

Corporate Governance Code made stringent

The Bangladesh Securities and Exchange Commission (BSEC) toughened the Corporate Governance Code (CGC) to ensure good governance among the listed companies. Earlier, the BSEC issued the CGC on June 3, 2018, making it mandatory for all listed companies to comply with the rules. As per the fresh amendments, if any listed company fails to comply with any provision of the Code, it would be punishable offence under the Securities and Exchange Ordinance 1969 and the BSEC can take punitive actions including delisting or suspension of share trading of any listed company. Additionally, listed companies must provide information to the shareholders on appointed or reappointed directors regarding their directorship or other positions in any other company. The Commission also decided to amend the notification issued on June 1, 2009. As per the decision, an issuer company cannot enter into contract, without the approval of its shareholders in a general meeting, for sale of 50% or above assets, out of the total tangible assets, as per the last audited financial statements. Earlier it was 1%. Moreover, the sales limit cannot be exceeded through individual or joint transactions within one year after debut.

Budget deficit hit 5.18% in FY2018-19

Budget deficit in FY2018-19 stood at 5.18%, the highest in the last 11-years, surpassing the advisable threshold of 5% while it was 4.05% a fiscal year earlier, according to the statistics of the Ministry of Finance. In FY2007-08, budget deficit last crossed the 5%-limit registering 5.8% deficit. The hefty shortfall of revenue collection pushed the deficit to exceed the recommended limit as the government collected Tk2,518.73b as revenue which fell short of target by Tk647.39b or 20.45% in the fiscal. However, government spending throughout the fiscal came down by 13% to Tk3,846.24b against the projection of Tk4,425.41b. To finance the deficit, government borrowing from the external and internal sources stood at Tk266.59b and Tk998.93b respectively. Trailing the last fiscal, government budget balance posted Tk40.66b in deficit at the end of the first quarter of the FY2019-20 while it was Tk81.87b in surplus in the same period a year ago. In the quarter, overall revenue collection came down by 7.5% (Y-o-Y) to Tk554.93b whereas the figure grew by 16% in the first quarter of FY2018-19. Consequently, government bank borrowing mounted to Tk279.50b in the quarter against the target of Tk473.63b for the entire fiscal year. Economists opine that the swelling government expenditure for infrastructural development and debt servicing along with massive revenue shortfall might amplify budget deficit in the current fiscal year.

Ten banks breach ADR ceiling

Bangladesh Bank (BB) warned ten banks, including three State-owned Banks (SoBs), as those banks crossed the Advanced-Deposit Ratio (ADR) limit set by the central bank through lending aggressively at the end of November 2019. Back in January of 2018, the central bank instructed conventional scheduled banks as well as *Sariah* based ones to lower their ADR below 83.50% and 89% respectively by June of 2018 to tame the condition of defaulted loans. However, BB restored the limit at 85% and 90% in September 2019 at the request of bankers. Among the ten errant banks, ADR of Agrani Bank (Islamic Window), Padma Bank and Basic Bank hiked most to 154.52%, 115.37% and 111.28% respectively as at November 30, 2019.

Banks	ADR	Banks	ADR
Basic Bank	111.28%	AB Bank	86.25%
Agrani Bank (Islamic window)	154.52%	NRB Global Bank	85.94%
National Bank	94.71%	Premier Bank (Islamic Window)	97.25%
Padma Bank	115.37%	Sharia-based Union Bank	95.02%
NRB Bank	85.78%	Rajshahi Krishi Unnayan Bank	100.56%

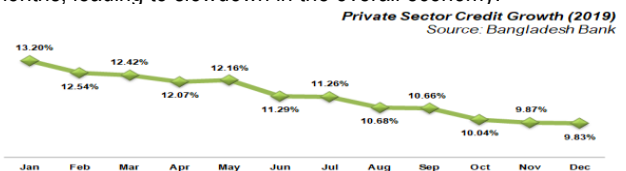
Source: Bangladesh Bank

Bonus declaration continue despite regulatory curbs

The securities regulator attempted to restrain companies from disbursing stock dividends unnecessarily which, however, turned out to be futile. Dhaka Stock Exchange (DSE) published dividend declaration of 299 companies for the year 2019, out of which 73 declared stock dividends combining with cash and 59 companies declared only stock dividend. Bangladesh Securities & Exchange Commission (BSEC) on May 21, 2019 mandated all listed companies which intend to declare stock dividend, to provide acceptable reason behind issuance of such bonus shares. To further tighten the rule, BSEC restricted companies which could not comply with the 30%-shareholding rule by directors, from issuing bonus shares. Alongside, the tax imposition on stock dividend declaration in fiscal policy 2019-20 was also expected to discourage companies from declaring bonus shares. However, the tax measure will be effective for FY2019-20 from next fiscal year. Market experts attribute the failure of BSEC to curb stock dividend declaration to the dearth of financially sound companies with proper corporate governance. Without fundamental check, the regulator will not be able to prevent ill-practice and establish governance in the capital market, they opine.

Private sector credit in despair for 21 months

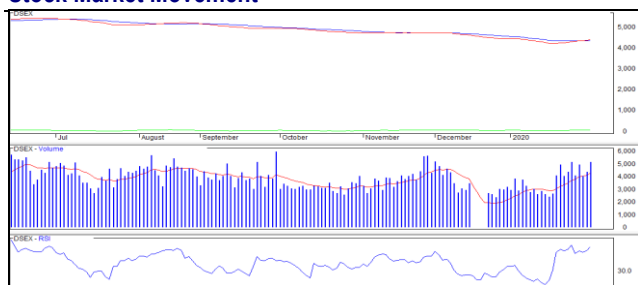
Private sector credit growth in December 2019 hit the lowest since 2008 by following a continuous downtrend for the past 21 months. As per figures of Bangladesh Bank (BB), private credit recorded 9.83% (Y-o-Y) growth during the month, down by 0.04% from that of 9.87% just a month before. Alongside inadequate infrastructure, corruption and bureaucratic complexities which discouraged business to take loan from banks for expansion, the sluggish trend is prolonged by hefty bank borrowing by the government. Moreover, the imposition of single digit lending rate by the government might lead to further decline in private credit since bringing down the lending rate to single digit is likely to make banks more reluctant in disbursing loans to the private sector as it will be less profitable but with high risk investment. In fact, extending credit to the government will become more lucrative after implementation of single-digit lending rate as some long-term treasury bills carry 8%-9% interests depending on maturity at minimum risk. Following the gloomy state in private sector credit growth, import of capital machineries and industrial raw material have been declining for months, leading to slowdown in the overall economy.



NPLs in industrial sector at Tk544.16b

The latest statistics of Bangladesh Bank (BB) revealed that the banking sector disbursed Tk1,088.49b as industrial loans till September 30 in 2019, which was Tk944.19b a year earlier. Meanwhile, as reported by BB, the Non-Performing Loans (NPLs) in the industrial sector soared by 24.75% (Y-o-Y) at the end of September 2019 to reach Tk544.16b. The figure of bad loans in large industries stood at Tk350.25b out of Tk894.92b outstanding loans during the period under review while the default amount in medium industries and small industries reached Tk120.63b and Tk73.28b respectively at the end of the period. Experts blamed the large group for mistreating the loan rescheduling facility as well as the weak corporate governance in the banking system which eventually pushed the default loans to rise.

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	3,225.52	3,295.47	-2.12
FTSE 100	7,286.01	7,585.98	-3.95
Nikkei 225	23,205.18	23,827.18	-2.61
SENSEX	39,735.53	41,613.19	-4.51
KSE 100	41,630.94	42,633.03	-2.35

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	4,469.66	4,513.89	-0.98
Total Turnover, Tk	22,254,561,636.00	22,657,899,869.00	-1.78
Market Capital, Tk	2,825,477,688,504	2,866,451,901,986	-1.43
No of Issue Gain	328	60	
No of Issue Loss	23	277	
No of Unchanged Issues	7	21	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
VFS Thread Dyeing	19.30	22.80	18.13	258,132,000
Indo-Bangla Pharma	17.70	20.90	18.08	316,712,000
Northern Jute	408.10	477.70	17.05	250,287,000
Metro Spinning Ltd.	5.90	6.90	16.95	18,875,000
M.L. Dyeing Limited	37.30	43.60	16.89	214,625,000
Oimex Electrode	21.40	24.80	15.89	149,071,000
Shasha Denims	23.50	26.90	14.47	56,534,000
Malek Spinning Mills	11.90	13.50	13.45	24,295,000
LafargeHolcim	44.80	50.30	12.28	1,885,507,000
GBB Power Limited	14.00	15.70	12.14	92,192,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
BSRM Steels Limited	41.6	36.10	-13.22	22,700,000
ICB	90.3	79.00	-12.51	47,331,000
BIFC	2.5	2.20	-12.00	286,000
International Leasing	5.3	4.70	-11.32	29,390,000
Silco Pharmaceuticals	26.0	23.10	-11.15	96,478,000
Bangladesh Lamps	145.8	129.60	-11.11	14,849,000
MBL 1st Mutual Fund	6.3	5.60	-11.11	937,000
SEML IBBL SF	7.2	6.40	-11.11	8,675,000
M.I. Cement Factory	43.2	38.60	-10.65	7,098,000
Gemini Sea Food Ltd.	174.6	156.1	-10.60	14,220,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	358.80	365.32	-1.79	1,213.63	2,080.72	-41.67
Cement	268.16	249.85	7.33	2,067.22	1,436.31	43.93
Ceramic	576.31	584.63	-1.42	319.42	335.38	-4.76
Engineering	1,846.80	1,903.88	-3.00	3,548.15	3,458.58	2.59
Food & Al.	3,599.51	3,508.26	2.60	1,106.68	887.17	24.74
Fuel & Pow.	3,566.65	3,654.05	-2.39	1,246.78	1,548.46	-19.48
Insurance	1,594.71	1,594.34	0.02	1,903.00	2,266.03	-16.02
IT	337.17	339.58	-0.71	1,084.96	1,006.61	7.78
Jute	1,143.70	1,049.24	9.00	263.30	237.16	11.02
Misc.	1,095.12	1,088.64	0.60	1,293.99	1,206.27	7.27
Mutual Fund	377.03	387.07	-2.59	292.88	328.35	-10.80
NBFI	896.25	967.64	-7.38	488.11	600.41	-18.70
Paper	6,683.21	6,541.25	2.17	123.70	58.29	112.22
Pharma	1,066.34	1,071.09	-0.44	2,242.43	2,832.29	-20.83
Service	922.62	906.89	1.73	264.22	107.01	146.92
Tannery	655.96	649.54	0.99	227.96	254.47	-10.42
Telecom	2,404.73	2,533.98	-5.10	910.67	1,000.83	-9.01
Textile	1,118.37	1,091.21	2.49	2,695.33	2,020.00	33.43
Travel & Leis	570.37	568.37	0.35	233.82	340.44	-31.32

Technical Talk

Dhaka Stocks closed in red trajectory in the last week ended on Thursday as investors liquidated shares amid the lackluster earnings declared by large-cap companies. Moreover, many investors were cautious amid the recent volatility of the market while some rebalanced portfolio based on quarterly earnings. Among the major sectors, NBFI sector decreased by 7.38% over the week followed by Telecom 5.10%, Engineering 3.00%, Fuel & Power 2.39%, Bank 1.79% and Pharma 0.44%.

DSE Broad Index (DSEX) reached 4,469.66 points decreased by 44.23 points or 0.98% from the previous week. Total turnover reached at Tk22,254.56m which was 1.78% lower than the previous week. Market capitalization decreased by 1.43% and stood at Tk2,825.48b (\$33.28b) at the weekend against Tk2,866.45b. DSE 30 decreased by 19.38 points or 1.26% and closed at 1,524.04 points against 1,543.43 points. Last week's weighted average Market PE was 11.73 which was 12 previous week.

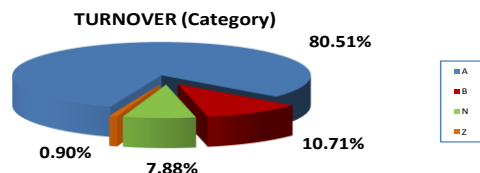
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
LafargeHolcim	40,139,078	1,885,507,000	8.47
ADN Telecom	13,514,993	574,686,000	2.58
Square Pharma	2,836,395	562,189,000	2.53
Paramount Textile	8,609,996	554,933,000	2.49
S. S. Steel	37,494,662	505,233,000	2.27
BSCCL	4,451,520	468,862,000	2.11

Top 10 Market Capital

Company	Market Capital (In million)
GP	65,291
BATBC	61,669
Square Pharma	60,628
United Power	58,417
RENATA	53,547

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/oz)	1,583.50	1,564.60	1.21
Silver (USD/oz)	17.95	17.77	1.01
Brent Crude Oil (USD/bbl)	57.33	55.59	3.13

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.90	84.95	84.90	84.95	0.00	0.00
EUR	94.67	94.72	94.09	94.14	0.62	0.62
GBP	112.40	112.47	111.34	111.41	0.95	0.95
AUD	57.13	57.17	58.28	58.31	-1.96	-1.96
JPY	0.79	0.79	0.78	0.79	0.83	0.83
CAD	64.47	64.51	64.93	64.96	-0.70	-0.70
SAR	22.74	22.76	22.74	22.76	0.00	0.00

Based on Standard Chartered selling rates to public in Taka. Notes: USD-US Dollar, GBP-Great Britain Pound, AUD-Australian Dollar, JPY- Japanese Yen, CAD-Canadian Dollar, SAR-Saudi Riyal.

Last Public Offerings

Company	Subscription Period	Offer Price	IPO (M.Tk)
N/A			