

# ILCL – ILSL MONTHLY

## Economy and Market Review

July : 2014 Issue : 07

### Leather Industries : Export & Growth



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# ILCL-ILSL MONTHLY

Economy and Market Review

July, 2014

## 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 **Tannery Sector of Bangladesh** with a snapshot over a stocks defined under the sector 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

### Summary

- Bangladesh Bank issued its “cautious but investment friendly” H1 FY2015 monetary policy
- Point to point inflation decreased by 7.48% in June 2014
- Private sector credit growth continues to decelerate at 11.4% YOY in May 2015
- Govt. net borrowing from banks increased by 15.5% in FY 2013
- Net FDI increased by 23.6% in FY 2013 while remittance increased by 13.3% during the same period
- Overall BoP decreased by 4.0% in H1 FY 2014
- FX reserves stood firm at USD 21.5 billion

- The evolution of “cautious but investment friendly” (!) monetary policy by the Bangladesh Bank for H1 FY 2015 was aimed to bring down inflation to 6.5% while keeping the normal pace of private sector credit growth. Bangladesh Bank projects GDP growth from 6.2% to 6.5% for FY 2014-15 whereas targeted average general inflation is 6.5%, which was 7.35% on June 2014. Private sector credit growth and government borrowing from the banking system are targeted at 16.5% and BDT 312bn respectively.
- Point to Point Inflation rate decreased to 6.97% in June 2014 from 7.48 % in May 2014. Food Inflation decreased to 8.0% in June 2014 from 9.09% in May 2014. Non-food Inflation slightly increased to 5.45% in June 2014 from 5.16% in May 2014 (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 April 2014, Broad Money Supply Year on Year (YOY) growth decreased to 15.1% from 18.5% in FY 2012-13.
- The private sector credit growth continues to fall in the recent months due to political uncertainty. It was at 11.4% YOY in May 2014 which was significantly lower than the monetary policy target of 15.5% set for Dec 2013.
- 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.
- Overall liquidity condition declined as call money interest rate changed to 6.3% in June 2014 from 7.2% in June 2013. In addition, weighted average bank lending rate declined to 13.2% in May 2014 from 13.6% in May 2013. Also, weighted average bank deposit rate declined to 8.0% in May 2014 from 8.7% in May 2013.
- Bank interest spread was 5.22% in May 2014 whereas it was 4.98 % in May 2012.
- Foreign Exchange Reserve increased to USD 21.5 billion in June 2014 from USD 15.3 billion in June 2013. Taka has been stable against US Dollar trading at BDT 77.6 in 9 months in a row from July 2013 to June 2014.
- Remittance earning for the FY 2012-13 grew by 13.3% to USD 14.5billion from USD 12.8bn in 2011-12. Monthly remittance stands to USD 1.28bn in June 2014, recorded a 21.6% YOY increase over June 2013, but 5.8% increase over the previous month May 2014 (USD 1.21bn).

- Export target for the FY 2013-2014 has been set at USD 30.5bn, 12.8% higher than last FY 2012-2013. In the FY 2012-2013, Bangladesh export increased to USD 27.0bn from 24.3bn in 2011-2012, reflecting 11.2% growth.
- Monthly exports increased to USD 2.8 billion in June 2014 from USD 2.7bn in June 2013, reflecting 3.5% YOY growth. It was also 2.8% higher than the previous month i.e. June 2014 (USD 2.7 bn).
- Monthly imports increased to USD 3.51 billion in May 2014 from USD 2.70bn in May 2013, reflecting 30.1% YOY growth. However, it was 3.7% lower than the previous month i.e., April 2014 (USD 3.64 billion).
- The country's Balance of Payments (BoP) saw a record surplus of USD 5.1bn 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%.
- Current account surplus increased to USD 2.52 billion in FY 2012-13 Vs USD 447 million current account deficits in FY 2011-12.
- BoP surplus eroded by 4% to USD 2.62bn on in the 1st half of FY 2013-14 (July to December), on the back of sliding remittance. However, current account surplus increased by 124% to USD 2.65bn in the 1st half of FY 2013-14 (July to December) 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.
- Besides, Trade deficit declined by 58% to USD 1.53bn in the 1st half of FY 2013-14 (July to December) compared to same period of last FY 2012-13.
- Net Foreign Direct Investment (FDI) increased by 23.6% to USD 1.59bn in FY 2012-13 from USD 1.29bn in FY 2011-12<sup>1</sup>. 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.
- According to Board of Investment (BoI), net FDI inflow in the first seven months of FY13 increased to USD 875 million from USD 780 million of the same period of the 2011-12 financial year (FY12). On the other hand, neighboring countries - India experienced 20% decline in the inward FDI last year, but it maintained the second position after China and before Singapore. The growth in Indonesia and the Philippines was 7.64% and 11.27% respectively<sup>2</sup>.
- Net foreign investment in Dhaka stocks shot up 111% YOY in FY 2013-14. Overseas investors bought shares worth BDT 4,014.86 crore and sold shares worth BDT 1,456.39 crore, taking their net investment to BDT 2,558.47 crore in the last fiscal year. In June FY 2013-14, DSE saw net foreign investment of BDT 234 crore, up 182% from May.

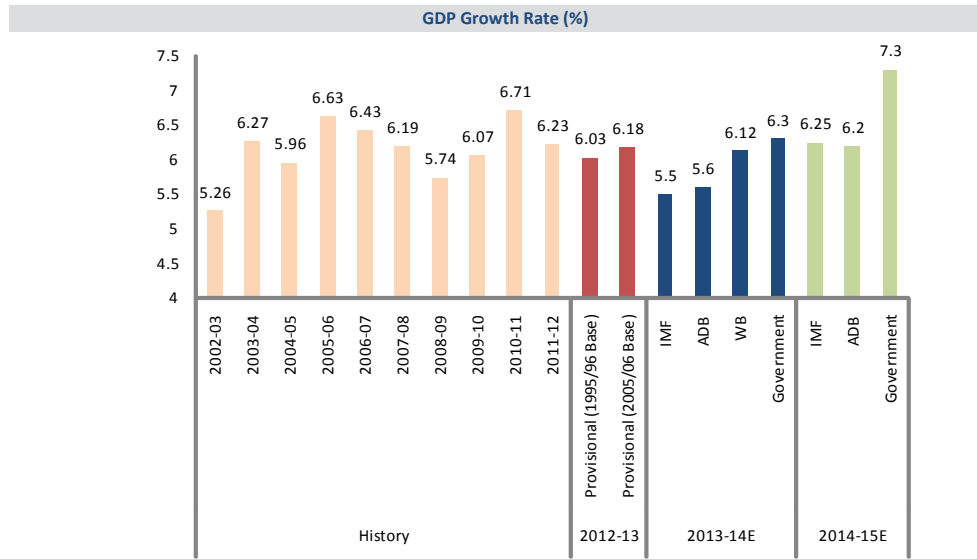
<sup>1</sup> Source: UNCTAD World Investment Report 2014

<sup>2</sup> Source: BOI

GDP growth at Constant Market Prices by Broad Industry Sector (%)							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14(P) CPD
<b>Agriculture</b>	3.2	4.1	5.2	5.1	3.1	2.5	3.4
<b>Industry</b>	6.8	6.5	6.5	8.2	8.9	9.6	8.4
<b>a) Manufacturing</b>	7.2	6.7	6.5	9.5	9.4	9.3	-
<b>of which small scale</b>	7.1	6.9	7.8	5.8	6.5	6.8	-
<b>b) Construction</b>	5.7	5.7	6.0	6.5	7.6	8.1	-
<b>Services</b>	6.5	6.3	6.5	6.2	6.0	5.5	5.8
<b>GDP at constant market prices</b>	6.2	5.7	6.1	6.7	6.2	6.0	6.1

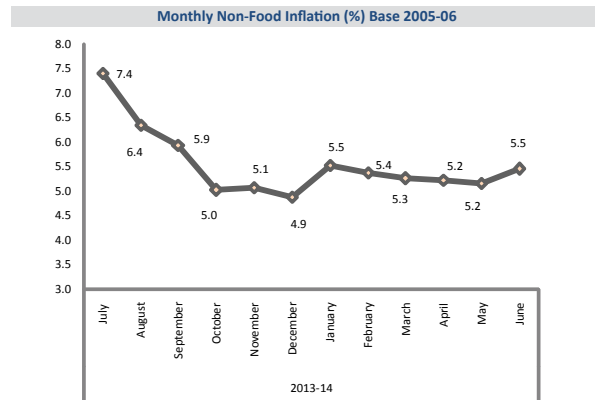
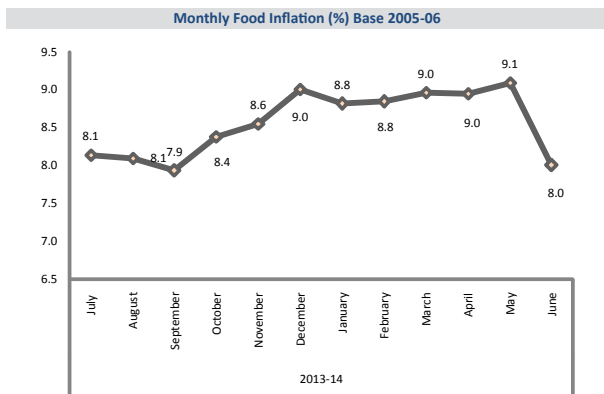
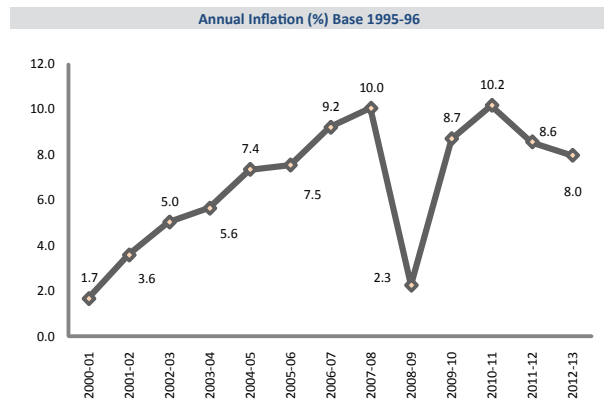
Source: Bangladesh Bureau of Statistics and IL Capital Research

**GDP:**



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

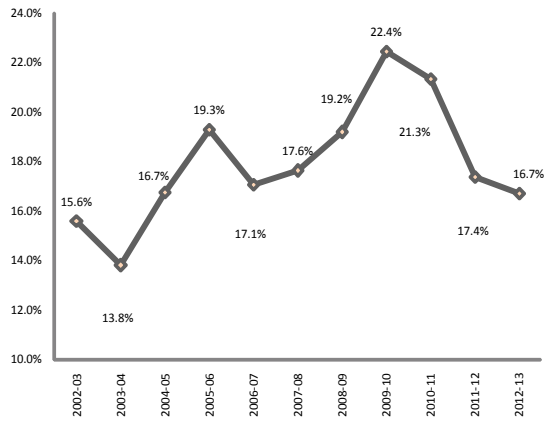
**Inflation:**



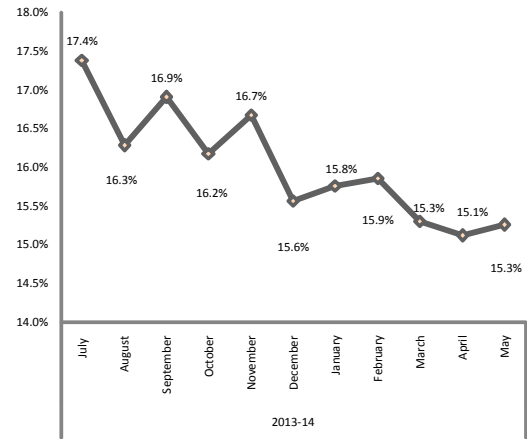
Source: Bangladesh Bank and IL Capital Research.

## Money Supply:

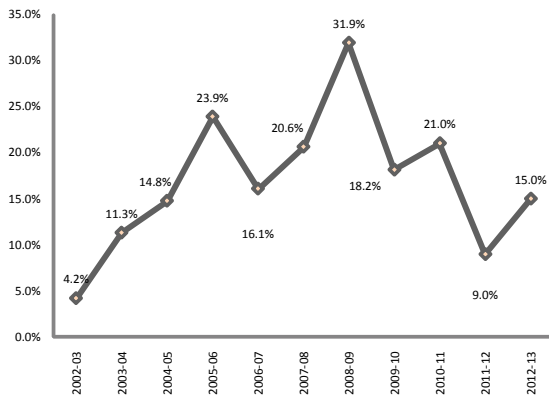
Annual Broad Money Supply (M2) Growth Rate (%)



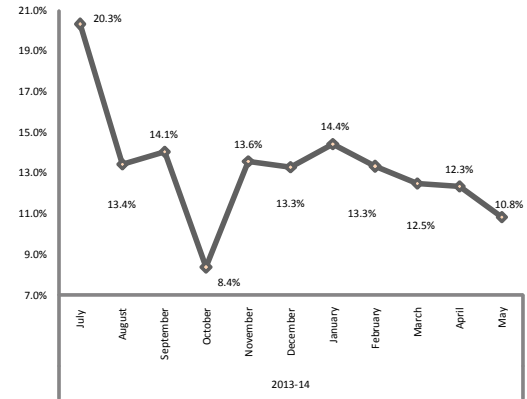
Monthly Broad Money Supply (M2) Growth yoy %



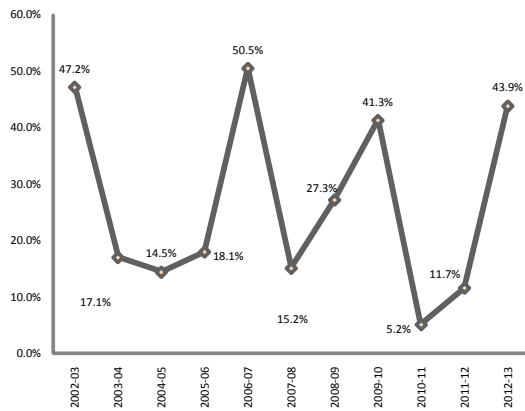
Annual Reserve Money Growth Rate (%)



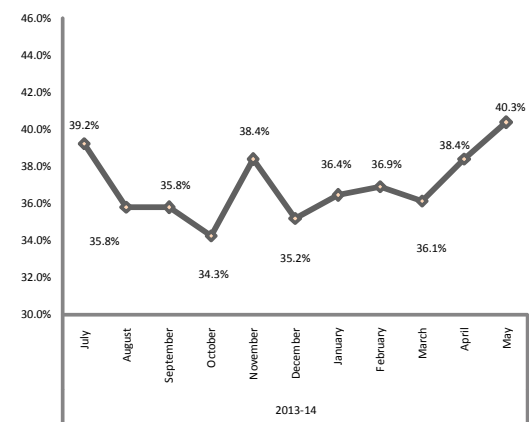
Reserve Money Growth yoy %



Annual Net Foreign Assets Growth Rate (%)

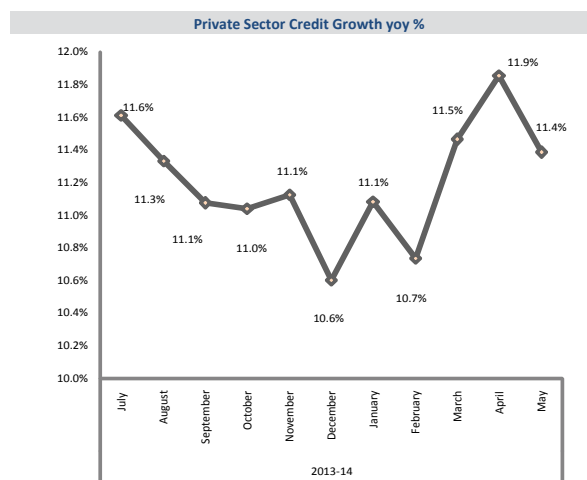
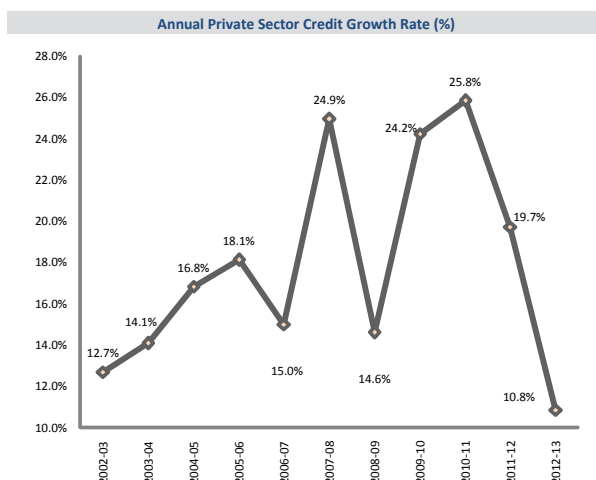
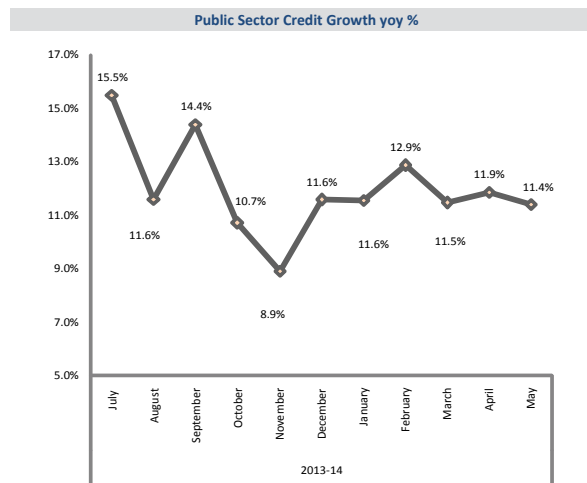
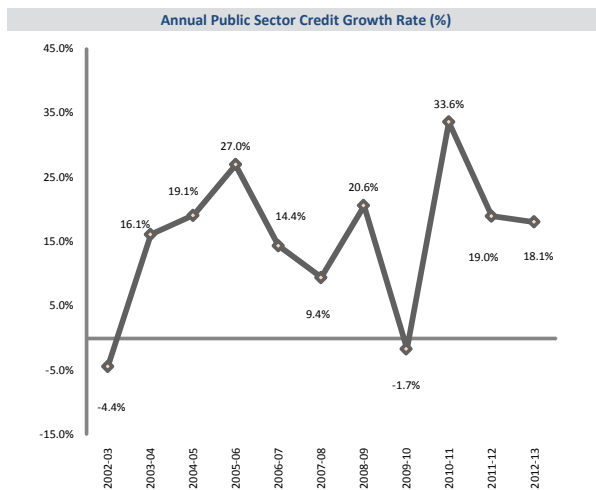


Net Foreign Asset Growth yoy %



Source: Bangladesh Bank and IL Capital Research.

Money Supply (Continued):

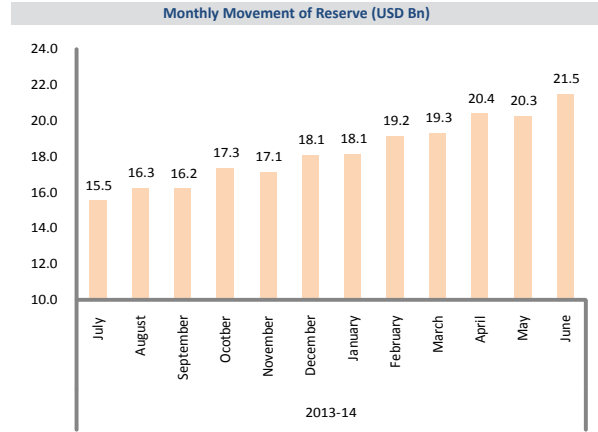
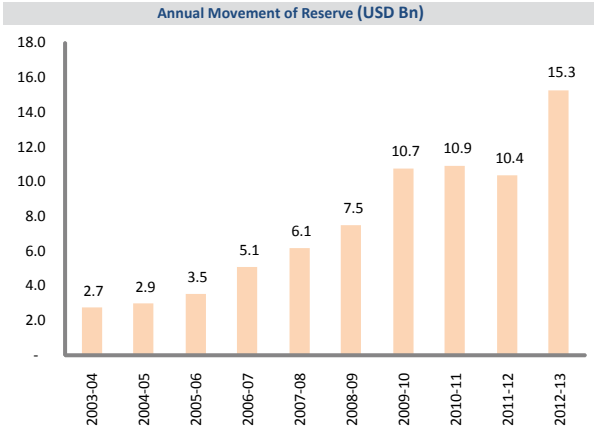


Monetary Aggregates Y-o-Y Growth (%)						
Items	Actual				Program	
	FY10	FY11	FY12	FY13	Dec-13	Jun-14
Net Foreign Assets	41.0	6.2	7.2	50.4	19.3	10.0
Net Domestic Assets	19.0	24.7	19.3	11.0	16.8	18.6
Domestic Credit	17.5	28.2	19.2	10.9	19.3	17.8
Credit to the Public Sector (incl. Govt.)	4.2	38.3	17.4	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

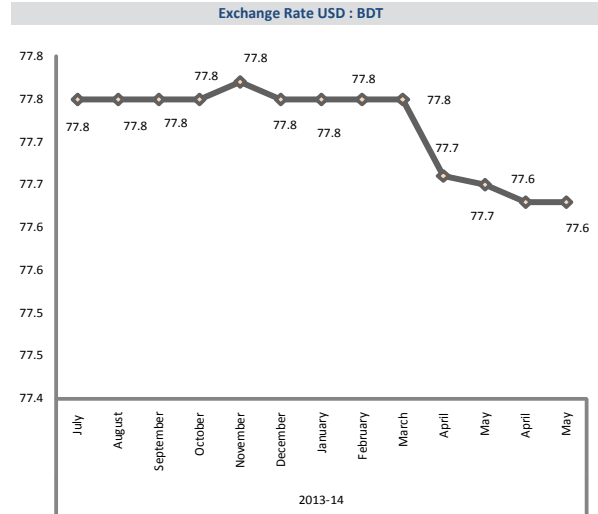
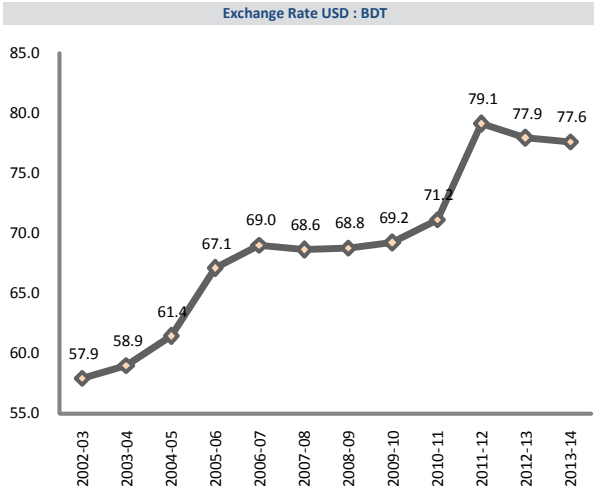
Source: Bangladesh Bank and IL Capital Research.



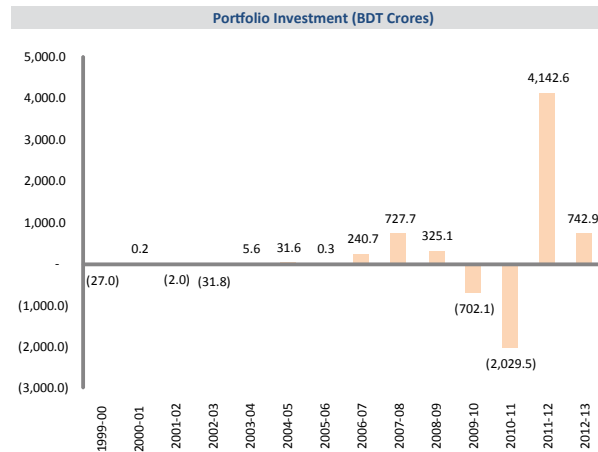
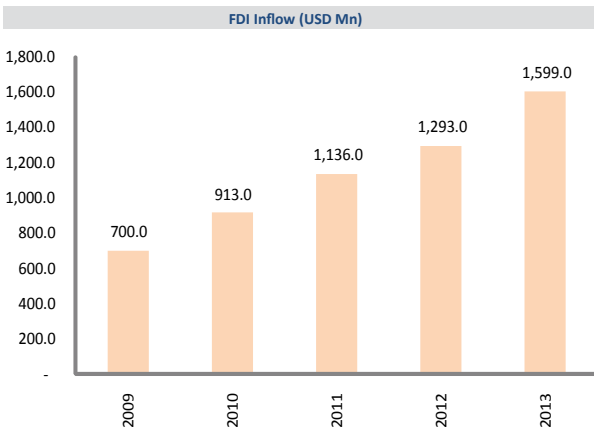
**Reserve:**



**Exchange Rate:**

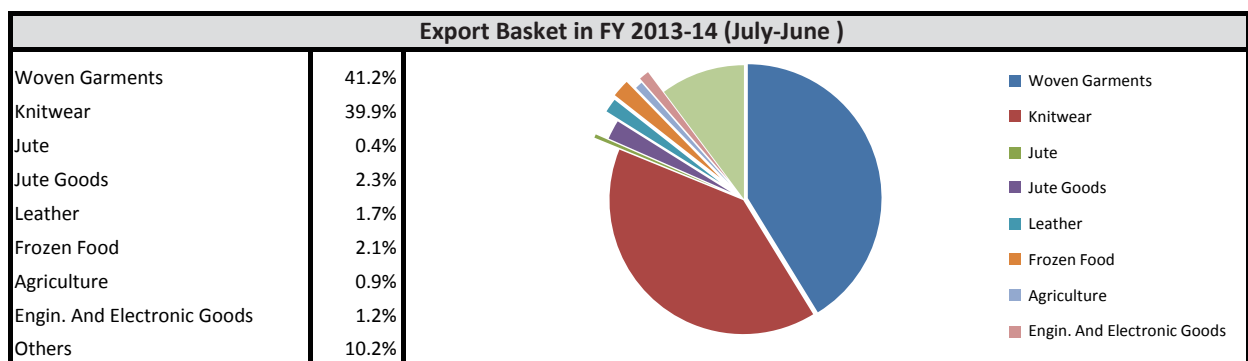
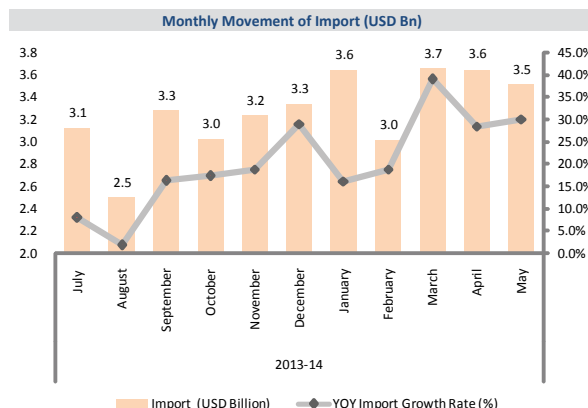
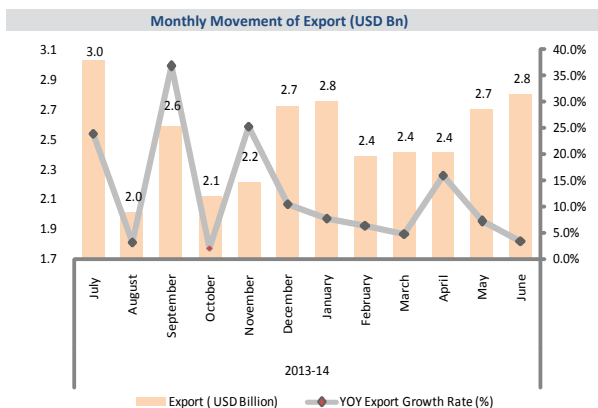
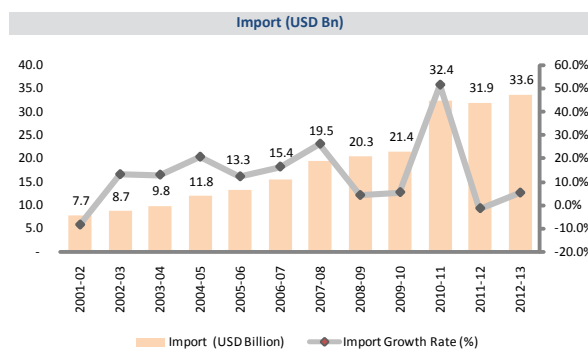
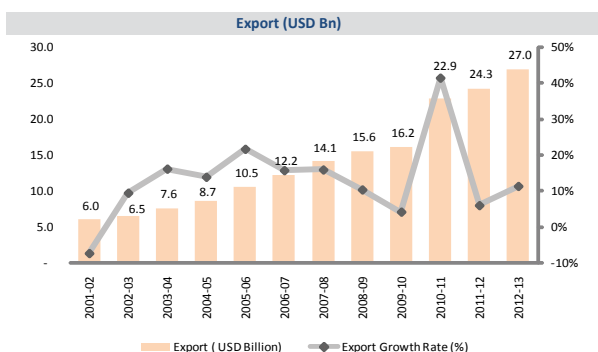
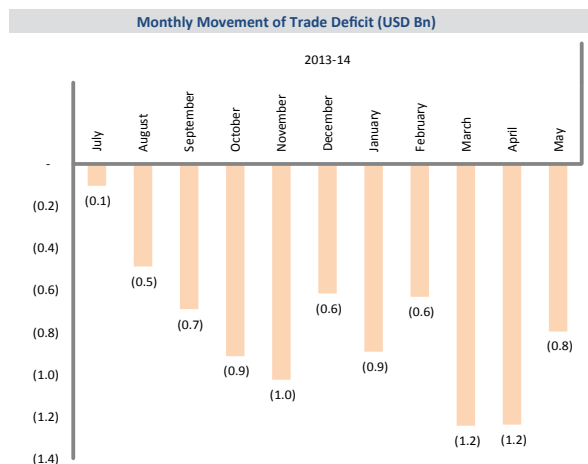
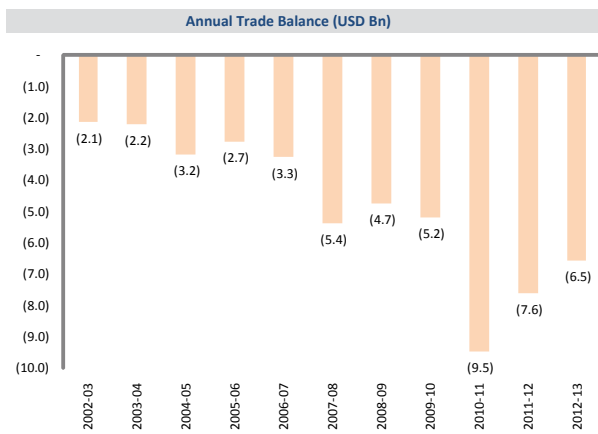


**FDI Inflow and Portfolio Investment:**



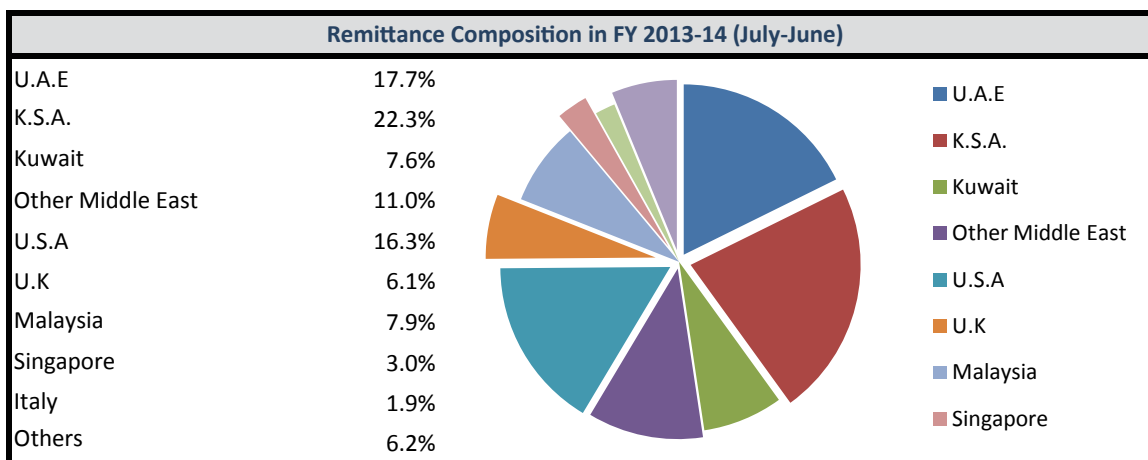
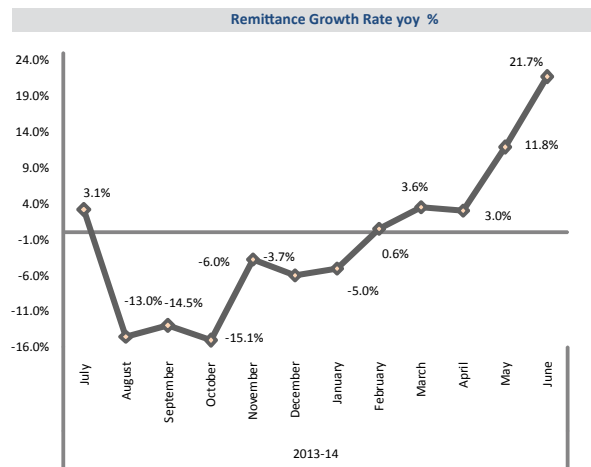
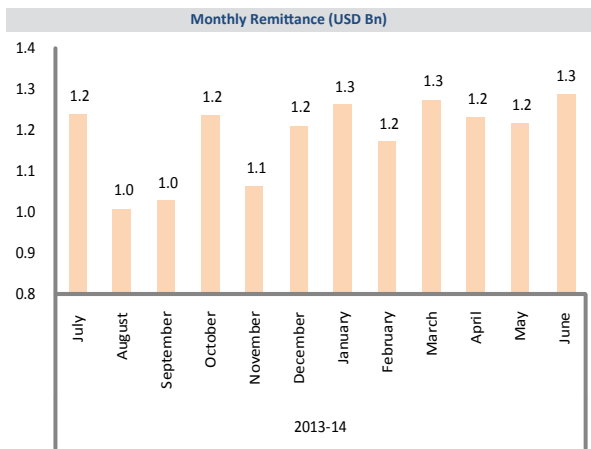
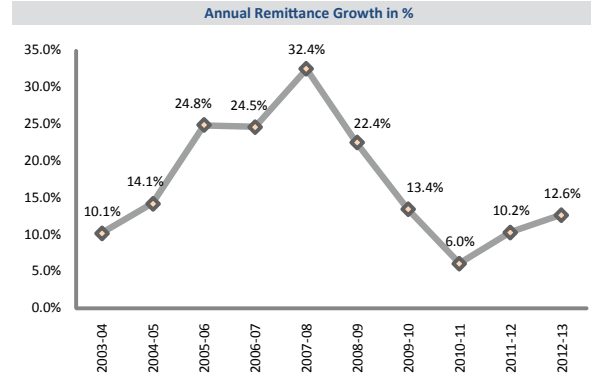
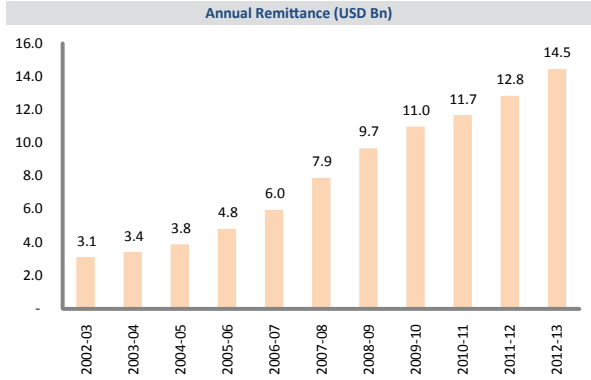
Source: Bangladesh Bank and IL Capital Research.

**International Trade:**



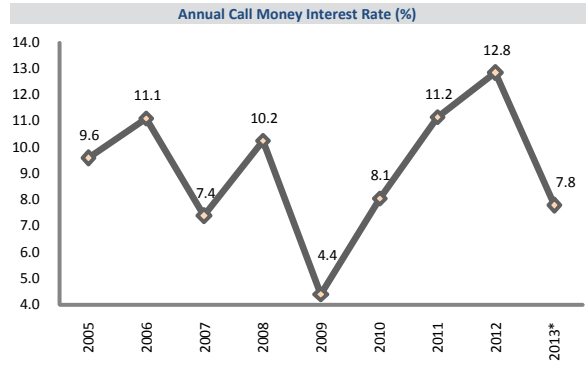
Source: Bangladesh Bank and IL Capital Research.

**Remittance:**

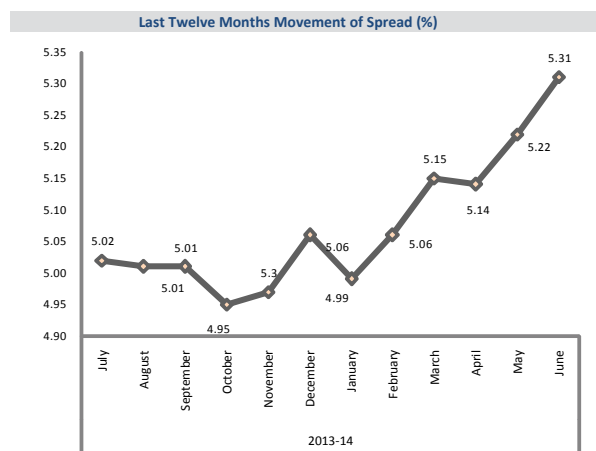
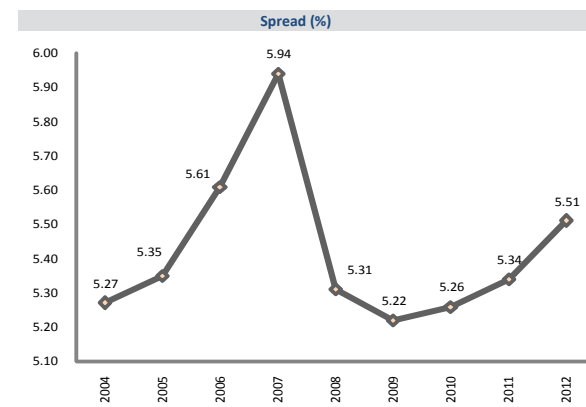
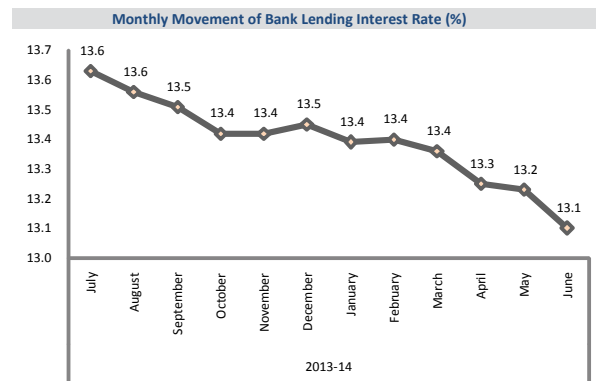
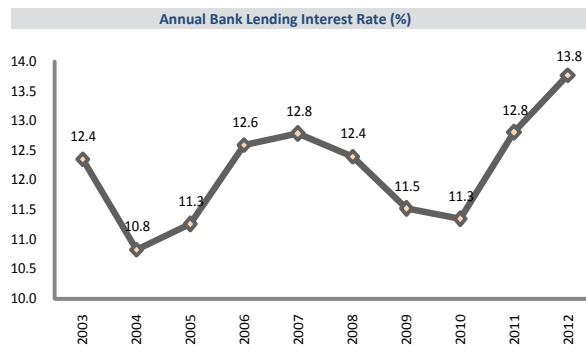
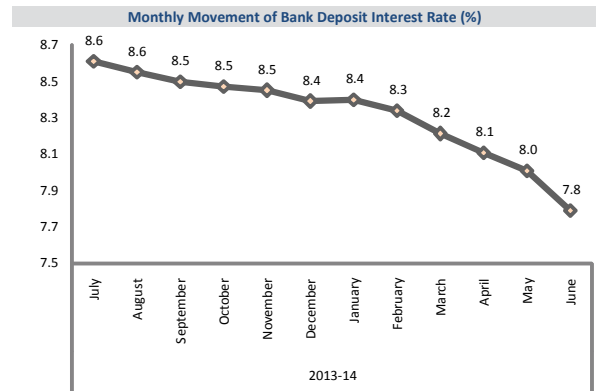
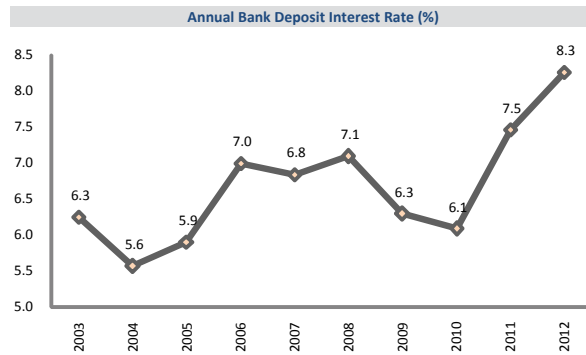
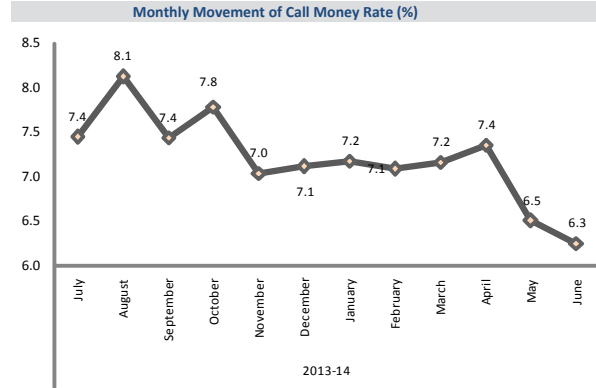


Source: Bangladesh Bank and IL Capital Research.

**Interest Rate:**



\* Data Up to March 2014

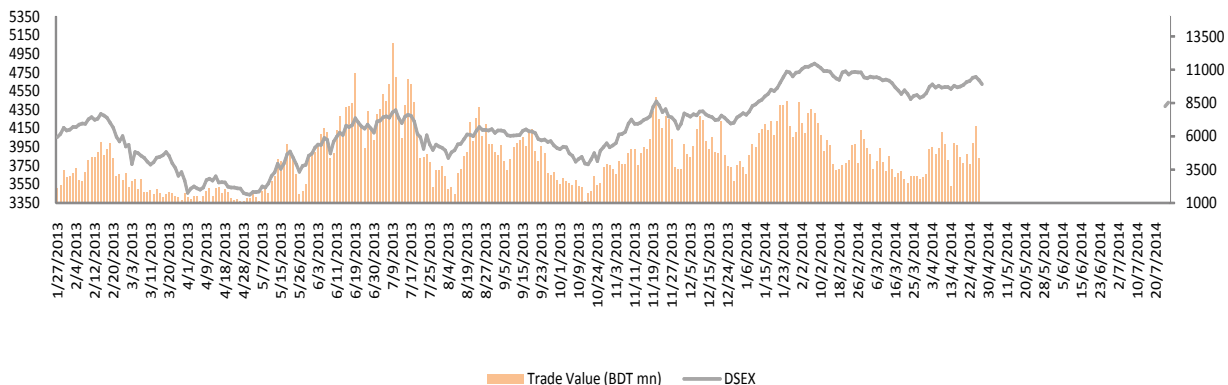


Source: Bangladesh Bank and IL Capital Research.

**MARKET UPDATE:**

- The benchmark index of Dhaka Stock Exchange (DSEX) gained 3.8% in last seven months.
- During the month of July 2014, Market (DSEX) closed down by 1.2%, mainly driven by the down-trend in share prices of Life Insurance, Pharma & Chemical, NBFIs and General Insurance companies.
- The major sectors that set backed during the month of July 2014 were Life Insurance (-9.4%), Pharma & Chemical (-4.9%), NBFIs (-3.6%) and General Insurance (-3.4%).
- On the other hand, the major gainer sectors were Foods (4.9%), Real Estate (2.5%), Telecommunication (2.0%) and Cements (1.3%) in July 2014.
- Among the companies traded in the Dhaka Stock Exchange (DSE), Midas Finance (30.9%), Fareast Finance (22.5%), EXIM Bank 1st Mutual Fund (20.0%), Gemini Sea Food (17.0%) and Kay and Que (13.6%) were the top gainers in July 2014.
- On the other hand, major loser companies were Rupali Life Insurance (-23.2%), LR Global Bangladesh Mutual Fund One (-22.1%) and Stylecraft Limited (-21.4%) in July 2014.
- During the month of July 2014 the average daily turnover of Dhaka Stock Exchange was down by 33.3% to BDT 2.26bn from BDT 3.38bn in June 2014. Average daily turnover of miscellaneous sector increased by 123.1% in July 2014. However, average daily turnover of cements, Life Insurance, Engineering and Fuel & Power sector declined by 65.7%, 59.0%, 46.4% and 40.0% respectively in the same period.
- There are sectors who have outperformed DSEX Year-To-Date namely Cements by 67.0%, Telecommunication by 45.5%, Foods by 38.4%, Pharma & Chemical by 22.8% and Tannery & Footwear 13.5% as of July 24, 2014.
- On the other hand, IT, Insurance, Travel & Leisure, Textiles, and Banks have underperformed DSEX Year-To-Date as of July 24, 2014 by -24.2%, 22.0%, 21.8%, 21.2% and 12.5% respectively.
- Market capitalization of DSE decreased by 0.6% to BDT 2.94 trillion (USD 37.81 billion) as at July 24, 2014 from BDT 2.92 trillion (USD 37.58 billion) in June 2014.
- Equity, Debt and Mutual Funds contribution to total Market capitalization were 79.9%, 19.0% and 1.1% respectively as at July 24, 2014.

**DSEX and Turnover movement in DSE**



Sources: DSE and IL Capital Research

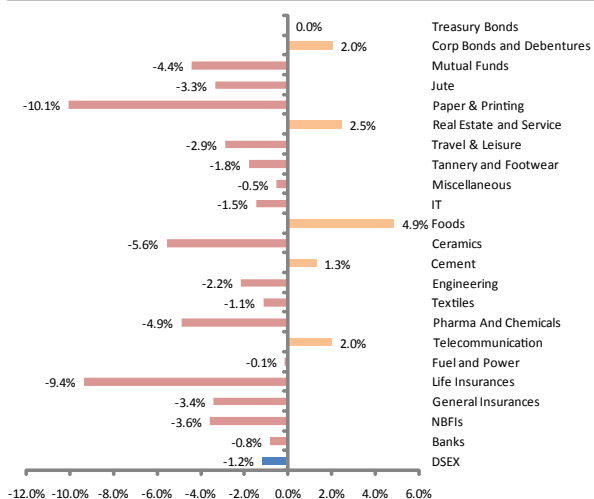
**Market Capitalization of DSE**

Instruments	24-Jul-14			30-Jun-14			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,333,849.9	30,017.4	79.9%	2,350,944.7	30,237.2	80.0%	-0.7%
Debt Securities	555,000.2	7,138.3	19.0%	554,852.8	7,136.4	18.9%	0.0%
Mutual Fund	32,815.5	422.1	1.1%	34,330.6	441.6	1.2%	-4.4%
<b>Total</b>	<b>2,921,665.5</b>	<b>37,577.7</b>	<b>100.0%</b>	<b>2,940,128.1</b>	<b>37,815.2</b>	<b>100.0%</b>	<b>-0.6%</b>

Note: Exchange Rate USD 1 : BDT **77.75**

Source: DSE and IL Capital Research

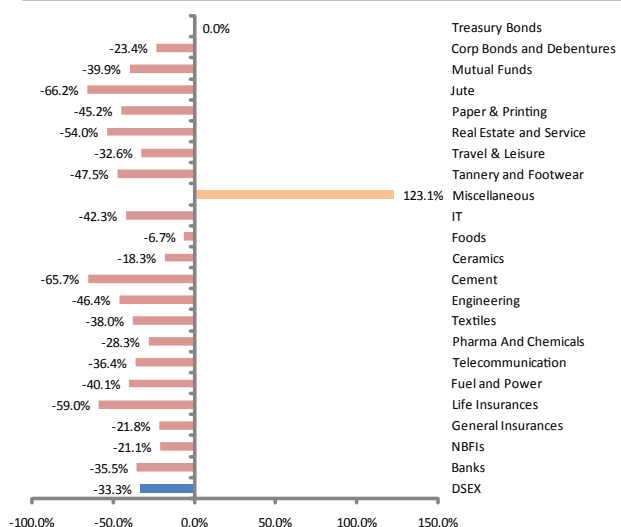
**DSEX and Sectors Movement in DSE (Monthly)**



Note: Sector movement considers changes in Market Capitalization of the sectors

Source: DSE and IL Capital Research

**Average Turnover Movement in DSE (Monthly)**



Note: Average Turnover excludes Block and Oddlot Market transaction

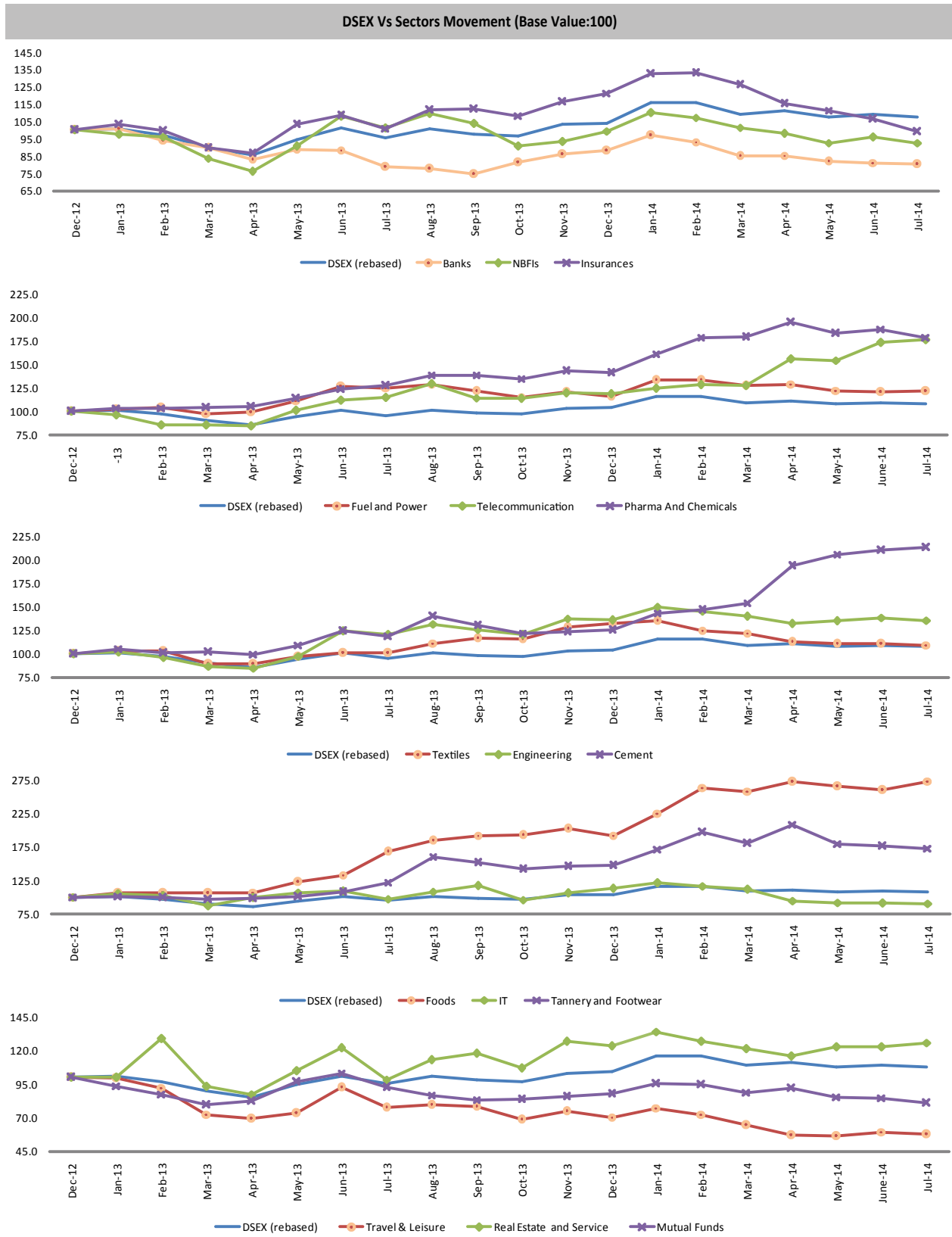
**Top Gainers This Month**

MIDASFIN	30.9%
FAREASTFIN	22.5%
EXIM1STMF	20.0%
GEMINISEA	17.0%
KAY&QUE	13.6%
IDLC	12.9%
BEXIMCO	11.1%
2NDICB	10.9%
SAPORTL	10.8%
STANCERAM	10.6%

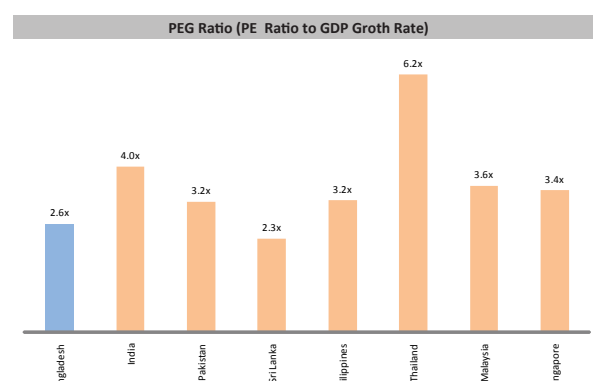
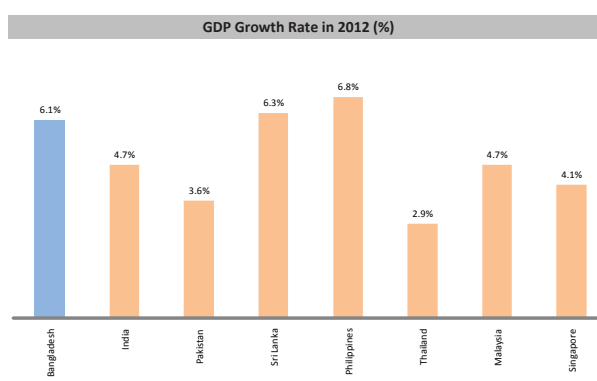
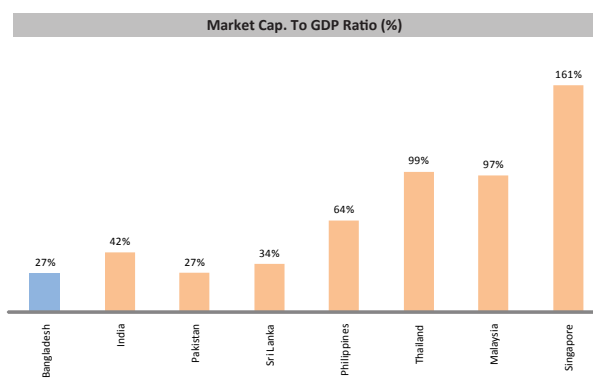
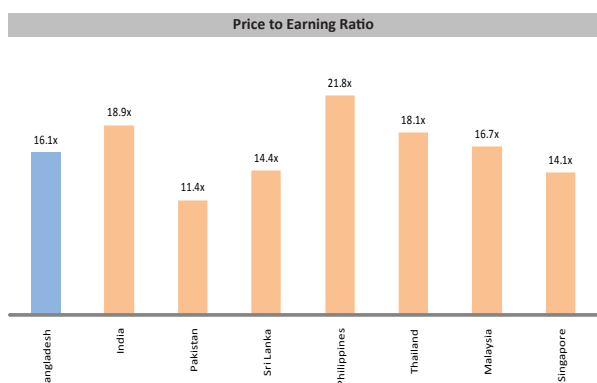
**Top Losers This Month**

RUPALILIFE	-23.2%
LRGLOBMF1	-22.1%
STYLECRAFT	-21.4%
AIBL1STMF	-19.1%
PROGRESLIF	-15.7%
SANDHANINS	-15.7%
RENWICKJA	-15.1%
UNIONCAP	-14.3%
PRAGATILIF	-14.1%
WATACHEM	-13.8%

Source: DSE and IL Capital Research



Note: The sector Indices are market capitalization weighted indices. Should you require any further clarification over index calculation methodology, please don't hesitate to contact IL Capital Research Team.



PEG ratio = PE ratio of the major stock exchange of the country / GDP Growth of the country in 2013. We assume that listed companies' aggregate earnings growth is reflected in GDP growth rate of the country.

Sources: [www.bloomberg.com](http://www.bloomberg.com), [www.imf.org](http://www.imf.org), [wikipedia.com](http://wikipedia.com), [DSE](http://DSE) and [IL Capital Research](http://IL Capital Research)

- As on July 2014, Bangladesh (DSE) is trading at 16.1x P/E, lower than that of Malaysia (16.7x), India (18.9x) and Philippines (21.8x). However, Bangladesh (DSE) is trading higher than that of Singapore (14.1x) and Sri Lanka (14.4x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on July 2014 is 2.6x which is lower than that of all countries except Sri Lanka (2.3).

**Regional Markets' Comparables**

Country	Index Symbol	Index Point	52-Week High	52-Week Low	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,427	4.85K	3.76K	16.1x	2.6x	37.8
India	SENSEX	26,086	26.19K	17.45K	18.9x	4.0x	742.9
Pakistan	KSE100	30,465	30.62K	21.48K	11.4x	3.2x	64.8
Sri Lanka	CSEALL	6,801	6.82K	5.60K	14.4x	2.3x	21.9
Philippines	PCOMP	6,889	7.02K	5.56K	21.8x	3.2x	175.2
Thailand	SET	1,542	1.55K	1.21K	18.1x	6.2x	421.8
Malaysia	FBMKLIC	1,871	1.90K	1.66K	16.7x	3.6x	329.2
Singapore	FSSTI	3,345	3.35K	2.95K	14.1x	3.4x	434.3

Sources: [www.bloomberg.com](http://www.bloomberg.com), [www.imf.org](http://www.imf.org), [wikipedia.com](http://wikipedia.com), [DSE](http://DSE) and [IL Capital Research](http://IL Capital Research)



We Dig Through The Bottom...



## ILSL Research

Dedicated and Qualified Research Team

Uphold Professional and Ethical Manner

Ensure Loyalty and Fair Dealing to Clients

Conduct Investors' Awareness Program on Regular Basis

Exercise Diligence, Independence and Thoroughness in Analysis



## A REVIEW ON MONETARY POLICY STATEMENT (JULY-DECEMBER 2014)

On 26 July 2014, Bangladesh Bank has divulged Monetary Policy Statement (MPS) for H1 FY 2015. The MPS primarily aims to bring the average inflation down to 6.5% level by June 2015 while maintaining the credit growth to achieve economic development. For this purpose some adjustments in various economic targets are made. Overall, this MPS can be termed as “cautious” and “investment-friendly” which is mostly furtherance of the MPS H2 FY2014.

An assessment of the projections in the last MPS and current estimations is as follows –

Particulars	MPS H2 FY '14		MPS H1 FY '15
	Projected	Actual	Projected
GDP Growth	5.8% - 6.1%	6.10%	6.2% -6.5%
Inflation	7.00%	7.35%	6.50%
Broad Money Growth	17.00%	15.20%	16.00%
Reserve Money Growth	16.20%	10.80%	15.50%
Private Sector Credit Growth	16.50%	11.40%	16.5%*
Public Sector Credit Growth	22.90%	5.30%	12.90%

\*including foreign borrowings

### MPS H1 FY 2014-15

**GDP Growth Estimate:** For FY 2014-15, Bangladesh Bank projects GDP growth could range from 6.2% to 6.5%. For FY 2013-14, this projection was 5.8% - 6.1%. BB assumed that, the country's economy will enjoy a momentum in the upcoming days. In the National Budget 2014-15, GDP growth was set to 7.3%.

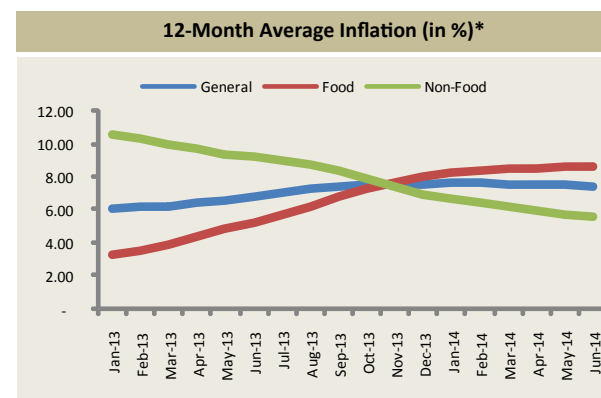


Source: BBS & ILSL Research

**Inflation:** The targeted average general inflation by end of FY '15 is 6.5% which was 7.35% on June 2014. In the National Budget FY '15, the announced inflation target was 6.0%. There are some factors like global food price volatility, shocks to domestic crop output and impact of upward wage adjustment in the public sector which

may have negative impact to keep the inflation at targeted level.

From January 2013, 12-Month average food inflation displayed upbeat trend whereas non-food inflation portrayed declining tendency. Basically, the rise in food inflation created upsurge pressure in the general inflation. However, decreasing non-food inflation offset certain impact to some extent.



\*Base Year 2005-06; Source: Bangladesh Bank & ILSL Research

**Reserve Money & Broad Money:** In H1 FY '15, BB targets 15.5% for reserve money growth which was 16.2% in H2 FY '14. Point-to-point estimate of BB's data showed that, reserve money attained 10.8% growth in May 2014.

In case of broad money, targeted growth rate is 16.0% by December 2014. In May 2014, broad money growth rate was 15.2% against the target of 17.9%.

Both private and public sector credit growth declined in H2 '14 which caused the underperformance.

**Private Sector Growth:** Bangladesh Bank set its private sector credit growth target to 16.5% (including foreign borrowing by local corporates) and 14% from local sources by December 2014. By June 2015, anticipated private sector credit growth from local sources is 15.5%. In H2 FY '14, total private sector credit growth target was 16.5% against which till May 2014, 15.7% growth was achieved including foreign borrowing and 11.4% was achieved from local sources only.

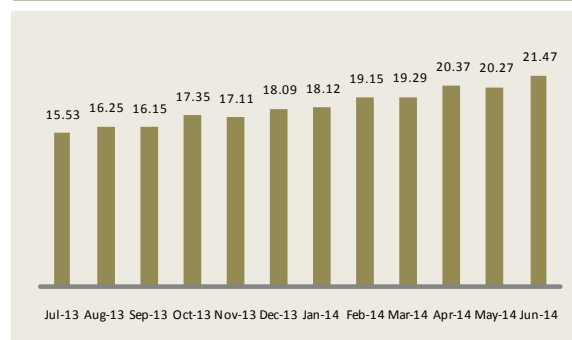
**Government Borrowing:** In the National Budget 2014-15, estimated Government borrowing from banking system is BDT 312 bn which was BDT 300 bn in the revised budget 2013-14. BB assumed that any surprising spending pressures can be managed within the target borrowing limit; since, the Ministry of Finance (MOF) has set itself to remain within the boundary. In FY 2013-14, the Government borrowed BDT 239.9 bn from scheduled banks and repaid BDT 175.5 bn; therefore, Government's net borrowing from banking system was BDT 64.3 bn. Lower ADP implementation (50% in July-April 2014) as well as substantial revenue from savings certificates resulted this low level of borrowings.

**Export & Import:** Considering projected rising global trade volumes and growing investors' confidence, BB projects that overall export growth of 12% and import growth of 15% for FY '15. In H2 FY '14 MPS, BB estimated export growth of 8% and import growth of 9%. So far up to May of FY '14 export earnings registered 12.6% growth and import registered 9.8% growth.

To promote export sector, the size of the Export Development Fund (EDF) was raised from USD 1.2 bn to USD 1.5 bn. Moreover, the single party ceiling was increased from USD 12 mn to USD 15 mn. BB also intervenes into foreign exchange market from appreciation of BDT against U.S. dollar.

**Foreign Exchange Reserve & Remittance:** According to BB's Data on June 2014, foreign exchange reserve was USD 21.47 bn which was USD 15.31 bn on June 2013. Bangladesh Bank is hopeful to improve the foreign exchange reserve in H1 '15.

Foreign Exchange Reserve (in USD bn)



Source: Bangladesh Bank & ILSL Research

The overall remittance earnings in FY '14 declined by 1.6% compared to that of FY '13. The second half of FY 2013-14 experienced better condition in terms of remittance flow. In H2 FY '14, remittance growth was 5.6% compared to H2 FY '13. In the Current MPS BB assumes remittance growth of 4% which was negative 4% in the last MPS.

#### Observations:

- No major policy stances have been taken in the declared MPS that may significantly affect the country's money market or capital market. However, it is to be mentioned that, in June 2014, BB raised the Cash Reserve Requirement (CRR) by 50 basis points to 6.50% (on bi-weekly basis) in order to annihilate part of the excess liquidity in the banking system as well as keep the inflation at tolerable level.
- Achieving inflation target may be challenging as BB anticipated that aggregated demand is likely to pick up in H1 FY '15.
- Increased credit growth target for public sector (24.8%) along with recent ease of political instability is expected to stimulate the economy and work as a major catalyst for achieving the expected GDP growth rate.
- For the betterment of the capital market, BB stated its supportive stance through on-going deeper regulatory coordination and policy support.

#### Concluding Remarks

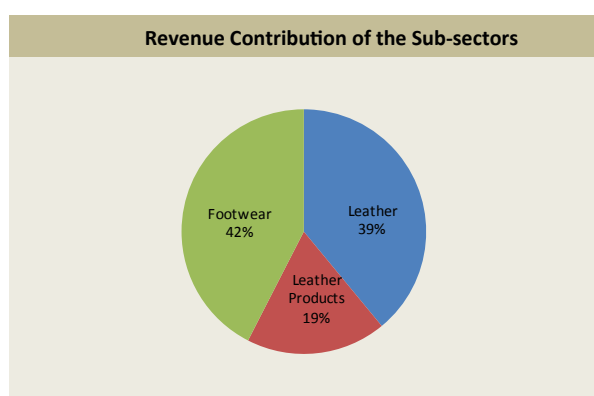
In the current MPS, Bangladesh Bank endures its long term goal i.e., economic development, by ensuring sufficient credit growth and motivating export. At the same time, BB pays special attention to achieve its inflation target.

## TANNERY SECTOR OF BANGLADESH

Tannery sector is one of the emerging export-oriented sectors in Bangladesh. The size of the global market of leather and leather goods is around USD 230 bn, of which Bangladesh's share is only USD 1 bn (source: newspaper report April 2014). There are around 220 tanneries, 3,500 MSMEs (Micro Small & Medium Enterprises), 110 large firms and about 850,000 people are related to the sector (Source: A technical report conducted by the European Union's (EU) INSPIRED program for Bangladesh on January 2013). Considering its greater scope for value addition and competency of export earnings the Bangladesh Government declared this sector as "Priority Sector". The official website for tannery industry (<http://promotebdleather.net/>) proclaimed that, for more than a decade the leather sector has been experiencing a growth rate of more than 10% in terms of export earnings.

According to the Board of Investment (BoI), Bangladesh currently produces around 2-3% of the world's leather each year. BOI's data also indicated that, the local livestock base is around 1.8% of the world's cattle stock and 3.7% of the world's goat stock. Therefore, around 90% raw material demand can be satisfied locally.

On broader scale, leather sector can be divided into three subsectors: 1) Leather Tanning, 2) Leather Goods and 3) Leather Footwear. In 2013-14 FY, contributions of these sub-sectors on entire leather industry revenues are as follows:



Source: Export Promotion Bureau & ILSL Research

### Leather Tanning

The leather tanning is the most important and core sub-sector. There are more than 200 tanneries of which the majorities are situated in the

Hazaribagh area of Dhaka. Around 50,000 people are directly involved with this sector. In FY 2013-14, the Country earned USD 505.54 mn from leather export which was 26.47% higher than that of FY 2012-13. It also exceeded export target of USD 459.69 mn set for FY 2013-14 (Source: Export performance report for July-June 2013-2014, Export Promotion Bureau).

The major concern for this sub-sector is managing the wastes. To address the issue the Government and the leather associations agreed in 2003 to relocate leather factories to a new Tannery Estate outside the capital city where there would be a CETP (Central Effluent Treatment Plant) for environmental safeguards. After a decade, in May 2013, the Government agreed to bear the entire cost of the CETP and 80% of the total project cost estimated as BDT 10.78 bn. Moreover, the Government agreed to allocate BDT 2.50 bn compensation to the leather factories. In October 2013, BSCIC and leather associations signed the revised MoU to finally relocate the tanning industry to the new Tannery Industry Estate by 2015.

### Leather Goods

The leather goods is relatively small sub-sector where around 15 enterprises contribute maximum revenue (Source: A technical report conducted by the European Union's (EU) INSPIRED program for Bangladesh on January 2013). There are very few enterprises in this sub-sector that are highly sophisticated in product development and manufacturing processes. Mostly smaller firms are trying to define their competitive competencies.

### Footwear

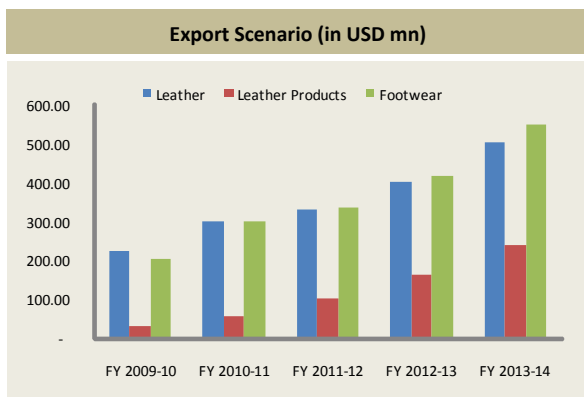
The footwear sub-sector generates around 1.82% of total export earnings of the country in FY 2013-14. During this time, footwear sub-sector generated USD 550.11 mn which was 31.19% higher than that of FY 2013-14 (Source: Export performance report for July-June 2013-2014, Export Promotion Bureau).

### Export Scenario

About 95% of the leather sector's outputs are in the form of crushed leather, finished leather, leather goods and footwear (source: Promote Bangladesh Leather website). More than 400 mn square feet of raw hides and skins are processed and exported by tanneries each year in the recent times.

The European Union (EU) consists around 60% traditional buyers of Bangladesh leather and leather products, while the remaining markets - Japan, the USA, India and Australia coupled with a number of new markets- consume the rest 40% (Source Newspaper Report May 2014).

According to the Export Promotion Bureau (EPB) data, the new markets that have been recently joined to the export destinations are Vietnam, New Zealand, Austria, Bulgaria, Bahrain, Costa Rica, Indonesia, Ireland, Lebanon, Sri Lanka, Lithuania, Morocco, Mauritius and Turkey. According to the EPB data, up to May 2013-14 FY, export earnings from leather sector was USD 1,295.74 mn which was USD 980.67 mn for FY 2012-13 registering 32.13% growth.



Source: Export Promotion Bureau & ILSL Research

### Driving Forces

The leather industry of Bangladesh displays substantial earnings prospects both in locally and abroad.

- The Country's leather sector holds around 0.56% market share of global market (Source: A technical report conducted by the European Union's (EU) INSPIRED program for Bangladesh on January 2013). Therefore, there is a tremendous opportunity to capture more market share around the world.
- The sector has greater opportunity for value addition – up to 90%, whereas for RMG this scope is approximately 40%. Locally available raw materials can ensure this opportunity.
- Government supports in the form of tax holidays, duty free imports of raw materials and machinery for export-oriented leather market, export incentives etc.

### Challenges

The road to success is not a smooth one. There are some challenges also –

- Shortage of skilled workforces in mid-level and top-level.
- Lack of state-of-the-art machineries and technologies.
- Limited awareness and knowledge of proper butchery and hide preservation

### Environmental Hazards

According to the Bangladesh Ministry of Environment, the tanneries discharge nearly 22,000 cubic liters of untreated and highly toxic, including cancer-causing chromium, into the river Buriganga everyday. It also produces 100 tons of solid waste everyday in the form of trimmings of finished leathers, shaving dust, hairs, trimmed animal flesh skins/hides to contaminate the soil and the water. In 2014-15 national budget, the Government has imposed 1% 'Environment Protection Surcharge' or 'Green Tax' on ad-valorem basis upon the industries which pollute the environment.

### Capital Market

As on July 24 2014, the tannery industry held only 0.82% total market capitalization of the Dhaka Stock Exchange.

Tannery Industry in DSE*	
Market Capitalization of Sector (BDT bn)	19.4
Market weight of Sector (based on Market Cap)	0.8%
3-month Average Turnover (BDT mn)	35.0
3-month Return	-16.1%
Sector Trailing P/E	16.4
Sector Forward P/E	31.0
Sector P/B	3.2
Sector ROE	10.2%
No of Listed Stocks	5

Source: DSE, ILSL Research, \* as on July24, 2014

In this issue, three listed companies i.e., Bata Shoe (DSE: BATASHOE), Apex Footwear Limited (DSE: APEXFOOT) and Apex Tannery Limited (DSE: APEXTANRY) are covered.

## Bata Shoe Company (Bangladesh ) Limited

### Company Overview

Bata Shoe Company (Bangladesh) Limited (Bata) was incorporated in 1972. The Company is mainly engaged in manufacturing and marketing of leather, rubber, plastic, canvas footwear, hosiery and accessories items. It has two manufacturing facilities – one in Tongi and the other one in Dhamrai. In 2013, the total production capacity of the Company was 36 mn of which around 30 mn pairs of shoes were produced registering 83% capacity utilization.

BATA generates revenue mostly from local sales (99%) while exports trivially. The Company imprints its strong presence both in retail and non-retail business through its 265 retail outlets, 665 DSPs (Dealers Support Programs) and 444 RWD (Registered Wholesale Dealers). In 2013, 63% revenue generates from retail channel and 36% revenue generated from non-retail channel. Around 68% raw materials are locally procured and rests 32% are imported.

The company is one of the largest tax-paying corporate bodies contributing BDT 1.80 billion to the Country's National Exchequer. Around 70.00% shares of the company are held by the Sponsors – Bafin (Nederland) B.V, whereas 18.38%, 11.60% and 0.02% shares are held by General, Institutional and Foreign Investors respectively.

### Investment Insight

- Bata displayed fantastic performance over the years. 5 year CAGR (Compound Annual Growth Rate) of revenue of the company was 11.3%.
- The Company exhibits its continual effort for product development while enhancing market reach. For instance, it launched 800 new product lines before the Eid-ul-Fitar in 2013. It also opened 16 new retail stores and 73 new dealers in 2013.
- It has established a new business channel under "Bata Industrials" focusing the industrial group.
- Both production facilities of the firm are upgraded with various high-tech machineries and equipment which eventually help to increase revenue.
- Major festivals i.e., Eid-ul-Fitar, Eid-ul-Azha, Durga Puja etc. stimulates the product demand. Therefore, the firm enjoys higher earnings in the 2nd half of the year (July-December).
- It has established handsome dividend policy over the years (as mentioned in the table).
- The Company is exposed to foreign exchange risk as it imports 32% of its raw materials.
- The Company currently runs at P/B of 5.9 whereas the sector's P/B was 3.2.
- The dividend payout ratio, on an average, is 55%.

DSE:BATASHOE

BLOOMBERG:BATASH:BD

### Company Fundamentals, as of July 24, 2014

Market Cap (BDT mn)	12,983.7
Market weight	0.6%
No. of Share Outstanding (in mn)	13.7
Free-float Shares	30.0%
Paid-up Capital (BDT mn)	137.0
3-month Average Turnover (BDT mn)	10.8
3-month Return	-16.4%
Current Price (BDT)	967.4
52-week price range (BDT)	556-1,168.8
Sector's Forward P/E	31.0

	2011	2012	2013	2014 (Q1, Ann.)
<b>Financial Information (BDT mn):</b>				
Sales	6,648	7,385	7,879	7,771
Operating Profit	852	1,010	1,202	987
Profit After Tax	579	672	813	658
Assets	3,543	3,980	4,610	4,849
Long Term Debt	152	136	149	150
Equity	1,558	1,854	2,257	2,421
Dividend (C/B)%	250/-	275/-	300/-	-/-
<b>Margin:</b>				
Gross Profit	35.5%	36.1%	38.3%	38.4%
Operating Profit	12.8%	13.7%	15.3%	12.7%
Pretax Profit	11.9%	13.2%	14.6%	12.1%
Net Profit	8.7%	9.1%	10.3%	8.5%
<b>Growth:</b>				
Sales	17.4%	11.1%	6.7%	-1.4%
Gross Profit	15.4%	12.9%	13.3%	-1.2%
Operating Profit	10.6%	18.6%	19.1%	-17.9%
Net Profit	6.8%	16.0%	21.0%	-19.1%
<b>Profitability:</b>				
ROA	17.6%	17.9%	18.9%	13.9%
ROE	40.2%	39.4%	39.6%	28.1%
<b>Leverage:</b>				
Debt Ratio	-	-	-	-
Debt-Equity	-	-	-	-
Int. Coverage	40.2	227.4	198.8	164.5
<b>Valuation:</b>				
Price/Earnings	14.1	10.9	11.6	23.7
Price/BV	5.3	4.0	4.2	5.9
EPS (BDT)	42.3	49.1	59.4	48.1
DPS (BDT)	25.0	27.5	30.0	---
NAVPS (BDT)	113.9	135.5	164.9	177.0

### Last 5 Year's Price Movement (BDT)



Source: Annual Reports, DSE website, BATA's website, <http://promotebdleather.net/>, Export Promotion Bureau, the Financial Express, the Daily Star and ILSL Research

## Apex Footwear Limited

### Company Overview

Apex Footwear Ltd. (AFL) commenced its business on January 04, 1990. The Company is an export oriented leather shoe and components manufacturer, producing and selling leather shoes and other leather products in international market. It also sells its products in local market through own Outlets in the name and style of "Apex". The Company has total 304,545 sq. ft. of factory area complied with Global Standards of Footwear Production and imported machinery from Germany, Italy and Taiwan. In 2013, the firm utilized its 91.67% of its production capacity. On an average, 75% of its total revenue generated from export mainly to EU. Local sales are ensured with over 169 own retail outlets, 98 wholesale depots and 236 regional sales depots. It has eight in-house brands, namely Venturini, Apex Men's, Sprint, Moochie, Nino Rossi, Sandra Rosa, Apex Women's and Apex Kids. The Firm enlisted in the DSE and the CSE on July 11, 1993 and October 22, 1995 respectively. Around 21.81% shares of the company are held by the Sponsors whereas 39.81%, 38.08% and 0.3% shares are held by Institutional, General and Foreign Investors respectively.

### Investment Insight

- The Company implemented ERP (Enterprise Resource Planning) software. This will translate into improved productivity, cost savings and better profitability.
- Its operation has positive seasonal effect, both on local and export sales, on festival time.
- The Company has established a smoothly growing dividend policy which indicates management's confidence about forthcoming earnings sustainability.
- Production capacity is almost fully utilized (91.67%); therefore exceptional revenue improvement is not possible without expansion.
- It operates in low margin scenario.
- Due to political turmoil, the company's performance suffered substantially in last two quarters.
- Major portion of earnings (around 75%) are exposed to foreign exchange risk – appreciation of BDT against USD.
- Debt ratio and Debt-Equity ratio was quite high whereas Interest coverage ratio was at marginal level.

DSE: APEXFOOT  
BLOOMBERG: APEXF:BD

### Company Fundamentals, as of July 24, 2014

Market Cap (BDT mn)	3,744.0
Market weight	0.2%
No. of Share Outstanding (in mn)	11.3
Free-float Shares	78.1%
Paid-up Capital (BDT mn)	113.0
3-month Average Turnover (BDT mn)	15.9
3-month Return	-22.50%
Current Price (BDT)	324
52-week price range (BDT)	255.2-605
Sector's Forward P/E	31.0

	2011	2012	2013	2014 (Q1, Ann.)
<b>Financial Information (BDT mn):</b>				
Sales	9,499	9,748	10,940	11,250
Operating Profit	751	840	862	546
Profit After Tax	261	259	266	-128
Assets	7,180	8,168	9,575	9,683
Long Term Debt	392	821	818	836
Equity	2,079	2,287	2,496	2,464
Dividend (C/B)%	45%C	50%C	55%C	---
<b>Margin:</b>				
Gross Profit	14.3%	15.9%	15.7%	12.3%
Operating Profit	7.9%	8.6%	7.9%	4.9%
Pretax Profit	3.3%	3.3%	3.5%	-0.1%
Net Profit	2.7%	2.7%	2.4%	-1.1%
<b>Growth:</b>				
Sales	37.0%	2.6%	12.2%	2.8%
Gross Profit	24.5%	13.7%	10.9%	-19.2%
Operating Profit	33.2%	11.9%	2.6%	-36.6%
Net Profit	14.4%	-0.8%	2.6%	-148.4%
<b>Profitability:</b>				
ROA	4.4%	3.4%	3.0%	-1.3%
ROE	18.6%	11.9%	11.1%	-5.2%
<b>Leverage:</b>				
Debt Ratio	43.6%	45.7%	49.8%	53.3%
Debt-Equity	150.8%	163.2%	190.9%	209.5%
Int. Coverage	1.8	1.7	1.8	1.0
<b>Valuation:</b>				
Price/Earnings	12.7	10	17.5	N/A
Price/BV	1.6	1.1	1.9	1.5
EPS (BDT)	20.2	23	23.6	-11.4
DPS (BDT)	4.5	5	5.5	-
NAVPS (BDT)	180.3	203.3	221.9	219

### Last 5 Year's Price Movement (BDT)



Source: Annual Reports, <http://promotebdleather.net/>, Export Promotion Bureau, the Financial Express the Daily Star and ILSL Research=h

## Apex Tannery Limited

### Company Overview

Apex Tannery Limited (ATL) was incorporated on July, 1976. The primary activities of the company are to produce quality leather, by using Italian chemicals, technology, fulfilling the world fashion standards and specification with imported machinery from Italy, France and Germany.

The company has total 26 mn Sft. of finished goat and cow leather capacity of which rented capacity (wetblue only) is 7.5 mn and 75% of total capacity is utilized during the year 2012-13. It has two manufacturing facilities – unit one is at Hazaribagh and the second unit is at Gazipur. Unit II has been leased out to Apex Footwear Ltd. for 10 years since October 01, 2011.

As of June 2013, 81% of total revenue generated from finished cow leather whereas rest 19% came from finished goat leather. Decrease in Net profit resulted ROA and ROE to decline at 6.6% and 9.7% respectively which was 6.7% & 11.2% in the last year.

Around 30% shares of the company are held by the Sponsors whereas 37% and 33% shares are held by General and Institutional Investors respectively.

### Investment Insight

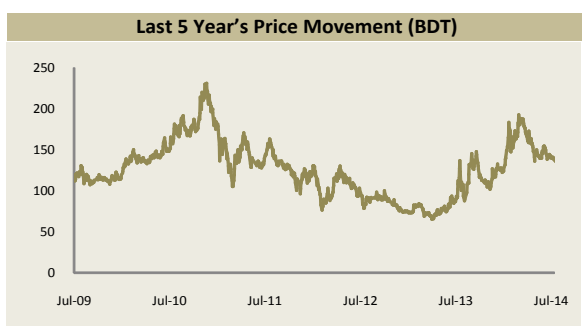
- The company exports around one fourth of the total tannery export of the country.
- Being a 100% export oriented company, it enjoys exemption of 50% tax on trading income and as the tax rate of publicly listed companies is 27.50% therefore, effective tax rate is much lower.
- The Company has established a stable dividend over the years.
- The Company operates in low profit margin situation. Moreover, COGS in percentage of sales displayed upward tendency over the years. Last three year's average gross profit margin was 8.5%.
- On the National Budget 2014-15, 1% 'Environment Protection Surcharge' is imposed; which may have adverse impact on the firm's profitability.
- The Company lost its prime export destination – Italy, in the last two years. Therefore, now it put more concentration on the Chinese, Indian and Japanese market to smooth the operations.
- Foreign exchange rate volatility also has some impact on the company's revenue.

DSE: APEXTANRY  
BLOOMBERG:APEXTA:BD

### Company Fundamentals, as of July 24, 2014

Market Cap (BDT mn)	2,225.0
Market weight	0.1%
No. of Share Outstanding (in mn)	15.2
Free-float Shares	70.0%
Paid-up Capital (BDT mn)	152.0
3-month Average Turnover (BDT mn)	6.6
3-month Return	0.4%
Current Price (BDT)	136.6
52-week price range (BDT)	87.1-194.8
Sector's Forward P/E	31.0

	2011	2012	2013	2014 (9m, Ann.)
<b>Financial Information (BDT mn):</b>				
Sales	2,516	3,067	3,249	3,485
Operating Profit	125	149	100	55
Profit After Tax	97	108	100	66
Assets	1,613	1,597	1,436	1,436
Long Term Debt	46	58	67	75
Equity	916	1,013	1,057	1,046
Dividend (C/B)%	30/-	35/-	40/-	--/--
<b>Margin:</b>				
Gross Profit	8.9%	8.8%	7.8%	5.5%
Operating Profit	5.0%	4.9%	3.1%	1.6%
Pretax Profit	4.7%	4.3%	3.9%	2.4%
Net Profit	3.8%	3.5%	3.1%	1.9%
<b>Growth:</b>				
Sales	46.0%	21.9%	5.9%	7.3%
Gross Profit	-11.2%	20.5%	-6.6%	-24.0%
Operating Profit	-30.4%	18.8%	-32.8%	-45.5%
Net Profit	-32.2%	11.2%	-7.0%	-33.8%
<b>Profitability:</b>				
ROA	7.2%	6.7%	6.6%	4.6%
ROE	10.9%	11.2%	9.7%	6.3%
<b>Leverage:</b>				
Debt Ratio	36.0%	27.1%	15.0%	n/a*
Debt-Equity	63.4%	42.8%	20.3%	n/a*
Int. Coverage	290.0%	280.0%	330.0%	n/a*
<b>Valuation:</b>				
Price/Earnings	21.96	14.58	13.2	31.4
Price/BV	2.3	2.1	2	2.0
EPS (BDT)	6.4	7.1	6.6	4.4
DPS (BDT)	3	3.5	4	--
NAVPS (BDT)	60.1	66.4	69.4	68.6



Source: Annual Reports, <http://promotebleather.net/>, Export Promotion Bureau, the Financial Express, the Daily Star and ILSL Research



## MUTUAL FUND: MONTHLY UPDATE

### Performance of Mutual Funds

Mutual Fund Sector of DSE posted 3.6% loss over the month (26 June - 24 July, 2014), while the prime index of the bourse, DSEX, increased by 0.4%. Price of 11 Mutual Funds increased, 28 Mutual Funds decreased and 2 Mutual Funds remain unchanged over the period. On the other hand, NAV @ Market Price of 31 Mutual Funds increased and 10 Mutual Funds decreased. Out of 41 Mutual Funds, 36 were traded below their respective NAV. MBL1STMF had the lowest Price/NAV ratio (50.1%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (164.4%). Price of EXIM1ST Mutual Fund gained 16.9% against decrease in NAV by 0.5%.

Name of Fund	NAV Per Unit @		Price 24 July, 2014	Close Price/ NAV per Unit	% Change in NAV	% Change in Price	52-Week Price Range	Avg Monthly Turnover (BDT mn)	Year of Redemption	Asset Manager
	Market Price	Cost Price								
AIMS1STMF	50.77	18.46	38.4	75.6%	↑ 0.4%	↓ -4.7%	27 - 63.4	2.47	30/Jun/15	AIMS
GRAMEEN1	34.82	21.56	40.3	115.7%	↑ 0.4%	↓ -3.1%	29.4 - 84	3.29	4/Sep/15	AIMS
GRAMEENS2	19.35	13.32	15.3	79.1%	↑ 0.7%	↓ -1.3%	10.7 - 29.8	2.95	2/Sep/23	AIMS
RELIANCE1	12.56	12.06	8.7	69.3%	↑ 1.0%	↓ -1.1%	7.7 - 13	0.88	7/Jul/21	AIMS
1STICB	1520.87	228.86	950.0	62.5%	↑ 18.6%	↑ 4.1%	810 - 1068.2	0.02	31/Dec/14	ICB
2NDICB	305.71	113.46	294.0	96.2%	↑ 2.7%	↑ 11.3%	175.1 - 352	0.04	31/Dec/14	ICB
3RDICB	337.62	76.11	238.2	70.6%	↑ 5.1%	↑ 5.2%	135 - 270	0.09	31/Dec/14	ICB
4THICB	298.71	86.5	216.6	72.5%	↑ 5.7%	↑ 2.7%	122.1 - 242.1	0.03	31/Dec/14	ICB
5THICB	245.53	65.09	185.3	75.5%	↑ 0.3%	↑ 2.9%	100 - 235	0.08	31/Dec/14	ICB
6THICB	65.42	31.97	67.5	103.2%	↓ -1.1%	↑ 5.3%	40.5 - 77	0.56	31/Dec/14	ICB
7THICB	112.03	44	96.0	85.7%	↑ 1.1%	↓ -4.0%	66 - 115.9	0.03	31/Dec/14	ICB
8THICB	77.6	38.65	69.5	89.6%	↑ 0.4%	↑ 3.4%	47.1 - 82	0.10	31/Dec/14	ICB
1STPRIMFMF	10.34	16.33	17.0	164.4%	↑ 0.6%	↓ -5.6%	8.8 - 35.7	1.57	17/Mar/16	ICB AMCL
ICB1STNRB	24.58	35.26	29.5	120.0%	↑ 0.4%	↓ -3.0%	21.5 - 37.7	0.28	28/Mar/17	ICB AMCL
ICB2NDNRB	10.89	15.3	9.9	90.9%	↑ 2.0%	↓ -2.0%	8.4 - 16.5	0.42	27/Jul/18	ICB AMCL
ICB3RDNRB	7.64	11.5	4.8	62.8%	↑ 1.9%	↓ -2.0%	4.7 - 10.8	0.94	24/May/20	ICB AMCL
ICBAMCL2ND	8.18	13.1	6.1	74.6%	↑ 1.5%	↔ 0.0%	5 - 11.7	0.19	28/Oct/19	ICB AMCL
ICBEPMF1S1	7.81	11.79	5.4	69.1%	↑ 1.7%	↓ -1.8%	5.3 - 7.4	0.42	18/Jan/20	ICB AMCL
ICBISLAMIC	17.59	24.72	19.0	108.0%	↑ 2.2%	↓ -3.1%	16 - 28	0.20	5/Jan/15	ICB AMCL
ICBSONALI1	10.16	11.43	8.5	83.7%	↑ 0.1%	↓ -2.3%	6 - 13.2	1.07	12/Jun/23	ICB AMCL
IFILISLMF1	9.86	11.81	6.9	70.0%	↑ 1.2%	↑ 4.5%	4.1 - 9.4	1.30	22/Nov/20	ICB AMCL
PF1STMF	7.49	11.54	5.0	66.8%	↑ 2.0%	↓ -2.0%	4.6 - 12.4	0.85	9/May/20	ICB AMCL
PRIME1ICBA	7.87	11.67	4.7	59.7%	↑ 1.8%	↓ -6.0%	4.7 - 7.8	0.34	2/Feb/20	ICB AMCL
AIBL1STMF	9.65	10.26	5.5	57.0%	↓ -2.4%	↓ -23.6%	4.7 - 10.2	0.68	10/Jan/21	LR Global
DBH1STMF	9.63	10.73	5.2	54.0%	↓ -3.0%	↓ -8.8%	4.9 - 11.2	0.83	7/Feb/20	LR Global
GREENELMF	9.61	10.56	5.0	52.0%	↓ -2.5%	↓ -5.7%	4.4 - 10.3	0.43	28/Sep/20	LR Global
LRGLOBMF1	10.5	11.13	5.3	50.5%	↓ -1.8%	↓ -18.5%	5 - 9.6	0.62	19/Sep/21	LR Global
MBL1STMF	9.59	10.31	4.8	50.1%	↓ -2.6%	↓ -9.4%	4.5 - 8.9	1.55	8/Feb/21	LR Global
NCCBLMF1	10.1	10.78	6.3	62.4%	↓ -2.9%	↓ -4.5%	5.8 - 13	0.23	24/May/22	LR Global
1JANATAMF	11.12	11.97	6.1	54.9%	↑ 0.7%	↓ -1.6%	4.9 - 10.3	0.69	20/Sep/20	RACE
ABB1STMF	12.16	11.2	7.0	57.6%	↑ 0.7%	↔ 0.0%	6.4 - 12.5	1.51	29/Jan/22	RACE
EBL1STMF	10.16	11.72	6.1	60.0%	↓ -0.1%	↓ -3.2%	6 - 9.2	0.52	19/Aug/19	RACE
EBLNRBMF	10.81	11.36	6.0	55.5%	↓ -0.5%	↓ -7.7%	5.6 - 9.1	0.02	23/May/21	RACE
EXIM1STMF	11.34	11.34	9.0	79.4%	↓ -0.5%	↑ 16.9%	6.5 - 11.5	0.01	16/Jul/23	RACE
FBFIF	11.23	11.19	7.7	68.6%	↑ 0.3%	↓ -4.9%	7.4 - 10.5	0.03	19/Mar/22	RACE
IFIC1STMF	10.97	11.5	6.0	54.7%	↑ 0.9%	↓ -3.2%	5.8 - 11.8	0.39	1/Apr/20	RACE
PHPMF1	10.55	12.07	5.4	51.2%	↑ 0.3%	↓ -3.6%	4.5 - 10.4	0.90	29/Nov/20	RACE
POPULAR1MF	11.29	12.2	6.1	54.0%	↑ 1.2%	↓ -3.2%	4.8 - 10	1.04	19/Oct/20	RACE
TRUSTB1MF	10.97	11.26	6.6	60.2%	↑ 0.7%	↓ -1.5%	5.8 - 12.8	1.96	27/Jan/20	RACE
NLI1STMF	12.66	12.48	9.1	71.9%	↑ 0.6%	↑ 2.2%	7.6 - 15.7	1.47	27/Feb/22	VIPB
SEBL1STMF	12.25	12.15	8.3	67.8%	↑ 0.4%	↑ 1.2%	7.6 - 12.6	1.64	23/May/21	VIPB

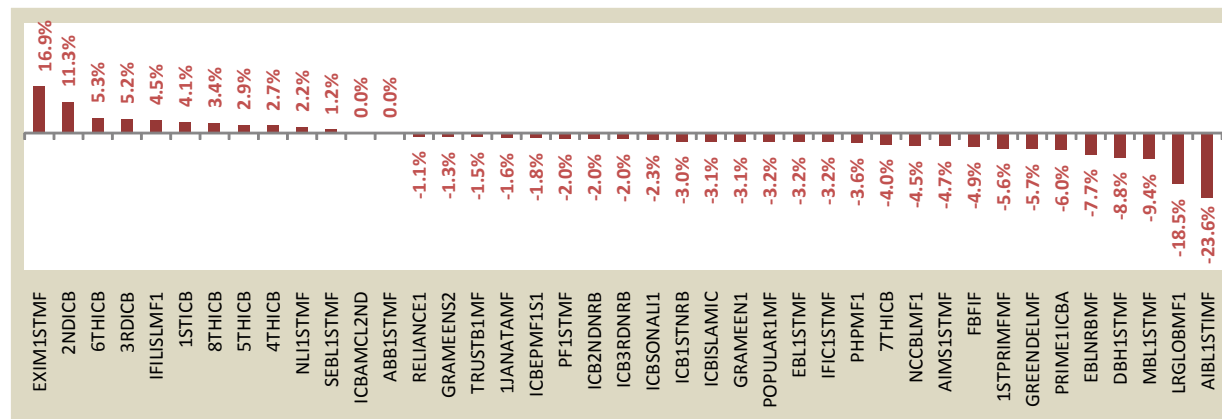
Source: DSE, ILSL Research

## Mutual Fund : Monthly Update

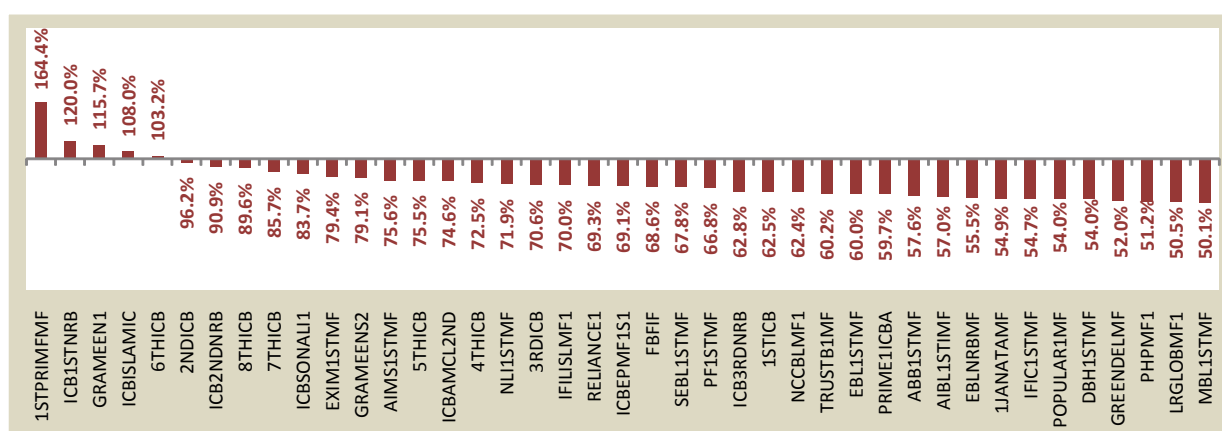
### Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turover Leader	Avg Turnover (BDT mn)
1STICB	18.6%	DBH1STMF	-3.0%	GRAMEEN1	3.3
4THICB	5.7%	NCCBLMF1	-2.9%	GRAMEENS2	3.0
3RDICB	5.1%	MBL1STMF	-2.6%	AIMS1STMF	2.5
2NDICB	2.7%	GREENDELMF	-2.5%	TRUSTB1MF	2.0
ICBISLAMIC	2.2%	AIBL1STMF	-2.4%	SEBL1STMF	1.6
PF1STMF	2.0%	LRGLOBMF1	-1.8%	1STPRIMFMF	1.6
ICB2NDNRB	2.0%	6THICB	-1.1%	MBL1STMF	1.6
ICB3RDNRB	1.9%	EXIM1STMF	-0.5%	ABB1STMF	1.5
PRIME1ICBA	1.8%	EBLNRBMF	-0.5%	NLI1STMF	1.5
ICBEPMF1S1	1.7%	EBL1STMF	-0.1%	IFILISLMF1	1.3

### Monthly Price Return



### Mutual Funds Trading at Premium/Discount

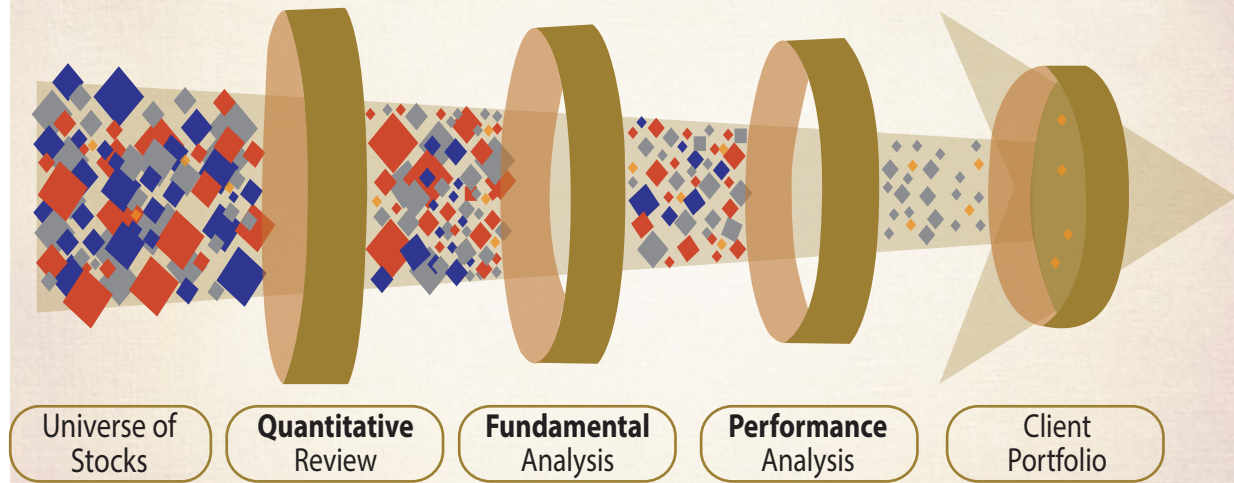


### Performance of Asset Managers

Asset Manager	Assets Under Management (AUM) (BDT mn)	% of Total AUM	Monthly Return on Portfolio	NAV @ Market Price/ Cost Price	Paid-Up Capital (BDT in mn)
AIMS	6,413	12.8%	0.6%	1.65	2,595
ICB	3,349	6.7%	7.0%	3.44	178
ICB AMCL	6,715	13.4%	1.4%	0.72	7,250
LR Global	8,908	17.8%	-2.4%	0.93	8,896
RACE	22,840	45.6%	0.4%	0.96	20,386
VIPB	1,860	3.7%	0.5%	1.01	1,501

Source: DSE, ILSL Research

## Our Management



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### Contact Address

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## Business Newsflash

### Economy

#### Remittance fall raises concern

The Daily Star, July 4, 2014

Inward remittances suffered negative growth for the first time in 13 years, mainly due to a shrinking outflow of migrant workers and falling receipts from Middle Eastern nations. Bangladesh received USD 14.23 billion in remittance in 2013-14, down 1.6% from a year ago, according to data from Bangladesh Bank. Remittance receipts last saw negative growth in fiscal 2000-01, declining about 3% to USD 1.88 billion year-on-year...Analyzing data of the 10 months to April, the CPD said inward remittances from six major Middle East countries declined by 16.2%...

<http://www.thedailystar.net/newsarchive/remittance-fall-raises-concern-31682>

#### Private economic zone policy finalized

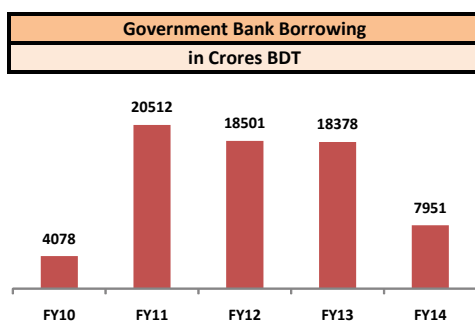
The Financial Express, July 6, 2014

The authorities have finalized the private economic zone policy, which will allow individual to set up such zones across the country. The officials concerned are hopeful about the removal of the difficulties that are encountered while anyone trying to set up economic zone....Construction of at least two private zones – the AK Khan Private Economic Zone at Narsingdi and the BGMEA Special Economic Zone at Baushia at Munshiganj – are being delayed mainly due to the absence of official policy in this regard...

<http://epaper.thefinancialexpress-bd.com/v2/>

#### Government's bank borrowing dips to four-year low

The Daily Star, July 9, 2014



The government's bank borrowing stood at a four-year low last fiscal year thanks to higher sales of national savings instruments and lower development expenditure. In fiscal 2013-14, the government borrowed BDT 7,951 crore from the banking system, which is 26.5% lower than the target and a 56.73% drop from the previous year, according to the central bank's provisional data. However, a finance division official said the final figure might not be so low but it will still miss the target by a significant margin. He indicated that the final bank borrowing figure for fiscal 2013-14 might be BDT 12,000 crore. The government aimed to borrow BDT 9,056 crore through national savings instruments, but it managed BDT 10,018 crore in just the first 11 months of the fiscal year....

<http://www.thedailystar.net/business/govts-bank-borrowing-dips-to-four-year-low-32477>

#### 18 firms seek USD 184m in foreign loans

The Daily Star, July 15, 2014

Some 18 private companies in steel, garment and pharmaceutical sectors have sought USD 184 million loans in foreign currency. The applications are now sitting with the foreign loan selection committee of the Board of Investment for approval. Abul Khair Steel, which provides complete solutions to customers in structural steel, has sought USD 50 million from the offshore unit of AB Bank to import capital machinery and equipment for expansion of existing plants and refinance the local currency loan....The rate of interest on the loan will be 4.5% to be repaid within five years from the first date of drawdown in 10 equal half-yearly installments. Titas Refinery has sought permission to enter into a foreign loan facility agreement with Cartwright Fitton Ltd of the UK to borrow USD 50 million...Buildtrade Foils Ltd, a manufacturer of foils and other allied products, intends to borrow USD 10 million from the offshore unit of AB Bank and 17.7 million euros from Commerz Bank of Germany...The rate of interest on the loan from AB Bank is six-month Libor, plus 4.25% and the repayment period will be six years with two years of grace period. Desh Energy Ltd, a power generation company, will take USD 22.02 million from One Bank at an interest rate of 12-month Libor plus 4.5%. The repayment period is two years from the drawdown...

<http://www.thedailystar.net/business/18-firms-seek-184m-in-foreign-loans-33346>

**Exports from EPZs rise 13.81%**

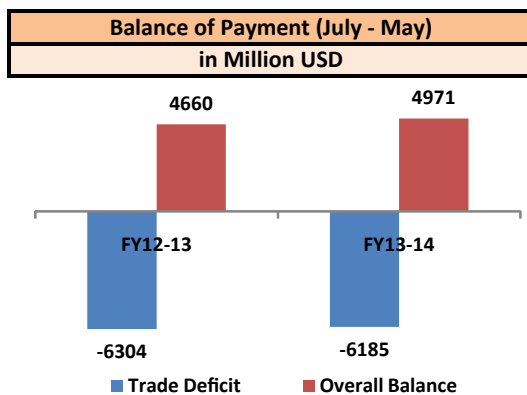
The Daily Star, July 18, 2014

Exports from eight export processing zones grew 13.81% to USD 5.52 billion in fiscal 2013-14 from the previous year, despite some domestic adversaries. Bangladesh Export Processing Zones Authority credited the growth to peaceful production environment and industry-friendly atmosphere in EPZs. Chittagong EPZ exported USD 2.27 billion of goods last fiscal year, highest among eight zones, data from Bepza shows. Currently, 428 enterprises from 37 countries are operating and 135 more units will be built in the EPZs. Foreign investors own 239 factories, 128 belong to domestic entrepreneurs and 61 are joint ventures, Bepza said....

<http://www.thedailystar.net/newsarchive/exports-from-epzs-rise-13-81pc-33786>

**Widening BoP surplus puts central bank in tight spot**

The Daily Star, July 21, 2014



Balance of payments surplus rose 6.67% year-on-year in the first 11 months of fiscal 2013-14, giving rise to a headache for Bangladesh Bank over keeping the exchange rate stable and curbing inflationary pressures. The country's external balance stood at USD 4.97 billion in the surplus at the end of May on the back of a recovery in remittance in recent months, an increase in foreign aid and portfolio investment. While net foreign direct investment dropped 10% during the period, portfolio investment shot up around 302% owing to the depressed share prices. Although

remittance slipped 2.53% year-on-year during the period, it started to pick up towards the tail end. For instance, it increased 10.58% in May and 22 percent in June....

<http://www.thedailystar.net/business/widening-bop-surplus-puts-central-bank-in-tight-spot-34178>

**ICAB agrees to accept FRA: Five-point demand to the government submitted**

The Financial Express, July 21, 2014

The Institute of Chartered Accountants of Bangladesh (ICAB) has finally agreed to accept the proposed Financial Reporting Act (FRA), under which Financial Reporting Council (FRC) will be formed to oversee functions of the auditors, according to its chief. The institute, however, placed a five-point demand before the government for its consideration in finalizing the FRA draft as it, ICAB said, will help shun various impediments in ensuring quality audit and achieve purposes of the law....

<http://www.thefinancialexpress-bd.com/2014/07/21/46418>

**Exports to grow 10%**

The Daily Star, July 22, 2014

Bangladesh aims to boost exports by 10.04% to USD 33.2 billion in fiscal 2014-15 from the previous year. The country exported goods worth USD 30.17 billion against the target of USD 30.5 billion in 2013-14, registering 11.65% growth from a year ago. The government has set the growth target for garment exports below 10% for the first time in a decade. In fiscal 2014-15, knitwear exports are expected to grow by 9.96% year-on-year to USD 13.21 billion and woven garment by 9.67% to USD 13.68 billion. Exports to the US markets may grow 9% year-on-year to USD 6.16 billion this fiscal year. Bangladesh expects a 12% rise in shipments to Germany, the largest export destination in Europe....

<http://www.thedailystar.net/business/exports-to-grow-10pc-34309>

### Bangladesh may join BRICS bank

The Financial Express, July 24, 2014

Bangladesh is likely to join the USD 50 billion development bank launched by BRICS nations as the government is actively weighing the possibility of becoming a part of the new initiative. The Ministry of Finance officials said the government had already directed the relevant agency to know details about the framework and operation procedures of the new development bank of the BRICS grouping that comprises Brazil, Russia, India, China and South Africa....

<http://epaper.thefinancialexpress-bd.com/v2/>

### Stock Market

#### No tax for interest waived after stock debacle

The Daily Star, July 1, 2014

Merchant banks and stockbrokers have been exempted from paying tax on the interest they waived last year for the investors affected by a stock market debacle in 2011. The benefit came last week after the tax authority decided to consider the interest as allowable expenses, which are business expenses and can be used to reduce the amount of income on which tax is paid. The move will increase cash flow in merchant banks and stockbrokers, who are going through financial troubles and many of whom are incurring losses due to the sluggish market. The merchant banks and stockbrokers had booked the interest on share credit as income in their accounts in 2011. But at the instruction of the government, they waived 50% interest on share credit and paid back the waived amount to the affected investors last year.....

<http://www.thedailystar.net/newsarchive/no-tax-for-interest-waived-after-stock-debacle-31147>

#### Foreign funds in Dhaka stocks soar

The Daily Star, July 3, 2014

Net foreign investment in Dhaka stocks shot up 111% year-on-year in fiscal 2013-14 on the back of solid economic fundamentals despite political turmoil in the middle of the year. Overseas investors bought shares worth BDT 4,014.86 crore and sold shares worth BDT

1,456.39 crore, taking their net investment to BDT 2,558.47 crore in the just-concluded fiscal year, according to data from the Dhaka Stock Exchange. In the month of June alone, the DSE saw net foreign investment of BDT 234 crore, up 182% from May...Also known as portfolio investment, foreign investment accounts for less than 2% of DSE's total market capitalization, which was BDT 292,825 crore as of 2nd July, 2014.

<http://www.thedailystar.net/business/foreign-funds-in-dhaka-stocks-soar-31494>

#### ICB seeks another BDT 300 crore for affected stock investors

The Daily Star, July 6, 2014

The Investment Corporation of Bangladesh has sought the second installment of BDT 300 crore of a BDT 900-crore refinance scheme from the central bank for the stock investors who were affected by a market debacle two and a half years ago. The state-run ICB has already disbursed around BDT 300 crore among the investors and sent a letter to Bangladesh Bank for the new fund. The finance ministry approved the refinance scheme in August last year in line with a government compensation package for the ailing stock market. "From the first installment, we have disbursed BDT 299.82 crore to 10,568 affected investors through 11 merchant banks and four stockbrokers," said Md Fayekuzzaman, managing director of ICB. "But we have allocated BDT 419.65 crore so far to 14,353 investors through 19 merchant banks and 16 stockbrokers. So, we need the second installment," he said...

<http://www.thedailystar.net/business/icb-seeks-another-tk-300cr-for-affected-stock-investors-31960>

#### Banks, NBFIs fade in capital market in last two years

The Financial Express, July 8, 2014

The capital market has witnessed a drastic change in the sectoral turnover in the last couple of fiscal years (FYs) with banks and NBFIs losing their dominating edge, experts and stakeholders said. The turnover value of the heavyweight banking sector was reduced by 88.41% to BDT 105.19 billion in last four FYs.

Experts said strict provisioning rules, continuous reductions in dividends, limited exposure to capital market and huge idle money reduced the banks' profits which were subsequently reflected in the market prices of the listed banks.....

<http://www.thefinancialexpress-bd.com/2014/07/08/43831>

#### **Special tribunal in capital market set to start**

The Financial Express, July 9, 2014

The long-expected Special Tribunal in the capital market is set to start its judicial function very soon as all the relevant preparations to commence its operation are almost completed. A place has already been hired recently for the tribunal that the government set up in January this year; now, the work of decorating the place is going on, said the sources...

<http://www.thefinancialexpress-bd.com/2014/07/09/44059>

#### **BMBA plea to dispel ambiguity on margin loan ratio**

The Financial Express, July 15, 2014

Merchant bankers have requested the securities regulators to clarify whether the regulatory directive earlier issued to reduce margin loan ratio will be applicable only for disbursement of fresh credits or previous ones, officials said. The Bangladesh Merchant Bankers Association (BMBA) made the plea in a letter sent to the Bangladesh Securities and Exchange Commission (BSEC) as they are unable to comply with the reduced loan ratio by executing forced sales due to negative equity. As per the BSEC's directive issued on September 30, 2012, the merchant bankers will have to comply with the margin loan ratio 1:0.5 from July 1 this year. "We seek your kind clarification on whether the credit ratio 1:0.5 is applicable for the new margin loan clients/new margin loan disbursement only or for all existing clients whose loan ratios are above 1:0.5," the letter signed by the BMBA President Tanjil Chowdhury said...

<http://www.thefinancialexpress-bd.com/2014/07/15/45218>

## **Banks**

### **Banks return to profits**

The Daily Star, July 2, 2014

Operating profits for most banks rose in the first half of the year due to the return of normalcy on the political front after a turbulent year. Primary figures from 15 commercial banks showed that their profits between January and June increased 10% year-on-year to BDT 3,731 crore. By and large, bankers credited the stable political scenario for the rise in profits. "Although the profit has gone up, it was not up to our expectations," said Helal Ahmed Chowdhury, managing director of Pubali Bank. He said the import and export businesses went up and remittance flow also increased in recent months, boosting the profit figures. Imports rose 18.08% as of April of the just-concluded fiscal year. It went down by 5.60% during the same period of fiscal 2012-13. In the month of April alone, imports shot up 23.47%, which was down by 3% in the same month last year....Islami Bank Bangladesh, the largest private commercial bank, made the highest profit of BDT 830 crore. The figure is a decline of 14.78% from the previous year....

<http://www.thedailystar.net/business/banks-return-to-profits-31343>

### **State banks sink back to deficit**

The Daily Star, July 4, 2014

The state-run commercial banks once again ran into a capital shortfall in the first quarter of the year after they failed to arrest the default culture. On March 31, four state banks' combined capital deficit stood at BDT 241 crore, mainly due to Sonali and Rupali, which ran deficits of BDT 278 crore and BDT 277 crore. Agrani and Janata, however, had surpluses of BDT 147 crore and BDT 169 crore. The four banks' capital deficit becomes all the more alarming when their capital base at the end of December is taken into account: they had a combined surplus of BDT 855 crore, with each bank registering surpluses...

<http://www.thedailystar.net/business/state-banks-sink-back-to-deficit-31669>

## Textile

### Textile chemicals market to grow 7% a year

The Daily Star, July 18, 2014

Bangladesh's textile chemicals market will grow 7% a year until 2019 on the back of rising global demand for the country's readymade garments, according to a report by TechSci Research. The textile chemicals market benefits from large-scale exports of knitwear and woven garment products to international markets, including the US and EU, said TechSci Research, a Canada-based market research and consulting company. The growing demand for knitwear and woven garment items in these two markets is raising the overall consumption of textile chemicals in Bangladesh, according to the report -- Bangladesh Textile Chemicals Market Forecast and Opportunities 2019 -- released on July 14. Bangladesh is also exploring other export markets, which is expected to further raise the demand for textile chemicals in the country over the forecast period...

<http://www.thedailystar.net/newsarchive/textile-chemicals-market-to-grow-7pc-a-year-33785>

## Leather

### Leather sector sees record exports

The Daily Star, July 14, 2014

The leather industry has set records for exports that soared 32.12% year-on-year to USD 1.29 billion in the immediate past fiscal year, according to Export Promotion Bureau. Competitive prices and improved quality of Bangladeshi products that rope in more and more European and Japanese consumers and rising costs in China have led to the growth, exporters said. Also, the earnings in fiscal 2013-14 were 6.59% higher than the target set at USD 1.21 billion for the sector. Exports of leather goods raised 48.55% to USD 240.09 million during the period, while those of leather 26.47% to USD 505.54 million, and footwear 31.19% to USD 550.11 million, according to EPB data...

<http://www.thedailystar.net/business/leather-sector-sees-record-exports-33201>

## Cement

### Cement export prospect bright

The Financial Express, July 7, 2014

Bangladesh is expected to be Asian hub of cement production soon for qualitative product diversification and use of environment-friendly technologies, industry-insiders said while seeking government support in paving the path for export of the surplus output in larger volumes. They said the demand for quality cement is high in outside markets, especially in the neighboring countries, which lured the local companies into expanding production capacity of their factories or installing new plants. Reputation of locally produced cement has already been established in markets of different countries....

<http://www.thefinancialexpress-bd.com/2014/07/07/43637>

### Lafarge Surma signs deal with Metrocem

The Financial Express, July 23, 2014

Lafarge Surma Cement signed a toll-grinding agreement with Metrocem Cement at a ceremony organized at the company's headquarters. Under this agreement, Lafarge Surma Cement will provide high quality clinker from its fully integrated cement plant at Chhatak to Metrocem Cement, which will then produce a world class Portland Composite Cement brand for Lafarge Surma Cement, said a press release of Lafarge Surma Cement. This will be subject to strict quality control by employees of Lafarge Surma Cement to ensure world class quality that the Company promises to deliver to its customers.

<http://www.thefinancialexpress-bd.com/2014/07/23/46806>



## Power

### **Rampal Power Plant: International bid likely in September**

The Financial Express, July 10, 2014

The preparation for inviting international tender for 1320 MW Rampal Power Plant is going on in full swing. Bangladesh-India Friendship Power Company (Pvt) Limited (BIFPCL), a joint venture company of Dhaka and New Delhi, will implement the country's largest coal-fired power plant project at Rampal, a site very close to world heritage Sundarbans mangrove forest against vigorous opposition from the environmentalists. According to official sources, German-based engineering and technical consultant Fichtner, which got the appointment as consultant for the project, is working on preparing documentation for inviting the tender...Officials said the 1320 MW Rampal power plant project will require a total of USD 1.82 billion (equivalent to BDT 145.84 billion) fund for implementation. Of this, Dhaka and New Delhi will bear 30% of the project cost as equity on 50:50 basis. The plant is designed to go into operation by 2019....

<http://www.thefinancialexpress-bd.com/2014/07/10/44274>

### **Shahjibazar Power makes a dismal debut**

The Daily Star, July 16, 2014

Shahjibazar Power Co failed to attract investors on its trading debut on the stock market, in spite of the 25% year-on-year rise in its nine-month earnings. The rental power generation firm's shares rose 46%, whereas FAR Chemicals, which debuted last week, saw its shares skyrocket 500% on its opening trading day. Each share of the company yesterday traded between BDT 39 and BDT 35 on the Dhaka Stock Exchange before closing at BDT 36.5. A total of 56.68 lakh shares changed hands, generating a turnover of BDT 20.73 crore... Located in Habiganj, Shahjibazar Power produces electricity from natural gas and supplies to Bangladesh Power Development Board. The company started commercial production with its 86MW power plants in February 2009. Shahjibazar Power's net profit in the nine months to March stood at BDT 28.94 crore in contrast to BDT 22.22 crore it logged in for

the same period a year ago....

<http://www.thedailystar.net/business/shahjibazar-power-makes-a-dismal-debut-33509>

### **Banks await USD 20 billion opportunity to invest in power**

The Daily Star, July 23, 2014

Bangladesh's power sector opened opportunities for private banks to lend between USD 10 billion and USD 20 billion by 2030, as the country struggles to narrow the gap between demand and supply of electricity. The government plans to produce 39,000 megawatts of electricity by 2030 against estimated demand of 34,000MW at the time to fulfill its ambitious plan of taking power to all by 2021. Plugging the energy gap will require USD 60 billion of additional investment up to 2030, Standard Chartered Bank said in an analysis....

<http://www.thedailystar.net/business/banks-await-20b-opportunity-to-invest-in-power-34519>

## Pharmaceutical

### **Export of pharmaceutical products up by 20%**

The Financial Express, July 19, 2014

The export of pharmaceutical products over the last three fiscal years (FYs) increased on an average by 20% every fiscal. The products are now being exported to more than ninety countries across the world. The exports stood at USD 39 million in the FY 2010-11, USD 48 million in FY12, USD 60 million in FY13 and USD 69 million in the last fiscal (FY14), as per statistics of the Export Promotion Bureau (EPB). A market analyst said as Bangladesh is a least developed country (LDC), it could increase its export market share by manufacturing any kind of patented and patent-expired drugs...Apart from enjoying the transitional period under TRIPs agreement in the WTO, "Bangladesh is in a position of paying less in wages and other overhead costs," an exporter said...

<http://www.thefinancialexpress-bd.com/2014/07/19/46031>



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- 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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