

IPDC gearing up for exponential growth

MD FAZLUR RAHMAN

FOR more than three decades, Industrial Promotion and Development Company of Bangladesh or IPDC has devoted itself to serving the country's major companies with many becoming household names.

The company is now realigning its focus on small and medium enterprises, rural entrepreneurs, women entrepreneurs and home loans to steer its next phase of growth.

IPDC is set to rebrand itself this year and take an aggressive path, and may even go a step further by embracing a new name that gives clear messages to customers.

"We are doing well. But our dream is bigger and really ambitious," said Managing Director Mominul Islam.

The company plans to become the No.1 brand in Bangladesh in the consumer finance segment in five years.

Established in 1981, IPDC is the first private sector financial institution in the country.

"IPDC has always been at the forefront of innovation in the financial sector -- many sectors have developed because of IPDC.

Now, the company is working on new financial products targeted at middle- and low-income groups with a particular focus on women.

The company has special plans about the housing sector, as the construction of housing is inefficient because of the lack of adequate funds.

Individual builders have to finish their projects over a lengthy period, which increases their expenditure, Islam said.

So far, real estate companies, developers and lenders have run after the rich. But now, many of them have realised that the next growth opportunity will come from the middle- and lower-middle income groups.

The lenders are now talking about providing loans to people with monthly income as low as Tk 30,000, he said.

"The economic value creation of this model is much higher than giving loans to people who are buying their second, third or fourth homes. This will give us a wider market."

Professionals such as teachers and physicians in the tier-2 or tier-3 cities, government employees and small businesses do not want to take loans, as they are scared



Mominul Islam

about who will repay the cost of the loans if something bad happens to them.

The company's home loan will have inbuilt features of insurance coverage, giving protection to borrowers or their families in case of any untoward accident.

IPDC is working with an insurance company to bring in the inbuilt features.

"We are confident. There is a huge latent demand and we are sure we will be able to make the model a success."

In the next two months, the company will pilot the idea of decent housing in 10 areas around Dhaka city such as Ashulia, Gazipur, Tongi, Savar and Narayanganj.

IPDC plans to cover 30 districts by this year to make home loans affordable.

Once the company goes for the housing finance project, many people across the country will know about the company. "I think this will be a good case for innovation in the financial sector."

IPDC has had initial discussion with top steelmakers, cement-makers and insurance companies.

He said BSRM, which has more than 750 dealers across the country, is interested. "This makes good business sense for them because the consumption of steel will increase."

Islam said his company has already started the work; the product will be formally launched this year.

By 2020, the company plans to reach 15,000 families, helping them realise

their dreams of owning homes.

The company is also focusing heavily on SME finance. SMEs in the service sector do not get adequate access to working capital. They supply goods and services but their bills are paid three to six months later. As a result, their money is always stuck.

"We see a big opportunity and value added to the service sector," Islam said.

IPDC will lend up to 80-85 percent of the bill amount and take the money when the SMEs receive the bills.

"It can give huge support to the SMEs." Historically, IPDC is a large project finance company, due to which its lending in SMEs is low.

Still, 17 percent of its loan portfolio is in the SME segment, 70 percent in corporate segment and 13 percent in retail.

It has set its sights on green financing, with loans going to solar panels and solar-based industries, auto-brick fields and modernisation of existing industries with efficient lighting.

He said the lending system must adopt new thinking and has to be technology-driven. IPDC is sponsoring Startup Dhaka, an initiative that identifies and supports new initiatives by young entrepreneurs.

"New jobs have to be created, and venture capital can be a very useful tool to promote entrepreneurship in the country," he said.

Islam, who started his career in 1999,

also talked about the health of IPDC.

When he took over as the managing director of the company in January 2012, its bad loan portfolio was about 43 percent, which has since come down to less than 1 percent.

In the last five years, the company has become one of the fastest growing financial institutions in Bangladesh.

In 2011, its loan portfolio was Tk 380 crore, which rose to Tk 1,420 crore in June this year.

The profit was Tk 11 crore in 2011, which more than doubled to Tk 24 crore last year. In the first six months of the year, the company has clocked in a profit of Tk 18 crore.

"We are growing in a very balanced way. We are not only ensuring the growth but also quality and efficiency."

The CEO sees the shareholding structure of IPDC as its biggest strength. It has owners from the private sector to the government, from local companies to foreign firms.

"It is not an individual or a profit-making concern trying to manoeuvre the operation of the company for something of short-term gain. This is a very long-term focused company with a holistic approach to business rather than only profit-seeking."

The government of Bangladesh owns 21.88 percent share, Brac 25 percent, Aga Khan Fund for Economic Development 11.05 percent, Ayesha Abed Foundation 10 percent, RSA Capital 5 percent, institutions 11.32 percent and general public 15.75 percent.

The listed company gave 20 percent dividends last year.

Islam, who joined IPDC in 2006 as head of operations, said the company now stands on healthy fundamentals and is growing fast.

IPDC has five branches now, with plans to open 12 more this year, mostly outside Dhaka.

It has 170 employees and plans to raise their number to 250 by 2016.

Islam, who holds a degree from the Institute of Business Administration, is bullish about the economy.

Despite various challenges confronting the economy, Bangladesh would continue to grow steadily for the next 10 to 20 years, riding on demographic dividends, he said.

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IMF warns on China's mid-term economic stability

AFP, Beijing

CHINA must take "urgent" action to reform its economy or risk "permanently lower growth", the International Monetary Fund said in a report Friday, citing mounting corporate debt as a major concern.

While near-term growth prospects remain good, Beijing's failure to move on long-promised reforms is raising the chances of a medium-term hard landing in the world's second-largest economy, it said.

China is seeking to restructure its economy to make the spending power of its nearly 1.4 billion people a key driver for growth, instead of massive government investment and cheap exports.

But the transition has caused growth to sputter. The Asian giant's economy expanded at 6.7 percent in the April-June period, the same as the first three months of the year and slowing from 6.9 percent in 2015 -- its weakest annual rate in a quarter of a century.

"China's economic transition will continue to be complex, challenging and potentially bumpy, against the backdrop of heightened downside risks and eroding buffers," the IMF report said.

"Vulnerabilities are still rising on a dangerous trajectory and fiscal and foreign exchange buffers, while still adequate, are eroding," it said.

Resource misallocation, corporate debt, excess capacity and financial opacity were major problems that needed to be addressed, it said.

"While the challenges are still manageable, urgent action is needed to ensure they remain so," it added.

While Beijing has made verbal pledges to tackle such issues, it has not followed through in practice, the report noted, saying that "government policy and pronouncements seem to alternate between prioritising reform and growth".

The report cited growing corporate debt as a particular concern. Excluding the financial sector, it stood at around 120 percent of GDP in 2015, estimates in the IMF document said, projecting it could grow by more than 20 points by 2021. A June report by the China Academy of Social Sciences put the figure even higher, saying it could have already reached 156 percent back in 2014.

The IMF said that in the mid-term, failure to move would "add to vulnerabilities, worsen resource misallocation, and lead to permanently lower growth".

Beijing has no time to lose, the Washington-based institution said, recommending that "progress should be kick-started in the next few months."

The report painted a rosier picture for China's short-term prospects, saying that stimulus measures had created a "benign" outlook.

In July, the IMF upped its forecast for Chinese growth this year by 0.1 percentage points, to 6.6 percent.

India's July retail inflation stays above central bank target



A vendor holds burning incense as he prays inside his fruit shop at a market in Kolkata, India, on August 12.

REUTERS, New Delhi

SOARING food prices in July kept India's headline inflation above the Reserve Bank of India's (RBI) near-term target, underscoring the challenge facing the next central bank governor.

Consumer prices rose at a faster-than-expected pace to 6.07 percent last month from a year ago, up from June's 5.77 percent annual gain, government data showed on Friday. Economists surveyed by Reuters had expected retail inflation to come in at 5.90 percent.

It is the fourth straight reading above the RBI's target of 5 percent by March 2017.

At his last monetary policy review on Tuesday, central bank chief Raghuram Rajan left key interest rates unchanged, flagging upside risks to the inflation target.

The former International Monetary Fund chief economist is due to step down as RBI governor on Sept. 4, after a three-year term, to return to academia.

While Prime Minister Narendra Modi's government has yet to pick a successor, it has bound the next governor with Rajan's retail inflation target of 4 percent, with a band of 2 percent

on either side, for the next five years.

Retail food prices surged 8.35 percent year-on-year last month, much faster than a 7.79 percent annual increase in June.

Above-average monsoon rains this summer have raised hopes of a boost to farm output and an ensuing drop in food inflation. Already, there are signs vegetable prices are edging down.

However, the outlook for core inflation remains uncertain due to a shrinking output gap and an expected pickup in demand-driven price pressures, following full implementation of a major hike in government salaries and pensions.

Pay hikes are also expected to make it tougher for Finance Minister Arun Jaitley achieve the fiscal deficit target of 3.5 percent of GDP in the current fiscal year. Jaitley told lawmakers on Friday he would need more money to cover the payout.

A looser fiscal stance could boost inflationary expectations, economists warn, as the government pays higher wages and keeps capital investment high in the hope that private sector activity will then pick up.

"The central bank faces a difficult task in meeting its inflation targets," said Shilan Shah, India economist at Capital Economics.

The roll-out of a new national sales tax planned for next April is also expected to push up inflation. A government-appointed panel has suggested a standard Goods and Services Tax rate of 17 percent to 18 percent, but India's states want a higher level.

Morgan Stanley reckons a higher rate could push up retail inflation as much as 0.7 percentage points.

Economists don't see much steam left in the RBI's current easing cycle, in which the policy repo rate has come down by 150 basis points since January 2015, to its lowest in more than five years.

Most expect another cut of 25 basis points by December, before the central bank hits the pause button. But much will depend on who replaces Rajan.

"The appointment of a more dovish candidate as the next governor would raise the chances of further monetary loosening," Shah said.

Separately, industrial production expanded 2.1 percent in June from a year earlier, faster than a revised 1.1 percent rise, government data showed.

The rise was primarily led by expansion in electricity and mining production.

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