

Foreign loans not as risky as thought: BB

REJAUL KARIM BYRON

Private companies eventually draw a small portion of the foreign loans approved for them, a recent study by Bangladesh Bank found.

External lenders disbursed 35 percent of the approved loans in 2012 and only 25.3 percent last year, according to the study by the Chief Economist's Unit of the central bank, carried out in the backdrop of a debate over private sector commercial borrowing from external sources.

The major advantages of foreign loans are lower borrowing costs than those available at the prevailing domestic market and a longer maturity period of the loans.

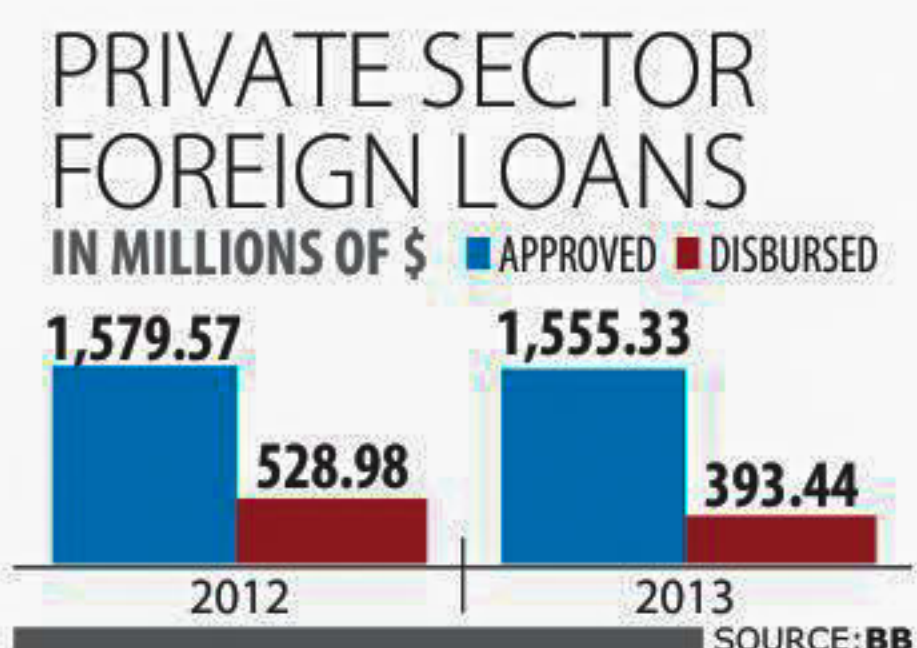
The interest rate for external borrowing is LIBOR + 3 to 4.5 percent, whereas the interest rate is 14 to 18 percent in case of domestic sources.

But private commercial borrowing has some risks as well. For instance, if a series of firms fail to repay loans in time, it may have a negative impact on the country's overall international credit ratings.

Between 2009 and March this year, the scrutiny committee of the Board of Investment approved \$5.53 billion of foreign loans for 203 local private companies from over 13 sectors that include power, telecoms, shipping and garment.

The total outstanding private sector foreign loans as of December last year stood at \$1.74 billion. The companies paid around \$300 million in 2012 and \$108 million in 2013 for debt servicing against the loans, according to the BB study.

The report said the private external debt



stock of Bangladesh at the end of 2012 was less than 1 percent of that of India.

The neighbouring country's external debt stock is 42.26 percent of its total external debt and 8.62 percent of its GDP at the end of 2012. For Bangladesh, it was 5.05 percent and 1.13 percent respectively.

The International Monetary Fund has recently analysed Bangladesh's debt sustainability and said the country is highly unlikely to face any major debt-related stress within the next 20 years.

Meanwhile, the central bank research team interviewed 13 companies that made foreign borrowing of \$1 billion cumulatively from 2007 to 2013.

Other than the lower interest rate, the companies said they went for foreign borrowing as most local banks could not finance large projects due to their limited capital base.

In terms of the loan use, most of the companies use the borrowed funds mainly to import capital machineries, either to start new projects or expand their existing operations.

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EU praises workplace safety reforms

DIPLOMATIC CORRESPONDENT

The European Commission yesterday lauded Bangladesh's progress in efforts to ensure workplace safety in the garment sector.

The commission urged the government to effectively implement the labour law, which was amended in parliament on July 15 last year. In the amended law, the government allowed full freedom of association by the workers at the factory level.

A statement by László Andor, European commissioner for employment, social affairs and inclusion, said there has been much progress since the Rana Plaza building collapse in 2013.

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India gives fourth instalment of \$200m

STAR BUSINESS REPORT

India yesterday handed over a cheque of \$25 million to Finance Minister AMA Muhi as the fourth instalment of the \$200 million grant approved in 2012 by the Congress government.

This is the first instalment of the grant after Prime Minister Narendra Modi's government assumed power in India this year.

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Seated second from left, Rashed Khan Menon, civil aviation and tourism minister, poses with the winners of the Monitor Airline of the Year 2014 awards, at Sonargaon Hotel in Dhaka on Sunday. Story on B3

Steelmaker Appollo to spend Tk 200cr on tech upgrade

GAZI TOWHID AHMED

Appollo Ispat Complex, a leading steelmaker, will spend Tk 200 crore to introduce environment-friendly technology in May next year to help cut production costs and boost capacity.

The technology will reduce production costs by 30 percent, while increasing capacity by 20 percent from its existing 1.20 lakh tonnes a year, said Abdur Rahman, deputy managing director of Appollo.

Germany's radiant tube furnace technology will help Appollo produce lead and acid free corrugated iron sheets in a non-oxidising furnace at its Narayanganj plant.

The radiant tube uses a rapid heating furnace that cuts out hydrochloric acid and lead usage during the galvanising process.

"Eliminating lead and acid usage during the final stages of production also makes the process cost effective and environment friendly, mostly used in developed countries. These CI sheet will soon be available in the local market," Rahman said.

APPOLLO ISPAT COMPLEX LTD.

Production capacity will rise **20% to 1.44 lakh tonnes** a year

Production cost will fall **30%**

Appollo will spend **Tk 200cr** to install technology

Revenue stood at **Tk 495cr** last year

Net profit rose **3%** to **Tk 37.36cr** last year

nearly 20 percent, he said. Bangladesh needs six lakh tonnes CI sheet a year to match the local demand, he said.

"Appollo Ispat Complex has been steadily progressing. Even though it has not been listed for long, it is one of the leading engineering sector companies in terms of share transaction," he said.

Appollo recently signed an agreement with world-famous Japanese steel maker Marubeni-Itochu, he said.

Appollo's net profit rose 3 percent to Tk 37.36 crore for the year ended June 30, 2014 from the previous year, and it consequently gave out 15 percent dividends to shareholders. The company's earnings were Tk 1.84 per share with a net asset value Tk 31.37.

"Our revenue saw a decline of 2.36 percent to Tk 495 crore due to political turmoil that hit production very badly," said SK Abul Hassan, executive director of the company.

However, the company logged increased profits despite a fall in revenue as liability also declined in the period, he said.

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India's Idea Cellular profit up

Idea Cellular, India's No.3 mobile operator, posted a 69 percent rise in quarterly profit after adding subscribers faster than its competitors. Idea Cellular said it earned 7.56 billion rupees in its second quarter. -- Reuters

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NEW

Lifebuoy

A small change in habit can help a child reach the age of 5

Every year in Bangladesh thousands of children under the age of 5 die from diarrhea and other diseases. A small change in the habit of washing hands regularly with soap can reduce this mortality rate. You can bring in a change by adapting this habit and inspiring others.

Not as difficult as becoming a woman entrepreneur, a simple habit can reduce unwanted death.

- Geeteara Safiya Choudhury

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