

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.32%	▲ 0.49%	\$1,823.26	\$72.50	▲ 0.29%	▲ 1.83%	▲ 0.56%	▲ 1.12%	BUY TK 84.25	98.87	115.68	12.78
7,075.49	12,385.79	(per ounce)	(per barrel)	58,296.91	29,659.89	3,101.08	3,621.86	SELL TK 85.25	102.67	119.48	13.44

# star BUSINESS

DHAKA TUESDAY SEPTEMBER 7, 2021, BHADRA 23, 1428 BS ● starbusiness@thedailystar.net

## Spinners on an expansion spree

### Apparel orders staging a strong comeback

*Aim to capture greater share of growing domestic market*

REFAYET ULLAH MIRDHA

The spinning industry in Bangladesh is witnessing massive investment as local entrepreneurs are either expanding their production capacities or setting up new units as the demand for garment raw materials is rising.

Local spinners have a combined capacity to process 13.43 million bales of cotton each year. But due to various drawbacks, they are unable to run at full steam.

As a result, the mills currently manage to make use of 8.5 million bales of cotton annually, shows data from the Bangladesh Textile Mills Association (BTMA), a platform for entrepreneurs from the primary textile sector.

“Just earlier this year, around Tk 1,900 crore was invested in the spinning industry despite the ongoing coronavirus pandemic,” said Monsoor Ahmed, chief executive officer of the BTMA.

Three new spinning mills will go into operation within the next two years, while some of the existing millers plan to expand their capacities to meet the growing demand.

As such, the industry will be able to process 16 million bales of cotton within the next two years, Ahmed said.

The addition of the new spinning capacity will raise the investment in the primary textile sector to nearly \$11 billion from \$10 billion.

Of the investment, 75 per cent is in the spinning segment, while the remaining 25 per cent is divided amongst the weaving, dyeing, finishing and sizing segments.

“We get a lot of queries from the local garment sector for yarn and fabrics, and so BTMA members are investing a lot to increase the production of the raw material,” Ahmed said.

Shorter lead-time, improved quality, and private consumption are pushing the domestic demand for yarn and fabrics higher.

For instance, if local garment exporters import yarn and fabrics from countries such as China and India, it will take at least



PHOTO: COLLECTED

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#### SPINNING SECTOR BRIEF

- Present spindles: **13.43m**
- Spindles to be added: **1m**
- Fresh investment made in 2021: **Tk 1,900cr**
- Current yearly cotton and other fibres processed by spinners: **2m tonnes**
- Yearly yarn consumption: **2.2m tonnes**

all the yarn as we have a lot of work orders from international buyers,” Jabbar said.

Currently, DBL Group’s Matin Spinning Mills Ltd produces 60 tonnes of yarn per day for its own consumption.

“We can install an additional two million spindle capacity even in the next one year,” said Mohammad Ali Khokon, president of the BTMA.

Md Wahid Mia, managing director of Karim Tex Ltd, says he is investing Tk 676 crore to produce 80 tonnes of yarn a day by 2023 to sell to export-oriented garment manufacturers.

Mahin Group is investing nearly Tk 500 crore to produce 60 tonnes of yarn per day by 2023.

The factory’s spindle capacity will be 55,000, said Abdullah Al Mahmud Mahin, chairman and managing director of the group.

“The local demand for yarn is robust now,” said KM Rezaul Hasanat, chairman and CEO of Viyellatex Group.

He has installed additional spindle capacity to take it to 1.32 lakh spindles from 42,000.

“I am running at full production capacity to meet the demand for yarn,” said Hasanat, adding that more work orders were coming from China as well.

*“Demand for comfortable knitwear items worn at home is greater than that of woven items because of people staying inside their residences for longer periods for the Covid-19 lockdowns”*

Many western buyers are also relocating work orders from China to Bangladesh and Vietnam as the production cost has gone up in the world’s second-largest economy.

Narayanganj-based Kappa Fashion Wear Ltd has received nearly 25 per cent higher work orders from its buyers for the next season.

The company mainly ships T-shirts and polo shirts. The pandemic has forced it to cut production by half.

Before the pre-pandemic, it used to export garment items worth Tk 100 crore per month. The receipts stand at Tk 75 crore per month now.

“But business is making a revival now,” said Ahmed Fazlur Rahman, chairman of Kappa Fashion Wear.

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## Sanofi staff demand benefits before Beximco handover

STAR BUSINESS REPORT

Employees of Sanofi Bangladesh (SBL) yesterday demanded that the French multinational clear paying all employee benefits before its handover to Beximco Pharmaceuticals was completed.

Bangladesh Bank recently gave the nod for Beximco to acquire 54.6 per cent of Sanofi Bangladesh’s stakes for about Tk 400 crore.

The industries ministry holds another 25.36 per cent stake while Bangladesh Chemical Industries Corporations 19.96 per cent.

Operating here since 1958, Sanofi made the sale intent public last January.

At a press conference in Economic Reporters Forum, Sanofi Bangladesh Workers-Employees Association alleged that the French multinational was exiting the country without paying any employee benefit.

The employee benefits would amount to at least Tk 100 crore, said the association general secretary, Sanjib Kumar Chakraborty.

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## SMEs can now raise up to Tk 30cr from capital market

*SME Foundation, DSE sign MoU*

STAR BUSINESS REPORT

SME Foundation yesterday signed a memorandum of understanding (MoU) with Dhaka Stock Exchange (DSE) to help small and medium enterprises (SMEs) raise up to Tk 30 crore in funds from the capital market for expanding their businesses.

“This opportunity will undoubtedly usher in a new era for the SME sector,” said Md Mafizur Rahman, managing director of SME Foundation. He and Tarique Amin Bhuiyan, managing director of the DSE, signed the agreement on behalf of their respective organisation.

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## Is stock market overvalued?

AHSAN HABIB

There is an ongoing debate in the share market whether securities on the Dhaka Stock Exchange (DSE) are overvalued as the benchmark index shows no signs of slowing down after hitting the historic high last month.

The DSEX even surged past 7,000 points for the first time on Sunday.

Many analysts say the market is not overvalued as the average price-to-earnings (PE) ratio is hovering around 20. They, however, say that some stocks have become overpriced.

PE ratios are used by investors and analysts to determine the relative value of a company’s shares.

When a company’s PE ratio is lower than 15, it is considered investible. If it ranges between 16 and 25, the investment decision is called moderately risky.

When it goes past 25, it is usually considered a risky bet.

Among 309 companies listed on the DSE, 27 companies have a PE ratio of more than 100. It ranges between 25 and 99 for 94 companies. There are 121 companies whose PE is lower than 25, data from DSE showed. Sixty-seven firms are in the red, so their PE ratio is not positive at all.

“In general, our stock market is not overvalued,” said Faruq Ahmad Siddiqi, a former chairman of the Bangladesh Securities and Exchange Commission (BSEC).

“Many stocks are still reasonable, and most of them are good companies.”

However, the market is distorted because there is price manipulation involving many stocks, particularly small companies, which are highly overvalued.

The PE ratio is not the last word in evaluating a stock. Many other criteria determine whether an issue is overvalued. However, an extremely high PE ratio indicates

higher risk.

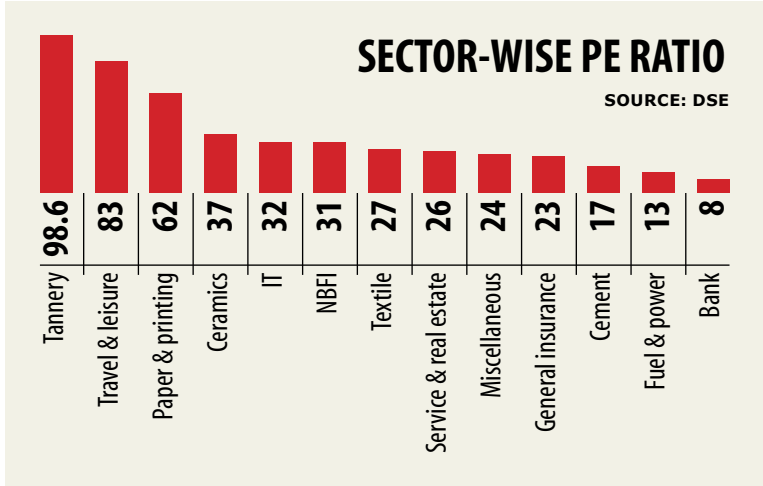
The valuation of a stock using the PE ratio might not be right all the time because it does not depict the real scenario, according to analysts.

For example, if a company incurs losses suddenly but has the potential to make profits, then the PE ratio does not work.

On the other hand, if a company makes a lot of profit from the stock market, the PE ratio would be lower. However, the stock might be risky, they said. The BSEC does not permit borrowing for a stock if its PE ratio crosses 40.

“If the policy is taken into consideration, the market is not overvalued yet as its PE ratio stands at around 20,” said Prof Mohammed Helal Uddin, a professor of the economics department at the University of Dhaka.

If adjusted for inflation, the DSEX rising to 8,000 points would still be okay if it is compared



with the 2007 level, the period before the 2008-09 bull-run and subsequent crash.

“So, the time has not come to say the present index is overvalued,” Uddin said.

“But some sectors and low paid-up capital-based stocks are overvalued. So, investors should invest after

analysing them properly.”

The stock market was very low when the coronavirus pandemic hit the country, so the rise of the prime index to the previous higher level should also be considered normal, he said.

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PHOTO: AMRAN HOSSAIN

**A group of investors are looking at a screen displaying the prices of shares at a brokerage house in Dhaka yesterday.**

## Stocks keep creeping up

STAR BUSINESS REPORT

Stocks rose for five consecutive days yesterday, taking the main index of the premier bourse to a new high.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), added 22 points, or 0.32 per cent, to close at 7,075.

The DS-30, the blue-chip index, gained 12 points to 2,546. These are the highest levels reached by both indices since their inception in 2013.

Their ascent has not put off general investors from buying shares as their confidence is high, said a top official of a brokerage firm.

Institutional investors are almost on the sidelines, he said, adding that investors needed to be careful.

“Investors should invest only in good companies whose earnings are strong, but prices are lucrative.”

Turnover, an important indicator of the market, rose to Tk 2,901 crore, which was Tk 2,868 crore the day before.

On the DSE, 154 stocks advanced, 184 fell, and 30 remained unchanged.

Many companies with subpar performance saw their share prices rise abnormally in the last few months, and investors are rushing towards them, said a merchant banker.

“These stocks will be risky because the increase resulted from manipulation.

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