Govt move to use surplus funds of state-run firms to spook stock investors: analysts

AHSAN HABIB

The government's decision to use the surplus funds of state-run companies, including listed ones, is eroding investor confidence as the move will reduce profits of the companies, according to market analysts.

"We received a lot of selling orders from foreign investors after the government had passed the bill," said a top official of a leading brokerage house that handles a huge amount of foreign investment in the stock market.

In January, the government passed a bill aimed at bringing a total of Tk 218,839 crore held by state-owned enterprises as surplus funds to the national exchequer for use in various development projects.

Among the state-run companies, the 18 that are listed have a combined Tk 16,236 crore surplus fund, most of which is kept at banks as fixed deposit receipts (FDRs).

However, foreign clients who invested in state-run firms are irked by the sudden development with many having decided to reclaim their stakes in the companies, the official said.

In fiscal 2019-20, foreign investors pulled out Tk 1,399 crore in financing from the stock market, making it the largest withdrawal of funding in any given year, according to data from the Dhaka Stock Exchange.

The government's decision, among others, to utilise surplus funds also affects local investors, he said.

The official also gave the example of the recent tussle between Grameenphone and the Bangladesh Telecommunication Regulatory Commission (BTRC), saying this kind of development puts a negative impact on the market.

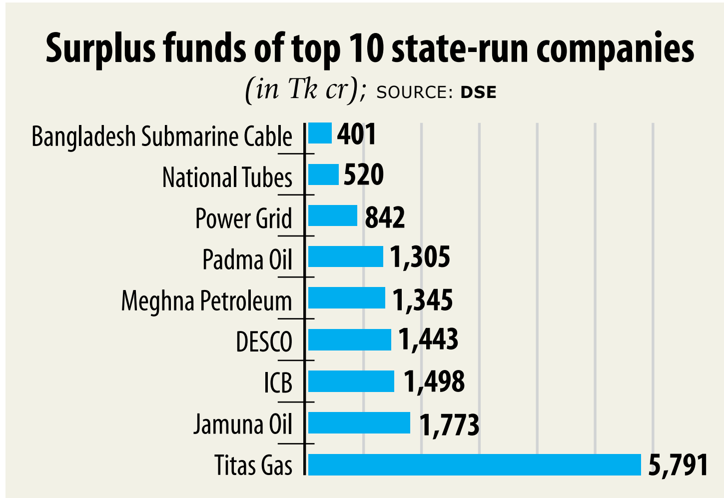
The BTRC claimed Tk 12,580 crore from the country's leading mobile network provider as dues.

Grameenphone, the sole listed mobile operator, was legally compelled to pay a portion of the amount so far.

The telecom regulator also declared the company as significant market power which narrowed its scope for business, the official said.

"If the government takes away the surplus funds of listed state-run companies, then profits for those companies will take a dive as their interest income will decrease," said a top official of a merchant bank preferring anonymity.

Therefore, it would impact the share price of those companies and subsequently, the overall stock market. Besides, it has been observed that listed state-run companies are already under pressure to sell more shares, he added.



"This is not the first time that sudden policy intervention from the government has hit the earnings of both listed companies and the market," he said, using Titas Gas Transmission and Distribution Company as an example.

In 2015, the energy regulator slashed the distribution charges of Titas Gas, a listed company that had a substantial amount of foreign investment at the time.

As a result, the state-run gas utility company lost more than Tk 3,000 crore in market value in the five-month lead up to February 2016.

"We were so disappointed as we had to incur losses. After that, we didn't keep any state-run companies in our portfolio, not even on our watch list," he said.

Sudden policy changes are not beneficial for the stock market; moreover, the government has now passed a bill to take money from listed state-run companies that will seriously dampen the investor confidence, the merchant banker added.

The decision to reallocate those funds will have a negative impact on the stock market since investors finance companies after seeing if said company's FDR breeds huge profits, said Ali Xahangir, chief executive officer of Amarstock.com, a stock market analysis based online portal.

"This is not legal also because investors have a right to the money," Xahangir added.

Meanwhile, a top official of the Bangladesh Securities and Exchange Commission preferring anonymity said no government agency has informed the organisation of the decision to utilise surplus funds of listed state-run companies.

However, since the government did indeed pass the bill, they may access the funds, which could be taken in the form of an advance, he said.

"There is no way to use the listed companies' funds without paying them interest," he added.

The listed state-run companies are: Titas Gas, Usmania Glass, Atlas, Eastern Cables, National Tubes, Renwick Jasneswar, DESCO, Eastern Lubricants, Jamuna Oil, Meghna Petroleum, Padma Oil, Power Grid, Bangladesh Shipping Corporation, Bangladesh Submarine Cable, Shyampur Sugar, Zeal Bangla, Rupali Bank and Investment Corporation of Bangladesh.

Bangladesh fails to tap global PPE market for lack of testing labs

Says Salman F Rahman

STAR BUSINESS REPORT

Local suppliers are incapable of exploiting the full global potential of personal protective equipment (PPE) and face mask markets through exports for a lack of international-standard testing facilities in the local laboratories, said Salman F Rahman, adviser to the prime minister on private industry and investment, yesterday.

"We are trying to create testing facilities soon so that the local manufacturers can export the PPEs and masks in a high volume to grab the global market which has emerged," he said.

"We are in talks with some international testing companies for conducting tests locally."

The government is currently working to conduct tests of the exportable PPEs and masks under the industries ministry's accreditation body, since it has international recognition.

"If we can make our own accreditation body functional, soon we can export the PPEs and masks easily on a massive scale to the international markets," Rahman also said.

Bangladesh produces face masks of level 1 and 2 as per World Health Organization standards. But masks of level 3 and 4 need to be produced as their demand is high in international markets.

"Laboratory tests are a must for exporting the PPEs, masks and gowns of level 3 and 4. So we are trying to set up the testing facilities soon," said Rahman.

He was addressing a virtual meeting organised by the commerce ministry marking the signing of agreements for establishing two technical centres under an Export Competitiveness for Jobs (EC4J) Project.

The coronavirus pandemic has created a market for PPEs, masks, gowns, medical textiles and isolation fabrics worldwide worth a few billions of dollars.

Some local garment manufacturing companies have already started exporting those as demand has soared worldwide.

The adviser was critical of the fact that only the garments sector has been expanding exports every year whereas some other sectors were failing to do so despite receiving cash incentives from the government.

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Indian ship with transshipment goods reaches Ctg port

MOHAMMAD SUMAN, *Ctg*

STAR

The ship -- MV Shejyoti that is carrying Indian goods for its north-eastern states -- arrived at the outer anchorage of Chattogram port Monday night and berthed at a jetty yesterday.

The first ship under the trial run of transshipment of Indian goods to its north-eastern states through Bangladesh berthed at Chattogram port yesterday.

The ship—MV Shejyoti—arrived at the outer anchorage on Monday night and started offloading goods at New Mooring Container Terminal 1 at around 2pm yesterday, said Anamul Haque, director for transport at the port.

The ship left Haldia Port in Kolkata on July 16 with 160 TEUs (twenty-foot equivalent units) of goods.

Four TEUs carrying iron and pulse will be transported to Tripura and Assam of India through Akhaura-Agartala land port and Bangladeshi importers brought the rest 156 TEUs for Bangladesh market.

"There are about 100 tonnes of iron and pulse in four containers. These containers will enter India in four lorries from Chattogram port via Akhaura land port," Yakub Sujan Bhuiyan, managing director of Mango Line Ltd and agent of the ship, told The Daily Star.

But he could not confirm when the goods would leave Chattogram port.

"Customs taxation and unloading activities at the port are being hampered due to the rain. It will leave for Akhaura-Agartala land port any time after customs clearance."

The customs authorities have formed a three-member team to ensure safe journey of the containers to the Indian border from the port by road, said Shariful Hasan, join commissioner of Chattogram Custom House.

Chattogram Custom House will collect seven types of tariffs on Indian goods, as per a letter sent from the foreign affairs ministry of Bangladesh to the High Commission of India in Dhaka on July 5.

The charges include Tk 30 for document processing per consignment, Tk 20 per tonne of goods for transshipment, Tk 100 per tonne as security charge, Tk 50 per tonne as escort charge, Tk 100 for other administrative charges, and Tk 254 per container for scanning. Electric lock and seal fees will be charged as per rules.

The irons in the containers belong to SM Corporation, which will be transported to Jirania in West Tripura and the two other containers of pulse will be transported by Jain Traders to Karimganj in Assam, according to the shipment documents.

Based on the outcome of the trial run, full-fledged transshipment of Indian goods will start through Bangladesh, according to officials.

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Real economic impact can't be assessed for inadequate Covid-19 tests: experts

STAR BUSINESS REPORT

The business community in Bangladesh has been facing difficulties in taking investment decision because of inadequate testing facilities for detecting coronavirus infections, experts said yesterday.

In absence of adequate testing, the real magnitude of the impact cannot be measured, for which local businesses cannot move fast, they said.

Businesses across the world are opening up gradually as they could take decision based on the detection of actual number of patients. For instance, 600,000 tests are being conducted in the US every day whereas in Bangladesh it is only 12,000.

Exporters, businessmen, economists and researchers shared the thoughts at a webinar on 'Macroeconomic adjustments to the Covid-19 pandemic: considerations for Bangladesh', jointly organised by Oxford Policy Management (OPM) and Policy Exchange yesterday.

Josh Chipman, OPM country manager, gave the welcome remarks while the keynote was presented by Stevan Lee, principal economist. Masrur Reaz, chairman of the Policy Exchange, moderated the discussion.

The keynote paper is based on a dynamic macroeconomic model developed by a team of researchers from Oxford University and Oxford Policy Management that helps to look forward through the pandemic to gauge the medium-term impact and paths to recovery.

The study highlights that recovery depends on how the public finances are restored to sustainability.

Just raising taxes and cutting spending makes for a slow recovery. Tax systems are narrowly based and plagued by 'leakages' and exemptions, which distort private investment and drag down growth.

Fragile systems for delivering public services mean that cuts in investment and productive recurrent spending make things worse, according to a statement from the Policy Exchange.

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RAJIB RAIHAN

Displays had to be propped up with plastic crates at the Chaktai-Khatunganj wholesale market in Chattogram as traders tried to get on with their day amidst flooding caused by incessant rains in the past two days. The photo was taken around noon yesterday.

Prime Bank, Computer Samity join hands to finance SMEs in ICT sector

STAR BUSINESS REPORT

Bangladesh's ICT sector will play an important role in diversifying the country's export basket in the coming days, according to Salman F Rahman, the prime minister's private industry and investment adviser.

"The ICT industry will also push forward the fourth industrial revolution in Bangladesh. Besides, the sector has already begun to adopt the revolution amid the Covid-19 pandemic," he said.

Rahman made these comments during a virtual ceremony held yesterday, where the Bangladesh Computer Samity (BCS) and Prime Bank signed a memorandum of understanding (MoU) on their 'Prime Bank-BCS Alliance to Facilitate MSME Financing to ICT Industry' initiative.

Rahel Ahmed, managing director and chief executive officer of Prime Bank, and BCS President Md Shahid-ul-Munir then launched the alliance aimed at providing financial solutions to ICT companies.

The move comes as part of the government's plan to stimulate the growth of small and medium enterprises that create a considerable amount of employment opportunities and put a positive impact on the economy.

Similar support will be extended to the freelancing sector as it has shown potential for gain, Rahman said.

In regards to the IT industry, Rahman said that around 95 per cent of the country's IT entrepreneurs fall under the SME category.

According the prime minister's adviser, Bangladesh Bank will announce another Tk 2,000 crore package, from which BCS members in the SME sector can avail loans.

However, Rahman urged the BCS to ensure that its members do not fail to continue their businesses or become defaulters in the process.

Rahman also showed appreciation for the management at Prime Bank and their continued support for the promising sector, which will contribute to employment generation in the future.

Prime Bank CEO Ahmed said that the lender has provided support for various sectors over the past 25 years but is now giving importance to SMEs, including those in the IT industry.

Ahmed also informed that in the last month or so, Prime Bank has disbursed Tk 5 crore from the previously announced stimulus package as loans for SMEs.

"The ICT hardware and accessories industry holds immense potential to become a game changer for Bangladesh's economy. We are so proud that we have been able to form partnerships with key trade associations in the field of ICT and Information Technology Enabled Services (ITES)," said Ahmed.

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