

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Time for brake on bank dividends

- In the year 2010, banks had a tendency to declare high dividends, even hiding their financial weaknesses, to allow shareholders to take out profit ignoring the real financial capacity. The new dividend policy issued by the Bangladesh Bank recently revealed the real financial capacity of banks, as dividend is now linked with financial strength. Only 12 out of 30 listed banks in the country have the capacity to declare a maximum of 30% dividend for last year complying with the dividend rule. These banks are – Al-Arafah Islami Bank, Bank Asia, City Bank, Dutch-Bangla Bank, Dhaka Bank, Eastern Bank, Jamuna Bank, Mutual Trust Bank, Prime Bank, Pubali Bank, Southeast Bank and Trust Bank.
- In 2010, when the market was booming, half of the listed banks declared dividends as high as 30%-95%, while 11 banks declared over 20% dividend. Even though there was no rule about declaring dividend previously, the Covid-19 pandemic has brought the Bangladesh Bank to the realisation that shareholder directors must be compelled to concentrate on banks' performance to get reward from public money. According to the new dividend policy, a bank can declare a maximum of 30% dividend including 15% cash for shareholders only if it can maintain a minimum of 15% capital adequacy ratio (CAR).
- Despite having provision forbearance, the average industry CAR declined to 11.64% in December last year from 11.94% in September the same year. The capital base is assumed to deteriorate further in the coming days as regular loan classifications resumed from January this year which will increase provisional burden, eroding capital base.

<https://tbsnews.net/economy/banking/time-brake-bank-dividends-212062>

Record profit for Dutch-Bangla Bank in 2020

- Dutch Bangla Bank logged in a record profit of BDT 5.50 billion in 2020 -- incredible seeing that it came amid the global coronavirus pandemic that wreaked havoc on lives and livelihoods like never before. While the reasons for the surge in profit has not been disclosed yet, one can assume the host of facilities extended by the Bangladesh Bank to soften the blow of the global coronavirus pandemic is to thank for the 26.7% higher profit in 2020. On March 19 last year, 11 days after Bangladesh announced its first confirmed cases of Covid-19, the central bank asked lenders not to consider businesspeople as defaulters if they fail to repay their instalments until June 30.
- The deadline was extended twice since to December 31 this year. Banks usually keep aside 0.5% to 100% in provisioning. They keep lower provisioning for regular loans but 20 to 100% for default loans. The payment holiday meant banks were not obliged to set aside funds from their income to account for future losses. Besides, Dutch-Bangla Bank owns Rocket, a formidable player in the mobile financial services field that got a boost amid the pandemic. They have been able to maintain our growth despite the pandemic and the single-digit interest rates, but it will be difficult for us to maintain the growth in the coming days, said a senior official of Dutch-Bangla Bank on condition of anonymity.
- With the weaning off of loan moratorium facility from this year and given the tough operating conditions last year, the amount of bad loan is expected to see a spike, meaning a big hit to banks' balance sheet in 2021. Besides, banks' fresh credit disbursement, their bread-and-butter, has been on the slow lane since last year, so their interest income is expected to shrink much. But because of the central bank's cap on dividend handout the bank announced the maximum 30% it is allowed this year: 15% cash and 15% stock dividends. In 2019, it gave 15% cash and 10% stock dividends.

<https://www.dhakatribune.com/business/stock/2021/03/06/record-profit-for-dutch-bangla-bank-in-2020#:~:text=Dutch%20Bangla%20Bank%20logged%20in.and%20livelihoods%20like%20never%20before.>

Citibank's profit takes a hit for pandemic

- The Bangladesh subsidiary of American financial services behemoth Citigroup, Citibank, saw its profit shrink 12.4% in 2020 to BDT 908 million as the pandemic ate away the appetite for loans for its client base, businesses. The performance is better than its parent group, which saw its profit crash 41.2% to USD 11.4 billion because of the "massive economic impact of COVID-19". Citibank's loans and advances contracted 26.5% year-on-year to BDT 13.58 billion last year. Its roster of large loan clients increased from 28 to 31. Names include Grameenphone, Banglalink, Robi, Nestle Bangladesh, British American Tobacco, Pran, Heidelberg Cement, LafargeHolcim, Incepta, Renata, Brac, among others.
- Their outstanding loans with Citibank stood at BDT 23.96 billion at the end of 2020, down 1.4% year-on-year. As a result, its interest income crashed 30.8% to BDT 1.22 billion in 2020. Citibank's default loan ratio increased from 1.2% in 2019 to 1.6% -- which is way below the sector's average of 7.7% in 2020. Its loan to deposit ratio is 33%, down from 47.8% in 2019 -- and much below the ceiling of 85%.

<https://www.dhakatribune.com/business/stock/2021/03/06/citibank-s-profit-takes-a-hit-for-pandemic>

Teletalk finally opts to take part in spectrum auction to stay afloat

- State-owned mobile phone operator Teletalk has finally decided to participate in the spectrum auction on March 8 to acquire sufficient spectrum and continue running its 4G services. Earlier, the top three mobile operators - Grameenphone (GP), Robi, and Banglalink's demand were for 11.8 MHz spectrum. Grameenphone specifically sought 4.8 MHz spectrum, Robi 2.6 MHz and Banglalink 4.4 MHz from the 1800 MHz. But the Bangladesh Telecommunication Regulatory Commission (BTRC) officials said that they only have 7.4 MHz from 1800 MHz, and they will allocate the rest of the spectrum from the 2100MHz band in the upcoming auction.

- Teletalk operator's demand is 5 MHz this time. But the state-owned operator will have no problem if it is allocated from the 100 MHz band, said Mohammad Shahabuddin, managing director of Teletalk. Meanwhile, the telecom regulator has set certain conditions for the participants in March 8's auction.

<https://www.dhakatribune.com/business/2021/03/07/teletalk-finally-opts-to-take-part-in-spectrum-auction-to-stay-afloat>

12 tech startups want to raise funds from public

- Twelve technology-based startups are interested to enter the stock market in order to raise funds. The companies are: Sheba.xyz, Chaldal, Zantrik, Landknock, Hellotask, Bondstein Technologies, Brain Station 23, eCourier, Khaas Food, Divine IT, AnnaNovas IT, and CMED Health. The companies already met with the stock market regulator last week to discuss the matter. The small-cap board, called the DSE SME, was rolled out on April 30 of 2019 with a view to helping small and medium enterprises raise funds from the market. Companies of this size were previously shut out from the process due to their lower turnover.

- A small company should at least have paid-up capital of BDT 50 million to get listed with the country's bourses. After listing, its paid-up capital should be at least BDT 100 million. Not all investors are allowed to trade on the SME board. The qualified investors are: merchant bankers and portfolio managers, asset management companies, mutual funds and collective investment scheme (CIS), stock dealers, banks, financial institutions, insurance companies, alternative investment fund managers, alternative investment funds, market makers, issuer of listed securities, resident or non-resident Bangladeshis, individuals having minimum net worth of BDT 10 million, and other institutions as approved by the commission.

<https://www.thedailystar.net/business/news/12-tech-startups-want-raise-funds-public-2056217>

BSEC unlikely to stop issuing IPOs despite sluggish market

- The securities regulator is unlikely to put off the process of bringing new IPOs (initial public offerings) in the capital market amid the recent trend of poor transactions. One of the commissioners at the Bangladesh Securities and Exchange Commission (BSEC) made the observation as different market operators suggested not to approve IPOs due to the ongoing down trend in the secondary market. They are not in favour of going slowly or putting off the IPO proposals, a BSEC commissioner said. They're eagerly waiting for quality IPOs which will be cleared as per the normal procedure and without any delay, he said, apparently rejecting the idea of holding back the IPO processing.

- He also informed that the regulator did not have sufficient IPO proposals at present. President of the Bangladesh Merchant Bankers Association (BMBA) said that many operators and few experts suggested putting off the IPO process due to the sluggish market trend. Without putting off the IPOs, what we can do at best is to defer the public subscription period of a company subject to their application, a BSEC commissioner said.

<https://today.thefinancialexpress.com.bd/last-page/bsec-unlikely-to-stop-issuing-ipos-despite-sluggish-market-1615050492>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$66.09	\$17.57	36.21%
Crude Oil (Brent)*	\$69.36	\$17.56	33.90%
Gold Spot*	\$1,700.63	(\$194.47)	-10.26%
DSEX	5,515.78	113.71	2.10%
S&P 500	3,841.94	85.87	2.29%
FTSE 100	6,630.52	170.00	2.63%
BSE SENSEX	50,405.32	2,653.99	5.56%
KSE-100	45,837.35	2,081.97	4.76%
CSEALL	7,054.49	280.27	4.14%

Exchange Rates

USD 1 = BDT 84.82*

GBP 1 = BDT 117.36*

EUR 1 = BDT 101.04*

INR 1 = BDT 1.16*

**Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.*

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