Brac Bank gets go-ahead to raise authorised capital

STAR BUSINESS REPORT

Brac Bank Limited has received permission from the central bank to raise its authorised capital from Tk 2,000 crore to Tk 5,000 crore.

The private commercial lender made the disclosure in a filing on the Dhaka Stock Exchange.

The authorised capital is the maximum amount of share capital that a company is allowed to issue to its shareholders as per its constitutional documents.

Shares of Brac Bank closed at Tk 35.80 on the DSE yesterday, unchanged from a day earlier.

DSE turnover drops to four-month low

STAR BUSINESS REPORT

Though the indices of the Dhaka Stock Exchange (DSE) rose today, its turnover dropped to below the Tk 400-crore mark, which is the lowest in the last four months.

The DSEX, the benchmark index of the premier bourse in Bangladesh, bounced back 15 points, or 0.25 per cent, to close at 6,315.

The DS30, the blue-chip index, edged up 0.48 per cent to 2,148, while the DSES, the Shariah-compliant index, advanced 0.35 per cent to 1,371.

Turnover, a key indicator of the market, dropped 17 per cent to Tk 385 crore.

Of the securities, 110 advanced, 52 declined and 175 did not show any price movement.

Central Pharmaceuticals made the highest gain with an increase of 9.82 per cent. Meghna Pet Industries, Far Chemical Industries, Ambee Pharmaceuticals, and Shyampur Sugar Mills were among the top gainers.

Khan Brothers PP Woven Bag Industries was the worst loser, shedding 2.4 per cent.

Miracle Industries, Alhaj Textile Mills, Asia Pacific Insurance, and Peoples Insurance were also on the list of significant losers.

Sea Pearl Cox's Bazar Beach Resort & Spa was the most-traded stock on the day with its issues worth Tk 24 crore changing hands.

Khan Brothers PP Woven Bag Industries, Sonali Paper & Board Mills, Fu-Wang Foods, and Alif Industries registered significant turnover as well.

The Caspi, the all-share price index of the Chittagong Stock Exchange, gained 38 points, or 0.20 per cent, to close at 18,662.

Of the issues, 53 rose, 38 retreated and 62 did not see any price swing. However, turnover of the port city bourse fell 40 per cent to Tk 6 crore.

India's rice export ban may take toll on planting, income

REUTERS, *New Delhi*

Rice planting in India could fall by 5 percent as New Delhi's decision to ban non-basmati white rice exports will cut farm income and encourage growers to switch to other crops, a leading farmers' group with close ties to the ruling Bharatiya Janata Party said.

The world's biggest rice exporter - accounting for more than 40 percent of global supplies of the staple - last month ordered a halt to non-basmati white rice exports, driving prices to multi-year highs.

"The rice export ban was announced right in the middle of the current planting season, and that's why the decision has sent a wrong signal to farmers," Mohini Mohan Mishra, general secretary of the Bharatiya Kisan Sangh (BKS), or Indian Farmers' Union, told Reuters.

BKS is the farmers' wing of Rashtriya Swayamsevak Sangh, the ideological parent of Prime Minister Narendra Modi's ruling party.

Despite being ideologically aligned with the ruling party, BKS often opposes some of India's farm policies, at times forcing a rethink. BKS also lends its support to protesting farmers.

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Nippon Paint eyes top spot in Bangladesh's paint market

MD ABU TALHA SARKER

Nippon Paint Bangladesh, a concern of Nippon Paint Holdings of Japan, has drawn up a strategy to be a leader in the growing paints and coatings industry in Bangladesh, said a top official.

The company is seeking to climb to the second position within the next three years whereas its ultimate target is to become the market leader, said Yaw Seng Heng, group managing director of Nippon Paint Holdings Malaysia.

"The goals are part of our new market strategy and planning."

Heng shared the strategy, future plans and thoughts during an interview with The Daily Star in Dhaka recently.

Last month, he was in the capital to inaugurate the company's newly built warehouse and conducted sharing and training sessions for its employees.

"Now we are looking at how we can go faster and move forward because we are targeting the No.2 position in this market in three years' time."

"We have an aggressive plan to achieve it. We are very aggressive to expand in the market."

A national of Malaysia, Heng has been working at Nippon Paint for 38 years. He leads the company's operations in the southeast Asian nation.

Nippon Paint is the leading paint manufacturer in Asia and is the fourth-largest globally.

"We are currently the top player in Japan, Singapore, China, Indonesia, Malaysia and Sri Lanka. We want to be the top player in Bangladesh as well," he said.

Nippon set out for its expansion in South Asia with India in 2005 and Pakistan in 2006. It entered Bangladesh in 2011 and began commercial production in 2014.

Its successes over the years have brought the company to other Asian countries, including the Philippines, Thailand, South Korea, China, Vietnam, Indonesia, the Philippines, Sri Lanka, and the United Arab Emirates.

The company and its subsidiaries have a presence in the United Kingdom, Germany, Spain, Greece, the Netherlands, Russia, Norway, Slovenia, Lithuania, the United States, Brazil, Australia, Papua New Guinea, Poland, Bulgaria, Estonia, Italy, and Turkey.

Yaw Seng Heng

"Nippon Paint Bangladesh is set to be at the forefront of innovation and colour accessibility in Bangladesh," Heng said.

He said it is continuously working to bring an innovative and diverse suite of coating solutions for roofs to floors and everything in between.

With the coatings manufacturing plant at Manikganj, Nippon Paint promises to deliver the best quality products to customers.

"Nippon Paint produces the best quality paint coatings for automotive, industrial and decorative sectors," Heng said.

He terms Bangladesh as a bright and potential market for the paints and coatings industry, saying the industry is deeply related to the vast size of the population.

On the back of growing urbanisation and per capita income, Bangladesh's paints industry has continued to expand, with multinational corporations dominating the Tk 4,500-crore paints market.

"Bangladesh has a bright future. The painting and coating industry has a lot of prospects," Heng said.

He, however, adds that per capita consumption is not increasing in the way that they are expecting.

"But the economy is progressing and the living standard of the people is also improving, which are good signs for the industry. We think the industry will grow here further."

Heng said the group supports Bangladesh's subsidiary with high-end technology, equipment, raw materials, and formulation for its advancement.

He said over the years, Nippon Paint has perfected its products by means of breakthrough technologies, with an emphasis on innovation and eco-friendliness.

"We are driven by the philosophy of enhancing life through innovations to consistently deliver paint solutions that not only serve your needs but also protect the world we live in. Apart from a range of interior, exterior, and enamel finishes, we have many speciality products that showcase our technological prowess."

The company has its own manufacturing plant in Manikganj and is now expanding the area of the factory from five acres to nine acres with a view to facilitating future growth.

The company runs its business across the country through more than 2,000 dealers and has the third-largest network of colour-creation machines.

It has eight distribution centres with each in Dhaka, Cumilla, Sylhet, Barishal, Chattogram, Khulna, Bogura and Mymensingh.

Heng said the company has opened a new warehouse in Manikganj.

READ MORE ON B2

Defences against bank risks

MD MAIN UDDIN

Banks are an essential part of a nation's economy. They facilitate the flow of funds from surplus units (depositors) to deficit units (borrowers) to fuel the growth of the economy.

The main objective of a bank is to maximise its shareholders' wealth by increasing the current share price. To do so, the bank has to ensure that its cash flows are sizeable and regular. But the sizable and regular cash flows are interrupted by various risks such as credit risk, liquidity risk, interest rate risk, operational risk and exchange risk. These risks, if not managed properly, can make banks susceptible to failure.

Banks have some defences to protect their financial position. The first defence is quality management, which is essential to supervise banking activities to attain the expected goal.

The next defence is diversification, both portfolio and geographic.

Portfolio diversification is spreading loans and deposits among a wide range of customers.

Geographic diversification is finding out customers located in various regions to take the advantage of different economic conditions. This will help offset the loss from one geographic location with the gain from another location.

Deposit insurance can work as a defence against risks. Under this system, depositors are protected from the loss caused by a bank's inability to pay its debts. The protection may be in full or in part. This system tries to promote financial stability.

Here, a bank takes an overall insurance policy and pays a certain premium to the central bank against the policy. If the bank fails, the central bank comes forward to pay a particular amount of money to its customers before the final settlement by the court.

The final defence is owners' capital provided by the owners of a bank. More importantly, owners' capital can absorb losses from bad loans and poor investments.

Banks have to be sufficiently capitalised so that depositors may not suffer from possible losses.

According to Basel III, a bank's capital must be at least 12.5 percent of its risk-weighted assets. But with the growth of a bank's risk-weighted assets, its capital requirement also increases.

Banks with higher capital have higher loss absorbency. Suppose Alpha Bank has assets of Tk 100 financed by debt capital of Tk 85 and equity capital (owners' capital) of Tk 15. Beta Bank has assets of Tk 100 financed by debt capital of Tk 80 and equity capital of Tk 20.

If Alpha lends out Tk 100 and ends up with a 15 percent loss, the whole amount of its capital will be wiped out because the loss is first compensated by capital. If the loss is more than 15 percent, the bank will be insolvent.

If Beta lends out Tk 100 and ends up with a 15 percent loss, the bank will still be left with an equity capital of Tk 5. The bank will be insolvent if the loss exceeds 20 percent of its assets.

Quality management and diversification play a crucial role to avoid bank failure by keeping the loss minimum. If they fail to minimise the loss, owners' capital comes as the last line of defence against bank failure.

A higher amount of capital indicates that a bank has more capacity to pay off the loss. Thus, the greater the risk of loss, the more capital a bank should hold. However, if the loss is unusual, capital is not enough to protect a bank from failure. In that case, the deposit insurance scheme comes into operation.

The author is a professor of the banking and insurance department at the University of Dhaka

India's wheat prices see big jump

REUTERS, *Mumbai*

Indian wheat prices surged to a six-month high on Tuesday due to limited supplies and robust demand ahead of the festival season, dealers said.

The increasing prices may prompt New Delhi to eliminate import duties on the cereal to bolster supplies and control prices ahead of key state polls and next year's general election.

Rising wheat prices could contribute to food inflation and potentially complicate the efforts of both the government and the central bank to contain inflation.

"In all key producing states, farmer supplies have nearly come to a halt. Flour mills are struggling to obtain sufficient supplies in the market," said a New Delhi-based trader.

Wheat prices at Indore in the central state of Madhya Pradesh rose by 1.5 percent on Tuesday to 25,446 rupees ($307.33) per metric ton, the highest since February 10. Prices have surged by nearly 18 percent over the past four months.

The government should release stocks from its warehouses into the open market to avoid potential shortages during the festive season, said a Mumbai-based dealer associated with a global trade house.

As of August 1, wheat stocks in government warehouses stood at 28.3 million metric tons, an increase from the 26.6 million metric tons recorded a year earlier. "Imports are necessary to lower prices.

The government cannot increase supplies without imports," the dealer said.

India is considering cutting or even abolishing a 40 percent import tax on wheat and lowering a limit on the amount of wheat stocks millers and traders can hold, Sanjeev Chopra, the most senior civil servant at the federal food ministry, said last week.

Wheat output rose to a record 112.74 million metric tons in 2023, up from 107.7 million metric tons a year earlier, according to the Ministry of Agriculture & Farmers Welfare. India consumes around 108 million metric tons of wheat annually.

But a leading trade body told Reuters in June that India's wheat harvest in 2023 was at least 10 percent lower than the farm ministry's estimate.

China trade slumps, recovery at risk

REUTERS, *Beijing*

China's imports and exports fell much faster than expected in July as weaker global demand threatens recovery prospects in the world's second-largest economy, heightening pressure for authorities to release fresh stimulus to steady growth.

The grim trade numbers reinforce expectations that economic activity could slow further in the third quarter, with construction, manufacturing and services activity, foreign direct investment and industrial profits all weakening.

Imports dropped 12.4 percent in July year-on-year, customs data showed on Tuesday, missing a forecast fall of 5 percent in a Reuters poll and off a 6.8 percent decline in June. Meanwhile, exports contracted 14.5 percent, steeper than an expected 12.5 percent decline and the previous month's 12.4 percent fall.

The pace of export decline was the fastest since the onset of the pandemic in early 2020 and the tumble in imports was the biggest since January this year, when Covid infections shut shops and factories.

While the weakness in the value of imports reflects poor demand, falls in commodities prices have also exacerbated the headline declines, analysts say.

"Most measures of export orders point to a much greater decline in foreign demand than has so far been reflected in the customs data," said Julian Evans-Pritchard, head of China economics at Capital Economics.

"And the near-term outlook for consumer spending in developed economies remains challenging, with many still at risk of recessions later this year, albeit mild ones."

The yuan hit a three-week low and Asian stocks and the Australian and New Zealand dollars, seen as proxies for Chinese growth, turned weaker after the data.

China's economy grew at a sluggish pace in the second quarter as demand weakened at home and abroad, prompting top leaders to promise further policy support and analysts to downgrade their growth forecasts for the year.

Cargo ships loaded with containers are seen at Zhoushan port in Ningbo, in China's eastern Zhejiang province. Imports of China dropped 12.4 percent year-on-year in July, while exports contracted 14.5 percent. PHOTO: AFP

The value of China's exports declined 5 percent year-on-year in the first half of the year despite total cargo throughput increasing an annual 10 percent in the second quarter and 8 percent in the first, according to Fitch.

The headline import figure was worse than forecast because "economists may be misunderstanding the price factors underlying commodities, which dominate Chinese imports," explained Xu Tianchen, senior economist at the Economist Intelligence Unit.

"For example, China is importing more oil but at lower prices, as a result the volume of crude oil accelerated in July, but the import value slowed. Similar logic holds for grains and soybeans."

Crude oil shipments to the world's biggest oil importer were 17 percent higher in July than the same period last year, but fell 18.8 percent from the previous month to the lowest daily rate since January, while soybean imports in July jumped 23.5 percent from a year ago, off the back of near-record production in Brazil.

Exports to the United States - the top destination for Chinese goods - tumbled 23.1 percent year-on-year, while shipments to the European Union fell 20.6 percent, as diplomatic tensions mount over chip technology and "de-risking" from China.