

International Business News

Wal-Mart in talks to buy Sfrican wholesaler Massmart

AFP, Johannesburg

Wal-Mart has entered talks to buy South African wholesaler Massmart for 4.2 billion dollars (3.1 billion euros), as the world's largest retailer seeks to enter Africa's biggest economy.

Massmart said Monday it has received a non-binding expression of interest from Wal-Mart and has entered exclusive talks, capping months of speculation that the retail giant was seeking a foothold in South Africa.

"We have received a non-binding expression of interest from Wal-Mart that could lead to a cash offer of 148 cents (21 dollars) per share for the entire issued share capital of the company," Massmart said in a statement.

"We are at the beginning of the process and it is difficult to say how long it will take or whether it will lead to an offer."

Massmart, which manages several of South Africa's largest retail chains, operates 288 stores in 14 countries around the continent.

The company reported annual sales of 6.1 billion dollars last year.

Wal-Mart has sought to expand aggressively into emerging markets as its US sales have slowed.



Models display creations as part of Roberto Cavalli spring-summer 2011 ready-to-wear collection yesterday during the Women's fashion week in Milan.

Japan's Sharp to start e-books business in Dec

AFP, Tokyo

Japan's Sharp Corp. said Monday it will launch an e-bookstore service in December with two new "Galapagos" tablet readers, with the service set to expand to movies, games and music early next year.

Sharp's new brand represents a shift for the company from conventional one-off sales of stand-alone products to devices that will continue to "evolve" through periodic software updates, it said.

It will offer a mobile device with a 5.5-inch LCD screen and a trackball for one-handed operation, as well as a device aimed at the home user with a 10.8-inch screen on which magazines can be read across a two-page spread.

In doing so, Sharp will enter an increasingly crowded market looking to exploit the popularity of gadgets such as Apple's iPad and the eBooks store and Amazon's Kindle range of e-readers.

Rival Sony has announced a similar e-book plan jointly with telecoms operator KDDI, the Asahi Shimbun newspaper company and the Toppan printing company. Top mobile carrier NTT DoCoMo has teamed up with Dai Nippon Printing.

SKorea's Hyundai Motor seeks to buy construction firm

AFP, Seoul

South Korea's top carmaker Hyundai Motor confirmed Monday it would bid for a troubled construction firm, setting the stage for a bidding war with its former parent Hyundai Group.

Hyundai Motor said in a statement it would seek a major stake in Hyundai Engineering and Construction to strengthen its "future business opportunities and diversify its business portfolio".

The automaker said it would use its own capital to take over the builder, adding it would send a letter of intent to creditors of Hyundai Construction later on Monday.

The nine creditors led by the Korea Exchange Bank announced Friday they would sell a 34.88 percent stake, potentially worth three billion dollars. A preferred bidder will be announced in December.

Hyundai Motor said the construction firm would be able to further cement its global position through the automaker's 8,000 manufacturing and sales operations in more than 150 countries.

British plumber relocates to Switzerland to cut tax

AFP, London

Wolseley, the world's biggest distributor of plumbing and heating products, said on Monday that it planned to create a holding company in Switzerland to slash its tax bill.

The company said that it suffered a net loss of 340 million pounds in the 12 months to July 31.

The loss after tax compared with a much larger shortfall of 1.17 billion pounds in 2008/2009.

The holding group, to be called New Wolseley, would be listed in Britain, have tax residence in Switzerland and be incorporated in Jersey.

The change must be approved by shareholders, and Wolseley hopes the new group will be formed by late November.

Also on Monday, Wolseley named a new chairman and said it had significantly reduced its annual losses.

The company, which generates 81 percent of its sales abroad, said that the new company would help the group achieve a "competitive" business tax rate.

COLUMN

Grow with all around you

VIKRAM PANDIT

Back in 2003, Kofi Annan called out to the financial services community stating, "Together, we can and must build inclusive financial sectors that help people improve their lives."

We, at Citi, embraced the underlying spirit behind the increasingly popular term 'financial inclusion' voluntarily before many central banks included this in their agenda. We strived, and I dare say succeeded in integrating this with Citi's 200-year-old unique architecture. We are in the business of making money. How we make money is what makes us different.

Let me elaborate a bit more. Citi is a fundamentally different company than what it was just two years ago. Having been through one of the most challenging economic environments in our lifetimes, today we are following three core principles.

First, we are focussed on being a global bank. Second, we are focused on serving our clients' interests. And third, we are leading with our competitive strength -- our unique global footprint that allows us to help local companies go global, and global companies succeed locally.

Over the last two centuries, this formula helped make Citi the world's leading financial institution, and as we approach our 200th anniversary as an institution, I believe this formula will make our company's future even brighter. As you know, we have come out of the businesses not aligned with Citi's core values, and yet remained ever committed to microfinance, small and medium enterprises, micro-entrepreneurship and women entrepreneurship.

It is our conscious decision to prioritise sectors that contribute the most to the host country's economic and social development that we operate in. Prioritising between sectors is often a challenging trade-off for a for-profit company, whose primary objective is maximising shareholder wealth. Thanks to my 259,000 colleagues around the world, we have so far managed to make the optimum choices for all around us.

My co-worker economists keep telling me that they are expecting the upgrade momentum across Asia to continue. Sovereign risks are coming down and investors are seeing it as an alternative safe haven for their money. We have a strong footprint in Asia and are looking forward to being part of the promising Asian growth cycle. India has a special place in my heart because of my heritage, and I am very proud of the fact that Citi has been in India for more than 100 years. We started in Kolkata in 1902, and in many ways India is home. China, as a market, is more important than ever for expansion or growth plans. We also have strong franchises in Hong Kong, Singapore, Malaysia, Philippines, Indonesia, South Korea, Taiwan and Bangladesh.



To date, financial education has not gotten its due attention: Vikram Pandit

With our global footprint and knowledge-sharing culture, we help top global corporations, support the growth ambitions of small and mid-sized enterprises, and help individuals and households build their financial futures. My team has gone out of its way to support the un-banked and under-banked individuals, families and communities in achieving economic empowerment by bringing them under the umbrella of Citi's service purview.

For instance, there are emerging markets where Citi does not yet have an all-out physical presence across the country. The infrastructural constraint in reaching out to the grassroots level end consumer is overcome by strategic alliance and mutually rewarding relationships with our partner organisations. Over the years, we have partnered with leading microfinance institutions (MFIs) and closed out many first-ever and innovative deals in microfinance.

We are working on the idea of establishing Shariah-compliant microfinance banks for the needs of millions of Muslims, left financially excluded because of Islam's prohibition on interest. This July, SKS, India's largest microfinance institution, closed a successful initial public offer (IPO) above most expectations. Citi India was one of three book runners of the IPO, which was a first by an MFI in India and one of only a handful around the world.

I believe till date financial education did not get its due attention. To us, this is more rewarding than donating relief to victims of natural disasters, because you invest in people, share your knowledge and change the way they think. These educated and financially aware people again make some impact on the lives of people around them -- an amazing domino effect. Visit the Citi site today, you will see we have packaged financial education in a colourful and animated box for your kids, differently for the

not-so-interested teen, and of course for the inquisitive adults.

You would probably think it is easy to pitch in favour of financial inclusion, but some practical challenges make it nearly impossible. That is correct. Especially in the case of developing economies (comprising a large portion in case of Asia rather than North America or Europe), lack of acceptable legal identity (national ID, driver's license), low literacy rate, unawareness on financial obligations and its consequences, low GNI per capita leading to marginal disposable income, bureaucratic legal framework are only a few of a banker's headaches. The good news is, it's all related. Through financial inclusion, we can come out of the problems getting in the way of financial inclusion.

The writer is the CEO of Citigroup. This has been prepared in light of a message he delivered recently in India.

COMMUNICATIONS

Reliance dials up further funding option

REUTERS, Mumbai

Will Anil Ambani's Reliance Communications now turn to plan E? India's No. 2 cellular carrier, which has tried at least four different and so far fruitless ways to raise capital over the past year or so, will on Tuesday seek permission from shareholders for the right to sell fresh equity.

Beset by a bruising debt load and falling profits, Reliance Comm could raise more than \$1 billion with an issue of up to 15 percent of its existing share capital, based on its current share price, although it is not expected by company watchers to do so immediately.

Given the company's beaten-down stock price, such approval may be meant instead to keep an option open for when Ambani could fetch a higher price for shares in the company.

But having already explored various asset sales, the IPO of a unit and the sale of a stake in the firm, options are narrowing.

The company declined to comment on capital-raising plans.

Reliance Comm's net debt is more than four times forecast earnings before interest, tax, depreciation and amortisation for the year to March 2011, according to brokerage estimates.

"One thing is sure: they have to raise money," said Jagannadham Thunuguntla, head of equity at SMC Capitals.

"It's not only a question of valuation now, it's also a question of what route is available," he said, adding that selling shares to insti-



Anil D Ambani

tutions would be easier than the asset sales and IPO plans it has also explored.

IMPROVING MARKET

The good news for Reliance Comm is that conditions for raising equity are improving in India, with foreign inflows power-

ing a rally in the benchmark Sensex that last week sent the index to 32-month highs.

The success of state-run Coal India's IPO next month, which at up to \$3 billion would be the country's largest, will be key to determining investor appetite for big new issues.

"RCOM's main challenge is to get their gearing down," said Saurabh Mukherjea, head of Indian equities at Execution Noble.

"If the Coal India IPO has a strong response, that would give a number of Indian companies the comfort that there is substantial global appetite for Indian paper, and in the wake of that I think you will see a whole raft of big-ticket QIPs," or qualified institutional placements, he said.

Brokerage Anand Rathi said Reliance Comm's foreign currency convertible bonds (FCCBs) worth 16 billion rupees (\$353 million) and 53 billion rupees are due for redemption in May 2011 and March 2012, respectively.

TOWER DEAL COLLAPSE

Reliance Comm, controlled by the younger of the billionaire Ambani brothers, has an unhappy recent dealmaking history.

In an unexpected blow, its agreement to hive off its towers business into a venture with India's GTL Infrastructure fell apart early this month. That deal, announced in June, would have cut debt by about \$3.9 billion, or more than half.

A plan to sell up to 26 percent in the entire company, announced in June, has not yet yielded any takers.

Etisalat ETELAD, the only carrier to have expressed interest in a possible investment, has said no deal will happen this year, and has not ruled out investing in rival Indian operator Idea Cellular.

Reliance Comm has said it is in

talks with other financial and strategic investors for the tower business, which it has also considered taking public in recent years, receiving the go-ahead for an IPO from India's market regulator in January.

Last year it put its biggest global assets for sale for \$3 billion but generated little interest, sources said early this year.

Reliance Comm shares, which jumped 37 percent in June on investor hopes that a deal was imminent, have given up roughly half those gains and trade 47 percent below their 52-week high.

FALLING PROFIT, DUELING NETWORKS

Reliance Comm has seen its profit fall in four straight quarters to June, with a cutthroat price war in a crowded market taking its toll.

Heavy spending is also weighing. Reliance Comm, predominantly a CDMA operator, last year completed the expansion of its smaller GSM business with a \$2 billion investment. On the top of that, the company spent about \$1.9 billion in an auction this year to win rights to provide high-speed third-generation services.

Anand Rathi Financial Services estimates the company had gross debt of 382 billion rupees as of end-June, of which 62 percent or 236 billion rupees is denominated in foreign currency and 44 percent (166 billion rupees) is due to mature in less than one year. Net debt, or gross debt minus cash balances, is estimated at 335 billion rupees after 3G licence payments.