



June 2014

# ILCL-ILSL MONTHLY

## Economy and Market Review



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## Addressing Your Financial Concerns

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

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

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## 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 **A Review on the National Budget 2014-15** with a snapshot over a stocks defined under the textile 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

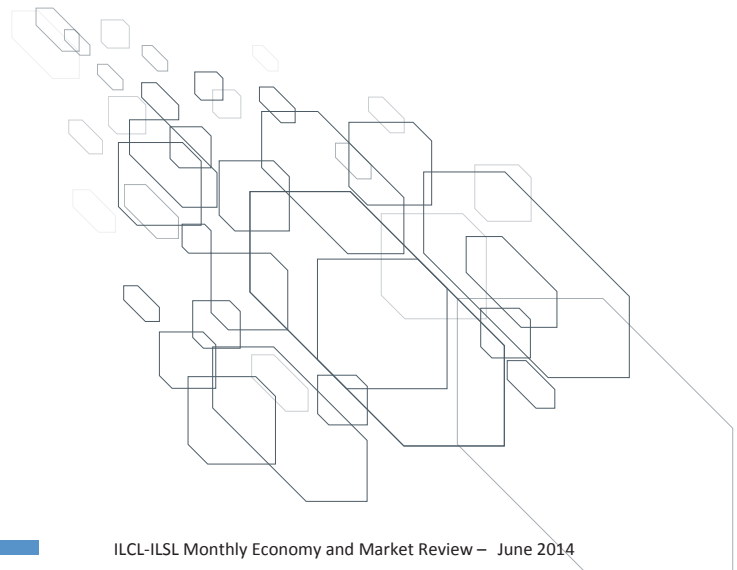
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## Economy and Market Review

### June, 2014

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## ECONOMY UPDATE

- The 43<sup>rd</sup> budget announced by the Bangladesh government estimates the country's GDP growth to be 7.3% for the fiscal year 2014-15. The development agencies also expressed their estimates for the period, IMF 6.3% and ADB 6.2%. The WB said, Bangladesh needs to raise its investment by 5% to achieve the government GDP growth target of 7.3%. The provisional estimate of Bangladesh Bureau of statistics (BBS) indicates Bangladesh's GDP growth came down to 6.03% (1995/96 base) in the fiscal year (FY) 2012-13, the lowest in four years, due to low investment and political uncertainty. Though it was significantly lower than the government's target (7.2%), it was higher than the forecasts of development agencies (ADB 5.7%, WB 5.8% and IMF 6.0%). Even it was higher than the developing country average projected growth of 5% to 5.5%. *However, provisional estimate of GDP growth for FY 2012-13 was 6.18% under the new base 2005/06.*
- In the FY 2012-13, the agriculture sector growth declined to 2.5% from 3.11% in FY 2011-12. The Unnayan Onneshan projected the growth in agricultural sector for FY2013-14 to be 2.09%, while the CPD estimates it to be 3.4%. The manufacturing sector has been undergoing a declining rate of growth since the FY 2010-11. While in FY 2010-2011, the rate of growth in manufacturing sector was 9.45%, the rate decreased to 9.37% and 9.34% in FY 2011-12 and FY 2012-13 respectively. Service sector growth declined to 5.5% from 5.96% in the same period.
- Point to Point Inflation rate increased slightly to 7.48% in May 2014 from 7.46% in April 2014. Food Inflation increased to 9.09% in May 2014 from 8.95% in April 2014. Non-food Inflation decreased to 5.16% in May 2014 from 5.23% in April 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 11.9% YOY in April 2014 which was significantly lower than the monetary policy target of 15.5% set for Dec 2013. Lately Bangladesh Bank has set private sector credit growth rate of 16.5% for June 2014.
- The Government's net borrowing from the banking system increased by 15.5% to BDT 247.8 billion in FY 2012-13 from BDT 214.6 billion in FY 2011-12. The borrowing exceeded the initial target of BDT 230 billion though it was lower than revised target of BDT 285 billion. Government projected BDT 260 billion net borrowing from the Banking system for the current FY 2013-14. In the first half of the year, Government borrowed only BDT 46 billion.
- Overall liquidity condition declined as call money interest rate changed to 6.5% in May 2014 to 7.2% in May 2013. In addition, weighted average bank lending rate declined to 13.3% in April 2014 from 13.6% in April 2013. Also, weighted average bank deposit rate declined to 8.1% in April 2014 from 8.7% in April 2013.
- Bank interest spread was 5.14% in April 2014 whereas it was 4.99% in April 2012.
- Foreign Exchange Reserve increased to USD 20.2 billion in May 2014 from USD 14.5 billion in May 2013. Taka has been stable against US Dollar

trading at BDT 77.6 in 9 months in a row from July 2013 to May 2014.

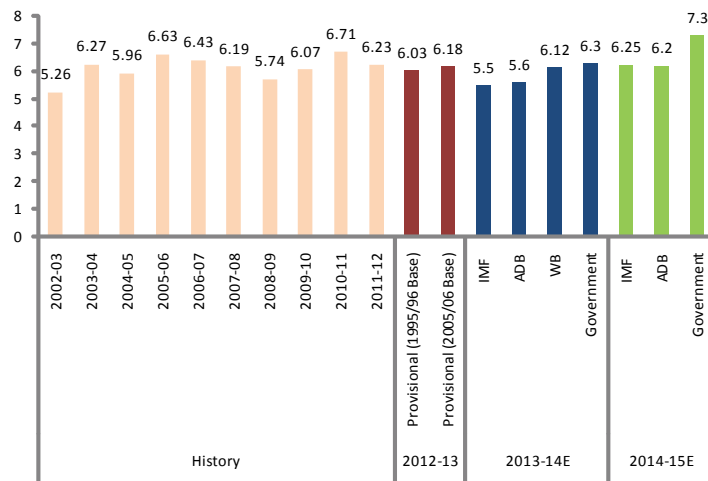
- Remittance earning for the FY 2012-13 grew by 13.3% to USD 14.5 billion from USD 12.8 bn in 2011-12. Monthly remittance stands to USD 1.22 bn in May 2014, recorded a 11.8% YOY increase over May 2013, but 1.2% decrease over the previous month April 2014.
- Export target for the FY 2013-2014 has been set at USD 30.5 bn, 12.8% higher than last FY 2012-2013. In the FY 2012-2013, Bangladesh export increased to USD 27.0 bn from 24.3 bn in 2011-2012, reflecting 11.2% growth.
- Monthly exports increased to USD 2.7 billion in May 2014 from USD 2.5 bn in May 2013, reflecting 7.2% YOY growth. It was also 12.87% higher than the previous month i.e. April 2014 (USD 2.41 bn).
- Monthly imports increased to USD 3.64 billion in April 2014 from USD 2.84 bn in April 2013, reflecting 28.4% YOY growth. However, it was 0.2% lower than the previous month i.e., March 2014 (USD 3.65 billion).
- The country's Balance of Payments (BoP) saw a record surplus of USD 5.1 bn in FY 2012 -13 Vs only USD 494.0 mn 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 2.62 bn 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 2.65 bn 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 1.53 bn 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 9.2% to USD 1.3 bn in FY 2012-13 from USD 1.19 bn in FY 2011-12. Net Portfolio Investment increased by 19.6% to USD 287 mn in FY 2012-13 from USD 240 mn in FY 2011-12. In addition, Foreign Aid increased by 37% in FY 2012-13 over FY 2011-12.
  - Foreign investment in the capital market witnessed a 145% increase in 2013. In 2013, foreign investors bought shares worth BDT 26.5 bn and sold shares worth BDT 7.1 bn, to take their net investment for the year to BDT 19.4 bn. The foreign investment in the DSE saw a significant jump in June compared to May 2014 as overseas investors injected fresh funds into stocks. Net investment by foreign investors in June stood at BDT 3.62 bn, which was BDT 1.29 bn in May, registering an increase of 180% over the

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
Agriculture	3.2	4.1	5.2	5.1	3.1	2.5	3.4
Industry	6.8	6.5	6.5	8.2	8.9	9.6	8.4
a) Manufacturing	7.2	6.7	6.5	9.5	9.4	9.3	-
of which small scale	7.1	6.9	7.8	5.8	6.5	6.8	-
b) Construction	5.7	5.7	6.0	6.5	7.6	8.1	-
Services	6.5	6.3	6.5	6.2	6.0	5.5	5.8
GDP at constant market prices	6.2	5.7	6.1	6.7	6.2	6.0	6.1

Source: Bangladesh Bureau of Statistics and IL Capital

**GDP:**

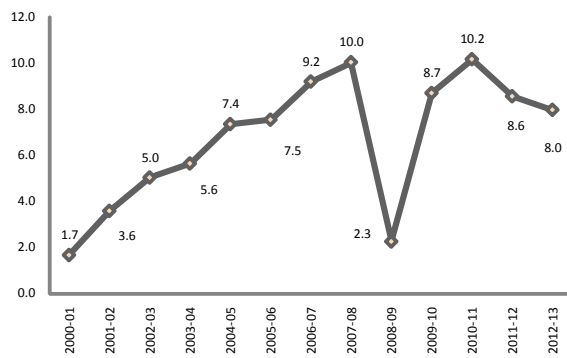
**GDP Growth Rate (%)**



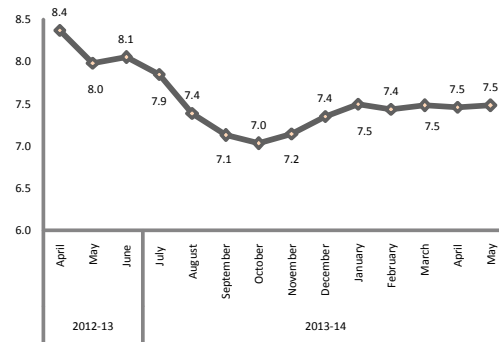
Source: Bangladesh Bureau of Statistics, IMF, ADB, WB and IL Capital Research.

**Inflation:**

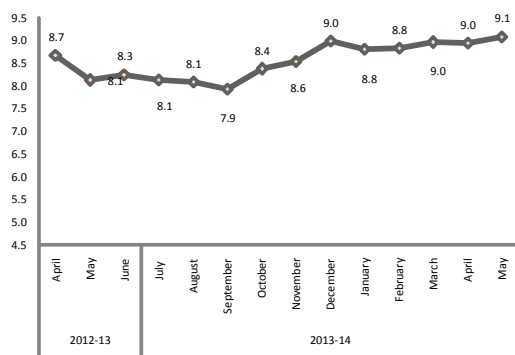
**Annual Inflation (%) Base 1995-96**



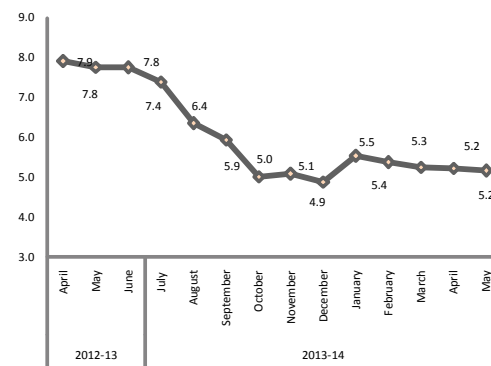
**Monthly Inflation Rate (%) Base 2005-06**



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



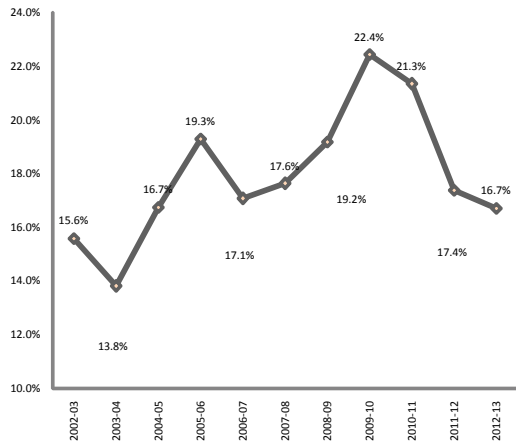
**Monthly Non-Food Inflation (%) Base 2005-06**



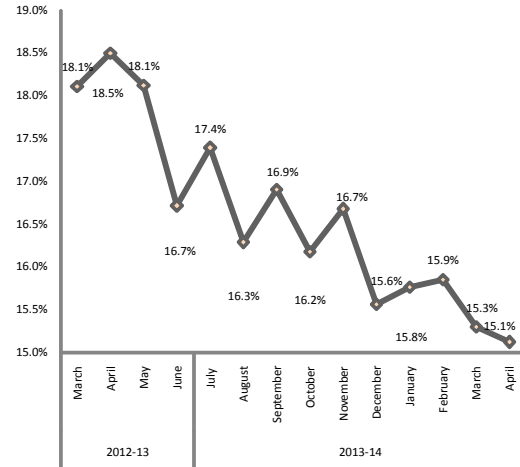
Source: Bangladesh Bank and IL Capital Research.

## Money Supply:

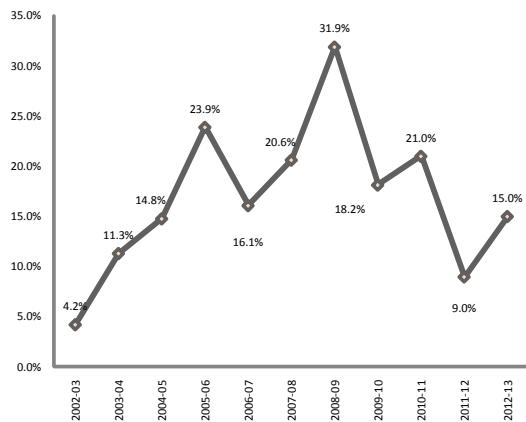
Annual Broad Money Supply (M2) Growth Rate (%)



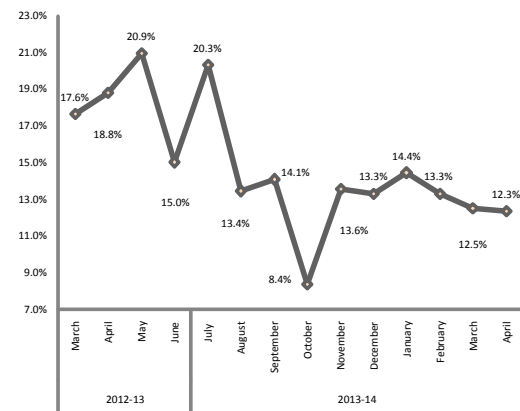
Monthly Broad Money Supply (M2) Growth yoy %



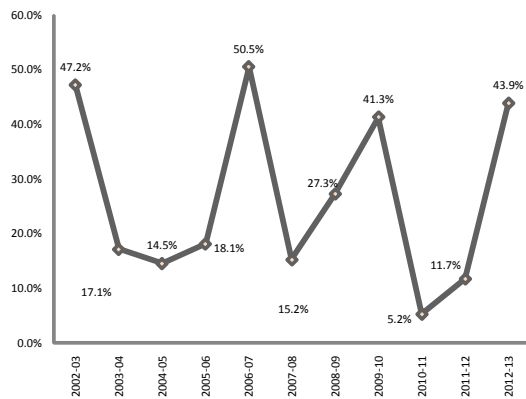
Annual Reserve Money Growth Rate (%)



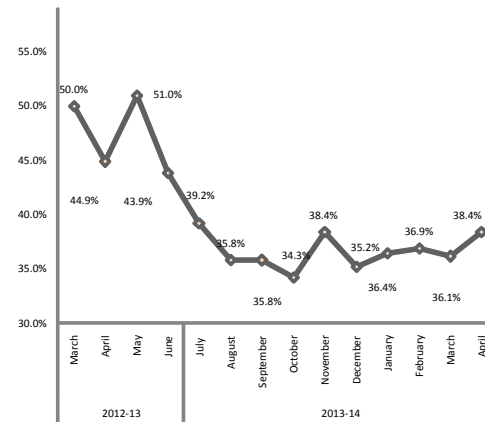
Reserve Money Growth yoy %



Annual Net Foreign Assets Growth Rate (%)



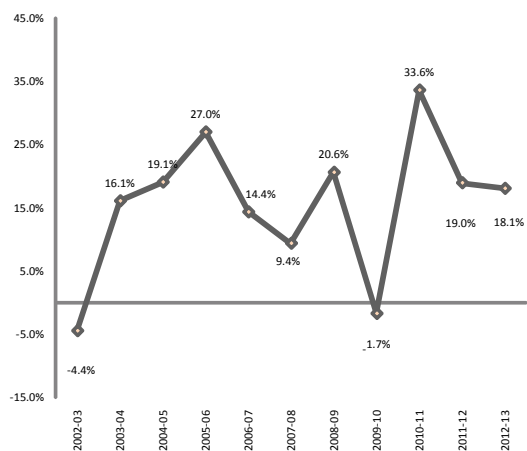
Net Foreign Asset Growth yoy %



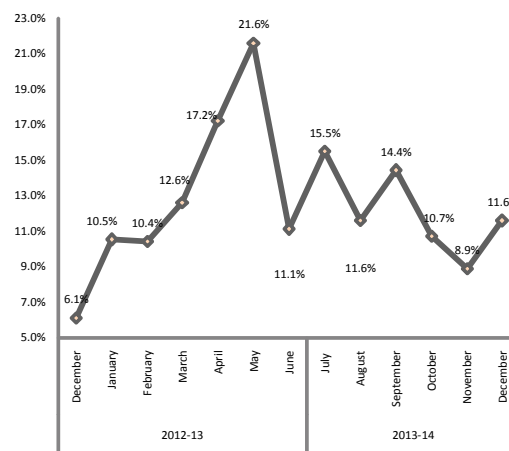
Source: Bangladesh Bank and IL Capital Research.

Money Supply (Continued):

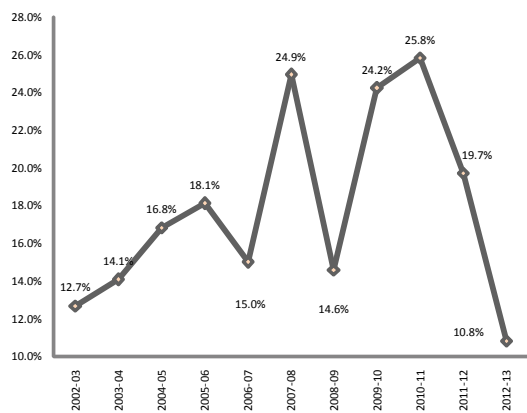
Annual Public Sector Credit Growth Rate (%)



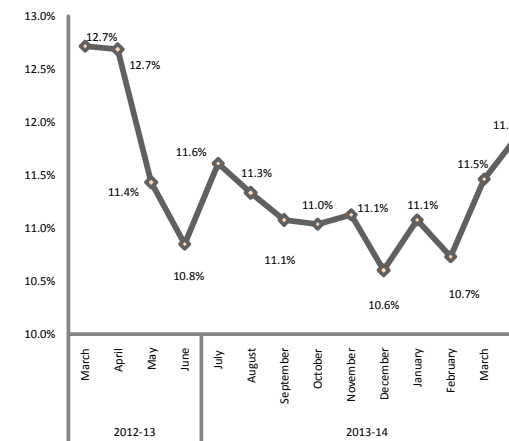
Public Sector Credit Growth yoy %



Annual Private Sector Credit Growth Rate (%)



Private Sector Credit Growth yoy %



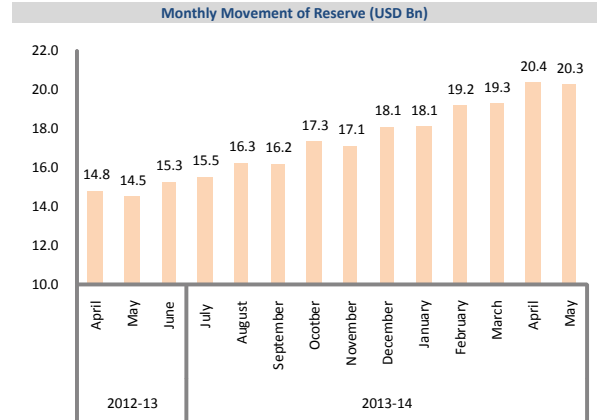
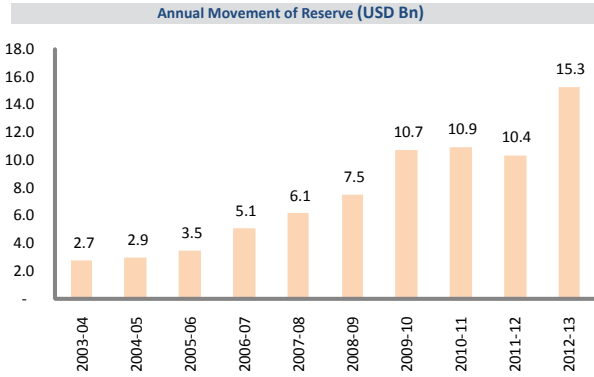
Monetary Aggregates Y-o-Y Growth (%)

Items	Actual				Program	
	FY10	FY11	FY12	FY13	Dec-13	Jun-14
Net Foreign Assets	41.0	6.2	7.2	50.4	19.3	10.0
Net Domestic Assets	19.0	24.7	19.3	11.0	16.8	18.6
Domestic Credit	17.5	28.2	19.2	10.9	19.3	17.8
Credit to the 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

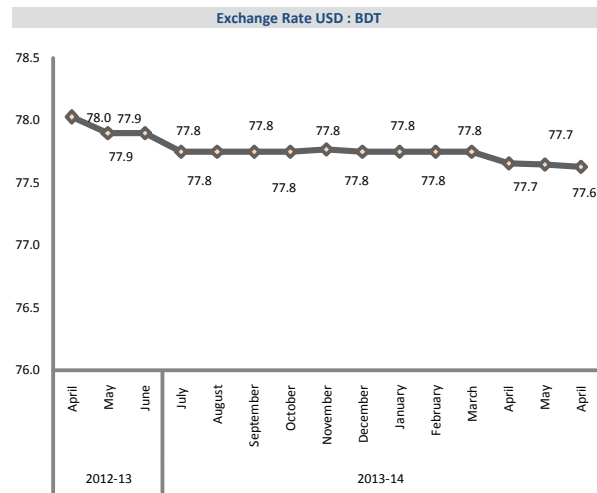
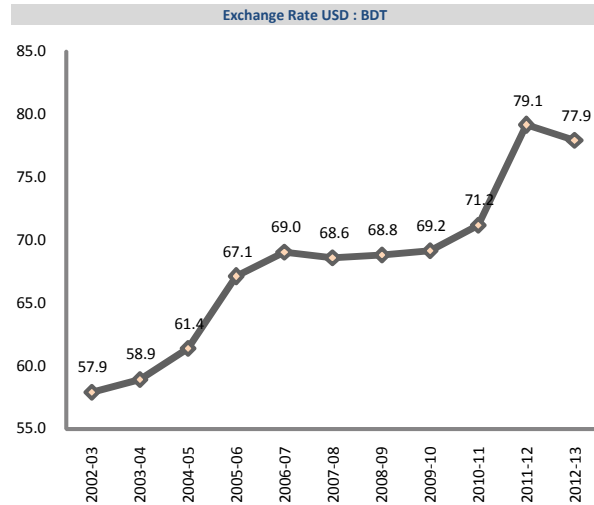
Source: Bangladesh Bank and IL Capital Research.



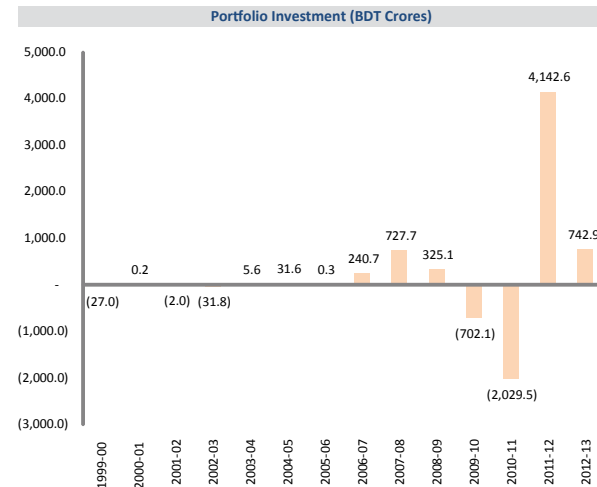
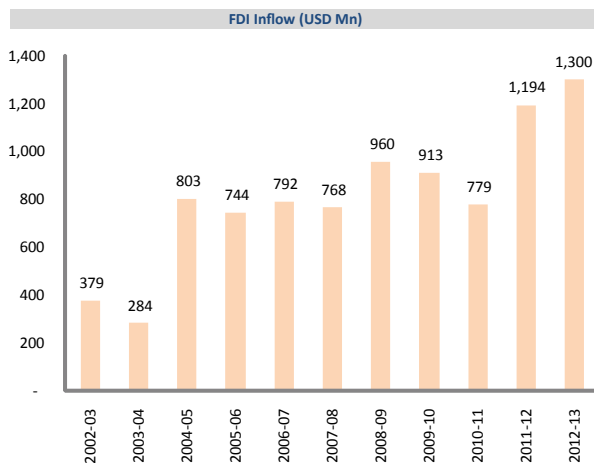
### Reserve:



### Exchange Rate:

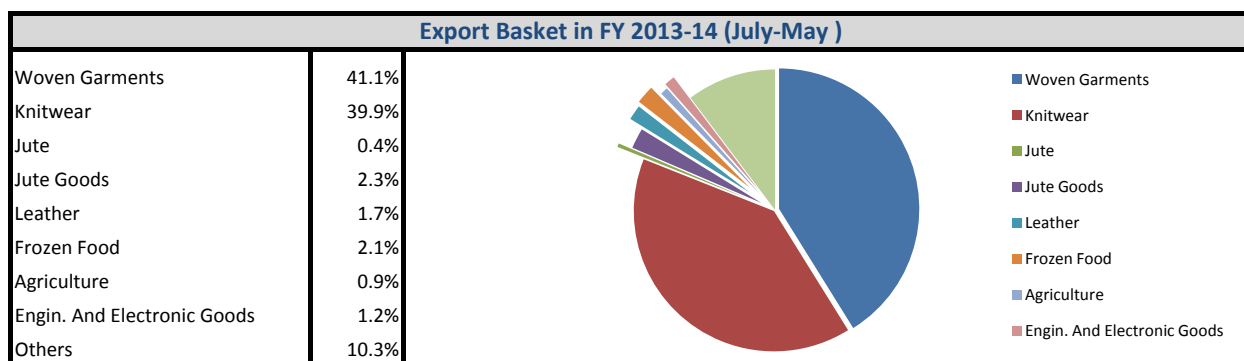
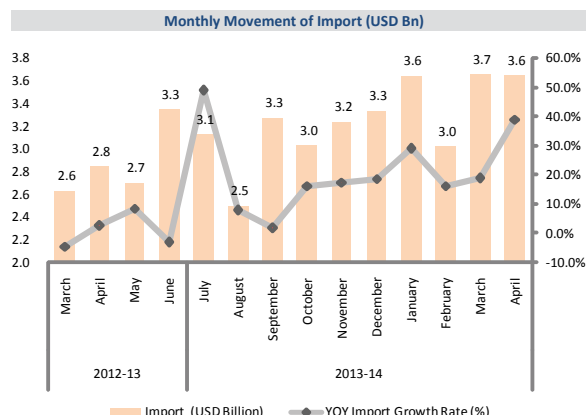
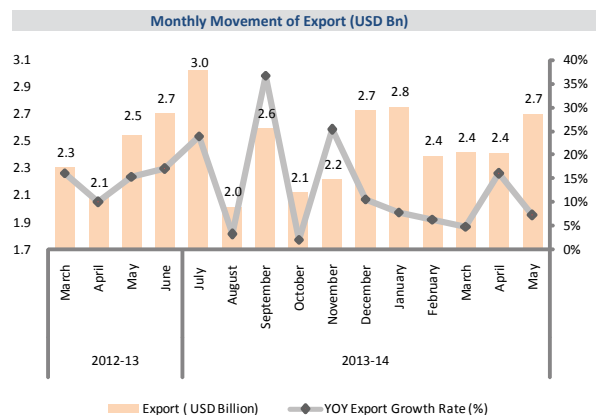
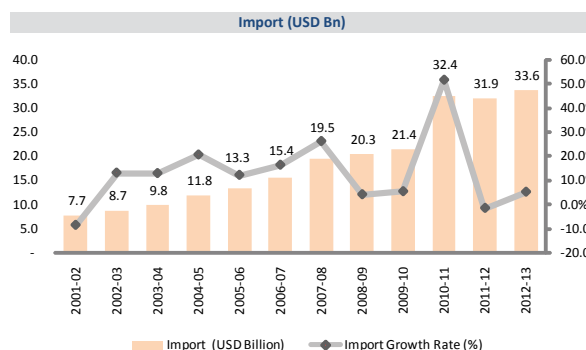
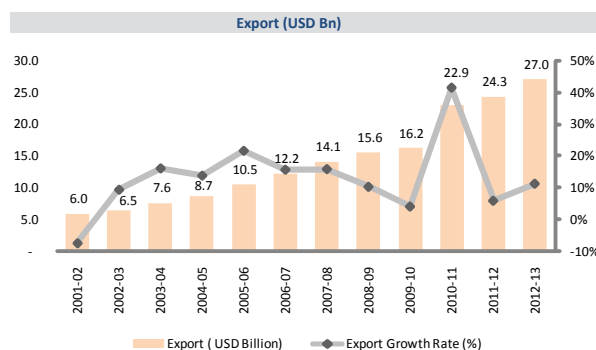
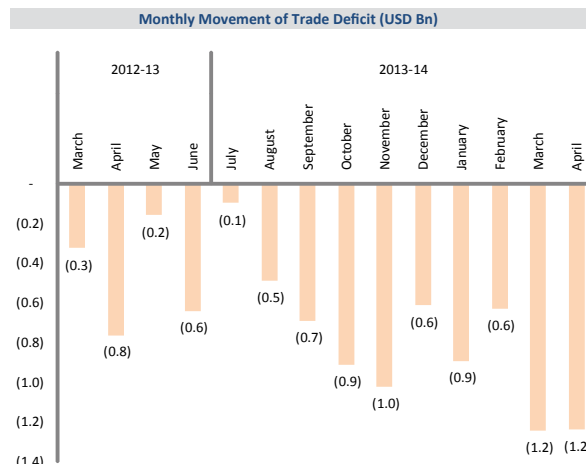
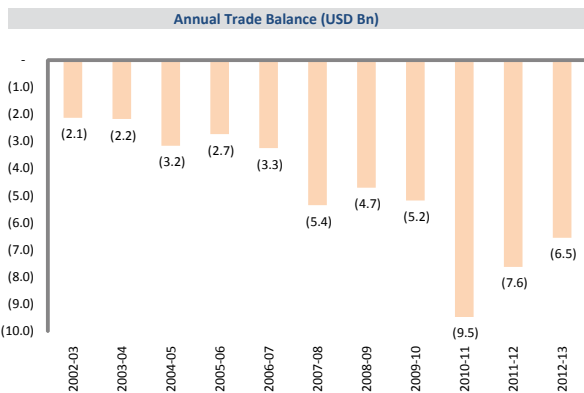


### FDI Inflow and Portfolio Investment:



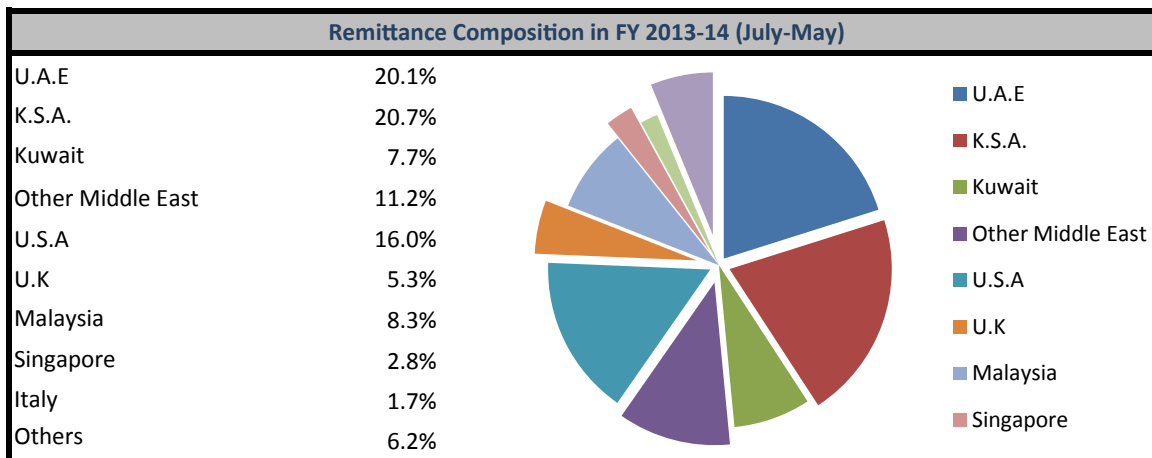
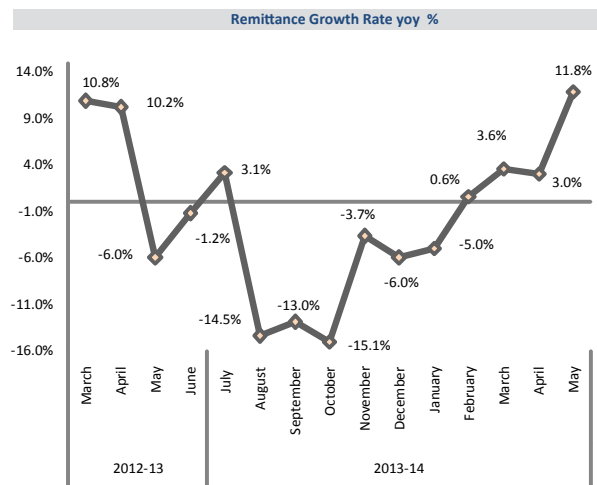
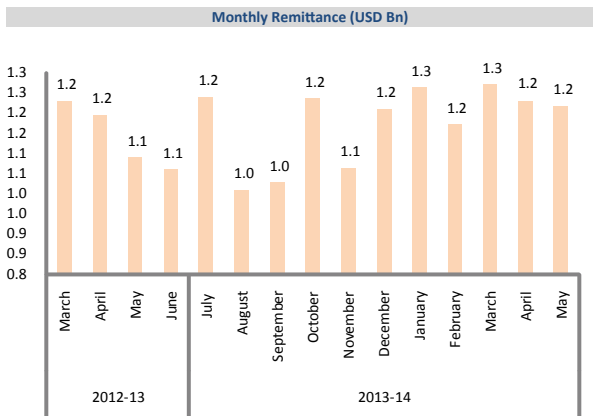
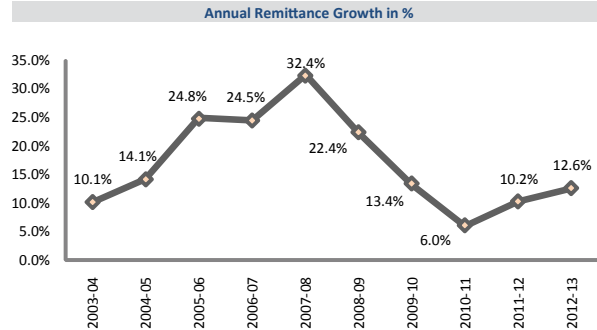
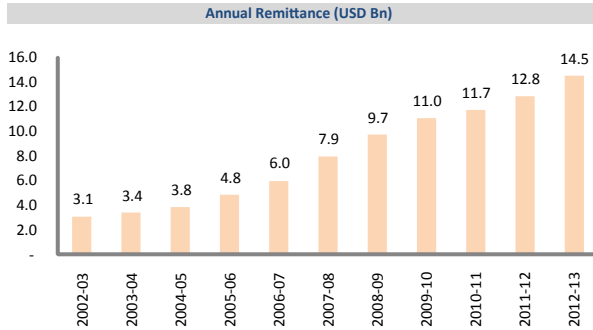
Source: Bangladesh Bank and IL Capital Research.

### International Trade:



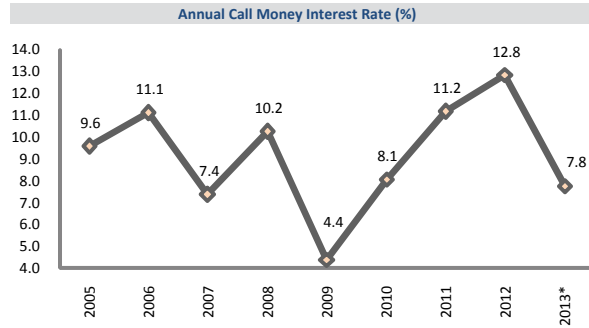
Source: Bangladesh Bank and IL Capital Research.

**Remittance:**

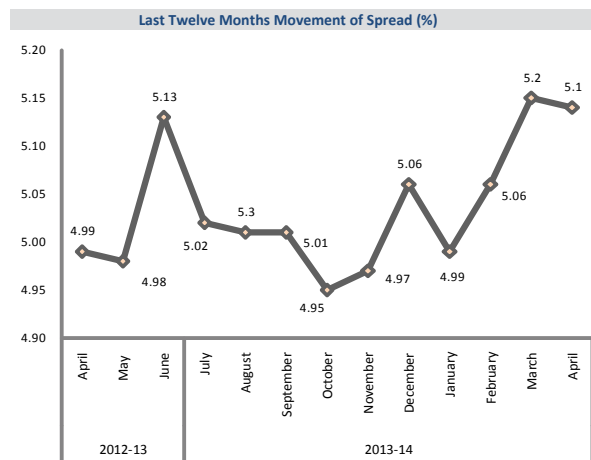
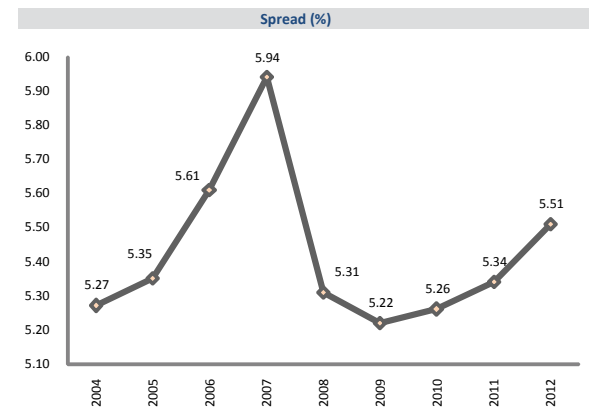
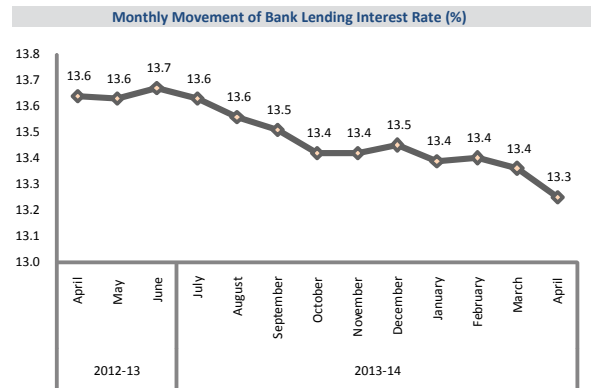
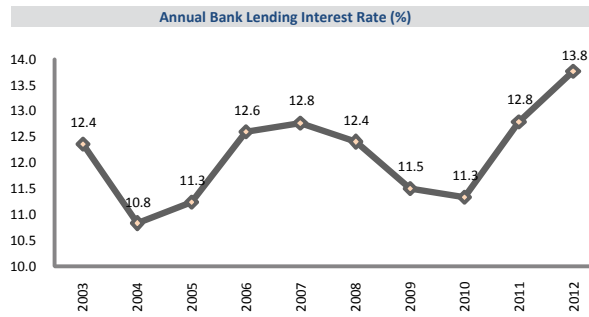
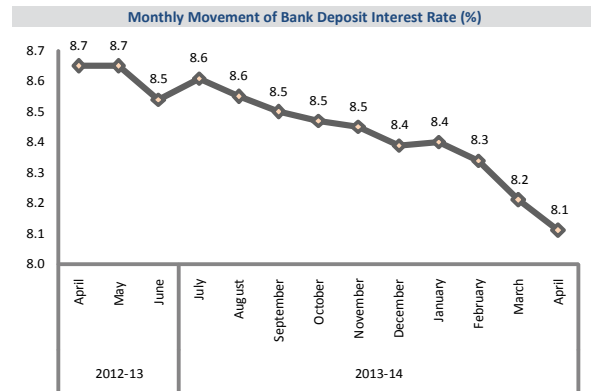
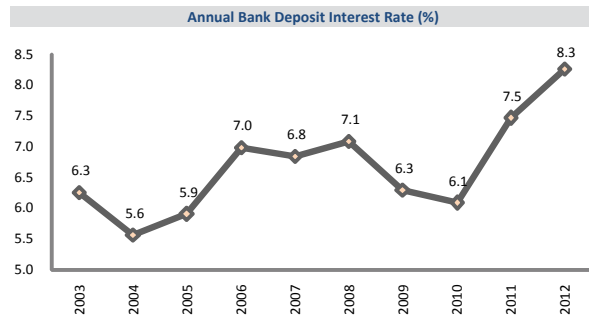
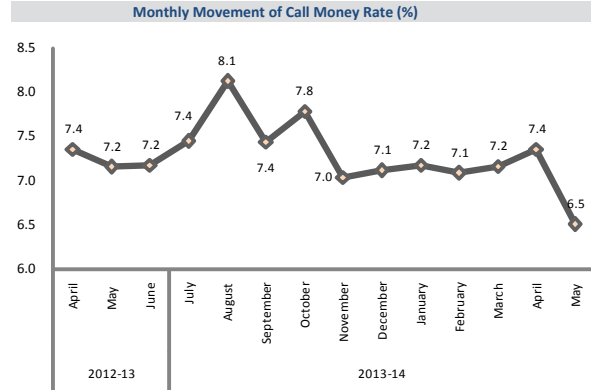


Source: Bangladesh Bank and IL Capital Research.

**Interest Rate:**



\* Data Up to March 2014

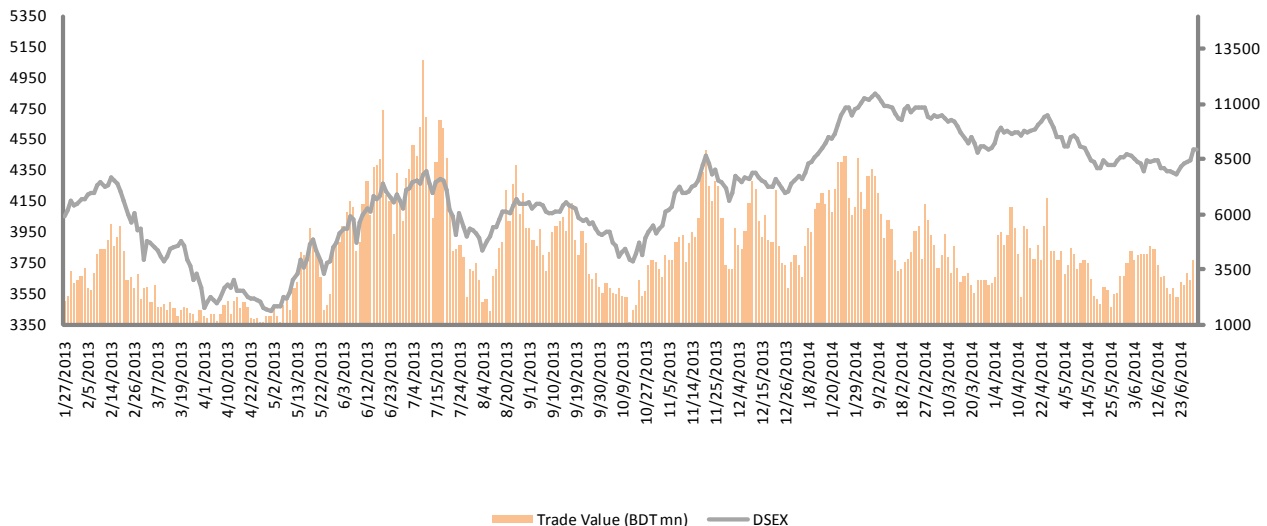


Source: Bangladesh Bank and IL Capital Research.

**MARKET UPDATE:**

- The benchmark index of Dhaka Stock Exchange (DSEX) gained 5.0% in last six months.
- During the month of June 2014, Market (DSEX) closed up by 1.1%, mainly driven by the up-trend in share prices of Telecommunication, Miscellaneous, NBFIs and Engineering companies.
- The major sectors who gained during the month of June 2014 were Telecommunication (12.2%), Miscellaneous (9.6%), NBFIs (3.7%) and Engineering (2.8%).
- On the other hand, the major loser sectors were General Insurance (-7.3%), Life Insurance (-2.4%), Tannery & Footwear (-1.8%) and Fuel & power (-1.2%) in June 2014.
- Among the companies traded in the Dhaka Stock Exchange (DSE), Beximco Limited (39.2%), Beacon Pharma (21.3%), Generation Next Fashions (18.9%), Standard Ceramics (18.8%) and Stylecraft (18.3%) were the top gainers in June 2014.
- On the other hand, major loser companies were Renwick Jajneswar (-23.5%), Rahima Food (-22.6%) and Mercantile Bank (-16.7%) in June 2014.
- During the month of June 2014 the average daily turnover of Dhaka Stock Exchange was up by 9.7% to BDT 3.31bn from BDT 3.02bn in May 2014. Average daily turnover of Travel & Leisure and Miscellaneous sector increased by 187.9% and 89.5% respectively in June 2014. However, average daily turnover of Foods, NBFIs, Pharmaceuticals and General Insurance sector declined by 30.2%, 16.5%, 15.8% and 13.2% respectively in that period.
- There are sectors who have outperformed DSEX Year-To-Date namely Cements by 63.5%, Telecommunication by 41.3%, Foods by 30.5%, Tannery & Footwear by 14.4% and Pharma & Chemical by 27.7% as of June 30, 2014. On the other hand, IT, Textiles, Travel & Leisure, Insurance and Banks have underperformed DSEX Year-To-Date as of June 30, 2014 by -24.2%, 21.5%, 20.6%, 17.1% and 13.0% respectively.
- Market capitalization of DSE increased by 1.9% to BDT 2.94 trillion (USD 37.77 billion) in June 2014 from BDT 2.88 trillion (USD 37.08 billion) in May 2014. Equity, Debt and Mutual Funds contribution to Market capitalization were 79.9%, 18.9% and 1.2% respectively in June 2014.

**DSEX and Turnover movement in DSE**



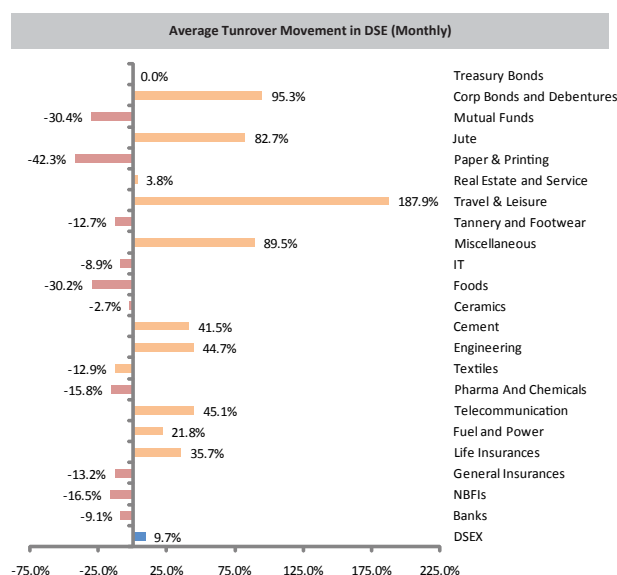
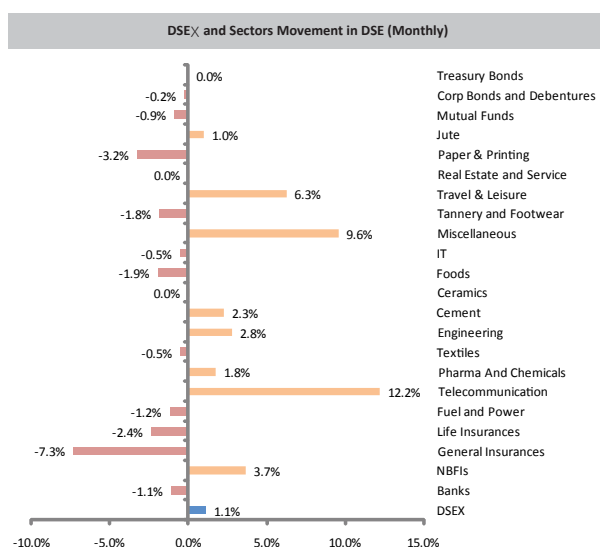
Sources: DSE and IL Capital Research

Market Capitalization of DSE

Instruments	30-Jun-14			29-May-14			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,347,113.5	30,188.0	79.9%	2,293,439.8	29,497.6	79.6%	2.3%
Debt Securities	554,852.8	7,136.4	18.9%	554,869.8	7,136.6	19.2%	0.0%
Mutual Fund	34,330.6	441.6	1.2%	34,631.4	445.4	1.2%	-0.9%
Total	2,936,296.8	37,765.9	100.0%	2,882,940.9	37,079.6	100.0%	1.9%

Note: Exchange Rate USD 1 : BDT 77.75

Source: DSE and IL Capital Research



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

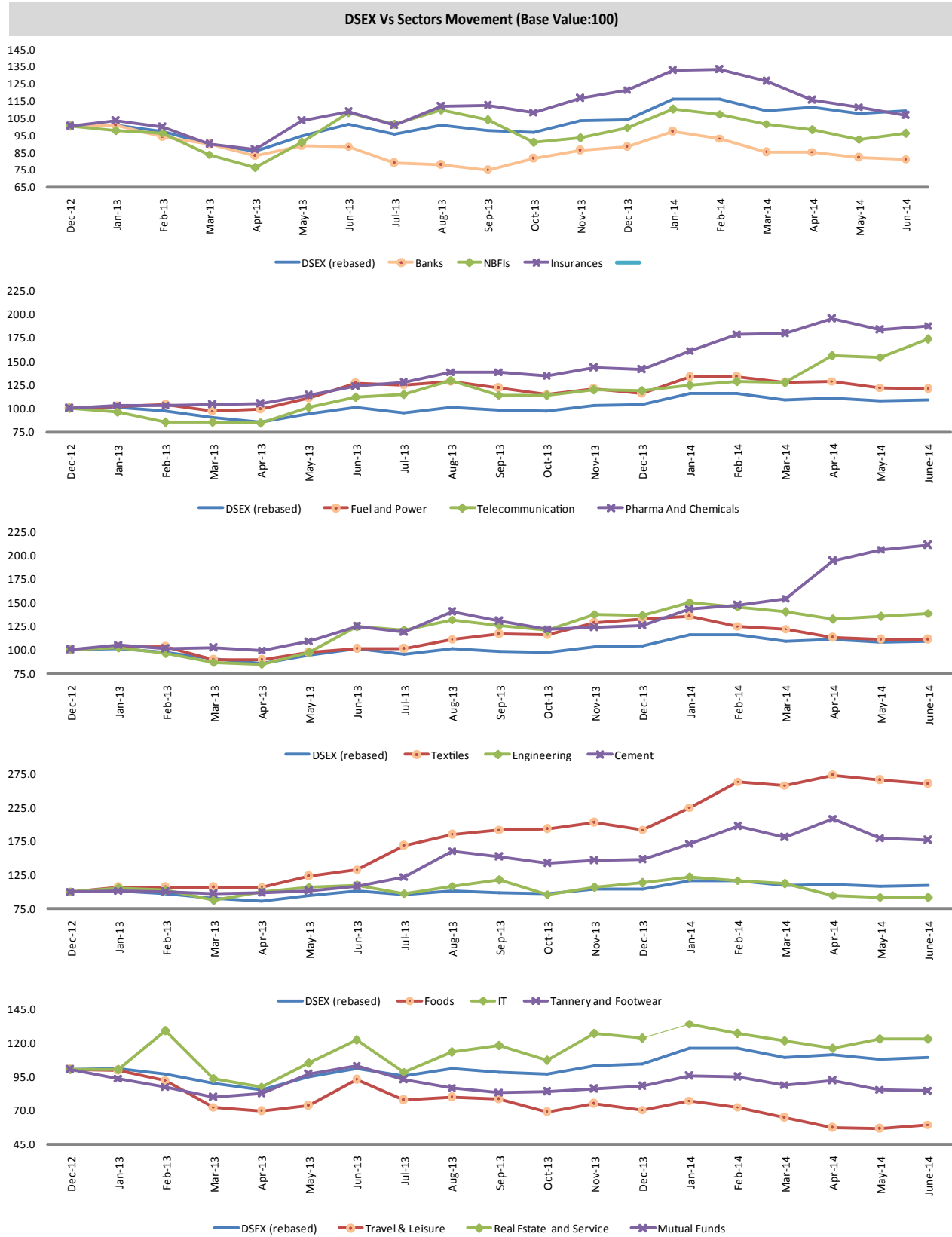
Note: Average Turnover excludes Block and Oddlot Market transaction

Source: DSE and IL Capital Research

Top Gainers This Month	
BEXIMCO	39.2%
BEACONPHAR	21.3%
GENNEXT	18.9%
STANCERAM	18.8%
STYLECRAFT	18.3%
AL-HAJTEX	18.2%
UNITEDAIR	16.1%
BXSYNTH	15.6%
ICBIBANK	15.2%
BDTHAI	15.1%

Top Losers This Month	
RENWICKJA	-23.5%
RAHIMAFODD	-22.6%
MERCANBANK	-16.7%
CVOPRL	-16.5%
MIDASFIN	-15.2%
REPUBLIC	-14.9%
KARNAPHULI	-14.7%
PRAGATILIF	-13.6%
MEGHNACEM	-13.1%
EASTRNLAB	-13.0%

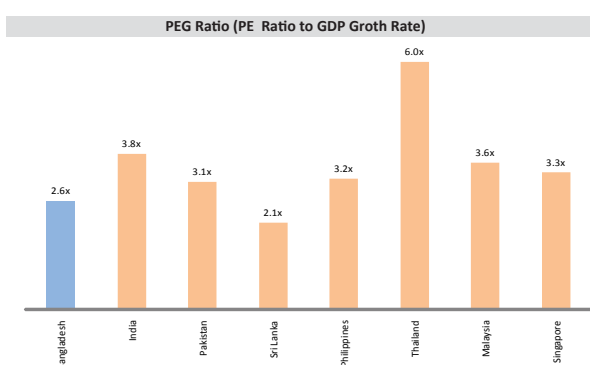
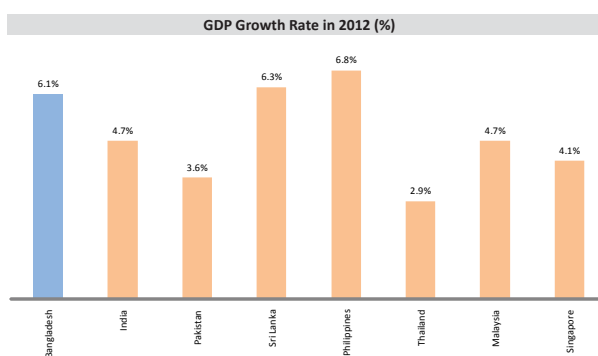
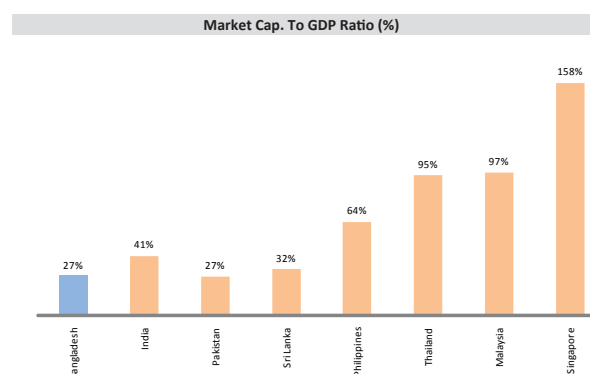
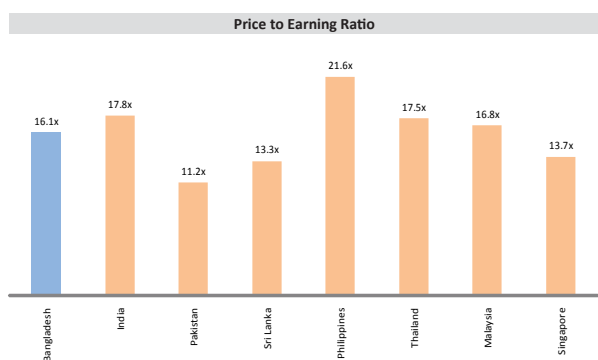
Source: DSE and IL Capital Research



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.

Sources: DSE and IL Capital Research





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

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

- As on June 2014, Bangladesh (DSE) is trading at 16.1x P/E, lower than that of Malaysia (16.8x), India (17.8x) and Philippines (21.6x). However, Bangladesh (DSE) is trading higher than that of Singapore (13.7x) and Sri Lanka (13.3x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on June 2014 is 2.6x which is lower than that of all countries except Sri Lanka.

**Regional Markets' Comparables**

Country	Index Symbol	Index Point	52-Week High	52-Week Low	52-Week Return	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,480.0	4,845.0	3,764.0	6.1%	16.1x	2.6x	37.8
India	SENSEX	25,400.0	25,735.0	17,448.0	32.8%	17.8x	3.8x	717.1
Pakistan	KSE100	29,343.0	29,940.0	20,854.0	47.5%	11.2x	3.1x	63.3
Sri Lanka	CSEALL	6,359.0	6,364.0	5,604.0	6.9%	13.3x	2.1x	20.5
Philippines	PCOMP	6,855.0	6,908.0	5,562.0	8.5%	21.6x	3.2x	174.0
Thailand	SET	1,488.0	1,519.0	1,205.0	6.0%	17.5x	6.0x	405.4
Malaysia	FBMKLCI	1,881.0	1,892.0	1,660.0	9.3%	16.8x	3.6x	330.5
Singapore	FSSTI	3,248.0	3,311.0	2,953.0	6.4%	13.7x	3.3x	427.1

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



## A REVIEW ON THE NATIONAL BUDGET 2014-15

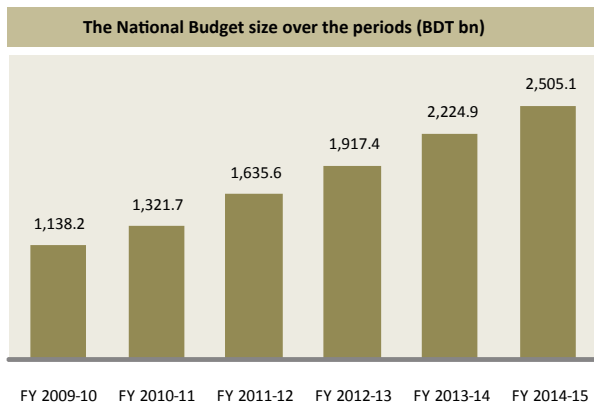
On June 05, 2014 the Finance Minister, Abul Maal Abdul Muhit presented the largest National Budget of its history aiming 7.3% target GDP growth and below 7% inflation in the next FY 2014-15. On 29 June 2014, the parliament passed the national budget for fiscal 2014-15.

**Source of Funds:** The target revenue is BDT 1,829.5 billion which is 16.8% higher than the same of the revised budget of FY 2013-14. Around 84.9% revenue will be generated from tax source mainly by National Board of Revenue (NBR) and rest 15.1% will be generated from Non-tax revenue sources.

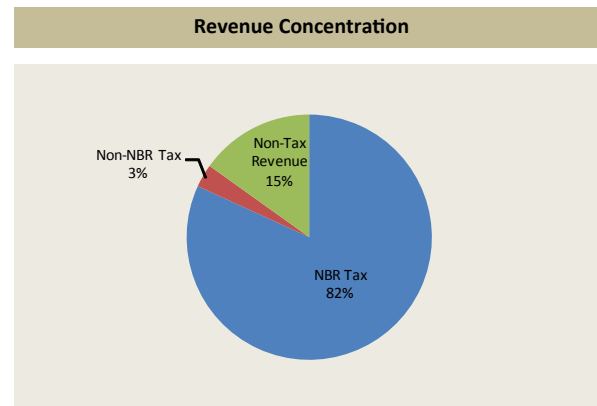
The National Budget 2014-15 at a glance			
Particulars	FY 2014-15	FY 2013-14 (Revised)	FY 2013-14
	(In BDT billion)		
<b>Total Revenue:</b>	<b>1,829.50</b>	<b>1,566.70</b>	<b>1,674.60</b>
NBR Tax	1,497.20	1,250.00	1,360.90
Non-NBR Tax	55.7	51.8	51.3
Non-tax	276.6	264.9	262.4
<b>Total Expenditure:</b>	<b>2,505.10</b>	<b>2,162.20</b>	<b>2,224.90</b>
Non-Development Expenditure	1,282.30	1,160.00	1,134.70
Development Expenditure	863.5	651.5	722.8
Other Expenditure	359.3	350.8	367.5
<b>Budget Deficit</b>	<b>675.5</b>	<b>595.5</b>	<b>550.3</b>
<b>Financing Sources of Deficit:</b>			
<b>Domestic Financing</b>	<b>432.8</b>	<b>409.8</b>	<b>339.6</b>
a) Bank	312.2	299.8	259.9
b) Non-Bank	120.6	110	79.7
<b>Foreign Financing</b>	<b>242.7</b>	<b>185.7</b>	<b>210.7</b>

Source: Ministry of Finance & ILSL Research

**Budget Size:** The total size of the budget is BDT 2,505.06 billion registering 15.9% growth than that of the revised budget FY 2013-14. Over the years the Country has witnessed progress in its budget size.

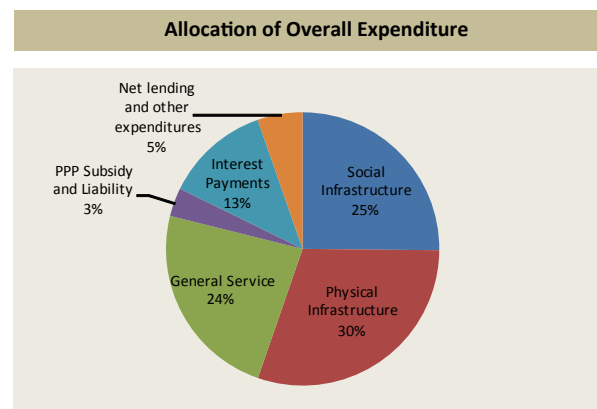


Source: Ministry of Finance & ILSL Research



Source: Ministry of Finance & ILSL Research

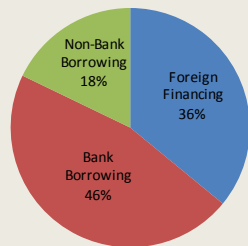
**Usages of Funds:** Total expenditure in the National Budget has been augmented by 15.9% than that of the revised budget FY '14 to BDT 2,505.1 billion. Of this total expenditure 51% are for non-development expenditure, 34.5% are for Development Expenditure and 14.3% are for Other Expenditure. Based on the functions, cost allocations to different segments are as follows:



Source: Ministry of Finance & ILSL Research

**Budget Deficit:** In the National Budget of FY 2014-15, budget deficit is BDT 675.5 billion which is 5% of GDP. To finance this short fall both domestic (64.1%) and foreign (35.9%) sources will be used. Borrowing from banking sector is estimated to BDT 312.2 billion which is 4.1% higher than that of the revised budget of FY 2013-14.

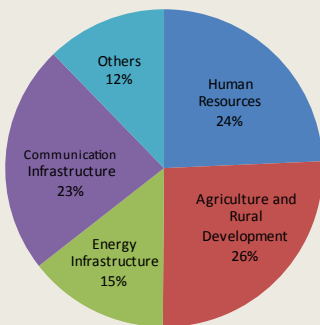
**Financing Sources of Budget Deficit**



Source: Ministry of Finance & ILSL Research

**ADP Composition:** Annual Development Programme (ADP) consisted around 93% of total Development Expenditure. The total size of the ADP is BDT 803.2 billion which is 33.9% higher than that of the revised budget of FY 2013-14. The composition of the ADP is as follows:

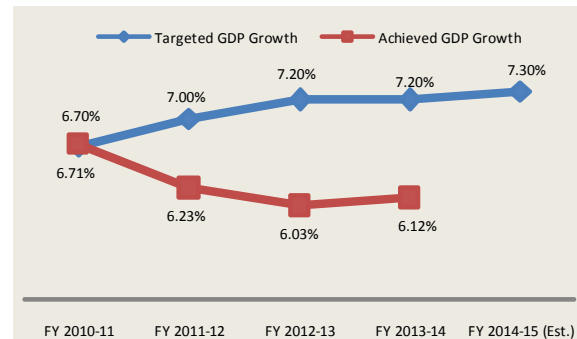
**Composition of ADP**



Source: Ministry of Finance & ILSL Research

**GDP:** In this National Budget, the target GDP (Gross Domestic Product) growth is 7.3%. In 2013-14 FY, this target was 7.2%. Meanwhile, according to the preliminary estimate of Bangladesh Bureau of Statistics (BBS) GDP growth in FY 2013-14 will be 6.1%. Last five years' comparisons of targeted GDP growth and achieved GDP growth are presented here:

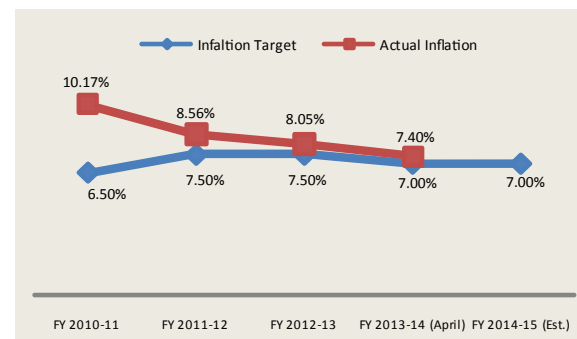
**GDP Growth Scenario**



Source: Ministry of Finance & ILSL Research

**Inflation:** The Finance Minister expected that, satisfactory domestic agricultural production, supportive monetary policy as well as the declining trend in food and energy price in the international markets will keep the general inflation level stable around 7% in FY 2014-15.

**Inflation Target and Actual Situation**

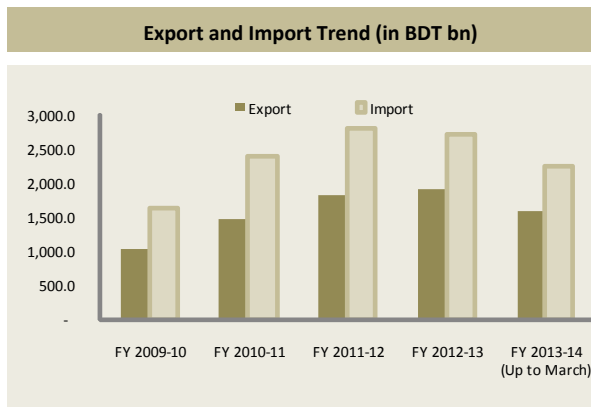


Source: Ministry of Finance, Bangladesh Bank & ILSL Research  
\*Data of 2010-11 and 2011-12 are based on 1995-96 base year

**Export & Import:** In the National Budget, the anticipated export and import growth are 15% each on the basis of positive trend in the global economy. According to Export Promotion Bureau, the Country has experienced 13.2% export growth between July to April of FY 2013-14 compared to the same period of FY 2012-13. Some incentives has announced to boost the export of the Country –

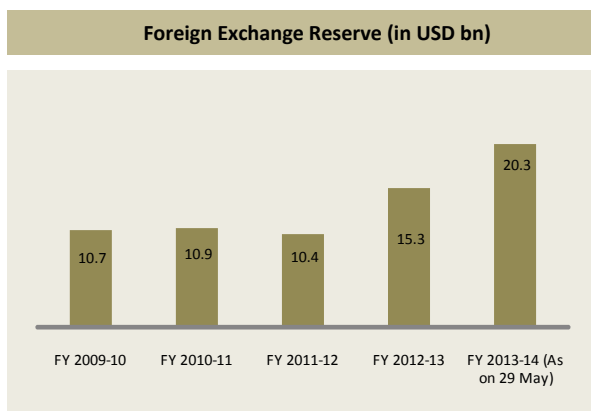
- On Cash Incentive, tax deduction rate at source reduced from 5% to 3% till 30 June 2015.
- Tax deduction rate at source on garments export has been reduced from 0.80% to 0.30% till 30 June 2015.
- Tax deduction rate at source for all exports, except garments, has been reduced from 0.80% to 0.60% till 30 June 2015.

- To get duty drawback without any hassle, inclusion was made for few services namely, procurement provider, security service, transport contractor and imported service into the relevant exemption notification on VAT.



Source: Bangladesh Bank & ILSL Research

**Remittance & Foreign Exchange Reserve:** The expatriate workers, particularly in Saudi Arabia, have to bear high legalization expense which slowed down the remittance flow by 4.8% till April 2014 of current fiscal. In the last fiscal remittance experienced 12.6% growth. However, the decline in trade deficit coupled with an inflow in the capital and financial account up to February 2014, foreign exchange reserve has increased consistently. According to BB's Monthly Update May 2014, the reserve stood at USD 20.27 billion which is sufficient to cover the import bills of almost 6 months.



Source: Bangladesh Bank & ILSL Research

**Income Tax & Wealth Surcharge:** No significant change has been offered in the threshold of taxable income of individual tax payer. Only tax threshold for War-wounded gazetted freedom fighters has

increased from BDT 0.22 mn to BDT 0.40 mn. On the other hand, for the high income earning taxpayers having annual income of more than BDT 4.42 mn will be at 30% tax bracket instead of existing 25%.

Threshold of Taxable Income of Individual Tax Payer		
Types of Tax payer	Previous	Current
General Tax Payer	BDT 0.22 mn	BDT 0.22 mn
Women tax payer and tax payers of 65 years of age and above	BDT 0.25 mn	BDT 0.275 mn
Physically handicapped	BDT 0.30 mn	BDT 0.35 mn
War-wounded gazetted freedom fighters	BDT 0.22 mn	BDT 0.40 mn

Individual Tax Rate	
Total Income	Rate
On first, BDT 0.22 mn taxable income	Nil
On next, BDT 0.30 mn taxable income	10%
On next, BDT 0.40 mn taxable income	15%
On next, BDT 0.50 mn taxable income	20%
On next, BDT 3.00 mn taxable income	25%
On the balance of taxable income	30%

Source: Ministry of Finance & ILSL Research

Moreover, in the Finance Bill 2014-15, new slabs for surcharge on the Individual wealth are also imposed. Finalized slabs are:

Threshold of Taxable Income of Individual Tax Payer	
Wealth Size	Rate
Up to BDT 20 mn	Nil
More than BDT 20 mn but Less than BDT 100 mn	10%
More than BDT 100 mn but Less than BDT 200 mn	15%
More than BDT 200 mn but Less than BDT 300 mn	20%
More Than BDT 300 mn	30%

Source: Finance Bill 2014-15 & ILSL Research

From FY 2014-15, the investors will have to pay 15% tax at source on dividend income, instead of existing 10%, in case of not having taxpayer's identification number (TIN).

**Corporate Tax:** In case of corporate tax rate no major changes were observed. Only tax rate for Non-Publicly Traded Company is reduced from 37.5% to 35.0%. Meanwhile, the provision for 10% tax rebate for the publicly traded manufacturing companies declaring more than 20% dividend has been changed to 30% dividend.

Corporate Tax Rate		
Company Tax Payer	Previous	Current
Publicly Traded Company (subject to certain conditions)	27.5%	27.5%
Non-Publicly Traded Company	37.5%	<b>35.0%</b>
Bank, Insurance and Financial Institution	42.5%	42.5%
Merchant Bank	37.5%	37.5%
Cigarette Manufacturer:		
• Publicly Traded	40%	40%
• Non-Publicly Traded	45%	45%
Mobile Phone:		
• Publicly Traded	40%	40%
• Non-Publicly Traded	45%	45%
Dividend Income	20%	20%
Minimum Turnover Tax	0.50%	<b>0.30%</b>

Source: Ministry of Finance & ILSL Research

**Capital Market:** In the National Budget of 2014-15, there are incentives for stock market investors and overall capital market like –

- Raising threshold of tax exempted dividend income from BDT 10,000 to BDT 20,000.
- Allowing 10% tax rebate for listed companies that pay 30% dividend.
- Proposed capital gain tax on the individual investor's level has been withdrawn in the final budget.
- Tax exemption facilities at the rate of 10% on the listing year if a Non-Publicly Traded company offloads 20% of its shares through IPO (Initial Public Offerings).
- Tax exemption facilities for 5 years for demutualized Stock Exchanges in graduated rate.

However, some steps will not create positive impact like –

- Reduction of income tax rate for Non-Publicly Traded company from 37.5% to 35.0% will reduce the tax incentives for being listed.
- From FY 2014-15, the investors will have to pay 15% tax at source on dividend income, instead of existing 10%, in case of not having taxpayer's identification number (TIN).

#### Budgetary Implication on different Sectors:

##### Overall:

- Existing Tax Holiday facilities extended from June 2015 to June 2019
- Reinstated the facilities of accelerated depreciation alternative to tax holiday for the new industrial entrepreneurs.
- Tax exemption on interest income from investment on pensioner savings certificate and wage earners' bond up to BDT 0.5 mn.
- Extend tax facility on contribution to any fund created and approved by the government to help victims of natural disaster and accidents as CSR.
- CSR expenditure limit extended from BDT 80 mn to BDT 120 mn while keeping unchanged the existing condition of allowable limit at 20% of total income of any company.
- 1% 'Environment Protection Surcharge' or 'Green Tax' on ad-valorem basis on all kinds of products manufactured in Bangladesh by the industries which pollute the environment.

##### For Export:

- On Cash Incentive, the deduction rate of tax at source reduced from 5% to 3% till 30 June 2015.
- Tax deduction rate at source for all exports, except garments, has been reduced from 0.80% to 0.60% till 30 June 2015.
- Tax deduction rate at source on garments export has been reduced from 0.80% to 0.30% till 30 June 2015.
- To get duty drawback without any hassle, inclusion was made for few services namely, procurement provider, security service, transport contractor and imported service into the relevant exemption notification on VAT.

In the National Budget 2014-15, to promote the export of the Country several initiatives have been taken. Particularly the RMG sector is given some preferential treatments.

##### Ceramic:

- Existing customs duties of 10% on the raw materials used in domestic ceramics is reduced at 5%. Therefore profit margins of this sector will increase.

Customs duties on imported Flint/grinding pebbles, Filter cloth, Silex/lining/abrasive/polishing disc, Alumina liner are reduced. Therefore, the production cost is expected to decrease in future.

**Engineering:**

- Exemption on billet manufacturing raw materials such as sponge iron and reduced iron. **Related Listed Companies – BSRM, GPHISPAT**
- Customs duty on import of graphite electrode used in billet production has been reduced to 10% from 25% and 5% Regulatory Duty has been withdrawn. **Related Listed Companies – BSRM, GPHISPAT**
- Enhancement of import duties on Billet and ingot from BDT 3,500/MT to BDT 5,000/MT. **Related Listed Companies – BSRM, GPHISPAT**
- Import duty on Bar and rods will have higher rate from existing 10% to 25%. **Related Listed Companies – BSRM, GPHISPAT**
- The concessionary facility of ship building Industry is extended. As part of that, the existing duties on navigation light, broadcasting equipment and fire extinguishers are fixed at 5%. **Related Listed Company – BSC**
- Withdraw VAT exemption facility given to ocean going vessel having capacity exceeding 5,000 DWT (Deadweight tonnage). Instead, fix tariff is imposed on small cargoes and passenger vessels at the rate of BDT 2,500 per metric ton (BSC). **Related Listed Company – BSC**
- Fixation of customs duty at 25% on energy saving bulbs and electric fan motors. **Related Listed Company – GOLDENSON**
- Existing 15% SD on filament bulb will be withdrawn. **Related Listed Company – BDLAMPS**
- Existing customs duties of 25% on the raw materials used in plastic industries (RFL, Golden Son) is reduced at 10%. **Related Listed Companies - RFL, GOLDENSON**
- Providing a grant of BDT 100 mn for establishing an Institute of Plastic Engineering and Technology considering the potential of plastic based industry.
- No import duties are needed on the raw materials necessary for manufacturing prefabricated buildings used in readymade garments sector. In addition to that, the previous duties on fire resistant door, emergency light, sprinkler system, etc. are fully exempted in order to ensure internal security and compliance of standards by the sector. **Related Listed Company - BDBUILDING**

To protect the local steel manufacturers, import duties on some raw materials is reduced and at the same time, higher duties are imposed on imported finished products. Other sub sectors like shipping industry, plastic industry, electrical industry and prefabricated buildings industry got incentives in the finalized budget.

**Food & Allied:**

- Fish & Shrimp products will have lower Supplementary Duties from present 20% to 10%-15%. **Related Listed Companies – APEXFOODS, BEACHHATCH, FINEFOODS and GEMINISEA**
- Sweet Biscuits, Waffles, Wafers, toasted products, Potato Chips, Fruit Juices, Sauces, Ice Cream will have lower supplementary duty. **Related Listed Companies – OLYMPIC, BANGAS, AMCL(PRAN) and GHAIL**
- The tax holiday facility for owners of rice bran oil industries outside of Dhaka and Chittagong city corporations has been extended from 7 years to 10 years. The tax holiday privilege will remain open until June 30, 2019. **Related Listed Company –EMERALDOIL**
- VAT on crude and refined palm, soyabean and sunflower oil at the import stage was reduced from 15% to 10% on certain conditions and for up to 30 June, 2015. **Related Listed Company – EMERALDOIL**
- VAT on other edible oils such as canola, rapeseed, colza seed etc. at the import stage is reduced to 10% instead of 15%. However, VAT is imposed at the rate of BDT 1 per litre on the local production of these products. **Related Listed Company – EMERALDOIL**
- 1% ‘Health Development Surcharge’ on all imported and domestically produced tobacco products. **Related Listed Company – BATBC**
- The tax incidence of the premium and high slabs will be 76%, for the medium slab is 75% and for the lowest slab is 58%. **Related Listed Company – BATBC**
- The present prices of 25 sticks non-filter and 20 sticks filter bidis are BDT 5.354 and BDT 6.052 respectively and changed price of 25 sticks non-filter bidis are BDT. 6.14 and 20 sticks filter bidis are BDT 6.94. Also supplementary duty rate on jarda and gul products raised from the existing 30% to 60%.

- On the other hand, the government also reduced Supplementary Duty on unprocessed tobacco to 60% from the existing 100% and 60% from the existing 100% on cigarette paper for commercial import. **Related Listed Company – BATBC**

Reduction of Supplementary Duties on fish, shrimp, confectionery and several packaged food items will benefit the local exporters. To keep the market price of edible oil stable VAT is reduced at the import stage. Meanwhile, tobacco industry is burdened with more taxes. At the same time, fresh tax is imposed on non-smoke tobacco products.

**Fuel & Power:**

- Import Duty on LPG cylinders has increased from 5% to 10% to provide support the local industry. **Related Listed Company - MJLBD**
- The price of crude oil raised up from USD 32 to USD 40 per barrel stating a 25% price hike. Likewise, tariff values on other refined petroleum products are being increased from present 31 cent per liter to 40 cent per liter.

Local manufacturers of LPG cylinders will be benefited with the increased import duty. On the other side, the Government may reduce its subsidy on this sector by increasing the price of crude oil.

**Information Technology:**

- At present, Multiplexer, grand master clock etc. are chargeable to 25% custom duty and 5% regulatory duty. Now the custom duty on these items is reduced to 5%. **Related Listed Companies – AGNISYSL, BDCOM**

IT firms, engaged in providing high speed internet connection, might be able to reduce their cost as they can import multiplexer, grand master clock (machines used in high speed internet connection) at a reduced price.

**Paper & Printing:**

- Existing customs duties of 10% on the raw materials used in domestic paper is waived. **Related Listed Company – HAKKANIPUL**

The reduction of customs duty on De-Inking chemical from 10% to 0% would likely to reduce the production cost of Newsprint.

**Pharmaceuticals & Chemicals:**

- Supplementary duty (SD) rates on 40 basic raw materials reduced to 5% concessionary rate from earlier 10% and 25%. **Related Listed Companies – SQRPHARMA, BXPBARMA**
- The customs duties on 14 items used as raw materials in the manufacture of anti-cancer drugs and medicines have exempted fully. **Related Listed Company – BEACONPHAR**
- The import duties applicable to infusion pump used for the treatment of Thalassamia has exempted fully.
- The existing 10% to 25% duties applicable for 41 items used as essential raw materials in the manufacture of Ayurvedic medicines have reduced to 5%.
- Import tax on Erythromycin ethyl succinate, Erythromycin stearate and Azithromycin has increased from 5% to 10% which may provide competitive advantage to local firms. **Related Listed Company – ACTIVEFINE**

Applicable reduced duties on several basic raw materials will cut the production cost and subsequently may improve the profit margin. At the same time, the increased import duty on some particular APIs may create favorable atmosphere for the local firms.

**Telecommunication:**

- Supplementary Duty on SIM Card is reduced from 20% to 15%. **Related Listed Company – GP**
- 1% surcharge on the price of handsets is imposed.
- 15% VAT on mobile phones at the import stage is imposed which is now 10%.
- Fixed tax of BDT 300 on the supply of every single piece of SIM card by the mobile operators will continue. **Related Listed Company – GP**
- Fixed tax of BDT 100 is imposed on the supply of every single piece of replacement SIM. **Related Listed Company – GP**
- Customs duty (CD) on import of mobile handset has been finalized to 5.0% from the existing 10%. Also advance income tax (AIT) on the import of mobile handset is waived.

The savings in the operating expense from the reduced Supplementary Duty on SIM Card may offset by the newly imposed fixed tax on every single piece of replacement SIM. Moreover, the increased VAT on

imported mobile phones will affect the growth pace of lower income market segment.

**Textile:**

- On Cash Incentive, the deduction rate of tax at source reduced from 5% to 3% till 30 June 2015.
- Tax deduction rate at source on garments export has been reduced from 0.80% to 0.30% till 30 June 2015.
- A set of textiles raw materials– petchips, artificial staple fiber and artificial tow – would enjoy duty-free facility in the upcoming FY. The duty was now 5.0%.
- Duty on few raw materials used in this sector like Flex fiber is reduced from 10% to 5%.
- No duties are needed on the import of raw materials necessary for manufacturing prefabricated buildings used in readymade garments sector. In addition to that, the previous duties on fire resistant door, emergency light, sprinkler system, etc. are fully exempted in order to ensure internal security and compliance of standards by the sector.

Favorable tax rate on export revenues and on imported raw materials will boost the sector's growth opportunity. Meanwhile, import duties are exempted on raw materials necessary for ensuring the satisfactory working environment complying with the international standards.

**Tannery:**

- 1% 'Environment Protection Surcharge' or 'Green Tax' on ad-valorem basis on all kinds of products manufactured in Bangladesh by the industries which pollute the environment.

This sector will face this tax. According to the environment ministry, every day the tanneries collectively dump 22,000 cubic liters of toxic waste, including cancer-causing chromium, into the Buriganga.

According to CPD's (Centre for Policy Dialogue) Analysis of the National Budget 2014-15, macroeconomic correlates are pretty inconsistent and lack due diligence in their estimation. At the same time, key fiscal targets do not reflect reality and lack consistency in designing of the framework. They also stated that, the budget has not provided for necessary institutional reforms towards improved fiscal-budgetary management as well as supportive policy environment. However, fiscal measures are largely in order and tuned to budgetary objectives.

## SAIHAM COTTON MILLS LTD.

DSE: **SAIHAMCOT**  
BLOOMBERG: **SCML:BD**

### Company Overview

Saiham Cotton Mills Ltd., a 100% export oriented company, was incorporated on May 20, 2002 and commenced its commercial operation on April 1, 2005. The Company operates as industrial spinning plant having one of the largest and modern cotton mills in Bangladesh. It manufactures auto coned electronically cleared cotton carded and combed grey yarn. The production facility of the firm is situated at Noyapara, Hobigonj on 5.725 acres of land. The installed production capacity of the firm is 30,960 spindles, capable of producing 6,480,000 KGs of yarn per year. In the year 2012, the Company raised fund of BDT 95 crore from capital market through IPO to double its production capacity. As on 30 April 2013, the firm has utilized 90.0% of its production capacity.

The firm imported its major raw materials (raw cotton) mainly from UK, Australia, Korea and Switzerland. Other material i.e., packing materials and spare parts are procured locally. As on 30 April 2014, 27.26% of trade receivables were consist of Faisal Spinning Mills Ltd. – an associate company (23.49%).

The Firm was enlisted with the DSE and the CSE on June 24, 2012. Around 50.46% of shares of the company are held by Sponsors whereas 37.29% and 12.25% are held by General and Institutional Investors respectively.

### Investment Insights

Textile and Apparel Sector of Bangladesh contributes more than 16% of GDP. About 80% of export income comes from this sector. Currently, 145 countries are using knit garments and 126 countries are using Bangladesh's woven products.

Bangladesh's clothing industry has significant advantage in labor cost. According to a report published in The Economist "Its labor costs less than any of its Asian rivals': even a near tripling in the minimum wage, to \$100 a month, as garment workers are demanding from the government, would not change this." This sector also has advantage of production in scale: it has 5,000 factories, compared with 2,500 in Indonesia and 2,000 in Vietnam.

A recent study conducted by the ministry of textiles and Jute (MoTJ) revealed that, the country's aggregate annual demand for cotton yarn (the core raw material of producing yarn) is around 2,172 million kg whereas local mills produce about 1,051 million kg. The rest of the demand was met by import. Meanwhile, the

country annually needs 6,112 million metres of fabric, and they expect that, the demand would increase up to 8,164 million metres within the year 2015.

Garments produced in Bangladesh enjoy duty-free access in the European Union, while the similar products from China, India and Sri Lanka do not get such privilege. Recently, the government has reduced tax at source to 0.30% from the existing 0.80% until June 2015.

### Company Fundamentals, as of June 30, 2014

Market Cap (BDT mn)	3,029.6
Market weight	0.1%
No. of Share Outstanding (in mn)	135.3
Free-float Shares	49.5%
Paid-up Capital (BDT mn)	1,353.0
3-month Average Turnover (BDT mn)	4.9
3-month Return	-4.3%
Current Price (BDT)	22.4
52-week price range (BDT)	20.9-34.4
Sector's Forward P/E	12.5

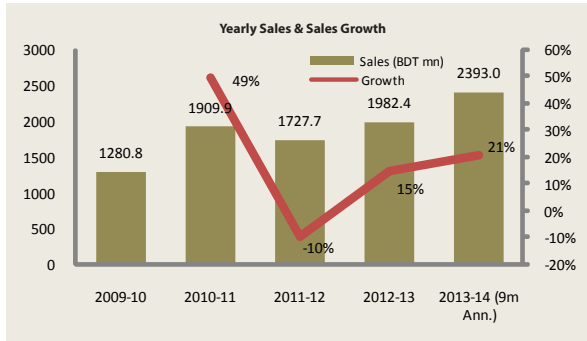
	2010-11	2011-12	2012-13	2013-14 (9m, Ann.)
<b>Financial Information (BDT mn):</b>				
Sales	1,910	1,728	1,982	2,393
Operating Profit	327	336	338	316
Profit After Tax	204	209	259	235
Assets	3,241	4,249	4,401	4,522
Long Term Debt	115	141	139	341
Equity	1,946	3,079	3,195	3,243
Dividend (C/B)%	N/A	10/-	10/-	---
<b>Margin:</b>				
Gross Profit	18.7%	22.0%	19.0%	15.3%
Operating Profit	17.1%	19.4%	17.1%	13.2%
Pretax Profit	10.9%	13.3%	16.4%	12.4%
Net Profit	10.7%	12.1%	13.1%	9.8%
<b>Growth:</b>				
Sales	49.1%	-9.5%	14.7%	20.7%
Gross Profit	37.7%	6.5%	-0.7%	-2.9%
Operating Profit	37.7%	2.7%	0.7%	-6.7%
Net Profit	62.7%	2.5%	24.1%	-9.3%
<b>Profitability:</b>				
ROA	6.8%	5.6%	6.0%	5.3%
ROE	12.6%	8.3%	8.3%	7.3%
<b>Leverage:</b>				
Debt Ratio	17.5%	13.6%	15.0%	14.5%
Debt-Equity	29.1%	18.7%	20.6%	20.2%
Int. Coverage	2.8	3.4	3.4	2.9
<b>Valuation:</b>				
Price/Earnings	N/A	N/A	12.4	13
Price/BV	N/A	N/A	1.0	0.9
EPS (BDT)	3.4	2.5	1.9	1.7
DPS (BDT)	N/A	1.0	1.0	---
NAVPS (BDT)	22.2	22.9	23.6	24.0



**Investment Insights**

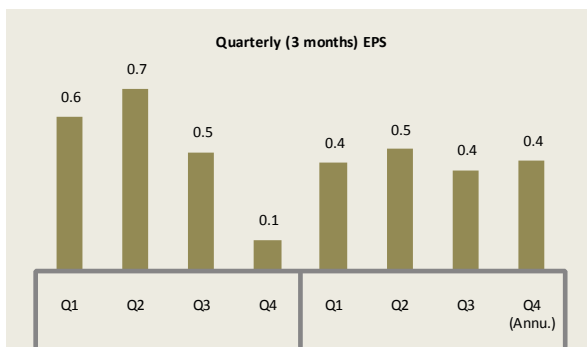
- The company doubled its production capacity to 61,920 spindles from 30,960 spindles. As per DSE news, the Unit – 2 project has started operation since May 31 2014. It also disseminated that this project will add approximately BDT 170.00 crore to the existing turnover.
- Currently, the firm is running at Forward P/E of 12.8 and P/B of 0.95 respectively which are relatively low.
- The factory premise is situated at near Jalalabad gas field; hence, it does not face any difficulties regarding gas shortage or low pressure, which ensures smooth operation.
- The company is entirely dependent on imported raw cotton; as a result, price fluctuation of cotton in international market as well as exchange rate volatility may affect profitability profoundly.
- The Customer base of the company is not diversified; in the year 2013, 27.26% of trade receivables came from single entity – Faisal Spinning Mills Ltd., which was 22% in the year 2012.

The Company has registered 3 year CAGR (Compound Annual Growth Rate) of sales 15.7%. Last five years' sales and respective growth rate are presented below –



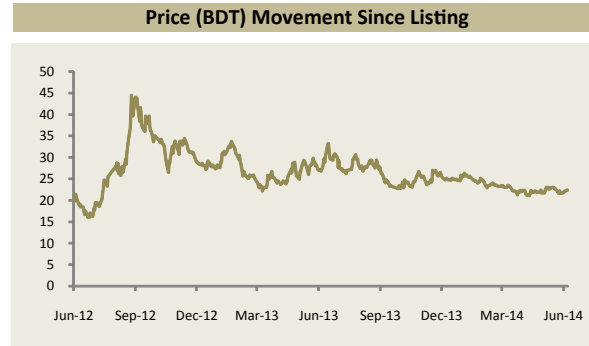
Source: Annual Reports & ILSL Research

In the first three quarters of 2013-14, the Company's quarterly Earnings per Share (EPS) was less volatile compared to those of 2012-13.



Source: Un-audited Financial Statements & ILSL Research

Holding Period return of the Company for the last one year is -24.6%. Here is the price trend –



Source: DSE Website & ILSL Research

**Company Personnel**

Name	Designation
S. M. Faisal	Chairman
Engr. Syed Ishtiaq Ahmed	Managing Director
Syed Shafqat Ahmed	Director
S. F. A. M. Shahjahan	Director
Mostafa Moin	Independent Director

Source: Annual Report & ILSL Research

**Concluding Remark**

Saiham Cotton Mills Limited, a sister concern of Saiham Group, produces high quality export yarn and considered as “deemed exporter”. Demand of yarn, by and large, prevails round the year, however, from September to April demand goes high. The annualized profit margins of 2013-14 showed negative growth compared to 2012-13 due to the volatility in raw cotton price which dampened the gross margin as well as subsequent other margins. As on Date, 14 days RSI of the Company was 53.40 and 14 days MFI was 40.88.

Source: Annual Reports, Prospectus, DSE website, the Financial Express, the Daily Star, BGMEA, BTMA, EPB, BB, ILSL Research, Company's Concerned Official

## MUTUAL FUND: MONTHLY UPDATE

### Performance of Mutual Funds

Mutual Fund Sector of DSE posted 1.7% loss over the month (29 May - 26 June, 2014), while the prime index of the bourse, DSEX, decreased by 0.5%. Price of 5 Mutual Funds increased, 31 Mutual Funds decreased and 5 Mutual Funds remain unchanged over the period. On the other hand, NAV @ Market Price of 20 Mutual Funds increased, 19 Mutual Funds decreased and 2 Mutual Funds remain unchanged. Out of 41 Mutual Funds, 37 were traded below their respective NAV. PHPMF1 had the lowest Price/NAV ratio (53.2%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (175.1%). Price of FBFIF Mutual Fund gained 6.6% whereas remain unchanged in NAV.

Name of Fund	NAV Per Unit @		Price 26 June, 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	50.58	18.31	40.3	79.7%	↑ 1.8%	↓ -1.9%	27 - 63.4	5.79	30/Jun/15	AIMS
GRAMEEN1	34.69	21.52	41.6	119.9%	↑ 2.8%	↓ -4.8%	29.4 - 84	6.90	4/Sep/15	AIMS
GRAMEENS2	19.21	13.25	15.5	80.7%	↑ 1.9%	↓ -4.3%	10.7 - 29.8	5.91	2/Sep/23	AIMS
RELIANCE1	12.44	12	8.8	70.7%	↑ 0.6%	↓ -1.1%	7.7 - 13	1.82	7/Jul/21	AIMS
1STICB	1282.48	205.19	913.0	71.2%	↓ -1.1%	↓ -3.8%	810 - 1068.2	0.01	31/Dec/14	ICB
2NDICB	297.79	115.27	264.1	88.7%	↑ 2.8%	↓ -5.4%	175.1 - 352	0.03	31/Dec/14	ICB
3RDICB	321.16	77.9	226.5	70.5%	↓ -1.0%	↓ -5.6%	135 - 270	0.04	31/Dec/14	ICB
4THICB	282.64	86.2	211.0	74.7%	↓ -2.1%	↓ -0.5%	122.1 - 242.1	0.07	31/Dec/14	ICB
5THICB	244.68	64.51	180.0	73.6%	↑ 0.6%	↓ -0.1%	100 - 235	0.20	31/Dec/14	ICB
6THICB	66.16	32.09	64.1	96.9%	↑ 1.1%	↓ -4.3%	40.5 - 77	0.27	31/Dec/14	ICB
7THICB	110.83	42.88	100.0	90.2%	↑ 1.5%	↓ -4.8%	66 - 115.9	0.03	31/Dec/14	ICB
8THICB	77.29	38.35	67.2	86.9%	↑ 1.7%	↓ -8.1%	47.1 - 82	0.19	31/Dec/14	ICB
1STPRIMFMF	10.28	16.17	18.0	175.1%	↓ -0.1%	↓ -5.3%	8.8 - 35.7	2.94	17/Mar/16	ICB AMCL
ICB1STNRB	24.49	34.89	30.4	124.1%	↑ 0.7%	↑ 1.0%	21.5 - 37.7	0.46	28/Mar/17	ICB AMCL
ICB2NDNRB	10.68	15.13	10.1	94.6%	↓ -0.1%	↑ 2.0%	8.4 - 16.5	0.57	27/Jul/18	ICB AMCL
ICB3RDNRB	7.5	11.41	4.9	65.3%	↓ -0.7%	↓ -2.0%	4.7 - 10.8	0.95	24/May/20	ICB AMCL
ICBAMCL2ND	8.06	12.97	6.1	75.7%	↑ 0.2%	↔ 0.0%	5 - 11.7	0.21	28/Oct/19	ICB AMCL
ICBEPMF1S1	7.68	11.69	5.5	71.6%	↑ 0.5%	↔ 0.0%	5.4 - 13.5	0.32	18/Jan/20	ICB AMCL
ICBISLAMIC	17.21	24.27	19.6	113.9%	↑ 1.2%	↓ -1.5%	16 - 28	0.38	5/Jan/15	ICB AMCL
ICBSONALI1	10.15	11.38	8.7	85.7%	↓ -1.8%	↔ 0.0%	6 - 13.2	0.92	12/Jun/23	ICB AMCL
IFILISLMF1	9.74	11.61	6.6	67.8%	↓ -1.5%	↓ -2.9%	4.1 - 9.4	1.15	22/Nov/20	ICB AMCL
PF1STMF	7.34	11.42	5.1	69.5%	↑ 0.1%	↓ -1.9%	4.6 - 12.4	0.45	9/May/20	ICB AMCL
PRIME1CBA	7.73	11.55	5.0	64.7%	↑ 0.5%	↓ -3.8%	4.8 - 10.6	0.31	2/Feb/20	ICB AMCL
AIBL1STIMF	9.89	10.36	7.2	72.8%	↓ -5.4%	↑ 1.4%	4.7 - 10.2	2.14	10/Jan/21	LR Global
DBH1STMF	9.93	10.84	5.7	57.4%	↓ -1.0%	↓ -5.0%	4.9 - 11.2	0.74	7/Feb/20	LR Global
GREENDELMF	9.86	10.6	5.3	53.8%	↓ -0.2%	↓ -3.6%	4.4 - 10.3	0.54	28/Sep/20	LR Global
LRGLOBMF1	10.69	11.15	6.5	60.8%	↓ -0.7%	↔ 0.0%	6.3 - 10.6	0.30	19/Sep/21	LR Global
MBL1STMF	9.85	10.39	5.3	53.8%	↓ -3.8%	↓ -11.7%	4.8 - 9.8	3.43	8/Feb/21	LR Global
NCCBLMF1	10.4	10.77	6.6	63.5%	↓ -1.0%	↓ -4.3%	6.4 - 13	0.37	24/May/22	LR Global
1JANATAMF	11.04	11.82	6.2	56.2%	↓ -0.8%	↓ -1.6%	4.9 - 10.3	1.03	20/Sep/20	RACE
ABB1STMF	12.08	11.19	7.0	57.9%	↑ 0.2%	↔ 0.0%	6.4 - 12.5	1.84	29/Jan/22	RACE
EBL1STMF	10.17	11.72	6.3	61.9%	↑ 0.6%	↓ -3.1%	6.1 - 10.3	0.66	19/Aug/19	RACE
EBLNRBMF	10.86	11.34	6.5	59.9%	↔ 0.0%	↓ -7.1%	6 - 11	0.01	23/May/21	RACE
EXIM1STMF	11.4	11.41	7.7	67.5%	↑ 0.3%	↑ 1.3%	6.5 - 11.5	0.01	16/Jul/23	RACE
FBFIF	11.2	11.2	8.1	72.3%	↔ 0.0%	↑ 6.6%	7.4 - 10.5	0.05	19/Mar/22	RACE
IFIC1STMF	10.87	11.53	6.2	57.0%	↓ -0.7%	↓ -4.6%	5.8 - 11.8	0.94	1/Apr/20	RACE
PHPMF1	10.52	11.96	5.6	53.2%	↓ -0.3%	↓ -3.4%	4.5 - 10.4	1.30	29/Nov/20	RACE
POPULAR1MF	11.16	12.19	6.3	56.5%	↓ -0.6%	↓ -3.1%	4.8 - 10	2.17	19/Oct/20	RACE
TRUSTB1MF	10.89	11.26	6.7	61.5%	↓ -0.5%	↓ -6.9%	5.8 - 12.8	2.15	27/Jan/20	RACE
NLI1STMF	12.58	12.41	8.9	70.7%	↑ 1.3%	↓ -1.1%	7.6 - 15.7	1.22	27/Feb/22	VIPB
SEBL1STMF	12.2	12.07	8.2	67.2%	↑ 1.3%	↓ -2.4%	7.6 - 12.6	1.72	23/May/21	VIPB

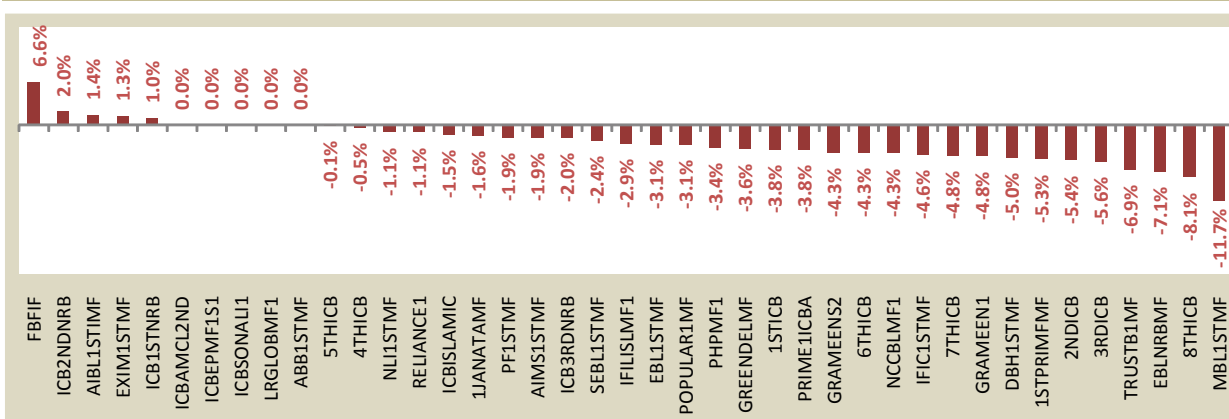
Source: DSE, ILSL Research

## Mutual Fund : Monthly Update

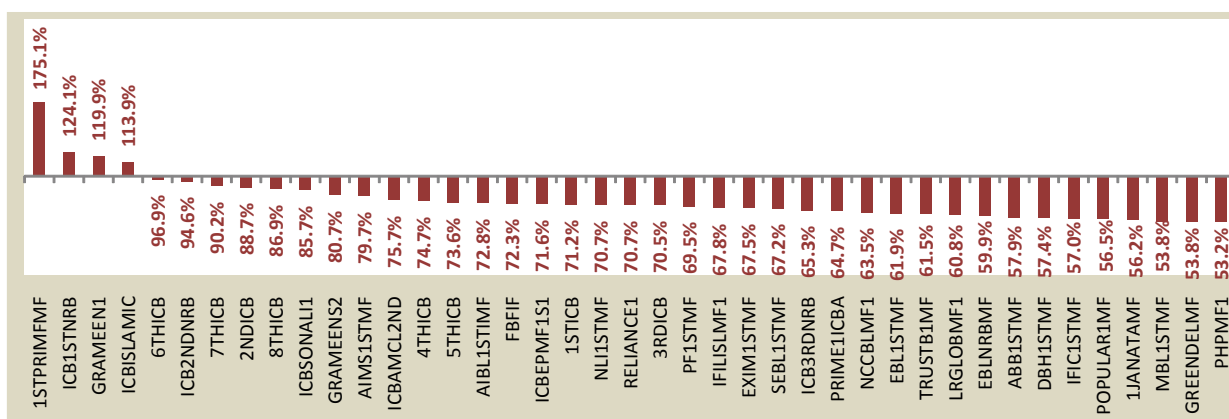
### Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turnover Leader	Avg Turnover (BDT mn)
2NDICB	2.8%	AIBL1STIMF	-5.4%	GRAMEEN1	6.9
GRAMEEN1	2.8%	MBL1STMF	-3.8%	GRAMEENS2	5.9
GRAMEENS2	1.9%	4THICB	-2.1%	AIMS1STMF	5.8
AIMS1STMF	1.8%	ICBSONALI1	-1.8%	MBL1STMF	3.4
8THICB	1.7%	IFILISLMF1	-1.5%	1STPRIMFMF	2.9
7THICB	1.5%	1STICB	-1.1%	POPULAR1MF	2.2
SEBL1STMF	1.3%	3RDICB	-1.0%	TRUSTB1MF	2.1
NLI1STMF	1.3%	DBH1STMF	-1.0%	AIBL1STIMF	2.1
ICBISLAMIC	1.2%	NCCBLMF1	-1.0%	ABB1STMF	1.8
6THICB	1.1%	1JANATAMF	-0.8%	RELIANCE1	1.8

### 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	6,375	14.7%	1.8%	1.65	8,024
ICB	3,131	7.2%	0.0%	3.28	15,902
ICB AMCL	6,622	15.2%	-0.4%	0.72	22,100
LR Global	9,124	21.0%	-1.6%	0.95	12,065
RACE	22,746	52.3%	-0.2%	0.96	20,107
VIPB	1,851	4.3%	1.3%	1.01	4,023

Source: DSE, ILSL Research

## Business Newsflash

### Economy

#### Foreign exchange reserves fall

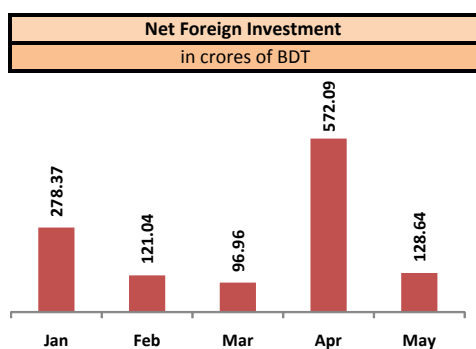
The Financial Express, June 2, 2014

Foreign exchange reserves slipped in May for the first time since December. Reserves at the end of May eased to USD 20.23 billion from a record high of USD 20.37 billion the previous month, but were up from USD 14.53 billion a year earlier. The reserves are enough to cover six months of imports...The country's exports in July-April, the first 10 months of the current fiscal year, increased 13% to USD 24.65 billion over the same period in the previous year on the back of clothing sales...Imports rose 17% to USD 29.77 billion in July-March on year-on-year after a more than 4.0% drop in the 2012-13 fiscal year that ended in June 2013. Remittances from NRBs fell nearly 4.8% to USD 11.73 billion in July-April from the year-ago period, although inflows rose 3.0% in April, the third straight month of gains....

<http://www.thefinancialexpress-bd.com/2014/06/02/37251>

#### Net foreign investment in stocks falls 77%

The Daily Star, June 2, 2014



Net foreign investment in Dhaka stocks fell 77% in May from April, as investor enthusiasm did not grow at the same rate as in the previous month. Overseas investors bought shares worth BDT 353.06 crore and sold shares worth BDT 224.42 crore, taking their net investment to BDT 128.64 crore last month. Local stockbrokers said net foreign investment rose to a record high of BDT 572 crore in April after overseas

investors went on a buying spree to take position after news of mergers between Holcim and Lafarge, and GlaxoSmithKline and Novartis....Banks are the foreign investors' preferred sector, but they are also interested in non-bank financial institutions, power and energy, pharmaceuticals, multinationals, telecoms and IT. In January-May, foreign investors bought shares worth BDT 2,164.97 crore and sold shares worth BDT 967.8745 crore to yield a net investment of BDT 1,197.01 crore, according to the premier bourse's data...

<http://www.thedailystar.net/business/net-foreign-investme-nt-in-stocks-falls-77pc-26651>

#### Exports accelerate 7% in May

The Daily Star, June 16, 2014

Exports rose 7.22% year-on-year to USD 2.72 billion in May, riding on higher clothing sales. "Buyers are regaining confidence in Bangladesh as the garment entrepreneurs have undertaken many positive reforms in the sector after the Rana Plaza collapse last April," said former president of Bangladesh Garment Manufacturers and Exporters Association. The three inspection agencies -Bangladesh University of Engineering and Technology, Accord and Alliance - are working to improve workplace safety and compliance, which has helped in regaining buyers' confidence on Bangladeshi clothing items, he added. Garment exports between July and May stood at USD 22.18 billion, up 14.87% year-on-year, according to the Export Promotion Bureau. Total export earnings in the first 11 months of the fiscal year stood at USD 27.37 billion, an increase of 12.56% from a year ago...

<http://www.thedailystar.net/business/exports-accelerate-7pc-in-may-28675>

#### Private Sector's Foreign Loans Rise Ten Times

The Financial Express, June 19, 2014

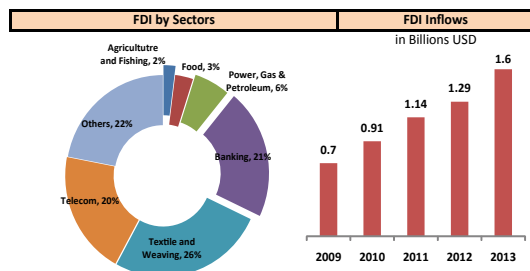
Borrowing funds from overseas sources by private-sector entities has shot more than ten times in just three years with the country's banking systems glutted with idle money. Borrowers and experts have attributed such a steep rise in overseas borrowing to the higher lending rates charges by local banks and other financial institutions. According to the Bangladesh Bank data, local companies borrowed USD 1,188.47 million in loans in 2013 against only USD 106.98 million in 2010.

Local companies are showing growing interest in foreign credits they get funds at nearly 5% interest, including six months' LIBOR rate, while the lending rates charged by the country's bank and financial institutions range from 13% to 17%.....

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

**FDI rises 24% despite political shocks**

The Daily Star, June 25, 2014



Inflows of foreign direct investment into Bangladesh rose 24% year-on-year to USD 1.6 billion in 2013 although the country witnessed serious political unrest and an anti-business climate during the period. FDI inflows increased 13.75% to USD 1.29 billion in 2012, compared to the previous year, according to United Nations Conference on Trade and Development (UNCTAD). The telecommunications and banking sectors brought a combined USD 651 million in FDI last year, while textiles and weaving received USD 422 million. The World Investment Report of the UNCTAD shows Bangladesh is placed as a distant second favoured investment destination in South Asia after India, which got USD 28 billion or 78% of the total FDI inflows into the region in 2013. Pakistan stood third in South Asia with USD 1.3 billion....

<http://www.thedailystar.net/business/fdi-rises-24pc-despite-political-shocks-30228>

**Stock Market**

**Book Building may be made mandatory for premium seekers**

The Financial Express, June 12, 2014

The securities regulator is likely to make in mandatory for the companies seeking to offer their primary shares with premium to go public using the book building method. The BSEC has initiated a process to bring about necessary changes to the public issue rules, making the book building method compulsory for the companies, which would demand premium while going public. The move came following criticism of the BSEC's approval of offer price of some companies under the fixed price method....

<http://www.thefinancialexpress-bd.com/2014/06/12/39169>

**Government holds back from taxing capital gains**

The Financial Express, June 29, 2014

The government finally scrapped the proposal for imposing tax on the capital gains earned by individual investors in the stock market by taking into account the demand made by stakeholders. Officials concerned said the rolling back of the taxing plan is part of steps for helping revival of the capital market that has been on a downslide since the 2010-11 burst of bubbles...The Finance minister proposed 10% tax rebate for listed companies which will provide 30% or more dividends instead of 20%....

<http://www.thefinancialexpress-bd.com/2014/06/29/42081>

**Banks**

**Put a curb on state banks' lending**

The Daily Star, June 16, 2014

The government should curtail lending operations of state-owned banks and ask them to focus only on deposit collection to save the troubled lenders, an economist said. "The banks should concentrate on deposit collection and invest the money in inter-bank lending business," said Ahsan H Mansur, executive director of Policy Research Institute (PRI). "Bailing out the bottomless basket will not work," he said at a

discussion on budget, at the office of Metropolitan Chamber of Commerce and Industry in the capital....Allocating an additional BDT 5,000 crore for capitalizing the banks without any efforts to improve their governance is certainly questionable, the former economist of the International Monetary Fund said at the seminar co-organized by the PRI and MCCI....He said the budget has made an effort to catalyze investment through higher spending on infrastructure projects such as highways and bridges, setting up special economic zones and power generation....

<http://www.thedailystar.net/business/put-a-curb-on-state-banks-lending-28671>

**Bank borrowing falls far below target**

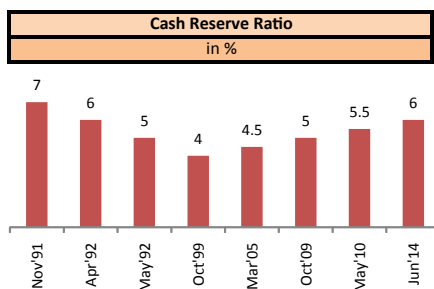
The Daily Star, June 22, 2014

The government's borrowing from the banking system stood at only 21% of its target in the first 11 months of the outgoing fiscal year due to slow implementation of development programmes. Between July 1 last year and June 9 this year, around BDT 6,359 crore was borrowed from banks against the revised target of BDT 29,982 crore. The amount borrowed during the period fell 57% year-on-year. Initially the government had a borrowing target of BDT 25,993 crore, which was raised by 15% in the revised budget. During the period, ministries spent only BDT 39,982 crore under the government's annual development programme, the amount being 67% of the revised allocation, according to Implementation Monitoring and Evaluation Division. The implementation was 69 percent in the same period a year ago....

<http://www.thedailystar.net/business/bank-borrowing-falls-far-below-target-29698>

**BB raises reserve requirement for banks**

The Daily Star, June 24, 2014

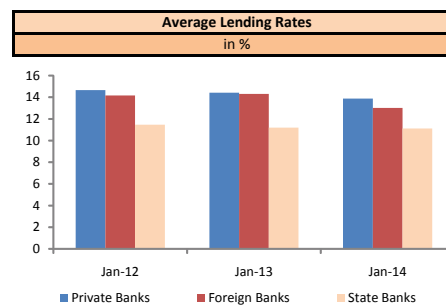


Bangladesh Bank raised the daily average reserve requirement for banks after a pause of four years to 6% from 5.5% in a bid to contain inflation. Also called the cash reserve ratio (CRR), reserve requirement is the minimum fraction of customer deposits and notes that each commercial bank must hold as reserves or place with the central bank rather than lend out...The higher the reserve requirement is set, the less funds banks will have to loan out, leading to lower money creation and perhaps ultimately to higher purchasing power of the money previously in use. The notice dispatched by the central bank asked banks to keep their CRR at 6.5% on a fortnightly basis. The move comes as banks sit on excess liquidity in the face of sluggish investment climate and businesses' increased tendency to obtain loans from abroad....

<http://www.thedailystar.net/business/bb-raises-reserve-requirement-for-banks-30061>

**Banks' lending rates dip to a record low**

The Daily Star, June 30, 2014



Commercial banks' lending rates have gone down to a three-year low due to a poor demand for money and a decline in their cost of funds, bankers said. The trend is also evident in the money market, which has been in a high degree of liquidity. "Our lending rates fell drastically and are still on a declining trend," said Pubali Bank. Pubali's lending rate went down 1-1.5 percentage points on average in one year and stands at 13% now. "Businesses are still shy of making investments; their confidence should be restored," said Mutual Trust Bank. It said, lending rates for commercial loans fell to 13.5% now, from 16.5% a year ago. The weighted average lending rates of private commercial banks stood at 13.87% in April this year,

which was 14.42% and 14.66% in April 2013 and April 2012 respectively, according to Bangladesh Bank data....

<http://www.thedailystar.net/business/banks-lending-rates-dip-to-a-record-low-31011>

## NBFI

### BB plans to gauge weaknesses of non-bank financial institutions

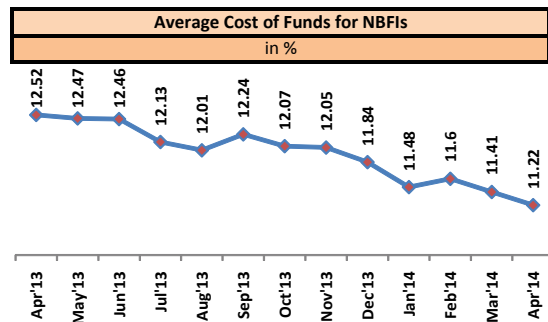
The Daily Star, June 18, 2014

Bangladesh Bank will use CAMELS rating to introduce an early warning system for non-bank financial institutions, Governor Atiur Rahman said. Rahman said the system will work automatically and help the regulator take preventive actions against flaws. The central bank uses the CAMELS (capital, assets, management, earnings, liquidity and sensitivity) rating to evaluate the overall strengths and weaknesses of banks and NBFIs... "There will be no mercy; we will strictly regulate the financial institutions," SK Sur Chowdhury, deputy governor of the BB, said....

<http://bd.thedailystar.net/business/bb-plans-to-gauge-weaknesses-of-non-bank-financial-institutions-29024>

### Non-banks' cost of funds falls on poor demand

The Daily Star, June 27, 2014



The cost of funds of non-bank financial institutions fell by more than 10% in one year due to surplus money in the market and a poor demand for loans from businesses. The weighted average cost of funds for non-banks came down to 11.22% in April this year, from 12.52% in the same month a year ago,

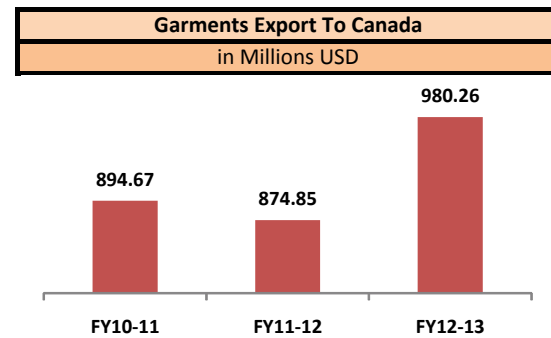
according to Bangladesh Bank data. "Direct deposit collections by NBFIs have played a big role in lowering the cost," said Asad Khan, managing director of Prime Finance and president of Bangladesh Leasing and Finance Companies' Association...The NBFIs had to rely on banks for funds till two years ago. They used to borrow from banks at market rates and lend those to businesses for a profit. Later, almost all the non-banks started collecting deposits directly from the market to reduce their costs....

<http://www.thedailystar.net/newsarchive/non-banks-cost-of-funds-falls-on-poor-demand-30575>

## Textile

### Garment exports to Canada surge 67% in five years

The Daily Star, June 1, 2014



Garment exports to Canada surged 67% in five years, thanks to price competitiveness of Bangladeshi products and duty-benefit in the North American country. Such exports were worth USD 587 million in fiscal 2008-09, which rose to USD 980 million in 2012-13, according to Export Promotion Bureau. Bangladesh exported garment items worth around USD 740 million during the first nine months of the current fiscal year, up from around USD 727 million in the same period in the previous year. 95% of goods exported to Canada from Bangladesh are apparel items. Total exports reached USD 1.09 billion in fiscal 2012-13 against USD 993 million in the previous year. Bangladesh has been enjoying a duty-free market access to Canada since 2003....

<http://www.thedailystar.net/business/garment-exports-to-canada-surge-67pc-in-five-years-26339>

**Chinese co to invest USD 1.2 billion for garment park development**

The Financial Express, June 15, 2014

State-owned Chinese firm Orient International (Holding) Co Ltd will make an investment of around USD 1.2 billion for the construction of Baushia Garment Park on the Dhaka-Chittagong highway in the Munshigonj district for relocation of garment factories from within and around the capital. The project cost will cover land development including payment of land value to owners and build the garment park with all its infrastructure and utility services ready for factories to move in....The BGMEA functionary said the Chinese firm will bear the entire cost of the project. The garment park will be located over 490 acres of land. The government will acquire the land while the Chinese firm will pay the cost of acquisition, estimated at around BDT 8.0 billion as per initial estimate. The park will accommodate 300 factories and those who want to move in there may either take allotment of plots or use factory shades that the Orient International will build for parties to move in on readily available space....

<http://www.thefinancialexpress-bd.com/2014/06/15/39531>

**Leather****Foreign buyers now looking to Bangladeshi leather goods: Sector sees BDT 358bn investment**

The Financial Express, June 29, 2014

Leading manufacturers of leather goods are turning to value addition to their products as the demand for high-end items is increasing significantly in recent times with foreigners turning their eyes to Bangladesh, industry- insiders said... For better quality and competitive price range the local leather goods are getting popularity in overseas markets, namely, in Italy, New Zealand, Poland, the UK, Belgium, France, Germany, the USA, Canada and Spain. Some other new destinations are also in sight. According to the Board of Investment (BoI) data, following the increase in demand for high-value products a total of 32 leather industrial units registered investment worth BDT 358 billion in a single year, 2013....

<http://www.thefinancialexpress-bd.com/2014/06/29/42024>

**Power****Orion's third power plant comes on stream**

The Daily Star, June 11, 2014

A 100MW heavy fuel oil-based power plant of Orion Group began commercial operations on June 8, 2014. The plant, Digital Power and Associates Ltd, a unit of Orion, is the first to achieve a commercial operation date, out of the six private power projects that received contracts in July 2012. This is Orion's third power plant, with the first two plants both being rentals: the 104MW IEL Consortium and 108MW Dutch Bangla Power plant. Located in Gognagar of Narayanganj on the bank of river Buriganga, the new power plant has a dozen Finnish engines by Wartsila and can supply 102MW of electricity to the national grid. The plant's engineering, procurement and construction were done by Orion's own team....Orion Group is also implementing two 660MW coal-based IPPs in Dhaka and Khulna. Another three similar IPPs of 1,300MW have recently been awarded to Orion.

<http://www.thedailystar.net/business/orions-third-power-plant-comes-on-stream-27955>

**New gas filed discovered: Rupganj mine may hold 50 Bcf reserves**

The Financial Express, June 22, 2014

A new gas field has been discovered in Rupganj of Narayanganj, close by the capital, which may hold a recoverable reserve of around 50 billion cubic feet (Bcf) of fossil fuel. The state-owned Bangladesh Petroleum Exploration and Production Company Ltd (BAPEX) declared the discovery of the small but commercially viable natural gas reserve, raising the number of country's hydrocarbon mines to 26 so far....

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

**1320mw coal-fired power plant to be set up in Patuakhali**

The Financial Express, June 29, 2014

The government would set up a 1320-megawatt (MW) coal-fired power station in Patuakhali and it is set to start the land development work at the proposed site of the plant, officials said. The state-owned North-West Power Generation Company Ltd (NWPGL) has



already sought approval of BDT 8.06 billion for land development at Dhankhali of Kalapara Upazila in south-western Patuakhali. A joint-venture of the NWPGL and a Chinese company would set up the coal-fired ultra-super critical power plant where the land would be developed by the state-owned power generation company. Meanwhile, the NWPGL has signed a Memorandum of Understanding (MoU) with the CMC China during the visit of Prime Minister Sheikh Hasina in Beijing early this month. A power division official said they had sent a BDT 8.06 billion project proposal to the Planning Commission for land development at the proposed project site in Patuakhali...

<http://www.thefinancialexpress-bd.com/2014/06/29/42088>

## Telecommunication

### Private terrestrial cable operators demand floor for bandwidth prices

The Daily Star, June 10, 2014

Private international terrestrial cable operators want the government to set a floor for wholesale bandwidth prices to help avoid unhealthy competition between private and public companies. Bangladesh Submarine Cable Company Ltd, a state-owned operator, has recently announced its plans to slash the price of international bandwidth by as high as 60% for both voice and data transmission, which has affected the business of the private terrestrial cable operators. Currently the ceiling is BDT 5,000 per Mbps for both private and public operators, but there is no lower limit....The country has six private terrestrial cable operators who also serve as a backup for the lone submarine cable that has a 60% market share in wholesale bandwidth business. The recent decision of Submarine Cable to slash bandwidth price will affect the business of the private operators, said the managing director of Fiber@Home, a private terrestrial cable operator.....The new prices of the state-run company may be approved by the telecom ministry soon. After the price cuts by Submarine Cable, the price for the IIGs, which purchase a huge amount

of bandwidth, will be BDT 855 per Mbps, and for the ISPs it will be BDT 1,350.

<http://www.thedailystar.net/business/private-terrestrial-cable-operators-demand-floor-for-bandwidth-prices-27811>

### BTCL to get ITC licence to sell internet bandwidth

The Financial Express, June 21, 2014

The country's telecom regulator is going to issue another licence in International Terrestrial Cable (ITC) category to make competitive the business of bandwidth, official sources said. The licence will be issued to the Bangladesh Telecommunication Company Ltd (BTCL) subject to payment of application and licence fees in future and without payment of performance bank guarantee money, according to the regulator. Already, the Bangladesh Telecommunication Regulatory Commission (BTRC) approved the matter and is waiting to award the licence. A BTRC official said as a government institution, the BTCL is getting the licence without prior payment of licence acquisition and application fees and without any performance bank guarantee money. As per the ITC guideline, the application fee is BDT 1,00,000 while the license acquisition fee is BDT 20 million, annual license fee BDT 5.0 million and performance bank guarantee BDT 10 million. The BTCL now uses the services of the country's lone submarine cable, SEA-ME-WE 4. The licence will enable the company to use and sell its own internet bandwidth...

<http://www.thefinancialexpress-bd.com/2014/06/21/40584>

### New company to get telecom transmission licence

The Daily Star, June 27, 2014

The telecom ministry plans to award the third transmission licence to Bahon Ltd among four companies that sought permissions. Bahon will join two other national telecommunication transmission network (NTTN) companies Fiber@Home and Summit Communications...

<http://www.thedailystar.net/newsarchive/new-company-to-get-telecom-transmission-licence-30582>

### Editorial Panel

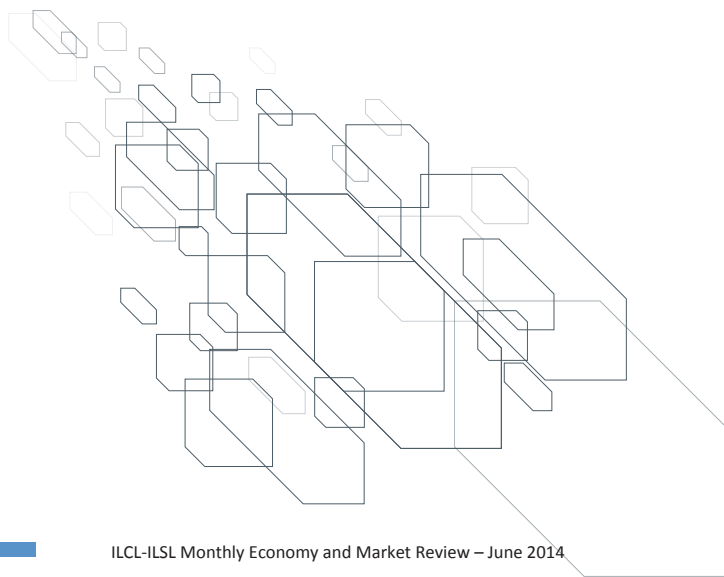
Nehal Ahmed FCA	Managing Director, IL Capital	nehal@ifsl.com
Saad Faisal	Chief Operating Officer, IL Capital	saad@il-capital.com
Md. Humayan Kabir, ACA	Chief Operating Officer, ILSL	humayan@ilsibd.com

### IL Capital Research Team

Md. Mustafa Kamal	Assistant Manager	mustafa@il-capital.com
Shama Rahman	Senior Executive	shama@il-capital.com

### ILSL Research Team

Rezwana Nasreen	Head of Research	rezwana@ilsibd.com
Towhidul Islam	Research Analyst	tislam@ilsibd.com
Md. Tanvir Islam	Research Analyst	tanvir@ilsibd.com
Miraz Islam Chowdhury	Jr. Research Analyst	chowdhury@ilsibd.com





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

Printers Building (14th Floor) , 5, Rajuk Avenue Dhaka -1000,  
Tel: +88-02-9515573, Fax: +88-02-7117559  
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Printers Building (3rd Floor), 5 Rajuk Avenue, Dhaka-1000.  
Phone: +88-02-9577305 (Hunting); Fax: +88-02-9577691  
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