



# **Bangladesh: Swiftly Recovering Economy**

**BESL Research**  
**05 Oct 2020**

# Covid-19 Situation in Bangladesh

## MIX OF RECOVERY, RELAPSE FOR BUSINESSES

### SALES INCREASE IN JUNE-AUGUST

TV, fridge, air conditioner, washing machine by **4-8%**



Mobile phones by <b>20%</b>	Computer, laptop, other accessories by <b>40%</b>	Motorcycle by <b>8%</b>
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DEMAND FOR ROD AND CEMENT SAW RISE AND FALL

## SECTORS STILL STRUGGLING TO RECOVER

Tours and travels	Restaurants	Shopping malls
Furniture	Clothing and footwear	

## DURING PANDEMIC SHUTDOWN

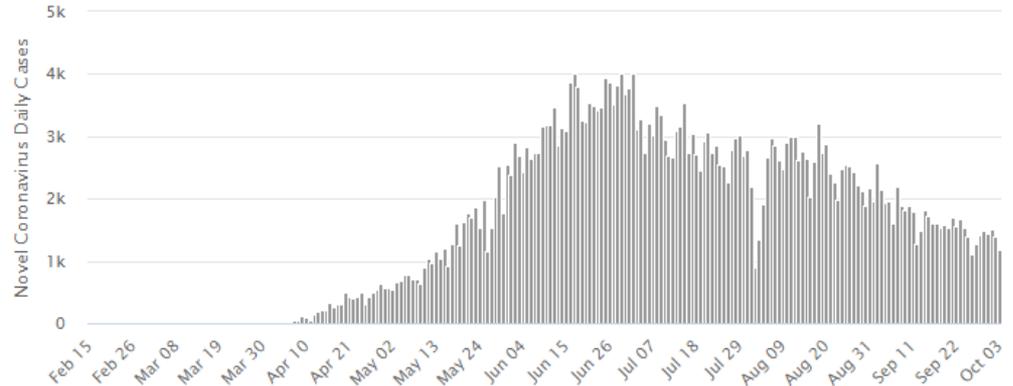
Tea stalls lost <b>50%</b> customers	Footpath trades went down by <b>50%</b>	Sales at super shops at first rose and then fell again
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Source: The Business Standard

- Daily new cases in declining trend since peak in Jun'20
- The business activities picking up in Q3 2020

## Daily New Cases in Bangladesh

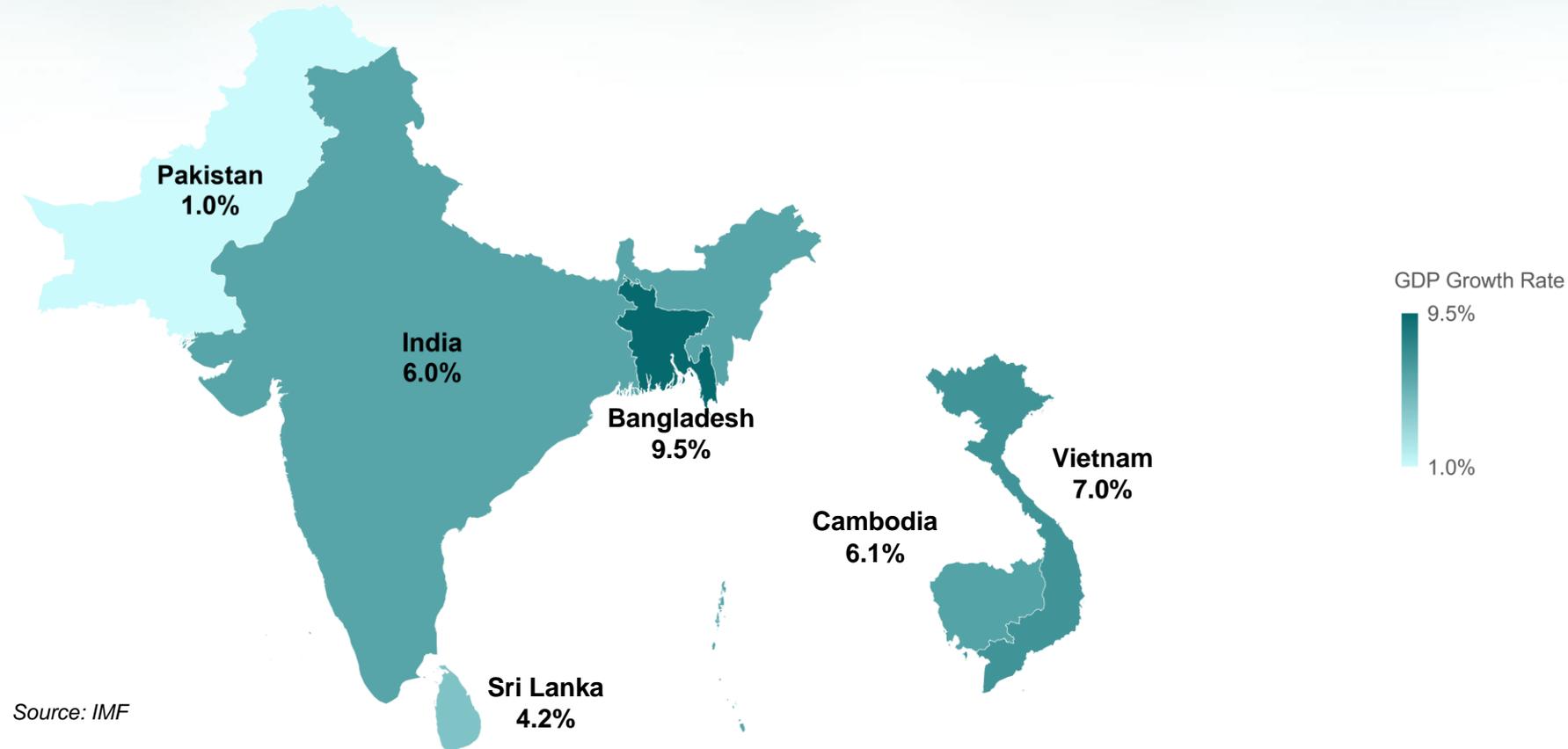
Daily New Cases



Source: Worldometer

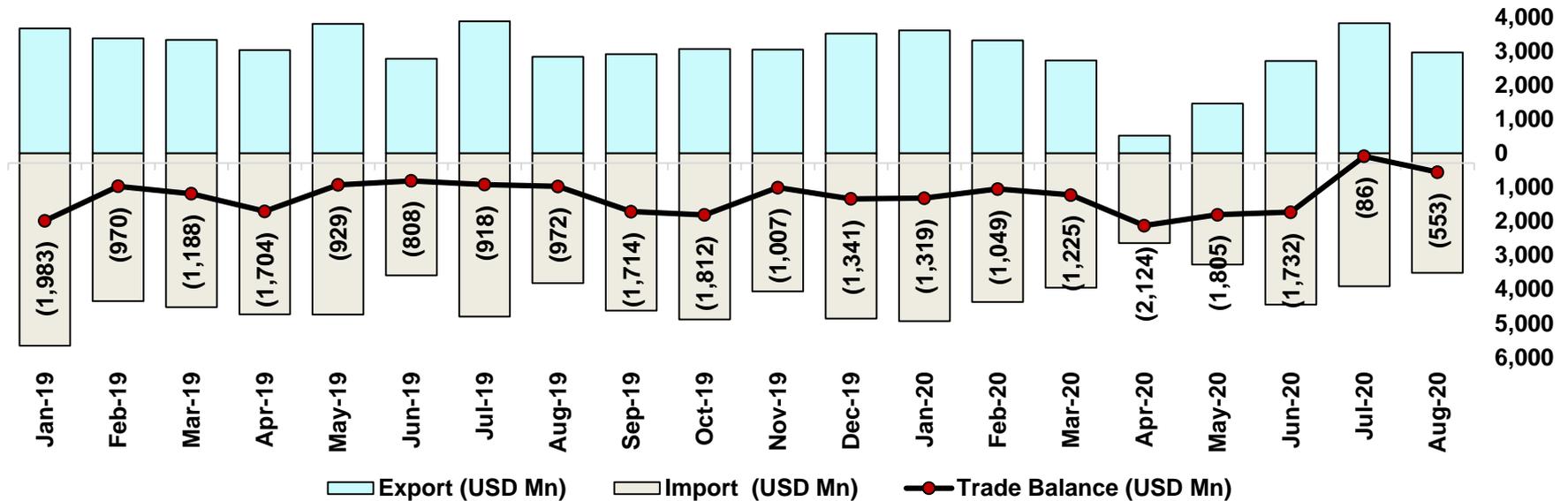
# Bangladesh To Have The Fastest Post-Covid Growth Among Its Peers

## GDP Growth Forecast 2021



# Trade Balance is Improving

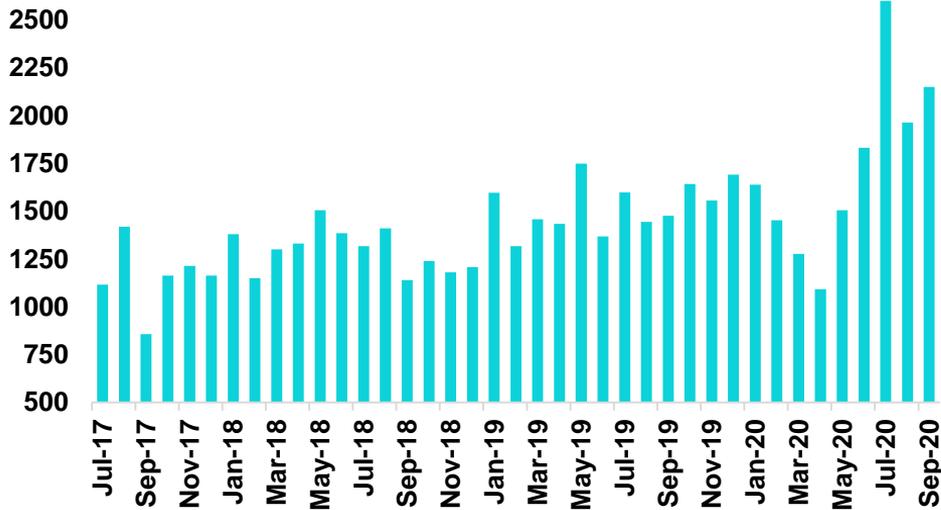
- Trade balance of USD –553 Mn in Aug'20 compared to USD –972 Mn in Aug'19
- Trade balance is improving on the back of increasing exports and a slow import
- Export & Import are expected to increase as the global economy recovers which will lead to a stable trade balance



# Strong FX Reserve with High Growth in Remittance

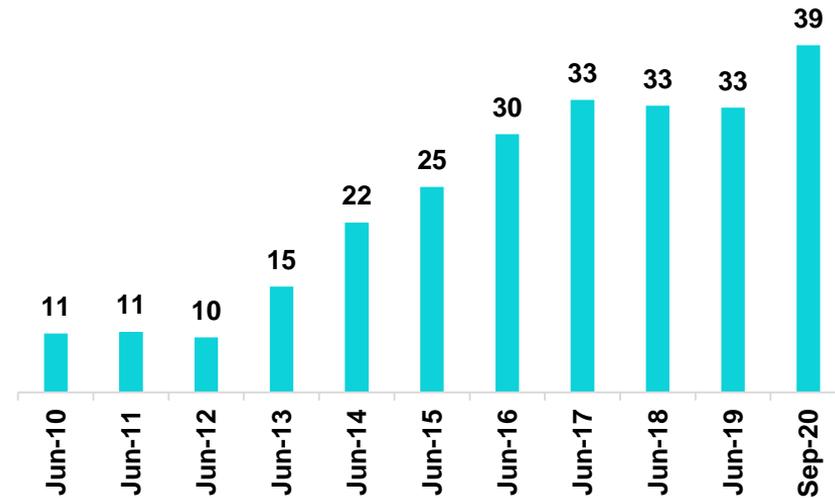
- Improved trade balance combined with growth in remittance and FDI have lifted FX reserve to an all-time high
- The current FX reserve covers the import payment of more than 9 months. 2% cash incentive is encouraging NRBs to shift from “Hundi” to official channel

## Remittance (USD Mn)



Source: Bangladesh Bank

## Foreign Exchange Reserve (USD Bn)

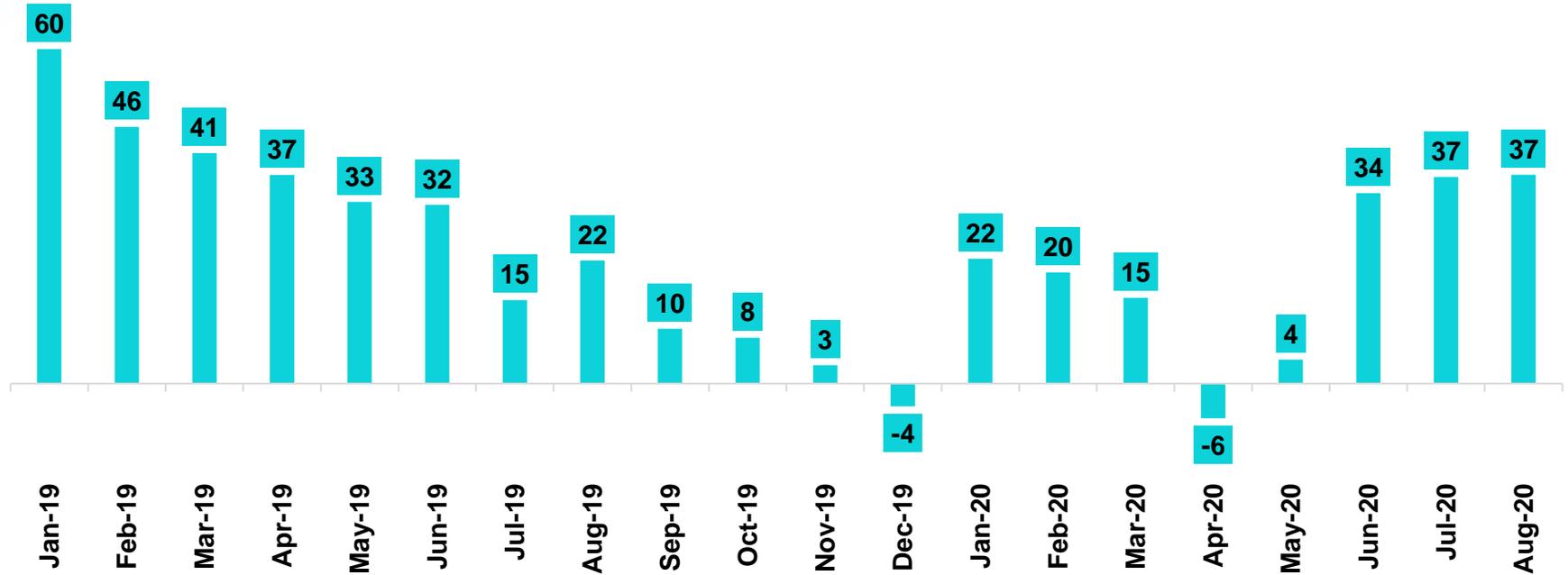


Source: Bangladesh Bank

# National Savings Certificates Sales is Picking Up

- Record remittance coming in as interest rates in Europe and America are at historic low
- Remittance money is also likely being used to buy new NSCs

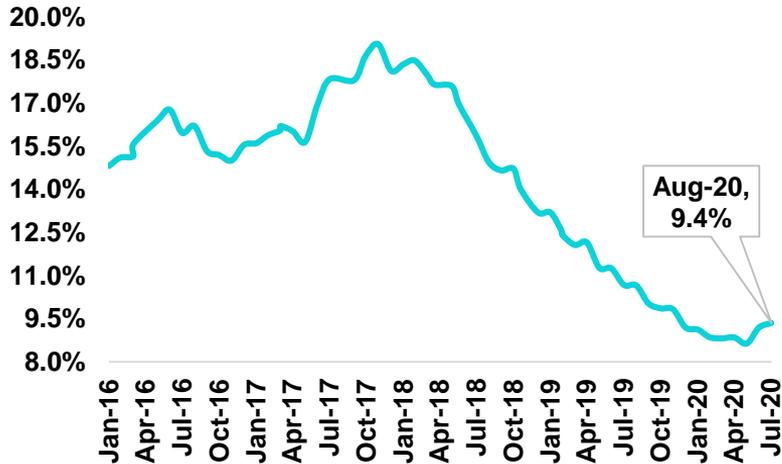
Net Sales of NSC (BDT Bn)



# Private Sector Credit Growth Improved Slightly Amid Falling Rates

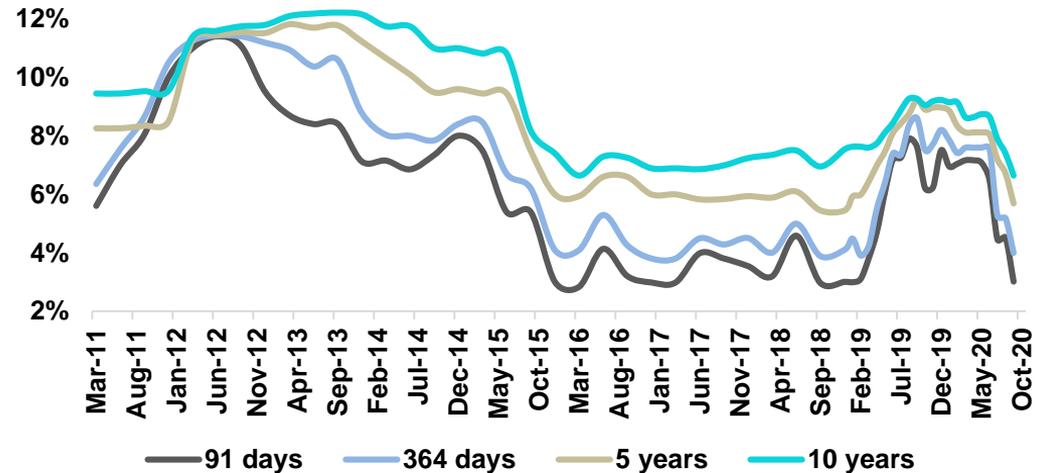
- Private sector credit growth has been on downtrend for two years which further deteriorated during lockdown period. However, as businesses started reopening, credit growth improved slightly in Jul-Aug'20
- Private sector credit growth is expected to be in single digit range this year
- Banks were parking their money in treasuries till Q2'20. Rates have fallen drastically, and some funds may be shifted to capital market

## Private Sector Credit Growth



Source: Bangladesh Bank

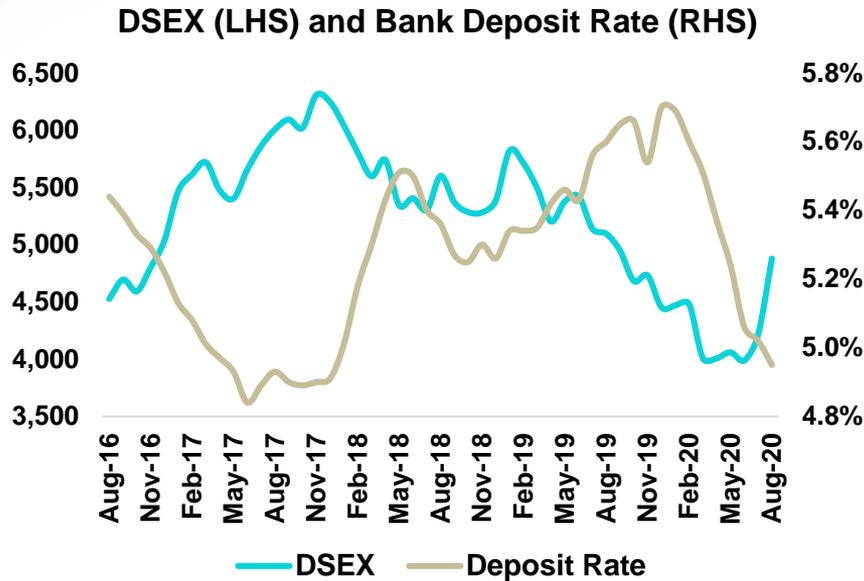
## Treasury Rates



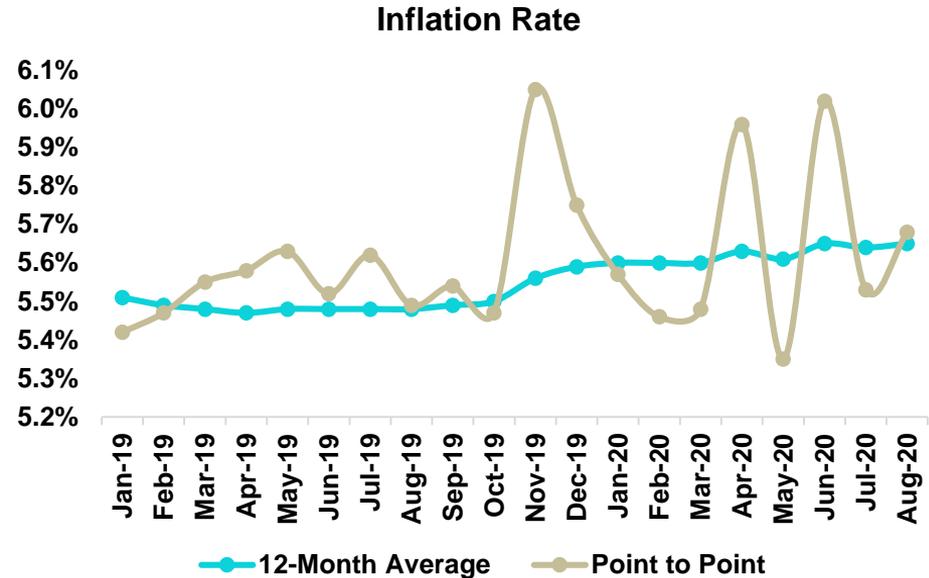
Source: Bangladesh Bank

# Real Interest Rate is Close to Zero

- Rates have gone down while inflation has crept up making real interest rate close to zero



Source: Bangladesh Bank, DSE

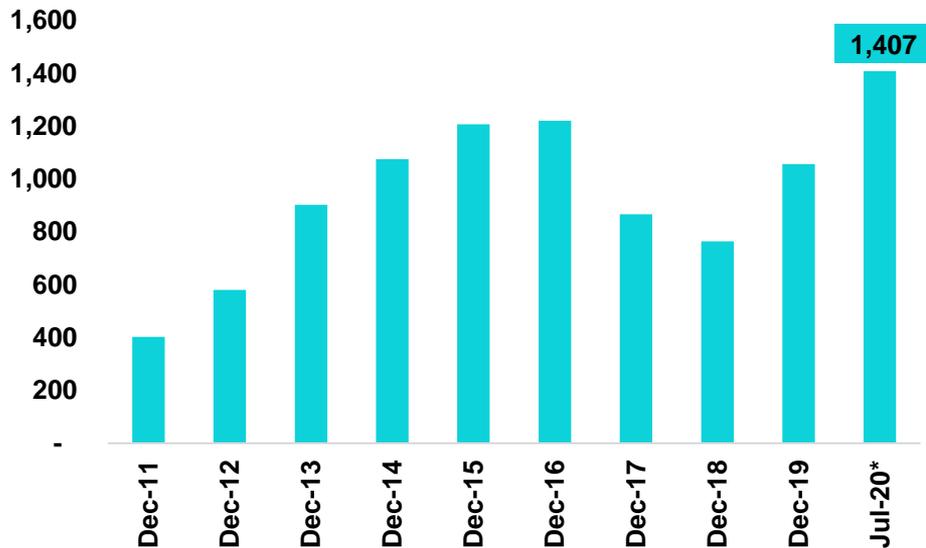


Source: Bangladesh Bank

# Money Market is Highly Liquid

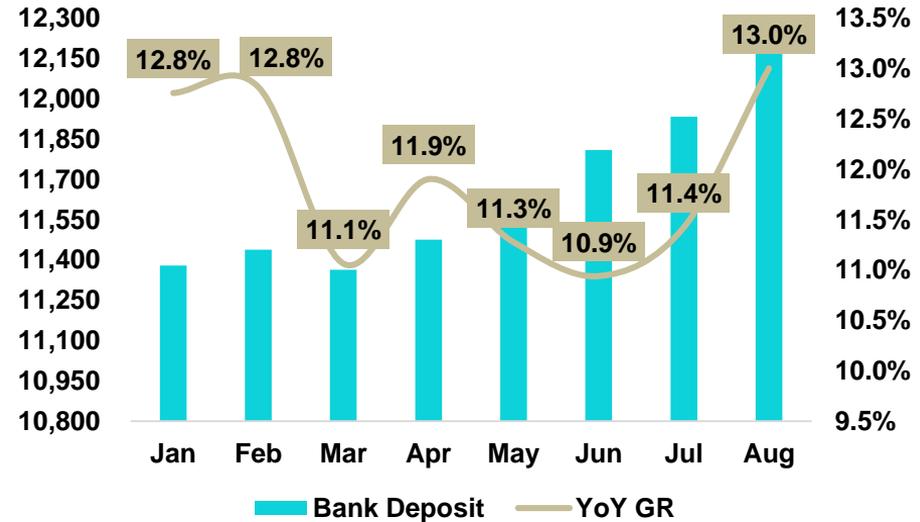
- Bangladesh Bank reduced Cash Reserve Ratio (CRR) and Repo Rate which increased liquidity in the market
- Lower credit demand, cautiousness against loan disbursement by the banks, and stable deposit growth boosted liquidity scenario of the market. Moreover, a 43% YoY decline of Govt Savings Certificate sales in the first eight months of 2020 was one of the drivers in increasing liquidity.
- Due to high liquidity in the banking sector, funds are expected to be shifted to capital market

### Excess Liquidity (BDT Bn)



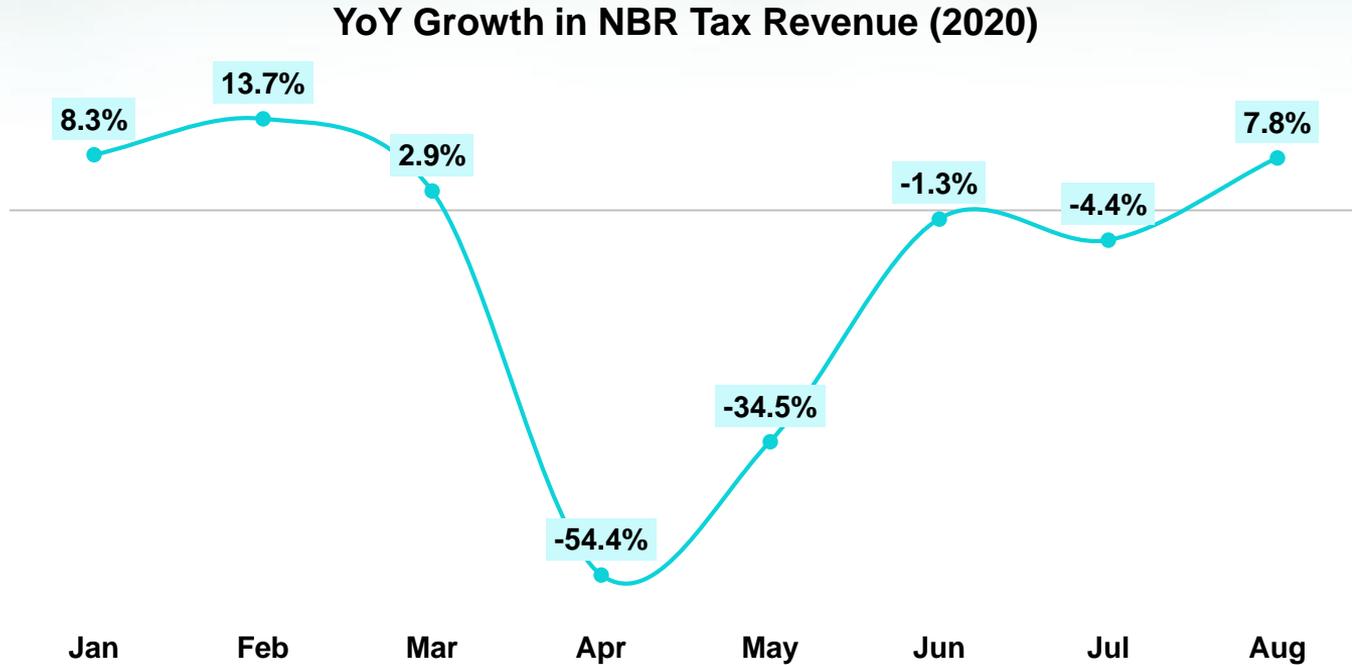
Source: Bangladesh Bank

### Bank Deposit (BDT Bn)



Source: Bangladesh Bank

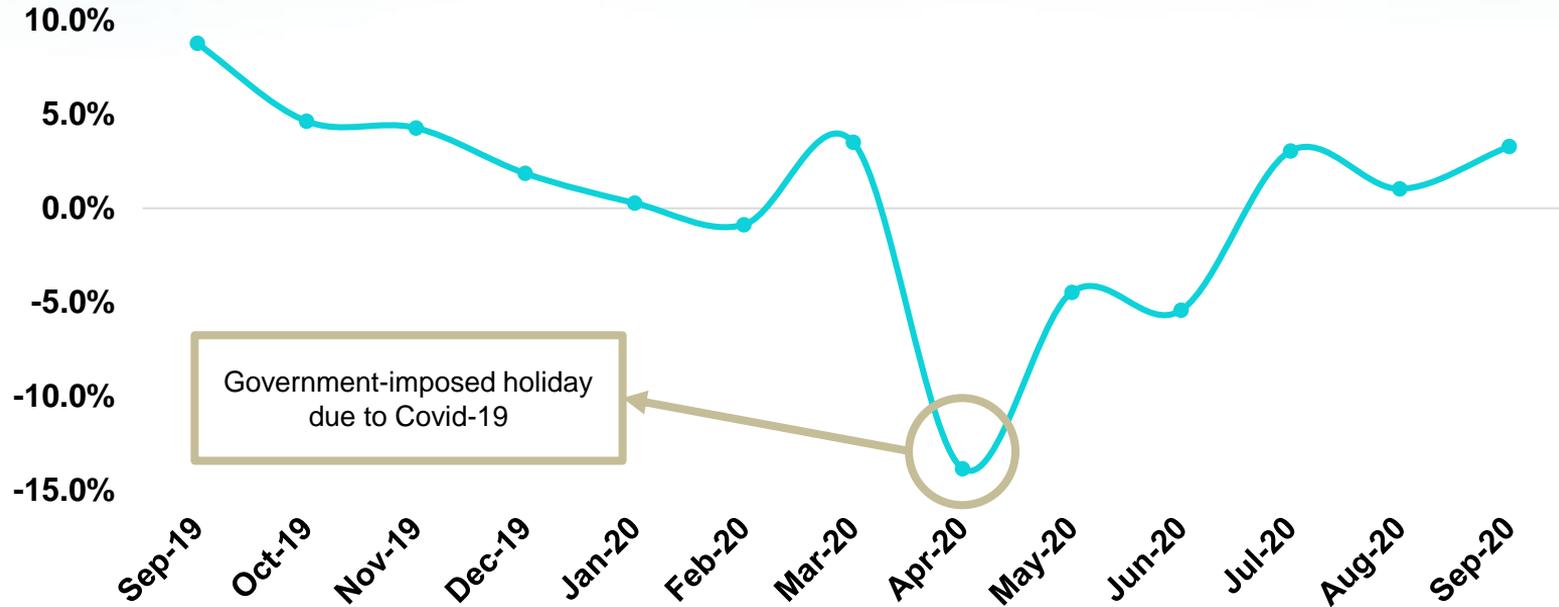
# Tax Revenue Collection Growth has Improved from its Apr-May Slump



Source: Bangladesh Bank

# Recovery in Power Consumption is a Clear Indicator of Rebound

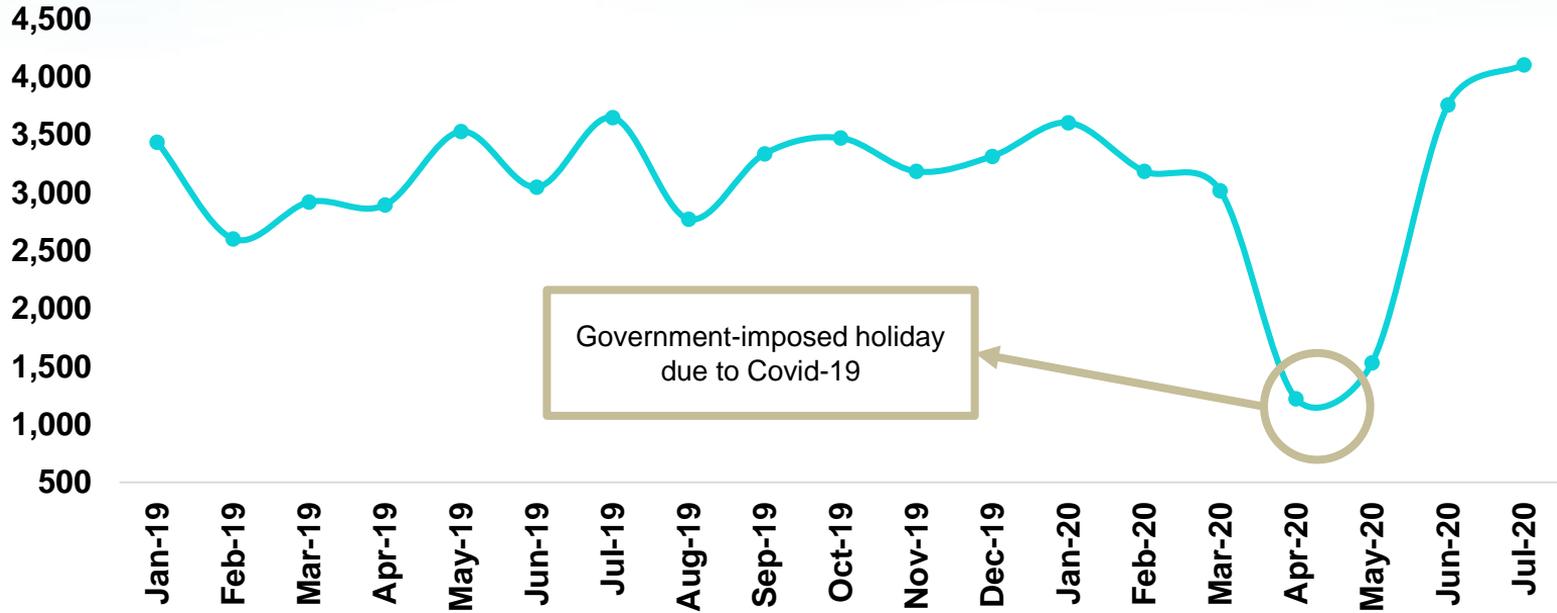
## YoY Growth of Monthly Maximum Power Demand



Source: Bangladesh Power Development Board

# Interbank Transactions Reverted to Usual Level

## Interbank Transactions (BDT Bn)

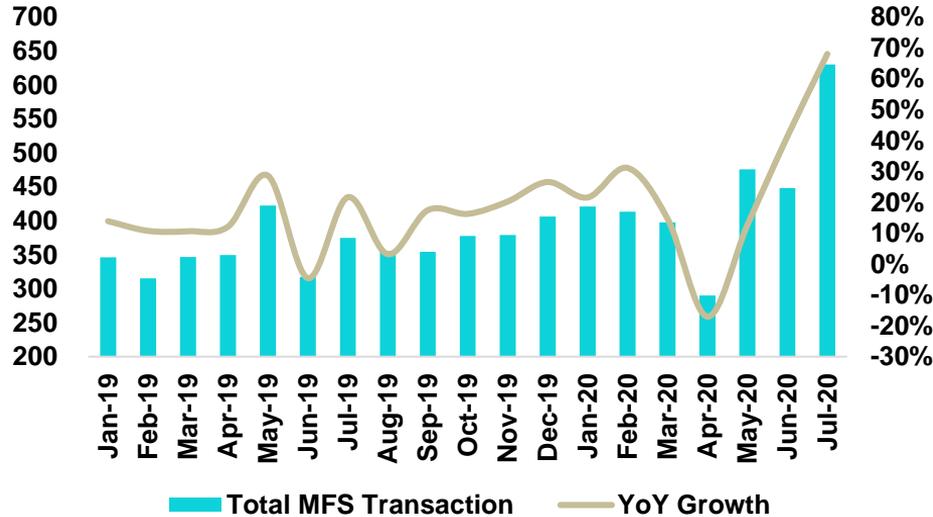


Source: Bangladesh Bank

# Adoption of Mobile Money & Payments

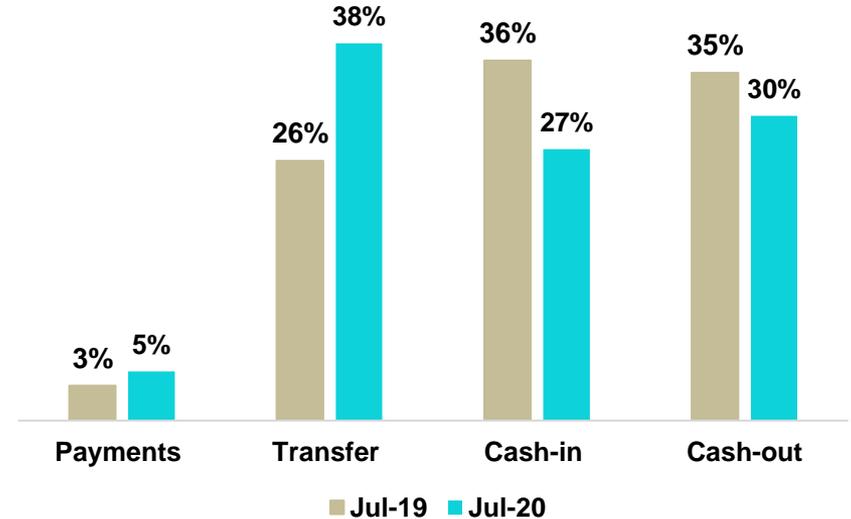
- Mobile Financial Services (MFS) transactions declined during lockdown but increased significantly since Mar'20 due to a large chunk of customer acquisition through disbursement of stimulus packages
- Payments and Transfers, which provide better margin than cash-out, captured larger share of the industry pie due to Covid-19

### Total MFS Transaction (BDT Bn)



Source: Bangladesh Bank

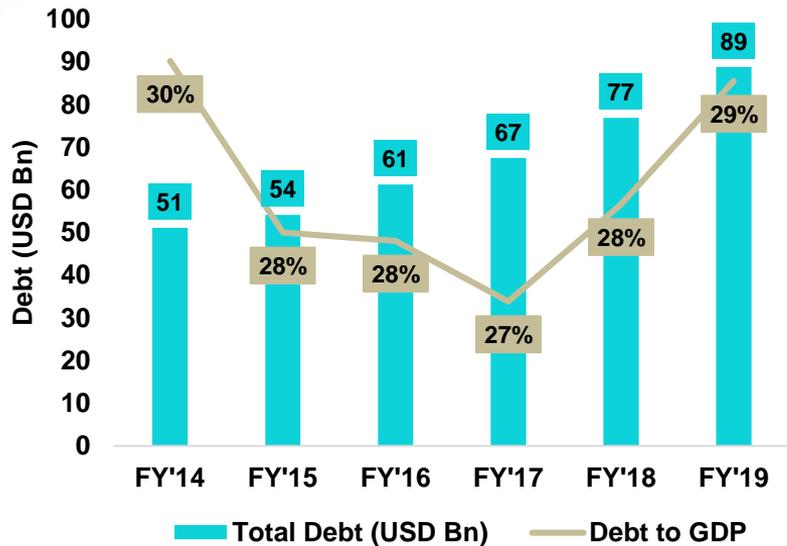
### MFS Transactions by Type (% of Total)



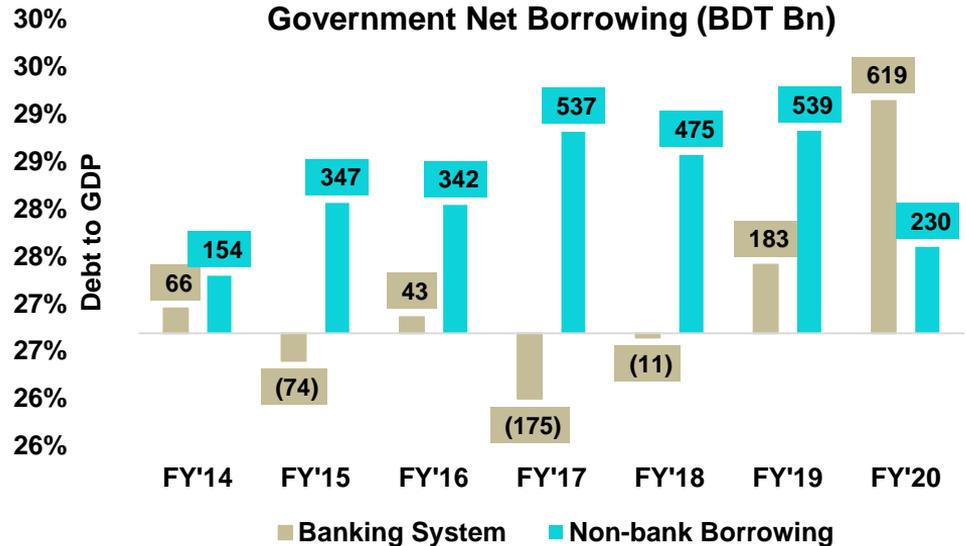
Source: Bangladesh Bank

# Government Debt at Low Level

- The current government debt was at only 29% of GDP in FY'19. The debt to GDP ratio may have increased in FY'20 due to external borrowings from global lenders during the last quarter of FY'20 as Coronavirus hit the country.
- 55%-60% of total debt is sourced domestically which shows that the actual debt servicing risk is low



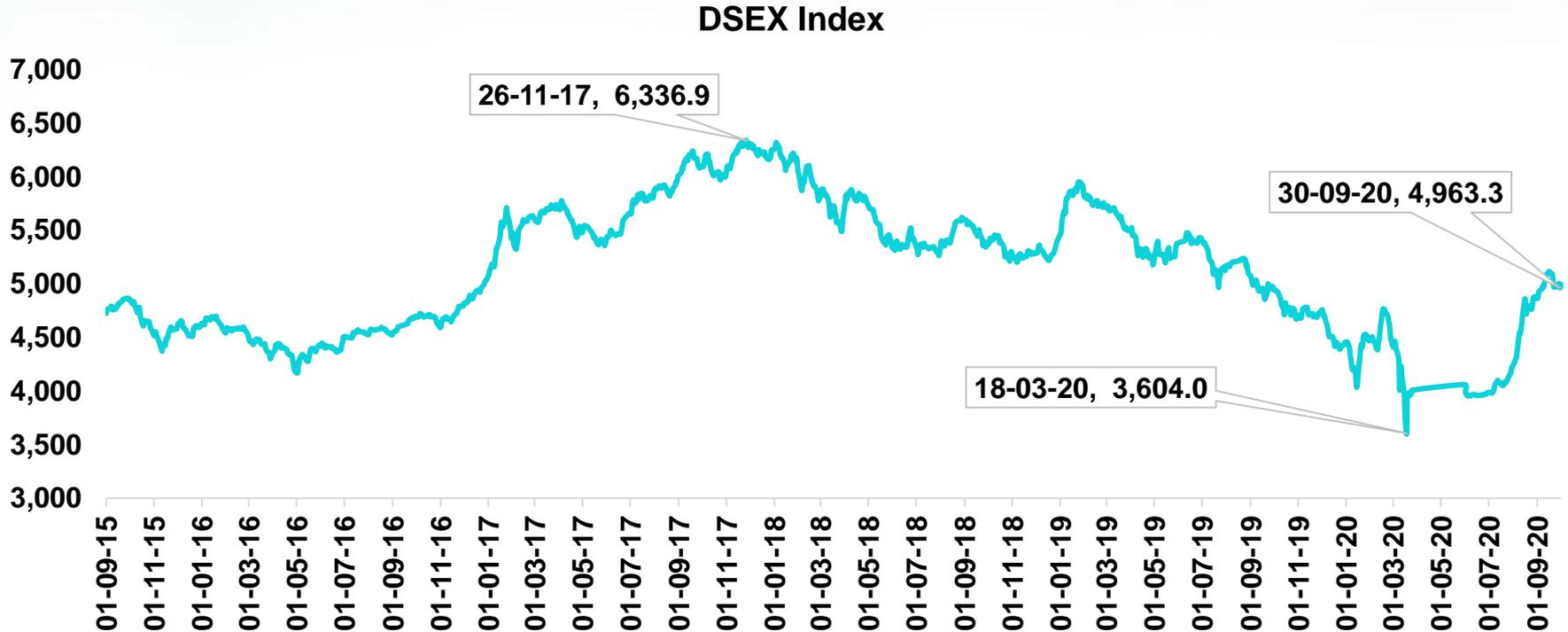
Source: Bangladesh Bank



Source: Bangladesh Bank

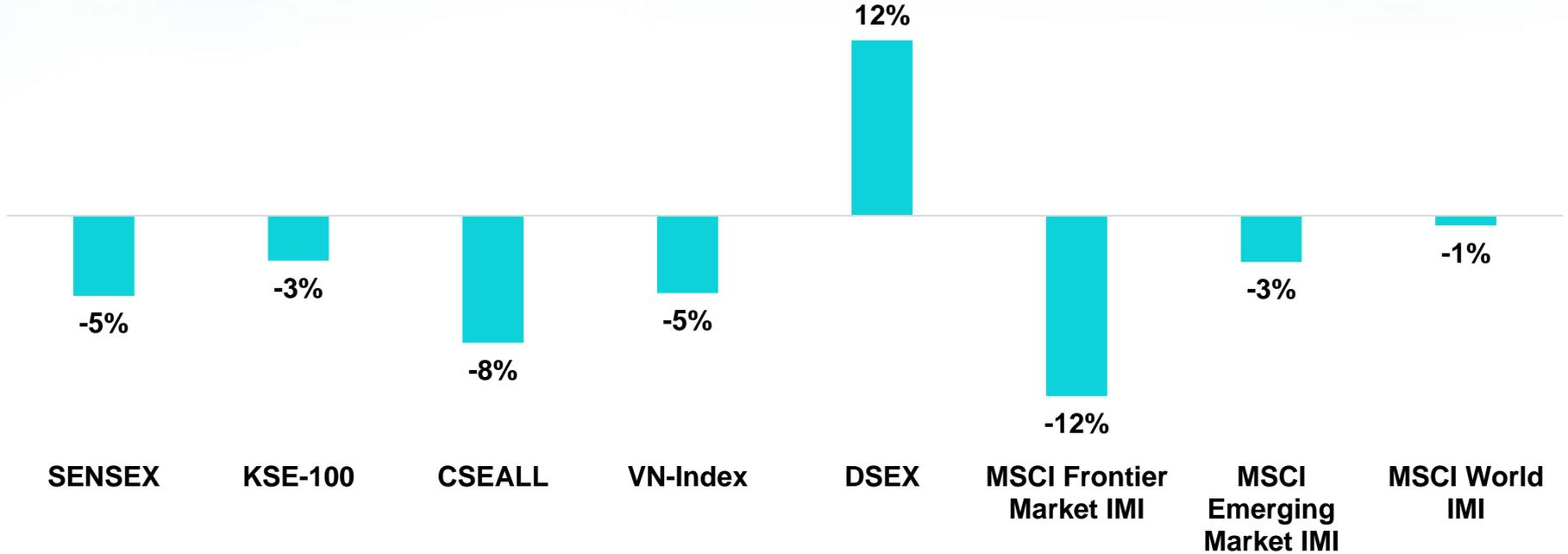
# Market Movement

- DSEX provided a return of 38.8% from its lowest points of 3,604 on 18<sup>th</sup> Mar 2020 to 5,003.6 points on 28<sup>th</sup> Sep 2020



# Bangladesh Stock Market Performing Better Than Others

## 2020 YTD Return

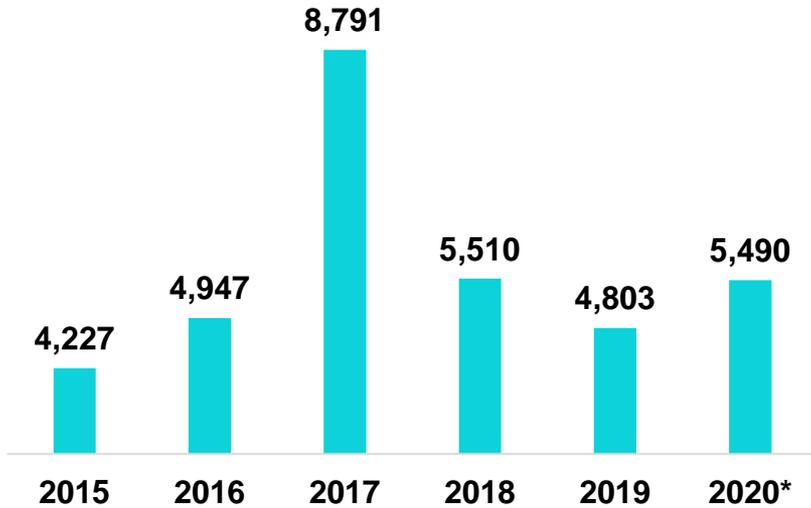


Source: Bloomberg, MSCI

# Market Turnover

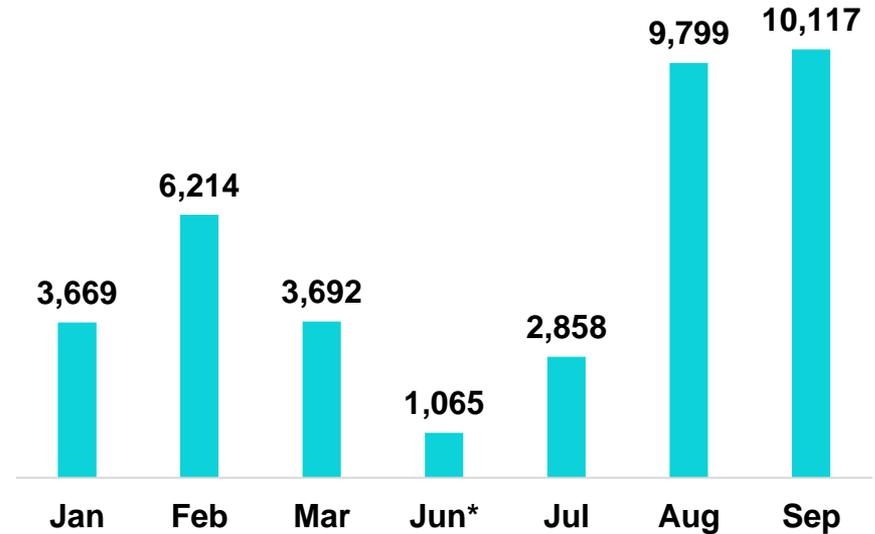
- Turnover improved significantly with low interest rates and increased investor confidence due to gradual economic recovery

## Avg. Daily Turnover (BDT Mn)



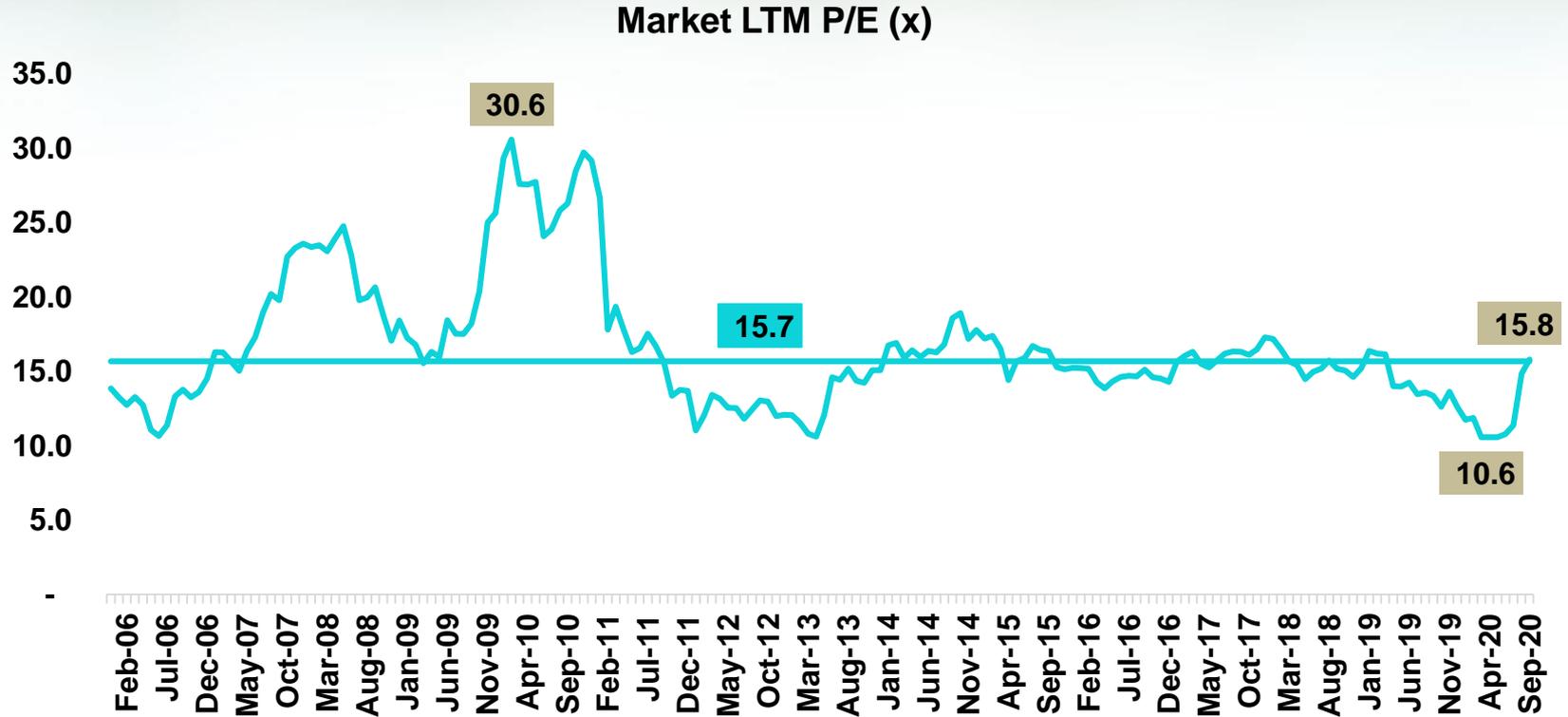
\*till Oct 04, 2020  
Source: DSE

## Avg. Daily Turnover in 2020 (BDT Mn)



\*excluding the GSK-Unilever Deal  
Source: DSE, Market was closed in Apr-May'20

# Market P/E Reached Historical Median



Source: DSE, BESL Research

# New SEC Commission Taking Bold Decisions

- Mandatory holding of minimum 2% shares by each sponsor/director and cumulative 30% holding of all sponsor/directors.
- Cancelled a few IPO proposals with questionable financials to ensure investor confidence
- Halted trading of shares with questionable price movements
- Allowing Brokers to open branches abroad
- Increased surveillance on Z-category companies and reduced trading cycle of the same category from T+9 days to T+3 days in order to facilitate turnover
- Approved API (Application Programming Interface) for Brokers and launched a new self-hosted OMS (Order Management System) medium & small brokers (through stock exchanges).
- Taking initiatives to make government securities trading in secondary market vibrant by 2021.
- Acting against market manipulators, penalizing rule breaking brokerage firms and banning rumor mongering websites and Facebook groups.

# IPOs of Good Companies Incoming

Well Known names raising substantial amount of money in IPO (over USD 125mn):

- Robi – BDT 5,238 Mn
- Walton – BDT 1,000 Mn
- Energypac – BDT 1,500 Mn
- Mir Akhter Hossain – BDT 1,250 Mn
- Dominage Steel Building – BDT 300 Mn
- Lub-rref (Bangladesh) – BDT 1,500 Mn



# Foreign Direct Investments Pouring in

## Runner to invest Tk300cr to manufacture Bajaj three-wheelers

The company has already begun partial assembly of the Bajaj three-wheelers

## Japanese companies relocating to Bangladesh from China to get subsidy

Tribune Desk

Published at 02:09 pm September 7th, 2020



The Daily Star

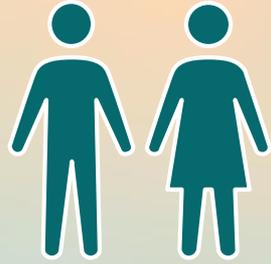
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2:00 AM, August 19, 2020 / LAST MODIFIED: 01:37 AM, August 19, 2020

## Samsung Galaxy Note20 Ultra 5G to be made in Bangladesh



**Credentials**

# BRAC EPL Stock Brokerage Ltd.

## History and Ownership

- Formed in 2000 by a group of international investors and investment bankers
- Acquired by BRAC Bank in 2009
- Ownership lies largely with BRAC Bank which is the largest bank of the country in terms of market capitalization.
- BRAC Bank in turn is owned by BRAC which is globally recognized as the largest non-government organization in the world with presence in 11 countries.
- BRAC EPL has 8 branches across the country. It has the biggest foreign trade team which handles all trade flows in a professional manner.

## Achievements

- One of the leading stockbrokers of the country with an overall rank of 3 amongst 250 brokers in 2019
- Pioneer and leader in facilitating foreign portfolio investment in DSE
- Strong research team of 4 analysts including 1 CFA Charterholder, 1 Level III candidate, and 1 Level II candidate
- Won the Best Brokerage House & Best Research House in Bangladesh awards in 2019 from International Finance Publications
- Frequent recipient of Soft Dollar payments for quality and unbiased research reports
- Arranged the industry's first non-deal road show in Hong Kong and Singapore
- Highest number of roadshows and reverse roadshows arranged in the country. No 1 in corporate access in Bangladesh.

# Research Team Bio

## **Ayaz Mahmud, CFA**

### **Head of Research**

Ayaz joined BRAC EPL Stock Brokerage in December 2017 with more than 4 years of work experience in the financial industry. He is currently the Head of Research and looks over Macroeconomy, Banks, NBFIs and other sectors. Prior to joining BRAC EPL Stock Brokerage, he worked at VIPB Asset Management Company as a Fund Manager for a year. He started his journey in the capital market as a Research Analyst in IDLC Securities Limited and gained diverse knowledge by working on different sectors including Textile, Telecommunication, Footwear, FMCG, Bank and NBFIs. He joined IDLC Finance Limited as a Management Trainee in 2014 and also served as Management Trainee in Dhaka Bank Limited for 8 months in 2012. Ayaz completed his BBA from BRAC University in 2011 and was awarded VC's gold medal for achieving highest CGPA from his department. He completed his MBA from IBA, University of Dhaka ending up among the top three in his batch. Ayaz earned his CFA charter in 2017 and he is an active member of CFA Society Bangladesh.

## **Sadman Sakib**

### **Research Associate**

Sadman joined BRAC EPL Research in early 2016 and has more than four and a half years of equity research experience as a sell-side analyst. He is currently covering the listed FMCG stocks in the Dhaka Stock Exchange. He previously served as part of the research team covering closed-end Mutual Funds & Ceramic Industry. His research experience also includes conducting research on different topics within the domestic and international markets. Sadman received his B.Sc. in Electrical & Electronic Engineering from North South University.

## **Md. Rafiqul Islam**

### **Research Associate**

Md. Rafiqul Islam joined BRAC EPL Stock Brokerage Limited in February 2018 as a Research Associate, and he is currently covering Pharmaceuticals and Engineering companies listed in Dhaka Stock Exchange (DSE). He joined BRAC EPL as an intern in September 2017. Considering his keen interest in equity research, he was offered a full-time job in the Research Department after completing his internship. He completed his under graduation, majoring in Finance & Marketing from North South University and graduated amongst the top 5% of all graduating students from the university. He was one of the leading members of the Champion team of CFA Institute Research Challenge in Bangladesh 2017-18. He is also a CFA Level III Candidate in Dec 2020.

## **Md Mahirul Quddus**

### **Research Associate**

Md Mahirul Quddus joined BRAC EPL Stock Brokerage on February 2019. Prior to that he has worked in Standard Chartered Bangladesh as an Assistant Relationship Manager for eight months where he has performed credit analysis of the corporate clients. Currently he is covering the Financial & the Telecommunication Sector and also overseeing deliverables such as weekly mutual fund report, daily market update etc. In addition to that, he contributes in macro analysis and also delivers the weekly macro update. He received his BBA, major in finance, from Institute of Business Administration (IBA), University of Dhaka. He is also a CFA Level II Candidate for the December 2020 examination.

# International Trade & Sales Team Bio

**Ahsanur Rahman, Chief Executive Officer (Acting) – [bappi@bracepl.com](mailto:bappi@bracepl.com); +88 01730 357991**

- . More than 13 years of work experience in the capital market.
- . Previously, he worked as Trader at AM Securities Ltd and in Back office (Settlement) at Union Capital Ltd.
- . Completed BBA Summa Cum Laude from East West University, Dhaka.
- . He developed and maintained relationship with international brokers and fund managers that helped bring in Foreign Portfolio Investment (FPI) in Bangladesh Capital Market.
- . He attended numerous trainings , seminars and workshops on different aspects of stock broking and investment banking held in the country and abroad.

**Fahmida Anjuman, (Manager, ITS ) – [fahmida@bracepl.com](mailto:fahmida@bracepl.com); +88 01730 358005**

- . More than 10 years of work experience in the capital market.
- . Previously worked as Credit Manager in Credit rating department in Banglalink for 1.5 years.
- . Completed BBA Summa Cum Laude from East West University and MBA Summa Cum Laude from the University of Liberal Arts.

**Md. Rifat Hasan Kanak, (Deputy Manager, ITS) – [rifat.hasan@bracepl.com](mailto:rifat.hasan@bracepl.com); +88 01755 658985**

- . 10 years of work experience in the capital markets.
- . Previously worked in Back office (Settlement) for a year and as Trader for more than 2 years at LankaBangla Securities Ltd.
- . Dedicated trader with prolific communication and management skill.
- . Completed BBA and MBA both from BRAC University.

**Sheikh Mohibul Islam Rumi, (Senior Executive, ITS) – [mohibul.islam@bracepl.com](mailto:mohibul.islam@bracepl.com); +88 01709 636548**

- . More than 5 years of work experience in the capital market.
- . Has been working with BRAC EPL Stock brokerage Ltd since the start of the career.
- . Completed BSc in EEE from BRAC University and MBA in Finance from University of Dhaka.

**Naheed Akhter, (Executive , ITS) – [naheed.akhter@bracepl.com](mailto:naheed.akhter@bracepl.com); +88 01709641248**

- . More than 3 years of work experience in the capital market.
- . Previously worked as an Intern in Credit Rating Agency of Bangladesh (CRAB) for 6 months.
- . Completed BBA Summa Cum Laude from United International University (UIU) with Dual Major in Finance and Accounting.

**Nahid Al Azad, (Executive, ITS) – [nahid.alazad@bracepl.com](mailto:nahid.alazad@bracepl.com); +88 01730 727916**

- . More than 9 years of work experience in the capital markets
- . Previously worked as Trader in Trust Bank Securities & UGC Securities Ltd.
- . Completed Bachelor Business Studies from National University.

**Sharmin Akhter Zina, (Junior Executive, ITS) – [sharmin.akhterzina@bracepl.com](mailto:sharmin.akhterzina@bracepl.com); +88 01708 805205**

- . More than 1 year of work experience in the capital markets.
- . Completed BBA from North South University.

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## Research

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## International Trade and Sales

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# Thank You

