

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
0.05%	0.04%	\$1,717.06	\$41.53	33,605.22	22,582.21	2,666.85	2,931.03	83.95	94.26	105.52	11.75
3,960.65	6,811.53	(per ounce)	(per barrel)					84.95	98.06	109.32	12.35



Star BUSINESS

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Pandemic nudging Bangladesh's debt-to-GDP ratio out of comfort zone

EYE ON BUDGET

REJAUUL KARIM BYRON and MD FAZLUR RAHMAN

The coronavirus pandemic is turning out to be a quite a costly affair for Bangladesh, due to which its public debt-to-GDP ratio, which has thus far been in a healthy position, is set to exceed the responsible threshold of 40 per cent.

In the coming years, Bangladesh's public debt-to-GDP ratio, which stood at 36 per cent at the end of 2019, would swell to about 41 per cent owing to increased borrowing to safeguard both lives and livelihoods, the International Monetary Fund said.

"Even so, debt should remain sustainable," said Ragnar Gudmundsson, resident representative for Bangladesh of the IMF, on the crisis lender's website.

In a way, this is a testament to the sound economic and fiscal policies implemented in

recent years, with limited aid dependency, prudent borrowing and, up until the crisis, adherence to a deficit ceiling of 5 per cent of GDP.

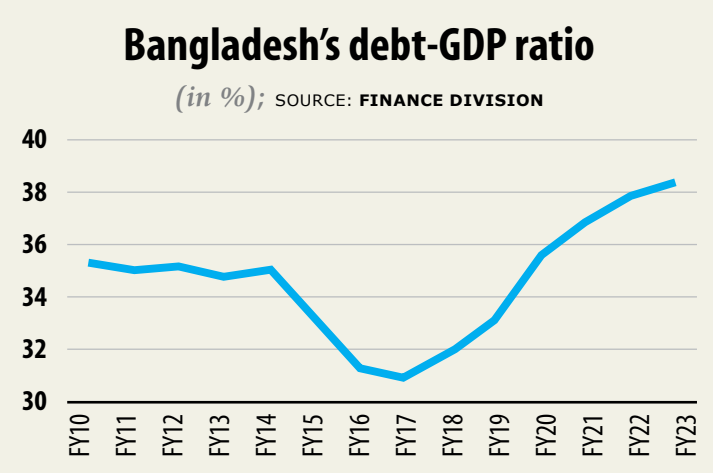
"Before the crisis, Bangladesh was in a very good position, with a low risk of overall and external debt distress," Gudmundsson said.

One of the most densely populated countries in the world, Bangladesh exemplifies the triple blow that many emerging market countries have suffered from the pandemic: domestic slowdown caused by the disease and the efforts to contain its spread; a sharp decline in exports, particularly of its main product garment, and a decline in remittance.

This has left Bangladesh suddenly requiring additional funds.

But the updated debt sustainability analysis capturing the impact of the pandemic shock shows that debt remains at low risk of debt distress, the IMF said earlier this month while approving \$732 million in emergency financing.

Despite the adverse shock to growth and exports, all external



debt indicators are below their respective thresholds under the baseline and stress-test scenarios.

Public debt also remains below its indicative benchmark under the baseline and stress-test scenarios, it said.

Higher economic growth, limited revenue shortfall, the right mix of credit and stable foreign currencies helped keep the public debt-to-GDP ratio at about 35 per cent for a decade from fiscal 2008-09.

The government has unveiled various stimulus packages amounting to \$103,117 crore, which is 3.7 per cent of the country's gross domestic product, to help people, businesses, entrepreneurs, farmers, industrialists and exporters counter the impact of the pandemic.

The stimulus packages are the second-highest among the peer countries in Asia and the highest in South Asia.

and local loans would help cut financing debt expenditure and the overall outstanding debt.

The budget deficit for this fiscal year was estimated at Tk 145,380 crore. However, the deficit in the revised budget has been set at Tk 153,513 crore, which is 5.5 per cent of GDP.

The overall budget deficit in fiscal 2020-21 will be Tk 190,000 crore, which is 6 per cent of GDP.

It is expected that the economy would receive momentum on the back of the implementation of the stimulus packages and the central bank's expansionary monetary policies, prompting the government to project 8.2 per cent GDP growth in the next fiscal year.

The growth projection is higher than 5.7 per cent forecasted by the IMF.

The reforms of debt management, the lower interest rate in the international market and higher GDP growth would create a congenial environment for credit management in the near future, the finance division said.

"So, an uptick in the debt-to-GDP ratio would not emerge as a matter of concern in the medium term."

Experts, however, suggest caution.

In the developed countries, the revenue-to-GDP ratio is 30 per cent to 35 per cent and the debt-to-GDP ratio is 70 to 100 per cent. This brings the debt-to-tax ratio to 300 per cent, according to Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

Mobile carriers feel hard done by Demands revision of supplementary duty hike

EYE ON BUDGET

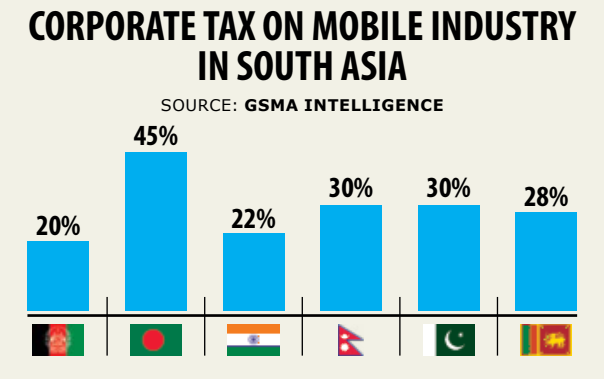
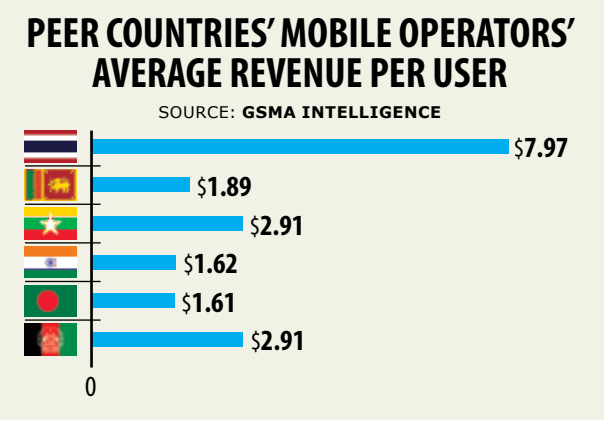
STAR BUSINESS REPORT

The government may not achieve their target revenue from the telecom industry with just a 5 per cent increase in supplementary duty for the upcoming fiscal year, said senior executives of the country's mobile network providers yesterday.

During the budget proposal last Thursday, Finance Minister AHM Mustafa Kamal announced a 15 per cent supplementary duty on telecommunication services, a significant rise from the previous 10 per cent. This decision came into effect on Friday.

Each year, the taxes are increased in various ways since it is easy to collect revenue from the telecom industry, said Taimur Rahman, chief corporate and regulatory affairs officer of Banglalink.

"The authorities consider the telecom industry to be a cash cow. This is why investors shy away from Bangladesh but jump in wholeheartedly in other markets," he added.



The new supplementary duty rate could give the government an additional Tk 300 crore but it would also damage the industry, said Shahed Alam, chief corporate and regulatory officer of Robi, during a digital press conference organised by the Association of Mobile Telecom Operators of Bangladesh (AMTOB).

The government expects to collect an additional Tk 1,008 crore through this 5 per cent increase. However, this move will only reduce their expected revenue by Tk 700 crore, he said.

The telecom industry considers the tax burden as a major obstruction for growth and this will hinder Bangladesh's journey to become a digital economy, Alam added.

With this backdrop, the AMTOB has asked the government to review the new tax as the telecom sector has been declared as an essential service.

To address their concerns, AMTOB General Secretary SM Farhad said that the organisation already contacted Telecom Minister Mustafa Jabbar, who expressed frustration over the budget and assured that the Prime Minister's ICT Affairs Adviser, Sajeeb Wazed, was informed on the matter.

Currently, the telecom industry accounts for about 7 per cent of Bangladesh's economy.

If the telecom companies get a more favourable business environment, then it will help the industry contribute up to 10 per cent of the economy within a very short time.

"But this is not the case. Instead, the sector has found a new challenge in running regular operations."

In terms of the customer to revenue ratio, Bangladesh's telecom sector is in the lowest position.

In terms of taxes, however, Bangladesh's mobile network providers pay the highest tax among their counterparts in other South Asian countries.

Parcel delivery arena heats up as Uber makes its grand entry

Global tech giant to provide the service in Dhaka city for now

MAHMUDUL HASAN

Uber seemed to have had another trick up its sleeve when it announced last month that it was shutting down its highly popular food delivery arm, Uber Eats, in Bangladesh from June 2.

It turns out the San Francisco-based tech giant was pivoting to package delivery, a service whose demand saw a huge leap as the pandemic enforced switch to online shopping.

The company yesterday announced the rollout of its new service Uber Connect, which would enable residents in Dhaka to send and receive parcels from each other and also order items from shops within city limits.

Uber's entry into this arena comes at a time when e-commerce platforms and courier services providers are grappling with swelling orders and are failing to deliver products to customer's doorstep because of ill-preparedness, obstacles on commuting goods and adequate service personals.

"We are thrilled to be launching Uber Connect, which will help users send and receive essential items to their friends and family or order items from shops during this crisis, without having to step out of



their homes," said Ratul Ghosh, head of Uber for Bangladesh and East India.

The new service also means the thousands of drivers who have left without income for more than two-and-a-half months now for the government's reluctance to allow ride-hailing service providers back on the roads would be able to find a new source of living.

"Uber Connect is a prime example of how we are adapting our platform to meet the needs of our communities, which still need to practice social distancing in these challenging times. This is also an extension of our ongoing efforts to provide driver-partners with new earning opportunities," Ghosh added.

All packages should be transportable on a two-wheeler vehicle, be under 5 kilograms in weight, securely sealed and

city Chattogram too.

"Our orders have increased significantly since the lockdown began," said Sayeda Nabila Mahabub, director for marketing and public relations at Pathao.

Another rival Shohoz, which provides on-demand and offline truck service alongside ridesharing and food delivery services, is also gearing up to introduce such service.

"We are observing the opportunities and considering launching it since we already have both long-haul and last-mile logistics," Maliha M Quadir, managing director of Shohoz, told The Daily Star yesterday.

For the last few years, logistics companies have been experiencing enormous growth thanks to people's appetite for shopping and consuming food and beverage from the convenience of one's home.

Before the pandemic, logistics companies used to make about 1 lakh home deliveries daily, of which 30,000 were food deliveries, according to industry insiders.

Including e-commerce and f-commerce, the number of deliveries made by logistics companies would now be more than 1.5 lakh, said Biplob Ghosh Rahul, chief executive officer of eCourier, a leading logistic provider.

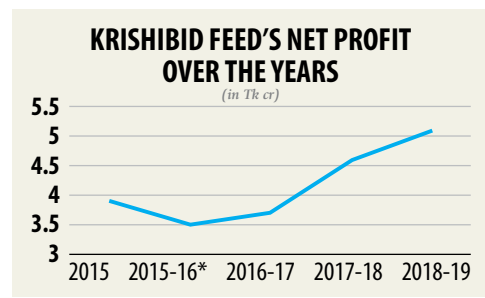
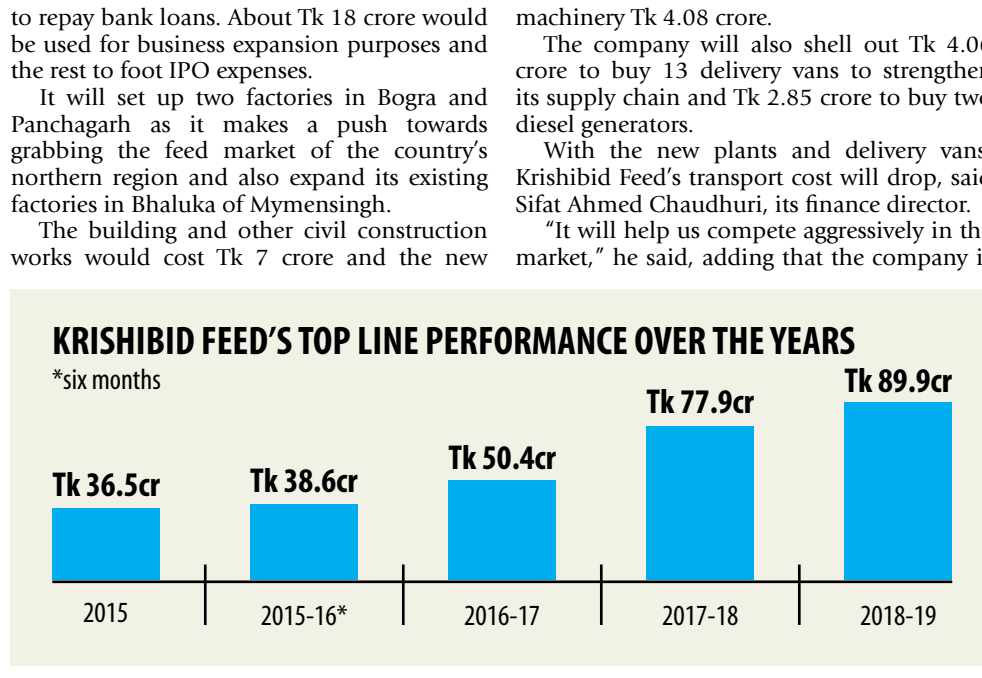
Krishibid Feed plans to go public for Tk 30cr

AHSAN HABIB

Krishibid Feed, a sister concern of Krishibid Group, has designs to go public to raise Tk 30 crore to expand its business to meet the growing demand for feeds in the livestock sector.

The poultry, fish and cattle feed producer has already applied to the stock market regulator for its initial public offering.

One-third of the IPO proceeds will be used



to repay bank loans. About Tk 18 crore would be used for business expansion purposes and the rest to foot IPO expenses.

It will set up two factories in Bogra and Panchagarh as it makes a push towards grabbing the feed market of the country's northern region and also expand its existing factories in Bhaluka of Mymensingh.

The building and other civil construction works would cost Tk 7 crore and the new machinery Tk 4.08 crore.

The company will also shell out Tk 4.06 crore to buy 13 delivery vans to strengthen its supply chain and Tk 2.85 crore to buy two diesel generators.

With the new plants and delivery vans, Krishibid Feed's transport cost will drop, said Sifat Ahmed Chaudhuri, its finance director.

"It will help us compete aggressively in the market," he said, adding that the company is

also on the lookout for foreign funds to set up more plants as animal feed has huge demand.

According to the IPO prospectus, the industry's current turnover is more than Tk 10,000 crore and a growth rate of about 10 per cent a year.

Since the 2015-16 financial year, the company has witnessed handsome growth in its turnover every year. But Krishibid Feed's profits did not increase at the same rate.

The company's turnover rose 133 per cent to Tk 89.92 crore in its 2018-19 financial year compared with the 2015-16 financial

year, but its net profit rose 45 per cent to Tk 5.10 crore during the time, according to the prospectus.

"We had to keep our prices low to compete in the market as we barely sold our products on credit like our competitors. This has impacted our profit," said Chaudhuri, also a director of the Bangladesh-Malaysia Chamber of Commerce and Industries.

But once the expansion is complete the eight-year-old company will see brighter days, he said, adding that their sales remained almost unscathed during the ongoing pandemic as their products have a constant demand.

Though their main markets are Mymensingh, Satkhira and Comilla, now they are trying to expand the network all over the country, Chaudhuri said.

"Krishibid Feed has huge potential as its directors are highly educated with professional backgrounds in agriculture," said Khairul Bashar Abu Taher Mohammed, chief executive officer of MTB Capital, the issue manager of the company.

Perishable goods exporters urge Biman to introduce cargo flights

REFAYET ULLAH MIRDHA

Vegetable and fruit exporters have demanded the national flag carrier Biman introduce special cargo flights to reduce fares and increase the quantity of goods transported.

After two months of closure owing to the coronavirus pandemic, a few international airlines started carrying cargoes from the Hazrat Shahjalal International Airport (HSIA) from June 1.

However, the fares have now more than doubled compared to the pre-pandemic time largely because of the space crisis in the flights and the limited number of carriers.

The exporters of perishable goods now pay between \$4 and \$4.5 for carrying a kilogram of vegetable from the HSIA to London, way higher than \$1.5 and \$1.7 levied before the pandemic.

"We can hardly make any profit from the vegetable and fruit exports after paying such an exorbitant fare to international cargo airlines," said Paritosh Das Manik, proprietor of Dip International, an exporter.

Manik used to ship nearly 100 tonnes of vegetables and fruits a week before the COVID-19 outbreak. Now he exports three tonnes of the perishable goods a week due to the space crisis and lower demand from buyers.

"Although the profit is very low, I have to ship goods in order to maintain relations with the buyers," he said. He mainly exports to the countries in the Middle East and the UK.

Qatar and another airline have begun



carrying goods from the HSIA and some other carriers would soon follow suit, the exporter said. This would increase the quantity of goods exported.

Biman Bangladesh Airlines should start a dedicated cargo flight so that local exporters can enjoy lower fare and grab more share in the international markets, he said.

Only the international airlines are carrying goods, said Shahab Uddin, proprietor of Green Trade House

International.

"As a result, I have to pay five times the normal fares despite the fall in quantity of shipment," he said.

He currently exports betel leaves as the demand for vegetables dropped in the Middle East.

"I hope I will be able to ship more soon as other airlines will resume flights in full-scale," he said. He ships two tonnes of goods a week, whereas it was more than 12 tonnes in normal times.

Biman should start a separate cargo flight soon, he also said.

If Biman starts a special flight dedicated for cargoes, it would be better for the local exporters, said Kabir Ahmed, president of the Bangladesh Freight Forwarders Association.

The HSIA is gradually returning to business as international airlines are coming back. However, most of them are chartered flights. As a result, the fares are very high, he said.

In most of the cases, the fares are 300 per cent higher than the normal rates, according to Ahmed, also the president of the International Air Express Association of Bangladesh.

The airlines can't be blamed for the higher fares because of rising operational costs owing to the COVID-19 and security reasons.

"Biman has long been assuring us of introducing cargo flights to important destinations," said Mohammad Mansur, general secretary of the Bangladesh Fruits, Vegetables and Allied Products Exporters Association.

Vegetable and fruit exporters also demanded the construction of an agro-processing warehouse near the HSIA.

"We want the government to build this warehouse as soon as possible," Mansur told The Daily Star by phone.

Usually, the peak season for vegetable and fruit exports begins from April. Because of the pandemic, exports in the first two months of the season were dull.

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Prime Bank propping up embattled ICT sector

STAR BUSINESS REPORT

Prime Bank and the Bangladesh Association of Software & Information Services (BASIS) yesterday announced a partnership deal to facilitate financing in the IT sector as it would enable easy access to funds for tech and software companies.

Under the campaign, eligible BASIS members can avail themselves of collateral-free loans of up to Tk 50 lakh in addition to other tailor-made financing solutions.

The announcement was made through an online event attended, among others, by ICT State Minister Zunaid Ahmed Palak.

Both Prime Bank and BASIS believe that this initiative will provide a big boost for the country's booming ICT and IT-enabled services industry.

The partnership styled 'Prime Bank-BASIS Alliance for ICT-MSME Financing Solution' will help digital service companies expand their operations in line with the government's vision of a 'digital Bangladesh', officials from both parties said.

IT firms will now be able to source working capital, term loans for fixed asset purchase and capital expenditures, various international trade solutions and bank guarantees.

Companies can also benefit from a wide range of deposit schemes and free internet banking for electronic transactions.

To be eligible for a loan under the programme, potential borrowers will need proof of two years' business experience and an introduction letter from BASIS.

If eligible, loan applications can be made from the comfort of home or the office as Prime Bank has assigned dedicated relationship managers for BASIS members.

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Vehicle importers relieved as taxes remain unchanged



JAGARAN CHAKMA

Reconditioned vehicle importers and distributors have breathed a sigh of relief at the tax and duty structure being kept the same in the proposed budget, saying this would help keep pressure off and business stable amidst the pandemic.

"The good thing for the sector is that the government has not changed the tax and duty structure," said Mohammed Shahidul Islam, secretary general of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

"So in this point of view the proposed budget is positive for automobile sector."

Barvida welcomes the proposed budget, saying it was placed with an initiative of stimulating the economy and to protect the local industry from the economic fallout of COVID-19.

Credit flow should become

CAR SECTOR AT A GLANCE

- Total investment: Tk 20,000 cr
- No. of BARVIDA members: 870
- Unsold car at showrooms: >4,000 units
- Direct and indirect employment: >1 lakh
- Govt revenue: Tk 3,000 cr/year
- New measures to add another Tk 1,000 cr

smoother to stimulate the market of reconditioned vehicles, said Islam, calling for the inclusion of the importers and traders in the government's incentive package.

According to Barvida, the duty on import of reconditioned vehicles in some cases is almost double compared to those of new cars because of discrimination by customs in the valuation of cars.

As a result, the import of reconditioned cars declined due to falling demand from the customers and the businessmen in this sector have been facing a lot of financial losses over the last couple of years, it said.

Barvida understands that the government is under pressure for the need to generate revenue amidst the coronavirus crisis, said Islam, adding that they want to help the government in revenue generation.

Regarding hiking fees payable by automobile owners, Islam said the government set a target to earn revenue in an easy way. But it would create pressure on the middle class who maintain vehicles for smooth movement amidst limited income,

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MASUK HRIDYO

Export-import activities between Bangladesh and India through the Akhaura land port resumed yesterday after a pause of 10 days. Trade through the land port was shut on June 6 after the Indian Border Security Force, immigration and customs officials were infected with coronavirus. The Tripura government has since disinfected the Agartala land port. A maximum of 40 trucks will be allowed into the Indian territory every day during the pandemic.

Interlinkages, Creditsafe to provide global counterparty credit reports

STAR BUSINESS REPORT

Interlinkages Online in association with Creditsafe will now provide Bangladesh with global counterparty credit reports, which will help the country's financial institutions make informed decisions when fulfilling payment obligations for international trade.

Interlinkages, a cross-border trade finance marketplace for corporations and banks, has expertise in the trade finance domain and a solid understanding of Bangladesh's banking ecosystem.

"That is why we are very excited to announce our strategic collaboration with Interlinkages to expand our presence in Bangladesh by bringing our industry leading business credit reports to the country's banks," said Cato Syverson, CEO of Creditsafe. A counterparty credit report is an assessment of a buyer's potential risk to default on their payments.

For example, a letter of credit (LC) is a guarantee from the bank that a buyer's payment to a seller will be received on time and for the correct amount.

In the event that the buyer is unable to make a payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

This means that if banks are equipped with accurate risk assessments, the odds for any financial institution to end up bearing the burden of a defaulter are greatly decreased.

Currently, most financial and non-financial institutions in the country employ third party companies to carry out risk assessments.

These companies, and at times the banks themselves, revise a potential buyer's credit history through data collected from the Credit Information Bureau and other sources before authorising any funding or LCs.

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Some sectors get relief from advance tax

SOHEL PARVEZ

Over the past year, manufacturers have had to pay advance tax (AT) when importing raw materials that resulted in increased operating costs while also blocking working capital for various companies like mobile phone and refrigerator makers.

Although many sectors are exempted from value-added tax at the manufacturing stage, the companies had to pay 5 per cent as AT and wait for a refund after the transaction was completed.

Now the manufacturers who enjoy VAT exemption at the manufacturing stage will no longer be needed to pay AT, a form of VAT which was levied on imports at the beginning of the

current fiscal year, said an official of the National Board of Revenue yesterday.

"We have withdrawn the AT as the manufacturers do not have the scope to adjust the paid tax. They can only wait for refunds," he said.

The official also believes that the move will help relieve some of the monetary burden faced by the manufacturers of air conditioner and freezer products, cars, elevators, and pharmaceuticals when importing raw materials.

"As such, they no longer have to wait for refunds," he said, asking not to be named.

The revenue authority introduced 5 per cent AT under the new VAT law on imports of

goods from this fiscal year in order to encourage businesses to keep records and accounts properly.

The idea is to widen the VAT net and curb money laundering

through trade misinvoicing.

The new AT will be adjustable with the total payable VAT in their returns while the excess value will be refunded to the taxpayer, the

NBR official said.

But businesses, particularly those dependent on the domestic market, said that the new AT will increase operating costs as the taxpayer has to bear the interest on bank loans taken to make up working capital deficits as the process to get VAT refunds is painstakingly slow.

Since it came into effect on Friday, various sectors have already demanded the removal of AT. In response, the NBR reduced the AT rate to 4 per cent for the import of industrial raw materials.

The revenue authority, however, attached some conditions for firms to enjoy the exemption from AT.

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Motorcycle industry again demands registration fee cuts



STAR BUSINESS REPORT

Motorcycle assemblers and manufacturers have again demanded a reduction in registration fees in the final budget so that the industry can recover from the economic losses induced by the pandemic of COVID-19 and contribute more to the GDP.

The government has not addressed

their demands in the proposed budget, rather imposed an additional 10 per cent supplementary duty on registration of motorcycles.

The Bangladesh Motorcycle Assemblers and Manufacturers Association (BMAMA) placed their demands before the National Board of Revenue (NBR) on Monday.

Amid the ongoing economic crisis, the motorcycle industry will face a sharp fall in demand by 30 to 40 per cent due to a significant drop in purchasing power of people, according to the assessment of the platform.

Mass people will not be able to afford motorcycles and the manufacturers will not

be able to keep factories as well as the sales network unaffected, ultimately resulting in mass job cuts.

"Therefore, we would like to request an immediate reduction of registration fees, road tax, supplementary duties and other charges on an average total of Tk 4,000 against per unit of motorcycle," said Matiur Rahman, president of the BMAMA.

Registration costs are now on an average Tk 22,000, which is about 25 per cent of the price of a 100cc motorcycle, the engine capacity that sells the most, according to Rahman, also the chairman of Uttara Motors.

Earlier, the BMAMA placed the same demands for reducing registration fees and supplementary duty right before the budget was placed in parliament.

Rahman said such initiatives would help increase the demand of motorcycles, enabling the industry to survive and save jobs.

However, the BMAMA appreciated the promulgation of the "Motorcycle Industry Development Policy 2018" which aims to increase the sector's contribution to the GDP from 0.5 to 2.5 per cent by 2025 and facilitate the establishment of a world-class motorcycle industry in Bangladesh.

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