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BUSINESS

DHAKA MONDAY JULY 13, 2015

IMF loan scheme ushers in an era of reforms

The lender's three-year ECF loan ends on a positive note

REJAUL KARIM BYRON

The International Monetary Fund's Extended Credit Facility loan, which ushered in some major reforms in the economic field, is nearing the end of its three-year term this month.

Still, two more instalments amounting about \$280 million remain to be dispatched and IMF officials are likely to place the relevant report before the board on July 22.

The multilateral lender deferred the sixth

of the seven-part instalments for the \$1 billion loan in November last year after the government failed to meet two of its pertinent conditions -- both related to the VAT law.

At that time, the IMF said it would release the final two instalments together, provided the conditions were met.

A finance ministry official said the two conditions have somewhat been fulfilled and the government is hopeful that the IMF board will now approve the last two instalments.

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BONDING GENERATIONS

Small industries should get more incentives: economist

STAR BUSINESS REPORT

The small and medium industries that serve the domestic market should get more incentives in the seventh five-year plan to meet the needs of the consumers whose incomes are rising by the day, an economist said yesterday.

"The government has been giving incentives to the export-oriented sectors for many years now. It's time to give incentives to the industries involved in producing goods for the domestic market," said Mustafizur Rahman, executive director of the Centre for Policy Dialogue.

The government should also prioritise the industries linked to agriculture as those could be good segments for the domestic and external markets, Rahman said.

The potato chips industry, for example, has been growing fast, serving the domestic market and earning foreign currencies through exports, he said.

The government should incentivise the chips industry along with other such agro-industries, he said.

"I do not support wholesale liberalisation

of the trade policies, as we have to protect our growing industries as well. Rather, the government should adopt strategic trade policies."

A strategic trade policy means bringing changes to a policy to serve a specific sector without liberalising all the policies.

Rahman spoke at a consultation meeting of the seventh five-year plan (2016-2020) at the National Economic Council in Dhaka. Shamsul Alam, a member of the Planning Commission, moderated the discussion.

The commission has been seeking opinions from exporters, economists, government representatives and other stakeholders to prepare the plan.

Rahman also suggested taking appropriate policies for the growing export-oriented leather and leather goods, footwear and ICT sectors, which could generate numerous jobs and earn a lot of foreign currencies.

He also stressed the need for boosting regional connectivity through trade pacts to establish a strong value chain.

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Representatives of top VAT-paying companies pose at an awards ceremony organised by the National Board of Revenue at Bangabandhu International Conference Centre in Dhaka yesterday.

Tax evasion irks Muhith

Top VAT-paying firms honoured

START BUSINESS REPORT

Only 60,000 firms pay VAT regularly out of nearly 700,000 companies that signed up to pay the tax -- a number that disappoints Finance Minister AMA Muhith.

"Do we have only 60,000 firms eligible to pay VAT? I don't think so," Muhith said at a programme to honour top VAT-paying firms yesterday.

The number of firms that should pay value-added tax should be 3-6 lakh, he said.

"We have such misfortunes in almost all areas," he said, adding that only 11 lakh people pay tax out of the country's 15 crore population.

"This is the biggest challenge for widening the tax net." Muhith told the programme where nine firms at the national level and 23 from Dhaka division were given crests and certificates.

The National Board of Revenue organised the event at Bangabandhu International Conference Centre as part of the VAT Week that began on Friday.

The revenue authority has been observing the VAT Week since 2011 to create awareness.

TOP VAT PAYERS		
PRODUCTION	SERVICE	TRADE
Titas Gas Field	Bangladesh Rural Electrification Board	Gallerie Apex
Kailashtila Gas Field	Chowdhury Tea Warehouse	Aarong
Rashidpur Condensate Fractionation Plant	RTV	Mustafa Mart

VAT, the second biggest source of revenue for the government after income tax, accounted for 36 percent of the total revenue of Tk 136,266 crore last fiscal year, according to provisional data.

The revenue authority aims to collect Tk 64,263 crore in VAT in the current fiscal year, a rise by 32 percent year-on-year.

Muhith said, "VAT is a good kind of tax for

businesses if they maintain accounts properly."

Muhammad Abdur Razzaque, chairman of the parliamentary standing committee on the finance ministry, also expressed dissatisfaction over poor tax collection.

"We have such a culture in our country that none wants to pay tax," said Razzaque, also a former food minister.

"I had a colleague in parliament who, until 2009, did not know what TIN [taxpayer identification number] was."

He said there are many people in Dhaka who own more than half a dozen of flats but their incomes are not reflected in tax returns. Many doctors, engineers and professionals do not pay tax properly, he added.

Commerce Minister Tofail Ahmed asked NBR officials not to harass taxpayers.

Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry, urged the government to revise the new VAT law by incorporating the recommendations placed by a review committee earlier.

Moshiur Rahman, the prime minister's economic affairs adviser, also spoke.

Bandwidth prices nearly halved

MUHAMMAD ZAHIDUL ISLAM

Bangladesh Submarine Cable Company Ltd has decided to slash the wholesale prices of internet bandwidth by up to 43 percent to discourage imports from India and also dispose of its huge amount of unused bandwidth.

International gateway operators will mostly benefit from the price cut.

Currently, BSCCL is using only 33 gigabits per second of internet bandwidth out of its capacity of 200 Gbps.

The country's total internet bandwidth consumption is around 120 Gbps, and six international territorial cable companies meet the demand through imports from India as it is cheaper in the neighbouring country.

In light of this, the state company has now fixed Tk 558 for each megabit per second (Mbps) of bandwidth for a bundle of 20 gigabits, down from Tk 980 earlier.

The new price will be effective for international gateway operators from August 1, said Monowar Hossain, managing director of BSCCL.

For internet service providers, however, each Mbps will cost Tk 720 and they will have to buy a minimum of 5 Gbps.

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30 ISP licences cancelled

STAR BUSINESS REPORT

The telecom regulator yesterday cancelled licences of 30 internet service providers after they failed to pay fees for renewal in time.

Bangladesh Telecommunication Regulatory Commission directed the ISPs to pay their dues to the commission in 10 days or be punished under the Telecommunication Act 2001.

These licenses were issued between June 2008 and March 2010, the regulator said in a notice.

The ISPs have clearly violated the law by continuing to operate without valid licences, according to the notice.

Earlier on June 29, BTRC warned 17 VSAT licence holders, including some foreign embassies in Dhaka, for not renewing their licenses in time.

Funds raised through rights issue double

COMPANY	RIGHTS OFFER RATIO	RAISED CAPITAL (IN CRORES OF TAKA)	ISSUED SHARES (IN CRORES)
Delta Spinners	2R:1	9.17	91.72
Midas Financing	1R:1	6.01	60.13
BD Finance	1R:2	3.36	33.56
First Security Islami Bank	1R:2	20.57	205.92
ICB	1R:2	21.09	1,054.68

SARWAR A CHOWDHURY

Funds raised by listed companies from rights shares more than doubled in fiscal 2014-15 from a year earlier.

Five listed firms netted around Tk 1,446 crore from 60.20 crore rights shares, with state-run Investment Corporation of Bangladesh (ICB) accounting for three-fourths of the fund, according to data from Dhaka Stock Exchange.

Of the firms, four were from the financial sector and one from textile.

In fiscal 2013-14, six listed companies raised Tk 681.38 crore, according to DSE statistics.

A rights issue is an issue of additional shares by a listed company to raise capital from existing shareholders.

With a rights issue, existing shareholders get the privilege to buy a specified number of new shares from the firm at a particular price within a specified time.

A rights issue is not the same as an initial public offering, where shares are offered to the general public through a stock exchange.

Of the funds, ICB raised Tk 1,054.68 crore by issuing 21.09 crore ordinary shares of Tk 10 each, in addition of Tk 40 as premium.

The purpose of issuing the rights shares was to raise its paid-up capital for investment in primary and secondary markets and to pay off loans, according to the prospectus of the state-run investment bank.

Four other listed companies issued the rights shares at par or face value.

The financial sector companies issued rights shares either to reach their capital adequacy ratio or to strengthen their capital base in line with regulatory requirements, said Md Moniruzzaman, managing director of IDLC Investments, a merchant bank.

Companies from other sectors were not interested in raising funds by issuing rights shares as the regulator was conservative in allowing listed companies with premium, he said.

Conservative pricing is good for existing shareholders but not attractive to the company, Moniruzzaman added.

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AA

Alpha Credit Rating Limited (AlphaRating) has assigned 'AA' (pronounced 'Double A') rating in the Long Term and 'AR-2' rating in the Short Term with Stable Outlook to NCC Bank Limited based on Audited Financial Statements of 2014. The rating also takes into consideration of improving profitability position, adequate statutory capital base, performance of rescheduled accounts, consistency in dividend payment and adherence to compliance issues. The above rating also reflects the NCCB's strong Balance Sheet along with experienced management. Details of the rating are as under:

Ratings	2014	2013
Long Term	AA (Very Strong Capacity)	AA (Very Strong Capacity)
Short Term	AR-2 (Strong Capacity)	AR-2 (Strong Capacity)
Outlook	Stable	Stable
Date of Rating	June 30, 2015	June 30, 2014
Valid till	June 29, 2016	June 29, 2015
Rating action	Surveillance	Surveillance

An institution rated 'AA' in the long term have very strong capacity to meet its financial commitments and rated 'AR-2' in the short term have strong capacity to meet its financial commitments in a timely manner. Stable Outlook indicates that the Rating is likely to remain unchanged.

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