DHAKA TUESDAY MARCH 10, 2020, FALGUN 26, 1426 BS o starbusiness@thedailystar.net

### Institutional investors lose their head while bidding for Walton shares

Walton Hi-Tech Industries is flying high, so it is reasonable to assume there would be a clamour for a slice of the home grown electronics giant.

But what transpired at the recently concluded book-building session for Walton's initial public offering left most analysts scratching their heads.

Some eligible investors bid as low as Tk 12 for a stock of the electronics manufacturer that logged in profits of Tk 1,376 crore in its last financial year, while some placed bids as high as Tk 765, according to the Electronic Subscription System for EIs.

Such outsize deviation in the amount eligible investors were willing to pay for a stock was never seen before.

"The bidding of Tk 12 and Tk 765 are both unrealistic," said a merchant banker, adding that in no iteration of company analysis would such divergent bids be recommended.

Some put bids at the very high-end expecting a high price in the secondary market through lower free-float.

"They did not consider the real value of the company," he added.

Some 15 eligible investors placed bids

One such bidder said on condition of anonymity that his logic was the company's high premium for its potential will lower the freefloat shares, so it would be easy for gamblers to manipulate the price.

"General investors will also be hankering for the stock as Walton has goodwill in the market," the bidder added.

As the company's cut-off price is Tk 315, the company's free-float would be less than 1 per cent shares or about 27 lakh shares.

Walton would make its debut on the stock market at around Tk 280, which is about 10 per cent less than the cut-off price.

"A well-performing company will get a high premium -- this is normal. But the eligible investors' expectations of gambling with the stock is seriously shocking," said a top official of a leading asset manager.

The stock market regulator should ask the high and low bidders why they placed such abnormal bids.

A high official of the BSEC said preferring anonymity that the regulator itself is irritated with the abnormal bidding from eligible investors because Walton is not the only case.

In order to get eligible investors to place realistic bids, the regulator has already issued a notice informing them that will get shares at their bidding price.

Despite that, some of the institutional investors are bidding abnormally high or low.

"This is not expected at all. We will look into the matter," he added.

The fact that institutional investors are behaving like retail investors is disappointing, said Khairul Bashar Abu Taher Mohammed, chief executive

#### **Bidding difference in** recent IPOs (in Tk)

	High	Low
WALTON	765	12
ADO	45	15
RUNNER	82	42
Enquire Note Companies End	45	16
Aman Cotton Fibroses Ltd	50	11
Statusefters Paper Mills IN.	90	12

officer of MTB Capital.

As there is no price bound on the bidding, some are bidding for a small quantity of shares but at a higher price.

"This is influencing others to bid higher," said Bashar, also a former secretary general of the Bangladesh Merchant Bankers Association

### Yarn prices soar as virus fear triggers panic buying

BGMEA seeks BB assistance

REFAYET ULLAH MIRDHA

Prices of yarn marked a sharp rise in the domestic market over the last one month as the coronavirus fear has triggered panic buying, according to industry insiders.

The widely-consumed 30-carded yarn is now selling between \$2.95 and \$3 per kilogramme -- an 11 per cent increase from a month ago, said Monsoor Ahmed, secretary of the Bangladesh Textile Mills Association.

Yarn prices had been showing an upward trend since last October due to higher demand from garment manufacturers, Ahmed said, adding that the virus outbreak is now fuelling the prices further.

However, the primary textile sector that comprises spinning and weaving is not affected yet as the supply chain remains unscathed.

The garment makers need not worry as the local textile millers and spinners are ensuring uninterrupted supply of yarn and fabrics, Ahmed said.

The prices of yarn increased 15 per cent over the last one month in the coronavirus fallout, according to a letter from Bangladesh Garment Buying House Association (BGBA).

The BGBA leaders submitted the letter to the textiles ministry and met with the commerce minister last week to discuss the

Since cotton prices did not increase in the global markets, there is no reason

the yarn prices should go up in the local market, said the letter signed off by BGBA President KI Hossain.

"We will lose our competitiveness in the international markets if the yarn prices go up further as our buyers will not give higher prices for our garment products.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) last month sought special financial assistance from the central bank to steer clear of any negative impact of the coronavirus on the garment supply chain.

The supply chain of fabrics and other raw materials has been affected badly due to the outbreak as Bangladeshi apparel makers source 46 per cent of their raw materials from China, the BGMEA said in a letter to the Bangladesh Bank.

In fiscal 2018-19, imports from China amounted to \$13.63 billion, \$5.02 billion of which were textiles.

"Given the dependence of the garment sector on China for its raw materials and the fact that the epidemic may linger, it could prove fatal for the industry as the supply chain will be paralysed," the letter

Overall imports from China plummeted 21 per cent in January from a year earlier, and plunged further to 37 per cent in the first week of February, according to data from the National Board of Revenue and the BGMEA.

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### Stocks crater on coronavirus fears | Loan write-offs sink to

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STAR BUSINESS REPORT

Dhaka Stock Exchange saw its biggest single-day fall since its inception in 2013 yesterday, just a day after Bangladesh confirmed three cases of

DSEX, the benchmark general index of the DSE, plunged 279.32 points, or 6.51 per cent, to close the day at 4,008.05.

Investors are panicking that the coronavirus will impact listed companies' earnings, said Khairul Bashar Abu Taher Mohammed, chief executive officer of MTB Capital.

This fear is not just restricted to Bangladesh's bourse; all over the world stocks are tumbling, he said.

Trading in Pakistan's stock market was halted for 45 minutes on Monday, with the losses triggering exchange rules as panic gripped global financial markets after a price war in crude added to the backdrop of dread surrounding the coronavirus.

The nation's benchmark KSE-100 index plunged as much as 6 per cent, the most since 2006, in Karachi as top oil shares fell.

Yesterday, Nikkei 225 dropped 1,050 points and Euro Stoxx 50 declined 237 points.

US markets plunged nearly 7 per cent, after global stocks were shaken by the crash in oil prices and the spread of coronavirus outbreak.

listed companies will definitively be affected as their main sourcing country for raw materials is China, said Bashar, also a former secretary general of the Bangladesh Merchant Bankers Association.

macroeconomic bleak

outlook has dented the confidence added. of stock investors, said UCB Capital Management, one of the stock brokers, in its daily market analysis

"On top of that, the coronavirus top traded stock with its turnover outbreak in the country intensified panic in the market, which resulted in the massive sell-offs," it added.

Most large pharma companies have Pearl Hotel. raw materials inventory for up to four drug maker requesting anonymity.

"If the coronavirus problem prolongs for five to six months it will definitely impact our business. So, we are seeking some other sources for raw materials," he added.

A rod producer said they still have raw materials so they are manufacturing their products as

"However, if the virus continues production will be hampered," he

Turnover rose 16.4 per cent to Tk 499.35 crore yesterday. Square Pharmaceuticals was the

worth Tk 15.64 crore, followed by Grameenphone, LafargeHolcime Bangladesh, Summit Power and Sea

Chittagong Stock Exchange also months, said a top official of a listed witnessed a big fall as its key index plunged 466.88 points, or 5.88 per cent, to end the day at 7,470.67.

A stock investor Mamun Khan said investors were panicked as most of them could not even sell their shares due to a lack of buyers.

Moreover, many stock brokers and merchant banks had to execute forced sell in the loan accounts due to huge

Such forced sell also triggered the index slide, Khan added

## a five-year low

AKM ZAMIR UDDIN

Loans written-off by banks plunged to a five-year low in 2019 as lenders preferred relaxed rescheduling facility offered by the central bank to clean up their balance sheets.

In banking, banks write off bad debt that is declared non-collectable, removing it from their balance sheets. Last year, loans amounting to Tk 2,597 crore were written-off, down 19.03 per cent from a year earlier, according to data from the central

Banks have to keep 100 per cent provisioning against the written-off loans, making it difficult for many lenders amid lower incomes. This led lenders to use the relaxed rescheduling facility to bring down their defaulted loans, bankers say.

In 2019, defaulted loans totalling Tk 50,186 crore were regularised, the highest on record for a single year.

Of the sum, Tk 18,584 crore was regularised under the central bank's relaxed policy announced in May last

The facility allows defaulters to reschedule classified loans by just making a down payment of only 2 per cent of their outstanding amount instead of the existing 10-50 per cent. Banks recovered Tk 479 crore

in down payment from the loans rescheduled under the policy. Lenders were not keen to write off

defaulted loans last year as they have



to keep a large amount in provisioning from profits, said M Kamal Hossain, managing director of Southeast Bank.

"Many banks are even failing to give dividends to shareholders. How could they then clean up the balance sheets using the write-off tool?"

The rescheduling facility has helped banks push aside the defaulted loans, Hossain said. Despite a large amount of loans

being rescheduled, defaulted loans went up 0.42 per cent year-on-year to Tk 94,313 crore last year. Written-off loans would have

increased significantly if banks had

not got the relaxed rescheduling facility, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office Banks' efforts to clean up the

balance sheet using the facility will not bring any good for them. "In many cases, rescheduled loans turn into default loans. So, the

financial health of banks may not be long-lasting," he said. Some Tk 13,284 crore of the soured

loans that were regularised last year have become defaults once again, BB data showed

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# HSBC is in choppy waters globally. But its Bangladesh operation is cruising.

STAR BUSINESS REPORT

HSBC Bangladesh's profits soared 16 per cent last year on the back of higher interest income although its parent company's takings

This is another year of progress and a great achievement for HSBC Bangladesh," Francois de Maricourt, chief executive officer of HSBC

Bangladesh, told The Daily Star. The local operations of the Londonbased Asia-focused international bank's profit-after-tax stood at Tk 491 crore, up from Tk 445 crore a year earlier, it said in a

"Our local results reflect profits up 16 per cent, twice the country's GDP growth. This is another testament of the hard work and

dedication of our team and we would like 2019, far below the average estimate of \$20.03 to thank our customers and stakeholders for whom we exist."

Net interest income rose 19.2 per cent yearon-year to Tk 972.96 crore. Profit-before-tax was Tk 882 crore in the

year, up from Tk 759 crore in 2018. Total operating income rose to Tk 1,505 crore from Tk 1,326 crore.

"As the leading international trade bank in Bangladesh, with the strength of our network around the globe, we continue investing for the future while fulfilling our clients' needs and helping them find opportunities for growth," de Maricourt

But, HSBC Holdings plc's profit-beforetax tumbled by a third to \$13.35 billion in

billion from brokerages compiled by the bank, Reuters reported in February. That was due to \$7.3 billion in write-offs

linked to its global banking and markets and



commercial banking business units in Europe. In Bangladesh, the lender's income from investments was up 3.2 per cent to Tk 117.27 crore and commission, exchange and brokerage charge edged up 5.5 per cent to Tk

Deposits, both onshore and offshore, went up 6.69 per cent to Tk 12,852 crore.

The return on equity, a key profitability measure, remained healthy at 12.9 per cent. The bank's loans and advances rose 4.45 per

cent Tk 2,329 crore. It deposited \$94 million in direct and indirect taxes to the government exchequer in

HSBC's long-term credit rating remains at

the highest level of 'AAA' for the last twelve

The British lender opened its first branch in Bangladesh in 1996. It offers a range of financial services, including commercial banking, consumer banking, global liquidity and cash management, trade services, treasury, and custody and clearing.

Currently, HSBC Bangladesh operates in both the major commercial hubs of Dhaka and Chattogram and has presence in all eight export processing zones.

The picture for the bank in the rest of the world is not that rosy.

HSBC Holdings has said it would shed \$100 billion in assets, shrink its investment bank and revamp its US and European businesses in a drastic overhaul that will mean 35,000 job cuts over three years.

The bank, which has struggled to keep pace with leaner and more focused rivals, is seeking to become more competitive as it grapples with slowing growth in its major markets, the coronavirus epidemic, Britain's exit from the EU and lower central bank interest rates.