

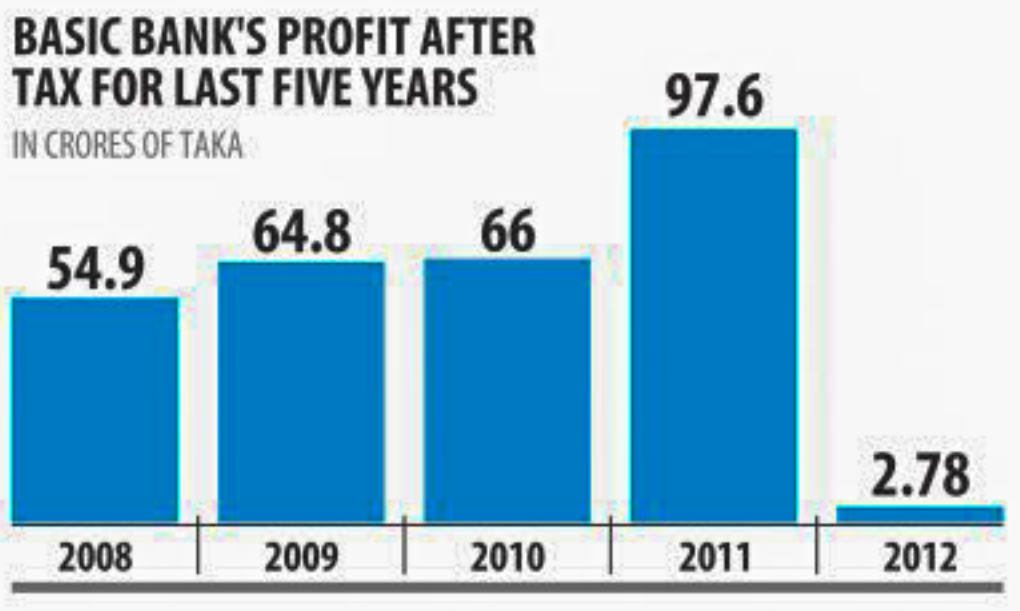
Star BUSINESS

DHAKA WEDNESDAY JULY 3, 2013, e-mail: business@thedailystar.net

BASIC Bank profit at 18-year low

Provisioning for bad loans causes the fall as the bank lent to fake firms

SAJJADUR RAHMAN
State-owned BASIC Bank's profit nosedived to an 18-year low in 2012, pointing to serious deterioration of the bank's health. The bank's profit after tax was only Tk 2.78 crore last year, a sharp fall from Tk 97.61 crore a year ago. Its net profit was around Tk 66 crore and Tk 65 crore in 2010 and 2009. The bank saw such a low profit (Tk 2.56 crore) in 1994. "Provisioning for bad loans has eaten up the bank's profit," a senior official of the bank said, asking not to be named. The bank had to make provisioning for Tk 153.42 crore in 2012, which was higher by more than 340 percent compared to Tk 34.85 crore in the previous year. However, the state-run bank blamed the rise in its classified loans on the new loan classification rules and provisioning requirements imposed by the central bank.



The classified loans of the bank surged mainly due to the new classification rules and the overall economic downturn, the bank said in its annual report for 2012, which was released a couple of days ago. The report showed the bank's classified (non-performing) loans at 8.22 percent of its total loans in 2012. But many officials at the bank believe the actual amount of classified loans

would be much higher. A central bank report on the bank's Gulshan branch found that the state-run bank granted around Tk 1,500 crore loans in 2011 and 2012. Of the amount, many loans were given to fake companies and interests were shown as income though no repayments were made, and by doing this, the bank showed inflated profits. For example, the bank has shown Tk 7.81 crore as interest income against a loan of Tk 45 crore to AB Trade Link, a nonexistent paper-based company. A central bank inspection found that AB Trade Link did not repay a single penny nor any interest since it took the loan in September 2011. In the same way, the bank has shown Tk 12.90 crore and Tk 4.07 crore as interest income against Tk 85 crore and Tk 60 crore loans to ARSS Enterprise and Brothers Enterprise respectively though the borrowers paid neither any amount of the loans nor any interest.

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AIRPORT PROJECT Biman MD sees no job cuts

STAR BUSINESS REPORT
Biman's Managing Director Kevin Steele yesterday said the proposed joint venture for its ground and cargo handling operation would not go ahead without the approval from the aviation ministry, the airline's board and CAAB. Even if the joint venture goes ahead, there will be no job losses, Steele said. The decision to tie up with another party did not go down well with Biman's staff, who had been protesting vigorously the past few days and has vowed to thwart the move "even at the cost of their lives". "I feel ashamed of the poor ground handling when I go through the airport," Steele said at the press conference to mark his 100 days in office. "I am trying to transform Biman into a world-class airline and the ground and cargo handlings should be of the same standard. And for that to happen, there is an immediate requirement for major capital injection, something Biman simply does not have." Biman has already sought interests from major airlines or ground handling agents to team up for operation at any or all international airports in Bangladesh.

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Govt marks out 128,758 loan defaulters

Muhith sees eight reasons for borrowers' failure to repay loans on time

STAR BUSINESS REPORT
The country has 128,758 loan defaulters as of March, Finance Minister AMA Muhith said in parliament yesterday. The four state-run commercial banks -- Sonali, Janata, Agrani and Rupali -- have 23,347 loan defaulters, while the 30 private banks have 76,331. In this respect, the nine foreign banks are doing much better than the local banks: they have 10,252 loan defaulters. Among the local banks, the SME-focused BRAC Bank has the highest number of loan defaulters -- 34,445. Standard Chartered, with 10,031 defaulters, tops the list among the foreign banks. Among the four state-owned specialised banks, Rajshahi Krishi Unnayan Bank has the lion's share of defaulters: 12,361 against the tally of 18,828. Muhith, who made the disclosure during a written reply to questions from lawmakers, identified eight reasons for borrowers' failure to repay loans on time. The gas and power crises, which often stall projects, slump in business, labour unrest, natural disasters and disturbance to operating businesses are some of the reasons, according to the minister. Cancellation of export orders and failure to export on time turned many into defaulters. The procrastination in settling disputes through courts, too, delayed realisation of loans. The minister also said borrowers could not repay loans against their imported goods. Eight state-run banks have waived interests worth Tk 4,680.99 crore between January 2009 and December 2012 against the loans of some 217,992 borrowers. Sonali waived interests worth Tk 1,731.89 crore, Janata Tk 1,819.69 crore, Agrani Tk 547.77 crore, Rupali Tk 313.08 crore, Krishi Bank Tk 53.15 crore, Bangladesh Development Bank Tk 182.25 crore, Rajshahi Krishi Unnayan Bank Tk 18.43 crore and BASIC Bank Tk 14.73 crore.

Protests rage against GB commission's steps

STAR BUSINESS REPORT
A civil society group yesterday demanded the dissolution of the Grameen Bank Commission that recommended splitting the Nobel Prize-winning institute into 19 separate units. The demand came at a rally jointly organised by Grameen Bank Rokkha O Durjan Protirodh Kendra and Bangladesh Projonmo Academy at the National Press Club, to protest the recent move to reform the microcredit organisation. Several BNP leaders and civil society representatives, all donning black badges, spoke at the rally and expressed their solidarity with the protests against the commission's move. Rafiqul Islam Miah, BNP standing committee member, said the bank is a victim of conspiracy of the government. "When different government and nongovernmental institutes are shutting down, Grameen Bank stands as an exception," he said, adding that the shareholders of the bank have the right to take decision about the bank.

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Grameen Bank employees wear black badges during a demonstration at the institution's headquarters in Dhaka yesterday to protest the Grameen Bank Commission's recommendation to split the bank into 19 units.

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EYE ON RAMADAN Keep your promises

Commerce secretary asks traders
STAR BUSINESS REPORT
Commerce Secretary Mahub Ahmed yesterday asked the businessmen and traders to stick to their commitment of keeping the prices of essentials stable and within people's purchasing power during Ramadan. "You have already announced the fixed selling rate of sugar and edible oil -- you should keep your commitment." The prices of the two essential products were set by the businessmen and traders for the Ramadan, at a meeting with the commerce ministry on Sunday. The mill gate price of per kilogram sugar has been fixed at Tk 41.5, while the maximum wholesale price at Tk 42.5 and the retail price at Tk 45.5. As for palm oil, the mill gate price will be Tk 69 per litre, the wholesale price at most Tk 70 and the retail price between Tk 73 and Tk 75. The mill gate price of soybean (loose) oil has been fixed at Tk 101 a litre, the wholesale price Tk 102 and the retail price Tk 105. Likewise, the price of per litre of bottled soybean oil would be Tk 127 instead of Tk 132.

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Textile stocks shake off gloom after GSP cuts

Dhaka stocks rise 2.91pc and turnover up 34.2pc, powered by buying spree

GAZI TOWHID AHMED
The suspension of the generalised system of preferences has hardly affected textile stocks as the sector yesterday was the highest gainer with a 6.86 percent rise. Textiles generated the highest gain as investors are not worried about GSP suspension, said Md Moniruzzaman, managing director of IDLC Investments. Investors were at first spooked by the suspension of the duty-waiver by the United States, but they later realised that it was an opportunity for Bangladesh to develop its working environment and worker rights, he said. The European Union's assurance of not revoking its GSP privileges also boosted investors' confidence, Moniruzzaman added.

ONE-DAY RISE IN %	Value
TEXTILE	6.86
ENGINEERING	5.36
IT	4.86
JUTE	4.81
CEMENT	4.03
TRAVEL & LEISURE	3.59
FUEL & POWER	3.55
PAPER & PRINTING	3.47
TELECOMS	3.30
NBFI	3.12
PHARMA	2.71
LIFE INSURANCE	2.63
GENERAL INSURANCE	2.47
TANNERY	2.23
CERAMIC	2.22
MISCELLANEOUS	2.03
FOOD & ALLIED	1.44
SERVICE	1.42
BANKS	0.53

"A decision to withdraw the EU GSP for Bangladesh must be avoided, as it would have far-reaching consequences for jobs and the economy," the EU said in a statement on Sunday. Textiles gained as investors shrugged off the negativity from the duty waiver cuts by the US, LankaBangla Securities said in its daily market analysis. "The GSP suspension has no negative impact on listed textile stocks in the stockmarket," said Maruf Matin, managing director of Alliance Capital Asset Management Company. Investors are considering this move as an opportunity for Bangladesh to become the largest apparel exporter in the world, Matin said. "They believe the textile stocks will generate good returns in the days to come." The Obama administration suspended trade privileges for Bangladesh on Thursday due to insufficient progress in labour rights and workplace standards. Although the suspension will transmit a cautionary signal to other major apparel buyers, it will make those companies concentrate more on improving the quality of the workplace, said Md Ashaduzzaman Riadh, research in charge of LankaBangla Securities. Share prices on the Dhaka Stock Exchange yesterday started the new fiscal year with a gain, rising 2.91 percent, powered by investors' buying spree. "The market activities exhibited strong investor optimism," LankaBangla said. DSEX, the benchmark general index of DSE, closed the day at 4,224.16 points, after edging up 119.52 points. Turnover, the most important indicator for the market, advanced 34.2 percent to Tk 763 crore, compared to the previous day. Among the major sectors, engineering gained 5.36 and cement 4.03 percent. Of the 282 issues that traded on the DSE floor, 256 advanced, 21 declined and five remained unchanged. An aggregate of 1.47 lakh trades were executed with 13.34 crore shares and mutual fund units changing hands on the Dhaka bourse.

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Correction

In a graph published yesterday with the news item -- Banks' profits fall, it was mistakenly mentioned that Exim Bank's operating profit was Tk 120 crore in the January-June period this year, and Tk 132 crore in the same period last year. Actually, the figures should have been Tk 214 crore for the January-June period this year and Tk 232 crore in the same period last year. We regret the errors.