

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 Energy Regulatory Commission (BERC) raises gas prices from today

- The gas consumers will have to count an additional 32.8% higher tariff on an average from the first day of the fiscal year (FY), 2019-20, as the energy regulator has announced the 'biggest-ever' hike with effect from today (July 01). The new weighted average natural gas tariff will be BDT 9.80 per cubic metre from the existing BDT 7.38. Import of expensive LNG (liquefied natural gas) was the prime reason behind this hike, the BERC chairman said. The BERC has increased the tariff, considering an inflow of around 850 million cubic feet per day (mmcf) of re-gasified LNG (RLNG) to the national gas grid. The current level of RLNG consumption is hovering around 600 mmcf.
- According to the commission's calculation, some 75% hike to BDT 12.60 per cubic metre, was required to arrange an additional fund to the tune of around BDT 180 billion, especially to foot the LNG import bills in the next FY. With this hike, some BDT 86.20 billion can be collected from the gas consumers, said a BERC member. Around BDT 24.20 billion will come from the Energy Security Fund (ESF), and the government will require to provide subsidy worth BDT 76.90 billion to meet the deficit, he added.
- Household consumers having single-burner will have to pay BDT 925 per month instead of the existing BDT 750, while the double-burner users will have to pay BDT 975 instead of the existing BDT 800 following the hike. New gas tariff for metered household consumers will be BDT 12.60 per cubic metre from the existing BDT 9.10. Fertilizer factories will count the highest hike in tariff by 64.20% to BDT 4.45 per cubic metre from the existing BDT 2.71, following the latest hike. New tariff for compressed natural gas (CNG) in retail level will be BDT 43 per cubic metre from the existing BDT 40, witnessing the minimum hike of 7.5%. Natural gas tariff for small and cottage industries under commercial sector will remain unchanged at BDT 17.04 per cubic metre. Captive power plants will count a tariff hike of 43.97% to BDT 13.85 per cubic metre from the existing BDT 9.62. Natural gas tariff for power plants has been hiked by 40.82% to BDT 4.45 per cubic metre from the existing BDT 3.16. For industrial consumers, the new gas tariff will be BDT 10.70 per cubic metre from the existing BDT 7.76, following a hike of 37.88%. The BERC raised natural gas tariff for hotels and restaurants under commercial consumers segment by 34.97% to BDT 23.0 per cubic metre from the existing BDT 17.04. For tea estates, new tariff will be BDT 10.70 per cubic metre from the existing BDT 7.42, with a hike of 44.20%.

<http://today.thefinancialexpress.com.bd/first-page/berc-raises-gas-prices-from-today-1561917488>

VAT 5%, comes into effect today

- The value added tax (VAT) proposed in the budget for 2019-20 on online shopping comes into effect from today, albeit at a reduced rate and under a new calculation. Amidst the e-commerce industry's outcry and campaigns, the rate has been reduced to 5% from 7.5%, the e-Commerce Association of Bangladesh (e-CAB) said in a statement yesterday. However, the taxes proposed on telecom services has remained unchanged, according to the statement.
- The VAT on online shopping will be calculated based on the difference between what a company pays for a product and sells it for, it said. For instance, if a company buys a product for BDT 100 and sells it at BDT 110, the 5% will be calculated on the BDT 10 difference, meaning the VAT will be BDT 0.5.
- The government had twice tried to impose the VAT, proposing 4% in the 2015-16 budget and 5% in 2018-19, but backed down amidst opposition from entrepreneurs. Industry insiders said this segment of business had just started to grow with annual sales still hovering below BDT 10.00 billion and this growth would come to a halt if the government withdrew its active support. Finance Minister in his budget speech proposed increasing the supplementary duty on all services availed through mobile phones to 10% from 5%. This came into effect on the day of the budget announcement.
- Mobile operators estimate that customers would end up paying an additional BDT 13.00 billion every year for the duty hike. The budget also proposed raising SIM tax to BDT 200 from BDT 100, which mobile operators say would turn out to be a hindrance to growth. The increase in minimum tax on overall turnover to 2% from existing 0.75% for mobile companies was another blow, they added.

<https://www.thedailystar.net/business/news/vat-5pc-comes-effect-today-1765018>

<http://www.newagebd.net/article/77042/people-brace-for-vat-induced-price-hike-as-fy20-begins-today>

<https://www.dhakatribune.com/business/regulations/2019/06/30/new-vat-regime-from-monday>

Finance Bill '19 makes changes to VAT, tax rates for some sectors

- The government has reduced amount specific value-added tax for major mild steel products including rod by up to

BDT 1,000 per tonne in the finally passed Finance Bill 2019 from the proposed rates for the new fiscal year 2019-2020 considering the negative impact on steel and construction industry. It has also fixed the specific VAT at BDT 1,000 per tonne on local supply of iron scrap or scrap ship instead of the proposed 5% VAT on the value of the item to keep the prices of MS products stable.

- In the Finance Bill 2019 passed in parliament on Saturday, the government also reduced the rate of VAT on the commission and service charge on e-commerce or sales of products online and ride sharing companies to 5% from the proposed 7.5%. It also withdrew advance tax on import of some major products including capital machinery, raw materials imported by bonded warehouse licence holders and firefighting equipment. The government also withdrew AT on import of a number of medicines including medicines for cancer, malaria, and tuberculosis, preventive medicines, antibiotics, medicines and solution for kidney dialysis, and vaccines.

- Officials of the National Board of Revenue said that the government had now set the specific VAT at BDT 1,000 per tonne of billet and ingot produced from local or imported meltable scrap and MS products produced from billet/ingot reducing from proposed BDT 2,000 per tonne. VAT for MS product produced from local or imported re-rollable scrap has been fixed at BDT 1,200 per tonne lowering from the proposed BDT 2,000 per tonne. Specific tax, however, remained unchanged at BDT 2000 for ingot/billet produced from meltable scrap and MS product produced from ingot/billet.

<http://www.newagebd.net/article/77043/finance-bill-19-makes-changes-to-vat-tax-rates-for-some-sectors>

Businesses oppose 'high' gas tariff hike

- Trade-bodies of different export-oriented industries, including textile and ready-made garment (RMG), strongly opposed the gas tariff hike by the government on Sunday, saying it will create an adverse impact on their overall business activities. The hike will increase production cost manifold and decrease their competitiveness in the global market, they opined.

- The reactions immediately came after the government raised gas price for captive power generators to BDT 13.85 per cubic metre from BDT 9.62, and for industries BDT 10.70 per cubic metre from BDT 7.76. Terming the 44% tariff hike for captive power generation 'non-realistic' president of the Bangladesh Textile Mills Association (BTMA) said the high hike will severely affect local textile millers, especially the captive power producers. As a result, a good number of industries might not sustain, as it will increase their production cost manifold, he opined.

- Electricity production cost through captive power will increase by BDT 15-18 for a kg of yarn production, which is now BDT 9.62, a BTMA official said. Some 430 textile mills out of the 1,500 BTMA members, including spinning, dyeing and weaving units, are generating captive power, and producing more than 1,300 MW of electricity to run their mills. They have invested some BDT 200 billion for this purpose, he added.

- President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said gas bill takes up around 1.5% of their manufacturing cost. So 38% increase in gas price means almost 1.0% increase in production cost. It might not sound much in terms of percentage, but it will be another blow for an industry struggling for every penny, she further said.

<http://today.thefinancialexpress.com.bd/first-page/businesses-oppose-high-gas-tariff-hike-1561917548>

10 banks' capital shortfall hit BDT 183 billion in Q1 2019

- Ten banks, including six state lenders, suffered a total capital shortfall of over BDT 183 billion in the first quarter (Q1) of the year as rising troubled loans wiped out their profits. The banks-four state-owned commercial banks (SoCBs), three private commercial banks (PCBs), two specialized banks (SBs) and a foreign commercial bank (FCB)--were categorized as capital-deficit lenders, according to the central bank's latest statistics.

- The overall capital-to-risk weighted-asset ratio (CRAR) of all the banks operating in Bangladesh improved in the first quarter as regulatory forbearance was offered to some banks, according to BB officials. The overall CRAR rose to 11.41% on March 31, 2019 from 10.50% three months ago, the BB data showed. The CRAR of six state banks stood at 6.85% as on March 31 this calendar year, while that of two special lenders was in the negative territory at 31.65%. The CRAR of private banks was found, on average, 12.65% as on March 31, while the ratio of nine foreign commercial banks reached 27.96%.

- The volume of non-performing loans (NPLs) climbed by more than 18% to BDT 1,108.73 billion in the Q1 of the year from BDT 939.11 billion in the previous quarter. Bangladesh started implementing the Basel-III standard for calculation of CRAR of all banks in the first quarter of 2015 for consolidating stability in the banking sector. Under a roadmap to comply with the Basel-III, the banks were required to maintain 12.50% of CRAR by 2019.

<http://today.thefinancialexpress.com.bd/first-page/10-banks-capital-shortfall-hit-BDT-183-billion-in-q1-1561917647>
<https://www.thedailystar.net/business/news/most-state-banks-hit-capital-deficit-1765027>

Tax on MS rod cut after demand from steel lobby

- The government has slashed the tax on the import of mild steel (MS) rod to BDT 1,000 per tonne, though it was increased from the tariff value. Until Sunday, the tariff value was BDT 900. In the budget announced on June 13, 2019, the Value Added Tax (VAT) on MS rod was imposed at BDT 2,000 per tonne. The revised rate of specific tax comes into force from today (Monday).
- Specific tax has been reduced to BDT 1,200 for MS product produced from local/imported scarp for re-rolling. However, the proposed specific tax remained unchanged to BDT 2,000 for ingot/billet produced from meltable scrap and MS product produced from ingot/billet. Officials said with the downward revision of the specific tax, VAT (value added tax) on MS products would go up to the maximum of BDT 250 per tonne.

<http://today.thefinancialexpress.com.bd/last-page/tax-on-ms-rod-cut-after-demand-from-steel-lobby-1561918114>

Bangladesh, Japan ink USD 1.34 billion loan, grant deals to finance three projects

- Bangladesh and Japan on Sunday signed three loans and grant agreements worth USD 1.34 billion (144.814 billion yen) to finance three projects, including Matarbari coal power plant. Japan will provide USD 1.31 billion for setting up of Matarbari Ultra Super Critical Coal-Fired Power Project (V), 1,258 million yen for a project named 'Densification of global navigation satellite system, continuously operating reference station network and the modernization of tidal stations in Bangladesh', 429 million yen for a project titled 'Human resource development scholarship'. Japan will charge 0.9% interest for the project loan, which will have 10 years of grace period and will have to be repaid in 30 years.
- The Coal Power Generation Company Bangladesh will implement the Matarbari power plant - presently the costliest project in the country worth over USD 4.0 billion. Two units of the project will generate 1,200 megawatt of electricity. The project is scheduled to be implemented by June 2024.

<http://today.thefinancialexpress.com.bd/trade-market/bd-japan-ink-134b-loan-grant-deals-to-finance-three-projects-1561916589>

13 companies, one Mutual Fund (MF) raise BDT 5.71 billion through Initial Public Offerings (IPOs)

- Thirteen companies, mostly small ones, and one mutual fund raised an aggregate amount of BDT 5.71 billion by floating IPOs in the outgoing fiscal year. Fundraising by companies through initial public offerings (IPOs) rose 5.54% year-on-year in the FY 2018-19 compared to the previous fiscal, according to data from the Dhaka Stock Exchange (DSE). In the FY 2017-18, nine companies and two mutual funds raised a total of BDT 5.41 billion through IPOs, the DSE data shows.
- According to the proposals, the IPO quota facility for the general investors would be raised to 50% from the existing 40% under the fixed price method of IPO and it would be increased to 40% from the current 30% under the book building method. The quota facility of eligible investors would be cut to 50% from the existing 60% under the book building method while it would be reduced to 30% from the current 40% under the fixed price method.
- The size of the public issue under the fixed price method must be minimum BDT 500 million or 10% of the company's paid-up capital, whichever is higher. The size of the IPO under the book-building method must be at least BDT 1.0 billion or 10% of the company's paid-up capital, whichever is higher.

<http://today.thefinancialexpress.com.bd/stock-corporate/13-cos-one-mf-raise-BDT-571b-through-ipos-1561915956>

GPH to invest BDT 60 million in Star Allied Venture

- The board of directors of GPH Ispat Ltd has decided to invest BDT 60 million more in Star Allied Venture Ltd, said an official disclosure on Sunday. The company will invest the said amount as equity against purchase of 50 acres land in Mirershorai Economic Zone, Mirershorai in Chattogram to set up a TBR Tire Factory, said the disclosure. It is mentioned here that BDT 60 million is the additional amount of equity of earlier BDT 2.50 million investments as equity.
- The Star Allied Venture will form a joint venture company with Yunnan Yongle Overseas Investment Co. Ltd. (a subsidiary of Kunming Iron and Steel Holding Co. Ltd, a state owned company of China Government). The purpose of the formation of this joint venture company is to establish a joint venture investment in Bangladesh with an amount of USD 2.30 billion.

<http://today.thefinancialexpress.com.bd/stock-corporate/gph-to-invest-BDT-60m-in-star-allied-venture-1561916003>

Bangladesh Securities and Exchange Commission (BSEC) asks Dhaka Stock Exchange (DSE) to

pay Coppertech BDT 200 million IPO fund before listing

- The Bangladesh Securities and Exchange Commission on Sunday ordered the Dhaka Stock Exchange to pay Coppertech Industries the subscription money of its initial public offering despite the fact that the bourse is yet to give listing approval to the company. Market experts said that it was one kind of pressure from the BSEC on the DSE to enlist the controversial company whose BDT 200 million IPO was earlier approved by the BSEC.
- There are allegations against the company that it has fabricated financial data to get listed with the stock exchange. The allegations have prompted the Financial Reporting Council to direct the Institute of Chartered Accountants Bangladesh to investigate the matter. The ICAB was disappointed with the response of Coppertech's auditor Ahmed and Akhter as the auditor repeatedly declined to give necessary documents to its regulator ICAB on various pretexts. Market experts said it was not understandable why the commission pushed the bourse to return IPO subscription money before the investigation into the allegations ended.
- The BSEC in its letter said that the DSE should remit IPO subscription money of eligible investors to the bank account of Coppertech Industries since shares of the company were credited on June 9 and the Chittagong Stock Exchange has given listing approval to the company. The commission's order to the Dhaka bourse came in response to the company's letter issued on June 9. DSE officials said that if the bourse transferred the subscription fund to the company's bank account, it would feel pressure to give listing approval to the company for the interest of the investors.

<http://www.newagebd.net/article/77044/bsec-asks-dse-to-pay-coppertech-BDT-20cr-ipo-fund-before-listing>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$59.74	+1.27	+2.17%
Crude Oil (Brent)*	\$66.25	+1.51	+2.33%
Gold Spot*	\$1,391.81	-17.74	-1.26%
DSEX	5,421.62	-8.42	-0.16%
Dow Jones Industrial Average	26,599.96	+73.38	+0.28%
FTSE 100	7,425.63	+23.30	+0.31%
Nikkei 225	21,648.43	+372.51	+1.75%

Exchange Rates

USD 1 = BDT 84.56*

GBP 1 = BDT 107.37*

EUR 1 = BDT 95.99*

INR 1 = BDT 1.23*

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

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