

Desco suffers losses for first time in 20 years

STAR BUSINESS REPORT

State-run Dhaka Electric Supply Company Ltd (Desco) suffered a loss in the financial year of 2022-23, for the first time in 20 years, as the cost to buy bulk electricity rose at a higher rate than the spike in retail prices.

Desco — which is responsible for electricity distribution in the capital's west and north-eastern areas — incurred losses of Tk 541 crore in the financial year ending in June 2023, the company said in its annual report published yesterday.

It had posted profits of Tk 63 crore the previous year.

Earnings per share (EPS) of the company became negative at Tk 13.61 for the year ending on June 30 this year.

This is the first time the electricity supply company made a loss since financial year 2001-02. At that time, Desco reported a loss of Tk 5.3 crore, according to its annual reports.

Desco incurred losses of Tk 541 crore in the financial year ending in June 2023

"We have incurred losses because of the difference between our purchase rate of bulk electricity and sales rate," said Mohammad Rashedul Huq Shamee, company secretary of Desco.

The publicly listed company, in a disclosure on the Dhaka Stock Exchange website, said EPS decreased significantly due to foreign exchange fluctuations and a sharp fall in distribution revenue due to the disproportional increases in bulk and retail electricity prices.

The power distribution company attributed Tk 428 crore of its losses to foreign exchange fluctuations, saying it had to spend more to buy dollars and make foreign payments due to the depreciation of the local currency.

In financial year 2021-22, Desco's losses from foreign currency fluctuations stood at Tk 8.4 crore.

It further added in its annual report that its energy purchase cost grew 21 percent whereas its sales increased 14 percent in 2022-23.

As such, overall distribution revenue of the company slumped 48 percent year on year to Tk 268 crore in the financial year of 2022-23 from Tk 520 crore a year ago, according to its annual report.



The rolling hills in Remakri union of Bandarban have been painted a calming yellow with the ripening of paddy, but local farmers barely get a moment to enjoy the view as they are busy harvesting the crop. The paddy grown in these hills was cultivated using a traditional technique known as jhum.

PHOTO: LALTANLIAN PANGKHUA

Jhum taking a turn from its traditional past

Farmers now increasing cultivation of array of crops

LALTANLIAN PANGKHUA, from Rangamati

Farmers in the hilly areas of Bangladesh, who practise a traditional form of cultivation known as jhum, are pleased to be getting good yields of paddy this year despite the unfavourable weather conditions.

Jhum cultivation, also known as slash and burn agriculture, entails shifting fields between harvests, with the land usually being left uncultivated for around one year so that nutrients can return to the soil.

Once a piece of land is selected for jhum cultivation, all the vegetation is cut down and dried before being burnt on the ground from which they sprang.

This process clears the field of weeds and pests while also helping the soil regain nutrients, such as potash. In addition, it enhances the growth of natural vegetation, which is essential for soil health.

Other than Bangladesh, the traditional cultivation method is practiced by indigenous communities in hilly or mountainous regions all over South Asia, including Nepal, Thailand, Indonesia and Malaysia.

In the early days, only paddy was sold in the market while up to 40 types of vegetables and fruits, such as ginger, turmeric, bitter melon, chili, banana and okra, were grown by the farmers for their own households.

Nowadays, cultivation of the



crops other than paddy are increasingly being cultivated for sale in the market.

Jhum cultivation has transformed over the past three decades as farmers now grow more of the various crops, said Aongkya Aong Marma, a jhum farmer in Kaptai upazila of Rangamati.

"Last year, I used jhum cultivation on about 10 acres. After the harvest, I sold 19 maunds of turmeric for Tk 7,500 per maund (around 37 kilogrammes) and six maunds of sesame for Tk 5,000 per maund," he added.

Officials of the Department of Agricultural Extension (DAE) in Khagrachari, Rangamati and Bandarban said jhum cultivation was used on about 14,000 hectares of land across the three districts this year.

Md Moniruzzaman, deputy director of the Rangamati DAE, said although paddy cultivation decreased amid the recent

rains, farmers had increased the cultivation of the other crops.

Besides, jhum cultivation has helped many locals achieve financial solvency, he added.

Regarding the slump in paddy production using the method, he said they were advising jhum farmers to increase the diversity of their crops with fruits and vegetables, and also provide training and support to this end.

Generally, a piece of fertile land set to undergo jhum cultivation is cleared of natural vegetation in the February-March period before the ground is made ready with the burnt materials in the April-May period.

Farmers then begin the sowing process in the May-June period, just ahead of the monsoon season whereas harvesting takes place from September onwards.

This year though, paddy crops were planted late as incessant rains had delayed the sowing period.

Kiron Chakma, who practices jhum cultivation in Dumdumia union of Rangamati, said parts of his paddy field were affected by landslides due to the heavy rainfall last month.

"Still, I expect yields of two tonnes this year... Besides, my turmeric and ginger crops are doing fine," he added.

Similarly, Renthwai Mru, a jhum farmer in Remakri union of Bandarban, said she expects seven tonnes of paddy from her field this year even though parts of the land were recently affected by flooding.

Kalyanmoy Chakma, a jhum farmer from Panchari upazila in Khagrachari, said he has already harvested about 40 maunds of paddy so far this season.

Yangan Mru, another jhum farmer of Remakri union, said the traditional cultivation method was not just a means of making money as much of the country's culture has its roots in jhum.

"Don't think that jhum cultivation is only for securing one's livelihood as many songs, myths and stories originate from the practice," he added.

Yangan, who graduated from the University of Chittagong, decided to take up jhum cultivation rather than pursue a job as it gives him the freedom to explore his identity as a writer as well.

"I cultivated vegetables, different fruits and cotton this year. I had to cancel paddy cultivation though due to late rainfall," he said.

Why is stock market losing its shine?

M SHAHRIAR AZAD BHUIYAN

Once upon a time people were enthusiastic and patiently waited for hours in queues to deposit their IPO application fees for lottery subscriptions.

In that era, investors who were allotted subscribed shares often gained substantial profits without facing significant risks in the primary market.

However, recent years have brought about significant changes, and in the present day, general investors show little interest in applying for IPOs due to the meager capital gains from such applications.

Over time, the number of active BO (Beneficiary Owner) accounts has experienced a worrisome decline. As of January 1, 2023, Central Depository Bangladesh Limited held a total of 1,861,722 active BO accounts. Yet, within a mere nine months, the total number of BO accounts witnessed a decline of 111,137, accounting for approximately 6.34 percent of the total BO accounts.

Surprisingly, data shows that female participation in the market is relatively low, comprising only 25 percent of the total BO account holders.

In practical life, we have observed that primary market investors often switch to the secondary market once they have realised some profits through their IPO subscriptions. However, in the current landscape, IPOs no longer offer the same level of attractiveness for investment. Consequently, there has been a sharp decline in the opening of BO accounts, and this decline is mirrored in the struggle to attract new investors to the secondary market as well.

The Bangladesh Securities and Exchange Commission (BSEC) is currently organising road shows in countries like the US, UK, Switzerland, France and Japan with the aim of attracting foreign investors to the local bourses. However, the foreign trading contribution to our bourse currently stands at only 4 percent to 5 percent of the total turnover, and this figure has been declining due to the instability of the foreign exchange market. So, I think we need to focus more on local market investors rather than seeking foreign investors while targeting new potential investors. To address this issue, it is essential to bring stock brokerage services directly to people's doorsteps, making it more convenient and accessible for a larger number of individuals to participate in the market.

Compared to the last decade, a significant number of people have become more affluent due to an increase in per capita income and individual earning levels. However, there is a concern that these increased savings are not being invested in the stock market. One possible issue is the lack of accessibility to stock brokerage services, as many educated individuals remain uninvolved in this industry due to fear, ignorance, or a lack of knowledge about the potential benefits of investing. In general, people's perception of the stock markets remains shaky following the collapse in 2010, and the market's image still has not recovered, which has eroded confidence among those who lost their investments.

The regulator (BSEC) should work on building confidence among investors through good governance and strict compliance, ensuring state-of-the-art technological advancements with advanced cybersecurity measures. Additionally, transparency in market operations and clear communication of regulations and policies are crucial. Regular financial literacy programmes for investors can demystify stock market complexities and empower potential investors with the necessary knowledge. Strengthening investor protection laws and ensuring swift legal recourse in case of malpractices can further enhance trust in the market. If we can implement all these strategies in our stock market, the market will shine again soon.

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China ramps up liquidity support to banking system

REUTERS, Shanghai

China's central bank ramped up liquidity support to the banking system as it rolled over medium-term policy loans on Monday, but kept the interest rate unchanged amid concerns about the risk of more sharp yuan declines.

The People's Bank of China (PBOC) is walking a tightrope between keeping liquidity ample to aid a struggling economy and stabilising the yuan amid expectations of "higher for longer" US rates.

The PBOC said in a statement it conducted medium-term lending facility (MLF) operations worth 789 billion yuan (\$107.96 billion) to keep liquidity in the banking system adequate.

With 500 billion yuan worth of MLF loans maturing, the PBOC is pumping 289 billion yuan of fresh liquidity into the banking system, the biggest such net injection in nearly three years.

Meanwhile, it held the rate on the one-year policy loans unchanged at 2.50 percent, in line with a Reuters poll last week.

Monday's operations show "the PBOC hopes to provide liquidity to ease stress in the market," said Stone Zhou, director of Global Markets at UOB China.

This month, a slew of Chinese local governments, including Liaoning and Chongqing, are rushing to issue special refinancing bonds to repay outstanding liabilities, as Beijing steps up efforts to reduce growing debt risks that remain a worry for investors.

Analysts expect issuance of such bonds to hit at least 1 trillion yuan this year.

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Middle East conflict keeps dollar elevated on safe-haven bids

REUTERS, London

The dollar edged lower on Monday but remained near a one-week high with fragile sentiment against a backdrop of conflict in the Middle East supporting demand for the safe-haven currency.

Israel's bombardment of Hamas-ruled Gaza continued overnight, with residents saying it was the heaviest pounding yet in nine days of conflict.

The dollar index eased 0.08 percent to 106.47, but held close to highs touched on Friday, with investors also waiting to hear a speech by Federal Reserve Chair Jerome Powell later this week for clues on the US interest rate outlook.

"The conflict between Israel and Hamas continues and is providing volatility to the financial markets with the traditional safe-haven flows. This has to be held against the theme of higher-for-longer regarding global monetary policy," said Jens Peter Sorensen, Chief Analyst at Danske Bank.

The Israeli shekel slid to a more than an eight-year low of 3.99 per dollar, after the country's Prime Minister Benjamin Netanyahu vowed on Sunday to "demolish Hamas" as his troops

prepared to move into the Gaza Strip.

The shekel has fallen more than 4 percent against the dollar since gunmen from the Palestinian group Hamas rampaged through Israeli towns on October 7.

There was some respite for the euro and sterling, which were off one-week lows touched on Friday against the dollar. The euro was last 0.2 percent higher at \$1.05233. Sterling gained 0.15 percent to \$1.2163.



PHOTO: REUTERS/FILE

The dollar index eased 0.08 percent to 106.47, but held close to highs on Friday.

Poland's zloty rallied against the euro to its highest in two months, and was last up 1.2 percent at 4.4775.

The ruling nationalists in Europe's largest emerging economy appeared to have lost their parliamentary majority in the nation's most pivotal election in decades on Sunday, potentially opening the way for opposition parties to seize power. Lukasz Janczak, analyst at Erste Group in Poland, called the first reactions in markets positive.

"This is indicated by the currency market, where the Polish zloty is strengthening, and it seems that what investors may assume... is that the potential government... will have a more open attitude towards the European Union."

Meanwhile, New Zealand's centre-right National Party led by Christopher Luxon will form a new government with its preferred coalition party ACT after Saturday's general election.

The New Zealand dollar rose 0.71 percent to \$0.5926.

The yen was flat at 149.53 per dollar, close to the sensitive 150 level. Some traders see an increased potential for Japanese authorities to intervene to support the yen if it weakens past that level.