



Khwaja Shahriar, managing director of LankaBangla Finance, poses with an ISO/IEC 27001:2013 certification at an event. The British Standard's Institute awarded the certificate to the non-bank financial institution for adopting and applying global standards and best practices to ensure effectiveness, efficiency, confidentiality and the integrity of its day-to-day information security operations.



Mohammad Muslim Chowdhury, comptroller and auditor general of Bangladesh; Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue (NBR); Ahmed Jamal, a deputy governor at Bangladesh Bank; Sujee Kumar Pai Sarvotham, country head at Linde Bangladesh, and Md Mahub ur Rahman, CEO of HSBC Bangladesh, attend a "Webinar on e-Payment of Customs Duty" recently. The event oriented the bank's corporate customers about the requirements and process of e-payments as customs duty payments through automated systems has been made mandatory from January 1, 2022.

Trust Bank gets new DMD



STAR BUSINESS DESK

Ahsan Zaman Chowdhury has recently been appointed deputy managing director and chief business officer of Trust Bank with effect from December 1.

Prior to the promotion, he was senior executive vice president and head of business division of the bank.

Chowdhury started his career with AB Bank, according to a statement. He also worked at Eastern Bank in various capacities. He obtained his graduate and postgraduate degrees in management from the University of Chittagong.

Mega push for a green Bangabandhu Shilpa Nagar

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"With this, we hope that total investment in the BSMSN will reach \$30 billion by 2030, which will be equivalent to the total investment made in all other economic zones combined," he added.

Even amid the ongoing coronavirus pandemic, Beza received over \$1.5 billion in investment proposals from home and abroad with most local companies looking to pour their funds into the pharmaceutical, chemical, steel, textile, automobile, electronics and ceramic sectors.

Chowdhury went on to assure that local and foreign businesses would enjoy equal benefits at the BSMSN.

But due to the growing interest amid foreign investors, Beza has even been forced to decline proposals as it would not be possible to accommodate them all with the limited amount of land available inside the industrial city.

Once complete, the zone will become the third largest city in Bangladesh after Dhaka and Chattogram as around 15 million people will live and work in the adjoining areas, Chowdhury said.

Jinyuan Chemical Industry, a Chinese company which exports chemical products to the US and Canada, was set to become the first business to begin commercial operations inside the BSMSN in March.

However, this debut has since been delayed by the Covid-19 outbreak.

"I received clearance to start factory operations," Wang Yang, chairman of Jinyuan Chemical, told The Daily Star ahead of the coronavirus outbreak in March.

Yang had shifted her factory from China to Bangladesh in a bid to lessen the tariff burden while exporting products to North America.

"My first aim was to avoid the impacts of the US-China trade conflict and make my products more competitive," Yang said. The BSMSN will be the country's first public economic zone to go into operation as a part of the government's plan to set up 100 industrial enclaves across Bangladesh, Beza's Chowdhury said.

Bangladesh signs trade deal with Bhutan today

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Under the deal, Bangladesh will enjoy duty benefit on the exports of 100 local products such as garments, processed agricultural goods and electronics. Bhutan will enjoy duty benefit on 34 products like fruits, Munshi said. The agreement will come into effect immediately.

In the fiscal year of 2018-19, Bangladesh exported goods worth \$7.56 million and imported goods worth \$42.09 million, according to data from the commerce ministry.

The trade balance between Bangladesh and Bhutan is tilted towards Bhutan as Bangladesh is a major importer of stones used in the construction sector. Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the signing of the PTA with Bhutan was a good beginning.

Bangladesh can also look into signing comprehensive economic partnership agreements (CEPAs) with Bhutan and other major trading partners to retain the preferential trade benefits even after the graduation, said Rahman.

Bangladesh is set to make its status graduation to a developing country in 2024. In doing so, the country will lose preferential trade benefits as an LDC, except to the European Union, where the benefit would continue up to 2027 to help the country's transition.

Bhutan is also a member of the BBIN (Bangladesh, Bhutan, India and Nepal) initiative, but it has not

ratified the agreement yet.

"Bangladesh should negotiate more with Bhutan for the BBIN initiative so that the connectivity grows. The CEPA can ensure connectivity and investment between the two countries," Rahman said.

Bangladesh and Bhutan have agreed on establishing railway connectivity, which is expected to improve connectivity and boost trade and investment.

Both Bangladesh and Bhutan enjoy tariff benefit reciprocally under the South Asian Free Trade Area (Safta). So, Bangladesh will have to see how to access more beyond the Safta and under the PTA, the trade analyst said.

"Only the PTA is not enough; Bangladesh will need to sign CEPAs with major trading partners to secure more trade benefit after the graduation."

Bangladesh is ready to sign free trade agreements (FTAs) and PTAs with 11 more countries such as Nepal and Indonesia by June next year, said the commerce minister.

"We have limited time, and we would have to sign a lot of FTAs or PTAs with our major trading partners to protect our trade privileges after the graduation," he said.

Bangladesh might lose revenue from import tariffs due to the FTAs and PTAs, but it needs to go for the deals to protect the trade privileges, he said. "Bhutan might be a small country, but we will have

to start from a certain point. So, we started with Bhutan as we have an emotional relationship with Bhutan," said Munshi.

Commerce Secretary Md Jafar Uddin said although Bangladesh would lose tariff from import to some extent, studies show that a lot of jobs would be created in the country and exports would grow.

"We can't sit idle. We will have to move, as we will lose duty privileges in 2024. We have to sign such agreements with our trading partners," he said.

There is a 30 per cent duty on garment imported by Bhutan, which buys around \$2 billion worth of apparel from external sources every year. "So far, we exported a little over \$300,000 worth of goods in a single year. We see opportunities everywhere, especially in South Asia," said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, recently.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the signing of the PTA with Bhutan was a tiny step for a long jump.

"Bangladesh will not have any economic impact on signing the PTA, but it has a learning point. We can learn a lot from the signing of such PTAs. We can learn how to negotiate," he said.

Bangladesh needs to sign trade deals with major trading partners like China, India, the Association

of Southeast Asian Nations and the EU to retain trade benefits. So, the government is desperately lobbying with trading partners to sign either FTAs or PTAs.

The PTAs constitute an exception to the general most-favoured-nation provision of the World Trade Organisation (WTO), where all WTO members impose on each other the same non-discriminatory tariff. All WTO members, sans Mongolia, have signed at least one PTA. Bangladesh has begun negotiations with the Asean so that the country can grab more of its market share within the region.

Currently, Bangladesh, as an LDC, enjoys zero-duty benefits, preferential trade benefits and regional trade benefits on exports to 38 countries, including the EU countries.

Also, in the US, Bangladesh gets a zero-duty benefit for 97 per cent of its products, excluding garments, the country's main export item. Nevertheless, the US is the single largest export destination for the country.

Bangladesh will face competition in the EU after graduation as Vietnam has already signed an FTA with the bloc.

Some 74 per cent of Bangladesh's export earnings come under preferential trade as an LDC. Of the income, 64 per cent comes from the EU and 10 per cent from Japan, Canada and other developed countries.

Banks have to set aside more funds to absorb shocks

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The moratorium facility was later extended until December and has curbed the upward trend of default loans and the provision requirement.

Non-performing loans (NPLs) stood at Tk 94,440 crore in September, down 1.74 per cent from that three months earlier and 18.73 per cent year-on-year, BB data showed.

The country's banking sector has, historically, faced provisioning shortfall due to the failure of 10 to 11 banks.

The ongoing moratorium facility has helped banks bring down the provision shortfall to Tk 2,644 crore in September in contrast to Tk 8,119 crore one year ago.

As of September, 21 banks have failed to keep additional provisioning while 12 banks faced a shortfall in meeting the regulatory requirement, according to central bank data.

Banks in other countries have set aside additional provisioning to protect their financial health from the potential risks emerging from the ongoing economic hardship. But, the banking sector in Bangladesh is reluctant to do so. Rather, banks are trying to increase net profit to offer a good amount of dividend to their directors.

As a result, the net profit in the banking sector soared 33.60 per cent year-on-year to Tk 2,424 crore in the first half of 2020 despite a collapse in business and a feeble recovery of loans. Lenders are transferring the interests of the loans that are yet to be realised to their income books inflating profits artificially. Such an interest is treated as an accrued interest in banking norms. Banks are allowed to show the accrued interest as income, but such amounts have to be treated as an interest in suspense if loans become defaulted.

Banks should be asked to keep more provisions against unclassified loans as loan classification has stopped because of the moratorium, said Salehuddin Ahmed, a former governor of the central bank. The central bank also plans to raise the provisional requirement for unclassified loans, another central banker said. Bankers have welcomed the central bank move, saying this would help banks strengthen their financial health.

Emranul Huq, managing director of Dhaka Bank, said the actual situation in the banking sector would be apparent next year. "So, we should take preparation right now. Keeping excess provision will mitigate risks to a great extent," he said. MA Halim Chowdhury, managing director of Pubali Bank, echoed Huq.

High-end products still a long way off

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Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said production of high-end garment items requires man-made fibres, in which Bangladesh is still very weak.

Bangladesh is strong in the manufacturing of garments from cotton fibre. Nearly 80 per cent of garment items in Bangladesh are manufactured from cotton fibre.

However, the demand for cotton fibre-made garment items is declining worldwide. For instance, almost all the sportswear fashion items come from artificial fibre.

The demand for sportswear items is on the rise globally both for sports purposes and fashion purposes, Mansur said.

Although it is difficult to quantify the high-end garment items exported from Bangladesh, industry insiders say its share is more than 30 per cent.

However, not all of them are high-end; they include semi-high-end garment items as well.

"Fast fashion is not a barrier at all; rather entertainment-related social restrictions discourage high-end buyers from visiting Bangladesh," said KM Rezaul Hasanat, chairman and CEO of Viyellatex Group, a major exporter of value-added garments.

Fast fashion can be defined as cheap, trendy clothing that samples ideas from the catwalk or celebrity culture and turns them into garments in high street stores at breakneck speed.

"Big clients need big initiatives, which Bangladesh is lacking," Hasanat said.

He said around 40 per cent of the total garment exported from the country is value-added items.

Sharif Zahir, managing director of Ananta Group Ltd, another exporter of high-end garments, is exporting denim jeans, suits and lingerie as high-end products.

"The demand is good, but it takes a few years to make a profit from a factory of high-end products," he said, adding that he had not been able to make a profit even after three years of exports from the high-end garment factory.

"However, I am expecting a good profit soon," said Zahir.

Of his total exports, 20 per cent is high-end, 50 per cent is medium, and the rest is basic items.

"Production of high-end garment items is a very complicated process," he added.

About 80 per cent of the garment exports fall within the price range of \$15 per kilogram, and only 20 per cent items get a price more than \$15 and a tiny fraction gets \$35, according to research by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Contrary to adding higher values, the trend suggests that Bangladesh has lost 1.79 per cent unit value of the garment exported in the last five years.

Though it is difficult to capture the trend for the product range above \$15 per unit, this may be generalised that Bangladesh's progress towards

adding higher values has been slow, the research said.

There have been some significant disconnect that limit the industry's potential to expand over high street fashion, the BGMEA said.

The profile of the industry shows that it is mostly a volume-driven industry having a little presence of small and medium enterprises to tap into the niche market.

"Lack of innovative capabilities in the area of designing and product development and expertise, skills and technologies, and limited diversification in the area of non-cotton area are some of the major roadblocks to enhance our presence in the high-end segment of the global fashion market."

The narrative of the industry has to change to be able to tap the high-end market, said the BGMEA.

"We have opportunities in the EU and the US, as well as in emerging Asian markets that include Japan, China, India, and Korea, and other regions like Russia and Australia," said Rubana Huq, president of the BGMEA.

Huq said it could not be measured by averaging the value of garments since products differ from one from another in terms of materials used, finishes, trims, and other embellishments.

China has achieved excellence in all the segments of the global fashion market, and Vietnam, being heavily invested in backward and forward linkages by external investors, has also moved forward in terms of value addition than Bangladesh, she said.

Drug makers' profits bounce back in first quarter

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Of the 19 pharmaceutical companies listed with the country's bourses, three are yet to publish their financial reports.

Of the 16 that have been analysed so far, Square Pharmaceuticals booked the highest profit of Tk 393 crore, which was 37 per cent higher than that of the previous quarter.

In the April-June quarter, the company saw 20.7 per cent lower profits, which stood at profits Tk 286 crore.

The country's top pharma company plans to invest Tk 250 crore to expand its production capacity.

Similarly, other top drug makers have also announced that they will make further investments after seeing the market's growth potential for the coming years.

The domestic pharmaceutical market is worth around Tk 25,000 crore and has grown by around 14-15 per cent annually, according to the Bangladesh Association of Pharmaceutical Industries.

"Most local pharma companies have global standard equipment and facilities and due to their dream of reaching the international market, they continued to invest in the sector even amid the pandemic," said Md Rafiqul Islam, head of corporate and company secretary of ACME Laboratories.

After meeting 98 per cent of the domestic demand, local companies work to have their products enter highly regulated countries like the US and the UK.

Many firms have already started exporting to those countries and due to the huge potential for profits, they are investing even more in the sector, he added.

Acme Laboratories' profits tumbled 11 per cent to Tk 31 crore in the April-June quarter but it increased by around 32 per cent in the next quarter to reach Tk 41 crore.

Acme's profits were the fourth highest among the listed pharma companies.

Meanwhile, Beximco Pharmaceuticals' profits fell 1 per cent to Tk 89 crore in the last quarter of fiscal 2019-20 but rose by 20 per cent to Tk 107 crore in the first quarter of this year.

Separate industrial

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Mills produce and market the iodized salt after mixing the potassium iodate with refined salt.

As per the National Salt Policy, the BSCIC is the sole patron of the country's salt industry.

The CIDD project aimed at increasing the production and supply of adequately iodized salt as required by the population.

While addressing the meeting, the BSCIC chairman said the production cost of salt would decrease if around 30,000 acres of khas lands, on which salt is currently cultivated, could be acquired and allotted among the salt

farmers at cheap prices.

"That way, poor farmers would be able to get fair prices," Hassan added.

He also assured that the BSCIC would take the necessary steps in this regard.

BSCIC Director (Engineering and Project Implementation) Mohamad Ataur Rahman Siddique, General Manager (Marketing) Akhil Ranjan Tarafdar, Chattogram Regional Director Babul Chandra Nath, CIDD Deputy Project Director Sarwar Hossain and Salt Mills Owners Association President Nurul Kabir were present as well.

Salt is produced on 60,796 acres of

land in various upazilas of Cox's Bazar and is produced six months a year, between November and May.

Bangladesh consumed 20 lakh tonnes of salt in fiscal year 2019-20 and demand was met through local production and carry-over stock of the previous year, according to data from BSCIC.

Salt production declined to 15.7 lakh tonnes in the last fiscal year from 18.2 lakh tonnes the previous year.

During the current fiscal year 2020-21, carry-over stock stands at 4 lakh tonnes, said BSCIC's Sarwar Hossain.

Three local firms make it to Forbes' best under \$1b list

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Fortune Shoes, based mainly in the southern division of Barishal, was reported to have sales worth \$18 million while net income \$3 million.

The list said its market value was \$28 million.

Fortune has 5,000 workers, and it exports leather boots to the European market.

"It is good news to know that we are in the list," said Mizanur Rahman, managing director of Fortune Shoes,

in an immediate reaction.

"We are honoured to be named along with two other Bangladeshi companies," said Ananta Saha, international business manager of Renata Ltd.

Forbes said the companies on this list have scored above their peers in a composite ranking that includes sales and profit growth, low debt levels and robust governance.

The criteria also ensured a geographic diversity of companies from across the region.

By using metrics both quantitative and qualitative, the final list of 200 is truly a select group, it added.

"This list is meant to identify companies with long-term sustainable performance across a variety of metrics," it said.

The 200 companies made the cut out of 18,000 publicly traded companies in the Asia-Pacific region with annual revenues above \$10 million, but below \$1 billion, it said.