AirAsia to launch sale of leasing arm, could value unit at $1b

REUTERS, Singapore

AirAsia, Asia's biggest budget airline, will kick off the sale of its leasing unit this month, seeking to cut debt with a deal that could value the business at about $1 billion, people familiar with the matter told Reuters.

A successful deal would help Group CEO Tony Fernandes, one of Asia's best-known entrepreneurs, to bolster AirAsia's finances and spur growth. At an overall valuation of $1 billion, the sale would be significant for a carrier with a market value of $2 billion.

AirAsia is looking to sell a majority stake in the leasing unit, Asia Aviation Capital (AAC) but is also open to a full sale, sources said, adding that the final valuation could change depending on talks with potential buyers.

They said AirAsia was considering paying a special dividend from the proceeds. The people declined to be identified because the discussions were confidential.

AirAsia declined to comment.

The Malaysia-based carrier plans to tap potential suitors including the leasing units of China's HNA Group, China Merchants Bank, and the aviation leasing company backed by Hong Kong billionaire Li Ka-shing for the sale, the people familiar with the matter said.

China Merchants Bank, HNA Group and Li's Cheung Kong Infrastructure Holdings Ltd did not respond to Reuters' requests for comments.

Fernandes, who built up AirAsia into multi-billion dollar business from a two-plane operation in 2002, is cashing in on a booming leasing sector after AirAsia ordered hundreds of Airbus planes at bargain prices in recent years and emerged as one of Airbus' biggest customers.

AirAsia responded to a critical research report last year by Hong Kong-based GMT Research saying it stood by its accounts.

"This is a landmark transaction if Tony manages to pull it off," said Shukor Yusof, founder of Malaysian aviation consultancy Endau Analytics, adding that AirAsia could use the funds to invest in its businesses in India, Indonesia and Japan.

Sources said AirAsia was expected to approach about a dozen suitors including infrastructure and pension funds to bid for the leasing company.

"Aircraft are good U.S. dollar denominated, cross border assets to own," said Yusof.

AirAsia has a fleet of some 170 jets operating across Thailand, Philippines, India, Indonesia and Malaysia and competes with the likes of Indonesia's Lion Group, Singapore Airlines, Qantas Airways, Malaysian Airlines and some of their budget affiliates.

Deal making is picking up in the $228 billion global plane leasing sector, with Asian lessors grabbing a bigger share, buoyed by the growth in China.

"This is a way to unlock the value of the aircraft orders while also managing AirAsia's balance sheet," said one person familiar with the matter.

In a regulatory filing in May, AirAsia said it had received preliminary interest for AAC.

AirAsia has hired Credit Suisse, BNP Paribas and RHB Bank to handle AAC's sale and expects to complete it by early next year, the people familiar with the matter said.

BNP Paribas and RHB Bank declined to comment, while Credit Suisse did not respond to Reuters requests for comments.

Though AAC has only 55 planes, primarily leased to AirAsia affiliates outside Malaysia, it expects to get more aircraft from the airline and lease them to other airlines.

This month, AirAsia said 30 percent of its order of 100 Airbus A321neo jets would be allocated to AAC.

CITY BANK

Rubel Aziz, chairman of City Bank, inaugurates the bank's new branch at Oxygen Mor in Chittagong on August 1. Faruq M Ahmed, additional managing director, was also present.

ORION FOOTWEAR

Ruhul Amin Molla, CEO of Orion Footwear Ltd, poses with the winners of "Orion Footwear Facebook contest", at the company's outlet at Bashundhara City in Dhaka.

Ford recalls 830,000 vehicles

AFP, Washington

Ford Motor Company on Thursday announced the recall of 830,000 cars and vans in the United States and Mexico for the replacement of faulty side-door latches.

While drivers may have difficulty in shutting doors, doors may also open after having been closed, posing a safety risk, the company said.

"In certain situations where the door is able to be closed, the door may unlatch while driving, increasing the risk of injury," it said.

Ford said there was one reported accident and one reported injury that may be related to the defect. Recalled vehicles include certain 2013 to 2015 C-MAX cars and Escape sport utility vehicles, 2012-2015 model years of the Focus, and 2014-2016 Transit Connect vans as well as 2015 Mustang and Lincoln MKC model years.

UK interest rates cut to 0.25pc

BBC NEWS

UK interest rates have been cut from 0.5 percent to 0.25 percent and the Bank of England has signalled that they could go lower if the economy worsens.

The Bank announced a range of measures to stimulate the UK economy, including a £100 billion scheme to force banks to pass on the low interest rate to households and businesses. It will also buy £60 billion of UK government bonds and £10 billion of corporate bonds.

Governor Mark Carney said there was scope to cut the interest rate further.

He said that a majority of the nine-member Monetary Policy Committee (MPC) backed another cut if subsequent data showed the economy was deteriorating.

Carney also took a tough stance on banks and the introduction of its Term Funding Scheme. This will lend directly to banks at rates close to the new 0.25 percent base rate to encourage them to pass on the lower interest rates to businesses and households.

The governor said that banks have "no excuse" not to pass on the lower borrowing costs to customers and will be charged a penalty if they fail to do so. He said: "The MPC is determined that the stimulus the economy needs does not get diluted as it passes through the financial system."

The Bank also announced the biggest cut to its growth forecasts since it started making them in 1993. It has reduced its growth prediction for 2017 from the 2.3 percent it was expecting in May to 0.8 percent.

Carney that the decision to leave the EU marked a "regime change" in which the UK would "redefine its openness to the movements of goods, services, people and capital".

He said: "We took these steps because the economic outlook has changed markedly, with the largest revision to our GDP forecast since the MPC was formed almost two decades ago."

Carney added: "By acting early and comprehensively, the MPC can reduce uncertainty, bolster confidence, blunt the slowdown, and support the necessary adjustments in the UK economy."

The decision to cut interest rates to 0.25 percent was approved unanimously by all nine members of the MPC and is the first change in interest rates since March 2009.

Chart showing UK base interest rate

The £60 billion bond-buying programme, which increases quantitative easing to £435 billion, was approved by a vote of 6-3, with Kristin Forbes, Ian McCafferty and Martin Weale preferring to wait until more concrete data is available rather than relying on surveys.

The corporate bond-buying scheme was opposed by one member: Kristin Forbes.

The corporate bond-buying scheme will purchase up to £10 billion of bonds issued by companies outside the financial sector. Only companies considered to be contributing to the UK economy will be eligible. More details of the scheme will be released in September.

The extensive series of measures was revealed the central bank predicting that inflation would rise above its 2 percent target as a result of the falling value of the pound.

The Bank of England is not very confident about the future of the economy.

Beximco first to access US pharma market

FROM PAGE B1

Beximco Pharma was listed on the stockmarket in 1986. Its net profit rose to Tk 195.42 crore at the end of 2015 from Tk 152.83 crore a year earlier. Each share of the company traded between Tk 85.5 and Tk 87 on the Dhaka Stock Exchange yesterday, before closing at Tk 86.5.

BERNICAT CALLS FOR SECURITY

The US envoy requested the government to ensure security for the foreign investors, which is crucial to attracting further investment in Bangladesh from abroad.

The government must work to reassure the foreign investors that it is taking all appropriate measures to ensure the security of their factories and personnel in the wake of recent terrorist attacks in Bangladesh, she said.

She stressed clear, authoritative messages from the government, when attacks occur, to reassure the public, and the government's unambiguous and undivided attention to defeating this new form of terrorism. "A safe and stable Bangladesh is crucial to attracting further investment and continuing economic growth to reach a middle income status," she said. "Today is a reminder that Bangladesh is a resilient country and that the path forward for a secure future will include the mechanism this country has relied on successfully in past times of crisis -- government, civil society, and the private sector all working together."

Bernicat said she was pleased to see Public Administration Minister Syed Ashraful Islam's comments that all parties will be included in the anti-militancy committees.

"The United States remains Bangladesh's largest trading partner and we must all work together to continue growing our two-way trade over the coming years," she said.

The real winners of growth in trade between the United States and Bangladesh are the consumers, she said. The average Bangladeshi citizen benefits when he can purchase American-grown wheat or flies in a US-made plane. "And the US citizen is better off when he can wear a high-quality shirt made in Bangladesh or eat shrimp caught in Bangladesh."

Administrator barred from taking charge of Dhaka Mercantile Cooperative

FROM PAGE B1

Dhaka Mercantile Cooperative has 116 branches and employs about 2,500 people across the country, according to its website. The website also says it is a specialised development cooperative financial institution, offering retail and commercial banking under a cooperative theme. It provides collateral-free credit to businesses.

The cooperative's Chairman Abu Zafar Chowdhury and Managing Director Shamsun Nahar could not be reached for comments despite several phone calls. In March 2012, a central bank probe found that controversial Destiny Group's cooperative arm engaged in illegal banking.

Destiny Multipurpose Cooperative Society, which became the cash cow for Destiny Group soon after its inception in 2005, saw an astronomical rise in its capital, shareholders, profit and investment since 2009.

Top Destiny Group officials, including its managing director Rafiqul Amin, are currently behind bars and facing charges that include money laundering and transferring company funds to personal accounts.

UK banks pin Brexit hopes on financial crisis bailout negotiator

REUTERS, London

In early October 2008, then Business Minister Shriti Vadera called a secret meeting of bankers and government officials on the top floor of Standard Chartered's City of London headquarters to address Britain's biggest peacetime crisis. The collapse of Lehman Brothers two weeks earlier – the biggest bankruptcy in history – had caused UK credit markets to seize up and pushed some of Britain's biggest high street lenders, including Royal Bank of Scotland and HBOS, to the brink of implosion. Vadera told the meeting that if they did not quickly come up with a bold plan the economy was on the verge of collapse, according to two people present at the gathering.

The strategy she came up with is credited by some as driving then Prime Minister Gordon Brown's subsequent bank bailout plan, burnishing her credentials for her latest role - representing major banks as Britain negotiates to leave the European Union.

"She was one of the most important people in the banks' rescue," said a person who spent months working on the bailout. "Throughout the whole process she made people do things that they didn't want to do: the banks, the Treasury, the Bank of England. She is a force of nature."

Vadera, a former investment banker, is now chairwoman of Santander UK and is being called upon to protect the banks again, this time as chair of the new lobby.

Britons' vote to leave the European Union spells years of uncertainty for the UK financial industry, which accounts for about 12 percent of economic output and is the biggest generator of taxes.

It is an upheaval that threatens London's dominance of global finance. The group led by Oxford-educated Vadera will push the government to retain as much access to Europe's single market as possible as it renegotiates Britain's relationship with the other 27 members of the bloc.

EU leaders have made clear market access is impossible unless a country also allows EU citizens the right to work in Britian, something the banks would welcome but which many of those who voted in June to leave the bloc reject.

That puts an industry scorned by Britons since the financial crisis on a collision course with large swaths of the public who reject the EU partly because of fears about immigration. People who have worked with Vadera say her directness is part of her appeal, although her style can be abrasive.

Two of them said former finance minister Alistair Darling once had her locked her out of a meeting during the financial crisis after she was rude to one of his officials.

"She appears to believe that unless there is blood on the carpet, preferably that of her own colleagues, then she has not done her job," Darling said of her in his memoirs.

Vadera declined to comment for this story. Her supporters say she has what it takes to forge consensus between the new government, divided between eurosceptics and supporters of the EU, and the disparate views of Britain's financial sector of banks, insurers, brokers and asset managers.

"This is something that needs both knowledge of Europe and government and has to be done with energy, with directness," HSBC Chairman Douglas Flint told Reuters in the first public comments by a member of the group. "We need to drive quickly what's really important and it takes leadership that combines both intellect and a bit of vigour."

The task force comprises about a dozen top names from the financial district, including Royal Bank of Scotland Chairman Howard Davies, insurer Aviva's chairman Adrian Montague, Allianz Global Investors' vice chair Liz Corley, and Barclays chairman John McFarlane.

From an office in London's Mayfair district, it will offer advice to the Treasury, as well the newly created ministries of the Department for Exiting the European Union and International Trade in their negotiations over leaving the EU.

Some of its thinking is already emerging. This includes appealing to large companies in continental Europe to make the case for Britain's continued access to the single market, perhaps coupled with continuing to contribute to the EU budget after it has formally left the bloc.

"There won't be a single view but we are making sure that everyone understands the key issues, what's important and what we are fighting for," Flint said.

While Prime Minister Theresa May will be mindful of the tax revenue financial services generate, other industrial sectors will be vying for her attention as well.

Vadera's reputation could work against her as well as in her favour.

The same two people who worked with her said she was known as "Shriti the Shriek" by government officials for her ability to reduce junior staff to tears when she worked as a minister and protégé of former Prime Minister Gordon Brown.

A friend said that while she can be difficult, some of her public portrayal comes with an element of misogyny. "She is strong minded and strong willed, but with men that is often seen as a virtue," the person said.

Born in Uganda, she was brought up in India and Britain after the dictator Idi Amin expelled her family. Days before the referendum, Vadera wrote a column after lawmaker Jo Cox was killed about the benefits of EU membership. She said Britain's long history of internationalism is a source of its economic strength and was grateful that as a stateless child she could become a British citizen. "I love the Britain that can nurture immigrants like me and make them its own," Vadera said. Vadera's task force, whose full name is the Financial Services EU Task Force, won't have the field to itself.

The Financial Services Negotiation Forum also aims to bend the government's ear in trade talks, styling itself more as a grassroots body led by City veterans that wants to give smaller financial firms in London and beyond a voice as well, which will inevitably mean differing priorities.

An executive at one bank, who worked on the rescue of the British banks during bailout, said he was skeptical that even a task force backed by top lenders will have much success in a sector known for the aggressive pursuit of self-interest.

"I don't think the task force will have much force or many tasks," he said. "Everyone will just pursue their own agenda."

He did, though, say Vadera is the best person for the role. He remembers her berating the bank CEOs who didn't want to accept taxpayer money during the financial crash and urging officials from the Treasury to get on with the bailout.

"She is the most organised, capable person I can think of for this job," he said. "She is a very hard woman to say no to."

SS POWER

Mohammed Saiful Alam, chairman of SS Power I Ltd and SS Power II Ltd, presides over a board meeting of the two companies of S Alam Group, on August 2.

Banglalink's revenue rises 5pc

FROM PAGE B1

"As we transform ourselves into a digital organisation, we are confident we can offer improved digital services to our customers."

Banglalink said its data revenue growth was driven by 6 percent growth in data users and 178 percent growth in data usage, supported by expanding 3G coverage and smartphone penetration.

Currently, Banglalink's customers are using 167MB in a month on average, which was only 60MB one year earlier, said the report. Despite aggressive price competition, Banglalink's average revenue per user increased 5 percent to Tk 126 mainly on the back of growing voice and data traffic.

During the quarter, the government increased the supplementary duty on mobile services by 2 percentage point, on top of the additional 1 percent surcharge from March 2016, which may have negatively impacted the operator's financial performance.

At the end of the quarter, the operator's active customers stood at 3.11 crore, down from 3.2 crore three months earlier.

The operator's capital expenditure rose 3 percent to Tk 260 crore in the second quarter of the year from a year earlier.

At the end of June, 50 percent of the population was brought under the 3G network, Banglalink said in a statement.