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PricewaterhouseCoopers India Pvt Ltd

MoneyTree™ India Report *Q3 2015*

Data provided by Venture Intelligence

Technology Institute

*This special report
provides summary results of
Q3 '14, Q2 '15, and Q3 '15.*



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1. Overview

To the peak

Private equity (PE) investments in India witnessed the best nine months since 2007, with overall investments attracting 13.8 billion USD across 535 deals. At the current pace, 2015 is well on course to becoming the best year for PE investments, surpassing the 14.7 billion USD that the country saw across 533 deals in full-year 2007 (the highest to date).

Specific to Q3, total investment inflows reached 6.1 billion USD across 184 deals, which was again a record—the best quarter in the history of Indian PE (compared to the investments worth 5.4 billion USD across 179 deals in Q4 2007). This record was made possible by sustained interest in e-commerce within the information technology (IT) & IT-enabled services (ITeS) sector, which alone saw 3.6 billion USD of investments across 112 deals.

The e-commerce element within the IT & ITeS sector constituted investment around 2.6 billion USD. Key investments included Flipkart (700 million USD), Snapdeal, (500 million USD), Ola (245 million USD), and Uber, Saavn, Pepperfry and Oyo (100 million USD each). Outside of e-commerce, the acquisition of Serco by Blackstone for 383 million USD was the other notable deal in the IT sector.

The energy sector also saw some significant investments: 549 million USD across seven deals, including a 256-million USD buyout of Greenko Group by GIC, a 150-million USD investment in Amplus Energy by I Squared Capital and a 121-million USD investment in Ind-Barath by Macquarie.

The single 500-million USD buyout of ACT broadband by India Value Fund and TA Associates made the telecom sector the third largest sector (in terms of value). Financial services attracted 300 million USD in six deals, while the manufacturing sector saw 299 million USD and healthcare, 265 million USD



(both with 10 deals each). Food and beverages saw investments worth 227 million USD across 10 deals.

Surprisingly, exits were relatively lukewarm this quarter (1.9 billion USD, despite the quarter having six IPOs).

The government's commitment to growth and actions on reforms is expected to keep the India story positive. The central bank's decision to revise the interest rate downward will only provide a better platform for industries. With worldwide anxiety around China's economy slowing and commodity prices not likely to see significant improvement in the foreseeable future, the next few quarters (years) can only lead to heightened interest from all investors in Indian assets.

Sanjeev Krishan

Leader, Private Equity and Transaction Services
PwC India

2. Analysis of PE investments

Total equity investments in PE-backed companies

It has been an amazing quarter for Indian private equity (PE). With investments worth 6.1 billion USD in 184 deals, the third quarter of 2015 stands as the best-ever quarter in the history of Indian PE. Q3 of 2015 surpassed Q4 of 2007, which had been the best thus far, with investments of 5.4 billion USD in 179 deals.

The third quarter has seen investments doubling compared to the same period last year and a 36% increase as compared to the previous quarter. The Q3 '14 investment inflow was 2.9 billion USD in 134 deals, whereas Q2 '15 saw investments of 4.5 billion USD in 159 deals.

The first three quarters of 2015 together attracted 13.8 billion USD, which is an all-time record.

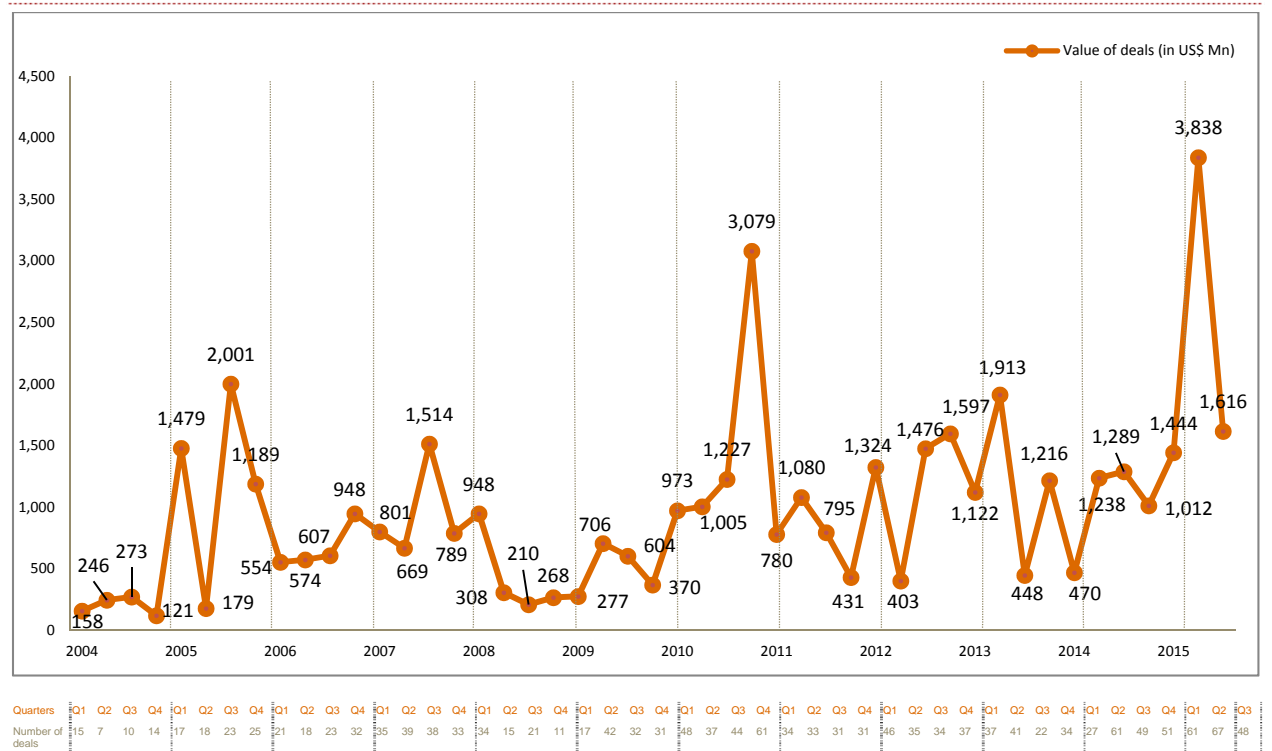
The information technology (IT) and IT-enabled services (ITeS) sector continued to make headlines with bigger deals, comprising 58% of the total deal value—3.6 billion USD from 112 deals, which is 91% higher than the deal value of the previous quarter and more than double that of the year-ago period.

The energy sector, which was a distant second, attracted 549 million USD in seven deals, while a single deal in telecom brought the sector to the limelight with a 500-million USD investment.

Late-stage investments have continued to perform well and attracted 2.4 billion USD, while the market saw buyouts worth 1.5 billion USD.

Following a neck-and-neck race, Bangalore beat out Mumbai by a narrow margin in terms of geography, with investments worth 1.8 billion USD. Mumbai, in comparison, attracted 1.7 billion USD.

Total private equity exits



Data provided by Venture Intelligence

Analysis of private equity investments

Investments by industry

Q3 '14, Q2 '15 and Q3 '15

The IT & ITeS sector continues to outperform with bigger deals. Investments in the IT sector comprised 58% of the total deal value—3.6 billion USD from 112 deals—i.e. 91% higher as compared to the previous quarter and more than double the value in the year-ago period. In Q2 '15, the IT sector attracted 1.9 billion USD in 91 deals. The total investment was 1.6 billion USD in 76 deals in Q3 '14.

This quarter, a surge in e-commerce once again brought cheer to the sector. Over 75% of the total investment in the IT sector was in e-commerce. This segment alone attracted 2.7 billion USD, aided by investments in Snapdeal, Flipkart, Ola, Pepperfry, Oyo, Uber, to name a few.

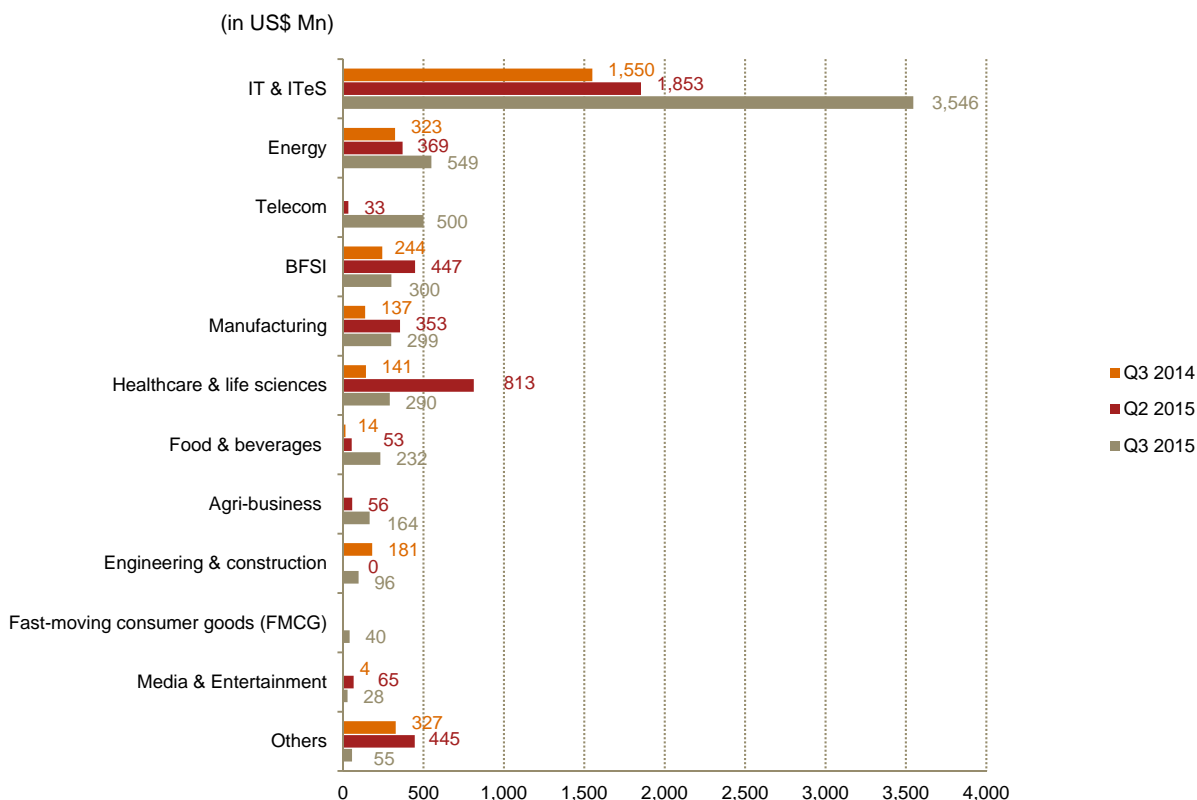
The energy sector is a distant second, with investments of 549 million USD from seven deals. This figure is 49% higher than the previous quarter's 369 million USD in 8 deals and 70% higher than the year-ago period, which saw investments worth 323 million USD in 13 deals.

With a single buyout deal of ACT Broadband by India Value Fund and TA Associates, the telecom sector attracted 500 million USD as compared to just 33 million USD in the previous quarter.

Note: Others include other services, education, textiles & garments, travel & transport, mining & minerals, gems & jewellers, hotels & resorts, sports & fitness, and retail.

The financial sector attracted investments worth 300 million USD, a 33% drop from the previous quarter's 447 million USD, while manufacturing attracted 299 million USD, a 15% drop from Q2 '15 (353 million USD). Healthcare saw another not-so-good quarter with investments of 290 million USD, a 64% drop from Q2 '15. Interestingly, food & beverages attracted 232 million USD in 11 deals.

Investments by industry



Data provided by Venture Intelligence

Analysis of private equity investments



‘The technology sector has once again emerged as the leader in terms of value and volume of investments, with e-commerce leading the pack. More than 3.5 billion USD was raised in this quarter, which is more than double the amount in the same period of the previous year. Several VCs raised new funds over the last few months, which led to faster deployment and boosted early-stage deals. In terms of segments, hyperlocal and mobile value-added services (VAS) companies saw significant traction. Given the Modi government’s objectives of enabling a start-up ecosystem in India through the ‘Digital India’ and ‘Start-up India, Stand up India’ campaigns, we expect exciting times ahead for the tech community.’

Sandeep Ladda

Leader, Technology Industry, PwC India

‘The spurt in new investments in renewable energy projects and service providers is driven by supportive state and national government policies, and a robust flow of new tenders for solar power projects. The proposed development of 25 large-scale solar parks will help sponsors deliver projects quicker and cheaper, which makes renewable energy more attractive to utilities purchasing it. We expect to see further overseas investment in successful renewable energy developers, and in services for grid integration, storage, and O&M.’

Kameshwara Rao

Leader, Energy Industry, PwC India

‘India’s young population is hungry for data access anytime, anywhere and at affordable price points. Companies that enable this will attract investments, as the potential to monetize such a connected customer base holds a lot of promise. PE investments are likely in companies innovating with newer technologies, service solutions and support infrastructure such as towers.’

Arpita Pal Agarwal

Leader, Telecom Industry, PwC India

Analysis of private equity investments

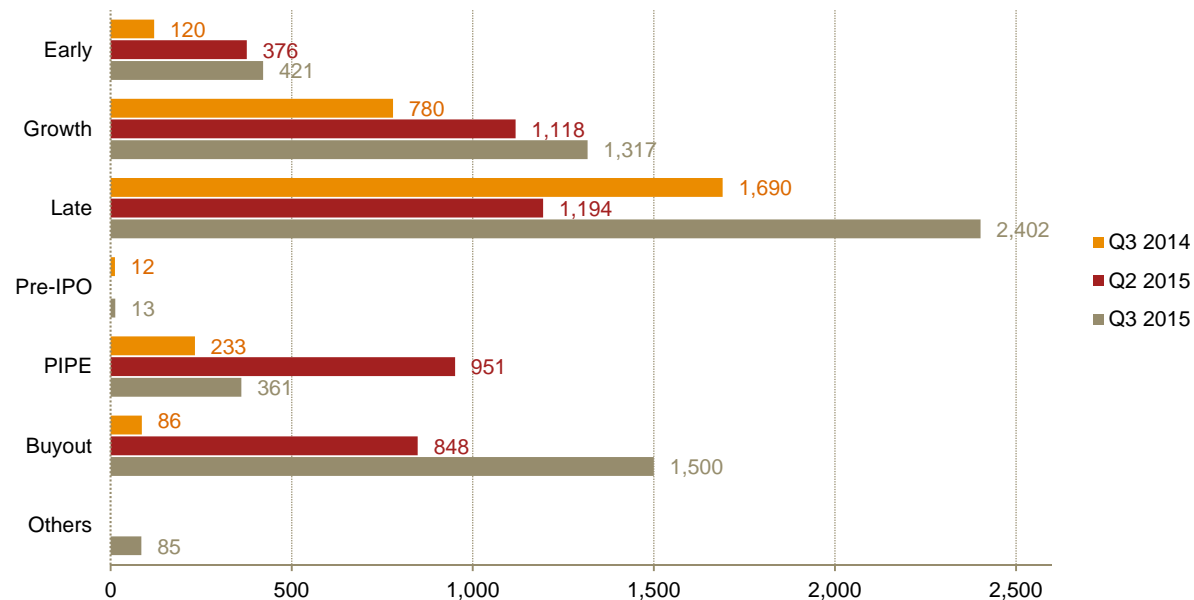
Investments by stage of development

Q3 '14, Q2 '15 and Q3 '15

In the third quarter of the year, late-stage investments continued to be the preferred investment route for investors, receiving 2.4 billion USD in 26 deals. Interestingly, the market has seen buyouts worth 1.5 billion USD in 12 deals. Growth-stage deals secured the third position, with deals worth 1.3 billion USD. This quarter was not favorable to PIPE deals, which attracted just 361 million USD—i.e., even less than early-stage investments (421 million USD).

Investments by stage of development

(in US\$ Mn)



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

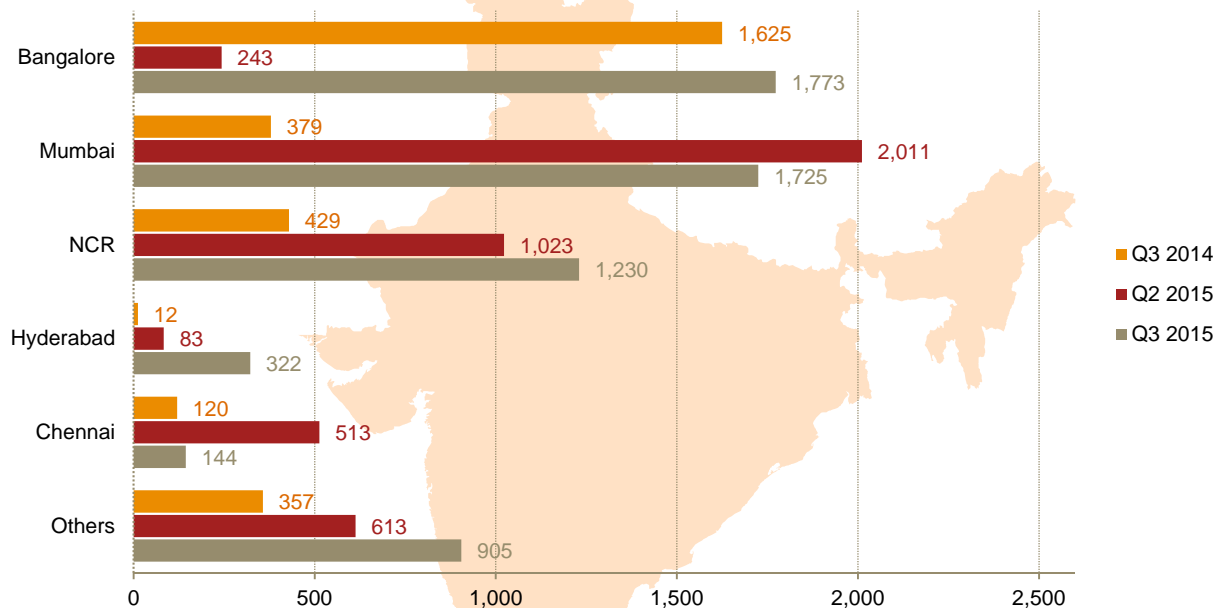
Investments by region

Q3 '14, Q2 '15 and Q3 '15

Bangalore finished just ahead of Mumbai as the preferred investment destination, with investments worth 1.8 billion USD in 46 deals. In contrast, Mumbai has seen investments worth 1.7 billion USD in 48 deals. The National Capital Region (NCR) attracted deals worth 1.2 billion USD. Interestingly, Hyderabad topped Chennai (144 million USD) with deals worth 322 million USD. Bhubaneswar (121 million USD) and Ludhiana (100 million USD) are the two surprise entrants to the top geographies list this quarter.

Investments by region

(in US\$ Mn)



Note: NCR includes Delhi, Gurgaon and Noida.

Data provided by Venture Intelligence

Analysis of private equity investments

Top 20 PE deals Q3 '15

The top 20 deals comprised 68% of the total deal value in Q3 '15. As in the previous two quarters, the range of mid-sized deals surpassed big-ticket investments. The top five deals accounted for just 38% of the total deal value, the average value being 33.2 million USD.



Top 20 PE deals in Q3 2015

Company	Industry	Investors	Amount (US\$ Mn)
Flipkart	IT & ITeS	Tiger Global, Steadview Capital, Others	700
ACT Broadband	Telecom	India Value Fund, TA Associates	500
Snapdeal.com	IT & ITeS	Temasek, PremjiInvest, SoftBank Corp, Others	500
Intelenet Global Services	IT & ITeS	Blackstone	383
Greenko Group	Energy	GIC	256
Ola	IT & ITeS	Tiger Global, SoftBank Corp, Steadview, Falcon Edge Capital, Others	245
L&T Finance Holdings	BFSI	Bain Capital	200
Amplus Energy	Energy	I Squared Capital	150
Metropolis Healthcare	Healthcare & life science	Carlyle	128
National Collateral Management Services	Agri-business	Fairbridge Capital	126
Ind-Barath Energy (Utkal)	Energy	Macquarie	121
Cremica	Food & beverages	CX Partners	100
[Inmobi]	IT & ITeS	Tennenbaum Capital, Others	100
Oyo Rooms	IT & ITeS	Sequoia Capital India, Lightspeed Ventures, SoftBank Corp, Greenoaks Capital	100
Pepperfry.com	IT & ITeS	Goldman Sachs, Norwest, Zodius Capital, Bertelsmann India Investments	100
Saavn.com	IT & ITeS	Tiger Global, Quilvest, Bertelsmann India Investments, Steadview, Mousse Partners, Others	100
Uber	IT & ITeS	Tata Capital	100
Practo	IT & ITeS	Altimeter Capital, Sequoia Capital India, Matrix Partners India, Google Capital, DST Global, Sofina, Tencent	90
Gammon Infrastructure	Eng. & construction	Kotak Mahindra (UK), Brookfield	85
ServiceMax	IT & ITeS	PremjiInvest, Others	82

Data provided by Venture Intelligence

3. Analysis of PE exits

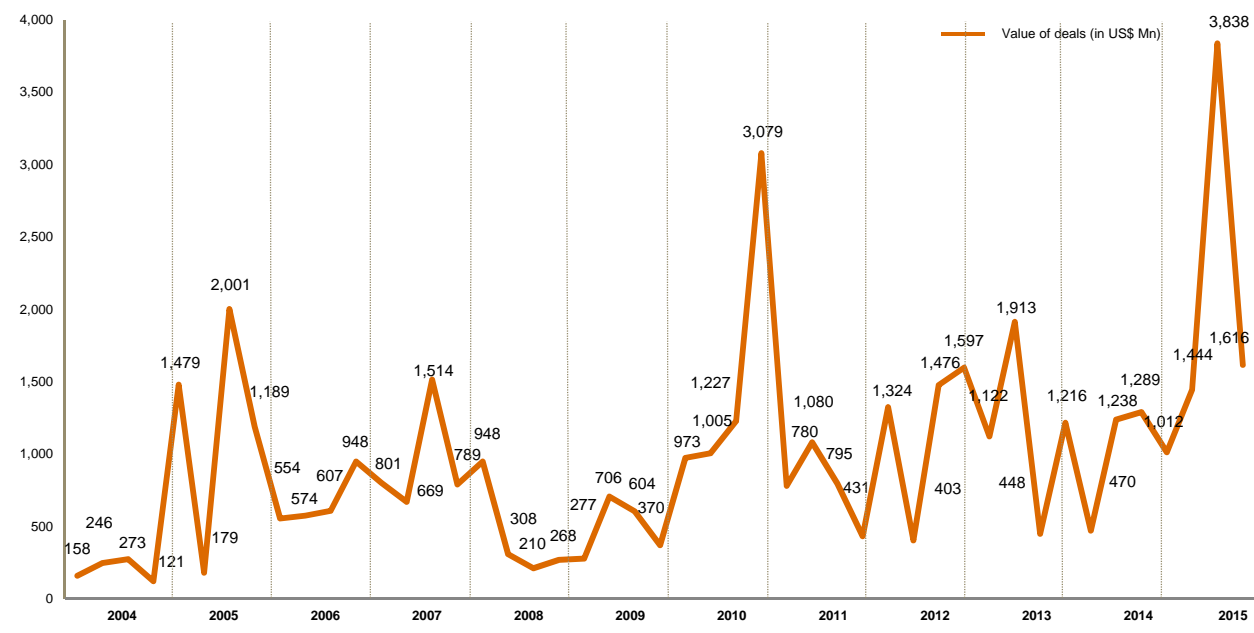
Total PE exits

After a second quarter of ‘super exits’, which saw exits worth 3.8 billion USD in 67 deals, the third quarter of the year disappointed with exits worth 1.6 billion USD in 48 deals. This is a 58% drop from the previous quarter and marks a 25% surge as compared to Q3 '14, which saw exits worth 1.3 billion USD.

With just two deals, telecom outshined other sectors in exits with a deal value of 500 million USD, which is 85% higher than previous quarter's 271 million USD. The financial sector saw exits worth 298 million USD, a 40% drop from Q2 '15. Further, the energy sector benefitted from five exits which together were worth 136 million USD, compared to just 12 million USD in the previous quarter.

In this quarter, secondary sales raced past others as the favorite exit route, with a total value of 661 million USD. On the other hand, strategic sales saw exits worth 536 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																			
Number of deals	15	7	10	14	17	18	23	25	21	18	23	32	35	39	38	33	34	15	21	11	17	42	32	31	48	37	44	61	34	33	31	31	46	35	34	37	37	41	22	34	27	61	49	51	61	67	48

Data provided by Venture Intelligence

Analysis of PE exits

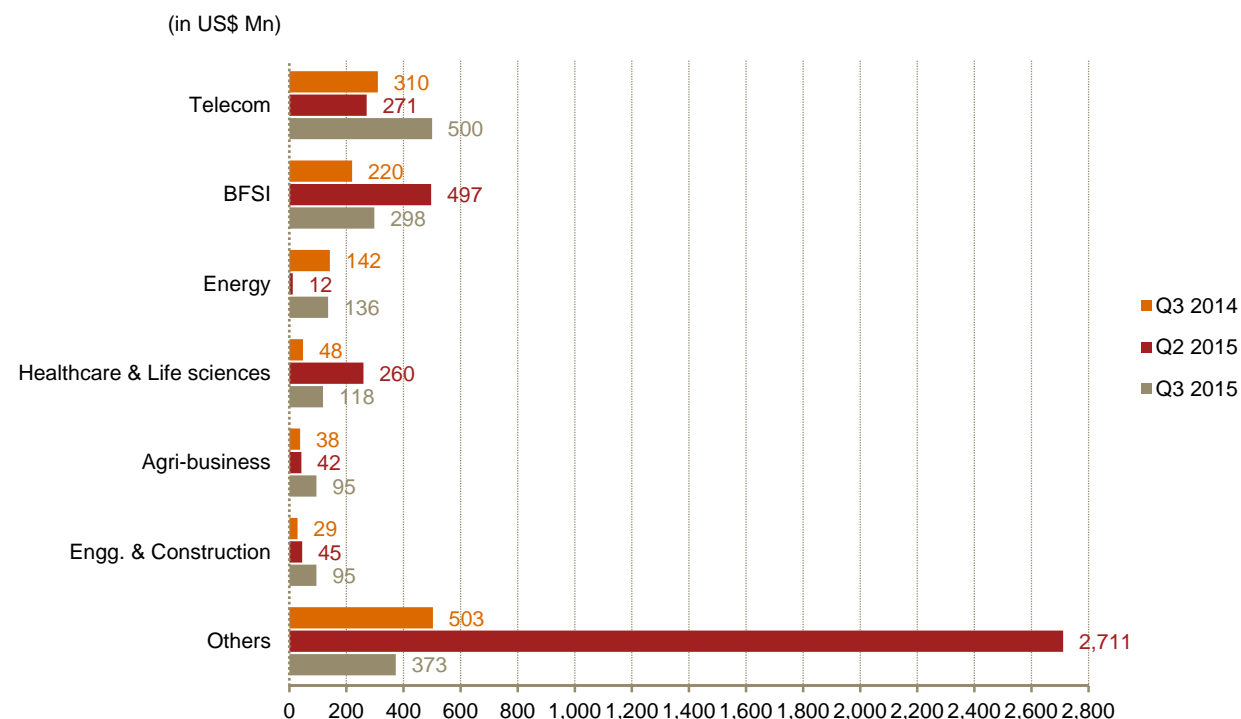
Exits by industry Q3 '14, Q2 '15 and Q3 '15

Two big-ticket deals have helped the telecom sector outpace the other sectors in PE exits. The sector witnessed an 85% surge as compared to investments of 271 million USD in the previous quarter. Despite being the second-best sector in exits, the financial sector saw a drop of 40% in exit value—298 million as compared to the previous quarter's 497 million USD.

The energy sector benefitted with five exits with a combined worth of 136 million USD, compared to just 12 million USD in the previous quarter. Healthcare exits saw a drop of 55% at 118 million USD as compared to 260 million USD in Q2 '15. Agri-business and engineering & construction each witnessed exits worth 95 million USD.

Note: Others include IT & ITeS, FMCG, education, gems & jewelry, media & entertainment, mining & minerals, travel & transport, shipping & logistics, other services, retail, food & beverages, and hotels & resorts.

Exits by industry



Data provided by Venture Intelligence

Analysis of PE exits

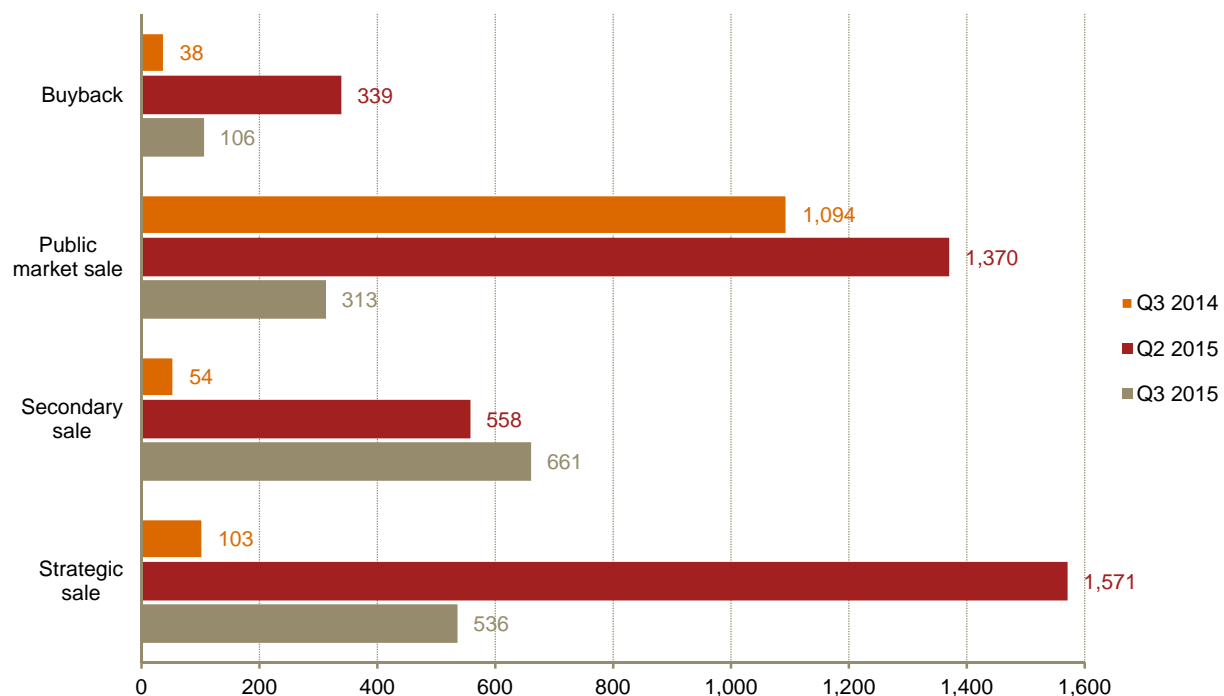
Exits by type

Q3 '14, Q2 '15 and Q3 '15

Secondary sales became the preferred exit mode this time, with exits worth 661 million USD in seven deals. Strategic sales were down to 536 million USD, a 66% drop as compared to the last quarter (1.6 billion USD). Public market sales saw 21 exits worth 313 million USD in this quarter, which is a 77% decline as compared to 1.4 billion USD in Q2 '15.

Exits by type

(in US\$ Mn)



Data provided by Venture Intelligence

Analysis of PE exits

Top five PE exits Q3 '15

The top five exits comprised 65% of the total exit value in Q3 '15.

Top five PE exits in Q3 2015

Company	Industry	Investors	Deal amount (US\$ Mn)
ACT Broadband	Telecom	India Value Fund	400
Sharekhan	BFSI	TRG Global Private Equity, Baring Asia, Samara Capital	250
Ind-Barath Energy (Utkal)	Energy	3i IIF	121
Bharti Infratel	Telecom	Temasek	100
Gateway Rail Freight	Shipping & logistics	Blackstone	90
National Collateral Management Services	Agri-business	IFC, Rabo Equity	89

Data provided by Venture Intelligence



4. Active PE firms

Based on the volume of deals, Accel India and Sequoia Capital were the most active investors this quarter, with 14 deals each. Helion and Tiger Global took up the second position with over 10 transactions each.

The most active PE investors in the third quarter of 2015 are listed to the right.

Most active PE investors in Q3 '15

Investors	No of deals*	Investors	No of deals*
Accel India	14	Bessemer	3
Sequoia Capital India	14	Catamaran Ventures	3
Helion Ventures	10	Everstone	3
Tiger Global	10	Exfinity Fund	3
SAIF	8	Falcon Edge Capital	3
Fidelity Growth Partners	6	IDG Ventures India	3
Kalaari Capital	6	Infuse Ventures	3
Ratan Tata	6	M&S Partners	3
Lightspeed Ventures	5	Nexus Venture Partners	3
Qualcomm Ventures	5	Norwest	3
Saama Capital	5	Temasek	3
Tata Capital	5	WestBridge	3
Beenos Partners	4	YouWeCan Ventures	3
Blume Ventures	4	Zodius Capital	3
Omidyar Network	4		

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 sector

The development of a new breed of start-ups in India, especially in the e-commerce and e-tail segments, over the past three to four years has raised the interest of overseas investors. Companies were initially focusing on growth, and a major chunk of investor money was going into customer acquisitions, generating traffic, discounts, etc. However, many e-commerce companies are changing their focus from valuations and growth to profitability, as raising capital becomes difficult. Earlier, in order to build a customer base, companies were able to provide discounts and spend significant amounts on marketing. However, the thinking has changed to controlling wasteful spends and focusing on profitability.

An important area of spend has been talent acquisition, as we have seen several industry veterans joining start-ups in strategic roles to drive growth. The Indian technology industry has seen a significant number of top management recruits, especially from Silicon Valley, and there is a need for people who have been involved in building at-scale technology products. Companies like Flipkart and Snapdeal have been hiring product management experts to help build products and design engineers who can focus on designing for first-generation mobile internet users.

Improvements in available infrastructure and increasing government support will help drive interest in India as a potential center for technology innovation.

Digital transformation has become a key topic of discussion in traditional companies in industries like retail, pharma, travel and hospitality. On the primary side, this concerns the front office, which includes everything related to the improvement of the customer experience—whether online or offline. From the secondary point of view, it also affects the back office, i.e., all areas related to mobile, analytics, big data and IoT. This trend has been driving major changes in the ecosystem and, in order to succeed, companies need to be aware of their customers' shifting challenges and requirements. IT teams in such companies will need to have a clear understanding of business processes and pain points. To achieve this, they have to develop their in-house consulting activities and establish closer relations with the lines of business, which have begun acting as decision makers in more and more projects.

Companies also need to build an ecosystem of partners to be able to meet the new customer requirements in the best possible way.

With regard to digital transformation, PwC's Digital IQ Survey* reveals that companies preferred to interact with customers mostly through mobile applications, mobile-friendly websites and mobile e-commerce. With an increase in smartphone sales and mobile internet usage in India, mobility solutions are fast becoming the dominant multichannel customer engagement platform for loyalty and brand management.



Sandeep Ladda
Technology Leader
PwC India

*[2015 Global Digital IQ® Survey](#)

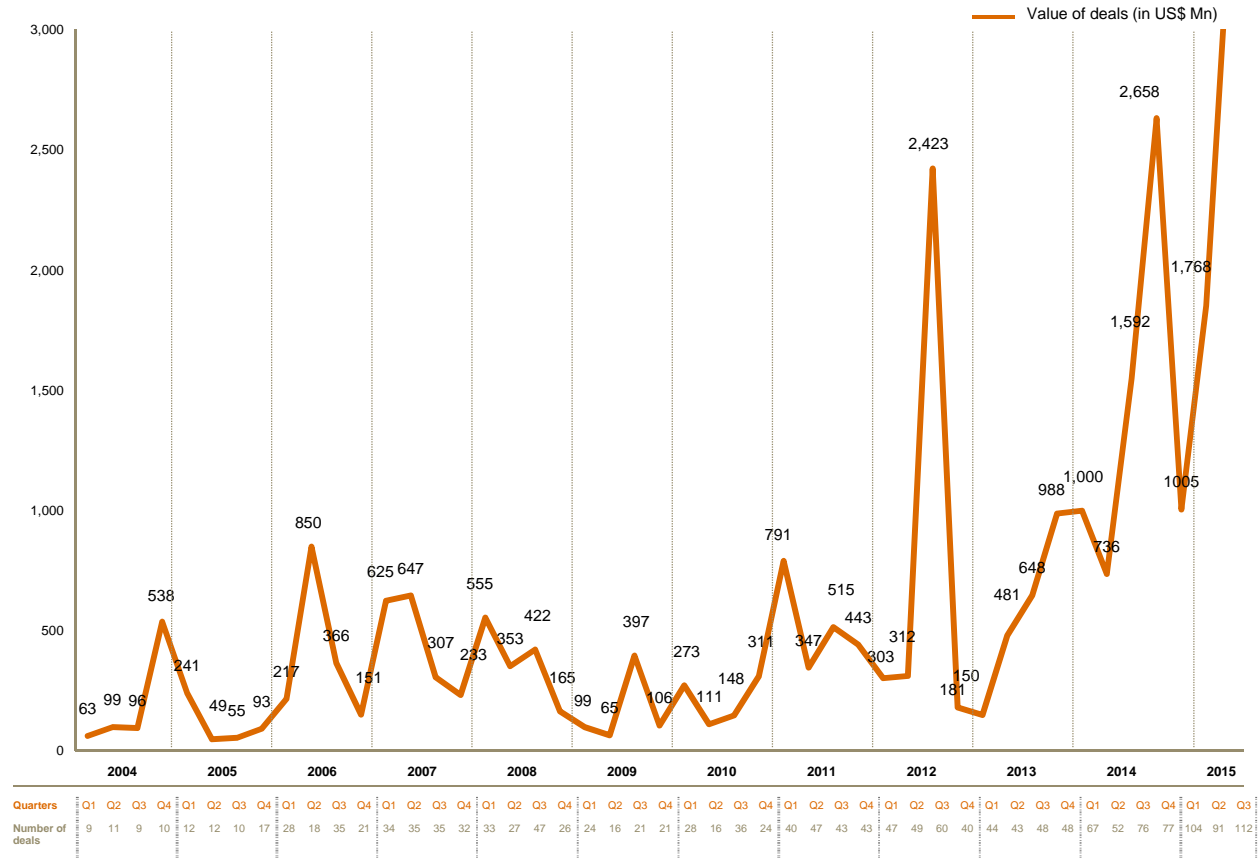
Total PE investments

Technology investments have reached an all-time high in Q3 of 2015, with an unprecedented deal value of 3.6 billion USD in 112 deals. This is over 90% higher than the previous quarter's 1.9 billion USD and more than double the value of the same period last year (1.6 billion USD in 76 deals).

The average deal size of this quarter is 31.67, as compared to 20.36 million USD in the previous quarter.

Further, the average deal size in early-stage investments surged to 4.54 million USD.

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



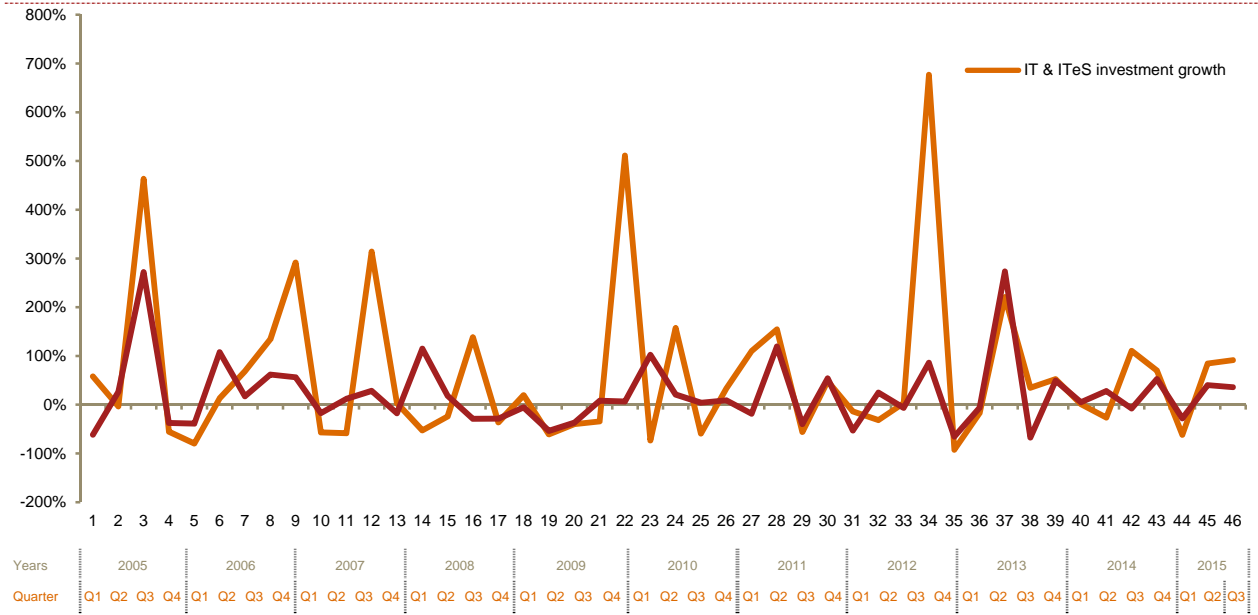
Data provided by Venture Intelligence

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 showed that funding for the sector was higher than the total PE funding in most quarters. This quarter was no exception as the sector grew 91% against the overall PE investment growth rate of 36%.



Value of PE investments in the IT & ITeS sector

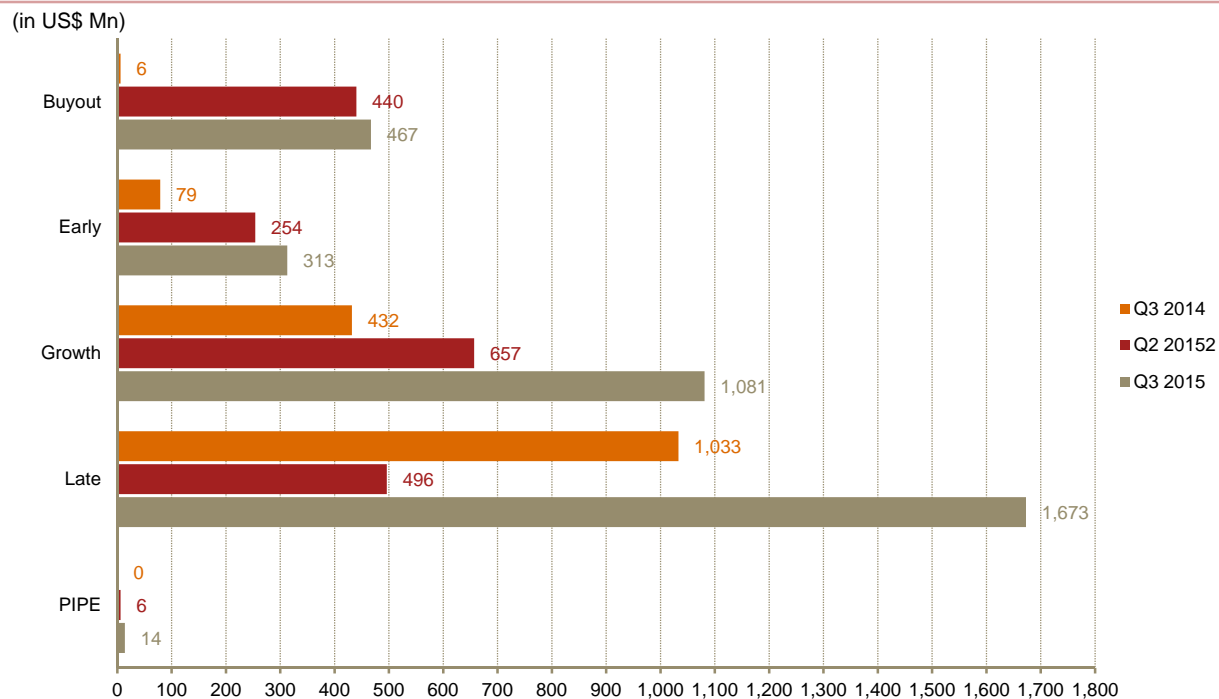


Data provided by Venture Intelligence

Investments by stage of development Q3 '14, Q2 '15 and Q3 '15

Late-stage investors outplayed others with investments worth 1.7 billion in digital India in 11 deals. This is an almost 2.5 times surge from the previous quarter's 496 million USD. In the same period last year, investments worth 1.0 billion USD went through the late-stage investment route. The growth stage has seen deals worth 1.1 billion USD, a 64% rise from the previous quarter's 657 million USD. There were four buyouts worth 467 million USD and 69 early-stage investments worth 313 million USD.

IT & ITeS investments by stage of development

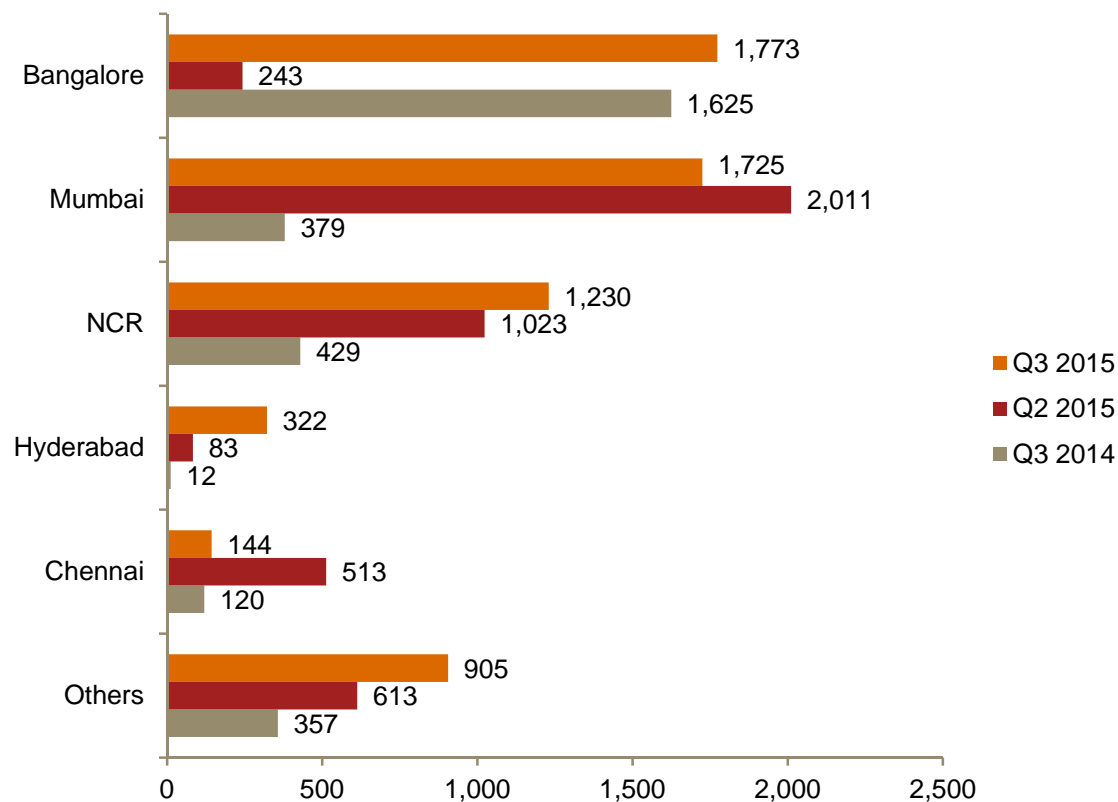


Data provided by Venture Intelligence

Investments by region
Q3 '14, Q2 '15 and Q3 '15

Bangalore emerged as the biggest technology investment destination of this quarter with 1.1 billion USD in 34 deals, while NCR attracted 916 million USD across 31 deals. Further, Mumbai attracted 896 million USD in 25 deals.

IT & ITeS investments by region



Data provided by Venture Intelligence

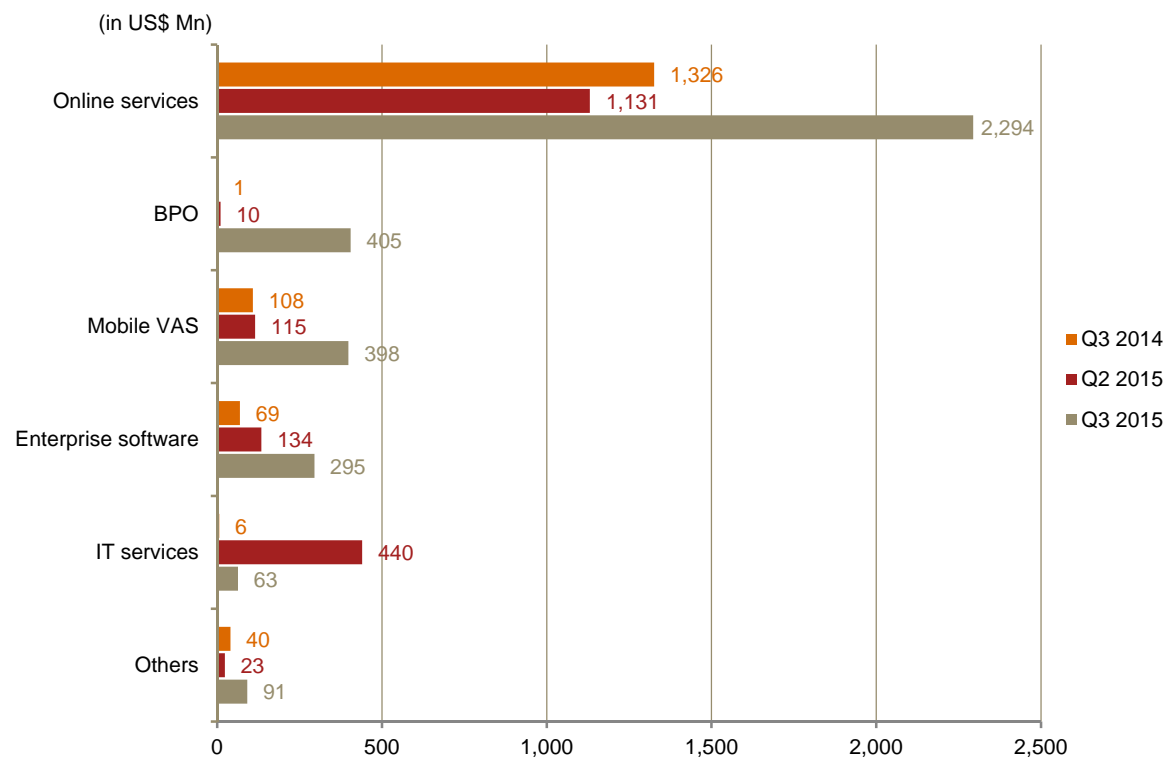
Sector focus: IT & ITeS

Investments by subsector Q3 '14, Q2 '15 and Q3 '15

The online services subsector retained the top slot, with investments worth 2.3 billion USD and receiving 64.7% of the total deal value in 60 deals. It was followed by BPO services (405 million USD in three deals).



IT & ITeS investments by subsector

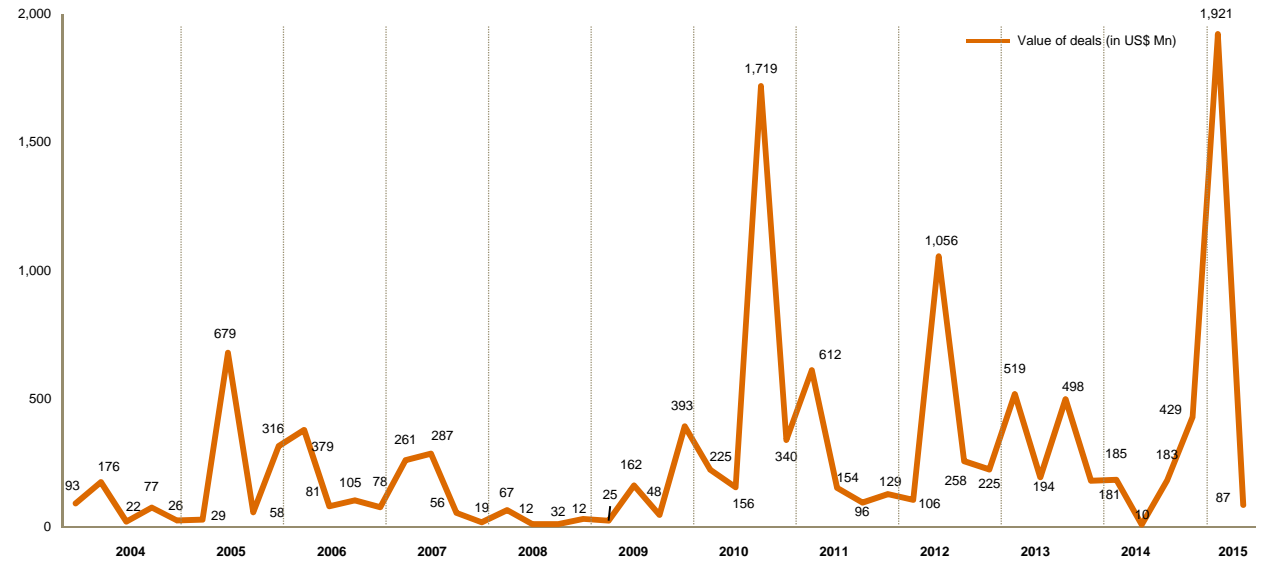


Data provided by Venture Intelligence

PE exits in the sector
Q3 '14, Q2 '15 and Q3 '15

The IT & ITeS sector witnessed a drop of 95% in exit value as compared to the previous quarter. There were just 10 exits worth 87 million USD as compared to 13 exits worth 1.9 billion USD in Q2 '15. Further, there was one secondary sale worth 60 million USD and nine strategic sales worth 27 million USD.

Total IT & ITeS exits



Quarters	Q1	Q2	Q3	Q4
2004	8	4	3	12
2005	5	6	8	8
2006	7	6	11	12
2007	9	16	7	8
2008	9	5	4	3
2009	5	4	8	8
2010	14	11	4	13
2011	9	8	4	9
2012	11	9	8	9
2013	5	10	9	7
2014	9	14	6	15
2015	16	13	10	

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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