

BSEC bin seven IPO applications

The Bangladesh Securities and Exchange Commission (BSEC) cracked down on the Initial Public Offering (IPO) proposals that painted rosy picture of the companies by doctoring financials. After the appointment of the new securities Commission, the BSEC has so far rejected seven IPO applications for violations of securities rules. The scrapped IPOs are- JMI Hospital Requisite Manufacturing, B Brothers Garments, BD Paints, Beka Garments and Textile, SF Textile Industries, Al-Faruque Bags and Infinity Technology International. BSEC cancelled the IPO proposals of the companies based on the observations of its own as well as from the two stock exchanges. Most of the errant companies tried to raise funds from the capital market by presenting fabricated financials including inflated profits, inventories and assets, and some submitted IPO proposals to the Commission violating securities rules. In its very first meeting, the new Commission rejected the IPO proposal of Al-Faruque Bags as the company breached the Corporate Governance Code (CGC). Apart from canceling the IPO proposal, the BSEC imposed fines on Al Faruque Bags and its issue managers and auditor for falsification. The BSEC found many inconsistencies in the IPO application of JMI Hospital Requisite Manufacturing Limited. The company overstated receivables to display high revenue in its financial statements. Moreover, the company lent Tk1.09b as intercompany loans and so the Commission found no necessity of IPO. The BSEC also found that the Investment Corporation of Bangladesh (ICB) held 30% shares of JMI Hospital and was also issue manager of the IPO, which was a violation of securities rules. Stock market experts have hailed the move of the regulator and opined that the new Commission appears quite determined not to repeat mistakes of the previous Commission.

BBS estimates 5.24% GDP growth for FY20

The Bangladesh Bureau of Statistics (BBS) projected 5.24% GDP (Gross Domestic Product) growth for the FY2019-20 despite an unprecedented blow to the economy in the last quarter of the fiscal year by the COVID-19 pandemic. However, the World Bank (WB) projected 1.6% GDP growth followed by the International Monetary Fund (IMF) at 2% for the fiscal. Earlier the government revised down the GDP growth target to 5.2% for the year from original projection of 8.2% due to impact of the pandemic. As per the estimates of BBS, total GDP stood at US\$300.11b and per capita income went up to US\$2,064 from US\$1,909 in the last fiscal year. However, economists remained skeptical of the estimates of the BBS as the higher economic growth is not matched with the ground realities.

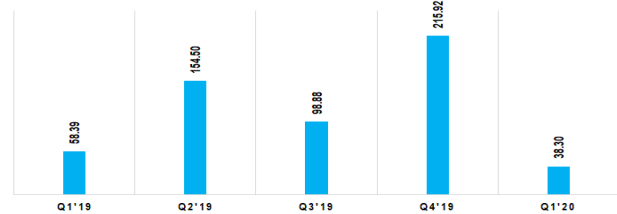
Govt borrows Tk130.87b through T-bills/bonds in July

Government borrowing through Treasury bills/bonds mounted to Tk130.87b in the first month of FY2020-21. Additionally, the central bank lent Tk49.69bb to the government, according to the latest reports released by Bangladesh Bank (BB). The volume of borrowing against the Treasury bills/bonds and from the central bank accounted for 21.25% of the annual borrowing target from the banking system. The dismal revenue collections and the not so encouraging sales of National Savings Certificates (NSCs) against the backdrop of coronavirus outbreak pressed the government to resort to hefty bank borrowings. In FY2019-20, government revenue collection and net sale of NSCs dropped by 3.79% (Y-o-Y) and 71.10% (Y-o-Y) respectively. Economists fear that the volume of government bank borrowing might continue to rise in the FY2020-21 if the recovery of economy from the pandemic-induced contraction prolongs, which would eventually batter private sector investments.

Loan rescheduling decline in Q1

Banks reported decline in both loan rescheduling and default loans in the first quarter (Q1) of 2020 – a rare development in the local banking sector. During the three months, the amount of rescheduled loans stood at Tk38.30b which is down by 82.26% compared to the amount of previous three months. Concurrently, the amount of default loans came down by 1.93% to Tk925.10b at the end of March this year from three months earlier. The rescheduled amount of loans was also 34.4% lower than the amount in the same period of previous year. Earlier, Bangladesh Bank (BB) relaxed loan rescheduling policy for 10 years offering 2% down payment to loan defaulters. The move aided banks to regularize default loans to Tk527.70b last year, bringing down the amount to 9.32% of the total outstanding loans from 10.30% a year earlier. Moreover, BB instructed banks on 19 March not to consider the borrowers as defaulters if they fail to repay instalments until 30 June which was later extended to September 30 this year in the wake of Coronavirus pandemic. Bankers assume that the crisis-time directive resulted in reduction in amount of both rescheduled and default loans. But experts fear that both rescheduled and default loans may rise exponentially after end or withdrawal of the moratorium facility by the central bank.

LOAN RESCHEDULING BY BANKS
FIGURES IN BILLION TK.



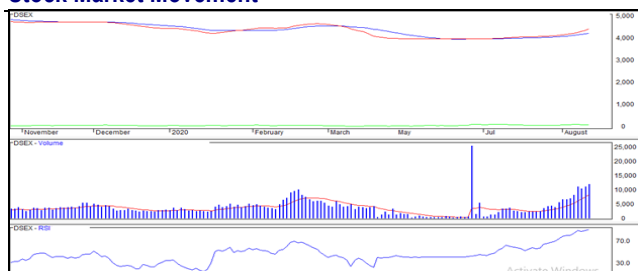
BO accounts 11 year low

Number of Beneficiary Owner (BO) accounts plummeted to 2.28m in July 2020 - which is the lowest since June 30, 2009 when the number was 1.42m. According to the Central Depository of Bangladesh Limited (CDBL) count, the number of active BO accounts came down from 2.55m in June 2020 after scrapping 0.27m inactive accounts. Most of these accounts were closed due to nonpayment of annual fees by the account holders. The bear-run of stocks during the last two fiscal years and sluggish primary market resulted in the reluctance of a section of investors to renew their BO accounts, it is assumed. Experts attribute the decrease of active accounts to the failure of the securities regulators to bring quality stocks and to check irregularities and market manipulations in the last 10 years.

Interest spread drops to 2.89% in June

Interest spread of the banking sector shrunk to 2.89% in June 2020 as the banks slashed lending rates more than the deposit rates while implementing single-digit interest rates. According to Bangladesh Bank (BB), the overall weighted average interest rate spread fell slightly by 0.05% during the month from 2.94% in May 2020. The weighted average rate on deposits fell to 5.06% in June from 5.24% a month earlier, while interest on lending slumped to 7.95% from 8.18%, as per BB statistics. Earlier, BB reduced the interest rate spread by 1% from 5% in March 2018 as part of the move to bring down the lending and deposit rates to 9% and 6% respectively, under suggestion from the government. At the end of June, the spread in the Private Commercial Banks, State-Owned Commercial Banks, Foreign Commercial Banks and Specialized Banks stood at 2.88%, 2.33%, 5.30% and 2.10% respectively.

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	3,372.85	3,351.28	0.64
FTSE 100	6,090.04	6,032.18	0.96
Nikkei 225	23,289.36	22,329.94	4.30
SENSEX	37,877.34	38,040.57	-0.43
KSE 100	40,290.74	40,029.69	0.65

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	4,703.32	4,364.83	7.75
Total Turnover, Tk	45,048,930,751.00	29,039,034,251.00	55.13
Market Capital, Tk	2,966,074,740,026	2,752,662,455,986	7.75
No of Issue Gain	282	260	
No of Issue Loss	59	42	
No of Unchanged Issues	18	57	

Top Gainers

Company	Last Week	This Week	Change %	Turnover (Tk)
Stylecraft Limited	148.20	205.30	38.53	192,838,000
Islami Bank Bd Ltd	19.00	25.90	36.32	216,219,000
Beximco	15.90	21.30	33.96	1,459,470,000
Northern Jute	326.90	424.80	29.95	187,603,000
Nitol Insurance Co.	36.00	44.60	23.89	527,931,000
Rupali Bank Ltd.	26.10	32.30	23.75	65,946,000
City Bank Ltd.	16.50	20.40	23.64	283,254,000
LankaBangla Fin	13.80	17.00	23.19	193,505,000
Desh Garments Ltd.	112.50	138.20	22.84	34,244,000
Bay Leasing	11.40	14.00	22.81	9,972,000

Top Losers

Company	Last Week	This Week	Change %	Turnover (Tk)
CAPM IBBL Islamic MF	8.50	7.60	-10.59	39,446,000
Argon Denims Limited	25.30	23.20	-8.30	121,123,000
Imam Button Industries	25.00	23.10	-7.60	1,277,000
IPDC Finance Limited	28.90	26.80	-7.27	240,584,000
Padma Islami Life	16.60	15.50	-6.63	4,705,000
Popular Life Insurance	87.10	81.50	-6.43	16,686,000
Meghna Condensed	14.20	13.50	-4.93	1,403,000
Quasem Industries	38.70	36.90	-4.65	69,462,000
Global Heavy Chem	34.90	33.50	-4.01	9,010,000
Rupali Insurance	23.40	22.50	-3.85	130,807,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	368.23	327.70	12.37	5,105.67	1,024.34	398.44
Cement	247.02	227.49	8.59	1,207.93	693.35	74.22
Ceramic	557.57	510.45	9.23	550.61	240.75	128.70
Engineering	1,959.73	1,821.31	7.60	5,182.59	2,545.26	103.62
Food & Al.	3,328.08	3,147.65	5.73	2,786.53	1,194.69	133.24
Fuel & Pow.	3,628.34	3,487.54	4.04	2,840.32	1,607.17	76.73
Insurance	1,832.15	1,796.25	2.00	5,834.26	7,110.16	-17.94
IT	344.75	341.62	0.91	821.30	943.66	-12.97
Jute	1,127.43	970.05	16.22	243.50	62.70	288.34
Misc.	1,155.22	1,072.96	7.67	2,967.65	1,276.24	132.53
Mutual Fund	393.12	385.94	1.86	772.81	520.64	48.43
NBFI	963.87	863.10	11.67	1,395.39	899.49	55.13
Paper	6,832.87	6,574.37	3.93	507.93	98.60	415.14
Pharma	1,212.57	1,148.66	5.56	7,409.20	5,387.45	37.53
Service	945.83	923.02	2.47	197.13	212.85	-7.39
Tannery	603.63	592.07	1.95	348.95	358.92	-2.78
Telecom	2,719.85	2,397.91	13.43	1,568.13	1,260.99	24.36
Textile	1,145.86	1,091.63	4.97	3,116.63	2,320.89	34.29
Travel & Leis	588.28	573.43	2.59	148.29	73.61	101.45

Technical Talk

Dhaka stocks closed higher for the eighth straight week ended on Thursday as enthusiastic investors continued their buying spree amid the positive regulatory moves. Moreover, expansionary Monetary Policy and gradual reopening of the economy also persuaded investors to pour money into the capital market. Among the major sectors, Telecom increased by 13.43% over the week followed by Bank 12.37%, NBFI 11.67%, Cement 8.59%, Engineering 7.60%, Pharma 5.56% and Textile 4.97%.

DSE Broad Index (DSEX) soared to 4,703.32 points increased by 338.49 points or 7.75% from the previous week. Total turnover reached at Tk45048.93m which was 55.13% higher than the previous week. Market capitalization increased by 7.75% and stood at Tk2966.07b (\$34.94b) at the weekend against Tk2752.66b. DSE 30 increased by 118.43 points or 8.02% and closed at 1,594.31 points against 1,475.88 points. Last week's weighted average Market PE was 12.45 which was 11.69 previous week.

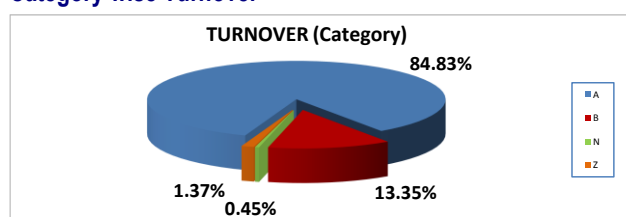
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Beximco Pharma	17,019,057	1,668,349,000	3.70
Square Pharma	7,574,156	1,524,487,000	3.38
Beximco	75,401,345	1,459,470,000	3.24
BRAC Bank Ltd.	39,727,615	1,337,070,000	2.97
BATBC	1,273,301	1,186,811,000	2.63
Grameenphone Ltd.	3,151,081	877,064,000	1.95

Top 10 Market Capital

	In million		
GP	391,587	ICB	68,226
Square Pharma	183,016	Berger Paint	62,921
BATBC	172,422	Marico	57,620
United Power	131,591	LafargeHolcim	48,081
RENATA	94,782	Brac Bank	46,538

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t.oz)	1,956.70	2,051.50	-4.62
Silver (USD/t.oz)	27.69	28.39	-2.44
Brent Crude Oil (USD/bbl)	44.96	45.09	-0.29

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	102.63	102.57	102.82	102.88	-0.19	-0.30
GBP	113.90	113.97	114.28	114.35	-0.33	-0.33
AUD	61.20	61.24	61.43	61.46	-0.36	-0.36
JPY	0.80	0.80	0.81	0.81	-1.00	-1.01
CAD	64.32	64.36	64.30	64.34	0.02	0.02
SAR	22.75	22.77	22.75	22.77	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)
Associated Oxygen Ltd.	Sep 10-16, 2020	10	150
Walton Hi-Tech indus.	Aug 09-Aug 16, 2020	252	1,000
Express Insurance	June 14-18, 2020	10	260.79