BASL DAILY NEWS BUZZ

February 24, 2019

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Stock Market

Weekly analysis: Stocks keep declining

Weekly analysis: Stocks keep declining on sell-off in major sectors

The Financial Express, February 24, 2019

- The Dhaka bourse closed the week with continued losses on Wednesday as both the broad index and turnover fell amid sustained selling pressure in some major sectors. The major sectors that witnessed price correction on the Dhaka Stock Exchange (DSE) include financial institutions, general insurance, textile and cement.
- On the other hand, telecommunications and fuel & power sectors saw price appreciation at the end of the week, the DSE broad index - DSEX - closed at 5,745.83 points, down 0.08 % or 4.46 points over the previous week. The DS30 index, comprising blue chips, however, advanced 0.15 % or 3.10 points to close at 2002.18. The Shariah-based index - DSES - also closed 0.11 % or 1.46 points higher at 1,312.91. Of the total issues traded, 94 advanced, 229 declined and 26 remained unchanged on the DSE.
- The premier bourse featured an average daily turnover of BDT 7.28 bn, 10.70 % lower than the average daily turnover of the previous week. According to the International Leasing Securities, the market faced a mild correction in the last trading week, as the investors preferred to book profits from their investments in the wake of recent price surge.
- The investors' activities were mostly concentrated on the textile sector, which grabbed 17.2 % of the market turnover, followed by engineering (16.1 %) and fuel & power (11.8 %). Ceramic sector witnessed a 4.4 % price appreciation, followed by telecom (3.4 %) and fuel & power (2.6 %). On the other hand, the jute sector saw a 5.9 % price correction followed by general insurance (5.1 %) and textile (2.6 %).
- The United Power Generation and Distribution Company Limited (UPGDCL) topped the weekly turnover chart, grabbing 8.4 % of the weekly average turnover followed by Bangladesh Submarine Cable Company Limited (BSCCL) (6.9 %) and Fortune Shoes (4.7 %). The small-cap stocks topped the chart of gainers. Mercantile Insurance Company was the number one gainer, closing at BDT 33.30 each.
- The other top gainers were Bangladesh Submarine Cable Company, Monno Ceramic Industries, Rangpur Foundry and Eastern Insurance Company. Savar Refractories was the biggest loser of the week, shedding 18.21 % to close at BDT 92.10 each. The port city bourse - Chittagong Stock Exchange (CSE) - also closed in the red. The CSCX and CASPI indices lost 8.0 points and 17.1 points respectively.
- In the last week, two companies declared dividends for the year ended on December 31, 2018. The Reliance Insurance recommended 15 % cash and 10 stock dividends while the board of IDLC Finance recommended 35 % cash dividend.

http://thefinancialexpress.com.bd/stock/weekly-analysis-stocks-keep-declining-1550896729

CSE revises CSE-50 index

The Financial Express, February 24, 2019

- The Chittagong Stock Exchange (CSE) CSE-50 index has been revised on the basis of performance of listed companies. After the revision, two new companies -- Meghna Petroleum and Jamuna Bank have been included in CSE-50. On the other hand, two existing companies -- Standard Bank and Orion Pharma have been excluded from the CSE-50 list.
- The new index will be effective from March 03, 2019, said a statement Wednesday. The indices are reviewed twice a year. The CSE-50 companies accounted for 60.70 % of total market capitalisation of CSE.

http://thefinancialexpress.com.bd/stock/cse-revises-cse-50-index-1550648250

Exim Bank's bond issue gets BSEC nod

The Financial Express, February 20, 2019

- The securities regulator has accorded consent to Exim Bank for issuing BDT 6.0 bn Mudaraba Subordinated Bond, said an official disclosure on Wednesday. Bangladesh Securities and Exchange Commission (BSEC) approved the bank's bond issue proposal at its commission meeting held Tuesday.
- The regulator approved the bond issue under the provision of the Securities and Exchange Commission (Private Placement of Debt Securities) Rules, 2012 for issuance of 7 years Floating Rate, Non-Convertible , Mudaraba Subordinated Bond only through Private Placement.
- The purpose of issuance of the Bond is to raise the Tier-II Capital of the Company and its issue price will be 100 % at par. Each share of the bank, which was listed on the Dhaka bourse in 2004, closed at BDT 12.20 on Tuesday on the Dhaka Stock Exchange (DSE). The board of directors of the bank disbursed 12.50 % cash dividend for the year ended on December 31, 2017.
- The bank's paid-up capital is BDT 14.12 bn and authorised capital BDT 20 bn while total number of securities is 1.41 bn, according to DSE statistics. Sponsor-directors own 40.66 % stake in the bank while institutional investors own 18.73 %, foreign investors 3.90 % and the general public 36.71 % as of January 31, 2019. The bank disbursed 15 % cash dividend for the year ended on December 31, 2016.

http://thefinancialexpress.com.bd/stock/exim-banks-bond-issue-gets-bsec-nod-1550644029

BSEC approves IPO of Sea Pearl Beach Resort

The Financial Express, February 20, 2019

- The securities regulator has approved the initial public offering (IPO) proposal of Sea Pearl Beach Resort & Spa Ltd which will raise a capital worth BDT 150 mn. Sea Pearl Beach Resort & Spa is originally owned by the Hotel Royal Tulip Sea Pearl Beach Resort in Cox's Bazar
- The Bangladesh Securities and Exchange Commission (BSEC) approved the company's IPO proposal at a commission meeting held in Dhaka on Tuesday evening. As per the BSEC approval — under the fixed price method — Sea Pearl Beach Resort will offload 15 mn ordinary shares at an offer price of BDT 10 each.
- According to the financial statement ended on June 30, 2018, the company's net asset value (NAV) per share stood at BDT 10.48 while the weighted average (three years) earnings per share (EPS) was BDT 0.41. Banco Finance and Investment Limited and Prime Bank Investment Limited will act as the issue manager for the IPO process. After completing all the procedures, it will be the 5th listed company in the 'travel & leisure' sector in the Dhaka Stock Exchange.

http://thefinancialexpress.com.bd/stock/bsec-approves-ipo-of-sea-pearl-beach-resort-1550643032

DSE net profit declines in last five fiscal years

The Financial Express, February 24, 2019

- The net profit of the Dhaka Stock Exchange (DSE) gradually declined in last five fiscal years (FYs) as the 'trade volume' plummeted during the period. The net profit of the prime bourse declined despite the revenue gradually rose in last five FYs.
- The officials of the premier bourse said the increased cost for maintenance and construction and the newly-imposed tax on their income were blamed for the decline of the net profit. According to the latest annual report, the

exchange's net profit stood at above BDT 1.04 bn for the FY 2017-18. The amount was above BDT 1.23 bn in the FY 2016-17.

- As a result, the net profit of the premier bourse declined 15.78 % or above BDT 195 mn in the FY 2017-18 from the previous FY. On the other hand, the revenue of the DSE increased in the FY 2017-18 from the value observed in the previous FY.
- The premier bourse enjoyed 100 % tax rebate till the FY 2015-16. After the demutualisation, the exchange came under tax net in the FY 2016-17, according to the DSE official. In the FY 2016-17, the DSE paid 20 % of the stipulated amount of tax for non-listed companies. The DSE reported net profit of above BDT 1.19 bn the FY 2015-16, above BDT 1.34 bn in the FY 2014-15 and above BDT 1.34 bn in the FY 2013-14.
- The amount of the exchange's revenue was above BDT 2.09 bn in the FY 2017-18, above BDT 2.08 bn in the FY 2016-17, above BDT 1.87 bn in the FY 2015-16, above BDT 1.94 bn in the FY 2014-15 and above BDT 1.92 bn in the FY 2013-14.
- The profit margin of the premier bourse gradually declined in last five FYs. The exchange's profit margin was 70 % in 2013-14, 69 % in 2014-15, 64 % in 2015-16, 59.51 % in 2016-17 and 50 % in 2017-18. The profit margin is one of the commonly used profitability ratios to gauge profitability of a business activity. It represents how much %age of sales has turned into profits.

http://thefinancialexpress.com.bd/stock/dse-net-profit-declines-in-last-five-fiscal-years-1550979059

DSE to inspect 24 more `dud' cos as part of delisting process

New Age, February 23, 2019

- Dhaka Stock Exchange will launch an investigation into 24 more non-performing companies as operations of the companies have remained fully or partially closed for years and investors are deprived of getting dividends from the entities.
- Earlier, on February 12, the board of directors of DSE decided to delist four non-performing companies — Meghna Pet Industries, Meghna Condensed Milk Industries, Imam Button and Savar Refractories — after completing investigations into the dud companies in September, 2018.
- The bourse has sought permission from market regulator Bangladesh Securities and Exchange Commission regarding the matter. The DSE's board of directors at a recent meeting decided to seek permission from BSEC to look into offices, factories and financial documents of 24 more companies.
- The 24 more companies that would face DSE investigations are: ICB Islamic Bank, Shyampur Sugar Mills, Zeal Bangla Sugar Mills, Beximco Synthetics, Shinepukur Ceramics, Sonargaon Textiles, Information Services Network, Bangladesh Welding Electrodes, Shurwid Industries, Bangladesh Autocars, Emerald Oil, Bangladesh Services, Beach Hatchery, Dacca Dyeing & Manufacturing, Hakkani Pupl & Paper Mills, Khulna Printing & Packaging, Mithun Knitting & Dyeing, Standard Ceramic Industries, Tallu Spinning Mills, United Airways, Legacy Footwear, Monno Jute Stafflers, C&A Textile and Tung Hai Knitting & Dyeing.
- The DSE will soon seek permission from the market regulator to conduct investigations into their offices, factories and other financial matters.The DSE official also said that despite the poor financial conditions of the companies, share prices of the companies were seen rising abnormally time and again that resulted in a unhealthy situation at the stock market.
- Earlier, in July 2018, DSE delisted Rahima Food Limited and Modern Dying and Screen Printing Limited. Among the 24 companies, the entities which would fail to show any possibility of business development and would fail to explain reasons for their current situation would face the music, the DSE official added.

http://www.newagebd.net/article/65519/dse-to-inspect-24-more-dud-cos-as-part-of-delisting-process

Local, JV cos may get BSEC waiver like foreign cos

New Age, February 23, 2019

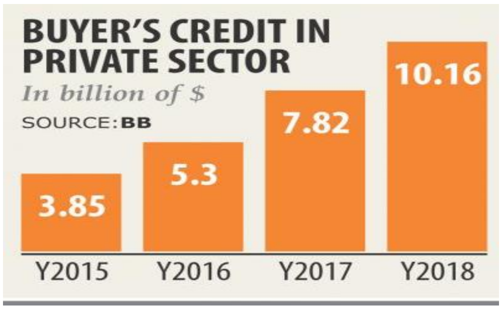
- Prime Minister's Office has asked Bangladesh Securities Exchange Commission to exempt both local and local-foreign joint venture private limited companies, like foreign ones, from taking permission from the commission for raising their paid up capital up to BDT 100 crore.
- The commission has also been asked to inform the PMO after making an amendment to its relevant regulations although BSEC was reluctant to grant such benefits apprehending misuse.
- The decisions came at the 12th meeting of the Private Sector Development Policy Co-ordination Committee (PSDPCC) held at PMO on February 2 with prime minister's principal secretary Md Nojibur Rahman in the chair.
- Earlier on November 28, 2018 BSEC exempted fully foreign owned companies from taking the permission from the commission for hiking paid-up capital up to BDT 100 crore subject to submission of the encashment certificate of such capital and payment of applicable fees to the commission.
- Before that all limited companies were required to take permission from the commission to increase their paid-up capital to above BDT 10 crore. BSEC, despite its reservation, made the decision following a request of PSDPCC, formed in 2011, to facilitate Japanese investment in the country.
- PSDPCC, a public-private platform for private sector-related policy review, coordination, identification of investment barriers and fostering public-private cooperation under the PMO, took the decision to encourage local and foreign investment in the country through making regulatory affairs easier and smooth.
- BSEC officials said that BSEC had been raising its concern about the misuse of the benefit, particularly whether the increased paid-up capital would be injected to the economy and whether the company had actually had the assets or strength to increase the paid up capital.

http://www.newagebd.net/article/65623/local-jv-cos-may-get-bsec-waiver-like-foreign-cos

Economy

Rising buyer's credit puts pressure on reserves, exchange rate

The Daily Star, February 20, 2019



- Importers' appetite for buyer's credit from overseas sources shot up last year, in an ominous development for the country's foreign currency reserves and the exchange rate. Buyer's credit is a loan facility extended to an importer by a bank or financial institution to finance the purchase of capital goods or services and other big ticket items.
- It is a very useful mode of financing in international trade since foreign buyers seldom pay cash for large purchases, while few exporters have the capacity to extend substantial amounts of long-term credit to their buyers. The interest rate on buyer's credit from foreign sources, which the Bangladesh Bank allowed for importers in 2008, tends to be 6 % in contrast to 9 to 10 % from local banks and financial institutions.
- At the end of 2018, total outstanding buyer's credit from foreign sources stood at $10.16 bn, up 29.92 % year-on-year, according to data from the BB. The uptick in foreign currency buyer's credit gives a boost to the private sector and the reserves, but the euphoria is short-lived: the loans must be paid in a year's time.
- Since 2016, Bangladesh's foreign exchange reserves have been hovering between $30 bn and $32 bn. At the end of 2018, it stood at $32.01 bn, meaning 31.74 % of the amount is tied up to the buyer's credit. Since the central bank

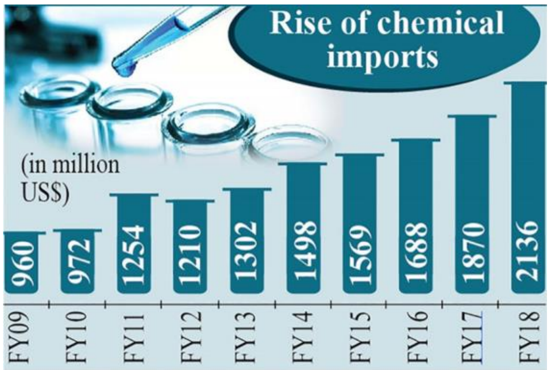
uses the reserves to maintain the exchange rate, repaying the foreign currency loans will put pressure on them and eventually lead to depreciation of the taka against the greenback. In the last one year, the local currency has already devalued more than 5 % to about BDT 85 a dollar.

https://www.thedailystar.net/business/news/rising-buyers-credit-puts-pressure-reserves-exchange-rate-1706518

Chemical import posts double-digit growth

The Financial Express, February 24, 2019

- The combined import of chemicals has been on the rise for the last couple of years, with the annual average import posting a double-digit growth. During the past fiscal year, 2017-18 (FY18), the import of chemicals crossed a record $2.0 bn level, according to the central bank statistics.
- The data showed import of chemicals stood at $1.26 bn during the first half of the current fiscal year (FY19), registering 10.66 % growth over the same period last year. Chemicals are considered intermediate goods as these are used in different industries as inputs for the production of other goods including final products.



Source: BB

- These are, however, inorganic chemicals. According to Bangladesh customs classification, the chapter-28 includes inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, of radioactive elements or isotopes.
- The Chapter-28 is placed under the broader heading of VI which is described as 'products of the chemical or allied.' There are chapeter-29 and chapter-38 under the broader heading. These chapters include organic chemicals, pharmaceutical products, fertilisers, tanning or dyeing extracts, etc. Bangladesh Bank, in its 'category-wise imports' table, places these products separately, which indicates the actual import of chemicals is higher than mentioned in the statistics under chemicals only.

http://thefinancialexpress.com.bd/trade/chemical-import-posts-double-digit-growth-1550978470

Robi makes BDT 215cr in profits in 2018

New Age, February 23, 2019

- Robi Axiata Limited, a subsidiary of Malaysia-based Axiata Group, made BDT 214.7 crore in net profit in 2018 after incurring substantial losses since its merger with Airtel in 2016. The operator, however, failed to boost its revenue due mainly to a fall in average revenue per customer of the mobile network operator in the year of 2018.
- The mobile phone operator in a statement on Friday mentioned sales of its shares in Edotco Bangladesh, a telecommunications infrastructure services company, as reason for Robi’s profit in 2018. The second largest mobile phone operator sold its 20 % shares in Edotco Bangladesh to Edotco Group as per the regulatory requirement.
- Under the tower sharing licencing guidelines, mobile network operators’ shareholding in any tower sharing company is identified as a disqualification of the entity to get the licence for the business. Robi, however, in its statement did not mention the actual value of transaction of the shares that took place in September last year.
- Before making profit in 2018, the operator incurred a loss of BDT 389.2 crore in 2016 and BDT 284.3 crore in 2017. Earlier in 2014 and 2015, Robi made BDT 439.7 crore and BDT 400.4 crore in profit respectively.

- Despite the increase in number of subscribers by 40 lakh, revenue of Robi dropped by BDT 36.5 crore to BDT 6,798.2 crore in 2018 from BDT 6,834.7 crore a year ago. Of the subscribers of the entity, 60.4 % or 2.83 crore subscribers were using data services. Per subscriber data consumption of Robi's in a month increased to 1,074 Megabyte in 2018 from 584 MB a year ago.

http://www.newagebd.net/article/65515/robi-makes-BDT-215cr-in-profits-in-2018

Ananta Group wants to take $8m to Ethiopia for setting up apparel factory

BB sceptical about the viability

New Age, February 23, 2019

- In a growing list of Bangladeshi companies seeking to invest abroad, Ananta Apparels Limited, a concern of Ananta Group, has sought Bangladesh Bank's approval to take $8 mn to Ethiopia to set up an apparel factory in the African country.
- Ananta Apparels recently submitted its proposal with the central bank claiming that it initiated the move to set up the garment factory in Ethiopia to enjoy tax benefits there along with duty-free access to the United States of America.
- Bangladesh Bank, however, has expressed its doubts that establishing apparel industry in Ethiopia would be viable. The central bank officials said that they already forwarded the proposal of Ananta to the finance ministry as the government preserved the rights to give permission to such investment proposal.
- A cabinet committee on economic affairs usually takes final decision on such proposal, said the BB officials, adding that the central bank in its observation expressed doubt about the viability of the investment proposal. Ananta's is the latest of such overseas investment proposals by local companies when Bangladesh itself is getting meagre foreign direct investment and the country's unemployment rate still remains high because of quality job creation.
- Seven companies have so far got government approval to invest abroad including the highest approval for $20 mn to Akij Jute Mills, a concern of Akij Group, for procuring two Malaysian companies — Robin Resources Malaysia SDN BHD and its subsidiary Robina Flooring SDN BHD.
- Of the rest six, three from the health sector, have invested $9.1 mn in six countries between 2013 and March 2016. The companies include ACI Healthcare, Incepta Pharmaceuticals, Square Pharmaceuticals, MJL Bangladesh and BSRM.
- A top official of Ananta Group mentioned that availing duty benefit was the main reason behind its move to invest in Etiopia along with taking advantage of competitive labour force there. He said that Bangladeshi products would face high taxation when the country would be graduated to a developing nation, which was another reason for the company's move. Established in 1992, Ananta Apparels supply products to global banks like H&M, Zara, Gap, Levi's and Marks & Spencer.

http://www.newagebd.net/article/65621/ananta-group-wants-to-take-8m-to-ethiopia-for-setting-up-apparel-factory

International

Sri Lanka GDP growth slowest in 17 years

New Age, February 23, 2019

- A political crisis in Sri Lanka last year led to the slowest economic expansion in 17 years, the central bank said Friday. Growth for 2018 was cut from a forecast above 5.0 % to about 3.0 % because of damage to the economy from a conflict between the president and prime minister, Central Bank of Sri Lanka governor Indrajith Coomaraswamy said.

- President Maithripala Sirisena sacked prime minister Ranil Wickremesinghe in October and dissolved parliament even though he did not have a majority to back the move. The showdown was only ended by the Supreme Court in December when it held that Sirisena's actions were unconstitutional and illegal.
- The bank governor said he expected better growth in 2019 as the outflow of foreign capital had reversed. During the crisis, three international credit rating agencies downgraded the country's debt, making it more expensive to borrow abroad. Sri Lanka had to abandon plans to raise loans abroad. An International Monetary Fund programme was also suspended, though the government has opened talks to revive the three-year $1.5 bn bail-out which began in 2016.
- The 2018 growth compares with 3.1 % in 2017 when the country faced the twin effects of a major drought followed by floods that killed more than 210 people. The economy contracted by 1.25 % in 2001 after Tamil rebels devastated half a dozen aircraft at the country's international airport dealing a major blow to tourism, a key foreign exchange earner.

http://www.newagebd.net/article/65613/sri-lanka-gdp-growth-slowest-in-17-years

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