

Delta Life fined Tk 20 lakh for breaching rules

STAR BUSINESS REPORT

Delta Life Insurance Company Limited has been fined Tk 20 lakh for violating insurance regulations for the 2015-2017 period.

On January 25, the Insurance Development and Regulatory Authority (IDRA) imposed the penalty after a hearing on the findings of a special audit into the insurer.

At the hearing, nine audit objections were proved to be true and the insurer was fined, according to a letter of the regulator sent to Delta Life on February 12.

The regulator has asked the company to deposit the fine within 15 days.

BD Thai Food makes Tk 1.47cr profit in Q2

STAR BUSINESS REPORT

BD Thai Food & Beverage Ltd made a profit of Tk 1.47 crore in the October-December period of the current financial year, up 13 per cent year-on-year.

The food manufacturer clocked a profit of Tk 1.30 crore in the second quarter of 2021-22.

Thus, the food and beverage maker reported its earnings per share (EPS) of Tk 0.18 for the second quarter of 2022-23. It was Tk 0.16 in the same three-month period of FY22, according to the company's unaudited financial statements.

The food manufacturer clocked a profit of Tk 1.30 crore in the second quarter of 2021-22

In the first half of FY23, it raked in Tk 3.83 crore in profit, up from Tk 2.53 crore in the July-December of FY22.

The net operating cash flow per share returned to positive territory in July-December: it stood at Tk 0.18 in the first half of FY23, which was Tk 0.39 negative in the same half of FY22.

Its net asset value per share rose to Tk 14.59 on December 31 from Tk 14.12 as on June 30.

Shares of BD Thai Food slipped 4.16 per cent to Tk 36.90 on the Dhaka Stock Exchange yesterday.



Reba Biswas sorts tomatoes upon harvest at Bakultola village of Khulna's Dumuria upazila, hoping to get Tk 5 per kilogramme at wholesale. The photo was taken last week. PHOTO: HABIBUR RAHMAN

FBCCI calls for long-term industrial loans

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has called for a long-term industrial loan facility so that no business becomes "sick" in terms of financial health.

FBCCI President Md Jashim Uddin made the call during the second meeting of the FBCCI's "Standing Committee on Rehabilitation of Sick Industries" at its office in Dhaka yesterday.

Jashim said if a factory is set up with a bank loan, it can be seen that the loan period expires before the work is completed.

As a result, the entrepreneur becomes a loan defaulter before production starts at his factory.

"So, due to the lack of a long-term credit facility, the industry becomes sick," he added.

Uddin went on to say that once entrepreneur becomes a loan defaulter, it is not possible to settle his debt easily due to procedural complications.

With this backdrop, the FBCCI president drew the attention of policymakers to facilitate the process of rehabilitation and disposal of sick industries.

It was also informed in the meeting that Bangladesh Bank has already issued two circulars to settle the debt accounts of sick industries.

Maksudur Rahman, former director of the FBCCI and a member of the committee, wants proper implementation of the circulars.

It is necessary to formulate a "sick industrial policy" to remove complexities in the process of disposing of sick industries, said Sadeque Ullah Chowdhury, chairman of the committee.

City General Insurance makes Tk 15.34cr profit

STAR BUSINESS REPORT

City General Insurance Company Ltd reported a 34 per cent year-on-year growth in profit in 2022 on the back of higher premium incomes.

The insurer said it made a profit of Tk 15.34 crore last year, up from Tk 11.45 crore in 2021.

Thus, the company reported earnings per share of Tk 2.25 for last year, which was Tk 1.68 a year earlier.

"The EPS increased due to a significant rise in the company's premium income," said City General Insurance in a filing on the Dhaka Stock Exchange. The net asset value per share, which is the value of an entity's assets minus the value of its liabilities, improved to Tk 18.57 from Tk 17.53 in 2021.

"The NAV per share went up because of a hike in the company's investments in shares, treasury bonds and fixed deposits," said the filing.

The net operating cash flow per share, which represents the cash impact of a company's net income from its primary business activities, more than doubled to Tk 5.59 in 2022 from Tk 2.75 a year earlier, driven by a sharp increase in premium incomes.

The board of directors of City General Insurance recommended a 10.50 per cent cash dividend for the year that ended on December 31.

Its shares ended 4.05 per cent lower at Tk 28.40 on the Dhaka Stock Exchange yesterday.

HSBC gets new country head of wholesale banking

STAR BUSINESS DESK



The Hongkong and Shanghai Banking Corporation (HSBC) has appointed a new country head of wholesale banking in Bangladesh, effective from February 13 and subject to regulatory approvals.

The appointee, Gerard Kevin Haughey, brings almost 25 years of experience working in all business lines and multiple functions in HSBC across Asia, Europe and North America, said a press release.

He most recently co-led the bank's global trade and receivables finance business in the UK, providing a full range of working capital solutions to clients.

Commenting on the appointment, Md Mahbub ur Rahman, chief executive officer of HSBC Bangladesh, said, "Bangladesh is one of Asia's dynamic emerging economies. Gerard's wealth of experience in diversified functions and continents will further complement our leadership position in Commercial Banking regionally and will build upon the momentum we have already created, serving our customers in Bangladesh even better."

Dollar slips with inflation in focus

REUTERS, London

The dollar fell on Tuesday ahead of a keenly anticipated US inflation report, while the euro and sterling strengthened after European data underlined the resilience of the labour market across the region.

The dollar index, which measures the performance of the US currency against six major rivals, fell 0.3 per cent to 102.89 ahead of January's consumer price report.

Markets are looking to inflation data for further clues on the Federal Reserve's policy outlook, with the headline number expected to have risen by an annual 6.2 per cent in January according to a Reuters poll, easing from December's 6.5 per cent rate.

"The US inflation problem is not yet completely solved, and though some key pieces of the rebalancing process are underway, the Fed needs to keep growth below potential to further rebalance the labour market and bring inflation back to target," said Isabella Rosenberg, FX analyst at Goldman Sachs.

She added that "if inflation continues to drift lower despite very strong labour market gains, then the macro backdrop could continue to push towards dollar depreciation".

The US central bank earlier this month raised interest rates by 25 basis points and said it was turning the corner in its fight against inflation.

Money markets show traders are pricing for US interest rates to peak at around 5.2 per cent in July and ending the year at 4.9 per cent, moving away from earlier expectations for sharper rate cuts later this year.

Rice market totally deceitful

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Prof Alam also talked about the challenges facing the economy.

"The biggest challenge in our economy is high inflation as the prices of many products have risen," he said.

The Consumer Price Index rose 8.57 per cent in January, a decrease of 14 basis points from 8.71 per cent in December. January's inflation figure was the lowest since August when consumer prices surged to a 10-year high of 9.52 per cent.

The prices of raw materials and fuel oil have gone up owing to the disruptions caused by the Russia-Ukraine war, driving up the cost of production and thus impacting the price level.

Alam ruled out any connection between the increase in prices of some products and the conditions tagged

with the \$4.7 billion loan from the International Monetary Fund (IMF).

"We had to reduce the subsidy and raise the prices of some items even if the IMF did not approve the loan," he said.

The state minister said the agricultural sector was doing well and the service sector was also witnessing better growth.

He also claimed that the inequality between the rich and the poor had narrowed and the government had taken many steps to bring it down.

The government has provided assistance to 2.5 crore people and has distributed books free of cost, he said, citing examples.

"You will see mobile phones in the hands of every people, and colour televisions in their houses. You will not find anyone who walks barefoot. The inequality has narrowed."

USTR alleges Bangladesh

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Bangladesh will strictly abide by the IPR once it makes the United Nations status graduation from an LDC to a developing nation in 2026, Rahman quoted the reply as saying.

Bangladesh is getting ready to follow the IPR rules, he said.

On February 10, the USTR sent a letter to the commerce ministry alleging that the IPR of the American

Apparel & Footwear Association (AAFA) had been violated.

The AAFA and the USTR regularly check if products that are imported to the US have been produced flouting IPR rules.

The US is the single-largest export destination for Bangladesh where the local suppliers exported goods worth more than \$10 billion last fiscal year of which 95 per cent were garment items.

Credit cards issuance grows at faster pace

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Many carry multiple credit cards to enjoy offers by banks and firms, said the official of the MTB, which has issued 105,000 cards so far.

Hossain then said the MTB gave more focus on credit cards in 2021 and got a good response as the MTB

card users can use the MTB's airport lounge.

Syed Mohammad Kamal, country manager of MasterCard Bangladesh, said the rule of tax return submission has affected the growth momentum.

The growth could have been higher, he added.

State-run oil companies see higher profits

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About the reasons behind the increase in sales, Islam said power cuts were acute between July and December, which raised the consumption of fuel.

"Thus, profits increased."

Jamuna Oil Company's fuel sales rose 20 per cent to Tk 71 crore.

Responding to a question on the impact of the recent fuel price hike, Islam said fuel price fluctuations had little impact on the company's earnings, which were fixed on the rate of sales.

The prices of diesel and kerosene were raised by 42.5 per cent in August. The price of petrol saw a 51.16 per cent jump and octane became dearer by 51.68 per cent.

Interest income rose in July-December as banks were offering a higher deposit rate. "It helped us log higher profits," Islam added.

The state-run company's interest income increased 72 per cent to Tk 210 crore. Its bank deposit amounted to Tk 1,392 crore as of December 31.

Reza Md Riazuddin, company secretary of Meghna Petroleum, echoed

the sentiment, saying the main reason for the higher profits was a larger non-profit income and most of that came as interest income from bank deposits.

Profits of Meghna Petroleum rose 33.7 per cent to Tk 184 crore in the first half of the financial year. Non-operating income rose 40 per cent to Tk 180 crore. Fixed deposit of Meghna Petroleum stood at Tk 1,283 crore as of December 31, 2022.

As banks were more flexible in offering a higher interest against deposits, with the ceiling set at 6 per cent on April 1 of 2020, the interest income rose in the period, Riazuddin said.

In August 2022, the Bangladesh Bank asked banks not to set interest rates on fixed term deposits below the inflation rate as it yields negative returns for savers.

The weighted average interest rate on deposits stood at 3.97 per cent in June while the average inflation rate was 5.56 per cent, showed data from Bangladesh Bank and the Bangladesh Bureau of Statistics (BBS).

Govt's higher borrowing from BB

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government's net borrowing from the banking system stood at Tk 40,210 crore as of February 9.

Besides, the interest rates on treasury bills and bonds would have surged if the government had taken funds from commercial banks, Hussain said.

The interest rate on the 20-year treasury bond shot up to 8.89 per cent in January in contrast to 7.67 per cent the year before.

And Hussain says it would not be possible for the central bank to keep the interest rates of T-bonds below 9 per cent if the government prefers to borrow from commercial banks.

"Under such a situation, there will be a mismatch between the interest rate ceiling of 9 per cent on loans and the yield of the government securities."

Banks are following the interest

rate ceiling since April 2020 in line with a central bank's instruction.

The ongoing weak revenue mobilisation is partly responsible for the government's heavy borrowing from the banking system.

The tax collection growth slowed drastically in the first half of the current fiscal year due to falling customs tariffs and direct taxes amid declining imports and reduced profits of firms.

The National Board of Revenue clocked an 11 per cent year-on-year growth in tax receipts in the July-December period, down from 17 per cent a year earlier.

Foreign financing has declined in recent months and it came at a time when the government failed to cut its expenditure in line with the target, forcing it to take funds from the central bank heavily, Hussain said.

Syed Mahbubur Rahman,

managing director of Mutual Trust Bank, says that government borrowing from the central bank can be considered positive for commercial banks since the latter is experiencing liquidity stress.

"If the government borrows from commercial banks, they will be in trouble."

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said although lower borrowing from commercial banks is good for them, it may stoke inflation.

The drastic fall in net investment in savings certificates in the first half of the financial year has also compelled the government to turn to the BB for funds.

Net investment in the savings tools was a negative Tk 3,107 crore between July and December in contrast to Tk 9,590 crore during the same period a year before.

After the central bank's instruction, banks started to offer higher interest rate on deposits. At the end of December, the weighted average interest rate on deposit rose to 4.23 per cent, BB data showed.

Sales of Meghna Petroleum were higher as the economy was recovering from the pandemic-induced slowdown, Riazuddin added.

Sales of the petroleum products of Meghna Petroleum rose 8.4 per cent to Tk 116 crore between July and December.

Sales of Padma Oil were also 14 per cent higher at Tk 139 crore in the six-month period. It was Tk 122 crore in the same period of the previous year.

It logged a 38 per cent year-on-year higher profit of Tk 158 crore in the July to December period. The non-operating income, which refers to the interest income on bank deposits, rose 28 per cent year-on-year to Tk 168 crore.

The company's profits rose due to the higher sales and increase in non-operating income, said Padma Oil in its financial report.

Oil prices dip on US crude reserve release

REUTERS, London

Oil prices dipped on Tuesday after the US government said it would release more crude from its Strategic Petroleum Reserve, while traders look out for US inflation data for further queues.

Brent crude futures fell 80 cents, or 0.9 per cent, to \$85.81 per barrel by 1003 GMT, while US crude futures fell \$1.05, or 1.3 per cent, to \$79.09 per barrel. Both benchmarks are on track for their biggest daily percentage drop since February 3.

The US Department of Energy (DOE) said it would sell 26 million barrels of oil from the SPR, which is already at its lowest level since 1983.

The DOE had considered cancelling the fiscal year 2023 sale after US President Joe Biden's administration last year sold a record 180 million barrels from the reserve. But that would have required Congress to act to change the mandate.

Supply concerns also eased after the Energy Information Administration said it expected record March production from the seven biggest US shale basins.

Elsewhere, crude exports resumed at a key Turkish port after a devastating earthquake rocked the region.

Monthly reports from the Organization of the Petroleum Exporting Countries (Opec) are expected later on Tuesday and from the International Energy Agency (IEA) on Wednesday.

Traders will also be looking for clues from Tuesday's crucial US consumer price index (CPI) data for January. US monthly consumer prices rose in the previous two months.

A Reuters poll showed a majority of economists expect the US Federal Reserve to raise interest rates at least twice more in coming months. Higher inflation and ensuing rate hikes may weigh on risk assets such as oil.