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PricewaterhouseCoopers India Pvt Ltd

# *MoneyTree™ India Report* *Q2 2015*

Data provided by Venture Intelligence

*Technology Institute*

*This special report  
provides summary results of  
Q2 '14, Q1 '15, and Q2 '15.*



**pwc**

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# 1. Overview

## *Bouyancy is back*

In Q2 2015, the momentum of private equity (PE) has continued in India with investments worth 4.3 billion USD, one of the strongest performances in several quarters. Beyond investments, it has been an impressive quarter for exits by Indian PE, which stood at 3.5 billion USD.

The technology sector contributed over 1.7 billion USD in investments, mainly aided by the 440 million USD buyout by Baring Asia and the 400 million USD investments in cab aggregator Ola Cabs by a group of investors led by SoftBank and Tiger Global. E-commerce and e-services continued to contribute the most significant component of technology PE investments, and this is unlikely to change in the near future.

Pharmaceuticals and healthcare was the second highest contributor, with Temasek investing 293 million USD in Sun Pharma and 151 million USD in Glenmark, followed by a 203 million USD investment by Capital International in Mankind Pharma.

The financial services and manufacturing sectors were among the top four sectors, owing respectively to Apax Partners' investment of 383 million USD in Shriram City Union Finance and a 315 million USD buyout of Crompton Greaves by Temasek and Advent together.

Energy found a place in the top five as well, with deals worth 369 million USD. Increased interest in renewables as well as equipment manufacturers helped a surge in investments in the sector.

This sudden spurt in activity has been aided mainly by a good number of secondary transactions, which is a healthy sign of a maturing PE market.



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We expect the buoyancy to continue in the second half of the year—in the short term, e-commerce, IT and life sciences deal activity is expected to carry on irrespective of the domestic economic situation. There seems to be some positive news on the domestic front too—the Reserve Bank of India has cut rates thrice over the last year, and looks set to keep them at the lower levels for the time being. However, concerns around the monsoons continue; this can impact the domestic economy and uncertainty is probable in the global markets as the US Fed is likely to raise rates later this year.

**Sanjeev Krishan**

*Private Equity and Transaction Services Leader*

PwC India

## 2. Analysis of PE investments

### Total equity investments in PE-backed companies

The second quarter of 2015 has brought more cheer and plenty of action in the private equity (PE) investment space. Q2 '15 has seen 4.29 billion USD worth investments in 135 deals, which is a 35% higher investment than Q1 '15 and 36% higher than the year-ago period. Q1 '15 had seen investment worth 3.18 billion USD in 172 deals, while Q2 '14 had witnessed 3.16 billion USD in 129 deals.

Together, Q1 and Q2 made the first half of the year the best ever in the history of PE investment in India, totalling at 7.47 billion USD.

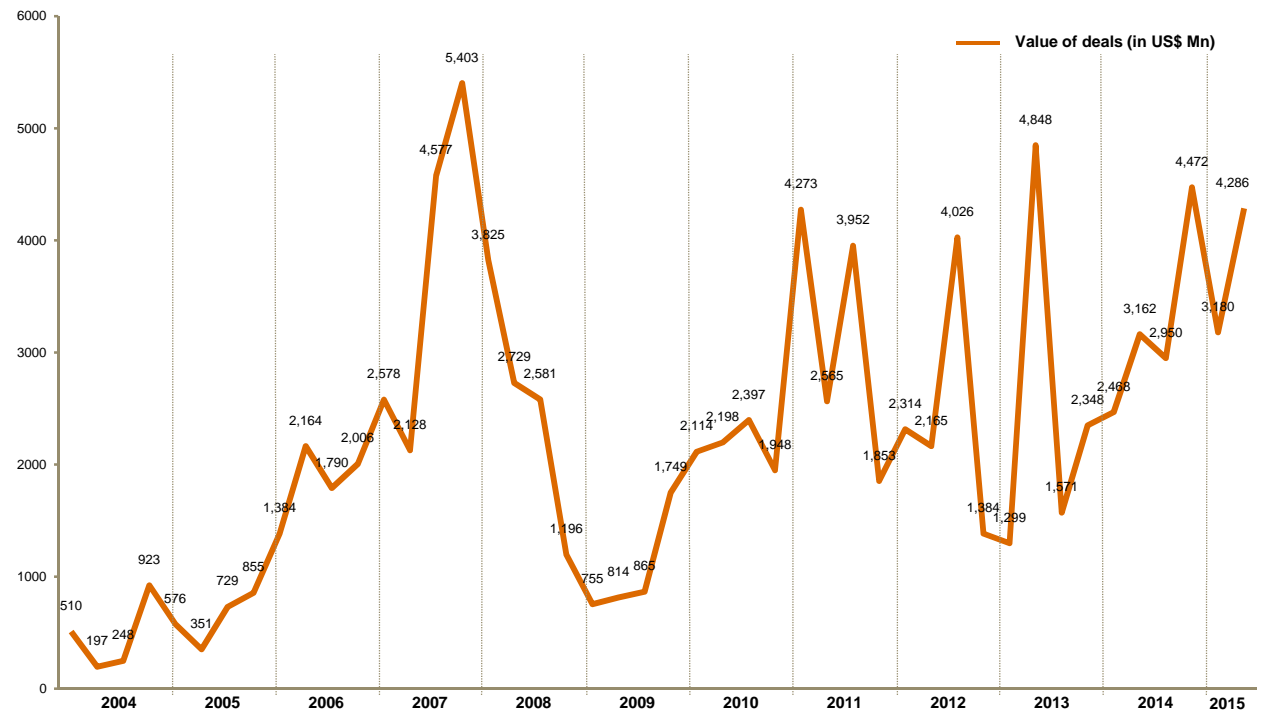
This quarter, the all-time favourite information technology and IT-enabled services (IT & ITes) sector made a comeback to the top slot with 1.77 billion USD worth of investments in 85 deals, up 76% from the previous quarter and more than two and a half times from the same period in the previous year.

Healthcare and life sciences attracted 827 million USD—more than double the figure in Q1 '15 and 46% more than Q2 '14.

Late-stage investments once again outperformed and received an investment value of 1.56 billion USD, followed by public market investments that attracted 938 million USD.

Mumbai made a comeback to the top slot with regard to PE investments in this quarter, with an investment of 2.02 billion USD from 28 deals.

### Total PE investments



Quarters	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																				
Number of deals	21	23	22	40	44	42	47	64	101	89	108	99	118	96	140	179	167	109	135	86	81	50	72	103	100	93	128	106	135	138	152	135	147	133	143	122	120	127	125	111	153	129	127	133	172	135

Data provided by Venture Intelligence

## Analysis of private equity investments

### Investments by industry

#### Q2 '14, Q1 '15 and Q2 '15

The IT & ITeS sector attracted 1.77 billion USD in 85 deals, up 76% from the previous quarter and almost 2.5 times as compared to the corresponding period in the previous year. Q1 '15 saw deals worth 1.01 billion USD in 94 deals, whereas Q2 '14 witnessed deals worth 755 million USD in 56 deals. This quarter's deal flow was mainly aided by Baring Asia's investment in CMS Info Systems (440 million USD) and investment in Ola Cabs by a group of investors led by Tiger Global (400 million USD).

Healthcare and life sciences has made a strong comeback to the limelight by attracting investments worth 827 million USD in 11 deals, more than double when compared to the previous quarter and up 46% compared to the same period in the previous year. Q1 '15 saw investments worth 411 million USD in 11 deals and Q2'14 saw investments worth 568 million USD in 16 deals.

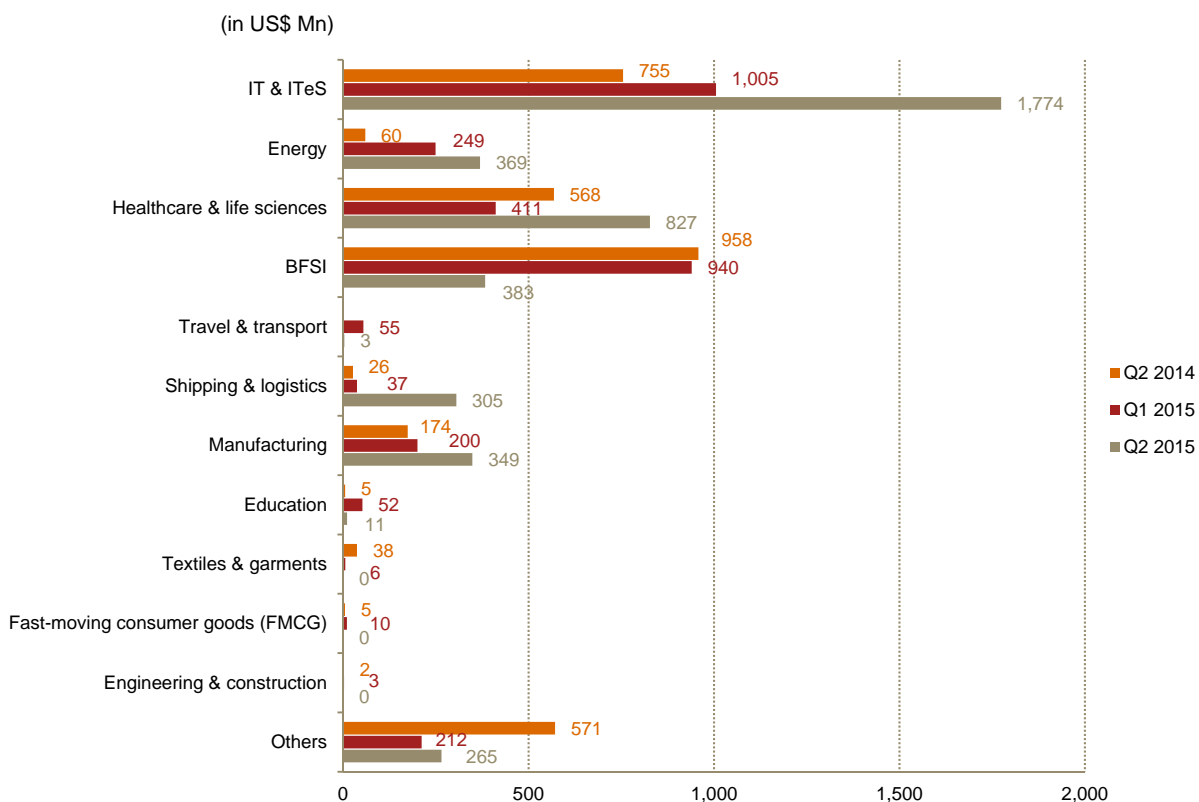
The banking, financial services and insurance (BFSI) sector fared poorly in this quarter but was still among the top three with 383 million USD worth of investments in just one deal. It was down 59% and 60% compared to Q1'15 (940 million USD) and Q2'14 (958 million USD) respectively.

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

The energy sector saw deals worth 369 million USD, which is up 48% from the previous quarter's 249 million USD, and up more than up six times compared to Q2 2014.

The manufacturing sector bettered its show with investments worth 349 million USD in three deals, a 74% jump compared to the previous quarter's 200 million USD and double the 174 million USD worth of investments in the corresponding period in the previous year.

#### Investments by industry



Data provided by Venture Intelligence

## Analysis of private equity investments



'We have seen yet another quarter of PE investments dominated by the IT & ITeS sector. Baring Asia's buyout of CMS Info Systems, which provides ATM-related cash management services, was the biggest tech deal this quarter. E-commerce continues to be very attractive to the PE/VC community and a majority of the investments are in the growth and late stages (follow-on rounds) and predominantly in niche segments like travel (Ola), classifieds (Quikr) and furniture (Urban Ladder). E-commerce ancillary companies in logistics, such as Ecom Express and Delhivery, also raked in big money.'

**Sandeep Ladda**  
Technology Leader, PwC India

'There is enhanced interest in the laboratory diagnostics space. With a growth of over 20% CAGR, the sector is the fastest growing segment in the healthcare space. The large players have aggressive plans in the domestic as well as the international market. We expect robust deal activity in the space, catalysed by the fact that the leading players are going in for an IPO.'

**Rana Mehta**  
Healthcare Leader, PwC India

'While the appetite for quality large deals remains—as demonstrated by the Shriram City Union deal with Apax—the broader deals picture in BFSI remains a bit subdued. There is interest in the fin-tech segments such as payment processing, online marketplaces for new services/products and those kinds with interesting business models.'

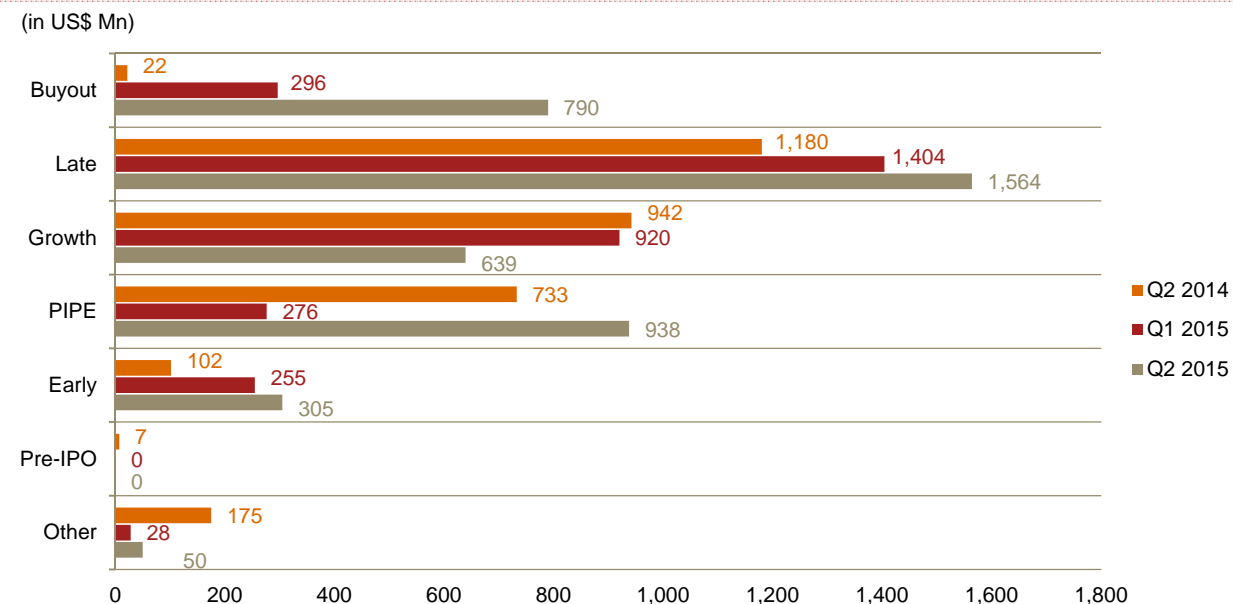
**Bharti Gupta Ramola**  
Financial Services Leader, PwC India

## Analysis of private equity investments

### Investments by stage of development Q2 '14, Q1 '15 and Q2 '15

In Q2 '15, late-stage investments continued to be the preferred investment route, receiving 1.56 billion USD investments in 21 deals. With 938 million USD, public market investments took the second slot. This quarter has seen growth investments pushed to the fourth position with 639 million USD, as buyouts pipped them to rank third with 790 million USD invested in three deals.

#### Investments by stage of development



*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



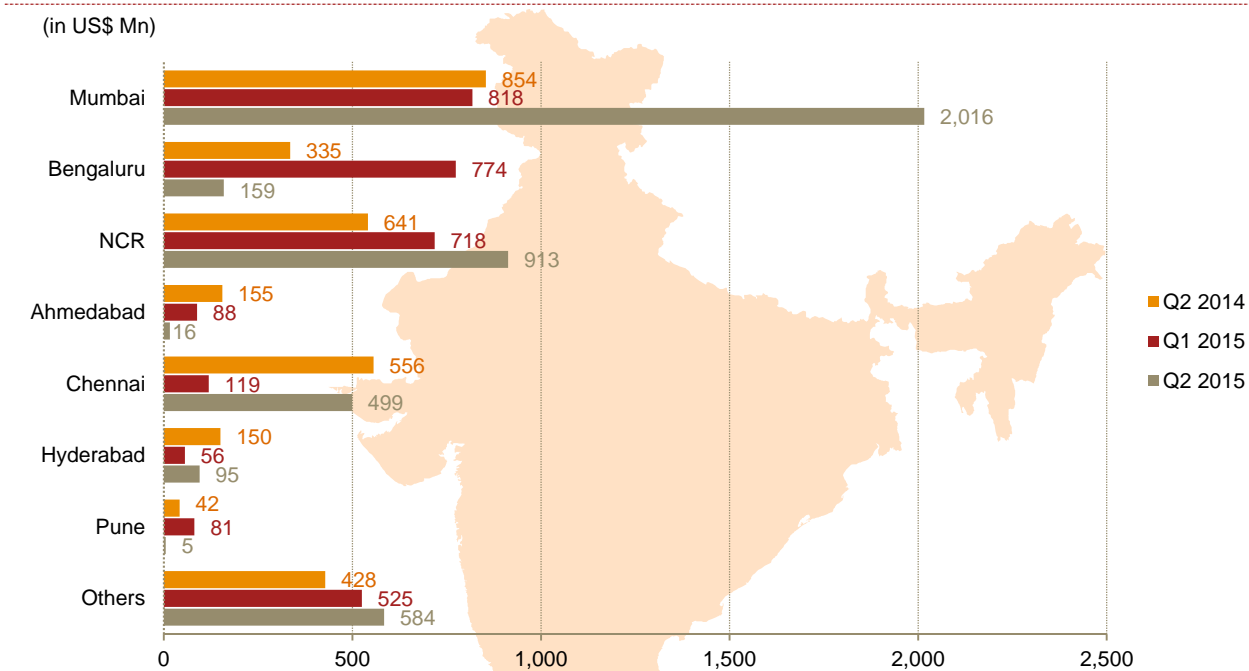
## Analysis of private equity investments

### Investments by region

Q2 '14, Q1 '15 and Q2 '15

As the preferred investment destination this quarter, Mumbai captured 2.02 billion USD worth of investments in 28 deals. With 913 million USD investments in 43 deals, the National Capital Region (NCR) won the second slot. Chennai attracted 499 million USD, while Bengaluru has fared poorly this time with 159 million USD, pushed to the fifth slot even behind a small city like Bhiwadi, which attracted 203 million USD in a single deal (Mankind Pharma).

#### Investments by region



Data provided by Venture Intelligence

*Note: NCR includes Delhi, Gurgaon and Noida.*

## Analysis of private equity investments

### Top 20 PE deals Q2 '15

The top 20 deals comprised 79% of the total deal value in Q2 '15. Like the last quarter, this one was also notable for a range of mid-sized deals. The top five deals constituted just 43% of the total deal value. The average deal value of this quarter was 31.75 million USD.



#### Top 20 PE deals in Q2 2015

Company	Industry	Investors	Deal amount (in million USD)
CMS Info Systems	IT & ITeS	Baring Asia	440
Ola Cabs	IT & ITeS	Tiger Global, SoftBank Corp, DST Global, Steadview, Accel USA, Falcon Edge Capital, GIC, Others	400
Shriram City Union Finance	BFSI	Apax Partners	383
Crompton Greaves Consumer Electricals	Manufacturing	Temasek, Advent International	315
Sun Pharma	Healthcare & life sciences	Temasek	294
Snapdeal.com	IT & ITeS	Valiant Capital, Ru-Net Holdings, Tybourne Capital, Sequoia Capital India, Others	250
Mankind Pharma	Healthcare & life sciences	Capital International	203
Glenmark Pharmaceuticals	Healthcare & life sciences	Temasek	151
Quikr	IT & ITeS	Steadview, Tiger Global, Kinnevik	150
Ecom Express	Shipping & logistics	Warburg Pincus	135
Senvion	Energy	Arpwood Capital	112
[(Metropolis Healthcare)]	Healthcare & life sciences	KKR	90
Delhivery	Shipping & logistics	Nexus Ventures, Multiples PE, Tiger Global, Others	85
OTPC India	Energy	IDFC Alternatives	70
[Mytrah Energy]	Energy	Merrill Lynch, AION Capital	60
Indian Energy Exchange	Energy	Aditya Birla PE, Others	56
PVR Cinemas	Media & entertainment	Multiples PE	55
Freshdesk	IT & ITeS	Google Capital, Tiger Global, Accel India	50
UrbanLadder.com	IT & ITeS	Kalaari Capital, Steadview Capital, TR Capital, SAIF, Sequoia Capital India	50
PI Industries	Agribusiness	Cartica Capital	50

Data provided by Venture Intelligence

### 3. Analysis of PE exits

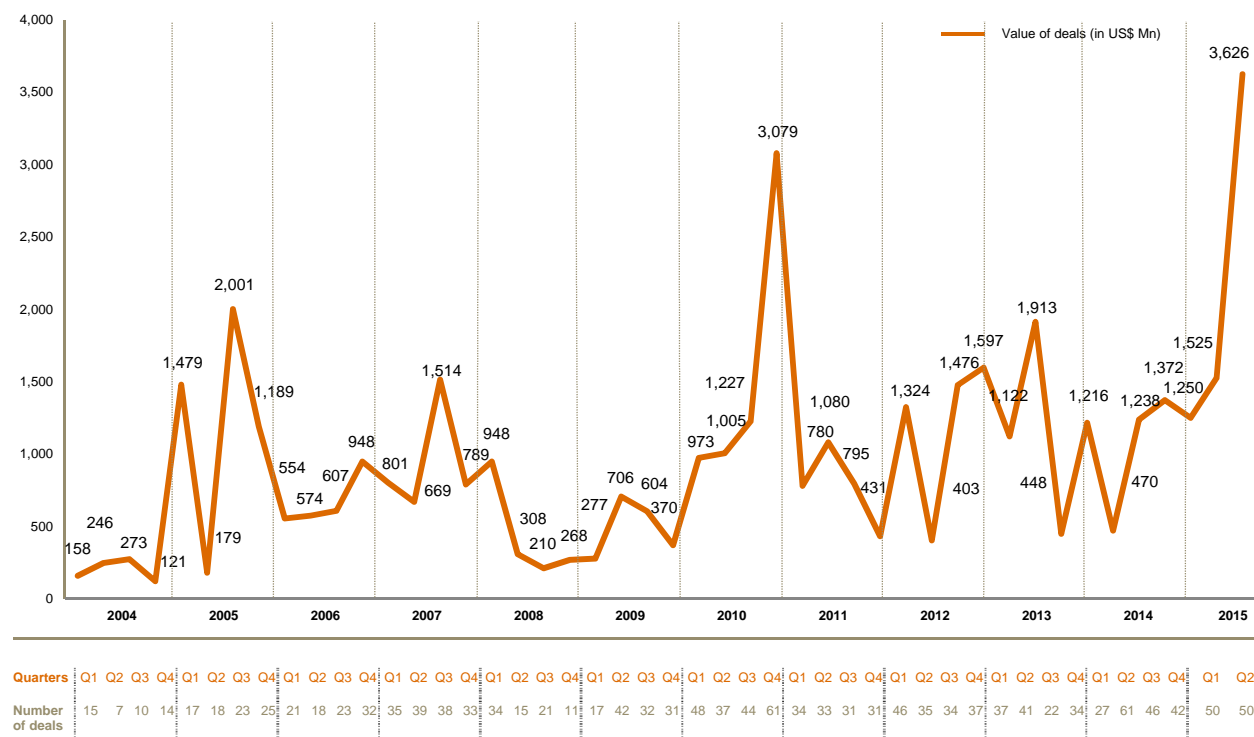
#### Total PE exits

In the history of PE in India, Q2 2015 has been a 'super exit' quarter as it has seen the largest chunk of exits, amounting to 3.63 billion USD in 50 deals. This is more than twice the previous quarter and three times the same period last year. Q1 2015 saw exits worth 1.53 billion in 50 deals, whereas the exit value of Q2 2014 was 1.24 billion in 61 deals.

The IT sector has outshined in exits as well investments, seeing 1.93 billion USD in 13 exits, while the BFSI sector has seen exits worth 437 million USD in just four deals.

Strategic sales has continued to be the preferred exit route, with 1.55 billion USD worth of exits in 11 deals, while public market sales witnessed exits worth 977 million USD.

Total PE exits



Data provided by Venture Intelligence

## Analysis of PE exits

### Exits by industry Q2 '14, Q1 '15 and Q2 '15

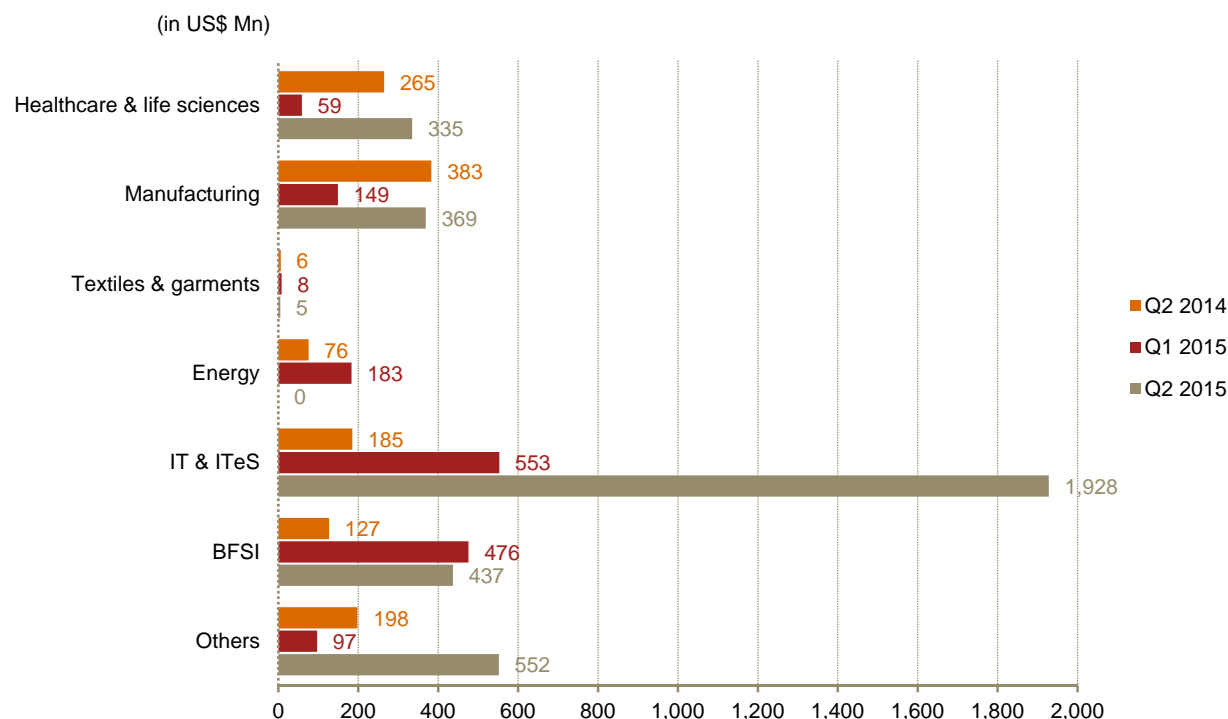
The IT sector has proven why it is usually the most popular investment destination, providing the highest exits of recent times amounting to 1.93 billion USD in 13 deals. This is almost four times higher than the previous quarter (553 million USD in 14 deals) and over ten times more than the year-ago period (185 million USD in 14 deals).

The BFSI sector has provided exits worth 437 million USD in four deals, slightly lower than the 476 million USD of the previous quarter, but over three and a half times higher than the corresponding year-ago period. The manufacturing sector saw exits worth 369 million USD in six deals, whereas healthcare witnessed exits worth 335 million USD.

The surprises of this quarter were telecom with 137 million USD in exits, representing an increase of 841% from a year ago and shipping and logistics, with 115 million USD, a 350% increase from a year ago. Media and entertainment also performed well, with 186 million USD in exits, a 485% increase from the first quarter of this year.

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

#### Exits by industry



Data provided by Venture Intelligence

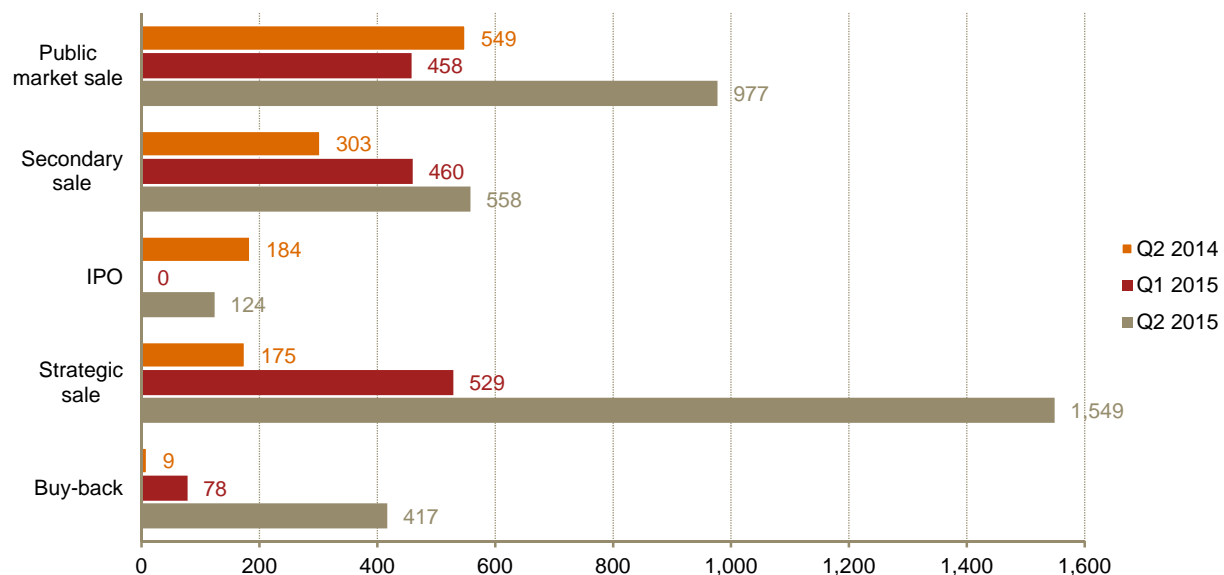
## Analysis of PE exits

### Exits by type Q2 '14, Q1 '15 and Q2 '15

Strategic sales continued to be the preferred mode of exit in this quarter, with 1.55 billion USD of exits (in 11 deals) routed this way. Public market exits also witnessed a spurt, with 977 million USD in 27 deals. Secondary sale deals saw an exit value of 558 million USD (five deals), while the buy-back option was also exercised effectively (417 million USD in four deals) this quarter.

#### Exits by type

(in US\$ Mn)



Data provided by Venture Intelligence

## Analysis of PE exits

### Top five PE exits Q2 '15

The top five exits comprised 68% of the total exit value in Q2 '15.

#### Top five PE exits in Q2 2015

Company	Industry	Investors	Deal amount (in million USD)
iGate	IT & ITES	Apax Partners	1,122.44
Freecharge.in	IT & ITES	Sequoia Capital India, Valiant Capital, Ru-Net Holdings, Tybourne Capital	400
Shriram City Union Finance	BFSI	TPG Capital	383
Lafarge India	Manufacturing	Baring Asia	305.52
CMS Info Systems	IT & ITES	Blackstone	250

Data provided by Venture Intelligence



## 4. Active PE firms

Based on the volume of deals, Sequoia Capital was once again the most active investor for Q2 '15, followed by Accel India.

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

### Most active PE investors in Q2 '15

Investors	No of deals*
Sequoia Capital India	15
Accel India	11
SAIF	10
Tiger Global	10
Nexus Ventures	9
Kalaari Capital	7
Helion Ventures	5
Bessemer	4
Kae Capital	4
YouWeCan Ventures	4
Blume Ventures	3
Fidelity Growth Partners	3
Foundation Capital	3
IDG Ventures India	3
IFC	3
Infuse Ventures	3
Inventus Capital Partners	3
Mayfield	3
NEA	3
Norwest	3
Outbox Ventures	3
Temasek	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

The past year has seen numerous PE firms invest in companies in emerging technologies and e-commerce. There has been a significant uptick in the overall volume of transactions and we expect more of these types of deals, driven by the strong prospects in the technology industry.

India is poised to become the world's second-largest internet market after China. A huge proportion of the population, especially millennials, are leapfrogging the computer era and directly embracing smartphones. Digital is changing the rules of customer engagement in India as the availability of affordable smartphones and wireless internet is fostering the growth of a new breed of digital-savvy consumers who demand personalised and seamless experiences. The proliferation of emerging technologies like social, mobile and cloud applications is having a significant impact on consumer expectations in India. This proliferation has increased the number of digital touchpoints that organisations must address.

Indian entrepreneurs are using this consumer shift to disrupt existing business and revenue models. Born-digital firms like Flipkart and Big Basket are reshaping customer experiences and expectations, and disrupting the Indian retail industry in the process. Companies like Ola Cabs and Zomato are solving real business issues in travel and hospitality and have become an essential part of day-to-day functioning.

While the majority of existing businesses in India have a digital strategy in place, these strategies simply bolt digital onto the existing business model. However, to achieve a complete transformation, businesses will have to rethink their business models and place digital at the core.

We expect this trend to continue with more firms investing in newer technologies. Smart machines are expected to usher in a new era of digital transformation with wearables, advanced robotics, 3D printing, virtual personal assistants and smart advisors evolving rapidly. Customer experience is the key to success in the growth of internet businesses and we expect to see significant product investment from companies in improving the customer experience and consumer engagement.

Sandeep Ladda

Technology Leader

PwC India





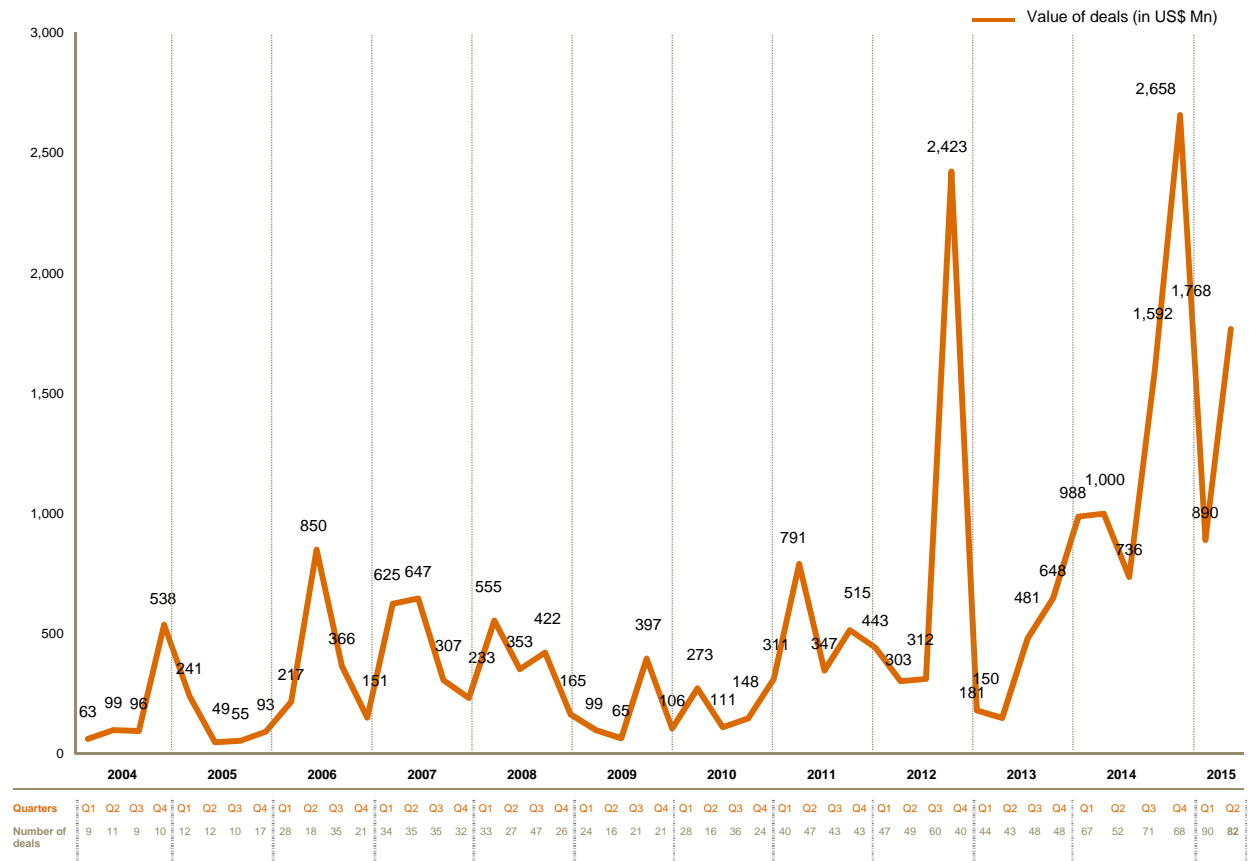
**Total PE investments**

Technology investments have once again returned to the limelight in this quarter, with 1.77 billion USD in 83 deals, which is almost double of what these investments attracted in the previous quarter (890 million USD), and over two and a half times better than the same period last year (736 million USD).

The average deal size of this quarter is 21.29 million USD, which was better than the 9.78 USD of the previous quarter.

The average deal size in early-stage investments has again surged to 3.86 million USD in this quarter.

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



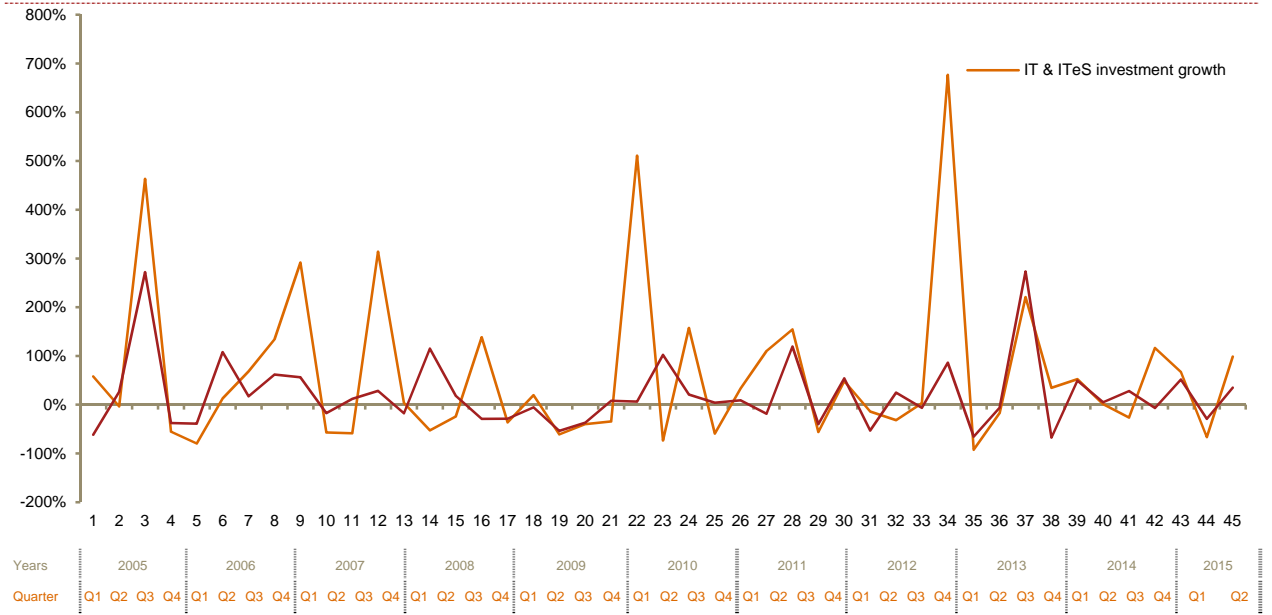
Data provided by Venture Intelligence

## 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 the sector had higher growth than the total PE funding in most quarters. This quarter is no exception, as the sector grew 99% against the overall PE investment growth of 35%.



### Value of PE investments in the IT & ITeS sector

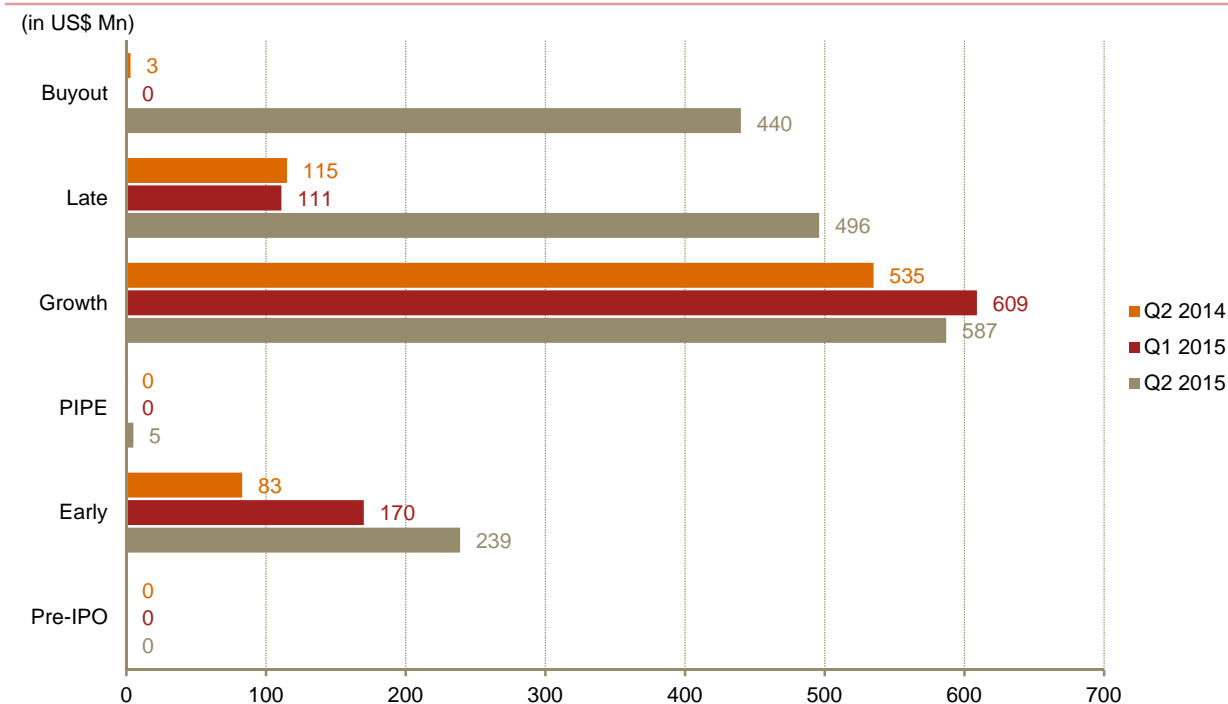


Data provided by Venture Intelligence

**Investments by stage of development**  
Q2 '14, Q1 '15 and Q2 '15

Growth investments have continued to hold the top slot, with investments of 587 million USD in 12 deals. Late-stage investments have seen a huge surge to 496 million USD in seven deals compared to the previous quarter (111 million USD) and the year-ago period (115 million USD). Buyouts have brought in investments worth 440 million USD, while early-stage investments climbed to 239 million USD.

**IT & ITeS investments by stage of development**

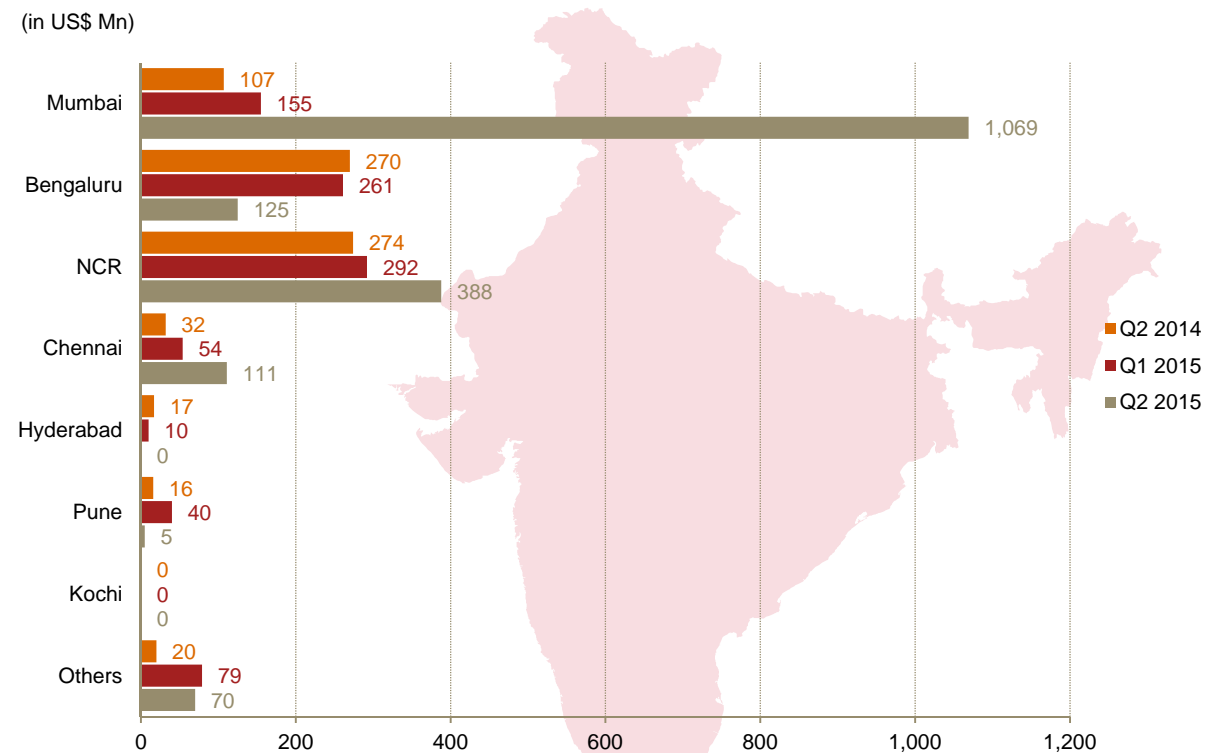


Data provided by Venture Intelligence

## Investments by region Q2 '14, Q1 '15 and Q2 '15

For technology, Mumbai has won the top slot for investment destination this quarter, with total investments worth 1.07 billion USD in 16 deals, followed by NCR (388 million USD in 27 deals). Bengaluru has attracted 125 million USD, while Chennai saw investments worth 111 million USD.

### IT & ITeS investments by region



Data provided by Venture Intelligence

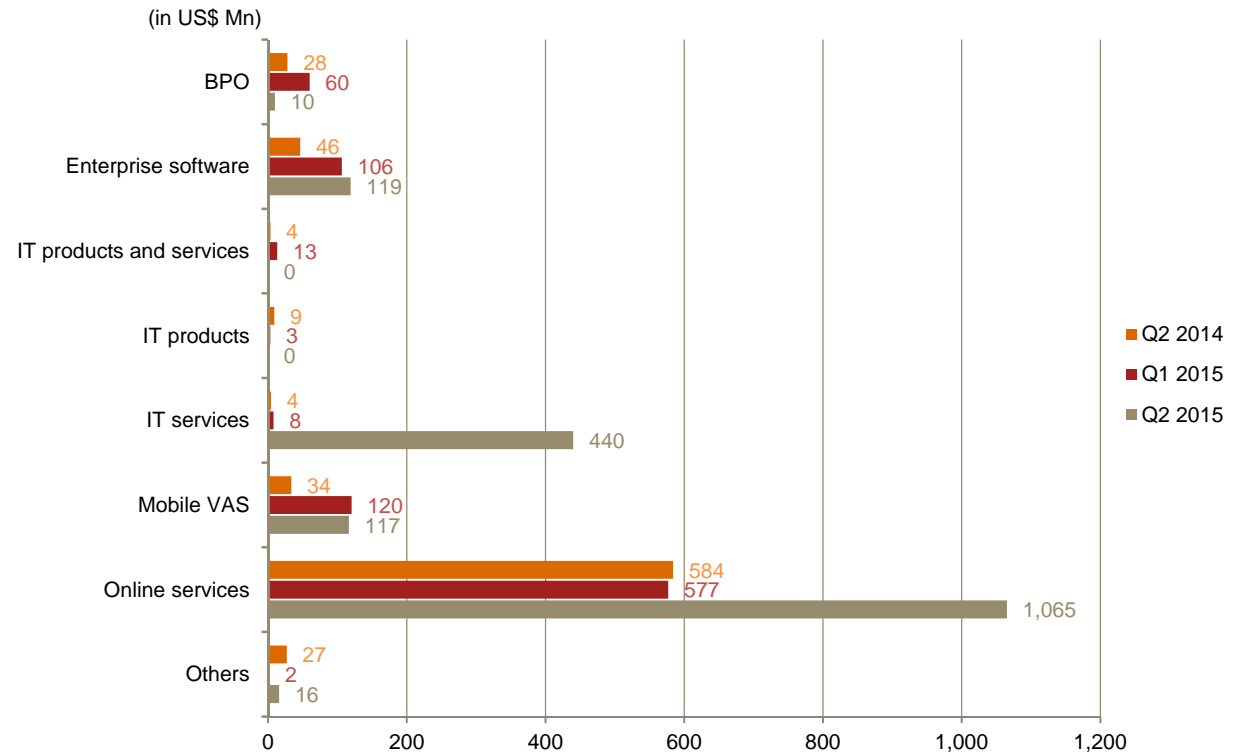
## Sector focus: IT & ITeS

### Investments by subsector Q2 '14, Q1 '15 and Q2 '15

As in previous quarters, the online services subsector retained the top slot, receiving 60% of the total deal value (1.07 billion USD in 45 deals), followed by IT services (440 million USD in 1 deal).



#### IT & ITeS investments by subsector



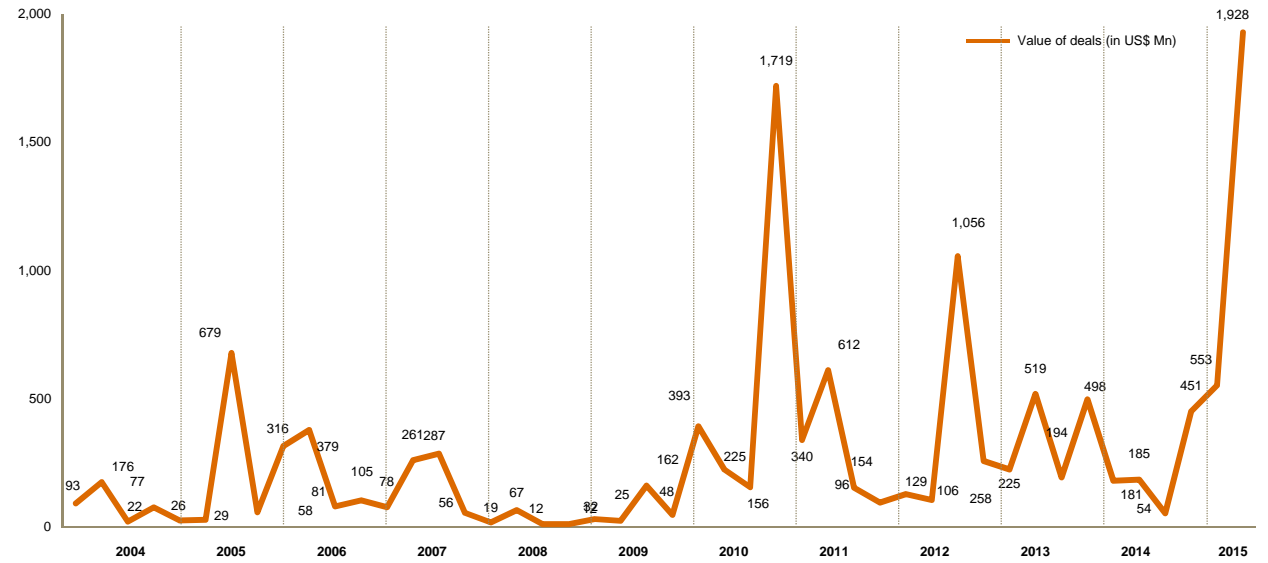
Data provided by Venture Intelligence

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

The IT & ITeS sector has witnessed a surge in exit activity as compared to recent quarters. There were 13 exits worth 1.93 billion USD this quarter, while the previous quarter saw exits worth 553 million USD in 14 deals. Q2 '14 witnessed exits worth just 185 million USD in 14 deals.

Strategic sales spurred the exit rally, with 79% of the total exits routed through this mode, that is, 1.52 billion USD in just six deals. Secondary sales saw exits worth 292 million USD.

**Total PE exits**



Quarters	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	8	4	3	12	5	6	8	8	7	6	11	12	9	16	7	8	9	5	4	3	5	4	8	8	14	11	4	13	9	8	4	9	11	9	8	9	5	10	9	7	9	14	7	15	14	13

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 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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[www.pwc.in](http://www.pwc.in)

### **Contacts**

**Sandeep Ladda**

Leader, Technology  
PwC India

[sandeep.ladda@in.pwc.com](mailto:sandeep.ladda@in.pwc.com)

**Sanjeev Krishan**

Leader, Private Equity  
PwC India

[sanjeev.krishan@in.pwc.com](mailto:sanjeev.krishan@in.pwc.com)

*This report was researched and written  
by the following:*

**Pradyumna Sahu**

Director, Technology  
PwC India

[pradyumna.sahu@in.pwc.com](mailto:pradyumna.sahu@in.pwc.com)

**Sibi Sathyan**

Knowledge Manager, Private Equity  
PwC India

[sibi.sathyan@in.pwc.com](mailto:sibi.sathyan@in.pwc.com)

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