

Bangladesh market snapshot

	Last closing
DSEX Index	4,916.97
% change	-0.35%
DS30 Index	1,669.37
% change	-0.49%
DSES Index	1,108.80
% change	-0.28%
Turnover (BDT mn)	7,938.11
Turnover (USD mn)	94.50
% change	-10.68%
Market Capitalization (BDT bn)	3,997
Market Capitalization (USD bn)	47.58
% change	-0.75%

Source: Dhaka Stock Exchange

International market snapshot

	Last closing
Dow Jones Industrial Average	28,586.90
% change	+0.57%
Nikkei 225	23,619.69
% change	-0.12%
FTSE 100	6,016.65
% change	+0.65%

Source: Bloomberg

Exchange rate

Currency	BDT
USD	84.81
EUR	99.76
GBP	109.59
INR	1.16

Source: Bangladesh Bank

Money market

Date	Call Money Rate Range (%)	Weighted Average (%)
07-Oct-2020	1.50-5.25	2.36
06-Oct-2020	1.50-5.25	2.40

Source: Bangladesh Bank

Commodities

	Price	% Change
Brent Crude (Oil), USD/bbl	42.85	-1.13%
Gold Spot, USD/t oz	1,930.40	+1.93%
Cotton, USD/lb	67.64	+0.22%

Source: Bloomberg

Economy

Call to defer LDC graduation

Bangladesh should recommend the United Nations for deferring the next year's LDC (least developed country) graduation triennial review by three more years, considering the adverse impacts of Covid-19 pandemic. With the proposal for additional time, the LDCs could get another three years to prepare themselves to overcome the post-graduation challenges and the global economy will possibly be recovered by the time.

<https://today.thefinancialexpress.com.bd/first-page/call-to-defer-ldc-graduation-1602348936>

Industries lose Safta benefit as Customs refuses digital doc

Two major industries – cement and steel – are facing problems importing raw materials as the customs authorities are not accepting digital copies of certificates of origin issued under the South Asian Free Trade Area (Safta) agreement. Even though the coronavirus pandemic has led to an increase in use of digital systems in imports and exports of goods instead of physical communications around the world, traders in Bangladesh are suffering as the bureaucracy is insisting on old methods here. Both land ports and seaports are seeing such roadblocks. Businesses claimed more than 400 ships transporting cement and steel raw materials from India are stuck at Chattogram port due to this complication. A large number of loaded trucks are also stuck at Benapole.

<https://tbsnews.net/economy/trade/industries-lose-safta-benefit-customs-refuses-digital-doc-143293>

Bank and NBFI

Govt banks break exposure limit to serve big borrowers

In spite of being burdened with huge default loans and worsening financial performance, state-owned banks in the country are found to have been continuing to provide loans to large borrowers exceeding their single borrower exposure limits. Out of the total large loans given by four state-owned banks in violation of the rule, loans of Tk12,000 crore of Sonali and Janata banks went into default in June this year. Four public-sector banks– Sonali, Janata, Agrani and Rupali – disbursed loans to 20 of their large borrowers exceeding 25% of their total capital, while a memorandum of understanding signed with the Bangladesh Bank says the funded loan to a single borrower must be within 15% the bank's total capital.

<https://tbsnews.net/economy/banking/giving-out-loans-violation-single-borrower-exposure-limit-143581>

All efforts fail to reduce NPLs at state banks

In the late nineties, the key financial indicators of the state-owned commercial banks deteriorated alarmingly. Non-performing loans (NPLs) rose to 45.6 per cent because of poor corporate governance.

But all efforts in the last two decades have little effect on the actual condition of the banks. NPLs in the state lenders stood at 21.6 per cent of their total outstanding loans of Tk 188,876 crore as of June, down from 31.23 per cent a year ago. But this is not the actual picture as the lenders regularised defaulted loans to the tune of Tk 15,286 crore last year using the relaxed rescheduling facility introduced by the central bank.

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

Textile

Small apparel units still in a tight spot

Small and medium garment factories are yet to see the rebound in apparel shipments as they have not received as many export orders as the bigger units have, pointing to an uneven recovery in the sector. After a drastic fall in business in April due to the ongoing coronavirus pandemic, the export of garment items started picking up from May as international retailers and brands reopened their stores in their home countries and returned with work orders. Large units are the major beneficiaries of the uptick in the business compared to the small and medium factories because of the former's strength.

<https://www.thedailystar.net/business/news/small-apparel-units-still-tight-spot-1975989>

Tobacco

Current cigarette tax is not discouraging consumption: World Bank

The existing taxation system in Bangladesh has neither decreased cigarette consumption nor increased revenue generation. The number of smokers has been increasing as existing laws to prevent smoking cigarettes are not implemented properly. Cigarette consumers are opting for low-priced brands due to the increased tax rates.

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

Capital Market

IPO share bidding of Lub-rref begins tomorrow

The bidding for eligible investors (EIs) to explore the cut-off price of shares of Lub-rref (Bangladesh) Ltd, a local lubricant producer, will begin tomorrow (Monday). The Chittagong-based lubricant company's shares bidding through electronic subscription system (ESS) of the exchanges will be continued until 5:00pm on October 15. The local lubricant company will raise a capital worth Tk 1.50 billion from the capital market under the book-building method.

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

Tk 1,076cr IPO of nine cos approved in 3 months

The Bangladesh Securities and Exchange Commission has approved the initial public offerings of nine companies to raise Tk 1,076 crore in just

three months, making the primary market vibrant. The BSEC has also rejected IPO applications of 11 companies during the period for violating various rules. The regulator allowed five companies to raise Tk 601 crore under the fixed price method and permitted four companies to raise Tk 475 crore under the book building method. The securities regulator gave its decision regarding 20 IPOs in just three months. Usually, companies have to wait for years to get the decision over an IPO.

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

Mutual funds to play bigger role in stock market

The Bangladesh Securities and Exchange Commission (BSEC) is anticipating mutual funds' contribution in stock market capitalisation to balloon from some 3 per cent at present to 20 per cent. The BSEC brought changes to some rules and that more would follow centring mutual funds to bring discipline and accountability and revive investor confidence.

<https://www.thedailystar.net/business/news/mutual-funds-play-bigger-role-stock-market-1975929>

Trading booths in small towns likely

The securities regulator is set to allow stock brokers to open trading outlets in different areas of the country to reach the capital market to the people's doorsteps. As part of the move, the Bangladesh Securities and Exchange Commission (BSEC) has already formulated draft rules for installing trading booths in different areas, initially in municipal towns. Investors will be able to take part in trading from any part of the country if trading booths are opened by interested brokers.

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

Stock

Marico Bangladesh to invest 227C in economic zone

Marico Bangladesh Limited, a listed multinational company, has decided on a phase-wise investment of Tk227 crore for increasing its manufacturing capacity. The company is going to set up operations in the Special Economic Zone under the Bangladesh Economic Zones Authority (BEZA). In March 2019, the Indian fast-moving consumer goods company invested Tk29.40 crore to increase the production capacity of its factories in Mouchak and Shirirchala.

<https://www.dhakatribune.com/business/stock/2020/10/08/marico-bangladesh-to-invest-227c-in-economic-zone>

Crown Cement ditches Tk600cr expansion plan for overcapacity

The MI Cement Factory Ltd, popularly known as Crown Cement, has postponed its Tk600 crore expansion plans due to Covid-19 and an overcapacity of production against the domestic market demand. The cement industry has seen a sharp decline in demand in the wake of the outbreak of the novel coronavirus and that the entire industry is

currently operating at substantially lower capacity levels. The demand is expected to remain tepid in the next two to three years until the pandemic ravaged economy recovers.

<https://tbsnews.net/economy/industry/crown-cement-ditches-tk600cr-expansion-plan-overcapacity-143587>

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Expected absolute returns are calculated as the percentage of difference between our target price and latest close price. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Please note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

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