

Loans cannot be converted to LTFF: SBP

MUSHTAQ GHUMMAN
ISLAMABAD: The State Bank of Pakistan (SBP) has expressed inability to convert textile sector loans into long-term financing facility (LTFF) on the basis of an agreement between the GoP and the International Monetary Fund, sources told Business Recorder.

February 12, 2010 in Karachi. Sources said that Baig raised five issues, which include: mark-up rate support to textile sector; conversion of long-term loans into LTFF; relaxation on prudential regulations; working capital loans and LTFF facility for establishing new spinning units. With regard to mark-up rate support to textile sector, the Governor said that as the SBP is only the executing agency for scrutinising and reimbursing the claims to be filed by banks/DFIs under these schemes, necessary instructions would be issued to

the banks/DFIs in this regard, after receipt of budgetary allocation from government/Ministry of Finance. Further, according to the instructions issued by Ministry of Textile Industry (Mintex), these dues are payable on six-monthly basis, and the first installment would be due in March, 2010. On conversion of long-term loans into LTFF, SBP Governor responded that as there are limitations on the level of borrowings from SBP under IMF's SBA (Standby Arrangement), these loans cannot be converted into

> P 4 Col 7
international IT giants such as
Telangana—ANI

Loans cannot be converted

> from page 1
LTFF. However, GoP has already announced mark-up rate support against such loans. Mark-up, to the extent of 5 percent, would be reimbursed to eligible borrowers, after receipt of budgetary allocation from MoF/Mintex under the textile policy.

LCs/export contracts of JC Penneys will be taken up with concerned banks, when details are received from exporter association, and (iv) a separate committee, headed by SBP Governor, would be formulated for deliberations on the issues of textile sector, which will meet periodically.

Regarding relaxation of prudential regulations, the SBP argued that no SBP regulation circular places any restriction on banks/DFIs for extending any financing facility to a borrower having overdue appearing against its record in CIB database. However, with regard to relaxation in current ratio from 0.85:1 to 0.5:1, the SBP Governor said that through BPRD Circular No. 06 dated March 7, 2009 the condition has already been removed.

When contacted for comments, Pragma chairman Bilal Mulla said that five-tier textile policy, announced on August 13, 2009, with target export of \$ 25 billion by 2014, implies 25 percent growth each year, as present exports of textile is at \$ 10 billion per annum.

Replying to another demand of Baig, he said that the banks are free to allow restructuring/rescheduling facilities to their borrowers on case-to-case basis, keeping in view their lending policies as well as prudential regulations. Therefore, borrowers may approach their respective banks.

He said that the Minister for Textile, Farooq Ahmed claimed that first he had arranged approval of Rs 40 billion package in budget of 2009-10 for exporters, out of which Rs 27 billion is for the textile which means textile sector will face no problem in funding for smooth running of textile packages policy.

On LTFF facility for establishing new spinning units, Razasaid that the rationale for providing refinancing under LTFF is to promote export-led industrial growth of priority sectors. However, six sub-sectors i.e., spinning, doubling, twisting, combing, slubbing, lycra/yarn dyeing have already been made eligible.

The necessary notification for implementation of policy was issued on September 1, 2009 under duty drawback of local taxes levies order 2009, notification No. 3 (1)TD/08-P-1.

After detailed discussion, Baig and Raza decided that (i) In the cases where borrower could not avail the spinning sector subsidy for various reasons, SBP will issue appropriate response to concerning borrowers, (ii) Mintex will take up the issue of subsidy on account of enhancement in export finance scheme and LTFF mark-up rates with Ministry of Finance, (iii) issues of acceptance of

Ministry of Finance transferred Rs. 5 billion to SBP in November for disbursement under textile policy and promised further release of Rs. 5 billion as soon as first installment was fully utilised by SBP.

"Now, it is February, which implies 6 month after notification exporters are yet not having a single penny in their account as far as duty drawback of local duties are concerned," he complained.

It is pertinent to mention here that Mintex's RDA cell started registration of exports units and till late it has registered 684 units, and further 286 units on provisional basis, while approximately 10,000 units need to be registered under the policy.

Circular Impt.
1/2
24/2/10

he
ed
nt
al
ti,
00
of
re
re
5-
d
r
g
r
r
y
r
2