

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.

Foreign funding: Disbursement up, commitment down

- Aid commitments by development partners have seen a sharp fall although the disbursement of foreign funding has risen – a trend which has been apparent since the beginning of the current fiscal year 2020-21. In the July-October period of FY21, the commitment to fresh loans and grants from development partners reduced by 45.0%. But the release of foreign funding increased by 19.4% over the same period of Fiscal Year 2019-20. According to an updated report by the Economic Relations Department, in the first four months of FY21, the development partners pledged a total of USD 1,233.5 million. Of this, USD 1,040.9 million would be financed through debt and USD 192.6 million through grants. The pledged amount is USD 989 million less than what it was in the same period of the last fiscal year. The amount pledged in FY20 was USD 2,222.8 million.
- Meanwhile, foreign aid released till October of the current financial year amounted to USD 1,711.2 million – which is USD 278.0 more than the same period in the last fiscal year. The last fiscal year's disbursement was USD 1,433.7 million. Till October, the Japan International Cooperation Agency (JICA) released the most, USD 647.1 million, followed by the World Bank (WB) with USD 348.1 million, the Asian Development Bank (ADB) with USD 246.7 million and China with USD 246.4 million. The government is making an effort to get USD 500.0 million in financial assistance from the WB, ADB, JICA, and Asian Infrastructure Investment Bank to buy vaccines. Additionally, France and Germany have been asked to provide USD 200.0 million in aid. In addition, budgetary support of USD 250.0 million from the World Bank is likely in the current fiscal year.

<https://tbsnews.net/economy/foreign-funding-disbursement-commitment-down-162625>

Extreme poor's bank deposits halve in pandemic

- Deposits the extreme poor keep in bank accounts opened with BDT 10 halved at the end of the third quarter this year compared to the same period last year, but the number of accounts has increased slightly. According to the central bank's report on these no-frills accounts published on Tuesday, at the end of September, the balance in these accounts stood at BDT 1.9 billion, which was BDT 3.7 billion in the same period last year. Deposits decreased by BDT 1.7 billion (48%). As part of financial inclusion, in addition to the extreme poor, farmers, beneficiaries of social security programmes, freedom fighters, apparel workers, street children and the socially disadvantaged groups have the facility to open accounts with a nominal amount of money. In addition to BDT 10.0, accounts can be opened with BDT 50 and BDT 100. These are known as no-frills accounts.
- At the end of September this year, the number of such accounts was 22,056,710, and deposits in the accounts stood at BDT 21.8 billion. The number of accounts increased by 8.48%. However, the amount of deposits did not increase in line with the rise in the number of accounts. At the end of July-September quarter this year, deposits increased by only 0.33% compared to the same period last year. At the end of September last year, deposits stood at BDT 21.7 billion.
- 83.0% of these accounts and 79.0% of the deposits are held in five government and specialised banks. Farmers hold 44.0% of no-frills accounts. The highest deposits in these accounts belong to beneficiaries of the social security programmes, which is about 28.0% of total deposits. At the end of September this year, farmers had BDT 4.0 billion, the extreme poor BDT 1.9 billion, freedom fighters BDT 5.2 billion, social security programmes' beneficiaries BDT 6.1 billion, garment workers BDT 1.8 billion and others BDT 2.9 billion. During this period, BDT 4.97 billion came to the country in remittance through 0.125 million no-frills accounts. The highest amount of remittance, BDT 4.1 billion, was sent to farmers' accounts.

<https://tbsnews.net/economy/banking/extreme-poors-bank-deposits-halve-pandemic-162604>

SMEs play first fiddle in trading

- Trading has emerged as the most dominant SME business in Bangladesh followed by manufacturing, according to a latest survey released on Tuesday. The survey said some 69% SMEs is involved in the trading sector while 18% in manufacturing. The service sector consists of over 9.0%. And 95% of the enterprises cater to local markets. Only 1.3% was catering to the export market. The survey conducted jointly by IDLC Finance and think-tank Policy Research Institute of Bangladesh (PRI).
- The survey said 92.0% SMEs start business with their own resources while some 3.0% funds come from family and friends. Only 2.8% resources come from institutional sources, of which IDLC accounts for 1.0%. The study reveals 105.7% growth in employment generation by SMEs from its inception time. The largest growth rate has been found for salaried jobs with 134% over the entire period. It said the turnover in Chattogram is almost double those of other three regions.

- SMEs account for about 45.0% of manufacturing value addition, about 80.0% of the industrial sector employment and about 90% of total industrial units. They employ approximately 25.0% of the labour force. The industrial sector makes up 31% of the country's gross domestic product (GDP), most of which is coming from SMEs.

<https://today.thefinancialexpress.com.bd/last-page/smes-play-first-fiddle-in-trading-survey-1606242940>

<https://tbsnews.net/economy/power-smes-162634>

<https://www.thedailystar.net/business/news/smes-access-finance-double-employee-numbers-inception-2000641>

Banks find themselves in unfamiliar territory in agri-stimulus fund disbursement

- Banks are struggling to disburse funds from the BDT 50 billion rescue package announced by the government on April 13 for the farm sector for want of experience in giving out agricultural loans. As of October, the banks have disbursed BDT 22.68.4 billion, meaning they have a little over a month to give out the entire sum, according to the latest data from the Bangladesh Bank (BB). As many as 43 banks have signed up with the central bank to disburse the agri-stimulus fund and most of them have disbursed 0.7% to 7.0% of their allotted sum. One Bank has disbursed the lowest amount: BDT 620 million.

- According to the managing director of Dhaka Bank, the effects of the pandemic and floods were the reasons for the delay, adding that the agricultural loans have to be distributed centered on the season. It is not possible to complete the disbursement process by December, the deadline should be extended further," said the managing director of Mutual Trust Bank. The bank has managed to disburse just 7.0% of its allotted sum to 57 farmers so far. Disbursing loans for the farm and small- and medium-sized enterprises sectors are more time-consuming than for large industries.

<https://www.dhakatribune.com/business/banks/2020/11/25/banks-find-themselves-in-unfamiliar-territory-in-agri-stimulus-fund-disbursement>

National Board of Revenue (NBR) allows import of painted completely knocked down (CKD) motorcycles

- The National Board of Revenue has allowed import of painted completely knocked down (CKD) motorcycles to facilitate the local assembling industry. Customs wing of the revenue board has recently extended the benefit up to June 30, 2021, suspending the previous ban on import of painted CKD motorcycles. Officials said that the benefit was offered following a demand made by the Bangladesh Motorcycle Assemblers and Manufacturers Association. The revenue board in the budget for the current fiscal year 2020-2021 discontinued the benefit it had offered for the last few years through amending a directive issued in 2015, they said.

- Motorcycle assemblers under a policy issued in 1997 by the NBR could import painted CKD motorcycles. Though the NBR in 2015 scrapped the benefit, it later continued the facility until June 2020. Since then, local manufacturers had been demanding continuation of the scope for painted CKD motorcycle import to cope with the negative impact of coronavirus outbreak.

- ACI Motors executive director Subrata Ranjan Das said that the continuation of painted motorcycle import facility would help the sector. But there are many other problems affecting import of CKD motorcycles as customs officials are halting release of the products over definitions of several technological matters put in the 1997 policy. The definitions are now outdated but officials are creating obstacles to releasing the imported CKD motorcycles due the definitions, he said. A huge number of motorcycles of various companies have remained stuck in ports, he added.

<https://www.newagebd.net/article/122517/nbr-allows-import-of-painted-ckd-motorcycles>

<https://www.thedailystar.net/business/news/import-painted-bike-components-allowed-again-2000645>

Apparel makers' letter of credit (LCs) woes

- Country's apparel manufacturers and exporters, mainly the ones using local raw materials, are facing difficulties in procurement of inputs due to complexities in opening back-to-back letter of credit (LCs), industry insiders said. They alleged that a number of banks have recently declined some exporters in this regard for not having their valid bond licence - a mandatory document to open the LCs. The customs bond commissionerate under the National Board of Revenue (NBR) issues licence for the exporters to avail bonded warehouse facilities to import raw materials without duty and taxes.

- The industry insiders alleged that the exporters have to face unusual harassment in obtaining the bond licence from the customs as they have to bribe the officials a significant amount of money for the licences. Currently, some 40.0% woven exporters, 60.0% of knitwear exporters, 70.0% of home textiles exporters and 95.0% of terry towel exporters procure 100.0% of their raw materials from local sources, the apparel exporters said.

<https://today.thefinancialexpress.com.bd/first-page/apparel-makers-lc-woes-1606241811>

Tax policy getting in the way of a thriving SME sector

- The country's existing tax policy does not support the small- and medium-sized entrepreneurs to flourish; rather it holds back their progress, said experts on Tuesday. The impact of tax policy is severe on SMEs. For instance, an entrepreneur has to pay 7.0% advance income tax, whereas his/her gross profit margin is 5.0%, said a former economist of the International Monetary Fund. When a manufacturer wants to produce a part of its product by an SME entrepreneur through subcontracting, he/she has to pay a 10.0% value-added tax, which increases the cost of doing business.

<https://www.dhakatribune.com/business/economy/2020/11/24/tax-policy-getting-in-the-way-of-a-thriving-sme-sector>

IPO subscription of two companies begins next month

- The initial public offering (IPO) subscription of two companies, Energypac Power Generation and Mir Akhter Hossain will commence on December 7 and December 24 respectively. Energypac Power will raise BDT 1.50 billion while Mir Akhter Hossain will raise BDT 1.25 billion under the book-building method. The IPO subscription of Energypac Power Generation will commence on December 7 which will raise BDT 1.50 billion under the book-building method. The subscription for shares of the company will be continued until 5:30pm on December 13, according to its prospectus.
- The IPO subscription of Mir Akhter Hossain, the country's one of the leading construction and engineering companies, will open on December 24, aiming to raise BDT 1.25 billion under the book-building method. The company's IPO subscription will be continued until December 30 at 5:30pm, according to the company's abridged prospectus published on Tuesday.
- The cut-off price of Energypac Power shares had been fixed at BDT 35 each through electronic bidding by eligible institutional investors held on September 21 to September 24. And the cut-off price of Mir Akhter shares had been fixed at BDT 60 each through electronic bidding by eligible institutional investors held between October 4 and October 7 this year.

<https://today.thefinancialexpress.com.bd/stock-corporate/ipo-subscription-of-two-cos-begins-next-month-1606234913>

No shimmer left in Ring Shine Textiles

- Ring Shine Textiles on Monday announced the closure of its factory for one more month until December 24 for want of orders, in yet another spot of bad news for its retail investors. Earlier on September 27, the company had announced that its textile manufacturing plant in Savar's Dhaka Export Processing Zone would be on recess until October 25, which was later extended by a month to November 25. The move comes in the face of shrinking orders from foreign buyers and a shortage of imported raw materials for the global coronavirus pandemic, said the company secretary of Ring Shine Textile
- This is not the only spot of mystery surrounding the company; on November 15 the company announced the postponement of the board meeting to review the financial statement for the first quarter for its 2020-21 financial year for no specific reason. A new date was not announced either. To add to the concern of its retail investors is the disclosure in its 2019-20 financial year report that the company has a negative cash flow per share. Since the expenses related to depreciation and amortisation are not actually cash expenses, adding them back keeps the company's cash flow numbers from being artificially deflated.

<https://www.dhakatribune.com/business/stock/2020/11/25/no-shimmer-left-in-ring-shine-textiles>

ACI's turn to explain BDT 18.3 billion intercompany loans

- The Bangladesh Securities and Exchange (BSEC), as part of its ongoing drive against unlawful intercompany lending to subsidiaries, associates and sister companies, has asked the ACI Ltd to explain why it lent over BDT 18.3 billion to its subsidiaries violating regulations. Alongside the justifications of own lending, the listed conglomerate has been asked to also submit the breakdown of its interest income and expenditure within seven days.
- ACI's total intercompany lending figure is the highest so far among those made by the listed companies, as the BSEC already found over 50 entities that violated a 2006 rule while lending to private entities controlled by their sponsor-directors. Over a hundred of more than 320 listed companies are yet to report their balances of intercompany loans, BSEC officials told The Business Standard. The regulator, in its recent letter to the ACI Ltd, said the company's outstanding loans and advances to its subsidiary companies was BDT 18.3 billion at the end of last March, despite the fact that the company's own paid-up capital is only BDT 573.7 million.

<https://tbsnews.net/companies/its-acis-turn-explain-tk1831cr-intercompany-loans-162610>

IFIC Bank's rights offer rejected as no underwriter found

- The Bangladesh Securities and Exchange Commission has cancelled IFIC Bank Limited's rights offer proposal due to inability of the bank to appoint an underwriter. IFIC Bank had been struggling with its fresh rights issue plan as the bearish market has kept share prices of the bank below the face value of BDT 10.0 each. The bank had planned to mop up around BDT 3.4 billion from shareholders through issuing right shares at BDT 10.0 each.
- On July 30, the bank revised its rights offer plan for the second time. It had reduced the ratio of right shares to 1R:5 (1 right share for every five shares held) from 1R:1 last year. Despite raising capital through rights offer in 2017 and bonus shares in every year, the bank had submitted another right offer proposal to the BSEC in May last year to the ratio of one right share against one existing share. But, observing the investors' negative sentiment and bearish market trend, the bank had to revise the proposal in August last year and in July this year.

<https://www.newagebd.net/article/122477/ific-banks-rights-offer-rejected-as-no-underwriter-found>
<https://www.dhakatribune.com/business/stock/2020/11/24/ific-s-right-offer-bid-scrapped>

Reliance Finance rechristened as Aviva Finance

- Bangladesh Bank on Tuesday allowed Reliance Finance to rename itself as Aviva Finance, as the non-banking financial institution requested to change its identity and branding as an Islamic finance company. A top official of Aviva Finance seeking anonymity said they were going to transform their institution from a conventional financial institution to an Islamic one. As part of the move, the name was changed, along with the subsequent branding, he added.

<https://www.dhakatribune.com/business/2020/11/24/reliance-finance-rechristened-as-aviva-finance>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 44.79	(USD 16.84)	-27.32%
Crude Oil (Brent)*	USD 47.86	(USD 20.58)	-30.07%
Gold Spot*	USD 1,808.11	USD 286.64	18.84%
DSEX	4,833.20	380.27	8.54%
S&P 500	3,635.41	404.63	12.52%
FTSE 100	6,432.17	(1,154.88)	-15.22%
BSE SENSEX	44,523.02	2,880.88	6.92%
KSE-100	39,863.36	(871.72)	-2.14%
CSEALL	6,087.66	(41.55)	-0.68%

Exchange Rates

USD 1 = BDT 84.87*

GBP 1 = BDT 113.38*

EUR 1 = BDT 100.96*

INR 1 = BDT 1.15*

*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	CEO (Acting)	bappi@bracepl.com	01730 357 991
----------------------	--------------	--	---------------

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