

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 sets single-digit lending rate for industrial manufacturers

- The Bangladesh Bank (BB) board of directors has approved a proposal on a single-digit lending rate for industrial manufacturers to add an impetus to the country's economic growth. Our board has given a decision on 9.0% interest rate on industrial manufacturing loans as well as working capital after reviewing a committee report, BB spokesperson said.
- The committee recommended that the interest rates on large industrial (manufacturing) loans along with cottage, micro, small and medium industrial (manufacturing) credit be lowered to the single-digit from the existing level. Besides, large industrial (manufacturing) loans will include credit provided to the ready-made garment (RMG), textile, ship-building and ship-breaking, agro-based industry and other similar sectors. The borrowers from such industrial manufacturing sectors will get loans at 9.0% interest rate instead of the existing level of around 12.00% after implementation of the BB board's decision.

<https://today.thefinancialexpress.com.bd/public/first-page/bb-sets-single-digit-lending-rate-for-industrial-manufacturers-1577209040>

<http://www.newagebd.net/article/94580/lending-rate-not-to-exceed-9pc-bb>

<https://www.dhakatribune.com/business/banks/2019/12/24/bb-sets-9-lending-rate-for-industrial-loans>

<https://www.thedailystar.net/business/news/single-digit-interest-industrial-loans-1844806>

Loan rescheduling hits new high

- Banks rescheduled a record amount of defaulted loans in the first nine months of 2019 as part of their efforts to contain bad debt and manage hefty profit, albeit artificially. Between January and September, non-performing loans (NPLs) amounting to BDT 311.75 billion were regularized, the highest on record even for a single year. The previous record was set in 2018, when banks rescheduled BDT 232.10 billion. But the record amount of loan rescheduling has failed to rein in the upward trend of defaulted loans for want of corporate governance in the banking sector, analysts said. As of September, cumulative defaulted loans stood at BDT 1.16 trillion, up 23.82% from December last year.
- The rescheduling of loans will escalate in the October-December quarter because of the relaxed policy offered by the central bank, said the chairman of the Association of Bankers, Bangladesh, a forum of private banks' managing directors. As per a High Court instruction, the central bank had earlier extended the deadline for defaulters several times to have their NPLs rescheduled under the relaxed policy. The last deadline was October 20. Under the policy, defaulters got the opportunity to regularize their loans for 10 years, including one year's grace period, at 9% interest rate, just by making 2% down payment.
- The relaxed policy on rescheduling has given a wrong signal to the financial sector and may create a moral hazard, said a distinguished fellow of the Centre for Policy Dialogue, a think-tank. Many good borrowers may feel discouraged to repay their loans on time because of the easy repayment policy, he said.

<https://www.thedailystar.net/business/news/loan-rescheduling-hits-new-high-1845238>

2019: Lackluster year for IPOs

- Low-cap companies have dominated the initial public offerings, or IPOs, in the outgoing year in what was a bearish market. A total of eight firms raised BDT 5.52 billion combined, including premium, by floating IPO shares in 2019, according to the Dhaka Stock Exchange, DSE, data. In 2018, 13 companies and a mutual fund collected BDT 6.46 billion, the data showed. Fund raising by companies through IPOs slumped by 14% year-on-year in 2019.
- Three companies that turned to book-building method were Square Knit Composite (BDT 1,500 million), Runner Automobiles (BDT 1,000 million) and ADN Telecom (BDT 570 million) during the period. In contrast, five companies opted for fixed-price method: New Line Clothings (BDT 300 million), Silco Pharmaceuticals (300 million), Coppertech Industries (BDT 200 million), Sea Pearl Beach Resorts (BDT 150 million) and Ring Shine Textiles (BDT 1500 million).
- Fundraising through IPOs had peaked at BDT 16.78 billion in 2011 since the stock market debacle of 2009-10.

<https://today.thefinancialexpress.com.bd/first-page/2019-lacklustre-year-for-ipos-1577296431>

Bangladesh Telecommunication Regulatory Commission (BTRC) makes fresh attempt to audit Banglalink, Airtel

- The Bangladesh Telecommunication Regulatory Commission has decided to make a fresh attempt to appoint auditors to conduct financial and technical inspections in two mobile phone operators — Banglalink and Airtel — after wasting two years on the same process.
- For Banglalink, the auditor was supposed to cover Banglalink's technical and financial books in the 1996-2017 period. The auditor for Airtel was supposed to cover the 2006-2017 period.
- Earlier, one audit firm had placed EoI to audit Banglalink and four submitted EoIs to audit Airtel. Under the fresh move to appoint auditors, the commission would now float fresh bid seeking EoI from competent firms, a senior BTRC official told New Age on Tuesday.
- For the selection of two audit firms, the commission also decided to form two separate committees — one for the evaluation of EoIs to be submitted for Banglalink's audit and another one for the evaluation of EoIs to be submitted for Airtel's audit. Finally, two auditors — one for Banglalink and another for Airtel — would be selected for auditing based on the recommendations of the evaluation committees.

<http://www.newagebd.net/article/94652/btrc-makes-fresh-attempt-to-audit-bl-airtel>

Telecom tussle erodes trust

- The outgoing 2019 would go down as one of the most challenging years for Bangladesh's telecom industry, weighed down by the ongoing tussle between the regulator and two operators as well as slump in growth in mobile and internet connections. Mobile phone operators were also not able to make as much investment as they had wanted in the beginning of the year because of regulatory restrictions on the import of network equipment and current network maintenance and offering new services, depriving the country of much-needed investment. No new tower was established because of the introduction of the tower license regime, putting more pressure on the existing network as new connections were added. The situation hurt the telecom industry so much so that service quality deteriorated and customer growth fell. A change in tax rates involving corporate tax as well as SIM replacement tax also creates a huge burden for the industry and all the telecom operators are bleeding consequently.
- In the first 11 months, the industry added only 7.71 million new internet connections through mobile internet and broadband, way lower than the 10.9 million added a year ago. Currently, the number of active internet users stand at 99.1 million. In 2019, mobile operators added 7.84 million new connections, down from 11.9 million in 2018 and 18.7 million in 2017, data from the Bangladesh Telecommunication Regulatory Commission (BTRC) showed. At present, the number of mobile phone connections stands at 164.8 million.

<https://www.thedailystar.net/business/news/telecom-tussle-erodes-trust-1845235>
<https://www.dhakatribune.com/business/2019/12/24/mobile-internet-users-fall-by-4-lakh-in-nov>

Total premium income of private life insurance companies rises to BDT 84,758 million

- The total premium income of private sector life insurance companies increased from BDT. 77,318 million in 2017 to BDT. 84,758 million in 2018. The total assets of the private sector life insurance companies stood at BDT.363,942 million in 2018 as against BDT. 346,521 million in 2017.
- According to the latest annual report of Bangladesh Insurance Association (BIA), the gross premium income of non-life private sector insurance companies increased from BDT. 26,694 million in 2017 to BDT.30,347 million in 2018 registering a growth rate of 13.68%. The total assets stood at BDT. 79,774 million in 2018 whereas it was BDT. 75,495 million in 2017.
- The total investment stood at BDT. 38,036 million in 2018 while it was BDT. 38,635 million in 2017.

<https://today.thefinancialexpress.com.bd/stock-corporate/total-premium-income-of-pvt-life-ins-cos-rises-to-BDT-84758m-1577298536>

Cement consumption to rise on infrastructure projects: President of Bangladesh Cement Manufacturers Association (BCMA)

- Cement consumption will go up in Bangladesh in the coming years on the back of a growing appetite for the key construction material from infrastructure projects as well as rapid urbanization, an industrialist said. Bangladesh is investing heavily in infrastructure development, especially in power generation, highways, bridges, buildings and telecommunications.

- At present, per capita cement consumption in Bangladesh is about 195 kg, but the president of BCMA hoped that per capita consumption of cement will touch the level of 250 kg by 2024. According to the entrepreneur, 2019 was not as glorious for the cement industry as it was expected in the beginning. Manufacturers had intended to achieve growth of 10-12% in 2019, but the year might end with growth of about 6% on 2018, way lower than 16% posted in 2018. Relatively lower demand prevailed throughout the year except a few days during peak seasons.

- There are about 40 active cement factories in Bangladesh with a combined effective production capacity of 61 million tonnes per year against a demand for 33 million tonnes, meaning the capacity exceeds the demand by about 46%. The market size of the sector is around USD 3 billion, or BDT 255 billion. Manufacturers have invested more than BDT 300 billion in the sector. Local companies are dominating the market. Cement is consumed mainly by three segments of users: individual house builders account for about 40%, developers or contractors about 25%, and public sector projects the rest 35%.

<https://www.thedailystar.net/business/news/cement-consumption-rise-infrastructure-projects-1845190>

Double trouble for RMG: Small factories closing at a time of falling shipments

- The garment sector is facing a double whammy as more and more factories are closing at a time when apparel shipments are falling. Between July and November, garment exports declined 7.74% year-on-year to USD 13.08 billion, which was 13.63% below the target set for the period, according to data from the Export Promotion Bureau (EPB). In the last 11 months to November, 61 factories were shut down, rendering 31,600 workers jobless, according to data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the trade body for apparel makers and exporters.

- On the other hand, Bangladesh's main competitor Vietnam reaped nearly USD 27.4 billion from exporting garments and textiles in the first 10 months of this year, posting a year-on-year rise of 8.7%, according to the country's General Statistics Office on Tuesday. Stronger currencies and policy incentives given by the competitor countries are enabling them to get more business by offering lower prices than Bangladesh, according to the exporters and analysts of the BGMEA. A significant increase in production cost because of the implementation of the minimum wage in December last year is another major reason for the falling garment export, they said.

According to the president of BGMEA, diversification of the industry is one of the most important priorities now and the sector needs special incentive to encourage product and material diversification and innovation. An executive director of the Policy Research Institute of Bangladesh, argued for a temporary devaluation of the taka against the US dollar for some selective exportable garment items. For instance, the government can devalue the greenback for the manmade fiber garment and synthetic fiber garment exports, he said. If the government devalues the local currency against the dollar for selective items, product diversification will take place automatically, he said.

<https://www.thedailystar.net/business/news/double-trouble-rmg-1845232>

Meera Agro to kick off DSE's SME platform

- Meera Agro Inputs, a seed producer, is set to raise BDT 50 million from the stock market within the next three months, becoming the first company to get listed on the Dhaka Stock Exchange's newly launched small cap board. The small-cap board, called the DSE SME, was rolled out on April 30 with a view to facilitating small- and medium-sized enterprises to raise funds, which were shut out from the process before that for their lower turnover. Meera Agro would now issue 5 million ordinary shares to raise funds for land development, modernization and expansion of existing projects, and meeting working capital demand.

- The overall seed market is worth more than BDT 10 billion now, according to the company's prospectus. The market of quality seeds, supplied by public and private sectors, stands at 0.35 million tonnes now, though the amount was around 0.1 million tonne a decade ago. Apart from Bangladesh Agricultural Development Corporation, more than 100 firms, including some non-governmental organizations, now sell seeds.

<https://www.thedailystar.net/business/news/meera-agro-kick-dses-sme-platform-1845226>

Bangladesh Export Processing Zones Authority (BEPZA) inks USD 51.82 million investment deal with Taiwanese company

- Bangladesh Export Processing Zones Authority (BEPZA) has signed a USD 51.82 million investment agreement with Golden Chang Shoes (BD) Ltd., a concern of renowned Golden Chang Group of Taiwan. The company will set up a factory in Cumilla EPZ for producing safety shoes, casual shoes and all kinds of shoes, said a statement. This fully foreign-owned company will produce 3.5 million pairs of shoes per annum for the world famous brands Caterpillar, Timberland and Dr. Martens (UK). Golden Chang Shoes will be creating employment opportunities for 6,171 Bangladeshi nationals.

<https://today.thefinancialexpress.com.bd/trade-market/bepza-inks-5182-million-investment-deal-with-taiwanese-co-1577288846>

Asian Development Bank (ADB) to support Bangladesh's reform

- The Asian Development Bank (ADB) is expected to help Bangladesh ease transborder and regional trade through facilitating infrastructural development and regulatory reforms, officials have said. Under the South Asia Sub-regional Economic Cooperation (SASEC), the Manila-based lender has assured Dhaka of its technical and financial support to this effect.
- The multilateral funder is likely to provide USD 1.5 million for doing a feasibility study and other pre-project work, they disclosed. Some five ministries and agencies will be involved with the transborder project under which they will build infrastructure in land ports and reform customs rules and regulations.
- Under the ADB-aided project, they said, the Bangladesh Land Port Authority (BLPA) under shipping ministry will develop necessary infrastructures at key ports like Benapole, Sonamasjid, Bhomra and Burimari. The BLPA will build warehouses at the ports to keep both importables and exportables with highest security. Both Local Government Engineering Department (LGED) and Roads and Highways Department (RHD) will develop the road connectivity in the cross-border land ports. The Bangladesh Railway (BR) will develop stations and related infrastructure in port areas. The National Revenue Board (NBR) will reform its customs rules with the support of the ADB aimed at simplifying foreign trade, the ERD officials said.

<https://today.thefinancialexpress.com.bd/first-page/adb-to-support-bds-reform-1577296327>

DSE IPO panel finds flaws in Oryza Agro, Three Angle prospectuses

- A Dhaka Stock Exchange expert panel for assessing initial public offerings of companies has reviewed the IPO prospectuses of four companies and found a number of serious violations of securities rules in the prospectuses of Three Angle Marine Limited and Oryza Agro Industries Limited. The recently formed panel also assessed IPO prospectus of Walton Hi-Tech Industries and Energypac Power Generation and found a number of minor violations of rules.
- Oryza Agro issued placement shares worth around BDT 580 million while Three Angle issued placement shares worth BDT 470 million in 2017-18. Market operators said that companies coming with a huge number of placement shares were usually enlisted on the stock market to provide a better exit to the placement shareholders.
- The expert panel has expressed concern about low payment by Oryza Agro to its employees as many employees' gross annual pay was below BDT 48,000. It found the company paid the directors including independent director BDT 500 each for attending each meeting, which was very much low. The company did not disclose information regarding impairment of financial assets, effective tax rate and cash flows in five years, and provided improper disclosure regarding related party transaction and risk factors. The panel raised question about Oryza's ability to pay the liabilities due to its insignificant cash as it held cash equivalents of BDT 300,000 against its liabilities BDT 10.4 million as per June 30, 2019. It said the company's liquidity stress might worsen after expansion of operation through IPO. The issuer has not offered any dividend since its inception and the ability to declare dividend and pay cash dividend in future is doubtful. The company violated labour act as it did not make any provision against employees' benefits and for gratuity yet, which is a mandatory requirement as per the labour act. The role of independent director was not effective as he attended only 40% of board meetings.
- Regarding Three Angle Marine, the panel found that the company did not invest in the listed companies, which was a condition of income tax ordinance for the company for enjoying 5 years of tax holiday. The panel found in the prospectus that the chairperson of the company was also head of human resource department, which was a non-compliance with the BSEC corporate governance code. There is significant cash in transit shown in the prospectus, which found to be unusual. The panel observed that the asset of the company would take longer than its useful life to be fully depreciated as per the rate used in the financial reports. Despite paying off BDT 100 million long-term loans from the fresh capital issue in 2017-18, the long-term loans were seen to be increased by BDT 158 million in the same period, and the company failed to reply to queries on the issue properly. The company failed to provide physical verification report of the PPE certified by auditors for the year ended on June 30, 2019.
- Energypac took almost two years to distribute the WPPF funds of 2015-16, which was a non-compliance with the Bangladesh labour law.

<http://www.newagebd.net/article/94653/dse-ipo-panel-finds-flaws-in-oryza-agro-three-angle-prospectuses>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$60.52	-0.00	-0.00%
Crude Oil (Brent)*	\$66.44	+0.05	+0.08%
Gold Spot*	\$1,489.07	+3.28	+0.22%
DSEX	4,394.44	-36.52	-0.82%
Dow Jones Industrial Average	28,551.53	+96.44	+0.34%
FTSE 100	7,623.59	+41.11	+0.54%
Nikkei 225	23,808.55	-12.56	-0.05%
BSE SENSEX	41,684.51	+41.85	+0.10%

Exchange Rates**USD 1 = BDT 84.90*****GBP 1 = BDT 109.91*****EUR 1 = BDT 94.14*****INR 1 = BDT 1.19***

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

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