

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.

Balance of Payments (BoP) returns to black

- Bangladesh's balance of payments (BoP) returned to the black in July on the back of a sharp decline in imports and a rise in remittance and exports. The BoP, which states all transactions made between one country and the rest of the world, stood at a deficit of USD 77 million in July last year. But it climbed to a surplus of USD 1.127 billion in the first month of the current fiscal year, data from the central bank showed. Similarly, the current account balance was USD 108 million in the negative in July last year, but it jumped to USD 1.965 billion in the positive in the same month this year.

- There has been a major change in the balance of payment in July, signaling both strengths and weaknesses in the economy, said a former lead economist at the World Bank's Dhaka office. He said the current account registered a surplus of nearly USD 2 billion. This was due to the sharp decline in the trade deficit and a significant spike in remittances. As a result, the overall balance had a surplus exceeding USD 1.1 billion despite a deficit in the financial account. This contributed to an increase in official foreign exchange reserves as Bangladesh Bank purchased dollars to prevent exchange rate appreciation.

<https://www.thedailystar.net/business/news/bop-returns-black-1959381>

Banks' April-June industrial term loan recovery drops by 57%

- Recovery of industrial term loans dropped by 56.88% or BDT 134.41 billion in the last quarter of the fiscal year 2019-2020 compared to the corresponding period in the previous fiscal year. In the April-June quarter of FY20 when business and economic activities were almost cut by half due to the coronavirus outbreak, industrial term loans recovered plunged to BDT 101.88 billion from BDT 236.29 billion in the same quarter of FY19, showed a Bangladesh Bank statement.

- The country's banks have witnessed the worst loan recovery in recent times during the quarter as a large segment of loans became defaulted due to the devastating impact of the pandemic on businesses and economic activities, said officials of banks. Not only industrial term loans but all other loan segments also faced the same fate during the pandemic, they said. Immediately after the coronavirus, the central bank came up with a number of regulatory forbearances to support local businesses so that the entities could at least stay afloat during the pandemic.

- As part of the regulatory forbearances after the flu broke out on March 8, the BB issued a circular on March 19 barring the banks from treating their borrowers' as defaulters due to non-payment of loan instalments till June this year. A number of bankers and economists said that without an extension, a spike in defaulted loans would put the existence of a large number of business entities at stake which would in turn negatively impact the banks.

<https://www.newagebd.net/article/115983/banks-apr-june-industrial-term-loan-recovery-drops-by-57pc>

Agent banking on a roll

- Overall deposits with agent banking accounts doubled in July compared to the same period a year ago as more and more people are keeping faith with the new banking model. Deposit balance stood at BDT 52.51 billion in July last year and it rose to BDT 107.88 billion in the same month this year, Bangladesh Bank data shows. Loan disbursement increased by 220% to BDT 949 million in the same period while utility bill payments were up 23.45% to BDT 937 million.

- The number of agents jumped by 47.75% year-on-year to 9,180 in July while the total number of outlets reach 12,861 at the end of July this year, up 44.91% compared to the same month a year ago, central bank data shows. As of July, there were 76,85,990 agent banking accounts in Bangladesh, which is 115% higher than in the same month last year.

<https://www.thedailystar.net/business/news/agent-banking-roll-1960457>

Two lots of Bangladesh origin drugs recalled in US

- Two lots of a diabetes controlling drug of Bangladesh origin were recalled in the US last month for containing a compound that has the potential to cause cancer. The drugs were manufactured by Beximco Pharmaceuticals in Bangladesh, to be marketed in USA by Bayshore Pharmaceuticals, LLC, located in the state of New Jersey. On August 20, the Federal Drug Administration of United States announced that Bayshore is recalling two lots of the drug called Metformin Hydrochloride Extended-Release because the drugs contained a carcinogenic compound called NDMA.

- Beximco Pharmaceuticals said NDMA came to be in their drug from an impurity in the raw material. Our scientists have confirmed that the problem is not related to our formulation or manufacturing process but highly likely to be linked to the API [the raw material] or its manufacturing process, said the chief operating officer of the company. We source the API from a company called Wanbury Ltd in India. Perhaps the NDMA was formed during the purification process, he added. However, while the FDA came down on NDMA and Beximco recalled their products internationally, the Directorate General of Drug Administration is yet to make a decision about the local market, which contains 427 registered formations of Metformin Hydrochloride.

<https://www.thedailystar.net/backpage/news/two-lots-bangladesh-origin-drugs-recalled-us-1959813>

Pandemic may cast a pall on FDI

- The rising trend in foreign direct investment (FDI) for Bangladesh may slow down this year due to the economic fallout of the coronavirus outbreak, experts believe. The total value of FDIs made across the globe will witness a 20% fall by the end of 2020 because of the emergence of the deadly contagion, according to a projection of the United Nations Conference on Trade and Development. The Covid-19 outbreak will slow the rate of investment in general, but it will be particularly detrimental to FDIs as foreign investors are worried about the health risks, said the research director at the Centre for Policy Dialogue. Investors who were previously keen to invest in Bangladesh may reconsider their plans due to the recent economic uncertainty brought on by the pandemic as well, he said.
- Foreign investment in Bangladesh fell over 40% year-on-year to around USD 2.15 billion in the January-September period in 2019, according to Bangladesh Bank data. Of the USD 2.15 billion, USD 602.79 million went to equity, USD 999.78 was for reinvested earnings and the remaining USD 551.29 million was in intra company loans. However, it is worth mentioning that FDIs worth USD 2.58 billion came to Bangladesh in fiscal year 2017-18, which jumped to USD 3.88 billion in the next fiscal year, registering a 50.71% increase, according to Bangladesh Bank data. Since achieving independence in 1971, Bangladesh has received a total of USD 17.31 billion in FDIs, the central bank data shows.

<https://www.thedailystar.net/business/news/pandemic-may-cast-pall-fdi-1959409>

Ceramic industry takes a hit from pandemic

- The Covid-19 pandemic has dealt a severe blow to the country's ceramic goods manufacturing industry, which had been showing a remarkable prospect in the recent years. The industry is now struggling to survive despite the resumption of economic activities lately, industry insiders have said. Weak demand for all sorts of ceramic products in domestic and international markets, supply chain disruption, and persistent sluggishness in other associated sectors, particularly the real estate, are blamed for the situation.
- Though the sales volume of ceramic products is gradually increasing, still it is well below the desired level, traders said. The manager of Classic Centre - a ceramic tableware distribution outlet in the city's Elephant Road area, said their sales volume is still very low compared to the pre-Covid period. The Export Promotion Bureau (EPB) data revealed that Bangladesh's export earnings from all sorts of ceramic products shrank by 59.45% to USD 27.97 million in the fiscal year (FY) 2019-20, from USD 68.97 million of the previous FY.
- The sector registered a hefty growth of 32.79% in FY 2018-19 from USD 51.94 million in FY 2017-18. Because of the popularity of Bangladeshi ceramic items abroad, the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA) had expected to earn USD 1.0 billion through export. Bangladesh has become nearly self-reliant in producing ceramic products from an import-dependent nation just two decades ago.

<https://today.thefinancialexpress.com.bd/public/first-page/ceramic-industry-takes-a-hit-from-pandemic-1599843914>

State enterprises hand govt BDT 167.46 billion of their surplus funds

- State-owned enterprises have deposited BDT 167.46 billion to the national exchequer since laws were passed in the beginning of the year to make it mandatory for them to hand over the idle and surplus funds to the government. In Bangladesh, there are 68 state-owned autonomous organizations, which hold BDT 2.12 trillion in combined deposits in banks. The corporations have kept the money as deposit or investment. According to the new law, the surplus funds have to be deposited to the state coffer after keeping aside the operational cost, additional 25% of the operational cost as emergency funds, money for general provident fund and pension. The respective organization would estimate its operational cost. The agencies will have to deposit the funds within three months after a fiscal year comes to an end.

<https://www.thedailystar.net/business/news/state-enterprises-hand-govt-BDT-16746cr-their-surplus-funds-1959413>

Five banks hold 60% shares of total remittance earnings

- Five banks hold nearly 60% shares of the total inbound remittance in the April-June quarter of this year owing to their strong distribution networks and good management that attracted much of the Bangladeshi diaspora. Bangladeshi expatriates sent USD 4.43 billion in remittances during the second quarter (April-June) of 2020, according to a report of

the Bangladesh Bank (BB). The figure was 2.6% lower than in the same quarter of the previous year owing to the coronavirus pandemic.

- Of the total, Islami Bank Bangladesh had the highest, or 30.10% of market shares of the total remittance earned through banking channels. Besides, Dutch Bangla Bank holds 9.6% in market shares, Agrani Bank holds 8.4%, Sonali Bank holds 7.9% and Bank Asia holds 3.8% in market shares of the total remittance earnings during the second quarter of this year, as per BB report on Remittance Earnings. Strong distribution channels, good management and incentives were the key reasons behind holding the major market shares of the remittance earnings by the top five banks, said a high official of the Bangladesh Bank.

- Agent banking in rural areas has been a bridge between Bangladeshi expatriates and their relatives in the matter of sending their income home amid the pandemic, he added. The amount of inward remittances through agent banking rose to BDT 266.50 billion at the end of June this year. The top five remittance earning banks have many agent outlets in rural areas, which made them the top remittance earning banks, another BB official has said.

<https://www.dhakatribune.com/business/banks/2020/09/10/five-banks-hold-60-shares-of-total-remittance-earnings>

10% tax imposes on reinvestment of 5 year NSC over BDT 0.5 million

- Profit along with principal would be treated as a fresh investment in case of auto reinvestments in five-year national saving certificates (NSC) and the applicable source tax will be determined based on the invested amount, according to the Bangladesh Bank. For auto reinvestment of five-year national saving certificates, source tax at the rate of 10% would be deducted if investments exceed BDT 0.5 million for any payment after July 1, 2019. In case of investments not exceeding BDT 0.5 million, source tax would be deducted at the rate of 5%.

<https://tbsnews.net/economy/stock/capital-market-be-digitally-transformed-2021-132037>

BSEC to clarify role of independent directors soon

- The securities regulator will continue its crackdown on unscrupulous persons who are out to gobble up investors' hard-earned money through various deceitful acts. While ensuring the ease of doing business, the unscrupulous persons will not be allowed to embezzle investors' money, BSEC chairman said. The list of sponsor-directors, who do not have required amount of shares, will also be published, the BSEC chairman said, adding the commission will be facilitating the sponsor-directors who are holding the required volume of shares.

- The BSEC is annoyed with the role of independent directors. A package outlining the role of independent directors will be announced soon, said the BSEC chairman added. He said the boards of non-compliant companies, which want to remain out of touch, will be restructured to ensure their accountability.

<https://today.thefinancialexpress.com.bd/first-page/bsec-to-clarify-role-of-independent-directors-soon-1599930248>

<https://www.newagebd.net/article/116064/bsec-to-continue-drive-against-wrongdoers-chairman>

BSEC approves Index Agro's share bidding

- The securities regulator has approved the proposal of the Index Agro Industries to determine the cut-off price of its shares, a requirement for going public under the book-building method. As per its IPO proposal, Index Agro will raise a capital worth BDT 500 million for the purpose of constructing buildings, purchasing machinery and bearing the IPO expenses.

- According to the financial statement for the year ended on June 30, 2019, the company's net asset value per share stood at BDT 45.03 (with revaluation reserve) while the earnings per share (EPS) was BDT 7.07. AFC Capital is the issue manager of Index Agro Industries.

- At the Thursday's meeting, the securities regulator also approved another proposal of the Southeast Bank to issue BDT 5.0 billion subordinated bond. The non-convertible and floating rated bond will be issued to local financial institutions, insurers, different funds, corporate and eligible investors through private placement. Southeast Bank will raise the capital to strengthen its Tier-II capital base. The securities regulator has also imposed a condition requiring the bond to be included in the alternative trading board of the stock exchange.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/bsec-approves-index-agros-share-bidding-1599755992>

<https://www.dhakatribune.com/business/stock/2020/09/10/index-agro-gets-nod-to-discover-ipo-cut-off-price>

RMG exporters, experts cautiously optimistic

- The country's readymade garment exporters and economists said that they were cautiously optimistic about the positive growth of export earnings in the coming months as Bangladesh was yet to overcome the impact of the coronavirus outbreak. Although the world economy is recovering, it might take more time for exports to rebound as the

second wave of the pandemic has started causing further damage to businesses in some European countries, they said.

- Experts and exporters also said that possibly Bangladesh's export earnings from RMG would rebound but not in the near term as the second wave of the pandemic had started to create problems on the demand side. Orders received in April and May were produced by exporters in June, July and August due to the pandemic, said the Policy Research Institute of Bangladesh executive director. He said that the world economy was still recovering and they were cautiously optimistic about the rebound in export growth in the coming months.
- He, however, thought that it would take time for that to happen until a vaccine came as the second wave of the pandemic was hurting demand in some countries, including the United Kingdom, France and Spain. He hoped that the world might get a solution to COVID19 in the early part of next year and then exports would pick up. Bangladesh Garment Manufacturers and Exporters Association former vice-president said that the export earnings might fall in September and October compared to July and August as the buyers had placed 20% less orders than last year.

<https://www.newagebd.net/article/116057/rmg-exporters-experts-cautiously-optimistic>

Import ban on used cars to leave the market uneven

- The government's plan to impose a ban on the import of reconditioned vehicles to promote local manufacturing and assembling will create an imbalance in the domestic market, according to Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida). Manufacturing cars in Bangladesh would be a matter of national pride and Barvida encourages this initiative, said the president of the association. But the government should give priority to the choice of customers before going for such a ban as 85% of the passenger cars in Bangladesh at present are imported reconditioned vehicles, he said. The proposed policy will destroy competition between the importers of reconditioned and brand-new cars, he said.
- An immediate ban on import of reconditioned cars would be a suicidal step for the government as it directly earns at least BDT 40 billion in revenue from import duties alone, secretary general of Barvida said. Over the past three years, about BDT 200 billion has been invested in the sector, which created at least 30,000 direct employments.

<https://www.thedailystar.net/business/news/import-ban-used-cars-leave-the-market-uneven-1960449>

Capital market to be digitally transformed by 2021

- A webinar on digital transformation of the Bangladesh capital market was held on Saturday to formulate a roadmap on setting up infrastructure necessary for the digitalization. Our capital market will be digitally transformed by 2021, said the Chairman of Bangladesh Securities and Exchange Commission (BSEC). He added that the commission will finalize a to-do list for a completely digital capital market infrastructure within the coming six months while the entire project is scheduled to be completed by the end of 2021.

<https://tbsnews.net/economy/stock/capital-market-be-digitally-transformed-2021-132037>

After a massive meltdown, ice cream industry hopes for a recovery next year

- With only one month left of the current season, ice cream sales have seen some spikes, though not enough to make the major players optimistic about a turnaround until next year. Ice cream is a seasonal product in Bangladesh, and the peak sales period of this summer staple is from March to September. This time around, the ongoing pandemic has ruined the entire business of this frosty dessert, putting the growing industry in a tight corner.
- According to a recent study by LankaBangla Investment Limited, the market size of the ice cream industry in the country is BDT 12 billion and the market is growing fast at a rate of 15% every year. Abdul Monem Limited's Igloo is the foremost market player holding 38% market share in the ice cream industry, followed by Dhaka Ice Cream Industries Limited's Polar Ice Cream (28%) and Kazi Food Industries Limited's Za'n Zee and Bellissimo (13%). The cumulative market share of other brands is 21%, according to the study.

<https://tbsnews.net/economy/industry/after-massive-meltdown-ice-cream-industry-hopes-recovery-next-year-131722>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$37.33	(\$24.30)	-39.43%
Crude Oil (Brent)*	\$39.83	(\$28.61)	-41.80%
Gold Spot*	\$1,940.55	\$419.08	27.54%
DSEX	5,011.30	558.37	12.54%
S&P 500	3,340.97	110.19	3.41%
FTSE 100	6,032.09	(1,554.96)	-20.49%
BSE SENSEX	38,854.55	(2,787.59)	-6.69%
KSE-100	42,530.67	1,795.59	4.41%
CSEALL	5,438.91	(690.30)	-11.26%

Exchange Rates

USD 1 = BDT 84.83*

GBP 1 = BDT 108.57*

EUR 1 = BDT 100.5*

INR 1 = BDT 1.15*

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

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