

# Indian securities firm acquires 74% stake in local brokerage Noah

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INDIAN investment banking and institutional securities firm Religare Capital Markets Limited (RCML), yesterday announced that it had acquired a 74 percent controlling stake in local broker Noah Financial Innovation, an acquisition that has been viewed as an indicator that India could be the next foreign direct investment (FDI) driver in the country's financial services sector.

RCML is the investment banking and institutional securities arm of Religare Enterprises, a financial services group rooted in India that focuses on emerging markets. The company said the acquisition would boost its existing trade and research capabilities in South Africa.

RCML acquired BJM UK and BJM US, two highly rated distribution platforms for South African equities in London and New York last year. BJM is Africa's largest stock brokerage.

The company has since added research analysts who cover the South African banking, telecoms, media and mining sectors.

Noah is an independent South African-based stockbroking and financial services provider. It will take care of research and execution for RCML locally.

"South Africa is one of the markets RCML has identified as of key strategic importance and the Noah acquisition complements the existing team by providing a meaningful local presence," said Martin Newson, RCML's chief executive.

Jean Pierre Verster, an analyst at 360One Asset Management, said the acquisition indicated an

about-turn in South Africa and India's sectoral investments as it was predominantly South African firms that invested in the Indian financial services sector.

He said looking at the size of India's economy, population and its current phase of economic development, it was only a matter of time before the major firms in its financial services sector played a more visible role on the international stage, as China's major financial firms had started doing.

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"It's only natural that at some point when they've created sufficient wealth and accumulated enough capital from their domestic markets, they'd look at investing outside India. If you look at China, they also started by investing domestically and it was only later on that they became international players," he said.

Verster said India's financial services sector would also become more active in the South African market, following Indian firms such as Tata Group.

Nick Chambers, the head of investor relations and capital markets at africapractice, a pan-African investment consulting firm, said the financial services sector had been one of the most affected by the global economic downturn. This made RCML's

move a bold one, he said.

"This deal is also interesting, not in terms of significant foreign investment moving into Africa from Asia – we have seen this in the past – but in the way Indian companies are investing," said Chambers.

"While the Chinese have followed a model that mostly invests in traditional African sectors such as resources, Indian companies have been seen to diversify from this model and invest also in non-traditional African sectors that incorporate services such as information and communications technology, agriculture and business process outsourcing."

A move into financial services by Indian companies perhaps also marked a turn in diversification of investors into the African banking and finance sector that had traditionally been preserved for European investors.

Raymond Ndlovu, Noah's chief executive, said: "It is the first time that a global firm has acquired a local brokerage business with substantive black economic empowerment (BEE) credentials."

"In addition, RCML's partnership with Noah's anchor BEE shareholder provides a unique combination of local relevance and international stature."

The business will operate under the Religare Noah brand and will be integrated into RCML's rapidly expanding emerging markets platform.

RCML is present in nine countries and has more than 300 employees, including investment bankers, analysts and sales and trading teams in London, New York and emerging markets.