

Star BUSINESS

Women in Bangladesh are lagging behind men in both mobile ownership and mobile internet adoption



Story on B4

Why are investors leaving the stock market?

AHSAN HABIB

Stock investors in Bangladesh are leaving the share market as they are losing their hard-earned money because of the persisting fall of the indices driven by the prolonged economic crisis, the worsening health of the banking industry, and rising interest and exchange rates.

The number of beneficiary owners' accounts dropped more than 4 percent to 17.90 lakh last week from a year prior, data from Central Depository Bangladesh Ltd (CDBL) showed.

A year ago, the number of BO accounts was 18.71 lakh, while it stood at 20.80 lakh in May of 2022 and 26.61 lakh in the identical month in the previous year.

Although each BO account does not necessarily refer to a stock investor, the number is still tiny in a country of 17 crore people.

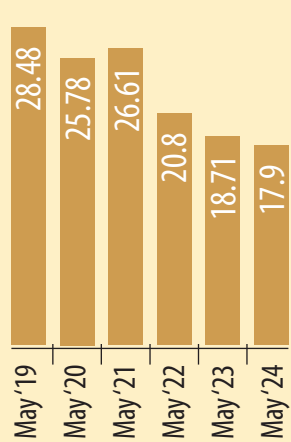
The decline is mainly the result of a long absence of good governance in the market, the lack of a high number of sound companies, rapidly rising interest rates in the banking sector, and the gloomy economic outlook, said industry people.

Even worse, investments in good stocks can't ensure good returns while trading in junk stocks is giving better profits. Therefore, informed investors are exiting the market.

People's trust in the stock market is falling. Therefore, many of them are leaving and many will exit soon, they

BO accounts over the years

In lakh; SOURCE: CDBL

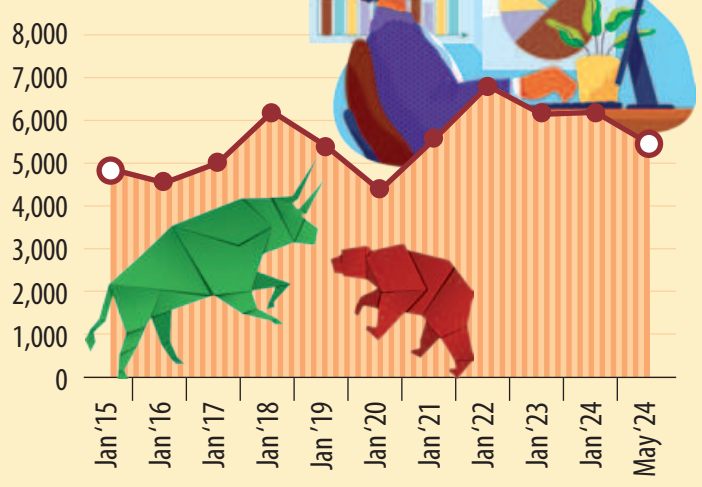


WHY PEOPLE ARE LEAVING STOCK MARKET

- Gloomy macro-economic situation
 - Higher interest rates in banks
 - Lack of good governance in stock market
 - Shortage of well-performing companies
- WAYS FORWARD**
- Bringing good companies in the market
 - Ensuring good governance
 - Reducing market manipulation

Ups and downs in DSEX

In points; SOURCE: DSE



warn.

A stock market analyst, who has been in the stock market for around three decades, told The Daily Star last week that he sold off most of his stocks because he feared that the macro-economic scenario may deteriorate.

For him, there are genuine causes for concern.

The economy has long been struggling to make a comeback from the fallout of the coronavirus pandemic and the Russia-Ukraine War.

The foreign currency reserves, which had shot to an all-time high in August 2021, have halved in the past two years. The taka has lost its value by 35 percent, making

imports costlier.

Owing to external and internal factors, inflation has stayed above more than 9 percent for the past 20 months, bringing in about one of the longest spells of cost-of-living crisis in recent memories in a country where the number of poor and low-income people is high.

"If the taka falls further, foreign investors will sell more shares," the trader said. "Similarly, the manufacturing sector may face difficulty in the coming months if the forex reserves don't pick up."

"This is because their raw materials cost will rise. Their profit which has been under pressure in recent quarters due to the rapid depreciation of the local currency may plummet."

Jakir Hossain, an investor, sold off his entire holding and closed his BO accounts last month.

"I lost 60 percent of my investments in

the last three years. Due to the floor price, I was stuck for around two years. In early 2023, I could not even sell shares when I needed money the most."

The DSEX, the benchmark index of the Dhaka Stock Exchange, hovered around 6,200 points for around two years before the regulator began withdrawing the floor price in January. Since then, it dropped 11 percent, or 725 points, to 5,517 last week.

Investors in Bangladesh are losing their appetite for stocks at a time when markets in most other countries are displaying scintillating performance although the war in Ukraine is still raging while the Middle East is witnessing new conflicts.

For example, the Dow Jones industrial average, the index of 30 prominent companies listed on stock exchanges in the United States, closed above the 40,000-mark for the first time on Friday.

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5 bank MDs to seek dollar deposits in NY campaign

STAR BUSINESS REPORT

The managing directors (MDs) of five banks are going to New York to participate in a campaign on May 24 to encourage expatriates to deposit US dollars in offshore banking accounts.

Amid a lingering US dollar crisis in Bangladesh, some banks are giving special emphasis on offshore banking to increase the supply of the greenback in the banking sector.

As a part of the effort, BRAC Bank, Dutch-Bangla Bank, Bank Asia, Agrani Bank, and City Bank will arrange a dinner for expatriate Bangladeshis at New York LaGuardia Airport Marriott.

In the event, the banks will introduce offshore banking fixed deposits.

Investors enjoy tax-free profit of up to 8.40 percent on fixed deposits for terms ranging from three months to five years.

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STOCKS		WEEK-ON WEEK
DSEX ▼	CASPI ▼	
2.54%	1.38%	
5,661.05	16,006.53	

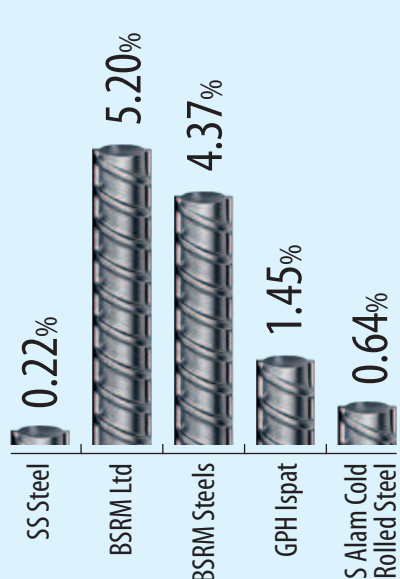
COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$2,413.93	\$79.99	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.46%	▼ 0.34%	▲ 0.26%	▲ 1.01%	
74,005.94	38,787.38	3,313.48	3,154.03	

SS Steel sees profit shrivel as it expands footprint

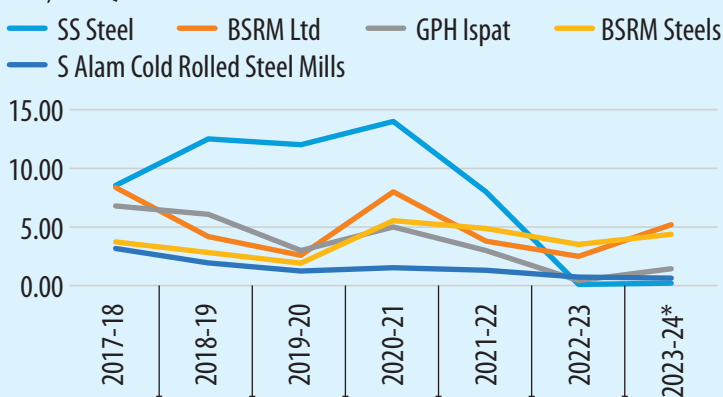
NET PROFIT MARGIN OF LISTED STEEL MAKERS

In %; Till Q3 of 2023-24



Net profit margin over the years

In %; *Till Q3



AHSAN HABIB

SS Steel Ltd has registered higher turnover thanks to increased sales ever since the steelmaker started acquiring several companies in 2020, but its overall profit has dropped.

Sales of SS Steel rose 41 percent year-on-year to Tk 1,642 crore during the July-March period of the current fiscal year. Still though, the company notched a profit of just Tk 3.9 crore, indicating that its net profit margin was 0.23 percent, the lowest among all listed steelmakers in operation.

The profit margin of S Alam Cold Rolled Steels stood at 0.64 percent in July-March while that of GPH Ispat was 1.45 percent, BSRM Steels was 4.37 percent, and BSRM Ltd was 5.20 percent.

A company's profit margin gauges the percentage of its revenue that remains as profit after subtracting all expenses, such as raw material and transport costs.

As per company disclosures, SS Steel has acquired Saleh Steel Industries, Al-Falah Steel, Super Steel, and Peninsula Steel Mills over the past five years, investing large sums to revive production at the units.

As a result, sales of SS Steel rose but its profitability has been

falling in line with other financial indicators mainly due to higher net finance and raw material costs.

The net finance costs, or interest due on loans, amounted to 5 percent of turnover in FY2020-21 while it rose to 8 percent in FY23.

Therefore, investors and stock market analysts have started questioning the logic behind SS Steel taking over the companies since it remains unclear who actually benefited from the move as general investors did not.

SS Steel has acquired Saleh Steel Industries, Al-Falah Steel, Super Steel, and Peninsula Steel Mills over the past five years

During its trading debut in 2019, SS Steel had the highest net profit margin among all listed steelmakers. This helped the company raise Tk 25 crore through its initial public offering. Currently, it has the lowest profit margin in the steel industry, according to an official of an asset management company.

Citing how there should be a logical explanation for SS Steel's shrivelled profits, the official suggested the stock market

regulator should investigate whether its profit margin reduced for business reasons.

The asset manager also said that some companies show better performances before getting listed in a bid to attract investments. But following its trading debut, the company's performance weakens. Therefore, the regulator should also investigate if SS Steel is this type of case, he said.

The profit margin of SS Steel was 12.51 percent in FY19 while it was 12 percent and 14 percent in FY20 and FY21, respectively.

The profit margin of GPH Ispat was 6 percent, 3 percent and 5 percent, respectively, over the same three years. Meanwhile, the profit margins of BSRM Ltd and BSRM Steels ranged from 1.92 percent to 8 percent during the three-year period.

The official added that the Bangladesh Securities and Exchange Commission (BSEC) should look into the reasons behind SS Steel's present situation as it could be linked with the interests of investors.

In line with the reduced profit margin, the dividend payments also decreased over the years: SS Steel declared a 15 percent stock dividend for FY19 while it was 10

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WEEKLY INTERVIEW



Fahmida Khatun

Govt brings down ADP for a lack of fund CPD's Fahmida says

JAGARAN CHAKMA

The government is currently faced with a lack of funds, evidenced by a reduction in allocations it provided from the exchequer for the upcoming Annual Development Programme (ADP), said Fahmida Khatun, executive director of the Centre for Policy Dialogue.

"Due to a shortage of its own resources, the government is facing financial stress," she told The Daily Star in a short interview yesterday.

The government on May 16 approved Tk 2.65 lakh crore for the ADP for fiscal year 2024-25.

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Internet subscriber base gets massive boost

MAHMUDUL HASAN

The number of internet subscribers in Bangladesh spiked by a massive 43.5 lakh in March, the biggest jump in recent years, with mobile data users making up a bulk of the new customers.

There were about 13.47 crore mobile internet users in March, up from 13.03 crore previously, according to the latest data of the Bangladesh Telecommunication Regulatory Commission (BTRC).

Of the 43.5 lakh new subscribers, 36 lakh are mobile internet users with their numbers growing to 12.12 crore in March from 11.74 crore in February.

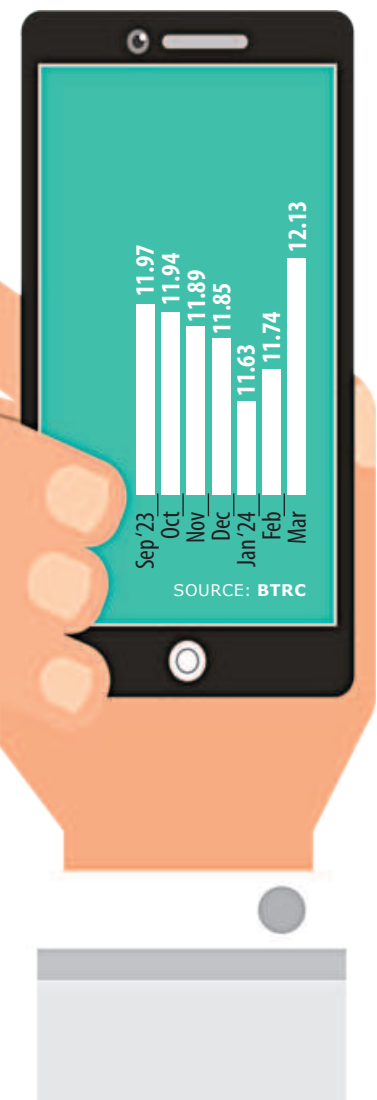
This is the highest growth since at least August 2021 as data prior to that is not available on the BTRC website.

The mobile internet subscriber count increased in the consecutive two months since February. However, the subscriber number had declined for five months straight till January amid the regulator's bar on the sale of packages with short validity periods while persistent inflationary pressure also affected their demand.

But the officials of mobile network operators said the growth has not translated into revenue growth.

"The internet consumer base has shifted to

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