

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.

Credit growth unlikely to rise

- Private sector credit growth, which fell to a six-year low of 11.3% last fiscal year, is unlikely to rise in the coming months owing to a liquidity crisis, rising bad loans and the growing incidents of money laundering, analysts said. Besides, businesspeople are also facing barriers to taking up investment plans or expanding existing units because of a lack of electricity supply, bureaucratic red-tape and corruption, they said. This means both demand and supply sides are going through a crisis, bringing the private sector credit growth to 11.29% in 2018-19 against the target of 16.50%.
- The lower credit growth will persist in the current fiscal year as well unless the problems are addressed, they said. Under these circumstances, the central bank will unveil its monetary policy statement (MPS) tomorrow for the first half of the fiscal year. It may aim to keep the private sector credit growth target at 15% to 15.50% to pull off 8.20% GDP growth and contain inflation at 5.5%. According to the chairman of the Association of Bankers, Bangladesh, the situation of the private sector credit growth will not improve too much in the near future.
- The executive director of the Policy Research Institute of Bangladesh (PRIB), said credit growth target is not a matter of concern. The central bank will not be able to achieve lower or higher credit growth if the ongoing liquidity crisis continues. As of April, the excess liquidity stood at BDT 667.60 billion, down 12.60% from December last year and 8.23% a year earlier, according to data from the central bank. Deposits have dried up in the banking sector in the wake of growing default loans, money laundering and mobilisation of lower-than-expected funds from export earnings and remittances, the executive director of the PRIB,
- Default loans soared to BDT 1.11 trillion as of March. Exports grew 10.55% year-on-year to USD 40.53 billion in the immediate past fiscal year, while remittance hit an all-time high of USD 16.40 billion. The central bank should immediately depreciate the local currency against the USD with a view to perking up the deposit base in banks, the PRIB executive director suggest. Many banks have recently been forced to mobilise deposit at 10-10.5% interest rate to run operations, said the managing director of Southeast Bank. Banks will have to set 15-16% interest rate on lending to make their business viable, he said.

<https://www.thedailystar.net/business/news/credit-growth-unlikely-rise-1778962>

5% source tax for savings tools up to BDT 0.5 million: Finance Minister

- Finance Minister said on Monday that five% tax at source would be applicable to all types of savings certificates, including family savings certificates, up to Taka 0.5 million investment to facilitate the small savers and pensioners, reports BSS. Mentioning that the existing scheme for the pensioners would remain intact, the minister said that the tax rate would be 10% in case of the savings certificates over Taka 0.5 million.
- Like India, the Finance Minister said the government is planning to launch here the bond market as an alternate source of investment for the small savers. The finance minister said that the investors would not be subjected to harassment in case of their investment in the bond market and they would get their interests in every six months to one year.
- Assuring the expatriate Bangladeshis and remitters that 2% cash incentive would be applicable to the amount remitted by them from July 1, the Finance Minister encouraged the remitters to send money to their near and dear ones before the ensuing Eid-ul-Azha through legal channel and thus get the cash incentive.

<http://today.thefinancialexpress.com.bd/first-page/5pc-source-tax-for-savings-tools-up-to-BDT-05m-kamal-1564421589>
<https://www.dhakatribune.com/business/economy/2019/07/29/5-tax-at-source-for-up-to-BDT5-lakh-in-savings-tools-says-mustafa-kamal>

Diesel imports drop by 15.38% in H1 2019

- The country's diesel consumption is on the decline as diesel-fired power plants are using less-than-expected fuel after the start of LNG imports. Loss of state-run Bangladesh Petroleum Corporation (BPC) is also sliding with the fall in import of the expensive fuel, BPC director for operation said. Overall diesel imports fell by 15.38% to 2.26 million tonnes in the first six months of the current year compared to that of the corresponding period of last year. All the three dual-fuel power plants are now running on re-gasified LNG (liquefied natural gas) instead of diesel with the availability of RLNG. Other diesel-fired power plants are also in operation with almost half of their capacity making room for 'less expensive' gas-fired power plants to run at full capacity, he said. The diesel-fired power plants consumed around 500,005 tonnes of diesel during H1, 2018 but their consumption halved to around 265,615 tonnes during H1, 2019, said the BPC director for operation.

- State-run Bangladesh Power Development Board (BPDB), the lone buyer of electricity from the producers, that purchases gasoil from the BPC, has revised downward further the diesel demand for power plants for July-December (H2) 2019 as well, he added. Initially, BPDB had intended to purchase around 200,000 tonnes of diesel during H2, 2019 but due to lower consumption of diesel in power plants, it has revised downward its requirement by 50,000 tonnes of gasoil for H2, 2019, he added. During H2, 2018 BPDB purchased around 300,000 tonnes of gasoil from the BPC, the official said, adding that BPC's loss is also on the wane with less consumption of diesel. As per the current market price, the BPC counts around BDT 2.0 per litre in diesel sale as it imports the fuel at higher prices from the international market and sells it lower in the domestic market.

<http://today.thefinancialexpress.com.bd/last-page/diesel-imports-drop-by-1538pc-in-h1-1564422044>

One-third of NBFIs in dire straits

- Financial health of at least one-third of Non-Bank Financial Institutions (NBFIs) is alarming, thanks largely to Bangladesh Bank's oversight failure, lack of management accountability and regulatory actions. The Bangladesh Bank has appointed 'Observers' at three of the ailing NBFIs — BIFC, First Finance and PLFS — so that their business can turn around while others went scot-free. Either observers were withdrawn from the NBFIs in question, or not reappointed. The weak financial status of the NBFIs came to forefront following the liquidation move of Peoples' Leasing and Financial Services Limited (PLFS) on July 14.

- Ibrahim Khaled, a former deputy governor of BB, thinks the central bank should have been more proactive in protecting the NBFIs. The central bank has a scoring mechanism to measure the financial health of the NBFIs like banks. Precautionary measures could have been effective to protect them from becoming sick, he mentions.

- Among the ailing NBFIs are Bangladesh Industrial Finance Company Limited (BIFC) topped the list followed by Peoples' Leasing and Financial Services Limited, FAS Finance & Investment Limited, First Finance Limited, International Leasing and Financial Services Limited (ILFSL), Prime Finance and Investment Limited, Fareast Finance and Investment Limited, Bay Leasing and Investment Limited, Premier Leasing and Finance Limited, Reliance Finance Limited and Union Capital Limited, according to the annual report of financial institutions (Banks and non-banks) of the Financial Institution Division of Finance. The report was based on data available up to December 31 last year.

The total investment of the NBFIs together stood at BDT 670 billion as of June, 2019, said the chairman of Bangladesh Leasing and Finance Companies' Association. NBFIs bank borrowing was around BDT 250 billion during the period, he said. Commenting on NBFIs financial status, he said that liquidation of one company would not create any instability in the industry. Contradicting him, DFIM General Manager said the liquidation of PLFS created instability to a small extent in the industry.

<https://www.dhakatribune.com/business/economy/2019/07/29/one-third-of-nbfis-in-dire-straits>

Pharma ingredient makers demand more tax benefits

- Bangladesh API and Intermediaries Manufacturers Association has demanded more tax benefits in line with a cabinet decision and the National Active Pharmaceutical Ingredients (API) and Laboratory Reagents Production and Export Policy for the sector. The trade body made the plea to the Prime Minister's Office saying that there were inconsistencies in the tax scheme offered by the National Board of Revenue with the decision of the cabinet in this regard. NBR's terms and conditions for availing the benefit are also not aligned with the production process of the industry, the association said claiming that it would rather create a hindrance to flourishing the knowledge-based industry. Entrepreneurs are also unable to complete export procedures due to complexities in a statutory regulatory order (SRO) issued by the NBR in this connection.

- In the letter, Prime minister's economic affairs adviser said that also recommended a number of steps including amendment to the NBR's order and issuance of a new SRO offering some fresh tax benefits mentioned in the policy to facilitate the sector. The NBR should release raw materials remained stuck at ports and give other tax benefits in line with the cabinet decision under interim measures like taking bond or undertaking if issuance of a new SRO takes time, he suggested. In the letter wrote on July 2, he said that the BAIMA had informed in details to the prime minister about the issue.

- On May, 2018, the government framed the policy for the sector offering a set of tax benefits including corporate tax holiday, exemption from payment of advance income tax, value-added tax and duty-free raw materials import facility till 2032. The NBR has been showing reluctance to offer the benefits saying that such wholesale tax exemption would affect the overall revenue collection and the commerce ministry did not obtain vetting from the NBR regarding inclusion of the tax benefits in the policy. So far, the revenue board has only offered VAT exemption on import of raw materials for the sector. It has yet to issue any SRO exempting the entrepreneurs in the sector from paying income tax, AIT and allowing other benefits.

<http://www.newagebd.net/article/80051/pharma-ingredient-makers-demand-more-tax-benefits>

Private ICDs to hike tariffs from August 1

- Private inland container depots (ICDs) are set to increase their charges for handling consignments by 20-25% from tomorrow, in a development that will raise the cost for importers and exporters by more than BDT 1.00 billion annually. Almost 90% of the total export goods are stuffed into containers at the 19 private ICDs, also known as off-docks, located in and around the port city, before shipment through the Chattogram port, while 21% of the import containers are sent from the port to the ICDs, from where the import goods are delivered. Besides, the import containers that become empty after the goods are delivered directly from the port are also sent to the ICDs for storing for a particular time.
- The 19 ICDs handled around 0.62 million TEUs (twenty-foot equivalent units) of export containers, 2.86 lakh TEUs import containers and 5.87 lakh TEUs empty containers in 2018-2019 fiscal year. Earlier on February 28, Bangladesh Inland Container Depots Association (BICDA) issued a notice to inform a hike in charges by 20 to 25% on average due to rise in operational and investment cost, devaluation of the local currency against the US dollar, increase in fuel prices, labour charges and equipment maintenance cost. Since the operational expenses had increased 42% but rates were reviewed upwards by only 20%, the ICDs are struggling to cover the huge gap to maintain their operational efficiency.
- Due to the increase in service charges, users including exporters and importers will have to bear additional trade costs amounting to more than BDT 1.00 billion annually. Garment exporters are the major users of these ICDs. BICDA President said that such a clause in the policy is detrimental for the sector. A ministerial committee should not fix tariffs of a competitive private service sector, he said, adding that charges taken by other service sectors like transport or clearing and forwarding are not fixed by such a committee.

<https://www.thedailystar.net/business/news/private-icds-hike-tariffs-august-1-1778968>

Bangladesh Industrial Finance Company (BIFC) losses mount as no progress in loan recovery

- Losses of struggling Bangladesh Industrial Finance Company keep mounting with the non-bank financial institution making no progress in recovering its non-performing loans, especially those from the largest defaulter, one of its former chairman, Abdul Mannan who is a member of parliament and the secretary general of Bikalpa Dhara Bangladesh, an ally of ruling Awami League. As per the BIFC's half-yearly financial report released on Monday, the company incurred BDT 380.5 million in losses against the BDT 359.4 million in losses in the same period last year. BIFC has remained non-operational for months with depositors waiting hopelessly for getting back their money from the NBF. I.
- Like People's Leasing and Financial Services, the company faces risk of liquidation because of a sorry state of its financial health, said Bangladesh Bank officials. The financial situation of BIFC has worsened due mainly to non-payment of the BDT 6.39 billion outstanding loans received by Mannan. The amount of loans Mannan received from BIFC accounted for around 76% of BDT 8.41 billion distributed by the entity in loans, as per the BIFC's annual report for the year 2018. Officials of BIFC said that the poor state of loan recovery had resulted in closure of deposit collection and credit disbursement functions of the entity.
- Of the entity's total loans, around 98% or BDT 8.16 billion has become defaulted, showed the BIFC's annual report. Besides, the NBF has been failing to clear the depositors— money — around BDT 8.14 billion. About this issue, Mannan said that the report published by BIFC was inappropriate and that was why it was yet to organise its annual general meeting for the year 2018 due to the shareholders' appeal to court regarding inconsistencies in the company's annual report. He mentioned the existing board members of the company as 'vicious circle' and 'outsiders'.
- Meanwhile, the central bank, following a request from the Anti-Corruption Commission, has requested the Bangladesh Securities and Exchange Commission to impose a ban on Mannan and people connected with him from transferring shares of BIFC. The BB letter said an investigation conducted by the ACC found that Mannan and 75 organisations, in which he had interest, had taken BDT 5.17 billion in loans from BIFC. After the ACC investigation, Mannan accepted the liability of the loans and paid BDT 1.19 billion of the received loans, it said. Although Mannan promised to return the rest BDT 3.97 billion, which excludes interest, he is yet to pay back the money, it said. Therefore, the ACC feels the necessity of imposing the ban, the central bank's letter said.

<http://www.newagebd.net/article/80050/bifc-losses-mount-as-no-progress-in-loan-recovery>

City Bank to issue BDT 4.0 billion perpetual bonds

- The board of directors of the City Bank Ltd. has decided to raise BDT 4.0 billion through issuance of perpetual bonds, said an official disclosure on Monday. The bank will raise the fund to meet capital requirement under Basel III and to strengthen the regulatory capital base of the bank in line with the Bangladesh Bank guideline on risk-based capital adequacy, the disclosure said. The issuance of bond is subject to approval from the authorities concerned -- Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC) -- and compliance with the

regulatory requirements.

<http://today.thefinancialexpress.com.bd/stock-corporate/city-bank-to-issue-BDT-40b-perpetual-bonds-1564417886>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$57.15	+0.28	+0.49%
Crude Oil (Brent)*	\$64.00	+0.29	+0.46%
Gold Spot*	\$1,424.72	-2.08	-0.15%
DSEX	5160.75	+26.82	+0.52%
Dow Jones Industrial Average	27,221.35	+28.90	+0.11%
FTSE 100	7,686.61	+137.55	+1.82%
Nikkei 225	21,691.95	+75.15	+0.35%

Exchange Rates

USD 1 = BDT 84.44*

GBP 1 = BDT 102.67*

EUR 1 = BDT 94.07*

INR 1 = BDT 1.23*

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

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BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Deputy Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Md. Sakib Chowdhury	Research Analyst	sakib.chowdhury@bracepl.com	01709 641 247
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Ahmed Zaki Khan	Research Associate	zaki.khan@bracepl.com	01708 805 211
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	Head of International Trade & Sales	bappi@bracepl.com	01730 357 991
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BRAC EPL Research www.bracepl.com

121/B Gulshan Avenue
Gulshan-2, Dhaka
Phone: +880 2 881 9421-5
Fax: +880 2 881 9426
E-Mail: research@bracepl.com