Volume 18 | Issue 08 | August 2022

IDLC MONTHLY

BUSINESS REVIEW

FLOUR MILLING INDUSTRY IN BANGLADESH: FLOURISHING THROUGH AUTOMATION

IDLC Finance Limited

financing happiness

contents

Design & Printing: nymphea | www.nymphea-bd.com

FROM THE

EDITOR

Flour Milling Industry in Bangladesh: Flourishing through Automation

Bangladesh is mainly a rice-consuming country, but flour is the second most important staple food in Bangladesh after rice, meaning flour is a crucial part of our national food security. Hence, flour milling plays a significant role in ensuring food sufficiency in Bangladesh. Though it started with a traditional milling process called "chakki", now the industry is flourishing through automation.

According to the Bangladesh Bureau of Statistics Household Income and Expenditure Survey (HIES, 2005–2016), daily per capita wheat consumption was 12.08 g in 2005 and 19.83 g in 2016. This growing consumption pattern implies a higher demand for flour in Bangladesh. Moreover, urbanisation, the increasing popularity of fast food, and changing lifestyles have all increased the demand for flour over the years. In recent years, many fast-moving consumer goods (FMCG) companies have started exporting flour-based products, like bakery goods, in addition to serving the domestic market.

One of the major challenges faced by the industry is high import dependency. Russia and Ukraine produce 30% of the world's wheat. These two nations provide 40% of Bangladesh's wheat imports. Shockingly, the current war between Russia and Ukraine has had a destabilising effect on the country's wheat supply, causing price volatility and uncertainty. Clearly, the future of wheat and flour milling in Bangladesh depends on trade wars, agriculture policy, and the use of modern technologies.

The flour milling industry in Bangladesh has to become more productive by adopting efficient business models. Most importantly, the industry needs policy support to deal with prevailing issues like reliance on imports, power shortages, financial hardship, etc., to flourish and sustain in the long run.

Md. Shah Jalal
Assistant Manager
IDLC Finance Limited

INDUSTRY & EQUITY ANALYSIS TEAM

ASIF SAAD BIN SHAMS
Email: shams@idlc.com

DEBAJIT DATTA
Email: debajit@idlc.com

MD. SHAH JALAL
Email: mjalal@idlc.com

AKHLAQUR RAHMAN SACHEE
Email: akhlaqur@idlc.com

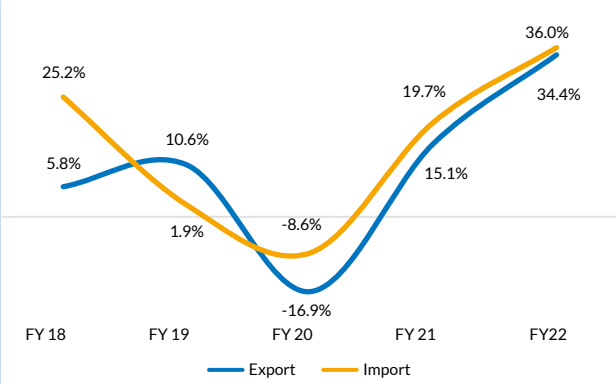
SUSMITA BHATTA
Email: bsusmita@idlc.com

ECONOMY AT A GLANCE

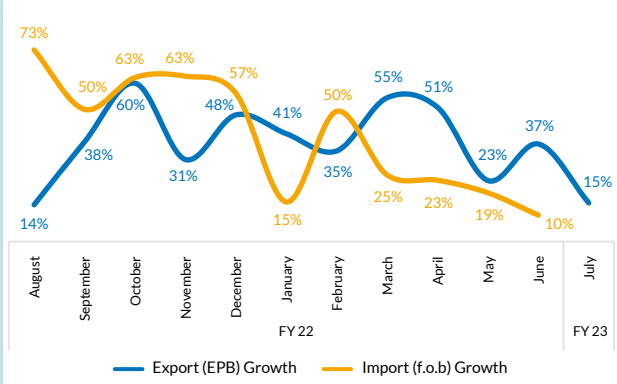
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export Imort Trade (Last 5 Years)

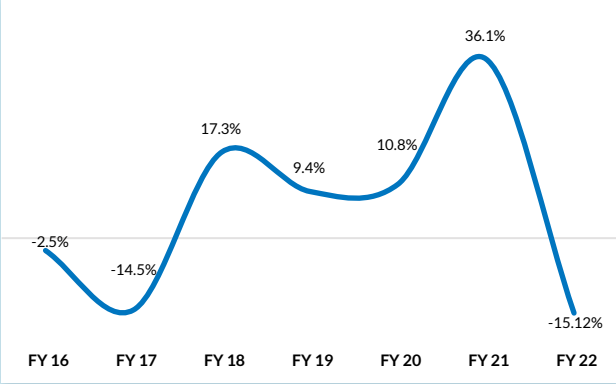


Export and Import Growth (Last 12 Months)

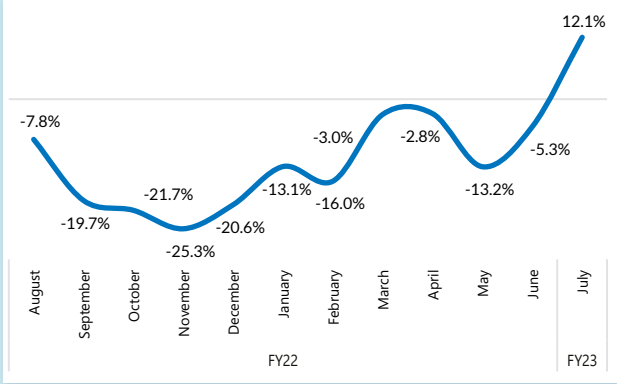


REMITTANCE

Remittance Growth (Last 7 Years)

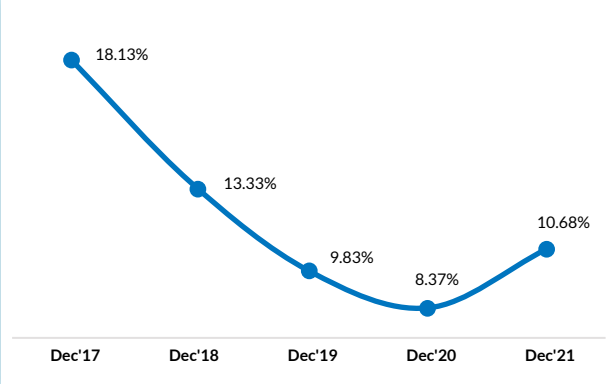


Remittance Growth (Last 12 Months)

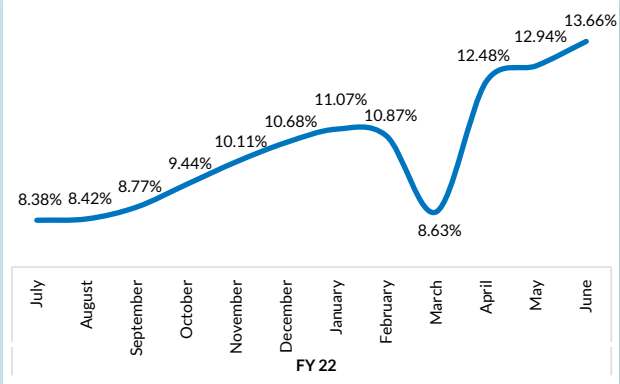


PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



MONTH IN BRIEF

- **In FY 2021-22, the government's aggregate net bank borrowings grew to BDT 727.49 billion from BDT 242.92 billion in FY 2020-21.** This happened mainly due to lower sales of national savings certificates and a shortfall in revenue collection in the previous fiscal year.

- **The International Monetary Fund (IMF) has recently offered USD 6.80 billion in policy support credit to Bangladesh over the next few years.** This is to help close the gap between income and spending in the national budget.

- **The country's total external debt rose to a total of USD 93.23 billion as of March 2022**. The total external debt-to-GDP ratio now stands at almost 27%.

- The foreign exchange reserves of Bangladesh dropped below USD 40 billion for the first time in two years on July 12. **It reached USD 39.77 billion after the central bank cleared USD 1.99 billion as import payments to the Asian Clearing Union.**

- **A USD 500 million credit has been approved by the World Bank (WB) with the purpose of helping** Bangladesh enhance disaster preparedness against inland flooding in 14 districts that are prone to flooding. This will benefit over 1.25 million people.

- Bangladesh's RMG exports to the United States in January-May of 2022 grew by **59.06% to USD 4.11 billion, which was USD 2.56 billion in the same period of 2021.**

- As per a news published on July 18, defaulters will now be allowed for eight years to repay their loans, which was previously two years, as the Bangladesh Bank (BB) relaxed the policy for loan rescheduling of bad loans. Defaulters will be allowed to repay term loans by **enjoying 6–8 years as per the new rules, compared to the previous tenure of 9–24 months after rescheduling their non-performing loans.**

- According to Bangladesh Bureau of Statistics, the food inflation rate across the country was 8.37% compared to the **non-food inflation rate of 6.33% as of June 2022.**

- In the month of June, the banking sector experienced a big jump in credit flows to the private sector. **The credit grew to 13.66% during this period. It is the highest in the last 43 months.**

- **The price of wheat decreased by BDT 4-5 per kilogram** as India resumed exports through the Hili land port in Dinajpur by the end of July 2022.

APPAREL EXPORTS SAW A GOOD GROWTH EVEN DURING THE RUSSIA-UKRAINE WAR, AS HUGE ORDERS WERE BOOKED WITH THE TREND EXPECTED TO CONTINUE IN THE NEXT TWO MONTHS. NEXT YEAR WOULD BE TOUGH DUE TO GLOBAL INFLATION AND RECESSION, AS SOME BUYERS WITH GOOD INVENTORY WOULD BE CAREFUL IN PLACING NEW ORDERS.

Faruque Hassan, President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), on Export Earnings Hitting Record High USD 52.08 Billion in FY22. (July 03, 2022. The Business Standard.)

To increase remittances, the gap between the official rate and kerb market has to be reduced. Now about one lakh people are going abroad every month and we will get a good result in the current financial year.

Professor Mustafizur Rahman, Distinguished Fellow of Centre for Policy Dialogue (CPD), on Remittances Dropping 15% in FY22. (July 04, 2022. The Business Standard.)

This innovative deal marks an important milestone in the development of the domestic long-term bond market and offers multiple benefits for Bangladesh, with first and foremost helping to tackle the acute need of low and middle-income people to obtain affordable housing finance.

Allen Forlemu, Regional Industry Director of Financial Institutions Group of IFC for Asia and the Pacific, on First-ever Housing Bond Being Launched. (July 05, 2022. The Daily Star.)

The central bank should withdraw the interest rate of 9% on loans. If the central bank withdraws the cap, the interest rate on financing for imports will also increase. The private sector will be discouraged from taking loans at a higher cost and reduce imports and thereby associated payments.

Ahsan H Mansur, Executive Director of Policy Research Institute, on Private Credit Growth Hitting 4-year High. (July 29, 2022. The Daily Star.)

Bangladesh has huge potential to increase its exports to the US market due to US restrictions on Chinese cotton and the trade war between the two countries.

Mohammad Hatem, Executive President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), on RMG Exports to US Seeing 60% Growth in First Half of 2022. (August 08, 2022. The Financial Express.)

Our imports have skyrocketed. Then, why has the overall manufacturing production slowed down? It appears that there was over-invoicing of imports which have created undue pressure on the foreign exchange reserves.

Selim Raihan, Professor of Economics at the University of Dhaka, on Slow Industrial Production. (August 09, 2022. The Daily Star.)

The inter-bank call money rate might rise further due to the current liquidity pressure in the financial market. The government's increased borrowing from the banking system, purchases of US dollars by banks to settle import bills and rise of treasury bill rate were creating stress on the liquidity.

Ahsan H Mansur, Executive Director of Policy Research Institute, on Call Money Rate Continuing to Rise Amid Liquidity Pressure. (July 30, 2022. New Age.)

WORLD ECONOMIC INDICATOR

PREPARED BY IDLCSL RESEARCH TEAM

Country	Nominal GDP: 2021 (USD in Billion)	Real GDP Growth: 2021 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten Years Treasury Bond	Currency Units (Per USD)
Frontier Market							
Sri Lanka	82.47	3.58	60.8	July-22	-4.28	26.17	355.00
Vietnam	366.20	2.58	3.14	July-22	-0.48	3.65	23,388.00
Kenya	109.80	7.23	8.3	July-22	-5.41	14.23	119.15
Nigeria	441.54	3.65	18.6	June-22	-0.84	12.19	414.00
Bangladesh	465.00	7.25	7.48	July-22	-4.02	8.00	95.00
Emerging Markets							
Brazil	1,608.08	4.62	11.89	June-22	-1.74	12.42	5.16
Saudi Arabia	833.54	3.24	2.3	June-22	6.56	N/A	3.76
India	3,177.92	8.95	7.01	June-22	-1.55	7.35	79.61
Indonesia	1,186.07	3.69	4.94	July-22	0.28	7.24	14,922.00
Malaysia	372.75	3.13	3.4	June-22	3.46	3.97	4.46
Philippines	393.61	5.60	6.4	July-22	-1.76	6.23	55.61
Turkey	806.80	10.99	79.6	July-22	-1.85	17.10	17.96
Thailand	513.17	1.57	7.61	July-22	-2.12	2.41	35.82
China	17,458.04	8.08	2.5	June-22	1.82	2.76	6.76
Russia	1,775.55	4.70	15.9	June-22	6.87	9.05	60.60
Developed Markets							
France	2,935.49	6.98	6.1	July-22	-0.93	1.48	0.98
Germany	4,225.92	2.79	7.5	July-22	7.43	0.96	0.98
Italy	2,101.28	6.64	7.9	July-22	3.29	2.25	0.98
Spain	1,426.22	5.13	10.8	July-22	0.94	1.84	0.98
Hong Kong	368.14	6.42	1.8	June-22	11.20	2.62	7.85
Singapore	396.99	7.61	6.7	June-22	18.12	2.63	1.38
United States	22,997.50	5.68	9.1	jun 22	-3.51	2.81	1.00
Denmark	395.71	4.13	8.2	June-22	8.37	N/A	7.31
Netherlands	1,018.68	5.04	10.3	July-22	9.45	1.24	1.80
Australia	1,633.29	4.69	6.1	June-22	3.54	3.23	1.44
Switzerland	812.55	3.72	3.4	July-22	9.30	0.49	0.96
United Kingdom	3,187.63	7.44	9.4	June-22	-2.59	2.05	0.83

Bangladesh Data: The new GDP size (FY22 provisional estimate) and real GDP growth (FY22) are as per new base year. Calculation Method of CA Balance (%of GDP): CA balance for 11 month FY2021-22 /Provisional GDP of FY22.

Interest rate (%) 10 years TB as per July 2022, Inflation as per July 2022 and Currency Unit (per USD) as per 10th August are sourced from Bangladesh Bank.

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2021 data (April, 2022 Outlook).

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

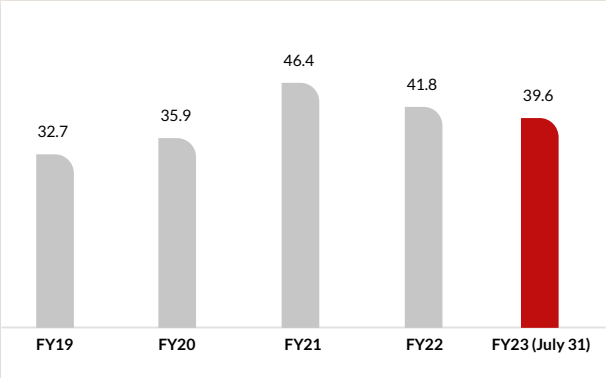
Inflation: Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

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

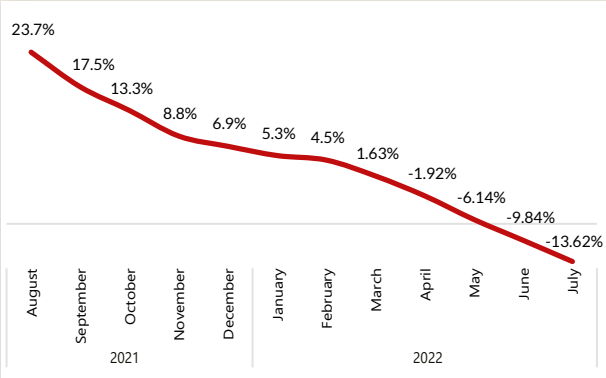
BANKING DATA CORNER

Prepared by IDLCSL Research Team

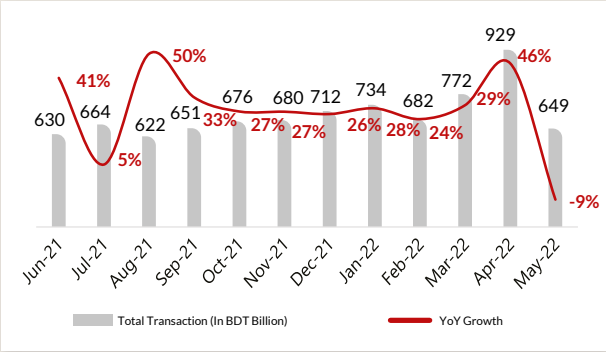
Foreign Exchange Reserve
(In USD Billion, Last 5 Years)



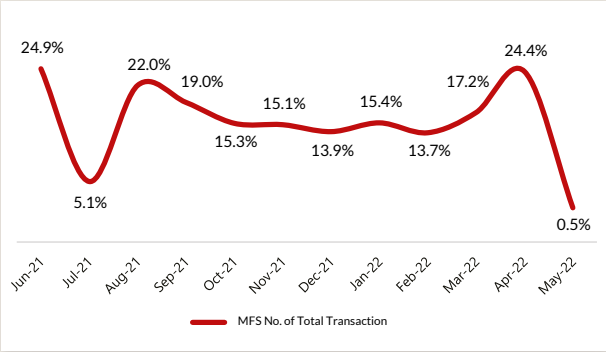
Foreign Exchange Reserve
(YoY Growth)



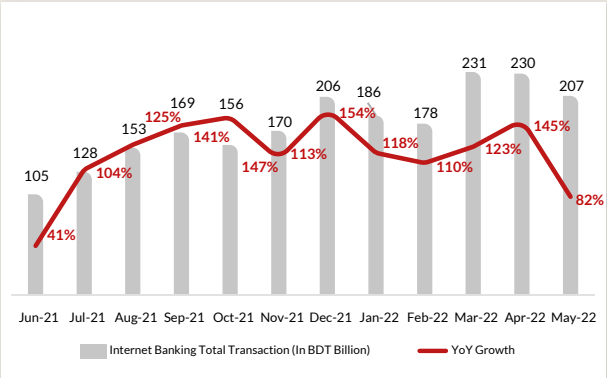
MFS Monthly Transaction
(BDT Billion and YoY Growth)



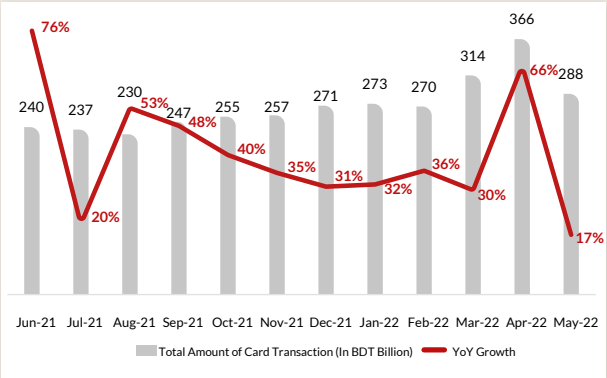
MFS No. of Total Transaction
(YoY Growth)



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



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



Source: Bangladesh Bank

Merchant Bay

Abrar Hossain Sayem
Co-founder and CEO, Merchant Bay

Interviewed by
Akhlaqur Rahman Sachee, Team MBR

Merchant Bay is a tech-enabled fashion sourcing platform. It provides a critical channel for buyers to explore suppliers to source apparel from Bangladesh. Its multisided platform enables both buyers and suppliers to start doing business fast, manage orders with efficiency, and grow together simultaneously. Team MBR was in a conversation with Abrar Hossain Sayem, Co-founder and CEO, Merchant Bay, to learn about their inspirations and vision behind Merchant Bay.

Akhlaqur Rahman Sachee: Merchant Bay, which started in 2020, provides a digital platform to connect the buyers in the RMG industry with the RMG manufacturers and the suppliers of textiles, yarns, trims, and accessories. Alongside, it provides business intelligence tools for RMG factories. What is the story behind this idea?

Abrar Hossain Sayem: The vision of Merchant Bay is to ultimately create a seamless, visible supply chain of local fashion manufacturers and raw materials so that global brands and designers can have fast, reliable access to the pool of manufacturers and raw materials while developing new products. In this way, local manufacturers in Bangladesh can scale with greater demand as they have access to many buyers and have an order management system to efficiently manage the orders. Our mission is to streamline fashion sourcing experiences digitally.

Akhlaqur Rahman Sachee: Our RMG industry is highly dependent on conventional buying houses. What are the motivations for the buyers to pick Merchant Bay over conventional buying houses?

Abrar Hossain Sayem: We are not substituting buying houses. Our industry-specific system is built in a way so that anyone involved in RMG production can enjoy benefits from it. Buying houses can be a part of our order management system by efficiently managing their orders while sourcing raw materials from a wider range of alternatives. The motivation for buyers to work with Merchant Bay is the tech-enabled visibility they have in sourcing, designing, and product development processes. With Merchant Bay, they are able to source a wider range of developed products and track orders better from remote locations.

Akhlaqur Rahman Sachee: Inefficiencies have been observed in some areas of the RMG industry since its inception. How is Merchant Bay addressing this issue? What are the benefits the RMG factories are enjoying that have implemented Merchant Bay's business intelligence tools?

Abrar Hossain Sayem: The industry currently has inefficiencies in almost every step as the majority of the industry is not data-driven. The M Factory app is the order management and BI tool which helps manufacturers to have all their key stakeholders in one place, keep track of all action plans and monitor key metrics of the factory, which can be entered into the app very easy ways. The M Factory app gives visibility to the efficiency loss. It also gives real-time insight about room to grow in processes involved in production. Automatically generated shareable reports give time back to the executives so that they can focus on what really matters. This way, factories can increase operational efficiency by at least 20%, as found in a Merchant Bay primary study.

Akhlaqur Rahman Sachee: Would you kindly share with us the screening process through which Merchant Bay onboards the suppliers? How does Merchant Bay assure the buyers of the quality of the products?

Abrar Hossain Sayem: Merchant Bay onboards suppliers by checking their updated business licence and manufacturing unit. Using our profile builder, every manufacturer can build and update their profile information, but it only gets online after all the verification process is done. Merchant Bay checks all the information through a physical visit. Merchant Bay assigns an account manager to buyers placing orders through Merchant Bay for the purpose of assuring the standard operating process and making sure data are being updated. The factory taking the order stays responsible for maintaining quality standards set by the buyer. However, buyers can assign Merchant Bay or a third-party quality team to do inspections on their behalf.

Akhlaqur Rahman Sachee: Merchant Bay has recently partnered up with Dana Fintech. How is this partnership going to help the businesses in the RMG industry?

Abrar Hossain Sayem: The partnership with Dana Fintech will allow our registered manufacturers to easily take advantage of Dana Fintech's services. I believe this is a huge convenience that Dana is bringing to the SME industry. Our SME factories can largely benefit from Dana Fintech's products. Our verified suppliers are able to access all the services from a single dashboard without even going to another website. Their access to financial services will become easier as they are already vetted by Merchant Bay.

Akhlaqur Rahman Sachee: Order quantity is a crucial factor that is seriously taken into consideration by the RMG manufacturers while confirming the orders. How is Merchant Bay helping buyers look for suppliers to order a small quantity of products?

Abrar Hossain Sayem: Merchant Bay is onboarding and assisting SME manufacturers to have stronger product development support and access them to receive direct orders from brands instead of depending majorly on subcontract orders. This way, this large pool of SME manufacturers can have better profitability while catering to low MOQ orders from brands. They are provided with the necessary tools and stronger IE planning to execute the low MOQ orders. Merchant Bay's product development expertise and M Factory-based monitoring and evaluation system make them comfortable managing small orders efficiently and at scale.

Akhlaqur Rahman Sachee: Would you kindly share with us the revenue streams of Merchant Bay? How does it make money out of the services it provides?

Abrar Hossain Sayem: Merchant Bay earns from subscriptions and commissions on a usage basis. Manufacturers pay for using the M Factory app. Buyers pay a subscription fee for product development support. Buyers currently pay commission on total value when they engage Merchant Bay in sourcing and managing orders with extended service. On the way forward, we are creating an intuitive platform to accommodate all stakeholders to use the platform as a service under a subscription model.

Akhlaqur Rahman Sachee: What are the challenges Merchant Bay is currently facing? How is it planned to overcome them?

Abrar Hossain Sayem: The current challenge is motivating the manufacturers to actively use the order management system to increase internal efficiency and collaborate with buyers. On the other hand, another challenge is to motivate manufacturers to actively develop products as per their capabilities, which can be promoted to generate demand. Merchant Bay, therefore, is investing in its product development studio to give buyers the initial product development support and create collections, collaborating with manufacturers to generate more demand. To make our tools more functional and intuitive, we are bringing everything into one mobile app. This will further reduce the time and increase operational efficiency.

FLOUR MILLING INDUSTRY IN BANGLADESH:

FLOURISHING THROUGH AUTOMATION

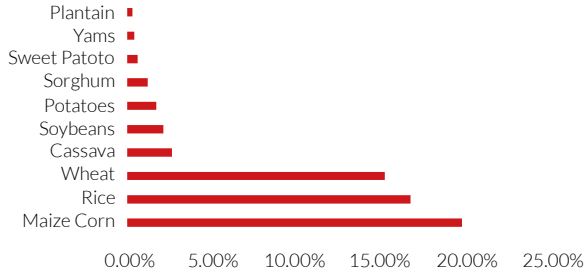
~~Written by~~
~~**Mohammad Abdul Hannan**~~
~~Head of Islamic Finance Wing~~
~~IDLC Finance Limited~~

It is very obvious that after rice, flour is the second most important food in Bangladesh. It might also be considered one of the staple foods in our country. Staple foods are those that contribute to the majority of our diet. Observing our daily life's diet, we easily find out that flour has the second position, just after rice. Climate, culture, trade, and production are the determining factors of staple foods for a nation. Reportedly, more than 50,000 plants are edible, but very few of them become staple foods, and surprisingly, corn, rice, and wheat together contribute 51% of the world's caloric intake. The Middle East is where wheat originates, as it was first grown in the Ancient Mesopotamian region near present-day Iraq. Researchers believe this was the first domesticated crop, prompting the spread of agriculture and resulting in rapid increases in the human population. The US, China, Russia, India, and France are the largest producers of wheat in the world. Wheat is typically dried and pulverised to make flour. This flour is used to make bread, crackers, pasta, breakfast cereals, and pastries. Its nutritional value is higher, however, when it is consumed whole. Approximately 15% of the world's calorie intake comes from wheat. (Source: WorldAtlas)

Changing lifestyles and rapid urbanisation are playing a vital role in increasing the demand for wheat in Bangladesh over the years. The current yearly domestic demand for wheat is more than 8 million MT. The challenge is that Bangladesh is highly dependent on imports. As per the latest report of the USDA (U.S. Department of Agriculture) on Grain and Feed Annual, domestic production only meets 13% of total demand. As the lion's share of demand has been met through imports, foreign currency exposure is obvious. Moreover, the Russia-Ukraine issue has insisted on the wheat price in the international market as well as in Bangladesh. Around 40% of wheat imports are made from Russia and Ukraine. The Russia-Ukraine issue forces the importer to secure alternative exporting countries, i.e., India, Australia, Canada, and the United States.

Flour milling has been rapidly changing with advanced technologies. It was started with a traditional milling process called "chakki" and is now transforming into automated wheat milling. The industry is growing fast, overcoming several obstacles with large market players like City Group, Bashundhara Group, and others.

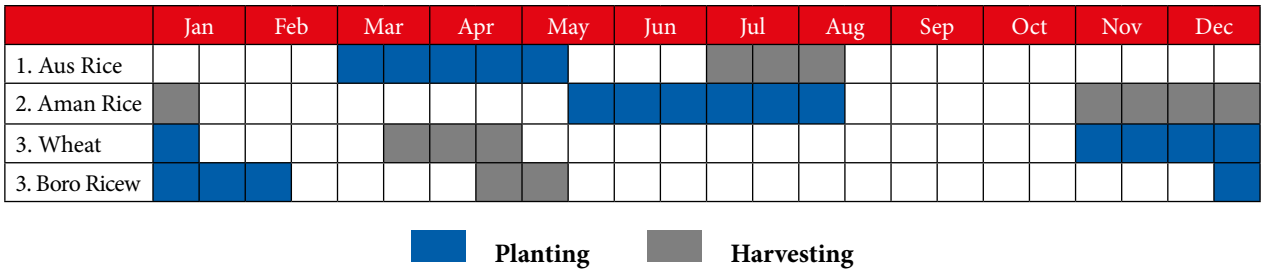
Share of Global Caloric Intake From All Sources



Wheat Production in Bangladesh

Bangladesh is mainly a rice-consuming country. In 1965, Dr. Norman Borlaug and the International Maize and Wheat Improvement Centre (CIMMYT) successfully introduced two Mexican wheat varieties (Sonora 64 and Penjamo 62) into northern Bangladesh. The success of the CIMMYT program, however, was disrupted by the war with Pakistan. After a severe drought in 1973 and major floods in 1974, there were food shortages all over the country. This led to a huge international effort to help the country meet its basic food security needs. With the influx of food aid shipments, wheat became a regular feature in the Bangladesh diet, particularly among urban consumers seeking to supplement their rice-based diet. But as wheat imports rose to 2.3 million metric tonnes in 1972/73, the government of Bangladesh began to institute policies to encourage domestic wheat production. Wheat cultivation quickly expanded around Khulna and the generally less flood-prone areas of the northern and western districts. The harvested area rose from 105,000 hectares in 1974/75 to 591,000 hectares in 1980/81. Wheat yields increased by nearly 70%, with domestic wheat production increasing from 116,000 metric tonnes in 1974/75 to 1.093 million metric tonnes in 1980/81. (Source: GAIN Report: BG3006, USDA)

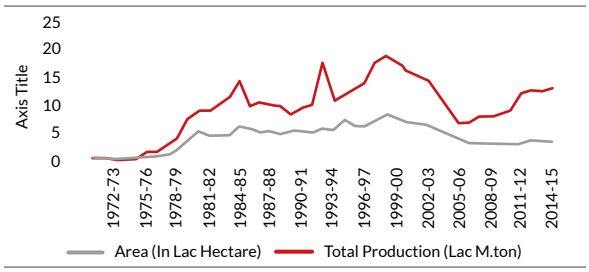
Cropping Calendar of Bangladesh



Wheat is a cereal crop. Wheat seeds are planted in the month of November to mid-January. The harvesting time of the crop is March to April. As it is a winter crop, the growth is highly dependent on the cold weather. To get a better yield, farmers have to depend on the prolonged prevailing cold weather; that is why the countries like Russia, Ukraine, and Canada got an advantage in wheat production over others. Wheat production in Bangladesh is facilitated naturally by alluvial soils, and the advancement of irrigation also helps to give a favourable condition for wheat production. Almost similar planting time of wheat and Boro rice restricts farmers from moving towards spontaneous wheat production as farmers don't want to take the risk of cold weather, which is the main natural factor of wheat production. To overcome this, the respective authority may introduce an incentive or compensation policy for wheat farmers; if the production gets hampered by bad weather, farmers will get compensated by the respective authorities.

In 2018, the Bangladesh Bureau of Statistics (BBS) published a report named "45 Years of Agriculture Statistics of Major Crops (Aus, Amon, Boro, Jute, Potato & Wheat)", where we got the data on wheat production from FY 1970-71 to FY 2014-2015. It's been observed that during FY 1998-99, the country was blessed with the highest wheat production, which was 1.9 million MT. Wheat production crossed 1.5 million MT in FY 1992-92, FY 1997-98, FY 1998-99, FY 1999-00, and FY 2002-03.

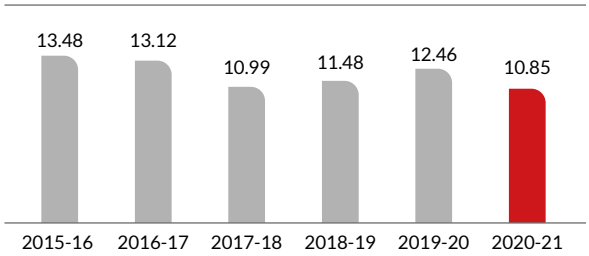
Forty Five Years Production Statistics of Wheat (Area & Ptoduction)



Moreover, the growth of wheat production has been reduced over the years. We have also found that during FY 2015-16, wheat production was 1.35 million MT, whereas, in FY 2020–21, the production was 1.085 million MT. One of the main causes is that the total area of wheat production has also been reduced over the years since the farmers are very much motivated to grow paddy in the Boro season.

Wheat production in Bangladesh is geographically concentrated. Around 70% of wheat production in Bangladesh is contributed by the Rangpur and Rajshahi Divisions. These two divisions contributed 68% of production during FY 2020-21. The top five wheat-producing districts in Bangladesh are Thakurgaon, Chapai Nawabganj, Pabna, Naogaon, and Rajshahi. These five districts contributed 47% of total production in 2020-21.

Wheat Production, 2015 to 2021 (Lac MT)

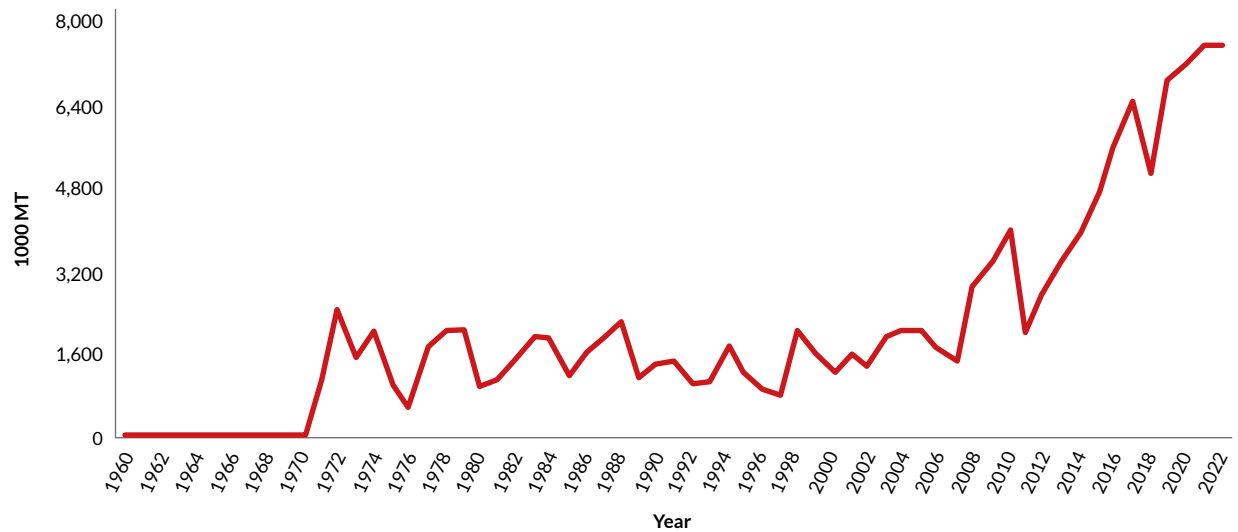


Source: BBS

Wheat Import status of Bangladesh

As stated earlier, more than 80% of current domestic demand has been met by imports. From 2010 onwards, it has been observed that there is a sharp upward inclination in wheat imports up to 2017. After slightly falling in 2018, the imports were again raised in 2019 and onwards. As domestic production has decreased over the years, on the other hand, the demand for wheat-based products has increased, which makes the market move to import.

Bangladesh Wheat Imports by Year

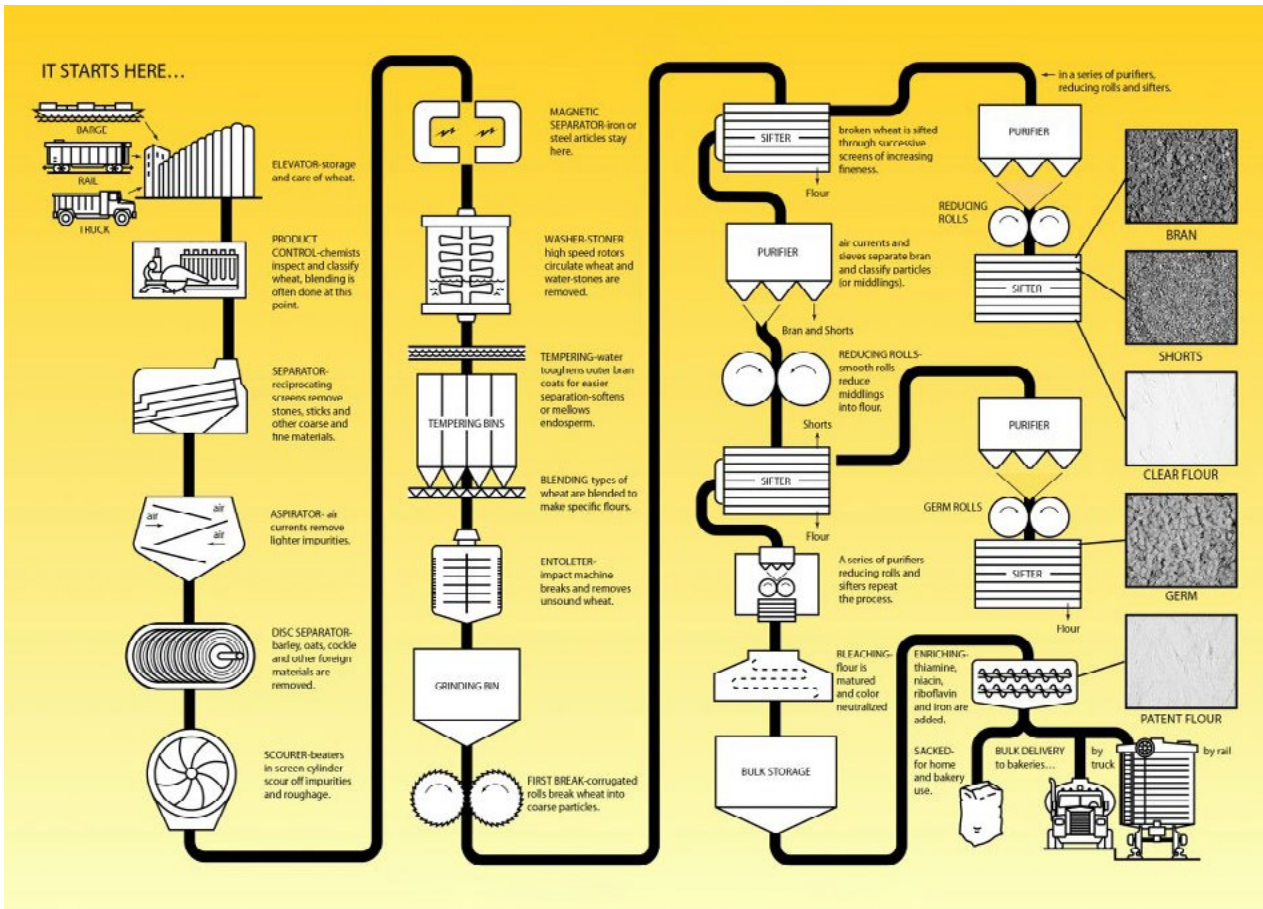


Source: United States Department of Agriculture

Despite the higher price of wheat in the international market, Bangladesh imported substantial amounts of wheat during FY 2020–21, which was around 7.5 million MT. The war between Russia and Ukraine makes Bangladesh source wheat from its neighbouring country, India. According to the USDA, India accounted for 26% of total wheat imports, followed by Russia (26%), Canada (20%), and Ukraine (16%). Lower lead time, lower freight costs, geographical proximity, and transportation facilities (by road & rail) are also critical factors for moving toward India for wheat imports.

Flour Milling in Bangladesh

Flour milling in Bangladesh started with traditional chakki mills with meagre capacity. Wheat milling in Bangladesh is operated by two milling processes: traditional "chakki" mills and roller mills. "Chakki" mills are normally imported from India. Light engineering workshops in Bangladesh also install this mill. A "Chakki" mill is one kind of traditional stone mill which is connected to a diesel engine. It can produce 300 to 800 kg per day. The major challenges of this milling are low-quality products and the small scale of production. Due to several impediments, this type of milling has become less popular in Bangladesh over the years. Many Chakki mills are shutting down, and millers have been transforming from Chakki mills to roller mills. Reportedly, there are still more than 1,500 chakki mills in Bangladesh. Considering technological advancement, shifting demand toward higher quality products, and scale of production, it can be opined that it will become history in the near future. A diagram showing how flour is milled in a modern roller mill is presented below:



A simplified diagram of how flour is milled. (Source: Wheat Foods Council)

More than 90% of the flour mills in Bangladesh are roller mills. Until the mid-1980s, local roller mills tended to be small, with a milling capacity of 10 to 20 metric tonnes a day. However, today, many of these smaller-scale roller mills are no longer operational. The current capacity of most roller mills is now at least 50 tonnes a day, with several of the more recently constructed facilities capable of milling 300 to 500 tonnes a day or more (Source: USDA). Considering the growing demand, many large conglomerates have entered this industry and have supported the growing demand by creating employment by acclimating to advanced technologies. Major contributors to this industry are City Group, Bashundhara Group, ACI Group, Meghna Group, T.K. Group, IFAD Group, and others.

City Group is the largest producer and marketer of consumer goods in Bangladesh. The Rupshi Flour Mill is City Group's largest flour mill, with eight milling lines producing 625 MT each. It can produce a total of 6,150 MT per day of flour under one roof. The project was

executed in a record 24 months since the December 2019 signing of the contract between Bühler and City Group. Biswajit Saha, executive director of City Group, was interviewed by a National Daily in January 2022 and said, "As far as we are concerned, this flower mill built on a 23-acre plot of land is the largest of its kind in the world. More than BDT 3,000 crore has already been

invested in this factory so far, excluding the cost of land development. Over 1,500 people have been employed." City Group has also given details on how the mill will produce healthy products automatically by maintaining quality. The raw material, wheat, first go from the factory silo to the magnetic separation machine, where iron content, if there is any, will be separated from the wheat. Then the raw material goes to the touch machine, where it goes through initial cleaning. After that, the wheat goes to the Vega separator machine via bins. This machine acts as a sieve. The Vega separator separates grains larger or smaller than wheat. These activities run in four stages.

The de-stoner machine then removes the stones. The aspirator machine then separates thinner grains from the wheat through air recycling. The scorer cleans the dirt on the wheat skin. The wheat is then sent to the colour sorter machine. This machine uses 30 cameras to identify and sort other ingredients, including maze, soybeans, and sorghum. In the MYFD machine, humidity is controlled. The wheat is then left in the bin for 24 hours and then sent to be processed into the end product. (Source: Business Standard, January 27, 2022)

Bashundhara Food and Beverage Limited has set up a new flour mill with a daily production capacity of 2,000 MT in 2021, with an existing capacity of 2150 MT. The current daily capacity of Bashundhara Food and Beverage is 4,150 MT per day. Moreover, Meghna Group has a mill with a daily production capacity of 1,330 MT. Besides these conglomerates, there are many mills located in several places in Bangladesh. Most of these are under proprietorship concerns, with capacity ranging from 50 MT to 300 MT per day. In North Bengal, Shima Flour Mills and Shambhu Flour Mills have been renowned for their larger capacity and good business acumen.

Products and Distribution

There are mainly three sorts of products derived from wheat in Bangladesh, i.e., flour, chaff and semolina. Normally, millers concentrate on flour and chaff. The normal ratio of production between flour and chaff is 60:40. This ratio is totally dependent on the price of flour and chaff in the market, which is derived from the demand for cattle feed.

Most of the millers distribute their products on a wholesale basis in their locality as well as different districts based on their market and production capacity. Capturing larger markets requires the strong support of the working capital position of the concern. Large millers have to provide credit facilities to their customers. Moreover, the wheat price hike in recent days makes it more challenging for the millers to run their operations smoothly. Many millers are still practising "Halkhata" for closing the accounts at year-end, which was very effective before the COVID-19 pandemic, as the average recovery from receivable was around 80%, but after the pandemic, it dropped to less than 50%, which also affected the working capital position of millers.

The renowned millers, as discussed earlier, like large companies or conglomerates, are successfully distributing their products in wholesale and in retail packets under 1 kilogram, 2 kilogram, and 5 kilogram-packets. These are very popular with city dwellers, and they are also gaining popularity in the rural market as well. Normally, large conglomerates have very strong distribution channels to channel their products and service the end-users, and they easily use the existing set-up to retail these products, which is definitely a major challenge for small and medium-sized millers.

Prospects & Challenges

As per the Household Income and Expenditure Survey (HIES, 2005–2016) conducted by the Bangladesh Bureau of Statistics (BBS), daily per capita wheat as food intake was 12.08 gramme in 2005 and 19.83 gramme in 2016. It must be much higher now since we can see the growth of imports over the last six years, implying a higher demand for flour in Bangladesh. Urbanisation, the increasing popularity of fast food & restaurant food and changing lifestyles have made the demand for flour higher over the years. The industry has very good prospects with increasing demand. Besides domestic demand, many FMCG companies have started exporting flour-made products, i.e. bakery items, which will also facilitate the state in managing foreign currency exposure.

One of the major challenges faced by the industry is high import dependency. More than 80% of current domestic demand has been met by imports. This scenario is not definitely a healthy combination between importing raw materials and domestic sources of raw materials. Respective stakeholders should focus on domestic production as this import dependency

could be reduced in the future. Import dependency also causes the risk of price volatility and foreign currency exposure as we have to depend on the international market as well as the exchange rate of USD. Increased domestic production and a multi-currency payment system for import payments can be considered better ways to mitigate this risk.

Another challenge in wheat production is the similar timing of wheat and paddy production in the Boro seasons. Due to the uncertainty of cold weather, farmers are more interested in growing paddy in the Boro season than in growing wheat. The government may introduce compensation or incentive packages for wheat growers to encourage wheat production. More research might be conducted for high-yielding seeds for incremental production.

Due to an import-based industry, Bangladesh has to depend on supplier countries. The overall supply chain of the world, as well as Bangladesh, has been highly affected by the Russia-Ukraine war. Reportedly, around 30% of the total wheat supply in the world has been produced by Russia and Ukraine. These two countries are the two major suppliers of wheat in Bangladesh, contributing around 40% of the total wheat imports. Due to the Russia-Ukraine war, the wheat supply has been disrupted, and the price of wheat has been increased by more than 50%. Small-sized millers have been severely affected as they have to reduce their capacity utilisation to 50% from their regular 85%. Moreover, we lack skilled workers to operate modern mills since millers have to hire foreign human resources to operate the mill smoothly. We also need to train our human resources to acclimate them to modern technologies.

The Government of Bangladesh (GoB) has taken several initiatives to expedite this industry. Wheat has been considered one of the major crops in Bangladesh Strategic Plan for Agricultural and Rural Statistics-SPARS (2016-2030), which was approved by the Ministry of Planning on July 27, 2017. The Central Bank of Bangladesh, Bangladesh Bank (BB), has an Agro Refinancing scheme to lend the millers at a soft rate under BMRE (Balancing, Modernization, Rehabilitation, and Expansion) to establish the project. Also, it's great that BB just started a refinancing programme that will give loans to wheat and maise farmers at 4% interest. This will help them grow more food grains and make the country less reliant on food imports.

Lastly, we cannot deny the importance of agriculture in our economy. The agricultural sector contributes to the highest employment in Bangladesh. It is unfortunate that the contribution of agriculture to the gross domestic product (GDP) and employment has been declining over the years. The contribution to GDP has decreased from 17% in 2010 to 12.6% in 2020. According to the provisional calculation of BBS, agriculture's contribution to the GDP in FY 2021-22 is about 11.50%.

Moreover, the employment rate in the agriculture sector was 48.10% in 2006 and 45.10% in 2013, whereas it was 40.62% in 2017. One of the major threats to our economy is export concentration. It is very obvious in the current situation that it is high time to plan for export diversification as more than 80% of total export has been made through the RMG sector and agriculture is the best alternative for this export diversification as well as ensuring food security with sustainable development of the economy. Relevant stakeholders should immediately focus on this industry and plan accordingly, which will drive the industry to its optimum level of value addition in the agriculture sector and contribute to Bangladesh's sustainable development.

Tanvir Hydar Pavel

Director (Finance & Commercial), City Group

Interviewed by
Raiyan Rabbani, Team MBR

Tanvir Hydar Pavel is currently working as Director (Finance & Commercial) of City Group. He was born in Dhaka and earned his BSc in Chemical Engineering from the Indian Institute of Technology Roorkee, India and his MBA from the Institute of Business Administration, University of Dhaka. Previously, he worked in the financial sector with stints in multinational banks like HSBC Bangladesh and a leading non-banking financial institution, IDLC Finance, for around 15 years. He is a General Body Member of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI). Team MBR was in a conversation with Tanvir Hydar Pavel and was fortunate enough to receive his take on the flour milling industry in Bangladesh.

Raiyan Rabbani: In Bangladesh, the current consumption of wheat flour products is around three times the consumption in the year 2000. What are the factors driving this changing consumer behaviour?

Tanvir Hydar Pavel: If we look back, the price of wheat flour was much lower than the price of rice, sometimes even half the price of rice. For the rising lower-middle income class of our country, the price of the product is a great factor when deciding on what to buy. So, when the price of wheat flour is BDT 25 per KG in comparison to rice, which is BDT 50 per KG, people in this segment prefer to consume wheat flour. This is one of the major components that I have observed over the last five years.

Other than this, there has been a change in lifestyle. The disposable income of general people has increased with the increase of middle-income people. Fast food consumption is on the rise, particularly among the younger generation. A key ingredient of fast food is wheat flour, and therefore the change. Besides, working parents do not have the time to prepare home-cooked meals. So, the demand for ready-to-eat meals is increasing which has flour in its ingredients mostly. So, the main four factors of changing behaviour are price, overall food habits and lifestyle, change in demography and social structure, and the changing food habits of children.

Raiyan Rabbani: The demand for wheat has risen significantly over the years, but our local production of wheat has failed to keep pace with the growing demand. What are the factors responsible for hindering the growth of wheat production?

Tanvir Hydar Pavel: One important thing to consider is that Bangladesh has a limited land area, which cannot be increased, whereas the population continues to increase. In fact, our land area is very small compared to any other country with this size of population. Naturally, net cultivable land is also small

given that the number of cultivable crops is huge, which includes rice, corn, etc. So, if wheat production has to increase, corn, sugarcane, or any other production has to be reduced. Ultimately, the production ratio has to be balanced. This is one of the reasons.

Another reason is the decreasing price of wheat over the last few years, which makes it non-profitable for farmers to produce. For example, demand for rice is high, and thus the price is high. As a result, farmers have an incentive to produce rice as it is profitable. So, I think these are the two main factors responsible for hindering wheat production.

Raiyan Rabbani: In recent times, we have observed that large conglomerates are coming into the business of flour milling. What are the factors that are motivating these conglomerates to engage in the flour milling business?

Tanvir Hydar Pavel: This goes back to the case of demand and supply. There is demand and a market for wheat products. Our company entered this market a long time back, and so did other age-old conglomerates. This phenomenon is nothing new. Currently, new companies are entering the market given the opportunities. City Group has been in this industry for more than 25 years, as it has been a growing market till this time.

Raiyan Rabbani: From the old-fashioned chakki meals to the modern roller mills, the flour milling industry has experienced a significant transition in the aspect of automation. How is the industry performing in terms of efficiency in comparison to the global benchmark?

Tanvir Hydar Pavel: From what I know, the output is the thing to be considered. If 100 KG of wheat is broken down, the ratio of 'bhushi' and flour is an important factor. The percentage of output has certainly increased.

Another factor is that running the factories requires energy, such as gas. Modern European mills like roller mills consume less energy than traditional mills. Also, they are more environmentally friendly as dust is not released with this production method.

With these new mills, the cost of production is also lower due to economies of scale.

Raiyan Rabbani: More than 80% of the country's demand for wheat is being met through imports. What are your suggestions to reduce this increased dependence on imports?

Tanvir Hydar Pavel: Again, since we are a small country, the total area of land is not adequate. The majority of the items that we cannot produce on our land have to be imported. We can only change the composition of the imports. So, what has to be remembered is that increasing the yield of one crop means another crop needs to be imported. The utmost we can do is to increase the local productivity of crop production on existing land and thus somewhat reduce the volume of imports. So, we can work on increasing yield and productivity. However, the overall substitution of foreign imports is not practically possible. Imports can only be reduced by a certain amount temporarily, but this cannot be a long-term strategy.

Raiyan Rabbani: Bangladesh used to depend on Russia and Ukraine largely for the import of wheat. How has the industry been impacted in the face of the war between the two aforementioned countries? Are there signs of recovery already?

Tanvir Hydar Pavel: Honestly, imports have not yet been impacted by the war as there is still a sufficient supply of stocks, and prices are still low in the market. Our wheat market has not yet faced a crisis in the production of wheat-related products. Will it affect us in the future? I do not think so, as Ukrainian vessels are still shipping to Bangladesh. Meanwhile, there have been corrections to the price. Other major sources of our imports include Canada, the United States, and Australia, where prices have also been reduced. So, no major impact is foreseeable.

Raiyan Rabbani: The country has experienced significant progress in the field of rice research, which has helped the country to be somewhat self-sufficient in rice production. What are your thoughts regarding research and innovation in the central segment?

Tanvir Hydar Pavel: Of course, there is an opportunity for more research, and there is still some form of research going on for grain and corn. But, considering the sudden increase in demand for flour-based products, the level of research is still not adequate in comparison to rice. There is definitely room for research on wheat and other crops. Since the area of our land is not adequate, we should focus on finding ways to increase the yield of crops. That is the only way we can survive.

Raiyan Rabbani: Do you think that the policy support is adequate to help the flower milling industry be self-sufficient in the near future? What else can be done to foster the pace?

Tanvir Hydar Pavel: Import duties for wheat-related products are low or zero. So, I think that the government is really promoting and supporting the flour milling industry in Bangladesh. Although we are import dependent, other value-added products are being exported as well. The government is also giving cash incentives for such exports. But, if the government supports more research and development, productivity and development in this field will increase even more and create a positive economy. This will then create less dependence on imports, and exports can then be increased.

FMCG INDUSTRY IN BANGLADESH:

KEEPING UP WITH THE CHANGING GLOBAL DYNAMICS

When we talk about the most widely consumed goods in our everyday lives, we think of products like soap, detergent, etc. These goods have distinctive features and fall under the category of FMCG. FMCG stands for Fast Moving Consumer Goods, and it refers to the final goods that are consumed by households and not used in the production process of other goods. Consumption of these goods is defined as private consumption, and these are the products that are sold rapidly and at comparatively lower costs. Examples of such FMCGs are packaged foods, beverages, toiletries, over-the-counter drugs, and similar consumables. Usually, FMCGs have a short shelf-life span. Some FMCGs are highly perishable, such as meats, fruits, vegetables, dairy products, and baked goods. Other products, like toiletries, packaged foods, soft drinks, household products, etc., have high turnover rates. The revenue margin from FMCGs is relatively small, and these products are generally sold in bulk quantities to make considerable total earnings. Based on how fast the products are sold to the customers, consumer goods are also classified as Slow Moving Consumer Goods. SMCGs are those products which have a useful life of more than a year, including things such as domestic appliances, furniture, and house renovation products. These products have sluggish sales regularity and are not circling as quickly as FMCGs.

Changes in Consumer Behaviour towards FMCG Products over the Years

Consumer behaviour in recent times has switched towards convenience, which is different from the earlier days when many consumers heavily focused on opting for cheaper options. This also comes with greater emphasis on quality, value for money, flexible payment methods, and on-demand availability of products through quick delivery combined with unique shopping experiences. This is generally the case because of the rising income level of people in Bangladesh, with a boost in the rising middle-income group. Consumers are now demanding greater customisation as per their convenience. This is also backed by a greater choice of varieties as a result of globalisation. Globalisation also means that consumer lifestyle changes are now more prominent. People now generally lean more towards healthy products, which was not the case a few years back.

The situation is changing steadily as a result of these behavioural changes. The backend part of the process is where businesses offer convenience shopping, hygienic and more tailored-made products to suit the variable needs. In addition, the flexibility of payment methods, such as the increased use of debit and credit cards, has contributed to the change in behaviour. All such purchases, therefore, relating to convenience, take place through the provision of online services as consumers demand a more customised experience. This trend is expected to grow further in the upcoming years.

Major Players in the Industry- Facts and Figures

		Food and Beverage	Dimensions Hygiene	Household Care	Personal Care and Beauty
COMPANNIES	Unilever	Unilever bought more than 82% stakes in GlaxoSmithKline's health food and drink business on December 03, 2018.	Unilever controls about 60% of the country's market. It saw record growth in soap sales during the pandemic. Sales of the country's best brands like Dove, Lifebuoy, Lux and Wheel have increased by 30% during this time.	Every nine out of ten households are using one or more of the products of Unilever Bangladesh for their daily needs, according to a report published by the company.	Seven firms control around 95% of the total skin care products market, of which Unilever is the market leader.

		Food and Beverage	Dimensions Hygiene	Household Care	Personal Care and Beauty
COMPANNIES	ACI	When it comes to salt, ACI is at the top of the market. When ACI Pure Salt was originally introduced to the market in 2005, it won seven "best brand" awards. The year 2018 had seen the super brand status of ACI Pure Salt. Semolina and wheat flour are two other markets where ACI is doing exceptionally well. Their food products are selling like hotcakes on the market.	Savlon's antiseptic products have a market share of over 84% in the antiseptic market. Outbreaks of coronavirus have led to an increase in sales of ACI's toiletries business, especially soaps, hand washes, hand sanitisers, etc.	ACI holds a 97% market share in the aerosol segment. In the market of mosquito coils, they are the market leader. The long-reigning international opponent in Bangladesh was defeated by the ACI mosquito coil, which then rose to the top of the market.	ACI Consumer Brands entered the beauty soap market in 2018 with the "ACI Sandal Soap", which is a sandalwood variant of soap. For over 4000 years, sandalwood has been used in the subcontinent's skincare routines for its distinct aroma, all-natural therapeutic benefits, and unparalleled moisturising powers.
	Nestlé	Nestle's infant food sales have grown by roughly 10%. About 50% of Nestle's revenue comes from baby food. Nestle, with its two brands Lactogen and Nan, holds a market share of between 55% to 60% in Bangladesh, where annual sales of infant formula are estimated to be around 10,000 tonnes.			
	SQUARE	Square produces spices under the brand 'Radhuni' brand, which controls the majority of the local Bangladeshi market.	Due to the COVID-19 pandemic, Square observed a significant increase in the sales of Sepnil masks and hand sanitisers in the hygiene segment.	Square is one of the top players in the beauty and personal care sector, which accounts for 95% of the particular market.	
	PRAN	A significant portion of the bottled water market is controlled by PRAN Foods. The signature beverage of the PRAN-RFL group is PRAN Frooto. The market share of PRAN spices, which are produced by PRAN Foods Limited, is roughly 19%. Around 80% of the pasteurised milk market in Bangladesh is dominated by PRAN Milk from PRAN Dairy Limited.			

Key Success Factors for the Growth of the Industry

Urban Population of the Country

The increasing urban population of the country has stimulated reasonable growth for food and consumer goods and has caused an increased need for related products. The growth of the urban population in the country has been remarkable over the years. At the end of 2021, it was 64,768,559, a 3.01% increase from 2020. According to the Bangladesh Bureau of Statistics (BBS), the urban population of the country will be 85.95 million within 2030 and 111.88 million within 2040.

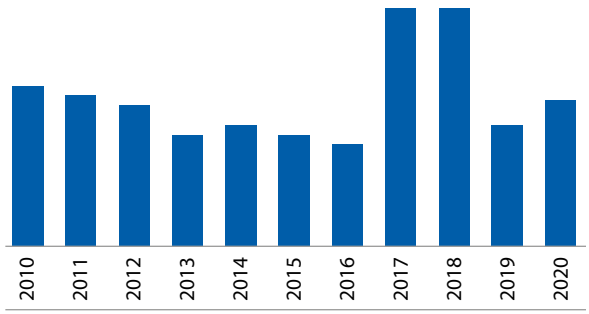
Middle-Class Income Category

Urban middle-class people are expected to contribute to the growth of the fast-moving consumer goods industry. According to the Boston Consulting Group, 2 million Bangladeshis are joining the rank of the middle and affluent class per year. At present, the number of MAC is around 12 million, which is anticipated to be 34 million by the year 2025. Bangladesh Development Studies (BIDS) postulates that 20% of the total population in Bangladesh belongs to the middle-class income category, compared with 24.1% in neighbouring India. Researchers reckon that 25% of the total population will belong to the middle-class income category within 2025, and 33% will belong within 2030.

Labour Force and Participation Rate

The labour force is the total number of population who are currently employed plus the number of people who are unemployed and seeking employment. In Bangladesh, the labour force is increasing day by day. In Bangladesh, the labour force participation rate for 2021 was 39.38%, a 1.35% increase from 2020. The labour force participation rate of Bangladesh is clearly ahead of some other Asian countries. The labour force participation rate in Bangladesh was reported at 56.97% in 2021, according to the World Bank. The lifestyle of the employed population has changed, and consumption patterns too. This huge working population is a major driver of the growth of FMCGs.

Labor participation rate



Source: Trading Economics

production of livestock, rice, wheat, maise, sugarcane, fruits, and vegetables for FMCG companies. Moreover, the import of required raw materials not available in the local markets is cost-efficient for the geographical location of Bangladesh. Besides the availability of raw materials, low labour costs in Bangladesh are another driver of the growth of the FMCG industry. Due to low labour costs, a low cost of production is incurred, which makes Bangladesh a favourable investment destination for both foreign and local FMCG companies.

Impact of Covid-19 Pandemic on the FMCG Industry

The post-pandemic scene in Bangladesh for the FMCG industry saw many ups and downs. The industry had to face organisational issues after most companies laid off employees. However, sales situations favoured the hygiene and personal care segments. The industry saw a huge spike in sales during the COVID-19 pandemic as most people stocked up for the lockdowns.

Even though the pandemic had a massive impact on the economic condition of Bangladesh, the overall FMCG growth was positive in 2020 and 2021. Even after the number of COVID-19 cases came down, the awareness it left in people still kept the sales of hygienic products up. The soap market itself grew from 2% to 35% in 2020. Recent research shows that the annual demand for soaps, both for bathing and laundry, in Bangladesh is around 90,000 tonnes. The sales of hand sanitisers and liquid disinfectants reached beyond BDT 5,000 crore.

Along with sanitary products, the demand for basic grocery items such as rice, oil, flour, etc., increased significantly during the pandemic. This is also a

reason why the FMCG industry saw a surge in growth during that period. With the rise of urbanisation, the demand for many FMCG products increased as well. The industry had to cope with the sudden high spike in demand for the products and raw materials. The FMCG companies also faced challenges with the distributors as they would stock-pile products to take advantage of the price hike.

Impact of the Russia-Ukraine War on the Industry

As the Russia-Ukraine scenario continues to obstruct international commerce in key items like wheat, vegetable oils, and pesticides, nations like Bangladesh are suffering from substantial negative impacts. Players in the fast-moving consumer goods industry are taking precautions as the crisis between Russia and Ukraine keeps rising. So, the firms must battle inflation; otherwise, their expenses will rise, which will reduce their profit margins. Some companies are already facing this issue. However, industry experts assume this discrepancy will be normalised within three years. But now, these challenges are leading to rising FMCG prices. Most importantly, food costs have skyrocketed. Petroleum has been becoming more expensive recently. In March 2021, the price of oil was USD 65.2 per barrel. Now, that price is USD 95.8. Bangladeshi consumers have to pay more for soybean oil as a result of the supply chain disruption caused by the global market. The price of wheat flour has increased dramatically. These two countries were responsible for more than half of the world's wheat imports, according to the Observatory of Economic Complexity (OEC). For example, Bangladesh imported USD 1.28 billion worth of wheat in 2020, making up 2.65% of all imported consumables. The majority, which cost USD 409 million and USD 295 million respectively, was imported, with 31.8% coming from Russia and 23% from Ukraine. Likewise, imports of rapeseed, apples, pears, corn, onions, dry beans, and other agricultural products from those countries have been impacted.

Digital Transformation of Supply Chain Management

Today's supply chain is a series of steps that customers can take from the hands of marketing, product development, production, and distribution in the supply chain. Digital transformation breaks through those walls, and the chain becomes a fully integrated new ecosystem that is totally transparent to all. This integrated network relies on several key technologies such as integrated planning and execution systems, logistics, autonomous logistics systems, smart procurement processes and digital inventory and spare parts management systems, and the use of advanced analytics. The result is that businesses can fully model their networks to create 'what-if' scenarios and respond to supply chain disruptions and anticipate them by adapting their supply chains in real-time to changes in data.

The two biggest benefits obtained through the digital conversion of supply chain processes are increased speed and reduced costs. Raising operations to the next level of technology can significantly reduce the time it takes to make strategic decisions while improving operational efficiency and effectiveness as technological processes are built to adapt to continuously changing circumstances. The integration of supply chain processes thus enables all stakeholders at all stages of the process to access all data, which ultimately leads to more effective decision-making with the greater availability of real-time data.

Traditional supply chains rely on adding value sequentially at every stage of the value chain. In the digital supply chain model, advanced technologies such as the use of device-based intelligence, external big data sources, and intelligent supply chain software are used. This leads to an improved customer experience as deliveries can be tracked and made at the right time by preventing delays using intelligent logistics tracking. In return, the company is able to generate value and ultimately increase its profitability. An example of this is Daraz Bangladesh, which uses integrated supplier collaboration portals to provide customers' deliveries right on time. With the advent of this new technology integration in the supply chain, the benefit to the supply chain is imminent regarding its operational efficiency and effective decision-making at the strategic level.

The dynamics of the FMCG industry are always changing. The pace has become even faster with the advent of technology in this industry. It is likely to continue, resulting in exponential growth for those companies who can adapt to changing business models and thrive in an ever more volatile environment where technology will continue to play a vital role in their survival. With such changes inevitable, businesses in this industry need to use their existing resources to build better capabilities and, therefore, survive.

Md. Quamrul Hassan
Business Director, ACI Consumer Brands
ACI Limited

Interviewed by
Susmita Bhatta, Team MBR

Mr. Quamrul Hassan is a seasoned marketing professional with over 25 years of experience in the fast-moving consumer goods market of Bangladesh, currently working as Business Director at ACI Consumer Brands. Mr. Hassan revolutionised the soft drink industry by introducing Virgin Slim Cans for the first time in Bangladesh back in 1999. At a time when the people of Bangladesh had no option but to consume impurities with their salt, Mr. Hassan launched ACI Pure Salt, which is a vacuum evaporated 100% pure salt. Mr. Hassan has the experience of working with both global and local brands in the FMCG sector. Team MBR was in a conversation with Md. Quamrul Hassan and was fortunate enough to receive his take on the FMCG sector of Bangladesh.

Susmita Bhatta: The FMCG industry experienced significant growth in recent years despite the COVID-19 pandemic-induced economic downturn. Would you please share your views regarding the factors that accelerated this growth?

Mr. Quamrul Hassan: According to the Census 2022, the rural population of Bangladesh comprises 68% of the total population. Hence, the economy's growth would largely depend on the growth in the rural areas. We are observing that there has been consistent growth in rural areas for FMCG categories since 2017. Increased foreign remittances have increased rural purchasing power. In 2020–21, a record-breaking USD 24.78 billion in remittances flew to Bangladesh, demonstrating 36% growth over last year. Most of these remittances hit the rural or semi-urban regions of Bangladesh, enabling them to purchase quality household consumables. Improved infrastructure and transportation facilities have allowed companies to take products to deep rural areas, which is driving growth for the industry. The government stimulus fund for the COVID-19 pandemic (BDT 72,000 crore initially) as a part of the economic revival strategy also played a role in sustaining the pandemic. Hygiene awareness has also had a big impact on many other areas, such as soaps, sanitisers, cleaning products for the kitchen and home, disinfectants, female and child hygiene, and so on. Increased demand for these products has driven significant growth in non-food FMCG items in the country.

Susmita Bhatta: The global supply chain disruption caused by the war between Russia and Ukraine is affecting profitability across the industry. What are your suggestions to tackle the situation and make the growth sustainable?

Mr. Quamrul Hassan: Bangladesh is already facing the impact of the war across multiple industries. The increased cost of fuel is driving production and distribution costs higher. Prices for key food items imported from that region, such as wheat, corn, sunflower oil, and so on, have already skyrocketed. Reduced consumption and higher production costs

are a double-edged sword for the FMCG industry. To survive in such a dire situation, we must focus on source substitution, localisation, and internal operations optimisation. In such conditions, leveraging technology is a must to reduce cost and waste. With the price volatility across the world in grains and edible oils, companies need to be extra cautious and calculative to ensure purchase at an optimised cost to deliver the best benefit to our consumers.

Susmita Bhatta: Due to the increased availability of smartphones and deep penetration of the internet, consumers now prefer the convenience of shopping online and making digital payments. Keeping in mind this behavioral pattern of consumers, what steps may FMCG companies operating in Bangladesh take to keep the consumers engaged with their brands?

Mr. Quamrul Hassan: Due to the COVID-19 pandemic, there has been a massive shift in online shopping trends in Bangladesh. A large number of new buyers started using e-commerce platforms for the first time. The pandemic, the growing MFS industry, the fast adaptation of smartphones and the internet gave the e-commerce industry the adequate boost it required. According to a report by GSMA, the number of smartphone users in Bangladesh will increase to 63% by 2025 from 47% last year. I think FMCG companies should start exploring direct-to-consumer (DTC) channels by leveraging technologies to better serve the consumers. The DTC approach can drive efficient growth and better marketing ROI with less dependency on third-party e-commerce platforms and media agencies. Local FMCG companies must spot the demand spaces and trends online and optimise solutions accordingly for the best possible user experience. Companies should leverage partnerships with logistics and door-to-door delivery service providers to figure out the optimum delivery model for the DTC channel. Communication content and promotional offers should be designed based on data analytics, AI, and consumer insights to engage consumers with brands.

Susmita Bhatta: Consumer preferences towards FMCG products are constantly changing. What should FMCG companies do to anticipate and respond to the new consumer needs and preferences? Is the current level of product diversity and inclusion adequate to keep pace with changing consumer preferences?

Mr. Quamrul Hassan: Let us see some of the current socio-economic facts of Bangladesh.

- Consumers' spending is increasing every year by over 10%.
- Urbanisation is happening at a faster pace.
- Internet users who use it at least once a week make up close to half of the total adult population (15+ years).
- Rise of service and greater participation of women in the workforce.

All of these indicate the growth of the aspiring consumer class in the country, and the needs and preferences of this class are different from those of our elders. To tackle their needs, FMCG companies need to focus on certain things.

- Delivering the best products at the most affordable prices, as the Bangladeshi market is extremely price sensitive. Good products at the best prices will always win, provided with quality marketing initiatives.
- Being in a close tie with consumers, understanding their needs and delivering the best products to meet those needs is a necessity.
- Checking the consumer's purchase pattern frequently and reengineering products accordingly to changing purchase behaviour.
- Keeping up with the global trends with continuous R&D and product improvement.

Susmita Bhatta: Numerous FMCG companies in Bangladesh are using extensive distribution networks to operate on a massive scale, both locally and internationally. Do you think that the current level of technology integration in the supply chain of the FMCG industry is in line with global trends? What else can be done to make supply chain management future-proof?

Mr. Quamrul Hassan: As said earlier, more than 60% of the population in Bangladesh lives in rural areas. Reaching those areas is the primary growth driver for the FMCG industry. To get products across the corner of Bangladesh, we need a significantly streamlined distribution system. Else, it will not be financially feasible. We are not yet highly optimised in distribution technology at this time. The time and costs required to reach deep rural areas are significantly high, which can be solved through an integrated distribution system.

Along with road transport, riverine infrastructure is required for low-cost distribution. We need to build a strong shipping line from Bangladesh to reduce import costs for global distribution. And all that has to be integrated through technology to ensure optimum cost for the industry.

Susmita Bhatta: Keeping the rising plastic pollution in mind, what sustainable business practices should FMCG companies adopt to contribute to the movement to fight the global climate crisis? Are CSR policies effective enough in addressing the growing concern about climate change?

Mr. Quamrul Hassan: Combined efforts from the government and the citizens are required to address the plastic pollution in Bangladesh. Per capita plastic consumption in Bangladesh has risen to 9 KG, tripling in the last 15 years, and only around 30% of it is being recycled. To keep plastic pollution on track, we need to raise massive awareness across the nation and enable consumers to discard the waste to be recycled in the future.

On the industry front, many companies in FMCG have come up with oxo-degradable solutions and reusable plastic bottles. We all should focus on recycling packages and encouraging consumers to reuse packages through refill solutions. This problem cannot be solved solely through CSR activities. Government regulations and measures are required to manage plastic pollution.

Susmita Bhatta: Amid inflationary pressures, the disposable income of consumers is likely to fall. How can this affect the business performance of FMCG companies?

Mr. Quamrul Hassan: This is a key concern across the industry right now. With current inflation across household consumables, consumers will primarily focus on ensuring the food is on the tables for their families and cut expenditures on other categories. This might result in a significant topline decline for the companies involved in non-food items. Apart from this, as most of the raw materials in the non-food category are imported, the increased dollar exchange rate is impacting the cost of production significantly. Consumers will try to cope with the current situation by using four strategies to manage their expenditures.

- They will reduce consumption volume.
- They will look for alternative places to buy the same product at a cheaper price.
- They will look for cheaper alternative solutions.
- They will change purchase occasions.

In such a condition, it is expected to have a crisis in profitability for the non-food segment. With that said, to stay in the game, companies need to focus on core consumer needs with optimised values. Those delivering value for money in this economic condition will sustain in the long run.


IDLC
Finance Limited
financing happiness
FOR THE
4TH CONSECUTIVE YEAR (2019-2022)
IDLC HAS BEEN RECOGNIZED AS THE
BEST FOR
SMEs
IN BANGLADESH
BY ASIAMONEY

IDLC
Finance Limited
financing happiness

IDLC will now offer credit facility up to

BDT 30 LACS

TO COTTAGE, MICRO AND SMALL ENTERPRISES

AT 4% INTEREST RATE

IDLC Finance Limited has signed an agreement with SME Foundation to facilitate the speedy economic recovery of the Cottage, Micro and Small Entrepreneurs throughout the country.

MyfuelPump

Partha Pratim Choudhury
Founder and CEO, MyfuelPump

Interviewed by
Akhlaqur Rahman Sachee, Team MBR

MyfuelPump is the first IoT-enabled on-demand fuel delivery platform in Bangladesh. MyfuelPump delivers fuel to the desired locations with the help of its state-of-the-art application. Intending to automate the supply chain system of the fuel sector in the country, MyfuelPump started its journey in the year 2021. Team MBR was in a conversation with Partha Pratim Choudhury, Founder and CEO, MyfuelPump, to learn about their inspirations and vision behind MyfuelPump.

Akhlaqur Rahman Sachee: Since its inception in 2021, MyfuelPump has been providing doorstep delivery of fuel for vehicles, generators, and construction machines. It also provides a verified refuelling service and doorstep delivery of LPG cylinders. How did you come up with this idea?

Partha Pratim Choudhury: We used to run an event management firm, and we were in that business for more than six years. When the COVID-19 pandemic broke out, our business collapsed overnight, and we became jobless. So, at that time, the idea of MyfuelPump came into being, and we started MyfuelPump as the first energy startup in Bangladesh.

Akhlaqur Rahman Sachee: App-based on-demand fuel delivery at the doorstep is surely a new experience for retail customers. How is the feedback from the customers' end?

Partha Pratim Choudhury: The feedback is very positive so far. There is a huge potential for the fuel delivery business in Bangladesh. People are now looking for doorstep fuel delivery services, but we are not ready yet to meet the huge market demand. Automation is badly needed in the fuel industry. The government and the stakeholders in the industry should pave the way for automation and the modernisation of the industry worth BDT 40,000 crore.

Akhlaqur Rahman Sachee: What are the key features of MyfuelPump that differ from conventional channels of fuel delivery in Bangladesh?

Partha Pratim Choudhury: MyfuelPump saves time and money. Our customers can save the valuable

time they waste waiting in the queue at the fuel pumps and the fuel they burn while riding to the fuel pumps to purchase fuel. MyfuelPump has minimised the need to store fuel onsite, ensuring fast on-demand delivery. It has also eliminated fuel theft and spills.

Akhlaqur Rahman Sachee: Has MyfuelPump explored the business opportunities in the B2B segment? If so, how is it doing in this particular segment? How many corporate clients have been onboarded to date? What are the services they mainly enjoy?

Partha Pratim Choudhury: B2B is the main target segment of our business. In fact, we are concentrating most of our time and effort on thriving in the B2B market. Our ultimate goal is to be the most reliable business partner for our B2B clients. We have just entered into the B2B market and have started receiving satisfactory responses already. Some prominent corporates like Shanta Holdings, ADB, Gulshan Club, Rangs, and government agencies like Bangladesh Army, etc., are on our client list. These clients are mostly availing our diesel delivery service.

Akhlaqur Rahman Sachee: How is MyfuelPump ensuring smooth delivery of fuel? How is it managing the logistics aspect of the business?

Partha Pratim Choudhury: We have one tanker with a capacity of 2,000 litres. Three tankers with a capacity of 2,000 litres and two tankers with a capacity of 6,000 litres are on the way to join our fleet. At present, we have a strong delivery team consisting of five individuals, and some more are about to join very soon.

Akhlaqur Rahman Sachee: MyfuelPump has the expertise to set up electric vehicle charging stations for individuals and businesses. What are the projections of MyfuelPump regarding the adoption of electric vehicles in Bangladesh and its business in this particular segment?

Partha Pratim Choudhury: We will start installing electric vehicle charging stations in the upcoming days. But, to patronise increased adoption of electric vehicles, the government has to take steps to restrict fuel-consuming cars and promote carbon-efficient cars. Europe has taken similar policies. By 2035, fuel-powered cars will be banned in Europe. This kind of policy needs to be enacted soon.

Akhlaqur Rahman Sachee: What is the current geographical coverage of MyfuelPump? How is it planning to expand its coverage in the upcoming days?

Partha Pratim Choudhury: Currently, MyfuelPump is serving in Gazipur, Savar and Narsingdi, along with the Dhaka metropolis. We are delivering diesel to these areas within three hours of receiving the orders. MyfuelPump takes only one hour to deliver gas cylinders within Dhaka city. We are planning to expand MyfuelPump's operations to all the divisional cities within the next three years and to all the districts within the next five years.

Akhlaqur Rahman Sachee: What are the barriers Myfuelpump faces in the way of its operations? How is it planned to mitigate them?

Partha Pratim Choudhury: There are regulatory challenges in this business. The shortage of skilled manpower to build oil tankers, the shortage of skilled manpower in other full-time roles needed for our smooth operations, and the lack of awareness among the customers are some of the key challenges we are facing currently. We are training our existing manpower, and more is in the pipeline. Issues regarding human resources are going to be solved soon. We are working on the regulatory challenges and focusing on creating awareness among our customers regarding our business.

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of July in negative territory. During the month, the broad index DSEX went down by 3.8%. Blue chip index DS30 and Shariah index DSES declined by 4.4% and 3.4%, respectively in the month of July.

Among the regional peers, Sri Lanka reported the highest positive return of 5.3% followed by Vietnam (+0.7%) while Pakistan posted negative return of 3.3%. MSCI Frontier Markets Index performance was positive by 1.8% in July. Over 5-year horizon, Vietnam (+54.0%) booked the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, July 2022	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,134.0	-3.8%	-7.8%	-9.2%	-4.5%	19.4%	4.7%
DS30	2,193.6	-4.4%	-10.9%	-13.4%	-5.8%	20.0%	2.3%
DSES	1,339.5	-3.4%	-7.4%	-6.4%	-4.4%	13.4%	N/A
Peer Countries							
Pakistan (KSE 100)	40,150.4	-3.3%	-11.3%	-10.0%	-14.7%	25.7%	-12.7%
Sri Lanka (CSE - All Share)	7,731.2	5.3%	1.4%	-36.8%	-4.8%	30.3%	16.5%
Vietnam (VNI)	1,206.3	0.7%	-11.7%	-19.5%	-7.9%	21.6%	54.0%
MSCI Frontier Markets Index	**735.3**	**1.8%**	**-9.4%**	**-17.4%**	**-12.9%**	**-2.2%**	**0.6%**

*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During July, the total market capitalization decreased by 2.9%. The daily average turnover of July was BDT 6.4 bn (USD 67.3 mn), decreasing by 21.8% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 49.9% in July compared to 41.6% 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-Jul-22	30-Jun-22	% change
Total market capitalization (USD* mn)	53,102	54,676	-2.9%
Total equity market capitalization (USD mn)	45,987	47,533	-3.3%
Total free float market capitalization (USD mn)	17,615	18,290	-3.7%
Daily Avg. Turnover (USD mn)	67.3	86.1	-21.8%
Turnover Velocity~	49.9%	41.6%	N/A

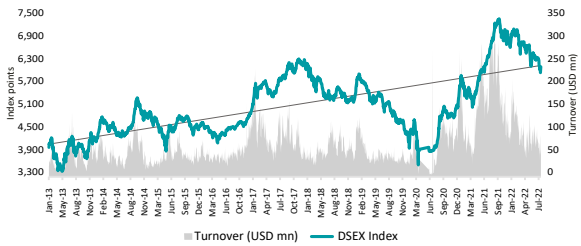
*All USD figures are converted using an exchange rate of 94.7 as of August 04, 2022 as per Bangladesh Bank website.

~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 59.1% till July, 2022. During the same period, daily average turnover of the market amounted to BDT 6.7 bn (USD 70.7 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover

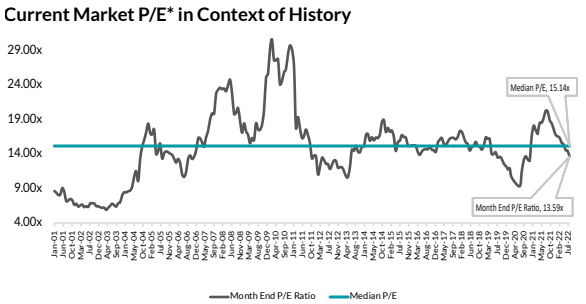


Source: DSE

Market Valuation Level - P/E Ratio

The market P/E decreased to 13.59x in July compared to last month's 14.44x. It is slightly lower 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 the cheapest among its regional peers after Vietnam. (Figure 3).

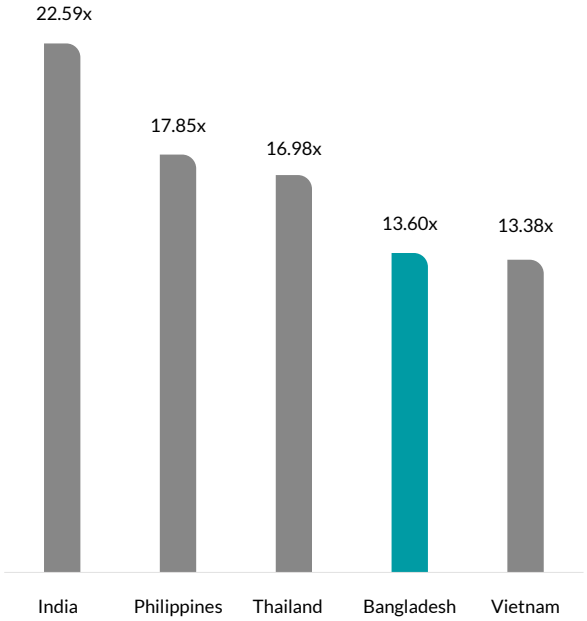
Figure 2: Historical market P/E* and it's median



*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 August 07, 2022. Source: IDLC, Bloomberg

Sector Performance

Majority of the large cap sectors faced selling pressure in July 2022. Miscellaneous posted the highest negative return of 5.7% followed by Fuel & Power (-4.8%), Engineering (-4.2%), Bank (-3.5%), Food & Allied (-2.9%), and Pharmaceuticals & Chemicals (-2.5%). On the other hand, Textile posted the highest positive return of 3.1% followed by Telecommunication (+0.1%).

Telecommunication sector has the highest dividend yield of 6.0% among all sectors.

Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Pharmaceuticals & Chemicals	7,303	3,914	-2.5%	-4.3%	-2.8%	3.6%	43.8%	54.1%	16.2	3.1	2.0%
Bank	6,972	3,751	-3.5%	-5.8%	-6.8%	-2.3%	18.2%	14.7%	6.2	0.7	4.0%
Telecommunication	6,244	687	0.1%	-7.6%	-12.2%	-14.4%	24.8%	19.9%	15.8	6.2	6.0%
Engineering	5,590	1,202	-4.2%	-8.1%	-6.1%	-14.0%	60.7%	32.7%	18.5	2.5	2.6%
Fuel & Power	4,729	1,353	-4.8%	-5.0%	-2.3%	2.4%	3.9%	25.1%	11.3	1.4	5.9%
Food & Allied	4,091	1,279	-2.9%	-8.6%	-12.6%	-3.9%	47.4%	71.6%	17.7	8.7	4.3%
Miscellaneous	2,422	1,022	-5.7%	-12.7%	-12.8%	9.5%	102.3%	121.5%	10.1	2.5	2.4%
NBFI	2,005	646	-3.8%	-6.8%	-16.2%	-10.5%	16.9%	-18.5%	20.6	2.0	1.9%
Textile	1,845	1,050	3.1%	4.2%	8.7%	11.3%	24.5%	13.0%	15.6	1.1	2.4%
Cement	1,199	466	-3.8%	-16.9%	-10.7%	-10.4%	36.9%	-10.6%	18.5	3.0	3.3%
Non-life Insurance	1,035	592	-3.9%	-14.2%	-30.4%	-34.8%	84.8%	135.9%	14.7	1.9	3.1%
Life Insurance	702	420	2.6%	-4.6%	-13.1%	-10.9%	3.8%	39.6%	34.4	7.0	1.9%
Tannery	349	185	-4.6%	-14.0%	-2.7%	40.4%	23.0%	12.4%	24.5	3.0	1.0%
IT	330	203	-3.9%	-12.3%	-15.7%	-9.5%	14.6%	-14.4%	22.5	2.5	1.4%
Ceramics	339	134	-11.3%	7.1%	5.7%	4.6%	43.2%	25.0%	27.6	2.1	2.0%
Travel & Leisure	270	141	-8.8%	-18.1%	2.8%	24.3%	24.3%	12.4%	16.9	0.9	1.7%
Paper & Printing	291	101	-5.5%	-7.8%	14.1%	2.6%	-15.0%	-57.0%	32.2	2.0	1.0%
Services & Real Estate	257	135	-6.7%	-9.2%	-2.7%	0.5%	49.4%	-5.2%	17.6	1.4	3.1%
Jute	21	11	-0.2%	0.8%	-4.5%	-6.5%	-47.2%	16.7%	109.8	5.8	0.2%
Market	**46,741**	**17,615**	**-3.8%**	**-7.8%**	**-9.2%**	**-4.5%**	**19.4%**	**4.7%**	**12.6**	**1.8**	**3.7%**

*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 July, Large, Mid and Small classes remained negative whereas Micro class rebounded in July. Large Cap was the highest dividend yielding (4.1%) class.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥107	78.5%	-3.0%	-7.1%	-8.3%	-2.4%	24.5%	67.9%	11.8	1.9	4.1%
Mid	32-106	11.2%	-1.1%	-6.0%	-9.1%	-5.8%	22.1%	-44.5%	15.2	1.5	2.5%
Small	11-31	7.5%	-4.1%	-6.3%	-8.1%	-8.6%	29.1%	47.7%	20.4	1.1	3.4%
Micro	<11	2.7%	4.1%	13.5%	25.4%	28.0%	62.1%	-83.8%	31.6	0.8	3.5%
Market	**-**	**-**	**-3.8%**	**-7.8%**	**-9.2%**	**-4.5%**	**19.4%**	**4.7%**	**12.6**	**1.8**	**3.7%**

*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, BSCCL (+1.8%) advanced the most, followed by MARICO (+1.2%). On the other hand, BEXIMCO (-10.0%) faced the highest correction.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+1033.8%), BEXIMCO (+349.9%), MARICO (+205.2%), UPGDCL (+150.4%), RENATA (+110.1%) and BSCCL (+93.9%).

Among the scripts, BSCCL, TITASGAS, and LHBL 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	Telecommunication	4,196	420	0.69	0.1%	-8.0%	-12.7%	-16.8%	7.8%	6.2%	11.6	13.7	1.7%
WALTONHIL^	Engineering	3,359	33	0.02	-4.0%	-9.7%	-8.6%	-23.5%	N/A	N/A	30.3	4.2	2.6%
BATBC	Food & Allied	3,009	796	0.59	-2.9%	-9.3%	-13.1%	-2.6%	47.1%	84.9%	17.6	8.9	1.2%
SQURPHARMA	Pharmaceuticals & Chemicals	1,980	1,293	0.59	-2.4%	-6.2%	-1.3%	-2.2%	1.0%	5.4%	10.1	2.7	0.2%
ROBI^	Telecommunication	1,659	166	0.92	-0.3%	-7.4%	-13.0%	-30.2%	N/A	N/A	94.1	2.6	0.7%
RENATA	Pharmaceuticals & Chemicals	1,476	719	0.10	-3.1%	-4.3%	-0.6%	5.5%	52.2%	110.1%	26.3	7.3	2.2%
UPGDCL	Fuel & Power	1,437	144	0.07	-5.6%	-9.0%	-3.8%	-10.5%	-14.7%	150.4%	10.8	5.4	0.6%
BEXIMCO	Miscellaneous	1,081	714	4.35	-10.0%	-21.6%	-21.3%	30.5%	579.7%	349.9%	7.4	1.9	1.5%
BERGERPBL	Miscellaneous	840	42	0.02	-1.2%	-2.5%	-0.7%	0.6%	26.0%	76.6%	27.7	11.1	1.0%
MARICO	Pharmaceuticals & Chemicals	815	81	0.08	1.2%	7.0%	9.4%	7.6%	66.7%	205.2%	18.8	41.4	1.8%
LHBL	Cement	808	285	0.66	-3.7%	-16.2%	-4.2%	8.8%	78.8%	21.4%	17.6	4.9	3.8%
ICB	NBFI	800	28	0.04	-7.5%	-7.9%	-24.1%	-19.6%	3.7%	-34.9%	37.9	8.6	3.5%
BXPHARMA	Pharmaceuticals & Chemicals	700	489	0.49	-3.9%	-10.4%	-22.9%	-17.8%	107.1%	57.0%	12.1	2.2	1.5%
BRACBANK	Bank	610	328	0.31	-7.0%	-16.1%	-23.8%	-14.5%	-21.1%	-18.7%	13.1	1.5	1.8%
BEACONPHAR	Pharmaceuticals & Chemicals	602	422	0.13	-4.4%	-7.0%	1.4%	21.6%	978.7%	1033.8%	49.9	20.2	3.3%
ISLAMIBANK	Bank	554	249	1.56	-0.9%	0.0%	1.9%	13.2%	56.6%	8.7%	3.9	0.9	3.1%
DUTCHBANGL	Bank	461	60	0.04	-4.0%	-4.8%	-9.5%	-15.4%	38.3%	84.1%	8.8	1.7	2.5%
TITASGAS	Fuel & Power	428	107	1.59	-4.2%	5.4%	12.9%	16.4%	34.1%	11.4%	14.9	0.6	4.2%
POWERGRID	Fuel & Power	398	100	0.29	-7.0%	-11.5%	-11.2%	11.3%	2.9%	19.9%	16.0	0.8	2.5%
BSCCL	Telecommunication	388	102	0.31	1.8%	0.8%	6.1%	26.3%	97.0%	93.9%	16.5	5.6	8.5%
Market		**46,741**	**17,615**	**100.46**	**-3.8%**	**-7.8%**	**-9.2%**	**-4.5%**	**19.4%**	**4.7%**	**12.6**	**1.8**	**3.7%**

*All returns are Holding Period Return.

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

Top Performing Mutual Funds

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

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

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			2022 YTD*	2021	2017-2021
CAPM Unit Fund	CAPM	1.0	-14.0%	29.6%	14.8%
Seventh ICB Unit Fund	ICB	4.3	-6.7%	34.2%	14.3%
Second ICB Unit Fund	ICB	2.0	-4.7%	41.5%	14.2%
UFS-Pragati Life Unit Fund	UFS	1.3	-11.1%	27.3%	13.3%
Peninsula AMCL BDBL Unit Fund One	IDLC	2.7	-7.3%	25.7%	11.8%
Sixth ICB Unit Fund	ICB	2.9	-3.9%	29.6%	11.6%
Third ICB Unit Fund	VIPB	3.5	-6.2%	26.0%	11.6%
Fourth ICB Unit Fund	ICB	2.2	-10.9%	36.1%	11.4%
LankaBangla 1st Balanced Unit Fund	ATC	4.8	-5.9%	21.9%	11.2%
ICB AMCL Pension Holders' Unit Fund	ICB	4.4	-6.0%	27.5%	10.7%
Market (Broad Index) Return (%)			**-11.5%**	**25.1%**	**6.1%**

*Based on published NAV and DSEX point of July 28, 2022

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, ICBEPMF1S1 (+0.3%) and 1STPRIMFMF (-0.9%) were the top performers.

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

DSE Code	Fund Manager	Fund Size (USD mn)	Price[1] (BDT)	NAV[1] (BDT)	Price/ NAV	Dividend Yield[2] (%)	NAV Return[3]				Redemption Year[4]
							2022 YTD	2021	2019-2021	2017-21	
PRIME1ICBA	1,008.0	10.6	7.7	10.1	76.4%	9.7%	-3.1%	35.8%	17.3%	12.4%	2030
1STPRIMFMF	279.0	2.9	17.8	14.0	127.6%	5.6%	-0.9%	38.5%	17.3%	12.0%	2029
ICBSONALI1	1,025.0	10.8	8.0	10.3	78.0%	8.8%	-2.2%	26.6%	13.7%	10.9%	2023
PF1STMF	577.8	6.1	11.1	9.6	115.3%	5.4%	-4.8%	39.6%	16.9%	10.9%	2030
ICBEPMF1S1	728.3	7.7	7.2	9.7	74.2%	8.3%	0.3%	38.2%	17.7%	10.6%	2030
ICBAMCL2ND	529.5	5.6	8.8	10.6	83.1%	9.1%	-1.4%	36.2%	16.1%	10.5%	2029
ICB3RDNRB	941.0	9.9	6.7	9.4	71.2%	10.4%	-1.7%	36.2%	16.8%	10.4%	2030
GRAMEENS2	3,606.0	38.1	15.9	19.8	80.4%	8.2%	-5.0%	18.2%	9.2%	9.8%	2028
CAPMBDBLMF	602.1	6.4	10.3	12.0	85.8%	12.6%	-2.4%	29.9%	12.4%	9.3%	2027
RELIANCE1	840.3	8.9	10.9	13.9	78.5%	9.6%	-3.8%	19.2%	8.7%	9.0%	2031
Market							**-11.5%**	**25.1%**	**7.9%**	**6.1%**	

1 Price as on July 31, 2022 and index value as on July 28, 2022.

2 On last cash dividend declared.

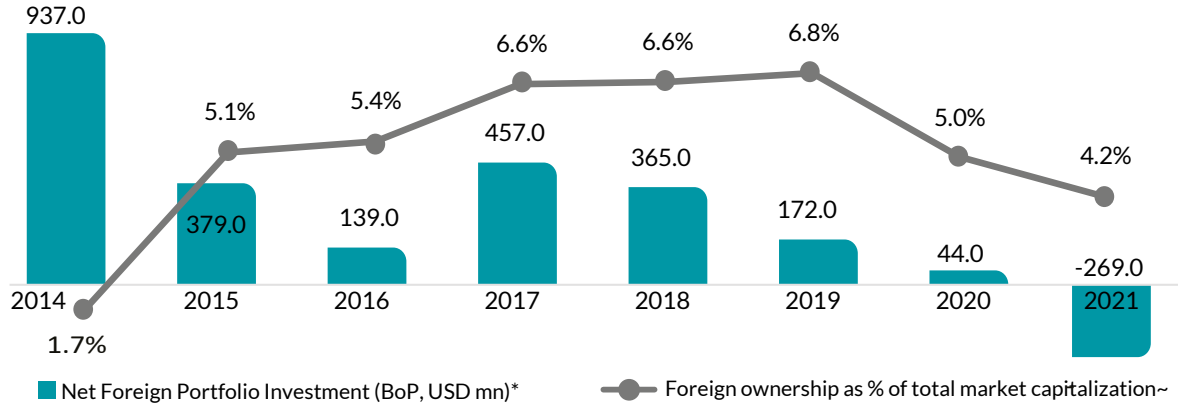
3 CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4 In reference to BSEC Press Release বিএসইবস/মুখপাত্র (৩য় খন্ড)/২০১১/২৫ published on March 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years in total. However, the mutual funds those are not willing to extend their tenure will still have the option to convert or wind up as per rules and regulations.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a surge of foreign investment. As of June 2022, total foreign ownership stood at 3.9% of the total equity market capitalization, which was only 1.7% in December 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 36.1% as of June 2022, followed by BXPHARMA with 28.6%.

Table 8: Top Ten Companies with Highest Foreign Shareholding as of June 2022

Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	36.1%
BXPHARMA	Pharmaceuticals & Chemicals	28.6%
OLYMPIC	Food & Allied	25.7%
RENATA	Pharmaceuticals & Chemicals	22.9%
ISLAMIBANK	Bank	20.6%
DBH	NBFI	19.3%
BSRMLTD	Engineering	17.5%
SQURPHARMA	Pharmaceuticals & Chemicals	13.9%
RINGSHINE	Textile	10.2%
SHEPHERD	Textile	9.4%

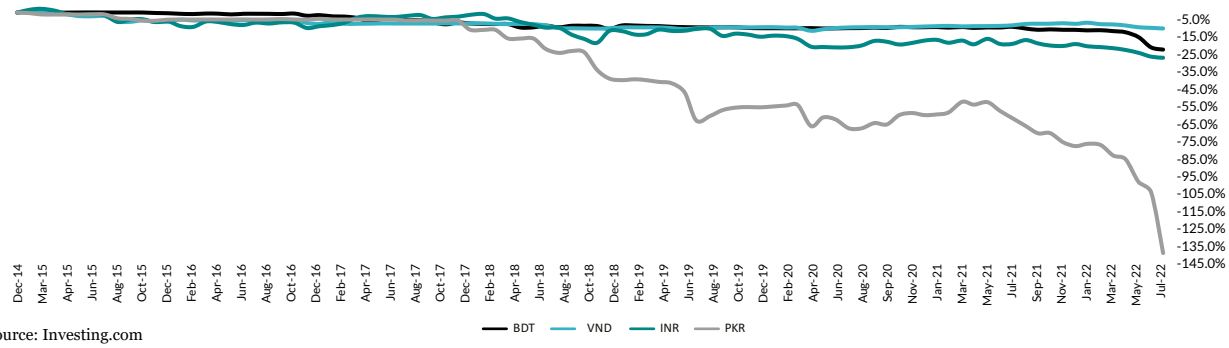
Source: DSE

*Latest data for foreign shareholding available on DSE are as of June, 2022.

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 21.2% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 9.1%, 25.9% and 137.8%, respectively.

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



Source: Investing.com


IDLC
Finance Limited
financing happiness
ফিক্সড ডিপোজিট অ্যাকাউন্ট এখন আপনার হাতেই
আইডিএলসি'র সাথে
ঘরে বসেই করুন
ফিক্সড ডিপোজিট
বিস্তারিত জানতে:
QR কোড স্ক্যান করুন
১৬৪০৯
idlc.com
idlc.com/onlinedeposit
IDLC Online Deposit
From BDT 10,000 to 500,000
Apply Online
Already Applied
Our Deposit Products
Flexible Term Deposit
Double Money Deposit
Triple Money Deposit
Monthly Earner Deposit