Star BUSINESS

BB brings back relaxed loan repayment facility

STAR BUSINESS REPORT

The Bangladesh Bank yesterday reintroduced its relaxed loan repayment facility to support borrowers struggling to pay back amid lingering crisis at home and abroad.

Bankers, however, say that the central bank has taken the initiative to bring down defaulted loans artificially. But this will eventually worsen the financial health of the banking sector in the long run.

They argue that although similar concessions were extended between 2020 and 2022, the level of non-performing loans (NPLs) has not gone down.

In a notice yesterday, the central bank said borrowers are facing difficulty to pay back full installments as the price of raw materials and other inputs has gone up in the global markets while the transport cost has surged due to the prolonged war between Russia and Ukraine.

As per the new rule, borrowers with unclassified term loans will be allowed to repay 50 per cent of their installments payable for the April-June period of 2023.

The loans that carry a repayment period of more than one year are termed term loans. The new rule will also be applicable to short-term farm loans and microloans disbursed by banks.

The amount of the installments that will not be cleared in the second quarter of 2023 will have to be paid back within three months after the end of the loan repayment period.

Banks will not be allowed to impose any penal interest or any other fees for providing the relaxed facility, said the BB, adding that rescheduled loans will also enjoy the latest relaxed facility.

The move from the BB came after some business chambers, including the Federation of Bangladesh Chambers of Commerce and Industry, and the Bangladesh Garment Manufacturers and Exporters Association, recently demanded the central bank relax the loan repayment scope, said a central banker. READ MORE ON B3

National BUDGET FY2023-24

'Extended duty benefit to keep medicine prices in check'

JAGARAN CHAKMA

The proposed budget has provided relief to pharmaceuticals manufacturers and patients as it retained duty-free import benefits for over 100 raw materials used in making life saving cancer, heart disease and diabetes drugs.

"Due to this decision of the government, the price of the medicine will not increase and patients can purchase those at the present price," said Mohammad Ebadul Karim, managing director of Beacon Pharmaceuticals PLC.

"...which will ensure benefit for the drug makers and the family members of the patients," he said during an interview with The Daily Star yesterday on the proposed budget for fiscal year 2023-24.

"I welcome the budget keeping this well-intentioned work of the government as it keeps patient's sufferings in mind due to ongoing inflationary pressure," he said.

If the prices of expensive drugs remain stable while other expenses increase, it would mean that patients with cancer, diabetes and heart disease will not face additional financial strain related to their medication, said Karim.

Any duty would have increased medicine prices, putting additional financial pressure on the family members of the patients, he said.

Being able to retain existing prices will help manufacturers maintain export competitiveness, he said.

"In a scenario where prices of essential cancer drugs remain stable while other expenses rise, it would mean that cancer patients can access their necessary treatments without facing an additional financial burden," he noted.

This stability would alleviate the financial stress on patients and their families, allowing them to focus on their health and well-being, he said.

Affordable access to medication is crucial for cancer patients, as treatment often involves long-term and expensive therapies, said Karim. READ MORE ON B2

REASONS BEHIND HIGHER EXPORT

- Improved quality
- Competitive prices
- Non-leather shoes are cheaper than leather ones
- Orders from China shifting to Bangladesh
- Local manufacturers expanding capacity

"Buyers are gradually shifting to Bangladesh from China as we have enhanced the quality of our products and offered competitive prices."
Riad Mahmud
MD of Shoeniverse Footwear

PRODUCTS INCLUDE
Sandals, flip-flops, boots, jute-based espadrilles, rubber shoes, sneakers

EXPORTS BY THE NUMBERS

- Exporters fetched $433m in July-May of FY23
- The amount stood at $408m in July-May of FY22
- Shipment up 6.21% year-on-year
- Exports surged 30.39% to $449m in entire FY22

PRODUCTS EXPORTED TO BRANDS
H&M, Puma, Decathlon, Fila, Kappa

MAIN EXPORT DESTINATIONS
Spain, France, the Netherlands, South Korea, India, Italy and Germany

EXPORT OF SYNTHETIC FOOTWEAR
Jul-May; In million $;
SOURCE: EPB

FY2019	FY2020	FY2021	FY2022	FY2023
248.12	255.45	304.95	408.18	433.53

Synthetic footwear exports on a roll

JAGARAN CHAKMA

The shipment of synthetic footwear and sports shoes from Bangladesh grew 6.21 per cent year-on-year in July-May of the outgoing fiscal year thanks to shifting orders from China and the expanding capacity of manufacturers.

Non-leather footwear exporters bagged $433.53 million during the 11-month period of 2022-23, up from $408.18 million a year earlier, data from the Export Promotion Bureau showed.

The receipts built on a 30.39 per cent whopping shipment growth seen in the previous year when manufacturers brought home $449.15 million.

This came although leather footwear exports from Bangladesh posted a declining trend in recent months owing to slower demand.

Sales of leather footwear slipped 4.28 per cent in July-May owing to lower orders from Europe, the main market for Bangladesh, as the cost-of-living crisis persists in the continent because of the lingering energy crisis fuelled by Russia's war in Ukraine.

In 2021-22, leather and non-leather footwear jointly generated $1.21 billion in export earnings, with the non-leather segment accounting for 37 per cent.

Bangladesh supplies synthetic shoes to international buyers and brands such as H&M, Puma, Decathlon, Fila, and Kappa. The main export destinations are Spain, France, the Netherlands, South Korea, India, Italy, and Germany.

The products being sourced from Bangladesh include sandals, flip-flops, boots, jute-based espadrilles, rubber shoes, and sneakers.

According to industry people, consumers across the world are switching to products made from jute, plastics, textile, and polyurethane leather on the back of their growing health consciousness.

Sales of leather footwear slipped 4.28 per cent in July-May owing to lower orders from Europe, the main market for Bangladesh

"Buyers are gradually shifting to Bangladesh from China as we have enhanced the quality of our products and offered competitive prices. This has given a boost to exports," said Riad Mahmud, managing director of Shoeniverse Footwear Ltd.

"Besides, non-leather shoes are comparatively cheaper than leather ones. Non-leather shoes are also fashionable and comfortable."

He said the capacity of manufacturers in Bangladesh is improving day by day, retaining existing buyers and attracting new ones.

Shoeniverse is a Leed (Leadership in Energy and Environmental Design) certified factory, which points to its high compliance standards.

Currently, the factory produces 1.9 lakh pairs of shoes every day and expects to double the capacity by August. Its export earnings grew 35 per cent on average in the last four years.

Mahmud says apart from the young generation, people from all walks of life use synthetic shoes for jogging and exercises, both indoors and outdoors.

The synthetic shoe segment, he thinks, could be as big as the garment sector, the second largest in the world and the biggest export earner for Bangladesh.

Mahmud's company supplies products to seven global brands in Europe and India. Another eight buyers are currently negotiating with the manufacturer to source sports shoes.

Mohammad Shahadat Ullah, executive director of Maf Shoes, another synthetic footwear maker, says the sector is witnessing slower growth in the export market in the outgoing fiscal year compared to a year ago.

Maf Shoes, a concern of TK Group which is a pioneer in the manufacturing of synthetic shoes in Bangladesh, has the capacity to produce 50,000 pairs of shoes a day. It exports more than 1.5 crore pairs of synthetic shoes per year. READ MORE ON B2

LC margin eased for importers serving SMEs

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday relaxed rules regarding financing availed by commercial importers to cater to cottage, micro, small and medium enterprises (SMEs), aiming to accelerate growth of industries and jobs.

Banks will be able to fix the amount of down payment or margin for opening letters of credit (LCs) based on their relation with importers, said the central bank in a circular.

Around a year ago the central bank had imposed a 75 per cent cash margin for opening LCs for the import of machineries, spare parts, textile and chemical raw materials of plastic and packaging items and medical equipment.

Banks will be able to fix the amount of down payment or margin for opening letters of credit (LCs) based on their relation with importers, said the central bank in a circular.

Commercial importers serving the cottage, micro, SMEs were under its purview, which was brought about in an effort to reduce pressure on the country's foreign exchange reserves and contain volatility in the exchange rate of taka against the US dollar.

A senior BB official said the restriction was hampering imports and growth of the enterprises, which play a vital role in industrialisation and job creation.

"So, we have relaxed the rule to facilitate industrial growth. Now, banks based on their relation with clients, will determine the rate of LC margin for commercial importers who import industrial items," he said.

The relaxation can be availed by importers of parts and related materials for uninterruptable power supply or instant power supply, security related items, steel sheets and other goods for construction industries.

Traders importing computers, laptops and their parts, ICT and cyber security related products and spare parts, tyre, tube and other related items will also be able to avail the facility.

STOCKS

DSEX ▼	CASPI ▼
0.19%	0.09%
6,301.79	18,617.94

COMMODITIES

Gold ▼	Oil ▼
$1,949.48 (per ounce)	$71.24 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.25%	▲ 0.05%	▼ 0.65%	▼ 0.47%
63,327.70	33,388.91	3,220.23	3,240.36

Tax break to stay till 2036 for private power producers

SOHEL PARVEZ

The National Board of Revenue (NBR) has extended a tax holiday by 12 years on the income privately-run power plants, except for coal-fired ones, that will start generation of electricity anytime before June 30 next year.

This means the tax exemption can be enjoyed until June 30, 2036, according to an NBR notification issued on June 19.

The tax break is being offered since 2011 to support the government's goal to expand the country's energy production capacity to support the economy, which has been growing annually by around 6 per cent over the last two decades.

Until January 2023, Bangladesh's total installed capacity was of 23,482 megawatts (MW), of which the private sector accounts for 44 per cent, according to Bangladesh Economic Review 2023.

There are another 20 projects of private power producers under construction having a production capacity of 5,047 MW, according to the review.

Construction of a 60-megawatt wind power plant is going on in Khurushkul of Cox's Bazar. The plant has recently started producing power on a trial basis. The photo was taken last month. PHOTO: MOKAMMEL SHUVO

A senior NBR official said the tax department received applications from around 10 private power companies informing that a number of them could not start production before December 31, 2022 to avail an initial tax exemption, which was to run till December 2034.

"Renewable power producers will also be able to avail the benefit," he said.

A number of gas-based private sector power projects could not launch commercial operations for a lack of gas and delay in construction of transmission lines, said Imran Karim, immediate past president of Bangladesh Independent Power Producers' Association (BIPPA).

So, the NBR has extended the benefit, he said.

Foreigners who will work at the power plants will enjoy a tax exemption on their income for three years from the day they begin their service in Bangladesh, said the tax authority.

Private power producers will not need to pay tax on interest on foreign loans, royalties, technical know-how and technical assistance fee and on capital gains from transfer of shares, said the NBR.

However, private producers who will begin commercial operation within June 30, 2025 will not get a full exemption for the period until June 30, 2036.