STOCKS		COMMODITIES		ASIAN MARKETS			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.39%	▲ 0.42%	$1,576.80 (per ounce)	$59.46 (per barrel)	▼ 0.46%	▼ 0.55%	▼ 1.81%	Closed
4,510.77	8,316.77			40,966.86	23,215.71	3,181.25	

CURRENCIES — STANDARD CHARTERED BANK

	$ USD	€ EUR	£ GBP	¥ CNY
BUY TK	83.95	91.70	108.97	11.90
SELL TK	84.95	95.50	112.77	12.50

Star BUSINESS

DHAKA WEDNESDAY JANUARY 29, 2020, *MAGH 15, 1426 BS* starbusiness@thedailystar.net

Private sector's appetite for credit craters

Hits the lowest since 2008 last month

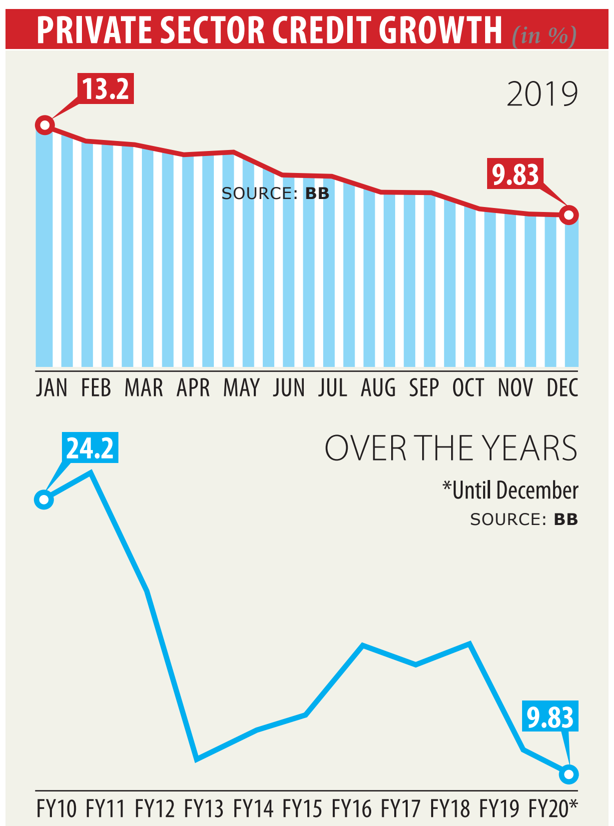
AKM Zamir Uddin

Private sector credit growth dropped to the lowest since 2008 in December last year, in continuation of its downward trend of the previous 21 months.

In December last year, the year-on-year credit growth stood at 9.83 percent, down from 9.87 percent from one month earlier, according to Bangladesh Bank data, which goes as far back as 2008.

"Private sector credit growth will decline significantly within the next three to four months if the government continues to borrow from banks heavily," said Ahsan H Mansur, executive director of the Policy Research Institute.

As of January 15, the government borrowed Tk 50,842 crore from the banking sector, exceeding its annual limit of Tk 47,364 crore for fiscal 2019-20.



The large revenue shortfall has compelled the government to borrow so heavily from banks, Mansur said.

As per the National Board of Revenue's provisional data, it logged in Tk 105,161 crore in collections for the first half of the fiscal year, up 7.3 per cent year-on-year. The sum missed the periodic target by Tk 31,507 crore.

The central has recently been forced to revise its key monetary and credit programmes, setting a fresh government sector credit growth of 37.7 per cent for fiscal 2019-20. In July last year, it had set the target of 24.3 per cent.

Besides, the government's recent decision to fix 6 per cent interest rate for deposits and 9 per cent for lending will create an extra pressure on private sector credit growth, said Mansur, also the chairman of Brac Bank.

Some banks have already started slashing the interest rate on deposit as per the government decision, which have forced depositors to withdraw their money.

"This will erode the banks' liquidity base further and shrink their capacity to disburse loans," he said.

Banks will also take a cautious stance in disbursing loans to private sector given the 9 per cent interest rate for lending as they will think the rate will not fetch them good profits, said Fahmida Khatun, executive director of the Centre for Policy Dialogue.

Businesspeople will not show interest in expanding their business as the country's business climate is far from ideal and that has hit the credit growth.

"Although Bangladesh advanced 8 notches in the World Bank's ease of doing business ranking to 168 out of 190 countries, this is not enough to give a boost to businesses."

Inadequate infrastructure, corruption and bureaucratic complexities discourage businesses from going for expansion by taking bank loans.

"The country has been enjoying political stability for months. But businesses are still dealing with unpredictability."

Against the backdrop, a portion of people are laundering money abroad for want of business-friendly environment, Khatun added.

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COLLECTED

***From left*, Michael Patrick Foley, Grameenphone's outgoing CEO; Yasir Azman, incoming CEO; and Jens Becker, chief financial officer, pose at its office in Dhaka yesterday after the mobile operator published last year's financial statement.**

GP takes first hit in bout with BTRC

Profits down, lower dividend announced

Star Business Report

Grameenphone's net profits last year contracted about 2 per cent to Tk 3,450 crore after seven years of positive growth, as its battle with the telecom regulator is started to draw blood from it.

This has pushed the operator, which is the largest listed company on the Dhaka Stock Exchange by market capitalisation, to declare its lowest divided in nine years: it announced 130 per cent cash dividend for its shareholders, down from 280 per cent in 2018.

The news has sent its stock down 1.99 per cent yesterday to Tk 266.

From July last year the country's leading mobile phone operator is combatting either bandwidth restrictions or a bar on network maintenance equipment imports, which impacted its service quality. And yet, its revenue increased 8.1 per cent year-on-year to 14,370 crore.

"We have delivered a solid business performance," said Michael Patrick Foley, Grameenphone's outgoing chief executive officer.

Thanks to excellent execution in the market and its network leadership position, Grameenphone has been able to navigate the many challenges that impacted its day-to-day operations.

"2019 was a particularly tough year for Grameenphone on the regulatory front."

The operator is in loggerheads with the Bangladesh Telecommunication Regulatory Commission over claims of unpaid dues amounting to Tk 12,579.95 crore.

In the fourth quarter Grameenphone was able to complete its ambition of rolling out 10,000 4G sites throughout their network, and with an added focus on 4G SIM conversion, they ended the year with 1.19 crore 4G users, Foley added.

Grameenphone also has secured 24.01 per cent net profit against total revenue, which also declined after four years of consecutive growth, according to the financial statement.

"Investors are disheartened with the lower dividend announcement," said a merchant banker requesting anonymity.

Since its regulatory tussles began in March last year, Grameenphone's stock price plunged about 31.80 per cent.

Grameenphone alone snatched about 10 points from DSEX, the benchmark index of the premier bourse.

It was the second most traded stock: about 6.15 lakh shares worth Tk 16.35 crore changed hand yesterday.

Fuad Hossain, a stock investor, said he was panicking in the last few months as Grameenphone's share price tumbled.

And yet he did not offload his shares. Not just that, he snapped up more stocks of Grameenphone, which is always generous with dividends, last week expecting higher dividends as the company's earnings grew.

"I am now disappointed," he said, adding that the company has handsome reserves.

Grameenphone's reserves and surpluses stood at Tk 2,123.26 crore, according to the data from the DSE.

However, Grameenphone its official response said this proposal has been made by the board in alignment with its dividend policy and current uncertainties.

Grameenphone's data revenue at Tk 2,990 crore is up 17 per cent year-on-year, while its voice revenue expanded 8.5 per cent.

It acquired more than 38 lakh new subscribers in last year, reporting a total of 7.65 crore subscribers at the end of 2019.

BY THE NUMBERS (grameenphone)

Revenue in **2019**: Tk **14,370**cr
Revenue in **2018**: Tk **13,280**cr

Data revenue in **2019**: Tk **2,990**cr
Data revenue in **2018**: Tk **2,550**cr

Active SIMs at the end of **2019**: **7.65**cr
Active SIMs at the end of **2018**: **7.27**cr

Active internet users at the end of **2019**: **4.06**cr
Active internet users at the end of **2018**: **3.71**rc

Average earning per customer in **2019**: Tk **156**
Average earning per customer in **2018**: Tk **157**

Population coverage **99.6**%
Geographical coverage **96.0**%
4G population coverage **74.5**%

It also reached four crore active internet data users and ended the year with 4.06 crore users, which is 53.1 per cent of its total subscribers.

"We witnessed healthy growth in data revenue and data usage and we want to reiterate our commitment towards meaningful consultations between our industry and our government that can enrich our service propositions and facilitate the current growth momentum of the country," Foley said.

Grameenphone chief financial officer Jens Becker said they have reported a solid business performance with strong margins in the fourth quarter of 2019.

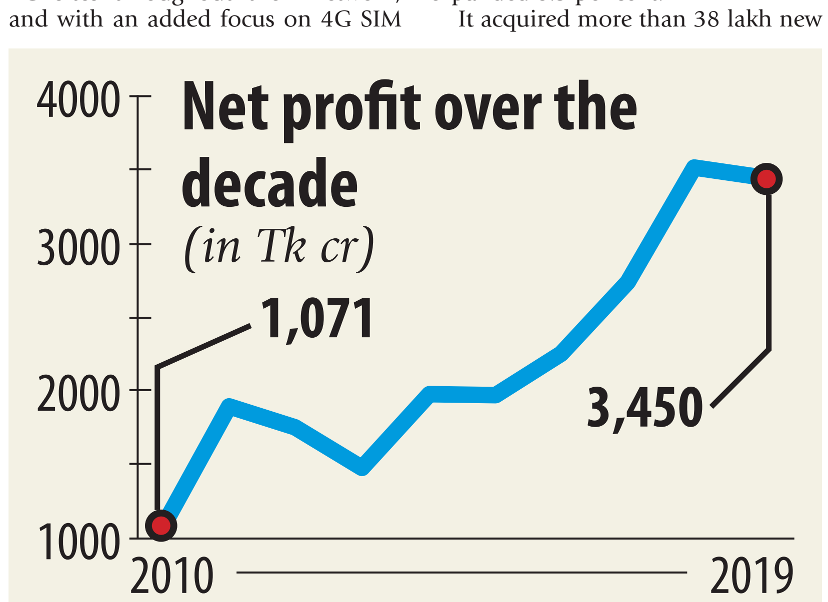
"We experienced a solid growth despite aggressive competition in data and seasonality challenges during this quarter. We will continue investing in the country and building a strong network and distribution ecosystem in order to deliver value to our shareholders and our customers," he added.

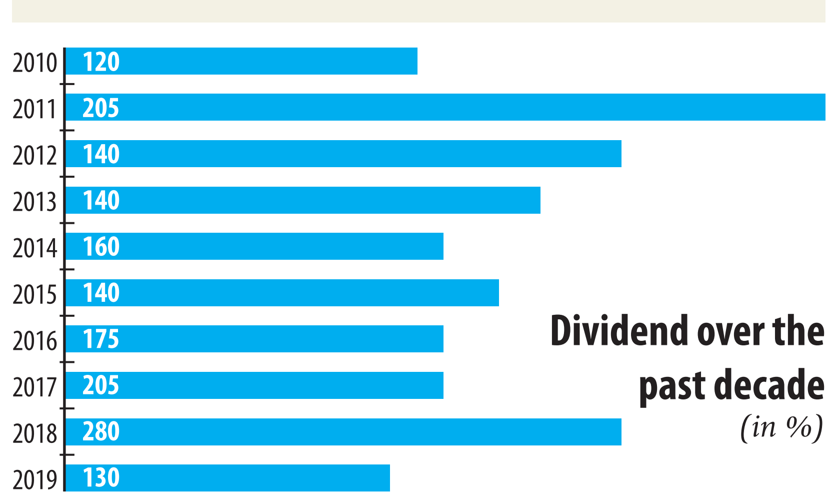
Last year, Grameenphone has invested Tk 1,390 crore to modernise network for the 4G rollout and other services, down from Tk 3,400 crore it spent a year earlier.

In the fourth quarter, it invested Tk 390 crore for network coverage, less than what was planned for, as a result of the bar on equipment import.

It added 715 new 4G sites along with network modernisation; the total number of sites stands at 16,508.

The operator's profit after taxes for the fourth quarter was Tk 920 crore, with a 25.4 per cent margin. Earnings per share (EPS) for the period stood at Tk 6.81. Grameenphone also paid out Tk 8,510 crore, which is equivalent to 59.2 per cent of its total revenues, to the national exchequer in the form of taxes, VAT, duties, fees, 4G licence and spectrum assignment.





'We will eat shares of other companies'

Says the CEO of Kansai Nerolac Paints, the new entrant to Bangladesh's paint market

Khondoker Md Shoyeb

Being amongst the fastest growing nations in the world in recent years, it is natural to assume that foreign companies would want in on Bangladesh.

So it was not a surprise that Japanese Kansai Paint shelled out $7 million or Tk 57.26 crore in 2018 for a 55 per cent stake of RAK Paints through its Indian subsidiary Kansai Nerolac Paints.

"To start in Bangladesh, we wanted to tie up with a good and compliant company, as Japanese people value transparency – and that's why we chose RAK Paints," Vishal N Mothreja, chief executive officer of Kansai Nerolac Paints Bangladesh, told The Daily Star in a recent interview.

Vishal N Mothreja

Established in 2009, RAK Paints had been a prominent name in the decorative and industrial paints sector with a turnover of more than Tk 100 crore on June 30, 2017.

"The team up was a win-win situation for both sides," he said, adding that being a Japanese company gives Kansai Paint better leverage as Bangladeshi people love Japanese brands due to their superior quality.

Kansai Nerolac Paints wasted no time in making a space for itself in Bangladeshi consumers' heart: it clinched the contract to supply paint to the Dhaka metro rail project.

The paint industry is growing at around 10 per cent a year.

"We will eat shares of other companies. We are now spending on contractors, marketing, consumers, painters, architects."

The growth of the local automotive industry has also attracted Kansai Nerolac to Bangladesh.

"The increased number of two-wheelers hitting the road every day is creating new business opportunities for us," said Mothreja, adding that almost 70 per cent of the cars manufactured in India use Kansai Nerolac.

A 101-year-old company, Kansai Paint entered India by acquiring 75 per cent stakes in Nerolac in 1999. Today, it is the largest industrial paint and third largest decorative paint company of India, with five paint manufacturing facilities across the country.

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KANSAI NEROLAC'S BANGLADESH FORAY THUS FAR:

- Forks out Tk 57.26cr for 55pc stakes of RAK Paints
- The acquisition took place in Jun 2018
- Launched 7 varieties of Nerolac products in Feb 2019
- Growing at 25pc since acquisition
- Scores contract to supply paint for Dhaka's Metro rail