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DHAKA THURSDAY JANUARY 29, 2015, e-mail: business@thedailystar.net

## Political turmoil biggest risk to stockmarket

A survey by LankaBangla Securities says political tension will take a toll on foreign investment in capital market

SARWAR A CHOWDHURY

Political instability will be the biggest risk to the economy and the capital market this year, a recent survey found.

Half of the respondents in the survey, conducted by LankaBangla Securities between December 29 last year and January 10 this year, identified political turmoil as the biggest risk factor for the capital market as well as the overall economy in 2015.

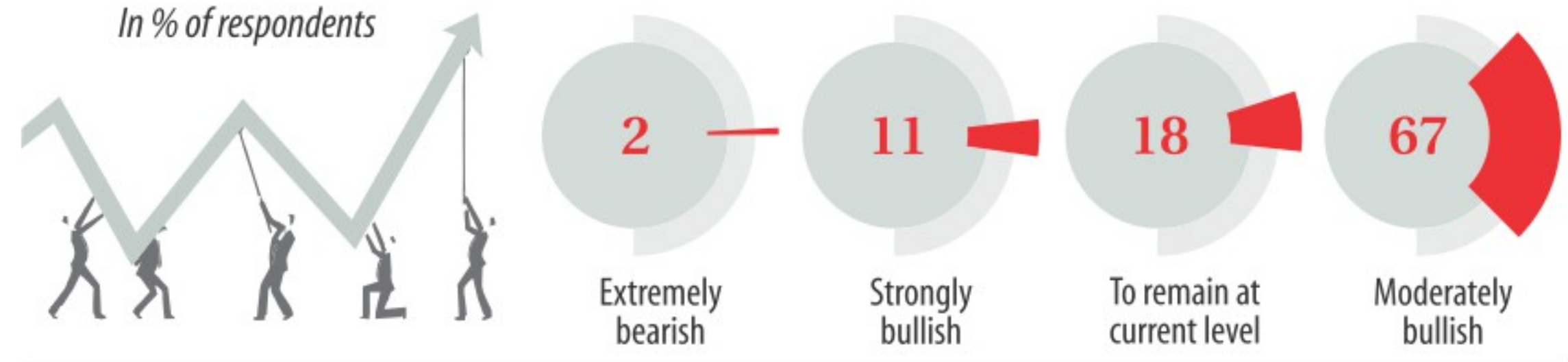
Called the Bangladesh Capital Market Sentiment Survey 2015, the survey is now in its third year.

Some 101 people -- that include chief executive officers and managing directors of different financial and non-financial institutions, merchant bankers, fund managers, market analysts, issue managers, economists, academicians, stock traders and businesspeople -- responded to the survey this year.

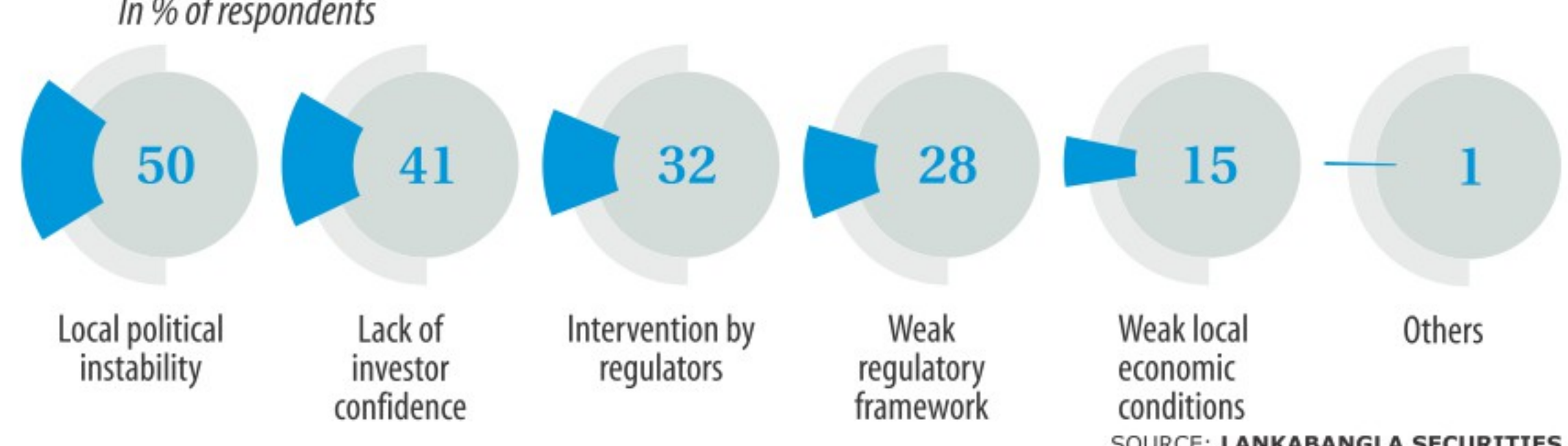
Political instability was also identified by 57 percent of the respondents as the main reason for the low participation of foreign investors in the country's capital market.

The majority of the respondents

IN 2015, WHAT IS YOUR EXPECTATION ABOUT THE BANGLADESH CAPITAL MARKET?



WHAT DO YOU SEE AS THE BIGGEST RISK TO LOCAL CAPITAL MARKET IN 2015?



expressed pessimism over the macroeconomic growth this year but expects a moderate bullish trend to prevail in the capital market.

A lack of investor confidence, weak regulatory framework and interventions through frequent

policy changes by different regulators were also identified as risk factors to the local capital market, according to the survey.

In addition to political instability, a lack of corporate governance of listed companies and the low quality of stocks of a number of

listed companies will also be responsible for the weak foreign investment in capital market.

The respondents were sceptic about the volume of market turnover: the majority -- 38 percent -- expects it to hover between Tk 500 crore and Tk 800 crore a day.

The majority -- 56 percent -- felt the demutualisation of the stock exchanges has made the market more transparent and vibrant.

Meanwhile, 82 percent of the participants said financial projection through equity research publications will improve their decision-making.

More than half of the respondents are expecting the fuel and power sector stocks to outperform the market this year, followed by pharmaceutical shares.

Some 48 percent thought the market was "too immature to absorb derivatives".

On the macroeconomic front, the majority said GDP growth will decline and inflation will rise this fiscal year. They also think the Padma bridge project will not be completed within the stipulated time and that there is need for improvement with regards to the food safety scenario.

However, a bulk of the participants expects: the foreign direct investment to increase, borrowing to become cheaper, exchange rate to remain at the current level and the fall in crude oil prices in the international market to leave a positive impact on the economy.

## Beximco Pharma secures \$51.6m from German bank

STAR BUSINESS REPORT

Beximco Pharmaceuticals will borrow about \$51.6 million from Frankfurt-based BHF-Bank Aktiengesellschaft to expand its production.

The local drug maker, a unit of business conglomerate Beximco Group, struck a loan deal with the German bank, according to a posting on the Dhaka Stock Exchange website yesterday.

Beximco Pharma has also received approval from the Board of Investment of Bangladesh to raise the fund, which will be utilised to partially finance a new plant and machinery purchase.

The loan will come at an interest rate of 2.25 percent a year in addition to Libor (London interbank offered rate), which is lower than the local interest rate. The loan will be guaranteed by Hamburg-based Euler Hermes, a German export credit agency.

"The loan, which is secured on the plant and machinery being purchased, will be drawn down in four tranches," Beximco Pharma said. Repayment will be made over five years in 10 semi-annual installments.

The loan will have a significant impact on Beximco Pharma's balance sheet, BRAC-EPL Stock Brokerage said in an analysis.

As of September 30 last year, the company's total interest-bearing debt was Tk 480 crore. Its debt-to-equity ratio -- a measure of financial leverage -- was 23.5 percent.

The foreign loans will nearly double the gearing of the company and lower the cost of debt significantly, BRAC-EPL said.

Over the past four years, the cost of debt averaged 16.1 percent while debt-to-equity averaged 22.7 percent. "The new loan, financed at a low single digit rate, will sharply reduce the financing cost of the company. Both a lower cost of debt and higher debt ratio will lower the weighted average cost of capital of Beximco Pharma," it said.

Beximco Pharma has yielded a very low return on capital over the years, it added. "Return on invested capital has been only 7.5 percent on average in the past three years."

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## Poultry operators plan to raise investment

They seek low-cost loans at a discussion co-organised by Prothom Alo and WPSA

STAR BUSINESS REPORT

Poultry industry operators are aiming to double their investment by 2020 from the existing Tk 25,000 crore to raise protein consumption in the country and explore global opportunities.

The boost in investment will take the sector's total employment, both direct and indirect, to one crore from the present 70 lakh, entrepreneurs said.

A Bangladeshi consumes 3.63kg of chicken a year against the recommended level of 18-20kg. The per capita consumption of eggs stand at 45-50 pieces a year against FAO's recommendation of 104, said WPSA-BB.

"There is huge scope for increasing consumption. But for that, consumer awareness of protein requirement is needed," Rahman added. Fazle Rahim Khan, vice-president of WPSA-BB, said the poultry industry has developed capacities of international standards.

PER CAPITA CONSUMPTION IN BANGLADESH			
	2014	2020	ACCEPTABLE STANDARD
EGG	45-50 PIECES	90-100 PIECES	104 PIECES
CHICKEN	3.63 KG	5-6 KG	18-20 KG

SOURCE: WORLD'S POULTRY SCIENCE ASSOCIATION, BANGLADESH BRANCH

"We have huge scope to grow. What we need is support from the government. Opportunities to get low-cost loans will allow us to attain the goal," said Moshir Rahman, president of World's Poultry Sciences Association's Bangladesh Branch (WPSA-BB).

Rahman shared the vision at a roundtable on the poultry industry's role in meeting nutrition requirement, and economic development, jointly organised by Bangla daily Prothom Alo and WPSA-BB at the newspaper's office.

The industry insiders expect that rising income and population growth would boost demand for protein, especially chicken and eggs in the coming years.

At present, per capita consumption of chicken and eggs remains lower in Bangladesh than the recommended level of the Food and Agriculture Organisation.

"There is a huge opportunity to export poultry and processed-poultry in the global market," he said.

Nazma Shaheen, a professor of Dhaka University's Institute of Nutrition & Food Science, said around 40 percent of the children below the age of five suffer from stunting due to malnutrition. Children will suffer from stunting unless they are provided with enough animal protein, she said.

"We want the sector to flourish. But, it must ensure production and supply of safe chicken and eggs. Otherwise, it will not have any value."

Many small farms use feed made from toxic tannery wastes, Shaheen added.

Poultry industry operators said the bulk of the feed used in poultry are industrially processed; only 0.2 percent feed may contain tannery waste.

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Garment exporters participate in a demonstration in front of the BGMEA headquarters in Dhaka yesterday, demanding an end to the drawn-out political impasse that unsettled the business environment. Story on page 1

## Credit growth target for private sector may remain unchanged

BB releases monetary policy statement today

STAR BUSINESS REPORT

Bangladesh Bank is likely to keep the private sector's credit growth target unchanged in the new monetary policy, which will be announced today, because of continued political unrest that began on January 5.

The BB had set the credit growth target at 14 percent for the private sector in December 2014; it is 15.5 percent till June 2015. However, the private sector credit had grown 12.67 percent in November 2014 compared to the same month in the previous year.

"In such a situation, the central bank may ask banks to lend more to small and medium enterprises and the farm sector to boost credit disbursement," a BB official said, asking not to be named.

The monetary policy is one of the major ways that the central bank attempts to control the economy and the money market. If the supply of money grows fast, the rate of inflation will increase, and if the growth in money supply is slowed, economic growth may also slow down.

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## Real estate suffers for political strife

STAR BUSINESS REPORT

The ongoing political turbulence has emerged as the latest setback for the real estate sector, which is already bearing the brunt of high interest rates.

"The nonstop blockade has affected our sector significantly as we cannot transport raw materials to construction sites," said Md Wahiduzzaman, general secretary of the Real Estate and Housing Association of Bangladesh.

As a result, most realtors are keeping construction work on hold, he said.

"Yet, the workers' wages have to be paid regardless of work being done or not."

The real estate sector incurred losses worth around Tk 792 crore in 22 days till yesterday due to the blockade, he said at a press conference at the National Press Club in Dhaka yesterday.

On average, the daily overhead cost of a real estate firm is around Tk 3 lakh, meaning, the blockade is causing losses of Tk 36 crore to REHAB's 1,200 members a day.

Realtors said the higher overhead costs will obviously increase the price of apartments, while the sector has been experiencing a slump

in sales in the last couple of years.

"Our apartment sales have dropped to the lowest level this month due to political unrest," said Liakat Ali Bhuiyan, vice-president of REHAB.

People are not investing in real estate and many realtors cannot even realise the instalment money from customers due to the political stalemate, he said.

"Real estate is a vital sector for the economy as it involves more than 200 linkage industries," said Rabiul Haque, senior vice president of the association.

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