

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.

Forex reserves cross USD 40 billion mark

- The country's foreign exchange reserves witnessed a new record crossing the USD 40 billion mark on Thursday, keeping the money market afloat. High inflows of remittance despite sluggish manpower export amidst the ongoing Covid-19 pandemic and low import expenditure mainly contributed to the surge in forex reserves. The current reserve of foreign exchange is enough to meet import demand for more than 10 months – well above the international standard of three months.

- The remittance inflow saw a healthy 46% growth in September compared to the same period last year. In September, the country's export earnings saw a 3.53% year-on-year growth, while imports – as of the latest update till August – registered a negative 6.68% growth, according to the central bank data. The rising forex reserves is a good sign for the country as it will increase the government's spending capacity, said the Executive Director of the Centre for Policy Dialogue (CPD). However, sustainability remains a question because migrant workers who mainly contribute to forex reserves are losing jobs, she said. She added that a fall in imports is not always a good sign because a drop in the import of capital machinery is an indication of lack of investment. Therefore, the import of exactly which components is declining should be looked into, she added.

<https://tbsnews.net/economy/forex-reserves-cross-40-billion-mark-142864>

<https://today.thefinancialexpress.com.bd/public/trade-market/lower-imports-higher-remittance-flow-push-forex-reserves-above-40b-1602259313>

Government's HI debt soars as revenue wanes

- The government's debt soared in the first half of the current calendar year, fueled by a sharp rise in its borrowing, an American consultancy has found. The government borrowing shot up by 3.5% points to 37.8% of the GDP during January-June compared with the same period a year earlier, according to the Institute of International Finance, a Washington-based financial intelligence.

- The household debt surged to 11% of the Gross Domestic Product during the first half of the year against 10.5% at the same period last year. The financial sector debt increased to 2.3% of the GDP during the period under review against that of 2.1% of the same period a year earlier. Financial institutions issue some debt instruments, mostly junior bonds, to meet their capital shortfall.

- The non-financial corporate debt, however, slightly dropped to 35% of the GDP from 35.8% during the same period last year. Economists attributed the rise in the government's debt to the poor revenue mobilisation and slow economic activities. They said the COVID-19 pandemic continues to hit the domestic economy, leading to the fall in revenue collections.

<https://today.thefinancialexpress.com.bd/public/first-page/govts-hi-debt-soars-as-revenue-wanes-1602265854>

World Bank (WB) forecasts 1.6% growth in FY '21

- The World Bank has projected a 1.6% economic growth for the country during the current fiscal, decelerated by shrinking industrial output. The Washington-based lender's estimate is 6.6% points lower than 8.2% the authorities want to achieve in fiscal year 2020-21. It also lowered its forecast to 2.0% Gross Domestic Product (GDP) growth for 2019-20, down from the government's provisional estimate of 5.24%.

- However, the Asian Development Bank (ADB) said Bangladesh's economy is expected to grow at a rate of 6.8% in the current fiscal. The WB chief economist for South Asia said that as extended national shutdown, a sharp decline in exports, and lower private investment slowed GDP growth in FY2020 to an estimated 2.0%.

- About Bangladesh's outlook, the WB said, weaker demand and financing constraints may further reduce industrial production, while flooding in early FY2021 may hamper agriculture production. According to the WB's projection, the Bangladesh's industrial sector would be the worst victim of the COVID pandemic as its growth would collapse to -0.9% in FY2021 from a peak of 12.7% two years ago.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/marico-to-invest-BDT-227b-to-boost-production-capacity-1602171765>

Steel rod makers having tough time

- The country's steel rod manufacturing sector is going through a tough time due to lower demand for the key construction materials and soaring raw material prices in the global market amid the ongoing Covid pandemic, insiders have said. They also said the demand decreased to a level less than half of the usual period, apparently posing a threat to the sustainability of many factories in the long run.
- They are selling the metals at lower prices and the operational cost went higher mainly due to the hike in raw materials' price, they added. The sector, which has been growing at a significant rate in the last several years, is now struggling hard due to the pandemic, said a leader of the country's steel makers. Many factories are now running below the breakeven point, he said, adding that the continuation of such a trend could lead to a closure of the factories, he said.
- The Secretary General of the Bangladesh Steel Manufacturers Association (BSMA), said the construction work at both the public and private sectors has been slow for some time now due to the pandemic. The overall production has decreased to around 40% than usual time, leaving huge production capacity unused, said the Managing Director of Metrocem Ispat Ltd.

<https://today.thefinancialexpress.com.bd/public/last-page/steel-rod-makers-having-tough-time-1602266440>

All efforts fail to reduce NPLs at state banks

- In the late nineties, the key financial indicators of the state-owned commercial banks deteriorated alarmingly. Non-performing loans (NPLs) rose to 45.6% because of poor corporate governance. This prompted the Bangladesh Bank to sign memoranda of understanding with the banks in 2003 to put them on the right track. The central bank sits with the managing directors of four state lenders – Sonali, Janata, Agrani and Rupali – every quarter. But all efforts in the last two decades have little effect on the actual condition of the banks.
- NPLs in the state lenders stood at 21.6% of their total outstanding loans of BDT 1.89 trillion as of June, down from 31.23% a year ago. But this is not the actual picture as the lenders regularised defaulted loans to the tune of BDT 152.86 billion last year using the relaxed rescheduling facility introduced by the central bank. The BB has been asking them to contain defaulted loans since signing the agreement nearly two decades ago, with no result in sight. In reality, the meeting has become a routine affair for the central bank.
- On October 8, the central bank again sat with the four banks and asked them to bolster their audit function to strengthen internal control and compliance. The central bank does not have any control on the state-run lenders as their genuine regulator is the finance ministry's banking division, said the executive director of the Policy Research Institute of Bangladesh. The central bank advises them but they are not compelled to follow the suggestions, he added.

<https://www.thedailystar.net/business/news/all-efforts-fail-reduce-npls-state-banks-1976001>

BDT 10.76 billion IPO of nine companies approved in 3 months

- The Bangladesh Securities and Exchange Commission has approved the initial public offerings of nine companies to raise BDT 10.76 billion in just three months, making the primary market vibrant. The BSEC has also rejected IPO applications of 11 companies during the period for violating various rules. The regulator allowed five companies to raise BDT 6.01 billion under the fixed price method and permitted four companies to raise BDT 4.75 billion under the book building method.
- The securities regulator gave its decision regarding 20 IPOs in just three months. Usually, companies have to wait for years to get the decision over an IPO. Market operators said that delay in IPO approval discouraged good companies to come to the country's stock market. In August 2020, the BSEC approved a work plan to accelerate the IPO approval process. As per the new decision, the commission would give the decision on an IPO within three months of application so that companies could utilise the IPO proceeds in accordance with their plans.

<https://www.newagebd.net/article/118636/BDT-1076cr-ipo-of-nine-cos-approved-in-3-months>

Current cigarette tax is not discouraging consumption: World Bank

- The existing taxation system in Bangladesh has neither decreased cigarette consumption nor increased revenue generation, said a report of the World Bank. The number of smokers has been increasing as existing laws to prevent smoking cigarettes are not implemented properly, the report read. Cigarette consumers are opting for low-priced brands due to the increased tax rates. As a result, health risks and the economic burden of low-income people have been increasing, the report mentioned. When tax rates rise, cigarette manufacturers lower the standard of their brands' different slabs and thus technically evade the increased tax rate. As a result, the government is being deprived of revenue, said the report.
- Since 2011, the volume of consumption of the low-priced segment has risen by an average of 26%, causing the

market share to increase. The market share of the low-priced segment accounts for nearly 77% of the total volume whereas it was 51% in the 2010–11 fiscal year. Yet, it represents only 40% of the total revenue from cigarettes, according to the report.

- The tobacco consumption rate is 69% in 30% of families of the ultra-poor in Bangladesh while it is 55% in well-off families. Tobacco consumption accounts for 3.7% of total household expenditures in 50% of the ultra-poor families in the country. On the other hand, the expenditure on cigarettes is only 2% of total household expenses in the richest families.
- Bangladesh is one of the largest consumers of tobacco in the world where four in 10 adults – 46 million people – use some sort of tobacco. About 39.8% of men are using tobacco while the rate is 0.7% among women. The prevalence of smokeless tobacco use is similar among men and women, which is about 30%. The rate of smokers among men in Bangladesh is the second highest in South Asia, followed by 41.9% in Pakistan, revealed the report.

<https://tbsnews.net/economy/current-cigarette-tax-not-discouraging-consumption-world-bank-143071>

City Bank zero-coupon bond subscription to end this month

- The City Bank zero-coupon bond subscription will end on 31 October this year, which began on 15 September. The chief executive officer of City Bank Capital Resources Limited (CBCRL) confirmed the bond subscription deadline. The three-year bond worth BDT 3 billion is non-convertible, fully redeemable, unsecured and unlisted. It will be redeemed through five equal payments every six months, starting from the 12th month of issuance, which will ensure ample liquidity for the bondholders, said a press release.
- The face value of each unit is BDT 5,000 and that of a single lot is BDT 2.92 million. City Bank revised the Yield to Maturity (YTM) of the bond from the initial 8.50% to 7.50% and received additional approval on the revised rate from the Bangladesh Bank on 10 June 2020.

<https://tbsnews.net/economy/banking/city-bank-zero-coupon-bond-subscription-end-month-143536>

Relaxed foreign exchange regulation extended

- The Bangladesh Bank has extended relaxed foreign exchange regulation facilities till March 31 next year to facilitate foreign trade transactions taking into consideration the ongoing pandemic situation. In separate circulars issued on Tuesday, the relaxed regulations for refinancing for imports from Export Development Fund (EDF), advance payment against import of life-saving drugs, and usance period in import of industrial raw materials by industrial importers have been extended from existing deadline of September 30 this year. Referring to the previous circular, the Bangladesh Bank said that given the ongoing situation with Covid-19, it has decided to extend the refinancing facilities from EDF for settlement of back-to-back LCs (Letter of Credit) from 30 September this year up to March 31, 2021.

<https://tbsnews.net/economy/banking/relaxed-foreign-exchange-regulation-facilities-extended-till-next-year-considering>

Trading booths in small towns likely

- The securities regulator is set to allow stockbrokers to open trading outlets in different areas of the country to reach the capital market to the people's doorsteps. As part of the move, the Bangladesh Securities and Exchange Commission (BSEC) has already formulated draft rules for installing trading booths in different areas, initially in municipal towns.

<https://today.thefinancialexpress.com.bd/last-page/trading-booths-in-small-towns-likely-1602349093>

The Bangladesh Krishi Bank (BKB) seeks BDT 103 billion zero-coupon bond

- The Bangladesh Krishi Bank (BKB) has requested the government to issue redeemable zero-coupon bond worth BDT 103.18 billion to meet its capital shortfall. Officials said the state-owned BKB has sought the redeemable 10-series zero-coupon bond under re-capitalisation at a 4.0-per cent yield. The product's maturity period will be 10 years from the date of issuance. It will be paid in 10 equal instalments, BDT 12.72 billion, including yield annually.
- According to a government instruction, the BKB gives loans to crop, fisheries and livestock sectors at a maximum of 9.0-per cent interest rate, although the cost of fund is 9.78% (provisional). According to the Bangladesh Bank, the BKB had a capital shortfall of more than BDT 103.18 billion (provisional) as of June 2020. The disbursement of farm loans by the BKB has surpassed its target in the last fiscal year. It achieved 113% of its target set by the central bank.

<https://today.thefinancialexpress.com.bd/trade-market/bkb-seeks-BDT-103b-zero-coupon-bond-1602341302>

IPO share bidding of Lub-rref begins tomorrow

- The bidding for eligible investors (EIs) to explore the cut-off price of shares of Lub-rref (Bangladesh) Ltd, a local lubricant producer, will begin tomorrow (Monday). Officials said, The Chittagong-based lubricant company's shares bidding through electronic subscription system (ESS) of the exchanges will be continued until 5:00pm on October 15.
- The minimum tick size (minimum bidding value) for bidding shall be BDT 5.0 million which is in accordance with the BSEC consent letter to Lub-rref (Bangladesh) Limited, dated September 03, 2020. The local lubricant company will raise a capital worth BDT 1.50 billion from the capital market under the book-building method. To finance its expansion of existing refinery plant and payment of expensive bank loans, around BDT 980 million will be funded through IPO proceeds, which would enable the company to capture 20% market share, from the existing 8.0%, company officials said.

<https://today.thefinancialexpress.com.bd/stock-corporate/ipo-share-bidding-of-lub-rref-begins-tomorrow-1602342807>

Marico to invest BDT 2.27b to boost production capacity

- The board of directors of Marico Bangladesh Ltd. has decided to invest BDT 2.27 billion in phases for the purpose of increasing its manufacturing capacity. The multinational company has a plan to set up its operations in the Special Economic Zone under the Bangladesh Economic Zones Authority (BEZA), according to an official disclosure on Thursday. Marico Bangladesh, the first subsidiary of Indian fast-moving consumer goods company Marico Ltd, was listed on the Dhaka Stock Exchange (DSE) in 2009.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/marico-to-invest-BDT-227b-to-boost-production-capacity-1602171765>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$46.60	(\$15.03)	-24.39%
Crude Oil (Brent)*	\$42.85	(\$25.59)	-37.39%
Gold Spot*	\$1,930.40	\$408.93	26.88%
DSEX	4,916.97	464.04	10.42%
S&P 500	3,477.13	246.35	7.63%
FTSE 100	6,016.65	(1,570.40)	-20.70%
BSE SENSEX	40,509.49	(1,132.65)	-2.72%
KSE-100	40,798.43	63.35	0.16%
CSEALL	5,798.72	(330.49)	-5.39%

Exchange Rates

USD 1 = BDT 84.85*
GBP 1 = BDT 110.69*
EUR 1 = BDT 100.38*
INR 1 = BDT 1.16*

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

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