

## Gas price to increase by up to 178.9%

The Energy and Mineral Resources Division issued a gazette raising gas prices by up to 178.9% for public, private and captive power plants, as well as for industries and commercial users. The move is in line with the IMF's recommendations to reduce subsidies in the energy and power sector, and is effective from February 1, 2023.

Point-to-point inflation in Bangladesh reached 8.71% in December 2022, after hitting an 11-year high of 9.52% in August 2022. We view that this gas tariff hike could further the inflationary pressure by driving up overall costs of production.

Category-wise gas price hikes in 2023			
Categories	Existing rate (BDT, per m <sup>3</sup> )	Proposed rate (BDT, per m <sup>3</sup> )	Increase
Industrial consumers (large)	11.98	30.00	150.4%
Industrial consumers (medium)	11.78	30.00	154.7%
Power plants	5.02	14.00	178.9%
Fertilizer factories	16.00	16.00	0.0%
Captive power plants	16.00	30.00	87.5%
CNG	43.00	43.00	0.0%
Small and cottage industries	10.78	30.00	178.3%
Hotels and restaurants	26.64	30.50	14.5%
Tea estates	11.93	11.93	0.0%
Household (metered)	18.00	18.00	0.0%
Household (single burner, BDT per month)	990.00	990.00	0.0%
Household (double burner, BDT per month)	1,080.00	1,080.00	0.0%

Source: Bangladesh Energy Regulatory Commission (BERC)

We also view that manufacturing companies especially in textile, cement, ceramics and steel sectors will be affected negatively as gas tariff has been increased by 150.4% for large industrial consumers. The following table shows gas cost as percentage of revenue as well as probable impact of price hike on gross profit margin (GPM), considering other things to remain unchanged, for listed companies in those sectors.

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**Impact of gas price hike on selected sectors**

DSE ticker	Gas cost (% of revenue)	Current GPM	GPM after 150.4% hike	Change in GPM (bps)
<b>Textile</b>				
REGENTEX	7.8%	5.2%	-6.5%	-1176
ACFL	6.6%	11.0%	1.0%	-999
MHSMML	6.2%	19.8%	10.5%	-930
PTL	5.7%	15.0%	6.4%	-862
SAIHAMCOT	4.9%	16.6%	9.2%	-739
HFL	4.9%	16.9%	9.5%	-739
PRIMETEX	4.6%	15.0%	8.1%	-691
METROSPIN	4.1%	20.4%	14.2%	-624
DELTASPINN	4.0%	14.5%	8.5%	-604
MAKSONSPIN	4.0%	19.1%	13.1%	-601
RAHIMTEXT	3.8%	13.0%	7.3%	-571
SHEPHERD	3.4%	12.0%	6.9%	-504
ENVOYTEX	3.2%	14.9%	10.0%	-486
TAMIJTEX	3.1%	18.5%	13.8%	-471
ZAHINTEX	3.0%	0.8%	-3.8%	-454
MALEKSPIN	2.7%	9.3%	5.2%	-404
SIMTEX	2.6%	17.9%	14.0%	-396
MATINSPINN	2.6%	26.9%	22.9%	-392
ARGONDENIM	2.3%	6.9%	3.4%	-347
QUEENSOUTH	2.2%	11.8%	8.4%	-332
RINGSHINE	2.1%	10.2%	7.2%	-309
SHASHADNIM	1.9%	11.4%	8.5%	-292
STYLECRAFT	1.3%	7.6%	5.7%	-190
FEKDIL	1.2%	8.5%	6.7%	-180
TOSRIFA	1.1%	9.7%	8.1%	-164
PDL	0.5%	14.2%	13.5%	-75
MLDYEING	0.1%	9.2%	9.0%	-18
<b>Cement</b>				
PREMIERCEM	0.4%	15.0%	14.4%	-66
CONFIDCEM	1.6%		-4.4%	na
<b>Ceramics</b>				
STANCERAM	15.0%	13.3%	-9.2%	-2249
MONNOCERA	4.9%	18.7%	11.3%	-735
<b>Steel</b>				
SSSTEEL	5.0%	27.1%	19.6%	-753
BSRMSTEEL	0.5%	10.5%	9.8%	-74
GPHISPAT	0.5%	97.6%	96.9%	-70
BSRMLTD	0.4%	8.1%	7.5%	-61
SALAMCRST	0.2%	16.1%	15.8%	-34

\*The table is based on latest available audited financial statements. Companies that do not report gas expenses separately are not included in this list

Source: Company annual reports and UCBSBL Research

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We calculate our target price by weighting DCF, DDM, SOTP, asset-based and other relative valuation methods, and applying appropriate premiums/ discounts and/or other relevant adjustments.

Expected absolute returns are calculated as the % of difference between our target price and latest close price. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Please note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
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Underweight	12 Months	Less than -5%

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