

Renata approves Tk 325cr preference shares

STAR BUSINESS REPORT

Leading local drugmaker Renata PLC has issued preference shares of up to Tk 325 crore to refinance its loans.

Preference shares, or preferred stock, offer dividends paid out to shareholders before common stock dividends.

The purpose of the issuance of the non-cumulative, non-participative, redeemable, or fully convertible preference shares is to refinance existing loans, the company said.

Renata also said the share issuance is subject to shareholder approval at an extraordinary general meeting scheduled to be held on January 12 in 2025, and regulatory consent from the Bangladesh Securities and Exchange Commission.

The pharmaceutical company shared the information through a disclosure on the website of the Dhaka Stock Exchange (DSE) yesterday.

Shares of Renata declined 1.09 percent to Tk 633.1 yesterday.

Fed survey finds inflation fading

REUTERS, Washington

President-elect Donald Trump may have campaigned hard against high inflation, but by the time of his Nov. 5 election victory financial professionals had moved on from rising prices and begun worrying about rising US debt, possible recession, and risks to global trade as among the top threats to the stability of the financial sector, according to a new Federal Reserve survey released on Friday.

"Concerns over US fiscal debt sustainability was the top-cited risk. It was noted that increased Treasury issuance could begin to crowd out private investment or constrain policy responses in an economic downturn," the US central bank survey found, while a potential weakening of the economy and possibility of a global trade war moved higher on the list of worries.

These concerns have also been reflected in recent bond market behavior, with yields on 10-year Treasury notes, for instance, rising sharply over the last two months despite the Fed having cut its benchmark lending rate twice by a total of 75 basis points.

Alongside that, an estimate of Treasury term premium - a measure of the compensation that investors require to hold longer-term Treasury securities rather than shorter-term ones - was near the top of its range since 2010. Moreover, measures of interest rate volatility were above historic norms, in part due to "high uncertainty about the economic outlook and the associated path of monetary policy as well as heightened sensitivity to news about output growth, inflation, and the supply of Treasury securities."

Meanwhile a potential weakening in the economy and the possibility of a global trade war moved higher on the list of worries.

"Risks to global trade were specifically cited in this survey, with some respondents noting the potential for tariff barriers to prompt retaliatory protectionist policies that would negatively affect global trade flows and put renewed upward pressure on inflation," the survey found. "Others noted that a deterioration in global trade could depress economic activity and raise the risk of a downturn."



Container handling at Ctg port rises 10% in Aug-Oct

DWAIPAYAN BARUA, Chattogram

There has been a significant year-on-year rise in the number of containers handled at Chattogram port in the three months till October while there was a drop in the overall handling of cargo and ships.

The port handled a total of 8.30 lakh TEUs (twenty-foot equivalent units) of containers, both goods-laden ones and empty, between August and October.

This is 10.21 percent higher than the 7.54 lakh TEUs handled in the same period last year.

Of the 8.30 lakh TEUs, 4.50 lakh TEUs had arrived, while the rest were destined to go abroad.

According to Chittagong Port Authority (CPA), the data was a compilation of the number of containers handled at the port's jetties, Kamalapur Inland Container Depot in Dhaka and Pangaon Inland Container Terminal in Keraniganj.

The port users opined that a significant number of containers that could not be moved for political turmoil since mid-July were transported later, and thus the volume increased in subsequent months.

A container congestion arose at the port yards due to the political unrest, said Muntasir Rubayat, head of operations at GBX Logistics, a leading feeder vessel operating firm.

This caused delays in the unloading and loading of cargo and led to the formation of a long queue of vessels, he told The Daily Star.

Many export-laden containers could not be brought to the port from factories and private inland container depots (ICD) due to disruptions in vehicular movement on the Dhaka-Chattogram highway, he said.

As the situation slowly improved, it



was possible to bring these to the port in the following weeks and thus there was a gradual increase in the flux of containers and vessels in the following months.

Port data shows that container throughput rose at the port and Kamalapur ICD in August and September.

In terms of the overall handling of cargo, including containerised and bulk cargo, the port saw a 5.18 percent year-on-year decrease in the three months.

A total of 2.91 crore tonnes of cargo were handled through the port's jetties and outer anchorage from August to October.

It was over 3.07 crore tonnes in the same period last year.

There was a decrease in the import of cargo in bulk in August and September, said Syed Md Arif, president of Bangladesh Shipping Agents Association.

This is due to the fact that importers who made small-scale purchases were finding it hard to open letters of credit for a crisis of US dollars, he said.

Even those who usually make large-scale purchases imported goods in small quantities and for this, they hired comparatively small-sized bulk carriers.

There was an increase in the number of bulk carriers that had arrived in September and October, Arif added.

A total of 966 vessels arrived in the last three months, whereas it was 1,023 in the same period last year.

Accelerating revenue collection by NBR

AF NESARUDDIN

There is no denying that Bangladesh's economy has grown at a fast and more or less constant rate since the early 90s. Similarly, our dependence on foreign loans and grants for development budget had also reduced after, among others, the introduction of VAT.

Various financial reforms and expanding and strengthening the private sector have contributed significantly to this growth. Exports have been diversified but still focus on garments and manpower. Currently, our GDP is at Tk 5 million crore with an average growth of 6 percent. Per capita income has also grown significantly, registering above \$2,750.

This indicates that nationally, in spite of the economic growth, the number of taxpayers and revenue collection has not reached the desired level. The tax-GDP ratio is still below 7.5 percent compared to an average of 19 percent in the Asia Pacific and 34 percent in member countries of the Organisation for Economic Co-operation and Development.

There are about 10 million TIN holders in Bangladesh, of which only 3.4 million individuals and 34,000 corporates file tax returns covering all categories. The reasons for non-filing of tax returns need close scrutiny and monitoring. The possibility of TIN duplication cannot be ruled out either.

Of the total revenue collection of Tk 382,562 crore in fiscal 2023-24, the category-wise proportions of tax collection reveal that 13 percent came from individuals, 20 percent from corporates, 40 percent from VAT and 26 percent from other sources.

This indicates lower levels of collection from corporate taxes. Many businessmen and entrepreneurs claim that they are paying huge revenue to the government exchequer. But the question is what the proportion between direct tax and indirect tax is.

It is well known that indirect taxes are added to product costs and recovered from consumers. So, there is no credit for it. It is a fact that our economy is currently passing through a challenging phase. The shortage of foreign currency has hampered imports, impacting production and exports while the cost of production has risen due to inflation. Businesses were also impacted by the recent mass movement.

In such a situation, it is very unlikely to collect significant revenue from businesses. However, minimising tax evasion and combating corruption are possibly the low hanging fruits to increase revenue collection.

In spite of various efforts over the years, adequate laws and regulations and pressure from the government, revenue collection could not be increased to the desired level.

People's apathy toward tax payments, tax evasion and corruption are the principal causes for this situation. On the other hand, in most cases corruption takes place principally by taxpayers in connivance with tax officials and consultants. The lack of transparency and accountability through reliable financial reporting is also responsible for this situation.

Credible and authentic financial statements are the basis of tax calculation. Unfortunately, many businesses are not reporting financial statements properly. Tax audit is the only way to mitigate this situation. It is important for the tax auditor to be different from statutory auditors. Similarly, there is no alternative to digitalisation to ensure transparency and accountability.

Besides, corruption has gone beyond tolerable levels so this must be controlled. Enforcement of law should be applied in a stringent way when tax evasion involving significant amounts is identified.

Finally, administrative and policy reforms for the National Board of Revenue are overdue. Also, genuine and regular taxpayers should be rewarded by minimising unnecessary harassment by way of arbitrary disallowances, simplifying the refund process and other similar incentives.

The author is a senior partner of Hoda Vasi Chowdhury & Co and former president of ICAB

Global banks weigh halting fresh credit to Adani

REUTERS, Hong Kong/New York

Some global banks are considering temporarily halting fresh credit to India's Adani Group but staying put with existing loans following US prosecutors' indictment of its billionaire founder Gautam Adani for fraud, sources said.

US prosecutors have charged eight people, including Adani chair Gautam Adani, with agreeing to pay about \$265 million in bribes to Indian government officials to obtain contracts and develop India's largest solar power plant project.

The crisis is the second in two years to hit the ports-to-power conglomerate founded by Adani, 62, one of the world's richest people. Adani Group has said the allegations made by the US authorities were "baseless and denied".

Senior executives at two of Adani's global lenders said that they have had multiple calls within their respective banks since the indictment details were announced to discuss exposure to the group and what the impact of the latest development would be on the group's financials.

"We will have to put a pause to fresh lending until we are able to figure how this will play out. I think it will be a while before the bank is able to tap the credit market," said a banker at one of

the leading Western banks.

The banker, who is involved in talks related to Adani credit exposure and declined to be named as he was not authorised to speak to the media, said most of the group firms have stable cash flows and are not in "desperate need" to raise capital.

Wall Street closed higher on Friday, with all three major indexes posting weekly gains.

The indictment would, however, cast a cloud over fundraising plans for expansion within India and abroad, as there will be greater creditor scrutiny not just on the indictment outcome but also on the "key man risk" for the group, the banker said.

A senior banker at another Western bank, which is one of the major lenders to the group, said that the bank would also put a temporary freeze on fresh lending and was keeping a close watch on the Indian government's reaction to the indictment.

All the bankers spoke to Reuters for this story on the condition they and their institutions would not be identified due to the sensitivity of the matter and because the internal discussions are confidential.

Indian opposition parties that have long complained that Adani and his conglomerate have been treated favorably by Prime Minister

Narendra Modi's government called for an investigation into allegations of wrongdoing. Modi and Adani, both from the western state of Gujarat, have denied impropriety.

"Our future course of action will largely depend on whether the government will now try to find a way to resolve this or launch its own probe," said the senior banker at a Western bank, adding the infrastructure giant has now become

"too-big-to-fail" for India.

A Japanese bank with credit exposure to Adani said in cases like the one involving the Indian conglomerate, lenders tend to pause fresh lending due to reputational risk. The indictment of an individual, however, would generally not break any of its loan covenants, said the bank, which declined to be named.

Adani did not immediately respond to Reuters request for comment.



A man walks past a corporate office of Adani Group in Gurugram, India.

PHOTO: REUTERS/FILE

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