Textile gains on high exports

GAZI TOWHID AHMED

The textile sector gained 1.5 percent to stand at Tk 9,160 crore in market capitalisation yesterday, compared to the previous day, thanks to steady growth in exports last year.

Textile exports rose 5.78 percent year-on-year to $24.6 billion in 2014. The price earnings ratio of the sector stood at 19.4, where the average market PE was 15.51.

The PE ratio is a valuation of a company's current share price compared to its per-share earnings. A lower PE means investment is less risky.

The positive vive in garment exports led investors to inject fresh funds into the sector, said IDLC Investments.

Some fundamentally good stocks from the sector, like Envoy Textiles, Matin Spinning Mills, Saiham Cotton Mills, Saiham Textile Mills, Square Textile and Malek Spinning Mills, have PE ratios ranging between 7-15, which means the share price of the companies are lucrative for further investment, the investment bank said.

Six of the top 10 gaining stocks came from the textile sector yesterday.

Altex Industries, a textiles maker, posted the highest gain of 9.94 percent in terms of price, followed by Dacca Dyeing and Manufacturing Company with 9.81 percent, Mozaffar Hossain Spinning Mills 9.62 percent, Saiham Cotton Mills 9.18 percent, Prime Textile 5.61 percent and Anlima Yarn Dyeing 5.46 percent.

The information and technology sector gained 1.2 percent to reach Tk 650 crore yesterday, compared to the previous day.

The revenue of most textile companies fell in the first half of this fiscal year, as they are in the recovery stage, said Md Mahfuzur Rahman, head of research at LankaBangla Securities.

Orders from global retailers are increasing gradually, which is a good sign for the sector, Rahman added. Stocks returned to the red yesterday as a political setback dented investor confidence.

DSEX, the prime index of the Dhaka Stock Exchange, went down 24.71 points or 0.49 percent, to close at 4,943.99 points.

DSES, the shariah index of the Dhaka bourse, fell 8.24 points or 0.69 percent to close at 1,173.

Turnover, the most important indicator of the market, advanced 4.8 percent to Tk 308 crore, compared to the previous day.

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China's Alibaba to buy $550m stake in One97 Communications

REUTERS, *Mumbai*

China's Alibaba Group Holding Ltd and its unit Alipay are in advanced talks to buy a stake for about $550 million in India's One97 Communications, which owns an online payment platform, sources directly involved in the transaction said.

The investment by Alibaba, the world's largest e-commerce company, is expected to be announced by the end of this month. It will be Alibaba's first significant investment in India's rapidly growing online business segment.

Under the terms of the deal, Alibaba and Alipay, China's top payment service provider controlled by Alibaba's executive chairman Jack Ma, will hold between 30 percent and 40 pct of One97 after the investment, the sources said.

One97 runs Paytm, an e-commerce platform which consumers can access through mobile apps.

One97 would issue fresh shares to Alibaba and Alipay, which would result in the holdings of existing shareholders, including founder Vijay Shekhar Sharma, being diluted, one of the sources told Reuters.

Other investors of One97 include SAIF Partners, Intel Capital and SAP Ventures, according to its website. Paytm has more than 20 million registered users, it said.

The investment will be used to expand Paytm services, with a view to dominate the online payment business that is expected to grow rapidly in the next few years in India, one source said.

The sources declined to be named as talks for the deal are confidential. Alibaba declined to comment. A spokeswoman for One97 said the company was in the process of raising money and would make an announcement once this was complete.

Foreign investors including Japan's SoftBank Corp and Temasek Holdings Pvt Ltd have invested billions of dollars in Indian e-commerce firms.

In October, SoftBank said it would invest about $10 billion in the booming Indian sector and started with the purchase of a $627 million stake in online marketplace Snapdeal.

India has the world's third-largest Internet user base, but e-commerce is still relatively underdeveloped. Global investors are betting on medium to long-term growth of this market as more people make transactions online.

Nomura estimated in a research note in July last year that India's e-commerce industry could more than quadruple to $43 billion over the next five years.

BANGLALINK

Sharfuddin Ahmed Chowdhury, head of public relations and communication at Banglalink, poses with the Silver Telly Award received for Banglalink's film on mAgriculture, at a programme in Amsterdam recently.

IBFB Ctg selects new office bearers

STAFF CORRESPONDENT, *Ctg*

Md Sakhawat Hossain, managing director of Western Marine Group, was elected chairperson of the International Business Forum of Bangladesh (IBFB) Chittagong chapter for the second consecutive time on Saturday.

The elections for the chamber's new office bearers were held during IBFB's annual general meeting held in the port city, with David Meale, Charge De Affairs of the US Embassy in Dhaka, attending as the chief guest.

Moinuddin Ahmed Pintu and Abdul Mobin became vice chairpersons and Md Mohiuddin Chowdhury will serve as the finance director of IBFB.

SIBL

Md Rezaul Haque, chairman of Social Islami Bank, attends the annual business conference of the bank at BRAC CDM in Savar recently. Md Shafiqur Rahman, managing director, was also present.

BB to have power to seek info on foreign holdings

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At the start of the ECF programme, the IMF put pressure on the government to make the capital account transaction convertible but the government has since rejected the proposal.

But IMF too is now convinced that Bangladesh's economy is still not ready for making the capital account transaction convertible, a senior official of the finance ministry said.

Capital account convertibility would basically allow local currency be exchanged for foreign currency without any restriction on the amount.

Bangladesh's existing foreign exchange regulation act is almost a copycat version of the laws passed in undivided India in 1947 during the British rule.

In 1976 and 2003, some minor amendments to the act were introduced. Besides, the current account transaction convertibility was made in 1994, and the exchange rate was made market-based in 2003.

In case of foreign trade the service sector's share has increased, but the existing law does not have much about it.

A number of amendments have been proposed in the act to make foreign currency earning easier through service sector.

Besides, a number of amendments have been suggested to the existing convertibility of the current account transaction through which the central bank may impose various rules and regulations.

Through these provisions, BB will have the authority to take measures to stop over- and under-invoicing.

Low tax fuels use of harmful chemicals

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Customs duty on formalin is 25 percent and the import cost along with other charges goes up to 61.09 percent. Given that formalin use is widespread, a rise in the total tax rate to 100 percent or more might be desirable, the study suggested.

The suggestion for hiking import duties for these adulterant chemicals comes in the face of surging use of pesticides by farmers to protect crops from pest attacks.

"Unless the pesticides are sprayed, a lot of crop damage may take place and the farmers will incur losses. So there is a strong economic incentive behind such pesticide sprays," BIDS said in the study.

The growth of pesticide consumption in the country had been phenomenal, said BIDS, citing that its use grew by 10 percent annually from 1977 to 2009.

Total sales of crop protection chemicals peaked in 2008, when it hit 48,654 tonnes/kilo litres.

Since then, it has been dropping, but was as high as 37,781 tonnes in 2013.

Of note are the rising sales of fungicide for storage purposes and falling sales of insecticides. "Obviously to the consumer this is cold comfort, as it is them who either way bear the ultimate burden of ill-health."

Meanwhile, referring to other studies, BIDS said that nearly half of the farmers using pesticides reported at least one health problem including headaches, dizziness and eye irritation.

While there are no hard data on the effect of consumption of pesticide-laced food on human health in case of Bangladesh, the deaths of 13 children in homes near lychee gardens in Dinajpur are a stark reminder of what may happen, it said.

The children were playing in the lychee gardens where pesticides were used heavily. They all convulsed, went into coma and died roughly within a median length of 20 hours of coming into contact with the pesticides.

However, the international literature is replete with the adverse effects of pesticides on human health.

Many pesticides and herbicides are known carcinogens, with some affecting the endocrine system and some impairing the nervous system. Others irritate the skin and eyes.

Presence of DDT and other pesticides and herbicides in the body provide markers for the increased risk of breast cancer.

The BIDS study, noting the use of several banned pesticides such as DDT here, said the government and the Bangladesh Crop Protection Association pretend that such banned pesticides are smuggled into the country from India.

The neighbouring country is the largest producer of DDT in the world and is still resisting the phasing out of DDT by 2020, it said. The toxic chemical can also come through formal channel through use of false invoices.

The study said formaldehyde may cause adverse respiratory responses in children and adults. It is known to cause cancer in laboratory animals and may cause cancer in humans. Also, it may cause birth defects.

In addition to tax measures, the study suggested for immediate formulation of a comprehensive National Food Safety Quality Policy and establishment of a Food Safety Framework.

"Such economic measures along with strong institutions with adequate regulatory powers and budgetary and technical resources and skilled manpower should be able to ensure a healthy food future for Bangladesh," said the BIDS study.

Mind the gap in multi-speed world economy after oil plunge

REUTERS, *Washington/New Delhi*

Robust recovery in the United States, a moribund euro zone and slowing Chinese growth reflect global splits which plunging oil prices are likely to widen.

On the face of it, lower energy bills should give consumers and companies more money to spend and boost economic growth, at least for oil importers.

But for those countries facing stagnation or even deflation the prospect of downward pressure on prices is more worrying.

The likelihood is that a near 60 percent fall in the price of oil - from above $115 in mid-2014 to just $50 - will see those already growing strongly pick up further, leaving the laggards trailing in their wake.

Central bankers in the United States and Europe have clearly expressed the divide over an oil dividend in recent weeks.

"It is a huge plus for consumers, for businesses," San Francisco Fed President John Williams said on Monday. A drag from weak economies elsewhere in the world would not counteract that, he calculated.

Williams is not alone. Minutes of the Fed's December meeting said some of those present thought "the boost to domestic spending coming from lower energy prices could turn out to be quite large".

Compare that with European Central Bank chief economist Peter Praet, speaking on the last day of 2014, days before euro zone inflation turned negative for the first time since 2009.

"With the recent oil prices, inflation would be even lower, even substantially lower than expected so far," he said, noting that in the past the ECB would have looked past external shocks such as this but could no longer afford to.

"In an environment ... in which inflation expectations are extremely fragile we cannot simply 'look through'."

Markets are certain the ECB will launch a Fed-style government bond-buying programme with new money. Given that it may be curbed in some way to meet German concerns, there is much less certainty that it will deliver a jolt.

Most economists agree the US economy will benefit from low oil, which will harden expectations of an interest rate rise this year, but some see real stress elsewhere.

"You've got a handful of places that are seemingly doing very well – like the US, the UK, Canada - but it trails off pretty quickly after that," said Carl Tannenbaum, chief economist at Northern Trust.

"It's pretty rare that you have a price adjustment this significant in a market that is this significant and not have some corner of the market or the world really cause some instability."

For the major oil producers, the price plunge is a clear negative although the Gulf oil nations have the reserves to ride through this unscathed.

Russia's malaise is partly due to western sanctions over Ukraine but oil is probably a bigger factor in heralding a deep recession. The Kremlin needs something around $100 per barrel to make its budget work.

A price of half that must mean steep tax rises and spending cuts or an alarming depletion of Moscow's currency reserves.

Norway has been more prudent. Not a cent of oil revenue is used for budget spending, it merely spends the returns on the hundreds of billions of oil wealth saved in the past.

But lower returns means petroleum investments are likely to fall, cutting future state revenues.

BSCIC plots see poor investment

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The industrial estates should have attracted higher investment as political environment was relatively stable in 2014, Bakht told The Daily Star.

For higher investment, Khondaker Golam Moazzem, additional research director of Centre for Policy Dialogue, stressed improving road connectivity and providing adequate gas and electricity to the industrial estates. Unplanned development of the industrial estates is another reason why investment is not increasing there, Moazzem said.

As a result, investment has been stagnant in these industrial zones over the last five years, he added.

At least 20 of the industrial estates were developed on political grounds and without conducting any feasibility study, insiders said. The allotment process was also faulty, with many entrepreneurs refusing to set up factories in the plots. "As a result, many plots are now sitting idle," Moazzem said.

Abu Taher Khan, director (technology) of the BSCIC, also agreed that the country is failing to enjoy "all the socio-economic benefits" of the industrial estates.

The BSCIC has already taken some initiatives to boost investor confidence, he said. For example, he said they have sought funds from the finance ministry to improve road connectivity in the industrial estates.

Besides, the BSCIC has recently cancelled allotment of 60 plots and will hand those over to real entrepreneurs, he said.

The industrial estates have 903 export-oriented factories as of June last year. Companies operating in the zones exported goods, mostly knitwear, worth around Tk 23,000 crore in fiscal 2013-14, which is 9.69 percent of the country's total exports.

Of the 5,698 industrial units in the plots, 4,144 are in production, while the rest are either ailing or closed, according to the BSCIC. Some 1,058 plots are now under construction. The industrial estates have created employment for around 5.5 lakh people as of June 2014.

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Stock regulator to re-audit accounts of CVO Petrochemical

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Also, Prime Finance Capital Management, the merchant bank, and PFI Securities, the stockbroker, were fined Tk 7 lakh and Tk 5 lakh respectively for their involvement. The two institutions influenced the price by trading from different accounts.

The regulator has launched investigation into the company to identify misleading information on profit, earnings per share and asset, said AB Mirza Azizul Islam, a former finance adviser to the caretaker government. "It is a good initiative by the regulator."

The company has stopped producing edible oil owing to loss in business in 2010. It invested Tk 120 crore to set up a refinery unit to produce fuel in Nasirabad Industrial Area in Chittagong. It has also changed its existing edible oil plant to a condensate fractionation plant to produce fuel like petrol, diesel and kerosene using gas condensate, Zaved said.

Gas condensate is a low-density mixture of hydrocarbon liquids that are present as gaseous components in the raw natural gas produced from many natural gas fields. It condenses out of the raw gas if the temperature is reduced to below the hydrocarbon dew point temperature of the raw gas.

Energy and Mineral Resource Division of the government permitted the company to set up the condensate refinery by using natural gas condensate, he said. The company started production in April last year and has a daily capacity of 150 tonnes.

At the same time, BSEC has changed the company's business category from food sector to fuel and power. The company also received a five-year tax holiday from the National Board of Revenue, he said. CVO has announced 5 percent cash dividend in fiscal 2013-14.

CVO is expecting a turnover of Tk 450 crore in the current fiscal year, Zaved said. Each share of the fuel producer traded between Tk 491 and Tk 506 before closing at Tk 493.7 yesterday.

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NBR gets new chief

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He replaced Md Ghulam Hussain, who retired after serving NBR for more than two years.

Rahman, who is a 1982 regular batch officer of Bangladesh Civil Services, completed his bachelor and master's degree in social science from Dhaka University.

He also did his master's in development administration from Australian National University.

DHAKA BANK

Niaz Habib, managing director of Dhaka Bank, distributes blankets among the poor in Rajanagar, Sirajdikhan on Saturday. Enranul Huq, deputy managing director, was also present.

Foreign funds in DSE jump three-fold in Dec

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Investors include world renowned fund managers like Morgan Stanley, JPMorgan, Goldman Sachs and BlackRock. They managed various types of funds like endowment funds, hedge funds, long-only funds and mutual funds, and they invest in the country's capital market through these funds.

Net foreign investment in 2014 was Tk 2,619.79 crore, which was 35 percent higher than the previous year's Tk 1,942.9 crore, according to DSE data.