

MERGERS AND ACQUISITIONS

A Possibility in Bangladesh

A process through which companies are bought, sold, combined or recombined is known as Mergers and Acquisitions (M&A). M&A is growing all over the world as a business strategy. The objective of modern business is value maximisation through the best utilisation of available resources. As such, companies have to continue creating value to sustain. Not all companies can have equal footing in terms of their business performances. Again, not all start-ups survive. Some of them manage to barely survive, some grow exponentially in size and shape, and some die their own quick deaths. M&A can come into play where buyers and sellers of different business entities can create substantial value through the consolidation of their resources in a non-zero sum game. In an acquisition, the buyer may enhance revenue growth, reduce costs of operation, and create synergies. In mergers, both the companies can restructure the value chain, gain economies of scale and eventually respond to competitive cost pressures, increase production by business process reengineering and gain tax benefits. For these reasons, the M&A activities are globally gaining momentum over the last few decades. The background for such value maximisation through M&A has been created in Bangladesh as well.

SMEs AND M&A

The SMEs form the life blood of an economy. Successful SMEs eventually aspire to grow into large corporations and M&A can be instrumental in such growth. The SMEs have a flexible organisational hierarchy and a higher degree of freedom in decision-making when compared with large corporations. M&A help protect the unexpected winding-up of the SMEs by helping them grow in size, shape and market expansion. This is why SME owners need to have strategic knowledge on M&A for accelerating business growth.

INVESTMENT BANKS AND M&A

At least 50% of M&A deals fail even in developed economies, in spite of costing time, money and energy. In order to reduce the failure rate, investment banks and/or the M&A advisors



have to be mindful in making sure that every deal is driven by an appropriate business model. In doing that the investment banks have to engage the bankers, lawyers, accountants and other professionals.

THE M&A PROCESS

The M&A process begins by giving due consideration to the key drivers, such as profitability of entering a new market through business expansion, revenue generation, cost reduction, etc. Thereafter, it is essential to consider both the seller and the buyer perspectives, and the regulatory requirements followed by the letter of intent. If everything seems right, proceed towards making the deal, going through stages such as structuring the deal, valuation, pricing and financing the M&A. Making the deal is not where it ends; managing the M&A deal is equally important. At this stage, communication and leadership

come into play. The post-merger integration (PMI), with due emphasis on change management, is imperative for good results. In spite of the many ways of starting the deal, proceeding with the deal calls for a standard practice. However, negotiation skills at the start of the M&A process and change management skills at the PMI stage are the most important skills required to make any M&A initiative successful.

LEGAL ENVIRONMENT

Corporate changes are determined by the provisions of relevant corporate laws. Hence, legal consideration is important in M&A to save litigation costs, reduce risk and aptly focus on the M&A deals. The legal consultant or the in-house legal team has a great role to play in creating a favorable legal environment for the M&A market. The regulatory requirements in M&A include general and industry specific

regulatory issues. Exhaustive laws, by-laws and rules are essential to address the issues and maintain a favourable legal environment.

THE POSSIBILITY OF M&A IN BANGLADESH

With the financial deregulation that started in 1982, the corporate sectors in Bangladesh have gained momentum. Bangladesh today has already become a middle-income country aspiring to be a high-income country in the future. Almost all the macroeconomic indicators are currently positive. Today, we have 63 banks, 31 NBFI (non-banking financial institution), 58 investment banks, and 62 insurance companies that are doing well. There are also other industries like hospitality, medical and healthcare, energy, food, tea, airlines, etc. progressing at an equal pace. However, we have to understand, that in free market economy, only the fittest

will survive. Again, every business goes through the decline stage in its life cycle.

Without appropriate measures from an early stage of the stagnant phase of the business cycle, the business may not survive. Recently, an NBFI called People's Leasing and Financial Services Ltd. is facing liquidation, which is a cautionary signal for our financial sector. M&A can be one of the important strategic tools for the revitalising the financial sector, and expanding business in the context of Bangladesh. The stage is now set to welcome the M&A advisors to come forward and begin the process. Reportedly, there are several other NBFI in vulnerable positions. The M&A can play an important role in overcoming this alarming situation. In terms of the legal environment, general regulatory environment is quite sat-

isfactory in Bangladesh. For example, The Competition Law, Environmental Law, Labor Law, Securities Law, etc are in order. However, industry specific issues need to be addressed that the government has already taken initiatives for.

FINANCING

There are two main sources of financing in M&A deals: debt financing and equity financing. In debt financing, asset-based lending is a key driver for M&A, depending on the availability of collaterals. Again, the bank does not finance 100% of the collaterals; the buyer is to provide the balance of the purchase price and the working capital. An amalgamated company may also raise capital by offering and selling buyer's securities. Alternative investment may be another source of financing the deals.

TRAINING AND DEVELOPMENT

In the Bangladesh context, the training on M&A is a must, since M&A is still in its infancy. The ambitious SME owners, CEOs, bankers, lawyers, accountants, and HR consultants are all heavily involved stakeholders of the M&A strategy and all of them need to engage in capacity building.

RECOMMENDATIONS

A smart CEO has to make a choice whether to build or buy. The CEOs have to do enough homework and understand the attributes of the M&A-driven business models. Although challenging, it is imperative to give due attention to capacity building of all the stakeholders of M&A. The other challenges include misunderstanding, power conflict, indifference, etc. In order to overcome these challenges, investment banks, large corporations and the government need to shift focus to M&A and related corporate advisory services. Besides, training sessions, workshops and seminars on M&A may be arranged frequently for all stakeholders.

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Demo day for batch 1 incubator by startup dhaka

The 1st Batch of Startup Dhaka Incubator has ended its journey with its Demo Day on 24th August. The program had started its journey on 4th April, 2019 with the aim to help teams with startup ideas to get to their Minimum Viable Product (MVP) stage. 50 teams went through a screening process and 11 teams were finally chosen and had participated in the incubator program. They went through an intense learning process for 3 months. They sat with mentors once every week in one-to-one sessions and figured out the next step that would help them monetise their businesses.

The mentors helped the teams in the first month with their market discovery which helped them to identify their target group's wants and demands about their product that helped them in the second month's product development. The product development stage included value proposition, tweaking products basing on the feedback from 1st stage, iteration, making business model, setting product price, etc. The third month of the incubator program was dedicated to investment pitch deck, pitch preparations, financials, fundraising, etc. The incubator program has helped the teams with their investment readiness and linkage.

Over the last 3 months, Rashed Noman, Country Director of Augmedix; Bijon Islam, CEO of LightCastle Partners; Asif Khan, Managing Director of Edge Research & Consulting Ltd; and the internal

team of Startup Dhaka mentored these startups and helped them figure out their next course of actions for scaling and monetising their business.

The internal team of Startup Dhaka included Mustafizur Rahman, CEO & Founder of Startup Dhaka; Samad Miraly, co-Founder Startup Dhaka; Fayaz Taher, co-Founder Startup

from NewsCred wished the best to Startup Dhaka Incubator and the Incubator teams. Rageeb Kibria, Project Manager of LightCastle gave his appreciation towards the Incubator program through his speech and mentioned the Incubator Batch 1 teams to be in the top 10% in regard of quality among the startups that he has worked with in Asia.



Dhaka; and Inam Uz Zaman, the project lead of Upskill.

The Demo Day was conducted in NewsCred Office, Banani. The event started with opening remarks by Samad Miraly. He introduced the Incubator as a program which is focused to bring to use the potentials of the young generation by building a startup eco system. He also mentioned the power of entrepreneurs.

Mr. Muhtasim Rahman from Shohoz, one of the partners of the Incubator program gave his kind words reflecting the struggles of startups and how Startup Dhaka's Incubator program is going to help with the process. Saif Rahman

The teams Akash, CGPA Matters, Minimal Furniture, Mindo and Dori E presented their startup pitch followed by a Q&A session. The investors present in the event showed interest in the startup teams and asked them about the different aspects of the startups. The event ended with a networking session among the teams and the investors. The teams had a great experience through the Startup Dhaka Incubator program.

The registration for 2nd Batch of Startup Dhaka Incubator has started. If you have a startup idea that you believe in, hurry up and register at <http://bit.ly/UpskillYourselfFBgroup>.

Making a DIFFERENCE

Bangladesh is rapidly moving towards middle income status by 2021. Our businesses definitely offer immense opportunities for the growing economy and this diversity needs a stage for the stories untold. See Bangladesh make its mark on the global map as Making a Difference brings you our proudest success stories from across the country.

HOW TO PLAN YOUR WORK WEEK

A 4-STEP GUIDE TO CRAFTING A PRODUCTIVE WORK WEEK

1 REVIEW YOUR CURRENT WEEK

At the end of each week, review everything you've done that week and filter out things that you never got around to completing. Move unfinished work to a specific slot next week.

2 REVIEW YOUR PROJECTS

Break projects into smaller tasks and schedule time to complete them over the span of the next few weeks. Remember what your goals are and align the tasks accordingly.

3 PREPARE FOR NEXT WEEK

Look at your meetings for the following week and reserve slots to allocate sufficient preparation time for each of those. Block off a few minutes after each meeting to update deadlines.

4 REVIEW YOUR TASK LIST

After reviewing projects and goals, the sequential thing to do would be to review tasks. Be careful not to over schedule your time and leave 30% of your time for unplanned business.

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