

Real trouble brews for real estate, subsectors

AHSAN HABIB

The real estate sector and its subsectors are struggling to maintain their growth due to the economic slowdown induced by the coronavirus pandemic, exemplified by a slump in earnings by most of the listed companies connected to construction.

Cement makers fear that their sales tally for the first half of 2020 would showcase a fall of almost 45 per cent whereas the value was 50 per cent for paint producers as the construction sector was hit hard alongside the economy, according to industry insiders.

Heidelberg Cement Bangladesh and RAK Ceramics (Bangladesh) plunged into losses while LafargeHolcim Bangladesh booked slightly higher profits in the last six months compared to the same period the year before with cost cuttings.

Listed paint manufacturer Berger Paints also expects its sales to witness a reduction.

The real estate sector is one of those that have been impacted mostly from the pandemic and the impact is long-term, said Alamgir Shamsul Alam, president of the Real Estate & Housing Association of Bangladesh (REHAB).

"Because the real estate sector is interconnected with mental, economic and political stability, when all these factors are smoothly at play, people tend to invest here."



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The real estate sector deserves incentives from the government because all of its 250 subsectors have been badly impacted by the pandemic, say industry people.

The real estate sector deserves incentives from the government because connected to it are almost 250 subsectors, all of which have been impacted along with more than 40 lakh of their employees due to the contagion, Alamgir said.

Heidelberg's earnings per share downed to Tk 2.54 in the negative in the January-

June period of 2020 whereas it was Tk 2.69 in the same period last year.

Meanwhile for RAK, the corresponding figures are Tk 0.09 in the negative and Tk 0.80, according to the Dhaka Stock Exchange (DSE) data.

The Covid-19 situation is an unprecedented challenge which has

impacted operations, so sales dropped, said Rajesh Surana, chief executive officer of LafargeHolcim.

The company's net sales dropped to Tk 776.9 crore whereas it was Tk 970.4 in the same six months last year, according to the company's data.

However, thanks to cost reductions, its profits rose to Tk 84.3 crore, which was previously Tk 79.4 crore.

"The company has been able to generate online orders even during the lockdown thanks to our investments in digital platforms," he said.

"We have also been successful in taking several initiatives quickly towards cost reduction and efficiency improvement projects," Surana added.

The pandemic's impact was clear on the ceramic industry too.

"Due to the Covid-19 pandemic, there was a countrywide lockdown in Bangladesh since March 26," said the RAK in its price sensitive information published in the DSE website.

"(This)...caused the closure of outlets or stores of the company's dealers, suspension of production in the factory and disruption of supply chain which caused a reduction in sales."

The ceramic maker's net sales dropped to Tk 197 crore whereas it was Tk 292 crore in the same period the previous year.

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Singer reports 42pc slump in sales

STAR BUSINESS REPORT

Singer Bangladesh recorded a 42 per cent slump in sales in the second quarter of 2020 (April-June) compared to the same period of the previous year due to the ongoing coronavirus pandemic, its officials said.

"The Covid-19 outbreak has impacted the country's macroeconomic performance as well as the company's operations and financial position," according to Singer Bangladesh's half-yearly report.

Singer, an electronics and home appliance producer and distributor, witnessed a Tk 219 crore drop in sales receipts for the second quarter while its half-yearly sales fell 23.79 per cent to Tk 601 crore year-on-year.

Listed on the Dhaka Stock Exchange, the company's profits plummeted 79.73 per cent year-on-year to Tk 7.89 crore in the April-June period.

Meanwhile, its half-yearly profits after tax dropped 62.89 per cent to Tk 19 crore.

SINGER

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There were virtually no sales between March 26 and May 10 due to the countrywide shutdown of all economic activities enforced by the government in a bid to curb the spread of coronavirus, the company said.

Considering all the festivities surrounding Eid-ul-Fitr, one of the biggest Islamic celebrations of the calendar year, the government allowed shops to open on a limited scale and so, Singer was able to open just 60 or 70 per cent of its 407 showrooms.

During Ramadan however, a peak time for sales, the company could not keep its shops open following iftar, which is late in the evening and was traditionally rush hour for customers ahead of the Covid-19 outbreak.

However, Singer has secured 50 per cent of its sales target for May while its receipts in June were far better than preceding month.

Along with lower sales and profits, the company's trade receivables and provision for bad loans rose because it was unable to collect customers' instalments on purchases amid the pandemic.

Trade and receivables rose 44 per cent to Tk 355.94 crore as of June 30, 2020, compared to the same period of the previous year, while the provision for doubtful debts surged 82.75 per cent to Tk 8.37 crore.

The payment of instalments went down as customers are delaying payments either willingly or unwillingly due to reduced incomes. Besides, since the branches were closed, the managers were unable to enforce collection, the company said.

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Chinese chemical maker rebuffs pandemic fears, wants to invest \$300m

JAGARAN CHAKMA

Yabang Investment Holdings Group Co Ltd, a concern of Yabang Group of China, has expressed its willingness to invest \$300 million in textile and other chemical industries inside Bangabandhu Sheikh Mujib Shilpa Nagar in Chattogram.

This the highest amount of investment proposal received by Bangladesh Economic Zones Authority (Beza) during the pandemic.

Xiaochu Xu, chairman of Yabang Group, placed his proposal and sought 100 acres of developed land under an annual lease agreement yesterday, according to Beza officials.

A master plan was submitted which includes that on bringing about infrastructure development in the project.

They have also submitted the environment management plan to address environmental issues of the project. This will be a project owned 100 per cent by foreigners.

"The ongoing global trade situation is favourable for Bangladesh. And that is why the Chinese businesses are keen to invest

INVESTMENT PLAN

- Land sought: **100 acres**
- Products to be made: **textiles, chemicals**
- Initial investment: **\$300m**
- Investment may reach: **\$1b**
- Annual export target: **\$146.4m**
- Domestic sales target per year: **\$97.6m**
- Jobs to be created: **2,200**

YABANG GROUP AT A GLANCE

- It's among top **500** listed companies of China
- Employees: **15,000**
- Number of subsidiaries: **60**
- Annual sales: **\$10b**
- Profit: **\$500m**

in the South Asian nation," said Paban Chowdhury, executive chairman of Beza.

The investment of Yabang Group will help Bangladesh diversify its export basket as well as ensure technology transfer, he said.

"Basically, Yabang Group wants to take advantage of the global trade competitiveness."

"We will sign a deal on land lease agreement with Yabang Group just after Eid-ul-Azha, as they want to complete

the investment process rapidly to go into production as soon as possible," he said.

Foreign investment will come in fast to Bangladesh if responsible local organisations come forward to take advantage of the existing favourable global business climate, he said.

Earlier on June 5, Xu met with Bangladesh's Ambassador in China Mahbub Uz Zaman at his office in Beijing and discussed investment plans in Bangladesh. If things go according to plan, the initial investment may hit around \$1 billion and the focus will be given on printing and dyeing, pharmaceuticals and other chemical plants.

The investment holdings group is one of three leading companies in the chemical sector and among 500 top listed companies in China. It has more than 15,000 employees.

Its business covers dye, coating, pigment, medicine, veterinary, pesticide, photovoltaic, logistics, finance and real estate industries. It has more than 60 subsidiary (branch) companies.

The group's annual sales volume exceeds \$10 billion with a profit of \$500 million.

Concerted efforts key to economic recovery



MOHAMMAD RASHEDUL ALAM

The ongoing Covid-19 crisis inspires plenty of comparisons to the 1918 flu, also known as the Spanish flu, that took place more than a century ago and is often referred to as the mother of all pandemics.

However, as per a scholar's opinion no other pandemic, be it of the past or future, has had such a brutal impact on the economy as the coronavirus, which triggered a near-total shutdown of social, business and economic activities worldwide.

The Covid-19 pandemic is first and foremost a human tragedy, infecting millions of people around the globe while the heart-breaking loss of human life is set to continue ticking upwards.

Considering the disastrous impacts it has had on the global economy while rampaging across the world, the coronavirus is fast becoming the worst pandemic till date.

Bangladesh, a growing South Asian economy, is no exception.

On March 8, the first Covid-19 patient was detected in Bangladesh and since then, the rate of infection has shot upward at an alarming rate.

The ongoing crisis, which is first of its kind for the country, is having a significant impact on public health, the overall economy, business and society.

In a bid to curb the spread of the novel disease, the government declared a two-week general holiday beginning

on March 26. However, as the number of coronavirus cases continued to rise, the nationwide closure of all businesses and restrictions on public movement were later extended.

Eventually, the general holiday was brought to an end on March 31 as businesses were allowed to resume operations on their own discretion in a bid to revive the country's economic activities on a limited scale.

Gradually, more and more factories and offices reopened their doors but when compared to the pre-coronavirus era, operations have still not returned to normal.

However, for a quick recovery from the damage that has already been done to the business sector, economy, society and life, we need a combined effort or else it could take a long period of time.

The ongoing crisis is an opportunity for companies and their employees to reinvent themselves. When it comes to a company's most valuable asset, a lot of areas come to mind.

R&D, brand value, distribution channels, heritage, business secrets or even a patent might take the top spot. However, this is not even close to a company's truly most valuable asset.

The answer is the tens or hundreds if not thousands of employees that make up a company's workforce. It goes without saying, but employees cannot be given a monetary value for the effort they put in to help the business earn profits.

It is their abilities, knowledge, and experience that can't be replaced. So first of all, business organisations should treat and value their employees as their most important asset and see spending money on their employees as an investment rather than an expense.

While we all are passing through a very tough time, this is the perfect opportunity for any organisation to extend a helping hand and support its employees.



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The government should take measures to reduce vulnerability of the farming communities to ensure food security amid the ongoing pandemic.

In-return, motivated employees will significantly enhance productivity that will, in the medium and long run, create competitive advantages in comparison to other organisations. Finally, it will have a positive impact on the organisation's profit and loss account.

Safe and healthy working conditions are fundamental for decent work so organisations need to take all necessary safety measures to ensure a safe working environment.

Secondly, those working in an organisation should also realise that it

is a tough time for businesses and so, everyone should work together with team spirit and go the extra mile to help their company recover as quickly as possible.

Thirdly, the government should identify the right sector and business organisations as well as their needs for faster execution and disbursements of funds from the stimulus packages.

The authorities also need to conduct very close monitoring and continuous reviews of the financial support provided.

Besides, constant reviews of the

process and policies are required to take faster action and ensure quick disbursements to the correct organisation in need.

Fourthly, special attention is required for the agriculture and SME sectors as in 2019, the combined contribution of the two sectors to the country's gross domestic product was 30.36 per cent with agricultural production during the same period being valued at Tk 107,392 crore.

Employment in the agriculture sector may stand at 27.40 million at the end of 2020 whereas the SME

sector accounts for 35.49 per cent of the total employment in Bangladesh, according to a study.

Various findings in the report shows that the impact of coronavirus on SME and agriculture is huge.

Therefore, the government should take proactive measures to increase economic resilience, enhancing its capacity to deal with situations associated with the pandemic.

Reducing the vulnerability of farming communities is crucial to sustain food security and socio-economic development.

Fifthly, the government should immediately take adequate measures, involving all relevant stakeholders, to tackle the ongoing flood crises or else it will add additional challenges to the economy's recovery.

Sixthly, the media can play a more active role in continuing a country's democracy, constitutional trends, national development and reduction of corruption through objective journalism.

Till the full economic recovery, the print media could publish special Covid-19 supplements on a regular basis. Similarly, other media outlets can broadcast special programmes. Here, private businesses and the government could play an active role in sponsorship.

As an individual, we can contribute significantly to reshape our own lives as well as indirectly impact economic recovery and, in some cases, directly too.

The novel coronavirus is impacting everyone, some more drastically than others. For a number of families, it could mean making big changes to their everyday routines due to financial hardships.

For others, it could mean increased anxiety among their children, tension in parenting relationships or general fear.

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