

State banks press BB to relax lending cap

REJAUL KARIM BYRON

CREDIT GROWTH CEILING FOR 2013 IN %

YEAR ON YEAR

8

12

10

10

SONALI

JANATA

AGRANI

RUPALI

State-owned commercial banks are pressurising the central bank to raise their lending ceiling, which they deem to be too restrictive for their activities.

The lending cap was imposed earlier this year to appease the International Monetary Fund (IMF) demanded the government take actions against the four banks' spiralling default loans, should it wish to access \$1 billion credit.

The banks' default loans in 2012 rose 135 percent year-on-year to Tk 21,614 crore, due to scams and irregularities, according to BB data.

However, the banks have been complaining that the ceiling has been seriously curtailing their lending activities, even though they are sitting on excess liquidity.

The issue was discussed in a meeting on Wednesday attended by representatives of BB, Sonali and Janata Bank, with Finance Minister AMA Muhith.

"Merely applying interests on those outstanding loans

takes us past the cap. It leaves little to no room to provide new loans," said the managing director of a state-owned commercial bank upon conditions of anonymity.

The lending cap means Sonali Bank's loan portfolio in 2013 cannot increase beyond 8 percent, Janata Bank's 12 percent and Agrani and Rupali's 10 percent. In 2011, the growth was capped at 15 percent.

As of June 30, their default loans stand at Tk 23,852 crore, up 8 percent from December 31, 2012.

Muhith inquired about the varying upper limits and asked if a uniform ceiling could be imposed across the four banks.

Due to the precarious political situation, the real investors are less interested in taking out loans now, a BB official said, preferring not to be named.

"It is the loan defaulters that are putting pressure. They want to get loans by any means." However, were the banks to cross the ceiling to lend to a party with sound repayment record, it would be excused, he added.

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Commission to suggest regulator for Grameen Bank

MD FAZLUR RAHMAN

The Grameen Bank Commission would recommend a specific regulator for Grameen Bank as neither the central bank nor the Microcredit Regulatory Authority now controls the Nobel-winning micro lender.

"The terms of references of the commission instructed us to recommend an authority to regulate and supervise Grameen Bank. We will give a specific recommendation on who should regulate the bank," said Ajmalul Hossain QC, a member of the commission.

His comments came as the three-member commission plans to submit its final report on Grameen Bank and its 48 associated organisations to the government next week.

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NBR to beef up watch over companies' purchases

Revenue authority aims to meet Tk 49,956cr VAT collection target

SOHEL PARVEZ

The revenue authority plans to step up its monitoring of companies to ensure value-added tax collection from their purchases, officials said.

As per rule, the government, semi-government and autonomous bodies and companies are supposed to deduct 4 percent VAT during procurement of goods and then deposit the amount to state coffers.

The government-related agencies, multinational and large companies comply with the rule, but the small companies tend to evade it, a senior official of NBR said, seeking to remain unnamed.

"We have asked the field offices to prepare lists of companies in each of their jurisdictions and check their records of VAT payment against procurement. We hope the collections would increase from this area."

The move comes as part of the revenue authority's attempts to boost receipts to meet fiscal 2013-14's VAT collection target of Tk 49,956 crore, which is 29 percent higher than previous year's takings.

Currently, cigarettes, gas, mobile phones are the main sources of VAT.

But, of late, the scope to increase collection from these areas has become limited due to a host of reasons that include growing health consciousness against smoking and slowdown in growth of SIM subscription, according to the NBR official.

"So we have to look for areas where there is potential to increase collection. The procurement by companies is one such area."

The NBR is yet to finalise gross collection of VAT against supplies for fiscal 2012-13.

Receipts from supplies more than doubled to Tk 561 crore from the previous year, according to data from fiscal 2011-12.

Nearly 119,000 companies are listed with the Registrar of Joint Stock Companies and Firms, according to revenue officials.

Multinational firms fare well on bourses

GAZI TOWHID AHMED

Listed multinational companies are performing better than firms in other sectors, with steadily rising reserves and surplus, and positive trends in dividend declaration and share prices.

British American Tobacco Bangladesh declared 500 percent cash dividends last year, up from 420 percent in 2011.

The share price of the company, which was listed in 1977, also rose by 115 percent in the last 12 months and closed at Tk 1,386.2 on Wednesday.

Its reserve and surplus stood at Tk 643 crore last year, according to the Dhaka Stock Exchange.

Marico Bangladesh Ltd, a leader in fast moving consumer goods, declared 100 percent cash dividends in 2012 and 45 percent in 2011. Its reserve and surplus reached Tk 203 crore last year.

The company was listed on the bourses in 2009 and its price surged 78 percent during September 15, 2012 to August 14 this year. The company traded at Tk 628.4 on Wednesday.

Bata Shoe Company (Bangladesh) Ltd, which was listed in 1985, declared 275 percent dividend in 2012 and 250 percent in the previous year.

Its reserve and surplus was Tk 171 crore last year. The share price of the company rose 33 percent in the last one year and closed at Tk 618 crore on Wednesday.

The prices of GlaxoSmithKline and Grameenphone also increased by 66 percent and 24 percent in the September-August period.

Analysts have termed the price hike of these companies "logical" due to their sound fundamentals, especially huge reserve and surplus funds, at a time when other sectors were witnessing a declining trend.

"The rise in the price of a company is logical if it has a strong fundamental base with a plenty of reserve," said Ahsanul Islam, president of the DSE.

The price hike will be more logical if the company's fixed assets, including the lands, are not included in its reserve and surplus, he said.

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Shrimp exporters eye better days

Bangladesh's competitors face US duty

SUMAN SAHA

Shrimp exporters eye better days ahead as the US, the second largest importer of Bangladeshi shrimps, has imposed additional duties on imports from five of Bangladesh's competitors, including India and Vietnam.

"Our exports to the US will rise significantly, both in terms of volume and price, due to the move," said Md Amin Ullah, president of Bangladesh Frozen Food Exporters Association.

The US Commerce Department on Tuesday imposed the countervailing duty, ranging from 4.52 percent to 54.5 percent, on shrimp imports from India, China, Vietnam, Malaysia and Ecuador as these countries give huge subsidies to their farmers.

The Coalition of Shrimp Industries, a platform of shrimp farmers and processors in several southern US states, filed a petition last year asking the federal government for import relief.

"US traders will now look for alternative sources like Bangladesh," Amin said.

"Even if we raise our prices by 5-10 percent, we will still enjoy a competitive advantage as our prices will remain below what our competitors



SOURCE: EPB

will have to offer after the duty imposition."

Bangladeshi exporters now charge \$7.50 for each pound (16-20 pieces) of black tiger shrimp in the US market, said Amin, adding that the price might increase up to \$8.

Ashim Kumar Barua, director of Apex Foods Ltd, which exports mainly value added shrimp products to the US market, also echoed the same.

Exports of Bangladeshi black tiger may rise further as production of vannamei shrimp fell globally, he said.

"This will help us gain a cost advantage up to \$1.5 each kg," Barua said.

Apex Foods earned around Tk 100 crore from shrimp exports to the US market last fiscal year, while its total exports were worth Tk 330.57 crore, he said.

Bangladesh's shrimp exports have been on the rise since June as demand from the US and Europe increased because of a production fall in some major exporting countries.

Shrimp exports rose by 33.91 percent to \$56.55 million in July compared to the same month a year ago, according to Export Promotion Bureau data.

Shrimp exports fell short by around \$90 million from the target at \$545.23 million last fiscal year due to price fluctuation on the international markets, exporters said.

Around 35 percent of the total shrimp exports go to the US market, while the EU accounts for around 45 percent, and Japan, Russia and other countries the rest, according to Amin of the exporters' association.

Shrimp exports were never covered by any duty benefit such as generalised system of preferences of the US, he added.

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