

## Higher cost of funds pulls down profit of IDLC Finance

STAR BUSINESS REPORT

Profits of IDLC Finance PLC dipped 21 percent year-on-year to Tk 151.31 crore in 2023 mainly due to the higher cost of funds and a bearish stock market.

The non-bank financial institution (NBF) was not alone though as all other financial institutions saw decreased profits for the higher cost of funds.

The cost of funds rose due to hikes in the policy rate, deposit rate and coupon rate for bonds, said Md Masud K Majumder, chief financial officer of IDLC.

The company's net interest income fell 2 percent year-on-year to Tk 499 crore last year, according to its financial statements.

Around 30-40 percent of IDLC's profit usually comes from the capital market. However, income from the capital market was low in 2023 as capital gains were restricted due to the floor price mechanism.

The Bangladesh Securities and Exchange Commission (BSEC) had introduced floor prices for all stocks in mid-2022 to halt the freefall of market indices. The floor prices were calculated by averaging each share's trading price on July 26 that year and the four days prior.

The BSEC began removing floor prices in February this year to revitalise the stock market as investors were avoiding trade in fear of losses for the artificially inflated share prices.

The company's commission income was also less as market turnover fell amid the price cap system, he said, adding that the average daily turnover of the Dhaka Stock Exchange (DSE) fell by around 40 percent.

As such, IDLC's commission and brokerage income plunged 39 percent to Tk 35 crore in 2023.

Besides, the NBF had to keep some provisions for loans to small and medium enterprises as they continue to suffer amid macroeconomic challenges, Majumder said.

"And though our income fell, we had to raise our operating expense to cope with the higher price level, so the bottom line was hit," he added.

IDLC's consolidated earnings per share stood at Tk 3.64 last year, down from Tk 4.61 in 2022, official data showed.

However, the NBF's consolidated net asset value per share increased to Tk 45.71 from Tk 43.56 at the same time.

IDLC's board of directors recommended a 15 percent cash dividend, the same as the previous year, for 2023. The company's annual general meeting will take place on April 29 this year.

## BRAC Bank retains Moody's 'stable' outlook rating

STAR BUSINESS REPORT

BRAC Bank got the highest credit rating with a "stable" outlook by the international ratings agency, Moody's Investor Service.

It is the only Bangladeshi bank with a "BI" rating, equivalent to the sovereign rating of Bangladesh, according to a press release.

As per Moody's, BRAC Bank has the highest core capital base among the banks in Bangladesh.

Earlier in December 2023, S&P Global Ratings awarded a "B-" credit rating with "Stable" outlook to BRAC Bank.

BRAC Bank is also rated "AAA", the highest possible rating by both the Credit Rating Agency of Bangladesh (CRAB) and Emerging Credit Rating Ltd.

"Efficient management of balance sheet and liquidity, strong compliance culture, an independent and visionary board and a professional management team have been key determinants of this credit rating excellence over the years," said Selim RF Hussain, managing director and CEO of the bank.

# The life insurance products that are most popular in Bangladesh

### Most popular insurance products:

- Endowment assurance policy products are the most popular ones
  - These policy-based products provide a lump sum upon maturity
  - Have various instalment plans
- Monthly savings schemes, education schemes are also popular
- Health insurance and term insurance have huge potential

### INDUSTRY AT A GLANCE

- There are 35 life insurance and 46 non-life insurance companies in Bangladesh
- Around 18.97 million people in Bangladesh are under insurance coverage
- Insurance penetration rate is 0.50%, lower than India and Pakistan



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FEDA AL HOSSAIN and SUKANTA HALDER

Endowment is the most popular life insurance plan in Bangladesh as it offers a life cover and fixed returns and allows policyholders to make their loved ones financially secure and attain financial and other goals.

Besides, plans based on education and savings schemes have also received traction among customers.

Top insurance companies like MetLife Bangladesh, Pragati Life Insurance and National Life Insurance Company sell these plans along with other products.

MetLife's most popular policies include MetLife 3 Payment Plan (M3PP), MetLife Depositors Protection Scheme (MDPS), My Child's Education Protection Plan (MCEPP), and Endowment.

M3PP provides financial benefits in three stages and MDPS offers customers an opportunity to combine savings with life insurance benefits.

The endowment policy enables customers to provide an extensive safety net in the case of future unfortunate events while MCEPP enables policyholders to save for children's higher education.

Additionally, endowment policies are tailored to give protection against future financial uncertainties. It gives a safety net for families in the event of a policyholder's death, disability, or accident.

"The popularity of these products stems from the flexibility of tailoring plans in line with customers' current financial capacity and future needs," said Ala Ahmad, chief executive officer of MetLife Bangladesh.

The products also come up with the option to add extra coverage for specific diseases and hospital stays, and the assurance to receive claims without any delays or hassles, he said.

**Endowment policies are tailored to give protection against future financial uncertainties. It gives a safety net for families in the event of a policyholder's death, disability, or accident.**

"These policies are designed to provide customers with the benefit of accumulating funds to support their priorities. Besides, they extend insurance coverage during unforeseen events like death, disability, and accidents."

Pragati Life offers 29 insurance products.

"Our endowment policies that have savings components are the most popular. Our insurance plans on education and pension are also quite popular," said Md Jalalul Azim, managing director of Pragati Life Insurance.

"The flexibility of these insurance products is a key factor for their popularity."

He said if an individual buys a 12-year policy, he or she will get a certain percentage of money every two years. After the tenure, the whole amount will be returned with the bonus.

In the case of deaths, the nominee will get the full amount of the insured money. Pragati Life Insurance's deposit pension scheme gives policyholders a lump sum at the end of the tenure.

Azim said products like health insurance have huge potential in Bangladesh, a country where insurance penetration is one of the lowest in the world.

He said term insurance, which provides a death benefit that pays the beneficiaries of policyholders throughout a specified period of time, yields higher return although the premium is low.

"So, it has the potential to become popular."

Kazim Uddin, CEO of National Life Insurance Company Limited, said among its products, the most popular plan is anticipated endowment insurance.

The sum insured is partially available in three instalments for the entire term, he added.

The fund can be used to invest in profitable activities, initiate a new business, buy a house, or pay for children's education and marriage.

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## Boost smartphone use for successful 5G rollout

Says GP CEO Yasir Azman

MAHMUDUL HASAN

Bangladesh needs to increase smartphone penetration among its mobile phone users as a prerequisite for the introduction of 5G technology, said Yasir Azman, chief executive officer of Grameenphone.

"For the successful launch of 5G and the promotion of digital lifestyles, it is crucial for policymakers, regulators, and operators to collaborate in bolstering smartphone adoption," he said.

"In general, smartphone usage and the number of data subscribers have not been increasing and we are witnessing a stagnancy here," Azman added.

He also said it is crucial for Bangladesh to devise strategies to overcome this stagnation and boost smartphone penetration. Once the devices are in place, connectivity, including 5G, will follow suit.

"At the same time, we are taking preparation for 5G. It's a reality that we cannot avoid," he told The Daily Star in an interview.

The interview came just two days after the telecom regulator awarded Grameenphone, Robi, and Teletalk unified licences. These licences combined previous ones for 2G, 3G, and 4G services while incorporating provisions for 5G and future services.

He said though the government awarded them unified licences just two days ago, it has come with a lengthy process, allowing them to prepare for the new guidelines.

"We have already taken steps and are prepared to fulfil the implications of the licence at the customers' end with innovative products and services," Azman said.

"With this licence, regulatory compliances have become much simpler," he added while thanking the Bangladesh Telecommunication Regulatory Commission and telecom ministry.

Previously, there were separate licences with different timeframes and varying provisions, creating obstacles and inconsistencies. However, with a unified licence, these hindrances have been eliminated at the operational level with regulators, he said.

"Now, our focus is on implementation to ensure our customers benefit. Additionally, collaboration between operators and regulators becomes more constructive, fruitful and forward-thinking," he added.

Asked about Grameenphone's 5G rollout plans following the acquisition of the licence, he said the unified licence is solely meant for 5G.

"Yes, now we won't need to obtain a separate licence for 5G anymore. However, it doesn't mean that 5G is the only focus here. We are concentrating on preparedness for 5G, doubling our infrastructure in the last two years," he said.

He believes that 5G will not have a significant impact on individual customers.

"We actually need a strong 4G network," he said.

Azman said 5G technology holds immense potential for applications in large-scale manufacturing, agriculture, healthcare, and automation in ports and airports in Bangladesh.

However, to realise these benefits, Grameenphone must first complete its ongoing efforts in fibreisation and modernisation of network equipment.

"This will enable us to launch 5G for industrial solutions at the right time," he added.

Azman emphasised the importance of adopting global best practices in 5G implementation.

"Ultimately, success in launching 5G is not merely about its deployment but rather how it contributes to the growth of industries and supports the realisation of the Smart Bangladesh vision," said Azman, who has been serving Grameenphone as CEO since February 2020.

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## Zara owner Inditex posts record profit

AFP, Arteixo

Zara owner Inditex, the world's biggest fashion retailer, promised shareholders a record dividend on Wednesday after posting its highest-ever profits last year despite a complicated global backdrop.

The fashion giant, which has seen a strong performance on Spain's stock market over the past year, posted net profits of 5.4 billion euros (\$5.9 billion), up 30 percent from 4.1 billion euros in 2022 which was also a record.

The figure, which follows a solid fourth quarter, was in line with the expectations of analysts polled by financial data firm FactSet, who predicted profits of 5.36 billion euros.

Inditex has been able "to take advantage of the opportunities to keep growing profitably," said Oscar Garcia Maceiras, chief executive of the company which is based in the northwestern Galicia region.

The group, which since early 2022 has been headed by Marta Ortega, daughter of multi-billionaire founder Amancio Ortega, pointed to dynamic sales which hit a record 35.9 billion euros in 2023, a 10.4 percent increase from the previous year.

Inditex, whose eight brands include Pull&Bear and upmarket label Massimo

Dutti, notably benefited from consumers' taste for shopping online which rose by 16 percent to reach 9.1 billion euros.

Given the results, the retail giant said it would pay shareholders a dividend of 1.54 euros, a 28 percent increase from 2022, and the highest in the group's history.

It also expressed optimism about 2024, given that sales have continued to grow in recent weeks, up 11 percent year-on-year for the period from February 1 to March 11.

**The fashion giant posted net profits of 5.4 billion euros, up 30 percent from 4.1 billion euros in 2022 which was also a record**

Inditex's results are at odds with the difficulties experienced by many other fast fashion retailers, some of which have been forced to close or lay off staff in recent months, notably in France, like Kookai and Paris fashion brand Naf Naf.

The sector is facing heightened competition from the rise of ultra-low-cost brands like Chinese platform Shein and Ireland's Primark which have unsettled traditional low-cost clothing chains.

## As trade with China booms, some Russian companies are flourishing

REUTERS

Business at Nikita Minenkov's logistics company, based near the Amur River that marks the border between Russia and China, was going well. Since Moscow's invasion of Ukraine it's gone even better - company turnover has doubled for two years running.

Minenkov's Eurasia Logistics Group is one of multiple Russian businesses to benefit from a sharp uptick in trade with China, since Western firms abandoned the Russian market after the invasion of Ukraine and the imposition of sanctions.

The firm's success highlights Moscow's increasingly close economic relationship with Beijing which is buying more Russian oil - the lifeblood of Russia's economy - and supplying it with goods, in particular cars and machinery.

Chinese trade data for 2023 shows that export of cars to Russia were almost seven times higher than in 2022, with the value of those exports jumping by almost \$10 billion.

As Beijing has snapped up Russian oil at cheaper prices than

those charged by other producers, total Russia-China trade has jumped 64 percent to \$240 billion in the last two years.

"This is a systematic, mutually beneficial development of trade and economic cooperation," Kremlin spokesperson Dmitry Peskov told reporters this week. "Hopefully this is not the peak yet

and we will continue to develop."

Trade volume growth globally is expected to recover to 3.3 percent in 2024 after a forecast slowdown to 0.8 percent in 2023.

China's willingness to do business with Russia, despite its war in Ukraine, has extended an economic lifeline to President Vladimir Putin as he seeks another six-year term in

office in elections later this week.

"The surge in Russia-China trade illustrates simply that sanctions lose their bite over time, as non-participating countries take advantage of the economic opportunities left when Western firms retreat," said Zach Meyers, assistant director of the Centre for European Reform think tank.

China's car manufacturers have been particular beneficiaries of the West's corporate exodus from Russia, which saw many carmakers quickly sell assets and factories on the cheap.

China's share of the Russian market has leapt from less than 10 percent to more than 50 percent in the two years since the start of the war, which Russia calls a "special military operation".

Dealerships that were once selling Volkswagen, Renault and Stellantis models have pivoted to Chinese brands, including Geely and Chery.

"There's no alternative," said Vladislav Vershinin, head of sales at a Changan dealership in Mytishchi, just outside Moscow. "It has become profitable ... the Chinese are adapting very quickly."



Chinese cars being unloaded from a ship at a commercial port in Vladivostok, Russia.

PHOTO: REUTERS/FILE