

Technical breakdown halts DSE trading

STAR BUSINESS REPORT

A technical breakdown halted trade on Dhaka Stock Exchange for over one and a half hours yesterday with the regulator asking the premier bourse to submit a report on it.

The bourse was asked to submit a preliminary report on malfunctioning today, according to Saifur Rahman, spokesman of Bangladesh Securities and Exchange Commission.

"The commission will further decide on the issue after reviewing the report," said Rahman, also an executive director of the BSEC.

Trading resumed at 12:10pm, one hour and 40 minutes later than the regular opening time, and continued until 4:10pm. The share transactions usually take place between 10:30am and 2:30pm.

The problem arose after the bourse's trading suddenly collapsed. Officials said they were yet to identify the cause of the malfunctioning.

The DSE however said: "The

issue has been identified, addressed and resolved. Procedures have been placed to ensure that this incident does not recur."

The latest incidents once again raised questions over the management's competency in running and maintaining the engine, the main trading server, provided by NASDAQ OMX. The DSE at a cost of around Tk 35 crore introduced the new and fast automated trading system in December last year to ensure smooth trade.

The post of chief technical officer at the Dhaka bourse has remained vacant for more than a year, and the management is running its IT department with junior executives.

After yesterday's incident, stockbrokers reiterated their dissatisfaction over the malfunctioning and they thought that the DSE management has not enough capacity for maintenance of the trading machines.

"Either the engine is not suited for our exchange or the bourse

management is not trained well to run it," said a stockbroker seeking anonymity.

This is not the first time for them, such technical glitches happened many times in the bourse with the previous trading engine. In May, the trading was disrupted for two days in a row.

"Whenever we contact the bourse management, they just say everything will be fine. We will never know what the problems actually are," said a stockbroker.

Stocks closed higher after breaking a four-day losing streak. DSEX, the benchmark general index of the DSE, rose 30.15 points or 0.62 percent to finish the day at 4,821.62 points.

The index crossed 4,800 points level again supported by bank, engineering and selective stocks of other sectors, said LankaBangla Securities.

Turnover, another important indicator of the market, rose 12.6 percent to Tk 615.79 crore on transactions of 13.39 crore shares and

mutual fund units.

Of the traded issues, 183 advanced and 75 declined with 51 securities closing unchanged on the premier bourse.

United Power Generation and Distribution Company dominated the turnover chart with 17.05 lakh shares worth Tk 27.83 crore changing hands, followed by RSRM Steel, Shahjibazar Power Company, Alhaj Textile and Square Pharma.

Islami Bank was the day's best performer, advancing 9.96 percent, while Midas Financing was the worst loser, slumping 5.4 percent.

Chittagong stocks rose with the bourse's benchmark index, CSCX, increasing 68.69 points or 0.76 percent to stand at 9,018.03.

Gainers beat losers as 148 advanced and 67 declined, while 39 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded 1.1 crore shares and mutual fund units, generating a turnover of Tk 105.47 crore.

Summit receives highest rating from CRISL

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Summit Industrial and Mercantile Corporation has been awarded the 'AAA' long-term rating and 'ST-1' short-term rating by Credit Rating Information and Services Ltd.

The rating testifies to Summit Group's claim as one of the best holding companies in Bangladesh, the company said in a statement yesterday.

It indicates Summit Industrial's strong equity base, good return on investment, good earnings prospects, good operating performance of the investee companies, good debt repayment capacity and high franchise value of Summit Group and an

experienced top management team, CRISL said in its statement.

SIMCL looks after the financing and development of its subsidiary companies as the holding company of different business units of Summit Group.

Summit Industrial dedicates the achievement to the relentless effort and sincerity of its employees, said Muhammed Aziz Khar, chairman of the group.

CRISL also mentioned the loan payment history of the company as being found regular. SIMCL recently received \$210 million in loan from IFC, ADB and IDB, and used the funds to pay off local bank dues, boosting the group's financial strength as well as decrease finance cost, it said.

BB expands point of sales payment

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When the country's 56 banks join the NPSB, an ATM, debit or credit card will be accepted by all teller machines and POS.

"Internet and mobile banking will also be brought under the NPSB soon," Rahman said.

Bangladesh Bank introduced NPSB in December 2012 to facilitate interbank electronic payments originating from different

channels like ATMs, POS, internet, mobile devices etc. Earlier, interbank ATM transactions have been brought under the national switch.

Currently, daily transactions among 46 banks through NPSB stand at Tk 12 crore, the governor added.

The inclusion of POS into the switch will increase interbank transactions significantly.



Humayan Rashid, a director of Energypac Electronics, receives the first prize in the medium level industries category at the National Productivity and Quality Excellence Award from Amir Hossain, industries minister, at a programme on Sunday.

Healthcare Pharma to bring in US firm's drugs

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US-based healthcare organisation Merk Sharp and Dohme (MSD) is set to launch five new products, including vaccines, in Bangladesh in the first phase of a strategic partnership with a local firm.

MSD's newly formed alliance with Healthcare Pharmaceuticals Ltd was launched at a programme in Dhaka yesterday.

MSD believes that medicine is for the benefit of people and not for earning profits, KG Ananthakrishnan, president and managing director of MSD in South Asia, said at the launch.

This strategic partnership with Healthcare Pharmaceuticals will help create access to MSD's best-in-class, innovative products, he said. The partnership will allow collaboration of scientific expertise with leading medical institutions and healthcare providers for better patient management and care in Bangladesh, he said.

"MSD is committed to Bangladesh both in terms of bringing global quality products and helping to reduce the disease burden through our unique beyond-the-pill approach."

"We are proud to join hands with MSD to bring their portfolio of products to Bangladesh," said Muhammad Halimuzzaman, CEO of Healthcare Pharmaceuticals.

Vaccine for one type of HPV/cervical cancer, Rota virus, diarrhoea and pneumonia will feature in the new products to be launched in Bangladesh, said Annapurna Das, director for vaccines business and neighbouring markets at MSD in India.

Dhaka Bank's new DMD



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Mohammad Abu Jafar has recently joined Dhaka Bank as deputy managing director, the bank said in a statement yesterday.

Prior to joining Dhaka Bank, he was a senior executive vice president and manager of National Bank's principal branch in the capital.

Jafar started his banking career in 1990 with Uttara Bank, according to the statement.

He is an economics postgraduate of Chittagong University and a diplomaed associate of the Institute of Bankers, Bangladesh.

Compliance can't be compromised

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Moazzem said profit margin is supposed to be neutral with regard to compliance, while necessary costs for compliance are supposed to be built in the margin.

"There is no direct link between the two in theory. But we have observed that compliance is compromised. Low cost for compliance is practised as a strategic tool for competitiveness and profit."

Moazzem said compliance-related standards have changed particularly during the post-Rana Plaza period. Most of the firms are moderately equipped with major physical compliance-related indicators.

He said there is a wide difference in terms of compliance between large and small companies and sub-contracting firms, which indicates a lack of investment as well as a dearth of proper monitoring, inspection and auditing practices of buyers.

He showed that profit margins for T-shirts, polo shirts, bottoms, pajama sets and shirts are 3-10 percent, 3-6 percent, 3-5 percent, 3-4 percent and 2-4 percent as most of the money is spent on raw materials and as industrial and other costs.

Raw materials eat away 60-75 percent and industrial cost 12-20 percent of an order.

Of a \$100 shirt, buyers get 72 percent and suppliers the rest, Moazzem said.

He said Bangladeshi firms struggle to invest more to ensure compliance, as the rise of compliance-related expenses may reduce competitiveness.

"Accommodating additional costs by cutting suppliers' profit is not so easy in low-level of profit margin."

Firms in other countries spend more on compliance. They, however, are able to maintain their competitiveness by way of low interest rates, developed infrastructure, skilled labour force, semi-automated production processes, financial incentives, higher labour efficiency and low cost of raw materials.

"Without sufficient improvement in these factors, it would be very difficult for Bangladeshi manufacturers to increase spending on compliance under the existing level of profit margin," Moazzem said.

Anisur Rahman Sinha, chairman of Opex Group, said: "Compliance is non-negotiable."

Sinha, also a former president of Bangladesh Garment Manufacturers and Exporters Association, said western buyers talk about workers' rights and safe working conditions and, at the same time, demand cheap products.

Syed Sultan Uddin Ahmmed, assistant executive director of Bangladesh Institute of Labour Studies, said factories will have to meet compliance obligations whether there is profit or not. "We have to give workers decent wages and safe working conditions."

Rubana Huq, managing director of

Mohammadi Group, a garment maker, said compliance cost in Bangladesh has risen to a great extent. An average factory with 600 workers will have to spend from \$600,000 to \$1 million on compliance.

"It is not easy for us. I don't know how we are going to come up with these additional funds," she said, adding that the new set of compliance rules is haunting factory owners.

Rehman Sobhan, chairman of CPD, said the whole regulatory initiative has unfortunately been coming from buyers. "But the primary responsibility for regulation is with the government of Bangladesh."

"The lifestyle of the workers is determined by the wage they get. If we want to improve working conditions, it is finally the wage that is more important in the broader conversation on the distribution of gains and benefits from the industry."

Bhattacharya said, if compliances, rules and regulations were followed properly when the industries were set up, the cost would have been part of the investment in the movable property.

"It was not done at the time; now a major one-off financial shock is coming in the face of pressure."

He said it remains to be seen whether only big factories can absorb this cost, while small and medium industrial units are banished—an issue that brings the interest rate to the fore.

He said compliance must aim to improve productivity, working conditions and living standards of workers.

He said Accord and Alliance, two foreign inspection agencies, have long been asking for corrective actions at faulty factories, but the funds have not come. "So there is a mismatch between the availability of funds and the reconstruction."

Mikail Shipar, secretary of the labour and employment ministry, said the rules of the amended labour laws have been finalised and would be published by the end of August or early next month, which will strengthen the efforts of establishing compliance in the sector.

Henrik Maihack, resident representative of Friedrich-Ebert-Stiftung, said it has to be ensured that retailers and buyers come up with a business model that assures workers are safe and are paid living wages and helps businesses make a profit.

Swedish Ambassador Johan Frisell said: "I think investing in sustainability is actually adding to your profit. If you produce sustainably, you actually secure your place in the market for the long-term."

Mustafizur Rahman, executive director of CPD, Roy Ramesh Chandra, president of United Federation of Garment Workers, Arshad Zaman, a director of BGMEA, and Zafrullah Chowdhury, founder of Gonoshasthaya Kendra, also spoke.

Jica takes back \$25m from BTCL project

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In June this year, Jica took back the loan it had allocated to establish the countrywide telecom backbone network in 2005. The nation's first fibre-optic cable project was meant to build a transmission backbone to ensure uninterrupted internet connectivity across the country.

This is the first time that they have taken back a loan from Bangladesh, committee members said.

In a 200-page report, the probe committee found guilty Ashok Kumar Mandal, the project director; BTCL's former managing directors Azizul Islam, Md Kalimullah and Mahfuz Uddin Ahmed; and Shahabuddin Ahmed, a director.

It also raised questions on the ability, honesty and efficiency of the BTCL officials.

However, the probe committee did not recommend any punishment for them.

report said.

"We will soon finalise our recommendations, which will be based on the findings of the probe committee," said a meeting attendant, seeking anonymity.

Prior to taking back the loan, Jica wrote a letter to the senior secretary of Economic Relations Division to take a lesson from this incident and to avoid making such a mistake again in the future.

It was a very humiliating letter for the entire nation, according to the standing committee members.

It was after this letter that the Prime Minister's Office directed the telecom division to run an investigation.

Although Jica allocated the loan in 2005, it became effective from July 2008, after the government fulfilled Jica's condition of turning the then Bangladesh Telegraph and Telephone Board into BTCL.

The newly formed BTCL had appointed a consultant for the project but little progress was made since 2011.

Alibaba takes hit as growth cools

AFF, New York

Chinese ecommerce giant Alibaba turned in a disappointing quarterly report Wednesday showing sales growth cooling.

Profit in the quarter ended June 30 doubled to \$4.97 billion (30.8 billion yuan), mainly due to one-time gains of \$3.9 billion from the sale of its stake in film unit Alibaba Pictures.

But Alibaba shares tumbled nearly five percent in pre-market New York trade, on disappointment over revenue growth.

Sugar, hilsa put in export basket

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Paper, paper products, silk, handicrafts and handloom products have been included in the policy as items of the special development sector.

The government every year gives cash incentive to encourage export. The new export policy says fresh cash incentive will be given to the new products that have demand in international market.

Besides, a central warehouse and packing centre will be set up at Shyampur in Dhaka.

Farmers coming back to wheat

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This was the third consecutive year of rebound in wheat area, which fell to its lowest in fiscal 2011-12 to 3.58 lakh hectares amid farmers' shift to other winter crops such as maize, potato and vegetables to rake in higher profits.

Ashraf Ali Sarker, a wheat grower in Rajshahi, said a section of farmers had earlier shifted to pulses and other crops because of falling yields of Kanchon, once a popular wheat variety.

"We incurred losses at that time, but now we are making profits."

Wheat production has now increased owing to cultivation of one of the newer varieties, namely Pradip.

Now, growers get 14-15 maunds of wheat from each bigha from 8-9 maunds a decade ago, according to Sarker.

Farmers are giving up on sugarcane cultivation because of its low prices and long duration of maturity, he said.

Agricultural officials and analysts also attributed the revival of cultivation to rising popularity of some stress-tolerant high-yielding varieties (HYVs) of wheat, released by the Bangladesh Agricultural Research Institute (BARI) in recent years.

Since 2009, BARI released six HYVs of wheat, most of which are heat-tolerant. One variety, BARI Gom 25, is both heat- and saline-tolerant, while some others mature in a short period.

The government's purchases from the domestic market and the lower costs of production than other winter crops have also encouraged farmers to return to wheat, the acreage of which hit 8.82 lakh hectares in fiscal 1998-99, the highest in the last two and a half decades.

So far, wheat cultivation has expanded in Dinajpur, Thakurgaon, Panchagarh and Pabna districts, but Faridpur and southern districts Barisal and Bhola are not far behind, said Paritosh Kumar Malaker, director in-charge of the wheat research centre at BARI.

The recent varieties are better resistant to pest attacks than the previous popular varieties, he said, adding that they can also tolerate stress, particularly heat and salinity.

"That's why wheat cultivation is rising," he added. Ahsanur Rahman, a farmer in Thakurgaon district, said he grew wheat on five acres of land last winter after incurring losses from potato. A year earlier, he devoted only 1.5 acres to the grain.

There has been interest among farmers to grow saline-tolerant wheat, said MA Sattar Mandal, a former vice-chancellor of Bangladesh Agricultural University.

The rise in mechanisation in agriculture has also given impetus to farmers to grow the cereal, he said.

The use of reaper has reduced the labour requirements to harvest wheat.

The turnaround time from harvesting one crop to plantation of another crop has also declined owing to mechanised tilling, Mandal said.

Farmers can cultivate the late variety of boro rice after harvesting short-duration wheat varieties, he said, adding that the production of the cereal may cross 15 lakh tonnes in the next couple of years.

The job now is to make the farmers aware of the new varieties and ensure their quick access to the seeds of these varieties, he added.



Md Abdul Halim Chowdhury, managing director of Pubali Bank, presents a cheque for Tk 10 lakh as donation for Shahjalal University of Science and Technology Research Centre to Md Aminul Haque Bhuyan, vice chancellor of the university, at a programme recently.