

PE, VC firms ready for busy season

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COME July and the country's private equity (PE) and venture capital (VC) space is expected to see hectic activity. PE and VC firms are warming up to invest in FMCG, food processing, automobile ancillary and infrastructure sectors, which have demand in the local market.

According to industry insiders, in the infrastructure sector the deal sizes could vary between \$50 million and \$150 million while in other categories the deals may vary between \$10 million and \$45 million.

Talking to ET, Mahendra Swarup, president, Indian Venture Capital Association (IVCA) said: "The annual PE deal size had declined to \$4.5 billion in 2009 from \$14.1 billion in 2008. The average deal size had declined to \$20.8 million in FY09 compared with \$31.5 million in FY08. But this year, the pace of PE/VC fund-



ing has gathered momentum with lot of deals already happening. Foreign VCs are looking at traditional industries that have demand in local market. We expect a lot of activity in the PE and VC space in the next six months. Private equity is expected to see significant pick-up in deal closure by the second half of 2010."

Another significant development in the PE and VC space is the lowering of their dependence on IT & ITES sectors.

"PE/VC industry has broadened way beyond the IT and ITES sector over the past few years. Examples of that would include some of our investments such as SKS Microfinance, Caf Coffee Day, Dr Lal Pathlabs and Ind-Bharat, a leading independent power producer. These are all investments that we have made outside of the IT/ITES sector," said Sumir Chadha, managing director, Sequoia Capital India.

"We expect PE/VC funding

to grow a lot this year, to support the growth aspirations of Indian companies, and continue to play a positive role in driving growth for the country," added Mr Chadha. However, Mr Chadha pointed out that they do make investments in the IT sector as well. "For example, we recently invested in Dhruvaa, a leading laptop backup software company in Pune," he said.

Rajeev Agrawal, CEO of Ambit Pragma Ventures said that branded food and beverages are the other two areas where PE investments are likely to happen.

"There are many regional branded food and beverages companies which are likely to see a lot of PE activity in the coming days. These companies want to grow big and are therefore looking at capacity expansions and expanding their footprints. However, it will be difficult to quantify what will be the business deal size at this point of time."