

## Ericsson's new MD for Bangladesh



**Rajendra Pangrekar**

STAR BUSINESS DESK

Rajendra Pangrekar has joined Ericsson Bangladesh Ltd as the company's new managing director, the Sweden-based company said in a statement yesterday.

Prior to the appointment, he was the vice president for global services business management of Ericsson, heading services business for 42 countries across Africa.

"We in Ericsson look forward to empowering Bangladesh with world class technologies and the platform to grow," Pangrekar said.

Born in India, Pangrekar is a British national with more than 20 years of experience in the telecoms business in Europe, Asia and Africa.

Ericsson provides services, software and infrastructure within information and communications technology for telecom operators and other industries. Almost 40 percent of the world's mobile traffic goes through Ericsson networks.

# Time to focus on quality

## City Bank CEO advises banks to concentrate on credit-worthy customers for sustainability

MD FAZLUR RAHMAN

**W**ITH the amount of bad loans at a record high, banks should now concentrate on credit-worthy customers for the sake of long-term sustainability, a top banker said.

"From the financial scams and what we have seen over the last several months, banks will have to take the opportunity to ensure good quality of credit and a sustainable plan for growth," Sohail R K Hussain, managing director of City Bank Ltd, said in a recent interview.

He said the banks should go for credit-worthy customers, as prescribed by the central bank in its latest monetary policy statement.

"But the focus on good customers should not be for a single year. I think we are standing on a new horizon, one where the banks will need to have strong governance, good assets and strong capital base."

Hussain, who has been in banking for over two decades now, said the last two years have been very difficult for the sector, while singling out the soaring non-performing loan (NPL) ratio. So much that it has become a serious headache for the central bank.

The volatility in commodity market, political unrest, businesses' failure to repay loans in time and financial scams have contributed to the increase in NPLs from 11.9 percent in July last year to 12.8 in November, he said.

"We need to understand that NPL would be a serious issue this year—bringing it down to a comfortable level would be one of the biggest challenges for the banking sector in the coming months."

"However, 2013 was also an opportunity for banks and other financial institutions to strengthen corporate governance and accounting and credit monitoring system and capital base."

The 48-year-old said the outlook for the banking sector is that there will be growth. "But, it might not be a huge amount of growth. The banks will have to concentrate on the value pillars -- that is the right thing to do."

The CAMEL rating, balance sheet size and corporate governance will separate the good banks from the bad ones in the next three years, he said. "In three to four years, it will not be only about size and reach -- it will be about size and quality."

Hussain, who joined the bank in 2007 as deputy managing director, said the entry of new banks into the market and falling lending rates will hit profitability, and the



**Sohail R K Hussain**

banks will need to find other streams of revenues.

City, however, has decided to focus on developing new value pillars for the customers.

"We have strengthened our balance sheets and created a strong platform from which we can expect future revenue streams."

Set up in 1983, the bank has a total asset base of Tk 14,750 crore last year, total capital base Tk 1,673 crore, market capitalisation Tk 1,404 crore and fund under management Tk 19,737 crore.

Hussain, who took over the City helm in October last year, said the bank performed better in 2013 than in the previous year, but did not disclose the revenues and profits due to regulatory embargo.

"It could have been far better, but we have decided that we want to create a platform for bigger growth in 2014 and 2015 and afterwards," he said, adding that the standard of banking service that City provides is "unheard of in the market".

City Bank has created value proposition for all kinds of customers, starting from small retail to SME, customers falling between SME and corporate, high net worth priority customers and large corporates.

The bank plans to add about 10 branches this year to its current tally of 104, provided the central bank

approves its expansion plan.

Hussain, who holds an MBA from the Institute of Business Administration, said the commercial banking division has been restructured for catering to the SME and agriculture banking.

"The whole idea is to become a highly technology-centric bank and highly diversified customer base bank."

Seven years ago, corporate banking accounted for 60 percent of the entire asset book of City. It has now come down to 40 percent.

The retail banking now makes up about 15 percent of the asset book, SMEs 20 percent and the rest commercial banking.

"This is exactly what we want -- we want a good set of customers."

Hussain said City has recently acquired a remittance company in Malaysia to help Bangladeshis send remittance.

He also touched upon the current state of the stockmarket, saying it would take time to return to the pre-crash period.

"People must understand that there is a need for investors to concentrate on the fundamentals of shares. If we move away from this there will be problems. And if the whole country starts to behave in the same way, you have a bubble."

About the higher interest rates in the banking sector, he said the interest rate is already on a downward trajectory.

He went on to thank the central bank for relaxing some rules on prudential guidelines that allowed banks to stand by businesses seriously affected by the recent unrest, while warning banks of misusing the facility.

Hussain thinks exports might feel some pinch in the first half of 2014 from the loss of orders in the last quarter of 2013. But if the political stability continues, there might be a positive growth in the second half.

The City CEO said the bank has a serious responsibility in giving back to society beyond just loans and deposits and other products and services. "City Bank has certainly reached a size where it must ramp up its CSR programme."

Among its CSR activities, the bank is already running a programme in Jessore in changing the livelihood of women, in association with the Management and Resources Development Initiative.

Last year, the bank spent Tk 3 crore for CSR and other related activities. It will go up this year, said the banker.

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## HSBC gets new chief of retail banking



**Sabbir Ahmed**

STAR BUSINESS DESK

Sabbir Ahmed has been appointed as head of Retail Banking and Wealth Management of Hongkong and Shanghai Banking Corporation in Bangladesh effective today, the bank said in a statement.

"His obvious commitments to quality and customer service are fully aligned with our retail strategy and he will be a key member of the leadership team," said Andrew Tilke, chief executive officer of HSBC Bangladesh.

Ahmed has over 15 years of banking experience in branch banking, priority banking, alternate delivery channel, direct sales, SME banking, credit policy and credit underwriting.

Prior to joining HSBC, Ahmed worked for Standard Chartered Bank Bangladesh.

He holds a master's in Business Administration from the Institute of Business Administration, Dhaka University.

# Panasonic revives as other Japanese tech giants falter

BLOOMBERGBUSINESSWEEK

**T**HESE are trying times for the men running Japan's electronics giants. Nintendo President Satoru Iwata is taking a 50 percent pay cut after the company forecast a surprise 25 billion-yen (\$244 million) loss last month. Kazuo Hirai took the helm at Sony two years ago promising to stem a decade of losses at the television unit. On Feb. 6 the company announced it expects to lose \$1.1 billion in the current fiscal year ending March 31.

Like many Japanese consumer electronics companies, Panasonic has tried to be all things to all customers, making everything from smartphones to solar panels. And like its domestic rivals, it faces competition from lower-cost manufacturers in South Korea and China. Panasonic lost a combined 1.5 trillion yen in the two years ended in March 2013.

Over the past year, however, Chief Executive Officer Kazuhiro Tsuga has engineered a revamp of the Osaka-based company. By getting out of such money-losing businesses and focusing on new ventures, Panasonic is pushing through "essential structural reforms," says Chief Financial Officer Hideaki Kawai. Tsuga has said that he plans to eliminate unprofitable divisions by March 2016.

The strategy is beginning to pay



off. Operating profit at Panasonic's automotive and industrial systems unit, which makes batteries and car entertainment systems, jumped to 28.2 billion yen in the last quarter of 2013, compared with a loss of 800 million yen the year before. Earnings in the appliances unit increased 60 percent, to 9.8 billion yen, while profits for the company as a whole increased 20 percent in the quarter, to 73.7 billion yen—68 percent higher than analysts' estimates. "The company has been making significant progress in its business restructuring," Maki Hanatate, senior credit officer at ratings agency Moody's, wrote in a Feb. 6 report.

Tsuga has suspended production of panels for plasma TVs while trimming circuit board manufacturing and giving up on developing consumer smartphones. The goal is to reduce reliance on consumer elec-

tronics, where Panasonic has lagged behind Samsung Electronics and Apple. Instead, Tsuga is building partnerships with companies such as Tesla Motors, the electric-car maker that agreed in October to buy 2 billion battery cells from Panasonic over four years. In addition to making batteries for electric cars and car entertainment systems, Panasonic is focusing on auto safety devices such as cameras with 360-degree views. By 2019 the company plans to double revenue from auto-related products to 2 trillion yen.

One of Tsuga's biggest challenges is Panasonic's semiconductor operation, which has lost money for seven consecutive quarters. Panasonic is suffering because of the high cost of production in its home country. "It's really hard to compete in chips" against cheaper rivals in Taiwan and South Korea, says David Motozo Rubenstein, senior analyst and managing director with Advanced Research Japan in Tokyo. "So it's tough on both sides for the Japanese."

Last year, Panasonic moved to reduce its exposure in chips by merging two operations into joint ventures, one with Fujitsu and another with Israel's Tower Semiconductor. On Feb. 4, Panasonic said it would sell three semiconductor assembly plants in Southeast Asia to Singapore-based UTAC Manufacturing Services for \$116.5 million.

# US to pursue trade dispute over Chinese, Taiwanese solar imports

REUTERS, Washington/Los Angeles

**T**HE United States took a step on Friday towards potentially extending import duties on Chinese solar energy products to also cover panels made with parts from Taiwan in a case that could have a major impact on the fast-growing US solar market.

The US International Trade Commission found there was reason to think the imports could harm the local solar industry, putting Washington on a path toward widening the reach of the steep duties it slapped on products from China in 2012 and potentially escalating a tit-for-tat trade spat.

The US arm of German solar manufacturer SolarWorld AG had complained that Chinese manufacturers are sidestepping the duties by shifting production of the cells used to make their panels to Taiwan and continuing to flood the US market with cheap products.

"Step by step, US solar producers are returning to a day when they no longer are forced to compete with the government of China," said Mukesh Dulani, president of SolarWorld Industries America, which makes crystalline silicon solar panels at a factory in Hillsboro, Oregon.

SolarWorld said it had the support of other solar manufacturers operat-

ing in the United States in pushing for a broadening of the duties.

But the Coalition for Affordable Solar Energy, which represents about 50 U.S. solar companies that mainly focus on installation, said installers would suffer if there was another jump in the cost of modules. CASE said those prices had already gone up 10 percent since the complaint was filed on December 31.

"By raising the cost of solar for American homeowners, SolarWorld is poised to inflict critical damage on an industry which last year added more than 20,000 solar installation, sales, and distribution jobs to the US economy," CASE President Jigar Shah said in a statement.

# India's finance minister seen walking budget tightrope

REUTERS, New Delhi

**F**INANCE Minister P Chidambaram will be walking a tightrope when he presents an interim budget for the coming fiscal year on Monday, doling out more funds to woo voters and tax cuts to support industry while projecting a lower fiscal deficit before elections.

Asia's third-largest economy is facing its worst economic slowdown in nearly a decade, with shrinking manufacturing, slower jobs growth and high inflation limiting the government's ability to offer sops to voters or companies to boost growth.

Opinion polls predict defeat for the Congress-led ruling alliance in elections due by May amid widespread discontent with its mismanagement of the economy, high inflation and corruption scandals.

Officials say Chidambaram is likely to make a last-ditch attempt to win back voters by announcing more funds for health, rural jobs, roads and food subsidies, and to speak about the government's achievements in the last 10 years.

Chidambaram will have slightly more manoeuvring room after an auction of telecommunications spectrum which ended on Thursday brought in a much higher-than-expected \$9.85 billion in bids. The government will get at least \$3 billion of that upfront in the current fiscal year, with the rest spread out until 2026.

In an election year, India presents an interim budget to parliament for approval for planned expenditure for three to four months, but leaves the next government to take major policy steps in the full-year budget after the polls.

Chidambaram is expected to cut factory-gate duties on products like autos to support the manufacturing sector, extend an interest subsidy on bank loans to exporters, farmers, and offer tax concessions for poorer regions.

Industrial output has fallen 0.1 percent in the first nine months of 2013/14 fiscal year, and annual car sales declined by about 5 percent.

Since taking charge last August, Chidambaram has taken many steps such as reducing spending and gold imports to rein in the fiscal and current account deficit that helped stave off the threat of credit rating down-



**P Chidambaram**

grades last year.

But he has made limited headway in taming persistently high inflation and shoring up economic growth.

The economy is projected to grow by 4.9 percent for the current fiscal year ending in March, much lower than the more than 9 percent growth seen before the 2008 global financial crisis. Annual retail inflation remains uncomfortably near 9 percent.

Chidambaram is likely to project near 6 percent GDP growth and a fiscal deficit target of 4.2 percent of gross domestic product for coming 2014/15 fiscal year.

He is expected to report a fiscal deficit of nearly 4.8 percent of GDP for the current fiscal year, helped by sharp spending cuts, higher receipts from the sale of telecoms spectrum and dividends from state firms.

"We will surprise everyone on the fiscal deficit numbers," a senior finance ministry official told Reuters.

"The government is expected to cut budgeted expenditure by 550-650 billion rupees in sectors like roads, metro rail, defence and power sectors to meet the deficit target," said another government source.

It also may defer oil, fertiliser and other subsidies worth nearly 1 trillion rupees to the next fiscal year, he said, adding the final figures could be higher, and would be known only at the end of fiscal year on March 31.

Both sources declined to be identified because they were not authorised to speak about budget numbers.

However, the oil, fertiliser and food subsidies are likely to be budgeted at about 2 percent of GDP for

next fiscal year, compared with 2.21 trillion rupees budgeted subsidies for this fiscal, the second source said.

The next government may revise these numbers when it presents the full-year budget in June or July.

Officials say the finance ministry has rejected the power ministry's proposal to grant an annual 250 billion subsidy for gas-based power plants to cushion customers as natural gas prices are set to almost double from April 1.

However, the railways, defence, health and other ministries have been assured of more funds in the budget.

Analysts and the Reserve Bank of India (RBI) are worried that by deferring a large amount of subsidies to the next fiscal year, Chidambaram may harm growth prospects.

"The government should avoid deferring release of funds for expenses that have already been incurred, to prevent tightening of systemic liquidity and further harm to sluggish growth," said Aditi Nayar, an economist at ICRA, the Indian arm of credit rating agency Moody's.

The RBI has asked the government to target food and fuel subsidies for fiscal consolidation, and take steps to deal with food inflation.

"The quality of fiscal consolidation worries us," Samiran Chakraborty, senior economist, Standard Chartered Bank, said in a research note on Wednesday.

It expects gross borrowing for next fiscal year at 5.8 to 6 trillion rupees, assuming 12 percent nominal GDP growth.