



SAMPLE

India 2017

AVCJ private equity and venture capital report

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INTRODUCTION

Dynamic deals, indifferent investment?

As an investment environment, India seems never to have had it so good. India in 2016 saw record levels of M&A activity, building on an already strong year in 2015, when for the first time, the country led global levels of FDI. A government policy platform that may have had equivocal effects in other areas, such as demonetization, was supportive of M&A, leading to sector consolidation that produced some truly big deals, and Russian oil giant Rosneft's \$13 billion investment into ONGC Oil was the largest Indian FDI transaction ever. Private equity has been anything but behind by all this dynamic dealmaking. In fact, it has been overall a very attractive environment for the past few years. During years of high volatility, M&A transactions tend to bring its rewards through earnings, especially in 2016. GPs remain optimistic about the prospects for the country as a whole. Vishal Nevatia, Managing Partner of True Ventures, who founded the firm in 1999 and India was a \$500 billion economy. Today it is a \$1.5 trillion economy. There is a depth in sectors that wasn't present before – and some sectors have grown even faster than the overall economy."

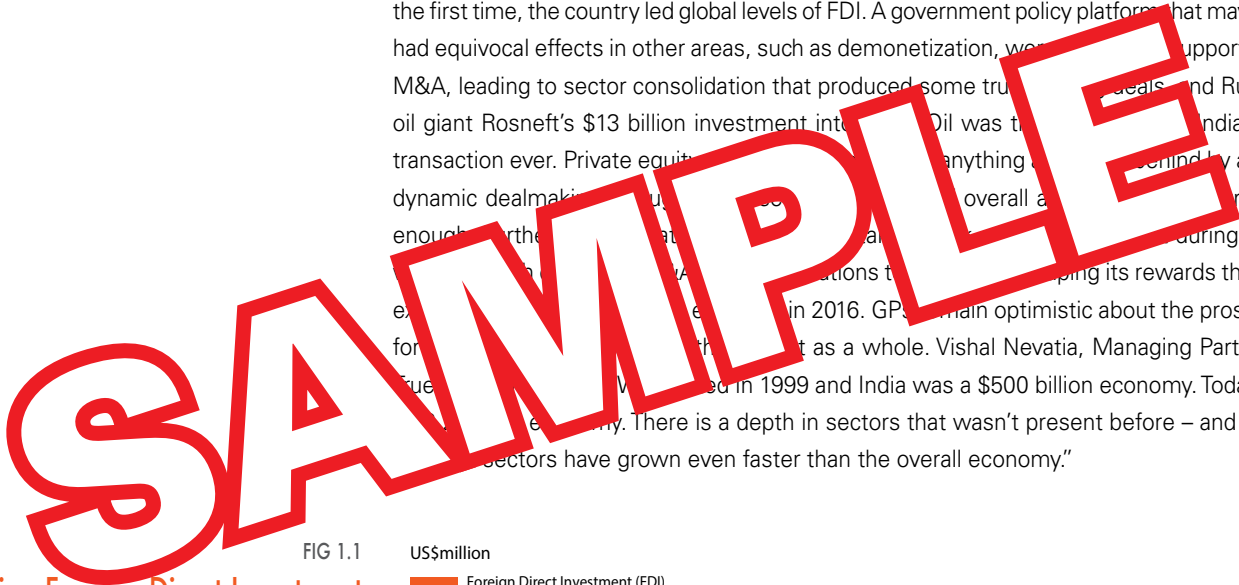
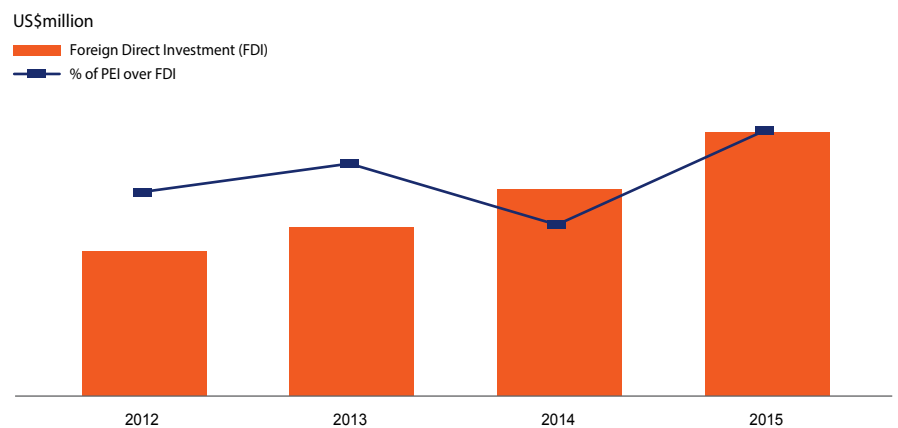


FIG 1.1
India - Foreign Direct Investment vs. Private Equity Investment



Source: United Nations Conference on Trade & Development
AVCJ Research

LPs, rather than GPs, however, retain a significant level of scepticism about Indian private equity. Take the claims of GPs to proprietary deal flow. "The word 'proprietary' is useful only if it's going to drive certain investment outcomes. If you give me a satisfactory fund level return and all the deals are proprietary or all the deals are non-proprietary, that's fine," remarked Sunil Mishra, a partner with Adams Street Partners. "Everybody says they

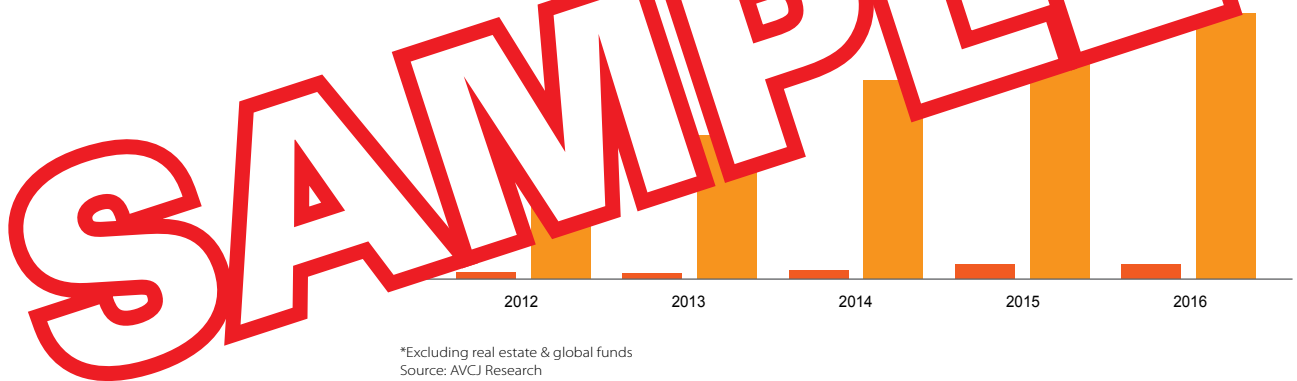
FUNDRAISING

Raising remains on track

India saw an extremely steady fundraising performance in 2016, with just a 3.1% change on the previous year: just over \$5.66 billion raised for Indian private equity in 2016 compared to \$5.84 billion in 2015. The number of funds also remained fairly constant at 41 in 2016 versus 38 in 2015.

FIG 3.1
Total Funds Raised (2012- 2016)

US\$million
India
Asia



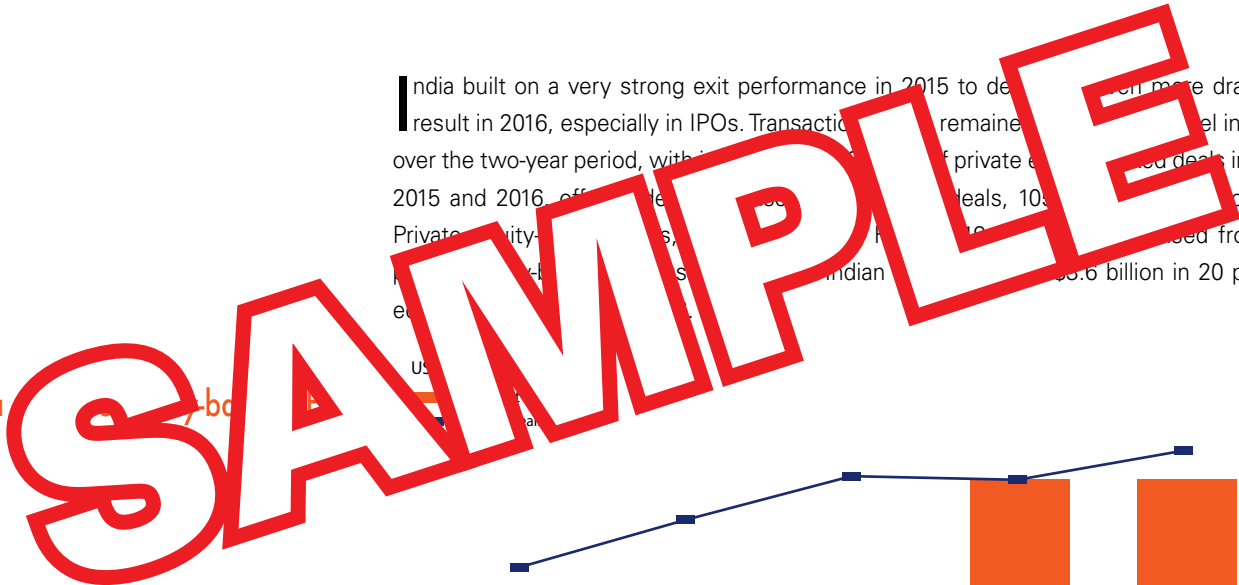
The largest fund closing for India in 2016 was in fact for a distressed assets/NPL fund – the Brookfield-SBI stressed-asset JV Fund, managed by SBI Capital Markets, which closed at just over \$1.04 billion. Second largest was the Sequoia Capital India V fund, which closed at \$920 million against its \$800 target. And third largest was the ICICI Venture Funds and Resurgent Power Ventures-managed Resurgent Power Ventures infrastructure fund, which closed at \$850 million. The Sequoia fund was also India's largest fund closing by target size in 2016, followed by the Multiples Private Equity Fund II (Plenty Private Equity Fund I), which raised \$685 million during the year, against a \$650 million original target, and the ChryCapital VII fund, which saw a \$350 million first close against its \$600 million target.

Largest fund still in the market in India in 2016 was the Exhilway Global Opportunities Fund, L.P. (EGO I), launched in December 2013 with a target of \$1 billion and still in the market after its \$200 million first close. At least this fund had one closing, unlike the Principle Europa Indian Infrastructure Fund, launched in September 2009, also with a \$1 billion target, and with no closing registered to date. The Srei Infrastructure Opportunities Fund, launched in May 2010, had a similar target, and a similar fate.

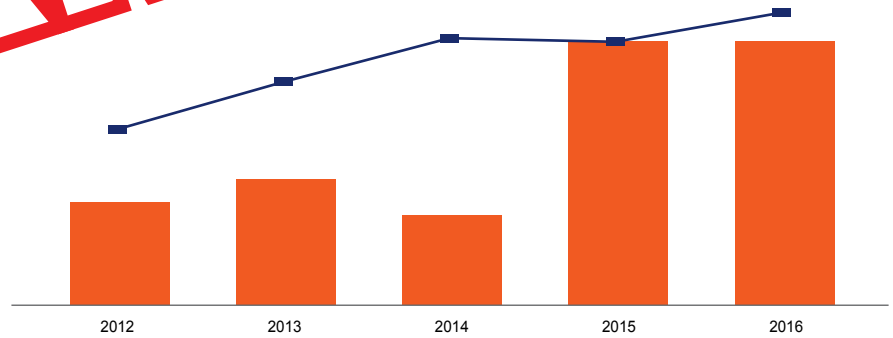
THE EXIT ENVIRONMENT

The year India delivers?

India built on a very strong exit performance in 2015 to deliver an even more dramatic result in 2016, especially in IPOs. Transaction value remained high, with a slight dip in value over the two-year period, with a significant increase in private equity-backed deals in both 2015 and 2016. Offshore deals, 10% of total deals, 10% of total deals, 10% of total deals. Private equity-backed deals, 10% of total deals, 10% of total deals, 10% of total deals. Indian deals, 10% of total deals, 10% of total deals, 10% of total deals. US\$ billion in 20 private equity-backed deals, 10% of total deals, 10% of total deals, 10% of total deals.

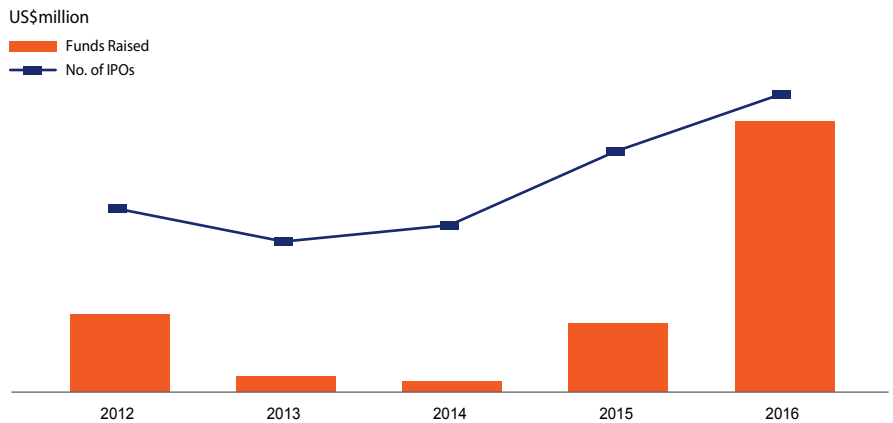


India



Source: AVCJ Research

FIG 5.2 India - Private Equity-backed IPOs



Source: AVCJ Research