

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.

New VAT, SD measures looking like silver lining

- The revenue authority may get an additional BDT 110.0 billion next fiscal year because of the new value-added tax (VAT) and supplementary duty (SD) measures, according to an estimate by the National Board of Revenue (NBR).
- The disclosure came as the VAT department has been assigned to collect 38.0% of the NBR's target of BDT 3.3 trillion for the next fiscal year. Together with collecting a portion of SD from the domestic trade, the NBR will have to log in 55.0% of the total revenue goal from the two sources.
- According to the analysts & taxmen, achieving the target would be impossible as the lockdown and wreckage in the economy already caused a drop in revenue collection. And the new VAT target is 14% higher than the revised goal of BDT 1.1 trillion set by the government for the outgoing fiscal year when overall VAT collection is unlikely to cross BDT 1.0 trillion.
- Together with collecting a portion of SD from the domestic trade, the NBR will have to log in 55% of the total revenue goal from the two sources. To increase the collection of VAT receipts, the NBR hiked the prices of health-hazardous cigarettes by up to 5.0% for each 10-stick pack in the low, high and premium segment, except the medium price segment. However, except for the low-price segment of cigarettes, the SD rates have been kept unchanged for the next fiscal year. Depending on price slabs, smokers will have to pay from 57.0% to 65.0% of SD for every 10-stick next fiscal year, up from 55 to 65.0% in the outgoing fiscal year, according to the NBR.
- The increased SD on mobile phone usage from this fiscal year's 10.0% to 15.0% in fiscal 2020-21 is likely to bring in an extra BDT 15.0 billion revenue, according to the estimate. Mobile phones and SIM cards were the third biggest sources of VAT and SD after cigarette and construction firms. It brought BDT 50.0 billion in revenue in fiscal 2018-19, up 4% from the previous year, NBR data showed.
- Besides, the increased excise duty on bank accounts with over BDT 1.0 million debit or credit balance is also likely to bring nearly BDT 300.0 in extra tax. The government has raised the excise duty by up to 60% for fiscal 2020-21 and account-holders with more than BDT 50.0 million balance in their accounts at any time of the year will face BDT 400.0 billion. The government logged in BDT 23.4 billion in fiscal 2018-19 through excise duty and the collection from bank balances accounted for most of it, according to the finance ministry and NBR data.

<https://www.thedailystar.net/business/news/new-vat-sd-measures-looking-silver-lining-1914625>

<https://www.newagebd.net/article/108409/nbr-eyes-BDT-11000-crore-addl-vat-from-mobile-bank-tobacco-sectors>

Banks lose BDT 250.0 billion in deposits during pandemic

- Total deposits of all banks in the country decreased by BDT 256.0 billion to stand at BDT 12.3 trillion at the end of April this year from BDT 12.5 trillion in January, according to Bangladesh Bank data. The banking sector anticipates a fresh liquidity crisis as the propensity of clients to withdraw funds has increased in the wake of the coronavirus pandemic and reduced deposit interest rates.
- Moreover, the government decision to raise excise duty by 20 to 25% in various slabs on deposits above BDT 1.0 million in the proposed budget for the next fiscal year is expected to further discourage depositors to park their money in the banking system. The deposit shock has come at a time while the banking sector is under multiple pressures of supplying money into the weakening economy.
- Banks started to bring down interest rates on deposits to 6.0% from January this year under government dictate to bring down the lending rate to 9.0%. Banks were releasing high-cost deposits to reduce fund cost amid the pressure of implementing the single-digit lending rate from April 1, 2020. The deposit growth sees a sharp fall of 8% year-on-year in April, which was 12.59% in January, according to Bangladesh Bank data.
- On April 15 this year, the Bangladesh Bank raised the ADR limit to 87.0% from 85.0% for conventional banks and 92.0% from 90.0% for Shariah-based Islamic banks in an effort to boost liquidity amid the Covid-19 pandemic.
- In the new budget, Finance Minister AHM Mustafa Kamal has set the borrowing target from the banking system at BDT 848.9 billion. Moreover, banks are burdened with the responsibility to implement a stimulus package worth BDT 500.0 billion. However, Bangladesh Bank Governor in his post-budget reaction assured that the banking sector is capable of supplying the targeted borrowing as excess liquidity in banks stood at BDT 1.1 trillion in April.
- When excess liquidity came down to BDT 890.0 billion in March from BDT 1.0 trillion in January amid deposit withdrawal pressure, the central bank immediately took a host of measures, including curtailing of cash reserve ratio and increase of ADR limit, to ease liquidity in the banking system. All these efforts resulted in a BDT 240.0 billion

increase in excess liquidity in one month.

https://tbsnews.net/economy/banking/banks-lose-BDT_25600cr-deposits-three-months-93283

Bank directors want to cut employee salaries, all expansions, but not their dividends

■ Directors of banks want to cut salaries and all types of bonuses for almost all employees, stop fresh recruitment, expansions and donation for 18 months. But they want to keep their spending on IT-related services, which goes against the spirit of this time of pandemic and the months to come.

■ Secretary-General of Bangladesh Association of Banks (BAB), a forum of private banks' directors, sent a letter to its chairman and all 36 member banks, asking them that these measures can be implemented from July 1, 2020 up to December 31, 2021. The Business Standard has obtained a copy of the letter that showed 13 reasons that prompted them to cut 15% salaries of employees who get minimum BDT 40,000 a month as starting salary.

■ New employees in many banks under probation period get BDT 40,000 or more. So, if the decision is taken, it will affect almost all employees. A few banks have already announced a cut in salaries of their employees.

<https://tbsnews.net/economy/banking/bank-directors-want-cut-employee-salaries-all-expansions-not-their-dividends-93286>

<https://www.dhakatribune.com/business/banks/2020/06/14/bab-recommends-up-to-15-cut-in-salaries>

Government estimates per capita income now at USD 2,079, economists doubt

■ The government has estimated that the country's per capita income would rise to USD 2,079 in the outgoing fiscal year of 2019-2020. Economists, however, differed with the projection as the estimate was made based on a lower population growth rate. The proposed budget for FY21 outlined that the per capita income would increase by 8.9% to USD 2,079 in FY20 from USD 1,909 in the previous fiscal year. In both the fiscal years (2018-2019 and 2019-2020), the government's estimate was based on 1.37% population growth rate.

■ The government's estimations in FY18 and FY19 were done based on the Bangladesh Bureau of Statistics data but for FY20 the government considered the UN Social Indicator Data where population growth rate was estimated at 1.1%, South Asian Network on Economic Modeling executive director Selim Raihan told New Age on Sunday.

■ Economists also differed with the government's revised GDP growth projection for the fiscal year of 2019-2020. The GDP growth projection was lowered by 3.0 percentage points to 5.2% from 8.2%. Policy Research Institute executive director Ahsan H Mansur also predicted that the country's GDP growth in the outgoing fiscal year 2019-2020 would be within 2%.

<https://www.newagebd.net/article/108411/government-estimates-per-capita-income-now-at-2079-economists-doubt>

Bangladesh Steel Manufacturers' Association (BSMA) for removing advance tax (AT) on steel raw material import

■ Bangladesh Steel Manufacturers' Association (BSMA) on Sunday demanded total withdrawal of the existing 5.0% advance tax (AT), imposed on import of steel raw materials in the outgoing fiscal year (FY), 2019-20. The release said the government has proposed to fix 4.0% AT from FY 21, which will not help the steel manufacturers at all. So, BSMA demands total withdrawal of the existing AT.

■ The association also placed demand for withdrawal of VAT deduction at source (VDS), which is BDT 1,000 to BDT 2,000 per tonne of rod or billet. According to the steel manufacturers, the industry is now going through a tough time for the coronavirus pandemic and demanded removal of advance income tax (AIT), as the companies can hardly make any profit in the critical situation. The association also demanded fixing tax deducted at source (TDS) at 0.6% from the existing 3.0%. To minimise production cost amid the dull condition of business, BSMA also demanded fixing regulatory duty (RD) on import of 'ferro alloys' at 5.0%.

■ The association said local steel manufacturers import 'ferro alloys' (ferro manganese, ferro silicon and ferro silico manganese) from abroad, as only one company produces these locally, and it cannot meet the total demand. But the FY 21 budget proposed to raise duty on 'ferro alloys' to 15.0% from the existing 10.0%, the BSMA release added.

<https://today.thefinancialexpress.com.bd/last-page/bsma-for-removing-at-on-steel-raw-material-import-1592157585>

<https://www.thedailystar.net/business/news/foreign-firms-finished-steel-product-imports-must-be-taxed-1914605>

Cement makers lament over unmet demands

■ Cement manufacturers are frustrated over their demands being left unaddressed in the proposed budget, from which

they had hoped to avail some assistance to cope with losses incurred for the pandemic. A 60% cut in import duty on clinker and waiver of interest on existing loans were sought by the Bangladesh Cement Manufacturers' Association (BCMA).

- According to the president of the BCMA, they import clinker at USD 42.0 per tonne but when we go to pay duty, customs always take the cost price to be USD 50.0 per tonne -- it is so unfair. Subsequently, the association called for the import duty on clinker, the sector's major raw material, to be brought down to at least BDT 300 a tonne from the existing BDT 500.

- Clinker accounted for USD 900 million of the USD 1.35 billion worth raw materials that the manufacturers imported last fiscal year. Due to a lack of mineral resources, local cement manufacturers bring in about 18 million tonnes of clinker every year.

<https://www.thedailystar.net/business/news/cement-makers-lament-over-unmet-demands-1914613>

Block transactions allowed below 10.0% of floor prices

- Stock exchanges have reset the lower price limit for the securities to be traded on block board to enhance turnover value without affecting the broad index. As a result, the prices of listed securities in block transactions can go below 10.0% of the floor prices recently set to contain abnormal market fall. Trading on the main board will be conducted as per existing floor price, said officials of the stock exchanges. Sunday's block trading was conducted in line with the new price limit following an advice delivered by the securities regulator.

- According to Dhaka Stock Exchange website, Stock exchanges may allow block market transaction by the traders other than existing directors of the concerned issuer companies without floor price based on the existing circuit breaker facilities.

<https://today.thefinancialexpress.com.bd/stock-corporate/block-transactions-allowed-below-10pc-of-floor-prices-1592149389>

<https://www.thedailystar.net/business/news/relief-big-investors-floor-price-lifted-block-market-1914617>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 38.50	(USD 23.13)	-37.53%
Crude Oil (Brent)*	USD 40.73	(USD 27.71)	-40.49%
Gold Spot*	USD 1,733.26	USD 211.79	13.92%
DSEX	3,966.75	-486.18	-10.92%
S&P 500	3,190.14	-40.64	-1.26%
FTSE 100	6,329.13	-1257.92	-16.58%
BSE SENSEX	33,956.69	-7685.45	-18.46%
KSE-100	34,803.60	-5931.48	-14.56%
CSEALL	4,913.37	-1215.84	-19.84%

Exchange Rates

USD 1 = BDT 84.82*

GBP 1 = BDT 108.06*

EUR 1 = BDT 96.62*

INR 1 = BDT 1.12*

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

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BRAC EPL Stock Brokerage Limited

Research

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

International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	bappi@bracepl.com	01730 357 991
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BRAC EPL Research 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