

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 Bank keeps injecting dollar to prop up public sector banks

• Bangladesh Bank has continued to inject US dollars in the banking sector to stabilize the volatile forex market. The central bank has sold USD 2.30 billion to banks as of June 18, this fiscal year, according to the central bank data. In the previous fiscal year of 2017-18, the central bank had sold USD 2.31 billion to commercial banks. The inter-bank exchange rate of the USD stood at BDT 84.50 on June 18, up from BDT 80.56 two years earlier, increasing almost by BDT 3.94. Four state-owned commercial banks are the major clients of USD sold by Bangladesh Bank, as the public sector commercial banks alone bought nearly 95% of the total USD 2.30 billion. To meet the growing demand of greenbacks and stabilize the foreign exchange market, the central bank has been pumping the USD in the banking system for long, a top central banker has said.

<https://www.dhakatribune.com/business/banks/2019/06/20/bangladesh-bank-keeps-injecting-dollar-to-prop-up-public-sector-banks>

300 defaulters gobble up BDT 509 billion loans in over three years

• Finance Minister on Saturday disclosed in parliament a list of the country's top 300 loan defaulters, who swallowed BDT 509.42 billion worth of bank money. This figure makes up around half the total default loans of BDT 1.02 trillion with banks and non-banking institutions until 2018. The number of total loan defaulters reached 170,390 in December 2018, up from more than 58,000 in September 2015. The total amount of default loans also increased by 73% to BDT 1.02 trillion during the period, the finance minister told parliament. The minister said these defaulters took out loans from both public and private-owned banks and non-banking financial institutions. The finance minister also disclosed a list of borrowers who took out more than BDT 50 million loans from all banks.

• The minister said the government provided BDT 136.12 billion between fiscal year 2015-16 and FY 2018-19 as they were suffering from capital shortfall. He said state-owned banks waived the interest of around BDT 12.0 billion last year against more than 6,000 loans.

<http://today.thefinancialexpress.com.bd/first-page/300-defaulters-gobble-up-BDT-509-billion-loans-in-over-three-yrs-1561222644>

Biggest ever gas tariff hike likely from July 01

• The energy regulator is set to announce the highest ever hike in natural gas tariff next week, which is likely to be effective from July 01. The official did not disclose the rate of gas tariff hike but hinted that it could be the biggest ever hike. State-run Petrobangla and its allied gas marketing and distribution companies proposed raising gas tariff for household consumers by 80% and for consumers of different sectors including power, industry, and commercial clients by up to 211% .

• Last year the agencies proposed a 75% hike, but the BERC did not raise tariff for the retail consumers, the official said. Before 2009, the rate of hike in natural gas tariff was not that significant, the Commission official added. Justifying the next hike to be the biggest ever, he said the Commission this time would take into cognizance. Petrobangla's losses or expenses owing to the import of 'expensive' LNG (liquefied natural gas) from the international market. Currently, Petrobangla counts a monthly loss of BDT 20 billion for importing LNG from international market and selling the fuel at current prices in the local market.

<http://today.thefinancialexpress.com.bd/first-page/biggest-ever-gas-tariff-hike-likely-from-july-01-1561052513?date=21-06-2019>

NBR to lose BDT 4.00 billion for pampering tobacco companies

• The National Board of Revenue's move to change the VAT and Supplementary Duty Act 2012 to offer input tax credit to cigarette companies is likely to bleed about BDT 4.00 billion annually from the state coffer, said one of its former chairman. The benefit was left out when the new VAT law was formulated back in 2012. But now, the revenue collector has proposed the change in the Finance Bill 2019.

• The provision of not offering input tax credit to tobacco companies must be reinstated because the government will lose nearly BDT 4.00 billion for the change, he said. The change has been proposed at a time when the NBR is routinely lagging far behind its revenue collection target. In the first nine months of this fiscal year, the tax collector missed its periodic target by BDT 500.00 billion. The VAT and SD Act 2012 was drafted during his time and they had decided then to not allow input tax credit to cigarette and alcohol, which are termed as sinful goods because of risks to

public health.

- Top officials of some ministries tried to lobby on behalf of the tobacco companies, according to a former chairman of the NBR. He also lamented the proposed tax measures for cigarettes and tobacco products. The prevalence of tax measures based on four price slabs will benefit cigarette companies. This is very frustrating, he added.

<https://www.thedailystar.net/business/news/nbr-lose-BDT-400cr-pampering-tobacco-companies-1761067>
<http://www.newagebd.net/article/76223/experts-slam-budgetary-provisions-allowing-tobacco-cos-profit-rise>
<https://www.dhakatribune.com/business/regulations/2019/06/22/nbr-estimates-BDT-7-000cr-in-extra-revenues-from-cigarette-price-hikes>

New VAT law to hit consumers: CAB

- The prices of a number of commodities will increase, hurting consumers as the VAT network is set to widen after the new law takes effect on July 1, a consumer rights group said yesterday. The budget for 2019-20 has proposed three value-added tax rates along with the existing 15% rate. As a result, consumers may be compelled to count extra, the Consumers Association of Bangladesh (CAB) said, giving example of imposition of VAT on edible oil, a key cooking ingredient.
- They hope that steps will be taken so that consumers do not have to pay additional prices. All daily essentials should be kept out of the VAT net after discussion in the parliament, said CAB President. The CAB said tax burden would increase on people belonging to the lower income group as the government seeks to keep the tax-free income limit unchanged for another year. The government should increase the threshold considering inflation. The tax-free income limit should go up to give relief to the people in the lower income group, CAB president said.
- Consumers bear the burden of VAT and businessmen deposit VAT to the state coffer by collecting them from consumers, the CAB said, demanding strong vigilance so that the indirect tax reaches the exchequer properly. The consumer rights organisation suggested reducing tariff protection to industries. Citing a finding of a study of the Policy Research Institute of Bangladesh, a private think-tank, the CAB said because of the tariff protection, consumers had to pay an additional USD 14.22 billion to buy goods in fiscal 2017-18.
- The CAB also opposed interest rate cuts on savings certificate and the move to increase the withholding tax on the savings instrument. Many see the savings certificates as a tool of government to fund budget, but savings certificates provide income for retired persons and the middle-income people, CAB chairman said. So, this should not be taxed," he said, adding that the government should consider other measures to discourage the rich to buy savings certificates, instead of imposing tax on the tools.

<https://www.thedailystar.net/business/news/new-vat-law-hit-consumers-cab-1761046>

Shareholders may consider sale of Robi, says CEO

- The government's move to raise the mobile operators' turnover tax to 2% from 0.75% from the new fiscal year will drive the smaller operators out of the industry, said chief executive officer and managing director of Robi. He also said the increased tax on turnover will turn them into a loss-making venture even though they had projected to make about BDT 50 core in net profit in 2019 at the beginning of the year.
- Robi logged in profit in the first quarter but thanks to the proposed tax measures -- which will be the highest in the world -- the trend will not continue for the rest of the year, he added. In 2018, Robi had declared BDT 2.15 billion in net profits. The operator's shareholders are very frustrated about the new tax measures and Robi CEO will not be surprised if they decide to put Robi up for sale. Referring to a study by PricewaterhouseCoopers (PwC), Ahmed said apart from Bangladesh only two other countries have turnover tax and their rates are much lower than Bangladesh's.
- Pakistan charges up to 1.5% , while Nigeria charges 0.25% to 0.5% based on different parameters. Robi CEO also said that Robi had planned to get listed on the stock market if their profit streak continued throughout 2019. But now they need to rethink our plan. Other than the hike in turnover tax the National Board of Revenue also increased the supplementary duty on mobile usage to 10% from 5% along with the existing 15% value-added tax and 1% surcharge. This leaves the mobile users in Bangladesh the most taxed after Turkey.
- Robi have invested huge sums last year to build its 4G network but only 21% of their customers are using 4G-enabled devices. This huge investment has become useless and they may not invest for network expansion if they find no business case. 3G completely failed in Bangladesh and 4G is also facing the same fate, he said, adding that there is no business case for 5G with the existing tax framework. The government has also proposed to raise the SIM tax to BDT 200 from BDT 100 from fiscal 2019-20, which will restrict the growth of the industry, said chief corporate and regulatory officer at Robi.
- The overall tax structure contradicts with the government's Digital Bangladesh vision, said also the first chief executive officer in a foreign-owned mobile operator. Axiata Group took mobile licence in Bangladesh in 1997 and now

they are the second largest operator in the country with 47.6 million active connections as of April. Robi has so far invested USD 3 billion in Bangladesh, USD 2 billion of which were made since 2011. Since its inception, its shareholders took only USD 52 million.

<https://www.thedailystar.net/business/bangladesh-telecom-operator-robi-fear-of-profit-losing-as-turnover-tax-hike-1761058>

Matarbari power plant loan

- Japan has finally agreed to provide USD 1.3 billion funds for Matarbari 1,200MW thermal power plant, softening its earlier position. The Asian economic giant did not confirm the funding during the Prime Minister's recent visit to Tokyo, officials said on Saturday. Now, the Japan International Cooperation Agency (JICA), the official funding agency, has agreed to sign the loan deal by the end of this month, they said. The officials said the JICA declined to sign USD 1.3 billion loan deal in Tokyo for constructing the coal-fired Matarbari power plant on the grounds of possible environmental impacts. During the visit of Prime Minister Sheikh Hasina from May 28-June 2, the JICA signed USD 1.2 billion loan deals for four other projects under its 40th Official Development Assistance (ODA) package.
- For four other projects, the JICA will finance the Matarbari port development project (I), MRT line-1 from Airport to Kamalapur along with a connecting line from Jamuna Future Park to Purbachal project (I), ongoing foreign direct investment project (II), and energy efficiency and conservation promotion financing project (Phase 2). Under the ODA package, the JICA is providing JPY 38,898 million (USD 355 million) for the Matarbari port development project in the 1st tranche, JPY 52,570 million (USD 480m) for the MRT line-1, JPY 21,147 million (USD 193m) for the investment promotion project and JPY 19,000 million (USD 173m) for the energy project. The 5th tranche of loan for the power plant project is JPY 143,127 million (USD 1.3 billion).

<http://today.thefinancialexpress.com.bd/first-page/matarbari-power-plant-loan-1561222939>

Bangladesh Chamber of Industries (BCI) seeks withdrawal of 15% tax on companies' reserve, retained earnings

- Bangladesh Chamber of Industries demanded withdrawal of 15% tax on retained earnings and reserve of listed companies which was imposed in the proposed budget for the financial year 2019-20. BCI president at a post budget press conference at the office of the trade body in the city, said that such decision of the government to impose 15% tax on reserve and retained earnings would affect stock market. It also would have a negative impact on inflow of both local and foreign direct investment as most of the time the fund from the retained earnings is used for reinvestment and for expansion of the companies, he said.
- CI president said that the proposed four-stage Value Added Tax on products and services was not pragmatic and it would increase the cost of living. He urged the government to impose VAT in such a way so that the consumers were not hit hard and the cost of doing business did not increase. The chamber demanded withdrawal of Advance Tax on the import of raw materials and capital machinery saying that the imposition of such tax was contradictory with the policy of ease of doing business.
- BCI president emphasised proper utilisation of the proposed fund at BDT 1.00 billion in the budget for the creation of new entrepreneurs. BCI president said that it was a big challenge to create new entrepreneurs and funding them. If there is fund, the elder entrepreneurs can help them to grow as they have a lot of experience, he added. He also demanded to increase the minimum threshold for income tax and to reduce corporate tax to attract new investments in the country.

<http://www.newagebd.net/article/76225/bci-seeks-withdrawal-of-15pc-tax-on-cos-reserve-retained-earnings>
<https://www.dhakatribune.com/business/economy/2019/06/22/bci-wants-tax-on-excess-reserve-stock-dividend-scrapped>

Economists suggest trade policy reform removing anti-export bias

- Economists on recommended that the government should reorganise the trade policy to remove anti-export bias of trade regime for ensuring diversification of export products. Export concentration was getting worse as readymade garment export grew faster thanks to the package support from the government whereas the support was absent for the non-RMG sectors and the export performance of those sector was deplorable, they said.
- A former adviser to a caretaker government, said that Bangladeshi consumers had been forced to pay extra for the high protection of domestic industry. Protection is important for infant industry but it should be time-bound and performance-based, otherwise local industry would not be interested to gain their capacity to be competitive in the global market, he said.
- The former adviser to a caretaker government that said that along with restructuring the incentive system, good

governance and a situation conducive to business were also important for economic growth. Executive director of South Asian Network on Economic Modeling, said that reduction in tariff level was must to reduce export concentration and to ensure diversification as tariff level in Bangladesh was higher than that of per capita GDP. He also said that the country's tariff policy was a revenue seeking policy, not a development policy.

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<http://www.newagebd.net/article/76221/economists-suggest-trade-policy-reform-removing-anti-export-bias>

Islami Bank to issue BDT 12 billion Third Mudaraba Bond

- The board of directors of Islami Bank Bangladesh Limited has decided to issue the 'IBBL Third Mudaraba Redeemable Non-Convertible Subordinated Bond', valued at BDT 12 billion. The bond, with a term of seven years, will be issued to raise the Tier-II capital of the bank under Basel-III, said an official disclosure posted on the Dhaka Stock Exchange (DSE) website on Wednesday. The issuance of bonds is subject to the approval of the regulatory authorities - the Bangladesh Bank (BB) and the Bangladesh Securities and Exchange Commission (BSEC), the disclosure said.

<http://today.thefinancialexpress.com.bd/stock-corporate/islami-bank-to-issue-BDT-12b-third-mudaraba-bond-1561050827?date=21-06-2019>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$57.43	+0.36	+0.63%
Crude Oil (Brent)*	\$65.20	+0.75	+1.16%
Gold Spot*	\$1,399.63	+11.19	+0.81%
DSEX	5,395.63	-15.77	-0.29%
Dow Jones Industrial Average	26,719.13	-34.04	-0.13%
FTSE 100	7,407.50	-16.94	-0.23%
Nikkei 225	21,258.64	-204.22	-0.95%

Exchange Rates

USD 1 = BDT 84.25*
 GBP 1 = BDT 106.89*
 EUR 1 = BDT 94.96*
 INR 1 = BDT 1.21*

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

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