

# Midland Bank slightly up on stock debut

Markets end in red

STAR BUSINESS REPORT

Midland Bank Ltd closed slightly higher on its first trading day at the Dhaka Stock Exchange (DSE) yesterday.

The private commercial bank, which raised Tk 70 crore by issuing seven crore ordinary shares through an initial public offering, saw its share fall to Tk 9 at the opening of the trading hour.

It ended up 2 per cent to Tk 10.20 at the close on the main bourse of Bangladesh.

Thanks to the gain, Midland Bank became one of the 28 listed scrips on the premier bourse of Bangladesh whose prices advanced, while the shares of 72 companies declined as investors continued to act cautiously in the high-inflationary environment.

However, the market ended in the red yesterday. The DSEX, the benchmark index of the DSE, lost 11 points, or 0.18 per cent, to 6,203.

The DS30, the blue-chip index, decreased 0.11 per cent to 2,215 while the DSES, the shariah-compliant index, went down 0.26 per cent to 1,349.

The key index of the DSE gradually slipped after witnessing some positive vibe in the first hour of the session since investors have continued to act cautiously amid the ongoing high-inflationary environment, said International Leasing Securities Ltd in its daily market analysis.



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Inflation rose 8.78 per cent in February, breaking a five-month declining trend. It surged to a 10-year high of 9.52 per cent in August, driven by higher commodity prices in the global markets owing to the Russian-Ukraine war.

And Planning Minister AMA Mannan has warned that inflation might go up in March as well owing to a spike in demand for essential commodities on the occasion of Ramadan.

Despite investors' watchful sentiment as well as the reduced trading time because of the fasting month, turnover increased 10.7 per cent to Tk 317.6 crore.

Among the sectors, only travel and leisure and jute ended the session with gain, adding 1.1 per cent and 0.5 per cent respectively.

The paper and printing sector shed 2.2 per cent, the service sector was down 1 per cent, the tannery sector slipped 0.8 per cent and the IT sector gave up 0.6 per cent.

Legacy Footwear made the highest gain with an increase of 9.9 per cent. Unique Hotel & Resorts and Intech Ltd rose more than 8 per cent while Samata Leather Complex advanced over 7 per cent.

Sonali Paper & Board Mills was the highest loser, shedding 4.7 per cent.

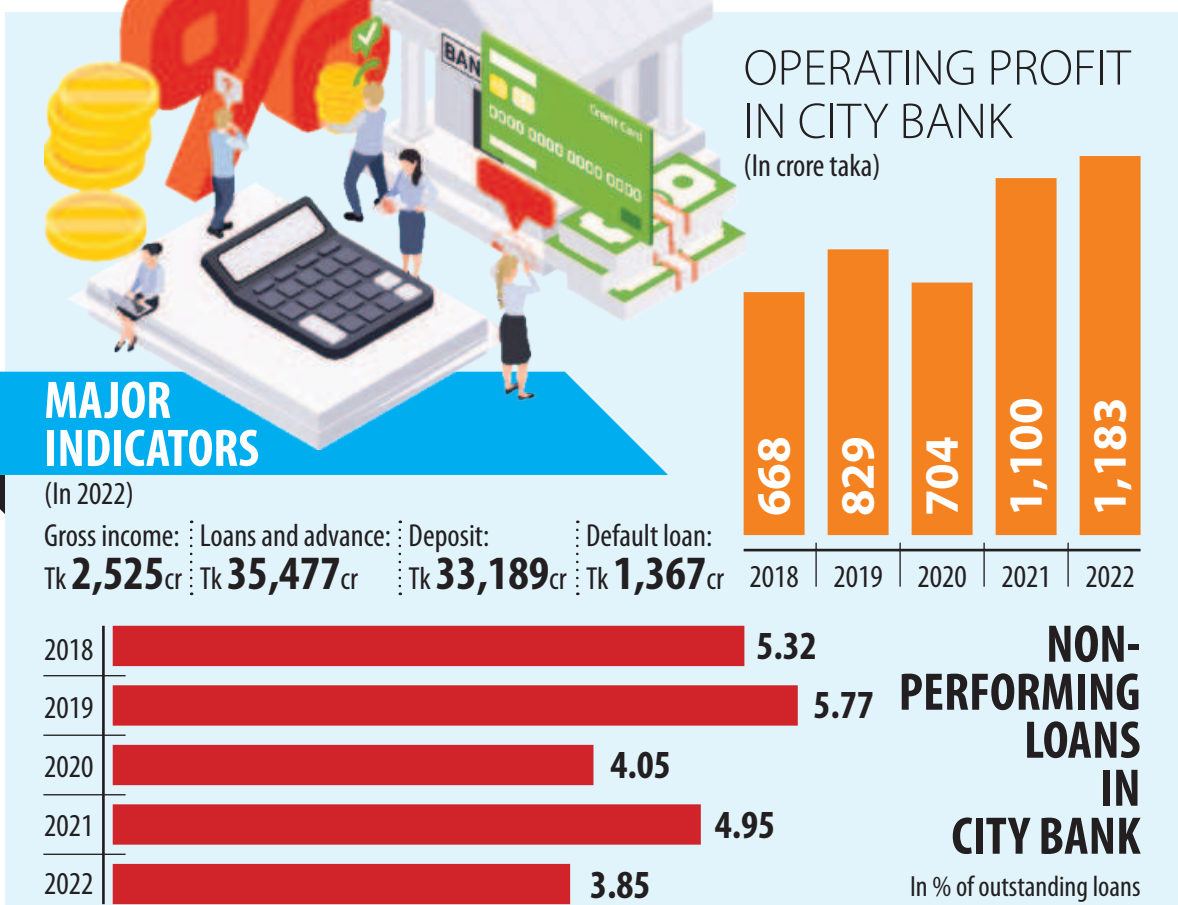
Islami Commercial Insurance Company, Meghna Pet Industries, Monno Agro & General Machinery, and Union Insurance Company were also on the list of significant losers.

Unique Hotel was the most-traded stock with its issues worth Tk 41 crore transacting. Eastern Housing, Sea Pearl Beach Resort & Spa, Bangladesh Shipping Corporation, and Orion Pharma witnessed significant turnover as well.

The Caspi, the all-share price index of the Chittagong Stock Exchange, dropped 47 points, or 0.26 per cent, to close at 18,326.

Of the issues, 17 rose, 40 retreated and 36 did not see any price swing.

Turnover on the port city bourse plummeted more than 40 per cent to Tk 7.19 crore.



## City Bank: a phoenix in Bangladesh's banking sector

AKM ZAMIR UDDIN and SOHEL PARVEZ

Many banks in Bangladesh struggled to ensure expected profit in the last couple of years owing to the business slowdown, but The City Bank Ltd managed remarkable returns on the back of corporate governance and diversified products.

The first-generation lender now plans to become a full-fledged people's bank with the help of multiple digital platforms, which will consequently help the country's financial inclusion drive, said its Managing Director Mashrur Arefin during an interview with The Daily Star yesterday as it celebrates its 40th anniversary.

But the situation was not favourable to doing banking business in Bangladesh when he was appointed as the chief executive of the private commercial bank in January 2019.

The first blow came from the coronavirus pandemic, which forced the country to enforce lockdowns, a move that hit businesses hard.

The 9-per cent interest rate cap on loans followed suit. The fee income, commission income, and exchange income were slashed, and fixed-deposit rates were pegged to the inflation rate.

The biggest blow to the business community came in February last year after the outbreak of the Russia-Ukraine war.

Despite all odds in the last four years, City Bank's gross income reached Tk 2,525 crore in 2022, up 55.4 per cent from four years earlier. Operating profit stood at Tk 1,183 crore, an increase of 77 per cent.

The net profit increased to Tk 474 crore in 2021 in contrast to Tk 202 crore in 2018. The net profit for 2022 has not been finalised yet.

"We have been able to achieve this feat as all other business units alongside the corporate bank and treasury have become the key contributors to profits for us," Arefin said.

Of the Tk 2,525 crore gross earnings, 41 per cent came from retail banking, credit card and small segment lending.

Arefin terms City Bank's management team as the best in the country's banking sector and says the board is respectful of corporate governance codes as well.

"These two are the main reasons behind the profit story of the bank and the rest are secondary," said Arefin, who joined the bank in 2007 after working for a number of local and foreign banks.

He says the bank now needs to horizontally spread its wings across the whole length and breadth of the country.

"You will see us doing more with bKash with whom we are now doing digital nano loans and Islamic DPS. You will see us focusing more on green banking and sustainable finance."

Other areas that would receive priority from the bank are lending to women, the agriculture sector, Islamic banking, and digital banking.

"If we observe the journey of City Bank, we saw that it faced several types of experiences, some of which were not comfortable at all. But we have finally managed success in our banking operation," Arefin said.

He thinks that the lender's journey can be considered an important case study for others, including academia.

"Ours is the first major bank transformation case, which hasn't gone wrong. Rather, it resulted in making it a solid bank."

The bank was established in 1983 by 12 courageous entrepreneurs. On March 27 of the year, the Bangabandhu Avenue branch of the bank was opened. Then the story of City Bank lost its desired plot.

In the new century, the bank turned into a problem bank, infested with bad debts and malpractices.

In 2007, then chairman Aziz Al Kaiser Tito, also the current chairman, envisioned a full-scale 'transformation' of the bank. The new vision was to create a proper 'financial supermarket', not just a bank. A few young bankers with a foreign banking background were brought in.

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# US may enter recession this year

## Economists say

AFP, Washington

The United States will likely enter a recession this year and face high inflation well into 2024, a majority of economists predicted in their response to a semiannual survey.

More than two-thirds of respondents to the National Association for Business Economics (NABE) Policy Survey also see inflation remaining above four per cent at the end of this year.

The survey summarized the responses of 217 NABE members, and was conducted between March 2 and March 10, the organization said in a statement.

The US Federal Reserve has raised rates 4.75 percentage points in a bid to tackle rising inflation, which reached its highest level in decades last year.

Price rises slowed slightly to an annual level of 6.0 per cent in February, which is well above the Fed's long-term target of two per cent.

Amid the gloomy economic forecast, there was also some good news, with just five percent of respondents believing the US is currently in the midst of a recession, "far fewer" than the 19 per cent in its previous economic survey, the NABE president Julia Coronado said in a statement.

Economists also slightly raised the chances of the Fed achieving a so-called "soft landing" -- bringing down inflation while avoiding a recession -- from 27 per cent in August to 30 per cent in March this year.



An employee works at a manufacturing plant of Sany Heavy Industry in Changsha, Hunan province. China's factory output growth accelerated to 2.4 per cent in January-February, data showed earlier this month.

PHOTO: REUTERS/FILE

# Salvo Chemical's profit drops 54% in Oct-Dec

STAR BUSINESS REPORT

Salvo Chemical Industry Limited reported a nearly 54 per cent year-on-year decline in profit to Tk 2.41 crore in the second quarter of the current financial year.

The profit stood at Tk 5.20 crore in the October-December quarter of the previous financial year of 2021-22.

Thus, the chemical manufacturer reported earnings per share of Tk 0.37 for October-December of 2022-23 against Tk 0.80 in the second quarter of FY22, according to the unaudited financial statements.

Salvo Chemical made a profit of Tk 6.44 crore in the July-December half of FY23, down about 27 per cent from Tk 8.78 crore in the same half of FY22. So, the EPS fell to Tk 0.99 from Tk 1.35 in the first half of the last financial year.

The EPS decreased due to an increase in the costs because of higher raw material prices in the local market as well as internationally, the domestic currency depreciation, and the increase in energy price, which adversely affected the overall profitability of the company, said Salvo Chemical in a filing on the Dhaka Stock Exchange.

The net operating cash flow per share declined to Tk 1.17 for July-December of FY23 from Tk 2.26 in the same half of FY22. The NOCFPS decreased owing to a significant increase in cash paid to suppliers and operating expenses, said the filing.

The net asset value per share stood at Tk 15.42 on December 31, 2022, up from Tk 14.58 on June 30, 2022.

Salvo Chemical shares closed at Tk 61.80 on the DSE yesterday, unchanged from a session earlier.

# United Finance posts 36% lower profit in 2022

STAR BUSINESS REPORT

United Finance Limited registered a 36 per cent year-on-year fall in profit to Tk 14.2 crore in 2022.

The non-banking financial institution made Tk 22.26 crore profit in 2021.

Thus, United Finance reported earnings per share of Tk 0.76 for the financial year of 2022 compared to Tk 1.19 a year ago, according to a disclosure on the Dhaka Stock Exchange.

The net asset value per share fell slightly to Tk 17.06 last year from Tk 17.30 in 2021 while the net operating cash flow per share was Tk 12.47 negative from Tk 5.63 during the period.

The board of directors of United Finance recommended a 5 per cent cash dividend for the year that ended on December 31.

Shares of the NBFi were unchanged at Tk 15.80 on the DSE yesterday.

# Gold slips over 1%

REUTERS

Gold prices slipped on Monday as a rebound in equities dented the metal's safe-haven appeal, while investors evaluated steps taken by authorities to calm fears of a crisis in the global banking system.

Spot gold was down 1.4 per cent at \$1,950.05 per ounce as of 1107 GMT. US gold futures fell 1.6 per cent to \$1,951.20.

A buyer for Silicon Valley Bank's deposits and loans helped shares in European lenders mount a partial recovery, sending gold further below the \$2,000 mark breached last week.

"After kissing the psychological \$2,000 level last week, bears exploited this resistance to attack. Appetite for the precious metal has also been dampened by a stabilising dollar and mixed signals on monetary policy from the Fed," said Lukman Otunuga, senior research analyst at FXTM.

# China's industrial profits slump deepens

REUTERS, Beijing

The slump in Chinese industrial firms' profits deepened in the first two months of 2023, weighed by lacklustre demand and stubbornly high costs as the world's second-largest economy struggled to fully shake the long-term effects of Covid.

The sharp 22.9 per cent contraction followed a 4.0 per cent fall in industrial profits for the whole of 2022, data from the National Bureau of Statistics (NBS) showed on Monday, pointing to a downbeat start to the year for factories at large.

NBS statistician Sun Xiao attributed the decline to still soft demand despite an uptick in industrial output, according to a statement on the bureau's website.

Zhou Maohua, an analyst at China Everbright Bank, said a decline in auto sector profits was a notable drag on manufacturing profits, thanks in large part to a moderation in overall demand, production costs, fading auto subsidies and price wars.