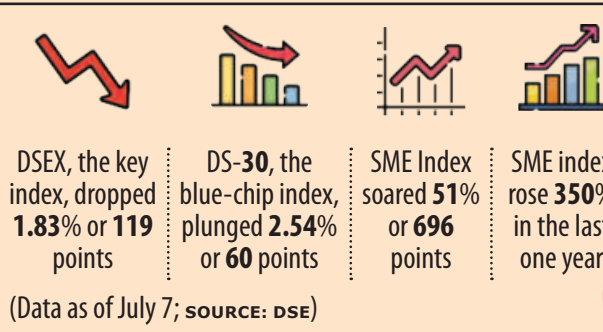


Star BUSINESS

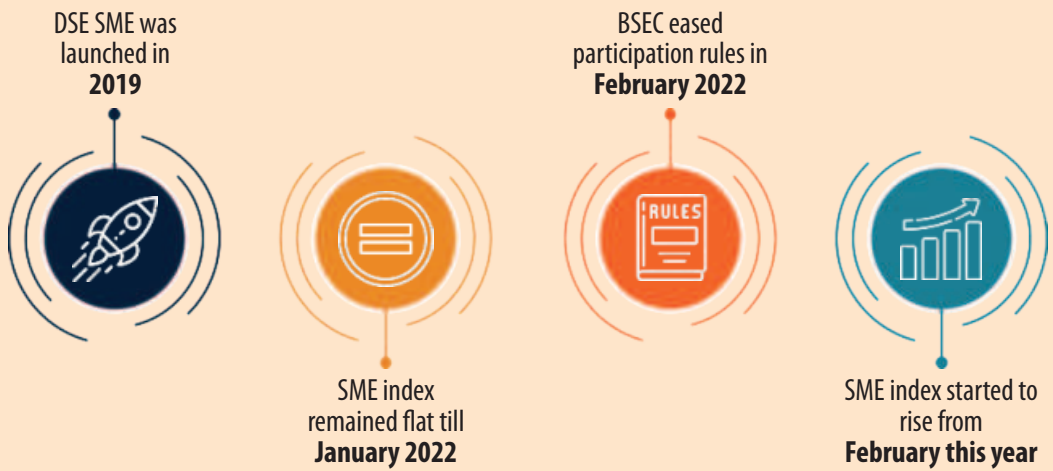
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DSE INDICES IN LAST ONE MONTH



SME BOARD: TIMELINE



BSEC STEPS SO FAR

- Relaxed rules for general investors for buying and selling of shares
- Lowered investment limit to Tk 20 lakh from Tk 50 lakh
- Now no permission needed to trade on SME board

UNUSUAL PRICE HIKE

Little-known five SMEs' share prices are over Tk 50 while 10 reputed blue-chip companies traded lower than that

Rise in stock prices of listed SMEs

Company	Change in %
Mamun Agro	50
Master Feed Agrotec	66
Oryza Agro	68
Krishibid Feed	57
Krishibid Seed	70
Mostafa Metal	59
Apex Weaving	84
Wonderland Toys	51
BD Paints	366
Bengal Biscuits	17
Nialco Alloys	51
Star Adhesives	33

SME stocks fly high but giant firms struggle

Analysts pointing fingers at speculations and rumours

AHSAN HABIB

Shares of small capital-based companies surged abnormally on the Dhaka Stock Exchange (DSE) in the past month whereas the benchmark index of the premier bourse of Bangladesh, as well as blue-chip securities, has been in a bearish mood.

It is understandable why the wider market is falling: economic uncertainty is deepening owing to the Russia-Ukraine war, supply chain woes, runaway inflation, and re-surfing coronavirus infections. And there is no end to the crisis in sight.

But the abnormal rise of SME stocks is raising questions and analysts are pointing their fingers at speculations and rumours.

The DSEX, the key index of the DSE, dropped 1.83 per cent, or 119 points, in the last one month. The DS 30, the blue-chip index representing reputed companies, plunged 2.54 per cent, or 60 points.

However, the SME Index soared 51 per cent, or 696 points. In fact, the index, which consists

of 12 little-known companies, rocketed 350 per cent in the last one year.

The DSE-SME, the small-cap board, was rolled out on April 30, 2019, in order to allow small and medium enterprises (SMEs) with a paid-up capital between Tk 5 crore and Tk 30 crore to raise funds from the stock market.

The move was applauded by analysts since most SMEs in Bangladesh don't have adequate access to finance although there are 78 lakh such enterprises in the country and they collectively contribute about 25 per cent to the gross domestic product.

Since then, shares of Bengal Biscuits, Star Adhesives, Nialco Alloys, Wonderland Toys, BD Paints, Apex Weaving and Finishing Mills, Krishibid Seed, Mostafa Metal Industries, Krishibid Feed, Mamun Agro Products, Oryza Agro Industries, Master feed Agrotec, and Himadri Ltd have been trading on the board.

Taking into account the risks usually faced by SMEs, the Bangladesh Securities and Exchange Commission (BSEC)

actually had planned not to allow general investors to trade on the new board without prior permission. Individual investors with a stock market investment of at least Tk 50 lakh had to take approval to buy and sell SME stocks.



But the prices of SME shares had remained low due to the thin presence of general investors, and most of the shares were in the hand of institutional investors. This is opposite to the share ownership structure of the DSE where general investors account for 80 per cent of the total turnover, while institutional investors represent the rest 20 per cent.

This led institutional investors -- asset management companies, brokerage houses, merchant banks, mutual funds, pensions, and insurance companies -- to urge the BSEC to relax rules to pave the way for general investors to take part in the buying and

selling of the shares. Subsequently, the regulator issued a circular in February this year, saying if an investor has an investment of Tk 20 lakh in the market, they will not require any permission to trade on the SME board.

The changes gave the institutional investors the opportunity to sell the stocks as many general investors rushed to

them by paying heed to rumours and speculations.

Since the listed SMEs have offloaded a small number of securities, speculations often do the rounds that their price would rise further, wooing gullible general investors, said a top official of a stock brokerage firm.

For example, Himadri Ltd, which runs six potato cold storage units in the northern part of Bangladesh and is a subsidiary of Ejab Group, has offloaded 11,775 shares, the lowest among the listed SMEs. BD Paints, a paint manufacturer, floated the highest number of shares, at about 4.24 crore, data from the DSE website showed.

"The trading pattern on the SME Board looks unusual because a daily rise of 8 per cent to 10 per cent is not justifiable," said the stockbroker.

Of the 12 SMEs listed, six companies rose more than 9 per cent on July 7, the last trading day before the Eid holidays. The companies are Bengal Biscuits, BD Paints, Mostafa Metal Industries, Master Feed Agrotec,

READ MORE ON B3

\$350m set to enter forex market

BB moves to boost dollar supply

MD FAZLUR RAHMAN

The central bank yesterday beefed up its efforts to increase the supply of US dollars as the foreign exchange market of Bangladesh is facing acute shortages of American greenback amid the yawning gap between imports and exports.

As part of its measures, the Bangladesh Bank asked banks to encash 50 per cent of the balance held in exporters' retention quota (ERQ) accounts immediately and revised downwards the limit.

Currently, there is \$700 million in the ERQ accounts of exporters. The fresh move from the BB will enable the injection of \$350 million into the foreign currency market instantly, said a central banker.

In Bangladesh, exporters are allowed to keep a portion of their earnings in the ERQ accounts to settle back-to-back letters of credit liabilities without facing exchange losses.

But the central bank, in a notice, said the retention of foreign currencies in such accounts for a longer period without using them is a cost to exporters since deposits in the taka bear adequate yield.

In view of the situation, it has been decided that banks will encash 50 per cent of the balance of the accounts immediately, said the BB.

It also revised the retention limit out of realised export proceeds, bringing them down from 15 per cent, 60 per cent and 70 per cent to 7.50 per cent, 30 per cent and 35 per cent, respectively.

The new limit will remain valid till December 31 this year.

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ACI, Dabur part ways

STAR BUSINESS REPORT

Advanced Chemical Industries Ltd (ACI) has decided to terminate its joint venture with Dabur International Ltd to accelerate its own business, according to a senior official of the company.

As ACI's portfolio includes some products, such as juice and honey that are in common with those of Dabur, the local conglomerate has decided to market its own goods rather than those of the Indian multinational, he said.

Dabur produces a wide range of food items that were distributed through the channels of its local subsidiary, Asian Consumer Care, which was partly owned by ACI.

Other than food items such as Dabur Honey, Dabur Chyawanprash, Asian Consumer Care also marketed the company's personal care products, including Dabur Amla Hair Oil, Dabur Vatika Hair Oil, Vatika Shampoo and Dabur Vatika Face Pack.

ACI's board of directors approved the termination of its joint venture agreement dated July 5, 2003, with Dabur International, formerly known as Redrock Ltd, the company said in a filing on the Dhaka Stock Exchange yesterday.

ACI will sell its entire stake of 24 per cent in the share capital of Asian Consumer Care Ltd involving Tk 60 crore to expand its operations.

The local company invested about Tk 11.5 crore in Dabur. Asian Consumer Care was making profits of around Tk 10 crore on average in the last few years. However, its profit was Tk 2 crore in the last financial year.

Stocks of ACI Ltd rose 0.32 per cent to Tk 279 at the DSE yesterday.



With just days having passed since the recent Eid-ul-Azha celebrations, vegetable traders across Dhaka are yet to see an adequate customer turnout as people are yet to return to their daily lives. The photo was taken yesterday from Hatirpool, a major market for groceries in the capital.

PHOTO: PALASH KHAN

Sandhani readies tax-efficient mutual fund

STAR BUSINESS REPORT

Sandhani Asset Management is all set to launch the country's first no-dividend mutual fund, which is the most tax-efficient investment tool of its kind.

Mutual funds pool money from investors to channel it into securities such as stocks, bonds and other assets. Investors are then paid their share as dividends depending on the profits earned.

When fund managers provide their unit holders with a certain percentage of dividend, 10 to 15 per cent tax is deducted from the investors' shares.

But since there is no tax on capital gain, Sandhani Asset Management decided to introduce a fixed-income mutual fund that bears no dividend.

As such, investors can

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STOCKS	
DSEX ▼	CSCX ▼
Flat 6,324.50	0.10% 18,595.40

COMMODITIES	
Gold ▼	Oil ▼
\$1,711.24 (per ounce)	\$94.12 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.18% 53,416.15	▲ 0.62% 26,643.39	▼ 1.22% 3,090.63	▼ 0.07% 3,281.74

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