hossain said.

Western Marine focuses on making environment-friendly ships run by liquefied natural gas instead of oil, he said.

The shipbuilding industry will see 15 percent growth this year, compared to last year, Hossain said.

Western Marine has recently received a go-ahead from the stockmarket regulator to raise Tk 157.5 crore. The company will float 4.50 crore ordinary shares worth Tk 10 each with Tk 25 as premium.

The shipbuilder will use the fund from the initial public offering to develop infrastructure and repay bank loans, according to Bangladesh Securities and Exchange Commission.

Ananda Shipyard and Slipways, another shipbuilder, is currently handling work orders worth Tk 800 crore received in the past one year from the domestic market, said Tariqul Islam, its executive director.

Bangladesh Inland Water Transport Authority, Bangladesh Water Development Board, and Bangladesh Navy called international bidding for building vessels and Ananda won the bids beating international shipbuilders, Islam said.

Bangladesh will be able to save a huge amount of foreign currencies as local companies are building ships for the country, he said.

The industry had to go through rough times as most of the foreign orders were halted due to global economic slowdown, he said.

Orders for eight vessels worth about Tk 700 crore were cancelled in the last three years, according to Ananda.

"Now most of the foreign buyers are showing interest to resume the orders," Islam said, adding that Ananda is not taking fresh orders from foreign companies as its shipyard has no free space. A two-member team from Germany will visit Ananda Shipyard on Thursday to buy two ships worth Tk 185 crore built earlier.

The shipbuilder is trying to recover losses by focussing on the domestic market, which is worth around Tk 3,000 crore, he said.

A good number of container vessels will be needed to ply the new river route from Chittagong port to Pangaon inland container terminal in Keraniganj, he said.

After the resolution of a dispute with India over the Bay of Bengal, the shipbuilding industry now looks to brighter days ahead as research vessels will be needed to assess ocean resources, Islam said.

If the government wants to reap maximum benefits from the ocean economy, the work of gas exploration should be given to local companies, he said.

"We have the capacity and expertise to build oil rigs and floating production storage and offloading vessels that are used to explore underwater gas and oil fields."

Export of ships rose 7.35 percent year-on-year to Tk 481 crore in fiscal 2013-14, according to Export Promotion Bureau.

BY THE NUMBERS

Ananda Shipyard won orders worth **Tk 800cr** from domestic market

Western Marine received orders of **Tk 250cr**

The domestic market size is **Tk 3,000cr**

The industry to see a **15%** growth this year

Exports amounted to **Tk 481cr** in fiscal 2013-14

YEAR	SERVICE RECIPIENTS	RETURNS SUBMITTED	TAX PAID
2010	60,512	52,544	Tk 113 cr
2011	75,120	62,272	Tk 414 cr
2012	3,46,867	97,867	Tk 831 cr
2013	5,10,145	1,32,017	Tk 1,117 cr
2014*	5,44,633	1,14,770	Tk 1,315 cr

(*As of sixth day of the fair)

Receipts from tax fair hit record

The weeklong show ends today

STAR BUSINESS REPORT

The tax fair that got a huge response from taxpayers ends today, with the National Board of Revenue logging Tk 1,315 crore until yesterday -- the highest since the inception of the event in 2010.

Around 5.44 lakh taxpayers received services from the weeklong fair, which is being held in seven divisional cities and district towns to provide tax-related assistance to taxpayers.

"Such a spontaneous response was beyond our expectation," said Md Bashir Uddin Ahmed, member of tax administration of the NBR.

The tax authority collected Tk 1,117 crore from the show last year. The fair allows taxpayers to get answers to their queries, taxpayer identification number (TIN) online, submit tax returns and pay tax on the spot.

READ MORE ON B3

VAT reforms not linked to IMF loans: Muhith

STAR BUSINESS REPORT

The delay in VAT reforms will not be a hindrance to getting the next instalment of the International Monetary Fund's Extended Credit Facility loan as it is not directly connected to the programme, Finance Minister AMA Muhith said yesterday.

The possibility of not getting the remaining amount of the $1 billion loan arose after the IMF team, which is in the country to review the progress made under the ECF programme before it releases the next instalments, expressed dissatisfaction over the sluggish pace of VAT reforms.

"It was not one of the conditions attached to the current ECF," Muhith told reporters after a meeting with the visiting Asian Development Bank delegation at his secretariat.

The government has so far received around $700 million of the ECF loan programme, which is set to expire next June.

Talks for a fresh loan programme with the IMF will begin next year and Muhith said he would suggest the multilateral lender include VAT reforms in the new programme.

About the current status of the VAT reforms, he said the government needs more time as the business community has expressed opposition to the VAT law.

Subsequently, the government has asked the businessmen to send in their demands, which they are yet to respond to, he added.

Meanwhile, the National Board of Revenue in a meeting with the IMF mission said it would need another year to implement the VAT and Supplementary Duty Act 2012 due to the re-tendering needed to procure the software to build an integrated VAT administration system.

But the IMF officials, reminding the tax authority of the government's commitment to make the law effective from July 1, 2015, hinted that the delay might affect timely execution of the ECF programme. They also wanted to know why the software procurement tender was cancelled.

The team will stay in the country until the end of the month and is due to meet with Muhith tomorrow.

A five-member team of the ADB board led by its Executive Director Maliami bin Hamad met Muhith yesterday.

READ MORE ON B3

Demand for high-end garments on the rise

REFAYET ULLAH MIRDHA

Bangladesh has become a major sourcing hub for high-end garments due to better quality and competitive prices that attract Western customers, industry people said.

Exporters said they are now shifting from basic apparel items to the high-end segment, which now accounts for 30 percent of the annual garment exports, on the back of rising demand from upscale customers.

Asif Zahir, a director of Ananta Group, said many garment makers are now going for high-end items due to higher demand from retailers.

"The value-added products also yield higher profits. This is why, exporters are increasing their capacity in the high-end segment," Zahir told The Daily Star by phone.

David Hasanat, managing director of Viyellatex Group, said many garment makers export value-added items, but they do not know that they are exporting such products as they do business through middlemen.

"Unfortunately, nearly 60 percent of the garment business is run by middlemen," he said.

The demand for high-end garment items is high because of the combination of superior designs, flawless craftsmanship, high quality and meticulous attention to details, analysts said.

READ MORE ON B3

Orion gets nod to borrow $88m in foreign loans

Committee approves $125m for seven projects

STAR BUSINESS REPORT

Orion Group yesterday got the go-ahead to borrow $88 million from foreign sources for its two major power projects.

The approval came at the meeting of the scrutiny committee for approval of foreign loan/supplier's credit, chaired by Bangladesh Bank Governor Atiur Rahman.

The committee approved a total of $125.05 million of foreign loans, which come at a lower cost, for seven projects. The remaining $37.05 million will be borrowed by five garment and textile companies.

Orion will borrow from a Singapore-based lender for operation of its Dutch-Bangla Power and Associates in Narayanganj and Orion Power Meghnaghat.

The projects are 100 megawatt heavy fuel oil-based power plants and are running at their optimum levels.

Power projects are extremely capital-intensive businesses and it is tough to run them with the high borrowing costs in Bangladesh, Salman Karim, managing director of Orion Group, said.

Though some sectors in Bangladesh get preferential interest rates, power does not, which pushes a plant's costs up.

"We had no option but to borrow from foreign sources for our sustainable business operation."

The highest interest rate of the approved proposals is three-month Libor+4.50 percent a year, according to BB. It said the effective interest rate will be within 4.74 percent and the tenure of the loans at least three years.

A BB official said there are many foreign financing proposals that are being considered for approval.

The scrutiny committee for approval of foreign loans hopes that this type of foreign financing will help the country keep the greenback's (US Dollar) price stable and maintain a positive balance of payment.

The committee approved foreign loans worth around $2.6 billion in fiscal 2013-14, while the amount was $2.4 billion in fiscal 2012-13 and $1.8 billion in fiscal 2011-12.

Hamid Fabrics IPO to kick-start new subscription method

STAR BUSINESS REPORT

The new improved IPO subscription method will be rolled out with Hamid Fabrics' public offering, the subscription for which is set to start on September 28.

As many as 174 stockbrokers from the Dhaka Stock Exchange and 73 from the Chittagong Stock Exchange along with 37 merchant banks will participate in the initial public offering subscription.

The new method will cut down the processing time to three weeks from more than five weeks now.

The existing method will still be applied for non-resident Bangladeshis and foreign investors; Bangladeshi nationals have the option to choose between the two methods.

As per the new mechanism, an individual will have to convey his/her wish to participate in the IPO in a prescribed paper or electronic form to the stockbrokers or merchant banks with whom a beneficiary owner's account is maintained.

The form should contain the customer ID, name, BO account number, number of securities applied for, total amount and category of the applicant.

Money will have to be available in the customer's account; no margin facility, advance or deferred payment will be allowed for IPO subscription.

After verifying the availability of the fund, the stockbroker or the merchant bank will block the amount equivalent to the application money and accumulate all the applications or instructions received up to the subscription closing date.

Meanwhile, the stockbroker or the merchant bank will have to maintain a separate bank account for the IPO purpose, where the blocked amount will be deposited.

In case of applications submitted by the stock-dealer or the merchant bank's own portfolio, the application amount should also be transferred to this account.

After blocking the accounts, the banks will issue a confirmation certificate to the stockbrokers and merchant banks.

The stockbrokers and merchant banks will send the IPO applications within three working days from the subscription closing date to the issuer both in electronic and print format along with the certificate issued by the banks.

The issuer will prepare a consolidated list of the IPO applications and send these to the Central Depository of Bangladesh Limited (CDBL) for verification.

Along with a verification report, the CDBL will provide the issuer with an updated database of the IPO applicants containing the BO account number, name, address, parents' name, joint account information and bank account information.

After receiving the verification report and information from the CDBL, the issuer will scrutinise the applications, prepare category wise consolidated lists of the valid and invalid applications, submit status reports of subscription to the commission and the stock exchanges and conduct lottery in line with the conditions of the consent letter.

Within two working days of conducting the lottery, the issuer will send the lists of the successful and unsuccessful applicants in electronic and printed formats to the stockbrokers and merchant banks, requesting them to unblock the amount blocked earlier and remit the amount of successful applicants to the issuer's respective 'escrow account' opened for subscription purpose.

The issuer will issue allotment letters in the name of successful applicants in electronic format with digital signatures and send those to the respective stockbrokers and merchant banks.

> *The new method will cut down the processing time to three weeks from more than five weeks now*

READ MORE ON B3