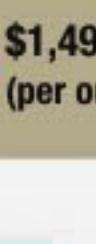


DGEN ▼ 0.52% 5,760.61

CSCX ▼ 0.64% 10,330.04



Gold ▼ \$1,494.00 (per ounce)

Oil ▲ \$97.70 (per barrel)

MUMBAI ▼ 0.28% 18,086.20

TOKYO ▲ 0.99% 9,662.08

SINGAPORE ▲ 0.15% 3,141.21

SHANGHAI ▲ 0.70% 2,872.77

USD EUR GBP JPY

BUY TK 73.18 104.17 118.89 0.89

SELL TK 73.22 104.25 118.99 0.90

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DHAKA THURSDAY MAY 19, 2011, e-mail:business@thelystar.net

# BUSINESS

## MI Cement gets listing nod, finally

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) yesterday approved the listing of MI Cement Factory Ltd in line with a directive of the Securities and Exchange Commission (SEC).

"The trading of MI Cement will begin on the DSE floor on Sunday," said Satipati Moitra, chief executive officer of the Dhaka bourse.

"We approved the listing as per the directives of the SEC," he added.

However, before the go-ahead was given, top leaders of the Dhaka bourse met SEC Chairman Professor M Khairul Hossain yesterday to discuss the listing issue of the cement maker.

The new chairman asked them to list the company following the regulator's directives.

"We have upheld our directives," the SEC chairman said.

Halal Uddin Nizami, a newly appointed SEC member, said the DSE authorities were asked to follow the regulator's directives.

After the meeting, DSE President Shakil Rizvi said there is no uncertainty about the listing of MI Cement.

He also said the company has sound fundamentals, and the investors will be benefited.

Ahmed Rashid, a director of the premier bourse, said the DSE has approved the listing for the greater interest of the market.

However, the company was listed on the Chittagong Stock Exchange (CSE) on May 6.

Earlier, the bourses were asked to list MI Cement after fulfilment of the conditions that the company proposed.

MI Cement had proposed that sponsor directors would compensate the investors if its share prices go below the offer price within the first six months of trade. The company had also said it would deposit Tk 5 crore in security funds to fulfil the compensation package before receiving the listing approval from the bourses.

Also, the company agreed to set aside a fourth of total shares from the directors' portion for the bourses. If the compensation amount crosses Tk 5 crore, the exchanges could go for selling those shares, according to its proposals.

MI Cement has already raised Tk 335.05 crore from the public using the book-building method by floating three crore ordinary shares of Tk 10 each with issue price of Tk 111.60 per share.

Data submitted by the company to the DSE shows earnings per share of MI are Tk 93.87 and net asset value is Tk 37.01 per share as of June 2009.

Earlier, the SEC had also asked the company to buy back shares, if its share prices slip below the offer price within the first six months of trading, and directed the bourses to take proper actions as per the listing rules.

But the listing committee of bourses had opposed the move on a condition of buy-back, saying huge complexities would arise if the company was listed.

The stalemate was created over MI Cement after the stockmarket regulator suspended the book building method in January following a government instruction.

A volley of criticisms came from economists, market experts, analysts and stakeholders over the misuse of the mechanism.



Stock investors set cardboard and plastic bottles afire to protest a stockmarket fall in Dhaka in January. The troubled investors look to the upcoming national budget, now deemed crucial for the market.

## Stocks now await budgetary boost

SARWAR A CHOWDHURY

### 2011-12 BUDGET

**Investment of untaxed or undeclared money in the stockmarket is also a much-talked issue for the next fiscal year, as the opportunity will end this year**

recently.

The compulsory TIN for BO accounts is also a much-talked issue ahead of the budget announcement for the 2011-12 fiscal. It already has given a rise to debates among the market stakeholders.

The probe committee on recent share market debacle in its report recommended that the government make the TIN mandatory for BO accounts.

But, market insiders said, the compulsory taxpayer's identity will create a mess in the market, which now has around 32 lakh investors. It means 32 lakh TIN certificates will be needed at a time.

The compulsory TIN will also force many of the investors to quit the market, as there is a common perception that everyone has to face difficulties in getting a TIN.

"Our market is yet to reach this stage where TIN can be made mandatory for BO accounts," said Arif Khan, a market expert and managing director of Zenith Investment Ltd.

Besides, he said, the country's taxation system is not capable of handling the situation of having TIN for every BO account. "I think it is not the right time to make the TIN mandatory for BO accounts," he said.

Investment of untaxed or undeclared money in the stockmarket is also a much-talked issue for the next fiscal year, as the opportunity will end this year.

"Investment of untaxed money on a particular sector should be allowed for a certain period, not for long," said Khan, adding that if the tradition continues for a long time, it will be discouraging for regular taxpayers.

"However, considering the current market situation, investment of the untaxed money may be allowed for one more year to keep the money flow in the market and to bring back confidence among the investors," he added.

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Faruk Khan, commerce minister, speaks at a seminar on "Economic Freedom and Business Environment in South Asia" at Ruposhi Bangla Hotel in Dhaka yesterday. SAARC Chamber of Commerce and Industry in collaboration with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) organised the event where AK Azad, FBCCI president, and Annisul Huq, SAARC chamber president, were also present. (Story on B3)

## Balance of payments under stress

REJAUL KARIM BYRON

The country's external balance sheet is now under continuous pressure largely due to low growth in inward remittances and high import bills which have been putting extra pressure on the rising inflation.

In the first nine months of the current fiscal year, the deficit in overall balance stood at \$529 million, while it was a \$2.26 billion surplus in the same period last fiscal year.

The World Bank forecast the projected overall balance of payments deficit of about \$1.2 billion is likely to be financed by drawing down reserves.

In this situation, the taka has been depreciated against the dollar, pushing up the prices of imported products further, which in turn creates risks of inflation.

Although foreign direct investment (FDI) and exports increased, the uneasy situation has been created mainly due to a fall in foreign aid and remittances.

As a result, the current account balance surplus dropped by about three-fourths compared to a surplus in the same period of the previous fiscal year.

In July-March of the current fiscal year, the surplus came down to \$689 million from a \$2.64 billion surplus in the same period of the previous year.

According to Bangladesh Bank data, exports increased by about 40.61 percent in the first nine months of the current fiscal year but imports went up by 41.01 percent.

Traditionally, Bangladesh's imports tend to be much more in volume widening the trade deficit to \$5.57 billion in the nine months from \$3.91 billion in the same period of the previous year.

On the other hand, remittance growth has been rather slim. It increased by only 4 percent in the first

AT A GLANCE		
(IN MILLIONS OF DOLLARS)	July-Mar 2009-10	July-Mar 2010-11
Trade Balance	-3,917 ▼	-5,570 ▼
Current Account Balance	2,643 ▲	689 ▲
Overall Balance	2,267 ▲	-529 ▼

nine months. During the same period last fiscal year the growth was about 20 percent.

Due to pressure on balance of payments, the average exchange rate of the taka against the dollar was Tk 73.19 on May 10, which was Tk 69.28 a year back.

To contain the depreciation, Bangladesh Bank intervened in the foreign exchange market and sold (net) \$346 million between July 2010 and April 27, 2011.

In foreign exchange reserve, a volatile situation has been prevailing. In May 10 last year, the foreign exchange reserve was \$10.04 billion, down from \$10.74 billion on June 30 the same year. It increased to \$11.31 billion on April 28 this fiscal year. On May 10, it came down to \$10.40 billion.

The World Bank released Bangladesh Economic Update early this month. In the update, it said the foreign exchange reserves are under pressure with the import cover declining from 5.4 months in FY10 to 4.4 months in end-April of 2011.

In recent times, inflation has been rising every month. In March, it increased to a double-digit level and stood at 10.49 percent on a point-to-point basis.

The rise in inflation is mainly due to an increase in the price of food items. The price hike of dollar also had an impact on the rise in inflation. In the first nine months, food grain imports increased by 122 percent which fell by 12 percent during the same period last year.

But, he said, currently the market

is depressed after the recent debacle in the market. "The government should assess at first the possible impacts of tax imposition on individual's capital gains," he said.

Also, the possible comeback of the stockmarket from the ongoing upheavals mostly depends on the budgetary measures. Investors, market intermediaries and experts look to the upcoming budget to see what the government is going to do in the budget for the stockmarket.

Retail investors say it would not be wise to impose tax on capital gains made by individuals that the government did on institutional investors in the current fiscal year.

They also oppose any plan of making tax identification number (TIN) compulsory for BO (beneficiary owner's) account, saying that, in that case many investors will leave the market.

"The recent debacle in share prices rattled many of us, and we are still looking for a breather in the market. If the government imposes tax on the capital gains made by individual investors, it will be depressing for us," said Zahir Ahmed, a retail investor.

Apart from stock investors, there are many people from other professions or services and small businesses who are not under the tax net now, but they have investments in the stockmarket and make returns.

"If tax is imposed, they will have to come under the tax net, which many investors will not take easily," Ahmed said.

Ahmed is not alone; most investors think like him.

Faruq Ahmad Siddiqi, a former chairman of the Securities and Exchange Commission, said: "In principle, there should be taxes, and such taxation can start from a lower rate."

But, he said, currently the market

is depressed after the recent debacle in the market. "The government should assess at first the possible impacts of tax imposition on individual's capital gains," he said.

An investment banker, however, said tax can be imposed on individual investors who are engaged in regular trading. "But, it should not be on long-term investments," he said.

The government, for the first time in fiscal 2010-11, imposed a 10 percent tax on institutions that profit from share trade.

A 5 percent tax on the income made by sponsor shareholders or directors of listed companies, and a 3 percent tax on the premium value of shares were also imposed.

However, the Dhaka Stock Exchange in its budget proposal has urged the government to withdraw the 3 percent tax on premium value of shares, as it is creating negative impact on the market.

"Premium is part of capital. Income tax cannot be levied on capital, as such tax comes from income and not from capital," the DSE said in the proposal that was submitted to the National Board of Revenue

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