

Apple supplier Luxshare unnerves Foxconn as US-China feud speeds supply chain shift

REUTERS, Taipei/Shanghai

Apple's top iPhone assembler, Taiwan-based Foxconn, has set up a task force to fend off the growing clout of Chinese electronics manufacturer Luxshare, which it believes poses a serious threat to its dominance, three sources with knowledge of the matter said.

The project was initiated by Foxconn's founder Terry Gou, according to one of the sources, to target Dongguan-based Luxshare, which is little-known internationally but is poised to become the first mainland China-headquartered firm to assemble iPhones - a turf until now dominated by Taiwanese manufacturers.

The task force, which the sources say was created last year, has been looking into Luxshare's technology, expansion plan, hiring strategy and whether the company - which currently makes only 5 per cent of Foxconn's revenue - is supported by any Chinese government entity.

While the US-China trade war and the coronavirus crisis have intensified pressure on global supply chains, an increasingly acrimonious tech feud between the economic giants has also prompted Beijing to strengthen efforts on creating world-leading local tech firms - and Luxshare's growth trajectory fits into that mould.

"Luxshare is set to rise ... it's just a matter of how fast it could be," one of the sources said. "It makes sense for China to build up its own supply chain and Luxshare is in line with that state policy."

That state policy, analysts say, is gaining traction with the rise of China's "red supply chain", where Chinese firms with apparent government support increasingly take on the work of manufacturing products for Apple and other global firms.

"Facing the rise of the red supply chain, the threat of Taiwan manufacturers being replaced continues to increase," Market Intelligence & Consulting Institute, a think tank backed by Taiwan government, wrote in a September report. Luxshare, whose chairwoman was once a worker at Taiwanese Apple supplier Foxlink, acquired two smaller factories belonging to Taiwanese iPhone assembler Wistron in China in July. Previously, Luxshare was best known for making Apple's AirPods.

One of the sources called it a "formidable opponent", and said Foxconn has been conducting extensive research on Luxshare, aiming to "defeat it completely."

The sources, who have direct knowledge of the matter and are familiar with Foxconn's thinking, declined to be named citing the sensitivity of the issue.

Public records reveal that while Luxshare is majority-owned by Grace Wang and her brother Wang

Laisheng, its minority shareholders include state-owned Chinese investment company Central Huijin Investment Ltd, which has a 1.38 per cent stake.

Luxshare has also received over 1 billion yuan (\$148.80 million) in government subsidies since 2016 to the first half of this year, a Reuters calculation of its financial reports shows. Roughly half of that sum came in 2019 alone.

Foxconn told Reuters in a statement the task force described in this story is "not grounded in facts" and there were "no meetings or any other contact."

"There have also been no other extraordinary actions taken by the management team." It did not elaborate. Luxshare declined to comment. Apple did not respond to a Reuters request for comment.

Luxshare was founded in 2004 by Grace Wang, who told Taiwan's Business Today in July that she was once a worker at Foxlink, owned by Gou's brother, T.C. Gou.



REUTERS/FILE

Workers are seen inside a Foxconn factory in the township of Longhua in the southern Guangdong province, China.

Gold slips on strong dollar, US stimulus doubts

REUTERS

Gold fell below the key psychological level of \$1,900 on Monday to its lowest in more than a week, pressured by a firmer dollar and stalled progress in talks for a new US coronavirus aid package.

Spot gold fell 0.2 per cent to \$1,897.35 per ounce by 0711 GMT, after hitting \$1,890.19, its lowest since Oct. 15.

US gold futures were down 0.4 per cent at \$1,898.20.

"There seems to be a lack of impetus to find extra buyers (for gold)... A lot of it is because we're trading in the looming shadow of the US elections and stimulus speculation," said IG Markets analyst Kyle Rodda.

The dollar rose 0.2 per cent against rivals. US House Speaker Nancy Pelosi on Sunday said the Trump administration was reviewing the latest plan for more COVID-19 relief and that she expected a response on Monday.

But with the presidential elections fast approaching, analysts said a victory for Democrat rival Joe Biden could help gold rally on a potential large stimulus package,

especially amid COVID-19 cases surging in the United States.

France registered a record increase in infections over the weekend and Spain announced a state of emergency as cases surged through Europe.

Widely viewed as a hedge against inflation and currency debasement, bullion has gained 25 per cent this year as central banks and governments unveiled unprecedented stimulus to cushion the economic fallout from the pandemic.

A break below support at \$1,887 per ounce could push gold lower to \$1,872, according to Reuters technical analyst Wang Tao.

Elsewhere, auto-catalyst metals palladium shed 0.8 per cent to \$2,372.80 while platinum fell 2 per cent to \$883.14.

"Although supply shocks for the pair have eased in recent weeks, Chinese car sales continue to eclipse expectations, which paints a bullish picture into the year end and should keep prices buoyant," MKS PAMP said in a note.

Silver dipped 1.8 per cent to \$24.14 per ounce.

Siemens, Carlyle near \$2.4b deal over Flender business

REUTERS

US buyout group Carlyle Group Inc is nearing an agreement to acquire Siemens AG's SIEGn.DE mechanical drive arm Flender, for about for about 2 billion euros (\$2.37 billion), Bloomberg News reported citing sources.

Siemens and Carlyle are finalizing terms of the deal that could be announced as early as this week, the report said.

Last week Siemens had asked Triton, Carlyle, CVC and Brookfield to submit final offers next week for the business, which has earnings before interest, tax, depreciation and amortization of just above 200 million euros and could be valued at 8-9 times that, according to sources.

Brookfield was outbid by Carlyle in the

end, the report said, adding that the talks could still be delayed or fall apart.

Siemens declined to comment, Carlyle did not immediately respond to a request for a comment.

Flender supplies Winergy branded gear boxes and generators for wind turbines, gears and couplings for cranes, ships, oil and gas production, as well as components for the chemicals, pharma, cement and food industries.

Siemens bought Flender, which traces its roots back to a 19th century maker of belt pulleys, from Babcock Borsig in 2005. Flender has, however, not lived up to Siemens' growth and profitability expectations. The divestiture is a part of the industrial conglomerate's plans to streamline its operations.

No company can be bigger than its customers

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"After becoming the director of operations, I naturally thought about whether I could lead the company or not. And after becoming managing director, I realised that it is just another job," she said.

To Chowdhury, having ambitious dreams is good but the important part is whether someone is really enjoying the job he or she is in.

"Passion and profession cannot be aligned all the time. One must enjoy the job, become more knowledgeable than others, be patient, fearless and honest. Then see what life gives you," she added. She also had some wise words for newcomers to the corporate world.

"If you've become very incompatible with your boss, remember: you cannot change the boss, you have to change the job," she said.

Knowledge is as important as IQ, adaptability and interaction but for mid-level officials, leadership skills are vital. She also thinks that every organisation must have a succession plan based on a transparent structure of meritocracy.

"There must be a measurable system of creating future leaders. When a managing director retires, there must be a pipeline to take over the job," she said.

As she does not believe in 'cult' or 'guru' ideals, she believes in forming some bonds while working in a team.

To her, the strongest attribute of a chief executive of a company is their 'love for the job' and fearlessness.

"Every morning, I enjoy going to the office and that's my passion," Chowdhury said.

Battery market swells riding on fast-expanding easy-bikes

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Industry operators said unorganised and illegally manufactured batteries comprise more than half of the annual market for easy bikes.

Citing a notification issued by Bangladesh Road Transport Authority on the registration of electric vehicles this year, Moin said policy support is coming.

"That is good news. But the bad news is that the sector is still unorganised and the government should help make the sector organised," he said, adding that a lot of illegal firms are involved in battery-making, recycling and trading.

Because of the higher demand for batteries, illegal recycling has increased. "The government has to bring the recycling under a legal framework because improper recycling is causing serious damages to soil and the environment," the entrepreneur said.

"The sector has to be made compliant." Rahman also said government support is needed to help the sector grow in an organised manner.

With Covid curbs fading, China set for consumption rebound

REUTERS, Beijing

Over the weekend, crowds packed a former industrial warehouse in Beijing as the China Fashion Week got underway, with models strutting mask-less on a square runway and guests oblivious to social distancing norms.

Similarly vibrant scenes are being seen elsewhere in China as consumers return to cinemas, live performances and restaurants.

To many, they indicate a late-summer recovery in Chinese household spending is broadening and propelling the next stage of the economic recovery.

"This August, sales in the domestic (apparel) market turned from negative to positive," Zhang Qinghui, chairman of the China Fashion Designers Committee, told Reuters last week.

"I think the numbers for September, or even the fourth quarter, will be better."

Sales of consumer goods, a proxy for consumption in China, rose across the board at the end of the third quarter, led by auto purchases, as household incomes returned to positive growth and employment conditions improved after being slammed by the Covid-19 pandemic.

The recovery made China a lone bright spot in the retail world and a major source of earnings for global consumer brands from Starbucks to Louis Vuitton.

Still, Chinese spending on services lagged that on goods, and sectors such as hospitality and catering sector fared particularly badly due to social distancing rules,

restrictions on operating hours, and caps on capacity.

But with the easing of curbs gathering pace in the third quarter, the hospitality sector is poised to accelerate its recovery. Already, its contraction in output narrowed in the third quarter versus the previous three months.

"The services industry had been the most affected by Covid. Now, with restrictions being lifted, the industry is gradually emerging from its downturn, which would provide a strong boost to the broad recovery in the consumer market," said Eran Cui, analyst at Gavekal Dragonomics.

"We expect growth would return to pre-Covid levels by the end of the year."

September's retail sales growth was still a third of pre-Covid-19 levels, but economists expect the

overall consumer market would stage a sharp rebound in coming months, after entertainment venues from cinemas to KTVs reopened in August.

On Oct. 1, the first day of the "Golden Week" holiday, China's box office raked in 745 million yuan (\$111.42 million), the highest single-day sales in 2020 and the second-best ever for the holiday.

And during the eight-day National Day break, China saw 637 million domestic tourists, though the number was only 79% of last year's total.

"We've returned to our old habits," said a 57-year-old Shanghai retiree surnamed Chen, who went on a 22-day self-drive tour in western Xinjiang region with her friends.

In Beijing, local rock bands have been playing to enthusiastic

crowds each weekend at the Temple Bar nestled in Beijing's many winding "hutong" alleyways, since the bar resumed such live gigs in September.

"Business is more or less back to pre-Covid levels," said a staff at the bar. "All we need right now is a vaccine. With that, everything can truly return to normal."

The return of spending is as vital to business-to-business companies as it is to consumer-facing businesses.

Benjamin Barthélémy, a Parisian who runs a film production studio in Beijing, said many small entertainment businesses had started recovering from Covid-19 in the past two months.

"Many, many meetings, many projects are coming back - it's like the machine slowly restarts. Commercials for cars and for everything else are really good now," Barthélémy said.

Next month, Tmall, Alibaba Group's e-commerce marketplace, expects over 2,600 foreign brands - an all-time high - to take part in the annual online "Double 11" shopping festival with sales set for another record in its 12th year.

The booming online consumption is helped by an improving job market.

In the first nine months, China created 8.98 million urban jobs, nearly hitting the government's full-year target of over 9 million. In the third quarter, household income growth turned positive, up 0.6 per cent year-on-year.

For some sectors, the recovery has taken a different form.



REUTERS/FILE

People dine at a restaurant in Beijing, China on October 25.

Govt may involve China in elevated expressway project

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In turn, vehicles from Chattogram and Sylhet would be able to bypass the city and head towards Maowa, Aricha and other northern districts.

The Dhaka-Maowa highway is directly linked with the under-construction Padma Bridge and to Narayanganj via the Dhaka-Narayanganj road.

Once completed, the new expressway would connect the north, south and west parts of the country. It will also significantly reduce traffic congestion in the capital by allowing vehicles bound for other destinations to bypass the city.

The project is a component of the strategic road network plan in the Dhaka Structure Plan (2016-2035) and the Asian Highway Network.

As per BBA's estimations in 2017, the Dhaka East-West Elevated Expressway was set to cost \$1,673.56 million while a bridge on the Bhulata-Araihazar-Banchharampur-Nabinagar road over the river Meghna

would require around \$182.43 million to complete.

"But now these costs will increase," Ferdous said.

The proposed route of the expressway is Hemayetpur-Nimtoli-Keraniganj-Ekuria-Janzira-Fatullah-Hajiganj-Bandar-Madanpur on the Dhaka-Chattogram highway.

Once complete, it will be an important part of the Asian Highway-1, which goes through Benapole-Jessore-Kanchpur-Dhaka-Sylhet-Tamabil.

In January 2018, the Planning Commission approved in principle the preliminary development project proposal and said the Dhaka Transport Coordination Authority's opinion was mandatory to formulate a development project proposal.

The government is currently implementing the 47km Dhaka Elevated Expressway, which would run from the Shahjalal International Airport to the Dhaka-Chattogram Highway.

Business up for MNCs, but not like last year

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LafargeHolcim's net sales increased 3 per cent to Tk 365 crore while profits rose 71 per cent to Tk 65 crore on the back of internal efficiencies.

Despite disruptions emanating from Covid-19, Bangladesh, with its strong record of growth and sound economic policies, will make a rebound on its growth trajectory, said Surana.

The recent stimulus packages introduced by the government coupled with improvements in inward remittance will aid the resurgence of rural demand, he added.

Marico's results are driven by its consistent efforts behind creating world-class products for Bangladesh consumers, said Marico Bangladesh Managing Director Ashish Goupal in a recent interview.

"While adapting to new ways of working and a digital existence,

we made every effort to retain this consistency," he said.

However, there were intermittent supply chain disruptions across locations due to lockdowns, he admitted.

"De-modelling our distribution and sales network and putting in place stringent health and safety measures across locations helped ensure business continuity," he said.

On the other hand, Marico launched new products in the health and hygiene segment including a hand sanitiser, a hand wash and a vegetable wash, Goupal added.

It will take another two years for the economy to return to the pace of normalcy which was prevailing before the pandemic, said a top marketer of another listed company requesting to remain unnamed.

Whatever was sold once the general leave was lifted and the economy

reopened emanated from demand which had been put on hold for the pandemic, he said.

But many people are adapting their demands to the present status of their income and it forced them to reduce expenditures, he said, adding that thereby, sales would remain slow in the upcoming two or three quarters.

So, how the economy has rebounded or been impacted will be clear in the next two quarters, the official added.

A top official of an asset management company said the Bangladesh economy has been making a rebound but it was still on the path towards reaching its normal pace.

For local companies, the revenue and profits scenario are the same as that of the multinational companies, he added.

Brokers should be allowed to issue bonds

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As a result, the BSEC asked Bangladesh Bank to direct local lenders to form the fund and thereby increase the banking sector's investment in the stock market while abiding by rules and regulations.

It also urges Bangladesh Bank to resolve its regulatory issues in the foreign exchange guideline so that no issue would arise when opening online outlets for local brokerage houses in other countries.

BSEC Commissioner Shaikh Shamsuddin Ahmed and Executive Director Md Mahbubul Alam were also present at the meeting.

Bangladesh Bank seems candid in its efforts to provide any support possible for the stock market, Ahmed said, adding that market regulators were now working together for the betterment of the stock market.

Merchant banks and brokerage houses provided a huge amount of margin loans to investors while the market was bullish between 2009 and 2010.

With the loans, investors bought overvalued stocks, the prices of which eventually dropped by 60 to 80 per cent.

But merchant banks and brokerage houses were requested by the then Finance Minister Abul Maal Abdul Muhith and BSEC Chairman M Khairul Hossain not to sell the shares.

However, securities law permits brokers and merchant bankers to sell shares whenever the stock price falls to a certain level so that negative equities do not evolve.

Due to negative equity, merchant banks and stock brokers are not investing in the capital market as per the BSEC's expectations, Ahmed said.

They have spoken to the central bank governor on how junk non-bank financial institutions can be restructured or recovered.

The mismatch between the bank companies act and corporate governance code over the number of independent directors was also analysed in the meeting and the authorities concerned have been asked to resolve the issue, he said.