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Star BUSINESS

COMPANIES WITH HIGHEST ACCUMULATED LOSSES

As of September 2022;

SOURCE: SHANTA ASSET MANAGEMENT

Company	Accumulated loss	Rise in share price (last 3 months)
ILFSL	Tk 3,436cr	39%
ICB Islamic Bank	Tk 1,870c	15%
BIFC	Tk 769cr	93%
Shyampur Sugar	Tk 562cr	26%
Zeal Bangla Sugar	Tk 496cr	17%

REASONS OF LOSS

- Low competitiveness
- Loan default by borrowers
- Sponsors' inefficiency
- Low asset quality
- Irregularities

"The shares are rising only because of manipulation, and manipulation is taking place through the spread of rumours that the companies' earnings will bounce back in the upcoming dividend declaration period."

Mohammad Musa
A faculty of business administration at United International University

Shares of loss-making firms rise abnormally

AHSAN HABIB

Five listed companies that have an accumulated loss of at least Tk 500 crore each saw their share price rise sharply in the past three months, whereas the stocks of the top profit-makers fell.

Among the highest loss-incurring firms, International Leasing and Financial Services Ltd (ILFSL) topped with Tk 3,436 crore.

The accumulated loss of ICB Islamic Bank, Bangladesh Industrial Finance Company Limited (BIFC) Shyampur Sugar Mills, and Zeal Bangla Sugar Mills was Tk 1,870 crore, Tk 769 crore, Tk 562 crore, and Tk 496 crore respectively, data compiled by Shanta Asset Management showed.

ILFSL shares rose by 39 per cent in the three months to September 20, while shares of ICB Islamic Bank rocketed 15 per cent, BIFC was up 93 per cent, Shyampur Sugar Mills went up 26 per cent, and Zeal Bangla Sugar Mills advanced by 17 per cent, according to the Dhaka Stock Exchange (DSE).

Analysts attribute the mismatch to manipulation and say such a trend would drive the real investors out of the stock market in the long run.

"These shares are rising only because of manipulation," said Mohammad Musa, a professor of the business administration department at the United International University.

"Manipulation is taking place through spreading of rumours that the earnings of the companies' will bounce back in the upcoming dividend declaration period."

When the prices of certain issues go up and general investors buy them, the manipulators go for the sell-off and take a quick profit, said Musa, who has several publications on the stock market in Bangladesh.

"However, financially strong and stable companies are not rising keeping in pace with weak firms as our investors are also chasing the securities that are part of the manipulation."

During the three-month period, the shares of the profit-making companies fell.

Walton Hi-Tech Industries has reserves and surplus funds of Tk 9,042 crore and it has been making profits every year. However, its stocks dropped 4.4 per cent in the past three months.

Stocks of Square Pharmaceuticals, which is sitting on a reserve of Tk 7,999 crore, fell 4 per cent.

Grameenphone, United Power, and British American Tobacco Company are also logging huge profits and have more than Tk 2,500 crore in reserves.

But the shares of Grameenphone, United Power, and British American Tobacco were each down 7 per cent, 6.37 per cent, and 5.50 per cent.

When the share of sound companies fell, it has a huge impact on the confidence level of investors and they don't want to stick to such a market situation, said Prof Musa.

"Such a situation prompted real investors to shift their funds to other securities and other assets such as land."

The companies that perform well and make significant profits year after year are mostly blue-chip firms where foreign investors have a huge stake, said Mohammad Emran Hasan, chief executive officer of Shanta Asset Management.

"Foreign investors have been selling for months. Now, they are selling due to the depreciation of the local currency against the US dollar."

Hasan says the loss-making companies are rising due to manipulation. "These companies have a lower paid-up capital, so they are easy to manipulate."

Manipulators also speculate that these companies would turn around in a bid to draw unsuspecting investors. Since the share price of the companies is comparatively lower, they take a chance. The buy pressure sends the stocks higher.

Apart from the top five loss-making companies, eight had accumulated losses of more than Tk 100 crore, DSE data showed. They included five non-bank financial institutions (NBFIs) and three textile manufacturers.

Most of the NBFIs lack good governance and have poor asset quality, so they are in the red. In recent years, they have seen funds embezzlement by their directors and sponsors. As a result, their financial health has worsened.

"The textile sector also faces governance challenges. Some of them are incurring losses although many are doing good business," Hasan said.

Of the top unprofitable companies, two are state-run: Shyampur Sugar Mills and Zeal Bangla Sugar Mills.

A top official of Bangladesh Sugar and Food Industries Corporation, which runs the two mills, said the two companies have been incurring losses for years as they have failed to compete with the private sector.

"We are astonished to see such a share price hike of Shyampur Sugar Mills and Zeal Bangla Sugar Mills. I don't know why investors are buying the stocks."

Mohammad Rezaul Karim, a spokesperson of the Bangladesh

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STABILISING FOREX MARKET

BB actions contradict aim

AKM ZAMIR UDDIN

Bangladesh Bank recently took a set of initiatives to bring about an effective floating exchange rate, meaning that which will rise or fall based on supply and demand, to bring back stability in the foreign exchange market.

In several meetings with commercial banks, the central bank said the demand and supply of the US dollar would determine the exchange rate of the taka.

But questions remain on whether the initiatives are helping market forces automatically set the exchange rate and providing benefits to businesses involved in export and import.

ANALYSIS

The Daily Star yesterday talked to three economists on the matter, two of whom believe those to be the wrong approaches.

Currently multiple exchange rates are in effect, all fixed by the BB and commercial banks, which does not bode well for businesses at home and abroad.

On top of that, many businesses running small-scale operations are losing out owing to the large gaps in the rates.

For instance, banks are offering Tk 108 to exchange houses for each US dollar coming in as remittance but Tk 99 if it comes directly from exporters and remitters, as decided by the lenders at a September 10 meeting.

The meeting also decided that importers have to buy the greenback based on the weighted average exchange rate, meaning the average of the rates at which banks purchase dollars from

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STOCKS (WEEK-ON-WEEK)

DSEX ▲	CASPI ▲
0.75%	1.06%
6,564.00	19,344.86

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$1,643.9 (per ounce)	$79.42 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.73%	▼ 0.58%	▼ 1.1%	▼ 0.66%
58,098.92	27,153.83	3,227.10	3,088.37

CHATTOGRAM PORT

Businesses need over 11 days to release goods

MCCI says, refuting NBR study

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry (MCCI) yesterday said businesses require longer than 11 days found by the National Board of Revenue (NBR) in a recent study to release goods from the Chattogram port.

"Actually, it takes long to get goods from the port as the NBR still physically examines the related documents against shipments, which is a time-consuming practice that has been dropped in most countries," said MCCI President Md Saiful Islam.

Islam, who was speaking at a luncheon for business journalists at the MCCI office in Dhaka, then said the time needed to release goods would greatly reduce if shipping documents were submitted and assessed online.

Islam pointed to a study by the World Bank that said Bangladesh's trade would increase by about 14.3 per cent if port facilities, such as customs clearance, were made efficient.

"It does not require money for trade facilitation. What is needed is positive mindset," he said.

The MCCI president also suggested the government make trade licences valid for five years so that businesses do not need to spend money and time on renewing them annually.

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Bangladesh's trade would increase by about 14.3 per cent if port facilities, such as customs clearance, were made efficient, according to a study by World Bank.

PHOTO: STAR/FILE

foodpanda

Customers question rationality of 'platform fee'

SUKANTA HALDER *and* ASIFUR RAHMAN

Food delivery platform foodpanda Bangladesh has imposed a "platform fee" of Tk 3 since August, payable on every order by the customer.

Social media posts and at least six customers The Daily Star spoke to raised questions on its rationality.

"This fee goes into improving our tech and app platform so that you can have the best ordering experience," reads notifications issued against deliveries on the company's app.

Neither its website nor its Facebook page has any mention of the fee.

Apart from this "platform fee", customers have to pay a "delivery fee" against every order.

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