



# Daily Business News

## September 9, 2021

### BUSINESS NEWS ANALYSIS REPORT

## Capital Market News

### Dhaka stock index continues rising

Amid the drop of most of the listed companies' stock prices, the benchmark index of the Dhaka bourse today soared and broke its previous record. The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), surged 55 points, or 0.77 per cent, to 7,196 points. At the DSE, 152 stocks advanced, 186 fell and 36 remained unchanged. On the same day, DS-30, the blue-chip stock index, rose 29 points to 2,613, points.

The turnover, an important indicator of the market, fell to Tk 2,555 crore which was Tk 2,866 crore a day back. Tamijuddin

Textile topped the gainers' list that rose 10 per cent followed by Deshbandhu Polymer, Esquire Knit, CVO Petrochemical, Alif Industries. Asian Tiger Sandhani Life Growth Fund shed mostly that lost 9.99 per cent followed by Meghna Pet Industries, Meghna Condensed Milk, GSP Finance, and ADN Telecom.

Stocks of Square Pharmaceuticals was traded highest that worth Tk 98 crore followed by British American Tobacco, Khulna Power, Beximco Ltd and Beximco Pharmaceuticals. Meanwhile, the index of the Chittagong Stock Exchange (CSE) also rose today. The CASPI, the general index of the port city bourse, edged up 181 points, or 0.87 per cent, to 20,979. Among the traded 329 stocks, 135 rose, 199 fell and 35 remained unchanged.

<https://www.thedailystar.net/business/economy/stock/news/dhaka-stock-index-continues-rising-2171351>

### Why prices of junk shares surge, BSEC seeks to know role of margin loan

Amid a bull run of the bourse, the regulator moves to check what lies behind abnormal share-price surge of many listed companies with poor fundamentals, so no bubble does occur. The Bangladesh Securities and Exchange Commission (BSEC) Wednesday asked the premier bourse to find out the causes behind such soaring prices of listed securities with poor price-earning (P/E) ratio.

Dhaka Stock Exchange (DSE) has been given a 15-day timeframe to find whether margin loans were disbursed against the securities

having P/E ratio above 40. The DSE management will have to submit a report in this regard within a fortnight (15 days).

P/E ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as price multiple or earnings multiple. The premier bourse has also been asked to find whether any loan facilities on those securities having P/E ratio above 40 contradict the BSEC directive previously issued on June 15, 2010.

Before the 2010-11 stock-market debacle in a directive issued on June 15, 2010 the securities regulator had directed merchant bankers, including portfolio managers, not to provide or disburse margin loans or credit facilities to their clients to purchase equity securities with P/E ratio above 40 until further order.

The then directive was issued against the backdrop of the then frenzied rally of the stock market. As per the revised directive, stockbrokers presently are allowed to disburse margin loan at a ratio of 1:0.8 until DSEX, the broad index of the premier bourse, remaining below 8,000 points.

According to previous directive issued on April 4, 2021 investors were allowed to avail margin-loan facilities at a ratio of 1:0.8 until the DSEX remaining below 7000 points. And the lower loan ratio was 1:0.5 if the DSEX crosses 7001-point mark or rises above.

Of 390 securities listed with the bourses, the P/E ratios of 221 are below 40, while the ratios of 98 securities are above 40 based on the latest interim financials and the market prices of the securities observed on Wednesday.

Some 15 listed companies are also being traded with P/E ratios ranging between 350 and 4692 due to appreciation observed in share prices despite witnessing no significant rise in EPS. Of those companies, the P/E ratio of Rahima Food Corporation was 4692 on Wednesday. The P/E ratio also indicates the possible growth of a company.

<https://thefinancialexpress.com.bd/stock/why-prices-of-junk-shares-surge-bsec-seeks-to-know-role-of-margin-loan-1631157166>

### **DSE asked to check whether margin loans issued for 73 cos' shares**

The Bangladesh Securities and Exchange Commission on Wednesday asked the Dhaka Stock Exchange to find out whether any margin loans was issued for buying shares of companies whose price earnings ratio crossed 40. The bourse has also been asked to discover the reasons for a surge in the share prices of those companies.

There are around 73 companies whose PE ratio crossed 40 as of Wednesday, according to DSE data. The PE ratio of a company is market value per share of the company divided by its earnings per share. The DSE has been asked to report its findings to the

commission within 15 working days. BSEC officials said that the commission made the decision after observing a significant rise in share prices of many companies having PE ratio over 40. The commission suspects that share prices of the risky companies soared abnormally as some market intermediaries might have issued margin loans for purchasing the companies' shares, they said.

According to the BSEC notification issued on June 15, 2010, merchant banks and brokerage houses cannot provide or disburse any further margin loan or credit facilities to their clients to purchase the equity securities with price-earnings ratio of above 40. The BSEC issued the directive in 2010 to safeguard investors from losing money as the companies which have over 40 PE ratio are considered risky companies. BSEC officials said that the DSE must ensure that the directive was implemented.

BSEC commissioner Shaikh Shamsuddin Ahmed told New Age that the commission made the decision to ensure safety of the general investors. There are regulatory bindings that the intermediaries cannot provide their customers margin loans for purchasing shares of companies having PE ratio of over 40, he said.

As of Wednesday, Rahima Food had the highest PE ratio of 2,307.81 followed by Information Services Network Limited 1,387.01, Monno Fabrics 883, Bangas Limited 826, Bangladesh Monospool Paper Manufacturing

Co 615, Ambee Pharma 596, Sonali Ansh 528, Kay & Que 420, Monno Agro Industries 418, BD Autocars 411 and Paper Processing & Packaging Limited 399.

Share price of Rahima Food soared from Tk 196 each on March 9 to Tk 375 each on Wednesday. Share prices of Bangladesh Monospool Paper Manufacturing Co soared from Tk 55 each to Tk 229.9 each, Tamijuddin Textile Mills from Tk 13.2 each to Tk 183.7 each, Paper Processing & Packaging from Tk 17.6 each to Tk 234.6 each during the period from June 13 to September 8.

<https://www.newagebd.net/article/148566/dse-asked-to-check-whether-margin-loans-issued-for-73-cos-shares>

### **Inactive asset managers to face BSEC probe**

The stock market regulator will look into the business activities of asset management companies (AMCs) that do not manage any funds or are not in operation after getting licences. The Bangladesh Securities and Exchange Commission (BSEC) has recently identified 10 such inactive asset management companies. But the companies are enjoying the quota facility in initial public offerings (IPOs) and qualified investor offers (QIOs) in the capital market as qualified investors.

They are Alif Asset Management Company, Invest Asia Capital Asset Management, BDV Asset Management Company, Meghna Asset Management, Bloomance Asset Management Company,

Blue-Wealth Assets, Belt and Road Asset Management Company, Maslin Capital, BMSL Asset Management Company, and MBL Asset Management Limited.

<https://www.tbsnews.net/economy/stocks/inactive-asset-managers-face-bsec-probe-299848>

## **Industry News**

### **11 banks asked to submit plans for overcoming capital shortfall**

The Bangladesh Bank has asked 11 banks, which have suffered capital shortfalls in the first half of 2021, to submit their respective plans for mitigating their capital shortfalls. The central bank issued letters to the banks asking them to explain what steps they had already been taken or would take to mitigate their shortfalls. The banks which were asked to submit their plans are Bangladesh Krishi Bank, Sonali Bank, Janata Bank, Agrani Bank, ICB Islamic Bank, BASIC Bank, Rajshahi Krishi Unnayan Bank, Bangladesh Commerce Bank, Rupali Bank, Padma Bank and AB Bank.

At the end of June 30, 2021, capital shortfall in BKB was Tk 11,843.97 crore, that in BASIC Bank was Tk 1,927.2 crore, ICB Islamic Bank Tk 1,642.49 crore, BCBL Tk 1,146.21 crore, Padma Bank Tk 461.49 crore, AB Bank Tk 329.52 crore, Sonali Bank Tk 3,557.86 crore, Agrani Bank Tk 1,960.23 crore, RAKUB Tk 1,506.4 crore, Rupali Bank Tk 664.94 crore and Janata Bank Tk 345.04 crore.

Banks are supposed to maintain a minimum 10 per cent CRAR, 3 per cent leverage ratio and 2.5 per cent capital conservation buffer. In terms of capital to risk weighted assets ratio, ICB Islamic Bank's performance is the worst with a negative capital adequacy of 136.45 per cent. CRAR levels are stipulated to protect depositors and maintain confidence in any bank, said a BB official.

If any bank ends up with too many bad loans and wipes them off its balance sheet, it will end up with a negative equity and hence, a negative CRAR which leads a bank to a state of insolvency, the official said. On the other hand, less than the required CRAR at any bank is also reflective of its weak capacity to pay back depositors' money, the official said.

Of the banks, state-owned banks only depend on funds from the government to improve their capital base since they have been constantly failing to improve their capital base with their own-funds.

<https://www.newagebd.net/article/148567/11-banks-asked-to-submit-plans-for-overcoming-capital-shortfall>

## **Economy News**

### **Bank deposits rise despite low returns**

Deposits at banks saw remarkable growth last fiscal year as the coronavirus-linked uncertainty compelled people to cut non-

essential expenses and save more, while lending growth shrank slightly due to business slowdown. Deposits totalled Tk 1,485,601 crore in fiscal 2020-21, up 8.49 per cent from a year ago, according to data from Bangladesh Bank.

The deposit growth, however, stood at 8.95 per cent in FY20. Last fiscal year, lending growth decelerated to 8.48 per cent from 8.95 per cent a year ago. Banks disbursed Tk 1,154,955 crore in loans in FY21.

Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, credited the robust remittance growth and higher export earnings for the expanding deposit base. The inflow of foreign loans increased throughout the last fiscal year, contributing to the ballooning of the deposits.

The loan-deposit ratio stood at 71.55 per cent last fiscal year in contrast to 76.22 per cent a year earlier, comfortably within the regulatory ceiling. Conventional banks are allowed to keep the loan-deposit ratio at 87 per cent and Shariah-based banks at 92 per cent.

But the declining trend of the loan-deposit ratio indicates that banks are facing difficulty in ensuring adequate profits. The net profit of banks stood at Tk 5,278 crore in 2020, down 31 per cent from a year earlier.

Banks managed to stop the downward trend of profits in the

first half of 2021 by cutting the interest rate on deposits, which allowed them to earn sizeable amounts. The weighted average rate on deposits stood at 4.13 per cent in June, down from 5.06 per cent a year ago, BB data showed. The lower deposit rate, which are below the inflation rate,

<https://www.thedailystar.net/business/economy/banks/news/bank-deposits-rise-despite-low-returns-2171811>

## Company News

### Alif Group looks to acquire C&A Textiles

Alif Group has expressed its keen interest to acquire the entire C&A Textiles Limited, a listed company which has been out of production for the last five years. The business conglomerate, which is mainly engaged in textile spinning, dyeing, and knitting, has already visited the C&A Textiles and submitted its presentation regarding the acquisition plan to Bangladesh Securities and Exchange Commission (BSEC).

In this regard, a meeting was held between the Alif Group and the stock market regulator on Wednesday, in participation of Md Azimul Islam, managing director of Alif Group, and BSEC senior officials. The Alif Group handed over its official proposal to the

BSEC as the regulator's nod is a must for acquisition of the listed companies.

In 2015, the C&A Textiles was listed on the bourses. After that, the Chattogram based company was in operation from 2014 to 2016 and declared stock dividends 11 per cent, 12 per cent, 10 per cent for the years respectively.

After 2016, the company had faced some problems relating to operation, which forced it to shut production. As the company has been shut for the last five years, some of the machinery are now out of order, while some require major repair.

In the acquisition proposal, the Alif Group said, "We have been doing business successfully in similar industries for more than 37 years. Though it is very difficult to fix the present condition of C&A Textiles, we believe that with our expertise, industry knowledge, we should try to revive the condition of C&A Textiles for the greater interest of all stakeholders as well as the country."

<https://businesspostbd.com/post/27223>



## Price Sensitive News

Trading Code: PLFSL  
News Title: PLFSL: Extension of suspension period of Trading of Shares  
News: (DSENEWS): Referring to the earlier news disseminated on 25.08.2021 regarding Trading suspension of Shares of the Company, upon authorization of the Board, the Management of DSE has decided to extend the suspension period of trading of shares of the Company for further period of 15 days effective from September 10, 2021 in accordance with Sub-Section (7) & (8) of the Section 9 of the Securities and Exchange Ordinance, 1969 and Regulation 50 of the Dhaka Stock Exchange (Listing) Regulations, 2015.  
Post Date: 2021-09-09

Trading Code: EXCH  
News Title: DSENEWS: Daily Turnover  
News: Today's (09.09.2021) Total Trades: 374,365; Volume: 624,281,881 and Turnover: Tk. 26,965.825 million.  
Post Date: 2021-09-09

Trading Code: NCCBANK  
News Title: NCCBANK: Dividend Disbursement  
News: The Company has informed that it has credited the Bonus shares for the year ended on December 31, 2020 to the respective shareholders' BO Accounts and it has also disbursed the cash dividend to the respective shareholders.  
Post Date: 2021-09-09

Trading Code: DESHBANDHU  
News Title: DESHBANDHU: Query Response  
News: In response to a DSE query dated September 08, 2021, the Company has informed that there is no undisclosed price sensitive information of the Company for recent unusual price hike and increase in volume of shares.  
Post Date: 2021-09-09

Trading Code: NBL  
News Title: NBL: Postponement of AGM of the Company  
News: The Company has further informed that due to unavoidable circumstances, the 38th AGM, scheduled to be held on September 30, 2021 has been postponed. The new date, venue and time of the AGM will be notified later.  
Post Date: 2021-09-09

Trading Code: SBACBANK  
News Title: SBACBANK: Dividend Declaration: New Record Date for Entitlement of Bonus Shares  
News: The record date for the purpose of determination of entitlement of bonus shares or stock dividend will be announced later after receiving consent letter from the BSEC  
Post Date: 2021-09-09

Trading Code: SAMATALETH  
News Title: SAMATALETH: Query Response  
News: In response to a DSE query dated September 09, 2021, the Company has informed that there is no undisclosed price sensitive information of the Company for recent unusual price hike and increase in volume of shares.  
Post Date: 2021-09-09

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