

Stock Market

Market in distress amid jump in share sales by cos' directors

New Age, March 18, 2019

- A surge in share sales by directors of the listed companies, which fuelled a seven-week bear run at the stock market in the country, has become a major concern for investors and regulators. Directors of a number of listed companies sold shares worth around BDT 245 crore in just seven weeks, shrugging off the bearish movement at the market.
- DSEX, the key index of Dhaka Stock Exchange, declined by 297 points in last seven consecutive weeks to close at 5,653.21 points on March 14. The directors sold the shares mostly in the public market.
- The directors of Monno Ceramics sold shares worth BDT 122 crore despite the company posting 380 % profit growth to BDT 8.13 per share in July-December, 2018 compared with that of BDT 1.69 per share in the same period of the previous year. Investors frown upon the company's unprecedented profit growth and the directors' significant share sales at the same time.
- The directors of Nurani Dyeing sold 70.32 lakh bonus shares worth BDT 11.25 crore, those of Dragon Sweater sold 52 lakh shares (in public market) worth BDT 9.36 crore while those of Doreen Power sold 70 lakh shares (40 lakh in block and 30 lakh in public markets) worth BDT 59 crore in the seven weeks.
- Shareholding by sponsor-directors of Family Textile was 22.43 % in June, 2018 that declined to 4.02 % in January, 2019, according to DSE. The sponsor-directors of the company offloaded their holdings without any declaration, breaching securities laws.
- Considering the overall situation, BSEC has decided to introduce auto-flagging system at Central Depository Bangladesh Limited to block sales of shares by sponsors/directors of the listed companies without any disclosure. The mechanism will not also let the sponsors/directors sell shares if they fall short of holding 2 % shares individually and 30 % jointly.

<http://www.newagebd.net/article/67672/market-in-distress-amid-jump-in-share-sales-by-cos-directors>

Stocks extend losing streak to 7th week

New Age, March 17, 2019

- Dhaka stocks in the past week extended the bear run to seventh consecutive week as investors, confused about the market behaviour, continued with cautious trading. DSEX, the key index of Dhaka Stock Exchange, declined 0.58 %, or 33.17 points, over the week to close at 5,653.21 points on Thursday, the last trading session of the week.
- DSEX lost 297 points in the last seven weeks. The market was volatile throughout the week with the key index declining in most of the sessions as investors remained puzzled over the prolonged bearish movement of the market.
- Therefore, many investors preferred to be in the side line to observe the next move of the market while most of the investors continued selling shares fearing further loss. The daily average turnover on DSE declined further by 3.22 % to BDT 576.82 crore in last week from BDT 595.98 crore in the previous week.
- Out of the 349 traded issues, 262 declined, just 70 advanced and 18 remained unchanged. Average share prices of general insurance, textile, engineering and life insurance dropped by 6.2 %, 5.3 %, 3.1 % and 2.7 % respectively.
- On the other hand, Dutch- Bangla Bank and BATBC were at the centre of investors' attention on the week after their corporate declarations. The tobacco company recommended 500 % cash and 200 % stock dividend while DBBL declared 150 % stock dividend for the year ended on December 31, 2018.
- The earnings per share of the bank and tobacco company registered a whopping 71 % and 28 % year-on-year growth. Therefore, share prices of BATBC and DBBL shot up by 27.5 % and 9.27 % in the week. Besides, all the multinational companies except RAK Ceramics advanced in the week that saved the market from significant fall.

- UPGDCL, Dutch-Bangla Bank, Monno Ceramic Industries, BRAC Bank, Singer Bangladesh, Bangladesh Submarine Cable Company, Fortune Shoes, Square Pharmaceutical and National Polymer Industries were the other turnover leaders. BATBC gained the most in the week with a 27.36-% increase in its share prices, while Bangladesh National Insurance Company was the worst loser, shedding 17.70 %.

<http://www.newagebd.net/article/67579/stocks-extend-losing-streak-to-7th-week>

Olympic Industries posts 14pc revenue growth

The Financial Express, March 17, 2019

- Olympic Industries, the country's largest biscuits manufacturer, has posted a 14.51 % growth in revenue year-on-year in Fiscal Year (FY) 2017-18 to BDT 12.93 bn. Amid growing demand for its products, the company enhanced its production capacity of cartoon, noodles and bakery manufacturing lines last year.
- Biscuits, confectionery, bakery and snack products of the company accounted for more than 97 % of the year's total revenue, according to the company's latest annual report. The company sold 86,934.59 metric tons of biscuits, confectionery products, bakery products and snacks in FY 2017-18, as compared to 80,289.21 metric tons a year ago, rising 8.28 % year-on-year.
- Gross profit of the company has also increased 12.03 % to BDT 4.22 bn and net profit after tax increased by 9.0 % to BDT 1.79 bn during the period under review. Demand for biscuits is growing as entrepreneurs have shifted to automation in baking and consumers are looking for a variety of quality foods at low prices.
- Cash flows from operating activities decreased 7.63 % to BDT 913.21 mn from BDT 988.67 mn a year ago, with net operating cash flow per share decreasing to BDT 4.57 per share from BDT 4.94 per share a year ago, said the annual report.
- On the other hand, the company's dry-cell battery sales were also 51.51 mn pieces in FY 2017-18, as against 49.58 mn pieces in 2016-2017, rising 3.88 %. Each share of the company, which was listed on the prime bourse in 1989, closed at BDT 236 on Thursday last.
- The company disbursed 48 % cash dividend for the year ended on June 30, 2018. The company has also reported earnings per share (EPS) of BDT 8.96, net asset value (NAV) per share of BDT 31.53 and net operating cash flow per share (NOCFPS) of BDT 4.57 for the year ended on June 30, 2018 as against BDT 8.22, BDT 27.07 and BDT 4.94 respectively for the same period of the previous year.

<http://thefinancialexpress.com.bd/stock/olympic-industries-posts-14pc-revenue-growth-1552796662>

Stock investors stare at losses as firms fold

The Daily Star, March 18, 2019

- Investors of C&A Textiles and Tung Hai Knitting stocks stand to lose as much as BDT 260.10 crore after the two companies shuttered their factories and remain nonoperational. The managing director of Tung Hai Knitting died in a factory fire, after which the board of directors fell into dispute, according to Mahbub H Mazumdar, managing director of AFC Capital, one of the issue managers of the two companies.
- The Dhaka Stock Exchange is aware of the two companies' situation. It is up to the Bangladesh Securities and Exchange Commission or the investors now to take initiatives to recover the money. General investors hold 62.19 % of C&A Textiles stocks and institutional investors 15.67 %.
- C&A Textiles shares, whose face value is BDT 10, traded at BDT 3.4 on Thursday, meaning the general and institutional investors stand to lose BDT 185.5 crore. In Tung Hai Knitting, general investors hold 64.34 % of the

shares and institutional investors 5.62 %. The company's stocks traded at BDT 3.9 on Thursday, meaning BDT 74.60 crore stand to be written off of the investors.

<https://www.thedailystar.net/business/news/stock-investors-stare-losses-firms-fold-1716607>

Economy

BASIC drowning in default loans

Logged losses of BDT 118cr in 2018

The Daily Star, March 18, 2019

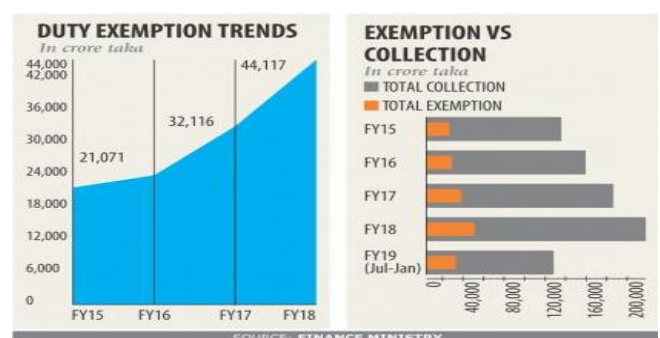
- BASIC Bank continues to be overwhelmed with default loans despite going on a loan rescheduling spree, with the scam-hit bank logging in operating loss of BDT 118 crore last year. In 2018 the bank rescheduled loans of BDT 1,286 crore, 35.52 % more than in the previous year, when it registered a profit of BDT 35 crore.
- Still, the bank's non-performing loans hit a peak of 57.55 % of total outstanding loans at the end of December last year, up from 52.73 % a year earlier. The bank had regularised more than BDT 5,500 crore of loans during the period with little down payment.
- On one hand, the bank is struggling to attract deposits at this low rate, and on the other hand it is lending at minimum margin. The bank is facing a deposit crisis: at the end of December its loan-deposit ratio stood at 109 %, which is way past the Bangladesh Bank-imposed ceiling of 85 %.
- Its deposit growth was 8 % in the negative at the end of December and its loan growth 4.70 %. Last year, its deposit base shrank 7.92 % to BDT 13,181 crore and its capital shortfall widened 22.09 % to BDT 3,394 crore.

<https://www.thedailystar.net/business/news/basic-drowning-default-loans-1716640>

Duty exemption doubles in 3yrs

The Daily Star, March 18, 2019

- The amount of import duty exemption extended to the industrial sector has doubled in three years, prompting calls for impact assessment of the tax break. The government could have spent this money for public purposes. Capital machinery, defence items and industrial raw materials are the top items that enjoyed duty waiver last year.
- The amount of duty exemption for imports was equivalent to 17 % of the total tax collection in 2014-15. It began to increase from 2016-17 and last fiscal year the ratio stood at 22 % of total collection. The amount of tariff exemption at import stage was BDT 27,108 crore, or 23 % of the total tax collection, in the first seven months of the fiscal year.



<https://www.thedailystar.net/business/news/duty-exemption-doubles-3yrs-1716661>

Alternative funds to be allowed for listing with separate board

BSEC drafts changes to rules

New Age, March 16, 2019

- Bangladesh Securities and Exchange Commission has drafted amendments to the alternative investment rules, lifting prohibition on listing units of an alternative investment fund on stock exchanges and reducing lock-in period and registration fees for such fund.
- According to the proposed amendments, the fund may, for transferring of its units, be listed, in any alternative trading board (ATB) of the exchange. The existing rules, which were framed in 2015, do not allow the listing. Alternative investment fund means any fund constituted in the form of a trust which is a private equity fund or a venture capital fund or any other type of fund as declared by the commission
- The fund is a privately pooled investment vehicle which collects funds from eligible investors, and is a closed-end fund with specific tenure. The commission on March 14 posted the proposed amendments on its web site, seeking public opinions on the changes by March 31, 2019.
- According to the proposed amendments to alternative investment rules, all investments in a fund must be locked in for a period of two years from the date of issuance of units. The registration fee of a fund has been cut to 0.05 % from the existing 0.1 % of fund corpus only.
- The proposed rules also say that the fund must diversify its investment in portfolio companies of different risk profiles as per their risk management policy. The commission also brought changes to the definition of eligible investors or investors.

<http://www.newagebd.net/article/67481/alternative-funds-to-be-allowed-for-listing-with-seperate-board>

ADP spending from govt fund on the rise

The Daily Star, March 18, 2019

- Development spending from the government's own purse rose in the first eight months of the current fiscal year while the use of the funds from the foreign aid portion of the budget fell.
- Between July and February, BDT 42,979 crore, or 32.41 % of the allocation from the government owned fund, was spent. It was BDT 33,654 crore, or 35.23 %, in the same period a year ago, according to data from the Implementation Monitoring and Evaluation Division (IMED) of the planning ministry.
- On the other hand, BDT 24,225 crore was spent from the foreign aid, which is 40.37 % of the allocation. It stood at BDT 25,341 crore, or 41.94 % of the allocation, during the same eight-month period in the last fiscal year. Officials of the planning ministry said the implementation of the annual development programme (ADP) did not hit the target because of the delay in land acquisition.
- The allocation stands at BDT 60,000 crore in the original budget. Between July and February, the performance of state-owned enterprises improved as they managed to spend BDT 3,568 crore or 45.34 % of the funds they were initially allocated. The expenditure rate was 41.42 % in the period a year earlier.

<https://www.thedailystar.net/business/news/adp-spending-govt-fund-the-rise-1716622>

International

Germany's 2 top banks launch merger talks to create national 'champion'

New Age, March 18, 2019

- Germany's two biggest lenders, the ailing Deutsche Bank and Commerzbank, said Sunday they would launch formal talks toward a possible merger that could create a 'national champion' in financial services.
- Chancellor Angel Merkel's government has been urging the two Frankfurt firms to explore a cross-town tie-up to avoid either one being swallowed up by a foreign competitor and to create a muscular player that can finance Germany's export-driven companies.
- The lenders, both grappling with painful restructurings after years of falling profits, have long been the subject of merger rumours. Deutsche Bank said Sunday it was 'reviewing strategic options and confirms discussions with Commerzbank', adding that 'there is no certainty that any transaction will occur'.
- Commerzbank said both banks had 'agreed today to start discussions with an open outcome on a potential merger'. Deutsche Bank's market capitalisation is 16.1 bn euros while Commerzbank's is 8.9 bn euros.
- Commerzbank is still part-owned by the German state, after Berlin had to step in following its 2009 acquisition of troubled Dresdner Bank, and is part-way through a tough restructuring. Deutsche is also reorganising, and only returned to the black last year after many years spent fighting the financial and legal fallout of its breakneck pre-crisis expansion.
- Any potential tie-up would have to overcome a slew of hurdles -- from the headache of marrying the IT systems to dealing with cultural differences between the lenders, and the potential market challenges of recapitalising a giant with feet of clay.

<http://www.newagebd.net/article/67699/germanys-2-top-banks-launch-merger-talks-to-create-national-champion>

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BASL Research Team

Mr. Shariful Alam Chowdhury
Head of Research & Investments

tushar@basl-bd.com, tusharbd@bloomberg.net

Mr. Shohidul Islam
Research Analyst

shohidul@basl-bd.com, shohidulbd@bloomberg.net

Tanzin Naher
Research Associate

tanzin@basl-bd.com

BASL Networks

Head Office

Hadi Mansion (7th Floor)
2, Dilkusha Commercial Area
Dhaka-1000, Bangladesh
Phone: +88-02-9515826-28
Fax: +88-02-9567884

Modhumita Extension Office

158-160 Modhumita Building
(5th Floor)
Motijheel C/A, Dhaka-1000
Phone: +88-01819118893

Dhanmondi Branch

Meher Plaza (1st Floor),
House # 13/A, Road # 05
Dhanmondi, Dhaka - 1207
Phone: +8802-8624874-5

Mirpur Branch

Nishi Plaza, plot # 01,
Avenue-04, Section-06,
Block-C
Mirpur, Dhaka - 1216
Phone: +88-02-9013841

Uttara Branch

House # 79/A, (4th Floor),
Road # 07, Sector # 04
Uttara Model Town, Dhaka-
1230
Phone: +88-02-8958371

Banani Branch

Nur Empori, Plot # 77 (1st
Floor), Road No # 11,
Banani,
Dhaka-1213
Phone: +8801716180767

Khulna Branch

28, Sir Iqbal Road (1st Floor)
Khulna
Phone: +88-041-731208-9

For International Trade & Sales, please contact **Mr. Sumon Das, Chief Executive Officer**. Please call at +8801993111666, +880 02 9515826, Ext: 101 at Business hour.

For further query, write to us at research@basl-bd.com.