Khan Brothers flies high on debut despite dismal profit

STAR BUSINESS REPORT

Share prices of Khan Brothers PP Woven Bag Industries soared by eight times on its trading debut at the stock exchanges yesterday, although the company's net profit declined in the first quarter.

Listed with a face value of Tk 10 each, Khan Brothers' share prices ranged between Tk 47 and Tk 80, before closing the day at Tk 76.6 on the Dhaka Stock Exchange.

However, the company's net profit fell 9.54 percent to Tk 2.18 crore in the first quarter to September, compared to the same period in the previous year, according to a posting on the DSE website.

Investment on the new share has become too pricey, as the price earnings (PE) ratio stood at over 50 with the jump in the company's share prices on the very first day.

The PE ratio determines the time an investor needs to wait to get back investment, and it is used to gauge the extent of risk an investment might entail.

"Investors have the right to choose the price at which they will purchase shares. But they should be careful in investing in a company that has been listed without premium and if its share price rises manifold," said Faruq Ahmad Siddiqi, a former chairman of Bangladesh Securities and Exchange Commission (BSEC).

Many companies have a tendency to show inflated accounts in their initial public offering (IPO) prospectuses to make their offerings attractive, he added.

"The regulator should examine or re-audit to see whether such a thing has happened in the case of the Khan Brothers IPO," he said.

On the decline in the company's first quarter earnings, Tofayel Kabir Khan, managing director of Khan Brothers, said the disclosed earnings were un-audited and it may be that a company's earnings fall in any given quarter.

"Our business is going well. We are installing new machinery with the IPO proceeds. So, the net profit will increase at the end of the year."

A total of 96.20 lakh shares worth Tk 58.89 crore traded on the premier bourse yesterday, with Khan Brothers securing the top position on the turnover leaders' list.

It is the 10th company listed in the miscellaneous category, which accounts for around 2 percent of total market capitalisation at the DSE.

The company raised Tk 20 crore by floating 2 crore ordinary shares of Tk 10 each. BSEC approved the IPO on June 24.

The company's IPO proceeds are being used for business expansion and repayment of high interest-bearing loans.

Shahjibazar goes to spot market

STAR BUSINESS REPORT

Shahjibazar Power's share trade will be relegated to the spot market from the public market today.

This means that investors will now have to pay cash for the company's share transactions and have a settlement period of just one day.

Bangladesh Securities and Exchange Commission (BSEC) took the decision yesterday, after looking into the unusual price hike of Shahjibazar shares recently.

The power company's share prices rose 828 percent to Tk 338.8 since its listing on the stockmarket on July 15.

The BSEC also marked Shahjibazar Power stocks as non-marginable, meaning, investors cannot buy those on credit.

Additionally, all stockbrokers will have to submit daily details on the sell and buy of each Shahjibazar share to the stock exchanges, which will send the report to the regulator the following day.

On November 9, BSEC had tasked a two-member committee to report on the unusual price hike of Shahjibazar Power within 15 working days.

The BSEC had earlier found anomalies in the company's accounts and spent Tk 1.72 lakh for a new audit by A Qasem and Company Chartered Accountants.

The company had inflated net profits by Tk 11.68 crore in its financial reports, according to BSEC-appointed auditors, for which the regulator fined five directors of the company Tk 10 lakh each, and the managing director Tk 5 lakh.

Shahjibazar Power shares also faced a trade bar from August 11 to October 20 for the same reason.

The audit firm found that the power company's real net profit was Tk 16.87 crore, with real earnings per share of Tk 1.48, instead of the published numbers.

Shahjibazar raised Tk 31.7 crore from an initial public offer to pay off bank loans.

Meanwhile, stocks continued to fall for the fourth day as investors remained cautious amid corporate declarations, leading to Tk 628 crore in turnover yesterday, a 9 percent decline from the previous day.

DSEX, the benchmark general index of the DSE, closed at 4,898, after shedding 18 points or 0.37 percent.

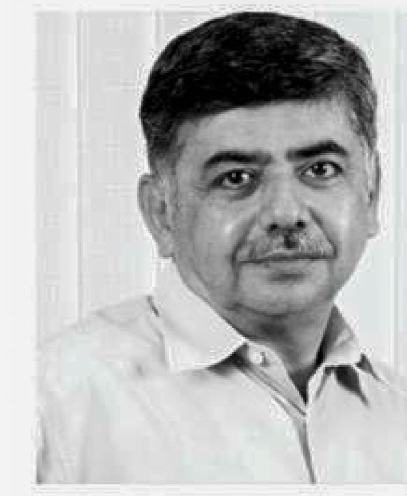
DSES, the shariah index of the premier bourse, lost 6 points or 0.53 percent, to finish the day at 1,150 points.

Losers beat gainers 147 to 125 and 33 remained unchanged out of the 305 issues that traded on the Dhaka bourse.

A total of 1.32 lakh trades with 12.26 crore shares and mutual fund units took place on the DSE.

Chittagong Stock Exchange also declined yesterday with its selective categories index, CSCX, shedding 46 points to close at 9,243.

Titan top boss in town



Bhaskar Bhat

STAR BUSINESS DESK

Bhaskar Bhat, managing director of Titan Company Ltd, has arrived in Dhaka recently to attend the relaunching of Titan products at Bashundhara City in the capital today.

Ghulam Mostafa, managing director of Kallol Group, will accompany Bhat during his visit to a number of outlets of Time Zone, authorised retail store of Titan watches and pens. Kallol Group owns Time Zone, the company said in a statement yesterday.

Office space to beef up factory inspections on way

STAR BUSINESS REPORT

The government yesterday approved a project for setting up offices for the Department of Inspection for Factories and Establishment in nine districts and modernising the state-run factory inspection authority.

The government will spend an estimated Tk 72.5 crore for the project, which would be implemented by the labour and employment ministry.

Under the project, offices of the factory inspection will be erected in Gazipur, Narayanganj, Barisal, Moulvibazar, Rangpur, Mymensingh, Faridpur and Comilla districts.

At present, the department's activities are constrained by the lack of office space at the district level; it has to run its activities on rented houses.

The government took up the project in January last year, after a deadly fire in Tazreen Fashions killed at least 112 garment workers, in a bid to beef up inspection and monitoring of industrial activities.

The collapse of Rana Plaza building last year also highlighted holes in the country's inspection system.

The labour ministry's project is one of the seven projects approved yesterday by the Executive Committee of the National Economic Council (Ecnec), the highest policy-making body of the government.

The seven projects will be implemented at an estimated cost of Tk 1,353.46 crore. Of the cost, the government will provide Tk 1,102.64 crore and the rest will come from the implementing agencies of those projects.

The Ecnec approved the Ashuganj-Vulta 400kv Transmission Line Project at an estimated cost of Tk 853.68 crore.

The government has allocated Tk 38.40 crore for setting up of a fashion, design and training institute for the handloom industry.

Other projects include setting up of 60 investigation centres for police and the renovation and modernisation of the Bangladesh Institute of Marine Technology.

The government also increased allocation for a project aimed at setting up 37 hostels for visually challenged children in 37 districts. The project will cost Tk 54.93 crore.

Import of Canadian agro-products rising

STAR BUSINESS REPORT

Agri-commodity imports from Canada are gradually increasing for production of high-quality grains in the North American country.

Bangladeshi companies are increasing imports of Canadian agricultural items like wheat and lentils due to the supreme quality of the products, said Canadian High Commissioner Heather Cruden.

"Canada is a leader in innovation in agricultural commodities, which is also a benefit for Bangladesh," she added.

Bangladesh imported agricultural products worth CAD $528 million in 2013, an increase of 54 percent over the previous year, she said.

She was speaking at a seminar on 'Bangladesh -- An Emerging Market for Alberta's Agriculture and AgriFood Products', organised by the Canadian high commission at Sonargaon Hotel yesterday.

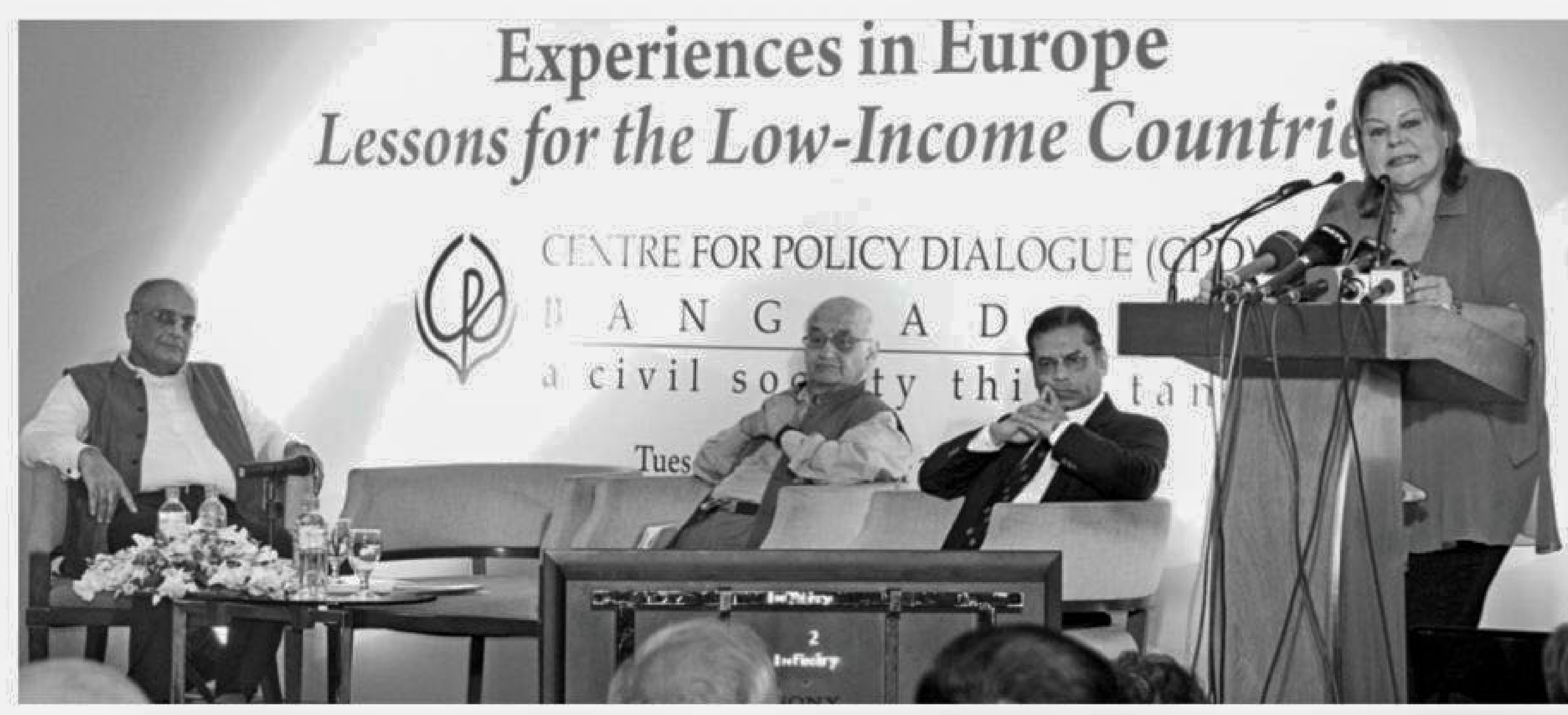
Trade between Canada and Bangladesh amounted to more than CAD $1.8 billion in 2013, with agricultural commodities representing 68 percent, she added.

Bangladesh's exports to Canada reached CAD $1.12 billion in 2013; 95 percent of which were readymade garments, said Cruden.

A team from the Alberta Agriculture and Rural Development Department, Government of Alberta, talked about health benefits of canola oil.

Alberta is a large producer of canola, accounting for nearly 35 percent of Canada's total crop, said Grant Winton, senior director of the Government of Alberta.

Masudur Rahman, president of CanCham Bangladesh, and Mohammad Shahjahan Khan, president of Dhaka Chamber of Commerce and Industry, were also present.



STAR

Louka T Katseli, a former minister of Greece, speaks at the CPD Anniversary Lecture 2014 on recent fiscal and labour market adjustment experiences in Europe, at Lakeshore Hotel in Dhaka yesterday. *Seated from left,* Debapriya Bhattacharya, distinguished fellow of CPD; Rehman Sobhan, chairman, and Mustafizur Rahman, executive director, are also seen.

Join hands to plug loopholes in global financial system

FROM PAGE B1

"That's why we should all join forces to push for a major reform agenda in this area."

About Bangladesh, she said the country would do well to diversify its economy beyond textiles, pursue active industrial policy and undertake governance and institutional reforms.

She also recommended the country should build partnerships for development and mobilise development assistance to finance infrastructure and other specific enablers.

Katseli, also a former director of the Organisation for Economic Co-operation and Development Centre, also suggested collective global efforts to combat tax avoidance, tax havens and promotion of stringent rules and regulations against bank secrecy.

She said $7.6 trillion, which is 8 percent of word's personal financial wealth, is stashed in tax havens.

About the Eurozone debt crisis, she blamed the global financial institutions' speculative behaviour and lack of oversight and regulation.

Noting the crisis in Greece, she said everyone was aware of the serious fiscal and external imbalances of the Greek economy as well as the need for adjustment.

But neither Greece's newly elected government nor the European Commission, the European Central Bank or even major international banks had predicted, let alone prepared for, the crisis.

The speculative attack against the Greek bonds and indirectly the euro itself, triggered by the downgrading of ratings for Greek bonds in mid December 2009 by Fitch, Moody's, and Standard & Poor's, brought the Greek government to its knees and the Eurozone to the brink of collapse.

The first lesson to be drawn therefore from the Greek crisis is that concerted efforts by few financial speculators can produce an unprecedented crisis for a national government, she said.

Katseli, who is now the president of the Social Pact Party in Greece, said the Eurozone crisis has similarities with Southeast Asian financial crisis at the end of 1990s. "Clearly, the international community did not learn any lesson then."

She said a report by the UN's Committee for Development Policy in 1998 called for adequate oversight and proper regulation for global financial system to avoid repetition of financial crisis and advocated for creation of the World Financial Organisation.

Instead of considering the recommendations, the US's repeal of Glass-Steagall Act, also known as Banking Act 1933, created incentives for the build-up of risky assets in global financial institutions' portfolios and increased speculative behaviour.

Katseli said there has been a dramatic shift in economic political power towards financial capital relative to governments, non-financial private sector and labour.

As the financial institutions are becoming the dominant players, both at the national and global levels, their interests shape the conduct of policymaking.

She said policymaking, especially in times of crises, is shaped by the interests of global financial system, which, in the absence of regulation, appropriate incentives or effective oversight, caters to its narrow financial interests as opposed to the national interest.

The European policymakers chose to focus their collective efforts on protecting creditors and banking system at the expense of European productive enterprises.

"Large European banks managed not only to avoid paying the costs of past dubious lending practices or toxic derivatives, but were compensated for their losses through taxpayers' money."

Katseli said Greece borrowed 219 billion euros between 2010 and 2013 and 97 percent of it was used to pay back creditors. Less than 8 billion euros have been used to support the pressing domestic budget needs or to channel liquidity to a starving market.

She said sharp reduction in fiscal expenditures coupled with increase in excise VAT and property taxes have plunged the Greece economy into deep recession, which has lasted for seven years.

Austerity measures and internal devaluation has lowered real GDP of Greece by 25 percent compared to the expected 5.5 percent decline, she said, adding that unemployment soared, public debt to GDP ratio rose and along the way, converted the debt crisis into a social and political crisis.

Drawing lessons from the experiences, she said a combination of credit crunch and austerity policies result in reduction of demand, firm closure and surge in unemployment in the economy.

A sharp cut in wages does not necessarily enhance final price competitiveness due to a fall in productivity and increases in non-wage cost, she added.

CPD Chairman Rehman Sobhan chaired the programme.

Wartsila plans big in Bangladesh

STAR BUSINESS DESK

Wartsila Bangladesh plans to increase its business operation in the country in the next 15 years.

The Finland-based energy solution provider is also set to contribute to generating 500 MW power.

Bangladesh offers huge investment opportunities as an emerging market, said Bjorn Rosengren, president and CEO of Wartsila Corporation, who is now visiting the country.

Rosengren put forward a set of his company's future plan at a press briefing at Radisson hotel in the city recently.

"Currently, our company makes up 5 percent business in Bangladesh, out of total 4.8 billion euro in 70 countries across the globe. It is witnessing consistent growth since the beginning of its business in Bangladesh in the early 90s," Rosengren said.

At present globally, Wartsila Corporation have 70-75 percent market share, he said, adding that the company has established around 55,000 MW power generation capacities at 200 locations in 70 countries.

He said around 2,200 MW power generation capacities have been installed by the company in 40 power plants in Bangladesh.

"We know that there is a crying need for power in Bangladesh. Power is a sensor for any emerging countries like Bangladesh, who has an ambition to grow by doubling its existing power generation capacity by 2020."

Without power, no emerging countries like Bangladesh will be able to achieve its desired growth, he said.

He said the company's technology is suitable for liquid fuel and gas-based power plants of Bangladesh, which are the special features of the company.

"We have well established ourselves in Bangladesh over the last decades through providing all kinds of supports, including complete lifecycle solutions, technical support, field service, upgradation, conversion, safety and monitoring solutions."

The company has set up two workshops: one at Chittagong and another at Gazipur, he said.

The goal of the company is to be a globally recognised leader in heavy fuel oil and dual-fuel power plants by enhancing its value proposition and by influencing and actively developing selected target markets, he said.

"In the next 10 years, we will have a huge amount of investment for establishing LNG terminals across the world."

Rakesh Sarin, president (power plants) and executive vice president of Wartsila Corporation; Marco Wiren, chief financial officer of Wartsila Corporation; and Jillur Rahim, managing director of Wartsila Bangladesh, were present at the briefing.

NCC BANK

Md Nurun Newaz Salim, chairman of NCC Bank, presents a cheque for Tk 12.5 lakh as donation for an ultrasound machine to Abdus Sattar, president of National Heart Foundation Feni, at a programme at the bank's head office in Dhaka recently.

Tourism adds Tk 16,409cr to GDP: study

FROM PAGE B1

GVA is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy.

The sector employs 815,385 people or 1.41 percent of the total labour force, according to the findings.

"The key message is that there is enormous potential for the tourism sector to strengthen, invigorate, and accelerate economic development and social prosperity of Bangladesh," the report said.

The survey was conducted between May and June last year at both household and establishment levels, which include surveys at airports, land ports and households, travel agents, hajj agents, tour operators, liquor houses and resorts.

On domestic tourism, the survey showed about 26 percent of urban households and 13 percent of rural households travelled in the last one year. Of them, 17 percent tourists travelled for business purpose, 16 percent for recreation, 14 percent for health, 10 percent for tourism, 10 percent for education and about 9 percent for shopping.

On an average, a tourist spent two nights during their tour and spent Tk 9,652 for the whole tour. The number of domestic tourists was 42.31 lakh in fiscal 2011-12, according to the study.

Inbound tourists, or travellers coming from outside, spent a total of Tk 3,977 crore in the country. Of the sum, Tk 2,252 crore was spent on accommodation, Tk 1,040 crore on food and beverage, Tk 451 crore on transport and Tk 230 crore on entertainment.

Inbound tourists totalled 8.92 lakh in 2011-12, the study said.

The average expenditure per trip by an inbound tourist was Tk 25,131 when entering the country through land ports, and Tk 121,754 when arriving through airports.

Non-resident Bangladeshis who accounted for 36 percent of the total inbound tourists spend Tk 40,379 per trip when entering the country through land ports and Tk 98,251 when entering through airports.

Meanwhile, outbound tourists spent Tk 39,579 per trip upon exiting the country through land ports and Tk 183,124 when going abroad by air routes, according to the study.

The number of outbound tourists was 14.58 lakh in 2011-12.

The survey report said although Bangladesh is a new tourist destination on the world map, it has enormous potential to develop the sector as it is endowed with so many natural beauties, historic places and a rich cultural heritage.

London-based World Travel and Tourism Council estimated that direct contribution of the travel and tourism sector to GDP would be Tk 33,920 crore by 2021.