

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
▲ 3.57%	▲ 3.62%	\$2,026.60	\$44.40	▲ 0.04%	▼ 0.39%	▼ 0.53%	▼ 0.96%	BUY TK 83.95	98.50	109.15	11.86
4,364.83	7,512.72	(per ounce)	(per barrel)	38,040.57	22,329.94	2,545.51	3,354.04	SELL TK 84.95	102.30	112.95	12.47

এসআইবিএল ডেবিট কার্ডের মূল্য ২০,০০০ টাকা পর্যন্ত বিকাশ করে পরিশোধ করে উপভোগ করুন। ১.৫ ইনস্ট্যান্ট কাসব্যাক, সর্বোচ্চ ২০০ টাকা পর্যন্ত অফারটি চলবে ৩১ আগস্ট, ২০২০ পর্যন্ত।

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## Govt rallying behind off-colour Navana Group

Preparing the largest debt restructuring programme to date

AKM ZAMIR UDDIN and REJAUL KARIM BYRON

A silver lining seems to have appeared in front of Navana Group at last.

Once an epitome of industry and ambition, Navana Group has in recent years fallen on hard times. So acute is its cash crunch that in 2018 it applied to the government for debt restructuring.

The government has now answered its pleas, with as many as 31 banks have started the process to restructure the business giant's entire debt amounting to Tk 5,203 crore.

This will be the largest debt restructuring programme for a single entity.

Besides, four state-owned banks -- Sonali, Janata, Agrani and Rupali -- will also provide loans amounting to Tk 500 crore in the form working capital such that the entity can run its businesses smoothly.

Working capital is a short-term loan whose maximum repayment tenure is one year.

The state lenders may sanction Tk 125 crore each within the next few days under the central bank's stimulus package of Tk 33,000 crore for large business entities to help them tide over the current challenging trading conditions brought on by the global coronavirus pandemic.

Agrani will submit the final proposal before its board tomorrow, according to its Managing Director Mohammad Shams-Ul Islam.

Janata Bank may sanction the loan on Wednesday and Rupali Bank on Thursday. Sonali Bank will also submit the issue to its board immediately, said its Md Ataur Rahman Prodhhan.

Navana Group, one of the largest business groups in the country, has been facing a deep financial crisis due to its mismanagement and inefficiency for the last three to four years, said bankers.

Until last year, the group's total liabilities stood at Tk 4,503 crore in 31 banks and nearly Tk 700 crore in 22 non-bank financial institutions (NBFIs), according to a finance ministry document.

The group, which began its journey in 1953, now has 27 concerns, ranging from real estate to furniture, automobile to petroleum and energy products, battery and electrical and electronics to food and beverage.

Its financial problems come to the surface on 3 December 2018 when its Chairman Shafiqul Islam Kamal applied to the finance ministry for restructuring its debts with the 53 financial institutions.

AMA Muhith, the then finance minister, accepted the proposal positively and discussed it with the managing directors of state lenders and top officials of the ministry in a meeting on 19 December that year.

### NAVANA GROUP

#### BUSINESS BEHEMOTH HAS FALLEN ON HARD TIMES

- Tk 4,503 cr in debt with 31 banks
- Tk 700 cr owed to 22 NBFIs
- Applied to govt for debt restructuring in Dec'18
- Which finance ministry gave nod to
- Navana may get 12 years for repayment, including a 2-year grace period
- Four state banks may sanction Tk 500 cr this week as emergency cash support
- Banks to purchase loans off NBFIs
- Private banks have started to restructure their respective loans
- Mismanagement to blame for acute cash crunch

The finance ministry subsequently arranged several meetings with the central bank and state lenders to explore ways on how to salvage the group.

The ministry arrived at two solutions at last on 13 February.

The first option is to restructure the debt amounting to Tk 4,503 crore given by 31 banks, with the four state lenders taking over the loans amounting to Tk 700 crore from the 22 NBFIs.

Besides, a pari-passu charge will have to be created to secure the fresh loans to be given out by the state lenders as Navana does not have available collateral securities.

Pari-passu means "equal footing" that describes situations where two or more assets, securities, creditors, or obligations are equally managed without preference.

The second option entails

the four state lenders and nine private banks, which gave out Tk 2,252 crore to the group, will take over the loans collectively from the NBFIs.

Navana Group will not have to give any down payment for restructuring the loans.

The banks will have to take approval from their respective boards and the central bank in tandem to implement the financial rescue programme, according to the ministry document.

Creating the pari-passu charge is difficult immediately as there are many banks involved in the process, said Md Abdus Salam Azad, managing director of Janata Bank.

But a good number of private banks now oppose the creation of the pari-passu charge as they will have to share their collateral securities with the state lenders, said a high official of one of the private banks involved with the matter.

"Despite that, we will resolve the matter promptly to give out the working capital in the quickest possible time," Azad said.

Since December 2018, the finance ministry has held several meetings with the central bank and state lenders to explore ways to salvage Navana Group. On 13 February, the ministry narrowed down on two options.

Banks are now assessing the appropriate clauses of the two plans for the implementation of the rescue package as per a decision of a meeting held in the second week of July.

The managing directors of the state lenders, top officials of both the finance ministry and the central bank took part in the meeting.

Earlier in June, the central bank had arranged another meeting where senior officials of the 22 NBFIs and the banks concerned participated.

The central bank asked Arif Khan, managing director of IDLC Finance, to coordinate the NBFIs such that the banks will take over the loans from them within the shortest possible time.

The majority of the NBFIs have already submitted their details to the central bank and the rest may be placed this week, Khan said.

Navana Group will get relief from the burden of the high interest charged by the NBFIs if banks will take over the loans, he said.

NBFIs have not been asked to follow the 9 per cent interest cap on lending as they have to mobilise funds from banks; they now charge a minimum interest of 11 per cent on lending.

Asked whether NBFIs would rebate the interest to the group, Khan said there would be no scope to take a collective decision to this end.

The respective board of the NBFIs would decide on whether they will rebate the interest or not, he added.

As per the finance ministry proposal, banks will only take over the principal amount and the NBFIs could either rebate the interest or recover the funds from Navana.

The state lenders may take over the loans alone as private banks are reluctant to do so, said a high official of a state lender wishing not to be named as he is not authorised to speak with the media.

"Our initial priority is to provide the working capital to the group immediately. Taking over the loans from the NBFIs is a secondary issue," said the Agrani MD Islam.

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## BSEC has a grand plan to crack down on junk stocks

AHSAN HABIB

The new governing body of the stock market regulator, it seems, is earnest in its efforts to straighten out the bourse that has long been a playground for rogue players.

One such plan it is working on entails appointing administrators in companies whose stocks have turned junk such that they can be in the black once again.

"We want to restore discipline in the market. We want to see quality stocks in the market," Shibli Rubayat-Ul Islam, the newly-appointed chairman of the Bangladesh Securities and Exchange Commission (BSEC), told The Daily Star yesterday.

Stocks of companies that have failed to hold an annual general meeting on time, or did not declare a dividend in a year or are not operational for more than six months are termed junk stocks or Z-category companies.

"We are working on a detailed plan that will be implemented according to rules and regulations," he said, adding that the plan will be finalised in a meeting next week.

Several departments of the commission have already put forward their suggestions in this regard.

"The companies will get all-out cooperation from our end. But the ones who intentionally remain junk will face the music," said Islam, who took the helm of the country's stock market regulating body in May.

The BSEC is planning to work on the junk stocks in three stages.

In the first phase, it will upgrade the companies that are very close to booking profits, or have large retained earnings or adequate cash flow.

### LAST WEEK'S TOP GAINERS LIST

	GAINS	CATEGORY
Peoples Insurance	40%	B
Shyampur Sugar	35%	Z
Zeal Bangla	34%	Z
Nitol Insurance	31%	A
Meghna Pet	31%	Z
Active Fine	29%	B
Silco Pharma	26%	A
Fas Finance	25%	B
Meghna Mil	25%	Z
CAPM IBBL Mutual Fund	23%	A

There are two to five companies in this stage and a decision will be taken about them by checking the last few years' financial reports, said Islam, who was previously the dean of the Dhaka University's faculty of business studies.

In the second stage, the regulator will support the companies that are struggling but are making an honest effort to return to profit.

"And in the final stage, we will punish the worst performers by either changing their boards or by deploying administrators," Islam said.

The Dhaka Stock Exchange now trades 53 junk stocks, of which nine have not been paying any dividend for more than a decade but they remain in the top gainers' chart thanks to gambling and rumours.

The nine companies are: Dulamia Cotton, ICB Islamic Bank, Jute Spinners, Meghna Condensed Milk, Meghna Pet Industries, Samata Leather Complex, Savar Refractories, Zeal Bangla, and Shyampur Sugar Mills.

"Though the companies are counting losses, their stock prices are high. This is suspicious," Islam said.

The BSEC's plan has been welcomed by merchant banks, who said special audits should be run into all the Z-category companies through reputed auditors and check their transactions since listing.

"Then the wrongdoings of the companies could be detected," said a merchant banker requesting anonymity.

The BSEC may fine the errant directors based on the findings of the audits.

"This will set a precedent," he added.

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## Govt has come up with a solution to the hurdle to higher leather exports

Will allow tanners build their own waste treatment plants in Savar leather estate

REFAJET ULLAH MIRDHA

The government will allow construction of effluent treatment plants (ETPs) by individual tanneries inside the Savar Tannery Industrial Estate (STIE) in a bid to expedite the process of obtaining much-needed certification from the Leather Working Group (LWG) to boost export of leather goods.

Exporters now face delays in getting LWG certificates as Bangladesh Small and Cottage Industries Corporation (BSCIC), the authority of the estate, could not complete construction of a central ETP at the site despite taking a project in 2012.

The groundwork for the CETP started in 2014 and it was supposed to be completed by 2017.

The UK-based LWG is made up of member brands, retailers, product and leather manufacturers, chemical and machinery suppliers, technical experts and other service providers that work together to maintain environmental stewardship protocols

specifically for the leather manufacturing industry.

Obtaining certification from the group is a prerequisite for any country to sell leather and leather goods at international rates.

As European and American buyers do not buy goods from non-compliant factories in Bangladesh that are yet to be certified by the LWG, exporters sell tanned leather to some Chinese companies at rates 40 per cent lower than those prevailing in the international markets.

The Chinese importers reprocess those goods as per international standards.

The construction of the CETP has been delayed for several reasons, like the change of project directors for several times over the years, fund crisis, legal dilemmas, bureaucratic tangles and delays caused by Chinese engineers.

So far, Tk 879 crore has been spent on the CETP, said Jitendra Nath Paul, project director of the STIE.

"I hope this time we will be able to build the CETP as the construction of the main part



A tannery worker inspects half-processed leather.

ANISUR RAHMAN

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