

INDIA STORY - PE funds back to bigticket investments

- Mint

Private equity (PE) funds agreed to infuse \$823 million (Rs3,730 crore) into two Indian companies on Wednesday, signalling the re- turn of big-ticket deals in a sign of growing investor confi- dence in the nation's econom- ic growth prospects.

General Atlantic Llc, Gold- man Sachs Investment Management, Norwest Venture Partners India (NVP), Ever- stone Capital Management, Morgan Stanley Infrastructure Partners and PTC India Finan- cial Services said they would pump \$425 million into Asia Genco Pte Ltd.

The investment in Asia Gen- co, an infrastructure developer with investments in power generation assets and services businesses, is the biggest PE deal in India since January 2009. The size of the stake the firms will get in return for the investment wasn't disclosed.

Goldman Sachs Strategic In- vestment Fund, Oak Invest- ments Partners and Indivision India Partners, the PE fund promoted by Future Group chairman and India's organized retail pioneer Kishore Biyani, bought a 73.95% stake in Tikona Digital Networks Pvt. Ltd for \$398 million, said a person fa- miliar with the development who didn't want to be named.

The investment in Tikona, a provider of wireless broadband services, is subject to approval from the Foreign Investment Promotion Board (FIPB). For- eign investment in Indian broadband service providers is currently capped at 74%.

PE dealmaking is gathering momentum as investors' risk appetite returns in tandem with accelerating growth in the \$1 trillion economy. India's economy is forecast to grow 7.2% in the fiscal ending 31 March and accelerate to a pace of 8% or more next year.

“PE interest in India seems to have revived significantly.

This is mainly because there are a large number of investors in India and they are sitting on a lot of dry powder,” or investi- ble funds, said Bhavesh Shah, executive director of invest- ment banking at JM Financial Consultants Pvt. Ltd.

In the past six months, 14 deals worth at least \$50 million each have been struck, of which seven were valued at least at \$100 million each in size, according to the latest data from Venture Intelli- gence, a Chennai-based re- search service that focuses on PE and mergers and acquisi- tions. PE investments in India declined last year to \$4 billion from \$11 billion in 2008, according to Shah, in the after- math of the global slump.

Reinforcing India's deficient urban and rural infrastructure is a key focus area of Prime Minister Manmohan Singh's United Progressive Alliance government, which is seeking investments in public works such as power, roads and ports. The Asia Genco deal "happens to be the largest investment in the power sector so far," said Sohail Chand, managing director of NVP. The largest until now has been a \$395 million investment by LNM and Farallon Capital in IndiaBulls Power in 2008.

There will be more such big transactions, said Vikram Utamsingh, executive director and head of the PE group at KPMG India Pvt. Ltd. "Also what is happening is that these power and infrastructure companies are creating separate groups to attract PE investments," he said.

Asia Genco is developing hydro and thermal power generation assets totalling 4,000MW, including the 1,200MW Teesta III hydro project in Sikkim and a 1,320MW thermal project in Andhra Pradesh.

"These are blue-chip investors with deep pockets and our company could not have asked for anything better. This will help complete our ongoing projects," said vice-chairman Krishna V. Tatineni.

The three investors in Tikona Digital had earlier extended \$110 million to a team of professionals led by Prakash Bajpai, former president of broadband in Reliance Communication Ltd, to launch broadband services in 2008.

Tikona Digital claims to be India's fastest-growing broadband service provider, expanding at a pace of 40% and adding nearly 35,000 retail and small-scale enterprise customers every month. It started operations in June last year.

"We need money to quadruple our service to 100 cities by December 2010 from 26 cities we service to connect to 1 lakh subscribers," Bajpai told Mint on Wednesday evening from Mumbai. He declined to comment on the quantum of investment into the company because the proposal is pending with the FIPB.