

Stock Market

Stocks keep plunging on govt move to tax cos' reserve

New Age, June 18, 2019

- Dhaka stocks on Monday slumped for the second day as investors went for panic selling due to concern over the government's budget proposal to impose 15 per cent tax on the listed companies' reserves and stock dividends.
- DSEX, the key index of Dhaka Stock Exchange, plunged 0.97 per cent, or 53.05 points, to close at 5,377.78 points on Monday after losing 43.47 points in the previous session.
- Market operators said that investors' selling intensified on Monday following the media reports that the National Board of Revenue would bag BDT 11,000 crore in additional taxes from the reserves of the listed companies if the budget proposal was approved.
- Finance minister AHM Mustafa Kamal on June 13, in his proposed budget for financial year 2019-20 placed before parliament included a proposal to slap 15 per cent tax on retained earnings and reserve of a listed company if the figures exceed 50 per cent of the paid-up capital of the company.
- He also proposed imposition of tax on the value of stock dividend at the rate of 15 per cent, which will be collected from the listed companies within sixty days of such dividend declaration.
- But different trade bodies and market stakeholders opposed the proposals saying such move was against the market norms and would hinder expansion of businesses of companies and discourage listing of new companies.
- A BRAC EPL analysis on Monday showed that apart from government's collection of BDT 11,000 crore in tax from companies' reserve, the government will collect a further BDT 580 crore in tax from listed companies against their stock dividends.

<http://www.newagebd.net/article/75689/stocks-keep-plunging-on-govt-move-to-tax-cos-reserve>

Greater part of general investors in IPO sought

New Age, June 18, 2019

- The stock exchanges, brokers and merchant bankers of the country have submitted their proposals to market regulator Bangladesh Securities and Exchange commission regarding amendment to the proposed public issue rules, asking for more involvement of the general investors in the initial public offering process.
- Officials of the Dhaka Stock Exchange Brokers Association, Dhaka Stock Exchange, Chittagong Stock Exchange and Bangladesh Merchant Bankers Association met with the BSEC on Monday to place their opinions on amending public issue rules.
- The association on Monday proposed to keep the lock-in period 2 years while the stock exchanges and brokers wanted it to be 3 years from the trading day of the company. The commission has proposed that all shares held at the time of according consent to the public offer shall be subject to lock-in for three years from the first trading day in the exchange.
- The commission proposed that the IPO quota facility for the general investors would be raised to 50 per cent from the existing 40 per cent under the fixed price method of IPO and it would be increased to 40 per cent from the current 30 per cent under the book building method.
- The stakeholders demanded that the IPO quota facility for the general investors to be raised to 60 per cent under the fixed price method and to 45 per cent under the book building method. They also demanded that the facility for the eligible investors and mutual funds should be 50 per cent under the book building method while it should be reduced to 30 per cent under the fixed price method.

- The commission proposed that the size of the public issue under the fixed price method must be minimum BDT 50 crore or 10 per cent of the company's paid-up capital, whichever was higher. And, the size of the public issue under the book building method must be at least BDT 100 crore or 10 per cent of the company's paid-up capital, whichever was higher.
- The stakeholders, on the other hand, proposed that the size of the public issue under the fixed price method must be minimum BDT 30 crore or 10 per cent of the company's paid up capital, whichever was higher. And, the size of the public issue under the book building method must be at least BDT 75 crore or 10 per cent of the company's paid-up capital, whichever was higher.

<http://www.newagebd.net/article/75691/greater-part-of-general-investors-in-ipo-sought>

Union Capital to issue BDT 2.0b unsecured bond

New Age, June 18, 2019

- The board of directors of Union Capital has decided to issue unsecured subordinated redeemable non-convertible bond of BDT 2.0 bn in face value through private placement.
- Face value per unit (lot size) of the bond is BDT 10 mn only with seven years tenure, grace period two years and coupon range is 9.0 per cent to 12 per cent per year, according to a disclosure on Monday. The issuing of bonds is subject to the approval of the regulatory authorities — Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC), the disclosure said.
- The board has also informed that earlier board decision taken on 07 May 2017 to issue unsecured subordinated redeemable non-convertible bond for BDT 2.50 bn has been cancelled due to unavoidable reason.
- Each share of the non-bank financial institution, which was listed on the Dhaka Stock Exchange (DSE) in 2007, closed at BDT 11.50 on Monday, losing 2.54 per cent.

<http://thefinancialexpress.com.bd/stock/union-capital-to-issue-BDT-20b-unsecured-bond-1560780258>

Transport operators to face higher tax

The Daily Star, June 18, 2019

- Road and water transport operators are set to face 25 percent higher taxes on their earnings from next fiscal year as the revenue authority feels tax collection from the transport sector is not up to the mark. "We get insignificant amount of taxes, especially from the land transport sector, although its share in GDP is quite high," said a senior official of the National Board of Revenue requesting anonymity.
- The spike in taxes, which comes five years after the NBR had increased the presumptive tax from road and water transport owners, is expected to fetch higher revenues, he said.
- Land and water transport accounts for nearly 8 percent of the country's GDP in fiscal 2018-19. Yet, tax collection from all vehicles, including personal cars, hover around BDT 1,000 crore, according to data from the Bangladesh Bureau of Statistics and the NBR.
- The latest data on tax collection from vehicles, including buses and trucks, is not available. The recently released NBR's annual report for fiscal 2016-17 showed that the tax collector got BDT 894 crore, up 21 percent year-on-year.
- It got BDT 10.94 crore in tax from inland water transport, up 58 percent from fiscal 2015-16. Currently, a bus owner has to pay BDT 9,000 for a 52-seater bus as tax every year and BDT 12,500 for a vehicle with more than 52 seats. The same BDT 12,500 tax is applicable for a five-tonne capacity truck.

<https://www.thedailystar.net/business/news/transport-operators-face-higher-tax-1758643>

Economy

Bank cards to be costlier

The Daily Star, June 18, 2019

- The cost for issuing new credit and debit cards will balloon 3-6 times after the government imposed fresh duty on the imported items, which the bankers say is conflicting with the Bangladesh Bank's push towards a cashless society.
- In the budget for fiscal 2019-20 unveiled on June 13, there was a fresh tariff of USD0.70 on each magnetic stripe card import, USD2 for chip-and-pin card and USD3 for contactless card.
- There was no declared tariff rate on the imported cards, but the Customs Department commonly imposed a maximum of USD0.52 on each card, according to an official of the National Board of Revenue.
- "Given the government and the central bank's push for making a cashless society the new rates are completely illogical," said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of private banks' managing directors.
- The move will discourage clients from asking for credit and debit cards as banks will be compelled to impose charges for issuing them.
- The local banks are highly dependent on imports as only one company in Bangladesh has the accreditation of Visa to manufacture the cards, said Rahman, also the managing director of Dhaka Bank.

<https://www.thedailystar.net/business/news/bank-cards-be-costlier-1758637>

Making Bangladesh a regional internet hub

The Daily Star, June 18, 2019

- Bangladesh simultaneously exports and imports international internet bandwidth to and from the same country – India. Such unique-in-the world bandwidth trading started with import when Bangladesh was linked with the single submarine cable: SEA-ME-WE4 (South East Asia–Middle East–Western Europe 4). High risk of outages has prompted the government to grant six international terrestrial cable (ITC) licences in 2012 as the lone submarine cable's backup.
- The ITCs have connected Bangladesh across its western border with India. But the latency of the ITC networks remains higher than what the SEA-ME-WE4 submarine cable offers because the traffic via the cable's landing station at Cox's Bazar travels lesser distance to Singapore as opposed to the ITCs' terrestrial traffic being routed via India's Chennai or Mumbai gateways.
- Bangladeshi carriers have accepted this shortcoming in exchange of crucial backup during outage. The arrival of second submarine cable -- SEA-ME-WE5 -- in late 2017 has diminished the ITCs' lifesaving role. Yet, the latter provides budget bandwidth to cater certain segment of the industry.
- Meanwhile, India keeps struggling with fragmented domestic transmission networks. State-owned Power Grid Corporation of India (PGCIL) and RailTel Corporation have deployed optical fibre along respective nationwide power grid and railway tracks.
- PGCIL's optical ground wire (OPGW) network spans over 42,000 route-kilometres while RailTel runs 45,000 route-km of optical fibre network.

<https://www.thedailystar.net/business/news/making-bangladesh-regional-internet-hub-1758592>

International

US businesses beg to be left off Trump's tariff list

The Daily Star, June 18, 2019

- Hundreds of US businesses from local bridal shops to multi-bn dollar retailers have submitted comments to the US Trade Representative's Office opposing president Donald Trump's plan to slap tariffs on another USD300 bn of Chinese imports.
- The higher tariffs would affect everything from apparel and footwear to fireworks and cellphones, and was likely to raise prices for US consumers, the companies warned in submissions ahead of the start of seven days of public hearings on Monday.
- Diane Cheatham, owner of Diane's Formal Affair, an Alabama-based women's boutique, said new tariffs would completely shut down her American suppliers, who will be unable to come up with the funding to cover the additional 25 per cent they would need to pay to import their products.

<http://www.newagebd.net/article/75697/us-businesses-beg-to-be-left-off-trumps-tariff-list>

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