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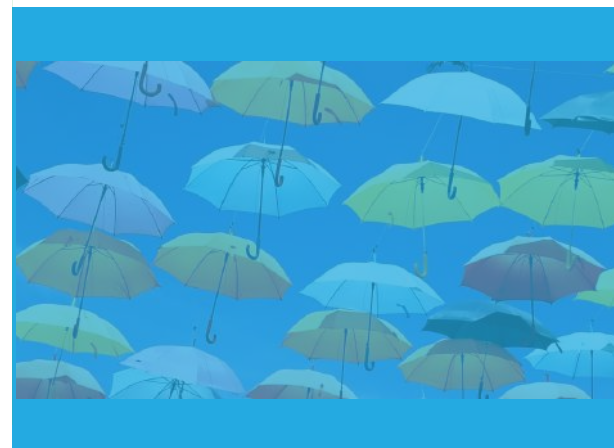
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Corporate Level Strategy: How diversified is Partex Group?

By CRISL Research Team



Introduction

Typically, a corporate sets corporate level strategy by diversifying its business into different sectors to exploit competitive advantage. A good number of corporate groups have been emerged in Bangladesh for last two decades. This paper sheds light on such a corporate namely Partex Group comprising Partex Holdings and Partex Star Group to explore its corporate diversification strategy.

Partex Group started its journey in 1959 with the leadership of eminent industrialist of the country Mr. M. A. Hashem. Though he started PG with tobacco trading, over the period of time, it has diversified its business into different key industrial sectors including manufacturing, consumer goods, services and financial sectors under more than 50 subsidiary companies.

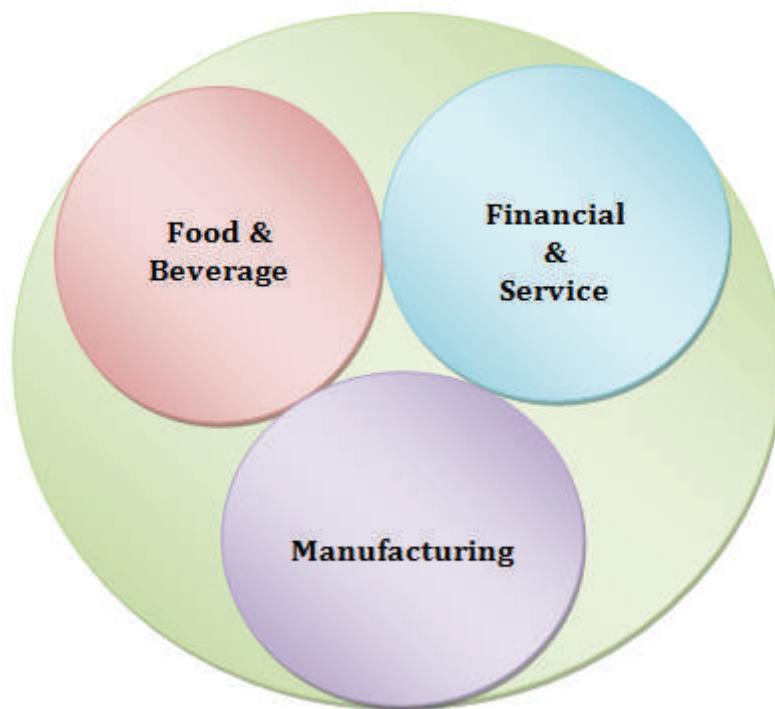


Figure 1: Corporate Level Diversification of Partex Group

“This group has also diversified its business into financial service sector by establishing two renowned banks namely The City Bank Limited and United Commercial Bank Limited (UCBL).”

Star Particle Board Mills Limited (SPBL) is one of the key subsidiaries of Partex Group which produces and distributes particle board as the alternative of wood. SPBL is the market leader in the particle board sector in Bangladesh and also engage in exporting particle boards outside the country. Danish Condensed Milk Limited is another major business unit of Partex Group involves in manufacturing condensed milk and it is also the market leader in the condense milk market in Bangladesh. Partex Furniture Industries limited is another successful business unit of the group which has created a strong brand name in the furniture market. Partex Group has also put its strong footprint in the beverage sector in Bangladesh and established competitive brand like 'MUM' and 'RC cola' in the beverage industry of Bangladesh. This group has also diversified its business into financial service sector by establishing two renowned banks namely The City Bank Limited and United Commercial Bank Limited (UCBL). Besides these, Partex Group has diversified its business into jute, real estate, IT, shipping, media etc. Very recently, this group has established a power generation company to diversify its business both on traditional and renewable energy.

In brief, Partex Group has been diversified its business into three major sectors such as Manufacturing, Food & Beverage, and Service & Financial sectors. Interestingly, though this group has diversified its business both in related and unrelated business units, it has been successful to establish well reputed brand in each different sectors where the group has diversified its business. In addition, Partex Group does not depend on a single sector exclusively for generating revenue rather it has well balanced sources of revenue which, in turn, indicates the high level of business diversification of Partex Group.

“*Interestingly, though this group has diversified its business both in related and unrelated business units, it has been successful to establish well reputed brand in each different sectors where the group has diversified its business.*”

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4 Batches are now working in Major
Financial Sectors of the Economy

Capital Market Movement in Bangladesh: Quarterly Analysis of Dhaka Stock Exchange (DSE)



*Abdullah Al Masud &
Mohammad Azhar Hossain,
both are Lecturers of Southeast Business School, Southeast University*

Market Movement

Stock exchanges in Bangladesh are experiencing major change in recent times. In Dhaka Stock Exchange, the broad index (DSEX) reached at 6336 points in 26 November, 2017, its highest value since the index's introduction back in January 2013. After the peak, the stock been experiencing somewhat downtrend till February 2018. Similar movements have also been found in CASPI- the broad index in Chittagong Stock Exchange (CSE) (See Figure 1).

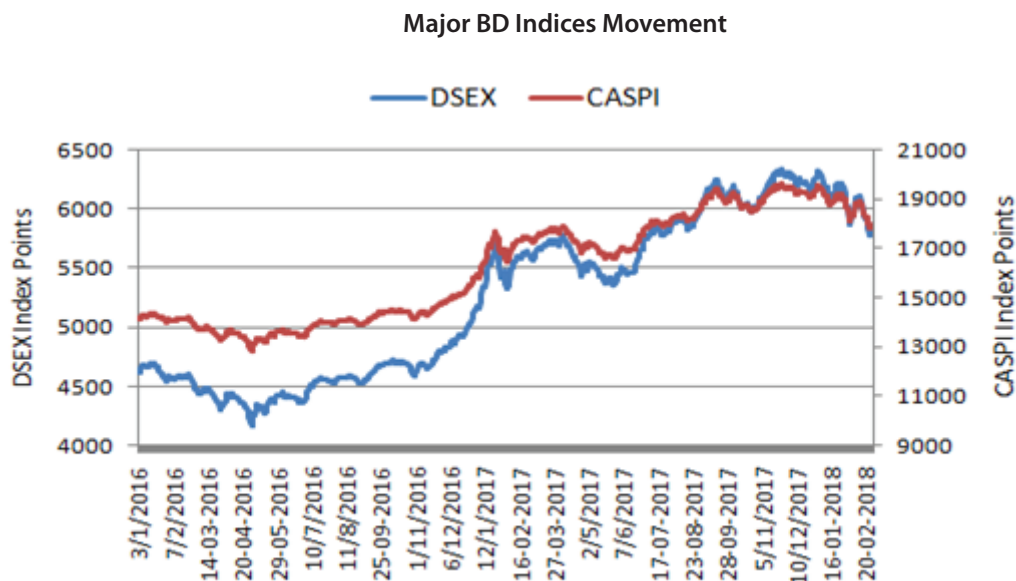


Figure 1 Broad Index of DSE and CSE

During the month of January and February of 2018, the returns in the two markets have been volatile (See Figure 2)

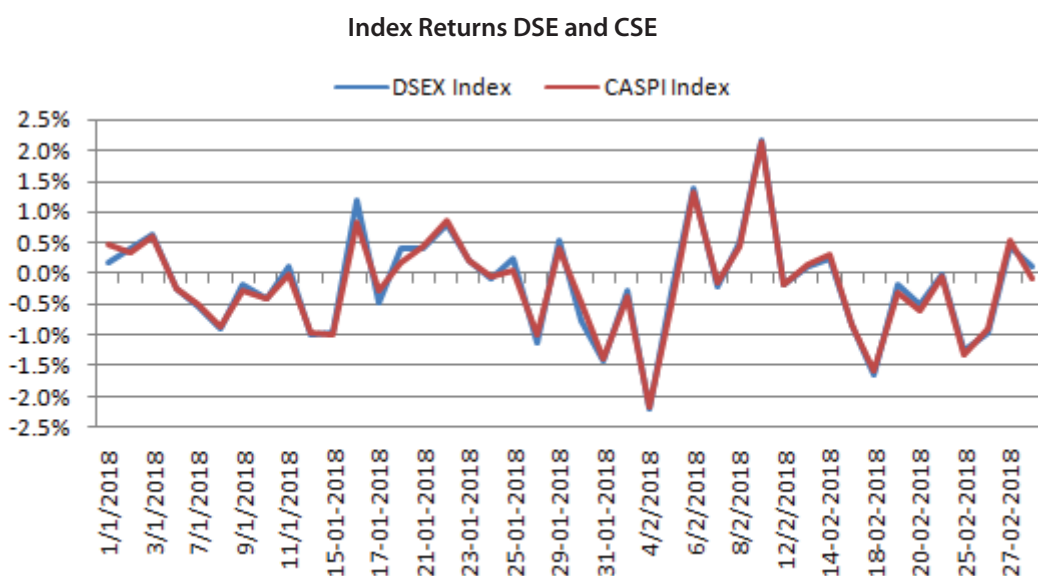


Figure 2 Market Returns Movement in Jan'18 and Feb'18

From Jan 1, 2018 to Feb 28, 18, DSEX lost 7.2% where as CASPI lost 7.4%. Interestingly, the Shariah indices (DSES and CSI Index) in both the markets lost less points (2.2% and 3.9%, consecutively) than the individual market indices, showing lower risks during the downtrend.

Table 1 Index Performance from Jan 1, 18 to Feb 28, 18

Market	DSE			CSE			
Index	DSEX Index	DSES Index	DS30 Index	CASPI Index	CSI Index	CSE50 Index	CSE 30 Index
Return	-7.2%	-2.2%	-5.9%	-7.4%	-3.9%	-7.9%	-5.8%

Macro Economic Changes

In the month of January 2018, Bangladesh Bank (BB) has declared the monetary policy statement (MPS) for H2 FY 18. One of the major changes came in the statement that, ADR (Advance to Deposit) ratio has been decreased from 85% to 83.50%. It may create a pressure on the money market to collect fresh deposits to adjust the new targeted ADR. Due to the pressure on collecting excess deposits it may increase the market offering deposit rate in the future and fund may be diverted from capital market to money market.

At the same time the policy has also reduced the capacity of the banks to distribute the loans and advances. After the declaration of MPS on January 29, 2018, DSEX index went down for consecutively five working days from 6176.45 to 5869.78.

Top 10 Gainers and Top 10 Losers

During the first two months of 2018, top 10 gaining stocks comprised mostly of the 'Z' category stocks from different sectors such as textile, food and allied etc. (see Table 2).

Table 2 Top Gainers and Losers in Jan-Feb, 2018

Top 10 Gainers				Top 10 Losers			
Stocks	Return	Category	Sector	Stocks	Return	Category	Sector
DULAMIACOT	79.4%	Z	Textile	ALIF	-47.2%	A	Textile
SONARGAON	66.0%	Z	Textile	OIMEX	-34.6%	A	Engineering
JUTESPINN	59.9%	Z	Jute	GSPFINANCE	-32.8%	A	Financial Institution
MEGCONMILK	59.9%	Z	Food & Allied	NAHEEACP	-32.1%	A	Engineering
MONNOCERA	52.7%	A	Ceramic	AIL	-31.6%	A	Textile
BXSYNTH	50.0%	Z	Pharma & Chemicals	LANKABAFIN	-27.3%	A	Financial Institution
BANGAS	48.9%	Z	Food & Allied	CITYBANK	-26.8%	A	Bank
MEGHNA PET	46.0%	Z	Food & Allied	FASFIN	-26.6%	B	Financial Institution
APEXFOODS	45.2%	A	Food & Allied	MIDASFIN	-24.6%	Z	Financial Institution
USMANIAGL	43.8%	A	Misc.	ZAHEENSPIN	-23.5%	A	Textile

The top 10 losing stocks were mostly from Financial Institutions (popularly NBFIs) sector; few textile companies also made the top losing list of the period Jan-Feb, 2018. The losing stocks mostly comprised of the 'A' Category stocks.

Sector Price/Earnings (P/E) Ratio

Sector P/E ratio data from DSE show (see Figure 3) textile, travel & Leisure, and Food & Allied sector stocks on average have 3 highest P/E ratios where Bank, Fuel & Power, and Insurance sector stocks have the lowest P/E ratios.

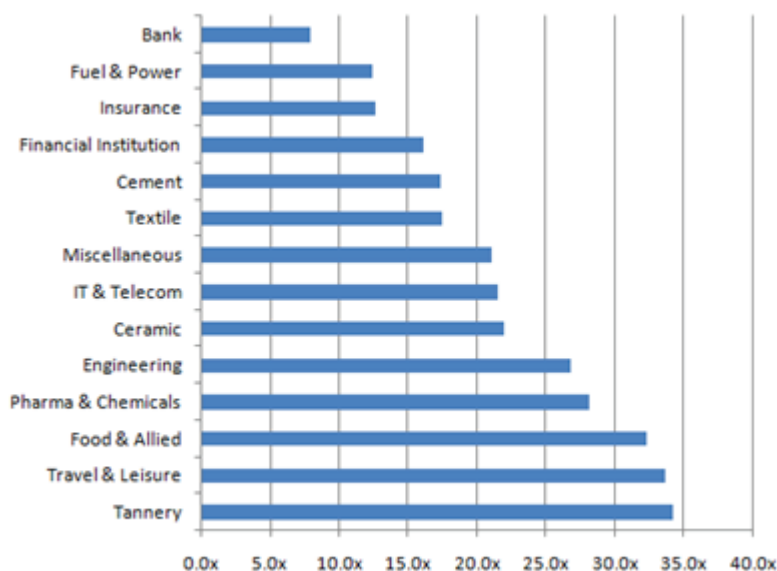


Figure 3 Sector Median P/E (as on Mar 7, 2018) [Based on audited financials' basic EPS]

Recent IPOs

Company	Industry	Offer Price (Tk)	Issue Size (Tk)	Purpose of Fund
Queen South Textile Mills Limited	Textile	10	150,000,000	Installation of automatic warehouse storage machine, installing modernized machines for existing factory unit, partial repayment of loan
Advent Pharma Limited	Pharmaceuticals	10	200,000,000	Acquisition of Machineries & Equipments, Construction of Building and Other Civil Works
LANKABANGLA AL-ARAFAH SHARIAH UNIT FUND	Mutual Fund	10	500,000,000	Investing in Shariah compliant instruments in permissible markets
Credence First Shariah Unit Fund	Mutual Fund	10	100,000,000	Investing in Shariah compliant instruments in permissible markets
Shanta First Income Unit Fund	Mutual Fund	10	200,000,000	investing in instruments or securities in money market or capital market or privately placed pre-IPO
Intraco Refueling Station Limited	Fuel & Power	10	300,000,000	Installation of LPG Satellite Plant

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Private Special Economic Zone (SEZ) in Bangladesh: How far does Meghna Group reach?

By CRISL Research Team



With the vision to generate addition 10 million jobs and USD 40 billion export by 2030, Bangladesh government has taken the initiative to set up 100 Special Economic Zones (SEZ) to attract both foreign and local investment. As part of this initiative, Meghna Group was given the license in May 2015 to establish two SEZs namely Meghna Economic Zone (MEZ) on 245 acres and Meghna Industrial Economic Zone (MIEZ) on 80 acres at Sonargaon upazila in Narayanganj. Meghna Group is one of the largest business conglomerates in Bangladesh with annual revenue of USD 2 billion and employs more than 25000 people in its 30 different business units. After A K Khan Company Limited and Abdul Monem Limited, Meghna Group as the third local private company, got the license to establish SEZ. MEZ situated in the bank of the Meghna River in Sonargaon which will help the industrial units of the economic zone to use river port for transportation of goods at lower cost. In addition, economic zones of Meghna Group are close to Dhaka-Chittagong highway which makes it easier to develop connectivity with Chittagong port conveniently.

“*Meghna Group is one of the largest business conglomerates in Bangladesh with annual revenue of USD 2 billion and employs more than 25000 people in its 30 different business units.*”

Both of the SEZs of Meghna Group intended to attract foreign investment and to create 20,000 new job opportunities. By March 2018, Meghna Group has invested USD 300 million and already set up eight manufacturing plants including beverage, edible oil refinery, tissue, pulp and paper, flour, chemicals, cement fibre, steel fabricate mills. To ensure the uninterrupted electricity supply to these industrial units, Meghna Group has already established a 40 megawatt power plant as well.

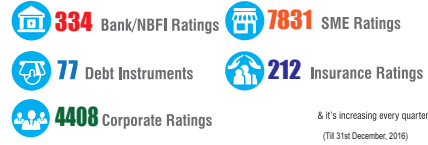
These new factories employ 3500 employees which is remarkable example for other SEZs who are in development stage. Now the main challenge to attract foreign investors to invest in these SEZ by highlighting advantages including the special government incentives, lower labor cost and faster growing local demand. As this is the new experience for any private sector company to manage SEZ in Bangladesh, Meghna group needs to be cautious about all the risk factors which may hamper its success. Particularly, scarcity of human resources with enough knowledge and experience to manage SEZ might be critical to make these projects successful. In addition, marketing of SEZ to foreign investors to attract them to invest in these Bangladeshi SEZs will be another key challenge for Meghna Group. If these SEZs could not attract foreign investors to invest in these SEZs, it would be tougher to achieve their target to generate 30,000 employment opportunities.

In brief, Meghna Group being successful business conglomerate has got the excellent opportunity to set up two SEZs. By successfully managing these SEZs, this business giant can be able not only to accelerate its own business growth but also to contribute in generating employment in Bangladesh, which, in turn, lead the economic growth as well.

“*These new factories employ 3500 employees which is remarkable example for other SEZs who are in development stage. Now the main challenge to attract foreign investors to invest in these SEZ by highlighting advantages including the special government incentives, lower labor cost and faster growing local demand.*”

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0% Default at AAA, AA category Ratings
Only **0.70%** Default at A category Ratings
Only **2.33%** Default at BBB category Ratings

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