NRB Bank

STOCKS Week-on-week			COMMODITIES As of Friday		ASIAN MARKETS Friday closings				CURRENCIES As on Thursday STANDARD CHARTERED BANK				
	DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY
	0.07%	0.03%	$1,333.20 (per ounce)	$47.08 (per barrel)	1.05%	0.56%	0.08%	1.61%	BUY TK	77.75	85.86	100.03	0.75
	4,544.36	8,562.09			28,152.40	16,569.27	2,867.40	3,051.02	SELL TK	78.75	89.26	103.43	0.79

Star BUSINESS

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Three non-banks weigh down entire sector

SAJJADUR RAHMAN

Three non-bank financial institutions' reckless lending has pushed up the overall industry's nonperforming loans.

The NBFIs are: First Finance, BIFC and People's Leasing and Financial Services. If Reliance Finance is included, the situation will get even worse, according to industry insiders.

The Bangladesh Bank in its recently launched financial stability report also focused on the issue.

The sector's non-performing loans compared to total loans rose 3.6 percentage points year-on-year to 8.9 percent in 2015. The high non-performing asset ratio of the industry is attributed to the high level of non-performing assets of three NBFIs, according to the report.

As part of intensive monitoring, the BB assigned observers to the institutions and instructed them to reconstruct their boards, it added.

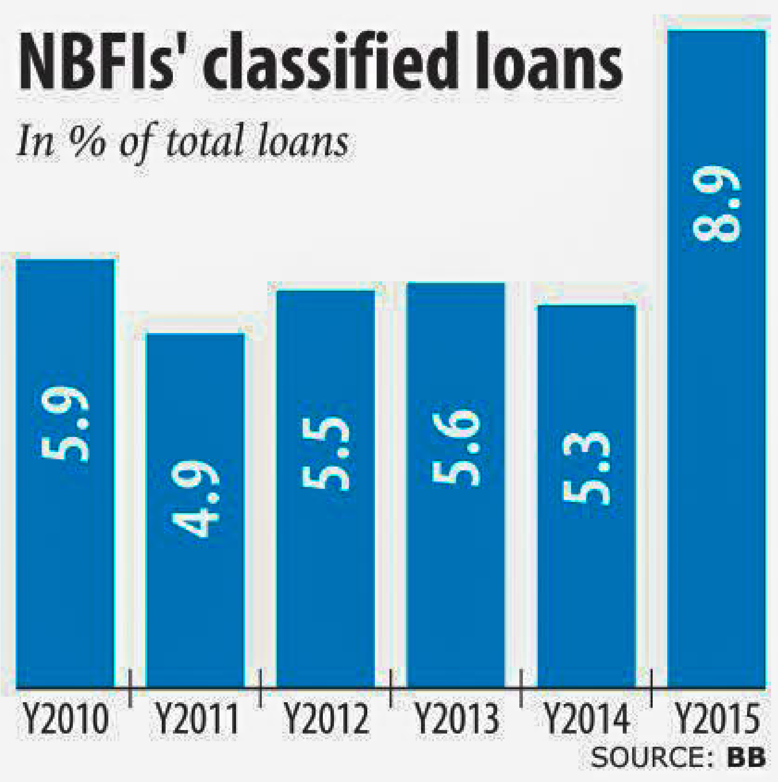
Also, the three NBFIs' inability to maintain the required loan loss provision is making it seem that the entire industry has failed to meet the regulatory requirement.

In 2015, loan loss provision amounting to Tk 1,420 crore was maintained by NBFIs against the requirement of Tk 1,980 crore.

It represents a coverage ratio of only 35.5 percent of non-performing loans and leases, down 20 percentage points from what was made a year earlier.

"Indeed, three financial institutions with high level of non-performing assets were not able to maintain the required provision, which in turn led to the provision shortfall in the industry," said the report.

The capital adequacy ratio, as per Basel II accord, also came down to 18.7 percent at the end of December 2015, from 21.2 percent a year ago.



SOURCE: BB

The BB report found that one NBFI was not able to maintain the regulatory minimum requirement, while another suffered from negative reserves and retained earnings.

A total of 32 NBFIs are operating their business across the country.

Of them, three are government-owned, 19 privately-owned and the remaining 10 are joint ventures with foreign companies. The NBFIs have 211 branches throughout the country.

The major funding sources of NBFIs are capital, term deposits, credit facilities from banks and other NBFIs, call money borrowing, and securitisation.

Presently, deposits of individuals and institutions are the major source of funds for the NBFIs. But lacklustre performance, including insider lending, has made the deposits vulnerable.

The bad performance of a few NBFIs is affecting the industry as a whole, said Mafizuddin Sarker, chairman of Bangladesh Leasing and Finance Companies' Association.

"The industry's overall NPL will be around 6 percent instead of 9 percent without these three companies," said Sarker, also the managing director of BD Finance.

Below-par performance of the three NBFIs compelled the bank to appoint observers in the boards last year.

"We are trying to improve the conditions, but it takes time," said a senior official of People's Leasing and Financial Services, requesting not to be named.

People's NPL soared to 25 percent at the end of 2015, according to a BB official concerned.

READ MORE ON B3

PM's adviser backs Rampal power plant

STAR BUSINESS REPORT

The Rampal power plant near the Sundarbans will help the industries in Khulna to double their production capacity, Prime Minister's Economic Affairs Adviser Mashiur Rahman said yesterday.

"The power plant may be a controversial issue for the right or wrong reasons. But I have been a strong supporter of the project," he said.

Khulna was the centre of jute industry, but it has been de-industrialised now. One can also find many small- and medium-sized factories on both sides of the roads from Jessore to Khulna, he said.

But these industries are using only about 30 to 40 percent of their production capacities due to non-availability of electricity and gas.

"If you can give electricity to these factories without any additional investment in the near future, the production capacity will be double."

Rahman's comments came in a seminar on the issues and challenges of financial closure of large and mega power projects, organised by the Dhaka Chamber of Commerce and Industry at its auditorium.

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Submarine cable equipment at risk of damage

BSCCL Managing Director Monwar Hossain faces auditors today

MUHAMMAD ZAHIDUL ISLAM

The crucial equipment installed at the landing station of the country's lone submarine cable in Cox's Bazar faces serious threats due to poor repairing work done last year.

Officials of Bangladesh Submarine Cable Company Ltd or BSCCL said they first saw damage on the rooftop of the landing station building about one and a half years ago, which put submarine cable connectivity at risk.

The Cox's Bazar landing station is a key point installation, only after the president's and the prime minister's offices and residences. Its importance is on par with electricity generation stations and the secretariat, as it is the government's only means of communication with the rest of the world.

However, poor repairing work done in the last 18 months could not mitigate security risks at the landing station.

It's an old building constructed by another state owned company -- Bangladesh Telecommunications Company Ltd -- and the building needs to reconstructed, said Md Monwar Hossain, managing director of BSCCL.

"We have taken all possible measures to repair the building but the current damage puts the structure in danger."

Acknowledging that the equipment is in danger, Hossain said Evan Enterprise appointed last year for repairs used substandard materials that did not sustain. Meantime, further damage appeared in new areas, he said.

BSCCL formed a probe committee headed by its company secretary Abdus Salam. The team found that the building and equipment inside are at risk.

Officials of BSCCL had noticed the poor quality of repairs before clearing the due bill to Evan Enterprise. It also saw that the firm did not use waterproof materials, according to officials.

Overlooking all recommendations, the managing director paid a Tk 29.2 lakh bill to Evan Enterprise at the end of 2015, BSCCL officials alleged. Later, Hossain blacklisted the company and blocked Tk 6 lakh in further dues.

The probe committee found four spots on the roof where water leaks during rainy season and the sophisticated equipment gets drenched.

Hossain will have to face an audit committee today to discuss the situation. The issue will be placed at a board meeting later today.

"It's an embarrassment for me. I can't go for a new building right now as it will be a huge cost for BSCCL and at the same time, the company can't ignore the risks to equipment," said Hossain.

The board can recommend the next step, he added.

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American retailers in favour of more GSP beneficiaries

REFAYET ULLAH MIRDHA

Major retailers and trade bodies urged the US government to increase the number of GSP-eligible countries supplying travel goods to the American market, as the current duty beneficiaries are unable to meet demand.

Last year, the US Congress included travel goods, such as backpacks, purses, suitcases and laptop cases in the generalised system of preferences coverage. It means that travel goods coming in from the least developed countries and African Growth and Opportunity Act or AGOA countries receive the duty benefit.

But many LDCs and African countries that enjoy the duty-free benefit either do not produce those goods or the level of production is too low to meet demand in the US.

Bangladesh is a major producer of those travel goods, but unfortunately, its GSP benefit was suspended by the United States Trade Representative in June 2013, citing serious shortcomings in workplace safety and poor labour rights.

Bangladesh submitted its workplace safety improvement status twice to the USTR for reinstatement of the trade benefit, but those were not been considered, as the Obama administration thinks a lot more needs to be done to regain the status.

Nearly 100 retailers, brands, trade bodies and associations signed a letter to President Barack Obama last week urging him to widen the list of GSP-eligible countries that produce travel goods in bulk quantities for export.

"This request comes from the broad industry group because there is widespread support and recognition that expanding these GSP benefits will help American families, support jobs in the United States, and offer incentives to economic development in developing countries, all of which aligns with the administration's goals," the letter said.

Restricting the decision to the LDCs and AGOA countries greatly limits the development impact because most of these countries do not have the capacity to supply more complicated travel goods products, according to the letter.

Extending the eligibility to all GSP countries will enhance the development benefits, while deferring the decision increases business uncertainty and postpones potential new investment and job creation.

Of the current GSP enjoying countries, except Cambodia, all other countries do not yet have the capacity to make most of the travel products on a commercial scale.

For example, the AGOA countries collectively produce a mere 0.01 percent share of the total US travel goods market, according to data in 2015, the letter said.

While AGOA and the LDCs collectively produce 1.3 percent of the US market, of which Cambodia itself accounts for 1.2 percent, the letter added.

Despite 15 years of the duty-free access, AGOA in 2015 supplied only 0.05 percent of the total US leather goods market.

Limiting the GSP eligibility for travel goods to LDCs and AGOA countries will not change the fundamental commercial, supply chain, and sourcing prospects for these countries or accelerate their development.

Factories in the developed countries have production capabilities and a trained workforce and are poised to quickly take advantage of the full GSP travel goods eligibility.

Moreover, indefinitely deferring a final GSP eligibility decision for all GSP countries creates significant business uncertainty and negatively impacts potential investment and orders in other GSP countries.

Imports rise 5pc, driven by capital machinery

STAR BUSINESS REPORT

Bangladesh's overall imports grew 5.45 percent year-on-year in fiscal 2015-16 owing to an uptick in capital machinery and industrial raw material deliveries.

The country's imports -- on a cost and freight basis -- stood at $42.92 billion, according to data from Bangladesh Bank.

Import costs include the value of merchandise, freight, insurance, transport, travel, royalties and licence fees.

Overall, imports recorded a positive growth rate last fiscal year despite falling commodity and petroleum products prices in the international markets.

The import of petroleum products based on the settlement of letters of credit dropped 29.48 percent to $2.44 billion in fiscal 2015-16.

Bankers attributed the decline to the price fall of petroleum products.

The import of food grains -- rice and wheat -- decreased about 25 percent from a year earlier to $1.2 billion.

On the other hand, the import of capital machinery and industrial raw materials witnessed good growth rates.

READ MORE ON B3

Toshiba swings to profit

AFP, *Tokyo*

Toshiba said Friday it swung to a profit in the April-June quarter, thanks to cost cuts and the sale of its home appliance business. The vast conglomerate, which is trying to turn the page on an embarrassing accounting scandal, said it booked a net profit of 79.8 billion yen ($780 million) in the quarter, reversing a 12.3 billion yen net loss a year ago. Toshiba also kept its fiscal year to March forecasts unchanged, with the group expecting a 100 billion yen net profit on sales of 5.1 trillion yen.