

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.

Institutional investors lose their head while bidding for Walton shares

- Walton Hi-Tech Industries is flying high, so it is reasonable to assume there would be a clamor for a slice of the home grown electronics giant. But what transpired at the recently concluded book-building session for Walton's initial public offering left most analysts scratching their heads. Some eligible investors bid as low as BDT 12 for a stock of the electronics manufacturer that logged in profits of BDT 13.76 billion in its last financial year, while some placed bids as high as BDT 765, according to the Electronic Subscription System for EIs. Such outsize deviation in the amount eligible investors were willing to pay for a stock was never seen before.
- A high official of the BSEC said preferring anonymity that the regulator itself is irritated with the abnormal bidding from eligible investors because Walton is not the only case. In order to get eligible investors to place realistic bids, the regulator has already issued a notice informing them that will get shares at their bidding price. Despite that, some of the institutional investors are bidding abnormally high or low. The fact that institutional investors are behaving like retail investors is disappointing, said the chief executive officer of MTB Capital.
- As the company's cut-off price is BDT 315, the company's free-float would be less than 1% shares or about 2.7 million shares. Walton would make its debut on the stock market at around BDT 280, which is about 10% less than the cut-off price.

<https://www.thedailystar.net/business/news/institutional-investors-lose-their-head-while-bidding-walton-shares-1878655>

<https://www.newagebd.net/article/101743/only-09pc-of-walton-shares-can-be-offered-as-ipo-cut-off-price-set-at-BDT-315>

12 banks face capital shortfall of BDT 236.12 billion

- The capital base of the country's banks deteriorated as the capital shortfall of 12 banks increased by BDT 59.54 billion in the fourth quarter last year. At the end of December last year, the capital shortfall in 12 banks increased to BDT 236.12 billion from BDT 176.58 billion three months ago. Five state-owned banks, four private commercial banks, two specialized banks and one foreign commercial bank failed to maintain the required capital.
- The Bangladesh Bank has been pressing the banks to maintain the CAR at 12.5% as part of the implementation of Basel III in the country's banking sector. Riding on the rescheduling with 2% down payment, the defaulted loans in the country's banking sector dropped to BDT 943.31 billion at the end of December, 2019 but the banks' risk exposure increased. Although the 12 banks suffered capital shortfall, the rest 46 banks managed to maintain adequate capital against their risk weighted assets as the banking sector maintained BDT 138.31 billion in capital surplus.

<https://www.newagebd.net/article/101739/12-banks-face-capital-shortfall-of-BDT-23612cr>

Loan write-offs sink to a five-year low

- Loans written-off by banks plunged to a five-year low in 2019 as lenders preferred relaxed rescheduling facility offered by the central bank to clean up their balance sheets. In banking, banks write off bad debt that is declared non-collectable, removing it from their balance sheets. Last year, loans amounting to BDT 25.97 billion were written-off, down 19.03% from a year earlier, according to data from the central bank. Banks have to keep 100% provisioning against the written-off loans, making it difficult for many lenders amid lower incomes. This led lenders to use the relaxed rescheduling facility to bring down their defaulted loans, bankers say.
- In 2019, defaulted loans totaling BDT 501.86 billion were regularized, the highest on record for a single year. Of the sum, BDT 185.84 billion was regularized under the central bank's relaxed policy announced in May last year. The facility allows defaulters to reschedule classified loans by just making a down payment of only 2% of their outstanding amount instead of the existing 10-50%. Banks recovered BDT 4.79 billion in down payment from the loans rescheduled under the policy. Despite a large amount of loans being rescheduled, defaulted loans went up 0.42% year-on-year to BDT 943.13 billion last year.
- Written-off loans would have increased significantly if banks had not got the relaxed rescheduling facility, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office. Banks' efforts to clean up the balance sheet using the facility will not bring any good for them. A total of BDT 560.16 billion has been written off since the facility was introduced in January 2003. Of the amount, 79% has remained outstanding to date, meaning banks' efforts to recover the loans did not bear much fruit.
- As of December last year, state-owned banks have written off BDT 232.58 billion and private banks BDT 308.89

billion. Two state-run specialized banks -- Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank -- wrote off BDT 6.04 billion and foreign banks BDT 12.65 billion.

<https://www.thedailystar.net/business/news/loan-write-offs-sink-five-year-low-1878646>

Now Square gets approval to ship medicines to Congo

- Square Pharmaceuticals has received the good manufacturing practices certificate from Congo, joining a growing list of medicine exporters from Bangladesh looking to make inroads into the African continent. Last month, Apex Pharma received the same certification, which came from the Directorate of Pharmacy & Medicine under the public health ministry of Congo. Although Bangladesh has long been exporting pharmaceutical products to many countries of the world, the African continent eluded the local drug makers. This certificate will open the door for the local medicine-maker to export pharmaceutical products to 11 central African countries as well.

- Set up in 1958, Square Pharmaceuticals is the largest pharmaceutical company in Bangladesh, a position it has held among all national and multinational companies since 1985. It pioneered exports of medicines from Bangladesh in 1987 and has been selling antibiotics and other pharmaceutical products in 42 countries, according to the company's website. It has received approvals to export products to the US, the UK and Australia.

- Bangladesh's earning from pharmaceuticals exports rose 25.60% to USD 129.95 million in the last fiscal year, according to the Export Promotion Bureau. Pharma exports grew 7.23% to USD 96.72 million in the first eight months of the fiscal year. The government has targeted to earn USD 169.59 million in pharmaceuticals exports in fiscal 2019-20. Bangladesh exports pharma products to about 150 countries and caters to 97% of the domestic market.

<https://www.thedailystar.net/business/news/now-square-gets-approval-ship-medicines-congo-1878634>

RMG export likely to plunge further

- The Coronavirus epidemic poses a threat to the country's apparel sector, as foreign buyers have started revising their business strategies amid the prevailing critical situation. Sector insiders opined that export earning of the country's USD34-billion ready-made garment (RMG) sector, which is witnessing a negative growth in the current fiscal year (FY), 2019-20, might decline further.

- They feared that work orders might plunge due to disruption in supply chain. It includes delay in importing raw materials, buyers' adopting 'wait and watch' policy, and possible slowdown in demand from consumers' side. The prices of basic raw materials, including sewing thread and level yarns used in production, are still high due to the virus outbreak. Buyers might defer their shipments considering the overall situation, and so, local suppliers might incur financial loss.

- About 46% of raw materials for the local RMG industry are sourced from China. Bangladesh imported textile fibers and articles worth USD 5.02 billion, out of its total USD 13.63 billion import, from China in FY 2018-19.

<https://www.today.thefinancialexpress.com.bd/first-page/rmg-export-likely-to-plunge-further-1583775078>

Bangladesh Telecommunication Regulatory Commission (BTRC) wants to pull the plug on 2G handsets

- Bangladesh Telecommunication Regulatory Commission (BTRC) is apparently discouraging use and trade of second generation (2G) mobile phones, popularly known as basic or feature phones, as per letters it recently sent to listed handset importers, producers and vendors. Mobile operators welcomed the move but the letter recipients say it would not be a workable approach to popularizing smartphones. About 70% of the mobile phone users are still using 2G devices as most have no demand for higher technology and the telecom regulator should not deprive them, they said.

- Bangladesh has a huge number of mobile phones users in the country who do not need smartphones at all as they are using mobile phones only for talking. A basic phone costs only BDT 750 but for smartphones at least BDT 3,000 is required and this extra spending will either be meaningless or unbearable for them, said a former general secretary of Bangladesh Mobile Phone Importers Association.

- Dismissing the analysis, mobile phone operators said it was a much-needed direction and true advancement towards the vision of a Digital Bangladesh. The chief corporate and regulatory officer at Robi said their 4G network currently covers 75% of the country's population, whereas 4G handset penetration had stalled at less than 30% of mobile subscribers. Moreover, although Robi has become the country's first mobile carrier to introduce voice over long term evolution (VoLTE) technology, it does not have that much customers with VoLTE-enabled handsets, he said.

- Some 32.8 million handsets were sold in the country in 2019, about 25.1 million of which were basic phones, according to local manufacturers and importers. About 5.4 million smart devices were locally manufactured last year,

while another 2.4 million were imported via the legal and grey channels, according to industry insiders.

- Bangladesh witnessed the launch of 3G services in October 2012 and 4G in February 2018. The regulator is now formulating the 5G guidelines.

<https://www.thedailystar.net/business/news/btrc-wants-pull-the-plug-2g-handsets-1878637>

3 banks inform Bangladesh Bank of stocks special fund formation

- Three banks on Sunday informed the Bangladesh Bank that they had formed special funds for the stock market as part of a central bank move to form such funds to support the ailing market. United Commercial Bank, Shahjalal Islami Bank and state-owned Sonali Bank had informed the central bank on the day that they had set up the special fund.
- Under the BB's low-cost cash facility for stocks, each bank is allowed to form a BDT 2 billion special fund by borrowing money at 5% interest from the central bank taking the combined size of the special funds meant for the capital market to BDT 6 billion. The fund would be valid till February 2025 and the banks would be allowed to take the money under the scope till January 13, 2025.

<https://www.newagebd.net/article/101744/3-banks-inform-bangladesh-bank-of-stocks-special-fund-formation>

Yarn prices soar as virus fear triggers panic buying

- Prices of yarn marked a sharp rise in the domestic market over the last one month as the coronavirus fear has triggered panic buying, according to industry insiders. The widely-consumed 30-carded yarn is now selling between USD 2.95 and USD 3 per kilogramme -- an 11% increase from a month ago, said the secretary of the Bangladesh Textile Mills Association. Yarn prices had been showing an upward trend since last October due to higher demand from garment manufacturers, he said, adding that the virus outbreak is now fueling the prices further. However, the primary textile sector that comprises spinning and weaving is not affected yet as the supply chain remains unscathed. The garment makers need not worry as the local textile millers and spinners are ensuring uninterrupted supply of yarn and fabrics, he said.
- The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) last month sought special financial assistance from the central bank to steer clear of any negative impact of the coronavirus on the garment supply chain. The supply chain of fabrics and other raw materials has been affected badly due to the outbreak as Bangladeshi apparel makers source 46% of their raw materials from China, the BGMEA said in a letter to the Bangladesh Bank. In fiscal 2018-19, imports from China amounted to USD 13.63 billion, USD 5.02 billion of which were textiles.

<https://www.thedailystar.net/business/news/yarn-prices-soar-virus-fear-triggers-panic-buying-1878652>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$33.12	+1.99	+6.39%
Crude Oil (Brent)*	\$36.83	+2.47	+7.19%
Gold Spot*	\$1,667.01	-13.46	-0.80%
DSEX	4008.06	-279.32	-6.51%
Dow Jones Industrial Average	23,851.02	-2,013.76	-7.79%
FTSE 100	5,965.77	-496.78	-7.69%
Nikkei 225	19,405.57	-293.19	-1.49%
BSE SENSEX	35,634.95	-1,941.67	-5.17%

Exchange Rates

USD 1 = BDT 84.76*
GBP 1 = BDT 110.66*
EUR 1 = BDT 96.58*
INR 1 = BDT 1.14*

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

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