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Religare defies decline with focus on SE Asia

A slump in ECM volumes across southeast Asia has forced investment banks to trim headcounts in the region, but for some small is beautiful. The pullback is creating opportunities for boutique investment banks like Religare Capital Markets, looking to tap pockets of strength in a region that still has a robust need for issuance, writes John Loh.

By John Loh 23 Apr 2015

At least six banks have announced cuts in southeast Asia so far this year, including CIMB, Goldman Sachs, Macquarie Capital and Standard Chartered. CLSA and Nomura have also reportedly trimmed their equities divisions, as ECM volumes dwindled 24.74% to $24.89bn last year.

Those statistics don't rattle Religare. The investment bank, a unit of India's Religare Enterprises, has ambitions to grow as a niche yet nimble underwriter and broker to capture flows between India and the rest of Asia.

For now southeast Asia will be the focus for Religare. It has brokered some 40 deals since starting out five years ago, half of which were from the region. Just this week it worked on a S$90m ($67m) private placement for Soilbuild Business Space Reit.

The firm's Singapore-based international arm is led by chief executive Sutha Kandiah, who cut his teeth in ECM as a banker at UBS for 12 years. "We have been quietly chipping away," he told *GlobalCapital Asia*. "We do about two to three big deals a year, but our bread and butter is the mid-market type deals."

Mid-market niche

Religare's approach is to target mid-sized, but high growth, companies in emerging markets that are underresearched, underbanked and lacking in broker coverage.

As with most boutique brokers, league tables are not a top priority for Religare. "We don't chase league table rankings," Kandiah said. "We don't get up in the morning and tell people we have this or that spot on the league table."

Religare received league table credit for four ECM deals last year raising a collective $180m in India and Singapore, according to Dealogic.

Instead, the goal is profitability. "While this business model can be extremely lucrative, it also tends to be lumpy," he said. But its agency model has allowed it to ride out market cycles.

For southeast Asia, which was until a few years ago the darling of ECM bankers, Kandiah believes patience and persistence is key. Those who are now withdrawing had made the mistake of letting their cost structures get too bloated, he said.

One way Religare helps clients keep costs low is by aligning pay toperformance, so that the firm is not saddled with heavy fixed costs. Senior partners also own 49% of Religare.

Southeast Asia, Kandiah points out, is will be attractive depending on the kind of a time horizon a firm or investor is willing to take. “The bigger banks that have to answer for quarterly or annual outcomes may not be able to see things like we do, but being small and niche, we can afford to take a multidecade view,” he said.

Hungry for more

Not that it is resting on its laurels. Last week Religare signed a pact with FSG Capital to serve mid-market clients in the Philippines, making it the first and only India-based investment bank to form a joint venture in the country.

Some notable deals the firm has brokered in the Philippines include the $411m IPO of Travellers International Hotel Group, where it was a joint global coordinator, international bookrunner and international lead manager.

Religare was also a joint bookrunner for the $155m placement in Puregold Price Club Inc and has a syndicate role in the pending $602m follow-on of Global Ferronickel Holdings.

The collaboration with FSG is just one of the many tie-ups it is looking to ink to extend its reach throughout Asia. Where Religare has an advantage is in its ability to distribute deals across borders, said Kandiah.

Linkages with local brokers allow it to work with those on the ground who know the market and can originate deals. Both parties then work together on execution and distribution. It is in the process of setting up a frontier markets business and owns a controlling stake in Bartleet Securities in Sri Lanka and is exploring expansion in Bangladesh, Myanmar and Vietnam.

Entrepreneurial drive

During his time at UBS, Kandiah was a joint head of ECM for Asia and joint head of ECM for Japan, as well as having roles as head of IB for Singapore and Malaysia. He left UBS to join Religare and pursue an entrepreneurial path, which is also reflected in the kind of clients the firm now targets.

In an environment where investment banking products are essentially commoditised, its strategy is to find other entrepreneurs and service them from the get-go, said Kandiah.

“Today the entrepreneur may have just a $120m market capitalisation, but five years down the road when his business is worth many times more and everyone is knocking on his door, we would have earned our seat at the table,” he said.

“The approach is to be patient, find the right company and go in at the right time.”

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RELIGARE
Values that bind

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Description	Who should you buy your health cover from?

LIFE GENERAL

Who should you buy your health cover from?

Both life and general insurance companies offer health insurance policies. Which model suits you best? We weigh the pros and cons.

PREETI KULKARNI

Think life insurance, and term policies, unit-linked insurance policies and endowment plans come to mind. General insurance, on the other hand, conjures up images of motor and health covers.

However, what you might not be aware of is some life insurers also sell health insurance policies, both indemnity and fixed benefit covers, the latter being more commonly offered. What should you opt for?

The points of distinction

Most health covers from life insurers are defined benefit plans, where a pre-fixed sum (as a lump sum or on a daily basis, depending on the product) is handed over to the policyholder once a claim is made. These could also be offered in the form of standalone critical illness covers, hospital cash policies or personal accident covers.

Some insurers also offer an indemnity-based health cover, which typically general insurers sell, wherein the expenses you incur on hospitalisation are reimbursed, up to the extent of the sum insured.

So, it's the principle–indemnity or defined benefit–rather than the primary line of the insurer's business that should be taken into account while comparing products. However, there are some differences between health insurance products offered by life and general insurers that you need to know of.

One, health products offered by life insurers come with a premium guarantee of three years. In other words, premiums remain unchanged for three years. However, according to experts, this does not make a significant difference. "This is not a great advantage as general insurance companies too have age-slab based premium. If you enter the slab early you may end up paying the same premium for 5-10 years," says Mahavir Chopra, Director, Health Insurance, *Coverfox.com*, an insurance advisory portal.

The main advantage of fixed benefit policies is that you can make a claim even if you have already been reimbursed by your general insurer's hospitalisation cover. These policies do not demand original hospital bills and discharge summary–photocopies are admissible evidence. The lump sum amount disbursed can then be used to fund your recuperation or lifestyle adjustment expenses. Any daily payouts will come in handy for travel, food and miscellaneous expenses. "Only 14% of expenses incurred due to major illnesses can be attributed to hospitalisation, which is covered by the conventional health plans. The balance 86% is borne by the customers themselves. This is where fixed benefit plans come in handy," says Tarun Chugh, CEO, PNB Metflife Insurance. A fixed benefit policy pays out the entire pre-defined amount once a claim is filed.

On the flipside, defined benefit policies are usually costlier than regular indemnity-based policies. Also, if you buy critical illness policies, which fall in the defined benefit category, they cease to exist once the claim is paid out.

Exercising your options

Once you choose the principle–indemnity or fixed benefit–you are comfortable with, you should carry out a cost-benefit analysis, rather than a life versus general insurance comparison. "Since there is hardly any difference in features, you should not be concerned whether the indemnity health insurance is from a life insurer or a general insurance company. You should do a cost-benefit comparative analysis over the long term and then decide," says Chopra.

Some experts suggest that your base policy should be purchased from a general insurer, while fixed benefit plans can act as supplementary covers to take care of ancillary expenses. "First time health insurance buyers need to buy a cover issued by a general insurance company which pays the actual cost incurred at the time of hospitalisation," says Sudhir Sarnobat, CEO, *medimanage.com*, a health insurance consultancy portal. Indemnity-based covers offered by non-life insurers are cheaper. Budget permitting, you can add a top-up plan sold by general insurers and then add a defined benefit policy to your protection basket to take care of expenses beyond hospitalisation.

Several life insurers used to sell health products with savings component as well, but they have been withdrawn now.

Life insurers charge more for health

General insurers offer almost the same benefits, usually at a fraction of the cost.

	HDFC Life	Apollo Munich	Religare Care	Star Health
ANNUAL PREMIUM	₹22,303	₹13,398	₹11,924	₹12,350
FEATURES	100% restore benefit. Three-year premium guarantee, maximum no claim bonus up to 100%.	100% restore benefit. No claim bonus up to maximum 100% and coverage for all day care procedures.	100% restore benefit. No claim bonus up to maximum 150% and free annual medical check-up every year.	100% restore benefit.

Source: Coverfox.com
Assumptions: 35-year-old couple with two children seeking an indemnity-based health cover of ₹5 lakh.

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