Star BUSINESS

Xiaomi motherboards now being made locally

STAR BUSINESS REPORT

Xiaomi, a Beijing-based global smartphone brand, recently announced that the motherboards used in its handsets are now being produced in Bangladesh as the company looks to increase value-addition in the country's nascent mobile manufacturing industry.

The Printed Circuit Board Assembly (PCBA), commonly known as motherboard, is a major component of the company's products as it connects various chips and electrical circuits to enable the overall functionality of a smartphone.

"Local manufacturing of PCBAs show Xiaomi's commitment towards being in Bangladesh for the long haul, and we are able to contribute to generating more tech jobs in Bangladesh," said Ziauddin Chowdhury, country manager of Xiaomi Bangladesh.

The local production of PCBAs comes just one-and-a-half years after Xiaomi first started manufacturing its smartphones in the country

The Redmi 10C model is the first Xiaomi product available in the market to be equipped with PCBAs made in Bangladesh.

"Within a short span of time, all locally produced Xiaomi smartphones will use locally manufactured PCBAs, and I believe this will be a milestone in the progress of Bangladesh's tech industry, he added.

The local production of PCBAs comes just one-and-a-half years after Xiaomi first started manufacturing its smartphones in the country.

In October 2021, Xiaomi started local manufacturing of its devices by opening a plant in Gazipur.

The company has already established a surface mount technology (SMT) plant with state-of-the-art technologies and machinery at its Gazipur unit.

The entire initiative is being completely financed through foreign direct investment.

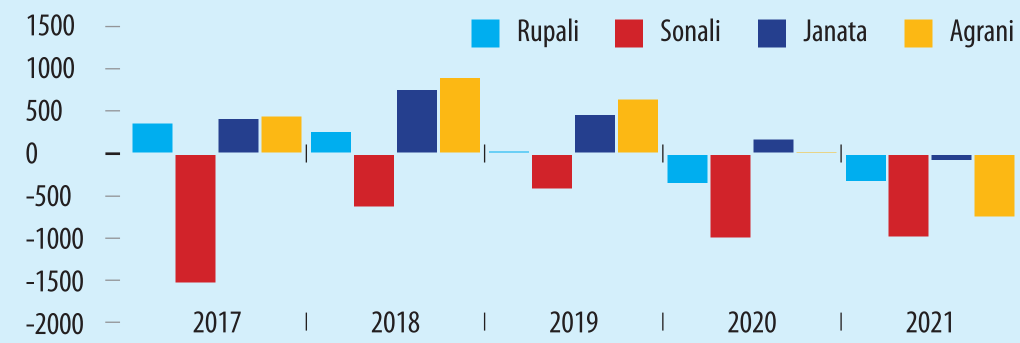
READ MORE ON B3

WHY NET INTEREST INCOME IS NEGATIVE

- High non-performing loans
- Low asset quality
- Cap on interest rate
- BB restrictions on lending

NET INTEREST INCOME OF STATE BANKS

In crore taka;
SOURCE: FINANCIAL REPORTS



WHAT IS NET INTEREST INCOME?

The difference between the interest income a bank earns from its lending activities and the interest it pays to depositors

> **In Bangladesh, the four SCBs' lending capacity is limited as per a memorandum of understanding with the central bank. The restriction has been put in place owing to their higher NPL ratio and a capital shortfall, which resulted in limited growth in fresh lending and interest income**
>
> **Anis A Khan**
> Former chairman of ABB

State banks' core business in the red

AHSAN HABIB

Four state-run commercial banks (SCBs) in Bangladesh are struggling to generate revenue from their core business of lending due to voluminous non-performing loans and the lending rate ceiling.

As a result, they have been forced to bank on the incomes from the investments in bonds and bills to remain afloat.

The net interest income is the difference between the earnings made against loans and the interest paid against deposits.

Financial reports showed the net interest income of Sonali Bank, Rupali Bank, and Agrani Bank was negative in 2020 and 2021. Janata Bank's net interest income contracted in 2021.

In Bangladesh, the four SCBs' lending capacity is limited as per a memorandum of understanding with the central bank.

The restriction has been put in place owing to their higher NPL ratio and a capital shortfall, which resulted in limited growth in fresh lending and interest income, said Anis A Khan, a former chairman of the Association of Bankers, Bangladesh, a platform of the managing directors.

Similarly, the state banks have a huge deposit base from the general public and government organisations. And they have to pay a sizeable amount of interest on them. On the other hand, they can't lend at will to generate more revenue.

"The interplay of these two core sides of the balance sheet results in negative interest income," said Khan, also a former managing director of Mutual Trust Bank.

On January 15, the BB relaxed the lending rate cap for consumer loans allowing banks to charge up to 12 per cent from 9 per cent.

"Compared to private banks, state-run banks have been more impacted because the latter have not brought down the deposit rate to adjust with the interest rate regime that was introduced

Sonali's net interest income situation was in the worst position as the country's biggest bank has been in red since at least 2017. In 2021, the net interest income reached Tk 979 crore in negative. It was Tk 994 crore in negative in the previous year.

Agrani Bank's interest income was Tk 744 crore in negative in 2021.

The central bank has maintained a 9 per cent interest rate cap on loans, except for credit card loans, since 2020.

in 2020. So, the interest income fell," said Zaid Bakht, chairman of Agrani Bank.

Private lenders also parked funds with state banks, he added.

Despite the negative net interest income, Agrani Bank booked a profit of Tk 209 crore in 2021, on the back of higher revenues from investment earnings from bonds, bills and securities.

Agrani's investment income surged 33 per cent to Tk 2,417 crore in 2021.

Investment in securities also saved the day for Rupali Bank. Its net interest income was Tk 346 crore and Tk 325 crore in negative respectively in 2020 and 2021.

The investment income rose 19 per cent to Tk 1,433 crore in 2021. Rupali Bank made a profit of Tk 50 crore in 2021, way higher than the Tk 20 crore in the previous year.

A state-run bank can invest Tk 81 against a deposit of Tk 100 after keeping the cash reserve requirement (CRR) and statutory liquidity ratio (SLR) and meeting other requirements.

Irrespective of the deposit growths, the state-run banks can't have more than 15 per cent loan growth.

"Under the MoU with the central bank, we are bound to keep the lending growth within 15 per cent," said Md Harunur Rashid, chief financial officer of Rupali Bank.

"The rest of the fund is invested in treasury bills, bonds and other securities though the yield is lower than those of loans."

Md Mezbaul Haque, a spokesperson of the central bank, said NPLs and classified loans of the SCBs were high, so their interest income from lending was small.

"Thus, the net interest income has turned negative."

READ MORE ON B3

GAS, POWER PRICE HIKE

Tough for small factories to survive without layoffs: DCCI

STAR BUSINESS REPORT

The recent gas and electricity price hikes will push up the production cost of small businesses, said Sameer Sattar, president of the Dhaka Chamber of Commerce and Industry (DCCI), at an event yesterday.

The hikes understandably resulted from the global economic crisis and energy shortages and the biggest challenge this year is keeping inflation under control, he said.

It is a big challenge for the businesses to survive without retrenching workers amidst the ongoing crisis, he said.

Industry owners will have to decide whether to adjust with layoffs or reduce profit margins as even the latter can be considered a big success in terms of survival this year, he said.

"We are also a part of this global volatility. But, for the year 2023, both the employers and employees should be happy if they can keep the businesses afloat by retaining the existing manpower," said Sattar.

Those giving in to higher power rates will demand uninterrupted supplies to keep production running, he said.

"But we urge the government that it should not be a 'one way street' and when the prices of energy come down in the international market, then it should be adjusted in our country as well, without any delay," he said.

In an attempt to reduce its unsustainable subsidy burden amid a narrow fiscal space, the government on January 18 raised the retail price of gas by 14.5 per cent to 178.9 per cent for industries, power plants and commercial establishments.

Together they account for 78 per cent of gas use in Bangladesh.

On January 13, the government raised the electricity price for consumers, on an average, by 5 per cent, skirting around procedures of Bangladesh Energy Regulatory Commission.

Sattar was presenting a keynote paper on the contemporary economy at the event organised by the DCCI on its premises in Dhaka to talk on the present economic situation and its plans for this year.

On another note, the DCCI president said 2 million graduates were added to the job market every year but it was difficult to accommodate them all with suitable jobs.

READ MORE ON B3

STOCKS (WEEK-ON WEEK)

DSEX ▲	CASPI ▲
0.81%	0.67%
6,265.44	18,476.17

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▲
$1,926.08	$81.69
(per ounce)	(per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.39%	▲ 0.56%	▲ 0.54%	▲ 0.76%
60,621.77	26,553.53	3,293.71	3,264.81

GAS, POWER PRICE HIKE

Pharma sector fears 25% rise in production cost

JAGARAN CHAKMA

Medical treatments are about to get costlier as production cost for manufacturing drugs will go up by at least 25 per cent following a recent hike in gas and power charges, according to manufacturers.

For large industries, the unit price of gas has spiked nearly threefold from Tk 11.98 to Tk 30, as per a notification issued by the Energy and Mineral Resources Division on Thursday.

Efforts by the government and entrepreneurs have brought the local pharmaceuticals industry to a certain stage, giving it a positive image at home and abroad, said SM Shafiuzzaman, secretary-general of the Bangladesh Association of Pharmaceutical Industries (Bapi).

"However, the gas price hike and US dollar crisis have created challenges," he added.

Shafiuzzaman went on to say the most recent hurdles come at a time when industry players are already worried about the potential challenges that may come with Bangladesh's graduation from a least developed country in 2026.

READ MORE ON B3

Md Mahbub ur Rahman, chief executive officer of HSBC Bangladesh, and Dr Rubana Huq, vice-chancellor of The Asian University for Women (AUW), exchange documents while Commerce Minister Tipu Munshi, *centre*, looks on at the launching of "HSBC-AUW School of Apparel and Retail Management" at the educational institution organised at Radisson Blu Chattogram Bay View yesterday. PHOTO: RAJIB RAIHAN

AUW launches apparel school with HSBC

STAR BUSINESS REPORT

The Hongkong and Shanghai Banking Corporation (HSBC) and The Asian University for Women (AUW) yesterday jointly launched an "HSBC-AUW School of Apparel and Retail Management" at the educational institution.

The school will offer a one-year Master of Science in Apparel and Retail Management programme of international standard, said the lender and university at the launch at Radisson Blu Chattogram Bay View.

The programme will be guided by a global academic committee chaired by Dr Dipak C Jain, former dean of the Kellogg School of Management at Northwestern University. He also served as a dean of

READ MORE ON B3