SoftBank's new mantra: Spot 'em early if you can

India office to help Vision Fund spot potential unicorns early to help it invest $100 mn

RANJU SARKAR
New Delhi, 10 March

OYO, FirstCry, Delhivery, and now Grofers. After exiting Flipkart, SoftBank is picking up its next set of bets in India. After missing out on companies such as Swiggy and Zomato, it wants to identify future stars early and back them while they are half-unicorns.

"We would like to invest $100 million in a firm with $500-million valuation," a senior SoftBank executive told journalists when the Saudi Prince visited India last month. Saudi Arabia invested $40 billion in SoftBank's $100-billion Vision Fund. To identify companies early before they become too expensive, SoftBank has put its feet on the ground. Last November, it hired Sumer Juneja as India head from venture capital (VC) firm Norwest Venture Partners. VCs are good at picking up start-up winners.

In December, it hired ex-Facebook India head Kirthiga Reddy as partner for the $100-billion Vision Fund. Recently, it led a $350-million funding into logistics company Delhivery, co-investing with the Carlyle Group and Fosun International.

KEY INVESTMENTS

Date	Target	Investment ($ mn)	Stake %
Oct '14	Jasper Infotech	591	0
Apr '17	Flipkart	2,500	0
May '17	One 97 Communications	1,400	20
Mar '18	Paytm E-Commerce	405	21
Dec '18	BrainBees Solutions	403	46

BIG EXITS

Date	Company	Buyer	Stake value*
Jan '17	Locon Solutions	Elara Technologies	–
May '18	Flipkart	Walmart	4,000

*$ mn

Source: VCCEdge

SoftBank would have liked to back food delivery firms and others like Freshworks, but their valuations were too steep by the time they came on its radar. It did not repeat the mistake with firms like OYO and PolicyBazaar, and invested early. Earlier this month, the Vision Fund also invested $60 million in grocery delivery app Grofers. The company's biggest bet after Flipkart was hotel aggregator OYO, in which it now holds a 49 per cent stake.

"SoftBank is bullish on India and is backing companies that can be category leaders," the CEO of a VC firm said. Despite Grofers and Delhivery deals, the CEO said SoftBank was going slow in India, especially after the pushback it got from investors on WeWork. In January, it cut a planned investment in WeWork to $2 billion from $16 billion after pushback from Saudi Arabia's Public Investment Fund and Abu Dhabi's Mubadala Investment, who contributed almost two-thirds of the Vision Fund's pledged capital.

SoftBank met both Zomato and Swiggy, sources said, but no deal was reached. This shows that SoftBank was not willing to invest at high valuations. In fact, the West Asian investors of Vision Fund have complains on investing at high valuations.

Vision Fund expects a bunch of its portfolio companies, including a few from India, to tap the public markets by the end of next year.

'Selection of realtors & monitoring held our portfolio in good stead'

Piramal Capital & Housing Finance, arm of Piramal Enterprises, has been reducing exposure to realty developers and increasing the share of housing finance in its books to de-risk its portfolio. Managing Director **KHUSHRU JIJINA** tells **Raghavendra Kamath** that the company with partner with foreign investors and others to co-invest in large deals. Edited excerpts:

"We have formed a club of like-minded co-investors for large deals... We will also try to bring down single-borrower exposure"

Q&A

How has Piramal Capital realigned its portfolio in the last six months?

When most of the other large NBFCs (non-banking financial companies) went slow on mortgage-lending business, we leveraged the opportunity. We disbursed ₹1,700 crore in the past quarter as housing loans, against our normal disbursement of around ₹850 crore per quarter. Our housing finance book was 7 per cent of our overall loan book as of December quarter from 4 per cent as of September quarter. We expect it to increase to 10 per cent by March quarter. While support to large transactions with preferred partners continues, we will not keep the entire loan on our books. So, we have formed a club of like-minded co-investors, which include foreign institutions and other long-term investors, who will participate with us in large transactions.

We will continue to grow our non-real estate vertical — Corporate Finance Group — at a higher rate than our realty vertical and we plan to bring down the share of wholesale real estate funding from about 73 per cent to 50 per cent in two years. Despite the shift in the portfolio mix, the overall loan book will continue to grow at around 25 per cent. We are also focussed on increasing our fee income through the formation of an Asset Aggregation Platform focused on renewables and roads by partnering patient capital providers like pension funds, etc.

Do you think you went too fast and too deep in real estate lending?

No. On the contrary, we have maintained that if you have to be a lender to the real estate sector you need to understand the sector well and also be able to provide capital all the way from equity to housing finance. We have always believed in the long-term real estate growth story in India. We stand by our thesis to back the right developer, project and location. We have been very selective in our developer partners. Also, we feel we have been successful because of our deep understanding of the sector.

What is the way forward in realty lending?

Over the next year, the majority of the loan book growth will comprise retail housing loans. In the wholesale real estate space, we will continue to fund select preferred developer partners. We have ensured that despite the macro headwinds, all of our projects continued to be sufficiently funded so as not to hamper construction. Also, we will try to bring down single-borrower exposure to ensure more diversification and granularity in our book.

How do you plan to recover your loans to developers when the situation is tough?

The mistake people make is to paint the whole real estate industry with the same brush. The market in Bengaluru and Hyderabad are doing well. The mid-market segment and affordable housing in Mumbai continues to do well. Even in the NCR, we have been seeing in the past few months that houses near completion are selling well. But only a few developers are able to sell well and outperform the others.

We provide the developer with financial closure on the day he buys the land. As long as he continues to construct and with our cash covers, there is absolutely no erosion in value. So, we are not dependent at all on refinancing to exit our loan.

What will you do with assets even if you acquire projects as part of recovery?

While markets are bad the good developers continue to sell. What has held our portfolio in good stead is not just our selection of developers but our ongoing monitoring process, which gives us warning allowing us to course-correct ahead of time. However, due to consolidation, we have started playing the role of a match-maker, helping our stronger tier-1 developers to enter into existing projects with other stressed developers on attractive terms. This is a win-win situation for all three parties.

A first: J&J faulty implant patient to get ₹74 L

VEENA MANI
New Delhi, 10 March

The expert committee under the central government that was to look into compensation for patients affected by faulty hip implants of Johnson & Johnson (J&J) has asked a compensation of ₹74 lakh to be paid to the first patient. Central drug regulator Central Drugs Standard Control Organisation (CDSCO) has directed J&J to pay the compensation amount within 30 days.

The expert committee had earlier suggested that patients should be paid based on the disability caused.

According to estimates, more than 4,000 patients were affected by the company's faulty implants. The government wrote to J&J's subsidiary DePuy Synthes, which made the devices, asking them to provide compensation till 2025.

Since 2011, a number of people have complained about the hip implants supplied by the company. The Maharashtra Food and Drug Administration (FDA) took up the case and an FIR was filed in 2014, naming DePuy Synthes. But the authorities could not push for compensation due to legal issues. The case went to the Bombay High Court. The court advised the FDA to continue with the inquiry. The committee, set up in 2017 by the Union health ministry to review the matter, submitted its report in February. In its report, made public on Tuesday, the panel said the company did not take any corrective action for patients suffering because of these implants.