

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.

Revenue collection, exports disappoint while reserves, remittance shine last fiscal year

- Record remittance earnings and foreign currency reserves are among a few positive takeaways for the government in an otherwise painful fiscal year as the devastating coronavirus pandemic pushed revenue collection to an unprecedented fall and exports to collapse. Bangladesh's tax collection dropped as much as 25.4% year-on-year to BDT 1.686 trillion in the just-concluded fiscal year as the coronavirus pandemic brought the economy to a standstill.
- Overall, revenue collection dipped 20.5% to BDT 2.00 trillion. This is first-ever negative growth in Bangladesh's history. The two-and-half-month-long countrywide general shutdown introduced on 26 March dented the state's coffers as economic activities saw massive disruption in the last quarter of the fiscal year ending in June. Foreign currency reserves grew 10.2% year-on-year to USD 36 billion in fiscal 2019-20, which was USD 32.7 billion a year earlier, on the back of a higher-than-expected remittance flow, a fall in imports and budget support from the development lenders.
- Money sent home by Bangladesh's more than 10 million migrant workers stood at USD 18.2 billion, up 10.9% year-on-year. Imports fell 8.6% year-on-year to USD 54.8 billion, as demand dropped drastically in the country after the deadly virus arrived at the shores of Bangladesh in March. Similarly, exports plummeted 16.9% to USD 33.7 billion as Western countries were devastated by the pestilence.

<https://www.thedailystar.net/business/news/revenue-collection-exports-disappoint-while-reserves-remittance-shine-last-fiscal-year-1950573>

11 banks face provision shortfall

- Eleven banks – four state-owned and seven from the private sector – faced a combined provision shortfall of BDT 101.77 billion the end of June this year. According to the central bank's latest approved data, BASIC Bank, a state-run financial institution, topped the list with a provision shortfall of BDT 33.14 billion at the end of June this year. National Bank, a private sector lender, which faced a BDT 16.96 billion provision deficit, occupied second place. Provision shortfall of AB Bank, another private sector lender, stood at BDT 12.14 billion. Rupali Bank faced a provision shortfall of BDT 9.20 billion, Sonali Bank BDT 8.92 billion, Agrani Bank BDT 8.86 billion, Bangladesh Commerce Bank BDT 5.65 billion, Mutual Trust Bank BDT 2.44 billion, Dhaka Bank BDT 2.03 billion, Social Islami Bank BDT 1.98 billion, and Trust Bank BDT 420 million. The rest of the banks have been able to keep more provisions than the amount required by the financial regulator, and thus the banking sector's total provision shortfall stood at BDT 44.99 billion at the end of June 2020.
- As per the data, the banking sector's default loans soared by BDT 36.06 billion in the second quarter of this year despite a waiver on loan classification, and the total amount of the default loans stood at BDT 961.16 billion at the end of June this year. A total 9.16% of the total outstanding loans of the country have defaulted.

<https://tbsnews.net/economy/banking/11-banks-face-provision-shortfall-123763>

<https://www.newagebd.net/article/114410/11-banks-suffer-BDT-10177cr-provision-shortfalls-till-june>

Remdesivir can rake in BDT 7.00 billion

- Bangladesh's pharmaceutical sector could fetch up to BDT 7.00 billion by the end of fiscal 2020-21 from export of Remdesivir, a broad-spectrum antiviral medication that has proven to be effective for the treatment of severe Covid-19 cases, according to industry insiders. Eskayef (SK-F), Beacon, Incepta, Beximco, Healthcare and Square are producing a generic version of the drug, which was first developed by American biopharmaceutical company Gilead Sciences. Thanks to its classification as a least-developed country, Bangladesh was granted access to the patent to manufacture and export the drug.
- As such, Eskayef already started shipping the product under its brand name 'Remivir', said the company's director for marketing and sales, adding that he sees good potential for export earnings as global demand is on an upward trend. Eskayef is also in the process of exporting to regulated markets. According to Beacon's director for global business, Bangladeshi companies should be able to export a combined total of at least BDT 7.00 billion of the product this year. The chief operating officer of Beximco, told The Daily Star that his company is exporting Remdesivir to 10 countries, including some in Latin America and the Middle East.

<https://www.thedailystar.net/business/news/remdesivir-can-rake-BDT-700cr-1950581>

Bangladesh still in second spot in global apparel trade

- Officially, Bangladesh is still the second-largest garment exporter worldwide and it is expected that the country will be able to retain its second position globally because of the regular flow of work orders with the reopening of the stores in the western world. Between January and July, Vietnam, Bangladesh's main competitor in global apparel trade, exported textile and garment items worth USD 16.2 billion. In that time, Bangladesh's apparel exports stood at USD 15.2 billion. This might give off the impression that Vietnam has usurped Bangladesh as the second-largest supplier of apparel in the world.
- But there is a caveat: Vietnam's amount is counted for two items, textile and garments, while Bangladesh's amount is counted only on one item, garment. So, Bangladesh is still far ahead of Vietnam in terms of garment export worldwide and still the second-largest exporter. According to the latest data from the World Trade Organisation, which is of 2019, Bangladesh retained its second position in garment export, grabbing 6.8% of the market share while Vietnam took 6.1%. In 2019, Bangladesh exported garment items worth USD 34 billion and Vietnam exported garment items worth USD 31 billion, the WTO data also said.

<https://www.thedailystar.net/business/news/bangladesh-still-second-spot-global-apparel-trade-1950597>

8 state banks still account for a disproportionate share of classified loans

- Classified loans in the banking sector rose 3.9% quarter-to-quarter to BDT 961.17 billion in June largely because of a higher volume of risky assets at private and state-run specialised lenders. June's figure accounted for 9.2% of the total outstanding loans, data from the central bank showed. In March, BDT 925.10 billion was classified, which was 9% of the outstanding loans at the time. Private sector banks saw the sharpest increase in the classified loans in the second quarter of the year. They had a combined classified loan of BDT 465.92 billion in June, up 7.2% from a quarter earlier.
- The risky loans at state-owned specialised lenders rose 11.5% to BDT 45.21 billion, which accounted for 15.9% of the outstanding loans. In March, they were sitting on BDT 40.54 billion in classified loans, which were 15.1% of the outstanding loans, BB data showed. Classified loans at state-owned banks nudged up marginally to BDT 429.39 billion at the end of June, against BDT 428.73 billion in March. Foreign banks, however, saw a 0.7% decrease in classified loans to BDT 20.63 billion in June, which was BDT 20.77 billion a quarter earlier.
- Although the classified loans are on the rise, banks in Bangladesh don't seem to be much bothered as only a handful of them are preparing for the likelihood of an increase in defaults. This may be because banks are feeling comfortable as the central bank has given a regulatory forbearance, barring them from classifying loans until September in case of a failure to pay instalments by businesses given the ongoing financial recession. The deadline may be extended to December.

<https://www.thedailystar.net/business/news/8-state-banks-still-account-disproportionate-share-classified-loans-1950577>

Cement industry in grave crisis

- Cement companies are facing major problems due to declining demand because of the coronavirus pandemic and tax complications. The Bangladesh Cement Manufacturers Association (BCMA) said some factories are at risk of closure due to losses and inability to meet operating costs continuously. According to industry insiders, 90% of cement production was halted in April-May during the general holidays announced after the detection of coronavirus in the country. At present, production has resumed up to 60-65%. However, the loss has exceeded BDT 40 billion.
- In addition, the sector is in crisis due to the imposition of 3% advance income tax on cement in the budget for the 2020-21 fiscal year, and clinker import tariff being higher than that in the international market. As a result, industry players think it is necessary to save this sector by changing the unreasonable tax structure of the government. Currently, the main raw material for cement, clinker, is subject to an import duty of BDT 500 per tonne. Clinker is presently imported at USD 38-40 per tonne, and thus the import duty of BDT 500 exceeds 16%. Cement companies have demanded that the import duty be set at BDT 300 per tonne or at least 5%.
- The use of cement in the country has increased manifold in the last two decades, said companies. In 2000, per capita cement use was only 45 kg, but this rose to 200 kg by the end of last year. As a result, companies have been increasing their production capacity for several years to strengthen their position in the growing market. There is stiff competition among them due to production capacity being more than double the demand. According to industry insiders, there are currently about 35 active cement factories in the country. Although the demand for cement is 35 million tonnes per annum, the total production capacity of the factories is 80 million tonnes. In the next three years, it will rise by another 11 million tonnes.
- The top 10 companies occupy 81% of the market share, with Shah Cement being the top player. LafargeHolcim, Bashundhara, Seven Rings, Heidelberg, MI Cement, Premier Cement, Fresh Cement, Akij Cement and Confidence Cement are some of the leading brands.

<https://tbsnews.net/economy/industry/cement-industry-grave-crisis-123373>

Banks embark on cost-cutting measures, keeping staffers intact

- While job termination and salary cuts have created panic in the banking sector, some banks have taken different approaches to minimize operational costs, reducing office space and other expenses to cope with the corona-induced financial losses. For instance, Mutual Trust Bank has decided to relocate its branch office from Gulshan Link Road to a smaller spaced low-cost area to reduce its operating cost. The relocation will save the Bank around BDT 50 million, the bank said. Besides, the Bank is also relocating its other branches, reducing office building rents, conducting online training workshops, paperless office work, increasing technology-based activities and increasing the number of its officials to work from home, according to the bank source.
- Prime Bank has decided to release 25,000 to 30,000 square feet of space within a few months. The Bank has also requested office building owners to reduce the rents by at least 25% to 30%. Prime Bank managing director said they had already started digital activities, which had gained momentum during the crisis period. Fourth generation NRB commercial bank has already reduced a good portion of its additional expenses. The bank has reduced the cost of deposits and its overhead expenditure. The bank has also reduced its office rents by least 10% to 15%.
- However, five private commercial banks in the country have already implemented salary cut initiatives to adjust operational costs. Of the latest, One Bank on July 9 announced pay cuts for their officers. Earlier, Al Arafah Islami Bank, Exim Bank, City Bank, and AB Bank cut the salaries of their staff.

<https://www.dhakatribune.com/business/banks/2020/08/24/banks-embark-on-cost-cutting-measures-keeping-staffers-intact>

Loan disbursement time may be extended until December

- The period of loan disbursement by the banks concerned under the central bank's 'special incentive re-financing scheme for the agriculture sector' is likely to be extended until December next, sources said. The time might be extended as disbursement of special loan to the farmers concerned has been going on at a snail's pace, they added. As per the participation agreement signed with Bangladesh Bank (BB), the banks concerned will have to disburse loan within September 30, 2020.
- Over four months have already passed after launching the stimulus package amid the Covid-19 pandemic. But the disbursement of special incentive loans to the farmers by the banks has remained very low, said a senior official of the Agricultural Credit Department. In such circumstances, the loan disbursement time may be extended by two to three months from the existing period, he added. Small and medium level farmers in rural areas producing flowers, fruits, grains, fishes, poultry, dairy farms and livestock are eligible for special loan from the refinancing scheme, according to a circular of the central bank. Only BDT 5.0 billion loan under the refinance scheme has been disbursed by the banks until July last, the official also said. The fund size of special incentive re-financing scheme for the agriculture sector is BDT 50 billion.

<https://today.thefinancialexpress.com.bd/last-page/loan-disbursement-time-may-be-extended-until-december-1598292056>

Only one insurer goes public since finance minister's warning last year

- Only one out of the 28 non-listed insurance companies offloaded shares even though Finance Minister in September last year warned that their licences will be cancelled if they fail to go public within three months. The Bangladesh Securities and Exchange Commission (BSEC) in February approved the initial public offering of Express Insurance, a non-life insurer that raised BDT 267 million from the capital market. Some other companies are also trying to get listed. We may see them in the market soon, said the president of the Bangladesh Insurance Association.
- The process has been delayed as the coronavirus pandemic has thrown a spanner in the works, he added. However, questions surfaced over intention of Express Insurance to raise funds as the company will utilise the IPO proceeds as deposits for bank fixed deposit receipts and investment in the stock market. The insurer will invest BDT 206 million in FDR and treasury bonds, BDT 40 million in the capital market and spend the rest on IPO expenses. That means the company didn't need capital at all. It went public only to do the bidding of the minister. If they invest the IPO money in FDR and stock market, why should people go to them rather than asset management companies?" said a top official of a merchant bank asking not to be named.

<https://www.thedailystar.net/business/news/only-one-insurer-goes-public-finance-ministers-warning-last-year-1950585>

Bangladesh Securities and Exchange Commission (BSEC) forms body to dig out reasons for DSE's technical glitch

- Bangladesh Securities and Exchange Commission (BSEC) on Monday formed a high-powered body to look into the reasons that caused technical breakdown on the website of Dhaka Stock Exchange (DSE) in last week. The committee led by the chairman of computer science and engineering department of Dhaka University (DU), will submit its report within seven working days. The technical glitch hampered investors' access to the DSE's website on Wednesday after introduction of the update version of the website on Tuesday's afternoon.
- Investors' sufferings also continued on Thursday although the premier bourse informed that due to maintenance and up-gradation of the website of DSE, the view of the website was temporarily interrupted. Apart from identifying responsible persons, the inquiry committee will also assess the consequences of the technical failure.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-forms-body-to-dig-out-reasons-for-dses-technical-glitch-1598287407>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$42.58	(\$19.05)	-30.91%
Crude Oil (Brent)*	\$45.24	(\$23.20)	-33.90%
Gold Spot*	\$1,934.83	\$413.36	27.17%
DSEX	4,762.44	309.51	6.95%
S&P 500	3,431.28	200.50	6.21%
FTSE 100	6,154.34	(1,432.71)	-18.88%
BSE SENSEX	38,799.08	(2,843.06)	-6.83%
KSE-100	39,802.60	(932.48)	-2.29%
CSEALL	5,385.79	(743.42)	-12.13%

Exchange Rates

USD 1 = BDT 84.74*
GBP 1 = BDT 111.00*
EUR 1 = BDT 100.02*
INR 1 = BDT 1.14*

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

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