

UPDATE ON Dhaka Stock Market



The Journal is running a series of updates on Dhaka Stock Market. In this issue of THE COST & MANAGEMENT, A K M Shahidul Kirmany ACMA(UK), CGMA, FCMA has given a reflection of relevant changes and updates on the Dhaka Stock Market. The analysis of the Dhaka Stock Market has been done considering the period from November 1, 2019 to December 31, 2019. Mr. Kirmany is presently working with the VIPB Asset Management Company Limited as Chief Operating Officer.

Macro-economy Update

- ◆ The new VAT law, which came into effect six months ago, has failed to bring about the expected positive results in revenue collection. VAT collection grew by only 1.8% in the 4MFY20, the lowest growth ever reported in recent years, with a shortfall of BDT 82.6bn. The revenue board, however, had estimated during the last budget exercise that the new law and other measures related to VAT would bring in an additional BDT 365.2bn in FY20.
- ◆ Private credit growth is unlikely to pick up in the near future as most of the banks are reluctant to provide fresh loans after the move to enforce a single-digit interest rate. The sector's credit growth came down to 9.9% in Nov'19 on YoY basis from 14.01% in Nov'18.
- ◆ Sales of national savings certificates saw a 73.0% YoY fall in 5MFY20, making the government heavily dependent on borrowing from banks. Government borrowed 21.0% of its fiscal target from the savings certificates in 5MFY20, which was 83.0% in 5MFY19. A high dependency on bank loans has squeezed the opportunity for private sector businesses to get loans. According to the National Savings Directorate, in 5MFY20, the government had borrowed a net BDT 58.4bn from NSC, which was BDT 216.6bn in 5MFY19.
- ◆ According to the provisional statistics of the central bank country's bilateral trade deficit with the rest of the world increased slightly in the first five months of the current fiscal year (FY20). It showed that deficit in merchandise trade recorded at \$6.68 billion in July-November period of the current fiscal year which was \$6.65 billion in the same period of the last fiscal (FY19). Current account deficit stood at \$1.10 billion in the first five months of FY20 which was \$2.45 billion in the same period of the past fiscal year. According to experts, the decreasing trend of trade deficit is good for a strong economy but such a phenomenon is not a positive indicator at all for the growing economy like Bangladesh as it suggests of sluggishness of the economy. Imports declined 17.0% MoM to USD 4.06bn and exports nearly 1.0% MoM to USD 3.0bn. The slow also indicates lack of confidence among businesses in activating their investment plans.
- ◆ Export earnings fell 5.8% YoY to USD 19.3bn in 6MFY20 mainly because of lower shipment of apparel items. The receipt was also 12.8% lower than the half-yearly target of USD 22.1bn. Export rebounded in December with Bangladesh fetching USD 3.5bn in the month, registering a 2.9% YoY growth. In the first half, the shipment of apparel fell 6.2% to USD 16.0bn. Knitwear exports were down 5.2% to USD 8.2bn and woven declined 7.3% to USD 7.8bn.
- ◆ According to the provisional data of the National Board of Revenue (NBR) the revenue collection deficit from target widened further in Nov'19 despite the pace of overall collection growth last month compared with Oct'19. NBR logged nearly BDT 837.0bn in 5MFY20, trailing the target by BDT 270.0bn. Until Oct'19, NBR was BDT 200.0bn behind its target - a situation that has already forced the government to depend more on bank borrowing, raising concerns of a credit crunch and slowdown in implementation of development projects.

- ◆ Bangladesh's average inflation crept up 4bps points in 2019 which saw fluctuations throughout the year and a sky-rocketing of the price of onion, an essential cooking ingredient. At the end of 2019, inflation stood at 5.59%, up from 5.55% a year earlier. Full-year inflation averaged 5.7% in 2017 and 5.6% in 2016. In Dec'19, general inflation fell 30bps to 5.8% on the back of a steep fall in food inflation. Food inflation declined 53bps to 5.9%, aided by fall in the prices of vegetables and spices.
- ◆ All garment exports from Bangladesh will receive 1.0% special incentive on their shipment to all markets after the government made effective the much awaited cash support announced in the FY20 budget, and will be effective retrospectively from July 01, 2019. Bangladesh Bank also widened the coverage of the incentive by including terry towel and specialized textile as the two items were not defined clearly. Industry insiders and exporters say by the time the incentive came, the sector has lost its competitiveness in the global market as competitors such as Vietnam and India have already gained a lot of ground in the major markets. They also said had this been given in Jul'19 the way it has been given now, the garment exporters could have averted hiccups.
- ◆ Progress in execution of the annual development program remained dismal in HIFY20 as the government agencies managed to spend 26.36% of ADP, which 27.45% in HIFY19. The implementation rate was also the lowest in four years after FY16 when the progress rate was 23.54%. The government adopted the ADP worth BDT2.2tn for FY20 while the figure was BDT1.8tn in FY19. The ADP implementation rate in December alone dropped to 7.12% in the FY20 from that of 7.30% in the same month of FY19.
- ◆ The corporate tax collection grew by 13.49% YoY in HIFY20 due to arise in tax payment by banking and some other sectors. Large taxpayers unit (income tax) of the National Board of Revenue collected BDT82.0bn in corporate income tax in HIFY20 against BDT72.3bn in HIFY19. The unit, however, faced a shortfall of corporate tax collection by BDT 5.7bn of the target of BDT 87.7bn owing to decline in collection from some large commercial banks.

Stock Market Updates (November 1, 2019 to December 31, 2019)

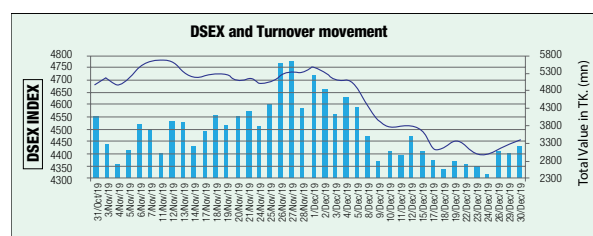
- ◆ The benchmark index of Dhaka Stock Exchange (DSEX) was down by 4.91% during the period. The daily turnover was highest on November 27, 2019.

Changes in Indices (November 1, 2019 to December 31, 2019)

Index	31/10/19	31/12/19	Point Change	% Change
DSEX	4,682.90	4,452.93	(229.97)	-4.91%
DSES	1,075.48	999.83	(75.65)	-7.03%
DS30	1,627.75	1,513.35	(114.40)	-7.03%

- ◆ The benchmark index Dhaka Stock Exchange (DSEX) was down by 17.32% from January – December 2019.

DSE Performance (November 1, 2019 to December 31, 2019)



- ◆ Top ten gainers and losers in terms of market price from November 1, 2019 to December 31, 2019

Top ten gainer		Top ten loser	
TICKER	GAIN (%) (0)(%)	TICKER	LOSS (%)
SAMATALETH	103.14%	STYLECRAFT	-63.99%
SEAPEARL	93.90%	BANGAS	-41.66%
PROGRESLIF	81.97%	WATACHEM	-40.69%
PARAMOUNT	79.39%	LEGACYFOOT	-28.14%
ANLIMAYARN	76.47%	PHARMAID	-27.98%
BEACONPHAR	64.47%	EMERALDOIL	-27.49%
ZAHEENSPIN	54.24%	SSSTEEL	-27.42%
MIRACLEIND	48.10%	SAFKOSPINN	-27.27%
HAKKANIPUL	45.22%	FEKDIL	-26.23%
YPL	41.18%	JMISMDL	-26.21%

- ◆ Stock investors passed a very disappointing year in 2019 as the market was largely down by lack of confidence, liquidity crisis and regulatory challenges, dwarfing many measures that the government took to prop it up. In the beginning, the market showed signs of hope on the back of political calmness aided by the peaceful national elections in December 2018, policy consistency and stable macro-economic indicators. The benchmark index of the Dhaka Stock Exchange (DSE) surged 8.87%

to 5,950 points within a month. But the following 11 months were upsetting, as the DSEX gave up 1,531 points, or 25.73%, to fall to 4,419 at the end of the year, the lowest in three and a half years.

- ◆ Bangladesh Securities and Exchange Commission approved bidding for discovering cut-off price of Walton Hi-Tech Industries. Walton wants to raise BDT 1,000mn to expand business and repay bank loans.
- ◆ The tenure of the ICB Employees Provident Mutual Fund I: Scheme I (closed-end) has been extended by 10 years. The Investment Corporation of Bangladesh (ICB), the trustee of the scheme, was approved this time expansion. Launched in 2009, the mutual fund was scheduled to be redeemed this month. After the latest tenure extension it will now expire on January, 2030.
- ◆ The BSEC has decided to prevent Bangladesh Auto cars from giving a 15.0% stock dividend that the company announced for its shareholders last month. According to BSEC directive, a company cannot offer dividend if it has cumulative losses, and Bangladesh Auto cars has cumulative loss of BDT 26.6mn.
- ◆ The Dhaka Stock Exchange (DSE) removed its Shareholder Director from the recently formed initial public offering (IPO) review team, to uphold the spirit of demutualization of the stock exchange and avoid any controversies regarding conflict of interest.
- ◆ Dhaka Stock Exchange's profits dropped 6.7% YoY to BDT 974.0mn in FY19 as a narrow product range and lack luster stock market ward off investors. DSE is heavily dependent on bank interest income: about 43.0% of its revenue in FY19 came from bank deposits. In contrast, the neighboring country's Bombay Stock Exchange logged only 5.67% of its total revenue from this source for the year that ended on March 31. DSE's second highest income came from transaction fees, which was BDT 723.2mn.
- ◆ The High Court ordered Robi Axiata Ltd. to pay BDT 1.4 billion to BTRC out of its claim of BDT 8.7 billion in 5 equal installments in 5 months. The court also asked the mobile phone operator to pay the first installment within January 30.
- ◆ The number of active BO accounts declined 7.3% in 2019 from the previous year. The number

of active BO accounts stood at 2.6 million on December 30, 2019 whereas the number of accounts was 2.8 million at the end of 2018.

- ◆ Transaction on OTC market on the DSE slumped 68% YoY in 2019. Currently, 65 companies are listed on the OTC market. Between January 01 and December 30, 2019, about 15.4 million shares worth BDT 223 million had been traded in the OTC.
- ◆ In 2019, the overseas investors bought shares worth BDT 36.8 billion while they sold stocks worth BDT 41.7 billion, taking the net position of BDT 4.9 billion in the negative. In 2018, net foreign investment was also negative BDT 5.9 billion as they sold shares worth BDT 50.9 billion against their purchase of shares worth BDT 45.0 billion.
- ◆ DSE launched CNI-DSE Select Index (CDSET) considering fundamentals, liquidity, and market cap of 40 listed companies.

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Sources of the information:

Website of Dhaka Stock Exchange
Website of Ministry of Finance
Website of Bangladesh Bank
The Daily Financial Express
The Daily Star
The Daily New Age
Research reports of Brokerages