

For India IPOs, 2016 promises to be best year in six

REUTERS, Mumbai/Hong Kong

Indian IPOs are set to raise more than \$5 billion in 2016, a six-year high, as corporate profit growth and a pickup in the economy drive investor demand for equities and lure firms such as Vodafone's local unit to list.

India has been a bright spot in an otherwise dull Asian initial public offering (IPO) market in 2015, with companies in the country raising a combined \$2.1 billion, a seven-fold jump over the previous year. In contrast, sums raised by bigger markets such as Hong Kong and Australia, have fallen.

Investment bankers, who forecast the IPO proceeds topping \$5 billion in 2016, say besides the Vodafone unit listing, there will be several financial and technology sector companies going public next year.

"There is a healthy pipeline of deals waiting to hit the market over the next 12 to 18 months and an equally strong investor interest to buy into these deals," said Sumil Sanghai, head of banking at HSBC in India, adding companies would need equity capital as new projects take off.

Volatile markets and slowing economic growth had dampened IPO launches in India in the past few years, and led to sluggish revenue growth and rising debt at companies in Asia's third-largest economy.

But Prime Minister Narendra Modi's push to cut bureaucratic red tape to improve ease of doing business, bolster the country's manufacturing sector and attract more foreign capital is now set to give a boost to the IPO momentum.

And corporate earnings growth is set to quicken.

India's listed large and mid-cap companies are expected to post an average net income growth of 21.6 percent in the next fiscal year beginning in April, up from 9.2 percent in



REUTERS/FILE

A money lender counts Indian rupee notes at his shop in India.

this fiscal, according to Thomson Reuters Starmine data.

In what could be 2016's top India listing, Vodafone is expected to float its India unit to raise more than \$2 billion, according to several bankers, in the biggest private-sector debut since utility Reliance Power raised \$2.9 billion in 2008.

A Vodafone spokesman in London said the mobile operator was "positively inclined" towards an IPO and that preparations had started, but a final decision on the offering would depend on factors including market and industry dynamics in India.

HDFC Life, in which British insurer Standard Life owns a stake, is expected to raise more than \$300 million via an IPO next year, bankers said, making it the first insurer to list on the Indian bourses.

Other possible listings include a roughly \$150 million IPO by private-equity backed Ujjivan Financial Services, which makes small loans to businesses and farmers, and IT services firm L&T Infotech's about \$300

million floatation, they said.

A spokesman for L&T Infotech parent Larsen & Toubro said the unit had filed the prospectus for an IPO, but declined to comment further. HDFC Life and Ujjivan did not respond to a Reuters request for comment.

India's benchmark BSE index is down 5.3 percent so far this year, but Deutsche Bank in a report this month said the index should rise more than 11 percent to touch 29,000 by end-2016 helped by a jump in corporate earnings.

The IPO momentum, however, could stall if the government fails to implement key reforms, including a new law to harmonise all state taxes to give a fillip to economic growth, some bankers said.

"There are some concerns about delay in pushing through reforms, which if not addressed would have an impact on the corporate as well as investor sentiment, which would in turn have an impact on demand for Indian papers," said the equity capital market banker at a US bank.

British wage growth likely to disappoint in 2016

REUTERS, London

British wage growth next year is likely to fall far short of the expectations of the Bank of England (BoE) and government as employers hold back on pay rises in the face of growing costs, an industry body said on Wednesday.

The Chartered Institute of Personnel Development (CIPD) said pay growth will stay stuck at about 2 percent for most or all of 2016, well below forecasts of about 3.5 percent from the BoE and Office for Budget Responsibility.

Wage growth is an important determinant in the outlook for interest rates, with BoE policymakers judging when to raise rates from their record low 0.5 percent.

Some employers are worried about the cost of a new higher minimum wage, especially in retail, hospitality and social care, rising pension costs for small firms and a levy on large companies to train apprentices, the CIPD said.

"With inflation close to zero, some employers will try to manage these costs by restricting pay rises for their better-paid employees," CIPD chief economist, Mark Beaton, said.

Workers' pay in Britain grew at a slower-than-expected pace in the three months to October, suggesting the Bank of England will take even longer to raise interest rates from the record low in place for nearly seven years.



NCC BANK

SM Abu Mohsin, chairman of NCC Bank, opens the relocated premises of the bank's Rangpur branch on GL Roy Road on Sunday. Golam Hafiz Ahmed, managing director, was also present.

Philippines to join China-backed Asian infrastructure bank

AFP, Manila

The Philippines said Wednesday it will join the China-backed Asian Infrastructure Investment Bank, despite being engaged in a dispute with Beijing over its claims in the South China Sea.

Viewed by some as a rival to the World Bank and the Philippines-based Asian Development Bank, the AIIB is expected to begin operation early next year with an opening ceremony scheduled for January 16-18.

The United States and Japan, respectively the world's largest and third-largest economies and the principal shareholders in the ADB, have both declined to join the AIIB, part of an initiative by China to expand its financial clout in Asia.

The move by the Philippines, a key US ally in Asia, comes after it took Beijing to a United Nations tribunal in a bid to challenge its extensive claims in the South China Sea.

"The two (AIIB membership and the maritime dispute) are totally unrelated," Philippine foreign department spokesman Charles Jose told AFP Wednesday.

"The decision of the Philippines to be one of the founding members of the

China-led AIIB is based on the country's economic development imperatives," President Benigno Aquino's spokesman Herminio Coloma told AFP.

"There is no linkage between this decision and the issues raised by the Philippines with regard to maritime entitlement claims" in the South China Sea, Coloma added.

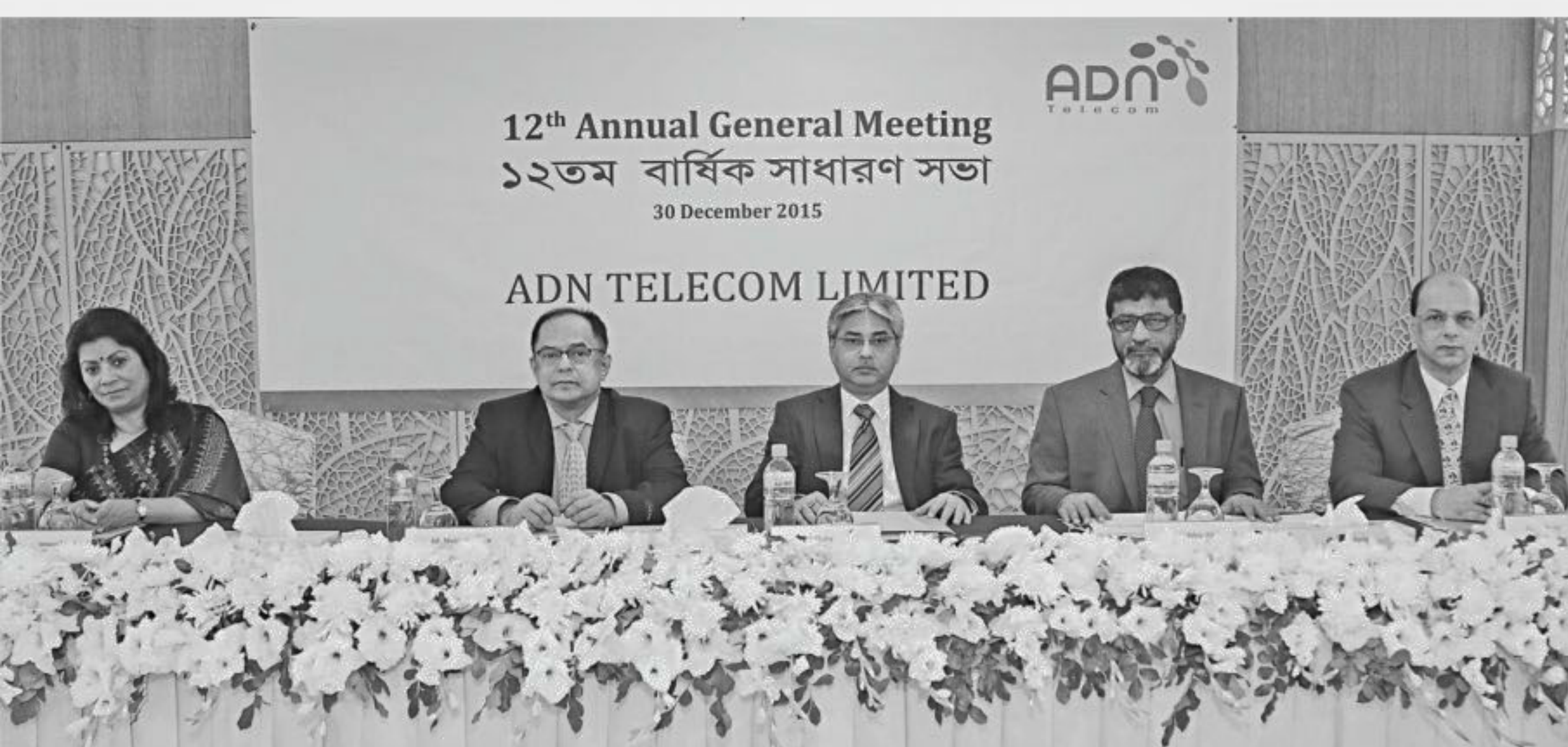
In a statement, Philippines Finance Secretary Cesar Purisima said his country's infrastructure financing needs would top \$127.12 billion between 2010 and 2020, quoting the ADB.

He said the AIIB would "help close infrastructure financing gaps in many countries" and may lead to "widening job and business growth opportunities" for Filipinos.

"The Philippines stands to gain from signing on as a founding member. We can look forward to deepening our country's technical expertise in infrastructure as we expand bankable projects," he added.

The Philippines would contribute \$196 million to AIIB capital, he said.

Beijing will be by far the largest shareholder of the AIIB at about 30 percent, according to the legal framework signed by 50 founding member countries in late June.



ADN TELECOM

Asif Mahmood, chairman of ADN Telecom, attends the 12th annual general meeting of the firm at Lakeshore Hotel in Dhaka yesterday. ADN Telecom declared 100 percent stock dividends for the year that ended on June 30, 2015.

Apple to pay Italy 318m euros to settle tax fraud probe

AFP, Rome

Apple has agreed to pay Italy 318 million euros (\$348 million) to settle a tax dispute after the US tech giant was investigated for suspected fraud, the country's tax agency said Tuesday.

The company's Italian subsidiary and several of its senior executives had been under investigation for fraud over its alleged failure to comply with obligations to declare its earnings in Italy between 2008 and 2013.

According to Italian daily La Repubblica, Apple Italia should have paid corporation tax of 880 million euros for the period.

After months of negotiations, the tax authorities agreed to close the case

in return for a cheque for 318 million.

A spokesman for the tax agency confirmed the newspaper's report was accurate but would not divulge further details. Apple Italia did not respond to a request for comment on a case which could set a precedent for other European countries' dealings with the company.

The settlement comes against a backdrop of mounting controversy over the tax arrangements of multinational groups who use cross-border corporate structures to reduce their tax bills, sometimes with the help of secret and potentially illegal "sweetheart" deals.

Apple Italia is part of the company's European operation which is

headquartered in Ireland, a country with one of the lowest levels of corporation tax in the European Union.

Ireland taxes corporate earnings from normal business activities at a rate of 12.5 percent, which compares with a standard 27.5 percent rate in Italy.

Earlier this month, Apple chief Tim Cook described accusations that the world's richest company was sidestepping US taxes by stashing cash overseas as "political crap" and insisted: "We pay every tax dollar we owe."

The settlement of the tax dispute will not halt the criminal investigation into the conduct of three Apple Italia executives but will likely reduce the severity of any sanctions they may face, La Repubblica said.

Global economic growth will be disappointing in 2016: Lagarde

REUTERS, Berlin

Global economic growth will be disappointing next year and the outlook for the medium-term has also deteriorated, the head of the International Monetary Fund said in a guest article for German newspaper Handelsblatt published on Wednesday.

IMF Managing Director Christine Lagarde said the prospect of rising interest rates in the United States and an economic slowdown in China were contributing to uncertainty and a higher risk of economic vulnerability worldwide.

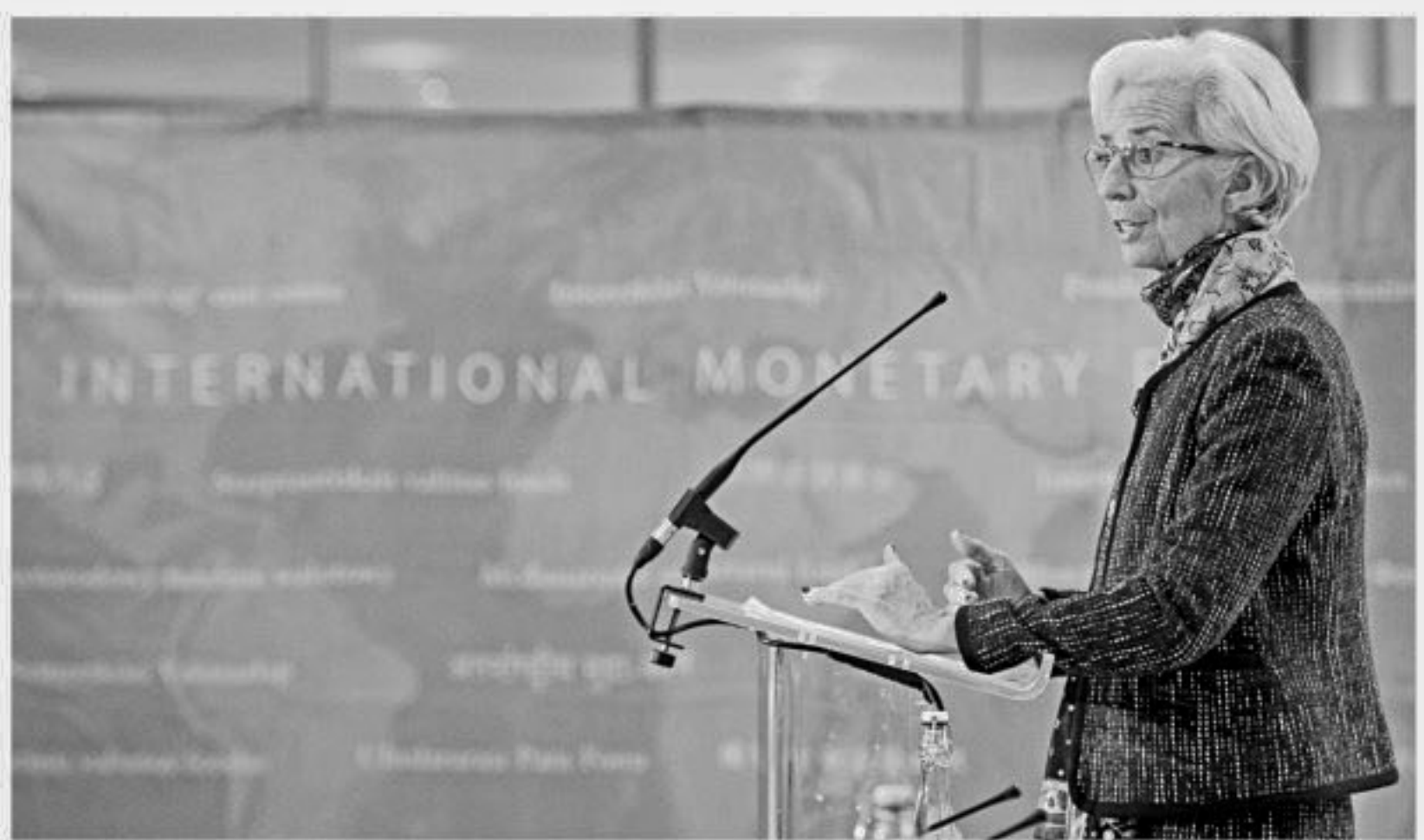
Added to that, growth in global trade has slowed considerably and a decline in raw material prices is posing problems for economies based on these, while the financial sector in many countries still has weaknesses and financial risks are rising in emerging markets, she said.

"All of that means global growth will be disappointing and uneven in 2016," Lagarde said, noting that mid-term prospects had also weakened as low productivity, ageing populations and the effects of the global financial crisis dampened growth.

In October the IMF forecast that the world economy would grow by 3.6 percent in 2016.

Lagarde said the start of a normalization of US monetary policy and China's shift toward consumption-led growth were "necessary and healthy" changes but needed to be carried out as efficiently and smoothly as possible.

The US Federal Reserve hiked interest rates for the first time in nearly a



REUTERS/FILE

IMF Managing Director Christine Lagarde speaks at a press conference at the Treasury in London.

decade this month and made clear that was a tentative beginning to a "gradual" tightening cycle.

There are "potential spillover effects", with the prospect of increasing interest rates there already having contributed to higher financing costs for some borrowers, including in emerging and developing markets, Lagarde said.

While countries other than highly developed economies were generally better prepared for higher interest rates than previously, she was concerned about their ability to absorb shocks, she said. Emerging market companies with debt in dollars and revenue in sinking local currencies could struggle as the Fed begins what is expected to be a series of interest rate increases.

Lagarde warned that rising US interest rates and a stronger dollar could lead to companies defaulting on their payments and that this could "infect" banks and states.

But she said the risks associated with these changes could be overcome by supporting demand, maintaining financial stability and reforming structures.

"Most highly developed economies except the USA and possibly Britain will continue to need loose monetary policy but all countries in this category should comprehensively factor spillover effects into their decision-making," Lagarde said.

She said emerging markets needed to improve monitoring of the foreign exchange risks their big companies face.



MTB

Md Hedayetullah, chairman of board executive committee of Mutual Trust Bank, opens the bank's 106th branch at Goalmari in Daudkandi, Comilla. Md Hashem Chowdhury, additional managing director, was also present.

Private sector loans growing in eurozone: ECB

AFP, Frankfurt

The volume of loans to the private sector in the euro area expanded in November, with a bigger bounce recorded than the previous month, European Central Bank data showed on Wednesday.

The statistics are a key indicator of economic health for the ECB, as borrowing is a main financing source for corporate investment which in turn should boost the eurozone's currently weak economy. In November, approved loans rose 1.3 percent from a year ago, compared to a growth of 1.0 percent in October, an ECB statement said.

When certain strictly financial transactions are stripped out from the loans data, the trend remained the same -- with credit accorded to households and companies up 1.0 percent in November, compared with 0.8 percent in October.



BDCOM

Wahidul Haque Siddiqui, chairman of BDCOM, presides over the company's 19th annual general meeting at AMM Convention Centre in Dhaka on Monday. SM Golam Faruk Alamgir, managing director, was also present. BDCOM declared 7 percent cash and 8 percent bonus dividends.