

India bad loans mountain grows, risks delaying bank clean-up

REUTERS, Mumbai
Stressed loans in India's banking sector crossed \$138 billion in June, central bank data reviewed by Reuters shows, an increase of nearly 15 percent in just six months that suggests a state clean-up effort will take longer and cost more than expected.

Fixing the mountain of bad debt weighing down India's banks is vital for Prime Minister Narendra Modi's government to revive weak credit and investment growth and put a faltering recovery in Asia's third largest economy on a firmer footing.

The Reserve Bank of India (RBI) has set a March deadline for banks to fully reveal problem loans on their books. When lenders disclose bad loans, they need to take writedowns that hit their bottom line and eat into equity.

The latest data obtained by Reuters through a right-to-information request showed stressed loans rose to 9.22 trillion rupees (\$138.5 billion) as at end-June, from 8.06 trillion rupees (\$121 billion) in December.

The end-December \$121 billion

figure has been cited by the government and bankers as the peak of stressed assets in the banking sector.

Stressed assets include both non-performing loans (NPLs) - defined as those that have not been serviced for 90 or more days - and restructured or rolled over loans, where banks have eased interest rates or the repayment period.

India's nearly two dozen state banks, which dominate the sector and account for 88 percent of the bad loans, already need \$27 billion in new equity capital by March 2019 to meet tougher global banking rules known as "Basel III".

The surge in stressed loans will mean banks need even more cash to shore up their balance sheets - funds that will have to come from the government as their ability to raise money through stock or bond sales is constrained by low profits and poor valuations.

State-run lenders accounted for about \$122 billion of the total stressed loans as of June, while private sector lenders had \$14 billion, according to RBI data. Local operations of foreign banks had about \$2.3 billion in stressed loans.

Bankers have previously said that,

while the number of non-performing NPLs kept rising after an asset quality review ordered by the RBI earlier this year, the overall number of stressed loans was not going up - instead, loans earlier restructured were falling into the NPL category.

The numbers obtained by Reuters, however, show the overall number of stressed assets continuing to rise.

"The impression we have is that the numbers are certainly going to go up," said Saswata Guha, a director at Fitch Ratings, which estimates Indian banks' total capital requirement to be as much as \$90 billion through March 2019, with state banks accounting for the bulk of it.

Guha estimated NPLs in the current financial year would rise by 35 to 40 percent. For the state banks it would be much higher, he said.

"The pressure of provisioning is going to be very, very significant," Guha said. "I won't be surprised if some of the banks continue to report losses in the coming quarters."

Most analysts reckon the struggling state-run lenders will need far more than the \$10 billion the government plans to inject into them over a four-year period to March 2019.

The government has yet to specifically say if it will raise the cash injection, but Finance Minister Arun Jaitley has said the administration was solidly behind the banks.

As focus on cleaning up banks has intensified, credit growth has fallen to two-decade lows, threatening economic expansion and investment.

Economic growth slowed to 7.1 percent in the April-to-June quarter, below the 8 percent level seen as necessary to maintain full employment and challenging Modi's pledge to create 250 million jobs over the next decade.

NPLs as part of the stressed loans total jumped to about \$101 billion, from \$65 billion in December.

Adding to the banks' woes, the data shows another 1.93 trillion rupees (\$29 billion) worth of loans as of June that were not yet classified as "stressed" but on which borrowers are more than 60 days behind on interest or principal payments, putting those at high risk of becoming NPLs.

The RBI and the government have announced new schemes to tackle stressed assets, albeit with little success yet.



Nur Mohammed, chairman of Jamuna Bank Foundation and chairman of the executive committee of the board, and Shafiqul Alam, managing director of Jamuna Bank, attend a business development meeting with officials of the bank's 31 branches in Dhaka.

New chairman for APTN

STAR BUSINESS DESK

Shahid Uddin Akbar has recently been elected as the new chairman of Asia Pacific Telecentre Network (APTN) for the next three years.

Bangladesh Institute of ICT in Development (BIID) will be the host organisation for this regional network, APTN said in a statement yesterday.

APTN is a regional network of information and communication technologies for



development practitioners and organisations from Bangladesh, Cambodia, Fiji, India, Pakistan, Philippines, Sri Lanka and Thailand.

The network was initiated by UNESCAP and Telecentre.org Foundation to promote information and communication technologies for development in Asia Pacific region.

Akbar is the chief executive officer of BIID, according to the statement.



Mutual Trust Bank Chairman MA Rouf and Managing Director Anis A Khan attend a programme at the bank's corporate head office in Dhaka when the bank honoured Akter Mia and late Sharowar Howlader with MTB Bravery and Courage Award 2016 for rescuing four young men from drowning in Badda.

British economy loses steam as business investment wilts

REUTERS, London

Britain's economy appears to be losing steam, with major business surveys showing a marked slowdown in the services sector and boardrooms beset by doubt about the future following the country's vote to leave the European Union.

While the economy has fared better than most economists expected since June's Brexit vote - largely thanks to upbeat consumers - Monday's surveys will heighten concerns about its longer-term prospects.

Key measures of business investment and turnover confidence hit four-year lows in the third quarter, the British Chambers of Commerce (BCC) said in its Quarterly Economic Survey of 7,000 businesses - the largest of its kind.

Separately, chief financial officers (CFOs) in major British firms reported only a partial rebound in business morale after a post-Brexit vote nose-dive, accountants Deloitte reported.

Investors have become increasingly concerned that Britain will lose many of the preferential trading terms it has with the EU - a so-called "hard Brexit" - pushing sterling to a fresh 31-year low against the dollar last week.

The Confederation of British Industry and other groups called on Saturday for the government to rule out the "really worst" trade options, to unblock investment held up by fears that the government will prioritise other goals in Brexit talks.

While the BCC survey offered some signs the weak pound has boosted manufacturing exports, it also pointed to a noticeable slowdown

among services companies that form the backbone of Britain's private sector economy. "The slowdown in services is concerning because it obviously is the dominant sector in the UK economy. It's slowed down to levels we haven't seen in several years," Adam Marshall, the BCC's acting director general, told Reuters.

He added that it was important not to read too much into a single quarter's data, pointing out that growth appeared to be slowing before the referendum.

Investors have become increasingly doubtful that the Bank of England will cut interest rates again this year, given robust consumer spending and sterling's renewed plunge.

But policymakers will regard the BCC and Deloitte surveys as consistent with their view that the economy will slow markedly next year.

Brac Bank plans to raise Tk 500cr through bonds

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It is called term debt because it has a fixed maturity period.

Such a debt has been designed to help banks boost their capital base in line with the requirements of Basel-II, a core guideline for banks in capital adequacy and risk management.

The board of Brac Bank also approved the audited half-yearly financial statements in line with the issuance plan of the subordinated bonds.

The six-month consolidated earnings-per share rose to Tk 2.52 at the end of June this year, from Tk 1.44 during the same period a year ago.

The consolidated net operating cash flow per share stood at Tk 12.99 at the end of June, while the consolidated net asset value per share stood at Tk 31.40, according to the audited half-yearly financial statements of the bank.

The bank's net profit rose to Tk

232.33 crore in 2015, from Tk 205.13 crore a year earlier.

It was listed on the stockmarket in 2007. Each share of the bank traded between Tk 60 and Tk 61.1, before closing at Tk 60.1 on the premier bourse yesterday.

Sponsors hold a 44.57 percent stake in Brac Bank, institutions 7.08 percent, foreign investors 41.31 percent and general investors the rest 7.04 percent, according to the DSE.

China to open first phase of world's largest airport by 2019

REUTERS, Beijing

China will complete the first phase of an expansive new airport in Beijing, which could eventually be the world's largest, by 2019, officials with the project told reporters.

Representatives of the Beijing New Airport project showed off the sprawling construction site on Monday, saying the city's second major airport could serve 45 million passengers a year with four runways on first opening, while two later phases would push the capacity to 100 million passengers annually.

That would put the airport, to be the world's largest in surface area, roughly in line with Hartsfield-Jackson Atlanta International Airport, the world's busiest by annual passengers.

"Our worry isn't whether or not we'll have this many passengers but whether we'll be able to satisfy demand," said Jia Zhiguo, an assistant general manager on the construction project.

The existing Beijing Capital International Airport, the world's second-largest and owned by the same company building the new airport, is already operating well beyond its planned capacity, he added.

Exports slide in Sep

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However, exports of agricultural products declined 7.93 percent year-on-year to \$122.29 million in the first quarter of the current fiscal year, mainly because of floods in major vegetable producing districts.

Flash floods damaged crops in many districts and farmers could not bring the vegetables to the markets to sell to the exporters, said businessmen.

Moreover, vegetable exports have also been affected by a ban on direct cargo flights from Dhaka to London, Berlin and Australia. Exports of jute and jute goods declined 0.99 percent to reach \$204.51 million.

Home textile exports fell 2.53 percent to \$156.44 million.

Bangladesh can become no. 1 apparel exporter in a decade

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Khondaker Golam Moazzem, additional research director of the Centre for Policy Dialogue, said the country should start negotiations with China to relax the rules of origin (RoO), as Bangladesh will not enjoy the duty benefit after it becomes a developing country, which is likely in the next seven-eight years.

"We need to negotiate for flexible RoO that China can give us. Bangladesh should start bilateral negotiations with China if the country is not ready to offer the same kind of duty benefit that it is currently providing."

The RoO are the criteria used to determine the national source of a product, and they vary from country to country. Its importance is derived from the fact that duties and restrictions in several cases depend on the source of import.

Naser Ezaz Bijoy, acting chief executive of Standard Chartered Bangladesh, said the country should start with identifying what the Chinese requirements are.

Ainun Nishat, professor emeritus of Brac University, said if the BCIM Economic Corridor concept works genuinely, energy cooperation would be one of the major beneficiaries.

"We are worried about the planned special economic zones, as Bangladesh did not pay any atten-

tion to environmental concerns when the export processing zones were set up."

"They (EPZs) don't have effluent treatment plants and this is wrong. I hope the SEZs would be fully compliant with the national law on environment."

He said the meeting between top leaders of China and Bangladesh would result in the implementation of decisions within the stipulated time.

Tapan Chowdhury, president of Bangladesh Textile Mills Association, said the garments industry is one of the most regulated industries in the world because of the Accord and the Alliance.

"All the remediation work that has been done is fantastic."

The Chinese garment makers are going for value added products, creating an opportunity for Bangladesh, he said. "To tap the opportunity, we need electricity."

Makshudul AM Mondal, senior research associate of the Institute for Policy, Advocacy, and Governance (IPAG), a think-tank, said Bangladesh is strategically important for China.

For example, he said if some of the southern landlocked provinces of China, such as Yunnan, want to have an easy access to the seaports, their option is the seaport at Guangzhou which is 1,700 kilometres away. But the distance between Yunnan and Chittagong port is about 1,000 kilo-

metres.

"If Beijing helps build infrastructure in Bangladesh, it will give them a lot of dividends in terms of connectivity, trade and access to markets and people-to-people contact."

Avia Nahreen, a researcher at IPAG, said Bangladesh should diversify its exports basket to narrow the trade gap with China. Bangladesh should also tap into the foreign direct investment flowing out of China, added Nahreen.

M Nurul Islam, a former professor of chemical engineering at Bangladesh University of Engineering and Technology, said attention should be given to technology transfer.

Lailufar Yasmin, a professor of international relations at Dhaka University, said China has learnt from the Cold War that it would not be enough to have military or economic might if one has to project oneself as a power.

So, by investing billions of dollars in infrastructure, China is projecting itself as infrastructure superpower, Yasmin said.

Humayun Rashid, acting president of Dhaka Chamber of Commerce and Industry, said establishment of the Bangladesh, China, India and Myanmar economic corridor from Kolkata to Kunming would also help Bangladesh by bringing in investment and encouraging businesses.

Silo near Mongla port to open soon

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Apart from that, the silo will act as a buffer and help the government address food shortage in the southwest and the north in the event of natural disasters like cyclone.

"Grains can be stored here for up to three years," he said, adding that river routes would mainly be used to transport cereals from the silo to the districts in the region.

Some 70 percent of the grains will be transported through the river route for distribution in Khulna and Barisal divisions, according to Bhuiyan.

The government also plans to construct a 17.5 kilometre-long road and a bridge on the Mongla river to connect the port town with Joymanirghol to ensure smooth transportation of wheat from the silo.

Once fully operational, activities at the silo are likely to create job opportunities in the seaport town and its adjacent rural areas. However, there are environmental concerns.

The area adjacent to the silo holds the Sundarbans and increased economic activities are likely to affect the mangrove forest, said Noor Alam, local coordinator of Bangladesh Poribesh Andolon.

The silo at Mongla is one of the schemes taken by the government earlier to increase storage capacity to 30 lakh tonnes as part of its goal to stock more food so that it can cushion poor people from hunger and keep prices of staple food stable in the market.

At the beginning of 2016, the storage capacity at the government level was increased to 20.40 lakh tonnes.



Mohammad Abdul Mannan, managing director of Islami Bank Bangladesh, receives the Sardar Patel Award 2016 from Rajmata Shubhangini Rajee Gaekwad, chancellor of Maharaja Sayajirao University of Baroda, at the first World Economic and Sports Conference in India on October 7.

Toll-free short code 999 to go live next week

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Toll-free calls will create extra load on network capacity and thus ultimately hamper the overall quality of service, which will result in customer dissatisfaction, reads the letter signed by TIM Nurul Kabir, general secretary of AMTOB.

AMTOB said non-emergency services should not be treated as toll-free; rather, a reasonable tariff should be fixed based on commercial negotiation within the regulatory approved tariff circuit.

At present, dialling 100 would connect to Bangladesh Police, 101 to Rapid Action Battalion, 102 to fire services, 103 to ambulance service and 104 to the Access to Information Programme under the Prime Minister's Office.