

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
0.01%	0.21%	\$1,934.30	\$44.35	38,434.72	22,920.30	2,528.54	3,380.68	83.95	97.97	108.94	11.91
4,794.92	8,248.35	(per ounce)	(per barrel)					BUY TK	SELL TK		

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# Star BUSINESS

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## All hands on deck to get China-funded projects back on track

REJAUUL KARIM BYRON and JAGARAN CHAKMA

The government would hold talks with Chinese officials tomorrow as part of its desperate efforts to give impetus to the mega projects held up by the coronavirus pandemic.

Bangladesh's development activities came to a grinding halt in late March after the government was compelled to enforce a strict countrywide shutdown to limit the spread of the deadly virus.

The move did not spare the major projects, many of them were already running behind schedule mainly due to uncertainty over funding, complexity over designs, planning and land acquisition.

The construction sector though was expected to get momentum after the government partially lifted the lockdown on 30 May although the pandemic is far from over.

The two-and-a-half-month-long shutdown has seriously paralysed the implementation of the mega projects as foreign workers and engineers could not join their workplace because of the lockdowns in their home countries and the suspension of commercial flights.

With the reopening of the economy, the government has

jumped back to work and is looking to run the major projects in full swing.

This led the government to sit with the officials of the Asian Development Bank and India to discuss how to accelerate the implementation and disbursement of more funds to make up for the losses.

Last week, the Economic Relations Division (ERD) held a meeting with officials of India to accelerate the implementation of the ongoing projects bankrolled by New Delhi.

Now, the finance ministry has decided to hold a virtual meeting with the Chinese embassy in Dhaka and project officials tomorrow to find ways to put them back on track again.

The ministry has set an agenda to discuss the Padma rail link project, the single-point mooring (SPM) with double pipeline project, the multilane road tunnel under the Karnaphuli project and the expansion and strengthening of the power system network under the Dhaka Power Distribution Company area.

They are part of the 27 projects Bangladesh and China agreed to implement during Chinese President Xi Jinping's visit to Dhaka in October 2016, the first by a Chinese



### CHINA-FUNDED PROJECTS

	LOAN AMOUNT	AMOUNT DISBURSED	AGREEMENT SIGNED ON
Padma Bridge rail link	\$2.7b	\$533.6m	27/4/18
Development of National ICT Infra-Network for Bangladesh Government Phase III (Info-Sarkar).	\$151.6m	\$141.3m	27/10/17
Construction of tunnel under Karnaphuli river	\$705.8m	\$326.7m	14/10/16
Installation of single-point Mooring with double pipeline	\$550.7m	\$247.9m	3/11/17
Modernisation of telecommunication network for digital connectivity	\$225m	\$83.4m	10/4/18
Establishment of Tier IV National Data Centre	\$154m	\$137.7m	15/4/16
Dasherbandi sewerage treatment plant	\$280m	\$111.6m	14/10/16
Expansion and strengthening of power system network under DPDC	\$1.4b	\$207.6m	4/7/19
Power Grid Network strengthening project under PGC&B	\$970m	Yet to disburse	7/6/20
<b>TOTAL</b>	<b>\$7.1b</b>	<b>\$1.8b</b>	

president in 30 years.

The world's second-largest economy has promised about \$20 billion -- the largest amount yet by a single country -- over the next four years at the time.

Four years on, only a fourth

of the amount has entered Bangladesh's aid pipeline.

The outbreak of the coronavirus in China and later in Bangladesh severely affected the Padma Bridge rail link project that was being constructed by

China Railway Group.

In early July, the government revised the budget for the SPM with double line project for the second time, increasing it by 21 per cent.

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## Pharma stocks flying amid pandemic

AHSAN HABIB

Stock prices of listed drug makers rose more than the benchmark index of the Dhaka bourse during the last three months thanks to optimism about higher profits of the companies during the pandemic.

Drugmakers were largely immune to the economic malaise brought on by the coronavirus, which is why investors were pinning their hopes on these companies, said Shahidul Islam, chief executive officer of VIPB Asset Management Company, which manages funds worth Tk 250 crore.

"When all the companies were staring at mounting losses, the pharmaceutical companies were faring well." On top of that, stocks of many top pharmaceutical companies had remained undervalued for long and their price-earnings (PE) ratio was between 9 and 10, so investors were pouring money into these stocks, Islam added.

When PE ratio is lower than 15, it is usually considered a safe investment, according to market insiders.

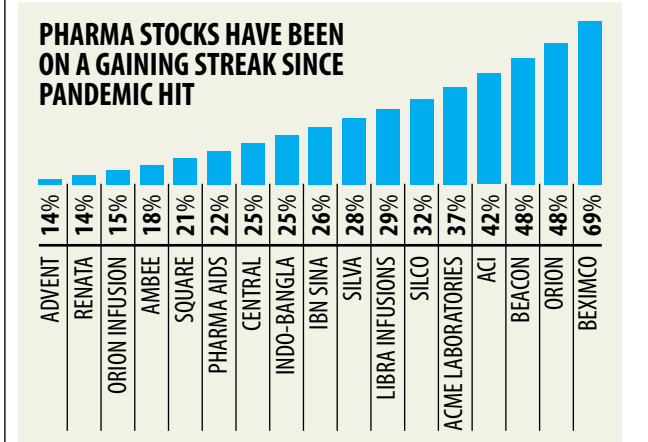
Subsequently, stocks of the 18 pharmaceutical companies surged 31 per cent on an average during the period, while DSEX, the benchmark index of the Dhaka Stock Exchange, advanced 20 per cent.

Furthermore, Beximco, Beacon and Square got permission to produce remdesivir, an antiviral drug that has proved effective in treating COVID-19. As a result, their stock prices were flying in the last three months.

Beximco Pharma though was a cut above the rest during the pandemic: not only was it the first drugmaker in the world to manufacture remdesivir, it was the first Bangladeshi company to export the lifesaving drug, too.

Its stock soared 69 per cent during the period. And in July, it topped the turnover chart, followed by Square Pharmaceuticals, Gramephone, Bangladesh Submarine Cables and Beacon Pharmaceuticals, according to a report of LankaBangla Securities.

As the demand for pharmaceutical products was high during the last three months, investors tried to buy their shares expecting higher returns, said Khairul Bashar Abu Taher Mohammed, chief executive officer of MTB Capital, a merchant bank.



The companies' export earnings were also higher during the period, he added.

Export of pharmaceutical products rose 49 per cent year-on-year to \$17 million in July, according to the Export Promotion Bureau.

However, an official of a listed pharma company said the sales of prescription-based medicines fell during the April-June quarter.

"People tried their best to avoid visiting doctors amid the pandemic, so drug intake was lower during the quarter." But at the onset of the pandemic, sales of some medicines went through the roof due to panic-buying.

Considering all the aspects, it is assumed that profit and turnover of the pharma companies may fall about 20 per cent in the April-June quarter, said the official on condition of anonymity as he is not authorized to speak with the media.

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## BIDA to provide 13 more services online

STAR BUSINESS REPORT

The Bangladesh Investment Development Authority (BIDA) yesterday teamed up with the land ministry, Rajdhani Unnayan Katiripakkha (Rajuk), the Department of Environment and Dhaka Chamber of Commerce and Industry (DCCI) to provide 13 kinds of services online.

The state-owned agency responsible for promotion and facilitation of private investment signed four letters of intent in its Dhaka office to provide the services through its One-Stop Service (OSS) platform.

The land ministry will provide e-mutations, e-ledgers, mutated ledgers through the OSS while the Dhaka chamber will give two services: issuance of the certificate of origin and membership certificate.

Rajuk will provide land use clearance,



plan approval, large and specialised project clearance and possession certificate and the Department of Environment will provide environmental and non-environmental clearance, environmental clearance renewal and environmental impact assessment

approval. Licence and certification are the two most important paperwork in starting a business and through the OSS these services will be available in a hassle-free manner, said Md Tofazzel Hossain Miah, secretary of the

Prime Minister's Office, who attended the event as the chief guest.

This initiative will create confidence and build trust among the business community and the investors, he said.

He also underscored the importance of maintaining coordination between the public and private sector in expediting the quality and quantitative investments in the country.

"It is a milestone and DCCI is honoured to be the first private sector organisation in Bangladesh to be associated with BIDA," said Shams Mahmud, president of the chamber.

The OSS will open up a new window of opportunity to both local and foreign investors and the initiative will help improve Bangladesh's position in the Ease of Doing Business index.

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## SMEs are in dire need of a lifeline from banks

ROUNDTABLE

The Daily Star

LankaBangla FINANCE

SUPPORTING SMALL AND MEDIUM ENTERPRISES THROUGH THE COVID-19 PANDEMIC

announced Tk 20,000 crore stimulus package for the sector.

This was shared at an online discussion jointly organised by LankaBangla Finance and The Daily Star on supporting the SMEs to cope with the Covid-19 pandemic.

Planning Minister MA Mannan was present among others.

Discussants said the pandemic induced a long shutdown, which was a catastrophe for the SMEs, especially micro and small businesses that mostly operate informally.

The SMEs suffered Tk 92,000 crore in losses during the shutdown, said Monzur Hossain, a senior research fellow of the Bangladesh Institute of Development Studies (BIDS).

They are yet to recover even though there are signs of a resumption of economic activities, he said, citing one of his latest studies on the impact of the pandemic on the SMEs.

"Therefore, the implementation of the stimulus package is vital for the SMEs."

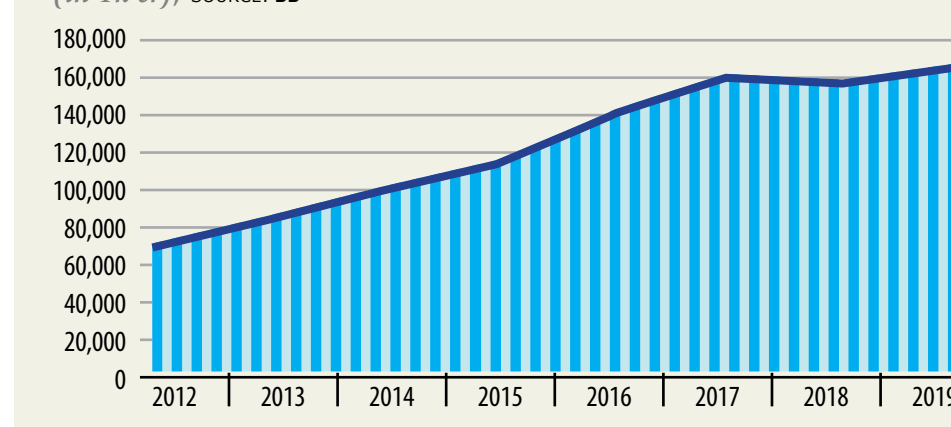
A majority of the micro and small businesses do not have access to bank finance because they operate informally and cannot prepare documents in line with the requirements of formal financial institutions.

A certain portion of the stimulus can be delivered through microfinance institutions along with taking support from SME Foundation for the benefit of small businesses, Hossain added.

The SMEs are the engine of development and it is particularly true for a developing country since they provide diversity, employment

### SME loan disbursement levelled off in recent years

(in Tk cr); SOURCE: BB



and value addition, said Selim RF Hussain, managing director and chief executive officer of BRAC Bank.

Some 55 per cent of value-addition in Japan comes through the SMEs, he said.

Small clients of BRAC Bank were on their way to recovery following the withdrawal of the countrywide shutdown by the government from June.

BRAC Bank, one of the biggest financiers of the SMEs, also brought changes in its loan products to fit with the needs of its borrowers, he said.

Initially, responses from the SMEs for the stimulus package were low because of a lack of awareness, said Md Mahub ul Alam, managing director of Islami Bank Bangladesh. Awareness increased later and Islami Bank, another major lender to the SMEs, got more applications. The bank provided loans to 2,100 out of 3,600 applicants, he added.

To support micro businesses, Islami Bank also finances through its microfinance window in rural areas, he added.

The macro scenario of loan disbursement does not match with the micro picture, said

### What SME loans cost banks...

- Weighted average cost on deposit: **5.4%**
  - Average operating cost: **3%**
  - Minimum credit loss cost: **2%**
  - General provision cost: **0.25%**
- Total cost for SME loan: 10.6%**
- This is much higher than the interest rate cap of **9%**

SOURCE: ASSOCIATION OF BANKERS, BANGLADESH

STAR BUSINESS REPORT

Businesses are recovering but the small and medium enterprises (SMEs) are being left behind.

Subsequently, easy and generous financing for them, particularly the micro, small and women entrepreneurs, has become urgent and imperative.

The SMEs contribute about one-fourth the country's gross domestic product and employ millions of people.

Still, a large number of the micro, cottage and small businesses have remained missing from formal financing and the government-

Mohammad Abu Eusuf, professor of the Department of Development Studies at the University of Dhaka.

Many micro and small businesses and women entrepreneurs continue to be left out from the stimulus package for the SMEs.

"A one size fits all approach will not help."

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