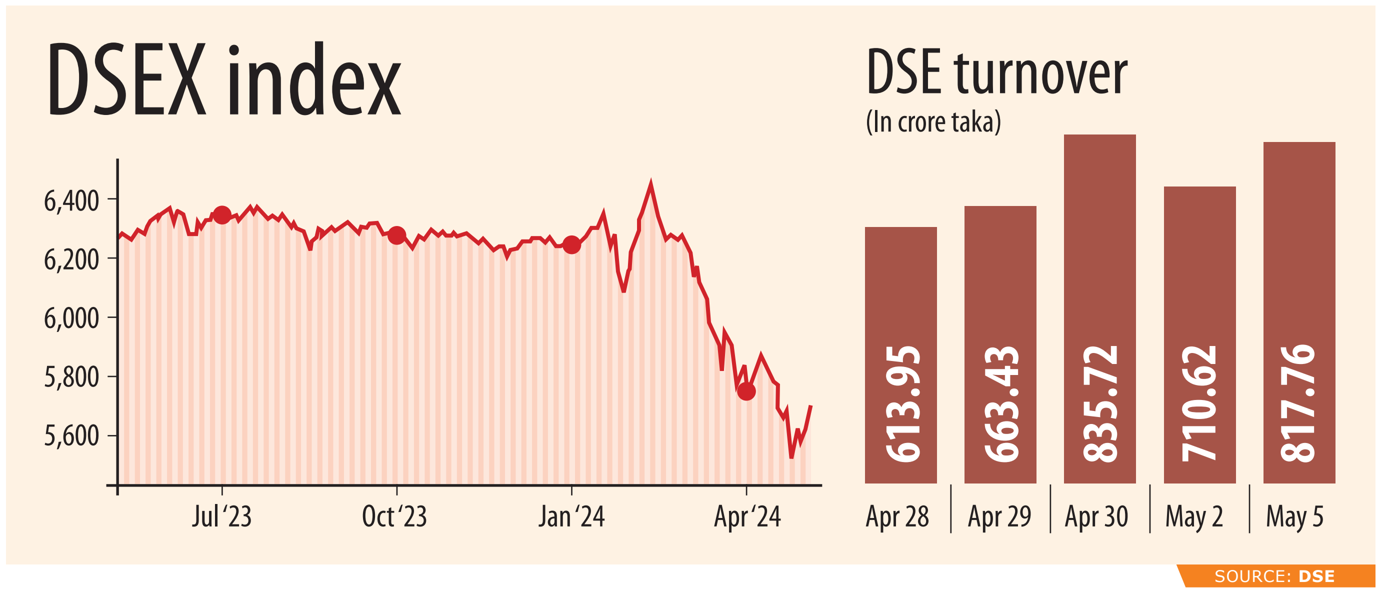
# Stocks maintain gaining streak for fourth straight day

STAR BUSINESS REPORT




Stocks in Bangladesh yesterday maintained their gaining streak to four days consecutively riding on investors' increased interest in shares of food and allied, pharmaceutical, financial and telecommunication companies.

The DSEX, key index of the Dhaka Stock Exchange (DSE), advanced by 76.41 points, or 1.36 percent, to 5,692.06 points in what was its highest gain since April 17, when the index stood at 5,763.77 points.

Likewise, the CASPI, the all share price Index on the Chittagong Stock Exchange (CSE), gained 180.73 points, or 1.12 percent, to close 16,232.12 points, with investors terming the advance as "natural" since the markets suffered losses amid recent panic sales.

"The market is recovering from the unusual downturn that we saw earlier. From this perspective, the latest increase seems okay," said Kohinoor Hossain Masum, an investor.

**The DSEX, key index of the DSE, advanced 76.41 points, or 1.36 percent yesterday**

He said stocks fell in previous trading sessions as many investors sold their shares due to rumour-driven panic.

Daily turnover of the DSE, which indicates the market's liquidity, stood at Tk 8,17.77 crore, posting a 15 percent increase from the previous day.

"Market movement was driven by positive changes in the market cap of paper and printing, life insurance, and food and allied scrips amid negative changes in the market cap of travel and leisure, cement, and tannery scrips," Shanta Securities said in its daily market review.

Of the shares traded, some 259 advanced, 98 declined and 44 remained unchanged.

Gainers outpaced losers at the CSE too.

In its daily market update, BRAC EPL Stock Brokerage Ltd said all large-cap sectors posted positive performances yesterday.

Saiful Islam, president of the DSE Brokers Association, said the market lost nearly 1,000 points over the past few months.

"After such a big erosion, it is natural and rational that the market will bounce back," he said. "It is too early to make any judgment based on the increase. The market was not functioning properly owing to the floor prices for shares. So, we should give some time to the market to stabilise."

The Bangladesh Securities and Exchange Commission introduced floor price for shares first in March 2020 to contain the freefall of share prices and protect the interest of small investors.

The regulator lifted the bar a year later but re-imposed in July 2022.

The BSEC began removing the floor prices from January this year. Still, floor prices exist for shares of six companies.

At the DSE, shares of two concerns of Orion Group -- Orion Infusion Ltd and Orion Pharma -- topped the turnover board followed by Lovello and Asiatic Lab.

Shares of Orion Infusion gained 6.34 percent to reach Tk 674.50 while that of Orion Pharma advanced 4.65 percent to Tk 74.2 yesterday.

# Unlocking untapped potential of electronic records and signatures

MOHAMMAD A AKHER *and* NAJMUS SADAT JAMIL

In the digital age, the adoption of electronic records and electronic signatures presents a golden opportunity for Bangladesh to revolutionise its administrative, commercial, and societal landscapes. As the nation seeks to accelerate its development trajectory, leveraging these technologies can unlock a multitude of benefits, ranging from increased efficiency and transparency to enhanced accessibility and security.

One of the primary concerns surrounding the adoption of electronic signatures pertains to their legal validity and compliance with legal and regulatory frameworks. Fortunately, Bangladesh has taken significant strides in this regard, with the launch of Information & Communication Technology Act in 2006 (ICT Act), providing a robust legal framework for electronic signatures and digital transactions. By adhering to established standards and guidelines, businesses can leverage electronic signatures with confidence, mitigating legal risks and ensuring compliance with relevant regulations.

Paper-based signing processes are not only time-consuming but also incur significant costs. Electronic signatures offer a streamlined alternative, enabling businesses to digitise workflows and eliminate the inefficiencies inherent in manual paperwork. By reducing administrative burdens and expediting document processing, electronic signatures contribute to substantial cost savings across industries.

The environmental impact of paper-based document processes cannot be overstated, with deforestation, carbon emissions, and waste generation contributing to ecological degradation. By transitioning to electronic signatures, businesses can significantly reduce their carbon footprint and can also embrace digital workflows aligning with global trends towards eco-friendly practices, positioning Bangladesh as a responsible steward of the environment while simultaneously driving economic growth.

We need explicit provision in ICT Act that electronic signatures will be accepted all over the country, including government entities. Reputed and experienced global organisations which have high reputation in the required technological field needs to be recognised to provide electronic signature services.


Mohammad A Akher


Najmus Sadat Jamil

International trade activities have been paper-heavy in Bangladesh – prone to inefficiencies and errors. With the vision of a Smart Bangladesh by 2041, this is one of the areas that require to be fundamentally transformed. Our Import Policy Order (IPO) 2021-24 already allows letter of credit (LC) application form to be signed electronically, the next step toward this paperless trade journey should be promoting electronic presentation of export and import related documents. To explain the impact in quantum, for instance, presenting a full set of bill of lading electronically over sending the hardcopy via courier from any foreign country to Bangladesh can save up to two weeks in the LC or documentary collection lifecycle.

Hence, the electronic presentations will also increase competitiveness of our exporters in international marketplace. Further enabling an integrated electronic trade documents acceptance system would reduce on-ground document handling by customs authorities and cut down port and container demurrage because of faster clearance. As part of the implementation of the country's "National Single Window" project, systems must be more integrated across relevant regulatory portals such as ASYCUDA (customs), OIMS and OEMS (central bank) so that the information flows on real time basis and there is no need for post-facto manual intervention or reporting.

The untapped potential of electronic records and electronic signatures holds the key to unlocking new opportunities for growth, efficiency and innovation. By embracing these technologies, the nation can leapfrog into the digital age, driving economic development, enhancing governance, and empowering its citizens in the journey towards a more prosperous and inclusive future.

*Mohammad A Akher is director and head of treasury and trade solutions at Citibank NA, Bangladesh, and Najmus Sadat Jamil is lead counsel of the same bank.*

# Boro harvesting in haor areas almost complete

STAR BUSINESS REPORT

Farmers have completed harvesting 97 percent of paddy in haor areas around Sylhet, Moulvibazar, Habiganj, Sunamganj, Kishoreganj, Netrokona and Brahmanbaria.

Farmers cultivated boro across 4.53 lakh hectares in the seven districts this year, of which 4.38 lakh hectares have already been harvested.

The government provided farmers with combined harvesters and reapers at a 70 percent subsidy to boost efficiency.

Over 4,400 combine harvesters are currently harvesting paddy in the haor areas of the seven districts as 100 new combine harvesters have been allocated this year, according to the Department of Agricultural Extension.

Boro rice has been planted across 55.8 lakh hectares this year, with the target of producing 2.22 crore tonnes of boro rice.

Agriculture Minister Md Abdus Shahid recently emphasised the importance of boro rice, stating that it accounted for more than half of the country's total rice production in a year.

"To boost the cultivation and yield of boro this year, the government has given seeds, fertilisers, and other necessities worth 215 crore to farmers free of charge," he said.

# Banks should team up with venture capital firms to fund startups

## Experts say at dialogue

STAR BUSINESS REPORT

As tech startups in Bangladesh are deprived of bank loans, the financial sector should team up with venture capital firms to finance such companies, experts said yesterday.

Startups often take longer to provide returns, with many initially running on a loss due to rapid expansion and growth.

As a result, they cannot get loans from banks, said Shameem Ahsan, chairman of the Venture Capital and Private Equity Association of Bangladesh (VCPEAB).

Even Bangladesh Bank's initiative for startup funding through banks has not been successful, he added.

In 2021, the central bank issued a circular ordering all commercial banks to set aside 1 percent of their operating profit for startup funding. Later, the central bank said banks would have to set aside 1 percent of their net profits until 2026 to provide funds for startups.

However, industry people said they have not had any access to such finance.

"Banks are supposed to invest 1 percent of their operating profit in startups. However, as per our estimate, they have not invested even 2 percent of the amount they were supposed to so far," Ahsan claimed.

"Venture capital firms have the expertise to handle such funds. So, banks can disburse loans to startups through venture capital firms with flexible conditions for high returns in the long term," added Ahsan, who is also a former president of the Bangladesh Association of Software and Information Services (BASIS).

He was speaking at a policy dialogue, titled "Investment Climate for Smart Bangladesh", organised by the VCPEAB at Sheraton Dhaka.

**Startups often take longer to provide returns, with many initially running on a loss due to rapid expansion and growth**

Fahim Mashroor, another former president of BASIS, said one of the biggest challenges local small and medium-sized tech firms face is that no bank wants to give them loans.

"Banks do not want to take any risk based on intangible assets like software as collateral. As a result, entrepreneurs need to source investments from their own funds. Around two-thirds of the profit of the companies is reinvested," he added.

Mashroor also said that if the government discontinues tax exemptions and begins to tax profits, investment in the IT business would be reduced and the sector's growth would stall.

"Every year, over 100,000 people are trained in IT from universities and government training programmes. If industry growth suffers, there will be a huge issue in absorbing this pool of trained graduates in the coming months and years," he added.

The income tax exemption period for the software and information technology services sector is set to expire next month.

Ahsan said decreased profitability and reinvestment of profits leads to lower valuations for startups.

This can potentially trigger the exit of foreign investors as well as discourage new foreign investment, which may result in further erosion of US dollar reserves.

He added that a higher tax burden on startups and technology companies would raise the cost of their services.

Salman F Rahman, the prime minister's private industry and investment adviser, said he planned to discuss the continuation of tax exemptions for the IT sector with the prime minister.

Instead of considering the withdrawal of the tax exemption, Rahman said they should explore options to provide additional incentives.

Zunaid Ahmed Palak, state minister for posts and telecommunications, also spoke at the event.

# Japan seeks Sri Lanka recovery for regional stability

AFP, *Colombo*

Strategically placed Sri Lanka's economic recovery was essential for stability in the Indo-Pacific region, Japan's foreign minister said Saturday, urging Colombo to swiftly restructure its foreign debt.

Yoko Kamikawa said Colombo should secure agreements with bilateral lenders and international sovereign bondholders to unlock suspended foreign funding for the cash-strapped nation.

After talks with her Sri Lankan counterpart Ali Sabry, Kamikawa called on President Ranil Wickremesinghe and discussed the island's reforms to overcome its worst economic crisis, the two sides said.

"Deliberation also encompassed discussions on the signing of the Memorandum of Understanding (MoU) pertaining to debt restructuring in Sri Lanka," Wickremesinghe's office said in a statement.

The Sri Lankan government which defaulted on its $46 billion external debt in April 2022 had hoped to finalise deals with foreign creditors by April but there have been no final agreements yet. Kamikawa told reporters that she "stressed the importance of reaching a debt restructuring agreement with all the creditors", including China -- the largest bilateral lender to the island.

"I also conveyed Japan's intention to further support Sri Lanka's development by swiftly resuming existing yen loan projects (after debt restructuring)," she said.

She said Tokyo considered Colombo's economic recovery as crucial for the entire region. The island is located halfway along the main east-west international shipping route.

# Inditex's golden era coming to an end

ANALYSIS

REUTERS, *London*

Shein is turning into the fast fashion industry's bogeyman. As the Asian retailer prepares for a possible New York stock market listing, sector leader Inditex is so far dismissing the threat the disruptor poses to the Spanish group's rich valuation. As the Singapore-based upstart quickly adapts to its Western customers' needs, the 133 billion euro Zara owner has few obvious lines of defence.

Inditex CEO Óscar García Maceiras is facing a challenge that the entire retail industry is grappling with. Shein and other low-price online retailers like Temu are leveraging their cheap Chinese suppliers to win market share against Western brands with extensive store networks.

The Asian firms' ability to quickly respond to customer desires via highly engaging smartphone apps while keeping inventory and costs down is threatening to upend the retail hierarchy where Inditex has long reigned supreme.

Maceiras, a Spanish lawyer, took the helm of the family-controlled company in 2021, succeeding veteran Pablo Isla, who had overseen the retail giant since 2005. Three years on, Maceiras, flanked by the founder's daughter Marta Ortega as chair, appears to be at the crest of a particularly strong wave.

Inditex has delivered compound annual sales growth of nearly 8 percent since 2015, despite the pandemic; rival H&M only managed to lift its top line by 5 percent a year during the same period.

The Spanish player, which controls brands like Massimo Dutti and Pull & Bear, has also become more profitable: its already healthy operating margin increased to nearly 19 percent from 17.7 percent over the decade.

Maceiras can take credit for shepherding Inditex through Covid-19 and rampant inflation. He continued to bet that the retailer's large city-based flagship stores would lure Zara's key constituency of 25- to 34-year-old women, and that this slightly more affluent cohort would be more willing to accept higher prices than cash-strapped Gen Z shoppers.


People shop during the opening of a Zara store after fashion giant Inditex resumed its operations in Venezuela on April 25.
PHOTO: REUTERS

But the CEO has also been careful too. In the United States, for instance, Zara has hiked average apparel prices by 11 percent since 2022, less than the over 20 percent increases at rivals H&M and Mango in the same period, reckons Krista Corrigan, a retail analyst at EDITED.

Despite the apparent success, there are elements of Shein's business model that could threaten Inditex's dominance. To start, while a third of Zara's customers are women over 30, a similar proportion are in their twenties. But this younger group is also hoovering up $5 tops and handbags.

For now, patchy financial results from H&M as well as Western online retailers like ASOS and Boohoo suggest Shein is mainly luring customers from cheaper rivals.That may quickly change. Shein has started to go after Inditex's market by targeting working women with its premium but affordable business and social wear under the upmarket label MOTF, which includes 100 percent silk dresses and was launched in 2021. If the quality of Shein's offering continues to improve, and the company manages to keep prices low, its loyal fans may never graduate to Inditex brands.

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