Star BUSINESS


The yield of 10-year government bonds has increased to 12.05 percent, the highest in a decade, amidst tight liquidity in the market.

Story on B4

Padma Bank to turn institutional deposits into preference shares

The lender plans to offer the shares to customers who want to withdraw funds

STAR BUSINESS REPORT

In a rare move, Padma Bank PLC is going to convert institutional deposits into preference shares and provide them to customers seeking to withdraw funds, exposing how deeper its liquidity crisis is.

Preference shares, also commonly known as preferred stocks, are a special type of security that gives priority to its holders over those with ordinary shares when it comes to payments of any dividend by the company.

Padma Bank has institutional deposits of around Tk 3,000 crore, including funds of different government institutions and agencies and state-run banks.

The matter was approved by the board of directors of the bank in January.

"We are going to convert the [institutional] deposits into shares as per the instruction of the Bangladesh Bank," Tarek Reaz Khan, managing director and CEO of Padma Bank, told The Daily Star yesterday.

Padma Bank: things to know

- Farmers Bank was renamed as Padma Bank in January 2019
- It has institutional deposits of Tk **3,000**cr
- Last year, it had default loans of Tk **3,550**cr out of total outstanding loans of Tk **5,740**cr
- In September last year, BB appointed a coordinator to monitor loan irregularities
- ICB, Sonali, Janata, Agrani, Rupali have 60% stake in the bank
- In January, Chairman Chowdhury Nafeez Sarafat resigned

The Department of Off-Site Supervision of the central bank instructed to convert the deposits into shares based on the observations of the BB-appointed coordinator at the bank, he said.

"The conversion from deposits to shares is a long process and we have started working to this end."

Padma Bank, formerly Farmers Bank, turned into a hotbed of financial irregularities in less than three years past its inception in 2013. More than Tk 3,500 crore was siphoned out from the bank, according to the BB.

Allegations of corruption against Muhiuddin Khan Alamgir and Md Mahabubul Haque Chisty, the then board chairman and chairman of the audit committee respectively, became dealening and depositors, which included government agencies, started pulling out money.

The two were forced to resign in November 2017 and the government stepped in to rescue the bank in 2018.

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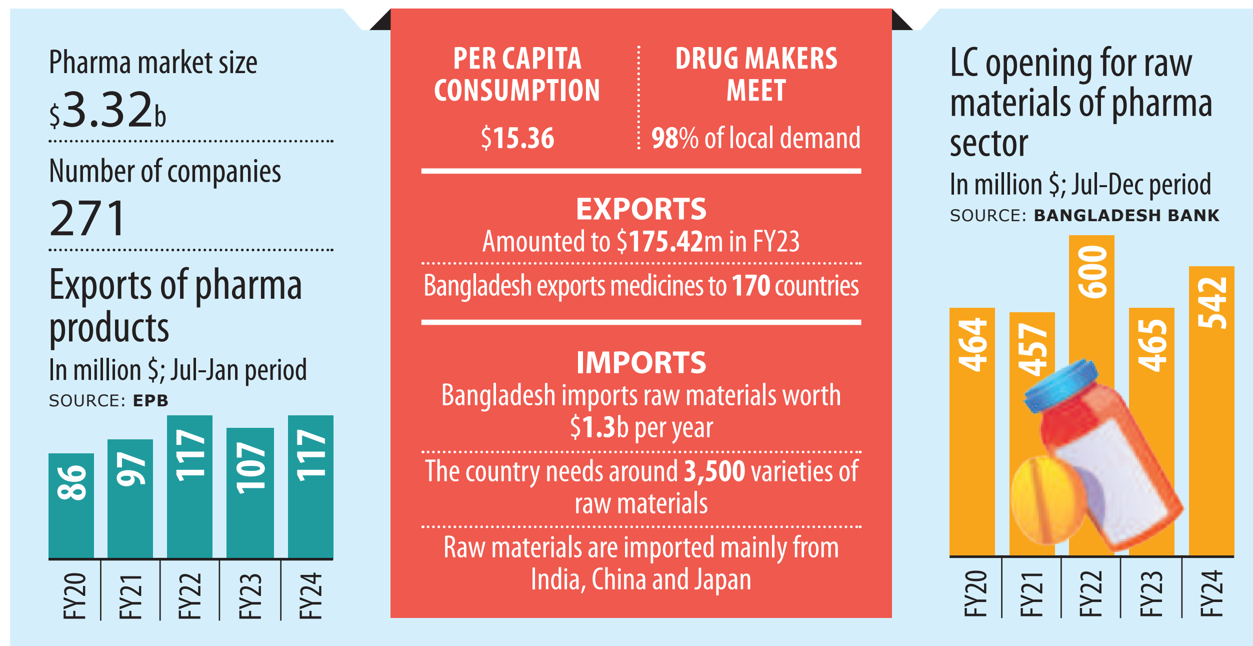
Higher raw materials imports signal end of pharma sector's slump

JAGARAN CHAKMA



Bangladesh's pharmaceuticals sector is rebounding on the back of smooth imports of raw materials, a well-maintained supply chain, and a higher opening of letters of credit, highlighting the recovery following challenges over the last two years, industry people say.

The LC opening for the import of raw materials by drug manufacturers increased 17 percent year-on-year to $542.42 million in July-December of the current fiscal year, central bank data showed.

It was down 22.41 percent in the same period of 2022-23 from a year earlier.

"The increase in the import volume of raw materials is a positive sign for the pharmaceuticals sector. This indicates that we are on the path to recovery," said M Mohibuz Zaman, managing director of ACI HealthCare Ltd.

Bangladesh heavily relies on imports to meet around 85 percent of the raw materials needed to feed the $3 billion industry. This costs the country about $1.3 billion annually.

The sector, which meets 98 percent of local consumption, needs around 3,500 varieties of raw materials, mostly brought in from India, China, and Japan.

The over-dependence on the external sector for inputs means the industry was hit after the cost of production rose following a surge in prices in the global markets and a significant fall in the value of the taka that made imports costlier.

"The pharmaceuticals sector may recover from the crisis in terms of raw materials imports thanks to dedicated efforts from the manufacturers and the government's policy support," said Mohammad Mujahidul Islam, executive director for marketing and sales at Eskayef Pharmaceuticals Ltd.

"We can say that any doubt about facing a shortage of life-saving medicines has dissipated."

Islam added that pharmaceutical manufacturers' profits, which slumped in the past two years, increased slightly.

He also credited the supply chain management of the overall pharmaceuticals sector for the rebound.

"We emphasised the import of raw materials to ensure the supply of life-saving drugs, avoid any crisis, and tackle emergencies," said EH Arefin Ahmed, executive director (marketing) of Incepta Pharmaceuticals Ltd.

He said they have ensured stability in the supply chain and maintained an adequate stock to tackle future challenges.

"The sector has learnt important lessons while successfully navigating the challenges stemming from the Covid-19 pandemic and the Russia-Ukraine war."

According to Ahmed, raw material suppliers had also recognised that Bangladesh was facing a dollar shortage and they had agreed to provide raw materials on credit.

"This has been another reason that helped the sector rebound. Even we imported additional raw materials for high value and essential medicines."

He thanked the government policy for the smooth opening of LCs.

The central bank has introduced restrictions to limit the purchase of non-essential goods and raw materials from international markets to prevent the depletion of the foreign currency reserves, which have halved in the past two years owing to higher commodity prices in the global markets.

Monjurul Alam, chief executive officer at Beacon Medicare Ltd, said the sector would make a comeback strongly in the second half of 2023-24 thanks to the adoption of innovative strategies.

"The sector will fare well on both domestic and international fronts as the opening of LCs is improving.

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Supply of essential Ramadan commodities rises

Price of soybean oil to fall by Tk 10 from March 1

STAR BUSINESS REPORT

The import of soybean oil, chickpeas, dates, palm oil, pulses, and yellow peas, items that usually see a higher demand during the fasting month of Ramadan, is on the rise, official figures showed.

The Bangladesh Trade and Tariff Commission (BTTC) has analysed the trend of the settlement of letters of credit (LCs) ahead of the upcoming Ramadan compared to last Ramadan.

In a paper, it said the supply of commodities other than sugar had increased.

During the period from December 2022 to January 2023, 204,865 metric tonnes of sugar were imported, the paper said. But during December 2023 to January 2024, sugar imports decreased to 130,266 metric tonnes, the paper said.

On the other hand, soybean oil imports rose from zero to 12,420 metric tonnes in the same period.

Chickpeas imports rose 46 percent, growing from 29,458 metric tonnes to 42,913 metric tonnes in the same period. Date imports also increased significantly, rising from 5,895 metric tonnes to 9,148 metric tonnes.

According to the paper, international market prices of chickpeas, lentils, and sugar have increased compared to last year. It added that the price of rice increased in the international market last year but decreased in the local market.

Initiatives should be taken to remove complexities related to opening LCs to ensure uninterrupted import of goods while uninterrupted gas and electricity supply in goods-producing industries must also be ensured, it added.

Yesterday, commodity processors sat for a meeting with officials of the commerce ministry.

In the meeting, edible oil refiners said the price of soybean oil would be cut by Tk 10 per litre from March 1 to pass on the benefit of reduced duty and value-added tax to consumers.


Facing persistently high inflation, people gather around a truck of the Trading Corporation of Bangladesh, which sells essentials at subsidised prices. However, there may be some relief ahead of Ramadan as imports of commodities that are popular during the month have increased. Edible oil importers have already announced that the price of soybean oil will be cut by Tk 10 per litre from March 1.

PHOTO: STAR/FILE

Consumers will be able to buy a one-litre container of soybean oil at Tk 163, down nearly 6 percent from the current price of Tk 173, according to officials of major commodity importers and processors.

"No decision has been taken to reduce palm oil prices," said Biswajit Saha, director for corporate and regulatory affairs of City Group, one of the leading commodity importers and processors.

Biswajit said the impact of the duty and VAT reduction amounted to around Tk 5 per litre, but as per the directive of the ministry, it would be reduced by Tk 10 a litre.

State Minister for Commerce Ahasanul Islam Titu asked refiners to reduce prices at the meeting.

In February, the National Board of Revenue lowered customs tariffs on rice, sugar, and dates while removing the VAT on edible oil imports. The move was aimed at curbing prices of the four commodities, easing inflationary pressure on consumers.

In Bangladesh, inflation has persisted at over 9 percent since March last year, eroding the buying power of the poor and those from low-income groups.

Extend tax return filing deadline for companies: FBCCI

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has urged the National Board of Revenue (NBR) to extend the deadline for tax return filing by companies by two months until April 30 this year 2024.

The apex trade body made the appeal as the deadline for submission of tax returns by companies is scheduled to end on February 28.

Earlier, the NBR extended the official deadline for return filing from January 15 to February 28 for firms.

In its letter submitted to the NBR chairman, the FBCCI said businesses are yet to get a comprehensive idea about the income tax law 2023, which became effective from June last year.

Besides, it is taking time to get the documents ready for auditing as a result of unfriendly global environment, inflation, dollar crisis and businesses' engagement for import of items ahead of the Ramadan, it added.

Companies are also facing delays in getting documents verification code (DVC) and finalising the audited financial statements, it said.

The DVC shows authenticity that the financial accounts are audited by chartered accountants. Companies are required to use the DVC in their audited accounts as per the NBR rule.

The FBCCI said a number of its member bodies requested for an extension of the deadline by two more months until April 30 so that companies can file returns without any fine.

STOCKS

DSEX ▼	CASPI ▼
0.04%	0.22%
6,256.12	17,950.25

COMMODITIES

Gold ▲	Oil ▼
$2,023.21 (per ounce)	$77.93 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.56%	▼ 0.28%	▲ 0.56%	▲ 0.42%
73,118.75	38,363.61	3,244.06	2,922.73