

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.

CEPA negotiations with India start next year

- Negotiations for signing a Comprehensive Economic Partnership Agreement (CEPA) with India will begin next year as the related feasibility study has entered its final stage, according to a senior official of the commerce ministry. The CEPA would cover a range of issues as the concept of such a bilateral trade agreement is wider than that of normal free trade agreements and preferential trade agreements.
- If the CEPA goes through, importers and exporters of both countries can choose their preferred agreement for conducting business as the South Asian Free Trade Agreement (SAFTA) is in effect among members of the South Asian Association for Regional Cooperation. However, a feasibility study found that it may not be possible to minimise the trade imbalance as Bangladesh lacks the product diversity required to satisfy the needs of a vast economy such as India.

<https://www.thedailystar.net/business/economy/news/cepa-negotiations-india-start-next-year-2917866>

Regulation forthcoming to segregate Bangladesh's Tk 500b life fund

- Life fund has contributions from both company sponsors and policyholders. Policyholders usually have the biggest stakes. For this reason life-insurance firms are called by many 'policyholders' company'. Allegations have it that a section of sponsors of the life insurers take unethical financial benefits from the fund despite the fact that their stake on the fund is only around 10 per cent.
- The premiums usually become lower for non-participatory plans. Bangladesh has now 33 life insurances in operations with two multinationals. They have around 8.9 million clients. The aggregate size of the life fund is nearly BDT 500 billion. Of it, BDT 360 has mostly been invested in government securities and FDRs. However, some organisations, including the IDRA, can issue regulations in consultation with the division concerned.

<https://thefinancialexpress.com.bd/economy/regulation-forthcoming-to-segregate-bangladeshs-tk-500b-life-fund-1639189532>

Bank profits grow by 9.82pc

- Banks' net profit grew by 9.82 per cent year-on-year in the July-September quarter of the current fiscal year 2021-2022 amid a substantial surge in earnings against their capital market investments. According to the Bangladesh Bank Quarterly, a central bank report, published on Tuesday, in the July-September quarter of FY22, banks' net profit rose by BDT 647 crore to BDT 7,229 crore. The profit was BDT 6,582 crore in the same quarter of FY21.

<https://www.newagebd.net/article/157358/bank-profits-grow-by-982pc>

Banks allowed to take unrealised interest into profit

- The Bangladesh Bank has come up with a mega discount for banks, allowing them to show unrealised interest incomes as profits if borrowers pay only 25% of their payable amounts of the current year. Moreover, banks can transfer additional 1% provision that was asked to keep against moratorium loans last year, subject to the full recovery of the payable amounts from borrowers.
- The new circular will help banks show a high profit by taking unrealised income in the balance sheet for 2021. As banks are taking a high risk for showing unrealised interest income as profits, they will have to maintain additional 2% provision against those moratorium loans, according to the circular. Borrowers, who will fail to pay 25% of their payable amount by December this year, will be marked as defaulters, according to the circular.

<https://www.tbsnews.net/economy/banking/banks-allowed-take-unrealised-interest-profit-343771>

Higher inflation on the prowl

- In April, the ADB had projected 7.2 per cent growth in the country's GDP, up from a 5.47% provisional estimate in the last fiscal year, while the government set a similar target. And in its latest report, the ADB said Bangladesh's exports and imports grew more than expected thanks to a surge in global demand for clothing.
- The GDP growth forecast for the sub-region in 2021 was lowered to 8.6% from 8.8% in the update while it is expected to maintain 7.0% in 2022. The report said Covid-19 has receded in developing Asia, but rising infections worldwide and the recent emergence of a fast-spreading variant suggest that the pandemic will take more time to play out.

<https://www.thedailystar.net/business/economy/news/higher-inflation-the-prowl-2917861>

Jiban Bima Corporation wants 50% of reinsurance business

- The state-owned Jiban Bima Corporation (JBC) wants private life insurers to reinsure 50% of their extra policies with the corporation. The local life insurers usually re-insure their extra policies with a third-party organisation – currently, only international companies, allowing a huge amount of money to fly abroad. In such a situation, Jiban Bima has written to the finance ministry on the need to issue a gazette notification making it mandatory for life insurers to insure a part of their reinsurance amount with Jiban Bima.
- The managing director of JBC, Md Zahurul Haque, told that if there is an obligation to reinsure 50% of these insurances with Jiban Bima, the income of the corporation will increase by BDT 500-700 crore annually, he told The Business Standard. The Jiban Bima MD said the corporation is now in deficit due to rising death claims during the coronavirus pandemic, and in many cases, it is struggling to pay its insurance claims.
- Under the Insurance Corporations Act, in the case of non-life insurance business, the obligation to reinsure 50% with Sadharan Bima Corporation has increased the premium income of the state entity. In 2019, the re-insurance income of the corporation was almost one and a half times more than direct premium income.

<https://www.tbsnews.net/economy/jiban-bima-corporation-wants-50-reinsurance-business-343318>

FloWater, FloSolar plan to go public

- Two new types of companies -- a water treatment solution provider and a solar panel producer -- plan to go public on the stock exchanges in Bangladesh as they look to raise funds to expand footprint. FloWater Solutions and FloSolar Solutions have decided to list with the exchanges and signed a memorandum of understanding with MTB Capital to manage the issues on Sunday.
- Set up in 2017, FloWater Solutions works in the areas of water, sewerage and effluent treatment and counts Navana Real estate, Concord, Shanta Holding, ActionAid, SSG, Finlay, and BSRM as its clients, according to its website. It has completed more than 150 projects and has 35 active projects, according to the issue manager. Founded in 2019, FloSolar Solutions is a private limited company providing industrial rooftop solar solutions to industries. It is implementing renewable energy projects and has experience of working with international engineering procurement and construction companies and financial firms.

<https://www.thedailystar.net/business/economy/news/flowater-flosolar-plan-go-public-2917851>

Central bank suspends Phoenix Finance's cash dividend

- The Bangladesh Bank has suspended Phoenix Finance's cash dividend payout six months after the listed company declared it for shareholders for 2020. The suspension came after the central bank spotted inflated profits in the annual

financial statement of the non-bank financial institution (NBFI). Earlier, ONE Bank was penalised for declaring dividends for 2020 after manipulating financial numbers. Although the bank was allowed to keep declaring the dividend unchanged considering this price-sensitive information for the shareholders but had to change the balance sheet.

- Although Phoenix Finance's net profit declined last year, the share price of the company increased significantly after the cash dividend declaration. Shareholders of the company experienced 20% price gains against each share in a month after it had declared the cash dividend on 27 June this year. It had declared a 6% stock and 6% cash dividends for its shareholders for 2020. Now, the company will pay a 12% stock dividend only for that year. In a disclosure on the websites of stock exchanges on Tuesday, it said, as per the central bank instructions, a new recommended dividend is 12% stock instead of 6% cash, and 6% stock subject to the approval of shareholders in its annual general meeting (AGM).

<https://www.tbsnews.net/economy/stocks/central-bank-suspends-phoenix-finance-cash-dividend-343765>

Banks, investors suffer due to regulators' disagreement over interest on perpetual bonds

- The banks issue perpetual bonds, which do not have tenure, to strengthen their Additional Tier-I capital base to comply with the Basel-III requirements. The Bangladesh Bank is implementing the Basel-III regulatory accord in the banking industry in line with the international standards to sufficiently capitalise the banks so that they can absorb unwanted shocks in business for an extended extent. The central bank in its recent letters to at least six of the banks that issue perpetual bonds said a clause of the securities regulator's consent letters for the bonds does not allow the central bank to treat the bonds as Additional Tier-I components.
- The BSEC wants perpetual bonds to be excluded from banks' capital market exposure calculation, such as in India and other countries. Capital market groups also urge for it and they are frustrated not to see any positive outcome in this regard following several meetings between the two regulators. The issue of banks' capital market exposure calculation basis has emerged as one of the biggest causes of stock market volatility in recent months.

<https://www.tbsnews.net/economy/stocks/banks-investors-suffer-due-regulators-disagreement-over-interest-perpetual-bonds>

IPO funds at decade-high on Bangladesh's economic recovery

- Spurred by economic-recovery hopes, initial public offerings in the outgoing calendar year will climb to a decade-high amount of BDT 12.33 billion, including premium, as moves are on to woo blue chips into bourses. Sources say last three IPOs of 2021 will take the funds to this total. The last three IPOs ---- Union Insurance, Union Bank, and BD Thai Food & Beverage - will raise funds between December 15 and December 30.
- The companies followed two methods in issuing the IPOs: fixed-price and book-building methods. Three companies which raised funds under book-building method are Lub-rref (BDT 1.50 billion), Index Agro Industries (BDT 500 million), and Baraka Patenga Power (BDT 2.25 billion). Besides, Union Insurance (BDT 193.60 million), Union Bank (BDT 4.28 billion), and BD Thai Food & Beverage (BDT 150 million), are set to raise funds this month. Union Bank is set to raise BDT 4.28 billion from the public, which will be the largest IPO from the banking sector. Among all sectors, it will be the fourth-largest IPO after Robi Axiata (BDT 5.23 billion), Grameenphone (BDT 4.86 billion) and MJL Bangladesh (BDT 4.60 billion), according to DSE data.

<https://thefinancialexpress.com.bd/stock/ipo-funds-at-decade-high-on-bangladeshs-economic-recovery-1639450571>

Fareast Life owners embezzle Tk 2,125cr: BSEC probe

- An investigation of the Bangladesh Securities and Exchange Commission found that the owners of Fareast Islami Life Insurance Company Limited embezzled and laundered more than BDT 2,125 crore from the company in the past decade. The BSEC shared its investigation report recently with finance ministry and Bangladesh Financial Intelligence

Unit to look into the matter.

- Former FILICL chairman Md Nazrul Islam, managing director Md Hemyet Ullah and sponsor MA Khaleque are 'particularly found to have actively planned and executed the related party transactions, forged documents and ultimately laundered corporate resources to their private gains,' the report said. Of the total BDT 2,125 crore, the persons embezzled BDT 854 crore through unlawful land acquisition of FILICL, BDT 659.67 crore by investment in their firms and BDT 421 crore through taking bank loans against companies' Mudaraba Term Deposits and BDT 191 crore through opening two fraudulent corporate societies.

<https://www.newagebd.net/article/157381/fareast-life-owners-embezzle-tk-2125cr-bsec-probe>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 70.37	USD 21.85	45.03%
Crude Oil (Brent)*	USD 73.36	USD 21.56	41.62%
Gold Spot*	USD 1,771.16	(USD 123.94)	-6.54%
DSEX	6,837.81	1,435.74	26.58%
S&P 500	4,634.09	878.02	23.38%
FTSE 100	7,218.64	758.12	11.73%
BSE SENSEX	58,117.09	10,365.76	21.71%
KSE-100	43,246.71	-508.67	-1.16%
CSEALL	11,796.88	5,022.66	74.14%

Exchange Rates**1 US Dollar = 85.67 BDT****1 GBP = 113.33 BDT****1 Euro = 96.42 BDT****1 INR = 1.13 BDT**

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 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

Salim Afzal Shawon, CFA	Head of Research	salim@bracepl.com	01708 805 221
Nazmus Saadat, CFA	Research Analyst	nazmus.saadat@bracepl.com	01708 805 229
Anika Mafiz	Research Analyst	anika.mafiz@bracepl.com	01708 805 206
Fahim Hassan	Research Associate	fahim.hassan@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	CEO	bappi@bracepl.com	01730 357 991
----------------------	-----	--	---------------

BRAC EPL Stock Brokerage Limited

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