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IDLC MONTHLY

BUSINESS

REVIEW

THE SEA'S
BOUNTY AWAITS:
**UNLOCKING
BANGLADESH'S
BLUE ECONOMY**

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**The Sea's Bounty Awaits:
Unlocking Bangladesh's Blue Economy**

In 2012 and 2014, Bangladesh resolved two historic maritime disputes with Myanmar and India, respectively, and gained a staggering 118,813 square kilometres of the territorial sea, 200 nautical miles of the exclusive economic zone, and a significant portion of the extended continental shelf in the Bay of Bengal. In order to strengthen this sector, the government will need to address several issues, such as overfishing, erosion of the environment, insufficient financing, a dearth of reliable statistics, and ineffective governance. The sector's success will inevitably benefit the people residing in the coastal regions of Bangladesh, resulting in maintaining steady economic growth and propelling the country further towards becoming a developed nation by 2041.

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The Sea's Bounty Awaits: Unlocking Bangladesh's Blue Economy

The blue economy concept has become an exhortation for sustainable development through the utilisation of ocean resources for economic growth, enhanced livelihoods, and employment while conserving the health of the environment. According to the United Nations (UN), the industry is worth between USD 3 and USD 6 trillion globally, with its strong ties to SDG-14 (Life Below Water) serving as a crucial reason for elevating this sector.

With around 710 kilometres of coastline, the blue economy offers numerous opportunities for Bangladesh, particularly in the sectors of fisheries, shipping, tourism, natural resources, and oil and gas. The blue economy has the potential to make a substantial contribution to economic growth and enhance the quality

of life for the people residing in Bangladesh's coastal regions.

Expanding ocean-centric industries will bring a new perspective to our economic prosperity. At the same time, the unplanned proliferation of economic activities will be the cause of marine ecosystem deterioration and biodiversity loss, causing significant harm to low-income coastal residents. Understanding and effectively managing the numerous facets of marine sustainability is crucial to reaping the sea's bounty.

Md. Shah Jalal

Assistant Manager, CRM-SME
IDLC Finance Limited

INDUSTRY & EQUITY ANALYSIS TEAM

ASIF SAAD BIN SHAMS

Email: shams@idlc.com

DEBAJIT DATTA

Email: debajit@idlc.com

MD. SHAH JALAL

Email: mjalal@idlc.com

AKHLAQR RAHMAN SACHEE

Email: akhlaqr@idlc.com

SYED MD. RAKEEN

Email: rakeen@idlc.com

MD. MUNTASIR SAKIB

Email: smuntasir@idlc.com

ECONOMY AT A GLANCE

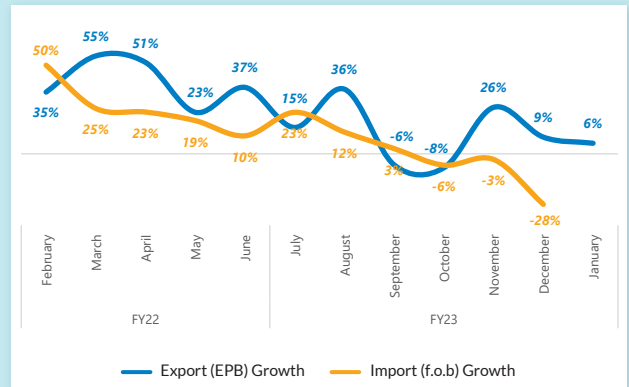
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EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

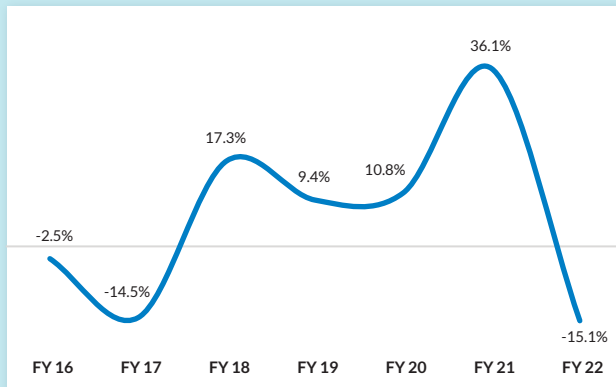


Export and Import Growth (Last 12 Months)

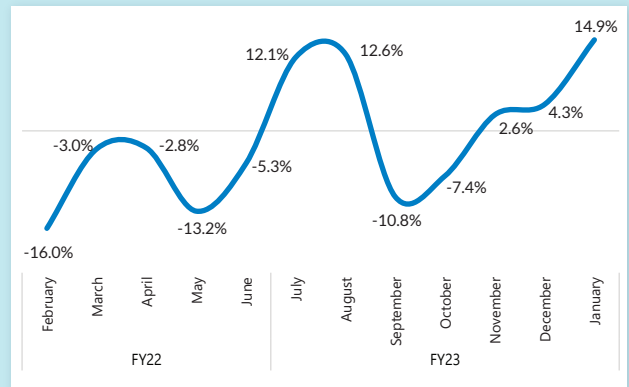


REMITTANCE

Remittance Growth (Last 7 Years)

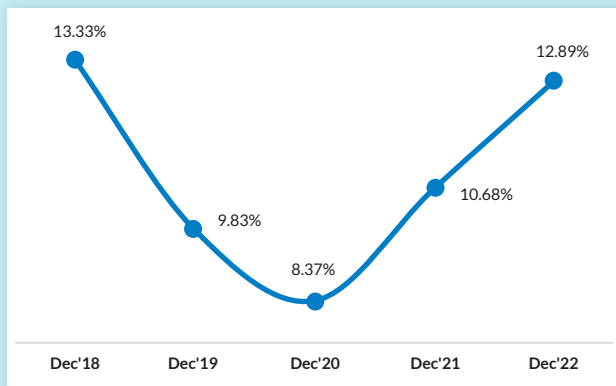


Remittance Growth (Last 12 Months)

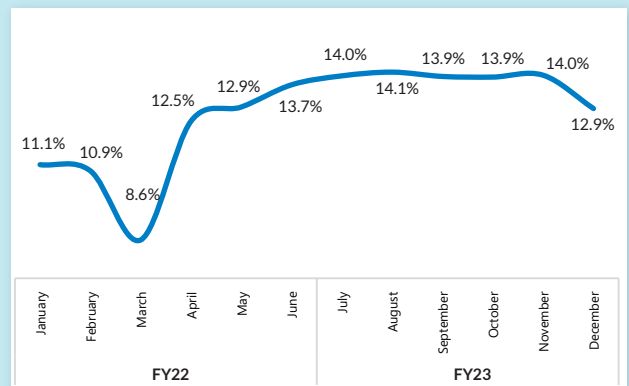


PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



■ MONTH IN BRIEF

● According to the Bangladesh Bank, year-on-year growth of 4.23% has been observed in remittance inflows to the country, **amounting to USD 1.7 billion in December 2022 in comparison to USD 1.63 billion in December 2021.**

● **A drop to 7.91% in December 2022 from 8.14% in November 2022 has been observed in the food price index, and the non-food price index dropped to 9.96% in December 2022 from 9.98% in November 2022.**

● As per the monetary policy for **January 2023 to June 2023, credit card loans will have no cap.**

● To facilitate the imports of necessities and ensure food security in Bangladesh, the Multilateral Investment Guarantee Agency, a wing of the World Bank Group, **has offered to guarantee loans from foreign lenders in foreign currency between USD 500 million and USD 1 billion.**

● **To promote higher government spending, the domestic credit growth target has been raised by 30 basis points to 18.5% for January 2023 to June 2023.**

● **Export Facilitation Fund of BDT 100 billion has been formed to offer export-oriented companies loans between BDT 50 million and BDT 2 billion** to facilitate the procurement of raw materials. Scheduled banks will be able to get the fund at an interest rate of 1.5%, and the loans will be disbursed at an interest rate of 4%.

● The World Bank has declared the revised forecast for economic growth in Bangladesh to be **5.2% for the ongoing fiscal year on January 10, 2023.**

● In order to cope with the projected spike in demand in the upcoming summer and avoid using foreign currency to purchase liquefied natural gas from abroad, independent power producers have suggested increasing the usage of heavy fuel oil or furnace oil-based power plants. **This action can save BDT 165.68 billion.**

● **The external debt of the private sector dropped by 2% to USD 25.4 billion in September 2022 from USD 25.95 billion in June 2022.** The gross external debt of the country also dropped by 3% to USD 92.69 billion from USD 95.23 billion during the aforementioned period.

● As part of a plan made in January 2023 to lessen the country's reliance on imports, ten multinational companies will invest about **BDT 20 billion in Bangladesh to boost the production and sale of textile chemicals made there.**

THE EXPORTERS HAVE TO COMPETE WITH MANY OTHER COUNTRIES. WHILE IT IS DIFFICULT TO INCREASE THE EXPORT VOLUME AT THIS STAGE, WE ARE TRYING. THE APPAREL SECTOR WILL BE ENCOURAGED BY THE INCREASE.

Faruque Hassan, President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), on the increase of dollar rate for export proceeds. (The Business Standard. 01 January, 2023)

Progress became slow due to the Covid-19 pandemic. But, now everything is going back to normal. We organised the International Investment Summit in 2021. After that, we arranged another investment summit. We are also constantly communicating with the investors.

Mohsina Yasmin, Executive Member of the Bangladesh Investment Development Authority (BIDA), on the attempts to increase investment proposals. (The Business Standard. 28 January, 2023)

5.2 percent is not bad growth if you assess the global situation.

Zahid Hussain, Former Lead Economist of the World Bank, on the decline in the projection of GDP growth by World Bank. (The Daily Star. 11 January 2023)

If the fuel cost of a furnace oil-based plant is cheaper than LNG, we also need to compare it to coal-fired plants. Suppose coal price goes down in the global market. In that case, the cost of using it to generate electricity will also be cheaper.

Dr Mohammad Tamim, Energy Expert and Professor of Petroleum and Mineral Resources Engineering at BUET, on cheaper alternative to generating electricity as opposed to importing liquefied natural gas. (The Business Standard. 24 January, 2023)

"I strongly believe that this fund will contribute significantly to the development of the country's export sector given the economic fallout of Covid-19 and the Russia-Ukraine war."

Abdur Rouf Talukder, Governor of the Bangladesh Bank, on 49 commercial banks agreeing to be a part of the Export Facilitation Pre-finance Fund (EFPF) of BDT 10,000 crore. (The Business Standard. 30 January, 2023)

I think it is a positive development in the existing economic scenario as it will help lessen the government's repayment pressures. If the downward trend continues in the coming days, the country will benefit in the mid-term.

Khondaker Golam Moazzem, Research Director of the Centre for Policy Dialogue (CPD), on the government deprioritising expensive projects due to the current economic climate. (The Financial Express. 03 January, 2023)

The new fund is a good initiative. But if the EDF is closed and loan is given in taka, then exporters will have to count a huge loss. In case of dollar purchase, the difference between buying and selling should not be more than Tk 1.

Mohammad Hatem, Executive President of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) on RMG exporters incurring huge losses. (The Business Standard. 01 January, 2023)

This huge growth in exports has been seen due to the increase in commodity prices due to increased cost of raw materials and higher exports of relatively high-value garments.

Faruque Hassan, President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), on the rise in country's exports. (The Business Standard. 02 January, 2023)

Country	Nominal GDP: 2021 (USD in Billion)	Real GDP Growth: 2021 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten years Treasury Bond	Currency Units (Per USD)
Frontier Market							
Sri Lanka	88.98	3.58	54.20	January-23	-3.76	28.43	364.86
Vietnam	366.20	2.58	4.89	January-23	-1.96	4.20	23,575.00
Kenya	110.52	7.23	9.00	January-23	-5.20	14.35	125.00
Nigeria	441.54	3.65	21.34	December-22	-0.42	14.16	459.49
Bangladesh	460.22	7.10	8.57	January-23	-4.06	8.34	106.23
Emerging Markets							
Brazil	1,608.00	4.62	5.77	January-23	-1.74	13.49	5.22
Saudi Arabia	833.54	3.24	3.30	December-22	5.32	N/A	3.75
India	3,176.30	8.95	5.72	December-22	-1.22	7.36	82.52
Indonesia	1,187.32	3.69	5.28	January-23	0.28	6.75	15,187.75
Malaysia	373.03	3.13	3.80	December-22	3.80	3.88	4.33
Philippines	394.09	5.60	8.70	January-23	-1.76	6.38	54.48
Turkey	817.51	10.99	57.68	January-22	-1.66	11.37	18.83
Thailand	505.90	1.57	5.02	January-23	-2.18	2.42	33.68
China	17,744.00	8.08	2.10	January-23	1.79	2.92	6.81
Russia	1,778.53	4.70	11.80	January-23	6.88	10.82	73.11
Developed Markets							
France	2,957.43	6.98	6.00	January-23	0.36	2.83	0.94
Germany	426.77	2.79	8.70	January-23	7.36	2.36	0.94
Italy	2,101.28	6.64	10.10	January-23	2.44	4.21	0.94
Spain	1,426.22	5.13	5.80	January-23	0.92	3.40	0.94
Hong Kong	369.16	6.42	2.00	December-22	11.27	3.41	7.85
Singapore	396.99	7.61	6.50	December-22	18.12	3.13	1.33
United States	22,996.08	5.68	6.50	December-22	-3.68	3.74	1.00
Denmark	398.30	4.13	7.70	January-23	8.75	N/A	6.98
Netherlands	1,013.52	5.04	7.60	January-23	9.04	2.65	0.94
Australia	1,635.26	4.69	7.80	December-22	3.15	3.80	1.45
Switzerland	799.80	3.72	2.80	December-22	9.45	1.35	0.92
United Kingdom	3,187.63	7.44	10.50	December-22	-2.59	3.41	0.83

"Bangladesh Data : The new GDP size (FY22) and real GDP growth (FY22) are as per new base year. Calculation Method of CA balance (% of GDP) = CA balance of FY22 / GDP of FY22

Interest rate (%) 10 years TB as per January 2023, Inflation as per January 2023 and Currency Unit (per USD) as per 8th February are sourced from Bangladesh Bank

Nominal GDP : Data of all countries apart from Bangladesh is sourced from IMF estimates of 2022 data (October, 2022 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of October, 2022 data (World Economic Outlook, October 2022)

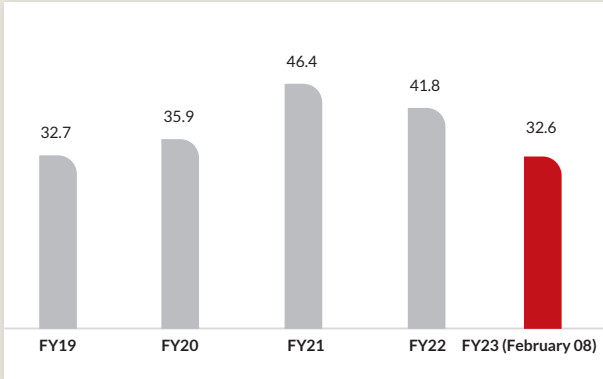
Inflation : Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

Interest rates 10 years TB and Currency Unit : Data of all countries apart from Bangladesh is sourced from Investing.com

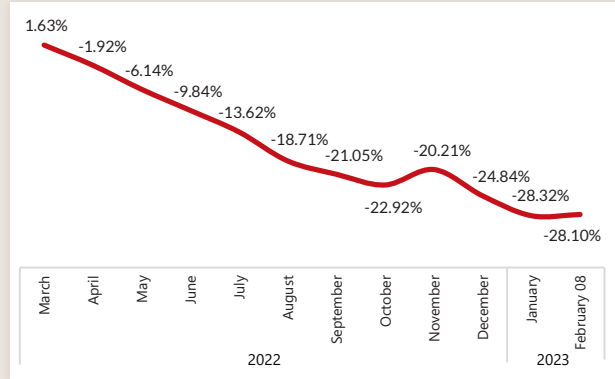
BANKING DATA CORNER

Prepared by IDLCSL Research Team

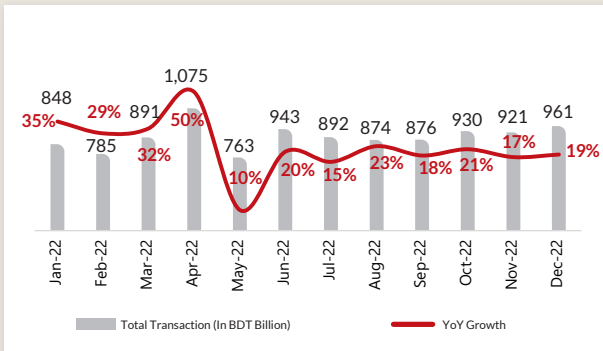
Foreign Exchange Reserve (In USD Billion, Last 5 Years)



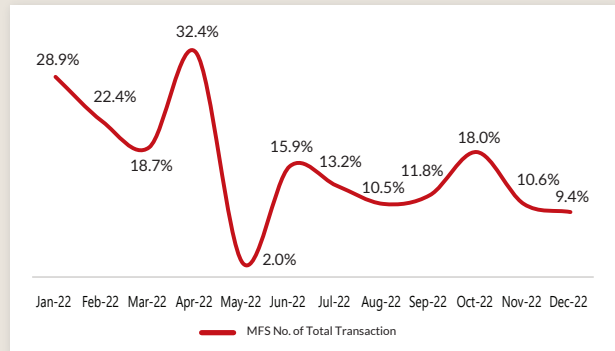
Foreign Exchange Reserve (Last 12 Months Trend)



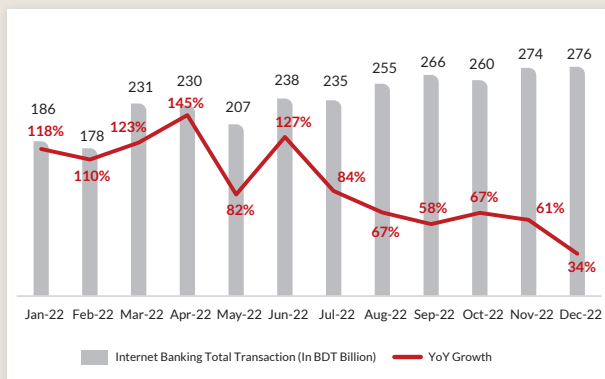
MFS Monthly Transaction (BDT Billion and YoY Growth)



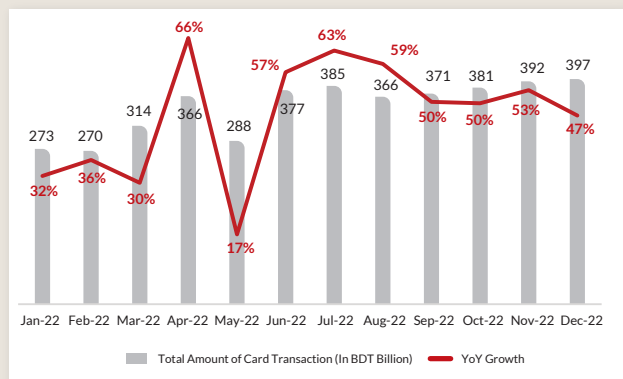
MFS No. of Total Transaction (YoY Growth)



Total Amount of Internet Banking Transaction (BDT Billion and YoY Growth)



Total Amount of Card Transaction (BDT Billion and YoY Growth)



Source: Bangladesh Bank

Fabric Lagbe



Md Nazmul Islam

Founder and CEO, Fabric Lagbe

Interviewed by
Tasnimul Hasan Ruhi, Team MBR

Fabric Lagbe Ltd. is one of the new marketplace startups in Bangladesh aiming to connect national and international buyers with local manufacturers and traders for buying and selling fabrics, yarns, cotton, readymade garments, machinery, trims, and accessories. For the first time in Bangladesh, they have introduced an open bidding system covering all categories of textile necessities. Team MBR was in a conversation with Mr. Md Nazmul Islam, Founder and CEO, Fabric Lagbe, to learn about his inspirations and vision behind Fabric Lagbe.

Tasnimul Hasan Ruhi: Fabric Lagbe has been launched with the aim of connecting national and international buyers with local manufacturers and traders of fabrics, handloom products, readymade garments, trims, accessories, and all other relevant items. Would you kindly share with us how you came up with this idea?

Md Nazmul Islam: Over the past 12 years, I have seen and gained experience by working in every step (yarn purchasing, yarn sizing, fabric making, dyeing, delivery systems, payment receiving, and reordering) of the textile industry. Present textile industries have considerable investments in technological advancement in the production process, but procurement, marketing, distribution, payment receipts, and sales are yet outdated. It is utterly offline



via phone calls and one-on-one meetings, which results in a lot of time, effort, cost, and economic losses for the country. From this experience, we built a platform to disrupt this redundant business practice and make doing business easier. With the help of Fabric Lagbe, suppliers and customers can do business hassle-free and effortlessly and, at the same time, save time and money, making it accessible to everybody anytime, anywhere.

Tasnimul Hasan Ruhi: The quality of the products and services that can be availed on Fabric Lagbe is a crucial factor in the platform's success. Would you kindly tell us about the screening process through which the suppliers and service providers have to go before getting themselves registered on the platform?

Md Nazmul Islam: In general, you do not need to register to view the products and services. To bid on products or services, you must first register, which takes only 50 seconds. Suppliers can choose the best bidder from the list by reviewing the bidder's business history (day of experience, number of transactions completed, review, rating), and customers can do the same before submitting a bid. Finally, our customer service team assists each party to smoothly complete the transaction. So there is nothing to lose, and on top of that, opportunities are being created for both parties.

Tasnimul Hasan Ruhi: What are the motivating factors for the buyers to switch to Fabric Lagbe from the traditional method of doing business? What are the additional benefits the buyers can enjoy?

Md Nazmul Islam: By using the Fabric Lagbe platform, buyers or customers can buy products hassle-free, effortlessly, at a fair price, with on-time delivery, the right quality, and the right quantity from thousands of suppliers within a few minutes and get the best satisfaction. In this digital era of Bangladesh, businesses are making a shift from physical to virtual for their buying and sourcing needs. Textile and RMG producers can meet market demand through the Fabric Lagbe platform. In a competitive market, buyers and sellers always struggle to find their respective business counterparts, and they will benefit from a transparent digital supply chain and responsible sourcing on our platform.

Tasnimul Hasan Ruhi: A rise in the number of D2C clothing businesses and online boutique shops has been observed in recent times. These businesses usually have different sets of requirements than others in terms of order quantity, customisation, etc. How is Fabric Lagbe catering to this customer segment?

Md Nazmul Islam: It is very good news for us that customers are buying the product online. Essentially, Fabric Lagbe has two features for buyers: one is the buyer's request for regular textile

and RMG products, for which suppliers showcase their products on our platform; the other is the buyer's request for customised products, where buyers can ask if they cannot get their desired product on our platform, and here our suppliers will reverse bid on the customer's product request, and in the middle path, our CRM team is assisting each of them with the quality, quantity, and delivery of their products.

Tasnimul Hasan Ruhi: RMG products and services usually involve relatively long supply chains. Does Fabric Lagbe have any mechanism to provide visibility and real-time updates of the ordered products and services to its customers?

Md Nazmul Islam: Textile and RMG industries are huge markets, and we are currently working with local textile and handloom products like fabrics, sarees, lungis, three pieces, gamchas, rakhain dresses, panjabis, lehengas, bed sheets, handicraft products, and so on, which are mostly ready or in the production stage, so whenever buyers give orders, we deliver within standard time by using third party logistic support. Our suppliers and customers, and every user, can currently see their entire transaction history in real-time.

Tasnimul Hasan Ruhi: The readymade garment industry in Bangladesh is largely dependent on foreign buyers. What strategies has Fabric Lagbe undertaken to gain the attention and trust of foreign buyers?

Md Nazmul Islam: Everyone is attempting to sell to foreign buyers, but we are focusing on local market buyers. The market is worth nearly USD 9 billion per year, and we have some unique and GI products that are being exported too. We are gaining trust and onboarding foreign buyers simultaneously, and we have gained the trust of buyers from 120 countries by this point.

Tasnimul Hasan Ruhi: How does Fabric Lagbe make money out of this platform? Will you kindly tell us about your key partners?

Md Nazmul Islam: There are no fees for registration, bid placement, or product showcasing. We only charge 1% commission after a transaction is completed successfully. Currently, our key partners are the Bangladesh Textile Mills Association (BTMA), Bangladesh Handloom Board, Daffodil International University, Bangladesh Venture Capital Limited, Chaldal, and many others.

Tasnimul Hasan Ruhi: What are the challenges Fabric Lagbe is currently facing? How is it addressing the issues? Also, we

would like to know about your plan to scale the operations of Fabric Lagbe.

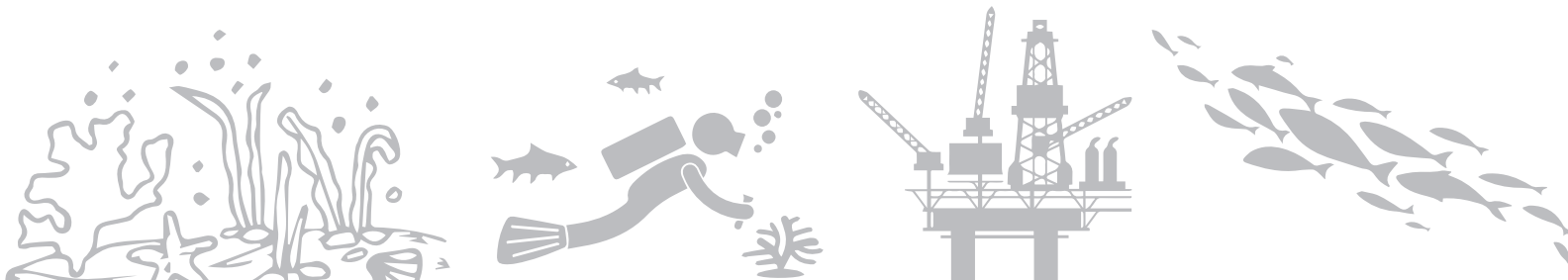
Md Nazmul Islam: Most suppliers (1st generation) are not used to IT or credit facilities, and they lack a sincere commitment to quality. However, the good news is that both suppliers and customers are happy to use the Fabric Lagbe platform because they are enjoying authentic product sourcing with accountability and proper services, and we hope that within three years, we will be able to onboard the majority of our local SME textiles, RMG factories, handloom weavers, and handicraft producers by opening 11 service centres across Bangladesh.

The image is a composite graphic. On the left, a smartphone displays the Fabric Lagbe app interface. The app logo at the top features a stylized green and red grid with the text 'Fabric Lagbe' and the tagline 'Banyan of Textile'. Below the logo are four main function buttons: 'BUY' (shopping cart icon, Bengali 'ক্রয়'), 'SALE' (dollar sign and people icon, Bengali 'বিক্রয়'), 'JOB' (person and magnifying glass icon, Bengali 'চাকুরী'), and 'WORK ORDER' (document and gear icon, Bengali 'কার্যাদেশ'). At the bottom of the app screen, the website 'www.fabriclagbe.com' and phone number '09678-236236' are displayed. To the right of the smartphone is a cluster of six hexagonal images showing various textile fabrics, including a blue and red patterned fabric, a teal fabric, a white fabric with a floral pattern, a blue and red striped fabric, and a red and orange patterned fabric. At the bottom right of the composite image are two app store logos: 'Available on the App Store' and 'Get it on Google play'.



THE SEA'S BOUNTY AWAITS: UNLOCKING BANGLADESH'S BLUE ECONOMY

Written by
Akhlaqur Rahman Sachee
Syed Md. Rakeen



In 2012 and 2014, Bangladesh resolved two historic maritime disputes with Myanmar and India, respectively, and gained a staggering 118,813 square kilometres of the territorial sea, 200 nautical miles of the exclusive economic zone, and a significant portion of the extended continental shelf in the Bay of Bengal. This opened up an ocean of opportunities for Bangladesh to spread its wings for the blue economy. The blue economy, in general, refers to the utilisation of marine resources through the employment of sustainable practices. This industry holds power to create a transformative effect on the country's economy. According to World Bank, the industry is valued at USD 6.2 billion for Bangladesh while the United Nations (UN) has estimated its worth to be around USD 3 to USD 6 trillion globally. It possesses the potential to enhance food and nutrition, reduce poverty, create employment opportunities, boost businesses, and maintain regional peace and security while also protecting the ecosystem and biodiversity.

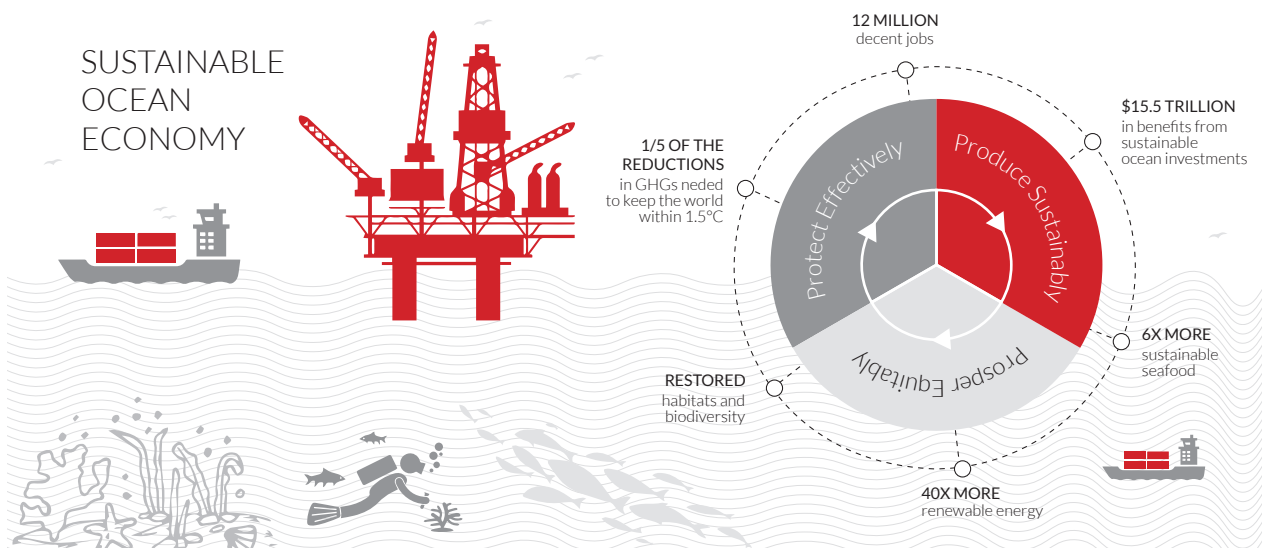
Additionally, the industry is tied to the Sustainable Development Goals, more specifically SDG 14, which focuses on the sustainable use of oceans, seas, and marine resources for development, further emphasising the need to prioritise this industry. The sector's success will inevitably benefit the people residing in the coastal regions of Bangladesh, resulting in maintaining steady economic growth and propelling the country further towards becoming a developed nation by 2041.

Global Scenario of the Blue Economy

The concept of the “Blue Economy” is creating wonders in some of the world's most powerful and prominent countries, such as China and the United States, primarily by utilising their ocean and coastal resources. A large portion of the world's poorest and most vulnerable people rely on the blue economy for daily sustenance. According to the UN, the industry supports up to 237 million jobs worldwide, with over 3 billion people receiving essential minerals and protein from the ocean food business. More than 50% of the populations of the least developed nations receive their proteins mostly from seafood. In addition to safeguarding coastlines from storms and floods, coastal and marine ecosystems provide up to USD 11.5 billion in tourism revenues and serve as habitats for biodiversity, carbon storage, and detoxification.

The UN has stated that the market value of marine and coastal businesses and resources is estimated to be USD 3 trillion annually or around 5% of the global gross domestic product. To uphold this industry, the Lisbon Declaration, comprising 150 countries, was signed to speed up the enhancement of the condition, output, sustainability, and adaptability of the ocean and its ecosystems. As per a report published by the World Economic Forum, China has promised to start 31 marine biological preservation and restoration projects in the next five years, while Kenya has plans for a blue economy bank fund. By 2030, Portugal plans to seek a marine renewable energy capacity of 10 gigawatts, while India has committed to outlawing single-use plastics.

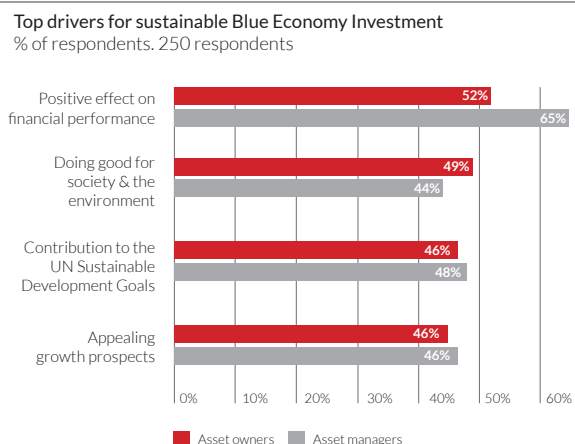
Figure 1: Goals of Sustainable Ocean Economy



Source: Ocean Panel

A global ocean innovation ecosystem comprising accelerators, incubators, funds, hubs, clusters, platforms, and contests can support the emergence of hundreds of blue economy enterprises worldwide. Several initiatives have been taken by renowned organisations such as Asian Development Bank (ADB), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), regional groups, and national bodies to foster the growth of this untapped industry.

Figure 2: Top Drivers for Sustainable Blue Economy Investment



Source: Credit Suisse

The sustainable blue economy provides attractive returns on investment and a hopeful future while putting indigenous and local people at the centre. The Sustainable Blue Economy Investment Forum at the

United Nations Ocean Conference secured billions of dollars in pledges from the public, commercial, and charitable sectors for this thriving industry.

Harnessing the Power of the Blue Economy in Bangladesh

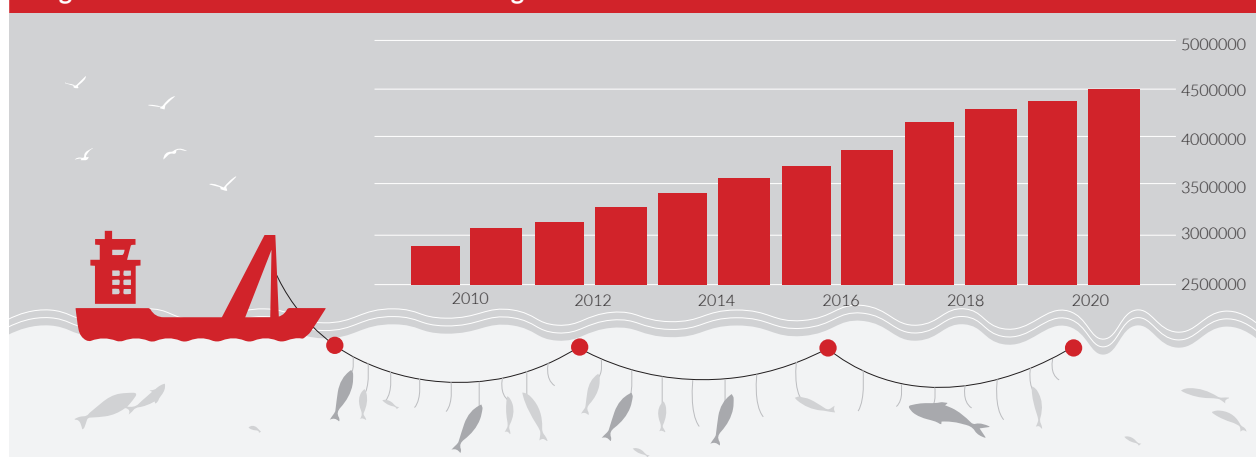
With nearly 710 kilometres of coastline, Bangladesh has tremendous potential in the blue economy, especially in the fields of fisheries, shipping, tourism, natural resources, and oil and gas.

i. Fisheries and Aquaculture

There are three major sub-sectors that makeup Bangladesh's fishing industry, namely inland capture, inland culture, and marine fisheries. This sector's prospects are bolstered not only by Bangladesh's geographic closeness to bodies of water but also by the abundance of seafood and fisheries goods available for export. As per a report published on The Financial Express, there are 500 species of fish alone, including snails, shellfish, crabs, sharks, octopuses, and others. Bangladesh is predicted to capture just 0.70 million tonnes of fish per year of the total 8.00 million tonnes available in the Bay of Bengal. It is worth noting that 15% of protein is obtained from sea resources by individuals worldwide. Since many people rely on the seas for their livelihood and sustenance, more measures are required to conserve ocean resources.

The gradual increase in the production of fisheries over the last 11 years, as displayed below, indicates that the industry is living up to its potential.

Figure 3: Total Fisheries Production in Bangladesh



Source: Trading Economics

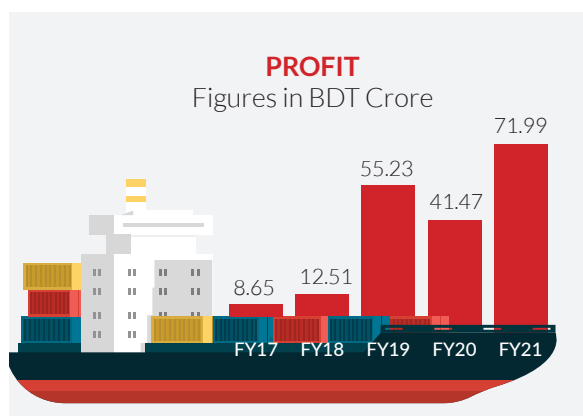
ii. Oil and Gas

Bangladesh is yet to determine the actual value of its offshore gas extraction possibilities, with potential gas resources in its marine area. Like Myanmar, Bangladesh may have the potential to develop more gas fields in the sea alongside the inland gas resources, which would contribute to the country's overall gas reserves. Ocean resources such as oil and gas, sea salt, ocean renewable energy, blue energy, biomass, and marine genetic resources should be preserved to capitalise on the abundance of potential that holds the key to our long-term economic progress.

iii. Shipping

Shipping plays a crucial role in the foreign trade of Bangladesh. By facilitating the delivery of commodities to foreign markets, it significantly contributes to the country's export-driven economy. There are prominent seaports in Bangladesh, notably Chattogram and Mongla, which manage a sizable percentage of the nation's commerce. To keep the massive amount of freight business within the nation, incentives should be offered to local shipping businesses to add more ships to the existing fleet. Furthermore, coastal shipping services, seaports, passenger ferry services, inland waterway transportation services, shipbuilding, and ship recycling businesses should be prioritised to support our country's economic progress.

Figure 4: Profit Figures of Bangladesh Shipping Corporation



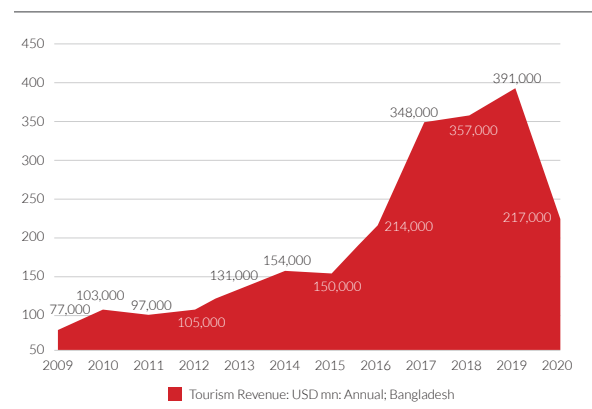
Source: *The Business Standard*

The government-owned agency, Bangladesh Shipping Corporation, has been raking in huge profits each year, as mentioned in the figure above. As of December 2021, the company had eight ocean-going vessels.

iv. Tourism

It has been stated in a report published on The Financial Express that coastal tourism is the most significant in the tourism segment, accounting for 5% of the world's Gross Domestic Product (GDP) and 6% to 7% of total employment. It is among the top five export earners in 150 nations and acts as the primary source of foreign currency for half of the Least Developed Countries (LDCs). Bangladesh, with the world's longest continuous sea beach and an extensive coastline, offers enormous potential for developing sustainable coastal and marine tourism. So far, the country's tourist growth has been underperforming compared to the global scale. Effective planning, budgetary allocation, community engagement, awareness building, cooperation between agencies, and proper marketing tactics are all vital components in tourism development.

Figure 5: Annual Tourism Revenues in Bangladesh (In USD Million)



Source: *CEIC Data*

However, in the last 10 years, Bangladesh has made significant strides in terms of revenues in the tourism industry. By improving this sector, Bangladesh may be able to boost its GDP, create more jobs, alleviate poverty, earn foreign currencies, acquire socio-cultural advantages, conserve the environment, and safeguard coastal regions by promoting tourism in marine and coastal areas. Furthermore, by incorporating the local population into the development process, coastal and marine tourism may provide a chance to promote local culture and history. The government may play an essential role in boosting coastal and maritime tourism by offering unique facilities to international tourists, such as on-site visas.

v. Natural Resources

The Bay of Bengal is rich in natural resources. Mineral sands have been discovered in 13 spots on the seabed, as per a report published on the Daily Sun. There are possibilities of discovering uranium, which is a key fuel for nuclear power plants. To accommodate the rising need for electricity, the government of Bangladesh is making investments in alternative energy sources, including nuclear energy, solar, wind, and hydropower, due to the country's large potential for these energy sources. The discovery of uranium can play a big role here. Bangladesh is looking into the possibility of obtaining more natural resources, including thorium and clay. The continued prosperity of the Bangladeshi economy will largely depend on the discovery and efficient use of these natural resources.

Challenges of the Blue Economy in Bangladesh

While the prospect of the blue economy certainly seems to be on the upswing, it does have its fair share of challenges. To begin with, lack of proper policies along with weak governance could prevent Bangladesh from keeping sustainability at the heart of all the initiatives. It might be challenging to ensure the sovereignty of the entire coastline region and security in the economic zone. As we are yet to incorporate world-class marine tourism, the creation of eco-friendly maritime infrastructure for the sake of sea tourism might take a while. The government will be required to take initiatives to defend the deep-sea and economic zone from international smugglers, drug dealers, and arms traffickers.

Overfishing has emerged as one of the most unsustainable fishing practices in Bangladesh. Another major unsustainable fishing practice is the use of thin mesh nets and explosives. The rising demand for seafood due to the rising population is contributing to growing unsustainable fishing practices. Its harmful effects include destroying the country's abundant fish supplies along with the deterioration of fish habitats, creating a massive problem for people who rely on this industry. Bangladesh must implement stronger fishing laws and advocate for sustainable fishing techniques and other economic opportunities for fishing communities in order to solve this problem.

The government must maintain an investment-friendly atmosphere in the acquired sea region to make this sector excel. Furthermore, the conservation of mangroves and seagrass would be required. Sustainability should be the utmost concern while formulating policies. Due

to the effects of global warming, it is becoming more challenging to maintain the sea level and manage the temperature differences in the environment. As a result, certain problems, such as sea acidification and sea carbon, may arise. The country has yet to delve into a broad array of resources. The absence of sufficient expertise and infrastructure may stymie Bangladesh's future success in the maritime sector.

Local and international collaborations are required to ensure the adoption and administration of an objective monitoring system to ensure the sustainability of the Bay of Bengal's marine and coastal ecosystems. This is especially true for nations like Bangladesh, which rely significantly on the coastal and marine environment for food and livelihood. Accurate conservation plans for marine ecosystems and resources must be implemented on a priority basis by Bangladesh if the country plans to reap the benefits in the long term and make this sector a significant contributor to the country's GDP. Climate change and its consequences along with economic development-induced pollution must be well managed to maintain the health of the Bay of Bengal.

The Bangladesh government has promoted blue development by establishing a permanent maritime boundary with neighbouring nations. Coastal and marine resources, including living, non-living, and renewable resources, have been highlighted as the primary components of Bangladesh's blue economy. Strengthening trade and commerce associated with the sea and shore and ensuring protection from natural calamities will provide economic rewards for promoting blue development.

In recent years, Bangladesh's economy has grown significantly due to the country's rapid industrialisation and the expansion of its service sector. The blue economy too possesses the potential to significantly contribute to economic development and improve the lives of people living in coastal areas of Bangladesh. In order to strengthen this sector, the government will need to address several issues, such as overfishing, erosion of the environment, insufficient financing, a dearth of reliable statistics, and ineffective governance. Strong collaborations between the government, businesses, and communities are required to solve these difficulties effectively with the help of government policies and private-sector investment.



Commodore Wahid Hasan Kutubuddin, (N), NDC, AFWC, PSC, BN (Retd)

Director, Institute of Bay of Bengal and Bangladesh Studies, Bangabandhu Sheikh Mujibur Rahman Maritime University

Interviewed by
Akhlaur Rahman Sachee, Team MBR

Wahid Hasan Kutubuddin is currently working as the director of the Institute of Bay of Bengal and Bangladesh Studies at Bangabandhu Sheikh Mujibur Rahman Maritime University. He served as a defence officer for 35 years and retired as commodore of the Bangladesh Navy in 2021. Before joining Bangabandhu Sheikh Mujibur Rahman Maritime University, he served in the blue economy cell of the government of Bangladesh. He has expertise and research interests in the fields of ocean governance, blue economy, maritime security, and maritime cooperation. Team MBR was in a conversation with Mr. Kutubuddin and was fortunate enough to receive his take on Bangladesh's blue economy.

Akhlaur Rahman Sachee: Bangladesh has 200 nautical miles of economic zone in the ocean area, which surely indicates a great potential for the blue economy. How much of the opportunity has, in your opinion, been explored so far?

Wahid Hasan Kutubuddin: Only a few of the blue economy's potential industries have been explored by Bangladesh so far, including fisheries, shipbuilding, shipbreaking, salt production, and port infrastructure. Even so, most of these industries continue to use outdated practices, and there is potential to expand further by adding innovation and technology. At present, Bangladeshi trawlers catch fish within 35 to 40 nautical miles of the coast. But our economic zone is 200 nautical miles. There is a special opportunity to strengthen the blue economy by acquiring deep-sea fishing technology. There are a good number of seaweeds in the Bay of Bengal. These weeds can be processed to make food, medicines, and nutritional supplements. People also eat seaweed as food in China, Japan, and different countries in Europe. So, there is a huge prospect for exporting these seaweeds. In addition, Bangladesh has little to no exposure to a variety of blue economy sectors with significant economic potential, including desalination, blue carbon, marine

biotechnology, oil, gas, renewable energy, and mineral exploration. Due to the lack of innovation, and efficient and skilled manpower, those potential sectors remain untapped.

Akhlaur Rahman Sachee: The gas reserves of our country are depleting fast, and the reserves can meet the demand for roughly 10 years at the current rate of consumption. Do you think the Bay of Bengal has a role to play here in meeting the demand for gas in the upcoming days? What is your opinion regarding the prospect of gas extraction from the Bay of Bengal?

Wahid Hasan Kutubuddin: Bangladesh has yet to determine the actual value of its offshore gas potential. So far, we have discovered some gas reserves in Cox's Bazar, Sangu, Kutubdia, Magnama, and Hatia in shallow waters in the Exclusive Economic Zone (EEZ) of Bangladesh. We have also discovered the presence of gas in deep water near Myanmar's found gas reserves, but the government's financial terms are not suitable for foreign investors. At this moment, a 2D multichannel seismic survey is ongoing under PetroBangla to identify prospects for gas reserves in our EEZ. There are also prospects of gas extraction from gas hydrates

located within the EEZ of Bangladesh, as revealed by various research. At the preliminary stage, it is not economically viable to extract gas from gas hydrates in the EEZ. But the gas reserves of our EEZ can play a vital role in meeting the country's demand if we harness the existing resources properly through appropriate policy decisions, which are so far not very conducive for foreign investors. Side by side, our local gas exploration company, BAPEX, should also acquire the technological know-how to operate in the offshore area within the EEZ of Bangladesh.

Akhlaqur Rahman Sachee: Tourism is one of the top foreign exchange earners in many developed countries. Bangladesh, having the longest seashore in the world, has much more room to excel in this sector. What suggestions do you have for the tourism sector to flourish to its fullest?

Wahid Hasan Kutubuddin: In Bangladesh, so far, relatively limited maritime tourism has been developed in spots like Cox's Bazar, Teknaf, and St. Martin's Island. In addition, in the western part, Sundarbans-based tourism has flourished for the last few years. Although little success has been achieved in coastal tourism, sea cruises have largely remained ignored. However, we should all be aware that the tourism sector is heavily dependent on the ocean ecosystem, and any investment in a waste disposal system would benefit maritime tourism through improved sanitation and the preservation of the ecosystem. In this regard, my suggestions to encourage the growth of the marine tourism sector in Bangladesh are as follows:

- a. Various water sports facilities and other facilities like camping, floating hotels, and restaurants can be introduced.
- b. Entertainment zones with the inclusion of casinos, nightclubs, bars, modern cinema theatres, spa and massage centres, and bar-b-q facilities can be established.
- c. The government of Bangladesh as well as private tour operators, need to be more proactive in attracting famous cruise lines to add stops in the Bangladeshi ports.
- d. Participation by the private sector is necessary and should be encouraged to improve the marine tourism sector, both in terms of infrastructure development and providing tourism services.

- e. The highest priority should be given to ensuring a safe and secure environment for the tourists round the clock.
- f. Finally, the establishment of specialised academic and training centres is needed to create skilled manpower for tourism across the country.

Although the tourism industry makes a significant contribution to the blue economy, it also has adverse consequences for the environment and natural resources, including pollution, an overabundance of visitors, coastline erosion, and improper management of tourist destinations. Thus, all stakeholders, including the government, should give emphasis to investment in environmental protection because a study reveals that a one-dollar investment in environmental protection will give a dividend of ten dollars to the tourism industry. So, we all should strive for eco-friendly, planned maritime tourism.

Akhlaqur Rahman Sachee: Exports of fisheries, prawns, and shrimp significantly contribute to our export earnings. However, marine capture is responsible for 15.31% of total fish production. How can we maximise earnings from marine capture?

Wahid Hasan Kutubuddin: The marine fishery is an essential component of Bangladesh's blue economy and has increased by more than 140,043 lakh tonnes in the last decade, according to the Marine Fisheries Department. Bangladesh ranks 3rd in inland fish production, 5th in aquaculture, and 11th in marine fish production. Our fishermen can mainly cover distances of up to 50 nautical miles and with the present conventional and motorised fishing methods, they cannot fish on the high seas. In the Bay of Bengal, 8 million tons of fish are caught by other countries, whereas Bangladesh's share is only 93,000 tons. Bangladesh must now introduce deep sea fishing for marine capture components, as other countries have done, to meet the country's demand for marine capture fish in the future. However, the government is now actively considering giving licences to foreign vessels to fish in the deep sea, where local vessels do not go. By providing this opportunity, deep-sea fishing will be possible. In that case, local firms will work jointly with foreign firms to catch fish using modern vessels and state-of-the-art technology. Moreover, to maximise earnings through marine capture, the government should allow direct export of fish caught at deep sea beyond 150 nautical miles from our coast using factory

ships by charging necessary export duties. We should also establish an ample number of fish processing plants so that all parts of the fish can be utilised properly.

On the other hand, mariculture, or marine farming, is a specialised branch of aquaculture and will continue to be a major producer of marine fisheries in many coastal countries. Its future growth must take place in Bangladesh's coastal waters, backed up by effective policy and planning initiatives and regulations. It will not be easy to introduce mariculture, but constant training, technology, and feeding depending on the species selected, would be necessary. For this, a specific project may be undertaken to build capacity with appropriate technology for certain species, such as grouper, millet, sea bass, and abalone, among others, with interested fishermen in the appropriate coastal waters south of the Sundarbans.

Akhlaqur Rahman Sachee: As per a report published recently, effective logistics can enhance the volume of exports from Bangladesh by 20%. How can marine transportation play its role in contributing to this projection?

Wahid Hasan Kutubuddin: In Bangladesh, marine transportation is the most cost-effective way to transport goods over long distances, especially bulk cargo. Thus, marine transportation can play a significant role in enhancing the volume of exports from Bangladesh by providing efficient and cost-effective transportation of goods to global markets, enhancing the competitiveness of Bangladesh's exports. Here, the country's proximity to major shipping lanes and access to ports can be leveraged to facilitate the flow of goods, reducing transportation time and costs. Furthermore, the ongoing development of port infrastructure (in all seaports of Bangladesh, including Matarbari) and the implementation of modern shipping practices, including direct service and short sea routes agreements, can enhance the reliability and speed of marine transportation, making it a more attractive option for exporting goods from Bangladesh. For example, European shipping companies are going to link Chittagong directly with Europe, giving Bangladesh's major export market for apparel a boost. Meanwhile, another foreign shipping company is constructing a 200,000-square-foot custom bonded warehouse in Chittagong in partnership with a local organisation to ease congestion and improve the flow of cargo into and out of Bangladesh. Additionally, intellectual capital can play a crucial role in helping Bangladesh achieve the 20% projected export growth

through the maritime transportation sector. Some ways in which it can do so include,

Skilled Workforce: Investing in training and development programmes for workers in the sector can help Bangladesh develop a highly skilled and knowledgeable workforce. This can improve operational efficiency and competitiveness.

Adoption of Technologies: Adopting new technologies and digital solutions in the sector can help improve cargo handling, reduce costs, and enhance overall productivity.

Market Intelligence: Utilising market intelligence to better understand the needs of customers and stay ahead of industry trends can help Bangladesh position itself as a reliable provider of maritime transportation services.

Strategic Partnerships: Building strategic partnerships with other players in the industry can help Bangladesh leverage its expertise and resources to expand its footprint in the market and achieve greater growth.

In addition, we must give a lot of importance to maritime transportation via the river routes of Bangladesh. The full potential of river routes has not yet been used. Similarly, given an average import growth rate and export growth rate of 15.75% and 15.43%, respectively, during the past ten years, the predicted freight value for the next ten years is roughly USD 435 billion. To keep a portion of the USD 400 billion in the country over the next ten years, Bangladesh must provide sufficient incentives to local shipping companies to add more ships to the existing fleet, as well as to freight operators to establish freight services, including container liner services, to transport goods to and from Bangladesh using our own as well as chartered ships and freighters.

Akhlaqur Rahman Sachee: The Bangladesh Freight Forwarders Association (BAFFA) raised the fees for freight forwarding, which has resulted in an astonishing 57% rise in freight forwarding expenses for Bangladeshi firms. How can the government, in your opinion, intervene to reduce the burden on the firms?

Wahid Hasan Kutubuddin: The BAFFA has increased the freight forwarding fees on each import bill, blaming the high price of fuel in Bangladesh. In this regard, first, we need to have a national logistics policy following other regional countries like

Indonesia, Thailand, and India that will dictate how the logistics process in Bangladesh, such as infrastructure development, customs, transportation, and trade policy, will efficiently operate. Then, the government can facilitate a negotiation meeting among the National Board of Revenue, the Ministry of Shipping, Chittagong Port, the Commissioner of Chittagong Customs, and the BAFFA president to clearly understand why freight forwarding fees have increased and how they can be reduced. The government should note that if transportation costs increase, it will also impact the cost of imported goods at the consumer level, while the export industry will also suffer as sourcing raw materials will cost more. At the same time, the government may give more importance to the digitalisation and adoption of technologies in the overall transport sector and finalise the National Single Window Project with the aim to further ease and speed up the process of export and import under one roof. The government should also further arrange stakeholder consultation to reduce the price of fuel in the domestic market to avoid the high cost of export and import in Bangladesh.

Akhlaqur Rahman Sachee: To reap the benefits of the blue economy in the long term, sustainable usage of marine resources is required. What initiatives can the stakeholders undertake to ensure sustainability?

Wahid Hasan Kutubuddin: First, all stakeholders must understand the concept of a sustainable blue economy. Then they should pursue the government to establish a proper apex body equipped with sufficient resources and manpower to govern the blue economy of Bangladesh. Here, they should actively consider using a satellite-based monitoring system for the fish stocks of our EEZ to increase the capability of marine fish capture and protect the available resources. A long-term spatial plan for fishing will have to be prepared by considering the military strategy, security, and commercial use of our EEZ. The preparation of the spatial planning is going to be very crucial considering fisheries and conservation areas, shipping, strategic military areas, subsea mineral resources, mining and mining sites, cables and pipelines, coastal security, nature conservation, research, etc. Foreign vessels must not be allowed to fish in areas where local boats can go fishing. They should also promote the determination of the true potential of marine renewable energy through appropriate mapping projects. They should also be encouraging seafood-based restaurants and seafood-based trade. Similarly, they must invite the government

to determine the true potential of hydrocarbon reserves in the EEZ and formulate related policies that would attract further foreign investment in this sector. The government should work on capability building of three existing seaports besides promoting eco-tourism. Additionally, the capability enhancement of maritime educational research and enhancing maritime institutions and research centres should also get priority.

Akhlaqur Rahman Sachee: It is beyond any doubt that our blue economy is largely untapped. What are the challenges we are facing to reap its true potential? What do you suggest to overcome these challenges?

Wahid Hasan Kutubuddin: A key challenge is governance. We need a proper governing body with proper authority. The lack of proper policy and resource personnel at the national policy level in the relevant ministry or department is a major challenge for the sustainable development of the blue economy in Bangladesh. Assuring the sovereignty of the entire coastal region as well as maintaining security in the EEZ, is a challenge. Further, the construction of eco-friendly marine infrastructure for the purpose of maritime tourism can be another challenging task, as we are yet to adopt world-class marine tourism. For the development of the blue economy, the government must maintain an investment-friendly environment within the EEZ. Moreover, the protection of coastal ecosystems, including mangroves and marine grass, will also be necessary. As we know, the sea level is rising due to climate change, and maintaining the sea level and managing the temperature difference in the environment will be difficult. The local tourists in Bangladesh are not concerned about the environment. Hence, keeping the sea clean of pollution and waste will be very difficult. Bangladesh has a lot to gain in terms of its natural resources, but due to the lack of implementation and enforcement of management measures, many opportunities remain untapped. The lack of proper knowledge and infrastructure may hinder the further progress of the blue economy in Bangladesh. To help overcome the above challenges, I suggest establishing an apex body, for example, the Blue Economy Authority, with ministerial power to coordinate the blue economy activities of related public and private entities. At the same time, the government should strongly consider allocating its annual development budget to implement the blue economy activities of all stakeholders.



FOOTWEAR INDUSTRY IN BANGLADESH: A WALK IN THE PATH OF EXCELLENCE

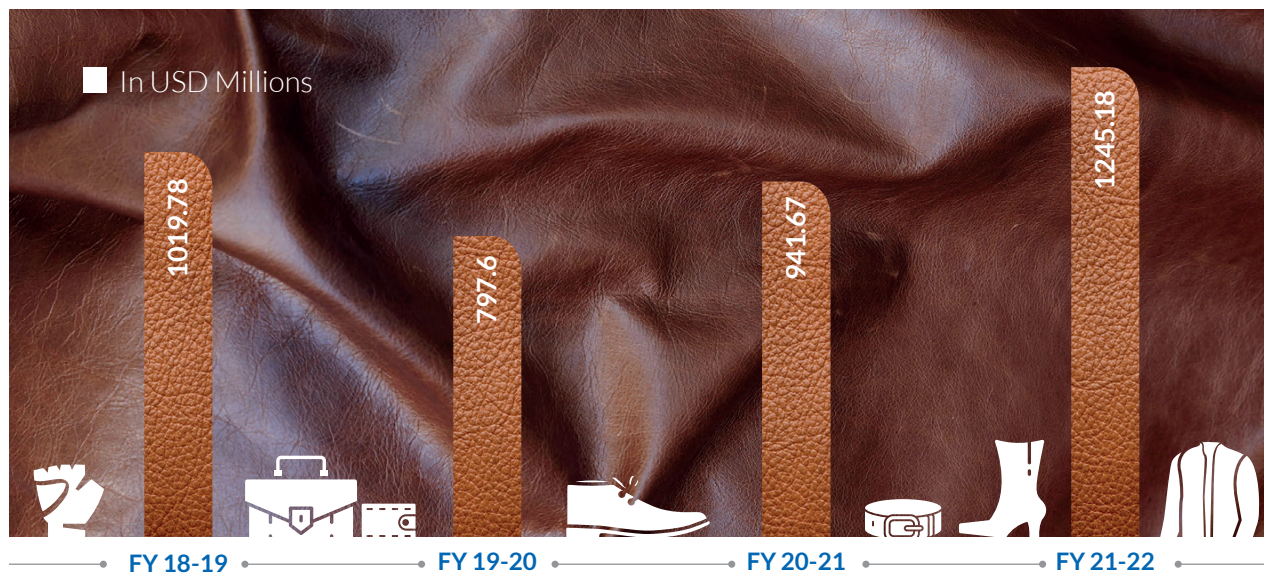
Written by
Shikder Toushik Ahmed

EXCLUSIVE FEATURE

It was reported back in 2021 that the leather industry had rebounded spectacularly to pre-pandemic levels. This is a strong indication of the industry's resilience and its potential to establish itself as one of the leading footwear exporters in Asia. This burgeoning industry is now considered a key sector in diversifying

the country's export basket and has been labelled a high priority by the government, attributable to the industry's prospects for growth and huge employment opportunities. The footwear industry in Bangladesh surely has the capacity to tap into global demands, bringing in significant export earnings.

Figure 1: Export of Leather and Leather Goods

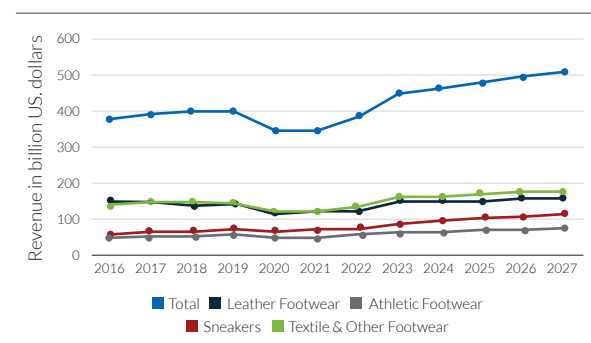


Source: Export Promotion Bureau

As per a report published on Globe Newswire, the global footwear market was worth USD 163.20 billion. By 2030, it is expected to be worth USD 220 billion, owing to a 3.8% CAGR over the forecast period (2022–30). The size of the local footwear market in Bangladesh is around BDT 17,000 crore as of 2020, as reported by the Dhaka Tribune. The largest part of the global footwear market is athletic footwear, which is expected to bring in more than USD 100 billion by 2025. Enthusiasm for fitness and sports is growing significantly among the mass population, and consumers in developing countries are spending more on the products in this segment. Over the upcoming years, the women's footwear market is expected to grow because women these days are looking for stylish and comfortable footwear that can be worn at both formal and casual events. Another critical factor in the growth of this segment is the growing number of working women.

Due to sluggish economic growth in the countries of Europe and North America, the global market for shoes is growing at a moderate rate. However, the footwear market is expected to grow significantly in Asia Pacific and Latin America in the upcoming years.

Figure 2: Trend of Global Revenues



Source: Statista

Contemporary Scenario

Footwear was not a traditional Bangladeshi export. The industry does not have a long history of recognition in the international market, much like ready-made garments (RMG) or the jute industry. Non-leather footwear made in China is well appreciated for its great quality all around the world. However, Bangladesh has had success in this field. According to the Export Promotion Bureau of Bangladesh, Bangladesh exported non-leather footwear worth USD 449 million in FY2021-22, a 30% increase in exports compared to FY2020-21. According to a report published by the Daily Star, Bangladesh's leather and leather products industry grew by 17.56% year-on-year in the first five months of FY2022-23, although the world economy is in bad shape.

According to a recent publication on Prothom Alo, there are 220 tanneries and 3,500 MSMEs in Bangladesh that are active in the processing and manufacturing of leather. Most of the leather processing units and footwear manufacturers were located at Hazaribagh previously, and they were shifted to Savar later on. Most of these factories use traditional machinery and employ traditional workers with a focus on making quality handmade footwear. Facing fierce competition from major footwear exporters like China, businesses in Bangladesh's footwear industry are aiming to create high-quality goods to meet consumers' demand both in the domestic and international markets. Nowadays, firms emphasise on using advanced manufacturing facilities that adhere to environmental regulations.

Since the COVID-19 pandemic, international buyers have been considering shifting their dependency from China to mitigate the risks associated with a single supplier. In line with that, giant footwear companies have begun to switch their focus to manufacturing units in Bangladesh and other native Asian countries. The top non-leather footwear export destinations for Bangladesh are Spain, France, the Netherlands, South Korea, India, Germany, and Italy.

Forces Contributing to the Industry

The footwear industry has undergone massive transformations over the years, and the industry is

now enjoying steady growth. There are some factors that have contributed to this feat. Firstly, Bangladesh itself produces a massive quantity of leather as well as synthetic materials, which are the key raw materials for the footwear industry. Secondly, the footwear industry is a labour-intensive industry, and the cost of labour is comparatively low in Bangladesh. The cost of labour accounts for a significant portion of total production costs in developed countries, but it is much lower in developing countries and one of the lowest in Bangladesh.

The RMG industry is strongly tied to the footwear industry. As labour skills are transferable, it is possible for large apparel manufacturers to begin footwear manufacturing operations without much difficulty. Many apparel firms are entering the footwear industry these days, which may contribute to the expansion of the footwear industry in the upcoming days.

A consistent supply of raw materials, as mentioned earlier, is also playing a crucial role in the steady growth of the footwear industry in Bangladesh. Local sourcing of raw materials is enabling the manufacturer to ensure enhanced value addition. It is to be noted that Bangladesh has some of the world's best cattle hides, goat skins, and valuable buffalo leather.

Being a Muslim-majority country, Eid al-Adha is profoundly observed in Bangladesh. Nearly 1 crore animals were sacrificed on the Eid al-Adha day of 2022, and this figure keeps growing every year. Eid al-Adha plays a significant role in meeting the demand for raw hides, as 70% of the yearly collection of animal skins is collected on Eid al-Adha alone. Due to the cyclical nature of the footwear industry, sales of footwear also experience an upsurge during the Eid season. Domestic sellers nowadays generate a large portion of their sales online through social media and online marketplaces. Along with the rest of the world, Bangladesh has also felt the gust of wind resulting from the rapid development of technology.

Hurdles to Glory

The aftershock of the COVID-19 pandemic and rising global inflation resulting from the Russia-Ukraine conflict may lead to a potential fall in exports of leather

and leather products. Limited access to bank loans and lengthy procedures for setting up factories, along with poor infrastructure, are preventing businesses from investing in this sector. The drive towards compliance, the lack of experienced workers, the unavailability of training programmes, and the lack of effluent treatment plants (ETPs) are all significant barriers. Additionally, the lack of certification from the Leather Working Group (LWG) and the complexity of cross-border trade are imposing major obstacles on the footwear industry's ability to flourish. On the other hand, managing lead time is becoming difficult due to weak backward linkage. As a result, manufacturers are then required to import raw materials, accessories, and leather from international vendors. Quality issues often arise from flaws in raw materials coupled with a lack of skilled labour. In addition to that, weak logistical support leads to an inefficient and costly production process.

It is well known to everyone that chemical waste from the leather industry poses a severe hazard to the environment. Hence, liquid wastes are required to be treated with ETP before entering rivers. As a result of non-compliance, rivers are being contaminated by the liquid wastes generated by tanneries, and Bangladesh's tannery industry is losing international clients.

Overcoming the Hurdles

There are effective solutions to the problems facing the footwear industry in Bangladesh. Firstly, access to capital and financial literacy must be ensured to help strengthen businesses. Additionally, government support and initiatives to encourage innovation, such as partnerships with universities and research institutes, can help develop new technologies and foster collaborations between companies. Productivity and quality can be improved by applying automation and international best practices. Global companies strictly follow safety and sustainability standards. Hence, footwear manufacturers must focus on compliance issues.

With an abundance of cheap labour and the footwear industry being a labour-intensive industry, Bangladesh

has the potential to become a global footwear-sourcing hub. The government is ready to cooperate with investors from home and abroad to uphold the sector and promote foreign direct investment (FDI) to develop backward linkages for the industry. The demands of the export market cannot be addressed by SMEs bringing in foreign orders, manufacturing the proper products, and fulfilling the large quantities themselves. As some compliant factories are burdened with orders, subcontracting to SMEs would be more efficient. This will create a market link, allowing SMEs to integrate into the supply chain and participate in the global value chain. Small businesses can gradually acquire skills, improve, and grow their business.

The natural contamination of leather factories can be minimised by setting up eco-friendly plants. The central ETP in the industrial areas must be functional so that contamination-related issues are solved. In order to remain globally competitive, more leather training institutions should be established in the country to train employees in this sector. An environment that is conducive to entrepreneurship needs to be created by providing incentives and resources so that it can help grow more small businesses in the sector. Additionally, investing in new digital technologies, such as 3D printing, can open up new opportunities for businesses in this sector. Finally, creating a favourable business environment by reducing red tape and improving access to international markets will help foster growth and improve efficiency.

With the aim of diversifying the export basket, the footwear industry is emerging as an eminent sector. Bangladesh can avoid being heavily reliant on the RMG sector as its core foreign currency earner by taking initiatives to develop the footwear industry. Global certifications, compliant factories, and advanced footwear design studios are essential for long-term growth. In light of the growing demand for synthetic footwear around the world, Bangladesh has the potential to be a key exporter of footwear to global markets in the foreseeable future.



Md. Mokhlesur Rahman, FCMA

CFO, Edison Footwear

Interviewed By
Shikder Toushik Ahmed, Team MBR

Md. Mokhlesur Rahman is a fellow member of the national body of professional cost and management accountants, The Institute of Cost and Management Accountants of Bangladesh (ICMAB). He also completed the CA course from Hoda Vasi Chowdhury & Co. He has more than 14 years of experience in diversified sectors, including mobile, footwear, properties, healthcare, and so on. Before joining Edison Group, he worked for renowned groups of companies like Labaid Group. Team MBR was in a conversation with Mr. Rahman and was fortunate enough to receive his take on the footwear industry.

Shikder Toushik Ahmed: As per the latest annual report of the Export Promotion Bureau (EPB), Bangladesh exported USD 449.15 million worth of footwear (excluding leather) in FY2021-22, which has increased by 30.39% from the previous financial year. What are the factors that are, in your opinion, driving this phenomenal growth?

Md. Mokhlesur Rahman: This is a growing sector, and in the near future, the pace of growth will increase significantly. Local and foreign investors, as well as the government, are also focused on the footwear business. Because of rising demand from worldwide brands, Bangladesh's synthetic footwear and sports shoe exports have grown at a pace of roughly 20% per year over the last five years.

The growth observed in the last year was slightly higher than in previous years due to a significant increase in demand following the COVID-19 pandemic. As a result of the COVID-19 pandemic, major suppliers like China, Vietnam, and Indonesia were affected, resulting in a failure to meet customer demands. Hence,

buyers are shifting towards Bangladesh and other countries. During and after the COVID-19 pandemic, Bangladeshi factories continued their production. Also, the government provided support to run the production in terms of funding and healthcare. I think these are the major factors that have driven the growth of the last year. We believe that this sector will be the second-highest foreign currency-earning sector within a very short time period.

Shikder Toushik Ahmed: Edison Footwear is an export-oriented footwear manufacturer. What strategies does the company follow to stand out in the export market?

Md. Mokhlesur Rahman: Edison Footwear is an emerging, competent, and process-oriented footwear manufacturer working with different buyers like H&M, Decathlon, Wolverine, Fila, etc. Our major customer has been Decathlon from the very beginning. We are working with them and growing together as well. They are extremely conformist and process-oriented.

Our main strategy to stand out in the export market is to offer competitive prices to the customers while ensuring

all types of compliance in terms of HR, environment, fire, chemicals, etc. To offer competitive prices, we need an efficient factory. We have undertaken different strategies to become an efficient factory and a major contributor in this sector. The strategies are faster decision-making, an enhanced efficiency level of more than 70%, the introduction of efficient processes, continuous human skill upgradation, appropriate costing before offering a price, the introduction of automatic and semi-automatic machines, maintaining an ERP-controlled and compliant environment, and valuing our stakeholders (customers, team members, and partners).

Shikder Toushik Ahmed: Leather and leather goods account for 1.90% of our export basket, while ready-made garments contribute nearly 85.00% on average. Do you think the leather and leather goods industry has the potential to diversify the export basket?

Md. Mokhlesur Rahman: There is a massive scope for Bangladesh in the leather and leather goods export business. China is moving towards high-tech industry products, so buyers are shifting their focus towards the sub-continent, especially India and Bangladesh. However, export volumes of leather and leather goods do not meet our expectations. Therefore, I think the footwear industry has the potential to diversify the export basket through synthetic footwear. However, leather exports have been hampered because there is no quality-assured finished leather manufacturer. So, we have to import the finished raw leather. Even after finishing processes in other countries, we sometimes have to import our exported leather. This issue must be fixed in order to increase leather goods exports.

Shikder Toushik Ahmed: China, Vietnam, and Indonesia are the world's three largest footwear exporters, accounting for more than 70% of global footwear exports. What recommendations do you have for Bangladeshi footwear manufacturers in order for them to gain a competitive advantage and excel in the global market?

Md. Mokhlesur Rahman: To enjoy competitive advantages in the global market, Bangladeshi footwear manufacturers should form professional management

teams, seek local and foreign investments, design efficiency-based complainant production units, and create backward linkages for raw materials to reduce lead time. Target prices should be set in line with the prices of raw materials while meeting the demands of the buyers. Effective business communication and marketing to the global market, appropriate costing and controlling, and training and development of human resources should also be ensured.

Lastly, I will say that we need to work directly with the brands to ensure more value addition in Bangladesh, as the middlemen, or agents, usually get a significant chunk as their cut from the profits the manufacturers make.

Shikder Toushik Ahmed: Changes in lifestyle have led to a higher demand for active footwear and luxury footwear in addition to traditional shoes. Is the footwear industry in Bangladesh capable of catering to this trend?

Md. Mokhlesur Rahman: We have just entered this segment. We are now manufacturing and exporting shoes primarily in the low to middle price range. There are just a handful of international shoe manufacturers in Bangladesh. China and Vietnam are major producers of trendy footwear, including fly-knit and high-density styles. But I am confident that the expertise of our industry people and the ambitions of the government and the owners will help attract major buyers and begin the production of active and luxury footwear in addition to traditional shoes. Improving our capacity to meet this trend will require an additional two to three years.

Shikder Toushik Ahmed: The footwear industry in Bangladesh was largely impacted by the outbreak of COVID-19. How is the industry performing currently?

Md. Mokhlesur Rahman: After the COVID-19 pandemic, orders fell by almost 30% to 35% in this industry due to the worldwide economic downturn, especially the staggering inflation in Europe and America. The war between Russia and Ukraine also deteriorated the purchasing power of the customers. Therefore, shoe sales fell drastically, and buyers

reduced their inventory by around 50%. At present, the economic situation in Europe and other countries is gradually improving, and our order level is picking up as well. However, our full capacity is still not being utilised. We are forecasting that the year 2023 will be challenging. This year, we need to sustain by increasing efficiency and reducing costs. We hope that, from next year on, our optimal capacity will be filled up, and we can start operating in full swing.

Shikder Toushik Ahmed: Cheap labour is a factor that is common for most of the industries that operate in Bangladesh, including the footwear industry. Which other factors do you believe are prevalent, and which can be leveraged to help the industry thrive?

Md. Mokhlesur Rahman: There are a great number of existing additional factors that could be used to improve the industry. Some of these factors include announcing cash incentives, declaring footwear industry zones, offering tax-free benefits, rendering technical training, searching for new market opportunities, ensuring quota facilities in the US market, developing infrastructure, reducing the complexity of the bond and customs approval processes, establishing

strong backward linkages, ensuring a shorter lead time, and arranging low-cost funding. All of these factors could be leveraged to improve the industry.

Shikder Toushik Ahmed: The leather processing industry has created controversy because of the chemicals and gases released in the process. What initiatives can the industry participants undertake to minimise the impact on the environment and suppress these controversies?

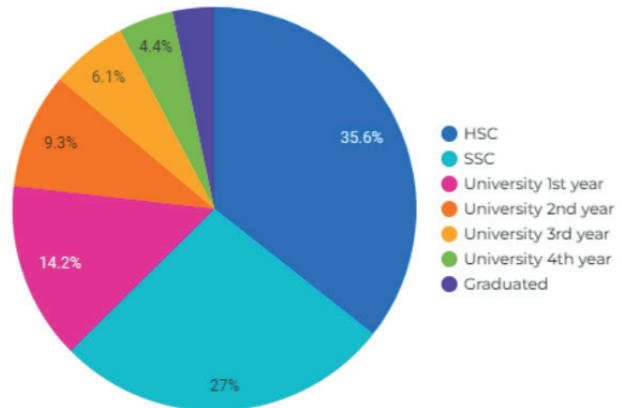
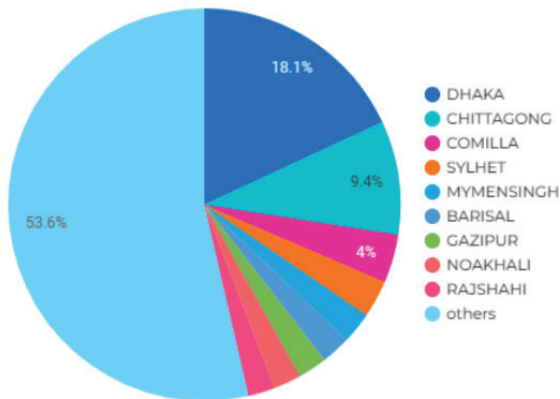
Md. Mokhlesur Rahman: The government has already designated a special zone in the Savar area for the leather processing industry and has also launched the central ETP. However, a 100% functional ETP needs to be ensured. In order to make ETP fully functional, it needs continuous monitoring from the government, a strong desire from the industry participants, and the implementation of expert management. Subsequently, the introduction of new technologies and machines is required to reduce the adverse impact of chemicals. In the leather processing industry, direct and indirect conventional treatment of solid waste, research and innovation in chemical management, proper cleaning, and better waste management can help combat the adverse effects of the chemicals.



IDLC Finance Launch IDLC Finance Olympiad 3.0



TOTAL PARTICIPANTS
151,659



This is the highest registration in the IDLC Finance Olympiad's history.

*Over the period of last 26 days

IDLC launched the country's biggest online finance competition, IDLC Finance Olympiad 3.0, in association with 10 Minute School on January 17, 2023. The inauguration took place through the launch of the web portal, www.idlc.com/Olympiad.

The eligibility to participate in the competition is within the youth aged 16 to 24. The largest financial institution in the country, IDLC Finance, has been organising this competition since 2018 to create awareness of basic financial literacy among the youth, equip their ability to make conscious financial decisions, and, at the same time, prepare them for their future by increasing their financial acumen. More than 40,000 students from different colleges and universities across the country participated in the last season of the IDLC Finance Olympiad held in 2019. Among these, the top 100 participated in the final round.

The online platform of Finance Olympiad 3.0 was opened to the public at idlc.com/Olympiad on January 17, 2023, and will remain open till February 17, 2023. In this round, the contestant had to answer questions related to finance within the allotted time.

Till date, IDLC Finance Olympiad has had over 1.5 lakh participants, which is the highest number of participants in the history of IDLC Finance Olympiad.

The offline round will be held at Krishibid Institution Bangladesh (KIB) in Dhaka with the top 100 scorers from the first round. Among the 100 contestants, the top 10 will participate in Grand Finale. Here, after several rounds of competition, the champion of the Olympiad will win Tk. 3 lakh. The first and second runners-up will receive Tk. 2 lakh and Tk. 1 lakh, respectively. In addition, the top 100 finalists will also receive scholarships from 10 Minute School.

Sarala



Mansura Yasmin Spriha

Founder and Owner, Sarala

Interviewed by

Tasnimul Hasan Ruhi, Team MBR

Mansura Yasmin Spriha is the founder of Sarala, which is a fashion brand well known for selling ethnic bottom wear and other accessories with traditional paintings on them. She completed her graduation from the University of Rajshahi in Theatre and currently works as a news producer for a popular news channel in Bangladesh. She is determined to take her brand to new heights so that her products can represent our traditions in the global arena and be worn as symbols of our cultures. Team MBR was in a conversation with Ms. Yasmin to learn about her inspirations and vision behind Sarala.

Tasnimul Hasan Ruhi: As a student of theatre it appears that art has always captivated you. Would you kindly share what inspired you to establish a brand like Sarala?

Mansura Yasmin Spriha: Paintings have always been my favourites. The motifs and bright colours of our native folk art have always attracted me. I did rickshaw art on shoes and received a good response. I have seen that we can hardly find Bangladeshi souvenirs to give as gifts to foreign friends. This necessity made me think about establishing my brand, Sarala. We later on launched several product lines which are well appreciated. For instance, our sunglasses are so popular that one of the most celebrated bands, Chirkutt, took some from us as gifts for the famous rock band Scorpions. Nowadays,

Sarala's hand-painted sunglasses are must-have items for tours and wedding ceremonies.

Tasnimul Hasan Ruhi: Sarala is well known for making bottom wear with ethnic paintings on them. What additional clothing items or accessories are you working on to give your style a unique spin?

Mansura Yasmin Spriha: I always say that everything is a canvas for art for Sarala. Our products include sarees, shawls, shoes, sunglasses, water bottles, ornaments, home decor, and many more. As a result of the COVID-19 pandemic, we were forced to make changes to our product lines. Essential products such as facemasks and pajamas to wear at home were introduced, and as a result of their



rising popularity, Sarala gradually gained a reputation as a brand of comfortable ethnic bottom wear.

Tasnimul Hasan Ruhi: Nowadays, many clothing brands sell western clothes with traditional paintings on them. How do you differentiate your brand, Sarala, from others?

Mansura Yasmin Spriha: To stand out from others, we are currently experimenting with different forms of traditional painting, such as rickshaw arts, pattachitra, tribal arts, etc., on our products. However, we will very soon start working on different fabrics and cuttings of the apparel we mostly produce. However, representing the traditions and cultures of our country will always be at the core of our product development initiatives.

Tasnimul Hasan Ruhi: The fashion industry is now more diverse than ever. How do you think your brand, Sarala, contributes to the fashion industry? How do you ensure that the quality of your clothing products meets the customer's expectations?

Mansura Yasmin Spriha: Our clothing products stand out from the rest due to their unique designs and patterns. Our designs are developed with strong attention to detail, blending ethnic elements with fashions on trend for a truly one-of-a-kind look. Our styles feature bold colours, textures, and paintings that make a statement and offer individuals a distinctive visual identity. We strive to create fashion products that help our customers express their personal styles and stand out from the crowd. Our mission is to produce clothing pieces that are of the highest quality and are designed to last and be cherished. In addition, our designs are exclusive and creative, reflecting our commitment to innovation.

Tasnimul Hasan Ruhi: Sarala makes sales by selling products on an online marketplace. What other channels does it use to promote its products, and how is it planning to expand its business in the coming days?

Mansura Yasmin Spriha: We are planning to launch a studio in which customers will be able to come, view, and purchase the products that seem appealing to them. In addition to this, the production process can be viewed by the customer in its entirety. In addition,

we would like to develop a website and a mobile application.

Tasnimul Hasan Ruhi: Sarala has come a long way since its inception. Would you kindly share how your brand has evolved over time in regard to its design and strategy?

Mansura Yasmin Spriha: Yes, of course. We are living in the age of fusion. These days, people can readily get themselves updated with the fashions on trend all over the world. In line with that, we are continuously adjusting to changing tastes and preferences. We make sure to stay abreast of fashion trends so that we can develop clothing that represents Bangladeshi traditions and cultures in interesting ways. We make every effort to use high-quality local fabrics. Because we consistently deliver quality that exceeds our customers' expectations, 80% of our customers come back to us for repeat purchases.

Tasnimul Hasan Ruhi: When it comes to taking a new initiative, women encounter numerous challenges, particularly in its early phases. Would you please tell us about the hurdles you encountered when you decided to start Sarala and how you overcame them?

Mansura Yasmin Spriha: I did not have to face as many obstacles as others usually face. My family members were there for me whenever I needed them. However, I was continuously challenged by the shortage of skilled staff. The lack of funds was also a significant obstacle, which still prevails. It is difficult for small entrepreneurs, particularly those operating online businesses, to obtain capital from any institution. What we only have are our savings and our family members, along with the inspiration from which Sarala is moving forward.

Tasnimul Hasan Ruhi: What advice do you have for ambitious female entrepreneurs who wish to be like you?

Mansura Yasmin Spriha: Know your strength. You will not find success if you try to imitate what others have already accomplished. Rather, you will find success if you try things in new ways, work hard, and focus on doing the things that you are most skilled at. Best wishes.

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of January in positive territory. During the month, the broad index DSEX went up by 1.0%. Blue chip index DS30 and Shariah index DSES rise by 1.1% and 0.5%, respectively in the month of January.

Among the regional peers, Vietnam reported the highest positive return of 10.3% followed by Sri Lanka (+4.3%) and Pakistan (0.6%). MSCI Frontier Markets Index performance was positive by 4.1% in January. Over 5-year horizon, Sri Lanka (+36.9%) booked the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, January 2023	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,267.1	1.0%	-0.6%	1.0%	-9.5%	40.2%	3.8%
DS30	2,219.6	1.1%	-0.3%	1.1%	-13.3%	45.6%	-0.9%
DSES	1,366.0	0.5%	-0.8%	0.5%	-7.8%	32.8%	N/A
Peer Countries							
Pakistan (KSE 100)	40,673.1	0.6%	-1.1%	0.6%	-10.4%	-2.3%	-7.7%
Sri Lanka (CSE - All Share)	8,865.1	4.3%	-2.3%	4.3%	-31.9%	49.5%	36.9%
Vietnam (VNI)	1,111.2	10.3%	-7.9%	10.3%	-24.9%	18.6%	0.1%
MSCI Frontier Markets Index	700.6	4.1%	4.1%	4.1%	-18.5%	-8.8%	-18.5%

*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During January, the total market capitalization increased by 0.6%. The daily average turnover of January was BDT 5.1 bn (USD 48.4 mn), decreasing by 41.0% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 18.4% in January compared to 11.4% of last month. In 2022, turnover velocity of Bangladesh equity market was 30.7%, in comparison to 65.3% in 2021.

Table 2: Market capitalization and turnover statistics

Particulars	31-Jan-23	31-Dec-22	% change
Total market capitalization (USD* mn)	72,660	72,229	0.6%
Total equity market capitalization (USD mn)	42,077	41,734	0.8%
Total free float market capitalization (USD mn)	16,443	16,229	1.3%
Daily Avg. Turnover (USD mn)	48.4	34.3	41.0%
Turnover Velocity~	18.4%	11.4%	N/A

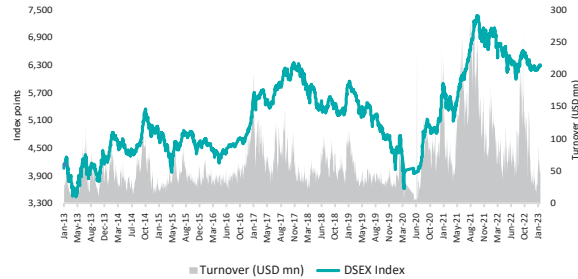
*All USD figures are converted using an exchange rate of 105.35 as of February 06, 2023 as per Bangladesh Bank website.

~Turnover velocity is calculated by dividing monthly total turnover with month-end market capitalization. The figures are annualized.

Historical Index Points and Market Participation Data

Since its inception on January 27, 2013, DSEX yielded a holding period return of 54.5% till January, 2022. During this period, daily average turnover of the market amounted to BDT 6.8 bn (USD 65.0 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover



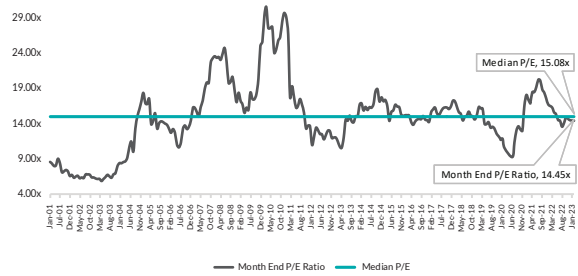
Source: DSE

Market Valuation Level - P/E Ratio

The market P/E decreased to 14.45x in January compared to 2022 November's 14.51x. It is slightly lower than the 23 years' median market P/E of 15.08x (Figure 2). In terms of trailing 12 month P/E ratio, the equity market of Bangladesh is the cheapest among its regional peers after Vietnam. (Figure 3).

Figure 2: Historical market P/E* and it's median

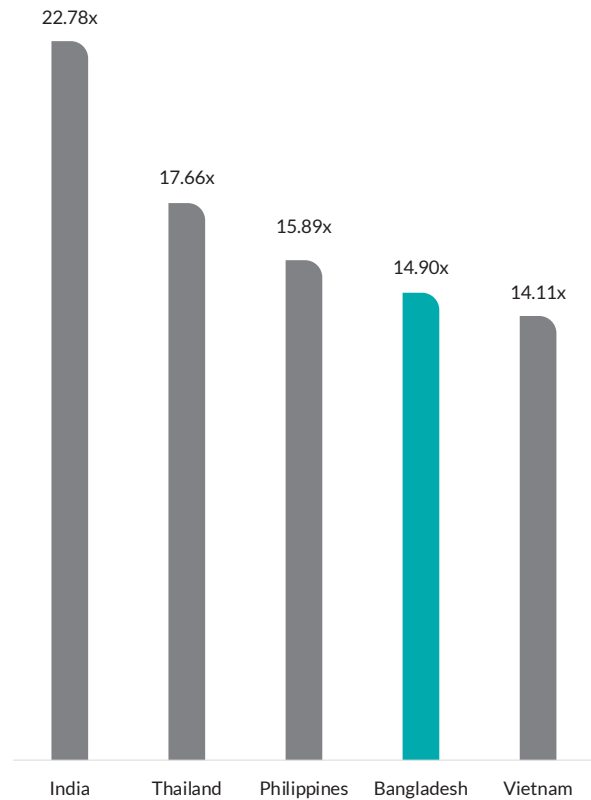
Current Market P/E* in Context of History



*Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their total audited annual earnings.

Source: CEIC, DSE

Figure 3: Current market P/E* of Bangladesh and peer countries



*Trailing 12 month P/E as of February 07, 2023.

Source: IDLC, Bloomberg

Sector Performance

Large cap sectors posted positive performance in January 2022. Bank posted the highest positive return of 0.40% followed by Engineering (+0.40%), Food & Allied (+0.20%) while the others remained unchanged.

Fuel & Power sector has the highest dividend yield of 5.0% among all sectors.



Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Pharmaceuticals & Chemicals	6,919	3,733	0.0%	-2.8%	0.0%	-0.8%	64.0%	39.8%	16.1	3.2	2.4%
Bank	6,355	3,448	0.4%	0.0%	0.4%	-7.7%	38.5%	10.4%	6.6	0.7	3.9%
Telecommunication	5,508	606	0.0%	0.1%	0.0%	-16.6%	41.8%	-17.1%	17.3	6.0	2.5%
Engineering	5,000	1,072	0.4%	-1.0%	0.4%	-3.8%	99.1%	38.0%	(262.7)	2.5	1.6%
Fuel & Power	4,240	1,218	0.0%	2.2%	0.0%	-6.3%	21.6%	31.0%	11.6	1.4	5.0%
Food & Allied	3,598	1,122	0.2%	2.5%	0.2%	-14.1%	57.9%	43.4%	17.6	8.5	4.4%
Miscellaneous	2,186	925	0.0%	1.1%	0.0%	-13.4%	120.6%	135.2%	12.0	2.5	2.2%
NBFI	1,793	639	-1.2%	-1.2%	-1.2%	-19.1%	32.7%	-15.0%	29.4	2.0	1.7%
Textile	1,585	909	-3.1%	-3.8%	-3.1%	-6.3%	45.1%	15.0%	20.6	1.1	2.5%
Cement	1,055	417	-0.2%	1.3%	-0.2%	-13.9%	36.2%	-5.5%	19.9	2.9	3.1%
Non-life Insurance	951	535	7.6%	5.8%	7.6%	-25.0%	91.6%	148.4%	16.7	1.9	2.9%
Life Insurance	719	426	8.0%	5.8%	8.0%	-8.3%	22.5%	52.3%	107.6	7.8	1.7%
Tannery	304	161	-2.0%	-2.5%	-2.0%	-15.0%	52.2%	14.8%	23.6	2.9	1.1%
IT	410	254	7.3%	9.8%	7.3%	39.2%	96.6%	91.2%	22.8	3.4	1.1%
Ceramics	306	123	-0.7%	0.6%	-0.7%	-12.6%	52.4%	22.8%	39.8	2.1	1.7%
Travel & Leisure	529	279	27.1%	22.2%	27.1%	93.4%	131.6%	137.5%	29.9	2.0	0.8%
Paper & Printing	389	134	2.2%	-18.1%	2.2%	3.3%	129.7%	9.2%	47.1	2.9	0.8%
Services & Real Estate	287	148	14.3%	2.6%	14.3%	14.2%	118.7%	55.9%	19.9	1.7	3.1%
Jute	30	16	-14.4%	10.5%	-14.4%	55.0%	44.1%	70.6%	209.2	9.2	0.0%
Market	42,868	16,443	1.0%	-0.6%	1.0%	-9.5%	40.2%	3.8%	14.8	1.8	3.0%

*All returns are Holding Period Return.

**Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their annualized earnings.

^P/BV is calculated by dividing total market capitalization of listed companies with their respective total book values, excluding companies with negative book values.

~Dividend yield is calculated by dividing last year's declared cash dividend with market capitalization.

Cap Class Performance

During the month of January, all cap classes showed mixed performance. Mid cap classes reported the highest positive return of 3.8% followed by Large cap class (+0.4%). Conversely, Micro cap class faced the highest correction of 3.7% followed by Small cap class (-0.8%). Large Cap was the highest dividend yielding (3.4%) class.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥96	77.1%	0.4%	0.9%	0.4%	-10.2%	77.4%	42.0%	13.2	1.8	3.4%
Mid	29-95	12.3%	3.8%	1.6%	3.8%	-0.8%	-16.4%	-33.7%	8.8	1.6	2.2%
Small	9-28	8.0%	-0.8%	-6.5%	-0.8%	-10.0%	95.0%	55.7%	25.8	1.1	2.8%
Micro	<9	2.6%	-3.7%	-7.0%	-3.7%	-2.4%	-79.4%	-85.8%	41.2	0.8	2.6%
Market	-	100.0%	1.0%	-0.6%	1.0%	-9.5%	40.2%	3.8%	14.8	1.8	3.0%

*All returns are Holding Period Return

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, BEACONPHAR (+7.90%) advanced the most, followed by BERGERPBL (+0.80%) while others remained unchanged.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+1464.20%), BEXIMCO (+422.80%), MARICO (+152.40%), UPGDCL (+124.70%), BERGERPBL (+77.30%) and DUTCHBANGL (+72.50%).

Among the scripts, UPGDCL, SUMITPOWER, BATBC, SQRPHARMA, LHBL, GP, MARICO and ISLAMIBANK recorded higher dividend yield compared to that of market.

Table 5: Snapshot of 20 largest companies in terms of market capitalization

DSE Code	Sector	Market Capitalization (USD mn)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommuni-cation	3,673	367	0.20	0.0%	0.0%	0.0%	-16.5%	26.9%	-26.7%	12.9	13.3	3.3%
WALTONHIL^	Engineering	3,013	30	0.01	0.0%	0.0%	0.0%	0.1%	N/A	N/A	1,114.6	4.0	1.4%
BATBC	Food & Allied	2,659	703	0.11	0.0%	1.9%	0.0%	-14.8%	66.5%	45.0%	15.9	8.5	5.3%
SQURPHARMA	Pharmaceuticals & Chemicals	1,765	1,153	0.41	0.0%	4.8%	0.0%	-0.2%	22.1%	-12.5%	8.7	2.6	4.8%
ROBI^	Telecommuni-cation	1,492	149	0.02	0.0%	0.0%	0.0%	-20.0%	N/A	N/A	204.5	2.6	0.7%
RENATA	Pharmaceuticals & Chemicals	1,419	691	0.07	0.0%	-6.5%	0.0%	-1.2%	48.4%	69.3%	26.2	7.6	1.1%
UPGDCL	Fuel & Power	1,286	129	0.00	0.0%	0.0%	0.0%	-8.1%	9.9%	124.7%	11.7	5.1	7.3%
BEXIMCO	Miscellaneous	962	642	0.83	0.0%	2.6%	0.0%	-20.5%	789.0%	422.8%	7.9	1.7	2.6%
BERGERPBL	Miscellaneous	765	38	0.01	0.8%	1.5%	0.8%	-2.4%	30.9%	77.3%	29.5	11.1	2.3%
MARICO	Pharmaceuticals & Chemicals	724	72	0.04	0.0%	0.0%	0.0%	6.3%	60.1%	152.4%	19.2	41.4	3.3%
LHBL	Cement	714	256	0.57	0.0%	2.3%	0.0%	-9.9%	42.6%	22.4%	17.1	4.8	3.9%
ICB	NBFI	704	78	0.01	0.0%	0.5%	0.0%	-28.8%	24.7%	-23.1%	79.6	7.8	0.5%
BEACONPHAR	Pharmaceuticals & Chemicals	677	474	0.56	7.9%	-0.8%	7.9%	37.3%	566.4%	1464.2%	77.9	24.1	0.5%
BXPBARMA	Pharmaceuticals & Chemicals	619	432	0.41	0.0%	-2.0%	0.0%	-25.1%	123.8%	59.4%	12.1	2.1	2.4%
BRACBANK	Bank	547	294	0.04	0.0%	0.0%	0.0%	-23.9%	-1.0%	-26.5%	11.4	1.5	1.8%
ISLAMIBANK	Bank	504	227	0.36	0.0%	0.0%	0.0%	1.5%	92.3%	13.7%	9.1	0.9	3.0%
DUTCHBANGL	Bank	413	54	0.01	0.0%	0.0%	0.0%	-9.2%	35.0%	72.5%	8.2	1.6	2.5%
TITASGAS	Fuel & Power	384	96	0.02	0.0%	2.4%	0.0%	0.5%	52.3%	26.1%	16.2	0.6	2.4%
POWERGRID	Fuel & Power	355	89	0.06	0.0%	1.9%	0.0%	-20.2%	17.5%	19.7%	(6.6)	0.7	1.9%
SUMITPOWER	Fuel & Power	345	127	0.00	0.0%	0.0%	0.0%	-7.0%	3.7%	30.5%	10.8	1.1	5.9%
Market		42,868	16,443	48.40	1.0%	-0.6%	1.0%	-9.5%	40.2%	3.8%	14.8	1.8	3.0%

*All returns are Holding Period Return.

^WALTONHIL got listed on January 23, 2020. ROBI got listed on February 24, 2020.

Top Performing Mutual Funds

The top ten open end mutual funds based on 5Y year CAGR outperformed the market, during the same period. Among them, Zenith Annual Income Fund (+21.8%) yielded the highest return. On YTD basis, all these funds outperformed compared to market except HFAML-ACME Employees' Unit Fund, EDGE Bangladesh Mutual Fund, CAPM Unit Fund, IDLC Growth Fund, Second ICB Unit Fund and Capitec Padma P.F. Shariah Unit Fund.

Table 6: Top ten open end funds based on 5Y return (CAGR) performance

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			YTD 2023	2022	2018-22
Zenith Annual Income Fund	ZENITH	1.0	N/A	-1.0%	21.8%
Shanta First Income Unit Fund	SHANTA	11.0	1.9%	-5.3%	13.5%
Vanguard AML Growth Fund	VANGUARD	0.9	1.5%	-0.3%	12.1%
CAPM Unit Fund	CAPM	1.5	0.6%	5.6%	12.0%
Credence First Shariah Unit Fund	CREDESCENCE	1.1	1.6%	3.2%	11.5%
HFAML-ACME Employees' Unit Fund	HFAML	1.9	1.2%	-0.9%	11.3%
Second ICB Unit Fund	ICB AMCL	2.0	0.2%	-1.6%	9.4%
IDLC Growth Fund	IDLC	4.4	0.4%	-3.8%	9.1%
EDGE Bangladesh Mutual Fund	EDGE	2.8	0.7%	-4.2%	9.0%
Capitec Padma P.F. Shariah Unit Fund	CAPITEC	4.1	-2.0%	10.2%	8.3%
Market (Broad Index) Return (%)			1.4%	-8.1%	-0.1%

*Based on published NAV and DSEX point of February 02, 2023

**Zenith Annual Income Fund NAV is not available due to book closing.

All the top ten closed end mutual funds on the basis of 5 years (2018-2022) outperformed the market during the same horizon. Among them 1STPRIMFMF (+8.8%) and CAPMIBBLMF (+8.8%) posted the highest return. On the YTD basis, PF1STM6 (+3.6%) and CAPMIBBLMF (+2.4%) were the top performers.

Table 7: Top ten close end funds based on 5Y return (CAGR) performance

DSE Code	Fund Manager	Fund Size (USD mn)	Price ¹ (BDT)	NAV ¹ (BDT)	Price/NAV	Dividend Yield ² (%)	NAV Return ³				Redemption Year ⁴
							YTD 2023	2022	2020-22	2018-22	
1STPRIMFMF	287.2	2.7	14.5	14.4	101.0%	7.6%	1.3%	0.5%	23.6%	8.8%	2029
CAPMIBBLMF	804.2	7.6	11.2	12.0	93.1%	7.1%	2.4%	-0.2%	14.8%	8.8%	2027
CAPMBDBLMF	616.1	5.8	9.9	12.3	80.6%	8.1%	1.9%	4.6%	17.7%	8.0%	2027
ICBEPMF1S1	703.5	6.7	7.1	9.4	75.7%	7.0%	1.3%	0.8%	25.0%	7.8%	2030
PRIME1ICBA	981.0	9.3	7.7	9.8	78.5%	6.5%	1.6%	-2.3%	20.8%	7.6%	2030
ICB3RDNRB	917.0	8.7	6.5	9.2	70.9%	7.7%	2.3%	-1.1%	22.7%	7.0%	2030
PF1STM6	572.4	5.4	9.9	9.5	103.8%	5.1%	3.6%	-4.1%	21.4%	6.6%	2030
ICBAMCL2ND	509.0	4.8	9.1	10.2	89.4%	6.6%	1.3%	-0.8%	22.2%	6.4%	2029
ICBSONALI1	1,000.0	9.5	7.8	10.0	78.0%	6.4%	1.4%	-1.1%	17.1%	6.1%	2023
ICBAGRANI1	1,037.5	9.8	9.2	10.6	87.0%	9.8%	0.9%	-1.6%	17.2%	5.6%	2027
Market							1.4%	-8.1%	12.0%	-0.1%	

1 Price as on February 05, 2023 and index value as on February 02, 2023.

2 On last cash dividend declared.

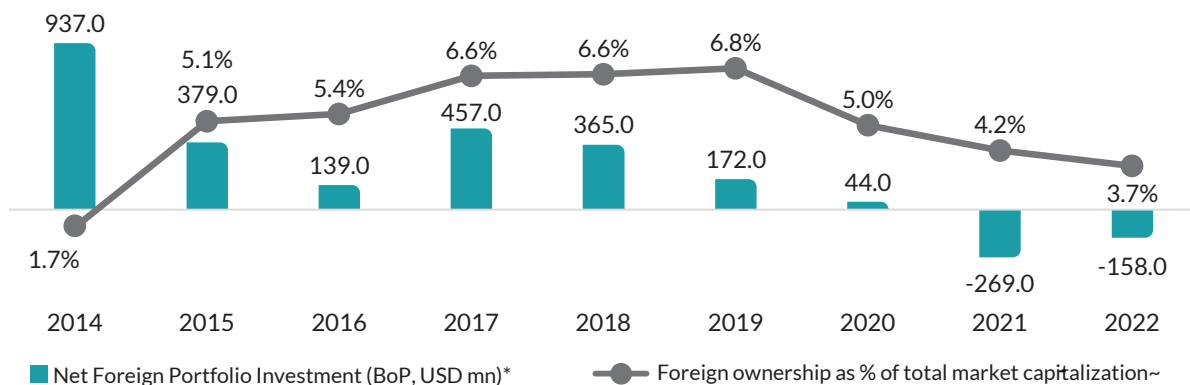
3 CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4 In reference to BSEC Press Release বিএসইসি/স্বপাঞ্জ (৩য় খণ্ড)/২০১১/১৫ published on March 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years in total. However, the mutual funds those are not willing to extend their tenure will still have the option to convert or wind up as per rules and regulations.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a fall of foreign investment. As of January 2023, total foreign ownership stood at 3.7% of the total equity market capitalization, which was only 1.7% in January 2014.

Figure 4: Net foreign portfolio investment and foreign ownership as % of total equity market capitalization



Source: DSE and Bangladesh Bank

~% of foreign ownership of equity market capitalization data are as of December of the respective years.

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 33.6% as of January 2023, followed by BXPHERMA with 29.2%.

Table 8: Top ten companies with highest foreign shareholding as of December 2022

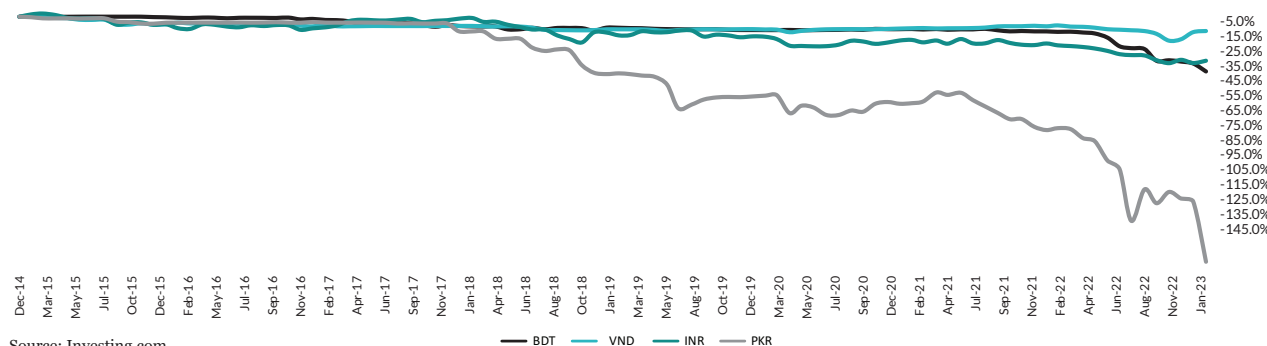
Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	33.6%
BXPHERMA	Pharmaceuticals & Chemicals	29.2%
NAVANAPHAR	Pharmaceuticals & Chemicals	27.7%
RENATA	Pharmaceuticals & Chemicals	22.8%
OLYMPIC	Food & Allied	21.0%
ISLAMIBANK	Bank	20.2%
DBH	NBFI	18.2%
BSRMLTD	Engineering	17.3%
SQURPHARMA	Pharmaceuticals & Chemicals	13.6%
SHEPHERD	Textile	9.5%

Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

Since 2015, BDT retained its value better than majority of the currencies of peer countries. While BDT depreciated by 36.9% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 9.6%, 29.7% and 165.4%, respectively.

Figure 5: Five year's relative performance of BDT and peer currencies



Source: Investing.com



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*শর্ত প্রযোজ্য