

# Star BUSINESS

## Stocks jump as tax cut keeps investors upbeat

STAR BUSINESS REPORT

Nearly all stock indexes in Bangladesh rose sharply for a second consecutive day yesterday as investors were upbeat following a substantial cut in capital gains tax by the National Board of Revenue on Monday.

The capital gains tax rate has been reduced by half to 15 percent on earnings of over Tk 50 lakh from share sales.

The premier index of Dhaka Stock Exchange (DSE), the DSEX, edged up 112.52 points, or 2.14 percent, from the previous day to close at 5,365.

It has gone up by 466 points in the last seven trading days.

Investors hope the momentum will prevail for a couple of more days, Saiful Islam, president of the DSE Brokers Association of Bangladesh, told The Daily Star.

"The market went down a lot from where it has achieved some gains... The capital gain tax is a big issue for any market," he said.

A total of 30.69 crore shares were traded yesterday, the highest in two and a half months, he added.

The DSES, the index representing Shariah-compliant companies, went up 29.18 points, or 2.51 percent, to 1,191.

The DS30 index for blue-chip stocks grew 30.17 points, or 1.56 percent, to 1,967.

However, at the Chittagong Stock Exchange (CSE), the CSE All-share Price Index (CASPI), the key index of the port city bourse, plunged by 291.61 points, or 2 percent, to settle at 14,876.

**Investors hope the momentum will prevail for a couple of days, said Saiful Islam, president of DSE Brokers Association of Bangladesh**

A top official of a leading stock brokerage firm said the market was rising as large investors were getting back their stakes, while the capital gains tax cut was an added incentive. As large investors trade good stocks, prices rise alongside the index, he said.

Shares of companies like Islami Bank Bangladesh, Square Pharmaceuticals, Renata, Beacon Pharmaceuticals, Best Holdings, BRAC Bank, Beximco Pharmaceuticals, City Bank, United Commercial Bank and IFIC Bank performed well.

Islami Bank Bangladesh accounted for the highest single company gain of 37.65 points.

A total of 304 stocks advanced, 65 declined, and the remaining 24 did not see any price movement.

Turnover, which is a measure of the total value of shares traded on the day, increased by 48.56 percent to Tk 840 crore, the highest in two months.

The last time it was higher than this was on September 2, when it amounted to Tk 1,065 crore.

The pharmaceutical sector dominated the turnover chart, accounting for 21.33 percent of the total.

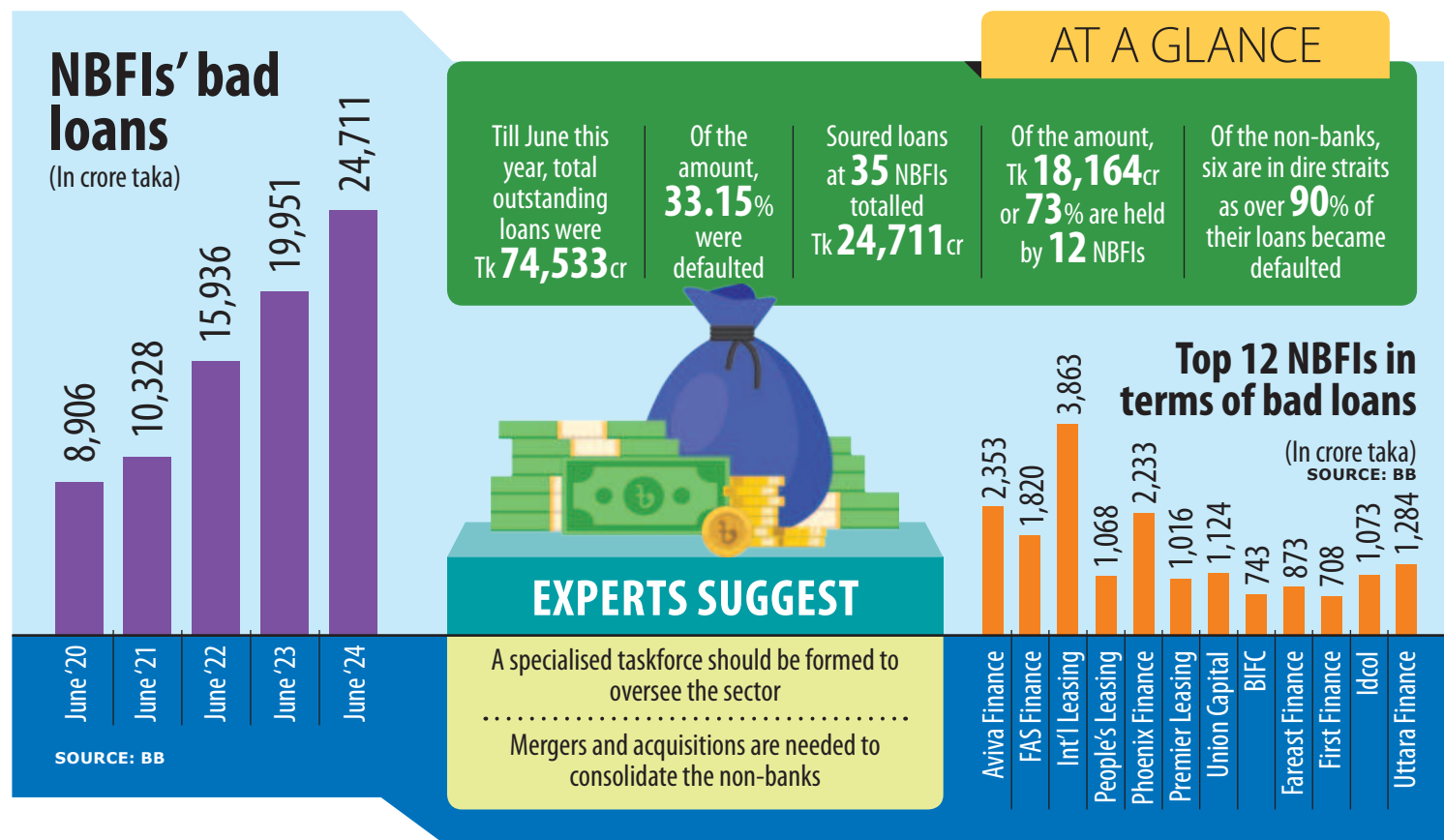
Block trades, which refers to high-volume transactions in securities that are privately negotiated and executed outside the open market, contributed 2.5 percent of the overall market turnover.

STOCKS		
	DSEX ▲	CASPI ▲
	2.14%	1.99%
	5,365.01	14,876.54

COMMODITIES		
	Gold ▲	Oil ▲
	\$2,741.36	\$71.84
	(per ounce)	(per barrel)

ASIAN MARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▲ 0.88%	▼ 1.11%	▲ 0.27%	▲ 2.32%
	79,476.63	38,476.90	3,581.61	3,386.99

## A third of NBFIs hold over 73% of bad loans



AM JAHID

Twelve non bank financial institutions (NBFIs) out of a total 35 are holding nearly 73.5 percent of the sector's bad loans, according to Bangladesh Bank data, reflecting a precarious situation at those entities.

As of June this year, soured loans at the 35 NBFIs in the country totalled a record Tk 24,711.28 crore, with Tk 18,164.5 crore concentrated in 12 NBFIs, central bank data showed.

The NBFIs are Aviva Finance, FAS Finance, International Leasing, People's Leasing, Phoenix Finance, Premier Leasing, Union Capital, Bangladesh Industrial Finance Company Limited (BIFC), Foreast Finance, First Finance, Infrastructure Development Company Limited (Idcol) and Uttara Finance.

According to industry insiders, the situation is dire for six of these NBFIs as nearly all their loans have soured.

Central bank data shows the proportion of bad loans at FAS Finance, International Leasing,

"Besides, several other NBFIs have been infiltrated by unscrupulous investors who have exploited their positions as chairpersons and directors for personal gain," Khan said, comparing these actions to "outright theft" that has pushed several NBFIs to the "edge of collapse".

Khan cited examples like People's Leasing, Phoenix Finance, and International Leasing, which he said are severely affected.



**Anis A Khan, former chairman of ABB, said some banks and NBFIs have fallen victim to an "unholy nexus", which he described as a "serious threat" to the integrity of the financial system**

People's Leasing, Union Capital, BIFC, and Foreast Finance is more than 90 percent of total disbursed loans.

Anis A Khan, former chairman of the Association of Bankers, Bangladesh (ABB), said some banks and NBFIs have fallen victim to an "unholy nexus", which he described as a "serious threat" to the integrity of the overall financial system.

He said several factors are contributing to the increasing non-performing loans (NPLs) in the NBFIs sector, including scams and irregularities.

Referring to a BB probe report, he said PK Halder, the former managing director of NRB Global Bank (later renamed Global Islami Bank), alone swindled at least Tk 3,500 crore from four NBFIs – People's Leasing, International Leasing, FAS Finance and BIFC.

As a result, the four NBFIs have become ailing institutions, with more than 90 percent of their loans going bad.

As of June 2023, the sector's total outstanding loans stood at Tk 74,533.74 crore, of which 33.15 percent were defaulted, BB data showed.

However, industry insiders believe the actual amount of bad loans could be even higher, saying defaulted loans tend to increase

after inspections by the Bangladesh Bank.

Even amid this, Khan said some NBFIs, such as IDLC, Delta Brac Housing, IPDC Finance and Lanka Bangla, are performing well. "But unfortunately, many others are in a very precarious state."

As a remedy, Khan suggested forming a specialised taskforce and bringing in experts to oversee the sector.

He also advocated for mergers and acquisitions to consolidate the NBFIs sector, arguing that the country does not require 35 NBFIs. "What is essential," he said, "is stronger governance and regulatory oversight."

Regarding the bad loans in the NBFIs sector, Md Golam Sarwar Bhuiyan, chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA), said the financial health of the NBFIs has not worsened abruptly in recent years. Rather, they have been in dire straits for many years.

"This is like carrying bad loan legacies," said Bhuiyan, adding, "Conditions of the ailing NBFIs are worsening day by day as they have to pay interest on their old bad loans."

"Now, we are trying to find a solution."

In the past 15 years, we have not been able to do anything. There is good governance now. Now, we are trying to find a way to bring back order," he added.

Wishing anonymity, some industry insiders said that the Bangladesh Bank was also responsible for the ailing NBFIs as the central bank's supervision was not up to the mark.

As a result, frequent reports of scams and loan irregularities were reported in the sector over the last few years.

Bhuiyan said they had already met with the central bank governor and discussed the problems plaguing the NBFIs sector.

"We urged the Bangladesh Bank to form a separate commission to establish good governance and resolve issues like NPLs in the sector," he said.

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## Next govt should continue reforms

Salehuddin says

STAR BUSINESS REPORT

Finance Adviser Salehuddin Ahmed said yesterday that the interim government is trying to leave a lasting footprint through its reform initiatives and that the next government should continue reform activities.

It would be unwise for the next government to refuse the reforms, he said at the ERF-Nagad Best Reporting Award 2023 at the Pan Pacific Sonargaon Dhaka.

The Economic Reporters Forum (ERF) and mobile financial service (MFS) provider Nagad jointly

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## Govt gears up to raise rice imports to curb prices

SOHEL PARVEZ

Against the backdrop of rising prices, the government has geared up efforts to buy rice from the international market to replenish stocks and ensure distributions under social safety net schemes to arrest market volatility.

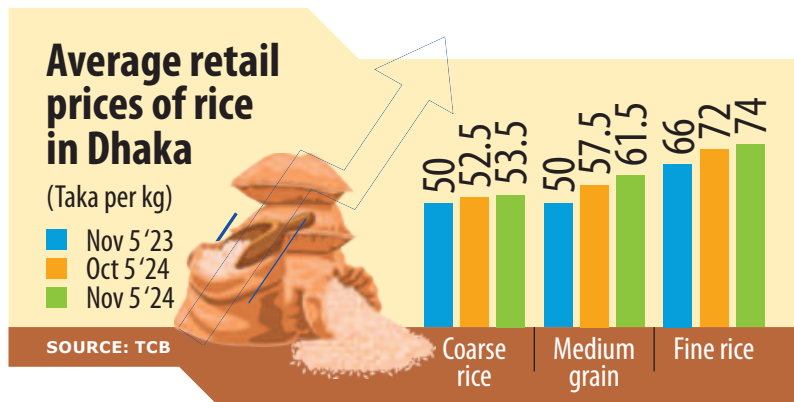
Since October 17, the Directorate General of Food has floated two international tenders to buy 1 lakh tonnes of rice from the international market.

It also invited bids from suppliers to buy a total of 1 lakh tonnes of wheat in this fiscal year of 2024-25.

"We have started the process of buying rice to augment food stock. Our purchases from domestic and international markets will be on," said a senior official of the directorate requesting anonymity.

Public food stocks stood at 13.58 lakh tonnes, which includes 9.06 lakh tonnes of rice, on November 4.

Current rice stocks are below the 10.5 lakh tonnes recommended by experts for enabling market



interventions by the government to curb the scope for private millers and traders to artificially influence prices.

Over the last one month, retail prices of coarse rice, the cheapest staple, rose by nearly 2 percent to Tk 53.5 per kilogramme in Dhaka.

The price of the medium grade grain, which is relatively expensive, soared 7 percent.

Prices of all types of rice yesterday were higher by as much as 15 percent

from that a year ago, according to data of the state-run Trading Corporation of Bangladesh.

To contain prices by increasing the supply, the food ministry earlier this week asked private traders to apply for rice imports by November 14.

The move came shortly after the National Board of Revenue (NBR) removed all the duties on the import of the staple grain.

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