

STOCKS		COMMODITIES		As of Friday		ASIAN MARKETS				CURRENCIES		As on Thursday	
DSEX	CSCX					MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
Closed	Closed	Gold	Oil			▲ 0.08%	▼ 0.62%	▼ 0.05%	▲ 0.07%	BUY TK	83.95	89.73	101.63
		\$1,750.90	\$32.50			31,097.73	20,037.47	2,523.55	2,868.46	SELL TK	84.95	93.53	105.43
		(per ounce)	(per barrel)										11.67
													12.27



BUSINESS

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He served for nine years as BSEC chief. His report card? Imperfect.

AHSAN HABIB

One word that would accurately sum up M Khairul Hossain's nine-year-long tenure as the chairman of the Bangladesh Securities and Exchange Commission would be indulgent.

None of his predecessors was given as long as he has to serve at the helm; Sultan-uz-Zaman Khan, MA Sayeed, Monir Uddin Ahmed, AB Mirza Azizul Islam and Faruq Ahmed Siddiqi all served for three years.

So, arguably, the blame for the terribly low confidence on the country's bourse lies squarely on his shoulders.

In the past nine years, opportunistic companies were given the free reign to get listed, raise funds and then disappear into thin air in a few years.

Take the case of C&A Textile, which in 2015 had raised Tk 150 crore from the stock market. Two years later, the textile maker had shut its factory and stopped publishing financial statements, leaving the investors ruing the loss of at least Tk 150 crore.

If the companies did not shutter, they would announce that they were perennially making losses, so no scope to reward their investors through dividends.

And it is almost always the general

investors who are the losers, as the sponsors would wash their hands off the companies before they tanked.

In the last nine years, the BSEC has given approval to 91 companies to get listed with the bourses. Of them, 11 have become junk stocks and 12 'B' category companies.

When a listed company fails to provide any dividend or hold an annual general meeting or had brought the shutters down on its factory, it is considered as a junk stock.

The 'B' category companies are those that fail to provide at least 10 per cent dividend.

Despite the junk stock and lower category companies creating woes for general investors time and again, the stock market regulator did not do anything of note to prevent a repeat of such incidents.

They kept regurgitating the same thing on its chairman's orders: that it was following the disclosure-based initial public offering system, which bears no responsibility of the companies' performance.

So, the investors need to be careful, the BSEC maintained.

When a company raises a huge sum and shuts its factory within just two years, the regulator has to take responsibility, said Abdul Mannan, a stock market investor.

"If it happens once, it's a fluke; twice, it's a coincidence; and thrice, it's a trend. And this happened over and over again. The regulator never took any steps against the issue managers -- they should have been punished."

On the other hand, the issue managers of junk stocks tend to be the few

same ones. "This was an interesting thread, but the regulator was silent," he added.

But, some good companies like Runner Automobiles, Bashundhara Paper Mills and RSRM also got listed in the last nine years.

And yet, gambling was rampant in the stock market, said a merchant banker requesting anonymity.

"Some junk stocks were hot cakes and the well-performing ones were crashing. Over time, it eroded the confidence of both foreign and local investors alike."

And yet again, the regulator's role here was found wanting.

"It is true that a few sponsors and gamblers were fined during his [Hossain's] tenure, but it was too little compared to the magnitude of their offences," he added.

Another misstep Hossain took was extending the tenure of the struggling closed-end mutual fund sector in 2018 for another ten years -- without taking the investors' consent.

The decision hit the investors hard as they were looking forward to handsome returns once the tenure of several mutual funds end between 2019 and 2022, said a stockbroker.

"They will have to wait for another decade to get returns on their investments. This decision made many foreign investors livid," he added.

The whole commission devoted all its energy in making phone calls to institutional investors, merchant bankers and stockbrokers to not dispose of their stakes to pull up the index, said another merchant banker to speak candidly on the matter.

"This is not the commission's job as per the BSEC Ordinance."

Even recently it has taken some steps that

will further gnaw at investor confidence such as resetting the floor price of stocks to stop further rout of the exchanges during the pandemic.

"The decision though has ultimately made the market illiquid and hit investor confidence again."

On the other hand, margin loan provisioning is being deferred for the last 10 years, which has created many zombie institutes, the merchant banker added.

During the stock market crash of 2010, merchant banks and stockbrokers had provided huge sums of margin loans against stocks. Those loans have gone sour as the stock prices kept plummeting and the stocks could not be sold.

Contacted, Hossain said: "During my tenure, I have done many reforms, which have been listed in the press release. I have no further comment to add."

The BSEC has sent out a 44-page press release on May 14.

As per the press release, Hossain's accomplishments include demutualisation of the bourses and the corporate governance code, shortening of time for IPO application, modern integrated surveillance software, special tribunal of capital market-related cases and a letter of intent signed by the Bangladesh Bank, BSEC and the Insurance Development and Regulatory Authority for coordinated surveillance and supervision.

Prior to join the commission Hossain was the chairman of the state-owned Investment Corporation of Bangladesh from September 2009 to May 2011. Before that he was a professor of the department of finance at the University of Dhaka.



American national treasure JC Penney has left Bangladeshi garment exporters in the lurch

REFAYET ULLAH MIRDHA

Bangladeshi suppliers of the American retail giant JC Penney are in hot water as their payment has now become uncertain after the company filed for bankruptcy protection on Friday.

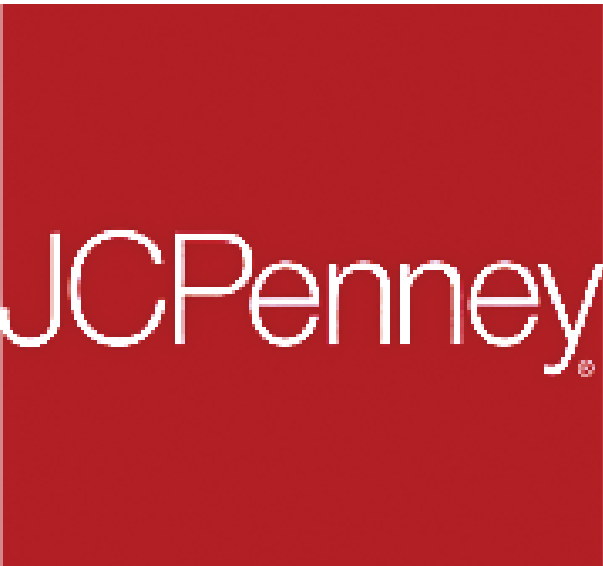
The company, which provides budget-friendly clothing for families and reliable home furnishings, filed for bankruptcy protection after a prolonged decline over the past 20 years, becoming the latest and largest retailer to fall during the coronavirus pandemic, which has devastated the industry.

This blow comes as the garment exporters are playing a nervous wait about their immediate future in the face of mounting order cancellations following record collapse in economic activities in much of its export destinations.

JC Penney's collapse follows other retail bankruptcies of late including J. Crew, the Neiman Marcus Group, the designer men's clothing brand John Varvatos and British retail giant Debenhams.

Currently, Debenhams, which has appointed an administrator last month, its second in the past year, owes a staggering \$66 million to its vendors in Bangladesh.

The Daily Star talked with at least 10 garment manufacturers, fabrics suppliers, trade body leaders and former employee of JC Penney's local office to know about the latest payment status.



The chain has more than 800 stores and nearly 85,000 employees across the world.

Since the retailer filed for protection from bankruptcy, it will now set the priorities in payment now.

Usually, when a company seeks for bankruptcy, it pays the arrears to the employees and house rents in priority basis. The company also gives priority in payment to the directors. But the payments to suppliers is not their priority.

"As a result, we are guessing our payment will be delayed a lot from the JC Penney," said a local manufacturer who supplied \$1.3 million worth of woven garment to JC Penney.

Since the garment exporters are facing an uncertainty in payment from JC Penney, the local suppliers of fabrics are also not receiving the payment.

"I am in a trouble now. Fabrics buyers from my mill have not been paying me in an excuse of deferred payment offers from JC Penney," said an owner of a weaving mill at Madhabdi.

Like him, many other mill owners are in trouble as JC Penney either cancelled work orders or demanded unusual deferred payment of 180 days instead of the 90 days written in the contracts, said the mill owner seeking anonymity.

Some of the factory owners who cater to JC Penney's work orders are still not aware of the latest development of JC Penney as the retailer's local office did not inform them yet.

"I hope JC Penney will pay me timely, as I am a long time supplier for the retailer," said AK Azad, managing director of Ha-Meem, a local leading garment exporter. Azad is one of the major suppliers of garment items to the JC Penney

Ha-Meem usually supplies garment items worth \$25 million to JC Penney in a year.

This time, of the amount, nearly \$12 million worth of garment items are either in the port or in the factory or on the way to JC Penney stores.

"Definitely I am trying to contact the higher ups of JC Penney so that I can get my payment smoothly," Azad told The Daily Star by phone.

"Sometimes the situation turns so bad that the buyer does not reply our mails. This is a very bad time for us," said Abdus Salam Murshedy, managing director of Envoy Group, another leading garment exporter.

Another garment manufacturer seeking anonymity said he is fortunate as he was supposed to make shipment of a few million worth of garment items to the fallen American retailer.

"Now, I will sell the manufactured woven shirts to other buyers if I cannot receive the final payment assurance from JC Penney," he added.

Nearly 100 garment manufacturers from Bangladesh supply \$800 million worth of garment items to JC Penney in a year, suppliers said.

"We have no idea how this will go now. With bankruptcies, we are often left to the courts to settle our cases and it drags on for months and years," said Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"Who will provide us the cushion to mirror western bankruptcies and approach our banks where forced loans will be created against all these shipments that were ready, which got ultimately cancelled and held up and now totally uncertain," Huq said.

The rules that apply for Chapter 11 are unilateral and it will impact Bangladesh as much as creditors of other nationalities, Huq said.

Now private ICDs are being overwhelmed

DWAIPAYAN BARUA, Ctg

To get rid of acute container congestion, the best option for the Chattogram Port Authority (CPA) was to shift a bulk of them to the 19 privately owned inland container depots (ICDs) in the city and its outskirts.

And after repeated persuasion by the shipping ministry and the CPA, the National Board of Revenue (NBR) on April 23 allowed moving all types of import containers to the ICDs, unloading of goods and making the delivery from there temporarily.

Subsequently, the CPA started doing so from April 24 and the move helped noticeably ease the congestion in the Chattogram port.

But now containers are getting piled up at the ICDs, popularly known as off-docks, because of a slow delivery -- in an unwelcome development that can overwhelm them and lead to fresh congestion at the port again.

As of yesterday, 63,251 twenty-foot equivalent units (TEUs) of containers, including import-bound, export-bound and empty, were lying at the ICDs against their combined capacity of 77,700 TEUs.

Up to 94 per cent of the space of four out of the 19 ICDs, have already been occupied.

In the last 22 days to yesterday, 32,051 TEUs of import containers were shifted to the ICDs, which had already been holding 12,500 TEUs before the latest arrival, according to data from the ICDs. Some 24,250 TEUs were released



RAJIB RAIHAN

Containers have piled up at the inland container depot of Esack Brothers in Chattogram. The photo was taken on May 14.

during the period.

Due to space shortage at the ICDs, the shifting of import containers from the port also decelerated in the last four days.

On average, 1,183 TEUs were shifted daily from the port in the last five days against 1,700 TEUs every day in the first two weeks.

"Containers are piling up mainly because of slow delivery," said Md Ruhul Amin Sikder, secretary of the Bangladesh Inland Container Depots Association

(BICDA).

Empty containers are piling up at the ICDs since a good number of them are generated every day after unloading of goods, he said, adding that 38,000 TEUs of empty containers were lying in the ICDs yesterday.

The situation prompted the Bangladesh Shipping Agents Association (BSAA) on Thursday to write a letter to the CPA requesting to speed up the removal of empty containers from the off-docks.

BSAA Chairman Ahsanul Huq Chowdhury alleged importers are not taking the delivery from the ICDs at a good pace.

The CPA sent a letter to the shipping ministry informing it about the situation.

CPA Director (traffic) Enamul Karim also wrote to the Federation of Bangladesh Chambers of Commerce and Industry, the Chittagong Chamber of Commerce and Industry, the Bangladesh Garment Manufacturers and Exporters

PPE, face mask completely tax-free

STAR BUSINESS REPORT

The revenue authority has exempted all forms of tariffs and taxes on import of raw materials of personal protective equipment (PPE) and face masks to facilitate domestic manufacture the gears to fight the pandemic.

The import benefit came a week after the National Board of Revenue exempted value-added tax on local manufacturing

of PPE and surgical face mask in production, trading and supply stages until June 30.

In its notification on May 14, the NBR also offered the zero-duty import benefit for raw materials of PPE, face masks until June 30. The benefit is effective already.

However, only the Industrial Import Registration (IRC) certificate holders, pharmaceutical manufacturers, garment makers and medical instruments

manufacturers will be able to avail the privilege.

The move comes following appeals from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), medical equipment makers and pharmaceutical companies.

The Directorate General of Drug Administration (DGDA) also recommended for the removal of import duty for ingredients of PPE and face

masks to encourage domestic making.

The ingredients of PPE and face masks had attracted up to 89 per cent total tax incidence, said a senior NBR official.

On March 22, the NBR withdrew import tariff on raw materials used in hand sanitisers, coronavirus testing kits and re-agents and on PPE in its bid to increase the supply of the materials to strengthen the capacity of the country to tackle the deadly disease.