

Stock Market & Company

DSE launches CDSET index on Dec 30

NewAge, December 27, 2019

- The Dhaka Stock Exchange with the support of its strategic partner has decided to launch three indices on the basis of capitalisation of the listed companies and as part of the move it is going to launch the CNI-DSE Select Index on December 30.
- The bourse made the decision to launch the three indices by grouping the listed companies according to their capitalisation — large, medium and small — so that investors can understand the price movements on the basis of the three categories.
- The DSE will formally launch the CNI-DSE Select Index (CDSET), a composition of 40 large capitalised companies, on December 30. The index went live on Thursday and it will be opened for all from January 1 on the homepage of DSE web site.
- DSE officials said that the index would cover 70 per cent of the total market capitalisation while the other two indices would cover the rest 30 per cent. The CDSET has been designed and developed by Shenzhen Securities Information Company, a subsidiary company of Shenzhen Stock Exchange, and the DSE.
- The base date of the Index is December 31, 2015 and the base value 1,000 points. The index will be re-evaluated in every six months.

<http://www.newagebd.net/article/94723/dse-launches-cdset-index-on-dec-30>

GPH Ispat's Sitakunda plant opens on Jan 8

The Daily Star, December 29, 2019

- GPH Ispat, a steel manufacturer, is all set to start production in its newly built plant in Sitakunda on January 8.
- The company has invested around BDT 2,400 crore for the expansion project and the fund has been arranged from the owners' equity and loans.
- The company has used quantum electric arc furnace technology for the first time in the country as well as in Asia, he said.
- GPH Chairman Md Alamgir Kabir hoped the advanced technology would help the company manufacture high quality steel products. The company's profit increased 21.04 percent year-on-year to BDT 80.62 crore in 2018-19.

<https://www.thedailystar.net/business/news/gph-ispats-sitakunda-plant-opens-jan-8-1845685>

BTRC mulls imposing fresh SMP conditions on GP

NewAge, December 27, 2019

- The Bangladesh Telecommunication Regulatory Commission has planned to impose fresh conditions on leading mobile phone operator Grameenphone as the operator was earlier declared a significant market

power. On December 15, the High Court delivered its order in this regard, allowing the telecom regulator to slap conditions on GP under the significant market power regulations.

- Following the order, the commission discussed the issue at a meeting and made the move regarding imposing restrictions on GP.
- The Significant Market Power Regulations 2018 allows the telecom regulator to impose conditions on GP as the mobile operator has more than 40 per cent market share in the mobile telecom service sector in terms of revenue and subscriber.
- On February 18 this year, the telecom regulator, under the SMP regulations, barred GP from making any kind of market communication and allowed its customers to change operator within 30 days under mobile portability service instead of 90 days. In March, the BTRC withdrew the four conditions, but proposed twenty other conditions which could be imposed on the mobile phone operator under the SMP regulations.
- The proposed areas were asymmetric mobile termination rate, cross subsidy, MNP lock-in period, spectrum pricing, infrastructure sharing, exclusivity, loyalty campaign, product and service approval process/automatic approval of retail tariffs of non-SMP operators, social obligation fund, voice tariff, data floor price, parallel pricing or ante approval of retail tariffs, green technology or renewable energy, merger and acquisition threshold, corporate social responsibility, number of products, quality of service, revenue sharing and market communication.

<http://www.newagebd.net/article/94721/btrc-mulls-imposing-fresh-smp-conditions-on-gp>

Economy and Industry

Real estate sector bounces back

2020 looks brighter, developers say

The Daily Star, December 29, 2019

- Things are finally looking up for realtors in 2020 after a bumpy last few years thanks to government support to public servants for housing loans and an increase in home loan ceiling by the central bank.
- The sector saw at least 9 percent growth this year, according to Alamgir Shamsul Alamin, president of the Real Estate and Housing Association of Bangladesh (REHAB).
- He went on to credit the government decision to extend low-cost home loans to public servants from fiscal 2018-19 for the pickup in flat sales. Based on the location and grade of a government employee, he or she can now take loans starting from BDT 20 lakh to up to BDT 75 lakh at 10 percent interest from public banks like Sonali, Rupali and Agrani and the state-owned Bangladesh House Building Finance Corporation.
- Of the 10 percent interest rate, the government will foot 5 percent and the employee will bear the rest. Alamin, however, could not provide accurate flat sales figure for 2019 due to the absence of central data collection by the sector's trade body.

KEY FACTORS

- Govt support to public servants for housing loans
- Increase in home loan ceiling

- As of December 27, about 11,000 flats remain unsold, in contrast to 14,000 at the end of 2018, according to Bhuiyan. The sector would gain momentum if the interest rate for home loans was brought down to single digits, he said.
- At present, the interest rate on home loans ranges from 11 percent to 13 percent. Bhuiyan went on to commend the slash in registration fee to 11 percent from 14-16 percent of a property's price
- In another positive move, the central bank last month raised the home loan ceiling to BDT 2 crore from BDT 1 crore and also allowed banks to provide loans up to 70 percent of the property price.

<https://www.thedailystar.net/business/news/real-estate-sector-bounces-back-1846606>

Listed steel manufacturing companies struggling

NewAge, December 29, 2019

- The listed steel manufacturing companies have been struggling due mainly to volatility in raw-materials and utility cost, depreciation of local currency, high bank interest rate, bleak condition in banking sector, competition from new entrants and slow implementation of government projects.
- Profit of Bangladesh Steel Re-Rolling Mills dropped by 33 per cent, that of BSRM Steel 4 per cent, that of Ratanpur Steel Re-Rolling Mills 20.85, that of S Alam Cold Rolled Steels decreased by 16 per cent in the financial year ended on June 30, 2019 compared with that in the previous year.
- The companies also witnessed a fall in profits in the first quarter (July-September) of 2019 against the same period in the previous year. However, profit of GPH Ispat increased slightly in FY19 but dropped in Q1. Appollo Ispat Complex disclosed its financial reports for nine month ended in March, 2019 and the company declared loss in the period.
- SS Steel was the only listed steel maker which declared an increase in profit in the financial year 2018-19 and in the first quarter (July-September) this year.
- Uneven competition from new entrants, price fall in international steel market for finished goods, dependency on imported raw-materials (iron scrap), transport, port facilities and tariff rationalisation, high interest rates are the key challenges for the development of local steel industry.
- Almost 80 per cent of the cost of steel manufacturers was attributed to raw material consumption, on average 4.5 per cent of the cost was attributed to finance expenses and 2.3 per cent of the total cost was attributed to fuel, power and gas cost.
- Besides, depreciation of the local currency against the foreign currency increased the overall import cost of the raw-materials that also affected production cost of the industry. Moreover, rising gas and electricity prices and prevailing high interest rate for bank loans are causing higher finance expenses for the steel manufacturing companies.
- The government slowed down releasing funds for the development projects after the national elections. Government consumption of rod dropped in the first quarter of the current fiscal year (July-September period).

<http://www.newagebd.net/article/94810/listed-steel-manufacturing-companies-struggling>

Foreign investors to get more holdings in NTTN operators

NewAge, December 29, 2019

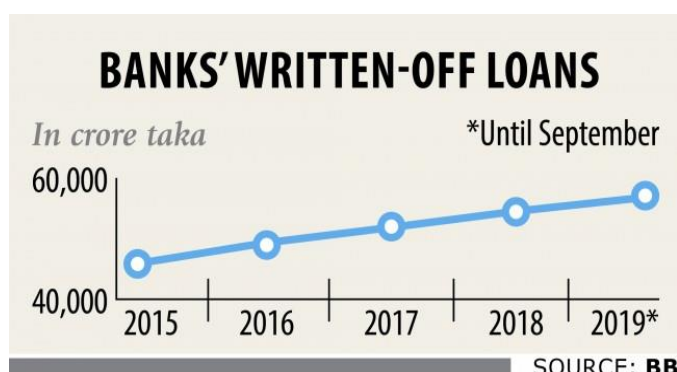
- The Bangladesh Telecommunication Regulatory Commission has revised the nationwide telecommunication transmission network guidelines, raising the foreigners' shareholding limit in any NTTN operator.
- As per the revision to the guidelines, the foreign investors would be allowed to hold highest 70 per cent stake in any NTTN operator. Previously, foreigners were allowed to hold highest 60 per cent shares in such entities.
- The BTRC official said that the initiative to raise the foreigners' shareholding limit was made following a proposal put forward by Summit Communications Limited. Due to capital intensive nature of NTTN business, Summit Communications might be planning to expand its optical fibre network with overseas investments that prompted the operator to request for the revision to the guidelines, the official said.
- Although the change has been made based on a Summit Communications' plea, all other NTTN operators would be entitled to entertain 70 per cent foreign investment once the change is approved by the ministry.
- The BTRC official told New Age last week that the commission's proposal for the revision to the NTTN guidelines would now be sent to the posts and telecommunications ministry for the final approval.
- Including Summit, the government have so far issued six NTTN licences. Bahon, an entity associated with Ispahani Group, was the last one to get the licence. Of the NTTN operators, Fiber@Home Limited and Summit Communications are the most vibrant operators. The rest of the operators are Bangladesh Railway, Power Grid Company of Bangladesh Limited and Bangladesh Telecommunications Company Limited.

<http://www.newagebd.net/article/94808/foreign-investors-to-get-more-holdings-in-nttn-operators>

Loan write-offs rocket

The Daily Star, December 29, 2019

- Loans written off by banks escalated 42.66 percent year-on-year to BDT 1,640 crore in the first nine months of the year as lenders, awash with default loans, endeavoured to clean up their balance sheets.
- The upward trend of written-off loans will help lenders paint a rosy picture of their health only for the time being, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.
- As of September, the banking sector's total written-off loans stood at BDT 55,055 crore, up 10 percent from a year earlier, according to data from the Bangladesh Bank.
- Banks have failed to recover 75 percent of the total written-off loans since January 2003, when the central bank introduced the policy. Unrealised delinquent loans stand at BDT 41,461 crore as of September.



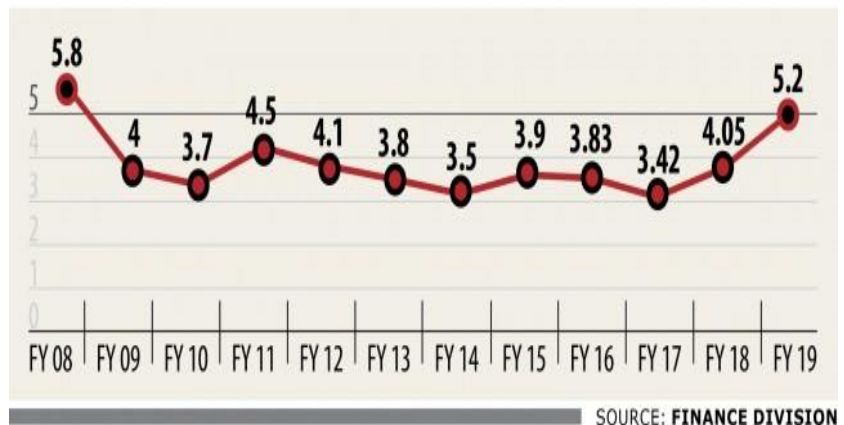
- Although banks have to file cases with the money loan courts to write off loans, the legal process hardly brings any positive result when it comes to recovery of delinquent loans, Hussain said.
- Earlier in February, with a view to cutting down the stockpile of defaulted loans, the BB relaxed the policy to allow banks to write off default loans that have been languishing in the bad category for three years, down from five years previously.
- Furthermore, lenders do not have to file any case with money loan courts to write off delinquent loans worth BDT 2 lakh, up from BDT 50,000 previously.
- In the first nine months of 2019, an eye-watering BDT 22,377 crore of outstanding loans turned red. Banks have to keep 100 percent provisioning against written-off loans that erodes their capital base and available loanable funds.

<https://www.thedailystar.net/business/news/loan-write-offs-rocket-1846609>

Budget deficit goes over 5pc boundary

The Daily Star, December 29, 2019

- Budget deficit, which is when spending exceeds revenue, is set to cross the sensible perimeter of 5 percent of GDP in fiscal 2018-19 for the first time in 12 years on the back of ebbing collections of the tax administrator.
- Revenue collection grew 10.67 percent last fiscal year against the target of about 46 percent, according to provisional data of the



- National Board of Revenue. But, data from the Comptroller and Auditor General office shows that the growth was less than 10 percent. As per the finance division's provisional data, the budget deficit last fiscal year was 5.2 percent.
- For developing countries a budget deficit is not unusual as the government needs to spend big on building infrastructure to shore up future economic activities.
- The government meets the gap between income and expenditure through domestic and foreign borrowing obtained as loans or grants. But keeping the deficit within 5 percent is recommended, and is in fact considered international best practice.
- In Bangladesh, when the budget is drafted a 5 percent deficit is projected. The actual deficit turns out to be about 4 percent every year as the ministries and divisions fail to use up their allocated funds.

<https://www.thedailystar.net/business/news/budget-deficit-goes-over-5pc-boundary-1846612>

Remittance flow to rise 18pc in the outgoing yr

The Financial Express, December 25, 2019

- The flow of inward remittance is set to jump more than 18 per cent or USUSD2.80 bn in the outgoing calendar year 2019 as the government has provided incentive to the beneficiaries against inward remittance.
- Depreciation of the local currency against the US dollar has also jacked the inflow of remittances up in the recent months, bankers said.
- The inflow of remittance is set to reach at minimum USD18.34 bn by the end of December 2019 from USD15.54 bn in a year ago despite a falling trend in outbound jobs of Bangladeshis, according to the central bank's estimation.
- The country received USD1.40 bn as remittances between December 01 and December 24 from Bangladeshi nationals who are working abroad, an executive director of the BB told the FE on Friday.
- "We expect that the inflow of remittances may cross USD1.70 bn by the end of this month" the central banker explained. Bangladesh received USD16.64 bn in 11 months to November as remittances.
- The BB executive director also hoped that the upward trend of inward remittance would continue in the coming months as the government has announced 2.0 per cent incentive for remittance receipts.
- The government had already allocated BDT 30.60 bn as incentive in the budget for the current fiscal (FY), 2019-20, to encourage the expatriate workers to send their money through legal channels.

<https://thefinancialexpress.com.bd/economy/bangladesh/remittance-flow-to-rise-18pc-in-the-outgoing-yr-1577508391>

International

Vietnam growth 'impressive' despite global slowdown

NewAge, December 29, 2019

- Vietnam's economy notched up an 'impressive' 7 per cent growth this year to beat its government-set target as the sustained US-China trade war dented economies worldwide. The spat between Washington and Beijing has dragged on for 18 months, as both have inflicted punitive tit-for-tat tariffs on hundreds of bns of dollars of goods.
- Vietnam, however, has seen a leap in exports to the US, which has prompted businesses to migrate there from China as it is viewed as a safer and cheaper, manufacturing hub. Analysts have warned that short-term gains for countries like Vietnam may drop off if the ongoing row continues.
- Yet 2019's GDP surpassed the communist government's set target of 6.8 per cent, hitting 7.02 per cent, according to figures released on Friday by the General Statistics Office in Hanoi.
- The gains were 'impressive' given the global context of slowing growth and worsening US-China trade tensions, said an online statement posted by the agency.
- Trade turnover reached a record USD517 bn this year. But there remains a gradual decline in export growth, according to a World Bank report —dropping from 21 per cent in 2017 to 8 per cent in 2019.

- One of Asia's fastest growing economies over the past decade, Vietnam's growth has been largely driven by the exports of cheap manufactured garment and footwear goods to higher tech products like Samsung phones and Intel computer processors.

<http://www.newagebd.net/article/94826/vietnam-growth-impressive-despite-global-slowdown>

Global growth faces a grumpy 2020

NewAge, December 29, 2019

- United States political clouds coupled with wider climate and digital transformations point to a tricky 2020 for the world economy, although experts say a lurch back to crisis is improbable. The Organisation for Economic Co-operation and Development said last month that activity had been hobbled by weaker trade and investment in the past two years, as US president Donald Trump pursued a trade war with China.
- The OECD expects global growth to dip in the coming year to 2.9 per cent, its lowest level since the world recession of 2009. Trump appears to have struck a truce with China for now, under a 'phase one' pact announced this month, but pre-existing tariffs remain in place and it will take time to demobilise their effects.
- More broadly, the OECD contrasted proactive actions taken by central banks with the policy foot-dragging by governments in the face of climate change and the march of technology.
- Industrialists and investors are having to correct their climate strategies even as Trump sits firm in his policy of denial. Oil giant Saudi Aramco recently had to trim back the volume of its gigantic share offering.
- The International Monetary Fund was a little more optimistic in its latest World Economic Outlook, forecasting 2020 growth of 3.4 per cent but warning nevertheless of a 'synchronised slowdown and uncertain recovery.'

<http://www.newagebd.net/article/94725/global-growth-faces-a-grumpy-2020>

Faster, bigger, pricier: five business records in 2019

NewAge, December 29, 2019

- The wildest auction prices, the largest fines slapped, the longest flight and the biggest sale... here is a look back at the five new business records in 2019:
- Facebook fine: Facebook was in July slapped with the largest ever fine — USD5 bn — imposed on any company for violating consumers' privacy. Announcing the penalty, the Federal Trade Commission said that it was also one of the largest ever issued by the US government for any violation.
- Monster sale: Chinese consumers spent a record USD38.3 bn on Alibaba platforms in the annual 24-hour 'Singles' Day' buying spree in November. It was a jump of 26 per cent from the previous record high a year earlier, the e-commerce giant said.
- Art auction highs: Amid furious Brexit wrangling, Banksy's 'Devolved Parliament' painting depicting lawmakers as chimps was sold at auction in October for 11.1 mn euros, a record for the British artist.
- Longest flight: Qantas completed the longest non-stop passenger flight in October, taking 19 hours and 16 minutes to test a direct route from New York to Sydney. Just 49 people travelled on the Boeing 787-9 to

minimise the weight on board and give the plane sufficient fuel range to travel more than 16,000 kilometres (9,500 miles).

- Mn-dollar parking: A parking space in Hong Kong's The Centre skyscraper sold in October for a whopping HKUSD7.6 mn (more than USD9,70,000, 8,82,000 euros), about the price of a one-bedroom apartment in London's plush Chelsea.

<http://www.newagebd.net/article/94942/faster-bigger-pricier-five-business-records-in-2019>

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 (2nd 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

Bijoy Nagar Extension

Prime Tower (3rd Floor),
180-181
Dhaka-1213
Phone: +8801716180767

Khulna Branch

28, Sir Iqbal Road (1st Floor)
Khulna
Phone: +88-041-731208-9

For International Trade & Sales, please call at +8801993111666, +880 02 9515826, Ext: 101 at Business hour. For further query, write to us at research@basl-bd.com.