

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.29%	▲ 0.39%	\$1,798.30	\$67.73	▲ 0.41%	▲ 1.78%	▼ 0.49%	▲ 1.45%	BUY TK 84.25	97.23	113.63	12.68
6,862.42	11,989.11	(per ounce)	(per barrel)	55,555.79	27,494.24	3,087.56	3,477.13	SELL TK 85.25	101.03	117.43	13.34



BUSINESS

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Default loan rates highest in shipbreaking, SME

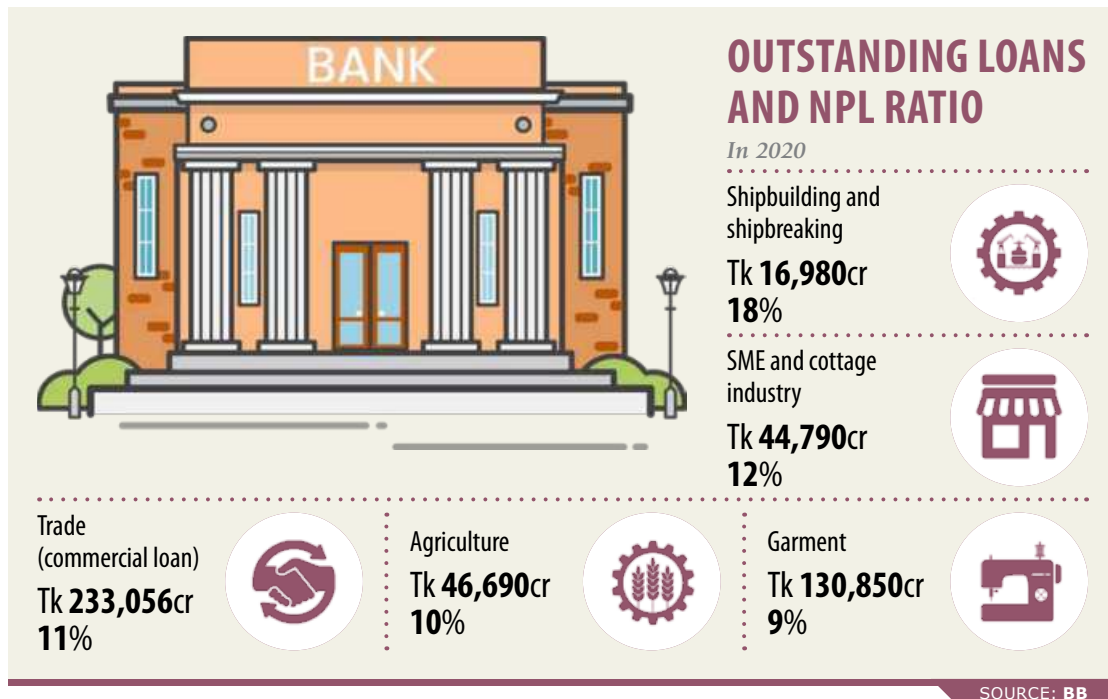
AKM ZAMIR UDDIN

Shipbreaking and shipbuilding, small and medium enterprises, trading, agriculture and garment are the top five sectors that generated the highest level of bad loans in Bangladesh in 2020, official figures showed.

Fund diversion by borrowers, lack of farsightedness among businesses when it came to investment, and banks' failure to maintain due diligence were mainly responsible for the highest amount of default loans in the sectors.

As of December last year, banks gave out funds amounting to Tk 16,980 crore in the shipbuilding and breaking sector. Of the volume, 18 per cent turned into non-performing loans (NPLs), the highest ratio among all of the sectors, according to data from the central bank.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said a majority of shipbuilders lacked foresight when it came to expanding their business.



He said shipbuilders took a hefty amount of loans and expanded their capacity. "But they did not assess the global market before producing ships. As a

result, many businesses failed to sell their products on time."

Md Saiful Islam, chairman of Western Marine Shipyard, the leading shipbuilder in Bangladesh, said his company had operated business successfully between 2001 and 2010.

Then, the global and eurozone financial crises hit the shipbuilders in Bangladesh.

"The global demand for ships nosedived after the crises," he said.

But there is a ray of hope as demand had started to pick up, said the entrepreneur.

He requested the government to extend policy support to the sector so that it could regain its previous position in the global market.

Enterprises in the shipbreaking sector chiefly diverted funds, said Rahman.

Emranul Huq, managing director of Dhaka Bank, said there were many wilful defaulters in the ship breaking sector.

Md Abu Taher, president of the Bangladesh Ship Breakers and Recyclers Association, said of the 160 member companies in operation.

The companies purchased old ships at higher prices, but they failed to sell scraps due to lower demand.

"As a result, they could not repay loans. And banks also showed reluctance in providing more loans to protect them from the debacle," Taher said.

The CMSME sector had the second-highest level of NPLs, which accounted for 12 per cent of the total outstanding loans of Tk 44,790 crore as of December.

The elevated NPL ratio has been a common phenomenon in the sector for years as their financial condition is weak. As a result, CMSMEs become defaulters when their business faces any crisis.

The NPLs facing the commercial loans in the trading sector stood at Tk 24,700 crore, or 11 per cent of the outstanding loans.

A majority of commercial loans are usually provided in the form of working capital.

Huq says client selection by banks is important before disbursing commercial loans.

Many commercial loans are given out based on the aggregate products available at their depots. But a good number of borrowers did not repay the loans on time despite selling goods, which resulted in a large volume of NPLs in the sector, said Huq.

Default loans in the agriculture sector stood at Tk 4,465 crore, which is 10 per cent of the loans disbursed among the farmers.

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Tk 3,000cr refinance scheme for farmers

AKM ZAMIR UDDIN

The Bangladesh Bank yesterday decided to roll out a fresh refinance scheme worth Tk 3,000 crore for the agriculture sector.

The board of the central bank took the decision at a meeting to protect farmers from the ongoing economic hardship stemming from the coronavirus pandemic. Farmers will be able to take loans at a 4 per cent interest rate from banks under the refinance scheme, said an official of the Agricultural Credit Department of the BB.

Lenders will receive funds at a 1 per cent interest rate from the scheme. This will provide them with an interest rate margin of 3 per cent.

The repayment period for the loans is 18 months, including a grace period of six months.

Banks will give out at least 30 per cent of the targeted amount under the package to the crop sector.

In April last year, the central bank rolled out a stimulus package amounting to Tk 5,000 crore. About 92 per cent of the fund has been disbursed.

The tenure of the fund expired in June. Against this backdrop, the central bank has decided to introduce the new scheme to help farmers.

Banks' provision shortfall surges

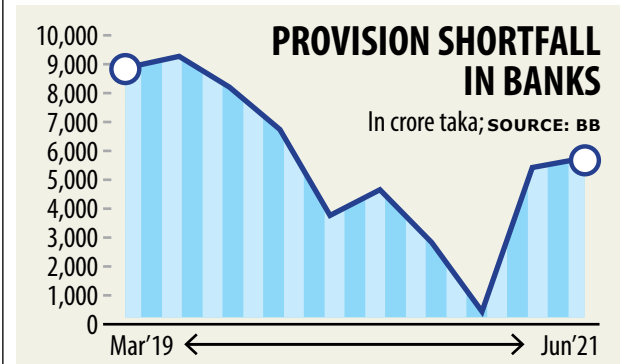
Soaring bad loans to blame

STAR BUSINESS REPORT

The provision base of the banks in Bangladesh deteriorated further in the second quarter of 2021 because of the surging bad loans, highlighting the worsening health of the financial industry.

The shortfall stood at Tk 5,583 crore at the end of the March to June period, up a staggering 40 times from December last year and 7 per cent from three months earlier, data from the Bangladesh Bank showed.

The deficit was up 24 per cent year-on-year.



A provision shortfall occurs when a financial obligation exceeds the amount of cash available.

It can be temporary, arising from a unique set of circumstances, or persistent, indicating poor financial management practices.

Banks have to set aside 0.50 per cent to 5 per cent of their operating profit as a provision against general category loans, 20 per cent against classified loans of substandard category, and 50 per cent against classified loans of doubtful category.

It has to keep aside 100 per cent against classified loans of bad or loss category.

The provision situation may erode further as default loans could escalate in the coming days since there is no sign of improvement from the ongoing business slowdown.

Between March and June, the shortfall widened due to the lacklustre performance of 11 banks, which faced a combined deficit of Tk 14,858 crore.

The banks are Agrani, BASIC, Janata, Rupali, Bangladesh Commerce, Dhaka, Mutual Trust, National, Social Islami, Standard, and Bangladesh Krishi Bank.

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Meghna Group now making ceramic tiles

Opens Fresh Ceramics factory in Narayanganj

STAR BUSINESS REPORT

The Meghna Group of Industries (MGI) has recently entered the domestic ceramic industry by establishing its own Fresh Ceramics brand.

It invested nearly Tk 500 crore to set up a ceramic manufacturing facility in Ashariar Char in Narayanganj, creating an opportunity to directly employ around 1,000 people.

The local ceramic industry has registered an annual average growth rate of about 15 per cent since fiscal 2015-16, according to data from the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA).

In fiscal 2019-20, about Tk 4,597 crore worth of tiles were sold, according to the BCMEA data.

Of the total consumption, local brands accounted for about 84 per cent, or Tk 3,856 crore,

while imports the remaining Tk 741 crore.

Now, there are 31 ceramic manufacturing facilities in the country with a combined annual production capacity of 2,064 lakh square metres.

Total investment in the industry currently stands at about Tk 5,235 crore while it employed around 19,883 people directly, showed the BCMEA data.

The MGI has considerable investments in the construction materials industry for its Fresh Cement brand.

Kazi Mohiuddin, senior general manager of the MGI, said the demand for construction materials, including ceramics, was rising in line with rapid urbanisation in Bangladesh over the past decade.

Against this backdrop, the MGI decided to invest more in the sector and grab a share of

the growing ceramic industry, he added.

The MGI assures Fresh Ceramics to be a quality product and delivery guarantees to general customers.

Mohiuddin went on to say that it took about one-and-a-half years to complete construction of the new facility and begin operations.

He also claimed that world-class machinery were being used

at the unit to produce high-quality ceramic tiles that were "better than any other in the market".

Regarding prices, Mohiuddin said the MGI always markets quality products at affordable prices, which would be determined in accordance with current market trends.

"The MGI brings products to the market keeping in mind the needs of all types of consumers. In the future, we will have the full range of products," he added.

With a daily manufacturing capacity of 40,000 square metres, Fresh Ceramics will produce a number of variations of two types of ceramic tiles for floors and walls.

Including the new Meghna Ceramic Industries Limited, there are now 48 business units operating under the MGI employing about 40,000 people.

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Plan for 1 lakh tonnes of mango export

Agriculture minister asks officials

STAR BUSINESS REPORT

Agriculture Minister Muhammad Abdur Razzaque yesterday instructed the ministry officials and other agencies concerned to prepare a roadmap to take annual mango exports to 1 lakh tonnes within the next three to five years.

Bangladesh produces 25 lakh tonnes of mango a year but exports only a few hundred tonnes, he lamented.

The government is identifying the obstacles and embassies will be contacted to form committees comprising different officials to find new markets, he said.

Meanwhile, work is underway to set up three vacuum heat treatment plants while good agricultural practices are being implemented, all to maintain quality standards from production to shipment and ensure mangoes are safe for consumption, he said.

Besides, the government has been issuing phytosanitary certificates, resulting in a fivefold increase in export this year compared to that last year, he added.

The minister was addressing a workshop titled "Improved Management of Mango for Increasing Mango Exports" organised by Hortex Foundation at Bangladesh Agricultural Research Council in Dhaka.

According to the Department of Agricultural Extension (DAE), 1,623 tonnes of mango were exported last fiscal year. Only 283 tonnes were exported in fiscal 2019-20.

Hi-tech relief from perennial pain

Working women getting sanitary napkins through local startup's IoT-powered vending machines

MAHMUDUL HASAN

Getting her period at work has always made garment worker Roksana Aktar uncomfortable.

Sanitary napkins had never been an affordable option for her. She only knew of using rags or sometimes garment waste called "jhoot".

Aktar saw the unhygienic substance being used by many of her colleagues at different factories she had worked in the past 18 years. Some skipped work for the day altogether.

But relief has come for Aktar and her current 6,300 female colleagues, thanks to Fakir Fashion installing three sanitary napkin vending machines at its Narayanganj factory in May.

"Now when I get my period, I just touch my office ID on the machine and a sanitary napkin comes out," Aktar told The Daily Star recently.

"It is similar to or easier than withdrawing money from an ATM," she said. Moreover, the price of the hygiene products is subsidised by the factory, so an



Easily accessible and inexpensive sanitary napkins made available through IoT-enabled vending machines, such as this one at Fakir Fashion's Narayanganj factory.

employee has to pay just Tk 12 to avail one packet containing five menstrual pads.

Fakir Fashion says it plans to introduce them on all their premises.

The internet of things (IoT)-based dispensers were built and installed by local tech startup Vertical Innovations.

"It is completely locally made. So our production cost is very low," said Rezwana Ahamed Noor, the startup's CEO.

Branded "Jyoti", the machines come in three models: lite, pro and standard.

The startup charges Tk 15,000, Tk 20,000, and Tk 30,000 respectively for installation and supplies and replenishes stocks. All their vending machines are connected to a cloud server, sending data such as inventory status round the clock, which does away with the machines ever having to run out of products, and enabling remote operations.

"All users with ID cards are registered at the central system. We can allocate weekly, monthly, daily consumption limits. Only authorised users can make purchases," said Noor.

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