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Private Equity continues to pour into India

By Om Malik

Earlier this morning, Cisco Systems and 3i along with Oman Investment Fund announced a \$125 million investment in Nimbus, a media company based in Bombay. And with this big investment, thus began another crazy year of private equity investments in India.

The PE investments in India topped out at \$7.46 billion in 2006 and are estimated to touch \$10 billion in 2007. If giants like 3i and Cisco keep walking around with open checkbooks like they currently are, then it won't take long. Cisco, as you might remember had said that it would invest \$1 billion in India, of which \$100 million was slotted for start-up investments.

Hutch Essar, one of the larger India mobile operators, is in play, and if the winner is not Vodafone, then expect large PE giants like the Carlyle Group and Blackstone Group to play a significant role. Several others, like long-time telecom buyout investor Providence Equity Partners, have pitched a tent in New Delhi, after buying a 15 percent stake in local mobile operator, Idea Cellular.

These new comers will be competing with seasoned India investors. Only recently, one of our old buddies Ramanan Raghavendran, till recently with TH Lee Putnam, has set up Kubera Partners, which has raised \$225 million for its private equity investments, with a focus on India and Asia. His partner in the fund is Kumar Mahadeva, who had previously started Cognizant Technology Solutions, an outsourcing company that now trades on NASDAQ. With so much private equity, India veterans like Raghavendran might have a better chance of finding bargains than some of the newer investors.

All this frenzy begs the question: is this boom legit or is it a bubble in the making? I wonder if this mad dash to India might soon turn into a stampede to leave the country. It would one of the things I would be looking to investigate when I visit my folks in New Delhi next month. Even though it is "my family time," I will try and gather information and make sense of the ongoing private equity boom in India. Of course it is time to update the India Boom story I did for Business 2.0 back in 2004.

One of the big thrusts of that story was the emergence of a middle class, and their ability to spend would lead to opportunities in non-tech sectors – retail, hospitality, automobile, telecom, and even real estate. Past 30 months have followed that path, but there have been come cautionary flags waved by the local press and merit further investigation.