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ADAG makes a REAL entry into PE advisory biz

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MUMBAI

INDUSTRIALIST Anil Ambani has quietly entered the fledgling Indian private equity space. His financial services arm Reliance Capital has launched a wholly-owned subsidiary Reliance Equity Advisors (REAL) to offer the entire bouquet of private equity services. Ramesh Venkat, group CFO of the Anil Dhirubhai Ambani Group (ADAG) has been given the additional responsibility of spearheading REAL.

REAL has put in place a 15-member advisory team and received regulatory approval to build an initial corpus of \$1 billion. Of this, ADAG will contribute 15-20% while the balance will be mobilised by two linked funds, one based in Mauritius and the other in India. Mr Venkat told ET that REAL has started talking to investors to put together a \$1 billion fund. "The initial response has been very good. There is good investor appetite for our fund. We expect to close the fund in a few months," he said. Mr Venkat is a director of REAL.

Mr Venkat said the fund will focus on sunrise sectors such as services, logistics, realty and pharma. The ticket size of investment will be \$15-100 million. In addition to providing growth capital and means for financial restructuring, REAL will lend money and expertise to help Indian companies acquire foreign assets.

This initiative is completely different from Reliance Capital's PE avatar.

While Reliance Capital has been acting as a proprietary PE investor, REAL is an advisory PE player. In other words, Reliance Capital invests with its own money, while REAL uses money from investors. Like any other PE advisor, REAL will earn fees against its advisory services. The scale of operations is different as well. Reliance Capital had a

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Reliance Capital has floated a wholly-owned subsidiary, Reliance Equity Advisors, to offer private equity services. It will have an initial corpus of \$1 billion and will focus on sectors like services, logistics, realty and pharmaceuticals

maximum PE investment of Rs 2,000 crore, while REAL will kickstart its operations with a \$1 billion fund. Some other funds will be launched once the first fund is saturated.

"Our initiative could be compared with ICICI Venture, among the domestic peers. But ours is possibly the first of a kind initiative by any manufacturing group. With our experience in Indian industry, we believe to bring enormous value to our future partners," he added.

Analysts said there is demand for PE money, given an almost dead equity market and a tight credit market. India witnessed PE deals worth \$19 billion in 2007, overtaking China. A recent study estimates that there are nearly 160 PE/VC firms active in India, compared with 89 in Brazil, 28 in Russia and 115 in China. Another 40 firms are in the pipeline. The PE investment in India is estimated to be going up to around \$40 billion over the next three years.

Some analysts said ADAG's wide area of operations may go against the functioning of its PE initiative. However, a top source at ADAG thought otherwise. He said the diversified interests of ADAG could create more opportunities for mid-sized companies.

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