

Bangladesh market snapshot

| | Last closing |
|--------------------------------|--------------|
| DSEX Index | 3,960.66 |
| % change | 0.06% |
| DS30 Index | 1,325.63 |
| % change | 0.07% |
| DSES Index | 918.29 |
| % change | 0.07% |
| Turnover (BDT mn) | 653.08 |
| Turnover (USD mn) | 7.77 |
| % change | 6.12% |
| Market Capitalization (BDT bn) | 3,104 |
| Market Capitalization (USD bn) | 36.95 |
| % change | 0.04% |

Source: Dhaka Stock Exchange

International market snapshot

| | Last closing |
|------------------------------|--------------|
| Dow Jones Industrial Average | 26,289.98 |
| % change | +2.04% |
| Nikkei 225 | 22,414.50 |
| % change | -0.74% |
| FTSE 100 | 6,242.79 |
| % change | +2.94% |

Source: Bloomberg

Exchange rate

| Currency | BDT |
|----------|--------|
| USD | 84.95 |
| EUR | 96.21 |
| GBP | 107.09 |
| INR | 1.12 |

Source: Bangladesh Bank

Money market

| Date | Call Money Rate Range | Weighted Average (%) |
|-------------|-----------------------|----------------------|
| 15-Jun-2020 | 4.00-5.50 | 5.00 |
| 14-Jun-2020 | 4.00-5.50 | 5.01 |

Source: Bangladesh Bank

Commodities

| | Price | % Change |
|----------------------------|----------|----------|
| Brent Crude (Oil), USD/bbl | 40.24 | -1.76% |
| Gold Spot, USD/t oz | 1,725.12 | -0.08% |
| Cotton, USD/lb | 58.86 | -0.37% |

Source: Bloomberg

Economy

FDI in Bangladesh plunges by 56pc in 2019

Inflow of foreign direct investment into Bangladesh slumped by 56 per cent in 2019 after a huge surge in the previous year. Bangladesh in 2018 received \$3.61 billion in FDI, the highest ever in the country's history, with 68-per cent growth over the previous year driven by significant investments in power generation, apparel sector as well as the \$1.5 billion acquisition of Akij Group's United Dhaka Tobacco by Japan Tobacco.

<https://www.newagebd.net/article/108572/fdi-in-bangladesh-plunges-by-56pc-in-2019>

Govt mulls exempting all import duties

The government is considering exemption of all related duties excepting VAT on the import of raw materials for producing face shields locally. The initiative has been made to encourage the production of such items to be used as a safety gear against the COVID-19 pandemic. Local producers have to pay higher duties and taxes on the import of raw materials of face shield. The government imposes 58.60-per cent and 48-per cent total tax incidence on the import of acrylic polymer and pet film respectively.

<https://today.thefinancialexpress.com.bd/trade-market/govt-mulls-exempting-all-import-duties-1592321680>

Pandemic nudging Bangladesh's debt-to-GDP ratio out of comfort zone

The coronavirus pandemic is turning out to be a quite a costly affair for Bangladesh, due to which its public debt-to-GDP ratio, which has thus far been in a healthy position, is set to exceed the responsible threshold of 40 per cent. In the coming years, Bangladesh's public debt-to-GDP ratio, which stood at 36 per cent at the end of 2019, would swell to about 41 per cent owing to increased borrowing to safeguard both lives and livelihoods.

<https://www.thedailystar.net/business/news/pandemic-nudging-bangladeshs-debt-gdp-ratio-out-comfort-zone-1915837>

Some sectors get relief from advance tax

Over the past year, manufacturers have had to pay advance tax (AT) when importing raw materials that resulted in increased operating costs while also blocking working capital for various companies like mobile phone and refrigerator makers. Although many sectors are exempted from value-added tax at the manufacturing stage, the companies had to pay 5 per cent as AT and wait for a refund after the transaction was completed. Now the manufacturers who enjoy VAT exemption at the manufacturing stage will no longer be needed to pay AT, a form of VAT which was levied on imports at the beginning of the current fiscal year. The revenue authority introduced 5 per cent AT under the new VAT law on imports of goods from this fiscal year in order to encourage businesses to keep records and accounts properly. The idea is to

widen the VAT net and curb money laundering through trade misinvoicing.

<https://www.thedailystar.net/business/news/some-sectors-get-relief-advance-tax-1915813>

Bangladesh eyes foreign firms leaving China

Bangladesh has initiated groundwork to attract investments from large foreign firms which are planning to move out of China to reduce single-country dependence after Covid-19 pandemic. Special economic zones with ready-to-use land, longer tax holiday and availability of all services under one roof are among the offers Bangladesh is going to make if foreign companies relocate their plants here from China.

<https://www.tbsnews.net/economy/trade/bangladesh-eyes-foreign-firms-leaving-china-94240>

Free trade agreement with Bhutan finalised

Bangladesh has finalised a bilateral free-trade agreement (FTA) deal with Bhutan to tap the potential of boosting two-way trade. If the deal is signed finally, it will be the maiden free-trade agreement for Bangladesh. 19 Bhutanese products currently enjoy duty-free access to the Bangladeshi market.

<https://www.tbsnews.net/economy/trade/free-trade-agreement-bhutan-finalised-94228>

FRC steps in to better corporate reporting

The state-run Financial Reporting Council or FRC has signed deals with three global accounting and auditing standards-setting organisations. With the agreement, a well-regulated structure will be introduced to Bangladeshi corporate and business organisations for ensuring high quality financial reporting and auditing with integrity, transparency and trustworthiness. The three global organisations are the IFRS Foundation, International Federation of Accountants or IFAC and International Valuation Standards Council or IVSC.

<https://today.thefinancialexpress.com.bd/last-page/frc-steps-in-to-better-corporate-reporting-1592329273>

Bank and NBFIs

BB allows banks to issue international debit cards

The central bank of Bangladesh has issued a guideline allowing banks to issue international debit cards (IDCs) in favour of eligible persons against their annual travel entitlements. Under the provisions, IDCs will be issued within annual travel entitlement with endorsement on passports. The authorised dealer (AD) banks will have suitable arrangements in the local currency accounts to which IDCs are linked so as to be ensured that the amount in foreign exchange cannot be expensed in excess of endorsement within the annual travel entitlement. The local currency accounts to which IDCs are linked will have sufficient funds to support the expenses to be met from the cards.

<https://thefinancialexpress.com.bd/trade/bb-allows-banks-to-issue->

[international-debit-cards-1592308935](#)

Transportation

Vehicle importers relieved as taxes remain unchanged

Reconditioned vehicle importers and distributors have breathed a sigh of relief at the tax and duty structure being kept the same in the proposed budget, saying this would help keep pressure off and business stable amidst the pandemic. The duty on import of reconditioned vehicles in some cases is almost double compared to those of new cars because of discrimination by customs in the valuation of cars. As a result, the import of reconditioned cars declined due to falling demand from the customers and the businessmen in this sector have been facing a lot of financial losses over the last couple of years.

<https://www.thedailystar.net/business/news/vehicle-importers-relieved-taxes-remain-unchanged-1915817>

Motorcycle industry again demands registration fee cuts

Motorcycle assemblers and manufacturers have again demanded a reduction in registration fees in the final budget so that the industry can recover from the economic losses induced by the pandemic of COVID-19 and contribute more to the GDP. The government has not addressed their demands in the proposed budget, rather imposed an additional 10 per cent supplementary duty on registration of motorcycles. Amid the ongoing economic crisis, the motorcycle industry will face a sharp fall in demand by 30 to 40 per cent due to a significant drop in purchasing power of people.

<https://www.thedailystar.net/business/news/motorcycle-industry-again-demands-registration-fee-cuts-1915805>

Motorcycle makers demand VAT exemption facility continued

The Motorcycle Manufacturers and Exporters Association of Bangladesh on Tuesday claimed that the withdrawal of the value added tax exemption facility for local motorcycle makers in the proposed budget had subjected the sector to uneven competition on the market. Local manufacturers of motorcycle and its spare parts had been enjoying the VAT exemption facility as per Section 4.4 of the National Industrial Policy 2016 but the facility was not extended in the proposed budget for the fiscal year 2020-21 placed in the parliament on Thursday. The sector had incurred losses worth Tk 1,200 crore in the last two months due to the pandemic which might reach up to Tk 7,200 crore in one year.

<https://www.newagebd.net/article/108578/motorcycle-makers-demand-vat-exemption-facility-continued>

Telecommunication

Mobile carriers feel hard done by

The government may not achieve their target revenue from the telecom industry with just a 5 per cent increase in supplementary duty for the upcoming fiscal year. During the budget proposal last Thursday, Finance Minister AHM Mustafa Kamal announced a 15 per cent supplementary duty on telecommunication services, a significant rise from the previous

10 per cent. This decision came into effect on Friday. Each year, the taxes are increased in various ways since it is easy to collect revenue from the telecom industry. would also damage the industry.

<https://www.thedailystar.net/business/news/mobile-carriers-feel-hard-done-1915833>

Capital Market

Krishibid Feed plans to go public for Tk 30cr

Krishibid Feed, a sister concern of Krishibid Group, has deisgns to go public to raise Tk 30 crore to expand its business to meet the growing demand for feeds in the livestock sector. The poultry, fish and cattle feed producer has already applied to the stock market regulator for its initial public offering. One-third of the IPO proceeds will be used to repay bank loans. About Tk 18 crore would be used for business expansion purposes and the rest to foot IPO expenses. It will set up two factories in Bogra and Panchagarh as it makes a push towards grabbing the feed market of the country's northern region and also expand its existing factories in Bhaluka of Mymensingh.

<https://www.thedailystar.net/business/news/krishibid-feed-plans-go-public-tk-30cr-1915841>

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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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