

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
▲ 0.02%	▲ 0.15%	\$1,780.12	\$65.90	▼ 0.51%	▼ 2.03%	▼ 1.16%	▼ 0.00%	BUY TK	83.95	99.90	116.55	12.69
5,423.22	9,478.46	(per ounce)	(per barrel)	47,705.80	28,508.55	3,155.06	3,472.93	SELL TK	84.95	103.70	120.35	13.34

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# Star BUSINESS

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## Banking stocks lose grace for high defaulted loans

### PERFORMANCE OF BANKING STOCKS

- 31 banks are listed
- Five trade below face value
- 12 trade between Tk 10 and Tk 15
- Five hover between Tk 15 and Tk 20
- Most banks are paying more than 10% dividend

AHSAN HABIB

Once known to many for their attractive stocks, banks are a long way from raising adequate interest among stock market investors as confidence has been sunk by high amounts of non-performing loans and low asset value.

Among the listed 31 banks, 21 are witnessing their stocks of a face value of Tk 10 being traded at less than Tk 20.

Stocks of AB Bank, First Security Islami Bank, ICB Islamic Bank, National Bank and Standard Bank even traded below the face value.

"Investors are not buying banking shares for mainly two reasons. One is for the vulnerability of the sector," said Prof MA

Baqi Khalily, a former director of Dhaka Stock Exchange (DSE).

"Meanwhile some investors do not want to invest in stocks of banks that offer interest on deposit. So they only go for Shariah-based banks," he said.

On the vulnerability, Khalily, former chairman of the Department of Finance at the University of Dhaka, said, "The non-performing loans are the main reasons for the vulnerability."

Default loans stood at Tk 88,734 crore last year, which was 7.66 per cent of the outstanding loans at that time, showed data from Bangladesh Bank.

The borrowers got an opportunity of not having to repay loans for one year considering the fact that business has been hampered during the pandemic but this may lead to the creation of a default culture, he said.

On the other hand, the loans will be accumulating in the coming years, so their burden will rise, which again leaves a risk of higher default loans, he said.

The moratorium on bank loan repayments was introduced in mid-March 2020. It was extended up to December last year as the crisis persists.

Answering a question, the financial sector analyst said the banking sector was not healthy. Moreover, big companies are now not keeping any collaterals against their loans, he said.

Banks are giving loan on the basis of their relationships with clients; if the businesses become defaulters, banks will not be able to get the money back, said Khalily.

This type of banking is increasing the risks of the banking sector.

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PALASH KHAN

"Brother, what do you need?" Shop assistants line the roads in the capital's Bangshal to identify potential customers from passers-by. Keeping shutters down so as to not draw the attention of law enforcers for not abiding by the ongoing lockdown restrictions, they try to continue their trade of selling motorcycle parts and accessories. Once a product is sought, they scurry away into the alleys for its retrieval from storage. The transaction completes right on the street. The photo was taken recently.

## Shop-owners desperate to stay afloat

SUKANTA HALDER

Anyone visiting Dhaka's Bangshal road, known for spare parts of bikes and bicycles, would see a different scene.

There is thin traffic on the street, which remains busy on normal days. Shops are shuttered with people of different ages either standing or sitting on stools in front of the shuttered stores.

Initially, it may appear to a bystander that these people are chatting or passing idle time as the government has imposed a curb on keeping stores open to slow the spread of the coronavirus pandemic, which caused the deaths of 10,683 people so far in Bangladesh.

However, if you halt for a moment, you may hear curious voices coming from the roadsides or see someone approach you, asking, "Are you looking for anything?"

This was how Mazharul Islam Masud was asking bikers and passers-by on the Bangshal road on Tuesday afternoon.

The owner of an auto parts store was sitting on a stool just in front of the shop with two-thirds of shutters opening, and eagerly asking people to sell parts of bikes and other components in order to remain afloat in the business.

"I know there is a restriction on the opening of shop. But what can I do? The fasting month of Ramadan is on, and there are a lot of expenses to meet daily necessities."

"If I can open my shop, I can sell and earn. If I sit idle at home, my family becomes worried about income and survival. It is a tough time for me," said a gloomy Masud.

The 40-year-old has borrowed Tk 100,000 to buy parts to sell ahead of Eid-ul-Fitr and meeting other family requirements as his sales dropped in the wake of the economic slowdown for the pandemic.

In normal times, Masud could sell parts worth Tk 20,000 daily. Until the afternoon on Tuesday, he could sell only Tk 800 worth of parts. The amount, albeit insignificant compared to the regular flow of revenue, helped him meet some family expenses.

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## Construction work of first private hi-tech park begins

Initial investment \$200m

STAR BUSINESS REPORT

The construction of the Korean EPZ Hi-Tech Park in Anwara upazila of Chattogram began yesterday as its owner looks to set up Bangladesh's first private enclave for information technology firms and startups.

The ground-breaking ceremony was virtually attended by Zunaid Ahmed Palak, state minister for ICT, and LEE Jang-keun, ambassador of the Republic of Korea to Bangladesh, with the physical presence of Kihak Sung, chairman & CEO of Youngone Corp and the KEPZ, according to a press release.

The park is located on an area of about 100 acres in the Korean Export Processing Zone (KEPZ), which is also the country's first private EPZ.

In February, a tripartite agreement was signed between the Bangladesh Hi-Tech Park Authority, the KEPZ and Startup Bangladesh to develop a hi-tech industry and innovation ecosystem.

The park will have a 41-storied IT building, which will house several software development facilities. This will create jobs for up to 20,000 people when fully implemented, said the statement of the KEPZ Bangladesh.

The park will also have universities and schools and a community complex with service apartment.

Youngone Corporation is setting up its first IT-related infrastructure for its sister concern Tekvision (BD) Ltd in the park.

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## Clothing brands still see Bangladesh as a major supplier

Says CPD-IPS study

STAR BUSINESS REPORT

Despite the uncertainty caused by the coronavirus pandemic, international clothing brands are confident that Bangladesh will remain a major source of apparels in the coming months, according to a new study.

The Centre for Policy Dialogue (CPD), a think-tank based in Dhaka, and the Institute of Policy Studies (IPS) of Sri Lanka, carried out the study.

China, Bangladesh, Sri Lanka and Vietnam are major players in the global supply chain of the apparel business.

Medium-term challenges will closely correlate with the extent to which the coronavirus is contained. The second wave has significantly reduced demand in prominent markets such as the US, the UK, and the EU, the study said.

The findings of the study were presented at a webinar on "Recovery of the apparel sectors of Bangladesh and Sri Lanka: is a value-chain-based solution possible?" on Tuesday. Khondaker Golam Moazzem, research director of the CPD, and Kithmina Hewage, a research economist at the IPS,



China, Bangladesh, Sri Lanka and Vietnam are major players in the global supply chain of the apparel business.

PHOTO: STAR/FILE

made a joint presentation.

The study found that major sourcing countries have either re-shored or over-concentrated to a limited number of sourcing countries during the pandemic period.

"There is a limited level of initiatives of major market players to keep the suppliers of major sourcing countries and the world of work in uncertainty to address the medium-term challenges."

A significant shift in the distribution of export orders by buyers during the Covid-19 period (January-June 2020) has deprived several major supplying countries, including Bangladesh and Sri Lanka.

Bangladesh's share in global knitwear markets fell from 8 per cent in the pre-pandemic level to 6 per cent in June last year. Similarly, the country's share in the woven segment declined from 7 per cent to 6 per cent during the period.

Analysis shows that an additional \$2 billion worth of orders could be redistributed to supplying countries if the pre-COVID period's market share of export orders is maintained in the case of the largest supplying country - China.

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## GP net profit drops 16pc Brac Bank registers Tk 454cr net profit

STAR BUSINESS REPORT

Grameenphone, the country's biggest mobile phone operator, saw its net profit drop 16 per cent year-on-year to Tk 890 crore in the January-March quarter of 2021, impacted by a reduction in inter-connection revenue and economic uncertainties from Covid-19.

The telecom operator reasons higher finance cost and tax expense last year.

It reported generating Tk 3,481 crore in revenue in the three months, down 3.7 per cent year-on-year.

Stocks of Grameenphone declined 0.74 per cent to Tk 336 yesterday on the Dhaka Stock Exchange board.

The business outcome came a day after its shareholders approved 275 per cent cash dividend at its annual general meeting.

Grameenphone said it acquired 17



lakh new subscribers in the quarter, taking the total to 8.07 crore, which is 46 per cent of the country's 17.33 crore mobile phone subscribers as of February.

Of them, 51 per cent are using

internet and the number of 4G technology users stood at 2.15 crore.

"Several significant milestones were achieved in the first three months of 2021," said CEO Yasir Azman.

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STAR BUSINESS REPORT

Brac Bank registered a net profit of Tk 454 crore last year, sidestepping the business slowdown caused by the coronavirus pandemic.

The net profit, however, stood at Tk 403 crore on a consolidated basis given the performance of all its subsidiary companies, according to a press release issued by the bank.

The net profit has been reached upon deduction of tax paid to the government.

The private lender disclosed its annual performance for last year through a virtual earning disclosure programme on April 19.

Earnings per share (EPS) of the bank stood at Tk 3.42 on a standalone basis and Tk 3.33 on a consolidated basis.

The lender said it was able to successfully reorganise its operations very early on to embrace new health and safety measures, roll out a virtual

operations platform and significantly expand its digital customer solutions.

It said to have allowed the bank to continue to serve its customers during the pandemic and leverage off the economic recovery in the second half of the year.

The bank's board has recommended 10 per cent cash dividend and 5 per cent stock dividend for formal adoption at its annual general meeting, which is scheduled to be held on May 27.

Customer deposits grew by 9 per cent year-on-year while the current account and savings account (CASA) improved from 43 per cent to 55 per cent, which the bank sees as a reflection of a successful deposit mobilisation and interest rate

management strategy.

The bank said to have adopted a cautious stance in growing its customer loan portfolio in 2020 with a 3 per cent annual net growth.

Customer lending said to have started the year strongly but was then impacted by the pandemic. Meanwhile small and medium enterprises (SME) lending grew well at 17 per cent.

The non-performing loan (NPL) ratio in the bank dropped to 2.9 per cent last year, reflecting regulatory forbearance, while the NPL coverage ratio was enhanced to 171 per cent to build reserves against potential bad debt challenges arising out of the pandemic.

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