

Stock Market

Dhaka stocks drop for 2nd day as export earnings decline

New Age, October 08, 2019

- Dhaka stock dropped for the second day on Monday as investors maintained their cautious approach to the market amid a decline in the country's export earnings. DSEX, the prime index of Dhaka Stock Exchange, dropped by 0.45 per cent, or 22.37 points, to close at 4,894.31 points on Monday after losing 21.13 points in the previous session.
- The media reported on Monday that the country's export earnings in July-September of FY 2019-20 decreased to \$9.64 billion from \$9.94 billion in the same period of FY19, and the drop occurred after more than a decade.
- The market has been gloomy for nine months due to volatile financial sector, widespread anomalies at the market, approval of weak initial public offerings, new tax on listed companies and Grameenphone's tussle with the telecom regulator over an audit claim.
- The average share prices of textile sector dropped by 1.45 per cent, telecommunication 1.11 per cent, non-bank financial institution 0.79 per cent and bank 0.35 per cent on the day. Turnover on the bourse further dropped to Tk 301.99 crore on Monday from Tk 307.22 crore in the previous session.
- Out of the 352 scrips traded on the day, 251 declined, 74 advanced and 29 remained unchanged. Blue-chip index DS30 decreased by 0.46 per cent, or 8.19 points, to close at 1,739.48 points. DSE Shariah index DSES shed 0.24 per cent, or 2.73 points, to close at 1,131.37 points.
- National Tubes led the turnover chart with its shares worth Tk 20.98 crore changing hands on the day. Wata Chemicals, Standard Ceramics, Monno Jute Stafflers, United Power Generation Company, Eastern Cables, Stylecraft, CAPM IBBL Islamic Mutual Fund, Atlas Bangladesh and Monno Ceramics were the other turnover leaders.
- CAPM IBBL Islamic Mutual Fund gained the most on the day with a 9.80-per cent increase in its share prices while First Finance was the worst loser, shedding 7.89 per cent.

<http://www.newagebd.net/article/86931/dhaka-stocks-drop-for-2nd-day-as-export-earnings-decline>

BSEC body suggests freezing shares of Z-category cos' directors

New Age, October 08, 2019

- A Bangladesh Securities and Exchange Commission committee has proposed freezing shares of sponsor-directors of the companies that have remained for years in the 'Z' category, which groups low-profile companies.
- A company must reconstitute its board if it remains in the 'Z' category for more than one year as per a BSEC notification issued in 2002, but the exiting companies in the category are yet to implement the BSEC order, the committee observed.
- The stock market regulator on April 12 this year formed the three-member committee headed by its director Mansur Rahman to assess the BSEC notification for the 'Z' category companies. The regulator asked the body to prepare necessary proposals on the notification.

- Therefore, the committee made the suggestion of freezing the sponsor-directors' shares as many companies remained in the 'Z' category for years without making any business development move, violating securities rules. The committee has recently placed the recommendation before the commission.
- According to the notification issued in 2002, the existing board of directors of the issuer company of a listed security which remains in the 'Z' category for one year or more must be reconstituted by holding an extraordinary general meeting within six months.

<http://www.newagebd.net/article/87041/bsec-body-suggests-freezing-shares-of-z-category-cos-directors>

Jute goods makers get a shot in the arm

Tax benefits to continue for them till fiscal 2023

The Daily Star, October 08, 2019

- Jute goods makers have got a shot in the arm from the National Board of Revenue, which has extended reduced tax benefit to them until fiscal 2022-23. At present, jute goods manufacturers pay 10 % tax on their export income instead of 35 %. But that privilege was due to expire in June next year.
- Now, the revenue authority has extended the benefit not only by three years but has also expanded it to those who do not export. In other words, jute goods makers would now pay 10 % tax on their income. Backed by the availability of raw jute for domestic cultivation, the industry depends largely on exports as the domestic market for jute goods such as sacks and bags is not big enough.
- In recent years, export of jute and jute goods has been oscillating thanks to the crisis in the Middle East and the anti-dumping duty slapped by India in January 2017. In fiscal 2018-19, jute and jute goods exports dropped 20 %. In the first quarter of the fiscal year, it edged up 2 %, according to data from the Export Promotion Bureau (EPB).
- Jute goods is one of the half a dozen of industrial sectors that enjoy reduced tax rate, much below the normal corporate tax rate for companies. Garment, the main export earner, and textile are the other two. Besides, tax break is available for the power sector and factories to be established in economic zones, hi-tech parks and export processing zones.



<https://www.thedailystar.net/business/news/jute-goods-makers-get-shot-the-arm-1811263>

Neutral panel to evaluate BTRC's audit findings

The Daily Star, October 08, 2019

- The government has proposed forming a committee comprising neutral and subject-related experts to evaluate the audit findings of Grameenphone and Robi that have led to fiercely contested claims of BDT 13,446 crore.
- The development comes after a meeting on Thursday involving Finance Minister AHM Mustafa Kamal, Telecom Minister Mustafa Jabbar, BTRC Chairman Md Jahurul Haque, NBR Chairman Md Mosharraf Hossain Bhuiyan on the premises of the Planning Commission

- The meeting has decided on five points and formation of a committee is one of them. The committee would have members approved by the two operators and the Bangladesh Telecommunication Regulatory Commission.
- The committee will also fix the methodology for evaluation and the operators will have to accept the report, said a top-placed source of the meeting. And before the committee gets to work, the mobile operators will have to put in certain deposits.
- The development can be viewed as a compromise of sorts from the telecom regulator, which was dogmatic about going for arbitration as per the mobile operators' request and was insistent on having the sum put forward by the auditors.
- The committee also decided that the mobile operators will withdraw the cases that they have filed in the lower court and the telecom regulator will also withdraw the show-cause notice. Grameenphone thanked the authorities for finding a solution to the disputed and unfounded audit claims.
- Meanwhile, both Grameenphone and Robi have challenged the legality of the telecom regulator's show-cause notice on them asking to reply within 30 days why their licences would not be cancelled for their failure to pay BDT 13,446 crore of dues.

 GRAMEENPHONE		 ROBI	
Active users: 7.54cr (As of July'19)		Active users: 4.77cr (As of July'19)	
Audit claim: Tk 12,580cr		Audit claim: Tk 867cr	
Shareholders:		Shareholders:	
Telenor Mobile Communications of Norway: 55.80pc		Axiata Group of Malaysia: 68.7pc	
Grameen Telecom of Bangladesh: 34.20pc		Bharti Airtel of India: 25pc	
General public, institutions: 10pc		NTT Docomo of Japan: 6.3pc	

<https://www.thedailystar.net/business/news/neutral-panel-evaluate-btrcs-audit-findings-1810864>

Higher yield entices foreigners back to bond market

The Financial Express, October 09, 2019

- Foreign nationals have renewed their interest in investing in the country's treasury bonds as the yield rates have gone up on the back of government's rising appetite for funds. Only foreigners, mostly from western countries, invest in such type of fixed income instruments.
- But the volume of their investment came to zero in December last which people familiar with the development believe that the low yield rate was the main reason behind it. As of the last auction held on October 02, the yield rate on the two-year bond was 8.66 % (annualised), five-year bond 9.23 %, 10-year bond 9.27 %, 15-year bond 9.57 % and 20-year bond 9.79 %.
- Foreign fund managers mobilise resources from the investors and explore the profitable ventures worldwide. They invest where returns are high with minimum risk. Such type of investment helps diversify the landscape of treasury bonds apart from boosting foreign exchange inflow.
- In 2016, a single-month outstanding debt hit over BDT 17 bn after allowing such investment in 2013. Since the inflation rate is around 5.0 %, they said, the annual yield of 2.0-3.0 % does not make any sense. Non-resident individuals and institutional investors are eligible for purchasing the bonds through primary dealers.
- Usually, banks, non-bank financial institutions, insurance companies, corporate bodies, and authorities responsible for management of provident and pension funds are entitled to buy treasury bonds. Only primary dealers can submit bids at auction.

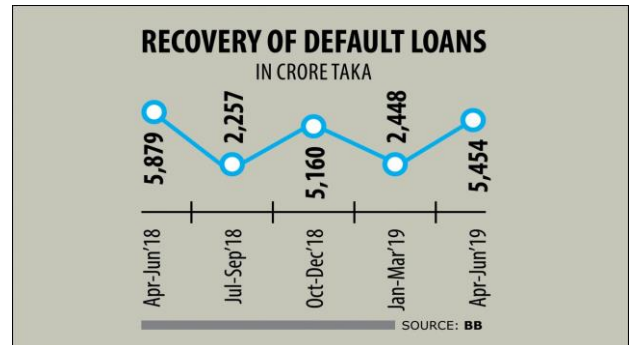
<http://thefinancialexpress.com.bd/trade/higher-yield-entices-foreigners-back-to-bond-market-1570594018>

Economy

Loan recovery slows in Q2

The Daily Star, October 07, 2019

- Banks' loan recovery momentum slowed down in the second quarter of 2019 as many defaulters showed unwillingness to pay back loans to enjoy the central bank's relaxed rescheduling facility. Between the months of April and June, BDT 5,454.25 crore was recovered, down 7.22 % year-on-year, according to data from Bangladesh Bank.
- As of June 30, total default loans in the banking sector stood at BDT 112,425 crore, up 25.83 % year-on-year. Typically, banks go for a strong cash recovery drive before the months of June and December to clean up their balance sheet and paint a rosy picture.
- But this time, lenders' effort has become futile due to the central bank's relaxed policy, which has given a fresh lifeline to defaulters. As per the new policy, defaulters will be allowed to reschedule their classified loans by providing only 2 % down payment instead of existing 10-50 %.
- A maximum of 9 % interest rate will be charged on the rescheduled loans, which is much lower than the existing interest rate of 12-16 %. The tenure for repayment is 10 years with a grace period of one year, which is much longer than the existing duration for most of the loans.



<https://www.thedailystar.net/business/banking/news/loan-recovery-slows-q2-1811266>

Omission of input definition in VAT law

Govt risks losing sizeable revenue

- The absence of a definition of inputs in the VAT law has put at risk the target of revenue mobilisation from manufacturing companies, officials say. Under the VAT law, manufacturers are entitled to get refund or adjust the VAT they pay at the time of purchasing or procuring inputs.
- In the VAT law-1991 there were specific definitions of the inputs eligible for VAT refund. However, the new VAT and Supplementary Duty Act 2012, implemented from July 1 last, has no definition of inputs.
- Field-level VAT officials say manufacturing companies will be able to claim higher VAT rebates in the current fiscal year in the absence of any definition of inputs in the law. The large ones will be benefited more due to the omission.
- The VAT officials have feared a negative growth in revenue collection from the large manufacturing companies due to the higher rebates and some other major factors in mobilising VAT. In the first two months of the current FY, the Large Taxpayers Unit (LTU) saw its VAT collection drop by BDT 9.22 bn or 15.60 % compared to the level of the corresponding period of the last FY.

- The LTU under the VAT wing has scrutinised declarations of some manufacturing companies. In a letter to the NBR, the LTU has mentioned the declaration of M/S Holcim (Bangladesh) Ltd, a large cement manufacturing company, as an example.
- The company has included tailoring shop and tailors, social media and virtual businesses, hotel restaurants, printing stationery and office supply, human resources supply and management as inputs to obtain VAT refund.
- The declaration also contains service charge on contractual manufacturing, furniture, event management and credit rating agency, auction, automatic laundry, indenting firm, building construction or architect, interior, engineering firm and graphic design.

<http://thefinancialexpress.com.bd/trade/govt-risks-losing-sizeable-revenue-1570593621>

International

The end of Libor: the biggest banking challenge

New Age, October 07, 2019

- On June 30, British bank NatWest sent out an arcane-sounding press release - bus operator National Express had become the first company to take out a loan based on Sonia, a replacement for scandal-hit interest rate benchmark Libor.
- It was billed as the first switch of thousands that British firms would make by end-2021, when the benchmark is set to be decommissioned. Four months on, NatWest's trailblazing Sonia switch has been followed by only one other loan, when the bank struck a deal with utility South West Water on October 2.
- The slow progress highlights the challenge banks and borrowers face as regulators attempt to end the use of Libor, a benchmark embedded in as much as \$340 trillion financial contracts worldwide from home loans to complicated derivatives.
- Libor, once dubbed the world's most important number, was discredited after the 2008 financial crisis when authorities in the United States and Britain found traders had manipulated it to make a profit. But replacing Libor is proving expensive and tricky with concerns that, if mishandled, it could trigger credit market confusion and waves of lawsuits, finance industry sources said.
- The United States is leading the way with a booming trade in derivatives linked to its new Sofr rate, while the European Central Bank started publishing Estr, its new interest rate benchmark, earlier this month. In Britain, professional investors such as hedge funds and pension insurance clients are also already writing and trading derivatives contracts linked to Sonia.
- In contrast, loans linked to Libor can have forward-looking term rates, meaning borrowers have greater certainty over their future liabilities and can manage cash flows more easily. The overnight Sonia rate, based on actual transactions, is seen as more robust and less vulnerable to the kind of manipulation that affected Libor, which was based on rates submitted by banks.

<http://www.newagebd.net/article/87043/the-end-of-libor-the-biggest-banking-challenge>

BASL DAILY NEWS BUZZ

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