



# Ready. Set. Buy

## Bangladesh Equity Strategy

August 14, 2025

# Executive Summary

## 1. Macro Tailwinds Are Aligned for Asset Price Appreciation

 Things are moving in the right direction

- Inflation to fall to 6.5%–7.5% by Dec-25E, hitting a 3-year low
- BDT to hold 122–125/USD on current account strength
- 1-year T-bill yields to drop to 8.5%–9.5%
- GDP growth to rebound to 5.0%–6.0% in FY26 as consumption and investment recover

## 2. Equities Set for 88%+ Upside in 18–24 Months

 The rebound has already begun

- **Earnings Growth:** Corporate earnings to rebound ~40% by 2026E
- **Multiple Rerating:** Price multiples to rerate towards 14.0x P/E
- **Foreign Push:** Market ~50% cheaper in USD terms to unlock new foreign inflows
- **Institutional Push:** Capital to shift from bonds into equities

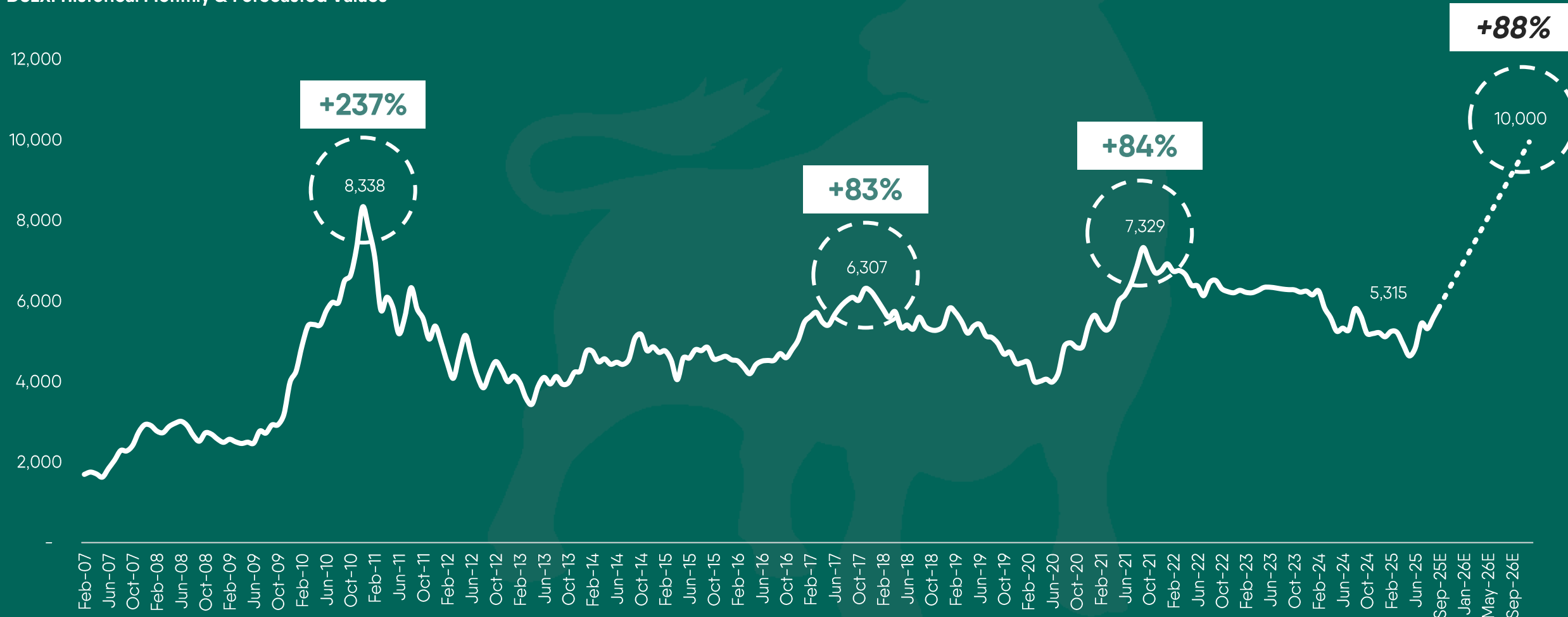
## 3. Key Equity Themes

 Poised for a powerful re-rating

- **Banks & NBFIs:** Resilient balance sheets, deep valuation discounts, catalysts from GSEC gains & brokerage income
- **High-Leverage Plays:** Manufacturing & services to see amplified recovery as borrowing costs ease
- **Dividend Plays:** Attractive yields ahead of price appreciation
- **Consumer Rebound:** Easing inflation to fuel double-digit growth in consumer sector

**CAL is overweight on equities:** We expect the ***DSEX to reach 10,000+ in the next 18-24 months***, surpassing bull markets of 2015 and 2021

DSEX: Historical Monthly & Forecasted Values

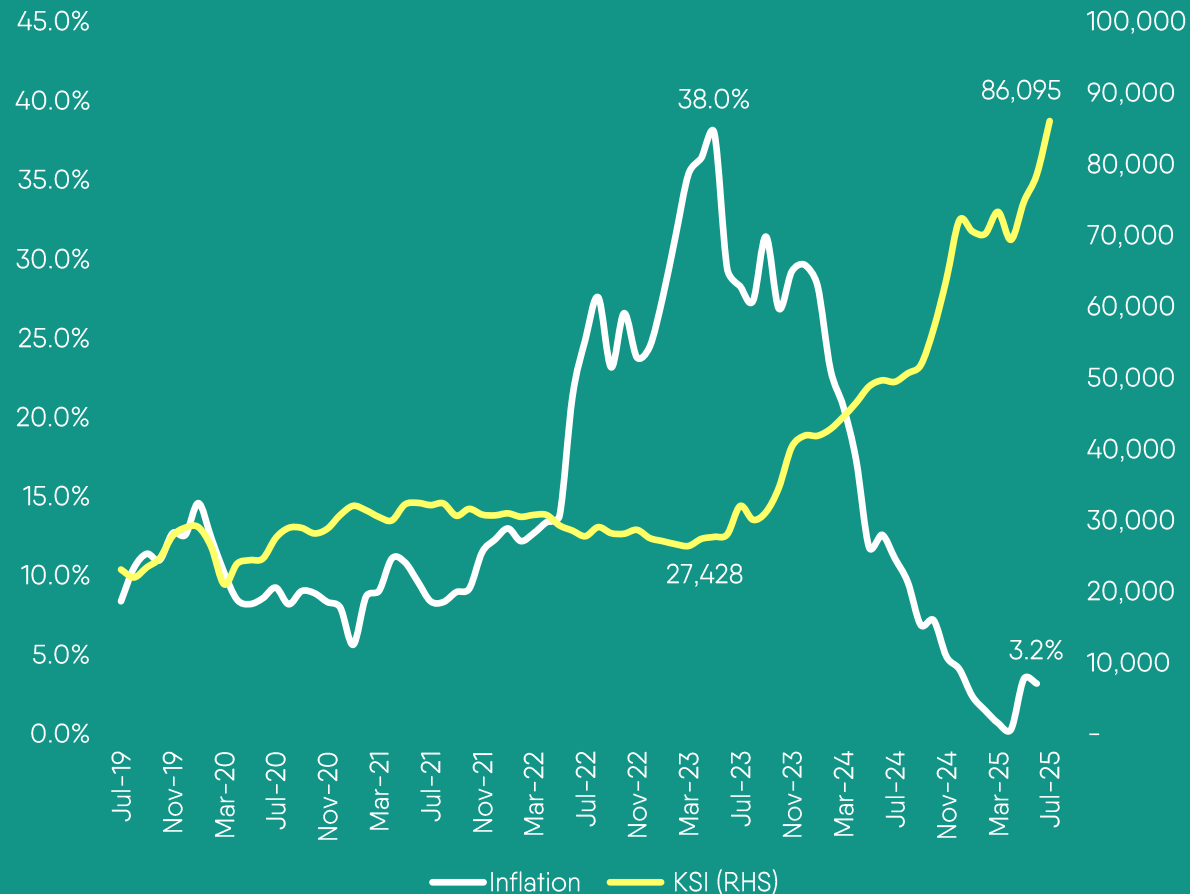


# With inflation falling sharply in Bangladesh, the market could **mirror Pakistan and Sri Lanka's 150%+ rallies** during falling inflation cycles



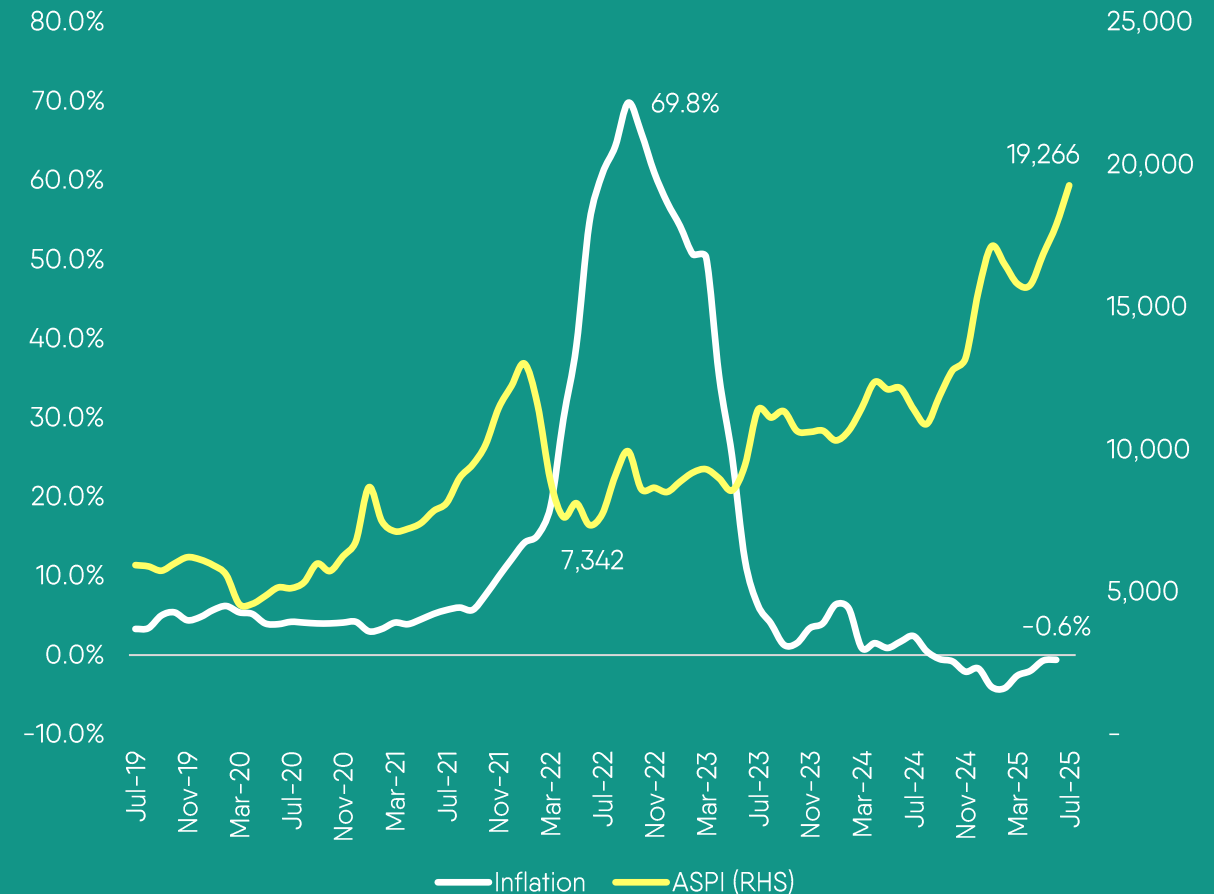
**214% Market Return in 2 years**

Pakistan Inflation vs. Karachi All Share Index



**162% Market Return in 2 years**

Sri Lanka Inflation vs. Colombo All Share Price Index



# A Goldilocks Scenario is Emerging for Equities

1



Macro tailwinds are aligning favorably

2



Corporate earnings will rebound

3



Multiples will rerate to the upside



1

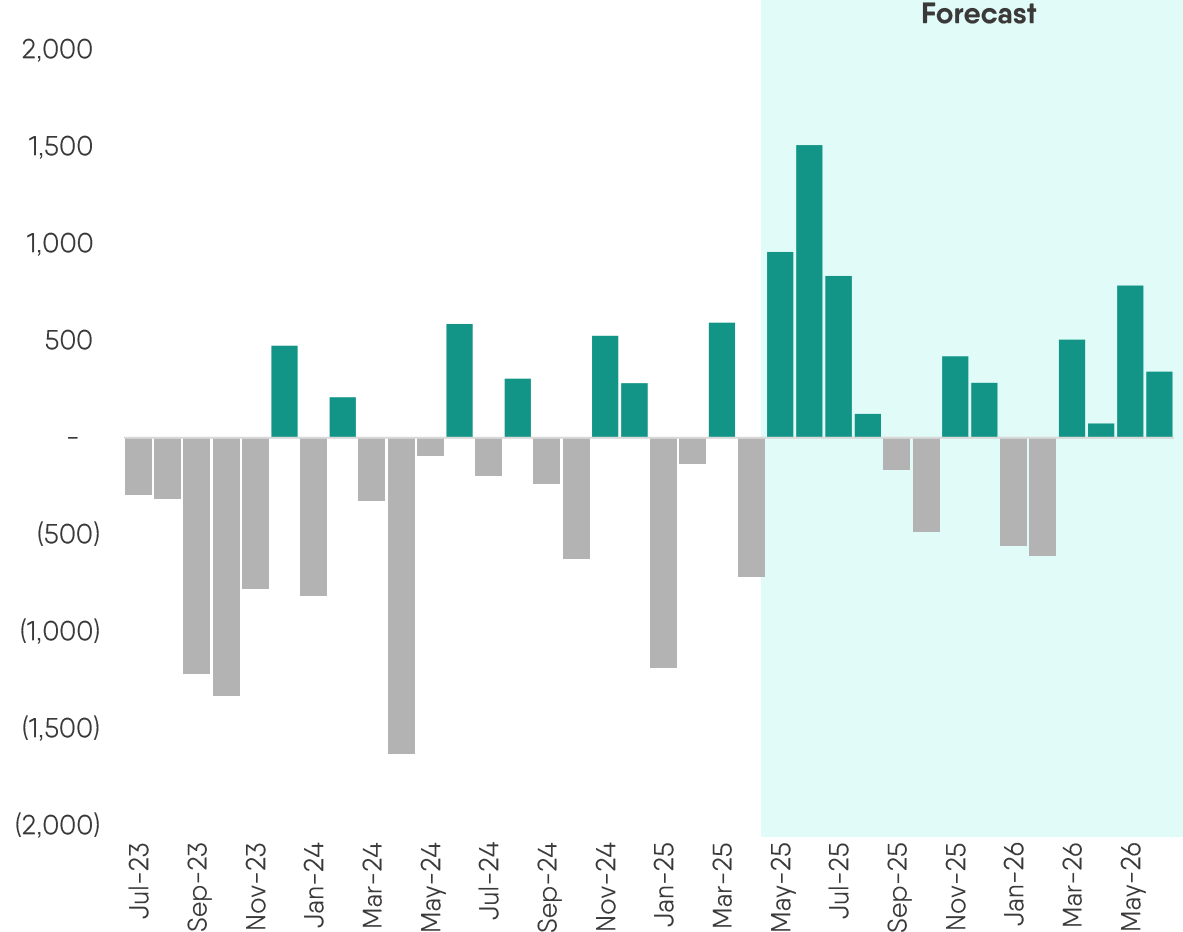
# Macro Tailwinds are Aligning Favorably

- Exchange rate is stabilizing
- Inflation is falling sharply
- Interest rates are entering a downcycle
- Demand is expected to recover steadily

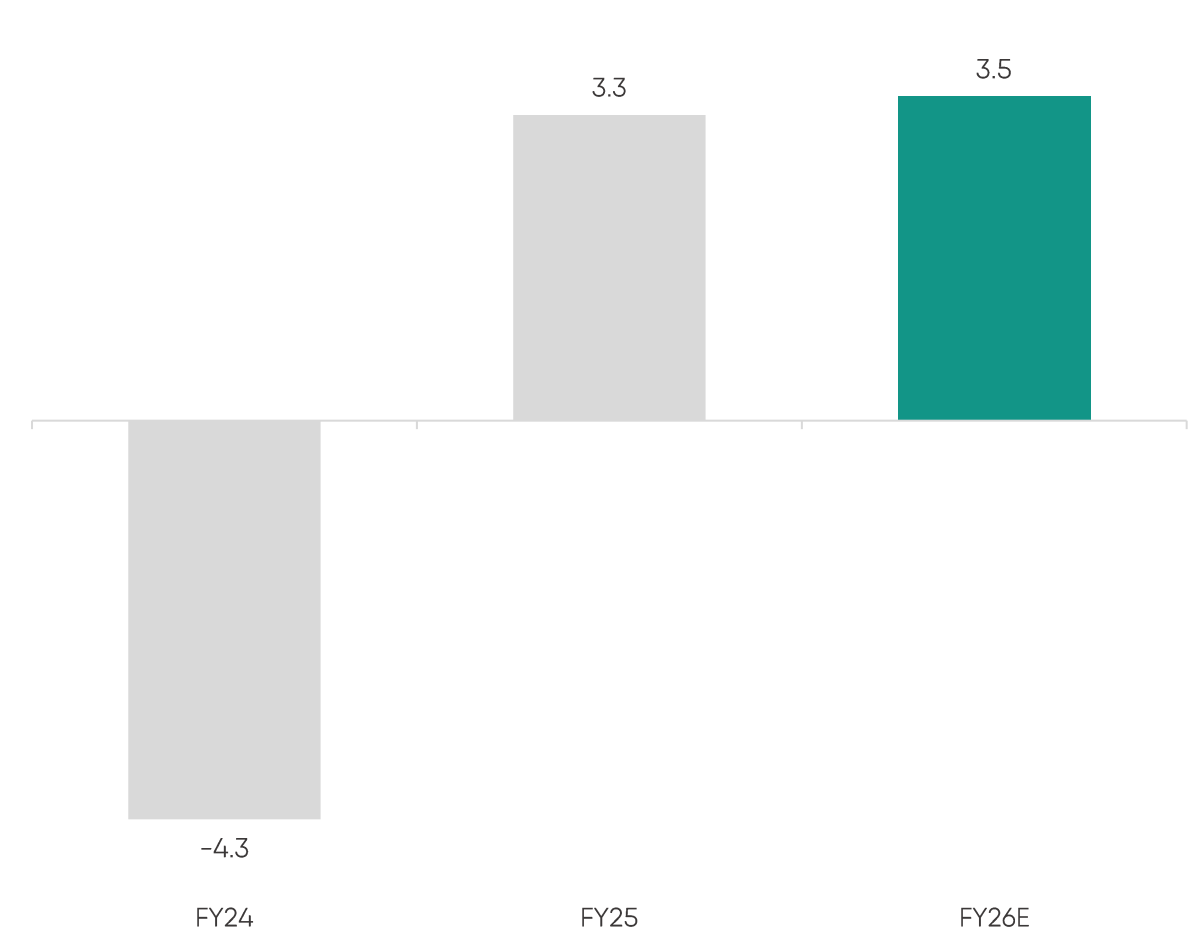


**BDT will Remain Stable:** CAL expects the exchange rate to remain within BDT 122-125 by Dec-25E as both current account and balance of payments are expected to turn positive.

Current Account Balance (USD mn)

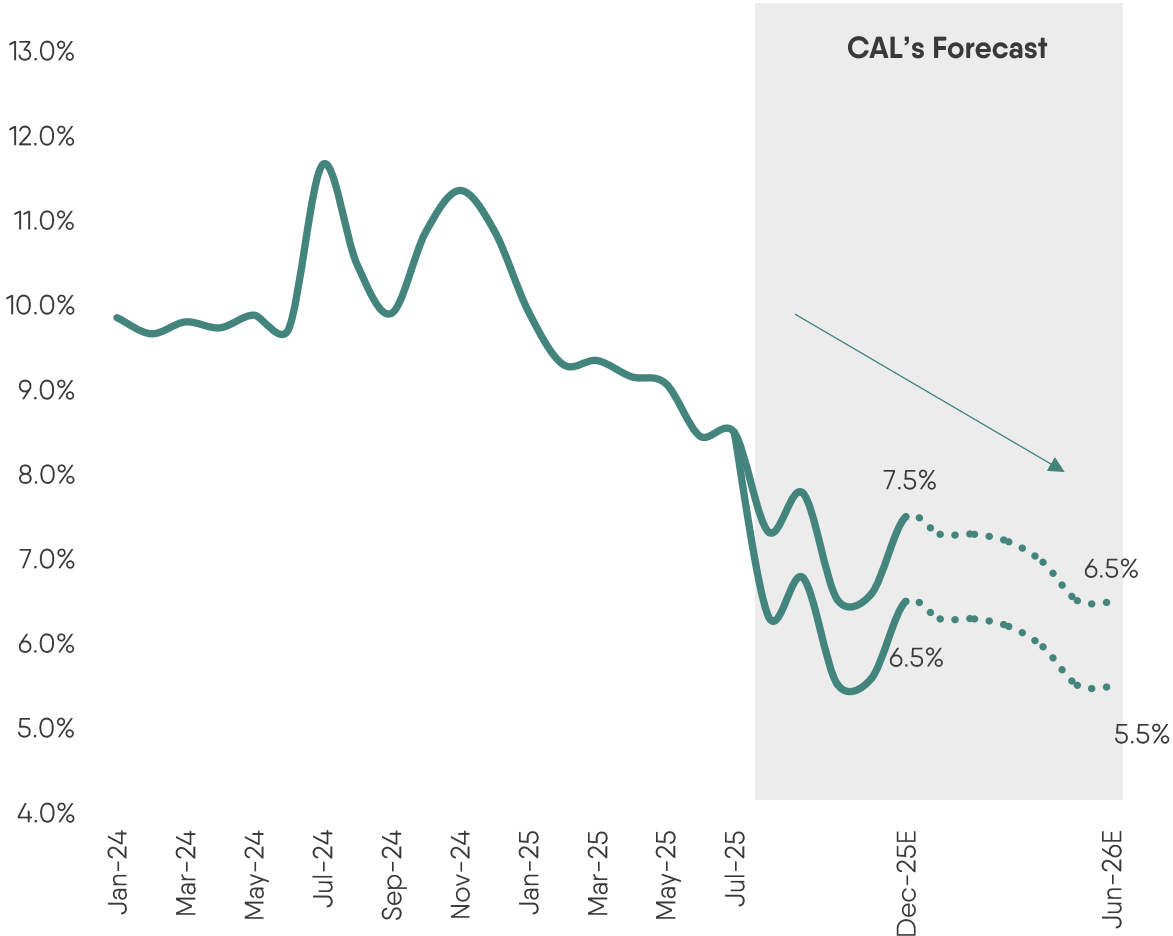


Balance of Payments (USD bn)

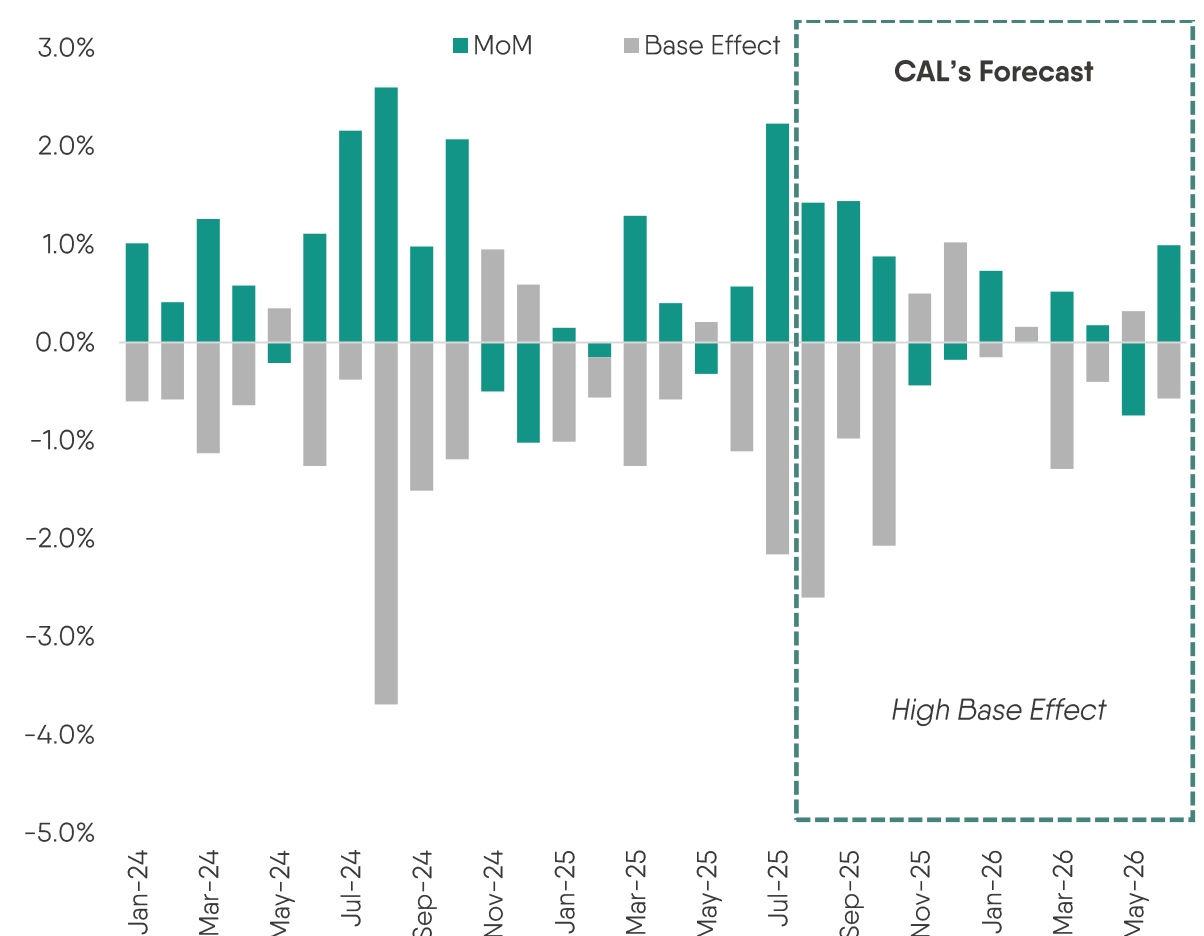


**Inflation to hit a 3-year Low:** CAL expects inflation will fall to 6.5%–7.5% by Dec-25E driven by tight monetary policy and high 2024 base.

Headline Inflation (%)



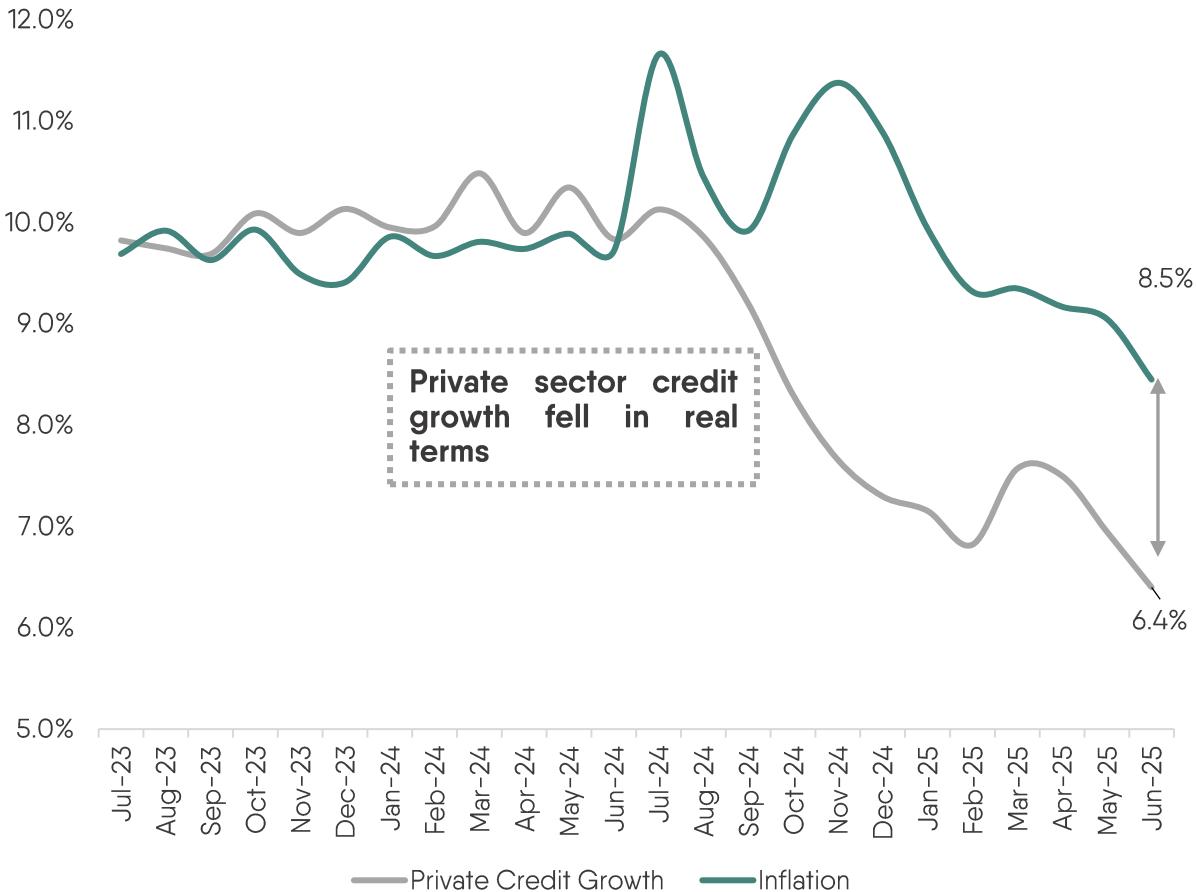
MoM Inflation (%)



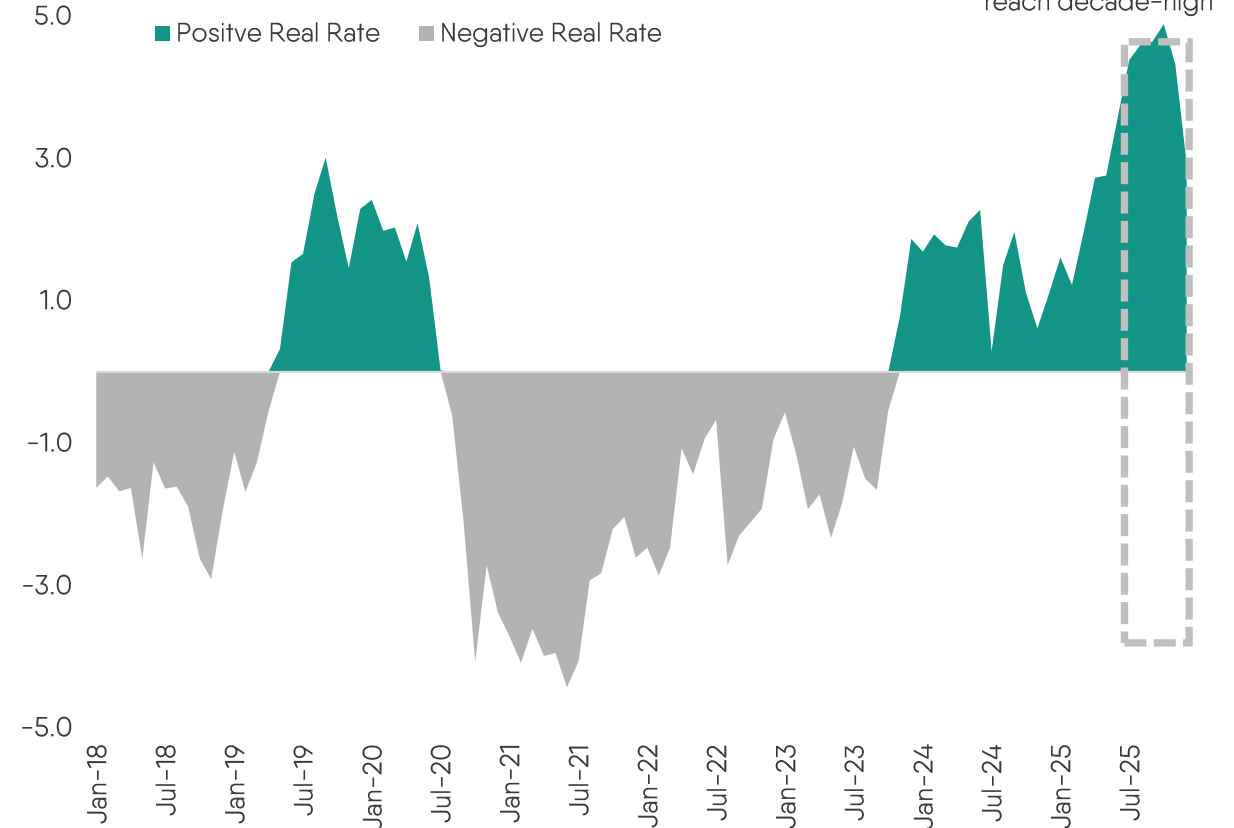


**Interest Rates will Fall to Single Digits:** CAL expects 1-year T-bill rates easing to 8.5–9.5% by Dec-25E on weak credit demand and strong real returns attracting inflows.

**1-year Treasury Bill Rate (%)**



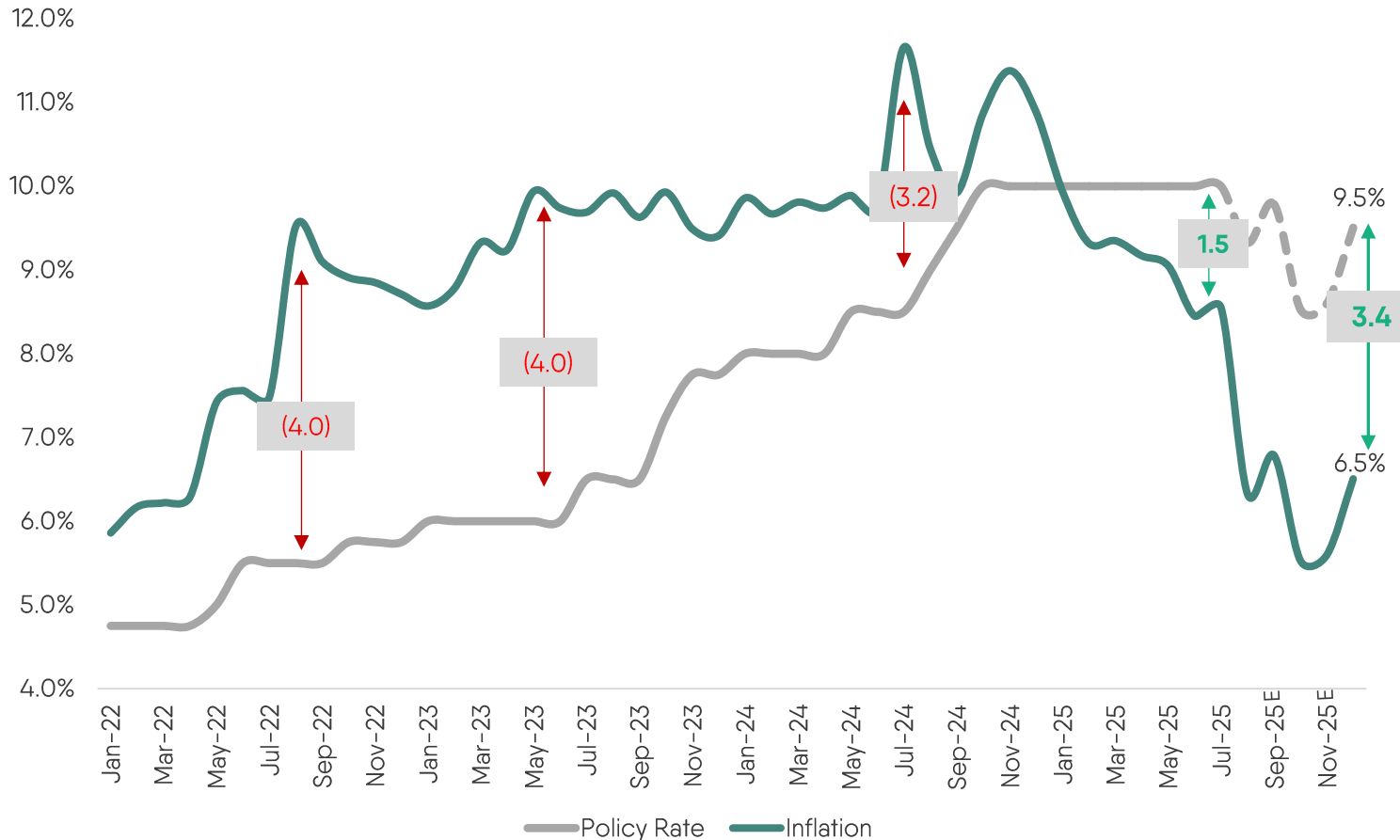
**Real Interest Rate (%)**



# A 50-bps expected policy rate cut is expected as per BB guidelines by Dec-25E.

Headline inflation is expected to fall below 7% by October, which is likely to prompt a policy rate as the central bank is targeting a real policy rate of 3%.

**Policy Rate vs. Inflation (%)**



“

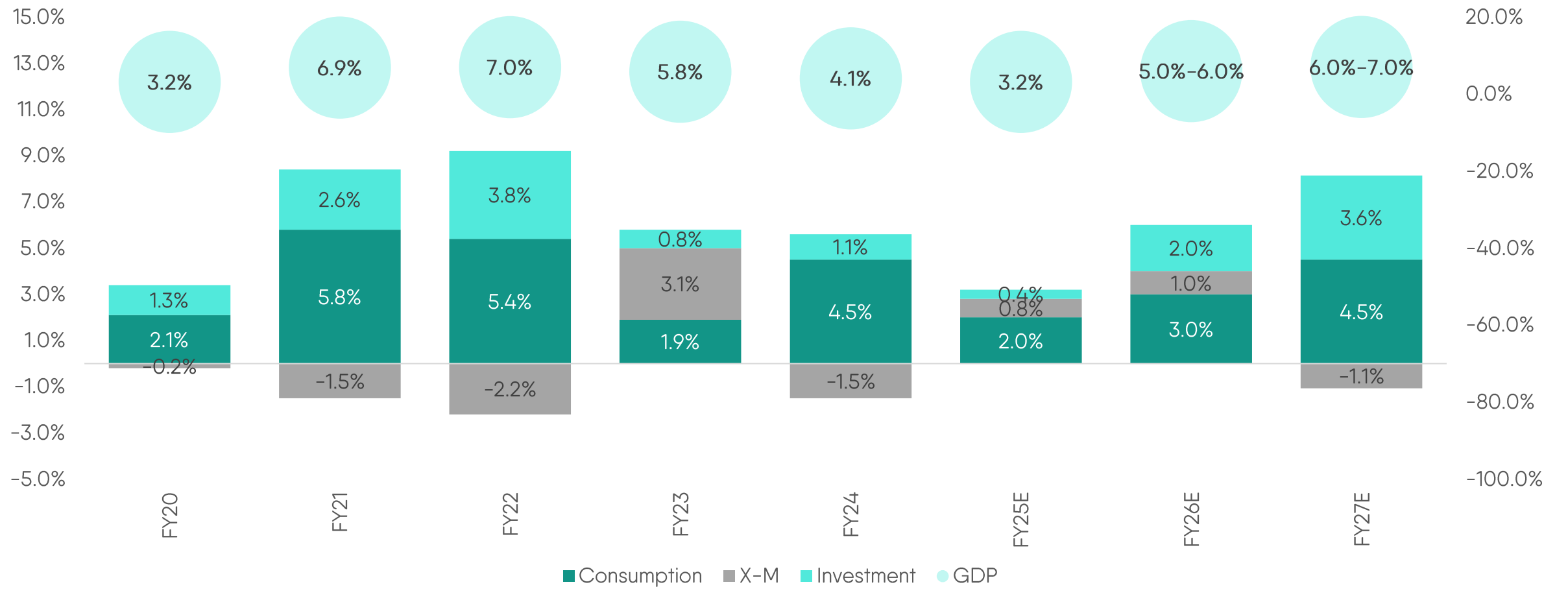
What I want is to increase the real interest rate to 3 percent or above. So, when inflation declines below 7 percent, we will see the gap and then we can bring down the policy rate.

”

**– Dr. Ahsan H. Mansur,  
Governor, Bangladesh Bank**

# Rebound from FY25 lows: GDP growth to rebound to 5–6% in FY26E on recovering consumption and investment.

Contribution to Real GDP Growth (%)



2

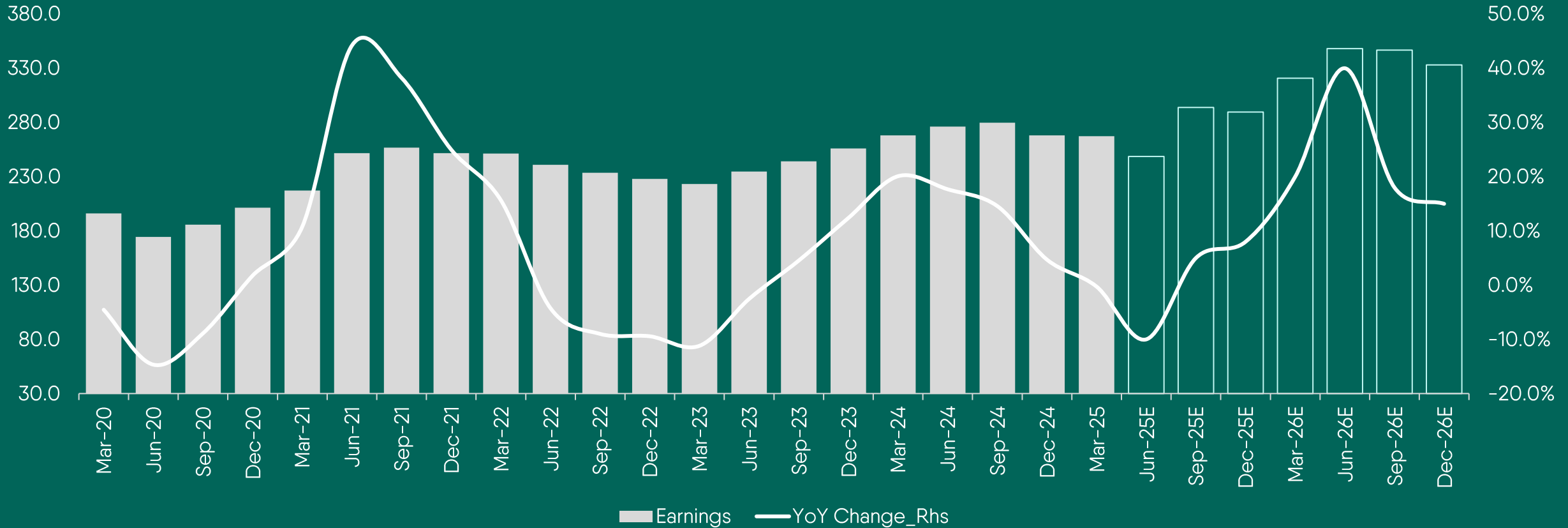
# Corporate Earnings will Rebound

- Falling inflation will drive volume growth
- Lower commodity prices and stable Fx will increase margins
- Topline growth will outpace operating costs
- Lower interest rates will reduce finance costs



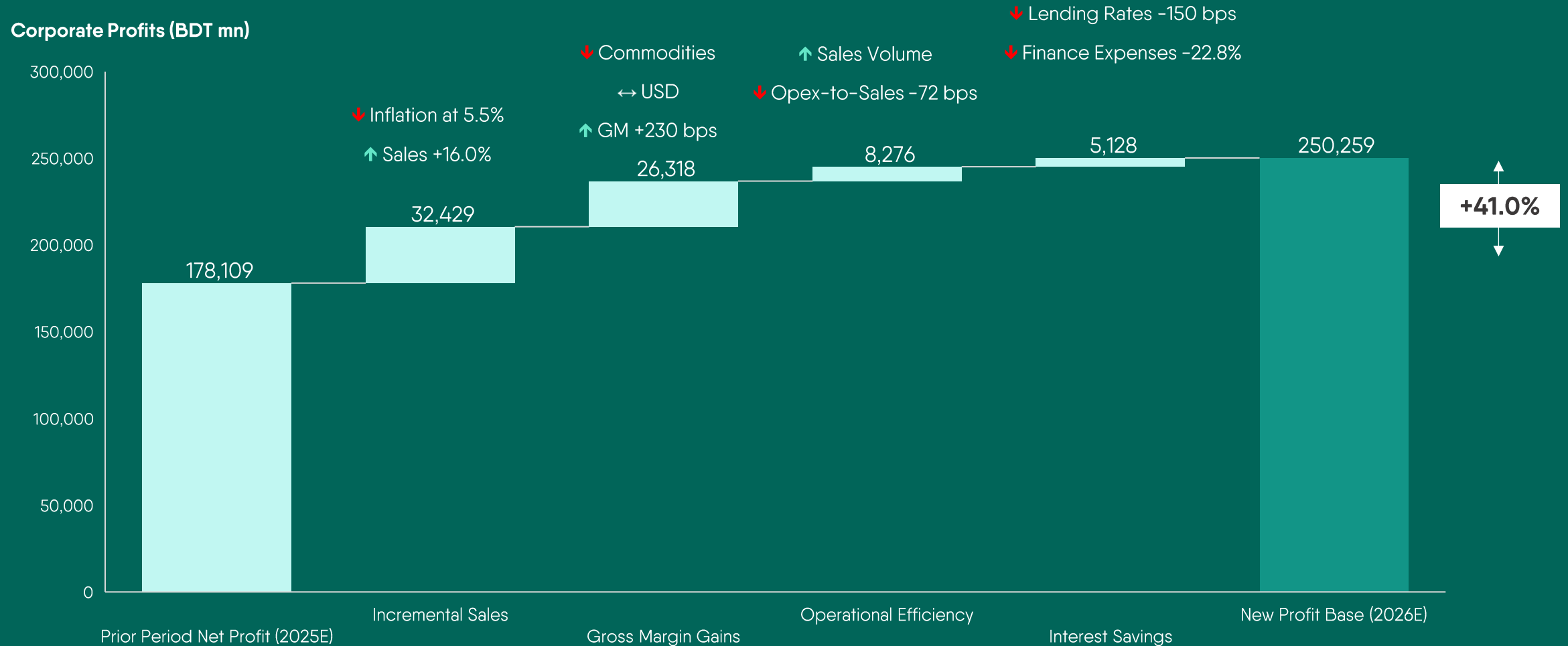
**Set for a Comeback:** Earnings are poised for a potential 40% rebound, driven by a recovery in manufacturing and service sectors.

Corporate Earnings (BDT bn) and YoY Growth (%)



*\*Based on the 50 largest companies by earnings.*

# Manufacturing and service company earnings will rebound on volume, margin gains, and lower finance costs.

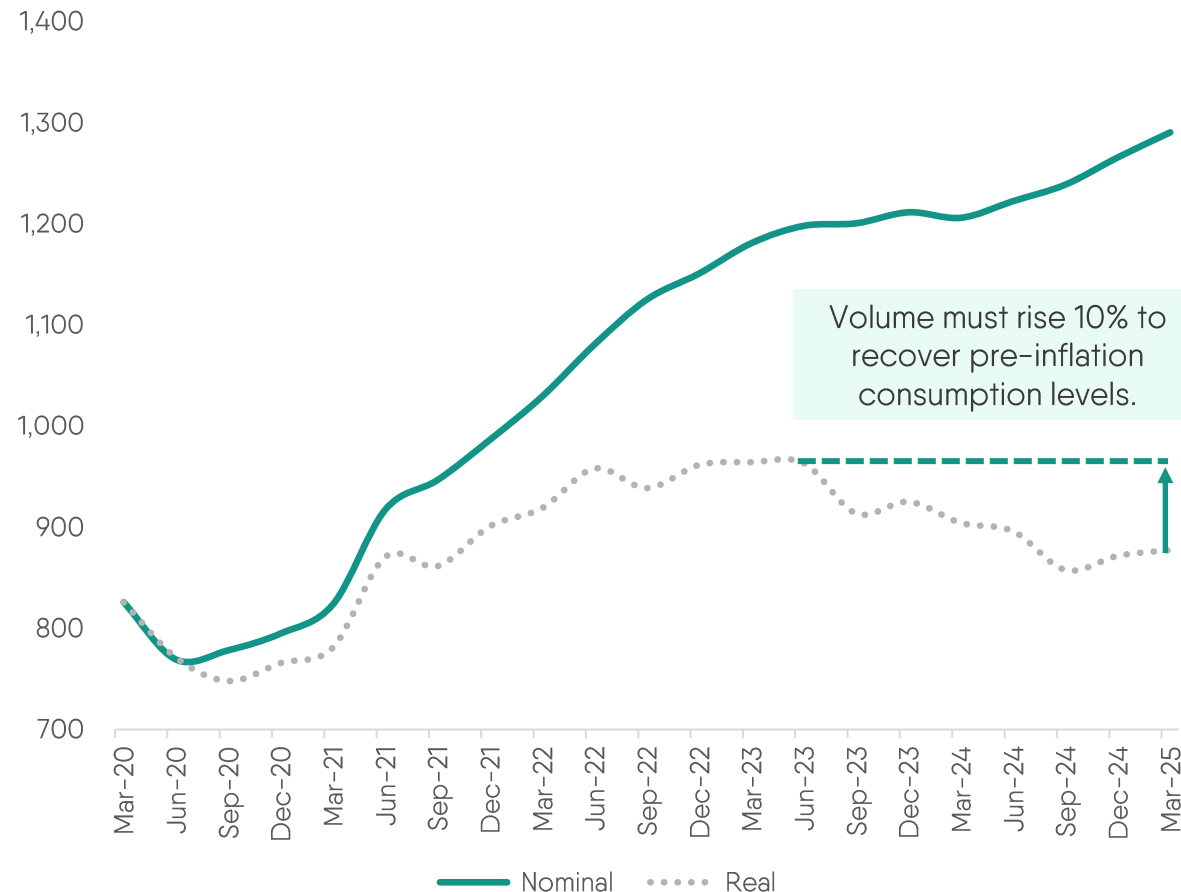


\*Based on the 48 largest manufacturing and service companies by earnings, excluding Banks, NBFIs, and General Insurers.

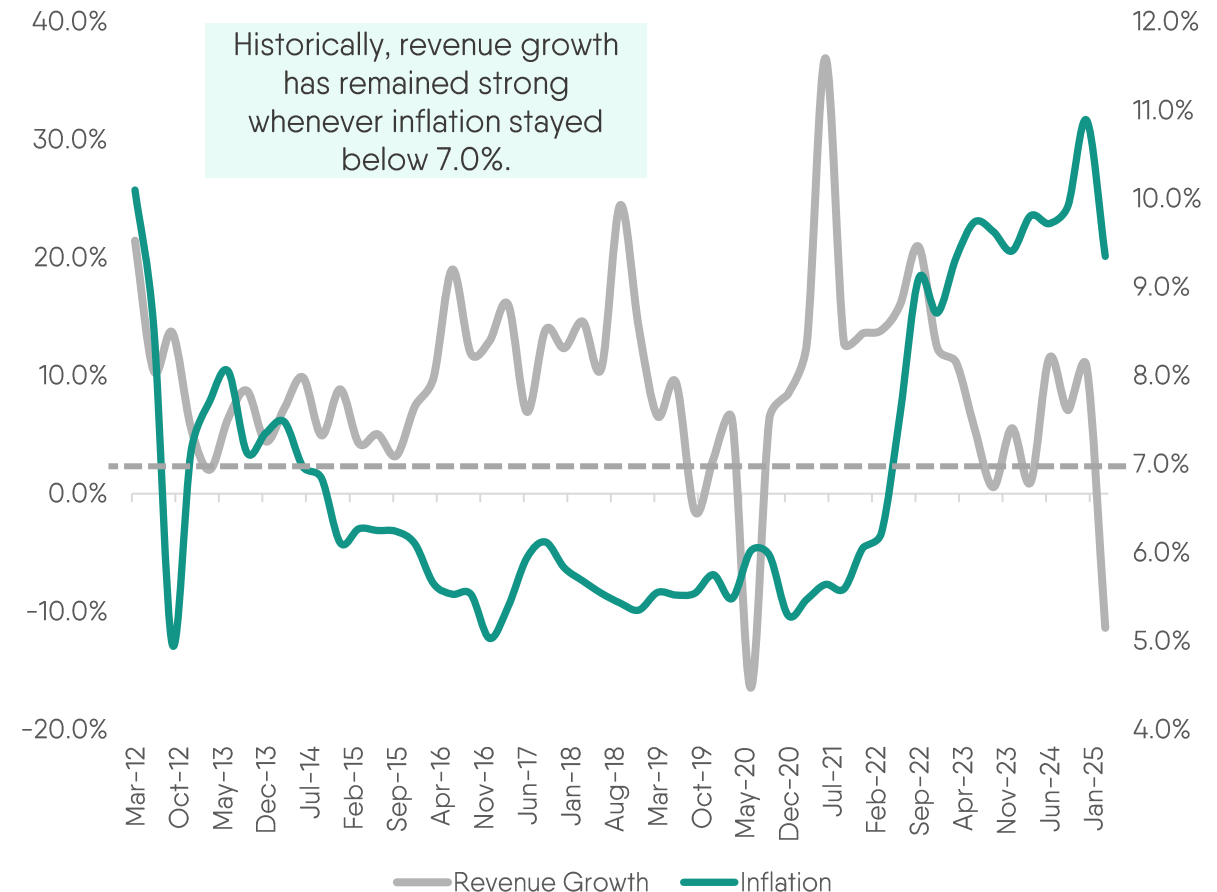
\*All IS data is tax adjusted based on an effective tax rate of 28.0%.

**Volume Rebound Ahead:** Revenue growth is projected at 16.0% YoY in 2026E, driven by volume recovery as inflation falls to 5.5–6.5% by Dec-26E.

Nominal vs Real Corporate Revenue (2020 base, BDT bn)



Corporate Revenue Growth vs Inflation (%)



\*Based on the 48 largest manufacturing and service companies by earnings, excluding Banks, NBFIs, and General Insurers.

Source: Company Financial Statements, CAL Research Estimates



**Margin Expansion:** Gross margins are projected to rebound in 2026E, supported by falling global commodity prices and a stable BDT reducing import costs.

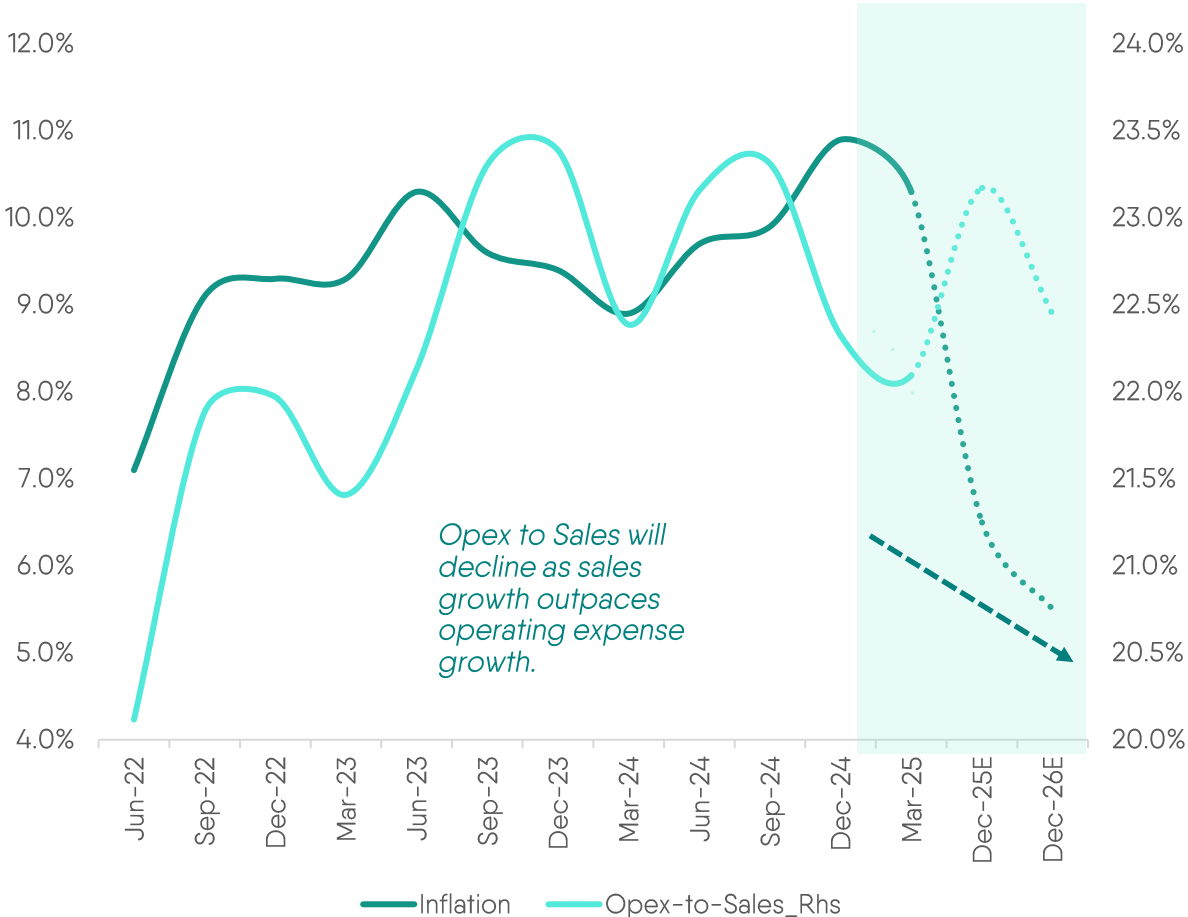
Gross Margin (%) vs Exchange Rate (USD/BDT)



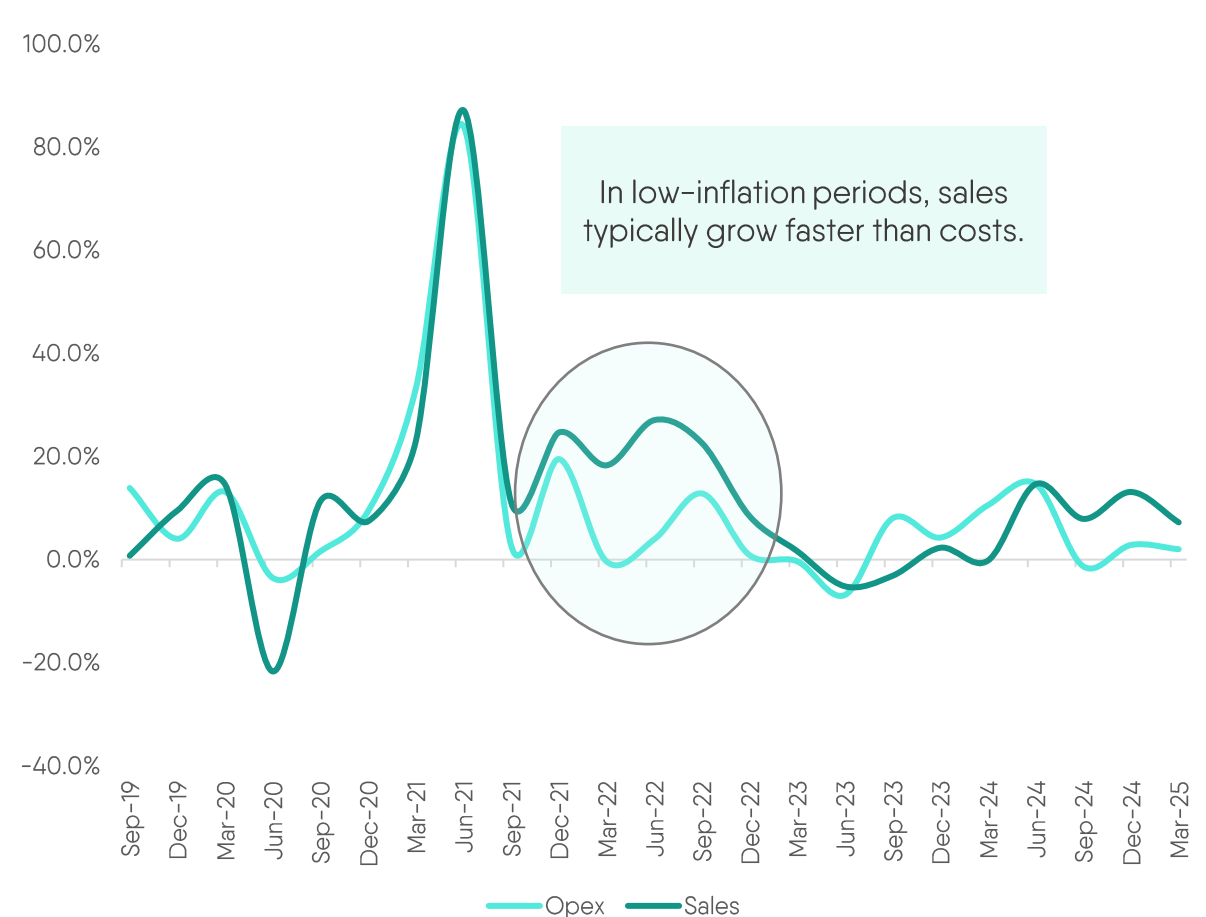
\*Based on the 48 largest manufacturing and service companies by earnings, excluding Banks, NBFIs, and General Insurers.

**Operating Leverage:** EBIT to rise as operating leverage improves – driven by slower opex growth relative to sales amid easing inflation.

Opex-to-Sales vs Inflation (%)



Sales Growth vs Operating Expenses Growth (%)

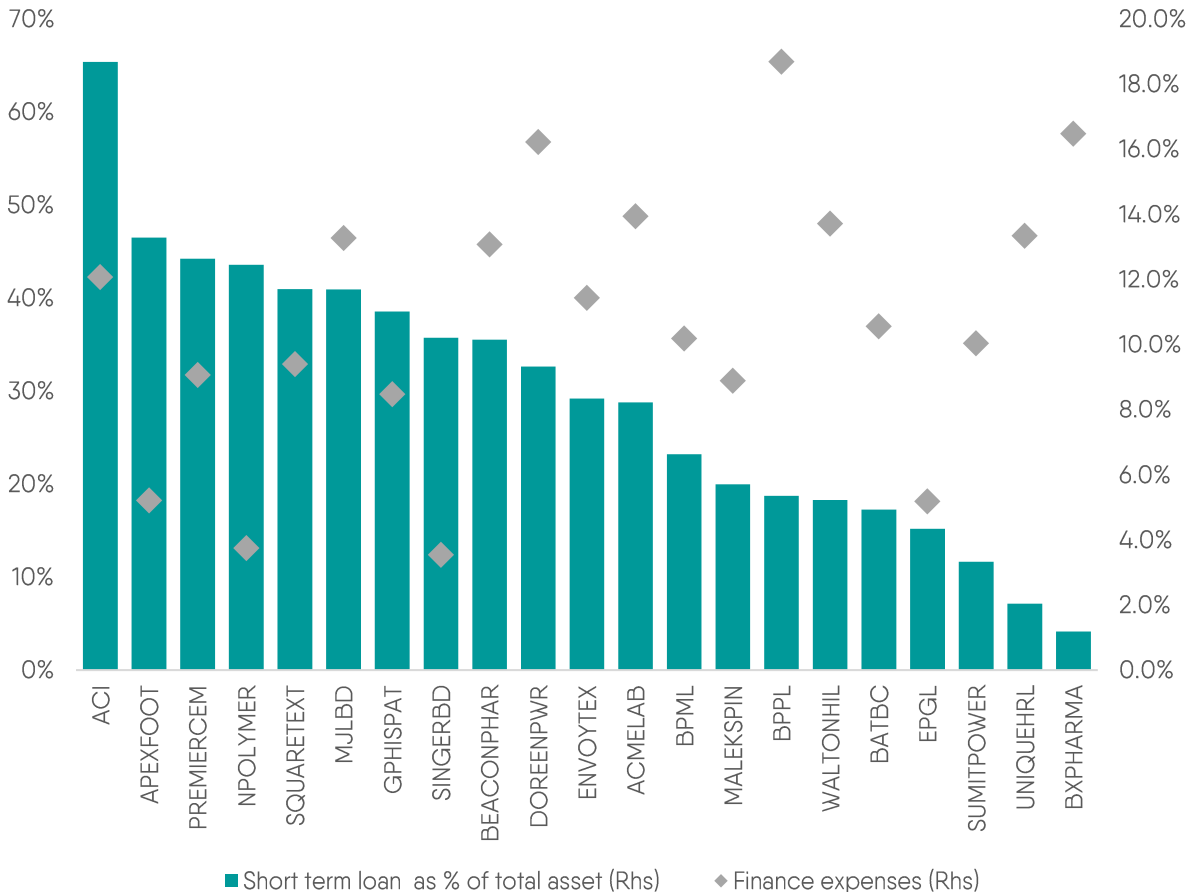


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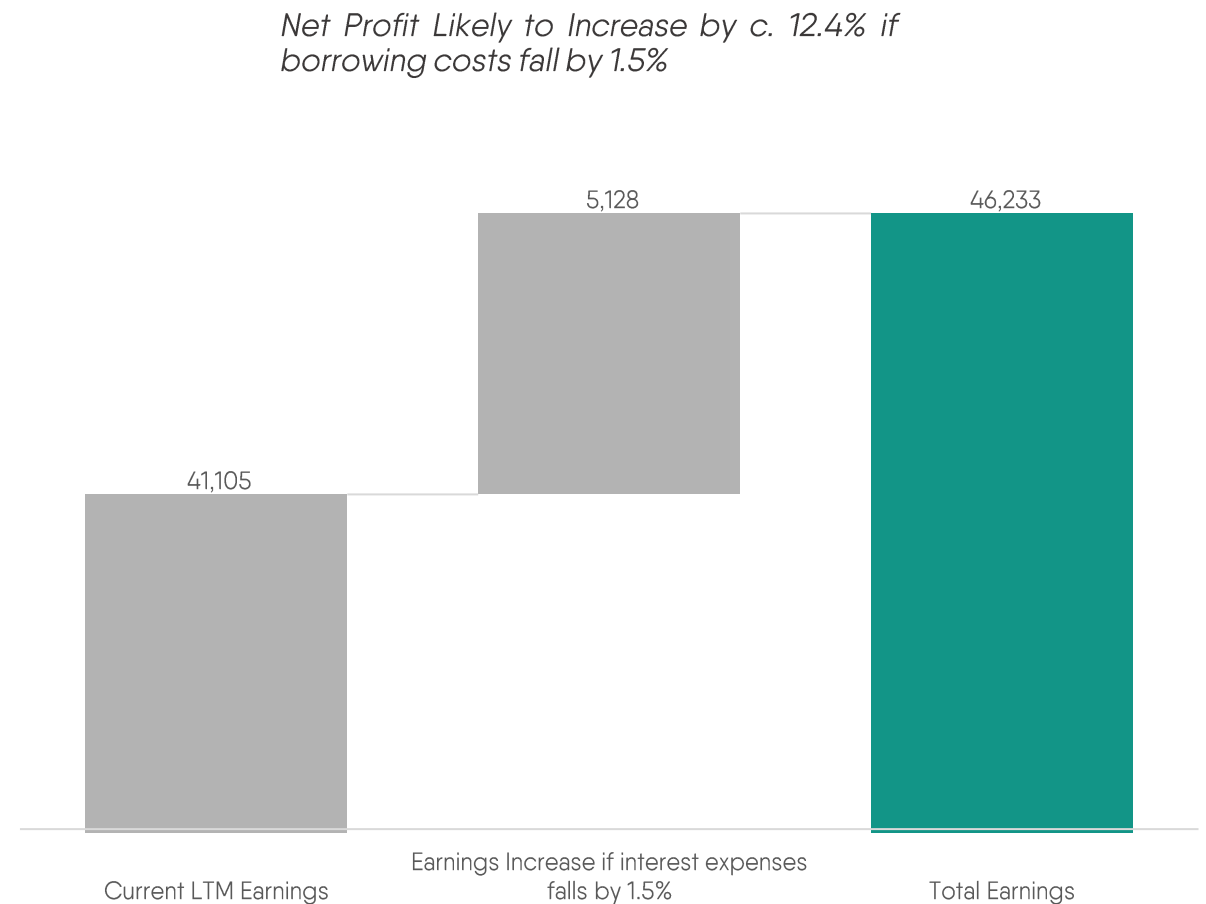
Source: Company Financial Statements, CAL Research Estimates

**Financial Leverage:** Repricing of short-term debt will ease finance costs for highly leveraged firms, supporting earnings recovery.

Listed Companies' Borrowing Cost vs. Short-term Debt as % of Assets



Impact of an 1.5% Interest Rate Drop for Leveraged Companies (BDT mn)



\*Based on the profits of the 21 highest leveraged companies\*

Source: Company Financial Statements, CAL Research Estimates

3

## **Multiples will rerate to the Historical Average of 14.0x**

- Equities will benefit from inflow of funds from other asset classes
- Investor sentiment will improve with more clarity on elections and an elected government
- Institutional and foreign investors' participation will increase

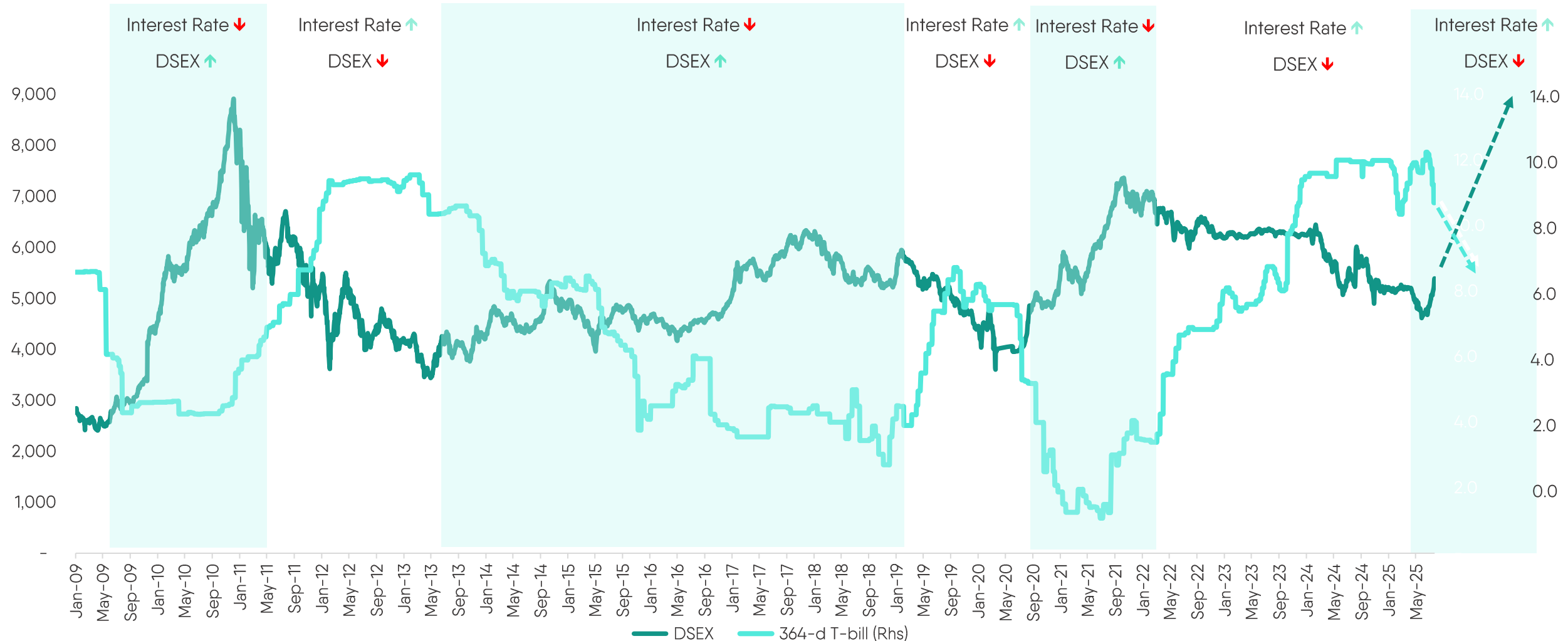


**Rerating of Multiples Warranted:** An upward adjustment is pending with falling interest rates as the market is still trading at a steep discount from historic levels

Market P/E (x)



# Falling Rates to Drive Market Highs: Falling interest rate cycle will push markets to all time high following a prolonged bear market



**Foreign Push:** With the market 50% cheaper in USD and near 10-year low valuations, foreign investors are returning, and a reversion to historical holding levels will lead to new inflows

USD-Adjusted Market Cap (USD bn)



Foreign Ownership as % of Total Market Cap

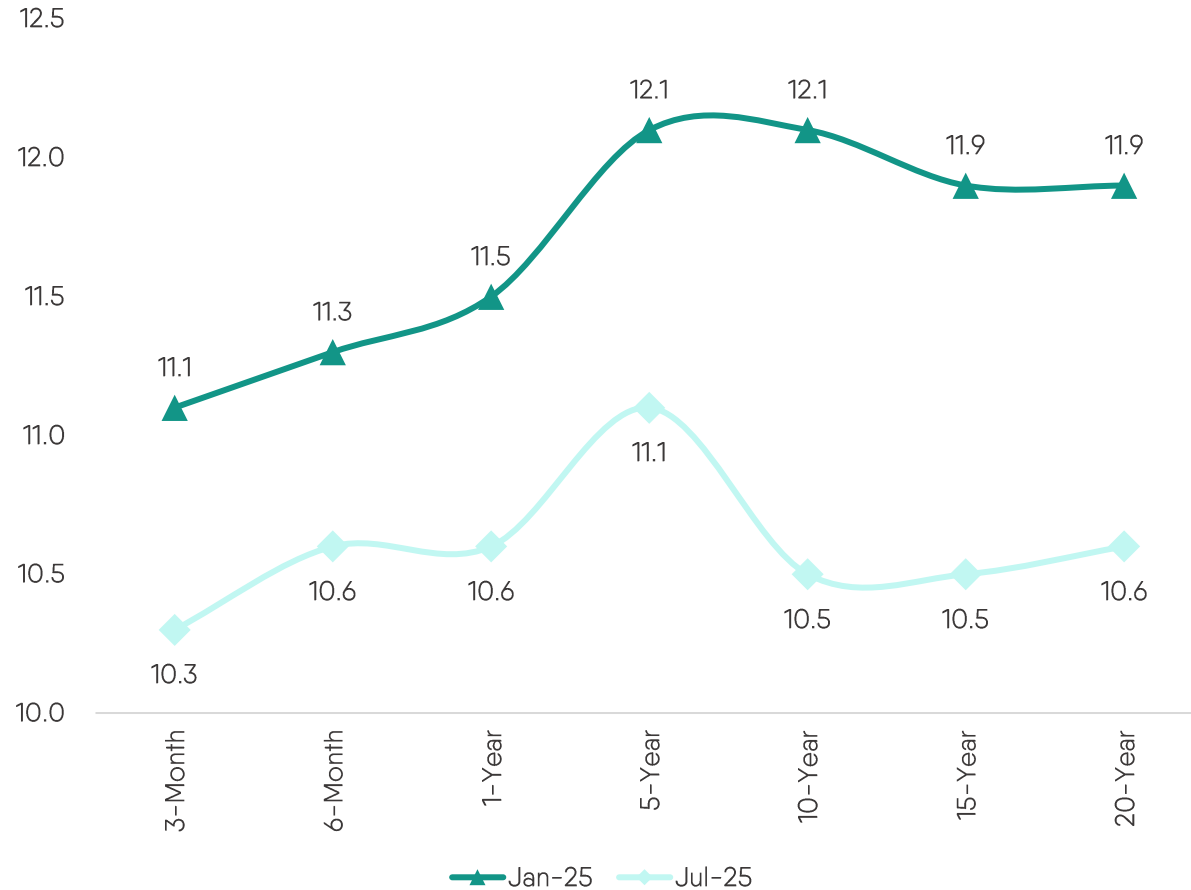




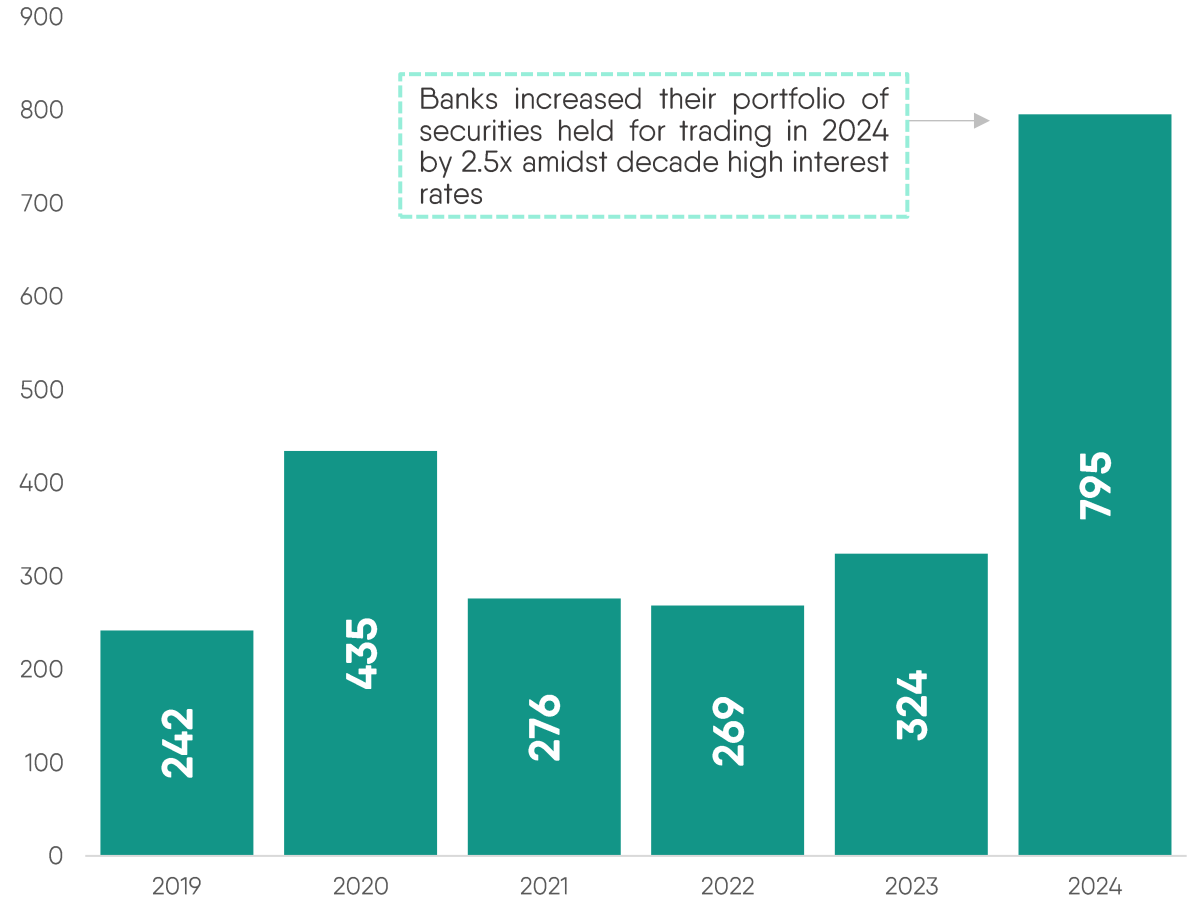
## Institutional Push: Investors will realize capital gains on GSEC and shift funds into equities, especially as margin borrowing costs decline.

Interest rates on government securities have already dropped by 100–250 bps across maturities and are likely to decline further. As investors book capital gains, the search for higher returns will drive funds toward equities, with lower yields making bonds less attractive.

**Yield Curve (%)**



**Govt. Securities Held for Trading by 20 Selected Banks (BDT bn)**

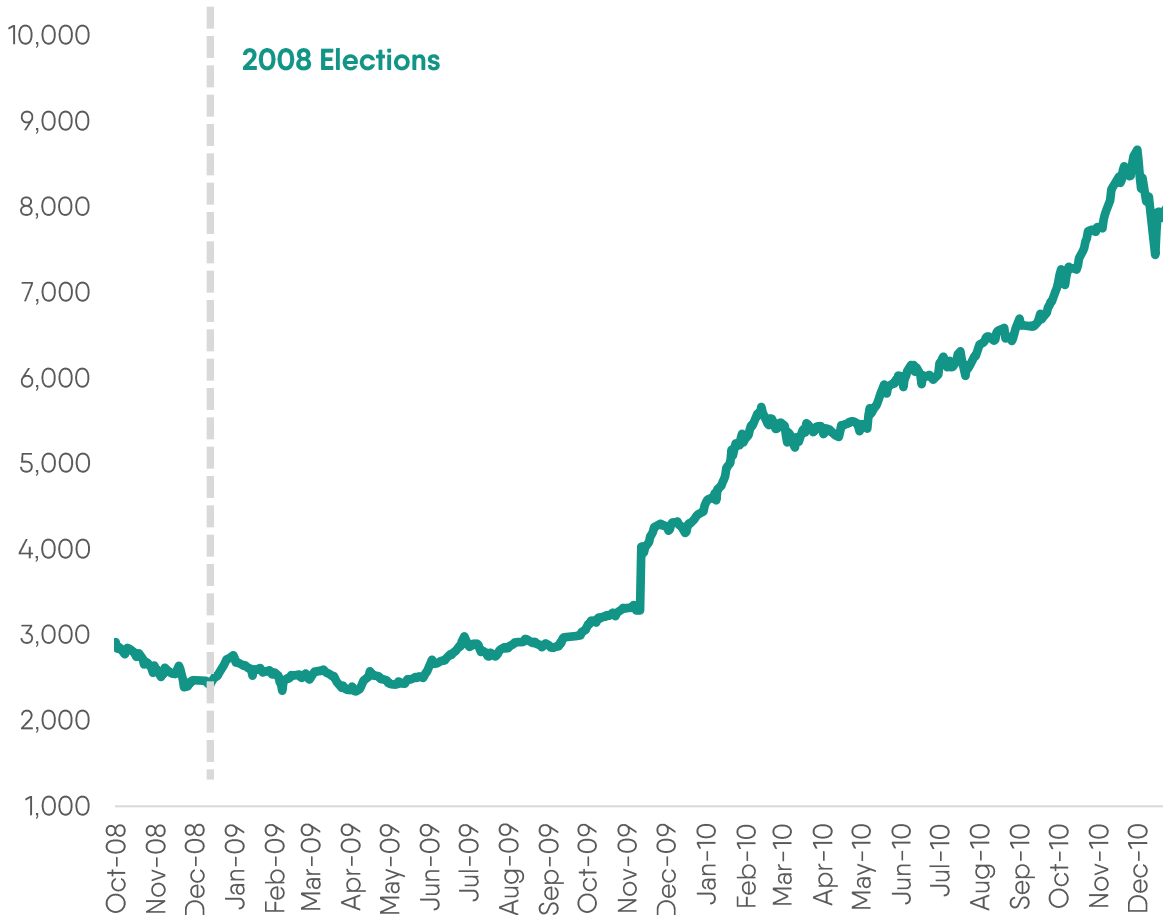


Source: Bangladesh Bank, Banks' Financial Statement

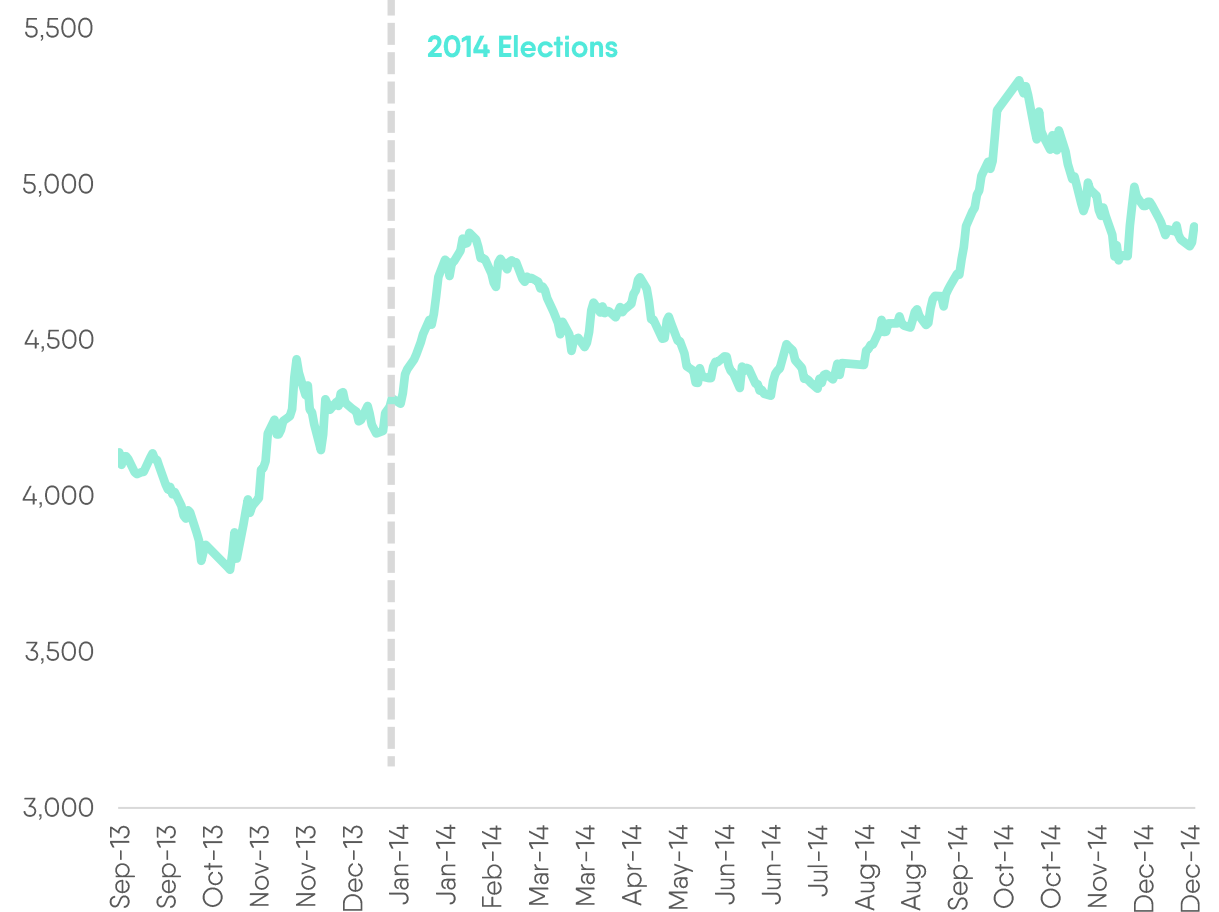
# Political Clarity Following Elections Will Boost Confidence

The market went on a bull run following the national polls in Dec-2008 after two years of interim government tenure. With elections likely to be held in early 2026, post-election political clarity will boost investor confidence.

DSEX Following 2008 Elections



DSEX Following 2014 Elections



# Earnings and Valuation Rebound to Drive DSEX to **10,000**

1



Corporate Earnings  
Will Rebound

Earnings Growth

**40%**

**$(1+40\%)$**

2



Market Will Place a  
Higher Multiple On  
Earnings

*P/E Rerating to*

**14.0 x**

*from 10.4x*

**$(1+34\%)$**

**x**

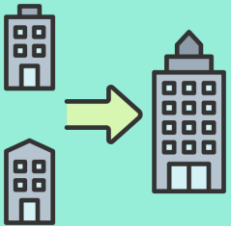
**= 88%**

# Key Equity Themes

# Key Equity Themes

1

**Bank & NBFI  
Sectors  
Consolidation**



2

**Undervalued  
Asset Rich  
Stocks**



3

**Loan Repricing  
with Falling Rates**



4

**High Dividend  
Plays**



5

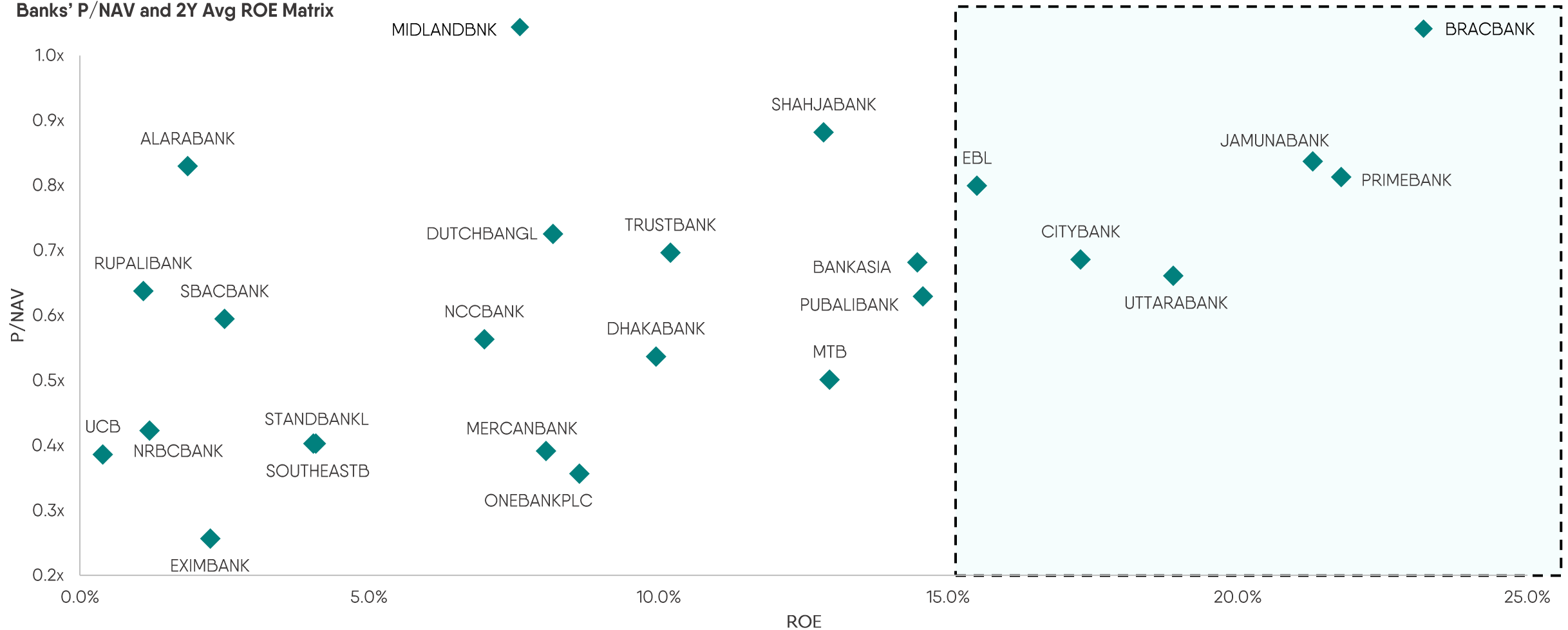
**Consumption  
Rebound**



# Strong banks offer compelling value below NAV, supported by resilient balance sheets and rising investment income

Strong banks' earnings to rise sharply in 2025E and beyond through capital gains on GSEC holdings as rates fall, wider spreads from faster deposit repricing, and stronger lending capacity in the upcoming low-rate cycle due to low NPLs.

**Banks' P/NAV and 2Y Avg ROE Matrix**



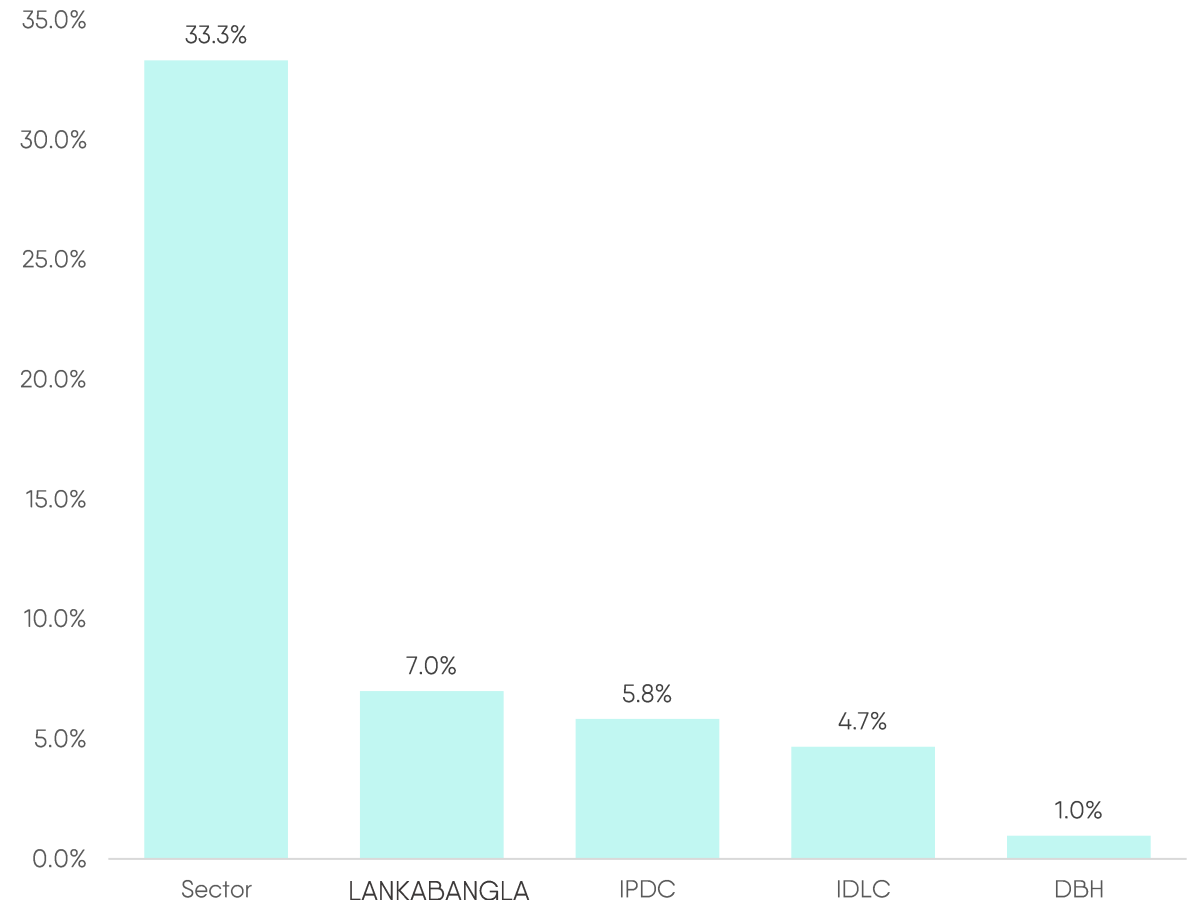
# Selected NBFIs are attractively priced 57% below historical P/B, with GSEC gains, brokerage growth, and sector consolidation set to boost earnings.

As sector consolidation drives deposits to stronger players, broader NBFIs earnings are set to rebound with rising economic activity from 2026E. Yet, these shares are trading at a 57% discount to historical median valuations.

Selected NBFIs' P/NAV



Strong NBFIs NPL Ratio vs Sector Average (%)

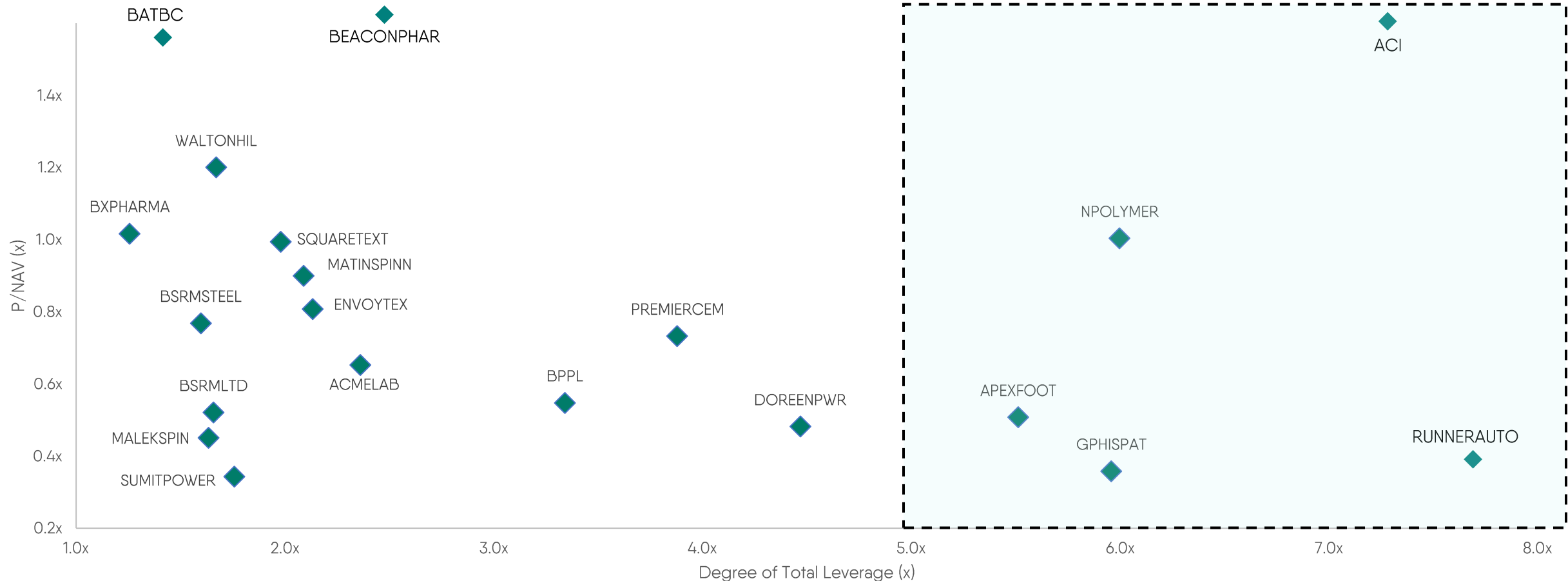


Source: DSE, Company Financial Statement



**High Leverage, Higher Upside:** Selected companies with financial leverage above 1.0x, are set for strong 2026E profit growth as rates fall and sales recover—some with outsized gains.

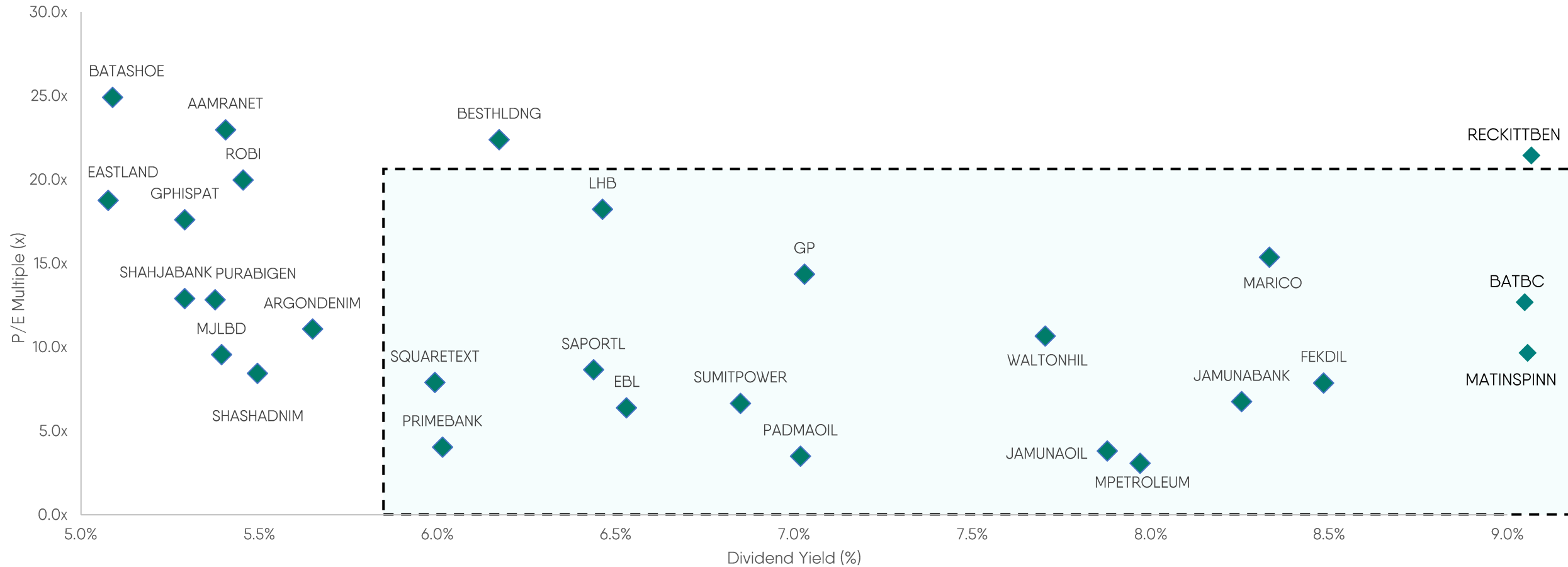
Degree of Total Leverage vs P/NAV



\*SINGERBD and UNIQUEHRL have very high leverage, but their DTL couldn't be calculated as finance expenses exceed EBIT.

# High Dividend Play: Current low valuations offer an opportunity to lock in elevated dividend yields

Dividend Yield (%) vs P/E (x)



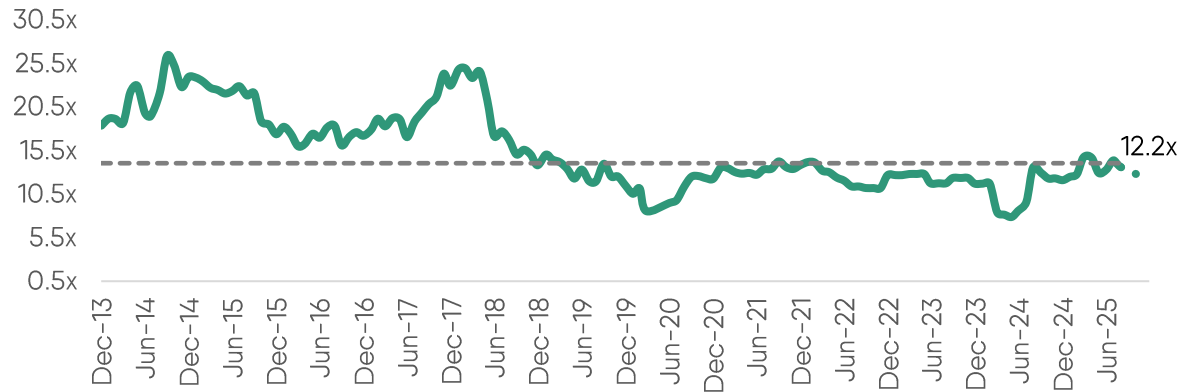
## Consumer Rebound Ahead: Sluggish revenue growth since 2023 is set to reverse as easing inflation revives double-digit expansion

Listed Consumer Companies' Revenue Growth vs Inflation (%)

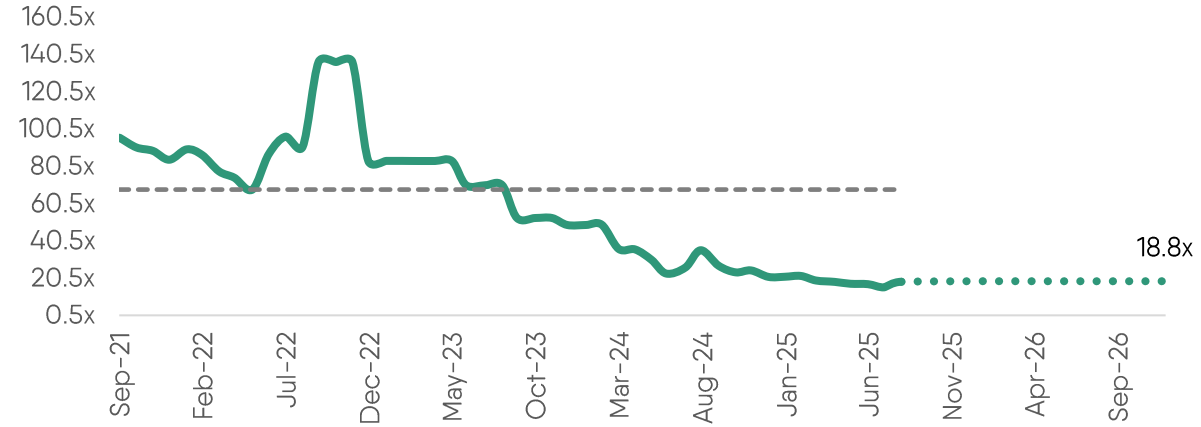


# Major listed consumer companies are trading at attractive valuations

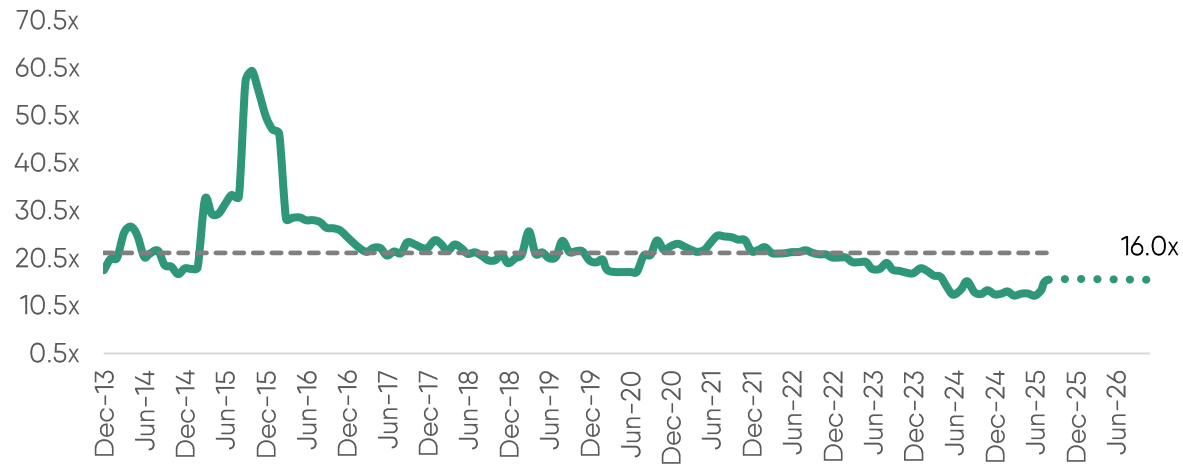
**GP P/E Multiple**



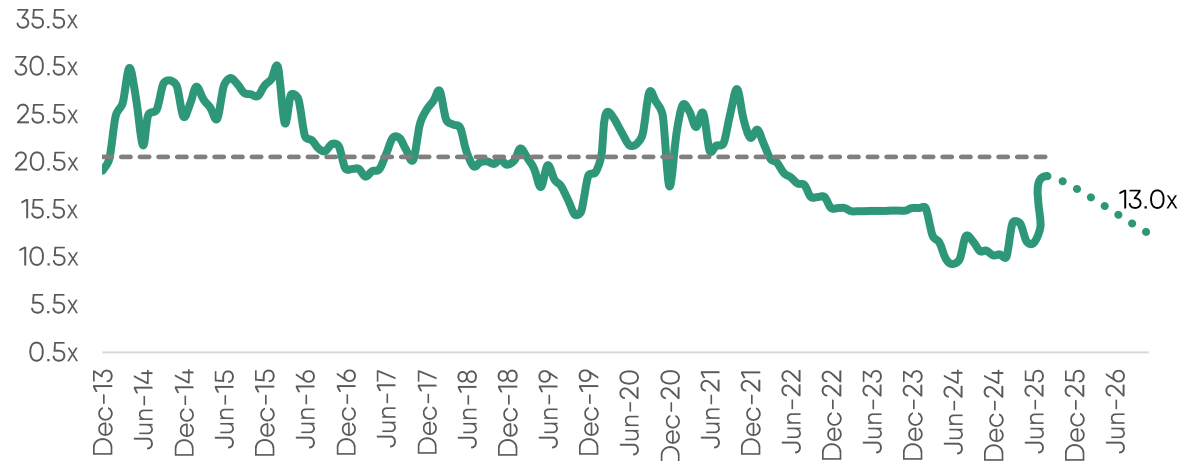
**ROBI P/E Multiple**



**MARICO P/E Multiple**



**BATBC P/E Multiple**



# Major Risks to our Outlook

**1****Political Unrest**

Heightened political unrest or election delays triggering instability and investor caution

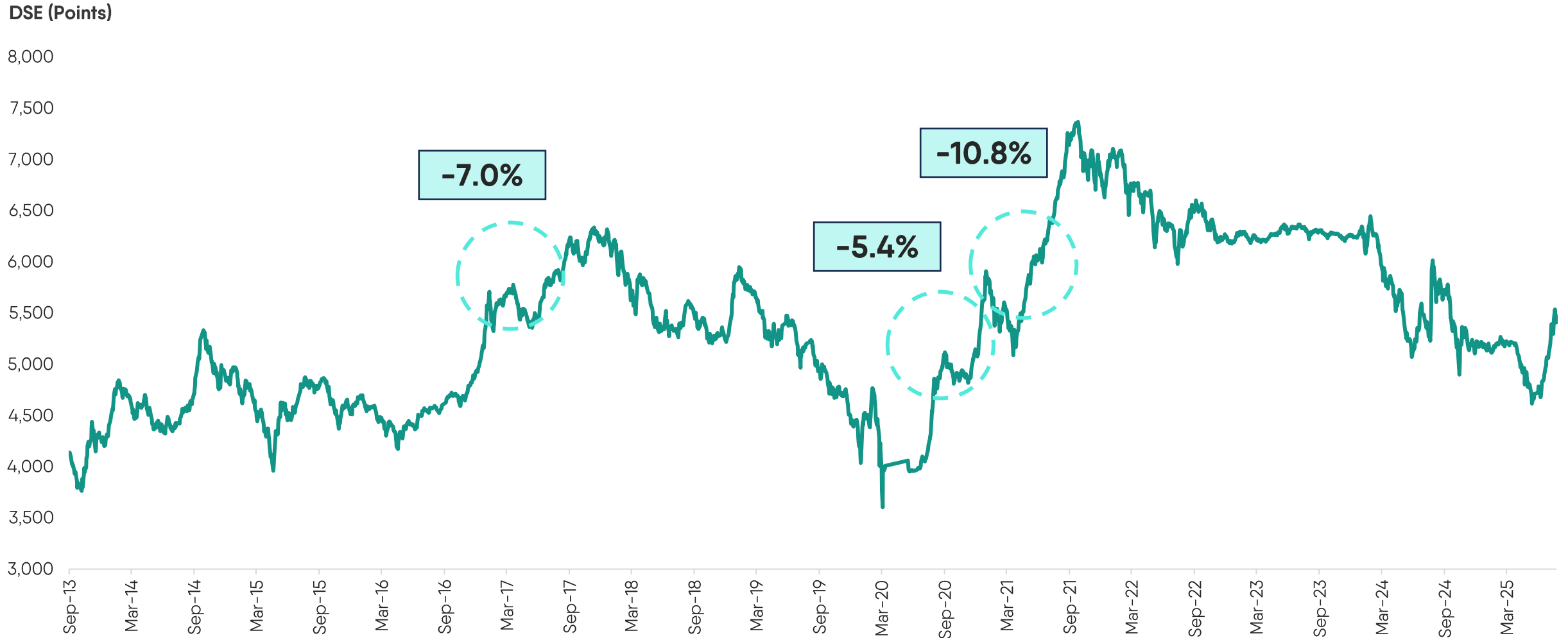
**2****International Conflict**

Global conflict escalation may disrupt trade routes, remittances, and FX liquidity

**3****Spillover Risk**

Possible US recession from tariffs could affect major trading partners and the global economy

## In a bull market, 10–20% pullbacks are possible, but overall trend is upward



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## Research

### **Fahim Al Raihan**

Senior Analyst - Research

Email: fahimr@calbd.com.bd

### **Humayra Afroz**

Senior Analyst - Research

Email: humayra@calbd.com.bd



