Maksons Spinning posts Tk 40cr loss in Q1

STAR BUSINESS REPORT

Maksons Spinning Mills PLC saw its losses surge in the first quarter of the current fiscal year due to escalating raw material costs and finance charges, according to the company's financial statement.

Maksons Spinning reported losses of Tk 40.75 crore for the first three months of fiscal 2024-25, up 61 percent year-on-year.

Besides, the company's share value decreased 1.39 percent to Tk 7.1 at the Dhaka Stock Exchange yesterday.

The loss per share of Maksons Spinning stood at Tk 1.71 in the July-September period of the ongoing fiscal compared to Tk 1.06 during the corresponding months of FY24.

As per the company's financial statement for the first quarter, increased spending on raw materials, salaries and wages, utility bills and elevated interest payments were the main culprits that dragged down its earnings per share.

Sales of Maksons Spinning slipped by about 19 percent year-on-year to Tk 95.77 crore in the July-September period

Sales of Maksons Spinning slipped by about 19 percent year-on-year to Tk 95.77 crore in the July-September period, it said.

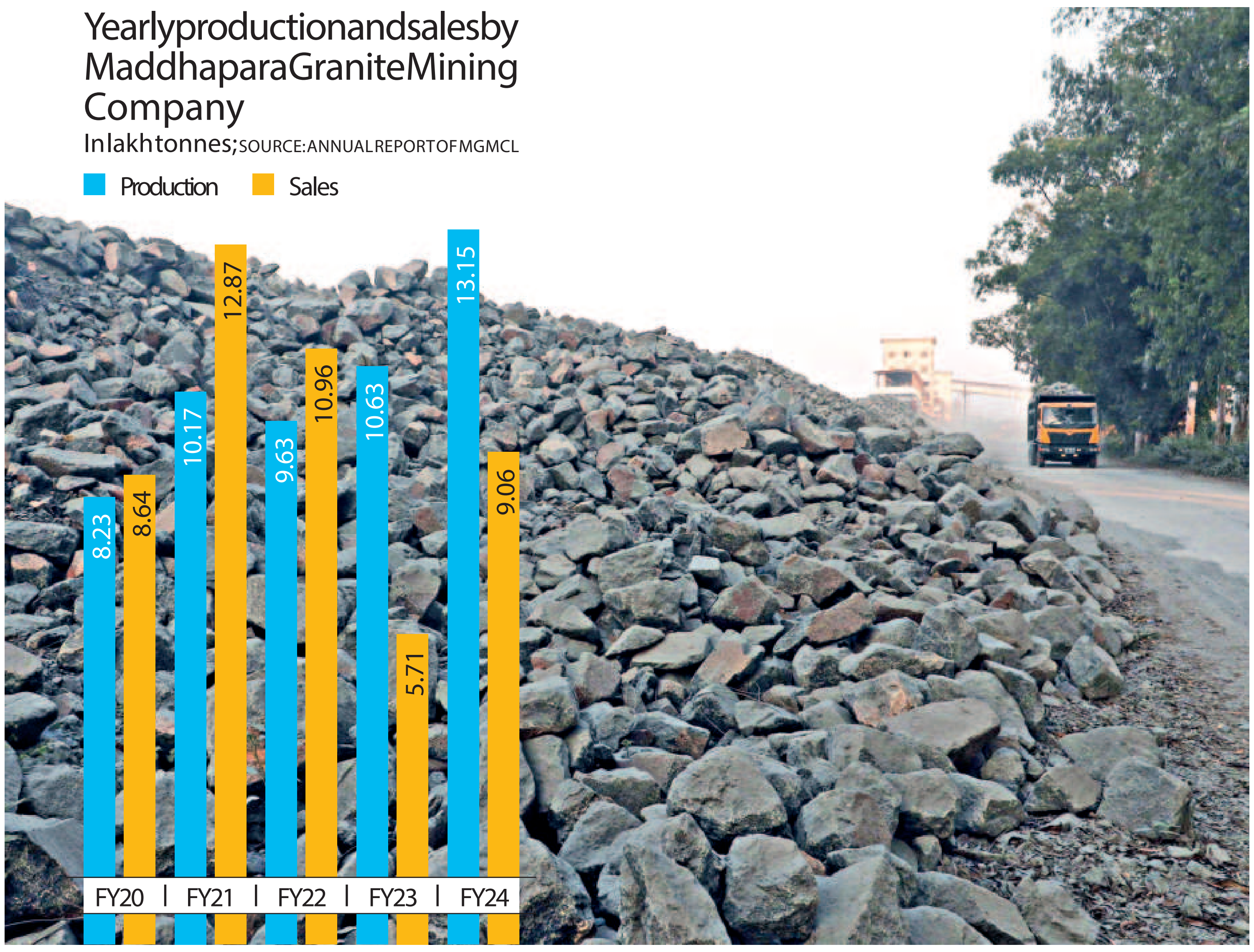
The company attributed the decline to lower sales in terms of both quantity and value.

Its net operating cash flow per share was Tk 3.51 in the negative for the first quarter of the year compared to Tk 0.74 in the negative during the same period last fiscal. Maksons Spinning attributed this rise to increased costs.

The company's net asset value (NAV) per share was Tk 10.62 on September 30 this year, down from Tk 12.29 on June 30 last year. It said that operational losses were behind the lower NAV.

Maksons Spinning, incorporated in 2003 and converted into a public limited company in 2005, operates with 100,680 spindles using machinery from Japan, China, India, Italy, the US, Germany, Switzerland, and Taiwan.

With an annual production capacity of about 21.25 million kilogrammes, the company makes quality yarn typically of the 20/1 to 80/1 thread counts for export from 100 percent cotton yarn, organic yarn, combed yarn, Supima cotton and high-quality compact yarn.



Maddhapara Granite turns to borrowing to stay afloat

The mining company's struggle to find buyers for unsold stocks continues

KONGKON KARMAKER

The Maddhapara Granite Mining Company Ltd (MGMCL) finds itself in a dire financial situation as its sales continue to plummet throughout the current year.

Despite selling hard rock at Tk 500 lower than the average production cost per tonne, the country's lone underground hard rock mining company under Petrobangla has failed to clear its massive stockpile.

Now the company is relying on loans to continue operations.

Currently, the MGMCL has around Tk 430 crore worth of unsold hard rock stored in its yards, with production continuing to exceed demand.

Efforts to increase sales have been sluggish, and the company has resorted to borrowing funds to meet its financial obligations, including payments to contractors and employee salaries.

In September, Maddhapara Granite Mining secured a Tk 30 crore loan from the Barapukuria Coal Mining Company Limited (BCMCL), another company of Petrobangla, to pay its contracted production partner, Germania Trust Consortium (GTC).

However, the company has failed to repay the loan within the promised two-month period.

Recently, the MGMCL has sought an additional Tk 40 crore loan from Petrobangla to manage its escalating financial crisis.

Both MGMCL and BCMCL are located in Parbatipur upazila of Dinajpur.

Maddhapara Granite Mining produces about 15 lakh tonnes of hard rock annually, against a national demand of 2.16 crore tonnes.

Despite its efforts, only a fraction of the production is sold to various government and non-government developers.

As of now, nearly 11 lakh tonnes of stone remain unsold.

The company attributed its declining sales to an inability to compete with cheaper stone imports from India and Bhutan, as well as to inadequate marketing and high production costs.

The high production costs are driven by different factors, including a 100 percent value-added tax (VAT) on explosive imports, additional VAT on spare parts, consumables, and equipment, as well as new levies on materials like ammonium nitrate.

Furthermore, fluctuations in the US dollar exchange rate have increased costs, as payments to contractors are paid in dollars.

Md Fazlur Rahman, who joined MGMCL as managing director in September, said he has been trying to boost sales.

Over the past three and a half months, Rahman, who will remain in the post until December this year, has held meetings with various government and private organisations, including the Local Government Engineering Department, Roads and Highways Department, and Khulna Development Authority.

The Bangladesh Railway has agreed to purchase 250,000 tonnes of ballast on credit, the proposal of which is still pending for ministry's approval, according to a close source at MGMCL.

However, Rahman's ambitious sales target of 1.06 lakh tonnes per month remains unmet, leaving the company to rely heavily on loans.

MGMCL's financial woes are compounded by the non-approval of new government construction projects, non-payment of funds for ongoing projects, and reduced tariffs for imported stone.

With a large stockpile and insufficient sales, production may face a shutdown if the situation does not improve soon.

For MGMCL, loans have become a short-term solution to a long-term problem, said an official of the company.

Without immediate intervention to boost sales and address the cost disparities between domestic and imported stones, the company risks facing deeper financial distress, which could potentially jeopardise its operations and workforce.

Stakeholders and industry experts are calling for policy adjustments, including higher tariff values on imported stone, to create a competitive market environment for MGMCL's products.

Accommodating hard rocks is now the biggest challenge for MGMCL as it does not have sufficient space to accommodate them.

During a recent visit, the correspondent found that MGMCL is making arrangements to store the produced hard rock in an area outside its boundary.

New loan classification policy a double-edged sword

SALEKEEN IBRAHIM

Starting from the pandemic in 2020, Bangladesh as a nation has gone through a number of incidents in the last five years followed by the Ukraine war, interest rate capping, dollar crisis, high inflation, sluggish GDP growth, banking sector exploitation, intense corruption in different layers and lastly the political changeover in August. In between this roller-coaster timeline, we have seen many different circulars and policies to regulate prevailing difficult situations. Sadly, some were driven by specific interests and some were prescribed. As a result of these inconsistencies and contradictory guidelines, the national economy has heavily been affected in the long run.

Nevertheless, after the appointment of the new governor of the central bank, Bangladesh is going through a transformative phase with a number of significant policy reforms in the last three months. Among these, the recent circular on tightening the loan classification policy has generated extensive attention. Experts foresee that this change will double the volume of classified (non-performing) loans by June 2025, intensifying both macroeconomic and microeconomic challenges. Banks especially will face immense pressure due to the sudden rise in NPL as they will need to take more provisions to reduce their ability to invest more among the entrepreneurs. This will also shrink liquidity in the market making things difficult.

Yes, the move is essential to restore financial discipline, but it will pose immediate challenges for businesses, particularly small and medium enterprises (SMEs). Many of the SMEs who have been trying to absorb shocks from the pandemic period to date due to various reasons stated above will find it difficult to survive. The rise of NPL volume will result in reduced credit availability and higher borrowing costs, while many may struggle to maintain operations or expand. Some might even be forced to downsize or shut down. Ultimately, SMEs may lead to increased defaults, as most of them operate on thin margins. Bigger companies might continue better but they will also face challenges as cash flow disruptions and restricted access to bank loans could slow their growth and investment plans as well.

Inflation, which is already a big headache for the interim government, may worsen even due to the rise of the country's NPL percentage. Considering less credit availability, production will certainly slow down and due to the supply chain disruption, the price of commodities and services might go up.

In addition, the rise of NPLs will increase distrust in the banking sector and create doubts in depositors' confidence, which might form a liquidity crisis. With such a financial strain on the face of entrepreneurs, layoffs will increase creating more unemployment with social unrest. The impact on employees and their families could exacerbate economic inequality more in the coming days.

Despite many challenges, this strict NPL policy will have definite long-term benefits, which will lead us to a stronger and more resilient economy. Banks for example will practice more prudent credit assessment exercises with a robust monitoring system, which will bring back the lost confidence among the depositors. Over time, this will result in improved banking operations, reduced systemic risks, and enhanced investor confidence in the sector.

Entrepreneurs on the other hand will also be cautious enough for stable growth and better financial governance rather than overleveraging. This might be a major cultural shift which will lead us to a more robust entrepreneurial ecosystem and a stronger economy.

The author is a banker

India's economy to grow from 6.5 to 7% this fiscal: CEA

ANN/THE STATESMAN

Even though the Indian economy slowed down to 5.4 percent in the second quarter, it will grow in the range of 6.5 to 7 percent this fiscal, voiced Chief Economic Advisor (CEA) Anantha Nageswaran on Thursday.

Speaking at the Global Economic Policy Forum 2024, organised by the Ministry of Finance and the Confederation of Indian Industry (CII), Nageswaran said, "We are on track for robust growth, but enduring global uncertainties pose significant challenges that will shape the trend growth in the years ahead."

The CEA attributed the deceleration in GDP growth to factors that could either be temporary or indicative of deeper issues.

He stressed on the need to double down on domestic efforts to tackle the global uncertainties, and highlighted the importance of innovation, wage growth, and quality consciousness in driving sustainable economic growth.

"We must focus on making 'Made in India' synonymous with quality and R&D. Without growth, there are no resources to invest in climate change management."

He also highlighted the global disruptions, and said the spike in energy costs has eroded European industrial competitiveness. "We must manage our energy transition carefully to avoid sacrificing economic growth in the name of sustainability."

He also said India's capital formation as a share of the GDP is expected to rise from 30.8 per cent to 35 percent over the next five years, with the private sector increasingly deploying funds.

China eyes negotiations as Trump threatens new tariffs

ANALYSIS

REUTERS, *Beijing*

As Donald Trump steps up his tariff threats against China, Beijing is moving to beat the next US president to the punch with its own restrictions and get Washington to the negotiating table ahead of a full-blown trade war, analysts say.

Armed with the lessons of the last trade war during Trump's first term, China is seeking to amass bargaining chips to kick off talks with a new US administration on contentious aspects of bilateral ties, including trade and investment, and science and technology. It is also concerned about the harmful effects of additional tariffs on its already fragile economy.

This week, China launched a probe into US chip giant Nvidia over what it claimed were suspected antitrust violations, which follows its ban on US-bound exports of rare minerals.

"We have to look at this as the opening bid in what will likely ultimately turn into a negotiation with the US rather than just an imposition of tariffs and everyone walks away," HSBC's Chief Asia Economist Fred Neumann said.

China is better prepared to deal with almost any tariffs, short of an "Armageddon announcement" of a 60 percent tariff on all Chinese goods, said George Magnus, research associate at Oxford University's China Centre.

The world's second-largest economy now globally dominates sectors such as electric vehicles and green energy, and has less need for the Boeing jets and large gasoline-fuelled cars it bought back in 2017, having found substitutes such as Airbus airplanes and its own Comac C919.

But China is far from self-sufficient.

A new trade war with the world's biggest economy would still hurt China more, analysts say, as Washington can levy ever-larger import duties on its goods and further rip China from its supply chains.

China still needs to import strategic materials from the US such as advanced microchips and other high-tech equipment and counts on US consumers to buy its goods, given an increasingly pessimistic global trade outlook and weak domestic consumer demand.

Beijing wants to sit down with Trump before he places more curbs on US high-tech exports and to secure the renewal of the US-China Science and Technology Agreement, said Alicia Garcia-Herrero, chief economist for the Asia Pacific at Natixis.

The agreement, which enables scientific collaboration between the two countries, lapsed in August and negotiations over its renewal are unlikely to be completed before Trump's January 20 inauguration.

People walk near the building of Chinese real estate developer Vanke in the Tongzhou district in Beijing on December 5.

PHOTO: AFP

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