Foreign private banks plan India headcount boost

REUTERS, Mumbai

Foreign private banks are bulking up in India once again after downsizing in the past few years, anticipating new opportunities to advise Indian millionaires eager to cash in on an internet start-up boom and on signs of an economic revival.

Bankers and consultants surveyed by Reuters said foreign private banks will hire wealth managers this year and increase their headcount by a fifth, compared to a 10-15 percent fall in each of the past two years.

Barclays, which runs one of India's top private banks, said its headcount could rise by 15-20 percent in 2015.

Wealthy Indians are looking to put money in new-age technology companies after they watched savvy foreign investors such as Singapore's Temasek Holdings and Japan's SoftBank Corp scramble over the past few years to get a piece of Indian e-commerce companies, including Flipkart, valued by industry at around $11 billion, and Snapdeal.

The start-ups offer a new investment route for the millionaires, who are using wealth managers to guide them on these investments.

So far, the rich in India channelled funds into traditional products such as equities, bank deposits and government bonds. And an annual cap of $250,000 on overseas remittances by onshore Indians effectively rules out significant investments overseas.

To tap into this demand, venture funds are being launched that seek to raise money from high networth individuals (HNIs) for investments in start-ups. At least two venture funds are currently raising a combined $160 million from Indian investors including wealthy individuals, to invest in start-ups, people involved in the matter said.

"In the first round, it was mostly foreign investors who were chasing the start-ups. Now the Indian HNIs are waking up to this opportunity," said Atul Singh, India head for wealth management at Bank of America Merrill Lynch.

India's e-commerce firms last year attracted more than $5 billion in investment, the bulk of it from overseas investors, compared to less than $2 billion in 2013.

REUTERS

The Barclays logo is brightly lit on their building in Times Square, Manhattan, New York.

"The return from these investments could be double that of the public equity markets," said a wealth manager at an European bank, declining to be named. "Of course, the risk is also higher and that's why the clients need advice."

Another reason for the enthusiasm among affluent Indian investors is the economy, which is expected to grow 7.4 percent in the year ending March and at a faster pace than China's in the years ahead as a new government kickstarts economic reforms.

For foreign private banks, whose Indian ambitions have so far been held in check by intense competition from local players and sluggish revenues, the developments are welcome.

They are drawn to the long-term potential of the market, where individual financial assets are expected to more than double from last year's level to $5 trillion by March 2019, according to local wealth manager Karvy.

While more than half a dozen foreign private banks operate in India and employ about 300 wealth managers, they are saddled with higher operating costs and struggle with a limited branch network compared with their local rivals.

As a result, the Indian units of some banks, including Credit Suisse Group AG, slashed headcount in the recent past. Others, such as Morgan Stanley and UBS AG, exited altogether.

The business landscape is changing now, bankers said.

A regulatory move last year for private banks to separate client advisory services from transactions carried out on their behalf will make wealth managers focus on advice and give them an edge over local rivals because of their global network, boosting fee income and stabilising revenues, bankers said.

"As a market, we are coming closer to the reality that if you want impartial advice you will have to pay a fee," said Satya Bansal, head of India wealth management at Barclays, which employs 40 wealth managers and plans to add more.

Oil industry seeks opportunity in adversity

AFP, London

The oil sector is restructuring after the collapse of oil prices and opportunities may emerge for larger players wishing to snap up distressed companies and expand into crisis-hit producer countries, according to key industry players.

An oversupply of oil in the market, caused by the boom in crude extracted from US shale rock, has contributed heavily to crude prices crashing 60 percent in value in the six months to January.

In response, the oil sector has begun to reorganise, as it has done every 10 years on average. Big oil companies have begun to slash capital spending for the coming year. French multinational Total recently revealed a 30-percent cut in its exploration budget.

But the current environment still provides a chance for them to possibly buy smaller struggling rivals at bargain prices, suggested participants at the recent International Petroleum Week in London. In the United States, small producers have been hit particularly hard.

"There is an enormous (cash) liquidity squeeze in the US as we speak and it will come to a crescendo in the middle of this year," said Anthony Hayward, chief executive of Anglo-Turkish producer Genel Energy.

This will mean "a lot of distress" among small operators in US shale, but will create growth opportunities for those with capital and capacity, said Hayward. "The vultures are gathering."

Opportunities are also emerging globally, including in OPEC producers Iraq and Venezuela, which will need funding to bridge the shortfall in their revenues from collapsing oil prices.

"For the major companies this is now a great time of opportunities, those who are brave will seize the moment and will be able to acquire very good assets at knocked down prices," Hayward said.

Norwegian oil major Statoil also sees the drop in oil as a source of opportunity, particularly on the trading side.

"I think it is challenging for an upstream company like Statoil to cope with these changes," said Rune Bjornson, senior vice president at the company.

"But at the same time especially on the market and trading side which is becoming more and more important, it gives the market new opportunities."

For Ian Taylor, head of oil trading giant Vitol, the oil sector may be overlooking the demand side of the story.

"We had an incredible year of growth last year, a two million barrel per day (bpd) of non-Opec increase in production... and we are all forecasting we are going to get another million barrels per day of growth this year," Taylor said.

"However the real story that we are not talking about very much in the industry is the other side of the equation: demand."

Taylor is unsure whether demand will rise to meet soaring production levels. He added that he was not convinced by analysts' predictions of growth in demand by a million bpd or more this year, after forecasts for 2014 proved too high.

Oil rises to $62, near 2015 high

REUTERS, London

Oil rose to $62 a barrel on Tuesday, close to its 2015 high, supported by threats to Middle East supplies and expectations lower prices may prompt a slowdown in US output.

Egypt on Monday bombed Islamic State targets in Libya, where violence has reined in most oil output, and Iraq's semi-autonomous Kurdistan Regional Government threatened to withhold oil exports if Baghdad failed to send its share of the budget.

"The oil price is finding additional support from renewed greater perception of the risks to supply," said Carsten Fritsch, analyst at Commerzbank. "In the short term, the momentum suggests that prices will climb further."

Brent crude rose 60 cents to $62.00 a barrel by 1101 GMT. It reached a 2015 high of $62.57 on Monday. US crude was 43 cents higher at $53.21 a barrel.

Oil prices collapsed in the second half of 2014 on oversupply. The Organization of the Petroleum Exporting Countries refused to cut its output, choosing to defend market share against US shale oil and other competing sources.

Brent has jumped by almost 40 percent in the last four weeks, supported by a sharp fall in US oil drilling. It had reached $45.19 on Jan.

British inflation hits record low

AFP, London

Britain's annual inflation rate slowed to a record low of 0.3 percent in January on the back of plunging oil prices and lower food costs, official data showed Tuesday.

"The Consumer Prices Index (CPI) grew by 0.3 percent in the year to January 2015, down from 0.5 percent in December," the Office for National Statistics said in a statement. "Falling prices for motor fuels and food were the main contributors to the slowdown in the rate of inflation," it added.

Inflation in Britain could meanwhile turn negative within months and interest rates cut, Bank of England governor Mark Carney said last week, signalling fresh risks to the economy before the country's election.

While a sustained period of falling prices may sound good for consumers, deflation can trigger a vicious spiral in which businesses and households delay purchases, throttling demand and causing companies to lay off workers.

"As expected, UK inflation fell in January to 0.3 percent, its lowest level since the Office for National Statistics began to publish the Consumer Prices Index in 1997," said Ben Brettell, senior economist at stockbroker Hargreaves Lansdown.

"Predictably, the main contributors were falling fuel and food prices. In the year to January food prices fell by 2.8 percent and fuel prices by 16.2 percent. Together these factors depressed the overall rate of inflation by 0.9 percentage points."

Sahara boss Subrata Roy seeks more time to raise funds for bail

REUTERS, Mumbai

The jailed boss of Indian conglomerate Sahara has asked a court for more time to work out a deal to raise funds against properties and get bail, three lawyers involved in the case said, after talks with a US-based firm collapsed this month.

Subrata Roy on Tuesday asked the Supreme Court to let him use a high-tech office space inside New Delhi's Tihar jail complex for six more weeks, to talk to potential investors and raise $1.6 billion in bail, the lawyers told Reuters. The court did not set a date to consider the request, said the lawyers, who declined to be identified ahead of a ruling.

"A request has been made to allow the use of office premises for six more weeks, in view of the ongoing negotiations," said one of the lawyers. "The court order on this should come soon, probably later this week."

A spokesman for Sahara declined to comment on the extension request.

Roy, who has been held in the jail since March on contempt charges after failing to obey a court order to repay investors in a bond scheme later ruled to be illegal, has court approval to use the office space until Feb. 20. The court had given him approval to finalise a deal with US-based Mirach Capital Group, which involved a loan by Mirach secured against some of Sahara's properties, including New York's Plaza hotel, but talks fell through.