

Capital market gets bull's charge

By Abul Barkat

Last week's activities of the market can be characterised as the bull's charge. It appears that the long downward slide of prices has finally stopped and the curve has bottomed out.

During the week, the DSE All Share Price Index jumped about 14 points from 343.41 last weekend to 357.50 at the end of Tuesday's session. February opened with the index at 336.24. It declined slowly and gradually to 333.36 till 12th February. Then very slowly it started rising. During the week ending 20th February the index rose 3.4 points. The following week it rose 3.6 points. Then the market shed its shyness and took a big leap forward to end last week 14 points above the previous weekend. The trading volume also jumped. During the last three days of the week shares worth more than Taka four million changed hands.

Renwick & Jaineswar, an engineering company which remained well below par for a long time gained highest, (44%) during the period February 12 to March 7. Others which made big gains are Rupali Bank (40%), Bangladesh Thel Aluminium (32%), Bangladesh Oxygen (31%), Bengal Food (22%), Eastern Cables (22%), Quasem Textiles (22%), Bata Shoe (21%), Chittagong Cement Clinkers (21%), Beximco (19%), Monno Ceramic (18%), G.O. Ball Pen (18%), Kohinoor Chemicals (18%), Beximco Pharmaceuticals (17%), Zeal Bangla Sugar (16%) and Eagle Star Textiles (16%). Out of 46 selected issues, only one declined in price (Saham Textiles) and all others rose in the range of 3% to 44%.

The turnaround had really been long awaited. During the end of last year and until early part of last month many market operators did notice that the prices of the shares had fallen to a very lucrative level. Rate of return of market price were indeed very high in most of the issues compared to alternative investment opportunities, i.e. fixed deposit interest rates and returns of different national savings scheme certificates.

But international uncertainty in the Gulf region and national political unrest were the inhibiting factors for the investors. On August 2, 1990 Iraq's occupation of Kuwait sent the oil prices skyrocketing with dreaded economic fallout in countries like Bangladesh scared the investors. The popular uprising against the fallen regime also plunged the investors into uncertainty.

Both local and international scenario took a turn for the better by the middle of January this year. But the uncertainty about the election results could not restore the investors' confidence. Economic policies as enunciated by some political leaders were confusing at its best. Still then, the share price level was too lucrative to ignore and the most enterprising investors started their unsure steps. On February 28, when the dust settled, investors got the reassurance of at least continuance of the policies towards market economy and privatization. The Middle East menace had also capitulated on the same day. The investors' confidence returned in a hurry and resulted in a 14 point price rise and more than 300 per cent volume within a week.

In the following chart Price-to-Book-value-Ratio column indicates that the market price is below the asset value of the issues where the figures are less than one. Normally, combining the earning potential, the prices remain much higher than the underlying asset value of the securities. But even at the price level of last Thursday 30 Securities were below their asset value. Only for two securities Bata and BOL, prices were more than double their asset value. Ironically for these two securities the earning potential is also highly dubious. BOL, through a recent bonus issue has diluted its earning per share to Taka 5.62. This means a rate of return of 8.25 per cent at its present price level around Tk. 68.00 per share. The picture for Bata is downright dismal. While its result for the year ended last December has not been re-

leased its earning per share, and rate of return based on the last published report is negative 21 per cent jump on its price at 2.45 times its asset value is inexplicable. Mysteriously its price moved in tandem with BOL in the past also, although the reason for such market behaviour could never be logically discovered. Another security with negative return is Zeal Bangla Sugar. But its result for the year ending June 1990 is unofficially known to be reasonable. The company had declared and paid interim dividends of 10 per cent on an estimate made last May of an earning of about Tk. 35 per share. As soon as the financial report for that year is available the figure will turn positive and it is well known among the investors.

The rate of return on market price of the shares is more than 15 per cent in 28 securities out of selected 46 companies. This ranges upto 71 per cent in the case of Atlas Bangladesh followed by 63 per cent for Beximco Pharmaceuticals. There are 8 securities whose rate of return is more than 35 per cent. Intelligent decision making should take into account both the factors: Price to Book value ratio as well as rate of return. The figures in the chart are only numbers based on the published annual reports. Decision making process should also include a little of personal investigation, say on the asset value. On which basis this valuation is made: is it on historical cost method or replacement value method or what? Opinions should be formed on the result of such investigation.

Bullish market is the one which is ordinarily understood to be profitable. New investors are drawn into the arena during such periods. Unscrupulous people are apt to indulge in unfair means during such periods. Castles are often built on air. Also bullish market is the one after which the unwary investor gets hurt most.

Caution should be exercised and vigilance tightened by all concerned at this period, so that the bullish charge does not destroy the arena as in 1987.

Price trend of selected shares

Feb 12, 1991 to March 7, 1991

Name of Issue	Year end	Face Value	Earning Per Share	Book Value P.S. Taka	Price/Bk Value Ratio	Closing Rate			Percentage Change on 07.3.91 over		Rate of Return on Market Price of		
						12.02.91	28.02.91	07.03.91	12.02.91	28.02.91	12.02.91	28.02.91	07.03.91
City	8912	100	1.96	140.53	1.45	186.75	304.00	210.00	12.45%	2.94%	1.05	0.86	0.53
IPC	8912	100	4.07	184.71	0.79	141.00	146.00	150.00	6.38%	2.74%	2.89	2.79	2.71
Islami	8812	1000	123.39	1376.24	0.74	1020.00	1020.00	1000.00	0.98%	0.98%	12.10	12.10	11.98
NBL	8812	100	25.10	172.61	0.65	103.45	113.00	120.00	16.00%	7.14%	34.39	32.41	20.92
Pubali	8812	100	14.94	117.99	0.81	96.00	96.00	100.00	4.17%	4.17%	15.56	15.56	14.94
Rupali	8812	100	0.76	127.31	0.68	75.00	87.00	105.00	40.00%	20.00%	-1.01	-0.87	-0.72
1st ICB M.F.	9006	100	48.86	149.01	2.72	605.00	605.00	630.00	6.17%	6.17%	12.06	12.06	11.36
3rd ICB M.F.	9006	100	26.00	126.15	1.21	143.00	153.00	160.00	11.89%	4.58%	18.18	16.99	16.25
4th ICB M.F.	9006	100	23.68	123.69	1.17	133.00	144.50	152.00	14.29%	8.19%	17.80	18.38	15.58
5th ICB M.F.	9006	100	20.67	120.69	1.02	116.00	122.50	130.00	10.07%	6.12%	17.82	16.88	15.90
6th ICB M.F.	9006	100	12.98	113.40	0.79	87.00	89.89	100.00	14.94%	11.25%	14.92	14.44	12.98
Atlas Automobiles	9008	100	47.34	185.23	1.05	194.00	194.00	220.00	13.40%	13.40%	24.40	24.40	21.52
Ashtr Pipes	8912	100	112.56	152.89	1.44	220.00	220.00	220.00	3.18%	3.18%	51.17	51.17	48.59
Eastern Cables	8906	100	3.65	118.38	0.75	83.00	89.00	101.00	21.69%	13.48%	4.40	4.10	3.61
Atlas Bangladesh	9006	10	29.02	45.00	0.89	38.50	40.00	41.00	6.49%	2.50%	75.37	72.94	70.77
Quasem Dry Cells	9006	10	1.59	10.70	0.75	8.00	8.00	9.12	14.00%	14.00%	19.83	19.83	17.39
Renwick Jaineswar	9006	100	2.72	97.76	0.66	50.00	65.00	72.00	14.00%	10.77%	5.43	4.18	3.77
National Tubes	8906	100	25.02	123.04	0.98	115.00	120.00	120.00	4.35%	0.00%	21.76	20.85	20.85
B. Thel Aluminium	PE8912	100	8.77	138.38	0.61	75.00	85.00	99.50	32.67%	17.06%	11.69	10.91	8.81
Bengal Food	8908	100	50.24	266.41	0.68	172.00	180.00	210.00	22.09%	16.67%	29.21	27.91	23.92
Dhaka Vegetable	8906	100	32.32	246.36	0.65	154.00	160.00	172.00	11.69%	7.50%	20.98	20.20	18.79
Zeal Bangla Sugar	8906	10	1.41	6.00	1.25	8.00	8.25	9.30	16.25%	12.73%	17.85	17.12	15.19
Chittagong Vegetable	9006	100	3.15	106.30	0.89	95.00	95.00	105.00	10.53%	10.53%	3.31	3.31	3.00
BOL	8909	10	5.62	27.65	2.13	52.00	59.00	68.15	31.06%	15.51%	10.81	9.53	8.25
Ashraf Textile	9006	10	7.24	28.35	1.13	28.00	32.00	32.15	14.82%	0.47%	25.86	22.82	22.52
Quasem Silk	8906	10	1.97	12.32	0.69	8.00	8.50	9.75	21.88%	14.71%	24.64	23.19	20.21
Quasem Text	8909	10	0.99	11.15	0.58	6.00	6.50	7.25	20.83%	11.54%	11.46	10.58	9.46
Saham Textile	9006	100	13.14	74.38	1.14	85.00	85.00	84.00	2.33%	-1.18%	15.27	15.45	15.64
Eagle Star Textile	9006	10	6.23	29.60	1.23	31.00	36.27	36.00	18.13%	0.74%	20.11	17.19	17.23
Tallu Spinning	9006	100	18.04	110.82	0.96	103.00	105.98	115.20	11.84%	8.70%	17.51	17.02	15.86
Ambee Pharma	8912	10	2.21	13.20	1.08	14.48	14.25	15.50	7.04%	8.77%	15.29	15.54	14.29
Beximco Pharma	9003	100	112.05	330.01	0.48	150.76	160.04	178.00	16.74%	9.97%	74.32	70.01	63.67
Pharma Aids	9006	100	13.00	158.79	0.98	157.00	156.33	165.00	5.10%	5.56%	8.28	8.32	7.88
Kohinoor Chemical	8906	100	14.20	103.72	0.73	71.46	75.83	84.00	17.56%	10.77%	19.88	18.73	16.91
Eagle Box & Cartoon	8906	10	1.35	11.35	1.10	12.50	12.50	13.00	4.00%	4.00%	10.77	10.77	10.35
Apex Tannery	9006	100	36.59	178.10	0.77	139.88	138.00	150.00	7.23%	8.70%	28.16	28.51	24.39
Bata Shoe	8912	10	0.21	16.76	2.45	38.00	41.00	46.00	21.05%	12.20%	0.55	0.51	0.45
CO Ball Pen	8912	10	23.13	57.59	0.92	52.00	52.73	61.20	17.69%	16.09%	44.48	43.86	37.79
Monno Ceramic	9006	100	54.71	209.71	0.82	128.00	130.00	150.75	17.77%	15.96%	42.74	42.09	36.29
Uamania Glass	9006	100	44.60	136.44	0.90	140.00	140.00	140.00	12.14%	0.00%	31.86	36.26	36.26
Savar Refractories	9006	100	19.09	116.85	0.94	130.00	130.00	130.00	15.38%	0.00%	14.68	17.35	17.35
Beximco	8906	10	0.94	11.04	0.82	8.50	9.00	10.08	18.59%	12.00%	11.06	10.45	9.33
Chittagong Cement	8906	100	85.24	101.73	1.46	136.22	148.91	165.00	21.13%	10.81%	62.58	57.24	51.66
B. G. I. C.	8912	100	44.73	159.98	0.66	104.00	105.00	115.00	10.58%	9.92%	43.01	42.80	38.90
Green Delta	8912	100	22.63	182.86	0.58	105.00	106.00	113.36	7.96%	6.94%	21.55	21.35	19.96
United	198912	100	18.07	165.23	0.67	108.00	109.95	120.00	11.11%	9.14%	16.74	16.44	15.06

ONE YEAR FIXED DEPOSIT INTEREST RATE

Riyadh needs 3 years to overcome effects on economy

BAHRAIN, Mar 8: Saudi Arabia will need at least three years to overcome the worst effects on its economy of paying for the Gulf war, economists say, reports Reuter.

Bankers and diplomats in the region estimate Saudi Arabia faces a bill of at least 40 billion Dollars for the six-week war in which U.S. led Allied Forces crushed Iraq and drove its troops out of Kuwait.

Before Iraq's conquest of Kuwait last August 2, Saudi Arabia's oil-based economy, bigger than other Gulf Arab States combined, had begun to emerge from a long period of economic constraint as a result of the 1980s oil price collapse. But a state budget deficit forecast of 25 billion Riyals (6.6 billion Dollars) for last year has already been born up because of costs for Desert Shield the buildup of Allied Forces on Saudi territory, economists said.

And this year's budget deficit will also soar because of the bill for the Desert Storm offensive against Iraq's Armies, they added. There will be a very sizeable deficit this year. "It's going to take at least three years of readjustment to get through this problem."

Kuwait won't be able to export oil for a year

GREATER BURGAN (Kuwait), Mar 8: Kuwait, losing enough oil to fires each day to fuel the British economy, may not be able to resume exports for a year, a Kuwait Oil Company (KOC) executive said, reports Reuter.

"We may not be able to export for a year," said Achmed Morad, a member of KOC's committee of six dealing with the fires, most caused by dynamite placed by Iraqi army engineers.

"Our first priority is to produce sufficient oil to supply our power station," said Morad, Manager of System Development, told reporters. "This should take 100 days."

Electronics Complex nearing completion

By Enamul Huq

The construction of electronics complex at Mirpur, the first of its kind in the country, is advancing fast.

The complex housed on about 15,000 square feet at the intersection of Mirpur Sections 6 and 11 will be completed by June 1992, says sources in Bangladesh Small and Cottage Industries Corporation (BSCIC) which is entrusted with the subcontract of the project.

The first phase of the Taka 15.13 crore project which started in October '88 has already been completed. The complex, when completed, will house about 50 electronics units in a total floor space of 1.5 lakh square feet.

The government undertook the project on request from Bangladesh Electronics Manufacturers Association to provide necessary facilities and make the marketing of electronics goods more efficient and cost effective, said the source in BSCIC. It said the complex would provide an indigenous centralised base for the electronics industry now scattered around the country.

The complex will also serve as research and Common Facilities Centre (CFC) as well as display centre.

At least Taka 100 crore will be invested in the units at Mirpur electronics complex, according to a conservative estimate. The production per year will be worth about Taka 40 crore.

Mongla Port handles 1.2 lakh tons cargo

KHULNA, Mar 8: Mongla Port handled a total of 1,18,860 metric tons of cargo during the month of February this year, a press release said here Wednesday, reports BSS.

Of the total cargo handled through this port, 85,210 metric tons were import cargo while 33,650 metric tons were export cargo.

The import cargo included 9,576 metric tons of foodgrain, 32,023 metric tons of cement, 24,886 metric tons of fertilizer, 13,527 metric tons of coal, 150 metric tons of cotton, 493 metric tons of machinery and 4,555 metric tons of general cargo.

The export cargo included 1,18,860 metric tons of general cargo, 1,18,860 metric tons of cement, 1,18,860 metric tons of fertilizer, 1,18,860 metric tons of coal, 1,18,860 metric tons of cotton, 1,18,860 metric tons of machinery and 1,18,860 metric tons of general cargo.

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The BSCI source said the complex will provide more jobs for moderately educated people, especially for women.

The ratio of female and male workers in the industry is now 55:45, the source said. In finer stages of assembling process the ratio of female employment is higher, it said.

The BSCIC sources said they have already been contacting with the owners of electronics industries for allotting space in the complex. The response from the entrepreneurs is encouraging, it said.

According to the source, there are about 700 electronics industries in the country. About 45 of these industries are members of the Bangladesh Electronics Association. Three of these industries are multinationals having installations and space of their own, it said. About 5,000 workers are at present employed in the electronics industries, the BSCIC source said.

It said the prospect of flourishing electronics industry in Bangladesh is very bright as the cost of labour is much cheaper here than in Hong Kong or Taiwan.

price in international market was between 50 and 53 US dollar per metric ton. During the war it was between 59 and 60 dollar and after the war it is now between 63 and 64 dollar a metric ton.

TCB sources said the cement crisis in the country has been intensified due to the UN trade embargo. Bangladesh had four contacts with Iraq for supply of 1.5 lakh metric tons of cement. But these were cancelled due to embargo. Iraq has taken back the performance guarantee (3 per cent of the total tender) from TCB. Presently TCB has only about one lakh metric tons of cement in the pipeline, arrivals of which is likely by May. This quantity will come from China, Pakistan and Poland.

Sources said that TCB under the current import policy is to import 75 per cent of total cement imports. The rest are to be imported by the private sector. But TCB's import operations have so far been sluggish because of administrative bottlenecks, sources added.

Hierarchy of WB being overhauled

WASHINGTON, Mar 8: Formed as most of Europe and Japan lay in ashes, the World Bank is changing leadership in the aftermath of another destructive conflict that promises to give economic and development policymakers problems that could last for years, reports Reuter.

The decision of Bank President Barber Conable to return to private life and White House sponsorship of New York banker Lewis Preston to replace him comes as officials are attempting to assess the development impact of the Gulf war.

At the same time, the new economic landscape of eastern Europe, and a proposal, now on hold, for Moscow to be given access to bank and International Monetary Fund guidance through a special relationship, adds vast new challenges for the institution.

The bank has not had such a full plate in years, said one official, adding that the future could be increasingly difficult.

Conable, a former US Congressman from New York, has during his five-year tenure achieved some economic measures at the bank that will make it much easier for Preston to operate.

The institution is on excellent financial footing and this should help Preston tremendously, said one former bank official.

Moreover, Conable, who will leave in September, has completed a divisive but badly needed reorganisation of the bank that some officials believe is the most far-reaching change ever achieved at a multilateral financial institution.

BIGGEST gold mine may be found in Japan. KOKONEMACHI (Japan), Mar 8: Discovery of a gold vein in this remote, sleepy town could lead to the biggest gold mine in Japan and has encouraged efforts to find more gold in other parts of a country with almost no raw materials, reports Reuter.

Living cost in Romania up

BUCHAREST, Mar 8: The cost of living for Romanians has jumped by 50 pc in just three months since the government scrapped a wide range of subsidies as part of its drive to build a western-style market economy, reports Reuter.

The latest data, published in the twice-weekly journal The Economist, showed the price of non-food goods soared by 86 pc in November-February, while food prices jumped an average of 33 pc and services became 35 pc dearer.

UAE trade surplus doubles

ABU DHABI, Mar 8: The United Arab Emirates trade surplus doubled in 1990, thanks to a sharp increase in oil exports triggered by the Gulf crisis, the UAE's Central Bank Governor said on Wednesday, reports AFP.

Abdul Malik Al-Hammam announced a trade surplus of 29.3 billion dirhams (7.98 billion dollars), compared with 14.6 billion dirhams (3.97 billion dollars) in 1989.

Dollar ends little changed

TOKYO, Mar 8: The dollar ended little changed from New York's closing levels after a directionless trade dominated by interbank position squaring,