

Earnings of Apex Footwear fall for drop in export

STAR BUSINESS REPORT

Apex Footwear, the leading footwear exporter and seller in the domestic market, yesterday said its profits fell in the first quarter of the financial year 2023-24 as falling exports affected revenue.

The footwear maker's earnings dropped 29 percent year-on-year from Tk 3.15 crore to Tk 2.23 crore in the first quarter of this financial year, Apex Footwear said in unaudited financial statements published yesterday.

Its sales revenue dropped 17 percent year-on-year to Tk 351.14 crore in July-September of the 2023-24 financial year from Tk 424.68 crore.

"The main reason is that our exports declined although our domestic sales are okay. We have had moderate growth," said Md Omar Faruque, company secretary.

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Traders sit with bowls of fish fry for sale at the Bablatola Matsya Haat in Jashore's Chanchra union. Different types of fish fry are available, including rohu, tilapia and katla, at wholesale for anywhere from Tk 400 to Tk 1,200 per kilogramme depending on the type of fish and stage of development. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

Hatcheries fall on hard times amid rising costs

DIPANKAR ROY, Khulna

Bangladesh's leather footwear exports plunged 36 percent year-on-year to \$165 million in the July-October period of the current fiscal year, according to the Export Promotion Bureau.

Apex Footwear shares fell 7.04 percent to Tk 262.6 each yesterday at the Dhaka Stock Exchange (DSE).

The footwear maker, which posted increased profits at Tk 16.7 crore in the financial year 2022-23, said its cost of raw materials fell at a higher rate than the decline in overall sales during the period.

The company added that net sales revenue decreased compared to the same period last year and it was not possible to offset that through cost control measures.

As a result, profit before tax during the quarter also fell compared to the same period last year and higher income tax expenses reduced profit after tax, which was reflected in its Earnings Per Share (EPS).

Apex Footwear's EPS dropped to Tk 1.72 in the July-September 2023 from Tk 2.43 in the same period a year ago.

Although Chanchra union in Jashore is the biggest source of fish fry in Bangladesh, local hatcheries are struggling in face of higher input costs and changing climatic conditions, according to industry people.

The hatchery business in Chanchra performs a vital role in the economy by catering to 70 percent of the demand for fish fry while also providing a significant number of employment opportunities.

However, the hatcheries are either reducing production or closing down entirely due to challenges resulting from climate change and increased input costs, they said.

As a result, only 25 of the 46 hatcheries available went into production this year while it was 34 last year. There were a total of 78 hatcheries in the area just five years ago.

Making matters worse, production at the existing hatcheries was disrupted for two months due to an intense heatwave this summer, they added.

As per data of the District Fisheries Office, 70 tonnes of fish fry were produced in 2022 while the volume came down to 68 tonnes this year.

On the other hand, leaders of the Jashore District Fisheries Hatchery Owners Association claim that about 118 tonnes of fish fry were produced, surpassing the 100-tonne target for this year.

Atiqur Islam, owner of Desh Hatchery, said his operations have been disrupted for three years now.

"The price of each element used in raising fish fry has gone up to such an extent that I cannot earn even half the production cost," he added.

Islam informed he could produce just 380

kilogrammes of fish fry this year while it was more than 500 kilogrammes last year. Each kilogramme of fish fry is sold for an average of about Tk 3,000.

"Besides, many hatcheries were forced to close down or remain shuttered for up to two years due to the Covid-19 pandemic, when labour shortages and reduced prices plagued the industry," he added.

Firoz Khan, president of the Jashore District Fisheries Hatchery Owners Association, said they previously paid the agricultural rate for electricity, but they now have to pay the industrial rate, which has doubled the cost of production

With this backdrop, Islam urged the government to arrange loans for hatchery owners so that they may recover from the ongoing downturn.

Md Rasel Mollah, who owns a hatchery in the Prembag area of Avognagar upazila, said he bought 70 kilogrammes of fish fry for around Tk 2.70 lakh from farms in Chanchra this year.

"I then sell the fish fry to other farmers after nursing them in my 10 ponds for three to four months," added Rasel, who earns up to Tk 3 lakh from each pond spending about Tk 25,000.

Mollah said he sells black carp fish fry for as much as Tk 23,000 per maund (37 kilogrammes) after buying it from locals for Tk 18,000.

During a recent visit to Chanchra, it was seen that buyers gather as early as dawn to collect fish fry that will be sent by truck to various farms across the country.

Firoz Khan, president of the Jashore District Fisheries Hatchery Owners Association, said they previously paid the agricultural rate for electricity.

"But now, we have to pay the industrial rate, which has doubled the cost of production," he added while pointing out the rising cost of inputs.

For example, a fish hormone known as "PG" used to cost Tk 8 per piece but it is now priced at Tk 40.

Khan also said there are many concerns over marketing, especially considering the high cost of transportation and oxygen.

"So, banks should give loans to hatcheries on easy terms," he added.

Zahidur Rahman Goldar, general secretary of the association, said excessive heat disrupts the production of fish fry and so, they were unable to achieve the expected production this year.

According to the Fisheries Office in Jashore, 64.86 tonnes of the overall production are varieties of carp.

The demand for fish fry in Jashore stands at about 15.23 tonnes annually while some 53.63 tonnes are shipped to different parts of the country.

Sarker Mohammed Rafiqul Alam, the district fisheries officer, said the hatchery industry in Chanchra produces all types of fish fry.

"We provide all kinds of cooperation for the purpose of producing high-quality and modern fish fry. A modern sales centre is also being constructed by the government in Chanchra," he added.

China fuels increase in global oil demand: IEA

AFP, Paris

World oil demand will rise slightly more than expected this year as China's appetite for the fossil fuel hit a record and the Israel-Hamas war did not hit supply flows, the International Energy Agency said Tuesday.

The Paris-based organisation said global demand is forecast to hit an all-time high in 2024, although it will grow at a sharply slower pace.

"World oil demand continues to exceed expectations," the IEA said in its monthly oil market report.

The IEA said demand from China, the world's top importer of crude and its second biggest economy, reached another record high at 17.1 million barrels per day (bpd) in September.

Global oil demand is now forecast to reach 102 million bpd in 2023, the IEA said.

China is expected to account for 1.8 million bpd of the 2.4 million bpd increase in world demand.

Demand is expected to grow by 940,000 bpd in 2024.

"Despite growth that is almost two-thirds lower than this year's increase, global oil demand is set to rise to a record annual high" of 102.9 million bpd in 2024, the IEA said.

The war in the Gaza Strip, which began last month, raised concerns of a wider Middle East conflict that would disrupt the flow of oil supplies.

But the IEA said "there has been no material impact on oil supply flows from the war between Israel and Hamas".

REUTERS

As the holiday shopping season approaches, major US retailers from Dollar General to Walmart and Macy's could be saddled with too much stock for a second straight year, according to a Reuters analysis, jeopardising retailers' profit margins and generating steep discounts for shoppers.

LSEG Workspace, a financial news and data platform, calculated inventory turnover ratios of 30 major US retailers for Reuters. To determine which chains are most vulnerable to carrying excess stock - a problem that raises retailers' costs - LSEG divided each retailer's cost of goods sold by the average value of its inventory in the second quarter.

Stuffed stockrooms are especially challenging for retailers this year because American shoppers are expected to spend just 3 percent to 4 percent more this season, roughly on par with inflation. That would represent the slowest pace of growth in five years, according to industry estimates.

"I am relatively pessimistic about the holiday season," said Gerald Storch,

retail consultant and former Target vice chairman and ex-CEO of Hudson's Bay. "It's possible that some retailers could be overly optimistic and make that mistake of buying too much yet again."

Carrying too much inventory is a problem for many retailers because it drives up retailers' expenses for handling, storing and transporting products, said Jeff Bornino, North



Workers get ready for Christmas season at a Walmart store in Teterboro, New Jersey. Major US retailers could be saddled with too much stock for a second year straight, according to an analysis.

PHOTO: REUTERS/FILE

DSE needs more power to combat manipulation

Says its MD

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) should be given more power so it can combat irregularities in the stock market, ATM Tariquzzaman, managing director of the bourse, said yesterday.

"At present, the surveillance team of the DSE is working to fight against manipulation, but it needs more power to dig deep and combat manipulation," he said.

Specifically, it should have the power to investigate a company's factory, he said.

The DSE cannot go to investigate a factory without prior approval from the Bangladesh Securities and Exchange Commission (BSEC). While they are seeking such approval, the situation often deteriorates.

He added that when bourse officials ask for documents, companies avoid co-operating because they are not bound by the law to provide information.

"We have no legal power to force them to provide information, but the BSEC can compel them," Tariquzzaman added.

As such, the primary regulator of the stock market needs more power if it is to reduce manipulation in the market, he said while speaking at an event organised by the Capital Market Journalists' Forum (CMJF) at its office in the capital.

Ziaur Rahman and Abu Ali, president and secretary general of the journalists' organisation respectively, were present in the meeting.

Tariquzzaman joined the DSE as its chief in September this year. Before joining the bourse, he worked in the BSEC as an executive director.

He also believed the stock exchanges should have more power in the initial public offering (IPO) process. In some countries, stock exchanges give the go-ahead for IPOs, but in Bangladesh BSEC gives approval.

Tariquzzaman added that a floor price is not a permanent solution to boosting investor confidence, saying: "This is an intervention in the price mechanism. A regulator should not intervene here."

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About the benefits of the demutualisation, he said the management of the bourse is now separate from the board and that the board has no influence on the management. Brokers also have no legal way to intervene in the works of the management, he added.

He went on to say that the DSE has been doing its external audit through a single auditor, A Qasem & Co Chartered Accountants, for the last 36 consecutive years, which is surprising.

While listed companies are compelled to rotate external auditors, there is no such legal provision for the DSE.

Nevertheless, rotation is necessary because it is tough for an auditor to work independently if they work for the same company year after year.

By appointing a single auditor for so many years, the bourse broke auditing principles. The positive side is that the DSE has already taken that into account and is planning to change the auditor, he added.

US retailers stuck with excess stock offer bargains

AP, Paris

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Carrying too much inventory is a problem for many retailers because it drives up retailers' expenses for handling, storing and transporting products, said Jeff Bornino, North

America President at TMX Transform, and a former supply chain executive at Kroger. "The undeniable reality in retail is that 15-20 percent of products occupying store shelves need to go," he said.

According to the Reuters analysis, two-thirds of the 30 retailers, including sporting goods company Foot Locker and beauty store Ulta Beauty had inventory turnover below their peers, indicating either slow sales or excess stock.

The finding is notable because history may be repeating itself for some of the chains. Inventory gluts hit many retailers' gross margins and profits last year when shoppers paused discretionary purchases due to high inflation.

While most retailers, including Foot Locker and Target, are carrying lower inventories from last year according to quarterly reports, the LSEG data on inventory turnover shows their levels are still high.

This is especially acute for dollar stores, department stores and

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