

IDLC MONTHLY

BUSINESS

REVIEW

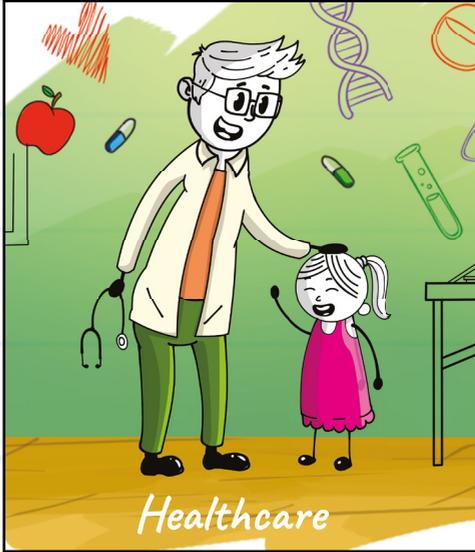
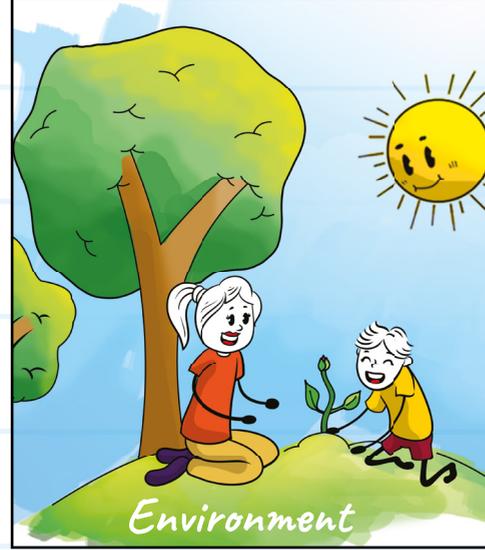
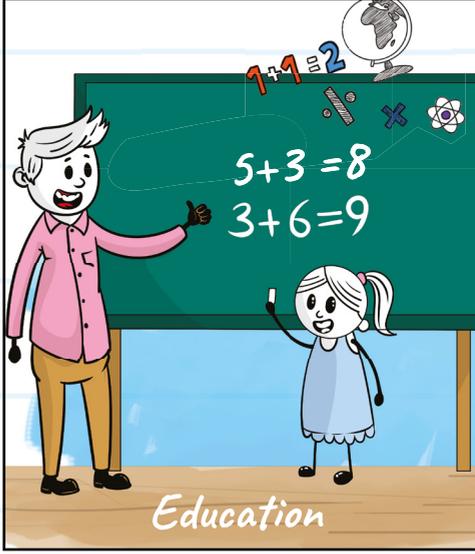
**SURGE IN NON PERFORMING
LOANS IN BANKING SECTOR**

**LEARNING FROM NEIGHBORING
COUNTRIES ON COMBATING NPL**



financing happiness

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Combating the default culture

“The asset quality is deteriorating in the highly fragment banking system.”- the remark came on the recently published Moody’s outlook for Bangladesh banking system. Despite being a robust economy, Bangladesh is witnessing ever-growing trend in bad loans. The chronic deterioration in asset quality is ultimately hitting the banks’ profitability due to covering up for high credit cost.

For the nature of banking sector whose core job is to deal with mass people’s money, bad loans are nothing new or unique. However, the pace at which it is growing, is alarming. Aggressive endeavors by banks for portfolio target in this populated banking sector played substantial role for rise in NPL. Some other factors like lengthy judiciary process, uncertain business environment and no evidence of exemplary measures against habitual defaulters fuel the growth of piling bad loans. Countries like China, who drastically curbed their bad loan rate over the

years, used social shaming as a technique to combat their bad rates. Then again, Malaysian government introduced separate Asset-Management companies to recover the non-cash collaterals by converting them to cash.

In Bangladesh, in order to curb the bad rate, whereas due diligence on bank managements’ part is required, the judiciary process needs to be streamlined as well. Also, it is high time the banking sector altogether should take strict social measures against the habitual defaulters in order to combat their default culture.

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SURGE IN NON PERFORMING LOANS IN BANKING SECTOR

LEARNING FROM NEIGHBORING COUNTRIES ON COMBATING NPL

Globally, NPL management is a storming affair that most of the banks are struggling now. NPL is one of the significant issues of banking sector in Bangladesh for most recent couple of decades. In our country, high NPL is the result of aggressive portfolio acquisition strategy of the Financial Institutions. Bangladesh should focus on curbing down the NPL with the best practice used in Asia.

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Chairman, Association of Bankers Bangladesh and CEO & MD, Dhaka Bank Ltd.

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Capital Market Review

Moody's Banking System Outlook - Bangladesh

RESEARCH IN FOCUS

Bangladesh has 57 Banks which is already operating in full fledge. Besides that there are non-banking financial institutions which are also providing banking service to this economy. Banking service in Bangladesh has a mix output in terms of performance and profitability. Moody's recent report on Bangladesh has sketched the current scenario of Bangladesh's banking sector and also gave an outlook for the future based on their professional assessment expertise and experience on the banking industries all over the world.

Moody's report has some key findings on the recent banking sector scenario of Bangladesh. This report are prepared by Moody's investor service. The outline of those findings are.

- Banks in Bangladesh are stable over the next 12-18 months because of the healthy operating environment, and despite legacy asset quality issues and tighter liquidity conditions.
- Bangladesh's economic growth is high and stable, powered by robust private investment and consumption growth.
- The Key driving factor for the overall loan growth was Term loans in line with the robust underlying investment cycle.
- Srikanth Vadlamani, one of Moody's Vice President and Senior Credit Officer disclosed that the loan growth multiplier in Bangladesh with the current level of economic growth is 1.1x.
- There was a strong trend of disbursement of loan in the construction and infrastructural development by the banking institutions.
- Retail loan growth has shown a hike in recent time though this hike is really small in scale compared to any other sector.

- Bank's biggest weakness in Bangladesh is the asset quality. Particularly Moody referred the state owned banks as the biggest participant of this industry which is vulnerable to the bad loans driven by corporate delinquencies.
- Banks are relying mostly on market funds to accommodate the loan growth as loan to deposit ratios rising especially for the private sector banks. Moody's observation is that, loan growth has consistently outpaced deposit growth over the past three years.

Observations on Bangladesh's banking

- Retail loan section is suggested to be strengthened.
- Banks' capital level should deteriorate mildly, due to faster loan growth and reduced profitability.
- Credit costs will stay elevated over the next 12-18 months, as some rescheduled loans became non-performing; thereby necessitating a corresponding amount of provisioning.
- Steady credit growth and the rebound in remittance inflows will also support domestic consumption.
- Asset quality has been worsening in the highly fragmented banking system.
- Credit cost is dragging profitability. Because of the 30%-35% of pre-provision income following tightened rescheduling rules in 2012, returns on average assets for private sector banks will stabilize at low levels.
- Net interest margin and core profitability will remain stable for private sector banks, with stronger loan demand to support loan yields and net interest income.



ABOUT THE RESEARCH

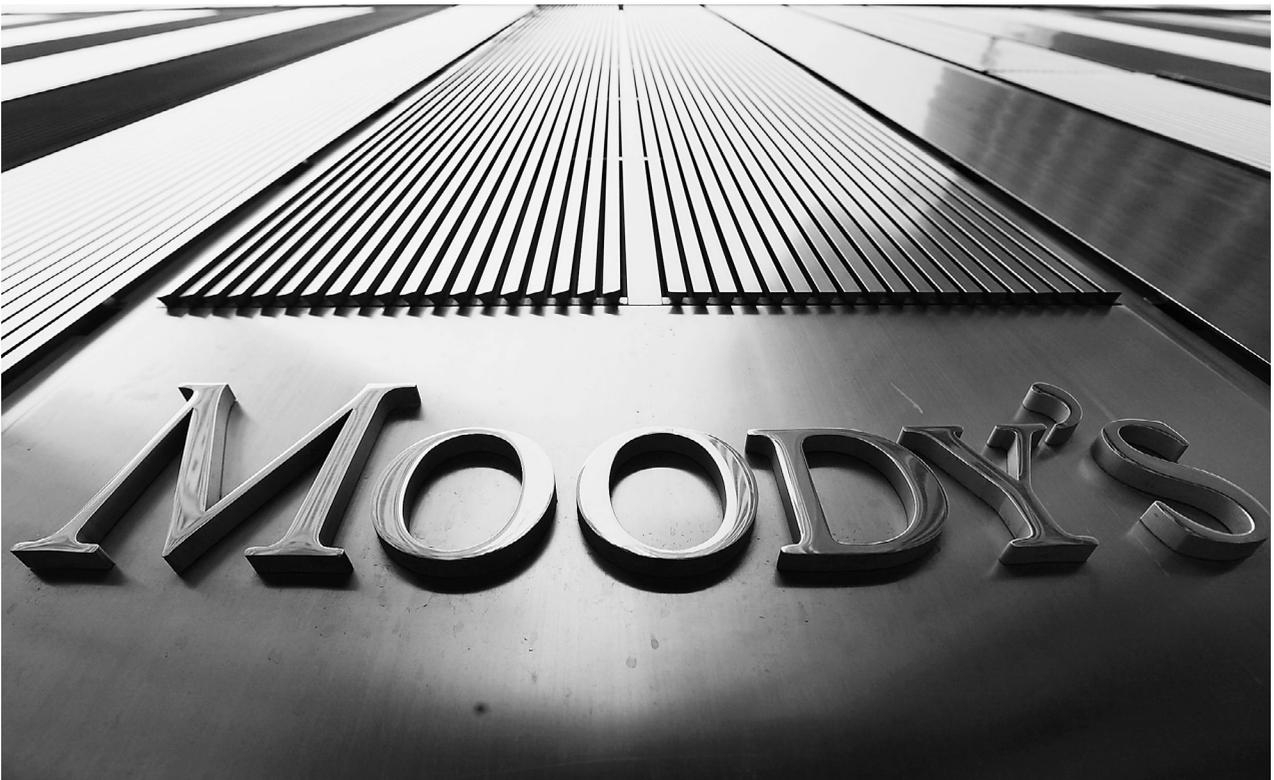
'Banking System Outlook' is an annual report published by credit rating agency Moody's through its investor service which provides the insight on the banking industry of a country and the prediction on the next year's banking performance of countries.

Banking System Outlook

- Private investment growth: **16%** (2014-2016)
- Private consumption growth: **11%** (2014-2016)
- Credit Growth: **16%** (2017)
- Gross nonperforming loan (NPL) ratio: **10.4%** (30 June 2018)
- NPLs for private sector banks: **5.5%-6.0%**
- State Owned Bank's NPL: **26.8%**

Remarks from Moody's Investor Service

- Outlook for Bangladesh's banking system is negative despite the country's robust economy because of the deterioration in the banks' asset quality.
- Credit costs will rise, in tandem with the deterioration in asset quality.
- Underlying weaknesses in corporate governance, especially at state-owned banks, has led to high non-performing loan ratios.
- Banks in Bangladesh will continue to maintain adequate funding and liquidity.
- Bangladesh government will remain supportive of the banking system as government was always supportive to the banks in past failure.



HOW TECHNOLOGY IS RESHAPING THE BLUEPRINT OF WORKPLACE

“SWAPPING EMPLOYEES FOR MACHINES.”

statement like these give workers reason to worry. Young workers may be more affected by automation than older workers. The effects of automation can be different in countries that are aging compared with those that have young populations and anticipate large numbers of new labor market entrants.

Technological change that replaces routine work is estimated to have created more than 23 million jobs across Europe from 1999 to 2016. Recent evidence for European countries suggests that although technology may be replacing workers in some jobs, overall it raises the demand for labor. For example, instead of hiring traditional loan officers, JD Finance, a leading fintech platform in China, created more than 3,000 risk management or data analysts jobs to sharpen algorithms for digitized lending. Technological progress leads to the direct creation of jobs in the technology sector. There are more opportunities for people to pursue careers in mobile app development and virtual reality design. Ant Financial, a fintech firm in China, uses big data to assess loan agreements instead of hiring thousands of loan officers or lawyers.

ABOUT THE RESEARCH
 'World Development Report' is an annual report published by World Bank which provides insight on the overall development of countries from different part of the world based on different indicators

3.5 YEARS
 After working together this long, the chance that a client will follow a departing employee to a new firm doubles.

WHEN CLIENTS ARE MOST LIKELY TO BOLT?

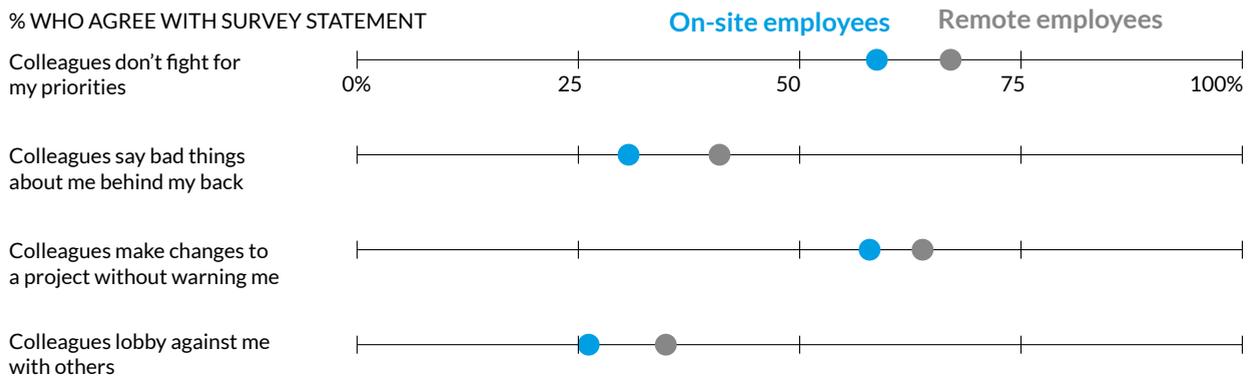
STAFF TURNOVER CREATES particular headaches for professional service firms, because clients often follow departing employees to their new companies. In a novel study, a researcher used public records to determine when clients accompanied lobbyists who switched firms and when they stayed put. One important factor is the length of the relationship with both the lobbyist and the firm. The chance that a client will follow a departing staffer rises by nearly 2%, on average, for each six months that the two have worked together. That effect is somewhat counterbalanced by the length of time the client has worked with the firm, with the risk that a client will follow a defecting staffer being about 1% lower for each six months that the client has affiliation with the firm. The relative magnitude of the two effects is considerable; the chance that a client will jump ship with an employee doubles after three-and-a-half years. The structure of the relationship also matters. Clients served by teams are less likely to follow any one employee, especially when the teams consist of specialists; it's hard for any single-issue lobbyist to replicate the services of an entire team. Although the study targeted lobbyists, the results are relevant to professional services firms more broadly. "My findings provide initial evidence that can help managers identify which clients are most at risk of defecting as well as some advice on how to structure relationships to keep their loyalty," the researcher says.

ABOUT THE RESEARCH
 "Employee Mobility and Interfirm Relationship Transfer: Evidence from the Mobility and Client Attachments of United States Federal Lobbyists, 1998-2014," by Joseph Raffiee.

DO REMOTE EMPLOYEES FEEL SHUNNED AND LEFT OUT?

WITH THE RISING POPULARITY of virtual team building, employees working from remote often feel left out or find it difficult to cope with their co-workers. Research suggests proper communication among colleagues is as important as appraising them. Today, technology has made it possible to connect colleagues who never met each other, although it creates lack of trust and attachment among the co-workers. Prior to technological advancement, colleagues had more compassionate approach to each other and weaved trust among themselves. A research conducted on 1,153 employees revealed 52% of the remote employees lodge following complains about their peers:

Remote Employees Feel Left Out and Ganged Up On



Source: 2017 Vitalsmarts Survey Of 1,153 Global Workers 52% Work Remotely.

This diagram points out that, overall, remote employees may enjoy the freedom to live and work where they please, but working with others becomes more challenging. This problem is just not about trust but it affects productivity, costs, deadlines, morale, stress, and retention. From over 800 informants, the survey evdeavored to find out the best practices a good manager should follow:

- Check in frequently and consistently
- Use face-to-face or voice-to-voice contact

- Demonstrate exemplary communication skills
- Make expectations explicit
- Be available to remote employee
- Demonstrate familiarity and comfort with technology
- Prioritize relationships with the employees



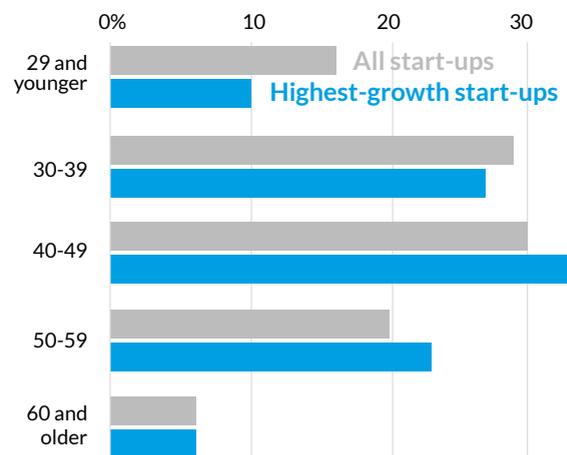
ABOUT THE RESEARCH

This research is done by Harvard Business review on 1153 employees of which 52% of the employees are remote workers.

IT'S NOT TOO LATE TO START A START-UP?

CONVENTIONAL WISDOM HOLDS THAT the most successful start-ups are created by young adults. But an analysis using U.S. Census data on the 2.7 million founders in the United States from 2007 to 2014 shows that the average age is actually 42. And when researchers identified the top 1% of start-ups by employment growth, they saw that more than half were started by founders in their forties, fifties, or sixties. The researchers write, "The preeminent place of young founders in the popular imagination may...reflect disproportionate exposure to a handful of consumer-facing IT industries, such as social media."

Share of founders by age



Source: "Age and Hig-Growth Entrepreneurship", by Pierre Azoulay et al. (NBER, 2018)

SURGE IN NON PERFORMING LOANS IN BANKING SECTOR

LEARNING FROM NEIGHBORING
COUNTRIES ON COMBATING NPL

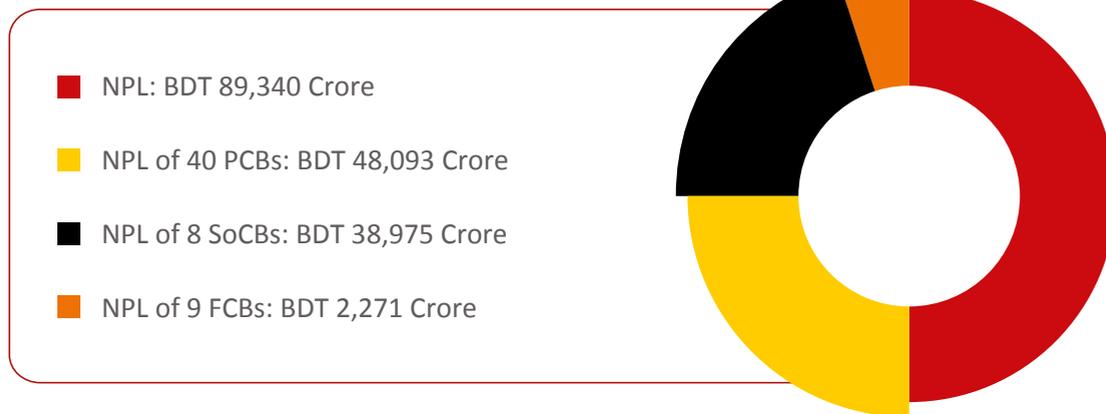


There is no precised universal definition; however, Non-Performing Loan (NPL) is an asset held by a bank or financial institution that does not generate the expected return. On the other side of the ledger, it is an outstanding loan on which the debtor has not kept up with the scheduled payments. Globally, NPL management is a story affair that most of the banks are struggling with. In Asia, China's NPL shot up when the banks increased credit supply as an effect of reduction of interest rate. Side by side, lack of regular monitoring also came to an aid in rising NPL. China, now called the debt exterminator, removed their NPLs via wide interest margins to clean up its debt-laden system. The upside of wide interest rate margins is that banks are more likely to make huge profits. If the lending rate is 5% and deposit rate 2%, the margin will be 3% and this is the source of profit for the banks. This margin also helps cover NPL-derived losses. In China, the

government used this 'tactic' to exterminate lethargic companies that lose out cash and default on loans regularly. The then Chinese government closed down failing companies and broadened interest margins - the gap between lending and deposit rates, which ensured that banks could slowly service bad debt.

NPL is one of the significant issues of banking sector in Bangladesh for most recent couple of decades. In spite of close observations by the Bangladesh Bank, NPLs hopped by over 20% or BDT 150.37 billion to the end of June this year from December a year ago. The volume of NPLs rose to BDT 893.40 billion as of June 30, 2018 from BDT 743.03 billion as of December 31, 2017. The offer of characterized credits achieved 10.41% of the aggregate remarkable advances amid the period under survey than that of 9.31% a half year back.

Present NPL Situation As of June 2018



Why Bad Loans are shooting up?

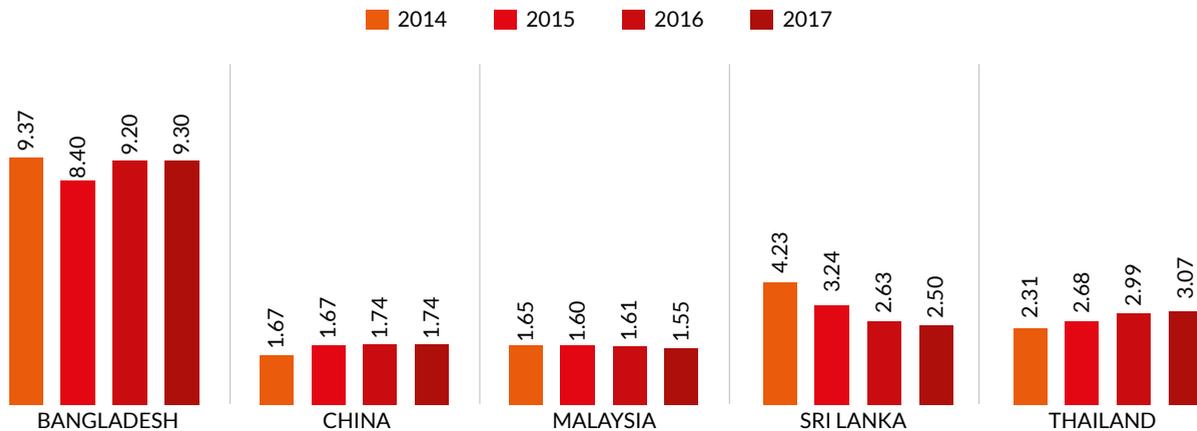
- **Aggressiveness toward portfolio expansion:** Excessive competitions among Bangladeshi banks are pushing the banks to extend their portfolio aggressively. As a result, most of the clients are over-financed and there is a risk of fund diversion among the customers. Due to this phenomenon, the same customer is availing excess fund than his/her requirement and out of repayment capacity. This is a key reason of NPL.
- **Lack of Proper Documentation:** Documentation gap is another huge problem in mounting NPL.

When any legal action is necessary against the bad credit, FI's are facing difficulties to go for appropriate legal action due to lack of proper documentation.

- **Insufficient collateral:** There is insufficiency in collateral acquisition at the time of credit disbursement, FI's are not getting proper collateral to make the disbursement secure. In our country, mostly credit is unsecured or even if it is secured, the security is not sufficient for FI's to pull of the default.

1. The article is based on a research paper presented in Annual Banking Conference 2018 of BIBM

COMPARATIVE POSITION OF NPL (IN %)



- **Volatile Business Environment:** The business environment of Bangladesh is quite volatile. The businesses pertaining to agro based or agro based products, natural calamities have a huge impact on the overall business success of our country, some businesses fail because of the loss incurred from the natural calamities. Besides, the issues related to infrastructure are not sorted in Bangladesh; hence, SME entrepreneurs are much prone to these volatilities. Then again, market is always

fluctuating in some or other parameters for the business owners.

- **No Strict action against habitual defaulters:** There are very few punitive actions regarding strict measures against a willful defaulter, which has been the case in developed and developing countries. If such actions were taken, it would discourage tendency to default.

Overall NPL Scenario in Bangladesh and Comparison with other Countries

Bangladesh is facing some real challenges to manage the NPL inclination. In order to mitigate this issue, Bangladesh Bank is closely monitoring the FIs and different measures are taken throughout the years; however, statistics shows that the condition is worsening day by day. NPL ratio of Bangladesh stood at 10.8% in March 2018, compared with the ratio of 9.3% in the previous quarter. The highest NPL was in 2003 March which was 28% and lowest was in December 2011, 6.1%. The international standard is to keep NPL under 2% which Bangladesh could never achieve or even come closer to that standard.

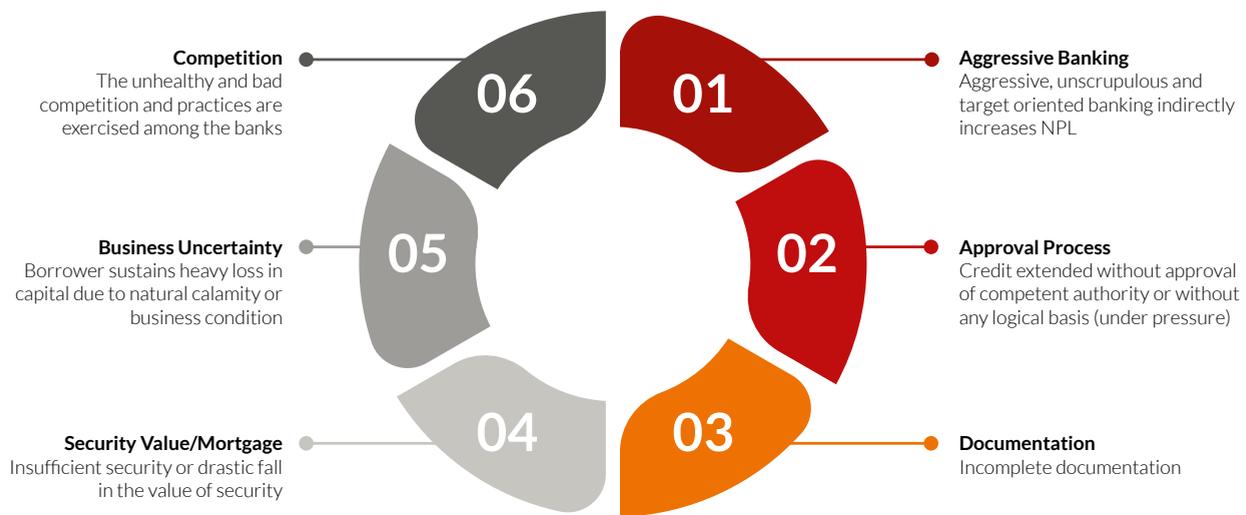
Considering the Asian countries that had a high NPL, many of these countries were really effective to lower it down to the benchmark or really close to benchmark. For example, China did a good job to curb down the NPL under the desired level.

COUNTRIES	BANK'S NUMBER	NPL (%)
Afghanistan	8	12.2
Bangladesh	57	10.8
Bhutan	5	8.4
India	53	10.0
Malaysia	26	1.5
Maldives	4	10.5
Nepal	20	1.7
Pakistan	46	8.4
Sri Lanka	25	2.5

Source: World Bank Data Bank (2017).

Among South Asian countries, Sri Lanka and Nepal showed impressive bad loan rate; however, the most alarming issue which can be discerned from this statistic is, Bangladesh is having the worst NPL among all these countries.

Some Common Reasons of Being NPL in Bangladesh



NPL and SME sector of Bangladesh

Although SME is the most profitable area of financing in Bangladesh, the NPL rate in SME is rising. SME sector clients are not as structured as the regular clients which are commonly known as the corporate entities. So the credit disbursement for this sector is really challenging. According to the study, a total of BDT 1,36,176 crore credit was disbursed to the SME sector in 2016 while the amount of default loan stood at BDT 22,494 crore, which means that in 2016 the NPL for SME sector was 16.5%.

How Asian countries addressed NPL?

Many successful stories have been created by the western historical strategies. There are some countries in Asia that can be a good example of a successful to reducing NPL from the mountain peak. China, Malaysia and Thailand demonstrate good example of effective NPL management. All these economies had to go through hard way to manage NPL into a lower level. China and Malaysia brought NPL below the international benchmark.

China

China penalized the defaulted customers by putting restriction on enjoying different social benefits that the regular citizens are entitled to avail. Restrictions are namely not being able to purchase air ticket, purchase tickets of high-speed train, serve as executive or representative of corporate entities, avail further credit requests and getting banned on personal ID that is used to avail the hotel accommodation facilities. This blacklist contains many political bodies, legislative and government staffs of China and there is no exception in punishment. Even, they cannot buy any real estate. In some cases, the defaulters do not get any promotion upon being defaulter. In some of the provinces of China, the defaulters are socially and publicly shamed. For Example, in August, a court in the Southwest Sichuan Province began leaving recorded messages on the phones of 20 debtors. When someone rings a defaulter, the message plays: “The person you are calling has been put on a blacklist by the courts for failing to repay their debts. Please urge this person to honor their legal obligations.”

Malaysia

Malaysia blacklisted their overdue clients. Defaulters in Malaysia are not allowed to leave the country. Besides penalization, Malaysia went through a major restructuring of credit disbursement. Malaysian government used a recovery strategy in a non-cash format to settle down the outstanding loans, which is

by converting non-cash recovery asset or collaterals into cash. Malaysia introduced Asset Management Companies (AMC) to extract these loans.

Thailand

Like Malaysia, Thailand founded the Thai Asset Management Corporation (TAMC) in 2001, which has similar structure to Malaysian AMC model. The Thai authorities established TAMC in 2001 with funding from the Financial Institutions Development Fund (FIDF), which guaranteed the issued bonds. Before the establishment of TAMC, each bank set up its own asset management company; however, these private asset management companies could not significantly clear the amount of NPLs. As appraised by the FIDE, the pricing of private bank NPLs was derived from their collateral value. The TAMC is tasked with the acceptance of transfer of sub-quality asset and its management. Towards the realization of such objectives, TAMC has unprecedented encompassing powers, such as establishing of limited companies, guaranteeing credit for debtors, and lending money to debtors.

As stated by IMF, one reason why Thailand instituted the restructuring of its banks' NPLs much later than in many other Asian countries was because of the relatively late establishment of an agency to acquire nonperforming assets. According to IMF, it is difficult to evaluate the progress of TAMC because of insufficient information disclosure, although they do concede that the notional statistics illustrates that TAMC played a progressive role in the restructuring process for NPLs. The purchase of loans by public asset management companies was effective in stimulating a decline in the number of NPLs in Thailand.

Sri Lanka

Sri Lanka has become more of conservative in case of credit disbursement. Credit is disbursed with increasing the provision coverage, which is right now 63% in Sri Lanka. The data reached an all-time high of 15.8 % in December 1999 and a record low of 2.5 % in December 2017. Better governance, legal actions and policy implementations have lowered the NPL ratio rapidly.

Bangladesh and India have a high NPL. But other countries did successfully curb down the NPL. China is a huge economy with a large number of Banks in the country for different purpose. Malaysia and Thailand are almost close to the economy size of Bangladesh. But both the countries have a lower number of banks. Whereas Bangladesh being smaller than those economy, have almost double banks and NPL higher than 10. The economy size of Malaysia and Thailand are almost close to the economy size of Bangladesh, but both the countries have a lower number of banks.

Country	Economy Size (In Billion)	Number of Bank
China	12237.70	3,747(Statista)
Malaysia	314.50	26
Thailand	455.22	22
Sri Lanka	87.17	25
Bangladesh	249.72	57
India	2597.49	53
Nepal	24.47	20

What measures can be taken to improve the NPL scenario in Bangladesh?

To curb down NPL, Bangladesh should initiate some major restructuring:

- The FIs should start restructuring the overall operation by taking measures like increasing collateral, receiving additional legal document, verification and authentication of those legal documents.
- Corporate entities should start some restructuring in some elements like capital structure. Capital structure should be in such way that the firm must invest a certain amount of capital, and besides capital structure of the company, total assets and management of the organization should be under strict regulation.
- To overcome the default of the companies, some provisions like merger and acquisition, realization of disinvestment transaction should be introduced in overall business practice.

Also, some other measures should be taken in a bid to control the growing default culture:

- Additional collateral is required when the value of a loan is increased from previous financing
- According to loan policy, banks have specific limits for specific type of loan, loan officer should not cross that limit
- No government subsidies & financial promotion to the firms who are loan defaulters
- Applying some restrictions on loan defaulters, such as restrictions on establishing new company, purchasing new flat and house, buying car, riding on air plane, staying in five star hotels and limiting the current collateralized and non-collateralized wealth.
- Government should establish AMC's to settle the non-performing portfolios.

- FIs should be able to recognize the defaulters so that they could be stopped from taking future loan from any other bank.
- The borrowers should be publicly ashamed so that the tendency of willful default of the borrowers decays.

Disclaimer: The views and opinions expressed in this article are those of the authors and do not necessarily reflect the respective organization.

(The cover story is developed based on a research paper titled "Exploring the Strategies of Managing Non-Performing Loans (NPLs): An Analytical Revisit of NPL Management in Selected Asian Countries". The authors of this paper are: Mohammad Omar Faruk, Research & Strategy Division, Bank Asia Ltd., Md. Saiful Islam, Research & Development Department, Mutual Trust Bank Ltd. and Mohammad Motiur Rahman, Service Quality Department, Mutual Trust Bank Ltd.)



PANACEA TO REVIVE THE BANKING INDUSTRY



Syed Mahbubur Rahman is the chairman of the Association of Bankers, Bangladesh (ABB) and CEO & Managing Director of Dhaka Bank Limited. Prior this, he held the position of CEO and Managing Director of BRAC Bank Limited. With a banking experience more than 30 years, he is deemed as one of the most esteemed banking professionals of Bangladesh. Of late, MBR had an opportunity to have a one-to-one conversation on ins and out of current NPL management in Bangladesh and discussed the wayouts.

Syed Mahbubur Rahman

Chairman, Association of Bankers Bangladesh
and CEO & MD, Dhaka Bank Ltd.

MBR: From the banking industry's perspective as a whole, do you think too many lenders in this industry are causing the default rate to shoot up? How is that?

Syed Mahbubur Rahman: In a small economy size of Bangladesh, it has 59 banks for 160 million people. In a giant economy like India, there are only 30 private sector banks, South Africa has 5 private banks. The reason behind the approval of so many banks was, the different mandates the banks came up with. Some of the banks were supposed to introduce new financial products and cater to the unserved segments. Government approved these banks with a view to working on those unserved sectors and improving the overall economic wellbeing of Bangladesh.

However, after the banks got approval, they are catering similar services derailing from their core value.

Due to large number of banks, even the unqualified borrowers are leveraging availability of excess fund resulting into bad debts.

The bankers also did not ensure the limit of lending. All of us are running after same customers and want to make quick profit, as there is pressure of targets. In many cases name lending is happening without considering the real need. Consequently, it has created distressed assets in the economy. The intention of Government was noble but

because of the unhealthy competition, the result curved to the opposite direction.

MBR: From the banks' perspective, what are the shortcomings of bank managements' performance that is contributing to higher NPL?

Syed Mahbubur Rahman: The banks considered the short term gain rather than thinking about the long term effect of immediate business. They could not manage to evaluate borrower's eligibility, sensitivity of their business and capacity of repayment. Also Lack of due diligence on bank management's part severely contributed to the increasing NPL. Unhealthy competition among banks is adding cherry on the top.

To survive in the competitive market, banks are also doing equity financing. In case of equity financing, the borrowers do not feel the pressure for repayment, when a business is financed with equity, own investment is not required. Therefore, borrowers are less bothered than what they should have been in case of availing a term loan facility. Banks are financing risky clients in the name of increasing their portfolio size.

MBR: What are the way-outs to curb the alarming NPL rate?

Syed Mahbubur Rahman: Banks need strong judicial support. Like China and Malaysia, judiciary division needs to set exemplary penalty to control the situation and the impact needs to be visible. For example, a loan defaulter should not get any social benefit and should not be able

to travel outside the country, which is a common practice in China. There are borrowers who reside in abroad and their venture is in Bangladesh. If they default on loans, it becomes hard to bring them under jurisdiction.

While we understand that there are capacity issues but the existing process needs to be addressed. The execution of the law needs to be ensured. In Bangladesh, this is just not the problem of not having proper law for this matter. Law enforcement authority is yet to be strong enough to carry on the process smoothly. Many cases are pending since they are processed under regular judiciary support. In the rural localities, these cases are treated under regular courts, where these system for banks, it is hard to curb the default rate.

Also, the lengthy process of judiciary system encouraging the customer to default on loans. The banks need to be cautious about the disbursement of loans and proper implementation of laws. They need to aggressively follow up for quicker disposal of the cases. There could be some industry specific risks; however, the increasing trend of NPL is detrimental to the overall economy of the country.

MBR: When it is said that most of the banks run after the large borrowers, which created the risk of rising borrowers, it is also discerned that quite a few banks shifted their focus to SME portfolio for twin reasons: meeting the annual BB SME disbursement target and realizing that SMEs could be adequately profitable. But still, the NPL in SME portfolio is mounting. How banks can curb their default rates in this segment?

Syed Mahbubur Rahman: Although SME is booming in the country, NPL in SME sector is mostly double digit. The main reason behind it is lack of post- disbursement monitoring, which is extremely crucial in case of SME financing. Banks need to verify the authenticity of the documents provided by the borrowers, their transaction pattern, account turnover, swing in the account, payment behavior and so on. SME clients are much different from the corporate clients. Financial literacy is crucial here as most of the SME borrowers prefer single entry system to double entry system. Single bank dependent borrowers pose more risk than multiple banks.

Also, banks should ensure third party guarantor for every borrower as extra cushion for risk. Bank needs to identify their roots so that it can incorporate the guarantors' information and track them in case of default as many of the SME clients do not belong to the locality they operate business in. SME financing needs to have a holistic approach towards understanding the customer

business, financials, payment behavior/ relationship with suppliers/ vendors, their family status, so that the debt does not go bad and structuring can be done properly. SMEs, in general, has single revenue stream as against large businesses which have multiple revenue streams; so if something happens they fail to pay the debts. So close supervision is much required from the bank's side.

MBR: In most parts of the world, technology is shaping the total banking map. Banks are collaborating with fintechs for twofold benefits: capitalizing fintech's technology to increase portfolio size and deploying bank's own collection team to maintain the big portfolio with directive insights from fintech. Do you think it is high time Bangladesh banking industry should jump on tech bandwagon with a long term view to increase profitability and curb default rate?

Syed Mahbubur Rahman: The first step to adapt with technology would be massive digitization. Globally, the banking industry is technology and big data driven. The data is not captured properly in Bangladesh and most of the data available is estimated. Globally, retail loans are disbursed based on algorithm or scorecards, whereas in our country, it still needs human intervention. However, changes are bound to happen in Bangladesh as well because system based decision making is bias- free than human decision- making. The more the millennials are coming to banking radar, the more the banks need to change the traditional way of serving its customers. We should start doing individual credit rating which is the practice of developed countries. If the banks can introduce credit score, borrowers would be more cautious about their payments. Any deferred payment would pull their rating down which would ultimately affect their future borrowing.

Banks can come up with cutting-edge technology to make the lending process more specific. For instance, a borrower who does not qualify to borrow BDT 20 lacs from bank may be eligible to get BDT 10 lacs through credit scoring, because it happens through algorithm and no biased result is generated. It would ultimately help in reducing the default rate.

At the end of the day, the man behind the machine plays the key role. The banking sector needs adequate equipped people as it is dealing with people's money. Unfortunately, our banking sector does not have ample qualified people in mid and top level management. As an organization, banks do not spend enough money to train its employees. This is another sector banks should give fair importance in order to make the total system efficient and ensure due diligence.

IDLC Physically Challenged Cricket Tournament 2018 Ends

The four-day IDLC Physically Challenged Cricket Tournament 2018 ended on 29 November 2018 amidst celebrations and aspirations to reach greater heights for the differently abled people.

The largest non-banking financial institution, IDLC Finance Limited sponsored the Tournament which was organized by Bangladesh Cricket Association for The Physically Challenged (BCAPC). Four teams with 52 players from Dhaka, Sylhet, Khulna, Rajshahi played seven matches and at the end finals took place between Dhaka and Khulna.

Dhaka team took away the champion's trophy & Khulna became runners-up. The prize giving ceremony took

place at Jagannath Hall Field of University of Dhaka. Trophies and medals were distributed among best players by Chief Guest Muhammad Abdullah, Secretary, Ministry of Youth and Sports Government of the People's Republic of Bangladesh and special guests Prof. Dr. Ashim Sarkar, Provost, Jagannath Hall, University of Dhaka, Md. Masud Karim, Secretary, National Sports Council and Ahmed Rashid Joy, General Manager & Head of SME IDLC Finance Limited, who stated "It is a great experience to see such determination and enthusiasm on the field. We hope you the players continue with their passion in which IDLC will try to contribute through whatever means possible."



IDLC Finance Limited won the First/Gold award consecutively for the third time in 5th ICSB National Award Giving Ceremony for Corporate Governance Excellence, 2017

IDLC Finance Limited won the First/Gold award consecutively for the third time in 5th ICSB National award giving ceremony for Corporate Governance

Excellence, 2017, which was held on Saturday, November 10, 2018 at Radisson Blu Dhaka Water Garden.



IDLC Organizes Surgery Camp for Underprivileged People Diagnosed with Cataract

From 9th to 12th November, 2018 IDLC Finance Limited as a part of its CSR initiative, organized a cataract surgery camp at Nova Medical Center in Jashore in association with Spreeha Foundation. 50 people of different age groups from underprivileged communities, diagnosed with cataract were operated on by doctors from Nova Medical Center.

The inaugural ceremony of the surgery camp was graced by Dr. Abid Akbar, Chairman, Vision Eye Hospital, Dr. Ishtiaque Ahmed Zahid, Head of Programs, Spreeha Bangladesh Foundation and Jane Alam Romel, Group Chief Marketing Officer, IDLC Finance Limited.

Jane Alam Romel said, “A huge number of people in Bangladesh are suffering from cataract and due to lack of proper treatment many are losing eye sight every year. This camp is our humble effort to ensure that these elderly people get the proper treatment.”

This initiative was taken as a part of IDLC’s one-of-a-kind CSR platform “Khushir Kheya”.

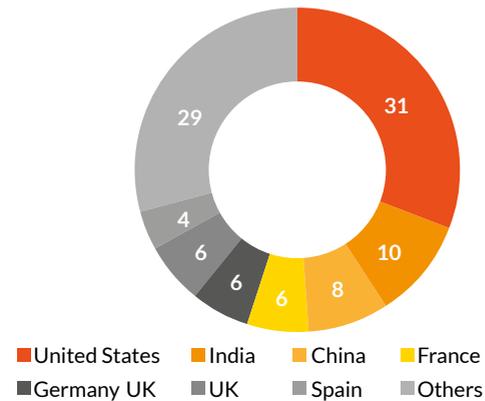


TRAVEL-TECH: TECHNOLOGY REDEFINING TRAVEL

In the old days, travel agencies had loyal customers who relied on them for everything related to their plans and experiences, while today, the introduction of digital tools and technologies created 'the online traveler' who does everything on the World Wide Web. One of the primary advantages of using online systems for travel needs is the 'experience economy', with 95% of all leisure travelers reading an average of seven reviews before reaching a decision regarding their plans. In today's world, 27% of all bookings are made through online systems, which shows how the customers direly demand online information to make travel plans.

The introduction of 'Big Data' into the game has given birth to the 'Demand-side Platform' method that allows customers to access a multitude of advertisements and offers through a single interface. The huge amount of customer data at the disposal of online travel companies is allowing for more in-depth predictions and behavioral analytics than ever before. New digital mediums like chatbots have opened an advanced dimension, leveraging technology to take the customer experience to the next level. Chatbots are already helping airlines and online travel tech firms handle some of the simpler customer transactions, bookings, boarding passes etc, so that human agents can focus on more complex interactions. Past search, booking, transactions and the click streams can help create user profiles which further help build cohort of customers and essentially create a wholesome view of each user. Travel-tech entrepreneurs now attract funding from the investors. It has become graciously accepted in western world, especially by the millennials and spilled over to the other parts of the world quickly.

Travel Tech Global Deal Share



India's lucrative travel-tech space

India has made a significant stride towards integrating technology in travel sector. The travel-tech industry of India is offering impressive facilities like virtual reality tour, drone photography, cloud passport and help of artificial intelligence. They created a platform so versatile that it offers services starting from flight booking, hotel reservation, comparing and discovering best place to travel, tracing status of transportation to online payment for these services, which is the best substitute of travel agents. These facilities are easy to customize according to users and customers can go for tailored purchase from this platform. Also, they introduced travel chatbots for sophisticated customer experience, backed by artificial intelligence which will assist the traveler like a real travel guide.

A Google India-BCG report says that, the country's travel market (both online and offline) is expected to become USD 48 billion within the next three years. As per an India Brand Equity Foundation (IBEF) report, the total online space is likely to account for 40-50% of total transactions by 2020.

MakeMyTrip is the most prominent travel-tech in India, which expanded the services of OTA to online ticketing, hotel booking, comparison, homestay service, bus ticketing service, cab service, gift cards

and so on. Of late, last year in October, the Indian startup ecosystem saw one of the biggest mergers in MakeMyTrip and Ibibo, a deal with an estimate of USD 20 million.

Maruti Techlabs is utilizing chatbots in hospitality. It changed the way of booking and visitors are converted to patron customers. By amalgamating artificial intelligence in the hospitality industry, hotels can create significant opportunities to deliver excellent guest-friendly services ranging from matching guest preferences, suggesting books or music, nearby sports club to complement customers' taste, all the way to automatically alerting hotel staff for personalized meal choices, special privileges and complimentary services, etc.

The start of a new era in travel in Bangladesh

Travel-tech started in Bangladesh with the emergence of Flight Expert in 2017. At present, few other startups are racing in this space, Go Zayaan, Vromon, Trippin, Jovago etc. The common services under travel-tech include ticket purchasing, hotel reservation and tour packages.

A report by World Travel and Tourism Council (WTTC) reveals that travel and tourism industry contributes BDT 296.6 billion which is 1.9% of the total GDP of Bangladesh. Relying on the available data, the report explains that the industry is expected to grow as much as BDT 556.3 billion which will be almost 2% of the total GDP. Therefore, in such a promising industry travel-tech based companies have a lot to accomplish.

Aggressive social media marketing could be a way to make these travel-tech platforms to become talk of the town like ride sharing services. Massive digitization is yet to happen in Bangladesh and inception of 4G service is a fore step. Average mobile data consumption has touched 1 GB due to rising popularity of mobile app based services. Travel-tech companies can introduce user-friendly mobile app to capture more of customers in their radar. Bangladesh

Travel-Tech facts

- USD 2 billion (apprx.) outbound market size including flight booking, hotel reservation and the like
- USD 1.2 billion (apprx.) outbound flight market size
- USD 1.6 billion (apprx.) domestic market size
- 46% foreigners come to Bangladesh for travel purpose
- Key players: Flight Expert, Go Zayaan, Tripping, Vromon
- Main services : flight booking, hotel reservation, tour package

Tourism Board data demonstrates that among the visits made by foreigners to the country: 46% had tourism purpose, 41% had business, 2.4% study and 3.4% had religious causes. So, hassle free payment mechanism e.g. payment through credit card should be there to attract foreigners to avail services using travel-tech platform.

Paving the way forward for travel-tech

- Although travel-tech is at quite nascent stage, this time is appropriate for the startups to bring new features in their services. They can provide the customers comparisons of different tour packages for the travelers to have a holistic approach in one platform.
- Chatbots can be the new digital medium to bring superior customer experience.

FLIGHTEXPERT

Salman Bin Rashid Shah Sayeem is the founder and CEO of Bangladesh's first travel-tech startup. With his effort and compassion toward business, he led the OTA business towards completion of first step in our country. MBR had a session with him where he opened on the current business environment and future full with promises.

Leading the industry of tech-based travel solution

It all started for Flight Expert from 'Makkah Group' which is one of the prominent agencies for international traveling services. The main concern of the company was translating traditional business to digital mode in air ticket reservation and hotel booking. When Mr. Salman was studying in Canada, he used to come to Bangladesh time to time and visit his family. During one of his visits to Bangladesh, his father showed his concern about the growth travel industry at a slow pace although the customer base expanded significantly. That's when he came up with the idea of tech-based travel solutions, in the name of "Flight Expert", being influenced by the other travel-tech companies- "Cheapoair", "Expedia". After completing the first level of Chartered Accountancy, he returned to Bangladesh and started working on the idea of first travel tech-company in 2016.

Having B2C and B2B on the plate

Flight Expert offers both B2C and B2B solutions right now having mobile application for both Android and iPhone. While air ticketing is a popular mode in B2C arena, B2B operation is carried out through TBOholidays which conducts hotel bookings and dynamic packages. 'Flight Expert Agent' which is another website maintained by Flight Expert where air tickets are sold internationally instantly.

About Flight Expert

Flight Expert zeroes in on service quality rather than price competitiveness. In their 2 years of experience in this industry, they realized that people demand convenience when they purchase air tickets or makes hotel bookings online. Customers would definitely like to get better service within a reasonable price range. Therefore, their current business strategy is only concentrating on building

a satisfied customer base with their service. Flight Expert collects hotel through TBOholidays and online tickets through Amadeus, which is a source of all global suppliers, at a lower rate and the offers are available in their portal. Their revenue streams from commission on the services. The online payment is powered by SSL COMMERZ, which is available in all platforms as a payment option. Flight Expert become the TOP 10 merchant in online space regarding online payment receiver.

The ticketing service has a price differentiation strategy which allows selling ticket at different price in different batch. It means early batch of tickets have the lowest price and the last few tickets have a higher price level. This is a worldwide process which requires restating the price at real time. Flight Expert website allows customer to have the real time price information.

Both the App and the website are outsourced. The website is the primary tool for Flight Expert. Though the app has been launched but still there is a huge room for improvement in the app. The Online Travel Agent (OTA) business is all about variations and the app should be suitable to the various nature and support to promote superior user experience.

Flight Expert held different campaigns VISA, SCB, City Bank AMEX etc. as their promotion effort where they gave discounts to attract customer. Besides, it did online marketing through social media and offline marketing through print media. However, the most effective method of marketing for Flight Expert is words of mouth which influenced their customer base.





Salman Bin Rashid Shah Sayeem

Founder & CEO, Flight Expert

Travel-tech gearing up in Bangladesh

Traveling is a growing sector in Bangladesh, ascribing to changing lifestyle of people. Also, millennials are now more travel-oriented than ever. Very few active travel-techs are actually in the field. Go Zayaan, haltip, TBBD, Amy and FlightExpert are providing traveling solutions all over Bangladesh. Also, some other new local OTAs started their operating in Bangladesh and may help the market grow together.

Demand of travel-tech is increasing exponentially. At the very beginning of the business 'Flight Expert' had to wait for eleven days to sell their first ticket online. The sales was increased by 20 times than that of last year. Those were

milestones for 'Flight Expert'. As the market has become much bigger, the vision of the company has become greater.

As most of the startups are still in small-scale operation, they are targeting different segments of the travel industry. However, ultimately when these companies will be scalable, they will integrate to each other to survive in the market.

Obstruction of the quest

A completely new area of business: OTA business is going forward with a trial and error in their operation as having the proper data to analyze the market and business are the challenges in this sector. The total sector is running on new ideas, which made it really difficult for the industry players to have a smooth operation flow.

Outward Remittance: Another hurdle which is very troublesome for OTA business is that, Bangladesh is not favorable to send outward remittance. This is really a concern for OTA industry, because the process to complete the remittance transfer process is really long and time consuming. It will be beneficial for the OTA business if the companies are allowed to process outward remittance with an easier and efficient process.

The big next step

Flight Expert is now focusing on research to understand the market better, because there is no solid data or statistics on this sector's movements. This is very crucial to understand the trend of online traveling business. As OTA is at a nascent stage of development, proper Research and Development is inevitable at this moment.



GOZAYAAN

Mr. Ridwan Hafiz is the founder and CEO of Go Zayaan and co-founder Analyzen. He always had the drive of entrepreneurship which resulted into such a successful agency like Analyzen. MBR had the opportunity to get the insight about his startup Go Zayaan and the travel-tech industry of Bangladesh.

Exploring new dimension

With the higher level of disposable income of Bangladeshi people and their overall improved living standard, traveling is one of the things that has been in the pick of growth for last decade, which is a very inspiring scenario for any business related to travel industry. Traditional travel business are already there, which used to provide support to customer in traditional way. Offline method is not really convenient for people because there are very few opportunities to compare among the best deals available in the market. Travel-tech is already a very popular form of business around the world and the new generation of Bangladesh was looking forward to getting online solution of traveling business.

As Mr. Hafiz already had involvement in digital media and e-commerce sector because of his affiliation with Analyzen as one of the founding members, it was the core area for him to work on. With this mindset, Go Zayaan started its operation as a startup in travel-tech industry.

Go Zayaan is targeting the B2C Air ticketing service. Their prime service area is domestic and international air ticketing. Alongside Go Zayaan provide visa processing facilities to the clients. Very soon Go Zayaan will be working on hotel booking, an unexplored area for Go- Zayaan to cater service.

Customer acquisition is the key

Go Zayaan offers ticketing service through their website. Go Zayaan does not offer any package tour to the customers as offering packages requires a dynamic website, which is not in that way right now. Yet, there is an option of searching the website and customize own package. In that case, with short amount of time a customer can purchase their desired package and that will be sent to their mail. It requires less than five minutes to complete the whole process.

To intrigue the users of this industry, different campaigns are held in different time of the year which had promo-codes, discounts, cashback etc. As this is a new area to work on compared to any other industry in Bangladesh, it is necessary to motivate customers to take a contemporary service like travel tech solution. Go Zayaan keeps the price in a competitive range, but most important aspect of the service of Go Zayaan is that, it offers convenience to the user.

Go Zayaan is looking forward to launching 6 new verticals in future. Those includes introducing hotel booking facility, domestic and international packages and so on. All these new verticals are going to be introduced in new year. The app will be launched at quarter three of next year where all the facilities of Go Zayaan will be integrated in one platform.

Market full of possibilities

Bangladesh has a promising travel-tech market. This travel-tech industry have not even started yet. Because this is very nominal initiative that any company can take to capture the travel industry. This sector is lucrative and here some companies is doing really good. Flight expert is the name that comes at first place if talking about the travel-tech in Bangladesh, because Flight Expert is doing really good in this industry.

Traveling industry should convert their services to online platform because the ultimate destination of this industry is that all customer will prefer tech based solution to traditional travel agency. So to stay in the market and survive tech based solution should be adapted by all the travel agencies.





Ridwan Hafiz

CEO, Go Zayaan

Go Zayaan sold ticket of around BDT 24 crore. Now the sales varies a lot. On a day with highest level of sale it was around BDT 30 lac and on average day the sales is around BDT 4 to 5 lacks only. All OTA should be targeting only

this aspect with all the focus and effort which is to convert the customers from traditional travel agency to tech based travelling solution which is the most concern for Go Zayaan and this should be for others too rather than competing each other.

Industry has 'Achilles Hill'

Hotel Booking requires sending remittance outward of Bangladesh. This process is really lengthy which can be troublesome for the tech companies. The biggest challenge for Go Zayaan is to convert the traditional customer to tech based platform. Another challenge is that the customer base that will utilize the tech based travelling solution are out of reach of the financial instrument, credit card needed to avail service from travel-tech industry. Mostly young aged people are tech savvy and they are the pioneer who can lead the way to flourish this industry. Utilization of service from this platform requires a credit card facility with huge credit limit. But the young aged people are not getting that facility in our country, which means a large group of customers who would be able to avail Go Zayaan's service, are not able to utilize that.



DIVERSIFICATION IN BANGLADESHI STARTUPS

Does “don’t put all your eggs in one basket” hold always true in business?

Diversification is about building new products, exploring new markets, and taking new risks. The concept is much the same in the world of business ownership. Since the private sector is unpredictable at best, and customer whims are notoriously fickle, diversification can pay to broaden a company’s horizons and pursue new opportunities- no matter how confident it may be in existing offerings.

The cost of ignoring this can be severe.

One glaring example of the impact of not diversifying is the fate of Blockbuster and Video King. As the world went digital, these companies tried and failed to claim their place in the new order, and the transition almost claimed the life of Netflix.

That is, until they recognized that streaming- and not DVD rentals- was the future of entertainment.

Having said that, diversification is not a cure-all for the struggling business, nor a sure way to cement the lead if the business is already thriving. The world is full of companies that found their specialty early on, built a market around that product, and decided to make it their focus. However, it is one potential answer in order to remain competitive.

In global context, perhaps General Electric is what is called to be a world-class diversifier. What started out as a merger between two electric companies, over long 26 years, GE successfully branched out into a wide variety of industries including power and water, transportation, oil and gas, aviation, healthcare, and more. Tesla is slowly rebranding

as a battery company, where once they were known as an automaker. New technologies are forcing companies to redefine what it is they have to offer the world. Another popular name in the world of diversification is Chinese conglomerate Alibaba, e-commerce, retail, Internet, AI and technology.

The way to diversification

Different businesses adopt different methods to diversify their business. The big names in global business landscape diversify by finding a related product, researching its potential, and then making an entry into that new market. There are plenty of high-profile companies that do this regularly through acquisitions: namely, Apple, Amazon, Google, and Microsoft. These companies find and purchase small companies that can add value to their existing product lineup.

Some diversify by taking up a related line of business. Flipkart, India biggest online store bought payment start up PhonePe to offer e-wallet service to fit into the only shopping preference to its large customer base. Similarly, BigBasket diversified to online delivery business by acquiring Delyver, which has a name for using local stores to deliver groceries to people.

The e-commerce giant, Amazon has been expanding into groceries and physical locations, including bookstores, ironically working itself back into the brick-and-mortar business that it’s also disrupting.

How Bangladeshi startups are fitting into the game?

The startup landscape of Bangladesh is at nascent stage of development. Interestingly, some local startups have gone for forward and backward integration and diversification of their services to broaden their horizon in the market. It aided the companies to expand their activities to control direct distribution of their products; and reduce supplier dependency with regard to e.g. timely deliveries, quality concerns, innovation ability.

- **PATHAO**, the big name in Bangladesh's startup scenario created the market for bike ridesharing. Besides ridesharing, Pathao took up some other lines of businesses as part of their diversification strategy, for instance, e-courier (Pathao Parcel-B2C and Pathao Fulfillment-B2B), online food delivery (Pathao Food), e-wallet (Pathao Pay), online marketplace (Pathao Tong). Also, Pathao started geographical diversification by expanding its operating in Nepal. What is evident in all of their areas of diversification revolves around the core business i.e. ride-hailing.
- **COOKUPS**, the online homemade food delivery platform is building an ecosystem of on-demand homemade food market place and of late it came up with its sub brand named Growups. Under this brand, they sell fresh produce and groceries.
- **CHALDAL**, the premium online grocery shop has come up with its own ride-hailing service called Chalao. However, Chalao is primarily dedicated to address the growing number of orders Chaldal receives everyday.
- **SHOHOZ**, offers bus tickets, hotel reservations, and launch tickets online. It also provides information about pricing, availability, timings, and booking facility for bus tickets, hotel reservations, and launch tickets. In recent time, they have ventured into ride-sharing, which is totally a new area for their original line of business.



Startup Facts

- Adaptive diversification by most of the Bangladeshi startups in tandem with the core business line.
- Only geographic diversification by Pathao to Nepal
- Diversification in completely different line of business by Shohoz from ticketing to ride sharing service.

Way forward to diversification for local startups

Local startups of Bangladesh is taking up other lines of businesses as their diversification and growth strategy, which are pertaining to their core nature of business. Since, the startup ecosystem just started breathing, startups are making cautious steps towards diversification and they are mostly shying away from catering to a completely new line of business. However, the local startups should watch out the market meticulously while going for geographical diversification since mega brands Walmart, Starbucks succumbed to fall in other geography due to prior inadequate research of the local market.

Nevertheless, there are just as many companies (if not more) that took a while to discover their purpose, and diversified again and again until they found out what that purpose was e.g. Nokia(which originally sold paper products).



PARKING KOI

'Parking Koi' is a startup with the core value, "Unlock the hidden parking spaces in Dhaka" promoting the parking space sharing platform for cars in Bangladesh. Mr. Rafat Rahman, the founder of Parking Koi aims to utilize the unused parking spaces in Dhaka and eliminate illegal parking from the city through this platform.

Brainstorming phase of 'Parking Koi'

Mr. Rafat Rahman has been residing in the US for last 12 years and worked in Fortune 500 companies like HP, Intel and Bank of America. Currently, he holds the position of 'Senior System Engineer' in the largest insurance company of America.

Finding parking space is such an issue that people undergo in almost every metropolitan cities. He found the problem very prominent in Dhaka as there is not enough parking space. The consequence is horrendous traffic condition due to abrupt parking. It fueled the necessity of creating a platform where parking space are found upon necessity.

'Seedstar Award' and stepping up for the next level

The app Parking Koi was launched on April 1, 2018. On April 10 his team applied for GP Accelerator and got assistance in commercializing the app and mentoring on customer dealing, designing the financials and so on. Meanwhile the team became one of the top 10 teams in Seedstar and Mr. Rahman is proud that his team will be representing Bangladesh at Seedstar 2018 in Switzerland.

The app was in beta phase; however, the newly designed app is very user friendly. The app already has 25 thousand download and 12 thousand active users.

Blueprint of 'Parking Koi' operation

Parking Koi has 3 founding members. The founders consider Parking Koi an IT company first and later a parking solution platform. Right now the total size of the team is 31. The startup has its own app developer team which leverages the company to fix any problem

within an hour. Parking Koi has six operational division in Dhaka city and the operation team is working to source the single parking spaces across the city. The team is also trying to collaborate with the owners of shopping malls and multi storied buildings to utilize their parking spaces.

The marketing is exclusively done using online platform, especially social media. The operations team has two units of 24 members. These units collect lead from Facebook and receive customer response on company's behalf. People who wants to rent out their parking space can reach them online or they can send message on Facebook or contact the team through the app.

The company wants to cover the metro cities first and other than the metro cities the demand for parking space is less. Parking Koi plans to start its operation in Chittagong on 1st November and in Sylhet on 1st December. The company also has expansion plan in Asian market in future.

Market penetration strategies

Parking Koi got popularity through social media marketing and it plans to organize a roadshow as part of offline marketing to capture the segment who does not have social media exposure. Parking Koi also has plan to work with Gulshan Society, DMP and Dhaka City Corporation to mitigate traffic problem.

Parking Koi is generating hourly 1000 transaction per day. Users can make the payment both with cash and card. Since cash transaction is popular in Bangladesh, Parking Koi is primarily focusing on cash payment. Parking Koi is a new concept for Bangladeshi people and they prefer to pay cash after parking since the hourly charge is around BDT 20-25. Parking Koi has





Rafat Rahman

CEO, Parking Koi

collaboration with SSL Commerce and the team wants to educate the users to make cashless transaction through their payment gateway. They are also making discount offers to encourage users to go for cashless transaction. Parking Koi's monthly transactions (monthly parking rent) are done through bank to bank, credit card or through bKash.

Parking Koi doesn't have any specific pricing model. The hourly parking fees ranges from BDT 5 to BDT 30 and the monthly rent from BDT 1500 to BDT 4500 depending on the location. The company keeps 20% commission from the parking owners and 10% from who takes the parking space. The proportion of the commission varies time to time; however, the ceiling is 20%. The company gradually increases the commission from the host as the number of parking request increases.

Challenges in the path of glory

Entrepreneurship itself is very challenging. Parking Koi is dealing with a sensitive asset like cars. Ensuring the security of these cars was very challenging. Fortunately, the team has ensured 30,000 safe parking without any occurrence.

The team faced difficulties to make people understand the concept of getting parking space through app. Making any startup scalable and profitable is challenging.

Plan down the line

According to The Daily Star, 30% of the traffic problem occurs due to arbitrary parking, and Parking Koi wants to eliminate illegal parking from Dhaka, Chittagong and other cities. The team also plans to work with the government to arrange parking space around the metro rail station so that people can park their cars safely and ride on the train.

Parking Koi is trying several models to find the best match in Bangladeshi context with trial and error. It initiated with profit sharing model and planned to decide on the business model it wants to stick with. Parking Koi wants to encourage people to use paid parking space through discounts.



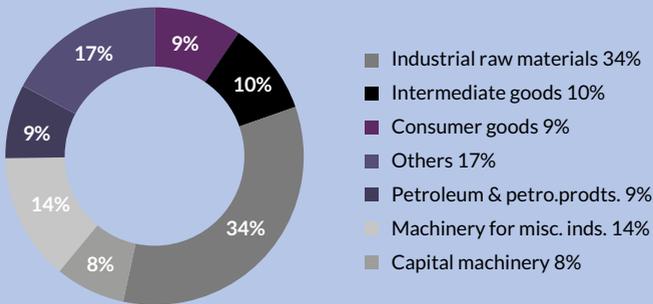
KEY INFO

Private credit growth slumps
at 14.67%
 in September'18

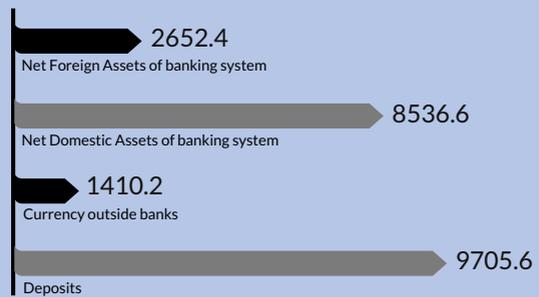
Remittance inflow up
12.17%
 y-o-y in July- October

Inflation
Gen
5.40

IMPORT



MONETARY AND CREDIT DEVELOPMENTS



REMITTANCE

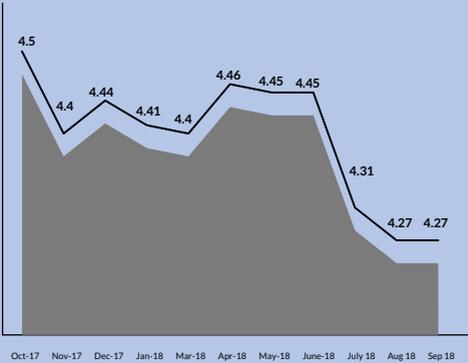


Inflation rate Down
 General inflation
 0% in October '18

ECONOMY AT A GLANCE

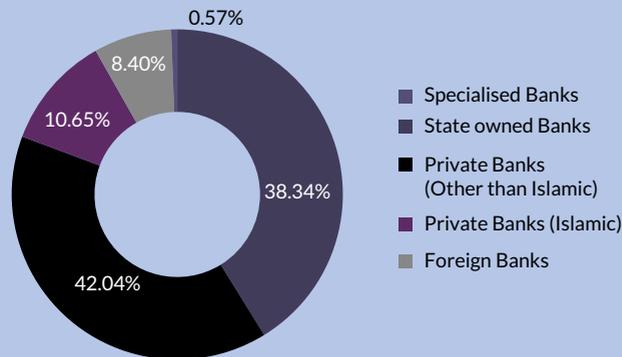
SEEING ECONOMIC TREND IN DATA

SPREAD OF ADVANCE & DEPOSIT RATE



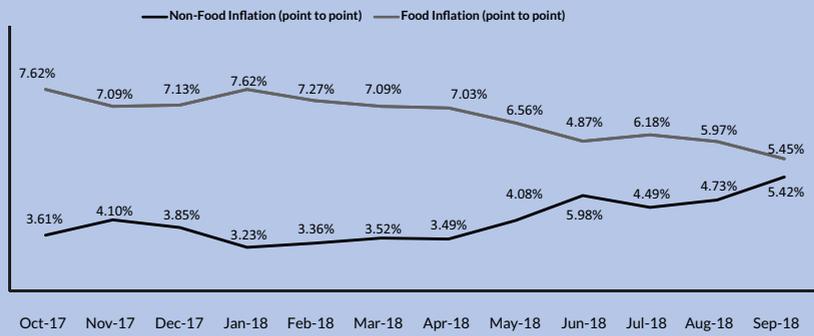
Oct-17 Nov-17 Dec-17 Jan-18 Mar-18 Apr-18 May-18 June-18 July-18 Aug-18 Sep-18

LIQUIDITY POSITION OF THE SCHEDULED BANKS



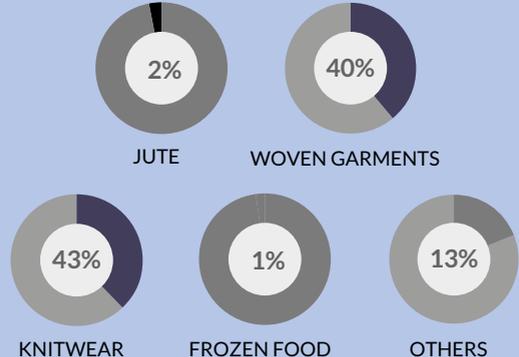
Total Liquidity Assets for December 2015 was BDT 2577.94 Billion

INFLATION



Inflation rate in March 2018 decreases as food inflation falls

EXPORT

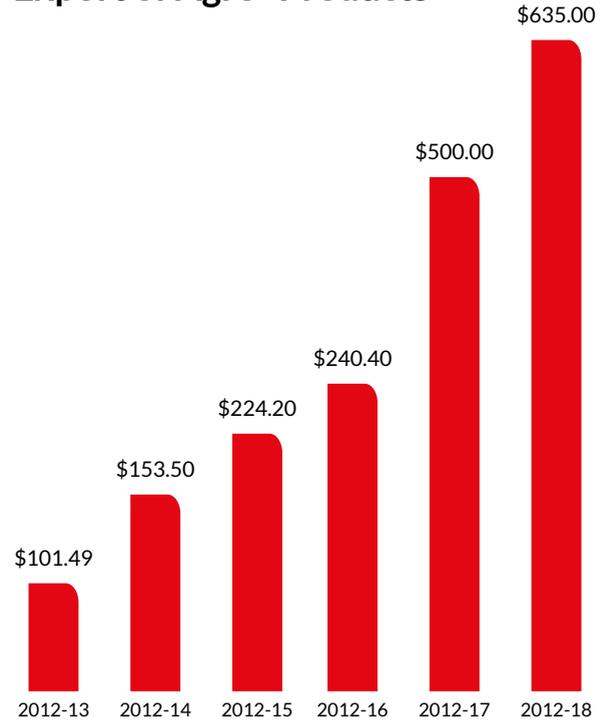


INDUSTRY UPDATE

EXPORT OF AGRO- PRODUCTS RISES 27%

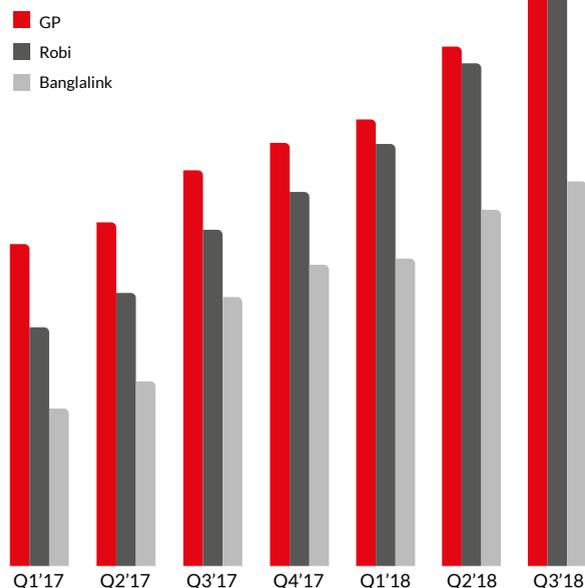
AGRO The country's agro product export rose by 27% to USD 635 million from USD 500 million due to rising global demand, according to the Bangladesh Agro-Processors Association (BAPA). Agro- food export industry was around USD 21.56 million in FY 2001-02. The agro- product export grew by 502% in last six years. Main export items are flattened and puffed rice, juice, drinks, spices, chanachur, biscuit, pickle, frozen vegetables, mastered oil, vermicelli, potato flakes/ starch, jam- jelly, and candy. Pran Group is the market leader exporting 60-70% of the total processed food. Other market players include IBCO Food Industries, Eurasia Food Processing (BD), Square Consumer Products, Bengal Meat Processing Industries, Azmi Foods and Aline Food Products. The sector expects to export USD 1.0 billion worth of product by 2021.

Export of Agro- Products



Mobile Data Consumption

(Per user per month)
Numbers in MB



Source: Respective Operators

TELECOM

MOBILE DATA USAGE RISES 46% ON 4G

Inception of 4G service and availability of digital services on mobile platform pushed the average mobile data consumption to 1 gigabyte from 700 megabyte in last year. Robi is the market leader in data segment and in Grameenphone's data consumption was lower for the first time than Robi's in last 10 years. The sector is witnessing obstacles like frequent disruption in fiber optic connectivity and low smartphone penetration. Only 35% people use smartphones among the total mobile phone users. Yet, video- sharing platform YouTube has grown significantly after 4G service takeoff

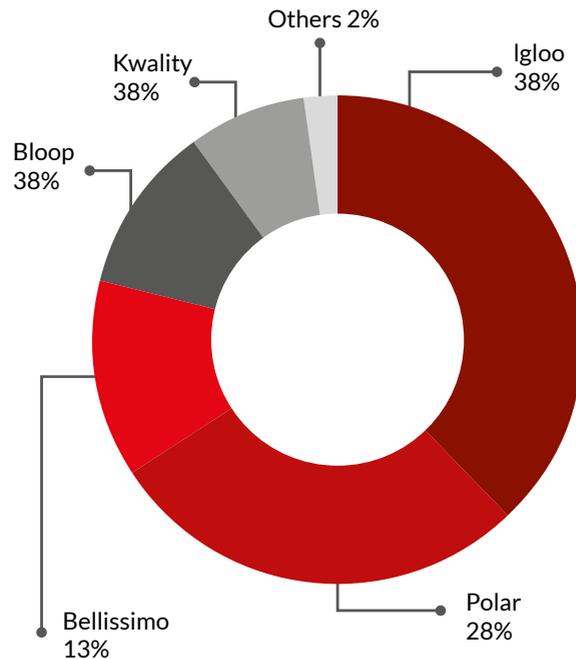
ICE-CREAM INDUSTRY EXPANDING ON RURAL DEMAND

ICE CREAM

Rise in per capita income, change in food habit and social

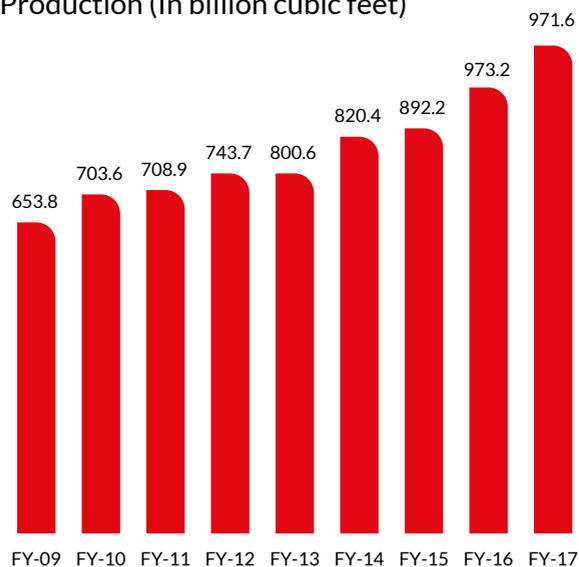
structure, massive electrification in the country, specially in pastoral area pushed ice-cream industry with a market size of BDT 1200 crore to grow 15% annually. The industry explored the market beyond cities due to increased use of refrigerators in suburbs and villages. According to a study, the industry's contribution to GDP is 0.064%, whereas in India the contribution is 0.031% and in Vietnam 0.94%. Branded ice-cream holds more than 85% market share and premium ice-creams 15-20%. Igloo is the market leader gripping on 38% share of the industry.

Market Share of Ice Cream Industry



BD's Natural Gas Production

Production (In billion cubic feet)



POWER SECTOR

PETROBANGLA REVISES BD GAS DEMAND UPWARD BY 8.39%

Due to LNG import, the country's gas demand projection soared by 8.39% to 1.346 trillion cubic feet in FY- 2018-19. Bangladesh has a contract with Qatar's RasGas tenured 15 years and received first LNG supply in September'18. According to the Ministry of power, Energy and Mineral Resources, the domestic reserve of natural gas is around 12.88 Tcf till April'18. The local gas producing companies stream 32.3%.

MONTH IN BRIEF

● **Inflation plunged 18 months low** to 5.40% in October, a consequence of falling food prices, according to the Bangladesh Bureau of Statistics (BBS).

● **The number of active mobile money accounts** amplified by 6.2% to 31.4 million despite a sharp decline in mobile banking transactions by 12.3% to BDT 30,165 crore in September from BDT 34,399 in August.

● **The country's first ever USD 50 million syndicated loan** with International Finance Corporation was signed by Dhaka Bank to facilitate trade transactions of the bank through its offshore banking unit.

● **The country's remittance inflow soared by 6.55%** to USD 1.24 billion in October FY'19 from USD 1.16 billion in October FY'18, according to BB data.

Tax Return Submission Amount in Lakh



● **Tax return submission hits 18 lakh** in FY'18, touching the highest mark in the last decade, according to the NBR.

● **BB confirms BDT 5.4672 billion** deposit collection through the agent banking in Q3, a 28% growth than Q2 of 2018.

● **Bangladesh forex reserve** witnessed 405% to USD 31.95 billion in 2018 from USD 5.8 billion in 2008 due to stable economic growth and resilience of major external sources.

● **Export to India through Benapole port** increased by 65% year-on-year to BDT 4,040.35 crore and export volume by 40% to 322,000 tonnes.

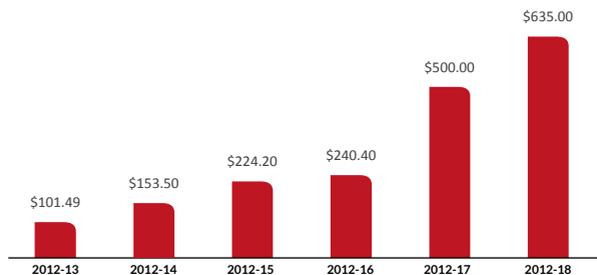
● **BB eases the regulations on forward sale** and purchase of forex to ensure dynamism in hedging transactions allowing the traders to receive their exchange gains after closing forward deals

● **The average consumption of mobile data** touched the milestone of 1GB from about 700MB in last year after the launch of 4G service.

MONTH IN BRIEF

● **Export of agro- products soared by 27%**, a consequence of local firms' penetration of new export destinations.

Export of Agro- Products Amount in million USD

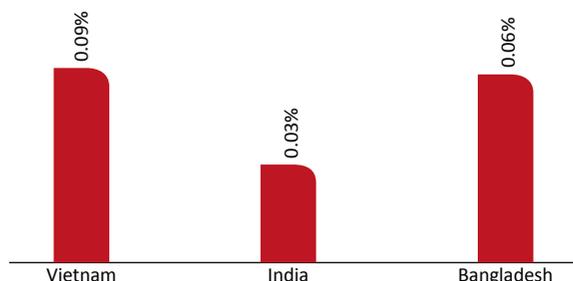


● **A surge in the use of automobiles** and introduction of new power plants proved to be blessings for engine oil market to grow by 15%.

● **Selling-off of 20 % stakes** to the telecom infrastructure provider Edotco Bangladesh, Robi witnessed profit in the third quarter of the year after seven straight quarters of losses.

● **Ice-cream industry in Bangladesh** with a market size of BDT 12 billion growing at annual rate of 15% due to changing lifestyle and rising per capita income.

Country Wise Ice-Cream Industry's Contribution to GDP



● **The number of BO accounts soared by 1,10,619** from September'18- November'18 due to atypical rise in the share prices of debutant companies in the first few days on the bourses.

● **Global credit ratings giant Moody's red flagged Bangladeshi banks** due to the decaying asset quality, unstable operating environment, funding and liquidity; deteriorating capital, profitability and efficiency.

● **The government to start savings instrument** database from Feb'19 to control the misuse of the instrument.

● **The government's borrowing from the banking sector** touched BDT 5401 crore in Nov'18 from due to revenue shortfall.

● **China's investment in Bangladesh stood USD 506.13 million** in FY 2017-18 making it the country's largest top source of FDI (Foreign Direct Investment).

● **The country's unemployment rate soared by 6.4%**, according to a report by International Labor Organization

WHEN SHOULD YOU START SAVING FOR RETIREMENT?

There's no present like time.

This reversal of the famous “no time like the present” is a reminder that time is precious- something that is not returned once it's spent. Therefore, getting things done in right time holds the utmost importance in a human life- starting from taking a personal decision to making career choices to saving for retirement.

The time to start investing is now

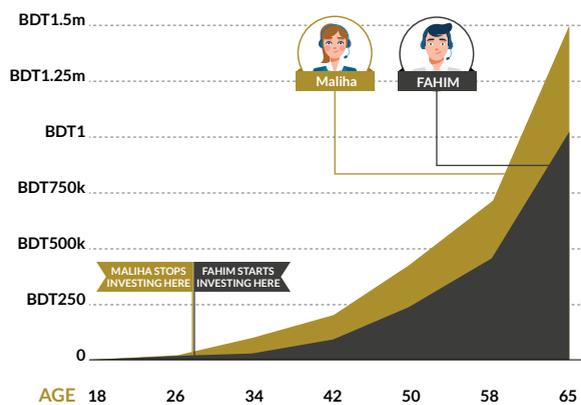
Money, Time and Compound Interest are the three important things to consider when it comes to building wealth. The most critical element of the investing formula is time. With more time, more compound interest can grow. That's why, investment decision, should be made at earliest, regardless of the investment amount, market condition and or job status.

Let's look at the saving pattern of two friends: Fahim and Maliha.

Details	Saving pattern of Maliha	Saving pattern of Fahim
Started saving at	18 age	27 age
Investment amount	BDT 2,500 a year	BDT 2,500 a year
Stopped saving at	27 age	65 age
Total Investment Amount	BDT 22,500	BDT 97,500
Rate of Return	10%	10%
End value of the investment	BDT 1.425 million	BDT 1 million

n Value of Investment at the time of Retirement

THE POWER OF COMPOUND INTEREST



Even after both saving the same amount monthly and at the same rate, Fahim ends up saving more but getting less, just because he started saving late.

Therefore, the key is to start investing as soon as possible.

What to do to start saving for retirement?

- **Get an emergency fund:** Start with BDT 1,000 in the bank and don't touch it unless it is an extreme emergency.
- **Get rid of debt (Be extra cautious of Credit Card!):** Debt is retirement quicksand. It is not possible to charge forward with investing being over burdened with debt payments. Also, credit card payment should be made at due time to avoid the high interest rate in late payment.
- **Get on a budget:** Without a budget, you will always end up eating your future investment.

Performance of Equity Markets of Bangladesh and Peer Countries

Equity market of Bangladesh passed the month of November staying flat. During the month, broad index DSEX declined by a marginal 0.1%, while shariah index DSES improved by same. However, blue chip index DS30 lost 0.9% as large market capitalization companies faced selling pressure.

Among the regional peer countries, Pakistan lost 2.8% during the month, while Sri Lanka and Vietnam yielded 0.7% and 1.3% return, respectively. However, Vietnam showed the most encouraging longer term track record with a 5 years' return of 82.5%, followed

by Pakistan and Bangladesh with 66.6% and 24.8% return, respectively.

Meanwhile, MSCI Frontier Markets Index gained 2.1% during last month. The index shredded out 16.6% since the beginning of the year representing the grim scenario of the equity markets of the frontier market countries. The performance of the equity market of Bangladesh showed similar pattern, so far with a loss of 15.4% during the same period. Nevertheless, from a longer-term view, Bangladesh outperformed the MSCI FM index. (Table: 1)

Table 1: Equity market performance in Bangladesh and peer countries

Indices	Index Points, November, 2018	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	5,281.3	-0.1%	-5.7%	-15.4%	-16.3%	15.3%	24.8%
DS30	1,861.6	-0.9%	-5.1%	-18.5%	-18.0%	7.4%	23.8%
DSES	1,223.5	0.1%	-3.6%	-12.0%	-11.4%	11.0%	N/A
Peer Countries							
Pakistan (KSE 100)	40,496.0	-2.8%	-3.0%	0.1%	1.2%	25.5%	66.6%
Sri Lanka (CSE - All Share)	5,992.7	0.7%	-1.4%	-5.9%	-6.5%	-13.3%	3.8%
Vietnam (VNI)	926.5	1.3%	-6.4%	-5.9%	-2.5%	61.6%	82.5%
MSCI Frontier Markets Index	531.9	2.1%	-1.8%	-16.6%	-14.1%	4.8%	-8.7%

* All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During November, the total market capitalization reduced by 0.6%, while free float market capitalization increased by 0.5%. Meanwhile, daily average turnover stood at BDT 5.8 bn (USD 69.6 mn), improving by 5.4% compared to that of last month. However, turnover velocity which represents overall liquidity of market, slowed down during this month to 36.7% compared to 39.8% of last month as total monthly turnover decreased, primarily because of fewer trading sessions in November. Turnover velocity reached as high as 51.3% in 2017, while it hovered around 35.0% during 2013-2016.

Table 2: Market capitalization and turnover statistics

Particulars	30-Nov-18	31-Oct-18	% change
Total market capitalization (USD* mn)	45,504	45,792	-0.6%
Total equity market capitalization (USD mn)	38,525	38,812	-0.7%
Total free float market capitalization (USD mn)	15,621	15,540	0.5%
Daily Avg. Turnover (USD mn)	69.6	66.0	5.4%
Turnover Velocity~	36.7%	39.8%	N/A

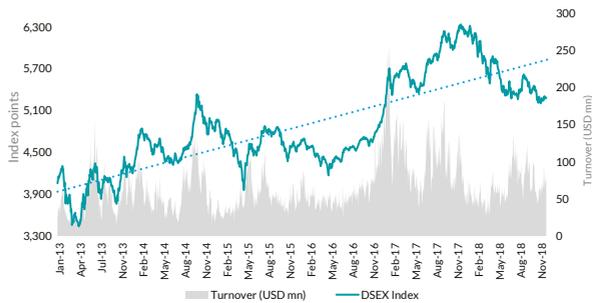
*All USD figures are converted using an exchange rate of BDT 83.9 as of November 29, 2018 as per Bangladesh Bank website.

~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 30.2% till November, 2018. During the same period, daily average turnover of the market amounted to BDT 5.5 bn (USD 65.3 mn) (Figure 01).

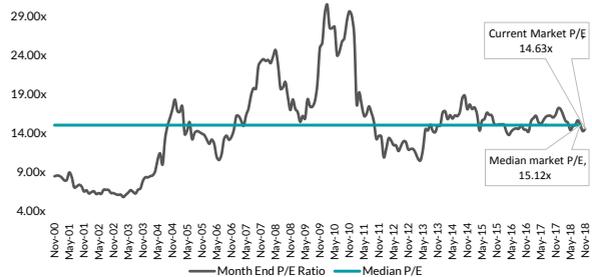
Figure 1: DSEX since inception along with market turnover



Market Valuation Level - P/E Ratio

The market P/E as of November, 2018 was 14.63x, which is slightly lower than 18 years' median market P/E of 15.12x (Figure 2). In terms of trailing 12 month P/E ratio the valuation level of Bangladesh is still low compared to most of the regional peer countries (Figure 3).

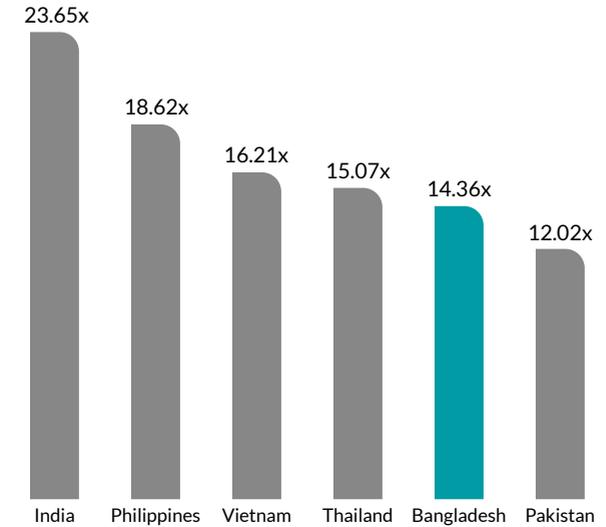
Figure 2: Historical market P/E* and its median



*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 December 02, 2018.

Source: IDLC, Bloomberg

Sector Performance

Among the major sectors, Textile yielded the highest return, appreciating by 10.1% in November. Miscellaneous followed next, advancing by 6.6%. Besides, Pharmaceuticals & Chemicals and Engineering increased by 5.9%, and 2.0%, respectively during the month.

On the contrary, Telecommunication faced the highest selling pressure during the month, declining by 4.4%. Life Insurance followed next with a negative return of 4.3%.

The largest sector in terms of market capitalization, Bank declined by 1.5% during the month. In addition, correction of 25.0% during last 12 months made it the sector with lowest P/E in the market.



Table 3: Sector performance snapshot

DSE Code	Market capitalization (USD mn)		Return*						P/E(x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Bank	6,679	3,821	-1.5%	-9.3%	-24.2%	-25.0%	52.1%	58.3%	9.7	0.9	2.9%
Telecommunication	6,009	629	-4.4%	-6.1%	-18.7%	-18.8%	54.5%	114.0%	14.4	12.8	5.5%
Pharmaceuticals & Chemicals	5,975	3,305	5.9%	3.0%	-2.9%	-2.8%	21.1%	114.4%	17.3	2.5	1.8%
Fuel & Power	5,137	1,409	-4.2%	-1.1%	14.7%	14.4%	34.4%	45.8%	10.5	1.6	4.2%
Food & Allied	3,179	1,158	0.7%	1.2%	-4.2%	-1.9%	17.0%	114.8%	19.2	7.3	1.7%
Engineering	2,218	1,106	2.0%	-5.9%	-7.0%	-11.4%	9.8%	25.9%	14.0	1.7	1.4%
NBFI	2,176	684	-2.9%	-12.6%	-24.4%	-26.5%	34.3%	32.6%	26.6	1.7	2.8%
Textile	1,759	981	10.1%	6.1%	15.5%	12.3%	41.7%	4.0%	15.5	1.2	1.8%
Miscellaneous	1,290	371	6.6%	0.0%	14.7%	12.4%	35.3%	103.1%	26.4	1.2	1.3%
Cement	1,166	479	-4.2%	-11.8%	-27.1%	-19.2%	-31.4%	17.4%	36.2	2.7	2.5%
Life Insurance	639	306	-4.3%	9.7%	7.2%	5.9%	30.0%	-13.0%	14.6	5.2	2.1%
Non Life Insurance	445	249	-0.3%	-5.3%	-12.6%	-12.8%	39.8%	-12.9%	11.4	0.8	3.7%
Ceramics	348	133	3.7%	0.0%	-4.9%	-5.1%	6.7%	40.5%	22.0	2.0	1.2%
Tannery	331	156	4.0%	-1.1%	1.6%	2.8%	-2.5%	50.6%	15.8	2.8	2.1%
Travel & Leisure	258	148	2.9%	1.7%	0.4%	2.7%	39.4%	-24.3%	23.0	0.6	3.3%
Paper & Printing	220	71	6.4%	2.7%	22.8%	22.7%	44.9%	-8.5%	22.2	2.0	1.9%
Services & Real Estate	217	112	5.4%	-6.8%	-17.9%	-20.1%	-21.4%	28.4%	13.5	1.1	4.1%
IT	216	143	20.5%	2.5%	10.7%	10.0%	35.8%	37.1%	22.4	2.3	1.3%
Jute	43	30	51.7%	120.6%	83.6%	79.4%	316.4%	589.5%	N/A	13.0	0.1%
Market	38,307	15,289	-0.1%	-5.7%	-15.4%	-16.3%	15.3%	24.8%	14.1	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 excluding companies trading at an annualized P/E greater than 80.0x.

^P/BV is calculated by dividing total market capitalization of listed companies with their 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 November, Small Cap Class and Micro Cap Class outperformed the market, yielding 10.1% and 3.1% return, respectively. On the other hand, Large Cap Class went down by 1.9%, while Mid Cap Class stayed flat.

Table 4: Performance of different market cap classes

Cap Class	Market Capitalization of Constituent Companies (USD mn)	% of Total Equity Market Capitalization	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥121	81.1%	-1.9%	-2.9%	-8.6%	-8.2%	37.9%	99.4%	14.0	2.0	3.4%
Mid	36-120	11.9%	0.0%	-5.9%	-17.0%	-18.0%	20.6%	41.0%	14.0	1.2	1.9%
Small	12-35	5.6%	10.1%	4.5%	-0.9%	-3.5%	48.1%	94.3%	17.4	0.8	1.7%
Micro	<12	1.3%	3.1%	-7.5%	-7.6%	-8.6%	33.4%	70.8%	10.8	0.4	3.9%
Market	-	-	-0.1%	-5.7%	-15.4%	-16.3%	15.3%	24.8%	14.1	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 BERGERPBL (+13.0%), SQRPHARMA (+6.9%), IDLC (+5.8%) and BXPHARMA (+5.6%) posted outstanding return compared to the market in November. On the contrary, UPGDCL (-9.4%) faced the highest loss during the month, followed by LHBL (-9.0%) and ICB (-4.5%).

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BRACBANK (+440.7%), RENATA (+270.4%), BERGERPBL (+253.6%) and IDLC (+165.0%).

Among the scrips SUMITPOWER, TITASGAS, CITYBANK, GP, MARICO, MJLBD, IDLC and ISLAMIBANK recorded a 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)		Dividend Yield (%)	Return*						P/E (x)	P/ BV (x)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommunication	5,837	584	0.59	-4.5%	-6.2%	-18.8%	-18.9%	56.4%	125.2%	14.1	14.6	5.7%
BATBC	Food & Allied	2,372	627	0.18	-0.3%	-0.1%	-0.8%	2.3%	18.8%	120.4%	19.0	7.3	1.8%
SQURPHARMA	Pharmaceuticals & Chemicals	2,305	1,511	1.12	6.9%	3.0%	-5.4%	-5.4%	36.4%	137.2%	16.4	3.2	1.3%
UPGDCL^	Fuel & Power	1,652	165	2.68	-9.4%	0.5%	126.5%	122.0%	222.2%	N/A	19.5	9.2	2.6%
RENATA	Pharmaceuticals & Chemicals	1,096	535	0.21	3.8%	8.7%	17.7%	21.0%	42.6%	270.4%	27.3	6.5	0.7%
BRACBANK	Bank	929	518	0.97	3.3%	-5.6%	-16.2%	-17.2%	142.0%	440.7%	15.4	2.4	0.0%
ICB	NBFI	890	28	0.05	-4.5%	-13.6%	-24.4%	-27.7%	24.6%	23.4%	68.6	2.1	2.5%
BERGERPBL	Miscellaneous	767	38	0.41	13.0%	9.4%	35.5%	29.3%	50.3%	253.6%	47.1	11.1	0.7%
LHBL	Cement	562	198	0.15	-9.0%	-23.7%	-41.9%	-27.0%	-49.1%	29.0%	72.0	3.0	2.5%
OLYMPIC	Food & Allied	519	375	0.28	1.9%	10.4%	-22.7%	-22.0%	-1.6%	162.2%	22.7	7.4	2.2%
SUMITPOWER	Fuel & Power	496	183	0.71	-4.0%	5.3%	17.1%	14.5%	26.4%	55.7%	7.3	1.0	7.7%
ISLAMIBANK	Bank	451	236	0.07	0.0%	-10.6%	-33.0%	-27.5%	-0.2%	-12.9%	8.2	0.7	4.3%
MARICO	Pharmaceuticals & Chemicals	456	46	0.05	4.2%	9.4%	17.0%	19.3%	-6.2%	92.6%	18.4	19.7	4.9%
TITASGAS	Fuel & Power	434	108	0.14	2.9%	-1.5%	-11.1%	-10.7%	-16.6%	-38.1%	7.3	0.5	6.8%
BXPBARMA	Pharmaceuticals & Chemicals	381	331	0.47	5.6%	-9.8%	-22.8%	-21.9%	13.9%	111.3%	10.6	1.2	1.6%
CITYBANK	Bank	360	251	0.30	-1.9%	-12.1%	-41.4%	-42.8%	80.0%	148.3%	10.1	1.3	5.8%
MJLBD	Fuel & Power	351	100	0.16	-1.1%	0.1%	-6.3%	-6.9%	33.9%	103.0%	16.4	2.7	4.6%
IDLC	NBFI	312	135	0.35	5.8%	4.5%	-18.5%	-22.7%	59.1%	165.0%	27.7	2.2	4.3%
DUTCHBANGL	Bank	312	41	0.07	-2.1%	0.4%	-14.6%	-14.2%	35.0%	59.7%	7.4	2.2	2.3%
IFADAUTOS^	Engineering	317	118	1.27	2.8%	-1.2%	-4.5%	-11.2%	74.2%	N/A	17.1	1.2	1.9%
Market		38,307	15,289	69.57	-0.1%	-5.7%	-15.4%	-16.3%	15.3%	24.8%	14.1	1.8	3.0%

* All returns are Holding Period Return

^ Five years' return is not available for UPGDCL and IFADAUTOS as they were not listed then.

Top Performing Mutual Funds

Top ten open end mutual funds with highest return in 2017, yielded negative return this year on YTD basis. However, LankaBangla 1st Balanced Unit Fund (-3.4%), UFS-Pragati Unit Fund (-3.7%) and UFS-Popular Life Unit Fund (-3.8%) managed to keep the losses at minimum.

Table 6: Top ten open end funds based on the performance of 2017

Name	Asset Management Company	Fund Size (USD mn)	Return		
			2018 (YTD)	2017	2016
VIPB Accelerated Income Unit Fund	VIPB	12.7	-10.1%	33.2%	6.7%*
Seventh ICB Unit Fund	ICB	5.5	-11.6%	32.5%	4.0%
ICL Balanced Fund	ICL	4.0	-8.0%	29.6%	1.8%*
Peninsula AMCL BDBL Unit Fund One	Peninsula	2.7	-15.1%	29.3%	10.5%
Sixth ICB Unit Fund	ICB	3.9	-9.1%	25.6%	9.0%*
Third ICB Unit Fund	ICB	4.1	-7.8%	21.1%	10.1%*
UFS-Popular Life Unit Fund	UFS	9.3	-3.8%	20.3%	11.7%*
UFS-Pragati Life Unit Fund	UFS	0.8	-3.7%	19.5%*	N/A
LankaBangla 1st Balanced Unit Fund	LankaBangla	5.0	-3.4%	18.8%	4.7%*
ICB AMCL Pension Holders' Unit Fund	ICB	3.6	-17.4%	18.5%	14.3%
Market			-15.0%	24.0%	8.8%

* Funds were launched within the year. Hence, reported return is not of full year.

During 2013-2017, all the top ten closed end mutual funds outperformed market. These funds yielded negative return in 2018, yet performed better than market.

Despite the feeble performance in 2018, the funds are traded at a lucrative discount compared to their NAV. Besides, the funds also offered higher dividend yields compared to market.

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
							2018 YTD	2017	2015-17	2013-17	
NLI1STMF	VIPB	8.5	11.9	14.11	84.3%	11.8%	-10.3%	31.8%	21.9%	19.3%	2022
SEBL1STMF	VIPB	15.6	11.9	13.15	90.5%	10.9%	-10.6%	31.1%	20.2%	18.5%	2021
GRAMEENS2	AIMS	39.3	12.0	18.4	65.1%	10.0%	-2.4%	24.7%	13.6%	17.2%	2018
RELIANCE1	AIMS	9.3	9.3	13.0	71.8%	11.8%	-2.3%	21.2%	13.5%	16.3%	2021
IFILISLMF1	ICB AMCL	9.6	6.9	8.04	85.8%	13.0%	-9.1%	11.8%	10.3%	15.4%	2020
PRIME1ICBA	ICBAMCL	9.1	5.8	7.67	75.6%	12.1%	-12.1%	21.7%	12.5%	14.3%	2020
1JANATAMF	RACE	37.0	4.3	10.62	40.5%	4.7%	-6.0%	20.9%	13.0%	13.6%	2020
PHPMF1	RACE	32.9	4.3	10.49	41.0%	7.0%	-6.0%	25.0%	13.8%	13.2%	2020
POPULAR1MF	RACE	38.4	4.1	10.72	38.2%	4.9%	-5.6%	22.7%	13.2%	12.9%	2020
PF1STMF	ICBAMCL	5.3	5.3	7.45	71.1%	9.4%	-13.1%	16.7%	10.9%	12.8%	2020
Market						3.0%	-15.0%	24.0%	8.7%	9.0%	

1 Price and NAV published on November 25, 2018.

2 On last cash dividend declared.

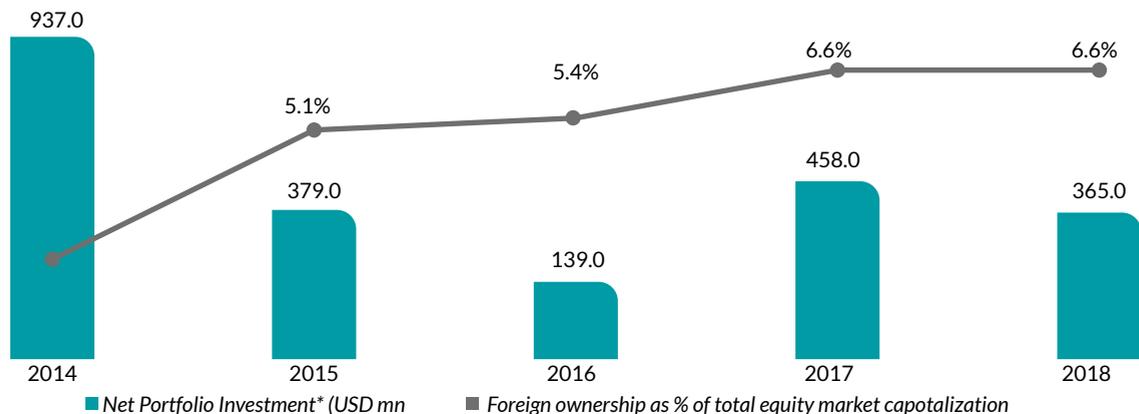
3 CAGR computed for respected periods, except for 2018, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4 In reference to BSEC Press Release [বিসেসিআইবি/সংস্পাত \(সং খণ্ড\)/২০১১/৯৫](#) published on September 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 surge of foreign investment. As of October 2018, total foreign ownership stood at 6.6% of the total equity market capitalization, which was only 1.7% in 2014.

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



Source: DSE and BB annual report

*Net portfolio investment data are as of June of the respective years

~% of foreign ownership of equity market capitalization data are as of December of the respective years except for 2018 (October)

Among all the companies with foreign ownership, DBH had the highest foreign shareholding of 43.3% as of October, 2018 followed by OLYMPIC with 41.3%.

Table: Top ten companies with highest foreign shareholding as of October

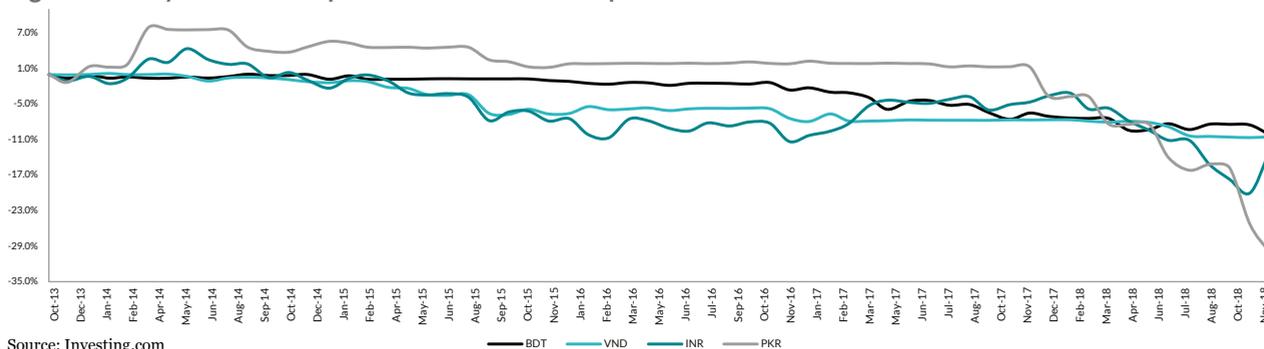
Ticker	Sector	Foreign Shareholding
DBH	NBFI	43.3%
OLYMPIC	Food & Allied	41.3%
BRACBANK	Bank	40.4%
BXPHERMA	Pharmaceuticals & Chemicals	39.1%
ISLAMIBANK	Bank	24.0%
SHEPHERD	Textile	23.1%
RENATA	Pharmaceuticals & Chemicals	22.3%
MLDYEING	Textile	21.9%
SQURPHARMA	Pharmaceuticals & Chemicals	19.7%
BSRMLTD	Engineering	19.4%

*Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

Over last five years, BDT retained its value better than the currencies of peer countries. While BDT depreciated by 10.2% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 10.5%, 13.0% and 30.1%, respectively.

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



Source: Investing.com

CORPORATE HEAD OFFICE

IDLC FINANCE LIMITED Corporate Head Office Bay's Galleria (1 st Floor) 57 Gulshan Avenue	IDLC SECURITIES LIMITED D.R Tower, (4 th Floor) 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000	IDLC INVESTMENTS LTD. D.R Tower, (4 th Floor) 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000	IDLC ASSET MANAGEMENT LTD. South Avenue Tower (5 th Floor), Unit No. 502, House # 50, Road # 03, 7 Gulshan Avenue, Dhaka 1212
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BRANCH NETWORK OF IDLC FINANCE LIMITED

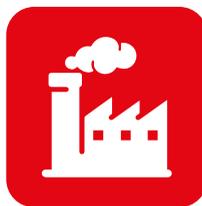
MIRPUR BRANCH Khan Plaza (1 st Floor) Plot No. 6, Main Road No. 1 Mirpur 10, Dhaka 1216 Tel: +880 (2) 805 1845	DILKUSHA BRANCH D.R Tower, (5 th Floor) 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan Dhaka-1000 Tel: +880 (2) 9560111	DHANMONDI BRANCH House # 39A (3 rd Floor) Road # 14A, Dhanmondi Dhaka 1209 Tel: +880 (2) 815 7632	GULSHAN BRANCH Bay's Galleria (4 th Floor) 57 Gulshan Avenue Gulshan 1, Dhaka 1212	UTTARA BRANCH Monsur Complex (3 rd Floor) Plot 59/A, Road 7, Sector 4 Uttara Model Town, Dhaka 1230 Tel: +880 (2) 8932340
GAZIPUR SME BOOTH Rahmat Tower (2 nd Floor) Holding No. 1034, Outpara Joydebpur, Gazipur 1700 Tel: +88 (02) 926 3505	KERANIGANJ BRANCH A.K Tower, Nagar Mahal Road Nadidhara Ispahani East Agarnagar South Keraniganj, Dhaka 1310 Tel: +88 02 7763805-6	IMAMGANJ SME BOOTH AK Tower, (3 rd Floor), 57-58, Mitford Road, Imamgonj Dhaka 1100, Bangladesh Tel: +88 02 7343766-7	NARSHINGDI BRANCH T Hussain Tower, Holding # 382 Kalibari Road, Narshingdi Bazar Narshingdi Tel: +880 (2) 945 2075-6	NARAYANGANJ BRANCH Sattar Tower 50 S.M. Maleh Road Tanbazar, Narayanganj 1400 Tel: +88 (2) 734 8213-6
SYLHET BRANCH Casablanca (2 nd Floor) 982 Dargah Gate Sylhet 3100 Tel: +880 (821) 728241-3	SAVAR BRANCH Alam Plaza (2 nd Floor) 122/B Jaleshwar, Savar Dhaka 1340 Tel: +880 (2) 774 4961-3	TONGI BRANCH Banesa Complex (Ground Floor) 26, Anarkoli Road Tongi Bazar, Tongi, Gazipur. Tel: +88 02 9817647-9	CHITTAGONG BRANCH World Trade Center (5 th Floor) 102-103 Agrabad Commercial Area, Chittagong 4100 Tel: +880 (31) 711034	NANDANKANON BRANCH A.K. Mansion (1 st Floor) Holding No. 17 J.C. Guha Road Nandankanon, Chittagong 4100 Tel: +880 (31) 612 732
BHULTA BRANCH Hazi Abdul Aziz Super Market (2 nd floor), Bhulta, Rugganj Narayanganj Mob- 01755532344	BOGRA BRANCH Sairul Complex (2 nd Floor) Sherpur Road, Sutrapur Bogra 5800 Tel: +880 (51) 69917	COMILLA BRANCH Nasir Center (2 nd Floor) 437 Nazrul Avenue Kandirpar, Comilla 3500 Tel: +88 (081) 64907-8	JESSORE BRANCH Rashid Center (2 nd Floor) 7/A, R.N. Road, Jessore 7400, Tel: +880 421 60892-95	KHULNA BRANCH Syed Ali Hossain Tower 181 Khan A Sabur Road Khulna 9100 Tel: +88 09609994352
MYMENSINGH BRANCH Swapnaneer Tower (1 st Floor), 27 C.K Ghosh Road, Mymensingh 2200	NATORE BRANCH Lili Plaza – 2 nd floor House no. – 838 Kanaikhali, Natore - 6400 Mob- 01730323042	HABIGANJ BRANCH Shankar City (1 st Floor), Ram Krishna Mission Road, Ghatia Bazar, Habiganj 3300	KUSHTIA BRANCH Momotaj Tower (2 nd Floor), 5/1, Jaliram Agarwal Lane Rokshi Goli, N.S. Road Kushtia	RANGPUR BRANCH Paper palace tower House no # 306, Road # 01 Pairachattor Central Road Rangpur.
Chowmuhani Branch N S SBhaban (2nd Floor), Feni Road, Chowmuhani, Noakhali 3821	Elephant Road Branch Pearsons Tower (1st Floor), 299 Elephant Road, 1205, Dhaka, Bangladesh	Rajshahi Branch Sahidullah Tower – 1 (2nd Floor), 32/A Ranibazar, Ghoramara, Boalia, Rajshahi 6100	Barisal Branch LL Tower, 3rd Floor, Sadar Road, Barisal	FARIDPUR BRANCH Hafeez Building (2nd Floor), 94 Mujib Sharak, Faridpur 7800



HOME LOAN



AUTO LOAN



CORPORATE LOAN



SME LOAN

WOMEN
ENTREPRENEUR LOAN

