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Investors lose money as companies delay dividend payments

By M Shamsur Rahman

Does the general investors know how much money they are being deprived of each year in interest because of delayed payment of dividends? Or, can the Securities and Exchange Commission tell how much the companies make by delaying the payments?

The exact figures are unknown to all, excepting the defaulting companies themselves, since the SEC does not maintain any such records. But stock market sources say the amount could be several lakhs for many companies which held up dividend payments for months.

As some companies are using the ploy to cheat the investors and make some extra money, the SEC is thinking of raising the penalty amount, the maximum of which is now only Tk one lakh.

"This amount is too small and the companies make a lot more in interests by delaying payment," said an SEC official. "This is why we are now thinking of raising the penalty amount."

The Daily Star investigated the cases of a number of companies which delays dividend payments to their shareholders for a long time.

These companies delayed their dividend disbursement by seven months, and as the arithmetic says, may have made about Tk 12 lakhs in interests.

The Daily Star's calculation was based on a number of assumptions as many of the vital information regarding the companies were not available. For example, it was impossible to gather how much shares are held by the sponsors and how much by general shareholders. All these companies refused to divulge the facts. The change in share holding pattern, which can often happen, could influence the calculation.

The Daily Star gathered the number of issued capital of these companies from the DSE Monthly Bulletin. It was assumed that the sponsors' stake in the companies was 50 per cent as is generally the case during raising of funds. The remaining shares had been subscribed by investors. The total dividend amount which accrued to the investors were calculated

with six per cent savings interest rate to reach the figure which the investors had been deprived of.

SEC fines three companies

The capital market watchdog on October 27 penalised three companies - Olympic Industries, BD Zipper and BCIL - for non-payment of dividends in due time.

The Securities and Exchange Commission (SEC) fined these companies with a view to "bringing discipline and restoring orderly growth in the capital market".

The country's stock markets had been hitting new lows following the 1996 stock market crash. Thousands of investors lost their savings by investing in the market. Capital market analysts and SEC had identified "lack of investor confidence" as the key reason for the market depression.

"Many investors had their fingers burnt in 1996 and they would start returning once they feel that they would not be cheated again," was what Finance Minister SAMS Kibria said during the inauguration ceremony of DSE automation in August this year.

Following the crash, the SEC had taken a number of actions against defaulting companies to protect investors.

It had also penalised Orion Infusion for failing to settle claims of shareholders. The issue later went to the court as the company did not pay the penalty amount, dividend or a per day fine of Tk 10,000.

The DSE also fined the company for the same reason and banned trading in its shares. The investors who had put money in the company now cannot even sell their shares.

In another case, after a long inquiry the SEC sued ACI Ltd based on an inquiry committee report. The company declared rights share and dividends which were later cancelled. The DSE had also suspended the company's share trading, but later withdrew the restriction as the company later made new offers.

Olympic Industries

On October 27, the SEC fined Olympic Industries Tk 100,000 "for its deliberate non-compliance with the securities law."

The company declared a 20 per cent dividend on December 22 last year.

The company was required

to pay off the dividends within 60 days of declaration i.e. by February 20, 1998. It was also supposed to submit a compliance report within seven days after the stipulated 60-day time-frame," according to the penalty order of SEC.

Despite repeated requests the company failed to submit the compliance report. The SEC officials said that the company was requested through three formal letters on May 14, June 28 and July 20 this year to submit the report.

The SEC later issued a notice to the company for hearing September 27. The company officials told the regulators that "due to fund constraints resulting from adverse market situation the company could not pay off the due amount of dividend within the permissible time."

The SEC officials, however, were not convinced. They argued by saying that the company declared dividends knowing its financial status and that the dividends were to be paid off within 60 days of declaration.

"Over 70 per cent of the sponsors/directors portion of the dividends were paid off within 60 days of declaration while only 45.48 per cent of the

public shareholders' portion of dividends were paid within the said time limit, which stood at 68.58 per cent till September 27, 1998," the SEC said in its order.

The SEC, therefore, imposed a penalty of Tk one lakh with a per day fine of Tk 10,000 from October 27 and directed the company to settle investors' claims by November 15.

The Daily Star tried to contact the company officials for their comments, but they could not be reached.

BD Zipper, BCIL

The SEC had also penalised two companies owned by Deokinandan Kejriwal—Bangladesh Chemical Industries Ltd (BCIL) and Bangladesh Zipper Industries Ltd.

Both these companies declared dividends on December 22 last year, but the Investment Corporation of Bangladesh (ICB) lodged complaints against both the companies for non-payment of dividends.

BCIL declared an eight per cent dividend while BD Zipper announced 11 per cent.

The SEC urged both the companies to file their compliance reports, to which they failed to respond.

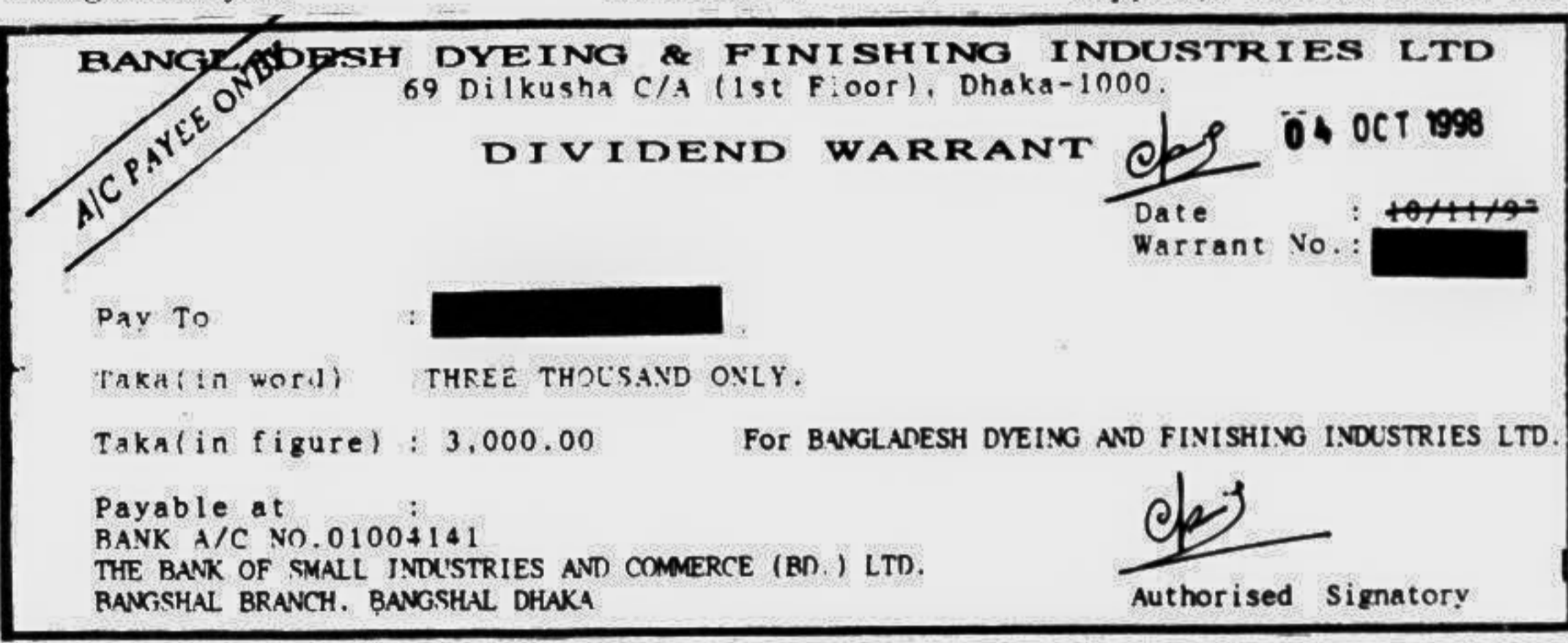
The SEC later issued notice for hearing and the company officials finally showed up on September 21.

The representatives of the company failed to furnish any valid reason for not replying to SEC letters and not paying the declared dividends till the date of hearing, the SEC said in its order imposing a penalty of Tk 50,000 on each company and Tk 10,000 per day default fine from October 27, 1998.

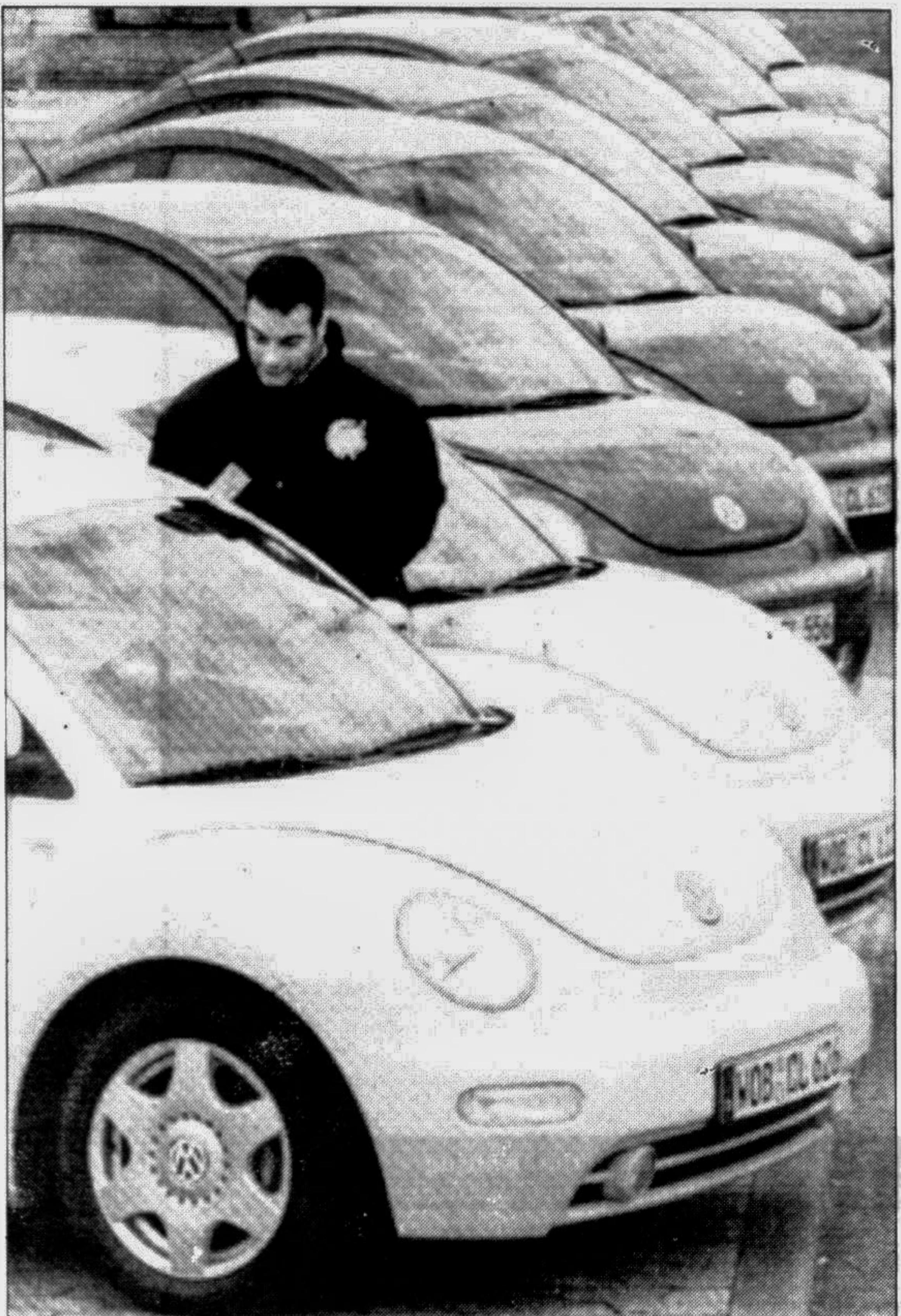
"It appeared to the Commission that non-compliance of both the companies were deliberate and such activities of the listed companies also affect investors, especially small investors and thus hinder capital market development as well," the SEC said.

The company was also directed to pay off the amounts by November 15.

The company officials could not be reached despite repeated attempts.



UNINTENTIONAL DELAY OR WHAT? : A shareholder of Bangladesh Dyeing and Finishing Industries Ltd received his dividend warrant (DW) dated November 10, 1997, almost a year in October, 1998. The DW bears an authorised signature at the bottom. A similar signature is also above the date. The investor, on receipt of the DW, went to the company as the date was invalid to encash the DW. As he produced the DW, the company officials cancelled the earlier date and put in a fresh one, as seen in the picture. The company blamed the delay on 'poor mail delivery services'. But during the delay, the shareholder lost some money in the form of interest on the dividend amount.



A man stands in a row of Volkswagen's New Beetle models at the headquarters of the German carmaker in Wolfsburg, northern Germany, on Monday. Already a huge success in the United States, the retro-looking car was introduced Monday to the European market. Volkswagen has received already 200,000 requests from European customers for the New Beetle that is produced in Mexico. — AP/UNB photo

New chairman of Peoples Insurance

Amir Humayun Mahmud Chowdhury has been elected Chairman of the Board of Directors of Peoples Insurance Company Limited at a meeting held recently, says a press release.

At present, he is the Managing Director of Meher Group and a renowned business personality in Chittagong.

He was the senior Vice-President of the Chittagong Chamber of Commerce and Industry and also the member of the Executive Committee of BGMEA.

Biman confce on system customer service today

A two-day conference on "System Customer Services '98" of Biman Bangladesh Airlines will begin at its head office at Kurmitola in the city today, says UNB.

Civil Aviation and Tourism Minister Engineer Mosharrar Hossain will inaugurate it as chief guest at 9 am, said a press release.

All station managers of Biman posted at home and abroad will take part in the different business sessions of the conference.

Worst drought in years Thailand to ask farmers to plant less rice

BANGKOK, Nov 3: Thai farmers, who have made their country the world's top rice exporter, will be asked to plant less rice because there is not enough water to support a second crop, an irrigation official said Tuesday, reports AP.

The country is suffering one of the worst droughts in years, due partly to the El Nino weather phenomenon. Water levels in Thailand's two major dams are unusually low and medium-sized dams are at the lowest level in a decade.

Prime Minister Chuan Leekpai and Finance Minister Tarran Nimmanahaeminda, who are grappling with the country's worst economic crisis in years, came to the decision.

An Irrigation Department official, confirming newspaper reports, said that the Agriculture Ministry will urge the farmers to reduce the second and third rice yield of the year by half.

Asian stocks close higher

HONG KONG, Nov 3: Asian stock market closed mostly higher Tuesday, with share prices surging in Hong Kong and Manila on the back of overnight gains on Wall Street, reports AP.

Japanese financial markets were closed for Culture Day, a national holiday.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 188.44 points, or 1.9 per cent, closing at 10,358.52. On Monday, the index had gained 15.14 points.

Brokers said investors have become increasingly optimistic about Hong Kong's economy following a rebound in the property market and a stabilisation of interest rates.

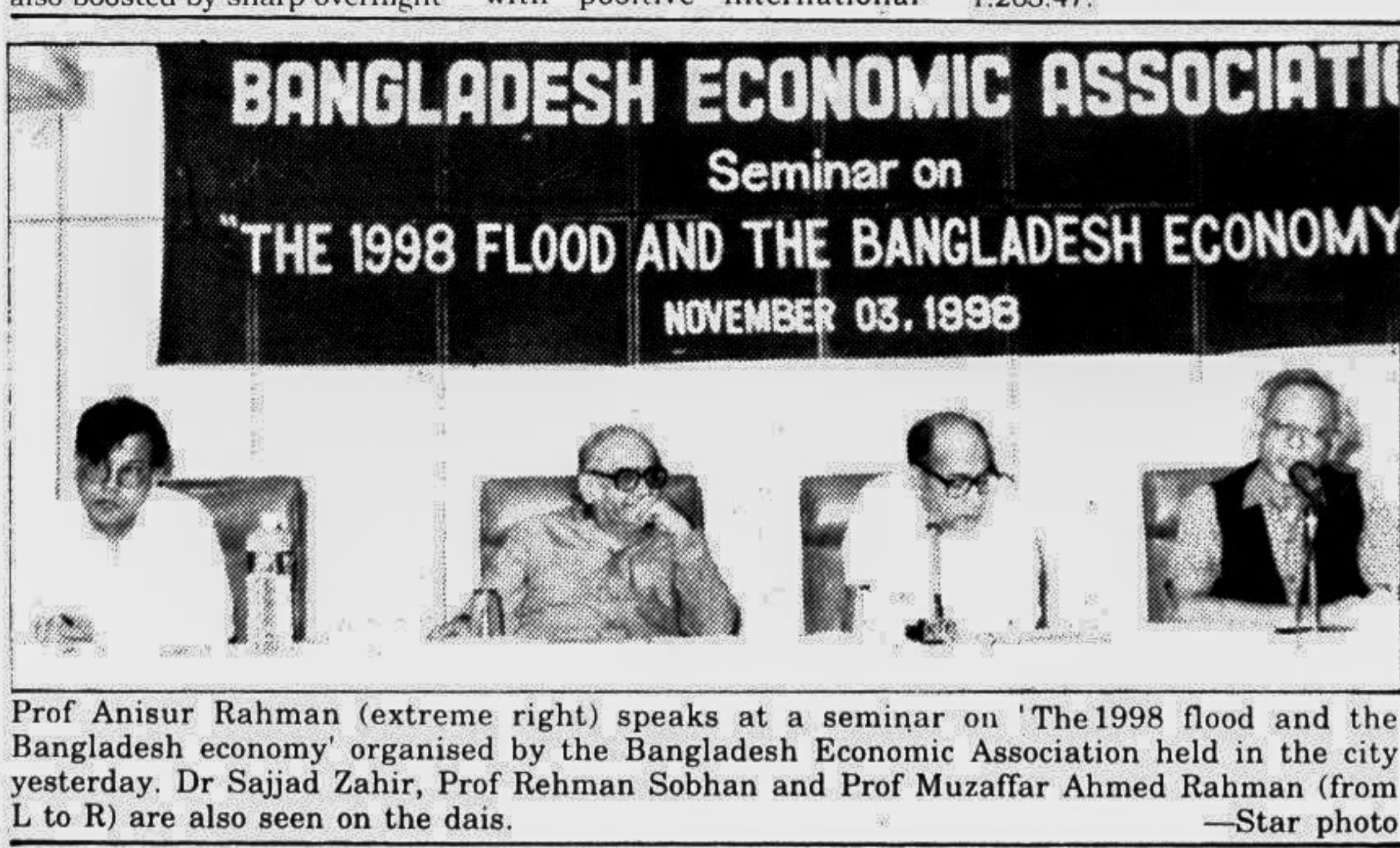
The Hong Kong market was also boosted by sharp overnight gains on Wall Street, where the Dow Jones industrial average rose 114.05 points — or 1.3 per cent — to 8,706.15.

Philippine shares soared on the back of a strong peso and Wall Street's gains.

The 30-share Philippine Stock Exchange Index rose 46.60 points, or 2.7 per cent, to 1,801.64.

BANGKOK: Thai stock prices closed higher, but morning gains in banking and finance stock were pared in the afternoon as local investors took profits. The Stock Exchange of Thailand Index gained 8.23 points, or 2.5 per cent, to 343.16.

WELLINGTON: New Zealand share prices closed higher, with positive international



Prof Anisur Rahman (extreme right) speaks at a seminar on 'The 1998 flood and the Bangladesh economy' organised by the Bangladesh Economic Association held in the city yesterday. Dr Sajjad Zahir, Prof Rehman Sobhan and Prof Muzaaffar Ahmed Rahman (from L to R) are also seen on the dais. —Star photo

\$38.6m Japanese aid to Indonesia

JAKARTA, Nov 3: Japan will grant a total of 4.45 billion yen (38.6 million dollars) to help Indonesia's poor and boost food production, Japanese Foreign Minister Masahiko Komura said Tuesday, reports AP.

Komura announced the aid at a signing ceremony with his Indonesian counterpart, Ali Alatas, at the foreign ministry in Jakarta, the Indonesian capital.

Indonesia has been hit hard by the economic turmoil that has battered many Asian countries. Millions of Indonesians have lost their jobs and economic hardship from rising prices sparked riots that helped oust former President Suharto in May.

Indonesia is now implementing democratic reforms and is overhauling its economy in line with a multi-billion dollar rescue package set up by the International Monetary Fund. Japan is participating in the bailout.

"I would like to pay tribute to Indonesia for its efforts taken in the fields of political and economic reforms despite the difficulties it faces," said Komura, who is on a six-day trip that will include stops in Australia and New Zealand.

"Japan is determined to support Indonesia," said Komura, who also met Indonesian President BJ Habibie.

"We had a very good meeting," Komura said. "The president told me that relations between Indonesia and Japan are more than a friendship. We are more like a family."

Japan, though itself in recession, has been called on to lead the region to recovery from the economic crisis.

Japan will give three billion yen (26 million dollars) to Indonesia to help pay for expensive imports of dairy products and other commodities.

Another 1.45 billion yen (12.6 million dollars) will pay for imported fertiliser, pesticides and equipment, including tractors and irrigation pumps, to help accelerate production of rice and other crops.

Crop production dropped in 1997 and earlier this year because of the worst drought in 50 years as well as the high costs of importing fertilisers.

Rupali Bank starts computerised banking

Star Business Report

Rupali Bank Ltd has launched electronic banking at its Cantonment Corporate Branch in Dhaka on Monday, says a press release.

Chairman of the bank Afzalur Rahman and Managing Director A K M Nazmul Haque inaugurated the automation of the branch.

Members of Board of Directors Nurul Alam Chowdhury, Md Hafiz Ibrahim, Brig. Shahid Hasan Selim, Prof Nazma Rahman, General Manager S R Malik, high officials of the bank civil and military officials attended the inaugural ceremony.

While speaking on the occasion, the chairman advised the bank officials to utilise the modern technology for changing present scenario of the banking sector and help restore vitality in the bank.

The Managing Director expressed his deep gratitude to the Managing Director of Infinity Technology International Limited, K M Rehamt Ullah, for their technical support in computerising the branch.

Emirates gets its eighth Boeing 777

Emirates' eighth Boeing 777 arrived in Dubai on Saturday. This latest aircraft, A6-EMK, is the long-range Increased Gross Weight (IGW) version, the Boeing 777-200, says a press release.

Tim Clark, Emirates' Chief Executive Officer, who received the new aircraft, said: "Emirates is entering a new phase of fleet expansion and fleet renewal. By the end of 1999, it will have 11 Boeing 777s."

The Boeing 777 has twice the cargo carrying capacity of an Airbus A330-300 freighter, which utilises available hold space in Emirates aircraft, has been able to put this additional capacity to good use.

In Financial Year 1997/1998, Emirates Sky Cargo achieved 25.3 per cent increase in tonnage uplifted to 200,138 tonnes. Profits from cargo contributed 15.9 per cent of total airline revenue — impressive by industry standards.

Emirates network now covers 46 cities across the world including Amsterdam, the airline's cargo-only destination.

In January 1999, new services will be launched to Islamabad and Lahore in northern Pakistan, and will bring the total number of cities served by Emirates to 48.

Danish mixed credit scheme Pvt entrepreneurs show encouraging interest

The Danish mixed credit programme has generated enthusiasm among the private entrepreneurs in Bangladesh, who favour credit support for joint ventures in private sector, reports UNB.

Members of the visiting delegation of Danish Board of Mixed Credit, now in Dhaka to acquaint the business community here with the programme, briefed representatives of the government, private sector and banks at a seminar yesterday.

The Board of Investment (BOI) and the Royal Danish Embassy jointly hosted the seminar at Sonargaon Hotel.

Initiated in 1993 by the Danish government, the mixed credit is a partially tied interest-free loan with 8-10 years maturity.

This credit is aimed at financing development projects executed by the Danish exporters. Danish Board of Mixed Credit Chairman Anne Grethe Foss told the seminar while introducing the programme.

Numerous projects have been financed under the programme in a number of countries, including China, India, Vietnam, Thailand and Indonesia.

BRAC's dairy plant in Gazipur is the lone Bangladeshi project to receive the loan so far.

Deliveries under mixed credits should be of at least 50 per cent Danish origin in terms of equipment and technical support. Board's special adviser Thomas Thomsen said.

The lower limit of an individual project loan is 1.5 million US dollar and the maximum 150 million dollar.

All kinds of development projects, including industrial, telecommunication and energy projects, agro-industries, fish treatment and environmental extensions of different industries are areas of the Programme's interest.

Responding to a query, Thomsen said they have no programme to support small and cottage industries below 1 million dollar.

Board member Egil Rindorf said any approach for mixed credit is to be made through the Danish embassy here and then a feasibility study will be conducted to verify the proposed project.

Loans will be granted with the Ministry of Finance or a reputed local or international

S Korea posts \$ 3.18b trade surplus

SEOUL, Nov 3: South Korea posted a trade surplus of 3.18 billion dollars in October, extending its 10-month trade gains to 32 billion dollars, government figures showed yesterday, reports AFP.

But analysts warned that the ballooning surplus reflected declining imports into South Korea's contracting economy, rather than expanding exports, a key economic motor targeted by Seoul to spur recovery.

Customs-cleared exports were down 12.8 per cent year-on-year to 10.87 billion in October, said the Commerce, Industry and Energy Ministry.

Imports also fell 39 per cent to 7.69 billion dollars.

The trade surplus for the 10 months to October was 31.96 billion dollars, reversing a trade deficit of 10.79 billion dollars a year earlier, the ministry said.

Exports were down 2.9 per cent to 108.66 billion dollars year on year in the 10-month period, while imports plunged 37.5 per cent to 76.7 billion dollars, it said.

Export conditions have improved due to the rise of the yen against the dollar, falling interest rates in developed nations, and declining prices of international raw materials, the Finance Ministry said.

"The environment for exports is improving. Our exports will continue to pick up in the remaining months," said Oh Ik-Kyo, a trade ministry official. He, however, ruled out any drastic improvement.

The ministry said a 10 per cent appreciation of the yen against the dollar boosted

Substantiating a proposal from a private entrepreneur, Sobhan said the Danish authority can also consider supporting private sector hospitals since Bangladesh government emphasised the growth of medical services in private sector.

Danish Charge D'Affaires Finn Thilsted said the mixed credit programme has created a "very encouraging interest among Danish companies and public institutions as well as private companies in Bangladesh."

South Korea's total exports by about two billion dollars a year.

But, officials said, the global economic slump, falling unit prices of exports, import restrictions of other nations and tight export financing will prevent overall exports from rising sharply this year.

Analysts agreed, saying the latest surplus was encouraging, but warning that exports were still in negative territory.

Exports of heavy-industry and chemical products fell 17.4 per cent year-on-year in the first 20 days of October due largely to the Korean thanksgiving holidays early in the month.

Light industrial exports fell 27 per cent year-on-year in the first 20 days of October, while semiconductor exports fell 11.6 per cent over the same period. They were down 1.1 per cent from the first 10 months of last year.

Automobile exports — one of the key contributors to South Korea's exports — were down 25.9 per cent year-on-year from October 1 to 20, and down 10.1 per cent in the first 10 years of the month.

Steel exports fell 12.7 per cent year-on-year over the same period, but rose 24.5 per cent between January 1 and October 20.

Petrochemical exports fell 18.1 per cent year-on-year over the same period, and were down 20.7 per cent year-on-year over the first 10 months of last year.

Exports to developed nations fell 10.5 per cent but were up 6.1 per cent over the from January 1 and October 20.