

ILCL-ILSL MONTHLY

Economy and Market Review

July : 2015 Issue : 23

Tobacco Industry in Bangladesh



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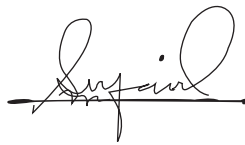
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Editorial

Welcome to our July 2015 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.

This edition includes a short note on **Opportunities and Challenges of Bangladesh Stock Market** from the **Honorable Chairman of ILFSL, A Review On Monetary Policy Statement (July-December 2015)** and also covers **Tobacco Industry in Bangladesh** with a snapshot over a stocks defined under the sector in prime bourse.

We are looking forward to any advice or suggestions from our readers or any other concern 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 arising from our publications.



Saad Faisal
Chief Operating Officer, IL Capital



Md. Humayan Kabir, FCA
Chief Operating Officer, ILSL

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July, 2015

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Opportunities and Challenges of Bangladesh Stock Market

Bangladesh is one of the most resilient economies in the South Asian region. The country has been able to maintain 6%+ GDP growth for the last five years. A number of factors were dominant for such an outstanding macroeconomic resilience. First, a significant shock in global commodity prices had positive macroeconomic impact since the country is a net importer. Second, trade relocation from large economies like China contributed a large part of the economic development during global economic slowdown. Last but not the least; strong domestic consumer demand backed by demographic advantage (roughly 65% of the population age between 15-64 years) is a considerable macro support.

Why Bangladesh stock market looks lucrative?

Bangladesh stock market is an attractive investment destination for a number of fundamental reasons. The country's stock market is much cheaper (PE 16.0x) than that of India, Thailand, Indonesia and Philippines. It also has higher dividend yield compared to the peers. Valuation of stocks in the coming days could be stronger on the back of strong macroeconomic performance. All the development organizations around the world have projected a better economic growth in FY2016 and FY2017.

Is the recovery sustainable?

The foreign net portfolio investment indicated that through October 2007, 12-month cumulative net

inflow was USD 148 million and when market turned into the overvalued region in 2010, net withdrawal peaked to USD 486 million in April 2010. By the time the market started to crash in December 2010, major portion of the portfolio investment was pulled out of the market. From May 2011, net portfolio investment again started to gain momentum and 12-month cumulative net investment reached to USD 825 million in September 2014. This is a considerable turnaround in portfolio investment which is signaling a strong sign of market recovery on the back of attractive valuation and macroeconomic growth.

What are the big opportunities ahead?

The decreasing interest rate on fixed deposits and savings certificates has made the stock market as an attractive investment destination. The stock market supportive fiscal policy for FY2016 is also a major catalyst for positive market movement. It has come up with a number of tax advantages. Besides, the July-December 2015 Monetary policy has come up with optimistic credit and GDP growth targets. It also aims to ensure stable growth in money supply.

Country's political condition has improved over the time and the number of strikes/hartal has been decreased considerably. On the other hand macroeconomic outlook is very positive as discussed. These could be strong catalysts to attract foreign portfolio investment.

What are the key threats ahead?

A renewed political instability could cause significant breach in investor confidence as it affects both stock market trade and macroeconomic development. Another direct impact on the stock market is central bank's control of the money supply. Although the policy interest rates has been unchanged in the July-December 2015 Monetary Policy, a potential increase in food inflation could cause a tighter monetary supply in action.

Are we ready to overcome the prevailing bottlenecks?

Both primary and secondary markets face some bottlenecks which are hindering the growth of the stock market. One of the key challenges in the primary market is lack of regulatory incentives to bring fundamentally strong companies. The number of analysts is inadequate. Small and medium size companies often face difficulties due to large pre-IPO capital rules.

On the secondary market side, one of the key challenges is banks' exposure to stock market which is capped at 25% of capital, whereas at present they are overexposed. The deadline for compliance is set at July 2016. On the contrary, adjusting the single borrower exposure by December 2015 could put severe burden on the stock market subsidiaries holding negative equity margin accounts. Sector-wise, most of the mutual funds are trading much lower than their net asset values (NAV) due to lack of public confidence driven by asset managers' gross violation of securities rules. Moreover, dividend in the form of re-investment unit is not attractive to the investors due to dilution effect. Besides, asset managers' reluctance to redeem the close end funds intensified the lack of investor confidence.

Way forward and policy recommendations

Enhanced coordination between the stock market regulator and the central bank could bring more financial stability. Demutualization of the stock exchange and passing the Bank Companies Act (amended) were some key policy actions that had been taken place already. It is necessary to focus enhancing institutional investor demand, and promoting the mutual fund industry could be a key driver for sustainable growth.

Strengthening the corporate bond market and a liquid government treasury securities market could be key catalysts for a well-functioning and diversified financial market. Abolishing the transaction taxes on the corporate bonds and improving the private placement by balancing the investor protection and ease of regulatory approval could set a level playground for the corporate bond market.

Finally, a comprehensive review of the stock market taxation has long been overdue. The alignment of the income from stock market with other incomes and the practice of double taxation (if any) could be seriously viewed. These could contribute to the development of the stock market and build sustainable investor confidence.

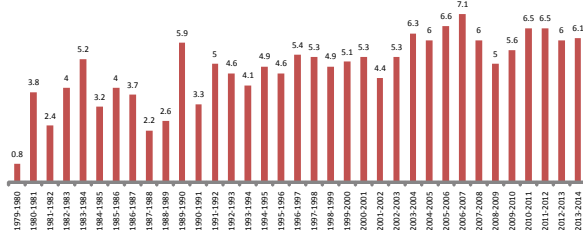
The author, Mr. M. A. Hashem, is the Chairman of International Leasing and Financial Services Limited (ILFSL). He is a senior banker of the country with over 35 years of career in the leading public commercial banks.

Economy Update

Bangladesh has achieved 44th position in global economy after attaining USD 205.3 billion as per the Gross Domestic Product (GDP) based on current prices of 2015. An analysis of World Development Indicators by World Bank (WB) confirmed that Bangladesh economy has advanced 14 steps from its previous position of 58th with great achievements in economic sector. WB appreciated this achievement by recognizing Bangladesh as a lower middle income country with per capita income of USD 1,314. The country is moving towards becoming a middle income country by 2021. Around five crore people of Bangladesh have risen to middle class status from lower class.

Moreover, Bangladesh now is in the 2nd position of the highest GDP growth countries among SAARC, ranked after India. It means that there is more value addition in the economy of Bangladesh and the country's income and consumption is uprising.

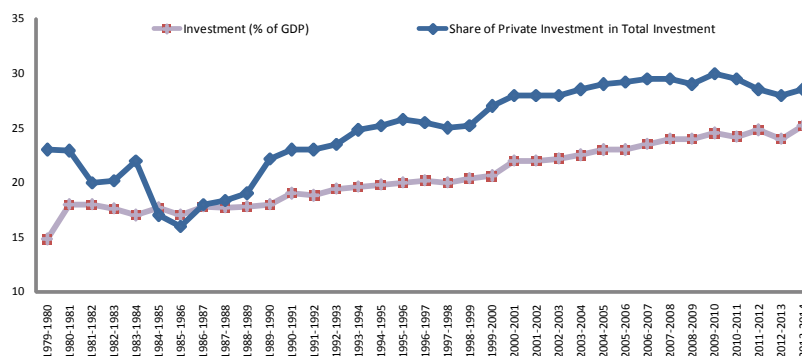
Bangladesh's GDP Growth Rate



Source: South Asian Network on Economic Modeling (SANEM) and IL Capital Research

This higher GDP growth rate will help Bangladesh to further contribute in investment to execute the goal of being an industrialized country and gradually reduce dependency on agriculture. This will also allow Bangladesh to attract investments from advanced economies.

Bangladesh's Investment (% of GDP) and Share of Private Investment in Total Investment



Looking at the trend in the investment as a percentage of GDP, South Asian Network on Economic Modeling (SANEM) identified four regimes of investment trend of Bangladesh. First regime is 1979-1980 to 1989-1990, second regime is 1990-1991 to 2004-2005, third regime is 2005-2006 to 2008-2009 and fourth regime is 2009-2010 to 2013-2014.

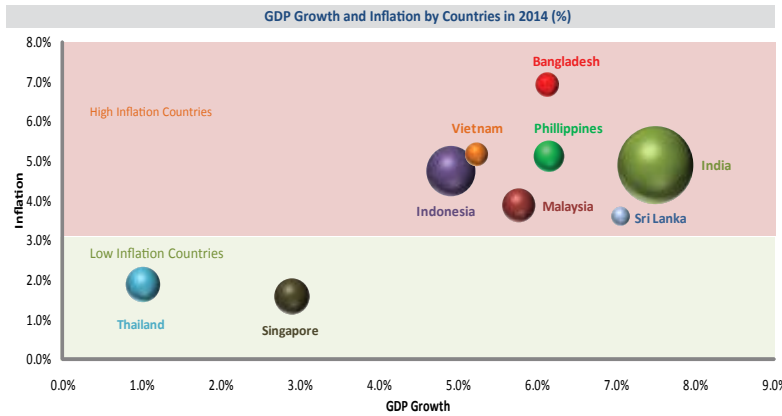
During first regime economy was highly protected by economic rules and regulations. Second regime experienced different economic reforms and became more trade oriented. Third regime achieved the highest rise in the percentage of trade on GDP.

Bangladesh currently is passing the fourth regime of investment trend. One of the important aspects of this investment trend is private sector participation in economic growth process. It indicates that involvement of the private sector is going to create more opportunity to expand the economy of this country.

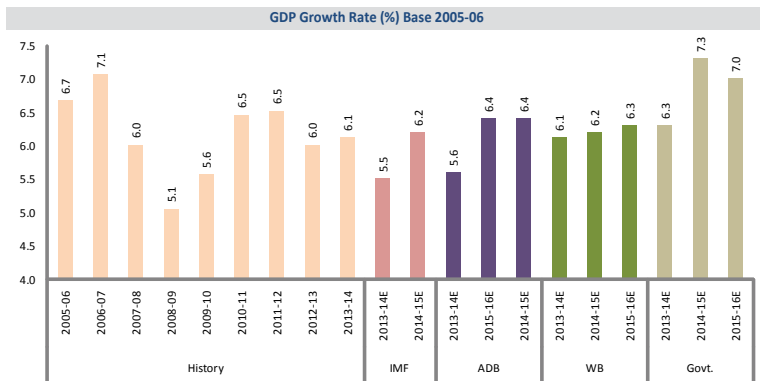
In this regime the annual average GDP growth rate have been over 6%. Economists of the country believe that the economy needs more resource to generate more amount of GDP.

Bangladesh is currently in the position of Demographic Dividend indicating the age group from 22-45 years as the highest population concentration in the country. Utilizing this energetic group of population associated with financial resources, the position of Bangladesh economy will reach a much higher stance by the year of 2050.

GDP:



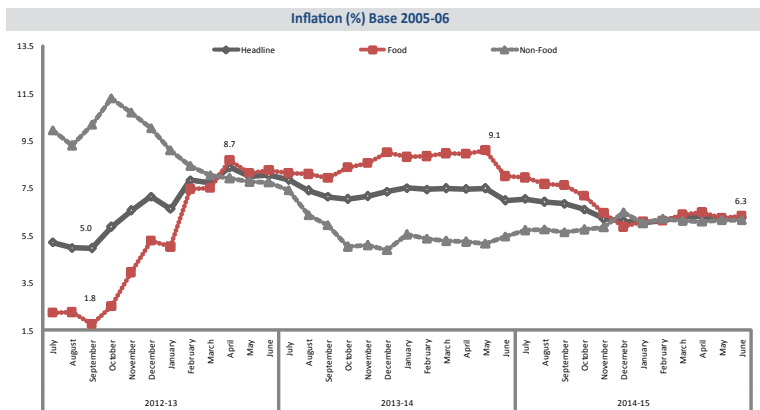
The Asian Development Bank (ADB) has revised its FY2015-16 growth forecasts for China and remaining Asia due to slower than expected growth in the region. According to the ADB's current outlook, the region is now expected to grow 6.1% and 6.2% this fiscal year and in FY2016 against the ADB's March forecast of 6.3% for both years. Nevertheless, India, Bangladesh, Sri Lanka and Pakistan are now growing at an average annual rate of approximately 6%, compared to 2% for the emerging world beyond China. Growth in East Asia is still seen as restrained with lower-than-forecast output across the region.



The data compiled by CNN Money states that the Philippine economic growth this year is projected to be the fourth fastest in the world. The country's gross domestic product (GDP) growth is expected to be 6.7%. The Philippines' projected economic growth is higher than Bangladesh's 6.3%, Vietnam's 6%, and Indonesia's 5.2%.

China recorded the fastest expansion last year at 7.4%, followed by India at 7.2%. Nigeria and Bangladesh came in at third and fourth with growth rates of 6.3% and 6.1%, respectively, according to CNN.

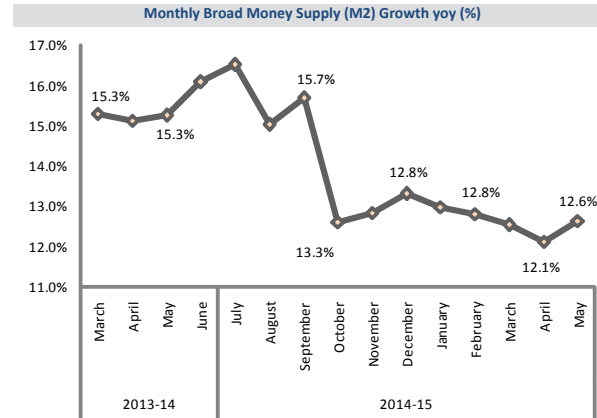
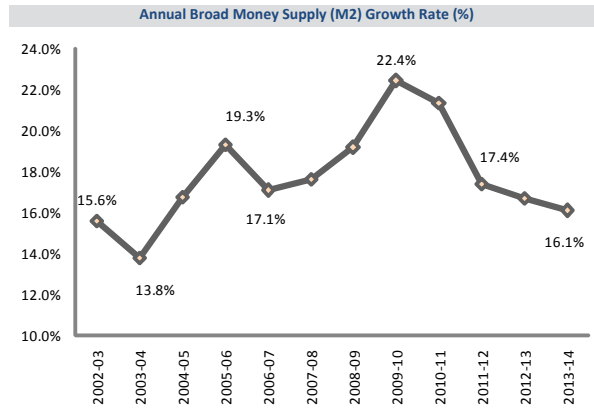
Inflation:



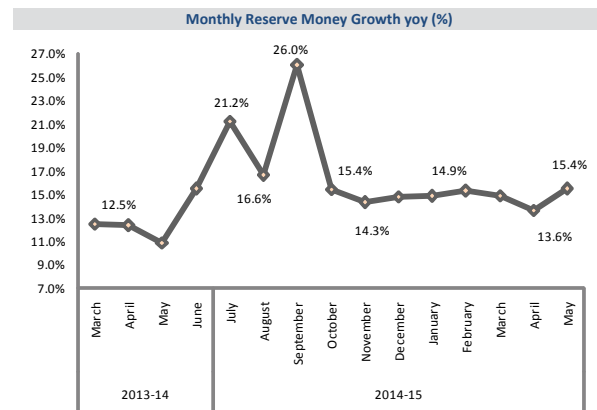
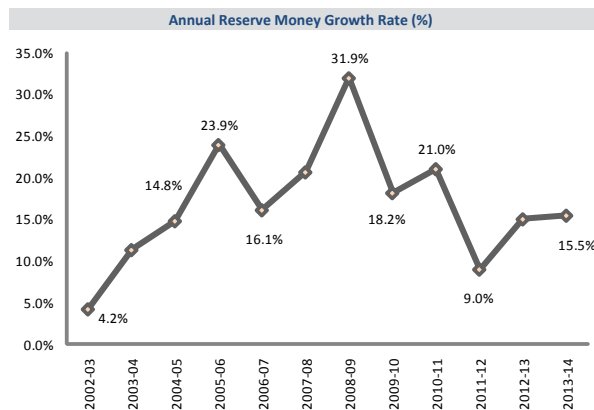
Inflation went up 11 basis points to 6.36% in July. The surge in the rate was due to non-food price increase. Inflation went up to 6.25% in June from 6.19% in the previous month of May on the back of a food inflation rise. Food inflation increased to 6.32% in June from 6.23% in May, while the non-food inflation remained almost unchanged for that period. The central bank is expected to face struggle in bringing down inflation to 6.2% which is the government's target for the current fiscal year.

Source: United Nation: World Economic Situation and Prospects 2015, Bangladesh Bank and IL Capital Research

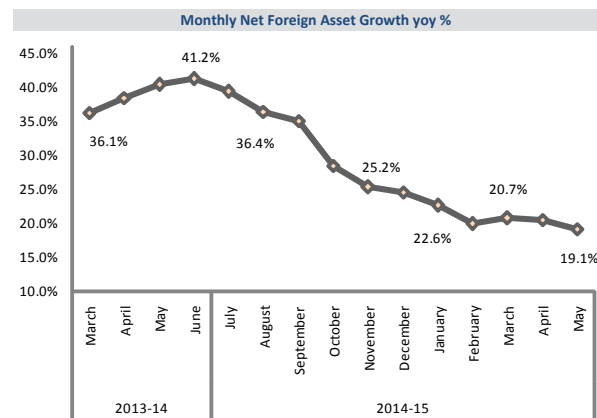
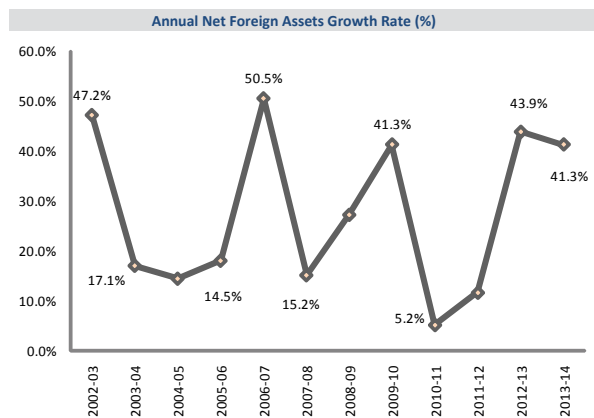
Money Supply:



The country's broad money growth rate rose from 12.1% in April to 12.6% rate in May FY2015. The broad money (M2) is expected to grow at 15.6% as stated in the recently published Monetary Policy Statement (MPS). The policy statement also states that the reserve money is projected to grow at 16%. The reserve money already has attained a significant rise from 13.6% in April to 15.4% in May FY2015.

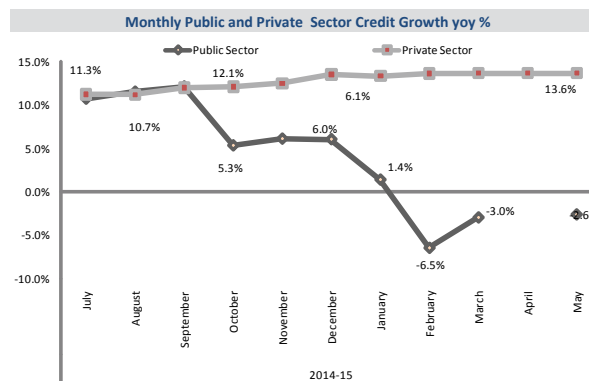
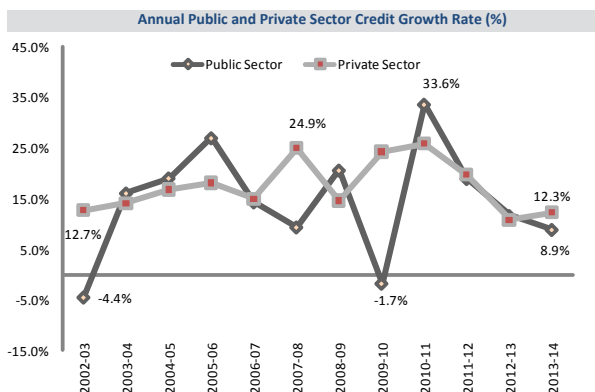


The net foreign asset growth rate continues to drop from 41.2% in June FY2014 to 19.1% in May FY2015. The strengthening domestic investment momentum is expected to further slow down the growth in net foreign asset when the deficit in the current account balance will widen.



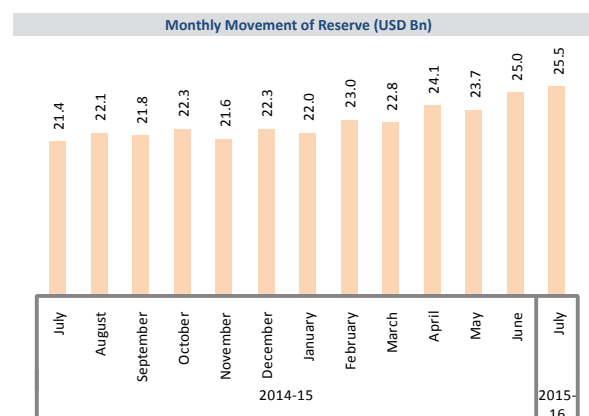
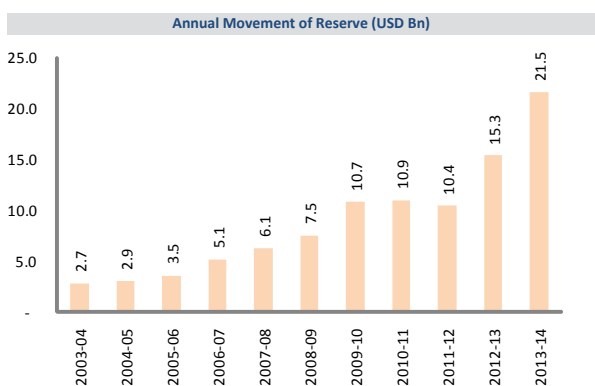
Source: Bangladesh Bank and IL Capital

Money Supply (Continued):



The MPS for the first half of the new FY2015-16 projected 15% credit growth to private sector while the overall domestic credit growth would be 16.3%. The projections are higher than the preceding year's actual domestic credit growth of 10.4% and private sector credit growth of 13.6%. The public credit growth is estimated to gradually rise as the government's borrowing is announced to increase further. Since July 1 to July 29, the government borrowed BDT 9,447 crore from the banking system in contrast to BDT 1,722 crore in the previous year.

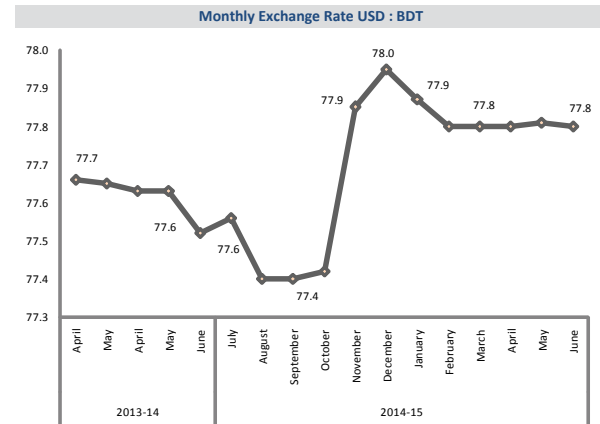
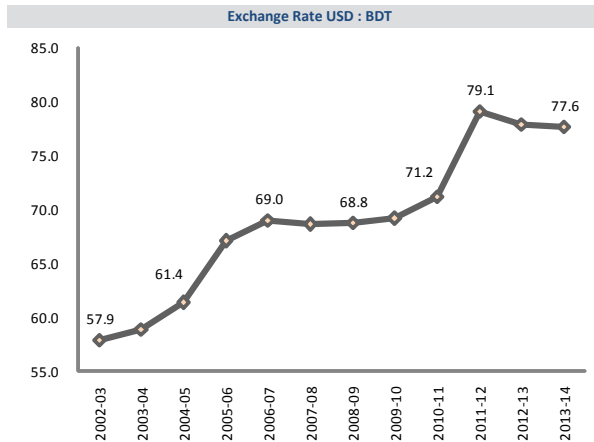
Reserve:



Bangladesh's foreign exchange reserve crossed the USD 25 billion-mark in June and further increased to USD 25.5 billion in July FY2015. The surge is following higher flow of inward remittances ahead of the Eid festival and steady growth of export earnings. The reserve was USD 25.02 billion on June 25, according to the central bank latest data. A strong foreign currency reserve is expected to improve the credit rating of the country as the likelihood of repayment has greatly increased. Lower country risk will greatly influence additional foreign investment in the country which will accelerate the overall growing economic momentum of the country.

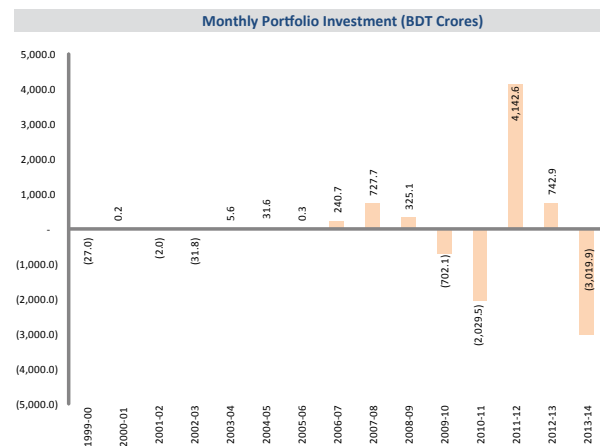
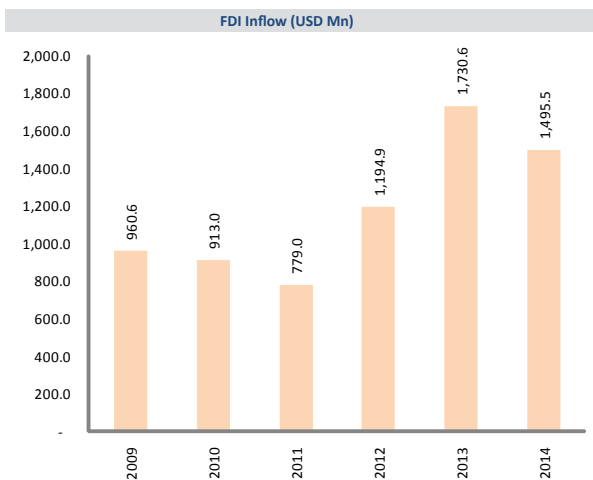
Source: Bangladesh Bank and IL Capital Research

Exchange Rate:



The central bank has boosted purchase of the US dollar from banks before the Eid-ul-Fitr festival in an attempt to keep the inter-bank foreign exchange market stable. For the fifth consecutive month, the central bank has kept the USD BDT exchange rate steady at BDT 77.8.

FDI Inflow and Portfolio Investment:

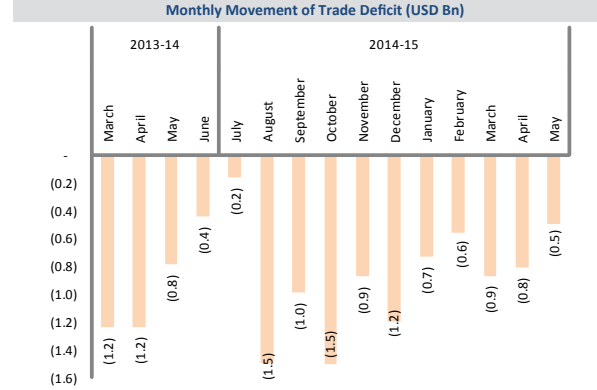
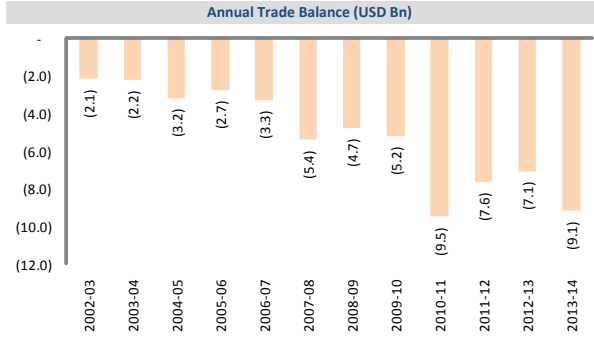


Experts believe that Bangladesh needs USD 3 billion Foreign Direct Investment (FDI) annually to go with the pace for earning middle-income status by the FY2021. The country at present has USD 1.52 billion FDI inflow. With the cheap labour cost along with the scheduled government mega projects (Padma Bridge, Deep-Sea Port, Bibiyana gas project, etc) the country is expected to attract more foreign direct investments. Major infrastructure projects are projected to be developed as public-private venture as well in the future which may help to attract both foreign and domestic investments.

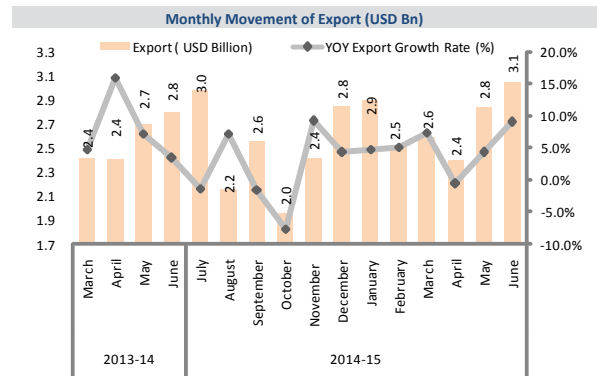
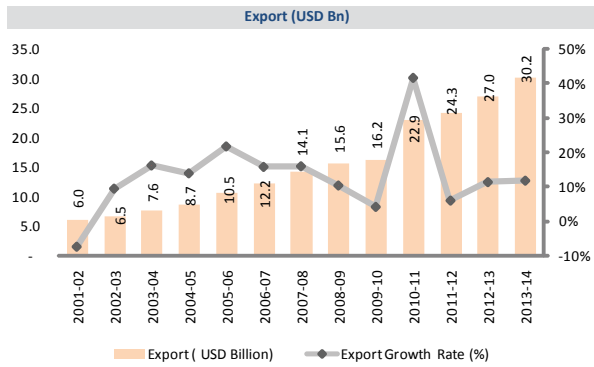
The foreign investors' net investment stood at over BDT 1,299 crore, down around 48% over FY2014-15. During the same period, total foreign trade stood at approximately BDT 7,000 crore, an increase of more than 37% from the previous year.

Source: Bangladesh Bank and IL Capital Research.

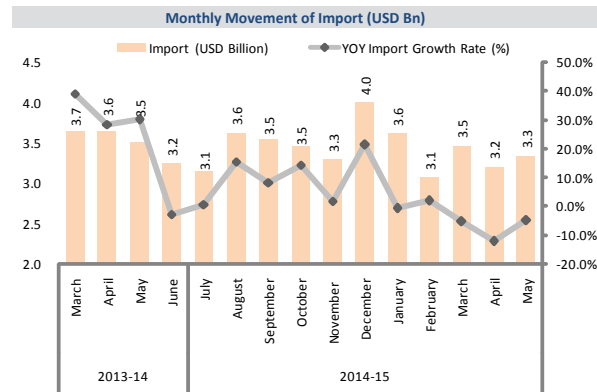
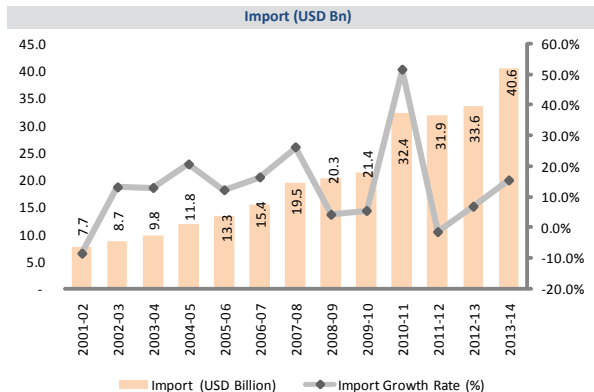
International Trade:



The country's export earnings showed a 9.1% Y-o-Y growth and stood at USD 3,054 million in June FY2015. Experts assume that the exchange rate, particularly the devaluation of Euro against dollar, may have impacted the export earnings. The government has set the current fiscal year export target at USD 33.5 billion with a 7.83% growth, taking the global economic situation and domestic issues into an account.

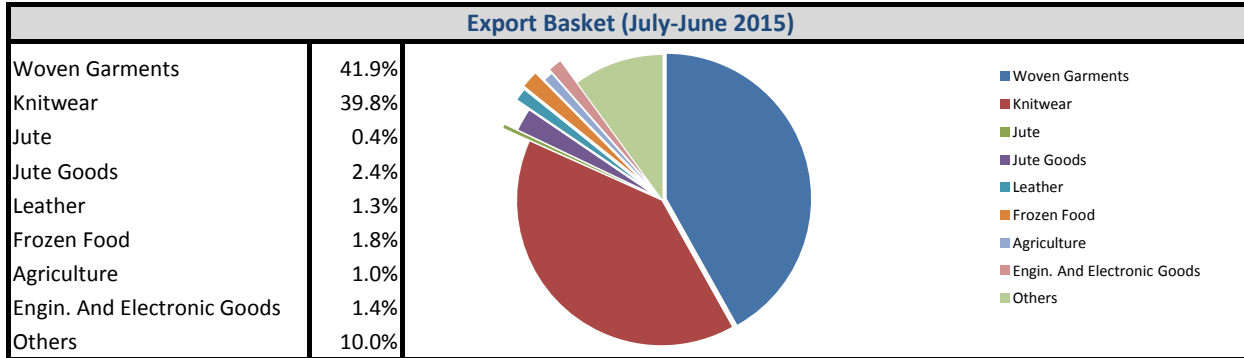


It is assumed that the overall imports increased in last fiscal mainly because of higher level of imported capital machinery. The import figure for the month of May FY2015 stood at USD 3,341 million, which was USD 3,206 million in the previous month. Statistics show that import of capital machinery or industrial equipment used for production was up by 22.97% to USD 3.10 billion in the FY2014 as against USD 2.52 billion of the previous fiscal. The experts stated that higher imports for textiles, leather and tannery, garment, food processing and telecom sectors contributed to the rise in the overall capital machinery import.

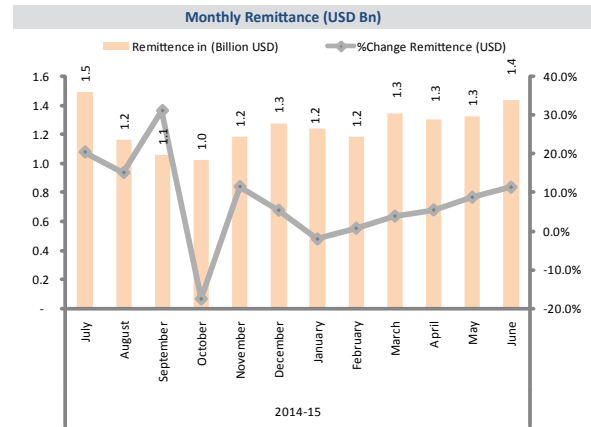
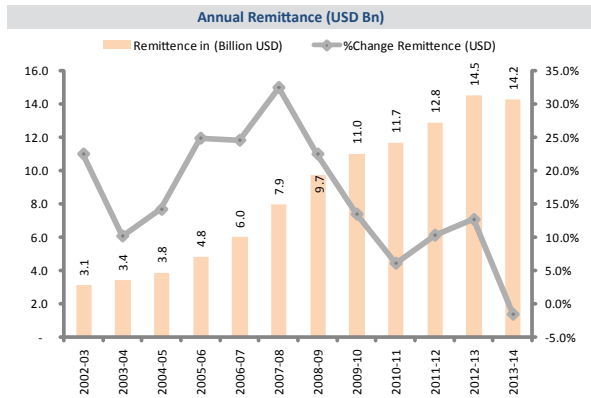


Source: Bangladesh Bank and IL Capital Research

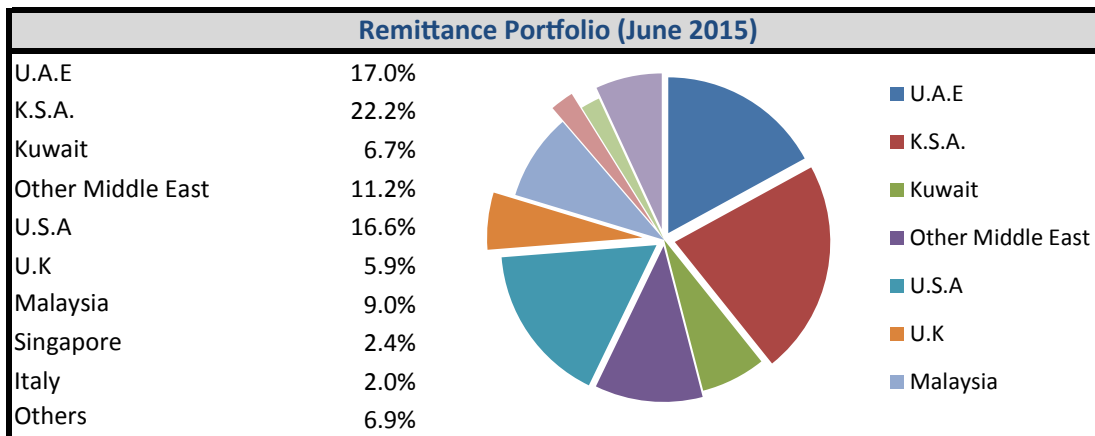
International Trade (Continued):



Remittance:

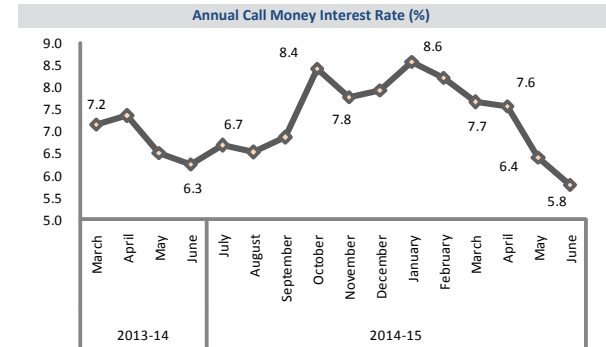
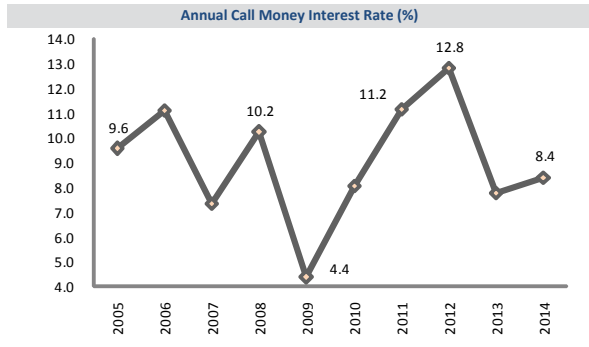


Bangladesh Bank has set an ambitious target for the fiscal year for remittance collection. The inward remittance for June FY2015 was USD 1431 million, which was a 8.3% rise from the previous month of May. In its monetary policy statement, the central bank expects remittance growth to be 10% this fiscal year. The flow of remittance increased 7.64% year-on-year last fiscal year.

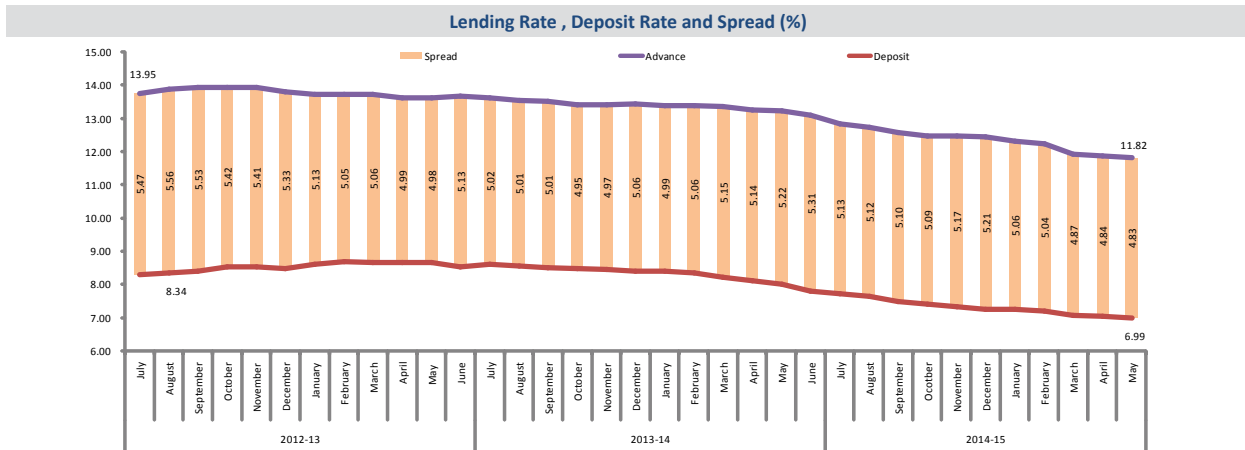


Source: Bangladesh Bank and IL Capital Research

Interest Rate (Continued):



In the usual scenario, the local banks borrow money from the central bank ahead of festival to meet up the market demand, but the scenario was the opposite this time as the market had excess liquidity. The call money rate stood lower than the repo rate 7.25% which kept the banks away from borrowing through repo. The call money rate continues to decline from 8.6% in January to 5.8% in June FY2015.



Source: Bangladesh Bank and IL Capital Research



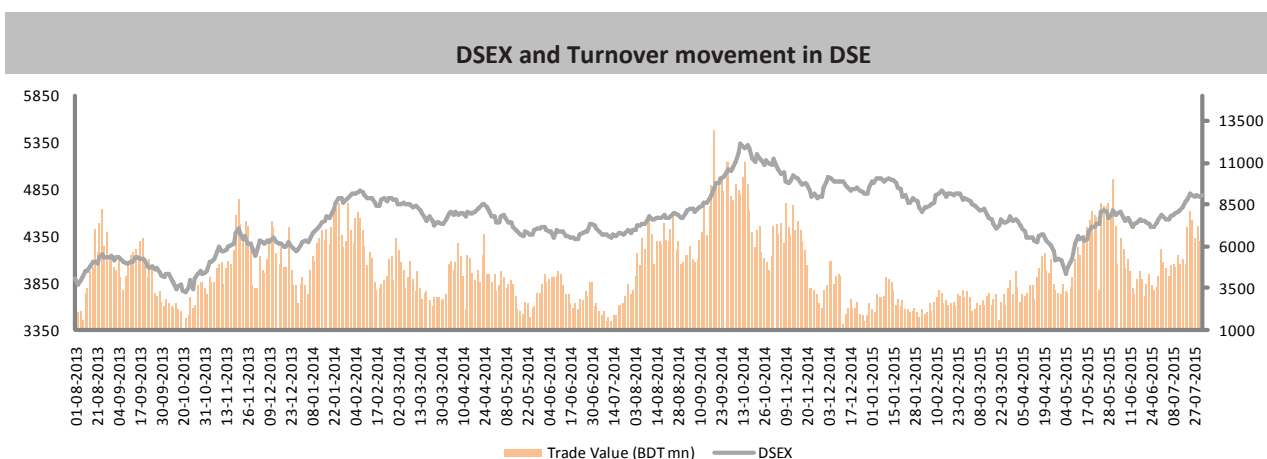
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MARKET UPDATE:

- The benchmark index of Dhaka Stock Exchange (DSEX) was up by 4.6% in July 2015 and it was down by 1.5% Year-to-Date as on July 31st 2015.
- During the month of July 2015, Market (DSEX) witnessed bullish trend mainly driven by the up-trend in share prices of Engineering, Cement, Pharma & Chemicals, Fuel & Power and NBFIs.
- The major sectors that gained during the month of July 2015 were Engineering (9.1%), Cements (7.8%), Pharma & Chemicals (7.7%), Fuel & Power (5.2%) and NBFIs (4.8%).
- On the other hand, the sectors that se backed were Real Estate & Services (-4.2%), Travel & Leisure (-1.3%) and Life Insurances (-0.9%) in July 2015.
- Among the companies traded in the Dhaka Stock Exchange (DSE), BDLAMPS (48.9%), ARAMITCEM (44.1%) and SAMATALETH (32.3%) were the top gainers in July 2015.
- On the other hand, the major loser companies in July 2015 were HAKKANIPUL (-13.6%), RNSPIN (-10.5%) and RDFOOD (-10.3%).
- During the month of July 2015 the average daily turnover in the public market of Dhaka Stock Exchange was up by 21.2% and it reached to BDT 5.66 bn from BDT 4.67 bn in June 2015.
- Average daily turnover of NBFIs sector increased by 104.9% followed by Cements (88.3%), Ceramics (71.8%), Pharma & Chemicals (54.7%) and Engineering (26.1%) in July 2015 than that of June 2015.
- However, in Dhaka Stock Exchange the average daily turnover of IT sector declined by 44.0% in July 2015 followed by Real Estate & Services (41.2%), Travel & Leisure (12.9%), Textiles (6.5%) and Telecommunication (3.6%).
- There are sectors that have outperformed DSEX Year-To-Date namely Pharma & Chemicals by 22.5%, Food by 15.5%, Cements by 6.5% and Engineering by 5.0% as of July 31st 2015.
- On the other hand, Insurance, Real Estate & Services, Travel & Leisure, NBFIs and Banks have underperformed DSEX Year-To-Date as of July 31st 2015 by 21.3%, 13.7%, 10.9%, 10.2% and 7.3% respectively.
- Market capitalization of DSE increased by 4.4% to BDT 2.81 trillion (USD 35.93 billion) as of July 31st 2015 from BDT 2.69 trillion (USD 34.42 billion) in June 30th 2015.
- No security was listed in DSE in July 2015; the latest two securities that have been listed in June 2015 are Tosrifa Industries Limited and Olympic Accessories Limited.



Sources: DSE and IL Capital Research

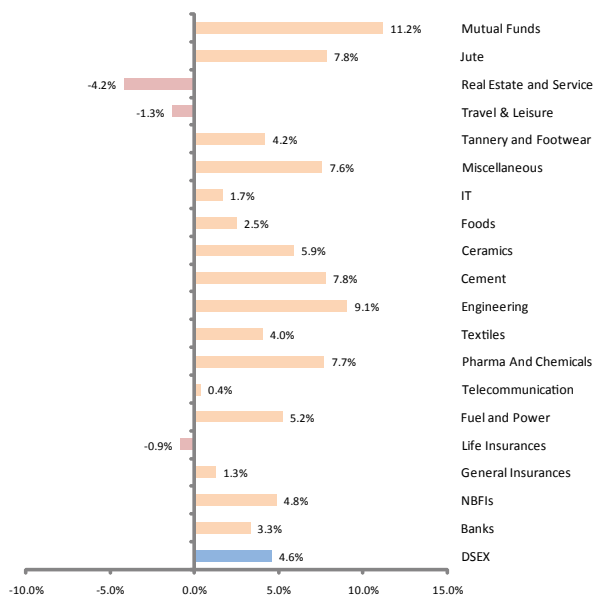
Market Capitalization of DSE

Instruments	30-Jul-15			30-Jun-15			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,779,728.5	35,523.7	98.9%	2,664,945.9	34,056.8	98.9%	4.3%
Mutual Fund	32,065.2	409.8	1.1%	28,848.1	368.7	1.1%	11.2%
Total	2,811,793.7	35,933.5	100.0%	2,693,794.0	34,425.5	100.0%	4.4%

Note: Exchange Rate USD 1 : BDT 78.25

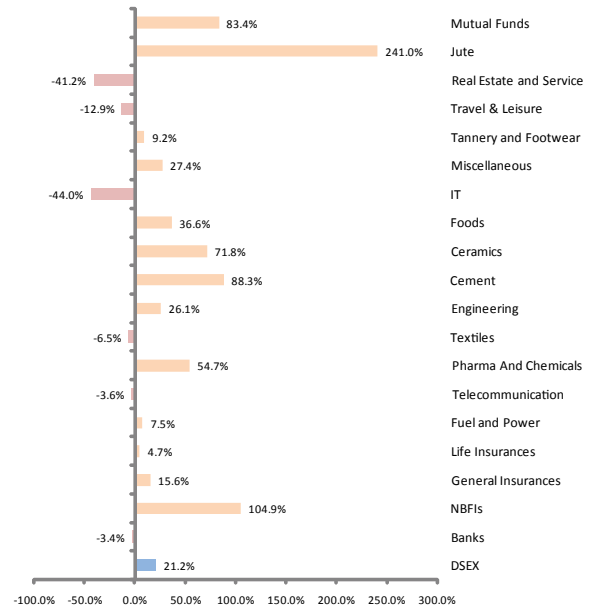
Source: DSE and IL Capital Research

DSEX and Sectors Movement in DSE (Monthly)



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

Average Turnover Movement in DSE (Monthly)



Note: Average Turnover excludes Block and Oddlot Market transaction

Source: DSE and IL Capital Research

Top Gainers This Month

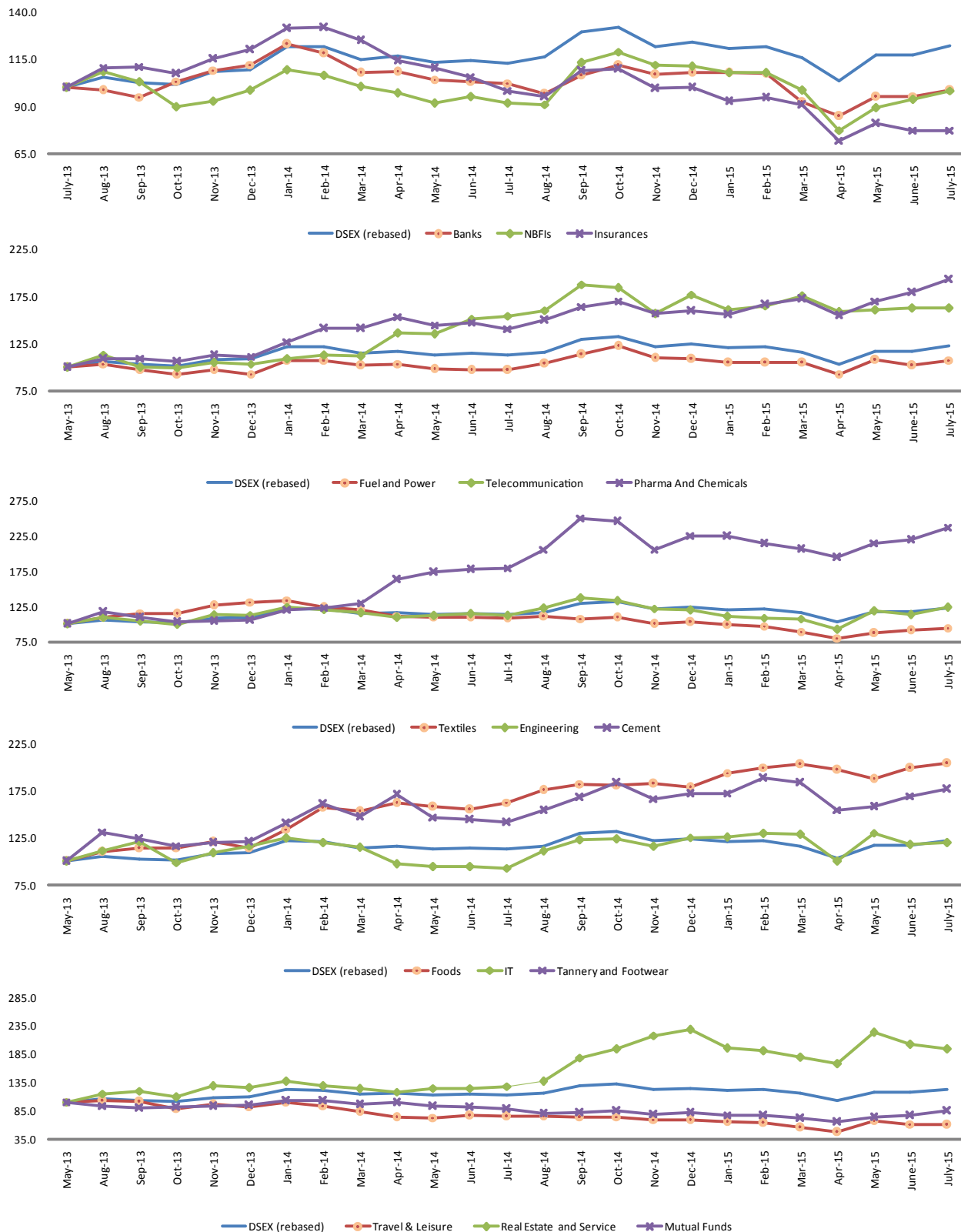
1 BDLAMPS	48.9%
2 ARAMITCEM	44.1%
3 AIBL1STMF	35.9%
4 SAMATALETH	32.3%
5 MBL1STMF	29.7%
6 BSRMLTD	29.1%
7 EXIM1STMF	27.5%
8 ISLAMIBANK	27.3%
9 SPCL	26.7%
10 MONNOCERA	26.2%

Top Losers This Month

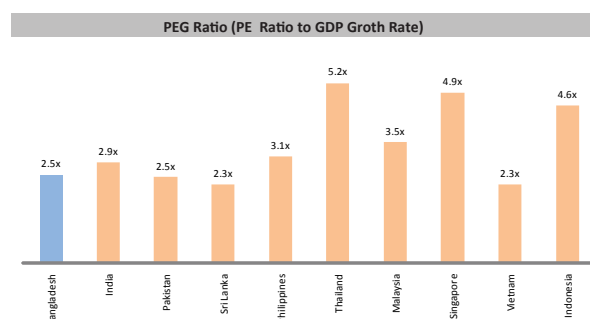
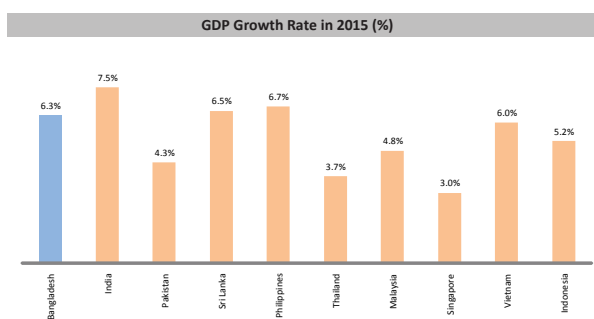
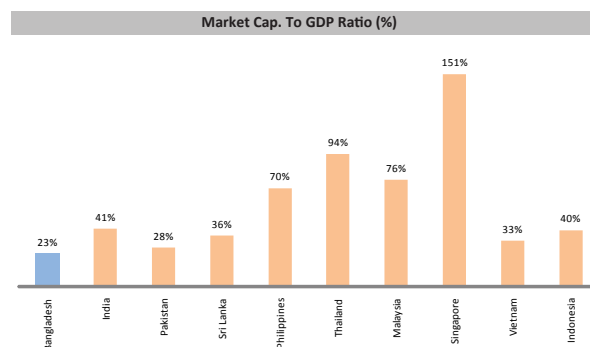
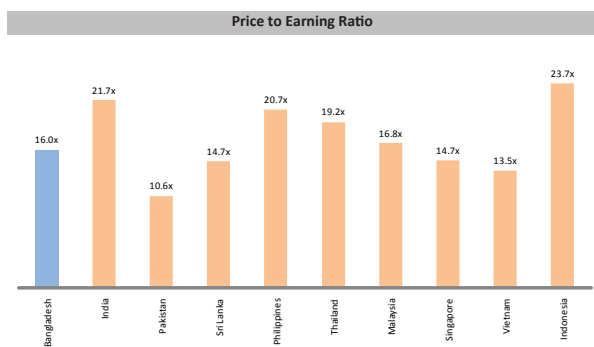
1 HAKKANIPUL	-13.6%
2 RNSPIN	-10.5%
3 RДФOOD	-10.3%
4 ASIAPACINS	-8.7%
5 SAPORTL	-8.1%
6 TRUSTBANK	-8.0%
7 BDAUTOCA	-7.8%
8 DACCADYE	-7.4%
9 TOSRIFA	-7.4%
10 ACIFORMULA	-6.8%

Source: DSE and IL Capital Research

DSEX vs Sectors Movement (Base Value: 100 and Base Date: June 2013)



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

- As on July 30th 2015, Bangladesh (Dhaka Stock Exchange) is trading at 16.0x PE, which is lower than that of Philippine (20.7x), India (21.7x) and Indonesia (23.7x). However, Bangladesh (DSE) is trading higher than that of Pakistan (10.6x) and Vietnam (13.5x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on July 30th 2015 is 2.5x which is lower than that of Singapore (4.9x), Malaysia (3.5x), Indonesia (4.6x) and India (2.9x). However, it is higher than that of Srilanka (2.3x) and Vietnam (2.3x).

Regional Market Comparables							
Country	Index Symbol	Index Point	52-Week Low	52-Week High	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,792	3.96K	5.37K	16.0x	2.5x	35.9
India	SENSEX	27,765	25.63K	30.02K	21.7x	2.9x	721.1
Pakistan	KSE100	35,833	27.35K	36.12K	10.6x	2.5x	66.2
Sri Lanka	CSEALL	7,333	6.76K	7.67K	14.7x	2.3x	23.6
Philippines	PCOMP	7,532	6.80K	8.14K	20.7x	3.1x	190.1
Thailand	SET	1,417	1.38K	1.62K	19.2x	5.2x	399.9
Malaysia	FBMKLCI	1,704	1.67K	1.90K	16.8x	3.5x	258.2
Singapore	FSSTI	3,264	3.15K	3.55K	14.7x	4.9x	406.6
Vietnam	VNINDEX	622	0.51K	0.64K	13.5x	2.3x	55.3
Indonesia	JCI	4,733	4.71K	5.52K	23.7x	4.6x	348.1

Sources: www.bloomberg.com, www.imf.org, knoema.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

A Review on Monetary Policy Statement (July-December 2015)

Bangladesh Bank (BB) has revealed its Monetary Policy Statement (MPS) for H1 FY 2015-16 on 30 July 2015. Through this stated monetary policy, the central bank has stipulated to achieve ‘*moderation and stabilization of CPI inflation alongside supporting output and employment growth*’. However, the revealed MPS of 2015-16 is by and large continuance of the MPS H2 of FY2014-15. Favorable commodity price in the global market helped largely to attain the targets which were set in H2 FY ‘15. An assessment of the projections in the last MPS and current estimations is as follows –

Particulars	MPS Projection Vs. Actual		
	MPS H2 FY '15		MPS H1 FY '16
	Projected	Actual	Projected
GDP Growth	6.5% - 6.8%	6.5%	7.0%
Inflation	6.5%	6.4%	6.2%
Broad Money Growth	16.5%	12.6%*	15.0%
Reserve Money Growth	15.9%	15.4%*	16.5%
Private Sector Credit Growth	15.5%	13.6%*	15.0%
Public Sector Credit Growth	25.3%	-2.7%*	23.7%
Repo Rate	7.25%	7.25%	7.25%
Reverse Repo Rate	5.25%	5.25%	5.25%
Bank Rate	5.0%	5.0%	5.0%

*May 2015

Observations:

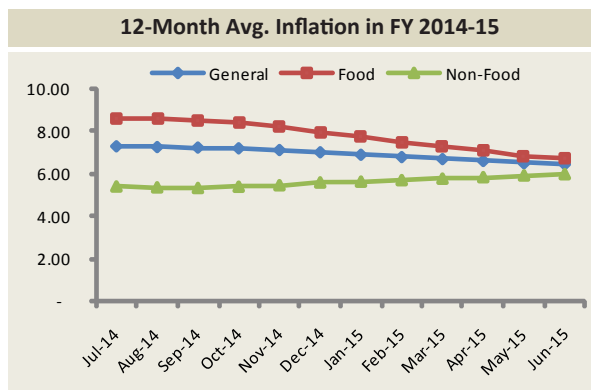
- The current MPS of H1 FY '16 can termed as continuance of H2 FY '15. No major policy stances have been taken in the declared MPS that may significantly affect the country's money market or capital market.
- Private sector credit growth and investment condition will be the major determinants for achieving the targeted GDP growth.
- Achieving the targeted inflation level is possible; since food inflation portrays declining trend over the period and expects to continue in near future.
- Initiatives like increasing EDF fund size, creating USD 500 million fund for environmental projects might stimulate the Country's export scenario.
- In this MPS, no noticeable assistance was provided for the Capital market. However, BB stated proactive assistance to stabilize the Capital Market.

MPS H1 FY 2015-16

GDP Growth Estimate: Bangladesh Bank has predicted GDP growth rate at 7.0% for FY '16; similar as the target of the Government stated in the National Budget 2015-16. Bangladesh Bank has figured that the underlying factors for achieving the targeted GDP growth are to stimulate investments by removing infrastructural and administrative shortcomings as well as ensuring political stability. However, in the IMF World Economic Outlook (April 2015) the projected growth rates for Bangladesh were 6.3% for the year 2015 and 6.8% for the year 2016.

Inflation: Attaining moderate inflation is another core objective of the central bank. Bangladesh Bank has set inflation target for H1 FY '16 at 6.2% which was 6.5% at H2 FY '15. On June 2015, actual 12 month average general inflation, food inflation and non-food inflation were 6.4%, 6.7% and 5.6% respectively.

In the FY 2014-15, 12-Month average food inflation displayed downward trend whereas non-food inflation portrayed increasing tendency. Food components, however, seized around 60% of consumption basket; as a result, general inflation has portrayed declining trend despite upbeat trend of non-food inflation. Overall inflation condition in the FY 2014-15 is illustrated here.



*Base Year 2005-06;

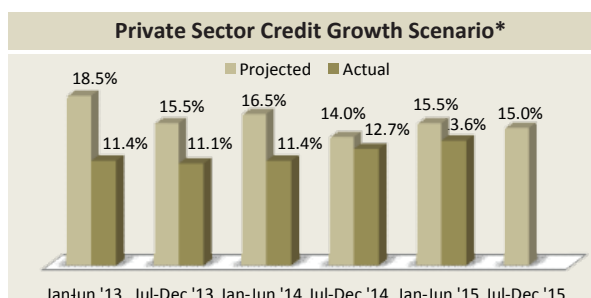
Source: Bangladesh Bank & ILSL Research

Policy Rates: There are no changes in the Repo rate (7.25%) and Reverse Repo rate (5.25%) in the current MPS. Although declining trend in general inflation and fall in interest rates warrants downward shift of policy rates; yet BB has the impression that these catalysts are not strong enough to modify its current position on policy rates. However, Bangladesh Bank may revise the rates if it is necessary to do so.

Reserve Money & Broad Money: To support the pace of GDP growth and keep the inflation rate on target Bangladesh Bank has projected Reserve Money will grow at 16.5% for H1 FY '16. In H2 FY '15 the projected growth rate was 15.9% where till May 2015, actual growth rate was 15.4%.

In case of broad money, targeted growth rate for December 2015 is 15.0% which was 16.5% for June 2015. On May2015, actual broad money growth rate was 12.6%.

Private Sector Growth: For H1 FY '16 Bangladesh Bank has set private sector credit growth target at 15.0% whereas in H2 FY '15, targeted private sector credit growth was 15.5%. According to BB's data till May 2015, 13.6% growth was achieved in the private sector credit. BB has expected that the targeted growth will be sufficient enough to support the economic advancement.



* Excluding Borrowing from Foreign Sources Source: Bangladesh Bank & ILSL Research

Government Borrowing: In the National Budget 2015-16, estimated Government borrowing from banking system is BDT 385 billion which was BDT 317 billion in the revised budget 2014-15. It is implicit that extensive government borrowing from banking sector creates negative impact on private sector bank borrowing. Bangladesh Bank, however, has ensured adequate provisions to satisfy the demand.

In H1 FY '16 the public sector credit growth has been projected to 23.7%. In the H2 FY '15 the targeted public sector credit growth was 25.3% of which up to May 2015 the actual growth rate was negative 2.3%.

Export & Import: Recently the Country's export has been suffered setback mainly due to weak demand from European Union from the Greek debt debacle as well as other local disorders and registered only 3.35% growth in FY '15. On the contrary, imports grew at 12% rate at the same time indicating import growth was 8.5% higher than that of export. However, for the Country like Bangladesh imports create exports as around 65% of our imports consists of capital machinery, intermediate goods and raw materials.

BB projects that, overall exports will grow at 7.5% and imports will grow at 14.0% for H1FY '16. In H2 FY '15 MPS, BB's estimated export and import growth was 8% and 15% respectively.

Foreign Exchange Reserve & Remittance: According to BB's data on June 2015, foreign exchange reserve was USD 25.02 billion which was USD 22.04 billion on January 2015. BB anticipates additional buildup in foreign exchange reserves in the first half of FY '15 to USD 26 billion. However, the growth rate may slowdown.

The overall remittance earnings in H2FY '15 increased by 4.6% compared to that of H1 FY '15. BB is hopeful for remittance growth in the first half of FY 2015-16. In the Current MPS, BB projects remittance growth of 10% which was 12% in the H2FY '15 MPS.

Concluding Remarks

In the current MPS, Bangladesh Bank has maintained its track to attain sustainable growth and moderate inflation without any major policy changes. Inspired investment scenario, action to remove the infrastructural and administrative shortcomings along with stable political condition will be the underlying factors to achieve the objective.

Tobacco Industry in Bangladesh

Tobacco has been smoked for at least the last three thousand years. Christopher Columbus found it when he landed in the Americas in 1492, but ancient temple carvings show tobacco being smoked in Central America as long ago as 1,000 BC.

Ever since it arrived in Europe in the late 15th century, tobacco has divided opinion, sparked controversy and generated substantial revenue through tax. Tracking its heritage back to a joint venture formed by the Imperial Tobacco Company of the United Kingdom and the American Tobacco Company of the USA in 1902, today's British American Tobacco (a pioneer and leading multinational cigarette manufacturer) was born on the world stage.

Tobacco is a product prepared from the leaves of the tobacco plant by drying them. The plant is categorized within the genus *Nicotiana* of the Solanaceae (nightshade) family. While more than 70 species of tobacco are known, the chief commercial crop is *N. tabacum*. The more potent species *N. rustica* is also widely used around the world.

Tobacco contains the alkaloid nicotine, a drug. Dried tobacco leaves are mainly smoked in cigarettes, cigars, pipe tobacco and flavored shisha tobacco. They are also consumed as snuff, chewing tobacco and dipping tobacco. Tobacco use is a risk factor for many diseases, especially those affecting the heart, liver, lungs, and several cancers.

Tobacco products and segment

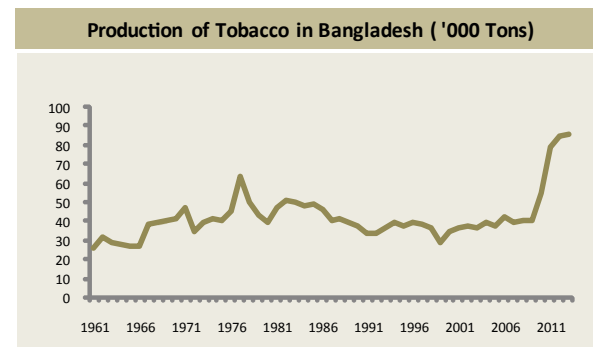
Tobacco is used in many forms. Some of the popular forms of tobacco are: Chewing tobacco (Loose leaf, Pellets, Plug, Twist), Cigars' Blunts' Cigarillos, Roll-Your-Own cigars, Cigarettes, Bidis, Kreteks, Creamy snuff, Dipping tobacco, Extra-long cut, Dissolvable tobacco, Dokha, GuBDTa, Kizami, Pipe tobacco, Naswar, Snuff, Snus, Tobacco gum etc. Smokeless tobacco includes products that are chewed, sucked, dipped, held in the mouth, or inhaled. Gul, jarda, sadapata and khainy are known as smokeless tobacco that largely consumed by the low income group of people.

Based on distinct groups of consumers who have different needs, characteristics or behavior and who might require separate product or marketing mixes. Tobacco products segment are divided into four categories in Bangladeshi tobacco market –

Category	Brand	Manufacturer
Premium Segment	Benson & Hedges	British American Tobacco
	Rally Verve	Abul Khair Tobacco
	Castle Full Flavor	Dhaka Tobacco
High Segment	John Player Gold Leaf	British American Tobacco
	Navy	Dhaka Tobacco
Medium Segment	Star	British American Tobacco
	Sheikh	Dhaka Tobacco
Low Segment	Pilot	British American Tobacco
	Five Star	Dhaka Tobacco
	Marise & Sun Moon	Abul Khair Tobacco

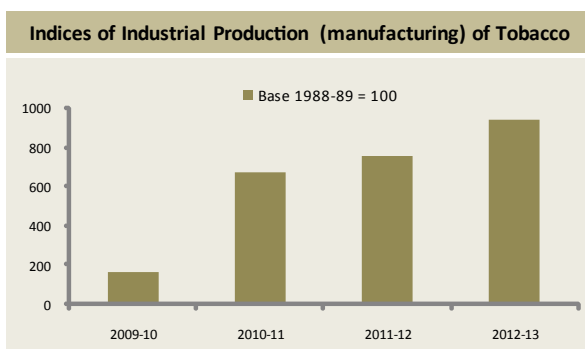
Tobacco production

For ages, tobacco has been cultivated in Bangladesh. The production of tobacco has risen tremendously since 1980 and bidi production has grown even faster. Though the crop used to be grown in different parts of the country, it has now become concentrated in Rangpur and Kushtia districts and some part of Hill Tracts.



Source: FAOSTAT & ILSL Research

On the global scale, Bangladesh ranks the 21st in tobacco cultivation, with the largest producer being China, followed by the US and India. With a total production of more than 38,000 metric tons of leaf, Bangladesh accounts for about 0.4% of the total volume of tobacco produced in the world. Tobacco contributes less than 0.01% to the GDP (Gross Domestic Product) of Bangladesh.



Source: Statistical Pocketbook of Bangladesh-2013, BBS

Tobacco consumption

Bangladesh is one of the largest tobacco consuming countries in the world, with over 46.3 million out of 107 million adults consuming cigarettes, bidis, smokeless tobacco or other tobacco products. Bidis are more popular among the poor in Bangladesh and account for 75% by volume of the cigarettes sold in the country.

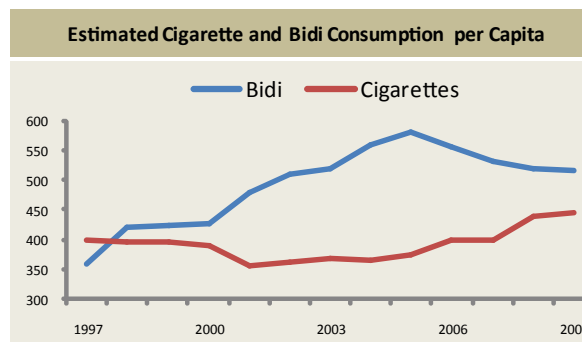
Prevalence of Different Forms of Tobacco Use, by Gender, 2009			
	Total	Male	Female
Any Tobacco Smoking	23.0%	44.7%	1.5%
Manufactured Cigarettes	14.1%	28.3%	0.2%
Hand-Rolled Cigarets	0.4%	0.7%	0.1%
Bidis	11.2%	21.4%	1.1%
Other	0.1%	1.7%	0.3%
Any Smokeless Tobacco	27.2%	26.4%	27.9%
Betel Quid with Tobacco	24.3%	23.5%	25.2%
Gul	5.3%	5.5%	5.1%
SadaPata	1.8%	2.0%	1.6%
Khoinee	1.5%	1.9%	1.2%
Other	1.4%	1.6%	1.2%
Any Tobacco Use (Smoking, Smokeless or Both)	43.3%	58.0%	28.7%

Source: GTSS, 2009 & 'The Economics of Tobacco and Tobacco Taxation in Bangladesh' by Prof. Dr. Abul Barkat.

About 58% of men and 28.7% of women smoke or chew tobacco in one of the cheapest tobacco countries across the globe making up 43% of its total adult population, according to a study on tobacco consumption in 2013 conducted by Human Development Research Centre (HDRC). In Bangladesh, according to the study report,

- Approximately 43.3% of adults (age 15+) in Bangladesh use tobacco products.
- Among youth between age group 13 to 15, 2% smoke cigarettes and 6% use tobacco products other than cigarettes.

- Smoking rates are much higher among men than women; an estimated 45% of men and 1.5 % of women smoke.
- Rates of smokeless tobacco use are slightly higher among women than men (28% vs. 26%).
- Bidis, inexpensive hand-rolled cigarettes, account for 75% of the cigarettes sold in Bangladesh.



Source: Euromonitor, 2011 & 'The Economics of Tobacco and Tobacco Taxation in Bangladesh' by Prof. Dr. Abul Barkat

Tobacco consumption in Bangladesh sharply rose in recent years, with cigarette sales going up by 40% and tobacco use in the form of bidi increased by 88% between 1997 and 2010. Compared to 50.9 billion cigarettes bought in 1997, the consumption was 71.8 billion pieces in 2010, while bidi sales climbed from 43 billion in 1997 to over 81 billion in 2010.

28 million people use smokeless tobacco in Bangladesh, the second highest number of users in the world after India, according to a report published by US Centers for Disease Control and Prevention and the National Cancer Institute in December 2014.

Market players in the industry

Major tobacco companies in Bangladesh include British American Tobacco, Dhaka Tobacco (under Akij Group), Abul Khair Tobacco and Nasir Tobacco. However, cigarette markets are dominated by two big firms – British American Tobacco (BATBC, multinational) and domestic Dhaka Tobacco Industries (DTI of Akij Group). BATBC (largely focuses on premium segment), held 46% of the market share while DTI's (lower prices brands) had 40% market share according to a 2010 estimates by ERC group. However, according to a study conducted by Human Development Research Centre (HDRC) in 2013, some 66% of the total cigarette market in Bangladesh belongs to the low standard cheap cigarettes.

Export

Following the Export Promotion Bureau, tobacco export earned USD 7 million as revenue in 2005-06 fiscal. However, the revenue has increased seven times more to USD 407 million in seven months of 2013-14 fiscal. Only the export statistics is solely enough to indicate the increasing rate of tobacco farming of the country.

Tobacco Price Trend in Bangladesh

The price of tobacco leaf as well cigarette & other tobacco related products has been increased over the period due to increased tax and other duty as well as other factors. Over the year 2008 to 2013, nearly all the tobacco related products increased up to twice.

Annual Average Retail Prices (BDT) of Tobacco in Dhaka				
	Tobacco leaf- Motihari	Cigarette- Gold leaf (King size filter tipped)	Cigarette -Star	Betel leaf (pan) Medium size
Unit/ Year	KG	Packet of 20	Packet of 10	Bira of 80
2008-09	150.0	49.2	13.5	49.3
2009-10	157.0	58.0	15.0	54.0
2010-11	153.3	68.3	18.5	74.3
2011-12	181.0	82.0	50.0	88.6
2012-13	288.3	98.7	57.1	97.6

Source: Statistical Pocketbook of Bangladesh-2013, BBS

Tobacco Laws and Taxation policy in Bangladesh

The current tobacco tax structure in Bangladesh is complex. A supplementary duty (excise tax) is imposed as a percent of price. The supplementary duty varies significantly across tobacco products and brands. The cigarette tax structure is a tiered structure that imposes different ad valorem tax rates known as supplementary duty (SD) based on retail price slabs. Bidis are taxed at a much lower rate based on retail price slabs. Bidis are taxed based on a single "tariff value", which is approximately half the actual retail price.

According to ITC Project report 2014, smokeless tobacco products were brought under the taxation system for the first time in 2008. A 15% VAT was imposed on zarda and gul, the two most popular smokeless tobacco products in Bangladesh. In 2009, an SD was introduced on zarda and gul at the rate of 10% of the ex-factory price. From 2010, zarda and gul manufactures were required to pay corporate taxes. The SD on chewing tobacco was raised from 10% to 20% of the ex-factory price in 2010-2011 and further increased to 30% of the ex-factory price in 2011-2012.

Review from the national budget 2015-16:

- Minimum price floor of cigarette has been increased and supplementary duty and VAT was imposed on that price. It means a 10-stick cigarette pack of this category will now cost around BDT 33 after adding duty and 15% VAT against the previous price of BDT 27 a pack. Though the supplementary duty remains unchanged for the middle end cigarettes at 60% and 61%, their prices will increase because of a rise in base prices on which duty and VAT will be imposed.

Price Slab & SD Rate of Cigarette			
Previous Price slab (for 10 sticks) BDT	Previous Tax rate	Present Price slab (for 10 sticks) BDT	Present Tax rate (SD rate)
15.00-16.50	43%	Lowest: Tk. 19.00	48%
32.50-35.00	60%	Low: Tk. 20.00-39.00	60%
50.00-54.00	61%	Medium: Tk. 40.00-69.00	61%
90 and above	61%	High: Tk. 70 and above	63%

Source: National Budget 2015-16

- Additionally, fixed amount of supplementary duty and VAT will be applicable on the additional amount after the floor price of cigarettes. The prices of high-end cigarettes, such as Benson & Hedges and Marlboro, will increase because of increasing in duty to 63% from current 61%.
- Cigarette manufacturers have to collect 3% advance tax on Maximum Retail Price (MRP) of cigarette at the time of payment of such VAT.
- Customs duty on Artificial Filament Tow, used to produce filter tips for cigarettes, has been increased from 5% to 25%.
- The prices of 25 sticks non-filter bidi and 20 sticks filter bidi has been increased at BDT 7.06 and BDT 7.98 respectively from BDT 6.14 and BDT 6.92 in that order. Moreover, 20% supplementary duty has been imposed on bidi paper.

Revenue source of Government

The tobacco sector is one of the highest revenue generating sectors and as of April 2013, the Tobacco industry contributes 9% of total tax revenue.

As per FCTC of the WHO, it requires to increase prices and taxes on the most consumed cigarettes. It also calls for imposing more than 70% taxes on all kinds of

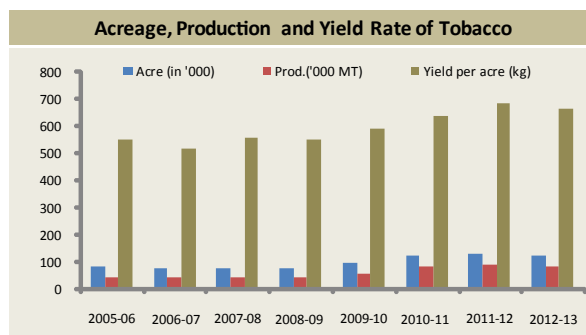
cigarettes. But in reality, NBR imposed 54% taxes on cheap cigarettes. Here is the scope of increasing the revenue from the sector. In 2013-14, the government received tax worth BDT 10 million from 'jarda' while BDT 5.0 million from 'gul'. There is 15% Value Added Tax and 60% Supplementary Duty on the products. Effective tax rate on the low segment is almost a third of the rate on other segments (premium, high and medium), contributing to lower prices. The growing market shares of the low segments at the cost of considerable revenue losses. Bidi accounts for 47% of total smoking tobacco market in Bangladesh, but it contributes only 2% to 3% of revenue.

The National Board of Revenue (NBR) has prepared a draft of the national tobacco tax policy, which is focused on withdrawal of tier system, gradual reduction of tobacco consumption and shift from dependency on tobacco for internal revenue collection. The draft policy is going to introduce health development surcharge, to check illegal trade of tobacco items and ban sales of bidi or loose cigarettes.

Land using in tobacco cultivation

Over the past two decades from the early 1980s to the late 1990s, Bangladesh witnessed negative growth in tobacco acreage and production. However, in the 1990s, the decline in acreage has not seen a commensurate decline in production, most ostensibly because of an increase in the yield rate.

According to Bangladesh Bureau of Statistics the tobacco acreage was 48,867.41 hectares in 2010-11. According to the Directorate of Agricultural Expansion (DAE) statistics, tobacco was cultivated in about 70,000 hectares land in 2012-2013 farming season and it grew to 108,000 hectares in the 2013-2014 farming season.



Source: Statistical Pocketbook of Bangladesh-2013, BBS and ILSL Research

The attraction of profits also drives the growing preference for the crop. Tobacco fetches twice the price that rice does. BDT 3,000 per maund (1 maund = 37.3242 kilograms) for the crop.

Price – Tax – demand relation

The price of cigarettes in Bangladesh is one of the lowest in the South -East Asia Region, indicating that

tax on cigarettes needs to be higher to raise the price to the average regional level. Almost every year in Bangladesh, the prices of tobacco increase as the National Board of Revenue (NBR) increases the taxes on tobacco and tobacco related products. But that increase doesn't hurt the tobacco companies as the consumers have to pay for that extra buck.

Cigarettes became increasingly less affordable in Bangladesh between 1997 through 2002 as real incomes were falling, before becoming more affordable after 2002, when incomes rose rapidly. The reduction in affordability contributed to the declines in per capita cigarette consumption during this period. Similarly, increasing affordability of cigarettes after 2002 is a key factor in the rise in per capita consumption from 2003 through 2010.

Challenges of Tobacco Industry:

The inspiring goal behind the cultivation of tobacco is that it is more profitable than the other products. According to a study conducted by Human Development Research Centre (HDRC), the tobacco sector, direct and indirect benefits inclusive, results in financial gain of BDT 33.3bn.

However, there is no safe form of tobacco use. This labor intensive production is health hazard as well as an environmental disaster. WHO facts reveal that there are more than 4000 chemicals in tobacco smoke of which at least 250 are known to be harmful and more than 50 are known to cause cancer. A US report in January 2014 showed that today's smokers have more than twice the risk of getting cancer than 50 years ago because tobacco industries were using more addictive in their products.

Tobacco farming has different types of negative impacts including socio-economical, environmental, climatic, health, educational etc. Countrywide deforestation is being occurred to serve the furnaces. Tobacco cultivation causes 30% of annual deforestation. In terms of severity of tobacco-mediated deforestation, Bangladesh is placed the third globally. Smoking-attributable lost productivity was BDT 59 billion.

The 'Smoking & Tobacco Products Uses (Control) (Amendment) Act 2013' may create more restriction and more awareness on tobacco products, which will impose further challenges for the tobacco manufacturing companies to sustain growth.

Sources:

- ITC Project, May 2014
- The Economics of Tobacco and Tobacco Taxation In Bangladesh by Prof. Abul Barakat, Phd
- WHO Report on the Global Tobacco Epidemic, 2015
- Leading Newspapers
- WHO Framework Convention on Tobacco Control (Price and tax measures to reduce the demand for tobacco)

BRITISH AMERICAN TOBACCO BANGLADESH COMPANY LTD.

Company Overview

British American Tobacco Bangladesh Company Ltd. (BATBC) has been operating since 1910 in the country. The core activities of the Company are manufacturing and marketing cigarettes. It also exports tobacco leaves. The Company basically modeled its operation as 'from crop to consumer'. BATBC has a cigarette factory in Dhaka, a green leaf threshing plant in Kushtia, a green leaf redrying plant in Manikganj.

Products

To satisfy the diverse taste of the customers it designs its product line focusing on various customer segments based on their income level. Therefore, the Company's products are classified into four segments – premium segment (Benson & Hedges, Benson & Hedges Switch), high segment (John Player Gold Leaf, Pall Mall and Capstan), medium segment (Star and Star Next) and lower segment (Derby, Pilot and Hollywood).

Production Capacity

The current annual production capacity of the Company is 39,098 million sticks which is 10.6% higher than that of last year. The Company has increased its production capacity over the years. Last 5 year CAGR of production capacity was 9.6%. The production data of cigarettes and tobacco leaf as well as respective growth rates in the last five years are given below –

Particulars	2010	2011	2012	2013	2014
Cigarettes (mn sticks)	26,568	26,435	30,040	35,338	39,098
Growth	7.6%	-0.5%	13.6%	17.6%	10.6%
Tobacco Leaf (kg)	13,146	12,045	11,792	9,903	11,126
Growth	28%	-8%	-2%	-16%	12%

Source: Annual Reports and ILSL Research

Shareholding Structure

The Firm was enlisted with the DSE in year 1977 and the CSE in year 1996. The shareholding structure of the company is illustrated below –

Shareholding Structure, 2014	
The Raleigh Investment Co. Ltd. UK	72.91%
ICB	8.34%
Sadharan Bima Corporation	2.82%
Bangladesh Development Bank Ltd.	0.33%
Government of Bangladesh	0.64%
Sena Kallyan Sangstha	0.00%
Others	14.95%

Source: Annual Report and ILSL Research

Company Fundamentals, as of July 30, 2015

Market Cap (BDT mn)	181,206.00
Market weight	6.50%
No. of Share Outstanding (in mn)	60
Free-float Shares	26.50%
Paid-up Capital (BDT mn)	600
3-month Average Turnover (BDT mn)	35.9
3-month Return	-2.90%
Current Price (BDT)	3,020.10
52-week price range (BDT)	2,400-3,189.9
Sector's Forward P/E	34.5

	2011	2012	2013	2014 (HY Ann.)
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Financial Information (BDT mn):

Sales	27,471	31,225	35,642	40,170
Operating Profit	6,913	9,504	11,535	14,006
Profit After Tax	3,942	4,869	6,282	5,526
Assets	15,031	18,464	27,075	29,242
Long Term Debt	970	1,247	1,509	1,626
Equity	7,032	8,902	11,464	11,526
Dividend (C/B)%	500/-	620/-	550/-	--/--

Margin:

Gross Profit	42.0%	44.0%	45.8%	49.7%
Operating Profit	25.2%	30.4%	32.4%	34.9%
Pretax Profit	23.7%	29.2%	30.5%	32.7%
Net Profit	14.3%	15.6%	17.6%	13.8%

Growth:

Sales	18.1%	13.7%	14.1%	12.7%
Gross Profit	17.4%	19.1%	18.8%	22.4%
Operating Profit	31.7%	37.5%	21.4%	21.4%
Net Profit	54.5%	23.5%	29.0%	-12.0%

Profitability:

ROA	28.0%	29.1%	27.6%	19.6%
ROE	60.9%	61.1%	61.7%	48.0%

Leverage:

Debt Ratio	0.0%	0.0%	11.6%	11.3%
Debt-Equity	0.0%	0.0%	27.5%	28.6%
Int. Coverage	37.5	107.0	61.5	63.0

Valuation:

Price/Earnings	12.8	19.8	25.3	32.8
Price/BV	25.4	20	15.6	15.7
EPS (BDT)	65.7	81.1	104.7	92
DPS (BDT)	50	62	55	-/-
NAVPS (BDT)	117.2	148.4	191.1	192.1

Revenue

The Company generates revenue mostly from local markets. In 2014, around 93% revenue of the company was generated from local sales whereas rest 7% was obtained from export. The demand of cigarettes is pretty much inelastic; as a result, increasing product price do not hamper the cigarettes' demand and eventually the Company's revenue stream. Moreover, the company took various efforts like, strengthening the brand image, successful tax led price increase etc. to maintain its revenue flow. The 5 year revenue CAGR of the Company was 15.2%. In 2014, net revenue registered 14.1% growth. Meanwhile, in the 2014, the Company's number of unit sold, for both local and export, increased by 12.3% than those of 2013.

Raw materials

In the last five years, average COGS, as a percentage of sales, was 57.4%. However, this percentage shows declining trend over the years. For its raw material supply BATBC mainly depends on local sources. It has around 33,600 registered farmers across the Country. The Company has established efficient supply chain management throughout the Country which helped to reduce per unit cost.

Taxation

As a cigarettes manufacturer, BATBC operates at 45.0% tax bracket which is currently the highest corporate tax rate in Bangladesh. In 2014, the Company paid BDT 99.32 billion taxes and other excises which made it the highest taxpayer in Bangladesh. The Company contributes around 67% of the total tax collection of the cigarette industry.

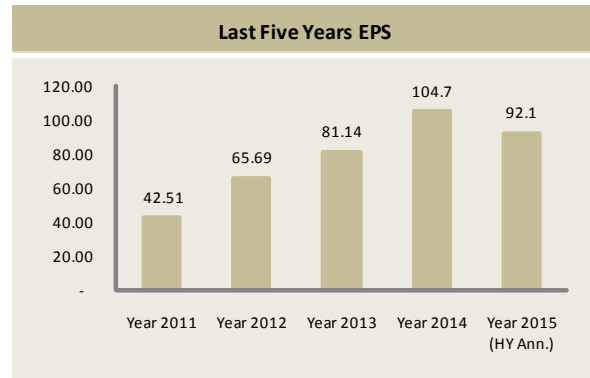
Traditionally, Bangladesh Government increases tax and excise duty on cigarette and other accessories every year. In the national budget 2015-16, the Government has increased corporate tax rates, increase the floor price of tobacco products and impose more supplementary duty and VAT. A comparison on BATBC's Profit Before Tax and Income Tax Expenses is given below –

Particulars	2010	2011	2012	2013	2014
Profit Before Tax (in mn)	4,093	4,914	6,501	9,104	10,866
Income Tax Expenses (in mn)	1,215	2,362	2,560	4,180	4,584
Effective Tax Rate	29.7%	48.1%	39.4%	45.9%	42.2%

Source: Annual Reports and ILSL Research

Profitability

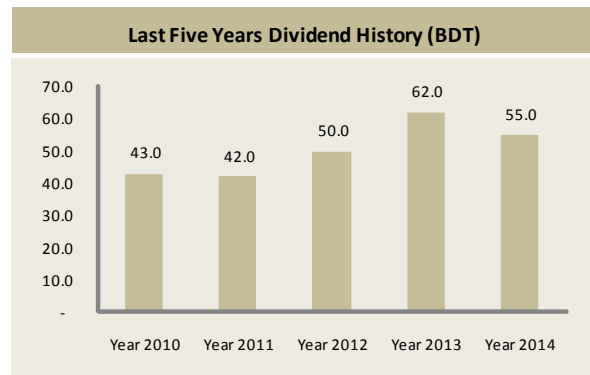
The Company has shown the capability to satisfy the growing demand of cigarettes over the years. Additionally, higher operating efficiency and seasoned managerial skills are also reflected in the BATBC's profit after taxes. In the last five years the Company's Earnings per Share (EPS) are illustrated below –



Source: DSE website and ILSL Research

Dividend History

BATBC has offered considerable cash dividend to the investors over the years. This dividend is given in form of both the interim as well as final dividend. Its dividend paying history in the last five years is given below –



Source: DSE website and ILSL Research

The average dividend payout ratio of the Company for the last 5 years was 80%. In the last five years dividend payout ratio of the Company was as follows –

Particulars	2010	2011	2012	2013	2014
Dividend Payout Ratio	89.6%	98.7%	76.1%	76.4%	52.5%

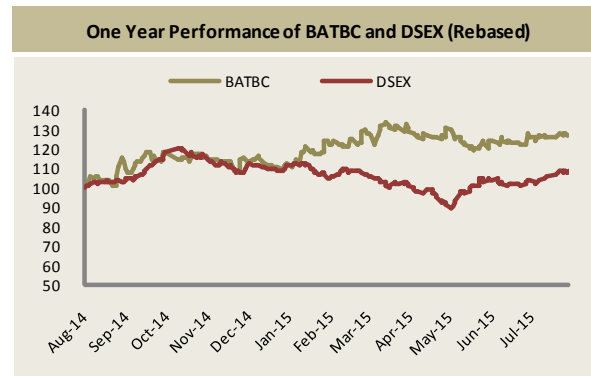
Source: Annual Reports and ILSL Research

Investment Positives

- **BATBC displayed exceptional performance over the years. 5 year CAGR (Compound Annual Growth Rate) of profit after tax of the company was 25%.**
- In 2013 and in 2014 the Company has incurred BDT 3.38 billion and BDT 4.37 billion respectively as net CAPEX to enhance the production capacity.
- So far the Company focused on the premium segment; however in 2014 Annual Report it expressed optimistic view about lower segment business in upcoming years and the Company now holds second biggest share of this segment.
- It has established handsome dividend policy over the years (as mentioned in the table). BATBC exhibits high dividend payout ratio (80%, on an average, in last 5 years).

Investment Negatives

- The Company operated in strict regulatory environment, particularly in the area of corporate tax rate. The Government has increased tax rate to 45% from 40% in the National Budget for 2015-16.
- BATBC has an ongoing case where revenue board is demanding BDT 1,924 crores in retrospective excise duty and VAT from BATBC alleging that it evaded taxes from August 19, 2009 to January 31, 2013 by selling its Pilot and Bristol brand cigarettes at lower prices declaring the two brands in lower grade ones though those are medium grade ones. However, BATBC claimed that the VAT office could not demand any retrospective tax in this case as the company obtained price approval for the two brands at low-grade from the divisional VAT office.
- 10% export duty on tobacco leaf as well as withdrawal of GSP facility by USA hampered its export performance.



Source: DSE and ILSL Research

As it is evident in the above illustration, in the last one year BATBC outperformed the broad index – DSEX most of the time.

Concluding Remarks

BATBC is one of the leading corporate houses in the country. It also imprints its mark by conducting various social activities e.g., initiatives for supply of safe drinking water, providing solar home system etc. The Company displayed growth in its business performance consistently over the years. It also sustained its profit margin despite having unfriendly regulatory environment. In HY of 2015 the Company reported 10.0% growth in revenue compared to HY of 2014.

Source: Annual Reports, DSE website, BATBC's website, WHO, CTFK's website, HDRC's website, the Financial Express, the Daily Star and ILSL Research

Mutual Fund : Monthly Update

Performance of Mutual Funds

Mutual Fund Sector of DSE posted 3.36% gain over the month (25 June - 30 July, 2015), while the prime index of the bourse, DSEX, increased by 7.6%. Price of 40 Mutual Funds increased and 1 Mutual Funds remain unchanged over the period. On the other hand, NAV @ Market Price of 40 Mutual Funds increase and 1 Mutual Fund decreased. Out of 41 Mutual Funds, 40 were traded below their respective NAV. DBH1STMF Mutual Fund had the lowest Price/NAV ratio (38.7%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (112.6%). Price of AIBL1STIMF Mutual Fund increased by 39.5% against increase in NAV by 14.8%.

Name of Fund	NAV Per Unit @		Price 30 July, 2015	Close Price/ NAV per Unit	% Change in			52-Week Price Range	Avg Monthly Turnover (BDT mn)	Year of Redemption	Asset Manager	
	Market Price	Cost Price			NAV	in Price	NAV					
AIMS1STMF	39.59	14.1	30.1	76.0%	↑	3.3%	↑	11.1%	20 - 45.5	3.70	31/Dec/15	AIMS
GRAMEEN1	32.82	12.28	24.4	74.3%	↑	4.6%	↑	6.1%	16.9 - 48.5	2.45	31/Dec/15	AIMS
GRAMEENS2	20.04	11.53	11.9	59.4%	↑	4.4%	↑	12.3%	8.7 - 17.9	3.15	2/Sep/23	AIMS
RELIANCE1	12.89	12.04	7.7	59.7%	↑	3.2%	↑	10.0%	5.6 - 9.6	1.15	7/Jul/21	AIMS
ATCSLGF	11.89	11.91	8.9	74.9%	↓	-1.4%	↑	17.1%	5.7 - 9.6	1.08	30/Mar/25	AT CAPITAL
1STICB	2049.61	319.18	1200.0	58.5%	↑	34.9%	↑	10.3%	852.2 - 1500.5	0.29	31/Dec/15	ICB
2NDICB	319.5	130.34	317.3	99.3%	↑	9.5%	↑	12.7%	235.7 - 333.3	0.10	31/Jan/16	ICB
3RDICB	403.5	88.24	277.9	68.9%	↑	12.5%	↑	9.5%	188 - 302.9	0.08	29/Feb/16	ICB
4THICB	304.34	97.91	232.9	76.5%	↑	8.1%	↑	10.4%	185.9 - 246.6	0.11	31/Mar/16	ICB
5THICB	268.41	79.81	198.1	73.8%	↑	11.3%	↑	4.2%	140 - 210.7	0.07	30/Apr/16	ICB
6THICB	63.97	35.11	63.2	98.8%	↑	10.5%	↑	1.1%	49.8 - 72.4	0.45	30/Jun/16	ICB
7THICB	119.38	52.13	99.6	83.4%	↑	13.2%	↑	10.1%	75 - 110.6	0.03	30/Sep/16	ICB
8THICB	78.43	44.14	68.5	87.3%	↑	12.7%	↑	2.4%	53.2 - 75	0.08	31/Dec/16	ICB
1STPRIMFMF	10.48	16.05	11.8	112.6%	↑	18.3%	↔	0.0%	9.1 - 20.7	3.47	17/Mar/16	ICB AMCL
ICB1STNRB	24.99	34.65	20.3	81.2%	↑	5.9%	↑	3.6%	15.7 - 31.9	0.59	28/Mar/17	ICB AMCL
ICB2NDNRB	11.47	15.32	8.9	77.6%	↑	7.0%	↑	23.6%	5.7 - 11	1.13	27/Jul/18	ICB AMCL
ICB3RDNRB	7.98	11.58	4.6	57.6%	↑	7.4%	↑	9.5%	3.7 - 5.5	0.77	24/May/20	ICB AMCL
ICBAMCL2ND	8.92	13.29	5.1	57.2%	↑	7.3%	↑	4.1%	3.8 - 6.8	0.29	28/Oct/19	ICB AMCL
ICBEPMF1S1	8.55	12.07	5.9	69.0%	↑	7.7%	↑	7.3%	3.6 - 6.1	1.63	18/Jan/20	ICB AMCL
ICBSONALI1	9.99	11.5	6.8	68.1%	↑	5.0%	↑	6.3%	4.7 - 9.5	0.39	12/Jun/23	ICB AMCL
IFILISLMF1	10.38	11.79	6.9	66.5%	↑	8.6%	↑	9.5%	4.8 - 8	1.42	22/Nov/20	ICB AMCL
PF1STMF	8.22	11.69	5.2	63.3%	↑	7.2%	↑	10.6%	4 - 6.3	0.40	9/May/20	ICB AMCL
PRIME1ICBA	8.76	11.87	5.0	57.1%	↑	7.4%	↑	4.2%	3.7 - 6.1	0.54	2/Feb/20	ICB AMCL
AIBL1STIMF	11.68	11.09	5.3	45.4%	↑	14.8%	↑	39.5%	3.7 - 9	0.76	10/Jan/21	LR Global
DBH1STMF	11.12	11.07	4.3	38.7%	↑	13.6%	↑	10.3%	3.7 - 6.7	0.42	7/Feb/20	LR Global
GREENDELMF	10.78	10.67	4.4	40.8%	↑	7.9%	↑	12.8%	3.8 - 6.3	0.32	28/Sep/20	LR Global
LRGLOBMF1	11.09	11.13	4.4	39.7%	↑	12.7%	↑	37.5%	3.3 - 7	0.72	19/Sep/21	LR Global
MBL1STMF	11.29	11.13	4.8	42.5%	↑	13.8%	↑	29.7%	3.4 - 8.9	0.68	8/Feb/21	LR Global
NCCBLMF1	11.16	10.86	4.4	39.4%	↑	16.6%	↑	22.2%	3.3 - 7.5	1.23	24/May/22	LR Global
1JANATAMF	11.8	11.43	5.4	45.8%	↑	6.7%	↑	14.9%	4.1 - 7.2	0.90	20/Sep/20	RACE
ABB1STMF	12.58	12.07	5.9	46.9%	↑	4.7%	↑	11.3%	4.5 - 7.5	1.07	29/Jan/22	RACE
EBL1STMF	11.27	11.78	5.3	47.0%	↑	6.8%	↑	12.8%	4 - 7	0.51	19/Aug/19	RACE
EBLNRBMF	11.18	11.04	4.9	43.8%	↑	5.4%	↑	8.9%	4 - 7.5	0.38	23/May/21	RACE
EXIM1STMF	11.45	11.03	6.5	56.8%	↑	5.2%	↑	22.6%	5.1 - 9.3	0.00	16/Jul/23	RACE
FBFIF	11.57	11.19	8.0	69.1%	↑	4.5%	↑	6.7%	5.4 - 10	0.23	19/Mar/22	RACE
IFIC1STMF	11.55	11.38	5.2	45.0%	↑	5.5%	↑	8.3%	3.9 - 7.1	0.48	1/Apr/20	RACE
PHPMF1	11.24	11.66	5.0	44.5%	↑	6.2%	↑	13.6%	3.9 - 6.7	1.76	29/Nov/20	RACE
POPULAR1MF	11.83	11.75	5.5	46.5%	↑	5.1%	↑	19.6%	3.9 - 6.9	1.96	19/Oct/20	RACE
TRUSTB1MF	11.62	11.06	5.5	47.3%	↑	6.5%	↑	12.2%	4 - 7.9	2.74	27/Jan/20	RACE
NLI1STMF	13.65	12.81	9.5	69.6%	↑	5.7%	↑	10.5%	6.7 - 9.7	0.69	27/Feb/22	VIPB
SEBL1STMF	13.1	12.35	9.2	70.2%	↑	5.5%	↑	13.6%	6.6 - 9.4	1.01	23/May/21	VIPB

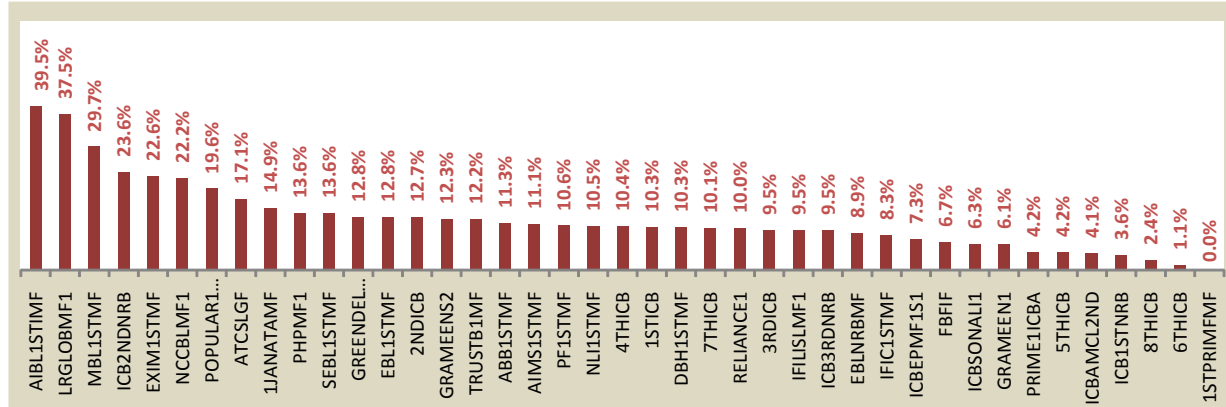
Source: DSE, ILSL Research

Mutual Fund : Monthly Update

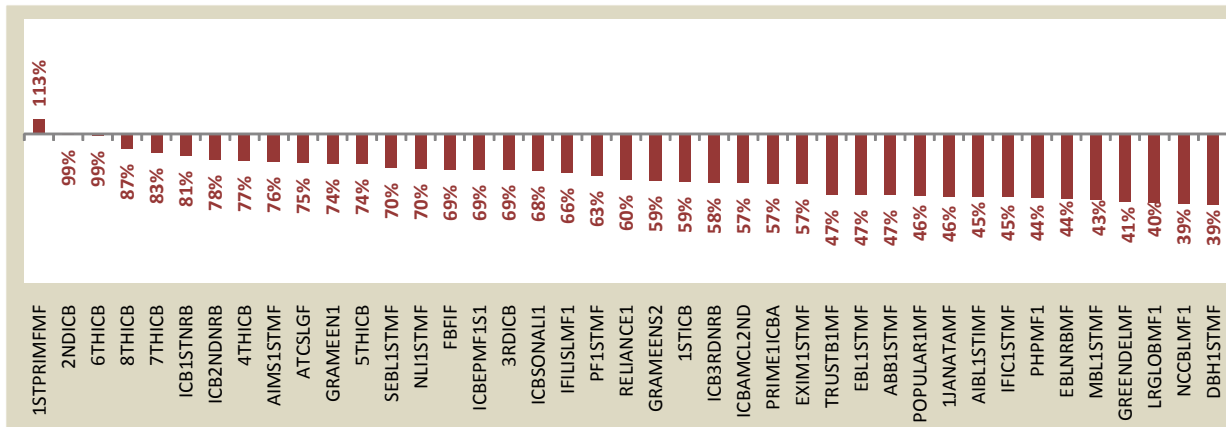
Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turover Leader	Avg Turnover (BDT mn)
1STICB	34.9%	ATCSLGF	-1.4%	AIMS1STMF	3.7
1STPRIMFMF	18.3%	RELIANCE1	3.2%	1STPRIMFMF	3.5
NCCBLMF1	16.6%	AIMS1STMF	3.3%	GRAMEENS2	3.2
AIBL1STIMF	14.8%	GRAMEENS2	4.4%	TRUSTB1MF	2.7
MBL1STMF	13.8%	FBFIF	4.5%	GRAMEEN1	2.4
DBH1STMF	13.6%	GRAMEEN1	4.6%	POPULAR1MF	2.0
7THICB	13.2%	ABB1STMF	4.7%	PHPMF1	1.8
LRGLOBMF1	12.7%	ICBSONALI1	5.0%	ICBEPMF1S1	1.6
8THICB	12.7%	POPULAR1MF	5.1%	IFILISLMF1	1.4
3RDICB	12.5%	EXIM1STMF	5.2%	NCCBLMF1	1.2

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	7,498	13.2%	3.9%	1.96	3,140
AT CAPITAL	720	1.3%	-1.4%	1.00	606
ICB	3,878	6.8%	19.7%	3.33	178
ICB AMCL	6,898	12.2%	7.1%	0.75	7,150
LR Global	9,909	17.5%	12.4%	1.01	8,896
RACE	25,772	45.5%	5.4%	1.02	22,181
VIPB	1,994	3.5%	5.6%	1.06	1,501

Source: DSE, ILSL Research



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.

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Business Newsflash

Economy

Trade deficit doubles

The Daily Star, July 5, 2015

Trade deficit almost doubled in the first ten months of the just-concluded fiscal year owing to slow export growth as a result of the image crisis of the garment sector that rakes in the bulk of the receipts. Between the months of July and April last fiscal year, trade deficit reached USD 8.5bn from USD 5.51bn a year earlier. During the period, exports grew only 2.67% against the government projection of 10% for the whole of fiscal 2014-15. In light of the poor performance, the government has revised down the export target to 5%. The targeted growth could not be achieved due to the sluggish Eurozone economy, appreciation of the taka against the euro, and the ongoing process of improving the working conditions as well as protecting labour rights in the apparel industry. Meanwhile, imports in the first eight months of fiscal 2014-15, imports grew 12.19% in contrast to 9.13% a year earlier.

Inward remittance tops USD15b in FY15

New Age, July 03, 2015

The country's inward remittance increased by 7.59% year-on-year crossing USD 15.30bn in the just concluded financial year 2014-15 as the commercial banks had recently gone for a number of drawing arrangements with the foreign exchange houses due to the central bank initiatives. The remittance inflow had gone down to USD 14.22bn in the previous FY14 from USD 14.46bn in FY13. Besides, the upcoming Eid-ul-Fitr helped the inward remittance to cross the USD 15-bn mark as the expatriate Bangladeshis usually send good amount of greenback to their near and dear ones ahead of the Eid. The country's inward remittance increased by 11.27% to USD 1.43bn in June of the FY15 from USD 1.28bn in the corresponding period of the FY14.

BB continues foreign exchange buying

The Financial Express, July 4, 2015

The foreign exchange reserve of the country stood at USD 25.01bn on the last day of June, 2015. The average daily inter-bank USD-BDT transaction volume was about USD 47.72mn against USD 51.72mn of the preceding week. Most of the banks kept their

published foreign exchange rates unchanged throughout the week. The USD/BDT selling rates for importers of major foreign and private banks was at 77.90-78.50, while USD buying rates from exporters were at 76.90-77.50. USDBDT swap market in this week was active. The daily average volume of swap transaction was around USD 55.00mn.

Bangladesh higher in OECD rankings

The Daily Star, July 5, 2015

The OECD has upgraded the overall country ratings of Bangladesh by one notch for the resilience by its economy. As per statement by Bangladesh Bank, the country moved to category 5 from category 6, which puts it just behind India but ahead of other South Asian countries. Bangladesh has surpassed its neighboring countries like Pakistan (7/7), Sri Lanka (6/7), Nepal (6/7), Myanmar (6/7) and Mongolia (7/7) in the OECD country classification, and is only behind India (3/7). The major reasons for the promotion were the resilience of the Bangladesh economy and the high and stable growth for well over a decade despite political upheaval and weak external demand. The upgrade was made in the Organization for Economic Co-operation and Development (OECD) classification committee meeting on June 17, according to the statement.

Call money rate to remain normal

The Financial Express, July 07, 2015

The inter-bank call money rate is unlikely to rise ahead of the Eid-ul-Fitr as most of the banks are burdened with excess liquidity following suspension of treasury bonds auction in last two months. Currently, more than 20 banks now hold more than BDT 220bn as excess liquidity that are withdrawn by the central bank using its reverse REPO (repurchase agreement) auction tool. The overall excess liquidity with the commercial banks stood at around BDT 1.05 trillion as of May 21 last but major portion of the funds has been invested in the risk-free government securities. On the other hand, the central bank decreased withdrawal of excess fund from the market through reverse REPO auction Monday to keep the call money rate stable. The Bangladesh Bank (BB) withdrew BDT 221.96bn at 5.25% rate from the market through reverse REPO auction. The call money rate started falling soon after the postponement of the treasury bonds auction on May 5 last, according to the market operators.

FY15 export earning growth lowest in 13yrs

New Age, July 07, 2015

The export earnings growth hit its 13-year low at 3.35% year-on-year in the just concluded financial year 2014-15 as political turmoil in the country and decline in the readymade garment prices on the global market hurt the export business. The growth was the lowest since the FY 2001-02 when it was 7.43%. The country's export earnings in the FY 2014-15 stood at USD31.19bn with a shortfall of USD2bn from the government-set target of USD33.20bn. The government had set for the FY 2014-15 the export earnings target at USD33.20bn with a year-on-year growth of 10.02% which was the lowest target rate since the FY09 when the growth target was 15.50%. The year-on-year export earnings in the FY15 grew by 3.35% to USD31.19bn against USD30.17bn in the FY14.

Deposit rate falls below 7% in May

Dhaka Tribune, July 07, 2015

The weighted average interest rate on deposit came down to four-year low at 6.99% in May due to lack of credit demand, and increased foreign loan inflow. The deposit rate was 6% in 2010 and the weighted average rate stood at 6.08% at the end of the year. The lending rate also continued to fall for the past one year, but the falling rate was relatively less than the deposit rate. The interest rate on advance stood at 11.82%, slightly lower from 11.88% in April. The country's banking sector is reluctant to collect deposit as it has to pay more interest to depositors than they can earn from lending due to sluggish investment climate.

PVT SECTOR CREDIT GROWTH: Monetary policy target becomes elusive with meek rise in May

New Age, July 09, 2015

The private sector credit growth rate increased slightly in May from that of the previous month, but the rate still remained low as the businesspeople maintained their 'wait-and-see' approach to business expansion amid political uncertainty. According to the Bangladesh Bank data released on Wednesday, the year-on-year credit growth rate in the private sector stood at 13.57% in May compared with that of 13.27% in April. Although the rate rose slightly in May, it still remained well below the target of 15.50% to be achieved by June as per the monetary policy

statement. The credit flow to the private sector stood at BDT 5,61,863.40 crore as of May 2015 against BDT 4,94,720.50 crore as of May 2014. It was BDT 5,57,775.90 crore as of April 2015 against BDT 4,92,409.80 crore as of April 2014, the BB data showed.

Exports to US, Europe record substantial rise

The Financial Express, July 12, 2015

The country's merchandise shipments to key North American and European destinations increased substantially in the just concluded fiscal year (FY), 2014-15, compared to those in the previous fiscal, 2013-14. Except Germany and Canada, which marginally failed to attain the progress, exports to all other countries experienced a sizeable growth during the period despite the Eurozone crisis sweeping across the EU countries. According to data, released by the Export Promotion Bureau (EPB), export earnings from the US, the largest export destination for Bangladesh goods, witnessed a 3.57% growth last fiscal. Exports to the US totaled USD 5.783bn last FY, which was 18.54% of the country's total export earnings during the period. The amount was USD 5.583bn in the previous fiscal (2013-14). Bangladesh's export to the UK amounted to USD 3.205bn last fiscal, registering a growth of 9.86%. The amount was USD 2.917bn in the previous fiscal and represented 10.98% of the country's total export earnings last fiscal.

BB disburses BDT 14,000cr through refinance schemes

The Daily Star, July 26 2015

Bangladesh Bank has so far disbursed BDT 14,000 crore under refinance schemes, including the Export Development Fund. As of June 6, BDT 443 crore has been disbursed by the state-owned commercial banks and BDT 8,291 crore by the private banks. The foreign banks gave out BDT 1,207 crore and the specialized banks BDT 4,058 crore, according to data from the central bank. Another statistics of the central bank showed that except the EDF fund the banks have disbursed BDT 4,822 crore until June 30 through various refinance schemes to 47,988 enterprises. The demand increased as its rate of interest is low. At present, the rate of interest is Libor plus 2%. As of June 30, a total of 12,251 women entrepreneurs have been given BDT 1,109 crore loans through the refinance schemes.

Govt sets USD33.5bn export target for FY16

New Age, July 27, 2015

The government has set the export earning target at USD 33.50bn with a single digit year-on-year growth of 7.83% for the current financial year 2015-16. This is the lowest target rate since FY09 when the target rate was 15.50%. The export target from the knitwear products was set at USD 13.26bn for the FY16 which is 6.75% higher than USD 12.42bn earned in the FY15 while target from woven garments was set at USD 14.10bn with 7.97% growth. The country's export earnings in FY2014-15 stood at USD 31.19bn with a shortfall of USD 2bn from the government-set target of USD 33.20bn. The export earnings growth was hit 13-year low at 3.35% year-on-year in the FY16 as the growth was the lowest since the FY2001-02 when it was 7.43%.

International

China stock market freezing up as sell-off gathers pace

New Age, July 09, 2015

China's tumbling stock market showed signs of seizing up on Wednesday, as companies scrambled to escape the rout by having their shares suspended and indexes plunged after the securities regulator warned of 'panic sentiment' gripping investors. The CSI300 index of the largest listed companies in Shanghai and Shenzhen closed down 6.8%, while the Shanghai Composite Index dropped 5.9%. More than 30% has been knocked off the value of Chinese shares since mid-June, and for some global investors the fear that China's market turmoil will destabilise the real economy is now a bigger risk than the crisis in Greece. More than 500 China-listed firms announced trading halts on the Shanghai and Shenzhen exchanges on Wednesday, taking total suspensions to about 1,300 – 45% of the market or roughly USD2.4 trillion worth of stock – as companies scuttled to sit out the carnage. The securities regulator said the Securities Finance Corp had provided 260bn yuan (USD 41.8bn) to 21 brokerages, though that sum is only 40% of the amount of leveraged positions that investors have cut since June 18. A surprise interest-rate cut by the central bank at the end of June, relaxations in margin trading and other 'stability measures' have done little to calm investors.

Gold hits 5-yr low under USD1,100 on Chinese selling

New Age, July 21, 2015

Gold prices plunged as much as 4% to their lowest in more than five years on Monday as sellers in top consumer China offloaded the metal. Investors have been finding less and less reason to hold gold as an insurance against risk, with the dollar strengthening ahead of what is expected to be the first increase in U.S. interest rates for nearly a decade. Spot gold fell USD45.55 to its weakest since March 2010 at USD1,088.05 an ounce shortly after the Shanghai Gold Exchange opened, with volumes soaring to a record. It regained some ground, trading above the key USD1,100 support level, but was still down 1.8% at USD1,113.80 an ounce by 1002 GMT. Spot platinum fell for the fifth straight session, down 5% at a fresh 6-1/2-year low of USD942.49 an ounce, due to oversupply, sluggish demand and weaker gold prices, which encouraged speculative selling.

New USD100b BRICS bank opens in China to challenge US-led lenders

New Age, July 22, 2015

A new USD100bn international bank dedicated to the emerging BRICS countries opened in China's commercial hub Shanghai on Tuesday as an alternative to other multilateral lenders. The 'New Development Bank', backed by the so-called emerging BRICS nations Brazil, Russia, India, China and South Africa, has been viewed as a challenge to Washington-based institutions. The NDB's web site explicitly describes it as an 'alternative to the existing US-dominated World Bank and International Monetary Fund' which will address needs for infrastructure and sustainable development. The bank says on its website that it will have authorised capital of USD100bn, with USD50bn paid in initially. Operations would begin late this year or early in 2016.

Stock Market

Govt completes releasing BDT 900cr stock scheme

New Age, July 02, 2015

The government has completed disbursement of BDT 900 crore for implementation of refinance scheme for 2010-11 crash-affected small investors as the central bank has released BDT 300 crore, the third and final tranche for the scheme. The central bank released the money from the 2014-15 fiscal year's fund.

Bangladesh Bank on August 26, 2013 and January 18 this year released the first two installments, totaling BDT 600 crore, of the government's refinance scheme of BDT 900 crore to the ICB. A total of 19,715 investors got BDT 487 crore loan from the refinance fund at 9% interest, while as many as 9,34,134 investors are yet to get the refinance loan facility.

Open-end mutual funds to be listed

The Financial Express, July 2, 2015

Open-end mutual funds (MFs) from now on will be able to be listed with the main bourse as per the regulatory approval. The Bangladesh Securities and Exchange Commission (BSEC) has included the listing provision for open-end MFs in the revised guideline on conversion of closed-end MFs into open-end ones. The revised guideline on conversion will be published soon in the form of gazette. To be listed with the main bourses, the units of the open-end MFs must be dematerialized instead of existing paper units.

Minimum subscription by sponsor of converted MF scrapped

New Age, July 04, 2015

The BSEC has exempted sponsors of mutual funds from holding any unit of a fund in case of conversion into an open-ended from close-ended once. The existing unit holders shall be treated as initial subscribers of the scheme and previous sponsor will issue letter of appointment to the parties of the fund as per rules according to the decision in the unit holders meeting. The initial subscription of a converted fund must be collected through public offering within stipulated period of conversion. Under the conversion guidelines, the commission may allow trading of open-ended mutual funds at the stock exchange on the main trade platform. The issue and cost of conversion of MF must not be exceeded 1.30% of the collected fund size, while the assted manager will not be allowed to claim more than 0.80% of the collected fund size as conversion related expenses. The trustee must make decision to convert a close-ended MF into an open-ended MF before 150 days before the maturity of a close-ended fund. The complete conversion process will not exceed 60 days from the effective date that will be decided by the trustee along with the conversion decision.

IPO RECOMMENDATION: DSE must enlist cos after BSEC approval

New Age, July 11, 2015

Enlisting companies at the Dhaka Stock Exchange will be mandatory for the bourse after regulatory approval once it will recommend a company to the Bangladesh Securities and Exchange Commission for initial public offering approval, amended Dhaka Stock Exchange (Listing) Regulations 2015 shows. The amended listing regulation allowed the bourse to scrutinise the offer documents of companies that will be submitted for initial public offering. Although the bourse usually submits its observation on proposed offer documents for IPOs of companies, there is no provision in the existing listing regulations of the stock exchange to provide opinion or recommendation in this regard. The gazette notification of the listing regulations of the bourses will be published soon.

BSEC to finalise rules, regulations for small cos' trading platform by Dec

New Age, July 21, 2015

The Bangladesh Securities and Exchange Commission will finalise rules and regulations on the formation of a separate trading board for the small-capitalised companies by December this year. The separate platform might be named Alternative Investment Market which will allow companies with paid-up capital between BDT 2 crore and BDT 30 crore to raise fund from the capital market. As per the primary concept, terms and conditions for raising capital from the proposed Alternative Investment Market will not be tough like the process of getting approval for initial public offerings to raise capital from the normal market, so that small and medium entrepreneurs could be able to raise fund easily from the market for their business expansion. High net worth individuals and institutional investors will only be allowed to invest on such stocks due to the risk factor. The companies under the Alternative Investment Market can be transferred to the normal market depending on fulfilment of securities rules applicable in this regard.

DSEX and DS30 reshuffled

Dhaka Tribune, July 15, 2015

The Dhaka Stock Exchange (DSE) has rearranged its broad and blue chip indices with effect from July 21 as part of its semi-annual rebalancing of the indices. In accordance with DSE Bangladesh Index Methodology, designed by S&P Dow Jones Indices, DSEX and DS30

have been reconstituted. Two new companies, Shasha Denims and Bangladesh Steel Re-Rolling Mills have met all criteria of quarterly IPO addition and qualified as eligible constituents of DSEX. In addition, two companies – Orion Pharma and RAK Ceramics – are being added to the DS30 index. On the other hand, two existing constituents of DS30 Index – Lanka Bangla Finance Limited and Keya Cosmetics Limited – are being dropped from DS30 Index as they didn't comply with the requirements to retain their membership. Criteria for inclusion in DSEX, a company must have a float –adjusted market capitalisation above BDT100m and for DS30, a company must have a float-adjusted market capitalisation above BDT500m.

LankaBangla Securities to raise BDT 200cr

The Daily Star, July 29, 2015

LankaBangla Securities, a leading stockbroker, has decided to raise BDT 200 crore by issuing non-convertible zero coupon bonds to meet the company's cash needs. The stockbroker will sell the bonds at a 10.5% discount rate from their face value, and the maturity period will be three years. As many as 25 institutions can purchase the bonds and each bundle of the bonds will be worth BDT 8 crore. The issuance of the bonds of LankaBangla Securities is, however, still subject to approval by the shareholders, Bangladesh Securities and Exchange Commission, and other regulatory authorities. LankaBangla Securities is a 90.91% owned subsidiary of LankaBangla Finance, which is a non-bank financial institution listed since 2006.

Bank

Financial Institution

Bank interest rate spread shrinks in May amid dull business

New Age, July 11, 2015

Interest rate spread in the banking sector declined further in May as most of the scheduled banks were compelled to reduce rates of interest on their lending and deposit products amid dull business due to political uncertainty. The overall interest rate spread, the gap between the interest rate on credit and deposit, decreased to 4.83% points in May from that of 4.84% points in April this year. The spread was 4.87% points in March. The interest rate spread had decreased to 5% points in January 2014 but after the month the rate hovered around more than 5% points in 13 consecutive months. The latest drop in the spread rate occurred as the businesspeople were still maintaining a go-slow policy to their business expansion.

Islami Bank ranked as world's top 1,000 banks

Dhaka Tribune, July 29, 2015

Islami Bank Bangladesh Limited has recently been ranked among top 1000 banks of the world in 2015 by an UK based century-old magazine, The Banker. Islami Bank has continued to thrive in spite of continuing global economic pressures and social and political unrest in many of its strongholds, said the magazine in its statement.

Financial Institution

IDLC plans to raise BDT 500cr through zero coupon bonds

The Daily Star, July 8, 2015

IDLC Finance, a leading non-bank financial institution, has decided to raise BDT 500 crore by issuing zero coupon bonds to meet its needs for long-term funds. IDLC will sell the bonds at 10%-11% discounts from their face value, and the maturity period will be five years, according to a proposal submitted by the company to Bangladesh Securities and Exchange Commission. This will be the largest issuance of zero coupon bonds by any non-bank. IDLC is the only non-bank that meets its 80% fund-requirements with low-cost client deposits. In 2013, IDLC Finance had issued a zero coupon bond worth BDT 150 crore, but it was for three years.

Fuel and Power

Moheshkhali LNG terminal likely by 2016

The Financial Express, July 12, 2015

The Floating Storage and Re-gasification Unit (FSRU)-based Liquefied Natural Gas (LNG) terminal at Moheshkhali is likely to come into operation in 2016. The LNG terminal having capacity of 1,38,000 cubic metre is expected to supply 500mn metre standard cubic feet per day (mmscfd) aimed at mitigating growing energy demand in the country. The Singapore-based Astra Oil and Excelerate Energy Consortium (AEC) would construct the FSRU at Moheshkhali in the Bay of Bengal. The state-run Bangladesh Oil, Gas and Mineral Corporation (Petrobangla) has signed a term-sheet agreement with Astra Oil and Excelerate Energy Consortium on February 25, 2015 for setting up the floating storage and FSRU terminal at its own cost at Moheshkhali Island in the Bay of Bengal. As per the deal, the contractor will implement the project on Build-Own-Operate-Transfer (BOOT) basis to meet the growing demand of the gas and it would be transferred to the government after the 15 years.

Oil prices could fall further: IEA

The Daily Star, July 12, 2015

Oil prices may have further to fall despite stabilizing in recent months - and even beginning to rise modestly - because of a massive oversupply the International Energy Agency (IEA) has said. The IEA said lower oil prices were likely to last well into 2016. The agency added the world oil market was unable to absorb the huge volumes of oil now being produced. The price of Brent crude fell sharply last year from USD 115 a barrel in June to USD 45 a barrel in January. The current price of Brent crude is USD 59 a barrel.

GE to invest more in power projects

The Daily Star, July 17, 2015

General Electric plans to invest more in gas-based electricity generation projects in Bangladesh as the US conglomerate wants to boost its revenue growth from industrial business. GE sees the government's target to achieve 39,000MW power generation capacity by 2030 as an opportunity and plans to support new projects. GE has invested significantly in core business schemes in Bangladesh, including power, healthcare, aviation, transportation and energy.

Power generation to go up by 12,853MW in five years

The Daily Star, July 27 2015

The government plans to increase power generation by 12,853 megawatts over the next five years, 40% of which will be provided by the private sector. However, much of the private investment in power production will be relatively large-scale, with no additional rental power contracts, according to the draft of the seventh five-year plan. The power sector will require investments of BDT 165,500 crore over the next five years, 50% of which will come from the private sector, according to the draft presented by General Economics Division. The high-cost fuel-based power generation will be gradually phased out and so will the low-cost gas-based ones. In the last two years of the five-year plan, around 6,000MW of fresh power will be added to the national grid, most of which will be from imported coal and liquefied natural gas or LNG.

Pharmaceuticals**ACI profit jumps by 1,415pc on brand sales**

New Age, July 13, 2015

The half-yearly earnings of ACI Limited this year skyrocketed by 1,414.72% to BDT 239.78 crore compared with that of the same period in the previous year as the entity earned an additional BDT 252 crore by selling its brands to US-based S.C Johnson & Son during the period. The half-yearly report of the company for the period of January to July this year disclosed on Sunday showed that the profit of the company was BDT 15.83 crore during the same period in the previous year. The earning per share of ACI Limited, one of the major consumer and chemical manufacturers in the country, during the January-June period increased to BDT 60.28 compared with that of BDT 4.01 in the same period of the previous year. However, excluding the one-off gain (BDT 252 crore) realised during the period, EPS of the company would be BDT 7.04.

Pharmaceuticals**BSRM Steels to issue zero coupon bond**

The Financial Express, July 13, 2015

BSRM Steels Ltd, a unit of Bangladesh Steel Re-rolling Mills (BSRM) has planned to issue Zero Coupon Bond of BDT 2,000mn. The proceeds will be used for capital expenditure/ refinancing of costly loans and equity investment in the power project of BSRM Group of Companies.

Textile**Garment exports to US on the rise**

The Daily Star, July 14, 2015

Garment exports to the US, the country's single largest export destination, rose 7.09% year-on-year in the January-May period on the back of a rebound in the American economy. Bangladesh exported USD 2.32bn worth of garment products to the US in the first five months of the year, according to data from the US Department of Commerce. The development will assuage the nerves of many, as garment exports to the US experienced negative growth almost all throughout 2014 as a repercussion of the Rana Plaza building collapse. Garment exports to the US declined 3.17% year-on-year to USD 4.64bn during the January-November period of last year. But from March this year, it started picking up due to the retailers' reinstatement of confidence in Bangladeshi garment.

Ceramics

RAK Ceramics to acquire entire stake of two subsidiaries

The Financial Express, July 28, 2015

RAK Ceramics (BD) Ltd, a UAE-Bangladesh Joint Venture Company listed with local stock exchanges, has decided to acquire entire stake of its two subsidiaries, subject to the approval of the shareholders and concerned authorities. RAK Ceramics ownership will be increased to 100% from existing 57% in RAK Power Private Ltd, a subsidiary of RAK Ceramics, through purchase of 881,500 ordinary shares of BDT 100 each from all the other shareholders of RAK Power Pvt Ltd at BDT 255 per share totaling to BDT 224,782,500. RAK Ceramic has also planned to increase its stake in RAK Security and Services Pvt. Ltd to 100% from the existing 35% through purchase of 6,500 ordinary shares of BDT 100 each from all the other shareholders of RAK Security and Services Pvt. Ltd. [Associate of RAK Ceramics (Bangladesh) Ltd.] at BDT 2,875 per share totaling to BDT 18,687,500. On the other hand, RAK Ceramics will sell the entire shareholding i.e. 2,467,500 numbers of ordinary share of BDT 100 each (47% of the paid up capital) of RAK Paints (Pvt.) to Mr. S.A.K. Ekramuzzaman, managing director of RAK Ceramics (Bangladesh) and existing shareholders of RAK Paints (Pvt.) subject to allotment of shares against share money deposit.

Telecommunication

Bandwidth export to India may begin on August 15

Dhaka Tribune, July 07, 2015

Bangladesh Submarine Cable Company Limited (BSCCL) will start bandwidth export to India on August 15, one month earlier than the stipulated time. On June 6, the company signed a deal with the Indian state-owned Bharat Sanchar Nigam Limited (BSNL) for exporting bandwidth during Indian prime minister's visit to Bangladesh. According to the agreement, BSNL decided to import 10 Gbps bandwidth for Tripura state from September this year, but finally the export has been fixed in August. The submarine cable

company will export 10 Gbps per second to the north-eastern Indian state. The deal has been signed initially for a year and can be extended for two more years and the bandwidth price will be reviewed after a year. The submarine cable company will get the payment at the beginning of each quarter while Bangladesh will earn BDT9.6 crore by exporting 10 Gbps bandwidth to India in a year. The bandwidth export price is 33% higher than that of domestic market price though there are also opinions against the latest price of bandwidth.

Bandwidth prices nearly halved

The Daily Star, July 13, 2015

Bangladesh Submarine Cable Company Ltd has decided to slash the wholesale prices of internet bandwidth by up to 43% to discourage imports from India and also dispose of its huge amount of unused bandwidth. International gateway operators will mostly benefit from the price cut. Currently, BSCCL is using only 33 gigabits per second of internet bandwidth out of its capacity of 200 Gbps. The country's total internet bandwidth consumption is around 120 Gbps, and six international territorial cable companies meet the demand through imports from India as it is cheaper in the neighbouring country. In light of this, the state company has now fixed BDT 558 for each megabit per second (Mbps) of bandwidth for a bundle of 20 gigabits, down from BDT 980 earlier.

Teletalk mulls BDT4,000cr network expansion plan

Dhaka Tribune, July 29, 2015

Teletalk, the lone state-run mobile operator, plans to invest BDT4,000 crore for the expansion of its 3G network across the country and roll out of its 4G or LTE (Long-Term Evolution) network. The LTE is the standard for high-speed data wireless communication through mobile phones and data terminals. Meanwhile, the mobile operator Teletalk has chalked out a design to reach up to Upazila and Union levels to materialise the government's ICT vision 2021. As Bangladesh Telecommunication Regulatory Commission (BTRC) is planning to float 4G auctions in 2016, Teletalk is also preparing for rolling out its 4G network.

Note: Business Newsflash 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.



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- Performance of mutual fund: Contain information about NAV of all Mutual Funds with comparison of previous week.
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