

Capital Market Overview

The market closed in green this week. The benchmark index DSEX (+8.77%) gained 364.06 points and closed the week at 4,513.89 points. The blue-chip index DS30 (+9.73%) gained 136.83 points and stood at 1,543.43 points. The Shariah-based index DSES (+10.13%) gained 95.20 points and stood at 1,035.49 points. The large cap index CDSET (+9.28%) gained 78.45 points and closed at 923.49 points. DSEX, DS30, DSES, and CDSET all posted positive YTD return of 1.37%, 1.99%, 3.57%, and 2.64%, respectively.

Total Turnover During The Week (DSE): BDT 22.7 billion (USD 272.6 million)
Average Daily Turnover Value (ADTV): BDT 4.5 billion ($\Delta\%$ Week: +71.6%)

Market P/E: 13.09x

Daily Index Movement during the Week:

The market performed five sessions during this week. Market opened this week with a positive movement of 5.60% in the first session, and continued this upward movement at 1.19% in the second session. The market turned around in the third session by -0.59%. However, the market moved upward again by 0.73% in the fourth session, and ended the week in positive at 1.66%.

Sectoral Performance:

- All the financial sectors showed positive performance during this week. NBFIs booked the highest gain of 21.01% followed by General Insurance (+9.31%), Banks (+6.25%), Mutual Funds (+6.24%), and Life Insurance (+4.03%).
- All the non-financial sectors showed positive performance during this week. Food & Allied booked the highest gain of 13.19% followed by Telecommunication (+13.04%), Engineering (+8.99%), Power (+8.40%), and Pharmaceuticals (+8.24%).

Macroeconomic arena:

- 8,238 loan defaulters owed BDT 969.9 billion till Nov last year. BDT 258.4 billion was recovered from defaulters. Bank Directors took loans amounting to BDT 1.7 trillion from their own and other banks. The amount is around 12% of total outstanding loans.
- State-owned enterprises, which will deposit their funds in private commercial banks and financial institutions, will get interest at 6%, and at 5.5% from state-owned commercial banks.
- More than 6.6 million trained workers got employments abroad in the last decade, and they remitted around USD 153.1 billion. Workers are being sent in 173 countries. Bangladesh sent 257,317 and 399,000 workers to Saudi Arabia in 2018 and 2019.
- The growth of net government borrowing had been set at 24.3% for H2 when the monetary policy statement for FY20 had been issued. After the revision, the net government credit growth has been set at 37.7% for H2. As a result, the target of domestic credit growth has also been re-fixed at 17.4% for the period against 15.9% set earlier.
- Growth rate of GDP of Bangladesh may decline to 7.8% in FY20 from 8.1% in the previous FY.
- In the year, NPLs amounting to BDT 504.3 billion were rescheduled, up 117.3%. State-run banks rescheduled BDT 152.9 billion, private commercial banks BDT 308 billion, foreign commercial banks BDT 369.1 million and specialized banks BDT 43.2 billion.
- Government has exhausted its net borrowing target for 2019-20 from banking system in just 6 months with BDT 480.2 billion.

Stock Market arena:

- Bangladesh Bank has submitted to form of BDT 100 billion refinancing fund to stabilize capital market. The fund would be managed by the central bank and the banks, merchant banks, and brokerage houses would get fund at 3%-5%.
- The 'Bangladesh Road Transport Corporation Bill, 2020' was introduced to offload 49% of its shares in the capital market. The authorized capital will be BDT 10 billion which will be divided into 1.0 billion general shares. The paid-up capital is BDT 30 million.
- The Board of Directors of GP has appointed Yasir Azman as the new chief executive officer (CEO) of the Bangladeshi operation.

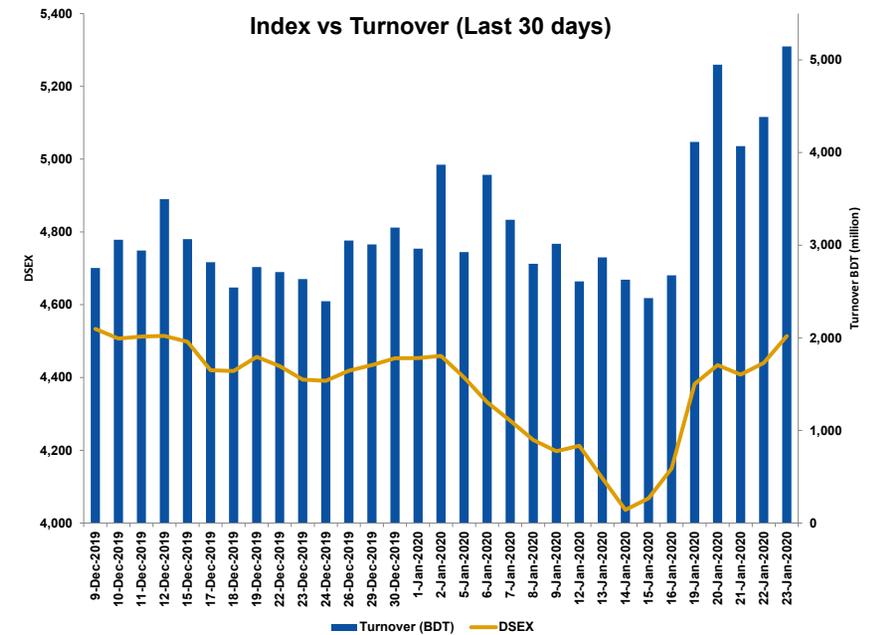
Table 1: Index

Index	Closing	Opening	Δ (Pts)	30-Dec-2019	$\Delta\%$ Week	$\Delta\%$ YTD
DSEX	4,513.89	4,149.83	364.06	4,452.93	8.77%	1.37%
DS30	1,543.43	1,406.60	136.83	1,513.35	9.73%	1.99%
DSES	1,035.49	940.29	95.20	999.83	10.13%	3.57%
CDSET	923.49	845.04	78.45	899.76	9.28%	2.64%

Table 2: Market Statistics

		This Week	Last Week	%Change
Mcap	Mn BDT	16,966,578.8	15,916,644.7	6.6%
	Mn USD	204,096.9	191,466.9	
Turnover	Mn BDT	22,657.9	13,207.3	71.6%
	Mn USD	272.6	158.9	
Average Daily Turnover	Mn BDT	4,531.6	2,641.5	71.6%
	Mn USD	54.5	31.8	
Volume	Mn Shares	824.9	507.8	62.4%

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
Investment Corporation of Bangladesh	90.30	64.00	41.1%	69,300.1	80.66	NM	3.3x
Samata Leather	165	124.90	31.9%	1,700.7	15.33	441.7x	11.4x
Sea Pearl Beach Resort & Spa Limited	58.00	44.00	31.8%	7,003.5	280.69	159.2x	5.6x
Bangladesh Submarine Cable Company Ltd	105.30	80.30	31.1%	17,364.6	376.72	25.5x	2.9x
Gemini Sea Food	174.60	134.80	29.5%	820.0	20.98	420.5x	16.5x
Heidelberg Cement	159.60	125.30	27.4%	9,018.0	21.32	56.9x	1.9x
SEML IBBL Shariah Fund	7.20	5.70	26.3%	720.0	14.68	NM	0.7x
Dulamia Cotton	63.90	51.10	25.0%	482.9	12.39	NM	NM
Beximco Pharmaceuticals	74.80	60.00	24.7%	30,335.6	148.40	9.7x	1.1x
Global Insurance Ltd.	21.80	17.60	23.9%	841.9	54.44	31.0x	1.9x

Table 4: Top Ten Losers

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
S. S. Steel Limited	13.50	16.00	-15.6%	3,803.6	679.14	5.6x	0.9x
Mozaffar Hossain Spinning Mills Ltd.	9.30	10.80	-13.9%	939.2	30.71	NM	0.6x
Standard Ceramic	578.40	645.30	-10.4%	3,736.8	186.94	NM	45.6x
Silco Pharmaceuticals Limited	26.00	28.60	-9.1%	2,699.0	187.86	12.5x	1.1x
Tosrifia Industries Limited	12.00	13.00	-7.7%	795.9	5.51	NM	0.5x
Anlimayarn Deying Ltd.	38.30	40.70	-5.9%	684.3	92.16	59.7x	3.5x
Meghna Condensed Milk	12.50	13.20	-5.3%	200.0	.53	NM	NM
Shepherd Industries Limited	22.90	24.00	-4.6%	3,441.6	2.26	39.9x	1.3x
Delta Spinnings Ltd.	4.70	4.90	-4.1%	782.5	2.35	18.4x	0.4x
Paramount Insurance	39.20	40.50	-3.2%	1,302.3	131.40	42.7x	3.1x

Table 5: Top Ten Most Traded Shares

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
LafargeHolcim Bangladesh Limited	44.80	38.70	15.8%	52,029.5	1,333.23	28.9x	3.4x
Square Pharmaceuticals	198.90	178.40	11.5%	167,919.1	1,047.43	13.1x	2.6x
S. S. Steel Limited	13.50	16.00	-15.6%	3,803.6	679.14	5.6x	0.9x
Khulna Power Company Limited	53.60	50.30	6.6%	21,301.3	640.27	16.6x	2.2x
Grameenphone Ltd.	272.00	242.20	12.3%	367,281.6	624.11	10.6x	8.7x
Beacon Pharmaceuticals Limited	47.00	44.40	5.9%	10,857.0	475.37	89.4x	3.7x
Singer Bangladesh	172.50	163.30	5.6%	17,198.7	449.25	16.6x	7.2x
Paramount Textile Limited	62.90	57.50	9.4%	9,290.0	440.51	18.1x	4.1x
ADN Telecom Limited	41.40	36.40	13.7%	2,676.6	436.99	20.0x	2.5x
SK Trims & Industries Limited	51.30	45.70	12.3%	4,345.1	421.91	21.7x	4.5x

Table 8: Most Appreciated YTD in BRAC EPL Universe

Top 10 Most Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
LafargeHolcim Bangladesh Limited	44.80	33.33%	52,029.5	28.9x
Olympic Industries	199.20	20.73%	39,827.8	20.4x
Khulna Power Company Limited	53.60	14.78%	21,301.3	16.6x
MJL Bangladesh Limited	72.00	13.74%	22,806.1	11.9x
United Power Generation & Distribution Company Ltd	277.60	13.17%	146,294.0	17.3x
M.I. Cement Factory Limited	43.20	10.77%	6,415.2	24.1x
ACI Limited	199.80	10.08%	11,463.0	NM
Mutual Trust Bank	28.90	9.06%	18,392.9	10.2x
Bangladesh Steel Re-Rolling Mills Limited	52.70	7.99%	12,440.8	7.2x
Beximco Pharmaceuticals	74.80	7.78%	30,335.6	9.7x

Table 6: Sector Indices

Sector Name	Week Close	Week Open	Year Open	%Δ Week	%Δ YTD
Banks	1289.01	1213.20	1319.28	6.25%	-2.29%
NBFIs	1671.40	1381.19	1565.13	21.01%	6.79%
Mutual Funds	602.05	566.68	591.17	6.24%	1.84%
General Insurance	1954.25	1787.79	1927.02	9.31%	1.41%
Life Insurance	2066.83	1986.73	2194.70	4.03%	-5.83%
Telecommunication	3827.06	3385.68	3993.59	13.04%	-4.17%
Pharmaceuticals	2545.78	2351.94	2492.51	8.24%	2.14%
Fuel & Power	1626.53	1500.49	1515.21	8.40%	7.35%
Cement	1351.14	1160.44	1132.29	16.43%	19.33%
Services & Real Estate	981.97	862.89	886.70	13.80%	10.75%
Engineering	2287.93	2099.30	2257.22	8.99%	1.36%
Food & Allied	13108.17	11581.02	12121.49	13.19%	8.14%
IT	2012.71	1864.91	1823.13	7.93%	10.40%
Textiles	1009.93	948.79	1042.04	6.44%	-3.08%
Paper & Printing	5135.91	4702.62	5233.20	9.21%	-1.86%
Tannery	1845.63	1676.11	1826.45	10.11%	1.05%
Jute	8732.21	8353.71	11393.28	4.53%	-23.36%
Ceramics	457.75	422.55	459.10	8.33%	-0.29%
Miscellaneous	1781.23	1648.32	1745.96	8.06%	2.02%

Table 7: Sector Trading Matrix

Sector Name	Daily average this Week	Daily average last week	% Change	% of Total Turnover	P/E	P/B
Banks	416.1	408.4	1.90%	9.46%	6.9x	0.8x
NBFIs	120.1	79.1	51.78%	2.73%	81.2x	2.3x
Mutual Funds	65.7	40.9	60.44%	1.49%	NM	0.5x
General Insurance	394.8	287.7	37.26%	8.97%	14.1x	1.3x
Life Insurance	58.4	54.8	6.47%	1.33%	NM	8.5x
Telecommunication	200.2	54.3	268.82%	4.55%	10.8x	7.9x
Pharmaceuticals	566.5	288.0	96.71%	12.87%	17.4x	2.2x
Fuel & Power	309.7	261.4	18.48%	7.04%	10.4x	1.9x
Cement	287.3	190.5	50.79%	6.53%	25.9x	2.5x
Services & Real Estate	89.5	19.8	353.04%	2.03%	125.1x	0.8x
Engineering	691.7	410.9	68.34%	15.72%	13.5x	1.3x
Food & Allied	177.4	98.2	80.69%	4.03%	25.1x	7.5x
IT	201.3	244.4	-17.63%	4.57%	20.9x	2.6x
Textiles	404.0	256.4	57.56%	9.18%	NM	0.7x
Paper & Printing	11.7	10.0	16.70%	0.26%	290.3x	1.3x
Tannery	50.9	36.5	39.34%	1.16%	22.3x	2.0x
Jute	47.4	48.2	-1.60%	1.08%	NM	4.0x
Ceramics	67.1	98.8	-32.09%	1.52%	24.7x	1.7x
Miscellaneous	241.3	141.1	70.94%	5.48%	19.8x	1.0x

Table 9: Least Appreciated YTD in BRAC EPL Universe

Top 10 Least Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
Golden Harvest Agro Industries Ltd.	17.00	-13.27%	3,669.2	15.0x
BRAC Bank	51.30	-10.16%	63,272.2	12.3x
City Bank	19.20	-9.00%	19,514.6	7.5x
Reckitt Benckiser	2,939.00	-7.96%	13,886.8	30.5x
Matin Spinning Mills Ltd.	31.10	-6.33%	3,031.9	48.9x
Glaxo Smithkline	1,653.50	-5.85%	19,918.8	68.5x
Prime Bank	17.20	-5.49%	19,475.3	7.9x
Active Fine Chemicals Limited	13.90	-5.44%	3,335.1	5.0x
Envoy Textiles Limited	23.60	-5.22%	3,958.5	8.3x
Bank Asia Ltd.	17.30	-4.95%	20,170.2	8.1x

Important News: Business & Economy

Banking sector poised to derail growth momentum for Bangladesh economy: International Monetary Fund (IMF)

- As per latest central bank data, which is of September last year, default loans in the banking sector stood at BDT 1.16 trillion, which is an all-time high. Eight state-run banks accounted for more than 50% of the default loans: BDT 596.22 billion.
- There is an increase in government borrowing from the banking sector, brought on by the sharp decline in savings certificate sales and slowdown in revenue growth. Subsequently, private sector credit growth slowed down. In November last year, private sector credit growth dropped to 9.87%, which is the lowest since 2008 at least. The BB's data goes as far back as 2008.
- To address them, the main priorities are a strict enforcement of existing legal and regulatory requirements, an increase banking sector capital and a reform of the state-owned banks, with a clear separation of commercial and development functions.
- Bangladesh's average inflation crept up four basis points to 5.59% in 2019. Export earnings fell 5.84% year-on-year to USD 19.3 billion in the first six months of the fiscal year on the back of lower shipment of apparel items. The shipment of apparel, which usually makes up more than 80% of national exports, fell 6.21% to USD 16.02 billion.

<https://www.thedailystar.net/business/bangladesh-banking-sector-economy-steeped-default-loans-poses-1857856>

Bangladesh to export bandwidth to Nepal

- Bangladesh Submarine Cable Company (BSCCL) is looking for new markets to export its huge unused bandwidth and the new destination is Nepal, said officials of the state-owned listed firm. The lone submarine cable company of Bangladesh is now in talks with Nepal Telecom to export about 100 gigabits per second (Gbps) of bandwidth. A memorandum of understanding will be signed within a short time, the managing director of the BSCCL said. As Bangladesh has access to the landlocked Himalayan nation only via India, BSCCL and Nepal Telecom have approached an Indian company, which has expressed willingness to establish the connection, he said.
- Nepal now buys bandwidth from Chennai in India and China to meet its daily demand for about 250 Gbps, but due to its remote location high-speed internet cannot be ensured, Rahman said. The BSCCL's second undersea cable lands in Kuakata of Patuakhali, which is closer to Nepal. BSCCL is currently exporting 10 Gbps of bandwidth to India's northeastern state of Tripura through their state-run telecom company Bharat Sanchar Nigam Ltd (BSNL). But BSNL does not afford internet bandwidth from Bangladesh anymore and will suspend its deal next month. The Indian company owes BDT 63.9 million to BSCCL, which is no closer to recouping the dues.

- Bangladesh has 2,600 Gbps bandwidth capacity from two submarine cables, but only 900 Gbps is consumed locally. BSCCL is working to get its third undersea cable by 2023, which alone will add another 7,200 Gbps.

<https://www.thedailystar.net/business/news/bangladesh-export-bandwidth-nepal-1857835>

Big scammers top defaulters' list

- The number of loan defaulters stands at 8,238 who owed BDT 969.86 billion to various public and private banks till November last year. The Finance Minister said that BDT 258.36 billion was recovered from different defaulters as of November. Apart from individuals, both public and private organizations are on the list.
- Three non-bank financial institutions (NBFIs) have also become defaulters as they failed to pay back bank loans taken for running business. They are Bangladesh Industrial Finance Company, International Leasing and Financial Service, and Peoples Leasing and Finance Services. The BB has already started the process of liquidating one of the three NBFIs -- Peoples Leasing and Finance Services -- for its failure to repay the depositors' money.
- Among the government entities, the food ministry's defaulted loan is BDT 264.6 million. Bangladesh Bank statistics show that the defaulted loans totaled BDT 1.16 trillion in September last year. According to Finance Minister's statement in the House, the amount fell by BDT 193.02 billion in the following two months.
- As of September last year, directors of various banks took loans amounting to BDT 1.73 trillion from their own as well as other banks, said the finance minister. The amount is around 12% of the total outstanding loans, according to him. Directors of 25 banks have taken loans of BDT 16.15 billion from their banks -- around 0.166% of the outstanding loans of the banks. Bank directors also took BDT 1.72 trillion from 55 other banks. The amount is 11.21% of their total loans.

<https://www.thedailystar.net/frontpage/loan-defaulters-number-in-bangladesh-stands-8238-now-1857799>

<https://www.newagebd.net/article/97413/BDT-96986cr-in-loans-defaulted-by-8238-companies-minister>

State-owned enterprises (SoEs) fund deposit: state-owned commercial banks (SoCBs) to give 5.5%, private commercial banks (PCBs) 6.0% interest rate

- State-owned enterprises (SoEs), which will deposit their funds in private commercial banks (PCBs) and financial institutions (FIs), will get interest at 6.0% rate, and at 5.5% from state-owned commercial banks (SoCBs). The notification regarding this by Ministry of Finance reflects a policy decision taken to keep 50% fund of the SoEs, which they get as part of annual development programmes, and their own funds as deposit to the PCBs and FIs. However, pension fund, provident fund, and endowment fund of the state entities will remain out of the purview of the notification, it added. The government made commitment to make low-cost public fund available to the PCBs, so that they can lend it at 9.0% interest.

<https://thefinancialexpress.com.bd/economy/bangladesh/soes-fund-deposit-socbs-to-give-55pc-pcbs-60pc-interest-rate-1579581273>

Country gets USD 153.13 billion remittance in decade

- More than 6.60 million trained workers got employments abroad in the last one decade, from 2009 to 2019, and they remitted around USD 153.13 billion during the period.
- The present government has been imparting training in skill development in two phases under 55 trades through a total of 70 training centers including six institutes of marine

technology and 64 technical training centers.

- Workers are being sent in 173 countries so far. Bangladesh sent 2,57,317 and 3,99,000 workers to Saudi Arabia in 2018 and 2019 respectively while 76,560 and 50,292 to Qatar, 27,637 and 12,299 to Kuwait, 72,504 and 72,654 to Oman, 3,235 and 3,318 to the UAE and 811 and 133 to Bahrain.

<https://thefinancialexpress.com.bd/economy/country-gets-15313b-remittance-in-decade-1579611384>

Telcos fined BDT 47.1 million illegal call termination

- The telecom regulator is set to slap all four mobile operators with fines after their SIMs were found being used in illegal call termination, routing of calls from one carrier or provider to another. The telecom regulator is set to slap all four mobile operators with fines after their SIMs were found being used in illegal call termination.
- A fine of BDT 10,000 was imposed for each connection. Of the total fine of BDT 47.1 million, state-run Teletalk alone accounted for BDT 43.6 million: 4,358 of its SIMs were used in call termination. Robi, Banglalink, and GP were fined BDT 3.2 million, BDT 220,000 and BDT 60,000 respectively.

<https://www.thedailystar.net/business/news/telcos-fined-BDT-471cr-over-illegal-call-termination-1857370>

The Executive Committee of the National Economic Council (ECNEC) revises project cost, timeline once again

- The Executive Committee of the National Economic Council (ECNEC) revised the BSCIC industrial park project on the third occasion increasing the project cost and also extending the implementation time. The ECNEC revised the project along with seven others at a combined cost of BDT 229.46 billion. The executive committee approved the BSCIC's industrial park project in Sirajganj in 2010 involving a cost of BDT 3.78 billion. After that, the cost of the industrial park project was first revised upward to BDT 4.89 billion and then it was revised the second time setting the cost at BDT 6.28 billion. In Tuesday's meeting the cost was further raised by BDT 0.91 billion. As per the original project proposal, it was supposed to be completed by June 2014. Now the ECNEC allowed the state-run BSCIC to complete the work by June 2021.

<https://today.thefinancialexpress.com.bd/last-page/ecnec-revises-project-cost-timeline-once-again-1579630432>

Private banks must get 50% deposits

- The government has decided to park 50% of its development and revenue budget with private banks as part of its concerted effort to enforce single-digit interest rate. The autonomous, semi-autonomous and government companies also will have to keep their 50% of their surplus fund at the lenders, according to a notice issued by the finance ministry.
- The government has taken the decision to lower the interest rate on lending to single digit as part of its move to give a boost to investment and employment generation and make the

growth momentum sustainable. The funds will have to be kept with private banks at six% interest rate. The concerned government entities will have to park the remaining half of their deposits with state banks at 5.5% interest.

<https://www.thedailystar.net/business/news/private-banks-must-get-50pc-deposits-1856884>
<https://www.newagebd.net/article/97213/soes-asked-to-deposit-50pc-funds-in-pvt-banks-at-6pc-interest>

Decade of Grameenphone's rise and Banglalink's decline

- Grameenphone started the new decade with a 46.18% share of total customers in the market, up from 42.80% just five years back. The regulator yesterday published a report on active user in Bangladesh and found that Grameenphone's active customer number was 76.4 million at the end of December last year. The country's second largest operator, Robi, had 49.0 million active connections, Banglalink 35.2 million and state-run Teletalk 4.87 million.
- Five years ago, Bangladesh had six mobile operators and Banglalink was the second largest carrier in terms of customers with a 25.68% market share. Their market share was 26.45% ten years back but fell to 21.28% at the end of December last year.
- The internet started to dominate the telecom industry in the last decade with the advent of 3G and 4G technologies. At the end of February 2012, the country had 31.1 million active internet connections that reached 99.4 million in December last year, with 94.22% of the latest figure being mobile internet.

<https://www.thedailystar.net/business/news/decade-grameenphones-rise-and-banglalinks-decline-1856905>

The National Board of Revenue (NBR) to cut duty benefit on 21 power plant items

- The National Board of Revenue (NBR) is going to cut duty-free benefit on import of 21 types of power plant equipment, categorizing them 'locally available and consumable products.' The decision has been taken in a bid to check duty evasion through abusing the benefit, offered for attracting power sector investment. Officials said the NBR has sent a summary of the new SRO to the finance minister for his approval.
- Currently, power producers enjoy duty-free benefit on import of power equipment and spare parts as per two SROs, issued in 1997 and 2000. Abusing the facility, some of the power producers were importing pre-fabricated building, MS rod, boulder stone, hot rolled steel plate, steel structure, steel pipe, other construction materials, anchor boat, and dredger etc. as power plant equipment. Sources said although the SROs offered duty benefit for all types of power plant equipment, the NBR in a general order (GO) in February 2019 tagged a condition to check duty evasion. In the GO, the NBR made obtaining approval or certification from the Ministry of Power, Energy and Mineral Recourses mandatory to avail the facility. The GO also said customs houses will not release the power plant equipment, if they find any possibility of duty evasion through their import.

<https://today.thefinancialexpress.com.bd/first-page/nbr-to-cut-duty-benefit-on-21-power-plant-items-1579543717>

Dhaka, Seoul finalize three Public-Private Partnership (PPP) projects

- The 2nd Bangladesh-Korea joint platform has finalized three public-private partnership projects in the rail, road and power sectors to be implemented under government-to-government arrangement. The projects are Dhaka Circular Railway, Matarbari-Madunaghat 400kV Transmission Line and Improvement of Dhaka (Joydebpur)-Mymensingh Road into Expressway with service lane. The PPP Authority officials said the latest platform meeting also enabled the funding agencies of both the countries to sit during the working session. They are Korea EXIM Bank, Infrastructure Development Company Ltd, Bangladesh Infrastructure Finance Fund Ltd, HSBC, Standard Chartered Bank and Sonali Bank.

<https://today.thefinancialexpress.com.bd/last-page/dhaka-seoul-finalise-three-ppp-projects-1579544283>

Government's credit growth target raised for H2

- Higher borrowing of the government during the first half (H1) of the current fiscal year (FY20) compelled the central bank to revise the growth rate of the borrowing significantly upward for the second half (H2) of the year. A meeting of the Bangladesh Bank (BB) monetary policy committee last week made the revision keeping the credit growth rate for the private sector unchanged at 14.80%. The growth of net government borrowing had been set at 24.20% for H1 and 24.30% for H2 when the monetary policy statement for FY20 had been issued in July last. After the revision, the net government credit growth has been set at 37.70% for H2. As a result, the target of domestic credit growth has also been re-fixed at 17.40% for the January-June period of the current fiscal year against 15.90% set earlier.
- The net government borrowing posted around 57% increase in November last against 35.46% in the first five months (July-November) of FY20. The meeting also expressed optimism that the previously-projected 8.20% growth of Gross Domestic Product (GDP) would be achievable in the current fiscal year. The meeting, however, observed that keeping the consumer price inflation rate within 5.50% by the end of the fiscal year may be challenging. The improved supply of goods would help maintain the rate within the target.
- The BB has also decided to increase the money supply moderately during the second half of the current fiscal year. So, the broad money growth rate has been re-fixed at 13.0% for H2 against 12.50% set earlier. The decision to increase the money supply has been taken without bringing any change in the policy rates and to improve supply to the private sector including capital market.
- The central bank was of the view that reduction in rate of lending from export development funds by 100-basis points would also help post positive growth in export earnings by the end of the fiscal year. Exports declined by 5.84% in the first half of the current fiscal year. It also mentioned that due to increase in foreign borrowing by the government to finance mega projects as well as surge in foreign direct investment, there would be USD 410 million surplus in the country's overall balance of payments by the end of FY20.

<https://today.thefinancialexpress.com.bd/first-page/govts-credit-growth-target-raised-for-h2-1579457499>

<https://www.dhakatribune.com/business/2020/01/19/bb-amends-monetary-policy-keeping-private-credit-growth-unchanged>

<https://www.thedailystar.net/business/news/govt-allowed-borrow-more-under-new-monetary-policy-1856278>

<https://www.newagebd.net/article/97097/bangladesh-bank-targets-rise-in-money-supply-in->

[h2-to-boost-pvt-sector-stocks](#)

Car sales drop for 2nd year on economic downturn, ridesharing services

- The sales of both reconditioned and new cars were falling for the last two years in the private sector level because of decreasing buying capacity, traffic jam in the capital and increase in ownership costs. Apart from the growing number of cars being registered with ridesharing services, a decrease in loan-equity ratio to 50% since 2015 from 70% for purchasing car is another reason for the decline in car sales.
- The import of used cars declined by nearly 50% in 2018-19 and the July-November period of the current fiscal year. The Bangladesh Road Transport Authority registered 16,783 passenger cars in 2019, down from 18,299 in 2018 and 21,959 in 2017. The registration of minibuses slumped to 3,683 in 2019 from 4,137 in 2018 and 5,575 in 2017 while the registration of pick-ups decreased to 11,952 from 13,907 in 2018 and 13,512 in 2017. The registration of jeeps, purchased mostly by the government with different project funds and higher-class people, grew slightly to 5,630 in 2019 from 5,555 in 2018 and 5,425 in 2017.

<https://www.newagebd.net/article/97099/car-sales-drop-for-2nd-year-on-economic-downturn-ridesharing-services>

Risky loans soaring. BB's plan? Hide figure.

- The central bank is planning to sweep the bulging stressed assets under the rug when it publishes its annual financial stability report in April such that it can paint a rosy picture of the banking sector. Stressed assets, which include default loans, restructured and rescheduled advances, have shot up 18.89% to BDT 2.22 trillion in the six months to June last year, according to data from the Bangladesh Bank. The ratio of stressed assets in the banking sector was 22% of total loans as of June last year, up 16.10% from four-and-a-half years earlier. This has forced the central bank to think of camouflaging the figure, four central bank officials with direct knowledge of the matter said. As of June, default loans in the banking sector stood at BDT 1.13 trillion, while rescheduled and restructured loans amounted to BDT 1.1 trillion.
- The International Monetary Fund and other multilateral lenders and donor agencies have taken into account the figure while assessing our economy. This has created an uncomfortable situation for us, said a central banker requesting anonymity due to sensitivity of the topic. Such risky assets can put adverse effect on banks' balance sheets and profitability because of the need for provisioning against the classified loans and reduced returns on investment, according to a recent central bank report on stressed assets. They also push up the cost of capital, widen assets and liability imbalance and upset the economic value addition by banks.

<https://www.thedailystar.net/business/news/risky-loans-soaring-bbs-plan-hide-figure-1856347>

Bangladesh economy may grow by 7.80% in FY20: United Nations

- Growth rate of the Gross Domestic Product (GDP) of Bangladesh may decline to 7.80% in the current fiscal year (FY20) from 8.10% in the previous fiscal year. Nevertheless, the projected growth rate of Bangladesh will be the highest in South Asia in 2020, according to the latest report of the United Nations on global economy. It pointed out that regional GDP

growth fell faster than the global average, dropping from 5.6% in 2018 to 3.3% in 2019, but was moderated by strong growth in Bangladesh, Bhutan, Maldives and Nepal. It also projected that growth rate of India and Pakistan may be recorded at 6.6% and 2.10%, respectively.

- The UN WESP 2020, released on Friday, also projected that Bangladesh would face higher inflation in the current year. Rate of consumer price inflation may reach 5.90% in the current year which was 5.10% in the previous year, according to the UN estimate.

<https://thefinancialexpress.com.bd/economy/bd-economy-may-grow-by-780pc-in-fy20-un-1579347315>

<https://www.newagebd.net/article/96993/bangladesh-economy-to-grow-78pc-in-fy20-un>

Bangladesh may face rating downgrade due to sea level rise: Moody's

- The credit rating of Bangladesh and some other countries might face a downward rating due to the global sea level rise, said a study report released by Moody's Investors Service, a global credit rating agency, on Thursday. The report said that the sea level rise and related shocks might pose material credit risk to Vietnam, Egypt, Suriname, the Bahamas and other small island sovereigns including Maldives and Fiji, Bangladesh, Indonesia and Thailand.

- Moody's has assigned Bangladesh Ba3 rating with stable outlook for last few years. A relatively gradual increase in the frequency and severity of sea level-related disasters would give governments some time to adapt but if the manifestations of sea level rise intensify abruptly, without effective adaptation, these sovereigns might face some downward rating pressure. Moody's, however, said Bangladesh was less exposed than Vietnam, Egypt and Suriname but the country might also face challenges addressing these risks, and as such could experience some related credit pressure.

<https://www.newagebd.net/article/96808/bangladesh-may-face-rating-downgrade-due-to-sea-level-rise-moodys>

Loan rescheduling hits new record

- Banks rescheduled a record amount of defaulted loans in 2019 in their frantic efforts to minimize or, in other words, to make the ever growing non-performing loans (NPLs) look small. In the year, non-performing loans amounting to BDT 504.34 billion were rescheduled, up 117.29% from a year earlier, according to the Bangladesh Bank (BB) data. Banks rescheduled BDT 232.10 billion in 2018.
- The NPLs of banks rose by a staggering BDT 38.63 billion in three months till September in 2019, taking the amount of stress loan in the banking sector to BDT 1.16 trillion, according to BB data. According to the BB data, in 2019, the state-run banks rescheduled BDT 152.86 billion, private commercial banks BDT 307.98 billion, foreign commercial banks BDT 369.1 million and specialized banks BDT 43.15 billion.

<https://www.dhakatribune.com/business/2020/01/18/loan-rescheduling-hits-new-record>

Government's bank borrowing exceeds entire FY's target in six months

- The government has exhausted its net borrowing target for the fiscal year of 2019-20 from the banking system in just six months (July-December) with the net borrowing reaching

BDT 480.16 billion in the period. In the budget for the fiscal year 2019-2020, the government had projected to borrow BDT 473.64 billion from the banking sector. The latest borrowing figure shows that the government's bank borrowing has already exceeded by BDT 6.52 billion with another six months of the fiscal year to spare. According to Bangladesh Bank data, the government's net outstanding borrowing from the banking sector increased to BDT 1.56 trillion at the end of December 2019 from BDT 1.08 trillion on June 30, 2019.

- Revenue collection by the National Board of Revenue fell short of target by BDT 268.76 billion in the first five months of the fiscal year 2019-2020. Apart from the dismal revenue collection, the sales of NSC, another source of borrowing money for the government, also dropped significantly.

- Economists cautioned that the government's high borrowing from the banking sector has squeezed credit flow to the industries. Lower credit flow to the private sector would ultimately hamper industrial expansion thus resulting in unemployment along with social disparity, they said. In November 2019, private sector credit growth, a determining factor of the country's industrial expansion, dropped to a record low at 9.87% against the Bangladesh Bank's projection for a cautious 14.8% growth in FY20.

<https://www.newagebd.net/article/96906/govts-bank-borrowing-exceeds-entire-fys-target-in-six-months>

Foreign Direct Investment (FDI) stuck in low gear

- The declining trend in the net inflows of foreign direct investment, or FDI, in the country sustained until the third quarter of the immediate past calendar year, according to government data. The nation witnessed nearly 30% drop in FDI during July-September period of 2019 compared with the previous quarter (April-June). The net FDI flow reached USD 462.20 million during the third quarter of 2019, down from USD 656.10 million during the second quarter of the year. If the January-September period of 2019 is considered, the flow fell by 4.93%.

- In terms of sector-specific net FDI inflow, power sector attracted the highest volume of foreign investment (USD 82.44 million), followed by telecommunication (USD 75.63 million), textile and clothing (USD 70.05 million), food (40.38) and construction (USD 38.13 million). The highest amount of FDI came from the United Kingdom (USD 90.01 million), followed by Norway (USD 50.40 million), the United Arab Emirates (USD 47.12 million), the United States (USD 44.46 million) and Hong Kong of China (USD 36.02 million).

- Economists were not surprised at the declining FDI inflow since the country's overall macroeconomic outlook was not good as it was in 2018. Executive director of Policy Research Institute (PRI) explained the reasons behind the increased FDI in 2018. He said Japan Tobacco's acquisition of Dhaka Tobacco by around USD 1.5 billion and another major transaction through investment of Chinese consortium to buy 25 stakes in Dhaka Stock Exchange (DSE) boosted the FDI inflow. We did not see any major transaction in 2019. So, it has affected the FDI growth, he said. But borrowing keeps increasing here, that means all want to give loans to Bangladesh but nobody wants to take Bangladesh's stake, which is not a good sign, he added.

<https://today.thefinancialexpress.com.bd/first-page/fdi-stuck-in-low-gear-1579365892>

Unconventional non-bank debt up

- The government's non-bank borrowing from unconventional sources has been growing fast, driven by its needs to meet higher public spending. Apart of savings tools, non-bank instruments include provident fund, public deposits kept in the national exchequer as security required for procurement rules and legal suits and government payables. This type of borrowing by the government shot up by more than 33% to BDT 242 billion during the first four months of the fiscal year compared with the year-earlier period, according to official documents. The figure represents almost half the annual borrowing target from domestic non-banking sources.

- Officials at the ministry of finance said that such type of borrowing remained almost unutilized in the past, because the government relied on national savings instruments to meet public expenditure. But sales of savings instruments declined significantly during the period due to complicated procedures and tax imposition. The borrowing from savings tools was merely BDT 59.2 billion during July-October of this fiscal year against BDT 182 billion borrowed during the same period previous fiscal. They said that borrowing from such non-traditional instruments climbed, as the government is taking the adverse impact of huge bank borrowing on the financial market into consideration.

<https://today.thefinancialexpress.com.bd/public/first-page/unconventional-non-bank-debt-up-1579284020>

Government borrows from banks at above 9% belies its rate stance

- The government is borrowing funds from banks at more than 9% interest rates against treasury bills and bonds, which contradicts its move to force banks to implement 9% lending rate. As per rules, lending to the government or even against any government guarantee does not create any financial vulnerability to banks as it is considered risk-free, said Bangladesh Bank officials. The central bank does not include any amount of lending to the government in banks' risk weighted assets, meaning that the banks are exempted from keeping any capital against such borrowing.

- The scarcity of funds in the country's banking sector, caused by lower deposit growth and high non-performing loans, has forced the government to borrow funds from the banks at above 9% interest rate against long-term securities, taking the market situation into consideration, said bankers. Even a year ago, the government had borrowed funds at less than 5% interest rate when the fund flow in the banking sector was a bit better and the government's bank borrowing was less, reflecting the dominance of demand and supply situation in determining the lending and deposit rates, they said.

<https://www.newagebd.net/article/96990/govt-borrows-from-banks-at-above-9pc-belies-its-rate-stance>

H1 import duty: Receipts from top 20 items dip

- Tax collection from top 20 imported items has plummeted by 39% during the first half of the current fiscal year, in a major blow to the revenue target. The National Board of Revenue, or NBR, received BDT 34.11 billion in July-December from the key revenue-spinning imports, down by BDT 21.06 billion from the year-earlier period. High-speed diesel, crude soybean oil, base-oil, steel-made line pipe, mobile phone, rice, black tea, road tractors for semi-trailers and flat rolled products are among the traditional key sources of tariff collection.

- In its analysis, the customs wing found the number of tax exemptions availed by different sectors to go up by 12% during the period. A senior official said the trend in offering tax waivers has seen a rapid rise in the half-yearly period. Up to December, the NBR has offered general and special exemptions, valued at BDT 223.28 billion, up by 23.22 billion against the release of imported products. The official said the import of products enjoying duty waiver increased with the implementation of different mega projects such as Padma bridge, metro-rail, Karnaphuli tunnel, Rooppur nuclear power plant, etc. The import of products falling under the zero tariff-slab jumped by 35% or 442 tonnes, the analysis said.

<https://today.thefinancialexpress.com.bd/first-page/receipts-from-top-20-items-dip-1579365816>

<https://www.newagebd.net/article/96995/customs-duty-collection-BDT-13031cr-short-of-target-in-h1>

Higher allocation for Delta Plan

- The government has increased the allocation for the Delta Plan 2100 to 0.86% of the gross domestic product this fiscal year, which was 0.58% in the previous year. It has also selected some 80 projects to be implemented on a priority basis, for which about USD 37 billion or 2.5% of the GDP will be spent by 2030. Bangladesh's GDP stood at BDT 25.36 trillion in 2018-19.

- The USD 4.02 billion Integrated Jamuna-Padma Rivers Stabilization and Land Reclamation project is one of the major ones taken under the plan, said a member of the General Economics Division, adding that the World Bank has already showed interest in providing USD 2 billion for the project. Another USD 5.28 billion project titled 'Construction of Padma Barrage and Ancillary Works' has been added to the list.

<https://www.thedailystar.net/business/news/higher-allocation-delta-plan-1855249>

Important News: Capital Market

Bangladesh Bank proposes BDT 100 billion fund for stocks

- The Bangladesh Bank has submitted to the finance ministry a set of proposals, including formation of a BDT 100 billion refinancing fund in line with some stockbrokers' demand to stabilize the ailing capital market. As per the BB proposal, the fund would be managed by the central bank directly and the banks, merchant banks and brokerage houses would get fund from the BB at the interest rates between 3% and 5%.

- The investors upon fulfilment of BB's criteria would be entitled to get the fund from brokerage houses or merchant banks at the interest rates between 7% and 9%. Earlier on September 22 last year, the BB offered repurchase agreement (REPO) facility to the banks at the rate of 6% interest for investments in the capital market. The central bank has excluded banks' investments into the non-listed securities from their capital market exposure to offer banks more space to invest into the capital market.

<https://www.newagebd.net/article/97388/bb-proposes-BDT-10000cr-fund-for-stocks>

Prospectus of Ekush First Unit Fund approved

- The securities regulator approved the draft prospectus of Ekush First Unit Fund. The initial size of the open-end mutual fund will be BDT 100 million, of which BDT 10 million will be contributed by its sponsor Ekush Wealth Management, also the asset manager of the fund. The remaining BDT 90 million will be collected from general investors through sales of units. The offer price of the fund's units will be BDT 10 each.

- The BSEC has also approved the draft of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2020.

<https://today.thefinancialexpress.com.bd/stock-corporate/prospectus-of-ekush-first-unit-fund-approved-1579713691>

Solving bank troubles, GP-regulator issues key for Dhaka Stock Exchange (DSE): Asia Frontier Capital (AFC)

- Bangladesh's stock market can be revived by strengthening the banking sector and settling the tussle between Grameenphone and the telecom regulator, said Hong Kong-based investment firm Asia Frontier Capital (AFC). Improving stock market sentiment requires some very simple decisions but the question remains over whether the political will exists, it said in its annual publication AFC Asia Frontier Fund: 2019 Review and Outlook For 2020.

- GDP growth and overall macroeconomic indicators remain stable but until the authorities can resolve the issues pertaining to the banking sector and mobile operator, which together account for 32% of the index, the overall sentiment may remain soft, the report said. However, on a bottom up basis they expect pharmaceutical and consumer discretionary companies to do well as consumption demand should remain strong due to it being an underpenetrated market. Air conditioner penetration in Bangladesh is 3%, refrigerator 20% and washing machine 2%.

- We believe that the Bangladeshi local currency will depreciate moderately in 2020 to support export growth, it said. However, the report does not expect a sudden devaluation but a more gradual 3 to 5% depreciation going forward.

- The recent market slide resulted from the Grameenphone-regulator tussle and health deterioration of the banking sector, leading to the rise of negative sentiments across the market. The other dampener on investor sentiment has been issues centering the banking sector, which accounts for almost 18% of the index.

<https://www.thedailystar.net/business/news/solving-bank-troubles-gp-regulator-issues-key-dse-1857367>

Bangladesh Road Transport Corporation (BRTC) shares to be offloaded

- The 'Bangladesh Road Transport Corporation Bill, 2020' was introduced in parliament on Monday to offload 49% of its shares in the capital market. Road Transport and Bridges Minister placed the Bill in the House and it was sent to the respective parliamentary standing committee for further examination. The Committee was asked to submit its report within 14 working days. According to the proposed law, the government will own 51% shares while 49% will be offloaded for the public.

- The authorized capital of the BRTC will be BDT 10 billion which will be divided into 1.0 billion general shares with BDT 10 base price. The authorized capital of the corporation

under the existing law is only BDT 60 million. The paid-up capital of the corporation is BDT 30 million in the existing law. Its amount has not been fixed in the proposed law as the BRTC annual general meeting or special general meeting will fix the amount of the paid-up capital but it cannot exceed the amount of the authorized capital.

<https://today.thefinancialexpress.com.bd/stock-corporate/brtc-shares-to-be-offloaded-1579542719>

<https://www.dhakatribune.com/business/2020/01/20/brtc-shares-to-be-offloaded-in-capital-market>

Bangladesh Bank rolls out capital market support plan this week

- The central bank is set to announce a long-term comprehensive plan this week aiming to support sustainable development of the country's capital market. Under the plan, the Bangladesh Bank (BB) will provide both liquidity and policy supports to the banks along with other capital market intermediaries, according to officials. The central bank is working on such liquidity supports to all the share market-related financial institutions at an 'affordable cost' through the scheduled banks in the form of repo (repurchase agreement), they explained.

- Bangladesh Merchant Bankers Association (BMBA) explained the necessity of a BDT 100 billion fund to bring dynamism in the share market. The BMBA earlier sought the fund from the government to rejuvenate the capital market. Besides, the central bank met with senior executives of five leading private commercial banks (PCBs) separately on Thursday on the same grounds, the officials added. When contacted, a senior banker said the meeting discussed the latest overall market situation alongside the role of the banks. The bankers also recommended taking effective initiatives to restore the confidence of investors along with ensuring good governance for revamping the capital market, a banker said.

<https://today.thefinancialexpress.com.bd/first-page/bb-rolls-out-capital-mkt-support-plan-this-week-1579457317>

<https://www.dhakatribune.com/business/2020/01/19/bb-to-ensure-liquidity-for-boosting-capital-market>

<https://www.newagebd.net/article/97100/bangladesh-bank-assures-bmba-of-stock-market-friendly-policies>

Yasir Azman becomes 1st Bangladeshi CEO of GP

- The Board of Directors of Grameenphone (GP) has appointed Yasir Azman as the new chief executive officer (CEO) of the Bangladeshi operation, effective on February 01, replacing current CEO Michael Foley. Yasir Azman has served as the chief marketing officer (CMO) of GP since June 2015 and also as Deputy CEO of the company since May 2017. Before this, Azman was Telenor Group's head of distribution and e-business. He has worked across all Telenor operations.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/yasir-azman-new-ceo-of-gp-1579194678>

<https://www.newagebd.net/article/96766/yasir-becomes-1st-bangladeshi-ceo-of-gp>

<https://www.thedailystar.net/business/news/grameenphones-first-bangladeshi-ceo-1855252>

40 companies eye BDT 30 billion through IPOs

- Forty companies are waiting to raise around BDT 30 billion from the country's capital

market by floating initial public offerings. Of the firms, 12 companies are expected to raise BDT 15.68 billion in total under the IPO book building method, while the rest 28 would raise BDT 14 billion under the fixed price method. Of the IPO seeking companies, most of them are poor- and small-capitalized companies as good companies including multinational and state-owned ones are reluctant to come to the capital market as they prefer banks for meeting their financial need.

- Stock market experts said strong policy and government's incentives were needed to bring better companies to the market. They also said that delay in IPO approval, widespread anomalies on the market, poor regulatory control, unpredictable regulations and asymmetrical regulatory approach towards the companies and institutions were the other reasons for the companies' reluctance.

<https://www.newagebd.net/article/96938/40-cos-eye-BDT-3000cr-thru-ipo>

Government swings into action to stabilize capital market

- The government on Thursday swung into action to stabilize the country's stock market that has been in turmoil for the last 11 months. A press release issued by the BSEC said that a meeting of 'policymakers' at the PMO 'directed' the authorities concerned to implement a 6-point proposal as short-term measures to develop the capital market.
- The meeting discussed that banks and non-bank financial institutions could be asked to increase investment in the capital market. The investment capacity of state-run Investment Corporation of Bangladesh could be enhanced. The senior government officials may take initiatives to enlist on the stock market good companies including multinational and government-owned companies. Merchant bankers and institutional investors can be given loan facilities on easy terms. Necessary measures should be taken to attract foreign investment and build their confidence in the country's stock market.

<https://www.newagebd.net/article/96801/govt-swings-into-action-to-stabilise-capital-market>