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IDLC MONTHLY

# BUSINESS

## REVIEW

**FEED INDUSTRY  
OF BANGLADESH:  
SUSTAINING COVID-19 AND  
POTENTIALS IN UPCOMING DAYS**

## আইডিএলসি ফিক্সড ডিপোজিট

### আস্থা থাক বিশ্বস্ত হাতে

আইডিএলসি'র কাছে আপনার প্রতিটি টাকা বিশ্বাসের আমানত। তাই, গত ৩৪ বছর ধরে স্বচ্ছতা, সর্বোচ্চ সুশাসন ও ফাইন্যান্সিয়াল সেক্টরের অভিজ্ঞতাকে দক্ষতার সাথে কাজে লাগিয়ে ব্যবসা পরিচালনা করছি আমরা। যেনো আপনার টাকা নিশ্চিতভাবে বাড়তে থাকে নিরাপদে।

- দেশজুড়ে ২০টি জেলা শহরে ৪০টি শাখা
- আপনার সেবায় ১৪০০ জন নিয়োজিত কর্মী
- শ্রেণিকৃত ঋণের পরিমাণ মাত্র ২.৯৪%
- সর্বোচ্চ সুশাসনের জন্য একাধিক আন্তর্জাতিক স্বীকৃতি ও পুরস্কার প্রাপ্তি
- ৩ মাস থেকে শুরু করে বিভিন্ন সুবিধাজনক মেয়াদে ডিপোজিট করার সুবিধা
- AAA ক্রেডিট রেটিং প্রাপ্ত

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**Feed industry of Bangladesh: Sustaining Covid-19 and potentials in upcoming days**

The feed industry is maintaining a proper business ecology, particularly concerning the agricultural sector which contributed almost 13.24% to the GDP of the country in FY'2019-20. Both the global and the local feed industry has been impacted massively by lockdowns and limited business hours imposed as a measure to contain the outbreak of the deadly Coronavirus. This resulted in disrupted supply chains, wastage of inventory, halted productions and many more adverse results. The article reviews the current market condition of this sector and what might come ahead in the upcoming days as the world moves out of the stun of the pandemic and towards a more inclusive future.

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MD & CEO  
Aftab Feed Products Limited

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Capital Market Review



### Feed Industry of the country: Surviving the Outbreak of COVID-19

The agricultural industry of Bangladesh remains of pivotal importance, contributing 13.35% to the GDP of the country. Out of this, 4.95% is contributed by poultries and fisheries, which would not have been possible without proper nutrition provided by the feed mills. This establishes the far-reaching importance that feed mills hold in ensuring quality output from the agricultural sector. Globally, the feed industry generates about US \$400 billion from compound annual feed production of 1 billion tonnes. Over 130 countries are involved in the production process or sale of feed which generates employment opportunities for many.

In an obvious attempt to contain the virus, governments all over the world, introduced lockdowns, limitations on travel and business opening hours. All of these has had an unnerving impact on the feed industry alongside many others. Lockdowns and logistical blockages have created movement restrictions, halting business activity. And not just that, even rumors concerning the spread of coronavirus through poultry and other meat consumption has had a significant impact on the industry's turnover. Supply chain disruptions leading to a loss in dairy and meat products have affected the feed market as well. Disruptions in the supply

chain created wastage despite high demand in the markets, and trade halts have stopped raw materials from coming into the country which had severely impacted the feed mills industry and its stakeholders.

However, lockdowns have given a lot of people time to reflect on many decisions and directed them towards taking healthier steps, for instance. The increased consumption of meat, alongside growing awareness about livestock nutrition has led to an expansion of the market size of feed and feed additives globally. In Bangladesh, commercial feed production experienced a near 25% growth over the last decade. A number of feed mills were established to meet the upsurge in feed demand and the local market expanded subsequently, with poultry feed holding the most market share, followed by fish feed and then cattle feed.

With the world slowly stabilizing after the impact of the pandemic, the only hope is to look ahead into the future towards a prosperous local and global feed industry, and a safer and healthier world.

**Sushmita Saha**

Assistant Manager  
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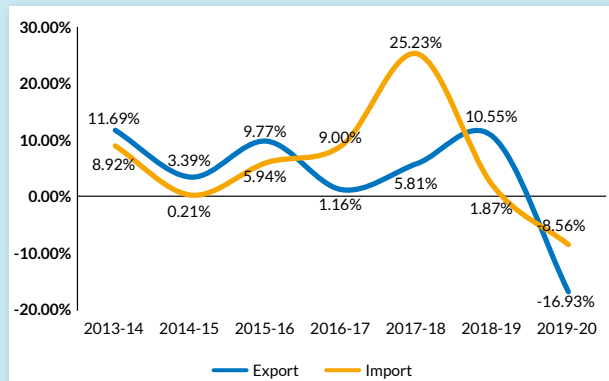
Email: shikha@idlc.com

# ECONOMY AT A GLANCE

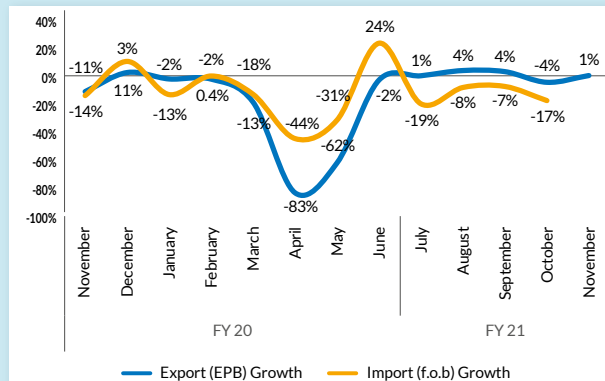
Prepared by IDLCSL Research Team

## EXPORT-IMPORT

Growth in Export Import Trade (Last 7 Years)

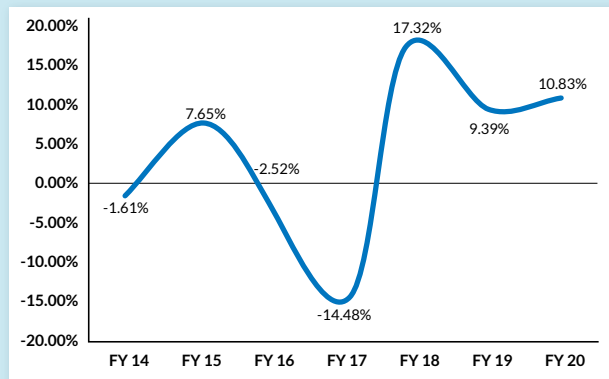


Export & Import Growth

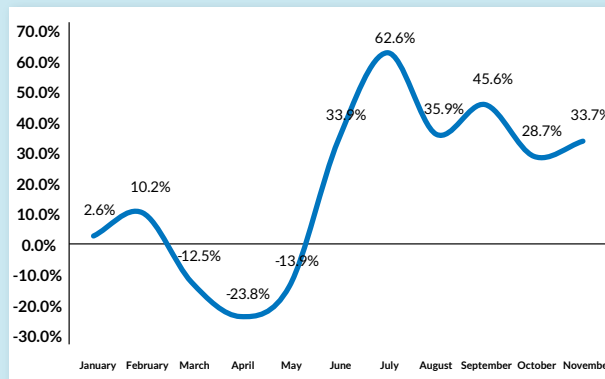


## REMITTANCE

Remittance Growth of Last 7 years

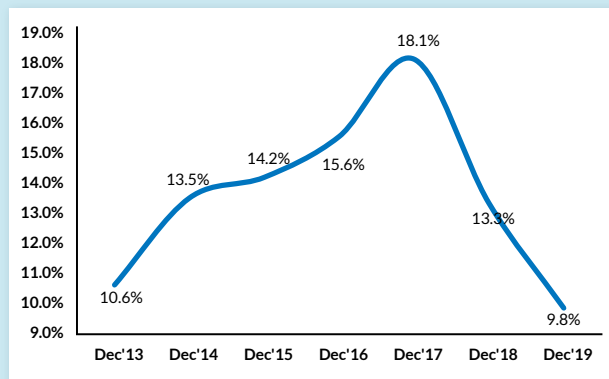


Remittance Growth (Last 11 Months)

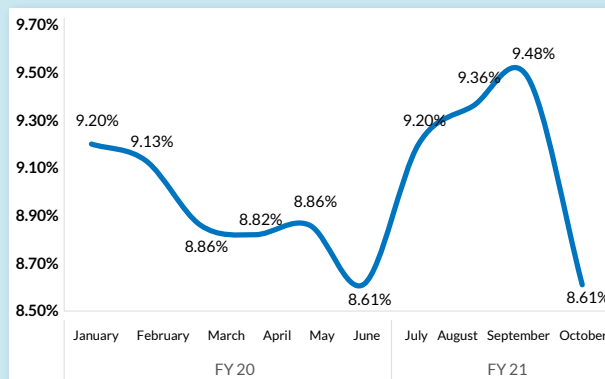


## PRIVATE SECTOR CREDIT GROWTH

Private credit growth of last 7 years



Private sector credit growth (Last 10 months)



## ■ MONTH IN BRIEF

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● **Trade-based cottage, micro, small and medium enterprises (CMSMEs) would be able** to borrow more from the government's stimulus package after the central bank raised the ceiling by 5 percentage points.

● **Expatriate Bangladeshis sent 43.24% higher remittances** than the previous fiscal year.

● **BRAC is now opting for issuing bonds** to fuel its microfinance program.

● The Government has adopted an inflation target of 5.2% for the FY22-23 **to focus on boosting growth while keeping prices in control.**

● **The banking sector's capital base got stronger** in the third quarter this year due to the regulatory forbearance provided by Bangladesh Bank.

● **Manufacturing industries will have to pay VAT** for transferring raw materials from one factory to another.

● Local steel markets are facing a shortage **of scrap due to the global market's lack of supply.**

● **Mobile phone subscribers rose 2.4% year-on-year** to 16.81 crore in October.

● **Bangladesh's foreign exchange (forex) reserve** crossed US\$ 41 billion-mark.

● **Illegally imported mobile handsets or handsets with fake IMEI numbers cannot be used in the country after early next year.**

*ASIA AND THE PACIFIC  
HAS LARGELY DONE  
WELL TO LIMIT THE  
SPREAD OF COVID-19.*

**Woochong Um**, Director-General of ADB's Sustainable Development and Climate Change Department on aid allocation for developing members to access Covid-19 vaccines.

**Of  
course,  
we are  
worried  
- we  
have to  
observe  
the  
situation  
with  
caution**

**Rubana Huq**, President-BGMEA on Covid-19 surge in US and Europe again.

**If full  
implementation  
of the packages  
is possible, an  
estimated 12%  
employment  
could be  
reached**

**Towfiqul Islam Khan**, Senior Research Fellow of Centre for Policy Dialogue (CPD) on Government's BDT 1.13t stimulus loan coverage.

**THERE IS A HUGE BUSINESS OPPORTUNITY IN BANGLADESH FOR AUTOMOTIVE COMPONENTS AS THERE ARE MORE THAN 10 LAKH COMMERCIAL CARS AND 16 LAKH PASSENGER CARS AND THEY NEED SPARE PARTS**

**Taskeen Ahmed**, Managing Director of Ifad Autos on setting up BDT 433 cr industrial complex.

**I can tell you that from the US government perspective, one of the things that we're looking at to help Bangladesh with, is how Bangladesh can diversify its private sector**

**Bonnie Glick**, Deputy Administrator at US Agency for International Development (USAID) on helping Bangladesh to diversify its private sector.

**THE BSEC AS  
THE SECURITIES  
REGULATOR IS  
WORKING ON LEGAL  
AND FINANCIAL  
ASPECTS OF THE  
BOND PROPOSAL  
AND THE APPLICANT  
ALSO HAS TO  
SUBMIT ITS PRIMARY  
REGULATOR'S NOD.**

**Rezaul Karim**, Spokesperson and Executive Director at BSEC on Bonds to boost Brac microfinance.

Country	Nominal GDP: October, 2020 (USD in billion)	Real GDP Growth: October 2020 (yearly % Change)	Inflation Point to point (%)	Inflation (%) As of	Current Account Balance: (% of GDP)	Interest Rates (%), Ten years treasury bond	Currency Units (per USD)
<b>Frontier Market</b>							
Sri Lanka	81.1	-4.55	4.10	Nov,2020	-3.63	7.77	185.65
Vietnam	340.6	1.60	1.48	Nov,2020	1.61	2.33	23,131.00
Kenya	101.0	1.05	5.46	Nov,2020	-4.90	12.03	110.90
Nigeria	443.0	-4.28	14.23	Oct,2020	-3.65	4.96	381.20
Bangladesh	330.1	5.24	5.52	Nov,2020	-0.02	5.92	84.80
<b>Emerging Markets</b>							
Brazil	1,363.8	-5.80	3.92	Oct,2020	0.27	7.02	5.16
Saudi Arabia	680.9	-5.44	5.80	Oct,2020	-2.51	n/a	3.75
India	2,935.6	-10.29	7.61	Oct,2020	0.33	5.90	73.78
Indonesia	1,088.8	-1.50	1.59	Nov,2020	-1.30	6.27	14,147.35
Malaysia	336.3	-6.00	-1.50	Oct,2020	0.94	2.72	4.06
Philippines	367.4	-8.26	3.30	Nov,2020	1.61	3.13	48.11
Turkey	649.4	-4.99	14.03	Nov,2020	-3.66	12.82	7.80
Thailand	509.2	-7.15	-0.41	Nov,2020	4.17	1.27	30.22
China	14,860.8	1.85	0.50	Oct,2020	1.30	3.32	6.52
Russia	1,464.1	-4.12	4.40	Nov,2020	1.17	5.82	74.06
<b>Developed Markets</b>							
France	2,551.5	-9.76	0.20	Nov,2020	-1.92	-0.32	0.83
Germany	3,780.6	-5.98	-0.30	Nov,2020	5.75	-0.55	0.83
Italy	1,848.2	-10.65	-0.02	Nov,2020	3.23	0.59	0.83
Spain	1,247.5	-12.83	-0.80	Nov,2020	0.54	0.08	0.83
Hong Kong	341.3	-7.47	-0.20	Oct,2020	4.35	0.64	7.75
Singapore	337.5	-6.00	-0.20	Oct,2020	14.98	0.89	1.34
United States	20,807.3	-4.27	1.20	Oct,2020	-2.12	0.97	1.00
Denmark	339.6	-4.50	0.40	Oct,2020	6.37	n/a	6.14
Netherlands	886.3	-5.40	1.20	Oct,2020	7.56	-0.47	0.83
Australia	1,334.7	-4.16	0.70	Sep,2020	1.85	1.06	1.35
Switzerland	707.9	-5.30	-0.70	Nov,2020	8.48	-0.48	0.89
Britain	2,638.3	-9.76	0.70	Oct,2020	-2.05	0.35	0.74

**Bangladesh data:** GDP size and real GDP are sourced from Bangladesh Bureau of Statistics as per 2019-20 data. Calculation Method of CA Balance (% of GDP): CA balance of FY19-20 / GDP of FY19-20. Interest rate (%) 10 years TB as per November, 2020, Inflation as per November,2020 and Currency Unit (per USD) as per 3rd December,2020 are sourced from Bangladesh Bank.

**Nominal GDP:** Data of all countries apart from Bangladesh is sourced from IMF estimates of 2020 data (October, 2020 Outlook).

**Real GDP Growth and Current Account Balance:** Data of all countries apart from Bangladesh is sourced from IMF estimates of October, 2020 data (World Economic Outlook, October 2020).

**Inflation:** Data of all countries apart from Bangladesh is sourced from tradingeconomics.com as per 5th December, 2020.

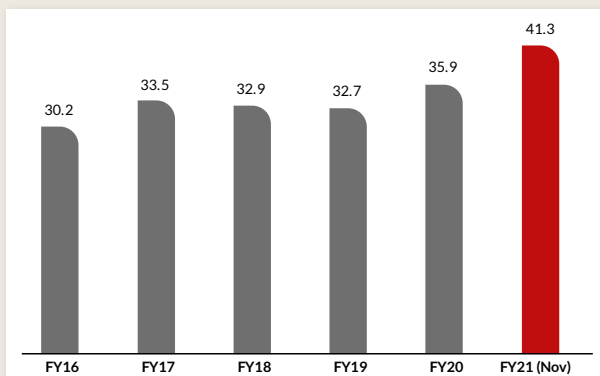
**Interest rates 10 years TB and Currency Unit:** Data of all countries apart from Bangladesh is sourced from Investing.com as per 5th December, 2020.



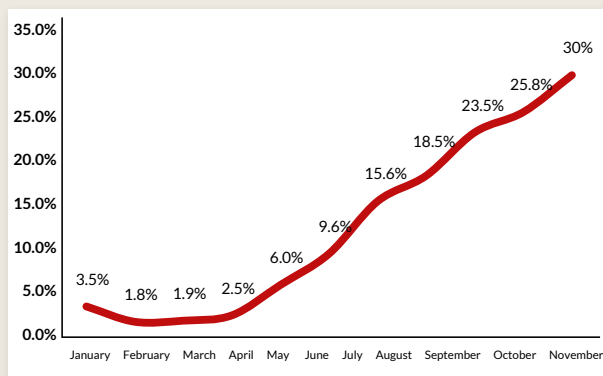
# BANKING DATA CORNER

Prepared by IDLC SL Research Team

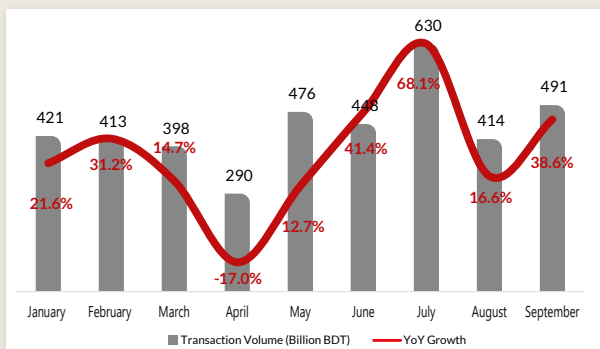
Foreign Exchange Reserve (In million USD)



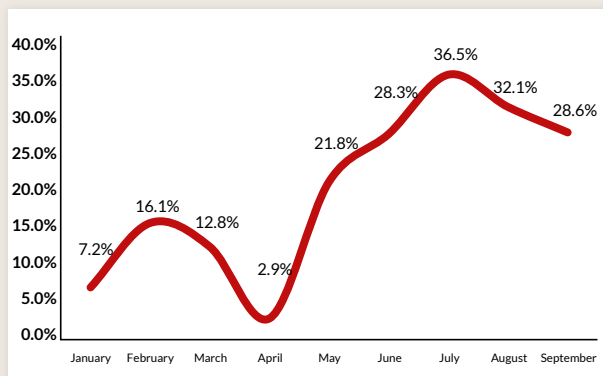
Foreign Exchange Reserve YoY Growth 2020



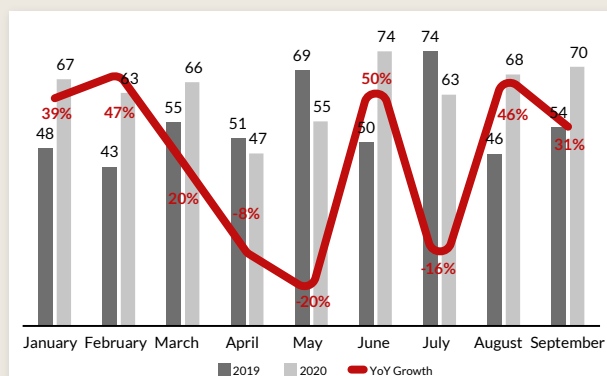
MFS Total Transaction Volume 2020  
(BDT Billion and YoY Growth)



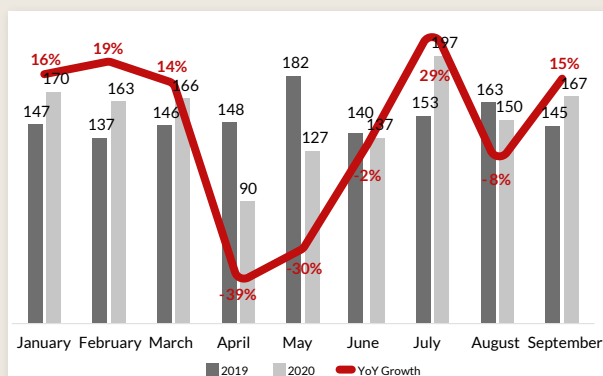
MFS No. of Total Transaction YoY Growth 2020



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



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



Source: Bangladesh Bank

## THE NEXT FRONTIER IN ASIA PAYMENTS

Payments have never been as essential to Asia's monetary administrations environment as they are today. Asia has dominated all different locales regarding payments income development in recent years. The role of payments in Asia's overall banking landscape has expanded as well. Payments have never been more significant for conventional banks, longstanding specialist organizations, and Fintech innovators aiming to disrupt the status quo. The worldwide impacts of COVID-19 provoked a reset in the Payments ecosystem. The industry was quick to respond to these challenges, offering immediate economic relief in the form of faster settlement times, customer-fee waivers, and short-term funding support. Despite such efforts, COVID-19's impacts will cause a decline in 2020 payments revenue of up to 8% across Asia. Excluding Mainland China, which recovered from the depths of the crisis more rapidly, contraction is projected to be as steep as 14%.

Asia's future payments landscape will look quite different from the ecosystem currently in place. Five fundamental themes are reshaping Asia's payment landscape. They are:

- **Connected Commerce**
- **Contactless Consumers**
- **Cashless Economy**
- **Cross-border activity**
- **Consolidation**

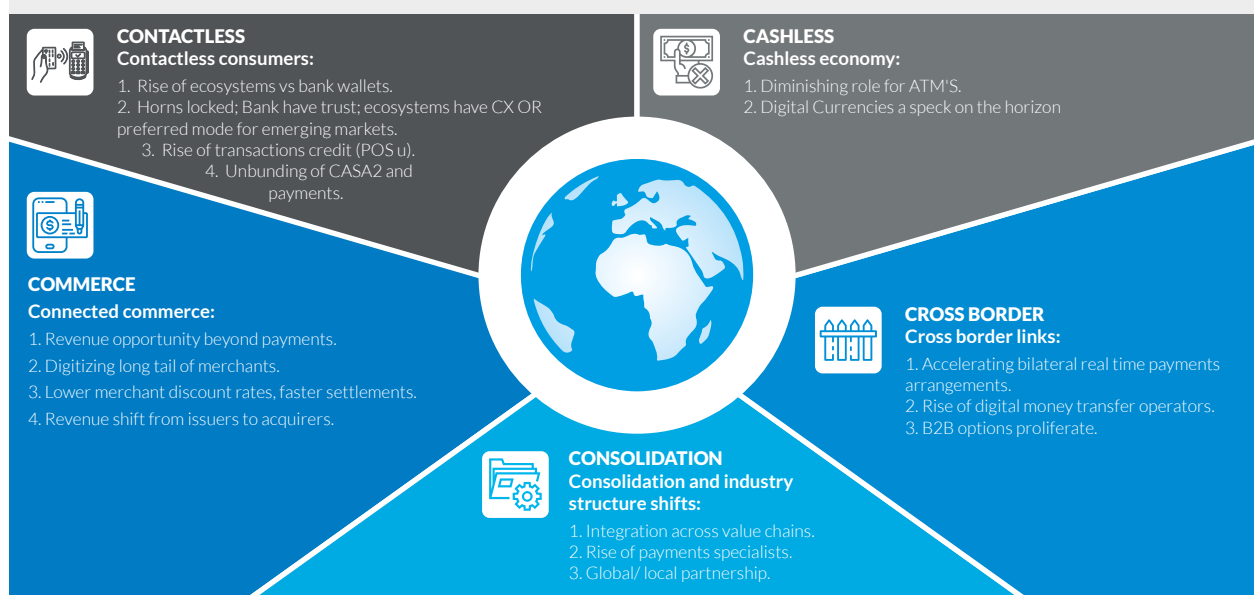
### Contactless Consumer

From a payments point of view, ostensibly the best and most enduring effect of COVID-19 will be in the contactless field. Though wallet medium has existed for a long time

but due to COVID-19 people want to do everything without touching. This behavior is making contactless payment popular among consumers. Indeed, even as payments volumes declined during COVID as it's incited isolates, the contactless client base developed by as much as 20% focuses for selected installment suppliers in the area. In addition, we anticipate that 70% to 80% of new adopters will proceed with long haul utilization of these new structures.

- Mainland China, where the use of mobile payments is already well established, McKinsey expects the number of mobile-payments users to more than double by 2025, exceeding two billion. Industry leaders share our assessment of digital wallets becoming the preferred form of payment by 2025, with credit cards ranking a close second. Account-to-account transfers are also gaining prominence, particularly across developed Asia. It is forecasted to become the third-most-favored instrument, particularly for small-ticket items.
- Emerging markets will be more inclined to adopt solutions based on QR codes, which are viewed as easier and more cost-effective to implement and better suited to mass-market consumers. Banks completing a robust digital transformation will be particularly well positioned to lead in consumer digital payments, leveraging institutional trust and an established infrastructure. Regulators must strike a delicate balance across multiple factors: ensuring safety and ubiquity, fostering innovation, and maintaining an environment conducive to healthy competition.

# THE FIVE Cs RESHAPING ASIA PAYMENTS



## Connected Commerce

The emotional flood popular for advanced capacities has driven extraordinary movements in the obtaining industry, with dealers in unmistakable classifications. For example, healthcare facing an unexpected immediate need for remote payments acceptance. Also small offline merchants suddenly seeking solutions beyond cash. Merchant expectations of payment service providers are growing beyond traditional payments. Offerings like static QR stickers, dynamic QR codes, and low-cost scanners make it increasingly feasible for acquirers to serve even small merchants with limited payments volumes.

- Since card guarantors have truly understood most of Merchant Discount Rate (MDR) income, such evaluating pressure is probably going to be borne lopsidedly by backers. Packed income edges of as much as 20% will be borne generally by backers. Value-added offerings will become an increasingly essential component of merchant acquirers' product suites, as unit revenues

from payments alone will become insufficient to support an attractive business model. The income opportunity coming from trader digitization throughout the following five years could develop by over \$5 billion yearly.

- The lasting consumer behavior shifts prompted by COVID-19 illuminate several business sectors in which digitization opportunities exceed what was widely perceived just a few months earlier. Supply-side requirements for faster and seamless delivery of food and other online purchases are upping the ante for optimized logistics processes. Given the daily working-capital needs of small merchants, more rapid settlement and access to funds including same-day availability at a minimum—will be critical to the achievement of universal access. Another key to adoption will be ease of use and onboarding, including the advent of low-cost point-of-sale solutions and dramatically reduced merchant onboarding costs. Thin terminals with “soft switch” will supplant the need for multiple POS terminals, a significant merchant pain

point. The players best suited to enable the merchants in this process, according to the APPS, are fintech specialists and e-commerce and ecosystem players; banks are not seen as playing a leading role on this front.

## Cashless economy

All things considered, money isn't relied upon to vanish; in any case, its utilization will keep on declining across Asia. Over the previous decade, money utilization in developing Western economies has fallen by around 30% focuses from starting degrees of roughly 55% of exchanges. The objective degree of installments electronification will contrast across Asia, given beginning stages that change from under 3% of exchanges in Indonesia to as much as 60% in Singapore.

- Cash will decline more rapidly but will not vanish. Countries in both developed Asia and emerging Asia remain in the relatively early stages of cash displacement.
- Among consumers, COVID-19's acceleration of digital-banking trends has similarly reduced the dependency on branches for routine transactions, such as those involving cash. Despite Asia having lower ATM penetration than other regions, reductions in cash reliance will lead to a likely decline in ATM prevalence.

## Cross-border linkages

Cross-fringe incomes have been a vital supporter of Asia's continuous installments development, expanding by a normal of 6% every year somewhere in the range of 2011 and 2019. As the economy rises out of COVID-19's close term stun, shopper related cross-fringe installments will again turn into the biggest open door for extra entrance and advancement.

- It becomes an urgency to re-arrange the bilateral payment system. The heterogeneity of payments systems' maturity and design across countries in the region including the lack of a common currency presents hurdles to functional interoperability.
- Rise of digital money-transmittal operators regarding retail cross-border remittances. Digital money-transfer operators (MTOs) have proven adept at capturing market share by offering a better user experience at lower cost than traditional MTOs

## Consolidation of disparate players

Asia's payments value chain, whose players shift extraordinarily by nation, is prominent for its serious level of fracture. For instance, more than 150 e-wallet licenses have been given in Southeast Asia alone. Asia's lengthy economic expansion afforded an unusual amount of runway to a variety of subscale players, thanks to liberal capital availability. It limited the need to stress-test business models under challenging circumstances.

Industry members should react quickly to the developments driven by the five Cs. Different actions will be required, however, from participants in various aspects of the value chain and at varying stages of their own evolution. Normally, huge interdependencies exist over these voting demographics. Naturally, significant interdependencies exist across these constituencies. While most attention is normally afforded to banks and fintech firms, the success of merchant acquirers in profitably building broader acceptance for noncash payment forms will be critical. Controllers and installment networks likewise have key functions in a district acutely centered on digitization.



## SMALL IS BEAUTIFUL: ACCESS TO SME FINANCING HAS BEEN CREATING ROBUST EMPLOYMENT OPPORTUNITY

### RESEARCH IN FOCUS

IDLC Finance Limited and Policy Research Institute (PRI), Bangladesh have jointly conducted quantitative research titled 'ACCESS TO FINANCE FOR SME & IMPACT ON JOB CREATION: EMPIRICAL EVIDENCE BASED ON IDLC FINANCE LTD'. Senior Economist, Academician and Member of PRI, Dr Bazlul Haque Khondker presented the findings supported by his analysis over a virtual press conference on 24 November 2020. The session was moderated by Dr Sayema Haque Bidisha, Professor, Department of Economics, Dhaka University. Dr Ahsan H Mansur, Executive Director, PRI Bangladesh; Arif Khan, CEO and MD, IDLC Finance Ltd; eminent journalists, IDLC and PRI officials were present during the paper presentation followed by an interactive question and answer session.



**Dr. Ahsan H. Mansur**  
Executive Director  
Policy Research  
Institute of Bangladesh

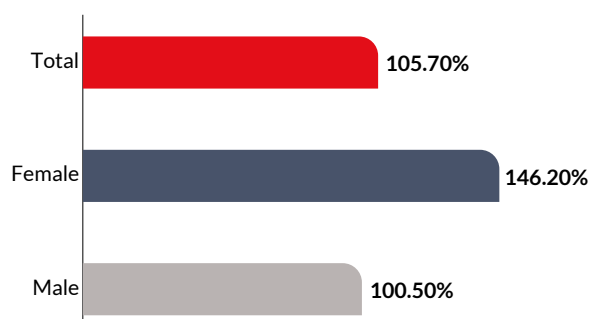


**Dr. Bazlul Haque Khondker**  
Professor  
Department of Economics  
Dhaka University

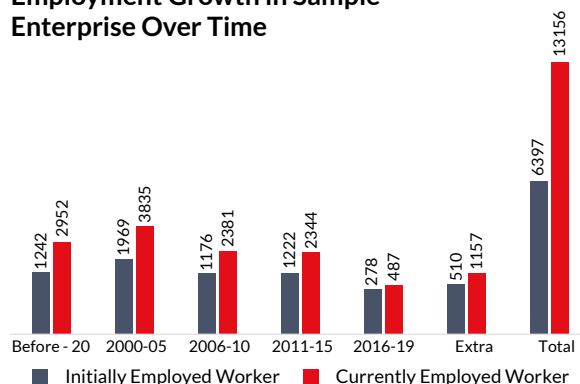


### Impact of Access to SME Financing on Job Creation (Evidence based on Financing by IDLC) :

#### Employment growth in sample enterprises (%) by sex of the entrepreneurs



#### Employment Growth in Sample Enterprise Over Time

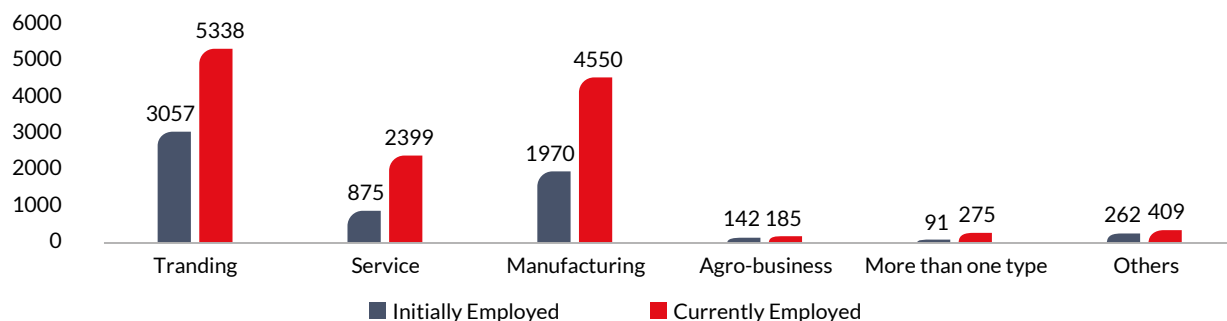


### THE OBJECTIVE OF THE STUDY WAS TO ASSESS THE EMPLOYMENT IMPACTS OF IDLC LOANS TO THE SMES CONSIDERING THE FOLLOWING ASPECTS BY

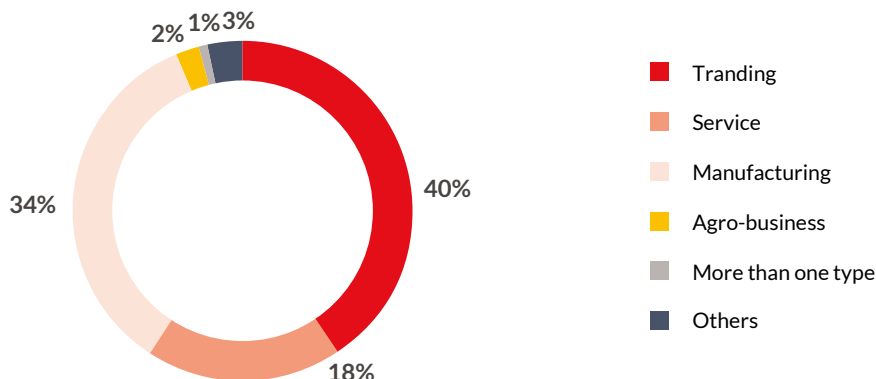
- Gender of (female and male) entrepreneurs;
- Types of enterprises (manufacturing, services, trading and agro-business);
- Major job categories (labor/worker, skilled workforce, salesperson, and executives);
- Loan sizes (below 10 lacs, 10 -25 lacs, 25-50 lacs, 50-75 lacs)
- Locations or regions of their operations.

## Employment Generation Patterns: By Types of Enterprises

### Employment Generation (Persons)

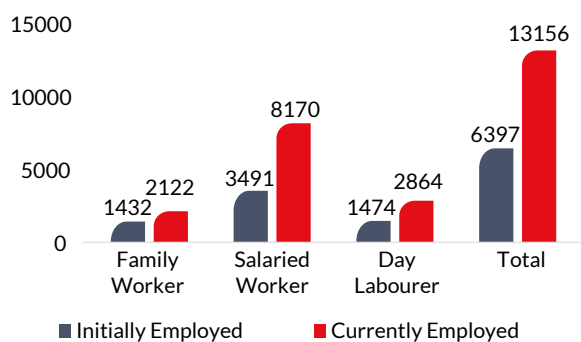


### Employment Share (%)

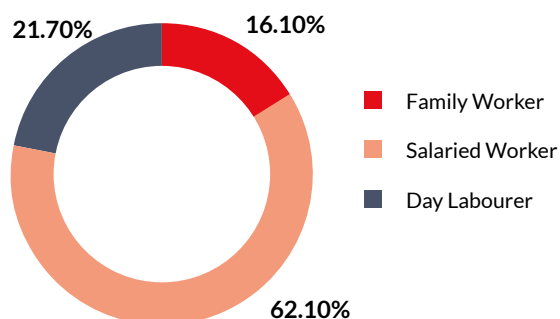


## Employment Generation Patterns: By Types of workers

### Employment Generation by Worker Type (Persons)



### Shares of Different Types of Workers (%)

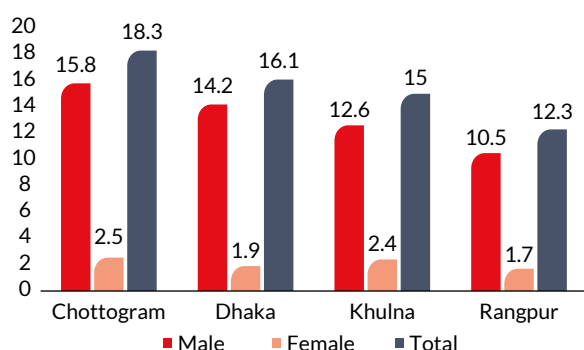


## KEY FINDINGS

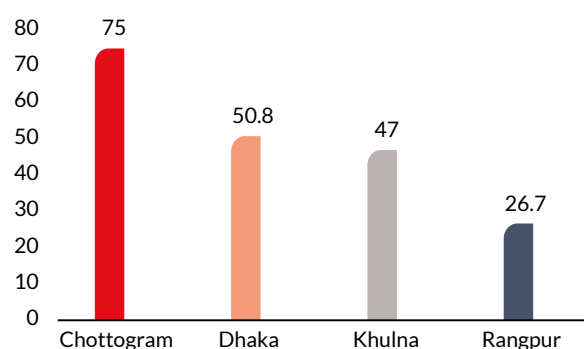
- The research assessed **782** IDLC SME clients across the country and covered information from their inception to **2019**
- The study reveals **105.7%** growth in employment generation by SMEs from its inception time.
- Female-owned sample businesses led employment growth at **146.2%**
- The largest employment growth was in the service sector **174.2%** followed by manufacturing sector **131%**
- Chottogram region turned out to be the leading region in terms of employment generation and turnover among the four regions considered in the study
- An overwhelming majority of enterprises expressed their need for more access to credit (almost **92%**)
- Growth of employment in enterprises in the rural locations (i.e. **114.9%**) was slightly higher than in the urban locations (i.e. **107.6%**)
- Most of the employment was created in firms with smaller investment ranging up to Tk. 100 million (almost **74%**, mostly single owned)

## Regional Variations in Employment and Turnover:

Per enterprise employment (Persons)

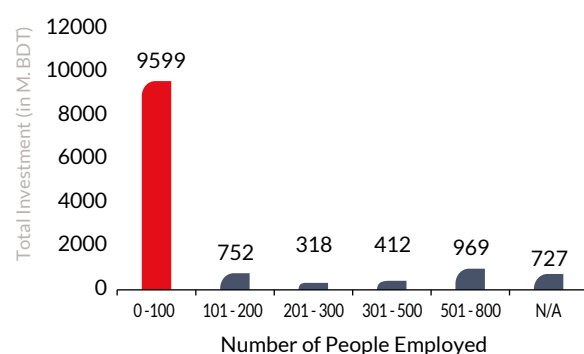


Average turnover (Million BDT)

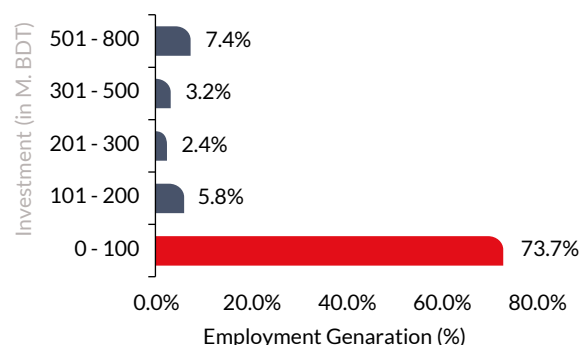


## Investment to employment pattern:

Number of People Employed vs. Total Investment



## Total Investment and Employment Generation



## OBSERVATIONS

- Growth in employment generation in IDLC assisted SMEs were large – when the time frame of inception to 2019 is considered.
- Employment generation in female-owned sample enterprises was significantly higher.
- When compared between male and female owned enterprises, the employment growth in female-owned sample enterprises was 45.7% points above the growth rate recorded in male-owned sample enterprises. Thus, more focus was recommended by the authors.
- Average employment size for IDLC enterprises stood at around 16 person per enterprise which is close to national average also an indication of saturation point.
- Largest employment growth is observed in service and manufacturing. Interventions in these sectors would probably be more rewarding.
- The largest growth rate has been found for salaried jobs with 134% over the entire period.
- The turnover in Chottogram is almost double that of other three regions. This finding may help IDLC and other institutions engaged in MSME lending to review their regional credit portfolios and therefore act accordingly.
- Doubling of enterprise turnover in the 4-year period through 2019 was a very healthy development. Signs of healthy portfolio with limited loan loss and pointed to further expansion of IDLC MSME portfolio with limited risk.
- As the analysis is based on Pre Covid-19 data, IDLC like other financial institutions globally may face post-Covid challenges.





# FEED INDUSTRY OF BANGLADESH:

SUSTAINING COVID-19  
AND POTENTIALS IN  
UPCOMING DAYS

**MITALI SAHA**

Senior Officer, Corporate Division



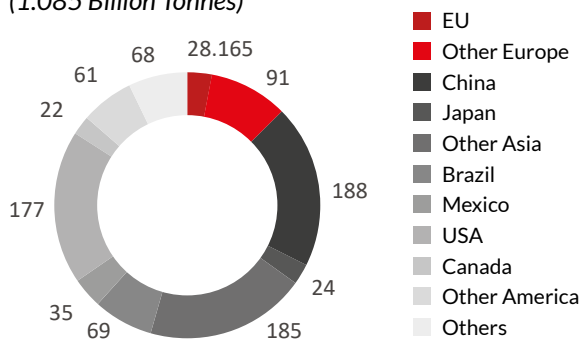
Agriculture has been considered as the core sector of the economy from the very inception of Bangladesh. Poultry-cattle rearing and fishing have become the integral part of Bangladesh's agro-based economy and rural livelihood. According to the report of Bangladesh Bureau of Statistics 2019-20, agricultural sector is contributing 13.35% in our GDP out of which 4.95% is added by this poultry and fisheries section. To meet the huge protein demand of our country, feed mills are playing a pivotal role by producing quality feeds.

### Global Feed Industry - At a Glance

The largest and most vital component to ensure safe and affordable animal proteins is feed. According to International Feed Industry Federation (IFIF), global commercial feed manufacturing generates an annual turnover of around US\$400 billion from compound annual feed production of 1 billion tonnes. More than 130 countries are involved in commercial production or sale of manufactured feed products which creates direct employment of many skilled workers, technicians, managers and professionals.

We are seeing continued enhancement in the demand for animal protein especially livestock and fish worldwide over the past couple of years. The production growth of feed products is more or less constant in developed countries while it has been increased in the developing countries. A snapshot of global compound feed production for the year of 2018 is provided below:

**Global Compound Feed Production 2018**  
(1.085 Billion Tonnes)



Source: IFIF

### Impact of COVID-19 on Global Feed, Meat and Fish Market

#### Lockdowns, logistical blockages and rumors have affected the feed market

Lockdowns was announced to control the coronavirus pandemic in many regions around the world, which affected the movement of vehicles carrying livestock, feed, and feed ingredients. Also, the poultry industry was battling rumors of coronavirus spreading through the consumption of poultry, meat and meat products. Moreover, raw material price volatility was a major challenge faced by feed manufacturers worldwide during the pandemic.

#### Supply chain disruptions leading to a loss in dairy and meat products have affected the feed market

Due to the COVID-19 pandemic, the demand for basic food or essentials had been on the rise. Despite the strong demand for meat, dairy, and aquaculture products amidst the pandemic, the supply chain had witnessed a host of disruptions, which stopped producers from providing their products in the market. For instance, disruptions in the supply chains caused wastage of fresh produce in the US, even though there were a high demand and food shortage for dairy produce. Consequently, the Dairy Farmers of America (market leader in the dairy industry in USA), had to ask farmers to dump their milk. Also due to the emerging threats from the spread of the pandemic, the global export of beef and chicken meat trade has reduced significantly which subsequently affected the feed market.

#### Impact on Meat and Fish Market

The combination of COVID-19 related economic hardships, logistical blockages and a sheer decline in demand from the food services sector due to lockdowns has led to a global slump in import demand, causing international meat prices to fall, with the sharpest drop registered for ovine meat, followed by poultry, pig and bovine meats as well as fish and fishery products. Governments around the world seeking to contain the virus have introduced isolation directives, limitations

on business opening hours, and travel restrictions. Food-service demand has been sharply reduced as restaurants have closed, although retail sales of non-perishable products, such as canned tuna, have seen a boost as households changed their purchasing behavior. Plummeting food service sales have resulted in meat stock accumulation, especially premium categories, and in bulk packaging, enlarging export availabilities and weighing on international meat prices, despite a decline in meat output caused by labor shortages in slaughterhouses, processing and packing due to the epidemic. An overview of production and trade volume of meat and fish market is provided below:

#### WORLD MEAT MARKET AT A GLANCE

	2018	2019 estim.	2020 f'cast	Change: 2020 over 2019
	Million Tonnes (Carcass Weight Equivalent)			%
WORLD BALANCE				
Production	342.2	338.9	333.0	-1.7
Bovine meat	71.5	72.6	72.0	-0.8
Poultry meat	127.3	133.6	136.8	2.4
Pigmeat	120.9	109.8	101.0	-8.0
Ovine meat	15.8	16.0	16.2	0.9
Trade	33.8	36.1	37.0	2.4
Bovine meat	10.5	11.2	11.1	-1.0
Poultry meat	13.5	13.9	13.8	-0.3
Pigmeat	8.4	9.5	10.6	11.2
Ovine meat	1.0	1.0	1.0	-2.9

#### WORLD FISH MARKET AT A GLANCE

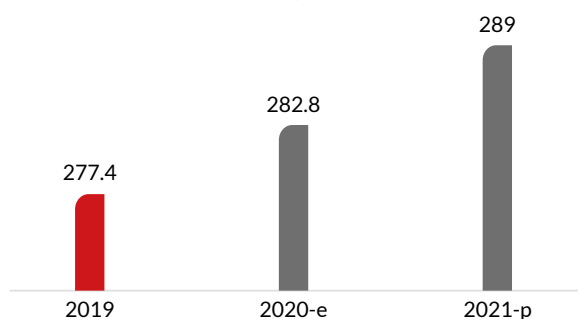
	2018	2019 estim.	2020 f'cast	Change: 2020 over 2019
	Million Tonnes (Live Weight)			%
WORLD BALANCE				
Production	178.5	175.9	172.9	-1.7
Capture fisheries	96.4	91.8	89.9	-2.0
Aquaculture	82.1	84.1	82.9	-1.4
Trade value (exports USD billion)	164.1	159.6	150.4	-5.8
Trade volume (live weight)	67.1	65.3	63.2	-3.2
Total utilization	178.5	175.9	172.9	-1.7
Food	156.4	156.4	154.2	-1.4
Feed	18.2	15.5	15.0	-3.5
Other uses	4.0	4.0	3.7	-7.5
From capture fisheries (kg/ year)	9.7	9.4	9.1	-2.4
From aquaculture (kg/year)	10.8	10.9	10.6	-2.

Source: Biannual Report on global food markets:  
June-2020, FAO, United Nations

## Post Pandemic scenario analysis of Global Feed Market

Despite a significant negative impact of COVID-19, the global feed market size is estimated to grow from USD 282.8 billion in 2020 and projected to reach USD 289.0 billion by 2021, recording a compound annual growth rate (CAGR) of 2.2%. Upgrading and modernization of the livestock industry, the growing awareness about livestock nutrition and increasing consumption of meat and other livestock-based products have led to surge the market size of feeds and feed additives. Conversely, feed manufacturers and producers have become more aware of different techniques and strategies to cope up with the situation aroused due to COVID-19. An analysis of post COVID-19 impact on global feed market is provided below:

#### COVID - 19 Impact on Global Feed Market, 2019 - 2021 (USD in Bln)



Source: Top market reports, MarketsandMarkets

## Feed Mill Industry in Bangladesh-At a Glance

Over the last two decades, large poultry, cattle and fish farms involved in commercial production have been gaining prominence. Commercial feed production experienced almost 25% growth in last one decade due to the augmented protein demand, which results the launch of many commercial feed mills over the past couple of years. A snapshot of feed mills in Bangladesh is provided below.

No.	Particulars	Total Number
1	Total registered feed mills from DLS	198
2	Registered active feed mills (62 are renewed up to September 2018)	96
3	Registered inactive feed mills	102
4	Unregistered active feed mills	33

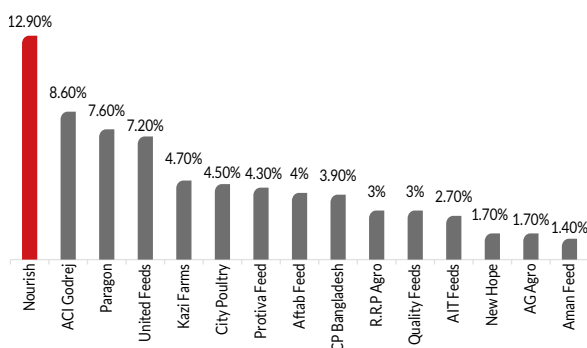
## Total Active Feed Mills : 129



Source: Annual Report-2018, Department of Livestock Services (DLS)

Top feed mills like Nourish Poultry Feeds, ACI, Kazi Farms, Provita Feed, Aftab Feed, New Hope Feed, Aman Feed etc. are occupying about more than 70% of total market share. A glimpse of market coverage of top feed mills is provided below:

### Market Coverage of Top 15 Feed Mills (%)



Source: Feed Mill industry in Bangladesh: A recent survey in 2018 by Prof. Dr. Md. Mufazzal Hossain, Sher-e-Bangla Agricultural University Dhaka

## Categories of Feed and Current Market Demand in Bangladesh

As per Ministry of Fisheries and Livestock of Bangladesh (MoFL), the per capita meat consumption of an average Bangladeshi is amounted to be 45.62

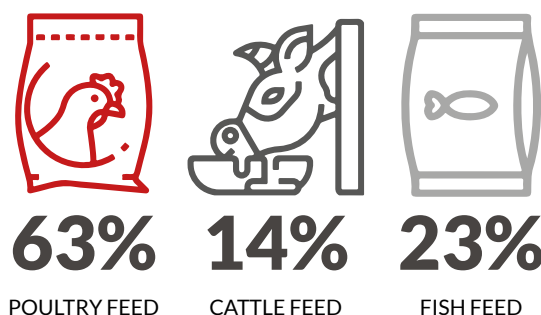
Kgs. More than six million people in our country are directly or indirectly involved in poultry and fish production. In Bangladesh, the market size of total commercial feed stands to be at 5.03 MMT (million metric tons) with an estimated market turnover of US\$ 2.5 billion. Bangladesh's commercial feed industry can be divided into three broad categories. Each category can be divided into two sub categories.

Poultry Feed	Cattle Feed	Fish Feed
2.24 MMT	0.50 MMT	0.82 MMT
Broiler: 1.58 MMT	Fattening: 0.35 MMT	Floating: 0.32 MMT
Layer: 0.66 MMT	Milk: 0.15 MMT	Sinking: 0.50 MMT

## Market Share by Category

Poultry Feed (Broiler) currently holds the strongest position in the market with a monumental share of 44% out of total 63%. The sub-segment in the second position also belongs to the poultry group; Layer Poultry Feed holds 19% of the total market. Rest 23% and 14% are held by fish and cattle feed respectively.

### Feed Market Share by Category



## Impact of COVID-19 on Feed Industry of Bangladesh

The pandemic has hit this sector drastically. Feed sector is considered to be a critical industry during the COVID-19 pandemic and this outbreak threatens the sustainability of the entire value chain of the livestock industry under questionable impression. Foremost implications on this sector due to COVID-19 are mentioned below:

- Due to some groundless rumors which spread specially through social media that the corona

## CORONAVIRUS IMPACT ON POULTRY INDUSTRY

One day old chicks cost Tk **1-2**, below production cost of Tk **32**

Their weekly production dropped to **70 - 75** lakh from **1.40** cr

Farm gate egg prices dropped below production cost at Tk **5.5 - 6** each

Farm gate broiler meat prices dropped to less than Tk **95 - 100** a Kg

The industry incurred Tk **1650** crore losses until April 11.

Reduced farming created supply shortages of broiler meat, eggs.

Subsequently prices of broiler chicken meat edged up **14** PC yesterday to tk **120 - 130** a Kg

Source: The Daily Star

virus could be transmitted to people through livestock and livestock products, caused serious damage in this sector. Market demand decreased suddenly and production also halted caused by fears from the unfounded rumors as well as people's decreased incomes and their inability to access markets. This eventually will lead to a financial crisis for farmers and other stakeholders in the supply chain.

- Significant portion of the Active Pharmaceutical Ingredient (API) used for animal medicine in our country is imported from other countries. Due to international arrest of transactions, the supply of API is about to witness an abrupt fall resulting in a shortage of supply of animal medicines for the sector.
- Soybean and maize are main raw materials of animal feed. Out of total consumption, about 50-60% of the maize and 40% of soybean are sourced internationally. The import scenario is most likely to remain stagnant during this ongoing pandemic, which is causing a crisis of raw materials for animal feed nationally.
- As the number of animal production operations is hampered, the number of animals slaughtered and processed will also decrease. Insufficient workforce, inadequate delivery and transportation

facilities will also play a major role in the decline of growth in this sector.

- Due to low consumption, price hike of major ingredients of feed and insufficient supply of raw materials, sales of most feed will face a drop off this year which will encumber the overall growth of the feed industry.
- The price of DOC, eggs, poultry, meat, and dairy products has started declining at the wholesale level due to the hindrance in the supply chain of livestock and poultry products. Small and medium businesses incurring a substantial loss are combating their sustainability in the industry in the long run.
- Insufficient supply of raw materials, price fluctuation and supply demand instability also leading a significant negative impact on forward and backward linkages of poultry and fisheries businesses.

### Historical and Present Market Price Situation

Some main ingredients which are required to produce feed are soybean, maize, fish meal, rapeseed etc. Bangladesh is not self-sufficient in producing these raw materials. Local producers are heavily dependent on imports from countries as India, Brazil and USA. Moreover, micro ingredients and other nutritional premixes are entirely imported from other nations



## Major Raw Material Prices (Before and after lockdown current scenario)

Due to the pandemic, prices of most raw materials increased as there were supply shortage due the import barrier and others issues. Before and after pandemic average prices of some major imported materials are provided below:

Details	Before Pandemic Per MT in USD	Current Price Per MT in USD	% changes in price
Soybean Meal	354.14	406.14	15% ↑
Soybean Oil	800.41	906.09	13% ↑
Maize	168.71	166.14	2% ↓
Fishmeal	1,364.56	1,477.77	8% ↑
Rapeseed	448.52	446.17	1% ↓

## Finished Goods Prices (Before and after lockdown current scenario)

As value of raw materials hiked due to pandemic, price of different feed products also changed during the period. Price variation of most common and widely sold feed products is provided below:

Details	Before Pandemic Per MT in BDT	Current Price Per MT in BDT	% changes in price
Nursery-1 Floating Feed (Oil Coated)	99,580.00	100,580.00	1.00% ↑
Tilapia Starter Floating (Non-Oil Coated)	49,220.00	50,220.00	2.03% ↑
Hatchery Feed (Gold)	73,910.00	74,910.00	1.35% ↑
Broiler Starter Gold	42,700.00	43,700.00	2.34% ↑
House Feed	26,000.00	27,000.00	3.85% ↑
Layer Starter	37,600.00	39,100.00	3.99% ↑
Sonali Starter Gold	38,500.00	39,600.00	2.86% ↑
Sonali Grower Gold	37,900.00	39,400.00	3.96% ↑

Source: Internal Interview sessions

## Combating Against the Pandemic

The feed industry is a crucial part of the agricultural sector which ensures the supply of protein for human beings. Amid the pandemic, this sector is subject to facing privation. And it will not be exaggerated if we say that, with the fall of this sector, the whole nation would be looking at an economic downfall. So, now we

need to be more prepared and cautious to protect this sector.

- Department of Livestock Services (DLS) and Ministry of Fisheries and Livestock (MoFL) are providing support in distributing and marketing eggs and poultry. MoFL is also supporting for the early release of imported items of poultry & fish feed and pharmaceutical products from the seaport.
- Government has declared a stimulus package of BDT 5,000 crore (US\$595 million) to provide financial assistance to farmers in rural areas and different small and medium businesses for boosting agricultural production as well as economy revitalization. Regulators and banks should work together in distribution of government declared stimulus package so that the fund can reach to the right place.
- As major portion of raw materials of feed is imported, interruption in the import-export businesses will create a crisis in this sector. Department of Agricultural Marketing (DAM) can play a vital role to overcome this crisis in both Covid-19 and post-Covid-19 situations. DAM is already buying perishable products from farmers and middle men, and also distributing them to the required areas.
- Digitization will also help this sector to survive and step up in the next level. Innovative measures such as establishing data center with list of potential buyer and sellers and digital platforms to match farmers and medium feed businesses with potential buyers in case of product surplus will facilitate the development of this sector.
- In order to survive in this global pandemic of COVID-19, this sector is in dire need of policy reforms and support from the government. The regulators must work in reducing the supply-demand deficit throughout the value chain. Also the government should raise awareness in clearing the misconceptions in the mind of consumers.

## Prospects in Upcoming Days

The growth opportunity for the feed market in our country is immense. This industry can provide

## KEY INFO

- More than **130** countries around the world are involved in commercial feed production, which generates an annual turnover of around **US\$400 billion**.
- In Bangladesh, agricultural sector is contributing **13.35%** in our GDP and **4.95%** is added by the poultry and fisheries section.
- Commercial feed production in Bangladesh experienced almost **25%** growth in last one decade due to the augmented protein demand.
- The market size of total commercial feed in Bangladesh stands to be at **5.03 MMT** with an estimated market turnover of **US\$ 2.5 billion**.
- Poultry Feed holds the strongest position in the market with a monumental share of **63%**. Rest **23%** and **14%** are held by fish and cattle feed respectively.
- Feed sector is considered to be a critical industry in the pandemic due to factors like raw materials import barrier, disrupted transportation and insufficient supply and price hike of major ingredients of feed.
- Some rumours, mostly spread over the Internet which said the corona virus could be transmitted to people through livestock and livestock products, caused serious damage in this sector.

various opportunities to increase GDP growth rate and equitable distribution through arranging food security as well as ensuring self-employment, creating purchasing power and reducing poverty at a large scale.

As Bangladesh is one of the high density countries of the world with a population of 160 million, the demand of feed products will increase continuously to meet the huge protein requirement of the people. The major portion of this increasing demand for feed items will have to be met by mechanized feed millers whereas the home-mix producers will have to take care of the rest.

As major portion of our population of this country still live in villages and are extremely poor, both the government and a variety of non-government organizations (NGO's) are actively promoting poultry and cattle farm development at all levels to help the low income people and create new employment. Thus demand for feed products will increase as feed market works as the backward linkage of the poultry, livestock, and fisheries industries.

Food businesses have gained popularity in our country for the last couple of years. Many restaurants were established throughout the country, especially in the urban areas. Though the food and restaurant business have struggled a lot during the pandemic, it is expected that this sector will be able to overcome the hurdle in near future. Since restaurant businesses take up a significant portion of the livestock and poultry industry, the growth of restaurant industry will help the feed industry to scale up in future.

Busy lifestyle in the urban areas and increasing participation of women in the workforce have contributed to the growth of processed and convenience foods business. Since this sector is linked to livestock industry and lies at the forward position in the value chain, the progression of the frozen food market will influence the growth of feed industry as well.



## Abu Luthfe Fazle Rahim Khan

MD & CEO,  
Aftab Feed Products Limited

Interviewed By  
Bonnishikha Chowdhury, MBR Team

**MBR: How the COVID-19 pandemic affected this sector? What is your view regarding impact of the pandemic on this sector? Being a market leader, how did you manage and organize your company activities during this COVID 19 pandemic situation?**

**Abu Luthfe Fazle Rahim Khan:** The feed industry is a key to the backward linkage of the animal-based food system. Safeguarding animal feed is a significant step in ensuring safe food for human consumption. The increasing awareness about livestock nutrition, progression of the livestock sector, and the rise in the consumption of poultry meat, fish, egg and milk have led to an increase in the market size of feed industry in Bangladesh.

Preliminary research findings show that by the end of April approximately 70% of small to medium-sized broiler farms had temporarily stopped farming and trading. Although by June, half of these farms had restocked with day-old chicks, albeit on a smaller scale due to the uncertainty surrounding the likelihood of further losses. The dilemma of farmers in turn significantly affected the business of poultry & feed sectors. A follow-up study in June showed there had been a 30-45% reduction both in day-old chick & feed production. In April, the market price of day-old chicks has dropped below the production cost. It also seen severe disruptions in the supply chain due to bottlenecks in transportation, trade, and labor. Rumors, particularly on social media, that coronavirus could be transmitted to people through livestock and livestock products, combined with the new lockdown measures, caused serious damage in production, supply chain and distribution networks. Consequently, many people

employed in these supply chains, such as fish vendors, processors, suppliers or transport workers are at a risk of losing their jobs and livelihoods.

We assume that supply-demand mismatch for poultry would continue due to COVID-19 situation. The prices of eggs, broiler chickens and fish will take time to shape in stable position due to imported DOC cost, difficulties and fluctuation of feed's raw material cost in local & international market.

**To address the COVID-19 situation we have multiple measures to run our business operations:**

Combined efforts from government and private sectors to stop the misconception & rumors about chicken and eggs by creating awareness to general people through social & digital media. Rather we established that chicken & eggs have played a significant role in the development of immunity and antibodies amid the Covid-19 pandemic.

As a measure to ensure undisrupted supply chain during the lockdown crisis, we launched and used alternative channels like ecommerce, digital and SMS communication to reach our channel partners as well as farmers to respond their needs.

Despite the government lockdown, we continued our operation from home using digital platforms.

**MBR: What are the challenges feed industry will face after the pandemic? What will be possible solutions to overcome the hurdles?**

**Abu Luthfe Fazle Rahim Khan:** Demand of Broiler chicken and cost of raw materials are the major challenges for our industry. Major raw materials of

animal feed are soybean and maize, significant portion of which is sourced internationally. If the import scenario remain stagnant, that will cause a nationwide crisis of raw materials for animal feed.

In order to control the suppliers, it is imperative for the government to take price stabilization measures. Cash subsidy to the farmers will help to reduce the production cost of maize, soybean as well as other commodities. Government should intervene more against the misconception regarding broiler chicken. To increase demand, Government should purchase more broiler chicken for their institutions.

**MBR: How did you manage the cash flow during the pandemic? Is existing financial system sufficient to support the industry demand? What kind of support do you expect from financial institutions in future?**

**Abu Luthfe Fazle Rahim Khan:** Covid-19 put us in a challenging position to carry on our fund management tasks. We are proud being a good borrower and maintained good relationship with our banks and financial institutions. Since the pandemic we are focusing on cash sales. In contrary, we procured raw materials with extended credit terms. In addition, we eliminated a good portion of non-value added expenses to be more efficient in operation.

We must acknowledge the contribution by the farmers in our industry. Interest rate and availability of fund to the feed manufacturer and farmer is equally very important. One more thing needs to be noted that the market is very competitive and price fixed by the market. Present interest rate is too high for this industry and absence of livestock insurance make us more vulnerable. Agricultural & Rural Credit Policy and Program of Bangladesh bank is there but they are still not sufficient for our marginal farmers.

We expect financial support with easy and flexible terms for the farmers and agro industries. Interest rate should not be more than 4% for our marginal farmers to lower their operating cost. Insurance on Live stock could be a game changer of our industry, this will offset the systematic risk occurred due to disease and natural disaster.

**MBR: Share your experience regarding applying new technology or innovation in feed sector for ensuring effectiveness and efficiency?**

**Abu Luthfe Fazle Rahim Khan:** Aftab is one of the leading producer of animal feed and having consistency in quality through world class Machineries as well as Technology.

To achieve consistency in quality, a Feed Miller has to establish Animal Nutrition Lab. Aftab is one step ahead to establish world class sophisticated Nutrition Lab where tests are performed in HPLC and NIR machine.

Aftab is pioneer in feed business in Bangladesh and pioneer in using world class new Technology as well. Our Breeder Feed Plant is one of the state of the arts Feed Mill in Bangladesh equipped with world leading Van Aarsen Technology. This plant is having accurate Dosing System and most effective Conditioning System to kill 100% microbial using Long Term Vessel (LTV). A very efficient Remote Monitoring System is being used to operate the plant where all the trouble shooting is being supervised from the Netherlands. Energy efficiency is one of the prime concern for processing industries thus our machines are energy efficient which contributing less carbon emission to the Environment.

**MBR: What are the initiatives Government should take for the betterment of the industry according to your opinion?**

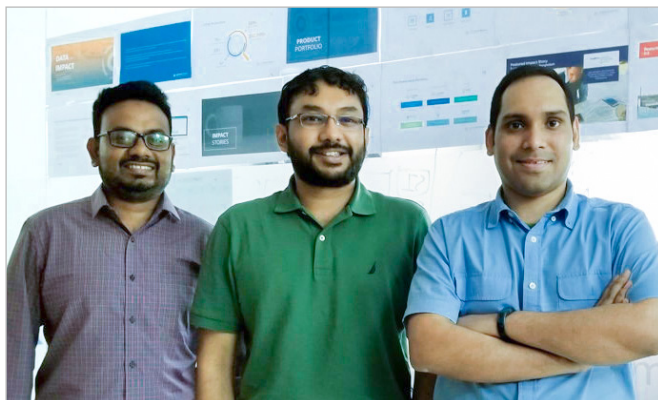
**Abu Luthfe Fazle Rahim Khan:** The government could take following initiatives:

- The government could work in reforming the policy for the poultry industry
- Providing cash incentives to the farmers so that they can produce more protein and supply to the market with cheap price.
- Increase awareness campaigns using social & electronic media in clearing the misconceptions from the mind of consumers.
- Distribute chicken and eggs as a part of Government initiative of Free Food Program (school meals program) to increase protein intake.
- Publicity on chicken & eggs consumptions to be increased for the development of immunity and antibodies amid the Covid-19 epidemic
- National plan for harvesting maize locally will reduce costs significantly and provide a yearlong supply.



## PUJEE

## AN INITIATIVE OF LIGHTCASTLE PARTNERS

**Zahedul Amin**

Co-Founder, Director, Finance, Strategy and Consulting Services, LightCastle Partners

**Ivdad Ahmed Khan Mojlish**

Co-Founder & Managing Director, LightCastle Partners

**Bijon Islam**

Co -Founder & CEO, LightCastle Partners

Interviewed By

Bonnishikha Chowdhury, MBR Team

**How did the idea of Pujee come into being?**

**Bijon Islam:** At LightCastle Partners (LCP) we believe in the Bangladesh Growth Story. We believe by working with the private sector (making businesses more efficient, better managed, increased inclusivity/impact focus) and creating a favorable investment climate we can help boost the economy which will change the lives of the people here at scale.

Hence our tagline that has stood true for the last 7 years - **Inspiring Business. Boosting Economy. Changing Lives.**

We do this by creating data-driven opportunities for growth and lasting impact for Development Partners, Corporates, Startup and SMEs. Our service suites include Strategy Consulting, Entrepreneurship Ecosystem & Investments and Digital Transformation solutions. Till date, the company has consulted for 120+ corporations & development partners, collaborated with 400+ SMEs & startups, mobilized US\$ 25 million+ in investments and supported 25+ accelerator programs across Bangladesh. LCP also hosts the largest market and industry datasets in Bangladesh.

Under Strategy Consulting - we provide research and consulting services to multilateral/bi-lateral development partners, corporate foundations, INGOs;

some of the world's largest companies operating/ or planning to enter Bangladesh and top-tier local business conglomerates. Within the **Entrepreneurship Ecosystem & Investments** wing LightCastle manages one of the largest accelerator/incubator networks in the country both in the public and private sector and often working with the government as well as creating an enabling investment environment. Lastly with Digital Transformation solutions we help select clientele and the ecosystem have credible access to decision making data - which goes back to our goal of democratizing data in Bangladesh for Bangladesh.

While working with SMEs and Startups - we always saw building financial models especially for capital raising is always a challenge - hence we decided can we make an easy to use web-ware and excel templates that Startups and SMEs can easily use to construct their financial model just by answering 15 to 20 questions complete with cash-flow, PnL projections, capital budgeting ratios like IRR, NPV and DCF based valuation - and hence the concept of Pujee was born.

**What is the business model of Pujee?**

**Bijon Islam:** Pujee is an open IP platform with a web ware and open financial templates for everyone - used by not only Startups/SMEs that are in accelerator programs we are supporting or LightCastle team



**LightCastle**  
Partners

members are supporting as mentors but anyone in the ecosystem. This helps establish a) Thought leadership in investment advisory which helps build consulting/advisory business pipeline; b) Develop a pipeline for catalytic funding and investment programs that we run for our clients. Till date we have more than 3000+ entrepreneurs who have used our web ware and templates to create financial models to create forecasts for capital raising.

### **How the response was in the initial stage and what strategies have you developed to expand the client base?**

**Bijon Islam:** Entrepreneurs have actively used the Pujee/LightCastle template and web-wares since the beginning and we have also received the prestigious BRAC Manthan Award for this. Over time we have evolved to include accelerator/incubator programs to give more value added services, investment advisory for Series A and later stage Startups and more recently we have gone into fund management and providing due-diligence service to investors including a reputed Europe based fund and leading local/international VCs. We are also launching an investment fund under LightCastle as well as investing in an alternative investment company.

### **How many clients have Pujee served so far? How do you hope to scale up the business?**

**Bijon Islam:** As I said the platform and its templates have served 3000+ investors. We have built multiple accelerator/incubator programs where we are internally using the system to generate financial models for our cohort members. Under our accelerator/incubator management services we have worked with USAID, UKAID, UNWOMEN, UNCDF, EMK Center (funded by US State Department), SDC, EKN, Oxfam, GEN (Global Entrepreneurship Network), Frontier Innovators and Incubators (funded by DFAT), GPA, Banglalink Incubator (funded by VEON), World Bank Group, World Food Programme, Syngenta Foundation, ITC (International Trade Center).

Additionally, we are now going into building our due-diligence and advisory stack along with investment and fund management and hope to continue contributing to the growth of the ecosystem. The main reason for going into advisory, accelerator program and funding is that, just doing the financial model is not enough

– most entrepreneurs need deeper engagement and needs smart money to take them to the next level.

### **What challenges does Pujee face in general?**

**Bijon Islam:** Running any business is challenging in Bangladesh – compared to India's 63 or Vietnam's 70 – we are ranked 168 in Doing Business Index. Common challenges include high accounts receivables during early days, inability of the product to be used without an advisory stack and not being able to provide meaningful linkage to funding. That is why we had to evolved to providing advisory at scale via our accelerator program and move into fund management and ultimately moving into Startup/SME investments ourselves.

### **Considering the Covid -19 situation, what are the difficulties have you been facing and how do you intend to recover or mitigate those?**

**Bijon Islam:** Advisory and consulting is an interesting business – we have actually seen a lot of our products in demand even during COVID. People still need to develop business forecasts, still need to raise capital and develop business sustainability strategies. While there was an impact on cash-flow, deals getting stretched over longer periods, productivity and team dynamics coming to optimum with a Work-from-Home model – I think LightCastle has fared well during the pandemic and have been able to create meaningful value for enterprises in the ecosystem especially via creating a lot of open Data reports on COVID impact; meaningful work in branding Bangladesh (with a partnership with one of the leading Europe based consulting firm – Larive International and mobilizing funds for Startups/SMEs through programs like Biniyog Briddhi . Our Pujee concept hence has come a long way from where it started.

### **What are your future plans for Pujee?**

**Bijon Islam:** Our plan remains same Inspiring Businesses (making them more inclusive, better managed and with proper governance). We as a country will move towards an advanced economy which will in turn will change the lives of people in the country. Our goal with our initiatives is to play a significant role in the transition process. Bangladesh will continue to grow and we want to be part of that growth story.

# BECOMING AN EQUITY RESEARCHER



## Abdullah Al-Rezwan, CFA, FRM

Equity Analyst and  
 Founder, MBI Deep Dives  
 Ex Equity Analyst, Madison Investments, USA  
 Ex Research Analyst, BRAC EPL Stock Brokerage Ltd.  
 Ex. Research Analyst , IDLC Securities Ltd.

Interviewed By  
 Bonnishikha Chowdhury, MBR Team

**MBR: Please kindly share with us your journey in the field of equity analysis.**

**Abdullah Al-Rezwan, CFA, FRM:** I started my career in Equity Research at IDLC Securities Ltd. I was there for a year after which I joined BRAC EPL Stock Brokerage as the lead analyst covering Financials Sector in Bangladesh. After three years of Equity Research experience in Bangladesh, I came to the US for my MBA at Cornell. Upon graduation, I joined Madison Investments in their US large cap equity team as a Generalist Analyst. Recently, I have launched my own independent research service covering primarily US listed companies.

**MBR: While assessing an investment prospect what focus points and approaches do you consider?**

**Abdullah Al-Rezwan, CFA, FRM:** I spend most of the time in my research process trying to understand how exactly a company makes money. It may sound simple, but usually it is the most difficult question to answer. If you have a clear understanding of this question, your job is mostly done. I also spend a fair amount of time understanding the customer value proposition, size of the market, unit economics, competitive dynamics, and management incentives. Finally, I look at valuation to infer the embedded expectation in the stock price to take a call whether I am comfortable owning a particular business at that valuation.

When I was in Bangladesh, during my early days as an investor, I used to trade a lot which in retrospect was a sign of philosophical void. But I have really evolved as an investor. I now try to follow the Buffett mantra of not thinking of stocks as some “digital numbers” on a screen, but actual businesses of which I am an owner. This ownership mentality has enhanced my time horizon considerably compared to the past. Most people say these things when they are interviewed, but very, very few actually follow this principle. I am trying to walk the talk nowadays.

**MBR: How do you recognize the prospect of an equity researcher in Bangladesh?**

**Abdullah Al-Rezwan, CFA, FRM:** An Equity Analyst's career is somewhat tied to the overall entrepreneurial activity in a country and the overall willingness and path for the entrepreneurs to take their company to the public. Unfortunately, while Bangladesh has never been short of entrepreneurial talent, Bangladesh capital market has so far failed to incentivize and allure the entrepreneurs to take their companies public. You can only be as good as the companies you cover, especially since short selling is not allowed (not that it is any panacea either). I see too many analysts changing career after a few years, and that may not stop anytime soon unless good companies decide to be listed.

**MBR: Is there any difference in the prospect of equity researchers in global market than Bangladesh?**

**Abdullah Al-Rezwan, CFA, FRM:** The problem I just outlined in my previous answer about Bangladesh capital market is largely absent in the US. Warren Buffett has been looking at the US market for more than 60 years, and I can tell you he probably feels he needs to catch up. Unlike Bangladesh, it is still a matter of great pride in the US to ring the bell when your company goes to public although because of easy money policy, many unicorns remained private for longer than they ever did before. It is very easy to feel lost in the US market because of the depth and breadth of the market, and an analyst has tremendous opportunity to add value because of such complexity.

**MBR: What are the essential skills an equity researcher must attain?**

**Abdullah Al-Rezwan, CFA, FRM:** You need to have insatiable curiosity because you will be a life-long student of the market. That's just table stakes to be an analyst in the public market. A knack for independent thinking will differentiate you from the crowd which will be of paramount importance to help investors generate above-average return. Of course, you will also model financials of a company, but you can teach yourself in the age of internet without ever setting your foot to a business school.

**MBR: What are the roadblocks in general an equity researcher faces and how to mitigate those?**

**Abdullah Al-Rezwan, CFA, FRM:** The job is difficult. If you are right even 60% of the time, you are probably one of the best analysts out there. Most analysts who enter this career are generally accomplished students throughout their academic life and are accustomed to acing every exam out there with flying colors. But once they come to this industry, they realize the real life is much messier, and more often than not, their analysis on stocks will be wrong. Many people find it difficult to deal with this psychological transition from academic mindset to practitioner mindset.

The other aspect many people underestimate is the importance of building and maintaining a robust

network. Research may give you a connotation of a desk job tied to reading annual reports. Yes, you have to read a lot in this career, but you also need to master excellent oral communication skills as well as writing skills. Your ability to build a cohesive narrative in a readable format and then being able to convincingly deliver it is going to be much more important than building fancy excel models. Most analysts seriously underestimate these skills.

**MBR: What was your inspiration behind establishing MBI Deep Dives? What is your strategy to reach out more people with MBI Deep Dives?**

**Abdullah Al-Rezwan, CFA, FRM:** I am, frankly speaking, an accidental entrepreneur. Two things needed to happen simultaneously for me to pursue entrepreneurship: a) I lost my work authorization status in the US, so I had to leave my role in previous firm; and b) during the pandemic, I started writing regularly on twitter and to my surprise, I managed to build a following within a short period of time. When I was thinking about my future, one realization struck me that I have been too dependent on external forces such as immigration laws that created a lot of stress in my life. I have always been very internally driven person and wanted to figure out something that would allow me to do what I want to do without the pesky immigration laws dictating anything on my career. I then came up with the idea of launching independent research service which is now subscribed by people literally from every continent of the world. I deliberately priced my research in a way that anyone who is interested in my research would find it quite reasonable.

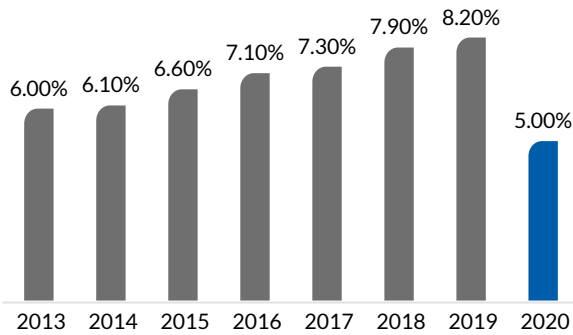
Since I am an accidental entrepreneur, it's still not the first identity that comes to my mind. In my mind, I am an analyst first, and entrepreneur later. I am very much focused on being a good analyst. "MBI Deep Dives" is the hypothesis to test whether I am a good analyst or not. Just like any entrepreneurship, it can certainly fail, but I don't think I have ever enjoyed doing something as much as I did after launching "MBI Deep Dives" three months ago. Still early days and of course miles to go, but I am very encouraged by the initial reception. I hope to scale "MBI Deep dives" a lot bigger in coming years. Wish me luck.

# FOOTWEAR INDUSTRY OF BANGLADESH: RECOVERY STEPS IN THE NEW NORMAL

Saraf Rahman Khan, Virtual Intern, IDLC Finance Ltd.

Over the last few decades, Bangladesh has been experiencing a steady and strong economic growth only slightly declined by the unforgiving Coronavirus pandemic. Between 2009 and 2018, the country grew at a marvelous rate, having exports and remittance inflow as the prime factors contributing to this growth. According to BloombergOpinion, in 2020, Bangladesh has excelled to top the chart of the fastest growing economy with a year-on-year percentage growth of 5%. Although RMG accounts for almost 85% of the total exports, several other sectors have popped up, over the last decade which allows greater export diversification. One such sector is Footwear.

## GDP Growth Rate of Bangladesh



Source: BloombergOpinion

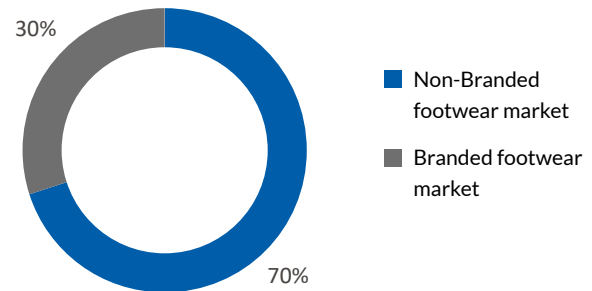
The Footwear industry in Bangladesh dates back to the colonial era, although its modernization only took place in the 1980s. Bata Shoe company was the first large shoe manufacturer in the year 1962. And, the first shoe exporting firm was established in the year 1967 by Eastern Progressive Shoe Industries (EPSI), which mainly exported shoes to USSR, Czechoslovakia, and England. After a major setback faced during the liberation war, the industry recovered with new firms springing up to slowly fragment the market and meet the growing local demand.

## Overview of the Footwear Industry of Bangladesh

The domestic footwear industry of Bangladesh has two sections – branded or organized footwear market and non-branded or unorganized footwear market. Non

branded shoes dominate almost 70% of the total market sales and brands dominate the remaining 30%. However, increase in per capita income, and the rise of fashion and wellness concern among people in the recent days are drivers of sales in the branded footwear market. Before the pandemic, the footwear market had been growing at an annual average rate between 12%-15%. However, a major portion of this growth is contributed by the inflationary pressure in the country – a staggering rate of almost 5.6% in the year 2019. And, most of the sales made is observed to be around the time of Eid-Ul-Fitr, thus giving the market a cyclicity effect.

## Market Share of Branded and Non-Branded Footwear



Source: EBL Securities

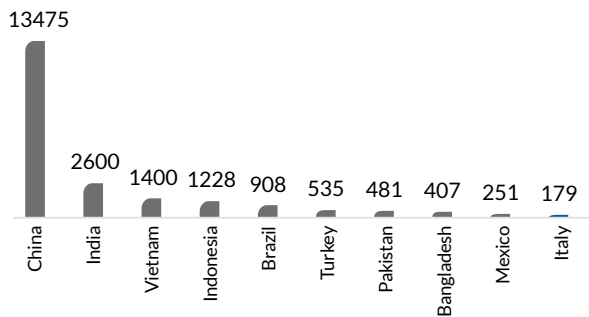
The rate at which the local demand for footwear is increasing gives shoe manufacturers more incentive to concentrate on the fulfilment of the local demand instead of concentrating on the foreign market which is seen to be mostly dominated by China. Almost 30 exporters have been known to introduce local brands. Some of the popular local brands are: Bay, STEP, Jennys, Fortuna, Leatherx, Orion etc.

According to Dhaka Tribune, the domestic market size of the footwear market is around Tk.17000 crore with a domestic yearly demand of around 200 to 250 million pairs. The domestic footwear industry of Bangladesh produces approximately 378 million shoes every year.



This level of production has placed Bangladesh on the 8th position in terms of annual footwear production volume. This chart is led by regional countries – China, India, Vietnam, followed by Pakistan in the 7th position. In the domestic market, Apex dominates in terms of the volume produced and the capacity utilized. Most of the exporters have entered the market quiet recently. For example: Hamco group, Orion footwear, and Vibrant have entered the market in the years 2014, 2015, and 2018 respectively. It is assumed that within this decade, these brands will have made a prominent place within the domestic market in terms of market share.

#### Leading 10 footwear producers worldwide 2019, by country (in million pairs)

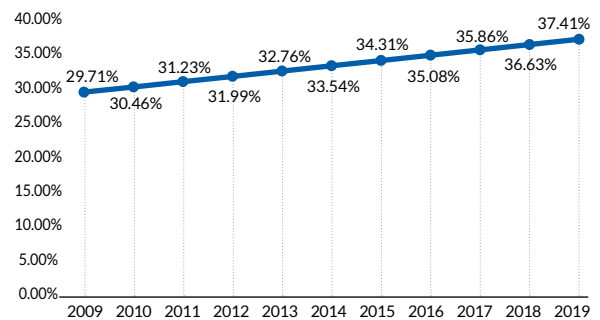


Source: Statista

#### The Drivers of the Footwear market

- **Population growth, along with a favorable demographic dividend ensures strong and steady footwear demand** – According to the World Bank, the population of Bangladesh had a CAGR of 1.13% from 2007 to 2017. Almost 20% of the population is aged between 15-24 according to UNFPA. Also, the country is currently going through a period of demographic dividend, which means the working population between 15-64 is more. This means there are more earners. According to an article published by the financial express, the benefits of this demographic dividend can be reaped until 2040 at the maximum. All of this goes in favor of an increase in footwear demand, as young population and earners are more likely to purchase new shoes.
- **Urbanization is fueling the growth of brands** – In 2020, there are approximately 64.8 million people living in the urban areas, a huge increase from the year 2011 in which only 48.05 million people were living in the urban areas. At this rate, it is assumed that the urban population will exceed the rural population. This is favorable for the branded footwear companies located mostly in the Urban areas.

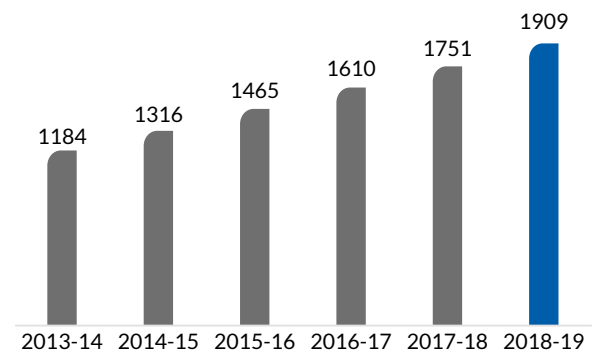
#### Urbanization in Bangladesh (Percent of population in total population)



Source: Statista

- **A stable business environment ensures smooth business activity** – An incremental growth rate of retail and wholesale business activity indicate a smooth and favorable business environment and positive customer mindset.
- **Increase in per capita income and its growing upward trend** – As of 2020, Bangladesh's GDP per capita income is estimated, as per IMF data, at US\$5,139 (PPP) and US\$1,855 (nominal). It is estimated to reach USD 1250 by the end of the year 2020. It means the purchasing power of the Bangladeshi population is increasing meaning more people will have the ability to afford branded footwear from the organized market.

#### Per Capita Income of Bangladesh (in USD)



Source: Bangladesh Bureau of Statistics

#### Export Condition

The Bangladeshi footwear industry is said to be 'The Next Export Tiger' of the country. The global footwear market had been valued at \$365.5 billion in the year 2020 and is estimated to reach a \$530 billion by the year 2027 with a CAGR of 5.5% from 2020 to 2027. There are currently 220 tanneries, 2,500 manufacturing units and 90 larger firms operating in Bangladesh that can meet this increasing demand.

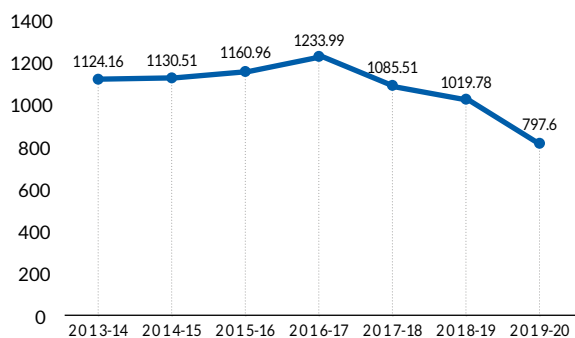


In the FY'2018-19, Bangladesh had exported \$607.88 million worth of leather footwear and \$271.53 million worth of non-leather footwear. According to Export Promotion Bureau, footwear products excluding leather footwear comprised of 0.67% of the total exports made in FY2018-19, and Leather & Leather products comprised of 2.25%. Some of the major export markets for Bangladeshi footwear are Japan, Italy, Germany France, Spain, Austria etc.

For the last few decades in Bangladesh, Footwear emerged as a very promising sector. A major contribution to the growth of footwear exports is oriented to leather footwear which has both local and foreign demand. However, in the FY'2018-2019 (July-June), the export target for Leather and Leather Products (LLP) was under achieved by \$104.22 million. The export of LLP for that year was \$ 1019.78 million, a decline of 6.06% from the previous year's leather products export.

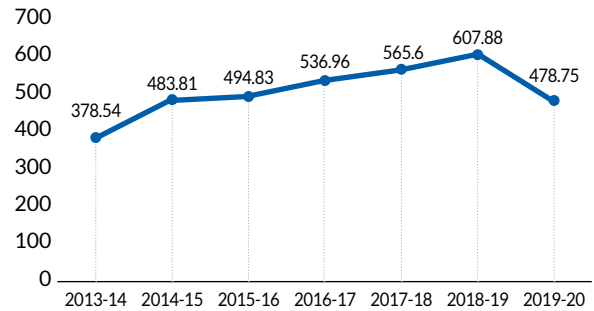
On the other hand, footwear (leather and non-leather) achieved positive growth. Leather footwear had a positive growth of 7.48% and export earnings of \$607.88 million. The amount earned had surpassed the target of \$600 million. Other footwear too had achieved a positive growth of 11.24%, with export earnings of \$271.53 million. This figure too had surpassed the target by 4.43%.

#### Overall leather & leather products export (BDT Mn)



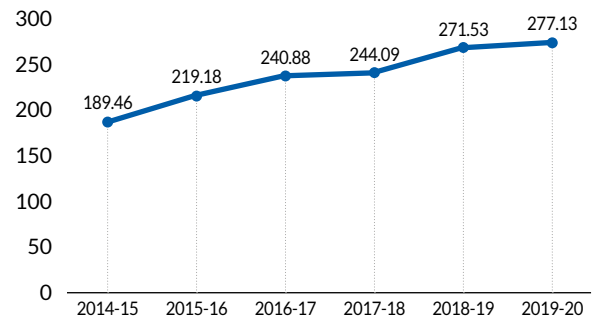
Source: Exports promotion Bureau

#### Leather Footwear Export (BDT Mn)



Source: Exports Promotion Bureau

#### Export of Non-Leather Footwear (BDT Mn)



Source: Exports Promotion Bureau

#### Impact of COVID-19 on the Footwear Industry

Before the pandemic had unforgivingly swept everyone off their feet, the footwear industry of Bangladesh had been seeing magnificent results. The coronavirus has sent markets tumbling, as its ramifications to devastate businesses and industries become more apparent.

#### Export condition amidst the pandemic

Leather and footwear together accounts for 3.3% of the total export basket. Leather footwear registered exports of \$226.84 million for the period of July-Nov 2020-21. This figure is down from the same time previous year (July-Nov FY'2019-20) which recorded exports of \$230.16 million. Though this shows a declined export figure, the achieved exports of leather footwear for the period July-Nov 2020-21 has surpassed the strategic target by 6.64%. The declined export earnings are owing to the fact that many of the country's export destinations like US, Italy, Spain, UK and Germany had been under lockdown and markets took time to open up, and also due to various other adverse events apart from the pandemic.

On the other hand, Other Footwear recorded exports of \$149.77 million up by 0.06% from its strategic target for the period July-Nov 2020-21. Despite the dire impact of the pandemic, footwear exports have flourished. Compared to the same period last year, this year footwear exports have increased by 13.51%.

## Impact of COVID -19 on the local footwear manufacturers

According to a report published by Lightcastle Partners, many of the small and medium footwear enterprises operating near Bhairab and Kishorganj have expressed difficulty in maintaining a smooth flow of production and sales due to the pandemic. Most of the firms there have seen revenue decreases as high as 75%. They employ about 15-120 workers, mostly on contractual basis, most of which had to be laid off due to unavailability of orders.

According to that report, keeping aside 10% of the interviewed SMEs, the rest faced declines in their sales of different magnitude. Eid sales have been recorded to be down by 80% according to an article published by RMG Bangladesh. Local shoe makers relied heavily on sales during Eid-ul-Fitr which made up almost 30% of their total sales for the year and are now facing difficulties meeting their operation cost.

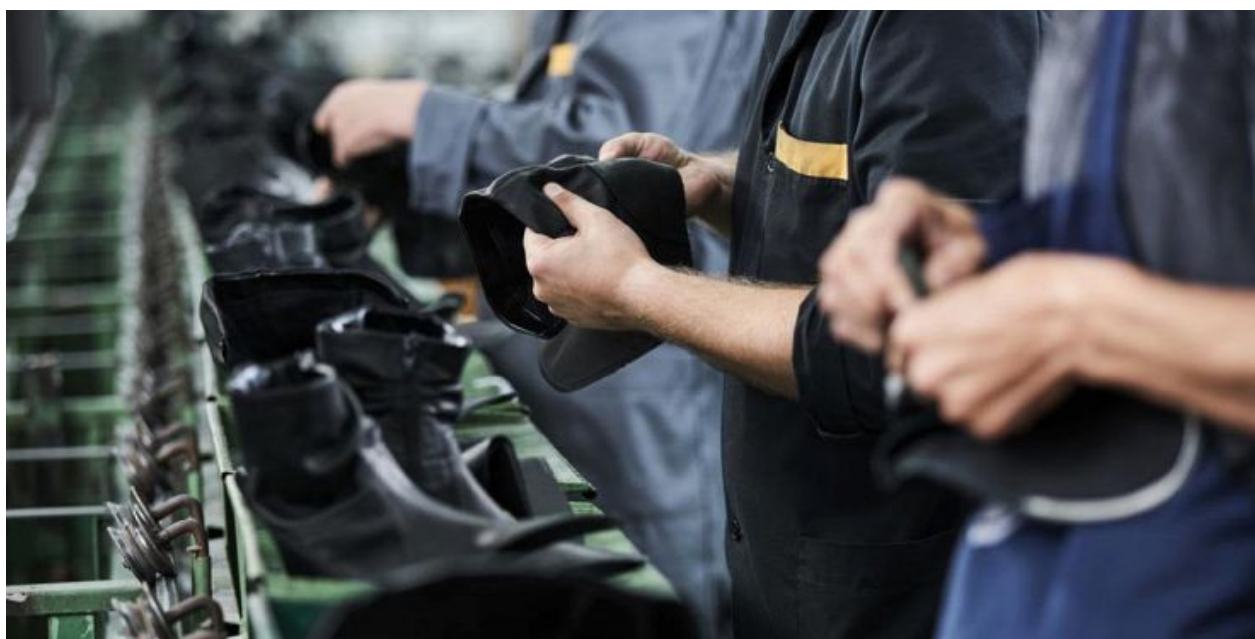
Key players involved with the manufacturing of footwear told the Business Post that about a third of the total revenue, which is around Tk 2000 crore to Tk 25000 crore, is earned during the Eid seasons. The total turnover in the local footwear market is about Tk 7000 crore to Tk 8000 crore a year, and has about 10-12 lakh people directly or indirectly involved in employment. The pandemic has compromised sales and suspended operations of many local firms bringing them down to their knees.

However, business insiders have confessed to the Business Post that footwear manufacturing giants with strong brand names may not face the difficulty as much, but the SMEs in this sector surely will. The SMEs may cease to

exist as their working capital is slowly drying up, and they are already facing difficulty paying back their outstanding debt and dues. According to a research done by LightCastle Partners on the footwear SMEs situated near Bhairab and Kishorganj, about 13% of the owners had some form of personal loans from Microfinance Institutions (MFI). These loans fall outside the consideration of the current stimulus package introduced by the government. Majority of the SMEs had borrowed loans from banks for which they have not received any interest deferral option, meaning regardless of their operations being halted, they are burdened with the load of having to pay interests against their loans every month. Only 8% were given the privilege of availing interest deferral option. Among the factories surveyed, only 36% were able to meet their loan payment time period without incurring additional expenses. That leaves majority of the SMEs left in an unfair, compromised and unconsidered situation.

Bangladesh Paduka Prostutkarak Samity, an association for the small and medium footwear manufacturers of the country with over 500 registered footwear manufacturers that produce budget footwear, have registered an accumulated loss of Tk. 150 crore.

Percentage of decline in revenue	Percentage of interviewed firms that faced a decline in their revenue
0%	10%
1-10%	46.67%
11-25%	30%
26-50%	13.33%



As for the local footwear manufacturing giants like Apex - their sales declined too. Apex had targeted a sale of Tk 150 crore targeting the Eid-ul-Fitr sale but the pandemic has scaled down the sale up to 80% and left 40% of their outlets closed in the most important season for revenue generation. A representative from Apex Footwear told RMG Bangladesh that there are some 2350 Apex outlets and 200 franchise outlets across the country, out of which only 60% of the outlets are in operation following the strict social distancing guidelines. However, online sales are seen to be surging, meaning people are inclined to make purchases but are unwilling to step foot outside of their homes for reasons other than what is truly urgent. This sudden shift towards online platforms leave firms with some challenges such as ensuring quick and timely delivery service. Apex is challenged with the ability to deliver their online orders in time since their stakeholders involved with this process is yet to resume full scale operation.

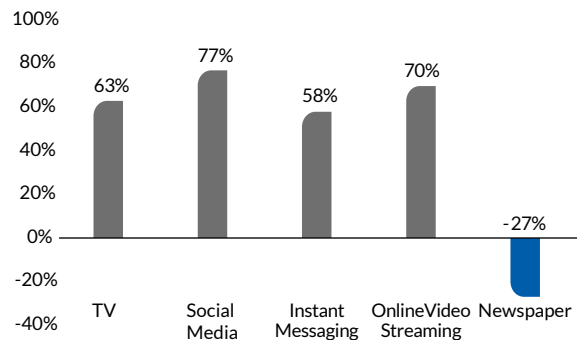
Another famous local footwear company, Orion Footwear Ltd, had invested Tk 12 crore on occasion of Eid this year. They told RMG Bangladesh that the festive season of Eid generates about 40% of their sales. But the unfortunate blow of the pandemic has not only shrunk their sales, but also their capability to pay salaries for their salespersons or generate profit. Out of the 40 outlets they have, 18 were open during the Eid season and the sales generated from those outlets were only 10-15% of what they had generated the year before.

### Changes in consumer behavior

The coronavirus pandemic has left the world in a state of shock and many industries in shatters. Experts believe, we will probably never know the world as it was before the pandemic. Rather, we are moving towards a new normal where consumer sentiment and behavior has changed largely. Some new trends relevant to the footwear industry are as follows:

1. Decreased spending on luxury items, beauty products, and clothing and accessories, and increased spending on basic epidemic prevention products, medicine etc. Spending remained unchanged for personal care products.
2. Major impact on the mental health of people. A spike in anxiety, stress and uncertainty has led to people taking preventive steps such as self-care thorough various holistic wellness activities.
3. Spending more time on digital channels. An upsurge has also been seen on the consumption of digital media among the elderly as well.

### Change in Media Consumption



Source: UBL Online survey

4. Sales of Sporting goods and sportswear has seen a surge. Working individuals opt for fitness regimes such as swimming and running to remain healthy and active. This has created a demand for footwear thereby fostering the footwear market size.
5. Direct buying from manufacturers is becoming more popular
6. Online purchases have seen an obvious spike with more usage of digital payment methods

### Recovery Steps

The overall global footwear industry is dominated by the USA as 24.7% leather footwear is imported by them. And, the USA had been heavily dependent on China to meet their demand. Now that China is withdrawing from a lot of markets, Bangladesh is left with a golden opportunity to grasp. Additionally, an imposition of a 17% import tax in the leather footwear industry has made both the Chinese sellers and global buyers less inclined to focus on the Chinese footwear market. On the other hand, the Vietnamese footwear sector has recorded a strong performance standing as the second-largest footwear exporter.

Bangladesh doesn't have the Leather Working Group Certification (LWG). One of the main products made from leather is footwear. Bangladeshi government could support the tanneries administratively to quicken the LWG certification process. This could help leather product manufacturers mitigate their financial losses over this period.

It is predicted that Bangladesh will incur a loss of \$15 million in the leather industry only, and this is important because 69.12% of the footwear export of Bangladesh depends on leather footwear. Considering the fact that the supply chains has been disrupted, and the local economy is facing a crisis meeting the raw material demand for producing leather footwear, it would be best if Bangladesh shifted its focus more towards non-leather footwear.





## KEY POINTS

- Before the pandemic, the footwear market had been growing at an annual average rate between **12%-15%**.
- The domestic market size of the footwear industry is around **Tk.17000 crore** with a domestic yearly demand of around **200 to 250** million pairs.
- Bangladesh stands **8th** in terms of annual footwear production volume.
- The export earnings of leather footwear for the period July-Nov 2020-21 has surpassed the strategic target by **6.64%**.
- Other Footwear recorded exports of **\$149.77 million** up by **0.06%** from its strategic target for the period July-Nov 2020-21.
- Local Footwear manufacturing SMEs has been hit so hard by the pandemic they face existential risk.
- Bangladesh Paduka Prostutkarak Samity have registered an accumulated loss of **Tk.150 crore**.
- Local footwear giants face the wave of distress too with degrading sales and high expenses.
- It is predicted that Bangladesh will incur a loss of **\$15 million** in the leather industry only, and this is important because **69.12%** of the footwear export of Bangladesh depends on leather footwear.

According to an article published by Dhaka Tribune, the synthetic leather market is poised to grow at a CAGR of 14.2% over the next decade to reach approximately \$195.27 billion by 2025. Globally about 60%-75% demand for shoes are met by synthetic footwear whereas leather shoes comprise of only about 25%. Synthetic footwear can be a billion-dollar industry for Bangladesh despite some challenges, which can be resolved through proper initiatives. Manufacturing of these require highly technical people which Bangladesh can obtain by extensive training. Bangladesh does have the opportunity to accommodate relocated footwear units from China as it has low cost advantage. Given the current condition, the global demand for leather footwear may take time to be up again. People are preferring more of active-wears and sports shoes. The focus can be shifted towards those more.

Local stores should also consider elevating their online platforms and upgrade the services they provide online because the habit of making online purchases may stay forever. Also, designing marketing strategies to grasp attention online rather than posting advertisements on newspapers will also prove to be most beneficial for the local manufacturers of footwear.

The government can also support the SMEs by helping them get access to financial resources in order to boost their working capitals. And, also by deferring the interest payment for their existing debts for which most of the SMEs in this sector are drowning. Both national and international regulatory bodies must come together to take initiatives to cushion the effect of the pandemic on the footwear industry and its stakeholders.



## Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market remained flat in November. During the month, the broad index DSEX and blue chip index DS30 both marginally increased by 0.4%. On the other hand, shariah index DSES increased by 1.4%.

Among the regional peers, Sri Lanka advanced (+9.0%) the most during the month, followed by Vietnam (+8.4%). MSCI Frontier Markets Index increased by 3.6%. Over the long term, Vietnam showed the most encouraging track record with a 5 years' return of 75.0%.

Table 1: Equity market performance in Bangladesh and peer countries

Indices	Index Points, November, 2020	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	4,866.8	0.4%	-0.3%	9.3%	2.9%	-22.8%	6.2%
DS30	1,687.4	0.4%	-0.7%	11.5%	2.4%	-25.7%	-2.7%
DSES	1,114.0	1.4%	-1.7%	11.4%	2.9%	-19.4%	N/A
Peer Countries							
Pakistan (KSE 100)	41,068.8	3.0%	-0.1%	0.8%	4.5%	2.6%	27.3%
Sri Lanka (CSE - All Share)	6,243.8	9.0%	17.2%	1.9%	0.5%	-2.6%	-9.6%
Vietnam (VNI)	1,003.1	8.4%	13.8%	4.4%	3.3%	5.6%	75.0%
MSCI Frontier Markets Index	710.1	3.6%	5.8%	-7.4%	-3.8%	-11.0%	13.6%

\*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

### Liquidity Condition in Equity Market of Bangladesh

During November, the total market capitalization declined by 0.3%. The daily average turnover of November 2020 was BDT 7.9 bn (USD 93.3 mn), decreasing by 7.1% from that of last month. Turnover velocity which represents overall liquidity of the market stood at 53.6% in November compared to 52.3% of last month. In 2019, turnover velocity of Bangladesh equity market was 33.5%, in comparison to 34.4% in 2018.

Table 2: Market capitalization and turnover statistics

Particulars	30-Nov-20	31-Oct-20	% change
Total market capitalization (USD* mn)	45,988	46,138	-0.3%
Total equity market capitalization (USD mn)	38,957	39,121	-0.4%
Total free float market capitalization (USD mn)	15,103	14,969	0.9%
Daily Avg. Turnover (USD mn)	93.3	100.5	-7.1%
Turnover Velocity~	53.6%	52.3%	N/A

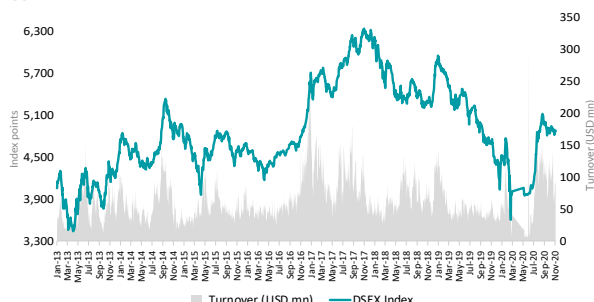
\*All USD figures are converted using an exchange rate of 84.80 as of November 30, 2020 as per Bangladesh Bank website.

~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 20.0% till November, 2020. During the same period, daily average turnover of the market amounted to BDT 5.4 bn (USD 64.2 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 13.03x in November compared to last month's 13.20x. However, It is lower than the 19 years' median market P/E of 14.97x (Figure 2). In terms of trailing 12 month P/E ratio, the equity market of Bangladesh is the cheapest among its regional peers. (Figure 3).

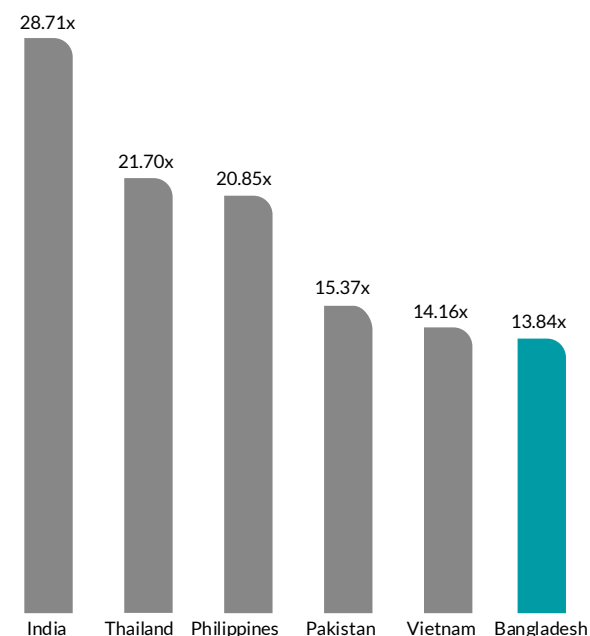
Figure 2: Historical market P/E\* and it's median Current Market P/E in Context of History



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

Source: CEIC, DSE

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



\*Trailing 12 month P/E as of November 30, 2020.

Source: IDLC, Bloomberg

## Sector Performance

During November, Non-life Insurance sector (+10.1%) advanced the most, followed by Life Insurance (+9.0%). On the other hand, NBFI (-8.4%), Fuel & Power (-4.9%) and Cement (-4.1%), Telecommunication (-3.1%) faced the most selling pressure.

Bank, the largest free-float market capitalization sector, is relatively undervalued in terms of P/E ratio. On the other hand, Fuel & Power sector has the highest dividend yield of 5.4% among all sectors.



Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Pharmaceuticals & Chemicals	6,295	3,453	-2.6%	-6.4%	9.2%	2.5%	0.3%	24.9%	14.9	2.4	1.7%
Bank	6,529	3,680	2.3%	3.0%	8.6%	6.6%	-19.3%	63.6%	8.0	0.6	4.2%
Telecommunication	5,340	576	-3.1%	0.3%	19.6%	7.4%	-17.8%	56.4%	12.2	12.7	3.9%
Fuel & Power	4,881	1,269	-4.9%	-4.7%	7.5%	0.8%	11.3%	30.7%	10.7	1.4	5.4%
Engineering	4,209	915	0.7%	31.9%	37.2%	27.4%	-11.0%	10.3%	13.3	1.7	2.5%
Food & Allied	3,114	1,023	-1.2%	-1.8%	24.4%	13.1%	5.6%	26.0%	17.5	6.2	3.4%
NBFI	1,862	584	-8.4%	-6.2%	10.1%	2.8%	-34.7%	19.2%	21.8	1.7	2.3%
Textile	1,231	707	-3.7%	-5.8%	-4.8%	-9.5%	-24.7%	-5.0%	16.6	0.7	1.8%
Miscellaneous	1,258	392	3.1%	-7.6%	10.6%	7.2%	14.7%	38.0%	33.8	1.2	2.0%
Cement	862	355	-4.1%	-13.5%	6.5%	-3.4%	-39.7%	-48.7%	18.6	1.9	2.1%
Non Life Insurance	1,147	655	10.1%	58.8%	96.4%	94.2%	147.8%	297.4%	22.1	2.0	1.9%
Life Insurance	695	372	9.0%	3.8%	-3.6%	0.1%	18.3%	45.1%	29.1	7.2	1.9%
Travel & Leisure	299	155	-1.0%	1.6%	12.4%	8.7%	1.6%	37.8%	187.4	0.7	0.5%
IT	288	181	-0.3%	-3.9%	3.4%	9.5%	-3.5%	19.1%	23.3	2.2	1.6%
Ceramics	265	111	3.3%	-1.4%	-2.9%	-9.5%	-23.5%	-14.0%	82.5	1.5	3.1%
Tannery	210	103	-0.2%	-5.1%	-7.8%	-8.9%	-32.1%	-35.6%	18.5	1.6	1.2%
Services & Real Estate	188	95	9.4%	8.6%	21.0%	12.0%	-25.4%	-26.7%	15.3	0.9	3.1%
Paper & Printing	115	42	0.5%	-8.9%	Dhaka	-1.1%	-55.4%	-47.3%	40.4	1.1	0.0%
Jute	24	15	1.2%	-11.5%	-21.9%	-27.6%	-1.0%	129.7%	647.1	5.9	0.2%
<b>Market</b>	<b>36,892</b>	<b>15,103</b>	<b>0.4%</b>	<b>-0.3%</b>	<b>9.3%</b>	<b>2.9%</b>	<b>-22.8%</b>	<b>6.2%</b>	<b>12.7</b>	<b>1.4</b>	<b>3.2%</b>

\*All returns are Holding Period Return.

\*\*Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their annualized earnings excluding companies trading at an annualized P/E greater than 80.0x.

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

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

## Cap Class Performance

During the month of November, large cap and small cap declined by 3.1% and 2.1%, respectively. Large cap was the highest dividend yielding (3.7%) class.

Table 4: Performance of different market cap classes

Cap Class	Market Capitalization of Constituent Companies (USD mn)	% of Total Equity Market Capitalization	Return*						P/E (x)	P/BV (x)	Dividend Yield^
			1M	3M	YTD	12M	3Y	5Y			
Large	≥119	78.9%	-3.1%	-2.6%	12.3%	3.7%	-9.2%	36.4%	12.0	1.5	3.7%
Mid	36-118	11.1%	2.6%	-1.0%	10.4%	7.5%	-10.9%	31.0%	14.6	0.9	2.1%
Small	12-35	8.0%	-2.1%	-7.7%	3.9%	-2.6%	-21.6%	20.4%	21.3	0.9	2.1%
Micro	<12	2.0%	0.6%	9.7%	22.2%	19.3%	-1.3%	44.1%	29.4	0.5	1.0%
<b>Market</b>	<b>-</b>	<b>-</b>	<b>0.4%</b>	<b>-0.3%</b>	<b>9.3%</b>	<b>2.9%</b>	<b>-22.8%</b>	<b>6.2%</b>	<b>12.7</b>	<b>1.4</b>	<b>3.2%</b>

\*All returns are Holding Period Returns

## Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, BXPHERMA (+21.2%), NATLIFEINS (+19.6%), UNILEVERCL (+12.8%) and BRACBANK (+10.8%) yielded attractive return during the month.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as UPGDCL (+232.7%), EBL (+122.6%) and NATLIFEINS (+116.6%)

Among the scrips, TITASGAS, SUMITPOWER, DUTCHBANGL, EBL, UPGDCL, ISLAMIBANK, GP and BATBC recorded a higher dividend yield compared to that of market.

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

DSE Code	Sector	Market capitalization (USD mn)		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	5,081	508	0.71	-3.2%	0.2%	19.1%	7.0%	-18.6%	56.9%	12.0	14.8	4.1%
WALTONHIL	Engineering	2,500	24	1.00	2.1%	N/A	N/A	N/A	N/A	N/A	13.2	2.7	2.9%
BATBC	Food & Allied	2,186	578	0.61	-2.5%	-1.5%	14.0%	3.1%	3.3%	20.0%	15.9	5.6	3.9%
SQURPHARMA	Pharmaceuticals & Chemicals	1,922	1,258	1.42	-7.3%	-16.0%	-3.2%	-11.7%	-28.0%	3.8%	10.4	2.3	2.4%
UPGDCL	Fuel & Power	1,856	186	0.94	-2.2%	10.8%	21.8%	13.7%	129.2%	232.7%	13.5	5.9	4.9%
RENATA	Pharmaceuticals & Chemicals	1,209	590	0.30	-9.1%	-10.2%	-2.9%	-8.6%	25.1%	47.4%	20.7	5.2	1.1%
ICB	NBFI	788	25	0.20	-11.1%	-19.1%	7.9%	0.7%	-41.4%	1.1%	54.4	7.0	0.6%
MARICO	Pharmaceuticals & Chemicals	784	78	0.06	0.5%	6.4%	32.2%	29.9%	123.8%	75.9%	18.6	36.1	0.9%
BXPHARMA	Pharmaceuticals & Chemicals	754	655	10.31	21.2%	24.2%	106.0%	78.3%	42.4%	107.9%	14.9	2.1	1.0%
BERGERPBL	Miscellaneous	726	36	0.08	0.4%	-8.6%	-1.7%	-3.8%	28.7%	49.6%	40.0	8.5	2.2%
BRACBANK	Bank	719	401	2.02	10.8%	15.9%	-11.5%	-12.9%	-33.8%	93.4%	17.2	1.6	1.5%
ISLAMIBANK	Bank	497	242	0.09	0.4%	5.2%	44.7%	50.2%	-11.2%	22.1%	8.5	0.7	3.8%
LHBL	Cement	496	175	0.26	-7.9%	-17.9%	10.7%	-3.4%	-30.9%	-51.9%	21.0	2.7	2.8%
SUMITPOWER	Fuel & Power	463	170	0.22	-7.5%	-12.6%	5.1%	2.0%	22.4%	35.0%	7.1	1.2	5.4%
OLYMPIC	Food & Allied	414	299	0.14	-1.8%	-3.8%	6.4%	-1.4%	-35.3%	-18.5%	15.4	4.8	3.0%
DUTCHBANGL	Bank	378	49	0.08	0.6%	-0.6%	1.3%	0.7%	21.6%	91.2%	7.6	1.2	4.7%
TITASGAS	Fuel & Power	351	88	0.15	-13.3%	-14.7%	-2.6%	-8.2%	-21.5%	-26.8%	11.2	0.4	8.6%
UNILEVERCL	Food & Allied	337	32	0.04	12.8%	2.7%	38.6%	41.8%	68.5%	50.8%	46.7	25.3	2.2%
EBL	Bank	335	234	0.03	-1.4%	-5.1%	14.0%	10.0%	-13.9%	122.6%	7.2	1.2	4.3%
NATLIFEINS	Life Insurance	330	132	0.12	19.6%	1.4%	-6.5%	3.1%	94.5%	116.6%		21.3	1.1%
<b>Market</b>		<b>36,892</b>	<b>15,103</b>	<b>93.31</b>	<b>0.4%</b>	<b>-0.3%</b>	<b>9.3%</b>	<b>2.9%</b>	<b>-22.8%</b>	<b>6.2%</b>	<b>12.7</b>	<b>1.4</b>	<b>3.2%</b>

\*All returns are Holding Period Return.

^WALTONHIL got listed on September 23, 2020.

## Top Performing Mutual Funds:

The top ten open end mutual funds based on 3 year CAGR outperformed the market, during the same period. Among them CAPM unit Fund (+5.7%) yielded the highest return. On YTD basis, CAPM Unit Fund (+17.2%), LankaBangla 1st Balanced Unit Fund (16.8%), Third ICB Unit Fund (16.6%), Seventh ICB Unit Fund (15.9%) and Peninsula AMCL BDBL Unit Fund One (+15.7%) outperformed the market.

Table 6: Top ten open end funds based on 3Y return (CAGR) performance

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			2020 YTD*	2019	2017-2019
CAPM Unit Fund	CAPM	1.6	17.2%	-7.3%	5.7%
VIPB Accelerated Income Unit Fund	VIPB	8.3	6.0%	-4.6%	5.4%
Seventh ICB Unit Fund	ICB	4.8	15.9%	-7.8%	3.8%
ATC Shariah Unit Fund	ATCP AML	1.5	3.0%	-10.8%	3.2%
LankaBangla 1st Balanced Unit Fund	LankaBangla	5.1	16.8%	-8.0%	2.6%
Sixth ICB Unit Fund	ICB	3.0	11.4%	-8.4%	2.4%
MTB Unit Fund	Alliance	9.9	9.6%	-0.9%	1.7%
UFS-Popular Life Unit Fund	UFS	8.7	7.4%	-9.0%	1.6%
Third ICB Unit Fund	ICB	3.6	16.6%	-8.2%	1.1%
Peninsula AMCL BDBL Unit Fund One	Peninsula	2.3	15.7%	-7.7%	0.9%
<b>Market (Broad Index) Return (%)</b>			<b>10.2%</b>	<b>-18.0%</b>	<b>-4.3%</b>

\*Based on published NAV and DSEX point of November 26, 2020

All the top ten closed end mutual funds on the basis of 5 years (2015-2019) performance yielded positive returns on YTD basis except ATCSLGF (-1.9%). Among them, GRAMEENS2 (+11.9%) yielded the highest return.

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

DSE Code	Fund Manager	Fund Size (USD mn)	Price <sup>1</sup> (BDT)	NAV <sup>1</sup> (BDT)	Price/NAV	Dividend Yield <sup>2</sup> (%)	NAV Return <sup>3</sup>				Redemption Year <sup>4</sup>
							2020 YTD	2019	2017-19	2015-19	
NLI1STMF	VIPB	7.6	13.3	12.9	103.4%	3.8%	6.5%	-4.5%	5.0%	9.7%	2022
SEBL1STMF	VIPB	14.3	10.8	12.2	88.6%	2.8%	6.5%	-4.4%	4.7%	8.7%	2021
ATCSLGF	ATC AML	7.8	11.4	10.7	106.4%	0.0%	-0.7%	-8.1%	4.1%	7.5%	2025
EBL1STMF	RACE	17.5	7.4	10.3	72.1%	0.0%	3.2%	-5.0%	4.4%	6.8%	2029
PHPMF1	RACE	34.1	6.1	10.3	59.5%	0.0%	3.0%	-3.5%	4.7%	6.2%	2030
RELIANCE1	AIMS	8.7	13.7	12.2	111.9%	0.0%	8.7%	-6.6%	3.8%	6.2%	2021
GRAMEENS2	AIMS	37.9	17.0	17.6	96.5%	4.1%	11.9%	-7.1%	4.5%	6.0%	2023
1JANATAMF	RACE	35.5	6.4	10.4	61.7%	0.0%	3.0%	-4.0%	3.5%	5.8%	2030
POPULAR1MF	RACE	36.3	5.8	10.3	56.4%	0.0%	2.2%	-4.6%	3.8%	5.8%	2030
AIBL1STMF	RACE	12.7	8.6	10.8	79.6%	9.3%	14.4%	-6.4%	2.1%	5.3%	2031
<b>Market</b>						<b>3.2%</b>	<b>10.2%</b>	<b>-18.0%</b>	<b>-4.3%</b>	<b>-1.9%</b>	

<sup>1</sup> Price as of November 29, 2020, and NAV published on November 26, 2020.

<sup>2</sup> On last cash dividend declared.

<sup>3</sup> CAGR computed for respected periods, except for 2019 and 2020 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.

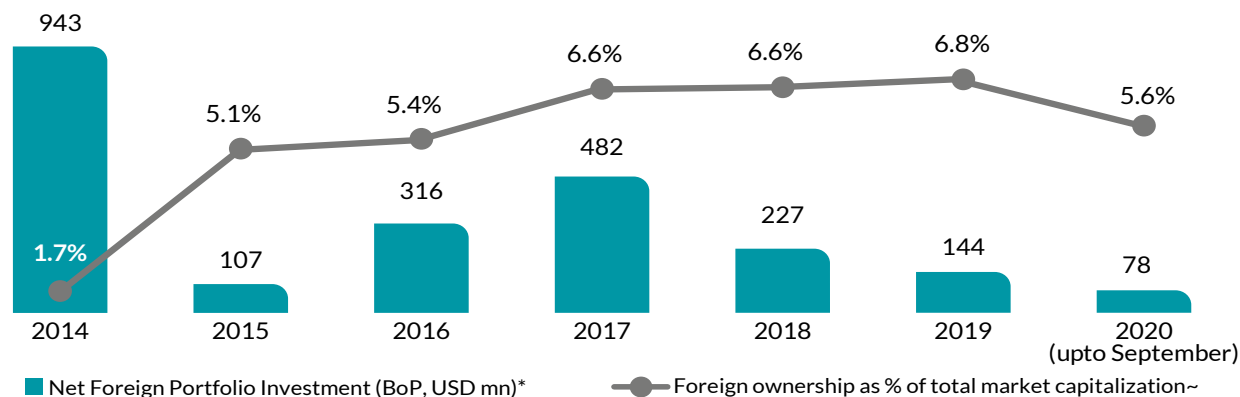
<sup>4</sup> In reference to BSEC Press Release বিএসইকস/মুদ্রাপত্র (৩য় খণ্ড)/২০১১/২৫ published on March 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years 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 October, 2020 total foreign ownership stood at 5.6% of the total equity market capitalization, which was only 1.7% in 2014.

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



Source: DSE and Bangladesh Bank

\*Net portfolio investment data are as of December of the respective years, except 2020.

~% of foreign ownership of equity market capitalization data are as of December of the respective years, except 2020 (as of October).

Among all the companies with foreign ownership, OLYMPIC had the highest foreign shareholding of 39.8% as of October 2020, followed by BRACBANK with 37.0%.

Table 8: Top ten companies with highest foreign shareholding as of September 2020

Ticker	Sector	Foreign Shareholding*
OLYMPIC	Food & Allied	39.8%
BRACBANK	Bank	37.0%
BXPHARMA	Pharmaceuticals & Chemicals	32.8%
RENATA	Pharmaceuticals & Chemicals	22.7%
DBH	NBFI	22.0%
MLDYEING	Textile	21.9%
ISLAMIBANK	Bank	20.6%
SHEPHERD	Textile	18.4%
VFSTD	Textile	18.3%
BSRMLTD	Engineering	17.1%

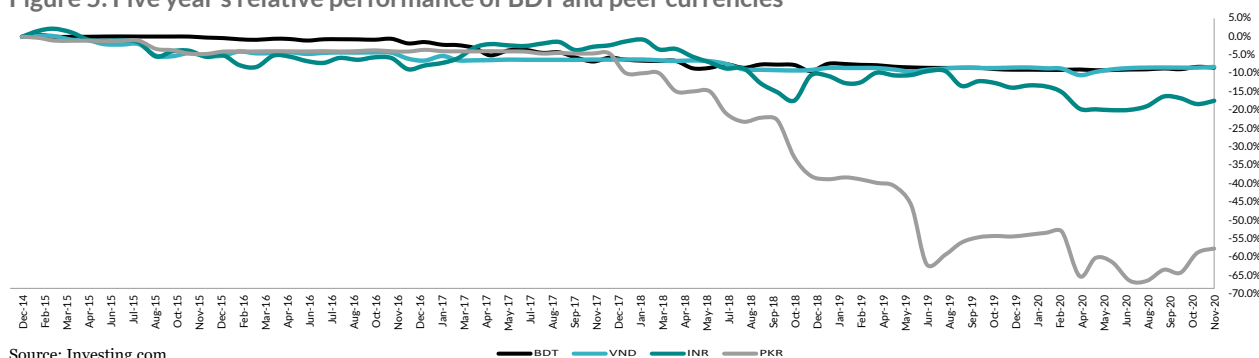
Source: DSE

\*Latest Data for Foreign shareholding available on DSE are as of October 2020.

## 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 8.4% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 8.2%, 17.4% and 57.5%, respectively.

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



Source: Investing.com



ব্যবসা ছোট হোক বা মাঝারি  
আপনার পাশে আছে

আইডিএলসি এসএমই লোন