

# EBL brings unique solutions for emerging problems

*The banking sector is not in good health as business is shrinking and non-performing loans are rising, the chief executive says*

SAJJADUR RAHMAN

**B**ARELY sustaining had never been in Eastern Bank Ltd's outlook. The bank has constantly conceived, created and introduced innovative and profitable new products and services. It has seen rewards come in the form of revenue and business diversification to cope with emerging challenges.

One such product that was recently arranged by EBL for ACI Ltd was Commercial Paper (CP), which is a short-term, unsecured money market instrument issued in the form of a promissory note.

EBL raised Tk 50 crore for the local corporate giant at an interest rate of only 12.5 percent, down by at least two percentage points than bank lending rates.

"This deal is a milestone for us for three reasons," Ali Reza Iftekhar, managing director and chief executive of EBL, told The Daily Star in a recent interview at his office.

Firstly, the concept of CP is prevalent globally but has been issued for the first time in Bangladesh, Iftekhar explained. This has helped broaden investment opportunities in the market by providing an additional financial tool for investors.

Secondly, corporate houses will be able to raise funds from the market without depending on only borrowings from financial institutions to meet their short-term requirements, he said.

Finally, the move highlights EBL's efforts in developing the country's financial market through unique and innovative solutions, he added.

For many corporations, borrowing short-term money from



Ali Reza Iftekhar

banks is often a laborious and annoying task. The desire to avoid banks as much as possible has led to the widespread popularity of CP. Different corporate houses, financial institutions and asset management companies participate, while the instrument is backed by a bank guarantee. CP maturities are usually no longer than one year and the repayment rate is greater than usual bank borrowings.

The Reserve Bank of India (RBI) introduced CP in 1990 in a bid to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and provide an additional instru-

ment to investors. RBI also issued a guideline in this regard.

"I am going to write a concept paper on CP for Bangladesh Bank soon," said the CEO.

In addition, EBL has come up with some other new products, such as EBL Projukti for farmers, EBL SkyMiles and a tie-up with agoda.com that will help the bank and trade and commerce in the country to grow further.

EBL Projukti is a new loan product for farmers so that they can buy agricultural machineries and equipment.

An individual farmer can enjoy a quarterly instalment-based term-loan ranging from Tk

10,000 to Tk 150,000 for a maximum of two years to purchase agricultural machinery and irrigation equipment. A maximum of 70 percent of the machinery price will be provided as loan. No collateral is required for the loan.

The bank, in collaboration with Visa, an international credit card company, has launched 'EBL SkyMiles', the country's first ever AirMile reward programme to provide an exciting and exclusive experience to customers.

All Visa Platinum, Visa Signature and Visa Infinite credit cardholders of EBL will be able to earn AirMiles against the use of their cards and redeem the same

for free air tickets. Under this unique programme, cardholders will accumulate SkyMiles while spending through their EBL credit cards. For every Tk 60 or \$ 1 spent through point of sales or card cheque, the cardholder will receive one EBL SkyMile. The cardholder would be able to redeem the accumulated SkyMiles for free air tickets, for any destination across the world and on over 360 airlines.

EBL has also tied up with agoda.com, making it easier for the customers to make hotel bookings online. It is an online travel agency that specialises in hotel bookings. EBL cardholders will get up to 7 percent off over already low agoda.com rates.

EBL has also become a leader in aviation financing. The bank has arranged \$114.9 million for Bangladesh Biman, the country's national airlines, to purchase two 777-300 ER aircraft from Boeing. The bank also arranged a nearly Tk 100 crore syndicated loan for Regent Airways, a local private carrier. The bank also financed Novo Air in buying aircraft.

"These efforts show our excellence and commitment to develop the country's aviation industry," said Iftekhar. "With our expertise in aircraft financing and prudent banking solutions, we are now ready to cater to the needs of international clients."

On the country's overall banking situation, the top banker said the industry is not in good health as its business is shrinking, while non-performing loans are rising.

However, the CEO is confident about overcoming the bad times with relentless efforts.

"We believe in 3As -- adaptability, attitude and appreciation -- to do good in the days to come."

## Who is a strategic investor?

*25 percent of the demutualised stock exchanges' shares have been kept aside for them*

STAR BUSINESS REPORT

**S**OME 25 percent of the shares of the impending demutualised stock exchanges have been kept aside for strategic investors, which begs the question: what constitutes a strategic investor?

A strategic investor, as per the demutualisation scheme, should have the experience of managing exchanges, or experience in an industry or business such that the tie-up brings in effective synergy, according to the demutualisation scheme made public following regulatory approval on September 26.

Therefore, foreign stock exchanges, banks, financial institutions, technology firms and institutional equity investors can all be counted as strategic investors and would be eligible for purchase of shares in the Dhaka or Chittagong stock exchanges following demutualisation, a process that would transform the two stock exchanges from their current co-operative state into profit-oriented entities owned by shareholders.

"A good understanding of markets and their dynamics will make the partnership efficient," the scheme said, adding that a sound track record and good credibility is necessary.

Though there are no specific criteria on the financial condition of a strategic investor, the scheme said the value proposition needs to be balanced against strategic considerations.

"Shareholders have created value for the exchange over a long time. Hence, it is very important to receive the right financial considerations for offloading shares to a strategic investor."

Cultural compatibility is also important for any partnership, especially in people-oriented businesses, as a lot of alliances have fallen apart due to discord between organisational cultures.

"It brings in efficiency which hinders the overall operations of the company. Hence, the stock exchange needs to ensure that an acceptable degree of cultural compatibility exists."

The key benefits of having strategic investors include new product introduction, migration of best practices, scaling up operations, technological advancement and professional approach towards management.

Meanwhile, if a strategic investor acquires any share of a demutualised stock exchange, it can only be resold to other strategic investors with approval from Bangladesh Securities and Exchange Commission.

The regulator, however, through written order can exempt the strategic investor from provisions related to share buying, selling, acquisition and takeover.

## Dubai opens sprawling second airport to passengers

AFP, Dubai

**T**HE Gulf emirate of Dubai on Sunday opened passenger operations at its second airport, Al-Maktoum International, touted to be the world's largest once it is completed.

A Wizz Air plane from Budapest was the first passenger aircraft to land at the sprawling new facility, and it was welcomed on the tarmac with a water cannon salute.

Jazeera Airways, another low-cost carrier, will follow suit on Thursday with daily flights to and from Kuwait, while Bahrain's national carrier, Gulf Air, will begin operations on December 8.

No other airlines have announced intentions to use the new airport, which lies some 50 kilometres (30 miles) south of Dubai International, one of the world's busiest hubs for air passengers.

Paul Griffiths, chief executive officer of Dubai Airports, was confident that other companies would follow "in the coming months".

He pointed out that 36 cargo carriers currently operate out of the new airport, compared to only two in 2010.

Dubai International handled 57 million passengers in 2012, as it has become a major stop for air traffic between the West, Asia and Australasia.

Al-Maktoum International was opened only for cargo in June 2010, while passenger operations were repeatedly delayed.

The new airport is situated in Dubai World Central, an economic zone the government hopes to turn into what it calls an "aerotropolis".

Once completed, it is to feature five runways that will be able to handle an annual capacity of 160 million passengers and 12 million tonnes of cargo.

It is built next to Dubai Jebel Ali Free Zone and its port, which is one of the world's largest man-made harbours, and a major containers terminal.

It is part of a grand project announced during Dubai's economic boom, but the pace of progress slowed during the financial crisis that hit the Gulf emirate in 2009.

The airport "will play a vital role in the future development of Dubai as a centre for trade, commerce, transport, logistics and tourism", Sheikh Ahmed Bin Saeed Al-Maktoum, chairman of Dubai Airports, said in a statement.

The new airport is not aimed at replacing Dubai International, where expansion work is continuing, at least not for the time being, according to Griffiths.

"If DXB (Dubai International) is to close, it isn't a decision we have to make probably for the next 30, 40 years," he told reporters.



Afghan labourers work in an outdoor traditional factory extracting and preparing pinenuts for sale on the outskirts of Jalalabad yesterday. One of the main products of Afghanistan is the export of dried fruit and nuts.

AFP

## World currency turbulence hits company earnings

AFP, Paris

**E**MERGING markets have helped rake in a corporate earnings bonanza in recent years, but a sudden plunge in their currencies in mid-2013 due to an expected cut in US stimulus has sorely hit sales and profit.

Quarterly results at companies from Coca-Cola to IBM, Unilever to Casino and luxury group LVMH show that currency volatility has hit the bottom line.

"The 'emerging risk' is a source of concern in the first release of third quarter results," economists at broker Aurel BGC said.

The Brazilian real, South African rand, Turkish lira, Indian rupee and Indonesian rupiah lost up to a fifth of their value in August as investors pulled out funds in anticipation the US Federal Reserve would soon begin to taper the amount of monetary stimulus it injects into the economy.

"Across the range of firms missing revenue targets for the third quarter, one factor

increasingly blamed is the impact of a higher euro," said CMC Markets trader Toby Morris.

"...Firms with an active client base in emerging economies are hit the hardest, with weaker currencies magnified in South America and India," he added in a note to clients.

The euro has not only risen sharply against emerging market currencies, it has also reached its highest levels since 2011 against the dollar due to disappointing economic data from the United States and the prospect of more monetary stimulus.

French electrical equipment group Schneider Electric warned the euro was over-valued and was hurting business.

"It's painfully evident that the eurozone is the only major economic zone that doesn't use its currency as an economic weapon and a weapon of competitiveness," Finance Director Emmanuel Babeau told AFP.

The Paris-based company, a world

leader in electrical engineering said that currencies had depreciated sharply in markets where the company can make as much as a billion euros in sales.

"We find ourselves overvalued in relation to many currencies, including the dollar, that's very clear," he said.

Accordingly, the company said that organic sales growth would be stagnant instead of the moderate increase it had expected earlier.

Carmaker Renault had a similar story as sales fell 3.2 percent, even though registration of its vehicles increased by the same amount during the quarter.

"The depreciation of several emerging market currencies (Brazilian real, Russian ruble, Indian rupee, Argentinian peso) had an impact of 5.7 percentage points", or 439 million euros, on sales, said Sales and Marketing Director Jerome Stoll.

French supermarket group Casino, which has major operations in Brazil, said exchange rates had a negative 16.5 percent-

age point impact on overall sales in the period. Organic sales growth of 12.5 percent ended up as a 5.2 percent decline in sales in reported terms, the company said.

Even US companies have been affected. At Coca-Cola, volumes increased by 3 percent but net revenue declined by 3 percent. Stripping out currency effects revenue would have increased by 4 percent in the quarter.

Coca-Cola chief executive Muhtar Kent described the results as solid given "an ongoing challenged macroeconomic environment driven by increasing volatility across emerging markets."

Analysts expect the businesses to continue to suffer from negative currency effects in the coming quarters.

"We're starting to see the impact but it will become much more visible in the coming quarters if there isn't a reversal to the trend" on emerging market currencies, said Romain Boscher, global head of equities at Amundi Asset Management.