Private Equity Funds: the visionaries that guide the corporates of the future by Nisha Varma

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Today private equity plays a very vital role in international trade and commerce as their investments are not restricted to one particular country or region. PE funds have successfully incubated and mentored a host of businesses in India. While the first set of businesses to receive PE funding were the software companies, more recently realty and media companies have also sought Private Equity Funds. Some of the largest and most popular Indian software firms began with PE funds. PE funds invest funds and buy a certain percentage of stake in a company which they later sell at a higher price and derive their profits. These funds are an elite version of the best mutual funds however unlike mutual funds the PE funds need not necessarily pay a regular dividend.

Private Equity Funds seeks companies that can give them high returns, however, this also means that they assume a higher risk by investing in these companies and while all investments might not hit the jackpot, the PE funds must ensure that they do not erode the total value of their capital. Some investments, indeed most investments by PE funds will earn them a profit but an exceptional few will earn them a huge multi-million dollar profits and these are the deals that every firm seeks to make.

As with Mutual funds, PE fund appoint a fund manager or managers who are paid a management fee, which is a percentage of the amount in the kitty, and also get a share in the profits.

Equity Funds take an active interest in the businesses that they invest in and also bring in global experience and best practices that help firms to scale up their operations and add value in terms of a long term strategy.

The decision to invest in a business is based on a careful assessment of the market potential, growth opportunities in the future, long term sustainability of the business, exit opportunities for the PE fund and quality of management that runs the business.

TIGER Funds: TIGER is the acronym for The Infrastructure Growth and Economic Reforms Fund which is a PE fund that focuses exclusively on investing in companies and sectors that have been deregulated and do business in India. The fund is one which seeks to leverage Indiaâ€™s position as a growing economy and the scale of the Indian economy to generate greater returns. TIGER funds are popular in developing countries, especially the BRICS nations of Brazil, Russia, India, China and South Africa. A growing population and increasing demand in these countries has seen their economies boom. To cash in on this boom PE funds have begun investing here.

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a Private Equity Fund

a Tiger Fund

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