

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.

Liquidity crunch intensifying

- Liquidity crunch in the banking sector is deepening due to slow growth of deposits and a lethargic recovery of loans. The majority of the banks are now offering 11-12% interest rate to attract deposits and yet they are floundering. The rise in default loans, an erosion of public confidence in the banking sector and the latest central bank's move to ease the loan classification rules are largely blamed for the ongoing liquidity crisis, analysts said. The ongoing implementation of mega infrastructural projects is also fuelling the cash shortage as lenders have been providing import financing to materialise those by way of purchasing the dollar from the central bank, they said. A total of USD 2.14 billion was purchased by banks between July 1 last year and May 2 this year. The high rate on deposit has also pushed the interest rate on lending: banks are now disbursing loans at 13-16% interest.

- On January 30 last year, the central bank had set the June 2018 deadline to lower their loan-deposit ratio to 83.5% from 85% for conventional banks and to 89% from 90% for Shariah-based banks. Seeing the failure of many lenders to bring down the ceiling, the central bank on March 7 extended the deadline to September. The new loan classification policy, which calls for a six-month grace period, will hit banks' liquidity base further, chairman of the Association of Bankers, Bangladesh said. He, however, expressed hope that clients might shy away from national savings certificates as banks continue to raise the interest rate on deposit products.

<https://www.thedailystar.net/business/news/liquidity-crunch-intensifying-1742770>

Bangladesh Bank (BB) asks four state-owned commercial banks (SoCBs) to focus on SME lending

- The central bank has asked the four state-owned commercial banks (SoCBs) to focus on SME (small and medium enterprise) lending, particularly in the manufacturing sector, along with large loans to minimise risks, officials said. The advice was given at a meeting held at the Bangladesh Bank (BB) headquarters in Dhaka on Sunday to review the memorandums of understanding (MoUs) of Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank.

- They've asked the SoCBs to reduce their volume of classified loans through strengthening recovery drive across the country, a BB senior official said. There is no alternative but to boost recovery drive to improve their (SoCBs) financial health, the central banker explained. The public banks have been advised to expedite SME lending to bring unbanked people under the banking network, he remarked.

- The BB's latest instructions came against the backdrop of a rising trend in the overall non-performing loans (NPLs) in the banking sector, particularly in the SoCBs, in December 2018. The total volume of defaulted loans with the six SoCBs rose to BDT 486.96 billion as of December 31, 2018, from BDT 373.26 billion on the same day of 2017. The meeting also reviewed issues like liquidity situation, recovery position of NPLs, particularly top 20 defaulted loans, and credit growth of the SoCBs, the sources added.

- They said the SoCBs have also been asked to be more careful in case of borrower selection and exercise due diligence properly while sanctioning fresh loans. The public banks have already been asked to strictly abide by the existing core risk-management guidelines for improving their efficiency. The SoCBs were also advised to use all types of options-recapitalise fund, issuing bonds, own profits and reducing amount of the risk weighted assets-to meet their capital shortfalls.

<http://today.thefinancialexpress.com.bd/first-page/bb-asks-four-socbs-to-focus-on-sme-lending-1557681633>

<https://www.dhakatribune.com/business/banks/2019/05/12/bangladesh-bank-asks-four-socbs-to-boost-recovery-from-top-defaulters>

<https://www.thedailystar.net/business/news/extend-liquidity-support-private-banks-1742761>

GP faces fresh restrictions

- The telecom regulator has decided to increase the floor price of Grameenphone's call rate by 5 paisa to BDT 0.50 a minute from June as part of the restrictions of being declared a significant market power (SMP) player. Currently, the minimum call rate is BDT 0.45 a minute and after adding the value-added tax and other duties it goes up to BDT 0.54 to any operator. But for Grameenphone it will be about BDT 0.61 a minute. However, the hike in minimum call rate is unlikely to impact the existing Grameenphone users as the operator is already charging much higher than the floor price, said Md Jahurul Haque, chairman of the telecom watchdog. Grameenphone's average call rate is now BDT 0.70 a minute, according to their financial statement.

- The market leader will also have to pay 5 paisa more to other operators for calls its subscribers make to another network. At present, the interconnection cost is 10 paisa a minute. But for Grameenphone it will be 15 paisa, according to the letter. Grameenphone sends about 70 million minutes of calls to other operators in a day and it receives about

100 million minutes from the others. Thanks to this gap the market leader earns handsome revenue every day.

- In the third restriction, the BTRC has made it easier for a user to leave Grameenphone under the mobile number portability facility. Currently, if a subscriber wants to switch to another network, he/she will have to stay with the new carrier for at least 90 days. But such subscribers can abandon Grameenphone after 30 days.

- The final restriction stipulates prior approval from the telecom regulator before Grameenphone rolls out any package. The operator also needs to take approval for its existing packages and offers from the regulator. Currently, operators can rollout packages just by informing the telecom regulator.

<https://www.thedailystar.net/business/telecom/news/gp-faces-fresh-restrictions-1742767>

All exports to get same incentives in budget

- All export-oriented sectors will get incentive benefits, similar to ready-made garments (RMG), from the next financial year (FY), 2019-20, to ensure diversification in the country's exports, Prime Minister's (PM) Private Industry and Investment Adviser said on Sunday. All the incentives, provided to garments sector, will now be given to all exports, irrespectively. The decision to give equal incentives to all exports will be reflected from the next budget, he added.

<http://today.thefinancialexpress.com.bd/last-page/all-exports-to-get-same-incentives-in-budget-1557682117>

Two companies to raise capital through SME Platform

- Two small cap companies namely Krishibid Seed and Annex Suites have taken initiatives to raise capital through SME Platform of the country's premier bourse. As part of the process of raising capital, both the companies have signed agreement with their issue manager-- MTB Capital. The Dhaka Stock Exchange (DSE) formally launched the 'DSE SME Platform' on April 30 last to facilitate the growth of small and medium sized companies.

- As per the agreement, Krishibid Seed, a private limited company of Krishibid Group, will raise a capital worth BDT 150 million offloading 15 million ordinary shares at an offer price of BDT 10 each under the fixed price method. The company produces, processes and markets high quality seeds of cereals and other high value crops and assists farmers to enhance crop production.

- Annex Suites, a luxury resort situated at Jaleshwaritola in Bogura, will raise a capital worth BDT 100 million under the fixed price method. According to the rules of SME Platform, only the qualified investors can submit their intention to subscribe the issue offered by the SMEs for raising fund. The qualified investors are merchant bankers and portfolio managers, asset management companies, mutual funds and collective investment scheme (CIS), stock dealers, banks, financial institutions, insurance companies, alternative investment fund managers, alternative investment funds, market makers, issuer of listed securities, resident or non-resident Bangladeshi, individuals having minimum net worth of BDT 10 million and other institutions as approved by the commission.

<http://today.thefinancialexpress.com.bd/stock-corporate/two-cos-to-raise-capital-through-sme-platform-1557683049>

EIs under watch to check abuse of IPO quota

- The securities regulator is set to redefine the categories of eligible investors (EIs) to check the abuse of IPO (initial public offering) quota system. To this end, the Bangladesh Securities and Exchange Commission (BSEC) has now been working to amend the BSEC (Public Issue) Rules, 2015, which deals with EI issues, among others.

- Recent years saw an exponential growth of registered pension fund, provident fund and gratuity fund and most of these entities have been participating in the IPOs to take advantage of the quota facility, officials said. Besides, many stock dealers are also abusing their licences, as they only participate in the IPOs but do not make other market investment, they said. Currently, a committee of the BSEC has been working on this issue and it will submit its reports shortly, they added.

- They've noted that the number of registered provident and pension funds is mushrooming in recent times," said an insider. The regulator may bar such entities from participating in the IPOs, he added. BSEC Chairman has also raised the issue on many occasions.

<http://today.thefinancialexpress.com.bd/last-page/eis-under-watch-to-check-abuse-of-ipo-quota-1557682169>

Islamic Finance to issue bond worth BDT 3.0 billion

- The board of directors of Islamic Finance & Investment has approved to issue IFIL Mudaraba non-convertible fully redeemable subordinated bond of BDT 3.0 billion, said an official disclosure. The company will issue the bond only for raising fund 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/islamic-finance-to-issue-bond-worth-BDT-30b-1557683155>

ACI reply about Shwapno losses not acceptable: Dhaka Stock Exchange (DSE) body

- Dhaka Stock Exchange (DSE) will further investigate the alleged financial irregularities of ACI Logistics Limited, or Shwapno, as DSE Inquiry Committee found the explanation of ACI unacceptable, a DSE director has said.
- A decade of losses, Shwapno—comprising 76% of ACI Logistics—has weighed heavily on the profitability of ACI Ltd, registering a loss for the parent company ACI. In the previous fiscal year (FY2017-18), Shwapno incurred losses worth BDT 1.35 billion, and its cumulative loss stood at BDT 8.91 billion, according to ACI's annual report.

<https://www.dhakatribune.com/business/stock/2019/05/12/dse-to-further-probe-shwapno-s-reported-loss>
<http://www.newagebd.net/article/72238/aci-reply-about-shwapno-losses-not-acceptable-dse-body>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$61.61	-0.05	-0.08%
Crude Oil (Brent)*	\$70.78	+0.16	+0.23%
Gold Spot*	\$1,284.24	-1.81	-0.14%
DSEX	5,273.93	-1.91	-0.04%
Dow Jones Industrial Average	25,942.37	+114.01	+0.44%
FTSE 100	7,203.29	-4.12	-0.06%
Nikkei 225	21,237.71	-107.21	-0.50%

Exchange Rates

USD 1 = BDT 84.32*
 GBP 1 = BDT 109.73*
 EUR 1 = BDT 94.73*
 INR 1 = BDT 1.20*

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

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