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#### Capital Fund:

#### Sri Lanka based PE firm eyes small and medium firms

Feb 09, 2013 (LBO) - Jupiter Capital Partners, a private equity firm that is targeting a 50 million US dollar fund will provide financing to small and medium enterprises in Sri Lanka that has strong growth potential, an official said.

"We will not only look at large companies, but also small and medium firms of between one to five million US dollars," Jupiter Capital founder Indika Hettiarachchi says.

"We will fund companies with export capability and industry specialization that can grow fast."

Hettiarachchi is expecting the firm to make the 'first close' or tie up the first tranche of the 50 million dollar fund from investor in the next two months, with the final close in a year.

At least three private equity funds have been set up after the end of a 30-year war but they have not attracted significant amounts of cash, due to many reasons according to industry analysts. One has already closed.

But Hettiarachchi says his fund has the benefit people with a track record in private equity as well as country experience.

Hettiarachchi is familiar with Sri Lanka and has several years of experience on the island under his belt from his stint at Aureos Capital which invested in several firms in the island.

He says companies that can grow fastest are those that are focused on one business where they can specialize and gain market share outside the country.

Some of Sri Lanka's notable successes for private equity include MillenniumIT which is now a unit of London Stock Exchange. Other firms that have benefitted from PE include Dutch Lanka Trailers, which was later bought by TATA.

He says the firm already has a number of promising deals lined up.

Since Jupiter Capital Partners is independent and not connected to any domestic business groups he says small and medium enterprise owner need have no fears about conflicts of interest.

When interest rates are high it makes sense to tap private equity he says.

"Although there are various loan schemes targeting SMEs, such loan schemes do not help long term growth of such firms, or help increase equity value of such firms thus hindering the growth of entrepreneurship in the country," Hettiarachchi says.

"The current high interest rate is also forcing companies to seek alternative funding sources.

"But there are only a very few institutional investors focusing on equity finance, especially in the SME space. Jupiter Capital is positioned to bridge this gap."

He said focused companies would eventually be able to list themselves and attract foreign investors easily.

Some of the largest firms in the market now are either diversified groups or banks.

"For a Sri Lankan company, it is not possible to attain a decent size and industry specialization unless they are export oriented firms or venture into other countries," Hettiarachchi said.

"Institutional equity investors like PE funds can play a catalyst role in supporting companies expand overseas."

In addition to capital, Hettiarachchi says his firm will also help channel expertise in risk management, government, financial and tax planning to investee companies.



