

India's Prime Venture secures four-year fund extension via secondary



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Foundation Private Equity has made its first foray into India, taking out all the LPs in Prime Venture Partners' debut fund through a tender offer process

There is no shortage of secondary investment opportunities in India as managers look for ways to deliver returns to LPs and buy more time – and often secure additional capital – for portfolios lacking in realizations. Nevertheless, Foundation Private Equity spent four years scouring the market before identifying what has become its debut India deal.

The Asia secondaries specialist has acquired a 100% LP interest in Prime Venture Partners Fund I, adding four years to a 2012 vintage fund with a USD 8m corpus that was nearing the end of its life. The transaction was structured as a tender offer, and priced at a small discount, but it has enabled all 20 existing LPs to make an exit with what is described as a more than 4x return.

“We’ve looked at a lot of venture portfolios, and in a lot of cases there are 30 assets, and we think only two will return decent value, while the rest are almost write-offs. In this case,

we saw quality across the portfolio. It is a balanced portfolio and the alignment with the GP was very strong,” said Jeremy Foo, a partner at Foundation.

Prime Venture Partners Fund I is unusual in two respects. First, the portfolio is highly concentrated with only seven assets. This is consistent with the broader Prime strategy of investing early, taking a meaningful ownership stake, and working closely with founders. Fund II is five times the size of Fund I but there are still just 10 investments. Prime recently closed Fund IV on USD 100m.

Second, Fund I has yet to deliver any full exits. Expense management platform Happay was acquired by local fintech player Cred for cash and shares as the Foundation deal was being finalised. The other six are completely unrealised: learning start-up Quizizz, pet technology player Waggle, HR platform HackerEarth, customer experience optimization business Synup, property investment marketplace Smartowner, and adtech start-up Vidgyor.

“With early-stage investing, companies take a reasonable amount of time to get proven and scale-up. We think these companies have a lot of growth ahead of them,” said Sanjay Swamy, a managing partner and co-founder at Prime.

Other exits are likely to be forthcoming, with Swamy pointing to the surge in IPOs by Indian technology start-ups and robust M&A involving domestic and cross-border buyers. The venture capital firm received numerous approaches over the years regarding the largest assets in the portfolio, notably Quizizz and Happay, but it demurred.

“Returning money to LPs by taking chips off the table is one way, but you only get that opportunity with the best companies,” Swamy added. “The secondary transaction meant we could generate returns for LPs without asking them to extend and also preserve the relationship with founders.”

There were 20 LPs in Fund I, with Mayfield and Social Capital sitting alongside an assortment of smaller, friends and family-style investors. Foo believes Prime might have secured a one or two-year extension, but “everyone saw it would make more sense to get a four-to-five-year extension and ride out the success of these companies.”

Quizizz closed a USD 31.5m Series B in June 2021 led by Tiger Global Management. Most of the others are said to be well-positioned financially, with several having raised follow-on rounds. Prime was among the first institutional investors in these companies, and Foundation was also encouraged by the close bonds between VC and founders that emerged in its due diligence.

All this contributed to Foundation rethinking what it assumed would be a standard continuation transaction, whereby the assets are acquired from the fund and placed into a new vehicle with new capital and revised terms. A less onerous tender offer for the existing fund would suffice.

“We didn’t have to tear up the economic arrangement, go through the process of renegotiating the carried interest structure, which is always the hardest part of a continuation fund,” said Foo. “We felt that the Prime team was adequately aligned, had a lot of skin in the game, and didn’t need to be re-incentivized to make this work.”

Foundation was established in 2017 by Foo and Jason Sambanju, formerly co-head of Asia at Paul Capital. The firm is currently deploying its debut fund, which [reached a first close of USD 110m last year](#) against an overall target of USD 250m. Tikehau Capital came in as one of two anchor LPs and took a majority interest in the GP.

Candor Asia advised on the Prime transaction.