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# CX Partners Buys 20% Stake in SIS

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BANGALORE

Private equity firm CX Partners has closed a ₹300-crore investment in Security and Intelligence Services (India), a Delhi-based private security services company.

According to the terms of the deal, which closed earlier this week, CX Partners will acquire a 20% stake in SIS, including the minority share held by earlier investor DE Shaw, the New York-based hedge fund which will receive a healthy exit.

The home-grown private equity firm will also exercise its option of investing another ₹200 crore in the company, which will see it raising its ownership, in tranches, to 26%, having received the necessary approvals from the Foreign Investment Promotions

Board and the RBI in January earlier this year.

"As the private security industry becomes more compliant with government regulations, we will see more deals in the space," Ajay Relan, managing partner of CX Partners, told ET. In 2008, DE Shaw had invested ₹50 crore in the security services firm for a 14% share. The exit will see the hedge fund earn a seven times return on its investment in SIS which has been valued at about ₹2,000 crore.

"We can confirm that the DE Shaw group has successfully exited its position in SIS. We are very pleased with the outcome of this long-term investment," a spokesperson from DE Shaw said.

The proceeds from the transaction are expected to fund SIS' acquisition plans, as it looks to grab a larger portion

of the lucrative, but highly fragmented Indian private security market.

"SIS is looking to make acquisitions, and that's where a portion of the money will be required," Relan said. The company, which posted revenue

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of ₹2,844 crore for the fiscal ended 2013, acquired Australian guarding and mobile patrol firm Chubb Security in 2008 from United Technologies.

According to industry estimates, the private security industry in India is currently estimated at about ₹22,000 crore, and growing at an annual rate of between 20% and 25%. Other

players in the sector include Topsgrup, Checkmate and CMS Securitas.

Private equity firms participating in the Indian market include Everstone Capital and ICICI Venture, which invested in Topsgrup, and Blackstone, which holds a majority stake in cash management service provider CMS Info Systems.

DE Shaw's exit from SIS is its latest in India, as the hedge fund, which has invested about \$2 billion in the country so far, through pure-play equity and structured transactions, actively looks to pare its India portfolio.

"DE Shaw has been a fantastic partner in the development of SIS Group... I am glad that SIS has proved to be a multi-bagger for them," said Rituraj Sinha, chief operating officer at SIS.