

# star BUSINESS

## Why dividend delay a double whammy for investors

AHSAN HABIB

Motaher Hossain Masum was frustrated last September when Confidence Cement announced a mere 10 percent dividend for the last fiscal year despite making a handsome profit.

His frustration turned to anger last month as the company delayed paying the dividend, exceeding the stipulated time.

On Tuesday last week, he was in shock after the Dhaka Stock Exchange (DSE) downgraded the company to 'Z' category for not paying dividends to investors on time.

It seems more shocks were still awaiting Masum.

The next day, the cement manufacturer's stock dropped over 5 percent, mostly because of the downgrade.

"Why should general investors be punished for the wrongdoing of the company?" Masum cried, lamenting the "double penalties" investors face. "This policy is completely against the interest of the investors."

Like Masum, many stock investors ultimately pay the price when listed companies fail to pay dividends within the stipulated time.

Market analysts say the regulator should punish the management and board if a company fails to pay dividends on time, not the general investors.

### IMPACT OF STOCK DOWNGRADE

Trade settlement becomes limited to 3-4 days	Downgraded stocks turn non-marginable	Mounting sell pressure pulls their prices down
<b>WAYOUT</b>		<b>INVESTORS SUFFER FROM</b>
Penalising top officials of defaulting companies	Revising policy to offer more investor protection	Delayed dividend payment
		Investment value erosion

They argue that for late payment, investors not only miss out on their dividends but also face plummeting share prices after downgrades, further eroding their investment value.

A company is transferred to the 'Z' category if it fails to disburse at least 80 percent of its declared dividend within 30 days of its annual general meeting (AGM), according to the Bangladesh Securities and Exchange Commission (BSEC).

When a stock is downgraded, its trading settlement time is extended from two to three days, and it becomes non-marginable, meaning investors must pay the full purchase price without borrowing funds from their brokerage.

As a result, stock intermediaries often demand that investors return margin loans used to buy these shares.

If the investors fail to comply, intermediaries begin selling shares, triggering a steep fall in prices due to selling pressure.

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## Inflation 7% by next June: BB governor

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Bangladesh Bank Governor Ahsan H Mansur yesterday said the interim government has set a target to reduce inflation to 7 percent by the end of next June and further below 5 percent in the next fiscal year.

"We have reviewed many countries, including the US, the UK, European Union or Thailand," he said.

"...what we have learned is that it will take at least 12 months for the full impact of inflation-curbing measures to be reflected in the inflation target. So, we have to allow that time," he said.

Mansur was speaking at an event titled "Driving Changes: Unlocking the Potential of Bangladesh Financial Market" organised by BRAC EPL Stock Brokerage Ltd at Sheraton Dhaka in the capital.

He said inflation has not yet come down although monetary policies have



Ahsan H Mansur

### JAGARAN CHAKMA

Pharmaceutical exports from Bangladesh notched record growth in November this year as local drug makers secured new markets and larger orders, according to industry people.

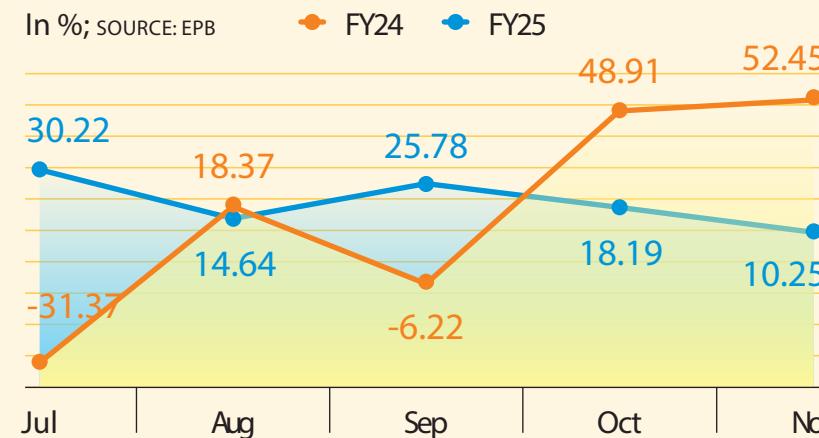
Data from the Export Promotion Bureau (EPB) shows that the country's pharmaceutical shipments rose by 52.45 percent year-on-year to \$92.58 million in the July-November period of the current fiscal year.

In November alone the sector fetched \$22.73 million from exports, indicating substantial growth from the \$13.14 million earned during the same month a year prior.

"Export orders usually increase this time each year if the overall situation remains normal, as reflected by the shipment volume," said Monjurul Alam, chief executive officer of Beacon Medicare Limited, a concern of Beacon Pharmaceuticals.

While acknowledging that export orders have risen significantly, he said the growth was aided by gradual improvements in the country's US dollar stock and the subsequent easing of letters of credit (LCs).

### MONTHLY TREND OF PHARMACEUTICALS EXPORT GROWTH



opening for raw material imports.

And although the local pharmaceutical industry was rocked by worker unrest in September, the situation has been stabilising since October.

"Drug makers are now keen on boosting exports and finding new destinations," Alam added while citing how the international marketing teams of local exporters

are working hard to this end.

Mujahidul Islam, executive director (marketing and sales) for both domestic and international markets at Eskayal Pharmaceuticals Limited, said major importers like Sri Lanka, Nepal and Myanmar have resumed placing orders.

Against this backdrop, he expressed optimism that exports will grow further in the coming

### Drug exports from Bangladesh

In million USD; Jul-Nov; SOURCE: EPB

Year	Exports (USD)
FY20	59.49
FY21	69.82
FY22	90.61
FY23	74.22
FY24	81.83
FY25	92.58

days as global economies continue to recover from economic crises brought on by the Russia-Ukraine war.

Besides, existing importers have started placing larger orders, Islam said while adding that the export growth was not equally shared by all in the local industry.

Ananta Saha, international business manager of Renata

## Janata Bank pleads for Tk 20,000cr bailout

STAR BUSINESS REPORT

Janata Bank has requested Tk 20,000 crore in urgent funds from the interim government and the central bank to overcome its fund crisis, maintain a normal cash flow and uphold depositor confidence.

The management body of the largest state-run bank sent a letter to the Financial Institutions Division of the finance ministry and central bank last month for the bailout package.

The bank wanted to get Tk 10,000 crore in urgent recapitalisation from the finance ministry to meet a capital shortfall and provisioning shortfall.

At the same time, it requested the central bank for Tk 10,000 crore in special liquidity support for the next five years at the bank rate, which is now at 4 percent, the bank letter showed.

Contacted, Md Mazibur Rahman, managing director of Janata Bank, told The Daily Star that the bank requested both the finance ministry and the central bank to urgently provide the funds but was yet to get the support.

The Janata Bank letter showed that currently the bank's ability to borrow from the money market has decreased because of a lack of sufficient securities, which may lead the lender to a CRR (cash reserve ratio) and SLR (Statutory Liquidity Ratio) shortfall.

As a result, the state-run bank may face fines from the central bank, which poses a risk to the image of the interim government, it said.

The bank informed the government that 61 percent of its loans defaulted and the commercial lender is now facing a liquidity crisis due to being unable to recover the loans.

It said more than 45 percent of Janata's loans are concentrated with just five large borrowers, and those borrowers have mainly taken loans from the bank in the past years without facing any limits.

Beximco Group, S Alam Group, AnonTex Group, Crescent Group and Thermex Group are the five top borrowers who defaulted.

The state-run bank currently holds the highest amount of defaulted loans in the banking sector, totalling Tk 60,489 crore as of September this year.

This amount represents 61 percent of the bank's total disbursed loans and 21.22 percent of the sector's total non-performing loans (NPLs) of Tk 284,977 crore till September this year, according to central bank data.

Beximco Group owes the bank Tk 19,507 crore, S Alam Group Tk 10,500 crore and AnonTex Group Tk 7,708 crore.



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