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DHAKA WEDNESDAY, OCTOBER 2, 1996

Matia calls for allout efforts to raise agri-production

Agriculture, Food, Relief and Disaster Management Minister, Begum Matia Chowdhury, has called for making allout efforts to increase agricultural production to meet the colossal demand of the future generation, reports UNB.

"By the year 2020, we will have to increase our cereal output to about 40 million tons from today's roughly 20 million tons," she told a seminar in the city yesterday.

Inaugurating the seminar on "Biological Nitrogen Fixation (BNF) Associated with Rice Production" at Sonargaon Hotel in the morning, Matia Chowdhury said it would be impossible to meet the plant nutrient demands from chemical fertiliser alone.

"We shall have to take full advantage of the gifts of nature through modern innovations like BNF for increasing and sustaining our agricultural output."

She emphasised on the "urgent need" to nationally coordinate future research of BNF to channelise the research output through the research-extension linkage system to farmers' fields within the shortage possible time.

The seminar was also addressed, among others, by French Ambassador to

Bangladesh Renee Veyret, Vice-Chancellor of Dhaka University Prof Abul Kalam Azad Chowdhury and Director General of Bangladesh Rice Research Institute (BRRI) Dr Z Karim.

The agriculture minister pointed out that at the present rate of growth, the country would have a population of 175 million by the year 2020. "A disastrous future is heading towards us... We have to save ourselves from it," she said.

The government had to procure two lakh tons of fertiliser from KAFCO this year to meet the increasing demand, she said adding that if the demand increased further, there would be tremendous pressure on the country's gas reserve.

"It is not desirable that natural gas will be used only in fertiliser production. Our gas reserve is limited and it has other uses like power generation. To reduce the pressure on energy sector, we have to increase use of gas in this sector."

The agriculture minister emphasised the role of scientists, intellectuals and media-men in popularising bio-fertiliser and creating awareness about BNF technology.

The BNF, she said, can be profitably integrated into the existing crop production system

in Bangladesh and will be helpful both in terms of sustainability of the production systems and of environmental compatibility.

Addressing the seminar as special guest, French Ambassador in Dhaka Renee Veyret said France had been working jointly with Bangladesh for last 10 years in the field of BNF research for agricultural development.

She said that her country wanted to actively participate and further extend cooperation in the agricultural development of Bangladesh although its agricultural pattern was different from France.

Dhaka University Vice-Chancellor Prof Abul Kalam Azad Chowdhury said the problems of using chemical fertiliser had been mounting due to environmental pollution. "So, we have to go back to the nature."

He said the destruction of human being would be possible only by environmental pollution, not by nuclear explosion.

The newly appointed VC, a professor of pharmacy, called bio-fertiliser as the best choice of the time and said, "we will go for it."

BRRI director general Dr Z Karim stressed the need for maintaining soil fertility while

going for increased agricultural production. He said BRRI encourage 2-rice pattern instead of 3-rice pattern as more yield causes depletion of land fertility and soil organic matter.

Coordinator of the French-Bangladesh Project on BNF Associated with Rice Production, Dr Mustafizur Rahman, gave an overview of the project, its approach and the utilisation of biological means for rice production.

Agri Ministry implementing 58 projects this fiscal yr

A total of 58 projects are being implemented under the Agriculture Ministry during the current 1996-97 fiscal at a cost of Taka 433.21 crore, says BSS.

This was informed at a review meeting of the Agriculture Ministry with Agriculture, Food and Relief and Disaster Management Minister Begum Matia Chowdhury in the chair.

Of the projects, 46 are investment projects and the rest 12 are technical assistance projects.

Govt shares of 15 enterprises to be off-loaded

Government portion shares of 15 enterprises, including three multinational companies, would be off-loaded among the public soon, Chairman of the Privatisation Board (PB) M Matur Rahman said here yesterday, reports BSS.

All the shares of the 15 companies would not be off-loaded at a time, he said adding that these would be sold in phases.

Rahman said the mode of off-loading would be made in consultation with the Securities and Exchange Commission and the Investment Corporation of Bangladesh (ICB).

The PB Chairman told BSS correspondent Enamul Haq Chowdhury that the government actively proceeding towards disinvestment programme since its assumption and "we are working hard to implement the privatisation initiative."

He said, "but we have some limitations and formality problems. So the privatisation process can take some more time."

PB has planned to sell 41 enterprises from different sectors and off-load shares of 11 companies in the fiscal 1996-97. Rahman said adding that international tender has already been floated to sell eight enterprises.

The companies, whose government portion of shares to be

off-loaded, are: Metalex Corporation, Bangladesh Can Company, Atlas (Bangladesh) Limited, National Tubes, Lira Industrial Enterprises, Usmania Glass Sheet Factory, Zeal Bangla Sugar Mills, Arco Industries, Saf Industries, Tigerwire Products, National Iron and Steel and Mirpur Ceramics.

The multinational companies are: Ractiti and Coleman Company Limited, Berger (Bangladesh) Limited and Siemens Limited, of the 15. SIM are listed with Dhaka Stock Exchange (DSE).

The 51 per cent of 50,000 shares of Metalex Corporation would be sold through ICB.

The market of value per share (Taka 100) of the Metalex Corporation rose to Taka 1200 and at present has come down to Taka 625 after the intervention of SEC.

The 51 per cent of 12 lakh shares of profitable Atlas Bangladesh Ltd would be sold. The DSE listed company showed reserve and surplus of Taka 4.85 crore, net profit of Taka 97.98 lakh and book value per 10 taka-share of Taka 36.60. The market value per share is at present Taka 530.49.

National tubes is the other securities in the engineering sector, whose 51 per cent government proportion of shares is

to be sold out. The company has the paid up capital of Taka 2.50 crore with per share value of Tk 100.

The company, according to its last audited accounts, showed a net profit of Taka 3.32 crore with a negative book value of Taka 440.05 per share and a negative reserve and surplus of Taka 13.50 crore. The market price of share of the company rose to Taka 3,000 and it has come down to 1500 on Monday.

In all 51 per cent of 3.50 lakh shares of DSE listed Usmania Glass Sheet Factory would be sold out among the general public. The company showed a reserve and surplus of Taka 7.705 crore and net profit of nearly Taka one crore with a book value of Taka 320.04 per share the market price of Taka 100 per share rose to Taka 1800 at present.

In all 10.65 per cent of 47.25 lakh shares (Taka 10 per share) of DSE listed Reckitt, and Colman have been proposed to be sold among the general public. According to the last audited report, the company showed a surplus and reserve of Taka 5.88 crore and a net profit of Taka 3.75 crore with a book value of Taka 22.45 per share. The market price per share is Taka 290 at present. The year's low was Taka 108.

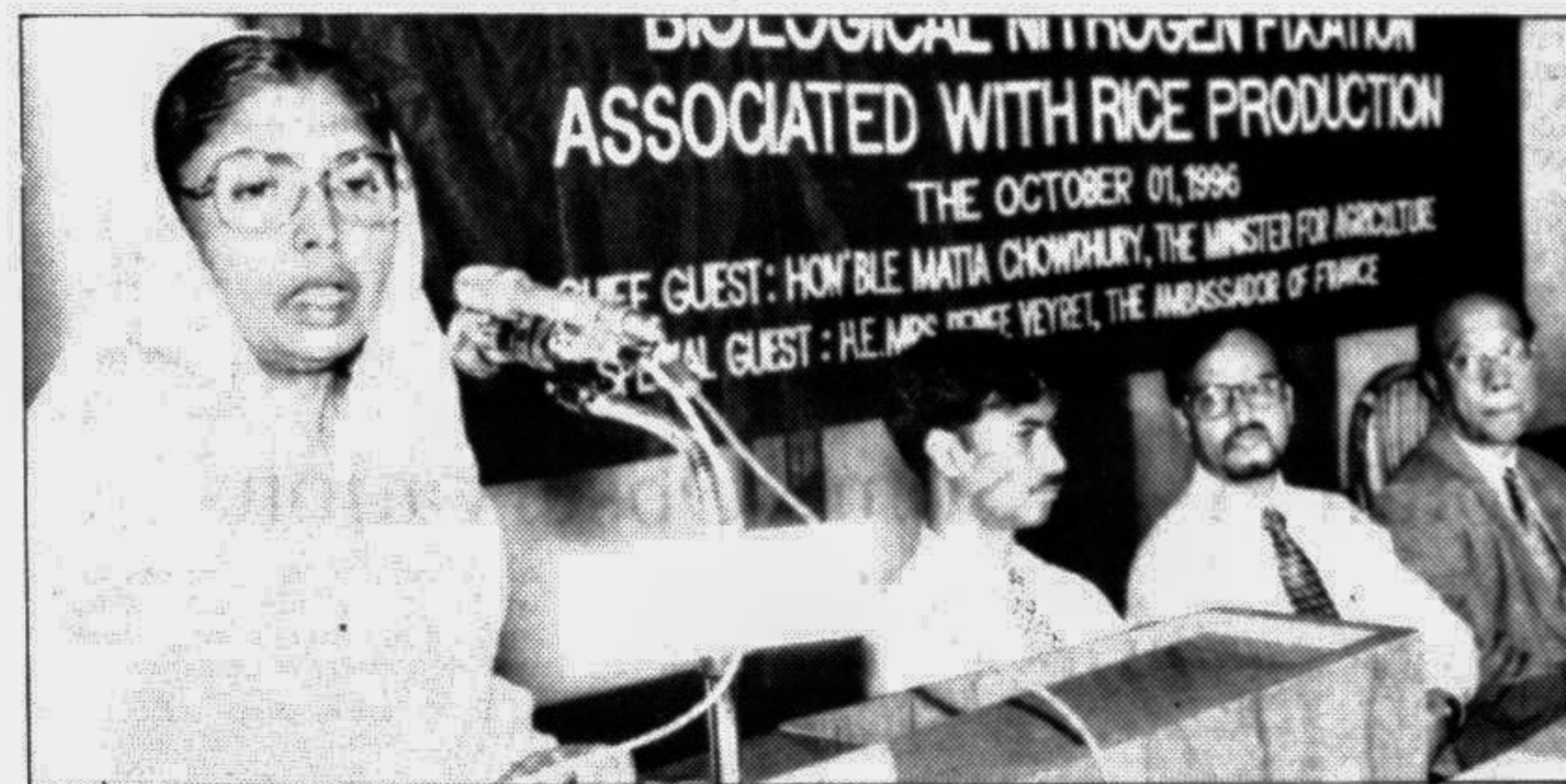
The government will also sell the 66 per cent of 60 lakh shares (Taka 10 per share) of Zeal Bangla Sugar Mills — a losing concern of Bangladesh Sugar and Food Industries Corporation.

The company in the last audited report showed a negative reserve and surplus of Taka 12.75 crore and a net loss of Taka 39.32 lakh with a negative book value per share of Taka 14.24.

The market price per share of the company rose to Taka 33 and has come down to Taka 20 at present. The year's low price was Taka 5 only.

Other than the companies listed with the Dhaka Stock Exchange, 67 per cent shares of Bangladesh Can Company and Engineering Corporation, 62.5 per cent shares of Lira Industrial Enterprises under Bangladesh Chemical Industries Sector, 21 per cent shares of Mirpur Ceramics, 11.50 per cent shares of Arco Industries, 13.65 per cent shares of Saf Industries, 23.38 per cent shares of Tigerwire Products, 23 per cent of the National Iron and Steel Mills would be sold.

Among the other multinational enterprises, 42.33 per cent of shares of Berger Paints and 31.66 per cent shares of Siemens Limited would be sold.



Matia Chowdhury, Minister For Agriculture, addressing as chief guest the working group meeting on "Biological nitrogen fixation associated with rice production" in the city yesterday.

Two Chinese cos keen to set up industries in Bangladesh

By Govinda Shil

Two Chinese companies have shown keen interest to set up industries in Bangladesh.

According to Bangladesh Sugar and Food Industries Corporation (BSFIC), the two firms may set up a sugar mill, a distillery and a paper mill in north western part of the country.

The representative of the Chinese companies have already visited the Keru and Company, the Faridpur Sugar mill and Nababganj area to explore feasibility of this industries.

The proposed sugar mill, distillery and the paper mill might cost around Taka 150 crore said a senior official of the BSFIC.

He said the representatives would soon submit formal proposal to the BSFIC in this connection.

The representatives Nanning Machinery Export and Import Corporation have visited Bangladesh twice in recent times while Chengdu Design Institute under the Ministry of Light Industries of the China visited the sugar producing zone in northern region last Friday.

When contacted, BSFIC

Chairman Shawkat Ali said China's proposals are lucrative for Bangladesh. He said the proposals are yet to take concrete shapes.

Officials said Chinese companies have also shown interests to complete "Balancing, Modernisation, Rehabilitation and Expansion (BMRE)" programmes of two sugar mills that would cost another Taka 30 to 40 crore.

Countries 16 state-owned sugar mills which are run by BSFIC could produce about 200,000 metric tons of sugar annually leaving deficit of another 200,000 tons.

Most of the sugar mills have become outdated and their production capacity falls drastically," said a BSFIC official. He said Keru and Company was built in late 30s and some others were set up during last 50s and 60s.

The proposed sugar mill would add about 15,000 to 20,000 MT of sugar per year which could meet only one-tenth of the deficit, the official pointed out. He put emphasis on the BMRE programmes that should be taken, up immediately.

Officials said that the Chinese companies might finance the proposed projects either through supplier's credits of by Chinese government credits.

Presenting the company's annual report for the year 1995, A S F Rahman said that the company could not declare dividend for the year 1995 as the available profit was not much for distribution as dividend on the paid up capital of Tk 2,520 million.

The 5 per cent dividend was declared on the basis of first six months performance of the company in 1996, he mentioned.

During the period, the company's profit after tax deduction, has come down to Tk 23.74 million which is 3.70 per cent lower than Tk 24.65 million in previous year.

However, the operating profit of the company increased by 31.90 per cent to Tk 27.29 million in 1995 from Tk 20.69 million in 1994.

The decrease of the profit was attributed to the less income of company's jute division during the period as the price of raw jute was high due to drought and early flood during the period.

Describing the future plan of the company A S F Rahman said that the company was likely to commence construction of commercial complex under a lease agreement with International Hotel Holdings Limited of which Shinepukur is a 40 per cent shareholder.

Shine Pukur Ltd declares 5 pc dividend

By Staff Correspondent

The Shine Pukur Holdings Limited, a venture of Beximco Group, has declared 5 per cent interim dividend per share of Tk 100.

The dividend was declared at its 19th annual general meeting held at Hotel Sonargaon yesterday.

Presided over by company Chairman A S F Rahman, the meeting approved the annual report of the company for the year ended 31st December, 1995.

Salam F Rahman, Vice-Chairman of the company, answered different questions raised by the shareholders while other directors of the company including A B Siddiqur Rahman, Mahmudur Rahman and Iqbal Ahmed were present.

The Uttara Bank Managing Director said under the scheme the consumers will have a credit facility of upto Taka three lakh to purchase different household appliances and car with a simple interest rate of 12 per cent.

The house-hold items under the scheme include reconditioned car, motor cycle, refrigerator, deep freeze, television, VCR, radio, two-in-one, three-in-one, air conditioner, water-cooler, water pump, personal computer, UPS, printer, typewriter, washing machine, furniture, sewing machine, oven, micro-oven, toaster, pressure cooker, fax machine, photo copier, cellular telephone fan, dish antenna, bicycle, babitaxi, tempo and microbus.

Permanent employees of the government, semi-government, autonomous bodies, banks, insurance companies, armed forces, BDR, police, answers, employees of private institutes acceptable to the Uttara Bank, teachers of universities, colleges and schools and professionals (doctors, engineers, chartered accountants and lawyers under 55 years old) will be allowed to have the credit facility under the scheme, Zaman said.

The consumers will have to provide down payment ranging from 20 per cent to 35 per cent for different group of items to avail the credit facility.

Uttara Bank introduces consumers credit scheme

Uttara Bank Limited has introduced 'consumer credit scheme' to provide financial support to the limited income group of people, says BSS.

Speaking at a news conference here yesterday Managing Director of the bank M Aminuzzaman said the project has been named as "uttaran consumers credit scheme" headed by a Deputy General Manager.

He said the bank introduced the scheme to develop the tendency of saving among the limited income people, to help the service holders and professionals in improving life-style and to contribute to the country's socio-economy development.

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M Aminuzzaman, Managing Director of the Uttara Bank Limited, addressing a press conference of UTTARAN-consumers credit scheme at a local hotel yesterday. Other high officials of the bank are also seen in the picture.

Govt gives top priority to village dev: Zillur

LGRD and Cooperatives Minister Zillur Rahman Monday said the present government of Bangladesh had given top priority to development of the villages and generate employment to minimise poverty, says BSS.

The minister said this while he had a detailed discussion with the senior officials of Swedish International Development Agency (SIDA) in Stockholm about its assistance for rural infrastructure and poverty alleviation programme in Bangladesh, a message received here Monday said.

Rahman said the Bangladesh government had taken up the challenge to lead the country to the next century as a dignified and prosperous nation. In order to meet the challenge, an pragmatic plan of action had been taken to remove poverty, unemployment, malnutrition and other related socio-economic problems of the rural masses, he added.

He said "the government has embarked upon economic reforms and structural adjustments for maintaining macro-economic stability and creating an environment conducive to achieving high growth having direct and indirect impact on the poor."

The minister said the present government of Sheikh Hasina was committed to strengthen the local government institutions to improve the lot of common masses on the rural areas.

In this regard, he said "we are pledge bound to develop local government structures truly representatives to make the decentralised development process more dynamic and people oriented."

The senior officials of SIDA praised the present government's efforts to reconstruct the local government and assured all possible technical and project assistance in this regard, the message added.

DSE rents new bldg

DSE has rented a new premise next to its present building at 9/E Motijheel C/A, Dhaka. The new premise will add 5 more floor having 5700 sq ft per floor. After extensive renovation, a modern trading house will be set up there which will usher in a new era of modern trading facilities, says a DSE press release.

SIA wins business traveller best airline award

Singapore Airlines (SIA) has been voted the Best Airline at the Business Traveller (Asia-Pacific) awards for the fifth year running, says a press release.

The awards, held in Hong Kong last month, were determined by a readers poll. Airlines vying for the award were rated on criteria such as quality of ground handling, quality of inflight food, punctuality, cabin crew service, awareness of needs of business traveller, and quality of advertising. Readers were asked to pick winners on a scale of 1 to 10, from 55 airlines serving the Asia-Pacific region.

BIBM course on portfolio management concludes

A 9-day training Course on 'Portfolio Management in Financial Institutions' was concluded yesterday, says a press release.

A. H M Nurul Islam Choudhuri, Director General of BIBM, presided over the concluding session of the Course and distributed certificates amongst the participants.

Since the Awami League Government took over, we have witnessed a spectacular performance of both the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). The DSE index has been registering record highs almost on a regular basis. In a span of four to five weeks, some stocks more than doubled their market values. The official explanation of this growth is that the markets are correctly pricing the previously undervalued stocks. If this is case nothing to be worried about. However, the markets that can undervalue stocks can also overvalue them.

That is where the problems lie. The participants in any market can be overly optimistic and push the price so high that it cannot be sustained in the long-run. In what follows, I will explain why I believe the markets may be overreacting and, as a result, ordinary investors are taking additional risk.

There are two predominant hypotheses regarding the behaviour of the participants in the stock market. These are: the Efficient Market Hypothesis (EMH) and the Overreaction Hypothesis (OH). Based on assumptions that the markets are rational decision makers, the EMH holds that security prices will always reflect available information.

In an efficient market, there is therefore, no room for under or over valuation of financial assets. If the market is efficient, the market value of a security will be exactly equal to its intrinsic value which represents the present value of cash flows associated with the security.

If, for example, because the firm that issued the debt security has become more risky, the appropriate discount rate for the security has gone up to 12 per cent, then the intrinsic value of the security would become Taka 982.14 (i.e. 1100/(1.12)) which is obviously less than Taka 1,000. As long as the market value of the security remains above Taka 982.14, the security would be termed overvalued. As it is incompatible with the efficient market, the price of the security and a price greater than Tk 1,000 will create an excess supply leading to a decrease in the price of the security.

As a result of changes either in the cash flows associated with a financial security or in the discount rate used to calculate its present value, there would be changes in the intrinsic value of the financial asset. In case of fixed income earning financial securities like debentures and corporate bonds, both the timing and the amount of

Investors watch out: Capital market may be overreacting

By Dr Mohammad Musa

the cash flows are fixed and known. However, there may be changes in the discount rate depending not only on the prevailing interest rates in the economy but also on the risk characteristics of the firm that has issued the security.

Each period. Therefore, P_0 will change as a result of changes either in dividend payments or discount rate or both. There are a lot of reasons as to why there may be changes in dividend payments. Some of the reasons, for example, reduction in the earnings of the firm, are firm related, some industry related and some economy wide. Whatever may be the cause, if there are changes in the cash flows or discount rate or both, there will be changes in the intrinsic values of the share. This should be reflected in the market prices. Otherwise, the share will be either over- or under-valued depending on whether the market price is greater or less than the intrinsic value. In an efficient market, any information regarding changes in either the cash flows or the discount rate would reflect in security's prices immediately and accurately, because the investors in an efficient market are well aware of these changes and capable of processing such information.

According to the OH, it is in human nature that he/she overreacts to both good and bad

news. Investors in the capital markets are in no way any exception to that. They also overreact to good news and indirect to bad news. In response to good news, they pull prices above the intrinsic values (equilibrium value) and in response to bad news, they drag the prices below the intrinsic values. Because the prices deviate from their intrinsic values, these prices will move back to reflect their intrinsic values. Therefore, good news will be followed by a decrease in prices and bad news will be followed by an increase in prices.

Shiller (1984), a renowned financial economist and a proponent of the OH, has advanced a hypothesis as to how market prices might at times deviate from the equilibrium prices, especially in the capital markets.

According to him, there are two kinds of investors in the capital market. One group is composed of investors who are knowledgeable of the intricacies of the market whom he termed as "Smart Money" and the other group is composed of ordinary investors who are

followers of Smart Money investors. These ordinary investors buy stocks whose prices are increasing and sell stocks whose prices are decreasing. That is why these investors are also called price chasers or bandwagoners.

The smart money investors invest in stocks which they think are undervalued. As they start buying the stocks their prices start to rise. The ordinary investors observe the rise in share price and start to buy them. The extra demand by these ordinary investors causes more often than not the prices to move above the intrinsic or equilibrium values. The reverse happens as a result of Smart Money investors' selling of overvalued stocks.

In support of the OH, the proponents of the hypothesis cite the example of the "Black Monday" October 19, 1987 when, in one day, the New York Stock Exchange, the largest organised exchange in the world, lost approximately one-fourth of its value. In one year following the crash, the lost value is recovered. It is argued that the market immediately before the crash was overvalued but not to an extent that the correction required a reduction of value by

a forth. Once the market started sliding down, investors ignoring the fact that the intrinsic values of stocks are higher than their market prices started to sell those stocks. This was the result of market overreaction to overall economic bad news. The proof that the market overreacted lies in the fact that the prices came back up within a short period of time following the crash.

It is now time to explain why I think the DSE and the CSE may be overreacting to good economic news. After a long struggle we had the June 12th election. This election is widely accepted to be fair and free in recent history and the outcome was for a change in government. Immediately preceding the election, we witnessed chaos in the political and economic arena. The result was a pessimistic outlook of the economy.

It was quite possible that investors overreacted to that pessimistic economic news and, as a result, the prices of the stocks in general were heavily depressed. After the election, it became clear that the political turmoil was over and the Awami League government was

going to pursue a free market economic policy and encourage private investment. Investors in the capital markets took this as good news. Reacting to this good news, investors started to flock around the capital markets to buy shares. As a result, prices of the stocks in the market started to go up. In this process, the markets, in addition to correcting earlier mispricing, may have overreacted (and are overreacting) to the good news. It is quite possible that the prices of many stocks have already crossed their equilibrium prices.

In a market where investors overreact, it is always the ordinary investors who pay the price because these ordinary investors are price chasers and it is highly likely that they buy stocks when they are already overvalued and sell stocks when they are already undervalued.

My advice to any investors would, therefore, be: "Do not follow blindly, do not be price chasers, before buying any stock, be objective and pay a fair price for the stocks you are buying." In short, be an informed investor, i.e. Smart Money as Shiller would like to call you.

(Dr Musa is an Assistant Professor and Co-ordinator of the Department of Business Administration of North South University.)