

Dull stockmarket hurts non-banks

SARWAR A CHOWDHURY

The majority of the listed non-bank financial institutions announced lower dividends this year, owing to a weak operating environment.

Among the 19 listed NBFIs, 18 have so far declared dividends for 2012.

Of the 18 firms, ten offered a lower amount of dividends than 2011, four higher and four the same, according to data from Dhaka Stock Exchange.

In 2012, the non-banks' total net profits dropped 37 percent year-on-year to Tk 300 crore, propelled by an unprecedented loss from stockmarket exposure, according to industry insiders.

A rise in non-performing loans, which required provisioning, also led to lower profits, they said.

The stockmarket has been on a downtrend since a price debacle in early 2011. The DGEN, a key index of the Dhaka bourse, plunged to around 4,219 points towards the end of 2012 from 9,304 on January 1, 2011.

"The NBFIs, as part of operational diversification, has been making money from the capital market as capital gains from own investment and fees and interest on share credit through subsidiaries," said Akter Hossain Sannamat, managing director of Union Capital.

"But, all incomes from this source dropped drastically due to the continued depressed state of the market. And, given the gloomy economic backdrop, the demand for credit also dropped, to make things worse."

Selim RF Hussain, chief executive officer of IDLC Finance, blamed lower profits on the higher interest rate on borrowings, which pushed up their operational costs.

"Almost all the NBFIs depend on the money market

DIVIDEND PERFORMANCE OF LISTED NBFIs		
IN %, C FOR CASH, B FOR BONUS SHARE		
COMPANY	2013	2012
IDLC	30B	25B
ULC	5C, 15B	7.5C, 20B
Uttara Finance	20C, 10B	40B
First Lease	25B	20B
Peoples Leasing	12.50B	10C, 5B
Prime Finance	10C, 20B	40B
Premier Leasing	No dividend	5B
Islamic Finance	10B	10B
LankaBangla Finance	10B	30B
IPDC	10C	10B
Union Capital	5B	10C, 10B
BD Finance	10B	10B
International Leasing	5C	5B
Phoenix Finance	20B	30B
FAS Finance	6B	5B
Bay Leasing	15C	15C, 20B
GSP Finance	15B	10B
National Housing	5B	20B

and corporate borrowings to generate their funding," he had said in a recent interview.

Banks are still charging the NBFIs 17-18 percent although the non-banks are in a better position in risk management than most corporate houses, he added.

SAVAR TRAGEDY Donations for treatment to be tax-free

BUSINESS REPORT

The entire amount of donations that will go to Enam Medical College Hospital for the treatment of the victims of Savar tragedy will be tax-free, the National Board of Revenue said yesterday.

The tax administrator in a statutory regulatory order said if the Prime Minister's Office forms any fund for the victims, such donations to the fund will also be exempt from tax.

Enam Medical College will enjoy the privilege, which will remain effective till June 30, due to its contribution to the victims.

Bangladesh Bank and commercial banks have already taken initiatives to create a fund to help the victims.

An NBR official, however, said they are yet to take any decision whether the banks' fund will also enjoy a tax waiver.

Shipbuilders want duty cuts for raw materials

GAZI TOWHID AHMED

Shipbuilders want the duty scheme on raw material imports to be restructured in the upcoming budget for fiscal 2013-14 to bolster the troubled sector after a sharp fall in global orders.

At present, shipbuilders pay 20-23 percent duty on raw materials that should come down to 3-5 percent in the next budget, they said.

The government should also discourage imports of new or used ships by increasing duty, said Md Sakhawat Hossain, managing director of Western Marine Shipyard.

Importers of new or used ships pay 3-13 percent duty, while shipbuilders pay 22 percent to import raw materials to build new ships, Hossain said.

Importers pay 3 percent duty to import fishing tankers, according to shipbuilders. "But we are making fishing tankers of international standards for the European market."

The import of used ships also creates environmental hazards, Hossain added.

The government should increase duties on the import of new or used ships to 25 percent, which will compel businessmen to look to domestic shipbuilders; it will boost competition and lower prices in the sector, he said.

"We can save a lot of foreign currency if the country reduces its dependence on imported ships. It will also create more

employment opportunities and help flourish the local industry."

Giving examples, he said the Chinese government discouraged the business community from importing ships by raising the duty to 50-100 percent, while Canada gave financial support to its builders.

Bangladesh could extend a stimulus package to boost shipbuilding, like China and Canada did, said Hossain. "The government can offer financial help as most shipbuilders face pressures in paying bank interest."

Shipbuilding is a modern, comprehensive industry that provides technical equipment for transportation, maritime development and national defence, said Afruja Bari, managing director of Ananda Shipyard.

A strong shipbuilding industry will also help other sectors, including steel, chemicals, textiles, light industry, equipment manufacturing and information technology, she said.

"A tax waiver and interest waiver on bank loans are our main expectations from the government in the next budget."

Being a new industry in the export basket, the related policies and regulations are still insufficient, which impedes the sector's growth, she added.

The government allowed the duty-free import of ships with a capacity in excess of 3,000 DWT (dead weight tonnage), she said.

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Stocks lacklustre after Savar tragedy

STAR BUSINESS REPORT

Stocks ended flat yesterday as the recent Savar tragedy and ongoing political instability suppressed hope in the market.

DSEX, the benchmark general index of the Dhaka Stock Exchange, closed at 3,438.89 points, after falling 5.9 points or 0.17 percent.

Turnover, a major market indicator, grew 1.40 percent from the previous day to Tk 136 crore.

The markets opened on a positive note but the market-tracking index started to drop in just two hours, losing 18 points midsession.

"Volatility kept up its soggy presence in the bourse, with some spikes in the later part of the session," said IDLC Investments.

Alongside, investors apparently showed a cautious reaction to passing of the demutualisation act, the investment banker said.

The act that separates bourses' management from ownership to bring transparency in the stockmarket was passed in parliament on Sunday.

An aggregate of 0.60 lakh trades were executed with 4.38 crore shares and mutual fund units changing hands on the Dhaka bourse.

Of the total 278 issues that traded on the DSE, 134 advanced, 119 declined and 25 remained unchanged.

Among the major sectors, banks gained the most, advancing 0.63 percent, followed by power at 0.19 percent.

However, non-bank financial institutions lost 0.76 percent, telecoms 0.32 percent and pharmaceuticals 0.11 percent.

RN Spinning Mills was the turnover leader though its share price dropped by 4.96 percent from the last trading session with 37.07 lakh shares worth Tk 9.95 crore changing hands.

Beximco and United Airways were the next popular stocks of the day.

Rahim Textile was the biggest gainer of the day, as it accelerated 9.93 percent, while Premier Leasing and Finance was the worst loser, plunging 16.94 percent.

The Chittagong Stock Exchange yesterday ended flat with its CSCX, the selective categories index, losing 27.24 points or 0.40 percent, to close at 6,940.24 points.

Losers beat gainers 91 to 61 with 21 issues unchanged on the port city bourse that traded 66 lakh shares and mutual fund units with Tk 17.36 crore in turnover.



ANURUP KANTI DAS

Officials examine tea leaves to check quality prior to an auction at Agrabad in Chittagong.

Parched out of tea Bangladesh losing status of tea exporter

UDAY SANKAR DAS, from Chittagong

Bangladesh, a country steeped in the tradition of tea plantation, is on the verge of losing its status as a tea-exporting nation.

"The tea industry once enjoyed the status of being a foreign currency earner for the country. Now, it's a sorry sight to see," said Shantanu Biswas, chief operating officer of Ispahani Tea.

In 2012, the production of tea exceeded demand by around 1,000 tonnes, with export earnings standing at a paltry Tk 22.23 crore, according to Bangladesh Tea Board.

"We used to export to Pakistan, Russia, the Middle East and a few

other countries. Because of a dearth in exportable surplus, we now export in a value-added form, and that too in very small quantities, to the Middle East countries."

The price of Bangladeshi tea shot up to \$3.84 per kg in the last auction, which, the Ispahani official said is the reason why many countries have turned to Malaysia and Vietnam to meet their demands.

In the 15 years to 2009, the growth in tea production in Vietnam was 283 percent, whereas the figure for Bangladesh was a mere 26 percent, according to Biswas, a former president of Bangladesh Tea Traders Association.

"In the short term, the deficit in

supply could be met by importing tea at reasonable prices. But the priority should be in increasing the production."

Nader Khan, a director of Finlay Tea, said the 2.5 percent annual increase in production stipulated by the government is sufficient to avoid dependence on imports.

"But for a significant improvement of the situation, drastic steps will have to be taken," he said, while calling for further assistance from the government.

"For instance, the government can extend soft loans to all tea companies," said Khan, who is also the managing director of Halda Valley Tea Company in Chittagong.

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Rana Plaza owner's tax files under scanner

Tax returns don't match income

STAR BUSINESS REPORT

The National Board of Revenue plans to investigate the income tax irregularities of Sohel Rana, owner of the collapsed Rana Plaza.

Officials said the NBR has found irregularities in Rana's income tax records.

Rana accumulated large sums of money through legal and illegal means but he paid Tk 67,000 in tax last year, a tax official said.

Rana's mother Morzina Begum, who died of a heart attack after the Rana Plaza collapse, paid around Tk 78,000, which is more than what her son paid, the official said.

An NBR high official requesting anonymity said taxmen started working on the income tax files of Rana and his family members. The NBR will form a panel soon to probe tax-related allegations.

Rana sold about 200 shops in Rana Plaza for Tk 20 crore. Rana's tax file shows that he owns a 40 percent share of Rana Plaza while his father Abdul Khaleque owns the remaining 60 percent, an NBR official said.

Rana has another six-storey building, Rana Tower, in Savar. He is also the owner of other properties, including Rana Oil Mills.

In the income tax return for fiscal 2012-13, Rana showed his income to be Tk 1.64 crore.

The building collapse claimed 388 lives, most of them workers. The building in Savar on the outskirts of Dhaka also housed five garment factories.

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