



MARCH 2024

ECONOINSIGHTS

Monthly Economic and Capital Market Overview



Prepared by :

EBLSL Research



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Chronology

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Bangladesh: Key Economic Indicators

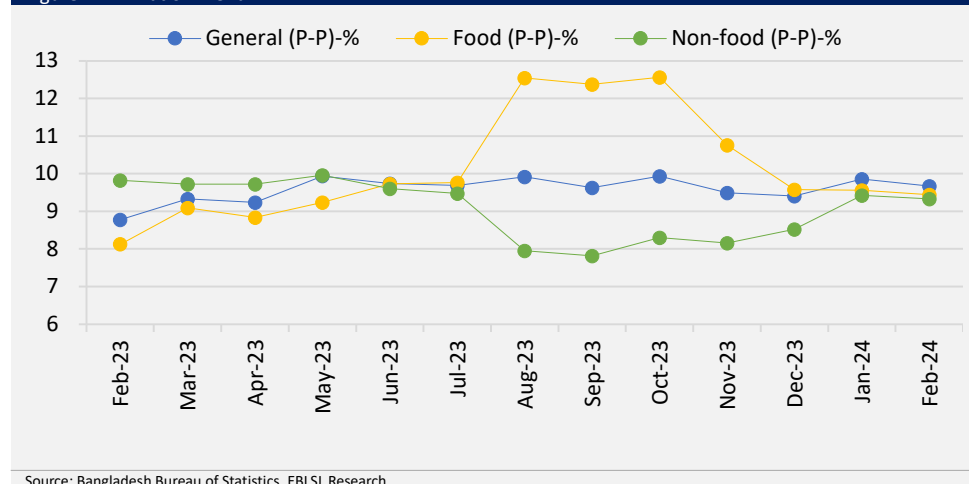
Indicators	Figure	Dated on
Nominal GDP	USD 453.9 bn	FY2022-23 ^p
GDP Growth (Real)-YoY-%	6.03%	FY2022-23 ^p
Inflation (P to P)-%	9.67%	Feb-24
Current Account Balance (% of GDP)	0.69%	Jul'23-Jan'24
10 Year T-bond Rate	12.10%	Mar-24
Exchange Rate	BDT 109.8	Mar-24
GDP Per Capita	USD 2,657.0	FY2022-23 ^p
GNI Per Capita	USD 2,765.0	FY2022-23 ^p

Source: Bangladesh Bureau of Statistics, Bangladesh Bank, EBLSL Research | Note: P=Provisional

Bangladesh's major economic indicators have shown resilience in recent times, defying the prevailing adversities. Exports crossed the USD 5 billion mark for three consecutive months, which is providing a cushion to the much-needed fiscal space, while the country's GDP grew at an estimated 6.07% in the first quarter of FY'24 despite challenges like high inflation, dwindling foreign exchange reserves, financial account deficits, and exchange rate volatility. However, the World Bank downgraded Bangladesh's growth projection for the current fiscal year to 5.6%, citing adverse impacts from global economic challenges in the latest edition of its flagship publication Global Economic Prospects.

1.0 Inflation: General inflation eased down a bit but persistently stayed above 9% for the last twelve months.

Figure 1.1: Inflation Trend



Source: Bangladesh Bureau of Statistics, EBLSL Research

- General Inflation is persisting at a higher level, remaining above 9% for the last one year, although it marginally decreased to 9.67% in Feb-24 owing to a slight fall in prices of both food and non-food items. Meanwhile, food inflation eased down to 9.44%, while non-food inflation declined to 9.33%. However, the increase in food prices during Ramadan, coupled with the government's proposed electricity tariff hike effective retroactively from February 1, could contribute to a further rise in inflation.

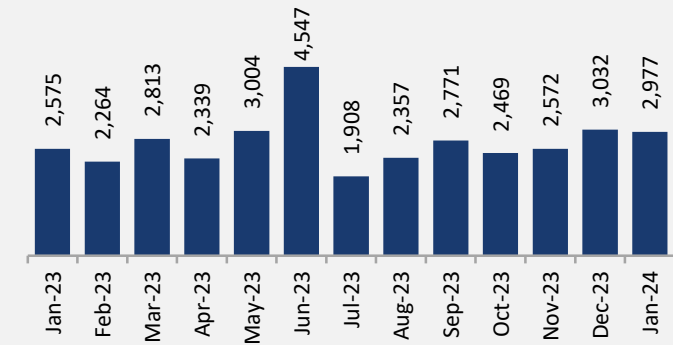
Exhibit 1.1: Inflation

(In %)	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
General (P-P)-%	8.78	9.33	9.24	9.94	9.74	9.69	9.92	9.63	9.93	9.49	9.41	9.86	9.67
Food (P-P)-%	8.13	9.09	8.84	9.24	9.73	9.76	12.54	12.37	12.56	10.76	9.58	9.56	9.44
Non-food (P-P)-%	9.82	9.72	9.72	9.96	9.60	9.47	7.95	7.82	8.30	8.16	8.52	9.42	9.33

Source: Bangladesh Bureau of Statistics, EBLSL Research

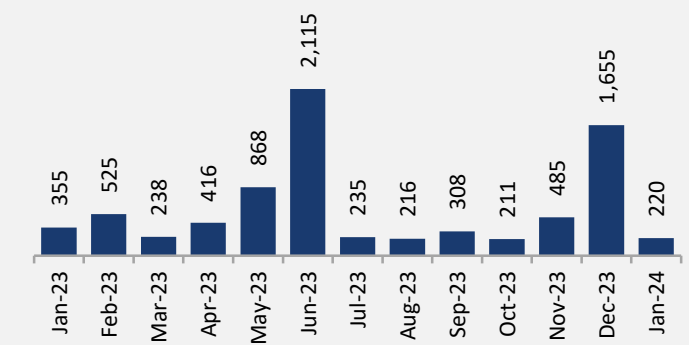
2.0 Domestic Fiscal: NBR revenue earnings remained steady, providing much-needed fiscal space.

Figure 2.1: Revenue Earnings (In mn USD)



Source: National Board of Revenue, EBLSL Research

Figure 2.2: Net Foreign Aid (In mn USD)



Source: Bangladesh Bank, EBLSL Research

- In Jan-24, the NBR collected USD 2,977 million (BDT 326.8 billion) in revenue earnings, indicating a 21.6% YoY increase in BDT terms, primarily due to a rise in VAT and Income tax collection by 21.1% and 29.9% respectively. However, the aggregate tax receipts (BDT 1,983.1 billion) were 8.02% below the target of achieving BDT 2,155.9 billion in revenue for the first seven months of FY'24.
- Net Foreign aid disbursements saw a notable decrease of 38.0% YoY in Jan-24 which can be attributed to the stagnancy in ADP implementation that is also recognized by major development partners like ADB, World Bank etc. Moreover, delays in procuring the undisbursed loan amounts and a lack of timely project implementation have also been pivotal factors in the decrease of foreign aid disbursements. However, the Finance Division (FD) and Economic Relations Division (ERD) of the Government of Bangladesh have been working with the Asian Development Bank (ADB) for confirmation of the budgetary support worth US\$400 million for the current fiscal year. Furthermore, the ERD has sought over US\$300 million funds from the World Bank (WB) to improve the power and gas distribution and transmission networks of the country.
- The negative growth in net sales of NSC continues as the government has been taking initiatives to reduce the high interest burden amid a narrowing fiscal space. Moreover, rising commodity prices posed challenges for consumers in meeting their daily expenses, which, in turn, diminished their inclination towards investing in NSCs. Additionally, rising interest rates in the money market may lower the appeal of NSC investments among general people over the short-to-medium term ahead.

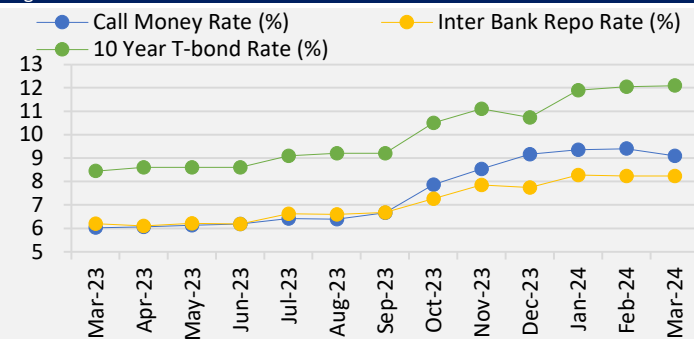
Exhibit 2.1: Domestic Fiscal

(In USD mn)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Tax Revenue Earnings	2,575	2,264	2,813	2,339	3,004	4,547	1,908	2,357	2,771	2,469	2,572	3,032	2,977
Net Foreign Aid	355	525	238	416	868	2,115	235	216	308	211	485	1,655	220
Net Sale of NSC	4	(42)	(62)	55	52	(25)	301	213	(13)	(94)	(141)	(201)	(117)

Source: National Board of Revenue, Bangladesh Bank, EBLSL Research

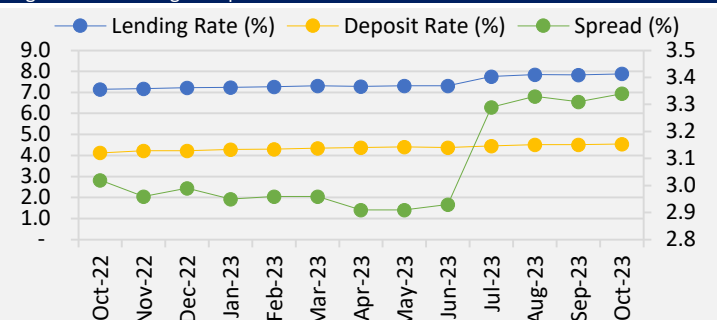
3.0 Money & Banking: The central bank tightened policy to curb inflation, leading to higher interest rates.

Figure 3.1: Interest Rates



Source: Bangladesh Bank, EBLSL Research

Figure 3.2: Lending & Deposit Rates



Source: Bangladesh Bank, EBLSL Research

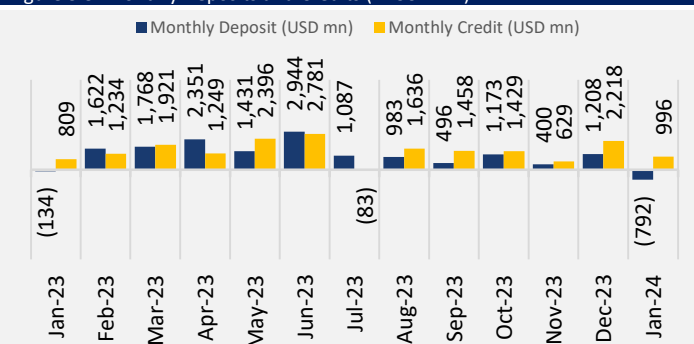
- The call money rate slightly cools down to 9.09% as of Mar-24, after reaching a 12-year high of 9.60% in Feb-24, following the liquidity injections into commercial banks by the Bangladesh Bank in various forms, including currency swaps with banks, which have somewhat reduced the demand for interbank borrowings. However, the call money rate may increase further as the central bank continues its monetary tightening initiatives to curb inflation. Moreover, the demand for interbank loans generally goes up ahead of the Eid festivals.
- In Oct-23, the banking sector saw a slight uptick in the weighted average interest rates for lending and deposits, reaching 7.89% and 4.55% respectively, alongside an increased average interest rate spread of 3.34%. Moreover, the rising SMART rate is expected to keep swelling bank lending and deposit rates. *(The latest data is yet to be published)*

Exhibit 3.1: Money & Banking – Interest Rates and Spread

(In %)	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Call Money Rate	6.03	6.06	6.13	6.18	6.42	6.39	6.67	7.87	8.54	9.16	9.36	9.41	9.09
Inter Bank Repo Rate	6.20	6.11	6.21	6.19	6.62	6.60	6.68	7.26	7.85	7.74	8.28	8.23	8.24
10 Year T-bond Rate	8.45	8.60	8.60	8.60	9.10	9.20	9.20	10.50	11.10	10.74	11.90	12.05	12.10
Lending Rate	7.31	7.29	7.32	7.31	7.75	7.85	7.83	7.89	-	-	-	-	-
Deposit Rate	4.35	4.38	4.41	4.38	4.46	4.52	4.52	4.55	-	-	-	-	-
Spread	2.96	2.91	2.91	2.93	3.29	3.33	3.31	3.34	-	-	-	-	-

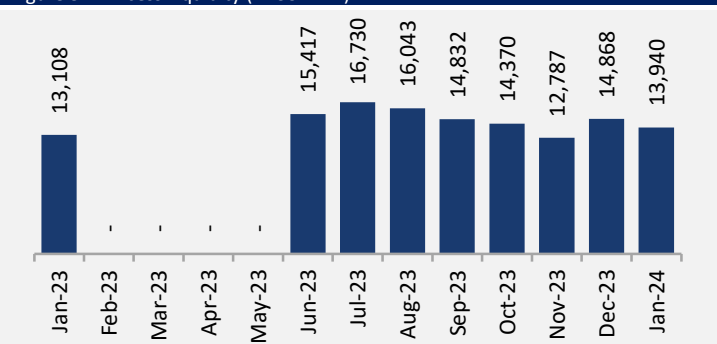
Source: Bangladesh Bank, EBLSL Research

Figure 3.3: Monthly Deposits and Credits (In USD mn)



Source: Bangladesh Bank, EBLSL Research

Figure 3.4: Excess Liquidity (In USD mn)



Source: Bangladesh Bank, EBLSL Research

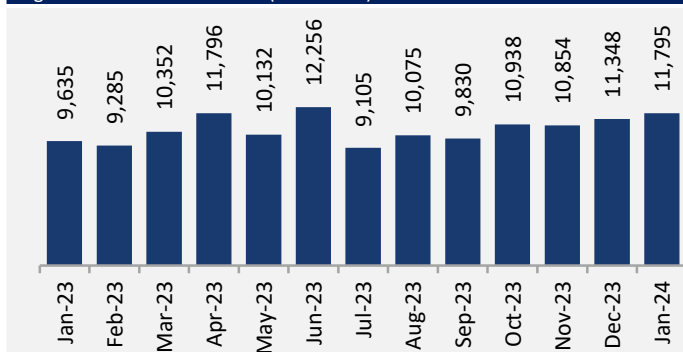
- Monthly bank deposits surged up by USD 2,959 million in the first seven months of FY'24, marking a substantial 185.5% YoY increase owing to higher returns on deposits followed by the withdrawal of interest rate ceiling. Moreover, monthly credit disbursement also increased by 81.0% YoY during the period, fueled by increased demand for credit due to growing investment activities following the ease of uncertainties after national election.
- In Jan-24, excess liquidity marginally declined to USD 13,940 million, reflecting a 6.2% decrease from the preceding month. Moreover, a significant portion of this fund has been invested in Treasury securities as the government raised funds from the banking sector through issuing T-Bills and T-Bonds. However, amid high interest rate environment, it is expected that excess liquidity may exhibit an improved figure in the coming period.

Exhibit 3.2: Money & Banking - Monthly Deposits and Credits, and Excess Liquidity

(In USD mn)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Monthly Deposit	(134)	1,622	1,768	2,351	1,431	2,944	1,087	983	496	1,173	400	1,258	(792)
Monthly Credit	809	1,234	1,921	1,249	2,396	2,781	(83)	1,636	1,458	1,429	629	2,218	996
Excess Liquidity	13,108	-	-	-	-	15,417	16,730	16,043	14,832	14,370	12,787	14,868	13,940

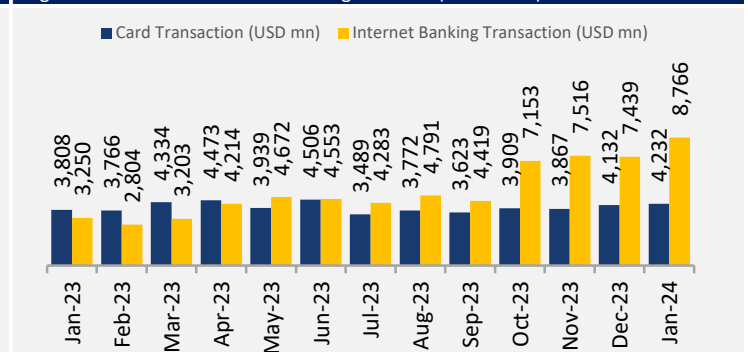
Source: Bangladesh Bank, EBLSL Research

Figure 3.5: MFS Transaction (In USD mn)



Source: Bangladesh Bank, EBLSL Research

Figure 3.6: Card and Internet Banking Statistics (In USD mn)



Source: Bangladesh Bank, EBLSL Research

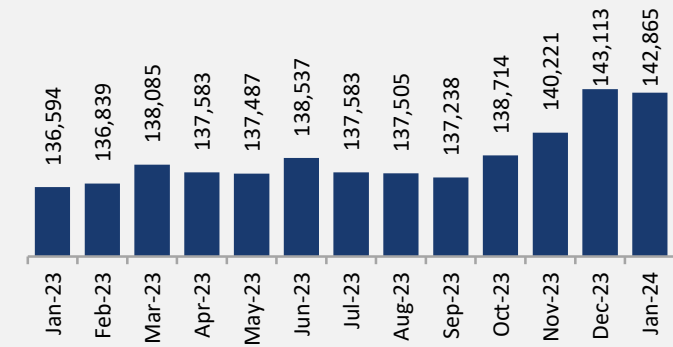
- Mobile financial services (MFS) transactions in Jan-24 stood at USD 11.8 billion, registering a 22% YoY increase. This trend is anticipated to persist, especially with the upcoming Eid spending frenzy expected to further contribute to the transaction volume.
- Internet banking transactions achieved a considerable growth of 170% YoY to USD 8,766 million in Jan-24. The growing use of internet banking and mobile financial services aligns with the government's aim to transform 75% of financial transactions to digital platforms by 2027. Meanwhile, card transactions also witnessed a moderate increase of 11% YoY in Jan-24.

Exhibit 3.3: Money & Banking - MFS & Internet Banking Transactions

(In USD mn)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
MFS	9,635	9,285	10,352	11,796	10,132	12,256	9,105	10,075	9,830	10,938	10,854	11,348	11,795
Card	3,808	3,766	4,334	4,473	3,939	4,506	3,489	3,772	3,623	3,909	3,867	4,132	4,232
Internet Banking	3,250	2,804	3,203	4,214	4,672	4,553	4,283	4,791	4,419	7,153	7,516	7,439	8,766

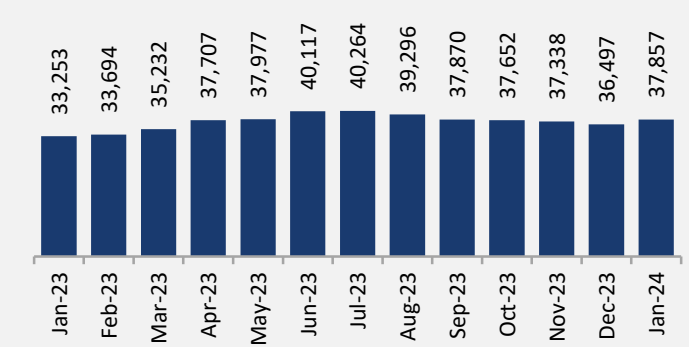
Source: Bangladesh Bank, EBLSL Research

Figure 3.7: Private Credit (In mn USD)



Source: Bangladesh Bank, EBLSL Research

Figure 3.8: Public credit (In mn USD)



Source: Bangladesh Bank, EBLSL Research

- The private sector credit growth slightly decreased to 9.95% YoY in Jan-24, settling marginally below the central bank's revised target of achieving 10.00% private credit growth as outlined in the MPS for the second half of FY'24. This slowdown can be attributed to the contractionary monetary policy taken by the central bank, which kept interest rates higher to reduce the demand for loans in the private sector, along with the prevailing liquidity shortage in the banking sector and the government's continued borrowing from the banking channel.
- Meanwhile, public sector credit growth marginally advanced to 19.68% YoY in Jan-24, although significantly falling short of the central bank's revised target of 27.80% growth in MPS H2'24. This is pertinent to the government's aim to reduce the interest burden and focus on selective expenditure on priority projects as part of its austerity measures amid a narrowing fiscal space, along with the central bank's contractionary monetary policy stance to contain inflation. Moreover, the decline in public credit growth can also be attributed to the lower ADP implementation rate, which stood at only 27.11% in the first seven months of FY'24, marking its lowest level in 12 years. The prevailing economic adversities, dollar shortages and higher construction costs have significantly reduced the government's fervor for expenditure on ADP projects.
- In Dec-23, non-performing loans (NPLs) in Bangladesh's banking sector saw a decline to 9.00%, following a record high of 10.11% in June 2023, as banks intensified their efforts to recover loans, aiming for a healthier year-end balance sheet. Recently, the Bangladesh Bank unveiled a roadmap targeting a reduction of default loans to 8% by June 2026, in line with an International Monetary Fund (IMF) condition. This roadmap includes easing the loan write-off policy potentially reducing default loans to 2.76% by June 30, 2026.

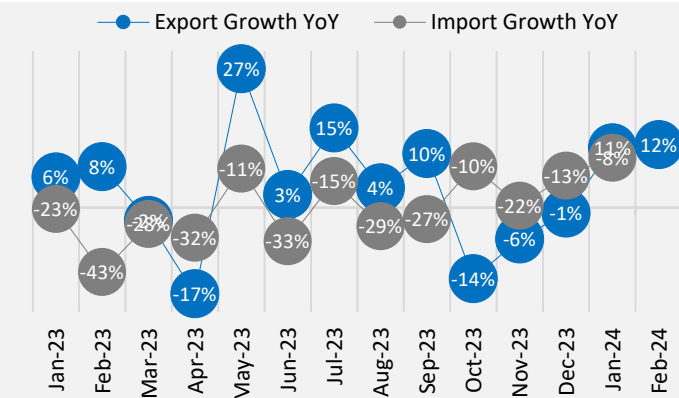
Exhibit 3.4: Money & Banking - Private Sector Credit and Public Sector Credit

(In USD mn)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Private Credit	136,594	136,839	138,085	137,583	137,487	138,537	137,583	137,505	137,238	138,714	140,221	143,113	142,865
Growth (YoY)	12.62%	12.14%	12.03%	11.28%	11.10%	10.57%	9.82%	9.75%	9.69%	10.09%	9.90%	10.13%	9.95%
Public Credit	33,253	33,694	35,232	37,707	37,977	40,117	40,264	39,296	37,870	37,652	37,338	36,497	37,857
Growth (YoY)	29.32%	32.06%	36.08%	37.53%	40.99%	34.99%	35.89%	30.66%	26.27%	20.69%	21.55%	19.34%	19.68%
Domestic Credit	169,847	170,533	173,317	175,291	175,464	178,654	177,847	176,801	175,108	176,366	177,560	179,610	180,722
Classified Loan	8.80					10.11				9.93			9.00

Source: Bangladesh Bank, EBLSL Research | Note: Classified loans are reported at quarter-end.

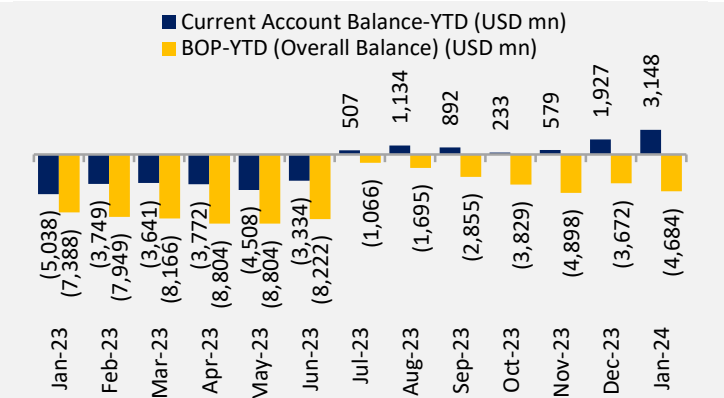
4.0 External Sector: The rise in exports and remittances is strengthening the much-needed forex reserve.

Figure 4.1: Export Growth YoY and Import Growth YoY in %



Source: Bangladesh Bank, EBLSL Research

Figure 4.2: Current Account Balance, Balance of Payment



Source: Bangladesh Bank, EBLSL Research

- Merchandise exports grew by 12.0% YoY in Jan-24, surpassing the USD 5 billion-mark for three consecutive months. Bangladesh witnessed a significant rebound in merchandise exports, achieving a record high of USD 5.72 billion in the previous month. This notable increase was primarily driven by the export of RMGs, especially to Western markets, due to heightened consumer expenditure during festivals as well as the global economy gradually recovering from the high inflationary pressure. However, despite facing reduced export subsidies, the outlook for overseas earnings appears positive, with promising export prospects emerging in new markets such as Australia, India, and Japan.
- In Jan-24, merchandise imports stood at USD 5.4 billion, reflecting a 7.7% YoY decrease, owing to Bangladesh Bank's stringent measures to regulate the import of luxury goods in order to curb import activities amid a dollar dearth.
- Remittance inflow maintained its growing trend, rising by 3.1% MoM and 38.7% YoY to an 8-month high of USD 2.2 billion in Feb-24, since both banks and the government are now paying a 2.5% incentive each on the total proceeds in order to attract remitters. The surge in remittance inflows is expected to continue surrounding the Eid festival, which will further strengthen the development of the much-needed foreign currency reserve.
- The gross forex reserve stood at USD 24.8 billion, while as per BPM6, it stands at USD 19.4 billion as of Mar-24. The central bank's recent introduction of currency swaps with commercial banks has somewhat contributed to pushing up the foreign exchange reserve. Moreover, according to the IMF, Bangladesh's gross foreign reserves can rise to USD 24.3 billion (as per BPM6) by the end of the fiscal year if greater exchange rate flexibility can be allowed and a tighter monetary policy is implemented.

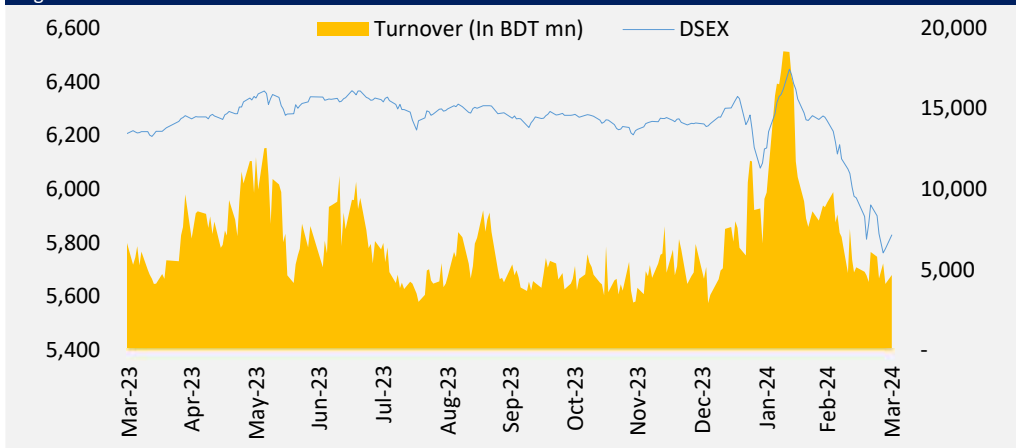
Exhibit 4.1: External Sector

(In USD mn)	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Export fob	4,644	3,956	4,850	5,032	4,593	4,782	4,310	3,762	4,785	5,308	5,724	5,188	-
Import fob	5,144	4,842	5,984	4,731	4,991	4,871	4,887	5,520	5,455	4,856	5,446	-	-
CA Balance	(3,641)	(3,772)	(4,508)	(3,334)	507	1,134	892	233	579	1,927	3,148	-	-
BOP	(8,166)	(8,804)	(8,804)	(8,222)	(1,066)	(1,695)	(2,855)	(3,829)	(4,898)	(3,672)	(4,684)	-	-
Remittance	2,018	1,683	1,692	2,199	1,973	1,599	1,344	1,978	1,930	1,990	2,101	2,166	-
Exchange Rate	104.8	105.9	106.9	107.8	108.0	108.7	110.3	110.3	110.3	109.8	109.8	109.8	109.8
Forex Reserve	31,061	31,181	29,874	30,847	29,637	29,382	27,057	26,701	25,161	26,050	25,091	25,765	24,812
Forex Reserve-BPM6	-	-	-	-	23,304	23,145	21,155	20,897	19,524	20,680	19,943	20,573	19,456

Source: Bangladesh Bank, Eastern Bank PLC, EBLSL Research | Note: P=Provisional

5.0 Capital Market: Market extends its free fall with intense bearish sentiment pervading the trading floor.

Figure 5.1: Historical Movement of DSEX and Turnover



Source: Dhaka Stock Exchange, EBLSL Research

- The country's capital market experienced a major setback owing to the enduring pessimism pervading the trading floor amid subdued market sentiment and rising tensions over the market outlook. The market extended its free fall throughout the month as panic-driven selling pressure continued to dominate the market. The relentless bearish spell has been prolonged for continuous sessions as wary investors kept on their selling spree to protect their funds from the ailing market. The benchmark index of the capital bourse, DSEX, dipped significantly below the pre-floor price imposition level, losing 425 points, or 6.8%, to settle at a 34-month low of 5,830 points. Meanwhile, market participation also remained stagnant since investors have been shying away from taking positions in equities amidst an uncertain market outlook, as evident from the average daily turnover dwindling by 52.9% MoM. Although the market showed marginal recovery in two sessions owing to investors' positive expectations from the DBA's meeting regarding the current state of the stock market, it failed to hold onto the revival spirit due to dampened investor confidence stemming from the prolonged bearish vibe in the market. Cautious investors are being watchful and preferring to stay on the sidelines until the market experiences a major trigger to regain a persistent positive momentum. However, the market showed marginal recovery in the last two sessions of the month as bargain hunters favored taking positions in the low-priced scrips following the recent major corrections in the market, while strategic investments from large investors ahead of their quarter-end financial reporting have also helped the market sustain its positive vibe.

Exhibit 5.1: Capital Market

Index	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
DSEX	6,276	6,263	6,340	6,344	6,325	6,299	6,285	6,279	6,223	6,246	6,153	6,255	5,830
DS30	2,209	2,202	2,198	2,193	2,157	2,142	2,140	2,134	2,108	2,094	2,104	2,127	2,021
DSMEX	1,133	1,035	1,211	1,291	1,314	1,297	1,248	1,230	1,263	1,264	1,277	1,452	1,696
(In USD mn)													
Average Turnover	45	54	82	76	72	40	57	42	39	49	65	115	54
Market Cap	72,761	72,284	72,349	71,589	72,362	71,367	70,519	71,135	70,006	71,148	68,495	69,314	62,260
Mkt Cap to GDP Ratio	16.0%	15.9%	15.9%	15.8%	15.9%	15.7%	15.5%	15.7%	15.4%	15.7%	15.1%	15.3%	13.7%
MF AUM (Close-End)	547	545	550	547	543	538	519	532	530	534	517	508	463 ^P

Source: Dhaka Stock Exchange, EBLSL Research | Note: P=Provisional

6.0 Appendix: Overview of Global Economic Indicators and Major World Market Indices.

Exhibit 6.1: Global Economic Indicators

Country	Nominal GDP (USD bn)	GDP Growth (Real)-YoY	Inflation (P to P)	CA Balance (% of GDP)	Interest rate (10 Yr T-bond)	Exchange rate (USD)	GDP per capita (U.S. dollars)
Frontier Markets							
Bangladesh	453.9	6.03%	9.67%	0.69%	12.10%	109.8	2,657.0
Sri Lanka	75.3	-8.66%	5.90%	-1.94%	13.43%	308.3	4,376.0
Vietnam	406.5	8.02%	3.98%	-0.88%	2.33%	24,695.0	3,409.0
Emerging Markets							
India	3,386.4	6.83%	5.10%	-2.61%	7.06%	82.9	1,937.0
China	18,100.0	2.99%	-0.80%	2.31%	2.35%	7.2	11,188.0
Philippines	404.3	7.60%	3.40%	-4.41%	6.37%	56.0	3,328.0
Thailand	536.2	2.64%	-0.77%	-3.26%	2.56%	35.8	6,124.0
Malaysia	407.9	8.69%	1.50%	2.64%	3.88%	4.7	10,576.0
Turkey	905.5	5.57%	67.07%	-5.38%	27.98%	31.6	13,342.0
Russia	2,215.3	-2.05%	7.40%	10.27%	13.03%	91.6	10,216.0
Developed Markets							
USA	25,464.5	2.07%	3.10%	-3.64%	4.19%	1.0	61,856.0
UK	3,070.6	4.05%	4.00%	-5.55%	4.12%	0.8	45,102.0
France	2,784.0	2.61%	2.90%	-1.71%	2.84%	0.9	38,046.0
Australia	1,701.9	3.66%	4.10%	1.20%	4.09%	1.5	59,341.0
Singapore	466.8	3.65%	2.90%	19.33%	3.08%	1.3	66,176.0
Hong Kong	361.0	-3.51%	1.70%	10.73%	3.76%	7.8	44,481.0
Germany	4,075.4	1.78%	2.50%	4.20%	2.36%	0.9	42,726.0

Source: www.investing.com, www.tradingeconomics.com, www.bloomberg.com, EBLSL Research

Exhibit 6.2: Major World Market Indices

Particulars	Country	Index	% Change					Latest P/E
			1 Week	1 Month	YTD	1 Year	3 Year	
Dow Jones	US	39,512.13	0.84%	1.84%	5.62%	19.63%	20.07%	22.01
S&P 500	US	5,224.62	0.39%	2.28%	10.16%	27.86%	30.71%	23.89
Nasdaq	US	16,369.41	-0.30%	0.64%	9.11%	34.02%	21.51%	40.97
FTSE 100	UK	7,825.60	0.27%	3.52%	2.84%	4.20%	18.04%	10.34
Shanghai	China	3,077.11	-0.27%	0.47%	2.23%	-7.08%	-12.27%	13.57
Hang Seng	Hong Kong	16,856.00	0.25%	-0.29%	-2.97%	-18.92%	-42.84%	8.65
Taiwan Weighted	Taiwan	19,784.45	0.33%	7.17%	13.18%	27.89%	22.47%	22.84
SET	Thailand	1,387.60	-0.22%	0.77%	-2.68%	-14.37%	-13.62%	17.04
KOSPI	South Korea	2,754.64	-0.06%	3.96%	3.45%	10.90%	-11.03%	18.50
IDX Composite	Indonesia	7,359.73	-0.92%	-0.68%	-0.14%	6.72%	20.81%	17.76
PSEi Composite	Philippines	6,963.22	0.31%	-0.23%	7.03%	6.21%	7.15%	13.34
VN 30	Vietnam	1,281.57	0.99%	2.35%	14.62%	20.79%	5.77%	15.87
BSE Sensex	India	72,643.74	1.13%	-0.21%	1.95%	24.85%	47.21%	23.03
Karachi 100	Pakistan	65,586.28	2.98%	2.71%	7.44%	67.73%	51.02%	4.47
CSE All-Share	Sri Lanka	11,276.31	1.62%	7.04%	7.42%	23.04%	59.10%	10.41
DSEX	Bangladesh	5,829.70	-1.88%	-6.79%	-6.67%	-6.08%	10.45%	13.02

Source: www.investing.com, www.bloomberg.com, EBLSL Research

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

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

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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



Khatungonj Booth:

1625/1351 Ramjoy Mohazon
Lane (Post Office Goli),
Khatungonj, Chattogram-4000
+88 02 333350536, 333350538