

Stocks nosedive for third straight day

STAR BUSINESS REPORT

Stocks in the premier bourse witnessed a drop for the third consecutive day following a steady rise for over a week.

DSEX, the benchmark index of the Dhaka Stock Exchange, shed 76 points, or 1.50 per cent, yesterday to stand at 5,012.12.

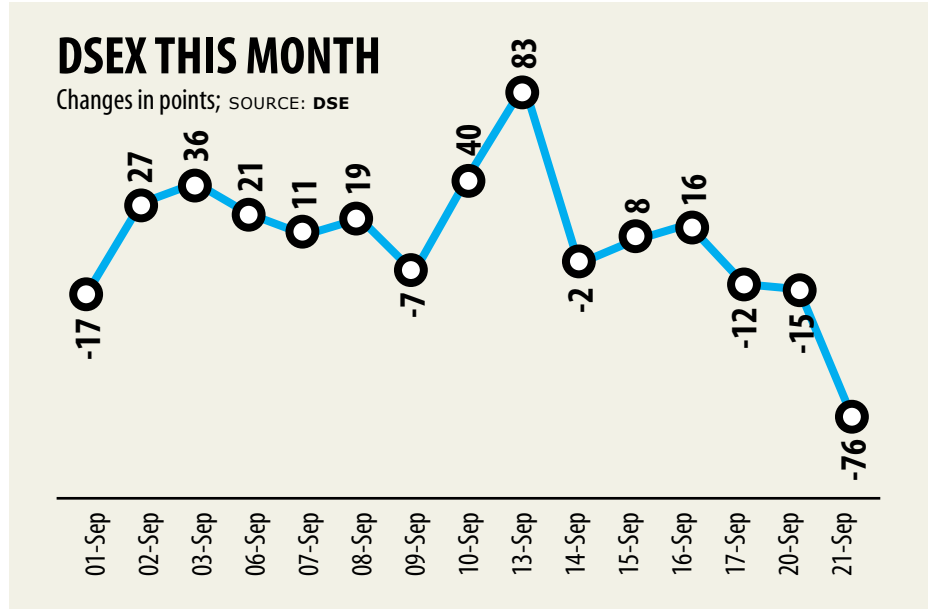
"But corrections are the beauty of a good stock market," according to a merchant banker.

The index underwent corrections in the last few days, not long after the market had risen to a sustainable position, he said.

DSEX rose by 152 points during September 10-16 but dropped 103 points in the last three days, as per DSE data.

When the market declines, it gives certain people the chance to invest more money and therefore should be seen as an investment opportunity, the merchant banker added.

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PALASH KHAN

When being a mode of entertainment comes to an end, televisions nowadays make their way to recycling shops where they are stripped and broken down to basics before being recast to start life anew in another form and sold. The photo was taken at Basila in Dhaka recently.

BSEC orders special audit of Fareast Islami Life Insurance

STAR BUSINESS REPORT

Bangladesh Securities and Exchange Commission (BSEC) has appointed a chartered accountancy firm to conduct a special audit of Fareast Islami Life Insurance to find irregularities in the insurer's financial reports between 2016-18.

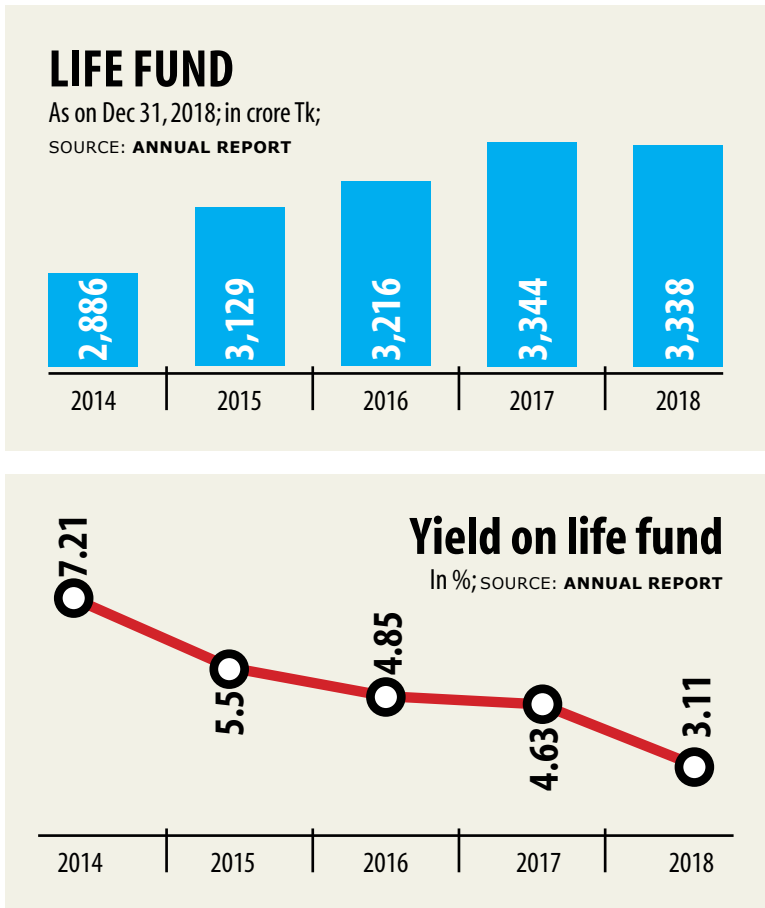
The stock market regular has given A Wahab & Co, one of the oldest and reputed accountancy firms in the country, two months to complete the audit.

Fareast Islami Life's financial reports for 2018 were audited by Mahfel Huq & Co, which made no qualification, adverse or disclaimer opinion in its report.

"However, we found some irregularities and there are huge allegations against the company on not paying claims," said a senior official of the BSEC preferring anonymity.

"And so, we want to see whether the company is doing its activities in the right manner," he added.

Having made its trading debut with the country's bourses in 2005, Fareast Islami Life's first year and renewal premium income has been on the decline since 2016.



The third generation insurer's premium income shrank by about 3.9 per cent from Tk 302 crore in 2016 to Tk 290 crore in 2018.

During the same period, the number of first year and renewal policies dropped around 25 per cent from 235,761 to 176,740, according to the company's annual report for 2018.

And with paid-up capital of Tk 74 crore, Fareast Islami Life's dividend yield has also fallen over the years.

The yield stood at 3.16 per cent in 2018 while it was 3.50, 5.17, and 6.24 per cent respectively in the preceding years.

Fareast Islami Life also witnessed a significant decline in its revenue from life insurance policies between July-September 2019, when it fell by Tk 128 crore. It had dropped by Tk 24 crore during the corresponding period of the previous year.

Sponsors hold 32.56 per cent of the company's shares while institutional investors account for 42 per cent and the remainder is owned by general investors.

The insurers stocks were last traded at Tk 48.50 per share.

Don't impose duty on raw jute exports

Businesses urge govt

STAR BUSINESS DESK

The Bangladesh Jute Association (BJA) yesterday urged the government to not impose any duty on raw jute exports as the country currently has a surplus of the fibrous material to meet the local demand following the recent closure of 25 state jute mills.

The association made this call as

the government has been mulling the imposition of duties, citing a fall in jute production and a rise in domestic prices due to the ongoing coronavirus pandemic and countrywide floods.

On the other hand, jute millers have demanded a ban on exports or the imposition of a \$250 per tonne duty on jute shipments this year.

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Sheikh Syed Ali, chairman of Bangladesh Jute Association, and Md Rezaul Karim, chairman of Shippers' Council of Bangladesh, attend a press meet at Hotel Purbani International in Dhaka yesterday.

BANGLADESH JUTE ASSOCIATION

Light engineering sector needs skilled workforce, policy support

Says Md Abdur Razzaque, president of Bangladesh Engineering Industry Owners Association

JAGARAN CHAKMA

Prime Minister Sheikh Hasina in January announced light engineering as the "product of the year" in an attempt to bring special attention to the sector so that it increases the country's foreign exchange reserves through the export of various goods.

Afterwards, the industries ministry decided to set up light engineering industrial parks in Dhaka, Narayanganj, Jashore, Bogura and Narsingdi to reach the growing domestic sector to its full potential.

Firms in the sector are now providing support to the industrial, agricultural and construction sectors by manufacturing a wide range of spare parts, castings, moulds and dices, oil and gas pipeline fittings and light machinery, said Md Abdur Razzaque, president of Bangladesh Engineering Industry Owners Association (BEIOA).

Various electrical products such as sockets,

cables and electrical fans are manufactured by the light engineering sector with domestic suppliers accounting for 48 to 52 per cent of the country's demand, which was previously met through imports.

The market size for light engineering equipment and spare parts was about Tk 26,000 crore in 2019, he said, adding that this value stood at Tk 20,000 crore a decade ago.

The Business Promotion Council, operating under the commerce ministry, estimates that local light engineering industries produce 3,815 types of machinery, spares and accessories.

An assessment by Bangladesh Investment Development Authority said more than 90 per cent of light engineering industries sell their wares locally.

It lists the sector as an important area for investment owing to its potential in both domestic and foreign markets.

A number of light engineering products are also exported directly and via subcontracts. These include spare parts for paper and cement mills, bicycle light fittings, construction equipment, cast iron articles, carbon rods and automobile spares.

Referring to the Export Promotion Bureau's data, Razzaque said the emerging sector accounts for about 1.5 per cent of Bangladesh's export basket.

Besides, modernisation is taking place in the sector as the use of computerised machinery is expanding gradually, helping increase productivity and quality in the process, he added.

The sector needs trainers to help develop a skilled workforce alongside policy support



Md Abdur Razzaque

from the government in order to flourish as its growth has been very sluggish in absence of investment.

"The sector's potential is immense but has remained untapped for years because of lack of government support," Razzaque said.

"Our mechanics, with no academic qualification, can manufacture almost everything due to their ability to learn quickly, which can only be improved with training."

Light engineering is considered the mother of all sectors as it provides technical support for various industries.

And so, if this sector does well, other industries are benefitted too since they can get spare parts or machinery at reasonable prices,

he said, adding that there was scope to bring small-scale foreign direct investment for the industry.

Challenges faced by the Sector
Razzaque alleged that a 15 per cent VAT and advance income tax imposed by the National Board of Revenue since fiscal 2018-19 were barring the sector's growth.

"The 2012 VAT Act is a curse for light engineering as companies have to provide VAT on their products when they supply capital machinery to the industries," he said.

Light engineering companies also have to pay VAT on machine repairs, which was made mandatory just two years ago.

However, import tariffs are not levied on capital machinery aside from a 1 per cent nominal export duty charge, Razzaque added.

Local manufacturers provide capital machineries for big industries while paying a 10 per cent supplementary duty on top of the 15 per cent VAT.

"We spoke with the NBR several times to address the issue but we are yet to get any solution," he said.

According to Razzaque, while the prime minister wanted the local light engineering industry to grow, state mechanisms were pushing it towards destruction.

Diversification in the light engineering sector depends on effective policy support, public-private partnerships, technical and business information, innovation and sustainable development of technology and related products, experts said at the inaugural ceremony of the industrial parks.

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Capacity development of industries, research and development facilities and removal of other barriers are needed if the industry is to flourish

removal of other barriers are also needed if the industry is to flourish.

Razzak also said light engineering contributes around 2.2 per cent of the GDP.

However, the sector has been suffering from a lack of top-end technology, financial support, skills development and infrastructure, which in turn was eating away the sector's competitiveness.

Regarding the latest initiative, Razzaque hopes that the Ministry of Industries would help utilise the sector's growing potential.

Meanwhile, a light engineering training institute will be established to provide the industrial parks with a skilled workforce.

Moreover, initiatives will be taken to increase skills of indigenous manpower at the training institute with the help of world-class instructors and technologies, he said while lauding the ministry's efforts towards developing the sector.

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