

## Elias Brothers: a bane of banking industry

Once a sought-after client, it now owes Tk 870cr to 18 lenders

SAJJADUR RAHMAN and  
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Once a highly sought-after client, Chittagong-based Mohammad Elias Brothers Group, known as MEB Group, has now become the bane of the banking industry.

The group recently grabbed headlines by coming first on the list of top 100 loan defaulters in the country.

Though Finance Minister AMA Muhih did not disclose MEB Group's default amount, The Daily Star has found that the company has defaulted on its loans with 18 financial institutions, the total of which comes to about Tk 870 crore.

Founded in 1962 as a commodity trader, MEB Group later spread its wings to textiles, glass, plastics, paper mills, auto bricks, edible oil and beverages.

It went on to set up one and a half dozens of companies, of which only six are now in operations. The rest were either shuttered or non-operative because of financial constraints.

The group blamed its fall on the intense competition among a number of commodity traders that compelled them to sell goods at prices lower than the import costs between 2001 and 2010.

### AT A GLANCE

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"MEB was forced to do the same and it accumulated our losses and bank loans," said Mohammad Shouib Riad, managing director of MEB Industrial Complex.

Secondly, MEB Group had incurred huge losses during the last caretaker government regime in 2007-08, which pressurised the commodity trader to import huge quantities of edible oil at a much higher price, he said.

Later, the group had to sell the commodity for almost half of the cost, which yielded losses of about Tk 400 crore.

"We had to buy crude oil at \$1,300 a tonne and sell those at only \$700," said Riad, who joined the family busi-

ness in 2005 after completing his studies abroad.

Now, the group has retreated from commodity trading, its core business until 2009-10, altogether.

Also, The Daily Star found mismanagement soon after the death of MEB Group's founder Mohammad Elias in 1993.

The group was founded as a company of four brothers, who have a number of sons and daughters. The third generation too got involved in the family business after 2005.

"Family feuds were one of the main reasons for the MEB's downfall," said a chief executive officer of a private bank that is owed nearly Tk 40 crore.

Riad too acknowledged mismanagement in the running of the family business. "We could have managed better, but we were not able to do so," he said. The CEO of the bank has a first-hand experience in dealing with MEB Group, both during its ascent and descent.

"In the 80s and 90s, we ran after MEB to give them loans. They were the reputed and the most in-demand clients for banks at that time," said the banker who worked for a foreign bank in Chittagong then.

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Foreign taxpayers to get dedicated services

STAR BUSINESS REPORT

The National Board of Revenue (NBR) is going to establish focal points at every tax zone to provide dedicated services to foreign taxpayers staying in Bangladesh.

The tax department asked its tax zones to nominate officials of the rank of additional or joint commissioner as the focal point and inform them about the names soon, a letter issued on July 12 read.

The move comes after the participants of the EU-Bangladesh Business Climate Dialogue stated that the non-resident taxpayers and foreign investors are facing problems in getting tax related assistance.

The NBR said it has taken legal and administrative steps to increase the tax net and compliance.

## Rescheduling facility for SMEs to boost investment

Economists say as BB announces new monetary policy next week

REJAUL KARIM BYRON

The central bank can extend rescheduling facilities to small and medium enterprises if it wants to bump up the lagging private sector credit growth, economists said.

In the monetary policy for the first half of 2017, the private sector credit growth target was set at 16.5 percent. Credit growth stood at 16.03 percent in May. In contrast, in June last year private sector credit growth stood at 16.78 percent.

Bangladesh Bank is set to announce the new monetary policy next week with an aim to maintain the private sector credit growth momentum along with containing inflation. "The central bank's main thrust should be to increase private investment," said Zaid Bakht, former research director of the Bangladesh Institute of Development Studies.

And the best way to do this is to give some flexibility to commercial banks when it comes to rescheduling, more so in case of small and medium enterprises.

"I think it needs to be done," said Bakht, also a chairman of Agrani Bank, adding that if the SMEs are not given the scope for rescheduling they would remain defaulters.

But if they are given the scope, they will get the incentive to work hard to get their businesses to thrive and subsequently pay back the bank loans. But in case of big borrowers, credit should be considered on

a case-to-case basis, he added.

Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue, supported Bakht's approach.

The large bad borrowers -- the ones with more than Tk 500 crore of loans -- were given scope for rescheduling. So the small and medium entrepreneurs should also be given the scope.

Rahman, however, said the facility must be extended on a case-to-case basis and banker-customer relation.

At the end of 2016, total SME loans stood at Tk 172,639 crore, up 16 percent from a year earlier, according to central bank statistics. SME loans accounted for 23.89 percent of the total loans.

Rahman also said if the default loans could be brought down, the lending rate could be reduced.

"For bringing down the default loan ratio, the central bank must exercise all its power."

He cited the case of appointment of observers in about 15 banks: the move was not successful in bringing down the default loans.

The central bank must not just stop at appointing observers; it must look to use its other regulatory power.

Rahman said the new monetary policy, due to be announced on July 26, should be set in a way that it supports the government's budgetary target.

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## Africa's rise poses threat to Bangladesh's apparel export

REFAYET ULLAH MIRDHA

The upward trend of garment exports from Africa, thanks in part to Bangladeshi investors, poses a threat to Bangladesh's second position in the global apparel trade.

In 2016, garment exports from 39 sub-Saharan nations stood at \$2.6 billion, according to data from the International Trade Centre. Industry insiders are tipping the shipments to cross the \$3-billion mark this year.

The countries enjoy duty-free and quota-free access for certain goods, including garment, to the US under the African Growth and Opportunity Act (AGOA).

And one of the major reasons for the booming garment exports from the African nations is investment by wily Bangladeshi garment makers to avail the duty privilege under the AGOA.

Bangladesh will not be allowed duty benefits to the developing and developed countries once the country graduates to the middle-income bracket.

So, in recent years, nearly a dozen Bangladeshi garment makers have invested either in joint ventures or individually in different African countries, especially Ethiopia and Kenya.

The impact of the upward trend of exports from the AGOA nations has already started to show on Bangladesh's apparel exports: for the first time in 15 years, the growth was not even in single digit in 2016-17.

Apparel export growth last fiscal year

### APPAREL EXPORTS BY AGOA NATIONS

In billions of \$



was just 0.20 percent. In contrast, growth was more than 13 percent in the last 10 years.

The receipt of \$28.14 billion is way below the target of \$30.37 billion.

The AGOA nations are faring well in basic garments -- a market segment where Bangladesh also has huge concentration. Lower-end products account for 75 percent of the country's apparel exports.

"East Africa attracts a great deal of attention, growing at a rate even comparable to Bangladesh's historic growth while becoming

a major force in the apparel industry over the next decade," said McKinsey & Company, a global management consulting firm in 2015.

At that pace, the industry base across the region will quickly attract the funds to upgrade facilities.

Over the next decade, should this scenario play out, East Africa's export volumes could approach countries such as Mexico or Pakistan on apparel industry league tables.

"The investment by Bangladeshis in the

AGOA nations is not the lone cause of the fall of garment export from Bangladesh. It is one of the many causes," said Mahmud Hasan Khan Babu, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

Currently, a dozen Bangladeshi factories are in operations in the AGOA nations, Babu said, adding that the government should formulate a policy that ensures investors send money to African countries through the legal channel.

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## BB may dissolve NRB Commercial Bank's board

STAR BUSINESS REPORT

Bangladesh Bank may dissolve the board of four-year-old NRB Commercial Bank and remove its managing director Dewan Mujibur Rahman for gross irregularities.

The development comes as the central bank was dissatisfied with the explanations given by NRBC Bank Chairman Farasath Ali and its CEO Rahman against the show-cause notices it had served earlier on 10 counts of wrongdoings, including signature forgery, interference of outsiders in the board and corruption.

The replies from Ali and Rahman contained many wrong information with the intent of misguiding the authorities, said a central bank official.

Yesterday, the Banking Regulation & Policy Department of the central bank submitted a review report to a standing committee of the BB formed to look into the NRBC Bank case.

The report suggested dissolution of the board and removal of the top executive as per the banking laws.

The standing committee will now ask the board members and the top executive to appear in a hearing before recommending their removal to the BB governor, the official said.

"It seems the board of directors has failed to uphold the banking companies act to protect the interest of the depositors and the public," said the show-case notice sent to Ali in March.

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## China firm plans to set up smartphone assembling plant in Bangladesh

STAR BUSINESS REPORT

A Chinese technology company plans to set up a mobile phone assembling factory in Bangladesh in the shortest possible time to grab a slice of the fast-growing smartphone market.

"Through the budget, the government has given tax incentives for setting up mobile assembling plants and we are seriously considering establishing a factory here," said Arif Chowdhury, vice president of Transsion Holdings.

He revealed the plans as the company rolled out three smartphone models in Bangladesh at a programme at Sonargaon hotel in Dhaka yesterday.

The smartphone models - i7, i3

and Camon CXAir -- carry a price range of Tk 10,690 to Tk 19,990 and will be sold under the company's premium brand TECNO Mobile Bangladesh with the youth as targeted customers.

The company also plans to launch two more smartphone models within a short time. Transsion's two other mobile brands are itel and Infinix.

Transsion uses a multi-brand strategy, launching different brands at different time phases based on the situation of target markets and the various consumers' needs, according to the company's website.

A few months ago it rolled out low-priced brand "itel" in Bangladesh and is now exploring the potential to introduce the Infinix brand.

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