

Stock Market

Dhaka stocks dip for 3rd week as banks, GP plunge

New Age, February 17, 2019

- Dhaka stocks dropped last week, stretching the losing streak to the third consecutive week, as investors continued selling shares of banks and Grameenphone but a strong gain in the share prices of textile and insurance companies kept the fall in check.
- DSEX, the key index of Dhaka Stock Exchange, lost 1.06 %, or 61.63 points, over the week to close at 5,750.29 points on Thursday, the last trading session of the week. DSEX lost 200 points in last three weeks. Bank and NBFI sectors led the fall in last week with bank declining by 2.4 % and NBFI by 1.9 %.
- Share prices of Grameenphone plummeted by 3.85 % as Bangladesh Telecommunication Regulatory Commission on February 10 declared GP as significant market power. Ten out of the 12 traded multinational companies declined in the week that weighed heavily on the market.
- Share prices of energy and pharmaceutical sectors also fell in the week. The average share prices of general insurance, textile and life insurance advanced by 7.0 %, 3.3 % and 1.4 % respectively that saved the market from a bigger fall in last week.
- The daily average turnover on DSE declined by 1.01 % to BDT 815.66 crore in last week from BDT 823.95 crore in the previous week. Out of the 349 traded issues, 178 declined, 155 advanced and 16 remained unchanged. DS30, the blue-chip index of DSE, shed 1.33 %, or 27.01 points, to close at 1,999.08 points.
- Shariah index DSES also lost 0.90 %, or 11.96 points, to finish at 1,311.45 points. Fortune Shoes led the turnover chart with its shares worth BDT 241.16 crore changing hands in the week. United Power Generation Company, Monno Ceramic Industries, Bangladesh Submarine Cable Company, Legacy Footwear, Paramount Textile, Monno Jute Staffers, Nurani Dyeing, Grameenphone and Genex Infosys were the other turnover leaders.
- Global Insurance gained the most in the week with a 32.24-% increase in its share prices, while Meghna Condensed Milk was the worst loser, shedding 20.50 %.

<http://www.newagebd.net/article/65029/dhaka-stocks-dip-for-3rd-week-as-banks-gp-plunge>

Combating fraud in banks

The Daily Star, February 17, 2019

- Banking as a sector has always been an attractive target of fraud and embezzlement due to the abundance of cash resources it controls. With rapid automation of banking services, frauds in bank accounts and transaction have increased manifold.
- There have been reports of credit card and ATM frauds in a number of banks in Bangladesh, including a foreign bank. There has also been an incident when a large amount (around BDT 1.50 bn) was transferred during the process for software update of a large third generation bank.
- 1. Technology related: Bangladesh's banking market witnessed a paradigm shift during the last 25 years with the entry of 30 plus new private sector banks and two global banks. All the private banks, including earlier licensed ones, started using technology extensively starting from the automation of the bank's general ledger to installing new ATMs, PoS (point of sales), internet and mobile device-based banking etc.
- 2. Deposit account related frauds: Inadequate KYC (know your client), lack of due diligence by banks and poor monitoring by the customers are major factors here. Dormant accounts, accounts of high-net-worth individuals without proper reconciliation process and the ones that belong to overseas residents are more vulnerable.

- 3. Loan account related fraud: These are the most common frauds that have been taking place for a long time, although amounts involved have increased manifold in recent times. The miscreants took advantage of the weak loan appraisal system, poor post-disbursement supervision and inadequate follow-up.
- In many cases, such crimes are committed with active/tacit support of the bank officials, sometimes under pressure from a very strong group, fraudulent security documents, lending against non-existent properties, transactions against false papers, etc. Recent examples of multi-bn taka Hall-Mark, Bismillah case or a number of lending by state-owned and private sector banks are glaring examples of such frauds. Unfortunately, the banks' top management and even board members were involved in most of the cases.

<https://www.thedailystar.net/business/news/combating-fraud-banks-1703242>

Renata to set-up subsidiary in Ireland

The Financial Express, February 14, 2019

- The board of directors of Renata Limited has approved the plan to establish a subsidiary company in Ireland fulfilling the regulatory requirement to export in EU countries. Renata, a pharmaceutical and animal health products manufacturer, has also informed that earlier they committed to export in European countries and for that they established a company in UK which was disseminated on May 17, 2018 in the Dhaka Stock Exchange (DSE) website.
- However, unfortunately UK had withdrawn them from the European Union (EU) as process known as Brexit, said a disclosure posted on the DSE website on Thursday. Now they have decided to establish a new company in other EU countries (Ireland) to export un-interrupt in EU countries, said the disclosure.
- Renata Limited, which was listed on the Dhaka bourse in 1979, disbursed 95 % cash and 15 % stock dividend for the year ended on June 30, 2018. Each share of the drug maker closed at BDT 1,160.80 on Wednesday. The company's paid-up capital is BDT 805.36 mn, authorised capital is BDT 1.0 bn and the total number of securities is 80.53 mn.
- Sponsor-directors own 51.16 % stake in the company while institutional investors 19.10 %, foreign investors 22.39 % and general public 7.35 % as on January 31, 2019. In six months for July-December 2018, the company's consolidated earnings per share (EPS) stood at BDT 21.08 as against BDT 17.46 for July-December 2017.
- The consolidated NOCFPS was BDT 35.34 for July-December 2018 as against BDT 27.05 for July-December 2017. The consolidated NAV per share was BDT 205.28 as on December 31, 2018 and BDT. 192.56 as on June 30, 2018. Renata Limited (formerly Pfizer Limited) is one of the leading and fastest growing pharmaceutical and animal health product companies in Bangladesh.
- The company started its operations in 1972 as Pfizer (Bangladesh). In 1993, Pfizer transferred the ownership of its Bangladesh operations to local shareholders and the name of the company was changed to Renata Limited. Presently, there are three subsidiaries of Renata -- Renata Agro Industries, Purnava Limited and Renata Oncology Limited, according to its website information.

<http://thefinancialexpress.com.bd/stock/renata-to-set-up-subsiidiary-in-ireland-1550124838>

Sponsors' bonus shares to face 3-yr lock-in

Lock-in on placement shares to be raised to 3yrs

New Age, February 15, 2019

- Dhaka Stock Exchange has decided to propose that Bangladesh Securities and Exchange Commission increase the lock-in period on the trading of placement shares to three years from the current one year. At a board meeting on Tuesday, the country's premier bourse also decided to put forward a proposal to bring the trading by sponsors of

bonus shares declared by a company in three years of its initial public offering under the purview of the three-year lock-in system.

- DSE officials said the bourse made the decisions to protect the interest of general shareholders. As per the existing rules, shares of sponsor-directors are kept under lock-in for three years from the date of issuance of IPO prospectus of the company concerned to prevent the sponsor-directors from selling any pre-IPO shares of the company instantly at the market, but they can sell bonus shares as a form of dividend income.
- The rules prompt some companies to declare bonus dividends to sell shares at the secondary market when the price is high. Moreover, DSE also found increase of placement shares allotment by companies just before their listing with the stock exchanges.
- As per the existing law, placement shareholders cannot sell their holdings before one year after listing of a company with the stock exchanges. After one year, placement shareholders sell their shares at the stock market that pushes down the company's share prices on the market and the general shareholders feel the brunt of the price fall. Therefore, the bourse feels that placement shares should also be kept under lock-in for three years.
- Bangladesh Securities and Exchange Commission chairman M Khairul Hossain at a programme on February 12 said that the commission was planning to keep the trading of sponsors' bonus shares under lock-in so that the company owners could not declare stock dividends to sell shares.

<http://www.newagebd.net/article/64943/sponsors-bonus-shares-to-face-3-yr-lock-in>

HR Textile to issue corporate bond

The Financial Express, February 15, 2019

- The board of directors of HR Textile Limited has decided to issue a seven years non-convertible redeemable fixed rate corporate bond with face value of BDT 500 mn. The company has decided to issue the bond on the basis of financial statements as on December 31, 2018 through private placement to the potential investors (banks, insurance, financial institutions, corporate houses, NRBs and general public), the company said in a statement through DSE website on Thursday.
- The bond issue is subject to compliance with the Bangladesh Securities and Exchange Commission (private placement of debt securities) Rules 2012. The fund of corporate bond shall be used in capital investment in order to strengthen the production facilities and to settle down the existing high cost debt, subject to the approval from regulatory authorities including the BSEC, said the statement.
- Each share of the company, which was listed on the Dhaka Stock Exchange in 1997, closed at BDT 46.60 on Thursday, advancing 2.87 % over the previous day. The company's paid-up capital is BDT 253 mn, authorised capital is BDT 1.0 bn and the total number of securities is 25.30 mn.
- Sponsor-directors own 51.16 % stake in the company while institutional investors 10.64 %, foreign investors 4.17 % and general public 34.15 % as on January 31, 2019. In six months for July-December 2018, the company's earnings per share (EPS) stood at BDT 0.83 as against BDT 0.81 for July-December 2017. The consolidated NOCFPS was BDT 3.75 in the negative for July-December 2018 as against BDT 0.85 for July-December 2017.

<http://thefinancialexpress.com.bd/stock/hr-textile-to-issue-corporate-bond-1550212782>

Extended plant of GPH Ispat goes into production by June

The Financial Express, February 17, 2019

- The extended plant of GPH Ispat is going into production with electric ark furnace quantum method (EAFQM) by June this year which will turn it into a reputed brand. This will enlighten the image of Bangladesh to the external world, said chairman of the GPH Group Mohammed Jahangir Alam.
- He said the officials and employees should follow the rules of safety first and then update themselves with modern technology by training to get the promotion step by step. He praised the staff for their dedicated service for the company.

<http://thefinancialexpress.com.bd/stock/extended-plant-of-gph-ispata-goes-into-production-by-june-1550378600>

Green Delta, InfoCorp join hands to facilitate livestock insurance

The Financial Express, February 14, 2019

- Green Delta Insurance Company in partnership with Singapore-based InfoCorp Technologies will conduct a pilot project to facilitate livestock insurance in the country. To this effect, both the companies signed a memorandum of understanding (MoU) at a press meet at the Spectra Convention Centre in the city on Thursday, said a statement.
- As per the MoU, they will carry out a joint pilot programme in the country for registering the identities of livestock farmers along with their cattle, and issuance and storage of livestock insurance policies' information. A smartphone application 'FarmTrek', developed by the InfoCorp, will be used for the pilot programme. Besides, NFC technology-based collar-tag attached with the animal's body will help identify and track the cattle. The initiative is expected to deliver social and economic empowerment to a large number of cattle farmers, who own over 25 mn cattle.

<http://thefinancialexpress.com.bd/stock/green-delta-infocorp-join-hands-to-facilitate-livestock-insurance-1550160496>

Siemens to build LNG power plant in Payra

The Daily Star, February 17, 2019

- The Power Division of Bangladesh and Siemens of Germany on Friday initialled a joint development agreement for the construction of a 3,600MW LNG power plant at Payra in Bangladesh. The document was signed following a meeting of Siemens CEO Joe Kaeser with Prime Minister Sheikh Hasina at the Sheraton hotel in Munich, Germany where Hasina is staying.
- CEO of North West Power Generation Company of Bangladesh Khorshed Alam and Chief Executive Officer and Global President of Siemens Joe Kaeser signed the document. Wolfgang informed the prime minister about the progress of manufacturing e-passports for Bangladesh, saying that the company would be able to hand over the first batch by June next.

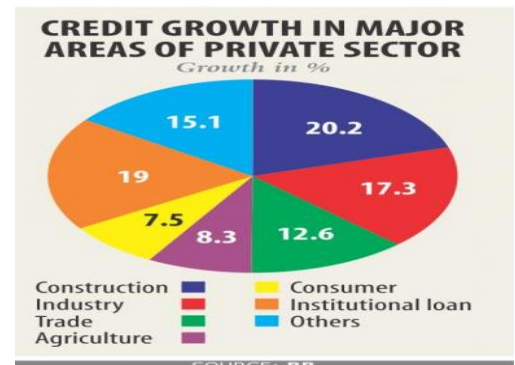
<https://www.thedailystar.net/business/news/siemens-build-lng-power-plant-payra-1703248>

Economy

Construction financing soars

The Daily Star, February 17, 2019

- The banking sector has bumped up its lending to the construction sector on the back of the government's mega project implementation spree. As of September last year, credit flow to the construction sector stood at BDT 80,000 crore, up 20.24 % from a year earlier, according to data from the central bank.
- The segment accounted for 9.44 % of the total outstanding loans in the private sector. The mega infrastructure projects now under implementation are: Padma bridge, Rooppur nuclear power plant, Payra deep seaport, Dhaka-Chattogram elevated expressway, Dhaka metro rail, and Karnaphuli River Tunnel.
- Banks too are keen on lending to the sector as the default loan ratio is low, Chowdhury said, adding that credit is being offered to contractors who have bagged the government's work orders for infrastructure projects. Lenders are also enjoying 10 to 13 % interest from their loans to the construction sector in contrast to 8 to 10 % from the agriculture and other major sectors.
- As of September, credit growth to the industrial sector stood at 17.30 %, trade and commerce 12.6 %, agriculture 8.3 % and consumer at 7.5 %. Lenders also get an exuberant commission from contractors as they have to require bank guarantee to secure deed from tender floated by the government, said Md Arfan Ali, managing director of Bank Asia. After securing the deed, contractors need advance payment guarantee from banks to proceed with the projects, which also offer a robust commission to lenders.



<https://www.thedailystar.net/business/news/construction-financing-soars-1703254>

Govt to restrict Padma Bridge design use for pvt commercials

New Age, February 17, 2019

- The government is going to impose a restriction on using the design of under-construction Padma Multipurpose Bridge in advertisements by private companies. Officials of Bridges Division said they made the decision at a meeting on February 10 to restrain unauthorised use of the design of the multi-bn-dollar bridge across the mighty river Padma for showcasing products by private companies.
- The proposed licencing of the design expected to be completed in the next two months would help the Bridges Division take punitive measures against the errant companies and organisations. The construction of Padma Bridge has been receiving most of the attention among the first-track projects since allegation of tender manipulation raised by World Bank and suspension of loan by the bank have finally forced the government to arrange fund from own source in 2014.
- But the much-vaunted project has been missing deadlines one after another. Bridges Division, the implementing agency, has already asked contractor Major Bridge Engineering of China to calculate the time needed to complete the remaining 30 % of the main bridge. Bridges Division officials said that the overall progress of the project, including main bridge, river training and approach roads, was 63 % as of January 2019.

- The construction work began in 2014, two years from the actual time following cancellation of credit by World Bank. The deadline for the completion of the bridge construction was extended for the fourth time in December 2018 while the project cost was revised upward to BDT 39,258.13 crore from the initial cost of BDT 10,161 crore.

<http://www.newagebd.net/article/65032/govt-to-restrict-padma-bridge-design-use-for-pvt-commercials>

ADP spending highest in six years

The Daily Star, February 17, 2019

- Development spending in the first seven months of the fiscal year has been the highest in six years, as the government's efforts to improve implementation is slowly bearing fruit. Between July last year and January this year, the ministries and divisions spent BDT 62,282 crore, which is 34.43 % of the total annual development programme outlay, according to data from the Implementation Monitoring and Evaluation Division (IMED).
- The amount is an increase of 13.82 % year-on-year. However, for full utilisation of the allocation, the ministries and divisions will have to spend 65 % of the allocation in the next five months -- a near-impossible task, said a senior official of the planning ministry.
- Of the total amount spent in the first seven months, BDT 36,624 crore came from the government's own funds, which is 32.41 % of the allocation. The implementation of the government's own funds a year earlier was 30.02 %.
- Some BDT 22,526 crore was spent from foreign aid, which is 37.54 % of the allocation. At this point a year earlier, foreign aid utilisation was 38.63 % of the total outlay. This time performance of state-owned enterprises improved. They spent BDT 3,133 crore in the first seven months of the fiscal year, which is 39.81 % of their allocation. It was only 33.18 % a year earlier.
- The standout performers were: the energy and mineral resources division (62.25 %), power division (52.74 %), science and technology ministry (59.38 %), local government division (39.31 %), shipping ministry (37.18 %), primary and mass education (42.60 %), water resources ministry (42.12 %), and housing and public works ministry (40.99 %).
- The poor performers were: the railways ministry (11.91 %), bridges division (23.45 %), healthcare division (27.91 %), road transport and highways division (25.57 %), and secondary and higher education division (30.79 %).

<https://www.thedailystar.net/business/news/adp-spending-highest-six-years-1703233>

International

Vietnamese airlines granted access to US market for first time

New Age, February 16, 2019

- Vietnamese airlines will be able to fly to the United States and codeshare with American carriers after the US Federal Aviation Administration declared the Southeast Asian country complies with international safety standards. The US aviation safety agency said in a statement late on Thursday that it was awarding Vietnam a 'Category 1' rating, two weeks after Reuters reported the decision was expected.
- There are currently no non-stop flights between Vietnam and the United States, despite a large market catering to tourism and visits by friends and relatives. Vietnam Airlines JSC, Bamboo Airways and VietJet Aviation JSC desire to fly to the United States.
- Bamboo Airways chairman Trinh Van Quyet said Bamboo was considering destinations such as Seattle, Los Angeles and San Francisco, with the first route to open in late 2020 or early 2021. His airline has ordered 20 Boeing Co 787s for long-haul flights.

- CAPA Centre for Aviation chief analyst Brendan Sobie said the FAA rating was important for Vietnam symbolically and politically. But he said Vietnamese airlines could struggle to make US flights profitable because of the lack of demand from high-paying business travellers.
- Vietnam Airlines said it was in talks with Airbus and Boeing about potential jet purchases for the US route, but the earliest they were expected to arrive was in 2022. In the meantime its existing codeshares with Delta Air Lines could be expanded after the rating. Budget carrier VietJet said it plans to purchase wide-body jets capable of non-stop US flights and believes its experience in keeping costs down will give it an effective business model.

<http://www.newagebd.net/article/64939/vietnamese-airlines-granted-access-to-us-market-for-first-time>

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