

India
Weekly
Newsletter

January 2

2012

This document covers news related to India with a special focus on areas like mergers & acquisitions, private equity & venture capital.

Volume 117, January 2nd, 2012

For the period December 26, 2011 to January 1, 2012

Content	Pages
Mergers & Acquisitions News	3-4
Mergers & Acquisitions Deals	4-5
Private Equity News	6-6
Private Equity Deals	6-7
Venture Capital News	7-7
Venture Capital Deals	8-8

Highlights

Varun Industries To Sell 51% In Madagascar Oil Block For \$150 mn...(3)

Kreon to pick up 51% in Aran...(4)

GMR Infra Sells 30% In Singapore Arm To Petronas For \$38.54 mn...(4)

GMR Infra Sells 30% In Singapore Arm To Petronas For \$38.54 mn...(5)

Rajesh Khanna's Arka Capital Ceases Fund Raising, To Close Down...(6)

Sequoia Buys 1.4% In Amara Raja Batteries For Rs 24 cr...(7)

General Atlantic Leads \$108 mn Round In India Data Company Mu Sigma...(7)

Polymeric Sensors Gets Funding From Viva Capital...(8)

Mergers & Acquisitions News

Tata Power To Buy BP Stake In India Solar JV

Private power player Tata Power Co Ltd has signed a share purchase agreement with BP Alternative Energy Holdings Ltd to buy the latter's 51% equity and preference shares in the joint venture Tata BP Solar India Ltd for an undisclosed sum, the company has said. Tata Power would require necessary approval from the Reserve Bank of India and Competition Commission of India to complete the transaction. Under the agreement, the JV will continue to enjoy access to certain BP technologies until 2013. The joint venture and BP will also enter into a technology agreement to give effect to this understanding, the statement has added. In order to facilitate a smooth transition in terms of branding and fulfilment of re-certification requirements for solar PV modules, both the parties have agreed to product and non-product-related re-branding and certification. Tata BP Solar India was incorporated as a joint venture between the Tatas and BP Solar India Holdings Ltd in 1989 for the purpose of manufacturing photovoltaic cell and modules. BP holds 51% stake in the share capital of the joint venture. The deal follows the recent announcement of strategic exit by BP from its global solar business as the company struggled to stay profitable. BP has been slowly scaling down its solar business after facing price competition from Chinese firms in the panel business.

Varun Industries To Sell 51% In Madagascar Oil Block For \$150 mn

Diversified public-listed firm Varun Industries is selling 51% stake in its onshore oil block located in Madagascar to China's Da Qing Oil Field Company for \$150 million (Rs 807 crore), the company has disclosed in a statement to the Bombay Stock Exchange. Varun Industries holds exploration rights for the 6,884 sq. km. onshore oil block in Madagascar. Under the deal, it is selling majority stake in the oil block by forming a joint venture agreement with Sure King Varun Hong Kong Ltd, a special purpose vehicle between Varun Group and Da Qing Oil Field, the statement has added. Incorporated in 2000, Da Qing is engaged in exploration of crude oil in China. It also offers various exploration and development services including oil refining, pipe transportation, research and technical support. With the stake sale, Varun Industries will continue to have a significant equity interest and funds for other previously announced capex needs. Besides paying an upfront \$150 million, Da Qing has also committed to arrange for oil exploration and necessary fundraising for the programme. Founded in 1989, Varun Industries has business operations across stainless steel ware, wind power energy, oil/natural gas, mines & minerals, gem & jewellery and agro businesses.

UTV Set To Buy Adobe's 6.29% In Indiagames

Mumbai-based UTV Software Communications Ltd, has struck a deal to buy out Adobe Systems Incorporated's 6.29% stake in Indiagames Ltd, the country's largest digital gaming company. Although the deal value stands undisclosed, the agreement for sale has already been inked. If the recent deal is taken as a benchmark, UTV will pay around Rs 20 crore to Adobe to raise its holding to 92.31%. UTV currently holds 56% in Indiagames. In October this year, the company disclosed that it had signed an agreement to acquire 30.02% in Indiagames for Rs 94.56 crore from founder-promoter Vishal Gondal and other employee-shareholders. The transaction, yet to be completed, will push UTV's holding in the company to 86.02%. Soon after the October announcement, UTV also struck an agreement to buy Adobe's minority stake in Indiagames. It is also in talks to acquire the balance 7.69% held by Cisco Systems which will make the gaming company a wholly owned arm of UTV. Cisco and Adobe (through Macromedia) had acquired the stake for just around \$4 million nearly six years ago. Therefore, they will more than double the value of their investments.

Kreon to pick up 51% in Aran

As part of its strategic diversification, Chennai-based non-banking finance company (NBFC) Kreon Financial Services Limited is planning to acquire around 51% stake in modular kitchen company Aran Kitchen World India Private Limited. In a filing to the BSE, Kreon Financial said that it had signed a share purchase agreement with the promoters of Aran Kitchen World. Aran Kitchen World is a joint venture between Italian modular kitchen firm Aran World and Chennai-based Bohra Kitchens of the Bohra Group, with stake holdings of 49% and 51% respectively. The joint venture partners, however, are yet to decide on details of the dilution of the stake from each parties and the valuation of the stake could be arrived at only after that, officials from both the companies said. Kreon, which was listed in 1994-95, has around Rs 6-7 crore worth of assets under management and expects to sustain growth in the financing sector. Meanwhile, Aran Kitchen is looking at the strategic investment from Kreon to increase its capital and to increase the number of stores across the country, said a company official. The company currently operates nine showrooms in different parts of the country. Aran Kitchen World has announced an equity investment in its erstwhile Indian distributor, Kitchen World India in 2008 by picking up a 49% stake.

Mergers & Acquisitions Deals

GMR Infra Sells 30% In Singapore Arm To Petronas For \$38.54 mn

GMR Infrastructure Ltd has completed the sale of 30 per cent stake in its Singapore subsidiary GMR Energy (Singapore) Pte Ltd to Malaysian State-run oil company Petronas Power Sdn Bhd,

a subsidiary of Petronas International Corp Ltd, for SGD 30 million (\$38.54 million or Rs 209 crore), the company has said in a statement. The deal was announced in September this year but GMR disclosed the financial details only now. Transfer of the shares to Petronas Power was completed on December 27. Petronas also paid SGD 19 million (\$14.64 million), equivalent to the 30% shareholder loan contributed by GMR to date. The Malaysian oil and gas major would also be "contributing to future equity requirements of the project prorated to its 30% stake. In addition, Petronas International has become a joint sponsor of the project," the statement added. GMR Infrastructure is a holding company, formed to fund the capital requirements of various infrastructure projects in the GMR Group's energy, highways and airport businesses. It undertakes the development of infrastructure projects through its various subsidiaries. The Singapore arm of GMR is currently developing a gas-based power project on Jurong Island, which has a capacity of 800 MW. The power-generating facilities will be designed and constructed by a consortium including Siemens and Samsung. It will be fuelled by re-gassified LNG and commercial operations are scheduled to start in 2013.

Godrej Prop Sells 49% In Gurgaon Project To SUN-Apollo For Rs 45 cr

Mumbai-based realty firm Godrej Properties Ltd has sold 49% equity stake in its subsidiary Godrej Premium Builders Pvt Ltd to SUN-Apollo India Real Estate Fund for Rs 45 crore, the company has disclosed in a statement to the Bombay Stock Exchange. Under the deal, SUN-Apollo has paid Rs 18.3 crore to Godrej Properties for purchase of shares and the balance Rs 26.7 crore has been invested in Godrej Premium Builders which is currently developing a project in Gurgaon. Incorporated in 1990, Godrej Properties operates as a real estate development company and focuses on residential, commercial and township developments. In October this year, the company sold 49.9% stake in its Bangalore project to Motilal Oswal Private Equity for Rs 50 crore. SUN-Apollo is a \$630 million India-dedicated real estate private equity fund that invests in development and acquisition of assets across property types. It is a venture between the SUN Group, owned by the Khemka family and with operations in India, Russia and Eastern Europe, and AREA Property Partners (formerly Apollo Real Estate Advisors). Although the private equity action in Indian real estate sector has been muted, there have been a few large deals this year, besides a string of small and mid-sized deals across income-generating developments. In February 2011, Ascendas India Trust entered a deal to acquire a portfolio of five buildings in Phoenix Infocity Pvt Ltd's SEZ for Rs 855 crore. Also, Kotak Realty Fund sold Peepul Tree Properties (an IT park in Goregaon) to Tata Realty and Infrastructure Ltd and Tata Realty Initiatives Fund 1 for Rs 525 crore.

Private Equity News

Rajesh Khanna's Arka Capital Ceases Fund Raising, To Close Down

Owing to a difficult fund raising climate globally, Arka Capital, a private equity firm founded by former Warburg Pincus managing director Rajesh Khanna (right) and two others, has decided to cease operations. The PE firm had hit the road to raise around \$400 million eight months ago. Khanna and his two partners, Rohit Kapur, formerly head of KPMG Corporate Finance, and Cyrus Driver, former India head of Helix Investments, would be deciding on their respective future courses of action. Khanna, who was a managing director and co-head of PE major Warburg Pincus, left the firm more than a year ago to start his own fund in partnership with Kapur and Driver. Khanna, who had spent about 15 years in Warburg, had investments like Bharti Airtel and Max India Ltd to his credit. Bharti Airtel's was considered one of the best exits in Indian PE history. Kapur was mainly on the sell side as he drove businesses like M&A advisory, business sales and disposal, valuation services, private equity advisory, debt syndication among others which came under the corporate finance group of KPMG. Driver, on the other hand, led both growth capital and buyout deals at Helix for four years, and prior to that he was with J.P. Morgan Partners Advisors in Singapore and Mumbai. Arka Capital began its fundraising only by the second quarter (April- June) of 2011. While the exact reasons for the firm's closure could not be ascertained, it's likely the team decided to give up due to the prolonged nature of fund raising environment globally. Very few first time Indian funds have raised capital in the recent past. Renuka Ramnath, former head of ICICI Venture, and Ajay Relan, former India head of Citi Venture Capital International, were able to raise capital. But both Ramnath and Relan were in the market since 2008-09, and the fund raising environment wasn't too bad when they kicked off on their own.

Private Equity Deals

Sequoia Buys 1.4% In Amara Raja Batteries For Rs 24 cr

Sequoia Capital India, the venture and growth capital investor, has picked up 1.4% stake in India's second largest battery maker Amara Raja Batteries for Rs 24 crore. The shares were acquired through open market deals on both Bombay Stock Exchange and National Stock Exchange. Sequoia Capital arm has picked up the shares in two lots of Rs 200 each. Amara Raja competes with market leader for batteries in India Exide Industries. Amara Raja Group is engaged in making products from batteries, power solutions to electronics and fruit juices. Amara Raja Batteries had formed a joint venture with Johnson Controls in December 1997 to manufacture Amaron automotive batteries in India. Johnson Controls, the multi-industrial

Fortune 500 company, had revenues of \$41 billion and net income of \$1.65 billion in 2011. Both Galla family and Johnson Controls hold 26% in Amara Raja, while the rest is held by mutual funds and institutional investors.

General Atlantic Leads \$108 mn Round In India Data Company Mu Sigma

Chicago and Bangalore-based data analytics firm Mu Sigma has raised \$108 million in an investment round led by General Atlantic. This is believed to be the biggest private equity investment made till date in the emerging market for analytics services, and follows Mu Sigma's April round of \$25 million, led by Sequoia Capital. Sequoia Capital also participated in the current round, raising its stake in the privately held company. The earlier deal was done by the US and India growth funds of Sequoia, and was led by its India managing director Shailendra Singh who also sits on the company board. Mu Sigma said in a statement that it's already profitable and could fund its operations, but it would use the fresh funding to "accelerate its growth in the burgeoning analytics services market. The company was founded in 2004 by Dhiraj C Rajaram, who was earlier a strategy consultant at Booz Allen Hamilton and PricewaterhouseCoopers. Rajaram holds an MBA from the University of Chicago, an M.S. in Computer Engineering from Wayne State University and a bachelor's degree in Electrical Engineering from the College of Engineering, Guindy, Anna University. Mu Sigma, which has its main delivery centre in Bangalore, said that between 2008 and 2010, it had recorded revenue growth of 886%. It now claims to be the largest pure-play provider of analytics and decision support services. Mu Sigma focuses on areas like marketing, supply chain and risk analytics through the use of applied mathematics, business applications and technology tools. It has more than 50 Fortune 500 clients (Microsoft and Dell are among those) and employs 1500 analytics professionals.

Blackstone Buys Pune IT SEZ For Rs 810 cr

Blackstone has struck its second big private equity deal in real estate sector this year by acquiring DLF Ackruti Info Parks (Pune) Ltd, an IT special economic zone in Pune from realty major DLF Ltd and its joint venture partner Hubtown Ltd (formerly Ackruti City) for Rs 810 crore (\$153 million). DLF Ackruti Info Parks is a 25 acre special economic zone in Pune, with a built-up area of nearly 2.5 million sq ft. DLF and Hubtown held 67% and 33% equity shares, respectively, in the company. The transaction is in line with the DLF's recent moves to divest non-strategic assets to raise money for cutting its outstanding debt.

Venture Capital News

No news in the current week

Venture Capital Deals

Polymeric Sensors Gets Funding From Viva Capital

Mumbai-based Polymeric Sensors Pvt Ltd (PSPL), which develops and markets testing systems for agriculture, environment and healthcare sectors, has secured an undisclosed sum from Viva Capital, according to a company statement. The company was founded four years ago by AQ Contractor, a professor of Chemistry at IIT Bombay, and Shama Bhat, a biotech entrepreneur who had also founded Bhat Biotech Pvt Ltd. Polymeric Sensors was incubated by the Society for Innovation and Entrepreneurship (SINE) at IIT Bombay that put in around Rs 60 lakh two years ago. The firm designs, manufactures and markets testing systems for the testing of water, fluoride and soil. It has recently developed Polysense Aqua, a low-cost, handheld electronic device with electrochemical sensors to test water purity and soil fertility. The monies raised from Viva Capital will be used to complete the product's pilot and launch it commercially. Positioned as an early-stage investment firm, Viva Capital was started by Kamath, an alumnus of BITS Pilani and Jamnalal Bajaj Institute of Management, Mumbai. Prior to that, Kamath was a director at the alternate investment fund house Halcyon and also worked as a vice-president at Genpact's IT business. He has nearly 18 years of corporate and business experience in industries ranging from textiles, consumer brands, software products and services, chemicals and renewable energy. Viva Capital aims to fund companies who have raised angel rounds but not yet opted for institutional funding.

Disclaimer

This document is being communicated to you solely for the purposes of providing the current market trends and developments based on generally available information. This document is being communicated to you on a confidential basis and does not carry any right of publication or disclosure to any third party. By accepting delivery of this document each recipient undertakes not to reproduce or distribute this presentation in whole or in part, nor to disclose any of its contents without the prior written consent of LKP Securities Limited. The recipient will keep permanently confidential information contained herein and not already in the public domain.

This document is not an offer, invitation or solicitation of any kind to buy or sell any security and is not intended to create any rights or obligations. Nothing in this document is intended to constitute legal, tax, securities or investment advice, or opinion regarding the appropriateness of any investment, or a solicitation for any product or service. The use of any information set out in this document is entirely at the recipient's own risk and should not be regarded as a substitute for appropriate detailed professional advice.

LKP Securities Limited or any of its associates or employees do not accept any responsibility for any errors whether caused by negligence or otherwise or for any loss or damage incurred by anyone in reliance on anything set out in this document. We have not independently verified the accuracy of the contents contained in this document.

The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially however we assume no obligation to update you of any information pertaining to the contents of this document.

Visit us at: www.lkpsec.com