

## ICICI Venture in talks with Japanese firms for infra fund

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Investors drawn to emerging markets but fund-raising gets more competitive.



In the changed scenario of Indian private equity, where institutions and individuals are busy with fund raising, the fund houses are exploring untapped markets. ICICI Venture (I-Ven), India's largest PE firm, is in talks with a couple of Japanese investors such as major banks and insurance firms to raise money for its infrastructure fund, say sources.

The names of the Japanese majors could not be ascertained. I-Ven's infra fund, aiming at a \$750-million (Rs 3,425 crore) corpus, was launched this year.

Though Indian GPs (General Partners or fund managers) are busy with raising funds from traditional markets such as the US and Europe, it is rare for them to explore markets such as Japan. According to industry experts, total pension assets in Japan for 2009 were \$3 trillion. Japanese institutions invested close to \$20 billion in private equity funds in 2009.

When asked, Vishakha Mulye, managing director and CEO of I-Ven, said, "We are seeing a great interest among investors on the India infrastructure story." She refused to disclose more. I-Ven has commitments for \$100 million (Rs 456 crore) from domestic investors for the infra fund.

ICICI Venture had roped in Manikkan Sangameswaran, former managing director and head of infrastructure at Babcock & Brown India Pvt Ltd, to co-head the infrastructure fund, along with Mohit Batra and Partha Dey, who were with the infrastructure financing business of ICICI Bank. Another senior from I-Ven, Sandeep Malhotra, has joined the team.

### **Jap reticence**

Nikhil Nath, MD & head of mergers and acquisitions, AEJ, Nomura, said, "As far as investments in Indian PE is concerned, Japanese LPs are more cautious or could be coming in through Singapore-based fund-of-funds. The perception that Japanese investors come with long-term focus is the main attraction/differentiating factor vis-a-vis other global pools of capital."

Charles Daugherty, managing partner, Stanwich Advisors Llc, a US-based placement agency, which helps GPs for fundraising abroad, said, "There are a few funds-of-funds with capital that is specifically dedicated to Asia, with a focus on India. But most traditional Japanese LPs, such as insurance companies and banks, have either significantly scaled back commitments to private equity or have stopped investing in the asset class altogether. However, while insurance companies may begin investing in PE again, once the performance of their equity portfolios improves, Japanese banks seem to have pulled back from PE on a more permanent basis."

Japanese corporate pension funds and investors are expected to begin to commit more capital to PE within the next few years, but are only studying the market now, he added.

### **Competitive raising**

Apart from the infrastructure fund, I-Ven is raising another Rs 1,000-crore real estate fund from the domestic market. Other firms in the fundraising process include IL&FS Investment managers, Motilal Oswal PE, Blue River Capital, Peepul Capital, IDFC and Everstone Capital. Personality-led funds include Renuka Ramnath (Multiples Alternate Asset Management-\$450 mn), P R Srinivasan, the former managing director & India Region Head of Citigroup Venture Capital International (Exponentia Capital-\$400 million), Subbu Subramaniam, former partner with Baring Private Equity Partners (M Cap Fund Advisors), Harsha Raghavan, former India head of Candover, (Steer Capital) and Rajesh Khanna, former India head for Warburg Pincus, the PE major.

“The market for fund raising remains very competitive in traditional markets such as the United States and Europe, as well as in emerging markets. The macro opportunity in emerging markets, particularly China, India, and Latin America, is clearly compelling to investors. At the same time, the fundraising market for Indian GPs is more difficult on Thursday than it was in 2007 and 2008, with a higher number of GPs competing for less capital,” Daugherty said.