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BB to sign MoU with banks to cut default loans

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Bangladesh Bank plans to sign a memorandum of understanding (MoU) with 10 commercial banks for taking various steps on a pilot basis, including periodically publishing their lists of defaulters, in a bid to reduce their default loans.

The central bank recently shared this plan with a visiting mission of International Monetary Fund (IMF).

The IMF mission submitted a statement to government high-ups on Thursday wrapping up its nine-day tour.

A finance ministry official said the IMF mission provided its preliminary findings in the statement and a detailed report would come later.

In the statement, the international lender mentioned four major reform priorities to boost medium-term growth prospects.

IMF stresses strengthening corporate governance of banks and adopting risk-based supervision

These include strengthening corporate governance of banks, adopting risk-based supervision and strictly enforcing the current prudential framework and withdrawing waivers and phase-in periods for required provisions.

It also spoke of reforming the legal system to support a stronger enforcement of creditor rights and incentives for debtors to make repayments.

The IMF said the government informed them that they would amend the bank related acts by the end of this year.

According to the IMF statement, tackling the high amount of non-performing loans (NPLs), especially in state-owned commercial banks, remains a major challenge.

"Bangladesh Bank plans to sign memorandums of understanding on a pilot basis with 10 commercial banks to devise a credible plan to reduce NPLs," it stated.

"In the interim, BB (Bangladesh Bank) should resume publishing data on 'stressed advances' as done until 2018," it read.

"Ensuring that the classification and provisioning requirements are in line with Basel standards and conducting an asset quality review of SOCBs (state-owned commercial banks) is an important first step," it added.

Non-performing loans totalled Tk 113,441 crore in March, seeing a 19.3 per cent year-on-year surge.

An official of Bangladesh Bank said another technical mission from the IMF would come later to provide assistance to the central bank for reducing default loans.

In the IMF statement, it was mentioned that greater supervisory oversight, including developing internal NPL management skills and setting

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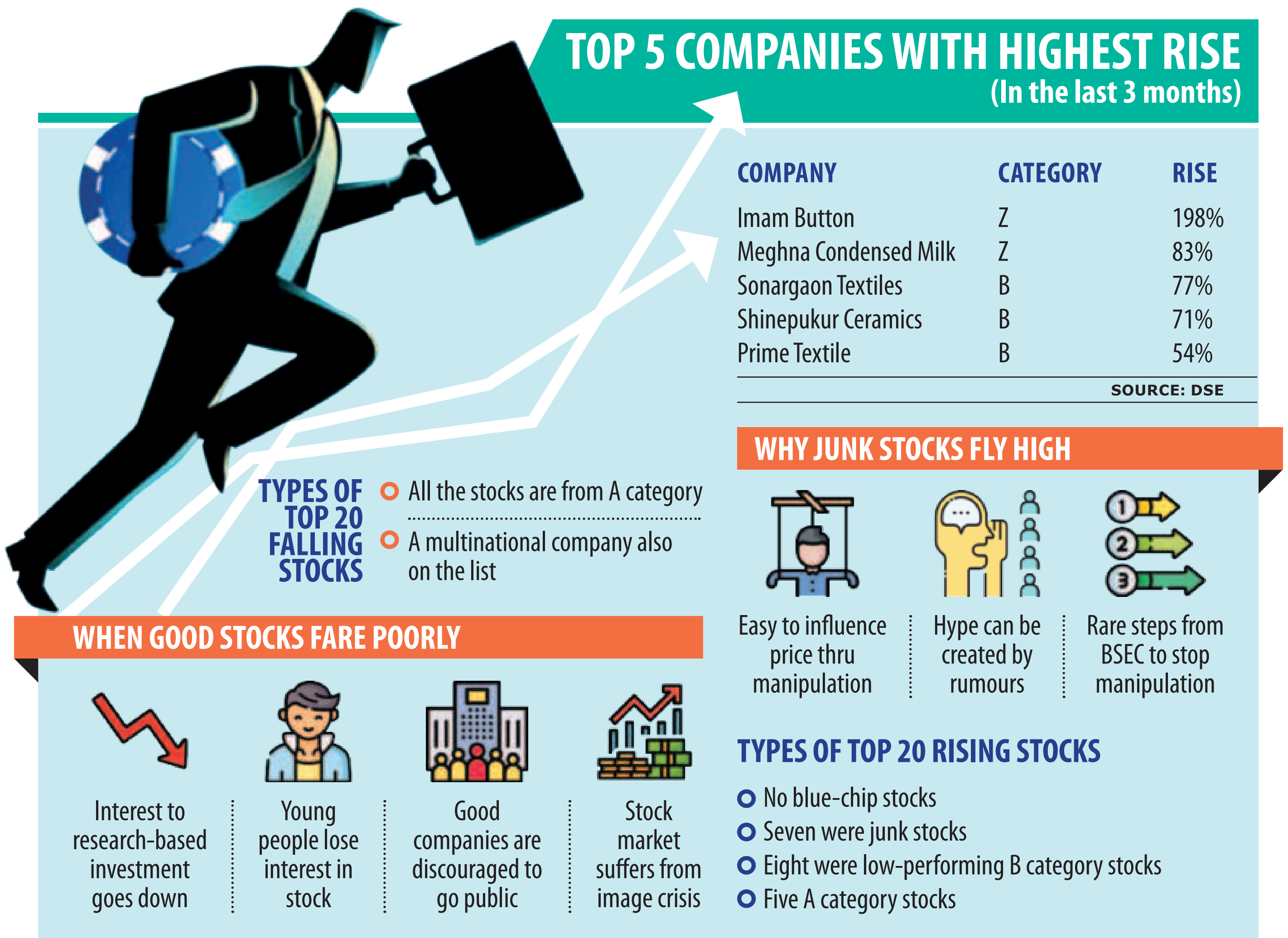

Junk stocks beat blue chips as rumours abound

AHSAN HABIB

Low-performing stocks have kept dominating over blue-chip and sound shares in an unpromising sign that the stock market in Bangladesh is driven more by speculation instead of the health and performance of companies.

It will become evident if anyone takes time to look into the 20 stocks that recorded the highest increase in the last three months to July 21: seven junk stocks topped the gainers' list along with eight low-performing companies. No shares of the DSE-30 Index, which consists of blue-chip firms, could make it to the list.

Most multinational stocks and a number of renowned local conglomerates declined during the period in keeping with the bearish trend of the market, which is reeling under the global and local economic crises.

Analysts say the tendency is not a good sign for the market because it discourages investors, including the institutional ones, who make investment decisions based on analysis.

In another flip side, good companies will lose interest to go public, they added.

In the last three months, some junk stocks, which have failed to provide any dividends for years, were sold like hot cakes whereas the benchmark index of the Dhaka Stock Exchange (DSE) plunged 7 per cent, or 480 points, data from the exchange showed.

For example, Imam Button, a junk stock that has not paid any dividend to shareholders after 2010, rocketed 198 per cent to Tk 137 from Tk 46, posting the highest pace of growth among the 20 companies.

The second highest growth was recorded by Meghna Condensed Milk although the company has had no history of giving dividends since its listing in 2001. The stock climbed 83 per cent to Tk 37.5.

Such a mismatch, however, is not rare in the premier bourse of the country. In fact, it has been a common scenario in the last several years.

"As a result, many people have already lost confidence in good stocks as low-performing securities are rising more," said Faruq Ahmed Siddiqi, a former chairman of the Bangladesh Securities and Exchange Commission (BSEC).

He said manipulators are targeting the low-performing or low paid-up capital-based companies and some people are chasing them, sending the prices of the securities to dizzying heights.

The surge in the low-performing stocks is giving a message that the exchanges have become a manipulation-based market, according to Siddiqi.

"However, there are many well-performers that have been making a good profit for years and have growth potential."

The soaring prices of low-performing companies have also cemented the belief among a section of investors that the stock market is a place for making an abnormal profit.

A big firm placed a large amount of funds with an asset management company three years ago. Now it is trying to take it back because of the lower yield of the stocks it was invested in compared to speculative stocks, said a top official of the asset management firm.

"A negative mindset has grown even among corporates that the stock market is a gambling base and produces a higher return. So, they have no interest in investing in good stocks. This attitude is an alarming sign for the market," the asset manager said.

Sharif Anwar Hossain, a former president of the DSE Brokers Association, said the investors who invest in good stocks are not active in the market because the securities have not risen to a large extent for several months.

"On the other hand, some low paid-up capital-based companies are rising

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Newsweek highlights achievements of Bangladesh

Lauds Transcom, other companies

STAR BUSINESS REPORT

The US weekly magazine Newsweek has highlighted the story of Bangladesh's spectacular economic advancement and its achievement in eliminating poverty in its latest issue.

The New York-based magazine said the nation is entering into its second half-century in strong shape as it becomes one of the fastest-growing economies in the Asia-Pacific region under Prime Minister Sheikh Hasina who has overseen "a rapid transformation of the domestic economy" over more than a decade.

The expansion of industries led by domestic entrepreneurs has paved the way for Bangladesh to begin its journey to becoming an industrial nation by reducing its high reliance on agriculture.

Industry's contribution to Bangladesh's economy grew from less than 20 per cent to 33.5 per cent between 2010 and 2018, said Newsweek

Industry's contribution to Bangladesh's economy grew from less than 20 per cent to more than a third (33.5 per cent) between 2010 and 2018, while manufacturing's contribution to gross domestic product has doubled since 1980, with exports growing 20-fold since the 1990s, said Newsweek's content from The International Investor section.

The magazine also featured several outstanding business houses, including Transcom Group, that drive the growth of the economy.

Transcom, relaunched in 1973 by its Founder Chairman Latifur Rahman, is a fast-growing conglomerate in Bangladesh and is active in diversified sectors of the economy, including healthcare, fast-moving consumer goods, food and beverage, media, electronics, logistics, and distribution.

Latifur Rahman won the Oslo Business for Peace Award in 2012 for maintaining his commitment to social responsibility and ethical values.

"That is where our strength comes from, and this is the legacy our chairman left for us," said Transcom Group Chief Executive Officer Simeen Rahman.

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STOCKS

DSEX ▲	CSCX ▼
0.78%	3.37%
6,376.94	17,968.38

COMMODITIES

Gold ▲	Oil ▼
$1,727.44 (per ounce)	$95.05 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.70%	▲ 0.40%	▲ 0.92%	▼ 0.06%
56,072.23	27,914.66	3,181.34	3,269.97

HungryNaki scales down operations

Goes for job cuts in Bangladesh

MAHMUDUL HASAN

HungryNaki, Alibaba's food delivery affiliate in Bangladesh, has scaled down operations by half and laid off a majority of its employees.

The cuts have come about in a little over one year after Alibaba acquired 100 per cent of HungryNaki, which was launched in 2013, from its local owners via Daraz Group, the Pakistan-based e-commerce platform it acquired in 2018.

It has withdrawn from 15 of the 30 zones it had been operating in. Of the remaining zones, 13 are in Dhaka and two in Chattagram, according to sources.

Earlier Uber Technologies closed the operations of its food delivery platform Uber Eats in June 2020, just after one year of entering the market. Last year, Shohoz also closed its online food delivery arm amid shrinking orders.

Currently, foodpanda remains the biggest service provider followed by Pathao food.

Daraz initially planned to extend HungryNaki's network to around 100 cities, with investments in infrastructure, technology and human resources when it acquired the venture at an undisclosed amount.

The Daily Star talked to a few current and former HungryNaki and Daraz officials.

According to them, HungryNaki was struggling to generate expected revenue as it was facing stiff competition from market leader foodpanda. So, Alibaba significantly reduced its investment plans for the food vertical.

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The fisheries week began yesterday in Bangladesh to create awareness about safe fish production. The country has made strides in aquaculture over the last couple of decades as farmed fish accounted for 56 per cent of the total fish output of 46.2 lakh tonnes in fiscal year 2020-21.

PHOTO: STAR/FILE

Pharma needs to prepare for post-LDC era

Says economist

STAR BUSINESS REPORT

Bangladesh should quickly do some homework on how to tap its potential of earning billions from the global pharmaceuticals market as the country will lose its preferential trade benefits after graduating from a least developed country (LDC) in 2026, according to an economist.

Local drug makers, who cater to 98 per cent of the domestic demand worth Tk 20 billion annually, need to focus on expanding research and development to strengthen their production of new molecules, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD).

"Because after 2026, when the country will become a developing country, local pharmaceutical companies will have to follow patent

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