



G M Omar Faruque Chowdhury FCMA

## Alternative Investments

KKR has reached a USD15b final close for its KKR Asian Fund IV. The vehicle will make private equity investments in the Asia Pacific region. KKR will be investing approximately USD1.3b in capital alongside fund investors through the firm and its employees' commitments.

A consortium of investors led by EIG Global Energy Partners and including Mubadala Investment Co. has agreed to acquire a 49% stake in the newly formed oil pipeline business of Saudi Aramco for USD12.4b.

Hillhouse Capital, Boyu Capital and Sequoia Capital China have invested a USD2b+ round for Indonesia-based logistics and courier service J&T Express.

Source Code Capital has reached a combined USD1b final close for its latest USD-denominated funds, Source Code Venture Fund V and Source Code Growth Fund II, with total commitments of USD420m and USD580m, respectively.

Tiger Global Management led a USD502m Series E for India-based social media startup ShareChat, with participation from Snap and follow-on from Twitter and Lightspeed Venture Partners, at a reported USD2.1b valuation

Ping An Insurance, New World Development and Country Garden Venture Capital led a CNY2.7b (~USD410m) Series B for China-based AI chip manufacturer Biren Technology, with participation from investors including Source Code Capital, Guosheng Group, Harvest Capital Management, China Merchants Capital, BAI, CITIC Securities Investment and Russia-China Investment Fund.

TPG Growth and Prosus Ventures led a USD350m Series E for India-based online pharmacy PharmEasy, with follow-on from Temasek, CDPQ, LGT Lightrock, Eight Roads and Think Investments.

SoftBank Vision Fund 2 led a USD300m Series E for India-based social e-commerce company Meesho, with participation from Facebook, Prosus Ventures, Shunwei Capital, Venture Highway and Knollwood Investment, at a reported USD2.1b valuation.

Falcon Edge Capital and Coatue Management led a USD215m Series D for India-based bill payment and rewards platform

CRED, with participation from Insight Partners and follow-on from DST Global, RTP Global, Tiger Global Management, Greenoaks Capital, Dragoneer Investment Group and Sofina. The latest round brings the company's valuation to USD2.2b.

Alteria Capital has reached a INR13.75b (~USD178.7m) first close for its second venture debt fund. The vehicle will make early- and growth-stage investments in startups operating in the consumer, technology and healthcare sectors in India. The fund will also allocate capital for structured debt products aimed at later stage companies with a differentiated risk profile.

China-based VC Qingsong Fund has reached a CNY1b (~USD153m) final close for its fourth fund, a CNY-denominated vehicle targeting early- and growth-stage investments in technology and new consumer businesses in China.

Lakeshore Capital has reached a USD150m final close for its second fund targeting investments in SMEs in Thailand.

Morgan Stanley Private Equity Asia (MSPEA) and Sichuan Pharmaceuticals have agreed to sell their 80% stake in China-based Huaiyin Hospital for CNY882.8m (~USD134.3m).

Tiger Global Management has invested USD100m in India-based enterprise messaging solutions provider Gupshup at a reported USD1.4b valuation.

EverSource Capital, through its subsidiary Radiance Renewables, has acquired solar rooftop assets with a 152MW capacity in India from Azure Power Global for INR5.36b (~USD73m).

EBRD and Goldman Sachs have made an undisclosed investment in Turkey-based digital payment system provider DgPays.

Japan-based HR management firm PERSOL Holdings led a USD22.5m Series C for Singapore-based career platform Glints, with follow-on from Monk's Hill Ventures, Fresco Capital, Mindworks Ventures and Wavemaker Partners.

ChrysCapital has acquired a 27% stake for an undisclosed amount in India-based pharmaceuticals company Corona Remedies, facilitating a full exit for Creador.

Finch Capital, through Nomu Pay, has agreed to acquire Wirecard Turkey, a subsidiary of Wirecard, for an undisclosed amount. The acquisition is subject to regulatory approval.

# BANK COMPANY (AMENDMENT) BILL 2021, A BOLD STEP TOWARDS STRESSED ASSETS MANAGEMENT

Niranjan Chandra Debnath, FCMA

GM & CFO

BASIC Bank Limited

Recently, the cabinet has approved the long waited bank company amendment bill. The bill focused on controlling willful defaulters, management of weak banks and structure of banks' board. This write-up touched upon stressed assets management and related issues. The prime objectives of the bill are controlling non-performing loans (NPL) and stabilizing financial sector of the country. Our financial sector has been passing with unusual burden of stressed assets (NPL, restructured loans and written off loans). The problem is dragging the sector down and leaving adverse impact on the overall economy of the country. The proposed amendment is expected to be able to command the willful defaulters and arrest the soaring NPL provided the provisions could be enforced smoothly.

Huge stressed assets are the sorrow of the banking sector of the country. Many brilliant achievements of the banking sector are faded due to the adverse impact of NPA. During the last couple of years experts, intellectuals, different authorities, stakeholders and think-tanks discussed a lot on this burning issue and came up with set of suggestions to fix the problem. Most of the suggestions focused on introducing similar initiatives as taken by Chinese authority under "Name and Fame" policy, which concentrated more on social and psychological issues to put pressure on willful defaulters and proved successful in arresting NPL. Pakistan, Sri Lanka and Nepal also adopted similar policies. Most of the proposed amendments of Bank Company Act seem to have focused on pressing the willful defaulters both socially and psychologically. As proposed, the willful defaulters will be prevented from travelling abroad, getting trade license and getting registration of motorcar and home. They will be prevented from getting position in any business, social, professional and political organizations/bodies. No state recognition/honor will be allowed to them

and their participation in any national program will be forbidden. Bangladesh Bank will submit list of the deliberate defaulters to different organizations etc. All these measures are expected to improve the overall situation, if these are enforced effectively. Here the crucial factor will be identification of deliberate defaulters. Though a definition of willful defaulters have been given in the proposed amendments but a clear and comprehensive guideline to identify deliberate defaulters is inevitable. Without a clear and comprehensive regulatory guideline, identification of deliberate defaulters may be influenced by pressure, personal liking-disliking or favoritism and may result in wrong selection or non-selection of willful defaulters. Consequentially, the amendments may fail to reap its desired benefits. The comprehensive guideline for identification of "Willful defaulters" of RBI may be a useful tool for us to identify deliberate defaulters.

A bank/FI takes recourse to legal process for recovery of NPL when normal recovery initiatives fail. But recovery through prevailing legal process is lengthy, complex and expensive. Sometimes the processes are further delayed by the defaulters at different stages of cases and its execution by adopting various unscrupulous means. One of the common means the defaulters adopt to hinder the legal process is submitting writ petition by misusing fundamental rights. To expedite recovery through legal process, concerned authorities may pay attention for:

1. Constituting a separate bench at high court for Financial Sector;
2. Increasing the number of money loan courts and judges;
3. Restricting the scope of writ petition on money loan cases to some specific courts;
4. Limiting the scope of writ petition to one or two

occasions in the whole recovery process starting from auction for selling collateral till execution of the verdicts;

5. Imposing a provision for payment of certain amount of outstanding loan each time for qualifying submission of writ petition;
6. Encouraging alternative means of recovery out of court /legal process.

A banker's core jobs are collecting deposit, providing loan and running other ancillary businesses. But unfortunately, most of the bankers in the country are required to spend much of their times for recovery of NPL keeping their core activities aside. As the bankers are not expert in recovery, their recovery drives remain less effective in most cases. For effective management of stressed assets and strengthening NPA recovery many countries around the globe, like Sweden, Finland, USA, Belgium, Portugal, Spain, United Kingdom, Malaysia, India, Germany and Indonesia set bad banks/Asset Management Company(AMCs) in response to the financial crisis over times and most of the countries achieved success. Prominent international commentators such as Brad DeLong and Paul Krugman have suggested the Swedish bad banking model be adopted internationally. After 2008 crisis Citigroup, Bank of America and Swed bank etc. also took on this idea and established Bad bank individually.

In line with experts' suggestions and global experience, the necessity of setting-up of a separate recovery authority in the country is felt for long. A lot of activities have already been done in recent times for setting-up of an asset management company. Now, concurrently with the above initiatives, immediate attention may be given to establish the proposed Bangladesh Asset Management Corporation (BAMC) and provide the proposed BAMC some legal and enforcement authority for recovery of Non-performing loans. Then the toxic assets of different banks/FIs, upon

complying set criteria, to be transferred to the BAMC and the corporation will exert all out efforts for recovery of those illiquid assets. Thus the bankers will be free to pay their full attention to their core businesses and make expected contribution towards the overall development of the country.

Over the last couple of years, a good number of initiatives were taken to help the defaulters to get rid of their long pending bank dues and thus improve the NPL situation. Special reschedule facility by paying only 2% down payment, waiving suspense and unapplied interests and allowing longer period for repayment or exit etc. were remarkable and borrower friendly initiatives to ease the situation. After allowing so many waivers and flexibilities, some defaulters came forward to regularize their loans but many of the defaulters did not come forward as expected. Some of them regularized their loans with a motive of paving the way for getting fresh loans.

Enough time, scopes and facilities have been allowed to the loan defaulters. But they seem to be reluctant to repay their defaulted loans. The banking sector and economy of the country do not have so much ability to bear such burden of stressed assets for longer. The situation is getting from bad to worse day by day. For the sake of smooth functioning of financial sector, it is crucial to go for enforcement of the existing provisions of law strictly, implement the proposed amendments, and set the proposed Bangladesh Asset Management Corporation in shortest possible time. By taking all these initiatives concurrently a strict message can be thrown to the defaulters that their long pending overdue loans to be paid this time or they will have to face severe consequences. All the above mentioned initiatives, coupled with a strong political message to go tough on the willful defaulters will free the banking sector from its woes of stressed assets; the sector will become vibrant and contribute enormously towards the overall development of the country.