International Business News

Infosys quarterly profit disappoints

AFP, *Bangalore, India*

India's second-biggest software exporter Infosys announced Tuesday a 2.4 percent fall in first quarter consolidated net profit, lagging forecasts in an uncertain global economy.

Consolidated net profit in the quarter ended June fell to 14.88 billion rupees (316 million dollars) from 15.25 billion rupees a year earlier, the company said in a statement to the Mumbai stock exchange.

Analysts had predicted a quarterly profit of just over 15 billion rupees.

Revenues rose 13 percent to 61.98 billion rupees for the quarter, by international accounting standards.

The Bangalore-based software giant gained 38 extra clients for the quarter and made a net addition of 1,026 employees, with a total of 115,000 employees in June.

"The global economic environment continues to be uncertain. We however continue to see greater demand from our clients," said chief executive S. Gopalakrishnan in a statement.

Infosys shares fell 2.8 percent, or 80.95 rupees, to 2,814 in morning trade, reacting to the earnings, as the broader market fell 0.15 percent to 17,909 points.

Japan's Nomura to list $100m Sukuk on Malaysia bourse

AFP, *Kuala Lumpur*

Japan's top securities firm Nomura will list its inaugural 100 million dollars of Islamic bonds on Bursa Malaysia as the company looks to diversify its funding sources, officials said Tuesday.

Nomura is the second foreign issuer to house its sukuk on the Malaysian bourse.

Last November, General Electric Capital Corp., the world's biggest non-bank finance company, sold 500 million dollars of sukuk in Malaysia.

Yusli Mohamed Yusoff, Bursa Malaysia chief executive officer hailed Nomura's decision.

"We certainly have made great strides in the sukuk market and the listing of Nomura's sukuk is further demonstration of foreign players' confidence towards Islamic securities and instruments issued out of Malaysia," he was quoted as saying by Bernama news agency.

The Nomura listing brings the total sukuk listed on the Malaysian exchange to 15 with a value of 20.9 billion dollars, Bernama said.

AFP

Nissan Chief Operating Officer Toshiyuki Shiga introduces the company's new March, a compact hatchback vehicle at its headquarters in Yokohama, Japan yesterday. The new March is the fourth generation of this popular series with increase drivability and driving pleasure and best-in-class fuel economy of 26.0km/L.

BMW says sales to roar ahead in 2010

AFP, *Berlin*

German luxury car maker BMW hiked its 2010 forecast for sales and earnings sharply on Tuesday, saying that better conditions on the global auto market had boosted its outlook considerably.

The firm now expects to sell more than 1.4 million cars this year, around 10 percent more than the previous forecast, it said.

"Based on this much improved outlook, the BMW group expects full-year profit before tax to rise more sharply than previously forecast," BMW added.

Shares in the company gained more than six percent on the news, compared to a rise of 1.35 percent for the DAX market of top German shares.

In addition to the recovery of global markets, "strong demand for new models such as the BMW 5 Series and BMW X1 has had a positive impact on the business development," the company said in a statement.

The firm has sold around 13 percent more cars during the first half of the year compared to the same period in 2009.

Greece sweetens deal in first debt issue since bailout

AFP, *Athens*

Struggling Greece on Tuesday raised fresh funds from the markets in its first sale of government debt since a EU-IMF bailout saved it from default but it had to sweeten the deal to attract buyers.

Athens sold 1.625 billion euros (2.04 billion dollars) in six-month treasury bills at a rate of return of 4.65 percent, slightly higher than an equivalent sale in April, the Greek debt management agency (PDMA) said.

"The total bids reached 4.546 billion euros and the amount finally accepted was 1.625 billion euros," the agency said in a statement.

Greece on April 13 offered a rate of 4.55 percent for equivalent six-month bills, up sharply from 1.38 percent in January as the financial markets turned against the debt-stricken country.

It initially sought to raise 1.25 billion euros in Tuesday's sale.

The auction came two months after Greece was rescued from insolvency by a 110-billion-euro (138-billion-dollar) loan package put together by the EU, the European Central Bank and the International Monetary Fund.

SOCIAL BUSINESS

Uniqlo teams up with Yunus

Japan's clothing retail chain to help set up textile unit in Bangladesh

REFAYET ULLAH MIRDHA

Social business finds a new route now -- this time entering the garments sector.

Grameen Bank Group is partnering with Fast Retailing Company Ltd that owns Japan's casual-clothing chain Uniqlo. Under a joint venture, a textile unit will be set up in Bangladesh in September to help the underprivileged women.

The Japanese company and Grameen Bank Group have agreed in Tokyo to launch the venture through a Fast Retailing subsidiary.

Nobel laureate Muhammad Yunus, who is promoting the social business model, said the textiles company will help poor women and solve social problems, including those related to poverty, sanitation and education, through planning, production and sale of clothing.

Fast Retailing plans to invest some $100,000 to set up the business, temporarily dubbed as Grameen Uniqlo Ltd, for producing and retailing the products in the country, a statement said.

Grameen Bank will take a 1 percent stake in the venture, according to a Reuters report.

"On the retail front, we will use the Grameen Bank Group's borrower network of eight million people to help those living in poverty to develop job skills and provide them with opportunities to sell clothes door-to-door," said Fast Retailing.

"In the first year, we plan to generate work for 250 people and to increase this figure to 1,500 within three years."

"Grameen ladies will become their own business owners by selling the clothing products in visits to neighbours' houses," news agency AFP quoted Tadashi Yanai, chairman and president of Fast Retailing, as saying.

Yunus is backed by corporations such as food giant Danone, global water group Veolia, sportswear company Adidas and software company SAP.

Fast Retailing will be the first Asian corporation to start a social business with Grameen Bank Group, Yunus said.

"Uniqlo is a global company, a big company, and a company that is now creating a social business in Bangladesh," he said at a Tokyo press conference, adding that the world needs a new economic "architecture" to fight poverty.

AFP

Nobel laureate Muhammad Yunus (L) and Tadashi Yanai, president of Fast Retailing, attend a press conference in Tokyo yesterday. Japan's casual clothing brand Uniqlo and Yunus said they would create a textiles company in Bangladesh to help poor women gain financial independence. Fast Retailing, which owns Uniqlo, plans to invest some $100,000 to set up Grameen Uniqlo Ltd.

Uniqlo opened its liaison office in Dhaka in September last year although it had previously outsourced RMG products through an agent.

It has a network of over 760 stores in Japan. The company opened stores outside Japan in September 2001 starting in London. It expanded international network across six countries -- the UK, China, Hong Kong, the US, South Korea, France.

Meanwhile, garment exports to the new destination of Japan maintained a high growth rate in the July-April period of fiscal 2009-10 riding on the back of high demand for Bangladeshi apparel items there.

According to data from state-owned Export Promotion Bureau, Bangladesh exported knitwear items worth $60.02 million in the first 10 months of the immediate past fiscal year, which was $18.15 million in the same period of fiscal 2008-09.

In the July-April period of fiscal 2009-10, knitwear exports to Japan grew by 230.65 percent. Bangladesh logged $89.87 million in earnings from woven garment exports, registering a robust 121.46 percent growth over the same period a year ago.

Data showed that RMG exports to Japan were worth $74.38 million in fiscal 2008-09, compared to $28.04 million in fiscal 2007-08.

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ANALYSIS

China's secretive money manager opening up

REUTERS, *New York*

It was a quiet day in US debt market trading one day last December but participants felt something was amiss. Treasuries were selling off but the driving force behind the swoon remained a mystery.

An answer soon emerged: Traders were passing around a days-old news story containing a quote from a Chinese central bank official.

Zhu Min, the deputy governor of the People's Bank of China, had told an audience in Beijing that it would be "difficult" for foreign governments to buy US Treasuries as the US current account deficit shrank and the supply of dollars overseas decreased.

The 10-year US Treasury note yield rose 14 basis points that day even though, on the surface at least, Zhu was simply pointing out a mechanical reality for central banks trying to manage their currency reserves. Still, US-based traders saw a veiled warning; a potential signal that China would pull back from its heavy purchases in the Treasury market.

Traditionally, the Chinese government has dealt with the enormity of its influence on US Treasuries by deploying elaborate smoke screens to hide its movements, infusing its Wall Street moves with an air of paranoia and heavy-handed control.

But banks and investors that work closely with China are seeing more sophistication in its fixed-income strategy, perhaps in a bid to become more transparent.

"They're in a league of their own in terms of size and growth rate of investment, so it behooves them to have that kind of predictability in their actions so as to not jeopardize their position in the process," said Robert Tipp, chief investment strategist at Prudential Fixed Income in New York.

China holds $900.2 billion in US Treasuries.

As a result, Tipp said, "They are not a speedboat; they are an epically large tanker. It's very easy to see that everybody else in the water is watching them. If that boat has any sudden movements it could be very destabilising for the markets."

A few recent actions by China's currency manager, the State Administration for Foreign Exchange (commonly called SAFE) -- an arm of the PBOC -- suggests to Wall Street that China is beginning to manage public expectations by relying less on ironclad secrecy and more on the nuanced telegraphing of purpose.

Last week, SAFE posted a series of questions and answers -- in Chinese -- on its website designed to reassure the world of its continuing interest in US Treasury securities.

"Any increase or decrease in our holdings of US Treasuries is a normal investment operation," read the answer to a question about whether SAFE would ever use its currency reserves as a "nuclear weapon.

In addition to this public gesture, SAFE's behaviour on Wall Street, though it remains very secretive, may be shifting.

SAFE is a client prized above all others by primary dealers, the 18 firms in charge of buying US debt directly from the government and selling it into the marketplace. This is big business that requires discretion.

The two dozen bankers Reuters interviewed at the large Wall Street firms, as well as lawyers and others that deal directly with China in the Treasury market, asked not to be quoted by name, fearing they would be fired or their firms would lose the Chinese government's business.

The bankers said China masks its Treasury market moves by employing different organisations to buy Treasuries on behalf of the Chinese government. While SAFE is the biggest, it is not the only one.

At times, smaller entities such as state-owned banks will ask for research or a view on a particular purchase and then a large agency such as SAFE will carry out that purchase. One banker at a primary dealer likened these test purchases to pilot programs, adding that they were an example of how centralised the decision-making is behind China's Treasury purchases.

Treasury purchasing orders are handed down from Beijing, and bankers at primary dealers say they have met more often with money managers in China than with anyone from SAFE in New York. Dealers who have visited Beijing describe SAFE's money managers as polite, professional, and at times tight-lipped.

One dealer noted that while Wall Street analysts and economists easily offer their opinions about the state of financial markets and the US economy, SAFE officials almost never reveal their investment outlook.

SAFE's New York employees try to keep public contact to a minimum. A foreign exchange analyst who answered the phone at the New York SAFE office was friendly, and passed a curious Reuters reporter on to a US Treasury strategist. But the situation quickly soured as the strategist, after a quick exchange in Chinese with another person in the room, slammed down the phone.

Part of the motivation for SAFE's secrecy is the threat of public disapproval in China. Criticism flared two years ago after China Investment Corp., another government investing arm, bought $3 billion in U.S. real estate firm Blackstone's shares at $31 each only to see them plunge below $10 a year later.

"The CIC's initial $3 billion investment in Blackstone has come under intense criticism in China for the disappointing performance of the company's shares since its listing," the Chinese financial news service Xinhua Financial reported in October 2008.

"The Chinese used to brag, 'We have $200 billion in foreign exchange. We have $500 billion. We have $1 trillion.' They don't brag anymore," said Derek Scissors, a China analyst at the Heritage Foundation in Washington.

REUTERS

An employee counts yuan banknotes at a bank in Suining, Sichuan province, on Friday.