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PricewaterhouseCoopers India Pvt Ltd

MoneyTree™ India Report *Q1 2015*

Data provided by Venture Intelligence

Technology Institute

*This special report
provides summary results of
Q1 '14, Q4 '14, and Q1 '15.*



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1. Overview

A promising year

The first quarter of 2015 started on a steady note, attracting 2.8 billion USD across 130 deals. Although lower than Q4'14 levels (4.4 billion USD), it was still 15% higher than the prior period (Q1 2014).

Banking, financial services & insurance (BFSI) was the most active sector, attracting 891 million USD in investments, which included two large deals, a 260-million USD investment in microfinance player Bandhan Finance and a 100-million-USD investment in Ujjivan Finance. The information technology (IT) & IT-enabled services (IT&ITeS) sector was relatively quiet at 836 million USD with no significant e-commerce investment.

While the fundamentals appear to be getting better, with declining inflation, lower interest rates and a growing GDP, overall investor sentiment seems to be waning compared to six to nine months ago.

While one school of thought is that rhetoric is high compared to actual on-the-ground action, the other line of thinking is that investors are getting impatient too quickly and that one needs to wait to see words translate into action.

The Budget was considered by some “not bold enough” and with the Minimum Alternate Tax (MAT), the foreign investor tax quandary seems to have only taken another twist.

Overall, while the appetite to invest is there, market sentiment seems to swing all too quickly from one end to the other. One hopes the next two quarters will show a definite direction in which way investors are swaying.

Sanjeev Krishan

Private Equity and Transaction Services Leader
PwC India



2. Analysis of private equity investments

Total equity investments in PE-backed companies

The first quarter of 2015 saw 130 private equity deals worth 2.77 billion USD, and was the best performing first quarter since 2011.

Despite a 10% drop in volume in Q1 '15, the value surged by 15% as compared to the same period in 2014, which saw 144 deals worth 2.42 billion USD. But this is still a 37% drop in terms of value as compared to the previous quarter's 4.39 billion USD in 117 deals.

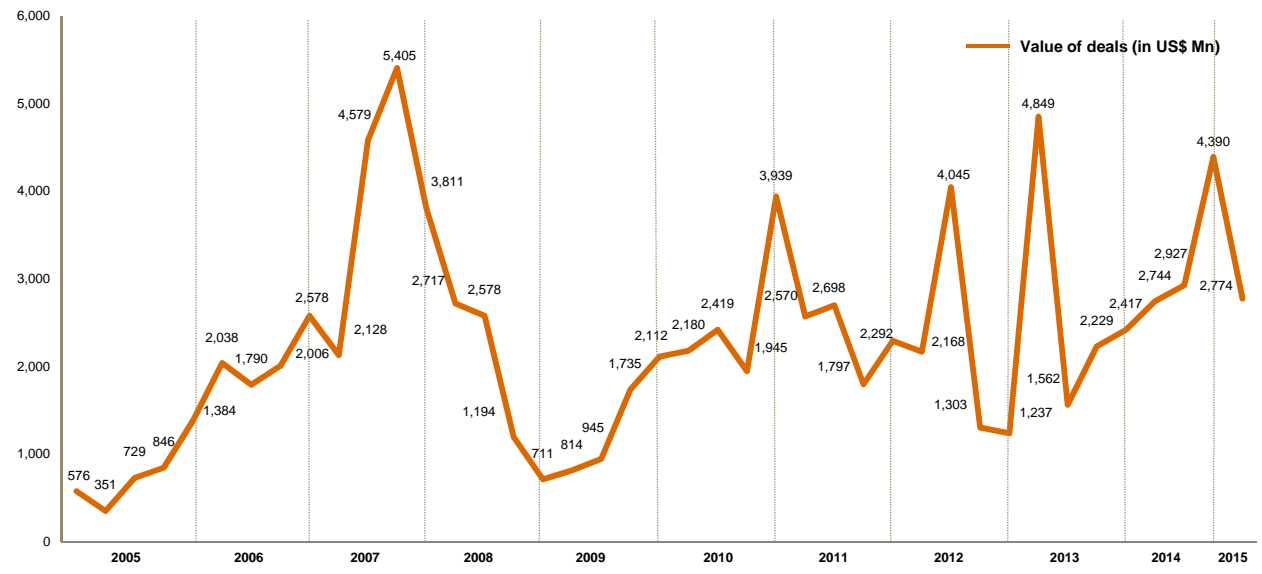
This quarter, the BFSI sector displaced the IT & IT-enabled services sector from its top slot, attracting 891 million USD in 14 deals, up 83% from the previous quarter and over eight times from the same period last year.

The IT & ITeS sector attracted investment of 836 million USD in 71 deals this quarter, an almost 68% drop from the previous quarter's 2.65 billion USD.

Late-stage investments once again outperformed growth investments, receiving 1.26 billion USD whereas growth investments saw 704 million USD.

Bangalore made a comeback to the top slot with regard to PE investments—both by value and volume of deals—this quarter, seeing 715 million USD invested in 35 deals.

Total private equity investments



Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1												
Number of deals	44	41	47	63	101	87	108	98	118	96	141	180	163	107	134	87	75	50	69	103	98	90	123	104	128	136	156	133	146	135	142	120	118	128	116	105	144	109	122	117	130

Data provided by Venture Intelligence

Analysis of private equity investments

Investments by industry Q1 '14, Q4 '14 and Q1 '15

The BFSI sector led the rally of investments this quarter by bumping IT & ITeS to the second slot, attracting 891 million USD in 14 deals, up 83% from the previous quarter and over eight times from the same period last year. In the previous quarter, 488 million USD was invested in this sector from 10 deals while the same period last year saw just 107 million USD in 11 deals. This year, the rally was mainly led by the 260-million- and 100-million-USD investments in microfinance players, Bandhan Finance and Ujjivan Finance, respectively.

Coming in a close second, the IT & ITeS sector attracted 836 million USD investment in 71 deals, almost a 68% drop from the previous quarter's 2.65 billion USD and a 14% drop from last year's performance of 969 million USD.

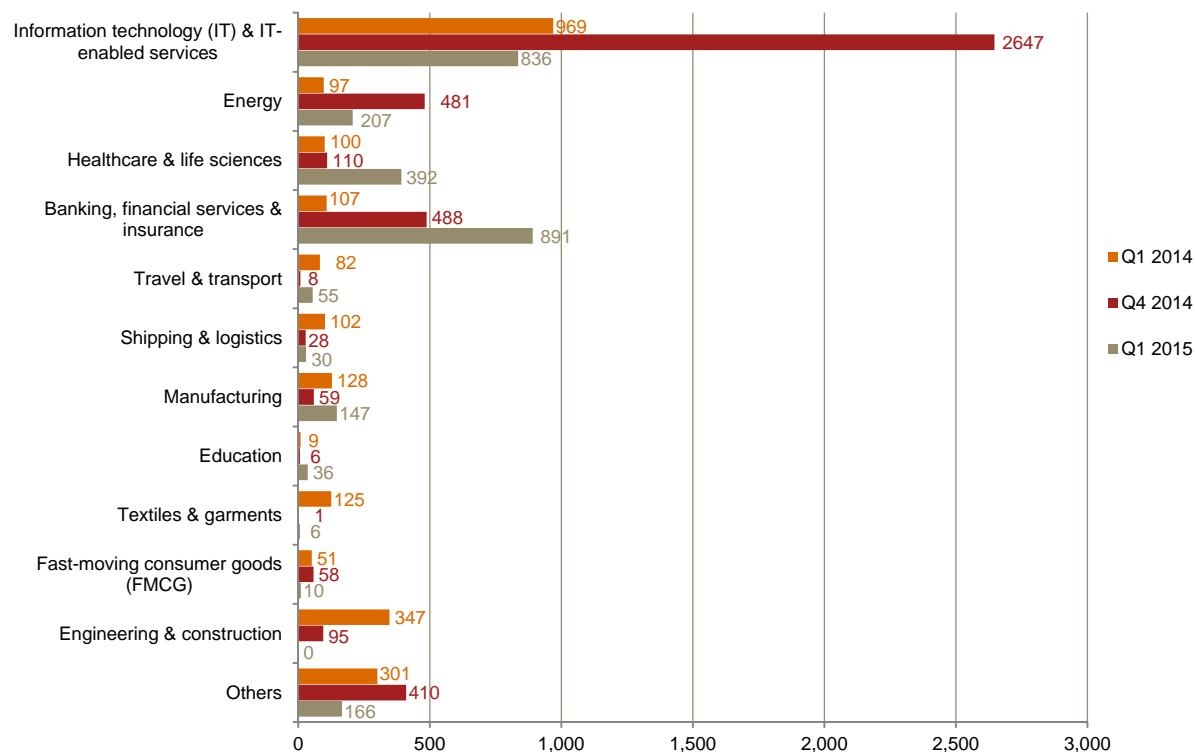
Healthcare & life sciences was again back in limelight with 392 million USD worth of investments in just nine deals, an almost four-time surge as compared to the previous quarter and the same period last year (110 million and 100 million USD, respectively).

Note: 'Others' include other services, media & entertainment, hotels & resorts, sports & fitness, agri-business, food & beverage and retail.

The energy sector has witnessed deals worth 207 million USD, down 57% from the previous quarter's 481 million USD, but more than double as compared to the first quarter of 2014.

The manufacturing sector improved considerably, with 147 million USD worth of investments in nine deals, a growth of almost three times as compared to the previous quarter's 59 million USD and up 15% as compared to 128 million USD worth investment of the first quarter of last year.

Investments by industry



Analysis of private equity investments



This quarter saw a decline in the total investment in the IT&ITeS space as compared to the previous quarter. However, overall value remained higher than most quarters. As has been the trend over the past year, investments were dominated by the e-commerce companies, with ShopClues, Freecharge, CarDekho and PolicyBazaar leading the pack. Among e-commerce companies, demand for funding from early-stage enterprises is likely to be strong in the coming year. These companies offer a wide variety of innovative products and are aided by sustainable business. Additionally, robust profitability models could bring huge opportunity for returns for PE firms.

Sandeep Ladda
Technology Sector Leader, PwC India

The healthcare sector saw a higher-than-average deal size of 43.5 million USD in the quarter compared to 10 million USD in the previous quarter and 7.14 million USD in the same quarter a year ago. Three of the leading healthcare chains underwent transactions for fresh equity infusions and secondary transactions in order to provide exits to existing investors during this quarter. Some of the leading diagnostic and single-speciality hospitals are planning IPOs in the coming months which will allow retail investors to enter the fray.

Rana Mehta
Healthcare Leader, PwC India

The deals trends are quite remarkable and reflective of the change in the underlying mood of the economy. With more positive energy and enthusiasm, expectations of growth have also seen an uptick and investors are returning strongly to the lead sectors such as financial services and IT&ITeS. It is clear that there is a shortage of long-term capital and investment in many sectors in India and for the growth potential to be converted to reality over the next decade, such investments need to be brought in now.

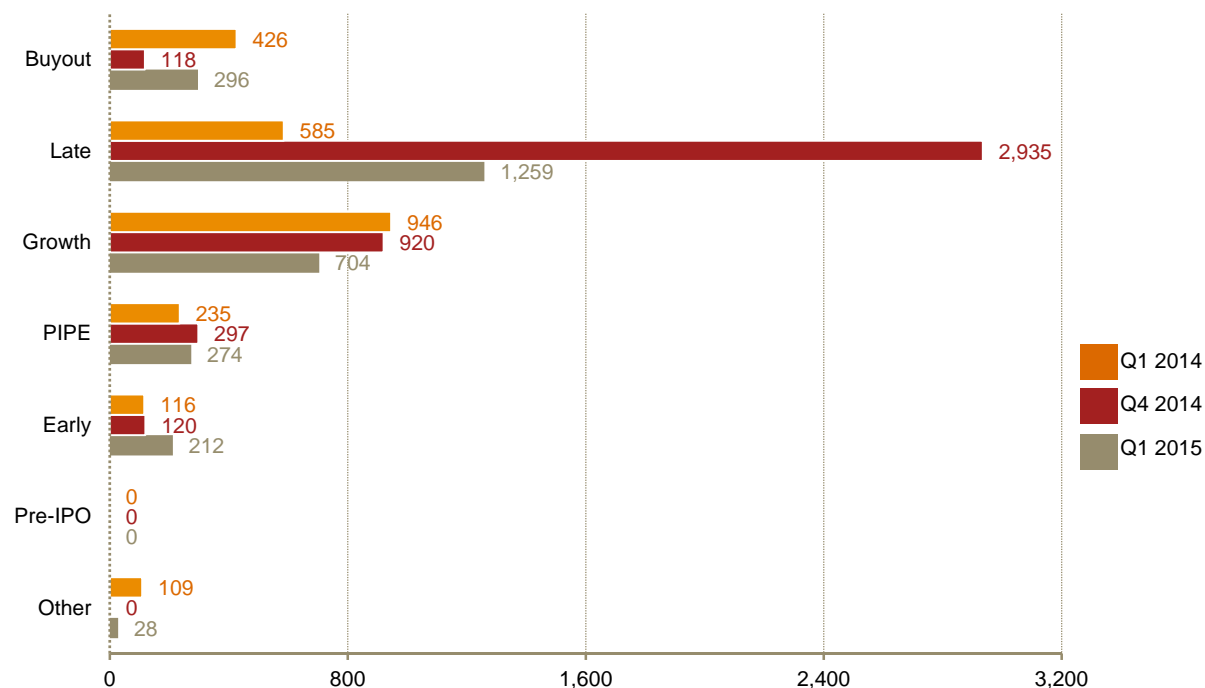
Manoj Kashyap
Financial Services Leader, PwC India

Analysis of private equity investments

Investments by stage of development Q1 '14, Q4 '14 and Q1 '15

In Q1 '15 late-stage investments continued to be preferred over growth investments, with the former receiving 1.26 billion USD in 29 deals. While growth investment saw 704 million USD during this period (29 deals), buyout deals attracted 296 million USD (three deals).

Investments by stage of 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.

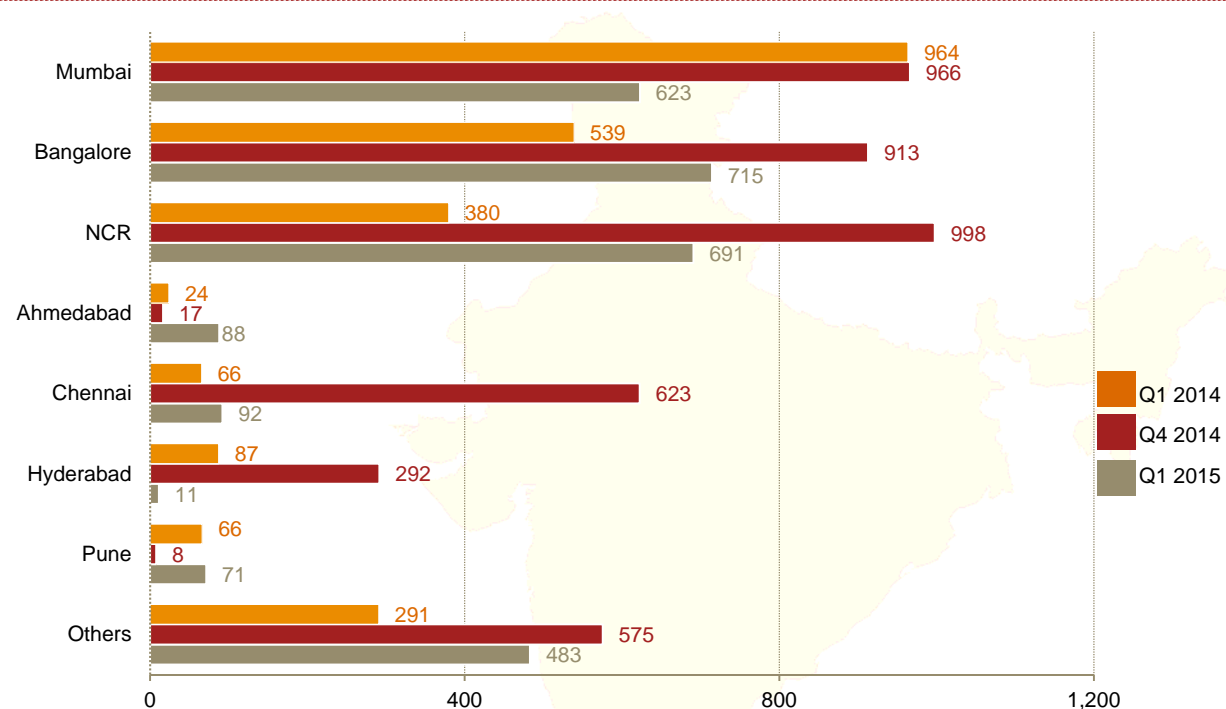
Analysis of private equity investments

Investments by region Q1 '14, Q4 '14 and Q1 '15

Bangalore was once again the the busiest investment destination with 715 million USD worth of investments in 35 deals. While the National Capital Region (NCR) received 691 million USD in 33 deals, Mumbai has been pushed to third place with 623 million USD investments in 26 deals.

Unlike other quarters, Kolkata sprung a surprise with 351 million USD in just four deals.

Investments by region



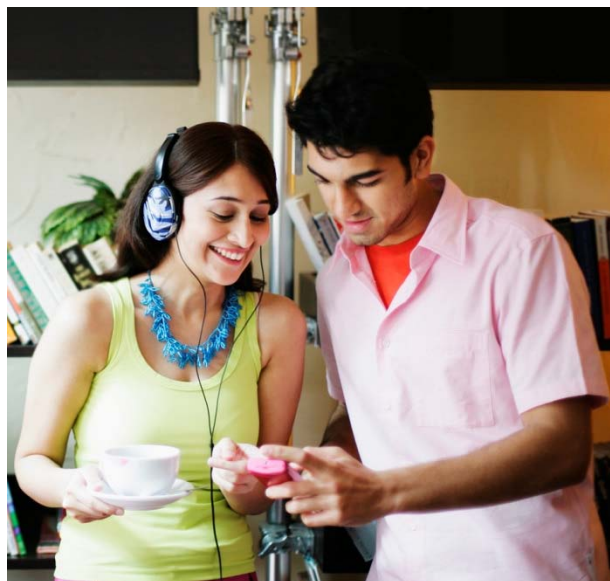
Note: The National Capital Region (NCR) includes Delhi, Gurgaon and Noida.

Data provided by Venture Intelligence

Analysis of private equity investments

Top 20 PE deals Q1 '15

The top 20 deals comprised just 55% of the total deal value in Q1 '15. Rather than a few big deals, this quarter has witnessed a range of mid-sized deals. The top five deals constituted just 26% of the total deal value. The average deal value of this quarter was 21.34 million USD.



Top 20 PE deals in Q1 2015

Company	Industry	Investors	Deal amount (in USD Mn)
Bandhan Financial Services	BFSI	IFC, GIC	260
Manipal Health Enterprises	Healthcare & Life sciences	TPG Capital	150
Medanta Medicity	Healthcare & lifesciences	Temasek	113.5
ShopClues.com	IT & ITeS	Tiger Global, Helion Ventures, Nexus Ventures	100
Ujjivan Financial Services	BFSI	IFC, CDC Group, CX Partners, Newquest, Others	100
Diligent Power	Energy	IDFC PE	81.3
Freecharge.in	IT & ITeS	Sequoia Capital India, Valiant Capital, Ru-Net Holdings, Tybourne Capital, Others	80
Magma Fincorp	BFSI	India Value Fund, KKR, LeapFrog	80
Manthan Systems	IT & ITeS	Temasek, Norwest	60
Antuit	IT & ITeS	Goldman Sachs, Zodius Capital	56
CarDekho	IT & ITeS	Sequoia Capital India, Hillhouse Capital, Tybourne Capital	50
Bill Forge	Manufacturing	Kedaara Capital	50
Meru Call Taxi	Travel & Transport	India Value Fund	50
PolicyBazaar	IT & ITeS	Tiger Global, PremjiInvest, Steadview, Ribbit Capital	50
Narayana Hrudayalaya	Healthcare & Life sciences	CDC Group	48
SVB India Finance	BFSI	Temasek	46.4
M&M Financial	BFSI	Temasek	42.42
Sundaram BNP Paribas Home Finance	BFSI	IFC	40
Verse Innovation	IT & ITeS	Sequoia Capital India, Matrix Partners India, Omidyar Network, Falcon Edge Capital	40
PTC India Financial Services	BFSI	IFC	

Data provided by Venture Intelligence

3. Analysis of PE exits

Total PE exits

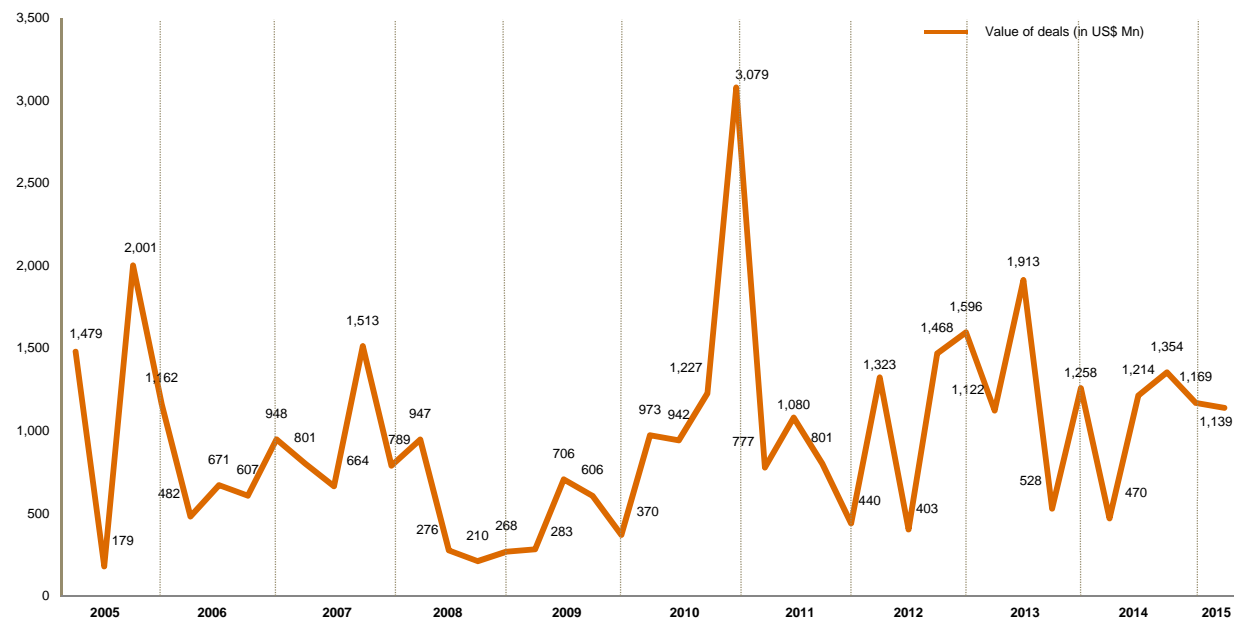
As compared to the same period last year, exit activity for the quarter was three times higher, at 1.14 billion USD in 40 deals against 470 million USD of exit value (27 deals) in Q1 '14, but marginally lower than the previous quarter's 1.17 billion USD in 39 deals.

Overall, exit activities remain sluggish and the trend is unlikely to change anytime soon unless big secondary sales happen.

The BFSI sector has outshone others with 472 million USD worth of exits in seven deals while the IT & ITeS sector has seen exits worth 232 million USD.

Almost 50% of total exits happened through strategic deals valued at 584 million USD across 12 deals.

Total private equity exits



Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Number of deals	17	18	23	23	20	19	23	31	35	38	38	33	31	14	21	11	18	42	33	33	48	37	44	61	33	32	31	31	45	34	34	35	37	41	22	32	27	59	45	39	40

Data provided by Venture Intelligence

Analysis of PE exits

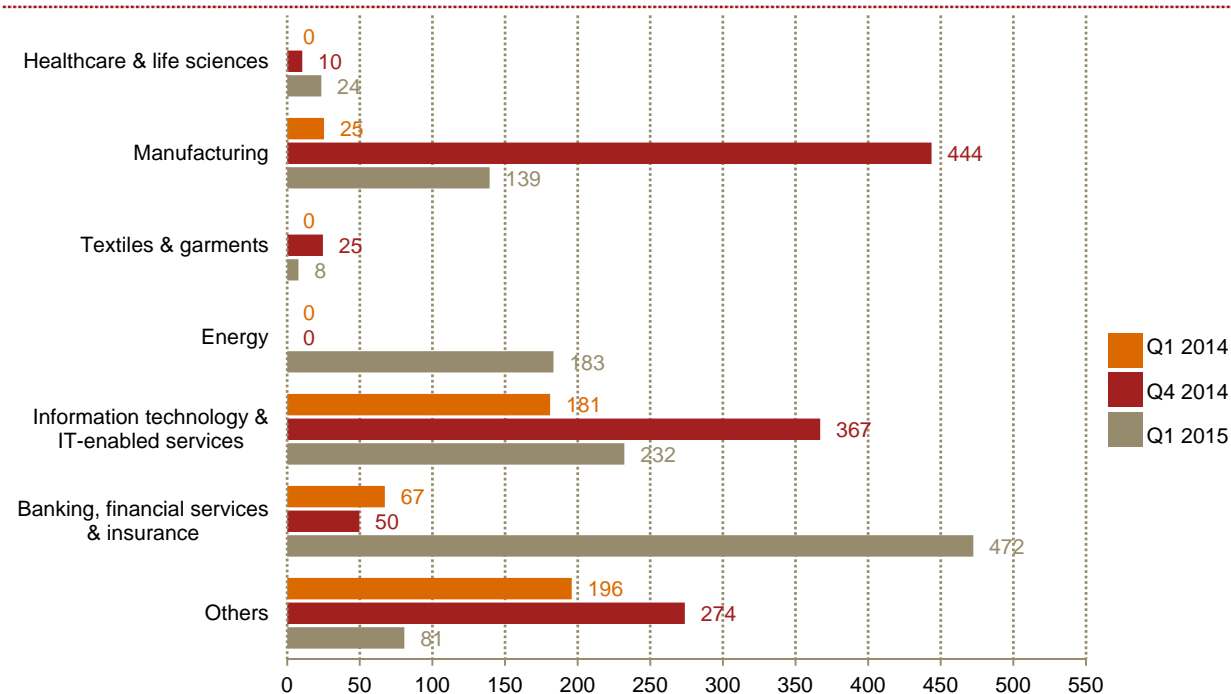
Exits by industry Q1 '14, Q4 '14 and Q1 '15

As on the investment side, the BFSI sector again outshone other sectors with 472 million USD worth of exits in seven deals which is really encouraging for the sector when comparing it with the lackluster performances of the previous quarter (50 million USD in four deals) and the year-ago period (67 million USD in five deals).

The IT & ITeS sector's exit value for this quarter is 232 million USD from 12 deals, which represents a 37% drop compared to the previous quarter's deal size of 367 million USD in the same number of deals. The energy sector reached third place with 183 million USD worth of exits, while the manufacturing sector dropped to the fourth slot with just 139 million in eight exits as against last quarter's 444 million USD in seven exits.

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

Exits by industry



Data provided by Venture Intelligence

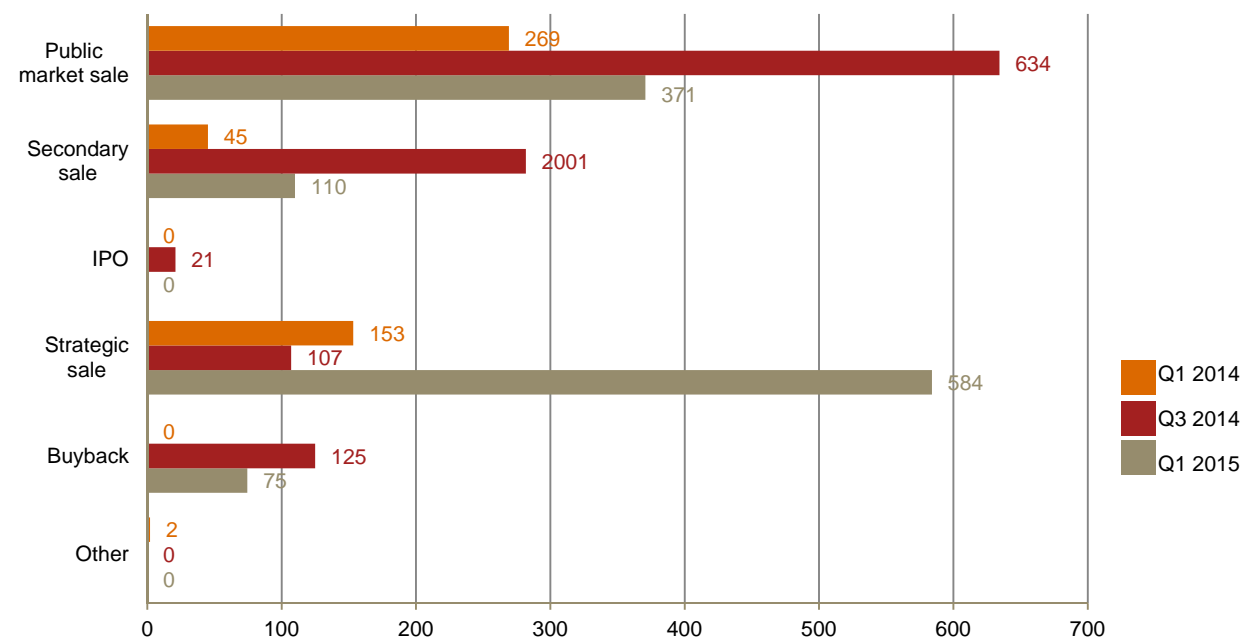
Analysis of PE exits

Exits by type

Q1 '14, Q4 '14 and Q1 '15

Strategic sales have become the preferred mode of exit in this quarter, with more than 50% of the total exit value emerging from strategic sales (584 million USD in 12 deals). Public market sales (371 million USD in 21 deals) fell to second as the preferred mode of exit while secondary deals saw 110 million USD in four deals.

Exits by type



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

Data provided by Venture Intelligence

Analysis of PE exits

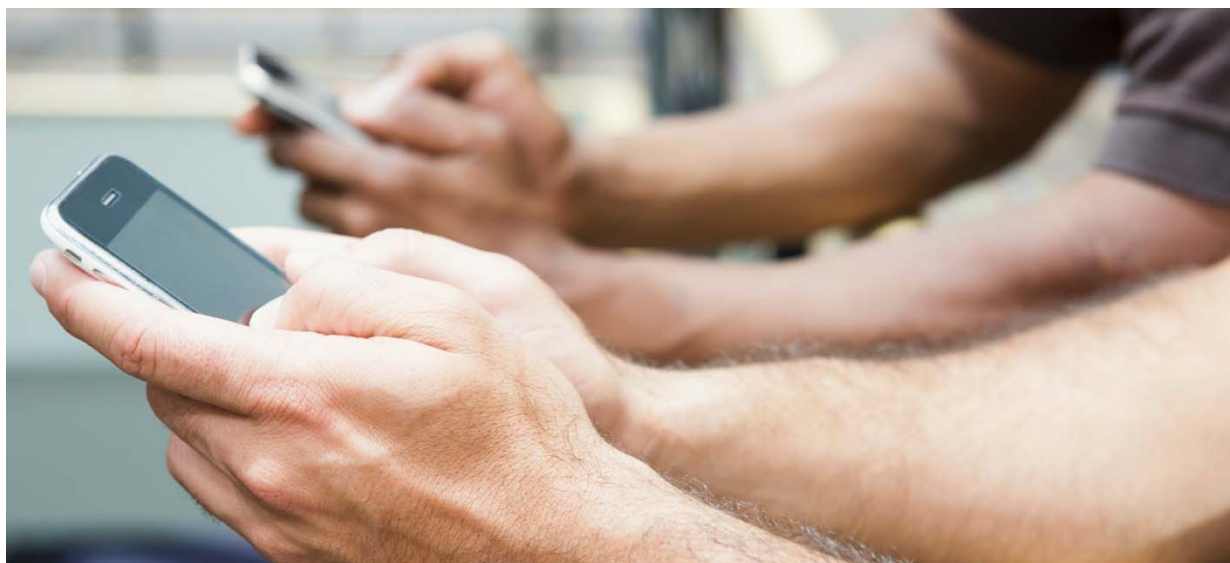
Top five PE exits Q1 '15

The top five exits comprised 60% of the total exit value in Q1 '15.

Top 5 PE exits in Q1 2015

Company	Industry	Investors	Deal amount (in USD Mn)
Destimoney	BFSI	New Silk Route	200
Green Infra	Energy	IDFC PE	171
ING Vysya Bank	BFSI	ChrysCapital	137
Agile Electric	Manufacturing	Blackstone	106
JustDial	IT & ITeS	Tiger Global	50

Data provided by Venture Intelligence



4. Active PE firms

Based on the volume of deals, Sequoia Capital has emerged as the most active investor for Q1 '15, followed by Tiger Global.

The most active PE investors in the first quarter of 2015 include the following:

Most active PE investors in Q1 '15

Investors	No of deals*
Sequoia Capital India	13
Tiger Global	12
IDG Ventures India	8
IFC	7
Helion Ventures	5
Nexus Ventures	5
India Quotient	4
Matrix Partners India	4
SAIF	4
Temasek	4
Blume Ventures	3
Canbank Ventures	3
CDC Group	3
Kae Capital	3
Kalaari Capital	3

Data provided by Venture Intelligence

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

5. Sector focus

IT & ITeS sector

Sector overview

Technology has always been a rapidly changing industry, and is presently at the cusp of yet another major transformation. Mobile technology, analytics, cloud computing and wearables have emerged as new forms of technology, and several traditional companies have started to add capabilities in these areas in order to cater to growing customer demand.

India continues to consolidate its position as the global hub for the IT&ITeS industry, by developing capabilities around traditional and emerging markets, expanding delivery capabilities and increasing focus on high value services for product development and technology incubation. The new government's focus on technology-enabled growth through the 'Digital India' and 'Make in India' campaigns has significantly boosted overall market prospects and investor sentiment. In 2014, there was significant investor interest in the technology sector and growth was driven in part by technology-enabled business models. Growth was strong across the software, services and hardware segments.

Growing demand for IT from the small- and medium-sized businesses (SMB) segment, especially in emerging markets, also fuelled growth. There are strong market opportunities driven by vendor consolidation, infrastructure modernization and rationalization of operations. Enabling digital transformation for clients is serving as a further value addition for companies in the IT&ITeS sector. Companies are looking to build capabilities in emerging technologies in cloud applications, big data, mobility, analytics, Internet of Things and robotics. Apart from Internet start-ups and e-commerce, niche areas around software-as-a-service, enterprise solutions and mobility also show strong growth opportunities.

The largest pie of PE funding in 2014 was attributable to the e-commerce sector. E-commerce is driving rapid growth of the domestic IT-BPM (business process management) industry and attracting unprecedented levels of global interest and funding. The sector in India has grown by 34% (CAGR) since 2009 to reach 16.4 billion USD in 2014. It is expected to be in the range of 22 billion USD in 2015. Apart from companies in e-tail and marketplaces, the focus is also on ancillary service providers—companies involved in support functions ranging from delivery, to logistics and payments. In 2014, newer online business segments such as classifieds, real estate, grocery and healthcare were also launched.

From an investment perspective, the e-commerce market is a minority stake market, with maximum traction in early-stage deals. Yet, companies such as Flipkart, Snapdeal and BigBasket have raised multiple rounds of funding and this scenario is likely to continue in the coming year.

These trends appear persistent into the new year based on initial activity in the deal market, with further growth expected in e-commerce segments, both mainstream and niche, and horizontal software subsectors (e.g., SaaS, HR, data and analytics, etc.).

Sandeep Ladda
Technology Leader, PwC India



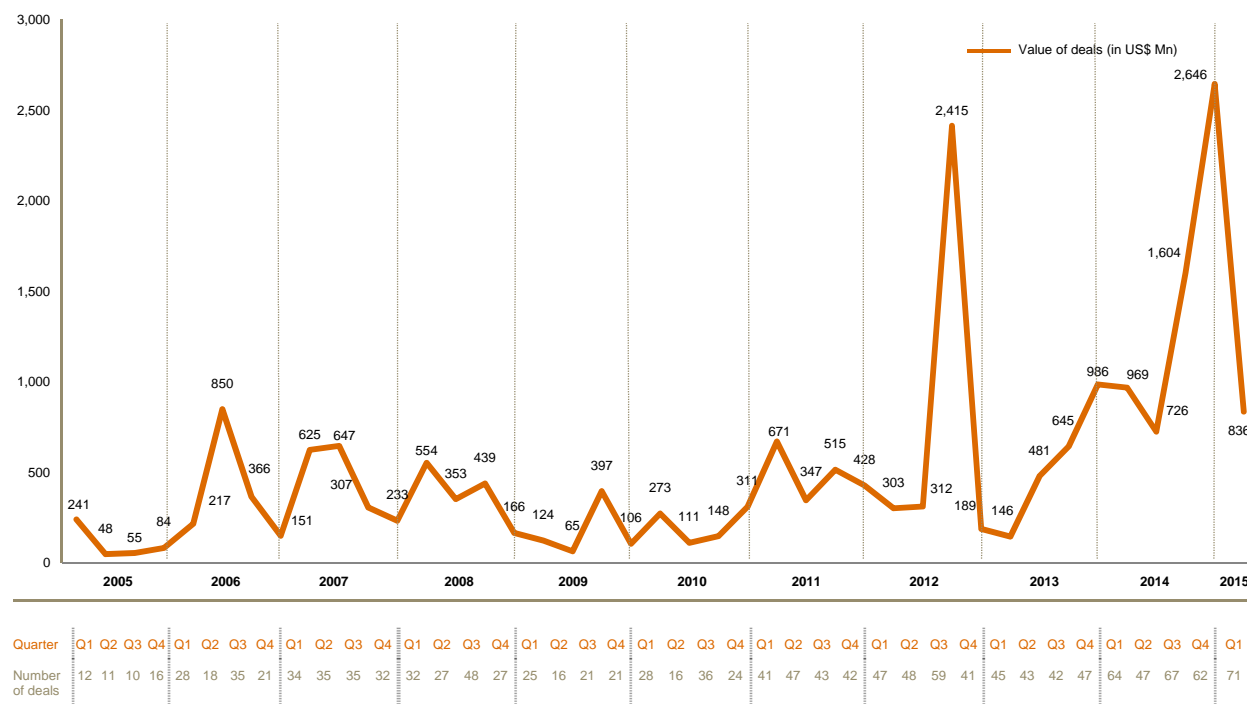
Total PE investments

The first quarter of the year was not so great for the IT & ITeS sector as the total investment during the period declined by 68% to 836 million USD in 71 deals as compared to the previous quarter's 2.65 billion USD in 62 deals. The same period last year saw 969 million USD in 64 deals.

The average deal size in this sector is down to 11.8 million this quarter as compared to 42.7 million USD in the previous quarter.

The average deal size in the early stage investment climbed to 3.26 million USD in this quarter.

Value of PE investments in the IT & ITeS sector (in USD Mn)



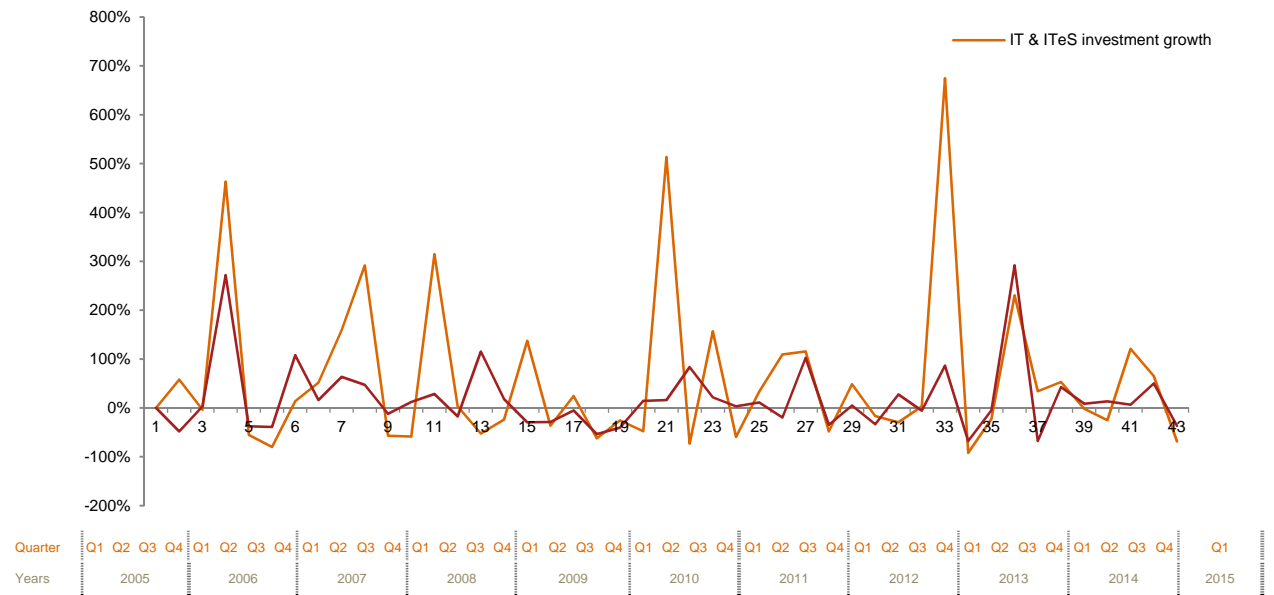
Data provided by Venture Intelligence

Sector focus: IT & ITeS

A comparison of quarter-on-quarter growth rates of IT & ITeS PE investments and total PE investments in the last decade proved that funding for the sector was higher than total PE funding in most quarters. But this quarter proved to be an aberration as the IT&ITeS sector growth declined by 68% against the last quarter while total PE investment declined by only 37%.



Value of PE investments in the IT & ITeS sector

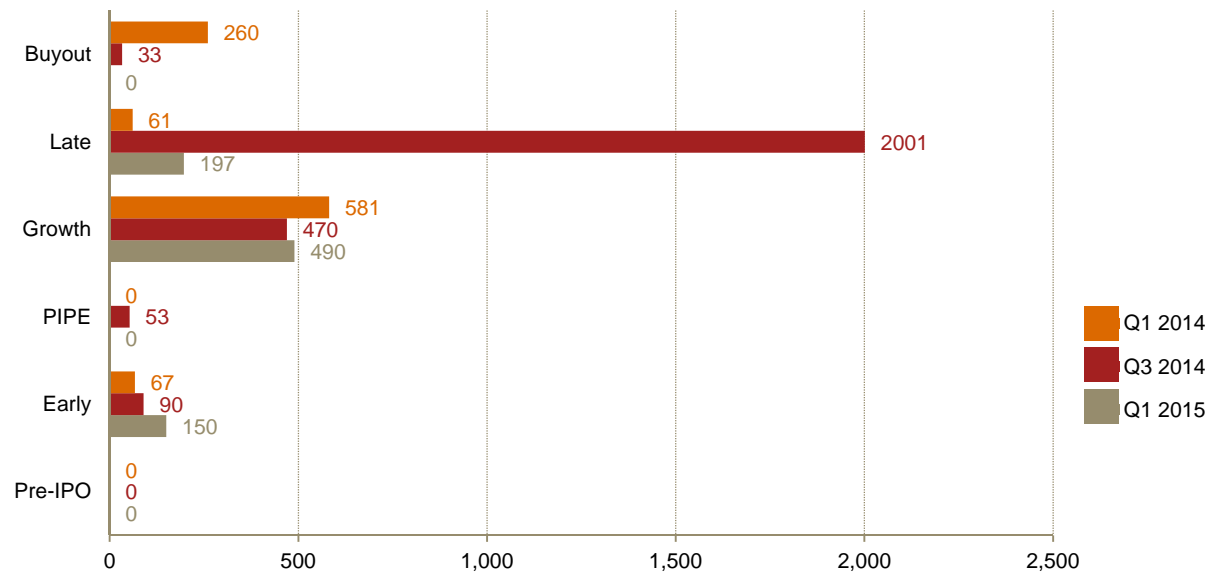


Data provided by Venture Intelligence

Investments by stage of development
Q1 '14, Q4 '14 and Q1 '15

Growth investments made a comeback to the top slot this quarter, with 490 million USD investments in 19 deals. Late stage has seen a 90% dip in value from its 2 billion USD investments in the last quarter to just 197 million USD, as none of the top e-tailers or IT players raised money in this quarter. Interestingly, early-stage investments have shown renewed optimism, with 150 million USD going into 46 deals, fueling the average deal size to 3.26 million USD.

IT & ITeS investments by stage of development



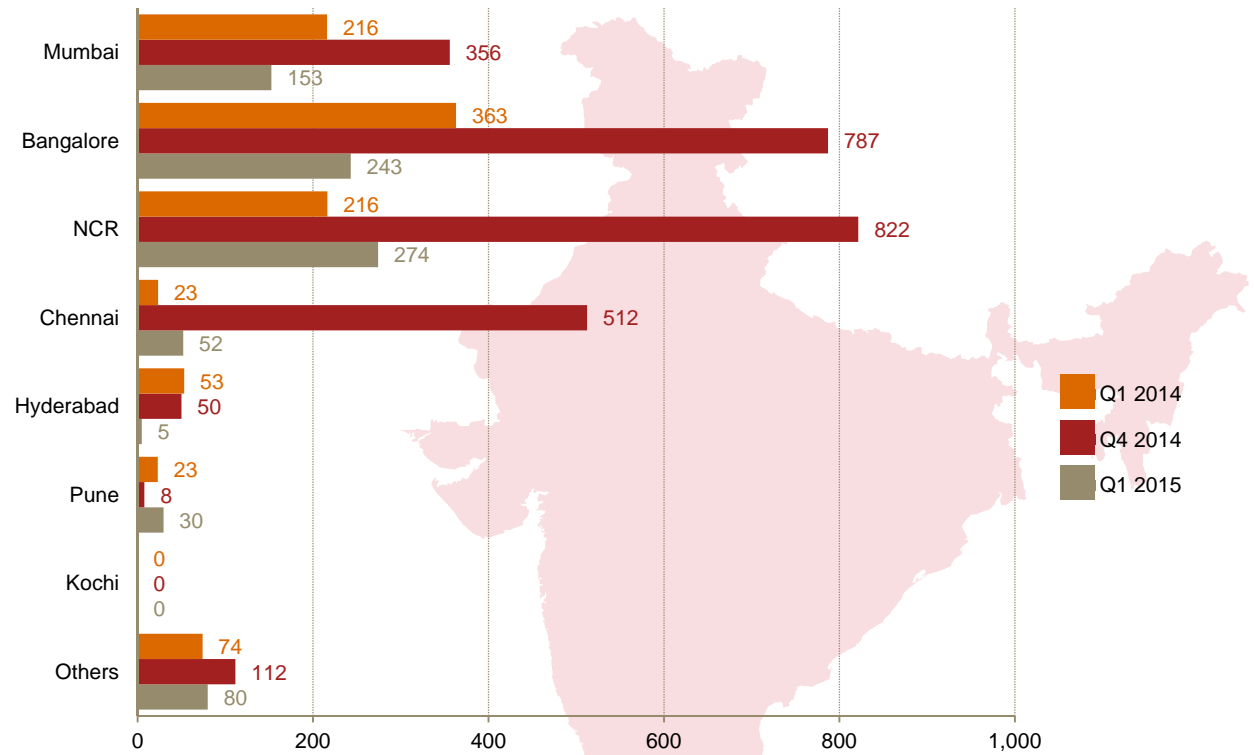
Data provided by Venture Intelligence

Investments by region
Q1 '14, Q4 '14 and Q1 '15

NCR became the most popular IT investment destination this quarter with 274 million USD investments in 16 deals. Bangalore attracted 243 million USD in 25 deals, while Mumbai has seen only 153 million USD in 13 deals.

Chennai got only 52 million USD in five deals.

IT & ITeS investments by region



Data provided by Venture Intelligence

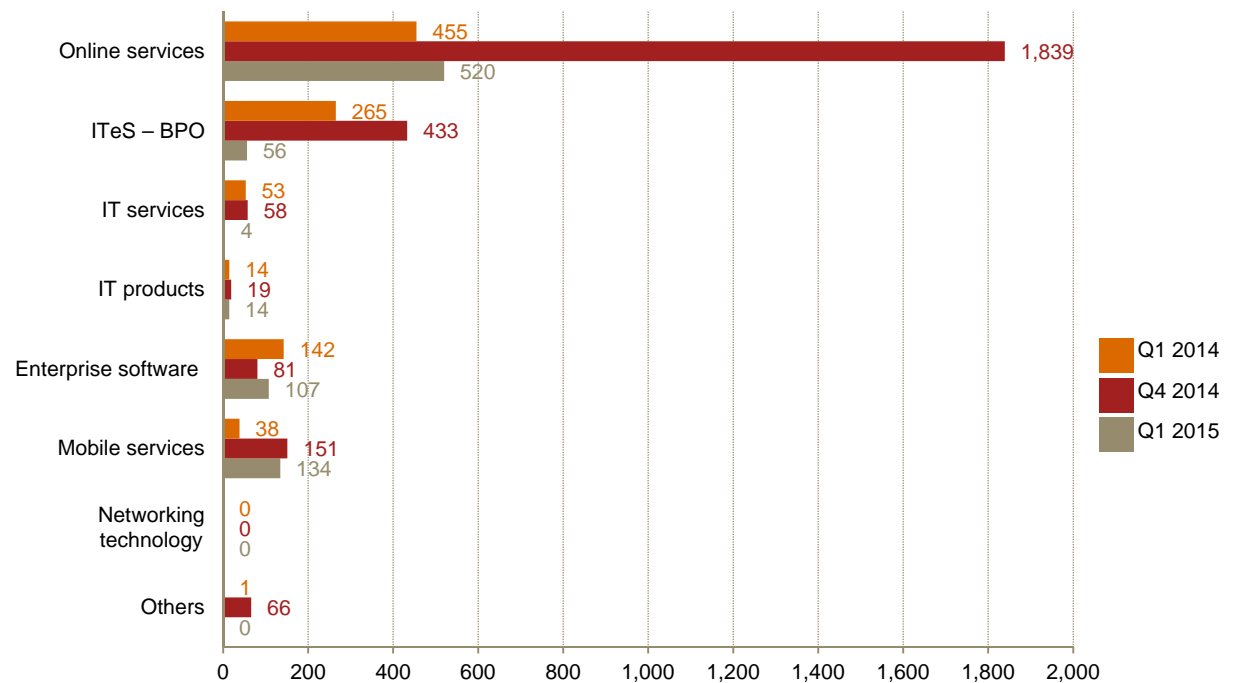
Sector focus: IT & ITeS

Investments by subsector Q1 '14, Q4 '14 and Q1 '15

Not surprising, the online services subsector retained first place, receiving 62% of the total deal value (520 million USD in 38 deals) followed by mobile services (134 million USD in 17 deals). Online services registered a decline of 72% compared to the previous quarter's 1.84 billion USD in 31 deals.



IT & ITeS investments by subsector



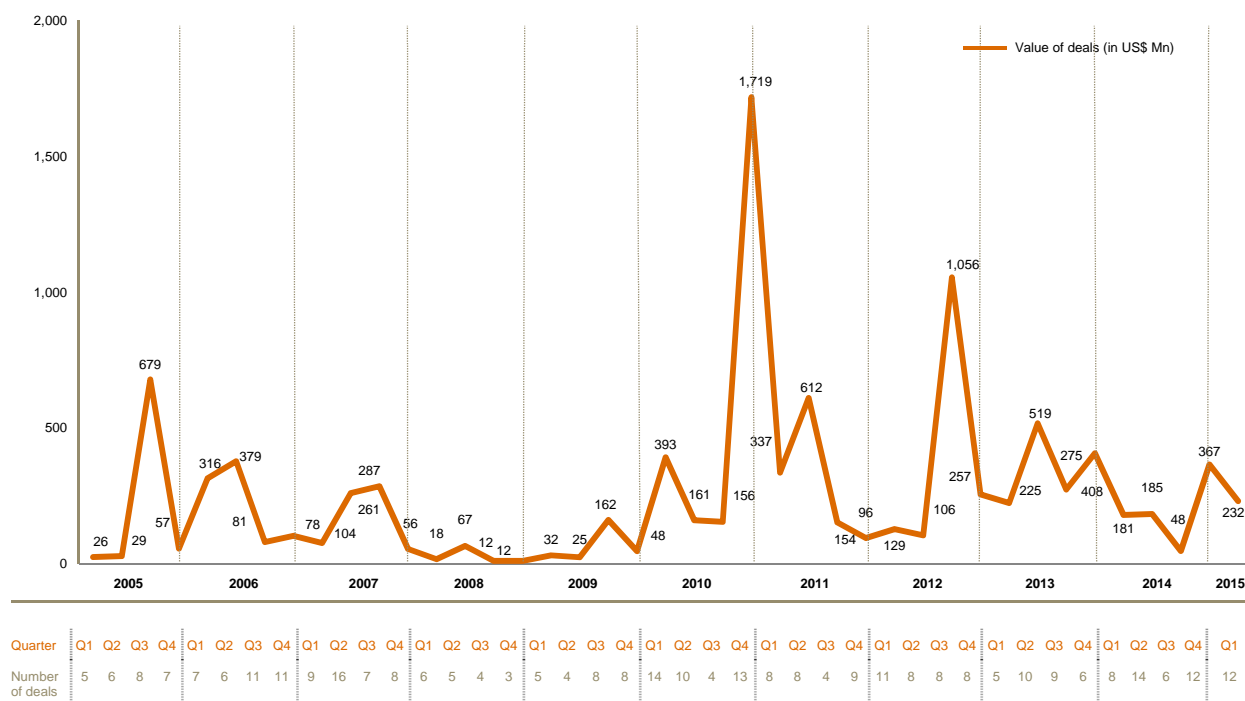
Data provided by Venture Intelligence

PE exits in the sector
Q1 '14, Q4 '14 and Q1 '15

The IT & ITeS sector recorded a decline of 37% in exit activity as compared to the last quarter. There were 12 exits worth 232 million USD in this quarter while the previous quarter saw 367 million USD worth of exits in the same number of deals. But this quarter saw a healthy 28% growth as compared to the 181 million USD in the same period last year in eight exits.

Public market sales led the exit rally in the IT & ITeS sector with 98 million USD worth of deals, followed by exits via strategic sales worth 69 million USD.

Total private equity exits



Data provided by Venture Intelligence

6. 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 in the growth stage:

- Third or fourth round funding of institutional investments
- 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

Growth stage-PE: This includes the following:

- First or second round of investments worth 20 million USD or more
- Third or fourth round funding for companies that are more than five years old and less than 10 years old or subsidiaries or spin-outs of larger businesses

- Fifth or sixth rounds of institutional investments

Late stage: This comprises the following:

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

PIPEs: The following constitute as 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

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

Strategic sale: This includes the 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 the sale of the 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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