

Square Mile finds some relief in

It may be the shape of things to come in 2008 when a flotation in Saudi Arabia becomes one of the beacons of the corporate finance market in the first half of the year.

The Middle East kingdom has moved to float **Inma Bank** in what is Saudi's largest ever initial public offering (IPO), and the second biggest in the Gulf region behind DP World, the Emirate of Dubai's international ports company, which previously acquired shipping company P&O.

The \$2.8bn flotation cements the position of Inma Bank as one of the most powerful Islamic institutions operating under sharia law in the world, and second only in size in Saudi to the country's Al Rajhi Bank.

The offering of 70% of its equity was initially open only to Saudi nationals in a 10-day offering which was expected to raise 10.5bn Saudi riyals. The other 30% is expected to be held by Saudi government funds: the Public Investment Fund,

the General Organisation for Social Insurance and the Public Pension Agency.

Samba Capital, the local investment bank which has overseen several flotations in the region in recent months, was appointed as financial adviser and the manager of the IPO of the bank, which is also known as Al-Inma Bank.

Mansour Al Maiman, Head of the bank's Founders Committee, said that Inma Bank would get involved in the economic development in the country, with the Saudi government foreseeing the creation of six new economic cities as well as a new financial centre in Riyadh.

"There will be a big chance to finance most projects," said Maiman. "The most important thing is new ideas and new bases for financing. The bank has begun with a strategy in this regard."

The bank added in a statement: "Although it is the most recent bank to be founded in the

Kingdom of Saudi Arabia, Al-Inma Bank intends to offer a variety of unique and Islamic sharia-compliant products and services."

Inma Chief Executive Abdul Mohsen Al Faris said the Saudi government was keen to ensure that IPOs in the country were aimed at attracting small private investors.

"The Ministry of Social Affairs and other bodies are striving to have IPOs so that all Saudi citizens can take part," he said. "The mechanisms of this IPO are framed for small investors."

The float is set to surpass the country's previous largest float, that of Saudi Telecom, five years ago.

There was an Eastern theme, too, to one of the most recent stand-out acquisitions. The deal was not huge but is potentially a harbinger of things to come. While the mergers and acquisitions market may have been slightly

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Middle East and subcontinent

more active than the debt markets, the acquisition of London's oldest stockbroker was headline news for several reasons.

Hichens, Harrison & Co, which was working in the City during the reign of "mad" King George III, has been taken over by the Indian financial services group Religare, becoming the first Square Mile broker to fall to a takeover from the subcontinent.

The acquisition may also indicate which way the wind is blowing for the City's smaller merchant banking and broking boutiques as Hichens Harrison has reinvented itself in recent times from a specialist small-cap adviser in the London market to a business raising money for companies and institutions in the Middle East.

Religare Capital Markets, a subsidiary of the Indian-quoted Religare Enterprises, is paying £55m in cash for Hichens Harrison, valuing the

broker's London-quoted shares at 285p each.

Shachindra Nath, a Director of Religare Capital Markets, said: "With the continued growth in the Indian economy, it is likely that a large number of investment opportunities to global institutional investors will be generated.

"We believe that as a large financial services institution Religare could play a leading role in this growing market and that the acquisition of Hichens provides Religare with the opportunity of creating a global distributions and execution platform for Hichens within emerging countries."

Hichens Chief Executive Adam Wilson, who is being retained by Religare, said: "This combination will create a market-leading financial services group, focusing on traditional merchant banking with an emphasis on emerging market growth companies."

The deal values Hichens at 13.1 times its basic earnings per share for 2007. Religare was

advised by PricewaterhouseCoopers on the deal. Hichens directors were advised by Ruegg & Co.

The debt markets have not been entirely closed but what little action there was came from the giant defensive stocks.

Thames Water, Britain's largest water company and owned by funds controlled by the Australian finance house Macquarie, launched a 50-year £400m sterling bond, paying a coupon of 7.241% and priced at 260 basis points over the equivalent gilts. However, call and put options in 2018 on the bond effectively make it 10-year paper, with Thames having the opportunity to call the bond and then reprice a 40-year bond. Lead managers on the issue were Morgan Stanley and RBS.

Robert Lea is City Correspondent of the *London Evening Standard*.

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