

## Stock Market & Company

### Dhaka stocks fall for 3rd day, turnover hits 21-month low

*Meera Agro Inputs applies for SME board listing*

NewAge, December 26, 2019

- Dhaka stocks inched down on Tuesday, stretching the falling streak to the third day as investors remained nervous on the trading floor. DSEX, the key index of Dhaka Stock Exchange, lost 0.08 per cent, or 3.74 points, to close at 4,390.67 points on Tuesday. The DSEX lost 66 points in last three sessions.
- The core index hit its lowest after June 26, 2016 when it was 4,380.22 points. Turnover on the DSE plunged to BDT 239.45 crore on Tuesday from BDT 263.48 crore in the previous trading session. Tuesday's turnover hit a 21-month low as it was lowest after March 25, 2018 when it was BDT 224.53 crore.
- The gloomy state on the market eroded the investors' confidence over the market and a slim possibility of immediate market recovery prompted them to withdraw investments. Investors lost trust in the regulators as they have created doubt in the investors' mind about their (regulators) ability to revive the market, market operators said.
- The market has been in the doldrums in last 11 months that reduced the DSEX by 1,560 points and the DSE market capitalisation by BDT 83,412 crore. The plunge in the market intensified in recent days with fresh signs of an economic slowdown emerging.
- The decline in private sector credit growth to nine-year low, negative export earnings in last four months, poor tax revenue collection and heavy government borrowing were adding to the waning investors' confidence. The bleak state in the financial sector continued hammering the stock market. Besides, continued sales of shares by the foreign investors added further woes to the market.
- The foreign investors withdrew around BDT 970 crore from the country's capital market in last 10 months. Finance minister AHM Mustafa Kamal will hold a meeting with the DSE board of directors on January 2, 2020 to discuss the market situation. His move came after a request for a meeting from the DSE.

<http://www.newagebd.net/article/94556/dhaka-stocks-fall-for-3rd-day-turnover-hits-21-month-low>

### Kamal, DSE meet Jan 02 on policy support

The Financial Express, December 25, 2019

- The Dhaka Stock Exchange (DSE) will sit with the finance minister to seek effective policy support for bringing back investors' confidence in the moribund stock market. The country's premier bourse fixed January 02 for the meeting as per the consent of AHM Mustafa Kamal.
- The DSE has made the initiative following a sluggish trend in the stock market which has already sunk to more than 42 months' low amid panic sales.
- "Liquidity crunch aside, a lack of investor confidence is a major problem of the stock market. We'll raise problems at the meeting to seek effective policy support," DSE director Minhaz Mannan Emon. Investors have long been passing hard times for lack of good governance in the stock market, he told the FE. "We'll try to discuss the main problems along with the need of nurturing good governance to deliver a positive message to our investors," Mr Emon said.

- He said the DSE will also emphasise ways of ensuring market-supportive roles to be played by institutional investors like the Investment Corporation of Bangladesh (ICB).
- Meanwhile, the finance ministry has sought opinions from the central bank and the securities regulator on a BDT 100-bn loan sought by stock brokers to support the market. Earlier, the state-run ICB also sought fund support from the government to enhance their market-supportive capacity.

<https://thefinancialexpress.com.bd/stock/bangladesh/kamal-dse-meet-jan-02-on-policy-support-1577248566>.

## Meera Agro to kick off DSE's SME platform

*Seed producer to raise BDT 5cr*

The Daily Star, December 26, 2019

- Meera Agro Inputs, a seed producer, is set to raise BDT 5 crore from the stock market within the next three months, becoming the first company to get listed on the Dhaka Stock Exchange's newly launched small cap board.
- "I want to keep my company away from bank interest rates, but I need funds to expand too. So, I decided to come to the stock market," said Syed Abdullah-Al Mamun, managing director of Meera Agro.
- The company -- which has been involved in variety development, genetic improvements, production, processing, marketing and breeding of field crop and vegetable seeds since 2009 -- has no bank loans, he said.
- Meera Agro would now issue 50 lakh ordinary shares to raise funds for land development, modernisation and expansion of existing projects, and meeting working capital demand. A processing plant will be set up with the funds to preserve the seeds and process them on a larger scale, according to Mamun. Meera sells seeds of rice, maize, cauliflower, cabbage, carrot, bitter gourd, tomato, watermelon, cucumber, chilli, kohlrabi and radish.
- Presently, the company is selling its products in Rangpur, Bagura, Meherpur, Dhaka, Sylhet, Chuadanga, Munshiganj, Chattogram and Cumilla.
- The company's earnings per share was BDT 3.15, 2.21, 2 and 1.28 respectively in the last four fiscal years. The overall seed market is worth more than BDT 1,000 crore now, according to the company's prospectus.
- The AAA Finance & Investment is working as its issue manager.

<https://www.thedailystar.net/business/news/meera-agro-kick-dses-sme-platform-1845226>

## DSE IPO panel finds flaws in Oryza Agro, Three Angle prospectuses

NewAge, December 26, 2019

- A Dhaka Stock Exchange expert panel for assessing initial public offerings of companies has reviewed the IPO prospectuses of four companies and found a number of serious violations of securities rules in the prospectuses of Three Angle Marine Limited and Oryza Agro Industries Limited. The recently formed panel also assessed IPO prospectus of Walton Hi-Tech Industries and Energypac Power Generation and found a number of minor violations of rules.

- DSE officials said that the panel detected various irregularities, inadequate disclosures, non-compliance with international standards while preparing financial statements, various violations of securities rules, deceptive information in the IPO prospectuses of Three Angle Marine and Oryza Agro. Oryza Agro issued placement shares worth around BDT 58 crore while Three Angle issued placement shares worth BDT 47 crore in 2017-18.
- Market operators said that companies coming with a huge number of placement shares were usually enlisted on the stock market to provide a better exit to the placement shareholders. The expert panel has expressed concern about low payment by Oryza Agro to its employees as many employees' gross annual pay was below BDT 48,000. It found the company paid the directors including independent director BDT 500 each for attending each meeting, which was very much low. The company did not disclose information regarding impairment of financial assets, effective tax rate and cash flows in five years, and provided improper disclosure regarding related party transaction and risk factors. The panel criticised both the management of the issuer and the issue managers as they were completely unaware of these critical business and associated risks. EBL Investment, Imperial Capital and City Bank Capital Resource are the issue managers of Oryza Agro's IPO. The panel raised question about Oryza's ability to pay the liabilities due to its insignificant cash as it held cash equivalents of BDT 3 lakh against its liabilities BDT 1.04 crore as per June 30, 2019. The issuer has not offered any dividend since its inception and the ability to declare dividend and pay cash dividend in future is doubtful. The company violated labour act as it did not make any provision against employees' benefits and for gratuity yet, which is a mandatory requirement as per the labour act.
- Regarding Three Angle Marine, the panel found that the company did not invest in the listed companies, which was a condition of income tax ordinance for the company for enjoying 5 years of tax holiday. The panel found in the prospectus that the chairperson of the company was also head of human resource department, which was a non-compliance with the BSEC corporate governance code. The panel observed that the asset of the company would take longer than its useful life to be fully depreciated as per the rate used in the financial reports. Despite paying off BDT 10 crore long-term loans from the fresh capital issue in 2017-18, the long-term loans were seen to be increased by BDT 15.8 crore in the same period, and the company failed to reply to queries on the issue properly. The company failed to provide physical verification report of the PPE certified by auditors for the year ended on June 30, 2019. Banco Finance and Investment and Janata Capital and Investment are the issue managers of the company.
- The panel found some anomalies in IPO prospectus of Energypac. Energypac Power managing director Humayun Rashid is also executive director of another two companies of the group, which goes against the corporate governance code of the BSEC. Energypac took almost two years to distribute the WPPF funds of 2015-16, which was a non-compliance with the Bangladesh labour law. LankaBangla Investment is the issue manager of the company.

<http://www.newagebd.net/article/94653/dse-ipo-panel-finds-flaws-in-oryza-agro-three-angle-prospectuses>

## **DBL Pharma to buy GSK's ointment manufacturing line**

The Daily Star, December 26, 2019

- DBL Pharmaceuticals, a subsidiary of DBL Group, is all set to buy the cream and ointment manufacturing line of GlaxoSmithKline Bangladesh as part of a plan to reintroduce the products of the British pharma giant.

- Some of GSK's widely consumed brands like Betnovate, Dermovate and Neobacrin are no longer available in Bangladesh since the end of 2018 when the multinational firm shut its drug manufacturing operations in the country.
- DBL will bring alternatives of the discontinued GSK dermatological products to the market using the same technology, according to a statement of DBL Group. GSK and DBL have informed the Directorate General of Drug Administration about the signing of a deal in this regard between the two entities on December 22.
- DBL is establishing a BDT 700 crore pharmaceutical manufacturing plant following the standards of the US Food and Drug Administration at Kashimpur in Gazipur, which is expected to be fully operational by late 2020.

<https://www.thedailystar.net/business/news/dbl-pharma-buy-gsks-ointment-manufacturing-line-1844776>

## Economy and Industry

### Double trouble for RMG

*Small factories closing at a time of falling shipments*

The Daily Star, December 26, 2019

- The garment sector is facing a double whammy as more and more factories are closing at a time when apparel shipments are falling. Between July and November, garment exports declined 7.74 percent year-on-year to USD13.08 bn, which was 13.63 percent below the target set for the period, according to data from the Export Promotion Bureau (EPB).
- In the last 11 months to November, 61 factories were shut down, rendering 31,600 workers jobless, according to data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the trade body for apparel makers and exporters.
- On the other hand, Bangladesh's main competitor Vietnam reaped nearly USD27.4 bn from exporting garments and textiles in the first 10 months of this year, posting a year-on-year rise of 8.7 percent, according to the country's General Statistics Office on Tuesday. Stronger currencies and policy incentives given by the competitor countries are enabling them to get more business by offering lower prices than Bangladesh, according to the exporters and analysts of the BGMEA.
- A significant increase in production cost because of the implementation of the minimum wage in December last year is another major reason for the falling garment export, they said. Over-concentration of the industry to a few product items and to a handful of markets are among the top-rated challenges, the leaders of the garment makers' platform said.
- It is difficult to project the trend since the global market looks volatile due to the emergence of a number of factors such as the EU-Vietnam free trade agreement, the strategic move by China to offset the impact of punitive tariff by lowering prices, and the emergence of new sourcing destinations, according to Huq. She said since the exchange rate has become a major downside of the country's competitiveness, the BGMEA hopes the government will be considerate to allow a premium—for example, BDT 5 per US dollar on 25 percent of export value—on the local retention on garments exports.

<https://www.thedailystar.net/business/news/double-trouble-rmg-1845232>

## Lending rate not to exceed 9pc: BB

*Economist terms as 'peculiar policy'*

NewAge, December 26, 2019

- Bangladesh Bank board on Thursday decided to impose 9 per cent cap on lending rate for the export-oriented industrial manufacturing sector from January 1 next year, a much lower rate than most of the banks' cost of funds.
- The BB board made the decision based on the proposal of the seven-member committee on single-digit lending and deposit rates, BB executive director and spokesperson Md Serajul Islam confirmed New Age after the meeting.
- Serajul said that issuing loans to the medium-scale industries would help such entities to become more competitive in the international market. Asked how the banks would issue loans at a 9 per cent given the high deposit rates, the BB spokesperson said that issuing loans at the rate of 9 per cent to the sector would not be a big deal for the banks, instead it would help them to earn higher amount of foreign currency. He also said that the BB will issue a circular in this regard soon so that the banks can start implementing the instruction from January 1, 2020.
- Policy Research Institute executive director and BRAC Bank chairman Ahsan H Mansur, however, told New Age that such peculiar policy would not bring any positive results instead the banks might become more cautious in issuing credit to the sector when they would fund cost of funds higher than the lending rate.
- Instead of implementing the decision for all the borrowers of the sector, the banks would try to issue lump sum amount with a view to satisfy the regulatory bodies, he said. Such lending situation cannot be achieved by issuing instructions, he said, adding, 'If it could have been achieved, other countries had been followed the way.'
- On the other hand, the banks, in the name of implementing the single digit lending rate to export-oriented industries, would try to bring down the deposit rates in a collaborative manner, he said, mentioning that it would also discourage savers to keep fund in banks.

<http://www.newagebd.net/article/94580/lending-rate-not-to-exceed-9pc-bb>

## Secondary trading of treasury bills, bonds doubles in Jan-Nov

The Financial Express, December 25, 2019

- Secondary trading of fixed income government securities doubled in first 11 months of the current calendar year, according to the central bank statistics.
- It showed that the total value of the secondary trading of treasury bills and treasury bonds stood at BDT 233.49 bn in January-November period of 2019. The value was BDT 110.36 bn in the same period of 2018.
- Treasury bill is short-term fixed income debt securities of Bangladesh government while treasury-bond is long-term in nature.
- Bangladesh Bank statistics also revealed that the highest amount of secondary transaction of these debt securities took place in September this year. The value of transaction was BDT 47.12 bn.

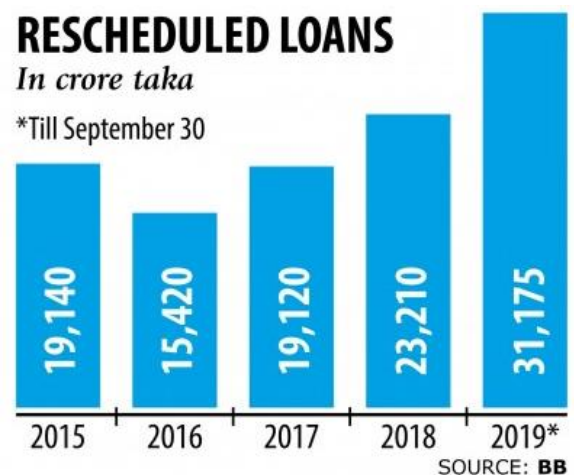
- Annual secondary transaction of treasury bills and bonds was BDT 164.41 bn in 2018, a 41 per cent drop from the previous year's annual transaction of BDT 282.91 bn.

<https://thefinancialexpress.com.bd/trade/secondary-trading-of-treasury-bills-bonds-doubles-in-jan-nov-1577275668>

## Loan rescheduling hits new high

The Daily Star, December 26, 2019

- Banks rescheduled a record amount of defaulted loans in the first nine months of 2019 as part of their efforts to contain bad debt and manage hefty profit, albeit artificially. Between January and September, non-performing loans (NPLs) amounting to BDT 31,175 crore were regularised, the highest on record even for a single year. The previous record was set in 2018, when banks rescheduled BDT 23,210 crore.
- But the record amount of loan rescheduling has failed to rein in the upward trend of defaulted loans for want of corporate governance in the banking sector, analysts said. As of September, cumulative defaulted loans stood at BDT 116,288 crore, up 23.82 percent from December last year.
- The rescheduling of loans will escalate in the October-December quarter because of the relaxed policy offered by the central bank, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a forum of private banks' managing directors.
- As per a High Court instruction, the central bank had earlier extended the deadline for defaulters several times to have their NPLs rescheduled under the relaxed policy. The last deadline was October 20. Under the policy, defaulters got the opportunity to regularise their loans for 10 years, including one year's grace period, at 9 percent interest rate, just by making 2 percent down payment.
- The rescheduling of defaulted loans will allow banks not to keep provisioning, meaning they will be able to show higher profits, a central banker says. The relaxed policy on rescheduling has given a wrong signal to the financial sector and may create a moral hazard, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, a think-tank.
- The large amount of rescheduling indicates that banks will face liquidity crisis in the days ahead, said Salehuddin Ahmed, a former governor of the central bank. Both the government and the central bank have taken initiatives to disburse loans to the industrial sector at single digit interest rate, but the rescheduling trend will put the brakes on their lending, he said.



<https://www.thedailystar.net/business/news/loan-rescheduling-hits-new-high-1845238>



## International

### **Amid trade war, China seeks closer ties with neighbours**

The Daily Star, December 26, 2019

- China made overtures on trade to Japan and South Korea and offered support for an infrastructure initiative as it hosted the leaders of its two neighbours this week amid strained ties with the US. Chinese Premier Li Keqiang said Wednesday at a meeting with Japanese Prime Minister Shinzo Abe that Beijing was willing to strengthen economic cooperation with Japan in third-country markets.
- At the meeting on the sidelines of a trilateral summit in the southwestern city of Chengdu, Li added that China would “further open up its services industry” to Japan. During a separate meeting on Monday with South Korean President Moon Jae-in, Li said China was willing to work on a rail network linking Korea with China and Europe, Yonhap news agency reported.
- Li’s remarks come as China and the United States edge closer to an initial trade agreement after imposing tariffs on bns of dollars worth of goods over nearly two years in a bruising trade war that has hit the global economy. On Friday US President Donald Trump touted a “very good talk” he had held with China’s President Xi Jinping on a deal to resolve the dispute.
- However, details of the so-called “phase one” deal between the world’s two largest economies have yet to be published in writing, with officials citing incomplete translation and legal work.

<https://www.thedailystar.net/business/news/amid-trade-war-china-seeks-closer-ties-neighbours-1845181>

### **India’s oil import growth fastest in seven months**

The Daily Star, December 25, 2019

- India’s oil imports in November grew at their fastest pace in seven months, while diesel exports soared the most in about 2 years, indicating higher refinery runs amid falling local demand for gasoil due to a slowing economy.
- India’s November oil imports rose 12.7 percent to 19.17 mn tonnes (about 4.7 mn barrels per day), the biggest year-on-year increase since April, preliminary data from the oil ministry’s Petroleum Planning and Analysis Cell (PPAC) showed.
- “Some of the refineries were undergoing revamp because of fuel upgrade projects, that was one reason why imports were low in the previous months,” said K Ravichandran, senior vice president at ICRA, a unit of Moody’s Investors Service. India, the world’s third-biggest oil importer and consumer, has set an April 1, 2020 deadline to migrate to Euro VI-compliant fuels to cut its carbon emissions.
- India’s oil demand has been subdued for most of the year mainly due to a slowdown in economy and refinery unit shutting for maintenance and fuel upgrades. India’s economy grew at its slowest pace in six years in the July-September quarter.
- Indian refiners raised output of diesel expecting a spurt in demand for the fuel following implementation of new marine fuel rules from January 2020.

<https://www.thedailystar.net/business/news/indias-oil-import-growth-fastest-seven-months-1844758>

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