

## CORPORATE SNAPSHOT: GLOBAL (OCT. 2013)

### Twitter stakes claim as least-evil tech IPO

Twitter has staked its claim as the tech world's least-evil initial public offering. The micro blog service's \$1 billion filing is a model of simplicity. There is one class of stock. Existing investors aren't selling. The chief executive hasn't written a sappy, incomprehensible letter. And growth is roaring. Twitter's stock still carries risks, but avoiding many excesses Silicon Valley companies indulge in when going public is encouraging. Twitter Says IPO May Value It at \$11.1 Billion

The likes of Facebook (FB.O), Zynga (ZNGA.O) and Google (GOOG.O), for example, decided it was more important to keep control in the hands of their founders than promote democratic capitalism. So they devised dual--and even, in the case of Zynga, triple--class stock structures that granted certain individuals more votes than their economic stakes warranted. Twitter, meanwhile, is leaving minority investors in charge of their own destiny.

### Measuring the impacts of the U.S. government shutdown

Federal Workers: As many as 1 million federal employees have been furloughed and the knock-on affect will be felt at companies that do business with the government, such as large defense firms and other contractors.. The State Department's consular services will continue at home and abroad, meaning visas will be issued and passports processed for the most part - except in rare occasions when consulates are housed in government buildings closed because of the shutdown. Online services will remain open. Bank regulators, including the Federal Reserve and the Consumer Financial Protection Bureau, remain open because they do not rely on Congress for funding. The Federal Deposit Insurance Corp and the Office of the Comptroller of the Currency pay for themselves and remain open. Loans guaranteed by Fannie Mae and Freddie Mac will still be available during the shutdown. The Federal Housing Administration, which offers mortgage lenders guarantees against homeowner defaults, will continued to operate with limited staffing.

### Wal-Mart, Xerox blame each other for Louisiana shopping gone wild

Wal-Mart Stores Inc and Xerox Corp blamed each other on Monday after Louisiana food stamp recipients stripped bare the shelves of some Walmart stores when a computer glitch left their debit cards with no limits. Managers of Walmart stores in the small, north Louisiana towns of Springhill and Mansfield alerted police on Saturday night that throngs of shoppers had flooded into the stores and were buying groceries using electronic benefit cards that contained no credit limits.

EBT cards are debit-type cards issued under the state's food stamp program and coded to show the amount of money available for individuals to spend. Food stamps are a federal government subsidy program for low-income people that are administered by the states.

### Supercell: Zero to \$3 Billion in 3 Years

Finnish Startup Supercell Cashes In on Mobile Craze, Sells Stake to Soft Bank agreed to buy 51% of the Finnish company, which has

two games and just 100 employees, for \$1.5 billion. It is the largest ever investment for a mobile-app company, according to Rutberg & Co. Two of Supercell's co-founders stand to make more than \$200 million apiece. Supercell is among an army of new firms to quickly generate significant value and disrupt mature industries by latching on to new distribution systems such as **Apple** Inc.'s app store and **Facebook** Inc.'s network. But unlike many of its peers, including Sweden's streaming music company Spotify AB, Supercell is profitable.

The investment in Supercell is another cog in SoftBank Chief Executive Masayoshi Son's sprawling empire, which now includes Sprint Corp. Supercell will be paired with Gungho Online Entertainment to enlarge SoftBank's stable of free-to-play mobile games

### Heir to the House of Lesage Takes the Business to India

Jean-François Lesage, the son of the founder of the prestigious Paris-based House of Lesage, followed an unlikely path to upholding the family tradition—The Indian method of embroidery is exactly the same as what Lesage had grown up seeing in his father's atelier in Paris. Once a proposed motif is accepted by a client, the embroiderers sketch it on a sheet of tracing paper. The curves and curlicues are then pierced and the paper is suspended over the chosen fabric, held taut by 30-foot-long beams. The embroiderers sprinkle a powder on the paper that seeps through to the fabric, making contours that they follow with their threads and beads.

Lesage has over 200 employees in India now and lives in Chennai year-round with his 10 dogs. He spends his weekends at the country house he bought with his business partner, a 100-mile commute from the city. "It is my weekly connection with the true life of Indian villagers," he says.

### Starbucks Is Criticized by Chinese State Media for Higher Prices

China's government-controlled television broadcaster criticized Starbucks Corp. for its prices in China, the latest attack by state media on a foreign company.

China Central Television, in a 20-minute broadcast called "Starbucks: Expensive in China," said the company charges as much as 50% more for some of its products in China than in the U.S., the U.K. and India. The report said the company's profit margin in China was excessive, as high as 32% in China and the Pacific region, compared with 21.1% in the U.S. and 1.9% in Europe, the Middle East and Africa. Starbucks said its prices vary by market because of different costs, such as for labor, commodities, real estate and infrastructure investment.

### Millions Owed by City Opera:

New York City Ballet Among its Many Creditors The opera's historical archives and music library—which include recordings, playbills and musical scores with conductors' markings—are being moved to Columbia University Library's Rare Book and Manuscript Division for safekeeping. The collection, damaged by floodwater during super storm Sandy, will be restored with a grant

from the Federal Emergency Management Agency, according to the filing. Employees nonessential to the company's wind-down were laid off on Sept. 30. The company listed New York City Ballet as one of its largest unsecured creditors, with a \$1.6 million debt to the ballet, according to the filing.

#### **With iOS 7 Upgrade, Podcasts Move to an Apple App**

Apple designed its free Podcasts app to handle all podcast-related activity on iOS devices. Once you install the app, you can subscribe, download or stream shows right on the iPhone — and find any podcast episodes you downloaded through iTunes on the computer and synced to your phone. The Podcasts app and an online manual. Using the most updated version of the app, iTunes and iOS 7 should help the experience. Still, if you try it out and find it not to your liking, the App Store has plenty of other podcast player-manager apps in stock, although you may have to pay a few dollars.

#### **Google Stock Tops \$1,000, Highlighting a Tech Divide**

Google has done something few companies ever do in the stock market: it has joined the \$1,000 club. On one level, \$1,000 is just a number. But on another, it is a reminder of the new order that has taken hold in the technology world in just a few short years — and how far apart the winners are from the losers. The jump brought its gain since its initial offering to roughly 1,100 percent. During the same period, the shares of Amazon.com rose 830 percent. Samsung, which makes smart phones as well as the chips that go into many other manufacturers' devices, rose 760 percent. And Apple leapt a staggering 3,300 percent.

#### **Apple Hires Burberry Chief to Polish Image of Online Stores**

Apple said it had hired Angela Ahrendts, who transformed Burberry from a faded British icon into a symbol of global luxury. Her new job: to reshape Apple's physical and online retail efforts so that they are both equally admired. Ms. Ahrendts will probably be expected to make shopping online and in stores more seamless, and help make the customer service experience similar whether consumers are walking in or logging on to an Apple store.

#### **Hyundai Motor goes conservative with redesigned Sonata, Genesis**

Hyundai is facing fierce competition in its home market of South

Korea. Free trade deals opened the door for U.S., Japanese and European rivals, who are chipping away at its share in a market where it is accustomed to dominating.

To better compete, the company plans to launch a new, significantly redesigned version of its Genesis large car as early as next month, and a revamped Sonata mid-sized sedan early next year, although neither is likely to carry a new engine.

Hyundai is expected to tone down Sonata's bold lines and curves in a bid to appeal to a broader audience and boost sagging volume growth, particularly at home. But that could backfire in other vital markets such as the United States, where its flashier style is popular and has helped Hyundai establish a credible presence over the past few years.

#### **After Nearly 90 Years, Ford Wants China to Give It a Second Chance**

General Motors now sells far more Buicks in China than in the United States, partly by playing on its history as the brand in which Dr. Sun Yat-sen, the founder of modern China, used to be driven. Ford has bet heavily on the mainland Chinese market and is rapidly expanding there, but also continues to do well in Taiwan. Releasing the documents in Hong Kong, where Taiwanese and mainland Chinese officials sometimes meet secretly at a nearly neutral location, may allow Ford Motor to sidestep sometimes acrimonious arguments from both sides over who are the true modern political heirs to Dr. Sun.

#### **French Fault Banks over Tax Evasion**

French lawmakers proposed measures to combat tax evasion and faulted a chain of financial players, including banks that enable a flight of tax revenue estimated at 80 billion Euros, or \$110 billion, a year. Included in the 34 proposals adopted in the Senate were sanctions against those who advertise services that shield money in offshore accounts. Other proposals would establish an international register of offshore trusts used to hide money and the ownership of property and art works and would increase protections for whistle-blowers. The issue has particular resonance in France, where the government is struggling to raise revenue in order to avert additional austerity measures as it attempts to stay within European Union deficit guidelines.

## CORPORATE SNAPSHOT: INDIAN (OCT. 2013)

#### **RIL boss Mukesh Ambani stays richest Indian with \$ 18.9 bn**

According to the Chinabased Hurun India Rich List, released on Thursday, Reliance Industries Ltd chairman Mukesh Ambani retained the top rank with personal assets of \$ 18.9 billion. However, Ambani's wealth decreased by two per cent over the previous year. London-based steel baron L. N. Mittal, with assets of \$ 15.9 billion, figures at the second spot albeit with a decline of six per cent per cent in his wealth from last year. Among others in the top 10 are Wipro's Azim Premji ( 4th, \$ 12 billion, HCL Technology's Shiv Nadar ( 5th, \$ 8.6 billion), Grasim Industries' Kumar Mangalam Birla ( 6th, \$ 8.4 billion), Godrej Group's Adi

Godrej ( 7th, \$ 8.1 billion). The other three who make the list of top 10 billionaires are Pallonji Mistry of Shapoorji Pallonji & Co (\$ 8 billion) ranked 8th, Shashi & Ravi Ruia ( Essar Energy, \$ 7.6 billion) ranked 9th and Sunil Mittal ( Bharti Airtel, \$ 7.3 billion). Anil Ambani of Anil Dhirubhai Ambani Group occupies the 11th position with a personal fortune of \$ 7.1 billion.

#### **Jet airways clarifies on huge losses**

A day after it announced its worst-ever quarterly loss of Rs 998 crore (consolidated figure for Q2 FY14), the top management of India's second-largest airline, Jet Airways, said one-time aircraft maintenance costs and extraneous factors completely outside its

control - such as rupee depreciation, increased airport and navigation charges and high aviation jet fuel prices - made their losses mount.

Jet incurred a loss of Rs 123 crore in the quarter because of the aircraft being on ground, Rs 213 crore as one-time maintenance costs as some of the engines went to the shop (Indian accounting methods do not allow it to be viewed as an investment), Rs 94 crore due to the fuel rates hike, Rs 38 crore due to increased navigation charges and Rs 231 crore due to the devaluation of the Indian rupee against the dollar," Ravishankar said. The airline said it was hopeful of getting the last regulatory approval needed to consummate its \$600 deal with Abu Dhabi-based carrier Etihad from the Competition Commission of India soon and definitely by the end of this quarter. The deal, Ravishankar said, will allow it to derive huge cost benefits rising out of cost synergies and commercial cooperation. It will also help Jet restructure its debt, which is currently at \$1.9 billion. Out of this, \$1.2 billion is debt against aircraft purchases and \$700 million is loan raised from the Indian market. The cost of borrowing is currently 5.1 per cent. The airline said it is hopeful that, as it enters the third quarter, demand will pick up as the market gets used to the hiked fares of about 25 per cent and the festive season opens up travel. The impact of the increased fares in the last quarter will be showing in the balance part of this year and they are seeing encouraging trends of advance purchases. Due to the steep hike in air turbine fuel prices in the first quarter, which was about 15-16 per cent, airlines hiked fares by 25 per cent to 30 per cent in the fag end of the first quarter and were able to palm off some increased costs to the passengers. Jet Airways said it is looking for buyers for its five grounded wide-body A330 aircraft type; selling them will get off \$200 debt from its books and by leasing them it will earn the lease rentals and will just have to furnish the principal. The Naresh Goyal-led airline said it will be getting one aircraft every month for the next 24 months but the capacity addition will be of only 12 aircraft.

#### **Blackberry still strong in Indian Markets**

"We are here to stay. We have \$2 billion in cash reserves and zero debt. We are not going down financially," Lalvani clarified at the launch of the company's new smart phone, the Z30, in New Delhi on 24<sup>th</sup> October. The company has priced its first 5-inch phone very aggressively at Rs 39,990.

"Our backbone is the network that we have built over the years. A good indicator was the launch of the BBM app for iOS and Android. We clocked 10 million\* downloads in 24 hours. That is not the sign of a company going away," said a confident Lalvani. Incidentally, BlackBerry had to pause the rollout of its popular BBM app to other platforms for a few weeks after the Android version of the app was leaked hours before. The company is hoping to cash in on the adoption of BBM by introducing a monetized BBM channel for brands in the near future. Lalvani claimed the company's enterprise business was also strengthening its position with the launch of the BlackBerry Enterprise Service 10 (BES 10) earlier this year."

#### **Chanda Kochhar advocates for a sustainable and profitable model for Indian Insurance industry**

Terming the low insurance density in the country as a "matter of concern", ICICI Bank MD and CEO Chanda Kochhar has said the industry requires a sustainable and profitable model for

growth. "Insurance density level in India is very low, compared to developing nations like Brazil. Similarly, penetration across different income segments is also low," Kochhar said at an event organised by the National Insurance Academy in Mumbai on 15<sup>th</sup> October. She also said cost efficiency and better use of technology, coupled with customer focus, are vital for the industry to progress in the future. "There is a change in the demographics. Hence, innovative products to meet customer needs are required. The industry needs transparent products, not just simple products. There is also a dire need to control mis-selling, especially since insurance is primarily sold through third-party channels," she said.

#### **RBI to increase repo rate by 25 bps on inflation; may cut MSF: Morgan Stanley**

As inflation continues to hover above its comfort zone, the Reserve Bank is likely to increase the short-term lending or repo rate by another 25 basis points in the monetary policy review due next week, American brokerage Morgan Stanley has said. "As inflation, both WPI and CPI, remain elevated and surprised on the upside last month, we expect the RBI to increase the repo rate by 25 basis points to 7.75 per cent to anchor inflationary expectations," Morgan Stanley said.

"This move will also help to achieve RBI's stated intent of eventually narrowing the gap between the MSF and repo rate to 100 basis points." In September, the headline inflation accelerated to a seven-month high of 6.46 percent, while the retail inflation quickened to 9.84 per cent. The brokerage house also expects the RBI to cut the MSF rate by 25 basis points to 8.75 per cent in the October 29 policy looking at the current stabilization in the rupee and also due to increasing probability of delay in US Fed tapering of quantitative easing. In mid-July, RBI had raised the MSF rate to 10.25 per cent and also limited access to LAF by each individual bank at 0.5 per cent of its net demand and time liability (NDTL) to curb rupee's fall by tightening the liquidity conditions. However, the new RBI governor Raghuram Rajan eased the MSF rate to 9 per cent in two tranches after taking over charge on September 4. The brokerage note said the RBI may reverse the quantitative tightening taken in July if it intends to cut short-term rates. "We see the possibility of RBI taking some measures to reverse the quantitative tightening by way of increasing the magnitude of liquidity accessible at the repo rate," the note said. However, Morgan Stanley believes an aggressive move to easy liquidity conditions in order to transition back towards making the repo rate the effective policy rate may be deferred to a later date. The note said that to address the external funding stress in a systematic manner, the country needs a pro-cyclical fiscal tightening, which augments public savings and a rise in real rates for households. "In the context of the government's inability to quickly augment public savings by meaningful pro-cyclical fiscal tightening, lifting of real rates is the only credible way to demonstrate the commitment to reduce saving investment gap," the note said. The note further said that persistent negative real rates since the credit crisis have been a key factor keeping deposit growth weak. It expects that in the coming busy season, the credit-deposit ratio will rise to another new high.