

International Business News

India's Infosys beats estimates despite Q3 profit drop

AFP, Bangalore, India
India's second largest software exporter Infosys posted Tuesday a smaller-than-expected fall in net profit due to fresh overseas business and predicted strong future growth.

The company raised its outlook for revenues, expressing confidence that business income would improve in coming quarters, but said the rise in the rupee against the dollar was a concern.

The 4.87 percent decline in earnings to 15.6 billion rupees (344 million dollars) during the three months to December allowed the firm to increase its forecast for the full year to the end of March.

Analysts had estimated profits for the Nasdaq-listed firm would be near 14.7 billion rupees for the quarter.

Infosys shares rose 3.72 percent or 92.65 rupees to 2,581.2 rupees in late afternoon trade Tuesday, after the earnings were announced.

Revenues, by Indian accounting standards, for the Bangalore-based outsourcer fell 0.8 percent to 57.41 billion rupees, it said in a statement to the Mumbai stock exchange.

By US accounting norms, Infosys said net profit grew by a marginal 0.6 percent to 334 million dollars, for the December-ended quarter.

Cadbury says Kraft takeover bid 'unappealing'

AP, London
British candy maker Cadbury PLC on Tuesday stepped up its defence against a hostile takeover bid from Kraft Foods Inc. by announcing that both its full-year revenue growth and profit margins will beat market expectations.

Cadbury argued that the share portion of Kraft's 10.3 billion pound (\$16.5 billion) bid is unappealing because of the US company's "poor track record of delivery".

"Don't let Kraft steal your company with its derisory offer," Cadbury chairman Roger Carr said to shareholders.

Cadbury shares were fractionally lower at 780.5 pence on the London Stock Exchange. Kraft's offer currently values Cadbury at 763 pence per share. The higher market price suggests investors are hoping for a better offer.

Kraft, whose products include Velveeta cheese and Oreo cookies, has until Feb 2 to line up a majority of Cadbury shareholders to accept the offer.

Cadbury, maker of Dairy Milk chocolate and Dentyne gum, said it expected to report a 5 percent growth in business revenue for 2009, or 11 percent higher on an actual currency basis. It said it had improved its trading margin by 1.55 percentage points to 13.5 percent.



AFP
EADS Chief Executive Officer Louis Gallois (C) addresses a press conference to present the business highlights for 2009 at the military Airbus' plant in Seville in Seville yesterday. European aircraft maker Airbus said it had outperformed US rival Boeing in 2009 with 498 plane deliveries and 310 orders but its parent company said turnover had dropped.

Nissan aims to expand in US, boost image with electric Leaf

AFP, Detroit, Michigan
Nissan hopes to take advantage of a weakened Detroit to grow its share of the US market with a host of new products including a high-profile electric car, the Japanese automaker's top US executive said.

"2010 is going to be for us a very strong year in terms of product," Carlos Tavares, executive vice president in charge of the Americas, said in an interview Monday.

"We are going to bring eight new products to this market in the next 12 months."

Nissan managed to expand its share of the US market by 0.2 points to 7.4 percent in 2009 even as the overall industry suffered a 20-percent drop amid a broad economic crisis.

That came on the back of a 0.6-point rise in 2008 and helped Nissan end the year in sixth position, just 1.5 points behind Chrysler.

Carbon tax wrong way to tackle climate: EU trade chief-to-be

AFP, Brussels
Incoming European Union trade chief Karel De Gucht on Tuesday ruled out pursuing French-led calls to impose a carbon tax at the EU's borders, warning that such ideas risk triggering trade wars.

"In terms of border adjustments, I'm against it," De Gucht told lawmakers in response to a question during a European parliamentary confirmation hearing in Brussels.

"I don't see that as the right approach -- it's one that will lead to lots of practical problems.

"We've seen it in the past. The big risk is that it will also lead to an escalating trade war on a global level.

AVIATION

JAL flies into turbulence



AFP
Japan Airlines passengers check in at Haneda International airport in Tokyo yesterday. Japan Airlines shares have nosedived, hammered by deepening fears that investors will see their stakes wiped out as the spectre of bankruptcy looms large for Asia's biggest carrier.

AFP, Tokyo
Asia's largest carrier Japan Airlines has hit major turbulence in recent years as the mammoth company repeatedly miscalculated tougher business climates.

Flying to 217 airports in 35 countries and regions, the flag carrier of the world's second-largest economy is saddled with huge debt and set to file for bankruptcy as early as next week in a court-led rehabilitation process.

JAL's history has mirrored the bumpy path of the nation's "miracle" economic recovery after World War II and its subsequent stagnation which started with the so-called lost decade of the 1990s.

The airline was established in 1951, half controlled by the government. It made its international debut in 1954, connecting Tokyo, Honolulu and San Francisco.

With the trademark crane logo on its wings, JAL rapidly widened its

operations at home and overseas, at one stage becoming the world's largest carrier in terms of regular flights.

Disaster struck in 1985 when a JAL Boeing jumbo jet crashed into a mountainside in central Japan, killing all 520 people aboard in the worst single-airplane accident in aviation history.

As it battled to overcome the tragedy, the carrier was fully privatised in 1987 and expanded its fleet in the early 1990s, a move which soon turned out to be a financial burden as the speculative "bubble" economy burst.

The carrier now has 279 aircraft, including 113 leased planes, most of them Boeing jets. It transported about 53 million passengers last fiscal year, 41 million of them on domestic routes.

As the global aviation industry was battered by the fall-out from the September 11, 2001 attacks as well as the SARS and bird flu scares, JAL plunged into huge losses and sought massive credit lines from the government.

In a bid to survive the tougher busi-

ness environment, JAL and domestic carrier Japan Air System merged to form JAL Group, changing the logo to the current "Arc of the Sun" resembling the national flag.

The integration, however, led to further losses and a slowdown in restructuring efforts, while its late-coming rival All Nippon Airways (ANA) moved into high gear.

Despite the privatisation, JAL has often come under political pressure to maintain regular flights to more than half of domestic airports even though many are unprofitable, said Makoto Murayama, analyst at Nomura Securities.

Murayama added that JAL also miscalculated international demand.

"ANA predicted the decline in demand for international flights would not recover after the 9/11 terrorist attacks in the United States -- which proved to be right in later years," he said. "JAL thought demand would recover."

UPS AND DOWNS OF JAPAN AIRLINES

Japan Airlines shares nose-dived yesterday as the spectre of bankruptcy loomed large for Asia's biggest carrier. Following are milestones in the carrier's half-century history:

- 1951:** Japan Airlines (JAL) is established
- 1953:** Starts operation as a quasi-government flag carrier
- 1954:** Flies first international route to San Francisco via Honolulu
- 1960s:** Expands international routes as economy booms and 1964 Tokyo Olympics boost the number of foreign tourists
- 1981:** Becomes the top international air cargo operator
- 1983:** Becomes the top carrier for overall scheduled international operations
- 1985:** A JAL Boeing-747 domestic flight crashes in central Japan, killing 520 people, the deadliest aviation accident involving one airplane
- 1987:** Airline is fully privatised
- 1998:** Admits ties with organised crime in a massive scandal
- 2001:** Asks for public assistance after air travel falls following the 9/11 terrorist attacks against the United States
- 2003:** Asks for more public assistance amid SARS and Iraq war
- 2004:** Completes merger with Japan Air System
- 2009:** Government launches task force to rescue JAL. Airline reports losses of some 1.5 billion dollars in the six months to September after the aviation industry was hit by the financial crisis
- 2010:** The state-backed Enterprise Turnaround Initiative Corp. of Japan considers JAL's restructuring. JAL is expected to file for bankruptcy protection amid a court-led rehabilitation process

BONUSES

US banks brace for firestorm

AFP, Washington
Major US banks are gearing up to announce annual bonuses for top executives while bracing for a political firestorm over compensation practices that critics say fueled the global financial crisis.

A number of multimillion-dollar bonus payments are likely, even though most of the payouts are likely to be in the form of stock, with restrictions aimed at discouraging excessive risk-taking at many banks.

With announcements expected in the coming days and weeks, the administration of US President Barack Obama has warned that hefty payouts could lead to a political backlash.

"This big-bonus season of course is going to offend the American people. It offends me," said Christina Romer, chair of the president's Council of Economic Advisors, in a television interview.

White House spokesman Robert Gibbs told reporters Monday that many bank executives "just continue not to get it," referring to public displeasure on bonuses.

New York City Comptroller John Liu expressed similar concerns, saying that "paying record bonuses in the immediate wake of the largest taxpayer-funded bailout in history simply offends our sensibilities."

Analysts say banks are walking a fine line as they try to reward top employees without creating a political backlash that leads to tougher pay rules.

"The bankers are going to be paid a lot of money and the public is going to be very angry," said Douglas Elliott, a senior fellow at the Brookings Institution and a former investment banker.

"In the short run, the public would like these bankers to be burned or shot."

But Elliott said there is no easy answer to regulating pay: limiting bonuses would transfer more cash to shareholders, while taxing the payments may lead to a "brain drain" of the best executives.

"The public is extremely angry and I certainly understand their anger but for obvious reasons they don't understand the implications" of regulating com-



AP
A few firms, including investment giant Morgan Stanley, are implementing guidelines voluntarily to offer bonuses in the form of restricted stock.

pensation, he said. "Some things that would be emotionally satisfying usually would harm us rather than help us."

Elliott said that if bankers generate new business, a bonus tied to that may be a fair reward, he said. But if bankers use the firm's own money for investing in risky assets, this can imperil the firm even if the impact comes months or years later.

Deferred payments, which are growing in popularity, may not offer enough to retain the best in the field.

"Wall Street is still wrestling with the issue of compensating traders," Elliott said. "There are no easy answers. You cannot just hold off on compensating the trader until the transaction is unwound."

Some new regulations are already in the

works. The Federal Reserve is implementing new rules on incentive pay for large, complex banking organizations. Congress has been debating a variety of rules but has failed to reach a consensus.

A few firms, including investment giants Goldman Sachs and Morgan Stanley, are implementing guidelines voluntarily to offer bonuses in the form of restricted stock, with "clawback" mechanisms possible.

John Coffee, a Columbia University law professor and corporate governance specialist who has testified before Congress on executive pay issues, said many banks scrambled to repay government bailout funds before the end of 2009 to be free from limits on bonus payments.

"There are some (executives) who did not receive bonuses they thought they were

entitled to last year, and now want to be compensated" with larger bonuses, Coffee said. "The culture has not changed."

Coffee said some banks have moved "marginally" to restructure bonus payments, but that in many cases they still misalign risk and reward.

"When you incentivize managers with bonuses, you are now persuading them to accept higher risk," he said.

"If you keep on rolling the dice, sooner or later they will turn up 'snake eyes.'"

Coffee dismissed fears that a new regulatory scheme would drive away talented executives. "If this drives people out of banks and into hedge funds, that would be fine with me," he said. "These activities should be in institutions that are not too big to fail."