

*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.*

### **Exports to China fall**

- Absence of direct marketing, limited exportables and language are major barriers to the rise of exports to China. Factors such as poor negotiating skills and lengthy process of getting products' certification or certificate of origins from China did also hurt flow of exports to the world's second largest economy. The country's overall exports to the global economic powerhouse declined above 26 % in fiscal year (FY) 2017-18 to USD 694.96 million. It was USD 949.41 million in the FY '17, according to the latest Export Promotion Bureau (EPB) data. Apparel exports to China also remained stagnant at USD 391.64 million for the year, according to Bangladesh Garment Manufacturers and Exporters Association. Leather and leather goods exports to China fell to USD 75.29 million in last fiscal which was USD 239.04 million in the fiscal of 2016-17.

- According to the senior vice-president of Bangladesh China Chamber of Commerce and Industry (BCCI) Procrastination is one of the key reasons behind this decline in export. The vice-president of Bangladesh China Chamber of Commerce and Industry (BCCI) said that there are more than 4,500 local items get duty-free access to China, but the exportable items, in true sense, are very limited. Both of them stressed on better dealing, product diversification, value addition and inclusion of major exportables to raise the export volume.

<http://today.thefinancialexpress.com.bd/public/last-page/exports-to-china-fall-1537466510>

### **Seven banks in 'red zone'**

- The central bank is concerned about seven banks, including three state-run lenders, for their deteriorating financial health stemming largely from rising default loans and declining capital and profits. These lenders belong to the "red zone" in the Bangladesh Bank's Bank Health Index (BHI) report. The banks are: state-run Sonali, Rupali and BASIC, private commercial banks Farmers, Bangladesh Commerce and AB as well as foreign lender National Bank of Pakistan.

- In the second week this month, the Financial Stability Department (FSD), a wing of the central bank, recommended the BB's policy and inspection departments take special supervisory and regulatory measures to improve the financial health of the lenders. Banks that perform well in line with the indicators are placed in the 'green' category, while lenders with worst performance belong to the red zone. The yellow zone consists of banks that stay between the red and the green zones. Among the seven lenders, Sonali, BASIC, Bangladesh Commerce, Farmers and Rupali have failed to meet the minimum capital requirement in the recent quarters.

- The FSD also advised the departments concerned at the central bank to take special measures to supervise six other lenders in the yellow zone as their financial health worsened significantly in recent times. The banks are Agrani, Janata, Prime, Islami, Shahjalal Islami and First Security Islami. Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank and ICB Islamic Bank are not included in the BHI report as their financial health is "too bad". Shimanto Bank was also excluded as it received licence in 2016.

<https://www.thedailystar.net/business/news/seven-banks-red-zone-1637245>

### **Tax structure makes Bangladesh cigarette prices lowest in world**

- Cigarette prices in Bangladesh are among the lowest in the world because of tax structure despite having some of the highest tax rates, finds a World Bank study. The WB study has recommended introduction of a specific excise tax replacing the current tariff-based (ad valorem) system and a gradual transition to a uniform tax structure to control tobacco consumption in Bangladesh. Although tobacco taxation has been recognised as one of the most effective strategies to reduce smoking, the tobacco tax structure has helped make cigarette prices in Bangladesh among the lowest in the region despite some of the highest tax rates. In case of cigarette, the tax rate in Bangladesh is 77 %, highest among the seven Asian countries, which also included India, Sri Lanka, Nepal, Thailand, Pakistan and Indonesia, but the price of cigarette is second lowest after Pakistan.

- Bangladesh is one of the largest consumers of tobacco in the world as approximately 4 in 10 adults (46 million adults) use some form of tobacco. Tobacco consumption is also widespread across households in the country as approximately 65 % of households consumed some type of tobacco products in 2016, based on the Bangladesh's Household Income and Expenditure Survey 2016-2017. The high rates of tobacco consumption in Bangladesh impose an increasing health and economic burden on the country.

- The overall economic cost of tobacco use has been estimated at USD 1.85 billion or over 3 % of gross domestic product (GDP). The current taxation system has neither discouraged consumption nor maximised revenue in Bangladesh. The annual direct health care cost attributable to tobacco related illnesses was approximately USD 990

million in 2016. By reducing tobacco consumption, tobacco taxation could also generate longer term monetary gains because of the improved health of the population.

<http://www.newagebd.net/article/51234/tax-structure-makes-bangladesh-cigarette-prices-lowest-in-world>

### **A dozen banks pay 22% of corporate tax in FY '18**

- Some 12 commercial banks paid 21.75 % of the total corporate tax collected by the Large Taxpayer Unit (LTU) belonging to the income tax wing of the National Board of Revenue (NBR) during the fiscal year (FY), 2017-18. Of the banks, Islami Bank Bangladesh Limited, Standard Chartered Bank Ltd, HSBC, Sonali Bank, Agrani Bank and Southeast Bank are among the top payers. Islami Bank paid the highest amount of BDT 6.11 billion, followed by Standard Chartered Bank, BDT 5.20 billion last fiscal year.

- During FY '18, the LTU collected BDT 168.70 billion, mostly corporate tax, achieving 22 % growth over that of the previous year. Of the total collection 12 banks paid BDT 36.40 billion last year. Although income tax wing lagged behind its annual revised target, the unit met its goal against its revised target for BDT 164.12 billion. However, the target for the unit has been set BDT 215 billion for the current fiscal expecting 31 % growth.

<http://today.thefinancialexpress.com.bd/public/first-page/a-dozen-banks-pay-22%-of-corporate-tax-in-fy-18-1537635067>

### **Per capita income rises to USD 1,751**

- The per capita income rose to USD 1,751 in the last fiscal year 2017-18 (FY18) from USD 1,610 in the FY17. The rise in per head Gross National Income (GNI) in FY18 is 8.80% higher than that of FY17. However, per head GNI marked a dip of USD 1.0 from the provisional estimation of USD 1,752 made by Bangladesh Bureau of Statistics (BBS) in May of FY18 .

- The BBS also unveiled the GDP growth of the country which finally stood at 7.86% in the last fiscal year from the preliminary estimation of 7.65%. The national statistical body usually unveiled a preliminary estimation of the per capita income and gross domestic product (GDP) size of the economy based on the data available from the first three quarters (July-March).

<http://thefinancialexpress.com.bd/economy/bangladesh/per-capita-income-rises-to-1751-1537275526>

### **Indian fabric makers eye Bangladesh**

- Indian manufacturers look to capture a bigger share of the fabric market in Bangladesh as the country has already shown its strength in the global readymade garment supply chain, India's textile raw material exporters said. Bangladesh, the second largest garment exporter worldwide, largely relies on India, apart from China, for garments raw materials.

- Currently, Bangladesh imports fabric worth USD 7 billion a year to run its garment sector. Of them, fabric worth more than USD 2 billion come from India and USD 5 billion from China, according to industry people. According to the director of Ayma Creations Pvt Ltd, India, Bangladesh is a better garments manufacturer than India and the garment sector is dependent on fabric import, which has created an opportunity for Indian fabric manufacturers

<https://www.thedailystar.net/business/news/indian-fabric-makers-eye-bangladesh-1637239>

### **Outflow of maids to Saudi Arabia up in Aug despite workplace exploitation**

- The outflow of Bangladeshi women domestic helps to Saudi Arabia has increased in August. The month saw a surge in outflow of women workers even after many women were forced to return home because of workplace exploitation. During the January-August period this year, a total of 67,052 women workers went abroad. Of them, about 50,000 have gone to Saudi Arabia, according to the official figure.

- In August alone, some 4,101 women domestic helps went to the Kingdom of Saudi Arabia as against 2,535 workers in July. More than 0.7 million Bangladeshi female workers have gone abroad with jobs since 1991. Of them, over 0.2 million went to Saudi Arabia alone, where they are mostly employed as domestic helps.

<http://today.thefinancialexpress.com.bd/public/trade-market/outflow-of-maids-to-s-arabia-up-in-aug-despite-workplace-exploitation-1537464654>

### **Free-of-cost remittance service likely: Finance Minister**

- The government is considering introducing a system so that the expatriates can remit their money free of cost, Finance Minister. The government is actively considering the proposal of sending money by the expatriates without any

fees. But who send money have a cost. And the government is thinking to introduce a scheme how to meet the cost, he added.

<http://thefinancialexpress.com.bd/economy/bangladesh/free-of-cost-remittance-service-likely-muhit-1537504180>

### **Government working to 'cut cost of doing business'**

- The government is considering slashing source tax and taking other initiatives to reduce the cost of doing business, Commerce Minister. He came up with this assurance to businessmen, as the government has raised the minimum monthly wage for garment workers to BDT 8,000 from existing BDT 5,300 with effect from December next.

<http://today.thefinancialexpress.com.bd/public/trade-market/govt-working-to-cut-cost-of-doing-business-1537464680>

### **Budget execution lowest in four years**

- The budget implementation rate has fallen to its lowest level in four years in 2017-18 fiscal year, signifying the poor capacity of the public agencies. According to a preliminary estimate, the rate fell to 68 % of the original budget in Fiscal Year 2018 from 79 % in the year before (2016-17). It was 81 % in FY2015- 2016 and 83 % in FY 2014-15. The total receipts by the national exchequer stood at BDT 2.14 trillion against the original target of BDT 2.93 trillion. The budget deficit as% of Gross Domestic Product (GDP) was 2.7.

- The data shows that the total financing was BDT 592.67 billion. Of the financing, the net foreign borrowing was BDT 42.54 billion while the net domestic borrowing was BDT 550.13 billion during the period under review. The government repaid nearly BDT 20 billion to the banking system, but did not borrow afresh. On the other hand, the government's non-bank borrowing was BDT 570.08 billion during the last fiscal year. Lead economist at the World Bank's Dhaka office said the increase in the size of the original budget has outpaced the execution capacity, resulting in a significant rise in implementation shortfall.

<http://today.thefinancialexpress.com.bd/public/first-page/budget-execution-lowest-in-four-yrs-1537465777>

### **MTB decides to sell 10% stake to Norfund**

- Mutual Trust Bank (MTB) has decided to issue above 63.70 million shares to Norfund, the Norwegian Investment Fund, at a price of BDT 27.19 each. The company took the decision as part of its move to enhance the paid-up capital along with strengthening corporate governance. The company's board of directors at a meeting on Wednesday took the decision to issue fresh shares equivalent to 10 % of total outstanding shares to Norfund.

- Relevant formalities of issuing 63.70 million fresh shares to Norfund are likely to be completed by December this year subject to the approval from the regulator. The managing director of MTB said after taking shareholders' approval at the extraordinary general meeting (EGM), they would seek consent of the central bank and the securities regulator. MTB, presently an 'A' category company, was listed on the stock exchanges in 2003. The company's sponsor-directors hold 37.31 % shares while institutes 23.39 % and general shareholders 39.30 % as of August 31, 2018.

<http://today.thefinancialexpress.com.bd/public/first-page/mtb-decides-to-sell-10%-stake-to-norfund-1537466108>

<https://www.thedailystar.net/business/news/norfund-buy-10%-stake-mtb-1636735>

<http://www.newagebd.net/article/51102/norfund-to-buy-mtb-stakes-invest-BDT-173cr-by-dec>

### **United Commercial Bank (UCB) adopts special strategy to cut Non-Performing Loans (NPLs), increase profit**

- United Commercial Bank (UCB) has adopted special strategy to reduce its non-performing loans (NPLs), which was mainly responsible for comparatively poor net profits registered in the last couple of years than the trend of previous three years. The strategy is expected to help reduce the extent of NPLs and the impact would be reflected on the bottom line.

- According to the financial statements, the bank's net profit increased during the period from 2013 to 2015, but started declining in the following years (2016 and 2017) although the gross revenue earnings and operating profit were increasing. The provisioning and taxes time to time left an impact on the net profit. That's why the company displayed a mixed trend in net profit and dividend disbursement in last five years. According to the chairman of the UCB the strategy has been undertaken with an understanding of the risks and opportunities involved with the strategy, addressing concerns of stakeholders in a holistic manner.

<http://today.thefinancialexpress.com.bd/public/stock-corporate/ucb-adopts-special-strategy-to-cut-npls-increase-profit-1537629123>

### **Simtex Industries to set up spinning unit**

- The board of directors of Simtex Industries Ltd has decided to set up a spinning unit of 26,000 spindles to produce high quality spun polyester sewing thread. The project cost will be around BDT 1.80 billion. The estimated production capacity of the unit will be 15 metric tonnes (MT) per day of raw sewing thread, which would cover 75 % of the existing raw material requirement of the company. The Credit Rating Information and Services Limited (CRISL) rated the company as "A" in the long term and "ST-3" in the short term along with a stable outlook.

<http://today.thefinancialexpress.com.bd/public/stock-corporate/simtex-industries-to-set-up-spinning-unit-1537460949>

#### **Kattali Textile's IPO lottery on October 4**

- The initial public offering (IPO) of Kattali Textile Limited (KTL) will be held on October 4. The IPO subscriptions of KTL opened for resident and non-resident Bangladeshis from August 28 to September 13. The company has floated 34 million shares at an issue price of BDT 10 each. The lot has been set at 500 shares. The company aims to raise BDT 340 million from the public.
- The company's audited financial statement for the year ended on June 30, 2017. Its net asset value per share stood at BDT 20.48 (without revaluation), and the weighted average of earnings per share (EPS) was BDT 1.94. KTL will utilize the proceeds from the IPO to purchase capital machinery, repay bank loans, install an electric transformer, and bear IPO expenses.
- Kattali Textile is a production unit of the Asian Group, established in 2002 with the aim of catering to international buyers. The Chittagong based company has a monthly production capacity of 450,000 woven tops, 350,000 woven bottoms, 550,000 knit tops, and 550,000 knit bottoms. NRB Equity Management Limited will act as the issue manager.

<https://www.dhakatribune.com/business/stock/2018/09/22/kattali-textile-s-ipo-lottery-on-october-4>

#### **World Stock and Commodities\***

<b>Index Name</b>	<b>Close Value</b>	<b>Value Change</b>	<b>% Change</b>
Crude Oil (WTI)*	\$70.78	+0.46	+0.65%
Crude Oil (Brent)*	\$78.80	+0.10	+0.13%
Gold Spot*	\$,200.04	-7.14	-0.59%
DSEX	5467.05	-38.00	-0.69%
Dow Jones Industrial Average	26,743.50	+86.52	+0.32%
FTSE 100	7,490.23	+122.91	+1.67%
Nikkei 225	23,869.93	+195.00	+0.82%

#### **Exchange Rates**

**USD 1 = BDT 83.89\***  
**GBP 1 = BDT 109.66\***  
**EUR 1 = BDT 98.56\***  
**INR 1 = BDT 1.16\***

*\*Currencies and Commodities are taken from Bloomberg.*

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