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# PE funds to touch \$10 bn this year

REUTERS  
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Private equity's appetite for India's fast-growing economy has not been spoiled by the global credit crunch and investment is expected to stay on track to rise by a third to \$10 billion this year, with fewer but larger deals.

Blackstone Group has struck two deals in India totalling \$315 million in just over a week, while 3i Group is setting up a \$1 billion India infrastructure fund and ChrysCapital has a new \$1.25 billion cross-sector India fund.

Blackstone has said it has a "huge pipeline" of deals in India and was targeting deals in the \$50-\$500 million range, even as the US and European credit markets remained frozen.

Private equity firms and takeover advisers in India say Blackstone and others are right in going ahead with plans.

"A lot of money has been raised by India-specific funds recently, and that money has to find a home here," said Rishi Sahai, director, IndusView Advisors Pvt Ltd.

"We're urging our clients to consummate deals quickly, rather than put them on hold. And our view is that we are going to see larger-ticket deals, though the number of deals will be fewer."

Research firm Venture Intelligence estimated there were 47 private equity deals in July and August totalling \$2.36 billion, compared with 60 deals worth \$1.08 billion in the same period last year.

"We're seeing a wait-and-watch stance from private equity rather than a complete halt," said Arun Natarajan, chief executive of Venture Intelligence, which estimates private equity investment will rise by a third to about \$10 billion in 2007.

In addition to the liquidity that private equity firms have on tap, the way deals are structured in India — with minimal leverage — makes it easier for them to close deals despite the global credit squeeze, analysts say.

"Our leverage is not that much because banks in India have always hesitated to lend for buyouts, and the regulations make it harder to do leveraged buyouts," said Vishal Nevatia, managing partner of India Value Fund, which manages \$600 million.

Leverage for deals in India is typically 2-4 times the firm's EBITDA, compared with 8-12 times in the United States, he said.

Analysts have said the global credit squeeze may slow corporate India's drive for big foreign acquisitions.

While private equity firms in India are fairly insulated, they may feel the heat from their global counterparts because of redemption pressures, or simply suffer from nerves.

"There can be a sentimental impact, and investors may stop to think if they need to be more conservative," said Nevatia, adding they were still keen to tap their pipeline for deals in the range of \$30-\$40 million.

Firms also may be wary of the choppy stock market, which is down some 5.5 per cent from a life high hit in late-July, as it makes their exits via IPOs less attractive, Natarajan said.

However, a rocky stock market also enables investors to knock down valuations of target firms and do deals more easily, said Sahai.

Shares in real estate firm Puravankara Projects listed 1.5 per cent below their offer price on Thursday. Asian Granito India and textile firm KPR Mill Ltd also listed below their offer price in the past week.