



Have Rs 5 lakh, will become PE investor

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Retail Investors Find Investing In PE Funds Affordable As Ticket Sizes Of Deals Dip 80%

IT DOESN'T take loads of cash to be a private equity investor any more. Small retail investors, with even Rs 5 lakh to spare, can join a PE group and enjoy the benefits of being a limited partner.

A rough calculation of average entry levels in the pre- and post-bull market phase highlights the fact that ticket sizes of PE deals have fallen over 80%, making PE funds an affordable investment option for an average retail investor.

"We're seeing the Rs 10-lakh entry limit becoming common among PE firms. A lower entry level appeals to a wide base of investors," said Milestone Capital Advisors managing partner Rajesh Singhal. "Our ticket size (for most funds) initially was around Rs 25 lakh, but we've now lowered it to Rs 10 lakh in most cases and even Rs 5 lakh in some specific situations," he added.

The slowdown in fund-raising has been dramatic, though not unexpected. According to wealth managers, PE firms are forced to postpone closing of their investment vehicles as a result of falling investor appetite. A number of fund managers are choosing to hold more interim closures in order to raise some capital and begin actively investing while continuing with their fundraising efforts over a longer period of time.

"There is a change in investment drawdown levels as well. While funds have lowered ticket sizes, they are asking investors to release money in small tranches only. This makes it easier for retail investors," said Societe Generale Private Banking country head Nipun Mehta.

The strategy to accept 'small' commitments from a mass base of investors has done a world of good for funds in 2008, which is often being touted as the most difficult period for PE fund raising. A host of real estate PE funds such as IL&FS Real Estate Fund, CIG, ICICI Venture, Franklin Templeton PE Fund (for Darby Advisors) and TVS Shriram Capital have all managed to raise funds with lowered entry levels in the range of Rs 10-20 lakh.

The trend continues to do well for funds that are on the road to raise money. According to wealth managers, IDFC Infrastructure Fund, Aditya Birla Group Fund and Milestone Capital Advisors Fund have their ticket sizes in the range of Rs 5 lakh (the minimum ticket size as imposed by Sebi) to Rs 20 lakh. This is in sharp contrast to the fact that PE firms did not accept an investment below Rs 10 crore in the heydays of the bull-run.

Wealth managers have begun advising clients more intently of private equity investments. The stress is always laid on the investment period (usually 5-8 years) and initial yield period (2-4 years). Annualised return on investment is set at around 25%.

"The important aspect to bear in mind is the lock-in period, which usually is for seven years or more in PE funds. In the initial years, the value of investments may, in fact, drop as the fund could well be awaiting deployment, or the monies deployed in those initial years are not producing gains yet, but in later years yield the expected returns," said ASK Wealth Advisors wealth management solutions head **Maneesh Kumar**. "In short, investing in a PE fund is not for every investor as it is a high-risk,

highreturn product," Mr Kumar added.

Source : www.insuremagic.com

