

# CORPORATE SNAPSHOT-WORLD

June 2014

## US poised to slap record \$9bn fine on BNP Paribas

French bank BNP Paribas is expected to pay a record \$9 billion fine and admit its guilt for years of dealing with US-blacklisted Sudan and Iran, in a case that has strained ties between Paris and Washington.

The penalty the French bank appears poised to pay is tied to what investigators say is evidence the bank intentionally hid \$30 billion of financial transactions that violated U.S. sanctions. The fine is the latest in a string of settlements that banks have reached with regulators in recent years. From faulty mortgage securities to money laundering, it can be easy for the fines to blur together.

A settlement of \$9 billion would represent one of the largest penalties ever imposed on a single bank—but it wouldn't rank as the biggest fine of the past 12 months. **\$25 billion** — Wells Fargo **WFC & Co.**, J.P. Morgan Chase **JPM & Co.**, Citigroup **Inc.**, Bank of America **Corp** Ally Financial **Inc.** **\$13 billion** — **J.P. Morgan Chase & Co.** The five banks agreed to pay \$25 billion in penalties and borrower relief over alleged foreclosure processing abuses.

## Rajaratnam Trial Turns to Brothers' Ties

Rajaratnam Insider-Trading Case Begins With Debate on Siblings' Relationship. The relationship between Rengan Rajaratnam and his older brother took center stage as the insider-trading trial of the younger sibling got under way. Rengan either worked hand-in-hand with Raj to corrupt insiders at public companies, or knew nothing about the crimes for which his older brother was convicted in 2011, according to the opening statements of prosecutors and defense lawyers in Manhattan federal court.

## Detroit's Appetite for Aluminum Keeps Growing

Auto Makers Plan to Use Lightweight Metal to Cut Pounds, Save Fuel in Big Vehicles Auto makers plan a broad shift to aluminum from steel in larger vehicles over the next decade in North America, and 18% of all vehicles will have all-aluminum bodies by 2025, compared with less than 1% now, The report by consultants Ducker Worldwide indicates that Ford Motor Co.'s decision to employ an aluminum body for its coming 2015 F-150 pickup truck is proving a trigger for an extensive move by auto makers and their suppliers toward lightweight materials for pickup.

## Appeals Court Says Judge Erred in Blocking SEC-Citigroup Settlement

Deal Is in 'Public Interest,' Federal Court Says An appeals court handed prosecutors and regulators a win, with a ruling that eases pressure on them to extract admissions of wrongdoing in settlements with companies.

The court said U.S. District Judge Jed Rakoff erred in rejecting a \$285 million settlement between the Securities and Exchange Commission and Citigroup Inc. over claims the bank misled investors in a mortgage security.

## Former Goldman Trader Tourre Won't Appeal Fraud Verdict

Mr. Tourre Was Found Liable for Civil Securities Fraud Last Year, Fabrice Tourre, the former Goldman Sachs Group Inc. trader found liable for civil securities fraud last year, said he won't seek an appeal challenging the federal jury's verdict.

Lawyers for Mr. Tourre did not file a notice of appeal. The Securities and Exchange Commission had sued Mr. Tourre and his former employer in 2010, alleging in a civil case.

## Hyundai Motor to be fined \$1 million for overstating car fuel economy

South Korea's transport ministry said it plans to fine **Hyundai Motor** Co an estimated 1 billion won (\$1 million) for overstating the fuel economy of its Santa Fe sport utility vehicle (SUV).

The ministry ran tests on the vehicle before reaching a decision that could prompt buyers who believe they have been misled to seek compensation through legal means. The industry ministry, however, said its own tests showed the **Santa Fe's fuel economy** was not overstated.

## Nestle aims to double direct commodities suppliers

**Swiss food giant Nestle** aims to boost its share of direct commodity purchases to ensure it keeps a tight grip on **quality and supply** chains, chairman Peter Brabeck, has affirmed.

The consumer now wants to know where the coffee in the **Nespresso capsule** comes from. We want to double the ratio of commodities we buy directly. This is not because of the price, but rather due to quality and traceability. Of course also because the consumer demands this in the age

of social media.

### **Oil price near 9-month high as Iraq battles for refinery**

The price of oil was little changed with global crude a near nine-month high, following days of fighting between Iraqi soldiers and Islamic militants for control of the country's biggest refinery.

Iraq's government was desperately trying to hold off the extremists at the **Baiji oil refinery** and the two sides held different parts of the refinery, which extends over several square kilometers of desert some 250 kilometers (155 miles) north of Baghdad.

The facility has a capacity of 320,000 barrels a day, according to Platts, accounting for a quarter of Iraq's refining capacity. While all its output is used domestically, a prolonged shutdown could force the energy producer to import oil products to keep up with the country's needs, cutting into global supplies.

### **GM hit with \$10 billion lawsuit over recalls**

A new lawsuit says General Motors should compensate millions of car and truck owners for lost resale value, potentially exceeding \$10 billion, because a slew of recalls and a deadly delay in recalling cars with defective ignition switches has damaged its brand.

According to a complaint filed with the federal court in Riverside, California, GM hurt customers by concealing known defects and valuing cost-cutting over safety, leading to roughly 40 recalls covering more than 20 million vehicles this year alone. It said this has caused a variety of late-model vehicles to lose roughly \$500 to \$2,600 in resale value.

### **Lufthansa mulls creating new budget carrier platform**

Germany's **Lufthansa** is considering creating a new low-cost platform within its **Eurowings** regional carrier to compete against budget rivals like Ryanair and Easyjet, Lufthansa's new chief executive Carsten Spohr plans to build out the Eurowings fleet by adding **Airbus A320** jets to serve destinations throughout Europe from Germany.

In the medium term, the new platform could offer service between London and Rome, for example, placing it in direct competition with Ryanair and Easyjet.

### **Former Goldman Sachs director Rajat Gupta penning book to tell his story**

India-born former **Goldman Sachs** director Rajat Gupta, who is scheduled to begin his prison term on June 17, hopes to release a book telling his side of the story and visit India once he completes his two-year sentence.

Gupta, 65, lost his final bid to avoid reporting to jail after the US Supreme Court denied his application to remain free on bail while his insider trading case is reheard.

While US district judge Jed Rakoff had recommended that Gupta be assigned to a medium-security prison in Otisville, about 70 miles northwest of New York, a report in the New York Times said he has been assigned to the satellite camp at FMC Devens in Ayer, Massachusetts, close to where his one-time friend Raj Rajaratnam is jailed for insider trading.

### **Tesla to hand over its technology to other automakers for free**

**Electric car maker Tesla Motors** is handing over the keys to its technology in an unusual effort to encourage other automakers to expand beyond gasoline-burning vehicles.

Tesla CEO **Elon Musk** promised to give away the company's entire patent portfolio to all comers, as long as they promised not to engage courtroom battles over intellectual property.

If we clear a path to the creation of compelling **electric vehicles**, but then lay intellectual property landmines behind us to inhibit others, we are acting in a manner contrary to that goal.

### **Wal-Mart's online head Joel Anderson to step down**

Wal-Mart Stores Inc said Joel Anderson, chief executive of its United States website, Walmart.com, would step down, at a time the company plans to speed up investments in technology to boost sales at its fast-growing e-commerce business.

Fernando Madeira, CEO of Latin America eCommerce at Wal-Mart, will replace Anderson, according to a company memo .Wal-Mart appointed Gregory Penner vice chairman, showing that the world's largest retailer is looking at younger executives to revive its fortunes. Penner is now in a position to succeed Chairman Rob Walton, his 69-year-old father-in-law.

### **Hilton Worldwide launches Curio hotels for travellers seeking authentic experience**

Global hospitality group **Hilton Worldwide** has launched a new brand of hotels -- Curio-A Collection by Hilton -- created for **travellers** who seek local discovery and **authentic experience**.

**Curio** will be a global collection of distinctive four to five star hotels, and letters of intent have been signed for converting the SLS Las Vegas Hotel & Casino, The Sam Houston Hotel in Houston, Texas, Hotel Alex Johnson in Rapid City, South Dakota, The Franklin Hotel in Chapel

Hill, North Carolina and a soon to be named hotel development in downtown Portland, Oregon, into Curio properties, according to a statement from the company.

Just as the word 'curio' can refer to something of interest, unique or even rare, each Curio hotel will be different from the next, with individuality being a common thread, along with the quiet reassurance of the Hilton name behind every location.

#### **Airbus to upgrade its A330 with engines provided by Rolls-Royce**

Airbus is set to upgrade its A330 with engines provided exclusively by Rolls-Royce, setting the stage for a bitter new phase in a battle for wide-body jet orders with Boeing's 787 Dreamliner, people familiar with the matter said.

The move accelerates a growing interdependence between the European firms on large jets, with **General Electric** the main alternative A330 engine supplier no longer in the running for the \$2 billion "A330neo" revamp. Shares in Airbus and **Rolls-Royce** both rose as much as 1.8 percent against a flat market, the provisional selection of Rolls as sole supplier for the revamped A330neo, offering up to 14-15 percent in fuel savings with the help of new wingtips, remains subject to Airbus Group board approval.

#### **JPMorgan chief Jamie Dimon has cancer, set for treatment**

Jamie Dimon, the chief executive at JPMorgan Chase, announced that he has **throat cancer** and will remain on the job as he seeks treatment.

"The good news is that the prognosis from my doctors is excellent, the cancer was caught quickly, and my condition is curable," Dimon, 58, said in a letter to employees and shareholders.

The cancer is limited to the original site and adjacent lymph nodes on the right side of his neck, Dimon added.

#### **ECB cuts rates below zero to boost euro zone economy**

The European Central Bank has launched a raft of measures to fight low inflation and boost the euro zone economy, cutting rates, imposing negative interest rates on its overnight depositors and offering banks new long-term funds.

The ECB cut all its main rates to record lows in a drive to fight off the risk of Japan-like deflation and bring down the euro's exchange rate. For the first time, it will charge banks 0.10 per cent for parking funds at the central bank overnight.

It stopped short of large-scale asset purchases known as quantitative easing for now, but ECB President Mario Draghi said more action would come if necessary.

Draghi outlined a four-year 400 billion euro (\$544.86 billion) scheme giving banks that have been holding back credit due to looming stress tests an incentive to increase lending to businesses in the euro zone.

#### **Cathay Pacific to suspend all flights to Pakistan**

Hong Kong's **Cathay Pacific** airlines has decided to suspend its flights to and from Pakistan, a day after the Taliban threatened international organisations and individuals to leave the country or face violence.

The confirmation has come from the sales head at Pakistan, Cathay Pacific is suspending its flights to and from Pakistan for an indefinite period due to security reasons.

#### **Medtronic to buy Covidien for \$42.9 billion, rebase in Ireland**

US medical device maker **Medtronic** Inc said it had agreed to buy **Covidien** Plc for \$42.9 billion in cash and stock and move its executive base to Ireland in the latest transaction aiming for lower corporate tax rates abroad.

While the deal will allow Medtronic to reduce its overall global tax burden, the Minneapolis-based company said it was driven by a complementary strategy with Covidien on medical technology rather than tax considerations.

The real purpose of this, in the end, is strategic, both in the intermediate term and the long term, Medtronic chief executive Omar Ishrak has said, It is good for the US in that we will make more investment in US technologies, which previously we could not.

#### **Mitsubishi offers to buy 10% stake in Alstom**

Japan's **Mitsubishi** Heavy Industries is offering to buy a 10% stake in Alstom as it seeks to sweeten a joint bid with **Siemens** to acquire some of the French firm's energy assets.

Mitsubishi's offer comes as it tries to convince the French government to choose the German-Japanese bid for Alstom's assets over a rival offer from **General Electric**, the Nikkei business daily said, without citing sources.

Mitsubishi and Siemens are reportedly offering \$10 billion for Alstom's gas and steam turbine business, while the United States' GE has offered \$17 billion for the French conglomerate's wider energy group.

# CORPORATE SNAPSHOT-INDIA

June 2014

## Infosys co-founder Narayana Murthy plans India JV with Amazon: Reports:

Infosys Ltd co-founder **N.R. Narayana Murthy** is close to entering into an **e-commerce joint venture** in India with Amazon.com Inc through his investment firm, Catamaran Ventures, a leading Indian daily reported.

Catamaran confirmed the planned venture with Amazon Asia, the business daily reported on Thursday.

Amazon and Catamaran were not immediately available for comment.

Catamaran will hold a 51 per cent stake in the business, as required under India's foreign direct investment rules, the newspaper reported, citing sources.

**Murthy built up Infosys** into one of India's top outsourcing service companies. He stepped down as executive chairman of the company earlier this month.

## PIL filed in SC against arbitration on Vodafone in tax dispute case

A former Additional Solicitor General on Thursday approached the Supreme Court seeking its direction to the Centre to recover around Rs 20,000 crore tax dues from **UK telecom firm Vodafone** and to restrain the government from going ahead with arbitration on the issue.

Bishwajit Bhattacharyya, who deals with tax matters and was a law officer during the UPA regime, mentioned his petition before a vacation bench headed by Justice Vikramajit Sen which posted the case for hearing on July one.

Bhattacharyya submitted that the Centre is not implementing the rule which was amended in 2012 to claim taxes and pleaded to the apex court to intervene in the matter by directing the Centre to administer the Income Tax Act "impartially, even handedly and without fear or favour".

"It amounts to arbitrariness of state action not to enforce law (Section 9 of IT Act) for 27 months after its enactment. This violates Article 14 of the Constitution," the petition said, adding, "Allowing arbitration proceedings under India-Netherlands BIPA (Bilateral Investment Protection Agreement) would flagrantly violate rule of law."

## CEO wishlist: Budget 2014 should streamline

## taxation, focus on deficit, says Gaurav Dalmia

1. Show a clear path to **7-7.5 per cent GDP growth**, which I believe is a natural level of growth for India, given the historical trend of 30 per cent investment rate and a historical incremental capital output ratio of 4, though this has a slight upward trend, which means for incremental investment, the kicker to growth may be slightly lower than our past experience.

2. Streamline taxation, including widening of tax net and a zero-tolerance policy towards black money. There is way too much complication, confusion and corruption embedded in the tax machinery.

3. Better management of government finances; **focus on the deficit**. This is our biggest macroeconomic weakness and the root cause of many other problems. Two factors stand out here: One, the management of agriculture and food and how the related distortions and inefficiencies of the government procurement systems and incentives will be removed.

## KG-D6 output: Govt to slap additional penalty of \$578 mn on RIL

The government plans to impose an additional penalty of \$578 million on Reliance Industries (RIL) for producing less-than-targeted natural gas from its eastern offshore KG-D6 block.

The government had previously issued a notice to RIL, disallowing a total of \$1.797 billion in costs for falling short of production during 2010-11 (\$457 million), 2011-12 (\$548 million) and 2012-13 (\$792 million).

The latest penalty - in the form of disallowing **costs incurred on the field** - will be for missing the target in 2013-14, a government source said. With this, the total costs disallowed will increase to \$2.375 billion.

"A note is being put to Oil Minister Dharmendra Pradhan for disallowing cost recovery of \$578 million in 2013-14. A notice will be sent to RIL once he approves it," he said.

RIL, which disputed the levy and initiated arbitration against the government, did not respond to an e-mail seeking comment.

## Engineers India gets Navratna status, stock rises

Engineers India Ltd was on Tuesday conferred the coveted 'Navratna' status, which would give the state-

owned firm more financial and operational autonomy.

"The Navratna status has been granted to the company subsequent to the fulfilment of the criteria prescribed by Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India," EIL said in a statement in New Delhi. The upgraded status will provide the company with "enhanced operational and financial autonomy to work in domestic and overseas markets," it said.

EIL has emerged as one of India's leading engineering consultancy and EPC companies with a diverse portfolio of projects in hydrocarbon, petrochemical, mining and metallurgy, fertiliser, power and infrastructure sectors.

Market prices for Tata's low-cost apartments in Boisar have more than doubled to Rs 1.8 million rupees since off-plan sales began in 2009 when the developer sold most homes.

But, Tata has failed to generate margins of more than 20 per cent it had sought and now expects to earn 15 to 16 per cent, far below the margins of 30 to 50 per cent that mid-tier and premium housing projects earn developers.

#### **Online shopping clicks in searing heat: Survey**

The searing heat wave in the country has come as a blessing for online shopping portals that have grown 155 per cent this summer, a survey revealed on Wednesday.

Conducted by the Associated Chambers of Commerce and Industry of India (Assocham), the survey interviewed about 3,500 shoppers in Delhi, Mumbai, Bangalore and Chennai, among others.

"This summer, there is 155 percent more traffic on online retail websites and shopping on ground has taken a back seat," said D.S. Rawat, secretary general, Assocham.

"Factors like convenience, rising fuel price, online discounts and availability with abundance of choice is also keeping shoppers indoors," he added.

According to the survey, 78 percent Delhiites, highest in the country, prefer shopping online while 14 percent head to markets and seven percent like to visit malls.

Mumbai came in a close second with 45 percent of the respondents going for online shopping followed by Bangalore (40 percent).

The survey revealed that the majority of shoppers (55 percent) are between 26 years and 35 years while about 35 percent are between 18 years and 25 years. In addition, 85 percent of online shoppers are males.

#### **Tata Steel to seek shareholders' nod for raising Rs 14,000 crore**

Tata Steel will seek shareholders nod to raise up to Rs 14,000 crore through privately placed debt securities in domestic as well as global markets.

A committee of the company's board of directors at its meeting held on Tuesday approved various proposals including raising of funds and increasing the borrowing limit.

Tata Steel will seek shareholders' nod for "further issuance of privately placed debt securities in the international and/or domestic capital markets for an amount not exceeding Rs 14,000 crore" according to a BSE filing.

Besides, approval would be sought for hiking the company's borrowing limit from Rs 50,000 crore to Rs 70,000 crore or the aggregate of the paid up capital and free reserves of the company, whichever is higher, it said.