

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
WAYOUT		INVESTORS SUFFER FROM
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.

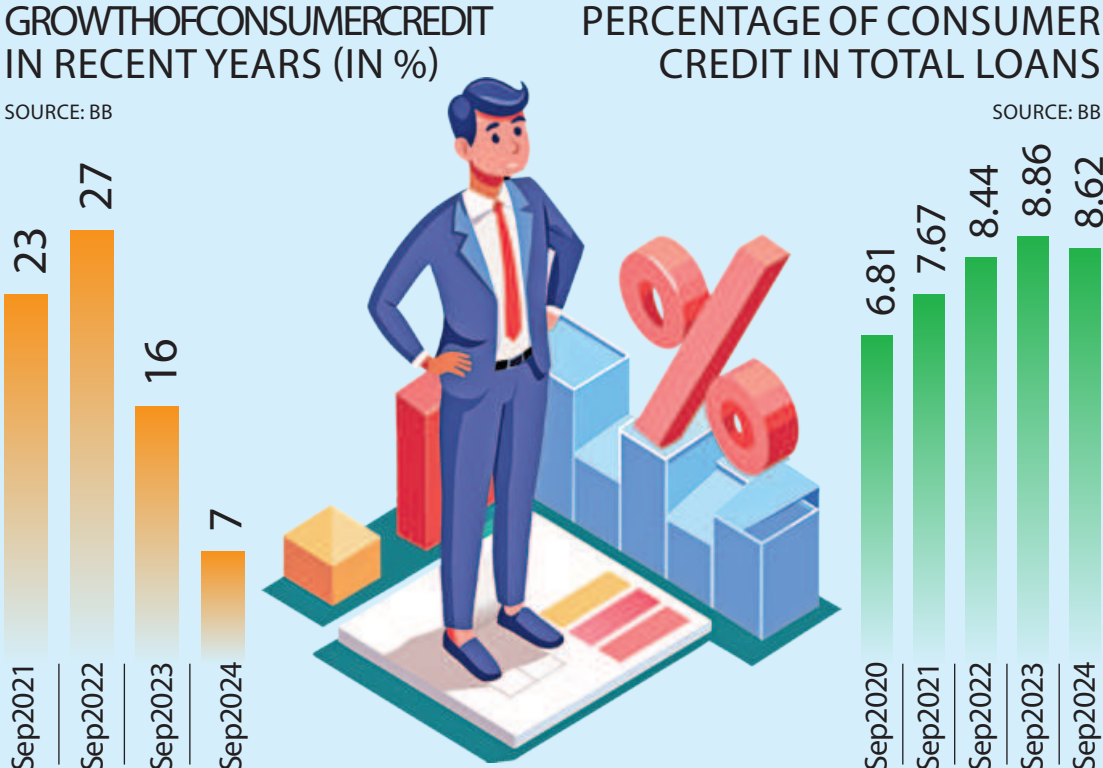
As a result, stock intermediaries often demand that investors return margin loans used to buy these shares.

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

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Consumer financing slows amid economic hardship, uncertainty



MD MEHEDI HASAN

Consumer financing has slowed as people are adopting a go-slow strategy for taking loans, considering the increasing trend of interest rates amid ongoing inflationary pressure.

Banks are also being very conservative in providing consumer credit amid the uncertainty surrounding the recent political change over, industry insiders said.

As of September this year, the percentage of consumer credit out of total loans stood at 8.62 percent, down from 8.86 percent the previous year, according to the latest data from the Bangladesh Bank.

Total outstanding loans in the banking sector stood at Tk 1,619,917 crore as of September this year, of which Tk 139,613 crore is consumer financing.

The percentage of consumer credit out of total loans was 6.81 percent in the same period of 2020, 7.67 percent in 2021 and 8.44 percent in 2022.

Consumer credit, or consumer debt, is personal debt taken on to purchase goods and services. For instance, a credit card is one type of consumer credit in finance.

Industry insiders said people take consumer credit mostly

for lifestyle and luxury product purchases.

However, they have been forced to cut their spending on luxury products in the face of economic hardships. Still, some people are taking consumer loans to meet their monthly expenses, they added.

From September last year to September this year, banks disbursed Tk 9,103 crore as

upper middle-income are mainly taking consumer credit, he said, adding that professionals are mostly taking those types of loans.

The housing and automobile sectors were adversely impacted last year due to the exchange loss of the local currency, taka, against the US dollar, Hussain said, adding that the 100 percent letter of credit (LC) margin on luxury products impacted retail loans.

Hussain also said consumer credit or retail loans are expanding on the increased earning capacity of people and changing lifestyles.

From September last year to September this year, banks disbursed cash for purchasing consumer goods, apartment purchases, credit cards loan and salaries, central bank data showed.

Banks are also lending for educational expenses, medical treatment, marriage expenses, travel or holidays, professional loans, transport loans, loans against provident funds, personal loans against deposit premium schemes (DPS), personal loans against fixed deposit receipt (FDR) and more.

M Khurshed Alam, deputy managing director of Eastern



consumer credit, down from Tk 17,993 crore in the same period of the year prior, central bank data showed.

Bank Asia is continuing to expand its retail loans or consumer financing, said its managing director, Sohail RK Hussain.

Home loans, personal loans, automobile loans and credit cards are the major areas of retail loans.

Credit growth in the retail segment is not substantial and is still insignificant compared to the total loans in the banking sector, said the Bank Asia MD.

People of middle-income and

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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.

STOCKS	
DSEX ▼	CASPI ▼
0.37%	0.42%
5,105.43	14,304.00

COMMODITIES	
Gold ▼	Oil ▲
\$2,715.75 (per ounce)	\$70.58 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.32%	▲ 1.21%	▲ 0.43%	▲ 0.85%
81,263.84	39,849.14	3,809.27	3,461.50

Inflation 7% by next June: BB governor

STAR BUSINESS REPORT

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

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Pharma exports hit record high in Nov

JAGARAN CHAKMA

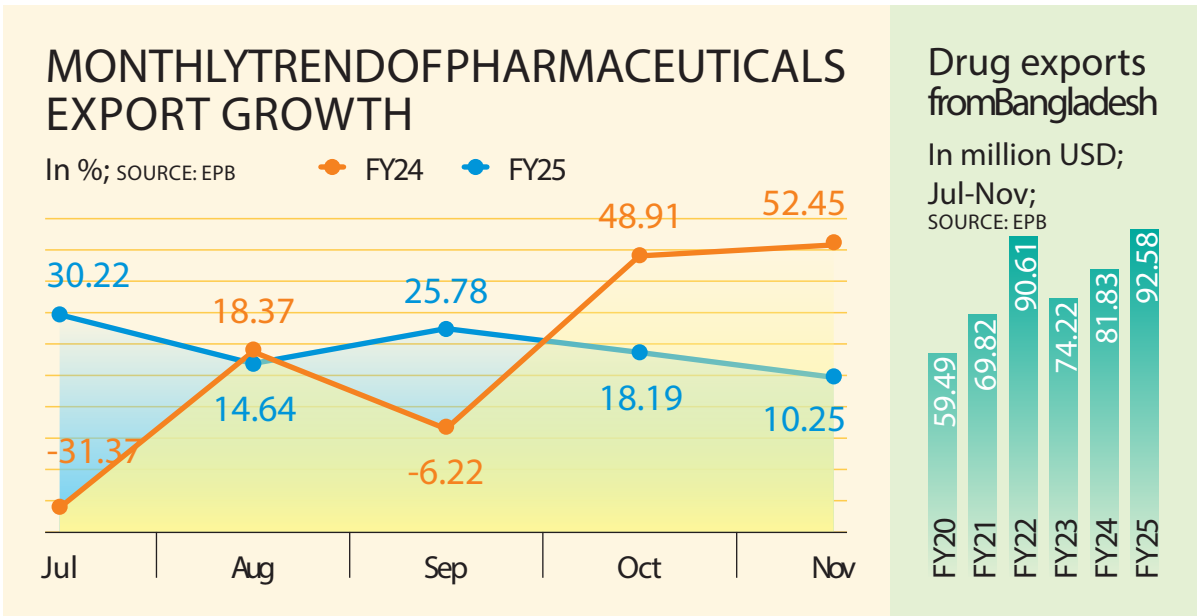
Pharmaceutical exports from Bangladesh notched record growth in November this year as local drug makers secured new markets and larger orders, according to industry people.

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)



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 Eskayef 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

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

Limited, said they achieved their desired export growth this year despite facing a number of challenges, such as rising raw material import prices.

"Although we did not get significant growth over the past five months, the current growth rate is sustainable," he added.

Saha also said nearly all of the leading pharmaceutical exporters are working to secure approval from drug enforcement agencies of foreign economies in a bid to expand their global footprints.

However, he informed that despite increased exports, the profit margins of local drug makers decreased as a result of the higher US dollar rates and rising raw material import costs.

"Manufacturers could not raise their product prices even though taka's depreciation against the greenback hiked the production cost," Saha added.

The country exports pharmaceutical products to at least 151 countries, including those in the EU, Africa and Latin America as well as the US, after catering to 98 percent of the domestic demand, according to Bangladesh Association of Pharmaceutical Industries.