

STOCKS		Week-on-week	COMMODITIES		As of Friday	ASIAN MARKETS				Friday Closings	CURRENCIES				As on Thursday STANDARD CHARTERED BANK
DSEX	CSCX		Gold	Oil		MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY	
▲ 2.17%	▲ 2.14%		▲ \$1,837.61 (per ounce)	▲ \$49.25 (per barrel)		▲ 1.00%	▼ 0.22%	▲ 0.62%	▲ 0.07%		BUY TK 83.95	100.70	111.42	12.63	
4,974.84	8,587.29					45,079.55	26,751.24	2,839.89	3,444.58		SELL TK 84.95	104.50	115.22	13.27	



BUSINESS

DHAKA SUNDAY DECEMBER 6, 2020, AGRAHAYAN 21, 1427 BS ● starbusiness@thedailystar.net

Bangladesh signs trade deal with Bhutan today

REFAYET ULLAH MIRDHA

Bangladesh will ink its maiden preferential trade agreement (PTA) with Bhutan as the country looks to retain duty benefits following its graduation to a developing country from the least developed nation category.

Bangladesh is signing the deal with Bhutan as the country was the first one to recognise Bangladesh as an independent nation in 1971, said Commerce Minister Tipu Munshi at a press conference at State Guest House Sugandha yesterday.

Munshi and his Bhutanese counterpart will pen the deal. Bhutan recognised Bangladesh on December 6.

Prime Minister of Bangladesh Sheikh Hasina and Bhutanese Premier Lotay Tshering will attend the ceremony virtually.

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AT A GLANCE

- Bangladesh signs its maiden PTA with Bhutan today
- 100 Bangladeshi goods will enter Bhutan duty-free
- 34 Bhutanese items will enjoy duty-free benefit in Bangladesh
- In 2018-19, Bangladesh exported goods worth \$7.56m to Bhutan and imported goods worth \$42.09m
- The figures were \$0.61m and \$12.16m respectively ten years ago



FOUR DECADES IN RMG BUSINESS

High-end products still a long way off

REFAYET ULLAH MIRDHA

Bangladesh's apparel industry is struggling to graduate to a producer of high-end items despite being in the business for four decades and one of the top suppliers globally, missing out on the opportunity to receive premium prices from international retailers and brands.

The multi-billion-dollar industry, which contributes about 85 per cent to the national export, has embraced a lot of reforms since the 1980s. Still, investment has been less in the production of value-added garment items.

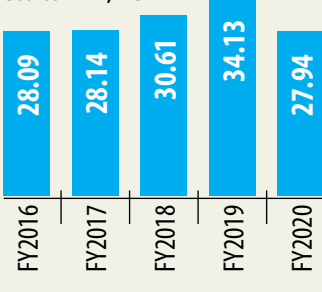
As a result, Bangladesh has remained a prominent manufacturer of basic or semi-high-end garment items.

On the other hand, countries such

GARMENT EXPORT TRENDS

In billion \$

Source: EPB, BGMEA



KEY POINTS

- Bangladesh lags behind its peers in production of high-end garment items
- The country has been producing garment items for four decades
- Industry insiders claim 40pc of the total apparel exports are high-end goods
- High-end garment production needs manmade fibre
- About 80pc of Bangladesh's garments are made from cotton fibre

as China, India and Vietnam have made the transition and are benefiting

from the premium prices from the sales of value-added garment items to international retailers and brands.

Vietnam, which made the foray into the fashion business

after Bangladesh, has become a major player in the global high-end garment segment because of investment in research and development in design and product quality.

High-end garment items products are meant for upscale customers and are made from expensive fibres and are specially designed by very experienced designers. It requires a more skilled workforce and sophisticated technologies to produce expensive products.

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

STAR BUSINESS REPORT

Three Bangladeshi companies have made it to Forbes' list of "Asia's 200 Best Under A Billion".

Two of the entities that came up in the list of the American business magazine are drug-makers Square Pharmaceuticals and Renata.

The third firm is Fortune Shoes, which mainly exports to Europe, according to the list that highlights 200 Asia-Pacific public companies with sales under \$1 billion.

These companies have track records of exceptional corporate performance, with one Covid-19 caveat: the list is based on full-year data as of July 7, and does not fully reflect the impact from the pandemic-led downturn, said Forbes.

The magazine said Square Pharmaceuticals, one of the leading drug makers in Bangladesh, has sales of \$512 million and a net income of \$150 million. The market value of the publicly listed company is \$1,716 million.

The pharmaceutical company posted 17 per cent higher sales year-on-year to Tk 52.93 billion in the fiscal year of 2019-20.

Its exports earnings have also grown. The drugmaker posted nearly 23 per cent higher profits in its last financial year.

The magazine reported Renata's sales at \$271 million and net income \$45 million. Renata's market value was reported at \$1,071 million.

Renata's turnover grew 9 per cent year-on-year to Tk 24.16 billion in the financial year 2019-20.

Also listed on the stock exchange, the company recorded 8 per cent growth in its profit after tax, according to its annual report.



Banks have to set aside more funds to absorb shocks

AKM ZAMIR UDDIN

Banks will have to keep aside more funds in provision than they usually maintain to make them well-equipped so that they can absorb shocks from any increase in bad debts caused by the business slowdown in the coming year.

The central bank is now working on the issue and would take a decision soon, Bangladesh Bank officials said.

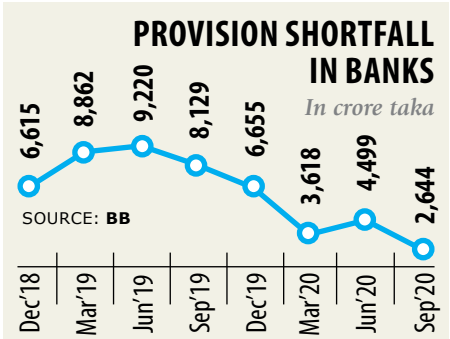
A fresh instruction will be given to banks within a day or two, they said.

"The central bank is now analysing banks' net profit and provisioning closely. And it will take a decision to this end in the quickest possible time," said BB Executive Director Abu Farah Md Naser.

He said banks would be instructed to refrain from showing an excess profit this year by maintaining additional provision. "This will help minimise shocks in the coming year."

Although the central bank's circular in September extended the deadline for loan classification further to December, it gave a hint to take measures for the fortification of the provision base as well.

Banks now set aside 0.25 per cent to 2 per cent against unclassified loans. It is 20 per cent to 100 per cent against defaulted loans.



A provision is an amount earmarked for the probable, but uncertain, economic obligations of an enterprise. The purpose is to make a year's balance more accurate, as there may be costs, which could be accounted for in either the current or previous year.

In Bangladesh, the requirement of provisions has declined since the first quarter of 2020 after the central bank allowed banks to enjoy a moratorium.

On March 19, less than two weeks after the government first reported the country's maiden coronavirus case, the central bank asked lenders not to consider businesspeople to be defaulters if they fail to repay instalments until June 30.

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Drug makers' profits bounce back in first quarter

AHSAN HABIB

Listed drug makers saw their profits rebound in the first quarter (July-September) of the ongoing fiscal thanks to an increase in the number of healthcare seekers.

The pharmaceutical sector had taken a big hit at the end of the previous quarter, when most people refrained from visiting hospitals in fear of contracting Covid-19.

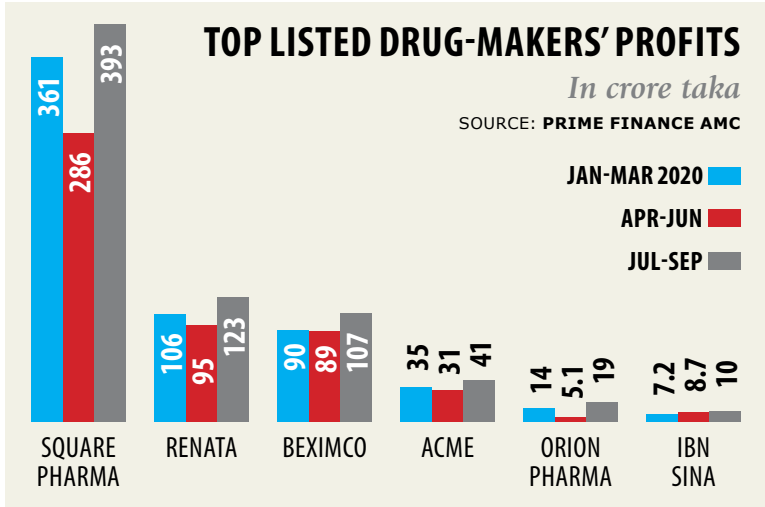
But the listed companies' combined profits soared by 76 per cent compared to the April-June quarter of fiscal 2019-20 to hit Tk 734 crore in July-September.

Meanwhile, overall profits for listed drug makers grew 25 per cent year-on-year for the same period.

During the April-June quarter, local pharma companies witnessed a decrease in profitability due to the low sales of prescription medicine.

This directly contradicted the belief among many investors that it was unlikely for the pharmaceutical industry to see a drop in profits amid the ongoing pandemic.

"We thought the drug makers would benefit the most during the pandemic as people would spend more money on medicine but the



reality was different," said Abdul Mannan, a stock investor.

Listed drug makers saw their profits plunge 31.1 per cent to Tk 417 crore in the April-June period compared to the previous quarter (January-March) mostly due to the Covid-19 fallout.

"The sector was affected the same way other industries were but the good thing is that it bounced back strongly in the first quarter," he added.

Md Jubayer Alam, company secretary of Renata, echoed the same.

Since most patients were confined at home amid the outbreak, almost all pharma companies saw their sales plunge between April-June, he said.

The country's first official coronavirus patient was detected on March 8 and since then, the number of positive infections has continued to rise.

In a bid to curb the spread of Covid-19, the government announced a 'general holiday' that began on March 26. The nationwide lockdown was extended numerous times until it finally came to an end on May 30.

During this period, local drug makers that source their raw materials from other countries faced numerous challenges.

"And so, as costs rose, a fall in profits was the natural outcome," Alam said.

Renata secured the second highest profits among all listed pharma companies after Square Pharmaceuticals.

During the April-June quarter, Renata's profits fell by roughly 10 per cent to stand at Tk 95 crore.

The company then witnessed a 29 per cent rebound in its profits for the first quarter of fiscal 2020-21 to hit Tk 123 crore.

This is because almost 60 to 70 per cent of all doctors returned to their chambers during that period, according to the company secretary.

However, some patients still remain sceptic about hospital visits, he added.

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Mega push for a green Bangabandhu Shilpa Nagar

Beza to earmark Tk 4,367cr for the project

REJAUL KARIM BYRON and JAGARAN CHAKMA

The Bangladesh Economic Zones Authority (Beza) is set to invest Tk 4,367 crore on a fresh project aimed at developing a greener Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN).

Beza decided to undertake this initiative, to be implemented between January 2021 and December 2025, in order to create an enabling environment for sustainable private investment and a dynamic local market for industrial land.

The World Bank will provide \$467 million (about Tk 3,970 crore) for the initiative under its Private Investment and Digital Entrepreneurship (PRIDE) project.

"The World Bank continues to support Beza's activities as the multilateral lender is satisfied with our actions," said Beza Executive Chairman Paban Chowdhury, adding that this new initiative will promote foreign investment in the country's economic zones.

Under the project, Beza will construct a 30-kilometre road inside the BSMSN alongside other necessary infrastructures such as a central effluent treatment plant, desalination plant, solar energy systems and so on.

As per phase-1 of the Bangladesh Economic Zone Development Project, Beza prepared around 2,000 acres of land for the establishment of factories at three economic zones inside the BSMSN.

Having begun on January 1, 2014, the ongoing project is expected to be complete by January 30 next year.

Some 548 acres have been developed for industries in BSMSN-1 while the number is 1,939 acres for BSMSN-2

and 474 acres for BSMSN-2B. A total of 114 industrial units have already been established across the three zones under phase-1.

As of this November, numerous businesses from both home and abroad have come up with investment proposals valued at \$19 billion for the industrial city, according to Beza data.

Of this amount, foreign companies such as Singapore's

Wilmar, India's Adani Group and Japan's Nippon Steel accounted for roughly \$10 billion.

The remaining \$9 billion in investment proposals came from local businesses with the major investors being: TK Group, Karmo Foam Industries, Asian Paints, Mango Teleservices, BDCOM Online, Bashundhara Group, Samuda Food Products, Ananta Apparels, Siraj Cycle Industries, Abdul Monem Group, ACI, Star Allied and

Ayesha Clothing Company.

The World Bank previously approved \$500 million for the BSMSN's development on condition that no factories would be set up before the utility connections were provided.

During a visit to the site in late October, it was found that the industrial units of 13 different companies, including Asian Paints, McDonald Steel, Modern Synthetic and TK Group, are currently under construction.

"These factories may go into production next year," Chowdhury said.

Meanwhile, some other factories are waiting for their utility connections before starting their construction work, he added.

Regarding the fresh initiative, Chowdhury said Beza has already sent a project proposal to the Planning Commission for approval.

According to the Beza executive chairman, the BSMSN seems to be taking shape day by day as investors have started developing the physical infrastructure of the 30,000-acre economic zone.

In total, around 200 investment proposals have been received for the BSMSN with 76 coming from local garment makers.

Once these proposals become actualised industrial units, they will generate around 9 lakh opportunities for direct employment, Beza data shows.

Besides, three local business entities -- Confidence Group, Energypac and the state-owned Rural Power Company -- have expressed their willingness to invest nearly \$3 billion in the power sector, Chowdhury said.

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MAJOR INVESTMENT PROPOSALS IN BANGABANDHU SHILPA NAGAR

- PHP Steel Works: **\$4b**
- Garment village by BGMEA: **\$1.5b**
- Bashundhara Industrial EZ: **\$489m**
- Bangladesh Edible Oil: **\$400m**
- Jiangsu YabangDyestuff, China: **\$300m**
- Ananta Apparels: **\$229m**
- Samuda Food Products: **\$205m**
- BSRM Steel Mills: **\$181m**
- Star Allied Venture: **\$88m**
- Metro Knitting& Dyeing Mills: **\$216m**