

Key News

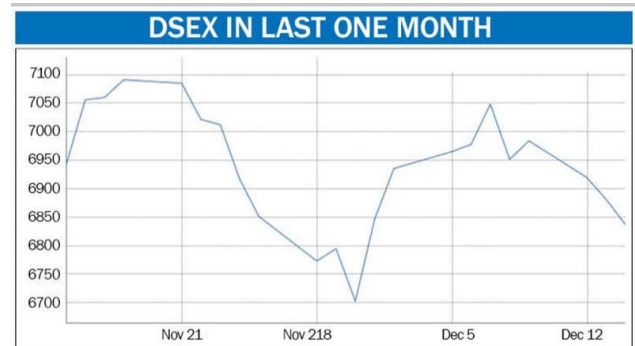
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Stock Market & Company

Dhaka stocks drop for third day

Newage, December 14, 2021

- Dhaka stocks dropped for the third day on Tuesday as investors kept selling shares amid volatility on the market. DSEX, the key index of the Dhaka Stock Exchange, decreased by 0.64 per cent, or 44.21 points, to close at 6,837.8 points on Tuesday.
- The DSEX lost 146.91 points in the last three sessions. Among the prominent companies, share prices of BEXIMCO, Square Pharmaceuticals, British American Tobacco, One Bank and Grameenphone dropped most on Tuesday.
- Share prices of some small capitalised companies, including Reckitt Benckiser, Unilever Consumer Care and Eastern Lubricants, soared on Tuesday.
- Average share prices of telecommunication, non-bank financial institution, textiles and bank sectors declined by 1.3 per cent, 1 per cent, 0.99 per cent and 0.9 per cent respectively.
- Turnover on the DSE increased to Tk 1,080.79 crore on Tuesday from Tk 696.64 crore in the previous session. DS30, a composition of 30 large capitalised companies, lost 0.65 per cent, or 16.9 points, to close at 2,568.41 points on the day.
- Of the 377 scrips traded on the DSE on Tuesday, 249 declined, 88 advanced and 40 remained unchanged. Shariah index DSES shed 0.25 per cent, or 3.65 points, to settle at 1,456.66 points.



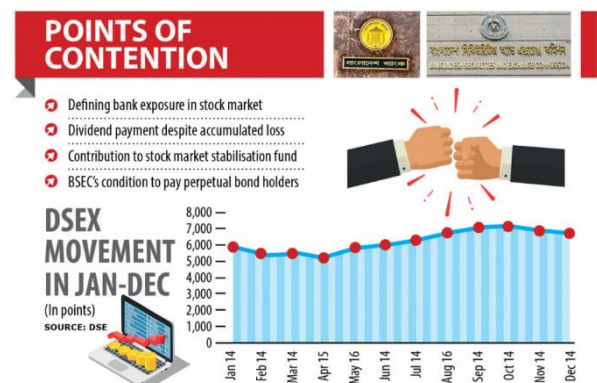
- One Bank led the turnover chart with shares worth Tk 124.91 crore changing hands on the day. Fortune Shoes, BEXIMCO, Genex Infosys, GSP Finance, Delta Life Insurance, Olympic Industries, Sonali Paper, SAIF Powertec and Sena Kalyan Insurance Company were the other turnover leaders on the day.

<https://www.newagebd.net/article/157340/dhaka-stocks-drop-for-third-day>

BB-BSEC tussle takes a new twist

The Daily Star, December 15, 2021

- The ongoing tension between the Bangladesh Bank and the Bangladesh Securities and Exchange Commission could deepen further (BSEC) following a recent stock market regulator move that curtails banks' power to cancel payments to bondholders.
- The central bank has written to several banks after finding out that the BSEC's condition on giving approval for issuance of perpetual bonds contradicts a Bangladesh Bank guideline.
- The condition affects some banks, including Exim Bank, One Bank, Pubali Bank, Premier Bank, Jamuna Bank, and Mutual Trust Bank, which have received permissions from the BSEC to issue perpetual bonds.
- The central bank said the BSEC included a condition in the consent letter in favour of the perpetual bonds. But the provision is at odds with the Bangladesh Bank's guidelines on risk-based capital adequacy.
- Banks must have full discretion at all times to cancel distributions or payments to bond-holders for the bonds to qualify as a tier-1 capital as per the guideline.
- However, the BSEC said in the consent letters that banks shall not have full discretion at all times to cancel distributions or payments to bond-holders. "In this situation, the perpetual bond would not be considered as an additional tier-1 capital as it failed to fulfil the eligibility criteria," the central bank letter said.
- The two regulators in the financial sector have been embroiled in a tussle for the past few months in some areas, spooking the confidence of stock investors.



<https://www.thedailystar.net/business/economy/stock/news/bb-bsec-tussle-takes-new-twist-2917871>

Fareast Life owners embezzle Tk 2,125cr: BSEC probe

Newage, December 14, 2021

- An investigation of the Bangladesh Securities and Exchange Commission found that the owners of Fareast Islami Life Insurance Company Limited embezzled and laundered more than Tk 2,125 crore from the company in the past decade. The BSEC shared its investigation report recently with finance ministry and Bangladesh Financial Intelligence Unit to look into the matter.
- Former FILICL chairman Md Nazrul Islam, managing director Md Hemyet Ullah and sponsor MA Khaleque are 'particularly found to have actively planned and executed the related party transactions, forged documents and ultimately laundered corporate resources to their private gains,' the report said.
- Of the total Tk 2,125 crore, the persons embezzled Tk 854 crore through unlawful land acquisition of FILICL, Tk 659.67 crore by investment in their firms and Tk 421 crore through taking bank loans against companies' Mudaraba Term Deposits and Tk 191 crore through opening two fraudulent corporate societies.
- The value of this embezzled amount stood at Tk 3,700 on June 30, 2021, assuming that the company had invested the sum in risk-free 10-year government bonds with a 10 per cent rate of return, according to the investigation report.
- The commission on August 9, 2021 reconstituted the company's board of directors by appointing 10 independent directors. The commission in its investigation found the record of twelve unlawful acquisitions of land at abnormally high prices to embezzle a total of Tk 858 crore.

<https://www.newagebd.net/article/157381/fareast-life-owners-embezzle-tk-2125cr-bsec-probe>

Navana Pharma to raise Tk 750m from capital market

The Financial Express, December 15, 2021

- Navana Pharmaceuticals Ltd has planned to raise Tk 750 million from the capital market through initial public offering (IPO) under the book-building method to expand its business. In this regard, the drug maker will hold a road show at a city hotel at 7:00pm on December 21 (Tuesday), where eligible institutional investors will get detailed information about various aspects of the company, according to issue managers.
- The company has reported earnings per share of Tk 2.24 for the Fiscal Year (FY) 2020-21, which was Tk 1.64 in the previous year. Its net asset value per share stood at Tk 40.9 in the FY 2020-21.
- EBL Investments Ltd and Asian Tiger Capital Partners Investment Ltd are working as issue managers, while AFC Capital Limited is working as the registrar for Navana Pharma's IPO process. The factory of the drug maker is situated at Rupshi, Rupganj, Narayanganj.

<https://thefinancialexpress.com.bd/stock/navana-pharma-to-raise-tk-750m-from-capital-market-1639539302>

FloWater, FloSolar plan to go public

The Daily Star, December 15, 2021

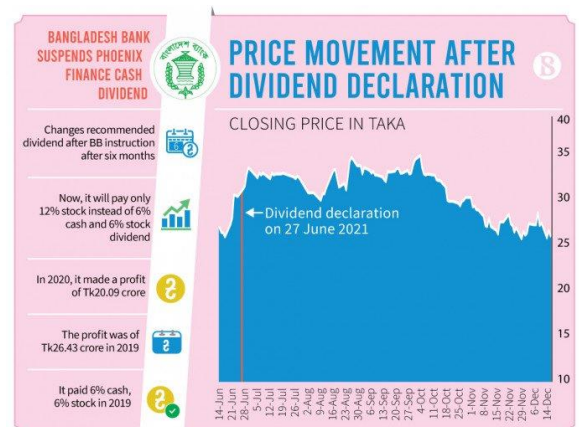
- Two new types of companies -- a water treatment solution provider and a solar panel producer -- plan to go public on the stock exchanges in Bangladesh as they look to raise funds to expand footprint. FloWater Solutions and FloSolar Solutions have decided to list with the exchanges and signed a memorandum of understanding with MTB Capital to manage the issues on Sunday.
- If everything goes as per plans, the two companies will be the first listed firms in the water treatment solution provider and the solar energy solutions provider categories in the country. Set up in 2017, FloWater Solutions works in the areas of water, sewerage and effluent treatment and counts Navana Real estate, Concord, Shanta Holding, ActionAid, SSG, Finlay, and BSRM as its clients, according to its website. It has completed more than 150 projects and has 35 active projects, according to the issue manager.

<https://www.thedailystar.net/business/economy/news/flowater-flosolar-plan-go-public-2917851>

Central bank suspends Phoenix Finance's cash dividend

The Business Standard, December 14, 2021

- The Bangladesh Bank has suspended Phoenix Finance's cash dividend payout six months after the listed company declared it for shareholders for 2020. The suspension came after the central bank spotted inflated profits in the annual financial statement of the non-bank financial institution (NBFI).
- Earlier, ONE Bank was penalised for declaring dividends for 2020 after manipulating financial numbers.
- Although the bank was allowed to keep declaring the dividend unchanged considering this price-sensitive information for the shareholders but had to change the balance sheet.
- Although Phoenix Finance's net profit declined last year, the share price of the company increased significantly after the cash dividend declaration.
- Shareholders of the company experienced 20% price gains against each share in a month after it had declared the cash dividend on 27 June this year. It had declared a 6% stock and 6% cash dividends for its shareholders for 2020. Now, the company will pay a 12% stock dividend only for that year.
- In a disclosure on the websites of stock exchanges on Tuesday, it said, as per the central bank instructions, a new recommended dividend is 12% stock instead of 6% cash, and 6% stock subject to the approval of shareholders in its annual general meeting (AGM).



- In a balance sheet analysis, the central bank has revealed that a significant portion of the company's profit was unrealised, according to a source at the Bangladesh Bank. In this perspective, the listed company was asked to revise its declared dividend.

<https://www.tbsnews.net/economy/stocks/central-bank-suspends-phoenix-finance-cash-dividend-343765>

BSEC approves 4% stock dividend of SBAC Bank

The Business Standard, December 14, 2021

- The Bangladesh Securities and Exchange Commission (BSEC) has approved a 4% stock dividend of the South Bangla Agriculture and Commerce (SBAC) Bank Ltd - which was declared by the bank for the year 2020 in order to meet the Basel III requirement. As a result, the newly listed private sector lender will be able to raise its paid-up capital by Tk31.38 crore from existing.
- The BSEC approved the bank's stock dividend in a meeting on Tuesday. As per rules, a listed company has to apply to the commission for securing approval of stock dividends before disbursing them.
- In 2020, SBAC Bank's consolidated earnings per share slightly decreased to Tk1.39, from Tk1.41 in 2019. The bank said bonus shares were declared out of profit and retained earnings, not from any reserve. Earlier, the bank also recommended a 4% cash dividend for that year for its shareholders.

<https://www.tbsnews.net/economy/stocks/bsec-approves-4-stock-dividend-sbac-bank-343720>

BSEC approves EDGE AMC's High Quality Income Fund

The Business Standard, December 14, 2021

- The Bangladesh Securities and Exchange Commission (BSEC) has approved the draft prospectus of EDGE AMC High Quality Income Fund, a proposed open-end mutual fund, to maximise investors' annual income. The initial target of the fund will be Tk25 crore and 10% of the amount will be provided by the sponsor and asset manager EDGE AMC Ltd. The remaining amount will be sold to the public.
- Sandhani Life Insurance is the trustee of the fund and Brac Bank will be the custodian. The face value of the units of EDGE AMC High Quality Income Fund will be Tk10 each.

<https://www.tbsnews.net/economy/stocks/bsec-approves-edge-amcs-high-quality-income-fund-343678>

Union Insurance subscription opens Wednesday

The Business Standard, December 14, 2021

- The subscription of the initial public offering (IPO) of Union Insurance will open on Wednesday and continue till 22 December 2021. Earlier, the Bangladesh Securities and Exchange Commission (BSEC) allowed the company to raise Tk19.36 crore by issuing 1.93 crore ordinary shares.
- The insurer will offer the shares to the public at a face value of Tk10 each, and invest the fund in fixed deposit receipts (FDRs) and the capital market. It will use a part of the fund to purchase a floor space.
- It provides insurance coverage in areas of property damage by fire incidents, marine cargos, motors, liabilities, and engineering projects. The insurer had earlier applied to the commission but failed to comply with the securities rules.
- Later that year, the BSEC exempted insurance companies from the securities rule to enable them to get listed on the stock market under the fixed price method. Presently, the insurance company's paid-up capital is Tk29.04 crore.
- According to reports of the January-September period of 2020, the net profit of the company was Tk2.70 crore and its earnings per share stood at Tk0.93.

<https://www.tbsnews.net/economy/stocks/union-insurance-subscription-opens-wednesday-343663>

Economy & Industry

Higher inflation on the prowl

The Daily Star, December 14 2021

- Bangladesh will witness higher inflation in 2022 as the implementation of various measures to combat Covid-19, including the disbursement of stimulus funds, has added pressure to the recent hike in fuel prices, according to the Asian Development Bank (ADB).
- The government's decision to increase the price of diesel and kerosene resulted in the rise of transport costs, which either directly or indirectly affected all sectors. However, the ADB kept its FY2021-22 economic growth forecast for Bangladesh unchanged in its latest supplement of the Asian Development Outlook 2021.
- The Manila-based development lender trimmed its annual growth projection for Bangladesh to 6.8 per cent through an update in September, which reflects the
- impact of virus containment measures reinstated at the start of the year.
- In April, the ADB had projected 7.2 per cent growth in the country's gross domestic product (GDP), up from a 5.47 per cent provisional estimate in the last fiscal year, while the government set a similar target. And in its latest report, the ADB said Bangladesh's exports and imports grew more than expected thanks to a surge in global demand for clothing.
- South Asia as a whole is forecast to expand less than projected in the ADB's update for 2021, reflecting a modest downward revision of the GDP growth rate in India, with manufacturing now expected to grow slower than anticipated.



<https://www.thedailystar.net/business/economy/news/higher-inflation-the-prowl-2917861>

Banks allowed to take unrealised interest into profit

The Business Standard, December 14, 2021

- The Bangladesh Bank has come up with a mega discount for banks, allowing them to show unrealised interest incomes as profits if borrowers pay only 25% of their payable amounts of the current year. Moreover, banks can transfer additional 1% provision that was asked to keep against moratorium loans last year, subject to the full recovery of the payable amounts from borrowers.
- The central bank issued a circular giving an instruction how banks will transfer incurred interest against moratorium loans in their profits for 2021. The loan moratorium facility that has been running for the last two years will end in December.
- The new circular will help banks show a high profit by taking unrealised income in the balance sheet for 2021.
- As banks are taking a high risk for showing unrealised interest income as profits, they will have to maintain additional 2% provision against those moratorium loans, according to the circular.
- The risk of this process of taking unrealised income into profits is that if borrowers fail to pay the rest of the amount, that will increase default loans. A rise in default loans will increase provisioning requirements and high provisioning requirements will eat up profits.
- The facility of taking unrealised interest into income will allow banks to declare a high dividend for the current year.



Sources: BB, DSE

- The circular instructed banks that borrowers who paid 25% of their payable amount will not be marked as defaulter. Borrowers, who will fail to pay 25% of their payable amount by December this year, will be marked as defaulters, according to the circular.
- The Bangladesh Bank came up with the circular at the time when banks are already spending high for dividends, showing inflated profits and saving less for future risk, causing a provision shortfall.
- Another risk is that default loans are already on the rising trend crossing Tk1 lakh crore in September this year. The key indicators of the banking sector's health have already started to deteriorate with rising default loans, widening provision shortfall and capital erosion.

<https://www.tbsnews.net/economy/banking/banks-allowed-take-unrealised-interest-profit-343771>

International

ADB trims Asia growth forecasts

The Daily Star, December 15, 2021

- The Asian Development Bank warned Tuesday that the highly mutated Omicron coronavirus variant could have a "substantial" economic impact, as it trimmed its 2021 and 2022 growth forecasts for developing Asia.
- Despite a sharp drop in infections and increased vaccination across the region stretching from the Cook Islands in the Pacific to Kazakhstan in Central Asia, the global surge in Covid-19 cases suggested "the pandemic will take time to play out", it said.
- The Philippines-based lender forecast growth of 7.0 per cent in 2021 -- compared with its previous prediction in September of 7.1 per cent -- and 5.3 per cent in 2022, down from its earlier forecast of 5.4 per cent.
- That has enabled many economies to start reopening, boosting manufacturing activity and trade in the region. But coverage remained uneven -- 20 economies still have less than 40 per cent of their populations fully vaccinated, "leaving them susceptible to renewed outbreaks".
- While a resurgence in Covid-19 infections was the main threat, the ADB also flagged a prolonged downturn in China's housing market, rising inflation and global supply disruptions as risks to the outlook.
- China -- where several real estate companies have been plunged into financial crisis following a debt crackdown by Beijing -- was expected to grow 8.0 per cent this year and 5.3 per cent in 2022. The ADB said the growth rates were slightly slower than its previous predictions.

<https://www.thedailystar.net/business/global-economy/news/adb-trims-asia-growth-forecasts-2917796>

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