

Loan rescheduling soars 30pc

AKM ZAMIR UDDIN

Loan rescheduling soared about 30 percent to Tk 10,963 crore in the first nine months of 2018, fuelling further fears for the sector.

Six banks accounted for 62 percent of the total rescheduled loans between January and September last year, according to data from the Bangladesh Bank.

Between 2012 and 2017, banks rescheduled loans amounting to Tk 89,515 crore.

The rise in loan rescheduling in recent times has created extra pressure on the banking sector, analysts said.

Bankers should change their mindset as many of them have offered loans to clients without verifying their actual business condition, said Salehuddin Ahmed, a former BB governor.

"The banking sector has taken a heavy toll because of this attitude," he said.

Banks have to take prior approval from the central bank when they reschedule any amount of classified loans bypassing rules.

But in recent years habitual defaulters have put pressure on the



central bank to reschedule their non-performing loans by sidestepping banking rules, said a BB official.

The central bank's financial stability reports for 2016 and 2017 also expressed concern about the growing tendency of loan rescheduling in the banking sector.

Poor due diligence, influenced lending, fraud and negligence in compliance with risk management practices could be the reasons for the rise in rescheduled loans, according to the reports.

Piling up of rescheduled loans seems to be a matter of concern though the banks are expected to be cooperative in assisting viable customers to sustain during difficult times by keeping their loans performing, said the reports.

Ahmed also agreed that banks should extend their cooperation to defaulters whose businesses are in crisis for genuine reasons.

Lenders should reschedule the default loans after scrutinising the cash flow of the businesses owned by defaulters, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of commercial banks' managing directors.

"Otherwise, the rescheduled loans will turn into NPL again."

If the lenders reschedule loans following all rules and regulations the interest income of banks gets a boost, said Rahman, also the managing director of Dhaka Bank.

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Junk stocks' dominance continues

STAR BUSINESS REPORT

Junk stocks have continued their bull run and maintained their dominance on the gainers' list riding on rumours that they will advance the most amid the market's upward movement.

These stocks have skyrocketed in the last few months, even prompting the regulators to take a move to find out the reasons behind their rise. Still, they are climbing.

Of the top 10 gainers on Dhaka Stock Exchange (DSE) yesterday, six companies were from the "z" category.

Savar Refractories was the top gainer increasing 9.99 percent. In fact, there was no seller of the stock during most of the trading time.

Other junk stocks such as Meghna Pet rose 9.83 percent, Information Services Network 9.78 percent, Bangladesh Welding 9.77 percent, Emerald Oil 9.69 percent and Bangladesh Industrial Finance Company 9.68 percent.

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BTRC revenue surges on 4G spectrum sales

It rakes in Tk 6,445cr in FY18

STAR BUSINESS REPORT

The telecom regulator's revenues rose 58.51 percent year-on-year to Tk 6,445.36 crore in the last fiscal year, a four-year high backed by earnings from the sales of 4G spectrum.

Bangladesh Telecommunication Regulatory Commission (BTRC) raked in Tk 4,066 crore in 2016-17 and Tk 4,207.94 crore in 2015-16.

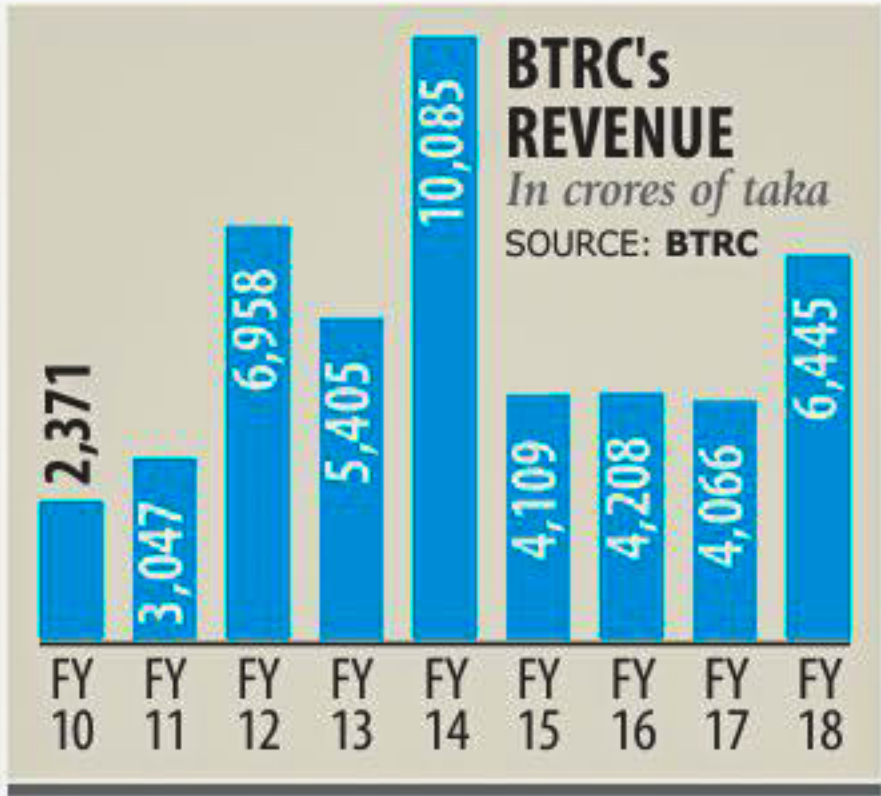
More than half of the revenue, or Tk 3,520.64 crore, came from the spectrum sales to mobile phone operators in February last year.

"Certainly, 4G spectrum auction paved the way for the higher revenue last fiscal year," said Md Jahurul Haque, acting chairman of the BTRC.

In 2017-18, the telecom regulator earned Tk 2,501.50 crore in revenue shared by all telecom service providers, the second largest contributor to the earnings of the BTRC. It was Tk 2,648.90 crore in 2016-17.

"Revenue sharing is a fixed source of income for us though the amount is almost stagnant or has declined in some cases," Haque told The Daily Star yesterday.

He said people were increasingly using communication applications to make voice calls, so the government's earnings from revenue sharing by mobile phone



operators would fall in the coming years.

Mobile operators share 5.5 percent of their gross revenue with the BTRC. International gateway operators share 40 percent of what they earn from incoming international calls and interconnection exchanges share 67 percent of their revenues.

Earnings from incoming international calls dropped by a few hundred crore taka, said a senior official of the BTRC.

The revenue from incoming international calls is on the decline for a number of reasons and one of them is the formation of a cartel of international gateway operators a couple of years ago, the official said.

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Source tax on exports cut to 0.25pc

NBR collects Tk 79,732cr in Jul-Nov -- 21.6pc short of target

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday reduced the source tax on export proceeds for businesses, except for jute goods makers, to 0.25 percent from 0.60 percent.

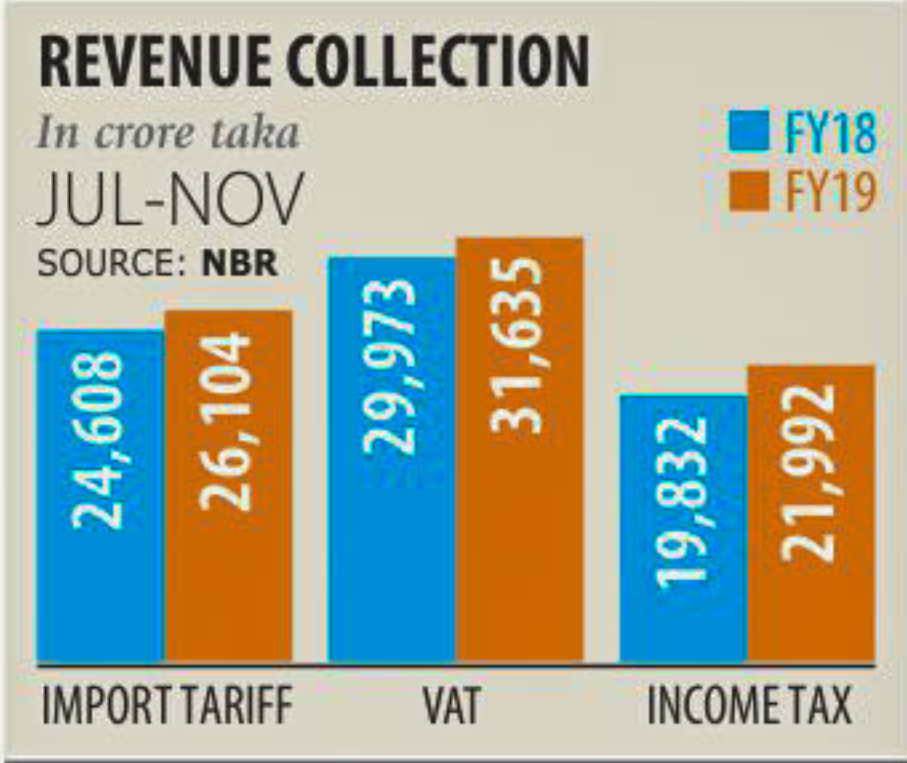
The tax privilege came in the face of demand from industries, particularly from apparel manufacturers.

"We have reduced the withholding tax on export earnings to enable apparel makers to implement new wages for workers," said an official of the tax administrator.

The reduction comes three months after the tax collector slashed advance or source tax on exports of readymade garments, except jute goods, to 0.60 percent from 1 percent in the budget for 2018-19 in a bid to increase revenue collection.

The new source tax would be applicable from July 1, meaning that advance tax collection from the \$36 billion-worth export earnings would decline, further reducing overall tax receipts.

Tax collection growth slowed to 7 percent in the last July-November period from 16 percent a year ago.



Some taxmen attributed the slowdown to various tax and VAT waivers awarded to sectors such as LNG, shipping and stock brokers.

For instance, the NBR would miss out about Tk 12,000 crore in revenue for waiving import tariffs on liquefied natural gas (LNG) to enable industries to bring down their costs and VAT on ship imports.

In the July-November period, the NBR collected Tk 79,732 crore, which is 21.6 percent or Tk 21,973 crore short of the target.

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Exports rise but fall short of target

REFAYET ULLAH MIRDHA

Export earnings increased 2.18 percent year-on-year to \$3.43 billion in December thanks to higher shipment of garment items.

The receipt is still 3.49 percent short of the month's target of \$3.55 billion, according to data from the Export Promotion Bureau.

In the six months to December last year, overall export earnings grew by 14.42 percent year-on-year to \$20.49 billion, which is 9.13 percent higher than the period's target of \$18.78 billion.

In the period, garment shipment—which typically contributes over 82 percent of the country's export earnings—grew by 15.65 percent year-on-year to \$17.08 billion.

Of the amount, knitwear fetched \$8.65 billion and woven contributed \$8.43 billion, registering a 13.92 percent and 17.48 percent year-on-year growth in the period respectively.

"The future outlook is even brighter for garment shipment," Siddiquir Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told The Daily Star.

The western retailers are coming



STAR/FILE

Export earnings got a boost from higher shipment of garment items.

to Bangladesh with increased volume of work orders, as over 90 percent of the work for factory remediation recommended by the Accord and Alliance is complete, Rahman said.

The efforts for factory remediation improved workplace safety to a great extent, which brightened Bangladesh's image abroad, he said.

Also the existence of political

stability for a long time played an important role for smooth shipment of goods and peaceful operations of factories, the chief of the garment makers' platform said.

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Japanese firm to invest \$10m in Meghna economic zone



MEGHNA GROUP

Tanveer Ahmed Mostafa, director of Meghna Group of Industries, and VK Seth, chairman of Sakata Inx (Bangladesh), sign a deal on behalf of the companies at the Beza office in Dhaka yesterday.

STAR BUSINESS REPORT

Japanese Sakata Inx is set to invest \$10 million to establish a liquid ink manufacturing plant in the Meghna Industrial Economic Zone (MIEZ), a development that can reduce the country's import dependency of the product.

At present, the packaging industry

imports liquid ink worth about Tk 2,200 crore a year, according to Paban Chowdhury, executive chairman of Bangladesh Economic Zones Authority.

"This investment will help in cutting down imports and saving foreign currency," he added.

The Osaka-based company is one of the leading printing ink manufac-

turers in the world and will be investing in the Bangladesh venture through its Indian subsidiary.

The company, which signed the land lease agreement with the MIEZ yesterday, is aiming to go for commercial operations within 18 months, said VK Seth, chairman of Sakata Inx (Bangladesh).

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Textile, finance stocks trading below face value

AHSAN HABIB

Of the 348 companies listed on the Dhaka Stock Exchange, 23 traded below their face value as of yesterday -- an alarming development for the market that is already low on confidence.

Eleven of the companies are from the textile sector and seven from the financial sector.

Historically, most of the companies de-listed from the market are from the textile sector, according to Abu Ahmed, a former chairman of Dhaka University's economics department.

Normally, finance stocks are considered good bets, said the managing director of a merchant bank requesting anonymity. So, the large number of finance companies trading at lower or close to their face value is an anomaly.

"Investors' confidence in financial institutions is not very good due to the huge bad loans in the sector," said Ahmed, now a stock market analyst.

At the end of the third quarter of 2018, banks' non-performing loans went close to Tk 1 lakh crore -- the

Investors' confidence in financial institutions is low due to huge bad loans in the sector, says an analyst

largest yet in Bangladesh's 48-year-history, according to data from the Bangladesh Bank.

The amount of bad loans increased 11.23 percent between the months of July and September to Tk 99,370 crore.

Due to the huge bad loans, some of the stocks sank to lower than their face value while many are trading close to the standard face value of Tk

10, said Ahmed.

Of the seven stocks trading below their face value, one is a bank (ICB Islamic Bank) and six are non-bank financial institutions (Bangladesh Industrial Finance Company, Fareast Finance, First Finance, Peoples Leasing, Premier Leasing and Prime Finance). Some 23 NBFI's are listed.

Not only that, of the 30 banking stocks, 11 are trading between Tk 10 and Tk 15. Non-performing loans caused capital shortage in some of the banks and NBFI's, which created a fright among investors, said Khairul Bashar Abu Taher Mohammed, secretary general of the Bangladesh Merchant Bankers' Association.

"This fund crisis hit the confidence of investors despite the good earnings by the sector," he added.

The general sentiment among investors is that the banks and NBFI's toxic loans are bigger than what the institutions have shown in their balance sheets, said the managing director of the merchant bank.

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