BASL DAILY NEWS BUZZ

December 17, 2018

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Stock Market

Stocks plunge amid rise in polls-centric violence

New Age, December 15, 2018

- Dhaka stocks plunged in the past week without any positive trading session as investors went on share sales across the market as electioneering took a violent turn, making investors more cautious ahead of the national polls. DSEX, the key index of Dhaka Stock Exchange, lost 1.53 %, or 81.79 points, to close at 5,251.02 points on Thursday, the last trading session of the week after gaining 51.55 point in the previous week.
- The key index witnessed negative trend in all the sessions of the week as investors went for share sales amid rise in political violence surrounding the national elections, said market operators. Bank and non-bank financial sectors led the dive in the week with a fall in share prices by 2.2 % and 1.3 % respectively.
- Average share prices of textile, telecommunication, pharmaceuticals and energy sectors also declined by 5.8 %, 1.7 %, 1.5 % and 0.8 % respectively. Among the large capitalised scrips, share price of Grameenphone, BRAC Bank, Square Pharmaceuticals and Khulna Power Company declined most over the week.
- Some investors preferred to be in the side line over the week to observe the current political activities ahead of the national polls. The daily average turnover on the bourse plunged further to BDT 511.00 crore in last week from BDT 600.70 crore in the previous week.
- On the other hand, share prices of food and cement sectors gained by 3.4 % and 1.0 % respectively. Out of the 346 traded issues, 209 declined, 117 advanced and 20 remained unchanged. DS30, the blue-chip index of DSE, shed 1.00 % or 18.71 points, over the week to close at 1,843.78 points. Shariah index DSES slid 1.42 % or 17.41 points, to close at 1,206.79 points.
- United Power Generation Company led the turnover chart with its shares worth BDT 72.13 crore changing hands in the week. Square Pharmaceuticals, JMI Syringes & Medical Devices, Wata Chemicals, SK Trims & Industries, VFS Thread Dyeing, National Tea Company, Khulna Power Company, Pharma Aid and Sonali Aansh Industries were the other turnover leaders. Paramount Insurance gained the most in the week with a 31.69-% increase in its share prices, while Information Services Network was the worst loser, shedding 34.56 %.

http://www.newagebd.net/article/59010/stocks-plunge-amid-rise-in-polls-centric-violence

Thirteen 'Z' cos under DSE scanners

Decision in January likely

The Financial Express, December 14, 2018

- Thirteen listed companies came under the scanners of the premier bourse, as they failed to 'declare' any dividend in the last five years in violation of the listing regulations. The Dhaka Stock Exchange (DSE) is likely to take final decision on some of these companies in January on the basis of its investigation reports.
- Of the 13 companies, only three disbursed dividends in 2012 for the last time, and another one paid its last dividend in 2010. The premier bourse said it is now reviewing the performance of the companies as per the listing regulations.
- As per the regulations, a company can be de-listed for not declaring dividends for five years since its declaration of the last dividend. The companies which failed to declare dividends in the last five years are Jute Spinners, Meghna Condensed Milk Industries, Meghna Pet Industries, ICB Islamic Bank, Dulamia Cotton Spinning Mills, Samata Leather Complex, Shyampur Sugar Mills, Zeal Bangla Sugar Mills, Imam Button Industries, Savar Refractories, Beximco Synthetics, Shinepukur Ceramics and Sonargaon Textiles.

- The companies presently are in the 'Z' category and majority of them have posted losses for the year ending on June 30, 2018. The Jute Spinners incurred a loss of BDT 60.53 per share, Meghna Condensed Milk BDT 7.89 per share, Meghna Pet Industries BDT 0.39, Dulamia Cotton BDT 4.04, Shyampur Sugar Mills BDT 93.82, Zeal Bangla Sugar Mills BDT 80.82, Imam Button BDT 0.40, Savar Refractories BDT 0.94, Beximco Synthetics BDT 3.12, and Sonargaon Textiles BDT 0.93 per share for the year ending on June 30, 2018.

http://thefinancialexpress.com.bd/stock/thirteen-z-cos-under-dse-scanners-1544761825

Esquire Knit's IPO subscription opens January 06

The company to raise BDT 562m thru IPO

The Financial Express, December 14, 2018

- The public subscription of Esquire Knit Composite will open on January 06, as the company is set to raise a capital of over BDT 562mn through IPO. The initial public offering (IPO) subscription period for the Esquire Knit Composite, a business unit of the Esquire Group, will continue up to January 20, 2019.
- The company will issue some 34.89mn ordinary shares under the book-building method to raise a total capital worth BDT 1.50bn. Of the total shares, 60 % or 20.83mn shares (worth BDT 937mn) are reserved for eligible investors at cut-off price.
- The cut-off price of Esquire Knit share was fixed at BDT 45 each on July 14 by the institutional investors through bidding under a book-building method. The remaining 40 % or 14.06mn shares will be available for the IPO participants, including affected small investors and non-resident Bangladeshis.
- The general investors will get IPO shares at 10 % discount on cut-off price, meaning they will get each share of the company at BDT 40. The proceeds will be used to buy machinery, construct buildings and to meet the IPO expenses
- The securities regulator -- Bangladesh Securities and Exchange Commission (BSEC) -- allowed the Esquire Knit to conduct bidding for its shares to set the cut-off price of its shares on January 23. The bidding by was held on July 9-12. A total of 508 registered eligible institutional investors took part in the bidding at different price levels between BDT 15 and BDT 53.
- Finally, the company's cut-off price was fixed at BDT 45 each as per the book-building rules. The export-oriented knit garments factory held a road show in April 2017. Prime Finance Capital Management is the issue manager of the Esquire Knit IPO. Currently, the company's paid-up capital is BDT 1.0bn and authorised capital is BDT 2.0bn.

http://thefinancialexpress.com.bd/stock/esquire-knits-ipo-subscription-opens-january-06-1544761644

Net profit slumps on price hike of raw materials

The Financial Express, December 15, 2018

- MI Cement Factory Limited posted a 33 % rise in revenue in fiscal year (FY) 2017-18, compared to the previous fiscal, helped by production initiating and market expansion. The total revenue of MI Cement, which produces 'Crown Cement', stood at BDT 12.56bn in FY '18 as against BDT 9.44bn in the previous fiscal, according to its latest annual report.
- However, the company's net profit fell by more than 52 % year-on-year to BDT 315mn, as administrative cost of selling and distribution expenses shot up. Factory overheads increased sharply due to the rise in electricity bill. In 2017-18, the electricity bill soared due to an increase in the production quantity for newly introduced unit-V and the hike in tariff rate of electricity for commercial use, the annual report said.

- The above expenses rose due to an increase in the manpower for newly introduced unit-V, it added. On the other hand, in 2017-18, the non-operating income and the share of profit from associate companies decreased by 99.75 % and 50.86 % respectively as well as financial cost surged by 59.84 %, the report said.
- As a result, net profit fell by 52.26 % from BDT 661.08mn to BDT 315.61mn and the net profit margin also slumped by 64 %, compared to the previous year, according to the annual report. The company declared 15 % cash dividend for the year ending on June 30, 2018. Its annual general meeting (AGM) was held on December 06.
- The company has also reported earnings per share (EPS) of BDT 2.13, net asset value (NAV) per share of BDT 47.98 and net operating cash flow per share (NOCFPS) of BDT 1.36 for the year ending on June 30, 2018 as against BDT 4.45, BDT 47.80 and BDT 1.73 respectively for the same period of the previous year.

http://thefinancialexpress.com.bd/stock/net-profit-slumps-on-price-hike-of-raw-materials-1544848920

Stockbrokers, investors lament 8yrs of market decay

New Age, December 15, 2018

- Stockbrokers and investors have expressed their disappointment over the country's capital market that has been suffering a downward trend since the year of market crash (2010-11), eroding the capital of thousands of investors.
- Dhaka Stock Exchange Brokers' Association expressed its dismay to the market regulator, Bangladesh Securities and Exchange Commission, through a letter on December 9 where it sought another three years for provisioning against unrealised losses of disbursed margin loans and dealer accounts.

**Tk in crore

Year	DGEN/DSEX	Daily average turnover**	Market cap to GDP	Net foreign fund**
2010	8290.41	1,643.40	50.67	2,834.90
2011	5257.6	664.2	33.23	2,355.23
2012	4219.31	420.6	26.27	792.59
2013	4266.55	400.3	25.51	1,942.89
2014	4864.96	499.4	24.13	2,619.78
2015	4629.64	422.7	20.88	185.48
2016	5036.05	494.4	19.73	1,340.98
2017	6244.52	494.42	21.62	1,704.94
2018* up to Nov	5281.25	556.16	17.00	-491.95

- In the letter, DBA said that the capital market was maintaining bearish mood and the key index of DSE fell by 3,600 points from 8,900 points in 2010, a drop of almost 40 %, and the average daily turnover declined by around 78 % in the period. The situation is getting worse day by day and the daily trade volume came under BDT 550 crore in December this year from BDT 2,500 crore 2010, it also said.
- The market suffered two crashes — one in 1996 and another in 2011. On both occasions, the ruling Awami League was in power. Investors had run for exit after the market crash in 2011 with fear and anger and their confidence is yet to be recovered.
- The listed mutual funds have become a burden for investors as all the 36 mutual funds except three are being traded far below their the face value. The capital market has failed go with the pace of country's development with the gross domestic product hitting over 7 % every year.
- DSE managed to make a Chinese consortium of Shenzen and Shanghai stock exchanges its strategic partner by selling its shares at BDT 947 crore to the group in September this year that increased the bourse's reputation worldwide.

http://www.newagebd.net/article/58925/stockbrokers-investors-lament-8yrs-of-market-decay

BB: Bank deposits rose by BDT7,85,938cr in last 10 years

Dhaka Tribune, December 15, 2018

- Bank deposits stood at BDT10,38,694 as of June this year, up from BDT2,52,756 crore in 2008. Total deposits of all banks in Bangladesh have increased by BDT7,85,938 crore—along with the growing number of bank accounts—over the last ten years.
- Bank deposits stood at BDT10,38,694 as of June this year, up from BDT2,52,756 crore in 2008, according to a special report of Bangladesh Bank (BB). According to bankers, the banking sector—despite having to go through serious challenges—has played a major role behind the progress of the economy.
- The central bank's report, aimed at informing about their contribution to the government's success in the last 10 years, further stated that the total number of public and private commercial banks went up from 47 in 2008 to 59 in 2018. Association of Bankers', Bangladesh (ABB) president and managing director of Dhaka Bank Ltd Syed Mahbubur Rahman recently said in a press meet that the banking sector has gone a lot of development in the last ten years.
- As of June this year, the total number of bank accounts stood at 92.1mn, of them 931,800 is farmers' bank accounts. The BB report further said the number of bank branches also increased in this period. A total of 3,228 branches of both private and state-owned banks have been established in Bangladesh over the last 10 years—taking the total number of bank branches in the country from 6,886 in June, 2008, to 10,114 in June this year.
- Over the last ten years, banks' credit rose by BDT5,24,836 crore, standing at BDT8,47,012 crore as of June this year. Bangladesh's foreign currency reserve has registered more than 450% growth in the last ten years standing at $31.95bn—up by 450.86%, from $5.8bn in December, 2008.

https://www.dhakatribune.com/business/banks/2018/12/15/bb-bank-deposits-rose-by-BDT7-85-938cr-in-last-10-years

Higher expenses weigh on life insurers

The Daily Star, December 17, 2018

- Most of the life insurance companies spent more than they earned in April to June, putting a negative impact on life funds and eroding their capacity to settle claims. Of the 32 life insurers in Bangladesh, 20 spent higher for management expenses than premium collection in the quarter violating the authorised limit for the former, according to the Insurance Development and Regulatory Authority (IDRA).
- The management expenditure for these companies was BDT 100 to BDT 348 against a premium collection of BDT 100, said the regulator in a report on management expense. Insurance laws allow companies to spend up to BDT 96 as management expenses for every BDT 100 collected in premium. In 2016, insurers spent BDT 179 against their earning of BDT 100, the report said.
- Insurance companies could not settle claims on schedule because of the higher management expenditure, said a senior executive of the IDRA. The higher expenditure is weakening the financial strength of insurers as they are meeting the excess expenses from their paid-up capital instead of from life funds, breaching laws, he said. Life fund is an amount of money from which life insurance payments are made and with which an insurance company makes investments.
- Ten life insurers saw a decline in their life funds in the first quarter of 2018 due to their higher expenditure, the report said. The companies are Fareast Life, Golden, Homeland, LIC Bangladesh, Meghna, National, Padma Islami, Popular Life, Prime Islami and Sandhani Life. Weak organogram of agents at field level pushed up the cost for premium collection, the report said.

- Insurance companies are supposed to employ five agents under a permanent employee as per rules, but they have only two agents. Besides, the higher rate of insurance policy lapse also accounted for the increased management expenses, said the report.

Economy

LARGE LOAN RESTRUCTURING: FAVOUR PROVES FUTILE

The Daily Star, December 17, 2018

- On January 29, 2015, the Bangladesh Bank issued a new large loan restructuring policy to stand by big borrowers in trouble. The policy, which was taken under political pressure from influential debtors, offered a repayment period of up to 12 years, discounted interest rates and down payment as well as repayment in quarterly instalments.
- Eleven large business groups got their loans of nearly BDT 15,000 crore restructured, taking advantage of the relaxed policy. Beximco Group alone accounted for a third of the total loans restructured. After one year of grace period, these loans were due in September 2016. But most of the borrowers have failed to pay their first instalment and three of them even applied to have their loans restructured again.
- A recent central bank document showed that the loans, which were restructured in June 2015, rose 17.37 % to BDT 17,103 crore in absence of repayment. Currently, nearly two dozen banks are in trouble as their investible funds got stuck and squeezed. One such bank is state-owned Janata that restructured about one-third of the large loans.
- Analysts said repetitive rescheduling of loans without analysing the root causes of default did not yield any benefit. Compliant borrowers are also being disheartened, they said.

https://www.thedailystar.net/business/banking/news/large-loan-restructuring-favour-proves-futile-1674622

4 firms allowed to launch mobile app-based calling service

New Age, December 15, 2018

- Bangladesh Telecommunication Regulatory Commission has allowed four internet protocol telephony service providers (IPTSP) to launch mobile phone application-based calling service amid concern about misuse of the service for international call termination.
- The IPTSP operators which got approval for launching app-based calling service are: BDCom Online Limited, Amber IT Limited, MetroNet Bangladesh and Link3 Technology Limited. Another IPTSP operator, Inter Cloud, has already launched its app-based calling service ‘Brilliant Connect’ upon receiving permission from the telecom regulator.
- Generation of such calls would affect the government’s revenue earnings from the incoming international calls. In the context of rapidly falling international incoming calls, allowing the IPTSP operators to run the service might lead to further fall in the volume of such calls.
- As per the BTRC’s statistics, the volume of incoming international phone calls was 383.23 crore minutes with a daily average of 12.36 crore minutes in May, 2015. The call volume, however, dropped to around 102 crore minutes in November this year with a daily average of 3.4 crore minutes.
- Mentioning about the security gap in identifying a customer, BTRC’s E&O department also said that the IPTSP operators would use phone numbers of the customers as their identification, which would not be enough for identifying customers. In line with the commission’s earlier stance regard ing Inter Cloud’s Brilliant, BDCom Online Limited, Amber IT Limited, MetroNet Bangladesh and Link3 Technology Limited were allowed to run app-based calling service subject to compliance with 14 conditions.

- The conditions include the entities will have to submit BDT 5 crore in security deposit and any or full amount could be encashed by the commission if any violation of licencing conditions by the entities is detected by the commission. Besides, the operators will have to ensure that none can misuse the technology in generating local or international calls by using virtual private network to dodge revenue of the government or any other entities.

http://www.newagebd.net/article/58926/4-firms-allowed-to-launch-mobile-app-based-calling-service

Govt gives nod to further cut on RMG export tax to 0.25pc

New Age, December 15, 2018

- Readymade garment exporters are set to receive a huge tax benefit just before the national elections as the government has decided to reduce the rate of source tax on export earnings further by 58 %. Finance minister Abul Maal Abdul Muhith has already conveyed his consent to National Board of Revenue to reduce the source tax to 0.25 % from current 0.60 %.
- Earlier, in September, the government slashed the tax rate for RMG exporters to 0.60 % for the current fiscal year, following pressure from exporters, reducing from 1 % reinstated in the budget. Finance ministry officials said that Muhith gave his consent to a summary placed by NBR on a demand of apparel exporters to either waive the income tax at source on export earnings or lower it to 0.25 %.
- As per Income Tax Ordinance-1984, exporters are supposed to pay 1 % tax at source on their export income. According to an NBR estimate, previous reduction in source tax may reduce its earnings from the sector by BDT 1,600 crore in the year. Now NBR will incur another BDT 1,400 crore for the fresh tax cut.
- Apparel sector had enjoyed 0.25 % source tax on export for the last time in 2005 and then NBR gradually increased the rate to 0.70 % in FY 2018. Immediate after the government offered the benefit in September, Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Knitwear Manufacturers and Exporters Association again demanded to cut the source tax further.
- BGMEA in a letter to NBR made the demand as part of incentive package to implement the new minimum wage for garment workers and to keep the sector ‘competitive’ in global market. The new wages which raised the minimum wage of RMG workers to BDT 8,000 from previous BDT 5,300 will take effect this month.

http://www.newagebd.net/article/59007/govt-gives-nod-to-further-cut-on-rmg-export-tax-to-025pc

International

Boeing opens first 737 plant in China amid US-Sino trade war

New Age, December 15, 2018

- Boeing Co opened its first 737 completion plant in China on Saturday, a strategic investment aimed at building a sales lead over arch-rival Airbus in one of the world’s top travel markets that has been overshadowed by the US-China trade war.
- The world’s largest planemaker also delivered the first of its top-selling 737s completed at the facility in Zhoushan, about 290 km (180 miles) southeast of Shanghai, to state carrier Air China during a ceremony on Saturday with top executives from both companies. The executives, alongside representatives from China’s state planner and aviation regulator, unveiled the plane at an event attended by hundreds of people.

- Boeing and Airbus have been expanding their footprint in China as they vie for orders in the fast-growing aviation market, which is expected to overtake the United States as the world's largest in the next decade.
- Boeing invested $33mn last year to take a majority stake in a joint venture with state-owned Commercial Aircraft Corp of China (COMAC) to build the completion centre, which installs interiors and paints liveries. Chicago-based Boeing calls itself the top US exporter and delivered more than one out of every four jetliners it made last year to customers in China, where it forecasts demand for 7,700 new airplanes over the next 20 years valued at $1.2 trillion.
- However, the plant's inaugural ceremony was overshadowed by tensions between the United States and China as they engage in a bruising tit-for-tat tariff war. The world's two largest economies are in a 90-day detente to negotiate a trade deal.

http://www.newagebd.net/article/59006/boeing-opens-first-737-plant-in-china-amid-us-sino-trade-war

Qatar Petroleum to invest $20b in US in major expansion

The Daily Star, December 17, 2018

- Qatar Petroleum (QP) is looking to invest at least $20bn in the United States over the coming few years, its chief executive told Reuters, after the Gulf Arab state quit OPEC, freeing Doha from potential legal risks in the United States.
- Saad al-Kaabi, who holds the energy portfolio of the world's top liquefied natural gas (LNG) producer, also said on Sunday QP aimed to announce its foreign partners for the new LNG trains it is building by the middle of next year. But he added QP could carry out the project alone, with no international oil company at its side, if no good offers were made.

https://www.thedailystar.net/business/global-business/news/qatar-petroleum-invest-20b-us-major-expansion-1674598

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