

PricewaterhouseCoopers India Pvt Ltd

MoneyTree™ India Report

Q3 2012

Data provided by Venture Intelligence

*The Q3 2012 MoneyTree™
India results are in! This
special report provides
summary results of Q3 '11,
Q2 '12, and Q3 '12.*



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1. Overview

Policy pronouncements revive sentiments

The third quarter (Q3) of 2012 was an important period in which the investor community felt both despair and hope. Some positive-sounding policy announcements towards the end of the quarter hopefully lifted investor confidence. While that may not result in heightened deal activity in the near term, it may bring the focus back on growth and create enough opportunities for equity investors in the future. The Shome Committee recommendations have also been positively received by the investor community, and should the government continue to walk the talk, investor interest in India is bound to revive.

Q3 2012 saw a 32% increase in deal activity in terms of value, accompanied by an 8% drop in volume, as compared to Q2 2012. In comparison with Q3 2011, there has been a 4% increase in value and a drop of 20% in the number of deals. The key reason for the increase in deal value during the quarter, despite the fall in deal volumes, was the Genpact deal, which alone accounted for 40% of the deal value for the quarter. It also highlighted the focus investors have on the IT & ITeS sector, which continued to be the leading segment for the second consecutive quarter, both in terms of deal value and volume. Apart from the focus on mature and growing businesses in the IT sector, investors have also been focussed on the SME services segment, which has been a focus for a number of venture investors. The Genpact deal also highlights the growing relevance of 'secondary' deals as a mode of exit for PE funds. This mode is increasingly becoming the favored divestment route. Investors, too, prefer this mode since the business model and the management are already proven, and they don't mind paying fair value for such assets.

The growth in deals on the manufacturing side was another welcome feature during this quarter. However, the sluggish growth in the infrastructure sector does not augur too well, as infrastructure supports a number of business segments both on the consumer and manufacturing side.

The opening up of the multi-brand retail sector to foreign investors is expected to generate substantial investments over a period of time. Moreover, the requirement for 50% investment in back-end operations and 30% procurement from SMEs will provide a boost to the economy and open up attractive options for PE investors in the future, with sectors like Logistics, Agriculture, Food and Consumer Goods expected to benefit the most. On the logistics side, in particular, the excitement seems to stem from what these changes may mean for back-end infrastructure including warehousing, cold storage and other logistical operations. That said, the next couple of quarters will show how much of this excitement will result in actual investments.

With the year having entered in to its last lap, it is quite unlikely that PE investments in 2012 will be on par with those in 2011. However, as we approach the year end, the sentiment seems to be reviving and this augurs well for 2013!

Sanjeev Krishan
Executive Director
Leader – Private Equity
PwC India

** A note on terms: This report uses the term private equity rather than venture capital but reports on both activities. Please see definitions on page 20 in this edition for further clarification.*

2. Analysis of private equity investments

Total equity investments in PE-backed companies

PE firms invested US\$ 2,521 million across 97 deals in Q3 '12. The quarterly PE investments increased by 32% in terms of value, while the deal volume decreased by 8%, as compared to the previous quarter (i.e., Q2 '12).

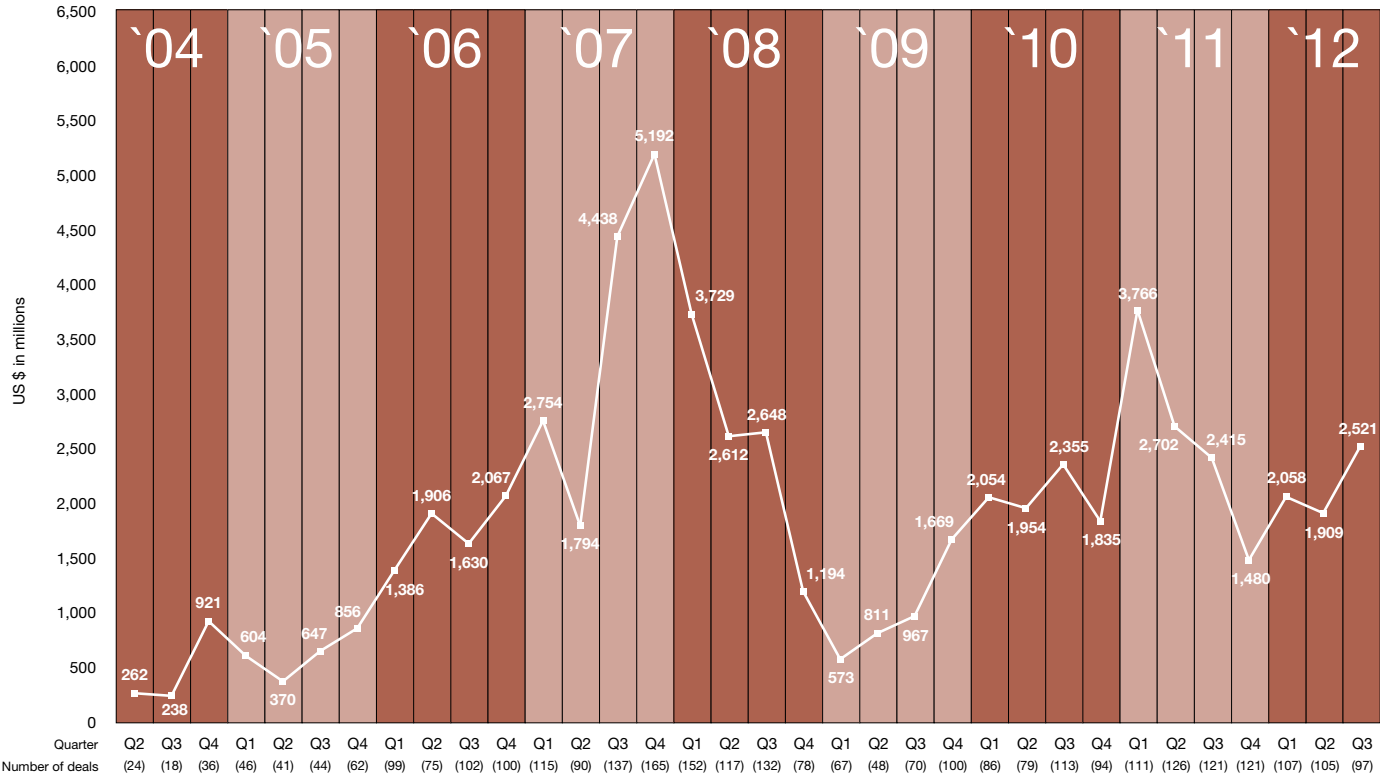
In comparison with Q3 '11, there has been a 4% incremental rise in value and a drop of 20% in the number of deals.

With 45 deals worth US\$ 1,295 million in Q3 '12, the IT & ITeS sector was the leader in both value as well as volume. During this quarter, in terms of value, PE investments in the sector increased by more than three times and showed a 7% increase in volume as compared to the US\$ 383 million investment from 42 deals in the previous quarter. This growth can be largely attributed to a single large deal between Bain Capital and Genpact.

The Manufacturing sector recorded a seven-fold growth in investments, with eight deals worth US\$ 215 million (a significant growth as compared to the US\$ 32 million investment from five deals in the preceding quarter).

The Entertainment & Media (E&M) sector also saw healthy growth, with investments worth US\$ 164 million as compared to the US\$ 5 million investment in the previous quarter.

The Fast-moving Consumer Goods (FMCG) and Engineering & Construction sectors also witnessed solid growth in terms of both value and volume of investment in this quarter as compared to the last quarter.



Data provided by Venture Intelligence.

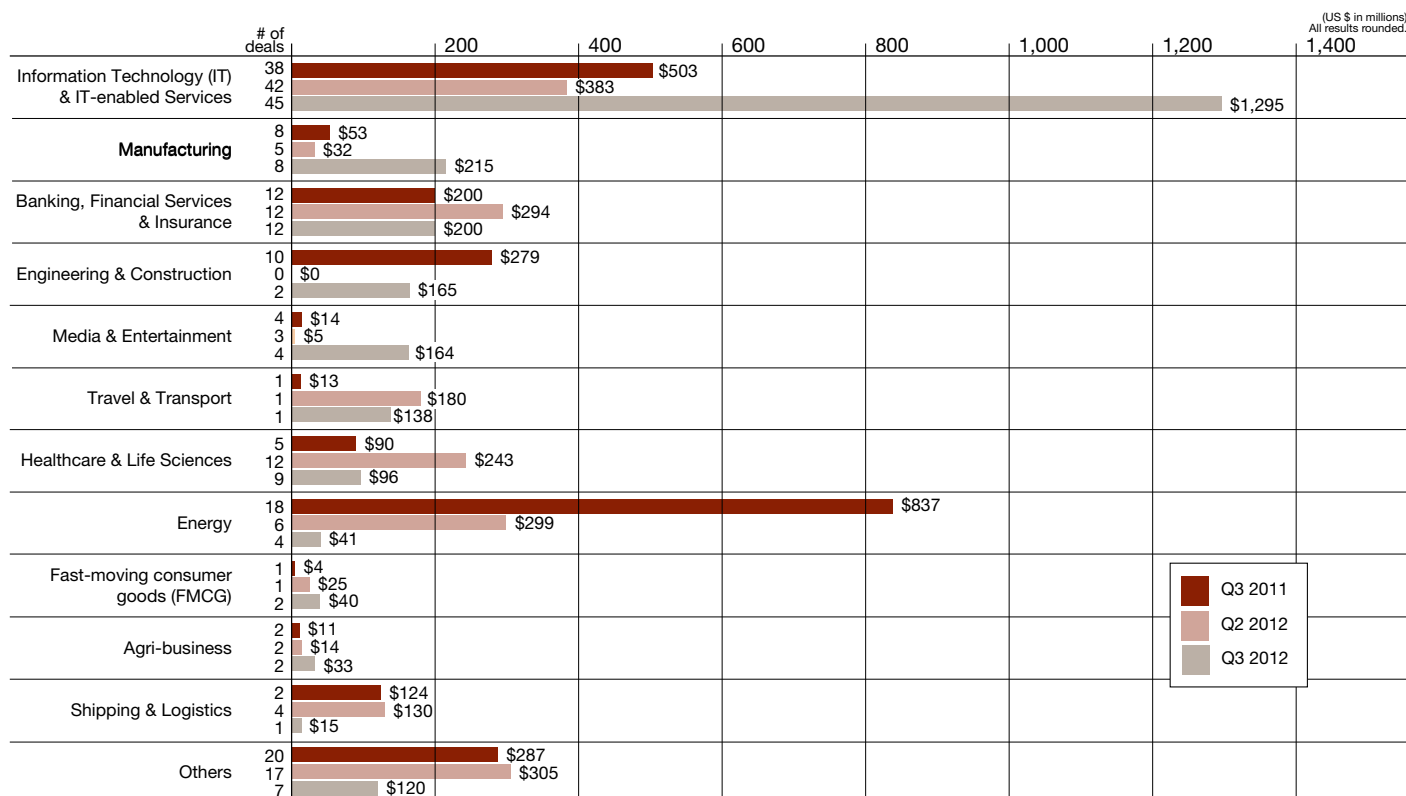
Investments by industry

Q3 '11, Q2 '12 and Q3 '12

The IT & ITeS sector has seen the highest level of PE funding and the highest number of deals in this quarter. It attracted investments worth US\$ 1,295 million from 45 deals, constituting more than 50% of the total investment value and nearly 47% of the total number of deals in this quarter. The average deal size for the sector has also shown an increase from US\$ 9 million in the previous quarter to US\$ 29 million in this quarter.

The IT & ITeS sector typically receives a higher volume of deals but of lower value —since many deals are early-stage investments where the start up companies do not require huge funding. Moreover, with many PE firms focussing on the SME services segment, and with the industry moving towards Tier 2 and 3 cities, this trend will continue for the next few years. Hence, the sector will remain attractive to investors.

Sanjay Dhawan,
Leader – Technology
PwC India



Note: 'Others' include Other Services, Textiles & Garments, Hotels & Resorts, Sports & Fitness, Advertising & Marketing, Telecom, Education, Food & Beverages, Retail and Mining & Minerals.

Data provided by Venture Intelligence.

PE investment in the Manufacturing sector also showed growth of over seven times in value and a 60% growth in volume—US\$ 215 million from eight deals in this quarter as compared to an investment of US\$ 32 million from five deals in the previous quarter. The average deal size has jumped from US\$ 6 million in Q2 '12 to US\$ 27 million in Q3 '12. On the whole, the PE deal volume in this sector is improving.

Over the past few quarters, the Manufacturing sector has been facing some serious growth challenges. The sagging confidence and growth stagnancy has had a 'sobering' impact on cash flows, profitability and valuations. However, the recent policies of the Indian government to boost investor confidence, the relatively attractive valuations and confidence of investors in the country's long-term growth potential, has provided an opportunity for private equity players to invest in some niche manufacturing entities.

Bimal Tanna

Leader – Industrial Products

PwC India

Even though the Banking, Financial Services & Insurance (BFSI) sector stands third in terms of investment value, with US\$ 200 million investment, and second in number of deals (with 12 deals in Q3 '12), it showed a 32% decline in investment value, while the number of deals remained constant.

The Engineering & Construction sector, which did not report any deals in the previous quarter, is among the top five sectors this quarter, with an investment of US\$ 165 million from two deals.

The E&M sector also witnessed an increase in investment, with US\$ 164 million from four deals in this quarter. The investment is significantly higher than the investments received by this sector in both Q2'12 and Q3'11.

The Travel & Transport sector recorded a decline of 23% in investment value (currently at US\$ 138 million) as compared to an investment of US\$ 180 million in the previous quarter. The investments in the Agri-business sector doubled this quarter to US\$ 33 million from two deals.

Sectors such as Healthcare & Life Sciences, Shipping & Logistics and Energy have all seen a drop in PE investments this quarter.

Investments by stage of development

Q3 '11, Q2 '12 and Q3 '12

In Q3 '12, private investments in public equity (PIPE) deals have recorded the highest value with US\$ 1,422 million from 13 deals, a six-fold increase in value and 18% in volume from the previous quarter.

Growth-stage deals (US\$ 389 million) have increased by 27% in terms of investment value despite a marginal drop in the number of deals. However, they have shown a significant drop of 66% in value when compared to the same period last year, i.e., Q3 '11.

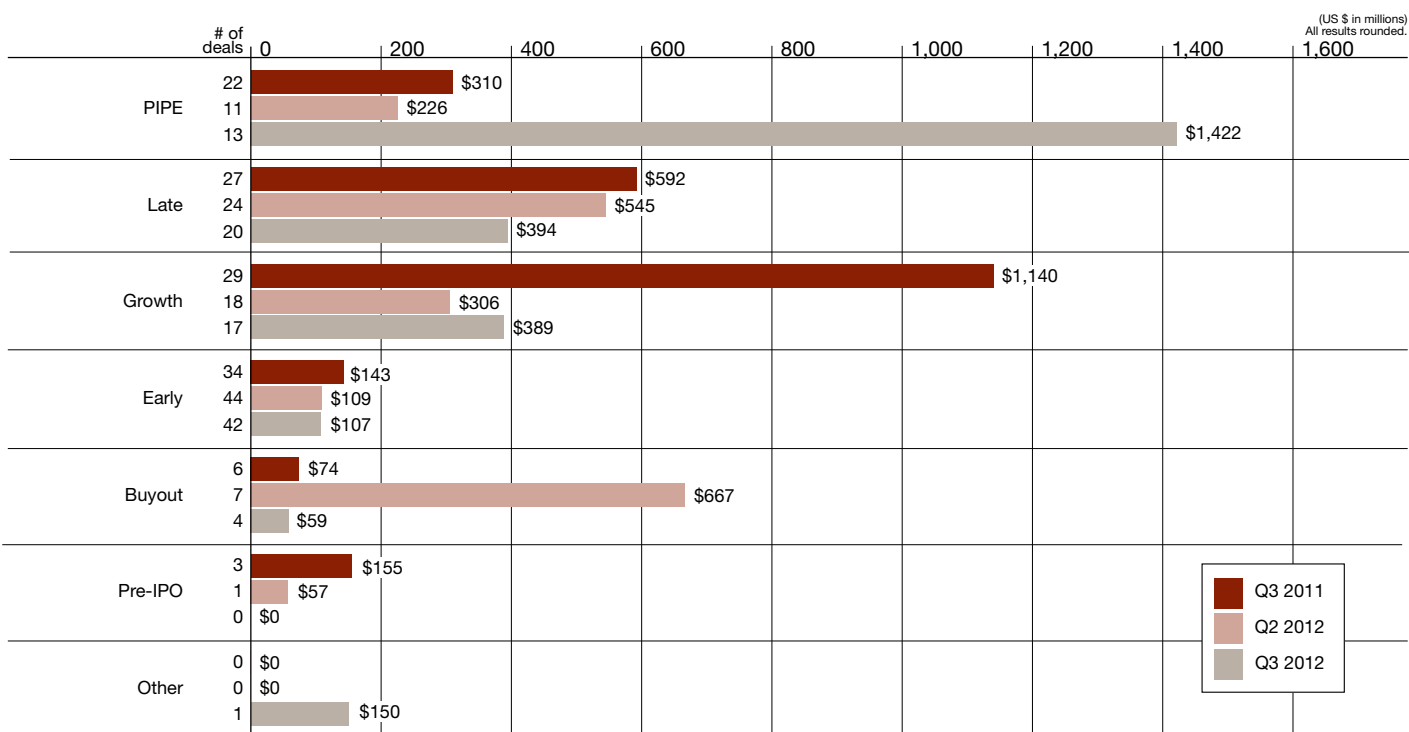
Even though the late-stage category deals stand second in terms of value of investment, with US\$ 394 million from 20 deals, they have shown a decline of 28% and 17% in terms

of value and volume respectively. Even when compared to Q3 '11, they have shown a decline of 34% in value and 26% in the number of deals.

The early-stage deals have remained constant in terms of value, but there has been a marginal drop of 5% in the number of deals.

Buyout deals have witnessed a huge drop of 91% in value of investment and 43% in number of deals.

This quarter did not see even a single deal in the pre-IPO stage.



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.

Data provided by Venture Intelligence.

Investments by region

Q3 '11, Q2 '12 and Q3 '12

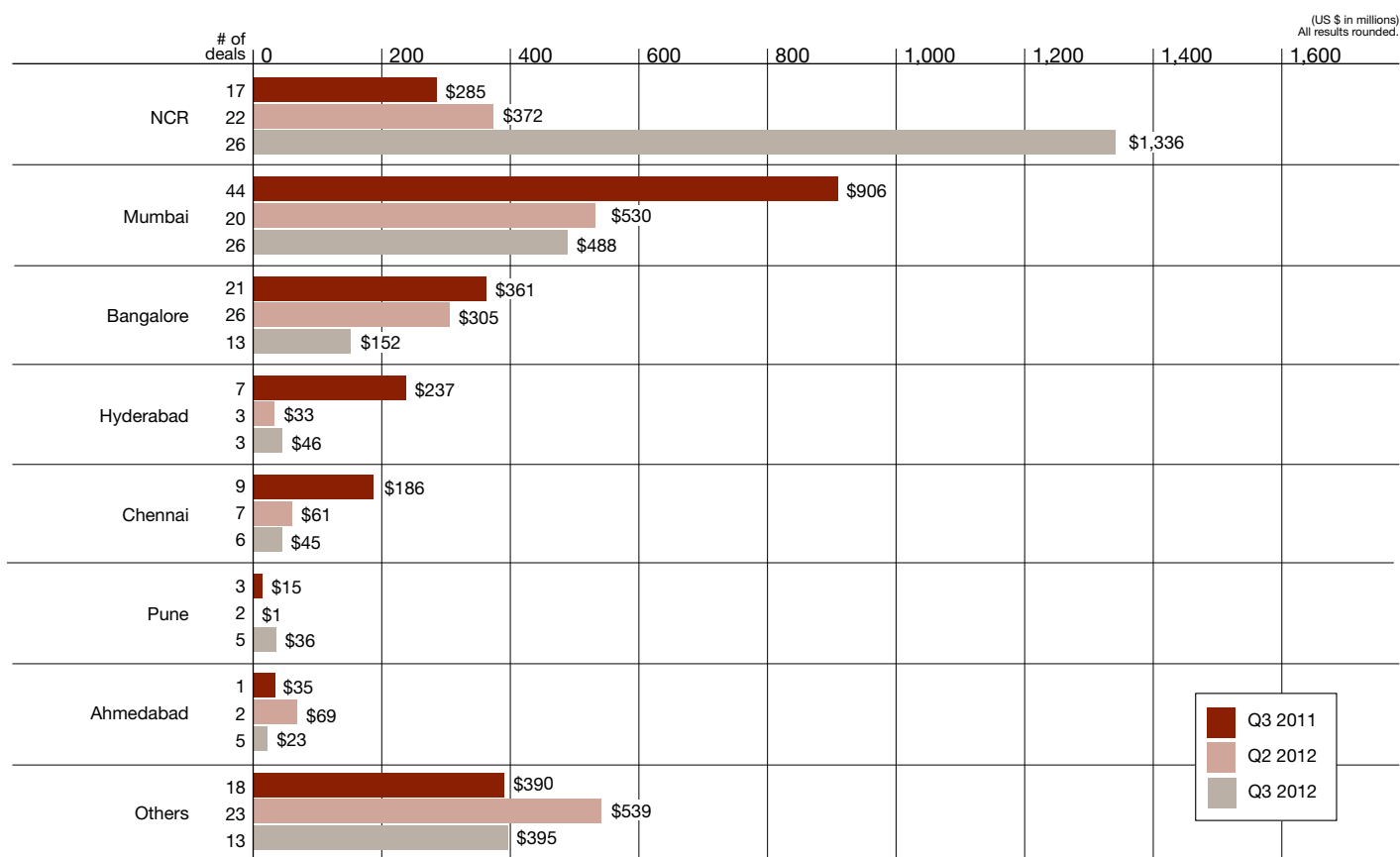
Finally, the National Capital Region (NCR) has surpassed Mumbai as the top region with funding of US\$ 1,336 million (a 53% share of the total PE investments) from 26 deals. The investment received by NCR in this quarter is nearly four times the investment received in the previous quarter and about five times in Q3'11. The region also witnessed a steady increase in the volume of deals over the last few quarters.

Mumbai saw a drop of 8% from the previous quarter in terms of value despite a 30% increase in deals. Investments in Mumbai this quarter have declined almost 50% when compared to the same period last year.

Bangalore, too, has witnessed a 50% drop in value and volume. The value of investment stands at US\$ 152 million from 13 deals in this quarter.

Hyderabad has seen a 39% increase in terms of investment value, while the deal volume (three deals) has remained unchanged as compared to the previous quarter.

In the 'Others' category, we have seen a few single-deal investments in Tier 2 and Tier 3 cities such as Nashik (US\$ 150 million), Jalgaon (US\$ 73 million), Thrissur (US\$ 45 million) and Vadodara (US\$ 41 million). This may signal a new beginning for the PE industry in these cities.



Note: National Capital Region (NCR) includes Delhi, Gurgaon and Noida.

Data provided by Venture Intelligence.

Top 20 PE deals

Q3 '12

The top 20 deals comprised 85% of total deal value in Q3 '12, with three deals making up 60% of the top 20 deal value. About 90% of the deals in this quarter are below the value of US\$ 50 million.

Company	Industry	Investor	Deal amount (US\$ mn)
Genpact	IT & ITeS	Bain Capital	1,000
Ashoka Buildcon SPV	Engineering & Construction	SBI-Macquarie	150
Cox and Kings India	Travel & Transport	Citi	138
Reliance Mediaworks	E&M	L Capital Asia	108
Security and Intelligence Services India	Other services	CX Partners	90
Religare Enterprises	BFSI	IFC	75
Jain Irrigation	Manufacturing	IFC, Mount Kellett	73
Sanmar Group	Manufacturing	KKR	73
Nova Medical Centers	Healthcare & Life Sciences	Goldman Sachs, NEA	54
Inox India	Manufacturing	StanChart PE	45
Financial Technologies	IT & ITeS	Blackstone	42
South Indian Bank	BFSI	Carlyle, Multiples PE	41
AGS Transact Technologies	IT & ITeS	Actis	40
Infotech Enterprises	IT & ITeS	Carlyle	39
Kingdom of Dreams	E&M	L Capital Asia	37
SH Kelkar & Co.	Manufacturing	Blackstone	35
Parag Milk	Agri-business	IDFC PE	29
Aryaka Networks	IT & ITeS	Nexus Ventures, Others	25
Thyrocare Technologies	Healthcare & Life Sciences	Norwest	23
Future Consumer Enterprises	FMCG	Future Ventures	22

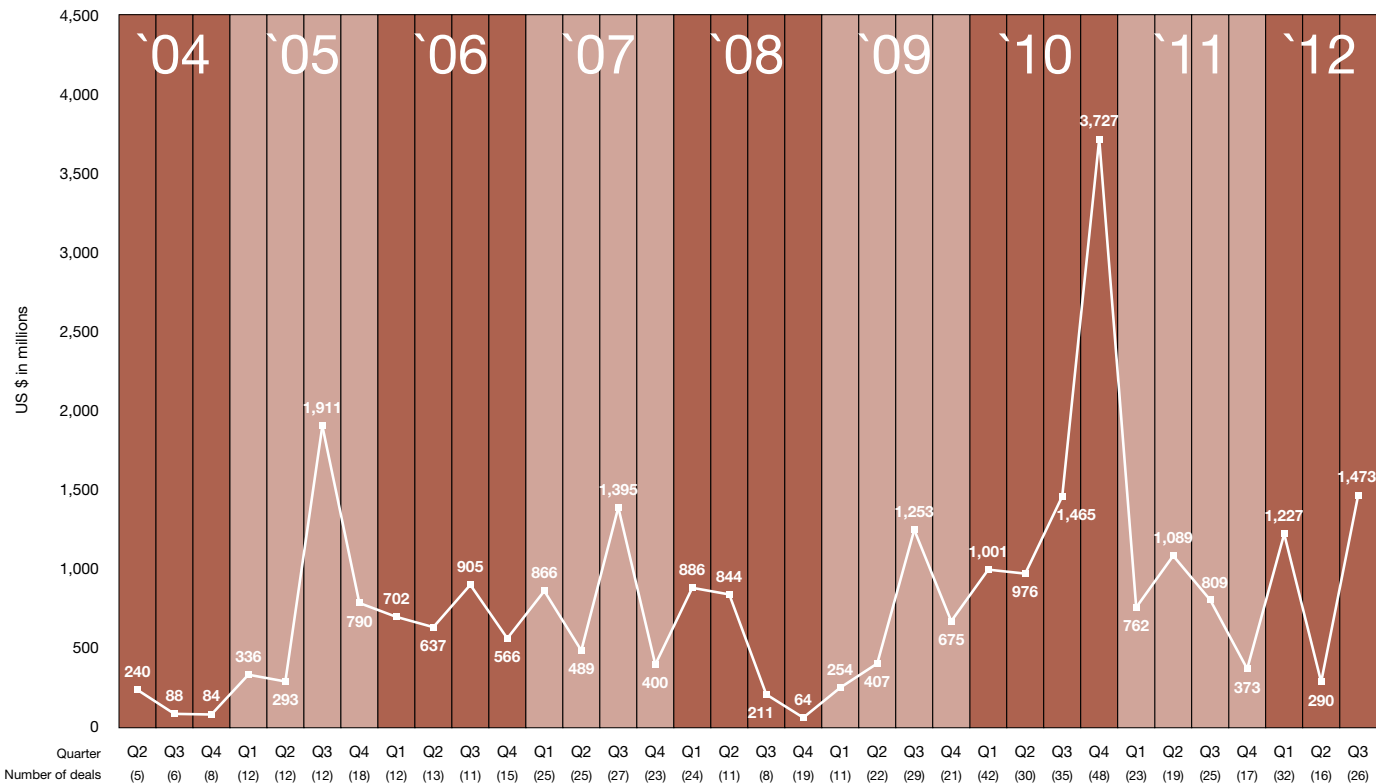
Data provided by Venture Intelligence.

3. Analysis of PE exits

Total PE exits

The exit activity in this quarter has grown five times in value and 63% in volume as compared to the previous quarter. In Q3 '12, PE exits were worth US\$ 1,473 million from 26 deals compared to Q2 '12 when PE exits were worth US\$ 290 million from 16 deals. Growth in the exit activity can be attributed to one large secondary sale. When compared to the same period last year, there has been an 81% increase in value with one additional deal in this quarter.

In this quarter, almost 75% of the exits by value have been through secondary sale. Genpact, at US\$ 1 billion, represented 90% of secondary sale deal value. Exits by strategic sale posted the next highest value at US\$ 22 million and nine deals.



Data provided by Venture Intelligence.

Exits by industry

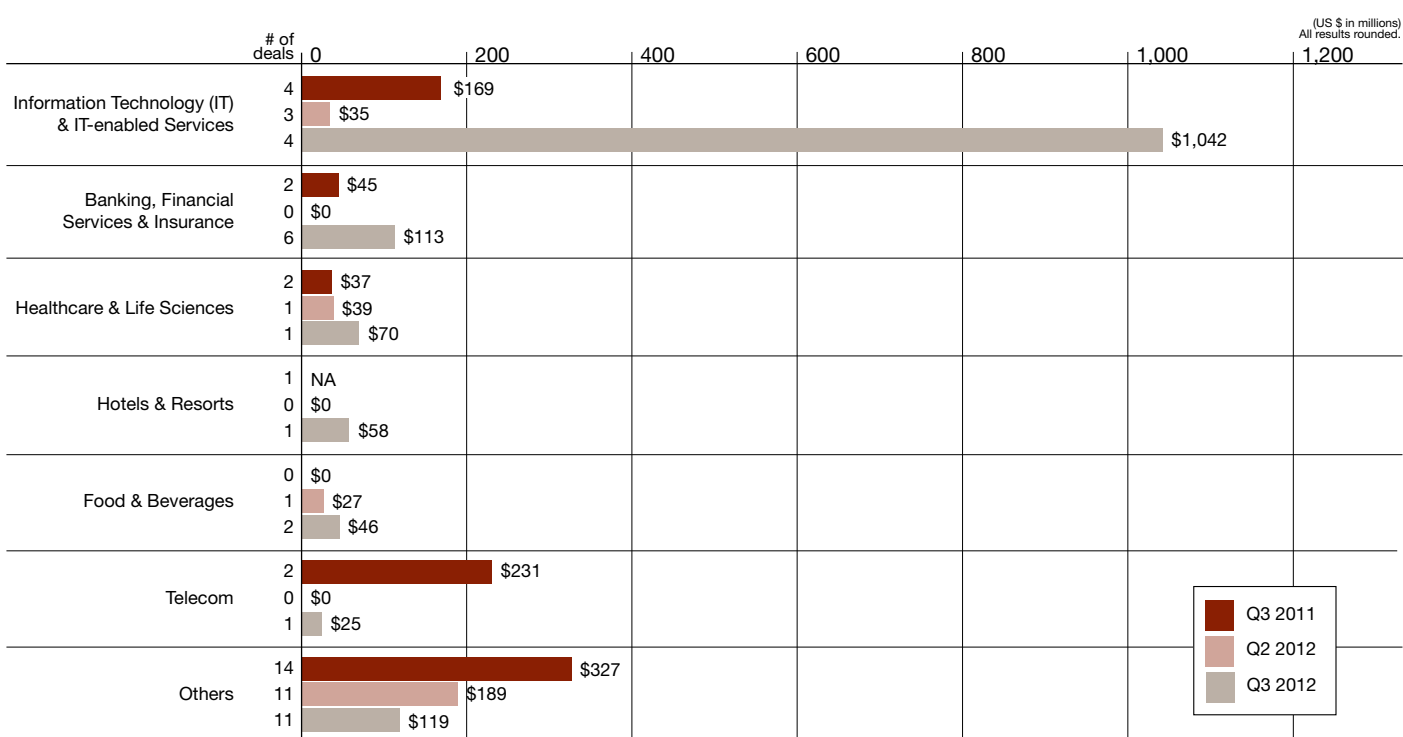
Q3 '11, Q2 '12 and Q3 '12

The IT & ITeS sector tops the list for PE exits with a value of US\$ 1,042 million from four deals—constituting 71% of total deal exit value. This contrasts with the prior quarter, where IT & ITeS posted three exits valued at only US\$ 35 million.

The BFSI sector tops the list for PE exits in terms of volume, with six deals worth US\$ 113 million—constituting 23% of the total deal exit volume. In the previous quarter, the sector did not witness a single exit.

In terms of exit value, the Healthcare & Life Sciences (US\$ 70 million), Hotels & Resorts (US\$ 58 million), Food & Beverages (US\$ 46 million) and Telecom (US\$ 25 million) sectors have recorded growth in this quarter.

Among the sectors categorized under 'Others', the Textile & Garments, Agri-business and FMCG sectors witnessed increases in exit value.



Notes:

NA indicates that this information has not been publicly disclosed.

Others include Other Services, Agri-business, FMCG, Textiles & Garments, Education, Manufacturing, Retail, Shipping & Logistics, Energy, Engineering & Construction, Media & Entertainment, Sports & Fitness, Gems & Jewelry, Travel & Transport and Advertising & Marketing.

Data provided by Venture Intelligence.

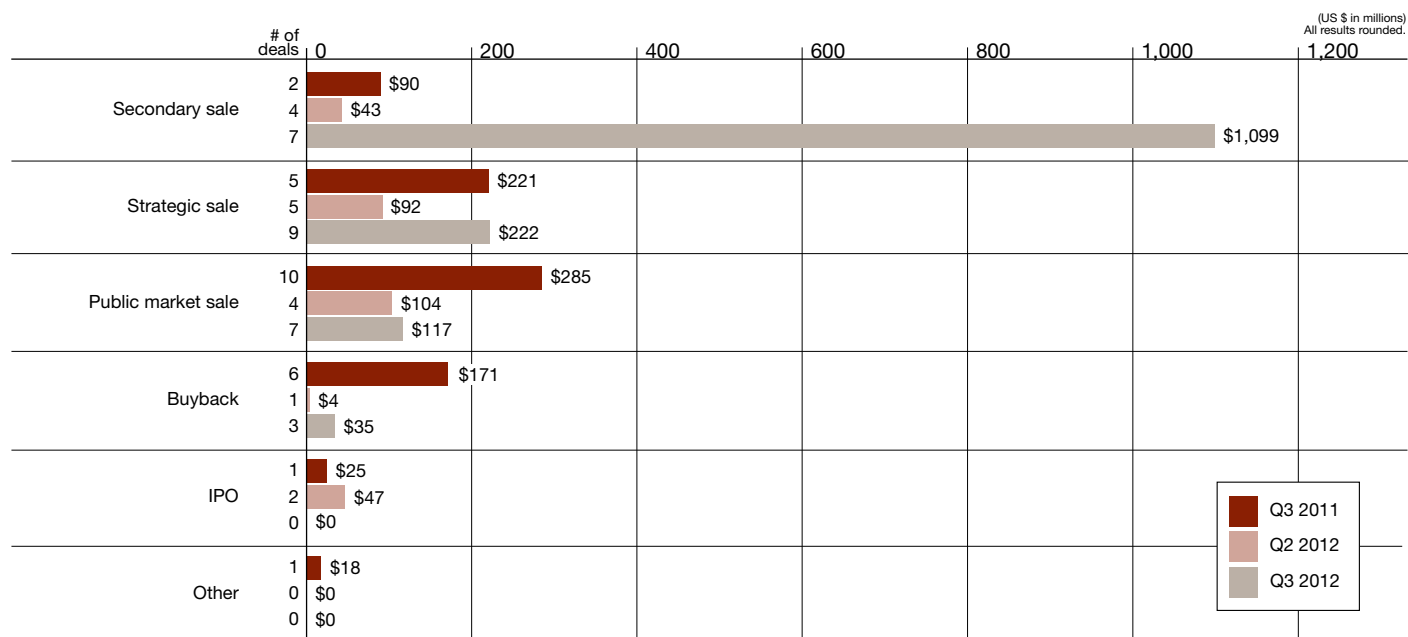
Exits by type

Q3 '11, Q2 '12 and Q3 '12

The preferred modes of exits in this quarter have been through strategic (nine exits), secondary sale and public market sale (seven exits each). Secondary sales fetched the highest exit value, worth US\$ 1,099 million (about 75% of total exit value).

Exits through strategic sale and public market sale were worth US\$ 222 million and US\$ 117 million respectively—double the growth as compared to Q2'12 for strategic sale and a 13% increase for public market sale.

This quarter also witnessed three buyback deals worth US\$ 35 million. There were no IPO exits reported in Q3'12.



Note: Definitions of the types of exit can be found in the Definitions section of this report.

Data provided by Venture Intelligence.

Top five PE exits

Q3 '12

The top three exits comprised 78% and the top five constituted close to 80% of the total exit value in Q3'12.

Company	Industry	PE firm(s)	Deal amount (US\$ mn)
Genpact	IT & ITeS	General Atlantic, Oak Hill	1,000
Arch Pharmalabs	Healthcare	ICICI Venture, IIML	72
Shriram City Union Finance	BFSI	ChrysCapital, ICICI Venture	70
Gujarat Pipavav Port	Shipping & Logistics	IDFC PE	19
Welspun India	Textile & Garments	Temasek	10

Data provided by Venture Intelligence.

4. Active PE firms

Based on the volume of deals, Blume Ventures emerged as the most active investor this quarter. Nexus Ventures and International Finance Corporation (IFC) rank second and third with five and four deals respectively. The 25 most active PE investors in the third quarter are as follows:

Investors	City	No. of deals*
Blume Ventures	Mumbai	7
Nexus Ventures	Mumbai	5
IFC	Delhi	4
L Capital Asia	Mumbai	4
Norwest	Mumbai	4
Carlyle	Mumbai	3
Kalaari Capital	Bangalore	3
Rocket Internet	Gurgaon	3
Seedfund	Mumbai	3
Sequoia Capital India	Bangalore	3
Accel India	Bangalore	2
Blackstone	Mumbai	2
Citi	Mumbai	2
Future Ventures	Mumbai	2
India Innovation Fund	Bangalore	2
India Venture Partners	Maryland (USA)	2
Inventus Capital Partners	Bangalore	2
Lok Capital	Delhi	2
NEA	Bangalore	2
Oman India Joint Investment Fund	Mumbai	2
Peepul Capital	Chennai	2
Qualcomm Ventures	Bangalore	2
SIDBI VC	Mumbai	2
StanChart PE	Mumbai	2
Unilazer Ventures	Mumbai	2

* Number of deals includes both single and co-investments by the private equity firms. In cases where two or more firms have invested in a single deal, it is accounted as one deal against each of the firms.

Data provided by Venture Intelligence.

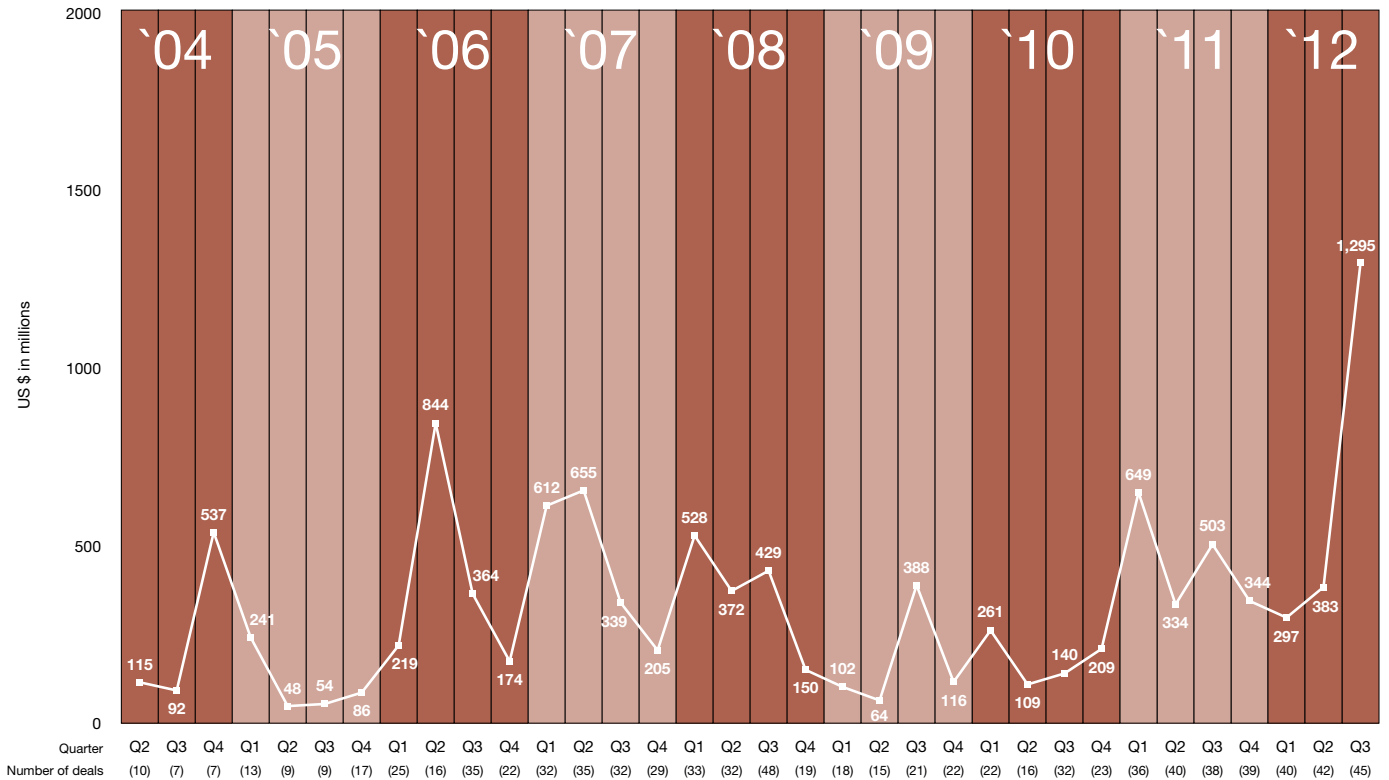
5. Sector focus: PE in IT & ITeS

Total PE investments

The IT & ITeS sector witnessed an investment of US\$ 1,295 million in 45 deals for Q3' 12. In this quarter, the PE investments (in this sector) grew by more than three times in value and also showed a 7% increase in volume as compared to the US\$ 383 million investment in 42 deals in the previous quarter.

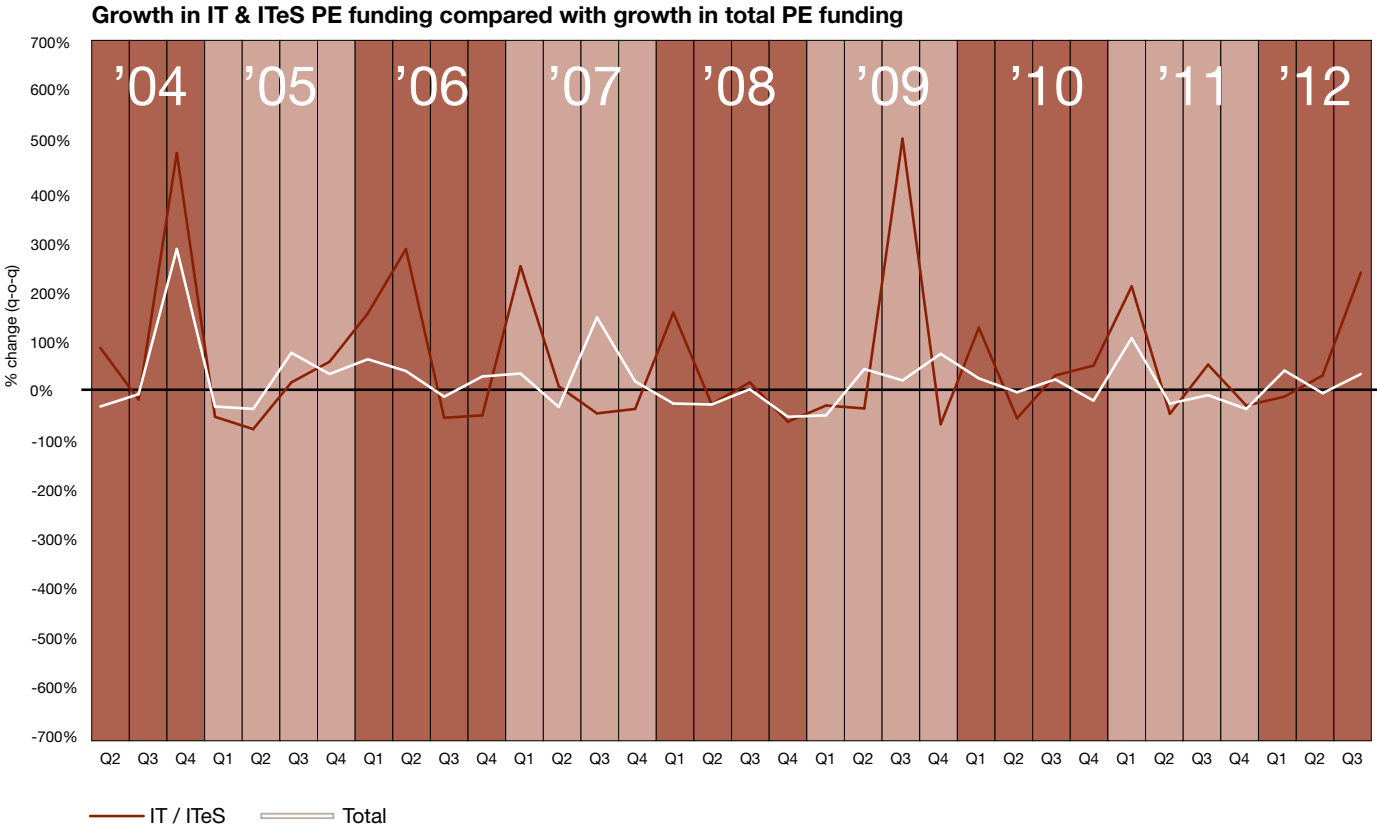
As compared to the same quarter last year, the PE investments in this sector have more than doubled and posted a substantial 18% increase in the number of deals (from 38 to 45).

As in previous quarters, the IT & ITeS sector saw a lot of early-stage deals of smaller value; this pattern continued in Q3'12.



Data provided by Venture Intelligence.

Comparison between quarter-on-quarter growth rates of the IT & ITeS PE investments and the total PE investments reflects that the IT & ITeS sector funding has outpaced the growth of total PE funding in most quarters over the last decade.



Data provided by Venture Intelligence.

Investments by stage of development

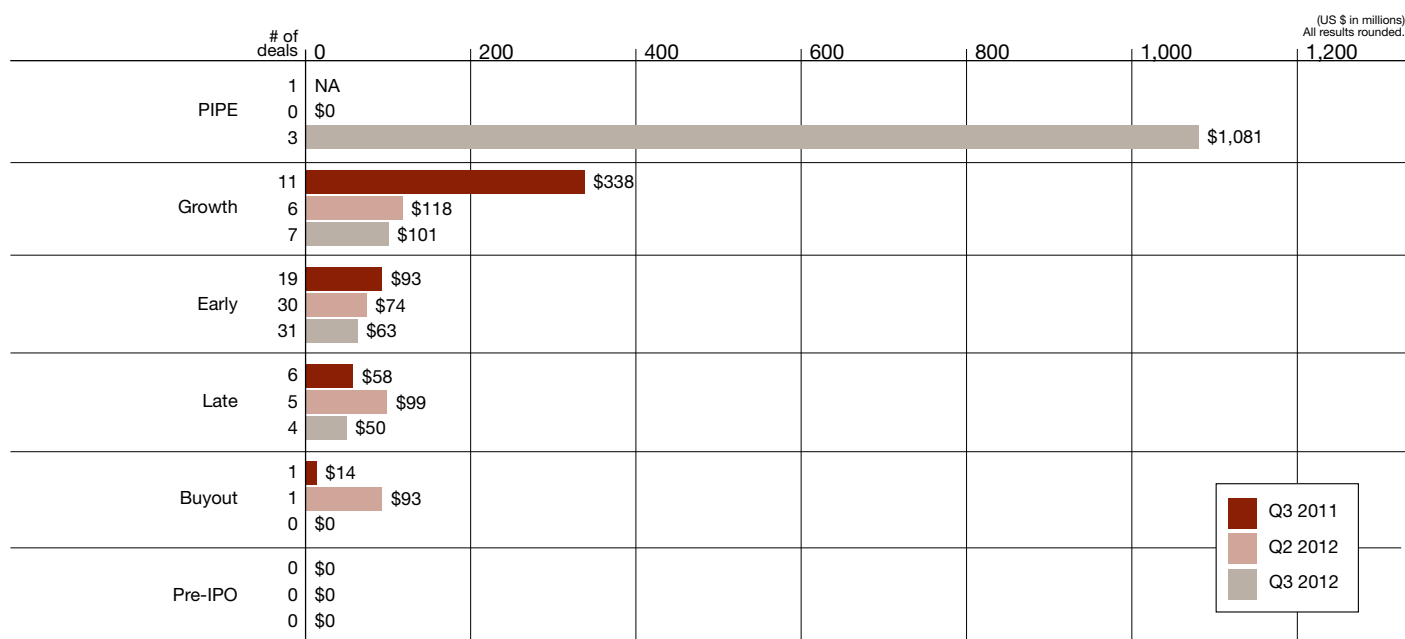
Q3 '11, Q2 '12 and Q3 '12

As discussed in prior quarters, the IT & ITeS sector typically witnesses a large volume of deals, but with low value. Since many of the IT & ITeS companies do not require a significant amount of start-up money, we see the majority of low-value deals in the early stage. In this quarter, too, there are 31 deals worth US\$ 63 million in the early stage, with an average deal size of a little over US\$ 2 million. In the previous quarter, the sector had about 30 investments in the early stage worth US\$ 74 million.

PIPE deals made a comeback this quarter, with investments of over a billion dollars from three deals. This is a significant aberration as PIPE deals are a rarity in this sector.

Growth- and late-stage deals saw an investment of US\$ 101 million (from seven deals) and US\$ 50 million (from four deals) respectively in this quarter. Average deal size for growth-stage deals fell considerably vis-a-vis Q2'12 and also Q3'11.

The sector did not witness any investment in the buyout or pre-IPO stages this quarter.



Notes:

NA indicates that this information has not been publicly disclosed.

Definitions of 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.

Data provided by Venture Intelligence.

Investments by region

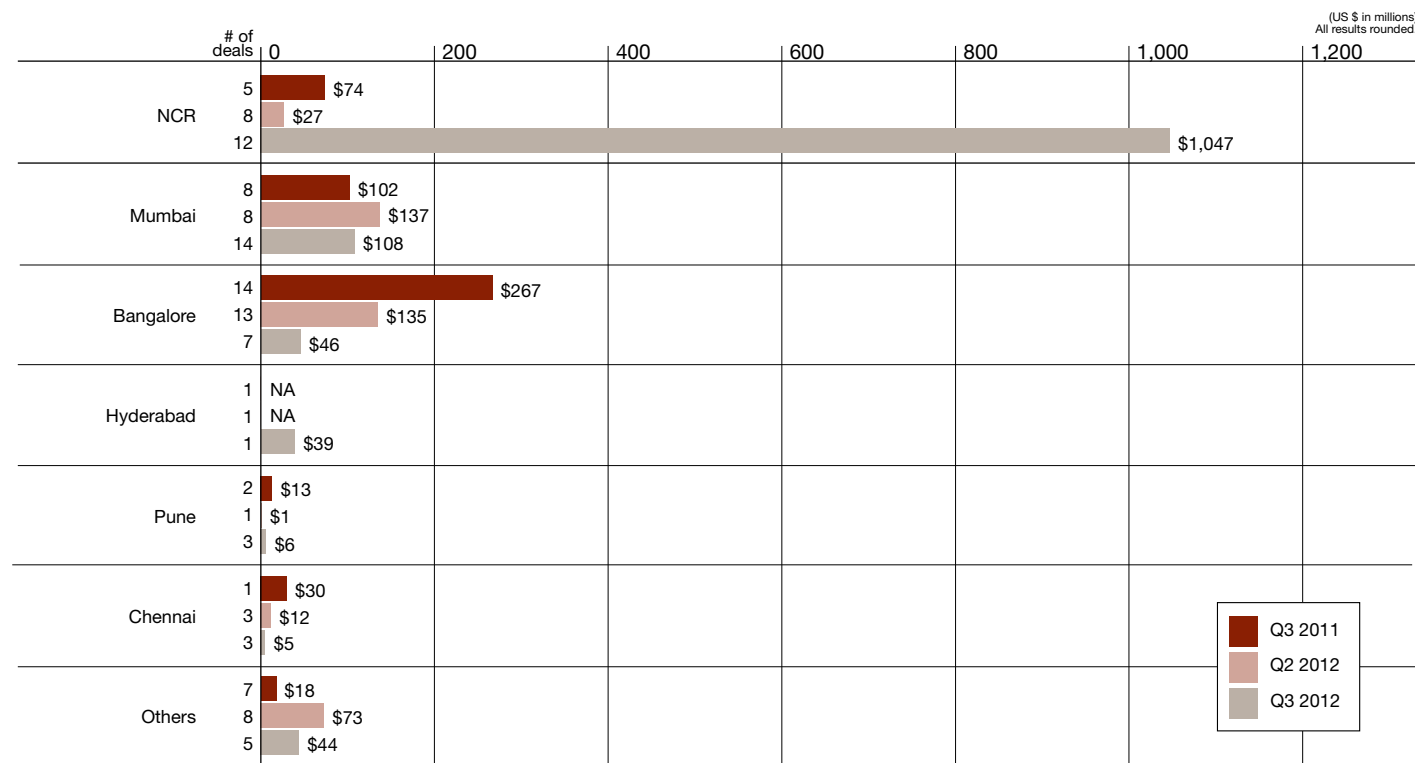
Q3 '11, Q2 '12 and Q3 '12

The National Capital Region (NCR) received the most money this quarter, with an investment of over a billion dollars (US\$ 1,047 million) from 12 deals. This investment is largely driven by a single large deal—Genpact in the ITeS-BPO segment.

The Mumbai region ranked second, with investments worth US\$ 108 million in 14 deals, which is highest in terms of number of deals. The region has shown a 21% drop in value as compared to Q2'12.

Bangalore, too, has shown a significant decline in terms of both value and volume—from US\$ 135 million in 13 deals to US\$ 46 million in 7 deals.

The other major region, Hyderabad, saw investment worth US\$ 39 million from a single deal.



Notes:

NA indicates that this information has not been publicly disclosed.

National Capital Region (NCR) includes Delhi, Gurgaon and Noida.

Data provided by Venture Intelligence.

Investments by subsegments

Q3 '11, Q2 '12 and Q3 '12

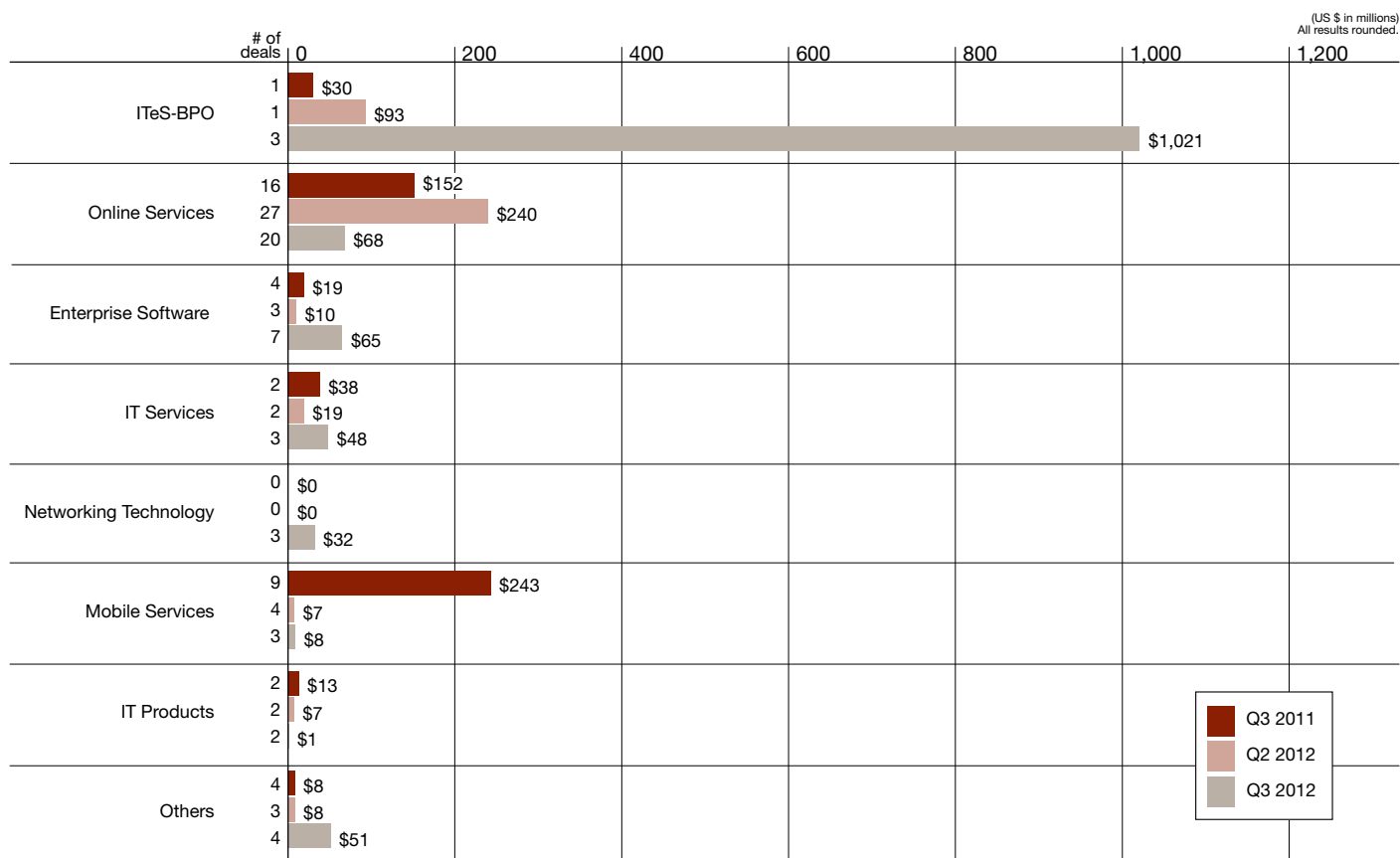
The ITeS-BPO segment saw a ten-fold growth in investments this quarter, to US\$ 1,021 million from three deals owing to a single large deal in this segment.

The Online Services segment recorded a distant second, with an investment of US\$ 68 million from 20 deals, which is highest in terms of volume, but has shown a decline of 72% in value and 26% in volume as compared to the previous quarter.

The continued interest in online services companies by PE investors reflects the maturity of the products and services of these companies. One can expect a few of these companies to grow and have a global footprint in the near future.

Sanjay Dhawan
Leader – Technology
PwC India

The Enterprise Software (US\$ 65 million), IT Services (US\$ 48 million) and Network Technology (US\$ 32 million) segments showed growth in investments this quarter as compared to Q2'12 and Q3'11.



Data provided by Venture Intelligence.

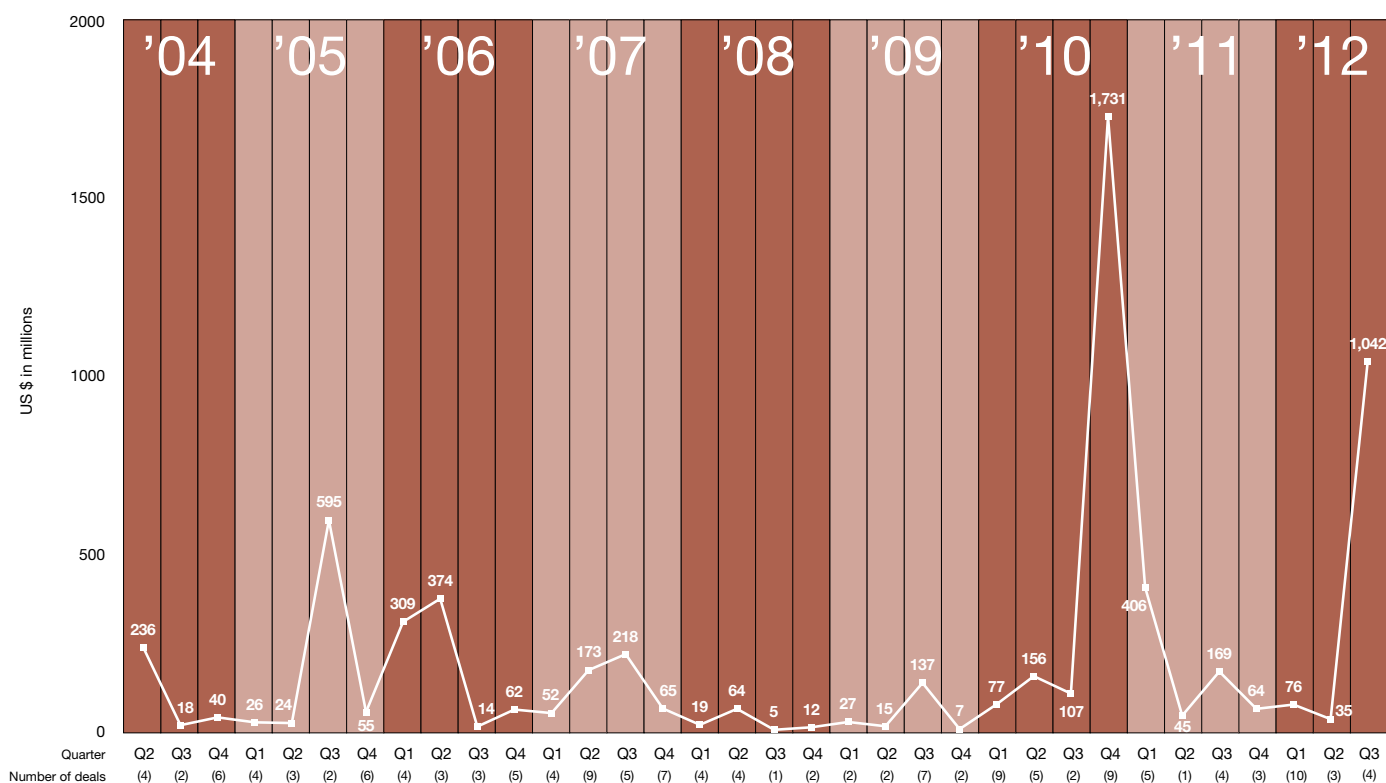
PE exits in the sector

Q3 '11, Q2 '12 and Q3 '12

The IT & ITeS sector saw four exits worth US\$ 1,042 million in Q3'12—a huge growth in terms of value as compared to the preceding quarter owing to one single deal worth a billion dollars. The volume of deals in this quarter was four as compared to three deals in Q2 '12. For the same period last year, i.e., Q3 '11, the sector had four exits worth US\$ 169 million.

In general, the majority of exits in this sector are predominantly through strategic sale. Three out of the four exits in this quarter were through strategic sale and the largest deal by value came through secondary sale.

Two of the four exits in this quarter were in the Mobile Services segment (with an exit value of US\$ 32 million). The other two exits came from the ITeS-BPO (US\$ 1,000 million) and Online Services (US\$ 10 million) segments.



Data provided by Venture Intelligence.

Definitions

Stages of development

Early stage: First or second round of institutional investments in companies that are as follows:

- Less than five years old, AND
- Not part of a larger business group, AND
- Investment amount is less than US\$20 million

Growth stage:

- Third or fourth round funding of institutional investments OR
- First or second round of institutional investments for companies that are more than five years old and less than 10 years old OR spin-outs from larger businesses, AND
- Investment amount is less than US\$20 million

Growth stage—PE:

- First or second round investments of more than US\$20 million, OR
- Third or fourth round funding for companies that are more than five years old and less than 10 years old OR subsidiaries/spin-outs of larger businesses, OR
- Fifth or sixth rounds of institutional investments

Late stage:

- Investment into companies that are over 10 years old, OR
- Seventh or later rounds of institutional investments

PIPEs:

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

Buyout:

- It is an acquisition of controlling stake via purchase of stakes of existing shareholders.

Buyout—large:

- This includes buyout deals of US\$100 million or plus in value.

Other:

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

Types of PE exits

Buyback:

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

Strategic sale:

- It includes sale of the 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 the PE or VC investors' equity stakes by another PE or VC investors constitutes secondary sale

Public market sale:

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

Initial public offering:

- Sale of PE or VC investors' equity stake **in an unlisted company** through its first public offering of stock

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