STOCKS	Week-on-week
DSEX ▼ 0.73%	5,827.99
CSCX ▼ 0.40%	10,867.18

COMMODITIES	As of Friday
Gold ▲	$1,321.50 (per ounce)
Oil ▲	$65.49 (per barrel)

ASIAN MARKETS	Friday closings		
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.13%	▲ 0.47%	▲ 0.15%	▲ 0.58%
33,307.14	21,469.20	3,485.57	3,307.64

CURRENCIES — As on Thursday, STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	82.50	101.17	113.64	0.76
SELL TK	83.50	104.77	117.24	0.80

Star BUSINESS

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Oceangoing vessels promise great returns

SOHEL PARVEZ

Bangladeshi businesses spend up to $8-$9 billion annually as freight charge and local oceangoing vessels can tap only 2 percent of the market at best for dearth of vessels.

The rest of the freight charge, generated from the country's ballooning exports and imports, goes to foreign vessel operators in the absence of investment in the sector, said industry operators.

Owners linked the high import cost of ships, high operating costs and prevalence of withholding tax as the main reasons for the lack of investment.

"Just with a conducive fiscal policy, you can enable 1 percent GDP growth in no time," said SK Bashir Uddin, vice-chairman of Bangladesh Oceangoing Ship Owners Association (BOSOA), citing Bangladesh's rising imports, especially bulk cargo.

Bangladesh imported 66 million tonnes of cargo in fiscal 2016-17, up 14 percent from a year earlier, according to cargo handling statistics by the Chittagong Port Authority.

And yet, the local operators cannot capitalise on the growth in cargo for shortage of oceangoing ships.

AT A GLANCE

- Bangladeshi businesses spend up to $8b-$9b annually as freight charge
- Local oceangoing vessels can tap only 2pc of the market
- Bangladesh had 85 ships 4/5 years ago; the number has now dropped to 35
- At present, 7-8 companies are active in business

Bangladesh had 85 oceangoing ships four-five years ago, but the number of vessels has now dropped to 35.

Between 2013 and 2015 owners sold off their vessels for declining freight rates and high operating costs, according to operators. And from fiscal 2014-15, the cost of vessels rose after the withdrawal of VAT exemption benefit for import and manufacture of ships.

"Continuing this business became an unviable proposition when the government withdrew the VAT waiver benefit," said Bashir, also the managing director of Akij Group, which has a fleet of seven oceangoing ships.

Entrepreneurs have to pay advance income tax to purchase ships.

"There is no tax on any capital good in Bangladesh save for ships. For this reason, local entrepreneurs do not find this area worthy of investment."

At present, 7-8 companies are active in business, according to Bashir.

"We should think how we can build the capacity of 2,000 ships, which will also create high-value employment."

The government should provide cash incentive to entrepreneurs apart from providing duty benefit and VAT waiver to kick-start the sector, he said.

Up to $1 billion of investment will come in the sector in the next two years if the government offers cash incentive, Bashir said.

"Investment would grow exponentially," he added.

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Gowher Rizvi, foreign affairs adviser to the prime minister, speaks at a dialogue on Bangladesh's graduation from the LDC group at a hotel in Dhaka yesterday. Rehman Sobhan, chairman of CPD; Debapriya Bhattacharya, distinguished fellow; Fahmida Khatun, executive director, and Mia Seppo, UN resident coordinator, were present.

Quality governance, democracy crucial for LDC graduation

Rehman Sobhan also stresses political stability

STAR BUSINESS REPORT

Continuation of the democratic process and political stability must be ensured before graduation from the least-developed country bracket, said a noted economist yesterday.

The graduation from the LDC would be smooth if there is quality governance, no threat of violence, no threat of political instability, said Rehman Sobhan, chairman of the private think tank Centre for Policy Dialogue.

Sobhan's comments came at a dialogue styled 'Bangladesh's graduation from the LDC group - pitfalls and promises' at a hotel in Dhaka yesterday.

Gowher Rizvi, prime minister's foreign affairs adviser, acknowledged that much needs to be done to ensure quality governance.

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ABNORMAL PRICE HIKE OF JUNK SHARES

Betting, brokers behind the scene

AHSAN HABIB

Kay & Que, listed on the Dhaka Stock Exchange as a Z category share, rose a staggering 293 percent in 2017. Likewise, Dulamia Cotton Mills gained 223 percent and Savar Refractories 193 percent in the same year.

On the other hand, the blue-chip share index, DS30, representing the stocks of the large, well-established and financially sound companies, gained 25.32 percent.

STOCK BROKERS THAT WERE FINED

Habibur Rahman Securities	Md. Fakhrul Islam Securities
Wifang Securities	Azam Securities
First Capital Securities	Saya Securities
M-Securities	Mirror Financial Management
Stock & Bond	Dynamic Securities Consultants
PFI Securities	Hedayetullah Securities
ANF Management Company	Associated Capital Securities

Officials of the Bangladesh Securities and Exchange Commission pointed out two factors behind the unusual rise in the price of the Z category shares.

First, some investors prefer Z category shares. Second, a few stockbrokers assist investors in buying the worst-performing shares, giving them margin loans and share netting opportunities in a breach of rules.

The margin loans and the share netting opportunities create hype about the Z category shares, said an official related to the investigation of the BSEC.

The Z category is a trading platform for worst-performing companies. A share is grouped in this category if a company is out of operation, does not announce a dividend for a year or does not hold annual general meeting.

In 2009, the BSEC gave a directive not to extend margin loans to buy Z category shares in order to rein in their abnormal price hike. A BSEC investigation team found that at least 10 brokers extended margin loans to investors to buy Z category shares in 2017 and 2018 and were duly penalised.

The regulator also found that Dynamic Securities Consultants, Hedayetullah Securities and Associated Capital gave share netting opportunities to buy Z category shares, again in violation of a BSEC directive. They were penalised too.

Share netting is a financial adjustment facility that permits investors to buy and sell shares of the same company on the same day.

"These stockbrokers don't represent the wider stockbroker community," said Mostaque Ahmed Sadeque, president of the Dhaka Stock Exchange Brokers Association.

Sometimes a few officials resort to wrongdoing but it brings bad repute for all stockbrokers, he added.

"The remedy is the small-cap board that is followed worldwide," said Mohammed Rahmat Pasha, chief executive of UCB Capital Management.

Institutional investors would make transactions in the small capital board only, which could curb the abnormal price hike of Z category shares.

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FIRE ON MAERSK SHIP

Fate of Bangladeshi cargoes unknown

STAFF CORRESPONDENT, *Ctg*

The fate of a number of Europe-bound garment consignments remained unknown until yesterday even though five days have passed since the fire at a container vessel of Maersk Line in the Arabian Sea.

Sarwar Alam Chowdhury, head of operations of Maersk Line Bangladesh, said they did not get any message from the principal liner about the state of the cargoes.

It may take time to get the message as all cargoes have to be discharged, he added.

The country office of Maersk Line did not disclose the amount of Bangladeshi cargoes the vessel was carrying.

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ADP spending rises 35pc

STAR BUSINESS REPORT

The government's development spending rose 35 percent year-on-year to Tk 62,372 crore in the first eight months of 2017-18 thanks to increased use of foreign aid.

Project aid utilisation increased 108 percent year-on-year to Tk 25,341 crore during the period, according to the Implementation Monitoring and Evaluation Division.

In comparison, the use of the government's own funds rose 14.36 percent to Tk 33,654 crore.

However, development spending by state-owned enterprises declined 15.19 percent to Tk 3,377 crore.

For 2017-18, the government set aside Tk 164,085 crore for development spending, which was revised down to Tk 157,594 crore in the National Economic Council's meeting held on Tuesday.

If the revised ADP is compared, ministries and divisions will have to spend Tk 95,222 crore in the next four months to utilise the full allocation.

The spending trend usually remains slow at the beginning of the year, which gets some momentum as the year progresses.

Due to spending in haste, wastage of funds happens, economists say.

However, Planning Minister AHM Mustafa Kamal on different occasions said the physical work of different projects goes on around the year.

The financial progress of any project can be calculated at the end of the month, when the contractors of the projects are paid, he said.

Of the 15 large ministries and divisions that account for 80.83 percent of the allocation, five spent a higher amount than the average.

The five are: the power division 74.73 percent, local government division 49.01 percent, science and technology ministry 42.09 percent, road transport and highways division 37.10 percent and the energy and mineral resources division 35.42 percent.

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