

International Business News

India auto giants hit records on festival buying

AFP, New Delhi

India's two leading carmakers posted record sales in October as a strong economy brought consumers flooding into showrooms to buy new models ahead of the religious festival season.

The country's largest carmaker, Maruti Suzuki India, said sales jumped almost 40 percent from a year earlier to hit a monthly record of 118,908 units in October, a company statement said.

The high sales came as India readied for the religious holiday period that peaks this month with Diwali, the Hindu festival of lights, seen as an auspicious time to make new big-ticket purchases such as cars.

Maruti is majority-owned by Japan's Suzuki Motor Corp and sells around one out of every two cars in India. It racked up its previous highest sales tally of 108,006 units in September.

The figures came two days after Maruti reported a five percent jump in quarterly net profit as India's fast-expanding economy pumped sales of new models.

Emirates H1 profits surge 351pc

AFP, Dubai

Emirates airlines on Monday posted a 351 percent increase in net profits in six months, reaching 3.4 billion dirhams (925 million dollars), on the back of growing customer demand, a statement said.

The Dubai national carrier said the net profits in the first half of its current financial year compared to 752 million dirhams in the corresponding period of the previous year.

"The results for the first half of the 2010-11 financial year are incredibly robust, and reflect Emirates' success in growing customer demand, supported by investment in new aircraft, products and customer service," said Sheikh Ahmed bin Saeed Al-Maktoum, chairman and chief executive of Emirates Airline and Group.

Emirates, which recently faced fierce accusations in Europe of benefiting from state subsidies, boasted it was investing its own profits to grow.



AFP Honda Motor's humanoid robot Asimo, performs with dancer Papaya Suzuki during a promotional event marking the robots tenth anniversary at the company's headquarters in Tokyo on Sunday. Asimo, which officially stands for "Advanced Step in Innovative MObility", was the culmination of two decades of humanoid robotics research by Honda engineers, who began research on the project in the 1980s and unveiled Asimo in 2000.

Intel to make chips for a startup firm

REUTERS, Bangalore

US computer chipmaker Intel Corp has agreed to make chips for startup firm Achronix Semiconductor Corp, an Intel spokesman told Reuters.

The deal with Achronix, which was initially reported by the Wall Street Journal, would be the first time Intel has given another company access to its most advanced production processes.

"Yes, we have an agreement with Achronix to manufacture their future field-programmable gate array (FPGA) products on our 22 nanometer process," Intel spokesman Bill Kircos told Reuters. Achronix makes FPGA chips that are electrically programmed for specific tasks, which could be used for computing, industrial or aerospace applications.

Kircos said the agreement makes up significantly less than 1 percent of Intel's total capacity and is not financially material to the company's business.

ICBC takes over Fortis broker unit in US

AFP, Beijing

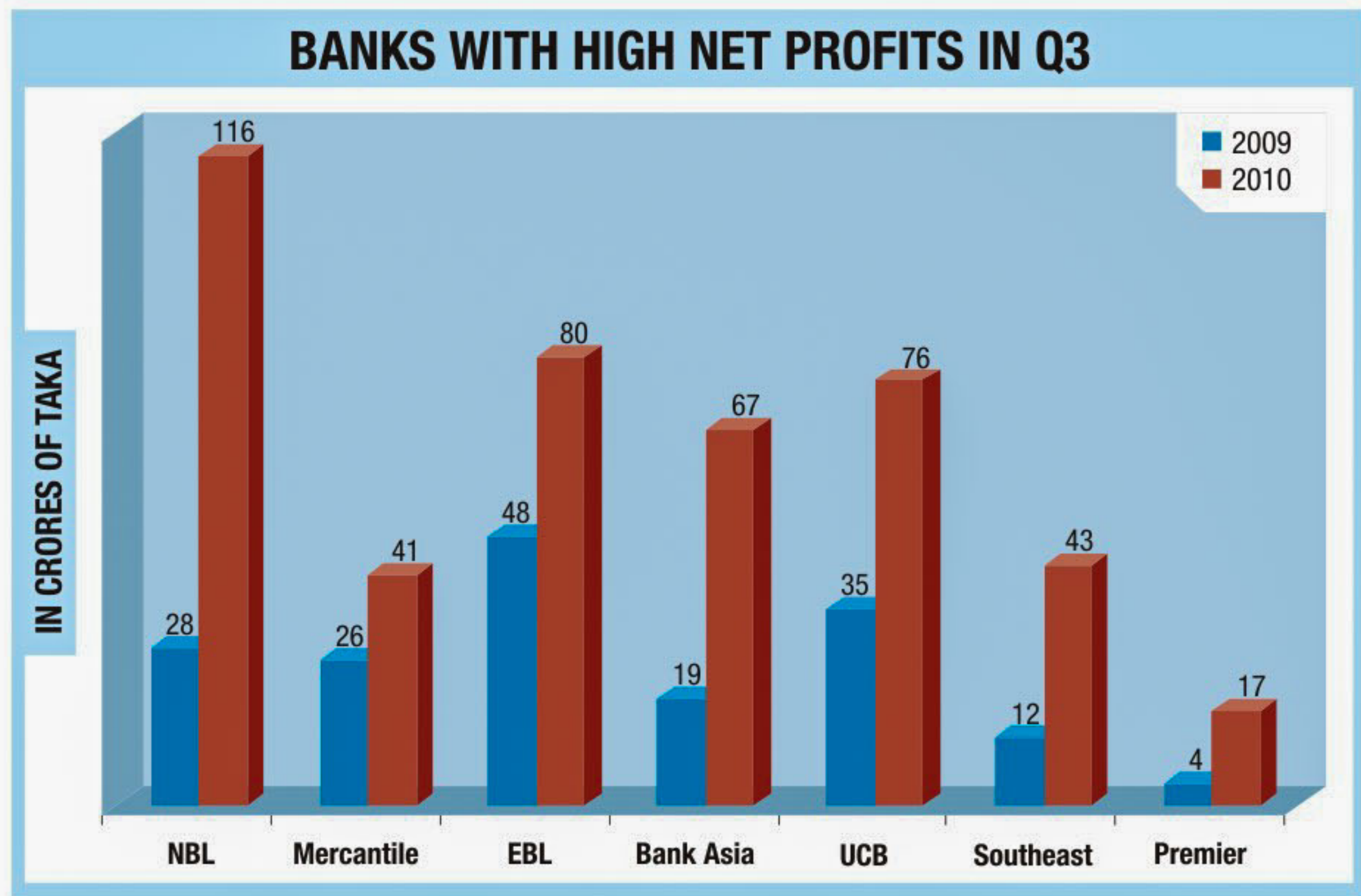
Industrial and Commercial Bank of China, the world's largest by market value, is branching into the broker-dealer business in the United States as it moves to expand overseas, a report said Monday.

ICBC paid one dollar to take over the Prime Dealer Services unit of Fortis Securities, which is controlled by France's BNP Paribas, the Wall Street Journal reported, citing unnamed sources familiar with the deal.

The report said the deal makes ICBC the first Chinese bank to buy a foreign broker-dealer.

The Fortis operation only has 75 existing customers, but could be a stepping stone for ICBC's expansion into the underwriting of securities in the US market, the sources told the newspaper.

Stock revenue fuels bank profit



SAJJADUR RAHMAN

Banks' profit soared as high as 400 percent in the third quarter, riding on a steep rise in revenue from their retail banking and stockmarket business.

Bankers said the hefty revenue from retail banking has offset the losses caused by weak performance in corporate and investment banking units, as the energy crisis cut into demand for investment.

Retail banking saw a significant revenue jump in the third quarter. The banks' capital market business also witnessed a sharp rise in revenue.

Shahjahan Bhuiyan, managing director of United Commercial Bank (UCB), said demand for investment was sluggish in productive sectors, but the situation was different for the retail side.

"People are spending much for purchasing homes, cars and lands," said Bhuiyan. "Small businesses and shops are also taking a good amount of loans." As on June 30, UCB's retail banking exposure neared Tk 400 crore, more than double from a year ago.

UCB logged more than Tk 76 crore net profit in the third quarter of 2010, compared to less than Tk 35 crore in the same period a year ago.

For National Bank Ltd (NBL), profits jumped to more than 400 percent to Tk 116 crore in the Q3, compared to the same period in the previous year.

Al-Arafah, Bank Asia, Mercantile and Eastern -- all saw their third quarter profits going up significantly. Bank Asia's profit soared to Tk 67.4 crore in this quarter from Tk 19.5 crore in the same period a year ago, while Mercantile's profit rose to Tk 40.6 crore from Tk 25.6 crore, and Eastern Bank's Tk 80.2 crore from Tk 48 crore. Al-Arafah's profit rose to nearly Tk 26 crore from Tk 18.4 crore.

Southeast Bank also posted almost four times higher profit at Tk 42.7 crore in the third quarter, up from Tk 11.7 crore in the same quarter a year ago. Premier Bank made a hefty profit: nearly Tk 17 crore in the third quarter, compared to Tk 3.7 crore in the year-ago period.

NCC, AB, ICB Islamic and Social Islami banks made a marginal profit in the reported quarter compared to the same period of the previous year. On the other hand, First Security and Uttara banks saw their profit going down.

According to the bankers, the banks that have stockmarket operations and large exposure earned half of their profits from there.

"Some banks earned 50 percent of their profit from the stock market, which is not a bank's purpose," said Ali Reza Iftekhar, managing director of Eastern Bank.

Earlier, the regulator, Bangladesh Bank (BB), cautioned eight banks

against their overexposure to the stockmarket. According to a BB official, the number of such banks now stands at 12.

The BB found that these banks made investments of more than 100 percent of their total capital in the share market, while another 15 institutions invested more than 50 percent. Their mandated limit is 25 percent of their paid-up capital or 10 percent of liabilities (deposit).

"Things are not changing significantly. Some banks still keep huge investment in the stockmarket violating the BB order," said the central bank official.

He said the BB would sit with these banks soon to discuss the issue.

Kaiser Chowdhury, managing director of AB Bank, said some banks might have over-investment in the share market, but not his bank.

"We are within the core banking. I am comfortable with the loan demand," said Chowdhury.

Prof Osman Imam, a financial market analyst who teaches at Dhaka University, cautioned the banks about their overexposure to the capital market.

"Banking industry along with thousands of customers will collapse if anything bad happens in the stockmarket," Imam said.

sajjad@thedailystar.net

REGULATION

India's microfinance draws scrutiny

REUTERS, New Delhi/Mumbai

India's microfinance industry, which surged to prominence when George Soros-backed SKS Microfinance raised \$358 million in an IPO, faces a regulatory clampdown that could erode profits and hurt growth.

Reports of dozens of suicides by poor borrowers in Andhra Pradesh, the hub of India's microfinance sector, prompted the state to enact rules against aggressive recovery practices by lenders who make loans that average about \$150 to poor customers at interest rates that can top 30 percent.

The finance minister said this week that he expects the industry to develop a code of conduct on interest rates and recovery practices, while the Reserve Bank of India (RBI) recently set up a panel to study issues surrounding the sector.

Several industry insiders and watchers said greater oversight is needed, although many worry about overregulation.

"Hopefully, MFIs will clean up their act in terms of higher levels of client protection and appropriate behaviour," said Shubhankar Sengupta, promoter of Arohan, a small microfinance lender based in Kolkata.

The rise of for-profit microfinance has made billions of dollars in credit available to millions of poor people in India and elsewhere, but it has also spurred controversy.

Backers say commercial microfinance makes lending attractive to poor borrowers who would otherwise be at the mercy of unregulated moneylenders who are known to charge interest rates as high as 100 percent.

Critics are uncomfortable with high profit margins earned from poor borrowers, and worry that the social mission of microfinance has been sidelined in favour of profits.

IPOs ON HOLD

Amid ongoing scrutiny of the sector in India, industry leader SKS on Wednesday announced that it was cutting rates for new loans in Andhra Pradesh to 24.55 percent annually, from 26.69 percent.

The prospect of new regulation and negative publicity are expected to delay the IPO plans of several operators in India.

New rules could also make it hard for them to attract the sort of multiples commanded by SKS, the only listed player in India, which was valued at more than six times book value, or three times the global average, when it listed in August in a heavily oversubscribed issue.

Shares in SKS Microfinance have fallen 19 percent since October 4, in part because of ongoing media attention surrounding the firing of its chief executive just two months after its listing.

Share Microfin Ltd, Spandana Spoorthy Financial Ltd, Asmitha Microfin and Bhartiya Samrudhi Finance are all planning IPOs, analysts told Reuters in August.

Spandana, the country's No.2 player, had hoped to raise as much as \$400 million in an IPO early next year but sources with direct knowledge of the matter said the offer may be delayed in the wake of recent industry developments. Spandana could not be reached for comment.

"IPOs will come but they may not go for such high valuations like



REUTERS Shobha Vakade, 28, who took a loan of rupees 18,000 (\$400) from a microfinance company to start her own business, strings beads into necklaces outside her house in a slum in Mumbai.

SKS," said Nikhil Poddar, analyst with Alchemy Share and Stock Broking.

DOUBLE BOTTOM LINE

Muhammad Yunus, the Nobel Prize-winning pioneer of microfinance in Bangladesh and founder of Grameen Bank, has expressed his displeasure about microfinance's move from its social mission to a commercial model.

"The direction is very clear that microfinance institutions have to pass on the benefits of economies of scale and lower costs to clients in the form of lower interest rates," said Royston Braganza, chief executive of Grameen Capital India.

Cotton import from India resumes after six months

A CORRESPONDENT, Benapole

Cotton imports from India through Benapole Port resumed yesterday after six months of suspension. Indian traders started shipping cotton after receiving the court's order to export duty-free cotton to Bangladesh.

The Indian government enforced the ban in April in an effort to ensure supply to its own textile mills. The imports of cotton through the Benapole port had since remained suspended.

Cotton prices reached an all-time high of \$1.19 a pound on the international market last month, which troubled Bangladesh and China -- the two countries that depend on cotton imports for their textile industries.

Industry insiders said crop damage by the floods in Pakistan, the world's fourth largest cotton producer, and the ban by India led to the price spiral.

Manager of Indian exporter LGW Ltd Dipak Babu said India's Finance Ministry imposed an Rs 2,500 duty on cotton exports per tonne on April 9. It also stated that the permission of the Indian Cotton Corporation would have to be taken from Delhi instead of Kolkata.

The Indian Cotton Export Association filed a case with the Indian High Court against the government order of imposing duties on cotton exports and rules of taking certificates from Delhi.

The court has recently handed down a verdict freeing up duty-free cotton exports, and allowed traders to take certificates from Kolkata instead of Delhi.

The customs cargo superintendent of the Benapole checkpoint said at least 144 trucks carried cotton into Bangladesh.



REUTERS

India is home to roughly 400 microfinance lenders with a combined 207 billion Indian rupees (\$4.6 billion) in outstanding loans to 70 million poor people. The 10 largest players account for roughly 80 percent of the industry.

With a potential base of 120 million unbanked homes, microcredit demand in India has the potential to rise sharply.

New rules are expected eventually to bring down interest rates, and reduce aggressive lending and collection practices, potentially squeezing out smaller players. Ultimately, that could make the industry more transparent and accountable, if less profitable.