Gold ▼\$1,204.05
(per ounce)Oil ▲

\$51.16

(per barrel)

MUMBAI ▼ 0.78%
29,231.41TOKYO ▲ 0.37%
18,332.30

SINGAPORE Closed

SHANGHAI Closed

BUY TK 77.20 85.99 117.20 0.64

SELL TK 78.20 89.99 121.20 0.67

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জমা নেয়া হয়।রেজিস্ট্রেশন ফি জমাদানের শেষ তারিখ:
২৬ ফেব্রুয়ারি, ২০১৫

যে কোন পয়েন্টে ০৯৬১২০০১১২২

সোস্যাল ইসলামী ব্যাংক লিমিটেড



DHAKA MONDAY FEBRUARY 23, 2015, e-mail:business@thelystar.net

New banks go for risky lending

SAJJADUR RAHMAN

New banks are lending out heavily -- 70 to 80 percent of their total loans -- to corporate clients instead of small and medium enterprises and retail consumers, insiders and analysts said.

The risk is: if a big client fails to pay back in time, the bank may suffer as it may not be able to make adequate provision from its small profit.

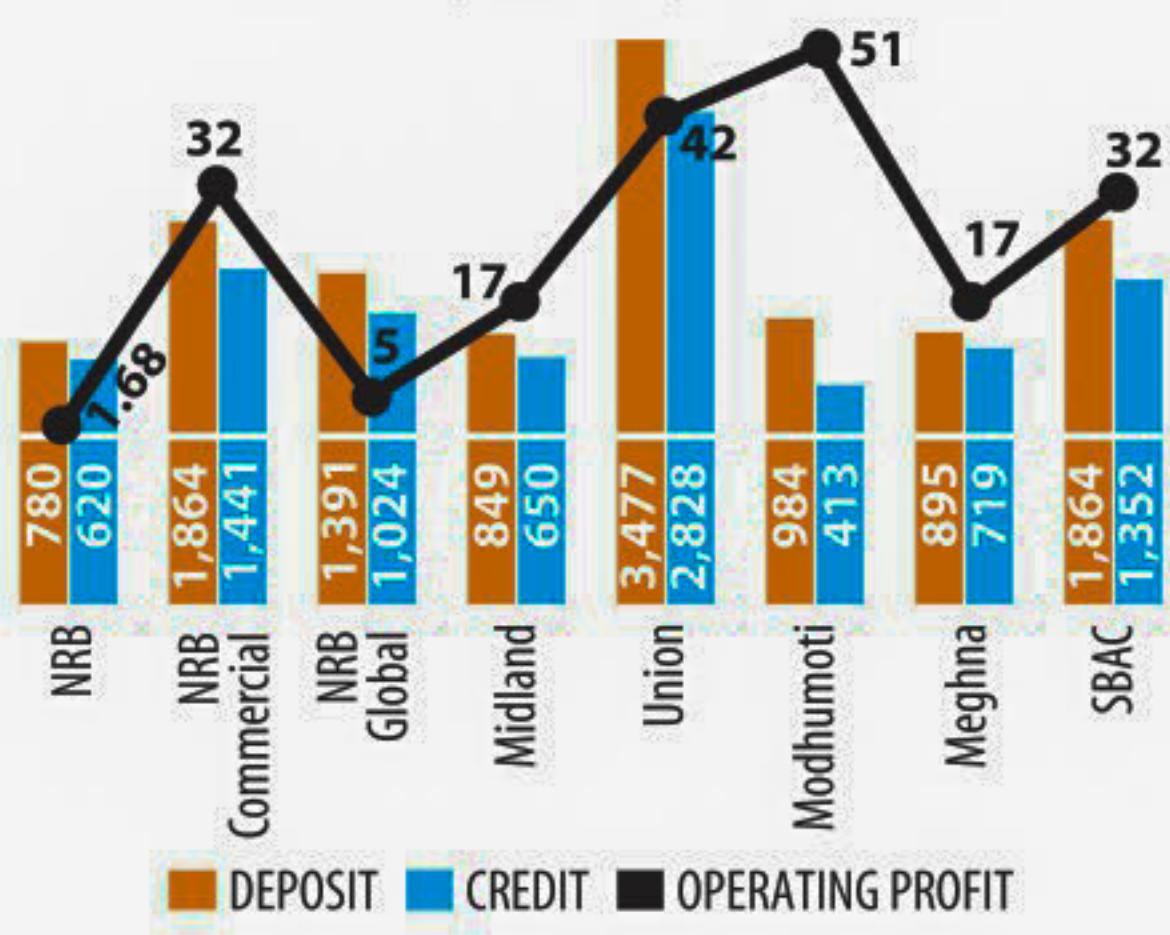
"Directors want quick profits, which is very unlikely for a new bank," said the chief executive of a new bank, seeking anonymity. "It takes at least three to five years to generate sustainable profits and pay dividends." Nine new banks that came to the market amid political unrest in the second half of 2013 are struggling to do business at present, facing intense competition from 47 old banks in lending and attracting deposits.

Lending out is the biggest challenge for a new bank, as borrowers demand the lowest interest rate without considering the banks' cost of funds.

According to these banks, the cost of their funds is

NEW GENERATION BANKS' COMPARATIVE FINANCIAL INFORMATION

In crores of taka as of Dec 31, 2014



between 11 percent and 12 percent, which is well within a single digit for many old banks. In terms of lending, if a new bank offers a borrower 11 percent, an old bank offers 10.5 percent.

"Depositors have high expectations from us, while borrowers want the lowest rate in the market. We are in a double bind," said Rafiqul Islam, managing director of South Bangla Agriculture and Commerce Bank (SBAC).

Moreover, businesses are passing bad times and it has become impossible to get a good client, who wants to set up new factories or expand the existing ones amid an ongoing anti-business climate, Islam added. SBAC has lent out Tk 1,363 crore in 2014, coming in third among the new banks, after Union Bank with Tk 2,828 crore and NRB Commercial Bank with Tk 1,441 crore.

SBAC booked Tk 32 crore in operating profit and the net profit would be less than Tk 20 crore, which is a tiny figure to pay dividends against Tk 400 crore in capital.

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Bengal Plastics to spend Tk 50cr on expansion

Five banks come up with the funds

SUMAN SAHA

Bengal Plastics Ltd, a leading plastic goods maker, is set to expand its production capacity in a bid to enhance overseas sales, a top official of the company said yesterday.

It is investing Tk 50 crore to expand its existing factory in Savar within the next two years, said Md Jashim Uddin, vice-chairman of Bengal Group of Industries.

"We will produce mainly household plastic items in the expanded unit exclusively for export markets. Our expansion work has already started," he said.

Following expansion, Bengal Plastics aims to grab an additional \$20 million in new export orders a year, from around \$42 million in exports at present, and will create 500 new jobs, said Jashim, also president of the Bangladesh Plastic Goods Manufacturers and Exporters Association.

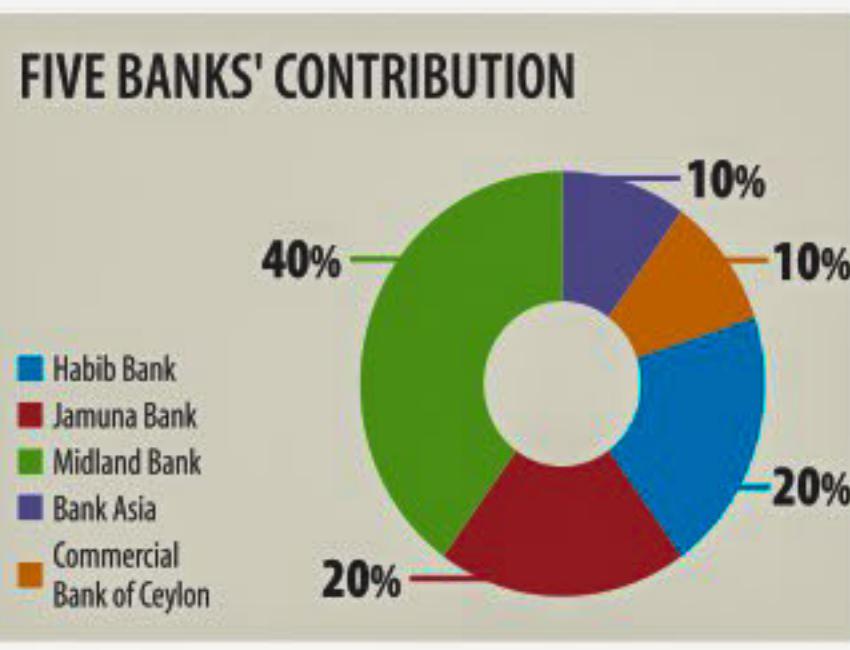
The company will borrow the fund through a commercial paper (CP), a short-term debt instrument backed by Mutual Trust Bank.

The tenure for the CP will be 180 days and five financial institutions -- Bank Asia, Commercial Bank of Ceylon, Habib Bank, Jamuna Bank, Midland Bank -- will subscribe to it. The formal announcement for the CP was made yesterday.

"We are collecting funds through the commercial paper mainly, as we are getting a comparatively lower rate of interest," said the Bengal Group official.

Many companies use CP to raise cash needed for current transactions, and many find it attractive as a low-cost alternative, said Anis A Khan, managing director of Mutual Trust Bank, the fund's lead arranger.

A company can get funds at an interest rate of 10-11 percent through a CP, while the normal lending rate is now hovering around 13 percent, he added.



Since a CP is not backed by collateral, only firms with excellent credit ratings from a recognised credit rating agency will be able to sell their CP at a reasonable price.

A CP is usually sold at a discount from the face value, and carries higher interest repayment rates than bonds. Typically, the longer the maturity on a note, the higher the interest rate the issuing institution pays.

On maturity, the investor presents the notes and receives payment. Commercial banks, in their role as issuing, paying, and clearing agents, facilitate settling of a CP by carrying out the exchanges between issuer, investor, and dealer.

Jashim said the plastic industry has grown enough to handle rising demand from local and foreign markets.

The annual sales of plastic products are estimated to be around Tk 20,000 crore in the local market, which has been growing at 15 percent a year in the last few years, according to industry insiders.

Though the sector started small in the 1960s, it has now reached a self-sufficient stage, according to Jashim.

Around 5,000 small, medium and large plastic goods manufacturing units employ about 12 lakh people directly and indirectly.

Value addition in plastic products hovers between 51 and 70 percent, according to data from the industry lobbying group.

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Italian SMEs may invest in Bangladesh

Italian minister asks Bangladesh to explore domestic market

SARWAR A CHOWDHURY

Bangladesh should focus on exploring its domestic market, in addition to its export markets, while small and medium Italian enterprises can invest here in joint ventures to serve local and regional markets, said an Italian minister.

Bangladesh is maintaining economic growth at 6-7 percent, and the steady growth rate means the country needs a supply of good products for its domestic market, said Benedetto Della Vedova, deputy foreign minister of Italy.

"We have a huge number of small and medium enterprises that can invest in your country and help transfer technology," he said in an interview with The Daily Star during his two-day visit to Dhaka last week.

Vedova said they will promote investment and partnerships between the Italian SMEs and businesses in Bangladesh to serve the domestic market. "Bangladesh can also become a hub to serve the regional markets."

In the coming years, the focus must

not be on exports alone, said the deputy foreign minister, who came to Dhaka to improve trade ties between the two countries.

"You will export garments only, while you will import everything else. But, you have to be ready with domestic production to serve the local mar-

kets that are growing fast with a growing demand for quality products."

Italy can cooperate in the areas of energy and natural resources, transfer of technology, heavy machinery for textiles, fishing and tourism, to benefit both countries, he added.

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Lamudi raises \$18m to grow in Asia, Latin America

STAR BUSINESS REPORT

Lamudi, an emerging markets real estate network and a leading property platform in Bangladesh, has raised \$18 million in investment to grow its operations in Asia and Latin America.

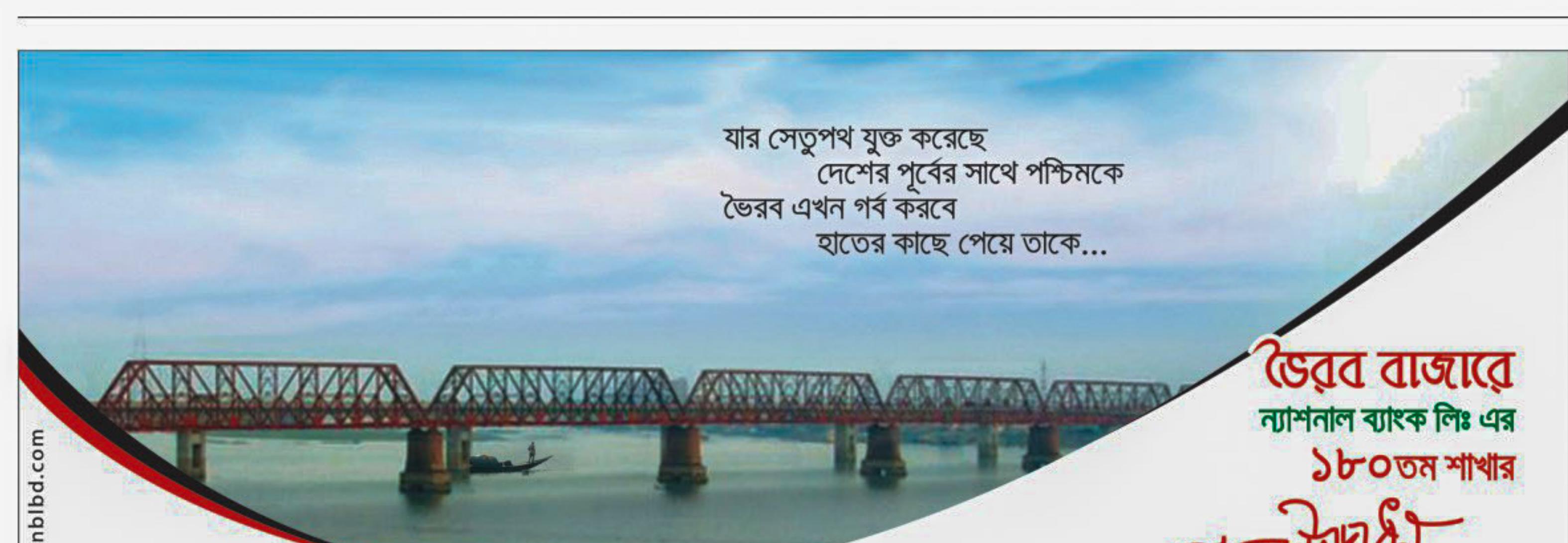
The Berlin-based company received the multi-million dollar investment after merging its businesses in the two regions to form one company, Lamudi Global.

Three investors have backed the business: Asia Pacific Internet Group which is a joint venture of Rocket Internet and Ooredoo; Holtzbrinck Ventures, the investment arm of the German publishing group; and current investor Tengelmann Ventures, a division of international multi-sector retailer Tengelmann Group.

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Benedetto Della Vedova



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