

Unilever Corporate Ventures gung ho on startups in India

Ahona Ghosh & Reena Zachariah, ET Bureau Jul 16, 2012, 03.08AM IST

MUMBAI: [Unilever Corporate Ventures](#), the venture-capital arm of the e46.5-billion consumer goods giant, is scaling up its efforts in [India](#) to incubate start-ups strategic to it. In May, the entity, which, in India, does not invest in enterprises directly but routes it through other private equity funds, closed its second investment in the country.

UCV has invested an undisclosed amount in the second fund of Ambit Pragma Ventures. It made its first investment in December 2011, in Capvent Asia Consumption Fund, a \$150 million, Asia-focused fund. In both funds, it is the anchor investor.

Describing India as a "high-potential emerging market", UCV managing director Martin Grieve told ET via email from London: "We are looking to build a diversified portfolio, investing in funds that maximise the potential options to Unilever, complemented by our own team for direct investment."

Unilever set up its corporate venture arm in 2001, with an initial fund of e 250 million; it followed this up with a second corporate fund, in 2006. UCV primarily has investments in [Western Europe](#) and [North America](#), both direct and through independent PE funds.

UCV's stated objective is to "invest in early-stage companies that could become strategically relevant to Unilever, and can benefit from access to its assets and capabilities". Its focus areas are "health and vitality, personal care, digital marketing, novel foods and technology that can be deployed to help Unilever's sustainability mission".

"It (UCV) is a mechanism for them to incubate small companies and acquire them when they are large enough," says Nirmesh Prakash, partner, Ambit Pragma. He adds that Ambit's second fund, an India-focused one, has raised \$77 million from UCV, IFC and CDC, and is expected to close at \$150 million. Capvent Asia Consumption Fund has raised \$150 million, its fund size.

According to Varun Sood, co-founder and managing partner of Capvent, UCV is its anchor investor and half the fund's corpus is dedicated to India-specific deals. "UCV's role will be to add value to these companies in research and innovation, and help them grow," he says. UCV, Sood adds, is an active 'limited partner' - the industry term used to describe entities that provide capital to PE funds - and has deputed an employee to Capvent's team.

So far, Capvent has invested 15-20% of the fund that UCV has invested in. Its first investment was in Carnation Auto, the auto-services company set up by former [Maruti Suzuki](#) managing director Jagdish Khattar. Sood says the fund is in the process of closing its second deal.

UCV is stepping up its investments in India at a time when PE funds are scarred by a bloated PE market in India, declining valuations and tough exits. "Unilever is a strategic investor, and this differentiates us from other purely financial investors," says Grieve of UCV.

Mayank Rastogi of consultancy Ernst and Young agrees that the current economic [environment](#) is favourable for a player like UCV. "It is causing stress, both from a bottom line and capitalisation perspective, and should result in attractive investment opportunities for PE funds," says Rastogi, partner-PE.

The focus of the two funds through which UCV is routing its investments into India is companies in the areas of consumer and FMCG, environmental services and digital marketing. "It is no secret that the business has been upping its game in terms of digital and mobile marketing, and it makes perfect sense to be looking for opportunities in this space," says Grieve.

Traditionally, the venture-capital space among companies has been the preserve of information technology led by Intel Capital, the venture arm of the world's largest chipmaker. According to Varsha Tagare, director of Intel Capital, since 1991, Intel Capital has invested about \$10.6 billion in 1,234 companies in 51 countries. Of this, 199 companies have gone public, and 296 were acquired or merged into Intel.

Elsewhere, Unilever's rival Procter & Gamble too has a venture arm, called FutureWorks, which invests directly in start-ups. In India, some of the large corporate houses with venture funds include the Tatas, the [Aditya Birla Group](#), Reliance ADAG (of [Anil Ambani](#)) and Future Group.