



## Private Equity in India

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*Markets see revival  
Private Equity industry gets a breathing space...*



# Despite Rally in Markets, Slowdown Hurts Private Equity

- ❑ In Q2 Jun'09, FII have poured net \$6.2bn into Indian equity market as compared to \$1.3bn net outflow in Q1 Mar'09. Of the total \$6.2bn, 66% investment came during the month of May alone

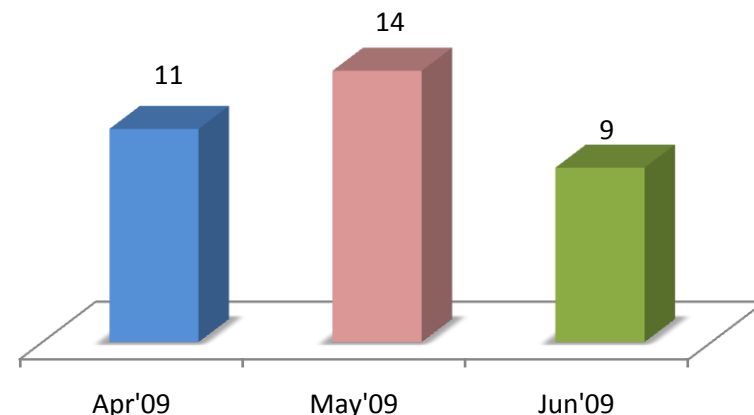
## Despite this

- ❑ Indian equity market witnessed exit by several private equity firms and venture capital companies since the rally in equities gathered momentum
  - Private equity players have sold more than INR 7.6bn worth of equities since Mar '09
  - Companies such as Techno Electric, Mundra Port and SEZ, Shriram Transport Finance, Lupin and Titagarh Wagons reported selling by private equity firms
  - PE firms are looking to leverage opportunities to downsize their portfolios
- ❑ Private equity investments in listed firms are still suffering loss close to \$0.45bn so far this year, even though there has been a strong rally in the capital markets
  - The total investments through PIPE deals in the year 2008 was of \$1.67bn and despite the recent rally in the capital market their current market (MTM) value stood at around \$1.20bn
  - Wealth erosion was across the board, retail suffered the maximum erosion of 77.2%, followed by infrastructure (60.6%), pharmaceutical (59.3%), engineering (49.3%), education (48.7%) and media (41.7%)
- ❑ However, there has been a considerable improvement in the average ticket size of private equity investment as compared to last quarter
  - Average ticket size for the completed deals for quarter ending (Apr'09-Jun'09) has been \$30.2MM as compared to \$18.97MM for the quarter ending (Jan'09-Mar 09)

# PE Activity – Sector wise break up (2/2)

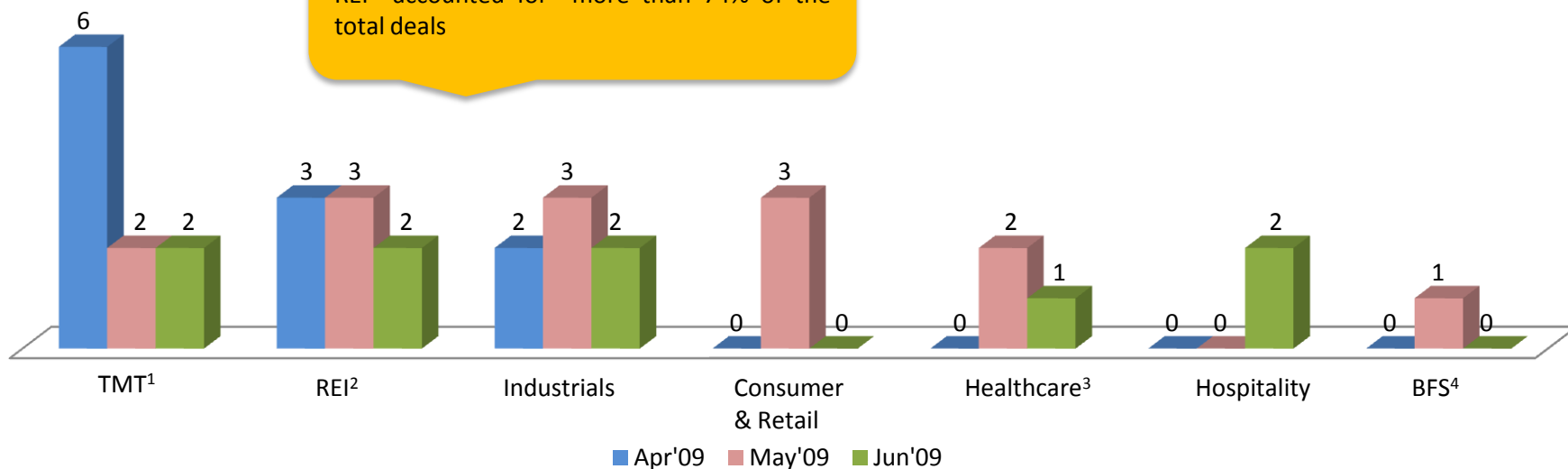
- ❑ Number of deals increased to 14 in May '09 from 11 in Apr'09 and then again witnessed a decline to 9 in Jun'09
- ❑ In the quarter ended Jun'09, TMT sector attracted maximum number of deals (i.e. 29% of total numbers of deals happened in the quarter ). However, deals in industrial sector saw a major turnaround with an increase in share to 21% of the total deals as compared to 8% in the quarter ended Mar'09
- ❑ Interesting, one of the most focused sector these days by PE's , Education did not feature in a single deal
- ❑ Healthcare sector, another sector being the favorite of PE players was a silent spectator in Apr'09, however 3 deals were closed in this sector in May'09 and Jun'09

Month-wise comparison of PE deals (Nos.)



Sector Breakup (Nos.)

Traditional sectors as TMT, Industrials and REI accounted for more than 74% of the total deals



<sup>1</sup>Telecom, Media and Technology

<sup>2</sup>Real Estate & Infrastructure

<sup>3</sup>Includes healthcare, pharmaceuticals, hospitals and life sciences

<sup>4</sup>Banking & financial services

# Buzzing Hot Sectors for Private Equity

## Education Sector

- ❑ With an estimated \$40bn market for private institutions, education sector will be one of the most favourite sector for Private Equity and Venture Capitalists in coming years
- ❑ A Venture Intelligence survey revealed that more than 80% investors are planning to make an investment of around \$800MM in education sector over the next 12 months
  - Within education, vocational training, tutoring and test preparation would draw significant PE and VC interest
- ❑ Since 2006, \$300 MM has been invested in Indian education ventures

## Healthcare Sector

- ❑ Opportunity is being seen mainly in diagnostic services, medical devices, hospital chains and wellness products
- ❑ India has a huge competitive advantage in clinical research. Hospitals are yet another area where a lot of investment to be seen in near future as the average number of beds is the lowest in India
- ❑ During the last 18 months, PE players have invested \$686MM in the healthcare sector

## Cleantech or renewable energy

- ❑ PEs and VCs are likely to invest about \$3.5bn in clean technology in next few years
- ❑ Regulations in India (where 10% power is generated from renewable sources) are very positive for the sector
- ❑ Power sector needs significant investments and there are a number of projects on the anvil

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