Prime Islami Life Ins' profits, assets overstated by Tk 218cr

Auditor says in a report

STAR BUSINESS REPORT

Stocks of Prime Islami Life Insurance fluctuated abnormally in the last two months despite the firm's auditor having said that its profits and assets for 2020 were overstated by Tk 218 crore.

The insurer's stock price rose 83 per cent to Tk 93 on June 10 within a one month span and then eventually fell by 26 per cent to Tk 68 as of yesterday.

Prime Islami's assets for 2020 were worth Tk 967 crore while it was Tk 1,060 crore a year earlier, according to the company's audited financial report.

It has short-term investment with PFI Securities Limited and with sundry debtors of PFI Securities amounting to Tk 167.80 crore and Tk 15.37 crore respectively, the auditor, Syful Shamsul Alam & Co Chartered Accountants, said in its report.

Since these investments have been outstanding for a long time and the financial condition of PFI Securities is deficient, there is significant doubt over the recoverability of the total amount of these investments.

But the company has not made any provision against the said amount and as a result, its total assets and profits were overstated by Tk 183.17 crore, it added.

The Dhaka Stock Exchange (DSE) disclosed the qualified opinion of the auditor on its website.

Prime Islami Life Insurance also has investments with four concerns of Sterling Group amounting to Tk 15 crore and Banglalion Zero Coupon Bond amounting to Tk 4.99 crore.

But the recovery of these investments is also in doubt since they have long been outstanding while there are no provisions against the amounts either.

The company has filed cases with the High Court against PFI Securities Limited and other non-paying entities. All the cases are currently in the hearing process.

The company has a recognised provision of about Tk 3.37 crore against the gratuity fund for the financial year that ended on December 31, 2020. However, the required provision against gratuity is Tk 19.02 crore.

So, the required provision is not adequate and remains short by Tk 15.65 for the year under audit, the auditor said in its report.

"Therefore, liability against gratuity is understated and the profit has been overstated to that extent," it added.

M Nurul Alam, company secretary of the shariah-based life insurer, said its previous management invested the funds which are not producing any return.But now that the management has changed, they are trying to regain the money.

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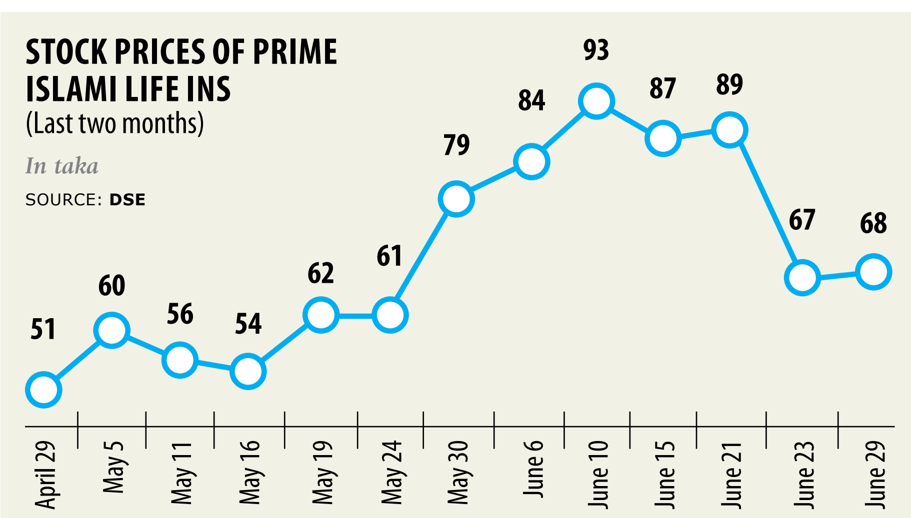
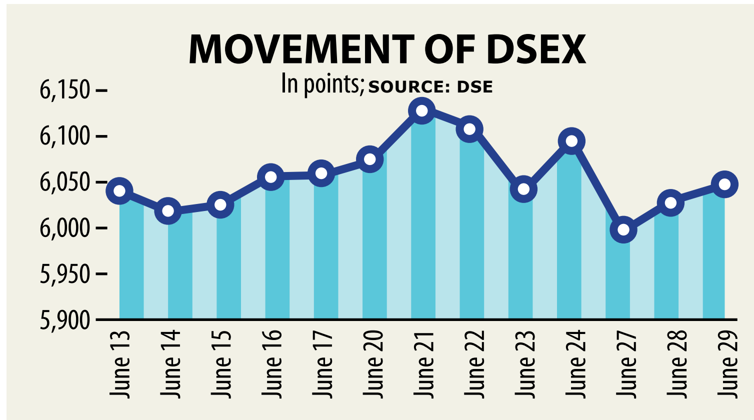
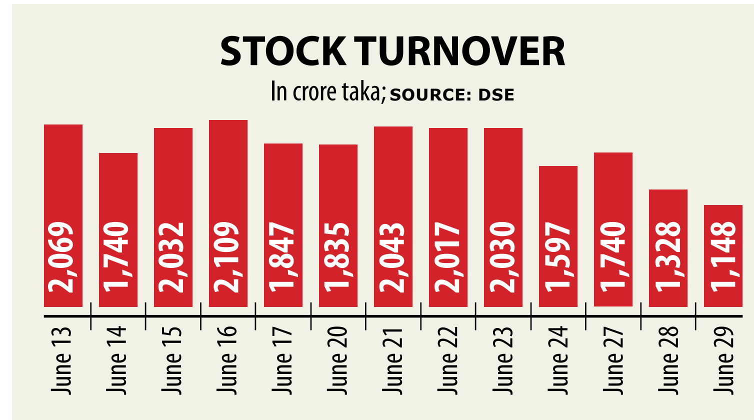


Stock turnover hits two-month low





STAR BUSINESS REPORT

Turnover in the stock market dropped to its lowest position in two months yesterday due to the wait-and-see approach among investors amid the deteriorating pandemic situation.

Turnover fell sharply by around 14 per cent to hit Tk 1,148 crore, the lowest since April 28, when the key market indicator stood at Tk 940 crore.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 15 points, or 0.26 per cent, to 6,042.

"Investors are being careful now since no one can say how badly the pandemic situation may deteriorate," said a top official of an asset management company preferring anonymity.

The government has already announced a week-long strict lockdown from tomorrow but it may be extended if the situation worsens.

"That would have an even greater impact on the market as it might reduce the performance of listed companies," he said.

"But the market will not fall much this year since many general investors and institutional investors are active," he added.

At the DSE, 175 stocks advanced, 166 declined and 32 remained unchanged.

Zeal Bangla Sugar Mills topped the gainers' list, rising 10 per cent, followed by Delta Life Insurance, Jute Spinners, Bangladesh Monospool Paper Manufacturing, and Savar Refractories.

Stocks of Beximco Limited traded the most with Tk 67 crore followed by Delta Life Insurance, Malek Spinning, National Feed Mills, and Anwar Galvanizing.

Pragati Life Insurance shed the most, falling 9.53 per cent, followed by Sonargaon Textiles, Malek Spinning, Popular Life Insurance, and Queen South Textiles.

The port city bourse also rose yesterday as the CASPI, the general index of the Chittagong Stock Exchange, increased by 33.7 points to reach 17,473.

Among 321 traded stocks, 140 advanced, 151 dropped, and 30 remained unchanged.

Hapag-Lloyd suspends bookings of Bangladesh-bound cargoes

DWAIPAYAN BARUA, Chattogram

Hapag-Lloyd, a German container shipping company, has decided to suspend its booking of import containers bound for Bangladesh via Singapore for a month.

The container transportation company announced on June 24 that bookings for cargo moving into Bangladesh via Singapore would not be possible for the next four weeks due to an increased backlog of containers destined for Chattogram at the transhipment port.

However, the decision is not applicable for export bound containers from Bangladesh, said Abul Kalam Azad, general manager of operations at GBX Logistics, the local agent of Hapag-Llyod.

Import cargo that has already been booked and is en route to Singapore would still be transported like before but importers can choose alternative routes, such as Colombo, for new booking, he added.

The dwell time in the Colombo port remains above 14 days, according to various sources.

"Hapag-Llyod was forced to take such a decision after facing a huge pile up of its Bangladesh-bound import cargo at Singapore port, which is choking with congestion," Azad said.

More than 3,500 Bangladesh-bound import containers being carried by the company are now sitting idle in Singapore.

This situation was caused by the increased number of import containers heading for Chattogram and reduced transport capacity among feeder operators.

Due to its failure to clear the import shipments in a timely manner, the company is having to bear tremendous storage costs at Singapore port, which charges store rent from the date of arrival if a container remains for longer than the 7-day free storage period. But the decision is temporary as the services will resume once the backlog is cleared, he added.

"We foresee a change in this situation by the last week of July and will ensure that we keep you updated on the developments," Hapag-Llyod said in its announcement.

Khairul Alam Sujan, director of the Bangladesh Freight Forwarders Association, said backlogs at the transhipment ports such as Singapore, Colombo and Port Klang have prevailed for months due to prolonged delays in shipment caused by a recent blockage at the Suez Canal.

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GLOBAL BUSINESS

Steel sector to be saddled with $70b stranded assets

REUTERS, London

The global steel industry may have to write down up to $70 billion in assets in the coming years because it is still building new blast furnaces using coal that will become obsolete as the world cuts carbon emissions, a report said on Tuesday.

Some 50 million tonnes of steelmaking capacity is under development using blast furnace technology, largely in top producer China, US-based think-tank Global Energy Monitor (GEM) said in the report.

"Building new coal blast furnaces is a bad bet for steel producers and a bad bet for the planet," said Christine Shearer, GEM's coal programme director. Blast furnaces using coal could become unnecessary or inoperable, resulting in "stranded assets" worth $47 billion to $70 billion, the report said.

"Based on projections from the IEA and other groups, (they could become stranded) quite likely by 2030-2040. It could be sooner if more aggressive carbon taxes/restrictions are applied," said Caitlin Swalec, lead author of the report.

Total direct emissions from the global iron and steel sector must fall by more than 50 per cent by 2050 relative to 2019 to meet goals of the Paris Agreement on climate change, according to the International Energy Agency (IEA).

New plants are being built even though there is large swathes of excess global steelmaking capacity, which was 25 per cent above production levels in 2019, GEM said.

Much of the global steel industry acknowledges it will have to slash carbon emissions since the sector accounts for about 7 per cent of greenhouse gas emissions, the group said. Steel making companies and countries have made commitments to move to net-zero and low carbon emissions that cover more than three-quarters of current global steel capacity, it added.

Steelmakers are looking to expand the use of electric arc furnaces while also developing hydrogen and carbon capture technologies to cut emissions.

GEM used data from its Global Steel Plant Tracker, which surveys every plant operating at a capacity of one million tonnes a year or more.

Britons resume borrowing

Rush to buy homes as economy reopens

REUTERS/FILE

People walk during the morning rush hour in the Canary Wharf amid the outbreak of the coronavirus disease in London on October 15, 2020.

REUTERS, London

British consumers have resumed borrowing and house prices have jumped by the most in more than 16 years, surging by an annual 13.4 per cent, according to data that showed the economy bouncing back from its pandemic slump.

Britain has reported one of the world's highest Covid-19 death tolls and its economy shrank by almost 10 per cent last year, but it is expected to outgrow even the United States in 2021, helped by a fast vaccination programme and huge stimulus from the government and the Bank of England.

Figures from the BoE published on Tuesday showed consumer borrowing rose in May for the first time since August - albeit modestly - as restrictions lifted and consumers bought cars with dealership finance deals and took out more personal loans.

Unsecured lending rose by a net 280 million pounds ($387.66 million) from April. Borrowing on credit cards fell.

The data also showed households were still building up their bank accounts but at a slower pace than earlier in the year.

Ruth Gregory, an economist at Capital Economics, said the numbers supported her forecast that the economy grew by 1.5-2.0 per cent in May, slowing slightly from April's 2.3 per cent jump, and was on track to regain its pre-pandemic size in the autumn.

That would be slightly earlier than the BoE's end-of-2021 expectation.

Last week, the central bank left its key interest rate at an all-time low of 0.1 per cent and made no change to its plan to increase its government bond purchases to 895 billion pounds. Despite the signs of economic recovery, most BoE rate-setters said they wanted to "lean strongly against downside risks to the outlook".

Separately on Tuesday, mortgage lender Nationwide said British house prices jumped by the most in annual terms since November 2004 as buyers rushed to take advantage of a tax break offered by finance minister Rishi Sunak.

"While the strength is partly due to base effects, with June last year unusually weak due to the first lockdown, the market continues to show significant momentum," Nationwide's chief economist Robert Gardner said.

James Sproule, an economist with Handelsbanken, said he expected house prices would continue to rise with affordability measures below their previous peak.

"Our broader expectation is for the economy to perform well over the coming year, and this is not a backdrop which will see house prices falling," he said.

Australia oil industry up in arms over proposed decommissioning levy

REUTERS/FILE

An oil refinery is pictured in the southern Sydney suburb of Kurnell.

REUTERS, Melbourne

Australia's oil industry lobby group on Tuesday slammed as "extreme" the amount the government has proposed as a levy on all of the country's offshore oil producers to cover the cost of decommissioning an offshore field.

The levy was announced in May, catching the industry by surprise but the details on the per barrel charge of the levy were not announced. However, a discussion paper posted on the Department of Industry's web site on June 24 said a charge of A$0.48 (A$0.49) per barrel would be imposed.

"To slug an entire industry A$0.48 per barrel and not put an end date on it is over the top," said Andrew McConville, chief executive of the Australian Petroleum Production and Exploration Association (APPEA).

The levy, to apply from July 1, is being imposed to cover the cost of removing facilities and rehabilitating the Laminaria-Corallina oil fields in the Timor Sea as the fields' owner, Northern Oil & Gas Australia (NOGA) collapsed in 2019.

A spokesman for Resources Minister Keith Pitt said discussions with the industry on the levy are due to continue through July.

The government has not said how much it expects decommissioning to cost but analysts have said it could be well above an early estimate of A$250 million (S$253.7 million).

Mr McConville said the government should look for ways to cut the costs and consider other ways to recover those costs.

The government's latest forecast for oil production in the year to June 2022 is 322,000 barrels per day, most of which is offshore.

Australia's offshore oil producers include Chevron Corp, Exxon Mobil Corp, Royal Dutch Shell, Inpex Corp, Eni, TotalEnergies, BHP Group, Woodside Petroleum and Santos.

Chevron, Exxon and Shell have all said they oppose having to pay the levy when they never had a stake in the fields NOGA operated.