

JAFCO Asia, VenturEast To Invest \$12.7M In Si2 Microsystems

Tokyo-based venture capital firm JAFCO Asia along with domestic VC firm VenturEast may invest Rs 62.3 crore (\$12.7 million) into Bangalore-based Si2 Microsystems. Si2 is into design and manufacturing of electronic integrated circuits, micro assemblies besides manufacturing of other electronic components.

The company was formed in 2006 by rolling up three organisations, each of which have been in business for over 15 years -- Silitronics (San Jose based firm which is into custom microelectronics manufacturing with expertise in RF, CSP, and SiP Packaging Technology); Sun Electronic Technologies (Bangalore-based manufacturing company with SMT lines) and D'gipro Systems (Bangalore-based with domain expertise in ASIC, PCB and sub-system design). It has more than 200 employees involved in SiP and system manufacturing facilities besides design centers at San Jose (US) and Bangalore (India).

The VC investors may have struck an interesting deal where they are picking equity largely through preference capital besides subscribing to some nominal equity shares. Bangalore-based **o3 Capital** was the advisor on this deal.

According to the transaction: Jafco will get 100 equity shares of Si2 and will pick 1.73 million preference shares (representing 23.81% of expanded preference capital) of the firm. Jafco will pick the preference shares of Rs 30 at a premium of Rs 90 i.e. at Rs 120 a piece translating into investments worth Rs 20.7 crore. Jafco is investing through Jafco Asia Technology Investments IV.

Jafco Asia is a technology focused VC firm investing across Asia and is part of Jafco which is one of Japan's largest private equity funds and is listed on the Tokyo Stock Exchange. Japanese investment bank Nomura owns more than 33% stake in Jafco Company (as of September 2008). Jafco has till date seen more than 800 companies backed by its funds float IPOs. Through various funds it invests in companies starting from the incubation stage to buyouts. Its VC arm typically invests \$4-8 million in a single investment. It had recently participated in a second round of funding of Apnapaisa Pvt Ltd alongwith the latter's existing investor Sequoia Capital. Apnapaisa owns financial intermediary portals Apnaloan.com and Apnainsurance.com.

Ventureast, which has key offices in Chennai and Hyderabad, may pick up 200 shares through two separate funds-- Ventureast Proactiv3 Fund LLC (192 shares) and Ventureast SEDCO Proactive Fund LLC (108 shares). Besides these two funds are also investing in preference capital: Ventureast Proactiv3 Fund(picking 43.71% of preference shares for around Rs 38.14 crore) and Ventureast SEDCO Proactive Fund (picking 3.91% of preference shares for Rs 3.4 crore)

Ventureast is led by founder and managing partner Sarath Naru besides other general partners which includes US-based co-founder Raghuvver Mendu. It has over \$300 million fund under management in sectors such as technology, healthcare & lifesciences, cleantech, besides other emerging sectors.

Source: VC Circle