

Mutual Fund \ Venture Capital Fund Updates

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Press News

PE Fund Raising Hits Five Year Low; Fund Sizes Getting Smaller

Private equity fund raising has dropped to its lowest level since 2003 in the first three months of 2009, says Preqin, a London based research firm that tracks private equity fund raising globally.

The Q1 2009 represents the lowest fundraising quarter for the private equity industry since 2003, with only 71 funds having achieved a final close, raising an aggregate \$45.9 billion compared to \$125 billion raised in Q4 2008 – the lowest since Q4 2003 when \$34 billion was raised by 131 funds achieving a final close. In terms of the number of funds closing, Q1 2009 is the lowest quarter since Q3 2003, when only 67 funds achieved a final close.

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IDFC PE Sells Part Stake In Gujarat State Petronet

Private equity firms are increasingly adopting secondary market exits. In one of the latest such deals, IDFC Private Equity has sold a small part of its stake in Gujarat State Petronet Ltd (GSPL) via open market transactions. The fund has sold a 0.58% stake for Rs 12.66 crore on the National Stock Exchange on Wednesday. The shares have been sold at a price of Rs 39.1 per share. The buyer is not known.

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Standard Chartered Private Equity has scaled up its stake in Mahindra and Mahindra Financial Services (MMFS) by 2% to 10% through open market operations. The PE investor has acquired 19.4 lakh MMFS shares in past four months. The MMFS stock

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KKR Joins Race To Pick Up Stake In Vijay Mallya's USL

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Have Rs 5 lakh, well become PE investor

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Banyan Tree Invests In IT Infrastructure Company Trimax

Banyan Tree growth capital fund, a \$125 million mezzanine fund, has invested in a Mumbai based IT Infrastructure management services company Trimax IT Infrastructure & Services Ltd for a 10% stake. The amount of money invested stands undisclosed. Media reports suggest the fund has picked up about 10-12% in the company. The company plans to use the funds to strengthen its product and service offerings and for its capital expenditure..

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Private Equity money dries up for India Inc

Private Equity deals have dropped a staggering 87% year on year and 56% sequentially, according to data from Venture Intelligence, a research service focussed on private equity and M & A transaction in the country. Not only has the deal pipeline slowed down, but the size of deals has also reduced.

More

Religare, Milestone In 50:50 JV To Manage Education, Healthcare Fund

Religare Enterprises Ltd said on Wednesday that one of its arms has formed a 50:50 joint venture with Milestone Capital to manage a Rs 600 crore healthcare and education fund. Religare along with its affiliates have committed to contribute Rs 60 crore to the fund which has an existing corpus of more than Rs 100 crore. The fund will be raised in India, the statement said, without specifying if it would be 100% domestic capital.

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House Gets 70% IRR On Reliance Petro Pre-IPO

UTI AMC to Divest 26% Stake to Strategic Partner In Three Months

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LP Kickbacks: New York State Puts A Ban On Placement Agents HarbourVest Raises \$2.9 Billion Global Secondaries Fund

Unitas Capital Hires Senior BNP Paribas

IFC May Invest \$15M In Zephyr Peacock's Fund II; Targeting \$75M

Zephyr Management LP is raising its second India-dedicated fund, Zephyr Peacock India Fund II, with a target amount of \$75 million. The fund is looking to make equity and equity-related investments in growth capital opportunities in small and medium enterprise (SMEs).

Zephyr Peacock India Fund II has applied to International Finance Corporation (IFC), the private investment arm of World Bank, to raise \$15 million or 20% of the commitments for the fund, whichever is lesser.

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KSK Emerging may take arbitration route against PE investors

Fund managers of KSK Emerging India, a Rs 850-crore energy focussed fund, are exploring options to initiate arbitration proceedings after investors in their fund pulled out their money, following the deep decline in the stock market.

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PE investments decline 87% to \$526 million

Private equity (PE) investments into India for the quarter ended March 2009 has dropped by a whopping 87 per cent to \$526 million as against \$3.9 billion a year ago, according to a Venture Intelligence report.

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PE deals: India, China lead race in Asia-Pacific

India and China mopped up the largest number of private equity (PE) deals in the Asia-Pacific region, accounting for over 70% of all PE investments in that region. This comes even as the PE activity in China is believed to be down by over 50%, while in India there is a decline of nearly 88%, during the first quarter (January-March) this year.

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E-Infochips and Indian Angel Network Invest in Brand Communications Co

Electronics design services company E-Infochips and Indian Angel Network (IAN) have invested in Digilogue Communications, a digital brand communications service. Digilogue has raised around \$2,00,000 in this angel round, which is its first round of funding for the company.

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BlueRun Raises Fund IV; To Increase Investments in India

Citi to Wind Down PE Fund Placement Arm

Singapore Fund Picks Up Existing Shareholder's Stake in Quippo

New 3i Boss Mulls Cash Call Amid Debt, Deals Debate

Olympus Capital Raising \$250 Mn Cleantech Fund; IFC To Put \$25 Mn

König & Cie.Opens Office In Mumbai; To Focus On Shipping Investments

König & Cie. Asia Advisors Pvt. Ltd, a subsidiary of German investment firm König & Cie, is opening an office in Mumbai. Rajeev Kashikar – a Mumbai based investment banker with over 15 years experience in corporate finance and strategy consulting will lead the team.

Among other sectors, the focus for König & Cie's investment in India would be shipping.

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India Financial Inclusion Fund Raises Additional \$20M

Limited partners haven't turned their face against microfinance institutions yet. Probably no reason to do that with the rural economy shining. Hyderabad based India Financial Inclusion Fund (IFIF) fund has raised \$20 million in fresh capital, taking its total fund size to \$58 million.

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UTI AMC Attracts Bids From 4 Investors; Valued At Rs 3,500 Cr

Schroders, Vanguard Mutual Fund and T Rowe Price have reportedly submitted bids to acquire 26% strategic stake in UTI Asset Management Company (UTI AMC), India's oldest and fourth-largest fund house. The highest bid has valued UTI AMC at around Rs 3,500 crore (\$690 million) which is around 7.3% of the assets under management (AUM), The Economic Times reported today.

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IFC Invests In Lifetree Convergence; To Fund Inorganic Growth

Lifetree Convergence Ltd., a Delhi based telecom software and billing solutions company, has raised growth funding from International Finance Corporation (IFC), the private equity arm of World Bank. Even though the amount is undisclosed, a 2007 project report of IFC showed that the PE entity was invited to invest upto \$20 million of a total funding requirement of \$60 million.

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Sovereign wealth funds make a beeline for India

After overseas pension pools and foreign portfolio funds, it's now sovereign wealth funds (SWFs) that find India an irresistible investment destination. Government-promoted investment funds of various countries have invested nearly Rs 14,850 crore during the eight-year period beginning 2000, according to a report released by the

United States Government Accountability Office.

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Microfinance finds favour with PE players

Private equity players have made investments of \$230 million in the microfinance sector in the last two years and the outlook for this segment looks upbeat as it provides a refuge from the global financial market turmoil.

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KKR Joins Race To Pick Up Stake In Vijay Mallya's USL

Kohlberg Kravis Roberts & Co, or KKR, has joined the race to pick up a minority stake in Vijay Mallya's United Spirits (USL), which is the world's third-largest liquor marketer. The private equity biggie is looking to pick up USL's treasury stocks, which amount to a 14.8%

stake in USL, reports Economic Times. Mallya has been in discussions with strategic players like Diageo and Bacardi for some time now, and is now also looking at financial investors.

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Private Equity, Hedge Funds Invest in Unitech's \$325 Mn QIP

India's second-biggest real estate developer Unitech Ltd has raised \$325 million through qualified institutional placement (QIP) issue. The funds have been raised by the real estate major to retire part of its over Rs 8,900 crore debt and strengthen the balance sheet.

More

Infosys Co-founder Narayana Murthy Turns Investor

NR Narayana Murthy, the co-founder and chief mentor of Indian IT giant Infosys Technologies, is donning a new hat as an investor to fund new ideas that create value for society. Murthy says ideas and opportunities exist beyond computers and high-tech areas, especially in rural areas, reports Economic Times. Murthy plans to help young entrepreneurs to convert their ideas into reality.

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Bajaj Fin, Allianz form asset management JV

Financial services firm Bajaj Finserv has entered into an asset management joint venture with Germany's Allianz, the Indian firm said in a statement to the stock exchange.

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Have Rs 5 lakh, well become PE investor

It doesn't take loads of cash to be a private equity investor any more. Small retail investors, with even Rs 5 lakh to spare, can join a PE group and enjoy the benefits of being a limited partner.

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Adani Power Files For IPO; 3i's Investment in Positive Zone

UK-based 3i's investment in Adani Power remains in the positive zone. Although the power generation firm has significantly brought down the value of its initial public offer(IPO)issue which in turn has shrunk the company's valuation by two thirds, the expected issue price of Rs 70/share is still higher than the average cost of acquisition of shares for 3i.

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VenturEast Raising Eighth Fund; To Focus on Non-Metros

Venture capital investor VenturEast has started raising its eighth fund, VenturEast Life Fund III LLC, focusing on high-growth small and medium enterprises (SMEs). The fund has applied to World Bank's private equity arm International Finance Corporation (IFC) for commitments of upto 20% of the total commitments raised. The target size of the fund is not known.

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IDFC Project Equity to invest 60% in road power sector

MK Sinha, President and CEO, IDFC Project Equity thinks that fundamentally infrastructure is going to be an attractive opportunity. The public market correction did have an impact, it did slow down the public equity into infrastructure, but he doesn't think from a private equity standpoint anything fundamentally changed.

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BlueRun Raises Fund IV; To Increase Investments in India

BlueRun Ventures has raised its fourth fund of little more than \$240 million, falling short of the \$300 million target. VentureBeat reports that the fund plans to ramp up its

operations in Asia by adding two more people in India and China. It also plans to increase the allocation to both these markets, the report adds.

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Lazard to set up Rs 500-cr India fund

PE in India has become cautious as a result of the global meltdown & the implication for the PE industry is that we will see a lot less deals in 2009, KPMG head of Private Equity Advisory Group said

According to data provided by consultancy firm Grant Thornton, private equity deals during January-February 2009 stood at 31 with an announced value of \$0.54 billion, a significant dip from the previous years.

For the corresponding period (January-February) in 2008 and 2007, there were 83 PE deals valued at \$2.98 billion and 69 PE deals valued at \$2.06 billion respectively

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IDFC Project Equity Invests in Ashoka Buildcon's Road Projects

IDFC Project Equity has invested \$50 million in two special purpose vehicles (SPVs) floated by Nashik-based Ashoka Buildcon Ltd, reports Mint. The infrastructure development company has sold a 49% stake in two road projects. The funds have been invested from India Infrastructure Fund (IIF), which has been jointly promoted by IDFC, Citigroup Inc and India Infrastructure Finance Co Ltd (IIFCL), and managed by IDFC Project Equity.

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Global Investment House Gets 70% IRR On Reliance Petro Pre-IPO

Global Capital Management, the private equity arm of Kuwait-based Global Investment House, has said that Global Opportunistic Fund II (GOF II) has made significant gains through the sale of shares in Reliance Petroleum Ltd in India.

The fund was one of the top 10 investors in Reliance Petroleum Ltd, along with Chevron, Deutsche Bank, Citigroup, and Fidelity in a pre-IPO deal. The group has been liquidating its position in tranches to optimise its returns and has achieved an IRR of more than 70% on this transaction and a multiple of 1.84x.

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UTI AMC to Divest 26% Stake to Strategic Partner In Three Months

UTI Asset Management Company (AMC) is looking at inducting a strategic partner in the company in the next three months and has already short listed three companies for the same, reports The Economic Times. Though UTI AMC has not disclosed the names of the short listed firms, it has said that it would look at roping in companies that can offer it greater global footprint and help it in its overseas activities.

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Bollywood Team Launches Film Fund; Targets Rs 250 Crore

Here is another film fund in town. Junaid Memon, a writer, director and producer of films like The Film, Waisa Bhi Hota Hai Part II, and a few regional films, is launching a film fund, along with actor Irfan Khan and ad men Dave Banerjee and Amitabh Bhattacharya.

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Navis Capital Picks Up Majority Stake in Edutech

In one of the biggest deals in India's education sector, private equity firm Navis Capital Partners has invested \$30 million in Edutech. The PE firm has acquired a majority stake of between 55-80% in Edutech, which provides post-graduate and part-time executive programmes, reports Pei-Asia. The investment in Edutech has been done from Navis V, which raised more than \$1 billion in 2007.

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KKR To Look At Growth Investments In India

Unlike its competitors such as Blackstone, KKR has been a late entrant to India. It was only two months back that the private equity giant Kohlberg Kravis Roberts & Co (KKR) opened its office here. One of its co-founders, Henry Kravis on his visit to India, which was part of an Asia tour told reporters that India is a special place for them and that they believe in the future of country.

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Investors See SaaS As Right Prescription For Healthcare IT

Healthcare IT based on SaaS (Software as a Service) may be the way to go if you look at the recent investment trend. Nextgen eSolutions and Insta Health Solutions are two SaaS based software companies for healthcare industry who recently got venture funding. Delhi-based private equity fund Lumis Partners picked up a majority stake in the city based NextGen. Insta Health bagged about \$1 million from Bangalore-based Inventus Capital.

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Srini Vudayagiri Quits Lightspeed Venture Partners

Sreenivasulu "Srini" Vudayagiri, an India based Venture Director with Lightspeed Venture Partners, is quitting the venture capital firm. When contacted, Vudayagiri said, "I will be transitioning out of Lightspeed by end of this month." He declined to comment on his next move, saying he will announce his plans at an appropriate time. "I will continue to be in the industry," Vudayagiri said.

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Pangea Capital To Invest \$30M In Deepak Puri's Cobol Technologies

Solar power firm Cobol Technologies (owned by Deepak and Ratul Puri of Moser Baer), has raised \$30 million (Rs 151 crore) from Pangea Capital. Bermuda-based Pangea is a mid-sized fund house with total assets under management in excess of \$100 million.

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2i Capital Sells Part Stake in Titagarh Wagons To Hedge Fund

Bangalore-based private equity fund 2i Capital has sold nearly half of its stake in railway freight wagon manufacturer Titagarh Wagons. The fund sold a 2.71% stake in Titagarh for a total sum of Rs 9.55 crore on Wednesday when Sensex reached a six month high. The shares were sold at a price of Rs 191 per share to hedge fund Indus Capital Advisors.

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Ideacts Raises Series-B From Sequoia, SVB; Break-Even in Five Months

Mumbai-based Ideacts Innovations, which makes software products targeting cyber cafes, has raised series-B venture capital funding from Sequoia Capital India and Silicon Valley Bank. Rudrajeet Desai, CEO and co-founder of Ideacts Innovations, confirmed this development to VCCircle.

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International News

DAX Partners To Buy Enterprise Software Firm Selectica India

US venture capital firm Venrock Associates has raised a \$194 million fund to invest in

healthcare companies. The fund is looking to invest in both late stage and public companies through this fund. With the close of Venrock Healthcare Capital Partners, the firm has approximately \$2.2 billion under management. The fund was originally established as the venture arm of the Rockefeller family.

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Candover To Suspend Investment Activities For Six Months

The liquidity crisis and the slowdown have forced the Europe based private equity fund Candover to put a halt to its investment activities. The fund has said that it will suspend all its investment activities for the next six months and instead explore strategic options to stabilise its financial position, reports UK's newspaper Independent.

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TPG-Axon, Goldman Vets Found Asian Multi-Strategy Fund

A co-founder of TPG-Axon Capital Management and a colleague are putting up \$75 million of their own money to set up a new hedge fund.

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Church Pension Fund Opens Shop In Asia

The \$8 billion Church Pension Fund based in New York City has roped in Eric Mason(ex-Carlyle Group), to open a new Hong Kong office, its first in Asia, reports Dow Jones.

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LP Kickbacks: New York State Puts A Ban On Placement Agents

The New York state comptroller decided, on Wednesday, to put a ban on placement agents for facilitating deals between investment firms (such as private equity and hedge fund firms) and public pension funds, reports Wall Street Journal (WSJ). State Attorney General Andrew Cuomo would also prohibit companies that donate to the state controller from getting pension business for two years.

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HarbourVest Raises \$2.9 Billion Global Secondaries Fund

Alternative investment firm HarbourVest Partners, LLC has announced the final close

of its secondary fund at \$2.9 billion. The fund, called Dover Street VII LP, will make secondary investments in venture capital, leveraged buyout, and other private equity assets.

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Unitas Capital Hires Senior BNP Paribas Hand

Unitas Capital, an Asian private equity firm, has appointed Xiaolu Lian as a managing director, based in Shanghai. Lian previously spent 11 years at BNP Paribas, most recently as managing director and chief representative of the bank's Shanghai office.

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BlueRun Raises Fund IV; To Increase Investments in India

BlueRun Ventures has raised its fourth fund of little more than \$240 million, falling short of the \$300 million target. VentureBeat reports that the fund plans to ramp up its operations in Asia by adding two more people in India and China. It also plans to increase the allocation to both these markets, the report adds.

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Citi to Wind Down PE Fund Placement Arm

The beleaguered investment bank, Citi has decided to wind down its third-party private equity fund placement arm, Citi Alternatives Distribution Group (CADG), reports Reuters. CADG has raised over \$45 billion for its clients in the last 5 years.

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Singapore Fund Picks Up Existing Shareholder's Stake in Quippo

Axious Investments, a Singapore-based fund, is picking up a 3.8% stake in SREI Group-promoted Quippo Telecom Infrastructure Ltd (QTIL) from an existing shareholder. The deal has been struck at Rs 200 crore, reports Economic Times, valuing the company at more than Rs 5,200 crore. Axious is buying the entire 3.8% stake held by a Delhi-based Premier Chemco Pvt Ltd.

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New 3i Boss Mulls Cash Call Amid Debt, Deals Debate

The new boss of private equity firm 3i Group is mulling a 700-million-pound rights issue just three months after arriving to address concerns about its debt pile and create a war chest for new deals.

Britain's biggest listed private equity firm this week said it is weighing a range of financing options as it looks to halve its 2.1 billion pound debt burden over the next 12 to 15 months.

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Olympus Capital Raising \$250 Mn Cleantech Fund; IFC To Put \$25 Mn

Private equity firm Olympus Capital is raising Asia Environmental Partners LP, a fund targeting \$250 million to invest in renewable energy and environmental services companies in Asia. This will be the first clean environment fund by Olympus and will have a major focus on India and China. Olympus Capital has an India office in New Delhi headed by Gaurav Malik, Managing Director.

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Press News

PE Fund Raising Hits Five Year Low; Fund Sizes Getting Smaller

VC Circle-2 Apr 2009

Private equity fund raising has dropped to its lowest level since 2003 in the first three months of 2009, says Preqin, a London based research firm that tracks private equity fund raising globally.

The Q1 2009 represents the lowest fundraising quarter for the private equity industry since 2003, with only 71 funds having achieved a final close, raising an aggregate \$45.9 billion compared to \$125 billion raised in Q4 2008 – the lowest since Q4 2003 when \$34 billion was raised by 131 funds achieving a final close. In terms of the number of funds closing, Q1 2009 is the lowest quarter since Q3 2003, when only 67 funds achieved a final close.

The numbers for India were not available separately, however, the data shows that a total of 17 funds focusing on the Asia and Rest of World region raised an aggregate \$2.7 billion.

Funds focusing on the US represented the biggest group in terms of both number and value, with 39 funds focusing on the region raising \$23 billion.

It is indeed a challenging fund raising environment with the lack of fund raising activity coupled with a record number of funds on the road creating an extremely competitive fund raising environment.

“Many of the fund managers we have been speaking with have indicated that they are going to be postponing the final closing of their current vehicles as a result of falling investor appetite,” said Tim Friedman, spokesperson for Preqin.

Some of the Indian funds out in the market to raise capital are India Value Fund, CX

Partners, Blue River Capital, ICICI Ventures, Lazard and Tano Capital, among others. While there have been few who managed to close funds in a difficult environment, most of them had to rationalise their targets as a huge fund size stands a little chance now.

CX Partners, the fund floated by Ajay Relan (ex-CVCI), initially had the target of raising \$1billion, which they brought down to \$750 million and finally to \$500 million, sources told VCCircle.

Investors preference towards a fund with a smaller cap also originates from the fact that there are concerns being raised on putting money to work. With the real economy being hit so hard, even GPs with enough capital prefer to stay on sidelines, finding it hard to put money to work. LPs find teams raising a smaller fund size more comfortable and digestible.

“Let’s look at a number which is reasonable, you need to prove yourself in this market because in the last 4-5years, anyone who was touching anything was turning into gold,” said Rahim Penangwala, Head of India, Private equity, LGT Capital, a fund of funds.

Going forward, things could be more difficult, as only those with consistent track record, discipline and a realistic fund cap size would be able to raise money.

“We see at least one fund from India every week who are not only raising money in PE, but venture, real estate, distressed. Also from managers who do not have a previous track record of making investments. This is a tough environment where people want to see teams with consistency and want to see returns. The time of easy money was last 2-3 years. With the onset of 2008, things have gone much tougher,” said Penangwala.

Echoes Friedman: "We would expect Q1 2009 to be a low point for the industry in terms of fundraising. We expect that a number of institutional investors which have been holding back on making new investments will return to the market, and we predict that fundraising levels will increase throughout the year as a result, although with many institutions having significantly less capital available for new investments than in previous years, it may not be until 2010 that we see a return to anything like the levels of fundraising that we have seen in recent times."

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IDFC PE Sells Part Stake In Gujarat State Petronet

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latest such deals, IDFC Private Equity has sold a small part of its stake in Gujarat State Petronet Ltd (GSPL) via open market transactions. The fund has sold a 0.58% stake for Rs 12.66 crore on the National Stock Exchange on Wednesday. The shares have been sold at a price of Rs 39.1 per share. The buyer is not known.

IDFC Private equity invested Rs 90 crore in GSPL, a company involved in gas transportation business, in late 2004 for a little more than 20% stake. The stake got diluted as GSPL roped in more investors and also went in for an IPO after which IDFC PE stake went down to 13.28%. Since then the private equity fund's shareholding in GSPL has come down to 2.52% as of December 2008. IDFC PE had picked up the stake in GSPL for Rs 12.5 per share. The company came out with a public issue in 2006 with a price band of Rs 23-27 per share, which doubled IDFC PE's return on the investment. Though IDFC PE did not participate in the IPO by selling part of its stake, it has pared down its holding through the years.

Through a bulk deal on November 2007, IDFC PE offloaded nearly 19 million shares in the company at a price of Rs 74 per share netting nearly Rs 140 crore. IDFC PE held 72 million shares in GSPL at post-issue stage in 2006 and as of December 2008, it holds a little more than 14 million shares. The other deals in which IDFC PE sold the stake could not be tracked.

PE Funds Making Best of Market Rally

Several private equity funds who have investments in listed companies seem to be making the best of market rally. The BSE benchmark has risen by nearly 10% since March with Sensex crossing the 10,000 point mark. Only last week Citigroup Venture Capital International sold nearly a 5% stake in Techno Electric & Engg Company in the markets. Then on Friday last week, UK-based 3i Group also sold 1.42% stake in Mundra Port and Special Economic Zone Ltd for a total sum of Rs 165.33 crore.

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StanChart PE buys 2% more in M&M Fin Services

Economic Times-3 Apr 2009

Standard Chartered Private Equity has scaled up its stake in Mahindra and Mahindra Financial Services (MMFS) by 2% to 10% through open

market operations. The PE investor has acquired 19.4 lakh MMFS shares in past four months. The MMFS stock closed flat at Rs 206.7 in a strong Mumbai market on Thursday. The market capitalisation of the company stands at over Rs 2,000 crore.

StanChart PE bought 4% equity in the Mahindra Group's non-banking finance arm through subscription of preferential shares in February last year. MMFS had placed more than one crore shares for Rs 380 a piece, amounting to Rs 414 crore with

StanChart PE and another foreign investor TPG-Axon.

StanChart PE's additional investment has come at a time when flow of investments from private equity players have almost dried up. Analysts feel that there could be a long-term strategy, behind hiking the stake, as the MMFS' vehicle financing business has a good potential in rural markets. "We have not witnessed the same symptoms of urban pressure. While the first half will be good for our vehicle financing business, there will be a slower growth after May to August," said MMFS MD Ramesh Iyer. Currently, MMFS finances 60% of M&M vehicles and the balance non Mahindra vehicles.

In addition to Stanchart PE, a few other foreign investors, including TPG Axon and HSBC Global Investment Fund, hold a substantial stake in MMFS. The two shareholders owned 7.2% and 3.7% equity, respectively, out of the combined FII holding of 24% on December 31, 2008. The main promoter Mahindra and Mahindra owns a 60% stake.

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Banyan Tree Invests In IT Infrastructure Company Trimax

VC Circle-3 Apr 2009

Banyan Tree growth capital fund, a \$125 million mezzanine fund, has invested in a Mumbai based IT Infrastructure management services company Trimax IT Infrastructure & Services Ltd for a 10% stake. The amount of money invested stands undisclosed. Media reports suggest the fund has picked up about 10-12% in the company. The company plans to use the funds to strengthen its product and service offerings and for its capital expenditure.

Apart from being a system integrator, Trimax offers managed services and tech support services by incubating new offerings like infrastructure management (including remote), network security management and data center operations. The company employs 1,500 people across 40 locations in India.

Trimax executes BOOT projects for MSRTC involving computerisation of online ticketing services across 22,000 buses being run by it. It is also setting up a 1, 20,000 sq.ft data center in collaboration with ITI Bangalore to cater to customers across industry verticals.

Naval Totla, Director, Banyan Tree Growth Capital Fund, has a lot of expectations from the company. He says, "I guess it will be a multi bagger for us. If they perform as per business plans, they are expected to give us multiple returns." Banyan Tree has been very careful in selecting Trimax for the investment. "Trimax is purely a domestic play. It does not have any exposure to exports or the US and the European markets as of now. So it is a very safe bet in that sense," says Totla.

Mumbai-based investment banking firm Blend Financial Services Ltd acted as advisor to Trimax on the deal.

Banyan Tree has previously co-invested with Dutch entrepreneurial development bank FMO in synthetic rope manufacturer Axiom Impex Ltd. The two also invested in Kalpena Industries, a manufacturer of PVC compounds.

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Network18 Acquires Investment Advisory Arm Capital18

VC Circle-7 Apr 2009

Media group Network 18 has acquired its group investment advisory business Capital18 Media Advisors Pvt Ltd. The acquisition has been made on a going concern basis. Its related contracts and employees have also been acquired. The acquisition would be effective from January 01, 2009.

Capital18 Media Advisors is the investment adviser for Capital18 Mauritius Ltd. Capital18 is the media group's investment arm focused on investing in media, technology and entertainment. It has invested in various media companies like Ubona, 24/7 Learning, Webchutney, multiplex company Star Gaze and Networkplay.in.

What does the acquisition mean? Sarbvir Singh, CEO of Capital18, said that the acquisition does not change anything tangibly, and they would continue to look at external investors. "It does not change our life in any way. Our goal remains to make good investments, help our portfolio companies grow their businesses and eventually get to an exit. If we are successful in doing the above then we will be able to attract external investors," Singh said in an email to VCCircle.

Network18 is one of leading media companies in India and runs news channel like CNBC-TV18 and CNBC Awaaz, internet portal Web18 and financial news terminal-NewsWire18.

Shares of Network 18 Media & Investments were trading at Rs 74.20, down 1.13% in the afternoon trade on the BSE on Monday.

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Private Equity money dries up for India Inc

Economic Times-7 Apr 2009

Weak market sentiment continues to spook private equity funds. Private Equity players invested dramatically lower sums in India in the last three months, as risk aversion continued despite a steep decline in valuation.

Private Equity deals have dropped a staggering 87% year on year and 56% sequentially, according to data from Venture Intelligence, a research service focussed on private equity and M & A transaction in the country. Not only has the deal pipeline slowed down, but the size of deals has also reduced.

PE firms invested about \$526 million across 36 deals during the quarter ended March 09, when compared to \$3.9 billion across 133 deals during the same period last year. Sequentially, the previous quarter saw \$1.2 billion struck across 63 deals.

Venture Intelligence founder and CEO Arun Natarajan attributed the drop to risk aversion, particularly among limited partners (LPs), a majority of whom have tightened their purse strings. LPs are institutions or individuals that give capital to PE funds. They could be pension funds, insurance companies or asset management firms.

Among the largest investments during Q1 09 was the \$50 million raised by media and entertainment firm Nimbus Communications from its existing investors and the \$47.5 million raised by start-up broadband ISP services provider Tikona Digital Networks.

In terms of industry, the IT and ITES industry topped the chart, registering 13 deals worth \$95 million during Q1 09, followed by manufacturing (4 deals worth \$36 million) and BFSI (3 deals worth \$53 million).

The going has also been tough for early-stage investments. The venture capital (VC) segment also saw a sharp drop with VC firms investing \$44 million over just 9 deals during the period.

“All stages are affected because the behavioural patterns of all risk investors i.e. PE and VCs are exactly the same, whether at the lower or the higher end. Since the market is down, the growth trajectory of companies is unpredictable. Venture and PE investors tend to wait longer to see if the projected growth will happen or not,” said Mr Sudhir Sethi, founder, managing director and chairman, IDG Ventures India.

The VC amount invested during the period was lower compared to the immediate previous quarter (which saw \$91 million across 18 deals) and the corresponding quarter in 2008 (\$226 million across 33 deals). The largest VC investment in Q1 2009 was the \$12 million raised by US and India-based chip design firm Si2 Microsystems from Ventureast and Jafco Asia. IT and ITES companies accounted for five out of the nine investments during Q1 09.

Private Equity has dried up globally as an asset class, so its not surprising that India is also feeling the heat, because most funds operating in India raise their money abroad. So, industry watchers say the downtrend will continue in the coming quarters.

INDUSTRY BREAK UP

IT & ITES - 36%

Manufacturing -11%
BFSI- 8%
Telecom-5%
Media & Entertainment - 5%
Engg and Construction- 6%
Healthcare and Life Sciences- 6%
Shipping & Logistics- 6%
Other - 17%

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Religare, Milestone In 50:50 JV To Manage Education, Healthcare Fund VC Circle-8 Apr 2009

Religare Enterprises Ltd said on Wednesday that one of its arms has formed a 50:50 joint venture with Milestone Capital to manage a Rs 600 crore healthcare and education fund. Religare along with its affiliates have committed to contribute Rs 60 crore to the fund which has an existing corpus of more than Rs 100 crore. The fund will be raised in India, the statement said, without specifying if it would be 100% domestic capital.

Religare Venture Capital Pvt Ltd, the wholly owned subsidiary of Religare Enterprises, and Milestone Capital will hold equal equity stakes in the JV, which will manage the fund.

The minimum investment amount will be Rs10 lacs; the life of the fund will be 5 years and 18 month will be the commitment period, it said.

Religare has also drawn on some senior medical professionals from its group, a statement said. This would help in healthcare investing, although not so much in education. Religare Enterprises is promoted by the Singhs, the former promoters of Ranbaxy Pharmaceuticals. They also own India's largest medical care chain Fortis Healthcare.

"Private equity has been an area of great interest to us given the mangement's experience of managing and ramping up businesses at a fast pace. Healthcare and Education are two sectors which we believe are poised for balanced growth and we have the requisite domain expertise on healthcare which we intend to leverage for larger benefit of investors of the fund," Sunil Godhwani, CEO &MD, Religare said.

Milestone is founded by Ved Prakash Arya, who was earlier with Pantaloon Group. Milestone's India Build Out Fund-I (IBF-I) was launched in August last year with a

target of \$150 million (Rs 600 crore). It also had said that it had a further green shoe option of \$50 million. This was the intention at the boom time last year, while the context has changed right now. As of now, the fund has managed to raise only Rs 100 crore (\$25 million).

The fund had said last year that it would invest in sectors such as education and media & entertainment. Now the focus has been expanded to healthcare too. Milestone had also hired Rajesh Singhal from Intel Capital to spearhead the fund.

Milestone seems to be following a partnership model for their funds. In an earlier instance, Milestone had partnered with IL&FS Investment Managers to manage a REIT like structure.

Religare also have a JV model. They formed a PE JV - Vistaar Religare Film Fund - for investing in films and production companies. This JV with Milestone will take Religare's PE activity to other areas as well.

Religare currently has joint ventures for the other financial services such as with Aegon for life insurance and with Macquarie for wealth management.

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IFC May Invest \$15M In Zephyr Peacock's Fund II; Targeting \$75M

VC Circle-8 Apr 2009

Zephyr Management LP is raising its second India-dedicated fund, Zephyr Peacock India Fund II, with a target amount of \$75 million. The fund is looking to make equity and equity-related investments in growth capital opportunities in small and medium enterprise (SMEs).

Zephyr Peacock India Fund II has applied to International Finance Corporation (IFC), the private investment arm of World Bank, to raise \$15 million or 20% of the commitments for the fund, whichever is lesser.

Kartik Parija, Managing Director, Zephyr Peacock, could not be reached for comments.

IFC has backed several Indian SME focused private equity funds. It recently invested in Avigo Capital Partners third fund, which in February achieved first close of its third fund. It has also invested in \$100 million Ambit Pragma Fund.

Zephyr Peacock's second fund is looking at opportunities, especially in SMEs in Tier II, Tier III cities and rural India. This comes at a time when LPs are looking at funds investing in the rural sector opportunities, a relatively underserved segment of the market. Till now private equity funds in India have mainly focused on opportunities focusing on urban consumer spending.

Zephyr Peacock, based out of Bangalore and New York, has made four investments from its first fund - Time Technoplant (polymer products firm), WLC India (a vocational training provider), Maxop Engineering (die-casting firm) and Miles Software (a financial software firm). The first fund has now been closed. Zephyr Peacock has a strategy to take influential minority positions by investing \$5 to \$20 million.

Zephyr Management has \$1.4 billion under management and has funds across emerging markets like Latin America, Africa and Eastern Europe. IFC has invested in earlier Zephyr funds in the Latin American and Africa regions.

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KSK Emerging may take arbitration route against PE investors

Economic Times-9 Apr 2009

Fund managers of KSK Emerging India, a Rs 850-crore energy focussed fund, are exploring options to initiate arbitration proceedings after investors in their fund pulled out their money, following the deep decline in the stock market.

The pullout by the investors was preceded by a winding up of the AIM-listed fund at an extraordinary general meeting held under the provisions of the Companies (Guernsey) Law 2008, where the fund was registered.

The arbitration proceedings are being considered as the premature withdrawal of funds and that has led the Indian fund managers to renege on some of their forward commitments to companies, say persons familiar with the development. KSK Emerging India was unavailable for comment on the issue.

KSK Emerging India Energy Fund was a closed-ended investment company that was raised to make investments in the domestic power and energy companies. Although the fund's investments were focused on businesses in India, it also had the option to invest in companies based outside India, with the potential to benefit from the Indian power and energy sector. At the time of raising the fund, KSK Emerging, in its prospectus said, its objective is to "target investment opportunities that have a projected realised internal rate of return (IRR) of over 20%."

Since July 2008, Bombay Stock Exchange's broader index has fallen 19%, while it is down 48% since January 2008. This is not the first fund to have closed down due to the sharp fall in the stock market. The turmoil in the global financial market, post the Lehman collapse in September last year, led many private equity funds and hedge funds to wind up due to low returns and massive write downs on wrong investment bets.

Another private equity fund that saw a similar fate, was the PE fund of FirstRand of South Africa. Managed by former Reliance Capital PE head Srinath Srinivasan, the

\$100 million PE fund was closed down after the parent bank advised against continuing, due to adverse market situations. The fund had already made three investments in Indian companies, before the closure.

According to people in the know, another entrepreneurially run, India-focussed PE firm that invests in emerging companies, is also in the middle of similar trends with the investment committee of the fund vetoing all proposals to invest and advocating a closure of the fund.

When ET contacted legal experts, they said such cases are on the rise as foreign investors are looking at other opportunities to invest. "Typically, private equity money has no conscience," said Suhail Nathani, a partner at Economic Laws Practice, a legal firm that has worked with PE firms. "Its only objective is to maximise returns. For several funds, the opportunity is much more in markets other than India."

Many such funds invest 10% of the committed amount with the remaining to be invested on call. These days, the funds have decided to hold back their on-call investments, preferring to forego the advanced amount due to changed economic situation.

According to investment banker Mahesh Singhi of Singhi Advisors, "Investors in such funds are increasingly getting jittery about their returns on such investments in India and want to hold back."

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PE investments decline 87% to \$526 million Business Standard-9 Apr 2009

Private equity (PE) investments into India for the quarter ended March 2009 has dropped by a whopping 87 per cent to \$526 million as against \$3.9 billion a year ago, according to a Venture Intelligence report.

The Chennai-based firm, which is a leading provider of information and networking services on private equity, mergers & acquisitions and venture capital in the country, said the number of deals has also declined to 36 compared to 133 a year ago. Only two large investments were recorded during the quarter: About \$50 million was raised by media and entertainment company Nimbus Communications from its existing investors and the \$47.5 million raised by start-up broadband ISP services provider Tikona Digital Networks.

The information technology and IT-enabled services (IT & ITeS) industry has recorded only 13 deals worth \$95 million during the quarter compared to 35 deals worth \$687 million. Manufacturing was a distant second with four deals clocking \$36 million in

investments, compared to 19 deals \$589 million in the corresponding quarter a year ago. The banking, financial services and insurance (BFSI) industry had only three deals to its name worth \$53 million compared to 10 deals worth \$229 million.

“While investment activity is down across the board, there seems to be an interesting short-term trend — on a relative basis — in terms of stage of investments. “There are more deal closures at the two ends of the spectrum – late stage and early stage. In the current environment, growth stage companies seem to be postponing their fund-raising plans due to both business uncertainty and valuation concerns,” said Arun Natarajan, CEO of Venture Intelligence.

The data also indicates that the venture capital segment also witnessed a sharp deceleration in activity during the period, with companies investing only \$44 million in over just nine deals compared to investments of \$226 million across 33 deals in the quarter ended March 2008. Interestingly, in the comparable previous quarter, 18 deals fructified registering investments of \$91 million.

IT & ITeS companies accounted for five out of the nine investments. Interestingly, two-thirds of the VC investments during the quarter were in the early stage segment. “The only silver lining is that regardless of the environment, private equity and venture capital investors will manage to find the money to invest in companies that are founded by executives with deep domain expertise — exemplified by companies such as broadband ISP firm Tikona Digital Networks and vocational education firm Global Talent Track,” Natarajan added.

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PE deals: India, China lead race in Asia-Pacific

Economic Times-9 Apr 2009

India and China mopped up the largest number of private equity (PE) deals in the Asia-Pacific region , accounting for over 70% of all PE

investments in that region. This comes even as the PE activity in China is believed to be down by over 50%, while in India there is a decline of nearly 88%, during the first quarter (January-March) this year.

Private equity firms invested around \$526 million across 36 deals during the quarter ended March 2009, significantly lower than the amount during the same period last year (which witnessed 133 deals totalling \$3.9 billion) and also lower compared to the immediate previous quarter (\$1.2 billion across 63 deals).

Asset prices and valuations have been declining during the last 12 months and therefore some PE investors are holding back from making investments with the hope that they might be able to make the same investment at a lower valuation in future.

PIPE (private investment in public equity) deals used to constitute nearly 60% of all

deals in the country, and with the secondary markets trading down and valuations taking a hit, this has resulted in investments held in investor books getting marked down and hence there is an aversion to invest into listed equity; and secondly, issuers are not willing to raise equity at today's lower valuations, experts said.

"One of the ways in which a PE firm accesses funds for further investments is by exiting existing investments. During the period 2006 to 2007, the investment churn had become very high and PE investors were holding investments for a very short time period. With trade and capital market exits becoming more difficult in 2008 and 2009, investors are unable to recycle investments and are "stuck" with holding investments for a longer term" , says Probir Rao, MD, UBS India.

Among the largest investments during the period was \$50 million raised by Nimbus Communications from its existing investors, and \$47.5 million raised by start-up broadband ISP services provider Tikona Digital Networks.

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E-Infochips and Indian Angel Network Invest in Brand Communications Co

VC Circle-9 Apr 2009

Electronics design services company E-Infochips and Indian Angel Network (IAN) have invested in Digilogue Communications, a digital brand communications service. Digilogue has raised around \$2,00,000 in this angel round, which is its first round of funding for the company.

Digilogue provides services such as digital content publishing services, social media marketing, online public relations, digital CRM, online video broadcasting services, mobile marketing & outreach, online brand building, search marketing and corporate internet services.

Digilogue is founded by Supriyo Gupta, who had earlier built a public relations company called Torque Communications. He was heading up Rediffusion DY&R's public relations efforts prior to that.

The investors from the Delhi-headquartered angel investing group Indian Angel Network include Rajan Anandan, Managing Director of Microsoft India, and Puneet Vatsaya, Founder of Mobera Systems.

E-Infochips, headquartered in Ahmedabad and in California in the US, is a software

product development services company. It is led by Pratul Shroff, who had earlier worked for Intel and Daisy Systems.

Digilogue will be looking at a total investment of \$500,000 and is expected to raise its second round of funding in about 6 months from now, Supriyo Gupta told VCCircle.

"We found increasingly that a lot of the conventional stuff that we did were no longer very relevant. People were no longer waiting for news to happen in the next day's news paper and they were not even waiting for it to be broadcast on TV. They were getting it on their mobile phones and as email alerts. The manner in which the news was happening was changing."

Also the explosion of the social networking sites and blogs have changed the manner and flow of communication, says Gupta, which prompted him to start Digilogue.

Digilogue Communications will have over 100 employees in a year who will include software developers, web designers, graphic artists, brand specialists, business strategists and content writers. It has also tied up with companies engaged in development of mobile applications, blue tooth, animation, content sourcing and video and audio content.

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[König & Cie.Opens Office In Mumbai; To Focus On Shipping Investments](#)

[VC Circle-9 Apr 2009](#)

König & Cie. Asia Advisors Pvt. Ltd, a subsidiary of German investment firm König & Cie, is opening an office in Mumbai. Rajeev Kashikar – a Mumbai based investment banker with over 15 years experience in corporate finance and strategy consulting will lead the team.

Among other sectors, the focus for König & Cie's investment in India would be shipping. König & Cie. Asia Advisors will arrange ship financing by raising equity from investors both globally and locally. König & Cie says that its track record proves shipping to be an attractive asset class which is now available for Indian investors, too.

Tobias König, founder, König & Cie, said: "Despite the current global downturn, the industry will become more and more important for India in the years to come. The reason for this is the growing demand for transportation due to the growing wealth of the Indian society. That is why we want to bring in our knowhow as early as possible. Because of our long-standing relationships with Indian shipowners, operators and shipyards König & Cie. is well known already and enjoys an excellent reputation."

Citing the huge infrastructure requirement for India, König & Cie said that the other investment areas that it will look at include real estate, shipping and marine infrastructure, transportation & logistics, oil & gas and clean energy.

König & Cie. is a Hamburg based investment firm established by Tobias König in 1999. It has launched 77 closed-end funds in the fields of shipping, real estate, renewable energy, infrastructure, private equity and traded endowment policies till now.

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India Financial Inclusion Fund Raises Additional \$20M

VC Circle-9 Apr 2009

Limited partners haven't turned their face against microfinance institutions yet. Probably no reason to do that with the rural economy shining. Hyderabad based India Financial Inclusion Fund (IFIF) fund has raised \$20 million in fresh capital, taking its total fund size to \$58 million.

IFIF is advised by Hyderabad-based Caspian Advisors Pvt Ltd, who also manages Bellwether Microfinance Fund (Bellwether). IFIF's investors include CDC Group, the Global Microfinance Equity Fund (GMEF), responsAbility Social Group AD, Gray Ghost Microfinance Fund, FMO and a U.S. institutional investor.

Set up in Mauritius in August 2008, IFIF is an off-shore India-focused equity fund, investing in high-growth microfinance institutions (MFIs) and microfinance enablers. IFIF's primary focus is on equity investments in companies that are directly or indirectly associated with bringing about the inclusion of the poor within the formal financial system.

S. Viswanatha Prasad, Managing Director of Caspian, said: "Caspian's track record and the resilience demonstrated by microfinance institutions and their clients have been instrumental in the fund being able to attract additional capital in these difficult market conditions."

IFIF provides a wide range of financial services such as credit, savings, insurance, or remittance facilities.

Caspian's Investment Director, Mona Kachhwaha, said: "Not only does IFIF seek to deliver competitive financial returns to its investors, it also seeks to address the gap between the growing number of MFIs and the unmet financial demands of the clients. By providing funding that will contribute to the innovative diversification of financial products for the underserved, IFIF reiterates its commitment to maximising its multiple bottom line objectives.

Caspian Advisors is a Hyderabad based investment management and advisory services company focused on managing investment funds in the financial inclusion space. It began making investments in the microfinance space with its first fund – Bellwether Microfinance Fund, a \$20 million Indian microfinance venture fund.

Just after SKS Microfinance announced its mega close of fourth round of funding at

\$75 million, another MF fund has increased its capital base. CDC has also put \$15 million in Catalyst Microfinance Investors, which invests in greenfield microfinance institutions.

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UTI AMC Attracts Bids From 4 Investors; Valued At Rs 3,500 Cr

VC Circle-9 Apr 2009

Schroders, Vanguard Mutual Fund and T Rowe Price have reportedly submitted bids to acquire 26% strategic stake in UTI Asset Management Company (UTI AMC), India's oldest and fourth-largest fund house. The highest bid has valued UTI AMC at around Rs 3,500 crore (\$690 million) which is around 7.3% of the assets under management (AUM), The Economic Times reported today.

UTI AMC has four shareholders State Bank of India (SBI), Life Insurance Corporation of India (LIC), Bank of Baroda (BoB) and Punjab National Bank (PNB), holding 25% stake each. It was formed six years ago when the government was forced to restructure the erstwhile Unit Trust of India, following a payments crisis. Its assured return schemes were transferred to a separate company called Special Undertaking of UTI (SUUTI), and the rest was moved to UTI AMC.

The latter's four state-owned shareholders had acquired the firm from the government for Rs 1,250 crore. The ET report adds that each of these four shareholders will sell part of their stake to the strategic investor instead of a fresh issue of shares.

The plan to induct a strategic partner in UTI AMC was announced last year by the former finance minister P Chidambaram. UTI AMC had even toyed with the idea of a public float but this didn't materialise as the markets turned turtle. It had originally considered a private placement followed by an IPO that would have brought down the stake owned by its four shareholders to 51%.

The shareholders had planned to raise around Rs 2,500 crore last year that would have valued the asset management firm at Rs 6,500 crore. The bids which are reportedly submitted for the strategic stake now values UTI AMC 46% lower than this.

Among those who had courted the firm earlier include Japan's Shinsei Bank and the National Australia Bank. Shinsei has since then joined hands with private investor Rakesh Jhunjhunwala to launch a mutual fund venture in India.

There were a couple of deals involving mutual fund houses last year where Religare Enterprises bought out Lotus AMC and IDFC acquired Standard Chartered's asset management business in India.

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IFC Invests In Lifetree Convergence; To Fund Inorganic Growth

VC Circle-9 Apr 2009

Lifetree Convergence Ltd., a Delhi based telecom software and billing solutions company, has raised growth funding from International Finance Corporation (IFC), the private equity arm of World Bank. Even though the amount is undisclosed, a 2007 project report of IFC showed that the PE entity was invited to invest upto \$20 million of a total funding requirement of \$60 million. Avendus Capital was the exclusive financial advisor to Lifetree for the transaction. According to a statement from Avendus, the capital would be used by Lifetree for inorganic initiatives. The transaction was consummated in August 2008.

Interestingly, Lifetree was acquired by Finnish telecom company Tecnomen for a cash and stock consideration of €33.2 million. Lifetree Convergence was founded in 2000 by Atul Chopra and others. It provides convergent billing and customer care, rating, and messaging platforms for the telecom industry.

The operational support systems (OSS) and business support systems (BSS) software space, in which Lifetree is present, is a \$29 billion opportunity, and is expected to grow at 8% year on year. Among them, the convergent solutions are expected to grow by 30% a year. Emerging markets are expected to contribute over 50% of the projected growth in this domain, a statement said.

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Sovereign wealth funds make a beeline for India **Economic Times-10 Apr 2009**

After overseas pension pools and foreign portfolio funds, it's now sovereign wealth funds (SWFs) that find India an irresistible investment destination. Government-promoted investment funds of various countries have invested nearly Rs 14,850 crore during the eight-year period beginning 2000, according to a report released by the United States Government Accountability Office. Typically, sovereign wealth funds are state-owned investment funds with a global investment horizon. Some times, they are owned by central banks.

Although SWF investments into India during the period under consideration were fractionally lower compared with peers such as Thailand and Indonesia, investment consultants in India say SWFs have begun looking at Indian assets more seriously over the past few years.

From a couple of SWF investments till 2004 to more than nine funds with direct investments in Indian asset classes by end-March this year, the trend is growing. Some of the major SWF investments in Indian asset classes include Kuwait Investment Authority's investments in Chryscapital and ICICI Venture Funds, Malaysia's Khazanah Nasional's 9.9% shareholding in IDFC, Government of Singapore's 6.3% holding in Anant Raj Industries, the Palestinian Investment Funds' 50% stake in the India-Oman Special Investment Fund and Temasek's 8.3% and 5%

equity shareholding in ICICI Bank and Bharti Airtel, respectively, according to a survey by London-based research firm Preqin.

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Microfinance finds favour with PE players **Business Standard-17 Apr 2009**

Private equity players have made investments of \$230 million in the microfinance sector in the last two years and the outlook for this segment looks upbeat as it provides a refuge from the global financial market turmoil.

According to data compiled by Venture Intelligence, a research service focussed on private equity and venture capital, the microfinance sector witnessed as many as 14 deals worth \$230 million during January 2007-March 2009.

“Microfinance is sufficiently insulated from the global financial downturn. Besides, this sector provides a good way for investors to diversify their portfolio at a time when the urban and manufacturing-related sectors are witnessing a slump,” Venture Intelligence Managing Director and CEO Arun Natarajan said.

Microfinance is mainly focussed on rural areas and rural India is not so much dependent on exports. “Since microfinance is also cut off from the global economic crisis, it can post positive returns,” he added.

Some of the major private equity investments during January 2007 to March 2009 include SKS Microfinance’s \$75- million investment in Sandstone Capital and Share Microfin’s \$27-million fund infusion in Aavishkaar Goodwell, Legatum.

Other key deals included Ujjivan Financial Services’ \$21-million investment in Unitus, MAS Financial Services’ \$20-million deal with ICICI Venture and FMO and Spandana’s \$12.25-million infusion in JM Financial, Lok Capital.

Further there has been a surge in the number of microfinance focussed funds like the Lok Capital Group, Bellwether Microfinance Fund and Aavishkaar Goodwell, among others. These funds are dedicated to investing in the equity of Microfinance Institutions (MFIs) in India, Natarajan said.

“With the recessionary trend likely to continue for another year or so, the private equity fund inflow outlook for the microfinance sector looks promising as this sector can promise good returns even in these challenging times,” he added.

According to global consultancy firm Grant Thornton, private equity deals in January-February 2009 stood at 31 deals with a value of \$0.54 billion, a dip of 81.87 per cent from a year ago period.

For the corresponding period in 2008 and 2007, there were 83 PE deals valued at \$2.98 billion and 69 PE deals valued at \$2.06 billion, respectively.

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KKR Joins Race To Pick Up Stake In Vijay Mallya's USL **VC Circle-17 Apr 2009**

Kohlberg Kravis Roberts & Co, or KKR, has joined the race to pick up a minority stake in Vijay Mallya's United Spirits (USL), which is the world's third-largest liquor marketer. The private equity biggie is looking to pick up USL's treasury stocks, which amount to a 14.8%

stake in USL, reports Economic Times. Mallya has been in discussions with strategic players like Diageo and Bacardi for some time now, and is now also looking at financial investors.

The shares of USL reacted positively to this news, rising up by more than 6% reaching days high of Rs 751, against its yesterday's closing price of Rs 705. The 14.8% stake as per yesterday's closing price would be valued at Rs 1,045 crore (~\$210 million), but Mallya would certainly seek a premium to current trading levels. The stocks 52 week high is Rs 1,873 per share.

A MNC player would be willing pay a premium factoring in the advantage of distributing its the distribution of its products in the Indian market, the world's largest beer market by volume.

The report adds that MNCs are willing to pay as much as Rs 1,400 per share. USL is also looking at issuing fresh shares, apart from selling treasury stocks.

Mallya is raising funds to pay off the Rs 6,900 crore debt on its books. UB Group's recent acquisitions have been funded by debt, including the \$827 million acquisition of Whyte & Mackay. The deal will help UB deleverage its balance sheet, which is its first priority.

KKR set up its India office earlier this year, hiring former Citigroup India honcho Sanjay Nayar. A significant minority in one of the worlds largest spirits maker with a 55% share in the fast growing Indian market may just be the grand start its looking for.

It has done couple of deals before setting up office in the country - the leveraged buyout of Aricent, and \$250 million for a stake in Bharti Infratel, the telecom tower arm of Bharti Airtel.

PE Investments In The Space

Alcoholic beverages market are considered somewhat recession proof, with sales being affected only mildly. Private equity funds, who are now focusing on India's domestic consumption story, seem to be actively looking at deals in this space now. Private equity firm Wilbur Ross & Co is looking to acquire Cobra Beer brand or take a controlling interest in the beermaker's Indian unit, as per reports. Standard Chartered

Private Equity is also believed to be in the race.

There have been some investments in this space before in India. Lighthouse Funds has picked up a stake in Imperial Spirits and Sula Winery has raised funds from a bunch of PE investors including Indivision India Partners, the PE fund of Kishore Biyani's Future Capital Holdings.

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Private Equity, Hedge Funds Invest in Unitech's \$325 Mn QIP **VC Circle-17 Apr 2009**

India's second-biggest real estate developer Unitech Ltd has raised \$325 million through qualified institutional placement (QIP) issue. The funds have been raised by the real estate major to retire part of its over Rs 8,900 crore debt and strengthen the balance sheet.

The investors in the QIP include private equity hedge fund players like Och-Ziff Capital Management, Orient Global and Sandstone Capital, reports Business Standard. Other investors include HSBC and Prudential. Around 90% of the issue has been lapped up by overseas

institutional investors, while the rest has been bought by domestic institutional investors.

The holdings of promoter Chandra family would fall to 51% after the QIP from 64%. The QIP has been issued at a price of Rs 38.50 per share. Unitech was trading at Rs 51.5 today at 1 pm, reaching a days high of Rs 54.2. The deal is being touted as the largest QIP in real

estate space and was advised by UBS AG's India unit and IDFC-SSKI Securities Ltd.

This is also the first QIP issue since market regulator SEBI allowed firms to fix the price based on the average price of two weeks. Earlier the period of average price calculation was 6 months. The

issue will reduce the debt to equity ratio of Unitech from 2.4 as of December 2008 to 1.4.

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Infosys Co-founder Narayana Murthy Turns Investor **VC Circle-18 Apr 2009**

NR Narayana Murthy, the co-founder and chief mentor of Indian IT giant Infosys Technologies, is donning a new hat as an investor to fund new ideas that create value for society. Murthy says ideas and opportunities exist beyond computers and high-tech areas, especially in rural areas, reports Economic Times. Murthy plans to help young entrepreneurs to convert their ideas into reality.

“I find youngsters want to do all kinds of things. There are people who want to create wealth by booking tickets. There are people who are creating wealth by enhancing the efficiency of production lines. There are people who are creating wealth by providing efficient, decent and cost-effective means for the corporate world. They all have great ideas,” Murthy told ET. His personal wealth is believed to be around \$1.8 billion.

Murthy may have also found his first project to invest in. Serial tech entrepreneur turned investor Jaithirth (Jerry) Rao is planning a low-cost housing venture and plans to rope in Murthy as a co-investor, reports today's Business Standard. Rao founded MphasiS and sold it to EDS Inc four years ago, and has been since investing from his personal wealth.

With this role, Murthy joins his associate and co-founder of Infosys, NS Raghavan, who quit the firm as joint MD, now runs Nadathur Investments and early stage venture capital firm Ojas Venture Partners. Another Indian tech czar, Azim Premji, also has a personal investment company called PremjiInvest, which has a corpus of \$1 billion.

Murthy, a first generation entrepreneur himself, has been an inspiration to many budding entrepreneurs in India since starting his IT venture with a Rs 10,000 loan from his wife.

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Bajaj Fin, Allianz form asset management JV

REUTERS- 20 Apr 2009

Financial services firm Bajaj Finserv has entered into an asset management joint venture with Germany's Allianz, the Indian firm said in a statement to the stock exchange.

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Have Rs 5 lakh, well become PE investor

Economic Times-22 Apr 2009

It doesn't take loads of cash to be a private equity investor any more. Small retail investors, with even Rs 5 lakh to spare, can join a PE group and enjoy the benefits of being a limited partner.

A rough calculation of average entry levels in the pre- and post-bull market phase

highlights the fact that ticket sizes of PE deals have fallen over 80%, making PE funds an affordable investment option for an average retail investor.

“We’re seeing the Rs 10-lakh entry limit becoming common among PE firms. A lower entry level appeals to a wide base of investors,” said Milestone Capital Advisors managing partner Rajesh Singhal. “Our ticket size (for most funds) initially was around Rs 25 lakh, but we’ve now lowered it to Rs 10 lakh in most cases and even Rs 5 lakh in some specific situations,” he added.

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Adani Power Files For IPO; 3i's Investment in Positive Zone VC Circle-22 Apr 2009

UK-based 3i's investment in Adani Power remains in the positive zone. Although the power generation firm has significantly brought down the value of its initial public offer(IPO)issue which in turn has shrunk the company's valuation by two thirds, the expected issue price of Rs 70/share is still higher than the average cost of acquisition of shares for 3i.

The private equity fund had invested Rs 900 crore in Adani Power in two tranches-- October 2007 and April 2008. The PE firm subscribed to 8.4 crore shares as a result of these two transactions which now stands at 15.14 crore shares due to a 4:5 bonus issue at Adani Power last year. 3i holds 8.22% stake in Adani Power before the IPO which would become 6.92% post issue.

The average cost of acquisition for 3i is pegged at Rs 59.5/share. Adani Power seeks to raise Rs 2,193 crore through the issue which would translate into per share price of around Rs 65-70 given that the issue comprises 33.05 crore shares including 80 lakh shares reserved for the employees. Though 3i would be sitting on profit at this valuation, looking at the opportunity cost of the fund(had it been invested in some debt instrument) it could have earned a higher return.

PROMOTER GROUP PUMPS IN MORE FUND

In the meantime, one of the promoter group entities Ventura Power has picked up 3.85% stake(3.25% of post IPO capital) for around Rs 500 crore. Ventura Power is promoted by Vinod Shah one of the family members of the promoters. Post IPO promoter group stake will come down from 86.97% to 73.5%. Ventura picked stake in late March at a price of Rs 70 per share which is expected to be the IPO price unless it gets delayed further.

VALUATION

The company is still seeking to complete a pre IPO deal with outside investors which

could well decide the final valuation of the firm. As of now at Rs 70 per share at issue the company would be valued at Rs 15,260 crore. As against this its earlier issue would have valued the firm at around Rs 39,000 crore. A sharp climb down

PEER GROUP COMPARISON

The revised valuation puts Adani Power at par with Neyveli Lignite as the fourth most value power generation firm in the country behind NTPC, Reliance Power and Tata Power in that order. Power Grid, which is otherwise the second most valued power firm in the country is not into generation, it is engaged in transmission

At last year's issue price Adani Power would have valued itself as the second largest power generation firm in the country. Apparently like many other firms Adani had tried to pull out resources given the positive vibes of Reliance Power IPO which crumbled on day 1 of listing. The market crash post September would have meant the high valuation would be a thing of fancy, so the revised pricing looks much more reasonable than last year.

FINANCIALS & NET WORTH

As of December 31, 2008 the firm had net worth of Rs 1,954.4 crore which would give a book value of Rs 89/share on the expanded capital base(post issue). Since the firm is still in project implementation stage it doesn't have any revenues as of now. For the first nine months of 2008-09 Adani Power had net loss of Rs 24 crore and accumulated losses of Rs 95.8 crore.

EARLIER PRE IPO DEAL NIXED

Earlier, Adanis were in talks with a consortium of investors led by 3i India Infrastructure Fund to sell around 4-4.5% stake in Adani Power for \$ 400 million (Rs 1,800 crore at that time). This deal would have valued the firm at \$10 billion. But this deal didn't fructify.

PROJECT PLANS

The fund raising is for setting up power generation projects with a capacity of 9,900 MW spread across the states of Gujarat, Maharashtra and Rajasthan. The first unit is expected to be commissioned in Mundra in 2009. In all, the power projects are estimated to require investments worth Rs 43,139 crore. This is to be funded through a debt equity ratio of 80:20.

The IPO issue proceeds are to used for two specific projects -- 1980 MW project at Mundra and another project of same capacity at Tiroda in Maharashtra.

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Venture capital investor VenturEast has started raising its eighth fund, VenturEast Life Fund III LLC, focusing on high-growth small and medium enterprises (SMEs). The fund has applied to World Bank's private equity arm International Finance Corporation (IFC) for commitments of upto 20% of the total commitments raised. The target size of the fund is not known.

When VCCircle contacted Sarath Naru, the founder and managing partner of VenturEast, he said target size is still under discussion. On being asked to comment on this development, he quipped that there is no "development" till the first close is done. IFC was also an investor in the \$150 million VenturEast Proactive fund. The two organizations also recently came together with Bharatiya Yuva Shakti Trust to launch \$5 million microequity fund, which provides equity-like support to small and disadvantaged entrepreneurs.

Interestingly, VenturEast Life Fund is looking at mezzanine investments besides equity and equity-related investments. The fund will also focus on investments outside main Indian metros, which is Tier II, Tier III cities and rural India. The new fund will look at areas like healthcare delivery, pharma related companies, food & agriculture and cleantech.

The fund will be managed by VenturEast Mauritius Investment Advisors and APIDC Venture Capital Private Limited. APIDC VC was started as a joint venture between Dynam Ventureeast Private Ltd, which held a 51% stake and Andhra Pradesh Industrial Development Corp. Ltd (APIDC), which held the remaining stake. The fund was later privatized with APIDC holding only 1% stake.

The fund will also raise monies from domestic institutions simultaneously in a different entity. VenturEast, one of the oldest fund managers in the country, has raised capital from investors like UK-government backed fund-of-funds CDC, US-based Argonaut Private Equity, Saudi Economic and Development Co., Life Insurance Corp. of India (LIC) and internet giant Google for its earlier funds.

Several private equity and venture capital funds are looking at investing in rural economy. This area is a relatively underserved segment of the market and is witnessing an increasing growth in demand for goods and consumer products. Till now PE & VC funds in India have mainly focused on opportunities serving the urban spending.

Many of the recent private equity deals have been in rural segment, especially in food and agriculture based firms. Zephyr Peacock, which raising its second fund targeting \$75 million, is also looking at this area.

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IDFC Project Equity to invest 60% in road power sector
CNBC TV-18 24 Apr 2009

MK Sinha, President and CEO, IDFC Project Equity thinks that fundamentally infrastructure is going to be an attractive opportunity. The public market correction did have an impact, it did slow down the public equity into infrastructure, but he doesn't think from a private equity standpoint anything fundamentally changed.

"Fundamentally, the two sectors that have the maximum opportunity are the power generation sector and the road sector. From our perspective about 60% of our investment will go to these two sectors."

He further said, Infrastructure sector in India has potential to generate equity returns, which are fairly attractive for equity investors across the globe.

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BlueRun Raises Fund IV; To Increase Investments in India **VC Circle-25 Apr 2009**

BlueRun Ventures has raised its fourth fund of little more than \$240 million, falling short of the \$300 million target. VentureBeat reports that the fund plans to ramp up its operations in Asia by adding two more people in India and China. It also plans to increase the allocation to both these markets, the report adds.

BlueRun, formerly known as Nokia Venture Partners, has an office in Mumbai. Sasha Mirchandani, a senior investment director with the VC firm, looks after its activities in the country. Earlier this year he told VCCircle that BlueRun is looking at investments in value-added services, telecom, media & entertainment, education and cleantech sectors.

In another development, BlueRun has closed its office in Israel, citing the small size of the market. BlueRun's investments include PayPal. It has offices in US, Norway, China and Korea, besides India.

The venture fund, Nokia Venture Partners, had made several investments in the country including Bangalore-based Saska Communication Technologies.

BlueRun has cut its team by two and a half partners as one of its partners, Sujit Banerjee, is being shared with another VC firm in Element Partners. Banerjee will bring cleantech deals to Element, and semiconductor deals to BlueRun.

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Lazard to set up Rs 500-cr India fund **Economic Times-22 Apr 2009**

New York-based investment banking and asset management firm Lazard is forming a Rs 500-crore (\$100 million) India-focused fund to acquire

significant minority stakes in mid-sized Indian firms, a person with knowledge of the fund said.

This is the first significant expansion move by a US investment bank in the country after the bankruptcy of Lehman Brothers last September, which signalled the collapse of independent investment banking business.

Lazard is already operating its merchant banking business in India through Lazard India, in which it holds 74.64% stake. Lazard India managing director K Balakrishnan holds 25.07% and the remaining equity is with some other minority investors.

Now, it is setting up Lazard India Growth Fund Trust, which will be registered with securities market regulator Sebi as a venture capital fund.

The US-based financial services firm will invest in the units of this trust through a Mauritius-based arm to avail tax benefits. Lazard will also form Lazard India Advisors which will be the investment manager of the fund.

The onshore fund has targeted corpus of Rs 500 crore, which is to be sourced from both overseas and domestic institutional investors, including Indian public sector banks. Lazard is bringing in Rs 125 crore as sponsor's contribution to the fund and will appoint IL&FS as the trustee to the fund.

The fund will seek investment targets in various sectors such as consumer services & organised retail, hospitality & travel, education, food processing, engineering & capital goods, power, logistics, telecom, IT-BPO, healthcare, life sciences & pharma, besides other manufacturing firms. It would not get into the real estate sector.

For Lazard, the fund will mark further expansion of activities in India. Its existing subsidiary, Lazard India, is engaged in non-fund based advisory activities for corporate mergers & acquisitions, initial public offers, rights issues etc. NYSE-listed Lazard reported revenues of \$1.68 billion in 2008 with assets under management of \$91.1 billion as of December 2008.

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IDFC Project Equity Invests in Ashoka Buildcon's Road Projects **VC Circle-27 Apr 2009**

IDFC Project Equity has invested \$50 million in two special purpose vehicles (SPVs) floated by Nashik-based Ashoka Buildcon Ltd, reports Mint. The infrastructure development company has sold a 49% stake in two road projects. The funds have been invested from India Infrastructure Fund (IIF), which has been jointly promoted by IDFC, Citigroup Inc and India Infrastructure Finance Co Ltd (IIFCL), and managed by IDFC Project Equity.

The IIF investment is in two stretches of toll roads between Nagpur in Maharashtra and Raipur in Chhattisgarh, totalling 162 km in length. Last month IDFC Project Equity, which manages IIF, invested Rs 350 crore in Essar Power Ltd for part financing the equity for its ongoing expansion projects. It has also invested another \$70 million in four other road projects.

Interestingly, IDFC Private Equity, a sister concern of IDFC Project Equity, has also invested in Ashoka Buildcon. The private equity arm reportedly invested a whopping Rs 700 crore, in probably its largest investment, in the company for a 15.62% stake in a pre-IPO deal in February last year.

IIF is looking to exit its investments through a listing, which look tough in the current global environment. Many listed infrastructure funds have been trading at discount to their NAVs. Project equity funds depend on cash flows, paid as dividends, for regular income on their investments.

The fund is also looking at options where it can transfer its holding in a project to a group level. IIF is also looking at options like put options (selling back to promoters at decided price) and tag-along rights (selling stake with the promoters).

IIF plans to invest 60% of its corpus in power and road projects. It has managed to raise \$875 million and is aiming a close of \$1-1.25 billion. The fund plans to invest rest of the corpus in ports,airports, telecom infrastructure and power and gas distribution and transmission projects. IDFC Project Equity was recently reported to be picking up nearly a 17% stake in Gujarat-based city gas distribution firm Sabarmati Gas.

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Global Investment House Gets 70% IRR On Reliance Petro Pre-IPO VC Circle-27 Apr 2009

Global Capital Management, the private equity arm of Kuwait-based Global Investment House, has said that Global Opportunistic Fund II (GOF II) has made significant gains through the sale of shares in Reliance Petroleum Ltd in India.

The fund was one of the top 10 investors in Reliance Petroleum Ltd, along with Chevron, Deutsche Bank, Citigroup, and Fidelity in a pre-IPO deal. The group has been liquidating its position in tranches to optimise its returns and has achieved an IRR of more than 70% on this transaction and a multiple of 1.84x.

The fund will return the proceeds of the transaction to its investors so as to ensure liquidity. GOF II continues to maintain its strategy of having liquidity in its investment portfolio as the fund aims at giving regular return to its investors.

GOF II, a private equity fund managed by Global, invests in Pre-IPO and IPO opportunities in the MENA region as well as India, China, Pakistan and Turkey. The fund invests across 10 different sectors and more than 30% of the fund is invested

outside the region.

Global Capital Management Ltd, a 100% subsidiary of Global, currently manages more than \$3.2 billion of private equity assets. The PE Group has a team of over 48 qualified professionals. The team is based out of four locations - Kuwait, Saudi Arabia, Egypt and Turkey. It has invested almost \$1.5 billion in 54 transactions across 11 sectors in MENA, Turkey, South Asia & China during the past 4 years.

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UTI AMC to Divest 26% Stake to Strategic Partner In Three Months **VC Circle-27 Apr 2009**

UTI Asset Management Company (AMC) is looking at inducting a strategic partner in the company in the next three months and has already short listed three companies for the same, reports The Economic Times. Though UTI AMC has not disclosed the names of the short listed firms, it has said that it would look at roping in companies that can offer it greater global footprint and help it in its overseas activities.

Though the AMC has offshore funds with five star ratings, the corpuses of these funds are not very large. This, according to the company, is because of the lack of marketing support in the overseas markets. It is, hence, looking at a partner that can provide it with marketing support in the overseas markets. Currently, UTI AMC manages assets worth \$200 million under its offshore funds.

Life Insurance Corporation, Punjab National Bank, State Bank of India and Bank of Baroda are the promoters of UTI AMC, holding 25% stake each in it. The promoters are looking at diluting a total of 26% stake in the asset management company to a strategic partner.

The asset management company is also open to making acquisitions in the mutual fund market. The fund house, however, would go in for an acquisition only if it comes at a right price. There have been indications that a few asset management companies have been in trouble since mid 2008.

UTI AMC has also tied up with Coopers Wealth Creators and Tower Infotech to provide investment opportunities to the employees and business associates of Tower Infotech under the UTI Retirement Benefit Pension Fund.

UTI AMC has assets worth Rs 49,754 crore under management as on March 2009.

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Bollywood Team Launches Film Fund; Targets Rs 250 Crore

VC Circle-27 Apr 2009

Here is another film fund in town. Junaid Memon, a writer, director and producer of films like The Film, Waisa Bhi Hota Hai Part II, and a few regional films, is launching a film fund, along with actor Irfan Khan and ad men Dave Banerjee and Amitabh Bhattacharya.

The fund, called Nomad Film Fund will be a Rs 250 crore (\$50 million) fund, 10% of which will come from the promoters. It plans to rope in a top Bollywood actor for its management team, and is in talks with a few Bollywood actors who may join its management, other than a film producer.

Besides personalities drawn from the film industry, the fund's management team will see significant participation from the banking space. "We would like to have 30% of the total members on the board to come from the financial industry. We are looking at roping in prominent people like ex-chairmen of leading PSU banks and foreign banks," said Varun Aghara, the CFO and the spokesperson of the fund. The fund is already in talks with the CMDs of two PSU banks.

FUNDRAISING

Nomad Film Fund will have a life of 5 years. It plans to raise about \$25-\$30 million from foreign institutional investors and \$15-\$20 million from the retail investors. It expects to return to its investors an IRR (internal rate of return) of 25%. The fund may raise funds from the film industry too. "A few leading actors and actresses have expressed interest in investing around Rs1 crore to Rs 5 crore each in their personal capacity," said Aghara.

Nomad Film Fund, which is still in the process of getting a SEBI approval, is expected to complete its fundraising in about six months from now.

INVESTMENT STRATEGY

The fund will invest in films and TV production houses via SPV's (special purpose vehicle). "We are also in talks with insurers to insure each and every project for the timely completion and for the stars joining us to not leave us before the completion of the project," Aghara told VCCircle.

The fund will invest in regional as well as Hindi films, besides investing in television production houses. The fund will not only put in money in films, rather it would control them on a "daily basis", according to Junaid. He said, "We will be active on the part of the process of delivery of the film that we invest in."

Talking more on the fund's criteria for selecting the films for investing, Junaid said that the easiest way to select a film is to go for a film that has "big stars". He may initially

follow this criterion for one or two films. Though, a prospective cinema investor was quick to add, "I feel that easy things don't give you big money and I am looking for big returns so I plan to pick up new talent and give them a support system."

SLOWDOWN IN FILM INDUSTRY

Though this may seem to be the season of film funds, with funds like Vistaar Religare Film Fund (VRFF) and Cinema Capital Venture Fund (CCVF) being focused only on films, it is also the time when the film industry is going through a slowdown. VRFF has invested in three films and neither of them have done well on the box office. CCVF, which had initially targeted a total corpus of Rs 750 crore may now alter its plans at raise only Rs 500 crore.

Despite the current economic situation and the downturn in the film industry, Junaid Memon, who has already produced one Hindi film (The Film) and two regional films, is confident of his plans. He said, "I guess this is the right time to launch a film fund as the market is going through a correction. I can get a lot of products at much cheaper prices and that, I think, is the biggest plus point."

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Navis Capital Picks Up Majority Stake in Edutech **VC Circle-27 Apr 2009**

In one of the biggest deals in India's education sector, private equity firm Navis Capital Partners has invested \$30 million in Edutech. The PE firm has acquired a majority stake of between 55-80% in Edutech, which provides post-graduate and part-time executive programmes, reports Pei-Asia. The investment in Edutech has been done from Navis V, which raised more than \$1 billion in 2007.

Edutech has revenues of Rs 55 crore (\$11 mn) and seven branches spread across the country. It offers courses in areas like finance, healthcare, hotel management and hospitality.

With this investment, Edutech is planning to open five more campuses and also offer courses in areas like law and engineering. Education, till now has seen growth capital deployment from the PE investors, this would be one of the first controlled transactions in the space.

PE Interest In Education Continues To Increase

Education sector has been increasingly attracting interest from private equity and venture capital investors, especially in the recent times. The investors are attracted by the non-cyclical nature and the huge opportunity presented by this under-served sector in India. The private spending on education is increasing by 14% CAGR and is

expected to reach \$80 billion by 2012, says a IDFC-SSKI report.

Also this sector has managed to give some of the best returns to investors in India's short history of PE & VC industry. Gaja Capital Partners made 24X from their investment in educational technology company Educomp Solutions Ltd. UTI Venture also made 50x on its investment in e-learning firm Excelsoft.

Malaysia-based Navis Capital has a strategy of buying majority stake into companies. Late last year, the PE fund acquired a 62% stake BSE-listed lubricants manufacturer Sah Petroleums. It has also invested in Delhi-based fast food chain Nirula's and Mumbai-based call center Andromeda.

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KKR To Look At Growth Investments In India VC Circle-28 Apr 2009

Unlike its competitors such as Blackstone, KKR has been a late entrant to India. It was only two months back that the private equity giant Kohlberg Kravis Roberts & Co (KKR) opened its office here. One of its co-founders, Henry Kravis on his visit to India, which was part of an Asia tour told reporters that India is a special place for them and that they believe in the future of country.

However, the legendary buyout investor known for making leverage buyout deals was quick to admit that the market in India is different with "leverage not being important here". The private equity firm will look at making growth capital investments in the country. He added, "we're going to insist on board positions and improving operations even if we don't own 100%".

Adopting a cautious approach, the investor told ET that they have turned down a few deals in India and not rushing into investments. He also said that the fund looks at Asia as an attractive geography and would look at about 3-4 industries in Asia.

KKR recently appointed former Citi India CEO, Sanjay Nair as its CEO and country head for India.

The fund's latest investment in India was made in February 2008, when it invested \$250 million in Bharti Infratel Ltd. It made its first investment in the country in 2006 when it acquired the software unit of Flextronics International Ltd. for \$900 million.

Despite the slowdown in the economies worldwide, Kravis sees "rays of sunshine" in India, China and US. According to a report in wall street journal, Kravis sees the biggest private equity deals being valued between \$1 billion and \$5 billion. He expects higher taxes and more regulations for the private equity industry.

It is becoming tougher for KKR to buy or sell companies now owing to the regulations that require PE companies to mark the value of their companies to the price of the comparable listed companies. As of December 31, 2008, the fund has marked 80% of its portfolio down 41%. However, the good news for the fund is that 69% of its portfolio showed either increased or same earnings in 2008 versus 2007.

Over the past 30 years, KKR has bought 165 companies from 28 different industries. The total value of these deals is pegged at \$445 billion.

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Investors See SaaS As Right Prescription For Healthcare IT **VC Circle-28 Apr 2009**

Healthcare IT based on SaaS (Software as a Service) may be the way to go if you look at the recent investment trend. Nextgen eSolutions and Insta Health Solutions are two SaaS based software companies for healthcare industry who recently got venture funding. Delhi-based private equity fund Lumis Partners picked up a majority stake in the city based NextGen. Insta Health bagged about \$1 million from Bangalore-based Inventus Capital.

NextGen has come up with a product based on SaaS (Software as a Service) model for hospital management services. Bangalore-based Insta Health has also come up with a hospital management software based on SaaS. These products help in management of various functions in hospitals like patient registration, inventory, billing, system administration, etc. Other such players include Karishma Software and Akhil Systems Pvt Ltd.

These companies are looking to capitalise on the fragmented nature of the hospital industry through their innovative products. The SaaS model limits the expenditure of customers as vendors host the application. They charge on the basis of revenues or per patient. They also sell on a licensed model.

NextGen's CEO Dinesh Parekh says that out of 15,000 hospitals in the country, only around 100 are run by top hospital chains. He adds that average size of hospitals is between 10-20 beds and they have average revenues of around Rs 1 crore.

"Today majority of hospitals, about 85%, are 30-bed nursing homes. Though things are changing a little, its a very fragmented picture as of now," said Ratan Jalan, Founder & Principal Consultant of Hyderabad-based Medium Healthcare Consulting Pvt Ltd.

"Healthcare firms have traditionally been a slow adapter of IT," said NextGen's Parekh. Agrees Jalan, saying that level of IT in Indian healthcare is abysmally low. But now many factors are working in favor of adaption of IT by these firms.

Hospital market in India is undergoing corporatisation with big chains like Apollo

Hospitals, Fortis Healthcare and Max looking to expand, both organically and inorganically. Big private equity firms are looking at this segment aggressively and nearly half a dozen funds such as ICICI Venture, Sabre Capital's Spring Healthcare have formed SPVs to buy and build hospitals. Other investors like India Value Fund have also invested in this sector.

Jalan says that private equity investors will put pressure on availability of financial statements and other statistics regarding hospital management, which will give boost to IT in healthcare. Many hospitals are also adding IT systems due to peer pressure, he adds.

Insurance penetration is also expected to go upto 25% in next four years from the current 4%, and this will require hospitals to implement IT systems. "Insurance companies would like billing in an organised format, and that will also push IT," adds Jalan, who was earlier CEO of Apollo Health and Lifestyle, and is credited with group's neighbourhood foray.

The market opportunity for hospital management software in India is estimated to be Rs 1,000 crore. The market for electronic medical record (EMR) is estimated at another Rs 500 crore. There are also areas like pharmacy, an area in which many retail chains have come up in past 2-3 years.

Expansion Plan: With their products in place, these firms are now looking to expand their client base. Insta Health recently raised series-A funding from Inventus Capital and some HNIs, and plans to use funds for sales and new product development. The company has 20 hospitals as its clients in south India region, and is looking to build a pan-India presence. In next five years, it's aiming to serve 2,000 hospitals with target revenue of Rs 500 crore.

Insta Health plans to go for a second round once it gets 100-200 hospitals as clients, its CEO Ramesh Emani told VCCircle. After that round, it will look at acquisitions in the space. "There are a lot of players and we believe that there is a scope of consolidation," he added. Insta Health, which was set up last year, plans to break-even in next five quarters.

Four year old NextGen was set up by serial entrepreneur Akhilesh Khare (also part of the HCL founding team) and Silicon Valley returned executive Sanjay Sengupta. Parekh, who now heads NextGen, is also a senior partner with private equity firm Lumis Partners, which bought a majority stake in the IT firm last year.

Since then the firm has bagged clients like Fortis Healthcare, Max Hospitals, Metro and Primus, mainly in north India region. Also in order to expand its footprint and maintain sales cost, NextGen has tied up with a distribution company which sells medical equipments to sell its product.

NextGen has also developed a high-end software for cardiologists, which it believes has worldwide application. To sell it to an international clientele, NextGen is integrating

its products with IBM's technology, thus allowing it to sell its products to a much larger market. It also has a dental practice management product.

Jalan says that though software solutions are now available in the market, hospitals still have to spend money on hardware solutions. "If you need to make a bigger thrust then it requires more broader solution," he adds. Hospitals are usually willing to spend 2% of their project cost on these IT systems, including hardware and software.

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Srini Vudayagiri Quits Lightspeed Venture Partners VC Circle-28 Apr 2009

Sreenivasulu "Srini" Vudayagiri, an India based Venture Director with Lightspeed Venture Partners, is quitting the venture capital firm. When contacted, Vudayagiri said, "I will be transitioning out of Lightspeed by end of this month." He declined to comment on his next move, saying he will announce his plans at an appropriate time. "I will continue to be in the industry," Vudayagiri said.

Vudayagiri joined Lightspeed in 2007 from Thomas Weisel International, where he was heading the India-focused fund of funds. Thomas Weisel's India fund was sold off to Guggenheim Partners last year.

Lightspeed's India investments include Four Interactive (which runs local search firm AskLaila) and Tutorvista, an online tutorial business. Earlier this year Lightspeed appointed Bejul Somaia as Managing Director in India, a position which was held by Vudayagiri before. Vudayagiri was appointed as a Venture Director around that time.

Lightspeed, which has an India office in New Delhi, is now looking to make PIPE (private investment in public equity) deals, and is looking for a mix between early and late stage companies. It's looking for investments in areas like healthcare, education, financial services, advertising & media, besides its focus area of technology.

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Pangea Capital To Invest \$30M In Deepak Puri's Cobol Technologies VC Circle-30 Apr 2009

Solar power firm Cobol Technologies (owned by Deepak and Ratul Puri of Moser Baer), has raised \$30 million (Rs 151 crore) from Pangea Capital. Bermuda-based Pangea is a mid-sized fund house with total assets under management in excess of \$100 million.

The investment in Cobol has been made through Pangea Emerging Infrastructure Fund, which targets both listed and unlisted Indian infrastructure companies. It invests

in companies engaged in sectors such as energy, oil & gas, roads, ports and telecom. Besides this Pangea also has an emerging markets focused fund called Pangea Emerging Markets Fund and Pangea Alternative Fund.

According to an application submitted to foreign investment promotion board(FIPB), the top government body which clears foreign investment into the country, Cobol has raised the funds through the issue of fully convertible debentures (FCDs) to Pangea in three tranches. The FCDs are compulsorily convertible into equity shares by March 31, 2012.

The agreement between the two firms say that the number of equity shares to be issued after conversion of the FCDs to Pangea shall not exceed 49% stake in Cobol. Moser Baer chairman and managing director Deepak Puri and executive director Ratul Puri own 50% each of the solar power firm.

The firm, started in August 2007, operates in the area of electricity generation and distribution and is currently setting up a 5 mega-watt (MW) solar power project in Uttar Pradesh. This marks an expansion of business in the non-conventional power sector for Deepak Puri and Ratul Puri whose flagship company Moser Baer has also branched out in solar photovoltaic business. Moser Baer has outlined plans to invest \$3.2 billion in the solar business and is also setting up a solar power project in Rajasthan, which is expected to become the largest grid-connected solar farm in India.

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2i Capital Sells Part Stake in Titagarh Wagons To Hedge Fund VC Circle-30 Apr 2009

Bangalore-based private equity fund 2i Capital has sold nearly half of its stake in railway freight wagon manufacturer Titagarh Wagons. The fund sold a 2.71% stake in Titagarh for a total sum of Rs 9.55 crore on Wednesday when Sensex reached a six month high. The shares were sold at a price of Rs 191 per share to hedge fund Indus Capital Advisors.

At the time of listing, 2i Capital held a little more than a million shares. The PE fund's average stock acquisition price stands at Rs 191 per share, Vivek Sekhar, CEO of 2i Capital (India) Pvt. Ltd, told VCCircle in an email response. This means that 2i Capital has sold its stake exactly at par to its acquisition price. The private equity firm, which is currently raising its second fund of \$200 million, still has a little more than 3% stake in the firm.

Sekhar also said that 2i Capital's average sale price is higher as it sold some stake in a trade sale. Titagarh Wagons listed on April 2008 with a price band of Rs 540-610. The Kolkata-based firm also sold stake to GE Capital International and JPM Morgan Mauritius in a pre-IPO deal. It had reached a 52-week high of Rs 907 last year before slipping as markets melted.

Titagarh Wagons had raised Rs 24.7 crore from 2i Capital in March 2006, by selling

stake at a price of Rs 1711 per share. ChrysCapital also picked up a stake in the firm for around Rs 55 crore in 2006, buying stake both from the promoters and through fresh equity. The number of shares held by 2i Capital later increased due to a bonus issue in January 2007.

The stake has been sold by 2i Capital soon after one year lock-in period post listing has completed.

PE Funds Continue To Exit

Private equity funds continue to selectively pare their shareholding in various listed portfolio companies, making best of what is tipped to be a bull rally. The funds may also see this as good time to exit as markets are expected to see volatility post-elections, especially between 16 to 30 May, when the government is to be formed.

Besides 2i Capital, IL&FS India Leverage Fund also sold a little more than 2% stake in IBN18 Broadcast, which operates general news channels CNN-IBN and IBN7. The stake has been sold for Rs 35.8 crore between September 2008 and April 2009, IBN18 said in a filing earlier this month.

Last month Citigroup Venture Capital International sold nearly a 5% stake in Techno Electric & Engg Company and UK-based 3i Group also sold 1.42% stake in Mundra Port and Special Economic Zone Ltd. Earlier this month also IDFC Private Equity sold a small part of its stake in Gujarat State Petronet Ltd via open market deals.

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Ideacts Raises Series-B From Sequoia, SVB; Break-Even in Five Months VC Circle-30 Apr 2009

Mumbai-based Ideacts Innovations, which makes software products targeting cyber cafes, has raised series-B venture capital funding from Sequoia Capital India and Silicon Valley Bank. Rudrajeet Desai, CEO and co-founder of Ideacts Innovations, confirmed this development to VCCircle.

Ideacts raised \$5 million from Sequoia Capital in 2007. The amount raised in second round is higher than first, Desai said. Economic Times reported that the firm has raised between \$5-9 million. The company was formed in March 2007 and it's other co-founders are Maninder Gill and Saurabh Khullar.

Ideacts is expecting a break-even in next four to five months, Desai said. The company is currently planning several new product launches to be rolled out in coming months. Desai believes his company will not require another round of funding.

RapidGrowth

Ideacts has now partnered with 3,700 cafes from 625 cafes, since it announced funding in July 2008. Number of terminals have also increased from 2,000 to 21,000 in the same period. The company has a stronghold in 19 cities and has an additional

footprint in 57 cities, said Desai. The company now plans to expand and deploy its flagship product CLINCK in tier II and tier III cities, aiming to reach 10,000 cafes in next 12 months.

Since its launch last year, Ideacts claims its revenues have grown by 200% month on month. Ideacts revenue streams are purely based on advertising. But the slowdown hasn't had a much of an impact on Ideacts. "Honestly, I haven't seen any kind of slowdown," said Desai. Advertiser accounts at Ideacts have grown every month, claims Desai. But he adds that advertisers have been pushing for lower rates. The major advertisers with Ideacts are Samsung, Pepsi, McDowells, etc. The company also promotes content for Yahoo and is advertising for Indian Premier League (IPL).

New Initiatives

Besides expanding the reach of its flagship product, Ideacts is also planning to roll out some new products. Ideacts is planning to launch a software application product in July that helps cyber cafe owners in areas like accounting and management.

Another product it's looking to launch is in area of cyber crime. "We are creating a cyber crime abiding security features in cafes," said Desai. Ideacts is working with cyber crime cells on this product and with new round has also appointed an expert on its board, who was a cyber crime cop.

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International News

DAX Partners To Buy Enterprise Software Firm Selectica India VC Circle-7 Apr 2009

US-based enterprise software firm Selectica Inc has sold its Indian subsidiary to a US private equity firm for \$4 million. DAX Partners LP, an entity affiliated with Trinity Management LLC, a New York-based investment fund, has bought Selectica India Pvt. Ltd.

Nasdaq-listed Selectica is an enterprise software firm which focuses on accelerating product lifecycle management, order configuration and contract management.

The legal formalities will be completed by May 31.

"This divestiture of our Indian subsidiary is another step forward in our ongoing efforts to refine the Company's focus and advance our business model. We continue in our efforts to improve our operational performance, enhance our product offerings and deepen our customer relationships," said Brenda Zawatski, co-Chair of Selectica.

Trinity plans to make infrastructure and other investments in India. More details on Trinity Management LLC or DAX Partners LP were not available.

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Candover To Suspend Investment Activities For Six Months **Independent-7 Apr 2009**

The liquidity crisis and the slowdown have forced the Europe based private equity fund Candover to put a halt to its investment activities. The fund has said that it will suspend all its investment activities for the next six months and instead explore strategic options to stabilise its financial position, reports UK's newspaper Independent.

But this will not impact the fund's plans to raise a new Asia fund. To a query by VCCircle, Harsha Raghavan, Managing Director, Candover India, said: "Candover Asia will be initiating the process of raising a dedicated Candover Asia Fund sometime over the course of this year. We had always planned to raise a dedicated Asia investing vehicle and that plan remains unchanged."

However, no new investments will be made until October by Candover, and investors would only pay fees on portfolio company Expro International, the oil services group which was bought by Candover for £1.6 billion last April, said Independent.

About a month back, Candover had said that its listed arm would either put its Asian and Eastern European operations on a self financing basis or would close them down.

The fund has also said that its team in Asia was looking at raising a dedicated fund in order to self-finance their operations. It also added that the operations would have to cease if they were unable to raise the funds.

Candover has already exited its investment in luxury yacht maker Ferretti, which it bought for £1.5 billion in 2006. Its other portfolio companies include gaming group Gala and oil and gas-services provider Expro. Candover Investments' net asset value was 1,026 pence as of Dec. 31, 2008, and the company has not made any new investments or realisations since then.

Candover, which is advised by Merrill Lynch and Lexicon Partners, had also reportedly held discussions with rivals including Blackstone for a sellout, which are understood to have collapsed. The group, however, said it may enter into preliminary discussions "with selected parties in due course", reports Independent.

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TPG-Axon, Goldman Vets Found Asian Multi-Strategy Fund **VC Circle-9 Apr 2009**

A co-founder of TPG-Axon Capital Management and a colleague are putting up \$75 million of their own money to set up a new hedge fund.

Hari Kumar and Julian Snaith have founded Singapore-based LionRock Capital. The new multi-strategy fund will focus on Asia-Pacific stocks, Bloomberg News reports, and will begin trading on June 1.

Kumar and three other Goldman Sachs veterans established TPG-Axon in 2005. The hedge fund now manages \$14 billion in assets. Kumar, who left the firm last year, had been based in Hong Kong. Snaith also worked at Goldman's principal strategies group and was a principal at TPG-Axon.

According to Bloomberg, LionRock may eventually raise money from outside investors

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Church Pension Fund Opens Shop In Asia VC Circle-9 Apr 2009

The \$8 billion Church Pension Fund based in New York City has roped in Eric Mason(ex-Carlyle Group), to open a new Hong Kong office, its first in Asia, reports Dow Jones.

Mason is a former JP Morgan banker and most recently headed Carlyle Group's Asian leveraged finance team(set-up in 2007 but disbanded in November 2008 after the credit crunch hampered its ability to raise funds). He will look after all asset classes including private equity, real estate and hedge fund investments in the continent, the report said.

Church Pension Fund, which has invested in some Asian PE funds including Future Group backed Indivision India, has been eyeing overseas private equity investments over the last two decades. Besides Indivision, Church Pension Fund has invested in some other Asian PE firms that includes Advantage Partners and IDG Accel China.

Church Pension Fund's direct presence in Asia follows similar moves by other international endowment and pension funds(who tend to buy into other funds) including The Canadian Pension Plan Investment Board, which opened a Hong Kong office last year.

Established in 1914 for retired or disabled clergy, Church Pension Fund's portfolio had dropped 18.8% in 2008, even though its chief executive maintained that the fund's reserves are sound.

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LP Kickbacks: New York State Puts A Ban On Placement Agents

VC Circle-23 Apr 2009

The New York state comptroller decided, on Wednesday, to put a ban on placement agents for facilitating deals between investment firms (such as private equity and hedge fund firms) and public pension funds, reports Wall Street Journal (WSJ). State Attorney General Andrew Cuomo would also prohibit companies that donate to the state controller from getting pension business for two years.

The report added that there will be more provisions for transparency. Cuomo, according to a report in Daily News, is also expected to push legislation that replaces the state controller's sole trusteeship over the pension fund with a board.

Former state senator Daniel Hevesi's top political consultant, Hank Morris, and pension deputy David Loglisci have been indicted on charges that they steered billions in pension fund business to companies that agreed to pay kickbacks to them or to Hevesi's political cronies.

Financial services giants like Credit Suisse Group, Blackstone Group and Lazard Ltd., also run successful placement agent units. They perform various services for their clients such as making investor presentation, marketing materials, making introductions etc., to help investors win businesses.

The use of placement agents has increased in the past few years with the growth of hedge funds and private equity firms. Also, falling profits and the credit crunch in the market have compelled firms to raise money, which has been generating more business for the placement agents.

According to London-based research firm Preqin Ltd. , There are 150 to 200 placement agent firms globally serving the private-equity industry.

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HarbourVest Raises \$2.9 Billion Global Secondaries Fund VC Circle-24 Apr 2009

Alternative investment firm HarbourVest Partners, LLC has announced the final close of its secondary fund at \$2.9 billion. The fund, called Dover Street VII LP, will make secondary investments in venture capital, leveraged buyout, and other private equity assets.

There were 197 institutional investors in the fund which included corporate pensions, public pensions, endowments, and foundations located in the U.S., Europe, and Asia Pacific. HarbourVest has an Asia office in Hong Kong headed by Philip M. Bilden.

Many endowment and pension funds have seen drastic fall in assets due to the global meltdown, and are looking to sell their investments in PE & VC funds in order to gain liquidity.

"A critical component to our success is our ability to leverage the HarbourVest platform and more specifically our relationships with general partners, many of which are attributable to our primary and direct investment businesses as well as our secondary practice, to gain insights about the expected performance of portfolio companies, the funds, and the managers we evaluate in a secondary opportunity," said Fred Maynard, Managing Director at HarbourVest Partners, in a release.

HarbourVest's new fund recently partnered with the Lehman Brothers Venture Partners team to acquire latter's limited partner interests and helped the Lehman team spin-out and form an independent entity, Tenaya Capital.

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Unitas Capital Hires Senior BNP Paribas Hand

VC Circle-24 Apr 2009

Unitas Capital, an Asian private equity firm, has appointed Xiaolu Lian as a managing director, based in Shanghai. Lian previously spent 11 years at BNP Paribas, most recently as managing director and chief representative of the bank's Shanghai office.

"Xiaolu brings exceptional breadth and depth of experience to our China team," said Andrew Liu, Unitas' managing partner and CEO. "He has held senior management positions in both the state and private sectors, and the depth of his relationships with large PRC companies is expected to further strengthen Unitas' deal sourcing capabilities in China."

Unitas Capital manages some \$4 billion in total commitments and specialises in the consumer and retail and industrial manufacturing and services sectors.

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BlueRun Raises Fund IV; To Increase Investments in India

VC Circle-25 Apr 2009

BlueRun Ventures has raised its fourth fund of little more than \$240 million, falling short of the \$300 million target. VentureBeat reports that the fund plans to ramp up its operations in Asia by adding two more people in India and China. It also plans to increase the allocation to both these markets, the report adds.

BlueRun, formerly known as Nokia Venture Partners, has an office in Mumbai. Sasha Mirchandani, a senior investment director with the VC firm, looks after its activities in the country. Earlier this year he told VCCircle that BlueRun is looking at investments in value-added services, telecom, media & entertainment, education and cleantech sectors.

In another development, BlueRun has closed its office in Israel, citing the small size of

the market. BlueRun's investments include PayPal. It has offices in US, Norway, China and Korea, besides India.

The venture fund, Nokia Venture Partners, had made several investments in the country including Bangalore-based Sasken Communication Technologies.

BlueRun has cut its team by two and a half partners as one of its partners, Sujit Banerjee, is being shared with another VC firm in Element Partners. Banerjee will bring cleantech deals to Element, and semiconductor deals to BlueRun.

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Citi to Wind Down PE Fund Placement Arm

VC Circle-27 Apr 2009

The beleaguered investment bank, Citi has decided to wind down its third-party private equity fund placement arm, Citi Alternatives Distribution Group (CADG), reports Reuters. CADG has raised over \$45 billion for its clients in the last 5 years.

The report adds that the move was not expected as, in the beginning of the year, Citi was planning to expand its placement team.

The company has decided to focus on institutional fund raising for its internal funds. However, a small part of the CADG team will be retained to serve its existing third party clients. The group however, will no longer cater to the external funds. The team currently consists of over 50 people.

The group was founded 12 years back by Michael Klein, who quit the bank last year. Douglas Blagdon, a Citi executive based in New York, has been running the business for the past few years. The group's clients include Charterhouse Development Capital, Platinum Equity Partners, CVC Asia-Pacific, Terra Firma Capital Partners, Lion Capital, 3i, Nordic Capital, Ripplewood Holdings and Gilde Buyout Funds.

According to Prequin, a London based private equity research firm, CADG is the third largest placement agent after MVision Private Equity Advisers and Credit Suisse Private Fund Group.

Though the use of placement agents has increased over the last few years with the growth of hedge funds and private equity funds, the placement agent business has been facing a slowdown since the last week when the New York state comptroller decided to put a ban on the placement agents for facilitating deals between investment firms and public pension funds in relation to the pension funds scandal

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Singapore Fund Picks Up Existing Shareholder's Stake in Quippo **VC Circle-29 Apr 2009**

Axious Investments, a Singapore-based fund, is picking up a 3.8% stake in SREI Group-promoted Quippo Telecom Infrastructure Ltd (QTIL) from an existing shareholder. The deal has been struck at Rs 200 crore, reports Economic Times, valuing the company at more than Rs 5,200 crore. Axious is buying the entire 3.8% stake held by a Delhi-based Premier Chemco Pvt Ltd.

The deal comes on the backdrop of merger between Wireless Tata Telecom Infrastructure Ltd (WTTIL), the hived-off telecom tower arm of Tata Telecom, and QTIL. The merger involves Quippo picking up a 49% stake in WTTIL for Rs 2,400 crore and transferring its tower to the company. Quippo has the management control of the combined entity. The merged entity is expected to have 18,000 towers and an enterprise valuation of about Rs 13,000 crore.

Quippo has raised several rounds of private equity funding from investors which include investment firm DB Zwirn, sovereign wealth funds Singapore's GIC and Qatar's Oman Investment Fund (OIF), IDFC Private Equity, etc.

QTIL's valuation has risen dramatically over the last two years and it looks like a very promising exit to its PE investors in the future. When it raised funds from Singapore's GIC and IDFC Private Equity in early 2007, the two funds picked up 25% for \$50 million, valuing the firm at \$200 million (~ Rs 1,000 crore). Then when it raised funds from OIF, DB Zwirn and other investors in August last year, the valuation was approximately Rs 3,000 crore, as per media reports.

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New 3i Boss Mulls Cash Call Amid Debt, Deals Debate **REUTERS-29 Apr 2009**

The new boss of private equity firm 3i Group is mulling a 700-million-pound rights issue just three months after arriving to address concerns about its debt pile and create a war chest for new deals.

Britain's biggest listed private equity firm this week said it is weighing a range of financing options as it looks to halve its 2.1 billion pound debt burden over the next 12 to 15 months.

To improve its capital structure, 3i would have to raise at least 600 million pounds, bankers estimate, to cover \$793 million of bonds and loans set to mature by 2010, according to Thomson Reuters data.

"It would... shift the debate decisively to where we believe it belongs -- 3i's ability to generate through-the-cycle returns," said Merrill Lynch analyst Philip Middleton in a

note to investors.

"It would allow the company to invest materially in new deals were it to see attractive opportunities, whereas at present its ability to invest is constrained."

CEO Michael Queen has already pledged to step up the disposal of 3i's venture capital portfolio and exit its small minority investments, together valued at 883 million pounds last year. The company last week sold a group of ten venture capital portfolio investments for just under 20 million euros but the rump of the portfolio, focused on healthcare and technology, remains on the market.

Private equity firm HarbourVest Partners, which announced the closing of a \$2.9 billion secondaries fund last week, is among parties negotiating for the assets, a second source said.

Queen has generated about 170 million pounds from the sale of a 9.5 percent stake in sister company 3i Infrastructure Plc and a move to take control and gain access to the cash of affiliate 3i Quoted Private Equity. A rights issue -- expected to be launched with results in mid-May -- would allow 3i to address its core debt position and position itself to take advantage of acquisition opportunities, analysts said.

SHARE DILUTION

A 1-for-1 rights issue at 175 pence would raise 738 million pounds, but net asset value would be diluted by 33 percent to 348 pence from 521 pence, according to Cazenove analysis. "While a rights issue a few months back would have been highly dilutive and might not have received very much support, this sharp rise in price and the reduction in the net asset value since then have transformed the ... arithmetic," said Cazenove's Christopher Brown.

3i shares fell 8 percent to 290.5p on Tuesday to extend a 14 percent tumble on Monday due to the prospect of a potentially dilutive rights issue. The shares have rallied 45 percent in the last two months, but have tumbled from over 900p in September. A 2-for-3 rights issue at 200p would raise around 500 million pounds and dilute estimated NAV by 25 percent, while a 2-for-3 at 250 pence would raise around 625 million and dilute NAV by just over 21 percent, Oriel analyst Iain Scouller estimated.

Scouller said the cash call should help narrow 3i shares' 35 to 40 percent discount to NAV by addressing balance sheet concerns: "If leverage is reduced through a rights issue we think that over time the discount will narrow on the post-rights NAV," he said.

Good investor responses to bumper financial sector rights issues from HSBC, Nordea and Sweden's SEB show the equity market is willing to still invest in the battered sector to provide firms with firepower to take advantage of the down cycle. "People no longer consider companies raising money as a sign of weakness," an equity capital markets banker said.

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Olympus Capital Raising \$250 Mn Cleantech Fund; IFC To Put \$25 Mn VC Circle-29 Apr 2009

Private equity firm Olympus Capital is raising Asia Environmental Partners LP, a fund targeting \$250 million to invest in renewable energy and environmental services companies in Asia. This will be the first clean environment fund by Olympus and will have a major focus on India and China. Olympus Capital has an India office in New Delhi headed by Gaurav Malik, Managing Director. He refused to comment when VCCircle contacted him as the "fund is under a silence period." The fund has approached International Finance Corporation (IFC), the private investment arm of World Bank, which is expected to invest \$25 million in the fund. Olympus is expected to formally announce the fund in next couple of months. Olympus has started making investments from this fund in India. In November last year, it invested \$35 million in renewable energy company Orient Green Power Ltd, promoted by PE firm Bessemer Venture Partners and Shriram EPC.

Asia Environmental Partners is looking to do 10-12 deals in the \$20-\$50 million range. The fund is looking at areas like clean energy, clean technologies, waste management, water quality treatment infrastructure, and pollution control. The funds' management team will be lead by Frederick Long, founder of Olympus and Himraj Dang, who has worked with Climate Change Capital, a clean energy project investment manager.

Olympus Capital, an Asia focused fund manager investing in mid-market deals, raised its third fund at \$750 million in June last year. Since its inception in 1997, it has invested around \$1.3 billion in about 30 Asian companies. Besides New Delhi, it has offices in Hong Kong, Shanghai, Seoul, New York and Tokyo. Investments by Olympus in the country include Raman Roy's Quattro BPO and crane hiring company Sanghvi Movers.

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