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There could be consolidation of teams, rather than of funds: Renuka Ramnath

Interview with Managing Director & CEO, Multiples Alternate Asset Management

Reghu Balakrishnan / Mumbai December 6, 2012, 0:34 IST

Multiples Alternate Asset Management, founded by **Renuka Ramnath** in 2009, handles a $450-million sector-agnostic fund. Prior to launching it, Ramnath, who has spent nearly two-and-a-half decades in the Indian financial sector, had played a key role in making ICICI Venture the largest Indian private equity (PE) firm during her stint as CEO for eight years. Founder, managing director & CEO of Multiples, she shares with *Reghu Balakrishnan* her view on changing the fundraising and investment scenarios. Edited excerpts:

You are one of the few general partners (GPs) who raised a fund successfully. How do you evaluate the current fundraising situation?
I personally think Limited Partners (LPs or investors) continue to believe in the long-term potential of India. However, given the paucity of exits from Indian general partners (GPs or fund managers), LPs are more cautious about choosing their GPs in India. The track record of GPs in returning capital is going to be extremely crucial in fund raising.

A lot of LPs remain concerned about zero return from India. What are the solutions?
There can be no bigger objective for a fund manager than returning capital to the LPs. Designing the portfolio such that investments get ripe for harvest over the life of the fund is an art. I believe that Indian PE can deliver better returns by maintaining high discipline on entry valuation. Fund managers need to have a clear strategy on the method and timing of their exit and this should be well articulated and agreed upon with the investee company before the investment.

A few mergers did happen in the PE sector. Do you expect consolidation?

My view is that acquisition of funds is less likely to happen in India in the near term. What is clear to me is that only fund managers with a consistent record will be able to raise further rounds of capital and grow to be bigger fund houses. To that extent, there could be consolidation in the industry of teams, than of funds.

Multiples is keen on financial services, signing two out of five deals.
The Indian financial services sector continues to have strong long-term growth drivers. This should provide private sector banks and NBFCs (non-banking financial companies) with good managements an opportunity to enjoy strong earnings growth. While the sector is fairly deep, with several opportunities, we place greater weightage on teams that have demonstrated prudence and gained local insights over multiple economic cycles. Unlike in other sectors, these investments will allow for greater ease at exit because of interest from global investors.

What was the rationale behind the recent investment in PVR?
PVR and its management team led by Ajay Bijli have the right DNA to capture the customer's entertainment wallet by providing worldclass experience and service. Cinemax is a good brand, with complementary market presence and profitable operations. The consolidation with Cinemax has enabled a structural change in the industry, which we believe will be a game-changer for PVR. Having invested with Bijli in the past, we are delighted to be associated with him again.

Out of Multiples' five deals, three were in listed companies. Was it deliberate?
At Multiples, each deal is evaluated on merit – irrespective of its listing status. In financial services, especially banks, the opportunity set lies amongst listed players only. In other sectors, we evaluate deals based on the industry

characteristics and make a choice to back the player who we believe has the highest potential to win in that market. I strongly believe that in an evolving economy like India, one needs to have a flexible approach to investing across stages, sizes and public / private companies. The Indian landscape throws a wide spectrum of opportunities. Let us remember that the only goal is to make careful choices so as to build an appropriate risk-return adjusted portfolio for your investors. Building a successful portfolio is more important than restricting oneself to a certain set of opportunities such as listed, unlisted, buy-out, etc.

Do you believe that five deals in three years is enough for the fund?
Fund raising was the key activity for Multiples in the first couple of years. We concluded our first deal in September 2011 ahead of the final close of our fund in October 2011. In the last 15 months, Multiples has deployed 33 per cent of the fund over five investments. The pace of investment is consistent with the expectation of our investors. We are very pleased with the portfolio that we have built thus far. We will continue to focus on making a success of every investment, thereby making our investors successful.

A lot of past investments are ripe for exits. Are you keen on any secondary deals?
In general, we are seeing quite a few secondary transactions and as such, we are not averse to secondary deals. We are very clear that a deal is good only at the right price. Maintaining valuation discipline is at the very core of investing in Multiples.

What will be the major trend in 2013 for Indian PE industry?
I see that the Indian PE market will continue to be driven by growth equity stories interspersed with PE to PE deals, and a few buy-outs.