

UPDATE ON Financial Market



The Journal is running a series of updates on Financial Market of Bangladesh (i.e. Money Market and Capital Market). In this issue of THE COST & MANAGEMENT, Mr. Mohammad Shamsur Rahman, FCMA has given a reflection of relevant changes and updates on Financial Market. The analysis of the market has been done considering the period from March 01, 2021 to April 30, 2021. Mr. Rahman is currently working as Chief Regulatory Officer (CRO) of Chittagong Stock Exchange Limited.

Bangladesh Economic Outlook

- ◆ The Bangladesh Infrastructure Development Fund (BIDF) – formed with a portion of forex reserves – has started its journey with the government having picked the Payra port first for financing from the new fund. Initially, projects under port and power sectors will get funds from the reserves and other profit-yielding projects will be added to the list gradually. Besides, private projects will also get loans from it after the fund size gets expanded.
- ◆ Financing by banks and non-bank financial institutions for environment-friendly initiatives rose by 62.36 per cent or Tk 14,984.59 crore in the October-December quarter of 2020 compared with that in the previous quarter. In the October-December quarter, the banks and NBFIs disbursed Tk 3,901.56 crore for environment-friendly initiatives against their disbursement of Tk 2,403.11 crore in credits in the July-September quarter.
- ◆ The highest dividend ceiling for top-performing banks will be increased to 35% from the existing 30% by revising the new dividend policy. The decision was made at a meeting between the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank at the former's headquarters.
- ◆ The Bangladesh Bank has allowed joint venture apparel exporting companies operating in the country's export processing zones to take loans from the BB's export development fund. EDF loans would be admissible against back-to-back import letters of credit for input procurements by EPZs' type 'B' industries (joint-venture companies) producing readymade garments for export.
- ◆ Innovative entrepreneurs between the ages of 21 and 45 will be eligible to get loans from the start-up fund formed by Bangladesh Bank. They will get a maximum of Tk 01 crore loan for an initiative or project from the fund against personal guarantee and academic certificate and 10% of the fund will be allocated for women entrepreneurs. The annual interest rate will be 4% and the term of the loan is five years. Loan installments have to be paid after every three or six months while the maximum grace period for loan repayment is one year.
- ◆ Reserve money recorded an increase of Taka 44825.44 crore or 1.76 percent at the end of April 2021 as compared to March 2021. Of the sources of reserve money, net foreign assets of Bangladesh Bank increased by Taka 66,376.20 crore while net domestic assets of Bangladesh Bank decreased by Taka 28,242.40 crore at the end of October 2020 as compared to October 2019.
- ◆ The twelve-month average general inflation decreased to 1.81 percent in February 2021 which was 2.12 in the month of December 2020.

- ◆ The point-to-point Food inflation increased to 5.32 percent in February 2021 from 5.02 percent in January 2021.
- ◆ Bengal Commercial Bank (BGCB) Limited is set to start its journey on 10 March 2021 (Wednesday) with a vision 'Inspiring Growth' to help fulfill the economic needs of the nation.
- ◆ The National Board of Revenue is set to rollout a mandatory electronic system for payment of fees and charges above Tk 2 lakh on all import and export products from July 1. From April 1, the Inland Container Depot at Kamalapur will receive duties and taxes of all bills of entry and bills of export through electronic payment.

The summary of the economic outlook depicted below:

Particulars	31 March 2021	28 April 2021
Foreign Exchange Reserve (In million US\$)	43435.28	44825.44
Interbank Taka-USD Exchange Rate (Average)	84.8019	84.8000
Call Money Rate (Weighted Average Rate)	1.83	2.06
	February, 2020	February, 2021
Import (C&F) (in million US\$)	4723.70	5564.20
Import (f.o.b) (in million US\$)	4370.00	5148.00
Export (EPB) (in million US\$)	March, 2020 2732.00	March, 2021 3076.03
Rate of Inflation on the basis of Consumer Price Index for National (Base:2005-06=100)	January, 2021	February, 2021
a) Twelve Month Average Basis	5.64	5.63
b) Point to Point Basis	5.02	5.32
GDP Growth Rate (in percent, Base: 2005-06=100)	8.15 (2018-19)	5.24 (2019-20)

Source: Bangladesh Bank

Bangladesh Capital Market Updates

- ◆ The Bangladesh Securities and Exchange Commission has decided for the first time to honour three stock market intermediaries for their contribution to the stock market in 2020. The regulator will assess duties and responsibilities the stock market intermediaries, including stockbrokers, stock dealers, merchant banks, portfolio managers and asset managers performed in the past year for protecting the investors' interest and the development of the market.
- ◆ The stock market regulator has increased the marginal loan limit for the investors to curb free-fall of share prices. The investors will get margin loan ratio of 1:0.80, if the key index of the Dhaka Stock Exchange (DSE) stays below 7,000 points. That means, the investors will get a maximum loan of Tk 80, if he/she purchases shares of Tk 100. Earlier, the investors got margin loan of Tk 50 against buying of shares worth Tk 100.
- ◆ Bangladesh Securities and Exchange Commission (BSEC) signed a memorandum of understanding (MoU) with Institute of Chartered Accountants of Bangladesh (ICAB) to access Icab's document verification system (DVS) to check companies' financial reports.
- ◆ The stock market regulator has set to implement a new provision for IPOs that will distribute shares proportionately among the applicants, bringing an end to the lottery system. From 01 April 2021, every IPO applicant will get shares if they have a minimum secondary market investment of Tk 20,000. They will have to make a subscription of at least Tk 10,000 in the IPOs.
- ◆ The Bangladesh Securities and Exchange Commission (BSEC) has proposed to raise the general investors' portion in the IPO in the draft amendment of related rules. The regulator has published the draft of the amended public issue rules on its website, seeking comments from the stakeholders by March 15.

- ◆ The Bangladesh Securities and Exchange Commission withdrew the floor prices of shares of 66 listed companies. Earlier on March 19, 2020, the BSEC introduced the floor price system to bar share prices of listed companies from falling below a certain level amid the COVID-19 outbreak. The circuit breaker or trading curb will be allowed to fall a maximum of 2 per cent a day instead of the usual 10 per cent.
- ◆ Bangladesh Securities and Exchange Commission (BSEC) has approved the country's first green zero-coupon bond with the help of which Sajida Foundation will raise a fund of Tk 100 crore. The nature of the bond will be unsecured, non-convertible and fully redeemable green zero-coupon bond. The bond will be fully redeemable in two years. The face value of each unit of the bond would be Tk 10 lakh. Only financial institutions, insurance companies, high net worth individuals and corporate bodies will be allowed to subscribe the bond through private placement. The Foundation will utilise the bond proceeds in micro financing activities along with ensuring environmental development. Sena Kalyan Insurance Company acts as trustee and Standard Chartered Bank as mandated lead arranger of the green bond.
- ◆ Baraka Patenga Power Limited has received approval from the Bangladesh Securities and Exchange Commission (BSEC) to issue shares at the cut-off price of Tk 32 each, in their initial public offering (IPO). The company will raise Tk225 crore from the capital market to expand its business. Institutional investors will buy primary shares of Baraka Patenga Power Limited at Tk32 each while the general public is to get a 10% discount on the price. The company will utilise Tk 144.34 crore, part of its IPO proceeds, to invest in two of its power generation subsidiaries – Karnaphuli Power Ltd and Baraka Shikalbaha Power Ltd. The remaining funds will be used to repay loans and bear expenses of the IPO process. LankaBangla Investments Ltd. is the issue manager of the Baraka Patenga IPO.
- ◆ The unitholders of the Southeast Bank 1st Mutual Fund (SEBLISTMF)—a closed-end listed mutual fund— will decide regarding the conversion to open-end or liquidating the fund at a virtual meeting. The fund will complete its 10-year tenure on 15 May 2021. As per the trustee's decision, the fund's trade on stock exchanges will be suspended on 16 May and the effective date is 17 May.
- ◆ The securities regulator has approved the first proposal for raising capital by an SME, namely Nialco Alloys, through the qualified investor offer (QIO). The company seeking to raise a capital worth Tk 75 million will be listed on the SME platform of the stock exchange. The maiden approval to the QIO of Nialco Alloys, a manufacturer of grade bronze and brass ingots, came as part of the move taken to ensure long-term financing for the SME (Small and medium-sized enterprise) sector. Nialco Alloys will raise the said capital from the eligible investors (EIs) by offloading 7.5 million shares at an offer price of Tk 10 each. The company will utilize the fund for developing land, purchasing machineries and catering the QIO expenses. MTB Capital is working as the issue manager of the Nialco Alloys. The securities regulator also decided that individual investors (residential and non-residential) having investments worth Tk 10 million or above in listed securities will be treated as qualified investors. The amount of their investments will be considered at market price.
- ◆ The securities regulator has exempted four firms from the rules regarding the qualified investors offer (QIO) to enlist them on the small capital boards of the bourses. The four companies that will be listed on the small capital board are Master Feed Agrotec, Subra Systems Ltd, Oryza Agro Industries Limited and Mostafa Metal Industries.
- ◆ The securities regulator has deferred the implementation of its directive regarding the cap on margin loan interest for another six months until January 1, 2022, considering the interest of the investors and development of the capital market.
- ◆ The IPO subscription of Sonali Life Insurance Company will open from May 30 and continued until June 3, aiming to raise Tk 190 million under the fixed price method. As per the BSEC approval, the Sonali Life Insurance will raise a capital worth Tk 190 million under the fixed price method issuing 19 million ordinary shares at an offer price of Tk 10 each. The company will invest the IPO proceeds in government Treasury bond, fixed deposit receipt

(FDR) and stock market along with bearing the IPO expenses. ICB Capital Management and Agrani Equity & Investment Ltd are jointly working as issue managers of company's IPO process.

- ◆ The Bangladesh Securities and Exchange Commission allowed EXIM Bank to float the Mudaraba perpetual bond worth Tk 600 crore. It would be an unsecured, contingent-convertible BASEL-III compliant perpetual bond. The face value of each unit of the bond will be Tk 10 lakh and the coupon rate will be 6 to 10 per cent. Only state-run financial institutions, mutual funds, insurance companies, listed banks, cooperative banks, regional rural banks, trusts and other eligible investors will be allowed to subscribe to the bonds through private placement. Green Delta Insurance Company Limited will act as the trustee for the bond while City Bank Capital Resources Limited is the mandated lead arranger for the bond.
- ◆ The Bangladesh Securities and Exchange Commission has approved the draft prospectuses of the following three open-end mutual funds (MFs):

Name of Fund	Nature of fund	Amount	Fund Manager
Joytun First Unit Fund	Open-end mutual fund	Tk 10 crore	Joytun Asset Management Limited
LankaBangla Gratuity Wealth Builder Fund	Open-end mutual fund	Tk 10 crore	LankaBangla Asset Management Company
RBIMCO BGFI Fund	Open-end mutual fund	Tk 10 crore	Royal Bengal Investment Management Company

DSE and CSE Market Updates (from March 01, 2021 to April 29, 2021)

- ◆ The DSE Broad Index (DSEX) at the end of April 2021 stood at 5497.62 which was 1.72 percent higher than the index of 5404.80 at the beginning of March 2021. The daily turnover was highest on April 20, 2021. Changes in indices of DSE (from March 01, 2021 to April 29, 2021):

Indices	Open	Close	Point Change	% change
DSEX	5404.80	5497.62	92.82	1.72%
DSES	1222.84	1249.82	26.98	2.21%
DS30	2056.83	2110.91	54.08	2.63%

(*considering 01st March 2021 as base)

- ◆ The CSE All Share Price Index (CASPI) at the end of April 2021 stood at 15844.8 which was 1.54 percent higher than the index of 15603.80 at the beginning of March 2021. The daily turnover was highest on April 24, 2021. Changes in indices of CSE (from March 01, 2021 to April 29, 2021):

Indices	Open	Close	Point change	% Change
CASPI (All share index)	15603.80	15844.8	241	1.54%
CSE-30	12156.81	12062.49	-94.32	-0.78%
CSCX	9410.74	9560.06	149.32	1.59%
CSE 50 (Benchmark)	1188.37	1207.84	19.47	1.64%
CSI (CSE Shariah Index)	983.85	1003.67	19.82	2.01%

(*considering 01st March 2021 as base)

- ◆ The total market capitalization of all shares and debentures of the listed securities of DSE stood higher by 0.76 percent at Tk. 4707.12 billion as on April 29, 2021 from Tk. 4671.72 billion on March 01, 2021. On the other hand, the total market capitalization of all shares and debentures of the listed securities of CSE stood higher 0.89 percent at Tk. 3973.51 billion as on April 29, 2021 from Tk. 3938.59 billion on March 01, 2021.

Source: website of BSEC, DSE & CSE

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