

Emerald Sri Lanka Fund – Supporting the progress of the Sri Lankan private capital ecosystem

In 2015, Zephyr Management, global emerging markets investment manager, launched the Emerald Sri Lanka Fund (Emerald Fund) in partnership with NDB Bank, one of the leading commercial banks in Sri Lanka. The Fund is the first private equity fund dedicated to Sri Lanka, and is supported by leading global DFI's including DEG, FMO and IFC. Emerald Fund provides equity financing for fast growing, small to medium sized (SME) Sri Lankan companies led by strong entrepreneurs and management teams.

One of the key objectives for the DFI's and Zephyr in launching Emerald Fund was to help develop the ecosystem of private capital in Sri Lanka and increase the attractiveness of the country as a destination for foreign investment. Over the years, the Emerald Fund's investment team has worked to introduce the idea of private equity to Sri Lankan entrepreneurs and the local capital markets operators. Initially, the team faced challenges from founders who were reluctant to share ownership and professionalize management. The team persevered and patiently introduced the concept of private equity to founders, and the Fund made a total of six investments in the country. After making an investment, the Fund's emphasis is on value addition. Areas of value addition include strategic planning, governance, management development, financial management and operational efficiencies. The team worked closely with the management teams to professionalize their businesses and teams, helping them grow, expand overseas, and create high quality local jobs.

The most important test for the maturity of a private equity market is generating divestments. Emerald Fund has helped prove the attractiveness of the Sri Lankan private equity market by successfully exiting two of its investments, Panasian Power (via secondary sale of shares to a local conglomerate) and JAT Holdings (via IPO on the Colombo Stock Exchange). Although both these businesses were negatively impacted by COVID, the investments generated profitable returns for the Fund's investors. Emerald Fund helped these businesses by providing access to export markets, recruiting management, and improving governance.

Panasian Power is one of Sri Lanka's leading renewable energy solution providers and suppliers of clean energy to the national grid. The company is a leader in development of clean energy solutions for the Sri Lanka market and is now planning to expand in other emerging markets.

JAT Holdings is a market leader in water-based wood coatings segment in Sri Lanka. The company also distributes wood treatment solutions, paint brushes, office furniture, flooring and ceiling solutions, and PVC products. The Fund has helped JAT expand in



Panasian Power is a pioneering supplier of renewable energy in Sri Lanka.



JAT Holdings is a pioneer in introducing water-based wood coating products to Sri Lanka, replacing harmful solvent-based coatings

other markets in the South Asia region, and the company is well positioned to emerge as a leader in the South Asian region.

Emerald Fund's divestments are expected to make the case to the local business community and global investors that private equity can add value and the Sri Lankan private capital ecosystem is making good progress.