

<https://www.vccircle.com/india-alternatives-iifl-pre-ipo-fund-back-financial-services-company>

## Exclusive: India Alternatives, IIFL pre-IPO fund back financial services company

By Ranjani R | 15 October, 2018



Photo Credit: Pixabay

Private equity firm India Alternatives Investment Advisors Ltd and IIFL Asset Management Pvt. Ltd have invested in a financial services company, two people familiar with the development told VCCircle.

The two firms have invested in National Securities Depository Ltd (NSDL), an associate of the National Stock Exchange (NSE), the people said, asking not to be named.

This is the debut investment by India Alternatives from its second fund. The firm had hit the first close of its second fund in August at Rs 250 crore. It aimed to make around eight investments in a range of Rs 25-100 crore from the second fund.

NSDL didn't respond to requests for comment but India Alternatives founder and CEO Shivani Bhasin Sachdeva and IIFL Asset CEO Prashasta Seth separately confirmed the deal to VCCircle.

"The driving rationale for our investment is the rising trend of financialisation of assets. A major beneficiary of this trend is NSDL, which is the first and largest depository in the Indian capital market," Sachdeva said. Also, it fits with the PE firm's strategy of backing financial services companies with a technology background, she added.

India Alternatives has picked up a 1% stake in the depository while IIFL's Special Opportunities Fund, which invests in IPO-bound companies, has acquired a 4% stake, Sachdeva and Seth said separately. The NSDL website shows that IIFL, through its pre-IPO fund, held a 3.91% stake at the end of September.

Both Seth and Sachdeva declined to reveal the deal value. However, in February, Axis Bank had agreed to sell its entire 5% shareholding at Rs 825 per share for a total of Rs 165 crore to an undisclosed buyer.

The stake sale by Axis Bank was perceived as an effort to divest non-core investments and shore up its capital base as it battled high bad loans. The sale may have fallen through as the NSDL website shows the bank still held a 5% stake at the end of September.

The investment in NSDL by the IIFL fund and India Alternatives extends their relationship; IIFL Asset's parent—IIFL Group—is a limited partner in the PE firm's second fund.

While IIFL Asset's pre-IPO fund has previously invested in the NSE and NSDL e-Governance Infrastructure Ltd, the latest transaction is significant especially for India Alternatives considering the stringent regulatory norms for buying a stake in a depository and the approval required from the capital markets regulator Securities and Exchange Board of India.

Apart from Axis Bank, state-owned IDBI Bank had also been trying to sell its stake in NSDL. The move was part of its plans to divest non-core assets as it struggled with massive bad loans that has resulted in state-run Life Insurance Corporation taking control of the bank.

In December 2017, IDBI Bank had sold 7.99 lakh NSDL shares for an undisclosed amount to undisclosed buyers. It held a 26.1% stake in NSDL while the NSE owned 24% in the depository at the end of September.

Other smaller shareholders of NSDL include HSBC, Union Bank of India, Deutsche Bank, HDFC Bank, State Bank of India, Citi Bank, Standard Chartered and the life insurance arm of Kotak Mahindra Bank Ltd, according to NSDL's website.

NSDL, which was set up in 1996, reported revenue of Rs 236.61 crore and a profit after tax of Rs 87.77 crore for the financial year ended in March 2018.