

SIBL Islamic Credit Card
COVERS THE WORLD AROUND YOU

01929988880-3

star BUSINESS

DHAKA WEDNESDAY AUGUST 29, 2018, BHADRA 14, 1425 BS • starbusiness@thedailystar.net

Profits jump before listing, fall afterwards

Firms show inflated earnings figures during IPOs

AHSAN HABIB

The earnings of 19 out of the 21 textile companies that got listed on the Dhaka bourse between 2010 and 2015 have fallen sharply from the level shown during the initial public offerings.

What is more, four of these companies have become junk because of their poor performance and failure to pay dividends to shareholders.

The scenario is more or less the same for companies that went public in the five years to 2015.

During the period, 67 companies were listed. Of them, the earnings of 48 went lower compared to the prelisting level, according to the latest data of the firms available on the DSE website.

Only 17 were able to make higher earnings per share (EPS) last year compared to the year of the listing. The earnings of one firm remained unchanged while data about one company were not available.

EARNINGS ANALYSIS OF 67 COMPANIES THAT RAISED CAPITAL DURING 2010-15

Sectors	Number of companies	Earnings fall (junks in brackets)	Earnings rise	Unchanged
Textile	21	19 (4)	2	
Engineering	11	8	3	
Pharma	8	5	3	
Power	6*	1	4	
Travel	3	3 (1)		
Food	3	2 (1)	1	
Miscellaneous	3	3		
Cement	2	1	1	
NBFI	2	1 (1)	1	
Insurance	2	2 (2)		
IT	2	1		1
Telecom	1	1		
Ceramic	1		1	
Paper	1	1 (1)		
Service	1		1	

* SUMMIT PURBANCHOL POWER AMALGAMATED WITH SUMMIT POWER.

Ten companies were downgraded to the junk shares category while three closed operations.

The Daily Star did not include in the analysis the companies that raised capital after 2015, as a company needs nearly three years to make profit after getting listed on a stockmarket.

The sponsors of most of the companies bring the shares to the market when they think they have no potential to grow, said Abu Ahmed, a former chairman of the economics department of Dhaka University.

The promoters also go for IPOs when they feel the necessity of raising capital to save themselves from bank loans, he said.

"At the time of IPO, some companies exaggerate earnings information to allure investors. Some do not even bother about doing better business. Rather, they mainly focus on doing share trading and making quick bucks."

READ MORE ON B3

Rice import to drop on higher yield

USDA says on Bangladesh market



SOHEL PARVEZ

Rice imports nosedived in the past two months and the US Department of Agriculture (USDA) predicted total import would dip to 6 lakh tonnes in 2018-19 due to higher production in boro season and reinstatement of import tariff.

The private and public sectors imported 38.92 lakh tonnes of rice in July-June of 2017-18, the highest in the last three decades, according to food ministry data.

Since July of the current fiscal year, 38,060 tonnes of rice grains were imported.

The US agency linked the slumping rice import to the imposition of a 28 percent import duty in July to protect growers.

"Due to bumper boro rice production, the paddy price at the farm gate fell, causing significant financial loss for farmers," said the USDA Foreign Agriculture Service in its Bangladesh Grain and Feed Update, released in the middle of this month.

"Understanding the situation, the government of Bangladesh took a quick initiative to protect farmers from lower market prices of paddy," it said.

READ MORE ON B3

Junk stocks still rule gainers' chart

STAR BUSINESS REPORT

Junk stocks still dominate the chart of the top gainers of the premier bourse although the exchange took some tough measures against them weeks ago.

The Dhaka Stock Exchange (DSE) last month delisted two junk stocks - Rahima Food Corporation and Modern Dyeing & Screen Printing Ltd.

On August 5, it decided to review the business potential of 15 companies and even could delist them if there was no prospect of profitability.

Despite all this, junk stocks continue to witness an upward trend in the stock exchanges for the last couple of days, whereas the companies

themselves say they are not in a position that could prompt the share prices to rise.

"Our company could not achieve any financial development because of a shortage of working capital," Samata Leather Complex, one of the junk stocks, said through the DSE website.

"But we have observed a recent unusual trend in share prices although we took no decision that could have initiated an abnormal price rise," it said.

Despite the statement, Samata's share prices soared 6.18 percent yesterday. In addition, many junk stocks made their way into the top 10 gainers list of the DSE.

Of them, Jute Spinners gained 9.91

percent, Zeal Bangla Sugar Mills advanced 8.01 percent, Savar Refractories was up 7.43 percent, Dulamia Cotton Mill rose 6.7 percent and Shurwid Industries added 6.69 percent.

The benchmark index of the bourse, DSEX, rose 34.44 points, or 0.61 percent, finishing the day at 5,619.41.

Turnover, one of the important indicators of the market, soared 14.98 percent to Tk 611.17 crore, with 17.13 crore shares and mutual fund units changing hands.

Of the traded issues, 137 advanced and 148 declined with 48 securities closing unchanged.

READ MORE ON B3

Police to get banking licence

STAR BUSINESS REPORT

Bangladesh Bank has decided to give approval for one more commercial bank to be set up despite opposition from different corners.

The central bank's board yesterday settled on giving Bangladesh Police Welfare Trust the go-ahead to take required procedural measures to set up the company for the proposed Community Bank Bangladesh.

Bangladesh Police Welfare Trust, a concern of Bangladesh Police, had applied to Bangladesh Bank on May 23 for a licence to set up the new Community Bank Bangladesh, to be owned by Bangladesh Police.

BB Governor Fazle Kabir presided over yesterday's meeting at the central bank headquarters in the capital.

With this new one, the number of scheduled banks in the country will stand at 59.

Prime Minister Sheikh Hasina had earlier agreed to allow Bangladesh Police to set up a new bank if they could arrange Tk 400 crore as paid-up capital.

A BB official told The Daily Star yesterday that the central bank would communicate with Bangladesh Police Welfare Trust in one or two days asking it to submit a business plan on how to operate the proposed bank.

The managing director of the pro-

posed bank will have to present the business plan before the central bank's board.

The central bank gave the approval or the "letter of intent" for the proposed bank at a time when the country's banking sector is plagued with financial irregularities and bad loans.

At March's end, the total amount of default loans in the banking sector stood at Tk 88,589 crore, up from Tk 74,303 crore at the end of December 2017. Approval for two more commercial banks -- Bengal Bank and People's Bank -- is in the works, said the BB official.

READ MORE ON B3

Export to cross \$60b by 2021: Tofail

STAR BUSINESS REPORT

Bangladesh's export figure will cross the \$60 billion mark by 2021 thanks to the presence of high quality diversified products in the export basket, Commerce Minister Tofail Ahmed said yesterday.

Bangladesh shipped only 25 kinds of products worth Tk 787 crore in 1972, just after the independence of the country, he said.

The country exported 700 different kinds of products to 199 countries worth \$41.5 billion last fiscal year, of which \$37 billion came from the export of commodities and the remaining from the services sectors, Ahmed said.

Being the second largest garment exporter in the world, Bangladeshi manufacturers shipped \$30.66 billion worth of apparel items last fiscal year, Ahmed said.

The minister spoke at a function on "Bangladesh's political economy (1952-2041) and the relevance of National Mourning Day" organised by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at its office in Dhaka.

Shafiqul Islam Mohiuddin, FBCCI president, chaired the function, moderated by Sheikh Fazle Fahim, vice president, where busi-



Commerce Minister Tofail Ahmed addresses a discussion on "Bangladesh's political economy (1952-2041) and the relevance of the National Mourning Day" organised by the Federation of Bangladesh Chambers of Commerce and Industry at its office in Dhaka yesterday.

nessmen, researchers, economists and lawmakers were also present.

The minister also praised the quality of the products of the country's emerging pharmaceuticals sector. He said the local producers meet 98 percent of the local

demand for medicine and also export the items to 100 countries.

If the sustainable development goal is implemented properly, the rate of extreme poverty in Bangladesh would come down to less than 3 percent by 2030, Ahmed

expected.

The economy will be buoyant as the government has been implementing some mega projects like the Padma bridge, Payra sea port and power plants.

READ MORE ON B3

LUCK থাকলে লাখপতি

রাংস টোশিবা চলছে অমজমাট কোরবানীর হাট। এই ঈদে রাংস টোশিবা থেকে ইলেক্ট্রনিক্স পণ্য কিনে এসেজমাস করে জিতে নিন লাখ টাকাসহ আকর্ষণীয় সব গিফট।

For details 16607

Nestle, Starbucks wrap up \$7.15b licensing deal

REUTERS, Zurich

Nestle and Starbucks said on Tuesday they had concluded their licensing deal for the Swiss food giant to market the US coffee maker's packaged coffees and teas around the world.

The \$7.15 billion deal grants Nestle perpetual rights to sell Starbucks products such as Starbucks, Seattle's Best Coffee and TeavanaTM/MC outside of the US company's coffee shops, and will result in about 500 Starbucks employees shifting to Nestle.

2018 HSBC Export Excellence Awards

As the leading international bank, HSBC seeks to promote trade by recognising exporters who have made great contributions to Bangladesh's economy by growing the 'Made in Bangladesh' brand across the globe.

Nominations for the 8th HSBC Export Excellence Awards are now open across five categories:

- Ready Made Garments
- Supply Chain and Backward Linkage (Apparel)
- Traditional and Emerging Sectors
- Small and Medium Enterprise
- Import Substitution

Timeline of submitting nominations has been extended and will close on 4 September 2018, we look forward to receiving your entries.

For more information, visit www.business.hsbc.com.bd/eea or call 01711295060

HSBC Together we thrive