

STOCKS		COMMODITIES		ASIAN MARKETS		CURRENCIES	
DSEX	0.50%	Gold	\$1,211.42	MUMBAI	0.67%	USD	77.55
CSCX	0.33%	Oil	\$48.96	TOKYO	0.18%	EUR	89.77
4,943.99	9,194.11			SINGAPORE	0.20%	GBP	115.63
				SHANGHAI	0.24%	JPY	0.64
						BUY TK	78.55
						SELL TK	93.77
							119.63
							0.68



Star BUSINESS

DHAKA MONDAY JANUARY 12, 2015, e-mail:business@thedailystar.net



Nojibur Rahman

NBR gets new chief

STAR BUSINESS REPORT

The government yesterday appointed Md Nojibur Rahman as the new chairman of the National Board of Revenue.

"The new job will give me an opportunity to maximise the services to people," Rahman told The Daily Star.

He said teamwork will be the key to boosting revenue collection. "Cooperation with stakeholders will be important in the way forward."

Prior to the current assignment, Rahman had been working as the secretary of the environment and forests ministry.

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Low tax fuels use of harmful chemicals

BIDS says in study on food safety

SOHEL PARVEZ

Low import duty on pesticides and other chemicals, including ripening agents, growth hormones and dyes, is a major reason for their increased use and food adulteration, according to a recent study by Bangladesh Institute of Development Studies or BIDS.

At present, most pesticides including growth hormones are subjected to just 5 percent customs duty, 5 percent advance income tax and no value-added tax.

While the low tax rate is justifiable for achieving food security, it also encourages excessive use of pesticides and subsequently raises the risk of residue in the food chain, said the study titled 'Food Safety in Bangladesh: Practices, impact, policies and institutions'.

Citing secondary data, it said the traces of the chemicals are found in tomatoes, carrots, potatoes and cauliflower as well as in water bodies, and warned about the risks to human health.

Calcium carbide, widely used by dishonest traders to ripen fruits such as banana, faces only 10 percent customs duty and the total import tax, including other charges, is 37 percent.

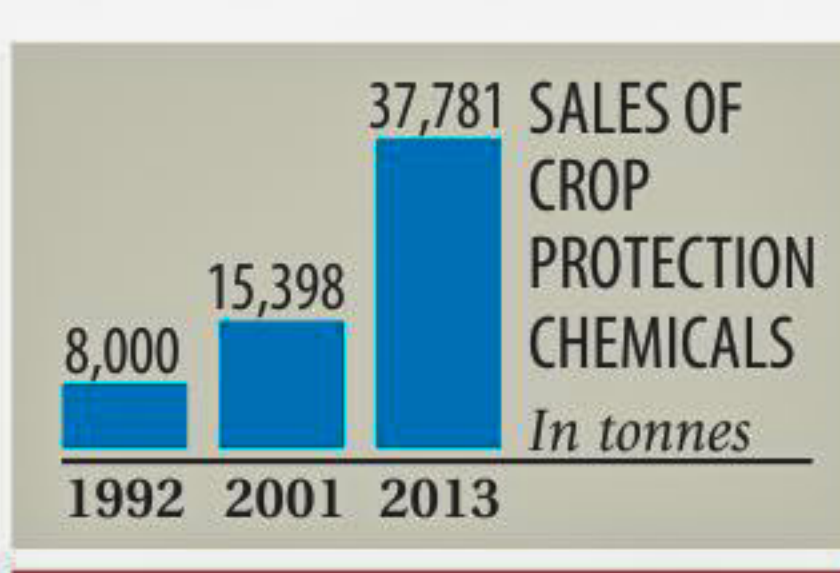
Textile dyes too have only 5 percent customs duty and the total tax at import -- if all other charges are taken into account -- may increase to 31 percent or so.

"This is a low rate of tax given the public health concerns," said the study led by M Asaduzzaman, a professorial fellow.

Subsequently, the BIDS study, which was conducted in collaboration with the International Food Policy Research Institute, recommended increasing the import duties by adding VAT and imposing higher advance income tax.

"This way the price of pesticides will rise, demand will fall and there would be more demand for alternative plant protection techniques such as Integrated Pest Management."

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ECONOMICS OF PESTICIDES

- They save crops from pest attacks
- Pesticides face low import tariff: 5% customs duty and 5% advance income tax
- Adoption of integrated pest management practices is slow

ECONOMICS OF FORMALIN

- It increases shelf life, thus profitability
- Formalin is widely used due to pricey ice and lack of insulated styrofoam boxes
- Readily available and cheap

BB soon to have power to seek info on foreign holdings by Bangladeshis

REJAUL KARIM BYRON

The central bank will be able to seek information on immovable or any assets owned by Bangladeshis abroad under the proposed changes to the Foreign Exchange Regulation Act.

The proposed amendment is likely to be placed at a cabinet meeting today.

The move to update the seven-decade-old law comes after the International Monetary Fund tagged it as a condition for the Extended Credit Facility loan to improve the trade and investment climate.

As per the existing law, the central bank can only ask for information from Bangladeshi citizens about their holdings of foreign currency and foreign securities.

Of late, many Bangladeshis have siphoned off money abroad and bought properties with the sums. And under the existing laws, neither the Bangladesh Bank nor the government can seek information about their assets abroad, and they are also not bound to provide it.

The proposed amendment will enable the government and the central bank to

seek such information. If they do not provide it, punitive action can be taken against them, as per the proposed law.

At the same time, the amendment, once passed, will give power to the central bank to seek information related to foreign currency from foreign nationals living in the country.

Meanwhile, the proposed amendment also contains other modifications to the existing law with a view to making foreign trade and investment easier.

Suggestions have been placed to make it easier to set up branches, representative and liaison offices of foreign companies.

At present, permissions are required from both the Board of Investment and BB to establish such offices.

As per the amendment, only permission from the BoI will suffice but the central bank has to be informed about it.

A high official of BB said the amendment would lend a helping hand in attracting foreign investment.

Despite foreign currency reserves crossing the \$22-billion mark, no provision is being included for making capital account transaction convertible.

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BSCIC plots see poor investment

Weak road infrastructure, energy crisis are to blame, analysts say

SUMAN SAHA

State-owned industrial estates saw minimal growth in investment in 2014 despite political stability throughout the year.

The Bangladesh Small and Cottage Industries Corporation (BSCIC), which has 74 industrial estates in 59 districts, received Tk 1,673.88 crore as new investment in 2014, up only 0.52 percent from the previous year.

Of the investment last year, 56.26 percent was bank loan, 26.91 percent equity and the rest was entrepreneurs' own funds, according to BSCIC data.

"The investment situation in the industrial estates is not satisfactory given the double digit credit growth in the overall SME sector," said Zaid Bakht, a research director at Bangladesh Institute of Development Studies.

For the SME sector, banks and non-bank financial institutions disbursed Tk 72,062.24 crore in the first nine months of 2014, up 15.35 percent year-on-year, according to Bangladesh Bank.

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FACTS ABOUT INDUSTRIAL ESTATES

- BSCIC has 74 industrial estates in 59 districts
- Fresh investment was Tk 1,673.88cr in 2014
- Number of allocated plots 9,798
- Factories in production- 4,144
- The industrial estates created employment for 5.5 lakh

Foreign funds in DSE jump three-fold in Dec

SARWAR A CHOWDHURY

Net foreign investment in the capital market more than trebled to Tk 215.98 crore year-on-year in December, as overseas investors rushed in to take positions in local securities.

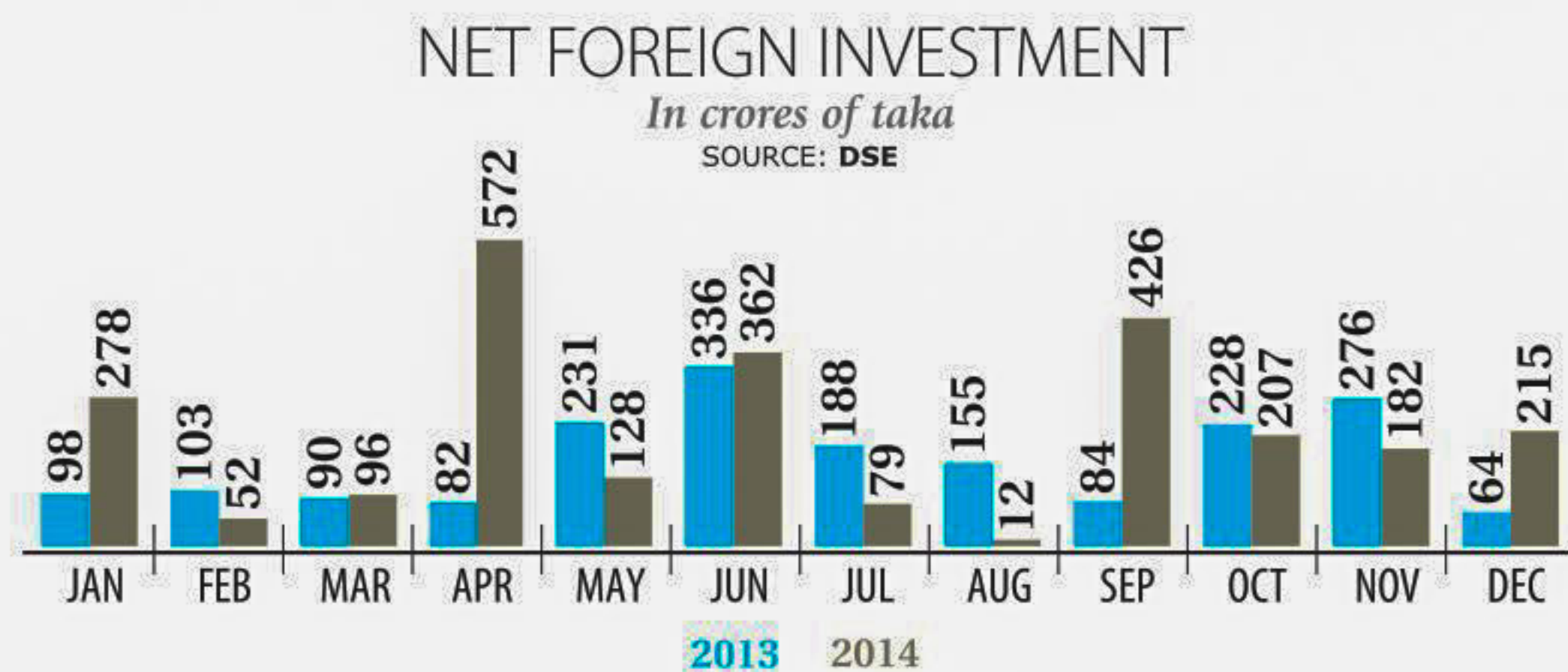
Foreign investors bought shares worth Tk 410.36 crore and sold shares worth Tk 194.38 crore last month, according to data from Dhaka Stock Exchange.

In December 2013, net investment was Tk 64.95 crore, after foreign investors bought shares worth Tk 112.79 crore and sold shares worth Tk 47.84 crore.

A positive market outlook and favourable macroeconomic indicators encouraged foreign investors to inject money into local securities, said stockbrokers who deal with portfolio investments.

Foreign fund managers increased allocation to frontier markets in 2014 to take advantage of favourable macro indicators and low correlation of those markets with the US, Europe and emerging markets where alpha generation has become more difficult during prolonged anaemic growth, said Md Ashaduzzaman Riadh, strategic portfolio manager of LankaBangla Securities.

"Bangladesh performed well in different



macro and social indicators last year among the frontier markets, and we have been able to sell the underlying growth stories of Bangladesh."

Improved regulatory framework and oversight, positive macro variables, relative market valuation levels and reduced risk from the political front were the cheering factors for overseas investors in 2014, Riadh added.

However, politics emerged as the biggest risk to market sentiments and corporate profitability, he said. "Though, unlike locals, foreign investors have long term commitment to stocks. I think

they will take advantage of the volatility," Riadh added.

Also known as portfolio investment, foreign investment accounts for less than 2 percent of DSE's total market capitalisation, which was Tk 329,526 crore after the close of yesterday's trade.

Banks were initially the foreign investors' preferred sector, but non-bank financial institutions, power and energy, pharmaceuticals, multi-nationals, telecoms and IT also caught their attention.

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Stock regulator to re-audit accounts of CVO Petrochemical

GAZI TOWHID AHMED

The stockmarket regulator will open an investigation into the accounts of CVO Petrochemical Refinery as it suspects discrepancy in the accounting process of the company.

The regulator will re-audit the company's accounts of two fiscal years -- 2011-12 and 2012-13, said Saifur Rahman, executive director and spokesperson of Bangladesh Securities and Exchange Commission.

The company might have violated accounting rules to prepare profit and loss accounts, he said.

"If we find an anomaly, we will take action against the company," Rahman said.

The regulator appointed ACNABIN Chartered Accountants in August last year to re-audit the company's financial reports, he added.

However, CVO Petrochemical is yet to receive any letter from the regulator regard-

ing the audit, said Mizanur Rahman Zaved, the company's chief financial officer. "We will help the nominated auditor in the auditing process," he added.

The company had paid a fine of Tk 6 lakh in 2011 for failing to maintain acceptable accounting standards in financial reporting, according to the BSEC. Also, in December 2013, the share price of CVO had soared 956.47 percent to Tk 946.6, from Tk 89.6 in April, without any significant change in fundamentals.

The regulator had fined a bank, a merchant bank and a stockbroker a total of Tk 22 lakh for manipulating the share prices of the company. The three market intermediaries were involved in raising the price of CVO Petrochemical shares artificially during the third quarter of 2013, a regulatory probe had found.

The BSEC fined Bangladesh Development Bank Tk 10 lakh, as the specialised bank played a role in raising the price.

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