

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 1.46%	▲ 1.76%	\$1,999.40	\$45.09	▲ 0.22%	▲ 0.26%	▼ 0.08%	▼ 1.24%	BUY TK 83.95	99.15	110.23	11.93
4,789.37	8,284.01	(per ounce)	(per barrel)	38,614.79	23,110.61	2,561.04	3,408.13	SELL TK 84.95	102.95	114.03	12.54

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## Shocks await banks next year. Should they begin preparations now?

AKM ZAMIR UDDIN

Many businesses are now living on a knife edge, and it is widely expected that the pandemic will leave a lasting legacy of bankruptcies and redundancies.

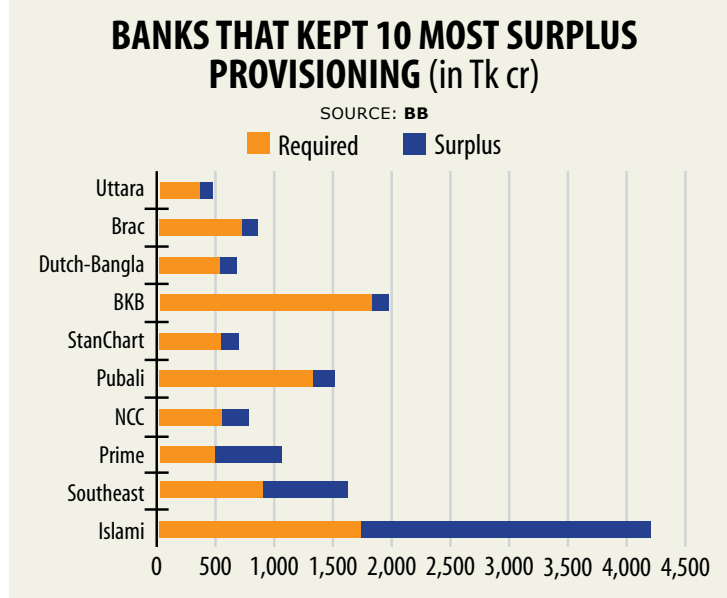
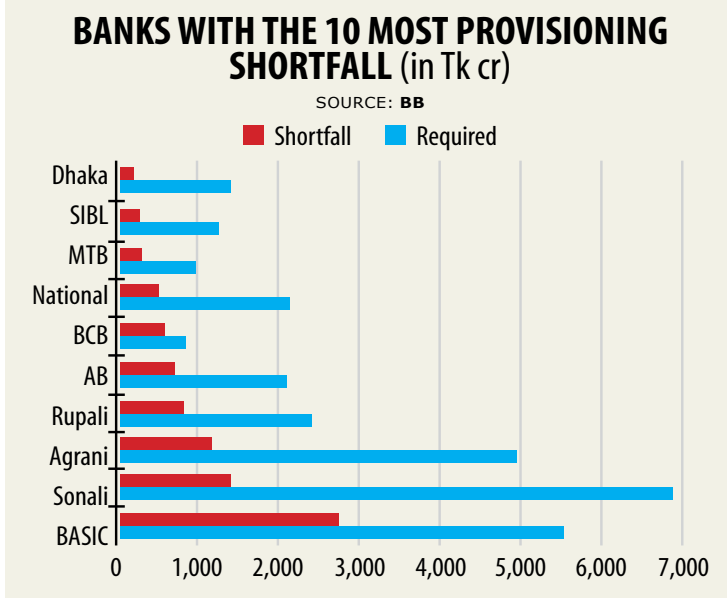
Common sense would dictate that banks would be doing the groundwork such that when the catastrophe takes place, they would not be dragged six feet under along the way.

In fact, three of the biggest American banks have taken preparations for this eventuality, putting aside a combined \$28 billion in provisions for current and future loan losses as part of their efforts to absorb the shocks emanating from the ongoing economic meltdown.

Similarly, the largest UK, Swiss and eurozone lenders are set to keep provisioning of a minimum €23 billion for the second quarter of 2020.

Oliver Wyman, a New York-based financial consulting firm, has projected as much as €800 billion of loan losses for European banks over the next three years in case of a second wave of coronavirus infections.

But in Bangladesh, only a handful of the banks are thinking along this line, with the majority



yet to commence any preparation to this end.

The country's banking sector has faced a provisioning shortfall in recent years due to a lack of corporate governance.

For instance, a total of Tk 3,619 crore was reported as provisioning shortfall against the required amount of Tk 60,493 crore in the first quarter of 2020, data from the central bank showed.

In the past, Bangladesh

Bank permitted banks facing provisioning shortfall to preserve funds in phases such that they could manage a profit.

A loan loss provision is an income statement expense earmarked as an allowance for uncollected loans and loan payments.

This provision is used to cover loan losses such as default loans, customer bankruptcy and renegotiated loans. Banks have to set aside the fund from operating profits.

But in Bangladesh, banks are feeling comfortable as the central bank has given a regulatory forbearance, barring them from classifying loans until September in case of a failure to pay instalments by businesses given the ongoing financial recession. The deadline may be extended to December.

As per central bank regulations,

banks have to keep provisioning between 0.25 per cent and 5 per cent for unclassified loans, 20 per cent for default loans of sub-standard category, 50 per cent for the doubtful category and 100 per cent for bad or loss category.

The comfort may not last.

The default loans may escalate alarmingly when the moratorium period expires as a large number of businesses are seeing their capacity to pay back loans is eroding gradually.

"If banks don't start preparing to keep provisioning immediately to tackle the future shocks, the entire financial sector will face deep trouble," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

Both the lenders in Western nations have received moratorium support to survive during the ongoing economic hardship,

but they have also taken a mega programme to protect their financial health by increasing provisioning, he said.

The central bank should carry out a study immediately on the financial sector to take the stock of the actual condition of both businesses and banks, said Mansur, a former high official of the International Monetary Fund.

If required, the central bank may hire a third party to do this.

Based on the findings, BB may pursue banks to put aside the required amount of fund for provisioning. Besides, the central bank should restrict banks to give dividends to shareholders for 2020.

Banks should not be even allowed to pay stock dividends in the interest of the banking sector, said Mansur, also the chairman of Brac Bank.

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## Beacon Pharma sets up dedicated antibiotic plant for Tk 250cr

JAGARAN CHAKMA

Beacon Pharmaceuticals is set to inaugurate a new facility today to manufacture antibiotics exclusively -- a venture that is likely to fetch the company Tk 100 crore in export receipts a year.

The plant, which sits on 3 acres of land in Bhaluka upazila of Mymensingh district, cost Tk 250 crore and was set up in compliance to Good Manufacturing Practice Regulations promulgated by the US Food and Drug Administration.

It will be dedicated to manufacturing cephalosporins, which are a large group of antibiotics that kill a wide range of bacteria in a similar way to penicillin. They bind to and block the activity of enzymes responsible for making an important component of the bacterial cell wall.

Cephalosporins may be used to treat infections of the bone, ear, skin, upper respiratory tract and urinary tract. So far, five generations of cephalosporins have been developed.

A total of 20 kinds of cephalosporins in injection, oral tablet, capsule and dry syrup forms will be produced by Beacon.

The plant will be run under its new sister concern, Beacon Cephalosporins.



### BEACON PHARMA'S NEW PLANT BY THE NUMBERS

- ▶ Total investment Tk 250cr
- ▶ Plant would be spread 3 acres
- ▶ 15 types of drugs would be made
- ▶ Plans to export Tk 100cr worth of drugs per year
- ▶ To employ 150, including 20 pharmacists

"We spent five years to set this new sophisticated facility to conform to the highest international standard like that of the US FDA, UK MHRA, TGA Australia," Md Ebadul Karim, managing director of Beacon Pharmaceuticals, told The Daily Star.

Though their pharmaceuticals are already produced under strict standards, a little more is needed for specific antibiotic products, for which the new facility was created, he said.

"It's a complex facility and need segregation for health safety and avoid cross-contamination with generic drugs," he said.

On quality control, he said they first adopted sophisticated technologies for the facility and worked on sourcing approved raw materials.

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### Apple becomes 1st US company to hit \$2tn in market value

AFP, New York, United States

Apple on Wednesday became the first US company to reach \$2 trillion in market value in the latest demonstration of how tech giants have benefited amid the upheaval of the coronavirus.

The iPhone maker attained the distinction in mid-morning trading and was up 1.3 percent at \$468.34 near 1500 GMT. In March 2018, Apple became the first giant to hit \$1 trillion in market value.

Apple is followed by other technology companies, including Amazon, Microsoft and Google parent Alphabet, all of which now have more than \$1 trillion in market value.

## Pandemic buoys demand for automation among local businesses

SOHEL PARVEZ

The ongoing coronavirus pandemic has brought about many changes to everyday life, especially the way people deal with the outside world.

Those who were previously sceptical about buying products online now fully trust digital shopping platforms to honour electronic payments and deliver the goods to their doorsteps as maintaining social distancing is an integral part of the new normal.

Similarly, executives who loved to hold meetings face-to-face have now shrugged off their technophobia and carry out such activities online.

In a bid to stay relevant amid growing interest among consumers to shop from digital marketplaces, improve efficiency and survive the coronavirus fallout, entrepreneurs began to automate their business process and open online retail stores for their products.

From opening an online store, tallying sales, keeping accounts or inventory to production, vehicle tracking and payment processing, the demand for various software and IT services significantly increased in

recent years, ushering in hope for a boon for the country's IT sector in the coming months.

Software developers are now receiving numerous queries about their services, according to BM Shorif, managing director and chief executive officer of Skylark Soft, a local IT firm that markets automated production tracking systems for garment exporters.

During the pre-coronavirus era, Skylark Soft managed to sell only one system each month but in the last month-and-a-half alone, the company has sold seven.

"We saw some unexpected sales and are also getting good feedback."

Based on the current trend, Skylark Soft could sell as many as 20 systems by the end of the year.

"We are seeing more interest than usual among large-scale garment producers," Shorif added.

Things were tough for the IT industry in the past though; the demand for automation and digital marketplaces had been growing at an inadequate pace ahead of the coronavirus breakout in Bangladesh in February this year.

During the pre-pandemic period, IT

service providers had to work hard to convince local entrepreneurs about the benefits of automation and how the use of ICT services in the business management process improves efficiency, said several software developers.

The coronavirus outbreak seems to have actually simplified things as everyone now appreciates the importance of automation.

"The pandemic forced us to think about ways to improve competitiveness," said Asaduzzaman Asad, deputy general manager of operations at Mondal Group, a leading garment manufacturer and exporter.

Entrepreneurs are now prioritising the automation of their businesses processes, according to Mir Shahrul Islam, managing director of Bondstein Technologies.

"People now understand the value of technology. It is important for us."

The demand for automated systems increased significantly due to the ongoing pandemic, which has forced people all over the work to maintain social distancing in a bid to reduce the risk of infection.

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## Now that Cox's Bazar is open to visitors, airlines and hotels are doing everything to bring in customers

MAHMUDUL HASAN

Airlines and hotels are desperately trying to lure in holidaymakers by way of offering discounts and attractive packages now that the country's top tourist destination Cox's Bazar has started hosting guests again after about a pause of five months.

Although domestic air connectivity between Dhaka and Cox's Bazar resumed on 30 July after a four-month suspension for the pandemic, about 470 hotels and motels, 2,000 food outlets and thousands of workers in the beach town's hospitality sector remained almost idle because the city was not receiving guests as per the directive of district authority.

With the reopening, Novoair, a top local airline, is offering a holiday package for Cox's Bazar for two nights three days starting from Tk 1,777 per month per person on six-month equal instalment facility at zero interest, which includes airfare and hotel, hotel transfer at Cox's

Bazar, breakfast and some other facilities.

That means the airline is charging only about Tk 10,600 for a person from Dhaka for two night-three-day stay in the southeast coast of Bangladesh. The price may go up depending on the quality of the hotel.

"We want to revive an almost dead tourist industry with such attractive offers," said AKM Mahfuzul Alam, senior manager for marketing and sales at Novoair.

To facilitate the customers with the offer, Novoair has partnered with 18 banks and eight luxurious hotels in the district.

The partner hotels are Royal Tulip Pearl Beach Resort, Sayeman Beach Resort, Long Beach Hotel, Windy terrace Boutique Hotel, Best Western Heritage, Neeshorgo Hotel and Resort, Grace Cox Smart Hotel and Praasad Paradise Hotel and Resort.

Apart from Dhaka, the package can be availed from any destination, but the EMI would start from Tk 2,666 per month per person.

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Sunset in Kolatoli Beach, one of the tourist haunts in Cox's Bazar.

ZINA TASREEN