

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 3.57%	▲ 3.62%	\$2,055.00 (per ounce)	\$45.63 (per barrel)	▲ 0.96%	▼ 0.43%	▲ 1.04%	▲ 0.26%	BUY TK 83.95	88.50	109.15	11.86
4,364.83	7,512.72			38,025.45	22,418.15	2,559.10	3,386.46	SELL TK 84.95	102.30	112.95	12.47



# BUSINESS

DHAKA FRIDAY AUGUST 7, 2020, SRABAN 23, 1427 BS ● starbusiness@thedailystar.net

## Garment export orders rolling in once again

REFAYET ULLAH MIRDHA

It appears garment manufacturers are at last breathing a sigh of relief as work orders for apparel items from international retailers are coming back with the reopening of their stores in the European and American markets.

The signs of recovery for the garment sector are also evident in the export figures of July when Bangladesh earned \$3.24 billion from apparel shipment though the amount is 1.98 per cent lower than a year earlier.

However, garment export receipts in July are 14.18 per cent higher than the monthly target of \$2.84 billion.

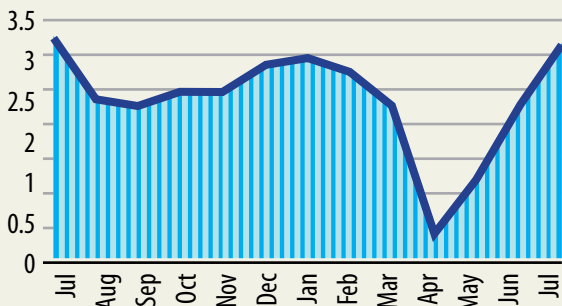
Of the total garment shipment, knitwear exports grew 4.30 per cent year-on-year to \$1.75 billion while woven exports fell 8.43 per cent to \$1.49 billion, according to data from the Export Promotion Bureau.

Earnings from apparel shipment in April, May and June stood at \$0.37 billion, \$1.23 billion and \$2.28 billion respectively.

Personal protective equipment (PPE), masks and other hospital textiles made it to the list of new export items for Bangladesh as a good number of buyers are placing work orders for these items amid the coronavirus pandemic.

### Garment exports finally picking up

(in \$b); SOURCE: EPB



If more retail stores reopen in Europe and the US, garment exports from Bangladesh will grow further as the pandemic has failed to dampen the demand for basic apparel items, exporters said.

Sweater factories have now put their best foot forward to meet the deadline for the shipments of August, September and October, said Mostafa Sobhan Rubel, managing director of Dragon Sweaters.

"My factories are fully booked until the end of September and my customers have also booked 60 per cent of my capacity from October towards the end of December," Rubel said, adding that they have been able to completely reinstate more than 90 per cent of the cancelled orders.

Abdullah Al Mahmud Mahin, managing director of Mahin Group, said he did not face any work order cancellation and currently, his factory is utilising more than 70 per cent of its capacity.

Work orders have been rising since mid-July at his factory.

If the current state of business continues, Mahin's company's earnings this year might be 20 per cent less than last year's, but if a coronavirus vaccine arrives by mid-September, they will witness about a 15 per cent jump in profit.

"I am very much optimistic that a huge number of work orders will come to Bangladesh if a vaccine is available by mid-September," said Mahin, who supplies fabrics to renowned brands worldwide.

AK Azad, managing director of Ha-Meem Group, said his factories are running at more than 60 per cent capacity at present.

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## The stunning fall from grace of Keya Cosmetics, a once beloved brand

### Keya Cosmetics has been on the slide for the past two years



AHSAN HABIB

Keya Cosmetics becomes a textbook case of how a high-flying company falls from grace in fits and starts.

Even when the manufacturers of hygiene products and toiletries were making higher profits thanks to increased demand due to the coronavirus pandemic, Keya Cosmetics remains an exception and brings no good news for its shareholders.

Reckitt Benckiser Bangladesh, a company of almost the same kind, witnessed a 54 per cent leap in its profits and 29 per cent jump in sales in the first half of 2020.

Keya Cosmetics, which had provided 10 to 50 per cent dividend to its shareholders since its listing with the bourses in 2001,

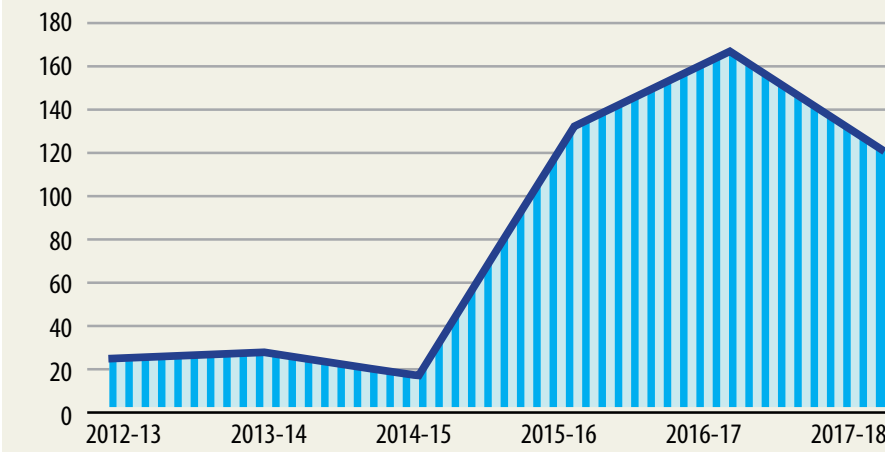


has of late been making no disclosures that could be a sight for sore eyes.

Incorporated in 1996, the company has been announcing repeatedly to its shareholders that its sponsors, including Chairman Abdul Khaleque Pathan, want to offload their shares.

### Keya Cosmetics' net profit over the years

(in Tk cr)



As a result, the sponsors' shareholding dropped to 46.27 per cent on 30 June 30, from 62.77 per cent on 30 June 2017. Now, the sponsors cannot even sell their shares due to a poor demand.

In an effort to reduce costs, the company also shifted its corporate office from Banani to Gazipur, adjacent to its factory.

As the company has not been publishing its quarterly reports since the 2016-17 financial year, the stock market regulator fined its directors Tk 1 lakh each in 2018.

In spite of that, the cosmetics and toiletries maker did not bring out any quarterly report until now, except making a sudden announcement to provide 10 per cent stock dividends for the year that ended on 30 June 2018.

After that, it had again gone into hibernation.

On top of that, Financial Reporting Council (FRC), the regulator for establishing standards of financial reports in Bangladesh, found that Keya Cosmetics announced dividend on the basis of fake earnings.

"Its balance sheet was overvalued by more than Tk 1,000 crore and the amount might be laundered," said Md Sayeed Ahmed, executive director of the FRC.

Keya Cosmetics exported products to its own company in Europe, but the export proceeds have yet to arrive.

"Meanwhile, the earnings have been shown in its profits, so we suspect the money might have been laundered."

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## The question hounding banks: how to solve a conundrum like SME loan?

AKM ZAMIR UDDIN

In 2001, with a vision to provide banking solutions to the 'unbanked' small and medium entrepreneurs, Brac Bank began its journey.

The lender introduced small-ticket loans to the cottage, micro, small and medium enterprises (CMSME) to specifically bring the grassroots entrepreneurs under the umbrella of formal banking services.

Over the years, riding on the disbursement of CMSME loans, the bank also bagged a hefty profit as the small borrowers are seemingly more disciplined than their large and corporate counterparts when it comes to paying back the fund in time.

The model has subsequently motivated others to provide loans to CMSME entrepreneurs on a greater scale, helping them register good returns from the initiative in the process.

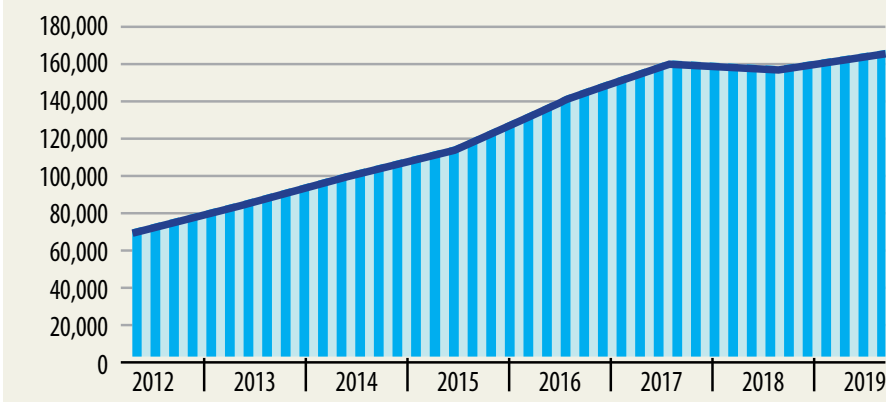
However, lenders are now in peril due to the economic meltdown brought on by the ongoing coronavirus pandemic while the central bank has imposed an interest cap of 9 per cent on all loans, including those for the CMSME sector.

For instance, Brac Bank's net profit crashed 40 per cent year-on-year to Tk 152 crore in the first half of this year.

The total value for outstanding loans

### SME loan disbursement levelled off in recent years

(in Tk cr); SOURCE: BB



with the bank stands at about Tk 26,000 crore, of which 47 per cent was distributed to the CMSME sector.

The instance of declining profits in Brac Bank is not a solitary case as the Association of Bankers, Bangladesh (ABB), an organisation of managing directors of all banks, claimed that average revenue of most of the banks had already plummeted between 20 and 35 per cent due to the interest rate cap and the pandemic.

Even with the tremendous support received from the government to tackle the ongoing recession, banks are now facing a new challenge in running their credit programmes for the SME and retail sectors, according to ABB.

Subsequently, on 12 July, the organisation sent a letter to the central bank governor expressing grave concern over the future of the country's CMSME sector.

"This trend in access to finance will face

### 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

a major blow with a lending rate cap of 9 per cent as banks cannot afford to lend to the SME sector at that rate due to the high cost of lending and loan monitoring," ABB said.

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## Is the pandemic bringing down the curtains on independent bookstores and publishers?

SOHEL PARVEZ

Redwanur Rahman Jewel's dreams had come true when he opened his bookstore in May last year as it soon turned into a veritable hub for readers and writers alike.

However, little more than a year after the library was opened, Jewel's dreams were shattered.

On 27 July, Jewel closed down his bookstore 'Nalonda' after failing to sustain the business following a nose-dive in sales during the recently concluded nationwide shutdown of all economic activities that began on 26 March to flatten the curve on coronavirus.

While the curve was not flattened, the livelihoods of many like Jewel's were snuffed out for good.

"Not one book enthusiast showed up and so, we could not make a single penny during the lockdown while the situation was similar in June. So, we decided to shut down the business as it not possible to carry on while incurring heavy losses every month," he added.

Operating the 900 square-foot shop located at the capital's Elephant Road near the Kataban intersection required Tk 100,000 in monthly expenses, including Tk 55,000 as rent.

On normal business days, the owner could make up the expenses from his sales, leading

Jewel to believe that they would be able to make some margin in the July-August period were things going well.

"Our store had begun to become popular," said Jewel, who is also a publisher.

Nalonda's perhaps best exemplifies how Bangladesh's creative publishing sector has so far coped with the ongoing crisis thrown up by the rogue pathogen originating from Wuhan, China.

The pandemic has put the existence of the large number of small publishers and bookstores in Bangladesh into question.

Bangladesh has nearly 250 regular publishers of creative books that publish nearly 5,000 titles annually, mainly to mark the month-long annual book fair, the Ekushey Boi Mela.

The fair offers publishers with the scope to display and sell new books and reprints. Nearly Tk 100 crore worth of books are sold during the exposition each year.

However, there is no proper estimate of book sales for the rest of the year.

The amount is likely to be about Tk 400 crore, said Farid Ahmed, president of the Academic and Creative Publishers Association of Bangladesh (ACPAB), while sharing his guesstimate.

After the event concludes at the end of February, publishers engage in marketing and



The ongoing pandemic has compelled nearly 10 per cent of the country's bookstores to shut their operations due to a drastic fall in income. The photo was taken from the capital's Elephant Road at the end of July, when Nalonda bookshop was closing its doors.



PRABIR DAS

distributing books to retailers in March and April.

However, the coronavirus outbreak and the subsequent shutdown has seriously hampered that regular tradition. Not only have stores been shut, but purchases from educational institutions have also been affected by the closure.

"Books that were supposed to be distributed have remained in stock," said Ahmed, also the proprietor of Somoy Prakashan.

Sales tumbled amid shutdown but demand began to recover in June after the country reopened. However, overall sales remained lower than what it was a year earlier, according to various publishers.

The ratio of sales to losses varies from publisher to publisher with some calculating the slump in turnover to be as much as 60 per cent year-on-year.

The ACPAB president estimated that overall, businesses lost about Tk 200 crore to Tk 250 crore in creative book sales in the April-July period.

If the drop in sales for all books, including creative, academic and other related books are taken into consideration, the total value lost to pandemic would be between Tk 2,500 to Tk 3,000 crore, said Shamal Paul, vice-president of the Bangladesh Publishers & Book Sellers Association (BPBSA).

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