Important News Snippets

June 17, 2019

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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.

Raising private investment to be tricky: analysts

• The government's target to raise private investment to 24.2% of GDP will be challenging given the trend in last several years and the ongoing liquidity crisis in the banking sector. Private investment has been hovering around the 22-23% mark for long. For instance, this fiscal year it reached 23.40% of GDP, up from 22.07% five years ago, according to the Bangladesh Bureau of Statistic (BBS). Bangladesh needs additional BDT 230 billion to achieve the investment target, one of the former presidents of Dhaka Chamber of Commerce and Industry.

• As the banking sector is facing liquidity shortage, we don't know where the money will come from, he added. Private sector credit growth sank to a 56-month low of 12.07% in April and the government's target to borrow more from the banks may tighten the situation further. The government last year set a target to raise private investment to 25.15% of GDP for the outgoing fiscal year, but budget documents show it edged up to 23.4% from 23.26% a year ago. Despite stagnant private investment, Bangladesh's economic growth has been impressive for the past decade. Provisional estimates show the economy is likely to grow at more than 8% in the outgoing fiscal year thanks to a steady rise in public investment.

• Public investment jumped to 8.17% of GDP in the outgoing fiscal year, up from 6.82% five years ago. Private investments are constrained by a lack of land, reliability of energy supply, poor connectivity, cumbersome regulatory processes as well as regulatory unpredictability, high corporate taxes, limited access to long-term finance and shortage of skills, one of the lead economists of the World Bank's Dhaka Office. Without removing the constraints, it will be difficult to achieve a sustained increase in the private investment rate.

• Public investment has increased because of higher expenditure in investment projects, mostly under the annual development programme, he said. Many of these projects are yet to be completed. Their crowding-in effects on private investment cannot materialize until the projects are up and running, he added.

https://www.thedailystar.net/business/news/raising-private-investment-be-tricky-analysts-1758214

Spare banks from stock dividend tax

• Banks have sought to be excused from the government's plan to introduce 15% tax on stock dividend and retained earnings and reserves to encourage cash dividends as it will put some listed lenders in a difficult spot. It makes sense for other listed companies but not for banks as their dividend policies are transparent and regulated, said president of the Association of Bankers, Bangladesh, the platform of private banks' managing directors. At present, banks that face provisioning shortfall are not allowed by the Bangladesh Bank to hand out cash dividend; they can only give stock dividend.

• As of March this year, 14 banks failed to keep the required provisioning against their bad loans. Of them, 10 lenders are listed with the capital market. And lenders usually strengthen their capital base from their retained earnings and reserves, so the move to put 15% tax on that would be a double-whammy for them, said the managing director of Bank Asia. The budgetary proposals will have an adverse impact on the entire banking sector more or less, he added. The capital base of the banking sector eroded last year and the trend will continue if the proposals are implemented.

• As of December last year, banks' capital adequacy ratio (CAR), which determines the adequacy of banks' capital in keeping with their risk exposures, stood at 10.50%, down from 10.83% a year earlier, according to data from the central bank. However, the managing director of Pubali Bank, said only the weak banks might face problem because of the proposed measure. The proposed tax policy on stock dividend and retained earnings and reserves will not bring anything positive for the growth-oriented companies," said the executive director of the Policy Reserve Institute.

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• Good companies will show reluctance in going to the capital market for their funding needs in the days to come if such proposals are imposed on them, said one of the former presidents of the Dhaka Chamber of Commerce and Industry. The whole process of offering stock dividend is highly transparent. So banks should be exempt from the upcoming instruction or else it will hurt lenders, said also the managing director of Dhaka Bank.

https://www.thedailystar.net/business/news/spare-banks-stock-dividend-tax-1758205

Despite rise, ADP spend to miss target

• The government is set to miss the development spending target despite a 21.28% year-on-year rise in such spending in the first 11 months of 2018-19. The government will have to spend five times more—BDT 565.77 billion—in June than its monthly average of BDT 109.13 billion to reach the target of the Annual Development Programme (ADP) for the full fiscal year. Between July and May, ministries and divisions expended BDT 1200.43 billion, up from BDT 989.78 billion in the same period a year ago, according to data from the Implementation Monitoring and Evaluation Division of the planning ministry.

• Planning Minister reviewed the progress in the development spending yesterday at a meeting with the officials of ministries and divisions, instructing them to be more sincere about implementation. The priority for the government is to end corruption in the implementation of projects and accelerate the pace of execution, he said at the meeting at the auditorium of the National Economic Council at the Planning Commission in Dhaka. The ADP implementation scenario, however, has changed from what it was at the beginning of the fiscal year. It picked up in November amid the fervor surrounding the parliamentary polls in December.

• A planning ministry official said the finance and planning ministries took some measures in the beginning of 2018-19 to boost the spending and the measures started to bear fruit from November. Since November, the expenditure has averaged more than BDT 120 billion per month in contrast to BDT 62.16 billion posted every month in the preceding four months. In June last year, the finance division empowered project directors, giving them authority to release funds in the first two quarters of a fiscal year by themselves instead of waiting for approval from ministries or divisions, an exercise that takes up two to three months.

• The top ADP performer was the power division, which spent 79.64% of the allocation, followed by the Prime Minister's Office 79.25%, the science and technology ministry 78.89%, the primary and mass education ministry 73.54%, and the shipping ministry 72.75%. Among the poor performers, the public security division managed to spend 23.07%, followed by the railways ministry 44.68%, the secondary and higher education division 53.87%, the water resources ministry 59.41% and the bridges division 64.51%.

https://www.thedailystar.net/business/news/despite-rise-adp-spend-miss-target-1758202

National savings tools: Government to slash reliance by 42% over three years

• The government has targeted cutting its borrowing target from the national savings certificates(NSC) by 42% in the next three fiscals aimed at reducing fiscal risk, according to official document. The government wants to reduce borrowing from BDT 450 billion of the outgoing fiscal year to BDT 260 billion by FY 2021-22. According to the revised target, the government will borrow BDT 450 billion through selling the savings tools during the current fiscal. The finance ministry, in its policy statement, said the government will reduce the sales of savings tools to BDT 270 billion during FY2020. The government has also a target to slash borrowing from NSC in the subsequent two fiscals. The target is to borrow BDT 250 billion through selling savings certificates during FY2021 and BDT 260 billion during FY2022.

• The policy statement said in the next three consecutive years, it will slash the non-bank borrowing and increase the bank borrowing to finance the budget deficit. According to the target, the borrowing from the non-banking sector will go down to 1.0% of GDP, which will be 3.2% of GDP from the banking sector. Currently, the ratio of the government's bank and non-bank borrowing is 1:1.5. The finance minister has raised the tax at source to 10% from the current rate of 5.0% for the purchase of savings tools.

http://thefinancialexpress.com.bd/economy/national-savings-tools-govt-to-slash-reliance-by-42pc-over-three-years-1560656646

Increased tax on savings tools: Limited income people to receive fatal blow

• Families which survive on profits from savings certificates are set to receive a fatal blow as the government plans to increase tax to 10% from existing 5% on the proceeds from the tools. Retired persons, limited income families, senior citizens and some other particular groups of people are allowed to buy the tools at higher interest rate while the government utilizes the fund for meeting budget deficit. Experts have criticized the proposed tax increase as they think it will hit hard people dependent on the tools and urge the government to withdraw all taxes on them.

• Nation Board of Revenue (NBR) officials said the rule was supposed to be effective from July 1.Anyone who wants to cash the profit from previous investment after June will have to pay 10% TDS, NBR officials clarified, suggesting that the investors withdraw their profit by June to avoid new tax rate. Currently people are getting various types of profit rates based on tools category — family savings certificate offers 11.52% profit, pension savings 11.76%, five-year savings certificate 11.28%, three-months profit-based saving certificates 11.04%, and the three-year post office savings certificate offers 11.28%.

https://www.dhakatribune.com/business/regulations/2019/06/16/increased-tax-on-savings-tools-limited-income-people-to-receive-fatal-blow

Listed companies fear stunted growth

• A total of 209 listed companies will have to pay an additional BDT 107.92 billion if the proposed 15% tax on 'reserves and retained earnings' is implemented. Officials concerned said a large number of companies, especially banks, will face an operational setback following the execution of the budgetary measure. Finance Minister has also proposed a 15-per cent tax on stock dividends to encourage cash dividends by listed companies. According to stakeholders, this proposal would rather hinder expansion of the companies.

• Besides, the proposed tax on reserves and retained earnings will cause double taxation as the companies pay tax on those amounts once. The president of Bangladesh Association of Publicly Listed Companies, said the implementation of the proposed tax would create 'huge' obstacles. It'd be a matter of double taxation. The well-performing companies have also been treated like bad companies which unnecessarily issue stock dividends, he said. He said the proposed tax also contradicts the securities rules that require the listed companies concerned to give clarification in case of recommending stock dividends.

• The Finance Minister in his budget speech proposed a 15% additional tax on retained earnings and reserves when the size of the same exceeds 50% of a company's paid-up capital. According to the government's observations, some companies retain or reserve the net profits instead of distributing dividends to investors. According to an estimate of the Dhaka Stock Exchange (DSE), the additional tax of 209 listed companies will stand at above BDT 107.92 billion as of May this year.

http://today.thefinancialexpress.com.bd/first-page/listed-cos-fear-stunted-growth-1560707801
http://www.newagebd.net/article/75578/govt-may-take-away-BDT-11000cr-in-tax-from-listed-cos-reserve
https://www.dhakatribune.com/business/economy/2019/06/16/govt-exchequer-to-receive-BDT10-792cr-from-209-companies
https://www.thedailystar.net/business/news/bourses-praise-budget-indices-fall-though-1758199

International Monetary Fund (IMF) mission sounds alarm as banks' stressed assets soar

• The International Monetary Fund (IMF) has expressed concern over the rising trend in stressed assets in the banking sector. The Washington-based lender recommended that the quality of assets should be improved immediately. Stressed assets are defined as the sum of gross non-performing assets plus restructured and rescheduled standard advances, the central bank explained. The IMF's latest observations came against backdrop of rising trend in stressed assets ratio as a percentage of total loans and advances in the banking sector.

• The stressed assets' ratio climbed to 20.5% in 2018 from 19% from the previous year as the volume of non-performing assets and rescheduled advances went up, according to the Bangladesh Bank's latest Financial Stability Report (FSR). Within a year, gross non-performing loans (NPLs) ratio increased by 100 basis points, rescheduled standard advances ratio increased by 40 basis points and restructured advances ratio increased by 10 basis points, according to the report. The rise in NPLs contributed mostly to the increase in stressed assets ratio in December 2018, it added.

http://today.thefinancialexpress.com.bd/first-page/imf-mission-sounds-alarm-as-banks-stressed-assets-soar-1560707702

Bourses welcome budget proposals

• Both the bourses of the country have welcomed most of the budgetary measures, proposed by the finance minister in the budget for the next fiscal year (FY), 2019-20. In two separate post-budget press briefings on Sunday, the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) said a set of incentives and reformative measures proposed in the budget have fulfilled the expectations of the investors.

• However, two directors of the DSE gave mixed reactions over the proposal of imposing 15% tax on stock dividend and retained earnings. A director of the main bourse expressed the negative view regarding outcome of the tax on retained earnings and stock dividend. This proposal should be revised, as it is not operation-friendly for companies. The securities regulator is also concerned over the proposal, he said. Another director, however, supported the proposal, saying that many listed companies are retaining earnings year after year without disbursing dividends to their shareholders.

http://today.thefinancialexpress.com.bd/first-page/bourses-welcome-budget-proposals-1560707846
http://www.newagebd.net/article/75580/dse-board-divided-over-govt-move-to-tax-cos-reserve

Government set to ink maiden coal import deal today

• Indonesia's PT Bayan Resources is set to supply around 4.0 million tonnes of coal annually for generating electricity in the 1,320-megawatt (MW) coal-fired thermal power plant at Payra in Patuakhali for ten years. The Bangladesh-China Power Company Limited (BCPCL), the power plant executing agency, is going to sign a deal in this regard with the Indonesian company at a city hotel today (Monday). This would be the country's first-ever deal for importing coal to generate electricity. First consignment of coal from the Indonesian firm is expected to reach Payra Port by late July or early August said the BCPCL Managing Director.

• The 1,320-MW Payra thermal power plant would be the first one to be run with imported coal. Some 180,000 tonnes of coal would be required every month to run each unit of the power plant. It would need around 12,000 tonnes of coal daily to generate electricity. Around 4.0 million tonnes of coal would be required to run the power plant being built at a cost of USUSD 1.98-billion. The first unit of the Payra power plant, having the capacity of 660 MW, would go into operation by December 2019, and the second unit, having the same capacity, by June 2020. The BCPCL is a 50:50 joint venture between the North-West Power Generation Company Ltd (NWPGCL) of Bangladesh and the China National Machinery Import and Export Corporation (CMC) of China.

http://today.thefinancialexpress.com.bd/last-page/govt-set-to-ink-maiden-coal-import-deal-today-1560708565

State-owned Enterprises (SoEs) on track to rack up BDT 56 billion losses next fiscal

• The government said state-owned enterprises (SoEs) will incur a loss of BDT 56.7 billion in the next fiscal year, accentuated by rising price of fuel in the international market. The forecast is higher than BDT 13.1 billion losses incurred during the fiscal year 2018. This picture was evident in the brief budget on the SOEs, a part of the fiscal blueprint. The document shows that the 49 non-financial organizations will incur loss even before paying taxes.

• Dismissing the government's logic, economists, who are familiar with the matter, said SoEs are inefficient organizations and for this reason they sustain losses year after year. They suggested conducting a public sector reform to make them profitable.

http://today.thefinancialexpress.com.bd/trade-market/soes-on-track-to-rack-up-BDT-56b-losses-next-fiscal-1560703585

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	$52.62	+0.11	+0.21%
Crude Oil (Brent)*	$62.20	+0.19	+0.31%
Gold Spot*	$1,342.10	+0.40	+0.03%
DSEX	5430.84	-43.47	-0.79%
Dow Jones Industrial Average	26,089.61	-17.16	-0.07%
FTSE 100	7,345.78	-22.79	-0.31%
Nikkei 225	21,139.12	+22.23	+0.11%

Exchange Rates

USD 1 = BDT 84.72*
GBP 1 = BDT 106.67*
EUR 1 = BDT 95.00*
INR 1 = BDT 1.21*

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

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