

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 Bank (BB) plans uniform method to calculate cost of funds

- The central bank is set to come up with a new formula for calculating the cost of funds for banks with a view to bringing down the interest rate on lending, much to the trepidation of bankers. The cost of funds is the interest rate paid by lenders for the funds they use in their business. The move comes as banks now calculate their cost of fund following different methods, raising questions of transparency. In a bid to bring uniformity the Bangladesh Bank has now decided to come up with a blanket formula that all banks must use to calculate their cost of funds.
- Bankers said that the forthcoming method will help the central bank to keep the interest rate on lending at 9% -- a move that will have a negative impact on lenders. The new formula will show a lower cost of fund, said the managing director of a bank wishing not to be named. He fears that the central bank may stipulate a lower spread between the cost of funds and the interest rate charged to borrowers in order to bring down the interest rate on lending to single digits. To make profit, banks keep the spread at at least 5%, he said. The spread between the cost of funds and the interest rate charged to borrowers represents one of the main sources of profit for many financial institutions.
- The cost of funds is one of the most important input costs for a lender since a lower cost will end up generating better returns when the funds are used for short-term and long-term loans to borrowers. Lenders will be forced to decrease their interest rate on lending when the new central bank guidelines will be implemented, said a central bank official.
- According to the draft guidelines, banks have to include their interest expense on deposits, borrowings, subordinate bonds and administrative and other expenses to calculate their total cost. A portion of provisioning against default loans will not be calculated to determine the default loans. Lenders will also be allowed to include a maximum of 70% of their administrative expenses -- such as salary payment to their employees -- when they will calculate their total cost. Besides, expenditures related to the corporate social responsibility and performance and incentive bonus payment for their employees will not be included with the total cost.
- Banks are now calculating 100% administrative cost, provisioning for default loans, CSR expenditure and performance and incentive bonus to determine their total cost. For this reason, the total cost of banks will decrease when the new method will be effective. This will have a positive impact on the interest rate on lending, the BB official said.

<https://www.thedailystar.net/business/banking/news/bb-plans-uniform-method-calculate-cost-funds-1786630>

Government's borrowing from banks almost half of its plan

- The government's bank borrowing last fiscal year was almost half of what it had planned to, thanks to its lower development expenditure and higher sales of national savings certificates, much to the relief of the cash-strapped banking sector. In fiscal 2018-19, BDT 171.79 billion was borrowed from the banking sector although the target set at the beginning of the year was BDT 308.95 billion, according to data from the Bangladesh Bank. The difference was made up by extensive sales of savings certificates: BDT 499.39 billion against the target of BDT 261.97 billion. Furthermore, the need to borrow from banks was not pressing as implementation of the development budget lagged.
- The ministries and divisions could not spend BDT 186.19 billion of the development budget of BDT 1.67 trillion, according to the data from the planning ministry. Similarly, the full allocation for non-development purposes and subsidies was not used up, said a finance ministry official. The lower expenditure on all fronts also cushioned the blow of the National Board of Revenue missing its collection target of BDT 2.8 trillion by a staggering BDT 561.08 billion.

<https://www.thedailystar.net/business/banking/news/govts-borrowing-banks-almost-half-its-plan-1786588>

Government considers LNG buy from spot market

- State-run Rupantarita Prakritik Gas Company Ltd has initiated master sales agreements (MSAs) with 17 global suppliers separately to source liquefied natural gas (LNG) from spot market. Final deals will be signed soon following the approval from the cabinet committee on economic affairs, a senior company said. He said the Energy and Mineral Resources Division under the Ministry of Power, Energy and Mineral Resources (MPEMR) has already decided, in principle, to import around one-fourth of the country's total LNG requirement from the spot market to reap the benefit of falling prices.
- Spot market for the LNG was developed over the past several years with the gluts of LNG output alongside the growth of emerging markets for LNG (liquefied natural gas). Market insiders said the Platts JKM, which represents the prices of spot cargoes delivered to northeast Asia, averaged around USD 4.93 per MMBtu (million British thermal unit)

in the second quarter of 2019, down from USD 8.26 per Mmbtu a year ago. However, state-run Petrobangla has been importing LNG under term deals within the range of around USD 8.5 per Mmbtu to USD 10 per Mmbtu over the past one year since April 24, 2018, when the first shipment reached Moheshkhali Island in the Bay of Bengal.

- The imported LNG is re-gasified at FSRUs (floating, storage, re-gasification units) before it is added to the national grid for use by end users. Officials said the 17 interested LNG suppliers have been selected following a competitive bidding. They will provide fuel to the country's LNG-receiving terminals from the spot market following instructions time to time, based on demand, said the officials referring to some features of the initials.

<http://today.thefinancialexpress.com.bd/first-page/govt-considers-lng-buy-from-spot-mkt-1566060148>

Korea keen to invest in 10 PPP projects

- Korea has shown interest to invest in 10 public-private partnership (PPP) projects in the aviation, rail and power sectors under government-to-government arrangements. However, Bangladesh sought investment in 14 projects in the rail, road, power and textile sectors at the first Bangladesh-Korea joint platform meeting held in Seoul last month.

<https://today.thefinancialexpress.com.bd/print/korea-keen-to-invest-in-10-ppp-projects-1566060813>

BDT 51.5 billion project taken for Pyra Port

- The government is going to build one of the biggest multipurpose terminals of the country at the Pyra Seaport with the financial support of India, officials said. They also said the Pyra Port Authority (PPA) has taken up a project at a cost of BDT 51.50 billion, where BDT 44.02 billion will come from the Indian Line of Credit (LoC). The berthing length of the multipurpose terminal will be 1,200 metres, they added. According to the PPA officials, the terminal will be mainly used for handling general cargo, sand and aggregate, and grains.

- The terminal's three berths with a length of 550 metres will be used for handling general cargo, two berths with a length of 400 metres for handling sand and aggregate, and one berth with a length of 250 metres for handling grains. Official said that they have already sent the BDT 51.50-billion cost project proposal to the Planning Commission for getting approval. Construction of the multipurpose terminal is expected to be completed by 2022. He also said of the total cost, BDT 44.02 billion will come from the USD 4.50 billion Indian LoC-III.

- The official claimed that Pyra, the third seaport of Bangladesh, will be the largest one by 2028 in terms of handling cargoes. It will annually operate about 3.0 million twenty-foot equivalent units (TEUs) of containers then. During that time, the Chittagong Port will handle 2.23 million TEUs, and the Mongla Port will handle 46,000 TEUs, he noted.

<http://today.thefinancialexpress.com.bd/last-page/BDT-515b-project-taken-for-pyra-port-1566060719>

26 listed companies' categories changed in first six months

- The categories of 26 listed companies were changed during January-June, 2019 based on their performances including the recommendation of dividends. Of 26 companies, 14 were upgraded to 'A' category from their previous 'Z' and 'N' categories, according to information of Dhaka Stock Exchange (DSE). Three 'Z' category companies were upgraded to 'B' category, while seven 'A' category companies were degraded to 'B' category. Two 'A' category companies were also degraded to 'Z' category, the worst performing status, as they failed to declare any dividend.

- The 'N' category companies which were upgraded to 'A' category are M. L. Dyeing, Indo-Bangla Pharmaceuticals, Advent Pharma, VFS Thread Dyeing, Kattali Textile, SK Trims & Industries, Bashundhara Paper Mills, Intraco Refueling Station, Aman Cotton Fibrous and Queen South Textile Mills. Three 'Z' category companies namely Bangas, Shurwid Industries and Eastern Cables were upgraded to 'A' category. The 'B' category company Bangladesh Autocars was also upgraded to 'A' category. Presently the number of 'A' category companies is 220 on the premier bourse DSE.

- Three 'Z' category companies namely Kay & Que (Bangladesh), Standard Ceramic and Hakkani Pulp & Paper were upgraded to 'B' category. Seven 'A' category companies were degraded to 'B' category as they failed to recommend at least 10% dividend. The seven companies Appollo Ispat Complex, National Feed Mills, Regent Textile Mills, Central Pharmaceuticals, Paramount Insurance Company, Agrani Insurance Company, and FAS Finance & Investment. Two 'A' category companies were degraded to 'Z' category due to their failure for recommending dividend. The companies are Keya Cosmetics and Delta Spinners. Presently, the shares of 42 listed companies are being traded under the 'Z' category.

<http://today.thefinancialexpress.com.bd/stock-corporate/26-listed-companies-categories-changed-in-first-six-months-1566054560>

Bangladesh Securities and Exchange Commission (BSEC) to follow new rules in dealing with

pending IPOs

- The Bangladesh Securities and Exchange Commission will follow new public issue rules in dealing with the pending applications for initial public offerings of different companies. The new rules would be issued through a gazette notification soon, BSEC officials said. They said that the new public issue rules would repeal the existing rules, so the repealed rules would be ineffective for the pending IPOs. The officials, however, said that the commission might consider the IPO size of the companies under the rules they had submitted the applications.
- There are around 26 companies who had applied for IPOs under the existing public issue rules and have been waiting for IPO approval from the commission. The commission on April 29 had said in a press release that the IPO applications submitted before April 29 would be considered under the existing rules. Market experts said continuation of repealed rules was against the spirit of laws. On July 16, the BSEC finalised the new public issue rules after analysing opinions from stakeholders and general public. According to the finalised new public issue rules, the size of the public issue under the fixed price method must be minimum BDT 300 million or 10% of the company's paid-up capital, whichever is higher. Previously, it was BDT 150 million.
- The size of the public issue under the book building method must be at least BDT 750 million. Previously, it was BDT 500 million. The other changes including bidding process, IPO quota facility and share lock-in system would also be applied to the pending issues. The IPO quota facility for the general investors has been raised to 50% from 40% under the fixed price method of IPO and it has been increased to 40% from 30% under the book building method. The quota facility for the eligible investors has been cut to 50% from 60% under the book building method while it has been reduced to 30% from 40% under the fixed price method.
- But the shares held by placement shareholders and alternative investment funds would face a two-year lock-in period. The period would be counted from the first trading day of the issue on the stock exchanges. According to the new rules, the eligible investors including financial institutions must have to invest a certain amount of fund at the secondary market to get the IPO quota facility reserved for them. The commission would set the amount in the consent letter of every IPO. If an EI does not invest the BSEC-set amount at the secondary market, the EI would lose the IPO quota facility.

newagebd.net/article/81718/bsec-to-follow-new-rules-in-dealing-with-pending-ipos

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$54.87	+0.40	+0.73%
Crude Oil (Brent)*	\$58.64	+0.41	+0.70%
Gold Spot*	\$1,513.52	-9.77	-0.64%
DSEX	5,201.42	+14.22	0.27%
Dow Jones Industrial Average	25,886.01	+306.62	+1.20%
FTSE 100	7,117.15	+50.14	+0.71%
Nikkei 225	20,418.81	+13.16	+0.06%

Exchange Rates

USD 1 = BDT 84.42*
GBP 1 = BDT 102.57*
EUR 1 = BDT 93.65*
INR 1 = BDT 1.19*

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

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