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For JC Flowers, India is the only country to ignore financials-only investment rule

Co seeks to raise \$250 m eyeing the auction of distressed borrowers' assets

BLOOMBERG

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JC Flowers & Co made a name for itself by investing only in financial companies and eschewing all other industries, but there's one place on Earth where so many bargains abound that the firm is breaking its cardinal rule.

Throwaway price

In India, where banks are auctioning off distressed borrowers under the supervision of courts, JC Flowers and its local partner are raising an initial \$250 million to take part in the bonanza.

"India is the only country where Flowers is seeking investment opportunities outside the

financial services space," said KM Jayarao, Executive Vice-Chairman of Ambit Flowers Asset Reconstruction Co. Investors will get to pick up many good assets cheap as banks have to stick to tight deadlines on resolution and don't have much time to manoeuvre and sometimes have limited alternatives.

It's bargain season in India, where years of excessive borrowing has created a distressed-asset market that at least one banker describes as the opportunity of a lifetime. The vulture investors are swooping in, and JC Flowers will be competing for deals with the likes of Canada's second-largest pension fund Caisse de depot et



J Christopher Flowers, Founder, JC Flowers & Co

placement du Quebec and Bain Capital.

JC Flowers was set up in 1998 by J Christopher Flowers, 60, who co-founded the financial institution's merger group at Goldman Sachs and was ranked among Wall Street's top deal makers when it came to banks.

One of the first things Jayarao would do on acquiring a distressed company would be

to cut debt through a mix of discounted payments to banks and new equity capital, and he would bring in new management, if needed. The average size of each purchase would be about \$40 million and the ARC would look to exit from the investment within three to five years. The Ambit Flowers ARC is in talks to top up the fund with more money from overseas investors, Jayarao said.

Making money

Jayarao had helmed India's first stressed-asset recovery team. It was set up by ICICI Bank when the Mumbai-based lender struggled with soured debt back in 2000, and then again in 2015. Jayarao had a 35-year banking career with ICICI starting in 1982, and he joined Ambit Flowers in his current role in September 2017.