

Stock Market

Stocks back to negative zone in choppy trading

New Age, December 02, 2018

- Dhaka stocks dropped in the past week amid a fall in prices of two-third scrips as investors were assessing the political activities surrounding the national election. DSEX, the key index of Dhaka Stock Exchange, lost 0.47 %, or 24.70 points, to close at 5,281.25 points on Thursday, the last trading session of the week after gaining 61.32 point in the previous week.
- The trading on the bourse was choppy over the week with DSEX beginning the week with 30-point loss on Sunday and then inching up in the next two sessions before inching down in the last two sessions. Average share prices of energy, non-bank financial institution, bank and telecommunication dropped by 2.3 %, 2.1 %, 0.6 % and 0.4 % respectively.
- Among the large capitalised scrips, share prices of Khulna Power Company plummeted by 21 % while United Power Company, Square Pharmaceuticals declined by 5.3 % each that weighed on the index. On the other hand, a section of investors bought shares from the bearish market with an expectation that the market would be better after the national election scheduled to be held on December 30, they said.
- Average share prices of miscellaneous, textile and pharmaceuticals sectors advanced 5.0 %, 3.5 % and 2.1 % respectively. The daily average turnover on the bourse dipped to BDT 630.77 crore in last week from BDT 657.35 crore in the previous week. Out of the 346 traded issues, 206 declined, 117 advanced and 23 remained unchanged.
- DS30, the blue-chip index of DSE, shed 0.40 %, or 7.41 points, over the week to close at 1,861.56 points. Shariah index DSES also lost 0.33 %, or 4.08 points, to close at 1,223.47 points. Khulna Power Company led the turnover chart with its shares worth BDT 129.30 crore changing hands in the week.
- Saiham Textile Mills, United Power Generation and Distribution Company, SK Trims & Industries, Intech Limited, Saiham Cotton Mills, Shepherd Industries, Kattali Textile, Square Pharmaceuticals and Paramount Textile were the other turnover leaders. Monno Jute Stafflers gained the most in the week with a 25.66-% increase in its share prices, while Kohinoor Chemicals Company was the worst loser, shedding 22.84 %.

<http://www.newagebd.net/article/57673/stocks-back-to-negative-zone-in-choppy-trading>

Forex reserve hits 29-month low

New Age, December 02, 2018

- Foreign exchange reserve of the country hit nearly two-and-a-half-year low at \$ 30.99 bn at the end of November due to rising import payments and sales of the US dollars by the central bank to keep the taka stable. Bangladesh Bank officials said that the country's import payments which had been rising steadily for months, further jumped in October and November due mainly to payment for imported liquefied natural gas (LNG), fuel oil and fertiliser.
- Bangladesh's reserve stood at \$ 31.06 bn after the country in early November this year made its last payment of \$ 1.13 bn to Asian Clearing Union (ACU) against imports during the September-October from ACU member countries including India.
- The reserve dropped further by \$ 700 mn, following the payment to ACU, standing at 30.99 bn on Thursday, showed the central bank's latest data. The previous lowest foreign exchange reserve was \$ 30.39 bn in July 2016. The level of reserve hit the record \$ 33.44 bn in June 2017.
- Before, October, the country's import payment for the first quarter (July-September) of the current fiscal year 2018-19 grew by 11.48 % year-on-year to hit \$13.59 bn. The central bank official said that BB also sold around \$ 250 mn to

banks in November to keep the taka stable because of its slight depreciation against the dollar after remaining stable for few months.

- The US dollar first crawled up in the first week of October to BDT 83.78 after remaining stable at BDT 83.75 for three months. The greenbacks again crawled up to BDT 83.90 in the last week on November for remaining static for few days.

<http://www.newagebd.net/article/57670/forex-reserve-hits-29-month-low>

Most IT firms see higher Q1 EPS

The Financial Express, December 01, 2018

- Most of the listed IT companies saw their earnings rise in the first quarter (Q1) of the current financial year (FY), 2018-19, compared to the same period of the previous fiscal year. Of the eight IT firms listed with the Dhaka Stock Exchange (DSE), six companies posted healthy earnings per share (EPS) while the remaining two companies saw their EPS decline marginally.
- According to un-audited financial statements for the July-September quarter, FY 2018-19, the EPS of IT Consultants, BDCOM Online, Agni Systems, Aamra Technologies rose up to 53 %, compared to the same period of last fiscal year.
- The earnings of two companies -- Intech Ltd and Information Services Network -- turned positive in the first quarter of FY 2019 after remaining in the negative zone in the same quarter of FY 2018. The EPS of Intech stood at BDT 0.85 for the Q1 of FY 2019 as against negative BDT 0.09 for the same period of FY 2018.
- Recently, Intech signed an 'Exclusive Commercial Agreement' with Minfy Technologies Private Ltd. of India to provide Amazon web services in Bangladesh. The Intech will provide Amazon web services on exclusive basis in collaboration with the Minfy Technologies. The EPS of Information Services Networks stood at BDT 0.10 for the July-September period of FY 2019 as against negative BDT 0.21 for the same period of FY 2018.
- The IT Consultants saw its EPS jump to BDT 0.29 for the first quarter of FY 2019 as against BDT 0.19 for the same period of FY 2018, registering an increase of 53 %. The EPS of BDCOM also surged 31 % to BDT 0.35 for the first quarter of FY 2019 as against BDT 0.24 for the same period of FY 2018.
- The EPS of Agni Systems stood at BDT 0.31 for the July-September period of FY 2019 as against BDT 0.26 for the same period of FY 2018, registering an increase of 19 %. The EPS of Amra Technologies rose 9.30 % to BDT 0.47 for the first quarter of FY 2019 as against BDT 0.43 for the same period of FY 2018. The EPS of Aamra Networks also fell 9.32 % to BDT 1.07 for the first quarter of FY 2019 as against BDT 1.18 for the same period of FY 2018.

EPS of listed IT companies

Name of cos	EPS of Q1 2018-19	EPS of Q1 2017-18
Intech	Tk 0.85	Tk (0.09)
Information Services	Tk 0.10	Tk (0.21)
IT Consultants	Tk 0.29	Tk 0.19
BDCOM	Tk 0.35	Tk 0.24
Agni System	Tk 0.31	Tk 0.26
Aamra Tech	Tk 0.47	Tk 0.43
Daffodil	Tk 0.41	Tk 0.62
Aamra Networks	Tk 1.07	Tk 1.18

Source: DSE

<http://thefinancialexpress.com.bd/stock/bangladesh/most-it-firms-see-higher-q1-eps-1543637813>

Sonali Bank seeks to issue 40 mn shares

The Financial Express, December 02, 2018

- The state-run Sonali Bank wants to increase its paid-up capital to BDT 45.30 bn to urgently meet its capital shortage, officials said. In November last, Sonali Bank Limited (SBL) general manager Md Ataur Rahman wrote to the Bangladesh Securities and Exchange Commission (BSEC) in this regard.
- The largest state-owned bank has sought to issue 40 mn shares at a price of BDT 100 each in favour of the government. It has also sought approval to use BDT 4.0 bn as paid-up capital to meet its huge capital shortfall. Currently, the paid-up capital of the bank is BDT 41.30 bn. Its authorised capital stands at BDT 60 bn now, a senior SBL official said. The state-owned bank has been providing services to its clients through 1,212 branches at home and abroad. The number of account-holders in the bank is 17 mn.

<http://thefinancialexpress.com.bd/stock/bangladesh/sonali-bank-seeks-to-issue-40-mn-shares-1543723237>

Beximco gets another lifeline from Sonali

New benefits given in the name of 'review of restructured loans'; Beximco to make 'balloon payment'

The Daily Star, December 02, 2018

- In August 2014, Salman F Rahman, vice-chairman of Beximco Group, informed the central bank governor in a letter that Beximco Ltd, the group's largest company, was in a liquidity crisis -- dire enough to cause it to collapse. He blamed the situation on two factors: politically motivated credit restrictions on the group between 2001 and 2008 and repayment of BDT 800 crore in bank loans in the last three years.
- Under the large loan restructuring policy, state-owned Sonali Bank had restructured BDT 1,070 crore of Beximco Ltd's loans for 12 years to 2027 at an interest rate of 10 %, which was much lower than the 13-14 % interest rate prevailing then. After a year's grace period -- which would be from September 2016 -- the borrower was supposed to pay BDT 57.40 crore each quarter to Sonali.
- By December 2017 the borrower was obliged to pay six instalments, but Beximco made only two payments and became a defaulter at the end of December last year. The lender neither withdrew the facility nor sued Beximco, as per the terms of the large loan restructuring policy.
- Rather, Sonali took an extraordinary measure to keep Beximco Group out of the default zone, all in the hope of getting back the large amounts it had lent to the business giant. In the meantime, Beximco Ltd's loan amount had ballooned to BDT 1,262 crore -- and it was rescheduled again in March this year by Sonali.
- Not only that, it got the facility without making any down payment, as the BB rules stipulate that a borrower has to pay at least 10 % of the defaulted loans -- BDT 126 crore in this case -- as down payment to get them rescheduled. Curiously, the move was termed 'review of restructured loans', not rescheduling of loan, due to which Beximco was able to avoid the required down payment.
- And Beximco was allowed to repay using the 'balloon payment' method: it will pay less, mainly the interest amount, at the beginning, with the sum increasing progressively, to include the principal amount as well, towards the end of the loan period. Bankers say balloon payment is ideal for borrowers who face cash crunch in the short term, but expect their liquidity situation to improve in future.

<https://www.thedailystar.net/business/news/beximco-gets-another-lifeline-sonali-1667941>

Moody's sounds alarm on Bangladeshi banks

US ratings agency gives negative outlook

The Daily Star, December 02, 2018

- Global credit ratings giant Moody's put Bangladesh's banking system on 'negative watch' despite the country's robust economy, as pressure mounts on the Bangladesh Bank and the government to take drastic actions to fix the sector. The reason for the negative outlook is the worsening asset quality, said Tengfu Li, a Moody's analyst.
- Underlying weaknesses in corporate governance, especially at state-owned banks, has led to nonperforming loan ratios rising to 10.4 % as of June. And the growing stock of unclassified rescheduled loans poses further risk to asset quality, said the report 'Banking System Outlook - Bangladeshi banks: High asset risks drive negative outlook despite robust economy'.
- At the end of June, the state banks' total NPL stood at 28.24 %, according to data from the Bangladesh Bank. In fact, of the total BDT 89,340 crore of NPL of the banking sector, the state banks accounted for BDT 42,852 crore. The outlook expresses Moody's expectation of how bank creditworthiness will evolve in this system over the next 12 to 18 months.
- Moody's outlook is based on six key drivers. Specifically, Moody's assesses the banks' operating environment as stable; asset risk as deteriorating; capital as deteriorating; profitability and efficiency as deteriorating; funding and liquidity as stable; and government support as stable.
- Credit costs will increase in tandem with the deterioration in asset quality, said the report, which was unveiled on November 29. Such a situation will lead to an erosion of the banks' profitability, especially when the expansion of net interest margins will also be limited under regulatory pressure.
- Capitalisation will moderate because of weaker capital generation despite earnings retention by the private sector banks to meet the higher capital requirements beginning in 2019. Banks in Bangladesh though will continue to maintain adequate funding and liquidity.

<https://www.thedailystar.net/business/news/moodys-sounds-alarm-bangladeshi-banks-1667938>

Subscription of 'SEML FBLSL Growth Fund' to open Dec 2

The Financial Express, November 29, 2018

- The public subscription of 'SEML FBLSL Growth Fund', a closed-end mutual fund, will be started on December 02. The growth fund, which is 10 years tenure, will raise a fund worth BDT 550 mn from the public through initial public offering (IPO).
- The IPO subscription of the fund will be continued till December 13. The securities regulator - Bangladesh Securities and Exchange Commission (BSEC) approved the draft prospectus of 'SEML FBLSL Growth Fund' on February 13. As per the BSEC approval, the total size of the 'SEML FBLSL Growth Fund' is BDT 1.0 bn.
- Of the fund's total size, BDT 100 mn was financed by FBL Securities Limited, the sponsor of the mutual fund and BDT 350 mn was collected through pre-IPO placement. Remaining BDT 550 mn will be collected through initial public offering (IPO) from general investors. The face value of the fund is BDT 10 each. A market lot is 500 units and an investor needs BDT 5,000 to apply for each lot of the fund's IPO
- For non-resident Bangladeshis and foreign applicants, the required amount (per lot) for subscription is US\$ 60.13 or GBP 45.93 or EUR 52.90, according to the Dhaka Stock Exchange (DSE). Strategic Equity Management is the fund manager, while Bangladesh General Insurance Company and Brac Bank are the trustee and custodian of the Fund respectively.

- The objective of the fund is to provide attractive dividend to the unit holders by investing the proceeds in the various financial instruments in the Bangladesh capital as well as money markets, according to its IPO prospectus. Currently, 37 closed-end mutual funds are listed on the Dhaka bourse.

<http://thefinancialexpress.com.bd/stock/subscription-of-semi-fblsl-growth-fund-to-open-dec-2-1543467521>

Economy

Dec net bank borrowing target likely to be BDT 22b

The Financial Express, November 30, 2018

- The government is set to fix the net bank borrowing target at BDT 22 bn for December to finance budget deficit partly ahead of the general election, officials said. It may take up to BDT 136 bn as gross borrowing from the banking system in December by issuing treasury bills (T-bills) and bonds, according to the auction calendar of the Bangladesh Bank (BB), released on Thursday.
- The gross bank borrowing amount was BDT 32 bn in November, and BDT 20 bn in October. The government's net bank borrowing will reach BDT 22 bn by the end of next month, after deducting BDT 114 bn as maturity amount of the government securities from the gross borrowing amount, according to a BB senior official.
- On November 19, the government revised its auction calendar, keeping an option for borrowing BDT 20 bn more for financing budget deficit ahead of the general polls, scheduled to be held on December 30. Under the revised calendar, the government's net borrowing from the banking system was BDT 30.42 bn in November, compared with BDT 10.42 bn as targeted earlier.
- Besides, BB's continuous selling of the US dollar to the banks may push up demand for Bangladesh Taka (BDT) in the near future in the market, they explained. The weighted average rate (WAR) on call money rose to 3.62 % on Wednesday from 3.59 % of the previous working day, the BB data showed.
- The central bank resumed offering the support by selling the US currency directly to the banks in recent months to keep the foreign exchange market stable. As part of the move, BB sold US\$ 30 mn directly to four commercial banks on Thursday to meet the growing demand for the greenback in the market. On Wednesday, BB also sold \$40 mn to two state-owned commercial banks (SoCBs) on the same ground.
- A total of \$906 mn was sold to the commercial banks from July to November as part of its ongoing support, according to the central bank's latest data. Currently, four T-bills are being transacted through auctions to adjust the government's borrowing from the banking system. The T-bills have 14-day, 91-day, 182-day and 364-day maturity periods.

<http://thefinancialexpress.com.bd/economy/bangladesh/dec-net-bank-borrowing-target-likely-to-be-BDT-22b-1543549829>

Deloitte opens office in Dhaka

The Daily Star, December 02, 2018

- Deloitte, a global advisory firm, sees a good prospect in providing business consulting services in Bangladesh as it opened office in the country. Deloitte wants to make a difference by providing full ranges of services of audit and assurance, consulting, financial advisory, risk, and tax services, said Joydeep Datta Gupta, a board member of Deloitte Bangladesh.

- Deloitte organised the press meet to announce the opening of its office. It used to provide services from India to multinational companies and a good number of local companies. Gupta said local companies in Bangladesh are keen to be multinational, intend to be compliant and seek Deloitte's help.
- With this, Deloitte Bangladesh will have a base of more than 100 professionals and highly respected clients. It hopes to grow the workforce severalfold in the next few years.

<https://www.thedailystar.net/business/news/deloitte-opens-office-dhaka-1667944>

International

China factory activity softens amid trade war

The Daily Star, December 02, 2018

- China's factory activity fizzled in November, official data showed Friday, in the latest sign that the world's second-largest economy is losing steam in the midst of a US trade war. The Purchasing Managers' Index (PMI), a key gauge of factory conditions, came in at 50.0 for the month, down from 50.2 in October and below forecast, the National Bureau of Statistics said.
- Marking the lowest point in over two years, it is at the level separating expansion from contraction. New orders decelerated as "production remained steady while demand expansion slowed down", NBS analyst Zhao Qinghe said in a statement.
- The new data came as Chinese leader Xi Jinping and US President Donald Trump are due to meet at the G20 summit taking place in Buenos Aires on Friday and Saturday. Trump is expected to press Xi for wholesale reform of China's economy in favour of access for US companies after threatening more tariffs on Chinese imports in January. China's economy grew by 6.5 % in the third quarter, its slowest pace for nine years.

<https://www.thedailystar.net/business/global-business/news/china-factory-activity-softens-amid-trade-war-1667899>

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