

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.

Banks swell on pandemic savings

- Banks are seeing record rise in savings globally, a result of cut in consumer spending coupled with restrictions on movement and gathering as shutdowns were enforced in the pandemic period. Banks in Bangladesh are also reflecting this global trend. The banking sector in September this year saw a record high rate of savings in recent history reflecting a slump in consumption which will have a negative impact on hopes of a faster economic recovery. Demand deposits with banks grew by a startling 21% year-on-year in September, up from 8.66% in the same month of last year.
- The growth of demand deposits – money deposited into bank accounts with funds that depositors may withdraw on-demand at any time – shows that disposable income is piling up in bank accounts. The significant rise in demand deposits boosted the overall deposit growth to 13% year-on-year in September, which is also highest in recent years. However, the surge in savings is not equally balanced across society. Term deposits, accounts in which depositors save money for a predetermined period ranging from a few months to several years, grew by 12.19% year-on-year in September this year, down from 12.25% in the same month of last year, according to Bangladesh Bank data.
- The total deposits increased by around BDT 1 trillion in six months from March to September this year following the outbreak of the novel coronavirus. During the corresponding period of last year, the volume of increase was BDT 700.00 billion. The banking sector saw an excess deposit of BDT 300.00 billion during the pandemic, according to the central bank's data. Total deposits in the country's banking sector stood at BDT 1.34 trillion in September last.

<https://tbsnews.net/economy/banking/banks-swell-pandemic-savings-169690>

Motorola mulling manufacturing in Bangladesh

- Motorola, the American handset maker that used to rule the roost in the earlier part of the century, plans to set up a manufacturing plant in Bangladesh. After a gap of ten years, last month Motorola made its re-entry to the crowded Bangladeshi handset market, where local brand Walton leads. Chinese brands like Vivo, Oppo, Xiaomi, realme and South Korean giant Samsung all doing well for themselves.
- Affordability would be the key to market penetration for Motorola. But that is made difficult by the 57% duty on handset imports. Local assembly or manufacturing, for which the tax is 18% and 13% respectively, would help Motorola's cause. Motorola is delighted with the success of our recently launched smartphones and are overwhelmed by the love from consumers in Bangladesh for our brand and products, said managing director of Motorola Mobility for SAARC countries.

<https://www.dhakatribune.com/business/2020/12/10/motorola-mulling-manufacturing-in-bangladesh>

Pandemic cools off demand for foreign currency loans

- The demand for foreign currency loans by way of lenders' offshore banking units (OBUs), which was gaining popularity for the lower interest rates, has slowed down owing to the sharp fall in imports during the ongoing pandemic. In the first four months of fiscal 2020-21, imports dropped about 13% year-on-year to USD 15.8 billion, according to data from the Bangladesh Bank. The declining trend of imports and the overall nervous outlook are to blame for the subdued demand for loans from the OBUs, said managing director of Dhaka Bank. Individuals or institutions can take short-term foreign currency loans from the OBUs at the interest rate of LIBOR plus 3.5%, which is much lower than the taka-denominated loans.
- Currently, 36 banks including Agrani, AB, BRAC, Dhaka, Mutual Trust, HSBC, Standard Chartered, Social Islami, City, Trust, NCC and One have OBUs. Usually, the loan is taken through deferring the payment against letters of credit. The tenure of the loans tends to be one year and the rate of interest never crossed the 6%-mark. Since April, the interest rate on loans is 9% but it was in the double-digits before that. Low investment and declining trend of import growth amid the ongoing pandemic are the main reasons behind the lacklustre demand for foreign currency loans, said a deputy managing director at BRAC Bank, one of the pioneers in OBUs.

<https://www.dhakatribune.com/business/banks/2020/12/10/pandemic-cools-off-demand-for-foreign-currency-loans>

Leather goods exporters in tight spot

- Leather goods and footwear exporters will continue to face serious hardships amid the ongoing pandemic as the declining export orders have led to a capital shortage in the sector, according to industry insiders. Export orders may plunge by more than 50% this year, which would make it difficult for companies to continue operations after facing losses for the last eight months, they said. Besides, there is no immediate solution to the current crisis, for which many

small manufacturers will have to shut down their factories, they said.

- However, the exporters could not provide reliable figures on the number of orders received this season as they do not compile such records. The chairman of Bengal Leather Complex, said the main obstacle faced by the leather sector is a lack of compliance at a time when the Covid-19 has significantly reduced exports. There is also a lack of planning to develop the sector's backward linkage industries, he added. Exporters are paid 30 to 40% less for their products due to the sector's non-compliance with international standards
- The current export volume of finished or semi-finished leather came down to USD 90 million while it was USD 350 million in 2014, the chairman added. The chairman and managing director of Jennys Shoes said that At this moment, his orders have seen a 30% year-on-year fall. The vice-president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB), went on to say that he does not know when exports would return to normalcy as the buyers have no interest to place orders amid the global threat of a second wave of the Covid-19.

<https://www.thedailystar.net/business/news/leather-goods-exporters-tight-spot-2008793>

BSEC forms committee to let everyone buy primary shares

- In response to stakeholders' recommendations, the securities regulator now plans on abolishing lotteries to allocate primary shares in oversubscribed initial public offerings (IPO). The Bangladesh Securities and Exchange Commission (BSEC) has formed a committee to recommend the ways forward in this regard alongside preparing a roadmap to reduce time in the IPO process. The committee would submit its report within a very short time like one or two weeks, according to BSEC Executive Director (current charge) and Spokesperson.
- Stakeholders, in recent meetings with the regulator, have requested for a pro-rata basis in allocation of IPO shares among general investors instead of lotteries. Currently, eligible institutional investors receive primary shares on a pro-rata basis, which means every applicant is entitled to buy primary shares in proportion to how many they had applied for. The ratio of demand and allocation depends on the level of oversubscription in an IPO. However, to introduce pro-rata for general investors the stock exchanges will need to accommodate it in their electronic subscription system and the committee will recommend any changes there, if needed.
- Another point the committee will recommend on – how much secondary market investment would be a must for an investor to apply for primary shares. A group of IPO hunters have long been blamed for making the primary market unhealthy in Bangladesh. Alongside all the ins and outs of general investors' IPO application, the committee will recommend how the regulator and related entities together can reduce the time of IPO approval.

<https://tbsnews.net/economy/stock/bsec-forms-committee-let-everyone-buy-primary-shares-169672>

Online BO account opening within months

- Opening capital market investment accounts, popularly called beneficiary owners or BO accounts, is likely to be a reality within a few months, said the Bangladesh Securities and Exchange Commission (BSEC) Officials. Under its masterplan for a completely digitized capital market, the market regulator is pushing Central Depository Bangladesh Limited (CDBL) to introduce an online platform which will enable any investor from any corner of the globe to open a BO account to invest in Bangladesh capital market.
- According to the plan, CDBL site will host a page that would work as the gateway to open a BO account. All the brokers also would share the page link in their own websites. Investors have to fill the online form with their national identity card number and registered mobile phone number and the state database would automatically fill up other information like permanent address, present address, name of parents. An integration with the banking system database may connect the applicants' bank account details and the investors will need to choose among their bank accounts to link with the BO account in case of multiple bank accounts.
- If everything goes right within a few months we are going to see BO accounts opening completely online. There had been more than 3.2 million BO accounts even four-five years ago, which drastically came down below 2.5 million in recent years due to adverse market conditions and investors' reduced confidence. However, appointment of new top officials at BSEC, a secondary market bounce back and large initial public offering from telecom operator Robi attracted more than a 0.1 million investors in the market that pushed the number of operable BO accounts to 2.52 million currently.

<https://tbsnews.net/economy/stock/online-bo-account-opening-within-months-169675>

Bangladesh Security Exchange Commission approves IPO of Sonali Life Insurance and mudaraba perpetual bond of First Security Islami Bank Limited

- The stock market regulator has approved the IPO (initial public offering) proposal of Sonali Life Insurance Ltd which will raise a capital worth BDT 190 million under the fixed price method. The securities regulator also approved a

mudaraba perpetual bond of BDT 6.0 billion in favour of First Security Islami Bank Limited.

- As per the BSEC approval, the Sonali Life Insurance will offload 19 million ordinary shares at an offer price of BDT 10 each under the fixed price method. The company will invest the IPO proceeds in government Treasury bond, fixed deposit receipt (FDR) and stock market along with bearing the IPO expense. As per the audited financial statement for the year ended on December 31, 2019 the company's net asset value (NAV) per share is BDT 25.47 (without revaluation) and life insurance fund worth BDT 953.3 million.
- At Wednesday's meeting, the securities regulator also accorded its consent to let the First Security Islami Bank to issue unsecured, contingent-convertible, floating rate, mudaraba perpetual bond worth BDT 6.0 billion. The purpose of the bond issue is to strengthen the capital base Additional Tier-1 of the bank. Per unit price of the bond will be BDT 1.0 million and the coupon rate is 6.0% to 10%. The units will be sold to government financial institutions, mutual funds, insurance companies, listed banks, and other eligible investors through private placements. Green Delta Insurance Company Ltd will act as the Trustee and City Bank Capital Resources arranger for the Bond.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-approves-ipo-of-sonali-life-insurance-1607531121>

<https://www.dhakatribune.com/business/stock/2020/12/09/sonali-life-insurance-s-ipo-gets-the-green-light>

<https://tbsnews.net/economy/stock/first-security-islami-bank-issue-perpetual-bond-169678>

<https://tbsnews.net/economy/stock/sonali-life-raise-BDT-19cr-through-ipo-169666>

<https://www.thedailystar.net/business/news/sonali-life-ins-gets-nod-go-public-2008765>

Robi's IPO lottery draw today

- The initial public offering (IPO) lottery draw of Robi will take place today at the capital's Lakeshore Hotel at 10.30 am. The IPO subscription of Robi, the country's second-largest mobile phone operator, began on 17 November and concluded on 23 November. Robi will offload 524 million shares, which is about 10% of its stakes, for BDT 10 each under the fixed price method to raise BDT 5.24 billion from the market. The operator has already allocated 136 million shares to its employees and collected BDT 1.4 billion.

<https://www.dhakatribune.com/business/stock/2020/12/10/robi-s-ipo-lottery-draw-today>

FAS Finance in immeasurable trouble

- FAS Finance and Investment – a non-banking financial institution – has plunged into big trouble because of loan scams, particularly by controversial businessman Prashanta Kumar Halder, who is known as PK Halder. The 2019 financial report auditor of FAS Finance, said that the company's classified loans stood at BDT 13.11 billion, which is 73% of its total loans. A Bangladesh Bank investigation found that PK Halder had siphoned off BDT 13.29 billion, after taking a series of loans from the company under different names between 2015 and 2017.
- International Leasing, another non-banking financial institution, incurred a loss of BDT 28.00 billion in 2019 due to loan scandals allegedly by PK Halder, who is accused in several corruption cases. As per the Bangladesh Bank's rules, the company needed to keep provisioning of BDT 5.14 billion against its bad loans. However, it has kept only BDT 1.34 billion in provision as the central bank provided the company with the facility to maintain the funds in installments over the next seven years. The auditor said if the company had to maintain its entire provisioning, then the total loss in 2019 would be BDT 5.30 billion and the loss per share would be BDT 35.60.
- However, FAS Finance posted a BDT 1.50 billion loss for the year that ended on 31 December, 2019. The company secretary of FAS Finance said that, as directed by the Bangladesh Bank, we kept appropriate provisions against bad loans and other liabilities. Sources said the company was run by Nitol Niloy Group.

<https://tbsnews.net/economy/stock/fas-finance-immeasurable-trouble-169663a>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$45.71	(\$15.92)	-25.83%
Crude Oil (Brent)*	\$49.08	(\$19.36)	-28.29%
Gold Spot*	\$1,835.23	\$313.76	20.62%
DSEX	5,069.88	616.95	13.85%
S&P 500	3,672.82	442.04	13.68%
FTSE 100	6,564.29	(1,022.76)	-13.48%
BSE SENSEX	46,103.50	4,461.36	10.71%
KSE-100	42,204.03	1,468.95	3.61%
CSEALL	6,605.09	475.88	7.76%

Exchange Rates

USD 1 = BDT 84.74*

GBP 1 = BDT 113.42*

EUR 1 = BDT 102.38*

INR 1 = BDT 1.15*

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

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