



INDIA: Private Equity Funds: Attracting Domestic & International LP's'

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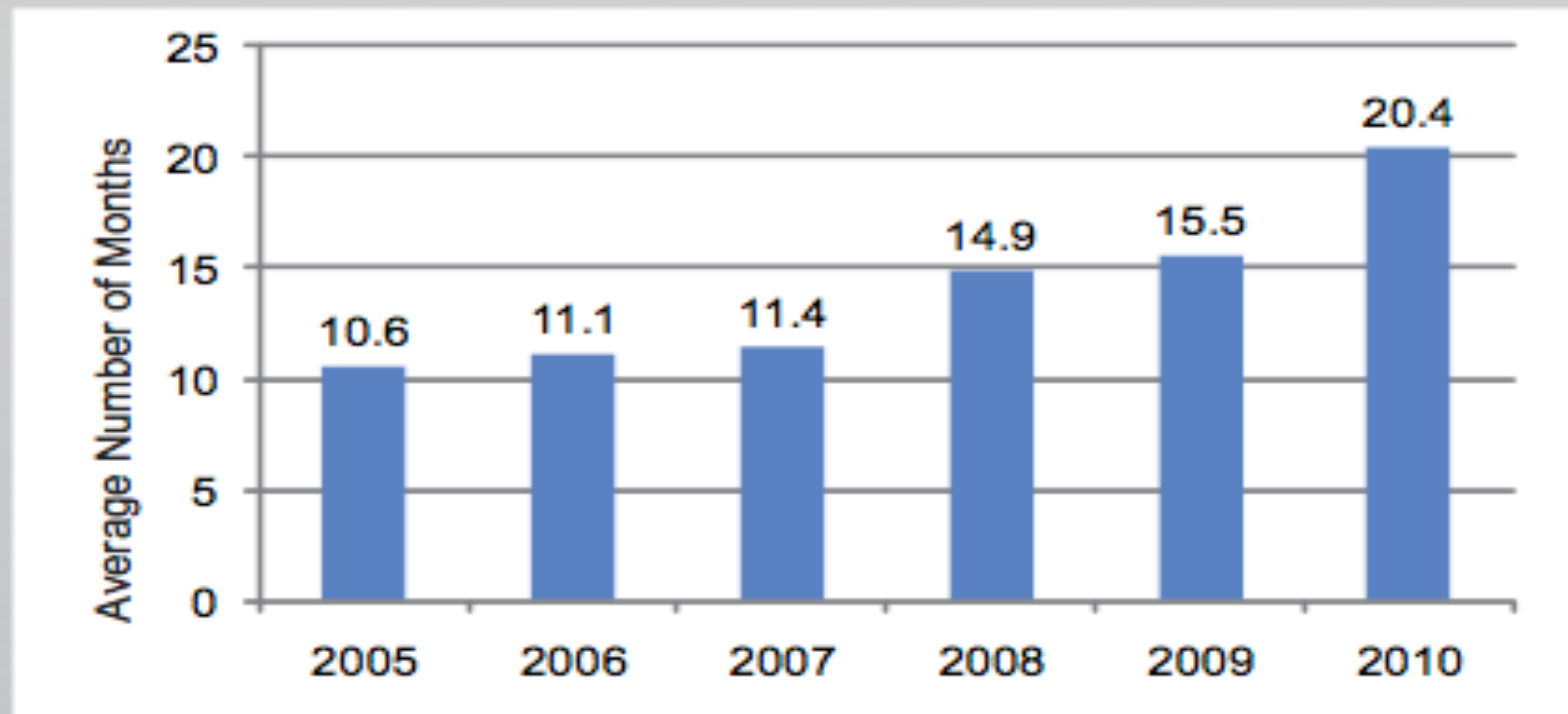
Private Equity Pro Partners

Contents: Road Map

- Factors Attracting Limited Partners (LPs)
- Established Managers-General Partners(GPs)
- New Managers
- Anchor Investors
- Case Study: Multiples Asset Management
- Placement Agents
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- Fund Governance
- Recommendations to Indian LPs

Getting Harder & Harder to Raise a Fund: Bloomberg Data

Fig. 8: Average Time Taken for Funds to Achieve a Final Close by Year of Fund Close



Established Managers - Examples

- **Sequoia:**
 - 2000 currently manages \$ 1.75 billion (5 funds)
 - 7x return from TutorVista Exit M&A trade sale to Pearson
- **UTI Ventures:**
 - 50x return in start-up education company. Excel Soft-Champion!
- **ICICI Venture:**
 - Infrastructure-new fund being established, other ideas
- **IDFC:**
 - could do more funds
- **IL&FS**
 - could do more funds

Issues facing Established Managers

- Track Record
- Staff Retention-Team Stability
- Value-Added: Operating Partners

New Managers: Examples

- **Omnivore Capital:** HBS Graduates-Atish Babu & Mark Kahn
- **PTC:** Ashmore Investment Management:Aim \$ 750 million Energy Fund
- **Ex- Barings:Mcap Fund:** Subbu Subramaniam
- **ex-Citi (2 funds) :** CX Partners-Ajay Relan; Srinivasan-Suzlon Fame

New Managers-Examples

- **Exponentia Capital:** P.R. Srinivasan (ex-Citi)
 - Managed USD 1 billion. Team of 10 investment professionals. Led investments of over USD 650 MM, returned over USD 1 billion with remaining portfolio value of USD 600 MM.
- **Suzlon:** Nearly 30X return on \$23 million investment
- **ex-ICICI Venture: Multiples:** Renuka Ramnath
- **ex-Morgan Stanley:**Rajesh Khanna
- Others: Ambit Capital

Case Study: LPs in Renuka Ramnath's Multiples: \$ 450 million Target

- CDC \$ 30 million
- Canada Pension Plan \$ 100 million
- Indian banks- Andhra Bank, Indian Overseas Bank, Life Insurance Corporation of India, Punjab National Bank and the Small Industries Development Bank of India (SIDBI).
- Public Institution for Social Security (PIFSS)- Kuwait-\$ 70 million

Case Study: Multiples Alternate Asset Management: Role of Placement Agent

- Appointed Guy Eugene, Legacy Finance Ltd, as Placement Agent
- Played a positive role in introduction to Canada Pension Plan

Placement Agents in India

- Campbell Lutyens
- Legacy Finance
- Others have come and gone!

Anchor Investors –Critical to start a Fund

- **PTC:** Ashmore Energy Fund-PTC & Ashmore are initial investors
- **Omnivore Capital:** Godrej Agrovet- committed 10 % as anchor investor

Diversity of Asset Classes will Attract LP's

- Growth-Sector Agnostic
- Early stage
- Infrastructure-IDFC, SBI-Macquarie
- Distressed -TPG-Vishal Retail
- Buyouts
- Sector Focused - Kaizen Education Fund
- Sector Focused: Real Estate, Energy (PTC-Ashmore)

What do LP's Look for & the Critical Issues?

- Track Record
- Governance
- New Managers: Welcome but do they have proven track record elsewhere? Case Study: Multiples: Renuka Ramnath
- Longevity & Long-term Commitment to Private Equity- Captive Case Study: Axis Private Equity

Governance of Funds

- I. Independence
- II. Can Manufacturing Companies become PE Fund Managers?
- III. Conflicts of Interest

Recommendations for Domestic LPs by Private Equity Pro Partners

- I. Indian Institutions are **underinvested in PE & VC**
- II. High-Net Worth Investors should invest more: NRNs-Catamaran, Azim Premji-shown the way but need to be careful.
- III. Case Study: Shubhiksha-AzimPremji-Dramatic Case
- IV. Establish departments/teams-take world class professional advice. Don't presume you know everything.
- V. **Quality governance** / investment committee arrangements: means people with private equity/investment background
- VI. **Educate the teams** including their boards on private equity risks & upside
- VII. Understand the **long term character** of private equity
- VIII. **Risk characteristics** of various asset classes