

WEEKLY REVIEW

# Stocks slip amid political troubles

STAR BUSINESS REPORT

Stocks continued to suffer for a second week as investors remained cautious of injecting fresh funds amid ongoing political volatility.

DSEX, the benchmark general index of Dhaka Stock Exchange, declined 12.62 points or 0.25 percent, to close the last week at 4,956.

Although macro indicators such as inflation, interest rate and private sector credit growth are in favour of the market, investors seem to be shaky because of instability on the political frontier, Lanka Bangla Securities said.

"Investors went for short-term investment during the week resulting in volatility in stock prices," the stockbroker said.

The continuous nationwide blockade brought back memories of last year's supply chain breakdown, forcing investors to be cautious of fresh spending. IDLC Investments said in its weekly market analysis.

However, some investors were comparatively bullish on future macroeconomic prospects, backed by optimistic growth forecast by the World Bank and higher private sector credit growth, the merchant bank said.

The World Bank on Wednesday predicted 6.2 percent economic growth this fiscal year, up from last year's 6.1 percent, provided that political stability prevails like last year.

Last week's daily turnover averaged at Tk 370.43 crore, which is 32.75 percent higher than the previous week.

Among the major sectors, paper and printing rose the highest with 4.3 percent, followed by food and allied 4.2 percent and textile 3.2 percent. Conversely, top losing sectors were ceramic with a 2 percent fall, followed by mutual fund 1.9 percent, telecom 1.8 percent and miscellaneous 1.4 percent.

Of the 317 issues that traded on the premier bourse, 124 advanced and 168 declined, while 23 remained unchanged.

IDLC Finance topped the week's turnover chart with 71.89 lakh shares worth Tk 58.43 crore changing hands. Bangladesh Building Systems followed, with Agni Systems, Saif Powertec and Desco in tow.

Northern Jute Manufacturing was the week's top gainer, registering a 20.89 percent increase following its promotion to 'A' category from 'Z' category. Quasem Drycells plunged 8.07 percent and ended up as the worst loser.

## Governor urges foreign banks to help build bond market

STAR BUSINESS REPORT

Bangladesh Bank Governor Atiur Rahman has urged international banks to help Bangladesh raise longer-term external financing for corporate houses and develop the domestic bond market.

Rahman spoke at a meeting on business and investment opportunities, organised by Habib Bank AG Zurich's Bangladesh representative office, at Sonargaon Hotel in Dhaka on Friday.

There are ample opportunities for international banks to help boost international trade, raise external financing, develop domestic bond market and engage with the government in fund raising abroad, he said.

It is possible to expand international banks' domestic presence from representative offices to branch offices so that they can also expand activities here, he said.

He also suggested some potential sectors for new foreign investment: textiles, ceramics, leather products, infrastructure, energy, toll bridges, shipbuilding industry, light engineering, tourism, health care and ports.

Bangladesh has stable sovereign credit ratings, BB- and Ba3 by S&P and Moody's respectively for the last four consecutive years, he said, while explaining Bangladesh's suitability for foreign investment.

The World Bank ranks Bangladesh ahead of India, China, and Vietnam in protecting investors' interest, he said.

Also, the middle class consumer group in Bangladesh is larger than the total population of Malaysia, Singapore and the combined population of Sweden, Norway, and Denmark, Rahman said.

Electricity generation was more than doubled between 2009 and 2014 (from 4,931MW to 10,341MW) and is projected to reach 19,701MW by 2017, he said.

"Foreign investors can also benefit immensely from demographic dividend of the large youthful workforce in the country."

## Sonali Life Insurance re-elects vice chairman



STAR BUSINESS DESK

Fauzia Quamrun Tania has recently been re-elected as the vice chairman of Sonali Life Insurance Company, the insurer said in a statement yesterday.

She is also the managing director of Imperial Sweater Bangladesh, a concern of Dragon Group of Companies, according to the statement.

Tania also holds double postgraduate degrees with honours from the University of Glasgow, United Kingdom.

## Prolonged political unrest to slow growth: economist

STAR BUSINESS REPORT

Development will slow down if political instability continues for long, economist Akbar Ali Khan said yesterday.

"Widespread political instability ruins economic growth. The political debate may continue among the parties, but all should work together for the sake of the economy."

The former caretaker government adviser spoke as a guest at a debate competition on the importance of microcredit for the rural economy, organised by the Debate for Democracy, a debate organiser, at Film Development Corporation in the capital.

Micro lenders proved that loans can be distributed among the poor without collateral, he said. "This idea is becoming popular globally."

The government has distributed thousands of crores of taka as loans, but did not get any benefit from those, he said.

But microcredit proved its strength to reduce poverty and is one of the ways to develop the country, he said. Some people often criticise microcredit without having adequate knowledge of it, Khan said.

"The country is going through some problems; we should develop different types of strategies to solve these problems."

The economy needs a good environment to get the highest benefits of the microcredit system, Khan said.

Debate for Democracy Chairman Hassan Ahmed Chowdhury Kiron conducted the debate between teams from Dhaka International University (DIU) and Green University of Bangladesh.

DIU beat Green University and moved to semi final of the debate competition yesterday where students from 18 universities took part.



Rashed Khan Menon, civil aviation and tourism minister, and Mosharraf Hossain, public works and housing minister, inaugurate a five-star hotel -- Sayeman Beach Resort -- at Kolatoli in Cox's Bazar recently.



SM Amzad Hossain, chairman of South Bangla Agriculture and Commerce Bank, attend the bank's annual business conference at its head office yesterday. Md Rafiqul Islam, managing director, was also present.

## National Feed Mill makes trading debut tomorrow

STAR BUSINESS REPORT

National Feed Mill will make its share trading debut on the twin bourses tomorrow.

The company, which will raise Tk 18 crore through the initial public offering, will be the 11th firm to trade under the miscellaneous category of the Dhaka Stock Exchange.

National Feed, which engages in the poultry livestock and aquatic feed business, has floated 1.8 crore ordinary shares of Tk 10 each.

ICB Capital Management and PLFS Investments will jointly manage the IPO, the proceeds of which would be used for business expansion, working capital enhancement and repayment of bank loans.

As of June 2013, National Feed Mill's earnings per share stood at Tk 1.85, with a net asset value per share of Tk 14.55 after revaluation. The company received IPO approval from the Bangladesh Securities and Exchange Commission in August last year.

National Feed Mill has three units, all in Gazipur, with each unit having a production capacity of 5-8 tonnes an hour. Its monthly sales reach up to 5,000 tonnes.

## India plans to allow banks to buy infrastructure bonds

REUTERS, Mumbai

The Reserve Bank of India is considering allowing banks to buy infrastructure bonds, in a bid to jumpstart a market that has suffered from low trading volumes after launching last year, said a source with knowledge of the central bank's thinking.

Allowing banks to buy infrastructure bonds would mark a reversal for the central bank, which last year allowed lenders to only issue the debt, while limiting purchases to investors such as pension funds, provident funds, and insurers.

That limitation has backfired, according to bankers, severely crimping trading volumes in the market since lenders are the biggest buyers and traders in debt markets.

Reviving investment in infrastructure is a key priority for Prime Minister Narendra Modi which has been looking to ease regulations and bottlenecks to spur the sluggish economy.

"We are quite flexible on the suggestions of allowing banks to initially develop this market by buying a certain percentage of the (infrastructure) bonds," said a top policymaker.

However, the policymaker cautioned the RBI could impose limits, including on how much of the debt lenders can purchase, or allowing them to hold the bonds for only a short period of time and then requiring them to sell it to long-term investors.

That could soothe the RBI's concerns that risks are being excessively concentrated in debt markets, given banks are often the biggest issuers but also the biggest buyers -- meaning lenders end up purchasing each other's bonds.

Infrastructure bonds were launched by the RBI last year in a bid to help the government fulfill its plan to provide affordable housing to all by 2022, a goal that needs about \$2 trillion of investment.

Banks issue the debt and use the proceeds to fund infrastructure projects.

"Allowing banks to invest in infrastructure bonds would help improve primary and secondary market liquidity," said Shashikant Rathi, senior vice-president and head of investments, capital markets and asset liability management at Axis Bank.

Since their launch in August, only around 150 billion Indian rupees (\$2.42 billion) of infrastructure bonds have been issued, well below the 500 billion rupees worth of debt that traders had estimated could have been raised within the first year.

Under Governor Raghuram Rajan, the RBI has been keen to develop debt markets to increase investor interest. The central bank successfully launched bond futures last year, after two previous attempts at launching bond futures in 2003 and 2009 failed because of what traders said were poor designs.

## France, Singapore step up fight against tax cheats

AFP, Singapore

France on Friday lauded Singapore for entering into a new pact that tightens measures against foreign tax cheats seeking to hide their assets in the Asian financial hub.

The revised agreement on double taxation, signed late Thursday by French Finance Minister Michel Sapin and his counterpart Tharman Shanmugaratnam, seeks to promote business ties between the two countries while plugging loopholes.

"We must improve information exchange between our two countries," Sapin told AFP on Friday in written remarks,

before leaving for Indonesia as part of an Asian tour that also includes Japan.

"Our relations are already good but thanks to this agreement, we will be at a world-class standard in the fight against tax fraud and going after accounts that are kept hidden from tax authorities -- I don't need to spell it out for you."

French budget minister Jerome Cahuzac was forced to step down in March 2013 after being accused of having an undeclared Swiss bank account and moving assets to Singapore to hide them from tax authorities in France, where prosecutors want to bring him to trial.

## Poultry bleeds as blockade lingers

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"We are in constant fear that a driver would call anytime to say our vehicle has been attacked. There is no guarantee of safety for our supply vehicles."

The company's target for the past two weeks was to sell 10,500 tonnes of feed. But it could supply only 8,700 tonnes. Not only that, it got orders to supply 500 tonnes of feed, but it failed to fulfil the orders for the blockade and shutdowns.

Overall, the sector's sales fell by around 35 percent during the period, said Rahman. Desperate, the farmers are now paying higher transport fares and slashing down prices, just to keep their businesses afloat.

The price of a day-old chick fell by a half. At the retail level, the scenario, however, is completely opposite.

Retailers are charging Tk 90-96 a dozen,

which was Tk 84-90 about two weeks ago, according to government data.

Shahriar urged the political parties to resolve their political issues immediately. "We want a permanent solution for the sake of the economy."

The poultry industry accounts for 4 percent of the gross domestic product. The country has about six grandparent stock farms, 60-70 parent stock farms and hatcheries and 70,000 poultry farms. The sector has so far invested around Tk 25,000 crore.

On average, the country produces around 2 crore eggs, 1,700 tonne of broiler meat and around 16 lakh day-old chicks a day. The sector also produces around 25 lakh tonnes of feed a year, according to BPICC.

Monthly sales of poultry medicines run into Tk 330 crore, according to BPICC. suman.saha@thedailystar.net

## European car sales return to growth

BBC NEWS

Car sales in the European Union rose in 2014 for the first time in six years, according to the industry trade association ACEA.

Sales were up 5.7 percent to 12,550,771, fuelled by government scrappage schemes and wholesale orders from companies.

There was also a shift in sales to cheaper brands, with Dacia and Skoda reporting some of the biggest sales rises.

Spain and the UK saw a sales jump in 2014, up 18 percent and 9.3 percent respectively.

The ACEA said in a statement that in December sales rose 4.7 percent year-on-year, the 16th consecutive monthly rise.

about growth this year, as many incentive schemes and tax breaks are being ended.

Carlos Ghosn, chief executive of Nissan-Renault, said this week at the Detroit Motor Show that he expects European growth this year to be slow, at around 1 percent-2 percent.

Peter Fuss, an automotive analyst at business services group E&Y, said in a research note on Friday that he expected 2015 sales to be about 3 percent higher.

He said: "We remain cautious about the ability of new car sales to return to their pre-crisis levels by the end of this decade."

"Furthermore, car sharing and other alternative trends of urban mobility are expected to gain relevance in the market amid shifting consumer preference."



Badiur Rahman, chairman of Al-Arafah Islamic Bank, attends the bank's annual business conference at The Westin hotel in Dhaka on Friday. Md Habibur Rahman, managing director, was also present.

## Trade deficit swells

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Meanwhile, with the widening trade deficit, the overall balance of the external sector eroded by half.

The overall balance in the July-November period stood at \$1.16 billion, which was \$2.04 billion in the same period of fiscal 2013-14.

The current account balance also turned negative in the first five months: it was \$1.31 billion in the deficit against the surplus of \$1.12 billion during the same period last fiscal year.