

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.

Corporate results show recovery

- Some major companies from a wide range of sectors, including pharmaceuticals, fast-moving consumer goods (FMCG), construction materials, and fuel and power, have performed better in the second quarter of the current fiscal year compared to the pre-Covid-19 levels, raising hopes for their faster recovery from the pandemic shocks. A comparative analysis of 130 listed companies in that quarter shows most of them posted positive growth in profits compared to the same period of the previous fiscal year. Also, the year-on-year sales growth of many companies, including consumer and industrial goods manufacturers, indicates that demand has turned robust.
- The secretary general of Bangladesh Steel Manufacturers Association and vice-president of Bangladesh Cement Manufacturers Association said that the pace of development work seems to have returned almost to the pre-pandemic levels, which is helping the construction materials industry recover from the pandemic blows. Not only bulk item buyers, but also consumers are feeling free to spend on what they need.

<https://tbsnews.net/economy/corporate-results-show-recovery-194311>

MFS, payment service operators to face tighter regulations

- The Bangladesh Bank has initiated a move to enforce tighter regulations on payment service, mobile financial service, e-wallet, payment system operators and any other non-bank entities authorised by the BB to provide payment services. To this end, the central bank has drafted a set of guidelines and published the guidelines for stakeholders' opinions on its web site. Besides the payment service operators, the regulations would also be applicable to the banks which would maintain trust cum settlement accounts (TCSA) of the payment service providers and mobile financial service and payment system operators, among others.
- Operating TCSA with banks is a must for the payment service operators for safekeeping of customers' money. The rapid growth in transactions through the payment systems in recent years has prompted the central bank to come up with the guidelines to secure the public money. The central bank has taken a number of initiatives to make cashless society by using the payment service providers that has raised the importance of imposition of tighter regulations on them. Of the payment service operators, transactions through the MFS operators stood at BDT 5.61 trillion in the year 2020.
- The guidelines said that the central bank would preserve the right of slapping financial penalty, withholding, suspension and cancellation of approval or no-objection certificate if it seems to the central bank that the service provider's activities is detrimental to the public interest. The guidelines titled 'Guidelines for Trust Fund management in payment and settlement services' said that the trust fund would comprise of any such money that creates a liability of the service providing entity to its customers and, or participants in the process of mutual business arrangement. The guidelines are aimed at protecting the interest of actual owners of the fund, who have a lawful claim on such fund at any point in time.

<https://www.newagebd.net/article/128676/mfs-payment-service-operators-to-face-tighter-regulations>

GP, Robi maintain they are all square with BTRC. But BTRC states otherwise

- Both Grameenphone and Robi thought they had settled their long-drawn-out tug-of-war over unpaid dues with the Bangladesh Telecommunication Regulatory Commission (BTRC) last year when the court ordered them to pay 15.9% of the claimed amount in instalments. But out of the blue, last week at the parliament, Posts, Telecom and IT minister Mustafa Jabbar mentioned that the two yet to pay BDT 113.08 billion, which would be the remaining 84.1% of the amount claimed by the BTRC in unpaid sums after combing through their books. This threw the two operators into a state of confusion.
- And then came a letter from the telecom regulator inviting the two operators to a meeting, which will also include officials from the National Board of Revenue (NBR), to come to a solution. After an information and systems audit by Toha Khan Zaman & Co. on Grameenphone's books from its inception in 1997 until June 2015, the BTRC said the operator has failed to pay a total of BDT 125.79 billion. As the case is dragging on, the telecom regulator wanted to meet with Grameenphone and Robi personally to come to a compromise, if necessary, BTRC officials told Dhaka Tribune recently.

<https://www.dhakatribune.com/business/2021/01/31/gp-robi-maintain-they-are-all-square-with-btrc-but-btrc-states-otherwise>

All the excess liquidity is flowing into real estate sector

- Injected with untaxed investment money and the good fortune of excess liquidity in banks, realtors can now hope for a further boost in apartment and plot sales. As per a rough estimation of REHAB, about BDT 35.00 billion was invested in the country's real estate during July-December of 2020. The real estate sector has indeed turned around. It is comparatively in better shape as untaxed money is pumped into the sector. The arrival of the Covid-19 vaccine is also pitting positivity into people's minds, the managing director of Sheltech Group said. It is a positive sign that the banks are reducing interest rates as they have excess liquidity in their hands, he also said.

- Single digit lending rates and excess liquidity in banks have made access to finance affordable and easy for aspirants willing to buy apartments on credit, said the chairman of Brick Works Development. On the other hand, credit facilities for government employees and cutting flat registration cost in the previous national budget helped the sector to rebound from the crisis, said Bhuiyan, also former first vice president of the Real Estate and Housing Association of Bangladesh (REHAB). The overall business situation is rather better than the past. The impact of Covid-19 pandemic is not as bad as we expected, said the chairman of Assure Group.

<https://www.dhakatribune.com/business/2021/01/31/all-the-excess-liquidity-is-flowing-into-real-estate-sector-2>

Telcos freed from VAT on revenue sharing

- The National Board of Revenue has exempted mobile phone operators from value-added tax (Vat) on revenue shared with the Bangladesh Telecommunication Regulatory Commission (BTRC). After paying 15% VAT, local network operators have to deposit 5.5% of their revenue to the BTRC as a part of the regulatory body's condition for using 2G and 3G licences. As per the rules, there is a provision to pay 15% VAT at source on the amount to be paid as revenue shared with the BTRC.

- However, as the indirect tax is collected before depositing the revenue-sharing amount, collection of VAT turns out to be double taxation, the NBR said in a notification on January 27. The revenue authority had waived VAT on revenue sharing under the VAT law 1991, prior to the implementation of the VAT and Supplementary Duty Act 2012, according to officials. As collection of VAT leads to double taxation, the NBR waived VAT on the revenue sharing amounts for 2G and 3G licences, they said.

<https://www.thedailystar.net/business/news/telcos-freed-vat-revenue-sharing-2036701>

<https://www.newagebd.net/article/128780/telcos-exempted-from-vat-payment-on-revenue-sharing>

Monetary policy dilemma of Bangladesh Bank

- As the covid-19 pandemic unfolded, central banks across the globe responded with a dramatic easing of monetary policy to provide liquidity support for the faltering economic activities. Bangladesh Bank's (BB) policy response was also similar, but measured in terms of scope and extent in line with the unfolding domestic economic conditions. The injection of liquidity, as part of the government's bank-led economic stimulus package, has been sizable and considered absolutely essential to avoid any liquidity crunch in the economy.

- In the event, due to the ongoing surge in the officially measured inflow of workers' remittances and the decline in import payments associated with economic slowdown, the external current account of the balance of payments (BOP) recorded large surpluses and foreign exchange reserves of BB increased by more than USD 11 billion to more than USD 43 billion by end-December. The implementation of the stimulus package led to injection of high-powered money into the economy in the form of BB's liquidity support (potentially up to BDT 600.00 billion). The inflows forced BB to intervene in the foreign exchange market to keep the exchange rate of the dollar against taka stable by preventing a significant appreciation of the taka in the interbank foreign exchange market.

- This rapid liquidity injections have been happening at a time when the growth in private sector credit demand has decelerated to 8.2%, the lowest level in the last one decade or more. Large corporates with strong financial standings are also borrowing from abroad at much cheaper rates and restructuring their liabilities by substituting domestic debt with foreign currency denominated debt at much cheaper interest rates. Combined with the massive slowdown in credit to the private sector, the liquidity injection has contributed to a significant liquidity overhang. For most banks the advances to deposits ratios have come down well below the regulatory limit of BB.

<https://www.thedailystar.net/business/news/monetary-policy-dilemma-bangladesh-bank-2036685>

Banks show lackluster performance in disbursing farm stimulus

- Banks are still far from meeting the disbursement deadline for farm loans under the associated stimulus package of BDT 50.00 billion as a third of the fund is yet to be given out. When the package was announced in April last year in the form of a refinance scheme, Bangladesh Bank asked banks to give out the fund by September 30. But they had repeatedly exhibited a poor performance to this end, forcing the central bank to extend the timeframe twice. On December 29, banks were asked to fulfil their disbursement target by March 31 but they have so far distributed BDT 34.11 billion, or 68% of the package, according to data from the central bank.

- A total of 144,903 clients have availed the fund in attempts to make their businesses vibrant. Participation agreements with the central bank have been signed by 43 banks to disburse loans from the stimulus fund dedicated to reviving the agriculture sector. Of them, 16 achieved less than 30% of their respective loan disbursement target set by the banking regulator till January 15, an unwelcome development as the government looks to make a prompt recovery from the economic fallout of Covid-19. The central bank has repeatedly asked the lenders to expedite disbursements but some of them did not take the issue with the utmost importance, said a Bangladesh Bank official.

<https://www.thedailystar.net/business/news/banks-show-lacklustre-performance-disbursing-farm-stimulus-2036717>

BSEC offers exit plan for poor performers

- The Bangladesh Securities and Exchange Commission (BSEC) recently issued a directive offering companies not performing well an exit plan that would help protect small investors in case of delisting. When a company's performance goes down, it is either traded as a junk stock in the over-the-counter market or gets delisted. In any case, the investors get next to nothing from their stocks. United Airways is one such case as it was delisted last month by order of the market regulator. After the delisting, general investors, considering the face value of their stocks, incurred losses of around BDT 7.86 billion.
- With the new directive though, either the regulator or company itself will be able to delist the company in question by paying back its investors, according to BSEC Spokesperson. Those who want to keep a stake in the company will have to buy out the other investors so that when it is delisted, any new investors will not be impacted while the existing ones would get their money back, he also said. Under the directive, listed companies from a bourse's main trading board, delisted securities trading in the over-the-counter market, delisted securities trading under the alternative trading boards and all other securities are eligible for the exit plan.
- Any company that has not been in commercial operation for more than two years, has incurred a net loss for three consecutive years, has accumulated losses that exceed its paid-up capital or fails to declare any cash dividends for three consecutive years is eligible for delisting, the BSEC said in its directive.

<https://www.thedailystar.net/business/news/bsec-offers-exit-plan-poor-performers-2036705>

Three companies to raise BDT 1.86 billion in Feb

- Three companies will open their IPO (initial public offering) subscription in February to raise an aggregate amount of capital worth BDT 1.86 billion from the country's capital market. Of these companies, NRB Commercial Bank, a fourth general commercial bank's IPO subscription will be opened on Wednesday. After September 22, 2008, the country's capital market is getting a bank through enlisting this bank. According to information of Dhaka Stock Exchange (DSE), the IPO subscription of NRB Commercial Bank will start on February 3 and to be continued till February 9.
- The IPO subscription of Desh General Insurance Company will open on February 14 and to be continued till February 18. Under the fixed price method, the company will raise a capital worth BDT 160 million issuing 16 million shares at an offer price of BDT 10 each. The public subscription of Index Agro Industries will open on February 22 and to be continued till February 28. As per the regulatory approval, the company will raise a capital worth BDT 500 million from the capital market under the book-building method.

<https://today.thefinancialexpress.com.bd/stock-corporate/three-cos-to-raise-BDT-186b-in-feb-1612024869>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$52.20	\$3.68	7.58%
Crude Oil (Brent)*	\$55.04	\$3.24	6.25%
Gold Spot*	\$1,847.65	(\$47.45)	-2.50%
DSEX	5,724.36	322.29	5.97%
S&P 500	3,714.24	(41.83)	-1.11%
FTSE 100	6,407.46	(53.06)	-0.82%
BSE SENSEX	46,285.77	(1,465.56)	-3.07%
KSE-100	46,385.54	2,630.16	6.01%
CSEALL	8,668.07	1,893.85	27.96%

Exchange Rates

USD 1 = BDT 84.82*

GBP 1 = BDT 116.26*

EUR 1 = BDT 102.95*

INR 1 = BDT 1.16*

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

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