

VC CIRCLE

Affirma Capital hits benchmark returns with exit from bottling firm

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Affirma Capital, a private equity firm set up by the former management team of Standard Chartered Private Equity late last year, has clocked benchmark returns with a full exit from a bottling firm since first investing in 2011.

This is Affirma's second transaction with PepsiCo partner Varun Beverages Ltd ever since the private equity firm spun out of StanChart in December last year as part of a management buyout where London-based asset manager Intermediate Capital Group Plc (ICG) acquired the assets for around \$1 billion.

In its earlier avatar as StanChart PE, the fund had made partial exits after Ravi Jaipuria-promoted Varun Beverages's public issue in 2016 but none in the IPO. Now, after the management buyout, Affirma Capital has made its full exit with a sale of 1.5 million shares on Thursday, exchange-data showed. Before that, StanChart PE made another large partial exit of 2.3 million shares in early 2018 in the Ravi Jaipuria-promoted firm. Prior to the public issue, StanChart PE had also made its first partial exit for Rs 300 crore to AION Capital, a joint investment platform of Apollo Global and ICICI Venture.

StanChart PE had invested in RJ Corp-owned Varun Beverages in 2011 and 2012, pumping in around 90 million (Rs 416 crore at the exchange rates then). It invested \$56 million in July 2011 and \$32 million in October 2012 and acquired a total of 7.69% stake in the company. In March 2019, VCCircle reported that Affirma had sold most of its stake in Varun Beverages, barely managing to touch the lower end of the 20-30% internal rate of return (IRR) that PE firms typically chase in local currency terms. Back then, the fund had sold nearly three-fourths of its stake since March 2017 through multiple open market transactions, raking in roughly Rs 525 crore before accounting for transaction costs and statutory levies, according to VCCircle estimates.

With its latest sale and final exit, the fund has taken out a total of Rs 1,150 crore in multiple tranches, clocking benchmark 20% IRR, show VCCircle estimates.

While Affirma's India head Udai Dhawan didn't comment on the exit number, he said, "Since we first backed Varun Beverages in 2011, the company has grown more than five-fold. Ravi Jaipuria is absolutely a world-class entrepreneur, and the Varun Beverages' management team has done an incredible job in consistently creating value for all its stakeholders. We at Affirma look forward to partnering the group again in the near future".

Varun Beverages is promoted by Jaipurias with the flagship holding company RJ Corp owning one-third of the firm. Ravi Jaipuria-led RJ Corp is a diversified business conglomerate with interests in beverages, quick-service restaurants, dairy and healthcare. Early this year, Varun Beverages announced its acquisition of beverage giant PepsiCo India's franchisee rights in the south and west of the country.

Affirma's exits

In its earlier avatar as StanChart PE, the fund started investing in India in 2004, according to VCCEdge, the data research arm of Mosaic Digital. It invested in several mid- to late-stage companies across a range of industries including pharmaceuticals, infrastructure and banking. The PE firm's spinoff last year was part of a broader strategy by British lender Standard Chartered to exit loss-making businesses. As part of that strategy, the bank had also sold its Asian real estate investment unit to PE firm Actis in March last year.

In India, StanChart PE sold its entire stake in Dolvi Minerals and Metals Pvt. Ltd to JSW Steel Ltd in October 2018, four years after making the investment. Its other recent exits were in IPO-bound Craftsman Automation Ltd and Sterlite Power Grid Ventures Ltd, which floated an infrastructure investment trust in 2017. It had clocked three exits in 2017, including partial exits from Fortis Healthcare and InterGlobe Technology Quotient Pvt. Ltd. Since then, the PE firm has fully exited both Fortis and InterGlobe fully.

Affirma plans to partially exit diesel generator manufacturer Powerica Ltd via an initial public offering. It has more than two dozen in pending investments including listed companies such as Coffee Day Enterprises Ltd, which runs the Café Coffee Day (CCD) chain, Indian Overseas Bank and Ramky Infrastructure Ltd. In August 2019, Dhawan said that India generated about half of \$1 billion exits in the last three years for the fund.

Under the new management, Affirma has made three new investments in 2019.

In March, Affirma was part of a Rs 910 crore (around \$130 million) investment round in non-banking financial company Northern Arc Capital Ltd. IIFL Special Opportunities Fund and Standard Chartered Private Equity -- both existing investors in the company -- participated in that round.

In August, Affirma invested in Tirupati Group, a nutraceuticals-focused contract research and manufacturing company. Last month, Affirma invested in information technology company Prodapt Solutions Pvt. Ltd. Last year, the firm invested around \$50 million in travel-technology company Travel Boutique Online.