



Farmers have started harvesting jute in full swing since July's end. They say prices are good this year, hovering around Tk 2,500 per maund. For the first time since Bangladesh's independence, none of the natural fibre will be bought by the world's largest state-owned jute goods maker and exporter, Bangladesh Jute Mills Corporation, which shuttered last month. Yet, farmers have increased their area of cultivation by 8 per cent this year to 7.20 lakh hectares, showed data from the Department of Agricultural Extension. Public and private mills consume more than 60 lakh bales of raw jute to make yarn/twine, sacking and hessian products, mainly for the export market, said industry operators. And 14 lakh bales of raw jute are exported annually. The photos were taken in Tangail last week.

SK ENAMUL HAQ



# State firms call for guidelines on how to set the value for share money deposit

AHSAN HABIB

Listed firms have called upon the regulators to introduce guidelines on how to set the share value that the companies have to issue against share money deposit.

Share money deposit is the money paid in exchange for shares that have not been acquired yet.

The Financial Reporting Council (FRC) recently detected that in fiscal 2018-19 alone, the government missed out on at least Tk 1,155.5 crore in dividend against Tk 6,652.6 crore the companies showed in their "share money deposit" accounts as the government's investment.

Based on the findings, the watchdog for financial reporting and auditing practices has asked the companies to issue the shares within six months.

Until fiscal 2018-19, the government invested Tk 6,652.6 crore in Bangladesh Submarine Cable Company (BSCCL), Titas Gas, Power Grid Company, Meghna Petroleum, Rupali Bank and Dhaka Electric Supply Company and the amount was shown as share money deposits in the companies' financial reports.

The companies' share money deposits amounted to Tk 4,775.5 crore in fiscal 2017-18 and Tk

3,815.8 crore in fiscal 2016-17 respectively.

"The main problem is when the government had provided the money it did not specify anything as to when the share should be issued and what would be the share value," said a top official of the BSCCL preferring anonymity.

Last week, the company sought a guideline from the FRC on how to set the share value that would be issued to the government against the share money deposit.

The government did not mention anything about the share issue price: whether it would be issued at face value or market value or based on something else.

So, there should have been a guideline, the official said.

"Now, if we consider the money as capital as per the FRC order then our earnings per share would fall, which would impact the general investors. So, we need to take approval from them first," he added.

If the companies issue the shares at face value, then the number of shares would increase heavily and it will reduce their earnings per share and thus affect dividends, said Md Moniruzzaman, managing director of IDLC Investments, a merchant bank.

## GOVT'S LOST DIVIDENDS FROM LISTED STATE COMPANIES IN THE 2018-19 FINANCIAL YEAR

(SOURCE: FRC)

Power Grid	Tk1,014.20cr
DESCO	Tk69.5cr
Titas Gas	Tk37.8cr
Bangladesh Submarine Cables	Tk26.6cr
Meghna Petroleum	Tk7.4cr

The price might be set by considering the average share price of the last six months, which was seen in some cases before, he added.

"We do valuation based on a company's cash flow and earnings per share, which gives a clear picture of a company's financial strength," said Khairul Bashar Abu Taher Mohammed, chief executive officer of MTB Capital, another merchant bank.

It also should be taken into account how the earnings of a company are compared to its equity or assets, he said, adding that it gives an idea of how

efficiently the assets are used.

But if the shares are issued at face value, it would be a big blow for the general investors, Mohammed said.

"We are carrying out analysis on what would be the valuation process for share issuance," said Sayeed Ahmed, executive director of the FRC.

It might be based on net asset value and the preceding year's share prices compared with the earnings per share.

"On the other hand, companies can issue preference shares. Then the number of shares would not rise and the earnings per share

would not be affected," Ahmed added.

Those shares are distributed to preferred people by not issuing new ordinary shares and the holders of preference shares get the dividend at a fixed rate before any dividend is paid to other classes of shareholders.

IDLC's Moniruzzaman said if the companies issue preference shares at higher yield rates then the companies' payment obligation will rise, so again the general investors will suffer.

So, the yield rate might be fixed considering the dividend yield, he added.

The dividend yield is a ratio that shows how much a company pays out in dividends each year relative to its stock price.

There are 19 government-owned companies listed with the bourses and most of them have share money deposits, according to the Dhaka Stock Exchange data. Among them, BSCCL sought 14 months to complete the share issuance.

The company has been facing an audit claim of Tk 8.6 crore from Foreign Aided Projects Audit Directorate, which needs to be settled first to get the actual amount of share money deposit.

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# Ceramic industry breathes easier as sales start picking up

JAGARAN CHAKMA

Bangladesh's ceramic industry have enjoyed some relief from the coronavirus fallout in the past two months as domestic sales are showing signs of some recovery following the collapse in demand caused by the nationwide shutdown.

"Although the business is still uncertain, I am optimistic about the industry's future," said MA Jabbar, managing director of DBL Ceramics.

Exports dropped by around 60 per cent after the coronavirus outbreak was labelled a pandemic by the World Health Organisation in March as the demand for ceramic products declined in the global market.

As all economic activities were put on hold during the two-month general holiday that ended on May 30, the sector fell into trouble.

## CERAMICS INDUSTRY AT A GLANCE

- Market size: Tk **35,000cr**
- Demand increasing at **20%** every year
- Meets **80%** of local demand
- Active factories: **68**
- Total investment: about Tk **9,000cr**
- Export earning in FY20 \$**27.97m**

The industry could fetch just \$27.97 million from the export of ceramic products in fiscal 2019-20, down 59.45 per cent from the previous year.

In fiscal 2018-19, local manufacturers shipped about \$68.97 million in ceramic goods to more than 50 destinations, including the US, the UK, Canada and a few EU and Latin American countries, according to data from the Export Promotion Bureau.

This was a 32.79 per cent increase in exports compared to the fiscal year of 2017-18, when the sector brought home \$51.94 million.

However, the upward trend in sales witnessed in the past may not return as quickly as hoped due to the global impact of the ongoing coronavirus pandemic, Jabbar said.

"Business scenario might have improved but it is yet to regain its previous momentum and thereby uncertain remains."

According to the entrepreneur, ceramic manufacturers received funds from the government's stimulus packages to continue operations but they require further financing at the moment to expand and contribute towards export diversification.

He demanded policy support to help increase investment in the sector as it would generate economic growth and job opportunities.

"Businesses do not enjoy cutting back on their operations. Instead, they try to find innovative ways to recover losses. So, they need policy support," Jabbar said.

Avenue Sangma, brand manager of Tilottoma Ceramic & Sanitary Ware, the sole distributor of Toto, a high-end Japanese sanitary ware producer, said his company's products cater largely the well-off, so there is little possibility for a sharp decline in sales.

If the current demand persists, it will help the company survive the ongoing economic crisis, Sangma said.

However, several reputed real estate developers who source products from Tilottoma have yet to resume making bulk purchases.

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# The animal waste that is earning crores for many

Omasum, a compact spherical organ of cattle that most don't bother with, is actually raking in crores for 12 businesses in Bangladesh.

Each year, the organ, which is widely consumed in China, Hong Kong, Thailand and Vietnam, fetches more than Tk 250 crore in export receipts.

But this year, the ongoing pandemic has changed the scenario, said Abdur Razzak, manager of Vivid Group, which makes about Tk 40 lakh in profit by sending frozen omasums.

Omasum of more than 1 kilogram normally cost Tk 350.

Before preservation, they are cleaned and salted. The exporters then wash off the salt and get rid of the unnecessary parts and freeze those in small packets for sending abroad.



RAJIB RAHMAN