

Modi's jobs deficit: J&J's largest India plant idle 3 years after completion

REUTERS

It was supposed to be Johnson & Johnson's biggest manufacturing plant in India. It was to eventually employ at least 1,500 people and help bring development to a rural area near Hyderabad in southern India.

Yet, three years after the US healthcare company completed construction of production facilities for cosmetics and baby products on the 47-acre site, they stand idle.

Two sources familiar with J&J's operations in India and one state government official told Reuters production at the plant, at Penjerla in Telangana state, never began because of a slowing in the growth in demand for the products.

One of them said that demand didn't rise as expected because of two shock policy moves by Prime Minister Narendra Modi: a late 2016 ban on then circulating high-value currency notes, and the nationwide introduction of a goods and services tax (GST) in 2017.

J&J spokespeople in its Mumbai operations in India and at its global headquarters in New Brunswick, New Jersey, declined to respond to a list of questions from Reuters.

Modi's office did not respond to a call and an email with questions.

Aimed at rooting out corruption and streamlining the tax system, the double whammy of demonetization and GST were two of Modi's signature policy moves. But instead of encouraging economic activity as intended, they did the opposite, at least in 2016-2018, by sapping consumer demand, according to some economists.

Many businesses, especially small and medium-sized enterprises, complained publicly some in their financial statements - that they suffered a drop off in orders. The suspended J&J project stands as one of the most vivid examples of the impact on the broader investment picture.

In the first month after demonetization, some business surveys showed that sales of products such as shampoos and soap fell more than 20 percent.

Lack of jobs growth and a farm-income crisis because of low crop prices have



Indian Prime Minister Narendra Modi

hurt Modi in the current general election, according to several political strategists.

Still, Modi and his ruling Hindu nationalist Bharatiya Janata Party are expected by many of the strategists to be in a position to get a second term probably with support of some other parties - when votes are counted on Thursday, partly because of his strong stance on national security issues.

A range of Modi's business policies, such as capping prices of medical devices, forcing tech companies to store more data locally and stricter e-commerce regulations have in the past two years hurt plans of American multinationals such as J&J, Mastercard, Amazon and Walmart-owned Flipkart.

The groundbreaking of the J&J facility in Penjerla, its third in the country, was carried out with much fanfare in 2014, attended by Telangana states Chief Minister Chandrashekar Rao, who hailed the foreign investment as a big win for local communities.

A document dated April 2017 that lists

products the company planned to make at the facility, submitted to the Telangana government and reviewed by Reuters, names baby oil, baby shampoo, baby lotion, baby hair oil, face wash and creams.

Shaukat Ali, running a tea shop under a bamboo stall on barren land outside the plant, said local workers check in routinely for possible vacancies at the J&J site, but nothing has come up in years.

At the local pollution control board office, the member secretary Satyanarayana Reddy said the J&J plant had all the required approvals and he was not sure why it hadn't started production.

It is unusual for such a big plant to stay idle for so long, he said. But there is no problem from our side.

Chandrasekhar Babu, an additional director at the Telangana industries department, said a J&J company official told him the plant hadn't started due to lack of demand.

GST and demonetisation were two key reasons the plan didn't kick off, one of the sources said, adding that lack of consumer

demand since then dented company's plans. The second source familiar with J&J's plans said the company miscalculated Indian market demand.

On a recent visit by a Reuters reporter to the J&J plant, plush, furnished conference rooms and cubicles sat inactive; M. Sairam, who said he was the site manager, told Reuters production areas with machines were idle too.

Local officials had hoped the initial J&J plant would be only the beginning. After the groundbreaking in 2014, Pradeep Chandra, who was Telangana's special chief secretary of industries, told Business Today magazine that "based on the extent of land (J&J) have acquired we believe that they are looking at much larger expansion here." Local media reports at the time said the J&J facility would employ some 1,500 people.

A J&J official, who was not identified by name, was reported subsequently in December 2016 in India's Business Standard as saying that the \$85 million plant would be operational by 2018 after it had overcome procedural delays. The official was quoted as saying the company had earmarked an additional \$100 million for expansion.

Vikas Srivastava, the managing director of J&J Consumer (India), who was at the 2014 groundbreaking, did not respond to calls for comment.

Reuters also talked to two workers outside a sprawling Procter & Gamble facility making detergents and diapers, which is next to the J&J plant. They said they were part of the P&G plant's production team and the plant had been running below capacity.

A P&G spokesperson denied that, saying the plant was "operating at full capacity in line with our business plans". "India is a priority market for P&G globally and in recent quarters, P&G's business in India has registered strong double-digit growth consistently," the company said.

The weak rural economy, where most Indians work, has also hurt growth in sales of basic items such as detergents and shampoo in the past year.

Saudi Arabia to tax e-cigarettes and more soft drinks

REUTERS, Dubai

Saudi Arabia has imposed a special tax on electronic cigarettes and sugary drinks, extending similar taxes introduced in 2017 as it seeks to reduce a budget deficit caused by low oil prices.

The General Authority of Zakat and Tax said a 100 percent tax would be levied on electronic cigarettes and products used in them, and a 50 percent tax on sugared drinks.

Saudi Arabia, the Arab world's largest economy, already had a 100 percent tax on cigarettes and tobacco products, a 100 percent tax on energy drinks and a 50 percent one on fizzy drinks.

The authority took the decision on May 15 and it became effective from Saturday after publication in the official gazette.

The taxes fall under the category of selective taxes on products deemed harmful to public health.

Saudi Arabia, the world's top oil exporter, introduced a 5 percent value-added tax (VAT) in January 2018 to improve non-oil revenue generation after a plunge in oil prices from mid-2014 bruised its revenues.

The IMF last week said the VAT introduction had been successful, but that the Saudi government should consider raising the rate, which is low by global standards.

IndiGo's co-founder not intent on taking control of company

REUTERS, New Delhi

One of the co-founders of India's largest airline IndiGo has no plans of taking control of the carrier, its Chief Executive said on Saturday, two days after parent InterGlobe Aviation Ltd shares fell over a media report about alleged differences between the co-founders.

InterGlobe's shares fell 9 percent on Thursday after India's most read business newspaper Economic Times reported that the co-founders and two largest shareholders were at odds over its expansion.

The shares were up slightly on Friday. Co-founders Rahul Bhatia and Rakesh Gangwal, along with their respective families, each control stakes of slightly less than 40 percent in the airline's holding company, giving them both a major say in its strategy and plans.

"I am authorized by Mr. Rakesh Gangwal to make the following statement on his behalf - 'I am categorically and clearly stating that there is no interest or desire whatsoever on the part of the RG Group to take control of the company'," Ronojoy Dutta, Chief Executive of IndiGo said in a statement.

IndiGo, SpiceJet and GoAir have been rushing to fill the vacuum left by the collapse of Jet Airways, once India's largest carrier, and gain control of its valuable slots.

Amazon-Uber food fight means empty bellies for all

KAREN KWOK and LIAM PROUD for REUTERS

The jury is out on whether there is any money to be made ferrying hot meals to time-poor urbanites. Amazon's investment in loss-making Deliveroo, which operates in 500 European and Asian cities, defers the answer. It also means investors' bellies will remain empty for the foreseeable future.

London-based Deliveroo, whose panting cyclists have become a fixture in the British capital's affluent neighbourhoods, on Friday announced it had raised \$575 million from investors led by the \$940 billion web giant. American Will Shu, who founded the company after finding a dearth of quality delivery options while working as a banker in Canary Wharf, has so far raised \$1.5 billion.

The fundraising replenishes Shu's war chest for his ongoing assault

on rival Uber Eats, part of the ride-hailing group. The companies charge restaurants and diners a fee for each delivery, which helps pay for drivers. In 2017 - the last year for which figures are available - direct costs like paying cyclists and moped riders ate up almost four-fifths of Deliveroo's 277 million pounds of sales. Its operations and investments consumed 155 million pounds (\$198 million) of cash, or two-fifths of the money Shu raised that year. Though the company has expanded since, it remains locked in a price war with Uber Eats, which has cut the fees it charges restaurants.

Amazon's arrival looks set to prolong the conflict. The company founded by Jeff Bezos first poked its head into the kitchen with a UK takeaway service in 2016, but closed it late last year. Amazon twice

approached Deliveroo about an acquisition, the Telegraph reported, suggesting Friday's investment might be an appetiser for a full purchase. Alternatively, it could just be a way to learn more about the business of delivering pizzas and burgers - an area where Amazon trails Uber in the United States. Deliveroo, which previously touted a \$2 billion price tag, didn't mention a valuation on Friday, suggesting Bezos extracted favourable terms.

The biggest losers from Amazon's investment are rivals like Uber, who now face a much better funded rival. The value of publicly traded peers Just Eat, Takeaway.com and Delivery Hero fell in value by a collective \$965 million, or 5%, on Friday morning. Thin margins and deep-pocketed rivals are the perfect ingredients for perpetual losses all round.



Planning Minister MA Mannan and State Minister for ICT Zunaid Ahmed Palak look on while BASIS President Syed Almas Kabir and IPDC Finance CEO Mominul Islam exchange documents of a deal at Raowa Convention Center in Dhaka on Saturday. IPDC will offer its women-centric product Joyee to entrepreneurs of the BASIS alongside supply chain finance solutions through its Orjon platform to all the members of the Bangladesh Association of Software and Information Services (BASIS).

Facebook breakup would be solution of last resort

REUTERS, Paris

A break-up of US social media company Facebook would be a solution of last resort that would probably generate long judicial procedures, EU Competition Commissioner Margrethe Vestager said on Friday.

The EU antitrust chief was asked about Facebook at the VivaTech technology conference in Paris after leading US Democratic politicians and one of Facebook's co-founders recently spoke in favor of a break-up of the company.

"Of course it would be a remedy of very last resort. I think it would keep us in court for maybe a decade. It is much more direct and maybe much more powerful to say we need access to data," Vestager told reporters.

Facebook founder Mark Zuckerberg's co-founder and former college roommate Chris Hughes this month used a New York Times opinion piece to urge US regulators to break up the tech giant.

Stocks surge on policy measures

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Finance Minister AHM Mustafa Kamal has assured investors that there would definitely be something for the capital market in the budget to be unveiled next month.

On its part, the central bank has decided to re-allocate a revolving fund of Tk 856 crore to the market and broadened the scheduled banks' investment scope through redefining their exposure.

Yesterday, turnover rose 52.59 percent to Tk 443.55 crore. Sonar Bangla Insurance was the top gainer adding 10 percent while Savar Refractories was the worst loser shedding 5.94 percent.

Fortune Shoes dominated the turnover chart with 50.99 lakh shares worth Tk 19.53 crore changing hands, followed by IFIC Bank, Exim Bank, SK Trims and Uttara Bank.

Chittagong stocks also rose with the bourse's benchmark index, the CSCX, advancing 184.22 points, or 1.90 percent, to finish at 9,871.38.

Gainers beat losers as 179 securities advanced, 34 declined and 22 finished unchanged on Chittagong Stock Exchange.

The port city bourse traded 1.90 crore shares and mutual fund units worth Tk 32.34 crore.

Six TV channels ink deal to use Bangabandhu satellite

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On Wednesday, Beximco Communications Ltd launched its DTH service Akash. BCSCL officials said Akash is taking five out of 40 transponders of the satellite.

A satellite's transponder is the series of interconnected units that form a communications channel between the receiving and the transmitting antennas. It is mainly used in satellite communication to transfer the received signals.

The DTH service and televisions will use one-fourth capacity of the satellite. Another one-fourth will be used by the Army, the Navy and other

government agencies, banks and some non-governmental organisations working in the remotest parts of the country.

"The satellite covers the entire country and will help remove the digital divide," said Mahmood.

Information Minister Hasan Mahmud called the launch of the satellite as a matter of pride for Bangladesh. Local TV channels, banks and telemedicine services are getting low-cost services from the satellite, he said.

Posts, Telecom and ICT Minister Mustafa Jabbar said the Bangabandhu Satellite-2 will be launched as per

Awami League's election pledge.

"We are taking preparations to launch the next satellite," he said.

About 772 remote chars, valleys and islands will come under the satellite connectivity by 2021, according to BCSCL officials.

The company is expected to reach its commercial targets within seven years. The postal department released a commemorative stamp to mark the occasion.

Zunaid Ahmed Palak, state minister for ICT, and AKM Rahmatullah, chairman of the parliamentary standing committee on posts, telecom and ICT, also spoke.



Senior officials of Citi's Asia Pacific region pose with a "Best Bank in Asia" award presented by Corporate Treasurer Magazine, an Asian trade magazine covering corporate treasury and finance, at an event in Singapore recently. Citi Asia Pacific reported a 60 percent rise in net income quarter-on-quarter in Asia in the first quarter of 2019.

Govt mulls rice export to ensure fair price

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Moreover, sometimes the growers are deprived of fair prices of their produce due to unhealthy practices by the middlemen in the trade, which the government is also planning to bring an end to, Kamal added.

Currently, Bangladesh is the fourth largest vegetable producer in the world as the government has been encouraging the growers with financial support.

As a result, the export of vegetables also increased and the farmers are getting fair prices and also serving customers in the local markets, he said.

Media personality Shykh Seraj handed over a set of recommendations on agricultural development to Kamal for consideration in the national budget for the next fiscal year.

In the recommendations, Seraj, also the head of news at Channel i, said the government could take the initiative to purchase paddy directly from growers so that they can get fair prices by reducing unhealthy practices by the middlemen.

He also recommended introducing crop insurance for reduction of risks in investment in the agricultural sector.

Regarding the crop insurance, the minister said his government would launch it in haor areas soon on a pilot basis. If it brings success in these areas, the government will launch the same in hilly and char areas, he said.

He also recommended introducing modern marketing systems for agricultural products and increasing the use of machinery in agriculture.

Seraj compiled the recommendations on holding meetings with farmers in five areas in districts around the country. He has been doing this since 2006 with a view to incorporating those in national budgets.