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PEs put Rs 1,600 cr bet on health sector in '07

Deals indicate growing interest of private equity firms in India's pharma, healthcare segments

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SMALL DOSE, BIG MONEY

Major PE investments in pharma, healthcare, biotech in 2007

Investor	Company	% stake	Investment (\$ mn)
Apax Partners	Apollo Hospitals	11	104
IFC	Max India	NA	69.77
Chryscapital	Mankind	minority	24
Blackstone	VLCC	22	22
Avenue Capital	Morepen	14.99	17.91
Fidelity	Avestha Gebgraine	10	12.9
Ridgeback Capital	Granules India	14.5	5

Source: Industry

Private equity firms are discovering value in picking up small stakes in Indian pharma and healthcare companies.

At least two dozen such deals, worth about \$400 million (or Rs 1,600 crore), have happened in the last year. The cumulative investment, although not significant in size when compared to that in sectors like real estate or infrastructure, is indicative of the active interest by some 20 PE firms in India's pharma and healthcare sectors.

Only last week ICICI Venture announced the acquisition of substantial stake in Sahyadri Hospitals Ltd for \$35 million (Rs 140 crore). Experts

think it is a trend that's here to stay.

"We are certainly looking at buyout opportunities in the domestic pharmaceutical space this year," said Sanjiv Kaul,

managing director, Chryscapital. "We can bring in smart capital, world class teams and facilitate international collaborations through partnerships." Chryscapital last year



picked up a minority stake in Delhi-based Mankind Pharma for \$24 million (Rs 95 crore).

International Finance Corporation's (IFC) decision to in-

vest \$69.77 million (Rs 280 crore) in healthcare major Max India, and Apax Partners' \$104 million (Rs 415 crore) deal with Apollo Hospital Enterprise Ltd were the biggest in 2007.

Bangalore-based Avestha Gengraine Technologies was the favourite for PE firms with international players like Fidelity International, Groupe Limagrain, Daninvest, Jacob Ballas Capital and New York Life Investment Management India Fund all investing in the company last year.

"India bound private equity investments have seen a quantum jump with investments worth more than \$17 billion (Rs 68,000 crore), a more than 100 per cent increase," said Rishi Sahai, director, IndusView Advisors, an India fo-

cused cross-border transaction and financial services firm.

"Though 2007 was the year of the real estate and infrastructure sectors which received about 37% of investments, healthcare, pharma and bio-tech also witnessed private equity play," he said. Sahai suggested that this growing trend was symbolic of the realisation globally that "India is the place to be".

"Indian companies are strongly positioned to grab new opportunities and markets as they have the benefit of low-cost manufacturing, world-class production skills and quality manpower," he said. "Domestic production costs in India are almost 50 per cent less as compared with developed countries."