

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.

Private commercial banks (PCBs') operating profits see slower growth in 2019

- The operating profits of the country's private commercial banks (PCBs) witnessed a slower growth in the outgoing calendar year (2019) because of a rising trend in classified loans in the banking sector.
- The operating profit of Bank Asia Ltd increased to BDT 9.40 billion in 2019 from BDT 8.11 billion, and that of Eastern Bank Ltd rose to BDT 9.00 billion from BDT 7.80 billion. Al-Arafah Islami Bank Ltd made an operating profit of BDT 8.01 billion in 2019 against BDT 6.40 billion in the previous year, while Shahjalal Islami Bank Ltd earned BDT 6.53 billion, up from BDT 4.75 billion in 2018. The operating profit of City Bank Ltd rose to BDT 8.20 billion in 2019 from BDT 6.64 billion.
- On the other hand, the weighted average spread between lending and deposit rates, offered by the commercial banks, came down to 3.92% in October from 4.15% in January 2019, according to the Bangladesh Bank (BB) statistics.

<https://today.thefinancialexpress.com.bd/first-page/pcbs-operating-profits-see-slower-growth-in-2019-1577814660>
<http://www.newagebd.net/article/95212/most-banks-operating-profits-rise-in-19-npl-worries-remain>
<https://www.dhakatribune.com/business/banks/2019/12/31/banks-operating-profit-rises-despite-decline-in-credit-growth>

Banks bracing for big hit on profits

- Banks will have a hard time logging in profits in the coming days because of the latest government decision to fix interest rate for lending at 9% and for deposit at 6%. Although the government has announced splitting its funds equally between the state-run banks and private ones, the latest decision may create a haphazard situation for them nevertheless, said experts and a good number of managing directors of banks. While the bank sponsors went along with the decision, the managing directors said it will be much too difficult to implement. For instance, banks will have to incur a large amount of loss from their retail lending programme if they set 9% interest rate on home, auto and personal loans as well, said managing directors of three banks wishing not to be named due to the sensitivity of the matter.

The 6% interest rate will ward off savers from the banking sector given the existing inflation rate, which will create a severe liquidity crisis for lenders, said a distinguished fellow of the Centre for Policy Dialogue. Default loans in banks have been on the rise for months. The trend is not suitable for banks to bring down the lending rate, he said. As of September, default loans in the banking sector stood at BDT 1.16 trillion, up 23.82% from nine months earlier, according to data from the central bank. Banks face a huge burden of provisioning because of the large volume of the default loans, which erode their capacity to give out loans, he said. If the banks try to implement the single-digit interest rate without improving their health, profitability will decline alarmingly, he added.

<https://www.thedailystar.net/business/news/banks-bracing-big-hit-profits-1847848>

Readymade garment (RMG) sector faces ups and downs

- The country's readymade garment (RMG) sector went through ups and downs last year, prompting industry insiders to seek immediate policy support to tackle the challenges still ahead of them. Although the garment export receipts showed an upward trend in the first five months of 2019, the trend reversed mostly in the second half of the year.
- In January 2019, RMG exports grew by 8.68% with earnings of USD 3.13 billion, compared to the same month of 2018. But the export saw negative growth (3.49%) in June 2019 first and the fall continued until November with an exception in July, official data showed. The RMG export earnings during January-November period of 2019 clocked at USD 30.13 billion as against USD 32.92 billion in 2018, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data.
- According to the BGMEA data, some 73% of the country's total RMG exports are concentrated on only five items -- T-shirt, trousers, jackets, sweater and shirts. And prices of 83% of exports were as high as USD 15 per kg and 74.14% of the exports were cotton-based items. About 83.34% of the total RMG exports went to European Union and North America, the data showed.
- Some 60 garment factories have closed down during January-October of 2019, resulting in job losses for 29,594 workers, while entrepreneurs have made fresh investments to set up 58 new garment factories during the period, according to the BGMEA.

<https://today.thefinancialexpress.com.bd/last-page/rmg-sector-faces-ups-and-downs-1577814935>

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) wants banks to cut lending rate now

- The apex representative body of the garment owners has urged the government to enforce the single-digit lending rate from today (Wednesday) instead of April 01 next. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) in a letter, sent to Finance Minister on Tuesday, made the request.
- The textile and readymade garment (RMG) industry has been facing a 'critical situation' including an increase in its operational costs to sustain, BGMEA President observed. In such a situation, she said, implementation of the decision about the 9.0% interest rate on bank loans from today (Wednesday) is a must to increase exports, boost investments and reduce business costs.

<https://today.thefinancialexpress.com.bd/last-page/bgmea-wants-banks-to-cut-lending-rate-now-1577815061>
<http://www.newagebd.net/article/95213/rmg-exporters-demand-9pc-lending-rate-from-today>

Net foreign fund in stocks negative for two years

- Net foreign investment on Dhaka Stock Exchange remained negative for two straight years in 2018 and 2019 as the overseas investors continued to pull out their fund amid depressed market outlook. The net foreign investment was BDT 4.88 billion in negative in 2019. In 2018, net foreign fund was BDT 5.93 billion in negative, according to the statistics of Dhaka Stock Exchange.
- Market analysts said the foreign investors sold their shares almost throughout the year due to the lack of confidence, depreciation of local currency against the US dollar and concern over the country's financial sector. Some policy changes, gloomy macroeconomic outlook and soaring non-performing loans added further concerns to the waning investors' confidence, said an analyst. He noted that the financial market volatility, weak regulatory control, approval of weak IPOs (initial public offerings) also discouraged foreign investors.
- In 2019, the overseas investors bought shares worth BDT 36.78 billion while they sold stocks worth BDT 41.66 billion, taking the net position of BDT 4.88 billion in the negative, the DSE data showed. The net foreign investment on the DSE kept falling for the ten straight months (March-December) out of 12 because of eroding investor confidence and the rising fear of depreciation of the local currency. In 2018, the net foreign investment was also negative BDT 5.93 billion as they sold shares worth BDT 50.89 billion against their purchase of shares worth BDT 44.96 billion.
- A leading broker, who deals with foreign investors said strict decision on Grameenphone, the largest listed company of the DSE in February 2019, by the telecom regulator ultimately affected the whole stock market. Throughout the year, GP was embroiled in a tussle with the BTRC over the telecom regulator's audit claim of BDT 125.80 billion in unpaid taxes and dues.
- The depreciation of local currency against the US dollar was another reason for withdrawal of funds by the foreign investors, he mentioned. Foreign investors also fear that the local currency may depreciate to a large extent in future as the current account balance deficit and trade deficit continue to pose risks to macroeconomic stability.

<https://today.thefinancialexpress.com.bd/stock-corporate/net-foreign-fund-in-stocks-negative-for-two-years-1577812505>
<http://www.newagebd.net/article/95214/foreign-investment-withdrawn-from-dhaka-stocks-for-2nd-year>

Investors pessimistic about Mutual Funds

- The listed mutual funds (MFs) were in dire straits throughout 2019 as investors lost their confidence in the sector following their poor returns. Following investors' less participation, the unit prices of majority number of listed mutual funds (MFs) were below the face value of BDT 10 in the just concluded year. Most of the MFs also failed to witness positive returns of NAV (net asset value) due to severe erosion of prices in the capital market where greater portions of the funds are invested. Earlier, the regulatory decisions on issuance of bonus shares by the closed-end MFs and extension of tenures of those ones were seriously blamed for losing investors' confidence in the closed-end funds.
- Experts blamed the non-professionalism and uncertainty in the capital and money market behind the poor performance of the MFs. Many AMCs invest in good companies including the Grameenphone. But due to the recent tussle between the government and the largest mobile company, share prices of those companies witnessed frequent ups and downs leaving negative impact on the NAVs of the MFs, said Chairman of the VIPB Asset Management Company. He said the uncertainty of the money market also affected the growth of the MFs. The regulatory decision for extension of the MFs' tenures was also one of the reasons behind investors' less confidence in the MFs, he said.
- The broad index of the premier bourse featured a negative return of 17.2% while negative returns of 37 listed MFs were ranging from 3.0% 17%. As a result, the excess returns of all listed MFs became positive and varied from 0.5% to 22.70% as on December 22, 2019.

<https://today.thefinancialexpress.com.bd/stock-corporate/investors-pessimistic-about-mfs-1577812554>

BDT 7.67 billion project for Mongla port facelift

- A government project is set to boost the capacity of the country's second busiest seaport of Mongla. This is to support an increase in trade arising from development initiatives scheduled to be completed around the country by 2020-21. The initiatives include the construction of the Padma bridge, Khan Jahan Ali airport in Bagerhat, a rail line from Khulna to Mongla and a special economic zone under a Bangladesh-India joint initiative. The capacity enhancement will also raise possibilities for transit-based trade for exports of India, Nepal and Bhutan.

- The port's container handling capacity is predicted to increase from 0.87 million twenty-foot equivalent units (TEUs) in 2025 to 4.5 million TEUs in 2049, says a research report. Some 30,000 vehicles will go through it in 2049 whereas over 1,200 ships a year in 2019-20, up from 912 in 2018-19 and 416 in 2014-15. Moreover, it could facilitate import of around 4.5 million tonnes of coal every year once the 1,320MW Rampal power plant starts running.

<https://www.thedailystar.net/business/news/BDT-767cr-project-mongla-port-facelift-1847842>

0.2 million BO accounts closed, foreign investors at DSE kept pulling out fund in 2019

- Above 0.2 million beneficiary owners' (BO) accounts were closed in the outgoing year, as lack of confidence and capital erosion led the investors to say 'good bye' to stock business. In contrast, close to 57,000 new BO accounts were opened in 2018. To make the situation even worse, portfolio investors in the prime bourse, popularly known as foreign investors, withdrew a record BDT 9.41 billion in nine years during the March-November period of 2019 as they went for large scale sale of shares due to protracted confidence crisis in the stock market, analysts say. Lack of confidence, rising non-performing loans and liquidity shortage in the financial sector drove both the segments of the local and foreign investors from the securities market, putting a dent on the investment situation of the economy.

- Foreign investors at the Dhaka bourse withdrew record BDT 9.41 billion in the last nine months (March-November), according to the latest DSE data. In 2018, net foreign investment dipped to negative BDT 5.93 billion, which was BDT 17.04 billion positive in 2017. A stock market analyst has said most of the listed companies are suffering from lack of good governance. In the outgoing year, foreign investors sold off the shares, especially in large companies including Grameenphone, Olympic Industries, United Power Generation, British American Tobacco Bangladesh and Square Pharmaceuticals, says Bangladesh Securities and Exchange Commission (BSEC) Chairman.

<https://www.dhakatribune.com/business/stock/2019/12/31/looking-back-2019-2-lakh-bo-accounts-closed-foreign-investors-at-dse-keep-pulling-out-fund>

Revenue collection falters throughout in 2019

- The National Board of Revenue (NBR) faced huge shortfall in revenue collection throughout 2019 against its targets amid declining trend of imports and huge reshuffle in value added tax (VAT) management. By the latest data, the board collected only BDT 650.96 billion revenue, leaving BDT 202.20 billion short against the target of BDT 853.17 billion in July-October, the first four months of FY2019-20. Of the four months' shortfall, customs had BDT 77.99 billion deficiency against its target, while VAT had BDT 82.58 billion, and income tax BDT 41.62 billion.

- However, the NBR attained 4.33% growth in July-October compared to the same period of the previous year, thanks to 12.90% growth in income tax. The year-on-year growth was poor 0.09% in customs, 1.79% in VAT in the first four month of the current fiscal.

- As per former NBR chairman the year 2019 was the worst year for the revenue collection. The shortfall in revenue collection, he said, hampered the budget implementation significantly, especially the ongoing mega projects which suffered for shortage of funding. As a result, the government had to increase borrowing from both internal and foreign sources. Large internal borrowing, especially from banks, hit the country's economy hard, creating liquidity crisis in financial sector, he said, adding that the crisis in its turn dampened the private sectors as they did not get sufficient bank loans.

<https://www.dhakatribune.com/business/2019/12/31/looking-back-2019-revenue-collection-falters-throughout>

Bangladesh Securities and Exchange Commission (BSEC) allows Mutual Trust Bank Limited (MTB) to float BDT 5 billion bond

- Bangladesh Securities and Exchange Commission on Tuesday allowed Mutual Trust Bank Limited to float non-convertible subordinated bond worth BDT 5 billion. As per the BSEC approval, the bank will float unsecured, unlisted non-convertible subordinated bond worth BDT 5 billion. The face value of each unit of the bond will be BDT 100 million and the bond will be fully redeemable in seven years. Only corporate bodies, corporate institutions and other eligible

investors will be allowed to subscribe the bonds through private placement. The purpose of the issue is to strengthen the bank's capital base and meet its capital requirement under Tier-II. EBL Investment Limited acts as the trustee for the bond while RSA Advisory Limited is the mandated lead arranger for the bond.

<http://www.newagebd.net/article/95217/bsec-allows-mtb-to-float-BDT-500cr-bond>

Berger Paints Bangladesh signs cooperation deal with Japanese company

- Berger Paints Bangladesh Limited (BPBL) and Chogoku Marine Paints, Ltd (CMP) of Japan have signed an agreement for cooperation and collaboration in the field of marine and related industrial paints in Bangladesh. The agreement envisages joint efforts in producing, marketing and purchasing marine and related industrial paints in the country, says a statement.

- Chogoku Marine Paints, since its establishment in 1917, has uniquely developed marine coatings as a core product and is one of the global leaders in the area and expanded its knowledge and technology to other industries.

<https://today.thefinancialexpress.com.bd/stock-corporate/berger-paints-bangladesh-signs-cooperation-deal-with-japanese-co-1577812684>

Executive Committee of the National Economic Council (ECNEC) endorses seven projects at BDT 44.60 billion

- Presided over by Prime Minister (PM), a meeting of the Executive Committee of the National Economic Council (ECNEC) in Dhaka endorsed the project along with six others at a combine cost of BDT 44.60 billion. After the meeting, Planning Minister said the ECNEC approved the procurement of ancillary marine vessels project at BDT 7.67 billion for safely handling the growing export and import activities through marine lines.

- The Planning Minister also said out of the total cost for seven projects, BDT 43.46 billion will come from the government's internal sources, and BDT 1.14 billion from the implementing agency's own fund.

<https://today.thefinancialexpress.com.bd/trade-market/ecnec-endorses-seven-projects-at-BDT-4460b-1577813965>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$61.06	-0.62	-1.01%
Crude Oil (Brent)*	\$66.00	-0.67	-1.00%
Gold Spot*	\$1,518.20	+0.93	+0.06%
DSEX	4,452.93	+18.99	+0.43%
Dow Jones Industrial Average	28,538.44	+76.30	+0.27%
FTSE 100	7,542.44	-44.61	-0.59%
Nikkei 225	23,656.62	-181.10	-0.76%
BSE SENSEX	41,342.27	+88.53	+0.21%

Exchange Rates

USD 1 = BDT 84.78*

GBP 1 = BDT 112.46*

EUR 1 = BDT 94.94*

INR 1 = BDT 1.19*

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

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