Prime Minister Sheikh Hasina is seen in a light moment after inaugurating the Dhaka International Trade Fair (DITF) at the Bangabandhu Bangladesh-China Friendship Exhibition Centre in Purbachal yesterday. Salman F Rahman, the prime minister's adviser on private industry and investment, was also present. PHOTO: BSS

Bangladesh requests Nepal to propose tariff for exporting 40MW

STAR BUSINESS REPORT

Bangladesh has sent a draft request for proposal to the Nepal Electricity Authority (NEA), asking it to propose a tariff for the export of 40 megawatts (MW) of electricity from the Himalayan nation, according to a report by the Kathmandu Post.

"Bangladesh has sent us a draft request for proposal (RfP), in which we will propose the tariff that we want to levy," the Nepali daily reports quoting NEA Managing Director Kul Man Ghising.

With the latest development, the two countries are one step closer to a deal for the import of 40MW of electricity from Nepal. Once the two sides agree on tariff, Nepal, Bangladesh and India are expected to sign a tripartite agreement, under which Bangladesh will import power from Nepal for the first time.

During Nepali Prime Minister Pushpa Kamal Dahal's visit to India in May-June last year, the country had promised to facilitate the export of 40MW electricity to Bangladesh. As the Indian territory lies between Nepal and Bangladesh, it is necessary for both sides to take India on board in the energy trade, reports The Kathmandu Post.

Even though the two sides have agreed on almost all issues concerning the export of 40MW of electricity, tariff is the only thing on which negotiation is yet to begin, according to NEA officials.

They said that once Nepal proposes a tariff, bilateral negotiation would begin on the issues.

"It may take 10 to 15 days for us to decide on the tariff to be proposed," said NEA Managing Director Ghising.

The NEA officials said the draft RfP was received early this week.

Pradeep Kumar Thike, deputy managing director of the NEA, who oversees power trade, said a bilateral agreement on power trade has so far been reached in the form of a memorandum of understanding.

"With the RfP, understanding will be formalised in concrete terms and conditions," he added.

Bangladesh and Nepal agreed to make an effort for the import of 40MW of power in the last summer season that began in May last year. But the plan has yet to materialise as the two sides failed to conclude negotiations.

Nepal now expects to export power in the next summer season as the country itself may have to import power from India during the winter season as it usually does, according to the Nepali daily.

As a friendly gesture, Nepal plans to offer a reasonable tariff for the government-to-government deal, Ghising told The Kathmandu Post earlier.

"A reference can be the existing electricity price in Bangladesh," he said.

According to NEA officials, the transmission charges and service fees to be paid to the Indian authorities have been almost finalised. The transmission charges will be equivalent to what India's power traders currently charge and levied as per India's open access rules.

Bangladeshi entities may also have to pay service charges to the NTPC Vidyut Vyapar Nigam Limited (NVVN), which is India's nodal agency for cross-border power trade, for the agency's efforts in obtaining its government's regulatory approval.

China committed to deeper trade ties, project finance

Says ambassador

STAR BUSINESS REPORT

Chinese Ambassador to Bangladesh Yao Wen said he expects more cooperation in projects, trade and finance with Bangladesh.

Wen made this comment after a meeting with Finance Minister Abul Hassan Mahmood Ali in Dhaka yesterday.

"He [the finance minister] is an old friend of China and during his tenure as a foreign minister, he contributed a lot to our bilateral relations," Wen added.

Asked about China's slow disbursement of funds to Bangladesh, Wen emphasised China's commitment to work out any issues that will be mutually beneficial for both countries.

Unique Meghnaghat Power receives first instalment of $463m loan

STAR BUSINESS DESK

Unique Meghnaghat Power Limited (UMPL) recently got $360 million as the first disbursement of a $463 million loan agreement with foreign lenders for the construction of a combined cycle gas-fired power plant at Sonargaon in Narayanganj.

The estimated project cost for the 584-megawatt power plant is $612 million, being financed at 75:25 debt-equity ratio, according to a press release.

The debt portion is being financed through a multi-sourced financing package, including an Export Credit Agency (ECA) covered tranche from Standard Chartered Bank (SCB), Swiss Export Risk Insurance as well as Asian Infrastructure Investment Bank (AIIB), Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and Opec Fund for International Development (OFID).

Of the $360 million first instalment, the SCB as an ECA backed lender disbursed $240.24 million and the AIIB, DEG and OFID disbursed $119.76 million, the statement said referring to the disbursement on December 18.

Chowdhury Nafeez Sarafat, managing director of UMPL, said this financing manifests the confidence of lead global development financing institutions and banks on the economic development of Bangladesh.

Financial closing of $463 million in foreign loan has opened the avenue for future investments in Bangladesh for similar sets of foreign lenders.

He said UMPL has implemented the project with the most efficient gas turbine in South Asia, which has the highest efficiency of more than 62 percent at site condition.

Md Saidul Islam, chairman of Jamuna Bank, attends "Annual Business Conference 2024" of the bank, at a hotel in Dhaka on Saturday. PHOTO: JAMUNA BANK

Jamuna Bank holds annual business conference

STAR BUSINESS DESK

Jamuna Bank organised "Annual Business Conference 2024" at a hotel in Dhaka on Saturday.

Md Saidul Islam, chairman of the bank, attended the conference as chief guest, said a press release.

In his speech, Islam expressed his satisfaction and congratulated all employees on the remarkable success achieved by the bank in 2023.

Mirza Elias Uddin Ahmed, managing director and CEO of the bank, presided over the conference, where AKM Mosharraf Hussain, Nur Mohammed, Md Redwan-ul Karim Ansari, Shaheen Mahmud and Md Ismail Hossain Siraji, directors of the bank, were present.

The bank later awarded heads of different branches and divisions with the "Chairman Award 2023" for their outstanding performances.

Md Abdur Rahman Sarker, Md Humayun Kabir Khan, Md Abdul Jabber Chowdhury, and M Murshidul Haque Khan, independent directors, along with higher officials, divisional heads, and branch managers from all branches of the bank across the county were also present.

China aims to better support firms going global

ANN/CHINA DAILY

China will better coordinate financial openness and security and pay equal attention to attracting foreign investors and promoting the "going global" of Chinese firms, while steadily advancing institutional opening-up, the National Financial Regulatory Administration said on Saturday in an online statement.

The country will support foreign institutions with distinctive features and expertise in fields including wealth management, elderly care, healthcare and non-performing asset disposal to come to China for business development, the NFRA meeting said, adding the country will leverage on its super large market to attract high-quality financial resources from around the world to gather.

Jose Vinals, group chairman of Standard Chartered, said the bank will continue investing in China and expects to continue making very good progress.

"We can see a lot of opportunities in China and this is why we are investing," he said during a previous interview with China Daily.

Such opportunities arose from the reorganization of global supply chains, the internationalization of the renminbi, the development of sustainable finance and wealth management in China, among other factors, he said.

Standard Chartered has announced it will invest $300 million in China by the end of 2024 to upgrade its capabilities of providing financial services to clients in areas like wealth management, retail banking, corporate commercial and institutional banking, sustainability and risk management.

In addition, the bank sees tremendous opportunities from the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

An uneasy start to the week

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Shariah-based companies, was down 14 points, or 1.02 percent, to 1,374 while the blue-chip index DS30 slipped 0.35 percent to 2,137.

Turnover fell 7.7 percent to Tk 588.87 crore from Thursday's Tk 637 crore. Of the securities that traded on the premier bourse of Bangladesh, 54 advanced, 296 declined, and 36 were unchanged.

The same trend was observed on the Chittagong Stock Exchange. The CASPI, the broad index of the port city bourse, fell more than 2.53 percent, or 476 points, to 18,329.

Sharif Anwar Hossain, a former president of the DBA, said some companies were overvalued and they were expected to decline once the floor price was lifted.

REASONS BEHIND DECLINE

- Macroeconomic crisis
- A fall in profit of listed companies
- Pending sales pressure
- Confidence crisis

"However, the sales pressure was lower compared to what we had expected."

He said investors are observing the stocks. Once they are traded at their fair value, buyers will come forward.

He, however, pointed out that many stocks are already available at a low price, so they might not fall further.

Khan Brothers PP Woven Bag Industries posted the sharpest rise on the DSE yesterday, advancing 9.80 percent. Bangladesh Thai Aluminium surged 9.76 percent.

Rupali Life Insurance Company climbed 6.19 percent, Kohinoor Chemicals Company added 6.03 percent, Kay & Que was up 5.72 percent, and Deshbandhu Polymer rose 5.40 percent.

On the other hand, eight companies -- Shepherd Industries, Dragon Sweater and Spinning, Fareast Islami Life Insurance, Nurani Dyeing & Sweater, Paramount Textile, National Life Insurance, Zahintex Industries, and LankaBangla Finance -- suffered the sharpest fall, losing 10 percent. Besides, more than 100 companies and mutual fund units declined over 9 percent.

Bangladesh Thai Aluminium, Union Capital, National Bank, BRAC Bank, and Deshbandhu Polymer were the most-traded stocks.

Al-Amin, an associate professor of accounting at the University of Dhaka, said he was not surprised by the market's behaviour on the first trading day after the floor price was scrapped.

"The floor had kept the prices of many shares at a certain level for a long time. So, it was anticipated that these companies would come under sales pressure. Therefore, the decline was not unaccepted."

The analyst thinks gradually, these shares will reach a price level that is rational for them. Then, they will be able to attract buyers again.

"Because of the floor price, turnover had remained at a low level. But once the correction takes place, the volume will go up again. So, investors should not panic. They will have to hold patience."

Five banks

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banks had the highest NPL rate, with state banks accounting for one-fourth of the total defaulted loans.

Bangladesh Bank's financial stability report said the banking sector demonstrated a modest increase in profitability in the April-June period of 2023, albeit amid further deterioration in asset quality.

It said assets in the banking sector increased by 3.9 percent in the quarter. However, asset quality declined as the NPL ratio rose to 10.11 percent at end-June 2023 from 8.80 percent at end-March 2023. The ratio of NPL to total outstanding loans dropped to 9.93 percent at the end of September, according to central bank data.

Bangladesh Bank said among the broad risk factors, credit risk remained the most prominent factor in terms of its impact on the banks' capital adequacy.

Results of the test indicate that an increase in NPLs by 3 percent is likely to have the most severe impact on the banking sector's resilience in terms of capital adequacy, followed by the default of the top three borrowers.

The report also said any further credit risk and spike in NPLs would push the banking sector's Capital to Risk-weighted Asset Ratio (CRAR) to below the minimum requirement of 10 percent. The central bank said in the event of a 3 percent increase in NPLs, four banks would fail to maintain the minimum required CRAR.

And if the top three borrowers of each bank defaulted, then 20 banks would fail to maintain the minimum required CRAR, it added.

However, the report said, "in terms of market risk, the banking industry appeared to be resilient to exchange rate and equity price shocks but slightly vulnerable to interest rate shock".

FDI flow drops

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A senior official of the Bangladesh Investment Development Authority said an unstable exchange rate affects the competitiveness of a country's exports and imports, potentially impacting the overall economic environment and FDI.

The lingering macroeconomic crisis has paved the way for external investments to decline drastically and caused an erosion of investor confidence, he said.

The official also blamed the global economic turmoil brought on by the Russia-Ukraine war for the failing FDI in Bangladesh.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said the declining trend of both new investments and re-investments was not a good sign for the economy.

He said political uncertainty, volatile exchange rates, and higher inflation are discouraging the FDI flows.

"The uncertainty surrounding the general elections and the volatile macroeconomic situation were also the reasons behind the reduced FDI inflow."

He suggested the government pay heed to attracting FDIs in the coming months, particularly in economic zones, through an effective one-stop service.

Rupali Chowdhury, a former president of the Foreign Investors Chamber of Commerce and Industry, recommended Bangladesh focus on Asian countries such as Japan to draw investments as the nations are interested in investing in light engineering and diversified sectors.

"For this reason, we need to ensure long-term stable policy instead of frequent changes to policies regarding taxation and customs."

She also stressed the need for reforming the legal framework to improve the FDI situation.