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Meghna Petroleum, Jamuna Oil to offload shares

Offloading news pulls down stocks

SARWAR A CHOWDHURY

In an ice-breaking move two state-owned companies announced offloading their shares in the stockmarket, which declined yesterday as a reaction to the mid-day news. Shares of Meghna Petroleum and Jamuna Oil Company, both already listed, will be offloaded in the secondary market within the next 30 working days through Investment Corporation of Bangladesh (ICB), according to web postings of the Dhaka Stock Exchange yesterday.

The state-run Bangladesh Petroleum Corporation (BPC), the major corporate sponsor of both Meghna and Jamuna, will sell 17 percent shares of the two companies at market prices from its stakes in Meghna Petroleum and Jamuna Oil.

The BPC, which enjoys monopoly in the domestic petroleum market, has announced selling 54.97 lakh shares out of its total holdings of 3.23 crore shares of Meghna Petroleum, and 53.55 lakh shares of Jamuna Oil out of its total holdings of 3.15 crore shares. Analysts said, although the government shares were supposed to be offloaded in the market a long time ago, the delayed entry is welcomed and it will help the market to remain stable.

Though the move has left a temporary impact on particular share prices, there is nothing to be

COMPANIES BY THE NUMBERS		
	Meghna Petroleum	Jamuna Oil
Paid-up capital	Tk 48.50cr	Tk 54cr
Face value	Tk 10	Tk 10
Yesterday close price	Tk 197.70	Tk 273.70
Listing year	2007	2007
Market Category	A	A
Govt stakes	70%	70%
Institution holdings	13.69%	15.04%
Public holdings	16.31%	14.96%

worried about, they said. "It's the beginning and it will increase the supply side in the market," said Salahuddin Ahmed Khan, a former chief executive officer of the DSE.

After the recent price debacle in the stockmarket, the demand was picking up again and it is the perfect time to release more shares in the market to meet the demand, he said.

"However, similar initiatives need to be taken to bring new private sector companies in the market," added Khan.

Earlier on July 13, the banking division of the finance ministry issued a fresh directive to 23 state-owned enterprises (SoEs) to immediately offload shares on the bourses to increase the supply of shares.

As per the directive, companies which are already listed on the bourses were asked to release

more shares. Of the 23 SoEs, six are listed on the stockmarket that includes Titas Gas Transmission and Distribution Company, Meghna Petroleum, Jamuna Oil Company, Dhaka Electric Supply Company (Desco), Bangladesh Services and Bangladesh Shipping Corporation.

After the present government assumed power, the finance minister undertook several initiatives to make the public sector companies offload more shares. But the companies failed repeatedly.

Many observed that the failure of the public sector companies to offload shares was a reason behind the recent debacle in the stockmarket.

After the offloading news was posted on the trading server and DSE website, prices of other state-owned fuel and power companies, along with Meghna and Jamuna, declined on the floor.

On the premier bourse, each Meghna share dropped 3.87 percent to Tk 197.70, while each Jamuna share slid by 3.91 percent to Tk 273.70, Powergrid 1.23 percent to Tk 843.75 and Desco 2.3 percent to Tk 1,730.50.

The impact is temporary caused by the share offload news and there will not be any serious problem, said Ahmad Rashid Lali, a stockbroker and a director of the prime bourse.

"We welcome the government move of offloading more shares in the market," he said, adding that it will impact the market positively and will help the market to remain stable in future.

The fall in state-owned companies' shares also led other firms to close negative.

The benchmark index of the Dhaka bourse, DGEN, fell 54 points, or 0.8 percent, to 6,642, while the Selective Categories Index of Chittagong Stock Exchange declined 63 points, or 0.5 percent, to 12,226.

Losers beat gainers 171 to 86 with seven remaining unchanged on the DSE, which traded over 17.55 crore shares and mutual fund units on a value of Tk 1,680 crore.

Of the traded issues on the CSE, 61 advanced, 137 declined and six remained unchanged. More than 2.01 crore shares and mutual fund units worth Tk 167 crore changed hands on the port city bourse.



SA Samad, third from left, executive chairman of Board of Investment (BoI), attends the launch of World Investment Report 2011 of the United Nations Conference on Trade and Development, at BoI boardroom in Dhaka yesterday.

Bangladesh notches up in FDI ranking

STAR BUSINESS REPORT

Bangladesh advanced to the 114th position last year from 120th in the previous year in the World Investment Report (WIR) 2011 of the United Nations Conference on Trade and Development (Unctad).

The country improved its position in the ranking among 141 countries in global inflow of foreign direct investment (FDI) by attracting \$913.32 million in 2010, according to the report released yesterday.

The FDI grew by 30 percent in 2010 compared to that in 2009, showed the data.

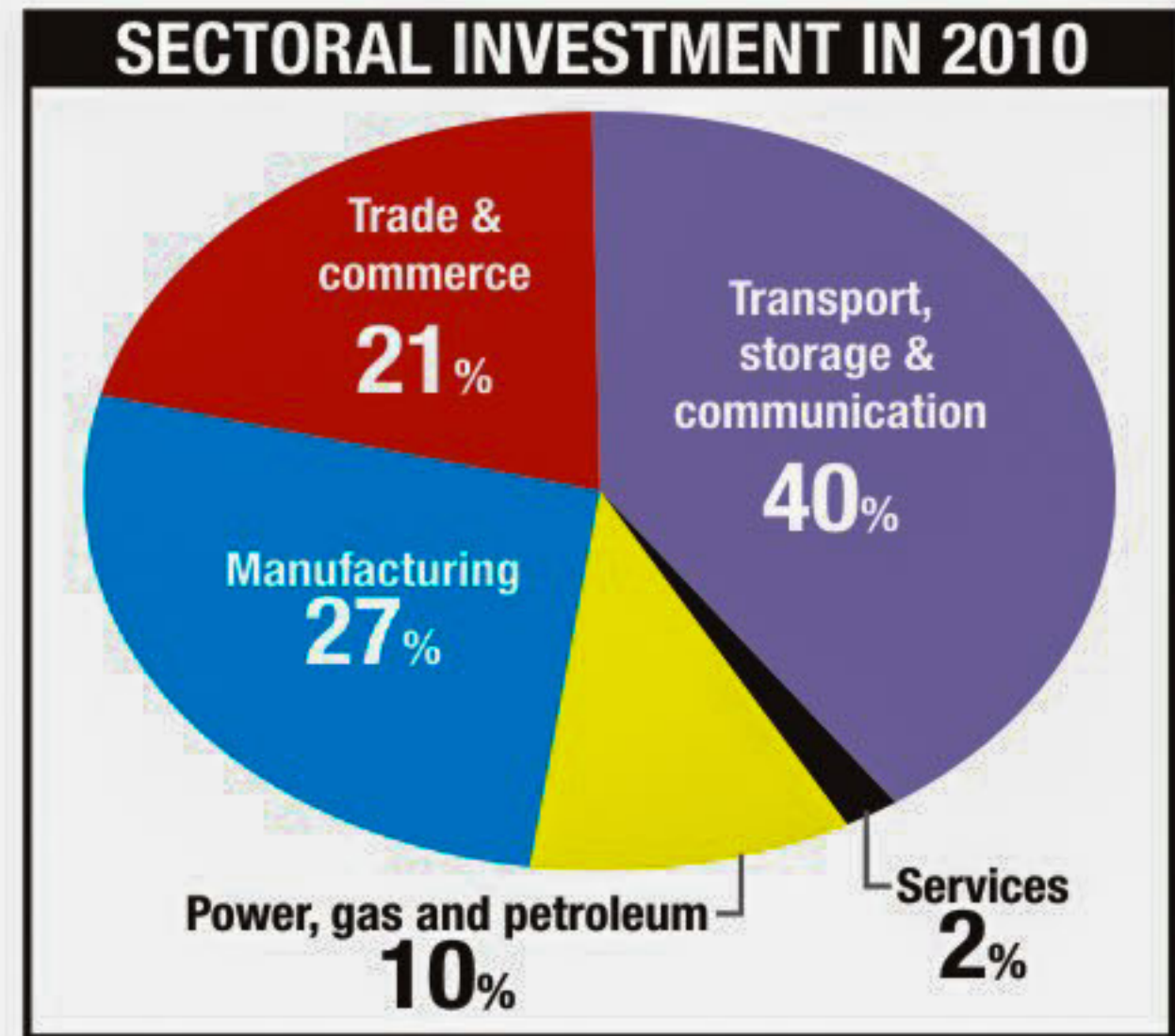
In 2009, Bangladesh attracted \$700.16 million in FDI and ranked 120th among 141 countries, while in 2008 the country's ranking was 117th with a total inflow of \$1.086 billion.

The trend of FDI inflow showed that Bangladesh performed well in the context of South Asian countries, said M Ismail Hossain, professor of economics at Jahangirnagar University, at a press conference at the Board of Investment (BoI) office while launching the report.

The data showed that the inflow of FDI in India declined to \$24,640 million last year from \$34,613 million in 2009.

The inflow of FDI also declined in Pakistan last year, the data showed. In 2010, Pakistan could attract \$2,016 million, down from \$2,387 million in 2009.

But, FDI inflow increased in Sri Lanka to



\$478 million in 2010 from its previous \$404 million in 2009.

In the global context, three largest recipients of FDI are the USA with \$228 billion, China with \$106 billion and Hong Kong with \$69 billion in 2010.

The report also showed that global FDI inflows rose modestly by 5 percent reaching \$1.24 trillion in 2010. The report predicted an increase in FDI flows to \$1.4-\$1.6 trillion in 2011 and \$1.9 trillion in 2013.

In Bangladesh, sector-wise, a total of \$92.06 million came to the power, gas and petroleum sector, \$238.78 million to manufacturing, \$186.63 million to trade and commerce, \$360.31 million to transport, storage and communication and \$21.7 million to the services sector.

Singapore ranked top by investing \$317.19 million in Bangladesh in 2010, while UK second with \$105.68 million investment, the Netherlands

third with \$64.92 million, Hong Kong fourth with \$63.84 million, USA fifth with \$56.95 million and India sixth by investing \$43.19 million.

"The FDI inflow increased in 2010 for arrival of energy companies in the country," said SA Samad, executive chairman of the BoI.

He said, during the period a total of \$6,276.80 million was estimated as local investment in 1,600 projects, with a 142.55 percent rise compared to the previous year.

Samad said inadequate supply of gas and power, a lack of bargaining capacity and scarcity of land are mainly responsible for lower inflow of FDI in Bangladesh.

The FDI inflow is low also due to non-expansion of export processing zones (EPZs) as the government plans to construct economic zones to facilitate both local and foreign investors, he said.

SEC forms committee to examine proposed prices for IPO

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The Securities and Exchange Commission has formed a committee to review price proposals of companies seeking to list on the stockmarket using the fixed price method.

Members of the committee will be presidents of the Institute of Chartered Accountants of Bangladesh and the Institute of Cost and Management Accountants of Bangladesh, chief executive officers of Dhaka and Chittagong stock exchanges, and chairman of finance or accounting department of Dhaka University or a representative nominated by the department.

The committee was formed at a meeting of the stockmarket regulator in Dhaka yesterday with SEC Chairman Professor M Khairul Hossain in the chair.

In another move, the SEC decided to form a committee to examine the errors made by authorised representatives of brokerage houses, said Saifur Rahman, an SEC executive director.

After scrutinising the errors, the committee will submit a recommendation to the commission on formulation of a guideline on authorised representatives.

The SEC also decided to send the proposed draft guidelines on

book building rules amendment to the stakeholders for their observation.

At the meeting, the regulator also approved rights offer of United Airways, and allowed Beximco to increase its paid-up capital.

The United Airways will offer one rights share for each existing share at an issue price of Tk 15, including Tk 5 as premium, Rahman told reporters.

The airline, with existing paid-up capital of Tk 210 crore, will raise Tk 315 crore through floating 21 crore rights shares.

The United Airways sought Tk 10 as premium, but the SEC approved Tk 5 as premium.

The SEC official also said Beximco sought approval from the commission to increase its paid-up capital, as the company is going to acquire one of its subsidiary company, Bextex.

Beximco will issue 10.72 crore new shares of Tk 10 each totaling Tk 107.28 crore.

Earlier, Beximco and Bextex won approval from the High Court for their previously announced amalgamation.

Beximco Textiles (commonly known as Bextex) will merge with Beximco, the flagship company of Beximco Group, at an exchange ratio of one Beximco share for five Bextex shares.

Three life insurers to face grilling on shoddy accounts

SAJJADUR RAHMAN

Three life insurers will face a grilling on charges of giving dividends without actuarial valuation, which the regulator found as gross violations of law and an attempt to spike prices of its shares in the stockmarket.

The insurers are: National Life, Fareast Islami Life and Prime Islami Life, according to an investigation of the Insurance Development and Regulatory Authority (IDRA).

National Life and Fareast Islami Life gave dividends in 2007 and 2009 without actuarial valuation. Prime Islami Life did not adjust its dividends of 2007 in 2008 to give shareholders extra-dividends, according to the IDRA investigation.

other two companies have not yet been finalised.

According to the regulator and industry experts, declaring dividends by life insurers without actuarial valuation is a gross violation of law. The companies, if proven guilty, may face punishment, including fine, said IDRA officials.

Rafiqul Islam, who has nearly five decades of experience in the insurance industry, said life insurers cannot declare dividends without actuarial valuation.

"This is a gross legal violation," said Islam, also the immediate past president of Bangladesh Insurance Association, a forum of insurance companies, both life and non-life.

The valuation of a life insurance company is of utmost importance, as it does not have any profit and loss account like non-life insurer. Life insurers earn premiums from policyholders, which cannot be

taken into profit and loss accounts.

In line with the law, a board of a company first approves the accounts before sending it to an actuary for valuation of its assets and liabilities. After the valuation, the company gives dividends to its shareholders. According to rules, 90 percent of surplus income must go to policyholders and a maximum of 10 percent to shareholders.

But IDRA investigations found two life insurers gave dividends without actuarial valuation of their assets and liabilities.

"The wrongdoing by Prime Life is bigger as it did not adjust its dividends for 2007 in the accounts of 2008," said a senior official of IDRA. "So the company gave its shareholders more dividends than it actually could."

Jamal Mohammed Abu Naser, managing director of National Life denied any allegation of violating the law.

"I'll assume my position to be correct when I'll see an actuary approves my accounts for 2007 in the next valuation," said Abu Naser.

Ekrumul Ameen, managing director of Fareast Islami Life Insurance, said he is yet to get any letter from the authority.

Also, Kazi Mohammad Mortaza Ali, managing director of Prime Life Islami Insurance, said he is yet to get any letter from the IDRA.

A share of National Life that was sold at Tk 7,331 (Tk 100 face value) on the Dhaka Stock Exchange yesterday had reached Tk 8,600 in 2010. Similarly, a share of Prime Life, which soared to Tk 3,847 in 2010 (Tk 100 face value), is now being sold at Tk 330 against a face value of Tk 10.

Price of a share of Fareast Islami Life that was closed at Tk 348 (Tk 10 face value) yesterday had reached Tk 4,347 (Tk 100 face value) in 2010.

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