

# The FirstRand India Experience

India Africa Business Network Launch – GIBS

18 July 2011



**FIRSTRAND**

## Key Areas of Discussion

- **Why does India appeal to FirstRand?**
- **FirstRand's positioning in India**
- **Opportunities for Africa Inc in India & the associated challenges**
- **Opportunities for India Inc in Africa & the associated challenges**
- **FirstRand's rationale for supporting the IABN**



## Key Areas of Discussion

- **Why does India appeal to FirstRand?**
- FirstRand's positioning in India
- Opportunities for Africa Inc in India & the associated challenges
- Opportunities for India Inc in Africa & the associated challenges
- FirstRand's rationale for supporting the IABN



# Why Does India appeal to FirstRand?

## Strong Economic Fundamentals

- GDP growth of 8% + (shown resilience in times of global recession)
- Domestic consumption-driven economy
- BBB-sovereign rating
- Stable, forward-thinking policy institutions
- Strong capital flows
- Never defaulted on debt
- Stable government with ambitious development plans in infrastructure and agriculture

## Well-Oiled Banking Systems and Capital Markets

- Well developed banking system with numerous public and private sector banks operating in the country
- Ample credit availability for projects
- Banking system has withstood the recent financial crisis
- Banking sector slowly opening up to foreign participation
- 7000 listed corporates; 3 million SMEs
- Total market cap of listed corporates ~ USD 900 bn
- Financially savvy institutional and retail investors

**ACTIVE ENGAGEMENT WITH AFRICA!!!**

## Vibrant Corporate Sector

- Entrepreneurial mind-set
- High corporate governance standards
- High quality talent base
- Established manufacturing base
- Globally recognized quality of services

## Ample Regulatory Oversight through Various Bodies



## Do we have a right to win in India?

FirstRand actively debated the following key points before embarking on an entry strategy for India?

Economic Growth Potential and FDI Climate



Strong Economic growth backed by strong economic fundamentals

Political reform



Good progress and government likely to continue process

Do we have a competitive advantage and good strategic positioning?



Strong competitive edge and capabilities in the Indo-Africa market

Sustainable Client Franchise



Sustainable client base to operate from

Legal & Regulatory Framework



English law, Regulations Supports FDI in specific segments, and restrictive in other, legal process improving but still slow

Strength of Banking & Broader Fin Services Sector



Highly recognized to be well structured and stable, but significant scope left for growth with further policy developments & de-regulation in the pipeline

Ability to articulate Risk Appetite to support strategy



Focused on key segments. Credit, market and risk policies already in place. Appetite to be built over time.

Does the financial model stack up for FRB



International expansion is a long term process hence model stacks up over the longer term

Access to local skills to execute strategy



Very good local management, banking and technical skills

Balance Sheet Support/ Group Synergies



Can the group leverage off wider group companies/ home based capital and balance sheet support

## Key Areas of Discussion

- Why does India appeal to FirstRand?
- **FirstRand's positioning in India**
- Opportunities for Africa Inc in India & the associated challenges
- Opportunities for India Inc in Africa & the associated challenges
- FirstRand's rationale for supporting the IABN



# FirstRand Positioning in India

## Core Strategy = Capture Trade & Investment Flows (FIRST BANK FROM AFRICA)

Ancillary Focus:  
Banking Corporates in India  
(IN -COUNTRY  
MANDATE)

### Indo Africa Trade Flows

Commodities flows e.g. Gold & Coal imports from SA

Trade Finance (Int Banking Products)

FX Flows

### Africa Inc in India

Short Term Lending

FICC

Advisory & Structuring Solutions

### Banking India Inc in Africa

S/L term Lending

FICC

Advisory & Structuring Solutions

Lending/ DCM

FICC / Equities

Advisory & Structuring Solutions

## History of India Strategy

- India identified as a key growth market for the Group in 2006
- First Banking group from the African continent to be granted a commercial banking licence in India
- Entered India through a representative office in 2008
- Secured banking license in October 2009
- Set up full scale Corporate & Investment banking platform in India
- Qualified staff in investment banking, advisory, FICC & Corporate Banking
- Indian Operation is adequately capitalized and funded

## Key Points on market positioning

- Focus is to be the “African banker” of choice in the Indian market
- FirstRand has a strong focus on Advisory, structuring, treasury, trade finance and commodity offerings
- Select client base consisting of premium corporate houses
- Already delivered some market firsts in a short space of time (in the commodities, currency, investment banking and structuring areas)
- Phase 2 of business roll out includes building product niches in the areas of digital and mobile banking, focus on building a strong capital markets practice in India.
- The group will also seek to build strong product alliances where possible, with suitable Indian partners



## Key Areas of Discussion

- Why does India appeal to FirstRand?
- FirstRand's positioning in India
- **Opportunities for Africa Inc in India & the associated challenges**
- Opportunities for India Inc in Africa & the associated challenges
- FirstRand's rationale for supporting the IABN



# Opportunities SA Inc in India & the associated challenges

## Opportunities

- Infrastructure
- Financial Services
- Mining Services
- Energy
- Agro Processing
- Pharmaceutical
- FMCG
- Leveraging Outsourcing skills

FIRSTRAND AIMS TO PROVIDE EFFECTIVE SOLUTIONS FOR PROSPECTIVE CLIENTS TO OVERCOME POTENTIAL CHALLENGES

## Challenges

- Understanding India's Multi-cultural and diverse territories/ family driven business dynamics
- High levels of regulation in certain key sectors (not favourable to big FDI )
- Finding suitable partners - Going it alone not a wise choice
- Replicating SA Business ethos and mindset in the Indian market is not a wise choice
- Indian market is about scale and volume (Understand the high volume/low margin landscape)
- Navigating through high Indian PE Ratios and valuations
- No favourable tax treaties in place between SA and India /preferential trade agreements lacking



## Key Areas of Discussion

- Why does India appeal to FirstRand?
- FirstRand's positioning in India
- Opportunities for Africa Inc in India & the associated challenges
- **Opportunities for India Inc in Africa & the associated challenges**
- Challenges faced by India Inc w.r.t International/Africa expansion
- FirstRand's rationale for supporting the IABN



# Opportunities India Inc in Africa & the associated challenges

## Opportunities

- Infrastructure
- Automobile sector
- Mining Sector
- Renewable Energy
- IT & Telecomms
- Pharmaceutical & Healthcare
- Education
- FMCG
- Petrochemicals

FIRSTRAND AIMS TO PROVIDE EFFECTIVE SOLUTIONS FOR PROSPECTIVE CLIENTS TO OVERCOME POTENTIAL CHALLENGES

## Challenges

- Understanding the merits of BEE in the South African business environment
- Concerns about high SA costs of labour and low productivity relative to other emerging market locations
- Concerns about wider socio economic political risks in Africa
- Finding suitable strategic partners in Africa
- Ability to access capital for International expansion (Africa) versus the Chinese
- No favourable tax treaties in place between SA and India /preferential trade agreements lacking



## Key Areas of Discussion

- Why does India appeal to FirstRand?
- FirstRand's positioning in India
- Opportunities for Africa Inc in India & the associated challenges
- Opportunities for India Inc in Africa & the associated challenges
- Challenges faced by India Inc w.r.t International/Africa expansion
- **FirstRand's rationale for supporting the IABN**



## Why does FirstRand support the IABN?

- Platform to bring together Indian and African businesses to engage meaningfully in business opportunities (move beyond the “high level opportunity identification and anecdotal trade statistics”)
- Formal channel to bring India Inc and Africa Inc together to address bottlenecks and perceived challenges to investment
- Forum to sensitize the business fraternity about the key dynamics for doing business in India and Africa
- IABN to support Indo/SA CEO’s forum to realise its trade and investment targets
- Platform for business, academia and government to jointly engage with each to ensure traction in stimulating trade & investment activity between both regions
- Platform for business and academia to identify meaningful public/private partnerships that will address key socio economic challenges in both regions.

**FirstRand would like to see the IABN play a meaningful role in stimulating trade & investment activity between India and Africa and also offer unique and innovative solutions to address any perceived stumbling blocks to such activity in the Indo/Africa trade corridor**





## AMAZING AFRICA WELCOMES INCREDIBLE INDIA


**RAND  
MERCHANT  
BANK**  
A division of FirstRand Bank Limited  
 Traditional values. Innovative ideas.



RMB acts as 'A Passage to India' and 'A Gateway to Africa'

"Africa is open for business" says Sizwe Nxasana, CEO of the FirstRand Group, highlighting our stated strategy of playing a leading role for investment, both into and from, this amazing continent. The recent launch of FirstRand Bank India, the first full-service financial group from Africa with a banking license to operate in that part of the world, allows RMB to offer a full range of corporate and investment banking services to Indian companies wishing to explore Africa's great commodity wealth and South African companies wishing to participate in India's numerous, lucrative trade opportunities. Contact Michelle Chetty (Corporate and Investment Banking) +27 11 282 1903 [michelle.chetty@rmb.co.za](mailto:michelle.chetty@rmb.co.za) or Alison Lonsdale (Fixed Income, Currency and Commodities) +27 11 282 8000 [alison.lonsdale@rmb.co.za](mailto:alison.lonsdale@rmb.co.za)

Thinking that can change your world

Rand Merchant Bank is an Authorised Financial Services Provider



**FIRSTRAND**