

Indian, European refiners get ready to buy Iranian oil

REUTERS

Indian refiners and at least one European refiner are re-evaluating their crude purchases to make room for Iranian oil in the second half of this year, anticipating that US sanctions will be lifted, company officials and trading sources said.

Former US President Trump abandoned the 2015 Iran nuclear deal and reimposed sanctions on Tehran in late 2018.

Until then, Europe and Turkey had consumed close to 500,000 barrels per day (bpd) of Iranian oil. India, Iran's biggest client after China, was buying as much as 480,000 bpd in the fiscal year beginning April 2018.

At least one European refiner has held in-depth discussions with Iran's state oil firm NIOC on resuming purchases and Indian refiners say they plan to reduce spot purchases to make way for Iranian contract barrels.

India, the world's third largest oil consumer and importer, halted imports from Tehran in 2019 after a temporary waiver granted to some countries expired.

US President Joe Biden's administration and Iran have



A man paints the logo of oil refiner Bharat Petroleum Corp on a wall on the outskirts of Kochi, India.

REUTERS/FILE

engaged in indirect talks to revive the pact for Tehran to curb its nuclear activities in exchange for a lifting of sanctions.

Iran does not disclose its oil exports data, but assessments based on tanker tracking show exports fell from a peak of 2.8 million bpd to as low as 200,000 bpd in 2018. Analysts expect Iran to ramp up

crude exports to 1.5 million bpd in the fourth quarter when sanctions are lifted.

Several Indian state refiners, whose refineries are suited to the crude, have committed to buying Iranian oil once sanctions are lifted. Indian refiners have raised the share of spot purchases to take advantage of cheaper barrels in a surplus

market and replaced lost Iranian cargoes with US oil.

State-run Bharat Petroleum Corp, which plans to tap the spot market for 45 per cent of its overall imports, will buy Iranian oil if sanctions are lifted, a company spokesman said. High sulphur distillate-rich Iranian crude suits BPCL's Kochi refinery and costs \$2-\$2.5/barrel less than similar grades, he said.

Hindustan Petroleum Corporation (HPCL) also said it would buy Iranian crude given the right price and economic suitability, its chairman MK Surana told Reuters. Top refiner Indian Oil Corp expects to reduce spot purchases and can easily process about 2 million tonnes (14.6 million barrels) of Iranian oil this fiscal year, said a company source, who declined to be named.

An official at Mangalore Refinery and Petrochemicals Ltd said his company would also cut spot purchases and buy Iranian oil. The resumption of Iranian oil supplies will help India replace lower supplies from members of the Organization of the Petroleum Exporting Countries, which have curbed output to support oil prices during the Covid-19 pandemic.

Stocks struggle as taper talk, crypto crash put markets on edge

REUTERS, Singapore

Stock markets struggled for traction on Thursday after a jittery session on Wall Street where cryptocurrencies crashed and a hint of tapering talk from the US Federal Reserve drove selling in the bond market and lifted the safe-haven dollar.

Benchmarks in South Korea and Japan were either side of flat in morning trade and Hong Kong's Hang Seng fell about 0.8 per cent to pull MSCI's broadest index of Asia-Pacific shares outside Japan down by 0.2 per cent.

Bitcoin, which plunged as much as 30 per cent to \$30,000 overnight, was

struggling for support around \$36,000. US stock futures wobbled just below flat.

Commodities also fell, Treasuries nursed losses while the dollar held overnight gains.

Fed minutes published on Wednesday said "a number" of officials thought that if the recovery holds up, it might be appropriate to "begin discussing a plan for adjusting the pace of asset purchases".

"This is very much the market view, really," ING economist Rob Carnell said on the phone from Singapore, with traders expecting strong hints over summer that the taper is coming and that policy support could start to ease in December.

Spend wisely, save up to beat the pandemic

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People should rebalance their portfolio by allocating more funds into cash-type assets, Huda said.

"Liquidity can become very critical during uncertain times. So while picking up stocks or bonds in their portfolio, they should consider liquidity of these assets," he added.

On a global scale, treasury securities are generally more liquid. For Bangladesh's equity based markets, one should look into key liquidity parameters like stock categorisation and daily trading volume scaled by market capitalisation.

Sector rotation policies could prove their worth amid this pessimistic time as well.

"The whole world does not know what will happen next. Rather we follow the norm that Tk 1 savings means Tk 1 earning. So we should minimise extra expenditure for the time being," said Masud Hossain, executive vice president and head of the credit risk management division (retail and SME) of Dutch Bangla Bank, one of the biggest banks in terms of deposits.

Mokta Rani Sarker, assistant professor of Finance at Jagannath University, said one should consider diversifying investment from both the short and long term perspectives.

Mahmood Osman Imam, a professor of finance at the University of Dhaka, said interest rates on bank deposits have fallen. Yet, state banks offer around six per cent interest rate on deposits, which is higher than private banks.

Hence, one investment option may be to keep deposits at state banks as there are ceilings on investments in government sponsored savings certificates.

But one should be cautious when investing in non-bank financial institutions that lure depositors with the offer of higher interest. "Such an investment would be risky during the Covid period," he said.

Imam went on to say that the stock market may be an option for investment.

"But inexperienced and naive investors should not go there. Those who are short of funds should also avoid investing there," he said. "They can invest in open ended mutual funds."

On spending, Imam said that one should try to minimise the cost of living during this pandemic.

He also urged people to remain cautious about credit card debt.

"It is better to control the temptation of buying using credit cards and to avoid taking loans during the coronavirus pandemic," Imam added.

Ring Shine Textiles commits forgery

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A top official of the BSEC, preferring anonymity, said the company had committed a serious offence. So, despite being an export-based company with good performance records, it had turned into a junk company.

"We are making the company run at first so that it can come into production," he said, adding that the BSEC wants to see the company functional.

The regulator allowed Ring Shine Textiles to utilise Tk 40 crore from its IPO funds, something it was banned from doing earlier.

Of the fund, Tk 15 crore will be used in the form of workers' retrenchment payment, Tk 3 crore for paying Bangladesh Export Processing Zones Authority dues and Tk 3.5 crore for paying dues of Titas Gas Transmission and Distribution Company.

The textile company will use Tk 10 crore to repay loans provided by Premier Bank, Tk 6 crore to Dhaka Bank and Tk 2.5 crore in miscellaneous payments.

About the free of cost-share sales, the BSEC official said the regulator froze the shares earlier, so the beneficiaries had not been able to sell them.

"On the basis of a special audit, we found

the irregularities. Primarily, we decided to cancel the shares and reduce the paid-up capital," said Rezaul Karim, spokesperson of the BSEC.

He said the BSEC would soon dole out punishments to all the related intermediaries.

"As a lengthy legal process needs to be abided by, we are waiting but we will punish all," he added.

The company committed the forgery, which ultimately had a deep impact on the general investors and the stock market. So, they should be punished, said one stockbroker, preferring anonymity.

"The issue manager claimed to have exercised due diligence and the auditor did not find anything wrong. All should be punished so that others never dare to do something like that again," he said.

Stocks of Ring Shine Textiles closed at Tk 7.10 yesterday.

From last August, the company management had decided to announce layoffs citing it as the pandemic's fallout.

"The shares were issued before I joined the company," said Ashraf Ali, company secretary, who has become inactive after the BSEC restructured the Ring Shine board recently.

Trade deficit widens

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Rahman said that imports of food grains also surged during the period, putting a positive impact on the overall import payments as well.

Import of the item stood at \$1.9 billion in the first nine months, an increase of 41 per cent year-on-year.

Rahman went on to express a hope that both imports and exports would be on the rise in the months to come as the latest restrictions on public movement did not have a massive hit on the economy.

Economic activities are now almost in a normal situation, helping the majority of industries to keep their wheels turning, he said.

In addition, the country's major export destinations -- North America and Europe -- are showing a good performance in tackling the coronavirus pandemic, meaning that demand will increase more there.

Although the economy now turns around from the depressed condition, the pace of new investment is highly feeble given the frail import record of capital machinery.

Import of the key ingredient products for expansion of the investment sector contracted 13 per cent to \$2.63 billion in the July-March period.

Ahsan H Mansur, executive director of

the Policy Research Institute of Bangladesh, however said that the indicators of the central bank's balance of payment did not show too much of a positive indication.

"The economy is recovering slowly as per the previous projection. But, the time is yet to come to calculate the ongoing repercussion deriving from the ongoing restrictions on movement," he said.

The government should take a wide range of fiscal measures in its upcoming budget in order to protect the small and medium enterprises (SMEs) from the business slowdown, he said.

SMEs should be supported by taking fiscal measures as many of the enterprises have already been closed. The government can even rebate a portion of their bank loans in order to protect them from the crisis, said Mansur, also a former economist of the International Monetary Fund.

If SMEs can get back their previous tempo, both employment and domestic demand will get an uptick, he said.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said that import had started increasing since the first month of January, but it had faced hurdles from March once again.

"We are still in the pandemic and so, there are uncertainties for the economy," he said.

Keep money whitening scope in productive sectors

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As a result, untaxed money-holders rushed to the sector, sending the prices of luxury flats in Dhaka to soar. In fact, the land and flat in Dhaka are as expensive as in many cities in Europe, Canada, and the US.

The prices of land and flats have already gone beyond the purchasing power of many belonging to the middle-income groups. The stock exchange has also seen a fair share of the entry of undeclared money, which sometimes inflates the price of stocks abnormally for a few sessions during a particular time of a year.

Several businesspeople say black money is a double-edged sword for any country. If the undeclared fund is not allowed in lucrative sectors, a big chunk of money will flow out of the country through illegal channels.

On the other hand, the provision to allow such funds in some sectors may cause price volatility. This is being noticed in the real estate sector.

Alamgir Shamsul Alam, president of the Real Estate and Housing Association of Bangladesh, objected to the term black money.

"It is not black money; it is undisclosed money." About Tk 2,000 crore undisclosed money was invested in the real estate sector as of December of the current fiscal year, helping it to remain vibrant even during the pandemic.

The sector employs 30 lakh people, but it has not laid off any workers during the crisis. And the thriving industry is contributing to the revival of the economy, Alam said.

He urged the government to retain its stance on the untaxed money in the housing sector in the upcoming budget. "The scope should be provided for many years to come. It will stop illegal capital flight. If the government fulfils our demands, it will lead to a direct fall in the price for flats."

Kamal's plan draws flak from economists

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"The money whitening opportunity allows the higher income groups to make a savings of 15 percentage points on their tax payment. It is a reward for them."

Thanks to the blanket immunity, taxpayers in the higher income groups might choose not to pay the tax at a 25 per cent rate now. They could wait until the income becomes black money, and then they will legalise it. Until they declare black money, they can even invest the cash and earn money.

Binayak Sen, director-general of the Bangladesh Institute of Development Studies, does not think that the facility yields any effective result.

He called for introducing an effective wealth tax, which would do away with the necessity to whiten the black money and generate more revenue than the facility produces.

Income is one aspect of black money. Wealth is another aspect because undeclared money is used to accumulate wealth such as properties,

flats, land, factories, cars and other durable assets.

"So, we have to get to the root of the wealth," Sen said.

There is a surcharge on the wealth tax, but it has not been able to become a substitute for the wealth tax.

This is because there is a problem with the valuation of assets. If the valuation of the properties purchased in the 1980s is done on the price of four decades ago, it will not work because the property's price has gone up manifold, according to Sen.

"An effective wealth tax would have ensured the valuation of properties at the current fair prices. This would have brought many people in Dhaka city under the coverage of the wealth tax."

He suggested collecting the statement on assets alongside the income statement. "Thus, the assets will come under monitoring and how they are accumulated, and tax would be generated in the form of wealth tax."

Mansur and Sen suggested the government

allow the legalising of undeclared money after a long gap, as seen in many other countries, to enable the public to whiten accumulated undeclared incomes.

"If the facility is extended every year, it will lead to a collapse of the tax administration. This will impact the tax collection," said Mansur, a former economist of the International Monetary Fund.

He called for allowing legalising undeclared money at the payment of the full tax rate, the interest that would have generated if the tax was paid on time, and a penalty.

"Then it would work as a deterrent." Rahman called for putting a lid on the source of black money.

Black money is created because of illegal activities and corruption, as well as anomalies in tax policies.

"The government should fix the anomalies that lead to the creation of black money. Enforcements have to be strengthened to end the generation of illegal incomes," the economist said.

Protection of small businesses will be top priority now

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The small entrepreneurs cannot thrive only with the benefit of tax. They need more policy support as these units have faced a lot of challenging times because of the pandemic, he said.

Jashim Uddin also said he will utilise the experiences of Malaysia, Thailand and Vietnam for the development of the CSMSEs.

On May 5, the election board of the FBCCI declared the names of 78 directors who were elected uncontested.

Later, the directors, which include elected and nominated ones, elected the president, senior vice-president and six more vice-presidents for the next two-year term.

This is yet another showcase of the absence of democratic elections at the country's apex trade body.

The FBCCI election for the 2021-23 tenure was scheduled to be held on May 5.

However, the election was cancelled as four directors, two each from chamber and association groups, withdrew their candidature last week.

After the withdrawal of the nomination papers by the four hopefuls, the posts of 23 directors from each of the chamber and association groups were filled up automatically. As a result, the election did not take place.

The total number of posts of directors at the FBCCI is 80. Of it, 46 are elected -- 23 each from the chamber and association groups.

Another 34 directors are nominated -- 17 each from the chamber and association groups.

However, this time the total number of directors is 78 because the Gopalganj Chamber of Commerce and Industry and the Bangladesh Association of International Recruiting Agencies did not nominate directors.

Visionary leadership and Bangladesh in 2041

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A visionary act is to believe that our universities will be the source of high-quality education for South Asia. If we can provide education to a Bhutanese doctor who makes it as their prime minister, why can't this be achieved?

A visionary act is to believe that we will be the manufacturing hub for Asia. If we can do it with garments, then why not five other industries?

A visionary act is to believe that we will lead South Asia culturally. Bangla, being one of the most-spoken languages in the world, and 21st February as our inspiration, we should believe.

We need to create leaders in every sphere of our society and need to build institutional capacity for leadership development in Bangladeshi way. Starting from school curriculum to postgraduate level and beyond, we need to teach, coach and mentor leadership.

We need a clear mind shift from a blame culture to optimism culture and learn to co-

create and build on others' idea. We need to find ways for our intellectual expatriates or non-resident Bangladeshis to contribute.

The unskilled workers send their entire savings back home, and with that dollar, we are growing stronger. Now we need the intellectuals to remit the know-how and skills acquired overseas to help the nation leap to the next level. We also need to remember that all that works abroad won't necessarily work in Bangladesh, and that is where local knowledge and experience is key to making the best use of our resources.

Corporate Bangladesh needs massive leadership development as the founding fathers are passing away and a generation shift is taking place. We know that as the economy matures and organisations mature, the corporate structure evolves. Rather than breaking up corporate empires amongst the next generation, a strong management structure and board governance can keep the original entity going and build on the legacy.

Century-old companies in the world were family companies at the start, and today, one cannot name the owning family of most of the big 100 plus year-old multinationals. A strong board structure and management culture is the way to build lasting organisations that grows value for themselves and generates employment and revenue.

The credibility of Bangladeshi management is growing, and this is one area that needs acceleration and collaboration. We need to showcase success stories and our icons and inspire the next generation.

Above all, we need to inject a strong passion and pride of being a Bangladeshi. It's time to walk with our head held high as a proud nation that is a jewel of South Asia. It is time to awaken the spirit of 1971, not for war but for a New Bangladesh, My Bangladesh.

The author is the managing director of British American Tobacco Bangladesh.