STOCKS	As on Sunday
DSEX	CSCX
▼ 0.44%	▼ 0.57%
4,892.01	8,358.42

COMMODITIES	As of Friday
Gold ▲	Oil ▼
$1,904.53	$40.86
(per ounce)	(per barrel)

ASIAN MARKETS			Friday Closings
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.33%	▼ 0.09%	▼ 0.55%	▼ 0.82%
40,145.50	23,494.34	2,523.31	3,251.12

CURRENCIES — As on Sunday, STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥CNY
BUY TK	83.95	98.52	108.56	12.40
SELL TK	84.95	102.32	112.36	13.04

Star BUSINESS

DHAKA TUESDAY OCTOBER 27, 2020, *KARTIK 11, 1427 BS* ● starbusiness@thedailystar.net

Defaulted loans at NBFIs soar amid irregularities

Non-performing loans in the 33 non-banks stood at Tk 8,905.62 crore in June; the amount is 13.29 per cent of their outstanding loans

AKM Zamir Uddin

Defaulted loans at non-bank financial institutions (NBFI) escalated 26.51 per cent in the first half of 2020 because of a lack of corporate governance in absence of the central bank's proper supervision.

Non-performing loans (NPLs) in the 33 NBFIs in Bangladesh stood at Tk 8,905.62 crore in June, which are 13.29 per cent of the outstanding loans, according to data from the central bank.

It was Tk 6,399 crore, or 9.53 per cent of the total loans as of December last year.

Scamsters siphoned off a large volume of funds from some of the NBFIs in the form of loans using fake documents, creating piles of defaulted loans in the sector, experts said.

Although the central bank earlier asked the NBFIs to keep classification unchanged until December, though upward classification changes are allowed, NPLs in the sector shot up alarmingly as some of them had concealed the delinquent loans through window dressing.

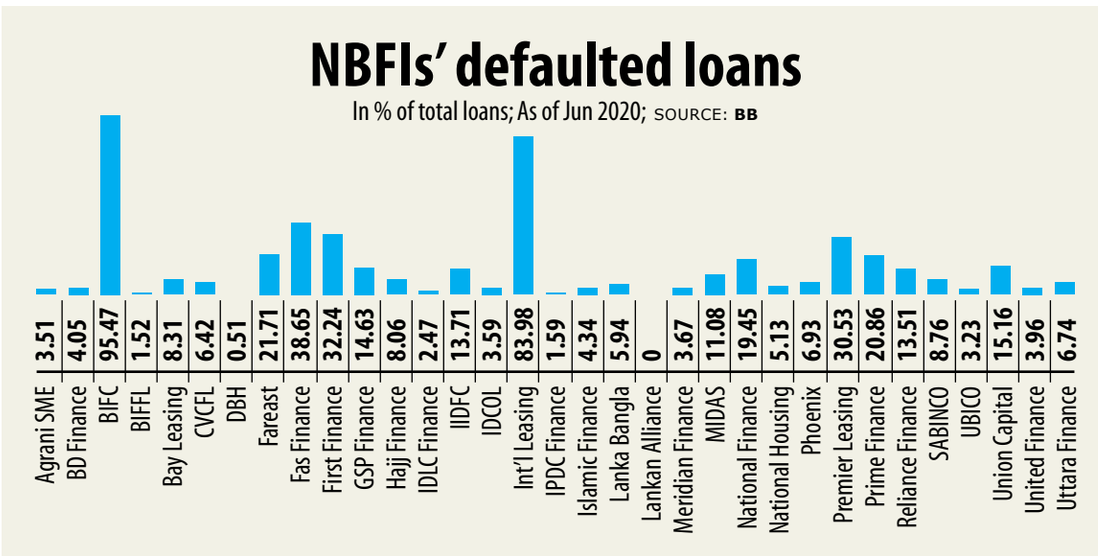
Window dressing is a technique used by companies and financial managers to manipulate financial statements and reports to show more favourable results.

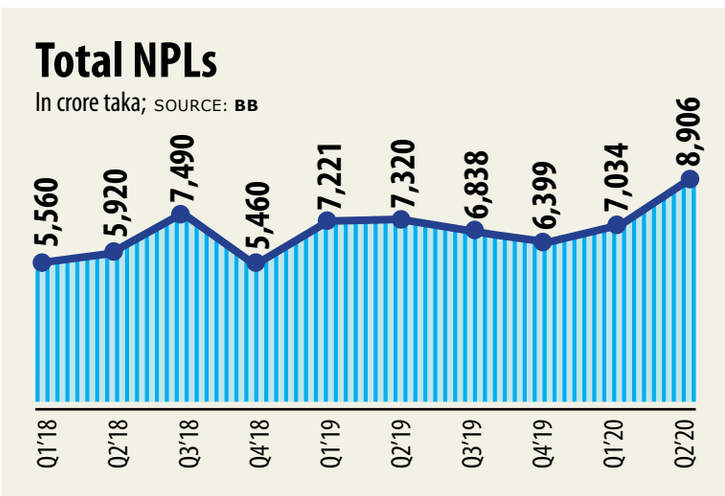
Although window dressing is illegal or fraudulent, it is usually done to mislead investors.

Defaulted loans at the International Leasing and Financial Services (ILFS) stood at Tk 3,356.83 crore in June, up 256.47 per cent from that six months earlier.

Proshanta Kumar Halder, former managing director of NRB Global Bank and Reliance Finance, allegedly embezzled around Tk 3,500 crore from four of the NBFIs, creating a haphazard situation for the entire NBFI sector.

The NBFIs are the ILFS, People's Leasing and Financial Services (PLFS), FAS Finance and Investment, and Bangladesh Industrial Finance Company (BIFC), according to a probe of the central bank.





The central bank found that Tk 1,596 crore was transferred from the ILFS in violation of rules through 48 accounts of various organisations related to the directors and shareholders.

The central bank is now in a process to liquidate the PLFS after it failed to repay the depositors' money.

The amount of NPLs would have been much larger had Tk 600 crore to Tk 700 crore of default loans of the fallen PLFS were added to the list, said a central bank official.

Defaulted loans in the BIFC stood at Tk 783.97 crore, or 95.47 per cent of its total disbursed loans as of June.

"The NBFI sector has been facing an image crisis due to a wide-range of corruption in five to seven financial organisations," said Khondker Ibrahim Khaled, a former deputy governor of the central bank.

"PK Halder is largely responsible for the ongoing crisis. And the central bank can't avoid its responsibility as it had kept silent when the money was being looted from the NBFIs," he said.

Measures should be taken to bring Halder back to Bangladesh to recover the embezzled fund, Khaled said. Halder is said to have fled to Canada.

Also, both the government and the central bank should take strict measures to ensure punitive actions against the scamsters, Khaled said.

Seven of the NBFIs have even failed to manage the required provisioning against their regular and classified loans, a sign of their fragile financial health.

The central bank has recently carried out special audits into some of the NBFIs through which a large amount of defaulted loans has been unearthed, said Mominul Islam, chairman of the Bangladesh Leasing & Finance Companies Association, a forum of top executives of the NBFIs.

Probe bodies of the central bank marked the loans, embezzled by Halder, as defaulted assets, during the inspection. This fueled the NPLs in the NBFI sector in the first half, he said.

The central bank should restructure the weak NBFIs in the interest of the country's financial sector, said Islam, also the managing director of IPDC Finance.

"The fragile NBFIs can be merged as they can't run their operation smoothly," he said.

If required, both the government and the central bank may think of injecting capital and liquidity into them so that they can commence operation in a new form, Islam said.

The government can also order its intelligence agencies to recover the embezzled funds, he added.

"At least 50-60 per cent assets of the misappropriated fund may be recovered within two to three years if measures are taken right now," Islam said.

Govt may involve China in elevated expressway project

Cost of construction will go up, according to Bangladesh Bridge Authority

Jagaran Chakma

The government is keen on implementing the Dhaka East-West Elevated Expressway project with support from China instead of Malaysia under the public-private partnership (PPP) model.

The Embassy of China has hinted that Beijing could help implement the project, which will cost around $2 billion.

Earlier, Malaysia expressed its willingness through its embassy in Dhaka to invest in the project under a government-to-government arrangement. However, Malaysia seems to have lost its interest.

As a result, the government has backtracked from its original decision to involve Malaysia as the country has not made any serious efforts to contact the Bangladesh Bridge Authority (BBA).

"China is interested to implement the project under a PPP model or a build-operate-transfer contract," said Quazi Muhammad Ferdous, chief engineer of the BBA.

The BBA does not want to delay the project any further and so, it does not matter which country or company comes forward first, he said.

"We wanted funding from South Korea, China and Singapore to begin the development as soon as possible," he added.

A proposal has been submitted to China in this regard.

During a meeting with the officials of the Economic Relations Division (ERD) in September, Chinese embassy officials said that the project could be implemented with the cooperation of Chinese firms.

Chinese enterprises have experience with these types of projects, they added.

There are at least 100 Chinese companies currently working in Bangladesh, some of which could be involved with the project, according to sources at the finance ministry.

"There is a scope to implement the project with Chinese involvement as they want to have a bilateral PPP cooperation agreement with Bangladesh," Ferdous said.

During the meeting in September, it was decided that a seminar would be arranged on how to involve Chinese enterprises working in Bangladesh.

Two Chinese companies have already shown interest to invest and implement the expressway. The government plans to build a nearly 40-kilometre elevated expressway from Hemayetpur in Savar to Madanpur in Narayanganj to create a vital link between major highways.

The East-West Elevated Expressway would allow traffic to switch highways and skip the congested streets of the capital. Vehicles on the Dhaka-Aricha highway would be able to speed towards the Dhaka-Chattogram highway with options to go in the direction of Maowa and Sylhet.

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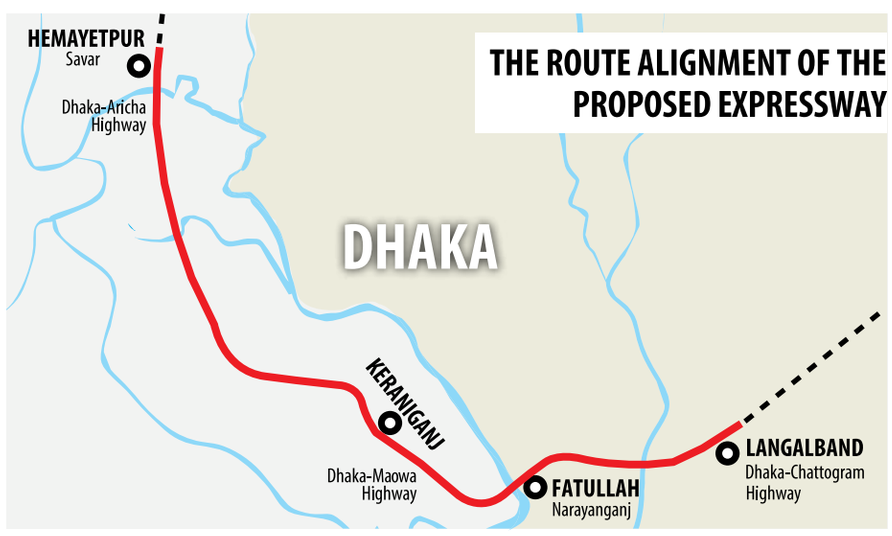
KEY POINTS

- Estimated cost of the project: $2 billion
- Total length from Hemayetpur in Savar to Madanpur in Narayanganj: 40km
- Estimated construction duration: 5 years
- China may be involved under PPP or BOT model
- Vehicles to and from Chattogram and Sylhet can bypass Dhaka city
- Expressway to be linked with Dhaka-Maowa highway
- Project is under Asian highway network plan



Business up for MNCs, but not like last year

Ahsan Habib

Business for most listed multinational companies (MNCs) has bounced back in the July-September period compared to what was during the April-May lockdown, which aimed at curbing the spread of the novel coronavirus.

However, the development has been low when a year-on-year analysis is carried out.

On the bright side, in context to the preceding quarter of April to June, all 11 of the listed companies operating in Bangladesh witnessed higher sales and earnings.

The government announced a general leave from March 26, which was extended to May 30. Afterwards it decided to reopen the economy and subsequently, companies started to reopen their operations.

Of the listed 11 multinational companies, five witnessed lower sales in the last July-September quarter compared to that in the same period the previous year.

For three it was higher whereas the rest are yet to publish their quarterly financial reports.

"The pandemic hit the overall business community of the country along with ours," said a top official of a listed multinational company preferring anonymity.

The biggest hit came in the April-June quarter, but businesses have bounced back in the July-September period, he said.

"There is still scope for a revival which will take some more time."

According to the Dhaka Stock Exchange data, sales revenue of British American Tobacco Bangladesh, Bata Shoe Company (Bangladesh), Linde Bangladesh, HeidelbergCement Bangladesh and Grameenphone dropped year-on-year in the July-September quarter.

Meanwhile, sales of Singer Bangladesh, Marico Bangladesh and LafargeHolcim Bangladesh have soared.

"Our efforts on health, cost and cash have ensured that we stay focused during the crisis, while our fast progress on digital helped us become effective in the marketplace," said Rajesh Kumar Surana, CEO and country representative for LafargeHolcim Bangladesh.

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COMPARISON OF REVENUES
In crore taka; SOURCE: DSE

COMPANY	JULY-SEPTEMBER, 2020	JULY-SEPTEMBER, 2019
GP	10,479	10,749
BATBC	5,563	6,011
Singer	625	536
LafargeHolcim	365	355
Marico	301	274
Heidelberg	251	252
Bata Shoe	140	171
Linde BD	135	139

Downtime Notice

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As part of Mutual Trust Bank Limited's endeavor to introduce new products and improve service standards, the bank is upgrading its Core Banking System (CBS). As a result, there will be temporary service disruption for the period:

From October 29, 2020, 11:55 PM (Bangladesh Local Time)
Till November 05, 2020, 09:30 AM (Bangladesh Local Time)

During this period, our services will remain suspended:

- **All Branch, Sub-branch, Booth, Agent Banking, Trade, Treasury and Remittance Services and Transactions**
- **ADC Services (ATMs/ CDMs/ Internet Banking/ Remittance/ POS for Debit Card, BACPS Cheque Processing/ BEFTN/ RTGS/ API)**
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