

Samena Capital to merge India credit business with Catalyst

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Samena Capital is in the process of merging its India credit business with domestic private credit investment manager Catalytic Management Advisors Pvt. Ltd (which operates as Catalyst) three people aware of the development said.

Catalyst was co-founded by former Goldman Sachs and Asiabridge Capital employees Siddharth Bhargava and Amit Khosla along with two more partners. Dubai-based Samena Capital manages close to \$1 billion in private equity and structured credit investments.

According to the persons cited above, Samena Capital, which has invested nearly \$50 million in India in four investments from its offshore fund, is in the process of exiting them. It is expected to use the proceeds to anchor a local alternative investment fund (AIF), tentatively named SC India Credit Opportunities Fund, these people said on condition of anonymity.

"Samena has sold two assets from its India book already. The new fund will be a five-year close-ended private credit fund which will target the mid-market structured credit segment," the first of the three persons cited above said.

The fund aims to raise a total of \$200 million and is expected to close in the next 18 months, the second person cited above said. "However, approval from the Securities and Exchange Board of India (Sebi) which regulates AIFs in India is still awaited," he added.

While emails sent to Samena Capital and Catalyst remained unanswered at the time of going to press, the people cited above said Samena will own 49% stake in the merged entity while Catalyst will control 51%. "Both firms have already committed \$25 million each towards an initial corpus of \$50 million; the rest will be raised from a clutch of domestic and foreign investors," said the second person cited above.

Samena Capital entered India's private credit market in 2013 with the Samena India Credit Fund which had \$45 million seed capital from Samena and its partners. Its entry was based on the premise that India's more than \$280 billion corporate bond market could

offer a superior risk-adjusted return, yielding equity-like returns on a fully secured basis to international investors.

In the past few years, a number of foreign offshore funds have opted to set up domestic AIFs, partly driven by the urge to trim foreign currency risks and partly due to the growing interest among Indian investors towards the asset class. Private credit demand is expected to grow manifold in India where banks still remain the primary source of capital for businesses as compared to markets like the US where the largest chunk of funding comes from non-bank sources.

"Credit is becoming an increasingly important part of portfolio allocation for domestic investors and credit AIFs, sponsored and managed by non-banking financial companies with a demonstrated track record in wholesale financing, are generating a lot of interest with domestic investors," said Nachiket Naik, managing director of non-banking financial company IREP Credit Capital.

In the past one year, several top global private equity and alternative asset management firms have launched AIFs. In February, *Mint* reported that Baring Private Equity Asia, one of the largest Asia-focused private equity and structured credit funds, is raising a new India-dedicated credit fund of Rs500 crore with a greenshoe option of Rs250 crore.

One of the early movers in structured credit business in India, KKR has invested close to \$3.5 billion through structured finance in about 62 firms so far, which includes large firms like GMR Holdings Pvt. Ltd, Avantha Group and Apollo Hospitals Enterprise Ltd. KKR is currently in the process of raising its second credit fund worth Rs1,500 crore.

Others who have ventured into structured credit business in India include AION Capital Partners (a joint venture between Apollo Global Management Llc and domestic private equity firm ICICI Venture) which has raised \$825 million in committed capital.

Blackstone, which manages about \$90 billion in credit globally, will also make the investments from a fund managed by its Tactical Opportunities Group. It is currently identifying large deals in the Indian market. "Things are in the works. Several deals have gone to our committee," Amit Dixit, senior managing director, Blackstone, said in an interview in February.



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