

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.

World Bank to provide USD 1.05 billion to help Bangladesh accelerate economic recovery

- The World Bank (WB) will provide USD 1.05 billion worth of support for three projects to help Bangladesh create quality jobs and accelerate economic recovery from the COVID-19 (coronavirus) pandemic as well as build resilience to future crises. According to the WB country director for Bangladesh and Bhutan, this is an extraordinary response to an unprecedented crisis. The COVID-19 pandemic has deeply jeopardized many of Bangladesh's remarkable achievements in poverty reduction and shared prosperity, including livelihoods of its population.
- A USD 500 million Private Investment and Digital Entrepreneurship (PRIDE) project aims to promote and attract about USD 2.0 billion direct private investments and strengthen social and environmental standards in selected public and private economic zones and software technology parks, according to the press release. The project is also expected to create 150,000 jobs, of which about 40% of jobs in software parks and 20.0% of jobs in economic zones will be for women, it said.
- The USD 295 million Enhancing Digital Government and Economy (EDGE) project aims to establish an integrated, cloud-computing digital platform for all government agencies and improve cyber-security, which will result in savings of USD 200 million in the public sector's IT investments, according to the WB release. It is also expected to help raise the revenues of IT firms by USD 300 million and promote local IT firms in international markets, it said, adding that to reduce vulnerabilities from the pandemic and prepare for the Fourth Industrial Revolution, the project will help digitalise small and medium enterprises and strategic industries.
- The USD 250 million Second Programmatic Jobs Development Policy Credit will create fiscal space to support the government's response to the COVID-19 crisis, while helping recovery and building resiliency of the economy, of workers and of vulnerable populations to future shocks, it mentioned.

<https://today.thefinancialexpress.com.bd/last-page/wb-to-provide-105b-to-help-bd-accelerate-economic-recovery-1592672166>

<https://tbsnews.net/economy/world-bank-approves-over-1bn-bangladesh-95716>

<https://www.thedailystar.net/business/news/fundamental-reforms-needed-support-next-wave-digital-development-wb-1917953>

Government borrowed 94.0% of revised target from savings tools in nine months

- During the first nine months of FY2019-20, the government's net borrowing from national savings schemes stood at BDT 112.0 billion, which was 94.0% of the revised target for meeting the budget deficit from savings tools. According to the statement of the Department of National Savings, the gross sale of national savings certificates stood at BDT 56.2 billion in March this year. After paying interests and refunding the principal amount of BDT 40.9 billion in that month, the government's net loan from the fiscal instrument amounted to BDT 15.4 billion.
- In March last year, net loan from savings certificates was BDT 41.3 billion. Between July and March of the 2019-20 fiscal year, gross sale of savings certificates stood at BDT 539.2 billion, and interest payment and refund amounts were BDT 427.1 billion. In FY2019-20, the government had to cut the target to BDT 119.2 billion in the revised budget for savings tools. The total target from non-banking sources was reduced to BDT 149.2 billion. The government previously targeted BDT 300.0 billion in loans from non-banking sources for the current fiscal year, of which BDT 270.0 billion was expected to come from national savings schemes.
- For the upcoming fiscal year, Finance Minister AHM Mustafa Kamal has proposed a loan target of BDT 250.0 billion from non-banking sources, including BDT 200.0 billion from savings instruments. The finance minister presented his budget proposal for the 2020-21 fiscal year in the parliament on June 11. Data shows that during July to March of FY2018-19, gross sales of savings certificates stood at BDT 689.7 billion and net sales were BDT 397.3 billion after paying interest and refunding the principal.

<https://tbsnews.net/economy/govt-borrowed-94-revised-target-savings-tools-9-months-96001>

<https://www.thedailystar.net/business/news/sales-savings-tools-nosedive-1917961>

Pandemic puts banks in a tight spot

- Despite irregularities and loan scams, banks in Bangladesh have played a key role in building a vibrant export-oriented apparel sector with strong backward and forward linkage industries. Services sectors that account for over 50% of the country's GDP have also grown riding on bank loans. Now, after a decade-long boom, banks have hit a slump as the devastation of the Covid-19 pandemic has brought the business back down to earth. This will have a direct repercussion on creation of new employment as well.

■ According to the bankers, the impending devastation to the sector was not even imaginable even back in March. Incomes from interest and non-interest sources have plummeted so fast within a month from April that the industry is in a shock. The non-repayment rate of loans has risen to a historic high due to a halt in business activities for the last three months. Take, for example, the case of City Bank -- a leading first-generation private bank in Bangladesh. The 37-years-old lender has seen a steep fall in all its key business indicators during the pandemic. The bank is the leader in the credit card segment, but non-payment of credit card bills has surged to 46.0% at the end of May from 14.0% in the pre-pandemic period, thus impacting the lender's one of the three major income earners very negatively.

■ The situation is worse in retail and SME banking as non-payment rates of loans in these two areas have skyrocketed to 52.0% and 81.0%, respectively, from 16.0% and 2.5% earlier. Like some other banks, handling trade – export and import – was a cash cow for City Bank. The bank handled USD 220.0 million worth of import LCs on average each month before the Covid-19 outbreak, but that figure has nosedived to about one-third, only USD 80.0 million in May. The bank's income from different kinds of fees was down by BDT 800.0 million in the first five months till May this year, when compared to that of the corresponding period of the previous year.

■ Bankers said non-performing loans (NPLs) will shoot up as overdue on all loans has increased significantly due to the impacts of the Covid-19 pandemic on business activities. The Bangladesh Bank has already ordered banks not to label borrowers as defaulters, even if they fail to pay back their loans till September this year. On June 10, the central bank in another letter allowed banks to collect the suspended interest of the two months – April and May – in equal monthly instalments in twelve months starting from July 2020. These two measures may help banks to control their rising NPL rate, according to a Bangladesh Bank official. NPLs declined to 9.2% in December 2019 from 12% in September of the same year because of a loan rescheduling spree.

<https://tbsnews.net/economy/banking/pandemic-puts-banks-tight-spot-95251>

Default loans fall, but for a different reason

■ The banking sector saw a BDT 18.2 billion fall in default loans in the first three months of this year as the Bangladesh Bank suspended reporting of default loans from January to help businesses tide over the coronavirus pandemic. The total amount of default loans stood at BDT 925.1 billion at the end of March, which was 9.0% of the total outstanding loan in the banking sector, according to the latest Bangladesh Bank data. Earlier on March 19, the Bangladesh Bank, as part of its crisis management strategy, directed banks not to classify any loan if borrowers fail to repay those during the pandemic. The facility had been announced for a period of six months till June this year. On June 15, the central bank extended the facility for further three months.

■ The private sector credit growth came down to 8.2% in March, lowest in recent history, due to the banks' reluctance to issue loans, according to central bank data. Default loans showed a downward trend since last December due to a loan rescheduling spree under a special package at 2.0% down payment offered by the Bangladesh Bank in May last year. The government's lenient rescheduling policy apparently paid off as default loans fell drastically by BDT 220.0 billion in three months till December last year.

■ The central bank took the move with the expectation that it would bring down default loans significantly and that would pave the way for implementing a single-digit lending interest rate. However, default loans ended up increasing by BDT 223.8 billion in the first nine months of last year. As a result, banks did not implement the government instruction to bring down lending interest to a single digit. Default loans soared because the eased rescheduling policy could not be implemented fully due to a stay order from the High Court.

■ In November last year, the High Court cleared the implementation of the policy extending the deadline for three more months to avail the one-time exit policy until February 4. Subsequently, the banks started massive loan rescheduling causing the drastic fall in default loans. The default loan rate which went up to a decade high of 12.0% in September last year came down to 9.2% in December, which was the lowest in the last four years. The total default loan stood at BDT 944.2 billion in December 2019.

<https://tbsnews.net/economy/banking/default-loans-fall-different-reason-95260>

<https://www.dhakatribune.com/business/banks/2020/06/20/npls-down-by-BDT-1-821cr-in-3-months>

Pandemic bites into telecoms' 4.4 million subscribers

■ The telecom operators witnessed a steep fall of 2.4 million mobile network and 2.0 million mobile internet users. In April, the number of mobile subscribers dropped to 162.920 million from 165.337 million in March, according to a newly released data of Bangladesh Telecommunication Regulatory Commission (BTRC).

■ According to the operators, now, the supplementary duty hike on mobile phone services – from 10 to 15.0% – in the proposed budget is another blow to the telecom sector which is already reeling from the novel coronavirus pandemic. Customers will have to pay BDT 133.3 to avail services worth BDT 100 – owing to the tax hike. Since the novel coronavirus has made inroads in the country, the number of mobile subscribers has begun to decrease, and this is happening with all mobile operators. Of the operators, Grameenphone lost 0.97 million, Robi 0.87 million and

Banglalink 0.49 million subscribers at the end of April.

■ According to the BTRC, a subscriber is a biometric-verified user who has conducted any activity – in terms of voice, data or SMS – at least once in the preceding 90 days. In April: Grameenphone Limited had 74.4 million, Robi Axiata Limited 48.8 million, Banglalink Digital Communications Limited 34.9 million. and Teletalk Bangladesh Limited 4.8 million subscribers. Last February, the number of mobile network users was on the rise. At that time: Grameenphone had 75.9 million, Robi 49.611 million, Banglalink 35.8 million, and Teletalk 4.9 million subscribers. In the same way, in April, the number of internet users also declined to 101.2 million from 103.3 million in March.

<https://tbsnews.net/bangladesh/telecom/mobile-operators-lose-24-lakh-subscribers-last-month-95350>
<https://www.thedailystar.net/business/news/telcos-tight-spot-1917957>

New export potential unlocked in Chinese market

■ China has offered zero tariff facility to 97% of items imported from Bangladesh. The new announcement will come into effect on July 1 this year. From that day, 8,256 Bangladeshi products will get zero tariff facility in the Chinese market. Bangladeshi manufacturers will be able to avail this duty-free and quota-free facility after 40% value addition to these products.

■ According to sources at the Ministry of Commerce, Bangladesh has been enjoying zero tariff facility on 60% of export items to China since July 1, 2010 under Asia Pacific Trade Agreement (APTA) for LDCs. However, Bangladesh was not able to benefit much from the opportunity as the facility was on less important export items other than the principal exportable items of Bangladesh. The latest facility would ensure unimpeded access of Bangladeshi products to the Chinese market. China has been enjoying an upper hand in bilateral trade. In the last fiscal year, China exported USD 12 billion worth of goods to Bangladesh, while Bangladesh's exports to the country stood at a paltry USD 831 million.

■ According to the Secretary of Bangladesh Association of Pharmaceutical Industries, although Bangladesh's pharmaceutical industry relies on raw materials from China, we can supply cheaper drugs to China. Pharmaceutical companies in Bangladesh can still make profit by exporting drugs of similar standard at 20-25% cheaper rates than those offered by Chinese manufacturers, he said, adding that the new tariff-free facility will help to expand the market for Bangladeshi drugs in China.

<https://tbsnews.net/economy/trade/new-export-potential-unlocked-chinese-market-95629>

RMG makers may see fall in export earnings: World Trade Organization (WTO)

■ Textile and clothing manufacturers of least-developed countries (LDCs), including Bangladesh, are likely to face a significant fall in export earnings in 2020. The World Trade Organisation (WTO), in a report, made the projection mainly due to the clothing makers' large dependence on limited products and few markets. The ongoing pandemic may affect the near-term prospects for some countries to graduate from their LDC status.

■ Bangladesh, which is on the path to graduation within years, has been experiencing unavoidable declines in economic growth and export earnings, the report cited. The WTO released the latest report styled 'The Covid-19 Pandemic and Trade-related Developments in LDCs' on June 08. The value of LDC exports of goods and services declined by 1.6% in 2019, a greater decline than that of world exports (1.2%). Consequently, the share of LDCs in world exports also registered a marginal drop to 0.91% in 2019.

■ Top destinations for LDCs include those devastated by coronavirus like China, France, Germany, India, Italy, Spain, the United Kingdom and the United States. For instance, Bangladesh's top five markets France, Germany, Spain, the UK and the US have been severely affected by the super bug. Citing the state-owned Export Promotion Bureau, the report said the country's exports registered an 83-per cent decline in April 2020 than that in April 2019. Reportedly, Bangladesh and Cambodia have received order cancellations worth several billion US dollars. According to the Bangladesh Garment Manufacturers and Exporter Association, some 1,150 member factories had USD 3.2-billion work orders either cancelled or withheld.

<https://today.thefinancialexpress.com.bd/first-page/rmg-makers-may-see-fall-in-export-earnings-wto-1592672605>
<https://www.newagebd.net/article/108945/limited-export-markets-to-affect-2020-bangladesh-receipts-wto>

National Board of Revenue (NBR) wants banks to cross-check financial info, VAT returns

■ The National Board of Revenue's VAT intelligence has requested the Bangladesh Bank to instruct commercial banks to cross-check financial reports with VAT returns before approving any business loan application. The NBR's VAT Audit, Intelligence and Investigation Directorate on Thursday sent a letter to the central bank seeking directives to be issued to the commercial banks in this regard.

■ According to the letter, banks should verify whether there are any inconsistencies in the information provided in the value-added tax returns and financial reports or audit reports of a business entity, except for 100% export-oriented

ones, before giving approval to a loan application. The banks will have to inform the VAT intelligence immediately if it finds any inconsistency in information, mainly related to sales, procurement and annual turnover of the firm, said the letter, signed by VAIID director general Syed Mushfequr Rahman.

- VAT officials said that businesses would have to submit their VAT returns along with loan applications to the commercial banks. Traders are required to submit the VAT returns every month to the field level VAT offices of the NBR, they said. There are allegations that many businesses submit different financial reports or audit reports to the VAT office and banks with lower sales and turnovers to avoid paying VAT and declaring the actual turnover to the banks for securing loans. They said that the banks were bound to provide information sought by the VAT offices as per Section 82 of the VAT and Supplementary Duty Act-2012.

<https://www.newagebd.net/article/108946/nbr-wants-banks-to-cross-check-financial-info-vat-returns>

Bangladesh Securities and Exchange Commission (BSEC) may set minimum share offloading at 10.0% for each Initial Public Offering (IPO)

- The Bangladesh Securities and Exchange Commission has initiated a move to revise its recently amended public offer rules to set the minimum share offloading at 10.0% of the total shares of a company under book building method too. The commission made the move after it had faced huge criticisms over the offloading of just 0.93% of the total shares by Walton Hi-Tech Industries under the book building method of IPO. It was the lowest even flotation by any company under the method. The company would get approval for listing soon as the existing rules cannot bar it from listing with a small amount of shares, BSEC officials said.

- BSEC officials said that it had been drafting new rules for book building method and no more company would be allowed to offload such a nominal amount of shares. The BSEC amended for the last time the public issue rules, 2015 in September last year when it made to the rules a number of changes including tightening bidding process and raising size of IPO offer to curb manipulations.

- As per the rules, a company intending to raise fund under the book building method must raise at least BDT 750 million through the public issue. The rules also introduced the Dutch auction in which eligible investors must be allotted shares at their own bidding price and the price of the offering is set after taking in all bids to determine the highest price at which the total offering can be sold. But the rules do not mention the minimum amount of share offloading under the book building method, but the rules set the minimum offloading at 10.0% for raising fund under the fixed price method of IPO.

- Despite tightening the bidding process with directing eligible investors to give proper reason for their price quote, the EIs bid in a range between BDT 12 a share to BDT 765 a share of Walton, which was very abnormal. Market experts said that frequent changes in rules and policies could harm credibility and bar good companies from making long-term decisions.

<https://www.newagebd.net/article/108948/bsec-may-set-minimum-share-offloading-at-10pc-for-each-ipo>

Entire stock trading will be automated: Bangladesh Securities and Exchange Commission (BSEC) chairman

- The trading platform of the stock exchanges is being wholly digitalised and automated by the stock market regulator so that all activities can be run without human assistance, said Shibli Rubayat UI Islam, chairman of Bangladesh Securities and Exchange Commission. As per the Dhaka Stock Exchange (DSE) data, only 2.0% of beneficiary owner (BO) accounts registered for online trading.

- BSEC chairman added, The tax gap between listed and non-listed companies was suggested to be reduced from 10.0% to 7.5% in the proposed budget for fiscal year 2020-21. This tax gap reduction will be a discouraging factor when it comes to bringing good companies to the market. Another proposal on allowing undisclosed money to be invested in the stock market on condition of a three-year lock-in period will only drive investors towards the money market where there are no such restrictions and the tax rate is the same. They will invest in the money market instead of the speculative stock market because the former requires no prior knowledge but some idea is needed for making investments in the stock market.

- According to the BSEC chairman, instead of a company having multiple financial reports based on their purposes, the financials will be uploaded on a single platform of Financial Reporting Council Bangladesh, accessible by the BSEC and other regulators like Bangladesh Bank and the National Board of Revenue (NBR). On the ongoing tussle between Grameenphone and Bangladesh Telecommunication Regulatory Commission (BTRC), the chairman said he had already talked to the BTRC chairman as it was having a huge impact on the capital market. The result will be seen in one month.

<https://www.thedailystar.net/business/news/entire-stock-trading-will-be-automated-bsec-chief-1917941>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change YTD
Crude Oil (WTI)*	USD 39.75	(USD 21.88)	-35.50%
Crude Oil (Brent)*	USD 42.19	(USD 26.25)	-38.35%
Gold Spot*	USD 1,743.87	USD 222.40	14.62%
DSEX	3,960.58	-492.35	-11.06%
S&P 500	3,098.02	-132.76	-4.11%
FTSE 100	6,292.60	-1294.45	-17.06%
BSE SENSEX	34,208.05	-7434.09	-17.85%
KSE-100	33,539.85	-7195.23	-17.66%
CSEALL	4,976.98	-1152.23	-18.80%

Exchange Rates

USD 1 = BDT 84.95*

GBP 1 = BDT 104.91*

EUR 1 = BDT 94.96*

INR 1 = BDT 1.11*

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

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