

# Star BUSINESS

Although infrastructure development has been mostly Dhaka-centric, the capital's ever-changing skyline is a testament to the country's growing economy



Story on B4

## New Development Bank open to financing projects in Bangladesh

Says Vladimir Kazbekov, vice president of the multilateral lender

REJAUL KARIM BYRON and REFAYET ULLAH MIRDDHA

The New Development Bank (NDB) may consider financing various development projects in Bangladesh depending on whether the country has sufficient execution capacity, according to an official of the multilateral lender.

"There are 11 projects in the country that could be considered for financing at present," Vladimir Kazbekov, vice president of the NDB, told The Daily Star in an interview on Sunday.

"Given that we just started, it cannot be said exactly how much support we can give. However, funds are available for projects that are ready for implementation," he added.

And after identifying the projects that are viable for financing, the NDB will build a robust two-year pipeline to ensure consistent support for the next three to five years.

Besides, loans for project implementation will be provided in the currency of choice between the US dollar, euros and Chinese yuan at attractive rates.

The NDB is a multilateral development bank established by Brazil, Russia, India, China and South Africa (BRICS).

The NDB is currently working on providing \$700 million as financing for two projects in Bangladesh.

The first aims to ensure smooth water supply across the capital city while the other aims to improve the existing gas network in Dhaka and Narayanganj.

Both projects are in line with the strategic development priorities of Bangladesh and the NDB.

In parallel, the NDB is working on non-



Vladimir Kazbekov

sovereign transactions with private sector clients and large commercial banks to support private sector development in the country, Kazbekov said.

It is expected that the financing for both projects will be approved before March this year, he added.

Kazbekov arrived in Dhaka on Saturday night to meet with the finance minister, senior officials of the bridges division and other departments of the government to discuss areas of potential project financing.

Regarding Bangladesh's economy, he said it is growing fast with good long-term economic prospects.

But 2023 was obviously a difficult year due to supply disruptions, with price spikes for fuel and other commodities leading to inflationary pressure.

To further develop the economy, it is important to continue investments, particularly in physical and social infrastructure, he said.

At the same time, it is crucial to strengthen macroeconomic stability and minimise exchange rate volatility, he added.

Kazbekov informed that the NDB does not engage in policy-based lending or provide funds for budget support as it mainly focuses on aiding infrastructure development.

Established in 2015, Bangladesh is a member of the NDB.



## Corporate profit squeezed by energy cost, currency shock

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 seventh and last instalment of the series, we placed half of the listed firms under the scanner.

AHSAN HABIB

Profit of the listed companies in Bangladesh dropped 20 percent year-on-year in 2022-23 despite higher sales, owing mainly to the depreciation of the local currency and higher energy costs.

An analysis of the financial reports of 167 companies listed on the Dhaka Stock Exchange showed that their combined sales rose 10.5 percent to Tk 121,132 crore in the last financial year. However, profits dropped 20.8 percent to Tk 8,848 crore.

Multinational companies, banks, non-bank financial institutions, and insurance companies were not included in the analysis of The Daily Star since their financial year ends in December.

Of the 167 firms, 16 slipped to losses, 18 incurred higher losses and 70 logged lower profits in the year that ended on June 30.

"The profit fall is common to all whether they are listed or not," said Rupali Chowdhury, president of the Bangladesh Association of Publicly Listed Companies.

"The main reason is the serious drop in demand amid higher inflation and economic downturn."

In Bangladesh, the Consumer Price Index rose 9.02 percent in 2022-23, the highest in 12 years.

"People are trying to cut expenses which is not a good sign in a capitalist economy. The demand for goods in export markets also fell amid persisting global uncertainty."

In the last financial year, all businesses struggled to open letters of credit (LCs) as the central bank moved to limit the outflows of foreign currencies amid a sharp fall in the international currency reserves.

Internationally, raw material prices rose, dealing a blow to the import-dependent nations like Bangladesh.

Between July 2022 and June 2023, the local currency was weakened by 16.12 percent to Tk 109 per US dollar, Bangladesh Bank data showed. It lost its value by about 30 percent in the past two years, making imports costlier.

The cost of energy surged after the government adjusted prices to stop the fall of the reserves and reduce subsidy requirements. Transportation costs also

### SECTOR-WISE PROFITABILITY (In % of sales)

Sector	Profitability
Fuel	33
Hotel	27
Food	15
Telecom	14
IT	11
Pharma	10
Power	9.49
Ceramics	6
Paper	4.6
Cement	4.53
Engineering	3
Textile	2.69
Tannery	2.1

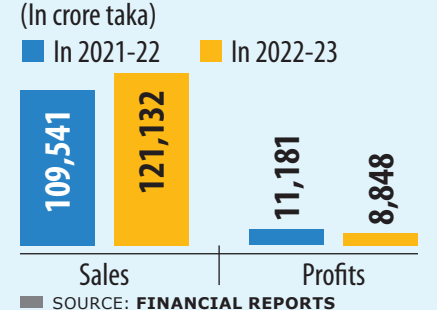
### TOP COMPANIES WITH HIGHEST SALES (In crore taka)

ACI Ltd	11,535
BSRM Ltd	11,506
BSRM Steel	8,452
Beximco Ltd	6,881
Walton	6,637
Square Pharma	6,247
GPH Ispat	5,765

### REASONS BEHIND DROP IN PROFITABILITY

- Depreciation of local currency
- Higher energy costs
- Decline in demand for high inflation
- Fall in export demand
- Problems in opening LCs

### Total sales and profits of 167 listed firms (In crore taka)



### TOP COMPANIES IN TERMS OF PROFIT (In crore taka)

Square Pharma	1,898
United Power	1,333
Beximco Pharma	452
Meghna Petroleum	442
Padma Oil	349

went up. Electricity tariffs rose by 5 percent three times, resulting in a compound increase of around 15.7 percent. The price of diesel, which makes up 70 percent of all petroleum products consumed in the country, grew 37 percent. The price of furnace oil, which is used by

power plants, surged 41.4 percent. Likewise, the retail price of gas for industries was hiked by 150 to 178 percent in the previous fiscal.

"Businesses faced multiple effects in FY23. In order to absorb higher costs, many companies have raised the prices of their

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## BSEC lifts floor price for 23 more stocks

Key index bounces back

STAR BUSINESS REPORT

The stock market regulator yesterday lifted the floor price on 23 more securities, as the key stock index of Bangladesh bounced back recovering from losses it had suffered on Sunday amid investor nervousness following the removal of the minimum price for most of the listed companies.

The artificial price measure, which was imposed on July 28, 2022 to curb the fall in the share prices and prevent losses of small investors amid the country's lingering economic challenges and reduced corporate profits, will now be applicable for 12 listed companies out of 349 firms and mutual funds.

On January 18, the Bangladesh Securities and Exchange Commission (BSEC) removed the floor prices for all but 35 stocks in order to bring vibrancy to the market, which had been on a bear run for a long time.

As such, the DSEX, the benchmark index of the main bourse Dhaka Stock Exchange, dropped 1.52 percent on Sunday, the first trading session following the removal of the price restrictions.

Yesterday, the DSEX recovered and closed at 6254.30 points, gaining 14 points or 0.22 percent from the previous day.

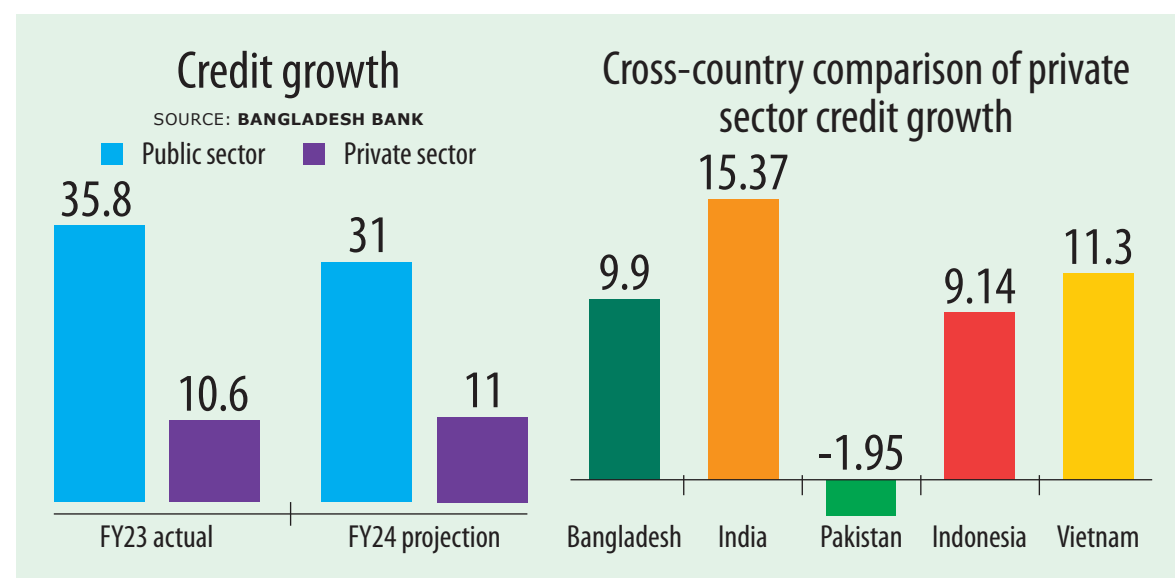
Turnover, which reflects the flow of liquidity in the market, stood at Tk 1,042 crore on the DSE, the highest since July 18, 2023, amid increased participation of investors.

At the Chittagong Stock Exchange, the CASPI, the benchmark index at the bourse, however, fell yesterday.

The BSEC, in its order issued in the evening, said the upper limit of the circuit breaker will be applicable for all the securities other than 12.

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## Credit flows to private sector might slow on higher govt borrowing: BB



STAR BUSINESS REPORT

Credit flows to the private sector of Bangladesh might slow in the current financial year as interest rates could go up following the spike in the benchmark rate amid persisting higher borrowing by the public sector, said the central bank.

Confronted with higher consumer prices, the central bank implemented several policy

measures in the first half of 2023-24 to alleviate the inflationary pressure.

The initiatives encompassed a cumulative 175 basis points increase in policy rates from July to December 2023, the removal of the lending rate cap, replaced it with a reference rate, known as SMART, and ceased lending to the government by creating money.

The actions aimed to elevate borrowing costs, restrict money

and credit expansion, and anchor inflation expectations. Consequently, money supply and private sector credit growth rates moderated between July and November.

Additionally, the BB continued foreign currency sales, which functioned as automatic quantitative tightening measures in the money market, significantly absorbing liquidity from the system.

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## Garment exports to US double in five years

STAR BUSINESS REPORT

Garment shipment to the US, the single largest export destination of Bangladesh, almost doubled in the last five years thanks to the tariff war between Washington and Beijing and the presence of competitive prices of the locally made apparels.

After having two strong years in 2021 and 2022, apparel export to the USA fell 8.68 percent year-on-year to \$8.27 billion in 2023, according to data from the Export Promotion Bureau and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Bangladeshi manufacturers sent \$5.84 billion worth of garments to the USA in 2018 and over \$9 billion in 2022, but it fell the next year, caused solely by a dip in woven garment shipment.

However, knitwear export saw a marginal jump in 2023 compared to the previous year.

Ready-made garment export to the European Union (EU) slowed to a great extent last year, posting a meagre year-on-year growth of 1.49 percent down from 2022's 28.49 percent.

Apparel export to the EU was \$23.38 billion in 2023 from \$23 billion the previous year.

"It is noteworthy that export to our largest destination in EU and the second largest destination in terms of world, Germany, saw a significant decline which contributed to such a setback in our export growth to EU," the BGMEA said.

Bangladesh shipped \$6.1 billion worth of garments to Germany in 2023, down from \$7.29 billion in 2022.

Among other EU countries, Lithuania, Malta, Slovakia and Slovenia also experienced a negative year-on-year growth.

Conversely, the positive performance was maintained in a few EU markets, particularly in Denmark, France,

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