

ILCL-ILSL MONTHLY Economy and Market Review

September : 2014 Issue : 13

Textile Industry : Growth & Export



www.il-capital.com



www.ilsbd.com

IL Capital Limited and International Leasing Securities Limited are subsidiaries of International Leasing and Financial Services Limited



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?

Faced with such dilemmas, what you need is an expert who can offer a wide array of financial services and benefits with comparative analyses of feasible alternatives.

Yes. IL Capital can do this for you. We offer –

- Issue Management & Underwriting
- Loan Syndication & Private Equity
- Merger & Acquisition
- Advisory Services for any other Financial Restructuring requirement that our clients may have

Realizing Your Investment Dream

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

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

Please visit our website www.il-capital.com for further information.



Editorial

Eid Mubarak and welcome to our September 2014 issue. 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 **Textile 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-



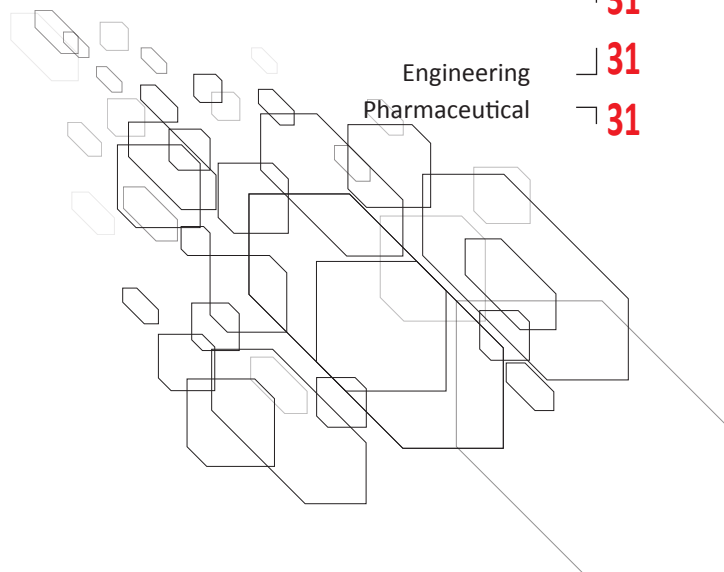
Nehal Ahmed FCA
Managing Director
IL Capital Limited

ILCL-ILSL MONTHLY

Economy and Market Review
September, 2014

Table of Contents

Economy Update	01
Ten Bulls Inside DSEX	11
Market Update	12
Textile Sector Of Bangladesh	16
Equity Note: Square Textiles	20
Argon Denims	21
Envoy Textiles	22
Generation Next Fashions	23
Mutual Fund: Monthly Update	24
Business Newsflash	26
Economy	26
Stock Market	27
Banks	29
NBFI	30
Textile	30
Power	31
Engineering	31
Pharmaceutical	31



Economy Update

Summary

- Real GDP growth in FY2014 was 6.12% which was mainly driven by financial intermediaries
- Inflation fell below 7% level in August 2014
- Private sector credit growth continues to decelerate at 11.3% in July 2015 YoY
- Import increased 0.7% and export decreased by 1.4% in July 2014 yoy.
- FX reserves continued to increase and reached to at USD 22.1 billion in August 2014
- Call money rate jumped to 9% in September 2014 YoY before the twine festivals

GDP

Bangladesh achieved 6.12% real GDP growth in FY2014 according to latest central bank data. Sectors outperforming this growth rate were the Financial Intermediaries (9.12%), Construction (8.56%) and Manufacturing (8.68%). The Manufacturing sector was also 18.99% of the total GDP at constant market price. The sectors which underperformed the GDP growth rate were: Real Estate (4.25%) and Agriculture (2.46%).

Insights

Agriculture growth could not increase as it was held up by higher input costs and unfavorable weather conditions. Financial intermediaries' splendid growth was driven by their increased activity in the first half of FY2014.

Inflation

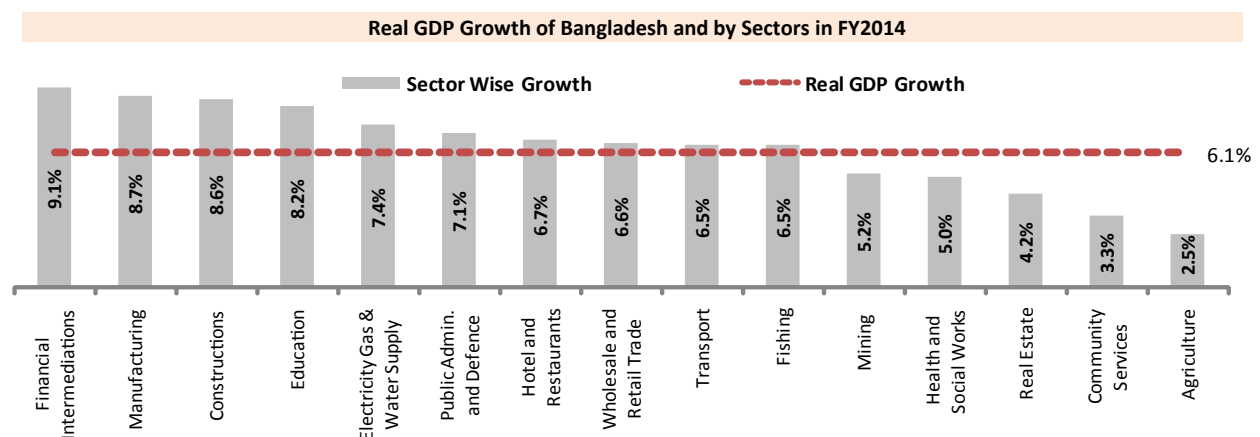
The headline inflation stood at 6.91% in August 2014 on a point to point basis, which was 7.04% in the previous month. The fall in inflation was mainly contributed by lower food inflation. The point-to-point food inflation was at 7.67% in August 2014, which was 7.94% on the month before. As for Non-food inflation, the point-to-point rate stood at 5.76%, which was 5.71% in July 2014. In rural areas, the general rate of inflation was 6.83% in August as against 7.08% in urban areas.

Insights

The overall inflation on point-to-point basis observed a moderate decline to 6.91% in August due to falling imported food prices. However, present level of non-food inflation is very low at 5.76% in August 2014 driven mainly by healthcare and furniture products which held 3.1% and 3.6%inflation respectively during the period.

Balance of Payment

The current account balance declined by 35.2% to USD 1,547 million in FY2014 compared with USD 2,388 million in the FY2013. Meanwhile, the total import slightly increased by 0.7% on a YoY basis and stood at USD 3,147 million in July 2014 compared to USD 3,125 million in the corresponding month of 2013. On the other hand, YoY export degrowth in July 2014 was 1.4% and it was 7.4% in August 2014.



Sources: Bangladesh Bank and IL Capital Research

Insights

The country faced a decline in imports in the month of July 2014 (USD 3,148 million) from the previous month of June 2014 (USD 3,247 million). Petroleum LC opening declined by 43.0% during the period. Import of Capital machinery also fell, but LC opening of industrial raw materials increased by 5.5% during the same month. However, import in August was robust with 43.7% growth. The businessmen imported more capital machinery and raw materials for the garment sector in last month as political unrest in the country slightly eased in recent months. Import of rice was also increased by 37.4% in August 2014.

Foreign Exchange Reserve and Remittance

The country's net foreign asset in FY2015 July was BDT 1,6262 billion, a 39.3% growth from the corresponding month in FY2014. The foreign exchange reserve for August FY2015 accounted for USD 22.1 billion, which was USD 16.3 billion in August FY2014. On the other hand, remittance for the month of August FY2015 approximated to USD 1.16 billion, a 14.8% YoY growth from the corresponding month in FY2014. The foreign direct investment also decreased to USD 1,550 million in the FY2014 from USD 1,726 million in the FY2013.

Insights

In the budget the government has set 7.3% growth target. As per ADB, to achieve the target, the country will need to increase total investment to 34.3% of GDP, around 6 percentage points higher than the current level 28.7%. Net foreign trade and services increased as garment sales grew. Growth in private consumption gained momentum, influenced by remittance inflows, though expansion in private credit slowed. Although the YoY remittance shows growth, it is not the same for the month on month trend. In August FY2014, the remittance was USD 1,160, which was 22.2% lower than remittance on July FY2014. The number of expatriates also stood at 6, 91,000 in the FY2012, whereas the number declined to 4, 41,000 in the FY2013 and stood at 2, 64,000 in the first eight months of the FY2014.

Money Supply and Financial Sector

The actual monetary growth rate increased in July 2014 to 16.5% from 16.1% in the previous month with the decrease in interest rates as expected. From the IMF report, it is known that the reserve money growth target was fulfilled by the Bangladesh Bank in March 2014. Reserve money growth on a YoY basis was 21.2% in July 2014 which was 10.8% in the previous month. The Private sector credit growth increased from 12.3% in June 2014 to 11.3% in July 2014. On the other hand, the Public sector credit growth increased to 10.3% in July 2014 from 8.9% in the previous month.

Insights

Money supply increased in July 2014 due to increase in credit to the public sector other than the government which increased by 27.8% during the period. However, increase in net credit to the government sector was low which grew by 8.7% only during the period. On the other hand, major contributors of 11.3% growth in private sector credit in July 2014 YoY were the NBFIs which are increasing their share rapidly. As of March 2014, NBFIs achieved 41.5% private sector credit growth compared to 11.5% of banks.

Money Market

In the month of August 2014, the local call money rate observed some declining trend. The Central Bank supported commercial banks through Repo, Reverse Repo and ALS windows. Bangladesh Bank accepted 91-day T-Bill and 364-day T-Bill. The cutoff yield of 91-day was 6.8% and 364-day was 7.8%. On the other hand, Treasury bond at yield of 11.5% and 11.8% respectively. The weighted average call money rate stood at 7.4% on September FY 2015 while it was 5.9% on the previous month.

Insights

The inter-bank call money rate jumped to 9% and a total of BDT 7,497 crore was transacted in the call money market on in the last day of September 2014 due to high demand of cash prior to the Eid.

Sovereign Rating of Bangladesh

Bangladesh continues 'STABLE' sovereign outlook by the major international raters despite political uncertainties and RMG safety issues. This is an outstanding performance considering that the forward linkage economies like the Eurozone have slowed their recovery. The country has achieved better sovereign rating compared to the major regional peers Pakistan and Sri Lanka. The ratings reflect the country's level of economic development and the degree of vulnerability to fiscal and external funding stresses.

Major drivers for STABLE outlook

- Strong and resilient economic growth: Real GDP is estimated to be more than 6% projected by IMF and ADB in FY2015 and 2016. If political activities remain moderate, further economic growth is expected in the following years.
- Moderate level of political tensions: Very recent political activities led by the war criminal trials have posted moderate level of political apprehensions. If the situation deteriorates, it could take good toll on growth.
- Recovery of weak state run banks: Promising intervention by the central bank to recover the weakening of the state-run and specialized banks could help absorb the financial sector shock.
- Improving BoP performance: Current account surplus representing ca. 1.7% of GDP for 2013 and falling net external debt have contributed to strong BoP performance which could continue into FY2015. The country's external liquidity position is also comfortable on the back of high foreign reserves.

S&P rated BB- with Stable outlook

On May 30, 2014, S&P affirmed its 'BB-' long-term and 'B' short-term sovereign credit ratings on the People's Republic of Bangladesh. The outlook is stable. The transfer and convertibility (T&C) assessment remains 'BB-'. The rater stated that the ratings could be upgraded if the revenue base is expanded and if energy, infrastructure, and administrative bottlenecks are materially reduced.

Moody's affirmed Ba3 with Stable outlook

On April 29, 2014, Moody's affirmed Bangladesh Ba3 with stable outlook. The ratings reflect the country's stable and healthy growth path and limited vulnerability to fiscal and external funding stresses. According to the rater, under the Extended Credit Facility (ECF) program with the International Monetary Fund (IMF) that began in 2012, the government has progressed considerably in the implementation of structural reforms.

Fitch rated 'BB-'; Outlook Stable

Fitch Ratings affirmed BB- and stable outlook on August 29, 2014. The rater has estimated that both Bangladesh's ready-made garment exports and remittances from workers abroad could continue to be strong, supporting the relatively favorable current account balance levels compared with peers.

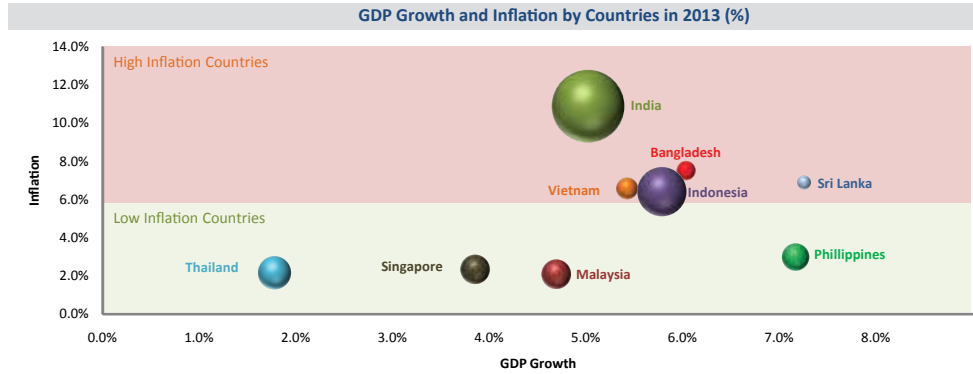
Remarks

Acceleration in economic growth, moderate level of inflation, sound fiscal balance, moderate level of political tensions and sound external balance could help sustain and improve the sovereign ratings.

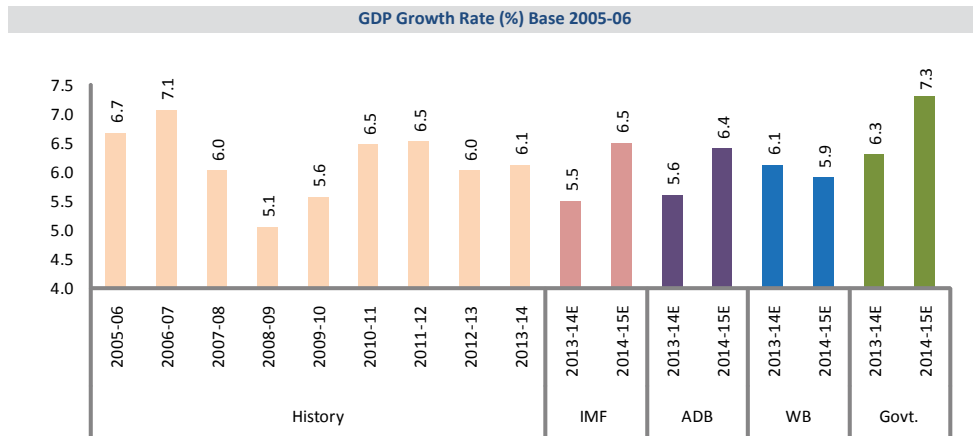
Countries	S&P		Moody's		Fitch		Trading Economics	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
BANGLADESH	BB-	STABLE	Ba3	STABLE	BB-	STABLE	40.0	STABLE
INDIA	BBB-	STABLE	Baa3	STABLE	BBB-	STABLE	47.1	NEGATIVE
PAKISTAN	B-	STABLE	Caa1	STABLE			10.8	STABLE
SRI LANKA	B+	STABLE	B1	STABLE	BB-	STABLE	37.5	STABLE
PHILIPPINES	BBB	STABLE	Baa3	POSITIVE	BBB-	STABLE	45.6	POSITIVE
THAILAND	BBB+	STABLE	Baa1	STABLE	BBB+	Stable	58.8	STABLE
MALAYSIA	A-	STABLE	A3	POSITIVE	A-	Negative	66.5	STABLE
SINGAPORE	AAA	STABLE	Aaa	STABLE	AAA	STABLE	98.6	STABLE
VIETNAM	BB-	STABLE	B1	STABLE	B+	Positive	25.2	STABLE
INDONESIA	BB+	STABLE	Baa3	STABLE	BBB-	STABLE	48.5	POSITIVE

Source: Trading Economics, World's largest economic data provider.

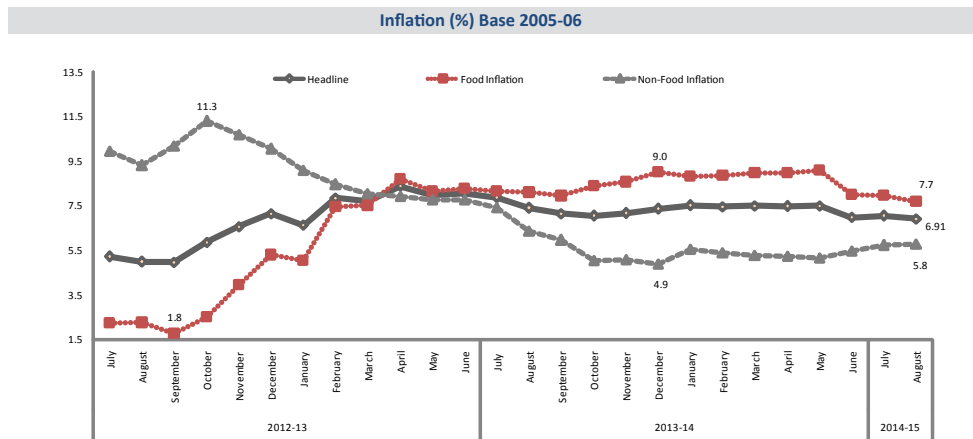
GDP:



Note: Size of the ball represents GDP size (USD in bn) for the respective countries.
Source: World Bank Data and IL Capital Research



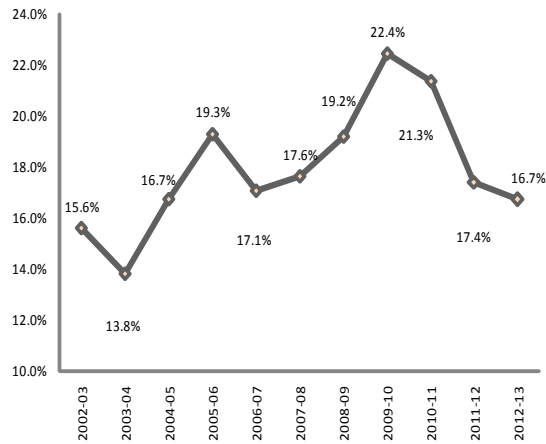
Inflation:



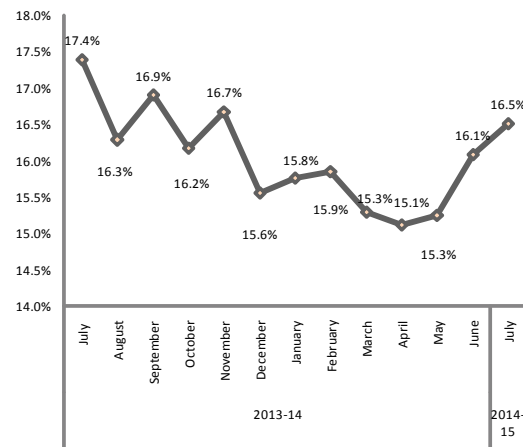
Source: Bangladesh Bank and IL Capital Research

Money Supply:

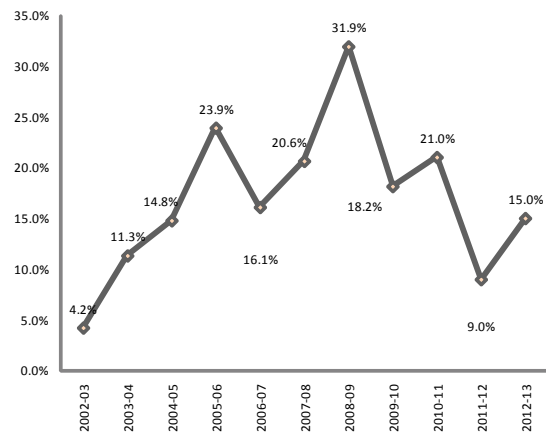
Annual Broad Money Supply (M2) Growth Rate (%)



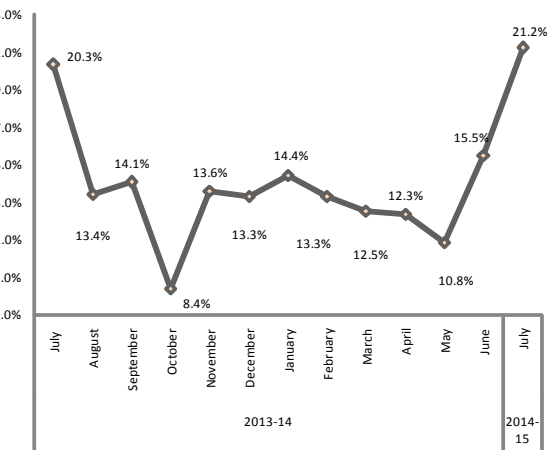
Monthly Broad Money Supply (M2) Growth yoy (%)



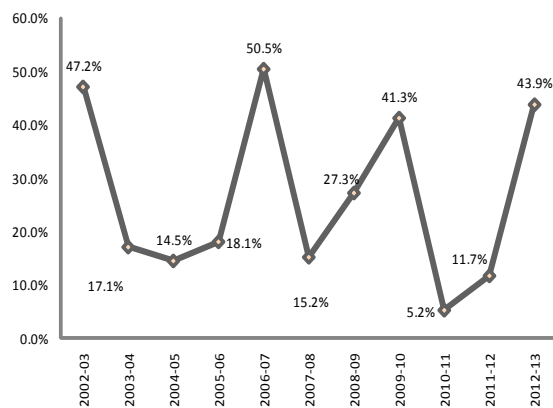
Annual Reserve Money Growth Rate (%)



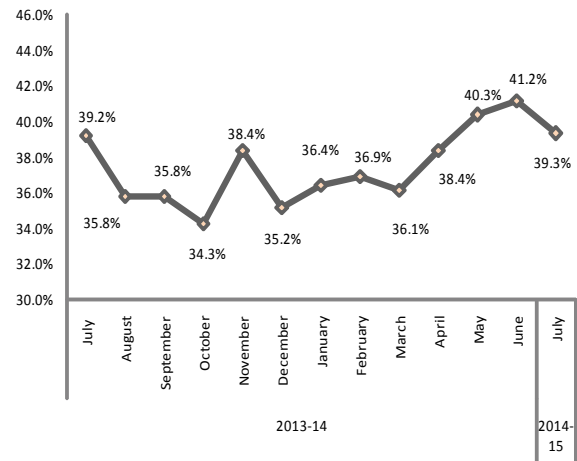
Reserve Money Growth yoy (%)



Annual Net Foreign Assets Growth Rate (%)

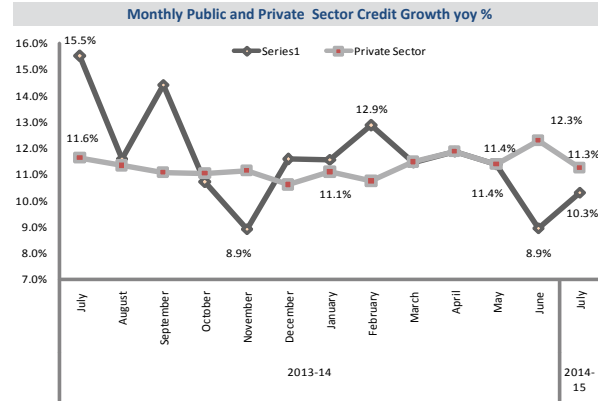
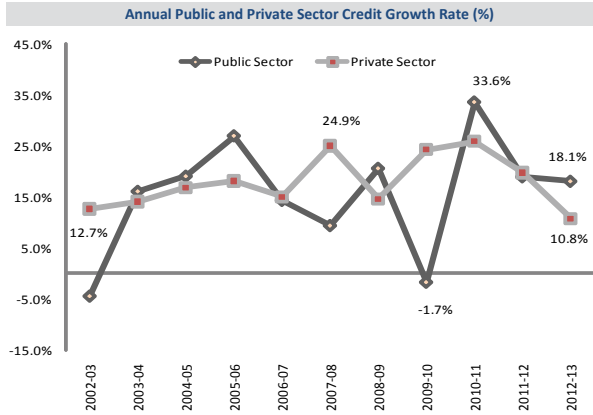


Net Foreign Asset Growth yoy (%)



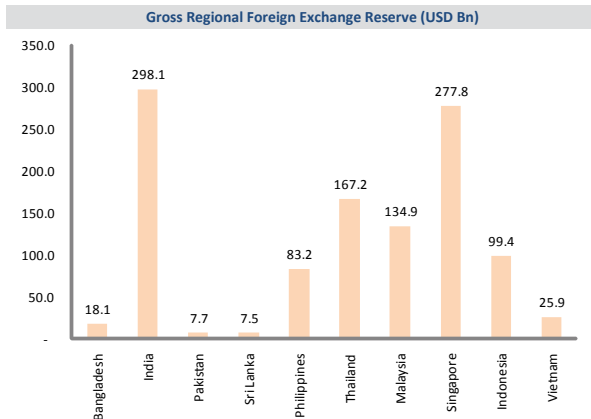
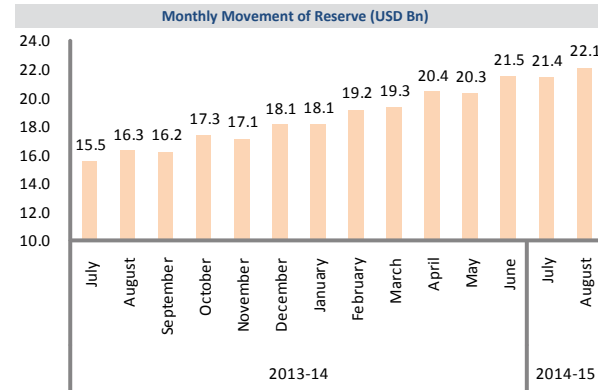
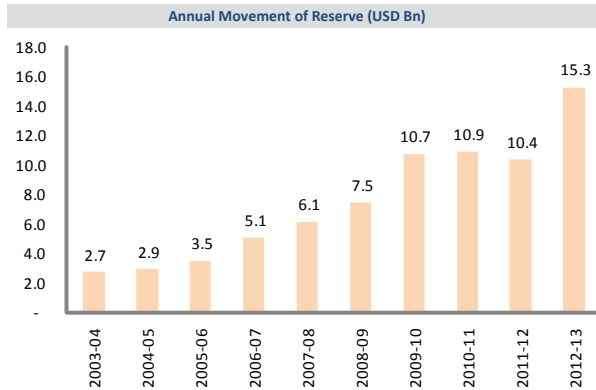
Source: Bangladesh Bank and IL Capital Research

Money Supply (Continued):



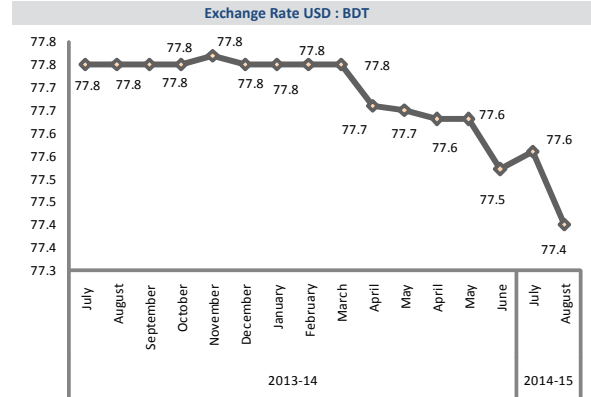
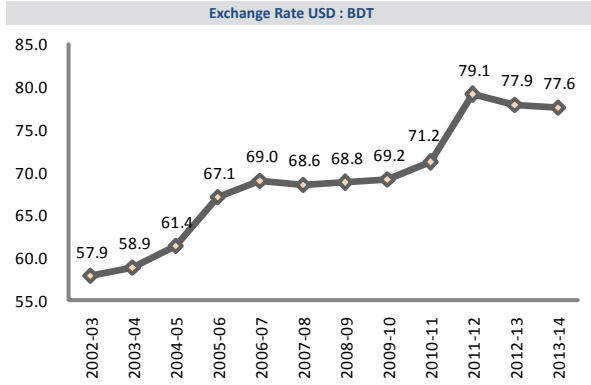
Monetary Aggregates Y-o-Y Growth (%)						
Items	Actual				Program	
	FY10	FY11	FY12	FY13	Dec-13	Jun-14
Net Foreign Assets	41.0	6.2	7.2	50.4	19.3	10.0
Net Domestic Assets	19.0	24.7	19.3	11.0	16.8	18.6
Domestic Credit	17.5	28.2	19.2	10.9	19.3	17.8
Credit to the Public Sector (incl. Govt.)	4.2	38.3	17.4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

Reserve:

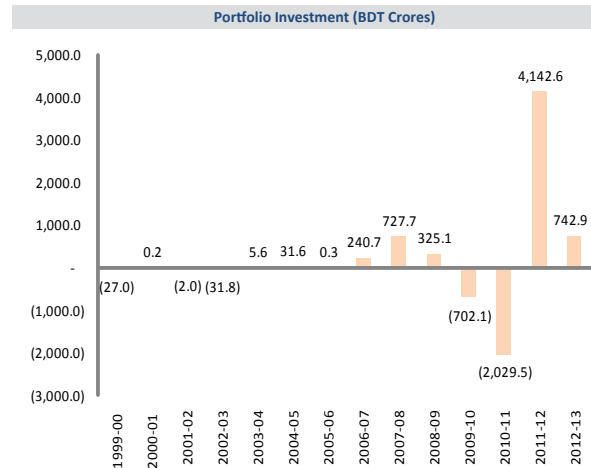
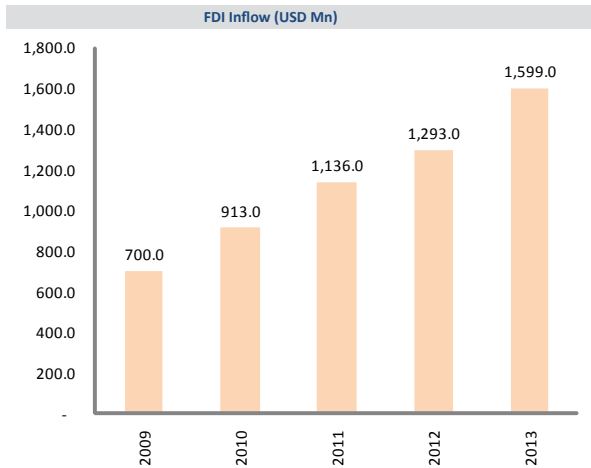


Source: Bangladesh Bank and IL Capital Research

Exchange Rate:

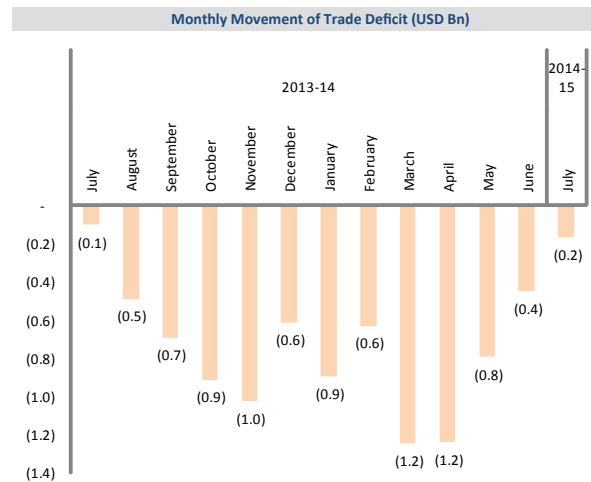
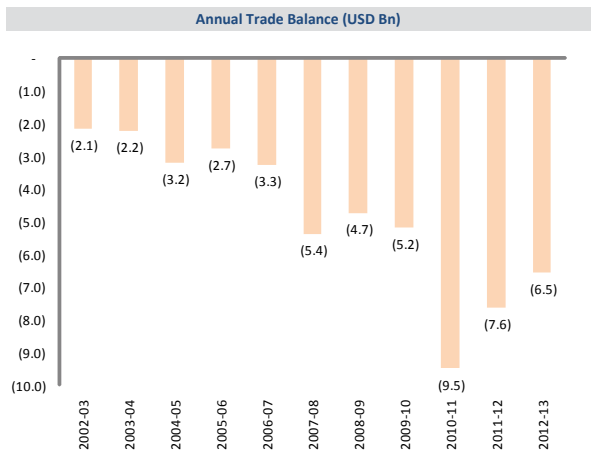


FDI Inflow and Portfolio Investment:



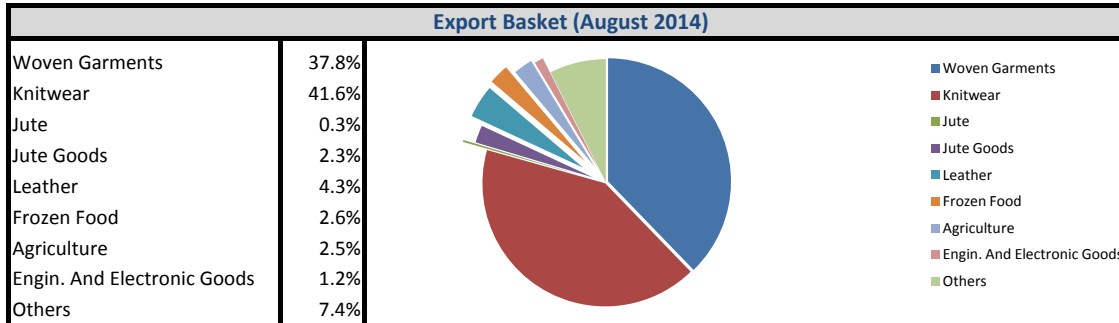
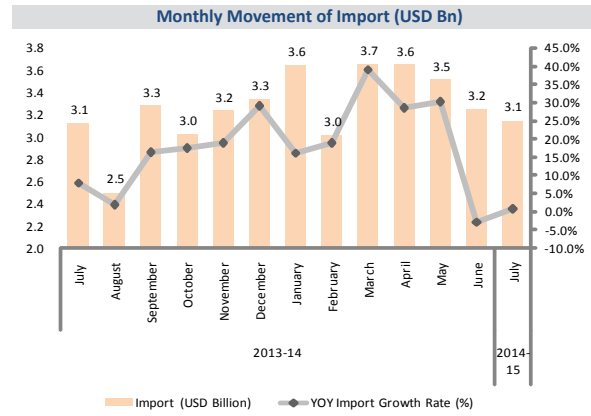
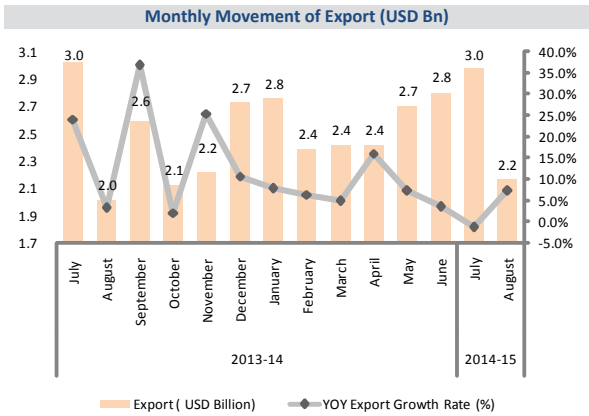
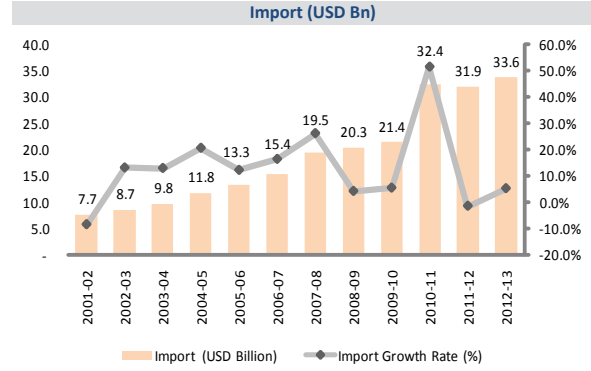
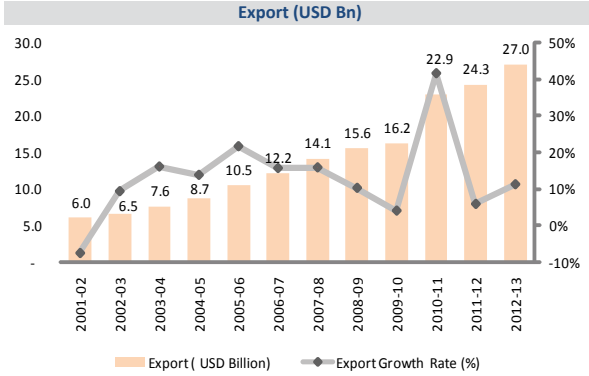
Source: World Investment Report 2014, UNCTAD and IL Capital Research

International Trade:

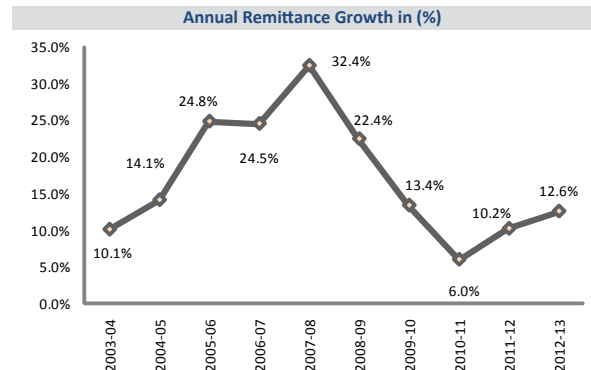
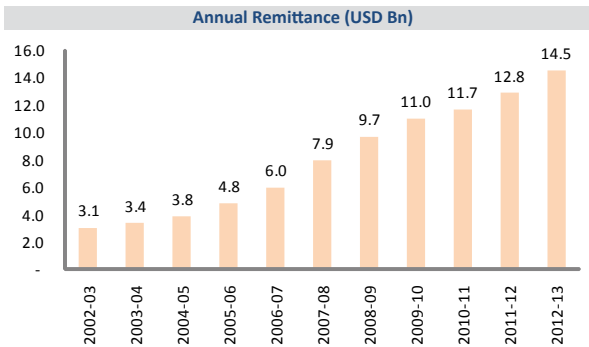


Source: Bangladesh Bank and IL Capital Research

International Trade (Continued):

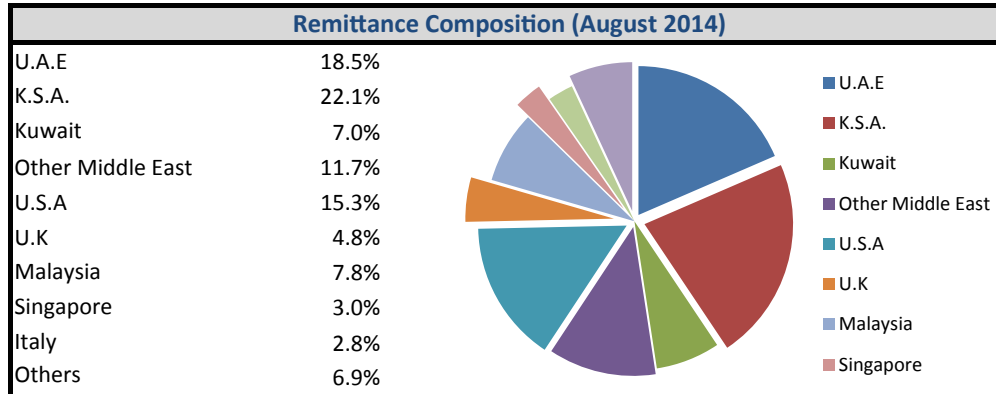
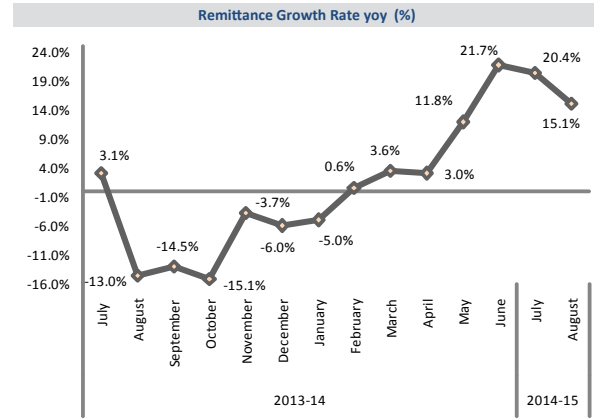
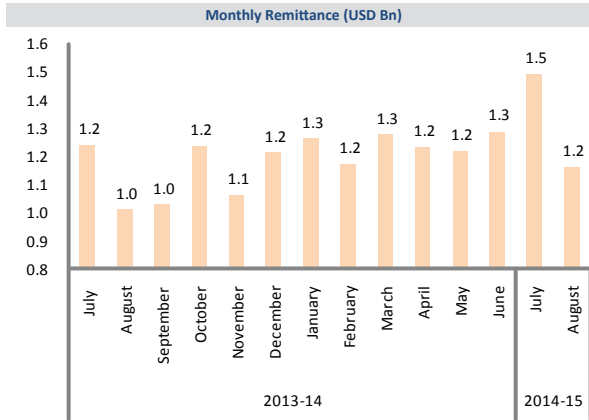


Remittance:

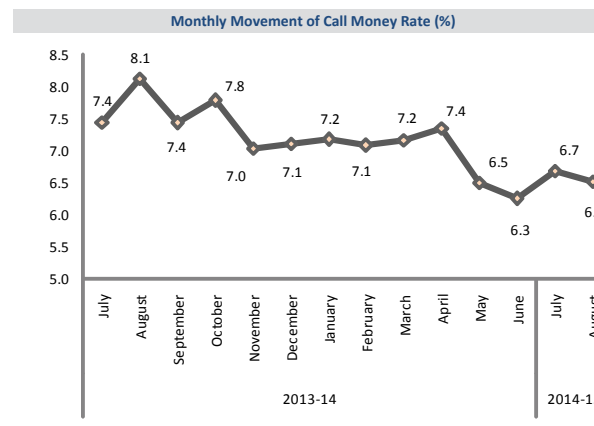
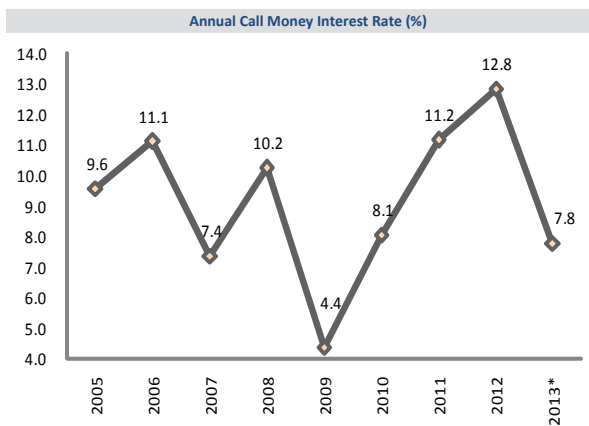


Sources: DSE and IL Capital Research

Remittance (Continued):



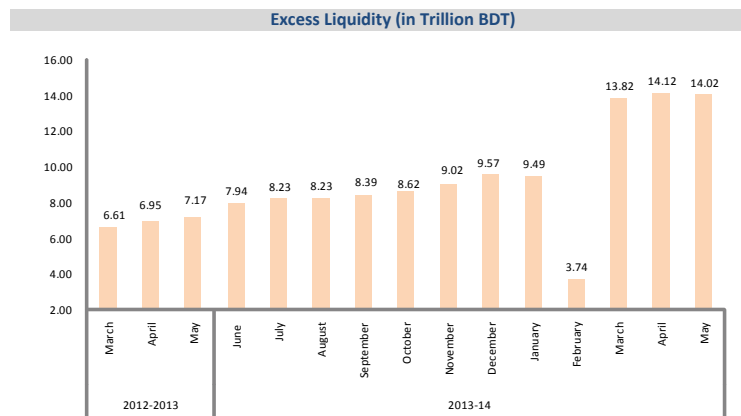
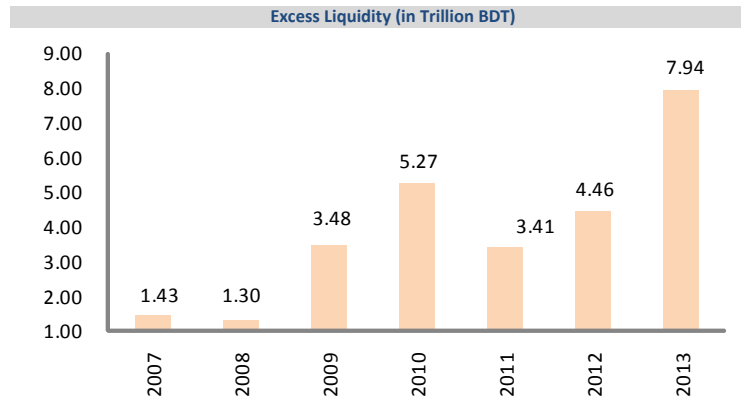
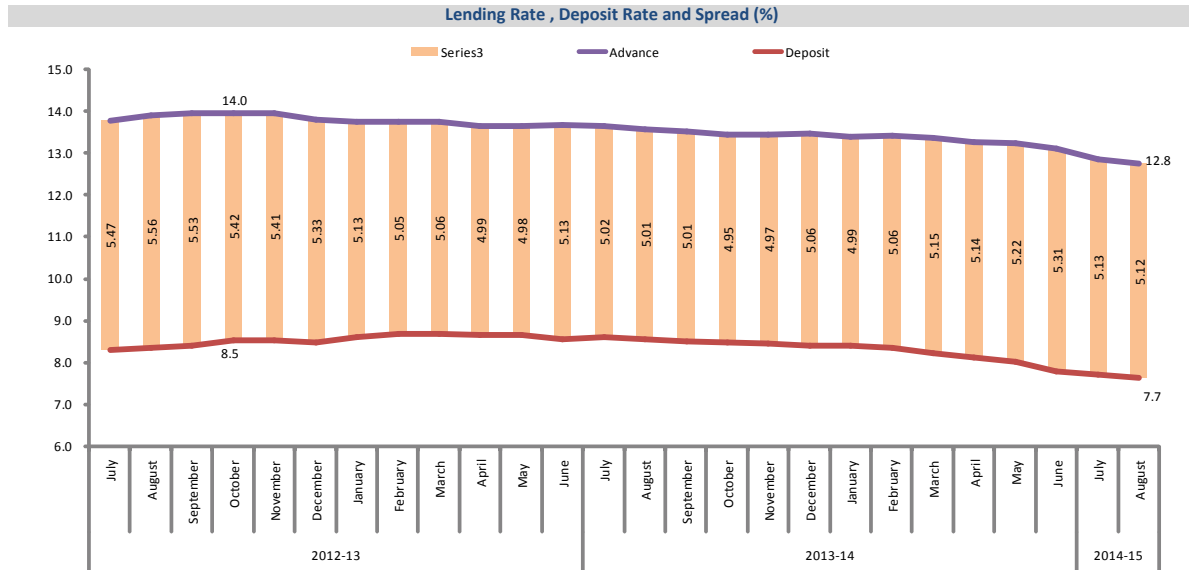
Interest Rate:



* Data up to March 2014

Sources: DSE and IL Capital Research

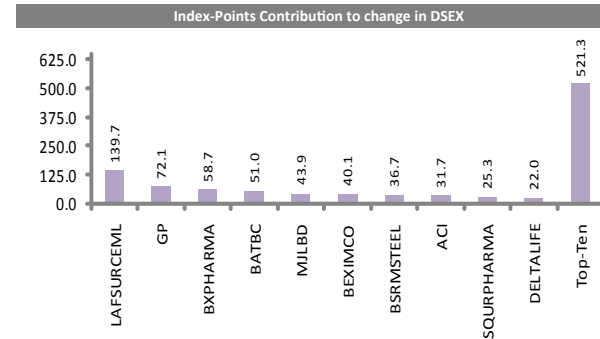
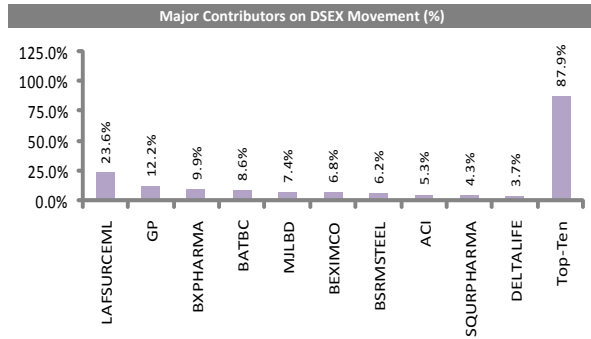
Interest Rate (Continued):



Source: Bangladesh Bank and IL Capital Research

Ten Bulls Inside DSEX (July-September, 2014)

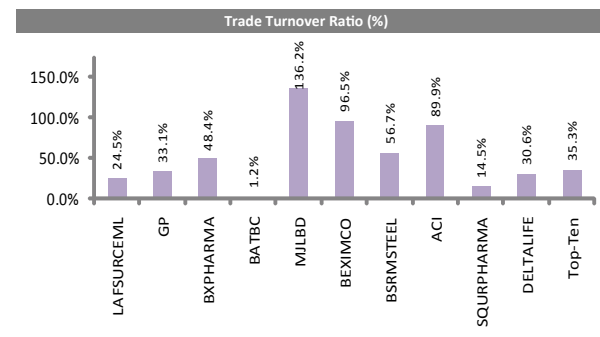
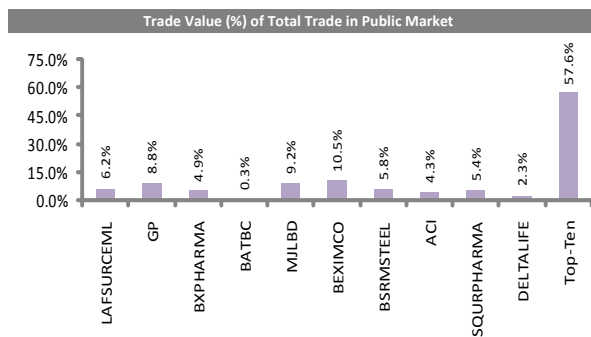
The benchmark index DSEX was introduced on January 27, 2013 with initial value of 4055 points. As of September 30, 2014 DSEX closed at all-time high at 5074 points. Although some of the major sectors such as: Bank, Textile and Insurance could not outperform DSEX during the period of July to September 2014, the major players in terms of free float adjusted capitalization did the job. Here is the list of ten stocks which significantly contributed to the DSEX movement for the said period.



Source: Dhaka Stock Exchange and IL Capital Research

During the period from July 01, 2014 to September 30, 2014 DSEX added 593 points. Our research found only ten major stocks movement can explain 88% of the index move. The major contributors were Lafarge Surma Cement (24%), Grameen Phone (12%) and Beximco Pharma (10%).

For simplicity we may interpret the changes in terms of index points. From that perspective Lafarge Surma Cement alone added 140 points followed by Grameen phone and Beximco Pharma with 72 and 59 points respectively. The total point added by these ten stocks is 521.



Source: Dhaka Stock Exchange and IL Capital Research

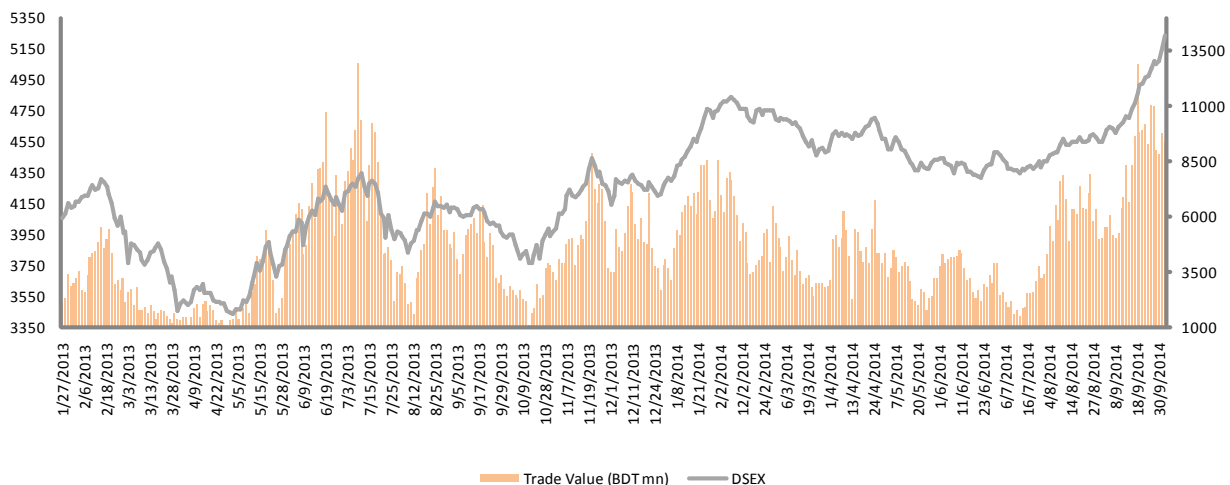
Our trade analytics flag another finding looking at trade volume. The aggregated trade value for these ten stocks is 57.6% of the total trade executed in the public market for the said period. Among these the trade value of Beximco Limited was the highest (10.5%) followed by MJL Bangladesh (9.2%), Grameen Phone (8.2%) and Lafarge SurmaCement (6.2%).

However, the trade turnover ratio in terms of average free float market cap for these ten stocks as a whole was 35.3%. Among these shares the trade turnover ratio of MJL Bangladesh was the highest (136.2%) during this period. The other major players were Beximco Limited (96.5%), ACI Limited (89.9%) and BSRM Steel (56.7%). This indicator simply reflects the velocity of trade generated during the period.

MARKET UPDATE:

- The benchmark index of Dhaka Stock Exchange (DSEX) gained 18.9% in last nine months.
- During the month of September 2014, Market (DSEX) closed up by 11.5%, mainly driven by the up-trend in share prices of NBFIs, Life insurance, Cement, Telecommunication and Banks.
- The major sectors that gained during the month of September 2014 were NBFIs (24.5%), Life Insurance (21.8%) Cements (21.7%), Telecommunication (17.3%) and Banks (10%).
- On the other hand, the major loser sectors were Textile (-2.9%) and Travel & Leisure (-0.9%) in September 2014.
- Among the companies traded in the Dhaka Stock Exchange (DSE), ACI Formulations Limited (82.2%), Peoples Leasing and Financial Services (73.3%), Summit Alliance Port Limited (66.8%), RAK Ceramics (54.1%) and Delta Life Insurance (51.5%) were the top gainers in September 2014.
- On the other hand, major loser companies were Khulna Printing & Packaging (-31.9%), Far East Knitting & Dyeing Industries (-24.9%) and Far Chemical Industries (-23.9%) in September 2014.
- During the month of September 2014 the average daily turnover of Dhaka Stock Exchange was up by 19.4% to BDT 7.57bn from BDT 6.34bn in August 2014. Average daily turnover of Ceramic sector increased by 370.1% followed by Life Insurance (231.3%) and NBFIs (137.3%) in September 2014. However, average daily turnover of Textiles, Mutual Funds, Miscellaneous and Telecommunication sector declined by 33.8%, 15.2%, 15.1% and 11.6% respectively in the same period.
- There are sectors who have outperformed DSEX Year-To-Date namely Cements by 118.6%, Telecommunication by 62.2%, Foods by 40.3%, Pharma & Chemical by 28.5% and Tannery & Footwear by 20.3% as of September 30, 2014.
- On the other hand, Travel & leisure, Textiles, Insurance, Banks, and ITs have underperformed DSEX Year-To-Date as of September 30, 2014 by 37.6%, 36.7%, 28.4%, 24.0% and 13.3% respectively.
- Market capitalization of DSE increased by 9.9% to BDT 3.32 trillion (USD 42.76 billion) as of September 30, 2014 from BDT 3.03 trillion (USD 38.91 billion) in August 2014.

DSEX and Turnover movement in DSE

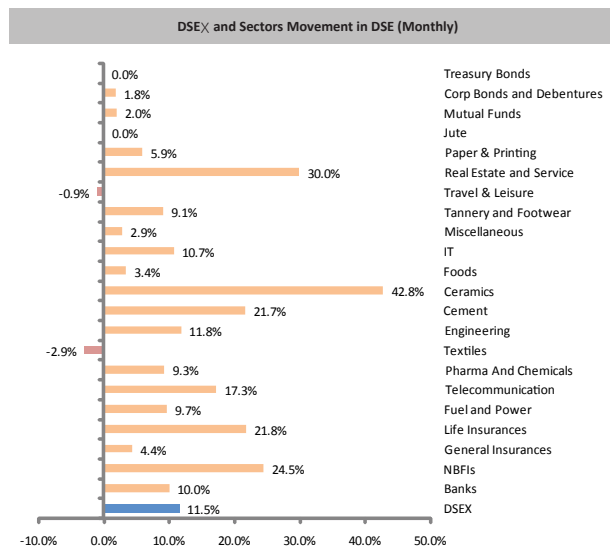


Sources: DSE and IL Capital Research

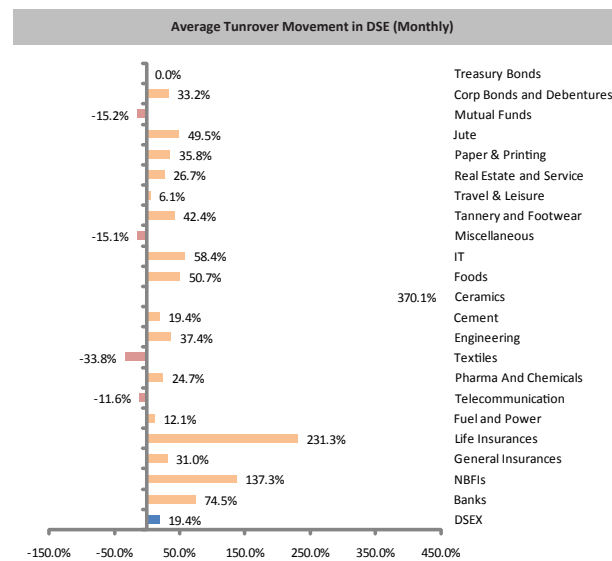
Market Capitalization of DSE							
Instruments	30-Sep-14			31-Aug-14			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,737,990.0	35,215.3	82.4%	2,440,638.1	31,390.8	80.7%	12.2%
Debt Securities	555,186.2	7,140.7	16.7%	555,049.7	7,138.9	18.3%	0.0%
Mutual Fund	30,335.5	390.2	0.9%	29,737.5	382.5	1.0%	2.0%
Total	3,323,511.7	42,746.1	100.0%	3,025,425.4	38,912.2	100.0%	9.9%

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



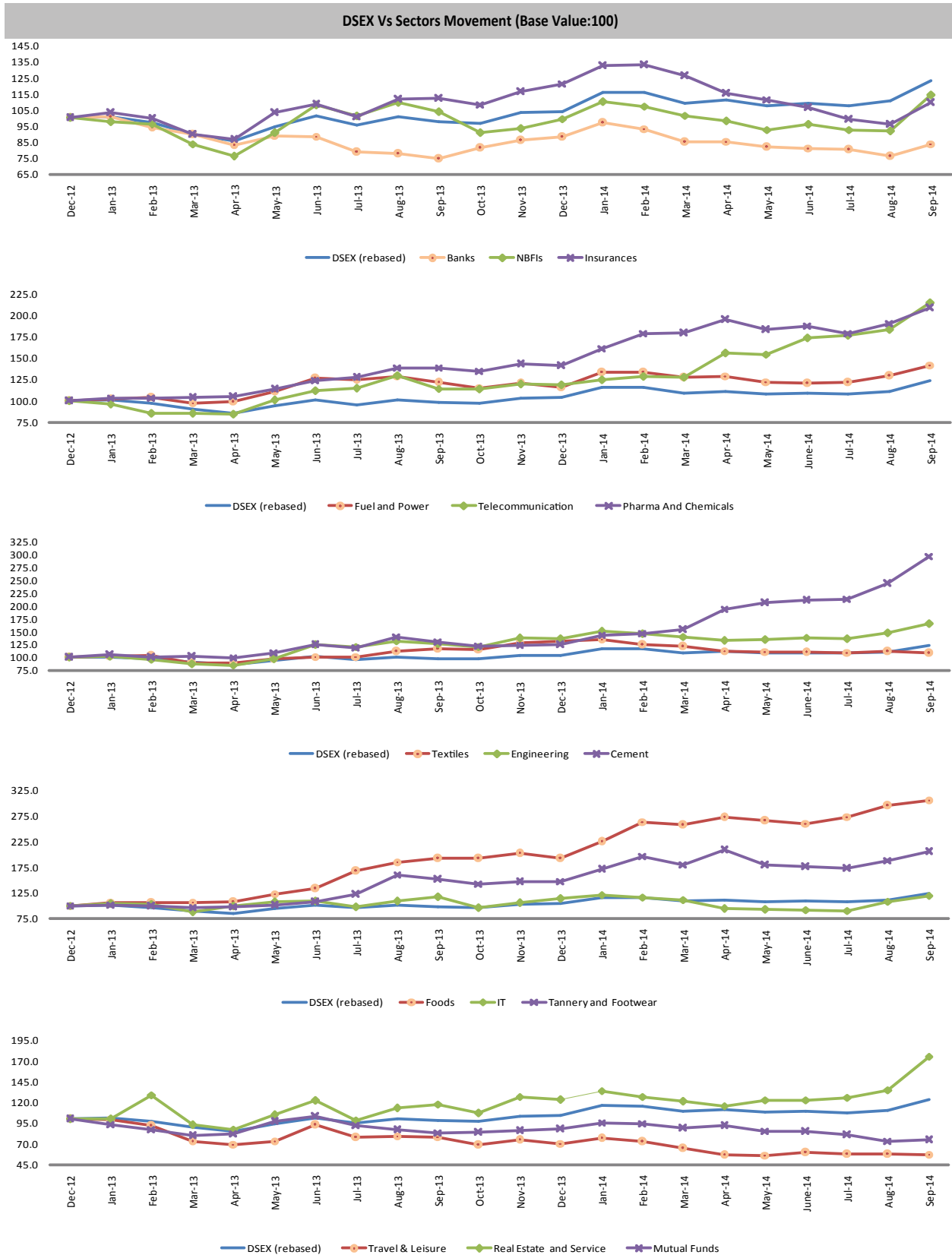
Note: Average Turnover excludes Block and Oddlot Market transaction

Source: DSE and IL Capital Research

Top Gainers This Month	
1 ACIFORMULA	82.2%
2 PLFSL	73.3%
3 SAPORTL	66.8%
4 RAKCERAMIC	54.1%
5 DELTALIFE	51.5%
6 ACI	39.2%
7 NAVANACNG	38.0%
8 ILFSL	36.2%
9 BDFINANCE	34.5%
10 PRIMEFIN	33.0%

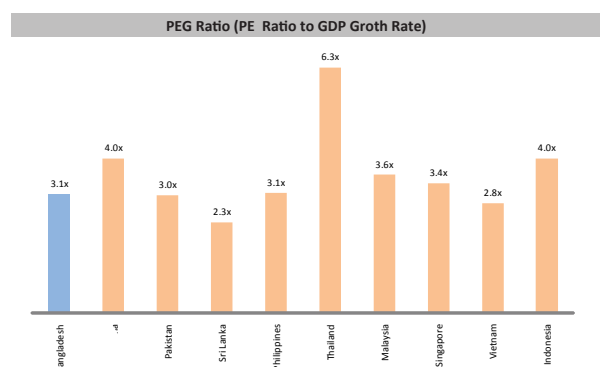
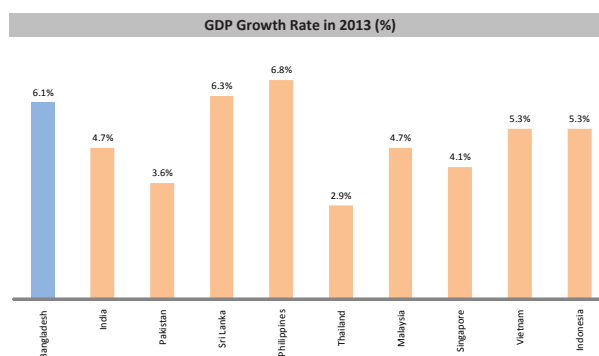
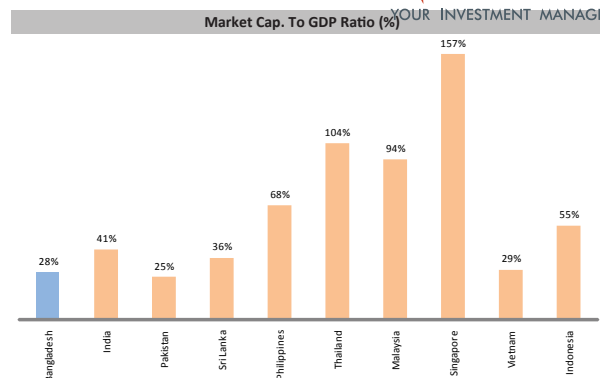
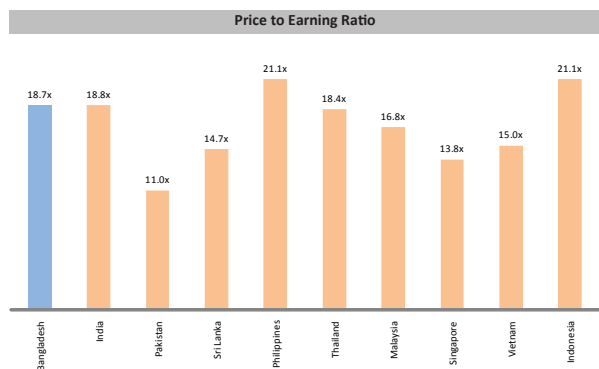
Top Losers This Month	
1 KPPL	-31.9%
2 FEKDIL	-24.9%
3 FARCHEM	-23.9%
4 MHSML	-23.9%
5 APOLOISPAT	-18.8%
6 CENTRALPHL	-17.4%
7 ICBISLAMIC	-13.7%
8 UNITEDAIR	-13.1%
9 MALEKSPIN	-12.5%
10 PTL	-12.1%

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 2013. We assume that listed companies' aggregate earnings growth is reflected in GDP growth rate of the country.

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

- As on September 2014, Bangladesh (DSE) is trading at 18.7x P/E, lower than that of Philippine (21.1%), India (18.8x) and Indonesia (21.1x). However, Bangladesh (DSE) is trading higher than that of Singapore (13.8x) and Sri Lanka (14.7x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on September 2014 is 3.1x which is lower than that of all countries except Sri Lanka (2.3x) and Vietnam (2.8x).

Regional Markets' Comparables

Country	Index Symbol	Index Point	52-Week High	52-Week Low	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	5,074	5.13K	3.69K	18.7x	3.1x	42.7
India	SENSEX	26,625	27.35K	19.26K	18.8x	4.0x	721.4
Pakistan	KSE100	29,432	30.64K	21.48K	11.0x	3.0x	59.0
Sri Lanka	CSEALL	7,237	7.29K	5.74K	14.7x	2.3x	23.6
Philippines	PCOMP	7,271	7.41K	5.71K	21.1x	3.1x	183.8
Thailand	SET	1,588	1.60K	1.21K	18.4x	6.3x	442.8
Malaysia	FBMKLCI	1,852	1.90K	1.76K	16.8x	3.6x	321.1
Singapore	FSSTI	3,268	3.39K	2.95K	13.8x	3.4x	423.2
Vietnam	VNINDEX	598	0.64K	0.48K	15.0x	2.8x	49.8
Indonesia	JCI	5,149	5.26K	4.11K	21.1x	4.0x	480.7

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and 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

YOUR MONEY MANAGER 

Textile Sector of Bangladesh

Industry Overview

The Textile and Clothing (T&C) sector has played a significant role in Bangladesh's economy for decades. Employing over 4 million people, the textile industry is the largest employer in the country. Currently, this industry was responsible for 45% of all industrial employment in the country. Due to the duty-free access to western markets and low labor costs, Bangladesh is currently the 5th largest apparel exporter after China, India, Italy and Germany. Of the total exports, 60% goes to European buyers and the rest are contracted with the North American buyers. According to Export Promotion Bureau (EPB), in FY2013-14, the RMG sector accounted for 81.13% of total exports, earning over \$24.49 billion and contributing around 20% of the country's GDP. However, the manufacturing sector's contribution to the GDP has slowed down in recent times due to the recent political disorder in the country. Nevertheless, the \$24 billion textile industry has grown by more than 13.83% in FY2013-14 and is likely to sustain its growth rate in the years to come.



Source: EPB & ILSL Research

Production & Consumption

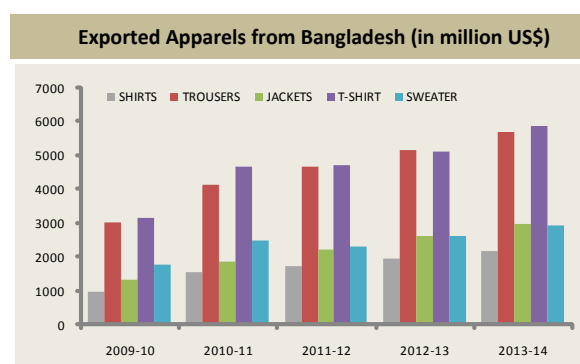
There are 4536 textile firms that are currently in production within the country, most of them are under the control of local investors with only 5% of textile factories being run by the foreign investors. Of all the textile mills in Bangladesh, around 20% of them are large-scale mills, 30% are mid-scale and the rest are small scale mills (Source: Textile World Asia). The local companies can meet only 21% of the total yarn requirements which is about 3 billion yards according to Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Currently, 85-90% of the total fabrics are being imported from China, Thailand, Taiwan and a few other countries (Source: BGMEA). On the other hand, the weaving sector meets 40% of the fabric demand while the implementation of new weaving plants is still in work in progress. 80% of the country's garment accessories are being produced locally with the possible capacity expansion plan of 10 million meters in future.

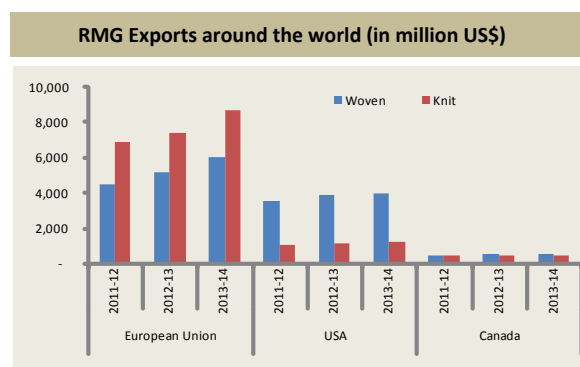
Product Types

The sector can broadly be divided into primary textile sector (PTS) and export-oriented readymade garment (RMG) making sector. The PTS comprises spinning, weaving, specialized textile units, traditional handloom sector and knitting and dyeing subsectors.

The major products of this industry include woven and knit products, while shirts, trousers, jackets, t-shirts and sweater are among the major garment products being exported around the world.



Source: EPB & ILSL Research



Source: EPB & ILSL Research

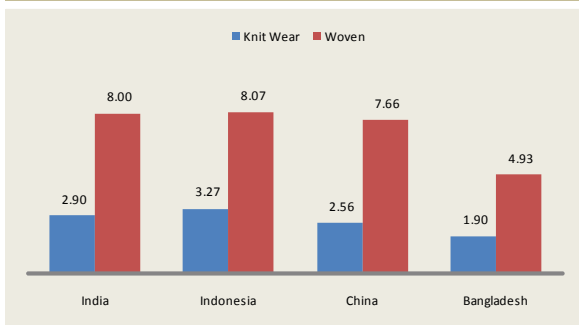
Raw Materials

The textile industry goes through all the mandatory steps of transforming fiber to fabric and preparing Ready Made Garment (RMG) for local or international market. Raw cotton and synthetic fibers are the most common raw materials used for spinning.

Labor Rate

Bangladesh has been the logical choice for many of the top apparel brands around the world because of the competitive labor rate in this country. Recently, the Wage Board has revised the minimum wage rate to BDT 5,300 which is 76% higher than the previous amount. But still the current average wage rate in the industry is one of the lowest in the world. Hence, in comparison to the other Asian countries like China, India and Vietnam, Bangladesh holds the upper hand when it comes to delivering quality at a low price.

Price of Knit wear & Woven Item in EU (in US\$)



Source: BKMEA and ILSL Research;

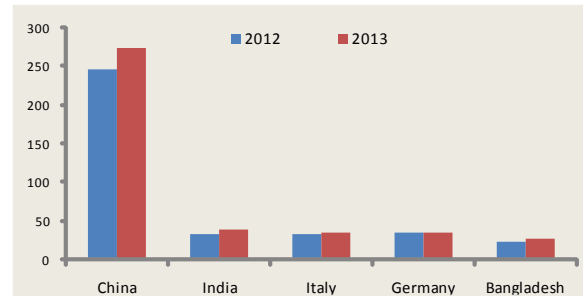
Knit wear Item (HS 610910-T-shirts); Woven (HS 620590-Men's/boys shirts)

Export scenario

Being the 5th largest exporter of apparels in the world, the textile industry of Bangladesh has significant impact over the economy of the country. Especially in the recent years, the textile sector's influence on the overall exports of the country was immense.

Bangladesh Government endorses the Country's export unswervingly; especially textile sector gets most of the facilities. Various initiatives like, tax benefits, Export Development Fund (EDF) facility, Cash benefit etc., have been taken to stimulate the export. Recently, the government has reduced tax at source to 0.30% from the previous 0.80% until June 2015 and also provided 5% cash subsidy for exporters against advance TT.

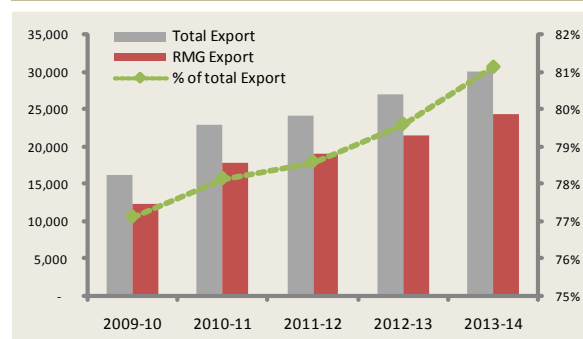
Global Textile Exports (in billion US\$)



Source: AEPC and ILSL Research

With the foreign market growing every year, the textile sector of Bangladesh can achieve greater success in the days to come if they can overcome the existing difficulties.

RMG Export Scenario (in millions USD)



Source: EPB and ILSL Research

Prospects and Obstacles

The textile industry of Bangladesh can achieve greater success in the upcoming future, although there are some obstacles to overcome along the way. The major prospects of the industry are as follows:

➤ Global apparel market on the rise

Currently, the size of the global apparel business is \$1 trillion a year. According to BKMEA, the EU and the USA are the two largest importers of Bangladeshi garments and 86% of the total exports are serving these two giants which are only 6% of their total demand, as opposed to China, which serves 30%. According to a recent report, the global apparel market will cross the \$2 trillion mark by 2025 from the current value of \$1.1 trillion. Accordingly there is a great prospect for the industry to more penetrate the global apparel market and boost the export earnings.

➤ **Growing population and economy**

The economy of Bangladesh grew by 6% on average over the past two decade, while the population has increased by 1.59% each year. Therefore, the textile industry can take advantage of the ever growing population and keep the labor cost as low as possible in order to compete with the foreign countries. Moreover China, the largest exporter of readymade garments in the world, is losing its demand in the apparel realm because of the labor shortages and higher wages. A McKinsey report suggests that 86% of the chief purchasing officers in their survey wanted to move out of China and Bangladesh is their next preferred destination. Hence, despite having a long political crisis and two major industrial tragedies including Tazreen Fashions fire and Rana Plaza building collapse, the sector registered a growth of 13.86% in the last fiscal year.

➤ **Production capacity**

Capacity is an additional key benefit for the textile industry of the Country. With a total of 5,400 factories, the industry is evidently forward over other apparel providers i.e. Indonesia has 2,450 factories, Vietnam 2,000 and Cambodia 260.

➤ **Duty-free Advantage**

Bangladesh is recognized as one of the 14 Least Developed Countries (LDC) by the United Nations and the US State Department and therefore is eligible for duty-free access for apparel assembled in those countries and exported to the U.S. between 2009 and 2019. This eligibility gave Bangladesh's textile industry a competitive advantage over countries like India and China. With the future expansions coming in the textile industry, Bangladesh can grow its exports through duty-free access without a shadow of doubt.

➤ **Women empowerment**

Employment in the RMG industry has been a source of income for many women living under the poverty line. Not only these women are meeting their own needs by working in the garments, they are also taking care of their families and as a result the whole country is benefitting from the RMG employments. With the increment of wages, many women will be able to turn around their financial conditions significantly in the near future.

Despite the prospects mentioned, the textile industry has to overcome some major obstacles for consistent growth.

➤ **Safety concerns**

The textile industry of Bangladesh went through several casualties in recent times. Almost 2000 workers have been killed due to factory fire incidents and building collapse. In an inspection recently organized by Bangladesh Accord Foundation, a group consisting 150 brands from 20 countries including H&M and Benetton found lack of fire alarms in most of the garments factories. Moreover, some of the buildings need better maintenance of electrical wiring, while other factories do not satisfy the Accord's requirements. Nevertheless, incidents like the collapse of Rana Plaza raised awareness among the factory owners and the government. Since then, several factories have improved their emergency exit pathway and storage and power generator equipment facilities. Still the garments factories are in need of some significant changes regarding the health and safety issues of the workers and also the building maintenance and structure.

➤ **Fear of GSP cancellation**

In the last few years some tragic events i.e., Tazrin, Rana plaza etc., brought forward the compliance issues of the garments factories. As a result, USA has canceled the GSP facility while European Union (EU) is considering the fulfillment of compliance issues seriously. Meanwhile, poor work environment and irregular payment of benefit to workers creates labor dissatisfaction. However, to mitigate these problems various steps have already been taken. For example, about 150 European brands, retailers and companies formed an accord to ensure work-place safety in the country's apparel units industry for a period of five years.

➤ **Skilled Labor Shortage**

Lack of skilled workers is another constraint of the textile sector of Bangladesh. Major portion of the labor force in this industry has little or no educational experience. According to BGMEA, the industry needs hundreds of thousands of skilled workers each year just to maintain its growth and sustainability.

Textile sector in the Capital Market

The textile sector represents 3.5% of total market capitalization in Dhaka Stock Exchange (DSE). 36 textile companies are currently listed to the country's prime bourse.

Stocks Listed in DSE: Textiles Sector	
Ticker	Product type
AL-HAJTEX	Cotton yarn
ALLTEX	Home textile products
ANLIMAYARN	Yarn and sewing thread dyeing
APEXSPINN	Integrated knitting, dyeing and finishing
ARGONDENIM	Dyeing and finishing of denim fabrics
CMCKAMAL	Various counts of yarn
DACCADYE	Producing all sorts of home textile products
DELTASPINN	Cotton yarn of different counts
DSHGARME	Readymade garments
DULAMIACOT	Various counts of yarn
ENVOYTEX	Denim fabrics
FAMILYTEX	Readymade garments
FEKDIL	Readymade garments
GENNEXT	Readymade garments
HRTEX	Readymade garments
HWAWELLTEX	Textile goods and items
MAKSONSPIN	Production of cotton yarn
MALEKSPIN	Spin quality cotton hosiery yarns
MATINSPINN	Manufacturing of yarn
METROSPIN	Production of cotton yarn
MHSML	Woven fabrics cotton yarn
MITHUNKNIT	Knit fabrics and knit garments
MODERNDYE	Provide service to all types of cloths
PRIMETEX	Knit/woven cotton and mixed yarn
PTL	Woven fabrics
RAHIMTEXT	Dyeing and printing of fabrics
RNSPIN	Synthetic yarn/acrylic yarn
SAFKOSPINN	Manufacturing of yarn
SAIHAMCOT	Cotton carded and combed grey yarn
SAIHAMTEX	Various counts of yarn
SONARGAON	Cotton yarn of different counts
SQUARETEXT	Manufacturing of Yarns
STYLECRAFT	Readymade garments
TALLUSPIN	Various counts of yarn
TUNGHAI	Dyeing, knitting and bleaching of yarn
ZAHINTEX	Readymade sweaters and wearing apparels

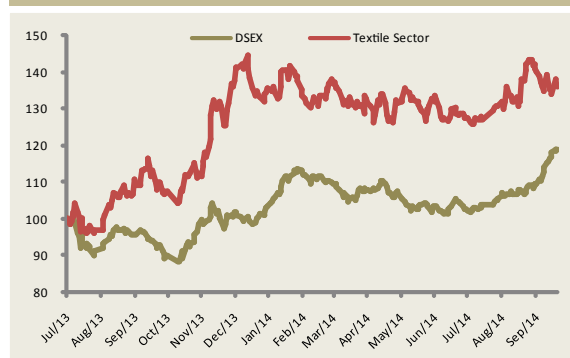
Source: Annual Reports & ILSL Research

Textiles Sector in DSE: as on 30 September 2014

Market Capitalization of Sector (BDT bn)	91.3
Market weight of Sector (based on Market Cap)	3.3%
3-month Average Turnover (BDT mn)	567.0
3-month Return	5.8%
Textile Sector Trailing P/E	11.2
Textile Sector Forward P/E	12.8
Textile Sector P/B	1.2
Textile Sector ROE	9.2%
No of Listed Stocks	36

Source: DSE and ILSL Research

Movement of DSEX & Textile Sector M.Cap (rebased)



Source: DSE & ILSL Research

Even though the textile sector represents merely 3.5% in the capital market of Bangladesh, the prosperous future of this industry will definitely have a huge impact not only in the capital market but also in the economy as a whole. The importance of the textile industry in the economy of Bangladesh is significant. It is one of the major catalysts in the industrialization of Bangladesh. With the low labor cost, skill development potential, expanding global market and favorable exchange rate the textile sector can expect a bright future ahead of it.

In this issue we covered four listed companies. These are: Square Textiles Limited (DSE: SQUARETEXT), Argon Denims Limited (DSE: ARGONDENIM), Envoy Textiles Limited (DSE: ENVOYTEX) and Generation Next Fashions Limited (DSE: GENNEXT).

Square Textiles Limited

Company Overview

Square Textiles Limited (100% Cotton Ring Spun Yarn for Hosiery) was incorporated in 1994 and commenced its commercial operation in 1997. The Company owns five units of spinning mills and a twisting mill. The Company's activities and operations are related with manufacturing and marketing of Yarns. The Company's 99% of total turnover comes from export sales. In 2013, the installed production capacity of the Company was 23.91 million kg (30s count – Ring Yarn - 11.58 mn, 10s count – O/E Yarn – 2.33 mn and 14s count – O/E Yarn – 10.0 mn) annually of which 84.56% (87.49%, 75.69% and 83.23% respectively of 30s, 10s and 14s count) was utilized. The utilization rate was decreased by 2.96% in 2013 than 2012 due to the change in product mix, shortage of gas/power and political unrest. The Company has two subsidiary companies – Square Yarns Limited (99.48%) and Square Texcom Limited (95.0%).

In 2013, Gross Profit decreased by 3.8% due to the decrease in turnover, as well as the increase in unit cost of production for increasing cost of packing materials and factory overheads. However, Net Profit After Tax remains unchanged because of decreasing financial expenses.

The Company was enlisted with the DSE and the CSE in 2002. Around 61.69% & 17.35% of shares of the company are held by Sponsors & General Investors whereas 14.55% and 6.41% are held by Institutional and Foreign Investors respectively.

Investment Insight

- The Company showed steady performance in its profit after tax over the years. 5-year CAGR (Compound Annual Growth Rate) of revenue and profit after tax were 10.7% and 21.9% respectively because of its effective utilization of installed capacity (last five years average utilization rate is 86.55%) and operational efficiency.
- In last three years, the Company regularly invested around BDT 300 mn each year as capital expenditures to continuously upgrade the production facilities and to keep the rate of production efficiency at the reasonable level.
- The Company established a stable dividend policy over the years.
- In 2013, turnover of the Company decreased by 6.6% to BDT 8,164 mn from BDT 8,742 mn in 2012 due to decrease in production for power shortage & political unrest. However, in HY of 2014, the Company recovered from the last year. Turnover increased by 6% over the same period of last year.
- The company has to procure its raw cotton from foreign sources. Hence, any fluctuation of the cotton price in the international market may hamper the profitability of the Company severely.

DSE: SQUARETEXT
BLOOMBERG: SQTT:BD

Company Fundamentals (As on September 30, 2014)

Market Cap (BDT mn)	13,751.2
Market weight	0.5%
No. of Share Outstanding (in mn)	147.9
Free-float Shares	38.3%
Paid-up Capital (BDT mn)	1,479.0
3-month Average Turnover (BDT mn)	18.4
3-month Return	8.0%
Current Price (BDT)	93
52-week price range (BDT)	83.1 - 120
Sector's Forward P/E	12.8

	2011	2012	2013	2014 (HY Annu.)
Financial Information (BDT mn):				
Sales	9,392	8,742	8,164	8,454
Operating Profit	1,268	1,154	1,090	1,243
Profit After Tax	827	839	839	950
Assets	8,870	8,105	8,512	8,966
Long Term Debt	180	183	187	196
Equity	4,655	5,338	5,966	6,173
Dividend (C/B)%	16/20	18/15	20/10	-/-
Margin:				
Gross Profit	15.4%	15.7%	16.2%	17.5%
Operating Profit	13.5%	13.2%	13.3%	14.7%
Pretax Profit	10.4%	11.4%	12.3%	13.5%
Net Profit	8.8%	9.6%	10.3%	11.2%
Growth:				
Sales	54.0%	-6.9%	-6.6%	3.5%
Gross Profit	27.6%	-5.2%	-3.8%	12.1%
Operating Profit	25.8%	-9.0%	-5.6%	14.0%
Net Profit	15.7%	1.5%	0.0%	13.3%
Profitability:				
ROA	9.8%	9.9%	10.1%	10.9%
ROE	19.2%	16.8%	14.8%	15.7%
Leverage:				
Debt Ratio	5.6%	1.5%	0.7%	0.7%
Debt-Equity	10.7%	2.3%	1.0%	1.1%
Int. Coverage	5.2	10.4	21	24
Valuation:				
Price/Earnings	16.1	16.7	15.9	14.5
Price/BV	2.8	2.5	2.2	2.8
EPS (BDT)	7.1	6.2	5.7	6.4
DPS (BDT)	1.6	1.8	2.0	--
NAVPS (BDT)	39.2	39.1	40.3	41.7

Last 5 Year's Price Movement (BDT)



Source: Annual Reports, Prospectus, DSE website, the Financial Express, the Daily Star, BGMEA, BTMA, ILSL Research

Argon Denims Limited

Company Overview

Argon Denims Limited (ADL), a 100% export oriented manufacturing, dyeing & finishing units of denim fabrics, was incorporated on July 13, 2006 and commenced its commercial operation on March 2008. The principal activity of the Company is to manufacture 100% cotton denim fabrics for export. The Company mainly produces medium and premium range denim fabrics in various weights ranging from 4.5 oz to 13 oz. The manufacturing facility of the Company is situated at Sreepur in Gazipur. At present, there are 102 looms along with separate wrapping, sizing, dyeing and finishing units. In 2013, the installed production capacity of the firm was 18 million yards annually of which 62.49% was utilized. In the year 2012, the Company raised fund of BDT 1,050 mn from capital market through IPO for loan repayment and project expansion.

The major raw materials of ADL are yarn ranging from 6 to 16 and 30 counts and also dyes and chemicals for dyeing and finishing. The Company imported raw cotton (around 60%) mainly from Pakistan, India and Thailand. It procures most of the dyes and chemicals for dyeing and finishing from Germany, Spain and China.

The Company was enlisted with the DSE and the CSE on February 19, 2013. Around 49.24% of shares of the company are held by Sponsors whereas 35.55% and 15.21% are held by General and Institutional Investors respectively.

Investment Insight

- The Company demonstrated outstanding performance over the years. 4 year CAGR (Compound Annual Growth Rate) of revenue and profit after tax of the company were 36.0% and 83.4% respectively. This is because of increase in the utilization of expanded production capacity.
- As per Annual Report, in 2013, the Company has invested BDT 279.07 mn for expansion of the business and this expansion project will facilitate in higher productivity.
- The Company continued to sell its products in the European markets and now it is dynamically exploring new markets in USA, Canada, Australia and Japan.
- The Company's debt to asset ratio is 41%. So it is highly exposed to interest rate risk. However, the Company is emphasizing to reduce the dependency on borrowed fund.
- The company is mostly dependent on imported raw cotton, dyes and chemicals; as a result, price fluctuation in international market may affect profitability profoundly.
- Auditor had provided emphasis of matter on December 31, 2013 financials regarding utilization of IPO Fund i.e. over adjustment of short term loan from IPO proceeds, excess payment of IPO related expenses, adjust bridge finance & short term loan that was not disclosed in prospectus and payment against purchase of construction materials from IPO proceeds in cash instead of cheque.

DSE:ARGONDENIM
BLOOMBERG: ADL:BD

Company Fundamentals (As on September 30, 2014)

Market Cap (BDT mn)	3,651.5
Market weight	0.1%
No. of Share Outstanding (in mn)	82.8
Free-float Shares	50.8%
Paid-up Capital (BDT mn)	828.0
3-month Average Turnover (BDT mn)	37.1
3-month Return	-9.1%
Current Price (BDT)	44.1
52-week price range (BDT)	41.2 - 100.8
Sector's Forward P/E	12.8

	2011	2012	2013	2014 (HY Ann)
--	------	------	------	------------------

Financial Information (BDT mn):

Sales	1,179	1,588	2,171	2,669
Operating Profit	303	325	461	602
Profit After Tax	98	136	227	319
Assets	1,910	5,001	3,833	4,028
Long Term Debt	301	234	157	257
Equity	621	1,757	1,992	2,108
Dividend (C/B)%	-/-	-/20	6/15	-/-

Margin:

Gross Profit	23.1%	20.5%	21.2%	22.8%
Operating Profit	25.7%	20.5%	21.2%	22.5%
Pretax Profit	13.9%	10.8%	13.1%	14.8%
Net Profit	8.3%	8.6%	10.4%	12.0%

Growth:

Sales	16.4%	34.8%	36.7%	22.9%
Gross Profit	27.5%	19.5%	41.8%	31.8%
Operating Profit	12.0%	7.4%	41.9%	30.5%
Net Profit	1.0%	38.3%	66.9%	40.6%

Profitability:

ROA	5.7%	3.9%	5.1%	8.1%
ROE	20.6%	11.4%	12.1%	15.6%

Leverage:

Debt Ratio	64.3%	47.3%	43.0%	41.0%
Debt-Equity	197.5%	134.6%	82.8%	78.4%
Int. Coverage	2.4	2.3	2.9	3.4

Valuation:

Price/Earnings	--	--	34.6	11.5
Price/BV	--	--	1.6	1.6
EPS (BDT)	5.5	1.9	2.7	3.9
DPS (BDT)	--	--	0.6	--
NAVPS (BDT)	20.7	24.4	24.1	25.5

Price (BDT) Movement Since Listing



Source: Annual Reports, Prospectus, DSE website, the Financial Express, the Daily Star, BGMEA, BTMA, ILSL Research

Envoy Textiles Limited

Company Overview

Envoy Textiles Limited (ETL) is a 100% export oriented denims fabric manufacturer. Envoy Textiles Ltd. started its commercial operation in early 2008. It has got listed in DSE from December 09, 2012. It has raised BDT 900 million through IPO and utilized the fund for establishing its 2nd unit of denim plant to double its existing production capacity. The Company's expansion project (additional 26 million yards per year) is under installation and of which 50% expanding capacity is in trial production process.

Envoy Textile produces both basic and premium denim in a range from 6 oz to 14 oz that comes in a variety of shades and cast basic indigos and sulphur topping or bottoming, in 100% cotton and a variety of blends. Around 84% of its revenue mainly comes from selling denim to local RMG exporters (who convert fabrics to garments in Bangladesh and then export to abroad), while so far only 3% of total revenue comes from direct export.

Around 46.15% of shares of the company are held by Sponsors, General investors hold 30.32% whereas 19.36% and 4.17% are held by Institutional and Foreign Investors respectively.

Investment Insight

- Recently, the BOD of ETL has finalized the plan to setup a yarn manufacturing project "ETL Spinning Unit" with a production capacity of 17,500 ton. Around 70% of raw materials can be sourced from this project on completion. They also expects that, commercial operation of the project will start by 1st quarter of 2016 and will increase yearly profit by BDT 400-450 million from expected turnover of USD 50 million p.a.
- On January, 2013 Envoy Textiles Ltd. has received final approval from Board of Investment for availing foreign loan of USD 10.00 million at an interest rate of 3-month LIBOR + 4.20%. This low cost foreign debt will decrease the overall funding cost of the firm.
- During 2012-13, Envoy utilized 87.86% of its plant capacity, which is in line with the world denim industry standard. World standard of average capacity utilization in denim industry is around 85%.
- Envoy Textile is the pioneer of Rope Dyeing technology in Bangladesh and is one of the country's leading companies in this sector. The company has State of The Art rope dyeing, Indigo Dyeing and Finishing unit.
- Currently, the company is completely dependent on imported raw materials (has no backward linkage facilities). Hence high price fluctuation of raw materials (consists of around 90.36% of cost of goods sold) heavily affects the firm's margin and profitability.

DSE: ENVOYTEX
BLOOMBERG: ENTL:BD

Company Fundamentals (As on September 30, 2014)

Market Cap (BDT mn)	7,662.4
Market weight	0.3%
No. of Share Outstanding (in mn)	140.6
Free-float Shares	54%
Paid-up Capital (BDT mn)	1,406
3-month Average Turnover (BDT mn)	27.6
3-month Return	14.0%
Current Price (BDT)	54.5
52-week price range (BDT)	44 - 63.8
Sector's Forward P/E	12.8

	2010-11	2011-12	2012-13	2013-14 (9M Annu.)
--	---------	---------	---------	-----------------------

Financial Information (BDT mn):

Sales	7,890	9,289	10,491	10,645
Operating Profit	1,988	2,208	2,324	2,265
Profit After Tax	1,199	1,319	1,405	1,449
Assets	23,033	24,590	27,471	28,260
Long Term Debt	3,257	3,117	3,313	3,478
Equity	17,128	18,408	19,776	20,113
Dividend (C/B)%	-/21	-/15	10/5	--/--

Margin:

Gross Profit	21.0%	21.0%	21.9%	17.8%
Operating Profit	18.7%	17.5%	17.1%	12.7%
Pretax Profit	13.2%	12.0%	12.3%	7.4%
Net Profit	13.2%	11.3%	10.9%	6.8%

Growth:

Sales	74.9%	12.3%	6.0%	5.0%
Gross Profit	70.2%	12.6%	10.5%	-14.6%
Operating Profit	72.7%	5.3%	3.8%	-22.0%
Net Profit	141.1%	-4.1%	2.7%	-34.3%

Profitability:

ROA	7.9%	6.6%	5.5%	3.0%
ROE	12.3%	11.0%	9.4%	5.4%

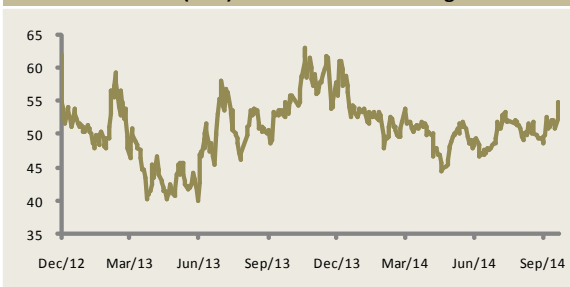
Leverage:

Debt Ratio	21.6%	20.0%	16.2%	23.9%
Debt-Equity	33.9%	35.2%	27.2%	44.9%
Int. Coverage	383.0%	358.0%	403.0%	245.0%

Valuation:

Price/Earnings	16.0	16.6	16.2	26.8
Price/BV	1.9	1.8	1.3	1.4
EPS (BDT)	4.4	3.9	3.1	2.1
DPS (BDT)	--	1.5	1.7	--
NAVPS (BDT)	37.6	30.9	37.9	38.9

Price (BDT) Movement Since Listing



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

Generation Next Fashions Limited

Company Overview

Generation Next Fashions Limited (GNFL) has incorporated in 2004 and started its commercial operations in July 30, 2006. GNFL is a 100% export oriented textile and apparel company and manufactures composite knit fabrics and various types of readymade garments i.e. T- Polo Shirt, Short Sleeve, Ladies Polo Shirt, Basic T- Shirt and Printed T- Shirt, Trouser, Ladies Pant, Ladies Jacket, Ladies Night Wear Set, Military Jogger, Women Flannel Trouser, Ladies Tank Top etc. The core business of the firm is to carry out business in spinning, knitting, weaving, manufacturing of textile and various types of ready-made garments of international standard and design.

In 2013, Garments unit utilized 91% of its production capacity whereas Fabrics and Dyeing units both utilized 75%. Among the entire product line, 70% are ladies wear, 20% are polo shirt and 10% are men's t-shirt. 100% of the firm's revenue came from export mainly to North America and Europe. Several customers contributed 5% to 7% of its total revenue. The firm procured its raw material – cotton, mainly from local importers and from India in US dollars.

The firm enlisted in DSE and CSE on December 5, 2012. Around 30.81% of shares of the company are held by Sponsors whereas 45.35% and 23.84% are held by General and Institutional Investors respectively.

Investment Insight

- In April 2014, the Company has raised fund by issuing rights share (2R:3 @ par) to expand the production capacity and payoff its debt. According to company's personnel the firm will be able to enhance its production capacity up to 60% with this plan. This extended capacity is expected to come into operation after around 1 year of fund raising.
- In Q2 2014, the Company has fully paid off their long term loan and partially of its short term loan which was around 40% from their rights offer.
- Profit margin is highly dependent on core ingredient (cotton) price which showed high fluctuation over the years.
- Adverse foreign exchange movement may hamper profitability since almost all raw materials are transacted in US dollar.
- In its half yearly earnings declarations, the Company reported a 43.56% growth in profit after tax than the same period of previous year due to increase in sales and other non-operating income.

DSE: GENNEXT
BLOOMBERG:GNFL:BD

Company Fundamentals (As on September 30, 2014)

Market Cap (BDT mn)	5,044.7
Market weight	0.2%
No. of Share Outstanding (in mn)	323.4
Free-float Shares	69.2
Paid-up Capital (BDT mn)	32.34.0
3-month Average Turnover (BDT mn)	40.7
3-month Return	-11.4%
Current Price (BDT)	15.6
52-week price range (BDT)	14.1 - 41
Sector's Forward P/E	12.8

	2011	2012	2013	2014 (HY Ann)
--	------	------	------	------------------

Financial Information (BDT mn):

Sales	1,394	1,680	2,140	2,775
Operating Profit	216	467	583	704
Profit After Tax	182	282	364	498
Assets	3,282	3,992	4,438	5,282
Long Term Debt	355	221	123	-
Equity	1,973	2,555	2,919	4,293
Dividend (C/B)%	-/20	-/20	-/15	-/

Margin:

Gross Profit	22.3%	32.8%	31.4%	30.4%
Operating Profit	15.5%	27.8%	27.2%	25.4%
Pretax Profit	15.7%	18.4%	17.9%	18.8%
Net Profit	13.1%	16.8%	17.0%	17.9%

Growth:

Sales	8.1%	20.5%	27.4%	29.7%
Gross Profit	15.9%	77.3%	21.7%	25.7%
Operating Profit	27.3%	116.3%	24.8%	20.7%
Net Profit	94.5%	54.7%	28.9%	36.9%

Profitability:

ROA	6.2%	7.8%	8.6%	10.2%
ROE	11.4%	12.5%	13.3%	13.8%

Leverage:

Debt Ratio	32.6%	29.9%	28.9%	13.7%
Debt-Equity	54.3%	46.7%	43.9%	16.8%
Int. Coverage	1.4	2.2	2.9	3.6

Valuation:

Price/Earnings	--	20.6	32.9	10.1
Price/BV	--	0.9	0.9	0.9
EPS (BDT)	1.6	1.7	1.1	1.5
DPS (BDT)	--	--	--	--
NAVPS (BDT)	16.2	15.2	12.5	13.3

Price (BDT) Movement Since Listing



Source: Annual Reports, Prospectus, DSE website, the Financial Express, the Daily Star, BGMEA, BTMA, ILSL Research

MUTUAL FUND: MONTHLY UPDATE

Performance of Mutual Funds

Mutual Fund Sector of DSE posted 2.4% gain over the month (28 August - 25 September, 2014), while the prime index of the bourse, DSEX, increased by 9.8%. Price of 24 Mutual Funds increased, 3 Mutual Funds remain unchanged and 14 Mutual Funds decreased over the period. On the other hand, NAV @ Market Price of 41 Mutual Funds increased and 1 Mutual Fund decreased. Out of 41 Mutual Funds, 40 were traded below their respective NAV. MBL1STMF had the lowest Price/NAV ratio (45.3%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (142.7%). Price of EBLNRB Mutual Fund gained 13.9% against increase in NAV by 5.3%.

Name of Fund	NAV Per Unit @		Price 25 Sep, 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	36.56	12.47	26.1	71.4%	↑ 7.3%	↑ 3.6%	24.7 - 48.8	18.01	30/Jun/15	AIMS
GRAMEEN1	30.41	10.87	27.0	88.8%	↑ 10.9%	↓ -2.0%	26.1 - 51.6	11.79	4/Sep/15	AIMS
GRAMEENS2	18.86	10.45	12.9	68.4%	↑ 9.7%	↑ 6.7%	10.7 - 29.8	8.98	2/Sep/23	AIMS
RELIANCE1	12.32	11.04	7.7	62.5%	↓ -2.8%	↓ -6.1%	6.8 - 10.3	2.27	7/Jul/21	AIMS
1STICB	1627.72	250.74	905.3	55.6%	↑ 6.0%	↑ 5.9%	810 - 1068.2	0.03	31/Dec/14	ICB
2NDICB	357.64	132.55	254.7	71.2%	↑ 12.3%	↓ -0.7%	175.1 - 352	0.10	31/Dec/14	ICB
3RDICB	354.2	90.09	200.1	56.5%	↑ 4.4%	↑ 5.0%	135 - 270	0.07	31/Dec/14	ICB
4THICB	331.37	94.47	190.0	57.3%	↑ 9.5%	↑ 1.1%	122.1 - 242.1	0.06	31/Dec/14	ICB
5THICB	268.44	76.26	162.5	60.5%	↑ 4.4%	↑ 12.5%	100 - 235	0.08	31/Dec/14	ICB
6THICB	72.67	36.23	55.1	75.8%	↑ 6.1%	↑ 8.5%	40.5 - 77	0.75	31/Dec/14	ICB
7THICB	126.54	47.44	84.0	66.4%	↑ 6.6%	↓ -4.5%	66 - 115.9	0.05	31/Dec/14	ICB
8THICB	87.13	41.96	61.5	70.6%	↑ 6.3%	↑ 12.0%	47.1 - 82	0.25	31/Dec/14	ICB
1STPRIMFMF	12.33	16.49	17.6	142.7%	↑ 11.1%	↑ 10.0%	8.8 - 35.7	14.30	17/Mar/16	ICB AMCL
ICB1STNRB	26.29	32.89	23.3	88.6%	↑ 12.1%	↓ -7.9%	21.5 - 37.7	0.15	28/Mar/17	ICB AMCL
ICB2NDNRB	11.67	14.5	8.0	68.6%	↑ 10.3%	↓ -1.2%	7.3 - 12	1.18	27/Jul/18	ICB AMCL
ICB3RDNRB	8.17	11.1	4.5	55.1%	↑ 9.5%	↔ 0.0%	4.4 - 6.4	1.34	24/May/20	ICB AMCL
ICBAMCL2ND	9.26	12.72	5.1	55.1%	↑ 11.7%	↑ 6.2%	4.6 - 7.8	0.15	28/Oct/19	ICB AMCL
ICBEPMF1S1	8.78	11.48	4.9	55.8%	↑ 11.8%	↑ 8.9%	4.4 - 7.4	0.64	18/Jan/20	ICB AMCL
ICBISLAMIC	19.25	23.17	14.7	76.4%	↑ 13.4%	↓ -12.5%	14.5 - 24.9	0.69	5/Jan/15	ICB AMCL
ICBSONALI1	9.98	10.58	6.8	68.1%	↑ 4.9%	↓ -1.4%	6 - 13.2	0.92	12/Jun/23	ICB AMCL
IFILISLMF1	10.03	11.02	5.2	51.8%	↑ 6.6%	↔ 0.0%	4.1 - 9.4	2.02	22/Nov/20	ICB AMCL
PF1STMF	8.3	11.16	4.7	56.6%	↑ 9.9%	↑ 2.2%	4.4 - 7	0.66	9/May/20	ICB AMCL
PRIME1ICBA	8.77	11.34	4.6	52.5%	↑ 11.2%	↑ 2.2%	4.4 - 6.9	0.43	2/Feb/20	ICB AMCL
AIBL1STIMF	9.94	10.54	4.8	48.3%	↑ 2.1%	↓ -2.0%	4.7 - 10.2	0.32	10/Jan/21	LR Global
DBH1STMF	9.91	10.66	4.7	47.4%	↑ 2.9%	↓ -7.8%	4.5 - 7.2	1.32	7/Feb/20	LR Global
GREENDELMF	9.95	10.59	4.6	46.2%	↑ 3.1%	↑ 2.2%	4.4 - 10.3	1.57	28/Sep/20	LR Global
LRGLOBMF1	10.8	11.33	5.2	48.1%	↑ 2.7%	↑ 4.0%	4.7 - 9.6	1.85	19/Sep/21	LR Global
MBL1STMF	9.94	10.47	4.5	45.3%	↑ 3.2%	↔ 0.0%	4.3 - 8.9	1.54	8/Feb/21	LR Global
NCCBLMF1	10.4	10.87	5.8	55.8%	↑ 2.8%	↑ 7.4%	5.2 - 13	0.61	24/May/22	LR Global
1JANATAMF	10.53	10.89	5.4	51.3%	↑ 4.8%	↑ 1.3%	4.9 - 10.3	1.78	20/Sep/20	RACE
ABB1STMF	11.8	10.51	6.5	55.1%	↑ 5.8%	↑ 13.5%	5.8 - 8.3	5.17	29/Jan/22	RACE
EBL1STMF	10.53	11.17	5.6	53.2%	↑ 0.7%	↓ -6.7%	5.4 - 7.9	1.49	19/Aug/19	RACE
EBLNRBMF	10.43	10.55	5.9	56.6%	↑ 5.3%	↑ 13.9%	4.6 - 8.7	0.39	23/May/21	RACE
EXIM1STMF	10.9	10.37	6.5	59.6%	↑ 6.3%	↑ 4.0%	5.9 - 9.3	0.00	16/Jul/23	RACE
FBFIF	10.81	10.39	6.8	62.9%	↑ 4.7%	↑ 2.5%	6.4 - 10	0.01	19/Mar/22	RACE
IFIC1STMF	10.75	10.72	5.3	49.3%	↑ 5.7%	↓ -2.1%	5 - 7.9	1.13	1/Apr/20	RACE
PHPMF1	10.13	11.18	4.8	47.4%	↑ 4.4%	↑ 1.5%	4.5 - 10.4	2.54	29/Nov/20	RACE
POPULAR1MF	10.82	11.16	5.1	47.1%	↑ 5.7%	↓ -3.2%	4.8 - 10	2.54	19/Oct/20	RACE
TRUSTB1MF	10.83	10.5	5.4	49.9%	↑ 6.5%	↓ -1.0%	5.1 - 8.4	3.79	27/Jan/20	RACE
NLI1STMF	12.12	11.75	7.7	63.5%	↑ 4.4%	↑ 4.1%	6.7 - 10.4	2.16	27/Feb/22	VIPB
SEBL1STMF	11.81	11.22	7.3	61.8%	↑ 4.7%	↑ 4.3%	6.6 - 9.4	1.75	23/May/21	VIPB

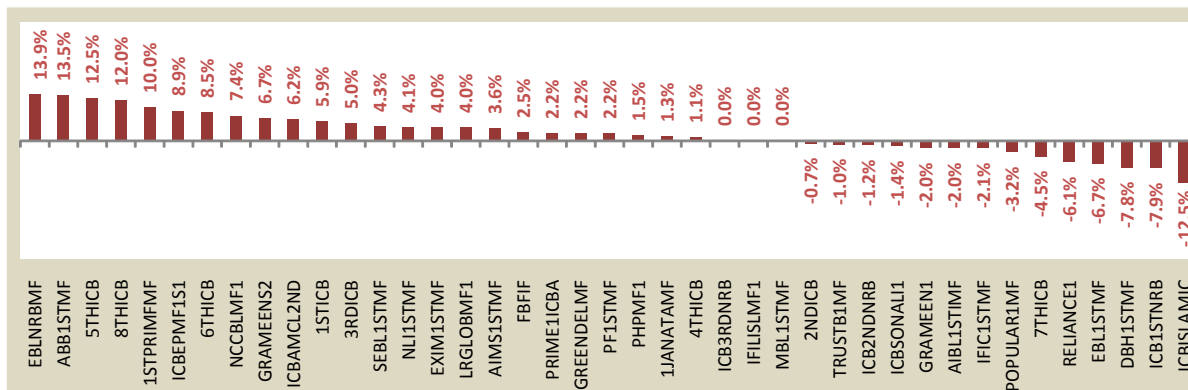
Source: DSE, ILSL Research

Mutual Fund : Monthly Update

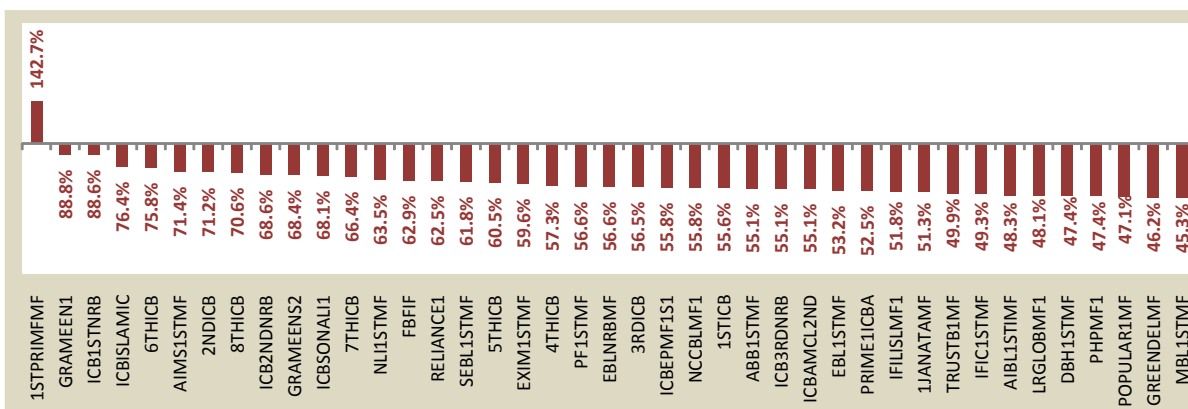
Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turover Leader	Avg Turnover (BDT mn)
ICBISLAMIC	13.4%	RELIANCE1	-2.8%	AIMS1STMF	18.0
2NDICB	12.3%	EBL1STMF	0.7%	1STPRIMFMF	14.3
ICB1STNRB	12.1%	AIBL1STIMF	2.1%	GRAMEEN1	11.8
ICBEPMF1S1	11.8%	LRGLOBMF1	2.7%	GRAMEENS2	9.0
ICBAMCL2ND	11.7%	NCCBLMF1	2.8%	ABB1STMF	5.2
PRIME1ICBA	11.2%	DBH1STMF	2.9%	TRUSTB1MF	3.8
1STPRIMFMF	11.1%	GREENDEL MF	3.1%	PHPMF1	2.5
GRAMEEN1	10.9%	MBL1STMF	3.2%	POPULAR1MF	2.5
ICB2NDNRB	10.3%	3RDICB	4.4%	RELIANCE1	2.3
PF1STMF	9.9%	NLI1STMF	4.4%	NLI1STMF	2.2

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	7,009	13.2%	7.6%	2.03	2,595
ICB	3,666	6.9%	6.4%	3.37	178
ICB AMCL	7,184	13.5%	9.4%	0.81	7,250
LR Global	9,183	17.3%	2.8%	0.95	8,896
RACE	24,322	45.8%	5.0%	1.01	20,386
VIPB	1,788	3.4%	4.6%	1.05	1,501

Source: DSE, ILSL Research



Our New Trading Partner



Contact Address

Printers Building (14th Floor) , 5, Rajuk Avenue Dhaka -1000, Tel: +88-02-9515573, Fax: +88-02-7117559, www.il-capital.com

Business Newsflash

Economy

BB brings cheer to foreign investors

The Daily Star, September 01, 2014

Foreign investors having stakes in Bangladeshi private companies will now get higher returns. Along with the currently practiced 'net asset value approach' for determining the repatriable value of shares, Bangladesh Bank has adopted two more methods: market value approach and income approach or discounted cash flow approach. For example: If the price of a company's share stands at BDT 50 based on net asset value, it could be valued at BDT 100 in market value and BDT 200 in the income approach. The BB will accept any of the three approaches or an average of the three in valuing the shares, depending on the nature of the company. Application for repatriation of sale proceeds of shares will have to be submitted to the foreign exchange investment department of the central bank with a valuation certificate, issued by a merchant bank or a chartered accountant.

Now Deutsche Bank to offer fund raising assistance

Dhaka Tribune, September 03, 2014

Deutsche Bank AG, a German global bank and financial services company, is likely to offer Bangladesh to **raise USD1bn by floating sovereign bonds**. After Goldman Sachs, the German Bank would come up with the offer today as some other US and UK-based leading companies are also likely to express their interest in assisting Bangladesh to raise dollars from international market. Deutsche Bank opened its Dhaka office two years ago with an intent to become a partner of Bangladesh's financial sector development initiatives. The officials assured finance minister of raising USD2-3bn in just three months. **Bangladesh is one of "Next 11" countries identified by Goldman Sachs in 2005 as fast growing economies**. The interest rate of the bond will be minimum 7% with a minimum maturity period of five years.

Remittance inflow increases by 15% in August

New Age, September 04, 2014

The inflow or remittance increased to USD 1,160.06 mn (USD1.16 bn) in August of the current financial year 2014-15 against USD 1,005.77 mn in the same month of the FY14. The expatriate Bangladeshis sent significant amount of greenback during the period. According to Bangladesh Bank data, remittance inflow increased by 15.34% in August 2014 compared to the same month of the previous year. The BB data showed that the inward remittance had also increased by 18.11% to USD 2,651.43 mn in the first two months of the FY15 from USD 2,244.73 mn in the same period a financial year ago.

Inflation eases by 0.13% in August

Dhaka Tribune, September 07, 2014

The rate of inflation has come down by 0.13% in the second month (August) of the current fiscal year 2014-15, according to the data released by the Bangladesh Bureau of Statistics (BSS). The general rate of point-to-point food inflation stood at 6.91% in August which was 7.04% in July. The annual average inflation rate during the period (September, 2013 -August, 2014) stood at 7.24% compared to 7.19% during September 2012 to August, 2013.

Government to open commercial wings in 7 countries to boost exports

The Financial Express, September 14, 2014

The government has decided to open a good number of commercial wings in seven important countries with a view to boosting export earnings and further strengthening bilateral ties. The countries are Sweden, Turkey, South Africa, Indonesia, Singapore and China (Kunming), according to the commerce ministry sources. Committee has also been formed to identify problems of the wings through arranging meetings with country's stakeholders. A large number of Bangladeshi products are being exported to Indonesia, Singapore, Sweden, Turkey, South Africa and Kunming. Export earnings from those countries are growing significantly every year. But there are no commercial wings in those countries.

ADB to ramp up private sector exposure

Dhaka Tribune, September 14, 2014

Asian Development Bank has taken a decision to increase its private sector exposure in Bangladesh as it considers the sector is “the driver of change.” Agro-business, financial sector, small and medium enterprises support through financial intermediaries, skill development and other related areas where ADB wants to have involvement. ADB has, so far, **invested USD300m directly in Bangladesh’s private sector** and last year supported USD1.7bn trade financing transaction in partnership with 13 banks. ADB has adopted Strategy 2020 under which it will increase its private sector exposure to 50% of the total operation of the ADB.

USD125m foreign loan for 7 pvt cos approved

New Age, September 22, 2014

The Private Sector Foreign Loan and Supplier’s Credit Committee on Sunday approved seven private companies’ proposals to take USD125.05 mn in loans from foreign sources. The committee approved USD44 mn for Dutch-Bangla Power and Associates Ltd, USD44 mn for Orion Power Meghnaghat Ltd, USD15.43 mn for Tarasima Apparels Ltd, USD15 mn for Ha-Meem Denim Ltd, USD4.45 mn for Rising Industries Ltd, USD1.60 mn for Knit Concern Ltd and USD0.567 mn for Plummy Fashions Ltd. The highest interest rate of the approved proposals is 3-month LIBOR+4.50% annually and the effective interest rate is within 4.74% per year. The tenor of the proposed loan is at least 3 years. repaid in 13 years.

Imports soar by 44pc in Aug

New Age, September 24, 2014

The country’s imports posted a robust 43.70% growth in August this year compared with that of 6.03% negative growth in the same month last year. Besides the food product imports, the businesspeople imported more capital machinery and raw materials for the garment sector in last month as political unrest in the country slightly eased in recent months. **The total import bill payment stood at USD 3.35 bn** in August this year and the figure was USD 2.33 bn in August 2013 and USD2.48 bn in August 2012. The import of rice also increased to USD 29.41 mn in August from USD 21.40 mn in the corresponding month a year ago.

ADB projects 6.4% GDP growth

New Age, September 26, 2014

Bangladesh economy will grow by 6.4% in the current fiscal year as all major economic indicators are performing better than the last year. Inflation is also expected to decline to 6.5% in the FY2014-15 from 7.4% in last year. Growth in the country’s gross domestic product will be higher than that of last year when the economy grew at 6.1% as all major economic fundamentals including investment, export and remittance remained on right track with positive signs of improvement.

Stock Market**Foreign investment at DSE drops to 31-month low**

New Age, September 02, 2014

The net overseas investment at the Dhaka Stock Exchange declined to a 31-month low at BDT 12.45 crore in August due to increased share sales by foreign investors to make short-term profit. August figure was the lowest since January, 2012 when foreign investors’ net investment at the bourse was BDT 5.02 crore. In August, overseas investors bought shares worth BDT 164.93 crore against their share sales of BDT 152.47 crore, with the total turnover at the bourse standing at BDT 317.40 crore. As per the DSE data, **net overseas investment was BDT 77.65 crore** in July against BDT 362.63 crore in the previous month. The net foreign investment at the DSE hit a fresh all-time high of BDT 572.08 crore in April this year when they bought shares worth BDT 876.43 crore and sold shares worth BDT 304.35 crore.

UK groups want to advocate for foreign investments in DSE, CSE

Dhaka Tribune, September 02, 2014

A UK-based investment association and a development finance institution also based in UK have expressed interest in initiating global advocacy to bring foreign investment into Bangladesh’s stock markets. However, they have identified five barriers into attracting foreign investment to the country’s two markets - Dhaka and Chittagong stock exchanges. Emerging Markets Private Equity Association (EMPEA) and CDC Group are willing to take the move. Last April, the CDC Group invested USD28m in private sector lender Ratnakar Bank in India, a transaction that made the British development financial institution picking up a 4.8% stake in the Kohlapur-based and private equity-backed bank.

BSEC to finalise clearing house rules by this year

New Age, September 07, 2014

The Bangladesh Securities and Exchange Commission has planned to finalise by this year the rules for establishing a clearing corporation for the capital market. Formation of a separate clearing corporation is one of the important parts of the BSEC's 10-year master plan and also a condition of the ADB under its Capital Market Development Programme-2. A clearing corporation, also known as clearing firm or clearing house, plays a key role in ensuring that executed trades are settled within a specified period of time in an efficient manner. The commission is now working on finalising the rules to form a clearing house and hope that it will finalise the regulations within the next two months.

DSE to launch new trading platform by December

The Financial Express, September 08, 2014

The Dhaka Stock Exchange (DSE) will launch new trading platform by December this year to get rid of repeated technical glitches, occurred particularly on occasions of some debut tradings with huge trade volume. The prime bourse on March 21, this year, signed agreements with two US-based companies - NASDAQ OMX and FlexTrade Systems - to upgrade its existing trading system. NASDAQ OMX and FlexTrade Systems are working from March this year to upgrade its existing trading system to a 'next-generation, world-class' trading platform.

Ctg bourse plans to launch derivatives, IPO index

New Age, September 16, 2014

The Chittagong Stock Exchange will launch index-based derivatives and an initial public offering index as part of its business plan. It is also preparing to launch two other indices — Shariah index and benchmark index depending on regulatory approval. CSE earlier had submitted a proposal to the commission for launching an IPO index and demonstrated a presentation in this regard. It is trying to introduce new products like derivatives and exchange traded funds in the next four-five years.

BSEC okays BDT 63.75cr IPO of IFAD Auto

New Age, September 21, 2014

The Bangladesh Securities and Exchange Commission on Thursday approved a proposal of the IFAD Autos

Limited to raise BDT 63.75 crore from the capital market through initial public offering. The company will float 2.12 crore shares with an offered price of BDT 30 including BDT 20 premium on each share. According to the latest financial statement of the IFAD Auto for the year ended on June 30 this year, earning per share and net asset value per share of the company stands at BDT 5.16 and BDT 44.12 respectively. IFAD would use the IPO fund for its business expansion, repayment of bank loans and to meet-up IPO expenses. Banco Finance and Investment Limited and Alpha Capital Management Limited are the issue manager of the IPO fund.

DSE seeks BSEC nod to launch 2 funds for stocks investment

New Age, September 22, 2014

The Dhaka Stock Exchange on Sunday proposed that the Bangladesh Securities and Exchange Commission should allow the bourse to launch two index-based exchange traded funds [ETF]. The DSE has made the proposal of launching ETFs in a bid to diversify its business as part of its business plan which was earlier approved by the commission with its demutualisation scheme.' The two ETFs will be formed based on DS30, the blue-chip index of the DSE, and DSES, the Shariah index of the bourse. The bourse aimed to launch the ETFs by December this year, if the regulator allows, with the introduction of its new trading system.

C&A Textiles gets go-ahead for IPO

The Daily Star, September 24, 2014

The export-oriented knit composite textile company will float 4.5 crore ordinary shares of BDT 10 each to raise the fund for machinery purchase, building construction and repayment of bank loans. AFC Capital and Imperial Capital will manage the initial public offering. The company's earnings per share stood at BDT 1.78 and net asset value without revaluation surplus per share stood at BDT 18.38 on December 2013. problems of the wings through arranging meetings with country's stakeholders. A large number of Bangladeshi products are being exported to Indonesia, Singapore, Sweden, Turkey, South Africa and Kunming. Export earnings from those countries are growing significantly every year. But there are no commercial wings in those countries.

Global fund managers eye on Bangladesh

The Dhaka Tribune, September 25, 2014

A number of global fund managers, including the New York-based world's one of the leading financial management and advisory companies, Merrill Lynch, target their barrels towards Bangladesh. Factors, including stable economic outlook, relatively calm in the political field and vast population have attracted some global top fund managers. Before putting funds on any company, they usually prefer long-term investment in the companies with good fundamentals and love to talk with the company management too.

Grameen One, AIMS First MF tenure extension pleas rejected

New Age, September 22, 2014

The Bangladesh Securities and Exchange Commission has rejected the tenure extension proposals made by two mutual funds — Grameen One: First Scheme of Grameen Mutual Fund One and AIMS First Guaranteed Mutual Fund. The tenure of the mutual funds will expire on June 30 next year.

Bank

Banks cut interest rates further

New, September 02, 2014

Scheduled banks further cut rate of interest on their deposit products in July due to an increasing trend in excess liquidity in the banking sector. The BB data showed the weighted average interest rate on the deposit in the banking sector declined to 7.71% in July from 7.79% in June this year. The BB data, however, showed that the weighted average interest rate on the lending also declined to 12.84% in July from 13.10% in June. The weighted average interest rate on the lending and deposit was 13.23% and 8.01% respectively in May. Against the backdrop, the interest spread rate, the gap between the interest rates on credit and deposit, declined to 5.13% in July from 5.31% in June. The excess liquidity excluding the statutory liquidity ratio in the banking sector had recently crossed BDT 1, 20,000 crore.

Lending rate dips below 13% after 2 years

Dhaka Tribune, September 03, 2014

Average interest rate on bank loans and advances has come down to as low as 12% in July this year, breaking a steady trend of over 13% in last 30 months. This is due to lack of loan demand in the industrial sector and increased inflow of low-cost foreign loans. The lending rate stood at 12.84% in July from 13.1% in the previous month. It ranged between 13.9% and 13.1% for the last two and half years, according to the central bank data. Earlier, the rate came below 13% in December 2011 to stand at 12.9%. The interest rate on deposit also fell to 7.71% in July from 7.79% in the previous month. It came down to as low as 7% in June, breaking a steady trend over 8% in last two years.

Banks reschedule BDT 18,552cr under relaxed rules

The Daily Star, September 25, 2014

Banks regularised BDT 18,552 crore until June under relaxed loan rescheduling rules that were introduced in December last year to help businesses affected by political unrest. Eight state-owned and specialised banks accounted for almost half of the amount or BDT 9,174 crore. Under the scope that expired in June, businesses were allowed to reschedule their loans by fixing their down payment and time limit for repayment, and restructure loans by setting up a rational repayment period.

10 banks asked to cut defaulted loan ratio below 10pc

New Age, September 29, 2014

Bangladesh Bank on Sunday asked 10 scheduled banks to decrease their industrial defaulted loan ratio below 10% as their industrial classified loans are hovering over 15%. The 10 banks are: Sonali Bank, Agrani Bank, Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, BASIC Bank, Bangladesh Development Bank, Uttara Bank, State Bank of India, National Bank of Pakistan and ICB Islamic Bank. The BB data showed that the industrial defaulted loans had declined to BDT 15,225.90 crore in financial year 2013-14 from BDT 15,553.05 crore in the FY13.

Bank

Govt yet to amend deposit insurance act for NBFIs

Newage, September 01, 2014

The government is yet to amend the Bank Deposit Insurance Act 2000 to bring non-bank financial institutions under the deposit insurance scheme. The BB took the initiative to amend the act in 2011 to give more protection to the depositors against any kind of vulnerabilities in the financial institutions. A depositor of a bank in favour of his/her current or fixed or saving deposit would get maximum BDT 1 lakh from the deposit insurance trust fund if his or her bank collapses for any reason, according to the existing act. The amount of deposit insurance coverage will increase to BDT 2 lakh from the existing BDT 1 lakh against each depositor when the act would be amended. The Deposit Insurance Act 2000 says in case of an insured bank's collapse or bankruptcy, BB shall pay an amount equal to the money of each depositor of that bank.

ICB to be turned into banking company

The Financial Express, September 2, 2014

The Investment Corporation of Bangladesh (ICB) Bill, 2014 was placed in parliament with a proposal to set up a corporation to be named as ICB, reports BSS. According to the bill, the corporation would be considered as a banking company after having license under the Bank Company Act. The bill proposed for making specific rules on setting up its head office and branch offices, formation of board of directors and executive committee, appointment of managing director and directors, eligibility of shareholders and conducting audit.

Govt to issue Islamic bonds

New, September 02, 2014

The government will borrow from the Shariah-based banks and non-bank financial institutions by floating Islamic investment bonds. The government will borrow from the Shariah-based banks and NBFIs to implement its Shariah approved projects. Islamic Investment Bonds Regulations, 2004 were revised on August 18 so that the government can take loans from the Shariah-based banks and NBFIs to implement its large projects like Padma Multipurpose Bridge.

Non-banks hit a rough patch

The Daily Star, September 09, 2014

Profitability of non-bank financial institutions is shrinking though their management strives to extract profits from a dull market this year. The situation is getting aggravated further due to early payoffs of loans by relatively good corporate clients. Their return on assets (ROA) and return on equity (ROE) that give an indication of an institution's profitability fell by 28% and nearly 24% respectively in two years, according to the BB report. The ROA was 2.5% in 2011, but it came down to 1.9% in 2012 and 1.8% in 2013.

Textile

VF, IFC team up to provide USD 10m for apparel sector

The Financial Express, September 4, 2014

The VF Corporation, an American apparel giant, teamed up with International Finance Corporation (IFC) to provide USD10 mn for financing fire and building safety improvements in the readymade garment (RMG) sector of Bangladesh. These funds are part of VF's overall USD 17 mn commitment to the health and safety of Bangladeshi garment workers. With this financial commitment, VF is providing a corporate guarantee for IFC remediation loans to VF suppliers will enable the IFC to award loans at a reasonable cost to qualified suppliers who own factories in Bangladesh that produce VF products. Individual loans granted to suppliers are expected to range from USD 100,000 to USD 1.0 mn and must address one of three applicable performance standards: assessment and management of environmental and social risks and impacts; labour and working conditions; or, resource efficiency and pollution prevention.

RMG export to US faces setback

Dhaka Tribune, September 08, 2014

RMG exports to US market have seen an 8.8% decline to USD831 mn in the first two months of current fiscal. A set of compliance issues and lack of proper infrastructure are attributed to the failure in grabbing

enough orders from the United States buyers. According to the EPB Bangladesh earned only USD831 mn by exporting apparel products to the US market in July-August period of the current fiscal, which is 8.81% less compared to USD911 mn earned in the same period of last fiscal.

Power

CVO to go for commercial operation

Dhaka Tribune, September 16, 2014

CVO Petrochemical Refinery Limited is set to start its commercial operation with an annual production capacity of 25,000 tonnes of petrol and diesel. An agreement was signed between Bangladesh Petroleum Corporation (BPC) and CVO yesterday to purchase petrol and diesel. The purchase price of petroleum will be BDT85 per litre, which BPC will sell at BDT93 in the market. The share price of the company rose by 38% to BDT771 from BDT558 in last two weeks, according to the Dhaka Stock Exchange data. The Chittagong Vegetable Oil company took the new name CVO petrochemical refinery as it changed its business pattern from vegetable oil to petrochemical refinery plant.

Engineering

Steel, cement makers scent opportunity as Padma bridge construction advances

The Financial Express, September 01, 2014

Local steel and cement makers are smacking their lips at the prospect of getting good business as the construction of approach roads and other works of the multi-bn-dollar Padma Bridge is underway. The construction of 6.15-kilometre-bridge, including Jajira approach road and Mawa approach road, accommodation, and river control river training will cost around USD 2.97 bn. To meet the growing demand of building materials at the Padma Bidge project, the local companies are going to take some preparations such as expansion of production capacity and conducting research on quality of cement. According to of Bangladesh Re-Rolling Mills Association, the country has the capacity to produce around 7.0 mn tonnes of rod a year, while the local demand is around 4.0 mn tones. The production capacity of local cement is almost 18 mn tones, but domestic demand is estimated at 10 mn tones.

Dhaka prefers Japanese investments in infrastructure, ship building sectors

The Financial Express, September 4, 2014

Bangladesh and Japanese business leaders highlighted potential business and investment areas in a move to take the bilateral relations to the next level. At the Bangladesh-Japan Business Forum held at a city hotel, Bangladesh side favoured Japanese investments in infrastructure development and ship building, while corporate captains of Japan showed interest in safe drinking water, food, textiles, ports and hospitality sectors. They expressed the hope that trade and investment between the two countries, which grew eight times in the last five years, will continue to expand, helping Bangladesh to become a middle-income nation by 2021.of improvement.

Pharmaceutical

Contract pharma makers to see 10% advance tax

The Daily Star, September 4, 2014

Drug makers engaged in contract manufacturing will have to pay 10% advance taxes on the service or toll charge. According to the revenue authority making medicine for others firms under contract manufacturing (CM) will be treated as a service and advance taxes would have to be paid on the service charge. Pharmaceutical companies, for whom the CM operators will make drugs, will have to deduct the tax during bill payment. About 30 companies are engaged in contract manufacturing and will be able to adjust the advance tax with the total income tax payable for a year.

ACI moves into construction equipment business

The Daily Star, September 21, 2014

ACI Motors, a unit of business conglomerate Advanced Chemical Industries, has expanded its business by introducing new construction equipment. It will market and distribute construction equipment of Case Construction Equipment India in Bangladesh. ACI will market construction equipment such as loader backhoes, vibratory compactors, wheel loaders, graders and skid steer loaders -- priced between BDT 35 lakh and BDT 40 lakh. US-based Case Construction is the world's leading manufacturer and marketer of construction and road building equipment in more than 150 countries.

Contract manufacturing brings new hope for pharma companies

The Daily Star, September 18, 2014

Pharmaceutical companies are increasingly engaging in toll or contract manufacturing, a development that allows them to utilise unused capacities and reduce the need for fresh investment. Toll manufacturing, ushered in by the government in the National Drug Policy 2005, is an arrangement in which a company with specialised equipment processes raw materials or semi-finished goods for another company.

Around 30 drug makers including Renata, Beximco and Popular are currently engaged in toll manufacturing for their local counterparts or even multinational companies, a sum which was less than 10 a couple of years ago. The global market for pharmaceutical toll manufacturing is worth around USD50-USD60 bn, with India being a prime destination for multinationals. Pharmaceutical companies, now 257, meet 98% of the local demand for medicines. Local companies enjoy 80-85% of the growing domestic market of nearly USD1.5 bn. of that bank.

Note: Business Newflash is a collection of news published in the top daily newspapers like The Daily Star, The Financial Express, The NewAge and Dhaka Tribune. IL Capital is not responsible for any discrepancy in the information provided in the news.



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	Vice President & COO, ILSL	humayan@ilsibd.com

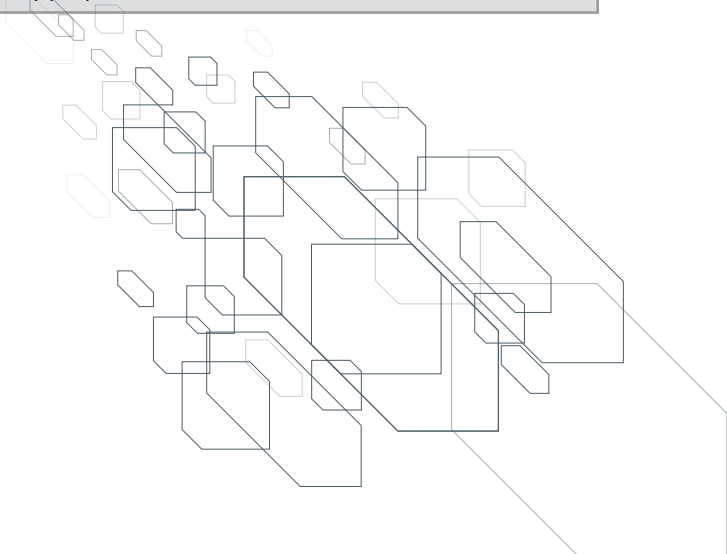
IL Capital Research Team

Nurul Hai	Head of Investment and Corporate Advisory	nurul@il-capital.com
Md. Mustafa Kamal	Assistant Manager	mustafa@il-capital.com
Shama Rahman	Senior Executive	shama@il-capital.com
Shohidul Islam	Senior Executive	shohidul@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

Disclaimer: This report is provided for information purposes only. It is not a complete analysis of every material fact respecting any stock or industry. Neither this report, nor any graph presented herein, should be construed as an offer to sell or a solicitation of an offer to acquire any stock or other investments. The company accepts no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose.





International Leasing Securities Limited started its journey to provide diversified services to a wide range of customers.

International Leasing Securities Limited offers full-fledged high standard brokerage service with margin loan facility. It is also a full service Depository Participant (DP) of Central Depository Bangladesh Ltd. (CDBL). The brokerage service is designed to provide customers with necessary support in the stock market.

ILSL is dedicated to provide high level of professional and personalized services to its domestic and international customers. ILSL services are comprehensive in nature, including brokerage, margin loan, CDBL facilities, and research.

Value for our clients

We have formed a dedicated and professionally qualified research team so that our clients can have proper understanding of market dynamics and take informed investment decision.

To meet the objective we deliver plenty of enriched products and services to our clients. Our research coverage includes but not limited to listed company analysis, sector analysis and economy analysis of Bangladesh.

Currently our research basket has:

- Daily Market Update: Clients can get information on market movement along with clarifications on overall market pulse.
- Equity Note: Provide brief company insights based on fundamental analysis
- Valuation Report: Deliver extended fundamental analysis on particular stock
- 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)
- Monthly Publication: Comprises of economic update, market update, overview on any particular sector and snapshot over few stocks under the covered industry and business news
- Macroeconomics Update: Offer review on Monetary Policy Statement (MPS), Budget etc.



We Promise Customized and Efficient Investment Solutions ...



IL Capital Limited and International Leasing Securities Limited are subsidiaries of International Leasing and Financial Services Limited



We Offer:

- Issue Management
- Underwriting
- Private Equity
- Capital Raising
- Loan Syndication
- Merger and Acquisition
- Bonds and Convertibles
- Margin Lending
- Non-Discretionary Investment Management
- Discretionary Investment Management

Contact Address

Printers Building (14th Floor), 5 Rajuk Avenue, Dhaka-1000.
Tel: +88-02-9515573, Fax: +88-02-7117559
www.il-capital.com



We Offer:

- Brokerage Services
- Custodial Services
- Margin Loan Facilities
- Research Services
- Value Added Services
 - ◆ Internet Trading
 - ◆ Real Time Portfolio Viewing
 - ◆ Phone Banking
 - ◆ SMS Services & E-mail

Contact Address

Printers Building (3rd Floor), 5 Rajuk Avenue, Dhaka-1000.
Phone: +88-02-9577305 (Hunting); Fax: +88-02-9577691
www.ilsibd.com