

Bangladesh market snapshot

	Last closing
DSEX Index	4,869.09
% change	0.15%
DS30 Index	1,689.70
% change	0.46%
DSES Index	1,118.85
% change	0.14%
Turnover (BDT mn)	7,583.33
Turnover (USD mn)	90.28
% change	25.81%
Market Capitalization (BDT bn)	3,905
Market Capitalization (USD bn)	46.49
% change	0.02%

Source: Dhaka Stock Exchange

International market snapshot

	Last closing
Dow Jones Industrial Average	29,910.37
% change	+0.13%
Nikkei 225	26,644.71
% change	+0.40%
FTSE 100	6,367.58
% change	+0.07%

Source: Bloomberg

Exchange rate

Currency	BDT
USD	84.80
EUR	101.05
GBP	113.51
INR	1.15

Source: Bangladesh Bank

Money market

Date	Call Money Rate Range (%)	Weighted Average (%)
25-Nov-2020	1.00-5.25	1.95
24-Nov-2020	1.00-5.25	1.93

Source: Bangladesh Bank

Commodities

	Price	% Change
Brent Crude (Oil), USD/bbl	48.18	+0.80%
Gold Spot, USD/t oz	1,787.79	-1.54%
Cotton, USD/lb	73.24	+1.22%

Source: Bloomberg

Economy

Deepening uncertainty downing credit growth

Private sector credit growth dropped heavily in October due to the eroding confidence of businesses amid the potential threat of a second wave of coronavirus infections. The year-on-year credit growth stood at 8.61 per cent in October, down 9.48 per cent from a month earlier. Credit growth had increased substantially in the first three months of the ongoing fiscal year riding on the implementation of the stimulus packages. The quick implementation of the stimulus package for large industries and service sectors had a positive impact on credit growth.

<https://www.thedailystar.net/business/news/deepening-uncertainty-downing-credit-growth-2001877>

Businesses demand reduction in export tax to 0.25pc

The Metropolitan Chamber of Commerce and Industry has demanded that tax at source or TDS on export should be reduced to 0.25 per cent for all sectors keeping it unchanged for at least three years. The existing TDS system on export sales is against the principle of income tax and a huge disincentive for export growth and tax compliance and has surfaced as one of the biggest burdens for export growth and business. The government in the budget for the current fiscal year 2020-2021 set the source tax on export at 0.50 per cent. The rate, however, is fixed at 1 per cent in the Income Tax Ordinance 1984.

<https://www.newagebd.net/article/122859/businesses-demand-reduction-in-export-tax-to-025pc>

Govt looks to double exports to Canada

The government plans to double Bangladesh's exports to Canada within the next three years by boosting the shipments of goods made by small-and-medium enterprises, particularly jute products. As Canada recently banned the use of plastic goods, it could lead to greater exports for Bangladesh. Bangladeshi exports to Canada amounted to around \$1 billion in fiscal 2019-20, down 25 per cent from \$1.33 billion the previous year.

<https://www.thedailystar.net/business/news/govt-looks-double-exports-canada-2002813>

High remittance growth raising govt's incentives expenses

The government's incentives expenditures are rising due to the high growth of remittance inflow. The Ministry of Finance has approved the disbursement of Tk1,320 crore for incentives for the second quarter (October-December) of the current financial year- which is Tk555 crore more than the amount in the first quarter. The government is currently giving incentives at a 2% rate against remittances coming in through legal channels. In the budget for the current financial year, Tk3,060 crore was allocated for this sector, with Tk765 crore for each quarter. But the government is also having to increase the amount of incentives as remittance growth is

hitting new records.

<https://tbsnews.net/economy/high-remittance-growth-raising-govts-incentives-expenses-164452>

Bank and NBFIs

Bank deposits drop 30pc amid COVID-19

Deposits in banks accounts, opened for disbursement of funds under the government's social safety net programmes, dropped by 30.13 per cent or Tk 261.1 crore in the April-September period when the country was worst hit by the economic impacts of the coronavirus outbreak. The savings erosion in those accounts was testament to the economic hardships faced by the beneficiaries of the government's social safety net programmes.

<https://www.newagebd.net/article/122779/bank-deposits-drop-30pc-amid-covid-19>

Textile

Govt likely to ease rules on duty-free fabric use to export high-end apparels

The government may ease the rules on the use of fabric imported duty-free to help local manufacturers shift to high-end apparels and boost export earnings as firms generate more waste while producing fancy items for international markets. It came after garment manufacturers and exporters last week demanded the bond commissioner in Dhaka to increase the ratio of waste in garment manufacturing as the local apparel exporters are shifting to high-end items that need more waste of yarn and fabrics.

<https://www.thedailystar.net/business/news/govt-likely-ease-rules-duty-free-fabric-use-export-high-end-apparels-2002869>

Telecommunication

Robi's profit plummets 77pc as it heads for a mega market debut

Robi's net profit declined a massive 77 per cent year-on-year to Tk 38.9 crore in the third quarter of 2020 because of a higher turnover tax. The profit was also 33.4 per cent lower than a quarter ago. The operator's revenue grew 9.7 per cent in the July-September period compared to the previous quarter, when it was Tk 1,934 crore. Revenue rose 1.7 per cent year-on-year.

<https://www.thedailystar.net/business/news/robis-profit-plummets-77pc-it-heads-mega-market-debut-2001885>

Tobacco

Interference from tobacco industry in Bangladesh highest in South Asia

Bangladesh is still highly susceptible to interference from the tobacco industry as the country scored 68, the highest among its South Asian peers, in the Tobacco Industry (TI) Interference Index 2020. Nepal scored the lowest in the region followed by Sri Lanka and the Maldives, meaning that these nations performed comparatively better than Bangladesh in insulating the public health policies related to tobacco control from commercial and other interests of the tobacco industry.

Meanwhile, India and Pakistan came second and third after Bangladesh in terms of the overall score in the index. Bangladesh scored 77 in 2018.

<https://www.thedailystar.net/business/news/interference-tobacco-industry-bangladesh-highest-south-asia-2002837>

Insurance

Insurers rake in aided by cut in agent commission

Insurance companies made higher profits in the January-September period despite the coronavirus pandemic aided by the lowering of the commissions they offer to agents to secure businesses. The regulatory step lowering agents' commission to 15 per cent was the main reason behind the boost in profits this year. All companies have benefitted.

<https://www.thedailystar.net/business/news/insurers-rake-aided-cut-agent-commission-2002865>

Capital Market

RSRM fails to get nod on rights from BSEC

The securities regulator has rejected the proposal of rights issue of Ratanpur Steel Re-Rolling Mills (RSRM) as the company failed to submit revised proposal with updates on accounts. Ratanpur Steel Re-Rolling Mills was supposed to submit the update on accounts by October 31 last to the commission. But the company was not able to submit revised proposal and supporting documents in favour of its proposal of rights. The company initially proposed to issue rights shares at an offer price of Tk 20, including a premium of Tk 10 per share. The company later revised the offer price and fixed it at Tk 15, including a premium of Tk 5 per share.

<https://today.thefinancialexpress.com.bd/stock-corporate/rsrm-fails-to-get-nod-on-rights-from-bsec-1606576942>

Stock

It's Golden Harvest and Square Pharma's turn to face BSEC's music

Golden Harvest Agro Industries, the pioneer in Bangladesh's frozen food business, has run afoul of the securities regulator for lending to its sister companies free of interest over a five-year period while bearing the Tk 379 crore of interest on the sum itself. Between 2016 and 2020, the company had lent Tk 28.09, Tk 89.31 crore, Tk 75.17 crore and Tk 43.18 crore to its associated companies at free of interest or at lower interests of 6 to 10 per cent. Meanwhile, Square Pharmaceuticals, the country's leading drug maker, also got the rap from the BSEC for providing about Tk 305.9 crore as loan and guarantee of another Tk 1,455.70 crore to its associated/concerned companies by charging interest at 9 per cent or less in the last five years, breaching securities rules. Subsequently, the BSEC sought an explanation from the two companies for their transgressing actions that violated its notification on September 10, 2006.

<https://www.dhakatribune.com/business/stock/2020/11/29/now-it-is-golden-harvest-and-square-pharma-s-turn-to-face-bsec-s-music>

Disclaimer

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UCB Capital Management Ltd. ("UCB"), a company authorized to engage in securities activities in Bangladesh. UCB is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc. ("RBLT"), 40 Wall Street 59th Floor, New York NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UCB. RBLT accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of RBLT and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

RBLT or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. RBLT, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. RBLT is not aware of any material conflict of interest as of the date of this publication.

Compensation and Investment Banking Activities

RBLT or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither UCB nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

UCB may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of UCB.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by UCB with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of UCB and UCB accepts no liability whatsoever for the actions of third parties in this respect.

EQUITY RECOMMENDATION STRUCTURE (ABSOLUTE RATINGS)

We calculate our target price by weighting DCF, DDM, SOTP, asset-based and other relative valuation methods, and applying appropriate premiums/ discounts and/or other relevant adjustments.

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 %

ANALYST CERTIFICATION

Respective analyst(s) identified in this report certifies, with respect to the companies or securities that the individual analyst(s), that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. The research analyst(s) named on this report are not registered / qualified as research analysts with FINRA.

It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price.

Contact Us

Research Team

Md. Hasib Reza, CFA	Head of Research	hasib.reza@ucb.com.bd	+880 1755 658 997
Md. Sakib Chowdhury, CFA	Deputy Head of Research	sakib.chowdhury@ucb.com.bd	+880 1713 205 698
Md. Nazmus Sakib	Research Associate	nazmus.sakib@ucb.com.bd	+880 1701 205 073
Anik Mahmood Ibne Anwar, CFA	Research Associate	anik.mahmood@ucb.com.bd	+880 1701 205 074
Shadman Sadique Kamal	Research Associate	shadman.kamal@ucb.com.bd	+880 1701 205 096

Investment Strategist

Syed Adnan Huda, CFA	COO & Vice President	adnan.huda@ucb.com.bd	+880 1730 325 232
----------------------	----------------------	-----------------------	-------------------

Institutional & Foreign Trade

Sonchoy Saha, CFA	Head of Institutional Sales	sonchoy.kumer@ucb.com.bd	+880 1755 615 313
Tahmidur Rahman	Senior Executive Officer	rahman.tahmidur@ucb.com.bd	+880 1726 995 520

Office Premises

Head Office

1st Floor
6, Dilkusha C/A
Dhaka 1000
Bangladesh

Corporate Office

Bulus Center
(Level-2)
Plot-CWS (A)-1, Road No - 34
Gulshan Avenue
Dhaka 1212
Bangladesh

Extension of Main Office

Room # 126, DSE Tower (Level # 8)
Plot 46, Road-21, Nikunja - 02
Dhaka- 1229
Bangladesh

Extension of Main Office

NIK Tower (3rd & 4th Floor)
55 Dilkusha C/A
Dhaka-1000
Bangladesh

Extension of Main Office

Plot# 12, (2nd Floor, West side)
Road # 05 Dhanmondi, Dhaka
Bangladesh

Chattogram Office

Muntasir Centre (5th Floor)
253, Wasa Circle, Dampara
Khulshi, Chattogram
Bangladesh