

■ DHAKA TUESDAY MARCH 23, 2021, CHAITRA 9, 1427 BS ● starbusiness@thedailystar.net

# Non-banks' dividend capped at 30pc

AKM ZAMIR UDDIN

The central bank yesterday imposed a dividend cap of 30 per cent on non-bank financial institutions (NBFIs).

Of the amount, the NBFIs will have to pay 15 per cent in the stock dividend, and the rest will be paid in the form of cash.

On February 24, Bangladesh Bank had barred the NBFIs from paying more than 15 per cent in cash dividend. It said nothing about the stock dividend.

But some of the NBFIs, along Bankers Association, repeatedly requested that the central bank reconsider the decision to allow the payment of more than 15 per cent dividend.

"They misinterpreted the issue, wide range of scams. alleging that the instructions of

NEW

**HOTLINE NUMBER** 

impact on the capital market," said a central bank official.

The BB asked some of the NBFIs in the first week of February not to declare dividends in excess, given the ongoing slowdown in business.

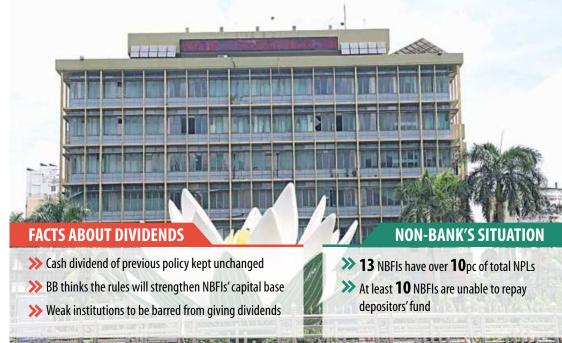
Still, some of the NBFIs announced excessive dividend, ignoring the regulatory instruction.

The central bank has issued the notice with the revision to bring an end to all misinterpretations.

This is the first time in recent years that the BB gave a directive to the NBFIs to be cautious in with the Bangladesh Merchant providing dividends, given the vulnerable financial health of some lenders.

A good number of NBFIs face a capital shortage and high amounts of classified loans because of a

As per the central bank policy, giving 15 per cent cash dividend the NBFIs, which have a capital have already put an adverse adequacy ratio (CAR) of less



loans of more than 10 per cent, will not be able to declare any dividend.

The central bank said the need to get approval to announce dividends.

at least 10 of them struggle to pay of its risk-weighted assets and

than 10 per cent and default back depositors money despite those reaching maturity.

As of December 2020, the CAR of six of the NBFIs was less than what was required to be NBFIs whose default loans went maintained, which is 10 per cent. past more than 10 per cent would A total of 13 had default loans of more than 10 per cent.

The CAR is a ratio of capital of a Bangladesh has 36 NBFIs, and financial institution as percentage

current liabilities. Regulators fix the CAR to protect depositors' money.

Industry insiders say following the BB order, many of the NBFIs would not be allowed to declare either cash or stock dividend for their shareholders for the year that ended on December 31 as their ratio of classified loans was

infections in the country.

of 5,500 birds in Gazipur.

Shab-e-Barat.

the middle of April.

shut operations.

"Many poultry farms have been

shut because of the pandemic.

said Abu Taher, who runs a farm

Insiders say the demand for

Muslims in Bangladesh will

observe the Shab-e-Barat on the

night of March 29. The Pahela

Baishakh festival will be held in

Moshiur Rahman, president of

the Bangladesh Poultry Industries

Central Council, said many

poultry farms had suffered losses

after demand collapsed because

of the pandemic, forcing many to

Breeders used to hatch 1.40

crore day-old chicks every week

before the outbreak of the pandemic. The weekly production

came down to 70-75 lakh in April

chicken meat shot up ahead of

They are yet to restart farming

#### Joint ventures in EPZs now eligible for export loans

AKM ZAMIR UDDIN

The central bank yesterday allowed "Type-B" companies in export processing zones (EPZs) to enjoy foreign currency loans from an export development fund (EDF).

A good number of companies in the EPZs have been facing a slowdown in business over the past couple of months due to the coronavirus pandemic, which has played a role in the "Type-B" companies being made eligible for the EDF loans, said a central bank official.

There are three types of companies in the EPZs, namely

Firms with 100 per cent foreign ownership are considered "Type-A". Joint venture companies with foreign and Bangladeshi ownerships are treated "Type-B" and those with 100 per cent Bangladeshi ownerships "Type-C". Several years ago the central bank allowed "Type-C"

companies to enjoy loans from the EDF. The eligible companies can use the fund to settle backto-back letters of credit, which helps them smoothly procure industrial raw materials.

This will ultimately help them produce items for export

A company, which is a member of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), will be permitted to avail a maximum of \$25 million from the EDF.

Those which are not members can avail \$15 million each. Though the loan had to be paid back within three months from the date of disbursement, the central bank recently increased the repayment tenure to six months, given the business slowdown caused by the pandemic.

The extended repayment tenure will stay in effect until June this year.



Garment items are being processed for exports at a factory.

Bangladesh Bank earlier brought down the interest rate on the EDF to help exporters recover from the economic

impact of Covid-19 as well. Banks now receive the fund from the central bank at 0.75 per cent interest rate and will be allowed to charge borrowers a maximum 1.75 per cent in interest, it said.

The previous rate was 2 per cent.

In April last year, the central bank also increased the EDF's volume to \$5 billion from the previous \$3.50 billion as a part of the government's ongoing efforts to boost

"This will help the exporters, who are facing a range of crisis due to the pandemic," said Kutubuddin Ahmed, chairman and founder of Envoy Group, a conglomerate focusing on readymade garments and textile manufacturing. But the central bank should cautiously monitor the use

of the fund such that eligible companies get the foreign currency loans on time, he said.

"If required, the central bank should increase the volume of the fund further in the interest of the economy,"

The revolving fund was introduced at just \$100 million in 2006. The central bank gradually increased the fund's volume due to rising demand and swelling foreign READ MORE ON B3 | exchange reserves, which is now more than \$43 billion.

### Chicken meat dearer as demand rises

STAR BUSINESS REPORT

Prices of chicken meat have risen and ensuing Shab-e-Barat and Pahela Baishakh festival fuelled the demand for the protein, said industry operators yesterday.

The spiral has further stretched the wallets of consumers, who are already bearing the brunt of higher prices of staple rice and edible oil.

In Dhaka, consumers are paying up to Tk 170 to buy one kilogram of broiler chicken from neighbourhood retail shops. The prices of broiler chicken

ranged from Tk 150 to Tk 160 per

kg in Dhaka yesterday, up 3 per cent from a month ago. The prices were 24 per cent higher from Tk 120-Tk 130 per kg witnessed on the same day a year ago after demand

dropped substantially after the

government announced the



maiden case of coronavirus Amid a slump in demand, a large number of poultry farms had to shut operations, industry insiders say.

## Stocks make a comeback

NRB Commercial Bank soars 32pc on debut



#### JAGARAN CHAKMA

Beacon may ship \$5m

pharma products to Syria

Beacon Pharmaceuticals, the local pioneer of oncology product manufacturing, may export \$5 million worth of pharmaceuticals to Syria by December this year -- a huge development for the local pharma industry.

The shipment will make Syria the single largest export destination for Bangladeshi pharmaceuticals.

"We will get registration from the government of Syria to export drugs by June," said Md Ebadul Karim, managing director of Beacon Pharmaceuticals.

"We are also in the process of availing a certificate of Good Manufacturing Practice (GMP) from the Ministry of Health (MoH) of Syria," he added.

The company will export oncology, general and cephalosporin drugs to Syria, according to the managing director.

Karim also said it is a proud moment for the country as the international community's confidence on made in Bangladesh pharmaceuticals products has

Sri Lanka is currently the top destination of drug shipments for Bangladesh with \$4.7 million in FY 2019-20 followed by Kenya with \$4.2 million.

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many stocks lucrative.

The country's stock market bounced back

yesterday after crashing for two days, turning

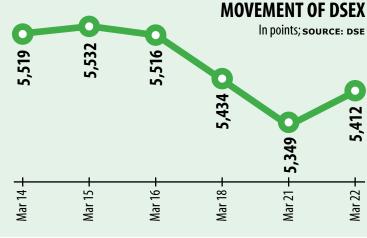
The DSEX, the benchmark index of the

DSE, went up 62 points, or 1.16 per cent, to

5,412 yesterday. In the previous two days of

trade, it dropped 166 points, or by more than

As many well-performing companies' stocks also fell in the last two days, they



can now be considered lucrative, said stock investor Sohel Rana.

**STOCK TURNOVER** 

In crore taka; source: DSE

of infections of the coronavirus, they continued to buy shares, he said.

Though investors are still fearful about the rise

Now support from institutional investors is needed for the index to continue to rise, Rana added. Meanwhile, NRB Commercial Bank made its debut on the bourse yesterday, when it soared 32 per cent.

Turnover, an important indicator of the market, increased 12 per cent to Tk 693 crore.

Rumours have been going around that the market could be shut down as part of effort to contain the pathogen, said a stock broker.

Mar 21

Mar 18

Mar 16

Yesterday the stock market regulator issued a press release informing that the market would remain open if the banks continue operations.

The spread of the pathogen may hamper business of listed companies, said the broker. 'So, investors were cautious in buying stocks in the previous days," he said.

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