

Startups in pandemic days: a tale of despair and dreams

SOHEL PARVEZ

It is the story of dreams and despair. Rise and fall. It is the story of anguish and cheer. For Bangladesh's startups, all appear to be true.

The historic health crisis, shutdown of economic activities and subsequent downing of demand brought many startups to their knees, notably those focusing sectors such as travel, tourism and hospitality, ridesharing, electronics and automotive.

It forced downsizing, job cuts and even shutdowns, shattering dreams of many young entrepreneurs.

However, light continues to shine at the end of the tunnel, with the strength brought about with hope.

Startups operating in grocery and essential services, medicine, healthcare, digital-learning, logistics and financial technology services thrived on surging demand for delivery at doors, contactless payment, telemedicine and distance learning as the respiratory virus curbed face to face interactions and social gathering.

Dhaka Cast, Co-Space and Upskill are three glaring examples.

With the lockdown coming into effect at the end of March, online healthcare consultancy provider for diabetics Dhaka Cast and office space solution provider CoSpace saw their business going in the red in April and May.

Dhaka Cast, which began its journey in June 2019 to provide services to diabetic patients, later pivoted to telemedicine and branched out to provide consultancy and healthcare support to non-diabetic patients.

CoSpace, which had just launched a



From left, A free health check-up event organised by Dhaka Cast at EMK Centre in the capital. Shared space of CoSpace Dhaka where people from different organisations work individually.



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gigantic 6,500 square feet co-working space at one of the city's posh location in Kemal Ataturk Avenue, Banani in January spending more than Tk 1 crore, had no alternative but to wait for the storm to calm.

As the lockdown forced office-goers to work from home since April and offices became deserted, CoSpace lost half of its 75 members in March, leaving the startup in a quandary on whether to continue to bear the very high operating expenses.

Answers started to emerge afterwards.

Since August, CoSpace began to receive queries in the form of quests by a section of firms, small entrepreneurs and even multinationals to shift to smaller office spaces to optimise operational costs as working from home became the new normal.

Today, it has 35 members.

"We suffered a lot. It is really a very bad situation when you see business going down, cannot bear expenses and pay salary properly. Now things are moving and demand is picking up gradually," said Fahad Ibna Wahab, managing director of CoSpace Dhaka.

For him and Dhaka Cast Founder Dr

Fahreen Hannan, the global pandemic opened a new horizon of opportunities, although the same rogue virus ravaged incomes, many businesses and destroyed dreams of a large number of their peers.

A study done by a business strategy consulting firm LightCastle Partners among 250 startups in Bangladesh found that the Covid-19 disruption left 60 per cent of startups with less than three months of runway.

One-fourth of them had to shut down operations and 30 percent of the startups reported a 50 per cent drop in their business, found the study.

To remain afloat in the turbulent waters, many startups downsized jobs, closed down offices and cut salary of employees in absence of funds and investments from local and international investors.

Some startups such as Dhaka Cast and Pathao pivoted to respond to the demand of time and to stay relevant.

Homegrown and popular ride-sharing service Pathao began delivering medicine and groceries in May as lockdowns restricted public movement.

Some 7 per cent witnessed an increase in business, said Bijon Islam, chief executive of LightCastle Partners.

"This was very interesting and good to see. We found that grocery, digital financial services and logistics saw a positive impact in business," he said.

Bangladesh registered incredible growth in the startup ecosystem since its journey began in early 2010.

Today, there are 1,000-plus startups in the country and these have secured over \$260 million in investments, mostly from global investors, showed data by LightCastle.

Startups have created 15 lakh direct and indirect jobs over the last seven years including among rideshare service providers and bicycle-riding delivery persons.

"Startups have a huge impact on employment," said Islam.

Now as the economy reopens and business activities resume, things are recovering for startups.

E-commerce is expanding, demand for delivery of food and clothing is rising apart from grocery. People are also showing interest

in consumer electronics, he said.

Education technology based startups offerings online learning are also becoming accepted.

Mustafizur R Khan, chief executive officer and founder of Upskill, said the online skill sharing platform saw an increase in demand for e-learning after the coronavirus hit the country.

"We had to rent-in office to do offline classes before the pandemic as it was not easy to get learners online," he said.

"Things changed after the lockdown measures were put in place and the number of our users grew 200 per cent, revenue doubled last month compared to pre-Covid days," said Khan.

Upskill decided to stop renting office space this month as demand for offline classes declined. However, not all were well placed to see a spike in demand. Deligram, an online shop, had to suspend operations, said market insiders.

Waiz Rahim, founder of Deligram, did not respond to a request for comment.

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GPH Ispat opens Tk 2,390cr plant, stocks shoot up

AHSAN HABIB

GPH Ispat, a listed steel manufacturing company, witnessed a jump in share prices after news broke that its new Tk 2,390 crore plant began production using state-of-the-art technology on a trial basis.

The company has a paid-up capital of about Tk 378 crore and each share of it rose 9.76 per cent to Tk 27 yesterday, according to data from the Dhaka Stock Exchange (DSE).

The new factory, which is an expansion of GHP Ispat's existing operations, has the annual capacity to produce 840,000 tonnes

the company's retained earnings.

Meanwhile, the company's directors collectively lent Tk 107 crore while GPH Power Generation put forward Tk 80 crore to finance the project.

The factory will add some new products to the company's portfolio, said Islam, adding that some of these items could replace their imported counterparts.

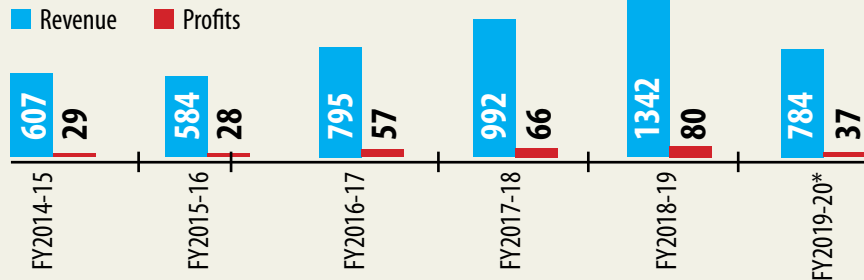
With the start of full commercial production, the plant's annual production capacity will reach 10.08 lakh tonnes of MS billet and 760,000 tonnes MS rod and medium section products.

The cold commissioning of its new plant

GPH Ispat's revenue and profit

(in crore taka);

SOURCE: ANNUAL AND QUARTERLY REPORTS



of mild steel (MS) billet and 640,000 tonnes MS rod and medium section products, such as support beams and flat bars.

"We hope that we will be able to announce commercial production at the plant in December," said Kamrul Islam, executive director for finance at GPH Ispat.

The company is discarding the substandard products and making the standard ones ready to be sold in the domestic market, he said.

"We are calling it the trail start as we need a declaration from the machine supplier to announce the commercial opening," he added.

The cost to develop the new factory was paid through loans and equity.

To finance the project, GPH Ispat took term loans of \$95 million from Germany's Oddo BHF Bank and \$44.2 million from the World Bank, which were disbursed through commercial banks under the supervision of Bangladesh Bank.

Fourteen local banks also provided term loans for GPH Ispat while a further Tk 262 crore was raised by offloading the company's shares and around Tk 200 crore came from

at Sitakunda was completed on January 14 earlier this year.

According to the plant supplier schedule, the expected hot commissioning was supposed to be complete by June 30. But it was delayed by the ongoing Covid-19 pandemic.

"When all the machines are tested without raw materials, then it is called cold commissioning and when raw material is used in testing, then it is called hot commissioning," Islam said, adding that the process takes 3 to 6 months in both cases.

Following the coronavirus outbreak in Bangladesh in March, almost all foreign experts involved with the commissioning of the plant returned home, leaving the project without hot commissioning, GPH Ispat said in its price sensitive information that was published on the DSE website yesterday.

As it remains uncertain when the foreign experts will return, the company's management recently started the hot commissioning process with the help of the plant supplier through online communication, it said.

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Investment proposals in agro-processing on the rise: PM's adviser

STAR BUSINESS REPORT

Bangladesh's agro-processing sector needs a governing body to represent its interests as both domestic and foreign entrepreneurs are coming up with various investment proposals for the industry, according to Salman F Rahman, private industry and investment affairs adviser to the prime minister.

"We need to do this in a much more formal and broad way," Rahman said while using Pepsico's investment in the country's agro-processing industry as an example of the sector's investment potential.

Foreign direct investment (FDI) has been coming in areas such as food processing and livestock, he added.

According to the prime minister's adviser, Bangladesh needs to re-skill its people as new and emerging areas for investment and employment generation are being discovered regularly due to automation.

Freelancing is another important area for employment as it engages more than 1.2 million youths in the country, he said.

Rahman made these comments while speaking at a virtual meeting styled "FDI in priority sectors: Value Added Agriculture Processing, Digital Ecosystems and Green Capital" organised by the American Chamber of Commerce in



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Agro-processing sector needs a governing body to represent its interests.

Bangladesh (AmCham) yesterday.

Diplomats, government officials, chamber leaders, businesspersons, experts and investors participated in the meeting, which was moderated by Shekar Rajashekar, the Bangladesh country officer of Citibank.

JoAnne Wagner, deputy chief of mission at the US Embassy in Dhaka, said Bangladesh needs to show more respect to intellectual property rights as potential foreign

investors value such issues.

Wagner also said USAID was providing assistance in managing cool chain and cold storage facilities in a bid to expand local agro-processing industries.

The US is very interested to cooperate in areas like ICT, light engineering, tourism, healthcare and pharmaceuticals, she added.

There is a huge scope for investment in the agro-processing

sector, which accounts for 1.7 per cent of the country's GDP, said Mohammad Sirazul Islam, executive chairman of Bangladesh Investment Development Authority (Bida).

Bida is determined to include all 154 services required by investors in its One Stop Service centre by next year as it will improve the ease of doing business in Bangladesh, Islam said.

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Rural producers can now reach buyers online

Paperfly, a2i, e-CAB launch the service

STAR BUSINESS REPORT

Logistics service provider Paperfly in partnership with a2i and the e-Commerce Association of Bangladesh (e-CAB) yesterday launched Seller One, a service enabling semi-urban or rural producers to sell products directly to customers online.

The campaign will help e-commerce businesses in Bangladesh boost sellers' integrity to produce quality products and win customers' trust, said Shomi Kaiser, president of e-CAB.

"Integrity of sellers to ensure quality of

products and win the minds of consumers through building trust fulfilling the compliance are the main key drivers to boost ecommerce in Bangladesh."

"Of course, this will not happen overnight. But with this campaign, we can proudly say that we are one step closer to achieving the goal," she said at a virtual launch of the service.

The Covid-19 outbreak has given a chance to e-commerce to create opportunities for small and medium entrepreneurs to provide customers with logistics support, she noted.

The association is working in an organised way

to provide logistics support through e-commerce, which is a challenging task, she said.

Many rural SMEs located outside Dhaka and Chattogram are yet to be brought under the umbrella, Kaiser added.

Financial institutions should help these SMEs grow their business and ensure compliance, according to her.

E-commerce despite being a new industry is emerging rapidly, overcoming the effects of the ongoing pandemic and creating numerous jobs, she said.

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