

### Capital Market Overview

The market closed in green this week. The benchmark index DSEX (+1.80%) gained 96.56 points and closed the week at 5,474.31 points. The blue-chip index DS30 (+2.25%) gained 42.14 points and stood at 1,876.60 points. The shariah based index DSES (+2.45%) gained 21.36 points and stood at 1,244.06 points. DSEX, DS30, DSES all posted negative YTD return of +1.65%, +2.02% and +0.91% respectively.

**Total Turnover During The Week (DSE):** BDT 24.6 billion (USD 296.3 million)

**Average Daily Turnover Value (ADTV):** BDT 5.0 billion ( $\Delta\%$  Week: +33.8%)

### Daily Index Movement during the Week:

The market performed five sessions during this week. Market opened this week with a positive movement of 0.47% in the first session and continued to be positive in the second, third session by 0.53% and 0.82% respectively. On the fourth session, market closed negative by 0.12% and on the last session, market remained positive by 0.09%.

### Sectoral Performance:

- All the financial sectors showed positive performance during this week. General Insurance posted the highest gain of 6.20% followed by Life Insurance (+4.71%), NBFIs (+1.73%), Mutual Fund (+0.83%), and Banks (+0.16%).

- The non-financial sectors posted positive performance throughout this week. Food & Allied posted the highest gain of 5.37% followed by Engineering (+2.85%), Power (+2.70%), Pharmaceuticals (+2.52%), and Telecommunication (+1.71%).

### Macroeconomic arena:

- The government may increase the tax at source on interest income from investment in national savings instruments in the next fiscal year as it looks to curb people's appetite for the tools. The rate of withholding tax on the interest earnings from the savings instruments may go up from 5% to 7.5% or 10%, said officials of the finance ministry.

- The government has scaled down its bank borrowing target by more than 26% for the outgoing fiscal year (FY), mainly due to the lower implementation of the annual development programme (ADP). The ministry of finance (MoF) has already lowered the government's bank borrowing target for the FY 2018-19 down to BDT 309.08 billion from the original BDT 420.29 billion.

- Country's trade deficit dropped by 10.44% or USD 1.59 billion in first 10 months of the fiscal year 2018-2019 compared with that in the same period of the last fiscal year due mainly to slowdown in import growth and notable growth in export earnings. Trade deficit eased to USD 13.68 billion in July-April of FY19 from USD 15.27 billion in the same period of FY18.

- Overall shortfall in provision against bank loans swelled by nearly 34% or BDT 22.47 billion in the first quarter (Q1) of the current calendar year. The aggregate amount of provisioning shortfall rose to BDT 88.62 billion during the January-March period of 2019 from BDT 66.15 billion three months before, revealed the central bank's latest statistics. During the period under review, the volume of classified loans jumped by more than 18% to BDT 1,108.73 billion in Q1 of the year from BDT 939.11 billion in the preceding quarter.

- The amount of classified loans in the banking sector surpassed BDT 1.0 trillion-mark for the first time in March 2019, apparently defying close monitoring of the central bank. The volume of non-performing loans (NPLs) jumped by more than 18% to BDT 1,108.73 billion in the first quarter (Q1) of the year from BDT 939.11 billion in the preceding quarter, according to the latest statistics of Bangladesh Bank (BB). The share of NPLs also rose to 11.87% of the total outstanding loans in the Q1 of 2019 from 10.30% in the previous quarter. Similarly, the amount of classified loans soared by more than 25% or BDT 222.84 billion in the Q1 of 2019 compared to that of the same period in the previous calendar year. The amount of NPLs was BDT 885.89 billion as on March 31, 2018.

### Stock Market arena:

- The securities regulator has sought public opinion on the draft amendment to the public issue rules. The Bangladesh Securities and Exchange Commission (BSEC) will receive public opinion till June 17.

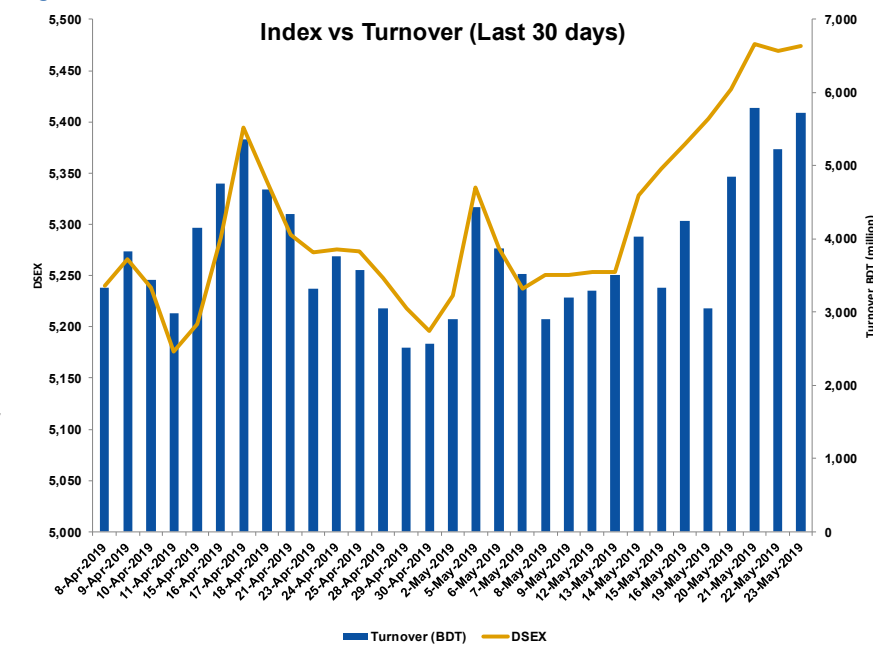
- The Bangladesh Securities and Exchange Commission has tightened the screws on market intermediaries including stockbroker, merchant banker, asset manager, fund manager, and credit rating company with mandating to maintain minimum capital requirement on continuous basis. The commission has published the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019 on its web site.

**Table 1: Index**

Index	Closing	Opening	$\Delta$ (Pts)	27-Dec-2018	$\Delta\%$ Week	$\Delta\%$ YTD
DSEX	5,474.31	5,377.75	96.56	5,385.64	1.80%	1.65%
DS30	1,918.73	1,876.60	42.14	1,880.78	2.25%	2.02%
DSES	1,244.06	1,214.26	29.80	1,232.82	2.45%	0.91%

**Table 2: Market Statistics**

		This Week	Last Week	%Change
Mcap	Mn BDT	20,017,257.5	19,474,115.5	2.8%
	Mn USD	240,794.6	234,261.0	
Turnover	Mn BDT	24,633.9	18,414.7	33.8%
	Mn USD	296.3	221.5	
Average Daily Turnover	Mn BDT	4,926.8	3,682.9	33.8%
	Mn USD	59.3	44.3	
Volume	Mn Shares	683.1	560.5	21.9%

**Figure 1: DSEX & Turnover in last four weeks**


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**Table 3: Top Ten Gainers**

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
Silco Pharmaceuticals Limited	25.10	10.00	151.0%	2,368.7	.00	0.0x	0.0x
New Line Clothings Limited	23	10.00	130.0%	1,607.7	.00	21.2x	1.0x
Global Insurance Ltd.	28.10	18.40	52.7%	1,033.6	275.60	57.2x	2.5x
Federal Insurance	15.00	10.70	40.2%	1,014.9	168.93	24.2x	1.4x
National Life Ins	242.70	182.30	33.1%	26,338.3	551.13	NM	24.3x
City General Insurance	20.90	15.70	33.1%	1,424.7	242.72	50.7x	1.6x
JMI Syringes & Medical Devices Ltd	431.30	330.50	30.5%	4,744.3	622.99	58.0x	6.1x
Peoples Insurance	24.20	18.90	28.0%	1,118.0	104.06	16.9x	1.2x
Premier Leasing	11.70	9.20	27.2%	1,481.7	97.88	21.7x	0.7x
Bangladesh General Insurance Co.	24.90	19.60	27.0%	1,345.3	45.27	24.0x	1.6x

**Table 4: Top Ten Losers**

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
Imam Button	26.80	32.20	-16.8%	206.4	2.96	NM	4.8x
Meghna Condensed Milk	19.20	21.80	-11.9%	307.2	.57	NM	NM
AIBL 1st Islamic Mutual Fund	7.10	8.00	-11.3%	710.0	1.91	NM	0.6x
Emerald Oil Industries Ltd.	16.80	18.90	-11.1%	1,003.2	2.07	147.5x	1.1x
Savar Refractories	109.90	122.00	-9.9%	153.1	1.82	NM	17.5x
Samata Leather	70.70	77.60	-8.9%	729.6	3.42	NM	4.9x
Mercantile Bank	15.50	17.00	-8.8%	14,526.0	73.04	6.3x	0.7x
Information Services Network Ltd.	32.70	35.70	-8.4%	371.4	3.91	43.2x	2.7x
Dulamia Cotton	46.90	51.20	-8.4%	354.4	3.13	NM	NM
Rupali Life Insurance Co. Ltd.	65.80	71.80	-8.4%	1,898.2	218.95	NM	6.6x

**Table 5: Top Ten Most Traded Shares**

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
United Power Generation & Distribution Company Ltd	361.50	327.60	10.3%	173,190.0	967.66	28.5x	12.2x
BBS Cables Limited	100.90	92.00	9.7%	16,012.8	662.50	10.7x	4.8x
JMI Syringes & Medical Devices Ltd	431.30	330.50	30.5%	4,744.3	622.99	58.0x	6.1x
National Life Ins	242.70	182.30	33.1%	26,338.3	551.13	NM	24.3x
Eastern Housing	55.90	49.00	14.1%	5,218.0	458.80	15.7x	0.9x
Khulna Power Company Limited	59.20	52.10	13.6%	23,526.9	453.91	10.9x	2.4x
SK Trims & Industries Limited	52.40	50.40	4.0%	4,034.8	426.96	46.8x	4.5x
BRAC Bank	64.40	60.80	5.9%	79,429.4	388.61	14.2x	1.9x
BATBC	1,401.00	1,334.90	5.0%	252,180.0	366.46	27.1x	10.4x
Fortune Shoes Limited	35.80	37.80	-5.3%	4,472.7	350.44	18.3x	2.6x

**Table 8: Most Appreciated YTD in BRAC EPL Universe**

Top 10 Most Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
Pragati Insurance	35.60	36.53%	2,335.0	11.2x
Marico Bangladesh Limited	1,500.40	25.01%	47,262.6	24.9x
Power Grid Co. of Bangladesh Ltd.	59.90	24.79%	27,608.7	9.9x
The Premier Bank	12.30	21.42%	11,366.4	5.7x
Rupali Bank	39.20	20.45%	16,235.4	31.2x
Eastern Housing	55.90	19.96%	5,218.0	15.7x
IFIC Bank	10.80	19.89%	17,494.6	9.7x
Pioneer Insurance	34.80	19.59%	2,435.3	8.6x
BATBC	1,401.00	18.67%	252,180.0	27.1x
Dutch-Bangla Bank	68.20	18.07%	34,100.0	11.1x

**Table 6: Sector Indices**

Sector Name	Week Close	Week Open	Year Open	%Δ Week	%Δ YTD
Banks	1499.27	1496.82	1848.21	0.16%	-18.88%
NBFIs	2099.66	2063.90	2714.85	1.73%	-22.66%
Mutual Funds	671.17	665.67	788.81	0.83%	-14.91%
General Insurance	1967.04	1852.15	1592.30	6.20%	23.53%
Life Insurance	2265.12	2163.17	1834.85	4.71%	23.45%
Telecommunication	5086.06	5000.60	6494.31	1.71%	-21.68%
Pharmaceuticals	2752.98	2685.20	2821.05	2.52%	-2.41%
Fuel & Power	1913.62	1863.25	1527.27	2.70%	25.30%
Cement	1518.25	1496.15	2280.58	1.48%	-33.43%
Services & Real Estate	1003.49	965.45	1224.11	3.94%	-18.02%
Engineering	3168.90	3080.95	3166.83	2.85%	0.07%
Food & Allied	17424.58	16536.62	15304.34	5.37%	13.85%
IT	1890.65	1789.03	1484.41	5.68%	27.37%
Textiles	1452.05	1395.72	1222.72	4.04%	18.76%
Paper & Printing	7216.44	7071.00	1013.11	2.06%	612.31%
Tannery	2435.83	2406.84	2642.41	1.20%	-7.82%
Jute	17724.88	17342.26	8867.22	2.21%	99.89%
Ceramics	528.23	525.79	597.46	0.46%	-11.59%
Miscellaneous	2093.15	2013.41	1725.62	3.96%	21.30%

**Table 7: Sector Trading Matrix**

Sector Name	Daily average this Week	Daily average last week	% Change	% of Total Turnover	P/E	P/B
Banks	423.2	573.3	-26.17%	9.56%	9.8x	0.8x
NBFIs	241.6	224.0	7.86%	5.46%	78.9x	2.1x
Mutual Funds	21.6	17.9	20.93%	0.49%	NM	0.5x
General Insurance	537.2	355.6	51.05%	12.14%	14.9x	1.3x
Life Insurance	226.4	198.7	13.90%	5.12%	NM	9.4x
Telecommunication	75.1	81.0	-7.24%	1.70%	13.5x	10.6x
Pharmaceuticals	449.5	349.0	28.80%	10.16%	19.2x	2.6x
Fuel & Power	478.1	321.0	48.95%	10.80%	13.2x	2.2x
Cement	47.7	34.0	40.09%	1.08%	31.0x	2.8x
Services & Real Estate	119.0	22.7	423.60%	2.69%	NM	0.8x
Engineering	582.4	388.3	49.98%	13.16%	16.1x	1.9x
Food & Allied	184.1	148.6	23.85%	4.16%	30.3x	10.2x
IT	100.4	48.9	105.55%	2.27%	23.6x	3.0x
Textiles	464.1	218.4	112.51%	10.49%	19.4x	1.1x
Paper & Printing	12.9	7.2	79.72%	0.29%	22.7x	1.9x
Tannery	106.4	93.9	13.39%	2.40%	20.3x	2.7x
Jute	12.4	5.0	146.45%	0.28%	NM	8.1x
Ceramics	65.3	88.6	-26.25%	1.48%	20.4x	2.0x
Miscellaneous	278.0	181.3	53.35%	6.28%	27.6x	1.2x

**Table 9: Least Appreciated YTD in BRAC EPL Universe**

Top 10 Least Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
Heidelberg Cement	247.70	-25.99%	13,995.9	20.0x
IFAD Autos Limited	83.80	-22.69%	20,781.6	14.8x
ACI Limited	262.60	-19.50%	13,100.9	85.0x
Aftab Automobiles	37.90	-17.43%	3,628.3	19.0x
AB Bank	10.10	-15.83%	7,657.1	NM
RAK Ceramics Limited	33.20	-14.87%	12,916.9	15.0x
United Airways (BD) Ltd.	2.50	-13.79%	2,070.2	NM
International Leasing	11.90	-13.14%	2,513.8	6.1x
IDLC Finance Ltd.	62.80	-9.90%	23,678.8	10.3x
Bata Shoe	1,012.10	-9.34%	13,845.5	15.6x

## Important News: Business & Economy

### Finance Minister to unpack budget today; reforms on cards

- The government may increase the tax at source on interest income from investment in national savings instruments in the next fiscal year as it looks to curb people's appetite for the tools. The rate of withholding tax on the interest earnings from the savings instruments may go up from 5% to 7.5% or 10%, said officials of the finance ministry.
- Even if the targets in the budget are far-reaching there will be wholehearted efforts to attain them, the finance ministry said.
- The ministry says revenue will be generated by way of widening the tax network instead of raising tax rates. Only 1.5 million people pay tax, causing Bangladesh to have the lowest tax-to-GDP ratio in South Asia. The country has failed to collect tax and non-tax revenues in line with its economic growth momentum. There is a noticeable slowdown in the collection of direct taxes too.
- The budget will come up with new directives for the National Board of Revenue on how to simplify the revenue-generating process, the ministry said. It will have directives on implementing the new VAT law, which will have more than one VAT rate. Necessary amendments will be brought to customs and income tax laws to make them simplified and business-friendly, the statement said, adding that all import and export consignments will be scanned.
- It is visible that the fiscal framework is in a less-than-a-stout form to providing a strong hand to sustaining the high GDP growth, according to a member of the Centre for Policy Dialogue, in a write-up. Stress on the foreign exchange reserve is also becoming visible, he said, adding that the exchange rate of taka is under pressure and a downward adjustment is called for. The quality and delivery of the annual development programme project portfolio remains a matter of concern. Effective introduction of the new law on value-added tax will be an added challenge.
- Putting the banking sector in the right path, reviving the capital market and bringing down the alarmingly high default loans will warrant special attention from the Finance Minister.

<https://www.thedailystar.net/business/bangladesh-national-budget-2019-20-reforms-on-cards-1756372>  
[today.thefinancialexpress.com.bd/first-page/kamal-unpacks-maiden-budget-today-1560357660](http://today.thefinancialexpress.com.bd/first-page/kamal-unpacks-maiden-budget-today-1560357660)

### Government slashes bank borrowing target by 26%

- The government has scaled down its bank borrowing target by more than 26% for the outgoing fiscal year (FY), mainly due to the lower implementation of the annual development programme (ADP). The ministry of finance (MoF) has already lowered the government's bank borrowing target for the FY 2018-19 down to BDT 309.08 billion from the original BDT 420.29 billion, said an official familiar with the government debt management activities.
- The implementation of ADP reached 55% during the July-April period of this fiscal. The official said higher sales of national savings certificates has also contributed to the slashing of the government's original banking borrowing target for this fiscal.

- The government's net borrowing from savings certificates rose by 8.24% to BDT 397.33 billion during the July-March period of the FY'19. Meanwhile, the net bank borrowing of the government stood at BDT 139.50 as on May 26, 2019, according to the BB's confidential report.

<http://today.thefinancialexpress.com.bd/first-page/govt-slashes-bank-borrowing-by-26pc-1560357752>

### Trade deficit drops by 10.4% in July-April

- Country's trade deficit dropped by 10.44% or USD 1.59 billion in first 10 months of the fiscal year 2018-2019 compared with that in the same period of the last fiscal year due mainly to slowdown in import growth and notable growth in export earnings. Trade deficit eased to USD 13.68 billion in July-April of FY19 from USD 15.27 billion in the same period of FY18, showed Bangladesh Bank data released on Wednesday. Trade deficit was USD 11.93 billion in July-March of the current FY19.
- Though the trade deficit eased in the period, the deficit was still high, said BB officials.
- According to the central bank, trade deficit eased in July-April as import grew by only 3.88% against the export earnings growth of 11.15% in the period.

- BB officials said that reduction in food import pressure was the main reason for the slowdown in import growth while US-China trade war helped Bangladesh accelerate RMG export to the US market.

<http://www.newagebd.net/article/75129/trade-deficit-drops-by-104pc-in-july-april>

### Banks' provision shortfall soars

- Overall shortfall in provision against bank loans swelled by nearly 34% or BDT 22.47 billion in the first quarter (Q1) of the current calendar year. The aggregate amount of provisioning shortfall rose to BDT 88.62 billion during the January-March period of 2019 from BDT 66.15 billion three months before, revealed the central bank's latest statistics. During the period under review, the volume of classified loans jumped by more than 18% to BDT 1,108.73 billion in Q1 of the year from BDT 939.11 billion in the preceding quarter.
- A senior official of the Bangladesh Bank (BB) said that the volume of provision shortfall increased significantly during the period under review mainly due to higher growth of non-performing loans (NPLs) in the banking sector.

- The central banker also said state-owned commercial banks (SoCBs) have faced more provisioning shortfall than that of private commercial banks (PCBs).

- Fourteen out of 57 banks failed to keep requisite provisions against loans, particularly classified ones, in the first quarter of 2019, the BB data showed. Of them, four are SoCBs and others are PCBs. A total of 15 banks failed to keep requisite provisions against their loans in the final quarter of 2018.

<http://today.thefinancialexpress.com.bd/last-page/banks-provision-shortfall-soars-1560358464>

## Agent banking accounts rise to 2.9 million

- Agent banking is gaining more popularity across the country as about 2.9 million accounts were opened and over BDT 37.34 billion was deposited in six years till March this year.
- According to the quarterly data of January-March, 2019, of Bangladesh Bank (BB), deposit collection through the agent banking was BDT 37.3450 billion, which was 20% higher from BDT 31.1241 billion in the October to December quarter of 2018. At the end of January to March quarter, the number of agent banking accounts across the country also increased by 18% or around 0.45 million compared to the previous quarter. The number of accounts with agents increased to over 2.91 million from over 2.46 million in the January-March period (Q1) of 2019. At the end of January-March quarter, the number of agents increased to 4,866 from 4,493 of the previous quarter and the number of bank agent outlets also increased to 7,838 from 6,933 in the same quarter.
- Official data shows that Bangladeshi expatriates sent more than BDT 71.82 billion through the agent banking channel, which was over BDT 55.57 billion in the October-December quarter of 2018.

<http://today.thefinancialexpress.com.bd/trade-market/agent-banking-accounts-rise-to-29m-1560354254>

## Trade bodies want cut in taxes in budget

- Different chambers and business associations in the country have demanded that the government should lower corporate income tax and raise tax-free income limit for individual tax payers in the national budget for the 2019-20 financial year. The trade bodies also made a number of other demands, mostly seeking tax benefits, eyeing the budget.
- The Federation of Bangladesh Chambers of Commerce and Industry demanded reduction in corporate income tax rate by 2.5% points to 22.5% for publicly traded companies, to 35% for merchant banks, and to 32.5% for non-manufacturing trading companies and by 5% points to 30% for VAT registered manufacturing companies. It also proposed that tax-free income limit for individual taxpayers should be increased to BDT 350 thousand from the current BDT 250 thousand considering the cost of living and inflation.

<http://www.newagebd.net/article/75132/trade-bodies-want-cut-in-taxes-in-budget>

## Bangladesh House Building Finance Corporation wants to double housing loan ceiling

- Bangladesh House Building Finance Corporation (BHBFC) has proposed the government to double its housing loan ceiling to BDT 20 million from existing BDT 10 million as the construction cost surged in the recent years. BHBFC placed the proposal to the finance ministry recently, officials said.
- BHBFC earlier in 2017 raised the ceiling from BDT 5.0 million to BDT 10 million for the borrowers of Dhaka and Chattogram cities.
- Financial Institutions Division (FID) sources said the proposal is likely to be approved at a meeting of the FID and the new ceiling would take effect in July or August this year.
- Flat purchase loan for Dhaka and Chattogram areas would be increased to BDT 10.2

million from the existing BDT 8.0 million. The rate of interest on housing loan is 9.0% for Dhaka and Chittagong metropolitan areas while 8.5% for divisional, district, peri-urban and growth centre areas, according to the BHBFC. On the other hand, the rate of interest on flat purchase loan is 9.0% for all metropolitan, divisional and district areas of Dhaka and Chattogram. Earlier, the interest rate on flat purchase loan was 10% for all the metropolitan, divisional, and district areas of Dhaka and Chattogram.

- For the current fiscal year, the corporation set the loan disbursement target at BDT 6.0 billion, up by BDT 2.0 billion from that the previous fiscal year.

<http://today.thefinancialexpress.com.bd/trade-market/bhbfc-wants-to-double-housing-loan-ceiling-1560353472>

## At-source tax on savings tools likely to go up

- The government may increase the tax at source on interest income from investment in national savings instruments in the next fiscal year as it looks to curb people's appetite for the tools. The rate of withholding tax on the interest earnings from the savings instruments may go up from 5% to 7.5% or 10%, said officials of the finance ministry.
- The increased rate will be announced by Finance Minister AHM Mustafa Kamal tomorrow when he places his budget for 2019-20.
- The plan to increase the source tax on the interest incomes comes as the government's borrowing from the high interest-bearing instrument is ballooning. The net sales of national savings certificates stood at BDT 397.3 billion in July-March of 2018-19, up from BDT 367.0 billion a year earlier, according to data from the Department of National Savings. In the first 11 months of the fiscal year, the government's interest payment on savings certificates rose 23% to BDT 181.5 billion.

<https://www.thedailystar.net/business/news/tax-savings-tools-may-go-1755829>  
<http://today.thefinancialexpress.com.bd/first-page/macro-economy-now-under-considerable-pressure-1560270719>

## Bangladesh Bank set to form body to offer ways to cut NPLs

- The central bank has decided to form a high-powered committee to recommend measures for reducing the volume of classified loans in the country's banking system. The committee will be formed with senior officials of four departments of the central bank, which are responsible for monitoring and supervision of non-performing loans (NPLs).
- The departments are Banking Regulation and Policy Department (BRPD), Department of Off-Site Supervision (DOS), Department of Banking Inspection (DBI), and Financial Stability Department (FID).
- The committee will prepare its recommendations in consultation with major stakeholders, including public and private commercial banks. An executive director of the central bank, also said the BB will act in line with the committee's recommendations.
- The meeting found that a significant amount of NPLs has been included in the classified loan statements of Q1 of this year due to vacancy of the previous writ petition, pending with the courts, according to sources. Besides, difference in audited and unaudited figures of default loans in December 2018 also created an impact on the situation of overall classified

loans as on March 31, 2019. But the meeting also thought that these two are not the only causes for the rising trend in the default loans, they added.

<http://today.thefinancialexpress.com.bd/last-page/bb-set-to-form-body-to-offer-ways-to-cut-npls-1560270920>

### **Bangladesh Bank asks State Owned Banks to bring down defaulted loans**

- Bangladesh Bank (BB) on Tuesday asked the eight state-owned banks to bring down defaulted loans. The central bank gave the instruction at a meeting in which BB governor Fazle Kabir presided over the meeting. The central bank yesterday summoned the chief executive officers of seven commercial banks, including for state-owned banks, after their default loans rose alarmingly in the first quarter of 2019.

- Non-performing loans in six state-owned banks — Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Bangladesh Development Bank and BASIC Bank — constitute 48.6% of the total defaulted loans in the country's banking sector. The amount of defaulted loans in the state-owned banks increased by BDT 51,835.8 million to BDT 538,794.5 million at the end of March, 2019 from BDT 486,958.7 million three months ago. The amount of NPLs in two specialised state-owned banks — Rajshahi Krishi Unnayan Bank and Bangladesh Krihi Bank — was BDT 47,876.4 million at the end of March this year.

- The amount of overall defaulted loans in the country's scam-hit banking system skyrocketed to BDT 1,108.7354 billion at the end of March, 2019.

- SOBs' managing directors assured that they would reduce the amount of defaulted loans in the June quarter. Managing director of a state-owned bank said that the non-performing loans in the country's banking sector usually increased in the first quarter of every year.

<http://www.newagebd.net/article/75026/bb-asks-sobs-to-bring-down-defaulted-loans>  
<https://www.thedailystar.net/business/news/bb-summons-ceos-7-banks-1755817>

### **Roads and Highways Department to widen Moynamati-Dharkhar road under Indian LoC-III**

- The Roads and Highways Department (RHD) will widen the Moynamati-Brahmanbaria (Dharkhar) road into 4-lane one with the support of Indian Line of Credit (LoC) to improve the cross-border connectivity.

- The RHD has taken a project to reconstruct the two-lane 54 kilometres road at a cost of USD 887 million, officials at the RHD said. The road will have separate lanes on both sides for slow-moving vehicles. The road will not only connect Bangladesh with neighbouring India, it will also connect the Asian Highway and BIMSTEC road corridor, officials said. It will connect Ashuganj port-Akhaura land port 4-lane road and facilitate connectivity between the Chittagong port and neighbouring India.

- An official at the Ministry of Road Transport and Bridges said Bangladesh has a plan to go to China's Kunming through establishing smooth road connectivity.

<http://today.thefinancialexpress.com.bd/trade-market/rhd-to-widen-moynamati-dharkhar-road-under-indian-loc-iii-1560264499>

### **Government to buy 250 thousand tonnes of extra rice from farmers**

- The government on Tuesday decided to procure 250 thousand tonnes more un-husked rice directly from the farmers during the current boro season. The government's fresh decision came in the face of countrywide protests by affected farmers and socio-political organisations against the low price of boro.

- Earlier, the government decided to procure 1.1 million tonnes of husked rice from millers and 150 thousand tonnes of un-husked rice from farmers during the current boro season.

- According to a press release issued on Tuesday, the food minister said that bumper rice production caused the lower price of un-husked rice this year and the farmer incurred the losses.

<http://www.newagebd.net/article/75004/govt-to-buy-25-lakh-tonnes-more-rice-from-farmers>

### **Energypac Power signs land lease deal with Bangladesh Economic Zones Authority**

- Energypac Power Generation Limited (EPGL), a subsidiary of Energypac, signed an agreement with Bangladesh Economic Zones Authority (BEZA) on Tuesday.

- Under the agreement, BEZA will lease a piece of land to EPGL at Bangabandhu Industrial City, Mirsarai Economic Zone for Energypac Steel Limited—a project which will draw a total investment of BDT 3989 million from EPGL.

- Once completed, Energypac Steel Ltd. will specialize in steel processing and manufacturing shipping containers enhancing the capacity of Energypac alongside bringing in further excellence in steel engineering.

<http://today.thefinancialexpress.com.bd/stock-corporate/energypac-power-signs-land-lease-deal-with-beza-1560266769>

### **Classified loans cross BDT 1.0 trillion mark**

- The amount of classified loans in the banking sector surpassed BDT 1.0 trillion-mark for the first time in March 2019, apparently defying close monitoring of the central bank. The volume of non-performing loans (NPLs) jumped by more than 18% to BDT 1,108.73 billion in the first quarter (Q1) of the year from BDT 939.11 billion in the preceding quarter, according to the latest statistics of Bangladesh Bank (BB).

- The share of NPLs also rose to 11.87% of the total outstanding loans in the Q1 of 2019 from 10.30% in the previous quarter. Similarly, the amount of classified loans soared by more than 25% or BDT 222.84 billion in the Q1 of 2019 compared to that of the same period in the previous calendar year. The amount of NPLs was BDT 885.89 billion as on March 31, 2018.

- A Bangladesh Bank spokesperson said the amount of classified loans normally rises during the first quarter of each calendar year and will decline in the foreseeable future.

- The classified loans cover substandard, doubtful and bad/lost part of total outstanding credits, which stood at BDT 9,337.27 billion as on March 31. It was BDT 9,114.30 billion three months before.

- Senior bankers, however, said the amount of NPLs increased significantly during the period due to low rescheduling and lower recovery. Besides, a portion of rescheduled loans has turned into default once again mainly due to the lack of enforcing repayment schedule properly, they argued. They said some borrowers, particularly large ones, have maintained a 'go slow' policy to clear their installments for taking the advantage of policy relaxation.

- Another banker said that the amount of NPLs is expected to fall significantly in the Q2 when the revised policy on loan classifications is implemented.

<http://today.thefinancialexpress.com.bd/first-page/classified-loans-cross-tk-10-trillion-mark-1560183498>

### **May exports climb to single-month high**

- The country's export earnings in May 2019 hit a record single-month high of USD 3.81 billion, with the readymade garment sector contributing more than 85% to the export receipts. The export earnings in May '19 posted a 14.78% increase, compared to the same month in the previous year, which saw export earnings of USD 3.32 billion.

- The earnings in May also surpassed its monthly target by 9.23%, according to official data released on Monday.

- Out of the USD 3.81 billion earnings for May, about USD 3.24 billion came from the readymade garment (knit and woven items) exports.

- During the July-May period of the current FY, the readymade garments (RMG) exports fetched USD 31.73 billion, up 12.82% from USD 28.12 billion in the corresponding period of the last fiscal. The earnings also exceeded the 11-month target by 6.95%.

- A director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), termed the overall growth 'optimistic'. The Eid festival might have an impact on the export performance, as exporters made timely shipments, even early shipments in some cases, before the long Eid vacation started, he said. He also said the ongoing trade war between the US and China offers an opportunity to local exporters, as the US buyers see Bangladesh as one of several Asian countries that can be potential sourcing alternative to China.

<http://today.thefinancialexpress.com.bd/last-page/may-exports-climb-to-single-month-high-1560184041>

<https://www.thedailystar.net/business/news/highest-ever-export-earnings-may-1755154>

### **Bangladesh eyes USD 1.7 billion Chinese loan for power projects**

- Bangladesh is set to sign at least two loan agreements involving US\$ 1.7 billion for two power grid projects during the upcoming visit of Prime Minister (PM) Sheikh Hasina to China. During the visit, the PM will meet Chinese President Xi Jin Ping, and the loan deals will be signed in presence of both the leaders, high officials told.

- The number of projects with Chinese loan may increase, as the line ministries concerned are still brushing up details of the PM's visit. Funding of eight other projects, for which China has pledged support, is pending, the officials added. The total amount involving

these projects is around USD 5.0 billion, a senior official of the Economic Relations Division (ERD) said.

- The key projects are - Expansion and strengthening of power sector network under DPDC area, worth USD 1.1 billion, and Power grid network strengthening project under PGCB, worth USD 690.30 million, according to a senior official of the ERD.

<http://today.thefinancialexpress.com.bd/first-page/bd-eyes-17b-chinese-loan-for-power-projects-1560183544>

### **Tax holiday may continue for infrastructure, industries**

- The government is likely to extend the tax exemption benefit on income from investment in infrastructure and industries in lagging regions for five years to encourage private investment and job creation. The move to continue the facility up to June 2024 is being considered as the existing offer expires on June 30.

- Private investment has been hovering between 22 and 23.4% of the gross domestic product (GDP) for the last several years for reasons such as inadequate infrastructure and poor investment climate. It rose by only 1.37 percentage points since 2013-14 when it was 22.03%, according to Bangladesh Bureau of Statistics.

- In the face of infrastructure deficit, the government in 2011 offered the tax-break for five years to 10 years to investors on condition that infrastructures and industries should be established between July 2011 and June 2019.

- For physical infrastructure, namely deep seaport, elevated expressway, export processing zone, flyover, gas pipeline, hi-tech park, ICT village and LNG (liquefied natural gas) terminal, renewable energy (energy-saving bulb and solar plant), toll or bridge, the tax exemption was granted for 10 years.

<https://www.thedailystar.net/business/news/tax-holiday-may-continue-infrastructure-industries-1755142>

### **Telecom service quality to drop over tower row**

- Crores of mobile phone users can brace themselves for poorer network quality as the carriers and tower licence holders have failed to get on the same page seven months into the new arrangement.

- With a view to rationalizing the number of towers in the country and giving smaller operators a fair shot, the government last year decided to separate the network business from telecom services. And in October last year, Bangladesh Telecommunication Regulatory Commission awarded the licences for tower operation to four companies: edotco Bangladesh, Summit Tower Limited, Kirtonkhola Tower Bangladesh and AB Hightech Consortium. The four companies were supposed to take over the towers from the mobile operators and also build new ones. But they have been unable to do either seven months since getting their licences, leaving the mobile operators in limbo.

- Since the awarding of tower licences in October, the mobile operators were forbidden from setting up any new towers of their own as this exercise would be taken over by the four new tower companies.

- But, three of the four tower licence holders have failed to start their operations within the deadline of May 1, meaning virtually no new towers were set up in the country in the past seven months amidst a fast-growing demand.

<https://www.thedailystar.net/business/news/telecom-service-quality-drop-over-tower-row-1755178>

### Local mobile call apps mushroom

- Home-grown apps for voice, video call and instant messaging services are making inroads into the market, posing a threat to telecom operators' dominance over the same, industry insiders said. Seven internet protocol telephony service providers (IPTSPs) recently sought licence to launch mobile phone application-based call services, sources in the regulator confirmed.

- Last year, the government granted licences to five IPTSPs to earn money through delivering app-based services. Brilliant Connect was one of the apps that drew a lot of attention in the market, with calls growing many times in just six months after its launch.

- According to the Bangladesh Telecommunication Regulatory Commission (BTRC), telcos formally made an appeal to the regulator against such licensing.

- Instant messaging, video, audio and other services with an open internet connection can be delivered without any infrastructure investment and other requirements on the part of the provider, they argued. On the other hand, a telecom operator requires massive investment.

<http://today.thefinancialexpress.com.bd/first-page/local-mobile-call-apps-mushroom-1560183719>

### French firm keen to bag oil refinery contract

- French Technip has shown interest to build the proposed crude oil refinery as the engineering, procurement and construction (EPC) contractor.

- It has already proposed state-run Bangladesh Petroleum Corporation (BPC) to be the EPC contractor of the plant, which will have the capacity of 3.0 million tonnes per year (mtpa).

- The proposal requires to be scrutinised before taking a final decision on building the USD 1.15 billion (BDT 89.49 billion) refinery in Chattogram, BPC Chairman said.

- The French firm had earlier carried out the front-end engineering and design (FEED) for the proposed refinery at a cost of BDT 2.57 billion (USD 32.10 million).

<http://today.thefinancialexpress.com.bd/first-page/french-firm-keen-to-bag-oil-refinery-contract-1560183660>

### Five VAT rates on cards

- Advance tax (AT) is likely to be imposed at commercial and import stages under the new value-added tax (VAT) law aiming to ensure proper revenue collection from potential sectors. The new AT would replace the existing advance trade VAT (ATV) that is currently

imposed at a rate of 5.0% only at the import stage, finance ministry sources said. The AT rate might be set below 5.0%.

- The government is likely to whittle down value-added tax rates to five from existing seven as it is getting ready to implement the new VAT law from the next fiscal year, seven years after its enactment. This means, the government will move away from a uniform 15% VAT rate envisaged in the VAT and Supplementary Duty Act 2012.

- The five rates are 2%, 5%, 7.5%, 10% and 15%. The multiple rates aim at reducing pressure on consumers and small businesses, according to officials.

- The finance ministry had initially planned to introduce three VAT rates and informed the IMF about it.

- At the same event chairman of the National Board of Revenue (NBR), said the 15% standard rate would also continue along with the three rates. Currently, 15% VAT is applicable on sectors such as cigarette and telecommunications and these two sectors account for more than 45% of the total VAT collection. So, a cut in the rate will cause VAT receipt to decline, said officials of the NBR.

- The tariff value and truncated value-based rates may not continue in the next fiscal year. As a result, the prices of a number of goods and services may go up.

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- Framed at the prescription of the International Monetary Fund (IMF), the law originally envisaged a uniform 15% VAT, sparking protest from businesses, particularly from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) on grounds that the enforcement of the law would hurt small and medium businesses and stoke inflation. In the face of the protests, the government thrice deferred the enforcement of the new law, with the latest postponement came in June 2017 that pushed back the enactment by two years. In order to ensure smooth implementation of the law from 2019-20, The Finance Minister, the NBR and the FBCCI met several times earlier, and all agreed in principle to go for the multiple rates.

<https://www.thedailystar.net/business/news/five-vat-rates-cards-1754401>

<http://today.thefinancialexpress.com.bd/last-page/now-advance-tax-at-import-commercial-stages-likely-1560097059>

### Bank borrowing to grow as revenue shortfall weighs in

- The government's bank borrowing is set to rise further in June as the execution of the Annual Development Programme (ADP) gained momentum, but revenue target fell short of target. The authorities have targeted net bank borrowing at nearly BDT 99 billion for June 2019 to finance the budget deficit, according to the auction calendar, issued by the Bangladesh Bank (BB) recently.

- According to the calendar, the government may take up to BDT 228 billion as gross borrowing from the banking system this month by issuing treasury bills (T-bills) and bonds.

The government's net bank borrowing is set to reach BDT 98.90 billion by the end of June, after deducting BDT 129.10 billion as maturity amount of the government securities from the gross borrowing amount, central bank officials said. Besides, BDT 20 billion will be borrowed through issuing short-term 14-day T-bills on Monday, which will be cleared on June 25, they said.

- Central bankers have ruled out any negative impact. According to a senior Bangladesh Bank (BB) official, there will be no additional impact on the overall net borrowing of the government for June. They urged the central bank to devolve major portion of borrowing amount on its own accounts, which would help boost money supply in the market.
- Normally, the implementation rate of ADP picks up pace during the last two months of each fiscal year, according to the bankers and officials. Besides, revenue shortfall is forcing the government to borrow more from the banking system to partly meet the budget deficit, they noted.

<http://www.newagebd.net/article/74677/banks-have-scope-to-raise-stocks-exposure-by-82pc-bb-report>

### **Banks' Advances to Deposits Ratio (ADR) rises further in 2018: Bangladesh Bank report**

- Advance-to-deposit ratio (ADR) in the country's banking sector increased by 1.7% points in the year of 2018 due to a slowdown in deposit growth and a surge in defaulted loans. According to a Bangladesh Bank report titled Financial Stability Report 2018 published on May 28 this year, the ADR in the banking industry increased to 77.6% at the end of December last year from 75.9% at the end of December, 2017. The ADR was 71.9% in December, 2016 when the deposit growth in the banks was 10.6%.
- Growth in deposit in the country's banking sector was 9.8% in 2018, much lower than the growth in credit — 14.1% — in the year.
- High ADR represents high risk of the banks and that's why the BB lowered the ADR of the banks to save them from financial risk as many of the banks were issuing credit aggressively in the year of 2017 to maximize profits, Bangladesh Bank (BB) officials said. Recovery of the defaulted loans could have helped the banks bring down ADR within the BB-set limit, they said. The banking sector liquidity was relatively tight in the year of 2018 compared to the preceding year as evident from higher ADR and rising call money borrowing rate, according to the BB report.
- As per the BB's latest report, ADR of 22 banks was above the ADR limit expected to be strictly followed by September 2019. The number of banks which had failed to keep ADR within the limit was 11 in January last year when the fresh limit was imposed by the central bank.

<http://www.newagebd.net/article/74795/banks-adr-rises-further-in-2018-bb-report>

### **Remittance hits record in May**

- The month of May saw a record amount of remittance flow for a single month as expatriate Bangladeshis sent BDT 1.75 billion to ensure that their loved ones back home

can celebrate Eid-ul-Fitr with more festivities.

- May's receipts were up 22.43% from a year earlier and 16.64% from a month earlier, in a development that will give some breathing space to the country's strained foreign exchange reserves. May's inflows take the remittance receipts in the first 11 months of the fiscal year to BDT15.50 billion, up 11.74% year-on-year.
- One of the reasons for the spike in remittance is that many banks are offering competitive rate to attract remitters with a view to strengthening their foreign exchange reserve, said an executive director of Bangladesh Bank. Besides, the exchange rate of USD has recently dropped against the US dollar, which has also encouraged remitters to send their hard-earned money through the legal channel. Besides, the central bank has beefed up its monitoring against 'hundi', an illegal process of transferring money from one country to another, which had a positive impact on remittance, according to the managing director of Trust Bank. Both the central bank and commercial banks ran awareness programmes abroad, he added.
- Clearly, recapitalization alone cannot 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/bangladesh-remittance-hits-record-may-2019-1753258>

### **Lack of lenders in Eid call money market**

- Lack of lenders in the overnight call money market is pushing banks to go for high-cost borrowing from the central bank to meet their additional needs for cash ahead of Eid-ul-Fitr.
- Injection of funds into the market before Eid is a common phenomenon, but the situation of this time is slightly different than other time, said managing director of Bank Asia. The banking sector has been facing a liquidity crunch for months and the Eid withdrawal pressure has deepened the crisis, according to the managing director.
- Borrowing through repo and ALSF costs banks 6% in interest rate when the interest rate in the call money market hovers between 4.5% and 4.6% only. Cash-strapped banks borrowed BDT 30 billion from the Bangladesh Bank yesterday through the repurchase agreement (repo). The central bank also provided BDT 23 billion on May 30 to mitigate the cash crunch faced by banks.

<https://www.thedailystar.net/business/news/lack-lenders-eid-call-money-market-1753234>

### **BDT 5.0 billion of farm loan stuck against certificate cases**

- Default loans worth USD 5.0 billion belonging to six state-owned banks, including two specialised ones, remains stuck against 159,534 cases filed to recover the money from farm loan borrowers. Between January 1991 and April 2019, some 11,689 debtors could not be traced even after warrants of certificate cases were issued.



- Statistics show 857 cases were settled last April to recover USD 43 million, but 166 new cases involving USD 15.1 million were filed during the same time.
- Until April, Bangladesh Krishi Bank had the highest 77,766 cases pending, involving USD 2.59 billion. The bank could not trace 4,518 borrowers after warrants involving USD 137.9 million were served at the end of April. In the same month, Rajshahi Krishi Unnayan Bank had 25,032 pending cases involving over USD 1.32 billion. Until April, Sonali Bank had 14,274 pending cases involving USD 423.1 million. It settled only 69 cases in the same month but filed 23 fresh ones.

<http://today.thefinancialexpress.com.bd/last-page/tk-50b-stuck-against-certificate-cases-1559929647?date=08-06-2019>

### **Banks have further scope to raise stocks exposure, according to Bangladesh Bank report**

- Banks have scope of increasing their investment in the capital market by 82.48% within the regulatory framework, according to the Bangladesh Bank's financial stability report which took account data till September, 2018.
- Bangladesh Bank (BB) officials said that the banks scope for the investment in stocks had increased further in recent times as the central bank had eased stock market exposure rules further for them with a view to increasing liquidity supply in the capital market. The BB data showed that banks' capital market exposure was 16.5% and 27.4% of prescribed capital on solo and consolidated basis respectively at the end of September, 2018. Allowable limit for the banks to investment in capital market were set at 25% and 50% of the prescribed capital on solo and consolidated basis respectively.
- Officials of the central bank said that the banks' less exposure in the capital market meant that all the banks were not willing to invest in the market.
- Amid significant market fall since January this year, the BB, at the instruction from the government high ups, increased banks' investment limit in the capital market by excluding banks' investments in unlisted securities from their capital market exposure count. The non-listed securities include equity share, non-convertible cumulative preference share, non-convertible bond, debenture and open-end mutual fund.
- Besides, the capital market limit that was set by the central bank was not mandatory for the banks, the officials said. The BB report released on Tuesday also said that considering the lower capital market exposure of banks, it seemed that equity price shock would not pose any stability threat to the banking sector in the near term.

<http://www.newagebd.net/article/74677/banks-have-scope-to-raise-stocks-exposure-by-82pc-bb-report>

### **Deal signed for export privileges to Eurasia**

- Bangladesh has signed a memorandum of understanding with the Eurasian Economic Commission (EEC) to enjoy trade privileges and economic cooperation in the region.
- The Eurasian Economic Union (EAEU), a region like the European Union, is becoming a

major export destination for Bangladesh, especially for the garment sector. It comprises five Eastern Europe and central Asian countries: Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. Since, there is no customs border among the EAEU nations, this region could be a good market for Bangladesh, according to a statement from the commerce ministry yesterday.

- Under the MoU, Bangladesh and the EAEU will form committees which will work in 18 different areas mainly to create an environment for introducing trade privileges between Bangladesh and the EAEU region, the statement also said.

<https://www.thedailystar.net/business/news/deal-signed-export-privileges-eurasia-1753228>

### **Planning Ministry discovers key barriers to successful ADP implementation**

- Planning ministry has identified major impediments that slow down the execution of projects under the Annual Development Programme (ADP).
- The Implementation, Monitoring and Evaluation Division (IMED) under the ministry, in an intensive review, has detected the delay in starting project work, non-availability of project director, no feasibility studies prior to the launching of projects, as major roadblocks. Shedding light on the roadblocks, the IMED recently sent letters to all relevant departments to resolve those and expedite the implementation of development projects.
- Until April, the implementation of the government's ADP was only 55%. Due to slower progress in project implementation, the government revised ADP for the current fiscal year to USD 1.65 trillion, cutting the original outlay by USD 80 billion or 4.62%.
- In the letter, acting secretary of the IMED said many projects cannot be implemented in time even after its approval by the Executive Committee of the National Economic Council (ECNEC). In the letter, the secretary said although there is a rule to conduct feasibility study prior to taking any projects exceeding USD 250 million, it is not followed in many cases. As per rule, there should be a permanent Project Director (PD) in the projects worth above BDT 500 million. However, the IMED noticed that this rule is often ignored by many entities during project implementation. The IMED also found one person is assigned as PD for more than one projects affecting proper implementation of the government's development projects.

<http://today.thefinancialexpress.com.bd/first-page/initial-delay-dogs-adp-1560010199>

### **Foreign firms want to get DSE brokerage licence**

- A number of foreign firms have expressed their interest to obtain brokerage licence from Bangladesh's premier bourse Dhaka Stock Exchange to expand their business in the country's capital market. DSE officials said that the foreign entities showed their interest to obtain trading right entitlement certificate (TREC) licence needed for the brokerage business in the capital market.
- UK-based EFG Private Bank, CDF London and Aberdeen Asset Management, China-based CITIC CLSA Securities and USA-based Goldman Sachs Group have expressed their intention to get DSE brokerage licence.
- DSE managing director said that some foreign entities expressed their interest to be DSE TREC holder. If the bourse can include a number of foreign firms in the DSE business, it

can expect huge foreign fund flow to the market, he said. According to DSE officials, if the bourse starts selling TREC licence, more foreign firms will come to buy the licence as the foreign nationals see good business opportunity in the country.

- Therefore, the market regulator felt it necessary to formulate rules regarding selling brokerage licence to the foreign entities and local entities as the current members are not allowed to sell or transfer their licence to others.

<http://www.newagebd.net/article/74676/foreign-firms-want-to-get-dse-brokerage-licence>

### **Global firms vying for coal transport contract for the Rampal power plant**

- Bangladesh India Friendship Power Company (BIFPCL) has been receiving bids from global firms for coal transport and transshipment for the 1,320-megawatt (MW) Maitree Super Thermal Power project at Rampal in Bagerhat district. The selected bidder will be responsible for transportation of coal through designated load ports to offshore the transshipment site by standard bulk carriers of the Indo-Bangla joint venture company. The services will be provided by dedicated transshipment facilities, which include transshipment vessel and self-propelled barges.

- The transshipment facilities are to be designed and put in place using build, own, operate (BOO) model by the selected bidder.

- Coal will be sourced from Indonesia, South Africa, and Australia, said a senior company official. Around 11,000 tonnes of coal will be required every day to run the power plant with 85% plant factor. The Bangladesh Power Development Board BPDB will purchase electricity generated by the plant from the power plant for 25 years.

- The BIFPCL, a joint venture (JV) between state-run Bangladesh Power Development Board (BPDB) and India's National Thermal Power Corporation (NTPC), has been implementing the power plant project. India's state-run Bharat Heavy Electricals Limited (BHEL) is building the power plant as the engineering, procurement and construction (EPC) contractor. The contract value is USD 1.49 billion, which will be financed by Indian Exim Bank. The total project is, however, around USD 2.0 billion.

<http://today.thefinancialexpress.com.bd/last-page/tk-50b-stuck-against-certificate-cases-1559929647?date=08-06-2019>

### **Important News: Capital Market**

#### **Stock intermediaries asked to keep minimum capital**

- The Bangladesh Securities and Exchange Commission has tightened the screws on market intermediaries including stockbroker, merchant banker, asset manager, fund manager, and credit rating company with mandating to maintain minimum capital requirement on continuous basis. The commission has published the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019 on its web site.

- A full functional stockbroker and dealer must maintain BDT 150 million minimum amount of total capital requirement and the merchant banker BDT 350 million to continue their operation in the capital market. The asset manager, fund manager, credit rating company

must maintain minimum capital at BDT 100 million, BDT 50 million and BDT 50 million respectively. If they go for additional operations, they would require maintaining additional capital. The minimum regulatory capital for stockbroker has been set at BDT 50 million if the broker would not deal with other scope except the general broking (the broker deals with retail and institutional clients' account directly).

- Capital adequacy means the level of total capital against the total risk exposure of a registered entity that is required to be maintained as per the rules to ensure continuation of a safe and efficient operation and to withstand against any seen and unforeseen losses, the rules say. Therefore, the commission ordered the market intermediaries to ensure the minimum capital according to their business operations.

- Each merchant banker and portfolio manager who will deal with all the scope of operation that includes issue management, under writing, portfolio management, proprietary fund management must maintain the regulatory capital of BDT 350 million. The minimum requirement has been set at BDT 50 million if the merchant banker only deals with issue management..

- According to the rules, capital adequacy requirement must be maintained on continuous basis by all registered entities against their level of risk exposures within three years from the effective date of the rules. The capital adequacy ratio would be measured by dividing the total capital by the total risk requirement and then multiplying the result with 100. Each registered entity must ensure for capital adequacy purposes that capital adequacy ratio must be maintained minimum 120%, i.e. its total capital requirement must be, at all times, minimum 1.20 times of its total risk requirement and its core capital must be, at all times, greater than its operational risk requirement.

<http://www.newagebd.net/article/75030/stock-intermediaries-asked-to-keep-minimum-capital>

#### **Bangladesh Securities Exchange Commission (BSEC) seeks opinion on public issue rules**

- The securities regulator has sought public opinion on the draft amendment to the public issue rules. The Bangladesh Securities and Exchange Commission (BSEC) will receive public opinion till June 17.

- On May 30 last, the BSEC approved the draft amendment which included some provisions, including a three-year lock-in period for all the shareholders mentioned in the IPO (initial public offering) prospectus of a company. As per the draft amendment, a three-year lock-in period will be imposed on the shares of a company, held by all the shareholders mentioned in its IPO prospectus. The lock-in period will be counted from the date of the company's debut trading instead of publication of its draft prospectus. As per the existing rules, a three-year lock-in period is imposed on the holdings by sponsors, directors and individuals having more than 10 per cent shares of a company. Besides, a one-year lock-in period is imposed on placement shares.

- According to another revised provision, a non-listed company will not be allowed to float IPO without utilizing the previous funds raised through private placements. A listed company will not be allowed to go for public issues, such as - rights offers and RPO (repeat public offering), without completing utilization of the previous funds raised through public issues, including IPO. The securities regulator has also imposed the condition of making minimum amount of investment by eligible investors (EIs) in the secondary market to avail

the IPO quota.

- The amount of minimum investment will be mentioned in the consent letter for every public issue. Under the fixed price method, the minimum IPO size will be BDT 500 million or 10% of the paid-up capital, whichever is higher.

<http://today.thefinancialexpress.com.bd/stock-corporate/bsec-seeks-opinion-on-public-issue-rules-1560094883>

### **Eastern Bank Limited getting ready to fund big projects**

- Default loans of Eastern Bank Limited (EBL) account for only 2.35% of the outstanding loans, which is below the industry average of 10.30%. Regarding this, Ali Reza Iftexhar, managing director and chief executive officer of EBL, in an interview said that the bank has never gone for aggressive lending. The reason for the bank's intrepid lending activities is that a number of its employees had taken credit assessment training from global institutes, said Iftexhar, who joined EBL in 2004 as a deputy managing director and was elevated to the top position in 2007. The managing director said that skilled human resource is pivotal.
- The bank is very selective in giving out loans: corporate loans make up two-thirds of its loan portfolio and yet the number of corporate clients is not high. This stance has not only paid off for EBL; it has put the lender in good stead for financing mega projects such as the Dohazari-Cox's Bazar rail line and Rooppur nuclear power plant.
- In power and energy, EBL has supported a number of projects that have the capacity of generating more than 2,100MW electricity, according to the managing director. The bank is the undisputed leader in aviation financing: it has so far provided USD 192 million to clients, including Biman Bangladesh Airlines, to buy 12 aircraft.
- Now, the bank is shifting towards retail and SME banking from its heavy reliance on corporate banking, which now makes up about 28% of its loan portfolio. In retail banking, EBL is already a market leader. The Singapore-based Asian Banker had adjudged EBL the best retail bank in Bangladesh for six consecutive years starting from 2013 to 2018. Lending under its retail banking grew 9% year-on-year to BDT 43.6 million last year. The managing director thinks mortgage loans have a huge prospect in Bangladesh given the rising purchasing power of people brought about by the economy's solid growth in the past decade. According to him, people should be given tax incentive to buy homes with bank loans.
- The experienced banker also talked about the recent move by the central bank to reschedule bad loans. He believes that no willful defaulter should get the chance. According to him, it is not a blanket facility for all defaulters. Rather rescheduling of loans will entirely depend on the bank-customer relationship. The managing director said default loans and liquidity issues will continue to pose challenges for the banking sector, but banks will have to be prepared to face them.
- Injection of funds into the market before Eid is a common phenomenon, but the situation of this time is slightly different than other time, said managing director of Bank Asia. The banking sector has been facing a liquidity crunch for months and the Eid withdrawal pressure has deepened the crisis, according to the managing director. Weak banks should get merged and others should not go for aggressive lending.

<https://www.thedailystar.net/business/news/ebi-getting-ready-fund-big-projects-1754410>

### **BRAC Bank customers to get iPay services**

- BRAC Bank Limited and iPay Systems Limited have recently signed a partnership agreement that will allow BRAC Bank customers to enjoy multiple services from iPay App/ Web and BRAC Bank alternate delivery channel. The agreement will enable BRAC Bank customers to transfer fund to their iPay e-wallet through the bank's Internet Banking and avail all the payment services of iPay, said a statement.

<http://today.thefinancialexpress.com.bd/stock-corporate/brac-bank-customers-to-get-ipay-services-1560095143>