

Dollar buy-sell gap should be Tk 1: BKMEA

STAR BUSINESS REPORT

The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) yesterday demanded that Bangladesh Bank narrow down the gap in the exchange rate between the US dollar and the taka as they were losing money from export receipts.

The BKMEA in a letter sent to the central bank governor said they receive Tk 99 for every dollar they earn through exports but they also have to buy each dollar for anywhere from Tk 105 to Tk 106 from banks for import purposes. Mohammad Hatem, executive president of the BKMEA, said the gap should be a maximum of Tk 1 so that both exporters and importers can benefit.

The BKMEA also urge to take note of deferral payments faced by local exporters from international retailers and brands because of the Russia-Ukraine war.



Farmers have transplanted and sown paddy of the Aman season on 59.23 lakh hectares of land this year, according to the Department of Agricultural Extension. Grown during the monsoon, Aman season paddy accounts for 39 per cent of Bangladesh's annual rice production. The photo was taken at Gaibandha's Gobindaganj upazila recently.

PHOTO: MOSTAFA SHABUJ

Vibrant bond market needed to curb NPLs: FBCCI

STAR BUSINESS REPORT

The government should declare that it will develop the bond market on a priority basis to reduce the pressure on banks for long-term financing, bring down non-performing loans, and provide people with a low-risk investment tool, according to business leaders.

Developing the bond market would also help finance the huge amounts of investment the public and private sectors will need in the coming years, they said.

These views came at a seminar, styled "Bond Market: The Ultimate Solution for Long-term Financing", organised by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at its premises in Dhaka yesterday.

The stock market is only composed of equities, but a developed bond market is much needed to diversify the investment tools available, said Salman F Rahman, the prime minister's adviser on private industry and investment affairs.

"So, the government has taken the initiative to make the bond market vibrant," he added.

Rahman said raising awareness of the benefits and ensuring good prices are crucial for making the bond market popular.

"If the bond market becomes popular, the dependence on banks for funding will decrease. This will minimise the risk of NPLs, which is one of the biggest challenges in the

financial sector," said FBCCI President Md Jashim Uddin.

Bangladesh currently lacks long-term financing sources as it is tough for banks to provide such loans as they deal with short-term deposits.

"So, the bond market can be an effective solution for long-term financing," he added.

Prof Shibli Rubayat-Ul-Islam, chairman of the Bangladesh Securities and Exchange Commission (BSEC), said perpetual bonds have already been introduced in the stock market.

"When other bonds become available, they will be more popular among investors," he added.

Islam went on to say that the International Finance Corporation has expressed interest in introducing a bond of \$4 billion in Bangladesh.

In addition, the BSEC plans to allow more bonds for women entrepreneurs, small and micro entrepreneurs, and new entrepreneurs, he said.

The bond market in Bangladesh is still very small as it accounts for only 8 per cent of the country's gross domestic product, which is much lower than most neighbouring nations, said Arif Khan, vice-chairman of Shanta Asset Management.

The bond market also has significant importance in financing government projects and the national budget, ensuring

long-term financing for companies, better NPL management, and lucrative investment options for investors, he added, while presenting a keynote at the seminar.

The huge time required to issue a bond, the fluctuation in bank interest rates, and excessive regulations on trustee registration are marked as obstacles in the bond market.

Bonds currently have a minimum transaction requirement of Tk 100,000 in the capital market with a transaction fee of Tk 1,000.

"So, the lot size should be reduced along with the transaction fee," Khan said.

Khan said a holistic approach is needed to promote the bond market, the development of which should be a priority work for the finance ministry.

"Also, an effective benchmark yield curve is needed while the time needed to issue a bond should be reduced."

Mostofa Azad Chowdhury Babu, senior vice president of the FBCCI, Shuvra Kanti Choudhury, managing director and CEO of Central Depository Bangladesh Ltd, Richard D' Rozario, president of the DSE Brokers Association of Bangladesh, Mohammed Nasir Uddin Chowdhury, a former president of the Bangladesh Merchant Bankers Association, Shakil Rizvi, a director of the Dhaka Stock Exchange, and Amzad Hussain, chairman of the stock market and bond-related standing committee of the FBCCI, also spoke at the event.

BSEC awards 11 market intermediaries

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The Bangladesh Securities and Exchange Commission (BSEC) has awarded 11 stock market intermediaries for their "outstanding performance" in 2021.

To encourage good works, the BSEC launched the Golden Jubilee of Bangladesh Award for the first time this year.

The award presentation ceremony was held at the Bangabandhu International Conference Center in Dhaka on Monday night, when Md Tazul Islam, minister for local government, rural development and co-operatives, handed over the awards.

Prof Shibli Rubayat-Ul-Islam, chairman of the BSEC, and Sheikh Mohammad Salim Ullah, secretary to the Financial Institutions Division of the finance ministry, spoke at the event.

Island Securities won the top award in the best stockbroker and dealer category for its contribution to services, good governance, and innovation.

LankaBangla Securities came second in the same category while the third position was secured by Green Delta Securities.

ICB Capital Management and UCB Investments jointly claimed the top award in the merchant banking category while City Bank Capital and Sandhani Life Finance secured the second and third positions respectively.

Shanta Asset Management was awarded first prize in the asset management category, where Alliance Capital Asset Management and IDLC Asset Management placed second and third respectively.

Deshbandhu Polymer's profit more than doubles

STAR BUSINESS REPORT

Deshbandhu Polymer Limited's profit more than doubled in the financial year that ended on June 30.

The company reported earnings per share of Tk 0.47 in 2021-22, which was 135 per cent higher than Tk 0.20 posted a year earlier.

This means Deshbandhu Polymer clocked a profit of Tk 2.88 crore in the last financial year. It was Tk 1.22 crore in 2020-21.

The company's net asset value per share rose to Tk 18.21 from Tk 18.07, while net operating cash flow per share surged to Tk 0.99 from Tk 0.53 a year prior.

The board of directors recommended a 5 per cent cash dividend for general shareholders for 2021-22.

Sponsors and directors hold 20,583,388 shares out of a total of 61,365,150 of the company and the rest is owned by the general shareholders.

The cash dividend to be payable to the general shareholders is Tk 2.03 crore, according to a filing on the Dhaka Stock Exchange (DSE) yesterday.

Set up in 2006, Deshbandhu Polymer is engaged in manufacturing and marketing of PP (polypropylene) woven bags and liner for packing sugar, fertiliser, cement, food grains, white flower, chemical, cattle feed, fish feed, rice, and other items.



Mohammad Emran Hasan, CEO of Shanta Asset Management, receives the Best Asset Management Award from Md Tazul Islam, minister for local government, rural development and co-operatives, at Bangabandhu International Conference Centre. Shibli Rubayat-Ul-Islam, chairman of Bangladesh Securities and Exchange Commission (BSEC), was present.

PHOTO: SHANTA ASSET MANAGEMENT

ICSB elects president

STAR BUSINESS DESK

The Institute of Chartered Secretaries of Bangladesh (ICSB) recently elected its president for term from 2022 to 2025.

The electee Asad Ullah, director for affairs and secretary of Beximco Group, He was the institute's president for 2006-2007, 2008-2009, 2009-2010 and 2013-2016, said a press release.

He served as a member of the Board of Directors of the Bangladesh Institute of Capital Market. Ullah obtained LLB and LLM degrees in law from the Dhaka University.



Worsening electricity supply

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M Shahadat Hossain, managing director of Towel Tex Ltd, said the company has been suffering 10 to 11 hours of power outages every day for the last few days.

The company needs 400 litres of diesel per day to run the factory and the cost has gone up to Tk 43,600.

"If I run the factory with the electricity from the national grid, it costs Tk 10.69 per unit whereas it is now costing around Tk 30 since I have to generate power using diesel," said Hossain, also the chairman of Bangladesh Terry Towel & Linen Manufacturers & Exporters Association.

Because of the inadequate power supply, the industry is finding it difficult to maintain lead time and is set to suffer reduced profit margins.

"Entrepreneurs have kept their factories up and running so that they can retain buyers and don't lose export orders," said Hossain.

Irfan Uddin, general secretary of the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA), said the production cost has increased due to the load-shedding and the gas crisis.

The government has stopped the import of liquefied natural gas (LNG) to protect the foreign currency reserves from depleting amid a sharp rise in import bills driven by the escalated costs in the global commodities market.

At least 25 out of 70 factories in the ceramic sector have been suffering from an acute gas crisis for more than three months, said Irfan.

"Even, factories are not getting gas for 12 hours a day and this is hindering the production of the factories. As a result, the sector has faced a 40 per cent output loss."

Debasish Singha, head of export of Danish Biscuit, owned by Partex Star Group, said the biscuit manufacturing industry is facing reduced production and increased cost.

Besides, raw materials go to waste if the power supply stops during the production of biscuits, he said.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, said the current load-shedding scenario is directly affecting the manufacturing sector of Bangladesh.

"If the situation persists,

manufacturers will have to cut production. Then, the industrial contribution to the gross domestic product will decline."

The industrial sector accounts for 37.07 per cent of Bangladesh's GDP.

Bangladesh is not the lone country that is facing a gas and power crisis. Rather, all energy-importing nations are in trouble as energy prices have rocketed owing to the Russia-Ukraine war.

"A stable gas supply is important for the industrial sector. But the situation is not favourable for the government due to the Ukraine war," said Moazzem, suggesting the government give attention to exploring gas locally.

The worsening power situation is also threatening the macroeconomy.

"Export growth is expected to slow as economic conditions in the key export markets deteriorate, while rolling blackouts, gas rationing, and rising input costs weigh on manufacturing output," said the World Bank on Thursday.

It has slashed its economic growth projection for Bangladesh for the current fiscal year to 6.1 per cent from 6.7 per cent made in June,

BB relaxes rules on borrowing to exporters

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However, he reckons that complexity may be created as exporters usually make shipments to different buyers at the same time.

Besides, there is a possibility that some importers who source goods from the domestic market will be able to manage guarantees from reputed ECAs while others may fail to do so.

"Under such a situation, banks may face ambiguity in disbursing loans to exporters," Hoque said, adding that the BB should clarify the issue through another notice.

As per existing central bank norms, the single borrower exposure limit is also not applicable to the loans given to the government or companies that have managed payment guarantees from the government.

In addition, borrowers that have got guarantees from multilateral development banks are also permitted to enjoy loans beyond the limit.

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