



ASIA

NAVIS GOES FROM MARS TO MINES WITH NEW INVESTMENTS



Nicholas Bloy

[Navis Capital Partners](#) has kept up the pace of investments from its just-closed \$315 million Navis Asia Fund IV (see *AVCJ Aug 1*) with two very different deals. One is the acquisition of 74% of Indian hospitality and multi-brand fast food group Mars Restaurants Ltd.

The other is a 92% stake in Linatex Group, a Hampshire (UK)-headquartered multinational manufacturer of rubber-based parts and linings used to protect equipment in the mining, sand, and aggregates industries worldwide.

“Our running rate is over \$100 million from 7 transactions, and that’s what we want it to be in order to invest a fund of around \$300 million,” [Nicholas Bloy](#), Founding Partner at Navis, told *AVCJ*. “We expect the rate to accelerate.”

Navis finds life in Mars

Mars Restaurants operates a portfolio of Indian brands that include Dosa Diner, Cake Khazana, Birdy’s, China Joe’s, Not Just Jazz by the Bay, The Pizzeria, and Gordon House Hotel. Bloy characterizes the investment as “directly aimed at riding the tide of increased consumerism.”

“It’s surprising how immature and how fragmented food retail is in India,” he told *AVCJ*. “It’s very early days for the emergence of any multi-brand operator.”

Bloy sees relatively light competition in the sector. Multinationals, he notes, “have all rolled out hundreds, if not into the thousands (in the case of KFC) of outlets all across China, but the largest operator in India probably has little more than 30 outlets.”

“One of the interesting ideas that is currently being explored is bundling the brands into a food court environment,” he added. “The growth there is fueled by the growth of retail malls, as well as industrial and technology parks. We don’t see this investment as one where we’re trying to displace existing operators from privileged locations. New locations are springing up, and it’s quite a vacuum. This investment will also have some operational linkages, particularly in central kitchens and food procurement, with one of our existing investments in India, in airline catering.”

Running across a rough diamond

The Linatex investment, on the other hand, is opportunistic, not driven by Navis’s consumer focus. “It’s under the wrong corporate ownership,” Bloy told *AVCJ*. “It’s a non-core business for the vendor, Elementis plc.”

Linatex makes rubber used to protect the equipment that pumps abrasive and caustic slurries of ore through mines. “This is a unique product,” says Bloy. “There is only one Linatex brand in the world. It has a patent-protected unique manufacturing process.” Linatex has facilities in Australia, South Africa, the US, the UK, and Europe, with its main plant – and original headquarters – in Malaysia.

“This is riding along on the commodities boom, though this is not exposed to the downside,” Bloy explains. “We’re



Linatex slurry pump

going to relocate the head office to Malaysia, which is where it used to be. We will be shedding some surplus assets, so there’ll be a financial as well as organizational restructuring. Also, there are three additional markets which look attractive to enter – Chile, China, and Russia”

Navis found the opportunity through the Hash House Harriers jungle running club in Malaysia. “One of my partners, [Richard Foyston](#), and I knew about this company a couple of years ago,” he explains. “The Linatex plant in Malaysia is a particularly attractive place. Sometimes on weekends it’s used to host post-run festivities. We got to know it from that. And then we learned that it was put up for strategic review.”

“It only became a UK-headquartered company because of the UK plc owner, and I think that was the undoing of it,” he adds. “It’s really a multinational that has a real competitive advantage, which happens to have originated in Malaysia. There’s not many of those. I think we’re very lucky to have found it. It’s like stumbling across a rough diamond.”

Fund investment and new plans

“Our deal-doing capacity has expanded quite significantly with the addition of Mark Dutton, who finally started with us this week after a six-month notice period,” Bloy explains. “We should be about 70% invested by the end of next year.”

Once Navis Asia Fund IV hits the 70% threshold, “we will surely be starting to talk to our existing LPs about their views on raising a new fund. I doubt we’d do an official launch until 2007, but we’ll definitely be canvassing their opinion.” -PSM