

*Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.*

### **Defaulted loans in 16 banks above 10%**

- The ratio of non-performing loans or classified loans against outstanding loans at 16 banks in the country, including nine state-owned banks, stood above 10% at the end of June this year. The size of NPL of the entities ranged between as high as 97.76% and 10.47%. The NPL at these 16 banks constitutes BDT 627.33 billion or 65.27% of the total BDT 961.17 billion defaulted loans in the country's banking system. These banks are Janata Bank, Sonali Bank, BASIC Bank, Agrani Bank, AB Bank, Rupali Bank, National Bank, Padma Bank, Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, the National Bank of Pakistan, Bangladesh Commerce Bank, ICB Islami Bank, Bangladesh Development Bank, Habib Bank and Probashi Kallyan Bank.
- Banking experts said that the NPL ratio at the banks stood high mainly because of lack of governance within the banks and irregularities, putting the money of the depositors at stake. As a result of the high NPLs, the government has bailed out one of the new generation banks and continued to inject fresh money into the state-owned banks, they said. No effective measure was taken either by the government or the central bank to contain the irregularities, encouraging the bank money launderers to repeatedly do the same thing, they said.
- Instead of taking tough measures to contain the NPLs by punishing the defaulters, the government last year bailed out the loan defaulters by allowing them to reschedule default loans by paying a paltry 2% down payment with a 10-year repayment tenure. A former Bangladesh Institute of Bank Management director general said, when the regulatory forbearance on loan rescheduling would be withdrawn, the NPLs would increase abnormally.

<https://www.newagebd.net/article/114503/defaulted-loans-in-16-banks-above-10pc>

### **Bangladesh plans to abandon coal, go for LNG**

- In a bid to move away from dirty energy, the Ministry of Power, Energy and Mineral Resources is seeking the prime minister's approval to convert 13 large coal power projects into clean liquefied natural gas (LNG) based plants. Coal power has become costlier in recent years than clean power. These ongoing projects have a total capacity of 13,000 megawatts – which is more than the country's current power consumption. As such, the ministry suggested keeping only the projects that are already under construction, and five ongoing coal power projects having 5,371MW of capacity fit the criteria. Around 0.06 acres of land is required for each megawatt of coal-based electricity, whereas a gas-based power plant requires only 0.004 acres of land to generate the equal amount of energy, says recent analysis made by the power division.
- Currently, the government is importing 1000 mmcf (million cubic feet) LNG per day through two floating storage units. However, it plans to increase the import capacity to 2,000 mmcf gas per day by 2030. Meanwhile, a total of five LNG-based projects with a capacity of 8,750 megawatts of electricity are in the pipeline. Payra 3,600 megawatts and Moheshkhali 3,600MW combined cycle power projects are the two of these plants which will be implemented by Siemens and General Electric (GE) respectively. Summit Power also joined hands with GE to set up another big LNG based power plant in Meghnaghat.
- Commenting on the issue, an economist and environment activist said that the power system master plan of the government has never been rightly planned. These projects were taken under the influence of vested interest groups. Claiming that the country does not even need LNG and nuclear based projects, he added that we do not need these expensive primary energy based projects; instead, we need to accelerate the local gas exploration and shift the focus to renewable sources.

<https://tbsnews.net/bangladesh/energy/bangladesh-plans-shift-coal-power-lng-124261>

### **Banks' deposit growth declines alarmingly**

- Deposit growth in the country's banking sector declined consistently from March to June this year as the COVID-19 pandemic almost brought economic activities to a halt for around three months. The growth dropped to 10.94% in June from 11.28% in the previous month, according to Bangladesh Bank (BB) data. The managing director of Prime Bank Ltd noted that the deposit withdrawal trend has been minimized now as people have been going back to business. Deposit growth in the banking sector increased in July, he adds.
- Deposit collection is very difficult for new and financially insolvent banks. Old and financially strong banks are trustworthy among clients when it comes to deposits of excess liquidity, bankers say. Banks automatically brought down their deposit rates to as low as 7% from April this year because the country's banking sector implemented the single digit lending rate in the same month.

<https://www.dhakatribune.com/business/banks/2020/08/25/banks-deposit-growth-declines-alarmingly>

### **US investors urged to set up Covid-19 vaccine plants in Bangladesh**

- Bangladesh has urged US investors to set up Covid-19 vaccine manufacturing plants in Bangladesh to ensure its availability at lower cost for people of the country. They told the US to invest in contract manufacturing of medicine so that they can produce here and export from this country, the commerce secretary also said. Bangladesh also demanded relocation of US companies currently running in other countries, citing preferential trade privilege and competitive production costs in Bangladesh compared to other countries.
- Investment in pharmaceuticals sector in Bangladesh could be lucrative to foreign investors as the country is eligible for manufacturing patent drugs cheaply until January 1, 2033 as per the decision of the World Trade Organisation (WTO) under the Trade – Related Intellectual Property Rights (TRIPS) agreement.

<https://www.thedailystar.net/business/news/us-investors-urged-set-covid-19-vaccine-plants-bangladesh-1951101>

### **Energypac Power gets BSEC approval to go public**

- Energypac Power Generation Limited has received approval for the initial public offering (IPO) through the book-building process. Bangladesh Securities and Exchange Commission (BSEC) in a recent meeting gave the approval for fixing the company's cut-off price through electronic bidding. Through IPO, Energypac will raise BDT 1.50 billion from the capital market. The IPO proceeds will be used to expand the LPG business, repay bank loans and meet the cost of the IPO process. According to the consolidated financial report, for the fiscal year ended June 30, 2019, the company's net asset value per share (NAVPS) with revaluation reserves is BDT 45.15 and NAVPS without revaluation reserves is BDT 30.20. LankaBangla Investments Limited, issue manager of the company's IPO, is responsible for the issue management of the company.

<https://today.thefinancialexpress.com.bd/stock-corporate/energypac-power-gets-bsec-approval-to-go-public-1598371244>

<https://www.dhakatribune.com/business/stock/2020/08/25/energypac-power-generation-to-enter-stock-market>

### **Apparels manufactured with imported yarn to get cash incentive on value addition**

- Export-oriented small and medium apparel factories manufacturing knitwear, woven wear and sweaters using imported yarn or a combination of imported yarns would get additional cash incentive at the rate of 4%. The incentive would only be applicable for industries which would ensure at least 30% local value addition. Besides, the incentive will be given on the value that would be added by the export-oriented apparel industries manufacturing knitwear, woven wear and sweaters.
- However, the entities which have received duty drawback or customs bond facility would not be considered for the cash incentive. Earlier, the additional cash incentive was only application for those small and medium factories which were manufacturing these clothing items with local yarn. Cash incentives announced for 37 sectors last year would remain in effect. In FY20, the government included consumer electronics, electrical home and kitchen appliances to the product list for the first time with 10% cash incentive and boosted incentives for a number of products manufactured in economic zones and hi-tech parks.

<https://www.newagebd.net/article/114505/apparels-manufactured-with-imported-yarn-to-get-cash-incentive-on-value-addition>

**World Stock and Commodities\***

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$43.36	(\$18.27)	-29.64%
Crude Oil (Brent)*	\$45.99	(\$22.45)	-32.80%
Gold Spot*	\$1,928.75	\$407.28	26.77%
DSEX	4,781.57	328.64	7.38%
S&P 500	3,443.62	212.84	6.59%
FTSE 100	6,154.34	(1,432.71)	-18.88%
BSE SENSEX	38,843.88	(2,798.26)	-6.72%
KSE-100	40,292.82	(442.26)	-1.09%
CSEALL	5,363.21	(766.00)	-12.50%

**Exchange Rates**

**USD 1 = BDT 84.78\***  
**GBP 1 = BDT 111.37\***  
**EUR 1 = BDT 100.20\***  
**INR 1 = BDT 1.14\***

*\*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.*

## IMPORTANT DISCLOSURES

**Analyst Certification:** Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

**Disclaimer:** Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

**Compensation of Analysts:** The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

**General Risk Factors:** BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

### BRAC EPL Stock Brokerage Limited

#### Research

Ayaz Mahmud, CFA	Head of Research	<a href="mailto:ayaz.mahmud@bracepl.com">ayaz.mahmud@bracepl.com</a>	01708 805 221
Sadman Sakib	Research Associate	<a href="mailto:sadman.sakib@bracepl.com">sadman.sakib@bracepl.com</a>	01730 727 939
Md. Rafiqul Islam	Research Associate	<a href="mailto:mrafiqulislam@bracepl.com">mrafiqulislam@bracepl.com</a>	01708 805 229
Md Mahirul Quddus	Research Associate	<a href="mailto:mmahirul.quddus@bracepl.com">mmahirul.quddus@bracepl.com</a>	01709 636 546

#### International Trade and Sales

Ahsanur Rahman Bappi	CEO (Acting)	<a href="mailto:bappi@bracepl.com">bappi@bracepl.com</a>	01730 357 991
----------------------	--------------	--	---------------

#### BRAC EPL Research [www.bracepl.com](http://www.bracepl.com)

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142  
 Gulshan Avenue, Dhaka – 1212  
 Phone: + (880)-2-9852446-50  
 Fax: + (880)-2-9852451-52  
 E-Mail: [research@bracepl.com](mailto:research@bracepl.com)