

NVP in advanced talks to buy 34% stake in NBFC Ess Kay Fincorp

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MUMBAI

Venture capital fund Norwest Venture Partners (NVP) is in advanced talks to buy nearly 34% stake in Jaipur-based non-banking financial company (NBFC) Ess Kay Fincorp Pvt. Ltd for about Rs200 crore, two people aware of the development said.

Founded in 1994, Ess Kay Fincorp provides vehicle and agriculture equipment finance as well as small and medium enterprises (SME) loans.

It started off as a channel partner of Shriram Transport Finance and later built its own portfolio, receiving its first private equity (PE) funding from Banyan Tree Growth Capital in 2012.

According to the people cited above, who spoke on condition of anonymity, the PE fund invested close to Rs90 crore, though the investment was not disclosed by the two sides at that time.

"Banyan Tree is looking to completely exit the company but it may also settle for a partial exit in the forthcoming round," said the first of the two persons cited above.

"The purpose of the current fund raise is to strengthen the capital structure of company" the person added.

While Norwest Venture Partners declined to comment, an Ess Kay spokesperson said, "Your information is baseless and false".

Ess Kay Fincorp has been in discussions with potential investors for a year, the two people cited earlier said.

"Due diligence by NVP has ended and the deal is expected to conclude soon," the second person said.

In August, Ess Kay Fincorp promoter and managing director Rajendra Kumar Setia told *Economic Times* that the company is in talks with investors to dilute 15-20% stake to raise capital.

According to its corporate filings, Ess Kay had a loan portfolio of Rs311.42 crore as on 31 March 2015.

In FY17, it had reported operating income close to Rs157 crore, with a profit after tax of close to Rs18 crore.

Norwest Venture Partners already has investments in similar businesses such as Shriram City Union Finance and Cholamandalam Investment and Finance Co. Ltd. If it eventually invests in Ess Kay, that will be its seventh investment in a financial services company, marking the growing interest of private equity funds in India's financial services sector.

Mint reported in August that Hero FinCorp Ltd, the financial services arm of India's largest two-wheeler maker Hero MotoCorp Ltd, is looking to raise up to Rs1,000 crore at a valuation of \$1 billion at its next funding round and is in talks with several large domestic and global private equity funds for a potential investment.