

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.

Bank squeeze depositors in hunt for profit

- The interest rate spread has started to widen again as banks awash with funds have started to slash rates on their deposit products. At the end of September, the spread, which is a key determinant of a financial institution's profitability or lack thereof, stood at 3% after hitting a 12-month-low in July, according to the data from the Bangladesh Bank (BB). A year earlier, it was 3.91%.
- Private sector credit growth has been hovering around the 9%-mark since July against the central bank's target of 14.8% as the demand for funds is just not there. So in the absence of demand for funds, banks have turned to slashing the rates on deposits to improve their spread said the managing director of Pubali Bank. As a result, the interest rate spread has slightly widened in September, he added.
- In September, the banking sector's weighted average deposit stood at 4.79%, down from 4.95% in the previous month. Pubali's weighted average deposit rate stood at 4.6% in September, down from 4.64% in August. Most of the banks have slashed their deposits rates to 5% and below, which is less than the government-instructed 6%, as there is no liquidity pressure in the market, according to the managing director of Pubali Bank.

<https://www.dhakatribune.com/business/banks/2020/11/15/bank-squeeze-depositors-in-hunt-for-profit>

Most non-bank financial institutions (NBFIs) see rise in profits

- Most of the listed non-bank financial institutions (NBFIs) posted higher profits in the July-September quarter thanks to the lower provisioning regime amid the ongoing pandemic. All but Peoples Leasing out of the 23 listed NBFIs published their financial reports. Of them, the earnings of 10 rose year-on-year, and four bounced back and returned to profits. The earnings of one NBF remained the same, while the rest seven experienced a fall in the current year's third quarter.
- IDLC Finance booked higher earnings per share, followed by DBH and National Housing Finance. BD Finance, the Investment Corporation of Bangladesh, LankaBangla, and Midas Financing returned to the black after incurring a loss in the same quarter last year. Uttara Finance and International Leasing Financial services drowned into losses in the quarter. Despite posting higher profits, investors are still feeling shaky to invest in the stocks of the NBFIs as they fear bad times are coming next year.
- According to the managing director of IDLC Finance, the NBFIs' margin rose on the back of lower deposit rates. When the deposit rate falls, banks and NBFIs get its benefits because their interest cost falls instantly. Their interest income drops slowly. their interest cost falls instantly. Their interest income drops slowly. Many loans carry a fixed interest rate, and the loan contracts are made for three to four years. So, these loans bear higher earnings despite the fast fall of interest on deposit. Many NBFIs reduced their operating costs during the pandemic, which gave a boost to their profits.
- The rising non-performing loans (NPLs) are also a big headache for the NBFIs. The NPLs in 33 NBFIs in Bangladesh, including the listed ones, stood at BDT 89.1 billion as of June this year, which were 13.29% of the outstanding loans, according to data from the Bangladesh Bank. It was BDT 64.0 billion, or 9.53% of the total loans, in December last year. Of the listed NBFIs, the stocks of nine traded below their face value on the DSE on November 12.

<https://www.thedailystar.net/business/news/most-nbfis-see-rise-profits-1995137>

Steel, pharma recover better than others

- The devastation wrought by the pandemic is still all too real for most businesses. The scars of the crisis are fresh, but a review of recent data on local corporates shows that recovery is back with some exceptions. Absorbing shock in the wake of shutdown, a number of local business enterprises have turned around. Some big names such as steel manufacturer BSRM, GPH, drug-makers Beximco, Square, Renata, Acme Laboratories, and biscuit producer Olympic Industries have posted profit growth for the July-September quarter. However, there is a mixed picture across the industries and within the companies as at least half the local manufacturing companies are yet to post a better business outcome compared to what was a year ago.
- Pharmaceuticals and fast-moving consumer goods companies were among those that performed comparatively better during the 66-day shutdown till the end of May. As the supply chain got disrupted and doctors wrote fewer prescriptions, not all pharmaceutical companies did well during the shutdown; but with the reopening of the economy, they kept witnessing better sales and profits, according to the Bangladesh Association of Pharmaceuticals Industries. Big drug companies such as Square, Beximco Pharmaceuticals, Renata, Acme Lab, and ACI – all posted higher sales and profits in the July-September quarter.

- Meanwhile, steel, cement and some other sectors dependent on construction were on the list of those hit hardest by the shutdown during the April-June period, but now are enjoying an increasing demand. Leading steel maker BSRM Group has two companies listed with the local bourses – BSRM Steels and BSRM Limited. The two suffered 70-96% drop in their April-June profits as their sales had dropped drastically and they had to bear a large amount of unavoidable costs.

<https://tbsnews.net/economy/steel-pharma-recover-better-others-158080>

Government looks to ramp up API production for burgeoning pharma sector

- Bangladesh, a laggard in the production of raw materials for the USD 3 billion pharmaceuticals industry, has made a four-fold jump in the manufacturing of active pharmaceutical ingredient (API) in the last decade to meet growing demand. But the current API production is still minuscule as the country needs to import USD 1.3 billion worth of raw materials every year for the pharmaceuticals sector. Drug-makers have to step up efforts to make more raw materials locally as the over-reliance on the imports is not viable because the supply chain could face disruption and the price may witness volatility, said industry people. Besides, it would not allow pharmaceutical companies to bring down the cost of raw materials and thus, the price of medicines.
- Although the API production has not grown in keeping with the pharmaceutical sector, local companies have been producing high-quality raw materials on a limited scale, helping the drug industry add value to their products. Ten local companies, including Eskayef, Square, Beacon and Beximco, produce APIs, said the secretary-general of the Bangladesh Association of Pharmaceutical Industries (BAPI), which represents about 250 local drug makers. According to him, Local production can at best meet 10 to 15% of the annual demand for the raw materials from the pharmaceutical sector.
- The government is setting up an API industrial park in Munshiganj to fill the void, cut reliance on foreign markets and save foreign currency. The park has been developed on 200 acres of land in the adjoining Dhaka-Chattogram Highway under Gazaria upazila at the cost of BDT 3.3 billion. It took around 12 years to build the estate after the government undertook the project in 2008. According to the secretary general of BAPI, if the API park can become fully functional, it would cater to 50 to 60% of the demand. He also added that Bangladesh would not be able to manufacture all the APIs due to patent issues. The country imports APIs mainly from China and India. Local API production can give Bangladesh two advantages. First, it will decrease the cost of locally manufactured drugs and add to the cost advantage in exports. Second, APIs can be exported too. The global API market size is worth USD 135 billion. So, there is a huge investment opportunity.

<https://www.thedailystar.net/business/news/govt-looks-ramp-api-production-burgeoning-pharma-sector-1995145>

Dhaka Chamber of Commerce & Industry (DCCI) president calls for a simpler revenue structure

- The Dhaka Chamber of Commerce & Industry (DCC) President Shams Mahmud on Saturday emphasized on increasing the tax-GDP ratio and ensuring an investment-friendly simplified revenue structure to reach the goal of becoming a developed nation. The DCCI president said that this year the NBR had set a revenue collection target of BDT 3.3 trillion which is 9.82% more than the revised budget of last fiscal. For that we need to widen the tax net and online tax and VAT return submission system as well as simplification of return submission and hassle-free service., he added.
- He also requested to exempt VAT on lease rent for the registered industries that are in operation in the economic zones. He also suggested reducing the rate of advance tax for the local SMEs who import raw materials. A NBR member said, some 1,76,000 business houses registered under the RJSC and out of those, around 70,000 to 75,000 are TIN holders. But, only 36,000 from them submit their returns, he added.

<https://www.dhakatribune.com/business/2020/11/14/dcci-simplify-vat-system-for-better-sme-business-regime>

Travel tax collections plunge by 89% in Q1

- Travel tax collections slumped by 89.41% in the first quarter of the current fiscal year because of the coronavirus-induced travel restrictions imposed by most countries around the globe. The National Board of Revenue (NBR) has collected BDT 360 million in travel tax during the July-September (Quarter 1) period as against BDT 3.40 billion in the same period last year, according to the NBR data. Earlier, the NBR set the target of travel tax collection for Q1 at BDT 2.42 billion.
- For fiscal year 2020-21, the target for travel tax collection from outbound passengers has been set at BDT 14.57 billion. In the previous fiscal year, the NBR collected BDT 7.67 billion in travel taxes from passengers travelling by land, water and air. Commissioner of the Tax Zone-1, which is responsible for collecting travel taxes, said tax collections have declined significantly as many countries-imposed travel restrictions in the wake of Covid-19 pandemic.

<https://today.thefinancialexpress.com.bd/last-page/travel-tax-collections-plunge-by-89pc-in-q1-1605373172>

<https://www.newagebd.net/article/121596/travel-tax-collection-falls-by-89pc-in-july-sept>

Bangladesh Securities and Exchange Commission (BSEC) to curb insider trading

- The securities regulator has started developing a database of top officials, sponsor-directors and auditors of the listed companies, who are in the know about the price sensitive information (PSI), to fight against 'insider trading'. The information of the officials of the securities regulator and stock exchanges will also be included in the database
- The database will help the commission identify the possible link, if any, of directors-sponsors, top executives, and traders with suspicious transactions of listed securities said a BSEC spokesperson. The BSEC officials said the job of their market intelligence will start fully after determining specific areas of the department.
- An eight-point action plan will be implemented gradually to contain insider trading and other manipulations. Suspicious trade variations will also be probed into on a regular basis, said a BSEC Official. According to the regulator's work plan, a separate intelligence wing will be formed in near future subject to the sufficient manpower at the BSEC office. The BSEC officials have also said a team will be formed comprising the IT officials of stock exchanges and securities regulator to watch trading activities on a regular basis

<https://today.thefinancialexpress.com.bd/first-page/bsec-to-curb-insider-trading-1605373779>

Renewed push for allowing Indian companies in international bidding

- India has again pressed Bangladesh for allowing its companies to participate in international tenders floated by the government of Bangladesh, officials said. The High Commission of India, Dhaka has further requested the government ministry to look into the matter so that Indian companies are not excluded from participating in international tenders floated by the government of Bangladesh, said a recent note verbal.
- The commission claimed that Indian companies possess competence and experience to execute international contracts successfully and supply goods that meet global quality standards at competitive prices, the note verbales added. India does not place any such restrictions on Bangladesh companies interested in participating in international tenders floated by the former, it mentioned.

A senior official at the ministry of commerce told that the PPR 2008 does not add any clause that restricts any 'particular' country to participate in any tender process, let alone India. Any international tender is open to all and companies can participate by meeting the conditions, he added. The official, preferring anonymity, said the government's ministries concerned are examining the Indian concern if any particular country by any means faced restrictions.

<https://today.thefinancialexpress.com.bd/first-page/renewed-push-for-allowing-indian-cos-in-intl-bidding-1605373928>

Chittagong Securities Exchange (CSE) asked to resume trading, Dhaka Stock Exchange (DSE) to explain

- The securities regulator has asked the Chittagong Stock Exchange (CSE) to resume share trading of Rahima Food Corporation. At the same time, the Bangladesh Securities and Exchange Commission (BSEC) has asked the Dhaka Stock Exchange (DSE) to explain its position on the decision executed by de-listing the company from the main trading board.
- On July 20, 2018 the CSE suspended the share trading of Rahima Food Corporation as its operation had remained closed for more than three years. Before suspension of the company's share trading, the Dhaka Stock Exchange (DSE) delisted the company on the same ground following a decision of the exchange's board of directors

<https://today.thefinancialexpress.com.bd/stock-corporate/cse-asked-to-resume-trading-dse-to-explain-1605367542>

Robi's IPO hits market on Tuesday

- The initial public offering of the country's second largest telecom operator, Robi Axiata Limited, worth BDT 5.2 billion will hit the market on Tuesday. This will be the largest IPO on the country's capital market. According to the Dhaka Stock Exchange, subscription for shares of Robi Axiata by eligible investors through the electronic subscription system under the fixed price method of the stock exchanges will start from 10:00am on November 17 and continue till 5:30pm on November 23.
- Each eligible investor who intends to submit application through the electronic subscription system of the exchange(s) must maintain a minimum investment of BDT 10 million only at market price in listed securities as on November 09, 2020, the web post said. During this period, general investors and non-resident Bangladeshis will also be allowed to subscribe to the IPO. The Bangladesh Securities and Exchange Commission approved Robi Axiata's proposal to raise BDT 5.2 billion from the country's capital market through an initial public offering on September 23.

• Robi will float 523.7 million shares at an issue price of BDT 10.0 each. Of the shares, 387.7 million shares would be issued to retail and institutional investors and 136.1 million shares would be issued to eligible directors and employees of Robi under the employee share purchase plan in conjunction with the proposed listing. Of the total IPO proceeds, Robi would utilise BDT 5.2 billion for network expansion and spend BDT 80.2 million to meet IPO-related expenses. With the issuance of new shares worth BDT 5.2 billion, the paid-up capital of the company would stand at BDT 52.4 billion from the existing BDT 47.1 billion. As per the company's audited financial statements for the year ended on June 30, 2019, Robi's net asset value per share (without revaluation) and weighted five years' average losses per share were BDT 12.64 and BDT 0.13 respectively. IDLC Investments is the issue manager of the IPO.

<https://www.newagebd.net/article/121594/robis-ipo-hits-market-on-tuesday>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 40.13	(USD 21.50)	-34.89%
Crude Oil (Brent)*	USD 42.78	(USD 25.66)	-37.49%
Gold Spot*	USD 1,889.20	USD 367.73	24.17%
DSEX	4,905.04	452.11	10.15%
S&P 500	3,585.15	354.37	10.97%
FTSE 100	6,316.39	(1,270.66)	-16.75%
BSE SENSEX	43,637.98	1,995.84	4.79%
KSE-100	40,569.35	(165.73)	-0.41%
CSEALL	6,082.42	(46.79)	-0.76%

Exchange Rates

USD 1 = BDT 84.85*

GBP 1 = BDT 111.90*

EUR 1 = BDT 100.42*

INR 1 = BDT 1.14*

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

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