STOCKS: DSEX ▼0.13% 4,677.68 | CSCX ▼0.11% 8,756.11

COMMODITIES: Gold ▼ $1,328.70 (per ounce) | Oil ▼ $46.03 (per barrel)

ASIAN MARKETS: MUMBAI ▼0.25% 28,223.70 | TOKYO ▲0.84% 16,683.93 | SINGAPORE ▲0.36% 2,860.23 | SHANGHAI ▲0.59% 2,997.88

CURRENCIES (STANDARD CHARTERED BANK)

	USD	EUR	GBP	JPY
BUY TK	77.80	86.57	99.93	0.75
SELL TK	78.80	89.97	103.33	0.79

Star BUSINESS

DHAKA WEDNESDAY SEPTEMBER 28, 2016, *ASHWIN 13, 1423 BS*

Banks' capital rises

But capital base of state banks shrinks further

REJAUL KARIM BYRON

Banks' overall capital rose 1.6 percent in the April-June quarter but the capital base of state banks shrank further though they were provided with funds from the state coffer.

On June 30, the total capital in the banking system was Tk 76,884 crore, up from Tk 75,612 crore on March 31, according to Bangladesh Bank.

Most of the private and foreign commercial banks succeeded in maintaining the new international standard for capital adequacy ratio.

But as the state banks' capital situation deteriorated, the ratio fell slightly in June compared to that in March.

On June 30, the banks' average capital to risk weighted assets ratio or CRAR was 10.34 percent. This was 10.62 percent three months back, similar to the latest requirement.

CRAR is a measure of a bank's capital and is used to protect depositors and promote the stability and efficiency of financial systems around the world.

CRAR of the private banks was 11.91 percent and that of the foreign banks 34.73 percent. However, it was 5.75 percent for the state banks.

The central bank last year took an initiative to improve banks' financial health by increasing their CRAR in line with Basel III standards, which was introduced in January this year.

Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen regulation and supervision and reduce risks of the banking sector globally.

Last year, the central bank decided to implement the Basel III framework and conducted a quantitative impact study.

On the basis of the study, they also sent a roadmap to the banks on how they would implement the framework.

In two quarters from January, the BB evaluated the banks' capital adequacy as per the Basel III standards.

Until December 31, 2015, the banks had to maintain their capital adequacy at 10 percent of their CRAR.

But from 2016 to 2019, the banks will have to maintain their capital at 0.625 percent in addition to 10 percent of their CRAR.

Forty eight out of the 56 banks in Bangladesh could maintain their capital as per the new standards, according to a BB report.

Eight banks -- Sonali, Rupali, BASIC, Krishi Bank, Rajshahi Krishi Unnayan Bank, Bangladesh Commerce Bank, Premier and ICB Islamic Bank -- failed to maintain minimum capital.

At the end of June, the overall capital requirement was Tk 77,524 crore, but the banks' total capital was Tk 76,884 crore, which means overall shortfall was Tk 639 crore, and that was due to huge deficit in the state banks.

Capital shortfall of six state banks was Tk 6,070 crore, which was 28 percent higher than that in the first quarter.

Two specialised banks' shortfall was Tk 8,114 crore, a 3.83 percent rise from the amount in the first quarter.

Though the state banks for the last few years have been getting funds from the government to plug their deficits, their capital situation has worsened, mainly due to the rise in their default loans, a BB official said.

The private banks did not have any shortfall; rather, their surplus was Tk 8,784 crore. The foreign banks' surplus was Tk 4,761 crore.

BANKS' CAPITAL ADEQUACY RATIO

In %, As of June 30, 2016

IT exports higher than reported: BASIS chief

MUHAMMAD ZAHIDUL ISLAM

Exports of software and IT-related services crossed the $1-billion mark, which the government and industry people had set as a target for 2018, a sector leader said yesterday.

Export earnings from the sector are poised to surpass $2 billion by 2018, said Mustafa Jabbar, president of Bangladesh Association of Software and Information Services, adding that BASIS will reset the target shortly.

"We are certain that the country crossed $1 billion in export earnings, though most figures are not reported to the government properly," said Jabbar.

Three years ago, the government and industry players declared a target of earning $1 billion from exports by 2018.

Many companies bring their export earnings in the form of inward remittance, and State Minister for ICT Zunaid Ahmed Palak said those funds should be counted as earnings from IT or IT enabled services.

"Some companies are earning about $1 million a year, but the numbers are not being reflected on paper," said Palak.

However, Export Promotion Bureau said exports from computer services were $152 million in 2015-16.

BASIS found that export earnings of 382 of its members were $594 million in fiscal 2014-15, though their local revenue was very low.

The number of active BASIS members is 904 and only half of them earned the amount, said Jabbar.

"If we get the export figures of the other members, the figure will definitely be around $1 billion."

Apart from the BASIS members, there are some other sources of export earnings.

Last year, the country's export earnings from business process outsourcing were $130 million.

There are thousands of outsourcers who also earn a handsome amount from other countries, according to Jabbar.

"Another 1,000 software companies are also developing software and earning attractive revenues," he said. "All these data make us confident."

The application and games market is also developing products according to the needs of the international market.

The BASIS chief said they found around 30 companies with earnings of more than $1 million a year, mentioning some local companies such as Dohatec, REVE Systems and GraphicPeople.

"At least one company earned more than $43 million a year."

Palak said they have already declared a project -- Mission One Billion -- and they are working on this project.

Referring to Bangladesh Bureau of Statistics' recent survey, Jabbar said it also declared that the industry's earnings crossed $700 million.

The commerce ministry is carrying out a detailed survey on software, hardware, internet and ITES earnings, for both local and export markets.

Although the government targeted $5 billion in export earnings from the software and ITES sector by 2021, it will supersede the target within a few years, said BASIS.

Mentioning some drawbacks, BASIS members said they find it difficult to access loans.

The banks are not interested in giving them loans and the government is not investing properly to boost the sector, they added.

Truckers' strike disrupts container handling

STAFF CORRESPONDENT, *Ctg*

Workers and owners of vehicles that carry goods in and out of Chittagong port continued their strike for the second day yesterday, disrupting container handling.

A vessel left the prime port yesterday without carrying 177 TEUs loaded containers and 400 TEUs empty containers due to the strike.

On Monday, Prime Mover, Trailer Malik Sramik Oikya Parishad, a platform of the owners and workers of the vehicles, went on strike after the Road Transport and Highways Division launched a crackdown on overloaded trucks on Dhaka-Chittagong highway. The owners of the trucks accused the staff of road transport division of harassing their drivers on the way.

On August 17, the division fixed a limit for carrying goods and declared the amount of fines for the overloaded vehicles, in an effort to curb the movement of overloaded vehicles.

The crackdown started on August 23 but fizzled out amid protests by angry workers and owners of the vehicles.

READ MORE ON B3

ADB revises up growth forecast for Bangladesh

The lender estimates GDP growth at 7.1pc for fiscal 2016, which is higher than govt estimate

STAR BUSINESS REPORT

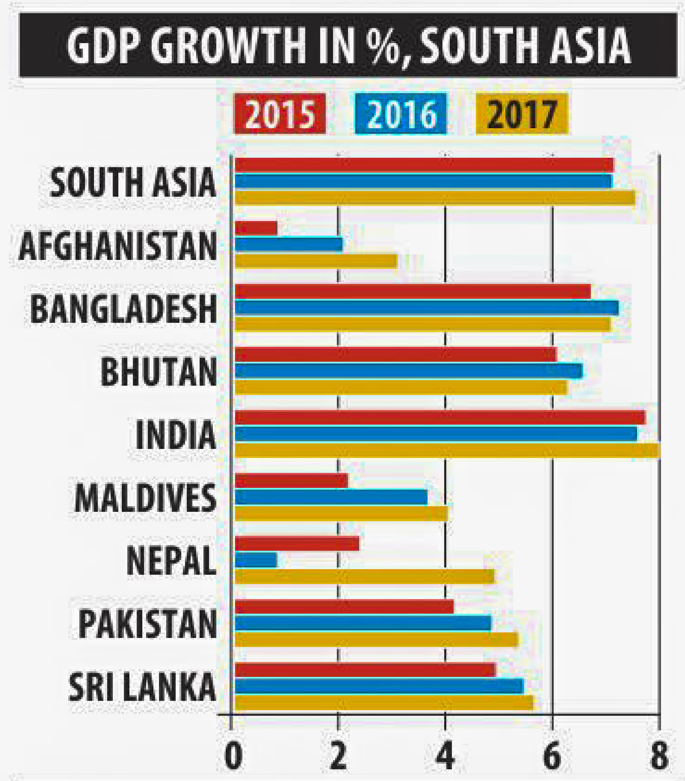
The Asian Development Bank yesterday estimated Bangladesh's economic growth at 7.1 percent for fiscal 2015-16, which is higher than the government's estimate.

Bangladesh Bureau of Statistics forecast the country's economic growth at 7.05 percent for the year, while the previous estimate of the ADB was 6.7 percent.

"Growth in fiscal 2016 exceeded expectations, aided by revived exports and sustained domestic consumption," the ADB said in its Asian Development Outlook 2016 Update.

Consumption continued to be the mainstay of growth as higher public sector salaries offset a decline in remittances, the report said.

GDP GROWTH IN %, SOUTH ASIA



SOURCE: ASIAN DEVELOPMENT OUTLOOK DATABASE

Industrial growth is projected to edge up to 10.2 percent on sustained strong domestic demand and some improvement in power supply and easing of transport bottlenecks.

The services sector's growth is likely to be lower at 6.3 percent on more moderate expansion in agriculture, trade, transport, and public administration.

The report also said consumption growth is expected to pick up, supported by higher public and private sector salaries as well as continued ready access to consumer credit.

While remittances are unlikely to pick up in the near future, healthy export and employment growth is expected with continued demand for the low-end garments and fast fashion products exported from Bangladesh.

Despite some statistical discrepancy, net exports are likely to have contributed to growth, the Manila-based lender said.

However, for the current fiscal year the ADB forecasts the country's gross domestic product growth at 6.9 percent, similar to its previous prediction.

The government's forecast of GDP growth for the current year is 7.2 percent.

"For meeting the growth target of the seventh five-year plan, timely completion of priority infrastructure projects is essential," the update said.

However, the GDP growth forecast is depending on some prerequisites like sustained improvement in private investment, timely implementation of key infrastructure projects, and continued political stability.

The report said agriculture growth in fiscal 2016-17 is expected to be moderate to 2.4 percent as low domestic rice prices discourage farmers' expansion of crop area.

An upturn in private investment is expected to begin in fiscal 2017 with the predicted continuation of political stability.

A major catalyst is the completion of public sector energy and transport projects that reduce the cost of doing business.

The new Dhaka–Chittagong and Dhaka–Mymensingh four-lane highways commissioned in July 2016 will save time, cut transportation costs, and ensure more timely shipments.

Moreover, the government has fast-tracked several large infrastructure projects in the energy and transport sectors, providing impetus to business activity, the ADB said.

The development of special economic zones, including some run by the private sector, further builds momentum for private investment.

READ MORE ON B3

Labour leaders want justice for victims of factory accidents

STAR BUSINESS REPORT

Trade union leaders yesterday demanded punishment of factory owners responsible for the death of workers in recent industrial accidents in Bangladesh.

The leaders of Sramik Karmachari Oikya Parishad (SKOP), the national platform of trade unions, made the demand at a meeting held at its office in Dhaka.

They also demanded proper compensation and medical treatment for the victims.

The union leaders expressed shock at the death of workers in factories like Tampaco Foils, Karim Jute Mill, Rahim Metal Industry and also the death of workers on their journey to their homes during Eid.

Workers' safety has been deteriorating gradually due to the laxity of government offices, profiteering by factory owners and weak punitive measures, the leaders said.

READ MORE ON B3

KDS Accessories eyes Tk 100cr from new unit

STAR BUSINESS REPORT

KDS Accessories, a unit of Chittagong-based KDS Group, aims to earn an additional Tk 100 crore in sales revenue a year, as it started commercial production at its new packaging unit in Gazipur last week.

The company will reach the revenue target, if the new packaging line can utilise its full capacity and sell the produces, the company said in a statement on the website of Dhaka Stock Exchange yesterday.

The company's revenue in 2015 was Tk 169.08 crore, according to its latest annual report.

Additional production capacity at the new packaging unit, which is third for the company, will be increased by 45,000 pieces of cartons a day, KDS Accessories said.

The previous two units are also engaged in manufacturing corrugated boxes, cartons and other packaging materials. These two units can produce 2.24 crore pieces of cartons a year.

The third unit has been set up with investments of Tk 28 crore, of which Tk 15 crore came from initial public offering and the rest from equity and bank loans.

The total IPO size was, however, Tk 24 crore, of which Tk 7 crore was spent on loan repayment and Tk 2 crore for IPO expenses.

KDS Accessories expanded its packaging unit considering the growing demand from garment makers as global retailers such as H&M and Wal-Mart increased purchases from Bangladesh.

It was listed on the stockmarket last year. Each share of the company traded between Tk 73.5 and Tk 76.6, before closing at Tk 74.3 on the DSE yesterday. Its net profit rose to Tk 12.5 crore in 2015, from Tk 8.86 crore a year ago.

Sponsors hold a 76.92 percent stake in KDS Accessories, institutions 9.34 percent and general investors the remaining 13.74 percent.

KDS Group started its operations in 1983 and has been engaged in garment industry, accessories, steel, logistics, bank, insurance, IT and shipping.