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Probe digs up Mobil Jamuna dodges

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The probe committee on the stockmarket debacle has found huge inconsistencies in the profile of Mobil Jamuna Lubricants Bangladesh Ltd, which has recently got the Securities and Exchange Commission (SEC) nod to be listed on the bourses.

The committee found flaws in the company's value added tax (VAT), income statement, earnings per share, accounts receivable, and purchase.

Mobil Jamuna is one of the 17 case studies that the four-member probe committee conducted during its two-month investigation into the recent stockupheavals.

According to the probe report, the company's sales revenue was Tk 112.52 crore in the January-March period of 2010 with a 28.66 percent growth over the same period a year ago, while the VAT was Tk 13.64 crore with a 22.48 per cent rise.

Both the sales revenue and value added tax have not increased in the same proportion. These types of growth in sales revenue and VAT can be questioned

"Both the sales revenue and value added tax have not increased in the same proportion during the period of January 01 to March 31 in 2010 as compared to the previous period of 2009. These types of growth in sales revenue and value added tax can be questioned," the report said.

In the same period, the investment of the company has

declined 17.99 percent to Tk 39.76 crore, while the interest rate of income has increased by 624 percent to Tk 85.79 lakh. "We can say that the income for this year might have been manipulated," the committee said in the report.

The company intends to raise share capital amounting to Tk 609 crore, whereas the net asset value of the company is Tk 272 crore. "We see that the proposed share capital is more than two times of the net asset value of the company, thereby affecting the return of assets."

The probe found that both the sales revenue and cash received from sales were equal at Tk 98.88 crore. "So there is no chance of adding in the accounts receivable, whereas in the balance sheet the accounts receivable amount has been increased," the report said, adding: "It is most likely that the financial statements have been misstated."

The report said purchase is understated by Tk 3.71 crore that is wrongly understated in the

statement of comprehensive income.

Mobil Jamuna went for initial public offering with a share price of Tk 152.40 under the book-building method and collected Tk 400 crore from the public offering on January 2.

The raised money was meant for establishing a liquefied petroleum gas manufacturing unit in Khulna, acquisition of one crude oil tanker, purchasing one big land in Gulshan, building an anti-freeze manufacturing plant with rated capacity and investing in equity of MJL Fuels Ltd, according to the report.

However, stalemate continued over listing of Mobil Jamuna, although the SEC instructed the bourses to take listing decision as per rules. The stock exchanges are yet to give the listing approval to the company. The deadlock was created after the book-building method was suspended by the SEC on a government direction following huge criticism for misusing the system.

Stocks lurch into the red as market rife with rumours



STAR BUSINESS REPORT

Stocks dived as investors went into panic sales yesterday, influenced by rumours that manipulators were trying to create a volatile situation again to pressure the government not to take tough actions against them.

The benchmark general index of Dhaka Stock Exchange slumped 294 points, or 4.48 percent, to 6,262 points. The selective price index of Chittagong Stock Exchange lost 431 points, or 3.66 percent, to close at 11,338 points.

Insiders said the market manipulators spread rumours in the market, striking fears into investors. "The manipulators want to create volatility again in the market," one of them said.

Mirza Azizul Islam, former adviser of caretaker government, said: "The government should investigate the manipulators' moves to help restore investor confidence."

Islam, also a former chairman of the Securities and Exchange Commission, said: "The market will come back on track within a few days."

Jewell Ahmed, a retail investor, said: "The government should take proper actions against the manipulators."

Ahmed urged the commission to approve the Bangladesh Fund to help the

investors regain their confidence.

The government should take actions against the manipulators as soon as possible, Aktar Sannamat said.

Most of the share prices of all major sectors such as banks dropped 4.41 percent, non-bank financial institutions 5.37 percent, fuel and power 3.93 percent and telecommunication 2.35 percent.

Of the total 261 issues traded on the DSE floor, 230 declined, 27 advanced and four remained unchanged.

The daily turnover at the DSE stood at Tk 1,224 crore, down by Tk 65.63 crore from that of the previous day of trading.

Beximco topped the turnover leaders with 20.06 lakh shares worth Tk 57.36 crore traded on the day.

The other turnover leaders were Titas Gas, Aftab Automobiles, Bextex, BSRM Steels, Desco, Square Pharmaceuticals, Bay Leasing and Investment Services, Olympic Industries and Fu-Wang Ceramic.

Fourth ICB Mutual Fund was the biggest gainer of the day, posting a 4.75 percent rise in its share price, while the Exim Bank was the worst loser, slumping by 32.32 percent.

However, the SEC has formed a committee to investigate the allegations of unusual shares trading of Dutch-Bangla Bank on the day.

Govt to set up committees on shipbreaking policy

STAR BUSINESS REPORT

The government has decided to constitute two high-profile committees to develop a comprehensive policy for the ship-breaking industry, Industries Minister Dilip Barua said yesterday.

The two committees -- national and technical -- will consult all stakeholders to design a policy acceptable to all.

The decision was taken at an inter-ministerial meeting with ship-breaking industry leaders and other stakeholders at the industries ministry in Dhaka yesterday.

"We will make the policy keeping everything necessary in perspective," said Barua. "The policy will be a long-term one -- effective for the next 10-15 years."

Barua will lead the national committee and ABM Khorshed Alam, additional secretary of the industries ministry, will lead the technical committee. The committees will have an option to include new members if necessary, said Barua.

The minister said the ship-breaking sector has huge potential and economic involvement because the sector supplies raw materials to light-engineering, furniture, foundry and steel sectors.

Mentioning his recent visit to Dholai Khal, the light engineering hub in the city, Barua said hundreds of light industrial units in the area largely depend on scraps.

He, however, cautioned that the authorities concerned will have to be careful so that the ship-breaking industry does not harm the environment.



Jashim Uddin, senior vice-president of the Federation of Bangladesh Chambers of Commerce and Industry, receives a crest from Ahmet Carik, head of a Turkish business delegation, at a ceremony at the FBCCI office in Dhaka yesterday. (Story on B3)

BD-Thai Aluminium manipulated stockmarket: probe panel

STAR BUSINESS REPORT

A panel that investigated the recent stockmarket crash has cited overpricing of BD-Thai Aluminium shares as a case study of market manipulation.

The committee said the company spread price-sensitive information in the market to inflate prices of its shares in collusion with its issue manager.

The first move for the alleged manipulation began in June 2008, when the aluminium panel maker posted a statement on revaluation of its assets.

Prices of BD-Thai jumped to Tk 305 each share on July 31, 2008, boosted by the filing and the subsequent posting on the revaluation of assets.

In May 2008, average prices of BD-Thai were Tk 114 per share, according to the probe team led by Khondkar Ibrahim Khaled.

Later in October, a foreign investment fund, GEM Global Yield Fund appeared on the scene. Price-sensitive information emerged from BD-Thai's links with GEM Global, a Cayman Islands-incorporated fund with a paid-up capital of \$0.01.

The share prices of BD-Thai hit Tk 575 on February 11, 2009 after the aluminium producer got approval of issuing 987,000 shares to Gem Global for Tk 375 each through a warrant.

On April 19 of 2009, the aluminium producer informed the Dhaka Stock Exchange (DSE) that it had transferred 91,000 shares to GEM Global through private

placement. The transaction value was Tk 3.41 crore.

GEM Global started selling shares on April 21 at Tk 909.51 each. The investment fund sold 272,000 shares until May 27 of the same year.

Citing a DSE investigation report, the probe committee said BD-Thai did not inform the bourse about the 181,000 additional shares issued to GEM Global.

By selling these shares to the market, GEM earned Tk 14.5 crore, according to the probe report.

"Making 142.54 percent profits in one and a half months is unusual," the report said.

The team said GEM Global has already transferred Tk 15 crore abroad through Citibank NA.

Between May and December 2010, a month before the stockmarket collapsed in January, the prices of shares of BD-Thai maintained the upbeat trend and hit Tk 1,467 each, according to DSE data.

According to the probe report, BD-Thai share prices moved around Tk 53-57 through the year 2007 against the face value of Tk 100 each.

The aluminium producer had been in the red for four years to 2007 when it incurred losses of Tk 22 a share.

In 2008, the company claimed Tk 32 earnings per share after the revaluation of its assets, according to the probe report. The company showed 18 times higher asset value through revaluation, the committee said.

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