

PRIVATE EQUITY

In this write-up PE encompasses Angel Investors, Venture Capitalists and Private Equity Funds.

PREVALENCE OF PE IN INDIA

India used to attract around \$10 Bn every year from PE funds. But in 2012 it drop by 30% mainly due to political & economic uncertainty coupled with regulatory uncertainty. 80% of the PE deals is financed through international investments. In the last 3 years, every year around 500+ deals were struck in India.

The majority of PE deals continues to involve minority stakes but it is predicted that this would gradually change. The percentage of deals acquiring minority stakes has dropped from 95% in 2011 to 86% in 2012. A survey shows that PE practitioners are likely to increase the number of instances in which they acquire a controlling stake, indicating a change in the relationship between investors and entrepreneurs.

Signs point to a positive future for India's private equity industry in the medium term. PE is increasingly seen as a credible source of patient capital, and the dynamic between investors and entrepreneurs is maturing and becoming one of trust. Despite some remaining issues, there is cause for optimism in the years to come.

MAJOR SECTORS FOCUSED BY PE

Consumer & retail, healthcare, e-commerce, BFSI, IT & ITES, media & entertainment, manufacturing, real estate, telecom and infra.

PREVALENCE OF PE IN SME SECTOR

Early-stage growth and venture capital are playing a critical role in deal making. The number of early-stage deals that were less than \$10 million nearly doubled from 125 deals in 2011 to 244 deals in 2012.

PE investment into India's small and medium enterprises (SMEs) continues to fall. It declined from \$1.3 Bn across 176 deals in 2012, to \$ 1 Bn across 132 deals in 2013 - a fall of 25 per cent, according to data compiled by Venture Intelligence, a Chennai-based research company that tracks private equity, venture capital and M&A in India. Comparable figures for 2011 were \$1.5 Bn across 202 deals, and for 2010, \$1.3 Bn 169 deals. Venture Intelligence defines Indian SMEs as enterprises with annual revenues of up to Rs 100 crore.

TOP TRAITS EXPECTED BY PEs IN ENTREPRENEURS

- Sound market knowledge
- Sound knowledge of competition
- Sound knowledge of financial dynamics of company
- True understanding of importance of cash flow
- Fire in the belly
- Ability to work with a team