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PricewaterhouseCoopers India Pvt Ltd

MoneyTree™ India Report Q3 2014

Data provided by Venture Intelligence

Technology Institute

*This special report
provides summary results of
Q3 '13, Q2 '14, and Q3 '14.*



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1. Overview



Focussed on the future

Q3 '14 saw 103 PE deals, valued at 3.01 billion USD. This represents a 4% increase over the PE deal value in Q2 '14 and a 97% increase over the deal value in Q3 '13.

It may be too simplistic to attribute the heightened activity to the ever-improving macro-economic environment, but the latter did play its part. Inflation was at 6.46% in September 2014, as compared to 9.84% during the same period last year and the cooling off in crude prices meant that fiscal deficit was broadly in control. More importantly, investors see a government keen on making investments into the country easier, and one that is focussed on enabling infrastructure for that purpose. This is great news for private equity investors looking to exit investments of four-plus-years vintage. Overall, FDI inflows over the last four months alone have exceeded 10.75 billion USD, and strengthening these inflows over the next few quarters could provide a further boost to the overall macro-economy.

The public markets have not looked back from the beginning of the year, and together with heightened strategic investor interest, provided composite exit opportunities to PE funds. In terms of fresh investments, PE investors have been selective and continue to take longer to consummate deals than ever before, the exception being the e-commerce sector. It stood out with deals worth 1,175 million USD during Q3 '14, propelling an increasing number of investors to be convinced of its potential in India.

The IT & ITeS and healthcare sectors showed significant PE deal activity, followed by energy, education and engineering & construction. With the launch of the government's Make in India programme and the proposed labour reforms, the manufacturing sector is also expected to gain investor interest. Thus PE investors are expected to turn their focus on manufacturing and infrastructure over a period of time.

2. Analysis of private equity investments

Total equity investments in PE-backed companies

Private equity investments in India have recorded an uninterrupted five-quarter upswing with 3.01 billion USD in the third quarter of the year across 103 deals, a moderate increase of 4% in value and a 3% drop in volume. In Q2 '14, 2.91 billion USD was invested in 106 deals.

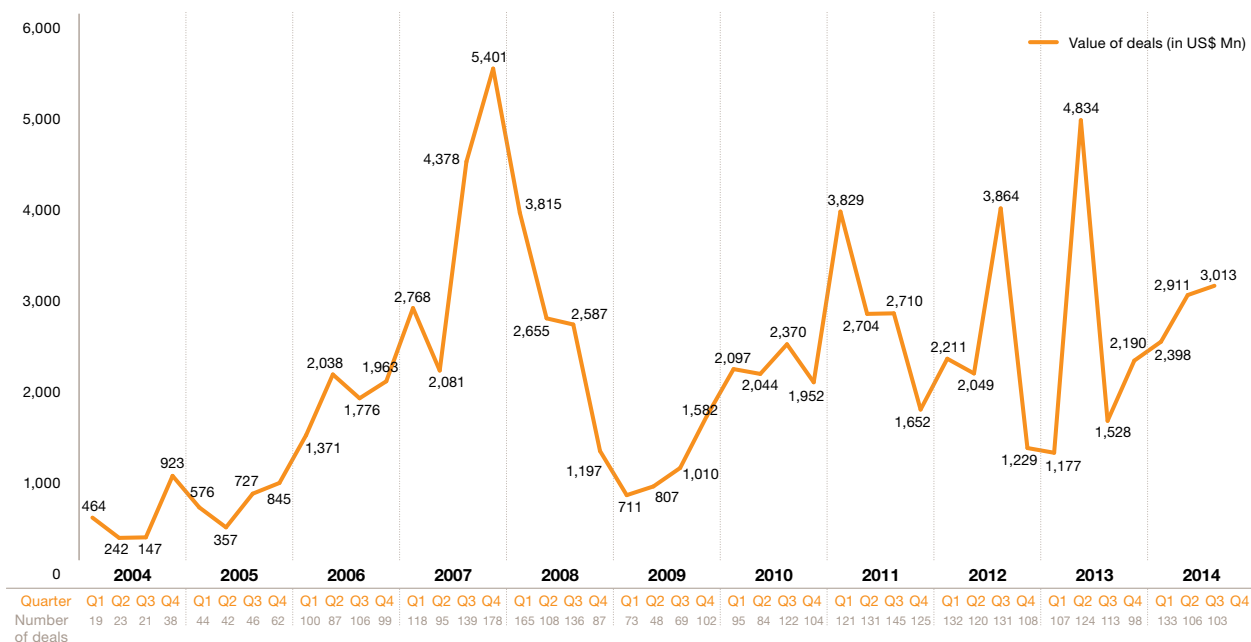
But the good news is that investments have doubled as compared to the same quarter last year, despite a 9% reduction in the volume. Q3 of the previous year saw 1.53 billion USD invested in 113 deals.

The Information technology and IT-enabled services (IT & ITeS) sector has made a comeback as the top sector, attracting 1.64 billion USD in 56 deals, more than half the total investments for the quarter. It is more than a two-fold jump as compared to the previous quarter and two and half times higher than the same period last year.

The healthcare & life sciences sector has emerged second in terms of investment value with investments worth 292 million USD in 11 deals, a 45% decline as compared to the previous quarter.

With regard to investments by stage of development, the growth stage has received the highest value of investments worth 1.84 billion USD across 34 deals.

Total equity investments



Data provided by Venture Intelligence.

Bangalore has emerged as the leader in terms of PE investments (both by value and volume of deals) in this quarter with an investment of 1.8 billion USD from 29 deals.

Investments by industry

Q3 '13, Q2 '14 and Q3 '14

The IT & ITeS sector attracted 1.64 billion USD in 56 deals which is more than half of the total investments. In Q2 '14, total investment in the IT & ITeS sector was 746 million USD in 47 deals, while in Q3 '13, it was 618 million USD from 41 deals.

In the healthcare and life sciences sector the total investment value was 292 million USD in 11 deals, a 45% decline as compared to the previous quarter. In Q2 '14, the total deal value was 526 million USD across 12 deals, while in Q3 '13, it was 196 million USD in 16 deals.

The energy and engineering and construction sectors have received 284 million USD (nine deals) and 181 million USD (two deals), respectively, ending the draught in these sectors during the last quarter. The energy sector received just 56 million USD in the last quarter, while engineering and construction got none.

The education sector has performed remarkably well, with the highest investment in recent times, 176 million USD in just four deals, a multifold jump from the previous quarters, followed by the manufacturing sector with 147 million USD.

“The decline in investment value in Q3 '14 over the previous quarter is due to a fewer number of deals of ticket size over 100 million USD in this quarter as compared to the previous one. However, on a year-over-year basis, the investment value in healthcare and life sciences is up by almost 50%, with the average deal ticket size going up from 12.25 million to 26.54 million USD, thereby showing the continued uptrend in sector appetite to absorb larger sized deals.”

Dr Rana Mehta

Executive Director, Healthcare, PwC India

“Financial investors in the power and utilities space are now focussed almost entirely on clean technology where policy and regulatory frameworks have been remarkably positive and stable over the years. The central government’s focus on energy security and renewable energy is now finding support at the state level, with several announcing new policies and procurement.”

Kameswara Rao

Power & Mining Leader, PwC India

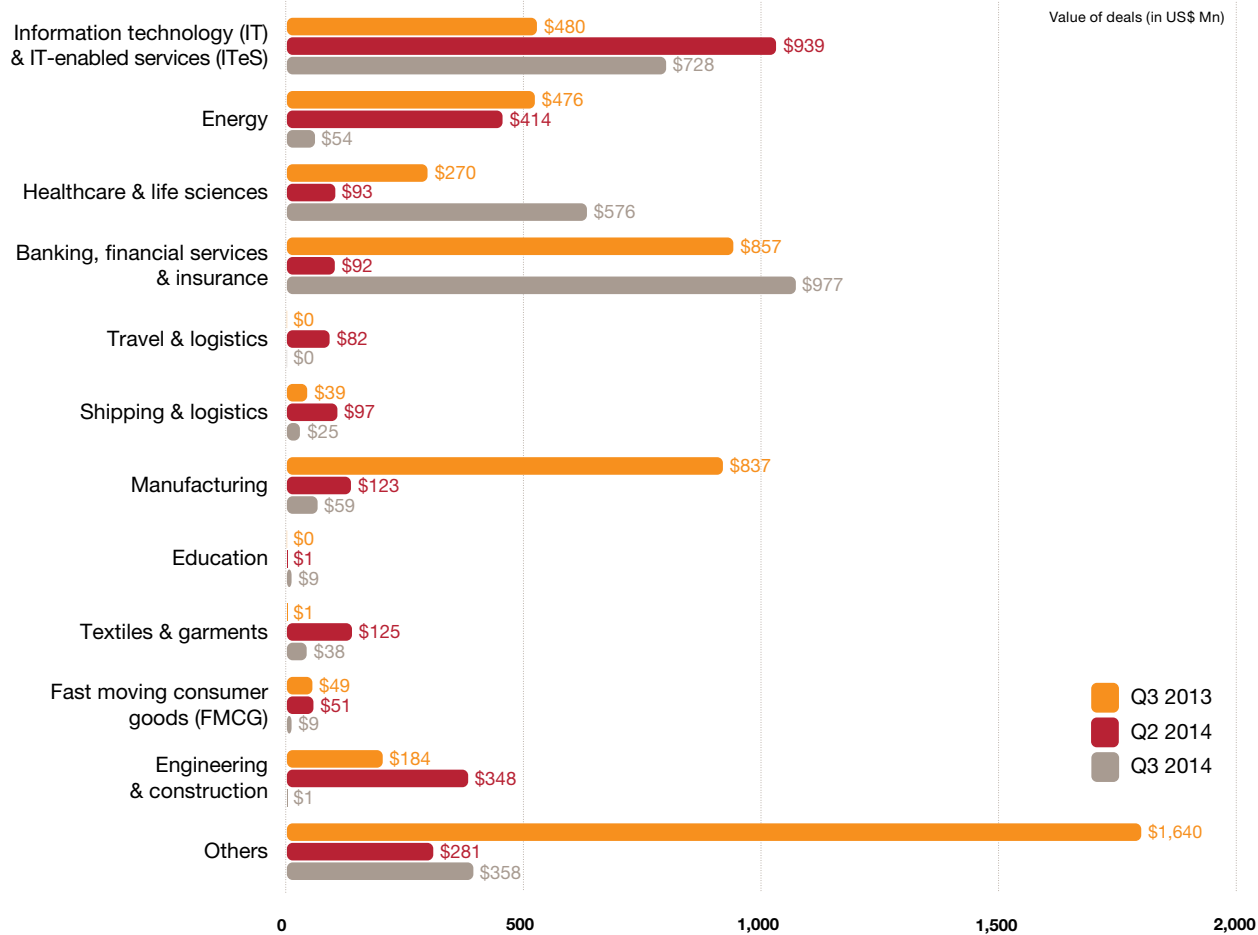
“Renewed market sentiments following the formation of the new Government along with significantly improved overall business confidence resulted in strong results this quarter. In the technology sector, e-commerce businesses continued to attract investor interest driven by strong growth prospects. The e-commerce market continues to be a primarily minority stake market, with the majority of deal flow driven by growth-stage deals. Newer online e-commerce business segments such as classifieds, real estate, grocery and healthcare, have started to exhibit significant growth opportunities. Looking ahead, companies in m-commerce and digital technologies (SMAC) are expected to be in favour.”

Sandeep Ladda

Technology Industry Leader, PwC India

After an excellent performance in the last quarter, the banking and financial sector dropped by 85% to 147 million USD from 958 million USD in the last quarter.

Investments by industries



Note: 'Others' include other services, travel and transport, media and entertainment, hotels and resorts, education, fast-moving consumer goods, sports and fitness, agri-business, food and beverages, and retail.

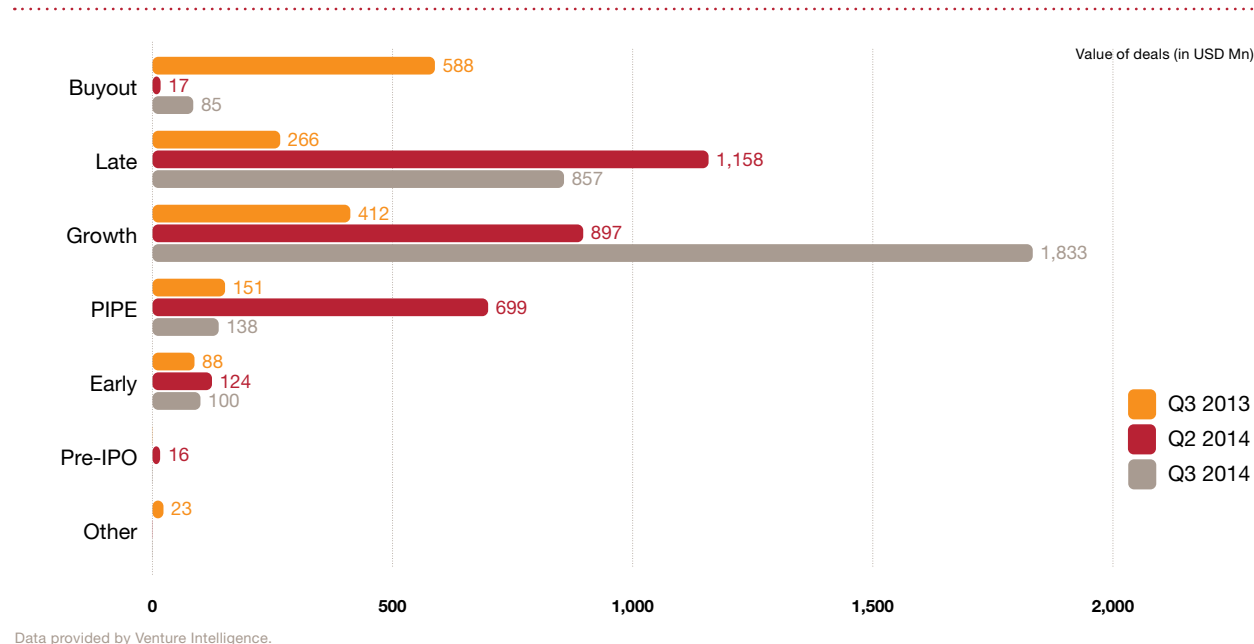
Data provided by Venture Intelligence.

Investments by stage of development

Q3 '13, Q2 '14 and Q3 '14

In Q3 '14, most PE investors preferred the growth route as this stage received investments worth 1.8 billion USD in 34 deals. Late-stage investments were valued at 857 million USD in 15 deals during this quarter.

Investments by stage of development



Note: Definitions for the stage of development categories can be found in the 'definitions' section of this report.

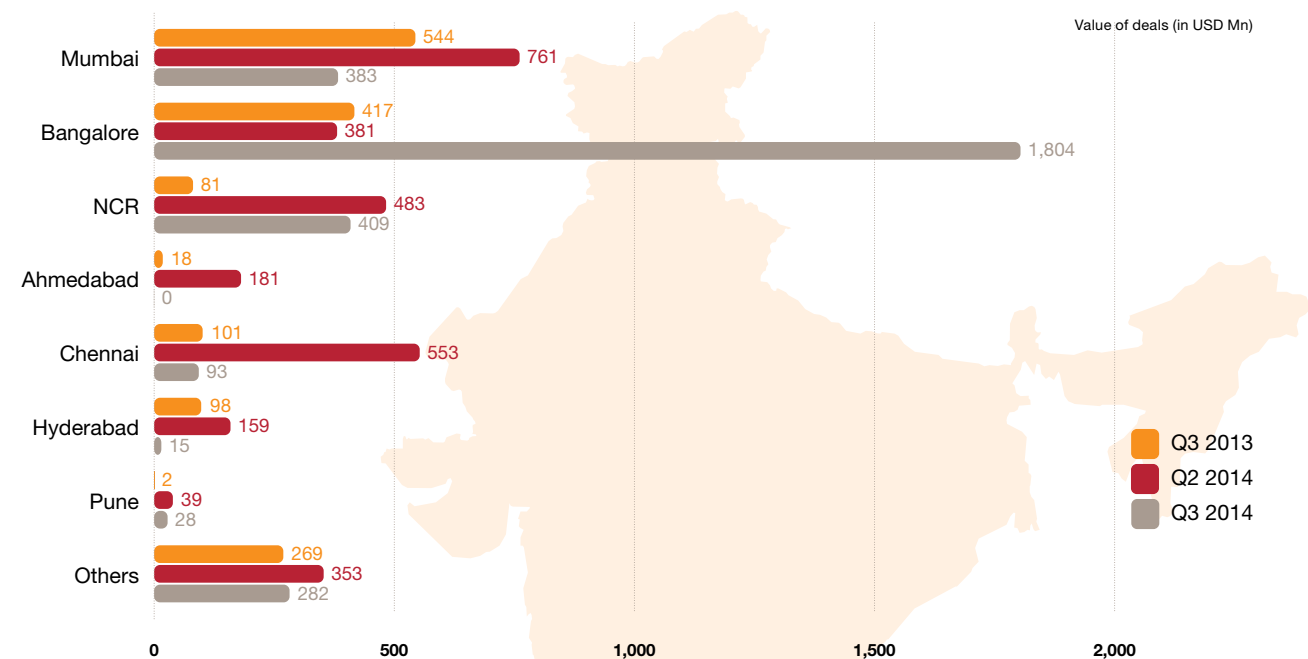
Growth stage in the above graph includes both growth and growth-PE stages.

Investments by region Q3 '13, Q2 '14 and Q3 '14

Bangalore has emerged as the winner in terms of investment attraction during Q3 '14, outshining both Mumbai and NCR, with 1.8 billion USD in 29 deals, which is 60% of the total deal value for this quarter. NCR has emerged as the second best investment destination with 409 million USD investment, pushing Mumbai to the third slot with 383 million USD.

Interestingly, a smaller city, Kutch, saw a single investemnt worth 50 million USD during this quarter.

Investments by region



Data provided by Venture Intelligence.

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

Top 20 PE deals Q3 '14

The top 20 deals comprised 78% of the total deal value in Q3 '14. The top four deals constituted 48% of the total deal value. About 84% of the deals in this quarter are below the value of 50 million USD.



Top 20 PE deals in Q3 2014

Company	Industry	Investors	Deal amount (in USD Mn)
Flipkart	IT & ITeS	Morgan Stanley, GIC, Tiger Global, Accel India, Iconiq Capital, DST Global, Others	1,000
GMR Holdings	Eng & construction	KKR	164
Manipal Global Education Services	Education	PremjiInvest	150
Narayana Hrudayalaya	Healthcare & life sciences	CDC Group	150
Bilt Paper	Manufacturing	IFC	100
Sterlite Power Grid Ventures	Energy	StanChart PE	83
Cholamandalam Investment and Finance Company	BFSI	Apax Partners	83
ReNew Wind Power	Energy	ADB, GEF	70
Hike	IT & ITeS	Tiger Global, Others	65
Syngene International	Healthcare & life sciences	India Value Fund	64
Quikr	IT & ITeS	Warburg Pincus, Norwest, Tiger Global, Matrix Partners India, Nokia Growth Partners, Omidyar Network, Kinnevik, Others	60
Snapdeal.com	IT & ITeS	Ratan Tata	50
Continuum Wind Energy	Energy	IFC	50
Spykar Lifestyle	Textiles & garments	Metmin Investments	50
Olacabs	IT & ITeS	Sequoia Capital India, Tiger Global, Matrix Partners India, Steadview	42
Delhivery	Shipping & logistics	Nexus Ventures, Multiples PE, Others	35
ACME Solar Energy	Energy	IFC	34
Freecharge.in	IT & ITeS	Sequoia Capital India, Ru-Net Holdings, Others	33
BigBasket	IT & ITeS	Helion Ventures, Ascent Capital, Zodius Capital, Lionrock Capital	33
Century Real Estate- SPV	Hotels & resorts	Blackstone	33

Data provided by Venture Intelligence.

3. Analysis of PE exits

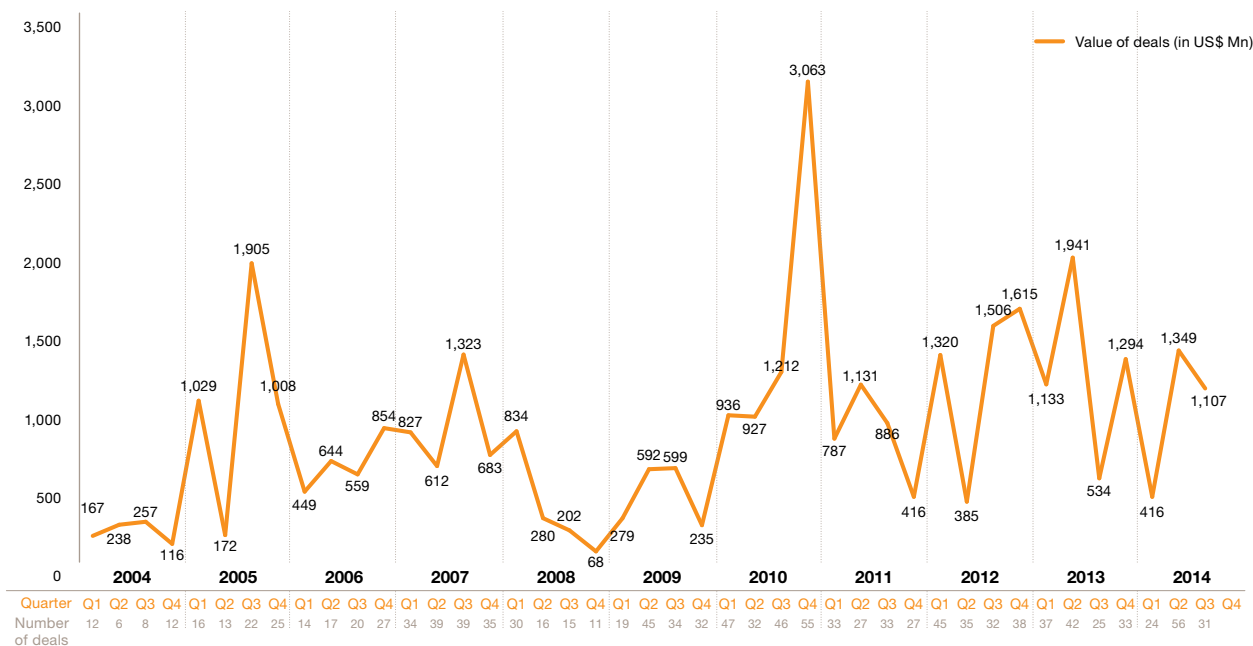
Total PE exits

The exit activity in the third quarter of 2014 has dropped by 18%, with a total value of 1.11 billion USD in 31 deals, as compared to the the previous quarter which saw 1.35 billion USD worth investment in 56 deals. During the same period last year, the total exit value was just 534 million USD in 25 deals.

With a single deal worth 234 million USD, the telecom sector dominated the exit space in this quarter followed by the manufacturing sector (229 million USD in two deals).

As a result of a surging stock market, almost 72% of the total exits happened through public market deals, valued at 801 million USD.

Total private equity exits



Data provided by Venture Intelligence.

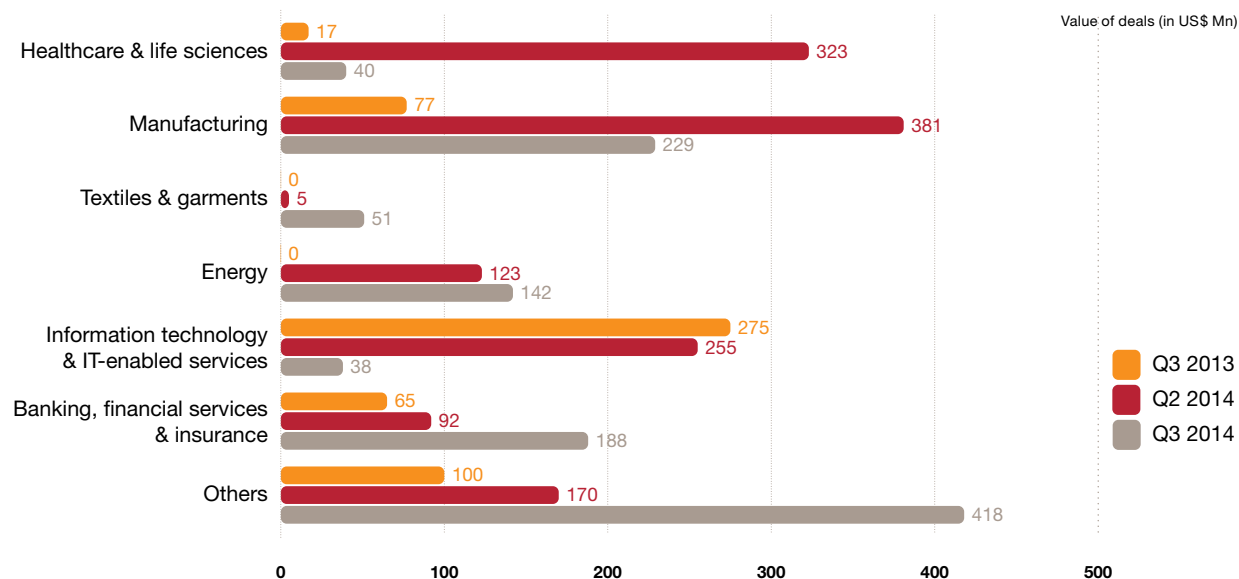
Exits by industry

Q3 '13, Q2 '14 and Q3 '14

The telecom sector led the exits this quarter in terms of value, with a single deal worth 234 million USD. This sector didn't witness any exits in the previous quarter or even in the same period last year. The manufacturing sector saw a drop of 40% in value, to 229 million USD in two deals, as compared to the previous quarter (381 million USD in five deals). In Q3 '13, the sector saw five deals worth 77 million USD.

The BFSI and energy sectors have witnessed exit deals worth 188 million USD (five deals) and 142 million USD (two deals), respectively, whereas healthcare dropped to 40 million USD, an 88% fall as compared to the previous quarter.

Exits by industry



Data provided by Venture Intelligence.

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

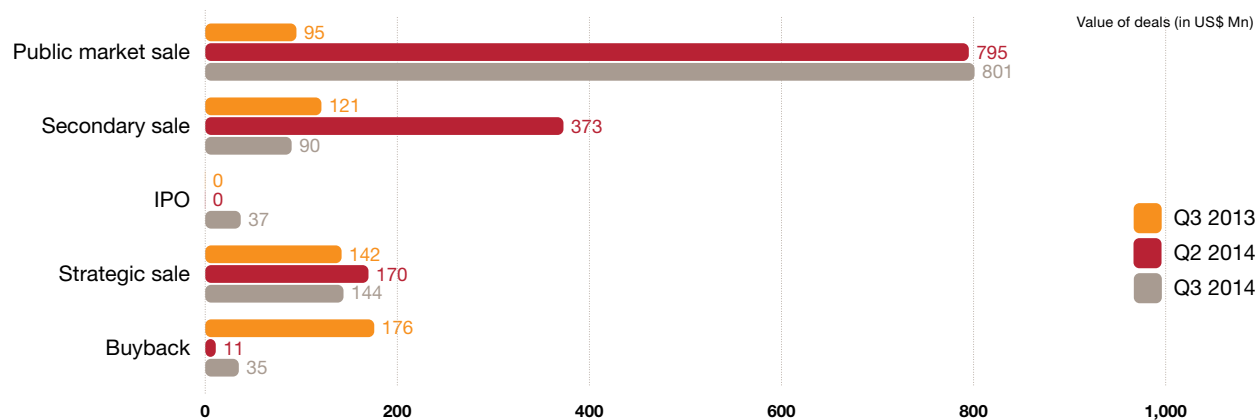
Exits by type

Q3 '13, Q2 '14 and Q3 '14

Public market sales have continued to be the preferred mode of exit with more than 72% of the total exit value coming from public deals (801 million USD in 20 deals). Strategic sales saw value worth 144 million USD in seven deals, followed by secondary sales (90 million USD in two deals).

This quarter witnessed one IPO worth 37 million USD.

Exits by type



Data provided by Venture Intelligence.

Note: N/A indicates this information has not been publicly disclosed.

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

Top five PE exits Q3 '14

The top five exits comprised 65% of the total exit value in Q3 '14.

Top 5 PE exits in Q3 2014

Company	Industry	Investors	Deal amount (USD Mn)
Idea Cellular	Telecom	Providence	234
Mahindra & Mahindra	Manufacturing	Goldman Sachs	227
Petronet LNG	Energy	ADB	117
Repcos Home Finance	BFSI	Carlyle	79
IndusInd Bank	BFSI	General Atlantic	66

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 Q3 '14.

The most active PE investors in the third quarter of 2014 include the following:

Most active PE investors in Q3 '14

Investors	No of deals	Investors	No of deals
Sequoia Capital India	7	Accel India	3
Nexus Ventures	6	ADB	2
Matrix Partners India	6	Infuse Ventures	2
Helion Ventures	5	Saama Capital	2
Kalaari Capital	5	Mayfield	2
Tiger Global	5	Parampara Capital	2
IFC	4	Bessemer	2
SAIF	4	Ratan Tata	2
Qualcomm Ventures	4	Norwest	2
Omidyar Network	3	Zodius Capital	2
Faering Capital	3	IvyCap Ventures	2
Blume Ventures	3	Steadview	2
IDG Ventures India	3	Apax Partners	2
India Quotient	3	JAFCO Asia	2
Inventus Capital Partners	3	WestBridge	2

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 as one deal for each of the firms.

5. Sector focus

IT & ITeS sector

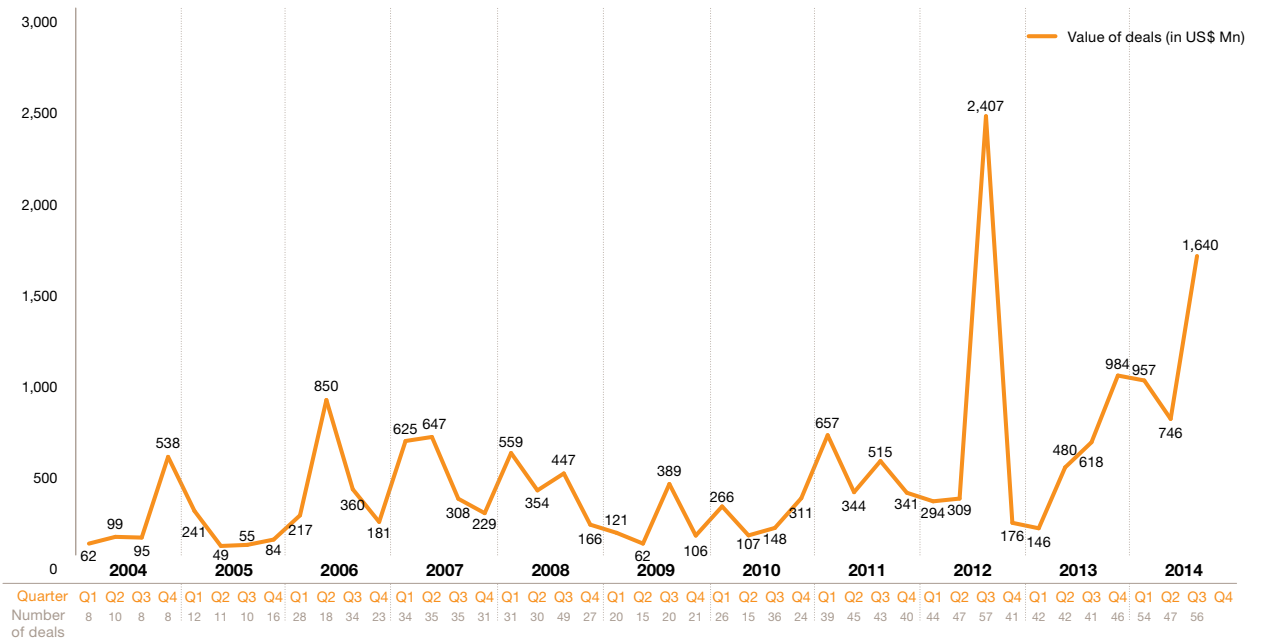
Total PE investments

The third quarter of the year has witnessed a stellar performance in the IT & ITeS sector in both value and volume. In terms of value, the sector attracted 1.64 billion USD in 56 deals, a two-fold jump over the previous quarter (746 million USD in 47 deals) and more than a 2.5 fold jump as compared to Q3 '13 (618 million USD in 41 deals).

The average deal size in this sector has surged in this quarter, from 17.3 million USD in the prior quarter to 29.3 million USD in this quarter. In Q3 '13, the average deal size in this sector was 15.1 million USD.

The average deal size in early-stage investments has fallen to 2 million USD in this quarter.

Value of private equity investments in the IT & ITeS sector



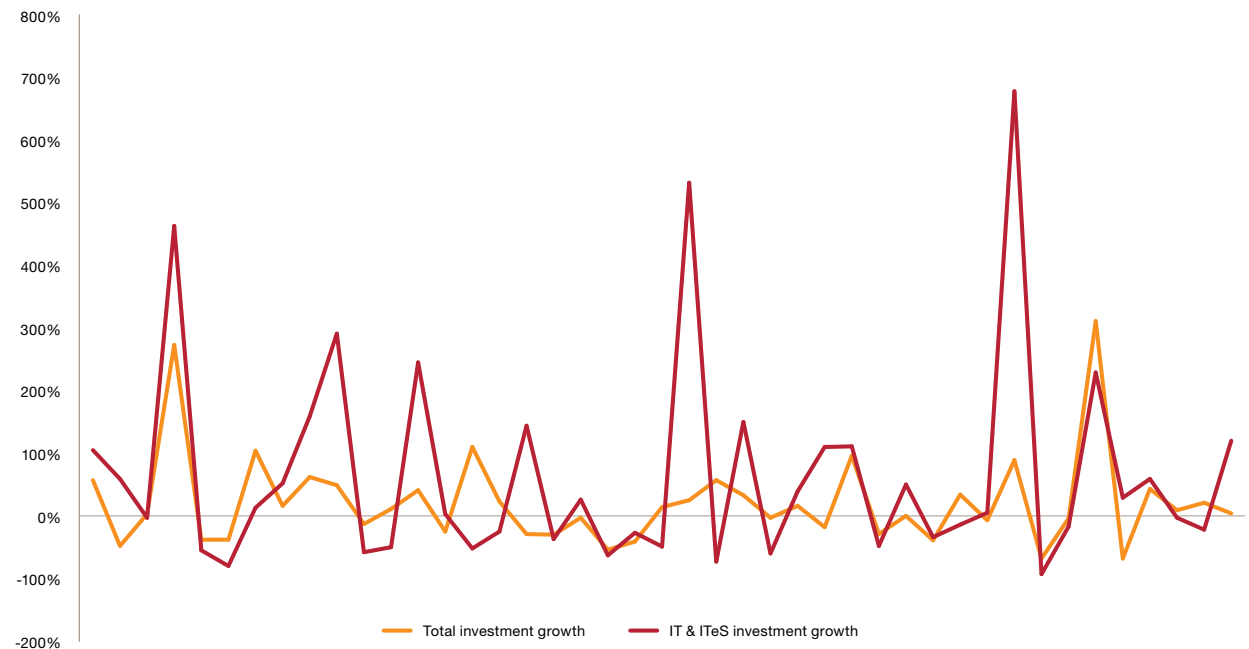
Data provided by Venture Intelligence.

Sector focus: IT & ITeS

In the last decade, a comparison between quarter-on-quarter growth rates of the IT & ITeS PE investments and total PE investments reflects that funding for the sector has outpaced the growth of total PE funding in most quarters, except in the last two. This quarter again, the sector has outpaced the overall growth considerably.



Value of private equity investments in the IT & ITeS sector



Data provided by Venture Intelligence.

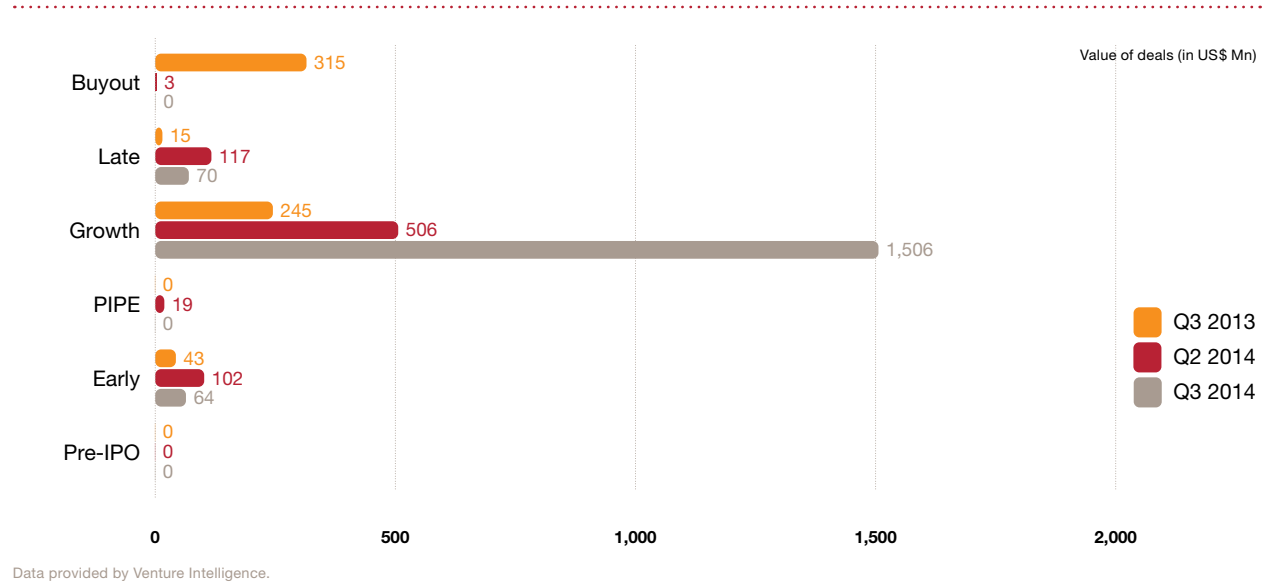
Investments by stage of development

Q3 '13, Q2 '14 and Q3 '14

Investments in the growth stage have outpaced all other modes in this quarter, seeing 92% of the total value. Growth investments in this quarter stood at 1.51 billion USD, a three-fold increase from the previous quarter and a six-fold growth over Q3 '13.

There was neither a buy-out, nor a pipe deal in the technology sector in this quarter. Only three late-stage investments were valued at 70 million USD.

IT & ITeS investments by stage of development



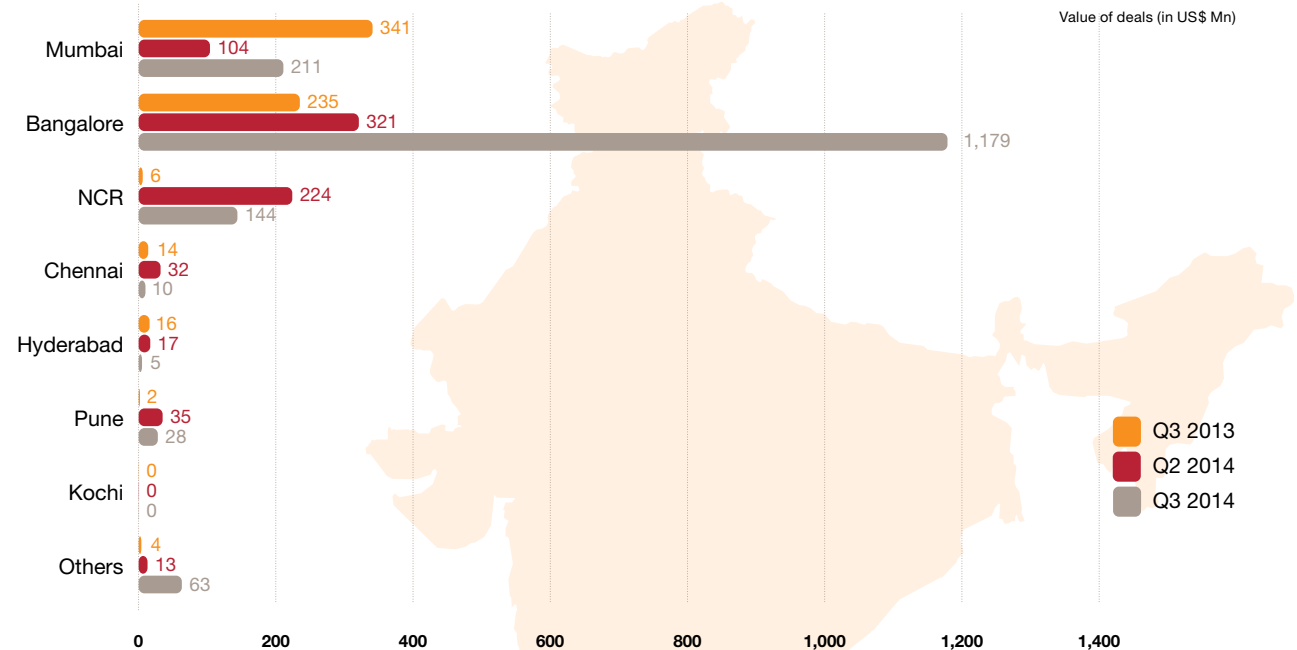
Sector focus: IT & ITeS

Investments by region Q3 '13, Q2 '14 and Q3 '14

Bangalore has continued its run as the best IT investment destination in this quarter, attracting 72% of the total investments in the sector during this quarter. The city has attracted 1.18 billion USD in 17 deals, followed by Mumbai (211 million USD in 15 deals) and NCR (144 million USD in nine deals).



IT & ITeS investments by region



Data provided by Venture Intelligence.

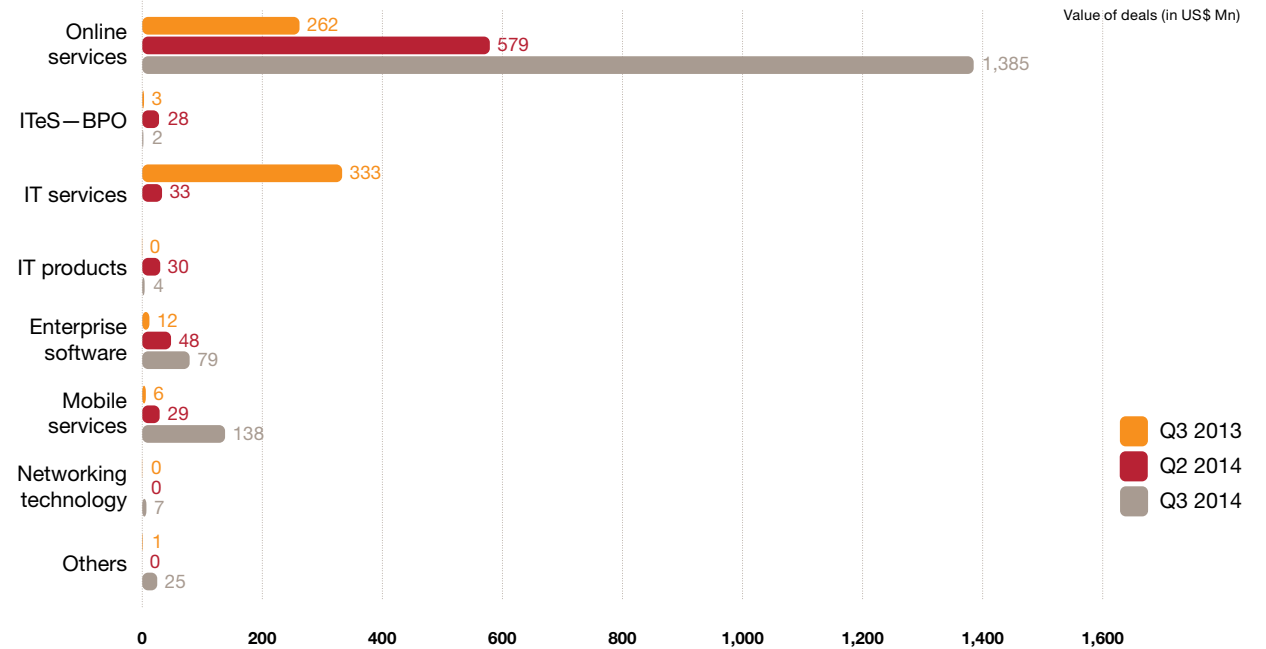
Sector focus: IT & ITeS

Investments by subsector Q3 '13, Q2 '14 and Q3 '14

The online services subsector has received almost 85% of total deal value, with 1.39 billion USD in 28 deals, followed by mobile services (138 million USD in nine deals) and enterprise software (79 million USD in 13 deals).

None of the other subsectors received considerable investments in this quarter.

IT & ITeS investments by subsector



Data provided by Venture Intelligence.

Sector focus: IT & ITeS

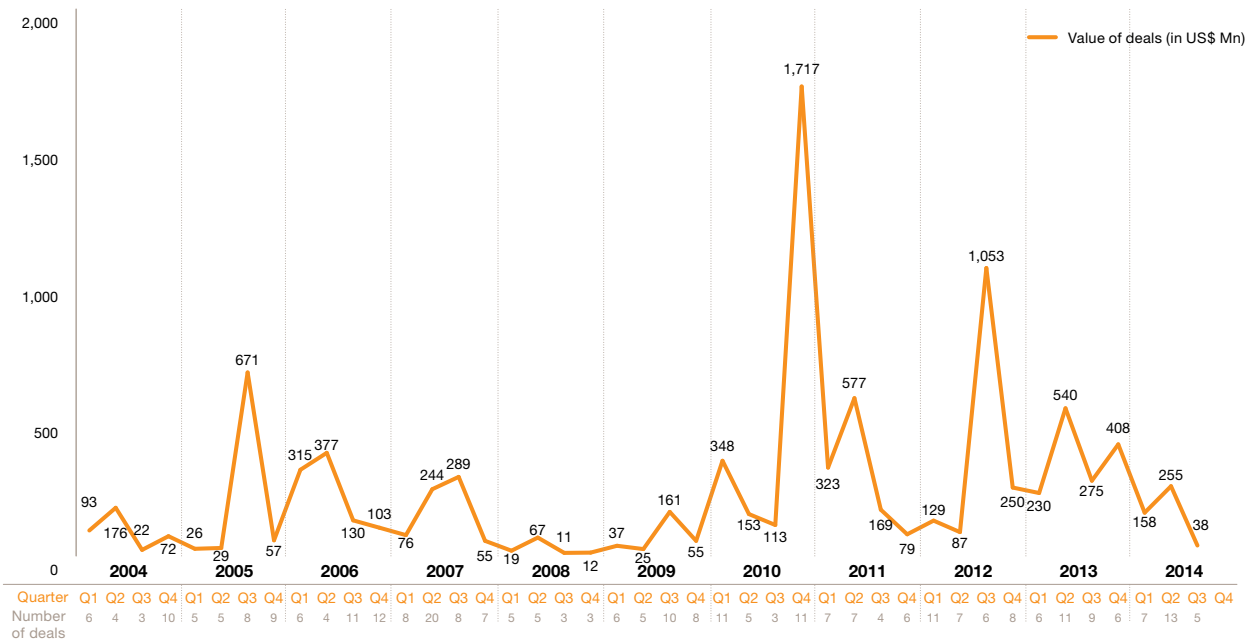
PE exits in the sector Q3 '13, Q2 '14 and Q3 '14

The exit activity in the IT & ITeS sector was meagre this quarter, with the sector seeing only five exits valued at just 38 million USD, an 85% drop from the previous quarter and a 86% drop from the same period last year. In Q2 '14, there were 13 exits worth 255 million USD, while Q2 '13 saw exits worth 275 million USD in nine deals.

All the exits in this sector were through strategic sale in this quarter.



Total private equity exits in the IT & ITeS sector



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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