

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.

Pandemic eats away banks' operating profits

- Most banks witnessed their operating profits fall in the first half of 2020 compared to that of the same period a year ago amid an unprecedented situation triggered by Covid-19. This scenario stands in contrast to a trend of 20-30% annual growth in operating profits the banking sector made over the last few years. Banks were unable to operate fully for more than two months amid restrictions imposed to curb the spread of the novel coronavirus in the country.
- Moreover, banks' earnings from retail business and foreign trade have suffered massive a setback because of the cancelation or holding up of export orders. Also, they could not make expected business from the commission on foreign exchange due to travel ban. They cannot even put pressure on their clients to recover loan installments as the central bank has imposed restrictions on classifying any borrower as a defaulter for failing to pay back their debts till September this year.
- Bankers say banks' business was dull for almost three months of the first half of the year. From March 26 to May 31, banks were operating on a limited scale. Therefore, most of the private banks saw their operating profits edge down in the first half of the year, they added. The Business Standard obtained data of some banks and most of them posted fall in operating profit – the profit before deducting taxes and provisioning for loan classification and other liabilities -- ranging from 2% to 100%.

<https://tbsnews.net/economy/banking/pandemic-eats-away-banks-operating-profits-100693>

<https://today.thefinancialexpress.com.bd/first-page/hi-operating-profits-of-a-number-of-pcbs-plunge-1593625377>

<https://www.newagebd.net/article/109970/covid-19-rate-cut-hit-banks-h1-operating-profits>

Covid-19 limits government borrowing from savings tools in April

- The government's net borrowing from national savings certificates stood negative in April as people could not invest and reinvest in the savings instrument during the nationwide shutdown. According to the Department of National Savings, in April, total fresh investment in savings certificates stood at BDT 6.6 billion, and the net borrowing became negative after refunding profit and principal amounts of the previous month.
- Data available on the central bank website shows the gross sale of savings certificates stood at BDT 6.8 billion in November 2004. The single-month highest investment was recorded at BDT 97.3 billion in January last year. Last April, the gross sales of savings tools stood at BDT 75.4 billion. In March this year, when the country reported the first novel coronavirus cases, the gross sale of national savings certificates stood at BDT 56.4 billion.
- Latest data shows that the government spent BDT 12.8 billion in April to pay back profits and refund principle amounts of earlier investments in the savings tool. As a result, the net borrowing from the instrument stood at negative BDT 6.2 billion in that month. In December last year, for higher principal and profit payments, net sales became negative after 80 months, which was unthinkable even a year ago. During the first 10 months of the 2019-20 fiscal year, the government's net borrowing from national savings certificates stood at BDT 105.8 billion, which is 88.72% of the revised target for meeting the budget deficit from savings tools.
- In March, the government net loan from this instrument was 94% of the revised target, thanks to the negative sales in April. Between July and April of this fiscal year, the gross sale of savings certificates stood at BDT 545.8 billion, and interest payment and refund amounts were BDT 440.0 billion. The government lowered its borrowing target from savings tools to meet the budget deficit in the current fiscal year as it had received low response from the sector. A low target has also been set for the upcoming 2020-21 fiscal year. In FY2019-20, the government revised down the target to BDT 119.2 billion from savings tools, and the total target from non-banking sources was reduced to BDT 149.2 billion. For the upcoming fiscal year, Finance Minister AHM Mustafa Kamal has proposed a loan target of BDT 250.0 billion from non-banking sources, including BDT 200.0 billion from savings instruments.

<https://tbsnews.net/economy/banking/covid-19-limits-govt-borrowing-savings-tools-april-100309>

Readymade Garment (RMG) RMG exports drop 19.0% in FY'20

- The country's readymade garment (RMG) exports declined by 18.84% to USD 27.70 billion in the just concluded fiscal year (FY 2019-20). The sector had fetched USD 34.13 billion in the FY 2018-19. In the month of June 2020, the earning stood at USD 1.99 billion, showing an 8.56% decline over that of the corresponding month of last calendar year, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).
- The RMG fetched USD 1.23 billion and USD 374.67 million from RMG export in the months of April and May respectively in the just concluded fiscal year. During March to May this calendar year, apparel exports recorded 54.79% decline over that of the corresponding period of 2019. Work orders are coming into the tune of 40-45%

compared to the usual flow.

■ The Export Promotion Bureau (EPB), however, has proposed setting a USD 37.44-billion export target for fiscal year (FY) 2020-21, predicting a 13.0% growth. The state-owned EPB has also projected an additional USD 7.6 billion in earnings from the export of services. More than 82% of the proposed USD 37.44 billion export earnings are expected to come from the RMG sector. The bureau that is yet to publish the overall export earnings data of FY 2019-20, expects the export receipts to reach USD 33 billion in the final count.

<https://today.thefinancialexpress.com.bd/last-page/rmg-exports-drop-19pc-in-fy20-1593625664>

<https://tbsnews.net/economy/rmg/apparel-exports-may-have-dropped-6bn-fy20-100702>

<https://www.newagebd.net/article/109968/rmg-exports-dip-by-63b-in-fy20-on-pandemic>

Six listed state-run cos not issuing shares worth BDT 66.5 billion to government

■ Six listed state-owned companies are yet to issue shares against BDT 66.5 billion share money deposits of the government, depriving the government from the ownership and dividend income, observed the Financial Reporting Council. The share money deposit (money paid in exchange for shares) of the government in Powergrid Co Bangladesh was BDT 50.7 billion, in Bangladesh Submarine Cables Company BDT 1.7 billion, in Titas Gas Transmission Co BDT 1.5 billion, in Meghna Petroleum BDT 49.5 million, in Rupali Bank BDT 6.8 billion and in Dhaka Electric Supply Co BDT 5.8 billion as per financial year June 30, 2019.

■ On February 11, the FRC issued a directive saying that share money deposits must be converted into the company's capital within six months of receiving the money to prevent misuse with the money. The FRC in the letter to the ministry said that the government was deprived of dividends worth BDT 11.2 billion in FY19 and BDT 9.5 billion in FY18 as the six companies did not issue shares to the government.

■ According to FRC executive director, the FRC suggested the government to consider the remedial options in issuing the shares by the companies in favour of the government. Share money deposits in BSCCL and Meghna Petroleum remained the same. But the amount of money in the other four companies doubled in three financial years to reach BDT 64.8 billion in FY19 from BDT 36.4 billion in FY17. Earlier, Power Grid Company raised its paid-up capital by BDT 25 billion through issuing shares against share money deposit to its parent organisation, Bangladesh Power Development Board (BPDB).

<https://www.newagebd.net/article/109976/6-listed-state-run-cos-not-issuing-shares-worth-BDT-6652cr-to-govt>

Bangladesh Bank provides NBFIs BDT 20.0 billion pre-finance scheme under stimulus fund

■ The central bank has assured Non-bank financial institutions (NBFI) to get a bundle of facilities to improve the liquidity situation of the sector to overcome the coronavirus pandemic fallout. The assurance was made during a meeting held on Tuesday at the Bangladesh Bank headquarters at Motijheel, Dhaka with Governor Fazle Kabir in the chair. The participants of the meeting said that the Bangladesh Bank has agreed to provide BDT 20.0 billion for NBFI sector as a pre-finance scheme under the existing two stimulus packages.

■ According to the chairman of Bangladesh Leasing and Finance Companies Association (BLFCA), BDT 20.0 billion will come from the stimulus packages of BDT 300.0 billion fund for large industries and service sectors and the BDT 200.0 billion funds for small and medium enterprises. The Bangladesh Bank agreed to issue the instruction in September this year as most of the NBFIs are heavily depended on the deposit of banks. The central bank recently reduced the cash reserve ratio (CRR) by 100 basis points to 1.5% for NBFIs in an aim to ease liquidity pressure during the Covid-19 pandemic.

<https://tbsnews.net/economy/banking/bb-provides-nbfis-BDT2000cr-pre-finance-scheme-under-stimulus-fund-100210>

Bangladesh Securities and Exchange Commission (BSEC) seeks banks' reports on spl funds

■ The securities regulator has sought information from all listed and four non-listed banks regarding their formation of special funds worth BDT 2.0 billion each as announced earlier to support the capital market. Besides, the banks which have already formed the fund have been requested to provide their investment status in the capital market. In the letters sent to the 35 banks, including four non-listed ones, the Bangladesh Securities and Exchange Commission (BSEC) has requested them to submit information within seven working days.

■ Bangladesh Bank (BB) issued a circular on February 10 last, allowing all the scheduled banks to create a BDT 2.0 billion special fund each for a period of five years for investment in the capital market. The BB's move came following the merchant banks' request for forming a BDT 100 billion fund to support the cash-hungry capital market. According to the BB's circular, a bank can create such a special fund with its own resources or with any fund received from the BB through the repo or re-financing mechanism.

■ According to BB's information, Janata Bank and The City Bank earlier received BDT 800 million and BDT 500 million

respectively from the central bank through repo. Premier Bank and Exim Bank also had started the job of forming the special fund. Of other private commercial banks (PCBs), United Commercial Bank, Shahjalal Islami Bank, and Islami Bank Bangladesh Ltd earlier informed the central bank about formation of their special fund for the capital market. Of the state-owned commercial banks (SCBs), the Rupali Bank earlier formed a BDT 850 million (85 crore) funds with their own resources in line with the BB circular. Sonali Bank, the largest state-owned commercial bank formed a BDT 2.0 billion fund with its own resources.

<https://today.thefinancialexpress.com.bd/last-page/bsec-seeks-banks-reports-on-spl-funds-1593542766>

Floor price now applicable for newly listed companies

■ The opening prices of the shares of newly listed companies will be their floor prices after commencing trading on the bourses. The Bangladesh Securities and Exchange Commission (BSEC) has set the floor price for the new companies which will be listed under fixed price and book building method. As per another decision, a company's last closing price at the OTC (over the counter) market will be its floor price after its relisting with the main board.

■ The floor price is the lowest price of the listed securities and trading of no securities will be allowed under this price. As per the BSEC's decision, the floor price of the shares of a company which went public under fixed price method will be BDT 10 each, also the opening price. On the other hand, the floor price of the shares of a company which went public under book building method will be price at which general investors get shares through IPO (initial public offering).

■ Earlier, the securities regulator set the floor prices for all listed companies taking into account the average of the closing prices of immediately preceding five trading days as of March 19. It introduced the floor price to contain the free fall of the capital market amid COVID-19 pandemics. In its previous directive, the securities regulator had not mentioned the floor price to be applicable for the newly listed companies or for the companies which will be transferred to the main board from the OTC market.

■ Public subscription of Express Insurance presently is going on under the fixed price method, while Walton Hi-Tech Industries recently got the regulatory approval to float IPO under the book building method. As per the BSEC's latest directive, the floor price of the shares of Express Insurance will be BDT 10 as it issued shares at this price. On the other hand, the floor price of Walton Hi-Tech Industries will be BDT 252 at which general investors are eligible to purchase IPO shares.

■ The Dhaka Stock Exchange (DSE) has approved the relisting of Sonali Paper & Board Mills, a company of the OTC market, with the main board. The company's share trading will resume at the main board today (Thursday). The company's last closing price was price BDT 272 each on January 30 last. As per the BSEC's decision, the floor price of the company's shares will be BDT 272 at main board.

<https://today.thefinancialexpress.com.bd/stock-corporate/floor-price-now-applicable-for-newly-listed-companies-1593626814>

Faces of a depressed capital market

■ At the end of fiscal year 2019-20, frustrated investors at the Dhaka Stock Exchange (DSE) are looking back to all the deteriorating capital market indicators such as stock pricing, arrival of new stocks or market activities. Amid the horrible faces of the extremely depressed market, the premier bourse has only one good thing to offer – some cheap stocks. If there is no further headwind, the attractive price level of a large number of stocks might emerge as the ray of hope in coming days, believe experts.

■ From the beginning of July 2019 to the end of June 2020, the stock market in Dhaka was nothing but a story of fall. Of the 358 listed tradable securities, DSE witnessed only 29 to end in green, thanks to the devastated investors' confidence, money market imbalance, turbulent banking sector and hurdled corporate earnings. However, following a two-month economic shutdown, including the market trading, the key benchmarks at the DSE have lost 25-31% over a year.

■ Foreigners' sale off, concentrated in blue chip stocks, made the blue-chip index DS30 the biggest loser. Market capitalisation at the DSE fell by nearly 22% to BDT 31 trillion to worsen the GDP-to-market capitalisation ratio that reflects how underdeveloped the capital market is.

■ Due to the 66-day shutdown, the market had 203 trading days in the last fiscal year while the market was open for 238 days in the previous year. The ongoing fall restriction through the imposed floor price mechanism in individual stocks further dried the market up. At the end of the fiscal year, turnover at the DSE fell by 46.63% while the number of shares or units traded dropped by 42.4%. Average daily turnover at the DSE fell below BDT 3.8 billion, from BDT 6.1 billion a year ago.

<https://tbsnews.net/economy/stock/faces-depressed-market-100681>

First SMP restrictions come into effect after nine years

- Today will be the first time a restriction will come into effect on Grameenphone since the Bangladesh Telecommunication Regulatory Commission (BTRC) started working on Significant Market Power (SMP) guidelines nine years back to enhance competition and bring balance to the market. A mobile network operator can be labelled an SMP, thereby paving the way for restrictions, if it controls more than 40% share of any parameter, according to the guidelines. Grameenphone holds 45.64% share of the subscriber base and more than 50% revenue share.
- BTRC declared Grameenphone an SMP operator in February last year and came up with four restrictions twice. But Grameenphone managed to put those on halt challenging the processes at the High Court. However, on December 15 last year, the High Court cleared the way for the telecom regulator to bring the SMP guidelines into effect. The BTRC has recently issued three directives under the SMP guidelines, two of which comes into effect today and the remaining one from July 16.
- From today, Grameenphone will have to secure prior approval from the BTRC before rolling out any packages or offers, according to a directive issued on June 21. Existing packages and offers will have to be validated by August 31. The carrier would not be able to change or amend any of the conditions of approved packages or offers without consent from the commission. The second guideline coming into effect from today makes it easier for subscribers to leave Grameenphone under the mobile number portability (MNP) facility. Currently, if a user wants to switch to another network, they will have to stay with the new carrier for at least 90 days. But subscribers can now abandon Grameenphone after just 60 days. The third directive, issued on Sunday, says that from July 16, Grameenphone will have to pay 3 paisa more to non-SMP operators for per minute calls its subscribers make to another network. At present, the interconnection cost is 10 paisa a minute for everyone.

<https://www.thedailystar.net/business/news/first-smp-restrictions-come-effect-after-nine-years-1923349>

Bangladesh Submarine Cable Company Ltd (BSCCL) to issue shares worth BDT 1.7 billion to government

- The Bangladesh Submarine Cable Company Ltd (BSCCL) will issue shares worth BDT 1.7 billion against share money deposit to the government following the Financial Reporting Council's direction. The board of directors of BSCCL has recently approved to appoint ICB Capital Management Ltd as issue manager regarding the issuance of those shares to comply with the requirements of the Financial Reporting Council (FRC).
- In February this year, the FRC issued a directive saying that share money deposits must be converted into the company's capital within six months of receiving the money. The directive further said that the companies must include the share money deposits while calculating earnings per share and dividends as soon as the money is deposited, even before the securitisation. The circular also prohibited withdrawal or taking back the share money deposited in the company's dedicated bank account. Earlier, the Power Grid Company of Bangladesh Ltd raised its paid-up capital by BDT 2.5 billion through issuing shares against share money deposit to its parent organisation- Bangladesh Power Development Board (BPDB).
- Meanwhile, the BSCCL is going to sign a memorandum of understanding with SEA-ME-WE-6, which is called the third submarine cable, to meet the country's growing demand for data consumption. The proposal of the agreement has recently been approved at the meeting of the company's board of directors. The first submarine cable was set up in 2006 at Cox's Bazar and the second submarine cable was set up in 2017 at Patuakhali. At present, almost 1,300 GBps (billions of bits per second) bandwidth is used in Bangladesh, of which SEA-ME-WE-5 and SEA-ME-WE-4 provide 900 GBps.

<https://tbsnews.net/economy/stock/bsccl-issue-shares-worth-BDT-166-crore-government-100177>

Beximco, Indian Oil team up to grab a slice of fast-growing LPG pie

- At a time when most companies are grappling with the economic fallout of the global coronavirus pandemic, local giant Beximco Group, it seems, is doing rather well for itself. Its subsidiary Beximco LPG has teamed up with the Indian state-owned Indian Oil Corporation to profit off Bangladesh's fast-growing liquefied petroleum gas market and supply the cooking gas to northeast India. The LPG market in Bangladesh has seen a five-fold growth in the past five years and is expected to grow at a compound annual growth rate of 12-13%, according to Sanjiv Singh, chairman of Indian Oil.
- The new venture is a 50-50 partnership between Dubai-based IOC Middle East FZE, a wholly-owned subsidiary of the neighbouring country's largest refiner and marketer of petroleum products, and RR Holdings, the parent firm of Beximco. As per the business plan, the JV will begin functioning by acquiring Beximco's existing LPG assets. It aims to set up a large LPG terminal at a deep-water port in Bangladesh, which would facilitate receipt of LPG in very large gas carriers, leading to a reduction in the cost of imports, Singh said.
- IOC is already sourcing the cooking gas from Bangladesh to save the cost of transportation all the way from Haldia Port in West Bengal, according to a report in the Hindu Business Line in March. Indian Oil is importing bulk LPG from privately-owned Omera Petroleum and Beximco Petroleum, covering a distance of barely 250 km. This is a fraction of the 1640 km road distance from Haldia to Agartala via-Siliguri Corridor. While lower transportation cost brought savings

to IOC, the company exploring means to reduce the costs, the article said.

<https://www.thedailystar.net/business/news/beximco-indian-oil-team-grab-slice-fast-growing-lpg-pie-1923337>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 39.80	(USD 21.83)	-35.42%
Crude Oil (Brent)*	USD 42.05	(USD 26.39)	-38.56%
Gold Spot*	USD 1,768.18	USD 246.71	16.22%
DSEX	3,989.09	-463.84	-10.42%
S&P 500	3,100.29	-130.49	-4.04%
FTSE 100	6,157.96	-1429.09	-18.84%
BSE SENSEX	34,915.80	-6726.34	-16.15%
KSE-100	34,421.92	-6313.16	-15.50%
CSEALL	5,149.57	-979.64	-15.98%

Exchange Rates

USD 1 = BDT 84.88*
 GBP 1 = BDT 105.87*
 EUR 1 = BDT 95.52*
 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

