

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.

Making Bangladesh a regional internet hub

- Bangladesh simultaneously exports and imports international internet bandwidth to and from the same country – India. Such unique-in-the world bandwidth trading started with import when Bangladesh was linked with the single submarine cable: SEA-ME-WE4 (South East Asia–Middle East–Western Europe 4). High risk of outages has prompted the government to grant six international terrestrial cable (ITC) licences in 2012 as the lone submarine cable's backup.
- The ITCs have connected Bangladesh across its western border with India. But the latency of the ITC networks remains higher than what the SEA-ME-WE4 submarine cable offers because the traffic via the cable's landing station at Cox's Bazar travels lesser distance to Singapore as opposed to the ITCs' terrestrial traffic being routed via India's Chennai or Mumbai gateways. Bangladeshi carriers have accepted this shortcoming in exchange of crucial backup during outage. The arrival of second submarine cable -- SEA-ME-WE5 -- in late 2017 has diminished the ITCs' lifesaving role. Yet, the latter provides budget bandwidth to cater certain segment of the industry.
- International carriers are currently forbidden to directly sell their services among the Bangladeshi carriers. State-owned BSCCL retains the unwritten monopoly of international submarine connectivity. It is a huge barrier to the nation's digital competitiveness. Global carriers' presence, at the carrier-neutral facilities, will make Bangladesh identical to Singapore or Hong Kong in terms of international connectivity. The country will become its neighbours', including India's, preferred destination of global connectivity.
- Now the power transmission grid, embedded with OPGW, from Nepal and Bhutan will directly connect Bangladesh. Using that infrastructure, Bangladesh can reciprocate with exporting internet bandwidth to both the landlocked Himalayan neighbours. This landmark decision of New Delhi positions Bangladesh as an emerging regional internet wholesaler. Initially, Bangladesh may offer Nepal the passage to Singapore or Hong Kong through its submarine routes. Subsequently it should reform the domestic and international telecommunication policies to localise the services that Southeast Asian city states currently offer. Eventually Bhutan, which still struggles with the Indian carriers' monopoly, will also come to Bangladesh for international connectivity. But Bangladesh must overhaul its telecommunication policies to achieve that goal.

<https://www.thedailystar.net/business/news/making-bangladesh-regional-internet-hub-1758592>

Bank cards to be costlier

- The cost for issuing new credit and debit cards will balloon 3-6 times after the government imposed fresh duty on the imported items, which the bankers say is conflicting with the Bangladesh Bank's push towards a cashless society. In the budget for fiscal 2019-20 unveiled on June 13, there was a fresh tariff of USD 0.70 on each magnetic stripe card import, USD 2 for chip-and-pin card and USD 3 for contactless card. There was no declared tariff rate on the imported cards, but the Customs Department commonly imposed a maximum of USD 0.52 on each card, according to an official of the National Board of Revenue.
- Given the government and the central bank's push for making a cashless society the new rates are completely illogical, said chairman of the Association of Bankers, Bangladesh, a platform of private banks' managing directors. The move will discourage clients from asking for credit and debit cards as banks will be compelled to impose charges for issuing them. The ABB will approach the authority concerned within a day or two to withdraw the duty, he added.
- Thanks to the duty a magnetic stripe card will cost BDT 120- BDT 125 in contrast to BDT 20- BDT 25 at present, said the managing director of Lark Technologies, one of the major card importers. For a chip-based card, the cost of import will stand at BDT 370, up from BDT 100- BDT 120. The cost of contactless credit card will escalate by more than three times to BDT 550. As much as 2.5-3.0 million cards are usually imported by the local companies per year to meet the domestic demand, he also said.
- The local banks are highly dependent on imports as only one company in Bangladesh has the accreditation of Visa to manufacture the cards, said also the managing director of Dhaka Bank. The company's capacity is limited, he said, adding that it has yet to manage certification from Visa to manufacture contactless cards. No local company has so far taken authorisation from Mastercard, American Express, JCB and other global companies to produce their cards. So, the new duty has become a big blow for the banking sector, he said.
- If a company wants to manufacture the cards locally more than USD 100,000 must be paid as royalty and audit fees every year to card issuers like Visa, Mastercard, Nexus and so on, said an official of a bank with knowledge of the matter. The local company will have to churn out nearly 10 million cards to break-even and it is tough given the volume of the country's card market, he said. The new tariff may encourage consumers to go back to conventional methods, said the country manager of Mastercard Bangladesh.

<https://www.thedailystar.net/business/news/bank-cards-be-costlier-1758637>

Transport operators to face higher tax

- Road and water transport operators are set to face 25% higher taxes on their earnings from next fiscal year as the revenue authority feels tax collection from the transport sector is not up to the mark. The spike in taxes, which comes five years after the NBR had increased the presumptive tax from road and water transport owners, is expected to fetch higher revenues, he said. Land and water transport accounts for nearly 8% of the country's GDP in fiscal 2018-19. Yet, tax collection from all vehicles, including personal cars, hover around BDT 10.00 billion, according to data from the Bangladesh Bureau of Statistics and the NBR.
- The latest data on tax collection from vehicles, including buses and trucks, is not available. The recently released NBR's annual report for fiscal 2016-17 showed that the tax collector got BDT 8.94 billion, up 21% year-on-year. It got BDT 109.4 million in tax from inland water transport, up 58% from fiscal 2015-16. Currently, a bus owner has to pay BDT 9,000 for a 52-seater bus as tax every year and BDT 12,500 for a vehicle with more than 52 seats. The same BDT 12,500 tax is applicable for a five-tonne capacity truck. Owners of luxury and air-conditioned buses have to count BDT 30,000 for each bus.
- Inland water transport operators have to pay tax based on the carrying capacity of passengers and cargoes. Owners of passenger carrying vessels have to pay BDT 100 for each passenger. Transport operators have to pay the tax for each regardless of their income per bus, truck or vessel, the NBR official said. The decision to increase the tax followed meetings with representatives of transport owners associations. It means if tax is hiked 25%, the total amount of presumptive tax for a below 52-seater will be BDT 11,250. A notification will be issued in this regard soon, the official added.
- And a 25% hike in fixed tax would affect the transport sector that has approximately 0.3 million bus, truck, minibus and other commercial vehicles, said the secretary general of Bangladesh Road Transport Owners Association (BRTOA). Overall, the NBR will have to collect BDT 3.26 trillion in fiscal 2019-20, BDT 1.14 trillion of which should come from income tax.

<https://www.thedailystar.net/business/news/transport-operators-face-higher-tax-1758643>

NPLs of 10 banks increase alarmingly in Jan-March period

- The non-performing loans (NPLs) of three state-owned and seven private banks have increased alarmingly compared to other banks during the first three months of 2019. According to Bangladesh Bank (BB) data, non-performing loans (NPLs) in the banking sector rose by BDT 169.62 billion during the period of January-March. NPLs of 10 banks rose by BDT 118.81 billion, or 70.04 % of the total. The banks are Janata Bank, Agrani Bank, Rupali Bank, and private commercial banks- Islami Bank, National Bank, Al-Arafah Islami Bank, Mercantile Bank, One Bank, Southeast Bank, and Standard Bank.
- The amount of stress loans in the banking sector stood at BDT 1.11 trillion at the end of March, which is the largest ever in the country's history. During the period, Janata Bank's defaulted loans rose by BDT 41.86 billion, Islami bank's rose by BDT 36.00 billion, National bank's increased by BDT 15.37 billion; Al-Arafah Islami bank by BDT 7.30 billion; Agrani bank by BDT 3.97 billion; Southeast bank by BDT 3.34 billion; One bank by BDT 3.20 billion; Mercantile bank's defaulted rose by BDT 3.14 billion; Rupali bank's rose by BDT 2.40 billion, and Standard Bank's defaulted loans rose from BDT 2.23 billion to BDT 10.17 billion, according to the latest data of the central bank.
- The Agrani Bank Managing Director said: "The non-performing loans (NPLs) usually increase in the first quarter of every year. He hoped that these NPLs would decrease during the June quarter. On June 11, the central bank cautioned the chief executive officers of Sonali, Janata, Agrani, Rupali, National, Islami, and Al Arafah Islami banks after their default loans had marked an alarming rise in the first quarter of this year. Bangladesh Bank spokesperson, and Executive Director said that Bangladesh Bank governor inquired about the reasons why the defaulted loans had shot abnormally as of March this year. He asked them to bring down their defaulted loans without any delay.
- The CEOs of these 10 banks have assured that they would undertake attempts to reduce the amount of defaulted loans in the June quarter, he added. Furthermore, the banking sector faced a combined provision shortfall of BDT 116.52 billion at the end of March, exposing their aggravating financial health. Fourteen public and private sector banks are included in the list. Of the 14 banks, four are state-owned, while the remaining ten are private commercial banks.

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Now mobile financial service (MFS) providers to pay service charge

- The country's mobile financial service (MFS) providers will have to pay service-based charge to mobile network

operators (MNOs) for using their infrastructure, according to new directives issued by Bangladesh Telecommunication Regulatory Commission (BTRC). Mobile financial service users won't need to pay the charge from their airtime. MNOs and MFS providers would introduce a new charge structure through separate agreements, said the directives issued on Monday.

- MFSPs used to pay mobile operators 7% of their profits. If any MFSP earns BDT 20 per BDT 1,000 transactions, it used to pay 7% to MNO. The new charge will be based on mobile operators' services, irrespective of transactions. According to new directives, BTRC divided the charge into revenue generating services and non-revenue generating services. For revenue generating transaction, tariff for each successful Unstructured Supplementary Services Data (USSD) session of 90 seconds or fraction thereof will be BDT 0.85. Maximum two SMSs shall be included for each session within this tariff. Revenue generating services will have to be declared as per existing invoice and none is authorized to change that service type without prior permission from BTRC, the directives said. The directive said tariff for each successful USSD session of 90 seconds or fraction thereof will be BDT 0.40. Maximum two SMSs shall be included for each session within this tariff for non-revenue generating transaction.

<http://today.thefinancialexpress.com.bd/trade-market/now-mfs-providers-to-pay-service-charge-1560790494>
<http://www.newagebd.net/article/75692/btrc-allows-telcos-to-charge-more-for-mobile-banking-service>

BDT 151.66 billion supplementary budget for FY 2018-19 passed

- Parliament on Monday passed the supplementary budget of BDT 151.66 billion for the fiscal 2018-19 to meet the increased expenditures under different ministries and divisions, reports UNB. According to the budget document, an amount of BDT 4.64 trillion was allocated in favor of 62 ministries and divisions for the 2018-19 fiscal year. But in the supplementary budget, allocations for 37 ministries and divisions have been increased to BDT 151.66 billion while BDT 373.48 billion reduced for 25 ministries and divisions. As a result, the budget allocations for these ministries and divisions got reduced of BDT 220.32 billion and the total allocation now stands at BDT 4.42 trillion. The Election Commission Secretariat got the highest allocation of BDT 24.47 billion while the lowest BDT 8.35 million to Expatriate Welfare and Overseas Employment Ministry.

<http://today.thefinancialexpress.com.bd/trade-market/BDT-15166-billion-supplementary-budget-for-fy-2018-19-passed-1560790684>

Loss making entities must also pay tax at regular rate

- Tax burden of source tax deducting entities, including companies, banks, NGOs, government agencies and other employers, would increase significantly if they did not deduct source tax from applicable expenditures. The organizations would have to pay tax at regular corporate rates on the expenditures irrespective of profit or loss of the companies as the National Board of Revenue would not accept the expenses as admissible costs for tax waiver in case of failure of tax deduction at source. According to the existing income tax law, tax officials could disallow the expenditures on which TDS was not made, NBR officials said. But, in many cases, tax officials could not collect the tax from disallowed expenditures as many tax deducting authorities pay minimum tax or show loss in tax returns, they said.

<http://www.newagebd.net/article/75694/loss-making-entities-must-also-pay-tax-at-regular-rate>

Union Cap to issue BDT 2.0 billion unsecured bond

- The board of directors of Union Capital has decided to issue unsecured subordinated redeemable non-convertible bond of BDT 2.0 billion in face value through private placement. Face value per unit (lot size) of the bond is BDT 10 million only with seven years tenure, grace period two years and coupon range is 9.0% to 12% per year, according to a disclosure on Monday. The issuing of bonds is subject to the approval of the regulatory authorities - Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC), the disclosure said.

<http://today.thefinancialexpress.com.bd/stock-corporate/union-cap-to-issue-BDT-20b-unsecured-bond-1560789960>

World Stock and Commodities*

| Index Name | Close Value | Value Change | % Change |
|------------------------------|--------------------|---------------------|-----------------|
| Crude Oil (WTI)* | \$51.88 | -0.05 | -0.10% |
| Crude Oil (Brent)* | \$60.89 | -0.05 | -0.08% |
| Gold Spot* | \$1,341.27 | +1.61 | +0.12% |
| DSEX | 5,375.29 | -55.54 | -1.02% |
| Dow Jones Industrial Average | 26,112.53 | +22.92 | +0.09% |
| FTSE 100 | 7,357.31 | +11.53 | +0.16% |
| Nikkei 225 | 20,989.74 | -134.26 | -0.64% |

Exchange Rates

USD 1 = BDT 84.43*

GBP 1 = BDT 105.72*

EUR 1 = BDT 94.82*

INR 1 = BDT 1.21*

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

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