

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.

Bangladesh economy to be 25th largest in 15 years: Centre for Economics and Business Research (CEBR)

- Bangladesh's economy will make one of the biggest jumps between 2020 and 2034 on the back of demographic dividend and rising per capita income, according to the World Economic League Table 2020. Bangladesh ranks 40th among 193 countries this year and will rise to 25th in 2034, a spot currently held by Belgium, showed the latest edition of the WELT, produced by London-based Centre for Economics and Business Research (CEBR), an international economic forecaster. In the long run, the report said, many Asian economies will rise through the ranks of the WELT as these countries cash in on their demographic dividends.
- With a purchasing power parity adjusted GDP per capita of USD 5,028 in 2019, Bangladesh is a lower middle-income country. The economy performed well in 2019, expanding by an impressive 7.8%. This is, however, below the 7.9% GDP growth rate recorded in 2018. In Bangladesh, the population has risen at a rate of just 1% per year since 2014. This has meant that per capita incomes have grown considerably in recent years.
- Government debt as a share of GDP rose to 34.6% last year, up from 34% in 2018. Despite the increase, the public sector finances remain in good shape. The relatively low debt burden has provided the government with the fiscal headroom to operate a budget deficit of 4.8% in 2019. The annual rate of GDP growth is forecast to slow to an average of 7.3% between 2020 and 2025.

<https://www.newagebd.net/article/95484/bangladesh-economy-to-outshine-malaysia-singapore-hong-kong-by-2024-cebr>

<https://www.thedailystar.net/business/film-to-be-made-on-prominent-singer-james-rock-song-didimoni-URL-1849591>

<https://today.thefinancialexpress.com.bd/public/last-page/country-to-outshine-malaysia-spore-hk-by-2024-1578073411>

Private credit unlikely to grow: Bankers

- Private credit growth is unlikely to pick up in the near future as most of the banks are reluctant to provide fresh loans after the move to enforce a single-digit interest rate. The government and the top bankers last week agreed to bring down both lending and deposit rates to a single-digit from April 01 next. The sector's credit growth came down to 9.87% in November 2019 on a year-on-year basis from 14.01% a year ago, according to the Bangladesh Bank's latest statistics.
- The bankers predicted that the 'wait-and-see' policy being followed by most private banks are unlikely to help lift the private sector credit growth. Deposit growth in the banking sector may also decrease in near future after the government's fresh move to fix the interest rates of lending and deposits at 9.0% and 6.0% respectively from April 01, they said. The senior banker also said trade financing witnessed a falling trend because of lower growth in foreign trade that includes both export and import.
- On September 17 last year, the central bank announced that the ADR would remain unchanged at 85% for all conventional banks and at 90% for the Shariah-based Islamic banks. The central bank had earlier re-fixed the ADR at 83.50% and 89% for the conventional banks and the Islamic banks respectively. These rates were scheduled to come into effect from September 30. Meanwhile, outstanding loans with the private sector rose to BDT 10,358.15 billion in November from BDT 9,427.93 billion a year ago. It was BDT 10,259.58 billion in October 2019.

<https://today.thefinancialexpress.com.bd/public/first-page/pvt-credit-unlikely-to-grow-bankers-1578072816>

Square Pharma stock price sinks for no reason

- Despite logging in double-digit growth year after year, Square Pharmaceutical's stock price is tanking for the last few months. So much that it hit a six-year low of BDT 182 last week, according to data from the Dhaka Stock Exchange (DSE). The plunge is not based on Square Pharma's performance, said Chief Executive Officer of Amarstock, a website that provides technical analysis on the market movements.
- Today, it has 858 products, with 16 of them amongst the top 50 pharma brands in Bangladesh. Seclor, a tablet for gastric ulcer, is its most popular product. In 1987 it pioneered export of medicines from Bangladesh. And today, its products are shipped to 42 countries. In the last financial year, exports brought home BDT 1.49 billion, up 2.76% year-on-year. It logged in 10.85% higher consolidated turnover and 9.01% upper profits in the 2018-19 financial year. The company has no long-term loans outstanding; it operates with its own long-term sources and shareholders' equity. For the last five years at least, it has been providing more than 42% dividend.
- The drug maker is setting up a unit in Kenya for USD 21 million to manufacture and sell generic pharmaceutical

medicines in Kenya and in the East African Community (EAC). The plant, whose working capital requirement is USD 4 million, will have the capacity to manufacture 2 billion tablets and capsules and 30 million bottles of liquid formulation each year. The project is expected to be complete this year, with trial and commercial production to commence in June and September respectively.

- The domestic pharmaceutical market size stood at BDT 223.52 billion with a 16.71% compound annual growth rate in the last five years. The pharmaceuticals sector providing about 98% of the total medicine requirement of the domestic market and exports to more than 147 countries. The local companies control 90% of the market and multinationals 10%. The country's pharma sector has the potential to grow at 15% for the next five years, riding on the expanded domestic market as well as new export frontiers.

<https://www.thedailystar.net/business/news/square-pharma-stock-price-sinks-no-reason-1848832>

Container handling by Chattogram port: Growth slowest in seven years

- Chittagong port posted a 3.32% growth in container handling in 2019, the slowest in seven years, pointing to a slowdown in economic activities. Port users have blamed Bangladesh's foreign trade being sluggish for the lower growth in the port's annual container throughput.

- This is not surprising at all, said a former Lead Economist of the World Bank's Dhaka office. Exports and imports have both declined. These are the fundamentals which drive the growth of container handling. There is indeed a slowdown in the economy. The country's major export-earner readymade garment sector has been experiencing negative growth in the last few months and it was also reflected in the port's annual container throughput, said the Chairman of the standing committee on port and shipping of the Bangladesh Garment Manufacturers and Exporters Association.

- Overall earnings from the merchandise exports between July and November fell 7.59% to USD 15.77 billion. Lower shipment of apparel items, which accounted for more than 80% of the national exports, contributed to the decline. Between July and November, garment exports declined 7.74% to USD 13.08 billion, data from the Export Promotion Bureau showed. Earnings from the merchandise exports rose only 2% in the first 11 months of 2019, according to data from the central bank. Imports fell less than 1% between January and September.

<https://www.thedailystar.net/business/news/growth-slowest-seven-years-1848826>

Readymade garments (RMG) value addition drops by 3.31% in July-September

- Value addition in the country's readymade garments sector dropped by 3.31 percentage points in the July-September quarter of this fiscal year of 2019-20 compared with that in last fiscal year as the country's exporters were losing competitive edge due to overvalued local currency and increasing cost of doing business. According to a Bangladesh Bank review on the RMG sector, the value addition in the sector dropped to 61.01% in July-September of FY20 from 64.32% in FY19. The sector's value addition, however, was 60.44% in July-September of FY19.

- The country's RMG manufacturers imported raw materials worth USD 3.14 billion in July-September of FY20 against export of USD 8.06 billion in the period. The import of raw materials represents 38.99% of the country's export value. In FY19, the country's export earnings of the RMG sector were USD 34.13 billion. For the production of the export items, the sector imported raw materials worth USD 12.18 billion, representing 35.68% of the RMG export value. In July-November of FY20, the country's export earnings fell by 7.59% to USD 15.77 billion from USD 17.07 billion in the same period of FY19. Of the total export earnings, volume of RMG exports fell by 7.74% to USD 13.09 billion from USD 14.18 billion in the same period of FY19.

<https://www.newagebd.net/article/95498/rmg-value-addition-drops-by-331pts-in-july-sept>

New VAT (Value Added Tax) law: Achieving key goal faraway

- The new VAT (Value Added Tax) law has mostly been transformed into its 1991 version because of myriad changes made during the past six months, critics have said. Economists said while the online-based VAT and Supplementary Duty Act-2012 was introduced on July 1, 2019 after a delay of seven years, it is unlikely to achieve its key objective of overhauling the tax administration. Already, VAT collection has fallen short of the target by BDT 82.58 billion, highest deficit among the three wings, in the first four months of the current fiscal year. The receipt recorded a mere 1.79% growth over the previous fiscal year.

- After the budget, the provisions of the VAT law, passed by the parliament through Finance Bill-2019, saw a number of amends. For example, while the main concept of the new law was to introduce a single and uniform rate of VAT in all stages, the authorities opted for multiple rates yielding to the pressure from the business community. This means the main goal of the new VAT law will not be achieved unless the government automates the VAT administration, a senior VAT official said. The slow pace of VAT Online project implementation and the poor capacity of the Vietnamese contractor are among the major barriers to achieving the goal, said the official. Even though the project is scheduled to expire on June 30, 2020, people familiar with the situation said more than 60% work will remain pending due to the lack

of the required capacity of the contractor.

<https://today.thefinancialexpress.com.bd/first-page/achieving-key-goal-faraway-1578158860>
<https://www.newagebd.net/article/95602/new-vat-law-sees-little-success-due-to-frequent-changes>

Telecom service quality drops: Bangladesh Telecommunication Regulatory Commission (BTRC)

- The overall service quality of mobile phone operators worsened last year compared to the previous years, the telecom regulator said yesterday, blaming the carriers' poor performance and unwillingness to buy sufficient spectrum due to higher prices. The telecom regulator carried out various tests and, based on the findings, asked mobile operators to improve service quality. But after July the scenario changed as audit issues, which pit the BTRC against Grameenphone and Robi, dominated the sector.
- The regulator has also halted issuing no-objection certificates (NOC) to the top two operators and this also contributed to the deterioration of the quality of service, Director General for Engineering and Operation of the Bangladesh Telecommunication Regulatory Commission (BTRC) said. The operators are serving a huge number of customers with low spectrum, thus resulting in low service quality, BTRC Chairman said. BTRC chairman said that spectrum fees for mobile operators are high but they cannot cut the charge now against the telcos' demand for a reduction. The Bangladesh Telecommunication Regulatory Commission (BTRC) chair said the regulator cannot reduce spectrum fees as they require finance ministry's approval. Replying to another query, he said the BTRC did not submit any proposal to the ministry to reduce the fees. He said the regulator will move for a reduction in fees if operators place any formal proposal.
- According to figures released yesterday, mobile phone subscribers in the country went up by 8.6 million to 165.5 million last year and tele-density widened by 2.84 percentage points to 99.2%. Internet subscribers were up by 7.8 million to 99.1 million and 4G internet users rose by 15.4 million to 27.1 million.

<https://www.thedailystar.net/business/news/telecom-service-quality-drops-btrc-1848829>
<https://today.thefinancialexpress.com.bd/public/first-page/btrc-wont-cut-spectrum-fees-1577982478>

Banks forfeit BDT 8.58 billion in interest

- Interest waiver against bad loans more than doubled to BDT 8.58 billion in the first nine months of 2019 -- an indication of the desperation of banks to bring down their default loans by any means. The exemption of interest has a direct negative impact on banks' profitability. Strangely, most of the banks logged a hefty amount of profit last year, a former Deputy Governor of the central bank said, adding that some of the banks might have imposed hidden service charges on customers to ensure profits.
- Private banks waived interest amounting to BDT 6.39 billion between January and September, up from BDT 1.31 billion a year earlier, according to data from the Bangladesh Bank. Interest waived by six state banks -- Sonali, Janata, Agrani, Rupali, BASIC and Bangladesh Development -- increased 20% year-on-year to BDT 1.31 billion. Foreign banks waived BDT 230 million in the first nine months of last year, up BDT 93.6 million from a year earlier. In January-September of 2018, banks had waived BDT 4.21 billion.

<https://www.thedailystar.net/business/news/banks-forfeit-BDT-858cr-interest-1848817>

Involve NRBs, give fiscal support for bond market development

- A tripartite committee formed to facilitate trading of government securities on the stock exchange has suggested that the government provide policy support to engage non-resident Bangladeshis in the country's bond market and give fiscal support for the investors for the development of the secondary bond market.
- The committee suggested that the government provide fiscal support and tax incentive to the investors, at individual and institutional levels, to develop the bond market. The committee also said that a policy framework must be designed effectively to enable NRBs to invest in the Bangladesh bond market. Besides, international road-shows should be organized to attract investment from the NRBs as well from the foreigners.
- To attract more investors, the committee proposed reducing face value of government securities to BDT 50,000 from existing BDT 0.1 million. Transaction charge should be BDT 100 per order where member dealer will get 25%, stock exchange 35%, BB 15% and brokerage house 25%. Currently, the BB is not charging any fee. Besides, all fees related to listing, relisting, delisting and continued listing were proposed to be waived for trading of government securities by the BSEC.

<https://www.newagebd.net/article/95507/involve-nrbs-give-fiscal-support-for-bond-market-development>

Active BO (beneficiary owner's) accounts down 7.25% in 2019

- The number of active BO (beneficiary owner's) accounts declined 7.25% in the just concluded calendar year from the number of accounts observed at the end of previous year. The officials familiar with the matter said a good number of BO accounts were closed in 2019 due to non-payment of maintenance fees and a regulatory move taken to ensure compliances. The number of active BO accounts stood at 2.57 million on December 30, 2019 whereas the number of accounts was 2.78 million at the end of 2018.

- Currently, an investor has to pay BDT 450 per annum to keep his/her BO account active. Of BDT 450, BDT 200 goes to the public exchequer, BDT 100 to depository participants (DPs), BDT 100 to the CDBL and the remaining BDT 50 to the BSEC.

<https://today.thefinancialexpress.com.bd/stock-corporate/active-bo-accounts-down-725pc-in-2019-1578152348>

Turnover on over-the-counter (OTC) market hits two-year low

- Transaction on over-the-counter (OTC) market on the Dhaka Stock Exchange (DSE) slumped 68% year-on-year in 2019, hitting two-year low amid gloomy market outlook. The shares of the companies, which were de-listed from the main trading floor, are traded on the OTC market. The Bangladesh Securities and Exchange Commission (BSEC) formally launched the OTC market on September 06, 2009 in an effort to facilitate the trading of de-listed companies. Market operators said OTC market of the DSE remained almost inoperative since its launching 10 years back, causing only sufferings to some investors rather than relieving them.

- Currently, 65 companies are listed on the OTC market which started with 51 companies in 2009. Between January 01 and December 30, 2019, about 15.37 million shares worth BDT 223 million had been traded in the OTC market. In 2018, about 21.68 million shares worth above BDT 703 million had been traded in the OTC market.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/turnover-on-otc-market-hits-two-year-low-1578067134>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$63.05	+1.87	+3.06%
Crude Oil (Brent)*	\$68.60	+2.35	+3.55%
Gold Spot*	\$1,552.19	+23.06	+1.51%
DSEX	4,459.29	+6.00	+0.13%
Dow Jones Industrial Average	28,634.88	-233.92	-0.81%
FTSE 100	7,622.40	+18.10	+0.24%
Nikkei 225	23,656.62	-181.10	-0.76%
BSE SENSEX	41,464.61	-162.03	-0.39%

Exchange Rates

USD 1 = BDT 84.95*

GBP 1 = BDT 111.05*

EUR 1 = BDT 94.82*

INR 1 = BDT 1.18*

*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	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
----------------------	-------------------------------------	--	---------------

BRAC EPL Research www.bracepl.com

121/B Gulshan Avenue
Gulshan-2, Dhaka
Phone: +880 2 881 9421-5
Fax: +880 2 881 9426
E-Mail: research@bracepl.com