

Slow economic growth phase in India won't last long: Indian PM

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India's slow economic growth will not last long as the government removes hurdles for stalled projects, eases foreign ownership rules and starts work on new ports and rail lines, Prime Minister Manmohan Singh said.

"Economic growth has slowed down at present and we are working hard to remedy the situation," Singh, 80, said in New Delhi yesterday in a speech to mark Independence Day, the date in 1947 when British colonial rule ended. Work on two new ports, eight airports, industrial corridors and rail projects will start in coming months, he said.

Singh is seeking to repair the image of his government and the ruling Congress party before elections due by May. A series of corruption allegations, a slowing economy and rising prices have all weighed on

his administration. Singh responded by rolling out populist legislation to expand distribution of cheap food to the poor and ease foreign ownership rules to resurrect a stalled economic agenda.

"In the coming months, we will see visible results of these efforts to increase investment," said Singh. "Our growth will accelerate, new employment opportunities will be generated and there will be improvements in the infrastructure sector."

This was Singh's 10th consecutive Independence Day speech.

Economic Woes

Singh is facing a record current account deficit, slowing growth and a rising inflation rate. Eleven months after India began easing caps on foreign-direct investment and restrictions on the bond market to spur growth, data this week showed a contraction in industrial output and an increase in price pressures.

Industrial production fell 2.2 percent in June from a year earlier, while consumer prices rose 9.64 percent year-on-year in July, government reports showed on Aug. 12. The current-account imbalance widened to an unprecedented 4.8 percent of gross domestic product in 2012-2013.

"It is not only our country that is facing economic difficulties. The last year has been difficult for the world economy as a whole," Singh said from behind a protective enclosure while addressing the nation from Delhi's 17th-century Red Fort. "I believe that this phase of slow growth in India will not last long," he told to an audience of school children, civilians and members of his government.

Currency Decline

The rupee has fallen more than 10 percent this year, the worst performer in 2013 after the yen in a basket of 11 Asian currencies

tracked by Bloomberg.

The government raised import tariffs on gold and silver on Aug. 13 as part of steps to ease the deficit and reduce pressure on the currency. The move to check imports comes after the central bank raised two interest rates last month to fight the rupee slump that risks fuelling inflation.

Yesterday, the Reserve Bank of India cut the amount local companies can invest overseas without seeking approval to 100 percent of their net worth, up from 400 percent.

Singh's government aims to guarantee cheap food to the poor by law as the Congress party seeks to build on vows to spread the benefits of growth.

The government expects the parliament to approve a bill shortly, to replace an ordinance, that seeks to provide subsidized food grain to about 810 million Indians, Singh said yesterday.

Li & Fung surges in Hong Kong on company outlook

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Li & Fung Ltd, the world's largest supplier of clothes and toys to retailers, surged the most in more than four years after saying its business is recovering and operating earnings are set to pick up later this year.

The outsourcer rose 12 percent to HK\$11.76 in Hong Kong, the biggest gain since April 2009. The Hong Kong's Hang Seng Index was little changed.

Orders for the second half are "solid," Chief Executive Officer Bruce Rockowitz said at an Aug. 13 press conference. Li & Fung, whose customers include Wal-Mart Stores Inc. (WMT), and Target Corp., has been pushing to revive its U.S. unit after weaker demand has hurt those operations.

"The worst is behind us and we are on track to recovery in 2013," the company said in its statement.

Net income fell 16 percent to \$96 million for the six months ended June from a year earlier, missing an average estimate of \$106.3 million from three analysts compiled by Bloomberg.

Core operating profit rose 1 percent to \$223 million in the first half. Second-half core operating profit will be 3 to 4 times that of the first half, Rockowitz said.

Operating earnings are set to pick up in the second half of this year due to back-to-school and holiday season demand, the outsourcer said.

Li & Fung's order book is 80-85 percent filled, the same as in previous years, according to Eddie Lau, a Citigroup analyst who expects strong cash flow in the second half of the year as the group's earnings are skewing more to that period. He reiterated his 'buy' rating.

Li & Fung gets more than 60 percent of its revenue from the U.S. It has changed management and discontinued some brands to revive its U.S. unit. That restructuring is on track to be completed by the end of 2013, the company said.

LF USA is hitting bottom, Anne Ling, an analyst at Deutsche Bank AG, said yesterday and she expects a strong recovery in 2014 for the group because of an improving U.S. economy. She upgraded the stock to 'buy' from 'hold.'

China could target oil firms, telcos, banks in price probe

REUTERS, Shanghai

China's powerful price regulator could target the petroleum, telecommunications, banking and auto sectors next in its investigations into violations of the country's anti-trust laws, state media quoted a senior official as saying.

The National Development and Reform Commission (NDRC) would look at industries that have an impact on the lives of ordinary Chinese, China Central Television (CCTV) quoted Xu Kunlin, head of the anti-monopoly bureau at the NDRC, as saying on one of its programmes.

The NDRC has launched nearly 20 pricing-related probes into domestic and foreign firms in the last three years, according to official media reports and research published by law firms.

But the scope of its investigations in the world's second biggest economy have gathered pace in recent months and coincide with criticism in official media about the price of goods such as milk powder, medicine, luxury cars and jewellery.

"When you look at activities around the world, regulators tend to investigate sectors where their investigations can have a direct impact on consumers, and that will look good," said Sebastien Evrard, Beijing-based partner at law firm Jones Day, which specialises in anti-trust law.

Last week the NDRC fined six milk powder firms for anti-competitive behaviour. It is also investigating 60 foreign and local pharmaceutical companies over pricing and costs.

Companies in the petroleum, telecommunications, banking and auto sectors were on the NDRC's radar for future investigations, CCTV's official blog quoted Xu as saying.

Shrimp exporters eye better days

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Shrimp exports to the US had been on a decline for the last few years as Bangladesh could not compete with the countries who offered lower prices, said Kazi Belayet Hossain, managing director of Sobi Fish Processing Ltd, a leading exporter.

Recession in the US had also put a bad impact on Bangladeshi shrimp exports, he said, adding that Bangladeshi exporters will now grab more orders from the US imports.

At present, shrimp is cultivated on 217,000 hectares in the coastal zone, mainly the south-west, and sweet water shrimps are grown on 30,000 hectares.

Bangladesh now exports around 50,000 tonnes of shrimp a year, Amin said.

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Eung Joon Kim, country manager of Woori Bank Bangladesh, inaugurates the bank's third branch at Uttara sector 3 in Dhaka on Wednesday.

Dell moves up earnings report to Thursday

AFP, New York City

US computer-maker Dell, in the grip of a battle for control of the business, is to publish its second-quarter earnings Thursday instead of next week as previously planned.

The results will be announced after the close of the US market, the company said in a last-minute statement Wednesday.

Commentary from the chief financial officer and a presentation containing "additional financial and operating

information" will also be made available, it said.

However, a telephone conference call with analysts, usually the norm, will not take place, a spokesman said.

Dell is in the midst of a buyout battle.

Voting on a proposal to take computer-maker Dell private was delayed for a third time earlier this month after founder Michael Dell agreed to boost the price of the transaction.

The amended deal from the Michael Dell-led consortium raises the purchase price per share to \$13.75.

New iPhone, 4G technology may mean Apple, China Mobile tie-up closer

REUTERS, Singapore/Hong Kong

The stars may be aligning for a long-awaited deal between Apple Inc and China Mobile Ltd, the world's biggest mobile carrier, that could help the iPhone maker claw back lost ground in its most important growth market.

Apple is expected to unveil its redesigned iPhone next month and may also release a cheaper, emerging market smartphone. Crucially, it also now has Qualcomm Inc chips that can operate even on China's obscure networks. At the same time, Beijing is expected to grant 4G licenses by the year-end that favor the biggest of its domestic mobile operators.

Apple has so far ducked a deal with China Mobile as this would have required a redesign inside the iPhone to work on the operator's inferior TD-SCDMA 3G technology. For its part, China Mobile has been reluctant to commit to the huge cost of marketing and subsidizing sales of the expensive iPhone.

By offering a mid-market Apple smartphone, China Mobile, which has 740 million users, could draw in more sophisticated, data-crunching subscribers to grow net profit that last year was only 15 percent higher than in 2008, when Apple opened its first store in China.

While the 4G licenses are expected to be based on TD-LTE technology, rather than the more widely-used FDD-LTE, the new Qualcomm chips can handle both systems, saving Apple from a major re-design just for the Chinese market, albeit the world's largest.



A man looks up as he walks past a China Mobile sign in downtown Shanghai.

issues that were a hindrance in the past seem to be getting resolved. So I think there's a higher probability that potentially there's something in the works," said Anand Ramachandran, a telecoms analyst at Barclays in Singapore.

Apple CEO Tim Cook met China Mobile Chairman Xi Guohua in Beijing last month, his second China visit this year, prompting speculation that a deal could be edging closer.

"We are actively negotiating and both sides are keen," Xi told reporters on Thursday after announcing half-year results. "There are still some commercial

and technology issues that need time to resolve," he added, without elaborating.

Apple may be keener now to partner with China Mobile as its sales in Greater China, its second biggest market, slumped 43 percent in April-June from the previous quarter, under pressure from mid-tier domestic suppliers such as Lenovo Group Ltd, ZTE Corp, Huawei Technologies and Xiaomi Technology. The California-based firm's China smartphone market share has almost halved since last year to below 5 percent, according to industry researcher Canalis—well behind market

leader Samsung Electronics.

The smaller China Unicom, which signed up with Apple in 2009, has seen annual net profits slide, largely due to the high cost of subsidising iPhone sales—but more recently its growth has outstripped its rivals as it trims subsidies this year having already established its high-end user base. January-June net profit jumped 55 percent to 5.3 billion yuan (\$866 million).

Third-ranked China Telecom Corp Ltd entered a deal with Apple last year and, like Unicom, has seen net profit fall in recent quarters due to rising handset subsi-

dies, though it expects profitability to improve in the long term. China Unicom and Telecom do not detail handset subsidies for iPhones.

China Mobile on Thursday posted April-June net profit of 35.2 billion yuan (\$5.7 billion), up 2 percent on last year and just ahead of estimates.

"Unicom has the fastest earnings momentum," said Vincent Lam, managing director of VL Asset Management Ltd, who invested in China Unicom, but not China Mobile. "It will depend on how iPhones fare in China from now on. My feeling is the iPhone may be losing popularity to some Android phones, so even if China Mobile gets an Apple deal, we will have to see how positive the impact is."

China's smartphone shipments are forecast to increase to more than 460 million by 2017, worth nearly \$120 billion, from an expected 330 million, worth \$80 billion, this year, according to research firm IDC.

"Tim Cook says he expects China to be the largest market for Apple after the US, but I don't see how that can happen if you don't have the largest operator as your partner," said Barclays' Ramachandran.

China Mobile shares, valued at around \$220 billion—half of Apple's market worth—have fallen 7 percent this year, compared with declines of 8 percent at China Telecom and 1 percent at China Unicom. The broader Hang Seng Index is down 0.5 percent.

China Mobile closed Thursday up 0.18 percent at HK\$84.05 in a flat market.

Commission to suggest regulator for Grameen Bank

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In May last year, the government established the commission to review the bank's governing structure and its relations to the independent associated companies founded by Nobel laureate Prof Muhammad Yunus.

Hossain said one should keep in mind that Grameen Bank collects deposits from people apart from its borrowers -- a privilege no other microcredit organisation is entitled to.

"So, there should be a sound supervision in an organisation where people's deposits are saved," he told The Daily Star yesterday.

Hossain said the body would keep its focus on Grameen Bank and the associated organisations in line with the terms of references.

He said the interim report, which was submitted in February, largely focused on the bank.

"We didn't write a lot about the associated organisations in the interim report. Our final report will focus on the associated organisations."

He said the final report would provide options for the government to restructure the bank.

Hossain said a number of elected, military and caretaker governments have ruled the country since 1983 when the bank was set up, but no government has overseen it properly.

About setting a minimum educational qualification for the borrower-directors, he said: "It is a big organisation. When the bank was set up our literacy rate was very low. Today, we have advanced a lot. This should be reflected in picking directors for the board."

The interim report said the nine elected borrower-directors should at least pass Class 7 exams.

Under the existing legal framework of the bank, there could be 5.4 lakh shareholders from borrowers, as per their 75 percent share in the bank's Tk 7 crore authorised capital.

"But it was found that 88 lakh shares have been distributed. The additional 82 lakh shareholders have bought shares at Tk 100 each."

He said the government would have to take care of these additional shareholders even if they were made shareholders breaching regulations.

"The government should recognise them and take a decision about them," he said.

He said the local and global movement in support of Grameen Bank would not influence the outcome of the commission's work.

"In fact, nobody within or outside the government has tried to influence the commission. Even, the supporters of Grameen Bank or Prof Yunus haven't tried to influence our work."

Multinational firms fare well

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Multinational companies' profit includes only the profit after tax and assets that have been kept beyond the reserve and surplus, according to the DSE.

"It is rational if the price of a company goes up based on its fundamentals and potential. A company having a huge reserve can issue a significant amount of cash dividends if it has no plan of expansion."

The earnings per share and the continuous growth of a company are important factors, he added.

Yawer Sayeed, managing director of AIMS of Bangladesh, an asset management company, said the price hike of a company can be logical in accordance with its fixed assets and reserves.

He said the multinational companies have declared a significant amount of cash dividends every year after their listing with the bourses.

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State banks press BB to relax lending cap

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"But the cap could not be compromised at will, as any blanket deviation could become a hurdle in getting loans from the IMF."

Meanwhile, the poor performance by the four banks in IMF's diagnostic tests in June suggests the lending ceiling is unlikely to be raised—rather they would be tightened.

A finance ministry official said the multilateral lender has been insisting that the lower ceilings be applied as early as next month.