

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) policy sparks flurry of loan write-offs

- Loan write-offs almost quadrupled in the first quarter of the year on the back of the central bank's easing of rules, in a sobering reminder of the banking sector's deteriorating financial health. Between January and March, BDT 5.57 billion was written-off, in contrast to BDT 1.41 billion a year earlier, according to data from Bangladesh Bank. Earlier in February, the central bank revised its policy to allow banks to write-off default loans that have been languishing in the bad category for three years, down from five years previously. Furthermore, lenders do not have to file any case with the money loan court to write off delinquent loans worth BDT 0.2 million, up from BDT 50,000 previously.

- Banks usually write off a maximum amount of default loans in the last quarter of the year with a view to cleaning up their balance sheets. Between October and December last year, banks wrote off BDT 20.57 billion. But the write-offs in the first quarter were uncharacteristically high, said a central bank official, adding that it might continue for the rest of the year for the BB's policy relaxation. A former deputy governor of the central bank, echoed the same. The write-off policy is exercised by almost all banks across the globe, but the trend is excessively high in Bangladesh. This is not good for the banks' health.

- He went on to blame the high write-offs on the surge in default loans -- in the absence of corporate governance. At the end of March, default loans in banks stood at BDT 1.11 trillion, up 25.15% year-on-year. Of the banks that took the facility to clean up their balance sheets, Dutch-Bangla Bank topped the chart, writing off BDT 2.91 billion. It was followed by Jamuna Bank, which wrote off BDT 1.91 billion. With the latest round, a total of BDT 532.58 billion has been written-off since the facility was introduced in January 2003 by the central bank to show lower amounts of default loans in banks' balance sheets.

- Of the amount, 76% has remained outstanding to date, meaning banks' efforts to recover the loans did not yield much. As of March, the state-owned banks have written off BDT 231.87 billion and private banks BDT 283.42 billion. As per the Bangladesh Bank norms, loans are written off after making 100% provisioning. Banks though are obligated to continue with their recovery efforts. Lenders opt for write-offs when all avenues for recovering the default loans have been exhausted, the former deputy governor of the central bank said. Loan write-offs have gradually been rising in recent years and the trend reflects the ongoing crisis in the banking sector.

<https://www.thedailystar.net/business/banking/news/bb-policy-sparks-flurry-loan-write-offs-1787005>

Government moves to allow all banks to handle Challan transactions

- All the 59 commercial banks are likely to be allowed to handle "challan" that serves as the biggest instrument of submitting money to the public exchequer. The Finance Division, which has been working on how to allow them to act parallel with the Sonali Bank and the Bangladesh Bank, said it might take effect within the next couple of months. People who need to deposit fees, taxes and even penalties use the mode of challan, the oldest instrument. Currently, only the branches of the central bank and the largest state-owned commercial bank Sonali can handle it.

- They are looking to launch the facility for all banks from October in Dhaka, said an official at the Finance Division. He also said the facility would be expanded across the country later this year. He said the government receives the funds deposited through Challan two or three days after transactions. On introduction of the facility for all banks, the government will receive such funds in no time as those will be "real-time" transactions. Borrowing to meet urgent payment obligations will also come down. Bankers have said that this is a laudable move by the government as it will increase the deposit flow and also investment opportunities.

- People use challan as the biggest mode of money deposit to the government's consolidated fund to enjoy different services for purposes ranging from agriculture to utility. The Challan transactions account for over 90% of the national exchequer fund. The remaining 10% account for adjustments with the donor funds and others.

- Earlier, on an average, 9.2 million Challan transactions occurred through the branches of the Bangladesh Bank and the Sonali Bank. But in the fiscal year 2018-19, over 14.8 million Challan transactions took place through the channel fetching BDT 24 billion in commission to the Sonali Bank. The volume of money involving Challan transactions is over BDT 4.34 trillion a year.

<https://thefinancialexpress.com.bd/economy/bangladesh/govt-moves-to-allow-all-banks-to-handle-challan-transactions-1566015351>

AC sales soar on hot weather

- Air conditioner sellers have posted strong sales amid persistent hot weather throughout the entire period of April-July and rising disposable income of people. Equated monthly instalment (EMI) facility and availability of electricity also fuelled sales of the appliances once seen as a luxury, according to market players. The sales were so high that some retailers at one point failed to provide consumers with the required models of ACs as those went out of stock. Samsung posted a 200% year-on-year sales growth in June while Transtec clocked over 200% growth. Walton pulled off 180% sales growth, Esquire Electronics 250% and Pran-RFL's Vision brand about 150%.
- April, May and June are the peak season for AC retailers as temperature starts to climb from March. Nearly 90% of the ACs are sold during the months. The 1.5-tonne and 2-tonne non-inverter and inverter ACs of Transtec and Sharp of Esquire Electronics were out of stock for around three weeks in June thanks to the huge demand for the two segments. The sales exceeded their expectation. Our stock of 1.5-tonne and 2-tonne Sharp AC was sold out before June 15, said general manager of Esquire Electronics, the authorised sole distributor of Japanese giant electronics brands General and Sharp.
- Transtec's 1.5-tonne inverter AC was out of stock for around three weeks in June, said marketing manager of Transcom Digital, which owns Transtec brand. In order to drive the sales this year, manufacturers and retailers also came up with EMI, exchange offer, discount and cash-back facilities. Market players expect the sale of ACs would cross 0.7 million units this year. Till June 15, more than 350,000 units were sold. The market size may reach BDT 45.00 billion this year, from BDT 35.00 billion in 2018.
- The annual demand for ACs has grown 20% on an average in the last six years, according to executive director of Walton, a local manufacturer. He said that customers are shifting from non-inverter ACs to inverter ACs because of lower energy consumption by the latter. The price of ACs has also come down, allowing the mid-income group to afford it.

<https://www.thedailystar.net/business/news/ac-sales-soar-hot-weather-1786990>

IPO subscription of Ring Shine Textiles begins August 25

- The company will offload ordinary shares worth BDT 1.50 billion under the fixed price method. The initial public offering (IPO) of Ring Shine Textiles Ltd (RSTL) begins on August 25, with the company aiming to raise BDT 1.50 billion by offloading 1.50 billion ordinary shares under the fixed price method. The IPO will stay open for both resident and non-resident Bangladeshis till September 9 this year. A market lot consists 500 shares and an investor has to submit BDT 5,000 to apply for each lot of the company's IPO shares priced at BDT 10 each.
- The Bangladesh Securities and Exchange Commission (BSEC) approved Ring Shine Textiles' IPO on March 12. According to the financial statement of June 30, 2018, the company's net asset value (NAV) per share stood at BDT 23.17, while the weighted average of earnings per share (EPS) was BDT 1.46. AFC Capital Limited and CAPM Advisory Limited will act as the issue manager for the IPO process. Authorized capital of the company stands at BDT 4.40 billion and paid-up capital stands at BDT 2.85 billion.
- The major activities of the RSTL is manufacturing and marketing gray and finished fleece fabrics of various qualities, and dyed yarn to the ready-made garment (RMG) industry of Bangladesh. RSTL commenced commercial operation in August, 1998, and converted to a public limited company on June 8, 2017. After completing all the procedures, the company will be the 56th listed company in the textile sector in the DSE.

<https://www.dhakatribune.com/business/stock/2019/08/18/ipo-subscription-of-ring-shine-textiles-begins-aug-25>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$55.41	+0.54	+0.98%
Crude Oil (Brent)*	\$59.30	+0.66	+1.13%
Gold Spot*	\$1,508.83	-4.69	-0.31%
DSEX	5,216.54	+15.12	0.29%
Dow Jones Industrial Average	25,886.01	+306.62	+1.20%
FTSE 100	7,117.15	+50.14	+0.71%
Nikkei 225	20,550.92	+132.11	+0.65%

Exchange Rates

USD 1 = BDT 84.44*

GBP 1 = BDT 102.64*

EUR 1 = BDT 93.67*

INR 1 = BDT 1.19*

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

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