

RAK Ceramics' profits plunge 25% It blames gas, forex crises

STAR BUSINESS REPORT

Profits of RAK Ceramics fell 25 per cent to Tk 67 crore in 2022 even though its sales rose 8.79 per cent to Tk 745 crore that year as a gas price hike coupled with volatility in the foreign currency market drove up production costs.

Considering the profits, the UAE-based multinational ceramics company recommended 10 per cent cash dividends for its shareholders.

RAK Ceramics, Bangladesh's leading ceramics producer, informed that sales rose due to the revised and responsive business strategy taken by its management.

However, profits plunged due to an increase in gas price, significant volatility in foreign exchange rates, and disruptions to the global supply chain that pushed up raw material prices as well as freight rates, the company said in a disclosure.

In addition, disruptions to production due to inadequate pressure of supplied gas from mid-August in 2022 resulted in higher production costs compared to previous year.

Therefore, the gross profit margin reduced from 29.67 per cent to 26.43 per cent and the expected sales volume could not be achieved, it added.

The gross profit margin refers to the company's profitability compared to sales.

Stocks of RAK Ceramics remained unchanged at Tk 42.90 at the Dhaka Stock Exchange yesterday.

Pakistani rupee plummets

REUTERS, Karachi

The Pakistani rupee fell 9.6 per cent against the dollar on Thursday, central bank data showed - the biggest one-day drop in over two decades - in a slump that may persuade the International Monetary Fund to resume lending to the country.

The drop comes a day after foreign exchange companies removed a cap on the exchange rate, a key demand of the IMF as part of a programme of economic reforms it has agreed on with the cash-strapped South Asian nation.

The currency's official value closed at 255.4 rupees against the dollar versus 230.9 on Wednesday, the central bank said.

Facing an increasingly acute balance of payments crisis, Pakistan is desperate to secure external financing, with less than three weeks' worth of import cover in its foreign exchange reserves.

Pakistan secured a \$6 billion IMF bailout in 2019.



Walton Hi-Tech Industries' sales dropped by Tk 566 crore, or 17.95 per cent, to Tk 2,586 crore in July-December of 2022-23. An official said Walton did not see such a tough period even during the peak of the coronavirus pandemic.

PHOTO: COLLECTED

Walton sees Tk 566cr sales drop in six months

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Walton Hi-Tech Industries PLC, the largest electrical, electronics and home appliance manufacturer in Bangladesh, posted lower sales and profits in the first half of the current financial year due to higher inflation and the dearer US dollar amid the ongoing global economic crisis.

The sales dropped by Tk 566 crore, or 17.95 per cent, to Tk 2,586 crore in July-December of 2022-23.

In the same half, profits plunged 96 per cent year-on-year to Tk 14 crore. Thus, its earnings per share (EPS) stood at Tk 0.47, way lower than the Tk 14.73 it recorded in the same period of the previous financial year.

Singer Bangladesh, another listed electric, electronics and home appliance maker, saw its full-year profits decline 86 per cent year-on-year to Tk 7.3 crore last year.

A top official of Walton Hi-Tech Industries said Walton did not see such a tough period even during the peak of the coronavirus pandemic.

"The war-induced economic slowdown and uncertainty have hit the global

economy hard."

He said as higher inflation persists and people fear that the overall economic situation may not return to normalcy anytime soon, consumers are focusing on basic products.

"Electronics and home appliance products are not basic goods, so the sales of these products were in a tight situation in the last six months."

Walton is the leading electrical and electronic company in Bangladesh with more than 70 per cent market share. It also exports products to more than 40 countries under the brands Walton, Marcel and Safe.

The profits decreased due mainly to the pandemic-induced impacts and the fallout of Russia's invasion of Ukraine, the company said in its financial reports.

The global economy continues to be weakened through significant disruptions in trade and food supply.

There were fuel price shocks. All of these factors contributed to higher consumer prices and tightened the global market condition.

The depreciation of the local currency against foreign currencies as a post-

pandemic effect has increased material costs drastically, leading to the overall decline in profitability, Walton said.

In addition, value-added tax has been imposed on the supply of refrigerator products. Still, the operating profit of the company stood at Tk 544.9 crore.

However, profit after tax dropped drastically due to the fall of the taka against the US dollar and the increase in interest rate, said the financial reports.

The taka has lost its value by about 25 per cent against the American greenback in the past one year owing to a fast depletion of foreign currency reserves.

Walton's finance cost was Tk 469 crore in July-December, up nearly six times than Tk 83 crore in the same period in FY22.

Shares of Walton Hi-Tech Industries were unchanged at Tk 1,047 on the Dhaka Stock Exchange yesterday. The company's paid-up capital stands at Tk 302 crore.

The company disbursed a 250 per cent cash dividend to its shareholders for the year that ended on June 30, 2022.

Sponsors of the company hold 99 per cent shares, while the rest is held by institutional investors, foreign and retail investors, DSE data showed.



Mohammad Zahirul Islam, managing director of Smart Foundation, and Abul Khair Patwari, mayor of Ramganj municipality, inaugurate a 4-day Turkish Food Fair and Free Health Camp in Ramganj upazila of Lakshmipur yesterday.

PHOTO: SMART TECHNOLOGIES (BD)

Fully automate

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Metropolitan Chamber of Commerce and Industry (MCCI) and the Chittagong Chamber of Commerce and Industry.

Md Saiful Islam, president of MCCI, appreciated the government's move that extended the validity of trade licences by five years, thus cutting the hardships faced during the annual

renewal of certifications.

He stressed simplifying obtaining a trade licence and advised that the government could digitalise the trade licence process.

In the press release, Tipu Munshi said his ministry would continue its advocacy with other ministries to simplify the process of obtaining certificates and registration.

As part of it, the ministry

issued a notice in November 2022 to provide import registration certificate and export registration certificate for five years rather than one year.

Referring to the BUILD's request for completing the automation of the services provided by the Registrar of Joint Stock Companies and Firms, the minister said, "We will go for full-scale automation."

UN cuts growth forecast

FROM PAGE B1
The outlook for South Asia has deteriorated and is subject to multiple downside risks amid global monetary tightening, fiscal vulnerabilities, rising inflation and extreme weather events, the UN said.

"Rising global food and energy prices are intensifying pressure on food security and undermining progress in the Sustainable Development Goals, it said, "The economic impact of the conflict in Ukraine is exacerbating existing vulnerabilities across the

region."

The UN had predicted 6.4 per cent growth for Bangladesh economy in its 2022 report. In October last year, the International Monetary Fund forecasted 6 per cent growth for Bangladesh for fiscal year 2022-23 and the UN's latest projection on Bangladesh's growth is in line with IMF forecast.

Citing food insecurity in the region, the UN said the number of people facing acute food insecurity rose in 2022, particularly in Afghanistan, Bangladesh, Pakistan and Sri Lanka.

It said fiscal balances

in Bangladesh and Nepal have remained roughly unchanged and the tax-GDP ratio in Bangladesh is below 9 per cent.

"This suggests opportunities for increasing fiscal revenues through tax reform and rate increases, although it usually takes years to implement meaningful tax reforms and increase the tax base of a country. On the expenditure side, there is scope to reprioritise expenditures based on how much they loosen short-term constraints and support long-term sustainable development."

Business climate

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A lack of efficiency and automation at the Chattogram port results in delays. For example, the average ship turnaround time at Chattogram port is 3.23 days whereas it is 0.86 days in Colombo port, she said.

"This is not acceptable. We should improve from this point."

According to the BBX report, an investor typically must navigate 23 government agencies to obtain 150 regulatory services that are required for starting and operating a business.

About 86 per cent of respondents mentioned that they experienced bottlenecks in dealing with government agencies while procuring land in Bangladesh.

It was reflected in the survey, which showed that

the score in access to land pillar fell to 53.07 in 2022 from 58.90 in 2021.

More than 95 per cent of the respondents said that they were aware of all the numerous registrations and renewals for setting up and operating their businesses. However, it was difficult for them to find information online.

Bangladesh displayed the best performance in the access to infrastructure pillar, with more than 90 per cent of the respondents saying it was moderately easy to receive utility connections in the categories of water, electricity and sewerage.

Over 90 per cent of the respondents cited that their businesses were affected by the recent power outages. Power outages lasted anywhere between two to nine hours a day.

Business leaders

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of the sugar the country needs a year, so nearly 50,000 tonnes of the locally produced sugar have little impact in its prices in the domestic markets.

The minister spoke to a group of journalists after an event on business climate at the Metropolitan Chamber of Commerce and Industry in Dhaka.

He said the government has also been trying to shorten the process of release of sugar laden trucks from the mill gates areas, so the traders do not need to wait nearly 15 days to get a truck of sugar from mills.

The government has already instructed four national banks for opening of letters of credit for import of essentials for the upcoming Ramadan.

The minister said some goods laden vessels which got stuck at the Chattogram port over the last few days have already released the goods Wednesday.

Use of foreign fund in ADP

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the same period the year before, it is still lower than the average implementation rate in the pre-pandemic era.

In the first half of 2018-19, the execution rate was 33 per cent during the same period the year before.

Of the total Tk 92,020 crore available for foreign-funded projects, implementing ministries and divisions were able to spend Tk 24,423 crore in the July-December period.

Last June, the government sought budgetary support from various bilateral and

multilateral lenders as the forex reserves fell sharply.

Although government high-ups are hunting for foreign funds from development partners, the implementation data painted an opposite scenario.

"The original strategy was the right one as this is the time to accelerate the utilisation of foreign funds and minimise domestic funded projects," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"But the government is moving to the opposite direction when it comes to spending foreign funds."

Amid the dollar crunch, the implementation of the foreign-funded projects should have been maximised, but it is not happening, he said.

Since the government has not been able to use foreign funds, it is going to slash the portion of foreign fund in the ADP by 16.4 per cent to Tk 76,954 crore in the next revision.

"This will heap pressure on the country's balance of payments," said Mansur.

"This is because when it comes to foreign-funded projects, imports are made using the dollars coming in, leaving some surplus in the central bank's coffers."

Bangladesh Lamps Limited

Head office: House-22, Road-4, Block-F, Banani, Dhaka-1213

Price Sensitive Information

This is for information of all concerned that the Board of Directors of the Company at its meeting held on 25-01-2023 at 3:00 p.m., decided to set up a production line for manufacturing accessories at its existing factory located at Ghashirdia, Shaspur, Shibpur PS, Narsingdi.

The expected cost for the project will be Tk.3.20 crore. The cost of the project will be arranged by bank borrowings. After completion of the project, it is expected that the net sales will be Tk 21.94 crore and expected net profit before tax Tk.0.44 crore per year from the said project.

By order of the Board

Dhaka: 25-01-2023
Mohammad Ruhan Miah
Company Secretary

2nd Quarterly (Un-audited) Financial Statements (October-December 2022)
STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
As at 31 December 2022

	As at 31 December 2022 Taka	As at 30 June 2022 Taka
ASSETS		
Non-current assets		
Property, plant and equipment	33,953,119	36,697,404
Intangible asset	17,029,883	-
Right-of-use asset (ROU)	110,084,989	110,965,297
Investments		
At cost	88,527,133	88,527,133
Fair value adjustment	518,638,905	548,276,009
	607,165,938	636,803,142
Loans and deposits	4,526,958	4,902,893
Total non-current assets	778,750,786	795,389,616
Current assets		
Inventories	163,189,737	494,847,967
Trade and other receivables	152,434,038	67,666,931
Advances, deposits and prepayments	32,000,983	60,349,162
Advance income tax	154,203,950	120,364,583
Cash and cash equivalents	116,762,778	315,862,822
Total current assets	1,418,695,466	1,269,611,465
TOTAL ASSETS	2,197,446,252	2,065,001,081
EQUITY & LIABILITIES		
Capital and reserves		
Share capital	91,700,000	91,700,000
Reserves and surplus	785,362,458	738,916,495
Shareholders' equity	877,062,458	830,616,495
Non-current liabilities		
Deferred liability - gratuity payable	23,541,980	20,752,800
Deferred tax liability	43,217,818	46,853,548
Loans liability - Net off current portion	97,066,399	102,087,747
Total non-current liabilities	163,826,197	169,694,095
Current liabilities		
Loans liability - Current portion	20,400,000	30,400,000
Short term finance	734,397,570	668,068,546
Trade and other payables	182,383,025	127,812,273
Other liabilities	95,532,100	32,754,244
Unclaimed dividend	1,056,399	1,738,609
Provision for tax	193,213,343	187,380,700
Total current liabilities	1,193,478,397	1,038,344,162
TOTAL EQUITY & LIABILITIES	2,197,446,252	2,065,001,081

	1 July to 31 December 2022 Taka	1 July to 31 December 2021 Taka	1 October to 31 December 2022 Taka	1 October to 31 December 2021 Taka
Revenue	99,676,737	716,888,185	484,911,525	455,944,119
Cost of sales	(71,537,829)	(583,586,669)	(374,217,718)	(353,591,198)
Gross profit	28,138,908	133,301,516	110,693,807	102,352,921
Other income	1,821,910	1,559,489	3,417,363	3,515,389
Operating expenses	(167,863,618)	(1,127,748,911)	(81,833,841)	(87,710,024)
Profit before net finance cost	73,984,125	(79,797,417)	30,887,329	18,058,305
Finance cost	(10,008,114)	(15,367,138)	(11,433,198)	(17,215,414)
Finance income	8,005,118	1,694,114	4,882,794	1,003,108
Net finance cost	(1,962,914)	(13,548,354)	(6,550,404)	(16,212,306)
Income tax expense and other tax	46,221,879	47,898,123	22,395,840	45,896,199
Shareholders' contribution (paid and not paid) before income tax	48,008,347	59,796,460	21,621,296	42,439,951
Income tax	(1,102,644)	(15,367,138)	(11,433,198)	(17,215,414)
Dividend paid	97,066,399	(2,051,511)	76,118	(3,871,144)
Net profit for the period	48,008,347	42,879,000	18,861,128	24,413,058
Other comprehensive income (loss)				
Changes in fair value of share available for sale (after net income tax expense)	(2,613,300)	261,137	8,911,446	25,389,527
Net other comprehensive income (loss)	(2,613,300)	261,137	8,911,446	25,389,527
Net comprehensive income (loss)	45,395,047	43,140,137	27,772,574	49,802,585
Earnings per share (on value Tk. 10 each)	5.05	4.62	2.84	5.15

	1 July to 31 December 2022 Taka	1 July to 31 December 2021 Taka
A. Cash flows from operating activities		
Collection from customers	1,025,596,367	878,760,307
Payment to suppliers	(665,371,023)	(467,833,318)
Payment to employees	(89,225,439)	(100,634,131)
Payment for services received	(78,578,578)	(40,358,414)
Cash payment of VAT	(146,926,811)	(138,068,949)
Contribution to provident fund	(1,201,658)	(2,057,300)
	42,890,069	336,878,795
Cost recovery	-	88,596
Interest paid	(28,538,353)	(6,422,559)
Income tax paid	(27,819,368)	(20,654,162)
	(14,747,651)	(26,004,126)
B. Cash flows from investing activities		
Payment for acquisition of intangible assets (net of cash received)	(30,800,651)	(5,753,253)
	(30,800,651)	(5,753,253)
C. Cash flows from financing activities		
Payment of lease liability - Principal portion	(4,932,247)	(3,387,745)
Dividend paid	(99,345)	(12,298,805)
	(5,031,492)	(15,686,550)
D. Effect of exchange rate changes in cash and cash equivalents		
	(5,809,899)	(3,348,838)
E. Net cash inflows (outflows) for the period (A+B+C+D)	(35,351,080)	83,296,861
F. Opening cash and cash equivalents	(352,201,724)	(266,212,229)
Cash and cash equivalents	315,862,822	137,344,352
Short term finance	(68,266,542)	(417,567,379)
G. Closing cash and cash equivalents (E+F)	(407,354,792)	(179,923,176)
Cash and cash equivalents	316,762,778	226,508,020
Short term finance	(724,117,570)	(406,431,211)

	From Initial Taka	Capital Increase Taka	General Reserve Taka	Retained Earnings Taka	Total Taka
Balance as at 1 July 2021	10,796,000	2,381,367	180,895,769	403,484,187	697,557,323
Contribution of cash dividend	-	-	-	(13,791,118)	(13,791,118)
Transfer to general reserve	-	55,385,081	-	(55,385,081)	-
Net profit for the period	-	-	-	1,394,491	1,394,491
Other comprehensive income (loss)	-	-	-	(18,674,308)	(18,674,308)
Balance as at 30 December 2021	10,796,000	2,436,748	180,895,769	390,003,179	684,131,696
Balance as at 1 July 2022	10,796,000	2,436,748	180,895,769	412,368,684	696,497,201
Contribution of cash dividend	-	-	-	(13,791,118)	(13,791,118)
Transfer to general reserve	-	55,385,081	-	(55,385,081)	-
Net profit for the period	-	-	-	1,394,491	1,394,491
Other comprehensive income (loss)	-	-	-	(18,674,308)	(18,674,308)