

Stocks end flat amid cautious trade

STAR BUSINESS REPORT

Stocks closed almost flat yesterday with marginal fall in the price index amid cautious participation of investors.

DSEX, the benchmark index of Dhaka Stock Exchange, fell only 9.28 points or 0.2 percent finishing the day at 4,526.71 points.

The Dhaka bourse's trades were mostly mixed, after the previous two days of negative movement, LankaBangla Securities said. "Traders were reluctant to take fresh positions in the market," it said.

However, few blue-chip stocks were actively traded as current market prices of those enticed investors, the stockbroker said.

IDLC Investments said the bourse observed a mildly negative session, as investors were apprehensive of a gloomy market outlook in the near future.

As the month of June has passed, annual declarations of many companies are due, the merchant bank said.

"As a full quarter of the financial year was lost to political violence, investors needed to be cautious to determine what to expect from the ensuing declarations," it added.

Turnover, an important indicator of the market, also fell 9.6 percent to stand at Tk 423.32 crore on transactions of 11.31 crore shares and mutual fund units.

Of the traded issues, 116 advanced, 166 declined with 39 securities finishing the day unchanged on the premier bourse.

United Airways dominated the turnover chart with 2.55 crore shares worth Tk 27.81 crore changing hands, followed by Khan Brothers PP Woven Bag Industries, Beximco, Olympic Accessories and Appollo Ispat Complex.

Mutual funds gained 0.96 percent in market capitalisation, followed by cement that increased 0.9 percent and pharma 0.48 percent.

Conversely, fuel and power lost 0.98 percent, followed by non-banking financial institutions 0.81 percent and bank 0.43 percent.

Sonali Aansh was the day's best performer, advancing 9.97 percent while Pragati Life Insurance was the worst loser, slumping 9.37 percent.

Chittagong stocks also fell slightly yesterday with the bourse's benchmark index, CSCX, falling 10.89 points to 8,487.52.

Losers beat gainers as 117 retreated and 87 advanced, while 40 closed unchanged on the Chittagong Stock Exchange.

The port city bourse traded 1.18 crore shares and mutual fund units, generating a turnover of Tk 35.02 crore.

Technical failure halts online TIN registration

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People registering for online taxpayer identification numbers (e-TINs) yesterday faced problems due to a technical glitch in the system.

The National Board of Revenue (NBR) website could not be accessed to get electronically generated fresh TINs or re-registration to get 12-digit e-TINs in place of old 10-digit TINs.

"Due to maintenance, the NBR e-TIN service is temporarily unavailable," reads a message posted on the incometax.gov.bd website.

The problem will be solved as soon as possible, Md Abdur Razzaque, the NBR's acting chairman, said.

The tax administration launched e-TIN service in July 2014 to clean up its TIN database to establish an electronic tax payment platform. About 17 lakh people have so far signed up for TINs online.

Robi, Samsung launch bundle offers for two Galaxy models

STAR BUSINESS DESK

Robi and Samsung have jointly rolled out bundle offers for two Galaxy smartphone models.

Robi subscribers will get 3,600 minutes on-net calls, 1,500 minutes off-net calls, 1,500 SMS and 12 GB data for free with every purchase of Samsung Galaxy J1 at Tk 10,990, the mobile operator said in a statement yesterday.

They will also get 4,500 minutes on-net talk-time, 1,800 minutes off-net talk-time,

1,500 SMS and 18 GB data for free with every purchase of Samsung Galaxy Core Prime, which bears a price tag of Tk 12,990.

These bundle offers will be distributed equally over three months, according to the statement. The mobile phones will be available at all Robi Walk-In centres. The customers can also purchase the handsets through www.robibazar.com.

For online purchase, the handsets will also be available on the websites of rokamari.com and biponee.com, according to the statement.

Marks & Spencer to expand free 'click & collect' service

REUTERS, London

British retailer Marks & Spencer is expanding its free "click & collect" service to more than 100 of its Simply Food franchise stores, just days after rival John Lewis said it planned to start charging customers.

The expansion of the in-store collection service for goods ordered online, to incorporate franchise partners SSP and MOTO,

would allow customers to pick up their orders at locations including railway stations, airports, motorway service stations and hospitals, M&S said on Monday.

Employee-owned John Lewis said last week that from July 28 online orders for products costing less than 30 pounds (\$46.7), for delivery to John Lewis or Waitrose stores would carry a 2 pound charge. It said the current free service was unsustainable.



BK Singh, head of sales and marketing at Emirates Cement Bangladesh, and Shafin Ahmed, chief executive of Select Marketing, exchange documents of an agreement at a programme in Dhaka recently for marketing of Ultratech cement. Gautam Chatterjee, country manager of Emirates Cement Bangladesh, was also present.

Stockmarket disciplined now: finance minister

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The finance minister said the share market went through a big jolt in 2010 and since then various initiatives were taken to reform it. A four-member team led by the chairman of Bangladesh Securities and Exchange Commission spearheaded the reform programme.

Now, the stockmarket is fully regulated and investment-friendly, he said.

Muhith said attention must now be diverted to the insurance sector, which is "very weak" and is a ground for "serious irregularities and corruptions".

On the report -- Activities in Bank,

Insurance and Financial Institutions 2014-2015 -- Banking Division Secretary M Aslam Alam said the report is published every year. But this year, apart from banks, information on insurance companies, financial institutions, microcredit institutions and capital market has also been presented.

MA Mannan, state minister for finance and planning, said the financial sector saw rapid progress.

While there are adequate laws to regulate the institutions, the application and monitoring are lacking. He called for the monitoring to be strengthened.

In fiscal 2014-15, BSEC approved new investment proposals worth Tk 10,400 crore, down from previous year's Tk 17,800 crore, according to the report.

The stockmarket regulator approved three mutual funds with investment of Tk 120 crore last fiscal year. In fiscal 2013-14, it approved two mutual funds with investment amount of Tk 200 crore.

The report -- National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017 -- presented the 11 government strategies to check the various money laundering activities.

Eurozone's poorer nations take hard line on Greece

AFP, Bratislava

The eurozone's poorer former communist nations, having themselves endured painful market reforms and austerity programmes, are taking a hard line on Greece after its people voted to reject bailout terms.

Estonia, Latvia, Lithuania and Slovakia have long insisted they are too poor to pay for the mistakes made by wealthier Greece and that it should have stuck to the reforms and austerity measures laid out in its massive 240 billion euro (\$273 billion) bailout.

"I hear some Greeks have pensions over 1,000 euros (\$1,100) a month. That's outrageous. I refuse to pay for their debt while they are making fortunes compared to my salary," Bratislava waitress Martina Lelovicova told AFP on Monday in a country where the average monthly salary is 880 euros.

"It's good news for the eurozone. Greeks should leave it, this will only make it healthier," a Bratislava entrepreneur in his thirties who wished to remain anonymous told AFP of Sunday's Greek referendum result.

Slovak Finance Minister Peter Kazimir -- the first Eurogroup minister to warn that the Greek "No" raises the spectre of a "Grexit" or exit from the euro -- told reporters: "With the result of the referendum, a possible crisis scenario, the gradual withdrawal of Greece from the eurozone, is unfolding."

Slovakia, an ex-communist nation of 5.4 million people that joined the eurozone in 2009, has suffered stubbornly high joblessness despite brisk economic growth in recent years.

Its leftist Prime Minister Robert Fico insists "Slovakia will not be harmed as a result of Greece and its decision to stay or leave the single currency union," as Bratislava "did not give any cash, only our guarantees" as part of previous Greek bailouts.

But not all poorer eurozone members have nothing to lose: Estonian President Toomas

Hendrick Iives tweeted Monday that "Greece's creditors (are) not just banks".

"Eurozone countries poorer than Greece stand to lose up to 4.2 percent GDP," he wrote.

Prime Minister Taavi Roivas for his part said Greece "now only has bad and worse choices left" and reforms "are unavoidable".

"We expect the Greek government to understand the situation and show decisiveness and action within hours," he added.

Having broken free from the crumbling Soviet Union in 1990-91, tiny Estonia and Latvia joined the eurozone in 2011 and 2014 respectively, followed by neighbour Lithuania in January this year.

All three Baltic states implemented drastic austerity measures to recover from deep recessions triggered by the 2008-09 global financial crisis, paving the way to eurozone entry and stable economic growth, now around three percent in the region.

Estonia, the eurozone's smallest member since 2011, approved an initial Greek bailout but has since said 'No' and insists that all eurozone members adopt its strict fiscal discipline.

Tallinn boasts the eurozone's lowest debt-to-GDP ratio of 10.6 percent.

"Estonians don't really understand the Greek attitude. We are used to saving and living frugally," Merit Kopli, editor in chief of Estonia's leading Postimees daily, told AFP.

Maie Mets, a 72-year-old pensioner, said: "As I understand it, the Greek standard of living is higher than ours here in Estonia. It is only normal that people pay their debts."

Latvia was hit hard by the global financial crisis, suffering the world's deepest recession when GDP shrank by nearly a quarter over two years.

Yet the nation of some two million bounced back after implementing austerity cuts under the terms of a 7.5 billion euro international bailout it secured to avert bankruptcy.

HSBC upgrades Bangladesh rating

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HSBC economists remain optimistic and are looking at above 6 percent growth in the current and next fiscal years.

The British bank is optimistic about Bangladesh's trade sector despite the slow pace of export growth in the last few months.

Exports rose 3.35 percent to \$31.2 billion in the just concluded fiscal year, according to an official of Bangladesh Bank.

"While several risks remain for Bangladesh garment exporters, we like the long-term potential of the sector. With the blockade over, we expect to see business return to normal, especially for the garment manufacturers, the largest export sector," HSBC said.

Inward remittances are strong. Bangladesh received a record \$15.3 billion in remittance from expatriates last fiscal year. Remittance for fiscal 2014-15 recorded a 7.5 percent rise from the previous year, according to Bangladesh Bank.

HSBC said increased earnings from exports will feed into disposable income channels, which should lift domestic demand and in turn help domestic sector earnings.

HSBC economists expect private sector consumption growth to remain on an upward trajectory in the next two fiscal years, after slumping to below 4 percent in fiscal 2013-14.

The analysis termed the fiscal 2015-16 budget to be business-friendly, as there is much in the budget that could help investment.

Increasing participation by the private sector is another priority. "We think

public private partnership initiatives will boost both business sentiment and the investment climate."

The fiscal 2015-16 budget will boost disposable income as the threshold for tax-free allowances for individuals will rise to Tk 250,000 from Tk 220,000.

"This, along with a steady flow of remittances, should push up domestic demand."

HSBC sounded out a note of caution as Bangladesh has a history of under-utilising budget funds in the Annual Development Programme.

While the country's macro health remains sound, private sector credit growth needs to improve, it said. "We believe that the declining interest rate on bank lending should provide an additional catalyst."

In addition, inflation has remained moderate. With transport blockades now over, businesses will no longer face supply disruptions, which should help keep prices in check.

Foreign currency reserves also climbed to an all-time high of \$24 billion in April. At this level, the reserves can fund 7.1 months of import bills, up from 6.4 months at the same time last year.

On the foreign exchange front, the taka should be the least-volatile frontier market currency during any rate hike by the US Fed, said the analysis.

HSBC's FX team argues that, of the three frontier economies, Bangladesh has the strongest fiscal position, most robust external balance sheet and the best credit rating.

On the banking sector, HSBC said the outlook is improving.

The banking sector has struggled with high levels of non-performing loans in the last couple of years, as political turmoil around the 2014 election dented the debt-servicing capacity of many large borrowers.

"The good news is that things are starting to improve."

Non-performing loans or NPLs declined to 9.7 percent as of December 2014, down from 11.6 percent in the third quarter of 2014, and stayed at the lowest level in the last two years.

However, NPLs in government banks are still high (22.3 percent) and need to come down to support any meaningful sector recovery.

Bangladesh Bank launched a large loan restructuring policy for big corporate houses with debts of Tk 500 crore or higher.

"The policy is in line with international best practices and ensures operational continuity for corporate houses that faced losses due to political disruption last year. That said, it is also important to guard the banking system against habitual defaulters, who might try to use this facility."

Apart from lower NPL ratios, another positive development is the decline in interest rates. The banking sector is flush with liquidity: the loan-to-deposit ratio declined from over 80 percent in 2012 to 74 percent.

Lower interest rates will push up credit growth and improve the banks' LDR and the investment climate, it said.

Corporate earnings have been under pressure lately due to the political unrest since January 2015.

The recent first quarter results reflected the overall weakness. Sales

growth for the DSE30 index constituents came in at 3.5 percent year-on-year in first quarter of 2015, down from 12.4 percent year-on-year in the fourth quarter of 2014.

Operating income growth also fell from 4.6 percent in the fourth quarter of 2014 to 3.9 percent in the first quarter of 2015.

"Now, with a calmer political environment, inflation coming down and more business-friendly measures by government, we expect earnings to turn around. Of course, a stable political environment remains a prerequisite for better corporate sector growth."

Another factor making the Bangladesh market look more promising is declining equity valuations, according to the HSBC analysis.

The equity market is trading at a 12-month trailing price-earnings ratio of 15.8x, which is below the five-year average. Some of the positive sentiment is starting to be reflected in the equity market, which is up 1.3 percent month-on-month.

HSBC believes that the outlook is favourable, especially as the daily turnover has improved. The 20-day average daily turnover has climbed to \$90 million from below \$50 million just a couple months ago.

"Overall, the broader picture looks encouraging for the Bangladesh equity market. Peace has returned to the streets, market liquidity has jumped, valuations have come down, the investment climate has improved, the external sector outlook is balanced, the banking system is on the mend, and domestic demand looks set to improve," HSBC said.

India wants bandwidth by Aug 15

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"They want us to complete the arrangements by August 15, though as per the deal, Bangladesh had time till September 6," Hossain said, adding that they have agreed to the request.

The Bangladeshi company has connectivity up to Akhaura, but the link may not have the capacity to carry the huge volume of bandwidth. So, the required connectivity should be established before the export begins, officials said.

Hossain had earlier said India may take 40 gbps of bandwidth in the next six months, which may reach 100 gbps with the establishment of connection between Bangladesh and the second submarine consortium—SEA-ME-WE-5—by 2016.

Bangladesh will earn \$100,000 a month from the export of 10 Gbps and the payment will be made on a quarterly basis.



Mohammed Nurul Amin, managing director of Meghna Bank, poses with the new management trainees of the bank during an induction programme on Thursday.