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Rules relaxed for hiring ex-bankers as directors

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday relaxed rules for banks regarding appointment of former bankers as directors of the lenders, according to a circular.

The central bank said bankers, who are appointed on a regular or contractual basis, will not be eligible to become a director of a bank within five years of their retirement or the end of their contract.

Prior to the directive, bankers were not allowed to become directors of the same bank after their retirement or the end of the contract.

The move comes more than two years after it restricted appointment of former bankers as board members of the same bank where they worked.

"We have eased the rule to bring similarity

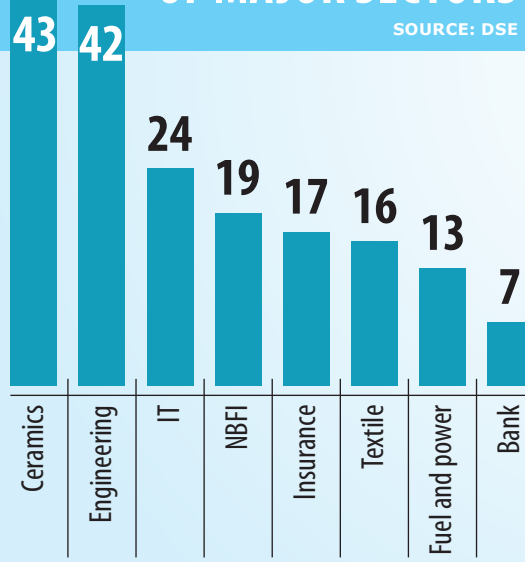
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REASONS BEHIND LOW PRICES OF STOCKS

- Huge NPLs
- Provision shortfall
- Lack of trust in earnings situation
- People are aware of the poor health of the sector
- Little scope for manipulation

PRICE TO EARNINGS RATIO OF MAJOR SECTORS

SOURCE: DSE



BY THE NUMBERS

- Listed companies: **356**
- Share price of **8** banks and **8** NBFIs under face value
- **12** other companies' share prices are also below face value
- No stocks of banks and NBFIs are above Tk **60**
- Value of **8** junk stocks above Tk **60**

NPL IN BANKS AND NON-BANKS

Tk **131,621** cr in March, **8.8%** of total loans

RISKY LOANS

Tk **377,922** cr at the end of 2022

Investors barely show interest in bank, NBFIs stocks

High NPL, poor outlook to blame

AHSAN HABIB

Investors are hardly showing any interest to buy stocks of banks mainly due to the sector's key indicators portraying a gloomy outlook.

Moreover, manipulation is a big draw for investors here. With a higher free float of banking stocks than what companies have on an average, there is little scope for manipulation.

As a result, stocks of eight banks have remained below their face value of Tk 10 for the last couple of months amidst the scarcity of buyers.

The scenario is almost the same for stocks of eight non-bank financial institutions (NBFIs).

Once stocks of banks and NBFIs were the most lucrative in the market.

"The intrinsic value of the banks and NBFIs are below their par value, if we calculate, so their share price also remains low," said Prof Mohammad Musa, a stock market analyst.

Dean of the school of business and economics at United International University, Musa has a number of publications on the capital market in

international platforms.

The intrinsic value is low for two reasons, one of which is for banks not being able to generate required cash flow for non-performing loans (NPLs) being too big, he said.

The other is that investors believe the banks and NBFIs are not adequately keeping provision, for which their income may not prevail for long, he added.

The banking sector's NPLs stood at Tk 131,621 crore in March, up 16 per cent year-on-year, data from the Bangladesh Bank showed.

The NPLs accounted for 8.8 per cent of the banking sector's total outstanding loans of Tk

14,96,346 crore.

The banking sector's total risky loans amounted to Tk 377,922 crore at the end of last year, according to the Bangladesh Bank's Financial Stability Report.

Security Islami Bank Limited, Global Islami Bank PLC, ICB Islamic Bank Limited, National Bank Limited, ONE Bank Limited, Standard Bank Ltd and Union Bank Limited are now less than Tk 10.

Mills Limited and Shyampur Sugar Mills Limited saw their junk stocks trade at over Tk 100 though their par value is Tk 10.

They have shares ranging from 22 lakh to 70 lakh, the DSE data shows.

Banks and NBFIs have shares in the range of 70 crore to 160 crore.

Banks and NBFIs are more regulated than the average company, so investors should have had more confidence in them, said Sheikh Mohammad Rashedul Hasan, managing director and CEO of UCB Asset Management.

However, analyses of the banking sector based on facts and figures are being published in newspapers almost every day and almost all of these are saying that the banks are going through a tough period, he said.

So, investors are finding it difficult to properly perceive the quality of the sector's assets, he said.

Moreover, they are confused over whether the sector was losing strength or not. As a result, their participation in the sector is low, he said.

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As there is a massive number of shares of the banks and NBFIs, the big investors do not target those for manipulation, said Prof Mohammad Musa, a stock market analyst.

Prof Musa also blamed the huge free float of companies for the low share price. As there is a massive number of shares of the banks and NBFIs, the big investors do not target those for manipulation, he said.

General investors too do not buy these products because their tendency is to mainly rush for stocks undergoing manipulation, he said.

There are 35 banks listed with the stock exchanges. Of them, stocks of AB Bank Limited, First

Those of another 12 are slightly above the face value.

There are a number of examples of stock prices of companies being high only due to them having a lower number of shares, Musa added.

Junk stocks of Jute Spinners Ltd were traded at Tk 334 yesterday. The company has 17 lakh shares.

Imam Button Industries Limited, Northern Jute Manufacturing Company Limited, Zeal Bangla Sugar

Yarn prices go up on rising RMG orders for spring

REFAYET ULLAH MIRDHA

Yarn prices have been increasing in the domestic market over the last two weeks as demand from garment exporters is rising amid a hike in work orders from international clothing retailers and brands thanks to easing inflation in the West.

With customers increasing clothes purchases, retailers and brands are being able to clear out old stocks accumulating for a slowdown in sales amid the severe fallouts of Covid-19 and the Russia-Ukraine war.

Recovering from those lulls, garment exporters hope for a good rebound in work orders from major export destinations. Hope lies in the fact that countries like Bangladesh are being chosen

With customers increasing clothes purchases, retailers and brands are being able to clear out old stocks accumulating for a slowdown in sales amid fallouts of Covid-19 and war.

by buyers as an alternative to China.

The work orders being currently placed are for spring next year, meaning around March. Shipping of these clothes will begin in January.

The widely consumed 30 carded yarn, used for less expensive, more rustic projects, has been selling between \$3.50 and \$3.60 per kilogramme (kg) whereas it was \$2.90 to \$3.10 a month ago, said industry insiders.

Similarly, 30 combed yarn, which is used for high-quality woven fabrics and garments, is selling between \$4 and \$4.05 per kg whereas it was \$3.50 to \$3.60 a month ago.

The yarn prices are rising for the large volume of work orders currently coming in, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

However, Christmas shipments beginning in October might not fetch that much as stores still have unsold stocks, he said.

The post-pandemic recovery had led exporters to increasing their production by 25 percent, which is now coming to use, he added.

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| STOCKS | |
|----------|-----------|
| DSEX ▲ | CASPI ▲ |
| 0.19% | 0.16% |
| 6,311.60 | 18,663.47 |

| COMMODITIES | | AS OF FRIDAY |
|-------------|--------------|--------------|
| Gold ▲ | Oil ▲ | |
| \$1,940.13 | \$86.09 | |
| (per ounce) | (per barrel) | |

| ASIAN MARKETS | | | | FRIDAY CLOSINGS |
|---------------|-----------|-----------|----------|-----------------|
| MUMBAI | TOKYO | SINGAPORE | SHANGHAI | |
| ▲ 0.86% | ▲ 0.28% | ▲ 0.41% | ▲ 0.43% | |
| 65,387.16 | 32,710.62 | 3,233.30 | 3,133.25 | |

Two panels formed to probe high egg, chicken prices

STAR BUSINESS REPORT

Amidst the backdrop of the recent rise in egg and broiler chicken prices, the Bangladesh Competition Commission (BCC) has formed two committees to investigate whether a lack of fair competition in the poultry industry was playing a role.

Pradip Ranjan Chakraborty, chairperson of the BCC, said that committee members gathered information by talking to various traders and manufacturers after receiving a directive from the commerce ministry recently.

"They have already analysed the data," he said, adding that the report was being prepared and would be submitted to the ministry soon.

In an unprecedented scene in Bangladesh, the price of a dozen farmed brown eggs matched that of one kilogramme of broiler chicken in August, further denting the wallets of fixed and low-income groups.

At the time, retailers were selling 1 kg of broiler chicken at a maximum price of Tk 180 across various kitchen markets in Dhaka. Coincidentally, the highest price for 12 pieces of brown eggs was exactly the same.

It was only after officials of the Directorate of National Consumers Right Protection conducted raids across various markets that egg and broiler chicken prices decreased.

The BCC works to prevent, control and eradicate collusion, monopolies, oligopolies, abuse of a dominant position or any other anti-competitive practice in the market.



Hilsa production rose slightly to 5.66 lakh tonnes in fiscal 2021-22 from 5.65 lakh tonnes the previous year, according to an estimate by the Department of Fisheries. The picture was taken from a market in Barishal city recently.

PHOTO: TITU DAS

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Govt names 2nd spawning ground of hilsa

STAR BUSINESS REPORT

The government has announced the second spawning ground of hilsa and placed a ban on catching the fish during its peak spawning period in an effort to increase production, according to a notification by the fisheries and livestock ministry.

The new spawning ground covers 342.5 square kilometres having three different points of rivers, mainly the Boleshwar river in Bagerhat, Pirojpur, Barguna and Patuakhali districts.

The upper part of the breeding ground consists of Bogi Bandar of Sarankhola upazila in Bagerhat and Bhajora adjacent to Sapleja of Mathbaria upazila in Pirojpur.

The middle part of the breeding ground consists of Supati (Coast Guard Station) of Sarankhola at