For Warburg Pincus India still favourite hunting ground

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India continues to remain a favourite hunting ground for the US-based Warburg Pincus, which stunned the private equity world last year by making a more-than-five-time return on its $300-million investment in Bharti Tele-Ventures. Warburg is now close to acquiring a stake in the Delhi-based Lemon Tree Hotels, a budget-hotel chain and has invested $66 million in Aryan Coal Benefications, the largest provider of coal benefication services in India including, washing and processing of coal.

The two investments cap a busy year for Warburg, which has invested more than $20 billion in 525 companies in 30 countries around the world. In January this year, Warburg acquired 27% stake in Vaibhav Gems for Rs 210 crores. Its largest investment came in 2004, when Warburg put in Rs 675 crore in optical media major Moser Baer India to finance the latter's expansion plans. Among its other investments include a near 30% stake in Max India for Rs 200 crore in 2004 and 25% exposure in Radhakrishna Foodland for Rs 230 crore. Warburg has also taken stakes in Kotak Mahindra Bank, Nicholas Piramal and Sintex industries.

The investments also come amidst increasing activity in the private equity industry in the country.

Patu Keswani, managing director, Lemon Tree, declined to comment, but company sources said that the hotel chain is in talks with various foreign funds and will be making an announcement this week. "The company will allot primary issue to Warburg," added sources. The size of the deal is not known but people familiar with the transaction said that it could be around $40 million.

Lemon Tree recently charted a Rs 900-crore expansion plan, which will see it add 25 hotels in seven years. It will also enter the low budget market under the Red Fox brand. "There are seven hotel projects on the pipeline which will see the company's room strength rise to 1,300. The divestment will help the company finance the expansion," added sources. At present, Lemon Tree has two hotels in Gurgaon and has another two coming up this year in Pune and Goa.

The $66-million investment in Aryan Coal Benefications is part of Warburg's strategy to take stakes in energy-related business across the globe. According to industry experts, coal benefication services are set to take off on the back of increased activities in coal mining and coal-based power projects. "Moreover, coal washeries will be imperative because most of the coal reserves in India are low in quality," said industry sources. A Warburg spokesperson confirmed the transaction but despite repeated attempts, Aryan Coal's managing director GC
Mrig could not be reached for comments. The Delhi-based company has operations in Chattisgarh, Maharashtra and Orissa and had revenues of Rs 105 crore in 2004 with profits of Rs 36 crore, states the official website.

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