

# CORPORATE SNAPSHOT-WORLD

May 2014

## **Wal-Mart fights back at proxy firm**

Wal-Mart, the world's largest retailer, fired back at a prominent proxy advisory firm that critiqued the company's executive pay plan and how it's handled an overseas bribery probe. Institutional Shareholder Services earlier this week urged shareholders to vote against Wal-Mart's executive compensation package and asked them to back a resolution for the appointment of an independent chairman. It also recommended shareholders vote against the re-election of board members Robson Walton, the company's chairman, and Mike Duke, recently Wal-Mart's CEO. The ISS cited the failure of the board to provide more information to shareholders about specific findings of an investigation into bribery outside of the United States.

## **Barclays to axe 19,000 jobs under revival plan**

Barclays will cut 7,000 jobs from the investment bank and park some 90 billion Euros worth of risk-weighted assets from the division in a bad bank. Britain's Barclays will axe 19,000 jobs in the next three years and set up a "bad bank" to house much of its investment banking business and European retail operations as it strives to turn itself around in the face of a trading slump.

Chief executive Antony Jenkins has taken a knife to Barclays' investment bank, once the group's profit engine, after a slide in revenues, a string of senior departures and a row with shareholders over bonuses.

## **Pfizer walks away from \$118 billion AstraZeneca takeover fight**

Pfizer abandoned its attempt to buy AstraZeneca for nearly 70 billion pounds (\$118 billion) as a deadline approached without a last-minute change of heart by the British drug maker. The decision ends a month-long public fight between two of the world's biggest pharmaceutical companies that sparked political concerns on both sides of Atlantic over jobs and corporate tax maneuvers.

British rules now require an enforced cooling-off period. AstraZeneca could reach out to Pfizer after three months and Pfizer could take another run at its smaller British rival in six months time, whether it is invited back or not.

## **Illinois shelving \$100M gift to Obama library**

A plan to offer \$100 million in tax dollars to lure Barack Obama's presidential library to Illinois is on the shelf, with lawmakers prepared to wrap up their spring session without advancing the idea. Democrats in the president's

home state pushed the proposal to compete against rival bids from Hawaii and New York. But it faced opposition from Republicans wary of an expensive and precedent-setting gift with no immediately identified funding source for a mostly private endeavor when the state faces serious financial difficulties.

## **Hong Kong Antigraft Agency Had Targeted Former J.P. Morgan Executive**

Hong Kong's antigraft agency had arrested a former J.P. Morgan Chase & Co. executive amid a probe of the U.S. bank's Asian hiring practices earlier in 2014, Fang Fang, 48 years old, was questioned before being released by Hong Kong's Independent Commission against Corruption.

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

Fabrice Tourre, the former Goldman Sachs Group Inc. trader found liable for civil securities fraud last year, won't seek an appeal challenging the federal jury's verdict. Lawyers for Mr. Tourre had time to 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 that they misled investors in a complex mortgage-linked deal.

## **British business to win share of \$400bn Saudi Arabian infrastructure bonanza**

Saudi Arabia's investment governor Abdullatif al-Othman says British companies have an advantage as kingdom unveils \$400bn of projects. Saudi Arabia has opened its doors to British companies to invest and win a slice of its \$400bn (£237bn) programme of infrastructure improvements, as the world's biggest oil exporter seeks to boost development of its wider economy.

Abdullatif al-Othman, the governor of the Saudi Arabian General Investment Authority (Sagia) – a government body established to encourage investment in the kingdom – was in London with a powerful delegation of Saudi officials to meet with British companies. The purpose of the visit was to outline various opportunities in major rail, healthcare and construction projects that are opening up in the kingdom.

## **McLaren investor Bahrain snubs US with Russian deal**

To galvanise international support for economic sanctions on Russia, Moscow has announced a new investment deal with Bahrain's sovereign wealth fund - whose assets include the British sports car maker McLaren Group. The Russian Direct Investment Fund (RDIF) said that it had reached an

agreement with Mumtalakat - the investment arm of the Persian Gulf state - to promote investment co-operation.

The deal is potentially an embarrassing snub for the US government and President Barack Obama, given the vital role Bahrain plays in American defence strategy in the region. Manama, the capital of Bahrain, serves as the main operating base of the US Fifth Fleet in the Gulf and a vital American military facility in the region.

### **Tyson Foods offers \$6.3 billion for Hillshire, eclipsing Pilgrim's bid**

Tyson Foods Inc has offered to buy Hillshire Brands Co for \$6.3 billion, upstaging Pilgrim's Pride Corp (PPC.O)'s offer for the sausage company, in a deal that would broaden Tyson's supermarket food offerings. Investors lauded the news, sending shares of Hillshire, known for its Jimmy Dean and Hillshire sausages, nearly 18% higher to \$52.69, above Tyson's \$50 per share offer, suggesting that some investors expect a bidding war.

The overture from Tyson, the biggest US meat processor, trumped Pilgrim's \$45 per share bid.

### **US stocks: S&P 500 ends at record high for second straight session**

The S&P 500 closed at a record high for a second straight session in second week of May 2014, buoyed by the latest round of merger activity and as expectations for rate cuts at the European stoked investors' appetite for equities. The Dow Jones industrial average rose 69.23 points or 0.42 percent, to finish unofficially at 16,675.50. The S&P 500 gained 11.38 points or 0.60 percent, to end unofficially at 1,911.91. The Nasdaq Composite added 51.26 points or 1.22 percent, to close unofficially at 4,237.07. The benchmark S&P 500 index also finished session at a record high.

### **Barclays fined \$44 million on failure linked to gold price rigging**

Barclays has been fined more than 26 million pounds after a former trader at the bank attempted to manipulate the price of gold. The authority said in a statement that it had fined Barclays 26.03 million pounds (\$43.87 million, 32.18 million Euros) "for failing to adequately manage conflicts of interest between itself and its customers as well as systems and controls failings" in relation to a fixed London pricing of gold over a nine-year period to 2013.

This is a fresh blow for Barclays, which was at the heart of the Libor interest-rate rigging scandal in 2012. The troubled British bank is also facing investigations along with other major lenders over possible manipulation of foreign exchange trades.

### **General Motors announces new recall of 2.4 million vehicles in US**

General Motors Co said it is recalling another 2.42 million vehicles in the United States, raising the number of vehicles it has recalled so far this year to more than 15 million. The No. 1 US automaker also said it is doubling the charge it expects to take in the second quarter to about \$400 million, mostly for recall-related repairs. GM did not immediately indicate whether vehicles outside the US market were affected. The Detroit Company said the latest affected vehicles are covered by four recalls, raising the number of US recalls this year to 29. That includes the high-profile recall of 2.6 million vehicles to replace defective ignition switches linked to at least 13 deaths.

### **Posco CEO says considering stake sale, "all possibilities" for Daewoo International**

South Korean steelmaker Posco said it was looking at "all possibilities", including a stake sale, for its trading and resources arm Daewoo International Corp as part of its restructuring efforts.

Posco chairman and chief executive Kwon Oh-joon told reporters that he is looking at various possibilities regarding Daewoo International. Nothing has been decided yet. Posco, the world's fifth-biggest steelmaker, holds a 60% stake in Daewoo, which it bought in 2010 for 3.37 trillion won (\$3.26 billion).

### **Nissan says full-year profit jumps 14.0% to \$3.8 bn**

Japanese auto giant Nissan said its full-year net profit jumped 14.0 percent, boosted by a weaker yen, cost-cutting efforts and brisk sales. Japan's second-biggest automaker said it earned 389.0 billion yen (\$3.8 billion) for the fiscal year to March, after sales rose 20 percent on the previous year to 10.48 trillion yen.

### **Caparo wins International Business of the Year award**

Caparo Group founded by leading NRI industrialist Lord Swraj Paul has won the International Business of the Year award 2014 at the Asian Business Awards Midlands in Birmingham. Receiving the award on behalf of the company last evening, Lord Paul's daughter Anjali Paul dedicated it to her younger sister Ambika.

### **Philippines' Emperador all set to buy Whyte & Mackay spirits business**

Alliance Global Group Inc, one of the largest conglomerates in the Philippines, with interests in food and beverages, real estate, gaming and quick service restaurants, has emerged as the highest bidder for the Whyte & Mackay spirits business of Diageo-controlled United Spirits Ltd(USL).

The acquisition will allow Alliance Global's distillery arm

Emperador Inc, makers of the eponymous brandy, to gain a global portfolio of scotch whiskey, malt and grain distilleries and brands. It will also take the company beyond its home market, its biggest source of revenue. The transaction is likely to value the Scottish distiller at close to \$700 million, or approximately £400 million.

### **Omnicom, Publicis call off proposed \$35 billion merger**

. The proposed \$35 billion merger between US-based Omnicom Group Inc and French rival Publicis Groupe SA has been called off as the challenges in forming the world's largest advertising agency proved too immense for the partners. The deal, heralded in July as a merger of equals that would vault the two agencies into a more digital age, foundered on issues ranging from its complex tax structure to the firms' divergent cultures. The two firms had justified the planned marriage as a way to provide scale and capital to cope with technological forces wrenching the advertising business.

### **Toyota posts record annual profit of \$17.9bn**

Toyota posted a record annual net profit of \$17.9 billion as the world's biggest automaker saw a recovery in major markets and got a boost from the weaker yen. The Japanese giant said it earned 1.82 trillion yen over the fiscal year to March, nearly doubling from a year earlier, as sales rose 16.4 per cent to 25.69 trillion yen. Toyota's operating income also

jumped to 2.29 trillion yen, from 1.32 trillion yen during the period.

### **Coca-Cola, PepsiCo to remove controversial ingredient from drinks**

Coca-Cola and PepsiCo have stood by the safety of the ingredient, which is used to distribute flavors more evenly in fruit-flavored drinks. Coca-Cola and PepsiCo said they're working to remove a controversial ingredient from all their drinks, including Mountain Dew, Fanta and Powerade. The ingredient, called brominated vegetable oil, had been the target of petitions. Coca-Cola and PepsiCo have stood by the safety of the ingredient, which is used to distribute flavors more evenly in fruit-flavored drinks. Several major food makers have recently changed their recipes to remove chemicals or dyes that people find objectionable.

### **Blackstone Goes All In After the Flop**

Blackstone Group LP is rolling the dice on Las Vegas. The world's largest private-equity firm agreed to pay \$1.7 billion in cash to Deutsche Bank AG for the Cosmopolitan of Las Vegas, a 3,000-room hotel and casino on the Strip that ran into big financial trouble during the downturn. The German bank sunk around \$4 billion into the Cosmopolitan, first as a lender and then as an owner after its original developer jumped ship. The Private-Equity Firm will pay \$1.7 Billion for Troubled Cosmopolitan

## **CORPORATE SNAPSHOT-INDIA**

**May 2014**

### **Why this is a good time to invest in stocks**

There has been a remarkable change in sentiment towards India over the past week. Since the election result, we have had a virtual avalanche of sell-side broker upgrades on India.

Brokers have revised price targets on the Nifty upwards, as well as their outlooks on both gross domestic product (GDP) growth and the rupee. There is a buzz once again; global investors are getting a sense that maybe something fundamental is happening.

Normally when you have 10 broker upgrades in a single day and people start falling over each other to show how bullish they are, you should be cautious.

The contrarian instinct should kick in, and one should think of fading the rally. However, today that would be a mistake; many of the building blocks for a secular bull phase for Indian equity markets are in place.

### **How policy change can create more jobs**

It was reported on Wednesday that a sample of large manufacturing companies saw their workforce grow at an average rate of almost three per cent every year over the past decade.

Putting aside technical niceties such as the representativeness of the sample, to the extent that the companies covered are mostly market leaders in their respective sectors, this statistic is very significant.

This rate of growth is somewhat higher than that of the labour force as a whole.

If this is reflective of the manufacturing sector as a whole, it would imply that some inroads, however small, have been made into the massive backlog of people looking for jobs.

So, is the deep concern about the employment situation in the economy that is regularly articulated by the political and analytical communities somewhat overplayed? Are the drivers of job creation relatively robust?

### **Why India needs to have 'economic democracy'**

As the new government is formed, there will be a burst of competing prescriptions about the best way forward to intensify reform with a primary focus on gross domestic product growth that is somehow 'inclusive'.

Instead, what is needed is a reflection, and introspection, on the first principles of economic democracy as outlined above.

An explosion of material aspirations is posing new challenges to Indian democracy.

Beneath all the outrage about crony capitalism, inept governance and absent jobs is an unrest that arises from a fundamental mismatch between the economic and political sphere.

### **Supertech case: SC agrees to examine plea, orders status quo**

The Supreme Court on Monday agreed to examine real estate major Supertech Ltd's plea against the Allahabad High Court's order directing demolition of two 40- floor towers in Noida and ordered the company not to sell or transfer flats in the buildings.

A bench headed by Chief Justice R M Lodha issued notice on a batch of petitions filed by Supertech, NOIDA, flat owners of the controversial buildings and the petitioner on whose plea the high court had passed the order.

It also expressed surprise on how NOIDA (New Okhla Industrial Development Authority) had permitted the construction of 40-floor buildings and said that if they are to be demolished then the authority will have to face the consequences.

If the towers are demolished then money must be paid to flat owners by the authority as it colluded and participated in giving sanction for them, the court said.

The bench also raised questions on how the floors was raised from 24th to 40th floor during the construction.

### **BJP's low-cost housing promise may remain a tough task**

A low-cost housing project in Boisar, a satellite town outside Mumbai, offers a taste of how hard it will be for Narendra Modi to fulfil a pledge to provide affordable homes for every family if, as expected, his party wins the election.

India needs about 19 million low-cost homes - roughly defined as costing a million rupees and below - to shelter an urban population expected to nearly double to 600 million by 2030 from 2011.

Consultants Monitor Deloitte estimated that the low cost housing segment represented a \$150 billion business opportunity, but the challenge for developers lies in earning sufficient margin returns.

At Boisar, a modest industrial town 100 kilometres north of Mumbai, Tata Housing is close to completing the construction of 1,200 cheap homes. But faced with disappointing profit margins the developer has been forced

to raise prices, redefining the notion of what is "affordable".

"It is a tough model," said Brotin Banerjee, CEO of Tata Housing, which has invested up to Rs 40 billion in low-cost homes, with about 20,000 units built or under construction across the country.

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.

### **Stock market surge unlikely to reflect in realty sector: CBRE Chairman**

Business Today speaks to Anshuman Magazine, Chairman and MD, CBRE India, on what lies ahead for the real estate sector as the new government takes charge -

"The positive in the electoral verdict is that this will be a stable government. It will not be able to blame its partners for not taking decisions.

Decision-making and economic reforms would be faster. I don't think the surge we are seeing in the stock market, will be reflected in the real estate sector.

In the context of real estate sector, the real estate regulator bill has been pending for a long time. Even the land acquisition act needs improvement. The act is actually a deterrent for acquiring land for development. They need to balance it out. Also, the government need to take a second look at the present real estate regulator bill.

### **Realty sector pins high hopes on Modi govt**

Anita Arjundas MD and CEO, Mahindra Lifespace Developers Ltd, the property development arm of Mahindra Group, says the real estate sector can contribute significantly to the economy if certain fundamental and structural reforms are implemented. While some reforms fall under the purview of state governments, a unifying template and policy guideline from the Centre with incentives for reforms implementation can go a long way in the sector's sustained growth, she says. Arjundas, who is also the Chairperson of the FICCI Real Estate Committee, suggests a number of measures.

Regulatory reforms: Streamline regulations to reduce time of approvals. There is an urgent need to reduce the long approval cycles by bringing in a single-window clearance mechanism for all real estate projects, particularly those relating to affordable housing. Delayed approvals act as a huge impediment to the growth of this sector and significantly add to the cost of development. The appointment of a real estate regulator is welcome but this needs to be backed by transparency and responsibility from relevant government agencies. Improved timelines and reduction in ambiguity in the approval process are critical for growth.