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IILM to raise up to \$ 350 mn by end-2010

The mid-market fund to be launched later this year will target both domestic and foreign investors

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Mumbai: IL&FS Investment Managers Ltd (IIML), the only listed Indian private equity firm and a subsidiary of Infrastructure Leasing & Financial Services Ltd (IL&FS), will approach the market at the end of 2010 to raise capital for a new fund.

"The last growth private equity fund was a \$225 million (around Rs1,000 crore today) fund. We now plan to raise \$300-350 million and will be in the market by third quarter this year (fiscal 2010-2011)," chief executive officer Archana Hingorani said. "We are looking to deploy \$600-700 million over the next 12 months."

The mid-market fund later this year will be sector-agnostic and will target both domestic and foreign investors.

IIML is currently investing from its growth equity fund, TARA India Fund III, of which about 75% has been committed so far.

Eight investments worth \$110 million—including in Ramky Infrastructure Ltd, GSS America Infotech Ltd, Den Networks Ltd and Electrosteel Integrated Ltd—have been made so far, according to IIML's website.

"We expect to have around 12 investments in this fund," Hingorani said.

The firm has \$2.8 billion under management through three business segments— \$400 million for growth capital, \$700 million for infrastructure and \$1.6 billion for real estate.

The fund-raising market at the moment is somewhat slow, with around 25-30 funds looking to raise capital.

"Global fund-raising has been tough, though comparatively there has been traction in the domestic fundraising market," said Jagannadham Thunuguntla, equity head at New Delhi-based investment bank

SMC Capitals Ltd, adding that the environment is expected to get better by the end of the year.

According to the latest data available from Venture Intelligence, a research firm focused on private equity (PE) and mergers and acquisitions, fund-raising declined from 23 funds raising \$5.15 billion in 2008 to 16 funds raising \$3.77 billion in 2009. In the first quarter of 2010, two PE funds raised \$420 million, compared with \$1.33 billion raised by five firms in the same period a year ago.

Attitudes are reasonably positive and there are strong signs that increasing numbers of LPs, or limited partners, that invest in funds, will return to the market over the course of 2010, said an April report from Preqin Ltd, a London-based research firm focusing on alternative asset classes. A survey of global LPs revealed that 51% intend to invest more in 2010 than in 2009.

Certain areas of the market, such as small- to mid-market buyouts and distressed private equity funds, are drawing special attention from LPs. However, profitable exits from portfolio holdings will need to improve for fundraising levels to improve significantly, the report said.

According to a company presentation, IILM has made 100 investments since 1998, exited 52, and realized gross internal rate of return of at least 25%.

In the past six months, the firm has made up to five exits and has two-three lined up, Hingorani said. While she declined to comment further on exits as they are still under discussion, the website of markets regulator Securities and Exchange Board of India (Sebi) names two of IILM's portfolio companies—Electrosteel Integrated and Ramky Infrastructure—as having filed draft red herring prospectuses for initial public offerings (IPO).
