

Tony steps aside as AirAsia boss

Chairman Kamarudin Meranun, too, relinquishes post temporarily over links to bribery scandal

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Airbus SE and AirAsia, the discount airline built by Tony Fernandes, were inseparable for years, with the boisterous aviation executive gorging on ever-larger aircraft orders to become the manufacturer's biggest customer for single-aisle jets.

That happy marriage ended in acrimony last week after Airbus admitted to illegally trying to sway plane sales and agreed to a record \$4 billion bribery settlement. By Monday, Fernandes stepped away from the Malaysian airline he bought in 2001 and turned into one of the best-known brands in Asian aviation.

Fernandes was one of Airbus's most loyal customers, a fixture at air shows where he'd make a splash with huge deals while bucking the stodgy formalities of traditional business. Among his most memorable moments was the signing of the European company's biggest order at the 2014 Farnborough expo, where he exchanged man-hugs with legendary, since departed sales chief, John Leahy.

Now a corruption probe that has ricocheted through Airbus for almost four years, claiming the scalps of many senior staff, is coming for its airline counterparts. Fernandes will leave his role as chief executive officer of AirAsia for two months while the government examines corruption claims, according to a statement Monday. Chairman Kamarudin Meranun also stepped down, in a sign of further repercussions from the bribery case.

Fernandes, 55, who is already facing corruption charges in India, and Meranun on Monday denied allegations of wrongdoing, saying they stood down to ensure a full and independent investigation. They added in a newspaper op-ed Tuesday that a Formula 1 sponsorship deal which was the subject of the Airbus accusations was "a branding exercise" and not a venture to make money. Malaysia's anti-graft agency said Saturday that it was looking into corruption at AirAsia. Airbus, which admitted to the SFO's allega-



"Caterham F1, the company alleged to have been sponsored improperly by Airbus, was at the relevant time a Formula 1 racing team that had gone round the globe promoting amongst others AirAsia, AirAsia X, GE and Airbus... Throughout the period we were shareholders in Caterham, the company made no profit and was eventually disposed of for 1 pound sterling in 2014. From start to finish, this was a branding exercise and not a venture to make profit"

Tony Fernandes (right) and Kamarudin Meranun
After stepping aside as CEO and chairman of AirAsia, respectively

tions as part of its settlement, declined to comment.

Shares of AirAsia tumbled as much as 12 per cent Tuesday, after losing 10% of their value on Monday. Fernandes and Meranun are still the company's biggest investors through Tune Group.

"AirAsia is clearly a major Airbus customer," said Sash Tusa, an aerospace and defense analyst at Agency Partners in London. "At times they have given the impression of ordering aircraft at an exceptional rate."

After starting his career in Richard Branson's Virgin Group in the UK, Fernandes returned home to Malaysia and teamed up with Meranun to buy an ailing and indebted AirAsia for 1 ringgit.

Affable and almost always casually dressed, Fernandes was rarely seen without a grin and a red baseball cap bearing the AirAsia logo. Like Branson before him, he was never shy of the limelight. AirAsia would become

Malaysia's first low-cost carrier and its explosive growth across the continent coincided with unprecedented demand for air travel in developing nations.

Fernandes then ventured into other businesses including hotels, insurance, telecommunications and motor racing. In 2011, he took control of the Queens Park Rangers soccer club in the UK. Two years later, he hosted an Asian version of The Apprentice reality show.

Prosecutors at the UK's Serious Fraud Office said Airbus paid \$50 million in sponsorship to a sports team jointly owned by two AirAsia executives as a reward for an order of 180 aircraft, later amended to 135.

The executives and the sports team weren't named in the case, but AirAsia over the weekend called the sponsorship "a well-known and widely publicized matter bringing branding and other benefits to Airbus." Fernandes and Meranun in their op-ed article

identified it as the Caterham Formula 1 team, founded in 2009 with Nasarudin Nasimuddin, chairman of car assembler Naza Group. They said the team made no profit and "was eventually disposed for £1".

The July 2014 Farnborough deal that produced such fraternal bonhomie — for 50 A330 wide-bodies — was supposed to trigger an additional \$55 million payment, though it was never received, according to the prosecutors.

Four days after the order announcement, an AirAsia executive emailed a senior Airbus employee saying that "instead of sponsorship we want to put it as a grant." The A330 purchase was finalized in December, but by then the strategy and marketing department at the center of the Airbus corruption was no longer in a position to fulfill its commitments. "We have kept our side of the deal," the AirAsia executive emailed. "Pls don't let us down".

In all, corruption dating back 13 years boosted profit at Airbus by more than \$1 billion, prosecutors said in court documents.

Fallout from the scandal has already rippled across the globe. Colombia's Avianca Holdings SA said Monday it had retained a law firm to conduct an independent internal investigation into the carrier's relationship with Airbus, and whether it was the victim of wrongdoing. Taiwan's chief prosecutor started investigations of former executives in charge at now-defunct TransAsia Airways, which was also named in the documents, a prosecutor said by phone Tuesday.

In Sri Lanka, prosecutors are seeking the arrest of the state-owned airline's former top boss and his spouse. The attorney general's office said Kapila Chandrasena, the ex-CEO of SriLankan Airlines Ltd., and his wife, Priyanka Niyomali Wijenayaka, were suspects in a money-laundering case linked to aircraft sales at Airbus.

Sri Lankan police were ordered to obtain an arrest warrant, according to a statement Monday. Chandrasena didn't respond to multiple calls seeking comment.

BLOOMBERG

Henkel steps up investment in adhesives

VIVEAT SUSAN PINTO
Mumbai, 4 February

After exiting fast-moving consumer goods (FMCG) segment in India a few years ago, German major Henkel has been quietly ramping up its presence in adhesives, a business that gives it nearly ₹2,500 crore in revenue. While rival Pidilite is best known for its consumer-centric brands such as Fevikwik and Fevicol, Henkel is strong in the industrial adhesives segment, providing solutions to sectors such as automotive, metals, packaging and aerospace.

On Tuesday, the company launched its eighth plant in India, which is its first multi-technology unit, at an invest-

ment of ₹400 crore. The plant, also Henkel's largest adhesive manufacturing unit in the country, is located near Pune in Maharashtra.

Besides its manufacturing facilities, Henkel also has an innovation and product development centre and a flexible packaging academy in the country for its adhesives business.

Jan-Dirk Auris, member of the management board at Henkel AG, said the plan was to push India up the pecking order of markets in terms of top line from its current 10th position, using acquisitions, joint ventures and alliances as way forward. The con-

sumer adhesive space, in particular, he said, was an area that Henkel was eyeing closely for future growth.

"India is an important emerging market, with tremendous growth opportunity for our adhesives business. I will not exclude moving into consumer adhesives in the future, given that we would like to see India get into the top five markets for Henkel globally in the next few years," he said.

The statement acquires significance since Pidilite has been strengthening its presence in industrial adhesives, tying up with German player Jowat recently. Jowat is counted among Henkel's com-

petitors globally and the collaboration with Pidilite will see its portfolio available in India, Sri Lanka, Bangladesh and Nepal, experts tracking the market said.

Pidilite has also stepped into areas such as floor coatings, wood finishes and specialised water proofing in recent years using acquisitions and JVs as an entry point.

Auris said the India business of Henkel had been growing at a clip of 10-11 per cent annually, which it is expected to maintain in the future. The eighth unit would not only cater to the domestic market, he said, but would also take care of needs in West Asia, Africa and South Asia.

Invests ₹400 crore in eighth plant in India launched on Tuesday