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PRESS RELEASE

European private equity firms to back development, growth potential cos
Business Line (The Hindu)

Target small & medium size companies to pick stake

Chennai

Private Equity (PE) companies in Europe are looking at backing development and growth related funding in India.

According to **Mr David Krucik, Director, OC&C Strategy Consultants**, a London-based firm with offices across Europe, Asia and the US, small PE firms in Europe are looking at funding small and medium size Indian companies, preferably buying 30-40 per cent stake in them.

He said these PE firms would look at providing technology/marketing support to Indian companies (development funding) and help them reach out to international markets (growth funding).

"There is a lot of money (mainly pension funds in UK) looking for a home. Right now, India is an attractive destination," Mr Krucik told Business Line on the sidelines of a seminar on 'Financial Partnerships for Quantum Growth', organised by the Madras Chamber of Commerce and Industry.

High value PE firms such as Blackstone Capital and Warburg Pincus, would continue to operate in the 'buyout' segment, he said. Buyout refers to three possibilities — buying out more stake in the same company, entering a new business by buying out the exiting stake of another PE firm or facilitating acquisitions between companies by parenting with other PE firms.

When asked if any seed funding could be expected for Indian start up firms, Mr Krucik said it was unlikely, as foreigners seldom understood local business propositions and work regulations.

OC&C has worked on 10 transactions involving overseas funding in Indian companies. Would the rising cost of debt funding in India make more companies look at PE funding?

"Not necessarily. But it will have an impact on banks," said Mr Krucik. Debt funding is used primarily for cash inputs to a company whereas PE funding also brings in expertise in areas such as financial restructuring and efficiency in running operations.

"Banks in future will have to become more professional and proactively involved with the businesses they fund, else companies would increasingly rely on PE funding," he said.

In the past most banks lent funds but were seldom involved in the operations of the company. This would change as more PE funding came into the markets, he said.