EBL Securities Ltd.

BANGLADESH CEMENT INDUSTRY OVERVIEW

A LOOK INTO THE CONCURRENT SCENARIO

www.eblsecurities.com

+8802 223350016

Bangladesh Cement Industry Overview: A Look into the Concurrent Scenario

TABLE OF CONTENT

1.0 Cement Industry Review in Current Context

Cement consumption in Bangladesh dropped by 1.5% in 2022 due to government austerity measures and sluggish private investments, leading to a decline in industrial production.

Cement consumption in the country dropped by more than 1.5% in 2022, according to Bangladesh Cement Manufacturers Association (BCMA)[1]. The slowdown in the cement industry is attributed to decline in demand resulting from the government's austerity measures in public construction projects and sluggish private investments in constructing real-estates, resulting from higher inflationary environment and reduced purchasing power of consumers. Moreover, the cement industry encountered significant challenges due to external macro factors in recent times, primarily driven by supply chain disruptions due to Russia-Ukraine conflict, an increase in fuel rates in both domestic and international markets, imported raw material price hikes in international market, and elevated freight costs. Consequently, the industry witnessed a decline in its industry witnessed a decline in its industrial production by 7.23% in 2022, mainly due to decreased demand caused by average retail price hike of each 50-kg bag by 20% at the end of December 2022, leading to further contraction of the gross price margin to 8%-9% in 2022 compared to 15% a year ago[2].

Despite the challenges, cement manufacturers are continuing their expansion spree, leading to an excess production capacity of 43%.

Despite the challenges, major players in the cement industry are continuing their expansion spree, even as the industry has become increasingly oversaturated. The combined annual production capacity of cement manufacturers is 58 million tons, while the local demand is only 33 million tons, indicating an excess production capacity of 43% in the cement industry. Presently, over 42 cement manufacturing companies operate in the market, of which 7 are listed on the stock exchanges and 4 are multinationals. Local companies hold over 80% of the market share, surpassing the multinationals. The local cement industry has made aggregated investments of around BDT 400 billion, allowing Bangladesh to become a cement exporter while also meeting the demands of domestic market. Bangladesh begun exporting cement for the very first time in 2003. Currently, cement is being exported to India, Myanmar, Nepal, Maldives and Sri Lanka.

Though the interim challenges posing some hurdles to the cement industry, continued investment activities of cement manufacturers indicate that the construction and infrastructure development of the country will revamp in the coming days driven by the government's investment in public infrastructure projects, increased industrial constructions, real estate businesses, and individual home builders' demand.

2.0 Cement Industry in the Global Context: A Comparative Analysis with Bangladesh

Bangladesh is one of the lowest consumers of cement in the world, with per capita consumption of 230 kg in 2022. The global average is 563 kg.

The global cement market is projected to grow from USD 340.61 billion in 2022 to USD 481.73 billion by 2029, at a CAGR of 5.1% in forecast period, 2022-2029. According to the BCMA, the cement industry in Bangladesh recorded an estimated annual sale of USD 3 billion in 2020. Industry data reported that, Bangladesh currently ranks as the 20th largest cement market in the world. Comparatively, in 2022, China ranked as the top cement manufacturer globally with a production volume of 2,100 million metric tons, followed by India, Vietnam, the United States, and Turkey with production volumes of 370, 120, 95, and 85 million metric tons, respectively.
Bangladesh is one of the lowest consumers of cement in the world with its per capita cement consumption only at 230 kg in 2022, slight improvement in scenario from few years ago when it was 200 kg. While, per-capita cement consumption is 1,700 kg in China, 1,250 kg in South Korea, 800 kg in Malaysia, 500 kg in Thailand, 270 kg in Myanmar and 312 kg in India[3]. The global average of per-capita cement consumption is 563 kg. In comparison to other countries, Bangladesh's per capita cement consumption is relatively low.

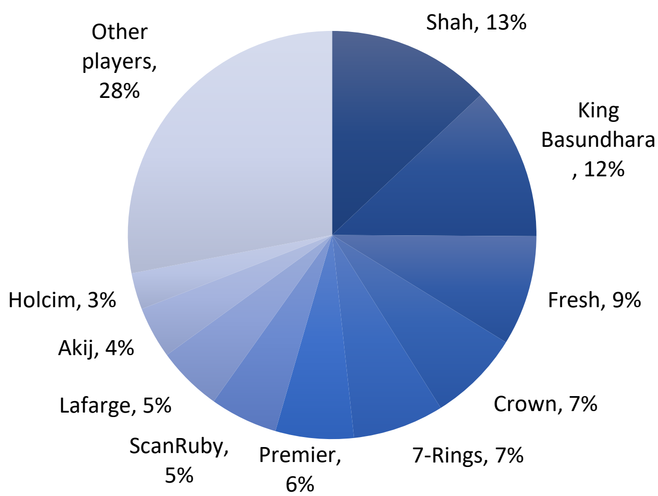
[1] https://www.tbsnews.net/economy/stocks/how-forex-turbulence-leaves-cement-makers-reeling-585230
[2] https://www.tbsnews.net/economy/stocks/cement-industry-slowdown-profitability-shrinks-further-413950
[3] https://thefinancialexpress.com.bd/trade/waning-demand-for-cement-govt-tightens-purse-strings-1665455297

3.0 Exploring the Cement Industry in Bangladesh: An Overview and Analysis

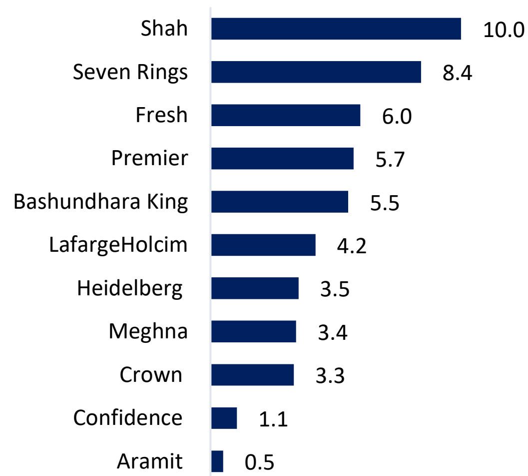
3.1 Major Cement Producers: A Look into their Ongoing Business Ventures

There are currently 42 cement manufacturing companies in operation, seven of which are listed on stock exchanges. Only ten companies, including two multinationals, hold approximately 75% of the entire market share among the existing market players. According to the Bangladesh Cement Manufacturers' Association (BCMA), in 2021 cement manufacturers have a total combined annual capacity of 58 million tons. Shah cement is leading the market with a market share of about 13%, and with around 12% market share Bashundhara King Brand Cement stands in the second position, followed by Fresh (8.62%) in the 3rd position, Crown (8.26%) in the 4th position, and 7-Rings Cement (8.21%) in the 5th position.

Market Share of Major Cement Producers



Production Capacity of Top Producers (mn MT)



Source: BCMA, Annual Report, Company Websites, Newspaper and EBLSL Research

Seeing the continued growth in the construction and infrastructure development of the country, almost all the major industry players have made huge capacity expansions in last five years. Currently, the industry is experiencing overcapacity of cement production. Average capacity utilization rate of cement industry as a whole has been around 55-65% over last few years. This excess capacity has led the major manufacturers to engage in price war, leading to decline in profitability and a downturn in the industry. To address this situation, industry players are focusing more on product innovation such as slag-based cements and introducing advance technology namely Vertical Roller Mill (VRM) in cement production. VRM technology is known to be energy efficient, consuming 26% less energy.

Concurrent Investment Activities of Major Cement Manufacturer	
Crown Cement	**Confidence Cement**
• Setting up of the 6th Unit in Munshiganj. • Added Production capacity 8,280 MT/Day. • Total capacity to be reached 19,280 MT/Day. • Total investment BDT 7.7 billion. • Project Completion: February, 2023.	• Formed a consortium in 2022 with Confidence Power ltd for the development of 660 MW Gas/R-LNG-based power plant in Mirsarai, Chittagong.
Heidelberg Cement	**Premier Cement**
• Acquisition of 100% of the shareholding of Emirates Cement Bangladesh (capacity per annum: 0.05 MMT; plant location: Munshiganj) and Emirates Power Company for USD 21.5 million took place in 2021. • Total Production Capacity: 3.51 million MT/Annum.	• Started commercial production of VRM from July, 2022. • Capital Invested BDT 8.1 billion (approximate). • Total production capacity reached to 25,520 MT/Day from 8,000 MT/Day.

Additionally, in 2019 Shah Cement industries has established the world's largest VRM, with a production capacity of 15,000 tons of cement per day or 60 lakh tons per year, in Munshiganj. Besides, speculation of a potential deal was reported by The Business Standard on 21 August, that Adani's conglomerate will purchase LafargeHolcim Bangladesh after completing the acquisition of Holcim India. On August 25, 2022 in response to DSE query, LafargeHolcim Bangladesh denied the validity of such speculative news.

3.2 Interplay between Production Costs and Cement Prices: Trends in Production Cost and Pricing Analysis

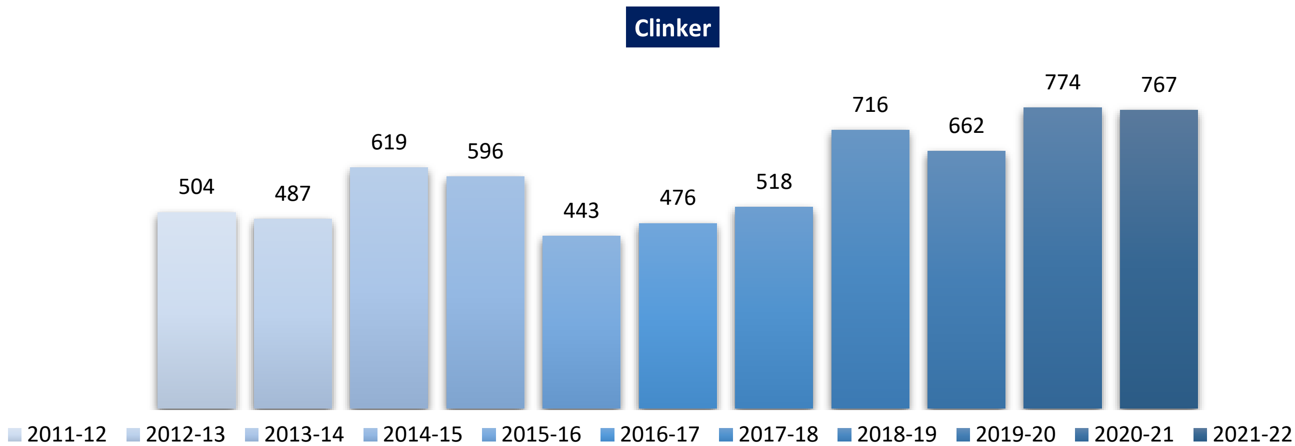
Bangladesh has scarcity of mineral resources, such as limestone, and hence, is not capable of meeting demand for clinker, the prime material of cement. Nearly all of the raw materials are required to be imported. As a result, major cement manufacturers are importing required raw materials including clinker, gypsum, fly ash and iron slag from abroad and using grinding technology to produce cement.

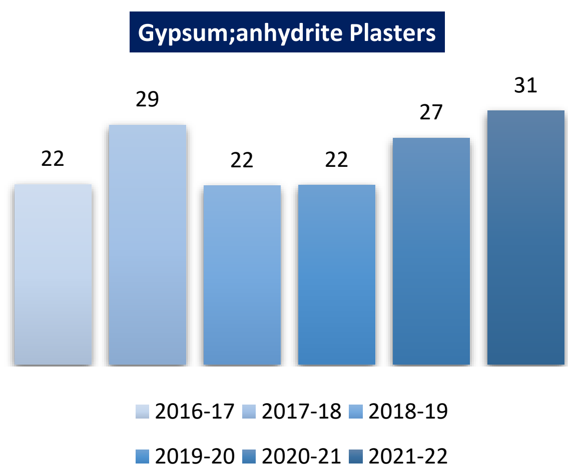
Raw Material Price Trend (BDT per MT)

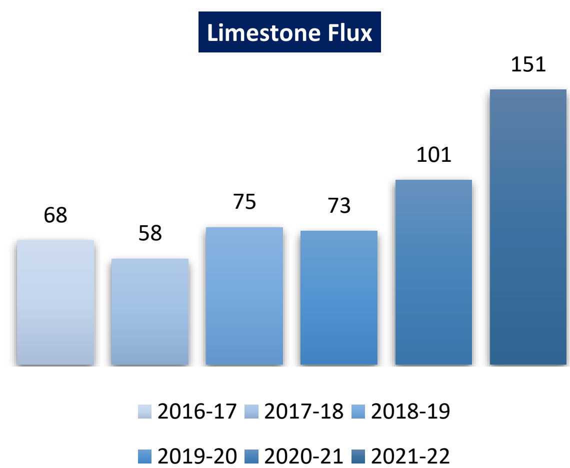
Source: Annual Reports of Listed Companies and EBLSL Research

Cement industry witnessed a huge surge in production cost as price of all major raw materials such as clinker, slag, fly ash, gypsum and limestone went up significantly in last few years. Raw materials prices started to increase in the international market from late 2016 as Chinese government started to discourage clinker production from integrated plants having wet kilns to reduce environmental damage. 90% of Bangladesh's clinker is imported from Vietnam. Few manufacturers use local limestone collected from Sylhet. Majority portion of imported fly ash is sourced from India, slag is imported from China, India, Japan and Singapore while Gypsum is sourced from China, India, Indonesia and Japan. Besides, the devaluation of BDT from BDT 84/USD to BDT 106/USD, will raise cost of production by a definitive margin, which in turn caused production cost to go higher in FY'23, as the industry is dependent on imported raw-materials.

Import Data of Major Raw Materials in the Cement Industry (In Million USD)

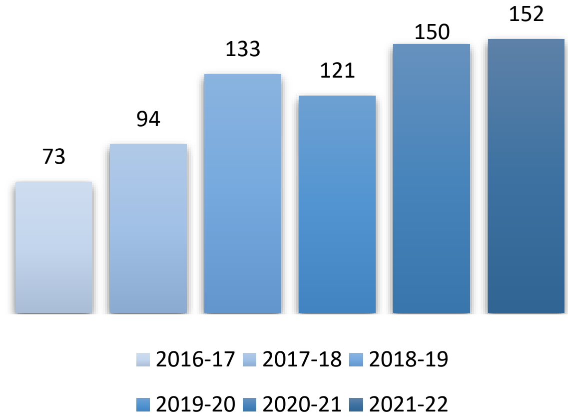






Quick, Slaked & Hydralic Lime

Ores, Slag and Ash



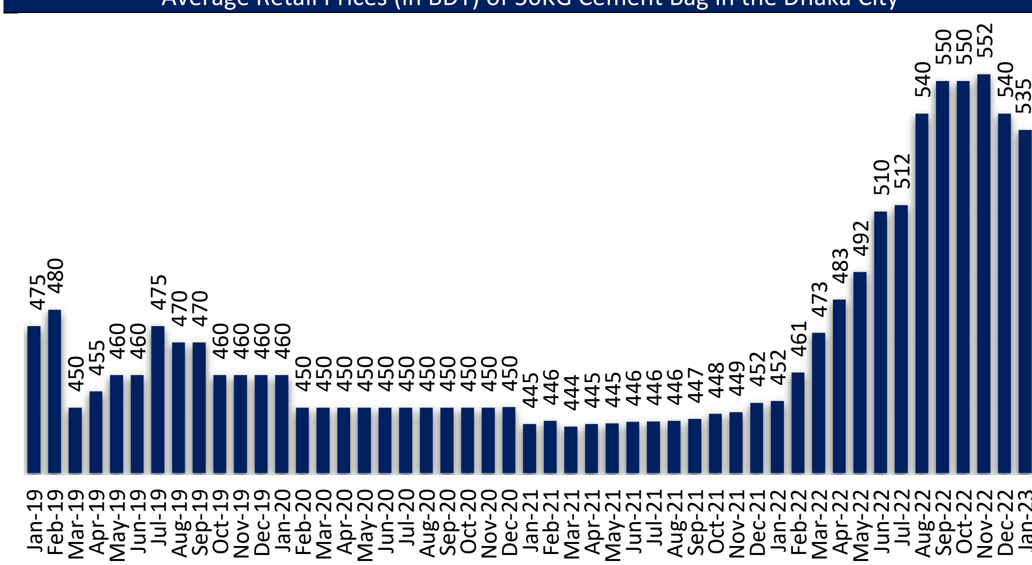
Source: Bangladesh Bank, and EBLSL Research

Costs of production is expected to further exacerbate as Govt. in a recent announcement on January 2023 has increased gas bills by nearly 150% for large industries (from BDT 11.98 to BDT 30 per cubic meter), 130% for Captive Powe plant (from BDT 13 to BDT 30 per cubic meter) and 178% for power generation (from BDT 5.02 to BDT 14 per cubic meter).

Moreover, transportation cost both by river and road has increased by 20% in 2022 due to the record high fuel price hike by 51.7%, as a result cement companies are paying additional amounts this year for local transportation of raw-materials and finished goods.

In addition to the existing import duty of BDT 500 per ton against the import of clinker, the cement industry has to deal with the raising AIT from 3% to 5% (non-adjustable) and 30% supplementary duty on imports of a key raw material, limestone in 2022. This will increase production cost by around 20%, and the retail prices of cement too in days ahead, according to the BCMA.

Average Retail Prices (in BDT) of 50KG Cement Bag in the Dhaka City

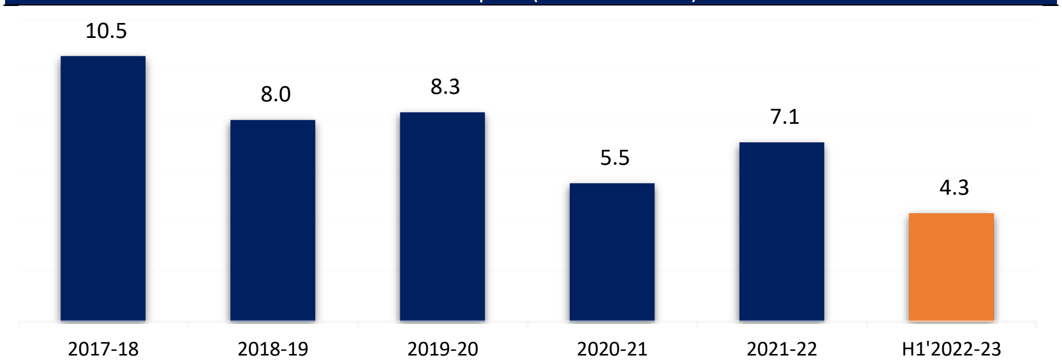


Source: Bangladesh Bureau of Statistics, and EBLSL Research

3.3 Global Footprint of Bangladesh Cement Industry: Overview of Cement Export Activity

Bangladesh exports 60-80% of its cement to India particularly to the region of seven sister states of north-eastern India. Other than India, cement is being exported to Myanmar, Nepal, Maldives and Sri Lanka. As per Bangladesh Export Promotion Bureau (EPB) data, cement export from Bangladesh has increased by 75.95% YoY in the first six months of FY2022-23. The cement industry earned export revenue of USD 4.3 million in the first six months of FY2022-23 as against USD 2.4 million a year ago. Crown Cement is the export leader in Bangladesh with nearly 50% of the total export volume of cement. Other major cement exporters are Shah Cement, Bashundhara cement, Fresh cement and Premier cement. However, with transit facility, India is now being able to shift cement at lower costs to the "Seven Sister States" of north-eastern India through Bangladesh. Hence, cement exporter might face a challenge from their Indian counterparts in coming days.

Cement Export (in USD million)



Source: Export Promotion Bureau, and EBLSL Research

3.4 Seasonality: A Crucial Factor Influencing Demand Side of the Industry

Peak Season	Jan-Apr/ May
Dull Season	Jun-Sep
Off Season	Oct-Dec

Another critical driver for demand of cement in Bangladesh is weather and it has considerable impact on the industry sales. January to April/May is considered to be the peak season due to favorable climate condition while demand for cement remains moderate during the monsoon (June to September) and October to December is considered off season due to sluggish construction activities. This sharp decline in demand during the monsoon is attributed to slowdown in construction activities due to rain. According to the industry experts, 60% of the total yearly sales is generated in the first half of the year while the rest is generated in the second half.

3.5 Regionwide Variation of Cement Consumption in the Country

Approximately 68% of the cement produced in Bangladesh is consumed in Dhaka and Chittagong divisions.

The consumption pattern of cement varies regionally in our country while strategic regional distribution of cement plants is also important for manufacturers as profitability has direct positive correlation with lower distribution costs. This variation can be attributed to the differences in per capita income levels among the population, and the uneven industrial development in different regions of the country. Dhaka division accounts for 45% of the demand, Rajshahi and Rangpur divisions for 10%, Chittagong division for 23%, Sylhet division for 7%, Khulna division for 10%, and Barisal division for 5%. Approximately three-quarters of the cement produced in Bangladesh has been consumed in Dhaka and Chittagong divisions. However, in recent years, there has been a significant shift in demand due to the growing income levels in the rural economy, resulting in increased demand in the northern, western, and southern parts of the country.

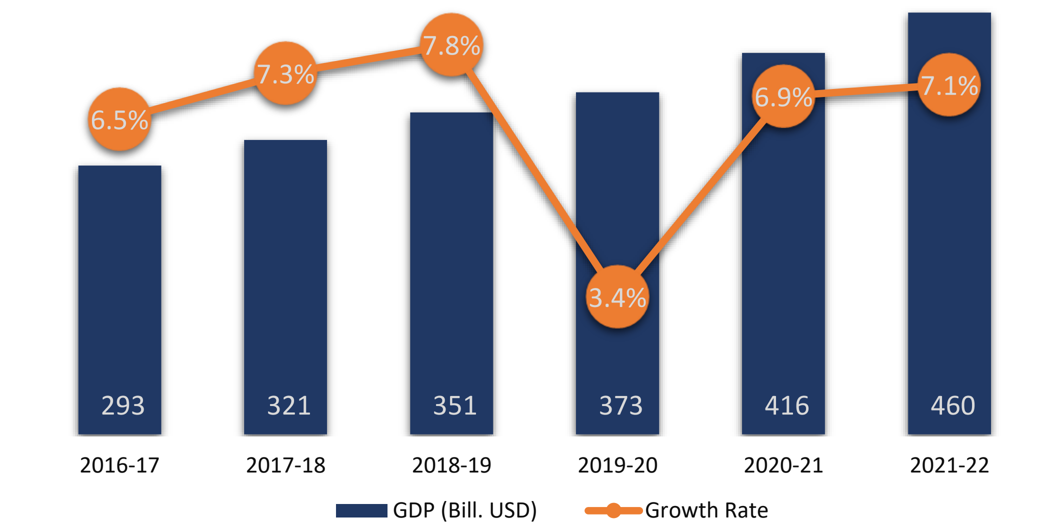
Bangladesh's macroeconomy experienced a favorable start in 2023, with exports increasing 9.6% and remittances increasing 4.3%.

4.0 Factors Behind the Growth and Demand in the Cement Industry

4.1 Resilient Economic Growth of the Country

Bangladesh, the USD 460 billion economy, maintained a sustained economic growth rate of approximately 6% over the past 10 years, until the Covid-19 pandemic-led economic disruption triggered a global economic slowdown, with Bangladesh being no exception. The economic recovery from the pandemic was gaining momentum when the Russia-Ukraine conflict broke out in 2022, but Bangladesh remained resilient and continued its strong post-pandemic resurgence despite the odds. Bangladesh's economy was one of the few to sustain a positive growth rate of 6.94% in 2021 during the COVID-19 pandemic and exhibited higher GDP growth of 7.10% in 2022. However, the prolonged Russia-Ukraine war-induced global supply-chain disruption continued to have spillover effects on the Bangladesh economy. Consequently, economic challenges emerged in the country such as higher inflationary pressure, depreciation of exchange rate, and forex reserve depletion. In response to the challenges, the Government of Bangladesh implemented austerity measures to conserve spending, adjusted electricity and gas prices to ensure steady power supply, and secured first tranche of USD 4.5 billion precautionary loan from the IMF. Moreover, the Government of Bangladesh has lowered the targeted GDP growth rate to 6.5% as against 7.5% for the FY2022-23.

GDP of Bangladesh – Growth and Size (USD Billion)



Source: Bangladesh Bureau of Statistics, and EBLSL Research

Despite all the odds, the starting of 2023 was favorable for Bangladesh's macroeconomy, as exports reached USD 37.1 billion with a 9.6% YoY increase in the first eight months of the fiscal year. Remittances also saw a 4.3% YoY increase to reach USD 14.0 billion in the same period. The current account deficit till January 2023 has improved to USD -5.0 billion, down from USD -10.2 billion in the corresponding period. Additionally, the exchange rate stabilized above the BDT 100 level, reducing pressure on the country's forex reserves. Also, the IMF disbursed the first installment of the precautionary loan worth USD 476.3 million. In the short term, Bangladesh's outlook seems convincing as the expected improvement in the global economy is anticipated to place the country as a leading performer in the region in term of economic growth.

Real-estate activities (At Constant Prices)		
Year	BDT billion	% of GDP
2017-18	2,058	8.7%
2018-19	2,133	8.3%
2019-20	2,211	8.3%
2020-21	2,287	8.1%
2021-22(p)	2,371	7.8%
Source: BBS		

Construction Sector Trend (At Constant Prices)		
Year	BDT billion	% of GDP
2017-18	1,967	8.3%
2018-19	2,173	8.5%
2019-20	2,371	8.9%
2020-21	2,563	9.0%
2021-22(p)	2,786	9.2%
Source: BBS		

4.2 Cement Demand Trends: Assessment of Major Consumption Markets in Housing, Office Buildings, Tourism, and Infrastructure

The construction and real estate sectors are two major consumers of cement industry. The construction sector has witnessed faster growth than the real GDP growth rate. Growth of construction sector has mainly been accelerated by the government development projects that have been undertaken in recent years. On the other hand, real estate sector in Bangladesh has been growing steadily mainly owing to growing housing demand, expanding middle class and spiraling per-capita income and the trend is expected to continue in the future. The amnesty, which was given in recent past to whiten black money by the government is believed to greatly contribute to the growth of the real estate sector. REHAB has proposed to allow black money investment in the housing sector at a 10% tax after the government withdrew this special facility in FY23[4]. Real estate developers contribute 15,000 housing units (appx.) per year. Majority of the apartments are being sold in Dhaka and Chittagong. According to industry insiders, Individual Home Builders (IHB) and commercial real estate developers consume nearly 30% and 35% of the total cement produced while the public sector consumes almost 35% of cement manufactured. The government of Bangladesh responded to the adverse economic impact of the Russia-Ukraine conflict by implementing austerity measures and prioritizing selective infrastructure projects in 2022. Despite the challenges, the short-term outlook for cement demand is moderately optimistic. The economy may recover from cost-push shocks by the end of 2023, while the continuation of government megaproject spendings and higher remittance inflows will drive demand, implying that the cement industry may remain upbeat in 2024.

4.3 Building a Stronger Future: Government's Investment in Infrastructure and Construction Projects

In FY'23, the government has allocated BDT 2,460.6 billion for Annual Development Project (ADP) which is approximately 17.2% higher than the ADP allocation of previous fiscal year.

Bangladesh has aspiration to become a developed and higher income country by 2041. To support its incremental economic growth, government is heavily investing in infrastructure development projects, notably in power generation, highways, bridges, seaports, rail networks and others.

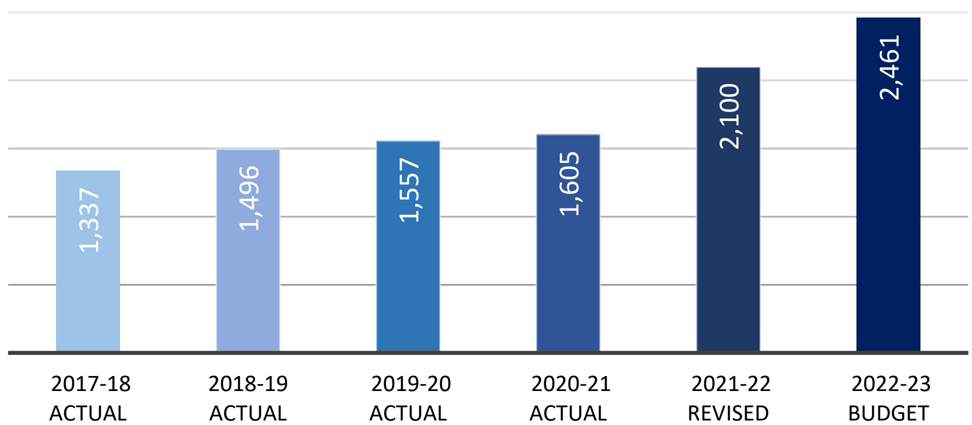
Projects	Completion Date	Cost
Rooppur Nuclear Power Plant	December, 2025	USD 13.34 billion
Padma Bridge Rail Link	June, 2024	USD 4.63 billion
Matarbari Coal Power Plant	July, 2024	USD 4.28 billion
Dhaka MRT Line-6	June, 2025	USD 2.80 billion
Dhaka Airport Third Terminal	June, 2023	USD 2.50 billion
Matarbari Deep Sea Port	December, 2026	USD 2.41 billion
Chittagong Cox's Bazar Rail Link	June, 2024	USD 2.13 billion
Dhaka Elevated Expressway	June, 2023	USD 1.63 billion
Bangabandhu Railway Bridge	August, 2024	USD 1.60 billion
Karnaphuli tunnel	March, 2023	USD 1.20 billion
Source: National Dailies, and EBLSL Research		

In FY'23, the government has allocated BDT 2,460.6 billion for Annual Development Project (ADP) which is approximately 17.2% higher than the ADP allocation of previous fiscal year. Allocation to communication infrastructure, which is around 27.9% of the total ADP allocation, has undergone a massive growth over the years. Government allocation for infrastructure development is set to grow even more in coming years as Bangladesh is set to become a developing country in 2026 and aims to attain developed country status by 2041. Moreover, government has also undertaken

[4] https://www.tbsnews.net/economy/rehab-unconditional-black-money-investment-10-tax-10-years-591986

Delta Plan 2100, a long-term strategy to prevent flood, soil erosion and water supply. Approximately 80% of the plan will be implemented within 2030, with an estimated cost of USD 37.5 billion. Besides, the government is now implementing a mega scheme of building a network of 100 special economic zones around the country by 2030. However, amidst the adverse impact of the Russia-Ukraine war, the government implemented austerity measures on June 29, 2022 to mitigate the effects of declining foreign currency reserves, elevated global and domestic inflation, and limited fiscal space. The austerity measures have also been adopted in the annual development program, where projects have been divided into A, B, and C categories, with budget disbursement priorities defined based on the project type. The implementation of 'A' Category projects continues as scheduled, and maximum utilization of 75% allocation is allowed for 'B' Category projects. While, 'C' Category projects have been temporarily deferred. Projects that exhibit a positive impact on the economy have been accorded as high priority in the categorization.

Annual Development Programme (BDT Billion) by Fiscal Year



Source: Finance Division, Ministry of Finance, and EBLSL Research

5.0 Key Concerns and Challenges Facing the Cement Industry

5.1 Overcapacity

Currently, the industry is experiencing overcapacity of cement production. Average capacity utilization rate of cement industry as a whole has been around 60% over last five years. In last two years, almost all the major industry players have made huge capacity expansions. This excess capacity has led the major manufacturers to engage in price war, leading to reduced profitability and a downturn in the industry.

5.2 Dependency on Imported Raw Materials

Clinker is a key raw material for cement production, and its main component is limestone, which is not locally available in Bangladesh. Presently, there are only two clinker manufacturers in Bangladesh, of which the state-owned Chhatak Cement Factory Limited has limited production capacity, while LafargeHolcim Bangladesh Limited produces approximately 10% of the total clinker required in the country. The import of clinker involves issues such as high tax, import duty, and foreign exchange. From late 2016 Chinese government started to discourage clinker production from integrated plants having wet kilns to reduce environmental damage. Although Bangladeshi manufacturers once heavily relied on China for raw materials, they now mainly import these materials from countries such as Thailand, Vietnam, Malaysia, and Indonesia. These imports increase the cost of production due to additional expenses incurred on transportation and import duties, among other factors.

5.3 Taxation Policies

Even if a cement company operates at a loss, it is still required to pay 3% Advance Tax (AT) at the import stage and 2-3% as TDS at the supply stage.

According to existing provisions on raw material import, cement companies in Bangladesh pay 3% Advance Income Tax (AIT) at the import stage and 2-3% as tax deduction at source (TDS) at retail level. The tax imposed in both areas is non-adjustable, as per Section 82(c) of the Income Tax Ordinance, 1984. This means that even if a cement company operates at a loss, it is still required to pay 3% Advance Tax (AT) at the import stage and 2-3% as TDS at the supply stage. In addition to the existing AIT and import duty, the cement industry has to deal with import duty of BDT 500 per ton against the import of clinker, the key raw material of the industry. Earlier in FY 2019, cement manufactures paid 5% AIT to import raw materials and the tax was adjustable. Besides, all the taxes and duties are currently being imposed on tariff values inflated by 10%-35%, depending on the raw materials—clinker, slag, limestone, fly ash and gypsum, which is further exacerbating the input cost of cement industry. Such imposition of tax measure could have a significant impact on the profitability and sustainability of the industry.

5.4 High Logistic Cost and Energy Cost

Gas bills, transportation costs, and rationing power have increased the cost of production for cement companies, making it difficult to sustain profitability.

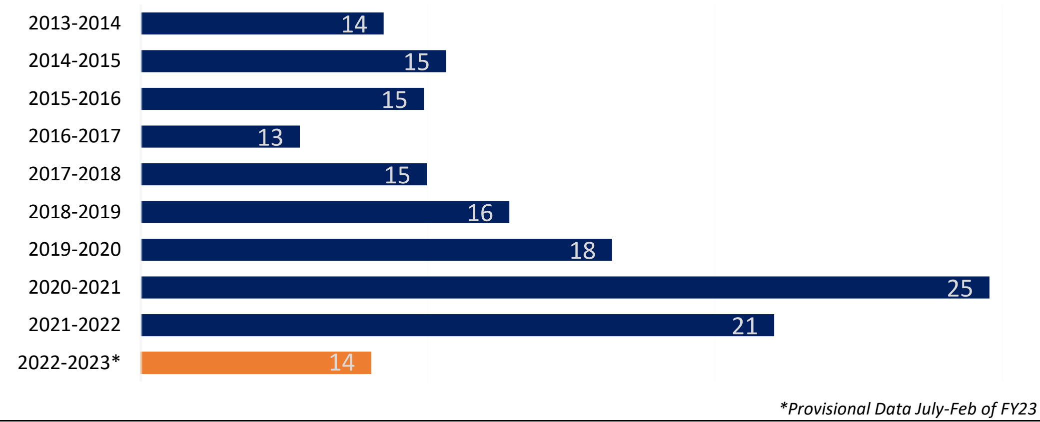
In a recent announcement made by the Government in January 2023, gas bills have been increased by almost 150% for large industries, 130% for captive power plants, and 178% for power generation. This hike has increased the cost of production significantly for cement companies, making it challenging for the industry to sustain profitability. Additionally, transportation costs have increased by 20% due to the record-high fuel price hike of 51.7% in 2022, resulting in additional expenses for cement companies for the transportation of raw materials and finished goods. Besides, in 2019 stricter control of transporting extra load through highways was enforced, forcing companies to engage more trucks for carrying the same amount of goods, which is adding up to the operating costs. The rise in fuel prices and the rationing power in the beginning of FY 2022 have further compounded the difficulties faced by the cement industry in maintaining required margins.

5.5 Fall in Inward Remittance

Individual home builders are one of the major contributors to demand. Declined remittance may lead to dismal demand for the cement industry.

Demand for cement may see a downturn due to low remittance which is a major source of income for individual homebuilders. Inward remittance has fallen down sharply by 15% YoY in the FY'22. By the end of July-Feb, FY'23 the total inward remittance stood at USD 14,013 million which was USD 13,438 million in the previous year, with a slight YoY growth of 4.3%. Remittance, though increased in absolute term, growth has slowed due to the exchange rate gap between the formal and informal channels has encouraged remitters to send money through informal channel. The fall in the inward remittance is a negative impetus for the cement industry. Since individual home builders are one of the major contributors to cement demand, fall in inward remittance may curtail the overall demand for cement industry.

Yearly data of Wage Earner's Remittance (In billion USD)



Source: Bangladesh Bank, and EBLSL Research

6.0 The Cement Industry's Outlook: Navigating through the Global Challenges

The cement industry's long-term demand outlook remains positive, with higher single-digit to double-digit expected growth over the next five to ten years owing to rising urbanization rate, rapid real estate development and government mega projects spending. However, the medium-term prospects for the cement industry and the construction sector remain unclear due to macro-economic adversities. The World Bank revised down Bangladesh's GDP growth forecast in FY'23 to 5.2%, from 7.2% in the previous year. The year 2023 might be challenging for the cement industry as concerns loom large around the adverse impacts of the conflict between Russia and Ukraine, runaway inflation, a rise in fuel & energy prices, and the government's austerity measures. However, earnings volatility owing to costlier import of raw materials, fuel price hike, and depreciation of exchange rate may improve in 2024, and the government may increase investments in infrastructure projects to counteract any potential decline in development activities in the coming year.

IMPORTANT DISCLOSURES

Disclaimer: This document has been prepared by EBL Securities Limited (“EBLSL”) for information purpose only of its clients residing both in Bangladesh and abroad, on the basis of the publicly available information in the market and own research. This document does not solicit any action based on the material contained herein and should not be taken as an offer or solicitation to buy or sell or subscribe to any security. Neither EBLSL nor any of its directors, shareholders, member of the management or employee represents or warrants expressly or impliedly that the information or data or the sources used in the documents are genuine, accurate, complete, authentic and correct. However all reasonable care has been taken to ensure the accuracy of the contents of this document. Being a broker, EBLSL may have a business relationship with the public companies from time to time. EBLSL and its affiliates, directors, management personnel and employees may have positions in, and buy or sell the securities, if any, referred to in this document. EBLSL disclaims liability for any direct, indirect, punitive, special, consequential, or incidental damages related to the report or the use of the report.

This document is distributed by EBL Securities Ltd. and its authorized distribution partners on a global basis. This document is not directed to, or intended for distribution to or use by, any person or entity that is citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The information and data presented herein are the exclusive property of EBLSL and any unauthorized reproduction or redistribution of the same is strictly prohibited.

Analyst Certification: The person or persons named as the author(s) of this report hereby certify that the recommendations and opinions expressed in the research report accurately reflect their personal views about the subject matter(s) discussed. The views of the author(s) do not necessarily reflect the views of the EBL Securities Limited (EBLSL) and/or any of its salespeople, traders and other professionals and are subject to change without any prior notice. All reasonable care has been taken to ensure the accuracy of the contents of this document and the author(s) will not take any responsibility for any decision made by investors based on the information herein.

Compensation of Analyst(s): The compensation of research analyst(s) is intended to reflect the value of the services they provide to the clients of EBLSL. The compensation of the analysts is impacted by the overall profitability of the firm. However, EBLSL and its analyst(s) confirms that no part of the analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations, opinions or views expressed in the research reports.

General Risk Factors: The information provided in the report may be impacted by market data system outages or errors, both internal and external, and affected by frequent movement of market events. The report may contain some forward looking statements, projections, estimates and forecasts which are based on assumptions made and information available to us that we believe to be reasonable and are subject to certain risks and uncertainties. There may be many uncontrollable or unknown factors and uncertainties which may cause actual results to materially differ from the results, performance or expectations expressed or implied by such forward-looking statements. EBLSL cautions all investors that such forward-looking statements in this report are not guarantees of future performance. Investors should exercise good judgment and perform adequate due-diligence prior to making any investment. All opinions and estimates contained in this report are subject to change without any notice due to changed circumstances and without legal liability. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst’s judgment. However, EBLSL disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the publication of this report to reflect the occurrences and results of unanticipated events.

For U.S. persons only: This research report is a product of EBL Securities Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by EBL Securities Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

EBLSL Rating Interpretation

Overweight	:	Stock is expected to provide positive returns at a rate greater than its required rate of return
Accumulate	:	Stock is expected to provide positive inflation adjusted returns at a rate less than its required rate of return
Market weight	:	Current market price of the stock reasonably reflect its fundamental value
Underweight	:	Stock expected to fall by more than 10% in one year
Not Rated	:	Currently the analyst does not have adequate conviction about the stock's expected total return

No part of this material may be (i) copied, photocopied or duplicated in any form by any means (ii) used in any other report or publication or anything of that sort without appropriate credit given or (iii) redistributed without the prior written consent of The EBL Securities Ltd. This disclaimer applies to the report irrespective of being used in whole or in part.

About EBL Securities Ltd.: EBL Securities Ltd. (EBLSL) is one of the fastest growing full-service brokerage companies in Bangladesh and a fully owned subsidiary of Eastern Bank Limited. EBLSL is also one of the leading stock brokerage houses of the country. EBL Securities Limited is the TREC-holder of both exchanges of the country; DSE (TREC# 026) and CSE (TREC# 021). EBLSL takes pride in its strong commitment towards excellent client services and the development of the Bangladesh capital markets. EBLSL has developed a disciplined approach towards providing capital market services, including securities trading, margin loan facilities, depository services, foreign trading facilities, Bloomberg Terminal, online trading facilities, research services, panel brokerage services, trading through NITA for foreign investors & NRBs etc.

EBLSL Key Management

Md. Sayadur Rahman	Managing Director	sayadur@eblsecurities.com
M. Shahryar Faiz	Chief Operating Officer	shahryar@eblsecurities.com
Md. Asaduzzaman	Chief Financial Officer	asad@eblsecurities.com

EBLSL Research Team

Mohammad Rehan Kabir	Research Analyst	kabir@eblsecurities.com
Arif Abdullah	Senior Research Associate	arif@eblsecurities.com
Md Rashadur Rahman Ratul	Senior Research Associate	ratul@eblsecurities.com
Rayhan Ahmed	Research Associate	rayhan@eblsecurities.com
Zuhaier Shams	Research Associate	zuhaier@eblsecurities.com
A K M Arif Uzzaman	Probationary Officer	arifuzzaman@eblsecurities.com

For any queries regarding this report: research@eblsecurities.com

EBLSL Research Reports are also available on www.eblsecurities.com > Research

Our Global Research Distribution Partners

Bloomberg · REFINITIV DATA IS JUST THE BEGINNING · FACTSET · CFA Institute Asia-Pacific Research Exchange · ResearchPool · RSRCHX · MORNINGSTAR

To access EBLSL research through **Bloomberg** use **<EBLS>**

Our Locations

Head Office:

Jiban Bima Bhaban,
10 Dilkusha C/A, 1st Floor, Dhaka-1000
+88 02 223350016, +88 02 223389254, +88 02 223383247
FAX: +88 02 47112944
info@eblsecurities.com

HO Extension:

DSE Tower (Level-10),
Room # 199, Plot # 46,
Road # 21 Nikunja-2,
Dhaka-1229
+88 02 41040160

Dhanmondi Branch:

Sima Blossom, (4th Floor),
House # 390 (Old), 3 (New),
Road # 27 (Old), 16 (New),
Dhanmondi R/A,
Dhaka-1209.
+88 02 9130268, 9130294

Chattogram Branch:

Suraiya Mansion (6th Floor);
30, Agrabad C/A,
Road# Sonargaon Avenue,
Chattogram-4100
+031 2522041-43