

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.19%	▲ 0.26%	\$1,810.10	\$43.14	▲ 1.50%	▼ 0.32%	▼ 0.2%	▲ 0.13%	BUY TK 83.95	94.53	104.28	11.77
4,069.11	7,007.35	(per ounce)	(per barrel)	37,020.14	22,696.42	2,618.48	3,214.13	SELL TK 84.95	98.33	108.08	12.38

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# Star BUSINESS

DHAKA SUNDAY JULY 19, 2020, SRABAN 4, 1427 BS • starbusiness@thedailystar.net

## Banking sector's stressed asset figure, once unveiled annually, is now under wraps

AKM ZAMIR UDDIN

The central bank has stopped publishing the figure of stressed assets in its annual financial stability report with a view to painting a rosy picture of the banking sector at a time when lenders are facing one of their worst crises in living memory.

This may create a confidence crisis among investors and commoners in the financial sector as they would be completely in the dark about the true financial strength of banks.

The BB unveiled the Financial Stability Report 2019 on July 1 and it did not include the data on the stressed assets for the first time.

Stressed assets, which include default loans, restructured and rescheduled advances, shot up 18.89 per cent to Tk 222,162 crore in the first half of 2019, central bank data showed.

The ratio of stressed assets in the banking sector was 22 per cent of total loans as of June last year, up 16.10 per cent from four and a half years earlier.

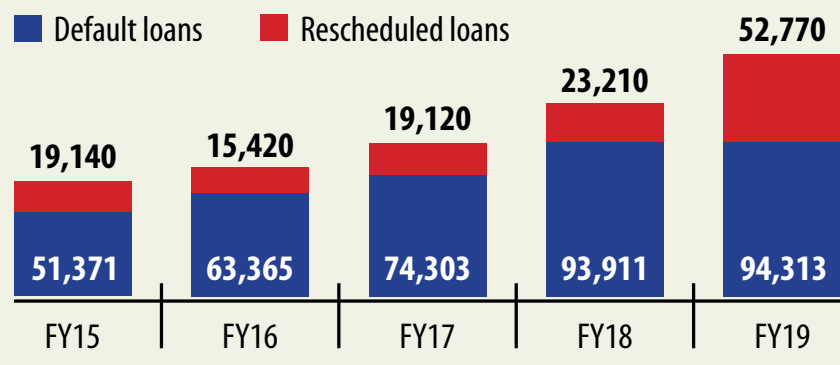
Against the backdrop, the higher-ups of the central bank asked the related department, which is dedicated to preparing the financial stability report, not to release the figure, a senior official of the central bank said.

The central bank is now trying to paint an artificial picture of the banking sector, which will not bring any good for the economy, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

"Camouflaging the figure will give a

### Stressed assets racing away as years roll by (in Tk cr)

SOURCE: BB



wrong signal to the country's financial sector."

The central bank should follow international best practices to run its procedure to help the sector recover quickly from the financial meltdown, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, a think-tank.

"But the financial regulator has taken a wrong path to address the issue. Both investors and researchers could examine the actual situation of the banking sector if the central bank continued to release the data," he said.

The data of stressed assets is highly important to verify the genuine loss of the financial sector during the post-pandemic period, said Mansur, also a former official of the International Monetary Fund (IMF).

Asked why the central bank stopped releasing the stressed asset figure, its Spokesperson Md

Serajul Islam advised talking to the officials of the Financial Stability Department.

The officials of the department argued that only India was calculating the stressed assets, so the central bank stopped to prepare the data.

The central bank has been releasing the data on stressed assets annually for many years and it helps local and foreign think-tanks and multilateral lenders assess the banking sector.

The IMF and other multilateral lenders and donor agencies have taken into account the figure while assessing the economy.

The stressed assets rose to a great extent last year as banks rescheduled defaulted loans on a wholesale basis.

Last year, defaulted loans amounting to Tk 52,770 crore were regularised, the highest for a single year, according to BB data. The record amount of rescheduled loans has widened the volume of stressed assets.

Defaulted loans would have increased alarmingly if the central bank had not taken a relaxed rescheduling policy, bypassing its own rules and regulations.

At the end of 2019, defaulted loans hit

Tk 94,313 crore, up 0.42 per cent year-on-year.

Such risky assets can put an adverse effect on banks' balance sheets and profitability because of the need for provisioning against the classified loans and reduced returns on investment, according to a recent central bank report on stressed assets.

They also push up the cost of capital, widen assets and liability imbalance and upset the economic value added by banks.

Considering the effect that it has on both capital and liquidity position of banks, it may turn into a financial stability threat if it remains unaddressed, the Financial Stability Report said.

The IMF recently said the BB would need to monitor closely banking sector conditions given the elevated level of default loans.

Controlling stressed assets of the banking sector will be imperative with banks bearing the entire credit risk for the stimulus package routed through banks, it said.

The BB would implement a major portion of Tk 103,117 crore stimulus packages unveiled by the government to keep the battered economy on track and business, industries and farmers withstand the impacts of the coronavirus pandemic.

According to Mansur, the country's banking sector will face deep trouble in the days ahead due to the ongoing economic fallout brought on by the coronavirus pandemic.

Most banks' operating profits declined 20 to 30 per cent in the first half of 2020 because of the paralysed economy, giving the idea of how the sector is faring amid the pandemic.

Default loans are supposed to go down significantly until at least the end of September as the central bank asked banks not to classify any loans to protect borrowers from the ongoing recession.

The BB asked lenders to retain the same credit status of a borrower until September that they had in January. Default loans may go up after the third quarter due to the ongoing economic fallout.

## Pandemic Redemption: Recent sales spike for local weavers soothing missed Eid, Baishakh sales

REEFAYET ULLAH MIRDHA

The coronavirus pandemic continues to bring surprises, this time around in the form of booming sales for spinners, weavers and finishers who serve the local markets.

The sale of yarn and fabrics witnessed a massive rise over the past one month as the invasion of cheaper ones from India has been stopped for the sealing of the borders with the neighbouring country.

Even smuggling of the yarn and fabrics by locals and Indians on buses, trains, ships and other modes of transport has come to a halt.

This is why sales have soared for local mills catering to the local markets.

The sale of yarn and fabrics used in making lungis, sarees, three-piece clothing for ladies, scarves and local bed sheets have increased manifold because of tighter security along the bordering areas with India.

As a result, the factories are humming with the constant running of machines and activities of workmen in this time of Covid-19, the millers said.

The local textile millers have been unable to make any of the usual annual sales reaching as much as Tk 20,000 crore centring Pehela Baishakh and Eid-ul-Fitr celebrations.

The second biggest annual sale worth some Tk 6,000 crore takes place for a lower grade of fabrics and textiles used in making clothing given out as zakat during Eid-ul-Fitr.

The millers had started facing financial troubles due to the suspension of production at the factories due to the fear of the spread of Covid-19.

The production in the factories was almost zero in April and May as the mills were kept shut.

"The yarn and fabrics sales reached its peak as the local manufacturers are coming back with work orders," said Mohd Khorshed Alam, chairman of Little Group which mainly produces yarn for fabrics of three-piece clothing for ladies.

Alam's Ashulia-based mill has been witnessing daily sales of 50-60 count yarn worth Tk 15 lakh whereas it was less than Tk 10 lakh a month ago.

Buyers from Narsingdi, Dohar, Arahazar, Pabna, Sirajganj, Madhabdi and Gopaldi are the main customers of the 50-60 count yarn.

Many small dyeing factories in Narayanganj and Narsingdi districts were in the brink of collapse due to the illegal import of Indian fabrics at cheaper rates, he said.

However, the buyers from the two districts are reopening their small units with hopes that there would be a rebound in their businesses with the rise in demand, he said.

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## BSEC fines Kattali for submitting fake documents on IPO proceeds

Brokers and other individuals penalised as well

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) have fined Kattali Textile for its failure to utilise the proceeds of its initial public offering (IPO) and providing fake bank certificates to the stock market regulator.

This decision was taken at a commission meeting on Thursday, during which the BSEC also elected to fine two investors and three companies, including a stock broker, for their involvement in gambling with the shares of Quasem Drycell, the first ISO certified drycell manufacturer in Bangladesh.

Besides, seven stock brokers were cautioned for breaching regulations while Associated Oxygen's initial public offering proposal was approved at the commission meeting, chaired by Shibli Rubayat-Ul-Islam, chairman of BSEC.

Kattali Textile, listed with the Dhaka Stock Exchange (DSE) back in 2018, provided an inaccurate account in the company's monthly report for February 2019 on how the IPO proceeds were utilised.

The textile company went on to submit a fake bank certificate in this regard, which is a serious breach of the Securities Act, a BSEC press release read.

Therefore, the stock market regulator decided to slap a Tk 1 crore fine on Kattali Textile's managing director while other directors were each handed a Tk 50 lakh penalty.

In regards to the gambling of Quasem Drycell's stocks, the BSEC found that a certain stock broker and other individuals were responsible for the sudden rise of the company's share price between October 29, 2015 and January 5, 2016. Quasem Drycell's share price increased 89.22 per cent to Tk 131.7 during that period due to abnormal transactions, the press release said.

So, the BSEC fined Narayan Chandra Paul and his affiliates Tk 3 crore, Solyaman Rubel and his associates Tk 10 lakh, Prime Islami Securities Tk 1.5 crore and Md Mahmuduzzaman and Md Muhibul Islam Tk 30 lakh each.

On the other hand, the stock market regulator issued a warning to ACE Capital Management, Reliance Brokerage Services, SR Capital, Premier Leasing Securities, Latif Securities, SIBL Securities and Quayum Securities for breaching certain regulations.

Meanwhile, the BSEC approved the IPO of Associated Oxygen, a producer and supplier of industrial gases both in liquid and gas form, to raise a Tk 15 crore fund through the issuance of 1.5 crore ordinary shares.

With the IPO proceeds, the company will build a new reserve shade, buy machinery and pay back bank loans.

The company's weighted average earnings per share was Tk 1.51 in fiscal 2018-19 while its net asset value stood at Tk 17.37 on the last day of the same year.

## Potato exports on the rebound but remain far below previous peak

SOHEL PARVEZ

Potato shipments have rebounded to an extent as revenue from the sector nearly doubled in the just-concluded fiscal year thanks to exporters' efforts to exploit the gap in the international market created by reduced supply from China and Pakistan following lower crop production due to the coronavirus fallout.

Exports of the spud increased 29 per cent year-on-year to 45,000 tonnes in fiscal 2019-20.

In value, the kitchen staple fetched \$23.30 million in export earnings in last fiscal year, which was 86 per cent more than receipts for the year before that, showed data from Export Promotion Bureau (EPB) and Department of Agricultural Extension (DAE), which issues plant health certificates for international shipments.

"We received higher prices this year as there was a supply gap from China and Pakistan. Lower potato production in Pakistan also helped us a lot," said Kazi Mahabub Morshed, owner of Kanak International.

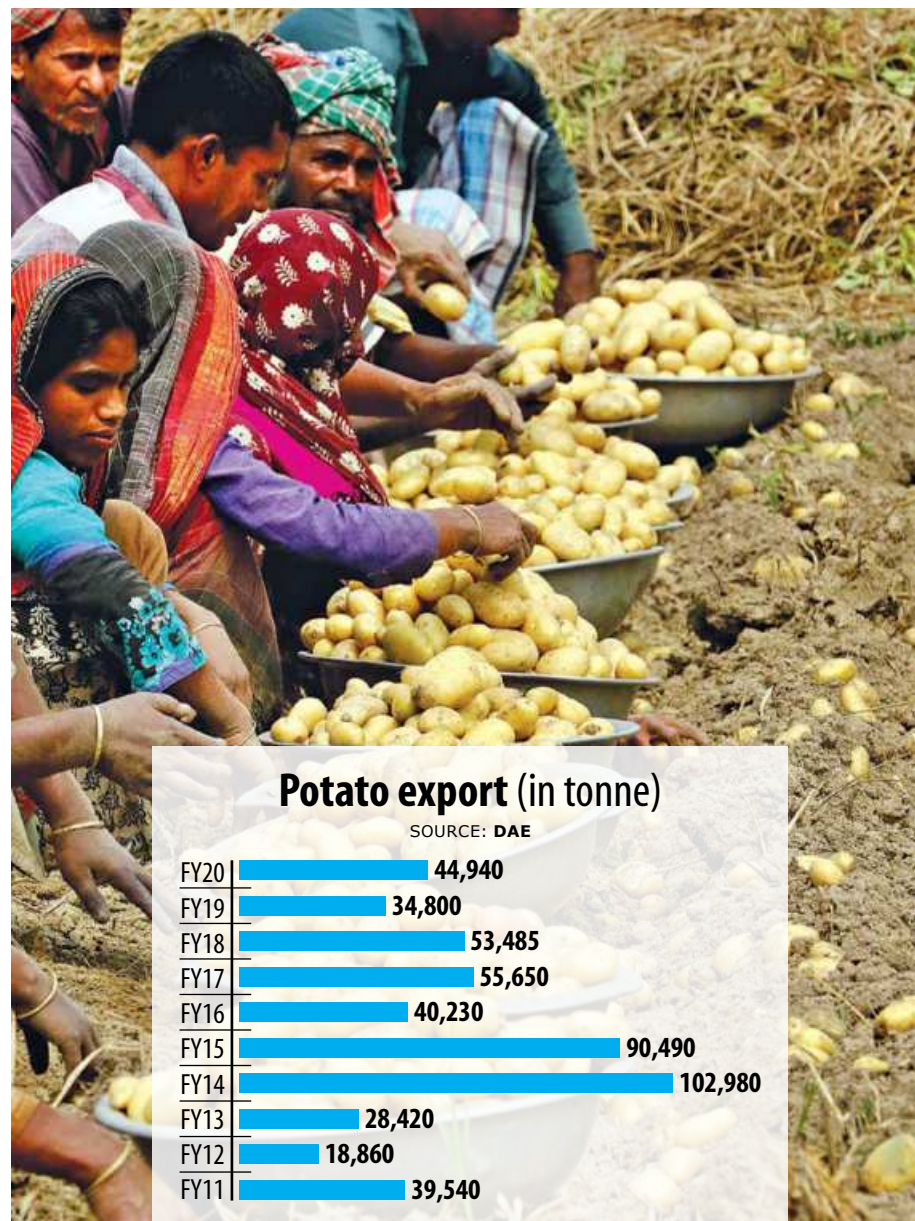
Demand remains high in certain international markets, particularly Malaysia, Singapore and Sri Lanka, the main destinations for Bangladeshi shipments of the tuber crop, said Morshed, also the organising secretary of the Bangladesh Potato Exporters Association (BPEA).

Bangladesh is the sixth-largest potato producer in the world as for the past several years farmers have produced higher amounts of the vegetable than the annual requirement.

In fiscal 2018-19, 96.55 lakh tonnes of potato was grown in Bangladesh against an estimated domestic demand of nearly 80 lakh tonnes.

Banking on increased production, exporters are trying to expand their baskets but have registered swings in shipments due to the absence of select potato varieties that are popular in the global market and a proper value chain.

Failure to comply with the rules of importing countries, like Russia and Indonesia, also hinders the country's scope to increase exports of the tuber crop, which stakeholders claim could reduce vulnerability for farmers and risk of loss in the event of price falls due to production gluts.



The government provides a 20 per cent cash incentive to accelerate potato exports and protect farmers from the risk of losses.

The main season of fresh potato export begins from February after the harvest in January and continues until May, according to Morshed.

He also said the demand for potatoes from buyers abroad is high but they

could not cater to them in full because of increased prices in the domestic market and issues in packaging and shipping during the shutdown imposed by the government at the end of March in a bid to slow the spread of the rogue virus.

Morshed received a contract for 12,000 tonnes of potato. However, he could deliver only 4,000 tonnes after failing to

arrange enough manpower to prepare the shipment on time amid the nationwide shutdown.

The domestic increase of potato prices affected exports of the spud, said Md Azahar Ali, director of Plant Quarantine Wind of the DAE.

Besides, potatoes were distributed as food aid to support poor people during the shutdown, he added.

Data from the Trading Corporation of Bangladesh showed that the popular vegetable was sold at Tk 30-Tk 35 per kilogram in Dhaka city as of yesterday, 44 per cent higher than what it was a year ago.

BPEA President Shaikh Abdul Quader said demand waned in the international market as the price of potatoes was higher abroad.

"We should not be satisfied with last year's shipment. We are yet to go back to the export level of 2014," he said.

Exporters shipped more than 100,000 tonnes of fresh potato in fiscal 2013-14, driven by high demand in Russia, one of the largest importers of the vegetable.

However, Russia slapped restrictions on the entry of Bangladesh's potato shipments due to food safety and disease risks in May 2015.

Exports subsequently fell and have hovered around 40,000-50,000 tonnes since fiscal 2015-16, showed the DAE data.

Quader also said that absence of exportable quality potatoes is a major impediment to the sector.

In December last year, the government removed restrictions on the introduction of new varieties of potato seeds for three years in a bid to promote cultivation for exports and process different types of the tuber crop.

Farmers mainly grow several varieties of potatoes, namely diamond and granola, for household consumption apart from other varieties like asterix and lady rosetta for agro-processing.

Quader said that his firm has imported 14 varieties of potato for cultivation and that government support is needed to increase exports.

Exporters also demanded the government take adequate measures so that countries such as Russia and Indonesia remove the restrictions placed on the entry of Bangladeshi potatoes.