

Stock Market

Stocks gain last week on bargain hunting

New Age, November 11, 2019

- Dhaka stocks advanced last week as a section of investors went for bargain hunting while many others remained cautious due to the country's dismal macroeconomic performance. DSEX, the key index of Dhaka Stock Exchange, increased by 1.9 per cent, or 89.01 points, over the week to close at 4,771.92 points on November 7, the last trading session of the week, after slumping to a three-year low on October 29.
- Market operators said lucrative prices and the upcoming corporate declarations of companies which are expected to declare better earnings reports prompted a section of investors to buy shares.
- Besides, the Bangladesh Securities and Exchange Commission's announcement to impose ceiling on the share prices of companies from their very first trading session brought some relief to a section of investors, they said.
- Investors have been complaining that sharp rise in share prices of newly listed companies in the first several trading sessions helped IPO-hunters ditch shares on the secondary market and thus resulted in a fund leakage from the capital market.
- Dismal microeconomic performance kept investors cautious as the Centre for Policy Dialogue on November 3 said that the macroeconomic stability of the country had now become weaker and performance of economic indicators was under tremendous pressure, which might lead to a structural slowdown in the economy.
- Concerning the country's stock market, the CPD identified five institutional and governance related weakness — poor quality initial public offerings, anomalies in financial reporting, lack of transparency in BO accounts, suspicious trading at secondary market and questionable role of institutional investors.

<http://www.newagebd.net/article/90265/stocks-gain-last-week-on-bargain-hunting>

SZSE working to attract more China investors to DSE: officials

New Age, November 11, 2019

- The Shenzhen Stock Exchange has taken several initiatives including launching of a joint index to pull more Chinese investment in the Bangladesh capital market, said its international department director Liu Fuzhong.
- Liu made the remark while he was talking to reporters after a programme titled 'The 3rd China-Bangladesh Capital Market Cooperation Seminar' arranged by the Dhaka Stock Exchange and the SZSE at the SZSE in Shenzhen of China on Wednesday.
- Delegates from 40 Chinese brokerage houses and 50 investors participated in the seminar. Liu said the SZSE had been persuading a number of Chinese investors to invest in the Bangladesh stock market.
- SZSE president Wang Jianjun said at the programme that the Chinese bourse had been promoting the DSE. Major breakthroughs include technology upgrading, development of SME market, and cross-border capital matching at the DSE after the SZSE along with another Chinese stock exchange became a DSE strategic partner.

- He also said that the SZSE was working hard to develop the Bangladesh capital market. Wang also said that V-Next was a very important platform for innovation finance. V-Next platform of the SZSE is a cross-border matchmaking platform for growth finance to bridge global innovation with Chinese capital market, he said. V-Next Bangladesh window has already been launched.

<http://www.newagebd.net/article/90044/szse-working-to-attract-more-china-investors-to-dse-officials>

China bourse to launch index at DSE

New Age, November 08, 2019

- The Shenzhen Stock Exchange (SZSE) is going to introduce a new index at the Dhaka Stock Exchange this year to attract Chinese investors to the secondary market of Bangladesh's premier bourse.
- "The index will be formed by the SZSE in association with the DSE where well-performing stocks will be included," Liu Fuzhong, a director of the Shenzhen exchange, told reporters yesterday.
- The index will give Chinese investors an idea on the performance of the companies listed on the DSE, he said.

<https://www.thedailystar.net/business/news/china-bourse-launch-index-dse-1824571>

Bangla Bond debuts on London Stock Exchange tomorrow

USD19m of the planned USD1b to be floated

The Daily Star, November 11, 2019

- A USD19 mn BDT-denominated bond is set to make its debut on the London Stock Exchange tomorrow, in a landmark moment for the country. The debt certificate—the Bangla Bond—is being backed by the International Finance Corporation (IFC), the private sector arm of the World Bank Group.
- Finance Minister AHM Mustafa Kamal is expected to ring in the ceremonial trading bell, according to a senior official of the finance ministry. The government expects to draw USD1 bn from the Bangla Bond, with the rest of the amount to be floated in phases.
- The floatation of the bond comes as the government looks to mobilise the hordes of expatriate Bangladeshis towards nation building and draw in foreign investors too. The IFC has been working with the government for four years for the Bangla bond. A successful implementation of the bond issuance will signal the confidence offshore investors have in the stability of the Bangladesh economy and the BDT, the IFC said in its proposal in April 2015.
- While initial feedback from investors has signalled appetite for shorter tenures (2-5 years), the IFC's intent is to build a longer yield curve over time. Proceeds from longer tenure bonds could be utilised in infrastructure projects within Bangladesh, it said.

<https://www.thedailystar.net/business/news/bangla-bond-debuts-london-stock-exchange-today-1825297>

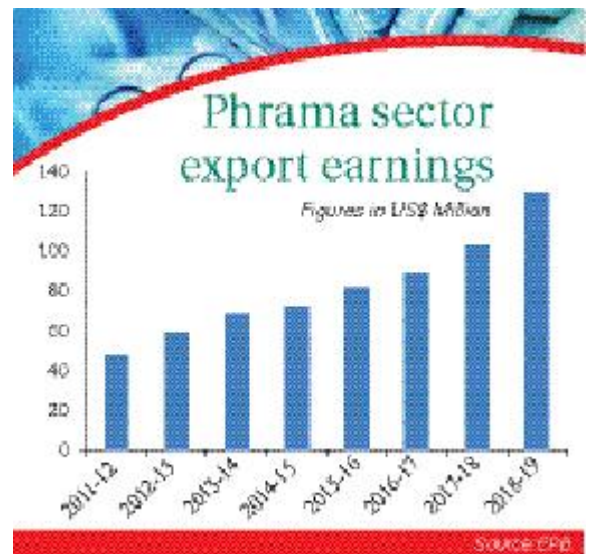
Economy and Industry

Pharma export sees strong growth

Export earnings jumped from USD48.25m to USD129.95m in seven years

The Financial Express, November 09, 2019

- Export earnings from the country's pharmaceutical sector continued its upward trend over the last seven years on the back of a conducive policy environment, skilled human resources and patent waiver, insiders said.
- Drug makers operating in Bangladesh have fetched US USD46.85 mn in July-October period of current fiscal year (FY) 2019-20, up 8.07 per cent over the corresponding period of last fiscal, according to the Export Promotion Bureau of Bangladesh (EPB) data. The sector's earning from overseas market jumped 25.60 per cent to USD129.95 mn in FY 2018-19 from USD103.46 mn in FY '18. The figure was USD89.17 mn in FY '17 and USD48.25 mn in FY 2011-12.
- Contacted, Managing Director of One Pharma Limited KSM Mostafizur Rahman told FE that the drug market in Bangladesh has the potential to grow further in the coming days. Increasing demand for drugs at home and abroad, growing acceptance of Bangladeshi medicines abroad and comparatively low production cost here are some of the key reasons for the growth of this sector, he said.
- The global market for generic drugs is expected to reach USD475 bn by 2024 from USD340 bn in 2018, according to marketwatch.com. According to data presented at a seminar recently, the domestic market size of the pharmaceutical product is BDT 205.12 bn with annual growth rate of 10 per cent. The sector's contribution to the gross domestic product (GDP) is estimated around 1.83 per cent. The country exports drugs to 150 countries worth around USD130 mn, which is likely to cross bn-dollar mark in the next five years, experts said.



<https://thefinancialexpress.com.bd/trade/pharma-export-sees-strong-growth-1573275080>

Ten banks fail to maintain minimum capital requirement

New Age, November 09, 2019

- Ten scheduled banks are highly vulnerable to reasonable amount of losses as the banks have failed to maintain minimum capital to risk-weighted assets ratio (CRAR), according to the Bangladesh Bank's Financial Stability Assessment Report for the period of April-June this year.
- The BB assessed 57 out of 59 scheduled banks in its report. In line with the Pillar 1 of the Basel III capital framework, all the scheduled banks are supposed to maintain minimum 10 per cent CRAR.

- The rest 47 banks have managed to comply with the provision of maintaining at least 10 per cent or above as CRAR. The report, however, said that the overall CRAR of the banking sector increased to 11.7 per cent at the end of June this year, up 80 basis points on last year.
- It also said that 30 banks' CRARs were within the range of 10-15 per cent and their aggregate assets accounted for nearly 59.4 per cent of the total banking industry's assets at the end of June this year.
- As 10 banks failed to maintain required CRAR, the rest 47 banks were considered for applying different stresses, the Financial Stability Assessment Report said.
- The report said that 22 of the 47 banks would fail to maintain the required CRAR if three large borrowers of each bank became loan defaulters. If seven large borrowers of each bank become loan defaulters, 34 banks would fail to maintain the required CRAR and loan defaulting by 10 large borrowers would result in 35 banks failing to maintain the required CRAR.
- However, the balance sheet size of the banking sector stood at BDT 15,470.9 bn at the end of June this year from BDT 14,004 bn a year ago.
- As per the central bank's stress test, only four out of 34 non-bank financial institutions were positioned in green zone, 18 in yellow zone and 11 in the red zone including People's Leasing and Financial Services that is facing liquidation, the BB report said.

<http://www.newagebd.net/article/90144/ten-banks-fail-to-maintain-minimum-capital-requirement>

39pc RMG exporters supply at losses, a study finds

The Daily Star, November 08, 2019

- As many as 39 percent of the Bangladeshi garment exporters accept prices below their production costs for the sake of business relations with international retailers, according to a study by the Fair Wear Foundation (FWF).
- Based in Amsterdam, FWF is an independent multi-stakeholder organisation that works with garment brands, garment workers and industry influencers to improve labour conditions in garment factories. Apart from the threat of severed business ties, the suppliers accepted work orders from foreign buyers at rates lower than their production costs for mistakes in cost calculation or to one-up their competitors, the study also found.
- If the suppliers do not accept prices below their production costs, they will lose everything as they will have to pay the workers at the end of the month without any production in the factories, said Koen Oosterom, FWF's country manager for Bangladesh and Myanmar.
- Some 33 percent think they will face the risk of closure and 29 percent will face difficulties in wage payment to workers, the study also said. Only 13 percent of the buyers who source from Bangladesh increased the prices of garment items after the minimum wage hike in 2013.
- During that time, only 25 percent of the global buyers had increased the prices of the garment items after the wage hike, he said. Between 2011 and 2016, the overall prices of Bangladeshi garment items declined 7.79 percent.

<https://www.thedailystar.net/business/news/39pc-rmg-exporters-supply-losses-study-finds-1824583>

Banks assured of relaxed loan write-off policy

The Daily Star, November 08, 2019

- The central bank yesterday assured banks that it would further relax the loan write-off policy in order to help them clean up their balance sheet through shedding of high amount of defaulted loans.
- The Association of Bankers, Bangladesh (ABB), a forum of managing directors of commercial banks, received the assurance at a meeting with Bangladesh Bank Governor Fazle Kabir at the central bank headquarters in the capital.
- “The central bank has responded positively to the ABB’s request on revising the write-off policy,” Syed Mahbubur Rahman, chairman of the association, told The Daily Star after the meeting.
- The central bank has started working to relax the write-off policy for the second time in nine months, bowing down to pressures from an influential quarter, a central bank official said. This time, banks are likely to be allowed to write off defaulted loans that have been hovering in the bad category for one year from their balance sheet, down from three years previously.
- On February 6, banks were allowed to write off defaulted loans that were marked bad for three years in a row instead of earlier five years, as the central bank wanted to show lower amounts of sour loans. But the attempt has failed to arrest defaulted loans.

<https://www.thedailystar.net/business/news/banks-assured-relaxed-loan-write-policy-1824562>

USD300m ADB loan to expand power lines

AIIB plans USD200m co-financing

The Daily Star, November 11, 2019

- The Asian Development Bank has approved a €271.84 mn, or USD300 mn, loan for a project to expand transmission lines in greater Dhaka and the western zone of Bangladesh. Besides, the Asian Infrastructure Investment Bank is considering USD200 mn in co-financing to finance transmission lines, substations, and an enterprise resource planning system. The assistance also comprises a USD750,000 grant from China’s Poverty Reduction and Regional Cooperation Fund (PRC Fund), the Manila-based lender said in a statement on Friday.
- The Dhaka and Western Zone Transmission Grid Expansion Project builds on the ADB’s previous work in Bangladesh’s power sector, including the Southwest Transmission Grid Expansion project approved in 2018 to address continuing deficiencies in the transmission system by providing more efficient, reliable power to consumers in the greater Dhaka and western zones.
- The new project will continue to fund high-level advanced conductors, which were used in the 2018 project, to allow more power transfer at lower energy losses.
- The project will construct 40 kilometres of transmission lines and 4,450 megavolt-ampere (MVA) of substations in greater Dhaka, as well as 368km of transmission lines, 3,070 MVA of substations, and 20 bay extensions in the western zone, the statement said.

<https://www.thedailystar.net/business/news/300m-adb-loan-expand-power-lines-1825291>

Bangladesh bought over 1pc of global LNG in first year

The Daily Star, November 08, 2019

- Bangladesh has made remarkable progress by receiving more than 1 percent of total global production of liquefied natural gas (LNG) in the first year after entering the LNG import marketplace.
- “Bangladesh has astonished the world with its dramatic entry into the LNG market,” said Steven Kobos, president and managing director of Excelerate Energy, a US-based LNG company.
- “To receive more than 1 percent of the total global LNG production in the first 12 months of operations is truly a remarkable achievement,” he said in a statement.
- Bangladesh joined the global LNG import marketplace through the delivery of the country’s first LNG import terminal—Moheshkhali Floating LNG—last year.
- In the first year, Bangladesh successfully received 60 cargoes, equivalent to 3.6 mn tonnes of LNG, from eight countries, supplying more than 180 mn metric British thermal units of gas into the Chattogram region.
- LNG imports represent 15 percent uplift in gas supply for the country, allowing several power plants, fertiliser factories and industries to resume production that had previously been shut due to a lack of feedstock, according to the statement.

<https://www.thedailystar.net/business/news/bangladesh-bought-over-1pc-global-lng-first-year-1824577>

Sonali lobbies fin min to give the facility for write-offs too

New Age, November 09, 2019

- Sonali Bank has requested the finance ministry to extend the special rescheduling facility to written-off loans after the Bangladesh Bank rejected the state-owned bank’s plea for providing such facility. Under the BB’s rescheduling policy introduced on May 16 this year, the defaulters are given a 10-year loan repayment tenure including a one-year grace period by paying meagre 2 per cent down payment.
- Sonali Bank managing director and chief executive officer Md Ataur Rahman Proddhan on October 14 sent a letter to Financial Institutions Division senior secretary Md Ashadul Islam, making the request. Earlier in October, the central bank rejected the plea made by Sonali Bank, taking its negative impact into consideration.
- The defaulted status in the CIB report is also working as a barrier to securing fresh loans by them from any other banks, they said. They said if their written-off loans were rescheduled, the loan defaulters would get scope for getting fresh loans from the banks along with getting respite from facing legal complexities.
- As the BB’s circular does not allow rescheduling of written-off loans, the bank has been barred from taking the advantage of the circular for the recovery of written-off loans, it said. Ataur also said that the inclusion of written-off loans in the circular would help ensure better outcome from the special facility.
- As per Sonali Bank data, the bank received 1,746 applications by the October 20 deadline for application submission for rescheduling of loans worth BDT 2,926 crore. Of the applications, the bank, which has been suffering from BDT 12,188.34 crore in defaulted loans and another BDT 7,094 crore in written-off loans, received 91 applications for loan rescheduling under the special circular of the central bank against written-off loans worth BDT 628 crore.

<http://www.newagebd.net/article/90143/sonali-lobbies-fin-min-to-give-the-facility-for-write-offs-too>

International

India's bad debt eased by write-offs, underlying problem remains

The Daily Star, November 10, 2019

- Indian banks wrote off more than USD30 bn worth of bad debt in the year to June 30, helping to lower stressed loans on their books by 8.5 percent, according to central bank data reviewed by Reuters. The write-offs illustrate the urgent problem of bad loans as borrowers struggle to service, let alone pay-off, their debt in a stuttering economy.
- As of June 30, total stressed assets on the books of Indian banks were at 9768.47 bn rupees (USD137.50 bn), down from 10,672.29 bn rupees (USD150.22 bn) a year ago, according to central bank data reviewed by Reuters.
- A large part of this reduction reflected the write-off by banks of loans worth 2165.08 bn rupees (USD30.64 bn) in the last financial year, the data obtained by Reuters via a right to information filing showed.
- And in the period ending June 30 - the first quarter of the current financial year - write-offs amounted to 445.77 bn rupees (USD6.31 bn), the data showed.
- Without the write-offs and with the incremental bad debt the pile may have ballooned to nearly USD175 bn by the end of June. Moreover, analysts warn the shaky shadow banking industry could worsen an already harsh climate for lenders.
- Soaring bad debt levels, especially on the books of state-run lenders, have choked the Indian banking system and crippled its ability to generate fresh lending and revive economic growth that has slumped to a six-year low. The frail growth has put the brakes on sectors like autos and real estate, causing fresh heartburn for banks.

<https://www.thedailystar.net/business/news/indias-bad-debt-eased-write-offs-underlying-problem-remains-1825378>

IMF approves USD450m loan tranche for Pakistan

The Daily Star, November 10, 2019

- The IMF on Friday praised Pakistan's economic performance and agreed on next steps, paving the way for release of another portion of a USD6 bn, three-year loan package.
- Once the International Monetary Fund board gives the go ahead, the Washington-based lender will provide USD450 mn to help right the South Asian nation's economy, on top of the USD1 bn released in July.
- The official, who led a team that spent two weeks in the country, pointed to signs of improving economic stability, including the move to a flexible exchange rate, and slowing inflation that is projected to fall under 12 percent next year.
- Approval of the first performance review of Pakistan's policy program will also help unlock "significant funding from bilateral and multilateral partners." Under the loan program, the government agreed to slash civil expenditure and freeze military spending while promising to substantially raise revenues to stem a yawning fiscal deficit, and pledging to collect 5.5 trillion rupees (USD36 bn) in taxes.

<https://www.thedailystar.net/business/news/imf-approves-450m-loan-tranche-pakistan-1825477>

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