

Mideast Private Equity Firms Look to India

Funds in Oman, Abu Dhabi, Qatar, and Dubai are scouting for Indian private companies in real estate, health care, retailing, and education

May 19, 2008

By [Saikat Das](#), Economic Times of India

The skyrocketing global crude oil prices may have fuelled inflation across the world, with India being no exception. But it has also brought good news for the country by way of private equity participation.

"Investors from the Middle East are taking keen interest in India's private equity domain with a timeframe of 7-8 years to garner big returns, about which they are quite confident. According to Sharia Law, they will be investing in sectors like real estate, health care, retailing and education," said Yen Management Consultant, Managing Director and Chief Executive Officer, Sunil Shirole, who met many such investors there recently.

Many sovereign fund houses in Oman, Abu Dhabi, Qatar, Dubai, each with a corpus of Rs 4,000-10,000 crore, are scouting for Indian private companies to invest in.

"They are trying to connect with the right kind of people to make inroads in India," according to an industry insider, who declined to give names to safeguard his business interest.

Investment Dar, an Islamic investment bank in Bahrain with a target investment of Rs 6,000 crore, has appointed Mumbai-based Yen Consultant to scout suitable investment opportunities here.

Explaining the rationale behind this sudden rush, Shirole said, "they believe the Indian economy is largely decoupled from US or global slowing. Hence, there is no fear of any recession here. In fact, the US recession will inadvertently push companies based there to outsource part of their jobs to emerging economies, where India is the first choice."

"And as the Indian markets are in correction phase, they can pursue some value-buying now," he added.

Investors across the world are also bullish about India's long term growth story. Investors from Europe and US are showing interest in India. Some of them have already chalked out their blueprints.

According to a source, German insurance giant Allianz plans to invest a substantial portion of the Rs 8,000-10,000 crore earmarked for India via private equity.

The number of PE deals struck in the first four months of 2008 were 156 and value of investment \$4.94 billion. This compares with 136 deals and \$3.42 billion in the same period of 2007.

However, fund houses are going slow on investments seeking reasonable valuations.

The number of PE deals inked in April this year was 32 and aggregating \$0.56 billion, down from 35 deals worth \$1.21 billion in March. In February, the number of PE deals struck was 27 and amounting to \$1.48 billion.

"Though attractive valuations after the stock market meltdown in January are good for investors, the expectations of companies have not tempered down. Private equity placements will flourish sooner or later as Indian companies will not defer growth plans indefinitely," said Sanjay Randhar, director of SS Venture Services, which manages the India Knowledge Fund.

India Knowledge Fund, which closed a month back after raising \$100 million, will invest in all knowledge driven companies in India in sectors like information technology, IT enabled services, life sciences, high-end engineering etc.

"Valuations of real estate companies are very attractive in India now, barring Mumbai where we expect prices will rationalize in the next six months. After signs of overheating, we are now seeing correction in this sector. It will definitely lead to rise in interest among investors," said Arun Goel, CEO of DHFL Venture Capital, which specializes in real estate private equity investment.

The company has been appointed financial advisor of Mauritius-based India Real Estate and Infrastructure Fund that aims to raise \$300 million.

DHFL Venture Capital's existing real estate fund, 'Dream One', has assets under management of \$45 million. The fund was launched in 2006.

URL for this article:

http://www.businessweek.com/globalbiz/content/may2008/gb20080519_213245.htm