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MoneyTree™ India Report *Q2 2016*

Data provided by Venture Intelligence

Technology Institute

*This special report
provides summary results of
Q2 '15, Q1 '16, and Q2 '16.*



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1. Overview

Indian private equity did reasonably well in the second quarter of 2016, with overall investments worth 4.3 billion USD across 147 deals. Despite e-commerce/consumer Internet investments slowing down considerably owing to valuation and profitability concerns, the IT & ITeS sector continued its dominance over other sectors with investments of 1.6 billion USD, primarily driven by the 1.1-billion-USD buyout of Mphasis by Blackstone. This decent showing is despite the absence of a number of hedge funds that had joined the e-commerce bandwagon last year.

Financial services continues to be a favoured sector among growth/late-stage growth investors, and this mirrors the expected growth in the economy. Non-banking financial companies, microfinance and fintech are subsectors which continue to see significant interest. Logistics and consumer are two other sectors which could contribute to investment growth in the next half of the year with a combination of primary and secondary investments—in particular, the Goods and Services Tax Bill (GST) has the potential to spur logistics deals.

At 1.2 billion USD across 40 deals, exits for the quarter saw a 54% drop as compared to the previous quarter. But, interestingly, this quarter saw four PE-backed IPOs, and, as the markets continue to climb, more of these can be expected.

Buoyant stock markets are a challenge as well, as many promoters look at IPOs as opposed to raising private money in such situations. The outlook for the rest of the year remains positive as India remains firm on its growth agenda. We see a number of pension and sovereign wealth funds setting up Indian offices and starting to invest directly in the country—some of these are focussing on extracting good businesses from the stressed balance sheets of Indian corporates for investment. Traditional private equity funds remain committed to investing in India across varying capital pools, and this complements the needs of Indian businesses at a time when banks have become cautious about corporate lending.

A number of new sectors have been opened up for foreign investments, and are expected to draw corporate buyer interest as well, which is essential from an exit standpoint for private equity investors. In addition, there is the potential additional spend that could be caused by the 7th Pay Commission implementation and a good monsoon season, both of which are expected to bolster the economy further. While some of these factors may be short-term stimulants, they play an important role, and with the reforms process looking reasonably irreversible and India firmly on the path of fiscal consolidation, private equity investors are expected to continue to remain busy in the coming quarters.

Sanjeev Krishan

Leader, Private Equity and Transaction Services
PwC India

2. Analysis of PE investments

Total equity investments in PE-backed companies

The second quarter of 2016 has again given a strong push to Indian private equity (PE). Q2 '16 has seen investments worth 4.3 billion USD in 147 deals, a 2% increase in value terms as compared to the previous quarter, despite deal volume decreasing by 21%. In Q1 '16, investments worth 4.2 billion USD were made in 186 deals. As compared to Q2 '15, the value of deals in this quarter has dropped by 29% and volume has declined by 21%. In Q2 '15, PE investments stood at 6.0 billion USD in 186 deals. The average deal size for this quarter was 29.1 million USD.

The information technology & IT-enabled services (IT & ITeS) sector continued its dominance in this quarter, despite a weak show by e-commerce investments. While the investment flow of 1.6 billion USD in 92 deals was 17% higher than Q1 of the year in value terms, there was an 11% drop in terms of volume. However, the value reflects a 14% drop as compared to the year-ago period.

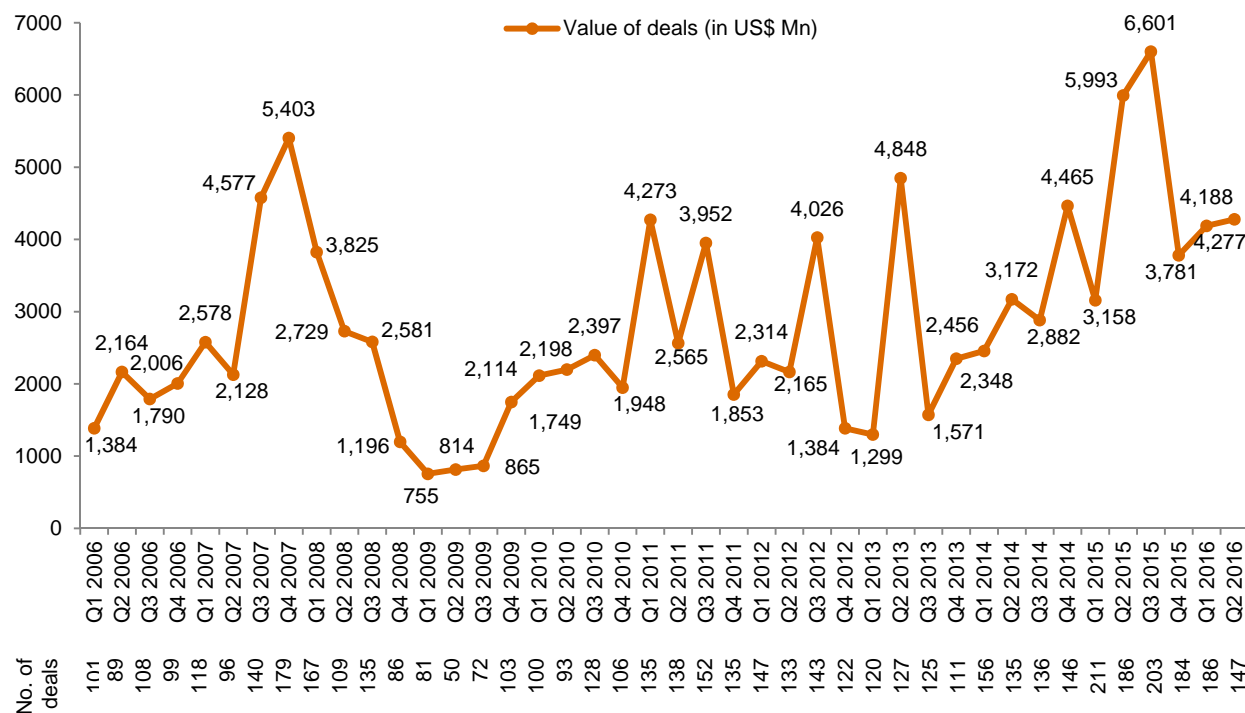
The banking, financial services & insurance sector (BFSI) again secured the second position, attracting 769 million USD—a 25% decline as compared to the previous quarter and a 14% surge as compared with the year-ago period. With just two deals, the energy sector attracted 730 million USD.

This quarter has seen six buyouts worth 1.6 billion USD, and the PE appetite continued to be strong, with late-stage investments worth 1.2 billion USD in 25 deals. The drought in early-stage investments

continued in this quarter, with just 183 million USD in 74 deals.

Regionally, Bengaluru attracted a little more than 1.5 billion USD, while Mumbai saw investments of just 1.5 billion USD. Contributions from other regions were insignificant in this quarter.

Total private equity investments



Data provided by Venture Intelligence

Analysis of private equity investments

Investments by industry

Q2 '15, Q1 '16 and Q2 '16

The dominance of the IT & ITeS sector continued in the second quarter of the year, despite a weakness in e-commerce related deals. The sector attracted 1.6 billion USD in 92 deals, which is 17% higher than the 1.4 billion USD in 103 deals it attracted in the previous quarter, but 14% lower than the 1.9 billion USD in 106 deals it received in Q2 '15.

“The IT&ITeS sector continued to receive the highest level of funding among all sector this quarter. Deal making displayed an expected dip after the frenzy of deals in late 2015 and, measured against the second quarter of last year, both values and volumes dropped. Investments in the e-commerce segment have also declined and there is a slowdown in the investment scenario across the start-up ecosystem. Going forward, while some investors may have a reduced appetite, newer investors will continue to invest in this segment for brighter ideas and teams. With consolidation starting to happen in the e-commerce segment and ongoing corrections around valuations, the focus on profitability will intensify in the coming quarters.”

Sandeep Ladda
Leader, Technology
PwC India

“As compared to the same period of last year, the investment in BFSI has grown in the second quarter of 2016, but given the activity in the market, we were expecting more deals to close. So, it would seem that macroeconomic and political factors, including Brexit, the US elections and slow growth in major economies, are impacting the overall deals market. Since the financial sector is one of the first sectors to be impacted by the external environment, slower deal closing is reflective of market sentiments.”

Bharti Gupta Ramola
Leader, Financial Services
PwC India

“Power generation platforms—both conventional and renewable—are attracting considerable interest from long-term investors and funds. A common theme is to deploy these platforms for takeover of partly developed and distressed assets, with a strong technical partner in tow to improve the commercial viability of these projects.”

Kameswara Rao
Leader, Energy
PwC India

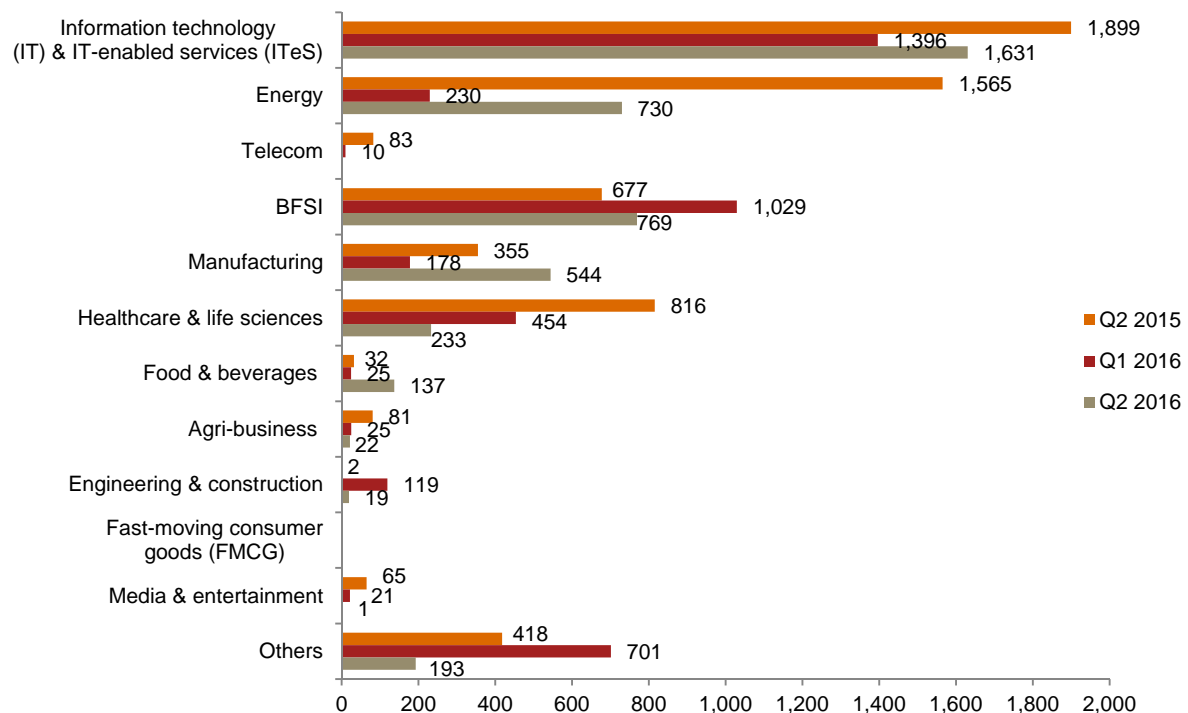
Analysis of private equity investments

The manufacturing sector also witnessed a good deal flow in this quarter, with nine deals worth 544 million USD compared to the 178 million USD in the previous quarter and 355 million USD in five deals in Q2'15.



Note: Others include other services, hotels & resorts, sports & fitness, agribusiness and retail.

Investments by industry



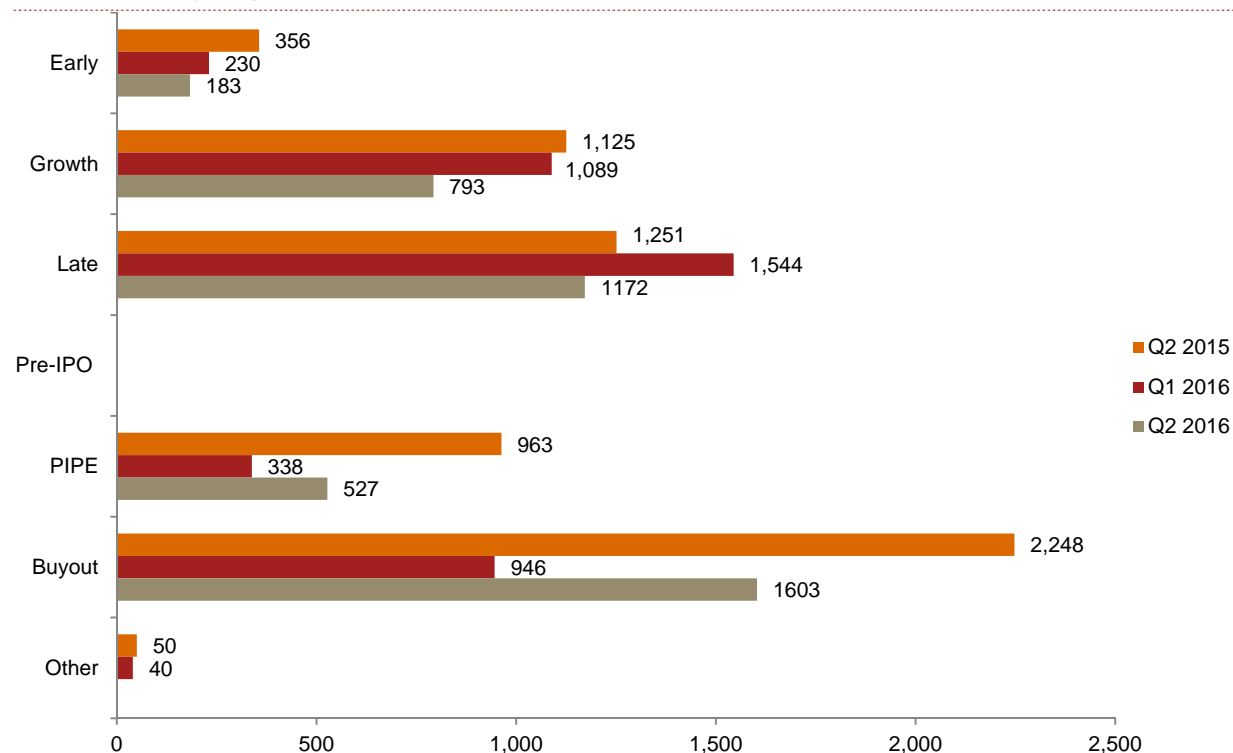
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Analysis of private equity investments

Investments by stage of development Q2 '15, Q1 '16 and Q2 '16

Buyouts led the PE investment inflow in the second quarter of the year with 1.6 billion USD in six deals, followed by late-stage investors with 1.2 billion USD in 25 deals. The growth stage attracted 793 million USD in 31 deals, whereas PIPE deals saw 527 million investment in 11 deals. Early-stage investments sank further to 183 million USD in 74 deals.

Investments by stage development



Data provided by Venture Intelligence

Note: Definitions for the stage of development categories can be found in the 'definitions' section of this report.

Growth stage in the above graph includes both growth and growth-PE stages.

Analysis of private equity investments

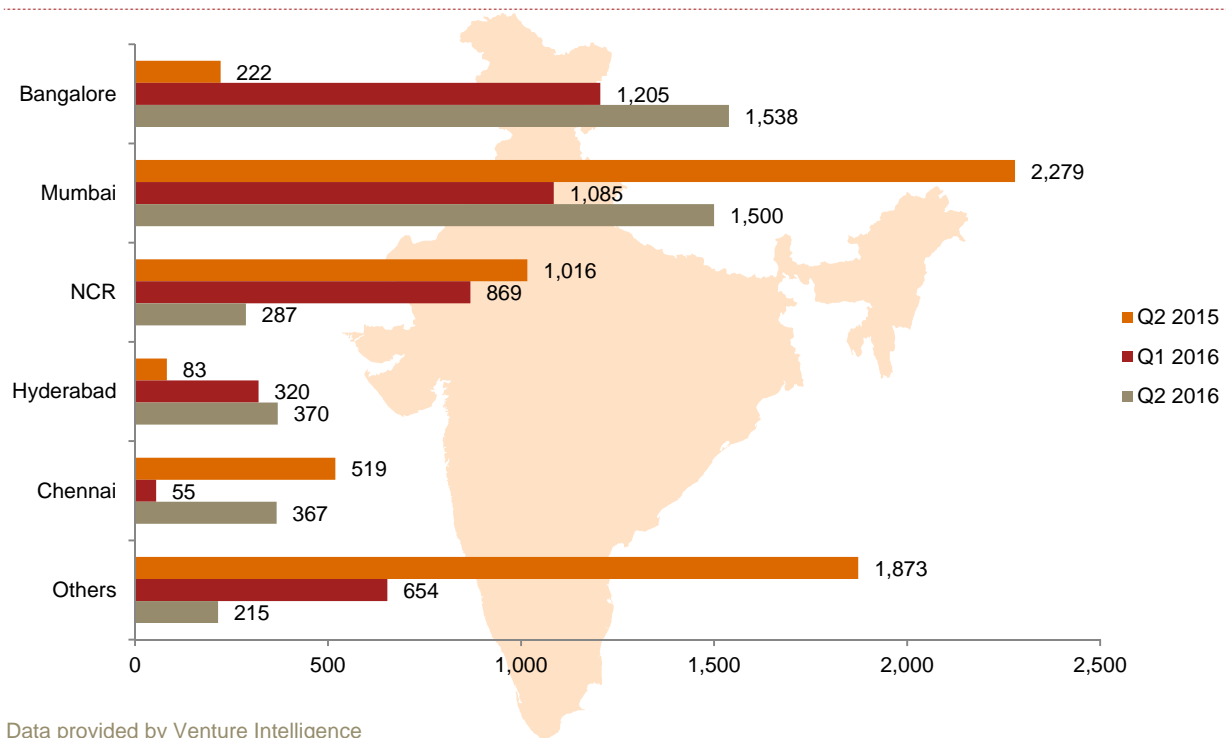
Investments by region Q2 '15, Q1 '16 and Q2 '16

Interestingly, in this quarter, except Bengaluru and Mumbai, none of the other regions in the country attracted many PE investors. Bengaluru led with 1.538 million USD in 44 deals, followed by Mumbai with 1,500 million USD investments in 34 deals. Hyderabad received investments worth 370 million USD, followed by Chennai (367 million USD) and BCR (287 million USD).



Note: NCR includes Delhi, Gurgaon and Noida.

Investments by region



Analysis of private equity investments

Top 20 PE deals Q2 '16

The top 20 deals comprised 82% of the total deal value in Q2 '16. The top five deals together accounted for 58% of the total deal value. The average deal value for this quarter was 29.1 million USD.



Top 20 PE deals in Q2 2016

Company	Industry	Investors	Amount (US\$ Mn)
Mphasis	IT & ITeS	Blackstone	1,100
Resurgent Power	Energy	CDPQ, SGRF, KIA	500
ICICI Home Finance	BFSI	TPG Capital	331
Sanmar Group	Manufacturing	Fairbridge Capital	300
Greenko Group	Energy	GIC, ADIA	230
Shriram Transport Finance	BFSI	IFC	150
Fractal Analytics	IT & ITeS	Khazanah	100
DFJ India Portfolio	BFSI	Newquest	100
Eicher Motors	Manufacturing	Cartica Capital	90
Future Supply Chain	Shipping & logistics	SSG Capital	88
Glenmark Pharmaceuticals	Healthcare & life sciences	IFC	75
Apollo Health & Lifestyle	Healthcare & life sciences	IFC	68
Classic Stripes - Promoter Holding Co	Manufacturing	KKR	55
DFM Foods	Food & beverages	WestBridge	52
Janalakshmi Financial Services	BFSI	IFC	50
Bangalore International Airport	Travel & transport	Fairbridge Capital	49
Vectra Networks	IT & ITeS	Wipro Ventures	44
Repco Home Finance	BFSI	IFC	40
Sanghi Industries	Manufacturing	Piramal Enterprises	39
KLT Automotive and Tubular Products	Manufacturing	KKR	35

Data provided by Venture Intelligence

3. Analysis of PE exits

Total PE exits

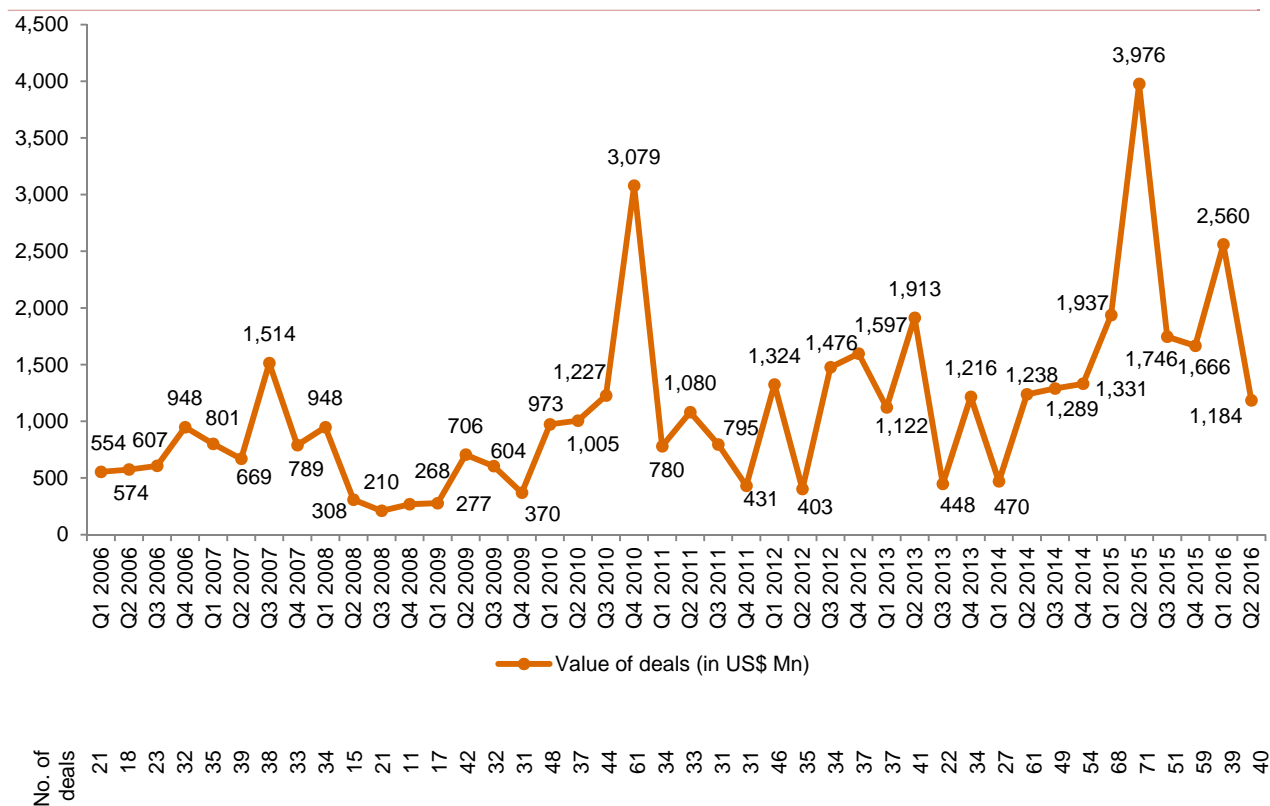
PE exits in the second quarter of 2016 were among the lowest in recent history, with 1.2 billion USD in 40 deals. This is a 54% drop as compared to the previous quarter (2.6 billion USD in 39 deals) and a 70% drop from Q2 '15 (4.0 billion USD in 71 deals).

With five exit deals worth 465 million USD, the BFSI sector has emerged at the top, followed by telecom with 206 million in one deal. IT saw exits worth 173 million USD in 14 deals.

The public market has become the most preferred route for exits this quarter, with a total exit value of 713 million USD in 17 deals. Strategic sales followed, with a total exit value of 216 million USD in 16 deals and secondaries worth 214 million USD in five deals.

There were four PE-backed IPOs with a total IPO value of 641 million USD.

Total PE exits



Data provided by Venture Intelligence

Analysis of PE exits

Exits by industry Q2 '15, Q1 '16 and Q2 '16

BFSI tops the exit chart this quarter with three of the top five. This includes the exit of a group of PEs from Equitas Holding, AU Financiers and Ujjivan. The total exit value of the BFSI sector was 465 million USD in five deals, which is four times higher than that of the previous quarter (110 million USD in three deals) and just a 7% drop from Q2 '15 (297 million USD in nine deals).

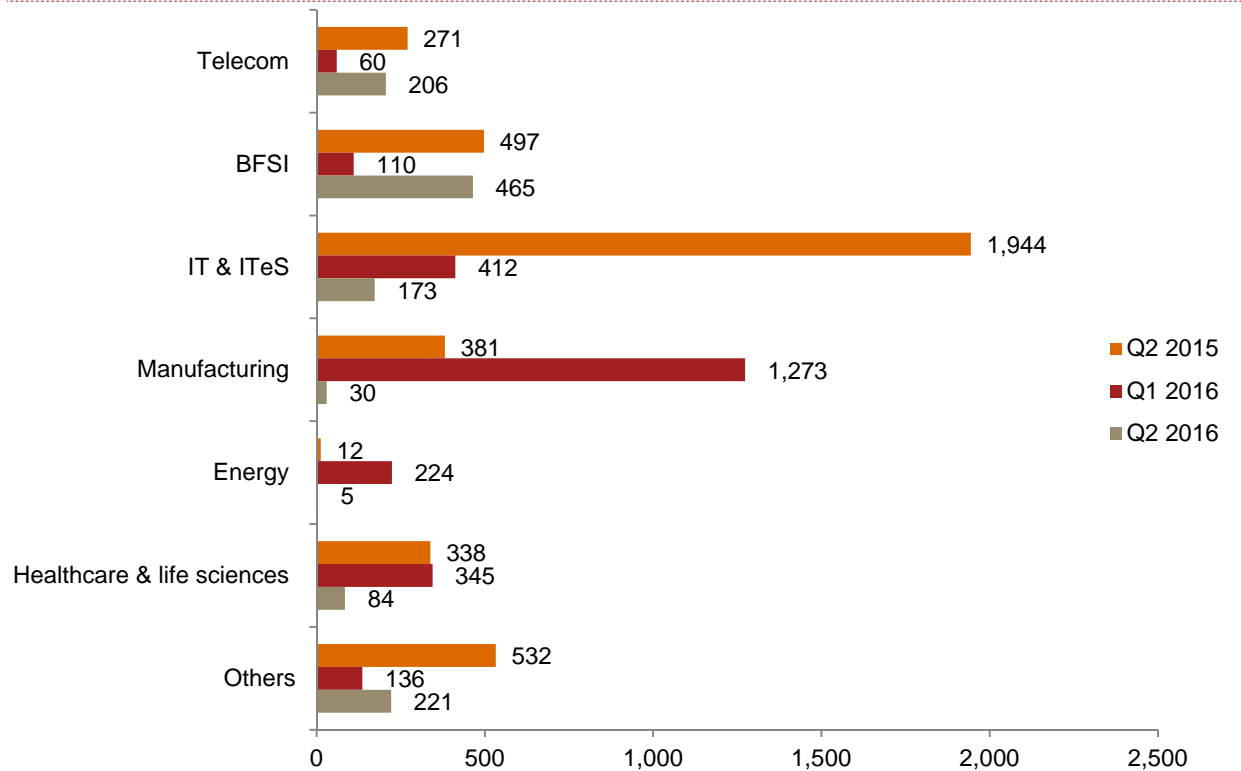
The telecom sector saw a single exit by Providence from Idea Cellular (worth 206 million USD), which made it the second largest sector for exits. In the previous quarter, the sector saw a single exit worth 60 million USD. In Q2 '15, the sector saw two exits worth 271 million USD.

The IT sector saw exits worth 173 million USD in 14 deals, which is a 58% drop as compared to the previous quarter (412 million USD in 12 deals) and a 91% drop as compared to the year-ago period (1.9 billion in 15 deals).



Note: Others include shipping & logistics, other services, retail, food & beverages and hotels & resorts.

Exits by industry



Data provided by Venture Intelligence

Analysis of PE exits

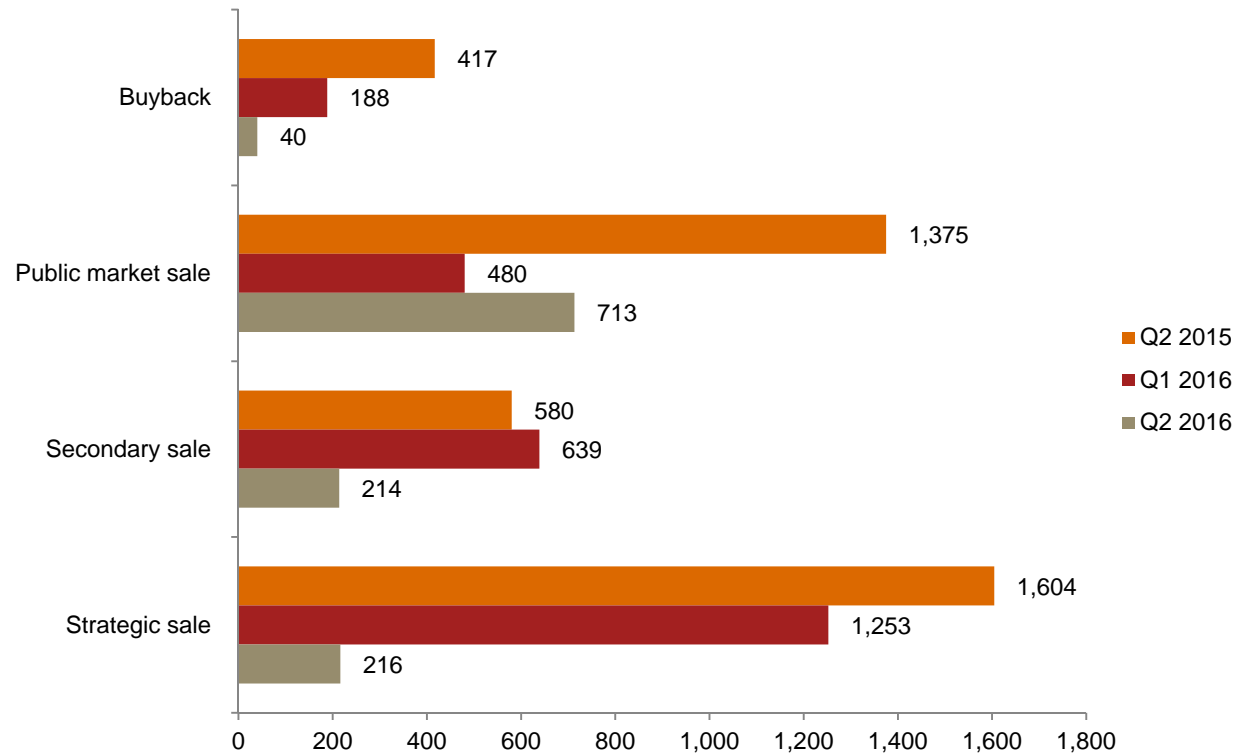
Exits by type Q2 '15, Q1 '16 and Q2 '16

With four IPOs, the public market has become the best exit route for PE investors in this quarter, with a total exit value of 713 million USD in 17 deals. In Q1'15, public market deals were worth 480 million USD in 12 deals, while in Q2'15, the figures were 1.4 billion USD in 47 deals.

Strategic sales saw exits worth 216 million USD in 16 deals, while secondary sales saw five deals worth 214 million USD. Two investors made exits worth 40 million USD via the buy-back route.



Exits by type



Data provided by Venture Intelligence

Analysis of PE exits

Top five PE exits Q2 '16

The top five exits comprised 58% of the total exit value in Q2 '16.



Top 5 PE exits in Q2 2016

Company	Industry	Investors	Deal amount (US\$ Mn)
Equitas Holdings	BFSI	IFC, Sequoia Capital India, CLSA Capital, FMO, Helion Ventures, Aquarius, Aavishkaar Goodwell, Lok Capital, India Financial Inclusion Fund, MicroVentures, Creation Investments	217
Idea Cellular	Telecom	Providence	206
AU Financiers	BFSI	Warburg Pincus, IFC, ChrysCapital, Motilal	112
Ujjivan Financial Services	BFSI	IFC, FMO, Units, Wolfensohn & Co., Lok	79
Carat Lane.com	IT & ITeS	Tiger Global	75

Data provided by Venture Intelligence

4. Active PE firms

World Bank's PE arm, IFC, and the home-grown Blume Ventures have entered into 11 deals each in this quarter.



The most active PE investors in Q1 2016 are listed below.

Q2 2016 Investors	No. of deals*
Blume Ventures	11
IFC	11
Sequoia Capital India	7
Accel India	6
Kalaari Capital	6
Beenos Partners	4
Omidyar Network	4
Ratan Tata	4
SAIF	4
IDG Ventures India	3
Katabole Technology Ventures	3
KKR	3
Matrix Partners India	3

Data provided by Venture Intelligence

** Number of deals includes both single and co-investments by PE firms. Cases where two or more firms have invested in a single deal are accounted for as one deal for each firm.*

5. Sector focus: IT & ITeS

Mergers and acquisitions (M&As) in the technology sector have boomed over the course of the last few months. From megamergers to mid-market and small-scale transactions, the resurgence has been considerable.

Deal activity in the global technology space has accelerated with recent announcements of Softbank acquiring ARM Holdings for US\$32 billion, Uber China's merger with Didi Chuxing, Verizon's acquisition of Yahoo! for 4.83 billion USD, and Walmart's acquisition of the e-commerce company Jet for 3.3 billion USD. These deals are expected to change the landscape of their specific industries—Uber exited from China with a hefty payout, and the competition is now left in an uncertain position; and Verizon, with both Yahoo! and AOL, could be a major player in digital advertising.

Close to home, the technology industry, particularly e-commerce, has seen several M&As in the past quarter—Myntra's acquisition of Jabong, Quikr's acquisition of Hiree to expand QuikrJobs, 1mg's acquisition of diagnostics marketplace Medd, and the merger of TinyOwl and Roadrunnr were some of the marquee deals. The e-commerce industry is poised for consolidation and a series of M&As this year are likely as companies as well as investors focus on sustainable growth and profitability. Already, larger players in several e-commerce segments have started snapping up competitors to strengthen their position (e.g., OYO Rooms' acquisition of Zo Rooms).

Recurring trends of transformation, consolidation and investments in emerging technologies continue to demonstrate the rapid evolution within the technology industry, which is also seeing increasing interest in digital assets from non-digital buyers, as seen in the cases of Future Group's acquisition of Fabfurnish and Titan buying a majority stake in CaratLane.

Going forward, we expect a gradual increase in deal activity as the year progresses. With increasing downward pressure on valuations, more assets will come to market, enticing recently inactive serial technology acquirers to start shopping again. Non-digital buyers are likely to add to deal volumes, although perhaps not proportionately to values, and are likely to focus on innovative technologies with the aim of making their business models more robust.

Sandeep Ladda
Leader, Technology
PwC India

Total PE investments

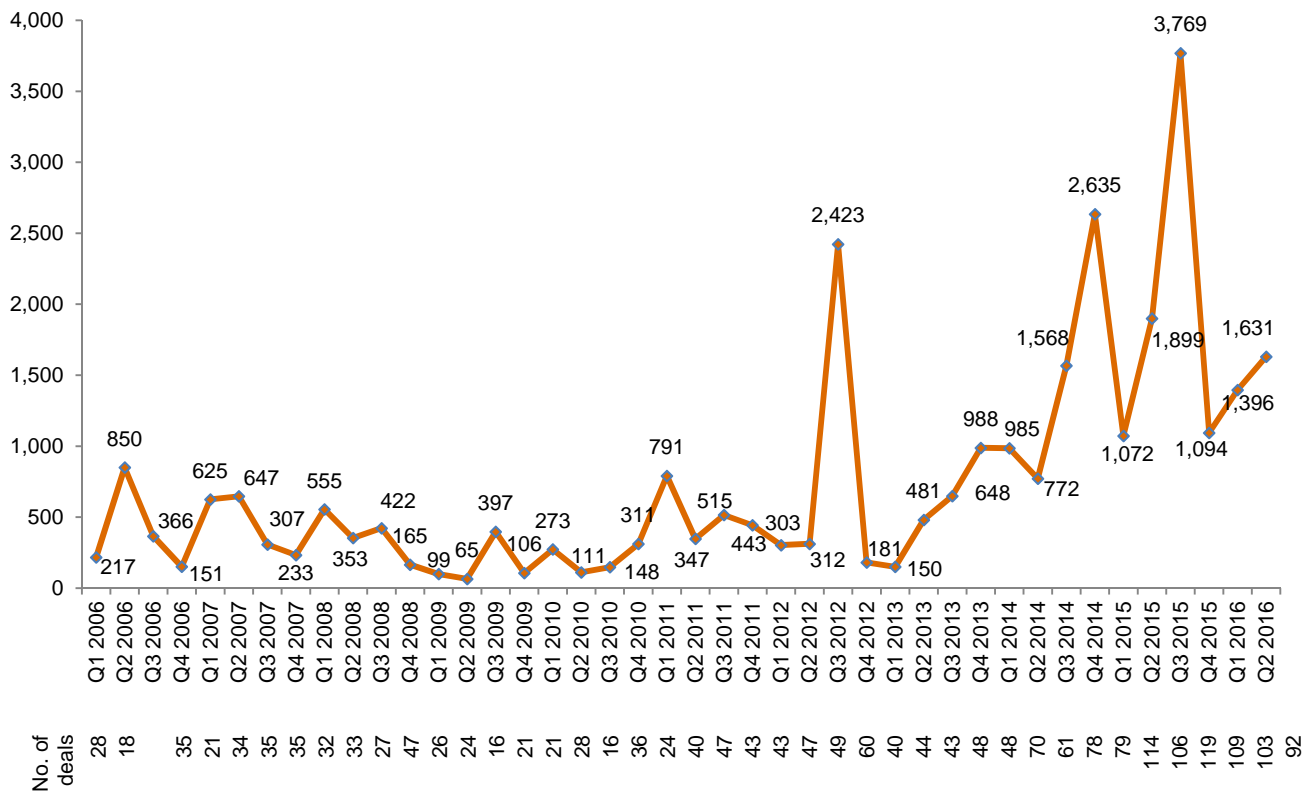
With Blackstone's 1.1-billion USD Mphasis deal, technology continued its dominance as the most attractive sector, with a total investment of 1.6 billion USD in 92 deals. This is 17% higher than the previous quarter, but a drop of 14% as compared to the year-ago period. In Q1 '16, there were 103 deals worth 1.4 billion USD, while Q2 '15 saw 106 deals worth 1.9 billion USD. There were no big e-commerce deals in this quarter.

This time, buyouts clearly earned the top spot in terms of stage of investing, with the single Mphasis deal worth 1.1 billion USD. Growth stage attracted 180 million USD in 17 deals.

Interestingly, early-stage investing has seen a further drop in this quarter, with 164 million USD from 65 deals.

The average deal size has surged to 17.7 million USD from 13.6 million USD in the last quarter. Also, average early-stage investment surged to 2.5 million USD.

Value of PE investments in IT & ITeS sector (in US\$ Mn)

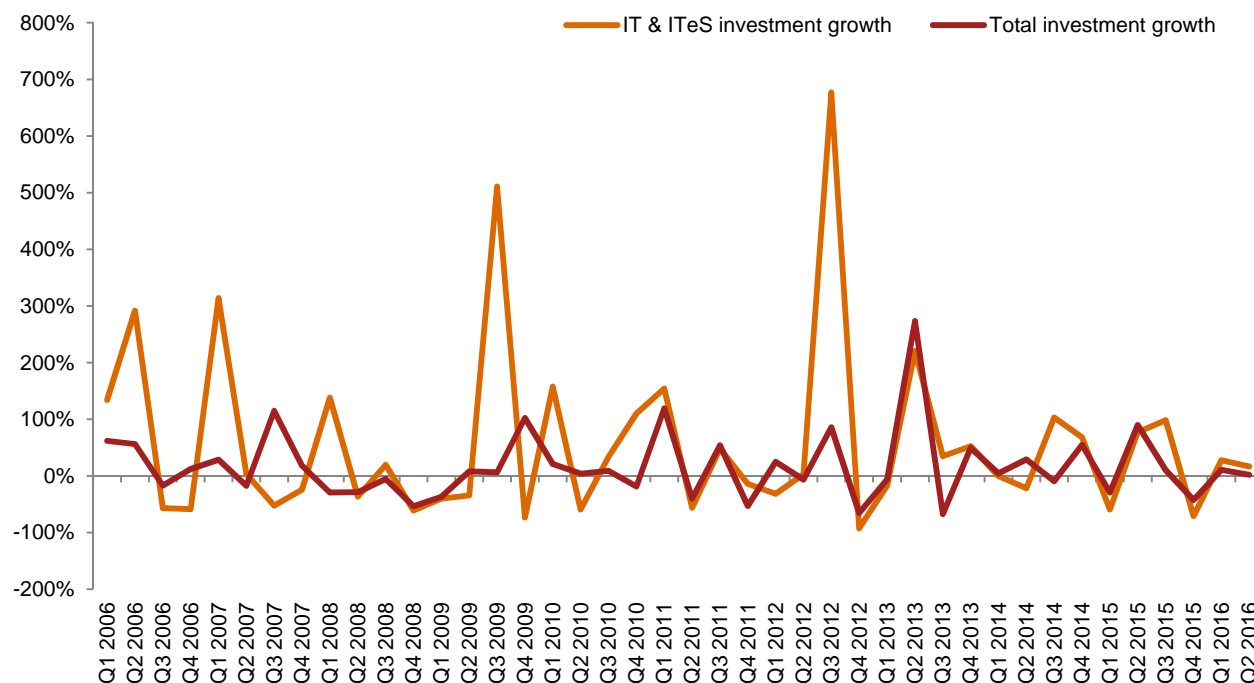


Data provided by Venture Intelligence

Sector focus: IT & ITeS

A comparison between the quarter-on-quarter growth rates of the IT & ITeS PE investments against the total PE investments during the last decade shows that funding for this sector was higher than the total PE funding in most quarters. The second quarter of 2016 was no different, with total PE investments seeing a 2% growth and tech investment surging 17%.

Value of PE investments in IT & ITeS sector



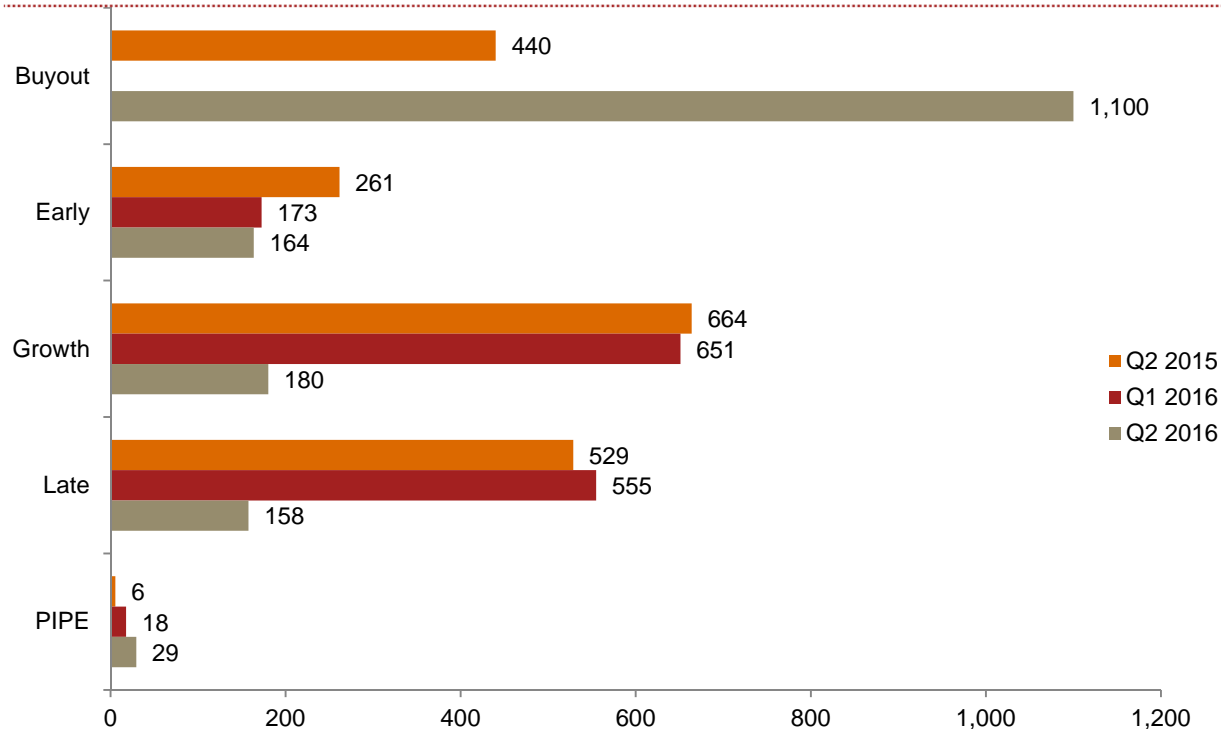
Investments by stage of development Q2 '15, Q1 '16 and Q2 '16

On the back of the 1.1-billion USD buyout of the BPO firm Mphasis by Blackstone, buyout deals have topped the stage of investments in this quarter. There were no buyout deals in the previous quarter, while a single deal of 440 million USD was recorded in the year-ago period.

The growth stage has seen 17 deals worth 180 million USD, a 72% drop as compared to Q1 '16 (651 million USD in 19 deals) and a 73% drop from Q2 '15 (664 million USD from 20 deals). Similarly, late-stage deals saw a huge decline. This quarter has seen seven deals worth 158 million USD, while the previous quarter saw a similar number of deals that brought in investments worth 555 million USD. In the year-ago period, it was 529 million USD from 12 deals.

Early-stage investments dropped by 5%, from 173 million USD in Q1 '16 to 164 million USD in Q2 '16. Further, PIPE deals saw 29 million USD in two deals.

IT & ITeS investments by stage of development



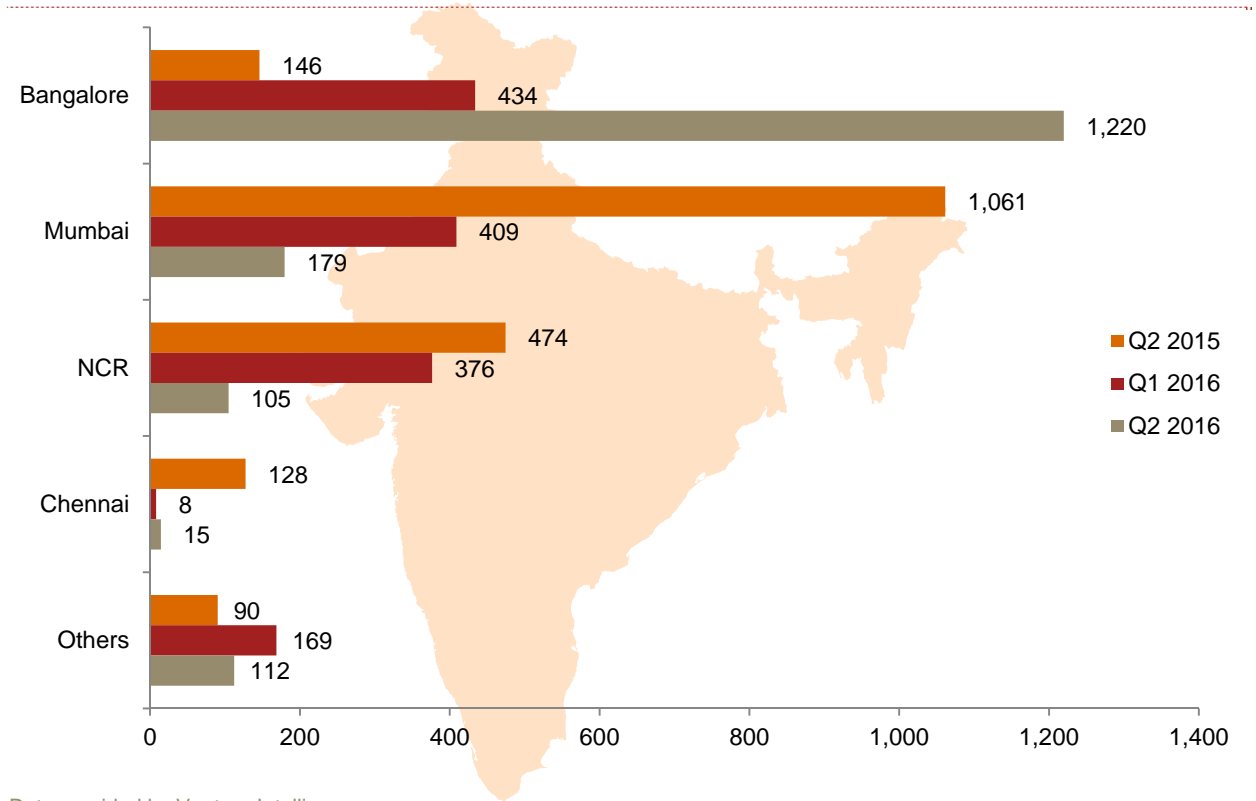
Data provided by Venture Intelligence

Investments by region
Q2 '15, Q1 '16 and Q2 '16

Regionally, Bengaluru has made a comeback in Q2 '16. It became the favourite destination for technology investments, attracting 75% of the total invested money—that is, 1.2 billion USD across 31 deals. Mumbai lagged behind in the second slot with 179 million USD in 19 deals.



IT & ITeS investments by region



Data provided by Venture Intelligence

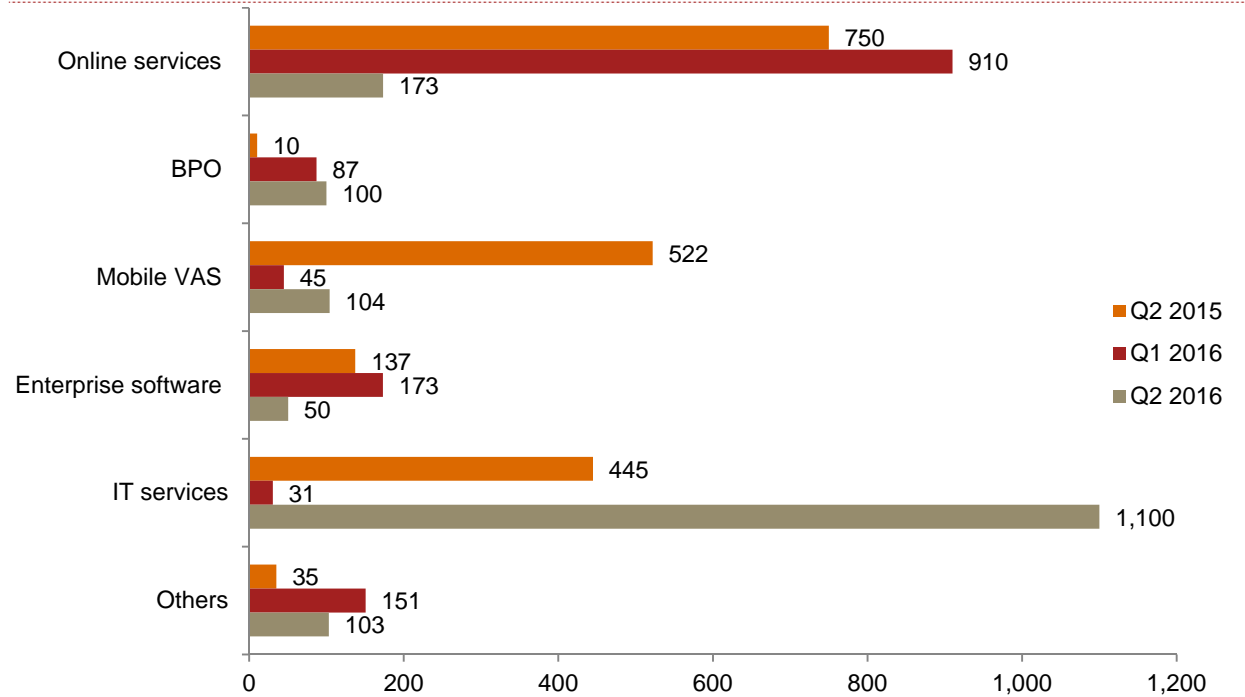
Sector focus: IT & ITeS

Investments by subsector Q2 '15, Q1 '16 and Q2 '16

IT services has become the top subsector with the Mphasis deal worth 1.1 billion USD. Online services, a distant second, attracted just 173 million USD in 37 deals.



IT & ITeS investments by subsector



Data provided by Venture Intelligence

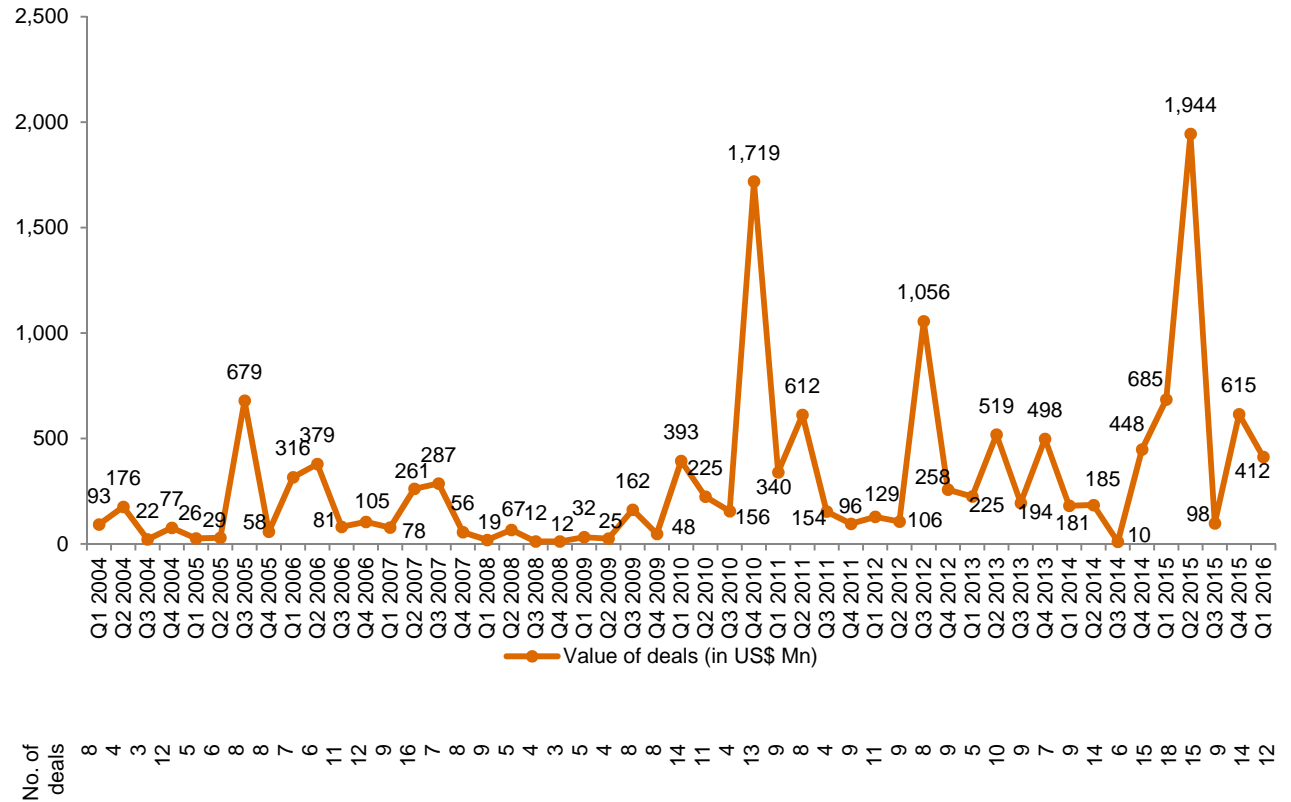
Sector focus: IT & ITeS

PE exits in the sector Q2 '15, Q1 '16 and Q2 '16

As compared to the previous quarter, there was a 58% drop in exits in the IT & ITeS sector in Q2 '16. The sector saw exits worth 173 million USD in 14 deals, as compared to 412 million USD in 12 deals in Q1 '16. Strategic sales saw the highest number of exits—worth 161 million USD in 11 deals.



Total IT & ITeS exits



Data provided by Venture Intelligence

Definitions

Stages of development

Early stage – This refers to the first or second round of institutional investments in companies that adhere to the following:

- Less than five years old
- Not part of a larger business group
- Investment is less than 20 million USD

Growth stage – This refers to investments of less than 20 million USD. Also, investments meeting the following criteria are considered to be in the growth stage:

- Third or fourth round funding of institutional investments
- First or second round of institutional investments in companies that are more than 5 years old and less than 10 years old or spin-outs from larger businesses

Growth-stage PE – This includes the following:

- First or second round of investments worth 20 million USD or more

- Third or fourth round funding in companies that are more than 5 years old and less than 10 years old, or subsidiaries or spin-outs from larger businesses
- Fifth or sixth round of institutional investments

Late stage – This comprises the following:

- Investment in companies that are a decade old
- Seventh or later round of institutional investments

PIPEs – The following constitute PIPEs:

- PE investments in publicly listed companies via preferential allotments or private placements
- Acquisition of shares by PE firms via the secondary market

Buyout – This is an acquisition of controlling stake via purchase of stakes of existing shareholders.

Buyout (large) – This includes buyout deals of 100 million USD or more in value.

Other – This includes PE investments in special purpose vehicle (SPV) or project-level investments.

Types of PE exits

Buy-back – This includes the purchase of PE or VC investors' equity stakes by either the investee company or its founders or promoters.

Strategic sale – This includes the sale of PE or VC investors' equity stakes (or the entire investee company itself) to a third-party company (which is typically a larger company in the same sector).

Secondary sale – Any purchase of PE or VC investors' equity stakes by another PE or VC investors constitutes secondary sale.

Public market sale – This includes the sale of PE or VC investors' equity stakes **in a listed company** through the public market.

Initial public offering (IPO) – This includes the sale of PE or VC investors' equity stake **in an unlisted company** through its first public offering of stock.

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