

# RBI sees corporate governance ‘fault lines’ at some lenders

REUTERS, Mumbai

Growing problems of corporate governance are emerging at India's private banks and all lenders are at risk of rising default rates even though asset quality has improved overall, the Reserve Bank of India said on Tuesday.

In its annual report on Trends and Progress of Banking in India, the central bank highlighted the possibility of defaults rising in the retail lending space after the economy slowed to 4.5 percent in the July-September quarter, its weakest pace since 2013.

Indian banks have shifted towards the retail market in recent years in response to a rise in soured corporate loans.

“Over the last couple of years, the space vacated by risk-averse public sector banks was taken up by the private banks; more recently, however, fault lines are becoming evident in the latter's corporate governance,” the RBI said.

In financial year 2018-19 the proportion of gross non-performing assets (NPAs) to



REUTERS/FILE

**CCTV cameras are seen installed above the logo of Reserve Bank of India inside its headquarters in Mumbai, India.**

total loans decreased to 9.1 percent compared to 11.2 percent in 2017/18, after having risen for seven consecutive years as

recognition of bad loans neared completion.

“Notwithstanding the improvement in 2018/19, the

overhang of NPAs remains high. Further reduction in NPAs through recoveries hinges around a reversal of the downturn in the economy,” the central bank said.

It also raised red flags around large frauds which have rocked Indian banks, including one exposed at Punjab and Maharashtra Co-operative Bank (PMC) in September.

The urban co-operative bank (UCB), used more than 21,000 fictitious accounts to hide loans it made to one realty company which had led to a loss of at least 43.55 billion rupees (\$611.11 million).

The central bank said it would focus on improving supervision of around 1,500 UCBs across the country.

“Recently, the unearthing of irregularities in one of the UCBs has brought to the forefront the issues relating to the low capital base, weak corporate governance, inability to prevent frauds, slower adoption of new technology and inadequate system of checks and balances,” the RBI said.

# US activist investors post strong gains

REUTERS, Boston

Activist investors who are shaking up Corporate America with calls for operational fixes, refreshed boards and even sales of a company are delivering their best returns in six years with double-digit gains for 2019 after big losses in 2018.

The surge in returns is energizing experienced corporate agitators as well as newcomers and may force more companies into costly battles with shareholders over their corporate future next year, managers, lawyers and bankers said.

Through the end of November, activist managers on average returned 13.09 percent, according to data from Hedge Fund Research, which tracks various investment strategies' returns.

Fuelled by high double-digit returns at funds run by William Ackman, Barry Rosenstein and Glenn Welling among others, activists are handily outperforming all other types of hedge funds where the average fund returned 8.5 percent this year, HFR data shows.

The gains illustrate a sharp recovery from 2018 when the average activist lost 10.4 percent, in part because a late-year stock market tumble erased gains at many funds.

Hedge funds run by activist investors are traditionally reserved for institutional investors and wealthy private clients.

To be sure, activists are benefiting

from this year's strong stock market gains where the Standard & Poor's 500 index has climbed 28.5 percent so far. But many added spice with demands for changes or by watching earlier prodding pay off.

“Many of the initiatives that were advocated for by our managers resulted in improved performance,” said Gregg Hymowitz, chief executive officer of EnTrust Global, a large investor with activist managers.

Through the middle of December, Ackman's Pershing Square Holdings portfolio gained 57 percent, lifted by investments including Chipotle Mexican Grill Inc, where Ackman helped install a new chief executive officer last year.

Douglas Braunstein's Hudson Executive Capital gained 52 percent through the end of November, fuelled by gains at Cardtronics Plc which gave Braunstein a board seat last year.

Some investors returned with fresh demands directed at companies they had previously targeted. Glenn Welling's Engaged Capital, which is up 30 percent through November, came back to nutrition and weight loss company Medifast Inc while Jana Partners took a second run at restaurant chain Bloomin' Brands Inc, which may consider selling itself.

Corvex Management is up nearly 20 percent through the end of November, months after its founder, Keith Meister, joined the board of MGM Resorts International.

# Single-digit interest for industrial loans

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But banks are in a panic because of the single-digit interest rate, as it will hit their profit.

“Every bank will see a profit decline ranging from Tk 150 crore to Tk 200 crore per year because of the implementation of the lower rate,” said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a forum of managing directors of private banks.

“The economy will get a boost but banks will fall into a crisis,” said Rahman, also the managing director of Mutual Trust Bank.

Faruq Mainuddin Ahmed, managing director of Trust Bank, said banks would feel discouraged to disburse loans to the industrial sector

because of the lower interest rate.

“As a result, industrial loans will grind to a halt, which will impede the growth of the industrial sector,” he said.

Khondkar Ibrahim Khaled, a former deputy governor of the central bank, said the interest rate cap contradicts the stance of the BB.

The central bank had earlier announced that banks would fix the interest rate, while the BB would monitor it, he said.

He said the lending rate had decreased significantly three to four years ago, but it has surged in recent times due to a large volume of defaulted loans.

“The interest rate will go down automatically if default loans can be

checked.”

A meeting was also held at the finance ministry yesterday to implement the single digit interest rate. Md Ashadul Islam, senior secretary of the banking division, presided over the meeting where senior officials of the ministry and the central bank were present.

Earlier this month, the central bank formed a seven-member committee headed by Deputy Governor SM Moniruzzaman, asking it to recommend ways to bring down the interest rate to single digit as per an instruction of the finance ministry.

The committee has submitted a report to the finance ministry and the BB board.



ISLAMI BANK BANGLADESH

**Md Mahbub ul Alam, managing director and CEO of Islami Bank Bangladesh, addresses a programme organised at Islami Bank Tower on Monday to present scholarships to deceased employees' dependants.**

# Cobham says US firm set to complete takeover

AFP, London

British defence group Cobham said Monday that its 4.0-billion takeover by US private equity firm Advent International will complete next month, after the UK government approved the deal late Friday.

Britain had ordered a national security probe into US private equity group Advent International's bid, worth \$5.2 billion or 4.7 billion euros, in September.

Dorset-based Cobham is known for pioneering technology enabling the mid-air refuelling of planes, while it also makes electronic warfare systems and communications for military vehicles.

Just before the weekend, Business Secretary Andrea Leadsom signed off on the takeover deal, after Advent proposed legal undertakings that are aimed at mitigating possible national security concerns.

# Govt yet again extends tannery estate project

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At yesterday's meeting the Ecne approved a total of nine projects -- including the extension of the STIE -- involving Tk 4,611 crore, Planning Minister MA Mannan told this to the journalists after the meeting at his office.

At the meeting chaired by Prime Minister Sheikh Hasina, the committee also approved a project amounting Tk 267.35 crore to train more than 1 lakh youth in motor vehicle driving across the country.

Mannan said youths in all 64 districts will receive training with the view to becoming gainfully employed.

The interested youth will mainly receive training on driving and training on auto mechanics. The government will also recruit 128 practical trainers, 64 theoretical persons and 64 skilled persons to train the youth.

The minister also said the Ecne approved another project involving Tk 392 crore to construct a domestic bulk cargo terminal at Khanpur in Narayanganj.

Another project on modern waste management and clean-up of oil spilled from the Mongla port was approved at a cost of Tk 401 crore, Mannan said.

The government took this project to clean the water and save the ecosystem in the Sundarbans area as spilt oil from the ships are polluting river water at Mongla channel.

# Walton opens RAM chip production

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All these equipment will increase the value addition of Walton's products, he said.

“Currently we are adding about 40 percent value for computers, laptops and smartphones and it will increase in the next few months,” said Ali. Walton started off mobile handset assembly with smartphones in 2017 and currently churns out four lakh pieces a month.

At present they manufacture and market 21 models of laptops, six models of desktop computers, two models of full HD monitors and various models of pen drives, gaming and regular keyboards and mouse.

SM Rezaul Alam, chairman of Walton DG-Tech Industries, and SM Monjurul Alam Ovee, managing director, also attended the programme.

# India's oil import growth fastest in seven months



REUTERS/FILE

**A vehicle is seen waiting to be filled up with diesel at a petrol station in New Delhi, India.**

REUTERS

India's oil imports in November grew at their fastest pace in seven months, while diesel exports soared the most in about 2 years, indicating higher refinery runs amid falling local demand for gasoil due to a slowing economy.

India's November oil imports rose 12.7 percent to 19.17 million tonnes (about 4.7 million barrels per day), the biggest year-on-year increase since April, preliminary data from the oil ministry's Petroleum Planning and Analysis Cell (PPAC) showed.

“Some of the refineries were undergoing revamp because of fuel

upgrade projects, that was one reason why imports were low in the previous months,” said K Ravichandran, senior vice president at ICRA, a unit of Moody's Investors Service.

“Now all those refineries are coming back to production as we approach the deadline.”

India, the world's third-biggest oil importer and consumer, has set an April 1, 2020 deadline to migrate to Euro VI-compliant fuels to cut its carbon emissions.

India's oil demand has been subdued for most of the year mainly due to a slowdown in economy and refinery unit shutting for maintenance

and fuel upgrades. India's economy grew at its slowest pace in six years in the July-September quarter.

Indian refiners raised output of diesel expecting a spurt in demand for the fuel following implementation of new marine fuel rules from January 2020.

“Unfortunately domestic demand is not growing,” Ravichandran added.

Diesel demand, which is directly correlated to industrial activity, has been slow for most of the year, pressured by a prolonged monsoon season and softening industrial activity.

Analysts expect India's diesel demand to remain subdued until the second half of 2020.

The country's overall industrial output has fallen for three straight months for the first time since the global recession that began in 2008, with electricity demand falling for four consecutive months.

India has lowered its fuel demand growth estimates for the current fiscal year to a six-year low of 1.3 percent. Local sales of diesel are expected to grow 0.9 percent, the lowest rate in five years.

Refined fuel exports rose by 16.4 percent in November, the PPAC data showed, with diesel exports soaring by about 41 percent to register their biggest annual jump since January 2018.

Import of refined products rose 45.4 percent in November from a year earlier to 3.29 million tonnes mainly because of an increase in cooking gas and fuel oil imports, the data showed.

# Use of electronic locks to be made mandatory soon

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However, the exporter claimed that he did not do that, Bhuiyan said.

This type of incident would not have happened had the exporter used electronic seal and lock, said the NBR chief.

Local businesses should start using the system as India, Nepal and Bhutan would soon start using Chattogram and Mongla ports for overseas trade, he said.

“The business will go to hands of people in other countries if we do not do so.”

The NBR will buy more scanners to boost examination of export and import consignments, he said.

He asked customs officials to be vigilant to prevent shipment of empty containers to curb money laundering and duty evasion.

He directed customs officials to collect information about the use of modern equipment and scanners at private inland container depots.

Bhuiyan also shed light on installation of electronic fiscal devices at shops.

The first consignment of e-cash registers has already arrived and the devices would be installed by the end of this month or early January, he said.

# Burial plots for Tk 3.5 lakh

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The company is offering a 3.5 by 7 feet plot for burial at Panjora mouza of Kaliganj, Gazipur, which is a 25-minute drive from Kuril flyover, for Tk 3.5 lakh. There will be an additional Tk 20,000 service charge.

The private graveyard is built on 200 bighas, enough for 80,000 graves. Besides the graves, there will be a mosque, a madrasa, an orphanage, an old home and a child care centre, where all the modern facilities will be available.

“The plot owner will benefit from these installations in the form of ‘Sadquiya Jariya’ after their death,” Hossain said.

Besides, the customers will get all burial solution at free of cost.

There will also be a provision for mortuary to preserve bodies if needed and freezer van to transport the bodies from the desired pick-up point. The entire complex will remain under CCTV surveillance round-the-clock.

Registration will be completed within 24 hours of purchasing the plot, he said.

Thus far, two have been buried at the graveyard.

The five-day fair, organised by the Real Estate and Housing Association of Bangladesh (REHAB), began at the Bangabandhu International Conference Centre in Dhaka yesterday.

# Some realtors fleeing customers

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“We have issued a notice to land offices ordering them to provide necessary services to the public within a stipulated time in order to cut the scope for graft.”

Liaquat Ali Bhuiyan, first vice-president of the association, said the housing sector is directly linked with more than 250 sectors. If the housing sector improves, other sectors will also advance with it.

Co-sponsored by 27 realtors, the fair is featuring 230 stalls and the participants included 20 building material manufacturers and 13 financial institutions.



SMC ENTERPRISE

**National cricketer of Bangladesh Shakib Al Hasan attends as brand ambassador the launch of SMC Purified Drinking Water of SMC (Social Marketing Company) Enterprise at a Dhaka hotel on Monday.**