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# Mutual Funds And Venture Capital Funds Updates

Issue No 5  
May 2009

## Regulatory Updates

### New regime for PE investments likely soon

Financial sector regulators in India are working at clearly defining private equity (PE) investments and evolving a regulatory structure for facilitating inflows through this route.

Currently, the term private equity is broadly defined, although there are sub-categories such as venture capital (investments into start-ups and early stage companies), growth capital (equity investments in mid-late stage companies), leveraged buyouts (ideal for companies with higher leverage, higher margins and stable cash flows), buyouts (ideal for promoters looking for exit opportunities) and distressed or special situations.

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## Press News

### IDFC Raising \$500 Mn Asia Fund of Funds; May Commit \$50 Mn

Infrastructure Development Finance Co. (IDFC) has launched a private equity fund-of-funds unit based out of Singapore, IDFC Capital Pte. Ltd. The unit has started raising a \$500 million Asia-focused fund, reports Dow Jones Newswires. The fund is looking to invest in private equity managers focused on mid-market, growth-focused investments in Asian emerging markets, particularly China and India.

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**Baring PE Gets Control Over JRG Sec; Promoters Step Down**

Baring Private Equity Partners (India) Ltd is taking complete control of Kochi-based brokerage firm JRG Securities. The private equity firm has recast the broker's management, with original promoter managers stepping down from executive positions and the company board. Baring has appointed Gaurav Soni, currently CFO of JRG, as a Managing Director. Soni was earlier with Ernst & Young.

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**KKR Moves US Director To Mumbai**

KKR, the world's leading buyout investor is relocating its veteran Nathaniel Taylor from the firm's Menlo Park office to Mumbai. Taylor's move to the Mumbai office only reaffirms the private equity giant's interest in India, which recently hired Sanjay Nayar, the former chief executive of Citibank India to lead its operations in the country. Taylor's association to India is not new. He has been involved with KKR's investments in Aricent, formerly known as Flextronics Software Systems and currently also sits on the board of directors of Aricent.

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**India Value Fund Picks Up Majority Stake in Innovative B2B Logistics**

India Value Fund (IVF) has picked up a majority stake in private container trains operator Innovative B2B Logistic Solutions (Inlogistics) for an undisclosed amount. An official from the fund has confirmed this development to VCCircle. An Economic Times report earlier stated that IVF has picked up more than 51% stake in the firm for around Rs 200 crore.

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**Blackstone Won't Launch Planned  
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**Pequot Capital Management to  
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Early stage venture capital firm Ojas Venture Partners has invested an undisclosed amount in Delhi-based CoCubes. The firm is an online platform which aims to bring college and companies together for campus recruitment. Gautam Balijepalli, Principal at Ojas, confirmed the investment to VCCircle. He refused to comment further on the deal.

The company's business model involves signing up colleges for an annual fee. Then various companies looking to recruit pay CoCubes on a per campus basis. The company is also looking to reach out to colleges tier-2/3 cities. The company has been co-founded by Harpreet Grover, who was with management consultancy firm Inductis and Vibhor Goyal, previously with Microsoft Research Centre.

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#### **Rajasthan Venture Capital To Raise Rs 500 Crore Fund**

Rajasthan Venture Capital Fund (RVCF), a state run fund for Rajasthan and NCR (National Capital Region) is raising its second fund with a target corpus of Rs 500 crore. The fund will have a mix of foreign and domestic subscribers and is targeting its close for the financial year 2011-2012. The fundraising is expected to be closed by mid 2011.

Rajasthan State Industrial Development and Investment Corporation (RIICO) and Small Industries Development Bank of India (SIDBI) are the anchor contributors to Rajasthan Venture Capital Fund.

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#### **Kerala Based Builders Launch Real Estate Venture Capital Fund**

At a time when the real estate sector is going through liquidity problems, the promoters of the Hi-lite Group, Kerala Based builders have launched a real estate focused venture capital fund.

Secura India Real Estate Fund, Kerala's first SEBI recognised real estate venture capital fund, has been launched in Kozhikode. It will be a Shariah compliant fund. Besides the Hi-lite group, the fund is also promoted by a group of real estate professionals.

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### **SUN Apollo Acquires 15% Stake in Keystone Realtors: Report**

SUN Apollo Ventures has acquired a 15% stake in Keystone Realtors, Mumbai based real estate developers, for Rs 300 crore, valuing the company at around Rs 2,000 crores, reports Business Standard.

SUN Apollo's \$630-million offshore fund, SUN-Apollo India Real Estate Fund will invest in the existing foreign direct investment (FDI) compliant projects of Keystone, also known as the Rustomjee group. The report adds that it will also invest in the future projects of keystone.

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### **Classifieds Firm OLX Raises \$5 Million From Nexus India Capital**

Local information firms are surely becoming a must have on portfolio of Indian venture capital firms. Nexus India Capital has invested \$5 million in New York-based classifieds firm OLX. Suvir Sujan, co-founder and managing director, Nexus India Capital, has confirmed the investment to VCCircle. Besides India, OLX also has a strong presence in Spain, Portugal, Mexico, South America, China, and the Philippines.

"We are strong believers in the future of free online classifieds around the world and think that the OLX team is one of the best teams to execute this vision," said Sujan in an email response.

OLX raised its series-B round of \$13.5 million in December 2008 from General Catalyst Partners, Bessemer Venture Partners, Founders Fund and DN Capital. With this investment from Nexus, the total funding raised by OLX stands at \$28.5 million. OLX, founded in March 2006, is used in over 40 countries in 15 languages.

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### **Helion Invests Rs 16 Crore In Quick Service Restaurant Business**

In these difficult times, when real economy has been hit hard, venture funds are slowly expanding their portfolio by investing in businesses where consumers are spending. Helion Venture partners has invested Rs 16 crore in Brand Calculus, a

Bangalore based company which brings in international brands operating in the fashion, food and wellness service sectors to India.

Brand Calculus is promoted by lifestyle industry's serial entrepreneur, Fazle Naqvi, who co-founded Indus League and was involved with the early days of Madura Garments. The company recently struck a deal to launch Canadian Juice and smoothies major Booster Juice into the Indian market. Brand Calculus is the exclusive master franchisee of the brand in India.

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### **Leverage India Fund Exits ABG Shipyard Partially, SCPE Ups Stake**

Leverage India Fund has made a part exit from private sector ship builder ABG Shipyard Ltd. The private equity fund, managed by IL&FS Investment Managers Ltd (IIML), has sold 0.5% stake on National Stock Exchange for Rs 3.86 crore on Friday. On the other hand, Standard Chartered Private Equity has upped its stake over the last year in the firm.

Leverage India Fund sold half of its original 5.32% stake in the firm in the period between July to December to 2007. The shares were trading between Rs 440 to Rs 990 during that period. This would mean an exit of between 4x to 8x, as the private equity fund had invested at Rs 113 per share in 2005. On Friday's deal, Leverage India Fund sold the stake for Rs 151 per share.

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### **AIF Capital Misses Boom Time Exit Of Yes Bank; Makes 5X Still**

AIF Capital has made a partial exit from its pre IPO investment in Yes Bank at 5.8x in five years time. The Hong Kong-headquartered private equity firm had invested in Yes Bank just after the bank was incorporated in late 2003. The original investment was estimated at Rs 21 crore made at a price of Rs 14 per share in March 2004.

Now, AIF has sold 2.2 million shares out of the 15 million it bought originally (and held on to since then) at an average price of Rs 83.45 translating into a deal worth Rs 18.4 crore (\$3.6 million). AIF which had invested through Russel AIF Capital, still holds the remaining 12.8 million shares of Yes Bank which is valued at Rs 103 crore at last traded price.

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### **IDFC PE To Swap Equity in Delhi Airport for GMR Infra Stake**

IDFC Private Equity, India's largest infrastructure focused private equity fund, is getting equity shares in the publicly listed GMR Infrastructure Ltd through a share swap. The board of infrastructure major has approved issue of preferential shares to IDFC Infrastructure Fund - India Development Fund, the firm said in a filing to Bombay Stock Exchange.

When contacted by VCCircle, IDFC PE said that the shares being allotted are in respect to shareholding previously held in Delhi International Airport Pvt Ltd (DIAL). DIAL is a subsidiary of GMR Infrastructure.

The share swap will provide IDFC PE with greater liquidity as GMR Infra is listed. Even though stock markets have somewhat revived, opening of primary markets is still a little far away. This has blocked private equity exits through the IPO window.

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### **IFC To Invest Rs 150 Crore In Max India**

Diversified business house Max India is issuing equity shares in the company to IFC, the private equity arm of the World Bank. Max, which has interests in areas like healthcare and insurance, will issue equity of upto Rs 150 crore on a preferential basis. The board of directors of Max India will hold a meeting on May 15 to consider the proposal. Private equity major Warburg Pincus holds a 22% stake in Max India.

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### **iYogi Acquires Computer Security Service provider, Clean Machine**

Venture capital backed iYogi, a Gurgaon based direct to consumer technical support provider, has acquired Utah based Clean Machine Inc, a personal computer security and performance management service provider, for an undisclosed amount. iYogi has raised \$12.6 million in venture financing from Cannan Partners, Silion Valley Bank and SAP Ventures till now.

The acquisition would broaden iYogi's access to key markets through Clean

Machine's existing partnerships.

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#### **Hiranandani's AIM Listed Real Estate Fund Reports Net Loss of £30.84M**

Hirco, the AIM listed real estate fund floated by the Hiranandani Group has reported a net loss of £30.884 million, representing a loss per share of 40.36 pence. The company attributes the loss to the decline in the value of the underlying projects in which the company has made investments and professional fee expenses.

Hirco's Net Asset Value (NAV), as of 31 March 2009, was £6.72 per share, down 5.7% from a NAV of £7.12 per share as of 30 September 2008. Additionally, during the period ending 31 March 2009, the company incurred one-time charges relating to professional fee expenses totalling approximately £3.739 million, equating to approximately £0.05 per share

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#### **IDFC PE To Get Less Than 1% Stake in GMR Infra For Airport Swap**

IDFC Private Equity stands to get around 0.73% stake in Hyderabad-based GMR Infrastructure, the flagship company of GMR Group. The stake is part of the stock swap arrangement between IDFC's India Development Fund and GMR group.

IDFC PE is getting the preferential shares in GMR Infra in lieu of its investment in Delhi International Airport Pvt Ltd (DIAL), a subsidiary of GMR Infrastructure. Other shareholders in DIAL are Frankfurt airport operator Fraport AG and Malaysia Airports Holdings Bhd.

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#### **Hot Air Ballooning Co Raises Funds From Rajasthan Venture Capital**

E-Factor Adventure Tourism Pvt. Ltd, a subsidiary of the celebrity wedding planner and management company E-Factor Entertainment, has raised undisclosed amount of funding from Rajasthan Venture Capital Fund (RVCF) for a 13% stake in its second round of funding. The funds have been raised for its hot air ballooning business, Sky Waltz. Pune-based RCS Advisors India Pvt. Ltd. acted as the advisors to the deal.

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### **KS Oils To Raise Rs 450 Crore From New Silk Route, CVCI, Baring**

This will be the largest investment in agri and food space thus far. The Morena, Madhya Pradesh-based edible oil company KS Oils is raising Rs 450 crore (\$90 million) from a clutch of private equity funds such as New Silk Route and the existing backers like Citi Venture Capital International (CVCI) and Baring Private Equity Asia. Besides, promoters will also subscribe to warrants in this round, which involves issue of preferential equity shares and convertible warrants, besides a GDR issue.

According to its filing to BSE, New Silk Route is investing Rs 135 crore in the company through subscription of equity shares. CVCI and Baring Asia, who are the existing investors, are subscribing to convertible warrants, investing Rs 49 crore each. NSR will issue equity shares at Rs 48.35, while Baring Asia and CVCI will convert the warrants at a price of Rs 56.50.

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### **Diageo, KKR To Pick Up Stake in Mallya's USL**

World's largest spirits maker Diageo and Kohlberg Kravis Roberts & Co (KKR) may pick up a stake in Vijay Mallya's United Spirits Ltd (USL). While private equity major KKR could pick up a 10% stake in the firm, Diageo may pick up a 14.99% stake, reports Economic Times. The report adds that the deal structure is being worked out so as to avoid Securities and Exchange Board of India's (SEBI) takeover code.

KKR has recently shown interest in alcoholic beverages space with buy-out of Anheuser-Busch InBev's Oriental Brewery for \$1.8 billion. The deal to acquire the South Korean brewery was one of the largest in recent times.

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### **PE Firm GTI Group Invests in Day-Care Surgery Centre Chain**

Global Technology Investment Group (GTI), a New York based private equity firm, has invested in day care surgery center chain Nova Medical Centers India. The private equity firm will invest around \$50-60 million to set up centers across the country. The firm has opened its first facility in Bangalore.

Day care surgery centres carry out non-critical procedures like cosmetic, eye, gynecology, etc. Experts believe that approximately 70% of the surgeries carried out in hospitals can be done in day-care centres. Nova plans to have 100 centers across

the country in the next three years, said CEO Suresh Soni in a release. Dr. Mahesh Reddy is also one of the founders, board members and director of operations for Nova Medical.

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### **ChrysCapital Sells A Third Of Its Holding In Shriram Transport At 8.5x**

Many said that 2009 will not be a year for exits, leave alone great exits. But ChrysCapital, India's home grown private equity biggie, may just have proved them wrong. The PE major has sold nearly a 5% stake in Shriram Transport Finance Company (STFC), a Chennai-based commercial vehicle financier. The stake has been sold for Rs 300 crore to ICICI Prudential Life Insurance Co Ltd on the National Stock Exchange. The deal gives ChrysCapital more than 8.5 times return on its average investment cost in STFC. It still retains more than 10% in STFC through its subsidiary UNO Investments.

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### **Citigroup Venture Capital International Exits HT Media, Lupin**

Now it's Citigroup Venture Capital International (CVCI) time to cash in on the rally. CVCI, the private equity arm of Citigroup, has sold stake in two more of its public portfolio investments in the latest such deals. India's PE veteran has now sold most of its stake in both drugmaker Lupin and HT Media. This comes on the backdrop of a buoyant stock markets, which have lifted since election results were declared. CVCI has also recently sold stake in Techno Electric & Engg Company Ltd.

The Sensex has risen from 8,160 points on March 9 to closing at 13,887 points today. Several funds have like ChrysCapital, Standard Chartered Private Equity (SCPE), IL&FS Investment Managers, etc. have used the current rally since March to sell stake in firms.

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### **Sobha Developers To Raise Rs 225 Crore From Purna Partners**

Sobha Developers, Bangalore based realtor, said it is raising Rs 225 crore from Purna Partners, a private equity fund. The investment will be made at the special purpose vehicle (SPV) level.

In its communique to the stock exchanges, the company said that it has already received Rs 25 crore from the private equity investor. The raised funds will be used towards the developments of projects in Bangalore and Pune. Sobha is identifying land parcels for developing residential as well commercial projects. It will also undertake mixed development projects in these cities.

Each of the projects will be valued separately and Sobha as well as Purna partners will hold stakes in them. Besides this, Sobha Developers will also execute the projects as the principal contractor. The number of projects will be decided by the investor.

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### **Canaan Appoints Yahoo Exec As Entrepreneur-in-Residence**

Venture capital fund Canaan Partners has appointed former Yahoo and Symantec executive Sharad Sharma as an entrepreneur-in-residence. Sharma earlier led Yahoo! India R&D and was the India General Manager and VP of Product Operations with Symantec. Sharma was responsible for turning around the operations of Symantec's, formerly VERITAS Software, operations in India. Sharma, who has more than 22 years of experience, will help strengthen Canaan's presence and focus on the cloud computing market. Canaan already has investments in this area like Virsto Software and SOASTA, Inc.

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### **Share Microfin To Raise \$50 Million From IFC, Others**

Hyderabad-based Share Microfinance Ltd, one of the largest microfinance institutions (MFI) in India, is raising a \$50 million round of equity funding. International Finance Corp (IFC), the private equity arm of the World Bank, is looking to invest in the firm with other investors. Share Microfin has raised funding from Legatum Ventures Ltd and Aavishkar-Goodwell India Microfinance Development Co. Ltd.

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### **PE Funds Choose Open Markets To Exit; They Are Making Money Too**

Going by the state of capital markets in the early months of 2009, it really did not look like 2009 will be the year of exits for private equity funds. But if the recent market action is any indication, this may well be the year of open market exits. Private equity funds like ChrysCapital, Citi Venture Capital International (CVCI), Sequoia Capital India, 2i Capital, IL&FS Investment Managers (IIML) and the 3i Group have sold

stakes in their portfolio companies either partially or fully.

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## International News

### Ashmore Sets Up Global Recovery Fund

Emerging markets fund manager Ashmore Investment Management Ltd has launched a fund targeting less liquid assets. The new fund, called Ashmore Global Consolidation and Recovery Fund (AGCRF), has seed investment from Swiss banking major UBS of reportedly \$100 million. The fund has an objective of maximising the recovery value of less liquid or other financial assets in emerging markets.

Ashmore has invested in a number of firms in India. It also runs a private equity joint venture with Alchemy Partners in India. Some of Ashmore's India investments include majority stake in Broadband Pacenet and Rs 90 crore investment in Quality Care India.

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### KKR Sets Up Shop In Dubai, Granted License To Operate From DIFC

Private equity firm Kohlberg Kravis Roberts & Co said on Monday it has set up a subsidiary in Dubai to do business in the Middle East and North Africa.

KKR MENA Ltd was granted a license by the Dubai Financial Services Authority to operate from the Dubai International Financial Centre, it said.

The private equity major appointed a head of Middle East and North Africa (MENA) in September last year. Makram Azar joined from Lehman Brothers, where he was global head of sovereign wealth funds.

In a press statement, KKR MENA said that it will pursue private equity and infrastructure transactions in the region and engage in the distribution of various KKR products.

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### \$5-Billion Plus Private Equity Funds Closed In Last 12 Months

Below is a list of the private equity funds over \$5bln in size that have closed in the last

12 months.

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### **Blackstone Won't Launch Planned \$1B Asian Event-Driven Hedge Fund**

The Blackstone Group has pulled the plug on an ambitious plan to launch a \$1 billion Asian event-driven hedge fund.

Blackstone cancelled the fund, which it announced a year ago, in March “after a review of the market environment and our strategic priorities globally,” the firm told Bloomberg News. Blackstone’s hedge fund groups have been retrenching in Asia, and the firm’s GSO Capital Partners closed its desk in the region in January.

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### **Pequot Capital Management to Shut Down Operations**

Pequot Capital Management, a well known hedge fund, is shutting down operations. The fund is closing shop due to a reopened probe by the US government against it on charges of insider trading. The Securities and Exchange Commission (SEC) started a probe into whether Pequot illegally profited in 2001 by trading on inside information about Microsoft Corp. Pequot Capital Management is registered as a Foreign Institution Investor (FII) in India with SEBI and has also invested in an Indian mobile startup.

When the probe was started in 2001, Pequot was the largest hedge fund in the world with \$15 billion in assets. Its assets as of May 15 stand at \$3.47 billion. John Mack, head of Wall Street investment bank Morgan Stanley, worked with Pequot from 2004 to 2005 before joining Morgan Stanley. Mack was also probed in the investigation.

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## Regulatory Updates

### **New regime for PE investments likely soon**

**The Economic Times – 6 May 2009**

Financial sector regulators in India are working at clearly defining private equity (PE) investments and evolving a regulatory structure for facilitating inflows through this route.

Currently, the term private equity is broadly defined, although there are sub-categories such as venture capital (investments into start-ups and early stage companies), growth capital (equity investments in mid-late stage companies), leveraged buyouts (ideal for companies with higher leverage, higher margins and stable cash flows), buyouts (ideal for promoters looking for exit opportunities) and distressed or special situations.

ET has learnt that senior officials from the finance ministry, Foreign Investment Promotion Board (FIPB), the Reserve Bank of India, the Securities and Exchange Board of India (Sebi) and industry body India Venture Capital Association met in Delhi recently to discuss the issue.

“The purpose is to assess whether the current regulatory regime is conducive for different types of capital essential for the growth of the industry,” an official who attended the meeting told ET.

Regulators are also working towards forming an association similar to the Association of Mutual Funds of India (AMFI) for collating all data pertaining to PE investments in the country.

Currently, data on PE investments and foreign direct investments are combined together. Most of the information on PE flows are sourced from private aggregators. In another development, RBI may review its recent decision on clearing foreign venture capital funds (VCFs) with sectoral restrictions, people familiar with the matter told ET.

Late last year, the central bank started clearing the applications backlog of many foreign venture capital funds that were adequately capitalised. Many VCFs were setting up entities in Mauritius with only a few thousand dollars, as overseas investors in those funds were reluctant to park money in Mauritius before receiving regulatory clearances. This was unacceptable to RBI.

While clearing the cases, RBI inserted a new clause that restricted investments by these foreign funds to certain sectors on the lines of similar prescriptions under the Income Tax Act for availing of a tax pass-through for Sebi registered VCFs.

Foreign VCFs will be permitted in 10 sectors, including infrastructure, biotechnology, hardware and software development, nanotechnology, seed research and development, R&D of new chemical entities in pharma sector, dairy industry, poultry industry, production of bio-fuels and hotel-cum-convention centres with seating capacity of more than 3,000.

Policymakers are wary of venture fund investments in the real estate sector and are refusing to clear the applications of

interested foreign VCFs. In 2004, Sebi had removed real estate from the negative list to encourage inflows. Now, this sector does not figure either in the negative list or the list of sectors approved for VCF investments.

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### **IDFC Raising \$500 Mn Asia Fund of Funds; May Commit \$50 Mn**

**V.C.Circle - 01 May 2009**

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IDFC plans to commit \$50 million to the fund and is expecting first close later this year. IDFC Capital will also allocate fund to some other Asian emerging markets and Southeast Asia. It will also look at other emerging markets such as Sub-Saharan Africa.

Veronica John, who was a portfolio director at CDC Group, will be the chief executive of IDFC Capital. IDFC has a private equity division, IDFC Private Equity, which manages \$1.3 billion through three funds. IDFC also has a project equity arm, which manages the \$900 million India Infrastructure Fund.

Another Indian bank that was looking to launch a private equity fund of funds was ICICI Bank. It was planning to raise a fund with initial size of \$500 million which would expand to around \$2.5 billion. But this was back in 2007, when the economy and the markets were in full swing.

Besides IDFC becoming the first Indian institution to raise a fund of funds, it will also become one of the few investing internationally. Several Indian fund managers seem to be looking for an international presence. IL&FS Investment Managers is raising a pan-Asia infrastructure fund with Standard Chartered, which made second close at \$601 million.

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### **Baring PE Gets Control Over JRG Sec; Promoters Step Down**

**V.C.Circle - 04 May 2009**

Baring Private Equity Partners (India) Ltd is taking complete control of Kochi-based brokerage firm JRG Securities. The private equity firm has recast the broker's management, with original promoter managers stepping down from executive positions and the company board. Baring has appointed Gaurav Soni, currently CFO of JRG, as a Managing Director. Soni was earlier with Ernst & Young.

Baring had acquired management control of JRG Securities with a majority stake of 46% in October 2007.

JRG has applied to stock exchanges for declassification of the promoter group, the company said in a filing to BSE. This would mean that now Duckworth Ltd, a wholly owned subsidiary of Baring, would now be the only promoter firm.

The original promoters like Regi Jacob, Giby Mathew, Jiji Antony would cease to be classified as promoters. The firm has appointed Pradeep Mallick, former chairman of CII Western Region, as an independent director. The other independent directors on company board are T M Venkataraman (ex-chairman of Dhanalakshmi Bank) and lawyer BR Menon. Baring chief Rahul Bhasin is the chairman.

The original promoters have also stepped down from their executive posts and will now have one seat on the board. Jacob has stepped down as the managing director, but he will continue to be on the board. Mathew has also stepped down as an executive director, while Antony had moved out of the board when Baring invested.

"One of the things we are doing now is getting a complete set of management professionals," Munish Dayal, Partner at Baring, told VCCircle. JRG has also hired eight management executives from IIMs and FMS this year to professionalise the broking firm.

#### Warrants Out, Open Market In

Baring had also subscribed to 1.33 crore warrants in the firm at the time of stake acquisition. These warrants, which were to be converted at Rs 48 per unit for a share, expired on April 29, 2009. The stock closed at Rs 27.5 today. Baring is not looking at another warrants issue in the immediate future, said Dayal, who also sits on the board of JRG.

On the other hand Baring has picked up an additional 2% stake in the firm through open markets since December last year. When asked if Baring plans to continue increasing its stake in JRG through open markets, Dayal said: "Whatever opportunity possible, we will increase our stake, whether it is infusion of more capital or secondary markets."

#### Revenue Diversification

Brokerages around the country, once a favourite sector among PE investors, have suffered due to the equity market meltdown. Though it's also hit, JRG has is undertaking expansion of its revenue streams. JRG plans to be a diversified financial services company instead of just an equity brokerage, said Dayal. It also has a wealth management arm.

Besides equity broking, JRG has built up broking business in commodity and insurance in last one year. It has also incorporated an NBFC which provides services like margin finance and loans against shares, said Dayal. Another offering just started is gold loans - loans to buy gold.

JRG is now looking to expand the reach of these product offerings. The company targets retail investors in South India and parts of Maharashtra. JRG has also built up online trading platform, I Trade, and plans to invest there also. "It is among the best internet broking products in the market," claims Dayal.

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### **KKR Moves US Director To Mumbai**

**V.C.Circle - 05 May 2009**

KKR, the world's leading buyout investor is relocating its veteran Nathaniel Taylor from the firm's Menlo Park office to Mumbai. Taylor's move to the Mumbai office only reaffirms the private equity giant's interest in India, which recently hired Sanjay Nayar, the former chief executive of Citibank India to lead its operations in the country.

Taylor's association to India is not new. He has been involved with KKR's investments in Aricent, formerly known as Flextronics Software Systems and currently also sits on the board of directors of Aricent.

In one of the largest leverage buyouts in India till date, KKR acquired the software unit of Flextronics International Ltd. for \$900 million in 2006. Taylor joined KKR in 2005 and is a member of the Technology industry team, and has been involved with firms' other investments - SunGard Data Systems, and Sun Microsystems. Prior to joining KKR, Taylor was with Bain Capital where he was involved in the execution of investments in the retail, health care and technology sectors

#### KKR in India

Most recently, one of the co-founders of KKR, Henry Kravis was in the country following the buyout firm opening its shop in Mumbai. 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 reportedly said 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 here. The fund's latest investment in India was made in February 2008, when it invested \$250 million in Bharti Infratel Ltd.

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### **India Value Fund Picks Up Majority Stake in Innovative B2B Logistics**

**V.C.Circle - 05 May 2009**

India Value Fund (IVF) has picked up a majority stake in private container trains operator Innovative B2B Logistic Solutions (Inlogistics) for an undisclosed amount. An official from the fund has confirmed this development to VCCircle. An Economic Times report earlier stated that IVF has picked up more than 51% stake in the firm for around Rs 200 crore.

Delhi-based Inlogistics claims to be India's first private container operator and was formed in 2006. It was formed by Bagadiya Brothers (P) and Bothra Shipping. The company now plans to build rail, terminals, warehousing and other logistics infrastructure across India to offer end to end logistics services to institutional customers. Inlogistics presently has eight container trains, which it plans to increase to 40 in next two years. It has revenues of Rs 80 crore.

India Value Fund, which is raising its fourth fund of \$800 million, has a strategy of acquiring controlling stake in portfolio companies. Another one of its recent controlled transactions was Bangalore-based Atria Convergence Technologies (ACT TV), which recently launched IPTV services in the city with an investment of Rs 450 crore.

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### **Ojas Invests in Online Campus Recruitment Website**

**V.C.Circle - 05 May 2009**

Early stage venture capital firm Ojas Venture Partners has invested an undisclosed amount in Delhi-based CoCubes. The firm is an online platform which aims to bring college and companies together for campus recruitment. Gautam Balijepalli, Principal at Ojas, confirmed the investment to VCCircle. He refused to comment further on the deal.

The company's business model involves signing up colleges for an annual fee. Then various companies looking to recruit pay CoCubes on a per campus basis. The company is also looking to reach out to colleges tier-2/3 cities. The company has been co-founded by Harpreet Grover, who was with management consultancy firm Inductis and Vibhor Goyal, previously with Microsoft Research Centre.

CoCubes reduces cost of companies and helps them reach out to a larger audience. Some of the companies recruiting through CoCubes are Evaluserve, SRF, Motilal Oswal, Thinklabs, etc.

Balijepalli and Raghu Batta, partner at Ojas, have joined the board of CoCubes. Other investors in the company include Amanjeet Saluja (Vice President - Ocwen Financial Solutions), Nikesh Shah (Business Manager, Europe – Infosys BPO) and Rajiv Raghunandan (Practise Lead - Infosys), as per its website.

Ojas Ventures, a \$35 million fund, has till now invested mainly companies serving the mobile & telecommunications segment. It has invested in Tyfone Inc (mobile payment/banking co), Ziva Software (engaged in products and services in the mobile search domain), Telibrahma (mobile digital media company), etc.

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### **Rajasthan Venture Capital To Raise Rs 500 Crore Fund**

**V.C.Circle - 06 May 2009**

Rajasthan Venture Capital Fund (RVCF), a state run fund for Rajasthan and NCR ( National Capital Region) is raising its second fund with a target corpus of Rs 500 crore. The fund will have a mix of foreign and domestic subscribers and is

targeting its close for the financial year 2011-2012. The fundraising is expected to be closed by mid 2011.

Rajasthan State Industrial Development and Investment Corporation (RIICO) and Small Industries Development Bank of India (SIDBI) are the anchor contributors to Rajasthan Venture Capital Fund.

“Our second fund, which will be a Rs 500 crore fund, is currently in the formation stage and we are still structuring it. It would invest in technology and there will also be a component of sectors that reflect a higher growth rate,” Girish Gupta, CEO, RVCF, told VCCircle.

The fund is looking at European countries and has also received interests from the Middle East. The fund would focus on investing in the growth stage companies as Gupta says, “Now that the country is expected to grow 6-8% in the next 2 years, we see a lot of opportunities in the growth stage.”

Gupta admits that the current times are tough and raising funds is no easy task. However, he points out that RVCF’s advantages over other funds play a crucial role in convincing investors. “We have some advantages in terms of our location as we are located in Jaipur and invest in the NCR region. Most of the other funds are located in Bangalore and Mumbai,” says Gupta.

RVCF’s previous fund was a Rs 100 crore fund with a green shoe option of Rs 50 crore. It has already invested in 10 companies out of this fund and has exited four of its portfolio companies. According to Gupta, the fund will take another two years to exit out of its remaining 6 portfolio companies. Out of its portfolio of ten companies, four are based out of Rajasthan.

Currently the fund is investing in the sectors that are less impacted by the slowdown like non-formal education, healthcare, media and entertainment.

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### **Kerala Based Builders Launch Real Estate Venture Capital Fund**

**V.C.Circle - 08 May 2009**

At a time when the real estate sector is going through liquidity problems, the promoters of the Hi-lite Group, Kerala Based builders have launched a real estate focused venture capital fund.

Secura India Real Estate Fund, Kerala’s first SEBI recognised real estate venture capital fund, has been launched in Kozhikode. It will be a Shariah compliant fund. Besides the Hi-lite group, the fund is also promoted by a group of real estate professionals.

The fund targets an initial corpus of Rs 50 crore, the closing date being July, 31. The minimum investment limit, is reportedly Rs 5 lakhs and the investments can be made in various installments. An investor would need to pay only 20% of the total investment as the first installment and the rest of the installments can be paid over a period of 18 months.

The VC investment in any project would be typically at land Cost stage, under which the fund would invest and collaborate with developers/land owners from inception to completion. It would also provide capital for land acquisition in the high potential locations for development.

The fund would be involved in the shaping the direction of the project and may do so through active involvement in the special purpose vehicles (SPVs). The fund's managing director, M.A. Mehaboob is the promoter and Director of hi-lite Builders Private Limited.

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### **SUN Apollo Acquires 15% Stake in Keystone Realtors: Report**

**V.C.Circle - 08 May 2009**

SUN Apollo Ventures has acquired a 15% stake in Keystone Realtors, Mumbai based real estate developers, for Rs 300 crore, valuing the company at around Rs 2,000 crores, reports Business Standard.

SUN Apollo's \$630-million offshore fund, SUN-Apollo India Real Estate Fund will invest in the existing foreign direct investment (FDI) compliant projects of Keystone, also known as the Rustomjee group. The report adds that it will also invest in the future projects of keystone.

When contacted Sun Apollo Ventures, they refused to comment on the deal to VCCircle.

SUN Apollo Ventures is a joint venture between the Delhi based Khemka family and the US based AREA property partners. Keystone has a 250 million square feet land under development in Mumbai and its suburbs, a large part of which is in residential segment. The developer has been posting annual revenues of Rs 200 crore and is aiming at registering a 100% sales growth every year, adds the report.

The investment, according to the report, is 2009's first one in the real estate sector. The deal comes at a time when even real estate giants like Unitech and DLF are finding it tough to survive, with the markets going through a credit crunch and the lack of liquidity. While Unitech has been selling its properties to repay debts, DLF is planning to raise Rs 5,500 crore through sale of assets to support its ongoing projects, reports economic times. DLF reported a 93% decline in its profits for Q4 FY 08-09.

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### **Classifieds Firm OLX Raises \$5 Million From Nexus India Capital**

**V.C.Circle – 09 May 2009**

Local information firms are surely becoming a must have on portfolio of Indian venture capital firms. Nexus India Capital has

invested \$5 million in New York-based classifieds firm OLX. Suvir Sujan, co-founder and managing director, Nexus India Capital, has confirmed

the investment to VCCircle. Besides India, OLX also has a strong presence in Spain, Portugal, Mexico, South America, China, and the Philippines.

"We are strong believers in the future of free online classifieds around the world and think that the OLX team is one of the best teams to execute this vision," said Sujan in an email response.

OLX raised its series-B round of \$13.5 million in December 2008 from General Catalyst Partners, Bessemer Venture Partners, Founders Fund and DN Capital. With this investment from Nexus, the total funding raised by OLX stands at \$28.5 million. OLX, founded in March 2006, is used in over 40 countries in 15 languages.

OLX founder and CEO Fabrice Grinda told TechCrunch that new investment will be used to make new acquisitions, implement site improvements, expand globally, and pursue aggressive marketing initiatives. OLX has already acquired a classifieds site targeting Hispanic market and has also invested in a Chinese classifieds website.

There have been a number of investments in local information firms and the area continues to attract investment. Earlier this year Helion Ventures invested in Delhi-based GETIT Infoservices, a producer of yellow pages and directories. Another recent investment was Intel Capital's deal with online B2B marketplace Indiamart, which lists companies and connects Indian suppliers with domestic and global buyers.

Other investment in this area include SAIF Partners backed JustDial, Norwest Venture Partners backed Sulekha and Matrix Partners backed AskLaila.

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### **Helion Invests Rs 16 Crore In Quick Service Restaurant Business**

**V.C.Circle – 09 May 2009**

In these difficult times, when real economy has been hit hard, venture funds are slowly expanding their portfolio by investing in businesses where consumers are spending. Helion Venture partners has invested Rs 16 crore in Brand Calculus, a Bangalore based company which brings in international brands operating in the fashion, food and wellness service sectors to India.

Brand Calculus is promoted by lifestyle industry's serial entrepreneur, Fazle Naqvi, who co-founded Indus League and was involved with the early days of Madura Garments. The company recently struck a deal to launch Canadian Juice and smoothies major Booster Juice into the Indian market. Brand Calculus is the exclusive master franchisee of the brand in India.

Brand Calculus currently has three Booster Juice outlets in India- one in Delhi and two in Bangalore. The company plans to

expand its operations from the current three outlets to twenty outlets across three cities by the end of 2009.

The infusion of funds by Helion will be used for the expansion of the Booster Juice network by increasing its outlets in the country. Part of it will also be used for the brand building of Booster Juice.

The company essentially works on the model of franchising, whereby it will work with new franchisees, provide them training and help them build the right partnerships and establish brand in the domestic market.

Kanwaljit Singh, Managing Director at Helion Advisors Pvt Ltd, will join the board of Brand Calculus. The investment marks Helion's first investment in the food services sector. Helion, a multi-stage India focused venture fund, has \$350 million under management. It focuses its investments in various sectors such as outsourcing, internet, mobile, technology products, retail services, education and financial services.

About two months back, the fund announced its investment in another consumer spending linked business. It invested Rs 20 crores in YLG ( You look good ) , a Bangalore based chain of salons and Spas.

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### **Leverage India Fund Exits ABG Shipyard Partially, SCPE Ups Stake**

**V.C.Circle – 11 May 2009**

Leverage India Fund has made a part exit from private sector ship builder ABG Shipyard Ltd. The private equity fund, managed by IL&FS Investment Managers Ltd (IIML), has sold 0.5% stake on National Stock Exchange for Rs 3.86 crore on Friday. On the other hand, Standard Chartered Private Equity has upped its stake over the last year in the firm.

Leverage India Fund sold half of its original 5.32% stake in the firm in the period between July to December to 2007. The shares were trading between Rs 440 to Rs 990 during that period. This would mean an exit of between 4x to 8x, as the private equity fund had invested at Rs 113 per share in 2005. On Friday's deal, Leverage India Fund sold the stake for Rs 151 per share.

ABG Shipyard also raised private equity funds from New York Life Investment Management India Ltd (NYLIM) and Merlion India Fund in 2005. Merlion Fund is a joint venture between Temasek and Standard Chartered Private Equity, and has a corpus of \$100 million. NYLIM had already completely exited its investment by June 2007.

This is not the first company in which India Leverage Fund sold a stake in recent months. It has also sold a little more than 2% stake in IBN18 Broadcast, which operates general news channels CNN-IBN and IBN7. The stake was sold for Rs 35.8 crore between September 2008 and April 2009.

Standard Chartered Private Equity (SCPE) has increased its stake in ABG Shipyard from 1.3% in June 2008 to 5.41% by March 2009. It had bought initial part of the stake from open markets in 2006 end for a share price of Rs 217. SCPE has also picked up stakes in Karur Vysya Bank Ltd and Indian Overseas Bank in February from open markets, besides averaging its

investment in Mahindra & Mahindra Financial Services.

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### **AIF Capital Misses Boom Time Exit Of Yes Bank; Makes 5X Still**

**V.C.Circle – 11 May 2009**

AIF Capital has made a partial exit from its pre IPO investment in Yes Bank at 5.8x in five years time. The Hong Kong-headquartered private equity firm had invested in Yes Bank just after the bank was incorporated in late 2003. The original investment was estimated at Rs 21 crore made at a price of Rs 14 per share in March 2004.

Now, AIF has sold 2.2 million shares out of the 15 million it bought originally (and held on to since then) at an average price of Rs 83.45 translating into a deal worth Rs 18.4 crore (\$3.6 million). AIF which had invested through Russel AIF Capital, still holds the remaining 12.8 million shares of Yes Bank which is valued at Rs 103 crore at last traded price.

Although AIF is still sitting on profits on its investments in Yes Bank, it potentially missed out on a much bigger booty. Yes Bank had hit an all time high of Rs 277.8 in January 2008 at the peak of the bull market. At that price AIF could have pocketed Rs 416 crore (\$100 million at that time) or 20x return within five years. But the market crash has changed all that.

Meanwhile, another co-investor in Yes Bank, private equity firm ChrysCapital exited its investment with much better returns. ChrysCapital which also invested Rs 21 crore in March 2004 to pick the same number of shares (as AIF Capital) -- 15 million of Yes Bank had exited in 2007 through more than one tranches.

It is estimated that ChrysCapital sold the shares at a price which ranged between Rs 150-200/share translating into an exit value of somewhere around Rs 230-280 crore or 11-13x returns in three and half years.

Established in 1994, AIF Capital has received investor commitments for its funds, including co-investment, in excess of \$1.5 billion. It provides capital for expansion, buy-outs or recapitalisation, primarily to unlisted companies. Some of its other investments in India include Bharti Infratel and Catholic Syrian Bank.

Its India investments is led by Ajay Lal who is also involved in deals for Indonesia, Philippines and Korea. Lal, an IIT (Delhi)-IIM (Calcutta) alumni, who joined AIF Capital in 1997 relocated to New Delhi in 2006 to head AIF Capital's office in India. Prior to joining AIF Capital, he worked with AIG Investment Corporation (India Head) and Bank of America (Vice President - Head Financial Institutions Group).

AIF Capital oversees a broad-based portfolio of investments in sectors ranging from supply chain management, financial services, manufacturing, speciality steels and engineering services, to power generation, telecom and transportation. AIF Capital's investors include major corporate and government pension and investment funds, insurance companies and financial institutions from North America, Australia, Asia and the Middle East and Europe besides multilateral agencies such as IFC, and ADB.

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### **IDFC PE To Swap Equity in Delhi Airport for GMR Infra Stake**

**V.C.Circle – 12 May 2009**

IDFC Private Equity, India's largest infrastructure focused private equity fund, is getting equity shares in the publicly listed GMR Infrastructure Ltd through a share swap. The board of infrastructure major has approved issue of preferential shares to IDFC Infrastructure Fund - India Development Fund, the firm said in a filing to Bombay Stock Exchange.

When contacted by VCCircle, IDFC PE said that the shares being allotted are in respect to shareholding previously held in Delhi International Airport Pvt Ltd (DIAL). DIAL is a subsidiary of GMR Infrastructure.

The share swap will provide IDFC PE with greater liquidity as GMR Infra is listed. Even though stock markets have somewhat revived, opening of primary markets is still a little far away. This has blocked private equity exits through the IPO window.

The deal is part of a pre-planned agreement between the two firms. "There was arrangement between us and the GMR Group that after three years we should have the option for a stake in the listed entity," said S G Shyam Sundar, MD at IDFC PE.

The move is similar to the one IDFC PE used to exit GMR Energy, another group firm. IDFC PE swapped its 15% stake in GMR Energy for a little more than 4% stake in GMR Infra in 2006.

GMR Infra, along with Frankfurt airport operator Fraport AG, Malaysia Airports Holdings Bhd and IDFC PE had won the bid for DIAL in 2006. IDFC PE has a 3.9% stake in the airport for an undisclosed amount.

DIAL has recently faced trouble raising funds for the continued modernisation of Delhi airport. Then the government had allowed DIAL to implement airport development fee on passengers, helping it meet the funding gap.

Completely Exits Gujarat State Petronet

IDFC PE has also completely exited state-run gas distribution firm Gujarat State Petronet Ltd (GSPL). The fund has sold its last 1.9% stake in the company for a total sum of between Rs 40-42 crore through open markets on BSE and NSE.

The fund had invested Rs 90 crore in GSPL in late 2004 for a little more than 20% stake. The stake got diluted as GSPL roped in more investors and also went for an IPO in 2006 after which IDFC PE's stake went down to 13.28%.

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### **IFC To Invest Rs 150 Crore In Max India**

**V.C.Circle – 13 May 2009**

Diversified business house Max India is issuing equity shares in the company to IFC, the private equity arm of the World Bank. Max, which has interests in areas like healthcare and insurance, will issue equity of upto Rs 150 crore on a preferential basis. The board of directors of Max India will hold a meeting on May 15 to consider the proposal. Private equity major Warburg Pincus holds a 22% stake in Max India.

The funds will be used Max Healthcare Institute Ltd, the groups hospital chain arm, to expand existing and set up more facilities in National Capital Region (NCR). IFC has previously invested in Max Healthcare. It made a \$66.7 million equity and quasi-equity investment in the company in 2007. This time round, IFC is investing in the listed parent company, and seems to be going in for more liquidity.

Max Healthcare will use Rs 150 crore from IFC construct to two greenfield hospitals in NCR - one in Shalimar Bagh and the other in Greater Noida. Both of these will be on completion 300 bed multi-specialty tertiary hospitals, starting with an initial capacity of 150 beds. The funds will also be used for expansion of existing Max facilities in the area. Max is expected to spend Rs 472 crore (~\$93 million) on the project.

Max presently operates six hospitals (700 beds) and two specialty clinics in the NCR area. It is also opening a 100 bed hospital in Dehradun. The project will take the total capacity of Max Healthcare to 2,000 beds.

Max India presently has a market capitalisation of around Rs 3,250 crore. As per the present market cap, IFC may get a 4-5% stake in the company. The stock closed at Rs 146.75 on Tuesday. Max India has a presence in areas like life insurance (a JV with New York Life), healthcare, clinical research, specialty plastics and health staffing.

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### **iYogi Acquires Computer Security Service provider, Clean Machine**

**V.C.Circle – 13 May 2009**

Venture capital backed iYogi, a Gurgaon based direct to consumer technical support provider, has acquired Utah based Clean Machine Inc, a personal computer security and performance management service provider, for an undisclosed amount. iYogi has raised \$12.6 million in venture financing from Cannan Partners, Silicon Valley Bank and SAP Ventures till now.

The acquisition would broaden iYogi's access to key markets through Clean Machine's existing partnerships.

Clean Machine would continue to operate as a separate brand under iYogi's umbrella. Clean Machine founder Larry Gordon has been appointed as the president of global channel sales for iYogi. Gordon has over 20 years of experience in marketing and sales building. He was the executive vice president at Capgemini and Kanbay. He was also VP of global marketing for Cognizant, a NASDAQ listed global IT services company and director of marketing for New York based Information Builders.

iYogi plans to integrate the technology developed by Clean Machine for delivering enhanced services by managing the

health and security for PC's and Apple Computers.

"This acquisition will help iYogi to enhance our customer experience and extend our market reach to the millions of consumers that are challenged by the increasingly complex technology environment. Clean Machine's proactive maintenance and management of PCs in home and small business environment will be our launch platform for building the next generation of managed services for consumers," said Uday Challu, CEO and co-founder, iYogi.

Besides having headquarters in Gurgaon, iYogi has offices in New York and provides personalised computer support for consumers and small businesses in United States, United Kingdom, Canada and Australia.

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### **Hiranandani's AIM Listed Real Estate Fund Reports Net Loss of £30.84M**

**V.C.Circle – 15 May 2009**

Hirco, the AIM listed real estate fund floated by the Hiranandani Group has reported a net loss of £30.884 million, representing a loss per share of 40.36 pence. The company attributes the loss to the decline in the value of the underlying projects in which the company has made investments and professional fee expenses.

Hirco's Net Asset Value (NAV), as of 31 March 2009, was £6.72 per share, down 5.7% from a NAV of £7.12 per share as of 30 September 2008. Additionally, during the period ending 31 March 2009, the company incurred one-time charges relating to professional fee expenses totalling approximately £3.739 million, equating to approximately £0.05 per share.

#### VALUE OF THE PROJECTS

However, the company's per square foot pricing for its various projects have increased, it said. The per square foot value of its Chennai Residential Township has increased by Rs 7 per square foot from Rs 4,192 per square foot in December 2008 to Rs 1499 per square foot currently. For its Panvel Residential Township, the rise has been Rs 36 per square foot from Rs 4,278 in December 2008 to the current price of Rs 4,314 per square foot. Despite the increase in the per-square-foot pricing of both the projects, the volume growth has declined significantly.

Jones Lang LaSalle Meghraj (JLLM), carried out the valuation exercise for Hirco . Hirco's initial investment in its four properties – Chennai Residential, Chennai Commercial, Panvel Commercial, and Panvel Residential – was approximately £350.8 million. Based on JLLM's new valuation of the properties, the value of Hirco's investment in these four properties as of 31 March 2009 was £424.6 million, representing a 21% increase from the initial acquisition cost.

#### PROGRESS ON PROJECTS

The slowdown in the velocity of sales declined during the first three months of the fiscal year, the challenging market environment had an effect on the company's presales activity at their major residential projects at Chennai in southeast India and at Panvel, a suburb of Mumbai.

Adding to its woes, the uncertainty caused by the actions of Laxey Partners, the London-based hedge fund, also affected presales in this period, said the company. Laxey Partners, which holds 10.1% stake in Hirco, demanded a non-Hiranandani Chairman for Hirco. Due to the activist investor, Hirco also had to helve its plans to merge its real estate projects (township developments at Panvel near Mumbai and Chennai) and Hirco Developments, a development firm, with its investment arm Hirco. The investor strongly opposed the merger stating that it would dilute their interest and in turn effectively cede control to the Hiranandani family.

The real estate company in its interim results said that it is seeking an additional experienced director to act as a Non-executive Director.

“In spite of the numerous adversities we faced in this period, including a troubled global economy, a challenging real estate market in India and the uncertainty caused by the actions of the Laxey Partners hedge fund, we continued to make progress in the achievement of our objectives to create long-term shareholder value,” said Niranjana Hiranandani, chairman, Hirco Plc.

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### **IDFC PE To Get Less Than 1% Stake in GMR Infra For Airport Swap**

**V.C.Circle– 15 May 2009**

IDFC Private Equity stands to get around 0.73% stake in Hyderabad-based GMR Infrastructure, the flagship company of GMR Group. The stake is part of the stock swap arrangement between IDFC's India Development Fund and GMR group.

IDFC PE is getting the preferential shares in GMR Infra in lieu of its investment in Delhi International Airport Pvt Ltd (DIAL), a subsidiary of GMR Infrastructure. Other shareholders in DIAL are Frankfurt airport operator Fraport AG and Malaysia Airports Holdings Bhd.

IDFC PE held a 3.9% stake in DIAL. It also paid DIAL Rs 48.75 crore for the option to subscribe more equity in the company. According to Friday's closing price of Rs 113.6, the stock IDFC PE is getting will be worth Rs 153.36 crore.

In another development, GMR Infra is planning to raise Rs 5,000 crore through issue of equity shares/GDRs/ADRs/ FCCBs and any other similar securities through preferential issue to qualified institutional investors or through private placements. The board has approved the issue, and the company will seek a nod from shareholders at EGM on June 9.

The funds will be used for implementation of GMR's power plant projects, which require an investment of Rs 18,000 crore. The company has net debt Rs 9,500 crore with a debt to equity ratio of 1:1.2.

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### **Hot Air Ballooning Co Raises Funds From Rajasthan Venture Capital**

**V.C.Circle-18 May 2009**

E-Factor Adventure Tourism Pvt. Ltd, a subsidiary of the celebrity wedding planner and management company E-Factor

Entertainment, has raised undisclosed amount of funding from Rajasthan Venture Capital Fund (RVCF) for a 13% stake in its second round of funding. The funds have been raised for its hot air ballooning business, Sky Waltz.

Pune-based RCS Advisors India Pvt. Ltd. acted as the advisors to the deal.

Sky Waltz claims to be the first ever brand in India to have received a hot air ballooning license. The two year old company is into the business of hot air balloon rides. It raised its first round of funding about a year back from an undisclosed investment banker for a 3% stake in the company. The company has, hence diluted a total of 16% stake since its inception.

The proceeds of the stake sale will be used for the brand promotion of Sky Waltz and towards the working capital. Part of the raised funds will also be used for the expansion of operations in other locations. Currently, Sky Waltz has operations in three locations – Jaipur, Ranthambore and Gurgaon.

#### Business Model

The company targets high end travellers and international tourists. It derives revenues from the sale of tickets for the rides. Each ride, which about an hour long, costs Rs 8,000 - Rs 10,000 per person. Each balloon has a capacity of carrying about 8-10 persons at a time. The company currently has six balloons across three locations. In terms of location, Jaipur happens to contribute to the bulk of the company's revenues.

The company also makes money by conducting special events and promotions for corporate team building events and by holding events on special occasions and festivals. Sky waltz is also planning to explore the advertising revenue stream by using the balloons as hoardings for advertisements.

Owing to its dependency on tourism, the business is a seasonal one. In a year, the company has about 7-8 business months. Monsoons and the extreme summer seasons are the 'no-business' months for the company. The Sky waltz team currently comprises of 50 people across its all three locations. It also plans to soon foray into allied business like theme rides, stay arrangements as well as package tours.

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#### **KS Oils To Raise Rs 450 Crore From New Silk Route, CVCI, Baring V.C.Circle-19 May 2009**

This will be the largest investment in agri and food space thus far. The Morena, Madhya Pradesh-based edible oil company KS Oils is raising Rs 450 crore (\$90 million) from a clutch of private equity funds such as New Silk Route and the existing backers like Citi Venture Capital International (CVCI) and Baring Private Equity Asia. Besides, promoters will also subscribe to warrants in this round, which involves issue of preferential equity shares and convertible warrants, besides a GDR issue.

According to its filing to BSE, New Silk Route is investing Rs 135 crore in the company through subscription of equity shares. CVCI and Baring Asia, who are the existing investors, are subscribing to convertible warrants, investing Rs 49 crore each. NSR will be issued equity shares at Rs 48.35, while Baring Asia and CVCI will convert the warrants at a price of Rs

56.50.

KS Oils was trading at Rs 53.50 at 11.10 AM today, up by more than 2%. The stock has touched a high of Rs 57 today. The funds will be used for international expansion by the firm. It plans to build greenfield palm plantations and acquire mature plantations in South-East Asia.

The promoters (the Gargs) are also being issued warrants worth Rs 157 crore in the company. The India listed company will also raise Rs 60 crore through a GDR issue. The company owns mustard oil brands such as Kalash, Double Sher and KS Gold.

New Silk Route's stake post transaction would be around 7%. This is the first investment in agri and food space, and also first PIPE by New Silk Route. Biggies like Blackstone and Morgan Stanley Private Equity have already opened their account in food and agri sector. Blackstone invested reportedly about \$80 million for less than 25% stake in India largest hybrid seeds company Nuziveedu Seeds Ltd (NSL Group) in December last year. Around the same time, Morgan Stanley Private Equity Asia, invested Rs. 182 crore (38.5 million) for a significant minority stake in Biotor Industries Ltd, a fertilizer company.

New Silk Route was founded in 2006, and has over \$1.4 billion under management with a focus on the Indian subcontinent and the Middle East. Its founders and leadership team include Rajat Gupta (former McKinsey worldwide chief), Parag Saxena (prominent VC), Victor Menezes (former vice chairman of Citigroup Inc), and Dr. A. Hafeez Shaikh (a former Pakistani minister and chairman of NSR Dubai).

CVC and Baring currently hold 12% and 6%, respectively, in KS Oils. The promoters hold a stake of around 38% and post dilution, their holding will fall to 36%.

KS Oils plans to invest money in expanding its Haldia refinery and palm plantations in Indonesia. It would invest Rs 75 crore in Haldia refinery and invest the remaining in Indonesia, the report further added. Last year, KS Oils had acquired a port-based refinery in Haldia Port for Rs 125 crore.

PricewaterhouseCoopers Pvt Ltd was the financial advisor to KS Oils on the deal.

The Rs 3,144 crore KS Oils is a leading edible oil company with 7% market share in the mustard oil segment and a 25% share in the branded mustard oil segment. India still imports edible oils - about 5-6 million tonnes every year.

In November 2006, KS Oils had raised Rs 90 crore from CVCI through its arm Citigroup Venture Capital International Growth Partnership Mauritius Ltd. In August 2007, Baring Private Equity Asia picked up 8.86 per cent stake in the company for Rs 90 crore (\$22 million).

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**Diageo, KKR To Pick Up Stake in Mallya's USL**

**V.C.Circle-19 May 2009**

World's largest spirits maker Diageo and Kohlberg Kravis Roberts & Co (KKR) may pick up a stake in Vijay Mallya's United Spirits Ltd (USL). While private equity major KKR could pick up a 10% stake in the firm, Diageo may pick up a 14.99% stake, reports Economic Times. The report adds that the deal structure is being worked out so as to avoid Securities and Exchange Board of India's (SEBI) takeover code.

KKR has recently shown interest in alcoholic beverages space with buy-out of Anheuser-Busch InBev's Oriental Brewery for \$1.8 billion. The deal to acquire the South Korean brewery was one of the largest in recent times.

The report also says that KKR could ultimately exit the USL investment by selling the stake to Diageo itself. This is similar to KKR-Oriental Brewery deal, where Anheuser-Busch InBev has the right to buy back the company within five years.

Diageo and USL have been in talks since November last year. Other international spirit makers like Bacardi had also expressed interest in USL, as have other private equity players. Diageo, maker of brands like Johnnie Walker and Smirnoff, is trying to avoid European Union competition laws with the present deal structure.

If Diageo acquires significant stake in USL, the parent of Scottish distiller Whyte & Mackay (W&M), it gives control over W&M.

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### **PE Firm GTI Group Invests in Day-Care Surgery Centre Chain**

**V.C.Circle-20 May 2009**

Global Technology Investment Group (GTI), a New York based private equity firm, has invested in day care surgery center chain Nova Medical Centers India. The private equity firm will invest around \$50-60 million to set up centers across the country. The firm has opened its first facility in Bangalore.

Day care surgery centres carry out non-critical procedures like cosmetic, eye, gynecology, etc. Experts believe that approximately 70% of the surgeries carried out in hospitals can be done in day-care centres. Nova plans to have 100 centers across the country in the next three years, said CEO Suresh Soni in a release. Dr. Mahesh Reddy is also one of the founders, board members and director of operations for Nova Medical.

Nova plans to partner with physicians to open up centres. Nova will give a stake of upto 35% to surgeons and doctors as incentive to attract more talent. Such a strategy will also help it scale rapidly across the country.

Each facility will have doctor's facilities, pathology labs, pharmacy, operating rooms and imaging with around 30 physicians.

"We provide physicians everything with what they need to get started and succeed. We know how to control costs while maintaining superior quality and efficiency, and we continuously work to improve each centres performance and patient experience," said Soni.

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### **ChrysCapital Sells A Third Of Its Holding In Shriram Transport At 8.5x**

**V.C.Circle-20 May 2009**

Many said that 2009 will not be a year for exits, leave alone great exits. But ChrysCapital, India's home grown private equity biggie, may just have proved them wrong. The PE major has sold nearly a 5% stake in Shriram Transport Finance Company (STFC), a Chennai-based commercial vehicle financier. The stake has been sold for Rs 300 crore to ICICI Prudential Life Insurance Co Ltd on the National Stock Exchange. The deal gives ChrysCapital more than 8.5 times return on its average investment cost in STFC. It still retains more than 10% in STFC through its subsidiary UNO Investments.

ChrysCapital had picked up stakes in three Shriram Group's truck financing companies - Shriram Transport Finance Co Ltd (STFC), Shriram Investments Ltd (SIL) and Shriram Overseas Finance Ltd, (SOFL). The latter two were merged with the former in 2005 and ChrysCap ended up with 35 million shares or 17.26% stake. ChrysCap has made a total investment of around Rs 100-120 crore in the firm, picking up shares in STFC for Rs 35.

Last year ChrysCapital sold around a 1.73% stake in the firm for Rs 140 crore, at a share price of Rs 400. That was more than 11x return. The stake sale yesterday was for share price of Rs 300, making it an 8.57x exit this time. At today's closing price of Rs 300.25, the existing holding of around 10% is worth more than Rs 648 crore.

STFC has also been performing strongly. It reported a 57.10% jump in profit after tax in FY'09 to Rs 612.40 crore, with revenues up by more than 49% to Rs 3,692.43 crore. This was at a time when sales of new commercial vehicles (CVs) have been weak.

STFC is part of Chennai-based Shriram Group, which has interests in consumer finance, infrastructure, real estate. etc. ChrysCapital had also invested in Shriram EPC, which it exited, and presently holds a 13% stake Shriram City Union Finance.

ChrysCapital has a total of \$2.25 billion under management across five funds. Its current portfolio includes Axis Bank, ING Vysya Bank, Moser Baer, Mahindra Financial Services, Amtek Auto, among others. Some of its exits include IVRCL, Yes Bank, Suzlon, Mphasis and Wipro Spectramind.

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### **Citigroup Venture Capital International Exits HT Media, Lupin**

**V.C.Circle-22 May 2009**

Now it's Citigroup Venture Capital International (CVCI) time to cash in on the rally. CVCI, the private equity arm of Citigroup, has sold stake in two more of its public portfolio investments in the latest such deals. India's PE veteran has now sold most of its stake in both drugmaker Lupin and HT Media. This comes on the backdrop of a buoyant stock markets, which have

lifted since election results were declared. CVCI has also recently sold stake in Techno Electric & Engg Company Ltd.

The Sensex has risen from 8,160 points on March 9 to closing at 13,887 points today. Several funds have like ChrysCapital, Standard Chartered Private Equity (SCPE), IL&FS Investment Managers, etc. have used the current rally since March to sell stake in firms.

VCCircle could not reach PR Srinivasan, CVCI India head, as he was traveling. Vivek Chhachhi, a vice president at CVCI, refused to comment for the story.

The private equity firm has exited most of its stake in HT Media, which publishes newspapers like Hindustan Times, Hindustan and Mint. CVCI sold a 3.11% stake in the firm on Thursday for Rs 68.55 crore. The buyers of the stake included hedge fund Sandstone Capital and Reliance Life Insurance Co. The sale was done through two trades. Whereas in one trade the shares were sold for Rs 86.26, in the other they were sold for Rs 100. The difference in the share prices on the

same day reflect the volatility that the Indian markets are witnessing.

CVCI had invested a total of Rs 57.5 crore in HT Media in two tranches in late 2004 and then again in 2005. It had picked a little more than 7% stake and HT Media went for an IPO in late 2005. The company later went for a stock split in 2007, which makes the average share

acquisition price for CVCI at Rs 39. The stock closed at Rs 108.2 at end of trading today, up by more than 10%.

CVCI has also sold a 1.38% stake in Mumbai-based drug maker Lupin Ltd on Wednesday. The stake has been sold at Rs 835.05 a piece, aggregating to Rs 96.03 crore. CVCI had bought a stake in 2003 from the promoters of the firm. CVCI had acquired a 12.55% stake or a little more than 5 million shares in the firm for Rs 125.9 crore, bringing the average acquisition price to Rs 250.

The stake was held by two entities - Citicorp Banking Corporation and Citicorp International Finance Corporation. After this sale, the stake held by CVCI in Lupin stands at around 1.4%. It has earlier netted around Rs 186 crore through selling the rest of its stake. It sold roughly half of its stake in June last year at share price of around Rs 705-707. It has so far netted a little more than Rs 281 crore of its initial investment of Rs 126 crore.

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### **Sobha Developers To Raise Rs 225 Crore From Purna Partners**

**V.C.Circle-27 May 2009**

Sobha Developers, Bangalore based realtor, said it is raising Rs 225 crore from Purna Partners, a private equity fund. The investment will be made at the special purpose vehicle (SPV) level.

In its communique to the stock exchanges, the company said that it has already received Rs 25 crore from the private equity investor. The raised funds will be used towards the developments of projects in Bangalore and Pune. Sobha is identifying

land parcels for developing residential as well commercial projects. It will also undertake mixed development projects in these cities.

Each of the projects will be valued separately and Sobha as well as Purna partners will hold stakes in them. Besides this, Sobha Developers will also execute the projects as the principal contractor. The number of projects will be decided by the investor.

Sobha Developers declined to comment on the transaction saying, " we are in a silent phase and hence cannot talk."

#### Fund Raising Plans

Sobha Developers is also looking at raising funds through qualified institutional placements (QIPs). The firm is reportedly looking at raising Rs 1,000 crores through QIPs.

The company's board has also called an extra ordinary general meeting on June 17 to consider increasing the share capital of the company to up to Rs 1,500 crores. It is also considering increasing the limit of investment by foreign institutional investors (FII) in equity shares up to 100% of the share capital of the company.

According to a report in DNA Money, the company is also looking at raising money by diluting stakes in its non core assets or non-realty businesses such as interior and wooden furniture, building materials, mattresses and a design studio. Sobha plans to spin-off these businesses into different companies and then offload stakes in them. The amount raised will be used primarily to pay its debts and to fund it realty projects.

The realtor is also reportedly looking at raising funds by selling 200 acres from its 3,000-acre land bank.

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#### **Canaan Appoints Yahoo Exec As Entrepreneur-in-Residence V.C.Circle-27 May 2009**

Venture capital fund Canaan Partners has appointed former Yahoo and Symantec executive Sharad Sharma as an entrepreneur-in-residence. Sharma earlier led Yahoo! India R&D and was the India General Manager and VP of Product Operations with Symantec. Sharma was responsible for turning around the operations of Symantec's, formerly VERITAS Software, operations in India. Sharma, who has more than 22 years of experience, will help strengthen Canaan's presence and focus on the cloud computing market. Canaan already has investments in this area like Virsto Software and SOASTA, Inc.

"Cloud Computing is a global phenomenon and Canaan is very well positioned to be a partner for pioneering companies worldwide. Sharad will help us expand our investments in this space by identifying key trends and attracting innovative entrepreneurs across the globe," said Alok Mittal, General Partner at Canaan.

Sharma was also a co-founder and CEO of Teltier Technologies, a wireless infrastructure start-up that is now part of Cisco.

He has also established AT&T's and later Lucent's R&D organization in India.

"Sharad brings a unique mix of investment, leadership and product experience in both infrastructure technology and global markets to Canaan," said Maha Ibrahim, General Partner at Canaan. "His experience will be a real asset as we continue our growth in India and other global markets. Sharad's insight will also help us build on the momentum we've established in the virtualization and Cloud Computing markets with investments in companies like Virsto."

Canaan Partners has been active investor in the Indian venture capital market with around half a dozen investments. Some of its investments include BharatMatrimony, Cellcast and more recently Bollywood website Chakpak and mobile VAS firm mCarbon.

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### **Share Microfin To Raise \$50 Million From IFC, Others V.C.Circle-28 May 2009**

Hyderabad-based Share Microfinance Ltd, one of the largest microfinance institutions (MFI) in India, is raising a \$50 million round of equity funding. International Finance Corp (IFC), the private equity arm of the World Bank, is looking to invest in the firm with other investors. Share Microfin has raised funding from Legatum Ventures Ltd and Aavishkar-Goodwell India Microfinance Development Co. Ltd.

Share Microfin's Managing Director Udaia Kumar declined to comment for this story as the firm is in talks with investors for the fundraising process.

In 2007, Share had diluted more than 51% stake to Legatum Ventures for \$25 million. It also raised \$2 million from Aavishkar-Goodwell then. The \$50 million fundraising would one of the biggest transactions after SKS Microfinance's \$75 million deal in November last year.

Share follows Grameen Bank strategy, where it gives collateral-free loans to women joint liability groups (JLGs). It has diversified its offering to individual loans for micro enterprises as well as personal loans. Share now also offers non credit based services like money transfer, credit life insurance and health insurance.

The MFI serves more than 1.86 million members across 16 Indian states, and claims a 90% client growth in the past three years. Share Microfin has a staff strength of 4,259 staff spread across 766 branches as on March 2009. It holds a total outstanding portfolio of over \$241.1 million. With funding, Share will expand in states like Chhattisgarh, UP, MP, Uttranchal, and West Bengal.

Private equity and venture capital investors have also been actively eyeing this sector. MFIs have largely remained unaffected by the meltdown as they are not dependent on global consumption patterns. They also present a large opportunity.

Investors like Lightspeed Venture Partners, Battery Ventures, India Value Fund, etc. are looking at investments in this sector.

MFI institutions are also making the best of this investor interest.

Spandana Microfinance, the second-largest MFI in the country, is also raising Rs 300 crore.

SKS Microfinance raised \$75 million last year in a round led by hedge fund Sandstone Capital. Ujjivan Financial Services also raised a Rs 94 crore round late last year which oversubscribed. In the most recent equity transaction in this space, Bhartiya Samruddhi Finance Ltd raised \$10 million last month.

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### **PE Funds Choose Open Markets To Exit; They Are Making Money Too**

**V.C.Circle-29 May 2009**

Going by the state of capital markets in the early months of 2009, it really did not look like 2009 will be the year of exits for private equity funds. But if the recent market action is any indication, this may well be the year of open market exits. Private equity funds like ChrysCapital, Citi Venture Capital International (CVCI), Sequoia Capital India, 2i Capital, IL&FS Investment Managers (IIML) and the 3i Group have sold stakes in their portfolio companies either partially or fully.

The exits started trickling down from March and hit a high pitch after the markets rallied responding to the election results of May 16, 2008. Last week, ChrysCapital sold a 5% stake in Chennai-based truck financier Shriram Transport Finance Company for Rs 300 crore. It's not a distress sale, by the way. ChrysCapital has made a cool 8.5x returns from this deal. Also, AIF Capital sold its stake in Yes Bank last fortnight, making 5.8x on its investment. CVCI followed with its exit in drug maker Lupin Laboratories, making 3X returns. All these investments were done before 2005, and it seems PE funds were looking for a (relief) rally to exit them.

Indian stock markets have been on a rally since March 9 as the Sensex rose from 8,160 points to 13,913 points on May 25. On May 18, when markets opened for the first time after the election results were announced with a strong pro-reform government coming to power, the Sensex jumped by 2,100 points to 14,272 points.

It was the kind of a rally the private equity funds were looking to offload their shares. Especially, when many foreign investors have returned to the Indian markets. There was appetite for shares. "Manmohan Singh without the Left, that is the dream come true for most foreign investors," says Praveen Chakravarty, COO & Head of Institutional Equities Sales at BNP Paribas India, explaining the sudden influx of buyers into the equity markets.

Most PIPE (private investment in public equity) deals have seen significant value erosion when markets plunged in the post-Lehman Brothers bankruptcy. Since the rally, these stocks have recovered their losses. "Expectations are that this is again a bubble that has arisen which will readjust to a more sensible level in due course, especially before the July 31 budget comes out," says Vikram Utamsingh, the executive director and head of Private Equity Advisory at KPMG. If a pro-reform budget with steps like easing of FDI norms and disinvestment comes, markets could rally up again.

Also, most of the exits have been made from investments done between 2004 and early 2006 before the mad rush started. So, even if some of these exits were not able to make profits, they were still in green. "The funds that invested in 2006 and

2007, their exit point will still be below their cost," said CG Srividya, Partner, Specialist Advisory Services, Grant Thornton India.

However, the fact is some of the exits have been made at good multiples, contrary to what most people in the private equity industry did not believe in the beginning of 2009. Also, some of these exits may have been planned for last year, but did not go through due to the dramatic fall in markets. "Last year there were very few exits, valuations weren't what were expected. In fact some of these funds have also shown impairment in their reporting," said Srividya. Because there were not many exits last year, some of these funds maybe holding portfolios larger than they had planned.

"These funds also have large portfolios, and it makes sense for them to dilute on an ongoing basis," adds Utamsingh. While CVCI is believed to have a portfolio of 30 companies, ChrysCapital also holds stake in more than two dozen companies. Sequoia and IIML also have huge portfolios.

Since most of these were part exits, PE investors maybe looking to get back the amount they invested. "Some of these people have holdings since 2005-06, and if anything, they would like to come out with their cost so that what remains in the company is pure profit," said Utamsingh.

There have also been some quick flips in the market too. While Standard Chartered Private Equity (SCPE) has invested further to average its investment in Mahindra Financial Services and ABG Shipyard, it also sold half of its stake in Karur Vysya Bank. The sale came just three months after it picked up a 4.42% stake from open markets in February for a sum of Rs 47.43 crore. While the fund entered at Rs 198, it has sold the stake for Rs 265 in the post-election results rally.

However, the investments made in the later part of 2006 or 2007 haven't made for good exits. Take the example of CVCI's part exit of Techno Electric & Engg Co, a Kolkata-based engineering, procurement and construction (EPC) firm focused on the power sector. CVCI sold a 4.96% stake in the firm for a share price of Rs 72, while its entry point was at Rs 70. This investment was done in October 2006. You win some and lose some, but private equity funds will now have an exit track record to show when they go back shopping for funds to their investors next time.

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## **[International News](#)**

### **Ashmore Sets Up Global Recovery Fund**

**V.C.Circle - 08 May 2009**

Emerging markets fund manager Ashmore Investment Management Ltd has launched a fund targeting less liquid assets. The new fund, called Ashmore Global Consolidation and Recovery Fund (AGCRF), has seed investment from Swiss banking major UBS of reportedly \$100 million. The fund has an objective of maximising the recovery value of less liquid or other financial assets in emerging markets.

Ashmore has invested in a number of firms in India. It also runs a private equity joint venture with Alchemy Partners in India. Some of Ashmore's India investments include majority stake in Broadband Pacenet and Rs 90 crore investment in Quality

Care India.

The Global Recovery Fund is modeled on Russian Consolidation and Recovery Fund launched by the firm in 1999, which achieved gross returns of 103.9% annualised until its conversion in May 2002 into an open ended fund. The fund will have a life of at least five years. "Just as in 1999, we are offering the opportunity to financial institutions, including other funds and their investors / LPs who may be exiting/reducing their emerging market commitments, together with any other investors, of addressing some or all of their emerging market balance sheet exposures. Crucially investors will maintain the upside as asset prices recover and, most importantly, they will not be selling at the bottom," said Mark Coombs, Ashmore's Chief Executive, in a release.

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### **KKR Sets Up Shop In Dubai, Granted License To Operate From DIFC**

**V.C.Circle - 12 May 2009**

Private equity firm Kohlberg Kravis Roberts & Co said on Monday it has set up a subsidiary in Dubai to do business in the Middle East and North Africa. KKR MENA Ltd was granted a license by the Dubai Financial Services Authority to operate from the Dubai International Financial Centre, it said. The private equity major appointed a head of Middle East and North Africa (MENA) in September last year. Makram Azar joined from Lehman Brothers, where he was global head of sovereign wealth funds. In a press statement, KKR MENA said that it will pursue private equity and infrastructure transactions in the region and engage in the distribution of various KKR products.

Abdulla Al Awar, Managing Director of the DIFC Authority said, "The MENA region, and especially the Arabian Gulf, has been relatively less impacted by the ongoing global financial crisis than North America, Europe or Asia. The Gulf has been particularly well-cushioned by the windfall revenues from the high oil prices witnessed during most of 2008. This surplus income has been earmarked for continued investments in infrastructure projects to upgrade existing ones and build new capacities. "Concurrently, our region is also witnessing a deepening of the financial markets and private equity is not only abundant here, but is fairly active. We are pleased to note that a globally respected firm such as KKR has chosen Dubai as their base to operate across the MENA region. We wish them the very best and offer all support for their continued success as we welcome them to the DIFC," Al Awar added.

Led by Makram Azar, managing director and head of Middle East and North Africa, KKR MENA is a newly formed subsidiary of KKR, especially created to do business from the DIFC. Its area of operations will cover the entire Middle East and North Africa (MENA) region. KKR MENA Limited will pursue private equity and infrastructure transactions in the MENA region and engage in the distribution of various KKR products. Azar said: "We are delighted to officially launch KKR's office in the DIFC and our operations in the rapidly developing Middle East and North Africa region. There are a wide variety of attractive opportunities in these markets and our professionals here look forward to capitalising on KKR's global resources to build an exceptional franchise."

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## \$5-Billion Plus Private Equity Funds Closed In Last 12 Months

V.C.Circle– 13 May 2009

Fund	Manager	Type	Size	Investment Focus
TPG Partners VI	TPG	Buyout	\$17.8 bln	Global
Apax Partners VII	Apax Partners	Buyout	11.2 bln euros	Europe
Warburg Pincus X	Warburg Pincus	Balanced	\$15 bln	Global
Apollo Investment Fund VII	Apollo	Buyout	\$14.8 bln	North America
CVC European Eqty Partners V	CVC	Buyout	11 bln euros	Western Europe
Carlyle Partners V	Carlyle Group	Buyout	\$13.7 bln	Global
GS Mezzanine Partners V	Goldman Sachs	Mezzanine	\$13 bln	North America
Blackstone Real Estate VI	Blackstone	Real Estate	\$10.9 bln	Global
OCM Opportunities Fund VIIB	Oaktree	Distressed	\$10.9 bln	U.S.
Advent Global PE VI	Advent	Buyout	6.6 bln euros	North America,Western Europe
Bain Capital Fund X	Bain Capital	Buyout	\$10 bln	Global
First Reserve Fund XII	First Reserve	Natural Resoures	\$9 bln	Brazil, China,India,U.S
KKR European Fund III	KKR	Buyout	6 bln euros	Europe
PAI Europe V	PAI	Buyout	5.4 bln euros	Europe
Lone Star Fund VI	Lone Star	Real Estate	\$7.5 bln	Germany, Japan,U.S
Bridgepoint Europe IV	Bridgepoint	Buyout	4.8 mln euros	Europe
Avenue Special Situations V	Avenue Capital	Distressed	\$6 bln	North America
Nordic Capital Fund VII	Nordic Capital	Buyout	\$4.3 bln euros	North, Western Europe
Global Infra Partners	Global Infra.	Infra	\$5.64 bln	Global
Bain Capital Europe III	Bain Capital	Buyout	3.5 bln euros	Europe
GS Vintage Fund V	Goldman Sachs	Secondaries	\$5.5 bln	North America
Charterhouse Capital IX	Charterhouse	Buyout	4 bln euros	Western Europe
Kelso Investment VIII	Kelso	Buyout	\$5.125 bln	North America
New Mountain Partners III	New Mountain	Buyout	\$5.1 bln	North

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## **Blackstone Won't Launch Planned \$1B Asian Event-Driven Hedge Fund**

### **V.C.Circle – 16 May 2009**

The Blackstone Group has pulled the plug on an ambitious plan to launch a \$1 billion Asian event-driven hedge fund.

Blackstone cancelled the fund, which it announced a year ago, in March “after a review of the market environment and our strategic priorities globally,” the firm told Bloomberg News. Blackstone’s hedge fund groups have been retrenching in Asia, and the firm’s GSO Capital Partners closed its desk in the region in January.

“In this market environment where both capital and people are constrained, it is especially important to be disciplined in where you allocate resources to achieve the greatest return,” spokesman Peter Rose told Bloomberg.

Blackstone made several high-profile hires for the new hedge fund, dubbed Blackstone A.M.N. Advisors, last year. Most of the 17-member team, including Aaron Nieman, the chief investment officer hired from SAC Capital Advisors, have left the firm.

A.M.N. raised \$150 million from Blackstone and its employees in its first three months, but was forced to scale back its plan to raise \$1 billion in the face of a difficult fundraising environment.

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## **Pequot Capital Management to Shut Down Operations**

### **V.C.Circle-29 May 2009**

Pequot Capital Management, a well known hedge fund, is shutting down operations. The fund is closing shop due to a reopened probe by the US government against it on charges of insider trading. The Securities and Exchange Commission (SEC) started a probe into whether Pequot illegally profited in 2001 by trading on inside information about Microsoft Corp. Pequot Capital Management is registered as a Foreign Institution Investor (FII) in India with SEBI and has also invested in an Indian mobile startup.

When the probe was started in 2001, Pequot was the largest hedge fund in the world with \$15 billion in assets. Its assets as of May 15 stand at \$3.47 billion. John Mack, head of Wall Street investment bank Morgan Stanley, worked with Pequot from 2004 to 2005 before joining Morgan Stanley. Mack was also probed in the investigation.

Pequot’s founder Arthur Samberg said in a letter to investors that “Public disclosures about the continuing investigation have cast a cloud over the firm and have become a source of personal distraction,” reports Reuters. “With the situation increasingly untenable for the firm and for me, I have concluded that Pequot can no longer stay in business as an investment adviser,” he said.

Pequot's venture capital arm has an investment in Hyderabad based IMImobile, a mobile VAS provider to mobile operators and content providers. Pequot Ventures, the VC arm, was spun out as FirstMark Capital last year. It had invested \$10 million in IMImobile in 2006. In June 2005, a group of US investors lead by Pequot Ventures had offered to buy 30% in Aircel for

\$350 million (Rs 1,581.6 crore). The talks fell through.

The hedge fund will be liquidating the assets of Pequot Partners, Pequot International and Pequot Endowment funds, and returning the capital to investors. Its Special Opportunities and Matawin funds will be spun out and set up as independent entities.

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