

# Tk 50cr shares to be disinvested, non-residents to be allowed to buy shares

## Stock market yet to be ready to absorb new doses

By Moazem Hossain

The low turnover rate and thin operations of Dhaka Stock Exchange (DSE) - the country's lone secondary securities market - provide an incongruous setting for new policy moves of the government to activate the capital market.

The government will be going for a fresh dose of privatisation of its public sector enterprises (PSEs) in fiscal 1991-92 that begins on July 1. Capital assets or stocks, worth Taka 50 crore, of industrial PSEs will be divested through public issues of shares.

The programme for divestiture of shares and disposal of industries under the ownership of the government "at appropriate prices" will be initiated afresh "for further expansion and consolidation of a liberal and market oriented economy", according to the announcement by Finance and Planning Minister Saifur Rahman in his last budget speech.

In another major development for the stock market, the non-residents including Bangladeshis will be allowed to invest in shares through the stock exchange without permission of the central bank. Under this move which becomes effective also in fiscal 1991-92, the sale proceeds of such shares would be repatriable in free foreign exchange.

The permission, issued by the Controller of Capital Issues, will be sufficient for the purpose. Under the simplified process of share issue, the transfer of securities from one resident to another non-resident will not require the approval of Bangladesh Bank. This will open up opportunities for transactions in such securities by the non-residents or on their behalf.

The decision about opening the investment opportunities in the share market to the non-residents including Bangladeshis was announced by the Finance and Planning Minister at a press briefing on June 11 at his Shere-e-Bangla Nagar office following a high-level meeting.

A number of other measures were also announced in the same package of incentives to encourage investments in capital market, liberalise foreign exchange management operations, induce more remittances through official channels and plug illegal transfer of money in keeping with what the minister said "the global wind of liberalisation" and the thrust of the government "for a greater market-oriented economic policy framework".

While the moves are welcome as props for capital market development and invest-

ment-supporting economic activities, the prevailing mood of Dhaka Stock Exchange (DSE), the hub or the capital market, remains depressed. Transactions on its floor reflected a sluggish trend with hardly any strong recovery signs in the first half of the calendar year, 1991. The market earlier witnessed a lackluster period in 1990.

And, the latest Annual Report of DSE, presented before the annual general meeting of its members on June 19 last, provided ample indicators about this. The report showed that a total of 3.11 million shares, valued at Taka 197.58 million, were transacted on DSE floor in 1990.

Total number of listed shares, mutual fund certificates and debentures with the Exchange stood at 161.37 million with their aggregate paid-up value at Taka 5361.10 million on December 31, 1990. Aggregate share trading on DSE in 1990 involved only 1.9 per cent of total listed stocks in terms of volume. In value terms, annual transactions were about three per cent of total issued capital of all listed stocks at the close of 1990.

The low turnover rate reflected low liquidity of listed stocks as much as low investor confidence, caused by widespread declines in the overall economy and poor corporate finance. Average daily turnover in 1990 valued at Taka 7,11,730.00, a sordid poor one by South Asian regional standard, not to speak of South East Asian and the Far East regions which witnessed a capital market boom in recent years.

The turnover rate in the stock exchange represents the volume of shares traded in a year as a percentage of total listed shares.

The share transactions on DSE increased by only 12 per cent in 1990 compared with 25.15 per cent in 1989, according to the Annual Report of the Exchange. The downturn in growth performance in trade turnover in 1990 was more striking because the number of listed companies with DSE rose to 134 in the year from 116 in 1989. Public offerings of new listed companies totalled Taka 421.9 million in 1990.

While the number of listed securities rose providing for a wider base for transactions, the actual trade turnover did not witness a matching growth in 1990.

About the dividend - the

### Bar on currency withdrawal from Kuwaiti banks goes by Aug 3

KUWAIT, June 27 : Kuwait said on Wednesday it would lift all restrictions on currency withdrawals from its banks by August 3 despite widespread fears that millions of Dinars might drain out of the country as a result, reports Reuter.

Central Bank Governor Sheikh Salem Abdul-Aziz Al-Saud al-Sabah was quoted in Kuwaiti newspapers as saying a ceiling of 4,000 Dinars a month, imposed immediately after the end of the Gulf war, would first be eased and then scrapped.

"The Central Bank has decided to increase the maximum amount customers can withdraw from their accounts in local banks from 4,000 Dinars a month to 6,000 Dinars or the equivalent in foreign exchange, effective July 1," Sheikh Salem said.

"On August 3, all forms of restrictions on withdrawals in Kuwaiti Dinars or any foreign currency will be lifted," he added.

August 3 is the day after the first anniversary of the Iraqi invasion which started the Gulf crisis.

Business leaders and economists say investor confidence in the Kuwaiti economy is low because of the damage done by the Gulf war. They fear lifting the restrictions could lead to capital flight, pressure on the Dinar and runaway inflation.

"After August 3, the Central Bank will have to support banks to stop them collapsing from the rush of withdrawals," said Youssef Ibrahim, a research economist at Kuwait University.

### Share trading dull

Trading at Dhaka bourse remained dull on Thursday with lackluster mood of the mood persisting for the second day following resumption of transactions after the Eid recess.

There was some uptrend in trade turnovers but the figure still remained at a very poor level. In all, 675 shares and debentures changed hands compared with 55 on Wednesday. In value terms, trading involved Taka 64,675.00 against Taka 6,740.00 on the previous day.

The traded stocks were nine in number - seven equity issues two debentures. Of them, six advanced and three declined.

Among the advancers, National Tea Company gained most - by Taka 13.00 and stood at Taka 280.00 at closing. Oxygen in fuel and power advanced Taka 1.50 to Taka 53.00. The others gained between Taka 0.23 and Taka 0.90. Bengal Food advanced Taka 0.90 to Taka 147.40. Monno Ceramic by Taka 0.75 to Taka 142.00. Quasem Dry Cells by Taka 0.25 to Taka 8.25 and Beximco (in miscellaneous group) by Taka 0.23 to Taka 9.00 at closing.

Among the decliners, Apex Debentures lost Taka 45.00 and stood at Taka 995.00 at closing. Tallu Spinning in textiles group declined by Taka 11.50 to Taka 116.00. Beximco Pharma (debentures) fell by Taka 15.00 to Taka 1555.00.

Dhaka Stock Exchange (DSE) All Share Price Index which is a broad indicator of price trends of all listed stocks moved up, with the impact of advancers falling favourably on the Index. It stood at 293.8707 at week's closing on Thursday compared to 292.9186 at the beginning of the week on Saturday last.

### Quoted Prices of Traded Stocks

Stock Name	Price	Change
ENGINEERING		
Quasem Drycell	10/50	+0.25
FOOD & ALLIED		
Bengal Food	100/5	+0.90
NTC	100/5	+13.00
TEXTILE		
Oxygen	10/50	+53.00
Tallu Spinning	100/10	-11.50
MISCELLANEOUS		
Beximco	10/100	+0.23
Monno Ceramic	100/5	+0.75
DEBENTURES		
Apex Treasury	1000/1	-45.00
Beximco Pharma	1714/1	-1555.00

## Ailing financial sector to cost public exchequer

The ailing health of country's banking and financial institutions will cost the government in terms of lost revenues in the form of dividends and profits.

Barring the central bank and a couple of private sector banks, no revenue receipts for the government from other commercial banks and financial institutions have been projected under the proposed budget for 1991-92.

The earnings from the banking and financial sector, excepting Bangladesh Bank, are estimated at a negligible amount of Taka 12.25 lakh for the forthcoming fiscal year.

The revised budget for 1990-91 showed the receipts from the same at Taka 46.25 lakh, much short of the original budgetary projection at Taka 14.18 crore for the year.

Poor loan recovery performance, higher provisions for bad and doubtful debts under the financial sector reforms, and other recycling problems have plagued the operations of the financial institutions. Profits of most banks and financial institutions have been wiped out. Listed banks with Dhaka Stock Exchange failed to declare any dividends for their shareholders in 1990.

While the government's own receipts in forms of dividend and profit earnings by the commercial banks, both public and private, and financial institutions will be only marginal once again in 1991-92, its revenue earnings from Bangladesh Bank are projected to shot up further. Such earnings are estimated to rise Taka 12.20 crore to Taka 174.88 crore under the proposed budget for 1991-92 from Taka 162.68 crore under the revised budget for 1990-92.

The receipts from the central bank were estimated at Taka 115.82 under the original budget for 1990-91. Thus, higher amount of contributions by Bangladesh Bank have more than neutralised the impact of lost revenues from both nationalised and private commercial banks and financial institutions.

Besides its ownership of the nationalised commercial banks and public sector development finance institutions, the government has some equity holdings in private sector banking enterprises.

Meanwhile, the government made investments, totalling Taka 1,737.13 crore, in four government-owned or government-controlled commercial banks (Sonali Bank-Taka 704.50 crore, Janata Bank-Taka 410.05 crore, Agrani Bank-Taka 412.34 crore, and partly divested Rupali Bank-Taka 210.24 crore) in 1990-91 for their capital restructuring matching their respective total deposits, on a proportional basis, under the financial sector reforms.

Though there has been no cash transfusion for such capital restructuring, the investments have been made in the form of 15-year government bonds. The bonds carry interest charges and, as such, will have substantial budgetary cost for the government.

Besides, the government provides direct subsidies from its revenue budget to the banks for agricultural credit interest remission, compensation on account of segregated loans, and also compensation of interest for priority sector lending under the financial sector reforms.

Such subsidies stood at Taka 181.50 crore under the revised budget for 1990-91. The proposed budget for 1991-92 estimates the same subsidies at Taka 151.50 crore.

## SAARC trade body likely this year

BANGLORE, June 27: SAARC (South Asian Association for Regional Cooperation) countries are likely to initiate the process for becoming a regional trade bloc at the Colombo summit in November this year, reports PTI.

Speaking to reporters here yesterday, K K Bhargava, Secretary General, SAARC, said among the subjects that would be discussed as a prelude to the formation of the trade bloc would be a regional Exchange Rate Mechanism (ERM) to insulate SAARC nations from volatile international exchange rates. A study would be conducted by experts to discuss the modalities.

Bhargava said trade financing arrangements would also be taken up to boost intra-regional trade, which was at present less than three per cent. Such arrangements were necessary if the SAARC nations were to overcome the critical foreign debt and balance of payments problems, he added.

SAARC would also initiate discussions with other regional trade groupings such as the European Economic Community, the Association of South East Asian Nations and Organisation of Petroleum Exporting Countries (OPEC).

Discussions and cooperation with OPEC would receive priority since all SAARC nations were net oil importers and interested in stable oil prices, he said.

## Japanese industrial production surges

TOKYO, June 27 : Japan's industrial production in May surged 1.7 per cent from April and 3.9 per cent from a year earlier, the International Trade and Industry Ministry said Wednesday, report AFP.

The increase from the previous month, the second in a row, was up sharply from April, when the index of mining and manufacturing grew 0.5 per cent from March and 3.8 per cent from a year earlier.

The Ministry said industrial production was expected to decline in June before rebounding in July but warned that future developments were uncertain.

In the latest month, the overall increase in industrial output was accompanied by rises in both producer shipments and inventories although the ratio of inventories to shipments declined.

Shipments climbed 2.6 per cent from April, reversing the previous month's 1.7 per cent decline, and were also up 2.1 per cent from a year earlier. Inventories rose one per cent, compared with 1.2 per cent in April.

The ratio of inventories to shipments fell 0.1 per cent, reversing the previous month's increase of 0.3 per cent, but was up 2.6 per cent from May last year.

## Insurance claims push Lloyed's of London into red

LONDON, June 27: Lloyd's of London, the world's biggest insurance market, said on Wednesday the Piper Alpha Oil Rig Disaster and claims for pollution and asbestos pushed it into the red for the first time in 21 years in 1988.

Lloyds reported a record 509.67 million Pounds Sterling (831.8 million Dollars) hole in the profits of its 400 syndicates and warned of more to come.

"The market's results for 1988 show our first overall loss for 21 years and further losses are expected for the 1989 and 1990 accounts," Lloyd's chairman David Coleridge said.

He said the losses were also due to depressed insurance premiums, and warned of a rocky future unless Lloyds was able to better match risks to premiums.

"If we fail to return a profit to our capital base - be Lloyds names or insurance company shareholders - we shall simply and collectively cease to exist," Coleridge warned.

The market's profit and loss figures are posted three years in arrears to allow time for claims to come in.

Lloyd's was expected to post a large loss for 1988 after a 509.16 million Pound (831 million Dollars) profit in 1987.

Coleridge said since 1987 "the world's insurance industry has experienced a three-year period of catastrophes and resulting claims which have defied the law of averages".

The losses are borne individually by 26,500 members, or names, who underwrite the market's risks.

To join, names must have at least 250,000 Pounds (408,000 Dollars), excluding the value of their home, and can underwrite premiums of up to two million Pounds (3.3 million Dollars) with unlimited liability.

Their personal wealth must meet losses if necessary. Some have already received bills of more than 100,000 Pounds each from syndicates with losses in 1988. Others face bankruptcy.

Their predicament fuelled controversy this month as Lloyd's lobbied the government to give its members extra tax relief.

This was refused, and industry sources say Lloyd's now seeks better tax treatment to encourage the building of reserves.

Lloyd's said the 1988 losses were made worse by syndicates adding an extra 577.7 million Pounds (943 million Dollars) to reserves in 1988, after 424.8 million Pounds (693.4 million Dollars) in 1987, against future possible claims on liabilities from past accounting years.

### Snippets

#### Higher oil prices forecast

LAUSANNE (Switzerland), June 27 : OPEC Secretary General Subroto on Wednesday forecast higher oil prices in the second half of 1991 even if the UN Security Council lifts sanctions on Iraq, report AP.

Subroto told reporters the price rise was expected because Iraq would still be requiring permission from Saudi Arabia, Syria and Turkey to transport its crude through these countries.

All three were members of the anti-Iraq coalition during the last Gulf war. Before the war, Iraq was the third biggest producer among the 13 nations in the Organization of Petroleum Exporting Countries.

#### \$336m trade deficit in France

PARIS, June 27: France had a foreign trade deficit of 2.02 billion Francs (336 million Dollars) in May, up from a deficit of 1.87 billion (311 million Dollars) in April, according to figures released here Tuesday, reports AFP.

Exports fell to 98.83 billion Francs from 102.46 billion in April, while imports shrank to 100.85 billion Francs from 104.34 billion, the seasonally-adjusted figures showed.

It said: "Present policy of 49% privatisation and 51% government ownership in a holding company is not necessarily the best strategy. The government ought to reduce its own ownership to 20-25% and also have a reduced role in management and operations. This will increase the supply of securities in the market and make management more efficient and accountable".

#### PIA takes delivery of first airbus

TOULOUSE (France), June 27: Pakistan International Airlines (PIA) has taken delivery of the first of three passenger jets it ordered from the European Consortium Airbus Industries. It was announced here Wednesday, reports AFP.

The A310-300 handed over to the Pakistani Airline at Toulouse on Tuesday joins the eight Airbus A300-B4 planes already in service with PIA.

#### US GNP falls

WASHINGTON, June 27: The Gross National Product (GNP) in the United States fell at an annual rate of 2.8 per cent in the first quarter of this year, the Commerce Department reported Wednesday, reports AFP.

At the end of May, the Department had estimated the GNP slump from January to March at 2.6 per cent.

#### High price paid for letters to little girl

LONDON, June 27: A collection of 29 letters written by author Lewis Carroll to a little girl named Agnes Hull sold for 126,500 Pounds (206,000 Dollars) on Wednesday, four times the pre-sale estimate. Christie's said, reports AP.

The seller was unidentified and the buyer also requested anonymity.

#### Security to protect shareholders' meet

TOKYO, June 27: More than 6,000 Japanese policemen will be deployed to ward off disruptions at company shareholder meetings later this week, Japan's National Police Agency said on Wednesday, reports Reuter.

"We decided to send a total of 6,005 policemen on requests by many companies. We also fear gangsters might disturb the meetings," a spokeswoman for the Agency said.

#### Accord on free trade zone failed

SALZBURG, June 27: European Ministers failed to resolve disagreements over fishing and trans-alpine transport which are blocking an agreement on a free trade zone during two days of talks which ended here Tuesday, reports AFP.

The European Community and the European Free Trade Association (EFTA) simply said after the talks that the disputed issues had been referred to groups of experts.

#### Exchange Rates

Country	Selling	Buying
US Dollar	35.9226	35.4432
UK Pound Sterling	58.5376	57.8243
German Deutsche	20.0271	19.7488
French Franc	5.8906	5.8189
Saudi Riyal	9.6101	9.4819
Dutch Guilder	17.7791	17.5331
Pakistan Rupee	1.4730	1.4591
AMU*		
Singapore Dollar	20.3148	20.0436
UAE Dirham	9.8141	9.6831
Kuwait Dinar		Not available
Indian Rupee		
AMU	1.7098	1.6935
S. Kroner	8.5366	8.4587
*AMU: Asian Monetary Unit		
SECONDARY EXCHANGE MARKET		
Wage Earners Fund/Export Performance Benefit (XPB) Fund		
US Dollar	36.46	36.53
UK Pound	59.46	59.51
Sterling		
Saudi Riyal	9.76	9.81
UAE Dirham	9.97	10.02
* The rates of Pound Sterling are decided every day based on the cross rates of New York market.		
Source: Sonali Bank		

### Dhaka Stock Exchange Market Profile

June - 27

134 Listed Stocks

- Six gains
- Three losers
- 125 Unchanged

DSE All Share Price Index = 293.8707  
 Issued Capital = Taka 10,146,289,601.00  
 Market Capitalisation = Taka 8,397,431,717.00  
 Turnover = Taka 64,675.00 (Value) 675 (Volume).