

Stock Market & Company

Poor earnings results pull down Dhaka stocks despite Grameenphone surge

Newage, February 24, 2020

- Dhaka stocks dropped for the second day on Sunday despite a substantial gain in the share prices of Grameenphone as investors continued selling most of the other shares to book profits amid poor earnings reports by a number of heavyweight companies.
- DSEX, the key index of Dhaka Stock Exchange, lost 0.72 per cent, or 34.24 points, to close at 4,698.89 points on the day after losing 24.86 points in the previous session. Before the two-day decline, the index had gained 373 points in the previous nine sessions.
- The core index gained 30 points within a minute on Sunday as the shares of Grameenphone opened the session with the maximum allowable surge on a single day, market operators said. However, the index started falling soon after and ended the day in the negative territory as investors kept selling shares amid poor annual disclosures by a number of large capitalised companies, they said.
- The media reported that the largest capitalised company, Grameenphone, on Sunday paid Tk 1000 crore to the Bangladesh Telecommunication Regulatory Commission over a disputed audit claim in line with its earlier decision made on Saturday. Market operators said that investors felt relief as they anticipated that prolonged tussle between the Bangladesh Telecommunication Regulatory Commission and the mobile company over the BTRC audit claim involving Tk 12,579.95 crore would be mitigated soon.
- The massive gain in the share prices of the largest capitalised company could not save the key index from negative ending as the share prices of more than two-thirds of the traded companies declined on the day. Market operators said that a section of investors continued selling shares for profit taking or moving to safer and profitable securities.
- A number of large capitalised companies declared poor annual earnings that also disheartened investors, they said. Prime Insurance declared no dividend for 2019. The DSE on Sunday sent the company to the 'Z' category that groups low-profile companies. Profits of British American Tobacco Company, IDLC Finance and United Finance dropped in the year ended December 30 last year compared with that in the previous year.
- Banks will declare dividend and annual financial reports soon, market operators said. Moreover, investors might be concerned about the banks' business growth after implementation of single-digit lending rate from April 1.

<https://www.newagebd.net/article/100344/poor-earnings-results-pull-down-dhaka-stocks-despite-grameenphone-surge>

Relief for GP at last after it pays Tk 1,000cr

The Daily Star, February 24, 2020

- Grameenphone yesterday deposited Tk 1,000 crore to the state coffer as per the Supreme Court's order on Thursday, bringing to an end its years-long tussle with the telecom regulator over unpaid dues.

- "It is our ambition to resolve the audit dispute, either through an amicable and transparent solution or before the courts," said Hossain Sadat, director and head of regulatory affairs of Grameenphone.

- With the view to cranking up the pressure on Grameenphone to get it to pay the sum, the telecom regulator has put a host of restrictions including declining no-objection certificates since July, issuing show-cause notice for licence cancellation, and denying recycling of number series along with the threat of appointing an administrator for its day-to-day running.

- "Grameenphone looks forward to resuming normal business operations, so that we are allowed to best serve our customers again," said Sadat, who handed over a pay order of Tk 1,000 crore to Md. Jahirul Haque, chairman of the BTRC, at the latter's office.
- Grameenphone followed the lead of Robi, the country's second largest mobile operator, which was also locked in a similar tussle with the telecom watchdog over unpaid dues amounting to Tk 867.23 crore after audit. The matter was taken to court as well.
- The High Court on January 5 ordered Robi to pay Tk 138 crore in five instalments against the BTRC's claim. The operator has already paid the first of the five instalments of Tk 27.60 crore on January 10, after which the restrictions on it were lifted by the telecom regulator.

<https://www.thedailystar.net/business/news/relief-gp-last-after-it-pays-tk-1000cr-1872196>

Northern Jute halts production after account freeze

The Daily Star, February 24, 2020

- Northern Jute Manufacturing Company's factory at the BSCIC Industrial Estate in Kushtia was closed after it failed to clear workers' wages following bank account freeze by the central bank.
- The decision to stop the production of the listed jute good producer caused its share to slide 8.74 per cent to Tk 421 on the Dhaka Stock Exchange (DSE) yesterday.
- Northern Jute has previously informed investors through the DSE of the bar on its bank accounts as per a High Court order.
- Since the chairman of Northern Jute, Uzzal Kumar Nandi, is also the chairman of People's Leasing and Financial Services (PLFS), the decision to discontinue the production could be considered as a consequence of recent events.

Timeline of BTRC's tussle with GP

2015

BTRC starts the process of auditing GP's accounts

2019

Mar: First audit claims Tk **11,539.15**cr

Apr 2: BTRC seeks Tk **12,579.95**cr

Jul 4: BTRC slashes **30%** bandwidth

Jul 17: Bandwidth restriction withdrawn

Jul 22: BTRC stops approval for new package and equipment import

GP at a glance

Active customers **7.65**cr as of 2019

Market share: **46.18%**

Internet connections: **4.06**cr as of 2019

Internet market share: **41.26%**

Total revenue in 2019: Tk **14,370**cr

Net profit in 2019: Tk **3,450**cr

Aug 26: GP seeks injunction against BTRC's claim of Tk **12,579.95**cr

Sep 5: BTRC issues show-cause notice over revoking licence

Sep 5: GP goes to HC against the move

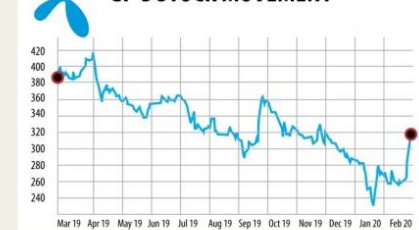
Oct 16: Govt decides to appoint administrator in GP

Oct 17: HC issues two-month injunction on the BTRC move

Nov 24: SC asks GP to pay Tk **2,000**cr to BTRC within three months

Jan 26: GP files review petition to pay Tk **575**cr in **12** instalments

GP'S STOCK MOVEMENT



- PLFS has gone into liquidation since July 2019 due to its weak financial situation. "But Northern Jute has no connection with PLFS," said Shahadat Hossain Patwary, company secretary of Northern Jute.
- Workers at the jute product factory are paid on a weekly basis and since all the bank accounts are frozen, operations had to be shut down, Patwary said.
- The company could not realise any export proceeds. As such, it could not procure raw jute or make payments to spare part suppliers, according to the announcement of Northern Jute.
- Besides, the company could not disburse any cash dividend to shareholders although an adequate fund has been maintained, it added.
- "Now, we will move to courts so that we are allowed to transact through our accounts. We hope to reactivate the accounts within February 25. Until then, the factory will remain shut," he said.
- According to data from the DSE, Northern Jute's stock was unstable over the past two years due to earnings volatility.



<https://www.thedailystar.net/business/news/northern-jute-halts-production-after-account-freeze-1872127>

Unique Hotel to raise Tk500cr through bonds

The Business Standard, February 24, 2020

- Its preference to issue bonds instead of borrowing from banks is believed to be motivated by the recently reduced stamp duty on registration of corporate bond trust deeds. Unique Hotel and Resorts Ltd – the parent company of the Westin Dhaka – will raise Tk500 crore through bonds to finance its ongoing construction projects.
- It will issue the bonds for seven years. Investors will get their principal amount back, with interest, in five annual instalments in the form of coupon redemption. A coupon-bearing bond pays interest on surrender of the coupons, clipped from its certificate. The holder of such a bond receives periodic payment during the life of the bond.
- As per its plan, Unique Hotel will not repay any principal amount in the first two years. The first coupon will be redeemed on the 36th month of bond issuance. The remaining four annual instalments will be paid till the end of the seventh year.
- Unique Hotel's preference to issue bonds to finance its expansion projects is believed to be an outcome of recent government initiatives to boost the local bond market. Stamp duty on registration of corporate bond's trust deed was reduced from 2 percent to 0.1 percent last month. And the duty will not exceed Tk10

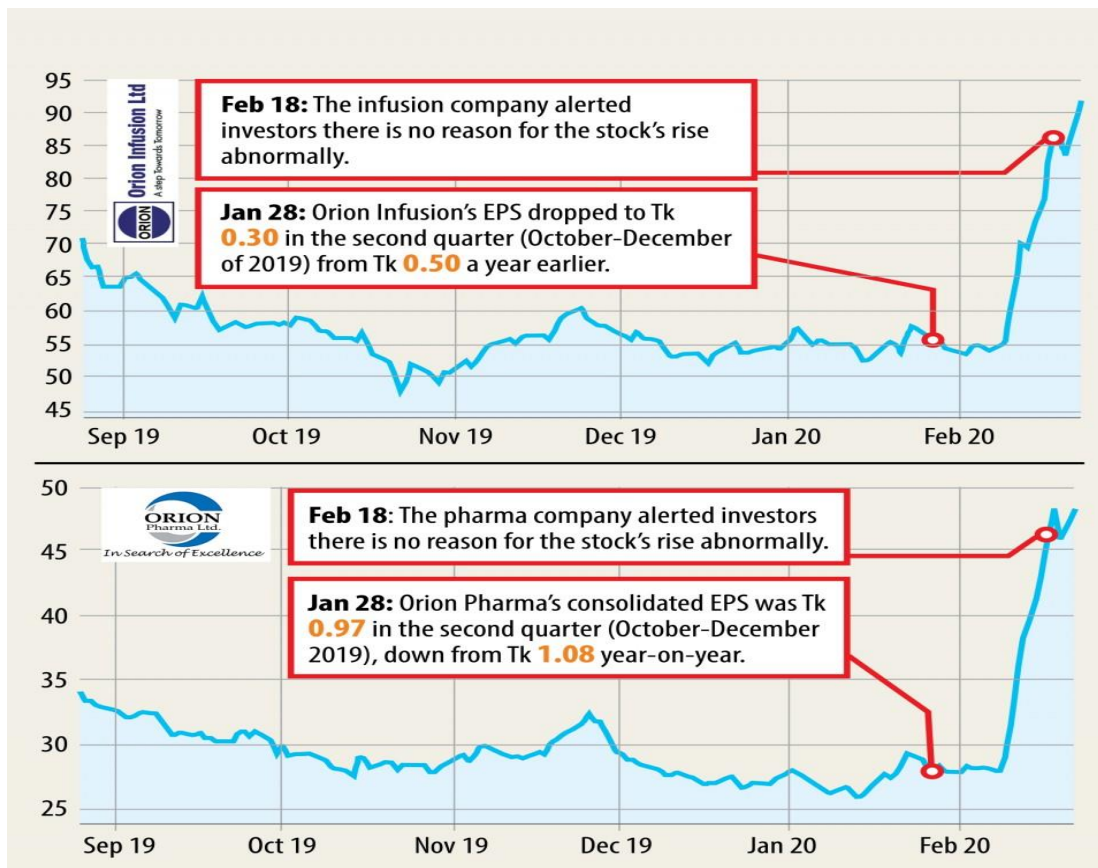
lakh by any means. The much awaited policy support has reduced the cost of stamp duty in the case of Unique Hotel's planned bond from Tk10 crore to Tk10 lakh only.

- However, Unique Hotel, like most other corporate bond issuers, did not choose to offer its bonds in the public market. The bonds will be placed to private investors instead.
- Currently, Unique Hotel owns the luxury hotel, the Westin Dhaka, in the capital's Gulshan area and the HANSA in Uttara. It has plans to launch the 7-star St Regis Hotel and the 5-star Hyatt Centric Dhaka Hotel in Gulshan by 2025.
- The company has invested around Tk1,600 crore for building the Sheraton Dhaka Hotel, Hyatt Centric and St Regis. Of those, Sheraton will be in operation from March this year, according to the company secretary.
- It is also investing in a 600MW power plant named Unique Meghnaghat Power Limited, which is expected to go into operation by 2022. Unique Hotel and Resorts is also diversifying its portfolio by establishing a private economic zone.

<https://www.tbsnews.net/economy/unique-hotel-raise-tk500cr-through-bonds-47221>

Curious rise of two ORION STOCKS

The Daily Star, February 24, 2020



<https://www.thedailystar.net/business/news/curious-rise-two-orion-stocks-1872124>

Economy and Industry

Wealthy turned to post office accounts after savings certificate rules shut them out

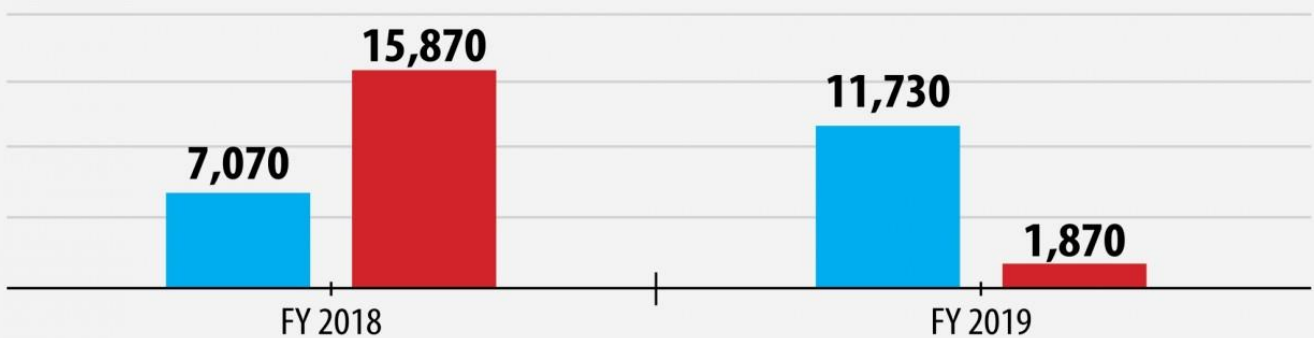
The Daily Star, February 24, 2020

Deposits and investment in savings instruments in post office

Period: July-December

SOURCE: POST OFFICE

■ Fixed deposit ■ Savings instrument



- A section of well-off people have apparently made a mad dash for post office accounts right after the government tightened rules on investment in high interest-bearing national savings certificates.
- Fixed deposits in Post Office Savings Bank soared 66 per cent year-on-year to Tk 11,730 crore in the first half of the fiscal year, according to data from the Bangladesh Post Office (BPO).
- At the same time, investment in savings certificates sold by the post office plummeted 88 per cent to Tk 1,870 crore from Tk 15,870 crore.
- "This clearly shows that a section of the people have switched to fixed deposit accounts in the post office to avoid giving personal details that are required for purchasing national savings certificates," said a senior BPO official seeking to remain unnamed.
- The rules, which were tightened last year, stipulated that savers would have to submit their taxpayer identification number (TIN) for availing national savings certificates, whose interest rates can reach as much as 11.76 per cent -- way higher than what banks offer.
- Another rule stated that if the value of the national saving certificates went over Tk 1 lakh, the payment had to be made using cheques of the buyer's bank account. This essentially reveals sources of large purchases, putting off unscrupulous investors, who had previously been able to flout the individual purchase limit through cash payments.
- The rules for the post office's ordinary and three-year tenure fixed deposit accounts had remained unchanged up until February 12 this year, prompting depositors to switch to banks and post office accounts in the last couple of months, said officials.

<https://www.thedailystar.net/business/news/wealthy-turned-post-office-accounts-after-savings-certificate-rules-shut-them-out-1872121>

International

Virus hits shipping, spreading global economic strain

Newage, February 24, 2020

- Sea freight transport, the lifeblood of trade and a bellwether of the global economy, has been blown off course by the new coronavirus, sparking general alarm. As analysts pore over charts to gauge just how badly Chinese mega-factories have been hit, figures provided by cargo ship traffic paint a gloomy picture.
- The Baltic Dry Index (BDI) reflects the daily price of moving goods such as coal, rice and wheat along routes deemed representative of the global market. Some call it the canary in the coal mine for the economic world.
- The BDI has now reached lows last seen in early 2016, when the shipping sector was suffering a supply and demand imbalance in the wake of the 2008-09 global economic crisis.
- Its 'capesize' index for the largest category of ships — ones that cannot even squeeze through the Suez or Panama Canals — is at historic lows. 'The latest slump is directly related to the coronavirus epidemic in China and the subsequent restrictions on activity,' London's Capital Economics consultancy said in a research note.
- 'Given that China accounts for about 40 per cent of global seaborne trade, it is not so surprising that freight rates have tanked.'
- Lars Bastian Ostereng, an analyst with Norway's Arctic Securities, said the outbreak 'basically led to full stops in many ports in China'. Louis Dreyfus Armateurs, a global merchant based in France, is one of many shipping giants approaching China with caution.

<https://www.newagebd.net/article/100355/virus-hits-shipping-spreading-global-economic-strain>

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