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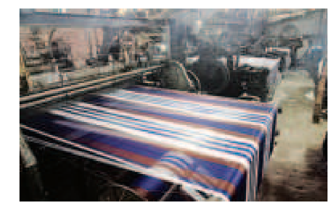
Exports of locally made lungis have been rising rapidly because of the increasing Bangladeshi diaspora worldwide



Story on B4

BB introduces currency swap with banks

The move aims to temporarily raise forex reserves

STAR BUSINESS REPORT

The Bangladesh Bank has introduced currency swaps with banks for the first time, a move that will enable the country to meet the net reserve condition set by the International Monetary Fund (IMF) with its $4.7 billion loan programme.

Usually, the central bank has to buy the greenback if it needs to raise the reserve to meet the condition. Now, it may get foreign currencies from banks for a certain period in exchange for only interest.

A currency swap involves the exchange of interest -- and sometimes of principal -- in one currency for the same in another currency. Companies doing business abroad often use currency swaps to get more favourable loan rates in the local currency than if they borrowed money from a local bank.

The reserve must stand at $19.27 billion by March and $20.11 billion by June as part of the IMF loan programme

A forex swap has two legs or stages: a near leg date and a far leg date.

On the near leg date, one swaps a currency for another at an agreed spot foreign exchange rate and agrees to swap the same currency back again on a future date (far leg date) at a forward foreign exchange rate.

For conventional commercial banks, the central bank said, the taka will be sold in exchange for approved foreign currencies at the spot rate at the near-leg.

At the far-leg, the deal will be settled by applying the same exchange rate with a swap point based on the interest rate differential considering the prevailing benchmark rate of foreign currencies. Here, the three-month term SOFR for US dollars and the policy rate of the BB for the taka will be applicable.

The secured overnight financing rate (SOFR) is a benchmark interest rate for dollar-denominated derivatives and loans that replaced the Libor (London Inter-Bank Offered Rate).

The SOFR rate presently stands at 5.38 percent while the policy rate in Bangladesh is 8 percent, figures from the Federal Reserve of the US and the BB showed.

The treasury head of a private commercial bank said while the interest rate is flexible in currency swaps with other commercial banks, it is almost fixed in the case of the central bank.

"So, banks will analyse which one is more profitable."

For Shariah-based banks, at the near-leg, the taka will be sold in exchange for foreign currencies at the spot rate. At the far-leg, the deal will be settled by applying the same exchange rate, the BB said.

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Turkish Coca-Cola Icecek acquires Coca-Cola Bangladesh Beverages for $130m

SOHEL PARVEZ

Turkish beverage company Coca-Cola Icecek (CCI) has signed a deal to acquire Coca-Cola Bangladesh Beverages Ltd (CCBB) for $130 million.

CCBB is one of the two bottlers in Bangladesh involved in the production, sale, and distribution of Coke brands in the country.

As per the agreement, CCI will acquire 100 percent of CCBB shares at a net value of $130 million, or over Tk 1,400 crore, after subtracting the estimated net financial debt of the latter, according to a statement posted by CCI on its website yesterday.

"The equity value will be subject to a post-closing price adjustment mechanism following the completion of a closing audit to determine the exact net financial debt amount of CCBB as of the closing date," it said.

The acquisition is expected to be financed by CCI International Holland BV's (CCIHBV) existing cash resources and will have a modest impact on CCI's net leverage, added CCI.

Officials at CCBB confirmed the development. The deal is expected to be closed following regulatory approval in Dhaka.

In its announcement, CCI, together with its wholly-owned subsidiary CCIHBV and a subsidiary of The Coca-Cola Company, signed the deal. CCIHBV will be the main direct shareholder.

CCBB is going to be transferred to the Istanbul-based company seven years after International Beverages Private Ltd (IBPL), Bangladesh, a subsidiary of The Coca-Cola Company, established the plant in 2017 in Bhaluka of Mymensingh, with an investment of $74 million and developed other infrastructure.

Local firm Abdul Monem Ltd is another bottler of Coca-Cola beverages in Bangladesh, where the non-alcoholic ready-to-drink market registered a 10 percent compound annual growth rate in three years to 2022.

Bangladesh's market, which is estimated to be Tk 4,000 crore to Tk 6,000 crore, is catered by two US-based soft drink makers, Coca-Cola and Pepsico, along with several local beverage makers such as Pran, Akij, and Partex.

According to CCI, the non-alcoholic ready-to-drink market in Bangladesh is expected to register a 12 percent annual average growth in the decade to 2032.

CCI manufactures, distributes, and sells brands of Coca-Cola and has operations in 11 Muslim-majority countries, namely Azerbaijan, Iraq, Jordan, Kazakhstan, Kyrgyzstan, Pakistan, Syria, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

In his comment, CCI Chief Executive Officer Karim Yahi said: "We are very pleased to sign the share purchase agreement to acquire CCBB, which we see as a great opportunity to enter a market with significant future potential, where growth and value can be generated by deploying CCI's core capabilities."

"This acquisition also creates a more diverse geographical footprint for CCI and solidifies its alignment with The Coca-Cola Company."

CCI, citing the forecasts by the International Monetary Fund, said Bangladesh's economy grew by an average of 6.5 percent annually between 2012 and 2022 and is expected to expand at an average annual rate of 6.7 percent between 2023 and 2028.

CCBB serves about 10 crore consumers in the Rangpur, Rajshahi, Mymensingh, and Dhaka regions.

With over 300 employees, one bottling plant, and three main warehouses, CCBB has around 3 lakh points of sale and partners with close to 500 distributors.

Soft drinks account for most of CCBB's total sales, while the remainder of its product portfolio consists of the water category.

In the past five years, the company has continuously strengthened its competitive position in Bangladesh to become the market leader in the soft drinks category with a 45.3 percent share as of 2023, according to CCI.

Coke bottlers

- Coca-Cola Bangladesh Beverages (CCBB) is one of the bottlers of Coke products
- CCBB bottling plant was established in January 2017 with an investment of $74m
- Abdul Monem Ltd is another bottler of Coca-Cola

Coca-Cola Icecek

It produces, distributes and sells brands of Coca-Cola

The company has operations in **11** Muslim-majority countries

Market in Bangladesh

- Non-alcoholic beverage market grew at **10**% per year between 2019-2022
- Bangladesh's annual beverage market is estimated at Tk **4,000**cr to Tk **6,000**cr
- Non-alcoholic beverage market is expected to grow at **12**% per year from 2023 to 2032

Rancon teams up with Genex to set up 21 EV charging stations

JAGARAN CHAKMA

Rancon Motors, the sole distributor of Mercedes-Benz in Bangladesh, has teamed up with Genex Infrastructure to set up electric vehicle (EV) charging stations around the country to provide charging facilities in the future.

Genex and Rancon are going to set up a total of 21 charging stations across the country before the launch of an EQ series of EVs of Mercedes-Benz for smooth operations and to ensure ease for customers.

"Initially, we will set up seven charging stations in Dhaka and 14 stations in important locations across the country by April 2024," said Chowdhury Md Nabil Hasan, head of marketing of Rancon Motors.

Charging stations are going to be set up as a preparation centring the launch of five different models of EVs of Mercedes-Benz by April, he said.

A memorandum of understanding (MoU) was signed between two entities at the Mercedes-Benz showroom in Rangs Babylonia Tower at the Tejgaon industrial area on February 12 to set up the charging stations.

Imran Zaman Khan, divisional director of Rancon Motors, Redwanul Zia, chief executive officer, Syed Shafiqul Hassan, chief operating officer at Genex Infrastructure, Mahmudul Hasan Lorance, deputy general manager (finance), Pallab Kumar Paul, senior manager (solution and R&D),

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STOCKS

DSEX ▼	CASPI ▼
0.55%	0.58%
6,336.25	18,290.68

COMMODITIES

Gold ▲	Oil ▼
$1,997.44	$76.16
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.32%	▲ 1.21%	▲ 1.2%	▲ 1.28%
72,050.38	38,157.94	3,176.69	2,865.90

Lack of trust in financial sector adversely impacting economy

Economists and analysts say

STAR BUSINESS REPORT

There is a lack of trust in the financial sector of Bangladesh, which is adversely impacting the country's overall economy, economists and analysts said at a discussion.

Against this backdrop, they urged the government and related regulatory bodies to ensure good governance and take punitive measures against those who disobey guidelines.

These recommendations came during a panel discussion, styled "Transformation of the financial sector: Adapting to constraints", at the Muzaffar Ahmed Chowdhury Auditorium of Dhaka University yesterday.

The discussion was organised by the Economics Study Center in collaboration with the International Labour Organisation as a part of its three-day 5th Bangladesh Economics Summit 2024.

Ahsan H Mansur, executive director of the Policy Research Institute (PRI), said the domestic financial sector comprising banks, the stock market, bond market, and insurance sector has seen less development compared to that of neighbouring countries.

"The financial sector cannot support the real economy due to a lack of good governance," he added.

The economist also said people have lost trust in the financial sector, and that is adversely affecting the overall economy.

"There is a lot of talk about reforms in the banking sector," said Mansur, adding that it is expected that mergers will take place and non-performing loans will reduce but there have been almost no results in this regard.

OBSERVATIONS

- Financial sector suffers from a lack of good governance
- No level playing field in fintech sector
- Merger is difficult in political economy
- Actual defaulted loans are around **25**%

RECOMMENDATIONS

- Take punitive measures against wrongdoers
- Bring back institutional governance
- Start working on mergers
- Force banks to follow rules

He informed that the actual amount of bad loans accounts for around 24-25 percent of the total loans disbursed. This includes loan repayments that are being held up until the dismissal of related court cases and loan write-offs.

The liabilities of the bad loans are ultimately borne by depositors and good borrowers, Mansur said. The economist suggested ensuring institutional governance, saying that plans for the banking sector will have to be introduced with political willingness.

Salehuddin Ahmed, former governor of Bangladesh Bank, said everything is now going backwards as the laws and regulations are not being followed but there is no one to punish the offenders.

Firstly, borrowers had to pay 10 percent of their loan to reschedule it but now, they have to pay only 2 percent. If this continues, then influential borrowers will not repay their loans, Ahmed added.

He criticised the latest banking sector reform roadmap, saying it would allow banks to write off bad loans in two years whereas it was three years previously.

Ahmed also urged to bring good governance and accountability to the financial sector.

Lila Rashid, financial inclusion specialist at the Centre for Research and Development, said the financial technology sector lacks a level playing field.

For example, licenses for forming digital banks have been awarded to a particular group, she added.

Kanti Kumar Saha, CEO of Alliance Finance PLC, said there are several laws and regulations in the financial sector, but implementation remains absent.

In response to a query, Mansur said the practice of mergers is accepted worldwide and although it is possible in Bangladesh, it could be difficult given the country's political environment.

He said that before any merger, the central bank should restructure the board and management of some weak banks and conduct a comprehensive audit of the merging firms.

The discussion was chaired by Selim Raihan, a professor of economics at the University of Dhaka.

Garment makers seek policy on virtual marketplaces

STAR BUSINESS REPORT

Garment manufacturers have sought a policy from the government on virtual marketplaces, saying they cannot enter into deals with international clothing retailers and traders in absence of dedicated international payment gateways for them.

The existing policy on online marketplaces is limited to only domestic markets, although e-commerce platforms are the main tool for sales of goods both at home and abroad, they said.

In this age of virtual connectivity, people of all ages are spending more time in the virtual world, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), in a statement yesterday.

For the fashion industry, it has created new opportunities since consumers are increasingly becoming inclined towards digital shopping, he said.

The disruption in global fashion retailing and distribution caused by digital technologies and applications is both a challenge and opportunity, he added.

"In fact, we have well realised the significance of the virtual marketplace during the lockdown periods," Hassan said.

Limitations arising from the regulatory framework, particularly in the realm of cross-border transactions and foreign currency policies, serve as an impediment for the apparel industry to tap into the burgeoning global e-commerce market, he said.

The National Digital Commerce Policy of 2018 only governs the domestic market, and does not make any explicit policy framework addressing international e-commerce, he said.

The absence of global payment gateways, challenges in securing working capital financing, cumbersome export processing for small orders, and an impractical return policy, where returns are categorised as imports, constitute substantial impediments to establishing a robust digital marketplace, said Hassan.

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Biman to return on Dhaka-Rome route after nine years

STAR BUSINESS REPORT

Biman Bangladesh Airlines started selling tickets for flights on the Dhaka-Rome-Dhaka route yesterday as the national flag carrier is set to resume operations to connect the country with the European city from March 26.

Tickets for the route are up for grabs at all of Biman's distribution channels, Biman said in a press release.

On December 21, Biman Managing Director and CEO Shafiul Azim announced the resumption of the flight after nearly nine years from March 26 marking Independence Day.

Between March 26 and March 31, flight BG-355 will depart Dhaka every Monday, Tuesday, and Thursday at 2am local time and reach Rome at 7am local time.

From April 1, the flight will fly from Dhaka on Mondays, Tuesdays, and Thursdays at 3am as per the summer schedule and arrive in the capital of Italy at 9:10am.

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