

STOCK MARKET

Profit takers, optimistic investors rule the roost

STAR BUSINESS REPORT

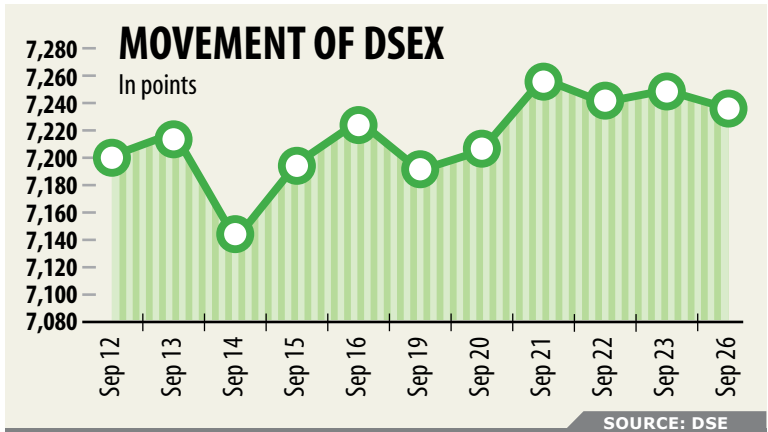
Bangladesh's stock market has been going through ups and downs thanks to an ongoing "psychological game" between profit takers and optimistic investors.

"If the market index rises one day, it drops the next," a stock broker said.

This trend has continued for the last few weeks due to the psychological game among profit takers and their more optimistic counterparts.

"And whichever party proves stronger will dictate the index trend for the coming days," he said, adding that many investors have adopted a wait-and-see approach considering the current situation.

The DSEX, the benchmark index of the Dhaka Stock Exchange



(DSE), fell 13 points, or 0.18 per cent, to 7,237 points yesterday.

However, turnover at the Dhaka bourse rose 22 per cent to Tk 2,259 crore while it was Tk 1,852 crore a day earlier.

Aamra Networks topped the gainers' list, rising 9.92 per cent, followed by Tosrifa Industries, Khan Brothers PP Woven Bag Industries, Evince Textiles, and Zaheen Spinning Mills.

CVO Petrochemical Industries shed the most, falling 4.21 per cent, followed by Fu-Wang Ceramic Industries, Dominage Steel, Daffodil Computers, and Saffo Spinning Mills.

At the DSE, 113 stocks rose, 230 declined and 33 remained unchanged.

Stocks of Orion Pharmaceuticals traded the most, worth Tk 142 crore, followed by Beximco Limited, LafargeHolcim Bangladesh, Shahjibazar Power and Delta Life Insurance.

The Chattogram Stock Exchange (CSE) edged down on the day, while the CASPI, the general index of the port city bourse, dropped 19 points, or 0.09 per cent, to 21,126.

Among 317 traded stocks, 113 advanced, 172 fell and 32 remained unchanged.

SERVITISATION OF BUSINESS

An opportunity awaits Bangladesh



SM DIDARUL HASAN

Servitisation is getting popular throughout the world as a profitable business model. It has been embraced by the developed countries and the companies operating within sectors, where the high-installed product bases are a prerequisite, such as elevators, business machines, printing and packaging machinery, construction equipment, health care, and agricultural machinery.

The business model is getting popular and being implemented in electronics, lighting, heating, auto and aero engines industries and other sectors as well.

WHAT IS SERVITISATION?

Products are usually tangible in nature with some material artefacts (e.g., ballpen, bag or car etc.), while academics term these as goods. On the other hand, service is something that is intangible in nature (e.g., consultancy, doctor's advice, banking etc.). Service also refers to an offering (e.g., maintenance, repair, insurance etc.).

The business community commonly uses the term "product" to mean both goods and services. Servitisation, thus, refers to moving from a selling product only (tangible-dominant) business to selling products as a service.

Put simply, servitisation means applying service to a tangible product to create additional value or a new offering to a customer.

For example, instead of selling an air-

conditioner alone, an electronics products manufacturer can install and/or sell it as a service. Consumers need not buy air-conditioning or any related equipment. Rather, they will pay for air-conditioning service used at home or office. This business model is also known as a 'product-service system'. Within this business model, the users pay a fixed fee for a unit of services consumed.

EXAMPLES OF SERVITISATION

The use of servitisation in the on-demand industries (Netflix or Uber), electric and electronic goods seems an obvious progression, while the usage is getting popular across sectors.

The integration of product and service features, labelled as servitisation, is found 150 years back. But this term was first used in a manufacturing operations context in 1988. In the last 30 years' faster progressions towards a service-led orientation of the economies, businesses and industries are getting quicker and fascinating with the dynamic transformation in transportations, communication channels, information technology and digitisation.



OPINION

This has become a vital model for 'winning in the aftermarket'. For example, when we buy a refrigerator or freezer, the companies sell the products with aftersales service.

So, when the consumers require repair, maintenance or servicing, they pay for it. This can be called the primary level of servitisation.

Full servitisation occurs when consumers will not buy the product. Instead, they will use it under a contract or business model. They will not own the product. Rather, the company will supply or maintain it on behalf of customers.

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MFS transactions on the rise

STAR BUSINESS REPORT

Transactions through mobile financial services in Bangladesh rose 5.4 per cent year-on-year to Tk 66,387 crore in July as people's habit to use the cashless mode of payments persists despite the reopening of the economy and easing of coronavirus restrictions.

Transactions amounted to Tk 63,000 crore in the same month a year ago and Tk 62,993 crore in June this year, data from the Bangladesh Bank showed.

On average, Tk 2,141 crore was transacted every day in July.

There are 15 banks that operate MFS services in Bangladesh. Besides, Nagad Ltd, the digital

financial service of the Bangladesh Postal Office, also provides mobile banking service.

Inward remittance channelled through MFS providers increased 67 per cent year-on-year to Tk 282

crore in July, BB data showed.

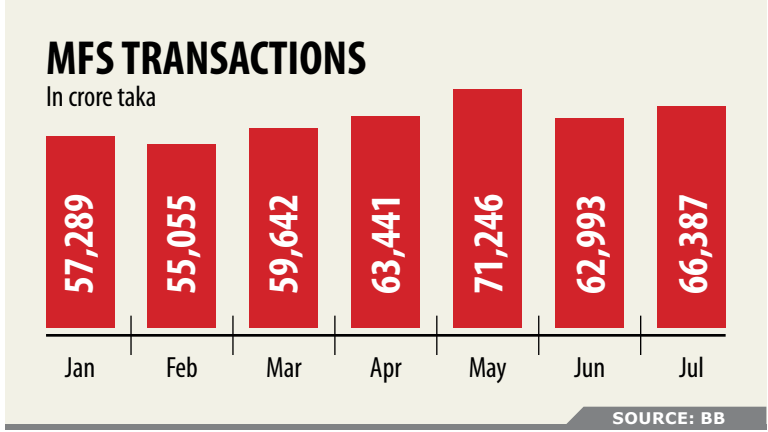
Salary disbursement stood at Tk 3,403 crore, down from Tk 4,586 crore a year ago, while users paid utility bills worth Tk 992 crore, against Tk 878 crore in July last year.

The bills paid through the system for shopping trebled to Tk 3,096 crore from Tk 1,134 crore.

However, the government payment through the channel declined to Tk 541 crore in July compared to Tk 1,076 crore in the same month in 2020.

The number of registered mobile banking accounts stood at 10.27 crore at the end of July, while active accounts numbered 4.12 crore.

There are 11.42 lakh agents across the country.



GLOBAL BUSINESS

China steps up funding oversight of Evergrande property projects

REUTERS, Beijing

Several local governments in China have set up special custodian accounts for property projects of its most indebted developer, Evergrande, to protect funds earmarked for housing projects from being diverted, media outlet Caixin said.

Reeling under \$305 billion of debt, Evergrande missed a payment deadline on a dollar bond last week, and its silence on the matter has set global investors wondering if they will have to swallow large losses when a 30-day grace period ends. read more

The special accounts have been set up since late August in at least eight provinces where Evergrande has the most unfinished projects, the Chinese outlet said on Sunday, citing a source close to the developer's management team.

These include Anhui, Guizhou, Henan, Jiangsu and cities in the southern Pearl River Delta, it added.

The custodian accounts aim to ensure homebuyers' payments are used to complete Evergrande's housing projects, and not diverted elsewhere, such as to creditors, Caixin said.

In some southern cities, such as Zhuhai

and Shenzhen, the offices of the housing regulator, the Ministry of Housing and Urban-Rural Development, were also involved in overseeing and reviewing fund use by Evergrande's projects, it said.

Evergrande and the housing ministry did not immediately respond to requests for comment. In recent months, the cash-strapped developer, which epitomises the borrow-to-build business model, has stopped repaying some investors and suppliers and halted building work at many projects across China.

The housing regulator has also set a September 24 deadline for regional offices to report on the funding gaps facing Evergrande's unfinished projects, Caixin said, but it was not immediately clear if this had been met.

By the end of June, Evergrande still had 1,236 projects for sale, it said in a semi-annual report, including those completed and under construction.

Last week, the Wall Street Journal newspaper said Chinese authorities had asked local governments to prepare for a possible collapse of Evergrande, urging them to prevent unrest and mitigate ripple effects on the rest of the economy.

Under US sanctions, Iran and Venezuela strike oil export deal



REUTERS/FILE

An oil tanker is seen at Jose refinery cargo terminal in Venezuela in this undated file photo.

REUTERS, Caracas/Houston/Washington

Venezuela has agreed to a key contract to swap its heavy oil for Iranian condensate that it can use to improve the quality of its tar-like crude, with the first cargoes due this week, five people close to the deal said.

As the South American country seeks to boost its flagging oil exports in the face of US sanctions, according to the sources, the deal between state-run firms Petroleos de Venezuela (PDVSA) and National Iranian Oil Company (NIOC) deepens the cooperation between two of Washington's foes.

One of the people said the swap agreement is planned to last for six months in its first phase, but could be extended. Reuters could not immediately determine other details of the impact. The oil ministries of Venezuela and Iran, and state-run PDVSA and NIOC did not reply to requests for comment.

The deal could be a breach of US sanctions on both nations, according to a Treasury Department email to Reuters which cited US government orders that establish the punitive measures.

US sanctions programmes not only forbid Americans from doing business with the oil

sectors of Iran and Venezuela, but also threaten to impose "secondary sanctions" against any non-US person or entity that carries out transactions with either countries' oil companies.

Secondary sanctions can carry a range of penalties against those targeted, including cutting off access to the US financial system, fines or the freezing of US assets.

Any "transactions with NIOC by non-US persons are generally subject to secondary sanctions," the Treasury Department said in response to a question about the deal. It also said it "retains authority to impose sanctions on any person that is determined to operate in the oil sector of the Venezuelan economy," but did not specifically address whether the current deal is a sanctions breach.

US sanctions are often applied at the discretion of the administration in power. Former US President Donald Trump's government seized Iranian fuel cargoes at sea bound for Venezuela for alleged sanction busting last year, but his successor Joe Biden has made no similar moves.

In Washington, a source familiar with the matter said the swap arrangement between Venezuela and Iran has been on the radar screens of US government officials as a likely sanctions

violation in recent months and they want to see how far it will go in practical terms.

US officials are concerned, the source said, that Iranian diluent shipments could help provide President Nicolas Maduro with more of a financial lifeline as he negotiates with the Venezuelan opposition towards elections.

Sanctions on both nations have crimped their oil sales in recent years, spurring NIOC to support Venezuela - including through shipping services and fuel swaps - in allocating exports to Asia.

In a meeting at the UN General Assembly in New York on Wednesday, the foreign ministers of Venezuela and Iran publicly stated their commitment to stronger bilateral trade, despite US attempts to block it.

Trump's tightening of sanctions contributed last year to a 38 per cent fall in Venezuela's oil exports - the backbone of its economy - to their lowest level in 77 years and curtailed sources of fuel imports, worsening gasoline shortages in the nation of some 30 million people.

A US Treasury spokesperson said the department was "concerned" about reports of oil deals between Venezuela and Iran, but had not verified details.

Australian PM refuses to commit to phasing out fossil fuels

REUTERS, Melbourne

Australian Prime Minister Scott Morrison refused to commit to phasing out fossil fuels as a major climate conference approaches, while his deputy doubled down on opposing targets for net zero emissions of greenhouse gases.

Australia, the world's top coal and a major gas exporter, is under growing pressure to come up with emissions reduction targets ahead of November's COP26 United Nations climate conference in Scotland. The International Monetary Fund called on Australia to set a "time bound" target to reach net zero emissions on Friday, when the country's treasurer warned that Australia must brace for much higher borrowing costs if it fails to commit to a net zero target by 2050, as many peers have done.

In interviews with Australian media after a summit in Washington, Morrison said his government was still working on its emissions plans, declining to commit to curbing fossil fuels that account for a major part of Australia's export revenue.

He told broadcaster SBS in an

interview that aired on Saturday night that he was not prepared to pull back any fossil fuel industries immediately. "We don't have to, because that change will take place over time," he said.

"We are working on the transition technologies and fuels and the ultimate technologies that will be there over the next 20, 30 years that can get us to net zero... This doesn't happen overnight." Morrison, who has a largely undefined slogan of "technology not taxes", was part of a government that torpedoed a carbon pricing scheme after winning the 2013 election while opposing the mechanism as a tax.

His deputy prime minister, climate change sceptic Barnaby Joyce, dug in on Sunday against a net zero target.

"We look at it through the eyes of making sure there is not an unreasonable, or any loss of... regional jobs," Joyce, whose National party represents largely rural voters, told the Australian Broadcasting Corporation.

Joyce said proceeds from mining and agriculture industries were vital for people in regional towns, from hairdressers to auto service providers.