Hakkani Pulp plans to increase paid-up capital by Tk 16 crore

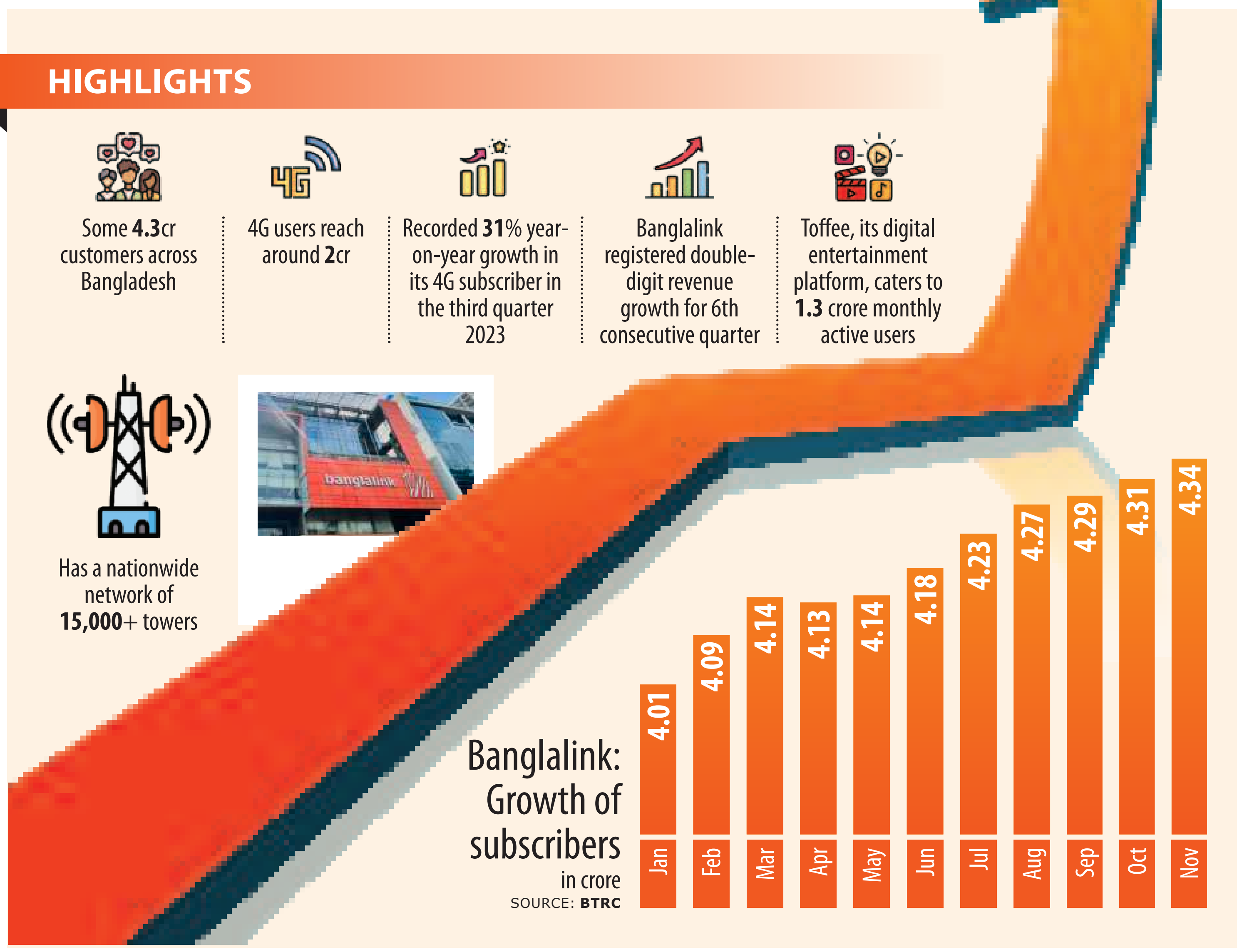
STAR BUSINESS REPORT

Hakkani Pulp & Paper Mills Ltd has decided to increase its paid-up capital by Tk 16 crore to improve the flow of working capital and ensure an uninterrupted and smooth operation of the company.

In a meeting on Monday, the board of directors decided to raise the paid-up capital through the issuance of seven crore ordinary shares of Tk 10 each among existing sponsors and directors and another nine crore shares among other shareholders, according to a filing on the Dhaka Stock Exchange.

The plan is subject to the approval of general shareholders in the extraordinary general meeting and the Bangladesh Securities and Exchange Commission.

Currently, the size of the paid-up capital of Hakkani Pulp is Tk 19 crore.



Tax predictability, fresh mindset key to attracting foreign investment

Says VEON's Group CEO Kaan Terzioğlu

MAHMUDUL HASAN

Bangladesh must prioritise tax predictability and create an investor-friendly environment for infrastructure development to attract foreign investment in the country's telecom sector, boosting its ambitions for digitalisation in the process.

"I think Bangladesh is doing great in terms of developing its economy, but the more predictable its tax system can be, the better for foreign investors like us," Kaan Terzioğlu, group CEO of Banglalink's parent company VEON, told The Daily Star in a recent interview.

Terzioğlu believes it is very important for the government and private companies to focus on accelerating growth in the telecom industry while also expanding mobile internet usage.

"There is no way to catch up with our digitalisation goals if fibarisation is lagging, if mobile internet is not accessible by everyone, and if the required investments are not deployed by private firms."

"But in return, we want tax predictability and less burden on investments. So, I think this is the dialogue we must focus on."

His remark comes at a juncture when the taxes and fees levied on the local telecom sector are more than double the Asia Pacific average, according to a GSMA report published last year.

He said telecom companies in Bangladesh have been demanding permission to lay fibre optic cables for a long time.

Unlike many other countries, local telecom operators are unable to lay fibre optic cables. Therefore, they must depend on third parties for the infrastructure essential for delivering faster internet.

"We have to make it easy for investors to invest, we have to make it easy for digging down and laying fibre, and we have to make it easy to share each other's infrastructure to reach more people," Terzioğlu said.

"If we have a fresh mindset about how we can make it easy for private investors to come and build infrastructure with their own money, I think you will find a lot of solutions."

According to him, an emphasis on developing a "Smart" and "Digital" Bangladesh is the only way forward to an equitable and prosperous future for the country.

"I see that mobile internet access in the country is growing but I believe '4G for all' -- the vision that we initiated at Banglalink -- still needs a lot of work."

"We have to work together with government authorities, and as an industry at large, support each other and make sure we don't waste important resources."

He thinks it is also necessary to share networks and towers and contribute to the fiberisation of the country and deploy 4G at every corner of the country.

"It is important to understand that investing in telecommunications requires a lot of funding, which they do not expect to receive from the government. But we have to create enough profitability to make sure that we can invest in the future of internet infrastructure in Bangladesh. I think we have a lot of homework to do in this regard."

Terzioğlu's visit to Bangladesh coincided with Banglalink's stellar performance in recent months.

Banglalink achieved a 31 percent year-on-year growth in its 4G subscriber base in the third quarter of 2023, totalling around 20 million subscribers.

With double-digit revenue growth for six consecutive quarters, the company's revenue soared 15 percent to Tk 1,588 crore.

It also won the seventh consecutive Ookla Speedtest Award in four years.

Kaan Terzioğlu

Asked about the strategy that contributed to Banglalink's accomplishments, Terzioğlu attributed the company's success to its "4G for all" vision.

"You remember that almost two years ago, we made important decisions. We said the quality of service that Banglalink can bring to certain limited markets from now on will be available throughout Bangladesh, and we decided to start executing our '4G for all' vision."

"During the two years, we literally doubled our network footprint. And we brought high speed mobile internet, not to a limited number of regions, but to the entirety of the nation."

Banglalink has ambitions not just to become the best telecom company in Bangladesh, but also the best entertainment, education, healthcare, and financial services platform, the CEO said.

"The more financial inclusion the company can create among the population, the more spread out its tax base will be. But these will require further digitalisation of the economy."

"Today, I see that just 3 million people on the country's tax registry are paying taxes while maybe 10 million people are registered. These numbers need to grow and there is only one way to do so. It is the digitalisation of the economy."

Banglalink is currently contending with regulatory challenges, specifically concerning an audit directed by the Bangladesh Telecommunication Regulatory Commission (BTRC), mandating the clearance of dues amounting to about Tk 820 crore.

Notably, over half of this amount comprises late fees, a matter to which Banglalink has raised objections. Meanwhile, the operator has already paid the principal amount of the claim.

Terzioğlu said he considers audits from regulatory bodies as a healthy system, but they need to be done in a timely manner.

In 2021, Banglalink underwent an audit, which covered its operations from 1996 to 2019, with the final report delivered earlier this year.

The audit should have been conducted regularly, the group CEO said.

Following the audit, the company was asked to pay late fees covering 25 years.

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Prompt Corrective Action Framework: a bold move

MD TOUHIDUL ALAM KHAN

In a groundbreaking move, the Bangladesh Bank introduced the prompt corrective action (PCA) framework on December 5. This new set of rules aims to ensure stability in our commercial banks, bolstering confidence in the financial system.

The PCA framework categorises banks into four groups, from Category-1 to Category-4, each with specific actions stipulated. For instance, banks in Category-1 might need to activate recovery plans, conserve capital, and limit growth in certain areas.

Higher categories bring additional measures. It's like having a strategy paper for different scenarios, helping banks stay in good financial shape. The PCA framework's provisions will come into effect on March 31, 2025, based on the annual audited financial statements for the period ending on December 31, 2024.

The bright side

One shining merit is the focus on early detection and intervention. This means the framework helps banks spot potential risks, like non-performing loans (NPLs), before they become big problems. Imagine it as a financial health check-up, catching issues early to keep the banking system strong.

Risk-based categorisation is another plus. This tailors strategies to address each bank's unique challenges. For example, if a bank's NPLs are a bit high, the framework helps it create a strategy to handle it. It's like a personalised game plan for each bank to succeed.

Transparency is key too. Clear indicators, such as NPL ratios, provide a transparent way to categorise banks. This openness encourages banks to manage NPLs proactively to avoid corrective actions. It's like playing by clear rules, making sure everyone knows what to expect.

Facing challenges head-on

However, there are challenges. The framework's strict structure might not be flexible enough for some banks facing unique challenges. It's comparable to adopting a one-size-fits-all approach – a solution that might not be tailored to everyone's unique needs.

Also, relying too much on historical financials might make banks react to past problems rather than plan for the future. If a bank spends too much time fixing old issues, they might miss what's coming next. It's like focusing on yesterday's game instead of preparing for tomorrow's match.

The impact on profitability is a hurdle too. The rules might affect how much money banks make, making it a balancing act between staying stable and growing. Striking the right balance is vital – not too strict, not too loose.

Preparing for changes

Firstly, banks can enhance their NPL resolution strategies. Think of it as creating a strategy paper specifically for dealing with NPLs – early identification, negotiations, and recovery plans all included.

Stress testing NPL scenarios is crucial too. This is like preparing for different weather conditions during a game. Banks need to know how their NPLs will handle rough economic situations.

Data analytics for NPL prediction is the future. By using advanced technology to predict potential NPLs, banks can prevent issues before they arise. Continuous monitoring of NPL ratios is a game-changer. Banks need to keep an eye on their NPLs to make sure they're on track.

Lastly, capacity building for NPL workouts is like training for a marathon. Banks need to equip themselves with the right skills and strategies for effective NPL management.

In conclusion, Bangladesh's banking sector is gearing up for a significant change with the PCA Framework. While it brings challenges, it also offers a roadmap for stable and resilient banks.

By understanding the rules, embracing merits, addressing challenges, and preparing strategically, our banks can navigate these changes successfully, ensuring a robust and stable financial system for years to come.

The author is additional managing director and chief credit officer of The Premier Bank PLC

India may need to import sugar as planting wanes

REUTERS, *Solapur*

India's sugar output this crop year, hit by weak rains, is set to lag consumption for the first time in seven years, according to traders and a survey of farmers, and lower plantings may even force the world's No.2 producer to import in the following year.

Driven by falling yields in two key producing states, Maharashtra and Karnataka, the sluggish outlook for the crop year that began in October reinforces expectations India will ban sugar exports in 2024.

Sugar output could be even lower in the next crop year, which runs to September 2025.

Low reservoir levels in Maharashtra and Karnataka, which together produce nearly half of India's sugar, are prompting many farmers to plant crops that need less water and mature faster than cane, such as sorghum and chickpeas, Reuters found in a survey of over 200 farmers.

Reuters' calculations based on the survey showed output could fall this crop year and next, in line with traders' internal forecasts. Consumption is expected to rise over the same period.

While the survey covers a small sample of farmers in key areas, it shows growing pressures that could force India, which supplies 12 percent of globally traded sugar, to become a net importer from as early as the first half of 2025, industry insiders told Reuters, in what would be a major reversal.

The prospect of this year's crop falling short of forecasts and India being forced to import sugar for the first time

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PHOTO: REUTERS/FILE

Sugar mill workers load harvested sugarcane in a tractor trolly in Sangli district, in the western state of Maharashtra, India, December 3, 2022.

Can China get its economic miracle back on track in 2024?

REUTERS, *Hong Kong*

China's disappointing post-Covid recovery has raised significant doubts about the foundations of its decades of stunning growth and presented Beijing with a tough choice for 2024 and beyond: take on more debt or grow less.

The expectations were that once China ditched its draconian Covid rules, consumers would burst back into malls, foreign investment would resume, factories would rev up and land auctions and home sales stabilise.

Instead, Chinese shoppers are saving for rainy days, foreign firms pulled money out, manufacturers face waning demand from the West, local government finances wobbled, and property developers defaulted.

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