

Top Private Equity Firms to Start Indostar

Mumbai -- The private equity arm of [Goldman Sachs Group](#) Inc [GS](#) - [1.49%](#) , [Ashmore Group](#) [ASHM.LN](#) [+1.16%](#) Plc and Everstone Capital Management are setting up a non-banking finance company, called Indostar Capital Finance Ltd, in which they will hold a majority stake.

Also involved are Baer Capital Partners Ltd, which manages an India-focused fund and provides financial advisory services, and some limited partners of private equity firm Everstone Capital, who will be minority investors in the new entity. Ashmore is an UK-based investment manager that specializes in emerging-market credit investments.

The focus of Indostar is to meet the credit needs of large companies, which are trying to keep pace with India's growth rate of nearly 9%. The Economic Times first reported this story.

"This is an industry and sub-sector we understand really well," said Sameer Sain, managing partner at Everstone Capital. "In two years from now, Indostar aims to be an independent credit institution providing all kinds of lending and becoming an established asset-management company." The credit market in India is around \$750 billion in size and growing at 15-20% annually. Various segments across the market -- vanilla loans, working capital lending, project finance and financial inclusion to government and state funding -- are all on the rise.

"There's an opportunity to build a credit institution to meet specialized and holistic solutions (for) corporate borrowers and that's where this whole idea came in of creating a wholesale credit institution focusing on building or catering to the needs of large corporate borrowers," said a senior executive involved with the joint venture, who didn't want to be named.

While the investors will play an active role in strategy and direction, Indostar has roped in three professionals to manage and operate the business.

Vimal Bhandari, the current CEO of Aegon India, will be a managing director and chief executive officer of Indostar; Sandeep Baid, former head of debt capital markets at [Bank of America](#) [BAC -0.92%](#) Merrill Lynch India, will be a managing director and head of credit; and Sanjay Hinduja, founder of KS Consulting Ltd, will be a managing director and head of origination and syndication. In addition, several senior credit professionals are expected to join shortly.

Indostar will start with an initial capital base of 9 billion rupees. The joint venture, which took almost a year to close, was incubated by Everstone with the promoters working out of its office. While there have been several investments in non-banking finance companies by private equity firms, this is the first major initiative. Other examples include ChryCapital Investment Advisors' investment in Shriram Transport Finance Co. Ltd and Standard Chartered Priva

te Equity's investment in Mahindra and Mahindra Financial Services Ltd. There are currently 25,000 such credit institutions in the country. The private equity firms want to create Indostar in the model of Infrastructure Development Finance Co. Ltd, founded in 1997, and Infrastructure Leasing & Financial Services Ltd, formed in 1987, the two leading infrastructure finance companies in the country.