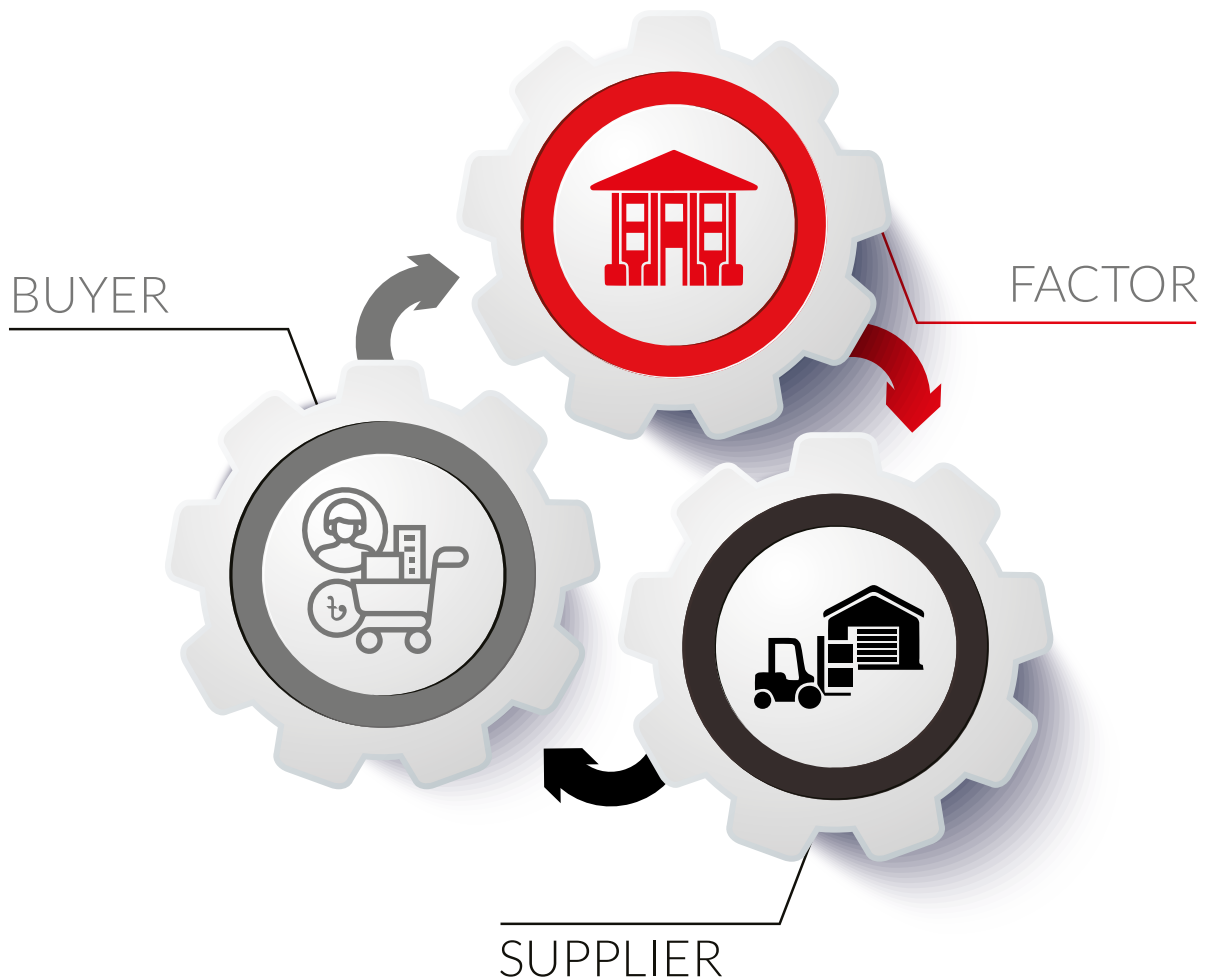


IDLC MONTHLY

# BUSINESS REVIEW



**SUPPLY CHAIN FINANCE:**  
OPTIMIZING FINANCIAL  
FLOWS IN BANGLADESH

# POWERING THE COUNTRY'S FINANCIAL PROGRESS

FOR THE FIRST TIME IN BANGLADESH  
**BDT 10 BILLION FUNDS** HAVE BEEN RAISED BY IDLC FOR  
NORTH-WEST POWER GENERATION COMPANY LIMITED



Proceeds of the BDT 10 billion coupon bearing non-convertible bond will be used to establish 2 (two) power plants of 4,920 MW at Payra in Patuakhali District.

Arranger:



Issuer:





# contents



03

Economy at a Glance

---

04

Month in Brief

---

05

For the Record

---

06

World Economic Indicator

---

07

Banking Data Corner

---

08-09

Spotlight on Startup

- Fashol.com

10-16

Cover Story

**SUPPLY CHAIN FINANCE:  
OPTIMIZING FINANCIAL FLOWS  
IN BANGLADESH**

In recent years, Bangladesh has observed growth in the supply chain industry. Supply chain finance is considered as a win-win opportunity for all stakeholders in the supply chain ecosystem- the corporates, their suppliers and factors. In the next five years, Bangladesh is foreseeing that the supply chain finance industry will grow approximately 20 times more than current market size. There are abundant opportunities to enter into the era of technologically based supply chain financing in Bangladesh.

---

17-18

Expert Opinion on  
Cover Story

- **Raja Debnath**  
Director, Veeфин

19-21

New Initiative

- Pathao-“Pay Later”
- 

22

IDLC News

---

23-25

Exclusive Feature

- **Online Bakeries  
in Bangladesh  
and its flourish**
- 

26-31

Capital Market Review



## SUPPLY CHAIN FINANCE: Optimizing financial flows in Bangladesh

Supply chain finance is deemed as a win-win opportunity for all stakeholders in the supply chain ecosystem- the corporates, their suppliers and the factor. Rather than waiting on its large customers to pay invoices, the supplier can submit invoices to financiers for early payment. In turn, this provides immediate access to liquidity which can help the supplier keep operating in a “business as usual” environment in any business climate. These along with factors such as proper fund utilization, authenticity of cash flows of borrowers, etc. have garnered much popularity in the country for this particular financing vehicle.

IDLC Finance Limited pioneered and introduced supply chain finance in 1999. Despite its commencement 23 year back, this particular segment of finance is yet to live up to its potential. The clear concept of

supply chain finance is still absent among customers in our country. Additionally, the corporate buyers lack interest in supporting their suppliers and as a result, the suppliers end up availing loans at a high rate.

From regulatory point of view, Bangladesh does not have any specific policy guideline or legal framework for supply chain finance. Nor there is any legal framework for the security of the payment for these products. Hence, for this segment to thrive, the driving force needs to come at policy levels. Meanwhile, corporate buyers have to come ahead and support their suppliers by means of reverse factoring.

**RIFAT ISHTIAQ KHAN**

Manager  
IDLC Finance Ltd.

## INDUSTRY & EQUITY ANALYSIS TEAM

**ASIF SAAD BIN SHAMS**

Email: shams@idlc.com

**ADNAN RASHID**

Email: adnan@idlc.com

**DEBAJIT DATTA**

Email: debajit@idlc.com

**RIFAT ISHTIAQ KHAN**

Email: ishtiaq@idlc.com

**SUMAIYA SIDDIQUE**

Email: ssumaiya@idlc.com

**ANISHA SAHA**

Email: anisha@idlc.com

**SHNJID ANAM**

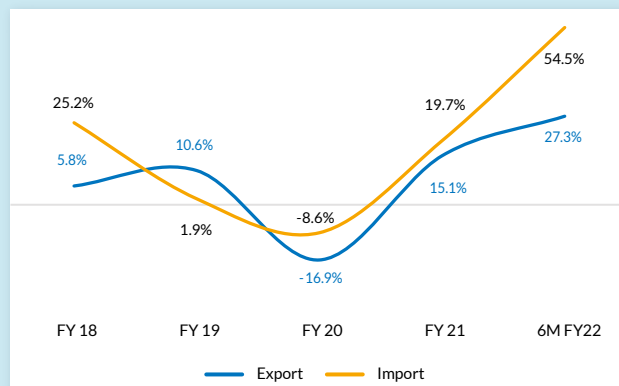
Email: shnjid@idlc.com

# ECONOMY AT A GLANCE

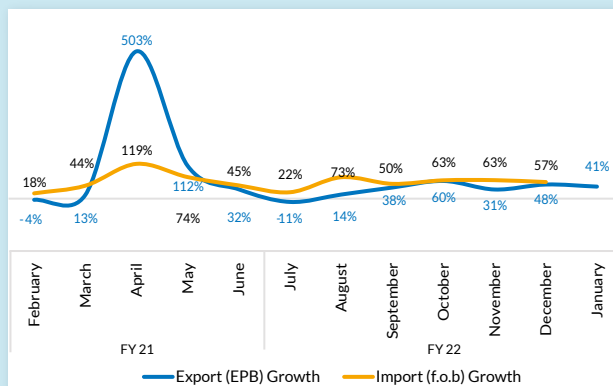
Prepared by IDLCSL Research Team

## EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)



Export & Import Growth (Last 12 Months)

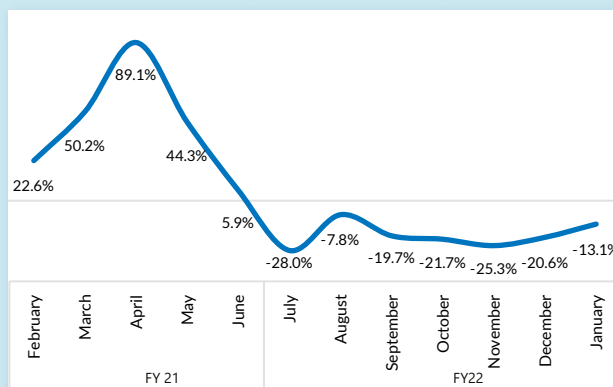


## REMITTANCE

Remittance Growth (Last 7 Years)

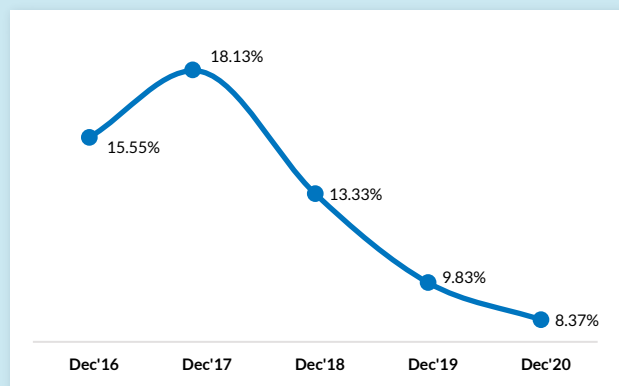


Remittance Growth (Last 12 Months)

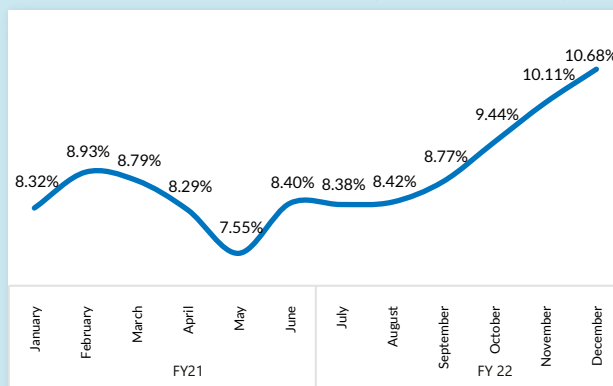


## PRIVATE SECTOR CREDIT GROWTH

Private Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



## ■ MONTH IN BRIEF

---

● The finance ministry increased the incentive on the remittance exchange rate to **2.5% from the previous 2% with an immediate effect as money transfers from migrants overseas saw a 21% year-on-year fall in the July-November period of the current fiscal year.**

● The Bangladesh Energy Regulatory Commission (BERC) slashed private retail prices of cooking fuel LPG (liquefied petroleum gas) by **4.07% for trading in January. The price of 12kg LPG has been adjusted to BDT 1,178 for January from December's BDT 1,228.**

● Bangladesh inflation surged to 6.05% year-on-year in December amid spiraling prices of food and other essentials. In other words, people had to pay **BDT 106.05 for a product or service in December last year which was at BDT 100 in December 2020.**

● **The projected per capita income in Bangladesh would reach USD 3,089 in the financial year 2022–23 and the country's GDP would grow by 7.2% to USD 455 bln in the current financial year after a 5.4% growth in the past financial year.**

● The country booked the highest-ever single-month export earnings, amounting to USD 4.90 bln in December following a strong rebound of apparel shipments from the pandemic recession. **The earnings marked a 48.27% growth year-on-year, and overshot the monthly target by 25.45%.**

● **According to the central bank's latest statistics, the deficit in trade with the rest of the world widened by 148.31% or USD 7.48 bln to USD 12.53 bln during the July-November of the FY 2021-22 against USD 5.05 bln in the same period of FY 2020-21.**

● **The World Bank (WB) has pledged to provide a USD 745 mln loan for the implementation of the Bangladesh Bhutan India Nepal (BBIN) Regional Transport and Trade Facilitation Program (Phase 1), which aims to boost connectivity among the countries.**

● **Bangladesh's economic growth would jump from 5% (FY2020-21) to 6.4% in the fiscal 2021-22 reaching as high as 6.9% in FY 2022-23, although the global growth is expected to decelerate, the World Bank forecasts.**

● The amount of default loan of the non-bank financial institutions (NBFIs) has reached the tune of **BDT 11,757 cr after September in a gap of three months, which is BDT 1429 cr higher than the April-June quarter of 2021.**

● **Bangladesh is expected to become the 24th largest economy in the world by 2030 despite a rise in poverty, unemployment and income losses because of the severe impacts of the Covid-19 pandemic, according to a government report.**

*THE RAISED INCENTIVE WILL COVER EXPATRIATES' COSTS FOR SENDING FOREIGN CURRENCIES HOME AND WILL HELP ACHIEVE BANGLADESH'S USD 26 BLN REMITTANCE TARGET THIS YEAR.*

**AHM Mustafa Kamal**, Finance Minister on cash incentive increased on remittance to 2.5%

**The Covid-19 has created migration opportunities for skilled workers in certain sectors. The declining migration of skilled workers indicates that Bangladesh has not been able to take advantage of those opportunities.**

**Tasneem Siddiqui**, founder chairman of the Refugee and Migratory Movement Research Unit on highest record of sent migration worker from Bangladesh.

**Our pharmaceuticals industry is proving its capability by manufacturing the generic version of anti-coronavirus drugs and supplying them globally. This is helping us boost the export growth of the sector.**

**Monjurul Alam**, director for global business at Beacon Pharmaceuticals on Pharmaceutical export increases by 22% YoY in H1 FY22.

**Export earnings along with the inflow remittances should be enhanced to shoot down the flying trade deficit. Export of high-value products along with basic ones should be increased further for strengthening the overall export earning of Bangladesh.**

**Mustafa K Mujeri**, executive director of the Institute for Inclusive Finance and Development (InM), on highest exports record on December, 2021.

**The world economy is simultaneously facing Covid-19, inflation, and policy uncertainty, with government spending and monetary policies in uncharted territory. Rising inequality and security challenges are particularly harmful for developing countries.**

**David Malpass**, President, World Bank on World Bank projects resilient economic growth for Bangladesh amid global downturn.

**Even in this pandemic situation, the government has kept on its efforts to ensure uninterrupted credit to the priority sectors, such as agriculture, export-oriented industries, and CMSMEs.**

**AHM Mustafa Kamal**, Finance Minister on Per capita income to reach USD 2,785 in FY22.

Country	Nominal GDP: 2020 (USD in Billion)	Real GDP Growth: 2020 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten years Treasury Bond	Currency Units (Per USD)
<b>Frontier Market</b>							
Sri Lanka	80.7	-3.57	14.20	January-22	-1.34	12.84	201.80
Vietnam	343.114	2.95	1.94	January-22	3.65	2.11	22,650.00
Kenya	102.4	-0.32	5.39	January-22	-4.42	13.07	113.55
Nigeria	429.4	-1.79	15.63	December-21	-3.95	12.11	415.83
Bangladesh	409.0	5.43	6.05	December-21	-0.93	7.10	86.00
<b>Emerging Markets</b>							
Brazil	1,444.7	-4.06	10.06	December-21	-1.79	11.03	5.30
Saudi Arabia	700.1	-4.11	1.20	December-21	-2.81	N/A	3.75
India	2,660.2	-7.25	5.59	December-21	0.90	6.76	74.78
Indonesia	1,059.6	-2.07	1.87	December-21	-0.42	6.54	14,321.95
Malaysia	337.0	-5.65	3.20	December-21	4.24	3.76	4.19
Philippines	361.5	-9.57	3.60	December-21	3.59	4.98	51.09
Turkey	719.9	1.79	36.08	December-21	-5.18	23.77	13.36
Thailand	501.7	-6.10	2.17	December-21	3.51	2.12	33.24
China	14,866.7	2.34	1.50	December-21	1.84	2.72	6.36
Russia	1,478.6	-2.95	8.40	December-21	2.44	9.45	77.12
<b>Developed Markets</b>							
France	2,624.4	-7.99	2.80	December-21	-1.90	0.43	0.89
Germany	3,843.3	-4.56	4.90	January-22	6.95	0.01	0.89
Italy	1,884.9	-8.87	3.90	December-21	3.55	1.37	0.89
Spain	1,280.5	-10.82	6.00	January-22	0.69	0.75	0.89
Hong Kong	346.6	-6.08	2.40	December-21	6.54	1.62	7.80
Singapore	340.0	-5.39	4.00	December-21	17.59	1.77	1.35
United States	20,893.8	-3.41	7.00	December-21	-2.95	1.78	1.00
Denmark	356.1	-2.06	3.10	December-21	8.24	N/A	6.62
Netherlands	913.1	-3.83	5.70	December-21	6.98	0.15	0.89
Australia	1,359.4	-2.35	3.50	December-21	2.66	1.89	1.41
Switzerland	751.9	-2.51	1.50	December-21	3.79	0.04	0.93
United Kingdom	2,709.7	-9.85	5.40	December-21	-3.71	1.31	0.74

**Bangladesh data:** The new GDP size (FY21) and real GDP growth (FY21) are as per new base year. Calculation Method of CA Balance (% of GDP): CA balance of FY21 / GDP of FY21.

Interest rate (%) 10 years TB as per January 2022, Inflation as per December 2021 and Currency Unit (per USD) as per 1st Feb are sourced from Bangladesh Bank "

**Nominal GDP:** Data of all countries apart from Bangladesh is sourced from IMF estimates of 2021 data (October, 2021 Outlook)

**Real GDP Growth and Current Account Balance:** Data of all countries apart from Bangladesh is sourced from IMF estimates of October, 2021 data (World Economic Outlook, October 2021)

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

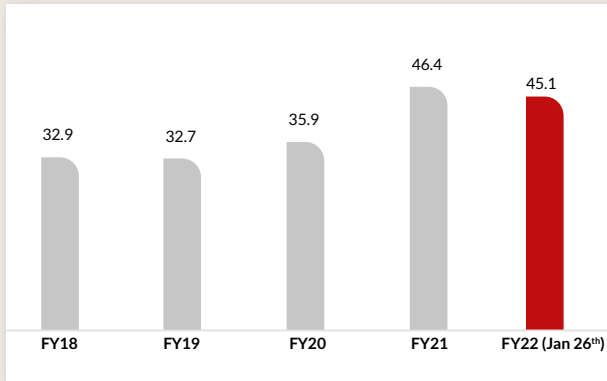
**Interest rates 10 years TB and Currency Unit :** Data of all countries apart from Bangladesh is sourced from Investing.com



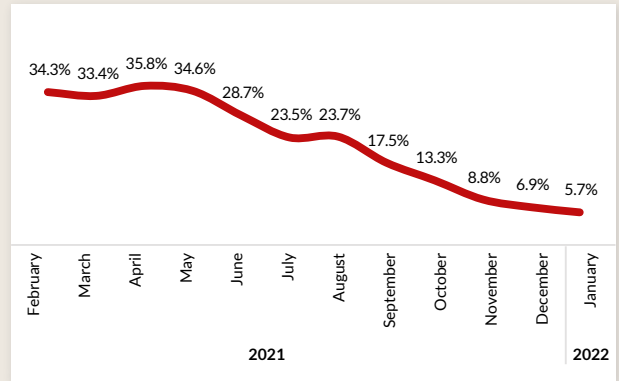
# BANKING DATA CORNER

Prepared by IDLCSL Research Team

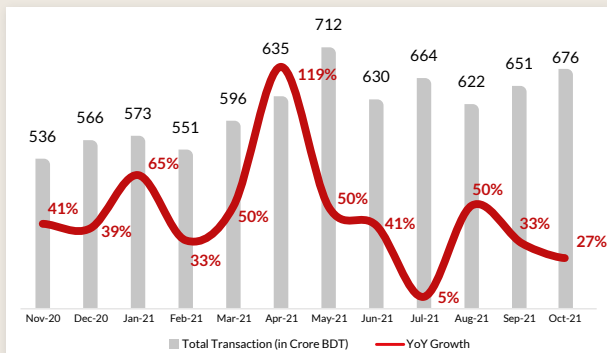
## Foreign Exchange Reserve (In Billion USD, Last 5 Years)



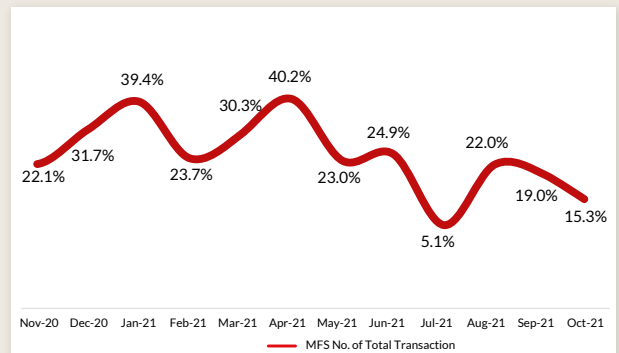
## Foreign Exchange Reserve (Last 12 Months Trend)



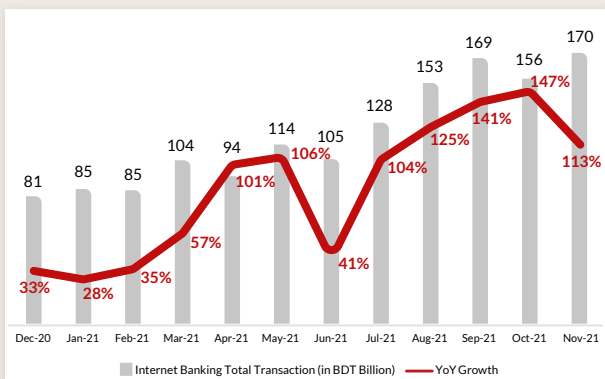
## Total MFS Transaction Volume (YoY Growth) 2020 - 2021



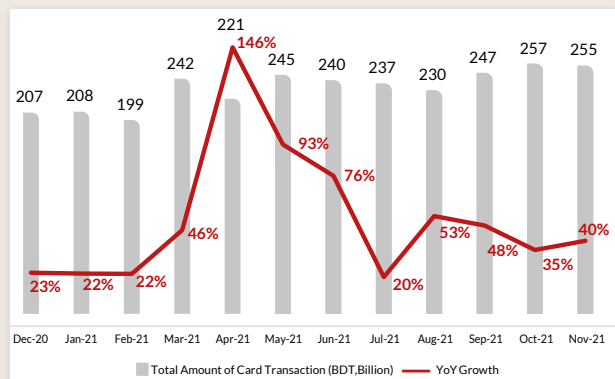
## Total number of MFS Transaction (YoY Growth) 2020-2021



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



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



Source: Bangladesh Bank

## FASHOL.COM

**Sakib Hossain**

Founder & CEO  
Fashol.com

Interviewed by  
Anisha Saha, MBR Team

*Fashol.com is a B2B supply chain network for fresh vegetables & fruits, connecting farmers with retailers. We source vegetables and fruits directly from farmers cutting down 6-9 middlemen and distributing them among retailers using efficient logistics and technology.*

**MBR: Please tell us how the idea of Fashol.com was initiated. What were the factors that motivated you to come up with this innovative idea?**

**Fashol.com:** In 2019, I observed that chicken was being sold for BDT 175 per KG whereas my uncle who owns a farm in Barishal was selling the same for BDT 115 per KG. So, I first talked to a local shop in Dhaka and told them about the farm where my uncle had around 1200 hens and asked if they would buy it, if I supplied them at a lower price than the local market. When the local shop owner agreed, I rented a truck, got some labourers, and supplied the chickens to the shop at 3 AM. For that deal, I purchased chickens from my uncle at BDT 115 and sold them at BDT 160. My total labour and truck rent cost was BDT 22 per KG and I made around 25,000 taka profit in that deal. That got me hooked into the scenario of why there is so much price gap.

Then I visited 38 districts in the following eight months; I stayed over at Bogura, Rajshahi, Rangpur, Jessore and I visited all of the big markets. I stayed 2-3 nights over there and saw how they were procuring from farmers, how they were omit “doing the” sorting, how their transaction behavior was etc. I was also in the truck coming from outside Dhaka to calculate how much money was going into the tolls and extra costs. I also talked with many farmers and tried to find out their problems, how they were selling and whom they were selling to.

# fashol.com

After visiting all of these markets and talking with many farmers, I found out that the immediate problem for a farmer is not the agri input or financing. The main problem is that they cannot sell their products at the right price at the right time.

On the other hand, retailers cannot sleep at night with their families because they have to visit the wholesale markets at night to procure their products. And, as the

middlemen are charging high prices, they purchase at a high price too and their margin becomes very low.

Right now, farmers can sell their products in Fashol collection centers easily and conveniently. Retailers get the delivery of their products every single day early in the morning at 6-6:30 AM. in the morning.

**MBR: We would like to get a glimpse of Fashol.com in terms of the offered services, the number of current clients and the business size.**

**Fashol.com:** Under Fashol network, we have 5,000 retailers working with us. We have 150 team members coming from different industries and very prominent companies.

**MBR: Please tell us how the farmers, retailers and customers are benefited using Fashol.com and their response to the service you offer.**

**Fashol.com:** On the retailer's side, they are getting lower prices than wholesale markets. Moreover, Fashol ensures doorstep delivery of quality products that are very convenient from the retailer's perspective. Now, they can sleep at night properly for Fashol.

On the farmers' side, they can earn 10-20% more after working with Fashol. Fashol has a transparent selling process and farmers get their payments within 24 hours.

On the consumer side, they are getting hygiene and quality products handled through the Fashol supply chain.

**MBR: What are the changes that Fashol.com has brought into the supply chain system?**

**Fashol.com:** There are some micro things and macro things. On a macro level, we have brought personalized pricing systems for retailers. We try to ensure procurement to delivery within 12 hours with a less than 1% wastage rate whereas industry wastage

rate is 25-35%. On a micro level, we do the sorting and packaging using the technology with which we can do it really fast. From procurement to delivery, we trace the packages so that they are supplied at the right time to the right customers.

**MBR: Please tell us about the strengths of Fashol.com that have helped to overcome the challenges during the pandemic.**

**Fashol.com:** Our main strength is our team and our culture. In our culture, we tend to focus on the problem-solving rate rather than the problem facing rate. During the pandemic, we faced logistics and safety issues. But, our main focus was on the customers. When they could not come to the market to run their business properly, we helped them to run their business which was the main inspiration to overcome any obstacles we faced during the pandemic.

**MBR: What are the strategic priorities of Fashol.com at the moment? How are you planning to expand the business in the future?**

**Fashol.com:** We will build procurement centers at every district and union in our country where farmers will be able to come and sell their products without negotiating with any middleman and can get a fair price. We will build distribution centers and fulfilment centers for the last mile delivery. And, above all, we will focus on the technology to leverage the data we are gathering and build a robust supply chain. We have come up with another pilot project with meat and fish. We will also expand our SKUs to serve the best to our customers. This market is a multi-billion dollar industry and we have got an excellent shot to organize this market. In the end, what matters most is the farmers-retailers linkage, where Fashol or any other agri tech company have the potential to do that. We have to reduce the wastage rate and change the behavior of the retailers to bring them under technology and help the farmers for getting convenient life. For Fashol, growth will be the main focus in this journey.

# SUPPLY CHAIN FINANCE: OPTIMIZING FINANCIAL FLOWS IN BANGLADESH

Written By

**Tanvir Shawkat**

Senior Manager & Head of Supply Chain Finance, Corporate  
IDLC Finance Limited





The growing popularity of supply chain finance has been largely driven by the increasing globalization and flexibility of the supply chain, especially in large corporates. Although it actually refers to several different solutions, at its most basic it allows both the buying company and the supplier to improve their working capital in a crucial financial crisis. Henceforth, there are abundant opportunities to enter into the era of technology backed supply chain financing in Bangladesh. The market of supply chain finance of Bangladesh has the potential to grow 20 times from current size.

### Overview of Supply Chain Finance

By definition, supply chain finance is a financing solution which aims to lower the financing cost and improves the efficiency of both the buyer and the seller involved in a transaction. Supply chain finance connects buyers and sellers with a financial institution, which helps the supplier to lower the financing cost and to improve efficiency. And, here the financial institution is known as a factor. It can also be named as supplier finance as it gives the supplier an opportunity to receive the payment early on their

invoices. Supply chain finance gives short term credit which helps to optimize the working capital and also the liquidity of both the parties.

Typically, supply chain finance is an arrangement where financial institutions offer a lower financing cost to suppliers based on their credit rating. It offers flexibility to the buyer with the early payment discounts or to prolong the payment cycle. On the other side of the coin, suppliers get the flexibility of getting paid early through the financial institutions deducting the fee which is lower than a traditional loan and in terms of early settlement no fee is charged. Supply chain finance gives the supplier the opportunity of freeing up their working capital so that they can use the money more in operations. Supply chain finance comprises of 3 parties. The first one is the buyer or the anchor, the second party is the supplier and the third party is the financial institution acting as media between the buyer and the supplier. As supply chain financing provides benefits to both the parties, it is a win-win situation for both the supplier and the buyer..

**Basically, there are 2 types of supply chain financing, Factoring and Reverse Factoring.**



#### Factoring

It is a type of supply chain financing in which businesses sell their accounts receivables or invoices to factors. It is commonly referred to as accounts receivables factoring or invoice factoring. In this arrangement businesses sell their invoices for funding their cash flows. It funds manufacturer's working capital so that they can buy raw materials or finished goods in order to build inventory or fulfill large orders. Financial institution gives supplier a trade credit, and factors act as an intermediary between anchor/buyer and its suppliers. Factoring allows to access the fund which is tied up in accounts receivables. The corporate entity places a purchase order to its supplier, supplier will deliver the goods to the corporate anchor and then supplier will send the bill to the financial institution which shows that the order is accepted by the corporate buyer. Financial institution discounts the bill amount submitted by the supplier and pays the supplier. Finally, FIs get payment assignment from the buyers/anchors.



#### Reverse Factoring

It is a type of supplier financing that large corporates can use to offer early payments to their supplier based on approved invoices. It is not like bill discounting where a supplier wants finance against his/her receivables. Reverse factoring allows the buyer to reduce the risk of any disruption in their supply chain as their suppliers are financed by the factor. Typically, at a lower interest cost than what factors usually offer.

Other than factoring and reverse factoring, there is another type of supplier financing which is known as distributor financing. Distributor financing is a form of financing where distributors submit their lifting order from manufacturing company as a collateral to financial institutions. Based on their lifting orders, financial institution agrees on an agreement of paying for the product for the distributor. The distributor will repay to financial institution within the agreed time period.

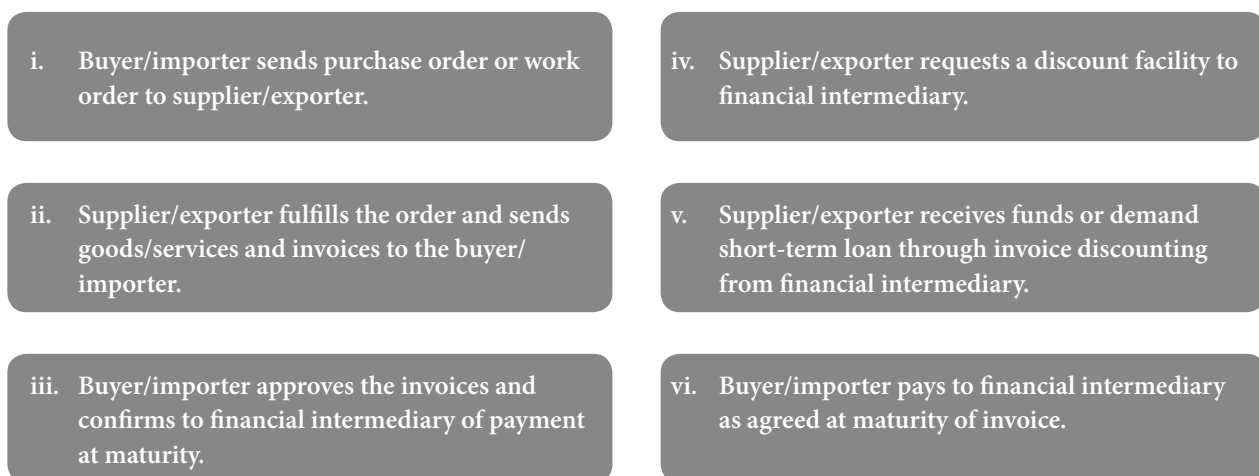
## Global Overview & Practices

In today's globalized business environment, which is characterized by high levels of competition, firms around the world struggle to find ways to cut costs while maximizing

the efficiency of their working capital so that they do not fall behind the current market developments and ensure their viability. The concept of supply chain finance is one of the most promising tools for financing firms. The most important factors that led to the development of supply chain finance are,



Supply chain financing requires the involvement of a supply chain financing platform and an external finance provider who settles supplier invoices in advance of maturity date of the invoice. The supply chain finance process has some steps. These are the steps usually followed in the global supply chain finance processes where technology plays a vital role. The steps are as follows,



Around the world, reverse factoring is more popular form of financing as it cuts down the cost of big corporates, which motivates them to arrange a financing option by themselves for their supplier so that the supplier can keep on supplying goods to meet large volume demands. Since both the buyer benefits from being able to extend their payment terms, and

the supplier is receiving payment earlier; it has become a preferred method of financing for both sides of the manufacturing chain. The advantage of reverse factoring is that the corporates do not have to increase their debt. They are getting a flow of working capital to continue to function and meet their customers, vendors and employees' needs.

Digital supply chain finance using block chain technology is more popular around the globe. Blockchain technology is one of the leading innovation in the finance industry. Blockchain technology records encrypted transactions in a ledger that is distributed to network members over a period of time. Each transaction record is entered into a data block and then each block is linked to the previous block using encryption and hashing functions. In general, there are two types of blockchain data access control mechanisms based on the involvement of network members in the consensus process. The first mechanism, a public blockchain, is a blockchain in which every transaction is publicly accessible but users can remain anonymous. The second mechanism is a blockchain with permissions, where network members must have permission to join the consensus on the network. Permissions or access control are controlled by a blockchain consortium or one particular organization or private blockchain. Blockchain technology can also help improve security, service levels, reduce maintenance costs and ensure product authenticity.

Blockchain is a type of shared database that stores data in the blocks that are linked together via cryptography. The use of blockchains for supply chain finance accelerates cash flow for all parties involved. The blockchain technology architecture promises a supply chain data storage method with secure, irreversible and transparent access because the database is decentralized to many parties so that its authenticity can be evaluated consistently. This process allows decentralization of data so that no party can claim ownership of the supply chain data as their own.

### **Current Market Size in Bangladesh**

Globally, supply chain finance is a growing source of external financing for corporations and SMEs. Supply chain finance is a win-win opportunity for all stakeholders in the supply chain ecosystem- the corporates, their suppliers and factors. Small and Medium Enterprises (SMEs) lack access to the credit and liquidity they require for their daily working capital needs. Supply chain finance allows SMEs to access credit at a lower cost with minimal documentation and lesser collateral. The current market size of supply chain finance is approximately BDT 4,000 crore including the banks and the NBFIs. But, it has the potential to grow as the opportunities are huge. But, the current market size is still very low in the context of Bangladesh due to lack of penetration of FIs.

Supply chain finance is really popular around the globe including in our neighboring countries. Countries like India and Sri Lanka provided supply chain financing business with policy backups and proper monitoring to increase accountability and ensure credibility. In Bangladesh, the most popular form of supplier financing is factoring. Reverse factoring is not widespread because, the corporate entities are not willing to take the extra cushion for the suppliers. In Bangladesh, there are huge opportunities for supply chain finance and the regulatory bodies are encouraging to invest in this sector. Supply chain financing has the potential to become the cash cow, as the revenue generating sectors are more here. As a result, the banks and NBFIs are trying to capture the market of supply financing. At present, we can see that the commercial banks are also entering in the supply chain financing. They are targeting the ready-made garments sector, large corporates, MNCs, poultry industry, pharmaceutical industry, telecom industry and SME sector. Financial institutions have already penetrated the market.

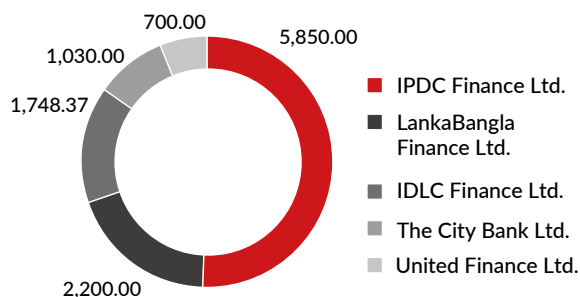
### **Penetration of Banks and NBFIs in Bangladesh Market**

Supply chain finance is a tripartite solution between the buyer (mostly multinationals) and a Financial Institutions (FI), which allows suppliers to join a programme to discount their receivables to the FI which is delivered to and accepted by the buyer. The solution provided by the FI is that they will make an arrangement with the buyer and the supplier so that supplier can get enough fund to continue production.

Supply chain finance was introduced in Bangladesh by IDLC Finance Limited in 1999. In 2006, United Finance Limited and LankaBangla Finance Limited entered the market of supply chain finance. IPDC Finance Limited and Eastern Bank Limited started their supply chain operation with a small portfolio of supply chain finance, although it was discontinued after a while. After 2016, commercial banks started to introduce this facility and created small portfolio of their own. In 2017, IPDC Finance returned to the market with new strategy with a vision to capturing the lion's share of the market. IPDC is the first in Bangladesh who have introduced digital supply chain financing using block chain technology. During the pandemic, IPDC has outperformed in supply chain finance market.

Bangladesh has abundant opportunities in the market of supply chain finance. The market will foresee a tremendous growth in a few years. The current portfolio size of Bangladesh comprising all the banks and NBFIs is around BDT 4,000 crore where IPDC is leading in the market.

Market portfolio size (BDT in mln)



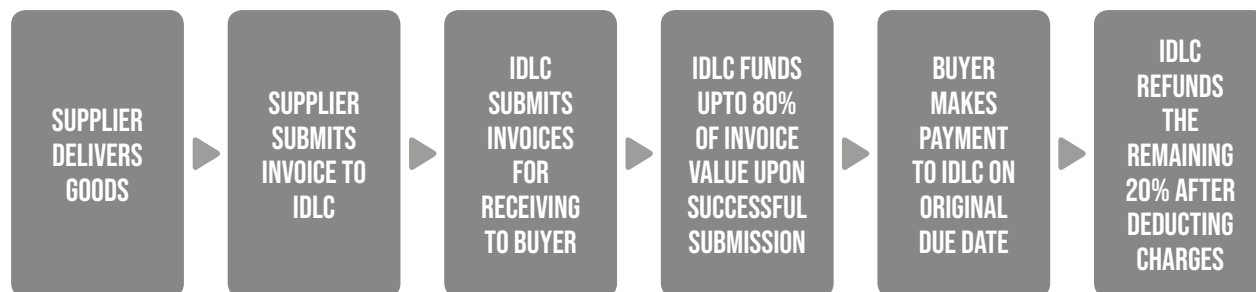
Supply chain finance is cheaper than any other form of traditional financing because FIs fix price based on the risk exposure for every loan. For further security,

FIs do have other mechanism to minimize risk from supplier financing.

## Supply Chain Finance in IDLC

Supply chain finance was introduced in Bangladesh by IDLC Finance Limited in 1999, at a time when it was an unchartered financing territory for the FIs. IDLC gives the buyer the competitive advantage by providing them a secured loan which improves their balance sheet performance, fulfills their working capital need, and expands their business opportunities. The management of IDLC aspires to touch BDT 500 crore landmark in next 3 years and has the vision to become the market leader within next five years. The current portfolio size of IDLC is BDT 1,748.37 mln. The products that IDLC offers are,

- **Factoring/Bill Discounting:** Factoring process starts with submitting the invoice to IDLC from supplier end and IDLC would pay up to 80% of the invoice amount after successful submission. And, after that buyer will repay to IDLC on the due date. After the repayment of the loan, IDLC will refund the remaining 20% after deducting all the charges.



The first feature of factoring is the loan tenure will be 1 year from the sanction date. IDLC will provide maximum 80% of advance financing against verified invoices and the loan limit will be justified with the sales. The credit period will be decided based on the supplier's cycle of cash flow.

- **Reverse Factoring:** Reverse factoring is when directly the suppliers of the corporates approaches to IDLC for financing to their supplier so that they can get a payment discount. Supplier will submit

the invoice to IDLC and IDLC will pay 100% of the invoice amount to their supplier. And thus, it will create a loan for initial supplier and the supplier would repay the loan within the due date. And the tenure of the loan will depend on the business modality. All the charges will be paid from the initial supplier's end.

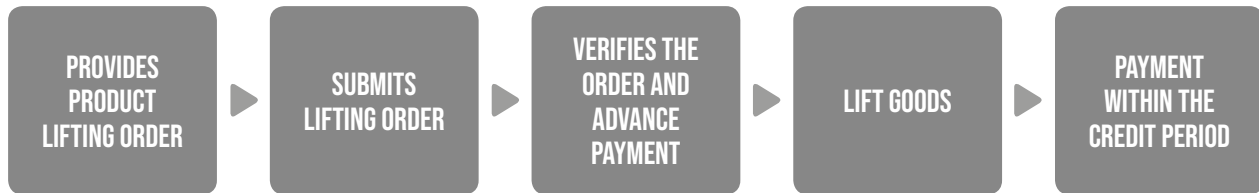
- **MOU Based Factoring/Bill Discounting:** This product is offered to the large corporates to provide working capital to their nominated



suppliers. The facilities of MOU based factoring will be same as regular factoring. The main difference between MOU based factoring and factoring is the memorandum of understanding between corporate and IDLC. Corporate will take all the responsibility of the loan, as the suppliers are nominated by them. For MOU based factoring, IDLC will pay 100% of the invoice. Corporates will repay the loan within

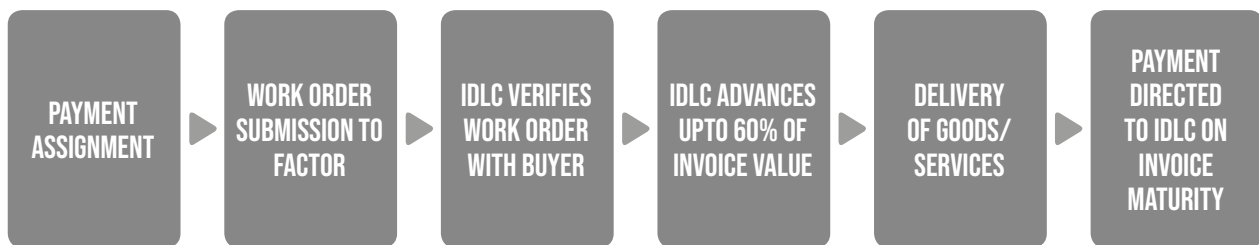
the due date and all the charges will be paid by the corporate.

- **Distributor Financing:** For distributor financing, distributor will submit product lifting order to IDLC. After that, IDLC will verify the lifting order and will pay advance to the distributor. Distributors will repay the loan within the credit period.



For distributor financing, loan limit will be finalized based on corporate suppliers' comfort and sales of the distributor. The loan tenure will be same as factoring. The main difference with factoring is distributor financing offers 100% advance payment to the buyer on behalf of the distributor and there is a security requirement for 2 mln and above.

- **Work Order Financing:** Work order financing is a method of financing which facilitates credit to contractors and suppliers to participate in tenders under government/semi-government organizations. IDLC will receive work order or payment assignments from the supplier and will verify. Depending on the verification, IDLC will offer up to 60% of advance financing against verified work orders and payment assignments from the buyer. Credit period is set based on the client's cash flow cycle.



Apart from these, IDLC also caters lease, commercial vehicle financing (CVF), term loan, and stimulus loan to the existing factoring availing customers.

## PEST Analysis

### Political Factors:

1. **Judiciary Independence:** In the matter of commercial and business decisions, judiciary of the country is important to a large extent.
2. **Political Governance System:** Supply chain finance program can make strategies based on the stable political environment.

### Social Factors:

1. **Attitude towards Savings:** If the average savings rate is high, it can be determined that at present the people of that country is spending less and if the savings rate is lower it does mean that spending is higher and that country is suitable for

business at this moment. The attitude toward savings rate can impact the type of consumption as well as the frequency and magnitude of consumption.

2. **Demographic Trend:** The demographic trend is one of the key factors in demand forecasting of an economy.

#### **Economic Factors:**

1. **Fiscal and Monetary Policies:** Fiscal and monetary policies will impact on the rates of the offered products of supply chain finance.
2. **Price Fluctuations in both Local and International Markets:** Supply chain financing program should consider the fact that at deficit levels of any country in an emerging economy can lead to rampant inflation and serious risks of currency depreciation.
3. **Employment Rate:** If the employment rate is high then it will impact supply chain finance in two ways – it will provide enough customers for supply chain finance products, and secondly it will make it expensive for SCF Program to hire talented & skillful employees.
4. **Inflation Rate:** The inflation rate can impact the demand of SCF Program products. Higher inflation may require SCF Program to continuously increase prices in line of inflation which could lead to lower levels brand loyalty and constant endeavors to manage costs. Cost based pricing could be a bad strategy under such conditions.

#### **Technological Factors:**

1. **Level of Acceptance of Technology in the Society:** Before launching new products, level of acceptance of technology in the society should be figured out.
2. **Integration of Technology into Society & Business Processes:** Digital solution in supply chain finance will increase the efficiency level of lenders and thus it will increase the market size of supply chain finance in Bangladesh.
3. **Transparency & Digital Drive:** Supply chain finance program can use digitalization of various processes to overcome corruption in the local economy.
4. **Empowerment of Supply Chain Partners:** Supply chain finance program should analyze areas where technology can empower supply chain partners. This can help supply chain finance program to bring in more transparency and make supply chain more flexible.

## **Challenges and Way Out**

Supply chain financing ensures that all parts of the manufacturing process can stay in sync. A delay in the production impacts the final sale of the products and could cost the manufacturer money from loss of sales. By receiving the payment ahead of time, the supplier can deliver their portion of the chain efficiently without any additional cost to the buyer. Although they are charged a fee for the cash in advance, this is small in comparison to what the price would be if they were to default on the commitment to produce entirely. Still a number of multinational corporations and local corporates are somehow not willing to come into this agreement with FIs and their suppliers.

Though supply chain finance has a huge potential in Bangladesh, but still the market is very small. The reason behind it is the lack of understanding about the concept of supply chain finance among all the parties. Not only the knowledge of supplier and anchor but also the factor is lacking of adequate knowledge of the products of supply chain finance. Corporates are also not coming forward in backing up their suppliers. That is why suppliers are suffering with the high interest rates. The suppliers are the SMEs who actually need funding to run their operation. But, as the products of supply chain finance are not being introduced to them properly and the corporates are not coming forward, the suppliers have to take fund at high rate. In Bangladesh, there is lack of regulatory guidelines in the area of financing. Insufficient laws and regulations have narrowed down the market of supply chain finance. Recently, Bangladesh Bank has issued guidelines on local factoring using digital platform.

Supply chain finance is one of the growing financing technologies which can reduce trade finance traffic. Some commercial banks in Bangladesh have recently introduced supply chain finance. Their target customers at present are regular suppliers, service providers of multinational corporations (MNCs) and large local companies. Reverse factoring might be a solution for the financing vehicle of Small and Medium Enterprises (SMEs) sector in Bangladesh. Government and central bank's initiative, cooperation from MNCs and local corporates and FIs focus on this product can thrive the growth of SCF in Bangladesh.

*The writer of the content is working as a Senior Manager & Head of Supply Chain Finance in IDLC Finance Limited and he can be reached at Shawkat@IDLC.com.*



## Raja Debnath

Director  
Veefin

Interviewed by  
Anisha Saha, MBR Team

*Veefin is the world leader in contextual supply chain finance. Veefin is a comprehensive solution facilitating bankers to customize promptly without relying on third-party execution.*

**MBR: Supply chain finance is becoming quite a popular mode of financing in Bangladesh. What is the current market size of supply chain finance in Bangladesh?**

**Raja Debnath:** Supply chain finance is entirely a new concept in Bangladesh. In the last five years, banks and NBFIs have started talking about this mode of financing. There are two main parts in supply chain financing: one is supplier financing, and the other is dealer financing. It can be described as the sell and purchase side of a large corporate. In Bangladesh, NBFIs and banks are active on the dealer financing side. We have not seen the concentration in supplier financing other than the business of factoring. The current portfolio of supply chain finance, including all the banks and NBFIs in Bangladesh, is around BDT 1700-1800 crore, which is a minimal portfolio in the context of Bangladesh. In terms of penetration, the USA and the European countries are leading worldwide in supply chain financing. If we look at Europe, roughly 20% of their GDP is financed through supply chain finance transactions. The current GDP of Bangladesh is around USD 350 billion. If we assume the same 20% for Bangladesh, after 5-10 years we can see that SCF as a business line may become the largest single business line within the lending institutions. The most exciting part is that we have just scratched the surface of supply chain financing in Bangladesh.



# VEEFIN

**MBR: What are the challenges of supply chain finance from both supplier and buyer perspective? Do they need adequate training on this concept?**

**Raja Debnath:** There are a few challenges of supply chain financing in Bangladesh. The first one is the limited knowledge of supply chain finance in the market. The second one is that lenders require the same level of paperwork as they do for other regular loan products. The third is digitalization. Globally, in supply chain financing, all the successful models rely on digitalization. In Bangladesh, not too many banks and NBFIs have completely digitalized themselves to allow their suppliers, dealers, and anchors to avail supply chain financing arrangements with minimal hassle.

In terms of overcoming the challenges, the suppliers and anchors need adequate knowledge, and the banks require a proper understanding of the philosophy of supply chain finance. So, I believe that capacity building is needed not only for suppliers, anchors but also for the bankers. The lenders and the people who are offering these products should have adequate knowledge about the product to answer all the corporates' queries. So, the lenders' capacity building is as important as that of the suppliers/dealers/anchors.

Digitalization is essential because it will reduce the number of people required for managing the product end to end. If the number of people managing the product

digitalization, that will lower the cost which then makes the SCF product much more profitable than other SME lending products. With the virtue of digitization, profitability will increase. Supply chain financing is not like a term loan product as it has a shorter tenure and much more velocity, so one should figure out how to reduce the cost. To remain competitive in the market, lenders should concentrate more on cost reduction. These are the things that I believe are required to increase the penetration of supply chain finance in Bangladesh.

### **MBR: What are the prospects of supply chain finance in Bangladesh?**

**Raja Debnath:** Supply chain finance is a way in which you are able to do financing for SMEs. SMEs require loans, so supply chain finance is the product by which lenders can fulfil the needs of the SMEs without taking the entire SME risk. The risk profile of this product is very different from SME financing, which encourages the bankers for funding SMEs at closer to corporates' risk, which is the beauty of supply chain financing. Because of this, the size of the market in Bangladesh is huge. I believe it has the potential to grow 20 times from now in the next five years. So, I am talking about BDT 40,000 crore portfolio of supply chain finance across the market in the next five years.

### **MBR: Veefin is the world leader in SCF technology adopting user-led design, data and analytics. Can you please elaborate how Veefin Solutions will help in the supply chain finance market?**

**Raja Debnath:** The supply chain finance solution predominantly has been very expensive as the cost is very high, so it is difficult for smaller banks or lenders to buy the software upfront. That is the core reason why we haven't seen too much supply chain digitalization globally. So, Veefin has come up with the solution of democratizing supply chain finance by offering a subscription-based solution. Lenders can use the solution, and depending on the business, they have to pay a fee to Veefin. This will allow the lenders who are just entering supply chain finance or who have a minimal portfolio to use the software at a very low cost. This solution will increase the number of players offering supply chain finance in the market.

From the point of view of lender's requirements, Veefin aims to reduce the lender's cost. So, Veefin offers the onboarding solution, the underwriting solution, the transaction management solution (known as supply chain

solution) in one single product stack to the lenders. Veefin allows lenders to reduce the number of people running the operation, thus reducing the cost of lenders.

From an innovation perspective, Veefin always launches new products for all parties. One of the latest product that Veefin has launched is Deep-Tier Supplier financing. Deep-tier supplier financing means the lender can not only fund to just one company but also to the whole supply chain. Deep-tier financing gives the solution for the other tiers who are the SMEs under the same approved invoice. Deep-tier supplier finance has the potential to revolutionize the whole market of supply chain finance globally. Without signing any new anchors, just under the suppliers, you have in your books, if you allow those suppliers to onboard their supplier, the book will be triple in size for every lender. In India, the first transaction of the deep-tier transaction will take place in March. After that, we are expecting a lot of global adoption of this solution.

These are the things that are the cutting edge of supply chain finance that are being brought into Bangladesh by Veefin.

### **MBR: What are the policy development you recommend for flourishing supplier finance business in Bangladesh?**

**Raja Debnath:** Bangladesh Bank has been very supportive of Supply Chain Financing and has recently issued guidelines on local factoring using a digital platform. Think Big Solutions, a Fintech company co-founded by Abul Kasem Khan, Masrur Reaz and me will launch the digital platform for local factoring using Veefin Solutions technology. This is a welcome development for supplier finance in Bangladesh.

There are further changes to regulations/guidelines that can help increase the SCF market potential – 1) SMEs should be financed by discounting their invoices without recourse to SMEs and with recourse on corporates. 2) Bangladesh Bank may come out with specific factoring guidelines allowing lenders to proceed against the Buyers where the SME invoices have been assigned to the Lenders. 3) The SCF market may be expanded by allowing non-lenders like Insurance companies, large corporates, mutual funds, high net worth individuals to come into the market and provide liquidity to discount approved invoices. The requisite guidelines will have to cater to recovery in case of default by the buyers.

These are the three things that I believe can increase the market size of supply chain finance in Bangladesh.



# PATHAO



## Fahim Ahmed

MD & CEO  
Pathao

Interviewed by  
Anisha Saha, MBR Team

*Pathao PayLater is Bangladesh's first Buy Now Pay Later (BNPL) solution, which provides a flexible payment option for consumers to make purchases and pay them at a future date.*

**MBR: Pathao is already a widely successful and established digital services platform in Bangladesh. Could you please tell us how did you come up with the idea of bringing the global practice of BNPL in Bangladesh?**

**Fahim Ahmed:** Bangladesh has been one of the fastest-growing economies globally over the past decade. Our consumers, paradoxically, are also among the most credit-constrained; less than 1% of our population owns a credit card, making Bangladesh one of the most underpenetrated markets for consumer credit in South and Southeast Asia.

Urban millennials, the segment of our population that is growing the fastest, are the most underserved group by traditional banks and financial institutions. We have over 25 million urban millennials living in the largest cities in Bangladesh. Their income is rising, and they are spending it online.

The majority of Pathao's user base, over 8 million, are urban millennials (students and young professionals). They take rides, order food and receive packages through Pathao for multiple times each month.

They also face cash constraints as they have to wait for their salary or allowance to arrive.

Pathao is uniquely positioned to cater to our user base's unaddressed need for consumer credit. We can leverage users' transaction history on our platform and utilize our data analytics capabilities to assess the risk of enabling flexible payment options for our consumers.

**MBR: Pathao is the first digital service platform to bring the "pay later" feature into the Bangladeshi market. Please share with us the process of operating the "pay later" feature? As you are providing the service now and getting the money after a certain period of time, how are you managing your cash flow?**

**Fahim Ahmed:** Pathao PayLater provides users with a 15-day initial spending limit of BDT 2,000 (USD 23), which is replenished upon repayment. They get 30 days after that to repay at no additional cost. A late charge of up to BDT 200 (or 10%) is applicable if they fail to repay in time. Delinquent users are locked out of the Pathao platform until they fully refund the dues. We initially have rolled out PayLater to the most loyal and regular users of Pathao Food.

PayLater performance has exceeded our expectations.



Over 21% of the users who have access to PayLater have used the feature at least once. As a result, we have experienced a significant positive impact on our business. The spending per PayLater user has gone up by 27% since their adoption. The number of orders per week has increased by 35%. The week-on-week retention has increased by 40 percentage points.

We have also seen excellent repayment rates. Over 85% of the users have repaid on time. The delinquency rate (overdue by 30 days or more) is in the middle of single-digit in line with the best-in-class BNPL providers in the region. A few things have helped us to keep delinquency rates very low:

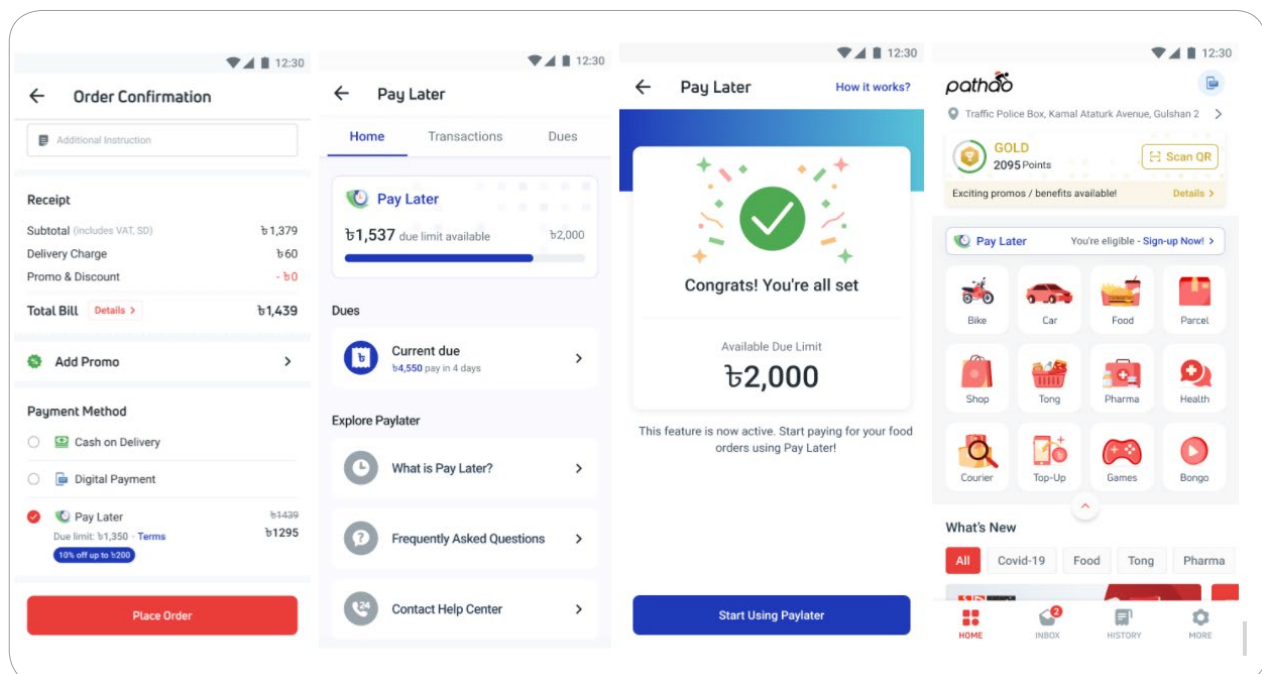
- Data-driven process of selecting users based on their transaction history (e.g. selecting more loyal users and for whom continued access to Pathao services is valuable)
- Targeting the low ticket size with high-frequency cases where the risk of default is lower (e.g. food, essentials, transportation - rather than more elective purchases),
- Designing the repayment tenor to match the used case (i.e. 30 day period to serve users who are short on cash now but have visibility into their incoming salary or allowance)

- Disciplined enforcement of a policy of suspending delinquent users

**MBR: Pathao has a sizeable population of young users for its ride-hailing, food delivery and logistics services. Please share us your views about the long term goals of this feature of “pay later”? Will you bring the idea in to other business units or will you stick to only food? As a first mover, can you please tell us how do you plan on capturing the market?**

**Fahim Ahmed:** Our initial results have given us strong validation, and proofs of the concept. We are now scaling up Pathao-PayLater. Here's what we are doing:

- We have expanded this feature to include more users. Now, about 100,000 users have access to PayLater.
- We have increased the spending limit. Some users now have a spending limit of up to BDT 4,000.
- We have introduced PayLater for Rides. We rolled out this feature for Rides in mid of January.
- We have planned to expand PayLater access to other Pathao services, including to merchants for whom we are providing delivery services.



**MBR: Bangladeshi consumers now get to enjoy the benefits of the buy now, pay later phenomenon thanks to Pathao's newest initiative. What are the challenges that Pathao has to face in order to bring the "Pay Later idea" into the market?**

**Fahim Ahmed:** A successful BNPL model relies upon three components: data & analytics, distribution and capital. Pathao, Bangladesh's most prominent digital services platform, has a core foundation of engaged users and an ecosystem of daily use cases. This creates access to data, which can be analyzed to assess the spending capacity of users. Our platform also gives us distribution. Further, as one of Bangladesh's most highly funded startups, Pathao can access global capital to address this vast opportunity. We are also exploring partnerships with local financial institutions to extend consumer credit to Pathao-PayLater's user base.

However, the scale of opportunity is far greater than data and distribution, but the capital has been far unlocked. Today, only a tiny (but growing) portion of the digital users spends on a digital platform. An even greater part of the target group of users is currently offline - digital commerce represents less than 1% of total consumer spending. Local banks and financial institutions are still at a very early stage of underwriting consumer credit risk. Finally, the regulatory framework for digital financial services is still developing.

Bangladesh's lack of access to consumer credit is a real and compelling problem. BNPL can be an effective tool in solving this problem. The challenge, however, lies in how BNPL can address the credit gap in a scalable and sustainable manner.

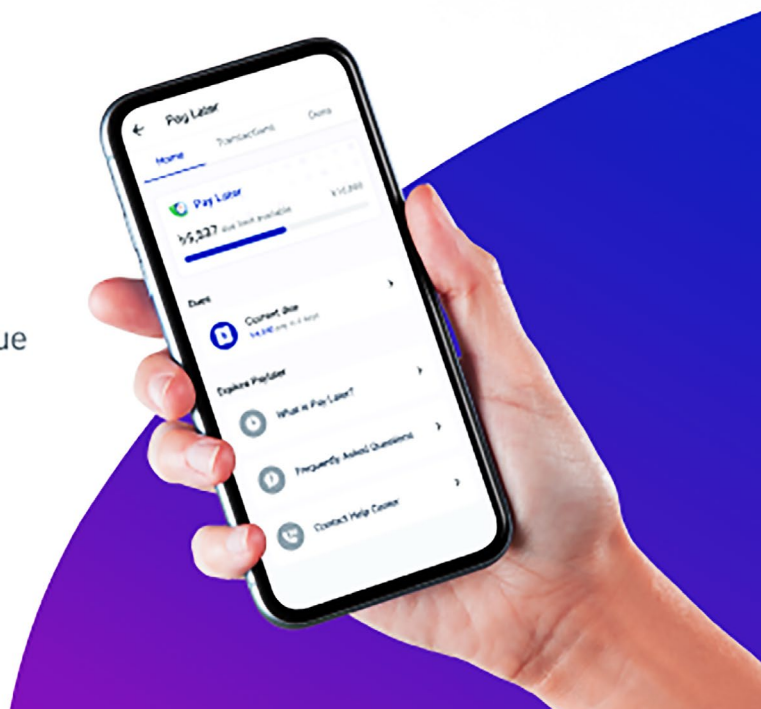
The arc of change is not linear. We are at an inflexion point, where increased digital adoption and enabling regulatory framework can unlock credit for the aspiring young consumers of Bangladesh.



**Pay Later**

**Enjoy first, pay later**

You will get 30 days to pay the due



## IDLC DONATES SOLAR PANELS ALONG WITH NECESSARY ELECTRONICS IN LATARCHAR AS THE FIRST STEP TO BUILDING A SOLAR-POWERED VILLAGE



সৌরবিদ্যুতের আলোয় আলোকিত হলো  
পটুয়াখালীর দুর্গম এলাকা লতারচরের ২৫টি পরিবার

IDLC has recently donated Solar Panels along with necessary electronics for the households like lights, electric fans & the battery cells needed for the solar panels.

‘Building a Solar-powered village’ is a collaborative effort of IDLC Finance Limited & Obhizatrik Foundation. The project aims to empower underprivileged rural communities by providing them with means of sustainable solar-powered electricity facilities. Even in this age of technological advancement and digital Bangladesh, many communities of our country are deprived of electricity. A majority of these people are the residents of remote rural villages where electrical connection is still unavailable. People in these areas are heavily reliant upon nature and ecologically

unsustainable means to generate mechanical power and utilize it. These people can’t utilize the many facilities that come along with electricity. As a result, these communities tend to lag behind.

For the rural communities, where current generated electricity is still unavailable, solar-powered electricity can be a useful alternative. Thus, the ‘Building a Solar powered village’ project has begun. The project was conceptualized and implemented in its pilot phase to provide a full-free solar-powered setup for generating electricity. The project was implemented in the remote rural village of Latarchar, where 25 families received fully-installed and active setups of solar panels, controllers, lights, and fans for their houses.



# ONLINE BAKERIES IN BANGLADESH AND ITS FLOURISH

## Overview of Bakery Business

E-commerce is a powerful platform for those who want to do online business. An E-commerce site gives customers the opportunity of getting a varied range of products on one page. The pandemic has paved the way to make entrepreneurs' ideas into reality as the nationwide lockdown was imposed at that time.

The contribution of the bakery industry to our economy is gradually increasing. Country's bakery and confectionery industry has become almost self-sufficient in meeting the local demand. That is why the share of imported bakery products has decreased to 4% in recent years, and previously the share was 15%-16%. The bakery sector has witnessed accelerated growth and increased profit because of the changing food habit of people and the rising income. According to Financial Express, the automated and traditional bakeries produce around 0.51 mln tonnes of bakery products worth around BDT 70 bln annually in the country. Country's per capita bakery item consumption is now 2.09 kg per year. 97%-98% of the consumed products are made locally, the number of exports is also increasing, indicating a vast potential for the industry to grab a good portion of the global market.

## Online Bakeries entering the market

The lockdown days of the coronavirus outbreak have given many a second chance to rediscover their inner fortes. Modern-day bakers have evolved into no less than a sophisticated fleet of artists. Some driving factors have helped them grow, such as consumer's lifestyles, passion for baking, seeking additional income sources, etc. In the cutthroat world of e-commerce and f-commerce, passion for baking and joy can only pave the way to growth. Globalization has pushed bakeries to take up new challenges, making the sweetness taste better. Online bakery shops are growing with their quality and consumer's trust gradually. If we look back in previous days, there were fewer online bakery pages on Facebook. Now, we can see plenty of renowned bakery pages because purchasing cakes online has

## Key Points

- 10%-20% sectorial growth in bakery industry since 2000.
- 20% of sales growth have been noticed during the pandemic in bakery products.
- Less than 4% of the bakery products are imported.
- Current market size of Bakery industry is BDT 80 bln.
- Biscuit export was USD 55 mln in FY'21.
- Estimated size of cake and pastry market is about BDT 400 cr.

increased because of imposed restrictions on limited movement due to pandemic.

The online bakery units have gradually grabbed a major stake in the local market. As a result, the traditional shops are now facing tough competition. Other than some old conventional shops, others have faced challenging times during the pandemic. The homemade cake business is dependent on technology, which can run without bearing the cost of any outlet. Nowadays, traditional shops are creating their online presence and connecting themselves with online delivery to cope with the competition.

## What Makes An Online Bakery Business Successful?

Now, online cake shops are competing neck-to-neck with the traditional cake giants in Bangladesh and that too, only in a matter of a few years. This is made possible by home cooks constantly trying and inventing



new ways to perceive cakes. The main reason behind the rapid success of cake businesses is the initiation of some unorthodox approaches to decorating cakes. The creativity in designs, customized orders, quality, wide range of choices and home delivery facilities are the key factors for the success of online bakeries.

**Wide Range of Choices:** Nowadays, online bakery shops are providing a wide range of options to customers. Online bakeries offer customized cakes according to customers' preferences, including sugar-free cakes and gluten-free cakes. As they are offering according to customers' choice, they are getting popularity among the customers which makes them differentiated from the traditional pastry shops.

**Quality:** Customers always thirst for good quality products, and online bakeries ensure that the offered products are high in quality. To gain the trust of customer, many of them come to Facebook live to show the type of ingredients that are used preparing them. Gradually, online bakery shops have started to gain consumer trust. The traditional shops are lacking behind with the quality as customer's demand has

increased for the homemade products.

**Customer Feedback:** Every online business has a page which is continuously moderated. The pages that have positive customer feedback are doing better than others. They post a photo of their product and the price where consumers can leave feedback. They try to help a new customer to get insights about the product. According to the customer feedback, online bakers are improvising their product. On the other hand, traditional shops are not changing based on the customer review.

**Home Delivery:** During the lockdown, it was quite impossible to go out to buy goods. At that time, online bakery shops have offered 24/7 service to deliver orders. One of the key reasons for online bakeries to grow is their home delivery service. Home delivery has enabled online shops to flourish more than traditional shops. That's why traditional shops are now trying to offer home delivery facilities with the help of delivery service provider.

---

## Some Online Bakery and Cake Shops of Bangladesh



**Cakes Shop.com:** Cakes Shop.com is a renowned online bakery shop. The owner makes delicious cakes, pastries, and savory items that are all homemade. They charge reasonable prices for every product and that is why it has got popularity within a brief period. They have a home delivery service with their supporting staff.



**Birthday Cake BD:** Birthday Cake BD is an online service platform for selling cakes which was started by three friends back in 2016. Their Facebook page is full of positive feedback. Birthday Cake BD also emphasizes making premium cakes for their beloved customers. They offers customized fondant cakes. According to them, their ingredients are imported from Australia.



**Cake 360°:** Cake 360° offers delicious cakes with same day delivery for all occasions. Their price range for customized cakes starts from BDT 700 to BDT 10,000. They also give midnight delivery services, which are unique from other online shops. Apart from selling homemade bakery items, they also sell flower bouquets. Cake 360° always ensures the quality of the product, which helps them to build the customers' trust.



**Nk Cake Shop:** Nk Cake Shop is also a renowned online bakery shop among customers that sells customized cakes and different bakery items. They have a solid customer base as their page has a positive review from customers. They also offer a reasonable price range. 1kg customized cake ranges around BDT 1200-1700.



**Sweet Cake Bd:** Sweet Cake BD is one of Dhaka city's best-customized cake seller shops since 2018. They are very famous for making bigger size cakes like 10 to 15 kg. They have a strong customer base because of their creative cake designs and also the quality. Their product, specially customized cake range starts from BDT 1500 to BDT 10,000.

## Challenges of Online Bakery Industry

Nowadays, online bakeries are flourishing, but some challenges are hindering the path of their growth.



### Poor Cash Flow

Mostly, the online bakery business is run by their own investment. Their cash flow does not have any continuity as their business relies more on the festive seasons. Their cash inflow increases only then when they receive a bulk amount of orders. Due to poor cash flow, sometimes they fail to maintain their inventory which causes less revenue in their business. The entrepreneurs need to allocate their resources in such a way so that they can have a positive cash flow always.



### Lack of Effective Promotion

Most online bakery businesses use organic marketing for promotions. The promotion is entirely based on the positive reviews from customers and suggestions. When it comes about paid promotional support, they fail to manage money for marketing due to proper finance. Even if they are good at their job, they cannot capture a good customer base due to inadequate promotion. As online bakeries rely on Facebook, they can turn each like into order based on the effective promotion.



### Collecting and Managing Bulk Orders Efficiently

Sometimes it is tough for an online bakery shop to handle bulk orders as they lack proper support from the back office. As their business's profit completely depends on receiving bulk orders, collecting and managing big orders efficiently is a major challenge for them.

## The Future of Online Bakery Industry

Online bakeries have given a chance to the passionate bakers of Bangladesh to choose a career they love. It is a rising platform that allows entrepreneurs to deliver unique cakes with a twist of creativity. During the pandemic, the online bakery industry has flourished using the online mode as they have provided 24 hours service to their customers. As there are low barriers to enter the market, the number of new players are increasing day by day. And, social media is a crowded platform so it is difficult to grab the attention of the eyeballs. So, the bakers have to be creative enough so that they can turn each like into orders. It is expected that online bakery shops will flourish more shortly as the growth is visible to us. So, the online bakery industry is foreseeing enormous opportunities to grow and has the possibility to contribute more positive figures in our economy.



## Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market advanced in the month of January. During the month, the broad index DSEX rose by 2.5%. Blue chip index DS30 and Shariah index DSES increased by 1.0% and 3.5%, respectively in the month of January.

Among the regional peers, Sri Lanka (+6.4%) and Pakistan (+1.7%) closed the month on positive note, while Vietnam (-1.3%) was in the negative territory. MSCI Frontier Markets Index shredded 3.4% in January. Over five years horizon, both Sri Lanka (+112.1%) and Vietnam (+112.1%) posted the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points January 2021	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,926.3	2.5%	-1.1%	2.5%	22.6%	19.0%	26.7%
DS30	2,559.1	1.0%	-2.3%	1.0%	18.5%	27.4%	28.4%
DSES	1,481.9	3.5%	0.8%	3.5%	17.1%	13.1%	N/A
Peer Countries							
Pakistan (KSE 100)	45,374.7	1.7%	-1.8%	1.7%	-2.2%	11.2%	-6.9%
Sri Lanka (CSE - All Share)	13,009.5	6.4%	28.0%	6.4%	50.1%	117.2%	112.1%
Vietnam (VNI)	1,479.0	-1.3%	2.4%	-1.3%	40.0%	62.4%	112.1%
MSCI Frontier Markets Index	859.9	-3.4%	-6.0%	-3.4%	14.9%	22.0%	25.5%

\*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

## Liquidity Condition in Equity Market of Bangladesh

During January, the total market capitalization increased by 2.7%. The daily average turnover of January was BDT 14.1 bln (USD 164.3 mln), increasing by 53.2% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 67.0% in January compared to 42.9% of last month. In 2021, turnover velocity of Bangladesh equity market was 65.3%, in comparison to 30.1% in 2020.

Table 2: Market capitalization and turnover statistics

Particulars	31-Jan-22	31-Dec-21	% change
Total market capitalization (USD* mln)	64,765	63,046	2.7%
Total equity market capitalization (USD mln)	56,957	55,546	2.5%
Total free float market capitalization (USD mln)	21,710	20,868	4.0%
Daily Avg. Turnover (USD mln)	164.3	107.2	53.2%
Turnover Velocity~	67.0%	42.9%	N/A

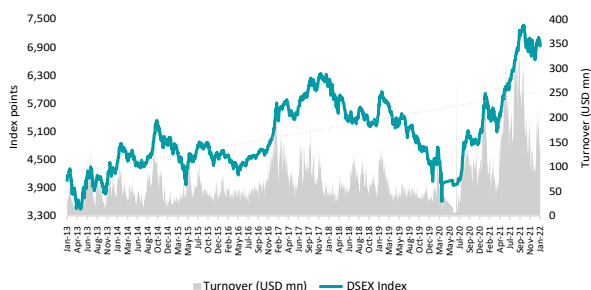
\*All USD figures are converted using an exchange rate of 86.0 as of February 03, 2021 as per Bangladesh Bank website.

~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 70.8% till January, 2021. During the same period, daily average turnover of the market amounted to BDT 6.6 bln (USD 77.1 mln) (Figure 1).

Figure 1: DSEX since inception along with market turnover



Source: DSE

## Market Valuation Level - P/E Ratio

The market P/E slightly decreased to 16.74x in January compared to last month's 17.58x. It is slightly higher than the 21 years' median market P/E of 15.14x (Figure 2). In terms of trailing 12 month P/E ratio, the equity market of Bangladesh is cheaper than most of its regional peers. (Figure 3).

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

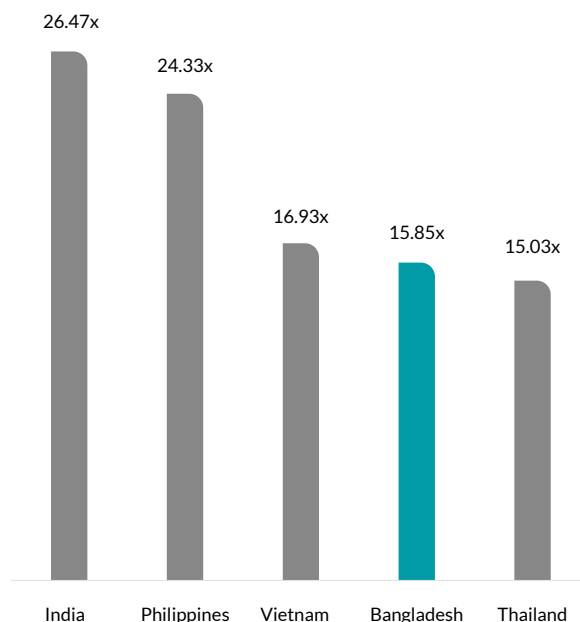
Current Market P/E\* in Context of History



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

Source: CEIC, DSE

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



\*Trailing 12 month P/E as of February 03, 2022.

Source: IDLC, Bloomberg

## Sector Performance

Among the major sectors, Textile posted highest return of 7.5% in January, followed by Fuel & Power (+6.8%). Moreover, Cement (4.5%), Life Insurance (+3.2%), Food & Allied (3.0%), Telecommunication (+3.0%) outperformed market in January. On the other hand, Non-Life Insurance (-5.5%) and Engineering (-2.7%) faced the highest selling pressure during the month among the major sectors.

Telecommunication sector has the highest dividend yield of 5.0% among all sectors.



Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Telecommunication	8,299	899	3.0%	-1.5%	3.0%	-6.3%	21.3%	72.7%	18.6	7.4	5.0%
Pharmaceuticals & Chemicals	8,474	4,691	2.4%	2.7%	2.4%	20.0%	49.6%	73.5%	16.0	3.2	1.9%
Bank	8,513	4,587	0.3%	0.6%	0.3%	20.8%	18.6%	40.9%	7.8	0.8	3.3%
Engineering	6,299	1,371	-2.7%	-5.1%	-2.7%	10.5%	40.3%	40.3%	21.4	2.6	2.2%
Fuel & Power	5,526	1,497	6.8%	4.2%	6.8%	12.9%	2.8%	38.3%	11.8	1.5	5.3%
Food & Allied	5,360	1,823	3.0%	3.0%	3.0%	24.9%	77.1%	135.7%	25.3	10.4	2.7%
NBFI	2,628	802	1.8%	-4.3%	1.8%	13.6%	15.9%	16.9%	21.2	2.4	2.0%
Miscellaneous	3,023	1,318	1.3%	-3.0%	1.3%	42.9%	120.3%	152.3%	9.0	2.8	1.9%
Textile	1,993	1,129	7.5%	0.9%	7.5%	48.9%	-2.0%	20.6%	14.6	1.1	2.3%
Cement	1,547	608	4.5%	-4.8%	4.5%	45.1%	26.2%	-11.3%	20.3	3.5	1.4%
Non-Life Insurance	1,467	852	-5.5%	-5.6%	-5.5%	41.7%	127.8%	227.8%	20.2	2.5	1.7%
Life Insurance	896	552	3.2%	-2.8%	3.2%	34.0%	22.9%	59.8%	40.8	8.1	1.5%
Travel & Leisure	310	221	7.5%	6.5%	7.5%	17.4%	18.0%	15.6%	71.5	0.9	1.6%
Ceramics	422	154	20.9%	10.8%	20.9%	65.5%	32.5%	42.1%	36.7	2.3	1.4%
IT	453	288	-0.2%	7.6%	-0.2%	39.1%	19.3%	17.5%	25.8	3.1	1.1%
Services & Real Estate	354	191	15.4%	2.9%	15.4%	46.7%	42.5%	14.3%	20.4	1.7	1.7%
Tannery	444	250	10.4%	9.0%	10.4%	92.3%	28.9%	36.0%	33.9	3.4	0.4%
Paper & Printing	318	100	35.9%	28.3%	35.9%	26.1%	-21.6%	-24.9%	29.6	1.9	0.8%
Jute	23	14	-3.4%	-1.1%	-3.4%	-7.6%	-58.5%	76.5%	398.3	5.9	0.2%
<b>Market</b>	<b>56,957</b>	<b>21,710</b>	<b>2.5%</b>	<b>-1.1%</b>	<b>2.5%</b>	<b>22.6%</b>	<b>19.0%</b>	<b>26.7%</b>	<b>14.5</b>	<b>2.0</b>	<b>3.1%</b>

\*All returns are Holding Period Return.

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

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

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

## Cap Class Performance

During the month of January, Small Cap Class (+5.1%) posted the highest return. Large Cap was the highest dividend yielding (3.7%) class.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Meap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥118	77.9%	2.8%	1.1%	2.8%	15.9%	63.4%	110.9%	19.5	2.0	3.7%
Mid	35-117	11.7%	2.8%	-0.1%	2.8%	37.0%	-36.8%	-32.0%	27.2	1.5	2.1%
Small	12-34	8.0%	5.1%	0.5%	5.1%	44.0%	57.6%	79.8%	87.3	1.3	1.9%
Micro	<12	2.4%	3.8%	3.7%	3.8%	60.5%	-87.7%	-85.1%	188.4	1.0	0.5%
<b>Market</b>	-	-	<b>2.5%</b>	<b>-1.1%</b>	<b>2.5%</b>	<b>22.6%</b>	<b>19.0%</b>	<b>26.7%</b>	<b>14.5</b>	<b>2.0</b>	<b>3.1%</b>

\*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, ROBI (+8.7%) advanced the most, followed by LHBL (+6.9%). On the other hand, WALTONHIL (-7.6%) faced the highest correction.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+989.3%), BEXIMCO (+474.7%), UPGDCL (+201.5%), MARICO (179.1%), BXPBARMA (+163.0%), and DUTCHBANGL (+128.2%).

Among the scrips, SUMITPOWER, GP, TITASGAS, UPGDCL, and MARICO recorded higher dividend yield compared to that of market.



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

DSE Code	Sector	Market Capitalization (USD mn)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommuni- cation	5,588	559	0.42	1.8%	-0.7%	1.8%	-1.0%	5.5%	51.0%	14.1	16.5	7.0%
BATBC	Food & Allied	4,076	1,078	1.70	2.1%	1.3%	2.1%	26.9%	80.8%	169.6%	22.7	10.6	3.1%
WALTONHIL^	Engineering	3,739	36	0.15	-7.6%	-8.9%	-7.6%	1.3%	N/A	N/A	36.0	4.1	2.4%
ROBI^	Telecommuni- cation	2,284	228	1.09	8.7%	-6.5%	8.7%	-28.4%	N/A	N/A	87.9	3.2	0.8%
SQURPHARMA	Pharmaceuticals & Chemicals	2,270	1,485	0.72	2.8%	3.2%	2.8%	-2.2%	0.5%	20.1%	9.8	2.7	2.7%
UPGDCL	Fuel & Power	1,713	171	0.22	4.1%	-1.9%	4.1%	-3.8%	-20.0%	201.5%	10.7	5.6	6.7%
RENATA	Pharmaceuticals & Chemicals	1,661	809	0.28	1.5%	2.2%	1.5%	28.2%	60.2%	123.2%	26.0	7.2	1.0%
BEXIMCO	Miscellaneous	1,520	1,013	12.88	0.5%	-6.7%	0.5%	74.5%	534.9%	474.7%	8.6	2.2	2.3%
ICB	NBFI	1,216	39	0.35	4.8%	0.0%	4.8%	23.4%	23.9%	6.5%	37.3	11.0	0.8%
LHBL	Cement	1,026	362	2.84	6.9%	-4.9%	6.9%	54.4%	84.9%	-0.2%	21.4	5.7	1.3%
BXPHARMA	Pharmaceuticals & Chemicals	1,013	707	1.28	1.3%	-7.1%	1.3%	7.7%	156.5%	163.0%	13.7	2.8	1.8%
BERGERPBL	Miscellaneous	976	49	0.04	2.5%	2.8%	2.5%	20.4%	30.7%	72.1%		11.5	1.7%
BRACBANK	Bank	894	480	0.61	-0.2%	20.5%	-0.2%	22.6%	-4.7%	67.5%	14.4	2.0	1.7%
MARICO	Pharmaceuticals & Chemicals	863	86	0.19	2.4%	2.7%	2.4%	11.5%	114.2%	179.1%		40.3	3.8%
ISLAMIBANK	Bank	608	296	0.70	1.6%	8.0%	1.6%	21.8%	35.7%	-12.1%	9.1	0.9	3.1%
BEACONPHAR	Pharmaceuticals & Chemicals	608	425	1.11	-7.1%	9.6%	-7.1%	176.9%	1072.9%	989.3%	43.7	17.7	0.7%
DUTCHBANGL	Bank	519	78	0.20	-0.6%	-3.8%	-0.6%	36.2%	72.3%	128.2%	9.3	1.7	1.7%
SUMITPOWER	Fuel & Power	481	177	0.37	-0.5%	-6.7%	-0.5%	-8.8%	12.8%	30.8%	9.6	1.2	9.0%
TITASGAS	Fuel & Power	480	120	2.03	14.9%	11.5%	14.9%	31.8%	26.0%	12.7%	14.5	0.6	5.3%
UNILEVERCL	Food & Allied	452	55	0.11	8.4%	14.8%	8.4%	9.3%	153.1%	140.1%	75.4	34.4	1.4%
<b>Market</b>		<b>56,957</b>	<b>21,710</b>	<b>164.28</b>	<b>2.5%</b>	<b>-1.1%</b>	<b>2.5%</b>	<b>22.6%</b>	<b>19.0%</b>	<b>26.7%</b>	<b>14.5</b>	<b>2.0</b>	<b>3.1%</b>

\*All returns are Holding Period Return.

^WALTONHIL got listed on September 23, 2020. ROBI got listed on December 24, 2020.

## Top Performing Mutual Funds

The top ten open end mutual funds based on 5Y year CAGR outperformed the market, during the same period. Among them, CAPM unit Fund (+14.8%) yielded the highest return. On YTD basis, Sixth ICB Unit Fund (+3.2%) posted the highest return.

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

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			2022 YTD*	2021	2017-2021
CAPM Unit Fund	CAPM	1.8	2.8%	29.6%	14.8%
Seventh ICB Unit Fund <sup>+</sup>	ICB	5.4	N/A	34.2%	14.3%
Second ICB Unit Fund <sup>+</sup>	ICB	2.4	N/A	41.5%	14.2%
UFS-Pragati Life Unit Fund	UFS	1.4	-13.7%	27.3%	13.3%
Peninsula AMCL BDBL Unit Fund One	IDLC	3.2	3.2%	25.7%	11.8%
Sixth ICB Unit Fund <sup>+</sup>	ICB	3.7	N/A	29.6%	11.6%
Third ICB Unit Fund <sup>+</sup>	VIPB	4.4	N/A	26.0%	11.6%
Fourth ICB Unit Fund <sup>+</sup>	ICB	2.9	N/A	36.1%	11.4%
LankaBangla 1st Balanced Unit Fund	ATC	6.3	-9.8%	21.9%	11.2%
ICB AMCL Pension Holders' Unit Fund	ICB	4.5	0.9%	27.5%	10.7%
<b>Market (Broad Index) Return (%)</b>			<b>4.0%</b>	<b>25.1%</b>	<b>6.1%</b>

\*Based on published NAV and DSEX point of January 27, 2022

<sup>+</sup>Latest NAV will be available after year-end closing. Purchase and surrender of unit will resume after the year-end closing.

All the top ten closed end mutual funds on the basis of 5 years (2017-2021) outperformed the market during the same horizon. Among them PRIME1ICBA (+12.4%) posted the highest return. On the YTD basis, 1STPRIMFMF (+10.6%) posted the highest return.

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

DSE Code	Fund Manager	Fund Size (USD mn)	Price <sup>1</sup> (BDT)	NAV <sup>1</sup> (BDT)	Price/NAV	Dividend Yield <sup>2</sup> (%)	NAV Return <sup>3</sup>				Redemption Year <sup>4</sup>
							2022 YTD	2021	2019-2021	2017-21	
PRIME1ICBA	ICB AMCL	8.5	7.6	11.2	68.0%	9.9%	7.5%	35.8%	17.3%	12.4%	2030
1STPRIMFMF	ICB AMCL	44.2	19.0	16.7	113.8%	4.2%	10.6%	38.5%	17.3%	12.0%	2029
ICBSONALI1	ICB AMCL	10.2	7.9	11.3	69.8%	8.9%	7.9%	26.6%	13.7%	10.9%	2023
PF1STMF	ICB AMCL	3.5	9.1	10.9	83.8%	6.6%	7.3%	39.6%	16.9%	10.9%	2030
ICBEPMF1S1	ICB AMCL	12.1	7.3	10.4	70.0%	8.2%	7.7%	38.2%	17.7%	10.6%	2030
ICBAMCL2ND	ICB AMCL	12.2	8.8	11.7	75.2%	9.1%	8.9%	36.2%	16.1%	10.5%	2029
ICB3RDNRB	ICB AMCL	8.5	7.1	10.4	68.5%	9.9%	8.4%	36.2%	16.8%	10.4%	2030
GRAMEENS2	AIMS	6.3	16.3	21.5	75.9%	8.0%	3.2%	18.2%	9.2%	9.8%	2023
CAPMBDBLMF	CAPM	41.7	9.9	12.6	78.6%	13.1%	2.4%	29.9%	12.4%	9.3%	2027
NLI1STMF	VIPB	11.2	14.2	14.8	96.1%	12.3%	1.8%	18.4%	8.7%	9.2%	2022
<b>Market</b>							<b>4.0%</b>	<b>22.3%</b>	<b>7.9%</b>	<b>6.1%</b>	

1 Price as of January 30, 2022, and NAV published on January 27, 2021.

2 On last cash dividend declared.

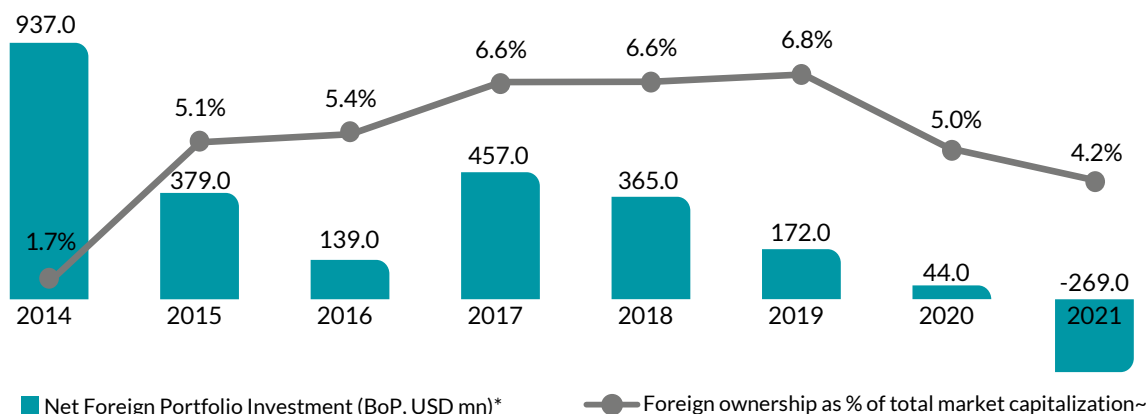
3CAGR computed for respected periods, except for 2020 and 2021 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4In reference to BSEC Press Release বিএসইবিস/মুখপাত্র (৩য় খণ্ড)/২০১১/২৫ published on January 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 December 2021, total foreign ownership stood at 4.2% 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 Bangladesh Bank

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

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 37.9% as of December 2021, followed by BXPHARMA with 29.4%.

Table 8: Top ten companies with highest foreign shareholding as of December 2021

Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	37.9%
BXPHARMA	Pharmaceuticals & Chemicals	29.4%
OLYMPIC	Food & Allied	28.4%
RENATA	Pharmaceuticals & Chemicals	22.8%
ISLAMIBANK	Bank	20.2%
DBH	NBFI	19.3%
BSRMLTD	Engineering	17.5%
AAMRANET	IT	16.0%
VFSTD	Textile	14.7%
SQURPHARMA	Pharmaceuticals & Chemicals	14.2%

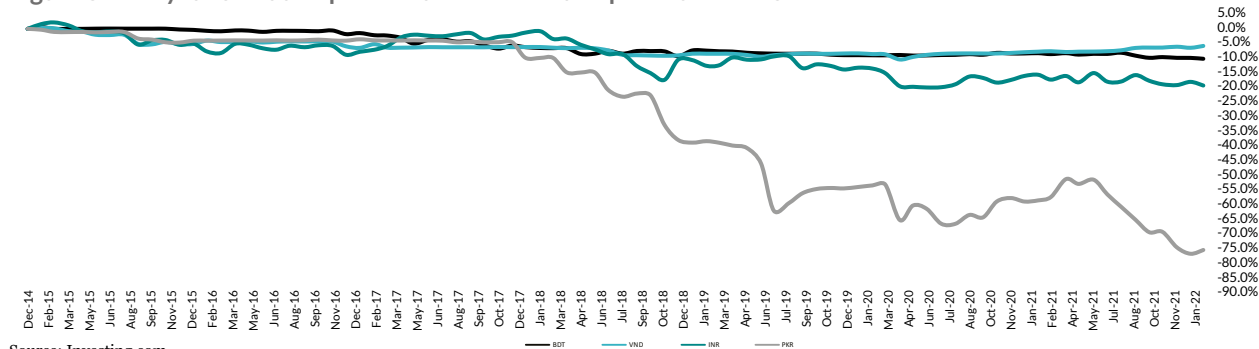
Source: DSE

\*Latest Data for Foreign shareholding available on DSE are as of December, 2021.

## Performance of BDT and Currencies of Peer Countries against USD

Since 2015, BDT retained its value better than majority of the currencies of peer countries. While BDT depreciated by 10.2% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 5.8%, 19.3% and 75.2%, respectively.

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



Source: Investing.com

ফিক্সড ডিপোজিট অ্যাকাউন্ট এখন আপনার হাতেই

আইডিএলসি'র সাথে  
**ঘরে বসেই করুন**  
ফিক্সড ডিপোজিট

বিস্তারিত জানতে:



QR কোড স্ক্যান করুন



১৬৪০৯



idlc.com

