Key stock index rises for eighth session

STAR BUSINESS REPORT

The major stock market index in Bangladesh rose for an eighth consecutive trading day yesterday owing to increased participation of investors.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), rose 6 points, or 0.10 percent, from that on the day before to 6,352 yesterday.

Over the eight days, it had advanced 273 points, or 4 percent.

During this period, market capitalisation of the premier bourse increased by Tk 23,714 crore.

Calculated by multiplying the total number of shares by the present share prices, market capitalisation gives a valuation of the companies in the market.

Turnover, one of the major indicators showing how much trading activity took place on a given business day in the market, grew around 5 percent to Tk 1,730 crore.

A stock market broker said the stock market had remained almost stagnant for more than a year due to a scarcity of buyers amidst the imposition of the floor price.

Stock turnover rose by around 5 percent to Tk 1,730 crore yesterday

So, many investors stayed away from the market. With the lifting of the floor price for most stocks, individual investors are now pouring funds into stocks again, he said.

As a result, turnover of the market rose, he added.

Shares of Bangladesh Finance topped the gainers' list with a rise of 10 percent, followed by Salvo Chemical Industry (9.97 percent), Fu-Wang Ceramic Industry (9.95 percent), Monno Fabrics (9.94 percent), and Mithun Knitting and Dyeing (9.93 percent).

Khulna Printing & Packaging lost the most (8.9 percent) followed by Anwar Galvanizing (8.72 percent), Renata (6.24 percent) and Bangladesh Thai Aluminium (4.18 percent).

Among the major sectors, ceramics rose 6.64 percent, textile 3.89 percent and fuel and power 0.61 percent while life insurance dropped 2 percent and banking 1.10 percent.

Stocks of the pharmaceutical sector were traded the most, accounting for Tk 345 crore of the turnover, followed by engineering (Tk 274 crore) and textile (Tk 184 crore).

The bull run was witnessed at Chittagong Stock Exchange too. The Caspi, the broad index of the port city bourse, rose 72 points, or 0.39 percent, to 18,174.

The water demand in the Bangabandhu Sheikh Mujib Shilpa Nagar is projected at 103 crore litres per day, according to sources at Bangladesh Economic Zones Authority.

PHOTO: STAR/FILE

Investors in Bangabandhu Shilpa Nagar grapple with water crisis

JAGARAN CHAKMA

Investors in the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) are not only facing an acute gas crisis, but also contending with virtually zero water supply to industrial units despite paying water bills, forcing them to set up their own water supply systems.

These utility service gaps at the BSMSN are delaying the realisation of actual investments, investors said. Over the past four years, just 4.15 percent, or $768 million, of total proposals amounting to $18.5 billion have been realised, with $80 million coming from foreign investors.

At present, the five manufacturing units operating inside the BSMSN have installed deep tube wells of their own accord, but they are finding it impossible to meet their demand for water using such means.

According to sources at Bangladesh Economic Zones Authority (Beza), the water demand in the BSMSN is projected at 103 crore litres per day.

The companies currently operating in the zone are Nippon Steel of Japan, Marico Bangladesh, Asian Paints Bangladesh, McDonald Steel, and Samuda Construction, a concern of TK Group.

The Beza expects a further 21 industrial units, which are currently under construction, to begin operations by March.

McDonald Steel, a manufacturer of galvanised and prefabricated steel, was one of the first units to begin commercial production at BSMSN in June 2021.

Its Managing Director Md Sarwar Kamal said Beza is responsible for providing all utility services inside the zone as per the agreement, but investors are struggling to ensure utility connections.

Even more astonishing is the fact that Beza is claiming water bills despite not providing any water, he added.

"We have installed a deep tube well for necessary water supply for our factory. But we have to pay bills to Beza for water use despite arranging it through our own efforts," he said.

Md Mustafizur Rahman, a director of TK Group, which invested $141 million to set up a man-made fibre plant in the BSMSN, echoed Kamal's sentiments.

Utility service gaps at the Bangabandhu Sheikh Mujib Shilpa Nagar are delaying the realisation of actual investments, investors said

He said they had also set up deep tube wells to meet their demand for water, which is around 90,000 cubic meters per month.

Yet, they have to pay around Tk 28 lakh per month in water bills to Beza.

"We set up deep tube wells but we still have to pay water bills to Beza. It is like we are inviting trouble," he said.

Beza is not providing a drop of water but is taking bills amounting to Tk 32 per cubic meter and VAT, he noted.

A leader of the Bangladesh Economic Zones Investors Association (BEZIA), on condition of anonymity, also alleged that Beza was collecting bills despite not supplying any water.

On June 19, 2019, Beza issued a circular saying no utility service charge or associated VAT would be imposed for industrial units.

Just one year later, it issued a letter to investors inside the country's economic zones informing them of the imposition of a 5 percent service charge on utility services, including water, electricity, and gas as well as for effluent treatment and waste recycling.

Shaikh Yusuf Harun, executive chairman of Beza, denied the allegations, saying they had been providing water to industrial units.

He added that 50 deep tube wells had been set up inside the BSMSN, which will provide the required supply of water until the completion of a water supply line from the Meghna river in 2027.

Curiously, Beza officials could not provide information about how much water they provide to industrial units inside the BSMSN.

Water availability was among the foremost initial concerns that investors voiced.

Consequently, Chattogram Water Supply and Sewerage Authority (Wasa) was given the responsibility to ensure a water supply system to the BSMSN in line with instructions from the prime minister.

Beza then decided to bring surface water from the Meghna river to the BSMSN.

In this regard, it took on a project at a cost of Tk 22,069 crore, including technical implementation and land acquisition.

It structured the project as a public-private partnership with Taeyoung Engineering and Construction Co, with the South Korean firm providing Tk 13,200 crore while the remaining Tk 8,869 crore was to be funded by the government.

READ MORE ON B3

Unmasking the economic menace: the rising bad loans

SALEKEEN IBRAHIM

Recently the Bangladesh Bank projected a significant drop in non-performing loans (NPLs) and is hoping that it will decrease by 2.76 percent over the next couple of years. This estimation came in Bangladesh Bank's roadmap on the strategic move to streamline NPL management.

The relentless surge in NPLs has become alarming over the past few years and the given roadmap was long awaited. Beyond mere financial figures, this is a tale of the absence of good governance, ethical lapses, societal impacts, and a call to action for all stakeholders in society.

NPLs obstruct the free flow of capital necessary for entrepreneurial ventures and economic expansion. With a rise in defaults, government resources are diverted towards managing the consequences, creating a domino effect on public services and development projects. The overall disruption in the economic flow has a huge adverse effect.

Due to the adverse effect across the economic sector, good borrowers in face an additional stress and liquidity crunch, limiting their capacity to invest more in innovation. On the other hand, vital public services also suffer as state-owned enterprises struggle with financial instability. Banks and financial institutions suffer as a regular and projected inflow stops.

The increasing burden of NPLs erodes the nation's GDP directly and indirectly, hampering its ability to flourish and compete on the global stage. The creditworthiness as a nation gets stained, affecting its ability to secure favourable terms in international financial markets, affecting the export, import and related manufacturing and trading industries.

The manipulation of loan classification status by different entities is an ethical crime. By doing window dressing, some entities engage in unethical practices, concealing NPLs as performing ones to create a disguise of financial health. This creates additional vulnerability, making it a more decisive loss in the long run. Such practices spook public trust in financial institutions.

The social strain due to the increase of NPLs is also noteworthy. Businesses struggling with NPLs may consider downsizing and laying off, impacting employment rates and aggravating social disparities. Reduced public resources affect essential services like education and healthcare.

As NPLs rise, wealth becomes concentrated in a few hands, deepening the gap between the haves and have-nots. In the days ahead, this disparity may widen and may plant the seeds for social unrest, posing a threat to the stability of the nation.

The situation needs urgent attention. In a positive move, this has been sincerely acknowledged by the recent strategic roadmap declared by the Bangladesh Bank. Financial institutions must prioritise transparency and good governance, comply with regulatory guidelines, and provide accurate information about the true state of loan portfolios.

We have to also remember that for building a responsible financial ecosystem, promoting financial education is essential as it empowers borrowers to make informed decisions, reducing the likelihood of defaults. Government initiatives should encourage businesses to adopt ethical practices since it fosters a sustainable economic environment for the nation.

As the economy advances, the rising trend of NPLs poses a threat not just to financial stability but to society as a whole. Although we stand at this critical stage, we wish to foresee a future where ethical financial practices stand supreme.

We dream of an economy revitalised by good governance, responsible lending, and a society where trust is rebuilt and wealth is distributed equitably. It's a collective effort and it will have to exceed individual interests for the greater good.

The author is a senior banker

India to be world's biggest oil demand growth driver thru 2030: IEA

REUTERS, *Quitol*

India is expected to be the largest driver of global oil demand growth between 2023 and 2030, narrowly taking the lead from top importer China, the International Energy Agency (IEA) said on Wednesday.

The world's third largest oil importer and consumer is on track to post an oil demand increase of almost 1.2 million barrels per day (bpd) between 2023 and 2030, accounting for more than one-third of the projected 3.2 million bpd of global increases in the period, the IEA said in a report released at the India Energy Week in Goa.

The agency forecast India's demand would reach 6.6 million bpd in 2030, up from 5.5 million bpd in 2023.

"India will become the largest source of global oil demand growth between now and 2030, while growth in developed economies and China initially slows and then subsequently goes into reverse in our outlook," it added.

The single largest basis of India's oil consumption will be diesel fuel, accounting for almost half of the rise in the nation's demand and more than one-sixth of total global oil demand growth through to 2030, the IEA said.

Jet fuel is poised to grow 5.9 percent annually on average but this will be from a low base compared with other countries, it added.

"In the case of India, compared with China or other parts of the world, the Indian economy still continues to need more transport fuels so we expect India will continue

READ MORE ON B3

Why fashion's 'recycling' is not saving the planet

AFP, *Paris*

In H&M's flagship Paris store it is hard to find clothes that don't claim to be made from "recycled materials".

Last year, 79 percent of the polyester in its collections came from recycled materials, and next year it wants it all to be recycled.

The Swedish fast fashion giant told AFP that recycled material allows the "industry to reduce its dependence on virgin polyester made from fossil fuels".

The problem is that "93 percent of all recycled textiles today comes from plastic bottles, not from old clothes", said Urska Trunk of campaign group Changing Markets.

In other words, from fossil fuels.

And while a plastic bottle can be recycled five or six times, a T-shirt in recycled polyester "can never be recycled again", said Trunk.

Almost all recycled polyester is made from PET (polyethylene terephthalate) from plastic bottles, according to the non-profit Textile Exchange.

In Europe, most textile waste is either dumped or burned. Only 22 percent is recycled or reused -- and most of that is turned into insulation, mattress stuffing or cleaning cloths.

"Less than one percent of fabric used to produce clothing is recycled into new clothing," the European Commission told AFP.

Recycling textiles is "much more complex than recycling other materials, such as glass or paper", according to Lenzing, an Austrian manufacturer famous for its wood-based fibres.

Pedestrians walk past an H&M store in the Causeway Bay district of Hong Kong. The Swedish fast fashion giant says recycled materials allow the "industry to reduce its dependence on virgin polyester made from fossil fuels".

PHOTO: AFP/FILE

Unrecyclable

For a start, clothes made from more than two fibres are for now regarded as unrecyclable.

Those clothes that can be recycled must be sorted by colour, and then have zips, buttons, studs and other material removed. It is often costly and labour intensive, say experts, though pilot projects are beginning to appear in Europe, said Greenpeace's Lisa Panhuber.

However, the technology "in its infancy", according to Trunk.

Reusing cotton may seem like the obvious answer. But when cotton is recycled, the quality drops so much it has often to be woven with other materials, experts say, bringing us slap back to the problem of mixed fabrics.

To square the recycling circle, fashion brands have instead been using recycled plastic -- to the anger and frustration of the food industry, which pays for the collection of the used PET bottles.

"Let's be clear: this is not circularity," the beverage industry wrote in a withering open letter to the European Parliament last year, denouncing the "worrying trend" of the fashion industry making "green claims related to the use of recycled material".