

A Sumptuous Dish

Navis sells but continues to keep its interest in Indian eatery businesses

Since 2004, **Navis Capital Partners** ('Navis'), which is headquartered in Malaysia, began to build its Indian eatery business portfolio. In June, the buyout firm has sold two of its earliest investments in this industrial sector and is estimated to have recorded hefty returns. But its appetite for restaurant and food service companies continues, as Navis will hold an interest in India Hospitality Corp. ('IHC'), the company that has agreed to acquire Navis' interests in SkyGourmet Catering Services ('Sky Gourmet') and Mars Restaurant ('Mars').

Navis began to prepare its sumptuous dish in late 2004 when it invested an undisclosed sum in Sky Gourmet, an airline catering service provider. In the following year, Navis added Mars, a restaurant operator which manages bakery outlets, food courts in hotels to its portfolio. In May 2006, Navis bolstered its eatery portfolio in acquiring a stake in Nirula's, a fast food group that has a chain of business hotels, dining restaurants, ice cream parlours and food processing plants. In all these three transactions, with the exception of Nirula's, Navis was known to have taken up a majority position in the applicable company, but the private equity firm has kept all these three deal sizes under lid.

In June this year, Navis has decided to share its eatery business with IHC through two processes. Navis is to first sell its equity stakes in both SkyGourmet and Mars to IHC and in turn it will take up a minority stake in IHC.

IHC is a blank-cheque company that was listed on the second board of the London Stock Exchange in May 2006. Through this public offering and private placement, it raised US\$103 million. IHC has a focus on acquiring Indian hospitality, leisure tourism, travel and related

businesses. Its largest shareholder is Hayground Cove Asset Management LLC, a New York-based investment management firm with approximately US\$2.8 billion in gross assets under management.

Under the terms of the acquisition, Navis is to sell its holdings in SkyGourmet and Mars for US\$110.0 million, of which US\$91.6 million will be paid in cash, with the remainder in IHC ordinary shares on completion of the transaction. Navis, along with its affiliates, are to take up a 12.6% stake in IHC.

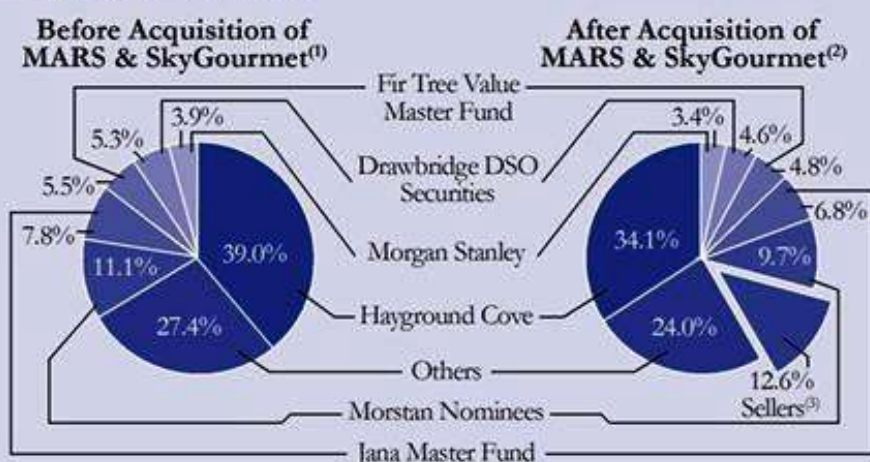
Navis could advance further

its interest in IHC by re-investing, up to US\$75 million, from the proceeds that it will derive from the sale of SkyGourmet and Mars. This additional capital injection directed to IHC will bring Navis' shareholding in IHC to 20.7%, when executed.

Separately, IHC has also agreed that, subject to certain conditions being met, it will purchase Nirula's.

Although Navis has not disclosed the investment recipes when it invested in SkyGourmet, Mars and Nirula's, according to market sources, the sale of SkyGourmet and Mars will be a feast on its initial invested capital (fig. 41). ■

IHC Shareholding Structure



⁽¹⁾ Board of Directors of IHC before acquisition: Jason Nathaniel Ader, Andrew Jacques Sasson, Anthony Juliano, Manvinder Pal Singh Puri, Pawan Munjal, Christa Martine Short, Rajeev Talwar

⁽²⁾ Board of Directors of IHC after acquisition: Jason Nathaniel Ader, Andrew Jacques Sasson, Anthony Juliano, Christa Martine Short, Richard Foyston, Nicholas Rupert Heylett Bloy, Bruno Seghan

⁽³⁾ The sellers are Navis Asia Fund III, L.P., Navis Asia Fund IV, L.P., Navis Asia Fund IV -S, L.P., and CIMB Muamalat Fund I, L.P.

Fig. 41

Source: ASIA PRIVATE EQUITY REVIEW