

## Stock Market

### Weekly analysis: Stocks keep sliding as pessimism lingers

*DSE daily average turnover dips below BDT 3.0b mark*

The Financial Express, May 18, 2019

- Stocks continued its losing streak for the second consecutive week that ended on Thursday, reflecting a lack of investors' confidence in the likelihood of a turnaround. Of the five trading days in the outgoing week, the first four sessions closed lower while the last one saw the index finish higher.
- Week on week, the DSEX, the prime index of the Dhaka Stock Exchange (DSE), settled 45 points or 0.85 % lower at 5,230. As per the new policy decision of the government, the Bangladesh Bank has widened the banks' scope to invest in the stock market and infrastructural fund.
- On Thursday, the central bank issued a circular saying that banks' investment in non-listed securities would not be counted as their capital market exposure. The government also extended the tenure of the capital market refinancing scheme up to December 31, 2022.
- Two other indices of the premier bourse also ended lower. The DS30 index, comprising blue chips, fell 33 points to finish at 1,818 and the DSE Shariah Index lost 23 points to close at 1,197. The total turnover on the DSE stood at BDT 14.61 bn, down from BDT 21.45 bn in the week before.
- The daily turnover averaged out at BDT 2.92 bn, registering a decline of 32 % over the previous week's average of BDT 4.28 bn. The banking sector witnessed the highest gain of 0.78 %, after the news that most of the listed banks saw their earnings per share rise in January-March quarter of 2019, followed by the power sector (0.33 %).
- The market capitalisation of the DSE also fell 0.96 % to BDT 3,848 bn on Thursday from BDT 3,885 bn in the week before. The Fortune Shoes dominated the turnover chart, with 19.48 mn shares worth BDT 733 mn changing hands. The company accounted for 5.02 % of the week's total turnover.

<http://thefinancialexpress.com.bd/stock/weekly-analysis-stocks-keep-sliding-as-pessimism-lingers-1558154109>

### BSEC moves to enforce minimum shareholding provision soon

*Securities regulator will seek public opinion on amendments to its rules*

The Financial Express, May 17, 2019

- The securities regulator has taken an initiative to strictly enforce a provision that requires the sponsor-directors of the listed companies to hold a certain amount of shares. The Bangladesh Securities and Exchange Commission (BSEC) will also incorporate some new conditions into its notification regarding the minimum amount of shares to be held by the sponsor-directors.
- The BSEC will also amend the public issue rules soon to incorporate new provisions on capital raising issues. As per the proposed amendments, a listed company would be shifted to a new category if its sponsor-directors fail to hold the minimum amount of shares mentioned in the notification.
- The listed companies would also not be allowed to raise capital through bonus shares, rights shares, and RPO (repeat public offer) or go for merger if their sponsor-directors fail to hold the stipulated amount of shares.

- As per the notification issued in 2011, the sponsor-directors of the listed companies must hold a minimum of 2.0 % of shares individually. And the sponsor-directors jointly will hold a minimum of 30 % of shares. Otherwise, the companies would not be allowed to issue rights shares.
- And the minimum size of IPO will be BDT 500 mn under the fixed-price method, while the IPO size will be BDT 1.0 bn under the book-building system. The listed companies would have to explain the reasons for raising capital through bonus shares after listing. The companies will also have to publish the necessity of issuing bonus shares as price sensitive information (PSI).

<http://thefinancialexpress.com.bd/stock/bsec-moves-to-enforce-minimum-shareholding-provision-soon-1558069944>

## Launch of co to ensure easy settlement of equities soon

*\*CEO appointment shortly \*Derivatives market may see a boost*

- The process of establishing a central counterparty clearing house (CCP) has been accelerated, as the authorities concerned are going to appoint its CEO and deploy necessary technologies. CCP is a separate institution, initiated by bourses and financial institutions for clearing of securities. Its operation makes the settlement of equities and derivatives easier.
- In most cases, CCP is jointly operated by stock exchanges and major banks to ensure efficiency and stability of the financial markets in which they operate. CCP also guarantees the settlement of trades and provides netting facility, which ease foreign investors' concerns.
- The Central Counterparty Bangladesh Limited (CCPBL) -- was formed to this end after the Bangladesh Securities and Exchange Commission promulgated rules pertaining to it in 2017. The DSE MD also said the launch of the CCP is important for the country's capital market development, as the introduction of multiple-netting and derivatives is not possible without such a clearing house.
- The BDT 3.0-bn worth CCP's main stakeholders are the DSE and the CSE, having 45 % and 20 % stakes respectively. Besides, some 12 banks jointly have 15 % stakes in it, each having 1.25 % shares, and the Central Depository Bangladesh Limited (CDBL) has 10 % stakes.

<http://thefinancialexpress.com.bd/stock/launch-of-co-to-ensure-easy-settlement-of-equities-soon-1558164698>

## Most listed pharmas see rise in profit

The Daily Star, May 17, 2019

- Most of the listed pharmaceuticals companies posted higher profits in the first three quarters of the fiscal year on the back of better sales at home and abroad. Thirty-one medicine makers are listed with the Dhaka Stock Exchange (DSE). Of them, 27 published data for the July to March period of 2018-19.
- Of the 27, earnings of only seven pharmaceuticals and chemicals companies fell while it rose for the rest. Multiple factors affected the earnings of the sector.

TOP FIVE EPS EARNERS	
COMPANY	EPS IN TAKA
Renata	31.38
Pharma Aids	13.46
Square Pharmaceuticals	11.93
Wata Chemicals	8.45
Ibn Sina	7.95

- Square Pharmaceuticals topped the list of the highest profit makers. The company's net profit stood at BDT 942.05 crore in the three quarters, which is 6.5 % higher than the similar period a year ago. The company's gross revenue also rose 20.28 % year-on-year to BDT 3,103.50 crore.
- Renata pulled off the highest EPS among all the listed pharmaceuticals companies in the three quarters. Its EPS rose 15.9 % to BDT 31.38 and revenue by 10.97 % to BDT 1,510.72 crore. DSE data showed Wata Chemical, a chemical producer, recorded the highest growth during the period, with its EPS jumping by 269 % year-on-year to BDT 8.45.

<https://www.thedailystar.net/business/news/most-listed-pharmas-see-rise-profit-1744663>

## BB loosens the leash on banks' stock exposure

*BB says banks' investment in non-listed securities would not be counted as their capital market exposure. BB also created a room for banks to invest in alternative investment funds and special purpose vehicles.*

The Daily Star, May 17, 2019

- The central bank has widened banks' scope to invest in the stock market and infrastructural fund as the government looks to put a pause on the longer than usual bear run. The DSEX, the benchmark index of the premier bourse, lost 774.55 points, or 13.07 %, in the last three months.
- In a notice yesterday, the Bangladesh Bank informed that banks' investment in non-listed securities -- such as equity, non-convertible cumulative preference share, non-convertible bond, debenture and open-ended mutual funds -- would not be counted as their capital market exposure.
- In a separate notice, the BB also created a room for banks to invest in alternative investment funds, special purpose vehicles (SPV), or any other similar project-specific fund. The decision was taken to facilitate financing of infrastructure projects through bonds instead of bank loans.
- In case of public infrastructure projects pertaining to power and fuel, roads and bridges, communication, tourism and digital sector, banks would be allowed to invest the lower of the two: BDT 700 crore or the single borrower exposure limit.
- If the projects are taken through public-private partnership (PPP), banks would be allowed to invest the lower of the two: BDT 600 crore or the single borrower exposure limit.
- It will be the same for private sector projects on power, fuel, tourism and digital infrastructure. The BB advised following some risk management system in case of SPV investment. The fund's trustee and the invested bond and debenture should be approved by the Bangladesh Securities and Exchange Commission.

<https://www.thedailystar.net/business/banking/bangladesh-bank-bb-loosens-the-leash-banks-stock-exposure-1744693>

## Economy

### Tax Receipts in 9 Months: BDT 50,500cr short of target

The Daily Star, May 19, 2019

- Revenue collection is poised to fall short of target by a big margin this fiscal year, with receipts growing the lowest in five years in the first nine months due to sluggish collection of customs tariff and value-added tax.
- Between July last year and March this year, the National Board of Revenue managed about BDT 153,419 crore in collections, up 7 % from a year earlier, as per its provisional data. The amount missed the periodic target by nearly BDT 50,500 crore.
- The government has assigned the NBR to collect a total of BDT 296,201 crore in 2018-19 and the revenue authorities will have to collect more than BDT 142,000 crore in the remaining three months to meet the target -- an unfeasible option.
- As per NBR estimates, the two sources would cause a revenue loss of BDT 12,000 crore. During the nine-month period, revenue collectors logged in BDT 56,438 crore as VAT, up 6.52 % year-on-year. Collection of customs tariff, mainly from imports, grew only 1 %, reflecting the slowing trend of import.
- Imports grew 5.13 % to \$45.79 bn in the first nine months, according to data from the Bangladesh Bank. Despite the slow growth of collection of indirect tax, direct tax receipts increased 12 % year-on-year to BDT 46,317 crore during the period.

### TAX COLLECTION July-March



SOURCE: NBR, FINANCE MINISTRY

<https://www.thedailystar.net/business/tax-and-customs/tax-receipts-9-months-BDT-50500cr-short-target-1745452>

### India, Poland become new bn-dollar export markets for Bangladesh

New Age, May 19, 2019

- Bangladesh has achieved two new bn-dollar export markets in the current 2018-19 financial year in addition to the existing nine such markets. The export earnings from India and Poland topped one bn US dollars in the first 10 months of the FY 19 because of the extraordinary performance of the country's apparel sector.
- The export income from India in the July-April period of the FY 19 totalled \$1.07 bn, 52.98 % higher from \$701.56 mn posted in the same period of the FY 18, while that from Poland in the period grew 29.80 % to \$1.02 bn from \$787.91mn, according to Export Promotion Bureau data.



- Along with Bangladesh's exports to Japan, its exports to Belgium had also reached the bn-dollar mark in the FY 16 but later as Bangladesh's export growth to that country went down it slipped from the position. Although, Bangladesh's exports have topped one bn dollars in both India and Poland, there are some differences in the two markets.
- The country's exports to Germany, the second largest destination for its goods, grew by 7.10 % to \$5.26 bn in the July-April period of the current fiscal year from \$4.91 bn in the same period of the previous fiscal year.
- The income from the exports to the United Kingdom, the third largest export market for Bangladesh, grew by 3.77 % to \$3.50 bn in the period. The exports to Japan in the July-April of the ongoing fiscal year went up by 22.57 % to \$1.17 bn from \$956.03 mn in the corresponding period of the earlier fiscal year.

<http://www.newagebd.net/article/72847/india-poland-become-new-bn-dollar-export-markets-for-bangladesh>

## **Mitsubishi to invest \$100m to assemble cars in Bangladesh**

The Daily Star, May 17, 2019

- Japanese automaker giant Mitsubishi has decided to invest \$100 mn in Bangladesh to produce its branded vehicles. The company will invest the sum at the Mirsarai Economic Zone in Chattogram, initially for assembling cars, the commerce ministry said in a statement.
- The company will gradually upgrade the assembly plant to a full car manufacturing plant at the zone, the statement said. Kobashi sought policy supports from the government to set up the plant.
- The delegation's other member Junichi Sabanai, general manager of the production engineering division, was present. The use of motor vehicles in Bangladesh has been growing fast with the pace of the country's steady economic growth and political stability.
- The Mitsubishi Motors delegation, accompanied by the Bida, visited the Mirsarai Economic Zone on Wednesday and stopped by Pragati Industries in Sitakunda, where Mitsubishi's "Pajero Sport" is assembled.

<https://www.thedailystar.net/business/news/mitsubishi-invest-100m-assemble-cars-bangladesh-1744684>

## **International**

### **Chinese state media hits out at 'fabricated' US tech claims**

New Age, May 19, 2019

- The United States has 'fabricated' accusations that China forces firms to hand over technology in exchange for market access, China's top Communist Party newspaper said on Saturday, the latest salvo in a bitter trade war.
- China announced this week it would retaliate against a move by Washington to raise tariffs on \$200 bn of Chinese imports amid complaints Beijing had done little to resolve US concerns about the theft of intellectual property and the forced transfer of technology to Chinese firms.
- The People's Daily said in an editorial China had never forced US firms to hand over technology and the claim was 'an old-fashioned argument used by some people in the United States to suppress China's development'.

- The increasingly acrimonious dispute between the world's top two economies has rattled investors and roiled global markets. The United States said negotiations were likely to resume soon but China said no fixed date had been set yet and Washington needed to show sincerity in any new round of talks.
- State news agency Xinhua accused the United States of pursuing global hegemony in a separate editorial published on Saturday and said Washington would suffer more from an all-out trade war than China.

<http://www.newagebd.net/article/72852/chinese-state-media-hits-out-at-fabricated-us-tech-claims>

## Disclaimer

This document has been prepared by Bank Asia Securities Ltd (BASL) based on publicly available data for information purpose only and does not solicit any action based on the material contained herein and should not be construed as an offer or solicitation to buy or sell or subscribe to any security. Neither BASL nor any of its directors, shareholders, member of the management or employee represents or warrants expressly or impliedly that the information or data of the sources used in the documents are genuine, accurate, complete, authentic and correct. However, all reasonable care has been taken to ensure the accuracy of the contents of this document. BASL or Research & Development Department will not take any responsibility for any decisions made based on the information herein. As this document has been made for the Traders of BASL and strongly prohibited for circulation to any clients, investors or any other persons from outside of BASL.

## About Bank Asia Securities Ltd

Bank Asia Securities Limited (BASL) is one of the leading full-service brokerage companies in Bangladesh. The company was formed in 2009 and running its operation as a majority owned subsidiary of Bank Asia Limited. BASL offers full-fledged standard brokerage services for retail, institutional and foreign clients with a dedicated team of skilled professionals. The company is currently providing the brokerage services under the membership of Dhaka Stock Exchange Limited (DSE).

## 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](mailto:research@basl-bd.com).