

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 signs USD 2.5 billion ODA deal with Japan**

- Bangladesh and Japan signed on Wednesday their 40th ODA deal involving USD 2.5 billion for implementing five projects to bolster ties between the two countries. Five projects, taken under the 40th Official Development Assistance (ODA) package deal, are Matarbari Port Development Project (1), Dhaka Mass Rapid Transit Development Project (Line 1), Foreign Direct Investment Promotion Project (II), Energy Efficiency and Conservation Promotion Financing Project (Phase 2) and Matarbari Ultra Super Critical Coal-Fired Power Project (V).
- The Prime Minister said apparel is the number one export product to Japan. In 2018, it achieved the highest growth, by almost 33.5% in volume, surpassing all other competitors, she added. Meanwhile, Summit Group of Bangladesh and Japan's Energy for New Era (JERA) signed a memorandum of understanding on Wednesday to initiate a mega energy infrastructure project. The project will have the capacity to handle 20 million tonnes of bulk cargo in the Matarbari area in Cox's Bazar year.
- It will provide impetus to Bangladesh's trade by development of various terminals for cargo and primary fuel in the Matarbari area in Cox's Bazar, according to Summit Group. The project is expected to be functional within two years of signing the agreement among Summit, JERA Asia and the government of Bangladesh with an estimated investment of over USD 500 million.

<http://today.thefinancialexpress.com.bd/first-page/bangladesh-signs-25b-oda-deal-with-japan-1559152726>  
<https://www.thedailystar.net/business/news/summit-jera-asia-team-500m-energy-project-1750963>  
<https://www.thedailystar.net/business/news/japanese-investors-call-easing-trade-barriers-1750942>  
<http://www.newagebd.net/article/73873/pm-urges-japanese-businesses-to-explore-bangladesh>

### **Bangladesh Securities and Exchange Commission (BSEC) sets out primary market reforms**

- The stock market regulator has moved to implement its reform measures on the primary market as part of its two-stage plan to restore investors' confidence. On April 29, the Bangladesh Securities and Exchange Commission (BSEC) unveiled the reform measures on both primary and secondary markets, at a meeting with the Dhaka Stock Exchange (DSE), the Chittagong Stock Exchange, the Merchant Bankers' Association, the DSE Brokers' Association, and the representatives from asset management companies.
- The move is aimed at preventing the plunge in stock prices as well as boosting investor confidence. The DSE, the premium bourse, has lost more than 700 points in the last three months. Yesterday, the regulator said it had already implemented all of its planned measures on the secondary market and now plans to carry out reforms on the primary market. To this effect, the BSEC approved some amendments on public issue rules.
- As part of the amendments, eligible investors will have to keep a certain amount of investment in the secondary market in order to enjoy quota advantages in an initial public offering (IPO) lottery. Similarly, the quota for eligible investors will be reduced to 30% from 40%. The general investors' quota (excluding non-resident Bangladeshis) will be enhanced to 50% from 40% in case of a fixed-price IPO method. Under the book building method, eligible investors' quota will be brought down to 50% from 60% and the general investors' quota (excluding NRBs) will be increased to 40% from 30%.
- When a company raises fund at face value, it goes through the fixed-price method. On the other hand, the company goes through the book building method if it wants premium over the face value. In case of a fixed-price method, issuers will have to raise at least BDT 500 million, 10% of the paid-up capital, or which is higher, according to the new amendment. The issuers will have to raise at least BDT 1.00 billion, 10% of the paid-up capital, or which is higher, if companies go through the book-building method.
- During the bidding of the book building method, the bidders' name and the quoting price will not be displayed. The bidders will get shares at their bidding price and the amount demanded. The BSEC is also going to amend the public issue rules so that the share of the shareholders, whose names are stated in the prospectus, will be locked for three years and the lock-in period will be considered from the date of the trading commencement instead of the prospectus issue date.

<https://www.thedailystar.net/business/news/bsec-sets-out-primary-market-reforms-1750933>  
<http://www.newagebd.net/article/73905/bsec-raises-general-investors-ipo-quota-by-10pts>  
<https://www.dhakatribune.com/business/stock/2019/05/29/general-investors-ipo-quota-raised-to-50-lock-in-to-three-years>

### **Bangladesh Securities and Exchange Commission (BSEC) approves draft prospectus of Constellation Fund, rights of IPDC**

- The securities regulator has approved the draft prospectus of Constellation Unit Fund and the rights of IPDC Finance. The approvals came on Wednesday at a meeting. At Tuesday's meeting, the securities regulator also approved the proposal of raising capital by JMI Syringes & Medical Devices issuing 11.10 million shares to Nipro Corporation, Japan. As per the BSEC approval, the initial size of Constellation Unit Fund will be BDT 100 million.
- Constellation Asset Management will contribute BDT 10 million and remaining BDT 90 million will be collected through sales of units. Meanwhile, IPDC Finance has been allowed to raise a capital worth above BDT 1.41 billion through rights offer to accelerate the company's investment activities such as retail, corporate and SME loans. To raise the said amount of capital, the company will issue one right share against two existing shares at an offer price of BDT 12 each, including a premium of BDT 2.0.
- As per another BSEC approval, JMI Syringes & Medical Devices will issue 11.10 million shares to Nipro Corporation, Japan through private offer. For the sake of general investors, five-year lock-in will be imposed on the shares to be issued to the Nipro Corporation. And the sponsors and current directors of the issuer company will also not be allowed to sell their shares held at the company within next five years. Since its foundation in 1954, the NIPRO Corporation has expanded the scope of its business from gall materials to medical devices and pharmaceutical products in pursuit of technological innovation, according to NIPRO's website.

<http://today.thefinancialexpress.com.bd/stock-corporate/bsec-approves-draft-prospectus-of-constellation-fund-rights-of-ipdc-1559151435>  
<https://www.thedailystar.net/business/news/bsec-sets-out-primary-market-reforms-1750933>  
<https://www.dhakatribune.com/business/economy/2019/05/29/ipdc-finance-gets-bsec-approval-to-issue-rights-share>

### **Many listed firms don't give cash dividends despite profits**

- Then there were 93 other companies that logged in profits -- with 18 registering more than BDT 500 million -- but declared only stock dividend, according to data from the Dhaka Stock Exchange. These 93 companies gave very little amount of stock dividend in comparison with the profit made for the payout to be much useful for the retail investors. And yet, neither the stock market regulator nor the exchanges are taking any action to arrest the trend.
- The listed companies' growing tendency to retain profits is a double whammy for retail investors: on one hand, they do not get any dividend money, and on the other, the value of their holdings shrivel thanks to stock's price nosediving following the no-dividend announcement. This is one of the main reasons for our stock market's gloominess, said a stock market analyst. What is worse is that the companies are not re-investing the profits into gainful projects, so their profitability is shrinking as the years go by.
- In another curious development, most of the companies that did not pay dividend after a profitable year had low shareholding by their sponsors. For instance, as of April 30, sponsors held 23.21% of the stakes in People's Leasing, 21.62% in Information Services Network, 31.01% in BD Welding, 32.01% in GBB Power, 36.67% in Evinco Textiles and 36.47% in AB Bank. However, sponsors hold more than 50% stakes in Samata Leather, Shinepukur Ceramics and Prime Finance.
- Since sponsors' shareholding is minimal, they do not want to pay dividend and keep the spoils for themselves, said a former chairman of the Dhaka University's economics department. And when they do decide to give out dividend, they tend to raise their stakes on the sly ahead of the announcement so as to get a bigger slice of the pie, he added. The managing director of the DSE, said the bourse cannot give any instruction to the companies regarding dividends. managing director of the DSE, said the bourse cannot give any instruction to the companies regarding dividends.
- The stock market regulator is already working to address the issue of stock dividend, said spokesperson of the Bangladesh Securities Exchange and Commission. The executive director of the BSEC, however, advised the shareholders not to pass the no-dividend agenda in the annual general meetings. The BSEC though has taken a step to enforce greater transparency when it comes to stock dividend. Earlier on May 21, it sent out a missive instructing companies giving stock dividend to inform its shareholders what they are doing with the money not being handed out as cash.

<https://www.thedailystar.net/business/news/many-listed-firms-dont-give-cash-dividends-despite-profits-1750954>

### **Top 3 borrowers' default could lead bank sector to capital crisis**

- Country's banking sector would suffer from an intense capital inadequacy if three largest borrowers in the sector fail to repay loans, according to the financial stability report of Bangladesh Bank. The central bank on Tuesday released the report which was prepared based on the country's banking sector's condition in the year of 2018. The findings of the central bank was the outcome of a test conducted on the credit concentration risk of banks to examine the effect of capital adequacy in case of default of the three largest individual or group borrowers.

- The report, however, has not mentioned the names of the borrowers and the banks from which they took loans. BB found that the capital adequacy of the banking system would decrease to 8.88% from the existing 10.5% due to the default by the three largest borrowers. Banks are supposed to maintain 10% capital adequacy as per the existing rules and regulations of the central bank. Officials of the central bank said that the failure of any bank in maintaining adequate capital might result in bankruptcy and that's why maintaining adequate capital was very much vital for the banks.
- The test also suggests that the banks' assets were highly concentrated to very few people and their non-payment of loans would create sorrow state for the banking sector as a whole, the officials said. The BB's financial stability report for the year of 2018 also found that default of the top three borrowers would impact 22 out of the 48 scheduled banks operating in the country. Moreover, additional six banks would fail to comply with the minimum required capital including capital conservation buffer when the top three largest borrowers' credit quality turns to bad or loss grade, it said.
- The sensitivity test for credit risk has been conducted to assess the impact of different shocks on banks' capital adequacy. The test also found that default of seven largest borrowers or groups would bring down banks' credit to risk asset ratio to 7.38% while the ratio would drop to 6.41% in case of failure of 10 largest borrowers. BB governor said that the overall capital adequacy in the country's banking sector was higher in 2018 considering the minimum required level. He also requested banks to maintain high caution to contain defaulted loans.

<http://www.newagebd.net/article/73814/top-3-borrowers-default-could-lead-bank-sector-to-capital-crisis>

### **Bangladesh Bank (BB) revises schedule of auction of repos**

- The central bank has revised time schedule of repo, reverse repo, assured liquidity support (ALS) and special repo auctions to help banks manage their funds efficiently. Under the revised schedule, the bid for repo, reverse repo and ALS will have to be submitted from 10:00 am to 3:15 pm for auctions on each working day. The results of auctions will be published at 4:00pm, according to a notification issued by the Bangladesh Bank (BB) on Wednesday.
- The bid for special repo will be submitted from 4:00pm to 4:30 pm for auction. The result will be announced at 5:00 pm. Earlier, the bid for reverse repo will be submitted by participating institutions in the market infrastructure (MI) module within 2:00 pm on every working day. They have revised schedule of repo, reverse repo, ALS and special repo auctions aiming to strengthen liquidity management of banks and financial institutions. a BB senior official.
- He said the central bank has taken the measures in line with primary dealer (PD) banks' recommendations placed at a meeting with the BB on April 24. Senior PD bank officials proposed the BB to revise cut-off time for submitting bids for repo, reverse repo, ALS and special repo auctions to efficiently manage their funds. The PD banks, however, welcomed the BB's latest move, saying it would help them in better fund management.

<http://today.thefinancialexpress.com.bd/last-page/bb-revises-schedule-of-auction-of-repos-1559153458>

### **Facebook, Google, Youtube must be VAT registered by July 1**

- The internet giants such as Facebook, Google, Youtube and other digital platforms have to complete VAT registration to run business in Bangladesh once the new VAT law comes into effect on July 1. The National Board of Revenue (NBR) has taken the move with the aim of collecting untaxed money from the online-based advertising which is being siphoned off from the economy. So, the companies have to either set up offices in Bangladesh or appoint agents to pay VAT for running advertisements and other businesses in Bangladesh, said officials.
- The government does not get mentionable VAT from the most popular social networking site Facebook, video streaming site Youtube, search engine giant Google and other digital platforms, said director of NBR's VAT Online Project. Actually, these sites and platforms have no offices or agents in Bangladesh, but now they have to do business complying with the local law, he added. As per the section 19 of the "value added tax and supplementary duty act 2012", companies like Facebook, Google and Youtube have to go for VAT registration and pay VAT through local offices or agents, NBR officials said.
- However, the NBR has no data regarding business volume of these companies as the lion's share of the money is being channeled through unauthorised ways. In Bangladesh, there are over 50,000 Facebook pages which are running e-commerce business, said general secretary of the e-Commerce Association of Bangladesh (e-CAB). The turnover of the e-commerce market hit BDT 8.00-10.00 billion annually. Industry people said major e-commerce organisations spend USD 8,000 - USD 10,000 a month for digital marketing which means it goes up to USD 100,000 a year.

<https://www.thedailystar.net/business/vat-registration-is-must-for-facebook-google-youtube-in-bangladesh-1750936>  
<https://www.dhakatribune.com/bangladesh/government-affairs/2019/05/29/fb-google-youtube-ads-must-be-vat-registered-from-july-1>

**World Stock and Commodities\***

<b>Index Name</b>	<b>Close Value</b>	<b>Value Change</b>	<b>% Change</b>
Crude Oil (WTI)*	\$59.13	+0.32	+0.54%
Crude Oil (Brent)*	\$69.64	+0.19	+0.27%
Gold Spot*	\$1,277.92	-1.86	-0.15%
DSEX	5,354.20	+25.43	0.48%
Dow Jones Industrial Average	25,126.41	-221.36	-0.87%
FTSE 100	7,185.30	-83.65	-1.15%
Nikkei 225	20,824.91	-178.46	-0.85%

**Exchange Rates**

USD 1 = BDT 84.62\*

GBP 1 = BDT 106.87\*

EUR 1 = BDT 94.25\*

INR 1 = BDT 1.21\*

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

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