

Stock brokers against regulator's right in issuing new licences

AHSAN HABIB

The stock market regulator has no right to set the criteria for issuing new stock brokerage licences; rather, the bourses can exert their authority to do so as per the demutualisation rules, stock brokers said.

The regulator published the draft rules of Bangladesh Securities and Exchange Commission (Trading Right Entitlement Certificate), 2020 last month incorporating the criteria for issuing TREC and sought opinions from bourses within April 15.

In response, the Dhaka Stock Exchange has already given its consent to the rules.

DSE Brokers' Association yesterday sent a legal notice to the DSE, saying the bourse has given the consent "surreptitiously".

"How could the DSE give accord to the draft rules proposed by the stock market regulator which is bound to cause serious repercussions in the entire capital market?" read the legal notice sent by Law Valley Barristers & Advocates on behalf of the stock brokers.

The BSEC framed the draft rules without lawful jurisdiction as it has laid down criteria that includes fixation of fees, security deposit and time factor of issuance of the TREC, it said.

The regulator has no authority to determine the criteria, the timeframe of issuing TREC, fees and security deposit against new TREC, the association pointed out citing relevant rules.

"This is simply usurpation of power by the BSEC." According to the demutualisation act, the bourse will set the criteria for giving TREC and will take approval from the regulator.

All the directors of the DSE as well as its company secretary received the legal notice, which called for sending a "note of protest" to the BSEC on the draft rules within seven days of receipt of the notice.

If they fail to issue the note of protest to the BSEC, the general members of the DSE shall be constrained to hold an extraordinary general meeting to remove all the directors of the DSE, it said.

A top official of the DSE confirmed that they received the legal notice and would take the next steps.

"The legal notice was not issued to us, so we have nothing to say about it," said an official of the BSEC, preferring not to be named.

Though the BSEC has no right to fix the criteria for issuing new stock brokerage licences, the DSE did not oppose the move of the regulator. Rather, it gave consent to the draft rules, said Kazi Firoz Rashid, a lawmaker and chairman of Kazi Firoz Rashid Securities, a stock broker.

"This is why we sent the legal notice," he said, adding that the BSEC published the draft rules in haste, which raises questions about the intentions of the regulator.

This April was a bitter pill to swallow for sweet makers

AHSAN HABIB and JAGARAN CHAKMA

At the turn of the year, sweet makers were impatient for the month of April to arrive. This year, coincidentally, their two major selling events -- Shab-e-Barat and Pahela Baishakh -- fell in the April and that too just a week apart.

They were bracing for a bumper April, but transpired was a cruel demonstration of the saying 'Man proposes, God disposes'. Sweet makers have had their most bitter experience this year as demand hit rock bottom owing to the coronavirus pandemic.

The holy Shab-e-Barat, the night of fortune and forgiveness, is an occasion when special prayers and doa are organised at mosques and homes and sweets are distributed among the devotees and sent to relatives.

Similarly, the sale of sweet surges on the occasion of Pahela Baishakh, the first day of the Bangla new year that falls on April 14, thanks to the growing corporate culture of sending sweets to clients and others.

Between April 9 and April 17 last year, sweet makers sold as much as 100 tonnes of sweet items worth about Tk 3 crore per day.

"The two main sweet-selling events have been hit hard this year due to coronavirus," said Kamruzzaman Kamal, director for marketing at Pran-RFL, which owns the Mithai brand. Mithai has 43 showrooms across the country.

Because of the pandemic, all the sweet shops have remained closed since March 25 in line with a government order, which has enforced countrywide lockdown to flatten the curve of coronavirus that has so far infected 621 and killed 34 in Bangladesh.

Sweetmeat is not a basic food and people are not in a joyous mood, so its sales have dropped.

Premium Sweets, a high-end brand in the segment, used to sell several tonnes of sweet on the occasion of Pahela Baishakh, but its business has totally tanked this year, said Mahbubur Rahman Bakul, head of corporate affairs of the company.

Pahela Baishakh is the major occasion for sweet makers, he said.

"We are passing hard times because of the lack of production and sales."

Premium Sweets has 15 outlets in Dhaka and five outlets in Canada.

"Business fell in both countries," Bakul said, adding that the company is paying salaries by bringing money from the

showrooms in Canada as the domestic outlets are not making any money.

This year, Well Food has not recorded any sales ahead of Shab-e-Barat, whereas it normally sells about two tonnes of sweetmeats on the night, said Syed Nurul Islam, chairman of the group.

Well Food is a chain shop that sells

night of Shab-e-Barat.

Restaurants and bakeries missed the business this year, said Robin, also the owner of Shaikat Hotel in Bogura.

"This was the day when our premier sweet items sell the most. But there were no sales on the two major occasions. We have not seen such a situation in our lifetime."

Bangladesh, according to Mohammad Anwar Hossain, senior information officer of the religious affairs ministry.

Mahmul Hasan, a citizen of Khulna, normally holds a special doa at his house on Shab-e-Barat as the night is considered holy. He sends some sweets to the houses of relatives. "But this year, I had not arranged



different types of sweetmeat and bakery items.

According to Islam, Well Food has emphasised on the safety of its staff, so the group has not received any internal order.

The company has already cancelled many orders for the upcoming Pahela Baishakh too, he said.

"Because of the pandemic, very few people want to buy sweets."

This year, sweet sales plunged on the occasion of Shab-e-Barat as no restaurants were open and mosques were reluctant to arrange special prayers and doa, said Rejaul Karim Sharker Robin, secretary general of the Bangladesh Restaurant Owner's Association.

According to industry insiders, the sales of sweetmeat rise to Tk 50 crore on the

The business loss during the pandemic will impact many small hotel and restaurant owners, he added.

According to the association, there are about 60,000 restaurants and bakeries in Bangladesh and almost all of them make sweets and jilapi on the day as demand explodes.

Mohammad Selim, president of Rahmatpur Mosque Committee in Narayanganj, normally buys 60 to 70 kilograms of jilapi for Shab-e-Barat night every year on behalf of the mosque. But this year he bought none.

"All the mosques followed the government direction on avoiding religious gatherings. So, we had no reason to buy sweetmeats," he said.

There are about 350,000 mosques in

such doa."

"The loss of the sweet makers is unexplainable as they have failed to catch the main occasion of Pahela Baishakh," said Mohammed Ali, president of the Bangladesh Sweets Manufacturers Association and owner of Muslim Sweets, a popular brand.

"All outlets of all brands selling sweets have been shut due to the lockdown. How will the sweet makers sell the items?"

People are panicking because of the rising cases of coronavirus infections so they are not buying sweets, he said.

Corporate houses give advance order for sweets ahead of Pahela Baishakh, but the situation is different now.

"There is no way we could manage to recover the losses," Ali said.

How Bangladesh can cash in on record low oil prices



REZAUL KABIR

Energy is a major requirement for the development of a country and directly or indirectly plays an important role in revenue generation.

Crude oil is a key source of energy which is constantly driving the world economy.

At this critical moment of coronavirus pandemic, I want to highlight the impact of the oil price plunge in the international market as Bangladesh has to spend a huge amount of foreign currency every year on importing crude oil which affects the economy of the country in many ways.

Oil price had been in the range of \$45-60 a barrel for the last 3-4 years but the sudden outbreak of coronavirus is now putting a strain on the international oil market.

The lethal pathogen that is spreading like wildfire is bringing the economies of many countries to their knees and leaving an overwhelming impact on oil prices.

As most of the countries affected by coronavirus are resorting to tough measures like lockdown, their economies are grinding to a halt.

There is no doubt that imposing lockdown is a tough decision for any economy but it is the most effective way to contain the spread of the deadly virus as life is more important than economy.

Partial and full lockdown in many countries has brought down fuel consumption by almost 30-40 per cent all over the world creating a supply glut in the international market.

Most of the oil importing countries have cut back on their oil purchase orders because of a shortage of oil storage capacity, while international oil companies did not bring down oil production to that extent.

Ultimately, the situation led to a surplus supply of oil in the international market, which is why prices crashed to \$20 a barrel.

If the lockdown continues until the end of April, oil price may plunge further to about \$10 a barrel as oil purchase orders from the importing countries might hit rock-bottom due to a huge amount of unused fuel at home.

Against this backdrop, international oil

companies might think of cutting oil production to keep the market stable.

Bangladesh is one of the oil-importing countries but it does have adequate or surplus storage capacity, refinery as well as standard distribution and marketing policies.

Hence, the government can consider the following proposals that can also help formulate cost-saving and long-term business policies.

1) The Sangu platform was built for offshore drilling and gas supply from offshore facilities to the national grid in Chattogram.

The platform is connecting 10-12 wells of Sangu gas field and the depth of each well is around 3,500 metres.

The gas field is abandoned and all the wells are sealed off.

The Sangu platform is connected with a production pipeline to the Chattogram port that can be 20-22 kilometres long.

These 10-12 wells of the Sangu field and 20-22km pipeline could be used as storage tanks for the imported crude oil.

Additionally, the government may need to build a structure at the Sangu platform for oil tankers to make the platform suitable for unloading crude oil from ships and carrying the oil to the empty wells/pipeline for storage.

This oil can later be transported to Chattogram oil refineries for processing. It may reduce carrying cost by saving time and facilitate quick unloading without additional port arrangements.

Before that, Bangladesh Petroleum Corporation and Bapex can jointly conduct a feasibility study on this platform and the wells to check if those are viable for storing oil.

The feasibility study may assess the present status of the platform and the pipeline, and consider other aspects like hole cleaning, pressure test of the wells for finding leaks, and pressure test of the pipeline to Chattogram from the Sangu platform.

It can also calculate the capacity of the 10-12 wells and 20-22km pipeline.

2) The government can install a floating refinery close to the Sangu platform.

The refined oil can then be distributed through riverways to different river ports inside the country.

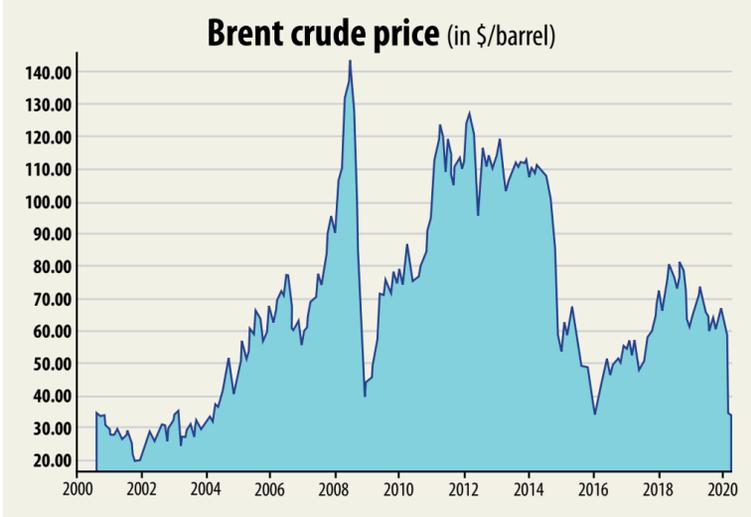
It may reduce domestic carrying costs and will ensure quality of products as well.

3) All the abandoned gas wells can also be used as reservoirs of diesel or unrefined crude oil following the above procedure.

Onshore gas fields are already safe and secure and they can make the marketing process quite easier.

Following the means mentioned above, Bangladesh can purchase and reserve a huge volume of refined or unrefined oil for further use and thus save foreign currencies at this critical moment.

The writer is a petroleum geologist and an international oil and gas exploration



For now, the leather sector's priority is to just stay afloat

AT A GLANCE

EXPORTS IN FY19:
\$1.3b

SO FAR IN FY20:
\$851m

MAJOR EXPORT DESTINATIONS:
the US, Italy, Spain, the UK, Canada, Germany

EXPORT-ORIENTED FACTORIES:
40

MANPOWER:
1.5 lakh

MAJOR PLAYERS:
Apex, Jennys Shoes, Leatherex, Bata

AMRAN HOSSAIN

JAGARAN CHAKMA

Leather goods and footwear manufacturers and exporters see little possibility of returning to normalcy this year as demand at home and abroad will be depressed for the global coronavirus pandemic.

The exports of the next most promising sector after garment might fall by 20 to 25 per cent this fiscal year from the \$1.3 billion registered in fiscal 2019-20, sector players say.

"We don't do how long the prevailing situation will continue," said Nasir Khan, chairman and managing director of Jennys Shoes, one of the pioneers in manufacturing and exporting of footwear.

There are two seasons for the export-oriented footwear sector: winter and summer.

Local exporters have completed the shipment of summer orders, he said, adding that the winter orders would most definitely be lost.

The order cancellations or suspensions have started to come through though as international buyers are forced to shutter stores owing to demand collapse and strict lockdown measures to flatten the curve on coronavirus.

The amount of work order cancellation in the leather goods and footwear industries was \$316 million as of March 26, said Md Saiful Islam, president of the Leathergoods And Footwear Manufacturer & Exporter's Association of Bangladesh (LFMEAB).

Bangladesh's major export destinations, including the US, Italy, Spain, the UK and

Germany have been highly affected by the outbreak of the lethal pathogen. When normal life resumes in the countries is up in the air.

"Even if normalcy is restored within the next three months and local production starts as usual, where will we ship our products to? We are in complete uncertainty," Khan said.

The sector can't project what the losses would be in the end, said Mohammed Nazmul Hassan, managing director of Leatherex Footwear Industries.

"It will depend on how long the pandemic lingers," he said, adding that they don't know what the solution should be at the moment.

No member of LFMEAB would be able to recover the losses this year, said a leader of the association requesting anonymity.

"But everybody should accept that staying alive is the priority in the prevailing situation," he added.

In the first eight months of the fiscal year, the leather and footwear sector exported products worth of \$851 million, according to data from the Export Promotion Bureau. Of the sum, footwear exports brought home \$596 million, down 9 per cent year-on-year. The state agency has not published the export figures for March yet.

The sector employs around two lakh semi-skilled and skilled people. Forty active factories in the footwear sector employ about 1.5 lakh people.

The government has a target to export \$5 billion worth of leather and leather goods by 2021, which, given the surreal times, seem a pipe dream.