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Star BUSINESS

Economic stress erodes profits for most listed firms

54% of companies saw profits decline in Oct-Dec last year

BYTHENUMBERS

213 listed firms publisheddata

97 loggedhigher profits

116 firms saw earningserode

Combined profits of 213 listed firms

In crore taka; SOURCE: SANDHANI LIFE AMC

Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024
3,473	4,383	3,378	3,351	4,061

REASONSBEHIND LOWERPROFITS

- Higherinterest costs and wages
- Lowerdemandfor goodsamidhigh inflation
- Weak law and order
- Lowerconfidence among entrepreneurs

MAJORCHANGESINPERFORMANCE

18 companies returnedtoprofit

32 firmsthatwerepreviouslyprofitable have now incurred losses

AHSAN HABIB

Most listed companies saw their profits erode in the October-December period last year compared to the corresponding quarter of the previous year, due mainly to higher borrowing costs, persistently high inflation and other macroeconomic stresses.

So far, 213 listed firms have published their financial disclosures for the last quarter of 2024.

Of them, 97 companies reported higher profits compared to the same period the previous year, while 116 firms, or 54 percent of the total, saw their profits decline.

Among the 97 profit-making companies, 18 returned to positive territory after previously being in the red. On the other hand, of the 116 firms, 32 incurred fresh losses compared to the October-December period in 2023.

Although the companies recorded an average year-on-year profit growth of 16 percent in October-December, their combined profit was 7 percent lower than in the January-March period last year, according to a compilation by Sandhani Asset Management Company.

However, their combined profits grew by more than 21 percent compared to the politically volatile July-September quarter of 2024.

"Profits of the listed companies fell as the gross domestic product (GDP) growth rate dropped, people's consumption shrunk and inflation remained high," said Rupali Haque Chowdhury, president of the Bangladesh Association of Publicly Listed Companies.

In the July-September quarter last year, Chowdhury said public spending on development works slumped. Besides, the circulation of black money in the economy also declined.

That quarter, the country's GDP grew by only 1.81 percent -- the lowest since the second quarter of the fiscal year (FY) 2020-21 when the Covid-19 pandemic hit the globe, according to the Bangladesh Bureau of Statistics (BBS).

At the same time, industrial output expanded by only 2.13, a sharp decline from 8.22 percent growth recorded a year earlier.

The implementation of the Annual Development Programme (ADP) in the first six months of FY 2024-25 was down 19 percent year-on-year, according to the planning ministry.

"Overall, the business of listed firms mirrored the struggling economy," said the president of the association for listed firms.

Azam J Chowdhury, a former president of the BAPLC, said many industries are not getting adequate energy supply, which has an impact on their business.

On the other hand, there are political uncertainties, leaving entrepreneurs to adopt a wait and see approach for business expansion. It affects job creation. At the same time, consumers are squeezing their consumption.

Meanwhile, Ashikur Rahman, principal economist at the Policy Research Institute (PRI) of Bangladesh, said business profits were under pressure mainly due to higher operating costs and lower aggregate demand.

As interest rates in the banking sector rose, so did the finance costs for firms. Wages also increased at many companies. However, they were unable to adjust prices amid high inflation, according to Rahman.

The weighted average interest rate in the banking sector was 6.60 percent on October 1, 2023, which rose by 55 percent to 10.23 percent by the end of December 2024, according to the Bangladesh Bank (BB).

On the other hand, aggregate demand, including public investment-induced demand, took a hit due to high inflation and a volatile political landscape, Rahman said.

"So, all of these factors impacted the bottom line of businesses," he added.

Referring to the latest Purchasing Managers' Index (PMI) by the Metropolitan Chamber of Commerce and Industry (MCCI), he said the economy has been expanding and healing but has not yet reached its previous level.

TOUGH TIME FOR SMALL FIRMS

An analysis of company profits found that large companies were comparatively in a better position, while smaller firms faced tougher conditions.

The combined profits of listed firms grew mainly because some large state-run companies returned to profitability.

These companies returned to profit after incurring huge losses earlier due to taka devaluation, which has since reduced in recent quarters amid a stable foreign exchange rate.

For instance, Power Grid Bangladesh PLC incurred a loss of Tk 114 crore in the October-December period of 2023.

The company had losses ranging from Tk 50 crore to Tk 287 crore in each quarter before logging a profit of Tk 398 crore in the October-December quarter of 2024.

A similar trend was seen for the Dhaka Electric Supply Company Ltd (DESCO).

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Bangladesh, IMF mutually deferred loan tranche

Says finance ministry

STAR BUSINESS REPORT

The International Monetary Fund's move to disburse the fourth and fifth tranches of a $4.7 billion loan together was a mutual decision, the finance ministry said in a press release yesterday.

The fourth tranche was originally scheduled to be released in March, but it was deferred as Bangladesh could not meet some prior conditions.

According to the press release, the instalments are disbursed upon fulfilment of conditions that have been mutually agreed upon by the government and the IMF to strengthen the foundation of the economy.

"Budget support programmes are associated with the implementation of conditions, some of which require time. Hence, it was mutually decided that the two disbursements scheduled in fiscal year 2024-25 would be combined," it said.

The IMF approved a loan of $4.7 billion in 2023, against which Bangladesh has already received three instalments amounting to $2.3 billion

As such, the IMF agreed to disburse the fourth and fifth tranches together in June.

The disbursement will be made after satisfactory completion of a review scheduled for April and approval by the IMF board in June, the finance ministry added.

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On Monday, Finance Adviser Salehuddin Ahmed shared news of the deferment after attending a deputy commissioners' (DCs) conference in the capital.

After that news made headlines, the finance ministry issued the statement.

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Stop yarn import thru land ports

Textile millers urge govt

STAR BUSINESS REPORT

Textile millers yesterday urged the government to stop the import of yarn from India through land ports as the domestic yarn sector is struggling to survive due to significant quantities of the fibre being smuggled through such establishments.

Imports from India may continue through seaports, as they are equipped with testing facilities and there is little chance of yarn being smuggled, Showkat Aziz Russell, president of the Bangladesh Textile Mills Association (BTMA), said at a press conference at the Pan Pacific Sonargaon Dhaka in the capital yesterday.

Currently, yarn imports from India are allowed through seaports and four land ports, namely Benapole, Sonamasjid, Bhomra, and Banglabandha. The government allowed the import of yarn through these ports in January 2023 to meet the sudden rise in demand for the fibre after the Covid-19 pandemic.

Currently, yarn imports from India are allowed through seaports and four land ports

However, the huge volume of imports has become a threat to the domestic spinning sector, where around $15 billion has been invested, with yarn imports surging 40 percent to $2.7 billion last year.

India accounted for over 95 percent of those imports thanks to its competitive prices, with Indian yarn costing 25 to 30 cents less per kilogramme than Bangladeshi yarn.

However, Russell said that large quantities of yarn are also brought in through illegal channels, as the land ports are ill-equipped to curb smuggling.

For instance, traders open letters of credit (LCs) to import two tonnes of yarn but eventually import 10 tonnes through five trucks, capitalising on the weak oversight at land ports, the BTMA president said.

Alongside this, challenges such as a loss of working capital due to the depreciation of the local currency against the US dollar, inadequate gas supplies, and lower investment inflow due to political uncertainty have plunged the domestic yarn sector into crisis.

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STOCKS

DSEX ▼	CASPI ▼
0.16%	0.22%
5,203.20	14,543.77

COMMODITIES

Gold ▲	Oil ▲
$2,910.74 (per ounce)	$71.75 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.04%	▲ 0.25%	▲ 0.53%	▼ 0.53%
75,967.39	39,270.40	3,925.56	3,324.49

Strengthen renewable energy ties with Australia

Speakers tell CPD discussion

STAR BUSINESS REPORT

Increasing collaboration with Australia in the renewable energy sector will enhance Bangladesh's clean energy capacity, promoting sustainable growth and climate resilience, according to speakers.

However, financing remains a significant challenge in Bangladesh's transition to green energy, posing a major barrier to achieving sustainability goals, they said.

The gap between demand and availability in long-term climate financing will reach $230 billion by 2050, for which securing adequate funding is crucial for implementing essential adaptation and mitigation projects, they added.

"We need deeper collaboration with Australia in renewable energy investments, technology transfer, and capacity-building programmes," said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue (CPD).

Presenting a keynote on "Bangladesh-Australia: Climate Policy and Green Energy Transition" at a discussion organised by the CPD on the topic at The Westin Dhaka yesterday, Moazzem underscored the necessity of a renewable energy transition.

He also said a green energy transition was no longer optional, but a requirement for ensuring energy security and sustainable development.

Moazzem highlighted the Indo-Pacific region's increasing alignment of economic growth with sustainability, emphasising the necessity of collaborative action to combat climate change.

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Square Pharma's sponsor to buy Tk 32cr shares in it

STAR BUSINESS REPORT

Square Pharmaceuticals' Director Anjan Chowdhury yesterday expressed his intention to buy 15 lakh shares of his company, the largest drug producer in Bangladesh.

The value of the shares was Tk 32 crore as per the closing price of Square Pharmaceuticals at the Dhaka Stock Exchange (DSE).

According to a disclosure on the DSE website, Chowdhury wants to buy the shares at the prevailing market price in the public and block market through the bourse within the next 30 working days.

As of 30 November last year, Chowdhury held 9.2 percent of the stakes in Square Pharmaceuticals, the major concern of Square Group, one of the biggest local conglomerates.

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Funding shortfall threatens renewable energy goals

Banks, NBFIs provided only 3.6% of required funds in 2023

STAR BUSINESS REPORT

Despite Bangladesh's lofty aim of generating 40 percent of its energy from renewable sources by 2040, the country faces a significant funding gap, as only 3.6 percent of the required funds were allocated to the sector in 2023, according to a study.

Despite the growing need for sustainable energy solutions, banks and financial institutions are providing minimal financing to this sector, said Khondkar Morshed Millat, a faculty member of the Bangladesh Institute of Bank Management.

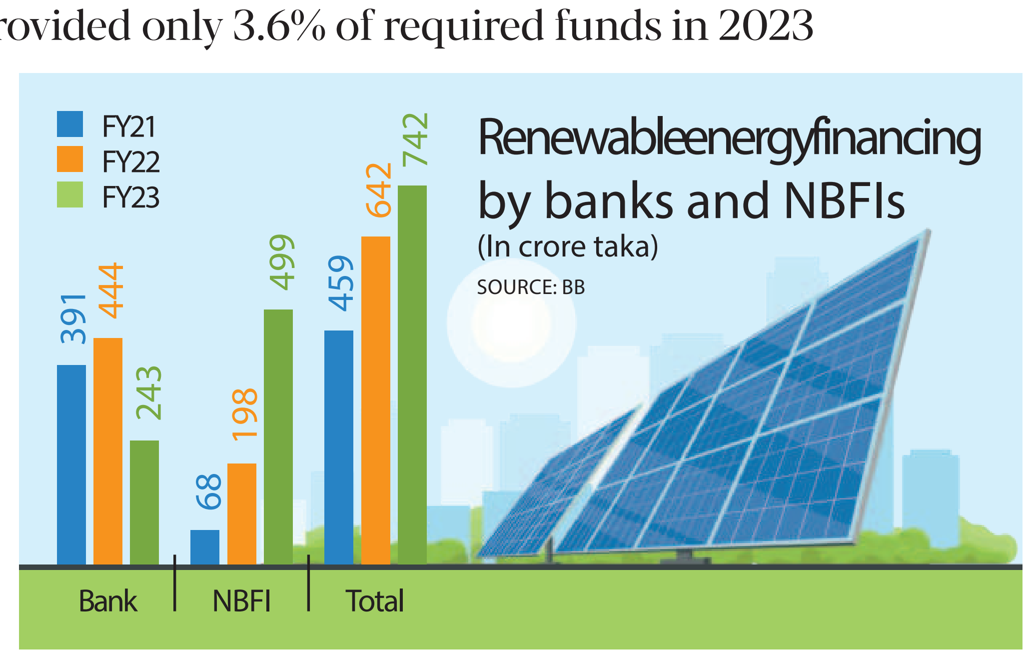
In 2023, banks and non-banking financial institutions (NBFIs) financed Tk 742 crore for renewable energy projects, up by 62 percent from 2021, the study said.

However, quoting the BIBM's research, Millat said Bangladesh required funding of around Tk 20,500 crore in 2023 to stay on course to provide 40 percent of its energy from renewable sources by 2040.

He added that the annual requirement was likely to increase to Tk 49,400 crore in 2041.

"If this trend continues, domestic banks and financial institutions will contribute only 4 to 9 percent of the required annual funding by 2041, jeopardising the country's renewable energy goals," he added.

He raised these concerns while presenting a study titled "Renewable Energy Financing Trends in Bangladesh" during an event organised by Unnayan Shamannay, a think tank, at the Bishwo Shahitto Kendro in the capital's Banglamotor.



Currently, less than 1 percent of term loans from the banking sector go to renewable energy, he added.

The study further mentioned that, as per the central bank's annual report for FY23, total renewable finance by banks and NBFIs accounted for only 0.3 percent of total disbursed term loans.

Millat, also a former director of the Bangladesh Bank's Sustainable Finance Department, added that some policy challenges, including high import duties imposed on inputs and a lack of tax incentives for entrepreneurs, were major barriers to this sector.

He highlighted central bank initiatives, including policies on

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