

Italian banks may take 10yrs to fix bad debt issue: Morgan Stanley

REUTERS

Italian banks could take 10 years to reduce their level of non-performing loans (NPLs) to the European average, Morgan Stanley said on Monday, adding that setting up a "bad bank"

economic growth made it tough to recover non-performing debts.

But a series of state-led steps involving capital injections and a plan to bailout Monte dei Paschi, the world's oldest bank, have provided some relief.

rundown rate," Morgan Stanley said.

Analysts at the U.S. bank said establishing a "bad bank" or a publicly-funded asset management company would be a key step towards resolving Italy's NPL problem.

The idea of a bad bank is backed by European Union institutions, including the central bank and regional banking authority, but it faces opposition in Germany which balks at the prospect of a tax-payer funded bailout.

Last week, Bank of Italy Governor Ignazio Visco welcomed a European Union proposal to set up state-backed vehicles to buy bad loans from banks but said participation should be voluntary.

Ireland, Spain and Austria have all seen their financial systems and economies emerge healthier after choosing to set up a bad bank in the aftermath of the euro zone debt crisis.

Morgan Stanley remained cautious on Italian banking shares, which have risen more than 80 percent in the past year.

It said the "pathway to normalization of loan losses will be 'bumpy' with only a gradual reduction in cost of risk."

The Morgan Stanley analysts pick Intesa and Mediobanca as their top stock picks in the sector.



REUTERS

The corporate logo of financial firm Morgan Stanley is seen on the company's world headquarters in New York.

could help.

A recession that ended in 2014 saddled Italian banks with 349 billion euros (\$400 billion) in impaired debts, one third of Europe's total, while a clogged judicial system and sluggish

"We believe progress has been made but vulnerabilities remain, with 60 billion-70 billion euros of non-performing loan disposals still in the pipeline and almost 10 years to reach European NPL levels at the current



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44TH ANNUAL GENERAL MEETING

BERGER

Gerald K Adams, president of Berger Paints Bangladesh Ltd, presides over the company's 44th annual general meeting at International Convention City Bashundhara in Dhaka on Sunday. Final dividend of Tk 42.50 per ordinary share of Tk 10 was declared for 2016-17 in the meeting. Rupali Chowdhury, managing director, was also present.

New GM for Le Méridien Dhaka

STAR BUSINESS DESK



dynamic and growing market," said Gavriel.

He started his career as a business development executive at the Kensington Hilton in London, UK and has held various positions within Marriott since 2011.

The British national also worked for the Le Méridien hotels and resorts in 2003.

Gavriel holds a BSc (Hons) degree in international hotel management from the University of North London in the United Kingdom.



NCC BANK

NCC Bank Chairman Abdus Salam presides over the bank's 32nd annual general meeting at the Officers' Club in Dhaka yesterday. The bank declared 16 percent cash dividend for 2016. Managing Director Mosleh Uddin Ahmed was also present.



Nazmul Anam, director of the holidays package wing at Biman Bangladesh Airlines, and Jithu Jose, general manager of Apollo Hospitals Group, attend a deal signing ceremony at the airline's head office in Dhaka yesterday. Passengers of the airline will get 5 percent discount at any branch of the hospital in India.

New chairman of Mercantile Bank

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AKM Shaheed Reza has been elected as the chairman of Mercantile Bank Ltd.

He has been the vice chairman of the bank, according to a statement.

Reza is the chairman of Reza Group, an export oriented textile apparel industry.

He is also the president of the Feni Chamber of Commerce and Industry and a director of the Federation of Bangladesh Chambers of Commerce and Industry.

Rescheduling facility for SMEs to boost investment

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The government has set the GDP growth target of 7.4 percent and inflation target of 5.5 percent for fiscal 2017-18.

The monetary policy must particularly look to containing inflation, which is on an upward trend, due to a rise in food prices.

He said it will be difficult to contain inflation within 5.5 percent this year.

The BB had targeted to contain inflation within 5.3 percent to 5.6 percent in the last monetary policy. Inflation was 5.44 percent in fiscal 2016-17.

And to achieve the 7.4 percent GDP growth, credit to the private sector has to be increased, Rahman said.

Though credit growth is lagging behind the BB programme, the country's GDP grew 7.24 percent last fiscal year, as per the provisional estimate of the Bangladesh Bureau of Statistics.

The declining remittance inflow and the slower growth of export are the other challenges that need to be tackled by the monetary policy.

Remittance has been playing a strong role for the last couple of years for creating demand in the economy.

Bakht said one of the major reasons for fall in remittance is the exchange rate.

He said the government can think of introducing a dual exchange rate on a temporary basis such that the remitters get a higher rate.

A BB official said in the new monetary policy the private sector credit growth target may be increased slightly to 17 percent. Besides, the earlier cautious but accommodative policy will also continue.

Despite the inflationary risks, there is unlikely to be any change in the policy rate, he said.

"With the ensuing national election there will be an attempt to make the monetary policy statement populist."

China firm plans to set up smartphone assembling plant

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"Bangladesh is a priority market for us and we are planning keeping that in mind," said Rezwana Haque, chief executive officer of Transsion Bangladesh Ltd, at the launch.

For 2017-18, the government withdrew customs duty on all sorts of mobile and laptop assembling accessories, which was earlier 10 to 25 percent. The government has also imposed new tax on mobile handsets imports.

"Our Bangladeshi venture will be successful if the government allows us to export handsets from the local

assembling plant," said Chowdhury.

He said Bangladesh has already become a very big mobile market and now the smartphone penetration would increase.

At present, only 30 percent of the total mobile handsets are smartphones.

An assembling plant can be viable if it can produce 10 million units of smartphones every month, and fortunately Bangladesh's demand is much more than that, said Chowdhury.

Bangladesh imported 3.1 crore handsets last year, up 11 percent year-on-year, at a cost of Tk 8,000 crore,

according to Bangladesh Mobile Phone Importers Association.

Of the imports, the number of smartphone units was 82 lakh worth Tk 6,500 crore.

Transsion has factories in China and Ethiopia and has started to set up one factory in India. It also has four replacement factories. It has business in 58 countries and is the market leader in African countries.

The Chinese company offers some other technology products and home appliances and plans to introduce them in the Bangladeshi market in phases, said Chowdhury.

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

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MA Jabbar, managing director of DBL Group, said he invested nearly \$100 million in Ethiopia with the view to exporting \$36 million worth of knitted garment products to the US a year.

"I invested in the African country mainly to avail the duty benefit to the US," Jabbar said, adding that he has employed 1,700 workers in Ethiopia.

The production at the Ethiopian factory is expected to start at the end of this year.

AK Azad, managing director of Ha-Meem Group, another leading garment exporter, said he wanted to invest in an African country but changed his decision due to longer lead-time to the US.

"Later, I sought permission from the government to invest \$10 million in Haiti due to shorter lead-time and duty-benefit," Azad said, adding that he is hopeful of getting the green light from the Bangladesh Bank.

Historically, the growth of the Kenyan apparel industry was driven almost exclusively by the duty-free access it enjoys from the US via the AGOA legislation that came into effect in 2001, McKinsey said.

The dependency on the US is high, accounting for 92 percent of the garment exports in 2013, according to the UN Comtrade.

The AGOA will expire in 2025.

Elias Brothers: a bane of banking industry

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Now the irony is that banks shy away from lending to this business house, he said.

Involvement in politics of Shamsul Alam, son of Elias and current managing director of MEB Group, in 2008 has also taken a toll on the family business.

Alam, after failing to get the nomination from Awami League in the 2008 elections, joined BNP and became vice-president of the Chittagong city unit.

Riad though is still hopeful of overcoming the crisis and bringing the group back to its glory days.

He cited the Mohammad Elias Brothers Oil Refinery Plant as a case in point. The plant was established with the group's working capital and there is no loan against the project.

Nurul Absar, chairman of the group, could not be reached for comments.

New head for ACCA Bangladesh

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Ahsanul Hoque Bashar has recently been appointed as the new head of the Association of Chartered Certified Accountants (ACCA), the global body for professional accountants.

He has also worked for Western Union, DHL Express and Chittagong Stock Exchange, ACCA said in a statement.

Bashar holds a master's degree in marketing from Chittagong University.

"Bashar's wealth of experience and industry knowledge is a key addition to the ACCA family and a sign of our continued commitment to being the world's most forward-thinking professional accountancy body," said Stuart Dunlop, a regional director of ACCA.

"I am confident that Bashar will play a key role by leading the way in the accountancy profession, building partnerships and protecting the public interest of Bangladesh."

Global CEO of MTI Consulting due in Dhaka

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Hilmay Cader, MTI Consulting's global CEO, is scheduled to arrive in Dhaka today for a three-day visit.

Cader is expected to meet the company's existing corporate clientele, the company said in a statement yesterday.

MTI Consulting is a fast growing international strategy and management consulting outfit.

Over a span of 20 years, MTI has completed over 560 projects in 43 countries spanning 5 continents.

MTI Consulting has started its operation in Bangladesh since 2005.

Its clients in Bangladesh include Gemcon Group, Renata, Beximco Pharmaceuticals, Kazi Farms Group, Cooper's, Concord Group, Meena Bazaar, North South University, Ejab Group and Save the Children.

Among global companies that have used MTI's consulting solutions are Limoneira, Tata, DuPont, Fonterra, Standard Chartered, American Express, Triumph, ICI Paints, Vodafone and the Inter-Continental.

Bangladesh Bank may dissolve NRB Commercial Bank's board

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The other notice, sent to Rahman, said he had failed to discharge his responsibilities properly.

All the irregularities were inter-linked and took place with the involvement of the board and the management. As the MD, Rahman never informed the BB about the irregularities, the notice said.

After being slapped with the show-cause notices, both the chairman and the MD had filed writs with the High Court. The court, however, dismissed the petitions on March 28 and also ordered the BB to take action as per procedure.

In 2006, the central bank dissolved the board of Oriental Bank, now ICB Islamic Bank Ltd, for corruption and mismanagement.



Kanti Kumar Saha, CEO of NDB Capital, a Sri Lanka Bangladesh joint venture investment bank and a subsidiary of National Development Bank PLC of Sri Lanka, poses with the "Best Investment Bank in Bangladesh for 2017" award given by the Euromoney, a monthly magazine focused on business and finance, in Hong Kong on July 13.