

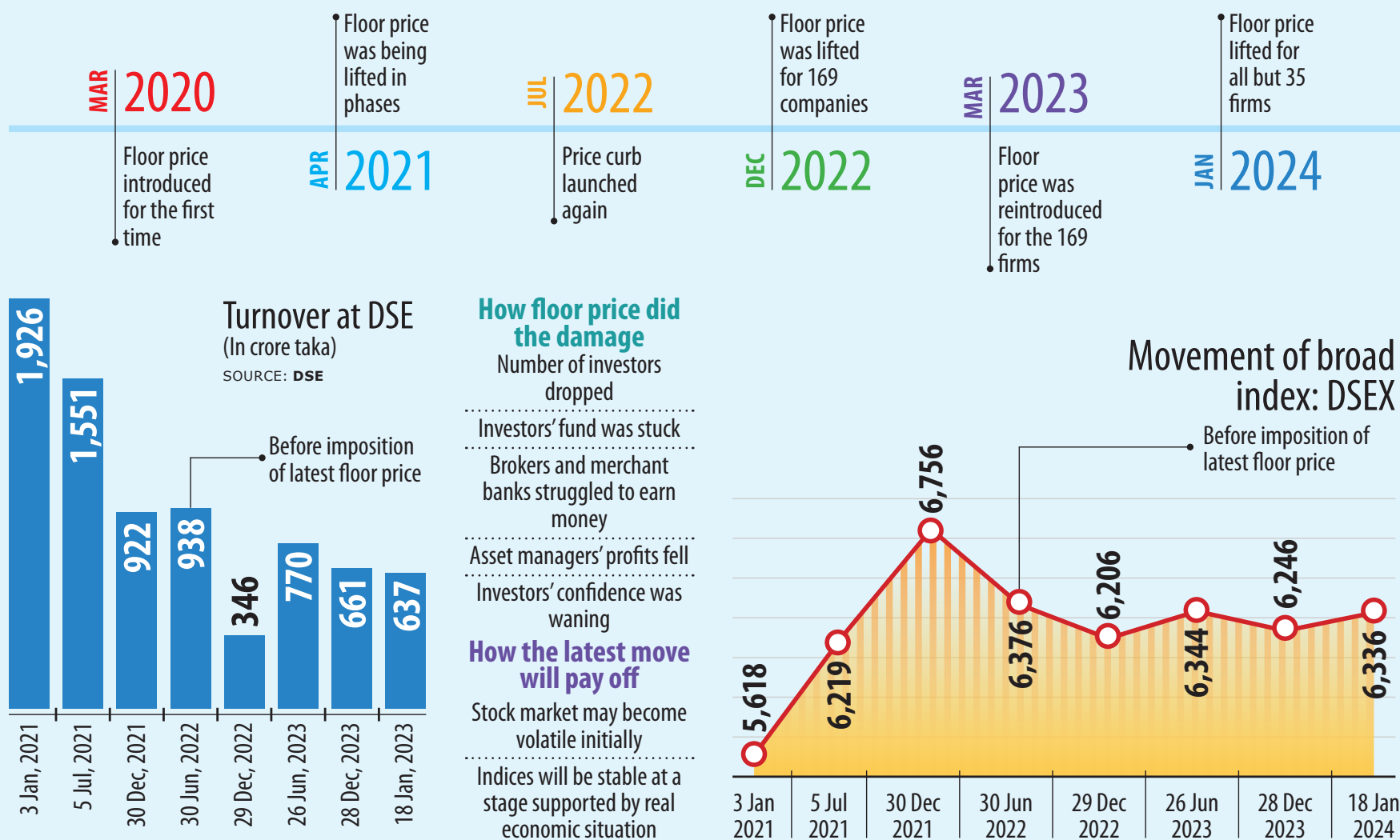
Star BUSINESS

Car sales fell to a 10-year low last year as prices rose due to appreciation of the US dollar and economic vulnerability



Story on B4

Regulator lifts floor price curbs on most stocks after 18 months



How floor price did the damage

- Number of investors dropped
- Investors' fund was stuck
- Brokers and merchant banks struggled to earn money
- Asset managers' profits fell
- Investors' confidence was waning

How the latest move will pay off

- Stock market may become volatile initially
- Indices will be stable at a stage supported by real economic situation

BTCL, Teletalk asked to clear dues of Tk 3,000cr

MAHMUDUL HASAN

The telecom regulator took a hardline approach as it demanded payments from two major state-run telecom companies, Teletalk Bangladesh Limited and Bangladesh Telecommunications Company Limited (BTCL), asking them to clear dues amounting to a staggering Tk 3,000 crore. Teletalk Bangladesh owes the Bangladesh Telecommunication Regulatory Commission (BTRC) Tk 1,848.63 crore, including dues for licensing fees, revenue sharing agreements, spectrum fees, and payments to the social obligation fund. On the other hand, the BTCL owes the telecom watchdog over Tk 1,100 crore, which includes the regulator's share of revenue and various fees. It made the call in a meeting with top officials of the two companies at the regulator's office in Dhaka yesterday, presided over by Musfiq Mannan Choudhury, commissioner for finance, accounts and revenue at BTRC. "It is the government's revenue and they have to pay it," Choudhury told The Daily Star after the meeting, adding that the regulator would initiate



an information system audit of Teletalk and BTCL later this month. "We have asked them to share all of their information, which they always fail to do. They have agreed to provide their revenue information," Choudhury said. The information system audit will help determine loopholes in the two organisations, he said. "After the audit, we will convert these loopholes into opportunities and ultimately turn them into profitable ventures." Md Anwar Hossain, managing director (additional charge) of the BTCL, and AKM Habibur

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AHSAN HABIB

The Bangladesh Securities and Exchange Commission (BSEC) yesterday withdrew the floor price for most of the stocks, 18 months after the measure was imposed, a move that is expected to bring back vibrancy to the market. The floor will still be applicable for 35 companies, the regulator said in a notice yesterday. Speaking to The Daily Star, Shibli Rubayat-Ul-Islam, chairman of the BSEC, said: "We organised many roadshows abroad where it was clear that investors want to come to the stock market. Now, we have no fear." He said the indexes might be hit following the withdrawal of the floor price but they will be stable within a few days. "We want to absorb the shock, if any, in two phases, so some big index movers have still been put under the floor price." "We told earlier that the floor price will be lifted after the national election. We have kept our word." In July 2022, the commission set the floor price, which is the lowest price at which a stock can be traded, for every



share to halt the free-fall of the indices amid uncertainties brought on by the lingering fallout of the coronavirus pandemic and the Russia-Ukraine war. The BSEC lifted the floor price for 169 companies in December 2022. But in March last year, it brought back the price control for all firms as the economy continues to be clobbered by the macroeconomic crisis amid the sharp fall of foreign exchange reserves and the taka's value against the US dollar and an elevated level of inflation. Owing to the floor, most of the stocks did not see much trading activity while price manipulation involving junk stocks and weak companies was rife.

The DSEX, the benchmark index of the Dhaka Stock Exchange, stood at 6,376 in June 2022, before the imposition of the floor. It has hovered around the same level since then and closed at 6,336 yesterday. Amid thin trading, turnover, another key indicator of the market, fell to Tk 637 crore from Tk 937 crore 18 months earlier, DSE data showed. Yesterday, analysts welcomed the BSEC move and said the market may see volatility in the absence of the artificial price mechanism. However, it will run on its own strength within a few months. "It will be good for the market in the long run. I hope market intermediaries

will play the responsible role so that investors don't behave abnormally and don't panic," said Saiful Islam, president of the DSE Brokers Association. At an event yesterday, Islam said around 80 percent of stockbrokers were not able to bear operating expenses due to the low turnover amid the floor price. Shahidul Islam, chief executive officer of VIPB Asset Management, said the decision would improve market liquidity and give a much-needed boost to the confidence level of investors. "There should be an explicit communication that the floor prices will not be imposed again. Such communication will attract foreign investors who want the scope to exit the market under any circumstances." He said many asset managers manage funds for clients who don't have the mandate to invest in countries where price floors or other restrictions are imposed or can be imposed. In an analysis, BRAC EPL Research said: "We expect liquidity to improve significantly in the immediate term as normal trading will resume for the stocks that will see the removal of the floor price."

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STOCKS	
DSEX ▼	CASPI ▲
0.14%	0.12%
6,336.75	18,806.36

COMMODITIES	
Gold ▲	Oil ▲
\$2,011.48	\$73.21
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.44%	▼ 0.03%	▼ 0.08%	▲ 0.43%
71,186.86	35,466.17	3,139.78	2,845.78

World Bank, ADB promise more support but call for reforms

STAR BUSINESS REPORT

Both the World Bank and Asian Development Bank (ADB) have assured they will continue supporting Bangladesh's growth but stressed the need for economic reforms that are crucial for the country to become a developed nation. World Bank Country Director Abdoulaye Seck and ADB Country Director Edimon Ginting yesterday held separate meetings with Finance Minister Abul Hassan Mahmood Ali at his office in the secretariat. After the meetings, the finance minister told reporters that the World Bank and ADB are ready to help the government when needed. "This is the big message," Ali said. Responding to a query, he said there is need for economic reforms and so, they will be continued. Talking with reporters, World Bank Country Director Seck said they discussed different economic reforms, including the fiscal policy and safety nets, at the meeting with the finance minister. "The World Bank Group is ready to support Bangladesh in this regard," he added. ADB country director Ginting said they feel Bangladesh's economic policy is on the right track but there is need for some fine-tuning in terms of strengthening the utilisation of foreign resources. He also said the ADB has long been extending budget support to Bangladesh. Last year, the ADB provided \$800

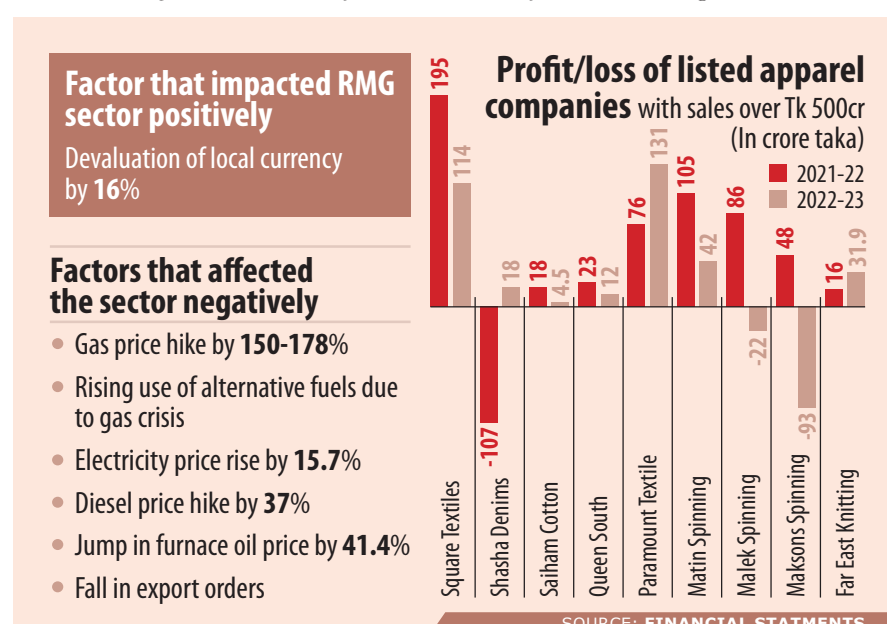
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Listed apparel exporters' profit drops 50% despite strong dollar

Bangladesh's economy has been facing tough times of late as sustained high inflation, hike in interest rates and massive devaluation of the local currency continue to plague the country. In this series, we take a look back at how various industries fared amid the crisis in fiscal year 2022-23. Here, in the fourth instalment of the series, we placed listed export-oriented garment makers under the scanner.

AHSAN HABIB

Although the taka, the local currency, was devalued by more than 16 percent against the US dollar in fiscal 2022-23, the profits of listed export-oriented garment makers in Bangladesh saw a huge drop for higher costs. Currency devaluation usually makes a country's exports more competitive as its products become cheaper in the global market, thereby increasing the scope to profit from higher sales. But of the 29 listed apparel companies that published their financial reports for the previous fiscal year (FY), 13 logged lower profits and five incurred losses for the first time while the rest performed well. As such, their combined profits fell 49.8 percent to Tk 322 crore that year, mainly due to higher energy and financing costs, according to industry people. "To my knowledge, around 80 percent of the non-listed garment makers are incurring losses," said Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association. Meanwhile, 10 percent are breaking-



SOURCE: FINANCIAL STATEMENTS

even and the remaining 10 percent are making profit, he added. Against this backdrop, Hatem said the listed companies that logged profits in

FY23 were lucky to have secured higher revenue considering the massive spike in production costs. He explained that the benefit of the taka's devaluation

was superseded by higher energy prices coupled with a shortage of natural gas. Between June 2022 and July 2023, the local currency was devalued by 16.12 percent to Tk 109 per US dollar, showed data of Bangladesh Bank. Electricity prices rose by 5 percent three times, resulting in a compound increase of around 15.7 percent at the same time. Similarly, the price of diesel grew 37 percent and furnace oil 41.4 percent. Likewise, the retail price of gas for industries was hiked by 150 to 178 percent in the previous fiscal. Hatem also informed that export orders for the apparel industry actually decreased in FY23 even though the Export Promotion Bureau (EPB) is showing increased shipments. As per EPB data, apparel exports rose by 10 percent to \$46.99 billion in the last fiscal year. "The EPB data is not correct. I have been saying for years that it exaggerates the export data," said Hatem, who is also managing director of MB Knit Fashion Ltd. According to the financial reports of listed apparel companies, their sales

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