

News monitored for: Baring Private Equity Partners

India still hot pick for PE firms

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DESPITE the global economic meltdown and regulatory hurdles in India, private equity firms continue to look forward to invest in India and work with the right entrepreneurs to expand reach and augment size and scale.

"Mid-size companies are usually not able to attract the best talent and reach to newer markets such as Africa and Latin America," said JM Trivedi, partner and head at PE firm Actis South Asia at the Strategic Growth Forum organised by consulting firm Ernst & Young here.

"PE firms can help in closing market gaps and also bring in the best of class advisors and supply chain experts," he added.

"PE firms will do whatever it takes to exit their portfolio companies at the right valuation," said Rahul Bhasin, managing partner of Baring Private Equity Partners (India).

"If it means to introduce them internationally or get the right talent, they will do that," he added. "But one should also see whether the PE firm has the capability and infrastructure to be able to do such things," he said.

Baring Partners has helped a few of its portfolio companies get the right reach. For instance, it introduced Infracore Tech to Canadian clients for business growth and helped Sphaera Pharma to connect with partners globally.

General partners at PE firms believe it is important for them to create value in a specific time-frame of 5-6 years. "PE firms have long-

term value creation interest hence we (PE firms) and promoters (of portfolio companies) need to be aligned and have an understanding," says Niten Malhan, managing director at PE firm Warburg Pincus. PE firms know that many Indian entrepreneurs find it hard to operate successfully in other countries without the reach and experience. "In India, things and situations change very quickly and we never get the right mix in an entrepreneur on the first day itself," said Malhan. Before investing in a potential firm, PEs look at the stage of growth of the company, management team and the entrepreneur's willingness to grow.

PE firms also believe that only companies of a certain size and scale will understand the importance of PE investment.

"Mid-cap firms get the professional hand-holding that they require to grow a company successfully but for large and mature companies, raising money through public markets makes sense," said Malhan. "Public markets can also be less forgiving when the economic environment is turbulent," he adds.

Private equity firms and promoters continue to give more importance on the right chemistry and knowledge rather than valuations. "Those who know us and have worked with us before, talk about things other than valuation but the newer ones still stick to the money they will be getting," said Bhasin. "It also depends on who is guiding them. The investment banker will always look at closing the deal faster irrespective of the partner," he adds.