



January 2014

ILCL-ILSL MONTHLY

Economy and Market Review



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Addressing Your Financial Concerns

In today's competitive world, each of you is looking for growth opportunities. While some of you are considering expansion of your existing business, others are looking for expansion in a new field. Some may feel that working capital management is the priority while others need to focus on financial efficiency. Many have suffered from high interest burden in the past while others are looking for scope to minimize tax burden to safeguard a substantial profit. Few need hands-on assistance to explore business opportunities with major industry players while others require a strategic plan to make an acquisition successful.

Yes, we are talking about financial restructuring and investment alternatives. And a lot of questions come and wait in mind. Which type of financing is the best solution? Is it going to fit the long term strategy of the organization? Is it sustainable? Are you ready for this?

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- Loan Syndication & Private Equity
- Merger & Acquisition
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Realizing Your Investment Dream

We are offering investment management solutions to both individuals and corporate entities. Our investment management team believes in continuous improvement in discovering profit making opportunities at appropriate levels of risk tolerance and liquidity need supported by detailed research and analysis.

Our team follows the economic trend, industry trend as well as individual companies and this enables it to identify profitable investment opportunities for the clients well in advance of other market participants.

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Editorial

Our vision is to establish ourselves as one of the leading Investment Banking solution providers in Bangladesh with high ethical standards and best practices. We started our first monthly publication "ILCL Monthly Economy and Market Review" with September, 2013 edition and seek every opportunity to make it more informative and beneficial for our readers that cover honorable business community, corporate clients and high net worth retail clients.

From January, 2014 edition we are publishing it jointly with our sister concern, International Leasing Securities Limited, with the title of "ILCL-ILSL Monthly Economy and Market Review". This edition covers **Energy Industry** with a snapshot over few stocks defined under the industry in prime bourse.

We believe this publication will be enriched with contribution from ILSL research team and look forward to any advice or suggestions from our readers or any other corner to make it distinguished and complete. Please do not hesitate to contact us to convey your opinion. We are also committed to the readers for any assistance or explanation over any doubt or confusion arises from our publications.

Thanking You-



Nehal Ahmed FCA
Managing Director
IL Capital Limited

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ECONOMY UPDATE

- Provisional estimate of Bangladesh Bureau of statistics (BBS) indicates Bangladesh's GDP growth came down to 6.03% (1995/96 base) in the fiscal year (FY) 2012-13, the lowest in four years, due to low investment and political uncertainty. Though it was significantly lower than the government's target (7.2%), it was higher than the forecasts of development agencies (ADB 5.7%, WB 5.8% and IMF 6.0%). Even it was higher than the developing country average projected growth of 5% to 5.5%. *(Please note that provisional estimate of GDP for FY 2012-13 was 6.18% under the new base 2005/06.)*
- In the FY 2012-13, the agriculture sector growth declined to 2.17% from 3.11% in FY 2011-12. Service sector growth declined to 5.73% from 5.96%. However, overall industry growth increased to 8.99% from 8.90%.
- Lately, Government has revised down the GDP growth target for the current FY 2013-14 to 6.3% from its initial target of 7.2%. Bangladesh Bank (the Central Bank of Bangladesh) also estimates growth rate for the FY 2013-14 around 6.2%. International donor agencies forecast lower growth rate for FY 2013-14 (ADB 5.8%, World Bank 5.7%, and IMF 5.5%)
- Point to Point Inflation rate increased to 7.4% in December 2013 from 7.2% in November 2013. Food Inflation increased to 9.0% in December 2013 from 8.6% in November 2013. On the other hand, Non-food Inflation decreased to 4.9% in December 2013 from 5.1% in November 2013 (using the 2005/06 base).
- 12 month average inflation for the FY 2012-13 declined to 7.7% from 8.6% in FY 2011-12. This figure was higher than the target of 7.5% set for that year. Besides, Bangladesh Bank has set lower inflation target of 7.0% for the current FY 2013-14 (using the 1995/96 base).
- In FY 2012-2013, Broad money growth has been higher than the target set at monetary policy because of high growth of net foreign assets in the form of remittances and aid. However, in November 2013, Broad Money Supply Year on Year (YOY) growth decreased to 16.7% from 17.4% in July 2013. Lately, Bangladesh Bank has set the broad money supply growth of 17.0% by June 2014 to bring average inflation down to 7.0% in the current FY 2013-14 (using the 1995/96 base).
- The private sector credit growth continues to fall in the recent months due to political uncertainty. It was at 11.1% YOY in October 2013 which was significantly lower than the monetary policy target of 15.5% set for Dec 2013. Lately Bangladesh Bank has set private sector credit growth rate of 16.5% for June 2014.
- The Government's net borrowing from the banking system increased by 15.5% to BDT 247.8 billion in FY 2012-13 from BDT 214.6 billion in FY 2011-12. The borrowing exceeded the initial target of BDT 230 billion though it was lower than revised target of BDT 285 billion.
- Government projected BDT 260 billion net borrowing from the Banking system for the current FY 2013-14. In the first half of the year, Government borrowed only BDT 46 billion.
- Overall liquidity condition improved as call money interest rate declined to 7.1% in December 2013 from 9.4% in December 2012. In addition, weighted average bank lending rate declined to 13.4% in November 2013 from 13.9% in November 2012. Also, weighted average bank deposit rate declined to 8.5% in November 2013 from 8.7% in February, 2013.
- Bank interest spread has fallen below 5.0%. It was 4.97% in November 2013 whereas it was 5.51% in 2012.

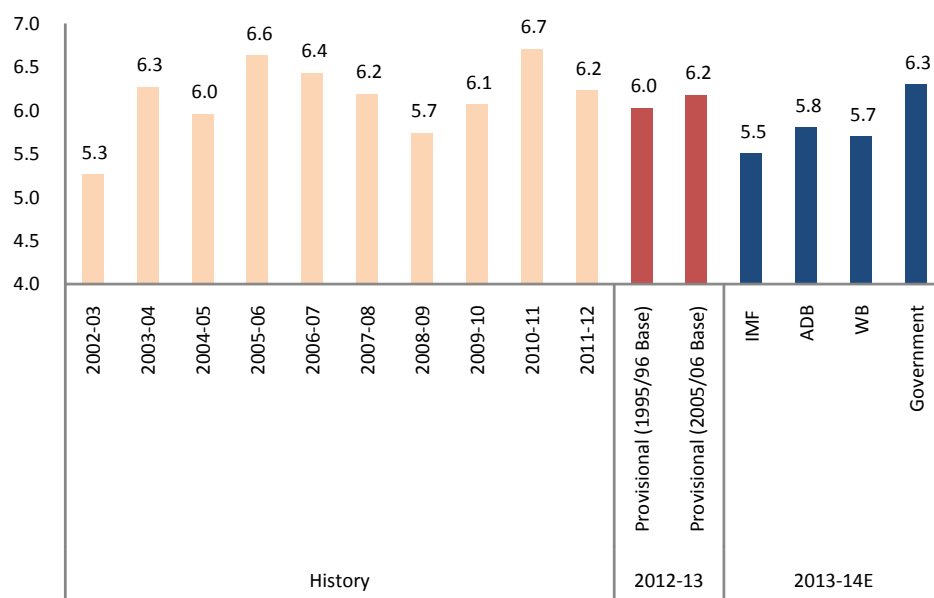
- Foreign Exchange Reserve increased to USD 18.1 billion in December 2013 from USD 12.8 billion in December 2012. Taka has been stable against US Dollar trading at BDT 77.8 in the last 6 months (July to December 2013).
- Remittance earning for the FY 2012-13 grew by 9.4% to USD 14.5 billion from USD 12.8 billion in 2011-12. Monthly remittance stands to USD 1.2 billion in December 2013, recorded a 6.0% YOY decline over December 2012, and 14.0% increase over the previous month November 2013.
- Export target for the FY 2013-2014 has been set at USD 30.5 billion, 12.8% higher than last FY 2012-2013. In the FY 2012-2013, Bangladesh export increased to USD 27.0 billion from 24.3 billion in 2011-2012, reflecting 11.2% growth. However it was 3.6% lower than the target i.e., USD 28 billion.
- Monthly exports increased to USD 2.73 billion in December 2013 from USD 2.47 billion in December 2012, reflecting 10.5% YOY growth. It was also 23.2% higher than the previous month i.e. November 2013 (USD 2.21 billion).
- Monthly imports increased to USD 3.24 billion in November 2013 from USD 2.72 billion in November 2012, reflecting 18.8% YOY growth. It was also 6.8% higher than the previous month i.e., October 2013 (USD 3.03 billion).
- The country's Balance of Payments (BoP) saw a record surplus of USD 5.12 bn in FY 2012 -13 Vs only USD 494.0mn surplus in FY 2011-12. The reasoning behind such soar in surplus can be explained due to the moderate increase in exports (11.2%) and comparatively marginal increase in imports (0.8%), which decreased the trade deficit by 24.8%.
- The political uncertainty and lower oil prices could explain the decrease in imports. The import of capital machinery and industrial raw materials fell 15.9% and 2.5% respectively in FY 2012-13 over FY 2011-12. Besides, every year the country has to spend a big chunk of foreign currency on fuel imports that dropped by around 2%. Food imports fell as well, by 28.0% due to a good production at home.
- Current account surplus increased to USD 2,525 million in FY 2012-13 Vs USD 447 million current account deficits in FY 2011-12. Even in the first six months of FY 2013-14 (July to December) current account surplus increased by 124% to USD 2652mn compared to same period of last FY 2012-13 despite 8.5% fall of remittance. Major causes of the jump were 16.6% increase in export and 0.1% fall in imports during the period.
- Trade deficit declined by 36% to USD 2.25bn in the first 5 months of FY 2013-14 (July to November) compared to same period of last FY 2012-13. Major cause of the decline was 19.0% increase in export whereas import increased by only 4% during the period.
- Net Foreign Direct Investment (FDI) increased by 9.2% to USD 1.3bn in FY 2012-13 from USD 1.19bn in FY 2011-12. Net Portfolio Investment increased by 19.6% to USD 287mn in FY 2012-13 from USD 240mn in FY 2011-12. In addition, Foreign Aid increased by 37% in FY 2012-13 over FY 2011-12.
- Foreign investment in the capital market witnessed a 145% increase in 2013. In 2013, foreign investors bought shares worth BDT 26.5bn and sold shares worth BDT 7.1bn, to take their net investment for the year to BDT 19.4bn.

GDP growth at Constant Market Prices by Broad Industry Sector (%)						
	2007-8	2008-9	2009-10	2010-11	2011-12	2012-13(p)
Agriculture	3.2	4.1	5.2	5.1	3.1	2.2
Industry	6.8	6.5	6.5	8.2	8.9	9.0
a) Manufacturing	7.2	6.7	6.5	9.5	9.4	9.3
of which small scale	7.1	6.9	7.8	5.8	6.5	6.8
b) Construction	5.7	5.7	6.0	6.5	7.6	8.1
Services	6.5	6.3	6.5	6.2	6.0	5.7
GDP at constant market prices	6.2	5.7	6.1	6.7	6.2	6.0

Source: Bangladesh Bureau of Statistics and IL Capital

GDP:

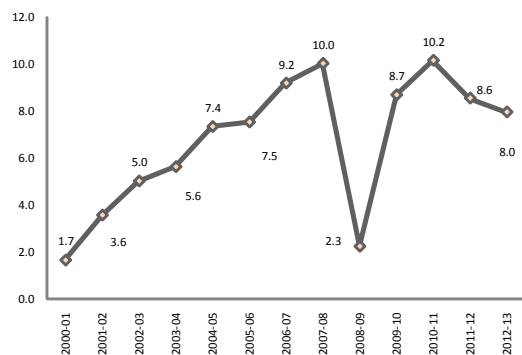
GDP Growth Rate (%)



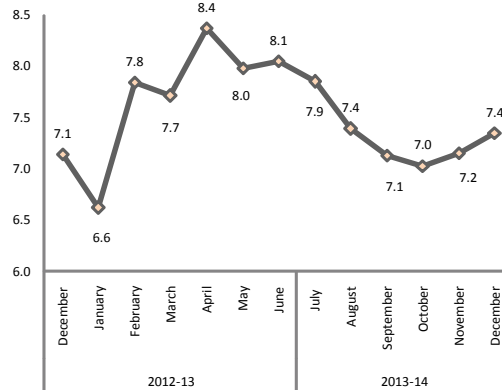
Source: Bangladesh Bureau of Statistics, IMF, ADB, WB and IL Capital Research.

Inflation:

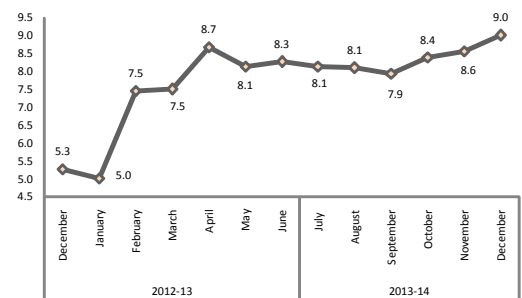
Annual Inflation (%) Base 1995-96



Monthly Inflation Rate (%) Base 2005-06



Monthly Food Inflation (%) Base 2005-06



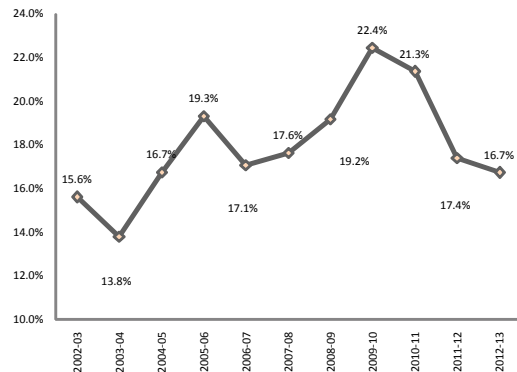
Monthly Non-Food Inflation (%) Base 2005-06



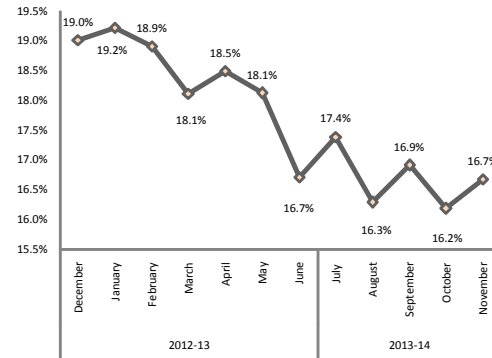
Source: Bangladesh Bank and IL Capital Research.

Money Supply:

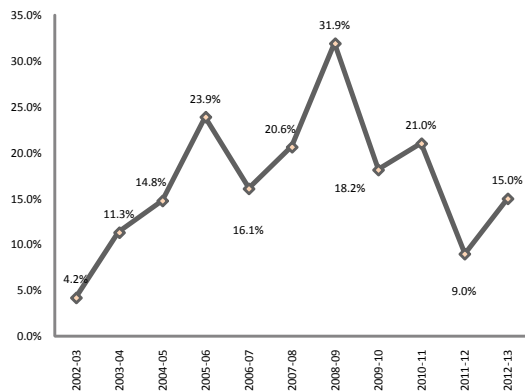
Annual Broad Money Supply (M2) Growth Rate (%)



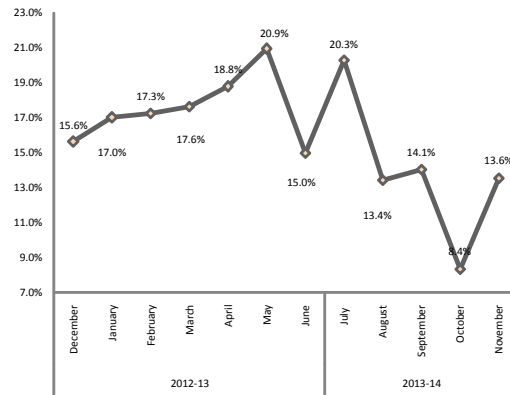
Monthly Broad Money Supply (M2) Growth yoy %



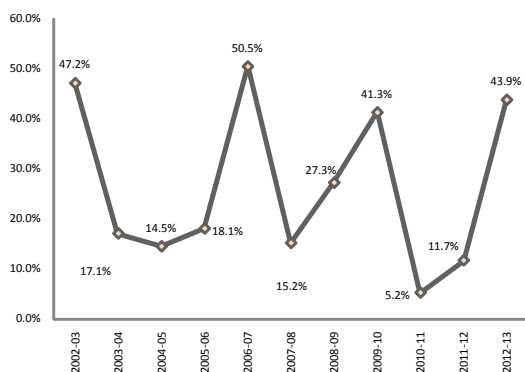
Annual Reserve Money Growth Rate (%)



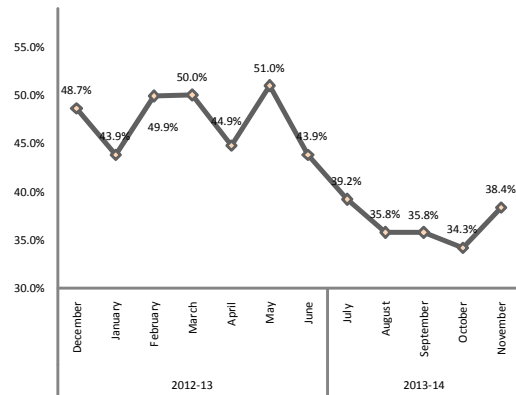
Reserve Money Growth yoy %



Annual Net Foreign Assets Growth Rate (%)



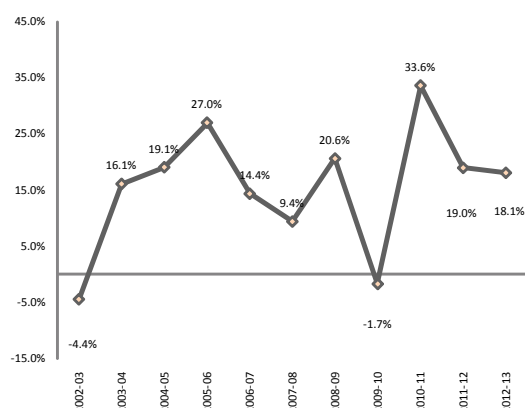
Net Foreign Asset Growth yoy %



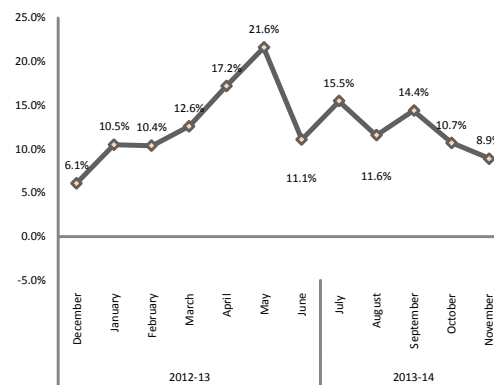
Source: Bangladesh Bank and IL Capital Research.

Money Supply (Continued):

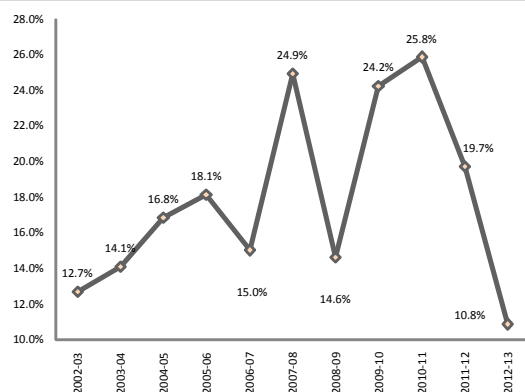
Annual Public Sector Credit Growth Rate (%)



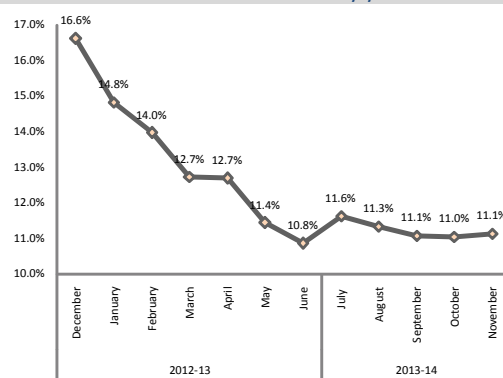
Public Sector Credit Growth yoy %



Annual Private Sector Credit Growth Rate (%)



Private Sector Credit Growth yoy %

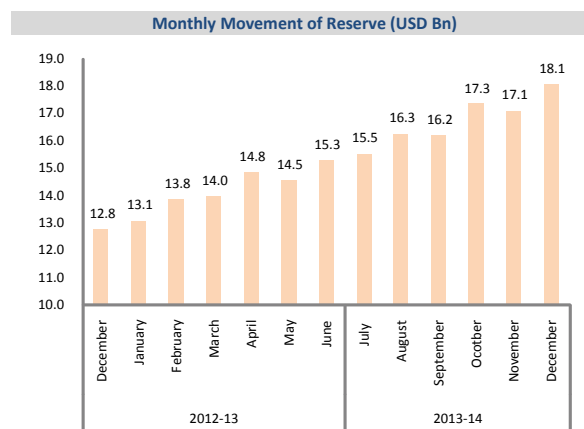
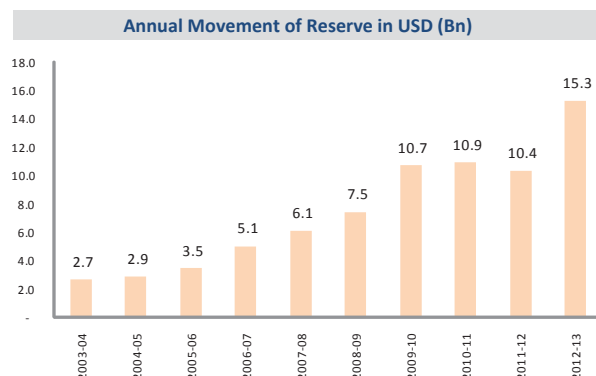


Monetary Aggregates Y-o-Y Growth (%)

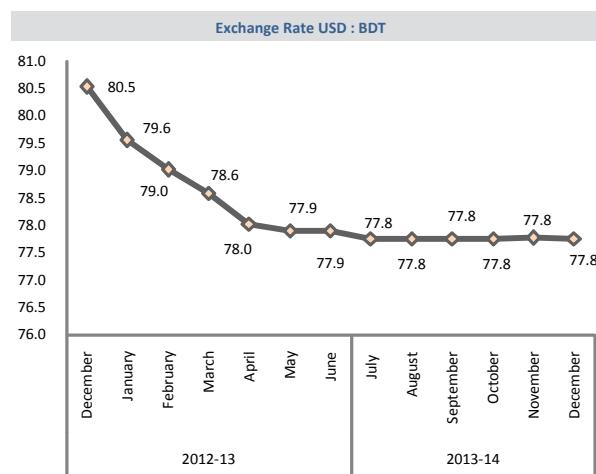
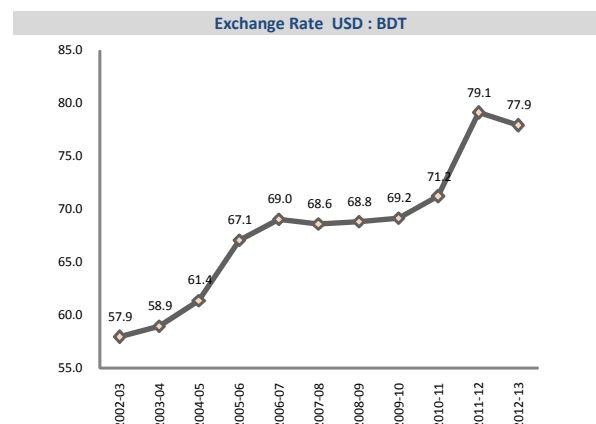
Items	Actual				Program	
	FY10	FY11	FY12	FY13	Dec-13	Jun-14
Net Foreign Assets	41.0	6.2	7.2	50.4	19.3	10.0
Net Domestic Assets	19.0	24.7	19.3	11.0	16.8	18.6
Domestic Credit	17.5	28.2	19.2	10.9	19.3	17.8
Credit to the Pub. Sect. (incl. Govt.)	4.2	38.3	17.4	11.1	33.7	22.9
Credit to the private sector	24.2	25.8	19.7	10.8	15.5	16.5
Broad money	22.4	21.4	17.4	16.7	17.2	17.0
Reserve money	18.1	21.0	9.0	15.0	15.5	16.2

Source: Bangladesh Bank and IL Capital Research.

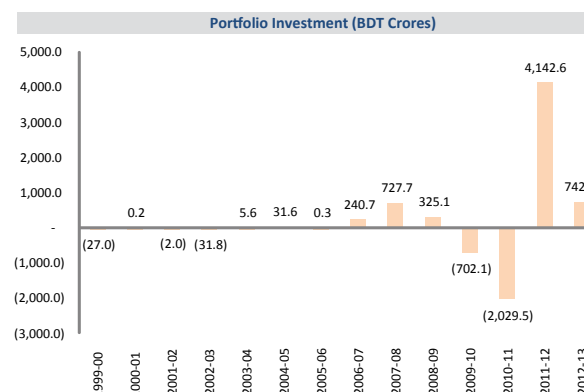
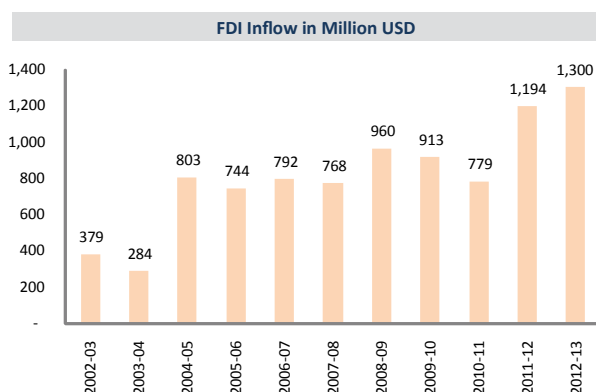
Reserve:



Exchange Rate:

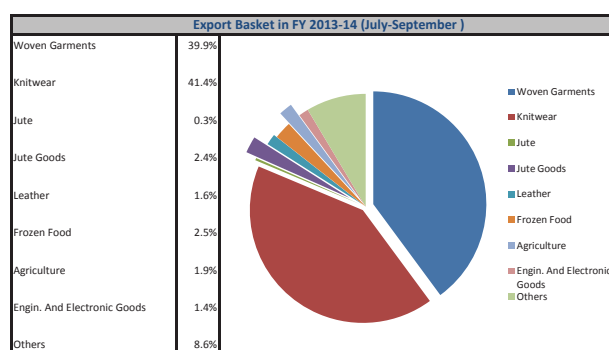
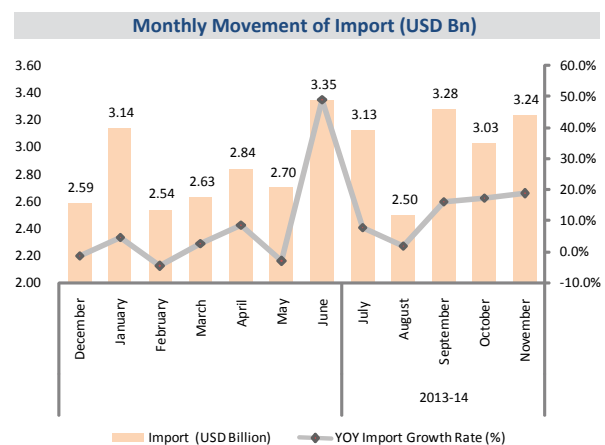
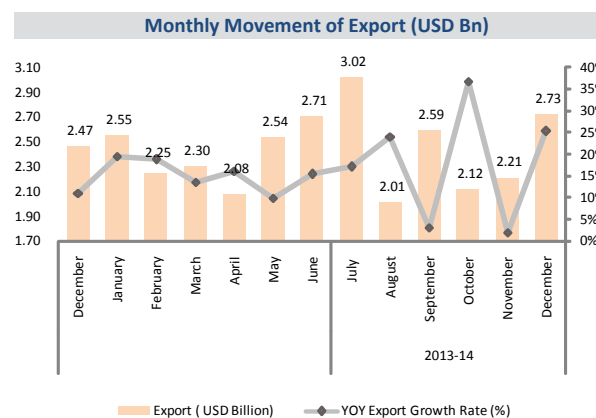
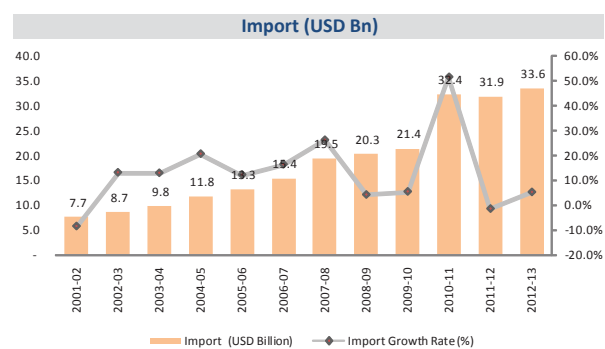
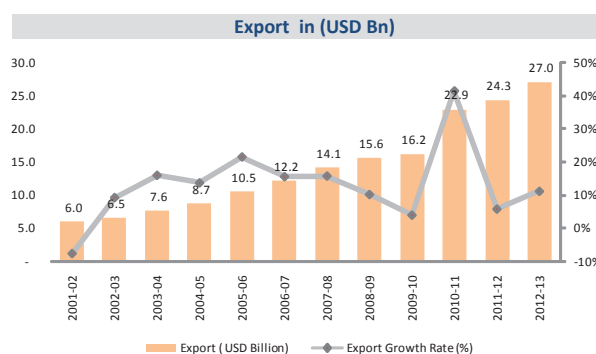
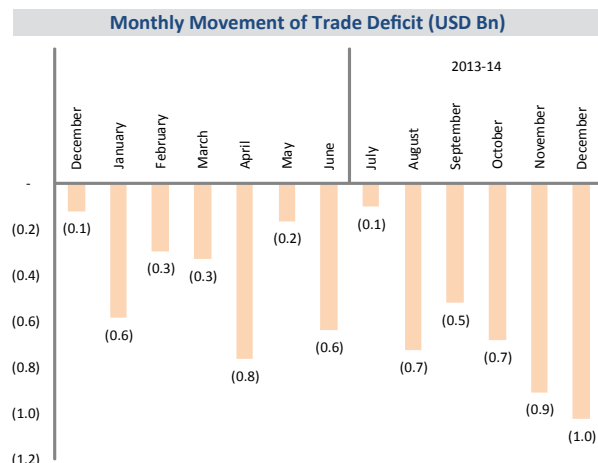
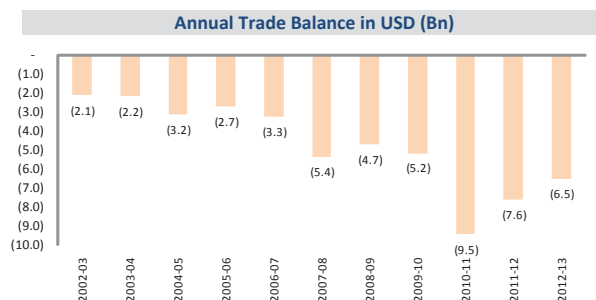


FDI Inflow and Portfolio Investment:



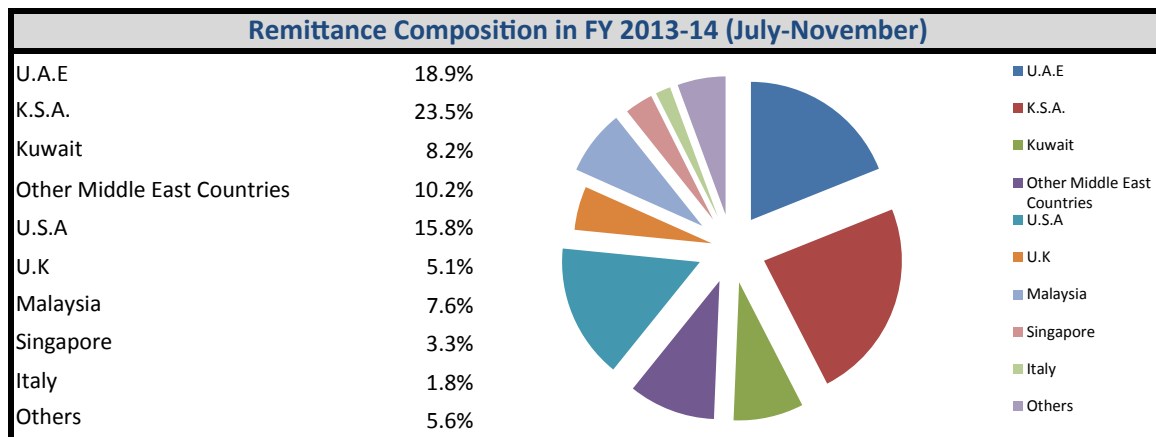
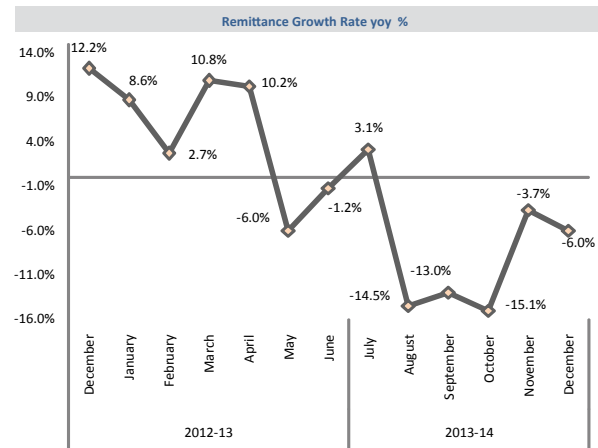
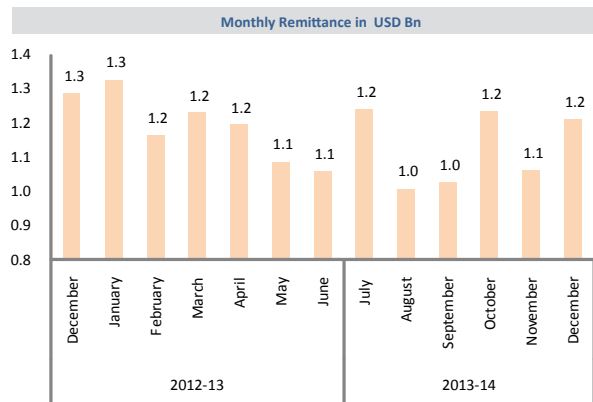
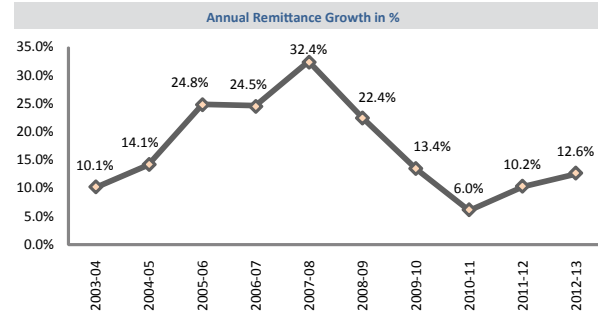
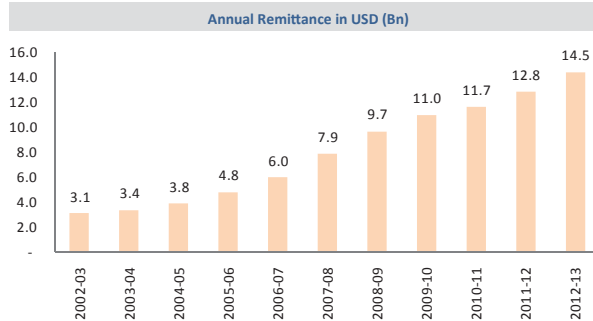
Source: Bangladesh Bank and IL Capital Research.

International Trade:



Source: Bangladesh Bank and IL Capital Research.

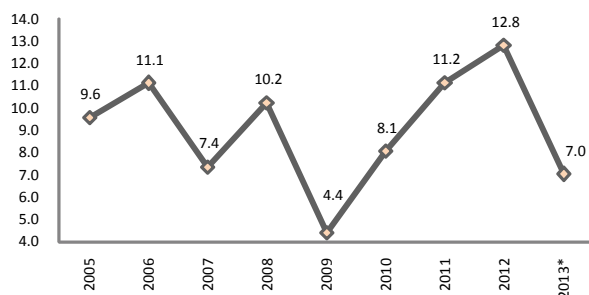
Remittance:



Source: Bangladesh Bank and IL Capital Research.

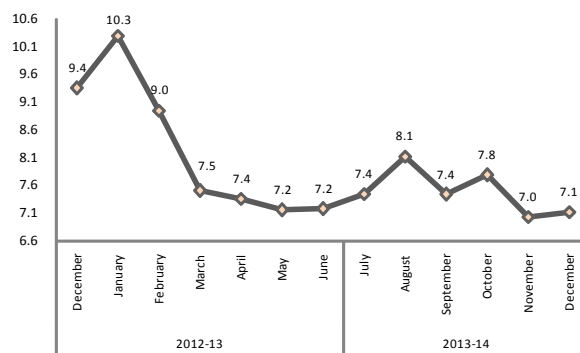
Interest Rate:

Annual Call Money Interest Rate (%)

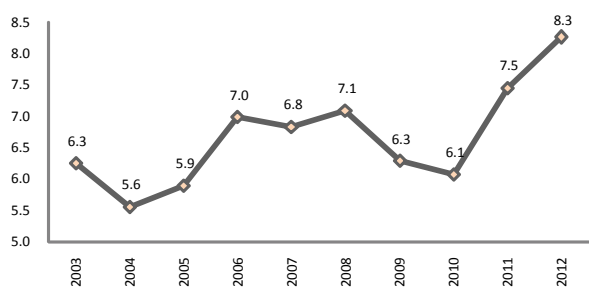


* Data Up to November 2013

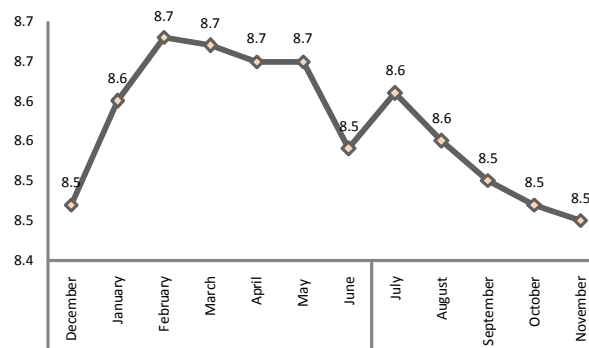
Monthly Movement of Call Money Rate (%)



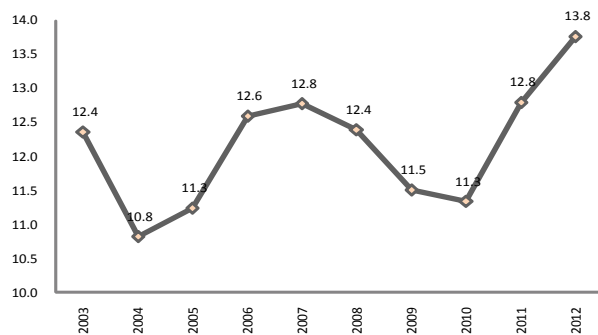
Annual Bank Deposit Interest Rate (%)



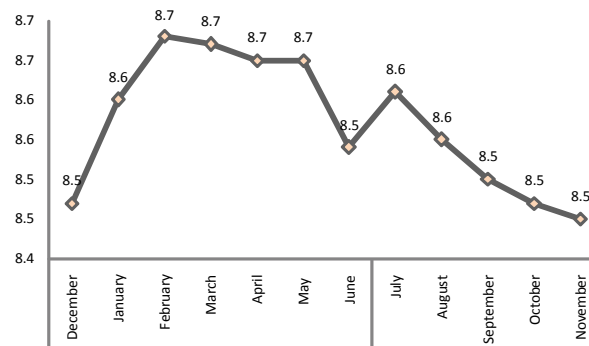
Monthly Movement of Bank Deposit Interest Rate (%)



Annual Bank Lending Interest Rate (%)



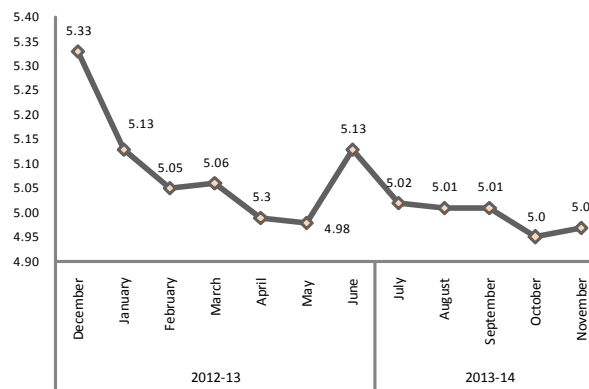
Monthly Movement of Bank Lending Interest Rate (%)



Spread (%)



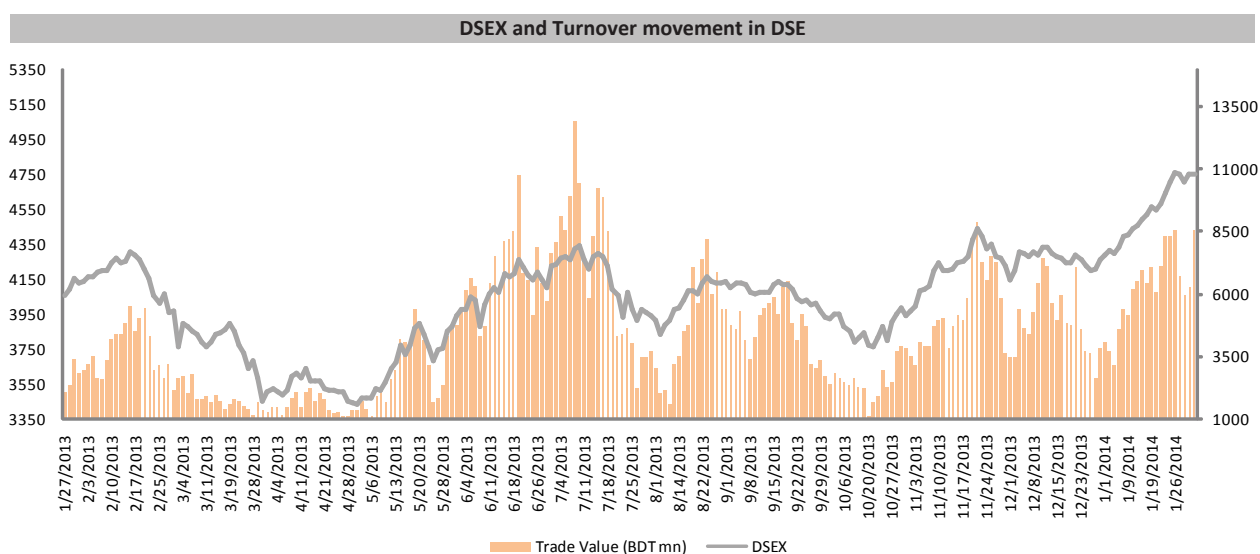
Last Twelve Months Movement of Spread (%)



Source: Bangladesh Bank and IL Capital Research.

MARKET UPDATE

- The benchmark index of Dhaka Stock Exchange (DSEX) gained 11.4% as of January 30, 2014 this year.
- During the month of January 2014, Market (DSEX) closed at 11.4% higher on month to month basis due to upsurge price of the major industries such as Foods, Tannery & Footwear, Fuel & Power, Pharma & Chemicals, and Cements. On the contrary, Paper & Printing experienced downtrend in market capitalization for the same period.
- The major sectors who gained during the month of January 2014 were Foods (18.7%), Tannery & Footwear (16.2%) and Fuel & Power (15.2%). On the other hand, in the same period the loser was Paper & Printing (-9.6%).
- Among the companies traded in the Dhaka Stock Exchange (DSE), Meghna Condensed Milk (61%), Rupali Life Insurance Company Limited (45%), National Tubes (41%), Padma Islami Life Insurance Limited (36%) and Pragati Life Insurance Ltd. (36%) were the top gainers on month to month basis. On the other hand, major losers were Argon Denims Limited (-17%), MIDAS Financing Ltd. (-15%) and Hakkani Pulp & Paper (-10%).
- During the month of January 2014 the average turnover of Dhaka Stock Exchange in the public market was BDT 6159.1 mn, a 19.0% high, compare to the average turnover of previous month of BDT 5177.4 mn. Among the average sector turnovers Fuel & Power witnessed the highest growth of 145.3% followed by Cement 119.9%, NBFIs 71.7%, Telecommunication 67.0% and Banks 63.7%
- There are sectors who substantially have outperformed the DSEX namely Foods by 7.3%, Tannery and Footwear by 4.8%, Fuel & Power by 3.8%, Cement by 3.4% and Pharma & Chemical by 2.7% this year.
- On the other hand Textiles, Telecommunication, Insurance and Banks have underperformed the DSEX this year by 9.2%, 6.0% 1.8% and 1.6% respectively.
- Market capitalization of DSE gained by 8.5% and reached at BDT 2.87 trillion or USD 36.69 billion, where Equity, Debt and Mutual Funds represents 79.3%, 19.4% and 1.3% respectively, which was BDT 2.64 trillion or USD 33.81 billion in the previous month.



Sources: DSE and IL Capital Research

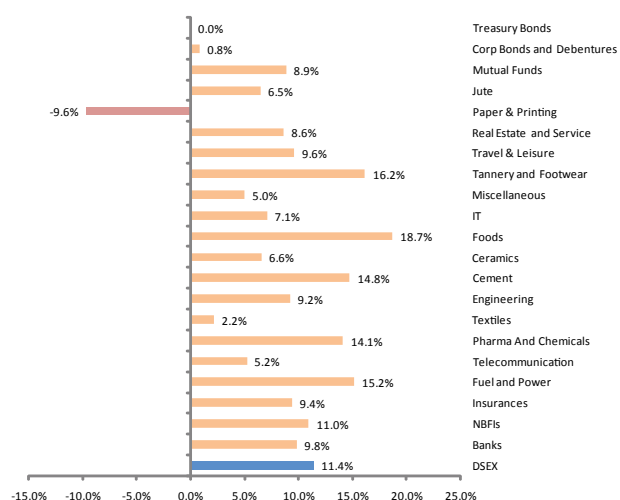
Market Capitalization of DSE

Instruments	30-Jan-14			30-Dec-13			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,273,564.7	29,092.3	79.3%	2,052,627.2	26,265.2	77.7%	10.8%
Debt Securities	554,860.2	7,099.9	19.4%	554,799.5	7,099.2	21.0%	0.0%
Mutual Fund	38,573.2	493.6	1.3%	35,434.3	453.4	1.3%	8.9%
Total	2,866,998.1	36,685.8	100.0%	2,642,861.0	33,817.8	100.0%	8.5%

Note: Exchange Rate USD 1 : BDT **78.15**

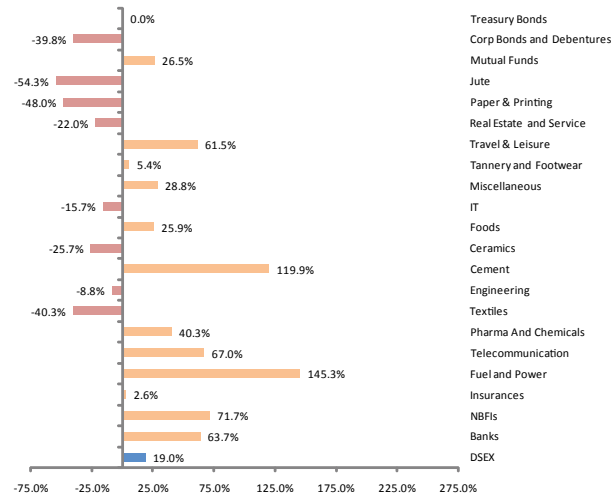
Source: DSE and IL Capital Research

DSEX and Sectors Movement in DSE (Monthly)



Source: DSE and IL Capital Research

Average Turnover Movement in DSE (Monthly)



Top Gainers This Month

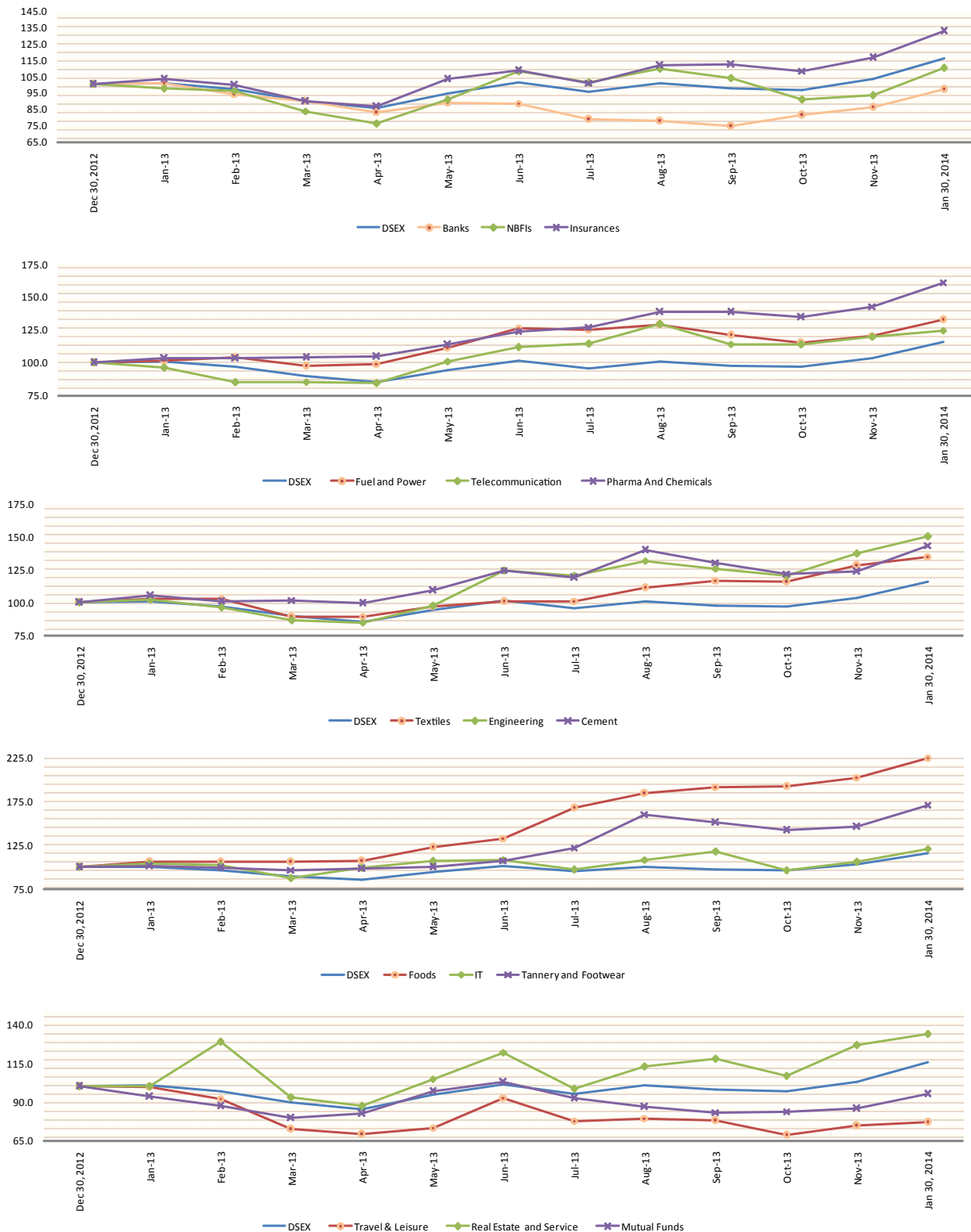
MEGCONMILK	61%
RUPALIIFE	45%
NLTUBES	41%
PADMALIFE	36%
PRAGATILIF	36%
RAHIMTEXT	31%
PADMAOIL	30%
KAY&QUE	30%
MIRACLEIND	30%
NORTHNRINS	29%

Top Losers This Month

ARGONDENIM	-17%
MIDASFIN	-15%
HAKKANIPUL	-10%
BAYLEASING	-8%
1STPRIMFMF	-7%
RNSPIN	-7%
ANWARGALV	-7%
FINEFOODS	-7%
DESHBANDHU	-7%
BANKASIA	-5%

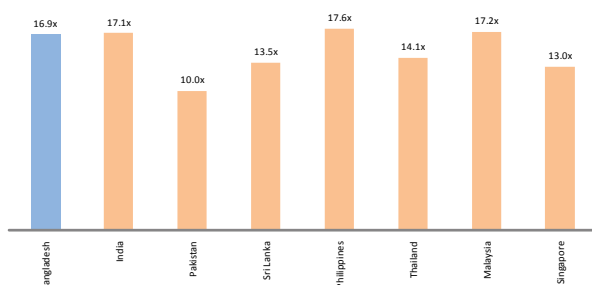
Source: DSE and IL Capital Research

Sectors Movement (Base Value: 100)

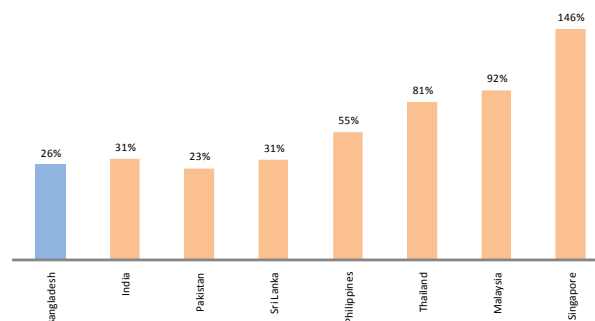


Source: DSE and IL Capital Research

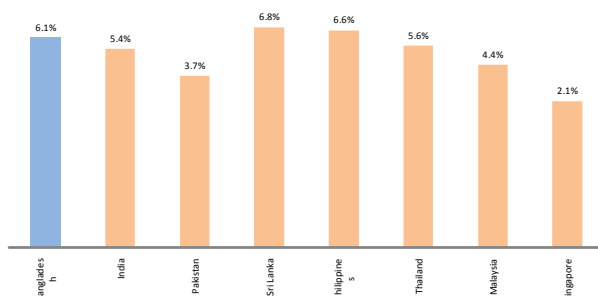
Price to Earning Ratio



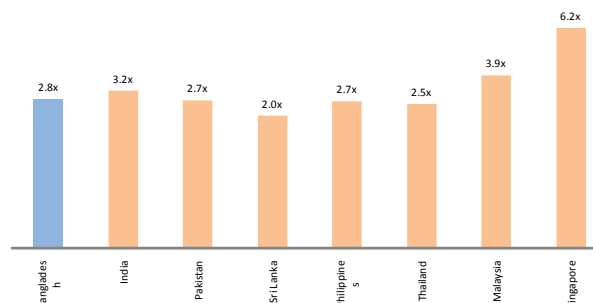
Market Cap. To GDP Ratio (%)



GDP Growth Rate in 2012 (%)



PEG Ratio (PE Ratio to GDP Groth Rate)



PEG ratio = PE ratio of the major stock exchange of the country / GDP Growth of the country in 2012. We assume that listed companies' aggregate earnings growth is reflected in GDP growth rate of the country.

Source: www.bloomberg.com, www.imf.org, wikipedia.com

- As of January 2014, Bangladesh (DSE) is trading at 16.9x P/E, lower than India (17.1x), Malaysia (17.2x), Philippines (17.6x). However, Bangladesh (DSE) is trading higher than Sri Lanka (13.5x) and Singapore (13.0x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as of January 2014 is 2.8x which is lower compare to India (3.2x), Philippine (2.7x), Malaysia (3.9x) and Singapore (6.2x).

Regional Markets' Comparables

Country	Index Symbol	Index Point	52 Week High	52 Week Low	52 Week Return (%)	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,753.2	4,758.4	3,438.0	14.4%	16.9x	2.8x	36.72
India	SENSEX	20,544.0	21,483.0	17,448.0	5.5%	17.1x	3.2x	547.42
Pakistan	KSE100	26,607.0	27,213.0	17,216.0	65.6%	10.0x	2.7x	54.09
Sri Lanka	CSEALL	6,228.0	6,528.0	5,604.0	11.0%	13.5x	2.0x	19.81
Philippines	PCOMP	6,061.0	7,403.0	5,562.0	-2.2%	17.6x	2.7x	149.94
Thailand	SET	1,267.0	1,649.0	1,205.0	-12.4%	14.1x	2.5x	345.72
Malaysia	FBMKLIC	1,788.0	1,882.0	1,597.0	14.4%	17.2x	3.9x	312.71
Singapore	FSSTI	3,019.0	3,464.0	2,990.0	-5.4%	13.0x	6.2x	394.32

Source: www.bloomberg.com, www.imf.org, wikipedia.com

FUEL & POWER SECTOR OVERVIEW

Fuel & Power sector is considered to be the most important sector of economy as it has great influence directly or indirectly on all economic sectors.

In Dhaka Stock Exchange, this sector has significant contribution as well. Some fundamental factors of fuel & power sector are provided below:

Sector Fundamentals	
Market Capitalization of Sector	BDT 306 billion
Sector Weight (based on Market Cap)	13%
3-month Average Turnover	BDT 642 million
3-month Return	12%
Fuel & Power Sector P/E	13.5
Fuel & Power Sector P/B	2.1
No of Listed Stocks	15

Source: DSE & ILSL Research

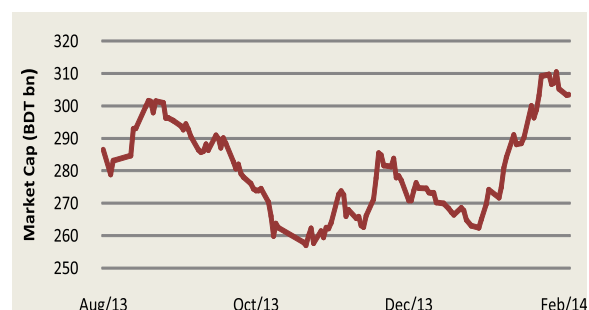
Though all fifteen companies are listed under one sector yet variation in terms of operation are there. Nature of these firms and their respective industry weight are as follows:

Stocks Listed in DSE		
Type of Business	Ticker	Weight w/l sector (based on M.cap)
Natural gas Transmission & Distribution	TITASGAS	26.20%
Oil Marketing & Distribution	PADMAOIL	10.60%
	MPETROLEUM	8.60%
	JAMUNAOIL	7.10%
Power Generation	SUMITPOWER	9.10%
	KPCL	6.80%
	SPPCL	3.40%
	BEDL	1.50%
	GBBPOWER	0.80%
Power Transmission	POWERGRID	8.50%
Power Distribution	DESCO	7.10%
Lubricant Companies	MJLBD	6.30%
	EASTRNLAB	0.10%
Industrial & Medical Gas Company	LINDEBD	3.50%
Welding Company	BDWELDING	0.30%

Source: DSE & ILSL Research

Fuel & Power sector always get investors' attention. In last six months this sector contributed, on an average, 14% of total market capitalization.

Movement of Fuel & Power Sector (Last 6 Months)



Source: DSE & ILSL Research

As stated above, this sector can be divided into different subsectors considering their nature of business. Hence, some insights are provided regarding these subsectors.

Natural Gas Transmission & Distribution

Natural gas is a relatively less costly source of energy. Through Bangladesh Oil Gas and Minerals Corporation (short named Petrobangla), government is operating oil and gas exploration, development, transmission, distribution and conversion together with development and marketing of minerals. Only Titas Gas Transmission and Distribution Company Ltd. is listed with the bourses. The Summary information of this particular sector is given below:

Demand Scenario

Natural gas is the vital local source of energy that accounts for 75% of the commercial energy in Bangladesh. In FY 2012-13, demand of around 0.712 trillion cubic feet (Tcf) was encountered. During FY 2013-14, Petrobangla has estimated country's natural gas demand would be around 1.22 trillion cubic feet (Tcf).

Natural Gas Reserve

Existing recoverable gas reserve is 16.36 trillion cubic feet (Tcf). This reserve is depleting at a rate of about 0.10 Tcf per year. A government assessment indicated that, 60% of recoverable reserve gas has been already used and with a projected annual demand growth of 10% the country's entire recoverable gas reserve is set to dry up by 2022.

Natural Gas Extraction

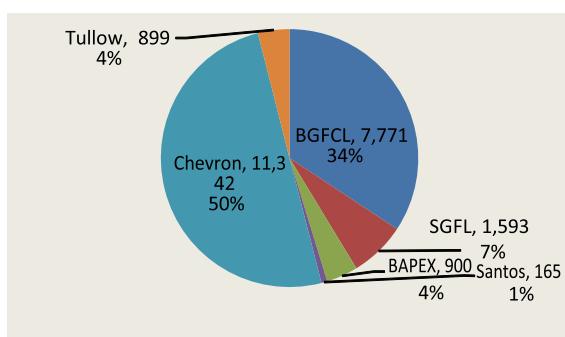
There are National and International companies that extract gas from various fields.

Under Petrobangla: Bangladesh Gas Field Company Ltd. (BGFCL), Sylhet Gas Fields Ltd. (SGFL), Bangladesh Petroleum Exploration and Production Company (Bapex)

International Oil Companies: Santos (Australia), Chevron (USA) and Tullow (British).

International Oil Companies (IOCs) must sell natural gas to Petrobangla at a government-determined price and are restricted in their ability to sell natural gas to customers directly.

Gas Production 2012-13 (in MMCM)



Source: Petrobangla MIS REPORT Oct, 2013

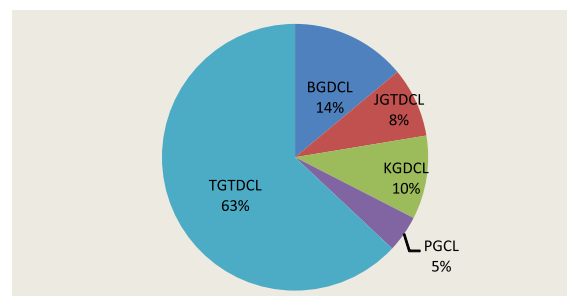
Demand – Supply Gap

Deficit in natural gas supply would continue in current FY 2013-14. It is estimated that maximum supply would be around 1.111 Tcf (expected demand 1.22 Tcf), even if all its gas production plans are executed properly. Government is trying to expand the fuel mix to reduce the dependency on gas. In 2009 Furnace Oil used to contribute only 3.76% of total energy consumption and now it has grown to 17%. Diesel and water contribute about 2% and coal about 3.88%, lessening dependency on natural gas consumption.

Position of Titas Gas Transmission and Distribution Company Ltd. in the sector:

Titas Gas Transmission and Distribution Company Ltd. (TITASGAS) holding 63% market share of this particular sector which providing 14,236.42 MMCM gas in both industrial and domestic sector. The market share of this sector is given below:

Market Share on the Basis of Sales



Source: Titas Gas Annual Report 2012-13

TGTDCL: Titas Gas Transmission & Distribution Company Ltd.

BGDCL: Bakhraabad Gas Distribution Company Limited

JGTDCL: Jalalabad Gas Transmission and Distribution System Limited.

KGDCL: Karnaphuli Gas Distribution Company Ltd.

PGCL: Pashchimanchal Gas Company Limited

Petroleum Industry

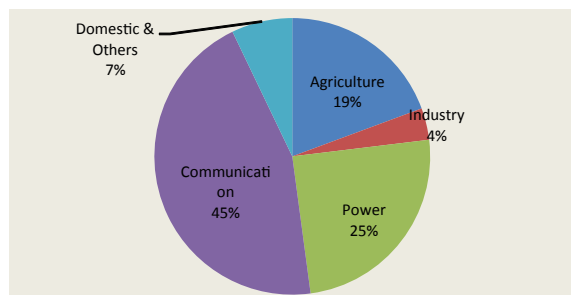
Oil sector is considered to be the most dominant sector of economy as it has great impact, directly or indirectly, on all economic sectors. Government ensured full control over petroleum industry through Bangladesh Petroleum Corporation (BPC). This sector is entirely dependent on import – mainly from Kuwait, UAE, Egypt, Malaysia, China, Vietnam, Philippines and Indonesia. It also gets significant amount of subsidy from government.

BPC has established three Petroleum marketing companies (Padma, Meghna & Jamuna), one Petroleum Refinery Company (Eastern Refinery), two Lubricants Blending Companies (Mobil-Jamuna & Eastern Lubricant) and one LP Gas Bottling Company.

Petroleum Demand

Country's total demand of petroleum product was 5.086 mn M. Tons during FY 2012-13 which was 5.214 mn M. Tons in FY 2011-12. Oil demand has surged after government launched a drive to increase the number of oil-based power plants from only 8% in FY09 to 25% in November 2013. In 2012-13, Communication sector consumed about 45.0% of total petroleum sale followed by Power (24.8%) and Agriculture (19.4%).

Sector wise Sale during 2012-13

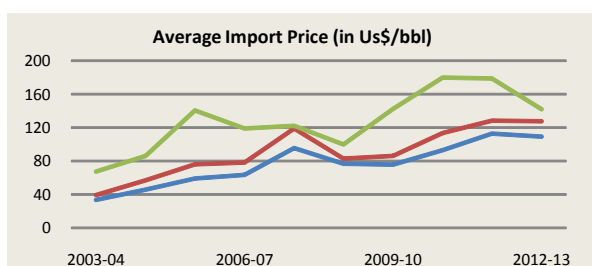
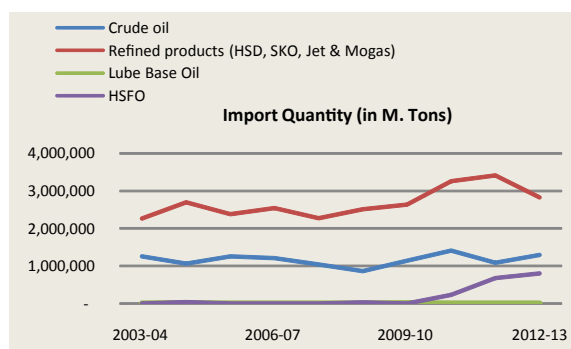


Source: BPC

Petroleum Import

Bangladesh is 100% dependent on other countries for petroleum or crude oil. BPC imported 5.2 million Tons of crude and refined oil products for FY 2012-13 at a cost of around US\$ 5.0 billion. It has estimated to import around 5.9 mn Tons of crude and refined oil during the fiscal year 2013-14. Recently, Government allowed Summit Narayanganj Power Plant to import Diesel and Furnace Oil.

Quantity & Average Price of Imported Products



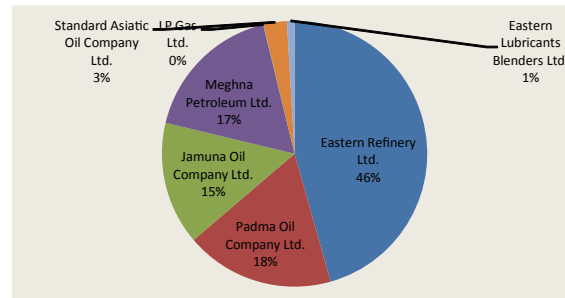
Source: BPC

BPC's Storage Capacity

Currently, BPC has storage capacity of 1.02 mn M. Tons. It is now implementing a plan to increase the oil

storage capacity by around 14% to 1.175 mn M. Tons within the next couple of years. It has planned to build 26 new oil storage tanks across the country to meet the mounting demands of which, 14 new oil storage tanks with a total capacity of 100,000 Tons would be built by 2014.

BPC maintained fuel storage through its subsidiaries



Source: BPC

Government Subsidy for Petroleum Import

BPC is now incurring loss of BDT 10.23 and BDT 10.17 for selling per litre of diesel and kerosene respectively. The cumulative deficit of the BPC stood at BDT 293.14 billion during the last five fiscal years, from FY 2008-09 to FY 2012-13, of which the government has paid BDT 285.07 billion as subsidy. The estimated deficit between July and November of FY 2013-14 was BDT 9.51 billion. The government has set the amount of BDT 28.75 billion as target for fuel subsidy in current fiscal year.

Position of the companies in the sector:

Meghna Petroleum is holding 36.15% market share followed by Padma Oil Company Ltd. (33%) and Jamuna Oil Company Ltd. (29.98%).

The main activities of these companies are marketing and distribution of fuel, LPG, Bitumen and other related products. The demand of fuel related products is increasing rapidly due to industrial and economic growth of the country. Most of the power plant which was established recently and going to be establish soon, are fuel based plant.

The impact on the demand side growth can be found out in the recent financial performance of the participants of this sub-sector. The table shows the companies' revenue growth from 2011-12 to 2012-13:

Gross Earnings of Listed Oil Distribution Companies

	2011-12 (BDT mn)	2012-13 (BDT mn)	Growth
Padma Oil	1,526	1,500	-1.7%
Meghna Petroleum	1,194	1,319	10.5%
Jamuna Oil	1,815	1,403	-22.7%

Source: Financial Statements of respective companies

Power Generation, Transmission & Distribution

Electricity plays vital role for the growth of any economy. The more electricity available for industrial consumption, the more dynamic the economy becomes.

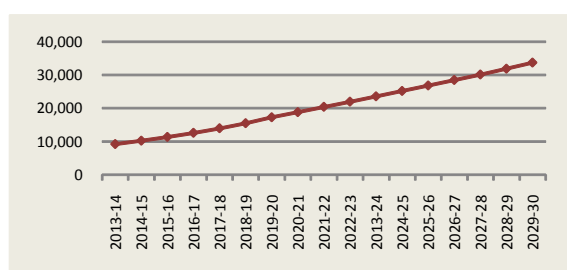
Demand Scenario

As a developing country, the demand for electricity is increasing day by day in Bangladesh. The growth in demand is almost 10% a year. In November 2013, installed power production capacity was 10,213 MW. Population's access to electricity increased from 47% to 62% between FY08/09-FY12/13. Therefore, per capita electricity consumption increased from 165 KWh to 226 KWh between FY08/09-FY12/13. Transmission and distribution (T&D) losses declined to 14% in FY12/13.

Current Capacity & Future Plan

The installed capacity increased to 10,213 MW in November 2013 including 500MW of power imports from India. As on November 2013, Public Sector generated 5,962 MW (58%) and Private Sector (including 500 MW import) generated 4,251 MW (42%). BPDB has taken a massive capacity expansion plan to add about 10,500 MW Generation capacity in next 5 years to achieve 24,000 MW Capacity according to Power Sector Master Plan (PSMP) – 2010 by 2021.

Year wise Peak Demand Forecast (MW)

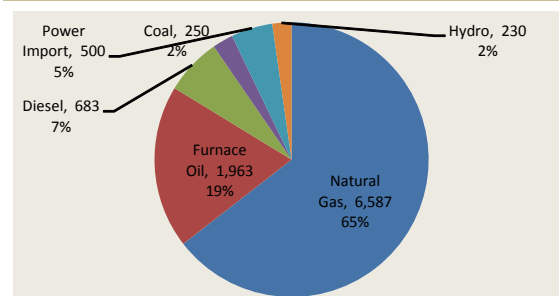


Source: Power Sector Master Plan (PSMP) – 2010

Fuel Mix & Primary Fuel Supply

Bangladesh power sector is heavily reliant on gas. The share of oil-based power supply- from only 8% in 2009 to 25% in November 2013- is a reflection of a major primary fuel constraint in Bangladesh. As on November 2013, 65% power producing plants are gas based, 25% are fuel oil based, 5% are imported, 2.5% are coal based and 2.3% are Hydro based. Average electricity tariffs have been raised by BERC up to 69% for different categories of consumers since March 2010.

Installed Capacity by Fuel Type, as on November 2013



Source: BPDB

Power Transmission

Power Grid Company of Bangladesh Limited is the sole power transmission Company in Bangladesh. It is responsible in all aspects, regarding transmission lines, sub-stations, load dispatch centers, communication facilities etc. In 2012-13 FY, about 33,550 mn Kwh of energy was wheeled through the transmission network which is 9.35% higher than that of last year.

Power Distribution

Bangladesh Power Development Board (BPDB) is responsible for distribution of electricity in most of urban areas in Bangladesh except few areas. Dhaka Metropolitan City and its adjoining areas are under DPDC and DESCO. Some areas under West Zone Power Distribution Company Limited (WZPDCL) and some of the rural areas under Rural Electrification Board (REB).

In this issue we covered four particular stocks. These are: Barakatullah Electro Dynamics Ltd. (BEDL), Dhaka Electric Supply Company Ltd. (DESCO), Meghna Petroleum Limited (MPETROLEUM) and Titas Gas Transmission & Dist. Co. Ltd. (TITASGAS).

TITAS GAS TRANSMISSION & DISTRIBUTION COMPANY LIMITED

Company Overview

Titas Gas Transmission and Distribution Company Limited is the largest gas transmission and distribution company in Bangladesh with 63% market share among the 6 operators under Petrobangla.

The company got listed with the Dhaka and Chittagong Stock Exchanges in 2008 under direct listing method. Presently, 25% shares are available for public trade in the stock exchanges, while the Government held the rest 75% shares.

As of June 30, 2013, the company sold 14,236.42 MMCM (Million Cubic Meter) gas, total length of pipeline was 12,253.22 km and total number of customer stood at 1.56 million. Around 99% of sales revenue comes from selling gas, where 24% revenue is generated from industrial source. CNG sector and captive power plant is the source of 22% and 18% of total revenue respectively.

Investment Insight

- Titas Gas enjoys monopoly in its franchise area, i.e., Greater Dhaka & Mymensingh districts.
- As far as the country will grow, demand for natural gas will also grow. Since Titas is the largest gas distributor, it will be able to maintain a sizeable business as long as gas reserve is not completely depleted.
- In FY 2012-13, increasing demand caused to enhance sales revenue by 4.6% and Profit after Tax increased by 2.1% accordingly.
- The Company has started to supply 412 MW power plant from May 2013. It will also provide gas supply at power plants for Ghorashal (108 MW) and Siddirganj (335 MW).
- Auditor had provided qualified opinion on June 30, 2013 financials regarding discrepancy in inventory and Customer Security Deposit accounts amounting BDT 150 mn and BDT 117.74 mn respectively.
- Earlier Government decided to sell 10% or 9.42 crore shares to the public from its stake in Titas Gas. But due to chronic bear run of the country's stock market, the government retracted from taking the step. If the announcement of offloading shares comes to the market, it will create sale pressure from investors fearing big fall in prices.
- The Company paid stable cash dividend over the years.

Company Fundamentals

Market Cap (BDT mn)	82,105
Market weight	3.50%
No. of Share Outstanding (in mn)	989.2
Free-float	25%
Paid-up Capital (BDT mn)	9,892
3-month Average Turnover (BDT mn)	46.64
3-month Return	13.00%
Current Price (BDT)	83
52-week price range (BDT)	64.1 - 102
Sector Forward P/E	13.8

	2010-11	2011-12	2012-13	2013-14 (H/Y Ann.)
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Financial Information (BDT mn):

Sales	68,551	71,375	74,626	74,772
Profit After Tax	9,177	8,912	9,096	8,190
Assets	59,846	69,827	80,372	8,406
LT Debt	10,185	10,226	10,531	85,705
Equity	28,246	36,163	45,757	11,301
Dividend (C/B)%	30/0	30/5	35/0	---

Margin:

Gross Profit	19.6%	16.2%	15.5%	15.9%
Operating Profit	15.4%	11.8%	10.9%	11.0%
Pretax Profit	18.0%	16.8%	16.4%	15.8%
Net Profit	13.4%	12.5%	12.2%	11.2%

Growth:

Sales	6.2%	4.1%	4.6%	0.2%
Gross Profit	17.5%	-14.1%	0.2%	2.5%
Operating Profit	20.2%	-20.1%	-4.0%	1.1%
Net Profit	25.2%	-2.9%	2.1%	-7.6%

Profitability:

ROA	16.6%	13.7%	12.1%	10.1%
ROE	37.3%	27.7%	22.2%	18.2%

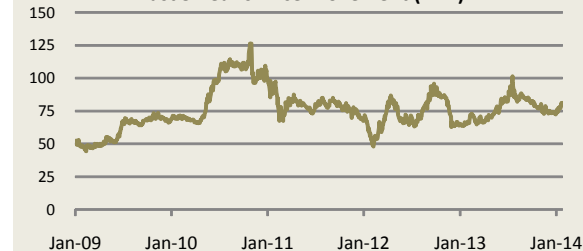
Leverage:

Debt Ratio	4.1%	3.3%	2.1%	1.8%
Debt-Equity	8.7%	6.4%	3.7%	3.3%
Int. Coverage	130	97.1	119.4	144.3

Valuation:

Price/Earnings	8.7	9.0	8.8	9.7
Price/BV	2.8	2.2	1.8	1.8
EPS (BDT)	9.3	9.0	9.2	8.5
NAVPS (BDT)	28.6	36.6	46.3	47.0
DPS (BDT)	3.0	3.0	3.5	---

Last 5 Year's Price Movement (BDT)



Source: Annual Report, the Financial Express, the Daily Star, Petrobangla, Titas Gas, DSE, ILSL Research

DHAKA ELECTRIC SUPPLY COMPANY LIMITED

Company Overview

Dhaka Electric Supply Company Limited (DESCO) distributes electricity to the end users. It commenced its commercial operation on September, 1998 as a public limited company and went public on June, 2006. DESCO purchases electricity solely from Bangladesh Power Development Board (BPDB). Its operational areas included about 250 square kilometers comprise mainly Mirpur, Gulshan, Uttara and Tongi zone. Among 3,411.91 MkwH distributed by DESCO in 2012-13, 44.06% was consumed in domestic, 33.82% in medium voltage and 13.52% in commercial purpose. Over the last 4 years energy sales of DESCO grew at a CAGR (compound annual growth rate) of 22.1% while load grew at 7.2% over the same period. As of June, 2013, the company catered 573,356 consumers with a maximum load demand of 726 MW.

Investment Insight

- In FY 2012-13, the company has installed two sub-stations which have increased its total capacity by 100/140 (MVA). Construction works of sub-station in different location are going on and will be completed by March, 2014, which will boost around 252 MW supply capacities to the system. Moreover, 3 nos. of new and 1 no upgrading of 33/11 KV sub-station development project under turnkey basis is under process.
- Purbachal Model Town and Uttara Model Town (3rd phase) developed by RAJUK has already been added to DESCO's operational area. Electrical network development for both of these areas has already been taken up by DESCO. The load demand of the two projects is expected to be about 500 MW and 352 MW respectively.
- Bangladesh Power Development Board (BPDB) hiked the bulk level energy price few times by phases from BDT 2.7825/kwh to BDT 5.4050/kwh. The company also pays wheeling charge to Power Grid Company Ltd. (PGCB) at BDT 0.2291 per kwh. Since Retail level energy price did not increase proportionately, it drastically squeezed DESCO's gross profit margin.
- DESCO is heavily exposed to foreign currency debt (around 52% of its total non-current liabilities consist of loan taken from ADB). Hence, USD-BDT exchange rate fluctuation will affect the firm's profitability.

Company Fundamentals

Market Cap (BDT mn)	23,854
Market weight	1.0%
Free-float	25%
Paid-up Capital (BDT mn)	3,442
3 Months Average Turnover (BDT mn)	15.3
3 Months Return	17.0%
Current Price (BDT)	69.3
52-week price range (BDT)	56.7 – 97.5
Sector Forward P/E	13.8

	2010-11	2011-12	2012-13	2013-14 (H/Y Ann.)
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Financial Information (BDT mn):

Sales	12,291	15,962	21,951	24,668
PAT	1,478	839	805	507
Assets	29,309	32,600	33,858	33,302
LT Debt	13,762	14,902	14,778	14,888
Equity	9,919	10,554	10,766	10,958
Div. % (C/B)	10/25	10/15	10/15	-/-

Margin:

Gross Profit	22.4%	11.5%	2.7%	3.3%
Operating Profit	16.0%	6.1%	-2.2%	-1.4%
Pretax Profit	16.2%	7.2%	5.1%	2.6%
Net Profit	11.8%	5.2%	3.6%	2.0%

Growth:

Sales	13.5%	30.3%	36.9%	11.8%
Gross Profit	19.9%	-33.4%	-68.1%	38.9%
Operating Profit	30.4%	-50.8%	-150.3%	-28.9%
Pretax Profit	-6.5%	-42.3%	-3.3%	-42.1%
Net Profit	-17.4%	-43.3%	-4.0%	-37.0%

Profitability:

ROA	5.0%	3.0%	2.0%	3.0%
ROE	16.0%	8.0%	8.0%	9.0%

Leverage:

Debt Ratio	43.0%	41.0%	39.0%	40.0%
Debt-Equity	139.0%	141.0%	137.0%	136.0%
Int. Coverage	7.20x	2.88 x	(1.53)x	(1.08)x

Valuation:

Price/ BV	2.1	2	1.9	1.9
Price/ Earnings	14.0	24.8	25.8	62.1
EPS (BDT)	4.3	2.4	2.3	1.5
NAVPS (BDT)	28.8	30.7	31.3	31.8
DPS (BDT)	1.0	1.0	1.0	-

Last 5 Year's Price Movement (BDT)



Source: Annual Report the Financial Express, the Daily Star, DESCO, BPDB, DSE, ILSL Research

MEGHNA PETROLEUM LIMITED

Company Overview

Meghna Petroleum Limited (MPL), a subsidiary of Bangladesh Petroleum Corporation (BPC), incorporated on December 27, 1977. The principal activities of the Company comprise the procurement, storage and marketing of Petroleum Oil and Lubricating products, Bitumen and Liquefied Petroleum Gas (LPG) in Bangladesh.

MPL has developed total storage capacity of 178,703 M. Tons. About 57.6% of total sales were consisted of High Speed Diesel followed by Furnace Oil (22.6%) and Superior Kerosene Oil (7.5%).

The Company was enlisted with DSE and CSE on November 14, 2007 and December 02, 2007 respectively, off-loaded 30% shares under direct listing procedure. Around 58.67% of shares are held by Government whereas 23.52% and 17.81% of shares are held by Institutions and General Investors respectively.

Investment Insight

- The Company took initiative to build 5 storage tanks with capacity of 17,500 M. Tons (almost 10% increase from current capacity), of which 5,000 M. Tons had already been built, at Aligonj Depot, Fatullah, Narayanganj in its own 3.90 acre of land. This project will stimulate Company's Gross Earnings on Petroleum and is expected to be completed by 2014.
- Non-Operating income contributed significantly in its earnings. As per 2012-13 Financials, Non-Operating Income was BDT 1.94 bn whereas Gross Earnings on Petroleum Products was BDT 1.32 bn. Therefore, decline in bank deposit rate will hamper net profit of the firm.
- Auditor provided qualified opinions on two issues in 2012-13 Annual Report. One was regarding transfer of legal titles of the immovable properties acquired from erstwhile MPMCL and PPL. Another one was discrepancies in Stock amount between BPC and its subsidiaries.
- The Company runs its business on fixed percentage of commission from BPC. Therefore, it does not bear any risk from oil price fluctuation in International Market.
- In the last 6-months, Company's Gross Earnings on Petroleum Products was almost flat (2% growth) comparative to last H/Y due to political turmoil during that time. However, 63% increase in interest income mainly brought the 40% growth in net profit.

Company Fundamentals

Market Cap (BDT mn)	28,736.0
Market weight	1.20%
No. of Share Outstanding (in mn)	98.4
Free-float Shares	41.30%
Paid-up Capital (BDT mn)	984
3-month Average Turnover (BDT mn)	152.4
3-month Return	28.0%
Current Price (BDT)	292.1
52-week price range (BDT)	156-320
Sector Forward P/E	13.8

	2010-11	2011-12	2012-13	2013-14 (H/Y Ann.)
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Financial Information (BDT mn):

Sales	84,910	116,459	139,121	N/A*
Operating Profit	673	778	831	726
Profit After Tax	892	1,391	1,864	2,199
Assets	22,508	37,614	43,885	50,990
L-Term Debt**	19,727	33,599	38,231	43,221
Equity	2,379	3,597	5,177	6,277
Dividend (C/B)%	35/30	45/30	70/20	---

Margin:

Gross Profit	1.2%	1.0%	0.9%	N/A*
Operating Profit	0.8%	0.7%	0.6%	N/A*
Pretax Profit	1.4%	1.6%	1.8%	N/A*
Net Profit	1.1%	1.2%	1.3%	N/A*

Growth:

Sales	N/A*	37.2%	19.5%	N/A*
Gross Profit	31.1%	17.7%	10.5%	-6.7%
Operating Profit	54.7%	15.5%	6.8%	-12.6%
Net Profit	92.0%	55.8%	34.1%	17.9%

Profitability:

ROA	4.3%	4.6%	4.6%	4.6%
ROE	46.2%	46.5%	42.5%	38.4%

Leverage:

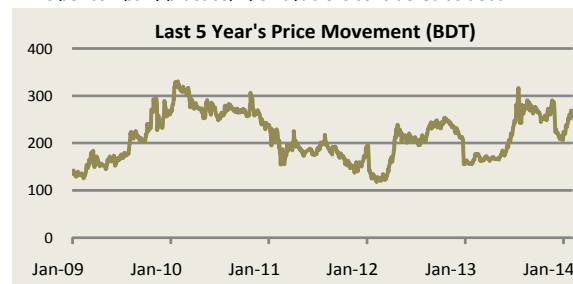
Debt Ratio**	0.9	0.9	0.9	0.9
Debt-Equity**	8.3	9.4	7.4	6.9
Int. Coverage	6.4	6.1	6.0	5.1

Valuation:

Price/Earnings	30.7	19.7	14.7	13
Price/BV	11.5	7.6	5.3	4.1
EPS (BDT)	9.1	14.1	19	22.4
DPS (BDT)	3.5	4.5	7	--
OCFPS (BDT)	43.4	32	38.5	25.5*
NAVPS (BDT)	24.2	36.6	52.6	63.8

*Information was not available

** As per company practice, A/C Payable is considered as debt



Source: Annual Reports, the Financial Express, ILSL Research, BPC, Company's Officials

BARAKATULLAH ELECTRO DYNAMICS LIMITED

Company Overview

Barakatullah Electro Dynamics Limited (BEDL) started its commercial operation since October 24, 2009. The principal activity of the Company is to set up power plants for generation and supply of electricity. It has plant capacity of 51 MW located at Fenchugonj, Sylhet. The Company won bid for implementing, generating and supplying electricity for a period of 15 years on Built-Own-Operate (BOO) basis and signed a Power Purchase Agreement (PPA) with Bangladesh Power Development Board (BPDB) on April 28, 2008. The Firm enlisted in DSE and CSE on May 16, 2011. Sponsors held 26.81% shares of the company whereas 73.19% shares belonged to General Investors. The lock-in period for Sponsors will cease to exist on January 31, 2014.

Investment Insight

- Barakatullah Electro Dynamics Limited is natural gas based power generating firm. Therefore, availability of gas supply is a vital issue which affects production process.
- The Company ensured its source of main raw material i.e., natural gas, by signing contract with Jalalabad Gas Transmission and Distribution System Ltd. on June 22, 2008 for Fenchugonj Plant.
- On July 31, 2011 Baraka Patenga Power Ltd., a 51% subsidiary of BEDL, signed a PPA with BPDB to generate and supply 50 MW electricity on BOO basis for 15 years. For this project the firm got USD 23.03 million loan from BB under Investment Promotion and Financing Facility (IPFF) at interest rate of LIBOR+3.30% p.a. for term of 12 years. The project is about to complete and will commence its operation soon.
- It entered into a contract to procure 19 generation sets and all necessary spare parts from GE Jebachare, Austria for Fenchugonj project and with Rolls Royce Marine AS, UK, on October 19, 2011, for Baraka Patenga project.
- In year 2012-13, the firm utilized, on an average, 62.48% of its production capacity which was 67.86% in year 2011-12.
- In H/Y of 2013-14 the Company reported 7.6% growth in operating profit compared to H/Y of 2012-13.
- Earnings potential are limited to licensed production capacity and regulator determined price.

Company Fundamentals

Market Cap (BDT mn)	4,445
Market weight	0.20%
No. of Share Outstanding (in mn)	131.1
Free-float Shares	73.2%
Paid-up Capital (BDT mn)	1,311
3-month Average Turnover (BDT mn)	45.8
3-month Return	19.0%
Current Price (BDT)	33.9
52-week price range (BDT)	24.4 - 44.4
Sector Forward P/E	13.8

	2010-11	2011-12	2012-13	2013-14 (H/Y Ann.)
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Financial Information (BDT mn):

Sales	767	732	675	752
Operating Profit	326	321	288	334
Profit After Tax	164	196	184	229
Assets	3,205	3,386	5,475	6,080
Long Term Debt	819	354	250	1,965
Equity	2,036	2,831	3,212	3,299
Dividend (C/B)%	0/20	0/21	10/5	----

Margin:

Gross Profit	49.2%	53.4%	54.0%	57.1%
Operating Profit	42.5%	43.9%	42.7%	44.4%
Pretax Profit	27.3%	31.2%	31.8%	34.5%
Net Profit	21.4%	26.8%	27.3%	30.5%

Growth:

Sales	49.1%	-4.6%	-7.7%	11.3%
Gross Profit	40.1%	3.5%	-6.6%	17.7%
Operating Profit	49.2%	-1.5%	-10.3%	16.0%
Net Profit	60.8%	19.3%	-5.9%	24.3%

Profitability:

ROA	6.1%	5.9%	4.2%	4.0%
ROE	12.0%	8.0%	6.1%	7.0%

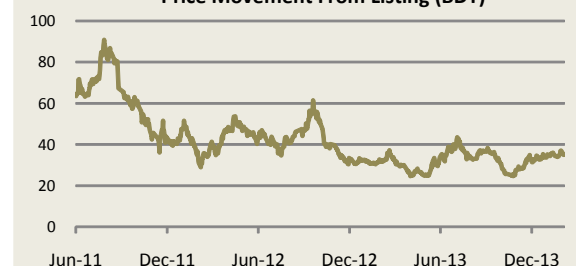
Leverage:

Debt Ratio	32.8%	13.5%	6.4%	43.7%
Debt-Equity	51.7%	16.2%	11.0%	80.6%
Int. Coverage	2	3.5	4.1	5.4

Valuation:

Price/Earnings	27.7	23.2	24.7	19.4
Price/BV	2.2	1.6	1.4	1.7
EPS (BDT)	1.3	1.5	1.4	1.7
OCFPS (BDT)	0.5	1.7	1.2	0.2
NAVPS (BDT)	15.5	21.6	24.5	25.2

Price Movement From Listing (BDT)

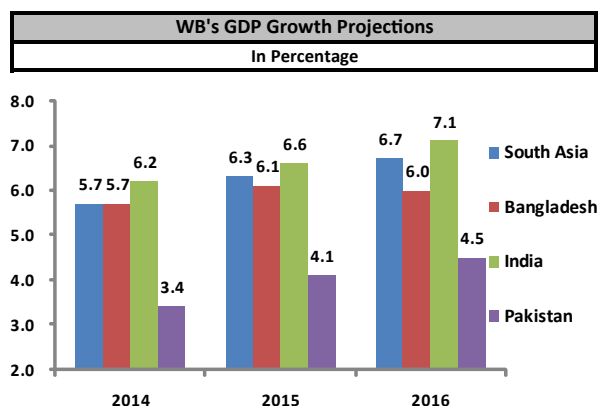


Source: Annual Report, the Financial Express, the Daily Star, ILSL Research, BPDB

BUSINESS NEWSFLASH

Economy

Political jitters to slow economic growth: WB forecasts 5.7% GDP growth for current fiscal year
The Daily Star, January 16, 2014



Source: WB Study

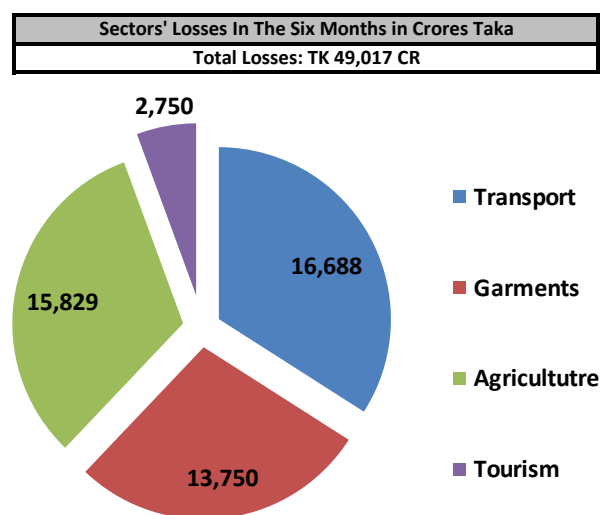
The World Bank forecasts Bangladesh's GDP growth to be around 5.7% this fiscal year, well below the government's target of 7.2%, due to political unrest, image crisis of the garment sector and slow remittance growth. The projection came in the multilateral lender's latest edition of the Global Economic Prospectus. The report predicts South Asia's regional GDP growth to come to 5.7% this year and developing countries' 5.3%. The GDP growth last fiscal year stood at 6.03%. Bangladesh Bank said that the World Bank's growth forecast is reasonable as the central bank's most recent growth projection for fiscal 2013-14 ranges between 5.7% and 6.0%.

Challenge to achieving the projected GDP growth comes by way of the image crisis of the country's main export sector, the garment sector, owing to the twin industrial disasters of Rana Plaza collapse and Tazreen fire. Since October the country has lost around 50 working days due to shutdowns and blockades, which directly affected the small and medium industries and transport sectors. Moreover, remittance, one of the driving forces of the economy in recent years, has been showing signs of a slowdown of late. Meanwhile, the report projected the global GDP growth to accelerate from 2.4% in 2013 to 3.2% this year.

Growth prospects for 2014 are, however, sensitive to the tapering of monetary stimulus in the US, which began earlier this month, and to the structural shifts taking place in China's economy, the report added.

<http://www.thedailystar.net/business/political-jitters-to-slow-economic-growth-6924>

Political turmoil costs four sectors BDT 49,000cr: CPD
The Daily Star, January 26, 2014



Nationwide shutdowns and blockades in the last six months have cost transport, garment, agriculture and tourism sectors a combined BDT 49,017 crore, the Centre for Policy Dialogue said. The loss is equivalent to 4.7% of the gross domestic product (GDP) of fiscal 2012-13. In one of CPD's earlier studies, it was estimated that 1% loss of the country's capital stock leads to 0.9% loss of GDP. The study focused on four major sectors such as export-oriented clothing and textiles, agriculture and agro-based industries (vegetables, agro processors, poultry, frozen food, agro machineries, and jute), land transport (rail and road) and tourism. The estimate shows that due to the 55 days shutdowns and blockades from July to December 2013, land transport incurred the highest amount of loss, amounting to BDT 16,688 crore, followed by agriculture and agro-based industries BDT 15,829 crore, clothing and textiles sector BDT 13,750 crore and tourism sector BDT 2,750 crore sector.

<http://www.thedailystar.net/business/political-turmoil-costs-four-sectors-BDT-49-000cr-cpd-8452>

Economy likely to grow 6.0pc: ECNEC okays 13 projects with BDT 77.35b

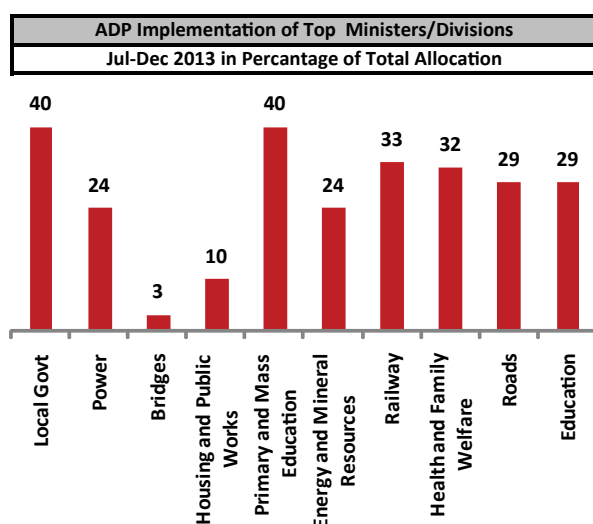
The Financial Express, January 20, 2014

Planning Minister expressed the hope that Bangladesh would be able to achieve around 6.0% GDP growth rate in the current fiscal year (2013-14) despite all odds and constraints. The World Bank has recently said Bangladesh would not be able to achieve the targeted 7.2% GDP growth in the 2013-14 fiscal. The Washington-based lending agency has forecast that the growth rate of Bangladesh would not cross 5.7 %, essentially due to Bangladesh's ongoing political turmoil. In a half-yearly report, titled 'Global Economic Prospects' the World Bank recorded this observation. Earlier, the Executive Committee of the National Economic Council (ECNEC) approved 13 development projects involving BDT 77.35 billion, including BDT 1.15 billion to give the capital a facelift ahead of the T-20 World Cup Cricket scheduled for March next.

<http://www.thefinancialexpress-bd.com/2014/01/20/14524>

Big cuts unlikely in ADP outlay: Govt takes a host of steps to speed up implementation

The Daily Star, January 29, 2014



Source: Planning Ministry

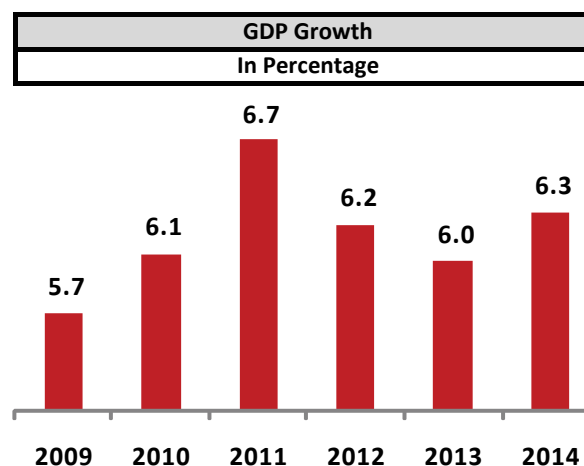
The implementation of the annual development programme is lagging far behind its target in the first six months of the current fiscal year but the government has no plan to make a deep cut in the outlay.

The Planning Ministry hinted that steps would be taken to speed up ADP implementation in the second half of the year. The size of the revised ADP would be around BDT 60,000 crore while the original allocation was BDT 65,872 crore. The allocations of the ministries that were slow in ADP spending would be transferred to other ministries in the revised budget. In the first six months of the current fiscal year, 27 percent of the ADP or work worth BDT 18,087 crore has been implemented though the rate was 30% during the same period last fiscal year, according to IMED statistics. ADP implementation was slow in the first six months due to political unrest.

<http://www.thedailystar.net/business/big-cuts-unlikely-in-adp-outlay-8877>

Government to cut GDP growth forecast down to 6.3%

The Daily Star, January 21, 2014



Source: Finance Ministry

The government plans to revise down the GDP growth outlook by around 1 percentage point, as it thinks the previous target at 7.2% was 'ambitious' amid political volatility. The growth would not be less than 6.3% in the current fiscal year; the finance ministry said adding that the new GDP growth target would be 6.3%.

In its quarterly report last month, the BB has revised down the GDP growth outlook for the current fiscal year and said the rate would hover between 5.7% and 6%. In another projection in July last year the central bank had put the rate at 6.2%. Earlier, the International Monetary Fund had forecast

Bangladesh's GDP growth would be 5.5%, while the World Bank's projection was at 5.7%.

Capital machinery import rose 18.13% and industrial raw materials 10.80% in the first five months of the current fiscal year. Import of these items fell by 28.02% and 6.31% respectively in the same period last fiscal year. A finance division official said they think 6.3% GDP growth could be achieved despite severe political violence in the last three months.

<http://www.thedailystar.net/business/govt-to-cut-gdp-growth-forecast-down-to-6-3pc-7648>

Remittance inflow reaches USD 6,778m in H1

The Financial Express, January 08, 2014

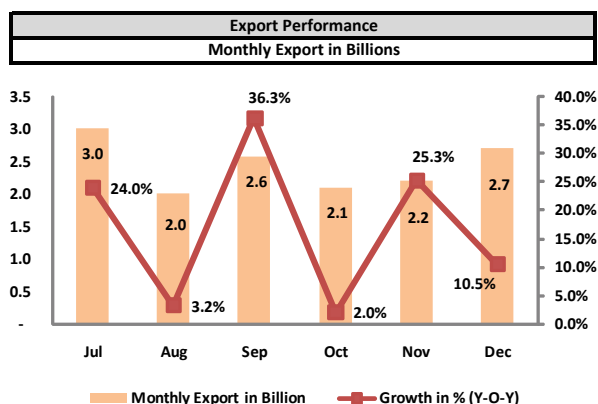
The remittance inflow to country reached at USD 6,778.57 million in the first half (H1) of the current financial year (FY) 2013-14. The amount was slightly lower than the inflow in July-December period of the last FY 2012-13 due mainly to the ongoing political instability and continuous fall of US dollar against Taka, reports BSS.

Inward remittances dropped by 5.5% in December from the same month a year ago, unmasking the country's failure in sending more workers abroad. Expatriate Bangladeshis, however, remitted USD 1216.49 million in December, which was significantly higher than the remittance inflow of USD 1061.45 million of November. The remittance rose again in December as Bangladeshi living abroad sent home more money to help their family members meet various types of end-year expenditures. Of the total remittances in December, 29 private commercial banks have collected the highest amount of USD 780.47 million when the four state-owned banks USD 405.58 million, nine foreign banks USD 15.41 million and four specialized banks sent USD 15.03 million.

<http://www.thefinancialexpress-bd.com/2014/01/08/12739>

Exports soar to record high: Earnings rose about 16% year on year in 2013

The Daily Star, January 10, 2014



Source: EPB

Exports advanced 23.22% in December from the previous month to take last year's earnings to USD 29.1 billion, the highest in the nation's history, in spite of the political turmoil at home and image crisis faced by the chief export grosser, the garment sector. Propelled by garment products which raked in a record USD 23.5 billion, last year's figure is also an improvement of about 16% over 2012's takings of USD 25.1 billion, according to data from Export Promotion Bureau. Moreover, market diversification of garment products is taking place at a rapid pace, and the new markets are performing very well, too.

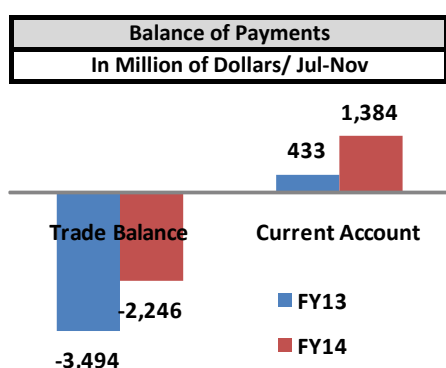
Currently, the garment sector is under a mountain of problems due to the political unrest and the continued general strike and blockades, around BDT 5,000 crore worth of goods needed to be sent via the expensive air shipment in December alone. The country earned USD2.73 billion in December, up 10.54% year-on-year and 4.06% over the target. The export performance during the July-December period stayed 3.08% above the target.

<http://www.thedailystar.net/exports-soar-to-record-high-6208?archive=2014-01-10>

Trade deficit narrows: Between July and November, deficit came down 36pc to USD2.24b

The Daily Star, January 19, 2014

Trade deficit narrowed by 36% in the first five months of the fiscal year on the back of high export and low import growth. Between July and November, trade deficit stood at USD 2.24 billion, in contrast to USD 3.49 billion recorded for the same period a year ago, according to data from the central bank. During the period, exports increased by 19% and imports only 4%. Observers however tipped the deficit to widen again should the losses incurred by the export sector during the political unrest are not pared down in the coming months.



Source: Bangladesh Bank

Remittance, meanwhile, dropped 8.94% year-on-year to USD 5.52 billion. In spite of the slide, current account surplus at the end of the fifth month of fiscal 2013-14 stood at USD 1.38 billion against USD 433 million in the same period of the previous fiscal year. Thanks to the huge surplus in the current account and low investment demand, foreign currency reserves reached a new high, even in the middle of the political unrest.

In December, foreign reserves crossed the USD 18 billion mark for the first time. Even though investment demand remained very low in the backdrop of political unrest, there was a spike in capital machinery imports, which raised suspicions of foul play in the minds of the economists.

<http://www.thedailystar.net/business/trade-deficit-narrows-7351>

EPZ investment up 26.5% in six months

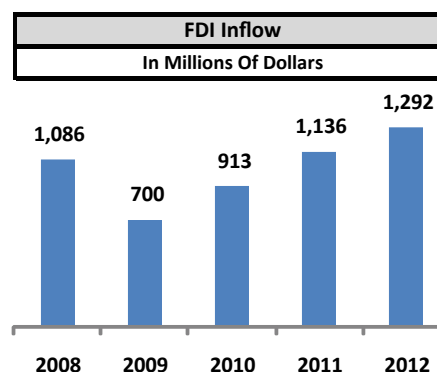
The Daily Star, January 23, 2014

Export processing zones posted 26.5% growth in investment and 15.96% in export earnings in the first six months of the fiscal year, a testing period for the industrial sector at large. Some USD190.23 million was invested in the country's eight EPZs in the first half of fiscal 2013-14, according to data from the Bangladesh Export Processing Zones Authority. The investment inflow was USD 150.37 million in the same period of the previous fiscal year. The cumulative investment stands at USD 2.98 billion as of 2013. Export earnings by EPZ-based companies rose 15.96% to USD 2.598 billion in the July-December period from a year ago. About 425 industrial units are now operating in the eight zones, with 136 more under construction, according to officials from the BEPZA. During the period, the EPZs hired some 8,018 Bangladeshi workers, to take the tally to 381,262. BEPZA officials attributed the growth to uninterrupted production and adequate security.

<http://www.thedailystar.net/business/epz-investment-up-26-5pc-in-six-months-8078>

FDI drops 6% in first half of 2013

The Daily Star, January 30, 2014



The actual flow of foreign direct investment to Bangladesh dropped 6.22% to USD933.09 million in the first half of 2013 from the same period a year ago, due to a gloomy global economic climate and volatile domestic politics. Bangladesh received USD995.02

million in foreign investment in January-June of 2012, according to data from the Board of Investment. The state-run agency said Bangladesh might well be on course for the highest level of foreign investment in 2013. World Bank in Dhaka said over USD900 million in FDI is more than "one could expect given the ground situation."

Bangladesh received USD1.292 billion in FDI in 2012, which is the highest the country has received to date, surpassing USD1.136 billion in 2011. Bol has not yet disclosed the amount of real FDI in the second half of 2013 as the central bank is yet to total the amount received through extensive survey. The additional secretary however hoped that FDI flow could surpass USD1.5 billion in 2013. Investment proposals from foreign investors or joint ventures dropped in the last quarter of 2013; only six wholly foreign-owned investment proposals and 15 joint venture proposals were registered at an investment value of BDT 787.20 crore. It was BDT 16,070 crore in July-September.

<http://www.thedailystar.net/business/fdi-drops-6pc-in-first-half-of-2013-9040>

Business Cash flow slowing

The Daily Star, January 08, 2014

Cash flow in the economy shrank in the past several months due to the ongoing strikes and blockades. The business community and bankers say if the situation does not improve immediately, cash movement may plummet further and hurt the economy's growth potential. Q-Cash, a leading electronic payment gateway in Bangladesh, has around 2,300 automated teller machines (ATMs), serving clients of 33 member banks. On a normal day, an average of BDT 450 crore is transacted through the Q-Cash ATMs, which rises to BDT 600 crore around special days such as Eid, but the daily transaction value has now dropped to below BDT 100 crore.

Transactions through Dutch-Bangla and BRAC banks that run two other ATM networks also declined, but not drastically. In October 2013, nearly BDT 2,500 crore was transacted through 2,450 Dutch-Bangla ATMs; it has dropped to about BDT 2,100 crore in both November and December.

Bol received only 7 proposals in October 2013, against 15 in September, data shows. Foreign companies proposed to invest only USD20 million in October against a commitment of USD1.91 billion a month ago. The number of local investment proposals also declined to 75 in October from 81 in September.

<http://www.thedailystar.net/business/cash-flow-slowing-5846>

Sale of savings tools records rise: Net borrowing from savings tools targeted at BDT 49.71b

The Financial Express, January 28, 2014

The net sales of public savings certificates rose by nearly 22 times in the first half of the current fiscal compared to the corresponding period of last FY due mainly to poor withdrawal of investment by saver. The Directorate of National Savings (DNS) data showed that the net sales of government savings instruments hit BDT 38.57 billion during the July-December period of FY 2013-14, BDT 1.77 billion up from that of the matching period of FY 2012-13.

Most of the three-year savings instruments matured in the last fiscal year. Auto reinvestment facility is another cause behind such development. Though the net sales went up significantly, the overall sales did not increase during the period as the government savings tools cannot attract the savers till now. As per the DNS data, the gross sales of savings certificates stood at BDT 104.58 billion in the six months of FY 2013-14 which was BDT 115.58 billion in 2012-13.

<http://www.thefinancialexpress-bd.com/2014/01/28/15901>

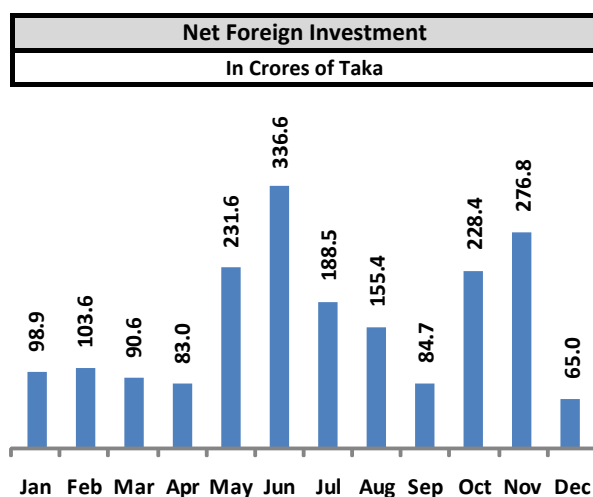
Stock Market

Foreign investment in stocks was buoyant in 2013

The Daily Star, January 02, 2014

Foreign investment in the capital market witnessed a 145% year-on-year increase in 2013 on the back of a two-year bearish market, comparatively low market multiples and solid economic fundamentals. Last year,

foreign investors bought shares worth BDT 2,652.48 crore and sold shares worth BDT 709.58 crore, to take their net investment for the year to BDT 1,942.9 crore, according to statistics from the Dhaka Stock Exchange.



The foreign exchange reserves are at an all-time high of USD 18 billion, remittance growth was over 12.5% even amid a currency appreciation of 3% and export growth was over 11% at the backdrop of import cutback of 4%.

However, the steep fall in net investment last month: which dropped by over 100% from the previous month, is of concern. The Foreign investment accounts for less than 1% of DSE's total market capitalization, which was BDT 2,64,779 crore at the end of 2013. Banks were initially the foreign investors' preferred sector, but non-bank financial institutions, power and energy, pharmaceuticals, multinationals, telecoms and IT also caught their attention.

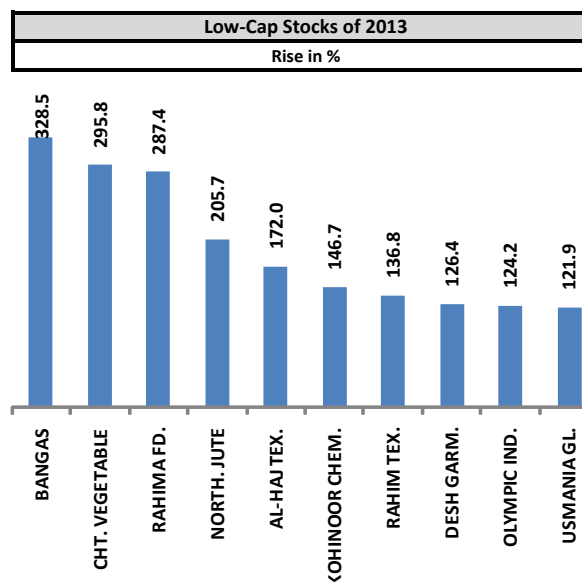
<http://www.thedailystar.net/business/foreign-investment-in-stocks-was-buoyant-in-2013-5032>

In 2013, low-cap stocks saw abnormal gains

The Daily Star, January 06, 2014

Many low-cap listed companies showed abnormal gains ranging from 50% to 328.5% although the volatile market experienced a 4.3% overall gain in 2013. A number of low capitalization stocks generated gains without price sensitive information or expansion plans to substantiate them. The stock market regulator had asked the DSE to look into the abnormal price hike of

some 15 low-cap companies. The DSE has already submitted its report to the regulator for further action.



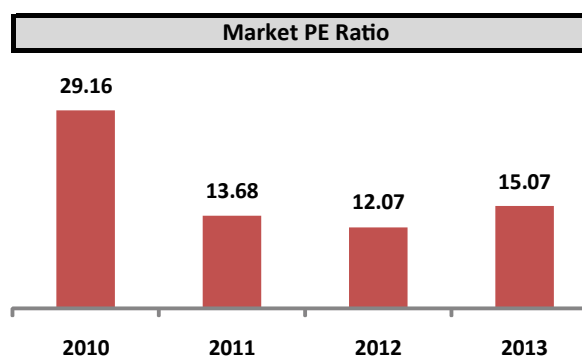
Source: DSE

The companies' earnings remained flat and the trend of declaring cash dividends was poor. Some traders poured money into low-cap stocks which suddenly inflated their prices. The Bangladesh Securities and Exchange Commission, the regulator, has launched its own surveillance software in 2012 in an effort to detect manipulative stock trading in the secondary market.

<http://www.thedailystar.net/business/in-2013-low-cap-stocks-saw-abnormal-gains-5450>

Market price-earnings ratio at three-year high

The Daily Star, January 07, 2014



The price-earnings (P/E) ratio hit a three-year high toward the end of 2013, indicating that the stock market has become comparatively risky for

investment. The ratio, which is the current market price divided by the earnings per share, rose to 15.07, which means the stocks are overpriced. As a rule of thumb, investors are normally better off buying a stock with a low P/E ratio than one with a high ratio, as they are getting more earnings for their money. Hikes in individual share prices and a decline in earnings by listed companies amid a prolonged political turmoil resulted in the rise in market P/E ratio. After a downward trend for two consecutive years following 2011's market crash, the market witnessed an upward trend in the just concluded year.

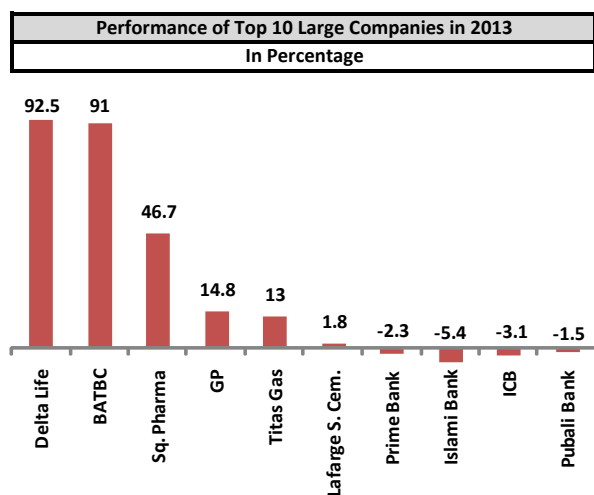
DSEX, the key index of the Dhaka Stock Exchange, closed 2013 with 4,266 points, registering a gain of 4.3% in the course of the year. On the other hand, political turmoil left a negative impact on almost every sector, reducing their level of profitability.

The highest market P/E ratio was 30.51 on December 5 of 2010, which came crashing down to 13.68 at the end of 2011 and 12.07 in 2012.

<http://www.thedailystar.net/business/market-price-earnings-ratio-at-three-year-high-5714>

Large cap companies outperform DSE

The Daily Star, January 12, 2014



Source: Brac EPL

The large cap firms on the Dhaka Stock Exchange outperformed the market by 9.1% last year on the back of solid financial performance. Moreover, some large cap companies declared dividends ranging between 45% and 500%, DSE data showed. In 2013, the ten largest stocks by market capitalization gained

14.3% whereas DSEX, the benchmark index of the DSE, advanced 5.2%.

<http://www.thedailystar.net/business/large-cap-companies-outperform-dse-6455>

BSEC opens international affairs dept

The Financial Express, January 13, 2014

The securities regulator has opened an International Affairs Department (IAD) to maintain communications with other securities regulators and stock exchanges across the world. The regulator move has come into effect following the practice of other international securities regulators. Bangladesh Securities and Exchange Commission (BSEC) has that the decision of establishing the IAD was finalized at a commission meeting held recently. The BSEC signed the IOSCO MoU on December 22, 2013 and thereby elevated to the highest grade-Appendix A-from the Appendix B. As per the regulatory decision, an executive director will be the chief of the IAD and the BSEC chairman will also supervise the department.

<http://www.thefinancialexpress-bd.com/2014/01/13/13513>

Market saw 5.47 lakh new BO accounts in 2013

The Daily Star, January 19, 2014

Around 5.47 lakh new BO accounts were opened in 2013, as investors were more confident in pouring funds into the primary market rather than the secondary one. Guaranteed profit through initial public offerings (IPOs) encouraged the investors to bet on primary shares. The number of new BO accounts was higher by 210% in 2013, compared to that in 2012, when 1.76 lakh accounts were opened, according to the CDBL, which preserves electronic data of all individual and institutional investors.

However, almost half of the new accounts became inactive during the year, as there was no scrip in the accounts. At the end of December 2013, the number of active BO accounts came down to 27.96 lakh, which was 24.75 lakh at the end of December 2012. Seventeen new securities got listed on the Dhaka Stock

Exchange last year while the number was 14 a year ago.

All the IPOs were oversubscribed manifold, as investors rushed for primary shares, expecting good returns from the investment. On the other hand, although the secondary market was recovering from the previous two years' downtrend, the DSEX, the key index of the premier bourse, gained only 4.3% to close the year at 4,266 points.

<http://www.thedailystar.net/business/market-saw-5-47-lakh-new-bo-accounts-in-2013-7352>

'DSEX Shariah Index' to be launched on January 20

The Financial Express, January 20, 2014

Dhaka Stock Exchange (DSE) is set to launch a new index titled 'DSEX Shariah Index' from January 20th to increase investment by Islamic Shariah-based companies in the stock market. This is an effort to boost investment by the institutions or investors in the stock market that investors prefer Islamic shariah-based product for investment. The Standard and Poor's (S&P) Dow Jones Indices, a US - based financial services company, developed the new index applying its methodology. The companies, that followed Islamic Shariah based, are likely to be included with this Shariah Index. The base point of DSEX Shariah Index will be 1,000, DSE president said. Exclusion from DSEX will automatically exclude a company from the DSEX Shariah Index. The securities will be sorted out after screening by two ways-sector wise and accounting basis. Companies engage in advertising and media, news or sports channel, newspaper, alcohol, cloning, tobacco, gambling and trading of gold and silver cannot be placed in the Shariah index.

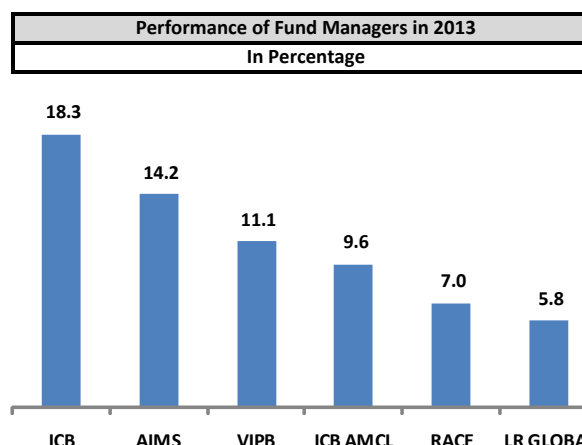
Even, financial institutions except Islamic banks, Islamic financial institutions, Islamic Insurance companies will not be eligible. A company's debt situation compare to its average market capitalization during last 36 months should be less than 33% to be eligible, while the company's account receivable compare to its average market capitalization during last 36 months should be above 49%. If more than

5% revenue of a company comes from non-compliant activities it cannot be placed in the DSEX Shariah Index.

<http://www.thefinancialexpress-bd.com/2014/01/20/14557>

Mutual funds perform better than DSE average: The sector gained 8.73% last year

The Daily Star, January 20, 2014



Source: Lankabangla Securities

The mutual fund sector registered a gain of 8.73% last year against 5.19% by DSEX, the benchmark index of the Dhaka Stock Exchange, on the back of good performance of asset managers. All asset managers in the industry had outperformed the market gauge in terms of return on investment. The sector is trading below its asset value, which is attractive for investors. The biggest gainer last year was the Fourth ICB Mutual Fund, which rose by 37.69%, while the ICB Islamic Mutual Fund was the worst loser, plunging by 2.3%. Among the 39 mutual funds, only six are trading at a premium and all other funds at a discount. The industry's current price to net asset value (NAV) ratio stands at 0.76, which means the close-ended mutual funds are trading on discount. Based on the latest NAV, the market capitalization of the mutual fund sector stands at BDT 3,630 crore.

<http://www.thedailystar.net/business/mutual-funds-perform-better-than-dse-average-7567>

DSE cuts settlement period by a day

The Daily Star, January 26, 2014

Dhaka Stock Exchange has decided to reduce the trading settlement period by a day, starting next month, in a bid to boost market activities. At present, the buyer must make payment and the seller must transfer ownership of the stock to the buyer within three days after the trade was made. From next month, the transaction obligations must be completed within two days of the transaction date. The move will enhance the liquidity flow to the market and increase the supply of shares.

Chittagong Stock Exchange has already introduced the shortened trading settlement period. But before the new settlement period takes effect, the Settlement of Stock Exchange Transactions Regulations 1998 needs to be modified. A draft amendment will be submitted to the Bangladesh Securities and Exchange Commission for regulatory approval. Simultaneously, the DSE management will inform its members to take preparations for the new settlement period.

<http://www.thedailystar.net/business/dse-cuts-settlement-period-by-a-day-8455>

Pictet shows interest on BD stocks

The Financial Express, January 26, 2014

A giant Swiss bank-Pictet-is looking at the progress of Bangladesh's capital markets in a bid to make investment in a bigger way. Some top officials of the bank sat with the securities regulator, premier bourse and the local custodians to discuss the issues regarding capital markets' infrastructure and regulatory framework. According to Wikipedia, the Pictet, founded in 1805 in Geneva, has the operations of private banking, wealth management, institutional asset management, asset services and investment funds and runs 25 branches around the world. The officials of the Dhaka Stock Exchange (DSE) have said the Pictet has investments here made in 1990 and now they have become interested about bigger investment in the country's capital markets following some recent developments.

The DSE president said the type of view exchanges indicates the Pictet is thinking about bigger involvement in Bangladesh. The Pictet senior vice-president Daniel Faes, however, did not respond to an e-mail sent to know about their interest and plans of making further investments in Bangladeshi stocks. According to the DSE president, the giant investors of the West are now looking at the East as investment opportunities are more feasible here. He said the market infrastructures should be developed more by upgrading the trading system and direct share transfer to the Central Depository Bangladesh Limited (CDBL) for attracting foreign investors.

<http://www.thefinancialexpress-bd.com/2014/01/26/15564>

BMBA seeks exemption of condition on 'personal guarantee'

The Financial Express, January 08, 2014

Bangladesh Merchant Bankers Association (BMBA) has sought exemption of a condition under which the BMBA directors have to issue 'personal guarantee' to avail the loans under the capital market re-financing scheme. BMBA sent a letter in this regard to the Bangladesh Securities and Exchange Commission (BSEC) where it was stated that the merchant banks are subsidiaries of commercial or foreign banks and they don't need to submit their directors' 'personal guarantee' for making inter-bank transactions to the Bangladesh Bank. For sanctioning of a loan under the scheme, the committee set 18 conditions including clearance from Credit Information Bureau for all sponsor-directors of a merchant bank or a brokerage house.

<http://www.thefinancialexpress-bd.com/2014/01/08/12691>

Banks

Unrest weighs on banks' profits: They made provisioning from incomes due to a rise in default loans

The Daily Star, January 01, 2014

Most of the renowned banks saw their profits decline in 2013 due to political unrest and an increase in default loans. For the first time in recent years, Islami

Bank's profit witnessed a fall, by 12.5%, compared to 2012. Islami Bank accounts for 10% of the total credit in 54 banks in Bangladesh. Janata, Agrani, Rupali, National and Prime, all suffered the same fate. However, a few banks such as Pubali, Mutual Trust, Al Arafah Islami, Bank Asia and UCBL were an exception. Most banks could not disburse credit properly due to political instability and their import-export business also suffered, leading to a decrease in their profits, bankers said. Violent political programmes such as shutdowns and blockades also dealt a blow. The banks could not earn much through foreign currency transaction, which is a major reason behind the fall in profits. The amount of default loans at banks was BDT 56,720 crore as in September 2013, up from BDT 42,725 crore on December 31, 2012, according to Bangladesh Bank.

The banks had to make provisioning from their incomes due to the huge rise in the amount of default loans, around BDT 14,000 crore in nine months. Meanwhile, banks' overall credit growth slowed to 8.01% in the first eleven months of 2013, while at least 16 banks saw their credit fall due to political uncertainty.

<http://www.thedailystar.net/business/unrest-weighs-on-banks-profits-4919>

BDT 5.37b stuck up in 0.2m certificate cases: Borrowers of BDT 284m farm loans can't be traced
 The Financial Express, January 02, 2014

A whopping amount of BDT 5.37 billion remains stuck up against 0.2 million certificate cases filed by six state-run banks against default borrowers of agriculture loan, sources said. The figure reflected the scenario of certificate cases at the end of November last. In November alone, some 4,064 cases were filed against the defaulters.

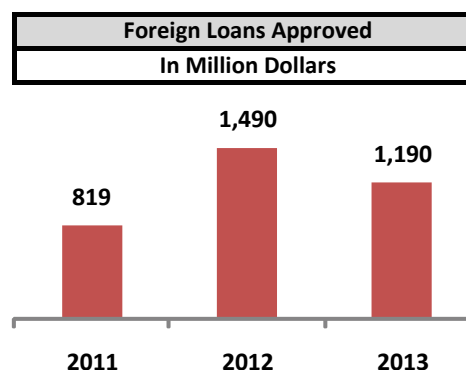
Central bank data shows that during the January 1991-November 2013 period, warrants against 10,756 pending cases, involving BDT 284 million, remained unattended as the default borrowers could not be traced in the addresses they used in loan documents. The Bangladesh Krishi Bank (BKB) has the highest number of 89,793 cases pending involving BDT 2.58 billion. The bank filed 1,561 fresh cases in November last. Some 28,265 certificate cases of Rajshahi Krishi Unnayan Bank involving BDT 1.19 billion remained pending until November last with filing of 1,061 more

fresh cases. The Sonali Bank has 21,631 pending certificate cases involving BDT 523 million. In November, the bank filed 170 fresh cases and settled 187 cases. Besides, some 23,284 certificate cases involving BDT 547 million of the Janata Bank remained pending until November last. The bank also filed 305 fresh cases in the month against the defaulters. The Agrani Bank has 33,713 pending certificate cases against the farmers involving BDT 484 million. It filed 967 new cases and settled 360 cases in November. Some 3,151 cases of the Rupali Bank involving BDT 37 million remained pending until November last.

According to the central bank data, no pending certificate case was settled or fresh case was filed during the month. Amid the situation during the July-September period of the current fiscal (FY) year, credit disbursement to the agriculture sector shot up by 24.82% compared to the corresponding period of the previous FY 2012-13. The government set the credit disbursement target for agriculture sector at BDT 145.95 billion for the current fiscal year.

<http://www.thefinancialexpress-bd.com/2014/01/02/11766>

Foreign loans squeeze local banks' lending
 The Daily Star, January 27, 2014



The foreign loans approved by the central bank are significantly cost-effective for entrepreneurs, but lending by local banks is getting squeezed by the move. A panel approved USD1.19 billion in foreign loans in 2013, which was USD1.49 billion in the previous year

and USD819 million in 2011. The trend of allowing foreign loans also continues this year with the BB's approval for USD106.6 million for 13 projects in the private sector. Taking foreign loans by Bangladeshi companies started on a small scale in 2010. Now local enterprises, be it apparel, telecoms, power plant, pharmaceutical or cement, have been borrowing from foreign markets. For foreign loans, borrowers have to pay London Interbank Offered Rate (LIBOR) plus a 4.5% interest, meaning the total cost would be around 5%, which is almost a third of local borrowing costs.

Local banking industry is now sitting idle on surplus liquidity, more than BDT 80,000 crore, because of non-utilization of funds. In this backdrop, some local companies took loans from foreign sources and paid back their loans in the local market.

Private sector credit growth came down to a 13 years' low at 11% at the end of November last year and banks' loan-deposit ratio reached around 71% in December, which means a bank can lend a maximum of BDT 71 against a deposit of BDT 100. If the local firms had not borrowed USD1.19 billion from foreign sources last year, local banks could have lent the equivalent amount.

<http://www.thedailystar.net/business/foreign-loans-squeeze-local-banks-lending-8585>

Insurance

Dual role of SBC creates an uneven field: Green Delta Insurance MD tells FE

The Financial Express, January 06, 2014

A top executive of a leading insurance company has demanded that mandatory reinsurance with state-owned Sadharan Bima Corporation (SBC) be relaxed in order to ensure competitive and professional reinsurance services and support by the non-life insurance companies in Bangladesh. Managing Director & CEO of Green Delta Insurance Company Ltd (GDIC) Farzana Chowdhury said it is mandatory by law for every non-life insurance company to place at least 50% of its reinsurance requirement with SBC. Moreover there is acute shortage of well qualified

professionals in SBC. Hence non-life insurance companies have limited flexibility to negotiate with the reinsurance terms. She further said SBC enjoys dual authority since it is the reinsurer of the non-life insurance companies and at the same time competitor for business in private sector.

<http://www.thefinancialexpress-bd.com/2014/01/06/12403>

Insurers still in illegal commission business: Regulator plans to enforce rules strictly

The Daily Star, January 09, 2014

Non-life or general insurance companies have again engaged in commission business violating rules. Some insurers have been offering exorbitantly high commission, up to 60% of premium, to get business amid fierce competition. Though the insurance market has become saturated with more than 40 companies now, the government has issued new licences of late. The Insurance Development and Regulatory Authority (IDRA), the regulator, had issued a notice in 2012 restricting the highest ceiling for agents' commission at 15% of premium. The notice was made effective from March 1, 2012. Insurance companies offer commission to new customers as an incentive to lure them into an insurance scheme or purchasing a policy through them. This commission is given to the clients in the name of agents. It is also common for the customers to bargain for a discount on the amount of premium they pay, which often becomes the deciding factor for purchasing a policy or product. For example, if a policy's premium is BDT 100,000, 50% commission to clients would make the actual premium BDT 50,000, though the figure will remain BDT 100,000 on papers. Before the enactment of new laws in 2010, the insurance industry was run by the 1938 Act, where there were no hard and fast rules about the commission. And, some vested insurers used to offer as high as 80% of premium as commission. As there is no agent in reality in the non-life insurance segment, there is no question of giving commission to agents.

<http://www.thedailystar.net/business/insurers-still-in-illegal-commission-business-6035>

IDRA asks insurance companies to settle turmoil-related claims

The Financial Express, January 15, 2014

The country's insurance companies are allegedly not responding positively to the claims against damages that occurred during the recent political turmoil. The Insurance Development and Regulatory Authority (IDRA) has received several complaints from the policy-holders of being refused by the insurance companies against these claims. Against this situation, the IDRA asked all the insurance companies to cooperate with the policy buyers and settle the claims immediately. IDRA has received some complaints in this connection, and they asked the insurance companies to make payment for the claims according to the rules. The authority is yet to get an assessment of the extent of damages caused during recent political violence. The IDRA also asked the insurance companies to let it know immediately the volume of claims so far made by the policy buyers following the turmoil. In the directive, the IDRA said: "It is expected that the insurance companies will come forward with helping hands as the policy buyers are in dire straits." It said policy buyers have alleged that insurance companies are unnecessarily taking too much time to settle the insurance claims made by the policy buyers.

<http://www.thefinancialexpress-bd.com/2014/01/14/13668>

Textile

Garment factories' profits erode: CPD analyses impact of shutdowns, blockades on apparel manufacturing

The Daily Star, January 26, 2014

Losses Incurred By 42 Garments Factories	
In Million of Dollars	
Order Cancelled	5.6
Discount	2.2
Air Freight	1.9
Shipment Delay	12.7
Vandalism	3.6
Excess Transport Cost	0.1
Total	26.1

Source: BGMEA/CPD

The average losses incurred by a garment factory due to the most recent spell of shutdowns and blockades would cross USD600,000, the Centre for Policy Dialogue said. The think-tank came to the inference based on the findings of an impact assessment survey conducted by the Bangladesh Garment Manufacturers and Exporters Association on 42 units between December 1 last year and January 11. The BGMEA survey found the total loss incurred by the 42 units is USD26.1 million. Transportation cost experienced a significant rise during the blockade: the payment for a truck which previously varied between BDT 12,000 and BDT 15,000 increased to BDT 45,000 to BDT 60,000. The exporters were forced to choose the expensive air shipments to meet the deadlines set by the international retailers. Air shipment volumes increased 38.7% to 157,000 tonnes during the January-November period of 2013 from a year ago. Currently, the number of active woven garment factories in the country will cross 4,000 while the number of active knitwear factories will cross 1,500 while the number of spinning mills is 395, according to textile and garment-related trade bodies.

<http://www.thedailystar.net/business/garment-factories-profits-erode-8454>

Political troubles, gas crisis slow investment in spinning mills

The Daily Star, January 29, 2014

No new spinning mills were set up in 2013 mainly due to political turmoil and a gas crisis although the sector has huge potential as the country has a thriving garment industry. The number of such mills was 392 last year when two factories were closed down due to non-compliance. The number was 394 in the previous year and 385 in 2011, according to Bangladesh Textile Mills Association, a platform of the spinners.

Spinning mills are the main strength of the export-oriented garment sector, as they play an important role as a backward linkage industry for exports. In 2013, the number of fabrics manufacturing units rose to 782 from 777 in the previous year. The number of

dyeing, printing and finishing units also increased, to 240 in 2013 from 234 in the previous year, according to the BTMA. Currently, the backward linkage industry supplies around 90% raw materials to the knitwear sub-sector and 40% to the woven sub-sector. The total investment in the primary textile sector is 4 billion euros (around BDT 42,564 crore) now.

<http://www.thedailystar.net/business/political-troubles-gas-crisis-s-low-investment-in-spinning-mills-8879>

Pharmaceuticals

Pharmaceutical issues best performers in 2013

The listed pharmaceutical issues were the best performers in the country's capital markets in the calendar year 2013 amid a 12.6% fall in profitability by other major sectors. The giant banking sector performed the worst with a loss of 47.6% in first nine months in 2013.

The sectoral profitability status was revealed by a yearly review of the listed companies of the capital market conducted by the LankaBangla Securities. "All profit margins have improved for most of the pharmaceutical companies as the BDT appreciated against the US dollar and financial expenses have been reduced on declining interest rate," the study said. It said the listed Pharmaceuticals and Chemicals and Fast-Moving Consumer Goods (FMCG) companies jointly recorded 33 per cent growth in net profit in January to September of 2013 in comparison to similar period of the previous year.

In terms of profitability, all listed securities in the Pharmaceutical sector passed the year 2011 and 2012 with a stress due to economic slowdown and the depreciation of BDT and high interest rate. Among the sectors of listed companies, the textile sector registered a noticeable growth of 20.7% as the sector shares 80% of the country's total exports. The profitability decline by the banking sector was the highest among all sectors of listed companies in first nine months in 2013 as the private commercial banks witnessed a fall of 13.48% in market capitalization due to decline of 47.6% in profitability. This sector posted a

total income growth of 5.6% only whereas the non-interest income growth was 24.0% and interest income experienced declined by 9.9%. Among the remaining sectors, the telecom witnessed a decline of 16.9%.

<http://www.thefinancialexpress-bd.com/2014/01/09/12926>



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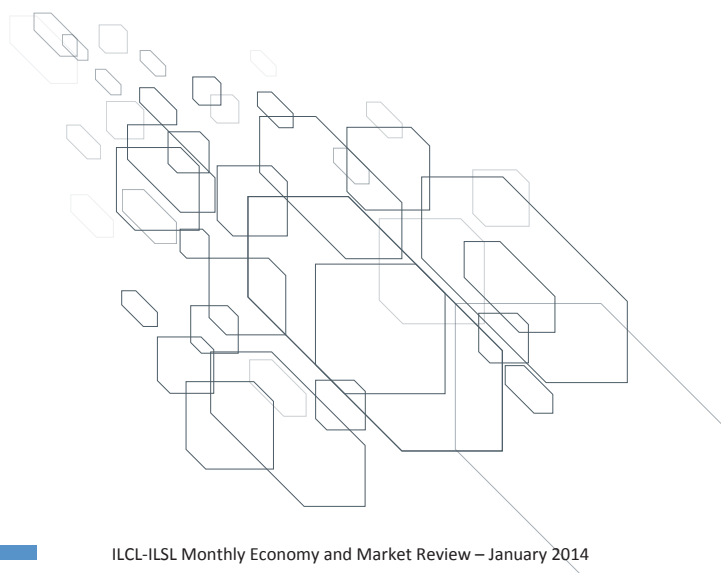
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- IPO Note: Cover information regarding respective upcoming issue
- Performance of mutual fund: Contain information about NAV of all Mutual Funds with comparison of previous week.
- Corporate declaration: Includes information related to listed company (from DSE Website)
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