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star

BUSINESS

DHAKA MONDAY JULY 10, 2017, ASHAR 26, 1424 BS

# Deep-sea port may not be viable

*Says the chief of a containership operator*

SOHEL PARVEZ

A deep-sea port may not be viable for Bangladesh as big ships are unlikely to come in here diverting from the main shipping route, an expert said yesterday.

“Chittagong does not fall on the main shipping route from Asia to Europe. You are in the Bay of Bengal. So it is unlikely that the big ships will come in,” said SS Teo, managing director of Pacific International Lines (Pte) Ltd, the world's 12th top containership operator.

Ships will go via Suez Canal, Colombo, Singapore, Hong Kong and China, he said. “That's why, most of the cargos from Bangladesh are taken by feeder vessels to Colombo and Singapore.”

Teo, also chairman of Singapore Business Federation (SBF), the apex business chamber of Singapore, shared the view in an interview with The Daily Star at Sonargaon Hotel. He was leading a business delegation from Singapore.

Teo said Bangladesh would be a very good market for Singaporean companies and the objective of the visit was to introduce the market here. “Hopefully they will come here again to form joint ventures with Bangladesh companies,” he said.

Replying to a question, Teo, who started his shipping career in Singapore in 1979, said Bangladesh has been talking about a



SS Teo

deep-sea port for many years. “Of course, you can try to build a deep-sea port to attract big ships. But big ships are unlikely to divert.”

“In reality, Chittagong is not on the main shipping route. The same is the case for Myanmar or even Kolkata,” he said, citing that the length of a bigger ship would be almost 400 metres and its capacity would be 20,000 TEUs.

He said most of the shipments taking place in Bangladesh are through feeder

vessels.

“But feeders are getting bigger and bigger to bring the costs down. So, I think you need to build bigger port, maybe bigger than the Chittagong port and smaller than the deep-sea port,” said Teo.

“Deep-sea port is good to have but it is costly,” he said, “Infrastructure is a very long term investment. So, you have to study carefully.”

He said there is good prospect in Bangladesh, especially in power and

energy, education, construction and engineering and fast moving consumer goods. “There are many business opportunities. There are many power projects coming now and Singaporean companies can participate,” he said.

He said Singapore was a very built-up city and it could help Bangladesh in urban planning and port development.

He said there are many logistics companies in Singapore who are doing business around the region. And as Bangladesh develops, it needs to bring down logistics costs, he said.

Teo said Bangladesh has successfully attracted investment in garments industry. As the country moves up the value chain to make more high value products, it should focus on improving logistics, he said.

“If your logistics does not follow, your costs advantage of cheaper land, cheaper labour will be eroded. So, I think the government needs to look for a long-term plan for the development of the Chittagong port,” he said, stressing the need for resolving road congestion issues, particularly for trucks.

He also talked about the northeastern Indian states known as Seven Sisters, Sikkim and Bhutan, saying goods could be moved to these regions through the Chittagong port at a lower cost than what it took for transporting from Kolkata.

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## ADP spending lowest in eight years

REJAUL KARIM BYRON

The ministries and divisions managed to spend only 89.34 percent of their development budget in the just-concluded fiscal year, the lowest in eight years.

A planning ministry official said the spending was low mainly because some mega projects could not mobilise foreign funds.

The development spending in 2016-17 was however 21 percent higher than that of the previous fiscal year.

The annual development programme (ADP) implementation rate was 86 percent in 2008-09.

It started to go up gradually in the following years, consistent with the increase in the size of the development budget.

But the implementation rate began to slow down from 2014-15 as the implementation capacity of the ministries and division has not kept pace with the increase in the size of the development budget, among other reasons.

### ADP IMPLEMENTATION

(in % of allocation)

SOURCE: IMED



The implementation received a further blow last year because of a number of militant attacks, including that on Holey Artisan, which slowed some projects, particularly those financed by Japan.

However, most ministries and divisions fared well in reaching their spending goal in FY17.

The ministries and divisions spent Tk 106,581 crore against the revised allocation of Tk 119,296 crore, according to statistics of the Implementation Monitoring and Evaluation Division (IMED).

In FY16 the ministries and divisions spent Tk 87,097 crore, which was 92.72 percent of their allocation.

Twelve ministries, which together received 85 percent of the total development budget, performed very well.

The science and technology ministry spent 96 percent of its allocation.

The road transport and highways division spent 99.76 percent, the secondary and higher secondary education division 90.42 percent, and the primary and mass education ministry 88.84 percent.

The local government division spent 96 percent, the housing and public works ministry 100 percent, the water resources ministry 90.42 percent, the energy division 94 percent, and the disaster management and relief ministry 96.75 percent.

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## Banks opt for bonds to raise capital

*Bonds are more cost-effective than stockmarket, bankers say*

JEBUN NESA ALO

Banks are opting for bonds to raise their capital in line with Basel III requirements for their cost-effectiveness, instead of floating more shares on the stockmarket.

In the past two years, 14 banks have issued subordinated bonds worth Tk 6,400 crore to strengthen their capital base.

A subordinated bond is a debt that is ranked below other debt in terms of claims on assets. In case of a default, the holder of a subordinated debt cannot satisfy claims on the borrower's assets until the claims of the holders of senior debt are met.

The interest rate banks offered against the bond was between 7.50 percent and 10.50 percent.

The subordinated bonds are non-convertible and redeemable, and institutions can invest in the bonds for seven years.

BANKS THAT WILL ISSUE BONDS	
UCBL	One Bank
Dutch-Bangla	Premier Bank
Bank Asia	Mercantile
Brac	Pubali
MTB	Standard Bank
Dhaka Bank	Trust Bank
Jamuna Bank	City
NCC	

The bonds will be sold through private placement to other than existing shareholders, according to Dhaka Stock Exchange.

The low interest rate opened up the opportunity for banks to raise capital at a low cost, said a senior executive of the Bangladesh Bank.

The interest rate on fixed deposits came down to 5 percent due to a lack of credit demand and excess liquidity. Banks are offering interest

rate of more than 7 percent for their bonds.

On the other hand, if banks go to the capital market for mobilising funds they will have to offer more than 10 percent dividend to remain in the “A” category stocks.

Only two banks have announced their intent to raise capital through issuing rights share, according to the DSE.

“Moreover, shareholders expect higher dividend from banks,” the BB official said, adding that the scenario was opposite several years ago when the interest rate was more than 15 percent.

As a result, the capital market then was less expensive than bonds for raising funds. For instance, around 2008-09, many banks issued rights shares to expand their business. “The stockmarket was on song then,” he added.

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## Investors gamble on Keya Cosmetics

STAR BUSINESS REPORT

Local cosmetics maker Keya Cosmetics has continued to dominate the stockmarket, luring investors to put their money into the stocks.

Keya, whose shares have been in the black for the last several days, topped the turnover list yesterday with its stocks worth Tk 78 crore or 6.72 percent of the day's total transaction of Tk 1,160 crore changing hands.

Lubricant maker MJL Bangladesh came second in the turnover list with shares valued at Tk 37.3 crore being traded.

Keya's share rose Tk 1.5 or 9.15 percent closing at Tk 17.80, its highest price since September 2015. The price of a Keya share grew over 27 percent in the last one month.

Overall, the Dhaka Stock Exchange (DSE) retained the bullish trend in the first trading session of the week.

The turnover remained buoyant fuelled by sustained investor's interest, said IDLC's market analysis.

The premier bourse saw a three-month high turnover of Tk 1,046 crore last week and the rally continued throughout the week.

The key DSEX index gained 24.63 points to close at 5774.29, after a decline on Sunday riding on small cap stocks, according to IDLC.

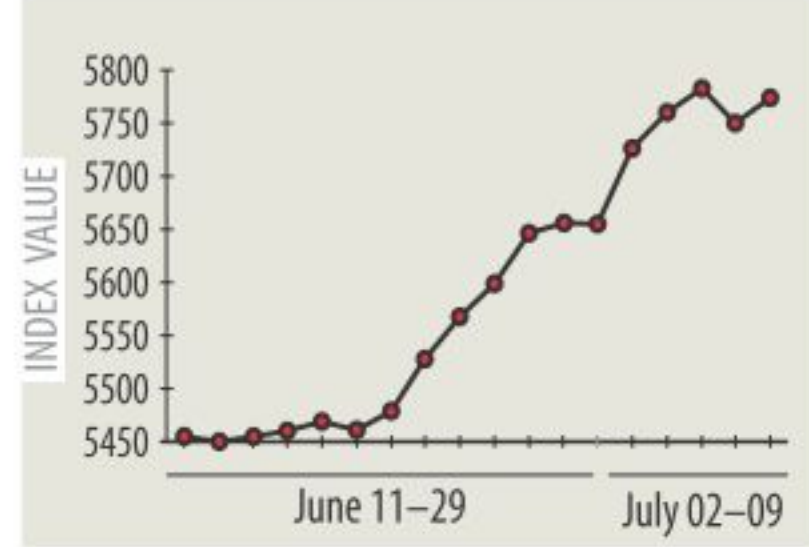
Large cap companies, which dominated the gainer list last week, were pale yesterday, with a majority of them declining.

The index moved at a stable and consistent upward direction yesterday, and closed in the green, according to a Lanka Bangla Securities analysis.

All sectors except six closed positive during the session. Textile, engineering and cement gained 2.11 percent, 1.14 percent, and 1.04 percent respectively, according to the analysis of the brokerage firm. Telecommunication was the worst performer among the major sectors.

At the DSE, 188 securities gained, 100 declined and 39 remained unchanged. The DS30 and the DSES were up 4.70 and 7.10 points respectively.

### DSEX INDEX IN THE LAST 30 DAYS



## Explosive detection systems for airport yet to arrive

*Lufthansa delegation arrives to assess upgraded security measures*

REFAYET ULLAH MIRDHA and RASHIDUL HASAN

The much talked-about explosive detection devices for Hazrat Shahjalal International Airport are yet to arrive in Bangladesh even though the aviation minister said on several occasions they would be here by the first week of July.

Installation of EDD is a key requirement for resumption of direct cargo flights to Europe, which have been barred from June 1.

The US-based supplier did not release the two EDDs, which cost Tk 64 crore, as there was a problem with the letter of credit, Rashed Khan Menon, minister for civil aviation and tourism, told The Daily Star over telephone yesterday.

“I cannot explain it in details right at this moment. But, there is a problem in LC -- this is why the supplying company did not release the devices yet.”

However, the minister still maintained that the devices will be installed by the end of this month.

Meanwhile, a delegation of Germany's flag carrier Lufthansa have arrived in Dhaka yesterday on a three-day visit with the view to getting a first-hand look at the upgraded security measures at HSIA's cargo village.

The two-member Lufthansa delegation yesterday held meetings with high officials of the Civil Aviation Authority of Bangladesh and HSIA and watched the dog squad for cargo screening in action.

The delegation will submit its report to Lufthansa head office soon.

Another expert team of Etihad Airways is due in Dhaka today for the same purpose, said Shakil Meraj, general manager of public relation of Biman Bangladesh Airlines.

Asked about the security measures taken since the series of cargo ban from HSIA, Meraj cited the installation of 125 closed-circuit cameras, dual-view x-ray machine, under vehicle surveillance system and access control system as per the requirement of European Aviation Security Manual.

Two separate security expert teams from the UK and the EU are scheduled to audit the security system on August 5.

Safety and security experts from the UK and Germany have visited HSIA on several occasions in the past one year and remained dissatisfied with the measures.

The UK, Germany and Australia have slapped a ban on direct cargo service from Dhaka last year due to insufficient safety and security.

Thanks to the ban, exporters have to re-screen their Europe-bound goods at a third airport -- an additional step for which the airlines are charging them an extra 10 cents to 12 cents per kilogramme.

The exercise has also lengthened the delivery times.

Bangladesh raked in \$18.68 billion from its exports to the EU in fiscal 2015-16, which was 54.57 percent of the total receipts for the year.

Of the sum, \$17.15 billion came from apparel shipments. The EU currently accounts for over 60 percent of Bangladesh's garment export receipts in a year.

Besides, 60 percent of fruit and vegetable and other perishable exports also go to the EU and their exporters are the worst sufferers because of their short shelf-life.



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## CREDIT RATING

# AA2

	Long Term	Short Term
Rating 2017	<b>AA 2</b> (Very Strong Capacity & Very High Quality)	<b>ST-2</b> (High Grade)
Rating 2016	<b>AA 3</b> (Very Strong Capacity & Very High Quality)	<b>ST-2</b> (High Grade)
Date of Rating	June 21, 2017	
Validity of Rating	June 30, 2018	
Outlook	Stable	

Rated by: CRAB, based on financials December 31, 2016

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