

Private Equity Investment and Exit Trends in India

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ABSTRACT

The study structured the private equity(PE) investment cycle and follows the successive phases of market screening and exiting from investments. This studies attempts to understand the changing trend of PE investment in India. The Indian PE (PE) industry has witnessed a dramatic increase in terms of the number of enterprises funded as well as the volume of capital committed. This study investigates the performance and capital inflows of PE partnerships. The focus of this study is PE Investment in India and exit during last five years by using two most relevant measures they are activity level in the industry and performance of PE funds. Activity levels in the industry are used to measure how much capital is raised, how much invested, and how much distributed to investors. PE Performance is the kind of returns. The findings would give a better view to the investors in which industry to invest in.

Keywords: Exit Value, Investments, Private Equity, India.

INTRODUCTION:

In finance, equity refers to the net worth of the company. It is the source of capital in which the owner's funds are divided into parts, called as shares. Money raised by the company by issuing shares to the general public which can be kept for a long period is known as Equity. It is also refers to the stocks or an ownership stake in a company. Buyers or investors who buy the equity shares become equity shareholders. In India, present equity markets are performing best in terms of transparency, low manipulation, low costs of transaction and efficiency (so, that is represents the better Indian economy). Equity is classified into owner's equity and private equity (PE). When the business goes bankrupt and has to liquidate, the amount of money remaining (if any) after the business repays to its creditors. This is generally called, ownership equity but is also referred to as risk capital or liable capital. Stocks are equity because they represent ownership in a company, thus ownership of shares is publicly traded company which does not come with accompanying liabilities.

The most recent economic trends indicate that, PE firms are becoming an important part in the career prospectus. PE is a potential source of capital. PE fund is a pool of money contributed by a various institutional investors and high net worth individuals for investing in start-up business or buyout business or in an existing business. PE is composed of funds and investors that directly invest in private company. PE funds play an important role as financial intermediaries in the PE market. PE funds are established and structured as limited partnerships and these funds with the help of Limited partners (LP) make investments in various companies thereby creating a diversified portfolio which managed by professional known as General partners (GP). PE funds seek investments in undervalued companies. PE funds may acquire equity in a target company independently or in combination with other PE firms. The combinations enable them to spread out the risk and the capital can be utilized to fund new technology, make acquisitions expand working capital and solidify a balance sheet.

Indian PE market has been emerging as an attractive destination in terms of corporate financing as an alternative source of financing against the conventional sources. The major factors that contribute to the flow of PE investments in Indian markets are increasing risk appetite of investors, increased domestic liquidity, favourable

macro-economic fundamentals, growth in savings, growth in overall economy, booming secondary market acting as buyer to PE investments, changing regulatory system, etc. PE in India has mainly targeted banking and financial services sector, construction and real estate and information technology and media sectors. The number of PE deals in India have been increased from 82 in 2004 to 439 in 2007 to further decline of 399 in 2008 (PE impact, 2009, Venture Intelligence). Also, if we compare the performance of PE backed companies with Non-PE backed companies; the former has performed better over a period ranging from 2000 to 2008. At the end of 2007, before the distortions induced by the financial crisis, the average long-term return was around 10.7 percent over a 10 year period in India. Bharati Airtel, Warbug pinus deal considered as one of the most successful PE deal in India which gave motivation to the entire PE market in India.

Within the broader PE Industry, two distinct sub industries, leveraged buyouts and venture capital experienced growth along parallel although inter related tracks. Venture capital and PE industry has emerged as a potential source of capital for the corporate sector and over the years, they have made their presence felt in Indian economy too. PE has injected more than \$100 billion of capital into India; its contribution to fund-raising in India has increased over the past 15 years, from 20 percent of total capital raised in 2001-05 to 31 percent in 2006-10 to 46 percent in 2011-14. PE capital emerged as a stable source of equity funding than foreign institutional investment and initial public offering (103 percent).

Evolution of Private Equity in India:

Evaluation of PE in South Asian market can be linked to the emergence of venture capital firms in mid-1980. Initially the venture capital funds showed similar characteristics of PE funds. The origins of the modern PE industry track back to 1946 with the formation of the first venture capital firms that is the American Research and Development Corporation (ARDC) and J.H. Whitney & Company. The origin of Indian PE industry dates back to the 1980's. The first generation venture capital funds were started by financial institutions like ICICI bank and IFCI bank. With the focus on technology start-ups, ICICI started a venture capital scheme. Later IFCI sponsored and helped in the development of "Risk Capital and Technology Finance Corporation of India Ltd that further supported newly start-up businesses. The universe of PE investors consists of large funds such as CVCI, KKR, Actis, and Blackstone along with large players such as Bain Capital and Morgan Stanley in Indian and domestic PE players such as ICICI Ventures, Chrys Capital, ILFS, and others. During 1995 to 2000, India witnessed increased flow of Foreign PE investments and foreign firms like Baring PE partners, CDC Capital, HSBC Private Equity, etc. led the PE industry in India (Ratanpal, 2008).

NEED FOR THE STUDY:

PE funds help the firms to increase their cost effectiveness and contribute in the organizational growth. Private investment is risky. With the help of PE we can invest in new business or acquisition of business or and existing business. PE fund helps the company to restructure and return to financial health. The study is focused on investment pattern in PE, final payoff on the basis of exist value, and there is a need to examine the risk and return pattern in Private Equity.

OBJECTIVES OF THE STUDY:

The following are the objectives of the study

- To study the investment trends of PE in India
- To evaluate the sector wise performance of PE companies in India
- To measure the exit value of selected PE investments

RESEARCH METHODOLOGY:

The data is based on the secondary sources. The data was collected from different sources like newspapers, websites, articles and journals. Five years (1st April 2013 to 31st March 2017) of price moments were measured. Exit values of PE companies were also compared. The study measures the activity levels and performance of PE investments in the PE industry is the total number of deals, deal values of investments and exits.

SCOPE FOR THE STUDY:

This study focused on PE companies. The study considers exit values of PE companies in India during the last five years (1st April 2013 to 31st March 2017). It also investigates the performance and capital inflows of PE partnerships.

LIMITATIONS FOR THE STUDY:

The following are the limitations of the study:

- The study is limited to India only
- The study restricted to the performance of PE companies only
- The study is confined to the period of 5 years only
- Dividends declaration and payment has an impact on the value of the shares, however this study does not consider the effect of declaration and payment of dividend

REVIEW OF LITERATURE:

Scholars have studied the characteristic of PE investment behavior from multiple angles and contributed to a broad body of literature. The changes in the environment of PE market were studied by Klier, Welge and Harrigan (2009). They concluded that PE market has changed significantly as many successful PE players have become active investors in the market. Their research has found that there is easy access to capital because of increased investments from institutional investors and sovereign wealth funds to leading PE firms in expectation of higher returns from the market. It has been seen that PE investment durations in company portfolios have increased from four five year to ten- twelve years on account of issues relating to credit and illiquid nature of private equity (Burdell, 2009).

In his investigation, Goy (2010) discussed the issues that affect the ability of PE investors to win merger or acquisition deals- myth of dry power, absence of cash-flow lenders and increasing portfolio issues. Metrick and Yasuda (2010) in their research examined that 238 PE funds (buyout funds and venture capital funds) rose during 1993 and 2006. Their study analyzed the expected returns to the managers and compared the performance the managers of the two funds. Ludovic and Oliver (2014) observed that the performance of PE funds as reported by industry associations and prior research is over stated and they discuss several misleading aspects of performance reporting.

In their study Arpan Sheth, Madhur Singhal and Pankaj Taneja (2015), stated that Realizing India's growth aspirations require a lot of capital. In their study PE can play a pivotal role in bridging the gap between domestic sources of funds and the capital requirement for nation-building. In their research G Sabarinathan, Aditya Muralidhar & Ahana Shetty (2017) explained popular perception about the Indian venture capital and PE industry would probably suggest that was a marginal part of the larger capital market in India. But that may not be true anymore.

Research Gap:

A majority of literature revealed that most of the studies on PE have taken into consideration the PE cash flows, Venture Capital and PE transaction. However all these studies were predominantly done in the western context and there is a dearth of literature in the Indian context. Therefore this study explores the various concepts of Private Equity, investment trends of Private Equity, financial performance and exit strategies of selected PE companies in India

PE Investment and Exit Value Analysis:

The PE deal investment data which is collected from websites has been analyzed. Activity levels in the industry are used to measure how much capital is raised, how much invested, and how much distributed to investors. A commonly used measure of activity levels in the PE industry is total number or value of investments. Performance of PE funds is a kind of return. This study considered the PE investment life cycle in it's entirety, from the time of investment till the time of exit during 2013-2017.

PE Investment in India:

The following represents PE investment in India over a period of five years i.e., from 2013-2017.

Table 1: Trends in PE Investments in India

Years	Deal value (US \$M)	Increase / Decrease of Deal Value (US \$M)	Number of Deals	Increase / Decrease of number of Deals
2013	7600	-	508	-
2014	11300	6470	576	68
2015	17100	580	826	250
2016	15400	-170	731	-95
2017	23800	840	591	-140

A positively increasing trend has been observed in the PE investment value as well as the number of deals made in India from the year 2013 – 2017. PE investment reached its peak of US \$23,800 million in the year 2017, though the number of deals decreased by 140 from the year 2016 – 2017. This is indicative of more high value investments in the year 2017. The PE investments value and the number of deals made in 2013 were marginally lesser when compared to the other years, but was followed by tremendous increase in the following year. The deal values have dropped by US \$170 million and number of deals by 95 in the year 2016.

PE Investments: Quarter Wise:

The following table represents Quarter Wise PE Investments in India (2016-2017)

Table 2: Trends in PE Quarter Wise Investments in India

Quarter	Deal Value (US \$M)	Increase / Decrease in Deal value (US \$M)	Number of Deals	Increase/Decrease in No. of Deals
Q1	6520	-	185	-
Q2	5460	-1060	144	-41
Q3	6410	950	125	-19
Q4	5390	-1020	137	12

The PE investment has experienced a declined trend one of the 4th quarters of the year 2016 – 2017. The deal values have dropped by US \$1060 million and number of deals by 41 from the Q1 to Q2. However there has been a substantial increase in the PE investment in the 3rd quarter by US \$950 million. The investment again declined by US \$1020 million by the 4th quarter.

PE Investment in Different Sectors:

The following tables represents PE investment in various sectors over a period of five years i.e., from 2013-2017.

Table 3: Trends in PE Investments in IT & ITES Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/ Decrease of No. of Deals
2013	2300	-	198	-
2014	6000	3700	290	92
2015	7900	1900	490	200
2016	4750	-3150	423	-67
2017	10580	5830	322	-101

As per the above table, PE investment reached its peak of US \$10,580 million in the year 2017, though the number of deals decreased by 101 from the year 2016 – 17. This is indicative of more high value investments in the year 2017. The PE investments value and the number of deals made in the year 2013 were marginally lesser when compared to the other years, but was followed by a tremendous increase in the following years. The deal values have dropped by US \$3150 million and the number of deals by 67 from the year 2015-16

Note: IT & ITES stands for Information Technology & Information Technology Enabled Service

Table 4: Trends in PE Investments BFSI Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/Decrease of No. of Deals
2013	780	-	68	-
2014	880	100	45	-23
2015	2530	1650	50	5
2016	2800	270	63	13
2017	4400	1600	60	-3

The table indicates that there is continuous increase in deal value over the years. The highest deal value \$4400 Million across 60 deals in the year 2017. The number of deals declined by 23 in the year 2014 and 3 in the year 2017.

Note: BFSI stands for Banking, Financial services and Insurance

Table 5: Trends in PE Investments in Food & Beverages Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/ Decrease of No. of Deals
2013	100	-	16	-
2014	350	250	16	0
2015	480	130	35	19
2016	115	-365	21	-14
2017	250	135	25	4

It can be observed from the table that the highest deal value US \$480 Million with 35 deals in the year 2015. And the lowest deal value is \$100 Million with 16 deals in the year 2013. The deal values have dropped by US \$365 million and the number of deals by 14 from the year 2015-16. In spite of declining this sector has further growth which is supported by Agriculture sector.

Table 6: Trends in PE Investments in Energy Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/ Decrease of No. of Deals
2013	690	-	21	-
2014	735	45	29	8
2015	1390	655	34	5
2016	1605	215	24	-10
2017	1465	-140	21	-3

There was an heavy deal value of US \$1605 across 24 deals in the year 2016, there was decrease in the deal value US \$140 million and number of deals by 3 in the year 2017. The PE investment in energy sector, the value and number of deals made in the year 2013 were hardly lesser when compared to other years, but was followed by a massive increase in the following years form 2013-16. The cost of solar energy equipment is all time low. The declining cost is perhaps the leading reason for growth.

Table 7: Trends in PE Investments in Real Estate Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/ Decrease of No. of Deals
2013	2100	-	60	-
2014	2100	0	54	-6
2015	3400	1300	81	27
2016	3200	-200	70	-11
2017	5000	1800	53	-17

The above table shows that the highest deal value \$5000 with 53 deals in 2017. And the lowest deal value in the years 2013 & 2014. The investment gain declined by US \$200 million and number of deals by 11 from the year 2015-16. Commercial Real Estate has the potential to offer long-term returns that are both healthy and stable.

Table 8: Trends in PE Investments in Telecom Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/ Decrease of No. of Deals
2013	50	-	2	-
2014	110	60	2	0
2015	550	440	4	2
2016	1650	1100	3	-1
2017	1490	160	7	4

From the above table it can be seen that there is biggest deal value \$1650 across 3 deals in 2016. The investment value in the year 2013 was slightly lesser when compared to the other years, but was followed by huge increase in the following years. In the early 2000's there were clashes in this sector so investors ignored this sector initially.

Table 9: Trends in PE Investments in Manufacturing Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/ Decrease of No. of Deals
2013	1100	-	33	-
2014	500	600	26	-7
2015	820	320	28	2
2016	820	0	28	0
2017	850	30	30	2

From the above table it is observed that the highest deal value \$1100 across 33 deals in the year 2013 and the lowest deal value is \$500 across 26 deals in 2014 and further increased in the following years. There was no increment in the deal value and number of deals from the year 2015-16.

PE: Infrastructure Sector:

Table 10: Trends in PE Investments in Infrastructure Sector

Year	Deal Value (US \$M)	Increase/ Decrease of Deal Value (US \$M)	Number of Deals	Increase/ Decrease of No. of Deals
2013	2200	-	33	-
2014	1200	-1000	31	-2
2015	700	-500	13	-18
2016	3000	2300	26	13
2017	3200	200	30	4

PE Investments: Industries-Wise:

Table 12: Trends in PE Investments in different industries

Industry	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)
IT & ITES	28	55	45	31	45
BFSI	11	6	14	18	19
Healthcare	18	9	12	11	5
Infrastructure	11	9	7	12	13
Manufacturing	13	3	3	8	9

Industry	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)
Food	7	11	13	5	8
Energy	10	5	7	10	6
Real Estate	9	9	13	12	9
Telecom	2	2	5	3	6
Others	18	18	10	14	15

It can be observed from the table that, IT & ITES companies has the highest share of 55% in the year 2014 and further declined to 31% in 2016. BFSI companies emerged as the second favorite destination for PE investments which has gained 19% of share in 2017. The lowest share 2% noted in the Telecom sector.

Types of PE Investments during 2017:

Table 13: Trends in Different types of PE Investments

Investment Type	2017(%)
Buyout	23
Venture Capital	12
Growth Capital	33
Distressed PE	5
Mezzanine Capital	4
Real Estate	3
Others	14

The above table shows that, the highest percentage of investment in Growth capital. Many firms believe that Venture Capital (VC) & Growth Capital (GC) funding may add credibility to business.

PE Exits in India:

Table 14: Trends in PE Exits in India

Year	Exit Values (US \$M)	Increase / Decrease in Exit Values (US \$M)	Number of Deals	Increase / Decrease in No. of Deals
2013	3600	-	152	-
2014	3400	-200	166	14
2015	6500	3100	254	88
2016	6700	200	209	-45
2017	13000	6300	259	50

From the above table, it is observed that the exits are increased over the years. PE exit value reached its peak of US \$13,000 million with 259 deals in the year 2017 and the lowest exit value US \$3400 million with 166 deals in the year 2014. There was a decrease in number of deals by 45 from the year 2015-16. There was continuously increase in the exit values.

It is observed that the exit value US \$8700 million across 64 deals in the third quarter (Q3) in 2017 making it the highest exit value over the year and the lowest exit value is US \$4180 million across 61 deals in first quarter (Q1). There was a decrease in exit value by US \$1300 million from Q3-Q4 and also the number of deals by 6 from Q2 to Q3.

PE Exits: IT & ITES Sector:

Table 15: Trends in PE Exits in IT & ITES Sector

Year	Exit Values (US \$M)	Increase/ Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2013	1700	-	15	-
2014	1000	-700	10	-5
2015	1600	600	18	8

Year	Exit Values (US \$M)	Increase/ Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2016	1100	-500	14	-4
2017	1900	800	20	6

From the above table, it is noted that highest exit value is US \$1900 million across 20 deals in 2017, the lowest exit value is US \$1000 million across 10 deals in 2014. The exit values have dropped by US \$500 million and number of deals by 4 from the year 2015-16.

PE Exits: Healthcare & Life Sciences Sector:

Table 16: Trends in PE Exits in Healthcare & Life Sciences Sector

Year	Exit Values (US \$M)	Increase/ Decrease in Exit Values (US \$M)	Number of Deals	Increase/Decrease in No. of Deals
2013	900	-	18	-
2014	500	-400	16	-2
2015	1000	500	29	13
2016	1500	500	24	-5
2017	1700	200	23	-1

From the above table it shows that exit values are increasing over the years. The highest exit value is US \$1700 million across 23 deals this is indicative of highest exit value in the year 2017 and the lowest exit value is US \$500 million across 16 deals in 2014. There was a decrease in the number of deals by 5 in the year 2016 and 1 in the year 2017.

PE Exits: Real Estate Sector:

Table 17: Trends in PE Exits in Real Estate Sector

Year	Exit Values (US \$M)	Increase/Decrease in Exit Values (US \$M)	Number of Deals	Increase/Decrease in No. of Deals
2013	1100	-	12	-
2014	400	-700	10	-2
2015	600	200	13	3
2016	800	200	16	3
2017	1200	400	25	9

The above table revealed that the highest exit value US \$1200 million with 25 deals in the 2017. The lowest exit value US \$400 across 10 deals in the year 2014, but was followed by a tremendous increase in the following years.

PE Exits: Energy Sector:

Table 18: Trends in PE Exits in Energy Sector

Year	Exit Values (US \$M)	Increase/Decrease in Exit Values (US \$M)	Number of Deals	Increase/Decrease in No. of Deals
2013	0	-	1	-
2014	300	300	3	2
2015	400	100	6	3
2016	0	-400	1	-5
2017	800	800	8	7

There were no exits in the years 2013 & 2016. But the highest exit being is US \$800 million with 8 deals. There was a decrease in the exit values by US\$400 million and the number of deals by 5 in the year 2016.

PE Exits: Manufacturing Sector:

Table 19: Trends in PE Exits in Manufacturing Sector

Year	Exit Values (US \$M)	Increase/Decrease in Exit Values (US \$M)	Number of Deals	Increase/Decrease in No. of Deals
2013	1000	-	30	-
2014	1300	300	28	-2
2015	900	-400	44	16
2016	2500	1600	30	-14
2017	600	-1900	19	-11

From the above table it is observed that the highest exit value is US \$2500 million over 30 deals and the lowest exit value is US \$600 million over 19 deals over the year 2017. There was a decrease in the number of deals by 2 in the year 2014 and 14 in the year 2016 and also there was a decrease in the exit values by US \$400 million in the year 2015. With the decrease in exit value it will increase the investment deal value.

PE Exits: Telecom Sector:

Table 20: Trends in PE Exits in Telecom Sector

Year	Exit Values (US \$M)	Increase/Decrease in Exit Values (US \$M)	Number of Deals	Increase/Decrease in No. of Deals
2013	700	-	5	-
2014	800	100	7	2
2015	600	-200	3	-4
2016	900	300	2	-1
2017	2000	1100	5	3

From the above table it is indicated that the highest exit value noted US \$2000 million across 5 deals in 2017 and the lowest exit value US \$600 million across 4 deals in 2015 after that there was an increase in the exit value over the years. The number of deals decreased by 1 from the year 2015-16.

PE Exits: BFSI Sector:

Table 21: Trends in PE Exits in BFSI Sector

Year	Exit Values (US \$M)	Increase/Decrease in Exit Values (US \$M)	Number of Deals	Increase/Decrease in No. of Deals
2013	1000	-	32	-
2014	700	-300	28	-4
2015	2300	1600	36	-2
2016	1100	-1200	26	-10
2017	2900	1800	35	9

From the above table, it is noted that the highest exit value US \$2900 million with 35 deals in the year 2017 and the lowest exit value \$700 million with 28 deals in 2014. The exit values have dropped by US \$1200 million in the year 2016, number of deals decreased by 2 in the year 2015 and 10 in the year 2016.

PE Exits: Others Sectors:

Table 22: Trends in PE Exits in Others Sectors

Year	Exit Values (US \$M)	Increase/Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2013	400	-	7	-
2014	200	-200	11	5

Year	Exit Values (US \$M)	Increase/Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2015	100	-100	5	-6
2016	300	200	14	9
2017	500	200	19	5

From the above table it shows that the highest exit value US \$500 million across 19 deals in 2017 and the lowest exit value US \$100 million across 5 deals in 2015, but there was an increase in the following years. The exit values have dropped by US \$200 million in the year 2014.

PE Exits in Various Stages: Open Market:

Table 23: Trends in PE Exits in Open Market

Year	Exit Values (US \$M)	Increase/ Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2013	2416	-	89	-
2014	3400	984	96	7
2015	6500	3100	119	23
2016	6700	200	91	-28
2017	13000	6300	128	37

From the above table, it is revealed that exit values are increased over the years. The highest exit value US \$13000 million over 128 deals during the year 2017 and exit value US \$2416 million over 89 deals in 2013 is the lowest exit value. The number of deals decreased by 28 in the year 2016.

Table 24: Trends in PE Exits in Public Offering

Year	Exit Values (US \$M)	Increase/ Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2013	24	-	3	-
2014	36	12	3	0
2015	192	156	15	12
2016	913	721	17	2
2017	1788	875	20	3

The above table represents that, the exits and exit values are increased over the years. The highest exit value US \$1788 million across 20 deals in 2017 when compared to all the years. The lowest exit value US \$24 million across 3 deals during the year 2013. Which indicates that exit values has been increased.

PE Exits: Secondary Sale:

Table 25: Trends in PE Exits in Secondary Sale

Year	Exit Values (US \$M)	Increase/ Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2013	1216	-	37	-
2014	100	-1116	18	-19
2015	1400	1300	32	14
2016	500	-900	23	-9
2017	3400	2900	44	21

From the above table, it is indicated that the highest exit value US \$3400 million across 44 deals in 2017 and the lowest exit value US \$100 million across 18 deals during the year 2014. There was a decrease in the exit values by US \$900 million and number of deals by 9 from the year 2015-16.

PE Exits: M & A:

Table 26: Trends in PE Exits in Mergers & Acquisitions (M & A)

Year	Exit Values (US \$M)	Increase/ Decrease in Exit Values (US \$M)	Number of Deals	Increase/ Decrease in No. of Deals
2013	743	-	62	-
2014	820	77	66	4
2015	175	-645	86	20
2016	3554	3379	102	16
2017	3900	346	120	18

From the above table, the highest exit value US \$3900 million with 120 deals in 2017 and the lowest exit value US \$175 million with 86 deals in 2015 after that there was a tremendous increase in the following years. The exit values have dropped by US \$645 million from the year 2014-15.

PE Investments:

Table 27: PE Investments in 2018

Industry Type	Deal Value (US \$M) 2017	Deal Value (US \$M) 2018
Private Equity	23800	34000
Real Estate	5000	5300
Energy	1465	2700
Manufacturing	850	2300
BFSI	4400	4600
Others	80	100

PE investment increased 23800 in 2017 to 34000 in 2018. PE investment is increasing year to year.

PE Exits:

Table 28: PE Exits in 2018

Industry type	Exit Value (US \$M) 2017	Exit value (US \$M) 2018
Private Equity	13000	25973

PE exit increased 13000 in 2017 to 25973 in 2018.

FINDINGS:

Over the years, India has become the favorite destination of most PE investments across the world. A large number of PE firms had substantial funds for investment in India. In terms of investments, the Indian PE was second only to China. The following are the findings of the analysis of PE trends in India:

- The year 2017 has set the record for PE investments in India. PE investment reached a peak of US \$23800 million across 591 deals.
- Quarter wise analysis for the year 2016-17 revealed that a decline in both the PE investments as well as the number of PE deals, over the four quarters.
- IT & ITES Companies had the highest share of 55% in the year 2014, but further declined to 31% in the year 2016.
- The study shows that there is an increase in the investments in IT & ITES, BFSI, Real Estate and Manufacturing sectors.
- In comparison with the other sectors the PE investment in Telecom sector remains lowest for all the years.
- There is an investment increment in the infrastructure industry i.e., 11% (2013) to 13% (2017).
- 23% of the investors have invested in Buyout investment in 2017.
- The biggest exit in India was recorded in the year 2017, of US \$13000 million across 259 deal exits.
- It is observed from the study that there is an increase in the exit values in Healthcare, Real Estate, Energy, Telecom sectors.

- Mergers & Acquisition (M & A) exits are the biggest exits in PE over the years.

CONCLUSION:

PE Industry in India has a lost bit of its sheen in the past few years. PE sector is finding it difficult to raise funds from foreign investors. The emerging PE market in India is one of the most interesting PE stories. The Indian PE market is attractive for many reasons. Firstly, because of its entrepreneurial status, secondly, an investment base that truly understands the multiple opportunities for private equity, and finally a developing infrastructure with strong underlying economic growth. Firms with an access to new sources of capital can succeed. Over the next few years, it is possible that more funds will be generated in PE market. The major challenge is in respect of illiquidity.

SUGGESTIONS:

Based on the study, the following suggestions are made:

- It is suggested that PE firms can achieve high return with high risk in the long term period and have a large scope when invested in IT & ITES Sector.
- It is observed from the study that the investments made in Telecom, Food & Beverages, Healthcare and Energy sectors is comparatively less than the other sectors. Therefore tap this potential by diversifying their investments in these sectors.
- PE funds may focus buyout investment to strengthen their portfolio and generate their wealth.
- To achieve the desired profit PE firms can exit from PE investments when the market price is high.
- Firms have to keep a lookout for various opportunities in industries that investors might be overlooking, and should consider those undergoing significant changes which will lead to its success.
- Sector specialists can provide valuable insight into the opportunities as they will have the advantage of specialization and the idea that the industry must continue to innovate their resources.

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