Domestic brokerages lose top officials to foreign firms

(Source: Mint, New Delhi)
By N Sundaresha Subramanian & Anirudh Laskar, Mint, New Delhi

Nov. 04--Many key officials of domestic brokerages are migrating to foreign firms even as the Indian stock market is inching towards a new high, driven by liquidity.

For some, it's a sort of homecoming as they had left foreign houses in fiscal 2009 in the wake of the credit crunch that led to a slump in equity indices globally. They are now leaving for better compensation and global exposure.

"Joining a global firm gives access to bigger clients, offers a better exposure and a much higher salary package. In fact, these people are offered 40-100% salary hikes. Also, the companies are now offering guaranteed bonuses that were not there earlier," said Charul Madan, partner, India, Executive Access Ltd, a Hong Kong-based search firm.

According to him, around 20 top officials have migrated to foreign brokerages from domestic firms this year.

When the global markets went into a tailspin in 2008, following the collapse of US investment bank Lehman Brothers Holdings Inc., many senior officials at foreign brokerages had moved to local firms, fearing that the occidental entities might be heading for the worse.

Ratnesh Kumar, who has recently quit Anand Rathi Financial Services Ltd and taken over as the chief executive of Standard Chartered Plc's equities business, said: "These are world class institutions. They faced some trouble due to the macro issues. But with the economy turning, these institutions have bounced back".

According to two executive search firms, including Executive Access, the trend will continue, and by 2011 March-end, at least 10 more top industry officials may move from domestic to foreign brokerages and investment banking outfits.

"If you are in a global firm, the bonuses are more aggressive. The ability of a foreign firm is much higher than a domestic firm, in terms of salary packages and perks," added Madan of Executive Access.

In 2008, a team of top Citigroup Capital Markets officials, including Ratnesh Kumar, had moved to domestic broking firm Anand Rathi. Kumar was hired to head its institutional business.

Kumar's colleagues Dhiraj Agarwal, Narayan Mulchandani and Rajesh Mayani who had joined Anand Rathi in 2008, too have now joined Standard Chartered. Mulchandani has joined as head of sales, and will now work out of Hong Kong; and Mayani, after four years at Citi as director, institutional equity, has joined Anand Rathi as executive director in the institutional equities division.

Keshav Sanghi of Reliance Equities International Pvt. Ltd has recently joined Citigroup Capital Markets. He had moved to Reliance Equities from Deutsche Equities India Pvt Ltd to set up the firm.

Among others, Sanjay Agarwal of Edelweiss Capital Ltd has moved to Macquarie Group Ltd and Indraneil Borkakoty has left Kotak Mahindra Capital Co. Ltd to join Nomura Financial Services to head their investment banking division.

Sudhanshu Bhuwalka has recently joined as associate director in equity sales in Macquarie from Reliance Equities, an arm of Reliance Capital Ltd.

"Global firms such as Nomura and BNP Paribas are looking to expand their India operations. These companies would obviously look for more people now with lucrative compensation packages. Merrill Lynch, which was in a cost-cutting mode during the recession, is now looking at expanding its team again," said Madan of Executive Access.

According to a recent report on Indian brokerages by Prabhudas Lilladher Pvt. Ltd, these firms have recorded a strong revenue growth in the first half of fiscal 2011 ending September, but the profitability has been poor.

"While overall revenues for the brokerages under our coverage has grown by 23.1% year-on-year, profit after tax has declined by 10.1% during the same period due to falling yields, rising operating costs and higher interest costs," it said.

The report further says that the industry's cash volumes have been falling and options volumes rising, affecting commission growth. It has highlighted strong financing growth, but squeeze on margins due to higher borrowing costs, improving investment banking revenue but falling commissions on the same, and rising employee costs.n.subramanian@livemint.com