Banks record 4pc rise in bad debt

REJAUL KARIM BYRON

Default loans have marked a 4 percent rise in the first six months of this year, for which bankers blame labour unrest, energy crisis, and also seasonal factors.

Such bad debt rose by around Tk 897 crore. The amount reached Tk 23,379 crore on June 30, 2010, up from Tk 22,482 crore on December 31, 2009.

Though the amount has increased, it decreased in terms of percentage. At the end of June, the total default loan against total outstanding loan was 8.67 percent, which was 9.21 percent at the end of last year.

A central bank high official has pointed to the fall in default loans and rise in total outstanding loans. Some banks, he said, are adopting tricks with regard to declassification of loans. "So, we're not happy, even though the amount of bad debt has come down in terms of percentage."

Bangladesh Bank officials in recent times have found three banks flouting rules by declassifying bad debts. These banks aimed at giving more profit to their shareholders.

A central bank probe detected such irregularities.

Also, the errant banks were warned by Bangladesh Bank at a meeting of the Bankers' Committee last month.

However, other banks will come under the central bank watch to check whether those did any irregularities.

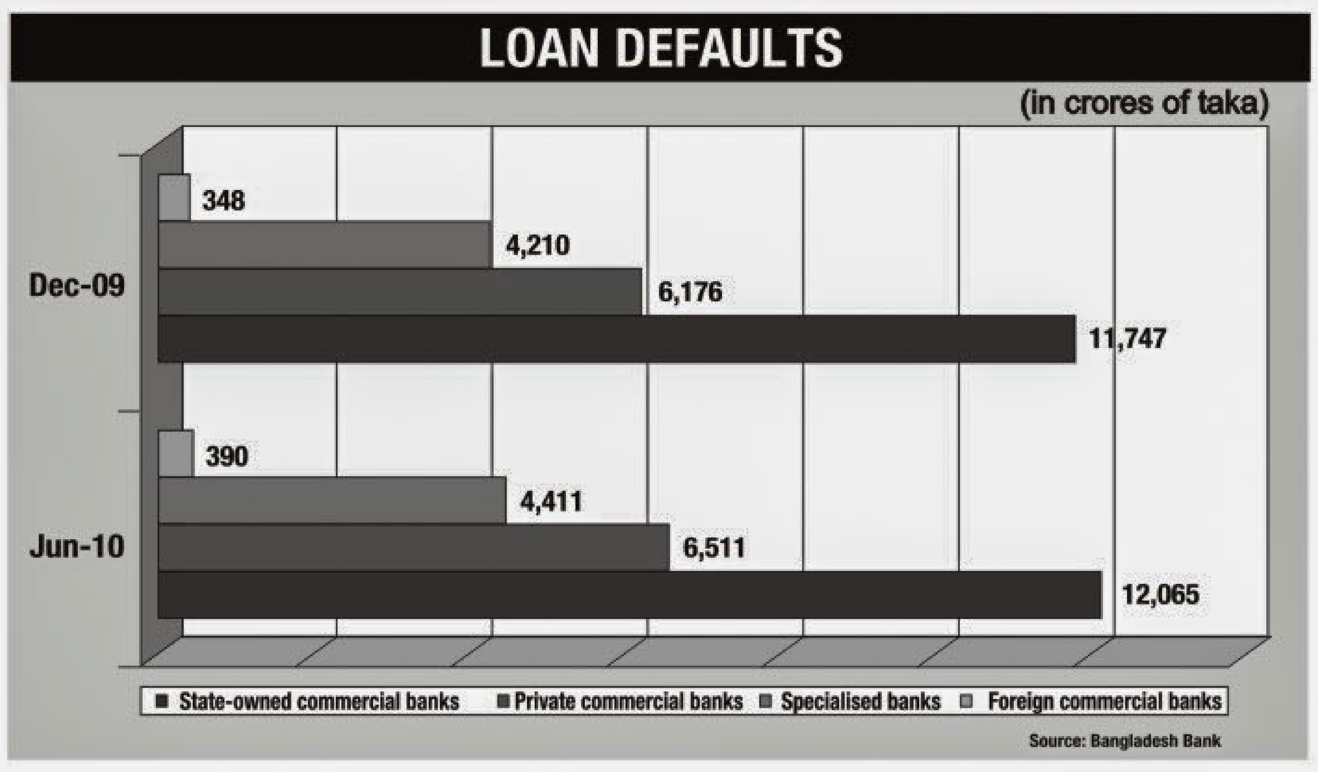
K Mahmood Sattar, president of the Association of Bankers Bangladesh (ABB) and managing director of The City Bank, said the banking sector also feels the pinch of the crises faced by the industrial sector, especially the readymade garment factories. Sattar refers to the labour unrest and gas and power shortages as crises. He also blamed seasonal factors for the rise in classified loans during January-June.

Normally, the months following December, a time Bangladesh Bank brings banks under its tight monitoring, witnessed a rise in bad debts.

Data shows default loan increased but in June it decreased by about Tk 300 crore against that in March 31.

All banks -- be it state-run, private local and foreign or specialised -- have experienced an increase in the classified loans that range from 2 to 12 percentage point.

In state-run commercial banks, such bad loan increased by Tk 318 crore to Tk 12,065 crore in June. In private commercial banks, default loan increased by Tk 335 crore to Tk 6,511 crore. In specialised banks, it increased by Tk 201 crore to Tk 4,411 crore. In foreign banks, it increased by Tk 42 crore to Tk 390 crore.



HSBC

Louisa Cheang, HSBC's Group general manager and regional director of personal banking and marketing for Asia Pacific, inaugurates a new branch of HSBC Bangladesh at Mirpur in Dhaka recently. Sanjay Prakash, HSBC Bangladesh chief executive officer, is also seen.

Singapore to hire 40,000 home helps

BSS, *Dhaka*

Singapore has expressed their interest to take 40,000 trained domestic helps from Bangladesh.

A delegation of Singapore's Association of Employment Agencies placed the proposal before Expatriate Welfare and Overseas Employment Minister Khandaker Mosharraf Hossain at his secretariat office in Dhaka yesterday.

Association of Employment Agencies President Shirey Ng Chiou Peng led the four-member team. Other members were Huah Teng Lin, Johnny Lim and Sowmia Latha.

They told the minister that they would recruit 1.90 lakh domestic workers from different countries.

The workers should be class VII passed and able to speak in English moderately, one of the members of the delegation said.

The minister said currently 200 to 300 workers are going to Singapore a day. They mostly work in construction, service and seaport sectors.

He said in response to Singapore's demand for a large number of workers, they would be sent through the government channel, particularly through the Bangladesh Overseas Employment Service Ltd.

An agreement will be signed in this regard with Singapore in two or three months, the minister said.

The workers will get $240 (Tk 16,686) a month as salary.

To create employment opportunities abroad, Hossain said education up to class VIII for girls would be made compulsory in rural areas.

Eco-tourism fair kicks off

STAR BUSINESS REPORT

A three-day fair with a focus on green trade, environment and eco-tourism began at Bangabandhu International Conference Centre in Dhaka yesterday.

Dr Ainun Nishat, environmentalist and vice-chancellor of Brac University, inaugurated the fair as a special guest.

Despite being a low carbon-emitting nation, Bangladesh unfortunately suffers more from its baleful consequences, than the developed countries with high carbon emissions, Nishat said.

He also said Bangladesh may follow the examples set by the Maldives and some other developing nations and earn money by enabling the developed countries to implement emission-reduction projects through adopting clean development mechanism.

The clean development mechanism (CDM), defined in the Kyoto Protocol, allows a country with an emission-reduction or emission-limitation commitment to implement emission-reduction projects in developing countries. Such projects can earn saleable certified emission reduction credits, each equivalent to one tonne of CO_2, which can be counted toward meeting Kyoto targets.

Dr MA Hakim, chairman of Save the Earth International, chaired the programme. Niaz Rahim, group director of Rahimafrooz, and Dr Khurshid-Ul-Islam, senior advisor of GTZ, were also present at the fair.

In his speech, Niaz Rahim said his company has been working in the renewable energy development sector and it already signed a number of contracts with the local companies to provide support with its renewable energy solutions.

The show is open to visitors from 9am to 8pm.

Holcim earnings slump

AFP, *Geneva*

Swiss cement giant Holcim on Thursday said its first half net earnings plunged 37.2 percent to 331 million Swiss francs (247 million euros, 317 million dollars) but noted growth in some markets.

The results fell short of the 475 million Swiss francs expected by analysts polled by economic news agency AWP.

As a result, Holcim shares fell 4.06 percent, making it the top loser on the Swiss Market Index in early trade.

"After a first quarter beset by heavy winter snowfall in the northern hemisphere, the overall economic picture improved slightly," Holcim said.

"In some Western European markets and in North America, demand for building materials increased, and Asia remained on a growth trajectory. Latin America and in particular the group region Africa/Middle East held up well," it added.

However, it noted that high government debt is putting pressure on stimulus programmes in Europe. In the United States, the upturn was not broad-based, the Zurich-based group said.

As a result, it issued a mixed forecast for the second half, saying that demand in Africa, the Middle East and Asia would grow further, but that in Europe and North America, the trend was "considerably uncertain."

The group's first half growth was largely propped up by Asia Pacific, where sales were up 36.2 percent to 4.2 billion Swiss francs.

BCCAMEA

A delegation of Bangladesh Corrugated Carton and Accessorise Manufacturers and Exporters Association meet with Finance Minister AMA Muhith at a programme in Dhaka on Wednesday. Rafez Alam Chowdhury, the association's president, led the team.

Narayanganj garment workers get day-care centre

STAR BUSINESS DESK

Germany-based international garments firm Metro Group and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) have jointly set up a day-care centre for the children of garment workers in Narayanganj.

Commerce Minister Faruk Khan inaugurated the Sunny Side Day Care Centre at a ceremony in the Bangladesh Small and Cottage Industries Corporation (BSCIC) industrial area in Fatullah under Narayanganj recently.

BKMEA President Salim Osman, German Ambassador Holger Michel, Metro Group senior vice president Michel J Incker and BKMEA first vice president Habibur Rahman were also present at the inaugural.

The 5,000 square feet day-care centre will cater for the needs of 60 children. During their stay, the children will be provided with meals. A physician and a nurse will be attending to the inmates' health and medical needs.

The children arriving at the centre will be divided into four age groups to ensure proper caring based on appropriate age needs, Metro Group said.

"This project is part of our ongoing efforts to increase the RMG workers' social and living standards and we hope that other companies will follow our example," said Michael Inacker, also the head of Communications, Public Affairs and Corporate Social Responsibility of the Group at the opening ceremony.

Metro Group will bear 70 percent of the total running expenses for the next two years, while the rest will come from the BKMEA.

There are around 200 industrial units located in the state-run BSCIC Narayanganj zone, employing around 1.5 lakh workers. The industrial zone based garments units export products worth Tk 1,400 crore.

Metro Group is one of the largest international retailing companies around. The company has a head count of some 290,000 employees and operates 2,100 stores in 34 countries.

Troubled RMG units look to easy exit

STAR BUSINESS REPORT

The government's decision to write off loans for 270 sick garment units will help them make a smooth exit or a fresh start, apparel makers said yesterday.

A circular issued by the finance ministry on Tuesday was meant for the factories that have long been in financial trouble.

"The sick industrial units will now get a chance to exit with dignity. If any unit wants to make a comeback, it will be able to do so too," said Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

He said the units have been sick for three to eight years mainly due to political unrest, congestion at Chittagong port, buyers' "unilateral" refusal to accept shipments and lack of access to funds.

"Businesses can fail anytime for their own faults, or for reasons beyond their control. This should get an institutional shape, so that an easy exit can be ensured," said Murshedy.

Under the arrangement, garment factories with loans worth less than Tk 5 crore will have to repay within five years of the issuance of the circular, while the companies having outstanding loans at or above Tk 5 crore will get 10 years.

All borrowers will get a one-year moratorium, the circular said. Banks will fix the liabilities of the borrowers by adding the interest income with the principal amount, it said.

Interest, which is not shown as income for the bank, will be waived but the principal amount and legal costs will not. The banks can also make the cost of the funds flexible.

The principal loan amounts and cumulative interest rates will be regarded as liabilities, against which, the banks will charge an interest rate of 8 percent. In such a case, borrowers will pay 5 percent and the government -- through interest subsidy -- will pay 3 percent as interest to the banks.

The finance ministry circular said borrowers would pay instalments on a quarterly basis. If they fail to pay four instalments in a row, the companies will face forfeiture of the facilities.

During the period of loan repayment, the banks, borrowers and buyers, through a tripartite agreement, could adjust loans through sales of mortgaged property or renting out factories.

If a company breaches the agreement signed with the banks, cases, which have already been filed against the garment units with Artho Rin Adalot, but remain pending, will be revived, said the circular.

Bangladesh Bank will take necessary steps to execute the same facilities offered by the government at the private commercial banks, it said.

The troubled borrowers will have to apply to the banks within two months of issuing the order.

Before slipping into financial insolvency, each of the 270 garment units -- mainly located in Dhaka and Chittagong had employed about 700-1,000 workers.

MD FAKHRUL ISLAM SECURITIES

Md Fakhrul Islam Securities Ltd started its operation at Gulshan-1 in the city recently. Md Fakhrul Islam, chairman of the company, inaugurated the office. Md Shahedul Islam, deputy managing director, and Md Arif Akram, executive director, were also present.

Tata Motors to raise $700m in share sale

REUTERS, *Mumbai*

Tata Motors plans to raise $700 million through an issue of shares with differential voting rights, the DNA newspaper reported on Thursday, citing industry sources.

Company officials from the leading Indian maker of trucks that also produces the premium Jaguar and Land Rover brands and the world's cheapest car, the Nano, have made presentations to foreign investors on the planned offering, it said.

A spokesman for Tata Motors told Reuters: "We already have shareholders approval to raise about 47 billion rupees ($1 billion) through various instruments. But there is no specific decision taken by the company."

In 2008, Tata Motors had issued shares with differential voting rights to fund the Jaguar Land Rover buy, but the issue was undersubscribed and had to be picked up by the founders and group firms of the Tatas.

CEMCOR

Industrial and Infrastructure Development Finance Company Ltd (IIDFC) and CEMCOR, a subsidiary of Summit Group, have decided to work together for raising Tk 165.50 crore to construct the country's first ever inland river container terminal at Munshiganj. CEMCOR Managing Director SAJ Rizvi, IIDFC Managing Director Md Asaduzzaman Khan and Chairman M Matiul Islam were present at the signing ceremony.