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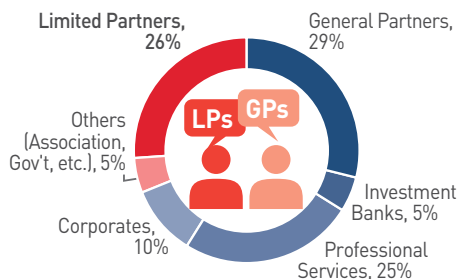
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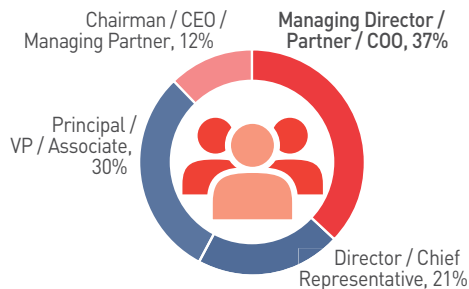
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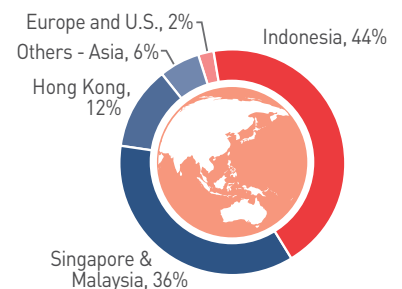
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## Situations vacant

### HIRO MIZUNO IS AN INTRIGUING CHOICE

as the first CIO of Japan's Government Pension Investment Fund (GPIF). His qualifications are not about to be questioned here, but rather what his appointment means as the Japanese behemoth prepares to add helpings of equities and alternatives to a diet traditionally dominated by government bonds.

As the teething problems of several of the younger sovereign funds and state-controlled investment funds attest, it is one thing to set out a strategy and quite another to recruit and retain people who are qualified to execute it.

As a partner at Collier Capital – and a regular speaker at AVCJ events – Mizuno had a fair claim to be the highest-profile Japanese executive working outside of Japan for an international private equity firm. He is not from within the system and has cross-border credibility. Perhaps incidentally, he also has close to 8,000 people following his, mostly Japanese, Tweets.

In the past week, GPIF has given further indication of its plans. The \$1.1 trillion fund will hold a seminar next month to inform potential applicants of the qualifications it is seeking. Separately, it emerged that the incoming president of GPIF will earn JPY31 million (\$260,000) next year, up from JPY18.9 million, according to a director in the fund's planning section cited by Bloomberg. Mizuno is in a newly-created post so comparisons can't be made, but at JPY30 million, his salary is in line with that of the president.

GPIF won approval last year to offer higher salaries in order to recruit investment professionals rather than government officials. PE is a relatively expensive asset class – efforts to bring down fees notwithstanding – and those at director level or above with a successful GP can expect to be well compensated.

The JPY30 million package for GPIF's CIO is still far short of the \$412,039 base salary and \$305,810 bonus paid to the equivalent executive at the California Public Employees' Retirement System. (According to Collier's most recent private equity barometer survey, nearly half of North American LPs are boosting pay scales to attract new recruits, compared to 30% in Europe and 19% in Asia Pacific.)

However, it has been reported by Nikkei that GPIF wants to recruit about 40 executives from

financial services firms – across multiple asset classes – and may be willing to better the salary enjoyed by the current president. For its part, GPIF said that revisions to pay standards took into account private sector compensation, without exceeding the president's wage (JPY31 million, not JPY18.9 million).

It will be interesting to see how this plays out. China Investment Corporation (CIC) recruited a swathe of overseas-trained private equity talent in the wake of the global financial crisis: the financial services job market was, for obvious reasons, seeing limited supply and executives were willing to write off the lower salaries against the long-term benefits of establishing networks in and around the sovereign wealth fund. But there was a sizeable exodus in 2011 and 2012 as these contracts began to expire.

GPIF is not constrained in the same way as CIC, so it is possible that, even in the absence of a financial crisis, recruits will find a balance between relatively lower salaries and opportunities for relationship-building with which they are comfortable. But this will be of little use if the top talent subsequently gets picked off by better-paying employers.

Continuity and discipline are vital to a successful alternatives program, especially if a newly-created one where there is pressure to deploy capital rapidly in the early years.

When dealing with opaque organizations like sovereign wealth funds, it is difficult to establish a causal link between staff volatility and performance. But it is safe to say that constant changes in the personnel meeting and allocating funds to GPs (one manager told AVCJ he met with 3-4 different teams from CIC over the course of 2011-2012) and turbulence at the top (an issue at CIC and at Korea Investment Corporation, which has undergone some structural changes as well) do not help matters.

Although GPIF is likely to be relatively conservative in rolling out its alternatives program, it will still be under pressure to recruit the right people.

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## AUSTRALASIA

### Australian cancer drug developer raises \$10m

Australian biopharmaceutical start-up EnGeneC has received \$10 million in a Series B funding led by Boston-based healthcare specialist GRT Capital Partners. Several other new and existing US investors participated, including Foley Ventures and various partners at law firm Foley & Lardner.

## GREATER CHINA

### Sun Life Everbright, other Chinese launch PE fund

Sun Life Everbright Asset Management, an asset management arm of Sun Life Everbright Life Insurance, has launched a PE fund alongside Anhua Agricultural Insurance, Chang An Property & Liability Insurance, Soochow Life Insurance, Kunlun Health Insurance and Taishan Property & Casualty Insurance. The vehicle, which has an initial registered capital of RMB100 million (\$16 million), is the first domestic PE fund set up and managed by Chinese insurance companies.

### Bull Capital in \$200m first close for second China fund

Bull Capital Partners has reached a first close of \$200 million on its second China fund. The GP has also completed its first investment from the vehicle, backing Shanghai-headquartered used car business CarKing. The fund has a full target of \$400 million and a hard cap of \$500 million. A final close is expected before the end of 2015.

### IDG, Vertex back NetDragon's education unit

Best Assistant Education, an online education unit of China games developer NetDragon Websoft, has raised a \$52.5 million Series A round led by IDG Capital Partners, Temasek Holdings-owned Vertex Venture and Shenzhen-listed animation producer Alpha Animation. The round values the education subsidiary at \$477.5 million.

### Fosun unit raises \$960m China infrastructure fund

Xingjing Capital, an investment arm under Fosun Property, has raised a RMB6 billion (\$960 million) infrastructure fund to invest in public private partnership projects in China. It will target replacement housing and public facilities.

### CVC returns \$2b to LPs from Asia deals in 2014

CVC Capital Partners returned \$2 billion to investors from Asia-based investments in 2014 after completing three full or partial exits – which contributed \$1 billion of the proceeds – in December.

The first exit came as CVC sold part of its holding as Japan-based TechnoPro Holdings went public in Tokyo. The company offered 27.26 million shares at JPY1,952 apiece to raise JPY53 billion (\$446 million). CVC reduced its



holding from 99.99% to around 20%. The PE firm bought TechnoPro – then known as the Japanese operations of employment agency Prompt Holdings – in 2012 via a management buyout said to be worth \$218 million.

Days after TechnoPro went public, Cathay Life Insurance announced it had agreed to buy a 20% stake in Philippines-based Rizal Commercial Banking Corporation (RCBC) for PHP17.92 billion (\$400.5 million), with CVC and International Finance Corporation selling a portion of their holdings. The PE firm paid PHP4.96 billion (then around \$115 million) for a 15% interest in 2011 and completed another partial exit last year, raising around \$45 million.

The third exit was Taiwan-based Nien Made, the world's leading manufacturer of interior shutters for windows and the fourth-largest blinds maker. CVC took the business private alongside the founding families in 2007 for \$750 million. The private equity firm has offloaded its entire stake through a pre-IPO share sale to 37 investors.

### CDH exits CNinsure via share buy-back

CDH Investments is exiting CNinsure, a China-based distributor of insurance products, after members of the management team agreed to buy back its stake for \$54.1 million. The PE firm is offloading 7.7 million American Depository Shares (ADS) at \$7.00 apiece to Kingsford

Resources, a company owned by members of CNinsure's management. Their interest in the business will rise from 3.1% to 16.6%.

### Hony scraps plan to buy Chongqing hotpot chain

Hony Capital has abandoned its plan to buy Chongqing Cygnet Hotpot, a hotpot restaurant chain backed by Sequoia Capital and SIG Asia. Hony, which wanted to buy a 93.2% stake in the business, said the transaction failed because the company founder decided to retain control.

### China food delivery app Line0 raises \$30m

Chinese food delivery mobile app Line0 has completed a Series B round of funding worth \$30 million, led by Tencent Holdings. Existing investors Sequoia Capital and Gobi Partners also participated. In addition to providing food ordering and delivery services for restaurant chains, Line0 has developed its own brand - Zero - through cooperation with food producers that have few, if any, outlets of their own.

### Ally Bridge leads round for Shanghai Hua Medicine

Ally Bridge Group, a healthcare-focused PE firm, has led a \$25 million Series B round of funding for Hua Medicine, a Shanghai-based clinical-stage biotech company. New investors Frontline BioVentures and TF Capital and existing investors Arch Partners, Venrock, Fidelity, WuXi PharmaTech and SAIL also participated.

### Crystal Stream leads \$10m round for delivery start-up

Crystal Stream Capital, an early-stage focused fund set up by Chenchao Zhuang, CEO and co-founder of Chinese travel site Qunar.com, has led a \$10 million for Lalamove, a Hong Kong-based mobile app for on-demand delivery services. Other participants included angel fund Geek Bang, MindWorks Ventures and Sirius VC.

### BAI backs mobile ad solutions provider

Bertelsmann Asia Investments (BAI), an investment arm of German media giant Bertelsmann, has committed \$10 million in Series A funding to OptAim, a Chinese mobile marketing solutions provider. The company helps advertisers improve their marketing return on investment through big data, digital signal processor and other technology solutions.

## EIG hires CIC's oil and gas head to lead HK office

EIG Global Energy Partners has hired Yangyang Liu, formerly of China Investment Corporation (CIC) as managing director in its recently-established Hong Kong office. Liu spent five years at CIC, serving as head of oil and gas from 2013.

## NORTH ASIA

### Japan's REVIC, NCB, DBJ set up \$42m fund

Japan's Nishi-Nippon City Bank (NCB) has set up a JPY5 billion (\$42 million) fund with Development Bank of Japan (DBJ) and Regional Economy Vitalization Corporation of Japan (REVIC). The fund, which translates as the NCB Kyushu Activation Fund, will be administered by NCB Capital, a joint venture between the three backers and boutique PE firm Dogan Advisors.

### GPIF targets new hires as part of strategy shift

Japan's Government Pension Investment Fund (GPIF) is trying to attract more talent with better pay in order to meet the demands of its changing investment strategy. The fund will hold a private seminar next month to inform potential applicants of its plans to hire more professional money managers. It is also improving the pay scales, with relative increases for both the president and CIO.

### Jafco exits shredder maker to local trade buyer

Jafco has exited Meiko Shokai, a Japanese manufacturer of document shredders, to turnaround specialist Japan Industrial Solutions (JIS) for an undisclosed sum. Jafco – which now focuses mainly on VC investments – acquired a 93% stake in Meiko alongside management for JPY20.64 billion (\$173 million) in 2007.

## SOUTH ASIA

### Google Capital backs real estate platform

Google Capital has provided a new round of funding for CommonFloor.com, an India-based property listings website. It comes three months after the company raised \$30 million in Series D funding from Tiger Global Management. Launched in 2007 by maxHeap Technologies,

## Multiples set for \$325m first close on Fund II

Indian mid-market GP Multiples will reach a \$325 million first close on its second fund by end of this month, with a final close of \$650 million slated for around September. According to sources familiar with the situation, the final paperwork is currently circulating LPs for approval. The fund will comprise a \$500 million core co-mingled vehicle plus a \$150 million co-investment pool.

The second fund was launched in the middle of last year and is understood to be targeting new LPs in addition to receiving re-ups from a number of existing investors. Fund I, which



closed in late 2011 at around \$450 million, was backed by the likes of UK development finance institution CDC Group, Canada Pension Plan Investment Board, Kuwait's Public Institution for Social Security and Dutch pension fund PGGM.

Multiples makes mid- to late-stage equity investments in mid-size public and private companies, committing \$15-50 million per transaction. This latest fund will follow a similar sector-agnostic remit to its predecessor, with opportunities in the IT and the restaurant spaces currently being explored. Minority growth investments account for the bulk of the GP's portfolio, although the team has experience of control transactions.

Multiples was founded by Renuka Ramnath, formerly CEO of ICICI Venture.

CommonFloor provides an end-to-end service comprising property search, apartment management and vendor management.

### Alibaba to back commerce, payments platform

Alibaba Group has reportedly agreed to invest at least \$550 million in One97 Communications, owner of India-based mobile commerce platform and payments solution provider Paytm, which has several venture capital backers. Alibaba and

its payments subsidiary Alipay will together hold a 30% stake in the business.

### Infosys expands Innovation Fund five-fold to \$500m

Indian IT and business consulting firm Infosys has expanded its early-stage investment vehicle - Innovation Fund - from its original \$100 million corpus to \$500 million. It will back start-ups globally, focusing on artificial intelligence, automation, and the internet-of-things.

### Lenskart raises \$22m in Series C funding

Valyoo Technologies, the Indian start-up behind online eyewear retailer Lenskart, has raised INR13.5 billion (\$21.9 million) in Series C funding led by TPG Capital's growth unit. Hong Kong-based TR Capital, and existing investor IDG Ventures, also took part in the round which valued the company at about \$100 million.

### Multiples completes exit from South Indian Bank

India's Multiples Alternate Asset Management has fully exited South Indian Bank (SIB), selling its remaining 3.67% stake for INR1.51 billion (\$23.8 million). Two Multiples vehicles sold 50 million shares at approximately INR30.50 apiece. The PE firm picked up a 5.58% stake in SIB for INR1.65 billion in September 2012 and sold one fifth of its holding in July for around INR428 million.

## SOUTHEAST ASIA

### Xeraya, Spruce reach first close on life sciences fund

Khazanah Nasional-controlled Xeraya Capital and Spruce Capital Partners have reached a first close of \$150 million on MLS Capital Fund II, successor to the vintage Malaysian Life Sciences Capital Fund, which is now fully allocated. LPs include institutional and global corporate investors. The first fund closed at \$162 million in 2006.

### Rocket Internet, PLDT set up payments platform

Rocket Internet and Philippine Long Distance Telephone (PLDT) will form an emerging markets-focused mobile payments platform. This was part of the deal that saw PLDT buy a 10% stake in the German e-commerce incubator for EUR333 million (\$444 million) last August. Each group holds a 50% interest in the new venture.



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# Gender balance

Women are still underrepresented in a male-dominated VC industry, but China is notable for having a number of female executives in senior positions. How did they break through the glass ceiling?

## WHEN APPLE AND FACEBOOK LAST YEAR

offered to freeze eggs for female employees who wanted to focus on their careers without sacrificing the chance to have children later on, they provoked fierce debate.

Some slammed the US tech giants as exemplars of corporate bias against women and motherhood; others were baffled as to why giving employees greater choice should be seen as controversial. Huoy-Ming Yeh, China head of Silicon Valley Bank (SVB) Capital, falls into the latter category.

“One of the reasons there are more men in the workforce is that a woman’s childbearing age determines when she should stay at home. The best ages for having children are the late 20s and early 30s but if women choose to stay at home and have kids they might give up 10 years of their career,” Yeh says. “I advocate that women in their 20s should freeze their eggs so they can choose if and when they want to leave workforce.”

Egg-freezing is an extreme example of how female employees with demanding yet potentially lucrative jobs can have a career and a family. Female venture capitalists whose job it is to find the next Apple or Facebook face a similar dilemma – seemingly spending more time on a plane than at home, achieving a work-life balance is a challenge.

This is the most oft-cited reason for why women are underrepresented in the private equity and venture capital industry, but in the China VC space they have still managed to make a breakthrough. Although finding that balance is certainly an issue, there are also broader cultural and historical factors at work – serving as both facilitators and obstacles to greater female participation.

Asia-based private equity firms have the highest proportion of women in senior roles: 11.8% as of March, compared to 11% in the US and 9.7% in Europe, although the share has fallen from 12.8% in 2013, according to Preqin. Globally, women account for 11.2% of senior roles in VC firms – the same as 2013 and up from 9.7% in 2012 – well ahead of the buyout firms’ share of 9%.

For China alone, women are better-represented in venture capital than anywhere

else in the region, industry participants suggest. There are also more women in senior positions compared to the US.

“Even 10 years ago, it was the same,” says Yeh. “There was a group called Women in Leadership started by female PE and VC partners in 2006. It has since expanded to include women in senior executive positions – CEO, CFO or CIO – with all types of company in China. I don’t see the same concentration of senior level women in the US that I see in China.”

## Big names

Female VC investors are also well-known in the industry. In Forbes China’s latest annual list of the top venture capitalists in China, Kathy Xu, founder of Capital Today Group, ranked second

able to make the breakthrough to senior levels in China is that the market is still at a relatively nascent stage.

Lee helped US-based GGV set up its China operation in Shanghai in 2005. “I started on the ground earlier than anybody else in China, so I compete on an equal level and this allows me to perform well,” she says. “If I entered the US market 10 years ago, coming up against venture capitalists operating in a market with 50 years of history, I would struggle to compete even if my performance was outstanding.”

TDF’s Ju also benefited from being an early starter. She began her career in venture capital with VTDF in 1999 and went on to set up VTDF China in 2000 and TDF Capital in 2005. After raising two funds under the KPCB China banner,

Female senior employees as proportion of total senior employees by firm strategy



overall after SoftBank China Venture Capital’s Chauncey Shey. TDF Capital’s Tina Ju, GGV Capital’s Jenny Lee and DCM China’s Ruby Lu, are also in the list.

The Forbes China ranking is based on the Midas List published by the magazine’s US affiliate. It is not a perfect measure – the formula depends on exits over the previous five years and does not take into account returns by money multiple or IRR – but it offers an interesting snapshot of industry trends. Lee also features 52nd on the US list, which came out earlier in 2014, the second-highest China-based entrant, male or female.

The primary reason why women have been

last year she reactivated the TDF franchise and is on the road looking to raise \$200 million. Capital Today’s Xu is another example of a successful spin-out, having previously worked for Baring Private Equity Asia.

These women who have taken on senior roles within the industry are expected to be an example to others, encouraging a greater number of younger women to embark on careers in venture capital. However, the road is not without obstacles.

First, the hiring process in both private equity and venture capital is not systematic. It is difficult to know which firms are recruiting staff and in many cases people are brought on board at

## Female founders

Less than one in 10 founders of technology start-ups in China are female. The origins of this trend can be found in college. Men have traditionally been more drawn to study tech-related subjects and without this kind of grounding it can be difficult for a woman to launch a career as an entrepreneur.

At the same time, while many first-time founders are in their early to mid-20s, having started out on their own after a couple of years with a larger company, Asian cultures tend to be more family-oriented. Women of this age are encouraged to settle down and have children. Even if they do have the option of setting up a company, they might be reluctant to take the risk.

"There are some female entrepreneurs but they tend to be in couples; there are a lot more husband and wife teams founding companies," says Rui Ma, venture partner at US angel investor 500 Startups. "It's more culturally accepted because women are expected to help out their families."

Yan Liu, founder of co-working platform ASK Lab and co-founder of crowdfunding platform Loving the Crowd, agrees that female entrepreneurs are less willing to take charge of an entire operation. They are usually co-founders alongside men. "That's tradition – the woman doesn't want to overtake the man," she adds.

Ma also finds that women are often perceived to be weaker managers than men. 500 Startups launched the 500 Women Syndicate to mainly invest in women-founded companies and Ma approached 10 Chinese GPs to participate as angel investors. The feedback fell into one of two extremes: either they 100%-supported women entrepreneurs or they didn't want to back female founders on the grounds that they couldn't build better businesses than men.

The younger generation of potential entrepreneurs is also influenced by the wishes of their parents. According to Todd Embley, program director at Chinaccelerator, parents want their children to enter secure professions – and this means working for big corporates rather than creating a string of start-ups.

Chinaccelerator hired an overseas-educated intern last year who handed in her notice because her parents wanted her to find a stable job within the Shanghai government. Embley offered the intern a pay rise and a full-time job but she turned it down because her parents threatened to cut off her allowance.

"It's interesting that her parents were able to control her future and position because they gave her RMB10,000-30,000 (\$1,600-4,800) extra every month," Embley said. "Once the kid got used to that and they threatened to take it away, she would do anything they wanted."

the last minute. Even if an applicant is invited for interview, the decision might be a long time coming, particularly for senior level positions as firms want to make sure an individual is a good long-term fit. Women profess themselves uncomfortable with these unpredictable processes.

Work-life balance is another barrier to entering the industry, particularly among women who want to have children.

"The profession itself requires intensive travel and long working hours, so some may choose to exit early. But for those who are passionate and decide to make it a life-long career, once they get through the early years and become senior at a firm, the work is increasingly fun," says Stephanie Hui, head of Goldman Sachs' merchant banking operations for Asia Pacific ex-Japan.

It is very much an issue of personal choice and there are industry participants who insist it is possible to strike an acceptable balance between work and family responsibilities. Nisa Leung,

managing partner at Qiming Venture Partners, notes that in today's world, the husband is often willing to share these domestic responsibilities. Furthermore, in major Asian cities, domestic helpers and child minders are still readily available and generally affordable.

"For a female venture capitalist to strike a work-life balance, it also depends on the company culture and support from the management team," Leung says.

Hui echoes this view, adding that most female investors, though their burdens may be heavy, have the luxury of flexible working hours. For example, when she not traveling for work, Hui usually arrives home around 8 p.m. and gets to spend time with her children. "And I continue working from home after they go to sleep. It is all about delivering quality work," she says.

However, there are still some VC firms are reluctant to hire women, in China and in the US, based on the presumption that female employees sacrifice job performance in order

to care for children at home. It is illegal in Hong Kong and the US to reject a female applicant on the basis that she might have a child, or terminate employment once they give birth.

"But these things do happen – they just do it quietly," says Lisa Suennen, founder of healthcare consultancy Venture Valkyrie. "I don't really understand the fear about women having children because men play a role in that process as well. I think there is an assumption that the woman raises the child. These old ways of thinking will eventually disappear, but not yet."

### A flexible approach

Nevertheless, the industry is gradually evolving into an environment that is friendlier towards working women. For example, the California Public Employees' Retirement System (CalPERS) runs a program designed to support funds managed by minority groups. Intel Capital recently said it would invest \$300 million internally in the hiring and retention of women and people from minority groups, with a view to contributing to greater diversity in the US workforce.

Across the whole private equity industry, women in PE traditionally underrepresented than VC. The reason lies to relationship building with entrepreneurs and the nature of investing businesses.

Women VCs are generally easier to interact with younger entrepreneurs. In particular for early stage investments, the start-ups may not have proven products or revenue. VCs' decision to invest would heavily rely on their judgment of the management team. Women are good at in this front.

"Women have such instinct in assessing people's personality and motivations, which brings new perspective in the decision-making process, in addition to the analysis of industry and products," says Sally Shan, a managing director with fund-of-funds HarbourVest Partners. "Women are also good listeners and have the strength of being relatively non-confrontational, which helps them to connect with young entrepreneurs."

More than a half of GGV's 30 new investments last year were Series A rounds, and most of the CEOs of these companies are below 30 years old. The youngest is 23. The new generation of tech start-ups in China – be it the internet-of-things, mobile technology or online-to-offline (O2O) e-commerce – are led by a younger generation of entrepreneurs. They are more open-minded and familiar with the asset class, especially those that have been educated overseas.

"Young entrepreneurs often struggle to think independently and they lack a clear vision of how to build a business," GGV's Lee says. They

want VCs could help them by appreciating and sharpening their ideas, but they also want VCs to get smarter. As a result, they may be wary of working with a young and relatively inexperienced investor.”

The implication is a female venture capitalist who is working with a tech entrepreneur faces a very different proposition to a female private equity manager dealing with the founder of an established business.

Most start-ups are concentrated in major cities such as Shanghai and Beijing, so there is less need for the venture capitalist to make repeated journeys to far-flung lower-tier cities in order to conduct due diligence. Another factor is the origins of the founder. The PE investor may frequently interact with 50-something CEOs who grew up within the state-owned enterprise system. Relationships underpin business partnerships and relationship-building activities tend to be social in nature – it is far easier for a male investor to eat and drink with a male founder.

“PE and VC are high pressure, challenging areas of work, but the private equity due diligence process tends to be more complex and time-consuming, which makes it even harder for women investors to have a well-balanced career and family life,” Shan says. “And while PE

transactions may involve multiple parties and there is uncertainty around deal completion, in the VC space the individual investor can have more of an impact. It delivers higher personal fulfillment.”

In this context, it is arguably easier for venture capitalists to distinguish themselves through domain expertise in areas such as healthcare or niche fields of technology. Gender becomes less relevant; it is more a question of an individual’s knowledge and relationships.

As a result, while it would be wildly optimistic to talk of a male-female balance in venture capital, as the industry evolves in China there should be scope for more women to build upon the progress made by the pioneers. The entrepreneurs they back will continue to be predominantly men, though, with anecdotal evidence suggesting that women account for less than 10% of start-up CEOs.

This is in part explained by education – females still make up a tiny fraction of graduates from engineering and technology-intense courses. It is also generally harder for them to raise VC funding. According to industry participants, a male entrepreneur is more likely to pitch an idea aggressively and this tends to resonate with investors looking for the next Facebook or Alibaba Group.

“Women tend to be more conservative in the way they describe the future of their company. If there are more women in the VC world who appreciate how female founders think, over time you will have more women entrepreneurs. It is a virtuous cycle,” Goldman’s Hui says.

This begs the question as to whether female venture capitalists are more effective than their male counterparts in backing female-run or female-oriented businesses. In the US, a number of funds have been set up with a view to leveraging this dynamic, but not everyone is willing to buy into it.

“Women are often but not always more willing to invest in female entrepreneurs. I don’t know if this type of fund is a good thing or bad thing,” Suennen says. “While having segregation is good in theory, I’m not sure that it resonates with investors.”

Ultimately, performance is the key. Female venture capitalists are competing against the rest of the industry on a gender-neutral basis, whether they are trying to raise funds from LPs or building up an investment track record.

“The world doesn’t give you a special treatment because you’re a woman,” GGV’s Lee says, “I don’t compete myself with about 10 women VCs in China, I compare myself with thousands of VCs in the world.” ▀

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## Still selling

4Q analysis: Trade sales keep the exit market ticking over; big ticket tech deals make their presence felt, but buyouts dominate the investment environment; weakness in China pegs back Asia fundraising

### 1) Exits: Asia continues to shine

In Queensland Motorways, Oriental Brewery and Arysta LifeSciences, 2014 delivered three of the four-largest trade sales ever seen in Asia. They helped propel exits to a record level of \$62.9 billion, with trade sales accounting for 54% of total proceeds, according to preliminary data from AVCJ Research.

The final three months of the year saw a larger trade sale contribution than in any of the previous quarters: \$10.7 billion out of an overall exit figure of \$17.6 billion, or a 61% share. This compares to \$6.68 billion out of \$15.2 billion in the third quarter.

Permira's sale of Japan-based Arysta

LifeSciences led the way on \$3.51 billion, but Japan was well represented elsewhere: it was responsible for nine of the 25-largest exits region-wide, up from one in the previous quarter. These included MBK Partners' sale of Yayoi to Orix Corp. for \$696.2 million and Tokio Marine Capital's \$665.2 million exit of Bushu Pharmaceuticals to Baring Private Equity Asia.

Australia also featured prominently, with Affinity Equity Partners' exit of deli meats producer Primo Smallgoods for \$1.26 billion and the \$693.2 million sale of cinema chain Hoyts Group by Pacific Equity Partners.

While Japan and Australia were the most active markets for private equity exit activity,

on \$7.67 billion and \$3.21 billion, they ranked second and third by proceeds from PE-backed IPOs, trailing only China. However, the China total is distorted by two offerings in which the private markets involvement came in the form of cornerstone commitments to CGN Power and Dalian Wanda Commercial Properties, which between them raised \$7.69 billion, or nearly two thirds of the China total.

Japan was responsible for four of the largest IPOs, up from zero out of the top 25 for July-September. There were substantial partial exits for Bain Capital and Japan Industrial Partners as restaurant operator Skylark raised \$689.6 million and CVC Capital Partners, which sold the majority of its stake in staffing business TechnoPro Holdings through a \$390.1 million offering.

In Australia, there were IPOs for two outdoor advertising businesses – APN Outdoor and oOh!media – which provided liquidity events for Quadrant Private Equity and Mercury Capital, and CHAMP Private Equity. Quadrant also took aged care provider Estia Health public, taking its IPO count for 2014 to four.

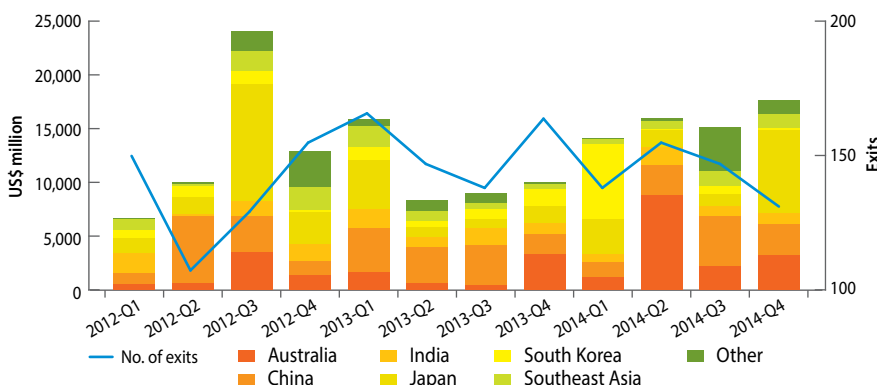
### 2) Investment: Frothy tech deals, bumper buyouts

It speaks volumes for the size and valuation of private markets funding in the technology space that three of the six-largest investments in the final three months of 2014 were late-stage institutional rounds. Chinese mobile phone maker Xiaomi raised \$1 billion; Indian e-commerce platform Flipkart got \$700 million; and Beijing XiaoJu Science & Technology, the company behind Chinese taxi-booking app Didi Dache also received \$700 million.

With a valuation of \$45 billion, Xiaomi can now claim to be the world's most expensive VC-backed start-up. Meanwhile, for Flipkart, this was a third round of funding in 12 months. The first, worth \$210 million, valued the company at a reported \$2.5 billion; the last, worth \$700 million, was made at a valuation of \$11 billion.

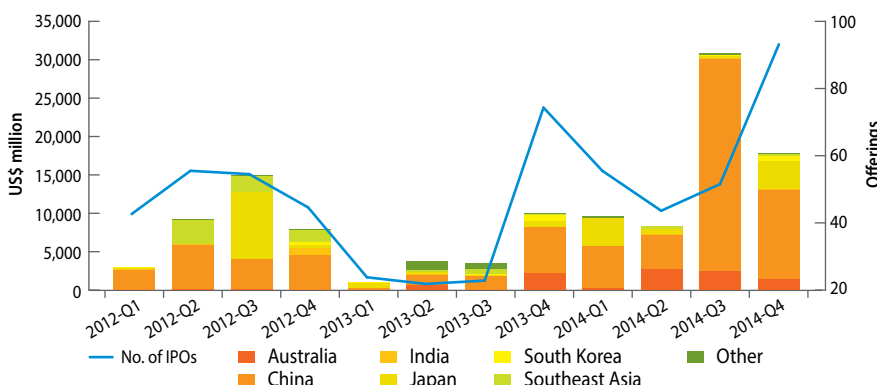
The debate continues as to whether these asking prices are justified, given the target companies are established leaders in their respective markets, or yet another symptom of an increasingly frothy market. Certainly, technology companies in China and India are following the US trend of ever larger private rounds at ever higher valuations.

Asia private equity exits by jurisdiction



Source: AVCJ Research

Asia PE-backed IPOs by jurisdiction



Source: AVCJ Research

## Top PE deals in Asia, 4Q 2014

Investee	Amount (US\$m)	Investors
Halla Visteon Climate Control (Korea)	2,542.8	Hahn & Co
BesTV New Media (China)	1,272.1	Haitong Chuangyi Capital; Shanghai Guohe Modern Services Industry; BOCOM International; SAIC Capital; CEL Venture Capital; China Minsheng Capital Management; China Development Bank Capital
Xiaomi.com (China)	1,100.0	GIC Private; Hopu Investment; DST Global; Yunfeng Capital; All-Stars Investment
Fujian Nanping Nanfu Battery (China)	1,000.0	CDH Investments
Beijing XiaoJu Science & Technology (China)	700.0	Temasek Holdings; DST Global; Tencent Collaboration Fund
Flipkart Online Services (India)	700.0	QIA; Greenoaks Ventures; Baillie Gifford & Co; DST Global; GIC Private; Iconiq Capital; Steadview Capital Management; T. Rowe Price; Tiger Global Management

Source: AVCJ Research

chemicals division for \$653.7 million on and Apollo Global Management announced plans to buy half of Leighton Holdings' maintenance services business for \$578.5 million.

### 3) Fundraising: China on the slide – again

A handful of mid-cap China funds are currently in the market or about to enter it. They represent a welcome boost following a final quarter of 2014 in which just one US dollar-denominated vehicle reached an incremental or final close: Cathay Capital Private Equity scooped up \$49.8 million to close its Sino-French fund at \$675.1 million.

Further closes may yet emerge but they are unlikely to alter the fact that this was one of the weakest China private equity fundraising quarters on record – in recent years, only the aftermath of the global financial crisis was worse. The tech-focused VC and PE funds that closed in the first half of the year tailed off; the \$8.1 billion China Minsheng Investment Fund that massaged the third quarter figures has not been emulated.

Approximately 10 renminbi funds reached a close between October and December, generating collective proceeds of \$1.7 billion. This was actually an improvement on the second quarter, but only marginally. A \$967.7 million infrastructure fund raised by Xingjing Capital – which is controlled by Fosun Group – accounted for the bulk of the proceeds. Other contributions came from small-scale renminbi VC vehicles.

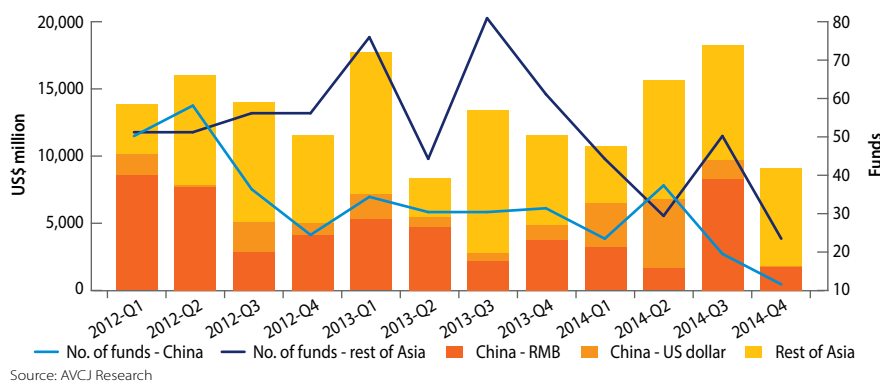
By contrast, India continued its recent uptick, with five GPs raising just over \$800 million for the quarter. They included IDFC Alternatives, which topped off its second India infrastructure fund with \$256 million for a final close of \$900 million and Everstone Capital's first close of \$261.5 million on its third India and Southeast Asia-focused vehicle. The full target it \$650 million.

India fundraising surpassed \$3 billion for 2014 as a whole, the first time this has happened in three years. The region as a whole finished the year with \$53.8 billion in commitments, slightly better than 2013 and slightly worse than 2012. It should come as little surprise that the number of managers dropped substantially to below 230 compared to 379 in 2013.

This headline numbers were impacted by the assortment of GPs raising large pan-regional vehicles over the past year, and the last vestiges of this tide were apparent in the fourth quarter, with Baring Private Equity Asia reaching a first close of \$3 billion on its sixth fund. A final close at the hard cap of \$3.85 billion is expected shortly.

However, Baring Asia's effort was not enough to turn around a disappointing three months for fundraising, with total commitments of \$9.1 billion, less than half the previous quarter's total. The drop-off in China was impossible to counterbalance. ▽

PE fundraising: Renminbi vs US dollar vs rest of Asia



There are plenty of arguments why the dotcom boom and bust of 1999-2000 is not being repeated – companies are more mature when they go public, the internet business model is proven, Asia in particular is seeing rapid growth due to the proliferation of mobile devices – but there are still risks. When abundant capital is chasing deals, investors may spend less time on due diligence and companies that aren't worth supporting get funding.

At the top end of the scale, and at the highest valuations, this is no longer a concern for conventional venture capital. The roster of investors in Xiaomi and Flipkart's most recent rounds includes sovereign funds GIC Private and Qatar Investment Authority, later-stage private equity investors DST Global and Hopu Investment, and hedge funds Baillie Gifford & Co. and Steadview Capital Management.

Their largesse contributed to a fourth quarter in which private equity investment in Asia reached \$21.5 billion, just short of the third quarter figure of \$21.6 billion. The \$85.3 billion committed in 2014 as a whole is the highest annual total since 2007.

However, it was also a quarter of buyout

dominance, with \$8.7 billion transacted – the highest three-month total in more than two years. Growth deals slipped to \$7.3 billion from \$11.5 billion the previous quarter in the absence of an investment of the scale of September's Sinopec Marketing bonanza.

South Korea, as always seems to be the case, weighed in with a couple of bumper buyouts, notably a \$3.6 billion acquisition of Visteon Corp's 70% stake in Halla Visteon Climate Control Corp. by Hahn & Co. in partnership with Hankook Tire. CDH Investments also weighed in with the purchase of a majority interest in Fujian Nanping Nanfu Battery for around \$600 million – a rare corporate carve-out in China and an even rarer case of a PE firm returning to invest in a former portfolio company.

A final trend worth noting is the spate of investments in Australian mining service providers that are being squeezed by falling commodities prices and having to offload assets or undergo restructuring in order to support their balance sheets. First Centerbridge Partners said it would support a \$352 million restructuring of Boart Longyear. This was followed by The Blackstone Group agreeing to buy Orica's

## Samurai Incubate targets Tel Aviv

### WHEN PRIME MINISTER SHINZO ABE

travels to Israel later this month it will be the first time a Japanese leader has visited the country since Junichiro Koizumi in 2006.

The visit follows a wave of political good will between the two nations that was strengthened last week when Israeli Prime Minister Benjamin Netanyahu's cabinet approved a trade agreement that promised – among other things – a 45% rise in Japanese tourism by 2017 and a 50% increase in annual Japan-bound exports to \$1.1 billion by 2020.

Samurai Incubate, a Tokyo-headquartered early-stage investor, sought to ride the crest of this wave by revealing that it will dedicate half of its latest fund to Israeli start-ups. The JPY1 billion (\$8.3 million) fund is the fifth to be launched by the incubator and for Samurai Incubate the strategy is long overdue.

"Honestly, I don't know why more Japanese investors aren't rushing into Tel Aviv," Shohei

Ando, the enthusiastic operations manager at Samurai Incubate, tells AVCJ. "The city is full exciting new businesses and technology, and has already attracted a number of Chinese companies – but very few Japanese investors active in the country."



Friends: Netanyahu and Abe

Ando is part of the three-man team posted to the company's new base of Israeli operations in Tel Aviv, Samurai House In Israel (SHI). The thesis is pretty straight forward – offering capital and office space to Israeli start-ups with global growth potential, while in turn providing Japanese investors and strategics with

links and exposure to these start-ups and their technologies.

Approximately half the capital will be deployed in Israeli companies, with the other half put to work in Japan. The fund is targeting a final close of JPY1 billion by the middle of the year but if investor appetite is sufficient the vehicle could double in size.

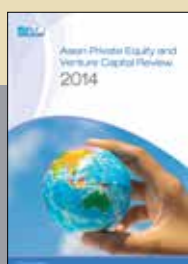
"We are trying to build a bridge between the countries and invite out Japanese companies and CEOs to see what is happening here," says Ando. "So far, the response has been good and a lot of people are changing their mind about Israel!"

The plan is to back around 30 Israeli and Japanese companies over the next year, each one receiving around JPY1 million.

Samurai Incubate started to look at Israel after forming connections with Israeli entrepreneurs attending it Tokyo-based incubator program. These connections have already yielded a healthy pipeline of deals; Samurai Incubate made its first two investments in the country via its previous fund: Zerobillbank, a platform for micro-donations, and Aniwo, a Japanese-founded online fundraising platform.

"Our incubator is open for everyone and we have already attracted a lot of attention from Israeli entrepreneurs and investors," he says. "Israel is a small country and the networks are very strong, so investors introduced us to start-ups and vice-versa. It really was quite viral and our network has grown fast." ▀

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## KKR's long-term India real estate solution

**WHEN KKR SET UP ITS FIRST INDIA-BASED** non-banking financial company (NBFC) in 2009 to provide structured credit solutions to entrepreneurs, it was funded off the firm's own balance sheet. A few years on, it was reported that third-party investors were being brought in to help scale the business.

A similar approach has been employed for the latest, real estate-focused NBFC, which officially launched last week. KKR structured and participated in three transactions worth around \$190 million over the course of 2014. With the thesis proven, Singapore's GIC Private then came on board as the strategic partner in the NBFC.

The sovereign wealth fund's willingness to get involved reflects not only an appetite for Indian real estate, but also a desire to put capital to work for extended periods.

"The credit platform provides long-term capital to support the real estate sector in partnership with GIC, which has a long-term horizon" says Ashish Khandelia, a director in KKR's capital markets division. "This is not a short-term vehicle spanning 1-2 years: we will finance the

business with a permanent pool of capital. It is a flexible and open-ended business with which we can adapt to opportunities years down the line."

KKR's long-term view is underpinned by several driving factors. First, India's real estate sector remains under-built, particularly on the residential side. Second, there is greater credit market participation in the sector, with financing from NBFCs seeing annual growth of 18% over the last 5-6 years. Third, many real estate developers want to upgrade from informal, mom-and-pop style financing to institutional capital.

The NBFC is intended to fill a gap in the market by virtue of its flexibility. Regulations restrict banks' real estate lending exposure to areas such as construction financing and providing funding for completed assets, while the capital markets are generally not an option for developers.

Deals are expected to fall into three broad categories: fixing the capital structure for

a particular project or the company itself; providing interim working capital to get projects to completion in situations where cost overruns or delays have created liquidity shortages; and facilitating exits for existing lenders or investors.

The transactions completed in 2014 touched on these areas. In one case, additional capital was required to pay for permit costs and also to redeem several PE investors.

The replacement structure was matched to the lifecycle of the project so the developer does not need to go through a fundraising process again.

"A significant amount of money came in as private equity between 2005 and 2009, and a lot of it has remained in the

system," says Khandelia. "Investors might have come in to support the purchase of land. The value has gone up since then and the project may have progressed, so now the development partner can take leverage against the project to facilitate exit of the equity investor." ▀



India: Still under-built

## Investors back WeLab's financial innovation

**FOR HONG KONG-BASED FINANCIAL** technology start-up WeLab, setting up a peer-to-peer lending (P2P) platform was never the priority. Rather, the company wanted to develop and leverage its capabilities in the design of internet finance products and big data and risk management products.

"To make or break a firm like us, it isn't about whether or not we're in P2P lending, but being able to acquire customers and do risk management. Once you can do this, capital will come," says Simon Loong, founder and CEO of WeLab. "We decided to focus on innovative online lending first and then worry about the investor side of P2P lending."

As a result, the investor side of the business does not follow conventional lines. WeLend, the lending platform set up in 2013, has attracted 14,000 members – mostly white-collar, 25-35 year-olds – and processed over HK\$1 billion (\$129 million) in loan applications, of which 20-30% get approved. But it does not follow a mass-market P2P model; initial loans were provided off balance sheet and by local high net worth

individual backers as they came on board.

WeLend's claims to provide financing cheaper and quicker than any other channel in Hong Kong. Loong notes that banks take 5-6 days to process applications and charge relatively high interest rates, while the terms offered by licensed money lenders are even more punishing. WeLend aims to match or better bank rates, with approved customers getting their money within 24 hours.

Last week, DST Global's Yuri Milner, Iconiq Capital and Ule – an e-commerce platform owned by Hong Kong's TOM Group and China Post – committed \$6 million to WeLab's Series A round, taking the total to \$20 million. The firm had previously announced investments from Sequoia Capital and TOM Group.

They are getting more than just exposure to WeLend. About three months ago, the company launched Wolaidai in mainland China, a mass-market P2P platform that provides small loans

for college students. Its membership is already nearly twice the size that of WeLend. WeLab has also entered sales finance, forming a partnership with Hutchison Telecom in Hong Kong through which customers can secure a loan to purchase a phone while standing in the store.

More products are planned for mainland China, with Loong expecting to source opportunities just by working with Ule's customer base. One of the WeLab's goals is to establish itself as a software and service provider that helps others get into internet finance.

Loong, who previously spent over a decade working in banking throughout Asia, adds that his team's background is another differentiating factor: they come from financial services whereas many internet finance businesses were set up by tech entrepreneurs. "You don't know risk management until you have seen a crisis," he says. "China has not seen a credit crisis yet; Singapore, Hong Kong and Taiwan all have." ▀



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# Portfolio pioneer

Credited as one of the founders of Indian private equity, Renuka Ramnath built up ICICI Venture before going solo to repeat the act with Multiples Alternative Asset Management. She sees her work as far from over

**THIS MONTH RENUKA RAMNATH REACHED**

a significant milestone in her long career as a private equity investor when her firm – Multiples Alternative Asset Management – completed a first full exit from its maiden fund. The firm sold its remaining 3.67% stake in South Indian Bank for INR1.51 billion (\$23.8 million), having already made a partial exit worth INR428 million in July.

The development comes at a time when Indian private equity is hoping for something of renaissance as macroeconomic tailwinds help bolster exits and investor appetite. But even now the industry has grown remarkably since Ramnath arrived over 13 years ago.

A Mumbai native, she started out as an engineering major, earning a degree in textile engineering from Veermata Jijabai Technological Institute. Her interest lay in business and finance, and first-hand experience of the male-dominated world of engineering set her in good stead for what was to come. “I was the only girl in my class,” recalls Ramnath. “So early on I found myself competing in with a large of group teenage boys, I think that helped prepared me for the world of finance.”

Soon after Ramnath joined the MBA course at the University of Mumbai, she took her first job as a management trainee at Crompton Greaves, a power generation equipment manufacturer. This was followed in 1986 by a switch to finance and a position within ICICI Bank’s merchant banking division.

In 1992 she joined ICICI Securities, an investment banking joint venture between ICICI and J.P. Morgan, to head the corporate finance and equities businesses. Five years later Ramnath was back at ICICI to set up the structured finance business, which was followed by a stint in the advanced management program at Harvard Business School. It was the height of the dotcom bubble and Ramnath, like many other would-be investors, wanted to tap this new opportunity.

**The first venture**

Her chance came when she was tasked by ICICI to set up an e-commerce initiative in Mumbai, eventually becoming managing director and CEO of the INR1 billion EcoNet Fund. Her next big career step came a year later when she took over the leadership of ICICI Venture following a decision to merge it with the e-commerce

division. The transition was anything but smooth.

“It was a big change,” recalls Ramnath. “At first I wasn’t sure whether I should shift to Bangalore or continue from Mumbai, or what team I would put together, and who would be best to take the company forward.”

Not only was Ramnath charged with changing the strategy of the firm – moving



**“All the factors that could be set against us, were set against us”**

away from early-stage investment to focus on growth and control deals – but she also needed to raise a new funds with at least 75% of the capital coming from third-party sources. By now it was 2001 and markets slowly recovering from the dotcom bust had been left reeling by the September 11 terror attacks in the US. It was not a good time to raise money.

“On top of that I had no track record, I was changing the strategy of ICICI Venture, and many of the old-timers had already departed the company, so the new team had almost no exposure to private equity,” recalls Ramnath. “I had a huge legacy portfolio – which looked very weak, largely because these were very young companies. All the factors that could be set against us, were set against us.”

Ramnath recalls one of her biggest motivators

in those early days was her children. After tragically losing her husband in car accident in 1995, she had become the sole provider for the family.

“I had this huge pressure to make money so I could send them to good schools and give them everything they needed,” she says. “It was a challenge giving up my previous position and stock options with ICICI but I knew I would be better aligned with ICICI Venture. I had to give something up to get something else.”

**From growth to buyouts**

ICICI Venture launched its India Advantage Fund I & II, Series I and completed early growth investments in the likes of PVR Cinemas and Bharat Biotech. The GP then branched out into control deals and carve-outs such as Ranbaxy Laboratories and the refractory division of Associated Cement Companies. ICICI went on to raise \$1 billion for the second series of the India Advantage Fund, of which \$200 million was later returned to investors. This was followed by two parallel real estate and mezzanine vehicles.

By 2009, Ramnath had built up enough of a track record to strike out on her own and opted to focus on mid-market growth deals.

“Our strongest capability was in evaluating management teams and business strategies, bringing in good governance practices and doing things like raising debt,” she says. “I wasn’t interested in backing tech entrepreneurs trying to develop something new; I was more interested scaling up proven business models and helping them go public – because that is what we did best.”

The maiden fund closed on target at \$450 million in late 2011, with commitments from the likes of the UK’s CDC Group, Canada Pension Plan Investment Board, Kuwait’s Public Institution for Social Security and Dutch pension fund PGGM.

The process has been quicker with Fund II which is already halfway to its \$650 million target (comprising a \$500 million core fund plus a \$150 million co-investment pool), having launched in the middle of last year. A final close is expected by September.

Although now an industry veteran, the Multiples CEO is keen to continue making her mark on Indian private equity for many years to come. ▀

