

*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.*

### **Five VAT rates on cards**

- Advance tax (AT) is likely to be imposed at commercial and import stages under the new value-added tax (VAT) law aiming to ensure proper revenue collection from potential sectors. The new AT would replace the existing advance trade VAT (ATV) that is currently imposed at a rate of 5.0% only at the import stage, finance ministry sources said. The AT rate might be set below 5.0%.
- The government is likely to whittle down value-added tax rates to five from existing seven as it is getting ready to implement the new VAT law from the next fiscal year, seven years after its enactment. This means, the government will move away from a uniform 15% VAT rate envisaged in the VAT and Supplementary Duty Act 2012.
- The five rates are 2%, 5%, 7.5%, 10% and 15%. The multiple rates aim at reducing pressure on consumers and small businesses, according to officials.
- The finance ministry had initially planned to introduce three VAT rates and informed the IMF about it.
- At the same event chairman of the National Board of Revenue (NBR), said the 15% standard rate would also continue along with the three rates. Currently, 15% VAT is applicable on sectors such as cigarette and telecommunications and these two sectors account for more than 45% of the total VAT collection. So, a cut in the rate will cause VAT receipt to decline, said officials of the NBR.
- The tariff value and truncated value-based rates may not continue in the next fiscal year. As a result, the prices of a number of goods and services may go up.
- Advance tax (AT) is likely to be imposed at commercial and import stages under the new value-added tax (VAT) law aiming to ensure proper revenue collection from potential sectors. The new AT would replace the existing advance trade VAT (ATV) that is currently imposed at a rate of 5.0% only at the import stage, finance ministry sources said. The AT rate might be set below 5.0%.
- Framed at the prescription of the International Monetary Fund (IMF), the law originally envisaged a uniform 15% VAT, sparking protest from businesses, particularly from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) on grounds that the enforcement of the law would hurt small and medium businesses and stoke inflation. In the face of the protests, the government thrice deferred the enforcement of the new law, with the latest postponement came in June 2017 that pushed back the enactment by two years. In order to ensure smooth implementation of the law from 2019-20, The Finance Minister, the NBR and the FBCCI met several times earlier, and all agreed in principle to go for the multiple rates.

<https://www.thedailystar.net/business/news/five-vat-rates-cards-1754401>

<http://today.thefinancialexpress.com.bd/last-page/now-advance-tax-at-import-commercial-stages-likely-1560097059>

### **Bank borrowing to grow as revenue shortfall weighs in**

- The government's bank borrowing is set to rise further in June as the execution of the Annual Development Programme (ADP) gained momentum, but revenue target fell short of target. The authorities have targeted net bank borrowing at nearly BDT 99 billion for June 2019 to finance the budget deficit, according to the auction calendar, issued by the Bangladesh Bank (BB) recently.
- According to the calendar, the government may take up to BDT 228 billion as gross borrowing from the banking system this month by issuing treasury bills (T-bills) and bonds. The government's net bank borrowing is set to reach BDT 98.90 billion by the end of June, after deducting BDT 129.10 billion as maturity amount of the government securities from the gross borrowing amount, central bank officials said. Besides, BDT 20 billion will be borrowed through issuing short-term 14-day T-bills on Monday, which will be cleared on June 25, they said.
- Central bankers have ruled out any negative impact. According to a senior Bangladesh Bank (BB) official, there will be no additional impact on the overall net borrowing of the government for June. They urged the central bank to devolve major portion of borrowing amount on its own accounts, which would help boost money supply in the market.
- Normally, the implementation rate of ADP picks up pace during the last two months of each fiscal year, according to the bankers and officials. Besides, revenue shortfall is forcing the government to borrow more from the banking system to partly meet the budget deficit, they noted.

<http://www.newagebd.net/article/74677/banks-have-scope-to-raise-stocks-exposure-by-82pc-bb-report>

### **Banks' Advances to Deposits Ratio (ADR) rises further in 2018: Bangladesh Bank report**

- Advance-to-deposit ratio (ADR) in the country's banking sector increased by 1.7% points in the year of 2018 due to a slowdown in deposit growth and a surge in defaulted loans. According to a Bangladesh Bank report titled Financial Stability Report 2018 published on May 28 this year, the ADR in the banking industry increased to 77.6% at the end of December last year from 75.9% at the end of December, 2017. The ADR was 71.9% in December, 2016 when the deposit growth in the banks was 10.6%.
- Growth in deposit in the country's banking sector was 9.8% in 2018, much lower than the growth in credit — 14.1% — in the year.
- High ADR represents high risk of the banks and that's why the BB lowered the ADR of the banks to save them from financial risk as many of the banks were issuing credit aggressively in the year of 2017 to maximize profits, Bangladesh Bank (BB) officials said. Recovery of the defaulted loans could have helped the banks bring down ADR within the BB-set limit, they said. The banking sector liquidity was relatively tight in the year of 2018 compared to the preceding year as evident from higher ADR and rising call money borrowing rate, according to the BB report.
- As per the BB's latest report, ADR of 22 banks was above the ADR limit expected to be strictly followed by September 2019. The number of banks which had failed to keep ADR within the limit was 11 in January last year when the fresh limit was imposed by the central bank.

<http://www.newagebd.net/article/74795/banks-adr-rises-further-in-2018-bb-report>

### **Bangladesh Securities Exchange Commission (BSEC) seeks opinion on public issue rules**

- The securities regulator has sought public opinion on the draft amendment to the public issue rules. The Bangladesh Securities and Exchange Commission (BSEC) will receive public opinion till June 17.
- On May 30 last, the BSEC approved the draft amendment which included some provisions, including a three-year lock-in period for all the shareholders mentioned in the IPO (initial public offering) prospectus of a company. As per the draft amendment, a three-year lock-in period will be imposed on the shares of a company, held by all the shareholders mentioned in its IPO prospectus. The lock-in period will be counted from the date of the company's debut trading instead of publication of its draft prospectus. As per the existing rules, a three-year lock-in period is imposed on the holdings by sponsors, directors and individuals having more than 10 per cent shares of a company. Besides, a one-year lock-in period is imposed on placement shares.
- According to another revised provision, a non-listed company will not be allowed to float IPO without utilizing the previous funds raised through private placements. A listed company will not be allowed to go for public issues, such as - rights offers and RPO (repeat public offering), without completing utilization of the previous funds raised through public issues, including IPO. The securities regulator has also imposed the condition of making minimum amount of investment by eligible investors (EIs) in the secondary market to avail the IPO quota.
- The amount of minimum investment will be mentioned in the consent letter for every public issue. Under the fixed price method, the minimum IPO size will be BDT 500 million or 10% of the paid-up capital, whichever is higher.

<http://today.thefinancialexpress.com.bd/stock-corporate/bsec-seeks-opinion-on-public-issue-rules-1560094883>

### **Eastern Bank Limited getting ready to fund big projects**

- Default loans of Eastern Bank Limited (EBL) account for only 2.35% of the outstanding loans, which is below the industry average of 10.30%. Regarding this, Ali Reza Iftekhar, managing director and chief executive officer of EBL, in an interview said that the bank has never gone for aggressive lending. The reason for the bank's intrepid lending activities is that a number of its employees had taken credit assessment training from global institutes, said Iftekhar, who joined EBL in 2004 as a deputy managing director and was elevated to the top position in 2007. The managing director said that skilled human resource is pivotal.
- The bank is very selective in giving out loans: corporate loans make up two-thirds of its loan portfolio and yet the number of corporate clients is not high. This stance has not only paid off for EBL; it has put the lender in good stead for financing mega projects such as the Dohazari-Cox's Bazar rail line and Rooppur nuclear power plant.
- In power and energy, EBL has supported a number of projects that have the capacity of generating more than 2,100MW electricity, according to the managing director. The bank is the undisputed leader in aviation financing: it has so far provided USD 192 million to clients, including Biman Bangladesh Airlines, to buy 12 aircraft.
- Now, the bank is shifting towards retail and SME banking from its heavy reliance on corporate banking, which now makes up about 28% of its loan portfolio. In retail banking, EBL is already a market leader. The Singapore-based Asian

Banker had adjudged EBL the best retail bank in Bangladesh for six consecutive years starting from 2013 to 2018. Lending under its retail banking grew 9% year-on-year to BDT 43.6 million last year. The managing director thinks mortgage loans have a huge prospect in Bangladesh given the rising purchasing power of people brought about by the economy's solid growth in the past decade. According to him, people should be given tax incentive to buy homes with bank loans.

- The experienced banker also talked about the recent move by the central bank to reschedule bad loans. He believes that no willful defaulter should get the chance. According to him, it is not a blanket facility for all defaulters. Rather rescheduling of loans will entirely depend on the bank-customer relationship. The managing director said default loans and liquidity issues will continue to pose challenges for the banking sector, but banks will have to be prepared to face them.

- Injection of funds into the market before Eid is a common phenomenon, but the situation of this time is slightly different than other time, said managing director of Bank Asia. The banking sector has been facing a liquidity crunch for months and the Eid withdrawal pressure has deepened the crisis, according to the managing director. Weak banks should get merged and others should not go for aggressive lending.

<https://www.thedailystar.net/business/news/eb1-getting-ready-fund-big-projects-1754410>

### BRAC Bank customers to get iPay services

- BRAC Bank Limited and iPay Systems Limited have recently signed a partnership agreement that will allow BRAC Bank customers to enjoy multiple services from iPay App/Web and BRAC Bank alternate delivery channel. The agreement will enable BRAC Bank customers to transfer fund to their iPay e-wallet through the bank's Internet Banking and avail all the payment services of iPay, said a statement.

<http://today.thefinancialexpress.com.bd/stock-corporate/brac-bank-customers-to-get-ipay-services-1560095143>

### World Stock and Commodities\*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$54.30	+0.31	+0.57%
Crude Oil (Brent)*	\$63.57	+0.28	+0.44%
Gold Spot*	\$1,329.86	-11.36	-0.85%
DSEX	5402.97	+25.22	+0.47%
Dow Jones Industrial Average	25,983.94	+263.28	+1.02%
FTSE 100	7,331.94	+72.09	+0.99%
Nikkei 225	21,084.28	+199.57	+0.96%

### Exchange Rates

USD 1 = BDT 84.12\*  
 GBP 1 = BDT 106.95\*  
 EUR 1 = BDT 95.15\*  
 INR 1 = BDT 1.21\*

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

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### BRAC EPL Stock Brokerage Limited

#### Research

Ayaz Mahmud, CFA	Deputy Head of Research	<a href="mailto:ayaz.mahmud@bracepl.com">ayaz.mahmud@bracepl.com</a>	01708 805 221
Md. Sakib Chowdhury	Research Analyst	<a href="mailto:sakib.chowdhury@bracepl.com">sakib.chowdhury@bracepl.com</a>	01709 641 247
S. M. Samiuzzaman	Research Analyst	<a href="mailto:sm.samiuzzaman@bracepl.com">sm.samiuzzaman@bracepl.com</a>	01708 805 224
Sadman Sakib	Research Associate	<a href="mailto:sadman.sakib@bracepl.com">sadman.sakib@bracepl.com</a>	01730 727 939
Ahmed Zaki Khan	Research Associate	<a href="mailto:zaki.khan@bracepl.com">zaki.khan@bracepl.com</a>	01708 805 211
Md. Rafiqul Islam	Research Associate	<a href="mailto:mrafiqulislam@bracepl.com">mrafiqulislam@bracepl.com</a>	01708 805 229
Md. Mahirul Quddus	Research Associate	<a href="mailto:mmahirul.quddus@bracepl.com">mmahirul.quddus@bracepl.com</a>	01709 636 546

#### International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	<a href="mailto:bappi@bracepl.com">bappi@bracepl.com</a>	01730 357 991
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#### BRAC EPL Research [www.bracepl.com](http://www.bracepl.com)

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142  
 Gulshan Avenue, Dhaka – 1212  
 Phone: + (880)-2-9852446-50  
 Fax: + (880)-2-9852451-52  
 E-Mail: [research@bracepl.com](mailto:research@bracepl.com)