

Bear market turns PE attractive, 150 deals likely in Q3

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The bear market has led to resurgence in private equity deals. "More than 150 deals are expected in the third quarter of 2008. Investors from Mauritius, Europe and Middle East are poised to strike deals with Indian companies with good valuations," said YEN Management Consultant Managing Director and Chief Executive Officer, Sunil Shirole, who recently visited 10 countries meeting 50 private equity investors.

Investors still believe in the strong fundamentals of Indian economy and they are coming to India with a 5-7 year time horizon, Shirole said.

Some recent PE deals: Reliance Money acquired 26 per cent stake in National Multi Commodity Exchange for \$25 million; Bupa Asia Pacific took 26 per cent stake in Max New York Life Insurance for \$24 million; Chrys Capital picked up 7 per cent in Amtek Auto for Rs 229 crore; Estee Lauder bought 15 per cent stake in Forest Essential for an undisclosed amount; Dubai's Eastgate Capital invested Rs 100 crore in Avendus Capital.

"Valuations have turned reasonable and attractive. This is the right time to look at investments," said Alok Gupta, MD & CEO, Axis Private Equity.

Axis is currently evaluating investments in healthcare, renewable energy, hospitality, and logistics. Recently, it invested \$15 million in Vishwa Infrastructures and Services which specializes in water and sewage projects.

"PE investment is bound emerge as a popular route to raise funds for mid size companies which are currently dragging their feet on entering the capital market," Gupta said.

The US subprime crisis and its aftermath have helped PE placements in India. Investors across the world are shifting focus to emerging markets where they see good returns.

"Big companies in US are incurring huge losses due to the sub-prime crisis. If they continue to make losses in the next quarter, emerging markets like India and China will get more and more PE investments," added Gupta.

A week back, SOMA Networks, engaged in providing mobile WiMAX products and professional services, secured \$51 million of equity financing from Daiwa Securities Group, Daiwa Securities SMBC Principal Investments, Ridgeway Capital Partners, and India Knowledge Fund, a private equity fund of Japan-based SBI Holdings and others.

Asserted Sanjay Randhar, director, India Knowledge Fund, "Due to rising interest rates and

tight liquidity, debt funding has become difficult. But companies need to continue with their expansion projects. This scenario holds good for PE investments.”

“With IPOs on the backburner, companies have no other option but to raise money from PEs. I expect 20-30 per cent growth in private equity deals in a year,” said Srinivasa Vudayagiri, MD, Lightspeed Venture Partner.

The continued bearish phase in the market has created opportunities in striking pipe deals, added Vudayagiri.

As per SEBI regulations, six months average price or current market price, whichever is higher, should be considered for pricing in pipe deals.

Bangalore-based Lightspeed is also looking at investments in infrastructure-derived industries, media & entertainment, and financial services. However, the fund house refuses to reveal any details of the ongoing negotiations.

YEN Consultant is also mediating 2-3 deals between Middle East and Indian companies in the education and health care sectors. These are expected to be inked in 2/3 weeks.

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