

Europe is the new hunting ground for US investors

AFP, New York

After buying big American brands like Apple, Pepsi and Yahoo!, activist shareholders - investors in search of big dividends - now are setting their sights on European companies like Nestle.

"No company is really immune from activism except perhaps for the very largest companies," says Gregory Taxin, managing director of Spotlight Advisory, a consulting firm for activists.

The favored targets of activists, said corporate attorney David Katz, at Wachtell, Lipton, Rosen & Katz, are "companies that have a lot of cash that haven't been returned to shareholders."

In announcing plans last week to buy \$3.5 billion of Nestle shares, US billionaire Daniel Loeb revealed the European ambitions of these investors with bulging wallets who say they want to restore power to shareholders.

In addition to cost-cutting, Loeb is asking Nestle to sell its historic stake in L'Oréal in order to boost the share price and dividends.

"L'Oréal has been a fantastic investment," Loeb's spokeswoman Elissa Doyle told AFP. However, it is "a non-core investment for a primarily Food & Beverage and packaged goods business."

In the wake of Loeb's move, Nestle announced the acquisition of \$21 billion of its own shares, which should boost the stock price.

But Katz said, "I do not know if this will be enough to remove the pressure."

Loeb is not the first US activist to go after a foreign giant.

His compatriot Nelson Peltz, through his investment fund Trian Partners, holds a stake in



US investors on the hunt for big dividends are turning to European companies.

the French yogurt-maker Danone. And Paul Singer has invested, via his Elliott Management fund, in South Korea's Samsung, the Australian-British mining group BHP Billiton and the Bank of East Asia.

All want the same thing: quick returns on investment by requiring cost-cutting, asset sales or share buyback programs.

And when they do not succeed, these activists usually engage in high profile media campaigns. And they often win.

More than 2,900 activist campaigns have been recorded in the United States since 2010, including 645 in 2016 alone, according to FTI Consulting. Most sectors of the economy are affected.

But "the US market remains crowded and generally overvalued, (so) activist investors will continue to focus their sights on foreign jurisdictions, including not only Europe, but Australia and Asia as well," says Andrew Freedman, co-head of the Shareholder Activism group at the Olshan Frome Wolosky law firm.

"The type of corporate self-reflection occurring in the US is happening to a much lesser degree in Europe, leaving more opportunities at European companies for activist investors to catalyze value creation."

Dan Zaccari, one of the leaders of Sloane & Company, a firm advising activists, said Europe is attractive because of friendly laws

and many companies do not have deterrent measures against potential predators.

"European companies have less stringent corporate defenses and may be more shareholder (or in this case activist shareholder) friendly," he said.

The Continent also is in the midst of political stabilization with the start of negotiations on Brexit, while in the United States there remain questions about the major reforms -- tax cuts and infrastructure investment -- promised by Donald Trump.

To succeed in Europe, however, activists will have to deal with strong trade unions and government interventions, which is rarely the case in the United States.

"Activist investors do not invest in a company to immediately go hostile or start a proxy contest. Their hope is for a real, behind-the-scenes dialogue with receptive management and to only escalate the situation publicly if the company is unwilling to engage or consider recommended change," says Freedman, whose law firm has set up an action plan to help activists in their campaigns in Ireland, the United Kingdom and France in particular.

Zaccari cautions that communicating their goals to pension funds can pose a real challenge for these investors, who need to understand what issues they care about most.

"It's not dissimilar to a political candidate from the (US) northeast having to find a way to connect with voters in the heartland," he said.

Even that may not be enough. The Elliott fund recently failed to convince the Dutch group Akzo Nobel, in which it has become a shareholder, to merge with the American PPG Industries, despite its pressure.

India begins works at Kudankulam nuke plant's unit III

STAR BUSINESS DESK

India has started construction of the third unit of the Kudankulam Nuclear Power Plant with assistance of Russian company ASE.

ASE Joint Stock Engineering Company is one of the global leaders in nuclear power engineering and holds 30 percent share in the international nuclear power plant construction market.

Pouring concrete into the foundation slab of the reactor compartment of the Kudankulam NPP Unit III marked the beginning of the construction at the plant site in Tamil Nadu on June 29, the company said in a statement.

"This moment marks the starting points of the NPP power units' construction period that is defined in the contractual obligations," said Andrey Lebedev, vice-president for nuclear projects in South Asia of the Russian company.

The Nuclear Power Corporation of

India (NPCIL) has partnered with the Russian firm to build the nuclear plant, the single largest nuclear power station in the country.

"We intend to continue sharing our best practices with India in this important industry, facilitating the energy security of this friendly country," said Valery Limarenko, president of ASE.

"The construction of Kudankulam NPP with our assistance is a flagship project."

On June 19, the Atomic Energy Regulatory Board granted permissions to the NPCIL for pouring of the first concrete for the plant's third and fourth unit.

The project is likely to be completed in a little over six years. The total cost of Unit 3 and Unit 4 -- each with a capacity to produce 1,000 megawatt -- is 39,894 crore rupee, reported NDTV.

At least 12 power units in India under Russian design might be constructed before 2020, according to the statement.

Remittance lowest in six years

FROM PAGE B1

The slump was due to persistent weaknesses in the Gulf Cooperation Council economies, where the majority of the migrant workers reside, as a result of the low oil prices, said Zahid Hussain, lead economist of the World Bank's Dhaka office.

The rising negative sentiment against immigrant workers in the US and the UK, cautiousness in international money transfer operations and the large divergence between formal and informal rates in the foreign exchange market also played a part.

Another reason for the decline in official remittance figure, while difficult to measure, could be related to a shift away from banking towards informal channels for transferring funds, according to the IMF.

The direct impact of the remittance slump is on the external current account deficit, where a large deficit has emerged after several years of surplus, leading to slower reserve accumulation with reduction in the size of overall balance of payment surplus, Hussain said.

"On the flip side, this reduces pressure on the Bangladesh Bank for conducting sterilisation operations."

The disposal income growth of low- and middle-income people is adversely affected by the remittance slump too, leading to weakening of consumer spending -- a significant driver of growth in rural economy and urban real estate sector.

"Deposit growth in banks is adversely affected. This may not be felt that acutely in the current environment of excess liquidity, but it is not good news for financial deepening," he added.

Accord's extension unexpected

FROM PAGE B1

"If as we understand one of the objectives of this second phase of the Accord is to contribute to building sustainable capacity in Bangladesh, then this can only be done by involving the government and local stakeholders in framing this approach," BGMEA said.

"We hope you will engage in consultation with us and the government and we also hope that Accord version 2 remains flexible to ensure all of us being a part of a unified vision of improving the fate of all who work within the industry."

BB updates SME terms

FROM PAGE B1

"But it is being observed that many banks and financial institutions are not lending to SMEs up to expected level," said the circular.

Now the instruction is to increase lending to manufacturing SMEs to at least 40 percent by 2021, service SMEs to at least 25 percent and trading SMEs a maximum 35 percent.

At least 10 percent of the lending will have to go to women SME entrepreneurs. This rate will have to be raised to 15 percent by 2021. Bankers have welcomed the new regulations.

Selim RF Hussain, managing director of Brac Bank, said the changes are positive and aligned with the government's broader industrial policy, reflecting the transformational changes that have taken place in the economy in the last seven-eight years.

"The definitions of micro, small and medium are clearer and better than what they were," he told The Daily Star.

He pointed at some new exposure requirements of the new regulations. "It will take a few years for various banks to increase their SME lending to 20 percent of their total portfolio."

"Brac Bank is already following the regulations as we are SME-focused. But it will be difficult for other banks to achieve. Hopefully, the central bank will provide adequate time to them as they won't be able to do it overnight," he said.

Mehbub Benazir, head of SME of Eastern Bank Ltd, said under the new regulations, banks would not be able to reach their SME lending target through concentration in just one sector.

"They have to work in all sectors, which is better for all," he said, adding that the increase in credit limit would also help banks make more investment.

Banks' operating profits improve

FROM PAGE B1

Hit by scams, BASIC Bank made a profit of nearly Tk 20 crore thanks to its growing earnings from interest of loans, said Alauddin A Majid, chairman of the state-run lender. However, the bank incurred a loss of Tk 46 crore in the six months till June last year.

The income from investment was also good in 2017, Majid said.

Some new banks also recorded over 100 percent growth in operating profits.

Islami Bank Bangladesh -- the largest private lender in terms of deposits and advances -- has booked Tk 1,050 crore as operating profits, up from Tk 853 crore in the same period last year.

Despite a sharp fall in lending rates, banks made good profits as they have diversified their business in SME, retail, house building, consumer and credit card, said Mohammed Nurul Amin, managing director of Meghna Bank.

Some banks are giving more emphasis on credit card business due to higher interest rates, he said.

Rising exports and imports are also helping banks to earn more as the transactions are made through the banking channel, he said.

Non-funded business and commission income helped banks make the profit, said Ishtiaque Ahmed Chowdhury, managing director of Trust Bank.

The main challenge of the banking sector now is to manage the classified loans, he said.

Many banks showed inflated profits by rescheduling classified loans which is not a good sign, he said.

At the end of March this year, the total

Banks' operating profit

(Jan-Jun)

In crores of taka

Rupali	200
BASIC	20
South Bangla	65
Al-Arafah	360
Bank Asia	1306
Meghna	70
NRBC	76
DBBL	350
Eastern	370
Exim	320
First Security	122
Islami	1,050
Jamuna	200
Mercantile	325
Mutual Trust	209
National	408
NCC	243
Modhumoti	73
Premier	250
Prime	350
Pubali	460
Shahjalal	173
Social Islami	267
Southeast	411
Standard	170
Trust	293
UCB	286

non-performing loan of the sector stood at Tk 73,409 crore or 10.53 percent of the total outstanding loans. The figure was Tk 62,172 crore at the end of December last year.

Private commercial banks are responsible for the spike in such loans, as their default loans rose by Tk 6,670 crore in the three months till March this year.

Although solar installations

Californians take a shine to solar power

AFP, Los Angeles

Jacquie Barnbrook had grown tired of the high electricity bills and her gas-guzzling luxury car when she finally decided to take the plunge last year.

The 52-year-old Los Angeles resident joined an ever-growing number of Californians who are switching to solar power for their energy needs in a bid to not only save money but to also do their part for the environment in a state setting the pace for the rest of the country in that sector.

"At this time of year, my power and water bills usually were around \$400 a month," Barnbrook said. "Right now, it's \$150 a month."

As for her vehicle, Barnbrook said she ditched it in favor of a hybrid one that she now plugs in and charges at her house.

"I was previously spending \$80 dollars on gas every three or four days and now I haven't put gas in my new car since the beginning of March," she noted. "That's four months ago!"

Nearly 4.9 million homes are powered by solar energy in California -- the nation's green trailblazer and the most populous state -- and that number is expected to continue to grow, according to the Solar Energy Industries Association, a non-profit trade association.

Even President Donald Trump, an avowed sceptic on climate change, is considering putting solar panels on the wall he plans to build on the Mexican border.

have slowed this year due, in part, to a record number of people rushing to sign up in 2016 for fear of losing a tax incentive, the market is expected to continue to grow, especially in places like California which has a plethora of sunny days, experts say.

Driving this expansion is the plummeting cost of solar panels -- which were traditionally limited to relatively affluent homeowners -- and improving technology on batteries to store energy, they add.

"Right now, we're in throes of rapid change in the solar industry," said Rajit Gadh, director of the UCLA Smart Grid Energy Research Center. "As people process all the information out there and report their success stories and it starts to become mainstream ... the momentum will grow."

He said apart from cost,



Nearly 4.9 million homes in California are now powered by the sun's rays.

"In San Diego alone, for example, there are over 200 solar operations."

Ara Petrosyan, CEO and founder of LA Solar Group, a consulting firm, said he believes that once the dust settles and shady companies inevitably go out of business, consumers will be able to make more informed and affordable choices and the sector will take off like a rocket ship."

"In five years, so many rules and regulations have been added that you have to be a really good expert to stay in the business," he said.

He added that a clear sign of where the industry is going is the number of installations -- which cost between \$15,000 and \$20,000 for an average size house -- his company is handling.

"When we started in 2012, we did about 10 installations a month," Petrosyan said. "Today, we do about 120 a month ... and it will definitely keep increasing."

Such projections are good news for a state that has mandated that 50 percent of its electricity come from renewable energy sources, including solar, by 2030.

Solar power is also growing fast in other states, including New York, which look to California as an example.

The overall industry trend is that the cost of solar panels and other components is going down," said Petrosyan.

"And more and more standard folks are hearing it's a good idea and once one person in the neighborhood goes solar, more and more follow."