

*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.*

### **Banks' asset quality worsens on rising Non Performing Loan (NPL) ratio in State-owned Commercial Banks (SoCB)**

- Asset quality of the country's banking sector deteriorated in the last calendar year as the gross non-performing loan (NPL) ratio showed an upward trend throughout the year, according to the central bank. The gross NPL ratio in the banking sector rose to 10.3% in 2018 from 9.3% a year back, according to the Financial Stability Report (FSR) 2018 released on Tuesday. Such classified loan ratio was 9.2% in 2016. However, net NPLs as percentage of total loans outstanding in the banking sector of Bangladesh are relatively low among the neighboring South and East Asian countries, according to the FSR.
- On the other hand, higher non-performing assets along with rescheduled advances pushed up the overall stressed assets ratio as a percentage of total loans and advances outstanding in 2018. The stressed assets ratio rose to 20.5% at the end of December 2018 which was the highest in the past three years, according to the FSR. High proportion of bank loans held by top non-financial corporations (NFCs), generally known as large business groups, and high debt-equity ratio of large NFCs are found to be the two key risk factors for Bangladesh's financial system.
- However, net profit of the banking sector fell significantly in 2018 mainly due to higher provision requirement against increased classified loans. Banking sector's net profit dropped by 57.5% to BDT 40.4 billion in 2018 from BDT 95.1 billion a year ago while operating profit rose by 8.1% to BDT 266.4 billion from BDT 246.5 billion. Meanwhile, the total maintained provision increased by 98.6% to BDT 146.2 billion in the last calendar year from BDT 73.6 billion in 2017. However, return on asset (ROA) dropped to 0.3% at the end of December 2018 from 0.7% at the end of December 2017.
- In 2018, the overall net interest margin (NIM) for the banking industry increased slightly to 2.2% from 2.0% in 2017. Overall ADR of the banking industry increased to 77.6% at the end of December 2018 from 75.9% at the end of December 2017 and 71.9% at the end of December 2016 as the growth of loans and advances continued to outpace the deposit growth during the review year.

<http://today.thefinancialexpress.com.bd/last-page/banks-asset-quality-worsens-on-rising-npl-ratio-in-socbs-1559065603>  
<https://www.dhakatribune.com/business/banks/2019/05/28/loan-rescheduling-rises-by-21-39>  
<http://www.newagebd.net/article/73814/top-3-borrowers-default-could-lead-bank-sector-to-capital-crisis?fbclid=IwAR0Mm39V9Sy2uHvC5UilXbNM61LLudpSxALTWMYA42-XAV1P4TxRAO7kxbw>  
<https://www.thedailystar.net/business/news/state-banks-breed-default-loans-all-sectors-1750249>

### **Government to inject another BDT 15 billion**

- State banks can keep on expecting to be coddled despite their continued financial irregularities and irresponsible lending practices, with the government looking to inject BDT 15.00 billion in the upcoming fiscal year to help the lenders meet their capital shortfall. In the last 17 years, the government has injected a total BDT 205.84 billion of the taxpayers' money into the state-run banks -- without any tangible improvement in their governance and lending practices to show for. This should be stopped, a former deputy governor of the central bank.
- The aim of the state-run commercial banks is to provide funds to the government from their profits and the government will spend the money for welfare activities, he said. But these banks are being given money to meet their capital shortfall, which defeats the purpose of their existence, he added. Unconditional recapitalization has not helped address the root cause of the problem, said lead economist of the World Bank's Dhaka office. State-owned banks are at the heart of the default loan problem dogging Bangladesh's banking sector: at the end of 2018, they accounted for 52% of the total default loans in the industry.
- They remain severely under-capitalized despite capital injections every year over the past years, he added. As of 2018, state banks Sonali, Janata, Agrani and BASIC have total capital shortfall of BDT 154.52 billion. Some BDT 15.00 billion has also been set aside in the current fiscal year's budget and within a couple of weeks the money will be disbursed, according to finance ministry officials. Curiously, the budgetary allocation for recapitalization of the banks has been on the rise since fiscal 2006-07, with the government putting in as much as BDT 50.00 billion in a single year.
- Clearly, recapitalization alone can't solve the fundamental problem of poor governance and management in these banks, the World Bank economist said. Recapitalization should be linked with restructuring programmes aimed at addressing default loans and transforming the banks into development finance institutions with well-defined mandates and sound corporate governance framework. Better lending discipline and asset-quality control can be achieved only through governance changes, he said, adding that balance sheets and capital inadequacy are symptoms of deeper

governance problem for state-owned banks.

<https://www.thedailystar.net/business/banking/news/govt-inject-another-BDT-1500cr-1750240>

### **Large, medium industrial base shrinks, shows survey**

- The number of the country's large and medium manufacturing industrial establishments declined significantly in 2019 despite the fact that the curve of their contribution to the gross domestic product (GDP) headed upwards. The contribution of the manufacturing sector to the GDP is estimated at nearly 20% in the fiscal year 2018-19, up from nearly 15.5% in the fiscal year 2012, according to the Bangladesh Bureau of Statistics (BBS). Economists think the decline in number of large and medium manufacturing units indicates that the industrial sector is in a difficult situation and it will have negative consequences on employment generation and the economy of the country.
- The number of large industries employing 250 or more people fell by 608 units to 3,031 in 2019 from 3,639 in 2012, the latest Survey on Manufacturing Industries (SMI), 2019 revealed. On the other hand, the number of medium-size plants fell drastically by 51% to 3,014 units in 2019 from 6,103 in 2012, the survey released on May 23 showed. However, the number of small industries employing less than 100 people each increased sharply to 23,577 in 2019 from 15,666 in 2012.
- The latest survey said the number of jobs fell to 0.461 million in 2019, less than a half of 1.04 million in 2012. But the employment in large industries increased to 4.02 million in 2019 from 2.96 million in 2012. An executive director at the Policy Research Institute of Bangladesh (PRI) said that such a trend of the manufacturing sector has a negative relationship with the country's economy. A lead economist at the Dhaka office of the World Bank said that one reason for the fall is that local industries lack governmental nursing.

<http://today.thefinancialexpress.com.bd/first-page/large-medium-industrial-base-shrinks-shows-survey-1559065150>

### **Robi logs BDT 115 million profit in Q1 2019**

- Robi started the year with a positive note and logged BDT 115 million profit in the first quarter driven by data revenue growth. However, according to the new accounting practice of its parent Axiata Group, Robi made a loss of BDT 246 million in the quarter. Axiata implemented the IFRS 16, an International Financial Reporting Standard promulgated by the International Accounting Standards Board in January. After recovering from the losses since its merger with Airtel and intense competition in the last couple of years, Robi has now turned into a profitable venture, the operator said in a statement yesterday.
- Robi credited its cost optimization initiatives and strong data and value-added service revenue growth for the turnaround. Due to the IFRS 16, the earnings before interest, tax, depreciation and amortization (EBITDA) and net profit figures were impacted, according to the statement. Robi ended the January-March quarter with 47.3 million active users, occupying 29.6% of the market. Revenue grew on the back of value-added services, indicating that the company's journey towards digitalization is producing concrete results.
- The operator's revenue grew 3.7% quarter-on-quarter to BDT 18.29 million in the first quarter. The rate is 12.3% year-on-year. Voice revenue grew about 5% year-on-year and data revenue was up 32.1%. The managing director of Robi expressed satisfaction as the company was able to reach the break-even point recovering from the tough financial situation caused by the merger and the intense market competition. The bold decision to go on the offensive in the 4G market along with a plethora of digital lifestyle initiatives over the recent past is beginning to deliver, he said.
- The continuation of the overwhelming response from customers switching to Robi's network using the mobile number portability facility only proves that the operator is standing out in the market as an innovative digital brand, according to the MD. At the end of the quarter, about 29 million Robi users were connected with data, accounting for 61.3% of the operator's subscriber base. Robi invested BDT 3.05 billion in the quarter as capital expenditure to expand the 4G service, taking its total investment for establishing the fastest data network to BDT 78.78 billion.

<https://www.thedailystar.net/business/news/robi-logs-BDT-115cr-profit-q1-1750216>

<http://www.newagebd.net/article/73815/robi-incurs-BDT-246cr-loss-in-q1>

### **Widen limit for tax-free dividend earnings**

- Stock investors have urged the government to widen the tax exemption limit on dividend earnings by four times considering the sluggish market for a long time. They say they have been losing money for the last few years because of the bearish market. What is more, their dividend income is shaved off because of taxes. Both the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) threw their weight behind the investors by including the demand in their budget proposal submitted to the National Board of Revenue last month.
- Considering the present market scenario, small investors may be allowed tax exemption on dividend income up to BDT 0.1 million, said the managing director of the DSE. At present, the tax exemption limit is BDT 25,000. The market

has remained sluggish and failed to meet expectation of the investors in the last nine years, only punctuated by a significant gain a number of times. During the period, the DSEX, the benchmark index of the DSE, rose to 6,336.88 points—the highest in recent history—but is much lower than the peak in the general index in 2010.

- In 2010, the general index jumped to 8,918.51 point when the daily turnover hit BDT 32.49 billion. Currently, the daily turnover ranges between BDT 2.20 billion to BDT 5.00 billion, whereas the benchmark index hovers around 5,300. He said the broadening of the tax exemption will attract investors to the market that will ultimately ensure sustainable development of the capital market. At present, the capital market is facing serious liquidity crisis. If the budget proposals are implemented, it will help ease the crunch, said the DSE in its budget proposal.
- The government can remove the tax or at least the tax-free dividend income limit should be increased according to a stock market analyst. He said listed companies pay corporate tax on their profit and give dividend from the profit after tax. So, the government can ease the tax on dividend earnings, he said. A top official of the Bangladesh Securities and Exchange Commission said it placed the dividend tax issue with the finance ministry and is hopeful of getting a good result.

<https://www.thedailystar.net/business/news/widen-limit-tax-free-dividend-earnings-1750228>

### **Japan may drop Matarbari power plant project**

- Japan is unlikely to sign a loan deal on the coal-fired Matarbari 1200 MW thermal power plant project during the visit of Prime Minister Sheikh Hasina to that country. The possible negative impact of the use of coal on environment might have forced Japan to decide otherwise, officials said on Tuesday. The Japanese donor agency, Japan International Cooperation Agency (JICA), however, is likely to sign loan deals worth USD 1.2 billion for four other projects as part of the 40th Official Development Assistance (ODA) loan package, they said.
- Under the 40th ODA package, the JICA is likely to provide 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 Investment promotion project, and JPY 19,000 million (USD 173M) for the Energy Conservation Promotion Financing Project.

<http://today.thefinancialexpress.com.bd/first-page/japan-may-drop-matarbari-power-plant-project-1559065217>

### **Coppertech gets CSE nod for listing as DSE turns to The Financial Reporting Council (FRC)**

- The Chittagong Stock Exchange (CSE) has given its consent to listing of the Coppertech Industries, paving the way for trading in its shares on the port city bourse. The development came at a time when the Dhaka Stock Exchange (DSE) sought a guideline from the securities regulator on the company's listing amid 'anomalies' in its financial statement. The Financial Reporting Council (FRC) has also sought an opinion from the Institute of Chartered Accountants of Bangladesh (ICAB), regarding the company's audit work conducted by its member. Before availability of the ICAB opinion, the CSE approved the listing proposal of the company on May 23.
- The Bangladesh Securities and Exchange Commission (BSEC) approved the IPO proposal of Coppertech Industries on December 26, 2018, allowing it to raise BDT 200 million in capital under the fixed-price method. Scrutinizing the company's financial statement, the DSE found some 'inconsistencies' including non-recognition of deferred tax, and non-establishment of the workers' profit participation and welfare fund.

<http://today.thefinancialexpress.com.bd/last-page/coppertech-gets-cse-nod-for-listing-as-dse-turns-to-frc-1559065816>  
<http://www.newagebd.net/article/73816/dse-seeks-bsec-opinion-on-coppertechs-listing-today?fbclid=IwAR1um7dq1DZ1hbXq667dCwdEDtAoQTqbzSAuMfJU3uuRo1h9YUvyhHUn1gw>

### **Bangladesh Standards and Testing Institution (BSTI) lifts suspension order on ACI salt, Doodles of New Zealand Dairy**

- Bangladesh Standards and Testing Institution has withdrawn its suspension order on ACI salt and Doodles of New Zealand Dairy after the companies' products have passed the standard tests. Following the High Court's ban on the sales of the products, the BSTI had cancelled licenses of nine out of 52 food companies on May 19 after identifying their products as substandard. It had also suspended permission for production of 47 other brands.

<http://today.thefinancialexpress.com.bd/last-page/bsti-lifts-suspension-order-on-aci-salt-doodles-of-nz-dairy-1559065962>

**World Stock and Commodities\***

<b>Index Name</b>	<b>Close Value</b>	<b>Value Change</b>	<b>% Change</b>
Crude Oil (WTI)*	\$58.47	-0.67	-1.13%
Crude Oil (Brent)*	\$69.56	-0.55	-0.78%
Gold Spot*	\$1,279.86	+0.53	+0.04%
DSEX	5328.76	+75.22	+1.43%
Dow Jones Industrial Average	25,347.77	-237.92	-0.93%
FTSE 100	7,268.95	-8.78	-0.12%
Nikkei 225	21,020.72	-239.42	-1.13%

**Exchange Rates****USD 1 = BDT 84.63\*****GBP 1 = BDT 107.15\*****EUR 1 = BDT 94.50\*****INR 1 = BDT 1.21\***

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

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