

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.

Remittance using mobile financial services rises in March

- Inward remittance using mobile financial services (MFS) has increased by 20.8% to BDT 66.2 million in March, compared to February's BDT 54.8 million, according to the latest Bangladesh Bank data. The central bank revealed the data on Wednesday that shows a total transaction through MFS also rose by 10.2% to BDT 313.39 billion in March, from BDT 284.55 billion in February. At present, 17 of the 19 banks granted permission to run MFS are providing services and of these, Brac Bank's bKash, and Dutch Bangla Bank's Rocket, topped the list in service providing.
- According to the central bank data, the daily average transaction, however, declined by 0.5% to BDT 10.11 billion in March, while it was BDT 10.16 billion in February. The number of total transactions made in March was 181 million, while in February, 16.2 million transactions were made through mobile banking. At the end of March the number of total MFS users reached 60.10 million, while the number of active users was 20.30 million. Industry insiders said the Bangladesh Bank move hardly had any negative impacts on the overall volume of MFS transactions as users who previously used 10 SIMs for their transactions, now have 15-20 SIMs.

<https://www.dhakatribune.com/business/2018/05/23/remittance-using-mobile-financial-services-rises-in-march>

Pharma ingredient-makers to get corporate tax holiday till 2032

- Active pharmaceutical ingredients (API) and laboratory reagents manufacturers of the country will get corporate tax holiday till 2032 along with a set of other incentives, according to a national policy on the sector. The commerce ministry published the National Active Pharmaceutical Ingredients (API) and Laboratory Reagents Production and Export Policy on Sunday after getting approval of the government high-ups. The policy comes into force immediately, the ministry said in a notification. The government will offer the benefits to encourage local production of API, the main raw material for all types of drugs, with a view to reducing the prices of medicines and boosting export.
- The aim of the policy is to reduce dependency on import of API, increase local production, diversify export and attract additional USD 1 billion foreign direct investment in the sector. Currently, local industries meet 98% of domestic demand for medicine, according to the preamble of the policy. In 2017 the total turnover of the sector surpassed BDT 160.00 billion in local market, which was only BDT 1.70 billion in 1982 when the pharmaceutical industry in the country was at an infant stage. In addition, Bangladesh-made medicines are being exported to over 100 countries.
- Currently, local entrepreneurs need to import more than 95% of raw materials from China, Korea and India to meet the domestic demand. Self-efficiency in producing quality API would help the sector sustain beyond TRIPS [Agreement on Trade-Related Aspects of Intellectual Property Rights] regime under which Bangladesh as a least developed country (LDC) is exempted from obligation of IPR issues including patent up to 2032. As per the policy, locally registered producers of API and laboratory reagents, including joint venture companies, will get unconditional tax holiday or 100% corporate tax exemption, till fiscal year 2021-2022.
- Tax holiday will be extended till 2032 for companies which will produce at least five API molecules every year. If a producer can manufacture at least three API molecules every year, it will get 75% tax exemption till 2032. Entrepreneurs will also enjoy exemption from paying advance income tax (AIT), value-added tax and VAT deduction at source on purchase and sales of raw materials and spare parts till 2032. Manufacturers will also get duty-free facility in import, priority in getting land allocation at the government's special economic zones and export processing zones. The government will also provide 20% cash incentive on export of API and laboratory reagents.

<http://www.newagebd.net/article/41935/pharma-ingredient-makers-to-get-corporate-tax-holiday-till-2032>

Most energy cos report better earnings in January-March quarter

- Most of the listed companies under fuel and power sector reported increased earnings per share (EPS) for the January-March (Q3) quarter of 2018 compared to the same period of previous year. Out of the 19 companies under the sector, three reported positive EPS for the quarter against the losses the companies incurred in the same period of the previous year. Linde Bangladesh has reported EPS of BDT 17.45 for January-March, 2018 as against BDT 16.16 for January-March 2017 while MJL Bangladesh has reported consolidated EPS of BDT 2.13 against BDT 1.96

<http://today.thefinancialexpress.com.bd/stock-corporate/most-energy-cos-report-better-earnings-in-jan-mar-quarter-1527092891>

National, Islami in desperate bid

- National Bank and Islami Bank Bangladesh went on a loan rescheduling spree in 2017, in what can be viewed as a

stunning example of financial engineering to cover up their ailing financial health. Of the BDT 191.20 billion rescheduled by the 57 banks in 2017, the two first-generation banks accounted for 39%. National Bank rescheduled BDT 43.33 billion and Islami Bank BDT 30.99 billion. In a brazen move, National rescheduled BDT 40.11 billion in the final quarter of 2017 without following Bangladesh Bank instructions properly.

- As per Bangladesh Bank (BB) rules, to reschedule a loan a bank must take 5 to 15% as down payment for the outstanding loans. The down payment requirement will increase to 50% if the defaulted loan is rescheduled for the second or third time. In case of a waiver from down payment or relaxing the repayment period, a bank must take prior approval from the BB for rescheduling the loan. National Bank had taken the BB's permission to reschedule a maximum of BDT 5.00 billion, meaning it rescheduled an additional BDT 35.11 billion in the final quarter of last year, according to BB officials.

- But in so doing, National was able to slash its total default loans down to BDT 16.11 billion from BDT 30.27 billion a quarter earlier. And with it, its provisioning requirement also lessened. Still it was not enough to prevent National from logging in a 14.44% decline in net profits from a year earlier: BDT 4.80 billion. Still it was not enough to prevent National from logging in a 14.44% decline in net profits from a year earlier: BDT 4.80 billion. Islami Bank usually reschedules non-performing loans in the last quarter of a year to book higher profit by averting provisioning against bad loans, said deputy managing director of the bank.

<https://www.thedailystar.net/business/national-islami-desperate-bid-1580845>

Institute of Chartered Secretaries of Bangladesh (ICSB) for reducing corporate tax rate

- Institute of Chartered Secretaries of Bangladesh (ICSB) has proposed to reduce the rate of corporate tax to a reasonable level in the upcoming national budget for attracting both local and foreign investments. The institute also recommended reducing the income tax rate of individual taxpayers from existing highest slab of 30% to 25%, which would help expand the tax net and increase revenue collection.

<http://today.thefinancialexpress.com.bd/stock-corporate/icsb-for-reducing-corporate-tax-rate-1527092829>

Dragon Sweater to issue rights shares

- The board of directors of Dragon Sweater and Spinning Ltd has decided to issue rights shares for mobilizing more than Tk 881 million to expand the company's existing capacity. The company will offer two rights shares for existing three shares at Tk 10 each, according to a disclosure on Wednesday. The company's share price fell 9.36 % to close at Tk 18.40 each on the day, following the disclosure. The offer for rights share is, however, subject to approval by the shareholders at an extraordinary general meeting (EGM) as well as Bangladesh Securities and Exchange Commission (BSEC) and other regulatory authorities.

- The EGM is scheduled to be held on July 2 and record date for the EGM is on June 6. Another record date will be declared for issuance of rights shares after getting approval from the BSEC. Listed with the stock exchanges in 2016, Dragon Sweater raised Tk 400 million through initial public offering (IPO) for importing machinery, civil construction of building, installation and transportation of spare parts, meeting the working capital requirement and IPO expenses. The company's un-audited earnings per share (EPS) stood at Tk 0.66 for January-March 2018 as against Tk 0.16 for January-March 2017.

<http://today.thefinancialexpress.com.bd/stock-corporate/dragon-sweater-to-issue-rights-shares-1527090012>

Rumours stoke up stocks of Queen South, Legacy Footwear

- The share prices of Queen South Textile and Legacy Footwear almost doubled in the last one month for no apparent reason, in a puzzling development given the ongoing bear run in the market. The DSEX, the benchmark index of the Dhaka Stock Exchange, fell 452 points, or 7.77%, to 5,361.09 in the last one month. And yet, Queen South Textile's share price more than doubled to BDT 55.10, though it saw a trivial correction yesterday.

- But market insiders said there is a rumour going round that directors of Queen South Textile are Chinese, so when the Chinese institutional investors eventually enter the market by way of DSE's new strategic partners, this company would be chosen by them for investment. The four sponsor directors of Queen South Textile are from Hong Kong: Wong Jammy Kwok Chan (managing director), Wong Kwok Chun (chairman), Wong Elisa Dai Wah (director) and Lee Hung Chun (director).

- It is the same case with Legacy Footwear, which saw its share price soar 60% in the last month to BDT 84.50. Market insiders said there is a rumour that Legacy Footwear will merge with a shoemaker, but the company has dismissed it. Still, investors are hankering to buy the stock at a high price. The company's EPS was BDT 0.56 in the first quarter of the year, which was BDT 0.04 in the negative a year earlier.

<https://www.thedailystar.net/business/rumours-stoke-stocks-queen-south-legacy-footwear-1580836>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$71.65	-0.19	-0.26%
Crude Oil (Brent)*	\$79.54	-0.26	-0.33%
Gold Spot*	\$1,295.24	+1.83	+0.14%
DSEX	5361.09	-30.80	-0.57%
Dow Jones Industrial Average	24,886.81	+52.40	+0.21%
FTSE 100	7,788.44	-89.01	-1.13%
Nikkei 225	22,439.54	-250.20	-1.10%

Exchange Rates

USD 1 = BDT 83.70*
GBP 1 = BDT 111.81*
EUR 1 = BDT 97.92*
INR 1 = BDT 1.22

**Currencies and Commodities are taken from Bloomberg.*

IMPORTANT DISCLOSURES

Analyst Certification: Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

Disclaimer: Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

Compensation of Analysts: The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

General Risk Factors: BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Deputy Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Md. Sakib Chowdhury	Research Analyst	sakib.chowdhury@bracepl.com	01709 641 247
S. M. Samiuzzaman	Research Analyst	sm.samiuzzaman@bracepl.com	01708 805 224
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Ahmed Zaki Khan	Research Associate	zaki.khan@bracepl.com	01708 805 211
Md. Rafiqul Islam	Research Associate	mrafiquislam@bracepl.com	01708 805 229

International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	bappi@bracepl.com	01730 357 991
----------------------	-------------------------------------	--	---------------