

India urges court to leave some coal blocks with companies

REUTERS, New Delhi

The Attorney General has asked the Supreme Court to leave 40 of the 218 coal blocks allocations the court declared illegal with companies that operate mines that are either producing or close to doing so.

India's highest court ruled last week that the country's decades-old method of allocating coal mining concessions was illegal and arbitrary, putting investments worth billions of dollars at risk.

The suggestion by Attorney General Mukul Rohatgi sent shares of some of the companies that hold coal blocks sharply higher on speculation that the court would not order a wholesale cancellation of the allocations.

Rohatgi also told a Supreme Court hearing that the government was open to re-auctioning the coal blocks if their allocations are revoked.

"If the court does allow the companies to

keep the mines, possibly after paying some sort of a fine, that will be good news," said Dipesh Dipu, partner with Jenissi Management Consultants. "Costs may rise but at least they will have certainty of coal supply."

The court asked the government to submit a list of operational mines and said the next hearing will be held on Sept. 9.

The award of more than 200 coal blocks to steel, cement and power companies has been at the centre of the so-called "Coalgate" scandal, estimated in a 2012 audit report to have cost the exchequer as much as \$33 billion.

Jindal Steel and Power Ltd, Hindalco Industries Ltd and Sesa Sterlite Ltd are some of the firms that have already spent heavily on steel and power plants based around the coal blocks.

Jindal Steel shares closed the day up 6 percent, Hindalco 4 percent and Sesa Sterlite about 2 percent. The broader stock market edged up 0.8 percent.

Russia and China launch gas pipeline

BBC NEWS

Russia and China have begun the construction of a new gas pipeline linking the countries, with a ceremony in the Siberian city of Yakutsk.

China's CNPC has agreed to buy \$400 billion (£240 billion) of gas from Russia's Gazprom. Russia will ship 38 billion cubic metres (bcm) of gas annually over a period of 30 years.

The deal will lessen Russia's dependence on European buyers, who have imposed economic sanctions because of the crisis in Ukraine. The construction ceremony was attended by Russian President Vladimir Putin

and Chinese Vice-Premier Zhang Gaoli.

China will start work on the construction of its side of the pipeline in the first half of 2015, Zhang said.

The first gas will be pumped from Siberia to north-east China in early 2019.

Over the past 10 years, China has used other gas suppliers. Turkmenistan is now China's largest foreign gas supplier. Last year, it started importing piped natural gas from Myanmar. China is Russia's largest single trading partner, with bilateral trade flows of \$90 billion (£53 billion) in 2013.

The two neighbours aim to double the volume to \$200 billion in 10 years.

"Most exciting ever" Novartis drug points to huge sales

REUTERS, Barcelona

Sales forecasts for Novartis's new heart failure drug are being ramped up by analysts after strikingly good clinical trial results for a medicine doctors expect to transform treatment of the deadly disease.

Shares in the Swiss drugmaker jumped over 3 percent to a record high on Monday as data for LCZ696 released at the weekend beat expectations, showing the medicine slashed deaths and hospitalisations, worked across all groups of patients, and had no serious side effects.

David Epstein, Novartis's head of pharmaceuticals, said the launch of the drug next year promised to be the company's most exciting ever and profit margins on the medicine would be good.

The results of a keenly-awaited clinical trial on LCZ696 were released at the annual meeting of the European Society of Cardiology on Saturday and published in the New England Journal of Medicine with a glowing editorial.

Investigators working on the study and the company itself believe it has potential to replace drugs that have been central to treating heart failure for a quarter of century, opening up a multi-billion dollar sales opportunity.

"It will be possibly the most exciting launch the company has ever had," Epstein told investors.

At 0910 GMT, Novartis shares were up 3.3 percent at 85.1 Swiss francs, after touching a new high of 85.2 francs.

Analyst forecasts for LCZ696 have been climbing in recent months and the consensus for sales in 2019 - four years after its expected launch - stood at \$1.9 billion at the end of last week, according to Thomson Reuters Cortellis.

That number now looks out of date, with several analysts in research notes on Monday anticipating peak sales of \$5 billion or more.

There could be more upside too. Jefferies analysts, in common with many others, are not currently including in their \$5.2 billion sales estimate a second group of heart failure patients beyond those in the current clinical trial.

The study unveiled in Barcelona targeted heart patients with reduced ejection fraction, where the heart muscle does not contract effectively. However, Novartis is also starting a trial in a similar-sized group with preserved ejection fraction, where the ventricles do not relax as they should.

LCZ696 is a vindication of Novartis's strategy of stepping up its research efforts outside oncology, according to Epstein, who is keen to build up a broad portfolio when it comes to reinvesting profits from this drug on future research.

"This data further supports our analyses that show Novartis has the world's best R&D engine globally, even better than Roche," said Liberum analyst Naresh Chouhan.

Developing the drug was a gamble, given the lack of progress in more than a decade in finding new ways to treat heart failure, in which the heart struggles to pump blood adequately round the body.



RANGS ELECTRONICS

Aktar Hussain, chairman of Rangs Group of Companies, attends the REL Business Conference 2014, at Ruposhi Bangla Hotel in Dhaka on Sunday.

Samsung to merge shipbuilding, engineering units

AFP, Seoul

The shipbuilding and engineering units of South Korea's Samsung group said Monday they would merge, as the family-run giant gears up for generational ownership succession.

The board members of Samsung Heavy Industries, the world's third-largest shipmaker, and Samsung Engineering had approved the tie-up via a share swap, said a joint statement.

Shareholders at the engineering unit will be given 2.36 shares in the shipbuilder, it said, adding the deal would be finalised by December.

The two firms hope to achieve total sales of 40 trillion won (\$39.4 billion) by 2020 from 25 trillion won in 2013, it said.

Samsung Heavy focuses on shipbuilding and offshore plants while Samsung Engineering build onshore energy plants around the world.

"The merged company will be able to provide total solutions for both offshore and onshore plants for clients including major oil companies," the statement said.

The country's top business group has under its wings dozens of units including Samsung Electronics -- the world's top maker of mobile phones and TVs.

The group -- currently led by chairman Lee Kun-Hee -- has in recent years reorganised to pave the way for his son, Jay Y. Lee, to take the helm.

The senior Lee -- largely credited with transforming the once-obscure electronics firm into the global giant -- has been in hospital since May with respiratory and heart problems.

The junior Lee is currently the vice chairman of Samsung Electronics.

The Lee family controls the vast group through a highly complex web of cross shareholdings across its subsidiaries.

The family has been under growing government pressure to unravel its complex cross shareholdings and make its governing structure more transparent.

The group plans to take public two units to meet the tighter government rules and to eventually help the junior Lee pay vast inheritance taxes worth billions of dollars.



PUBALI BANK

Mohammad Ali, chief technical officer of Pubali Bank, and Syed Farhad Ahmed, managing director of Aamra Technology, sign an agreement worth Tk 46.43 crore for installation of Oracle Exadata, at a ceremony recently. Helal Ahmed Chowdhury, managing director of Pubali Bank, was also present.

China gives Microsoft 20 days to provide explanation in anti-trust probe

REUTERS, Beijing

A Chinese anti-trust regulator said on Monday it has given Microsoft Corp 20 days to reply to queries on the compatibility of its Windows operating system and Office software suite amid a probe into the world's largest software company.

The State Administration for Industry and Commerce (SAIC) questioned Microsoft Vice President David Chen and gave the company a deadline to make an explanation, the agency said in a short statement on its website.

Microsoft is one of at least 30 foreign companies that have come under scrutiny by China's anti-monopoly regulators as the government seeks to enforce its six-year old antitrust law. Critics say the law is being

used to unfairly target overseas businesses, a charge the regulators deny.

According to a state media report on Monday, Microsoft's use of verification codes also spurred complaints from Chinese companies. Their use "may have violated China's anti-monopoly law", the official Xinhua news agency said on Monday.

Verification codes are typically used by software companies as an anti-piracy mechanism. They are provided with legitimate copies of software and can be entered to entitle customers to updates and support from the manufacturer.

Microsoft has long suffered from piracy of its software within China. Former Chief Executive Steve Ballmer told employees in Beijing that the company made less revenue in China than it did in the Netherlands.

What's Europe's best hope for avoiding a second euro crisis?

ANATOLE KALETSKY

This week's theatrical resignation threat by Manuel Valls, the French prime minister, combined with deep European anxiety about deflation, suggest that the euro crisis may be coming back. But a crisis is often an opportunity, and this is the hope now beginning to excite markets in the eurozone.

Investors and business leaders are asking themselves three questions: Will European governments and the European Central Bank recognize the unexpected weakness of the eurozone economy as an opportunity to change course? If they do, will they know how to grasp it? And will they be allowed to do what is necessary by the true economic sovereign of Europe, German Chancellor Angela Merkel?

First, the opportunity. Europe still has a chance to save itself from a Japanese-style lost decade of stagnation and deflation. And this may well be a last chance, because a lost decade in Europe could produce some very un-Japanese social rebellions and political upheavals. Europe, after all, lacks Japan's social consensus, national unity and financial cohesion. It is far from clear that Europe could survive 10 years of recession without up the eurozone breaking up and even perhaps the European Union.

Second, what must Europe do to save itself from stagnation and disintegration? The obvious answer is to follow something similar to the "three arrows" program popularised (though not genuinely implemented) by Japan's prime minister, Shinzo Abe. Abe's "three arrows" were: aggressive monetary stimulus; fiscal easing requiring suspension of deficit and debt targets, and structural reforms to correct long-term weaknesses in both supply and demand.

Judging by ECB Chairman Mario Draghi's speech at Jackson Hole, Wyo., all three of these policies are becoming feasible. The central bank is hinting at more growth-oriented monetary policy, the European Commission seems willing to interpret its fiscal rules more flexibly, and national govern-



Mario Draghi

ments are promising to undertake more structural reforms.

The problem is that all these hints and promises are hedged with too many conditions, uncertainties and caveats. Even if the ECB decides to experiment with U.S., British and Japanese-style quantitative easing, or QE, its record suggests that it will probably do too little, too late - just enough to prevent a collapse of the euro but not nearly enough to pull the European economy out of its slump.

The prospects for fiscal and structural reforms are even more discouraging, judging by this week's political upheaval in France. President Francois Hollande responded to his prime minister's resignation threat by sacking Arnaud Montebourg, the left-wing economy minister, along with several allies. But Montebourg was calling for budget flexibility and fiscal refraction, policies very similar to those suggested by Draghi. And Montebourg rightly stressed the importance of "sequencing" monetary, fiscal and structural reforms correctly, a fair point also made by Draghi and before him by Christine Lagarde, head of the International Monetary Fund. What matters is not just the policies that governments and central banks implement, but the order in which they do so.

Misguided sequencing has arguably been a root cause of European's economic malaise. Monetary expansion, for example,

is much more effective if it is combined with fiscal stimulus, either through temporary tax cuts or injections of public spending. But if monetary expansion is contradicted by premature fiscal consolidation, both policies can be doomed to failure.

Structural reforms are very slow to act and cannot generate growth in the short-term. They should thus be viewed as complementary to macroeconomic policy, not as a pre-condition for monetary and fiscal expansion. Major reductions in public spending, which reduce growth in the short term even though they may increase long-run efficiency, should come at the end of the reform process, instead of being "front-loaded" ahead of tax cuts, as the European Commission and the German government tend to demand.

For all these reasons, and many others, skepticism is certainly justified about Europe's willingness to pull itself out of stagnation. That raises the third and most important issue: Will Merkel allow Europe to save itself?

To judge by Merkel's public statements, the answer is "no." Officially, the German government refuses even to discuss any loosening of the EU budget rules. Nor does it accept the economic logic of sequencing espoused by the IMF, the United States, Japan, China and every other major economy. But is that really her position - and even if it is, can

she sustain it much longer?

With the German economy weakening due to the recession in France and southern Europe, as well as sanctions against Russia, Merkel is becoming less adamant about imposing German ideas. At the same time, the pressure for change coming from France, Italy and Spain is growing as Hollande, Matteo Renzi and Mariano Rajoy all face challenges to their leadership. In this sense, the rebellion against Hollande could be a useful cautionary tale for Merkel. If she remains too obstinate, she could lose all her allies and face some truly frightening hostility from openly anti-German politicians such as Marine Le Pen, Montebourg and Silvio Berlusconi. This is not a legacy Merkel will want.

It is thus quite possible that this week's political upheaval in France was actually coordinated, at least informally, by Hollande and Merkel. Let us assume that Hollande and Merkel finally recognize, because of the recent slump in European economic indicators, that fiscal and monetary refraction are urgently necessary for Europe. For Merkel, this would be a very difficult concession since she has vehemently opposed any loosening of EU budgetary targets and expressed deep reservations about monetary "experiments" such as QE. To avoid losing face, she would require a diversionary tactic. Montebourg's demand for fiscal refraction, which he combined with an attack on Merkel's domination of European economic policy, provided a perfect distraction.

By sacking Montebourg, Hollande was able to signal that he would accept German economic dominance and abide by the EU fiscal rules. Having done this favor for Merkel, he could then go ahead and discretely break the rules. It is a measure of the EU's political and economic dysfunctions that such twisted Machiavellian logic now offers Europe its best hope.

Anatole Kaletsky is a journalist and financial economist who has written since 1976 for The Economist, the Financial Times and The Times of London before joining Reuters.



EDOTCO

Supun Weerasinghe, chief executive of Robi Axiata; Yap Wai Yip, acting managing director of edotco Bangladesh, and Faisal Hyder, chief executive of Qubee, ink an agreement for infrastructure sharing to ensure a faster and wider network for Qubee, at the Robi corporate office in Gulshan, Dhaka yesterday.