

NPLs keep soaring sans rescheduling

The Non-Performing Loans (NPLs) in the banking sector amounted Tk1,124.25b at the end of June 2019, growing by 1.40% or Tk15.51b during the second quarter (April-June) of the current year compared to Tk1,108.74b in the preceding quarter. The latest statistics of Bangladesh Bank (BB) revealed that the ratio of default loans slightly decreased to 11.69% of the total loans as of June while it was 11.87% at the end of first quarter of 2019. According to the central bank, the bad loans in six State-owned Banks (SoBs) reached Tk537.44b accounting for 48% of the total NPLs. The SoBs, however, witnessed 8.39% decline in NPLs during the second quarter as against the previous quarter whereas the forty Private Commercial Banks (PCBs) had NPLs of Tk519.24b, up by 3.95% from Tk499.50b in March 2019. Besides SoBs, the foreign banks and the two specialized banks also reduced the figure of NPLs to Tk20.58b and Tk46.99b respectively during the period. Bankers and economists opined that the rising trend of default loans resulted in a huge shortfall in provisioning in the banking sector. After 2013, banking sector experienced the highest provisioning shortfall of Tk128.97b at the end of June 2019, BB reported. Economists criticized the relaxed rescheduling policy unveiled by the central bank despite the faltering health of the banking sector. Recently, BB agreed to extend loan repayment period up to 12 years for 11 large borrowers. The borrowers received rescheduling facility in 2015 against Tk151.80b in toxic loans. However, experts fear that the amount of NPLs would amplify in the near future following the trend due to adoption of such a relaxed policy.

Bank profitability plunged drastically in 10 years

The profitability of banks dropped significantly over the past ten years due to the overwhelming growth in the volume of bad loans. According to a report prepared by Bangladesh Institute of Bank Management (BIBM), the volume of bad loan in the banking sector rose to 10.3% in 2018 from 7.3% of the total loan in 2009 while the lending rate dropped to 9.5% in 2018 from 11.5% in 2009. Consequently, the Return on Equity (RoE) of the banks plummeted from 21.7% in 2009 to only 4% in 2018. The BIBM attributed the substantial fall in profitability to the failure of banks to address the problem by re-fixing the interest rates. Although the volume of bad loans and operating costs of banks have ballooned over the years, the banks are unable to raise the interest rate as they are being pressurized by political quarters to keep the lending and deposit rates within 9% and 6% respectively. As per their findings, the rising cost of bad loans and cost on operating income kept the banks under extreme stress, which usually leads to upward adjustment of interest rates.

179 directors default on minimum shareholding

The Bangladesh Securities and Exchange Commission (BSEC) is yet to enforce the requirement and ensure minimum 2% shareholding individually by the sponsor-directors of listed companies as per the notification issued on November 22, 2011. At the end of April 2019, some 179 directors of 59 listed companies had less than the minimum shareholding. On May 21 of 2019, the BSEC tightened the requirements of minimum shareholding by sponsor-directors in place of the earlier notification issued in 2011. Market experts expressed concern as many new directors were appointed in recent days though the directors did not have the minimum shares.

IMF projects 7.6% GDP growth for FY2019-20

The International Monetary Fund (IMF), the Washington-based multilateral lender, forecast that Gross Domestic Product (GDP) of Bangladesh would grow by 7.6% in FY2019-20 while the government projected 8.2% GDP growth for the fiscal. For the last fiscal year, the IMF predicted 7.3% GDP growth while the Bangladesh Bureau of Statistics provisionally estimated that GDP grew by 8.13% in the fiscal. However, the projection of the IMF for the current fiscal is the highest among the South Asia countries as per the 'South Asian Update' of the IMF. Among the South Asian countries, projected GDP growth of India would be the second highest at 7.2%, followed by Bhutan (6.3%), Nepal (6.3%) and Sri Lanka (4%) whereas Pakistan would register the lowest economic growth in the region at 2.4%, as per the report. The report cautioned that maintaining the past economic performance would become more challenging in future despite the positive near-term outlook. The lending institution also underscored that financial sector regulation and supervision would need to be further strengthened to improve the health of the ailing sector.

Government opts aggressive bank borrowing

Government borrowing from the banking system mounted to Tk262.49b in the first 51 days (July 01 to August 20) of the FY2019-20 whereas the government borrowed net Tk268.86b in the entire fiscal year of FY2018-19. Of the amount borrowed during the period, Bangladesh Bank (BB) provided Tk65.92b and Tk196.56b was from the scheduled banks. As a consequence of the borrowing strategy, the outstanding borrowing by the government from the banking system stood at Tk1.34 trillion as on August 20 from Tk1.08 trillion at the end of June 30 in 2019. The growing mismatch in revenue mobilization might be the main reason for the aggressive bank borrowing by the government. Moreover, ongoing mega development projects and implementation of the hefty budget for FY2019-20 also contributed to the surge in bank borrowing. In the budget, the revenue collection target was set at Tk3.78 trillion, leaving a deficit of Tk1.45 trillion. To finance the deficit, the government planned to borrow Tk638.48b from overseas sources and Tk773.63b from domestic sources mainly from banks and saving certificates. Veteran economists have opined that increasing dependency of government on the banking sector might exert a negative impact on the banks that are mired in liquidity crisis.

Stock brokers face tough time in continuous loss

Most of the stock brokers have been enduring losses for many years mainly for low turnover in the market and lack of product diversity. Among them, at least 150 stock brokers are operating in the red. As per statistics of the Dhaka Stock Exchange (DSE), the daily average turnover of the bourse amounted Tk5.34b so far during the current year, down from average Tk5.52b during the last year as compared to the average turnover of Tk8.75b a year earlier in 2017. Stock market experts have attributed that the number of stock investors and their investment have fallen in the last few years. According to the figures of the Central Depository of Bangladesh (CDBL), the number of Beneficiary Owners' (BO) accounts now is 2.53m, down from 2.80m in December 2013. Moreover, the stock brokers are going to face further competition as the regulator is likely to open the licensing of brokerage houses after many years. However, market experts have welcomed the move and opined that the brokers that failed to attract investors should merge to survive.

Stock Market Movement



Global Markets

| | This Week | Last Week | +/- % |
|------------|-----------|-----------|-------|
| S&P 500 | 2,926.46 | 2,847.11 | 2.79 |
| FTSE 100 | 7,207.18 | 7,094.98 | 1.58 |
| Nikkei 225 | 20,704.37 | 20,710.91 | -0.03 |
| SENSEX | 37,332.79 | 36,701.16 | 1.72 |
| KSE 100 | 29,672.12 | 31,350.01 | -5.35 |

DSE Indicators

| | This Week | Last Week | +/- % |
|------------------------|-------------------|-------------------|-------|
| DSE Broad Index | 5,095.78 | 5,236.85 | -2.69 |
| Total Turnover, Tk | 22,435,384,833.00 | 23,695,976,703.00 | -5.32 |
| Market Capital, Tk | 3,223,468,605,806 | 3,297,506,687,859 | -2.25 |
| No of Issue Gain | 48 | 212 | |
| No of Issue Loss | 302 | 130 | |
| No of Unchanged Issues | 5 | 13 | |

Top Gainers

| Company | Weighted avg. Closing Price (Tk) | | | Turnover (Tk) |
|----------------------------------|----------------------------------|-----------|----------|---------------|
| | Last Week | This Week | Change % | |
| Reckitt Benckiser | 2488.30 | 2951.90 | 18.63 | 121,312,000 |
| Prime Finance 1 ST MF | 13.70 | 16.20 | 18.25 | 64,248,000 |
| Wata Chemicals | 505.00 | 593.70 | 17.56 | 423,541,000 |
| GlaxoSmithKline | 1616.40 | 1836.50 | 13.62 | 89,952,000 |
| Silco Pharma | 31.20 | 35.10 | 12.50 | 671,921,000 |
| Standard Ceramic | 370.90 | 413.10 | 11.38 | 247,540,000 |
| Pragati Life | 142.00 | 157.00 | 10.56 | 237,210,000 |
| S. S. Steel Limited | 29.20 | 31.60 | 8.22 | 295,528,000 |
| Genex Infosys | 59.00 | 63.30 | 7.29 | 297,485,000 |
| Monno Jute Stafflers | 1419.20 | 1512.90 | 6.60 | 454,955,000 |

Top Losers

| Company | Weighted avg. Closing Price (Tk) | | | Turnover (Tk) |
|-----------------------|----------------------------------|-----------|----------|---------------|
| | Last Week | This Week | Change % | |
| Global Insurance Co. | 33.80 | 24.10 | -28.70 | 250,224,000 |
| VFS Thread Dyeing | 36.00 | 30.20 | -16.11 | 296,254,000 |
| Tung Hai Knitting | 3.80 | 3.20 | -15.79 | 1,134,000 |
| Generation Next | 5.10 | 4.30 | -15.69 | 47,172,000 |
| Familytex (BD) Ltd. | 3.90 | 3.30 | -15.38 | 27,230,000 |
| ICB Islamic Bank | 4.00 | 3.40 | -15.00 | 6,146,000 |
| Coppertech Industries | 38.00 | 32.40 | -14.74 | 186,272,000 |
| SEML FBLSL GF | 22.60 | 19.40 | -14.16 | 55,292,000 |
| Bangladesh Indus. Fin | 3.60 | 3.10 | -13.89 | 242,000 |
| Appollo Ispat Complex | 6.50 | 5.60 | -13.85 | 21,168,000 |

Sectoral Index & Turnover

| Sector | Sectoral Index | | | Turnover (Tk.M) | | |
|---------------|----------------|-----------|----------|-----------------|-----------|----------|
| | This Week | Last Week | Change % | This Week | Last Week | Change % |
| Bank | 390.82 | 404.54 | -3.39 | 1,056.15 | 1,052.12 | 0.38 |
| Cement | 257.13 | 266.46 | -3.50 | 155.72 | 215.79 | -27.84 |
| Ceramic | 671.40 | 706.22 | -4.93 | 835.93 | 803.18 | 4.08 |
| Engineering | 2,480.57 | 2,556.82 | -2.98 | 3,819.75 | 2,888.76 | 32.23 |
| Food & Al. | 4,057.08 | 4,087.03 | -0.73 | 788.30 | 816.35 | -3.44 |
| Fuel & Pow. | 4,358.44 | 4,492.90 | -2.99 | 2,186.37 | 3,445.91 | -36.55 |
| Insurance | 1,590.36 | 1,629.16 | -2.38 | 1,691.85 | 2,191.13 | -22.79 |
| IT | 358.64 | 357.35 | 0.36 | 722.71 | 433.13 | 66.86 |
| Jute | 2,145.51 | 2,092.69 | 2.52 | 84.89 | 59.83 | 41.90 |
| Misc. | 1,276.50 | 1,282.96 | -0.50 | 1,277.74 | 1,445.60 | -11.61 |
| Mutual Fund | 408.64 | 432.56 | -5.53 | 558.38 | 624.80 | -10.63 |
| NBFI | 1,012.55 | 1,047.93 | -3.38 | 404.12 | 430.10 | -6.04 |
| Paper | 8,683.26 | 9,118.83 | -4.78 | 109.60 | 85.83 | 27.70 |
| Pharma | 1,223.53 | 1,214.65 | 0.73 | 4,525.96 | 3,970.28 | 14.00 |
| Service | 1,056.22 | 1,107.60 | -4.64 | 279.91 | 183.72 | 52.36 |
| Tannery | 837.56 | 844.68 | -0.84 | 553.60 | 773.72 | -28.45 |
| Telecom | 2,896.32 | 2,975.36 | -2.66 | 403.36 | 429.27 | -6.04 |
| Textile | 1,364.46 | 1,444.40 | -5.53 | 2,173.27 | 2,699.32 | -19.49 |
| Travel & Leis | 520.87 | 535.18 | -2.67 | 140.39 | 171.84 | -18.30 |

Technical Talk

Dhaka bourse endured a sharp correction in the last week snapping a four-week gaining streak as risk-averse investors opted to book profit on large-cap stocks. Moreover, general investors were panicked over the GP and NPL issues that triggered sell pressure on almost all shares. Among the major losers, Bank sector decreased by 3.46% over the week followed by Financial Institutions 3.44%, Engineering 3% and Power 1.55%.

DSE Broad Index (DSEX) reached 5,095.78 points decreased by 141.07 points or 2.69% from the previous week. Total turnover reached at Tk22,435.38m which was 5.32% lower than the previous week. Market capitalization decreased by 2.25% and stood at Tk3,223.47b (\$38.17b) at the weekend against Tk3,297.51b. DSE 30 decreased by 49.96 points or 2.70% and closed at 1,800.06 points against 1,850.01 points. Last week's weighted average Market PE was 13.59 which was 13.81 previous week.

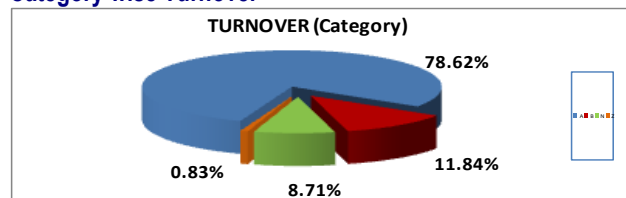
Top Turnover Companies

| Company | Volume | Value (Tk) | % of total |
|-------------------------|------------|-------------|------------|
| United Power Generation | 2,511,871 | 995,876,000 | 4.44 |
| Silco Pharmaceuticals | 19,872,334 | 671,921,000 | 2.99 |
| Monno Ceramic | 2,533,739 | 542,002,000 | 2.42 |
| Beacon Pharmaceuticals | 19,718,200 | 499,249,000 | 2.23 |
| Orion Infusion Ltd. | 7,145,189 | 491,080,000 | 2.19 |
| JMI Syringes & Medical | 925,315 | 456,816,000 | 2.04 |

Top 10 Market Capital

| | | | In million |
|---------------|---------|-----------|------------|
| GP | 421,294 | BERGERPBL | 72,985 |
| BATBC | 217,764 | BRACBANK | 71,412 |
| Square Pharma | 198,751 | ICB | 71,233 |
| United Power | 189,287 | MARICO | 58,020 |
| RENATA | 95,692 | LHBL | 44,829 |

Category wise Turnover



Commodity Price

| | This Week | Last Week | Change % |
|----------------------------|-----------|-----------|----------|
| Gold (USD/t oz.) | 1,526.50 | 1,497.30 | 1.95 |
| Silver (USD/t oz.) | 18.17 | 17.01 | 6.78 |
| Brent Crude Oil (USD/bbl.) | 60.49 | 59.90 | 0.98 |

Exchange Rate

| | This Week | | Last Week | | Change % | |
|-----|-----------|--------|-----------|--------|----------|-------|
| | TT | BC | TT | BC | TT | BC |
| USD | 84.45 | 84.50 | 84.45 | 84.50 | 0.00 | 0.00 |
| EUR | 93.30 | 93.36 | 94.59 | 94.65 | -1.36 | -1.36 |
| GBP | 102.95 | 103.01 | 103.96 | 104.03 | -0.98 | -0.98 |
| AUD | 57.19 | 57.22 | 57.37 | 57.40 | -0.31 | -0.31 |
| JPY | 0.80 | 0.80 | 0.81 | 0.81 | -0.84 | -0.85 |
| CAD | 63.77 | 63.80 | 63.93 | 63.97 | -0.26 | -0.26 |
| SAR | 22.63 | 22.65 | 22.63 | 22.65 | -0.01 | -0.01 |

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) |
|--------------------|-----------------------|-------------|------------|
| Ring Shine Textile | Aug 25 - Sep 09, 2019 | 10 | 1500 |