

Pran's dairy farmers to get collateral-free loans

The agro-processor signs deal with Sonali Bank

STAR BUSINESS REPORT

SONALI Bank is set to provide collateral-free loan to Pran Dairy's contract farmers with a view to encouraging cattle rearing and boosting milk production in the country.

The state-run bank and Pran yesterday signed a preliminary agreement in this regard at a ceremony held at the capital's Hotel Purbani International, which was attended by Finance Minister AMA Muhith.

As per the preliminary agreement, Sonali will provide loans to contract dairy producers of Pran Dairy, a concern of the country's biggest agro processor, at 9 percent interest.

Farmers will be offered collateral-free loans of up to Tk 2 lakh, beyond which collateral will be required. The duration of the loans will be between three and five years.

Pran will collect the loan instalments from the farmers during its payment for milk purchase, according to officials of Sonali and Pran.

Muhith went on to laud the initiative.

"There is a negative perception among many about state banks. But you will not see such innovative things in private banks. State-owned banks take risk and we support that."

Contractual dairy farmers will use the loan to buy cows, prepare sheds, buy cattle feed and carry out other farm-related development activities, said Ahsan Khan Chowdhury, chairman and chief executive officer of Pran-RFL Group.

"Pran will take the responsibility of ensuring timely repayment of loans by farmers," he said.

The deal to ensure financing for dairy farming comes at a time when Bangladesh meets half of its annual requirement for milk through imports of powdered milk.

In fiscal 2015-16, Bangladesh's



Uzma Chowdhury, director for corporate finance at Pran-RFL Group, and Rafiqul Islam, general manager of Sonali Bank, exchange the signed documents of a deal at Hotel Purbani in Dhaka yesterday. The bank will provide dairy farmers with loans as per the recommendation of Pran Dairy. AMA Muhith, finance minister; Fazle Kabir, governor of Bangladesh Bank; Ahsan Khan Chowdhury, chairman of Pran-RFL Group, and Md Obayed Ullah Al Masud, CEO of Sonali Bank, were also present.

total milk requirement was 1.46 crore tonnes against the domestic production of 72.75 lakh tonnes, according to an estimate of the Department of Livestock Services.

Bangladesh has huge potential for increasing its milk production, Chowdhury said. "We believe Bangladesh will become self-sufficient in milk production one day."

At present, Pran works with more than 11,000 registered dairy farmers at its dairy hubs in Gurudashpur of Natore, Chatmohar of Pabna, Shahjampur and Baghabari of Sirajganj and Rangpur.

The loans will be provided by examining the list of farmers prepared by Pran, said Md Ashrafu Moqbul, chairman of Sonali.

He expects that there would be no loan default as Pran will deduct the instalments during the payment for milk purchases.

As per Bangladesh Bank's guideline, banks will have to disburse 10 percent of their rural and agricultural credit to livestock sector. "We expect to provide a major portion of that quota here," he added.

The assistance by Pran to realise the money is an innovative idea, said Md Eunusur Rahman, senior secretary of the bank and financial institution division.

While BB Governor Fazle Kabir appreciated the initiative, he expressed his discontent about Sonali's non-performing loan ratio, which is more than one-third of its

total loans. The bank has also capital and provision shortfall.

"There is also a concentration of loans to some sectors."

The central bank has a Tk 200 crore refinancing scheme under which loans are given for dairy farming and artificial insemination at 5 percent interest, Kabir added.

Sonali will also provide finance for marketing of farm produce such as spices, said Md Obayed Ullah Al Masud, its managing director and chief executive officer.

Uzma Chowdhury, Pran-RFL Group's director of corporate finance, and Rafiqul Islam, Sonali's general manager, signed the preliminary agreement on behalf of their respective organisations.

EBL aims to become Southeast Asia's regional bank

STAR BUSINESS REPORT

EASTERN Bank Limited or EBL, which was born from the ashes of the then collapsed BCCI (Bank of Credit and Commerce International) in 1992, is going forward to become a regional bank of East-Southeast Asia, a top official said.

After achieving success on opening three representative offices in China, Myanmar and Hong Kong, the bank is now working on spreading its wings to neighbouring India, the second Bangladeshi private bank to do so.

The local bank will open one branch in Kolkata and another in Guwahati, for which EBL has hired PricewaterhouseCoopers' Kolkata office to assist in getting the required licence from the Reserve Bank of India, said Ali Reza Iftekhar, managing director and CEO.

Also, the bank has a plan to convert its representative office in Hong Kong into a full-fledged branch. Presently, EBL has 82 branches.

AB Bank opened its first full-fledged overseas branch in Mumbai in 1996, while state-owned Sonali Bank has a branch in Kolkata. Another state-run lender, Janata Bank has two branches in the United Arab Emirates.

The CEO was talking to The Daily Star to mark the bank's 25th birth anniversary yesterday. In 1992, when the BCCI collapsed due to irregularities and mismanagement, Bangladesh Bank had stepped in to rescue the bank and its depositors.

The bank was restructured as per the guidelines of the central bank and some depositors of the BCCI got shares in the new bank and became directors.

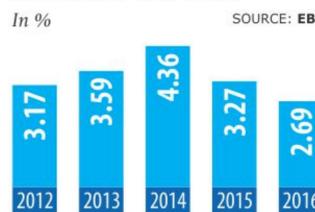
"EBL began its journey with Tk 365 crore in negative capital. The directors did not take any dividends and fees until it made profits after six

years," said Iftekhar, who joined the bank in 2004 as a deputy managing director and assumed the office of the managing director and CEO in 2007.

Now the bank's performance indicators are better than many of its peer banks, even those older than EBL.

EBL's nonperforming loans have come down to only 2.69 percent against the industry's average of around 10 percent and state-owned banks' nearly 25 percent.

NON-PERFORMING LOANS OF EBL



The bank's earnings per share have also increased to Tk 3.78 last year from Tk 3.63 a year ago. Profit after tax rose to over Tk 265 crore in 2016, up from Tk 222 crore in the previous year.

The bank's return on asset and equity has also increased to 1.33 percent and 12.94 percent last year from 1.23 percent and 10.95 percent respectively a year ago.

Iftekhar said despite challenges in the global and local markets, EBL is maintaining sustainable growth by leveraging its core strengths.

He said he strongly believes that a company with strong ethical values and great culture survives market shocks better than others.

"Our sound corporate governance, strong compliance culture, service excellence, and state-of-the-art IT platform are sources of our strength," said Iftekhar.

As Nafta talks begin, Trump's 'America First' agenda looms large



Trucks wait in the queue for border customs control to cross into US at the Bridge of Americas in Mexico.

REUTERS, Washington

AS the United States, Canada and Mexico kick off negotiations on Wednesday to modernize the North American Free Trade Agreement, the biggest uncertainty is whether a deal can pass President Donald Trump's "America First" test.

Trump has blamed Nafta for shuttering US factories and sending US jobs to low-wage Mexico. The test will be whether negotiators can prove that a new Nafta agreement can alter that course.

The call from the US business community in the run-up to the talks has been "do no harm" amid concerns that a new agreement will unravel a complex North American network of manufacturing suppliers built around Nafta.

Trump, who made trade a centerpiece of his presidential campaign as he promised to reinvigorate the manufacturing sector, pulled the United States out of the Trans Pacific Partnership trade pact shortly after taking office in January. But he has since backed off other trade threats, including declaring China a currency manipulator and tearing up Nafta, which he regularly calls a disaster.

US-Canada-Mexico trade has quadrupled since Nafta took effect in 1994, surpassing \$1 trillion in 2015.

Derek Burney, a former Canadian ambassador to Washington who was

involved in the first Nafta negotiations, said that in the previous Nafta talks there was a political commitment from all sides to reach a deal. That is not the case now, he said.

"The question ... is, What will Trump accept as a success in these negotiations?" said Burney. "To me that is the biggest wild card of all."

Robert Holleyman, a former deputy US trade representative during the Obama administration, said the "toughest nut to crack" in the talks will be whether changes meet Trump's goals to reduce the \$64 billion US trade deficit with Mexico.

"We know where he wants to make changes to Nafta. Whether those changes lead up to something that actually reduces the trade deficit with Mexico is wholly unclear," Holleyman said.

Nafta renegotiations will be a major test of Trump's ability to meet his campaign promises to restore US manufacturing jobs. Although he has inherited a strong economy that has added 1.29 million jobs this year, his promises of an ambitious legislative agenda have been derailed by the failure of a healthcare bill and the lack of a detailed plan for tax reform.

Weighing heavily over the talks is the upcoming 2018 Mexico presidential election. Mexico has urged all sides to complete the negotiations before the campaign ramps up in February to avoid it becoming a political punching bag.

China's Belt and Road acquisitions surge despite outbound capital crackdown

REUTERS, Hong Kong

MERGERS and acquisitions by Chinese companies in countries that are part of the Belt and Road initiative are soaring, even as Beijing cracks down on China's acquisitive conglomerates to restrict capital outflows.

Chinese acquisitions in the 68 countries officially linked to President Xi Jinping's signature foreign policy totaled \$33 billion as of Monday, surpassing the \$31 billion tally for all of 2016, according to Thomson Reuters data.

Unveiled in 2013, the Belt and Road project is aimed at building a modern-day "Silk Road", connecting China by land and sea to Southeast Asia, Pakistan and Central Asia, and beyond to the Middle East, Europe and Africa.

At a summit in May, Xi pledged \$124 billion for the plan, but it has faced suspicion in Western capitals that it is intended more to assert Chinese influence than Beijing's professed desire to spread prosperity.

The surge in Chinese companies' acquisition-linked investments in the Belt and Road corridor comes as the volume of all outbound mergers and acquisitions from China has dropped 42 percent year-on-year as of Monday, the Thomson Reuters data showed.

Beijing's move to prop up the yuan by restricting the flow of capital outside the country and clamp down on debt-fuelled acquisitions to ensure financial stability has made it tougher for buyers to win approvals for deals abroad.

Regulators have tightened the screws further since June, reviewing deal agreements in minute detail and ordering a group of lenders to assess their exposure to offshore acquisitions by several big companies that have been on



A security guard stands at the entrance to the opening ceremony of the Belt and Road Forum in Beijing.

overseas buying sprees, including HNA Group, Dalian Wanda Group and Fosun Group.

The heightened regulatory scrutiny of overseas acquisitions comes after companies spent a record \$220 billion in 2016 on assets overseas, buying up everything from movie studios to European football clubs.

The scrutiny, however, has not impacted Chinese companies' pursuit of targets along the Belt and Road corridor, as those investments are considered strategic for the companies as well as the Chinese economy.

"People are thinking in a long-term approach when making investments along Belt and Road countries," said Hilary Lau, a corporate and commercial lawyer and partner at the law firm Herbert Smith Freehills.

"The acquisitions are also policy-driven. There are funds allo-

cated by Chinese banks and state funds for Belt and Road deals," he said. The number of Chinese deals targeting Belt and Road countries totaled 109 this year, compared to 175 in the whole of last year and 134 in 2015, the Thomson Reuters data showed.

Companies enjoy a relatively smooth approval process for deals along the Belt and Road project as regulators tend to put them in a different basket when reviewing outbound investments, according to lawyers and dealmakers.

"If you are doing One Belt, One Road, that becomes the first sentence in the document" to the regulators, said a senior investment advisor at a Chinese company that has acquired several overseas businesses.

"It is a wise thing to point out early on," said the advisor, who requested anonymity because he was not authorized to speak to the media.

Outbound deals currently take

as long as six months to be approved by Chinese regulators. However, Belt and Road investments tend to get regulatory clearance within three or four months, according to a Hong Kong-based senior M&A banker.

The largest deal in a Belt and Road country so far this year was a Chinese consortium's \$11.6 billion buyout of the Singapore-based Global Logistics Properties. Other top deals include the \$1.8 billion purchase of an 8 percent ownership interest in an Abu Dhabi oil company by the state-owned oil giant China National Petroleum Corp, and HNA Group's \$1 billion acquisition of a logistics company, CWT Ltd, which has not yet closed.

The State Administration of Foreign Exchange, China's foreign exchange regulator, said this month that domestic companies would still be encouraged to participate in Belt and Road activities