

Stock Market

Dhaka stocks see negative week amid polls-centric jitters

New Age, October 21, 2018

- Dhaka stocks dropped in last week amid a fall in the share prices of two-thirds of the traded scrips as investors went for selling shares in cautious trading ahead of the national polls. DSEX, the key index of Dhaka Stock Exchange, lost 0.98 %, or 53.49 points, to close at 5,435.01 points on Thursday, the last trading session of the week, after gaining 92 points in the previous two weeks.
- Market operators said the DSEX plunged by 62 points on the second day (October 15) of the week as the investors became nervy amid media reports that the newly announced alliance of opposition parties, Jatiya Oikya Front, would go for joint programme in the coming days to press for its 7-point demand for holding free and fair elections. The platform of BNP, Jatiya Oikya Prakriya and Juktafront was launched on October 13.
- Election Commission secretary Helal Uddin Ahmed on October 18 said that the schedule for the next parliamentary elections would be announced in the first week of November. The daily average turnover on the bourse plunged by 34.50 % to BDT 510.17 crore in last week from BDT 778.87 crore in the previous week. The share prices of all the large capitalised sectors except bank and food declined over the week.
- The share prices of energy, cement, pharmaceuticals, textile and non-bank financial institutions dropped by 2.8 %, 2.5 %, 1.6 % and 1.1 % respectively. Among the prominent scrips, the share prices of Khulna Power Company, Summit Power, United Power Generation Company, Square Pharmaceuticals, Investment Corporation of Bangladesh and Grameenphone declined most in the week.
- On the other hand, the share prices of food and bank advanced by 2.0 % and 1.5 % respectively that saved the market from further fall. DS30, the blue-chip index of DSE, also slumped by 1.54 %, or 29.69 points, over the week to close at 1,896.07 points. Shariah index DSES shed 1.75 %, or 22.21 points, to close at 1,243.54 points. Khulna Power Company led the turnover chart with its shares worth BDT 210.76 crore changing hands. Summit Power, United Power Generation & Distribution Company, Dragon Sweater, VFS Thread Dyeing, Shasha Denims, Silva Pharmaceuticals, Active Fine Chemicals, Nurani Dyeing and BBS Cables were the other turnover leaders.

<http://www.newagebd.net/article/53688/dhaka-stocks-see-negative-week-amid-polls-centric-jitters>

Aman Tex holds IPO road show

The Financial Express, October 19, 2018

- Aman Tex, a concern of Aman group, plans to go public by using the book building method to raise BDT 2.0 bn for its business expansion. Of the IPO fund, BDT 936.5 mn will be used for procuring machinery, BDT 326.6 mn for building construction, BDT 666.6 mn for repayment of loans and 70.3 mn for IPO expenses.
- Its net profit was BDT 348.9 mn, earnings per share (EPS) BDT 4.34 and the net asset value per share BDT 36.64 for the FY2017-18. Aman Tex Chairman Shafiqul Islam, Directors Toufiqul Islam and Md. Tariqul Islam and Independent Director Iftekhar-uz-Zaman were also present at the road show. Representatives of merchant banks, asset management companies, stock dealers, banks, and financial institutions, among others, were present at the road show. The ICB Capital Management and LankaBangla Investment are working as the issue managers of the IPO.

<http://thefinancialexpress.com.bd/stock/aman-tex-holds-ipo-road-show-1539928693>

Janata scams never end!

Central bank probes expose yet another violation of banking rules, this time to favour a garment company

The Daily Star, October 21, 2018

- Janata Bank has been granting undue favour to yet another big borrower, allowing the company to open letters of credit (LC) one after another overstepping all sorts of banking rules, multiple Bangladesh Bank investigations have found. The borrower, Thermax, has been enjoying such privilege although the garment company has paid little of its previous dues, which now stands at a staggering BDT 1,230 crore.
- When a company fails to pay back the money against an LC, the amount becomes a forced loan. It disqualifies the borrower from availing the LC service until it clears the outstanding loan, according to central bank rules. But this company has been allowed to open fresh LCs over and over again even after its previous LCs became forced loans, said the BB's latest report in March this year.
- In paper, Thermax has an LC limit of BDT 264 crore against its three entities. In reality, it received LC benefits worth BDT 816 crore between 2013 and 2016, more than three times the ceiling, from the bank's corporate branch at Motijheel. This was done without approval from the bank's board, another violation of BB rules.
- As a result, Janata's total outstanding loan to Thermax -- BDT 1,230 crore (interest and other charges included) as of March this year -- exceeded the single borrower exposé ceiling of 15 % set by the BB. It also crossed the 25 % limit set in the Bank Company Act 1991. As of December last year, Janata bank's capital was BDT 4,460 crore, of which 27.5 % was given to Thermax, according to BB data.
- During two other investigations in 2015 and 2016, the BB team did not find any record at the central bank that Janata took approval from the BB, which is mandatory for sanctioning loans beyond the limit. From 2013-16, six of the Group's 16 companies imported raw materials worth BDT 346.34 crore against LCs from the state-run bank. Against this import, they exported goods worth BDT 169 crore, just about half of the import amount. This made the operations of the companies unviable.

<https://www.thedailystar.net/frontpage/news/janata-scams-never-end-1649743>

Banks' liquidity sees sharp rise

The Daily Star, October 21, 2018

- After enduring a serious cash crunch since the middle of 2017, the banking sector has started to witness a sharp rise in excess liquidity. All liquidity available in the banking system that exceeds the needs of banks is called excess liquidity. The excess liquidity went up 27 % in the second quarter this year in comparison to the previous quarter thanks to the relaxing of the cash reserve requirement (CRR).
- Banks were sitting on an additional liquidity of BDT 97,500 crore at the end of June, up from BDT 76,900 crore in March, according to Bangladesh Bank's latest data. On April 4, the central bank reduced the CRR by one %age point to 5.5 % to ease the liquidity condition. The increased availability of cash has helped banks revise down the lending rate by 1 to 2 %age points in the last two months.
- Currently, banks are lending at 10 % to 11 %, which was more than 13 % several months ago. Though the CRR was reduced following commitments from the directors of banks that they would bring down the lending rate of all loans to single-digit, many lenders were still giving out loans at double digits. For instance, state-owned Rupali Bank is giving out industrial loans at single digits, but the consumer loan is still charging 13 % rate.
- The interest rate on home loans has come down to 9 % to 10 % in the recent months, which had gone up to 13 % in February amid the cash crunch, said QM Shariful Ala, managing director of Delta Brac Housing Finance Corporation. State banks held 55 % of the total excess liquidity in the financial market: the excess cash at the state banks stood at BDT 53,500 crore in June, 27 % higher from BDT 42,100 crore in March.

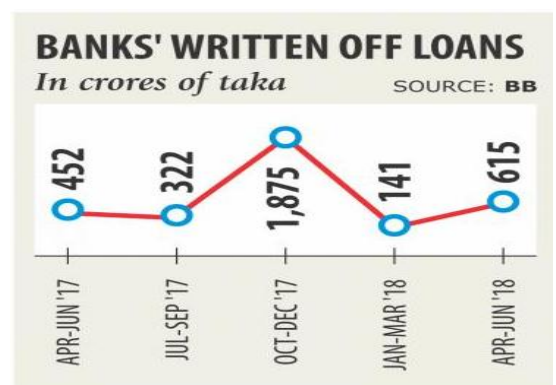
- Private commercial banks have had BDT 31,200 crore in excess liquidity in June, accounting for 32 % of the total. Though the excess liquidity of private banks surged 47.58 % in June from BDT 21,100 crore in March, the average lending rate of most of the private lenders is still at double digits. The new banks are offering loans at higher interest rates compared to other lenders.

<https://www.thedailystar.net/business/news/banks-liquidity-sees-sharp-rise-1649767>

Loan write-offs balloon in Q2

The Daily Star, October 21, 2018

- Loans written off by banks soared in the second quarter of 2018 as efforts to clean up balance sheets petered out. Between the months of April and June, the amount of loans written off by lenders stood at BDT 615 crore, an increase of 4.36 times from three months earlier.
- The amount took the tally of written-off loans since January 2003, when the policy was introduced, to BDT 48,890 crore, according to data from the central bank. Some 14 banks wrote off their bad loans in the second quarter, with the highest figure registered by Dutch-Bangla Bank Ltd (DBBL). DBBL removed bad loans amounting to BDT 172 crore from its balance sheet during the period, followed by Eastern Bank at BDT 111 crore, Prime Bank at BDT 102 crore and IFIC Bank at BDT 89 crore.
- State-run banks wrote off only BDT 1.26 crore and private banks BDT 599.19 crore during the quarter. Most of the state-run banks have skipped out on writing off their bad loans as they did not have the cash needed to keep provisioning against them, the central bank official said.
- The banks are already burdened with huge provisioning shortfall, for which they often took support from the central bank. For instance, Sonali Bank is yet to write off the entire loans of Hall-Mark Group although the lender had categorised the controversial group's loans as bad in 2013. As per the banking norms, there is no scope of taking deferral support when lenders write off loans.



<https://www.thedailystar.net/business/news/loan-write-offs-balloon-q2-1649776>

Economy

Teletalk's solar-based network in remote areas on cards

New Age, October 21, 2018

- With the aim of providing modern telecommunication, especially 3G and 4G services to the inhabitants of geographically hard-to-reach areas across the country, state-owned mobile phone operator Teletalk plans to install over 400 solar power-based base transceiver stations in those areas.
- The move would pave the way to facilitate high speed internet to over 25 lakh people residence in haor, forest, coastal and hill areas where private operators are reluctant to invest more considering operational cost. To this end, a development project is now in the Planning Commission awaiting for final approval of the Executive Committee of the National Economic Council, said officials.

- Talking to BSS, a top official of Teletalk said they had initiated the process so the people of hard-to-reach areas got opportunity to enjoy mobile broadband internet. Officials said the project dubbed as 'Establishment of Solar Based Base stations in Hard-to-Reach Areas for strengthening Teletalk Network Coverage' has been approved by the project evaluation committee of the Planning Commission with a cost of BDT 406 crore, of which BDT 240 crore would be sourced as project assistance.
- Currently, Teletalk is implementing two projects to expand its 3G network across the country, although the work of the expansion is running slowly for fund disbursement difficulties. Meanwhile, all the private operators have started to offer 4G services immediately after handing over licence by the government. But, the state-own operator is yet to offer 4G.
- Officials said Teletalk which started operation in March 31, 2005 now owned 3 % market share but the Seventh Five-Year Plan has aimed to boost this share to 20 % by 2020. On the other hand, telecom regulator has issued licence to four companies for network tower business but an inter-ministerial meeting opined this project of Teletalk would not pose any duality for network

<http://www.newagebd.net/article/53686/teletalks-solar-based-network-in-remote-areas-on-cards>

Amend coastal shipping deal with India

The Daily Star, October 21, 2018

- Local seagoing container shippers have urged both the Bangladeshi and Indian governments to allow them to carry goods of third countries for the sake of saving time and money and facilitating the industry to thrive. Under the current agreement on coastal shipping signed between Bangladesh and India last year, the local (both Bangladeshi and Indian) vessels are allowed to carry the goods only of the two countries in the recognised ports or port of calls.
- Since the local vessels cannot carry a third country's goods, the international main line operators (MLOs) -- like Maersk, Hyundai and Hapag-Lloyd -- that carry goods from the US, the EU and other countries do not unload the Bangladesh-bound goods at the Indian ports. Rather, the MLOs take the Bangladesh-bound goods to other ports like Singapore, Colombo or Kelang, where they are stacked in the terminals for at least a month before they are carried to Bangladesh in small vessels.

<https://www.thedailystar.net/business/news/amend-coastal-shipping-deal-india-1649773>

International

RBI's monetary policy committee highlights inflation spike risk

New Age, October 21, 2018

- The Reserve Bank of India's monetary policy committee sees a risk of rising headline inflation from high crude oil prices and a weak rupee, indicating potential rate hikes ahead even as it held rates unchanged at its last meeting. Minutes of RBI's monetary policy committee's (MPC) October meeting, released on Friday, showed most committee members highlighted the upside risks to inflation while preferring to wait for greater clarity on price pressures.
- Five of six MPC members had voted for keeping rates on hold at 6.50 %, surprising most economists. India's retail inflation rose to 3.77 % in September from 3.69 % in August, the country's Statistics Ministry said last week. Headline inflation for the first quarter of the fiscal year to March 2020 is projected at 4.8 % compared with the MPC's mandated target of 4 %.

- Other risks include rising input costs, fiscal slippage at the federal or provincial levels and the effects of staggered house rental allowance revisions by state governments, he said. Chetan Ghate, the only MPC member to vote for a 25 basis points increase in the repo rate, said the appropriate 'risk-management approach would be to act now' given the strong possibility of the 'un-anchoring' of inflationary expectations.

<http://www.newagebd.net/article/53691/rbis-monetary-policy-committee-highlights-inflation-spike-risk>

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