

star BUSINESS

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Confidence deficit biggest risk to stockmarket: survey

SARWAR A CHOWDHURY

Lack of investor confidence will be the biggest risk to the capital market this year, said 42.5 percent of the respondents in a recent survey by LankaBangla Securities.

Political stability, weak regulatory framework, intervention through frequent policy changes by regulators and weak economic conditions were also identified as risks to the capital market, according to the survey.

The survey, fourth of its kind, was conducted between January 3 last year and January 12 this year. Some 131 people responded to the survey: "Bangladesh Capital Market Sentiment Survey 2016".

The majority, or 46.1 percent, of the participants said the capital market performance in 2015 was moderate, mainly due to the lack of investor confidence.

But 70.9 percent of the participants expect the capital market to be in better shape this year than the last.

The survey also found optimism about the market, as 65.4 percent of the respondents felt that the market may become moderately bullish in 2016.

Earnings of listed companies will act as the greatest catalyst in improving the market conditions this year, according to 41.5 percent of the respondents.

The respondents were also sceptical about the volume of market turnover: the majority -- 35.7 percent -- expect it to hover between Tk 500 crore and Tk 800 crore a day.

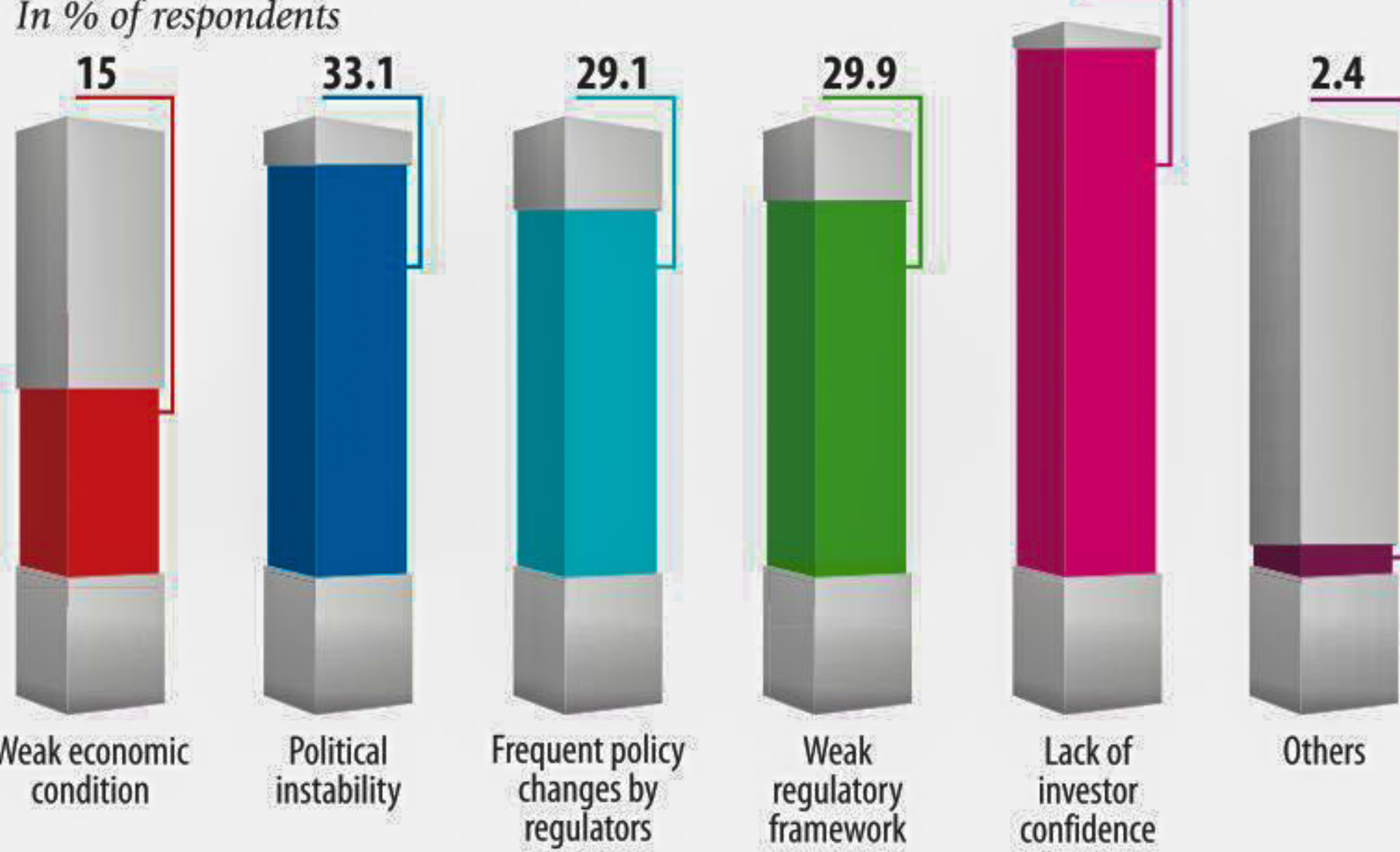
Over 60 percent of the respondents are expecting the pharmaceutical stocks to be the best performers this year, followed by fuel and power shares.

Some 46 percent thought the market was "too immature to absorb derivatives".

More than half of participants felt the demutualisation of the stock exchanges has

WHAT DO YOU SEE AS THE BIGGEST RISK TO CAPITAL MARKET IN 2016?

In % of respondents



made the market more transparent and vibrant.

But 59.5 percent of the respondents emphasised improved transparency of financial reporting and other corporate disclosures, which they felt is most needed to improve investor trust and market integrity in 2016.

Some 88 percent said financial projection through equity research publication will improve the investment decision making in the market.

In addition to political instability, a lack of corporate governance and the low quality of stocks of a number of listed companies are responsible for the poor foreign investment in capital market.

On the macroeconomic front, the survey recorded a mixed opinion, with the majority

saying that gross domestic product growth will remain between 6.5 percent and 6.7 percent this fiscal year. Political instability is going to be the biggest risk to Bangladesh economy this year.

They think the inflation will rise this fiscal year, the taka will appreciate against the dollar and borrowing will be even cheaper this year.

They also think that the Padma bridge project will not be completed within the stipulated time and that there is a need for improvement with regards to the food safety scenario.

The majority of the participants felt that there will be a positive impact of the fall in global crude oil prices on the Bangladesh economy, though the domestic oil prices are still very high compared to the global prices.

Robi's net profit falls as operating cost rises

Telecom operator crosses Tk 5,000cr gross revenue

MUHAMMAD ZAHIDUL ISLAM

Robi's net profit declined 8.96 percent year-on-year last year, although its revenue crossed Tk 5,000 crore for the first time, its parent company Axiata Group said in a report.

Robi's net profit declined to Tk 400.3 crore last year from Tk 439.7 crore in 2014, according to Kuala Lumpur-based Axiata's financial statement.

The main reason for the decline is a rise in its operating costs, Axiata said. In addition, a rise in depreciation and amortisation has also had an effect on the company's profit.

Robi will organise a press conference in the first week of March on the issue and will reply to queries, said Ekram Kabir, the company's vice president for communications and corporate responsibility.

Robi, the second largest operator in terms of revenue and the third by subscribers, recorded that its gross revenue rose 6.01 percent year-on-year to Tk 5,239.50 crore last year.

Prior to Robi, the only telecom operator in Bangladesh to have achieved this landmark was Grameenphone. Last year, Grameenphone, the largest carrier, recorded Tk 10,480 crore in gross revenue.

Robi's profit margin declined to 7.64 percent in 2015 from 8.89 percent a year earlier.

The operator saw 78.9 percent growth in the data segment last year, although it did not mention the exact figure in its statement.

It said data revenue accounted for Tk

ROBI'S EARNINGS IN CRORES OF TAKA



523.95 crore or 10 percent of gross revenue last year, compared to Tk 296.54 crore or 6 percent of its total receipts in 2014.

Robi's data growth would have accelerated further if the government had not banned Facebook and some other communication applications from November 18 to December 10.

Despite heightened competition in Bangladesh, Robi delivers subscriber growth of 12 percent year-on-year to 2.83 crore as it aspires to be a leader in the data market through device sales and co-branding.

Robi saw progress in smartphone penetration under its network in 2015: 20 percent of its subscribers are using smartphones now, which was 12 percent a year ago.

The average use of voice minutes also declined to 147 minutes a user per month last year, which was 164 minutes in 2014. Meanwhile, revenue per user for a month dropped to Tk 143 in 2015 from Tk 161 in the previous year.

Deposits soar despite falling returns

REJAUL KARIM BYRON

Banks' deposit grew aggressively last year in spite of the declining returns.

In December 2015, the average rate of interest on bank deposits stood at 6.34 percent in contrast to 7.26 percent a year earlier.

The rate of inflation rate is a little above 6 percent, meaning savers do not get much of a return after adjusting for the rise in price level.

Khondkar Ibrahim Khaled, a former deputy governor of Bangladesh Bank, people have been depositing their money with banks as they do not have any better alternatives to park their funds.

People abroad have the option of investing their savings in the stockmarket. "Here, after the two crashes, people have lost their trust in stocks."

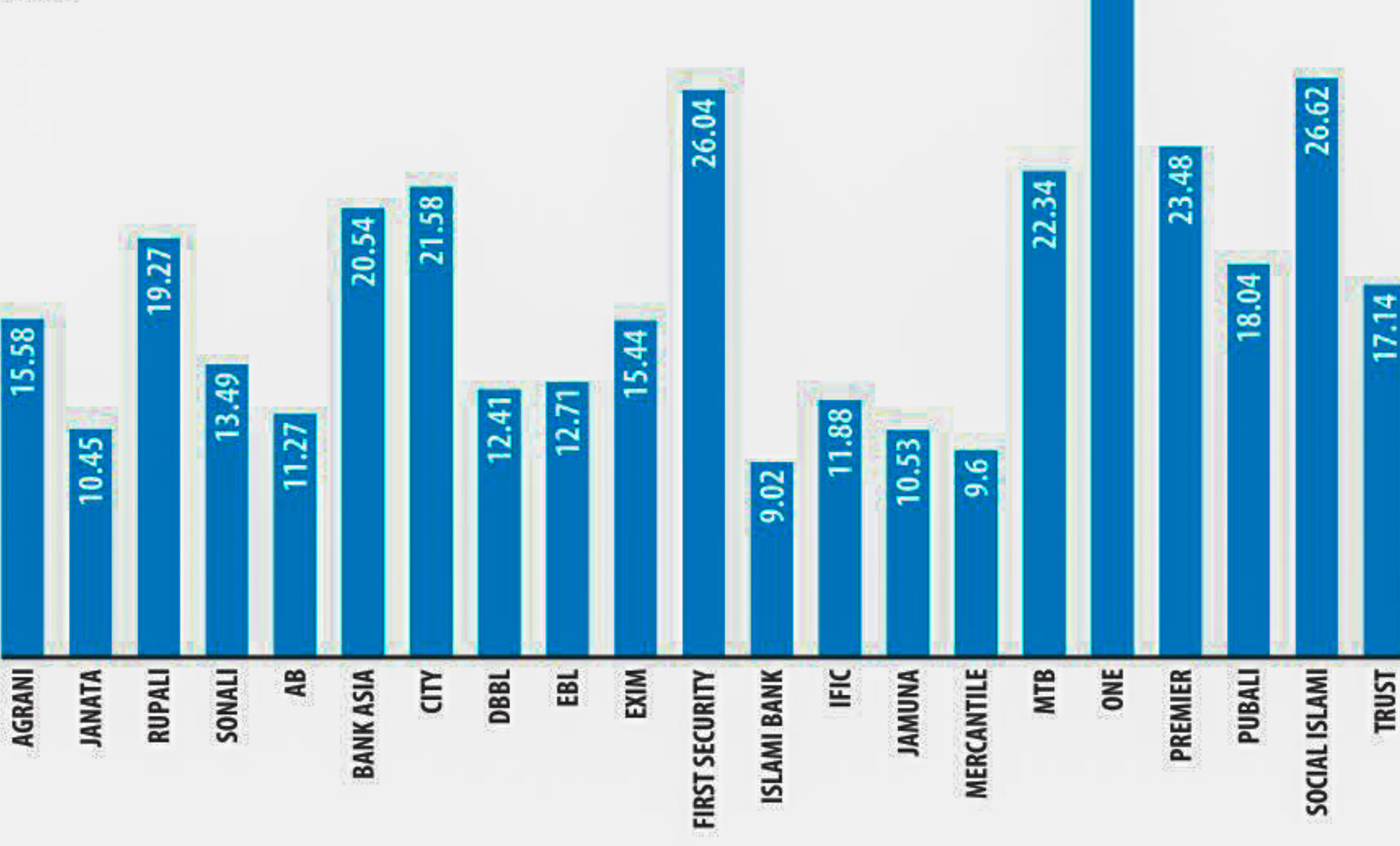
Zaid Bakht, chairman of Agrani Bank, said another reason for the fast increase in deposit base is that the investment situation is dull.

Many businessmen and industrialists have been unable to invest their money for various reasons and the money has been kept idle in their deposit accounts with the banks, he added.

On December 31 last year, the banks' deposits stood at Tk 803,512 crore, up 13.1 percent year-on-year, according to central bank statistics.

The private banks, where the rate of interest is even lower than at state

BANKS' DEPOSIT GROWTH AS OF DEC 2015 IN %



banks, saw their deposits swell the most, of 14.45 percent. The state banks' deposits grew 12.98 percent.

In state banks, the interest rates ranged between 4 percent and 7.5 percent, whereas it is 5 percent to 6 percent in private banks.

Helal Ahmed Chowdhury, former managing director of Pubali Bank, echoed Khaled's views.

"There is no bond market now, and the share market is also not investment-friendly. As a result, people have no option but to keep their savings in banks."

Chowdhury also said people's income has been increasing and every year a large amount of remittance has been flowing into Bangladesh.

"For these reasons, the deposit has increased in banks."

However, the scenario is different in case of foreign banks: their deposit grew only 0.77 percent.

Deposit in large foreign banks did not increase at all; rather, it decreased in the last one year.

The officials of the banks said ordinary people usually do not go to foreign banks. On the other hand, the foreign banks are not looking for deposits as the investment situation is not good.

Alliance blacklists three factories for certificate forgery

REFAYET ULLAH MIRDHA

The Alliance for Bangladesh Worker Safety has blacklisted three garment factories for counterfeiting the detailed engineering assessment certificates of Bangladesh University of Engineering and Technology.

The factories will not qualify to be members of the Alliance as it has been proved that the certificates are fake, said Mesbah Rabin, managing director of the Alliance, a platform of 27 North American retailers.

Rabin did not name the factories, but indicated that the names would be disclosed later as the Alliance is still checking the certificates.

After preliminary inspections into 829 factories, the Alliance engineers instructed them to send samples of pillars of their buildings to Buet, to test the PSI (pounds per square inch) that measures load capacity.

Some factories forged their DEA certificates as they scored low in the test at the Buet lab, he added.

When the Alliance experts went through all certificates, they saw discrepancies in the scores.

"We contacted the Buet experts and verified the certificates. After getting confirmed, we blacklisted those factories," Rabin told The Daily Star by phone.

Factory owners doctored the certificates mainly to reduce the cost of retrofitting the structures. When any factory scores low in the Buet test, it needs to retrofit the structure as per the recommendations of Alliance engineers, Rabin said.

"The factory owners should remember that it is a matter of safety. If we allow any factory to run its business with lower safety standards, the dangers remain."

The Alliance has already held a meeting with Bangladesh Garment Manufacturers and Exporters Association on the matter. The Alliance suggested factory owners avoid such sneaky measures to save some money, as it may result in a major disaster in the industry again, Rabin said.

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BTCL cuts internet prices by 33pc

STAR BUSINESS REPORT

Bangladesh Telecommunications Company Ltd has cut its internet prices by around 33 percent and lifted the limits on data use.

The state-owned company scrapped its volume-based offers and decided to charge its customers based on the internet speed.

BTCL lowered the monthly charge for the Bcube Infinity 256 package that provides the internet at a speed of 256 Kbps to Tk 300 from Tk 450.

The Bcube Infinity 512 package will cost Tk 500, Bcube Infinity 1,000 with a speed of 1 Mbps will cost Tk 700 and Bcube Infinity 1,500 with 1.5 Mbps speed will cost Tk 1,000.

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Nestle Asia works to restore India revenue after noodle ban

REUTERS, Zurich

The head of Nestle's Asian business is hoping to restore revenue in India within three years to levels preceding the recall of its Maggi instant noodles from the market last year over a health scare, newspaper Schweiz am Sonntag reported.

India banned Nestle's Maggi instant noodles after local regulators in May said they found unsafe levels of lead in some packages sold at roadside stalls.

In August, an Indian court ruled in favour of Nestle to overturn the ban, but demanded the snack be tested again for safety before it can go on sale again.

Nestle, whose fourth-quarter sales in India fell more than a fifth, according to the paper, contends the noodles were safe, but ordered a recall that cost the company about 66 million Swiss francs (\$66.68 million).

In an interview with the Swiss newspaper, Nestle's Wan Ling

Martello said all five factories that produce the noodles were doing so again, although not all flavors had returned to Indian shelves.

A complete recovery of Indian revenue could take around three years, she said, citing experiences with similar crises elsewhere.

"But I'm pushing my team so it doesn't take that long," she told the newspaper.

She said Nestle was investing in TV commercials and an online campaign to restore faith in Maggi products.

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