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*Nindrajog, Lalpuria, Ahmed and Parekh: active investors*

## Pipeline of deals

Experienced promoters and an illustrious advisory board put Paragon Partners ahead in the race

Siddharth Parekh and Sumeet Nindrajog, two young investment bankers, have much in common. For one, they were roommates at the University of Pennsylvania till 2001. Also, they now share the same office space (have been doing so since 2015), because they are now co-founders of a Mumbai-based private equity investment firm – Paragon Partners. “We focus largely on five key sectors comprising consumer discretionary, financial services, infrastructure services (capex light), industrials and healthcare services and will look to invest in companies, where we can play an active role as a shareholder,” explains Parekh, who has over 14 years of work experience across the US, the UK and India, a majority of which involved investing in emerging markets. Prior to starting his own venture, Parekh had worked in Actis, a private equity fund at its London and Mumbai offices, IFC Washington and at the Boston Consulting Group in New York. In India too, he has been an active participant on the angel network scene.

Before teaming up with Parekh in Paragon, Nindrajog was co-founder & ED, Hover Automotive India. He too has experience in investment in his earlier stint at Ares Management in its private equity group in Los Angeles and with UBS. The duo launched Paragon Partners Growth Fund, an AIF-Category II private equity fund, in August 2015, to invest in mid-market private companies in India. “We target an investment size of \$10-15 million (₹50-100 crore) as largely minority growth capital in unlisted entities (15-50 per cent stake). We have done four investments so far and have looked at scale and maturity and not start-ups – companies that are earning revenues of ₹100-500 crore and are profitable,” says Nindrajog, whose Paragon Partners Growth Fund I has already raised ₹500 crore, which it raised from domestic and international investors like Fairfax group, SIDBI, India Infoline Fund of Funds, Infina Finance (an associate of Kotak Mahindra Bank) and Edelweiss group to name a few.

Parekh and Nindrajog have been

slowly building a team in Paragon since 2016. They have roped in Tariq Ahmed (who has over 16 years of experience spanning investment banking, private equity investing and corporate M&A) as MD of the company. Before moving to Paragon, Ahmed was global head, M&A, Cipla, where he completed nine acquisitions, while also establishing the company’s entry into the US through a \$550 million acquisition. Prior to Cipla, he was VP, General Atlantic. “We are targeting companies with differentiated market positions, strong profitability, free cash flows, diverse customers, and proven management teams,” says Ahmed, who now heads a team of 10. He has also convinced Nitin Lalpuria, his colleague from Cipla, to join Paragon as principal. Lalpuria, with over 13 years of experience in building businesses and managing cross-functional teams across large corporates, top-tier management consulting firms and high-tech startups, was with Cipla as head, strategy, US business.

Ahmed and Lalpuria, key members of the Paragon team, have been cherry-picking the targets, looking and weeding out proposals at an average of three per day. Besides this frontline team, Paragon has a top-deck advisory board too, consisting some of the leading members from Indian industry – such as Deepak Parekh, chairman, HDFC, who is also Siddharth’s father; Harsh Mariwala, chairman, Marico Industries; Luis Miranda, former chairman, IDFC Private Equity; Arun Nanda, chairman, Mahindra Holidays & Resorts India; Sunil Mehta, former head, AIG India; and Jeff Serota, former senior partner, Ares Private Equity group. This board constitutes an important ingredient that helps open doors for growth opportunities as well as deal sourcing.

Paragon did well in 2016, taking its investment tally to ₹300 crore. In its first year, Paragon’s maiden investment was only ₹70 crore, made to Capacit’e Infraprojects, Mumbai (engaged in the construction of high-rise and super-high rise structures, as also factories, for real estate

developers, corporates and institutions across Mumbai, Hyderabad, Bengaluru and the NCR).

The second deal was an investment of about \$17 million for nearly 35 per cent stake in an over-four-decade-old, Bengaluru-based, ₹400 crore (for 2016-17) Maini Precision Products, manufacturer and supplier of high-precision engineering components and assemblies. “We find Paragon a strong partner. It provides value-addition in terms of time spent on advisors, which means a lot to us. Paragon is helping to look at various strategic growth opportunities and prospects, including potential acquisition overseas and in India. It is also helping to build a good organisation structure for exponential growth over the next 3-4 years. Paragon has a strong analytical culture, which is now helping us to take decisions to be more bottomline-focused. It is open-minded enough to understand the promoters’ views and then support what we agree on,” says Gautam Maini, MD, MPPL and a second generation member of the Maini family.

### Investment flow

In the last week of March 2017, the fund completed two fresh investment transactions aggregating to ₹100 crore (about \$15 million) worth of investments in Cravatex Brands (subsidiary of Cravatex, a pan-India retail and distribution platform for lifestyle, sports and wellness) and InCred Finance. Of this, ₹75 crore was pumped into Cravatex itself and the balance into InCred, a technology-driven new age non-banking finance company.

“Cravatex Brands is entering an exciting phase of growth,” reasons Nindrajog. “The opportunity to partner with global brands in the fast-growing sportswear and wellness industries, driven by the strong Indian consumption story, makes for a great investment thesis. We believe we can significantly grow the FILA brand together, while also reinforcing the company’s leadership in the wellness industry”.

“Our association with Paragon Partners is an important milestone as we embark on our next journey of growth,” says Rajesh Batra,

## Investment portfolio

**C**apacit’e Infracorps is promoted by Rahul Katyal, Rohit Katyal and Subir Malhotra, who collectively have over 60 years’ experience in the Indian construction industry. Within a short span of three years since inception, Capacit’e has achieved scale with net revenue of over ₹1,100 crore for 2016-17.

Maini Precision Products makes and supplies high-precision engineering components and assemblies. It caters to the global automotive, industrial and aerospace sectors. Founded in 1973 by the Maini family, the company commenced operations as a supplier of auto parts to Bosch and, since then, has diversified to supply a number of other leading automotive OEMs and Tier I component suppliers including Eaton, Magneti Marelli

and Volvo. Over time, it developed competencies and qualifications in the aerospace sector and also supplies aeroplane parts to Snecma, GE and Marshall. MPPL has differentiated itself by developing capabilities to make increasingly complex parts and sub-assemblies and has forayed into next-generation components such as GDI (a gasoline direct injection system) pump bodies, AMT (automatic transmission system) parts and LEAP (future generation of engine platform for single aisle aircraft) engine components.

Cravatex Brands is a wholly-owned subsidiary of a listed entity – Cravatex. This company has an exclusive long-term licensing agreement with FILA, an Italian sportswear and lifestyle brand, for footwear, apparel and

accessories. It also has the exclusive distribution rights, through its Pro-line Fitness division, for Johnson Healthtech (Taiwan), one of the global manufacturers of fitness equipment, to promote its brands such as Matrix, Horizon and Vision (which compete with brands like Cybex, TechnoGym, Life-Fitness and Precor).

InCred, a technology-driven new age NBFC was founded by Bhupinder Singh (formerly head, investment banking, Asia-Pacific, Deutsche Bank) and backed by Anshu Jain (formerly co-CEO, Deutsche Bank). InCred focusses on four lending verticals – affordable housing, SMEs, education and consumer finance.

The company has already raised over ₹550 crore from investors from India and overseas. ♦

CMD, Cravatex. “With the support of an actively involved investor of such a high pedigree and our operational knowledge of the market, we feel confident of our future success”. Batra is a second generation entrepreneur, active in the sportswear market in India, which is ₹6,000-crore strong and growing at 13 per cent annually.

“InCred’s key objective is to further the cause of financial inclusion for India’s underserved millions, using technology to enable innovative risk management processes, along with a simple and straightforward customer experience,” explains Bhupinder Singh, CEO, InCred. “With Paragon, we hope to benefit from the specialised domain knowledge of Nindrajog and Parekh, across various industries, including finance and technology, which will be of considerable benefit

to us”.

“We are thrilled to support InCred in its goal to be a world class lending platform,” observes Parekh. “InCred has put together a strong management team with deep domain expertise; it also has a well-defined execution plan. We believe the company is ideally positioned to benefit from a significant lending opportunity, given the current levels of credit penetration in India”.

Paragon’s strategy is to handhold the investee companies. “We are active investors,” affirms Parekh, looking at raising a corpus of about ₹1,000 crore in the next 3-4 months, with an active pipeline of new deals in place. “We will stay and grow with the companies for a period of 4-8 years, before we exit”.

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