

Constellation Alpha raises \$144 million in Nasdaq IPO

The Nasdaq IPO values Constellation Alpha, an India-focused acquisition firm, at \$184 million

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Mumbai: Constellation Alpha Capital Corp. (CNAC), an India-focused special purpose acquisition firm, Tuesday said it has raised \$143.75 million through an initial public offering on US stock exchange Nasdaq.

A special purpose acquisition company (SPAC) is a publicly listed buyout company that raises a blind pool of money through an IPO for completing the acquisition of a private company.

CNAC is led by Rajiv Shukla, former chief executive of Pipavav Defence & Offshore Engineering Co (now Reliance Defence and Engineering Ltd).

The public offering gives Constellation Alpha a market value of \$184 million

Before Pipavav, Shukla was associated with various private equity investors such as ICICI Venture, Morgan Stanley Investment Management and Citi Venture Capital International. Over his investment career, Shukla was involved with over 40 investments in healthcare companies across India, China, Brazil, Thailand, the US and the UK.

The public offering gives the company a market value of \$184 million (Rs1,185 crore). The IPO proceeds came primarily from US and European institutional investors.

CNAC will look to acquire assets in the range of \$250-500 million, the statement said.

The special purpose acquisition vehicle or so-called blank cheque company will use the funds to acquire assets in the Indian market. It has identified the healthcare sector as a key area of focus.

Our management team believes that the Indian healthcare sector provides robust exposure to India's domestic economic growth without the volatility associated with sectors driven by commodity prices and monetary policy. Driven by rapid urbanization, healthcare spending continues to grow faster than GDP and is expected to grow by \$100 billion between 2013 and 2018 as per Deloitte estimates," the company said in its IPO prospectus.

Constellation Alpha's strategy will involve seeking targets that can grow both organically and through acquisitions

Substantial investments are required to meet the anticipated growth in demand, it added.

In the hospital sector, India needs an incremental two million beds at an estimated capital expenditure of \$200 billion as per company estimates. Similarly, as per Bain Consulting, India was reliant on foreign imports to meet nearly 70% of domestic demand for medical devices in 2011.

In contrast, Indian pharmaceutical companies account for 37% share of global Abbreviated New Drug Application approvals in 2012, as per the Federation of Indian Chambers of Commerce and Industry, and are growing rapidly to serve the global market," the company said, adding that given favourable demand-side tailwinds, it believes that there is a significant opportunity to invest in capacity and capability enhancement of Indian healthcare companies.

CNAC's strategy will involve seeking targets that can grow both organically and through acquisitions.

It will seek to acquire assets that have a history of, or potential for, strong, stable free cash flow generation, with predictable and recurring revenue streams.

The blank cheque company will look across the spectrum to identify these assets, whether they belong to family-owned business groups, private equity portfolio companies, carve-outs and spin-offs as well as management buyouts.

The latest Nasdaq-listed SPAC follows online travel agency Yatra Online Inc.'s reverse merger with Nasdaq listed blank cheque company Terrapin 3 Acquisition Corp. in a transaction that assigned an enterprise value of \$218 million to the Indian online travel agency, in July last year.

Earlier in 2015, satellite television operator Videocon d2h Ltd sold shares worth around \$325 million to US-based blank cheque company Silver Eagle Acquisition Corp. The deal resulted in the listing of the Indian firm in the US.