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BUSINESS



ONE IN FOUR stocks trades below face value

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One in four stocks on the Dhaka Stock Exchange (DSE) is trading below face value, due mainly to the companies behind them failing.

Banks and finance firms weighed down by bad loans dominate this group, alongside mutual funds that have lost investor confidence. There are also textile stocks in this basket.

Analysts say this weakens the overall market, making it less attractive to both local and foreign investors.

According to them, strong companies do exist, but they are few, so investors now favour only those with solid performance.

They have urged the regulator

A breakdown shows 33 of the low-priced companies are banks or NBFIs, 35 mutual funds and 17 are textile factories. Many of the textile units have either shut down production or suffered losses for years.

Although the market index has been rising in recent months, low-priced shares have barely moved. Almost half of these low-priced stocks are classified as junk, according to DSE data.

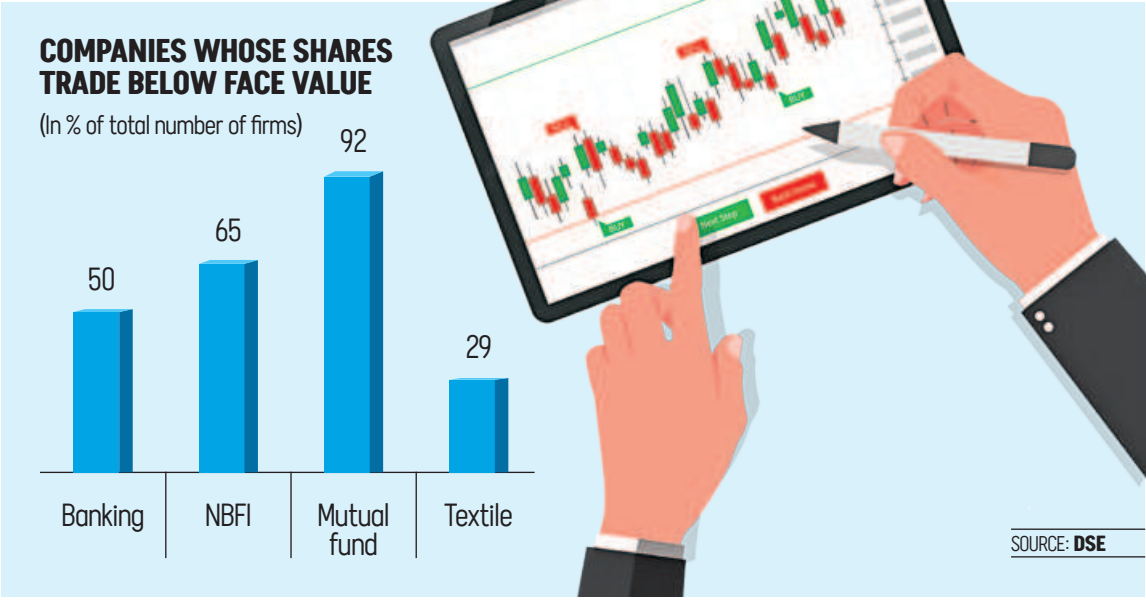
"The huge number of companies with low share prices indicates that their performance is not good, so demand for these stocks is low, and the high number of such companies

banks stand out.

Non-performing loans (NPLs) in the sector reached a record Tk 4.20 lakh crore at the end of March, accounting for nearly a quarter of all loans, according to the Bangladesh Bank. Distressed loans totalled Tk 7.56 lakh crore last year, 45 percent of all outstanding loans.

Among the listed banks, 18 commercial lenders have been barred from paying dividends because of fragile finances. Most of the banks are being traded below their face value.

"Once, the banking stocks were much in demand among



to clean up the mess by shutting down or merging the bad ones and bringing in stronger companies.

Face value is the nominal price of a share or mutual fund unit set by the regulator, which in Bangladesh is Tk 10 for all equity and mutual fund securities.

At the DSE yesterday, 397 stocks changed hands, of which 98 traded below the face value of Tk 10. Half of these slipped below Tk 5.

indicates that there is an abundance of low-performing companies," said Kazi Monirul Islam, chief executive of Shanta Asset Management.

The exchange lists around 400 companies, yet only 50 to 60 are considered investable for foreign and institutional investors.

"Overall, it shows that the market has a lack of good stocks," Islam said.

Among the low-priced shares,

investors. But their attraction dropped over the years when investors realised that many banks were impacted during the previous years," said Islam.

He added that while failing banks dragged down the sector, a handful of stronger lenders had attracted more deposits and stood out during the downturn.

"Thankfully, investors realised it and their share prices edged

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Stocks hit 11-month high Junk shares spark concerns

STAR BUSINESS REPORT

Stocks closed higher for the second day in a row yesterday, with the main index of the Dhaka Stock Exchange (DSE) reaching the highest level in nearly a year.

The upward trend has raised optimism among some analysts but also sparked unease among many as some financially weak companies are dominating the list of top gainers.

Trading was also more active than the previous day.

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The DSEX, the benchmark index of the DSE, gained 76 points, or 1.38 percent, to close at 5,594. This is the highest level since September last year, when the index stood at 5,624 points, according to DSE data.

Other indices also moved up. The Shariah-compliant index, known as the DSES, increased by 1.69 percent to 1,227.70, while the blue-chip index, DS30, which tracks the performance of large, well-established companies, rose by 1.70 percent to 2,193.72.

Despite the growth, industry experts are cautious as no 'A' category, those regarded as stable, or blue-chip stocks took place on the top five gainers' list.

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Regulator fixes audit fees for banks

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For the first time, the Financial Reporting Council (FRC), an autonomous regulatory body, yesterday set audit fees for chartered accountants who will audit the financial statements of banks in the current fiscal year of 2025-26.

In a notification, the FRC said, for banks with total assets or risk-weighted assets of up to Tk 10,000 crore, the total audit fee will be Tk 14.38 lakh, and where total assets or risk-weighted assets exceed Tk 150,000 crore, the fee will be Tk 70.33 lakh.

"We have set audit fees for the banking sector to bring discipline. We will gradually fix such fees for other sectors as well," said FRC Chairman Md Sajjad Hossain Bhuiyan.

The FRC said the new rule will apply from the fiscal year 2025-26, and banks and auditors are expected to comply accordingly.

The fees were determined following consultations with stakeholders, including banks and the Institute of Chartered Accountants of Bangladesh (ICAB).

Bhuiyan said chartered accountants will audit the financial statements of banks in line with external auditor rules introduced by Bangladesh Bank in 2024.

According to the notification, audit fees may be based either on the total assets of banks or on their risk-weighted assets. Banks and chartered accountants themselves will decide which approach to adopt.

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