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Businesses fear further losses as second wave looms large

They call for mandatory use of masks, following health protocols

MD FAZLUR RAHMAN

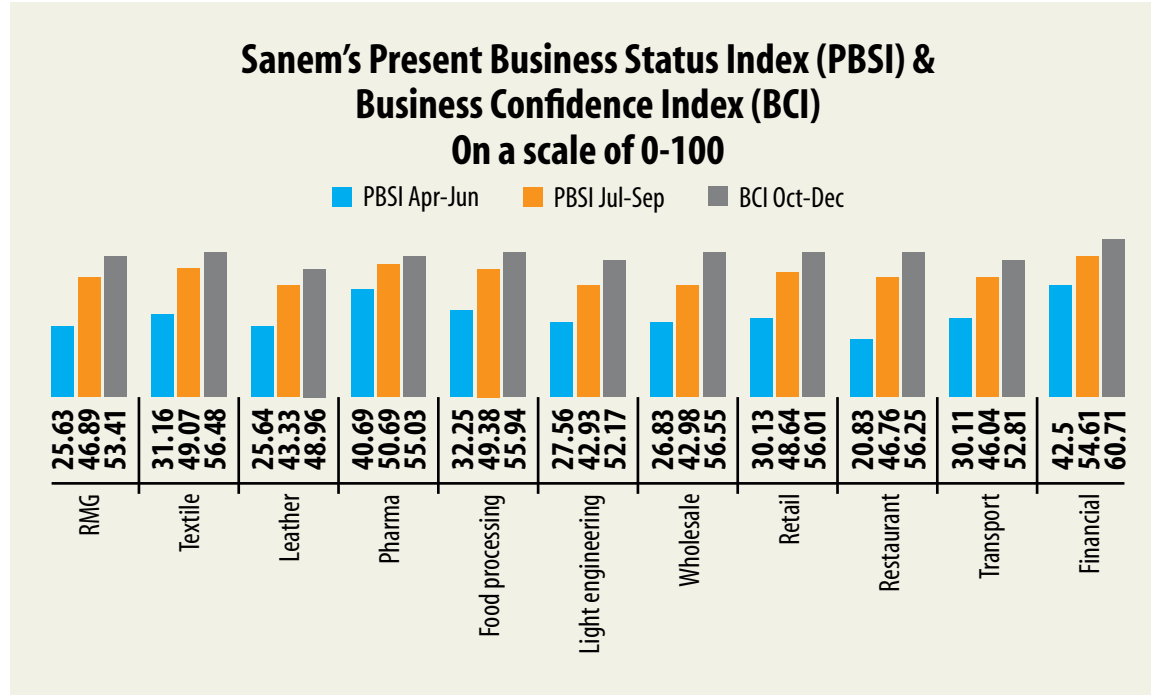
Exporters and local businesses have received a shot in the arm since June on the back of improved economic activity but the fragile recovery could evaporate before taking root if the country is hit with a second wave of the Covid-19.

Bangladeshis doing business internationally had witnessed their worst crisis in recent memory as orders collapsed after developed economies put in place lockdowns to tame the raging virus. Likewise, domestic firms missed almost all major spending seasons because of depressed demand and income losses.

As the cases of infections and deaths from the rogue virus reached a plateau and even started to decline at home and abroad in recent months and economies around the world reopened, buyers began putting in orders, giving exporters a much-needed lifeline.

The businesses focused on the local markets also made a turnaround.

Confidence among the country's manufacturing and service sectors grew in October thanks to the ongoing economic recovery,



according to a new survey.

The Business Confidence Index prepared by the South Asian Network on Economic Modeling (SANEM) rose to 55.24 for the October-December period compared to 51.06 between July

and September, on a scale of 0 to 100, with 100 depicting the highest level of confidence.

The improvement is evident in all major sectors: readymade garments, textile, leather and leather engineering, pharmaceuticals, wholesale, retail, transport, information and communication technology and finance.

Production in key industries such as jute, textile, yarn, cloth, garments, knitwear, paper, mild-steel and petroleum products, cement, pharmaceuticals, tea and salt all rose in June compared to May, the latest data from the Bangladesh Bureau of Statistics showed.

But if there are new waves of

infections as already seen in some export destinations, the recovery for the exporters would be short-lived. In the same vein, a second wave in Bangladesh could mean a return of containment measures and this may drag down economic activity for a second time in less than eight months.

"For Bangladesh, a second wave, if that happens, will be disastrous," said Shams Mahmud, president of the Dhaka Chamber of Commerce and Industry (DCCI).

Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, said, "Of course, we are worried. We have to observe the situation with caution."

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ACI returns to profit on higher sales of hygiene products

AHSAN HABIB

While the coronavirus pandemic continues to hammer economic activities, Advanced Chemical Industries (ACI) has managed the crisis than most others as it posted an increased sale of hygiene items.

And even though the pandemic has taken a toll on the operating costs, the group's consolidated profits stood at Tk 9.7 crore in the first quarter of the fiscal.

This is a huge feat for the company as it was Tk 29.9 crore in the red during the same quarter a year ago.

"Our profits rose thanks to higher sales, controlled operating costs and lower finance costs," said Pradipt Kar Chowdhury, chief financial officer of ACI.

ACI's sales grew 16 per cent to Tk 1,823 crore in the July-September quarter compared to the same period last year. Operating expenses were up 3 per cent to Tk 410 crore.

Net finance cost declined 11.57 per cent year-on-year to Tk 92.33 crore, the company's financial report shows.

"The sales of pandemic-related hygiene products grew over the past few months. This boosted our brand value," Chowdhury said.

ACI Consumer Brands sells items in the categories of toiletries, home care, hygiene, electrical, electronics, mobile, salt, flour, foods, rice, tea, edible oil and paints.

ACI Agribusinesses is the largest integrator in Bangladesh in agriculture, livestock, fisheries, farm mechanisation, infrastructure development services and motorcycles, while ACI Retail Chain is the largest network of super-shops operating through 129 Shwapno outlets.

It has a presence in the pharmaceuticals segment. The company's hygiene products range from sanitizers to hand wash and soaps.

The sales of ACI's Consumer Brands surged 68.85 per cent to Tk 209.23 crore in the first quarter.

The pharmaceutical segment saw an increase in sales to Tk 314 crore, up from Tk 299 crore in the first quarter in 2019.

ACI's shares rose 3.81 per cent to Tk 264 yesterday on the Dhaka Stock Exchange after news broke that the conglomerate had returned to profits in the first quarter.

"We were able to keep our employees motivated and this positively impacted our company during the pandemic," said a top official of ACI preferring anonymity.

"No one lost jobs during the pandemic. Moreover, the salary of the employees was reviewed positively, which ultimately motivated them to work harder throughout the tough period."

The company's variable costs on the advertisement and promotional activities were also slashed, he added.

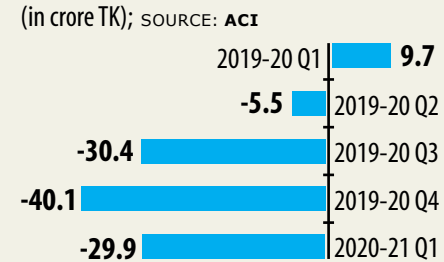
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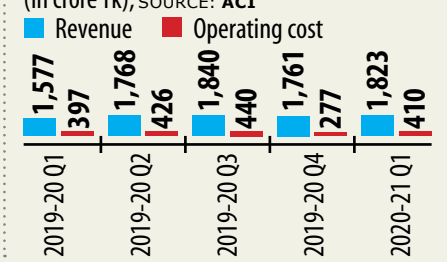
Profits and losses of ACI

(in crore Tk); SOURCE: ACI



ACI's revenue and operating costs

(in crore Tk); SOURCE: ACI



Agent banking winning hearts of remitters

AKM ZAMIR UDDIN

Along with deposit mobilisation and loan disbursement, banks' agent banking outlets are increasingly becoming the key point in distributing remittance in the remotest part of the country.

Remitters now opt for the platform largely because the beneficiaries can withdraw funds without visiting any bank branches, which are usually located far away from their homes.

Between July and September, agent outlets disbursed Tk 38,335 crore in remittance, up 43.84 per cent from three months earlier and 221 per cent year-on-

remittance from July last year to encourage the Bangladeshi diasporas to send fund through the formal channel.

In some cases, banks are offering one per cent additional cash incentive along with the two per cent if the remitters send the money through the agent banking outlets.

Islam hoped that there is no doubt that more remittance would be channeled through the agent banking in the days ahead. Migrant workers remitted \$2.11 billion last month, way higher than \$1.64 billion flow to the country in the same month a year ago.

Brac Bank has decided to embrace the branchless banking model riding on the

Private hospitals look to make a turnaround in 2021

SOHEL PARVEZ and JAGARAN CHAKMA

Samorita Hospital, the lone listed healthcare provider, yesterday reported a sharp drop in profit for the last fiscal year, reflecting the sluggish business in the country's private healthcare sector as most treatment-seekers opted to stay away from hospitals.

The private hospital said its net profit dipped 90 per cent to Tk 32.5 lakh in the financial year ending in June 2020 from Tk 3.22 crore in the previous year.

Samorita blamed the coronavirus disease, which was reported first in early March, for the revenue drop, a view that was echoed by two top officials of the country's well-known Square Hospital and Labaid Specialised Hospital.

"The Covid-19 has eaten up our income from March to June," said Samorita Hospital Managing Director ABM Haroon.

"How will patients come to Dhaka from districts as buses were off the road? For the first time in 22 years, we could not declare any dividend



for our shareholders," he said.

He said the hospital had good business in the first eight months of the last fiscal year. Its income and profit dropped also because of increased expenditure for doctors, technicians and other healthcare workers and setting up of facilities for the treatment of Covid patients.

Md Shariful Islam, company secretary of Samorita Hospital, said

the number of patients arriving every day from April to June came down to 10-12.

Haroon, also the senior vice president of the Bangladesh Private Clinic and Diagnostic Owner's Association (BPCDOA), said except for a few large private hospitals that offer multidisciplinary treatment, all had sluggish business from March to August.

"The healthcare sector's business had been totally down during the April-June period due to the lockdown," said Md EE Yousuf Siddique, chief administrative officer of Square Hospitals.

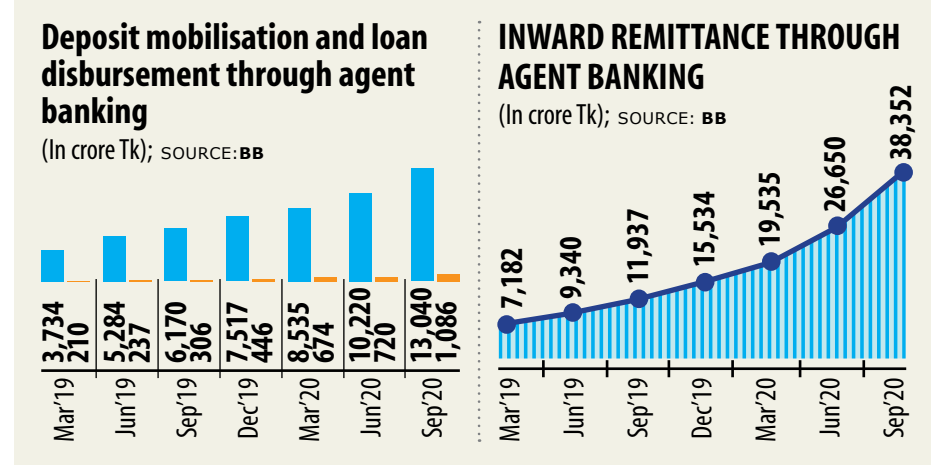
"Our revenue plunged to less than one-third during that time. Patients did not visit hospital except for emergency," he said.

"Referrals also dropped. Business had been really bad at that time," he said, adding that the number of outpatients dropped to 250 daily in the April-June period from the previous daily average of 1,200.

The number of in-patients slumped to nearly one-third during that time from a daily average of 300 previously.

"We had to face a lot of troubles. On the one hand, our income dropped. On the other hand, our expenditure increased for providing equipment to doctors and nurses, providing allowance and creating accommodation for healthcare providers. Overall, we had a bad time," he said.

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year, data from the central bank showed.

There are two reasons for the surge in remittance flowing through the agent banking, said Md Anwarul Islam, general manager of the financial inclusion department of the central bank.

First, the agent booths are usually located adjacent to the houses of the recipients. Second, the 2 per cent cash incentive provided by the government has attracted people, he said.

In the past, a good number of expatriate Bangladeshis preferred hundi, an illegal cross-boundary financial transaction system, to send their hard-earned money to allow their near and dear ones to receive it smoothly sidestepping the complex fund withdrawal process in the banking system.

But the recipients can now withdraw the fund easily from the agent outlets, which are expanding across the country, pushing the hundi channel aside.

As of September, the total number of agent outlets stood at 14,016 in contrast to 9,391 one year earlier.

The government has been providing the 2 per cent cash incentive against

agent banking method, said its Chairman Ahsan H Mansur.

"We have a plan to set up agent outlets in every village to bring the unbanked people under the financial umbrella," he said.

The bank has disbursed 50 per cent of the total outstanding loans of Tk 1,086 crore given through the agent banking by all lenders.

Nineteen banks now operate agent banking. The central bank issued the agent banking guidelines in 2013 as part of its effort to bring the unbanked population under the banking network to widen the financial inclusion.

Deposit mobilisation and loan disbursement have received a momentum on the back of the window.

Deposit collection soared 111 per cent year-on-year to Tk 13,040 crore at the end of September. Loan disbursement grew 255 per cent to Tk 1,086 crore.

Bank Asia has taken several initiatives to speed up loan disbursement through agent banking, said its Managing Director Md Arfan Ali.

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ILFSL sinks to Tk 2,802cr loss

The company blamed higher provisioning for embezzled loans

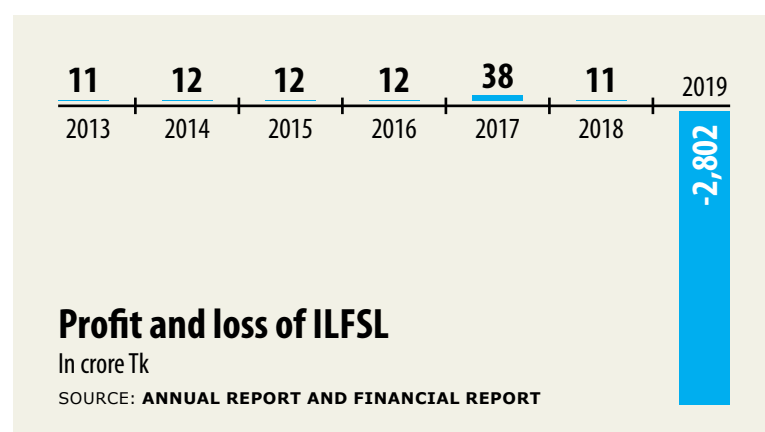
STAR BUSINESS REPORT

International Leasing & Financial Services Ltd (ILFSL) sank to losses in 2019 as the lender has had to set aside a huge amount of fund to cover for the money swindled by its former director PK Halder.

The non-bank financial institution incurred a loss of Tk 2,802 crore last year after making a profit of Tk 11.2 crore in 2018, according to its financial report. This was the first loss for the company in recent years.

The company's net asset value was Tk 285 crore as on September 30 last year, but it turned into liabilities of Tk 2,773 crore as on December 30 for the once-profitable venture because of the loan embezzlement.

"A huge amount of our loans



Profit and loss of ILFSL

In crore Tk

SOURCE: ANNUAL REPORT AND FINANCIAL REPORT

has become low quality, so we needed to keep a higher amount of provision this year," Syed Abed Hasan, chief financial officer of ILFSL, told The Daily Star.

He declined to make comments when asked whether the loans' quality worsened because of the forgery committed by PK Halder. In an investigation, the central

bank found that Tk 1,596 crore was transferred from ILFSL in violation of rules through 48 accounts of various organisations related to Halder and its shareholders.

The net profit after tax of ILFSL declined by Tk 2,813.91 crore in 2019 from a year ago because of lower interest income, higher interest expenses and increased provisioning for leases, loans and advances, according to the NBFIL.

Provisioning is an expense that is reserved for default or bad performing loans. ILFSL's default loans were Tk 941.67 crore, or 24.42 per cent of the outstanding loan as of December 2019. It rose to Tk 3,356.83 crore, or 83.98 per cent of the outstanding loans as of June this year.

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