

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES					
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY		
▲ 0.26%	▲ 0.55%	\$1,787.90	\$48.18	▼ 0.25%	▲ 0.40%	▼ 0.06%	▲ 1.14%	83.95	99.39	110.78	12.57		
4,881.82	8,453.20	(per ounce)	(per barrel)	44,149.72	26,644.71	2,855.82	3,408.31	BUY TK	SELL TK	84.95	103.19	114.58	13.22



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Regulatory forbearance fuels banks' capital

AKM ZAMIR UDDIN

The banking sector's capital base got stronger in the third quarter this year thanks to the regulatory forbearance provided by Bangladesh Bank.

As of this September, the average capital adequacy ratio (CAR), which determines the adequacy of a bank's capital in keeping with their risk exposure, stood at 11.94 per cent, up from 11.63 per cent three months earlier and 11.65 per cent year-on-year, according to central bank data.

Four state-run and six private banks enjoyed a regulatory forbearance of Tk 17,194 crore, which, they were supposed to set aside as provisioning against their defaulted and regular loans between July and September.

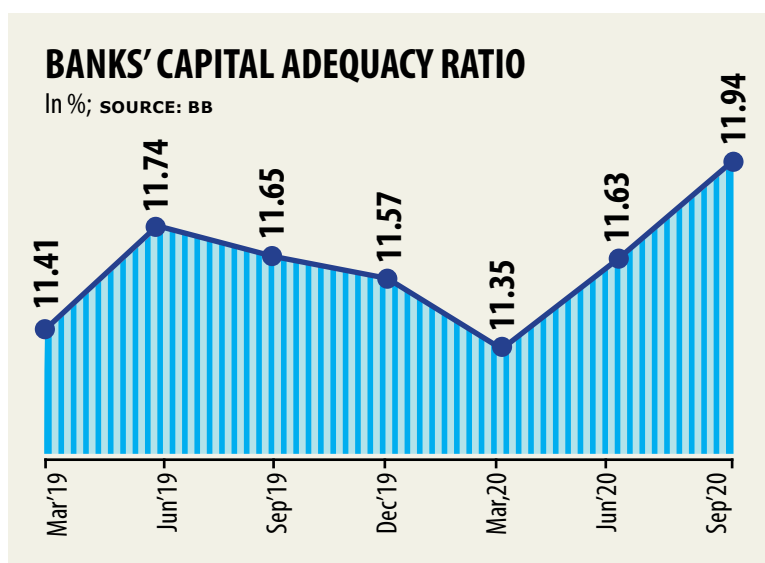
Bangladesh Bank had earlier allowed the lenders to keep the provision in phases due to their fragile financial health.

Facilitating regulatory forbearance is not a solution though, as this just helps hide the actual crisis in the banking sector, for the time being, experts said.

The central bank should refrain from offering such facilities as the practice has hurt the sector, they added.

This ultimately led to an artificial increase in the banking sector's CAR, according to an assessment by Bangladesh Bank.

Regulatory forbearance is when the regulator refrains from exercising its right to put an



insolvent bank out of business.

Banks have to keep provisioning ranging from 0.25 per cent to 100 per cent based on the quality of their assets (loans and advances) to absorb shocks emerging from the credit, operational, market and other risks.

Had the banks not secured the regulatory forbearance, the actual CAR would have stood at 10.39 per cent in September 2020.

Four state banks -- Sonali, Janata, BASIC and Rupali -- failed to manage the required capital despite getting the forbearance from the central bank.

Agrani, Bangladesh Krishi and Rajshahi Krishi Unnayan banks also faced capital shortfalls in the third quarter.

In addition, Bangladesh Commerce Bank, ICB Islamic Bank, Padma Bank and the National Bank of Pakistan were unable to maintain the required provision.

The 11 banks collectively faced a capital shortfall of Tk 19,298 crore as of September.

"The central bank should force the lenders to keep the required provisioning at any cost in the interest of the financial sector," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"Both the country and the globe are now in an economic hardship due to the coronavirus pandemic. Banks will have to increase their provisioning as a part of their efforts to tackle a potential financial problem," he said.

However, there is little scope to fortify the capital base of the state lenders due to a lack of corporate governance.

Disbursing loans through state lenders frequently leads to corruption and recovering the fund from delinquent borrowers is highly difficult, said Mansur, also a former high official of International Monetary Fund.

"Arresting defaulted loans is the

main arm to strengthen the CAR, but this is a very tough job for state lenders," he added.

Injecting capital from the exchequer is the only option to protect the state banks in this regard.

This means that public money has to be spent to protect state lenders from their precarious situation that stems from corruption.

"The government may not allow state-run banks to give out loans to borrowers. They should be allowed to lend only to private banks, meaning that the lenders will act as deposit banks," Mansur said.

He went on to suggest that the private banks, which have repeatedly failed to manage capital, should be merged with stronger lenders.

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CAPITAL BASE AT BANKS IN SEPTEMBER

- 11 banks managed regulatory forbearance of Tk 17,194cr
- 11 lenders faced capital shortfall of Tk 19,298cr
- CAR would have stood at 10.39pc had banks kept required provisioning
- Capital base of Bangladesh' banks is much weaker than their peers
- Lack of governance main responsible for the fragile capital base
- Beleaguered banks should be merged with strong lenders

One-fourth of taxpayers filed returns so far

Deadline ends today as NBR is reluctant to make extension

STAR BUSINESS REPORT

Just one-fourth of more than 50 lakh registered taxpayers in the country filed their annual income tax returns by the end of last week.

But the National Board of Revenue said that it would not extend the deadline for submission beyond November 30. This means that taxpayers who fail to file their return by the end today will have to submit their returns by seeking time from the field offices of taxes.

Besides, holders of Taxpayer Identification Numbers (TIN), except for certain cases, will face fine for their failure to furnish income tax returns this year.

This became apparent after the NBR yesterday said that it would not extend the deadline even though there were demands from taxpayers for an extension as the number of Covid-19 positives began to increase for the last several weeks, forcing many individual taxpayers to remain in isolation.

Responding to reporters, NBR Chairman Ab Hena Md Rahmatul Muneem said the coronavirus has been around for nearly one year, during which most regular activities continued.

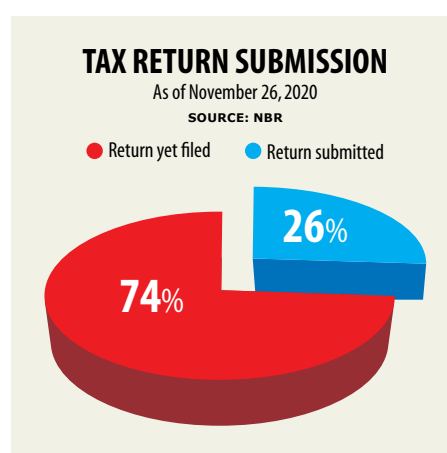
"All had to continue our activities, be it business or regular. So, we do not think the coronavirus has created a barrier for filing returns. There may be a problem in some cases and those who are facing difficulty may apply to the commissioners for time extensions," he said.

He said the commissioners were already advised to grant time for all applications. They have also been advised to be soft on imposing penalties on taxpayers, the NBR chief said at the press briefing.

The tax collector organised the press briefing at its headquarters to share some of its plans.

The NBR said that the number of tax returns filed increased 5 per cent year-on-year to 13.20 lakh as of November 26, up from 12.57 lakh a year ago.

"We hope a good number of taxpayers will submit returns in the last two days," said NBR Member (Tax Policy) Md Alamgir Hossain.



The official time for tax return filing starts from July 1 every year and ends on November 30, termed as Tax Day.

For the current fiscal, the NBR made the submission of income tax returns compulsory for all taxpayers, except for credit cardholders with no taxable income, people who got TIN for selling land and non-residents who do not have any fixed base in Bangladesh, according to the NBR.

Muneem said a large portion of TIN holders might not file returns this year on the assumption that there would be no legal measures from the tax authority.

"They will realise only when they will face fines."

"We have made return filing mandatory for all taxpayers. Those who will not submit return will face action as per rule," he said.

Income tax is the second biggest source of revenue collected by the NBR, and companies account for more than 60 per cent of the direct tax collected.

Last year, nearly 22 lakh taxpayers filed returns as the submission was not mandatory. This year, taxmen expect to receive a higher number of returns because of changes in the law brought while passing the national budget for fiscal 2020-21.

The tax department aims to log Tk 105,475 crore during the current fiscal year. The collection target is 32 per cent of the total goal of Tk 330,000 crore. As of October, taxmen had achieved nearly one-fifth of that yearly target, NBR data shows.

Robi IPO oversubscribed, sees third-highest retail demand

AHSAN HABIB

Investors have placed bids for Tk 2,226.4 crore of shares in Robi's initial public offering as the mobile phone operator looks to raise a record fund from the stock market.

The bids are 5.74 times the proceeds the second-largest carrier is hoping to receive from the eligible investors, general public and non-resident Bangladeshis.

This means the IPO is oversubscribed, which refers to an issue of securities where demand exceeds the available supply.

Robi has got an approval to raise Tk 523.79 crore through the IPO. It mobilised around Tk 136 crore from its employees, and the rest Tk 387.7 crore will be raised from the stock market.

The subscription is the third-highest in Bangladesh's stock market history,

according to the Dhaka Stock Exchange.

Acme Laboratories topped the IPO subscription chart with bids for Tk 2,760 crore of its shares, followed by Mobil Jamuna's Tk 2,235 crore.

Robi's IPO size is the highest in Bangladesh's history, overtaking market leader Grameenphone's floatation of Tk 486 crore in 2009.

"The subscription of Robi proves that if a well-performing company enters the market, the market is ready to cater the funds," said Sharif Anwar Hossain, president of the DSE Brokers Association.

"It was expected to see such an oversubscription."

Investors believe that Robi will be able to perform better like GP, he said. The huge subscription, however, caused a shortage of liquidity in the secondary market.

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IMPORTING USED ENGINE FOR VEHICLES Lack of weighing offers a boon for duty dodgers

MOHAMMAD SUMAN, Chattogram

A lack of proper weighing equipment at the Chattogram port has apparently created a scope for used gasoline engine importers to evade taxes for the last couple of years through the concealment of as much as two-thirds of the weight of products in declarations.

Currently, several imports including gasoline engines, hot rolled and H section steel, GP sheet and scrap have to be weighed on trucks using vehicle scales at the port gate, said customs officials.

Only suspicious consignments are weighed in this way as doing so for all goods would lead to a backlog for the sheer volume being dealt with every day. This creates a scope for importers to hide actual weights and evade paying taxes.

The audit, investigation and research department, a special wing of the Customs House, Chattogram, recently raised the alarm on 12 consignments. With physical inspections were due to take place, two importers willingly came forward and applied for increasing the weight of their four consignments from 85 tonnes to 222 tonnes.

According to customs documents, Chattogram-based Shah Amanat Motor Engineering and Service Center imported 193 tonnes of second-hand gasoline engines through three consignments from the United Arab Emirates but declared it to be only 78 tonnes.

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Bumpy ride for tyre sellers

Sales decline 20pc this year

JAGARAN CHAKMA

Everything was going good for the automotive tyre market, as the number of vehicles was spiralling keeping pace with the growing economy of Bangladesh.

But the coronavirus pandemic changed the whole scenario since March.

The deadly pathogen hit the market with a tsunami of problems, which started with a huge slide in the number of vehicles on the roads thanks to a movement restriction imposed by the government to curb the spread of the virus.

The demand for tyres also experienced a steep fall when its supply dried up as the local and international manufacturers closed their doors amid lockdowns to keep the Covid-19 at bay.

Now the market players in Bangladesh see a 20 per cent year-on-year decline in automotive tyre sales this year because of the complete halt in business in the three months since March.

Some Tk 5,000 crore worth of tyres were sold in 2019, of which Tk 3,900 crore were of commercial vehicles and Tk 1,100 crore of passenger vehicles, according to industry estimates.

Now they fear sales of commercial vehicle tyres may fall by 10 per cent to Tk 3,500 crore and the passenger vehicle tyres to see a drastic 54 per cent cut in sales to end the year with Tk 500 crore.

At least 1.9 lakh pieces of commercial vehicle tyres and 1.2 lakh pieces of passenger vehicle ones were sold in 2019, said Mohammed Shahidul Islam, chairman of HNS, an importer of Korean tyre brand Hankook, one of the largest tyre manufacturers in the world.

The private car users prefer premium quality tyres for reliability, safety and the value for money, he said.

But standard and cheap tyres imported without any quality test are also available in the market, which are one of the major reasons for road

accidents in Bangladesh, Islam said.

Tyre sales have been improving since June, particularly in the commercial segment with the opening of economic activities, said Shahadat Hossain Chowdhury, chief financial officer and company secretary of CEAT AKKHAAN.

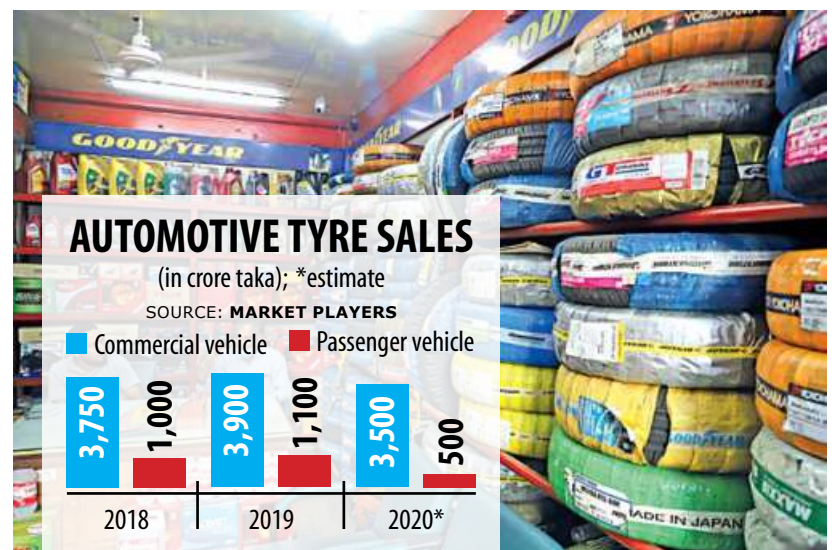
The joint venture company of CEAT Ltd (India) and AK KHAN Co (Bangladesh) distributes tyres for trucks and buses, light and small commercial vehicles, motorcycles and auto-rickshaws.

Tyre sales were the lowest in the April to July period, said a senior

adding that the crisis will be short-lived.

During the pandemic, the shipping cost from Chennai to the Chattogram port increased around \$100 per container, but none of the 74 distributors Veloxo has across the country increased the retail prices of commercial vehicle tyres, he said.

In the commercial vehicle tyre segment, the MRF's market share is 30 per cent. Apollo controls 5 per cent of the segment, Birla 10 per cent, CEAT 3 per cent, and Hankook 1 per cent. The rest 51 per cent is controlled by non-branded Chinese tyres.



official of Gazi Tyres, the largest local manufacturer of commercial vehicle tyres for three-wheelers, buses and trucks.

The sales of commercial vehicle tyre have reduced a lot amid a fall in its supply from the Indian and Chinese manufacturers, said Nazrul Islam, general manager of Veloxo Trading, the sole importer of Indian tyre brand MRF.

"We used to sell tyres worth Tk 30 crore a month, which is hovering around Tk 17 crore now. The demand was there, but the supply crisis is now pulling us behind."

The prices are also a bit higher now thanks to the supply shortage, he said,

In the private car tyre segment, the combined share of Japanese brands Yokohama, Bridgestone and Toyo and US brand Dunlop stands at about 70 per cent, according to a study conducted by HNS.

Thai brand Maxxis owns 20 per cent share, Korean brand Hankook 2 per cent and non-branded Chinese tyres the rest 8 per cent.

Japanese tyre brands are popular among consumers, and there is also a good demand for Thai and Korean tyres, said Mojibur Rahman Sheikh, manager of The Tyre & Battery Bazar, a retailer in the city's Karwan Bazar.

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Open separate window to disburse loans among CMSMEs

Speakers say at DCCI webinar

STAR BUSINESS REPORT

The government should allow more time to cottage, micro, small and medium enterprises (CMSMEs) to secure loans from its stimulus packages to expedite the sector's recovery, speakers said yesterday.

"CMSMEs are considered as the lifeblood of employment and, to a great extent, the overall economy," said former Bangladesh Bank governor Atiur Rahman, adding that a separate channel or window should be opened to facilitate disbursements for the sector.

Rahman was speaking at a virtual meeting styled, 'Constraints and Prospects of Industrial Policy', organised by the Dhaka Chamber of Commerce and Industry (DCCI).

The actual size of the fund available for

CMSMEs is Tk 30,000 crore, but little over Tk 7,000 crore has been released so far as many banks are uninterested in providing loans to small businesses.

Therefore, the December 31 deadline for disbursements for CMSMEs should be extended while the two-year loan recovery period should be lengthened as well.

The CMSME sector's contribution towards employment is still hovering around 20 per cent even though it was expected to reach 25 per cent by this time.

"This is because there is an unfortunate lack of technological adaptability in the sector," he added.

The former governor also said a second round of stimulus should be considered for the garments industry to help pay the wages and allowances of its workers.

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