# Pvt equity looking to own ilk to take charge

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PRIVATE equity firms are increasingly turning to professionals from within the sector to run the show, slowly elbowing out former favourites investment bankers and asset managers.

"The queries we have got in the last few months show that PE firms now want to recruit from the industry itself," said Sunit Mehra, managing director of executive search firm Hunt Partners India.

The shift, a marked departure from the practice of hiring professionals with a financial background, is already under way. Actis recruited 3i Capital's Mahesh Chabbria as a partner and roped in Gautham Radhakrishnan, who was principal at Warburg Pincus, as a director. Likewise, Tushar Sinha quit the PE offshoot of Standard Chartered, where he was associate director, to join DE Shaw as vice-president.

All these changes took place in the last year or so. One reason for the interest in professionals who earned their spurs in funding is because PE firms realise they are able to hit the ground running. "I-bankers may take more time to understand the nuances of the PE industry and its investing model," said Bala Deshpande, who quit ICICI Venture to join New Enterprise Associates (NEA) in 2009.

PE firms want to get into the investment mode faster, said Ms Deshpande, who recently poached two executives at the vice-president level from rivals to establish a team of five at NEA.

Typically, a PE investment cycle lasts up to five years even though many deals in the country have firms exiting within two years of investments. PE firms are now looking to sign on senior executives who have gone through at least one investment cycle of funding, seeing the portfolio company grow and exit with a profit.

Mr Mehra of Hunt Partners calls people who fill positions at the partner or MD level as individuals with a full lifecycle investing experience.

Finding such people is never easy. "It is difficult to find investment professionals with experience of more than two investment cycles and with a track record of successful realisations," said JM Trivedi, south Asia head at Actis, among the early PE entrants in India.

But things are noticeably different from five years ago when the PE industry had just started to take shape in India and there was an influx of people from banking and consulting. "We have homegrown PE talent that has seen both good and bad times," said Charul Madan, partner at another headhunting firm, Executive Access. "It has become imperative for executives to understand the contours of investing from a long-term perspective," he said.

If there were any doubts, the slowdown helped erase them. Headhunters said during the slowdown, PE firms realised asset managers may not be the perfect fit for the industry, especially when valuations fell drastically.

"Asset managers may work during good times, but the industry now wants people to handle the difficult years as well," said a Mumbai-based headhunter, who did not wish to be named.

The trend is also being driven by intense competition. New players are entering the sector, notably CX Partners and Steer Capital and Multiples.