Reliance rattles Indian telcos again by unveiling 'free' 4G phone

REUTERS, *Mumbai*

INDIA'S disruptive new mobile entrant Reliance Jio, backed by the country's richest man Mukesh Ambani, unveiled a low-cost 4G-enabled phone on Friday to woo tens of millions of new customers, further destabilising established telecoms players.

Jio has enjoyed a meteoric rise since its launch a year ago, with its months of free services and sharply discounted plans battering the fortunes of incumbents such as Bharti Airtel and Idea Cellular, who have seen revenues and profits shrink dramatically.

Despite Jio's rapid rise, funded by mega-profits churned out by parent Reliance Industries' core refining and petrochemicals operations, it has been unable to tap more than 500 million non-smartphone users in India, who still rely on old feature phones to make calls and send text messages, as its network only supports 4G-enabled phones. Reliance sees the new handset, named JioPhone, allowing it to target India's entire mobile market for the first time.

The new phone will "effectively cost zero" as buyers would be able to get the device for a one-time refundable security deposit of 1,500 rupees ($23.3), said Ambani, chairman of Reliance Industries, announcing the launch at the conglomerate's annual shareholders' meeting.

The announcement, which was greeted by applause from shareholders at a packed auditorium in south Mumbai, sent shares in rivals Airtel and Idea down 2 percent and 3.3 percent, respectively.

Jio's disruptive pricing of the new phone and its online content partnerships could further weigh on the sector's already dismal earnings and put pressure on lenders' balance sheets.

Earlier this year, India's central bank warned the telecom sector's earnings had deteriorated to the point that it was untenable for telecoms players to even cover the interest costs tied to loans. "They are getting people hooked to the data with the content," said Varun Khandelwal, managing director, Bullero Capital. "Airtel, Vodafone do not have such bandwidth to give free phones, or the kind of content that Jio has."

Reliance shares closed up 3.7 percent, after touching a nearly nine-and-a-half-year high in trading following the meeting, where the company also announced a one-for-one bonus share issue.

Ambani said the new device would begin to hit store shelves from Aug. 15. Voice calling will be free on the JioPhone, while unlimited data packs will cost 153 rupees ($2.38) a month.

"The offer is quite compelling, as the phone has a lot of compelling features," said Nitin Soni, who covers the telecoms sector for Fitch Ratings.

Jio already boasts more than 125 million users, making it the world's fastest growing tech firm, and has added customers quicker than even the likes of free services such as Facebook and its popular messaging service WhatsApp, said Ambani.

It has propelled India to become the No. 1 data consumer worldwide, surpassing both the United States and China, he said. "My sense is that they are looking at between 150 million and 200 million subscribers within the next 12 months," said Fitch's Soni.

Ambani, whose speech was frequently punctuated with loud chants of "Jio", said that the company was aiming to make 5 million JioPhones available every week after launch. The company was bracing for huge demand after the launch and expected it might run out of stock, said a senior company executive who did not wish to be named.

Ambani dedicated Friday's launch to his father, Dhirubhai Ambani, who founded the company. It is the second time Ambani has upended India's telecoms sector - he did the same in 2002 with a different venture, Reliance Infocomm, launched with the advent of CDMA technology.

Unlike 2002, when Ambani indicated Infocomm would be profitable within a year, this time he has given no indication of a timeline for making profits from a business that has already guzzled around $30 billion.

The company believes the scheme offered with the JioPhone will make money and the entire business has a set internal target for reaching profits, the senior executive said. The manufacturing of the phone will eventually be done "by the likes of Foxconn, Flextronics", working to a design and operating system produced by any in-house Reliance team, said the executive, adding that the company had been approached by foreign peers about exporting the phone.

Reliance plans to start reporting performance numbers for Jio along with its quarterly results from October onwards, said another senior executive who did not wish to be named. Ambani said that Jio has more than 100 million paying customers with most of them on a 309 rupees plan.

REUTERS/FILE

A woman checks her mobile phone as she walks past a store of Reliance Industries' Jio telecom unit, in India.

British secretary hails record high Japanese investment

AFP, *Tokyo*

JAPANESE investment in the UK has hit a "record high" since last year's shock Brexit vote, British Foreign Secretary Boris Johnson said Friday, during a visit to Tokyo.

Johnson, who backed Britain's campaign to quit the European Union, also pledged London would "build a fantastic relationship with our friends and partners in the EU" after talks with his Japanese counterpart Fumio Kishida.

And referring to growing regional tensions over North Korea's nuclear weapons programme, he called on China to pressure Pyongyang to agree to fresh negotiations.

After the second round of contentious talks on Britain's exit from the political bloc ended this week, the EU's Brexit negotiator Michel Barnier warned that "fundamental" differences remained between London and Brussels.

Days earlier, Johnson had told the EU to "go whistle" over a massive proposed divorce bill.

Japanese companies -- including automakers Nissan, Toyota and Honda -- have long used Britain's membership of the single market to export goods to the continent.

They could be hit if the UK's historic referendum vote to leave the 28-member bloc leads to higher export tariffs and other barriers after 2019.

However, Johnson said London would continue to develop "commercial and economic relations" with Japan, adding: "Japanese investments in the UK are at a record high since the Brexit vote last year."

There were 116 foreign direct investment deals involving Japanese companies in Britain in the 2016-2017 financial year compared to 115 the previous year, according to official data released this month.

The number of jobs linked to Japanese investment was 9,066 last year, against 7,654 the year before.

Kishida told reporters he was heartened by Johnson's assurance of "transparency and predictability to minimise the impact on corporate activities", an apparent reference to foreign businesses operating in Britain.

Tokyo and London stood together on pushing for a "free and open international society", he added. He cited "challenges" including North Korea's nuclear and missile programmes and China's increasingly assertive stance on maritime territorial disputes in East Asia.

Johnson said Britain "stands shoulder to shoulder alongside Japan" in efforts to stop North Korea's military ambitions, calling Pyongyang's test-launch earlier this month of an ICBM "a reckless provocation".

He added: "We all need to increase the pressure on Pyongyang through diplomacy and through sanctions.

"And that must include China, using its influence to bring North Korea back to the negotiating table."

Microsoft profit rises on shift to cloud computing

AFP, *San Francisco*

MICROSOFT on Thursday reported that its quarterly earnings was lifted on the back of its shift to focusing on computing services hosted in the internet cloud.

The US technology giant said it made a profit of $6.5 billion in the recently ended quarter as revenue rose to $23.3 billion.

Microsoft shares -- which closed the official trading day at a new all-time high of $74.22 -- leapt after release of the earnings figures, only to come back down and even slip a bit in after-market trades to $73.65.

About $7.4 billion of the revenue in the quarter came from "intelligent cloud" offerings that are part of Microsoft shedding its legacy of packaged software and embracing a future in which computing power is hosted online as a service.

"Innovation across our cloud platforms drove strong results this quarter," Microsoft chief executive Satya Nadella said in a statement.

Microsoft uses the term "intelligent cloud" to refer to services that let businesses take advantage of computing power online in its data centers, coupled with insights or analysis by artificial intelligence software.

Microsoft also said cloud-based products like Office 365 rose in the quarter, with the number of Office 365 subscribers climbing to 27 million. The quarterly profit figure topped Wall Street expectations, while revenue was roughly in line.

During an earnings call, Microsoft executives sidestepped providing details about recently disclosed plans to cut jobs, evidently while reorganizing its global sales operations to better hawk cloud products.

The pioneering software firm had more than 121,000 employees worldwide at the end of March, according to its website.

It is seeking to be a first port-of-call for businesses relying on cloud computing, as the industry moves away from packaged software.

Microsoft's cloud computing platform will be used outside China for collaboration by members of a self-driving car alliance formed by Chinese internet search giant Baidu, the companies announced this week.

The US software powerhouse is one of more than 50 entities to join the Apollo alliance created by Baidu in April.

Microsoft will enable alliance members to collaborate, share information and tap into its Azure cloud computing service, according to the companies.

Azure faces competition from technology titans Amazon and Google.

Each of the companies has also been investing in artificial intelligence, which can make services hosted in the internet cloud more intuitive when it comes to handling data and meeting user needs.

Microsoft, which is based in Redmond, Washington, has announced thousands of jobs cuts in recent years, the most severe being 18,000 positions eliminated in 2014 linked to the company's acquisition of Nokia and failed efforts in the smartphone market.

Cloud, business and productivity offerings were bright spots for Microsoft in the recently ended quarter, while matters appeared dimmer in the world of personal computing software that was long a money-making stronghold, according to J. Gold Associates principal analyst Jack Gold.

Revenue essentially doubled from Azure, which has an advantage over rivals operated by Amazon and Google because huge numbers of businesses are already using Microsoft software in-house, the analyst said.

Microsoft CEO Satya Nadella

Business world activates Brexit plans as fears grow

AFP, *London*

US financial firms and no-frills airline easyJet have begun activating Brexit contingency plans and fears are growing that the trickle could turn into a flood as most major businesses in Britain are preparing similar arrangements.

Britain's easyJet, Europe's second biggest carrier by passenger numbers, set up a Vienna-based division on Thursday that will allow it to fly across the European Union regardless of the final outcome of talks on the UK exit from the bloc.

The announcement came after a source told AFP that New York investment bank Morgan Stanley had picked Frankfurt as its temporary hub in the EU and would be adding 200 jobs at its offices there.

US asset manager Northern Trust meanwhile has chosen Luxembourg for its base, and US bank giant Citigroup says it will move some operations from London to Frankfurt and expects "over time" to increase its presence in other EU cities.

A survey by the Institute of Directors (IoD) released on Thursday showed that 11 percent of firms based in Britain have begun to implement their Brexit contingency plans.

At the same time the survey of 991 business leaders conducted between June 30 and July 14 found 57 percent of firms were looking at contingency planning related to Brexit.

While drafting plans most companies are still waiting for clues as to what the terms will be of any transition periods once Britain leaves the EU as expected in 2019. "Uncertainty over the UK's future trading status with the EU continues to rank among companies' top concerns," IoD director general Stephen Martin said.

"While businesses are preparing for Brexit, most have not made any concrete changes yet, so there is still a window of opportunity for the government to convince them to hold off triggering contingency plans," he said.

Britain voted to leave the European Union in a referendum last year and the government gave formal notification to Brussels in March, but Brexit negotiations have barely begun.

A lot of uncertainty hangs over the government's strategy, especially after a June 8 general election that has badly weakened Conservative Prime Minister Theresa May and led to infighting in her cabinet between proponents of a "hard" and "soft" Brexit. The former would favour cutting immigration from the EU at the expense of trading ties with Europe, while the latter want a much stronger trading bond.

Martin is among several business leaders including Unilever chief executive Paul Polman, Tesco boss Dave Lewis and BAE Systems' Roger Carr set to meet with May at her Downing Street office on Thursday.

The meeting is the first of a new business council intended to increase the involvement of leading firms in the government's Brexit strategy after executives warned against being shut out of the process.

Andrew Bailey, head of the watchdog Financial Conduct Authority, said companies would have to activate their contingency plans by the end of 2017 unless there was more clarity. "By the end of this year, their plans tell them that in order to have things in place, they've got to implement them," Bailey said earlier this week. Concern about the implications of Brexit has focused on the impact on the financial and professional services sector, which employs 2.2 million people or seven percent of Britain's working population.

"We expect London to maintain its status as a global financial centre, but its importance will very likely diminish to at least some degree," the BMI Research consultancy said in a note to clients this week.

AFP

No-frills airline easyJet is taking off from Britain and setting up a Vienna-based division in response to Brexit.

Philippine bank hit by fraud

AFP, *Manila*

THE value of shares in the Philippines' second-largest bank fell Friday after it was hit by fraud, which reports said may amount to nearly $50 million.

The Philippine Daily Inquirer quoted unnamed bank officials as saying one of Metropolitan Bank and Trust Co.'s vice presidents has been arrested for diverting between 900 million and 2.5 billion pesos (between $7.7 and 49.3 million) in bank funds.

The bank, better known as Metrobank, said no customer had been affected in the incident.

"Upon our own discovery, the bank immediately caused the arrest of the individual involved in this case, who has been detained by the authorities since Monday," the listed lender said in a written statement.

"In the context of the bank's 1.9 trillion-peso financial resources, rest assured that we continue to operate business as usual for the bank and our customers," it added.

Metrobank did not comment on how much money had been lost in the fraud, saying it could not offer further detail as charges have been filed against the suspect.

The detained suspect had funnelled loans into fictitious accounts created in the name of a legitimate client, the newspaper report said, adding that an internal investigation was trying to determine if other people were involved.

The funds were then funnelled electronically to other accounts, eventually ending up in the suspect's pocket, the report added.

Metrobank shares ended 4.86 percent down to 87.05 pesos in morning trade Friday, with its shares accounting for a lion's share of traded volume.

The lender's parent firm GT Capital Holdings was also hit, ending down 3.09 percent in morning trade to 1,192.00 pesos.