



India Private Equity Report

Apr - Jun

2019

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*(formerly Signal Hill in India)



Data for this report is drawn exclusively from Venture Intelligence PE-VCDealDatabase:

- Access to PE-VC investments and exits tracked by Venture Intelligence since 1998
- Each deal captures name of the investee company, its location, Industry & Sector it operates in, the investors involved, the amount and date
- Includes information on the valuation and the advisors to the deal as available
- Financials of the target company
- Listing of PE-VC exits - both by IPO and M&A
- Access to PE-VC Directory of funds active in India
- Access to PE-VC-backed Company profiles
- Aggregate PE-VC statistics that includes data on deals that have been disclosed in confidence to Venture Intelligence
- Exportable to a user friendly and well formatted excel sheet

To request a trial, please visit <https://www.ventureintelligence.com/trial.htm>

Highlights

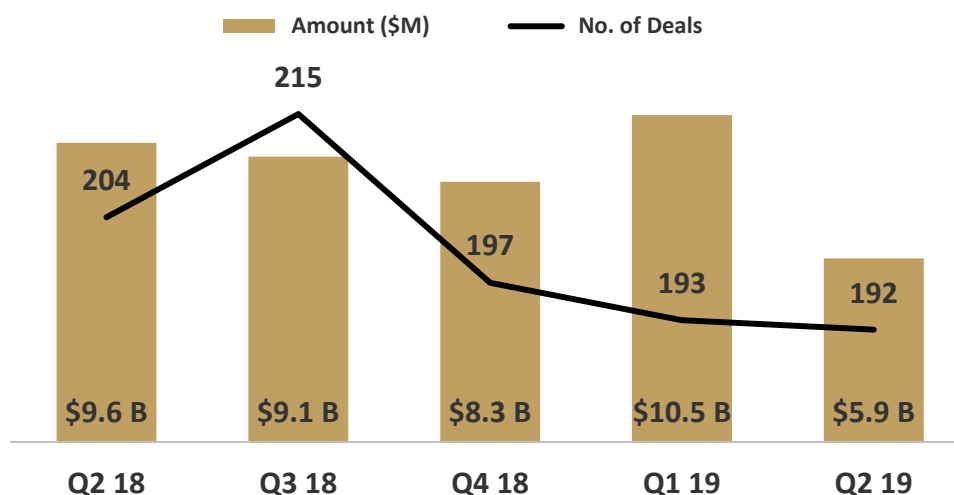
- Private Equity (including Venture Capital) firms invested about \$5.9 Billion across 192 deals during Q2'19 – down 39% compared to Q2'18
- IT & ITES Companies topped the industry chart (By Value and Volume) recording investments worth \$2.1 Billion across 115 deals (vs. \$3.6 Billion across 106 deals in Q2'18)
- 16 investments are \$100-M or above (vs. 12 in Q2'18) while 51% of the investments are below \$5M
- \$50-100 M investments more than doubled compared to Q2'18

PE Investments in India during Apr-Jun 2019:192 Deals, US\$ 5.9 Billion

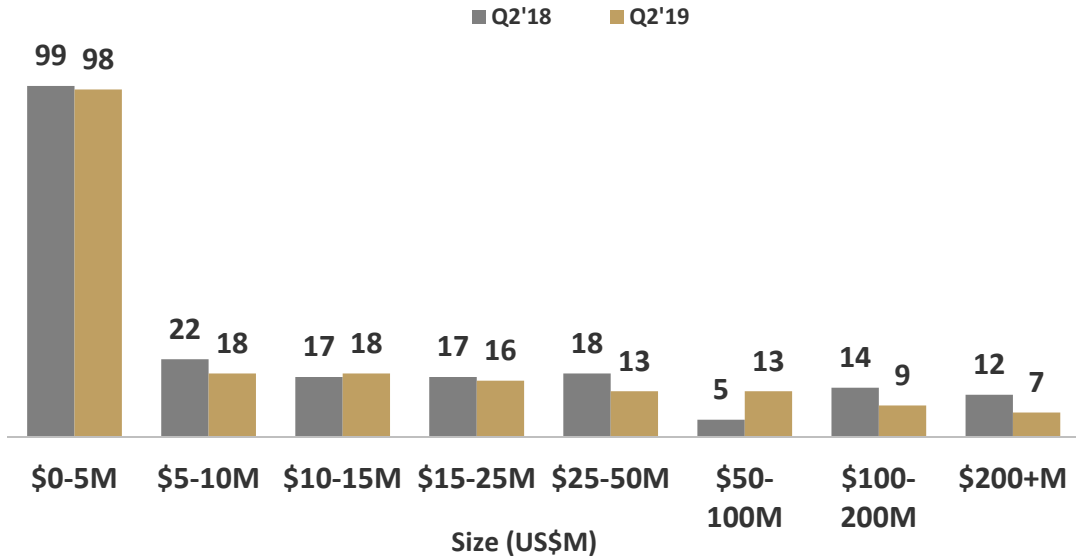
Private Equity and Venture Capital firms invested \$5.9 Billion (across 192 deals) during the quarter ended June 2019. The investment value decreased 39% compared to the \$9.6 Billion (across 204 transactions) recorded in the same period in 2018 and decreased by 44% compared to the immediate previous quarter (which had witnessed \$10.5 Billion being invested across 193 transactions). (Note: These figures include Venture Capital investments, but exclude PE investments in Real Estate).

The quarter witnessed 16 PE investments worth \$100 million or more compared to 26 transactions in Q2'18. Of these, 7 were larger than \$200 million each - compared to 12 investments in the year ago period. Investments worth \$50-100 million more than doubled during the quarter ended June 2019 (13 Investments) compared to 5 investments in Q2'18.

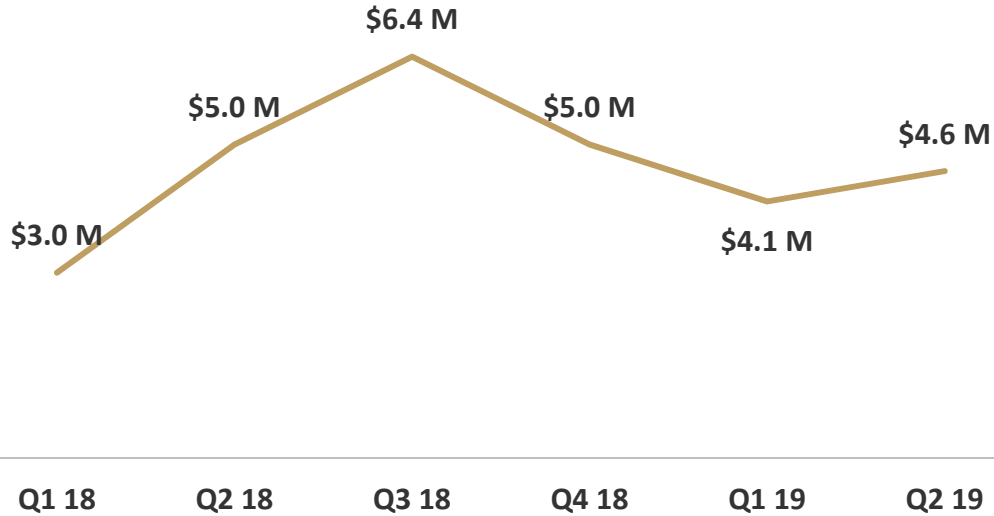
Private Equity Investments by Quarter



Distribution of Investments by Deal Size



Median Investment Size (\$M)



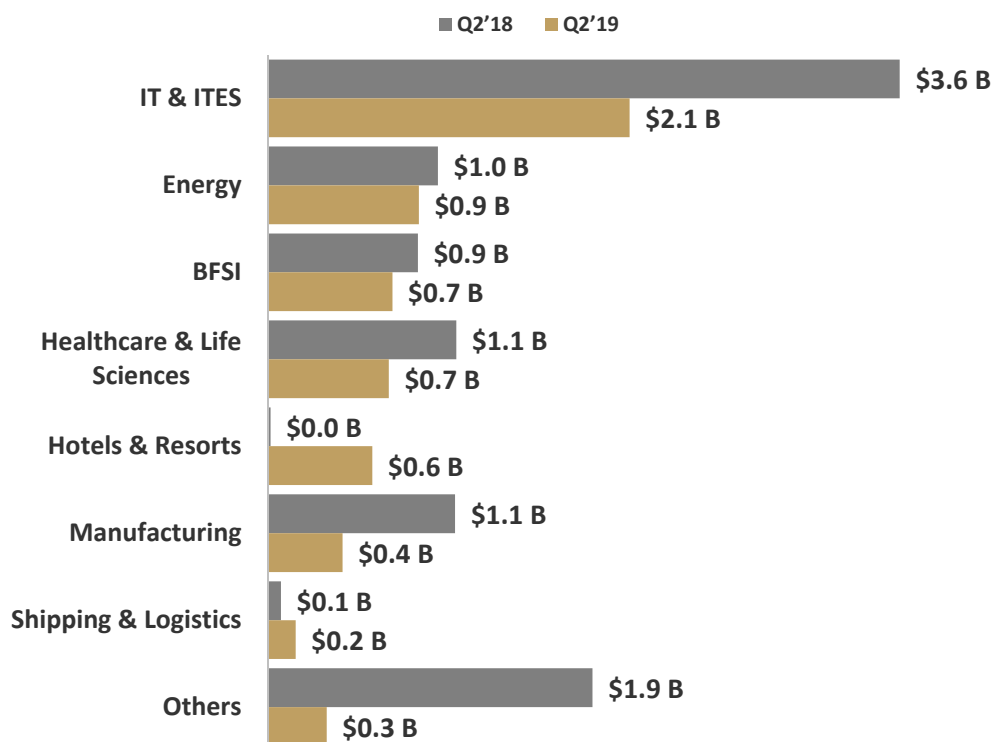
Top Investments

The largest PE Investment announced during Q2'19 was the INR 4,000 crore (\$600 million) investment in an acquisitions focused Special Purpose Vehicle (SPV) of publicly-listed Indian Hotels Company Limited (a Tata Group company) by Singapore's sovereign wealth fund, GIC. This was followed by the \$495 million investment by GIC and Abu Dhabi Investment Authority (ADIA) in Greenko Energy Holdings.

Top PE Investments – Q2'19			
Company	Sector	Investors	Amount (\$M)
Indian Hotels Company SPV	Hotels	GIC	600
Greenko Group	Renewable Power Projects	ADIA, GIC	495
NIIT Technologies	IT Services	Baring Asia	430
India Grid Trust	InvIT	KKR, GIC	400
Essel Propack	Packaging	Blackstone	310

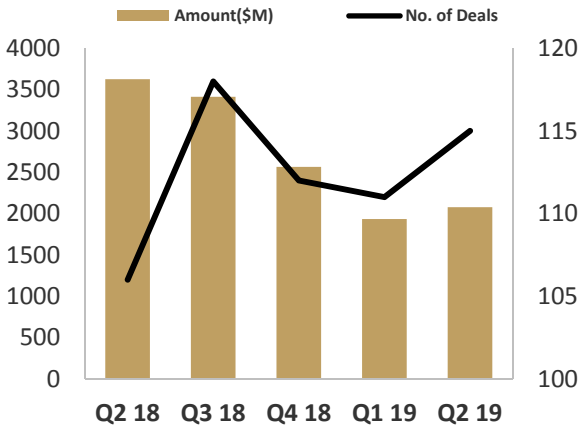
By Industry

PE Investments by Industry (\$M)

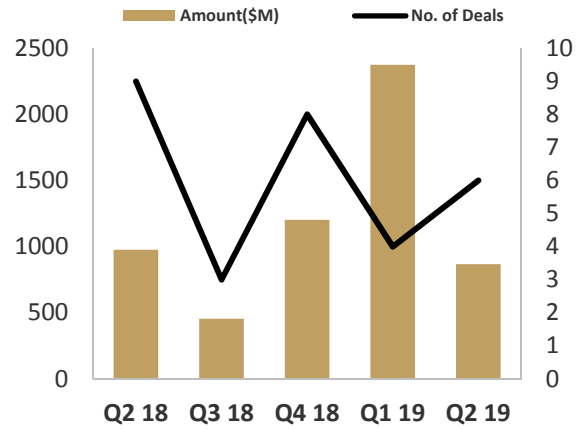


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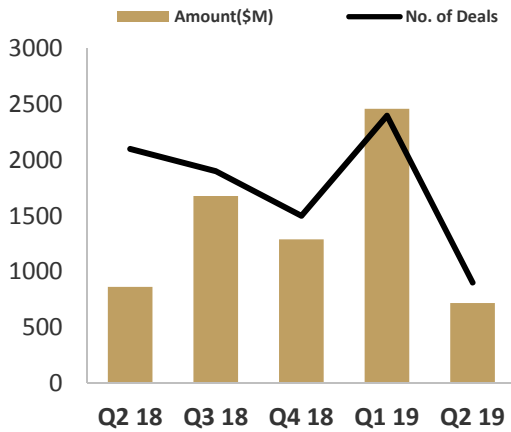
IT & ITES



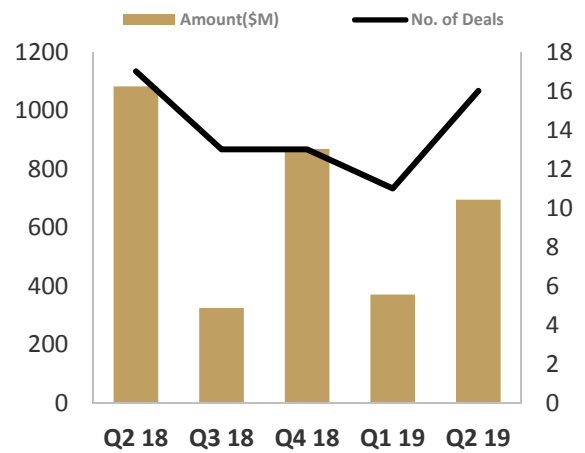
Energy



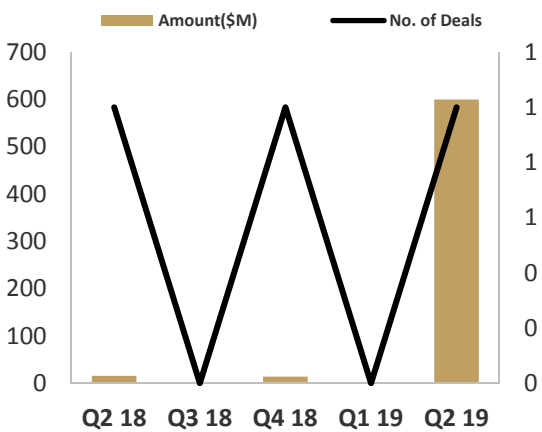
BFSI



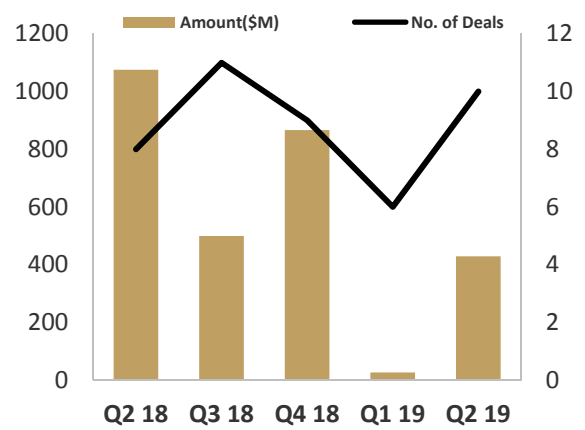
Healthcare & Life Sciences



Hotels & Resorts



Manufacturing



IT & ITeS companies topped the industry table (by value and volume) with investments worth \$2.1 Billion across 115 PE investments led by Baring Asia's \$430 million investment in publicly listed IT Services firm **NIIT Technologies**. This was followed by \$220 million investment in online grocer **Grofers** led by SoftBank Vision Fund with participation from KTB Ventures and existing investors.

Energy companies stood second with investments worth \$867 million across 6 PE investments led by \$495 million investment in **Greenko Energy Holdings** by GIC and ADIA, followed by the \$300 million investment in **ReNew Power** by Goldman Sachs, Canada Pension Plan Investment Board (CPPIB) and Abu Dhabi Investment Authority (ADIA).

BFSI companies came third attracting \$716 million across 9 PE investments led by the investment in **India Grid Trust** (managed by Sterlite Investment Managers) by KKR and GIC. The second largest financial services investment during the period was the \$110 million investment by Apis Partners in **L&T Infra Debt Fund Ltd** (L&T IDF), a subsidiary of publicly listed L&T Finance Holdings Ltd.

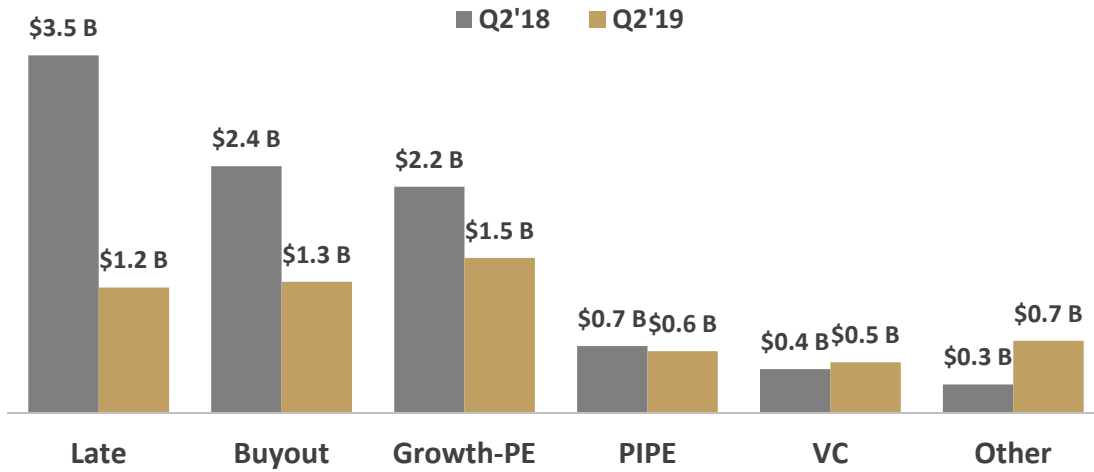
PE Investments by Industry Q2'19			
Industry	No. of Deals	Value (\$M)	% Val
IT & ITES	115	2,077	35
Energy	6	867	15
BFSI	9	716	12
Healthcare & Life Sciences	16	695	12
Hotels & Resorts	1	600	10
Manufacturing	10	429	7
Shipping & Logistics	3	161	3
Others	32	338	6

By Stage

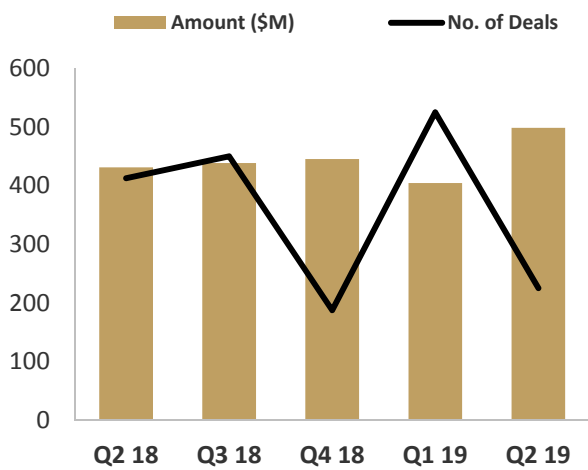
PE Investments by Stage – Q2'19		
Stage	No. of Deals	Value(\$M)
Late	21	1,239
Buyout	11	1,295
Growth-PE	35	1,532
PIPE	8	609
VC	114	498
Other	3	711

* Please see definitions at the end of the report

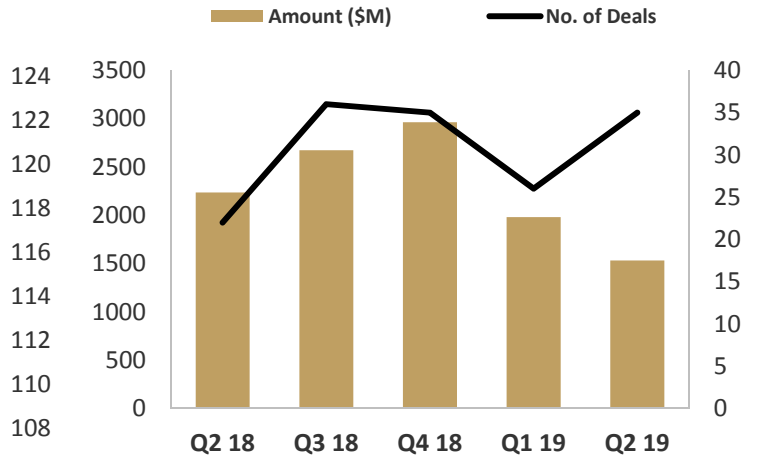
PE Investments by Stage (\$M)



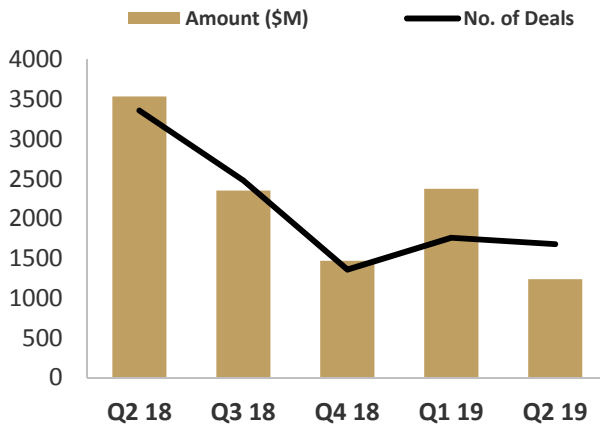
Venture Capital



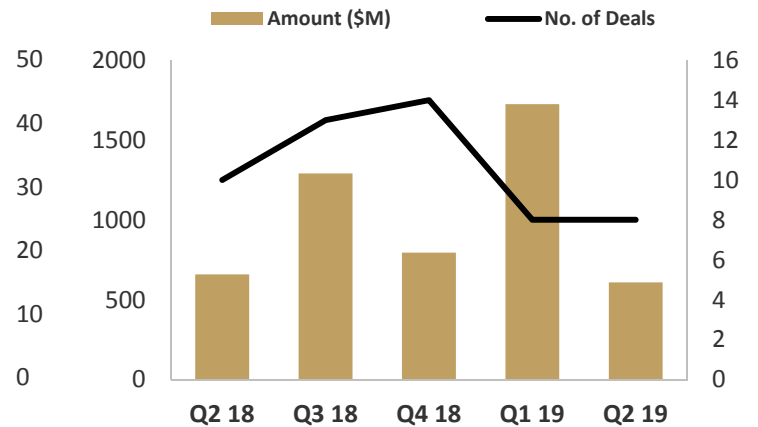
Growth-PE



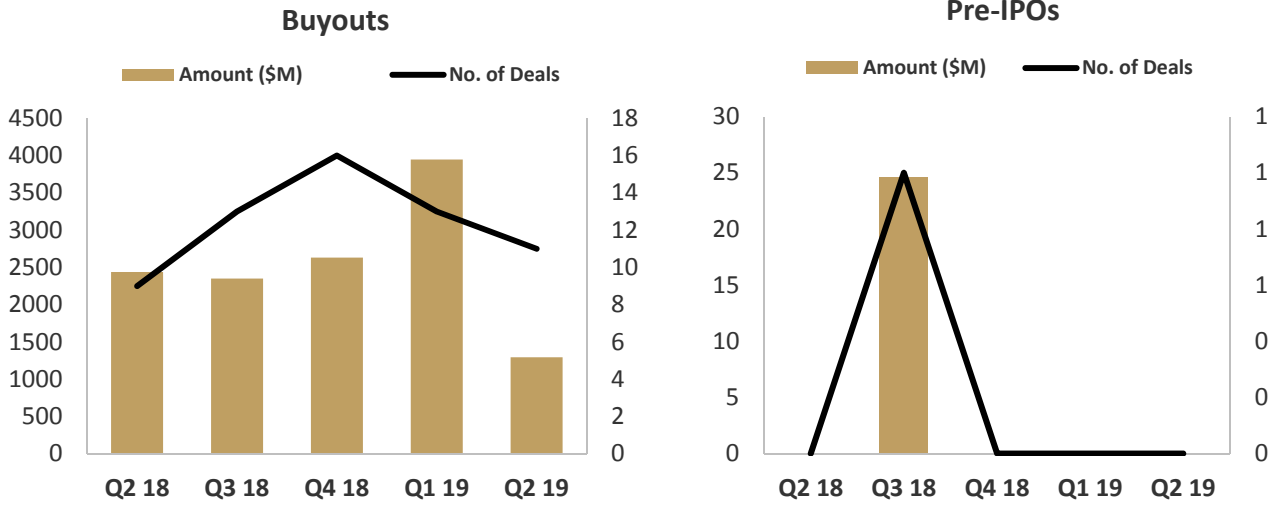
Late Stage



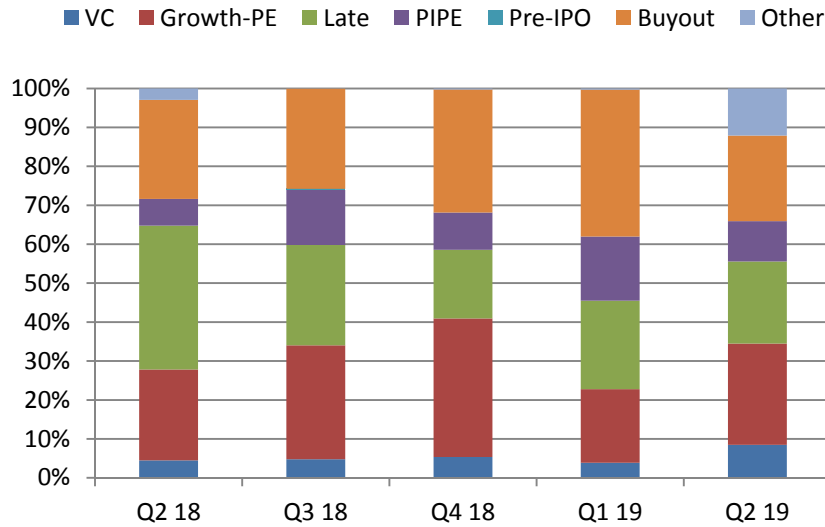
PIPEs



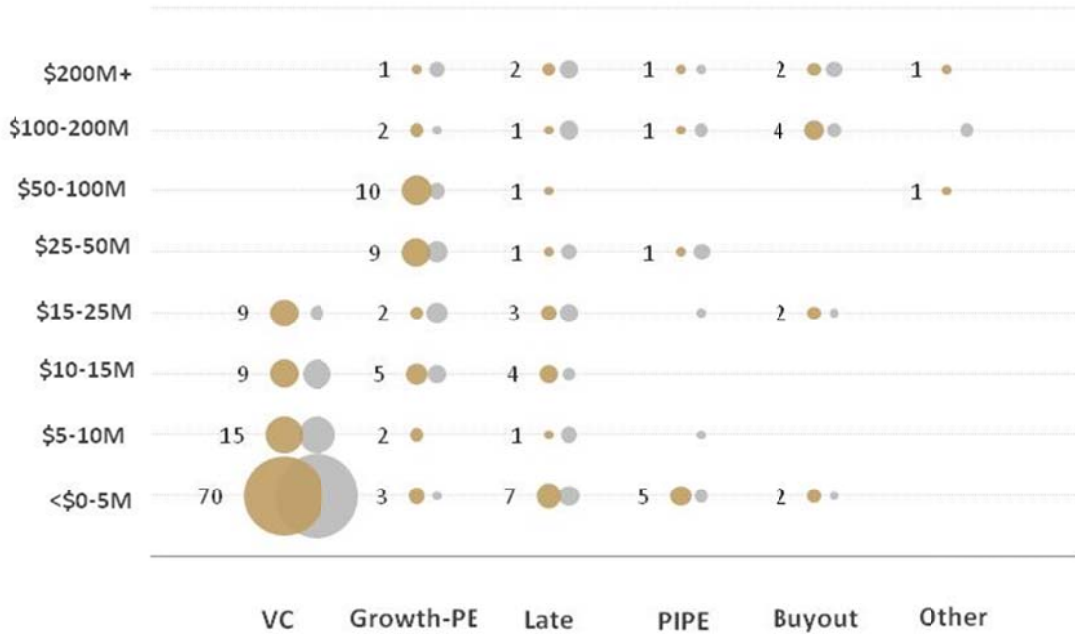
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Share of Investments – By Stage (Value)



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Fund Raising

VC firm A91 Partners, founded by three former Sequoia Capital managing directors, closed a \$350 million fund which aims to invest across consumer, healthcare, financial services and technology companies.

Global Environment Fund-managed South Asia Growth Fund II (SAGF II) made a first close of its fund at \$130 million.

PE firm Lighthouse Funds raised \$100 million as part of final close of its \$250 M fund - India 2020 Fund III.

First Investments* – India Dedicated Funds	
Investor	Portfolio Company
Marathon Edge Partners	Ginesys
NeoMile Capital	British Brewing Company


* PE/VC Firms who made their first investments (since fund closing) during the period.

First Investments* – Global Funds	
Investor	Portfolio Company
Coinbase Ventures	Matic Network
Intuitive.VC	Uniphore Software Systems
Korea Investment Partners	GlowRoad
National Grid Partners	Uniphore Software Systems
Pontaq	ZestloT
Qiming Venture	Pratilipi
Smilegate Investments	CashFree
Tanglin Venture Partners	Lifelong Online, Open Financial Technologies
Teja Ventures	Frontier Markets
The CXO Fund	Uniphore Software Systems

* Foreign (i.e., non-India-dedicated) PE Firms who made their first investments in India during the period.

Legal Corner

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MINORITY PROTECTION AGAINST OPPRESSION AND MISMANAGEMENT

Authors : Amit Manubarwala, Partner;
Ananthram Ganesh, Associate Partner; Karan Narvekar, Associate Manager

Chapter XVI of the Companies Act, 2013 (**Act**) provides for minority protection against oppression and mismanagement. Ordinarily, the board of directors of a company are empowered to take decisions binding the company, and outsiders including courts are not permitted to interfere in its affairs. However, when the management of a company purports to conduct its business in a manner prejudicial to the interests of the company, its shareholders, or a minority group of shareholders, its shareholders are empowered under Chapter XVI to approach the court to redress the wrong.¹

Application for relief against oppression and mismanagement

Section 241(1) of the Act provides that shareholders of a company can apply to the National Company Law Tribunal (**NCLT**), for relief against oppression and mismanagement if:

- (a) its affairs are carried out in a manner prejudicial or oppressive to certain members of the company, to the company's interests, or to public interest; or
- (b) there occurs a change of management, control, ownership of shares, membership, or other change, that is likely to result in the affairs of the company being conducted in a manner

¹ Company Law. (2014). 4th ed. Haryana: Taxmann.

prejudicial to its own interests, or the interests of its members or a certain class thereof (unless such change is brought about by its creditors, debenture holders, or a class of its shareholders, or in their interest).

Eligibility to apply for relief against oppression and mismanagement

Section 244 of the Act provides that an application for relief under Section 241 should be made by at least 100 members, or one tenth of the members of the company, whichever is less, or members holding at least one tenth of the total issued share capital of the company. Applicants should have paid all calls on capital, and other sums due in respect of the shares held by them.

The NCLT, however, has been empowered to waive the above eligibility requirements at its discretion. As a quasi-judicial body, a waiver by the NCLT is required to be made on merits and with a reasoned order, rather than capriciously, or arbitrarily.

The corresponding provision in the Companies Act, 1956 was Section 399, which also contained similar eligibility requirements. The power to waive the requirements, was vested with the Central Government, and was thus an administrative power rather than an investigatory/judicial power.

Grounds for exemption

The National Company Law Appellate Tribunal (**NCLAT**) has in *Cyrus Investments Private Limited and Others v. Tata Sons Limited and Ors.* ([2019] 212 CompCas 269) held that to determine whether an application for waiver should be granted, the NCLT is not only required to form an opinion objectively, but to also satisfy itself on the basis of pleadings/evidence on record, as to whether:

- (i) the applicant is a member of the company in question
- (ii) the proposed application pertains to “oppression and mismanagement”
- (iii) a similar allegation was earlier made by any other member, and was decided and concluded, or
- (iv) there are other circumstances that merit the grant of waiver to enable filing of application under Section 241

In *Cyrus Investments (supra)*, the NCLAT, overturning the decision of the NCLT, granted waiver on various grounds, including that since no minority shareholder could individually initiate action under Section 241 (despite having financial interest to the extent of one sixth of the total value of the subject company) the 10% requirement of Section 244 of the Act should be dispensed with.

The matter of ITC v Leela and others

ITC Limited (**ITC**) filed a petition on April 23, 2019, against Hotel Leela Venture Limited (**Leela**) with the

National Company Law Tribunal (**NCLT**), Mumbai, alleging “oppression and mismanagement”. Since ITC holds only 8.27% of the share capital of Leela, it has also applied for an exemption of the requirements under Section 244.

In the petition, ITC has sought injunctions restraining Leela, its promoters, directors and JM Financial ARC (**JM**) from the sale and transfer of the assets of four hotels and one property to BSREP III India Ballet Pte. Ltd. (**Brookfield**). ITC has alleged that the transaction is skewed in favour of the promoters and JM and opposed to the interests of minority shareholders, including itself. ITC further alleges that the proposed transaction would have the effect of transferring a substantial part of Leela's assets in favor of Brookfield, resulting in diversion of Leela's revenue stream to Brookfield and leaving Leela with no real business prospects, while it retained large liabilities, which it would be unable to service. According to ITC, the interests of Leela, and its minority shareholders would be prejudiced by the transaction. The decision of the NCLT is yet awaited, and the matter is currently adjourned until July 25, 2019.

Given the route that ITC has taken, it appears that ITC currently does not enjoy any contractual protection of its rights as a shareholder of Leela. Accordingly, if on the basis of the facts, the NCLT does not grant ITC a waiver, ITC may either choose to (i) appeal against the order of the NCLT, or (ii) form a cohort with other shareholders of Leela to collectively meet the 10% requirement and make a fresh application, or (iii) increase its shareholding in Leela to 10% in order to meet the requirement under Section 244 of the Act, and thereafter make a fresh application - however, in the given circumstances, it seems unlikely that ITC will choose to invest more of its funds in the Leela.

The NCLT ruling is expected to be synchronous with recent legislative thrust on transparency and objectivity in corporate governance. The ruling on ITC's waiver application will also serve as important guidance for measures to be put in place, and steps to be taken by corporate India to avoid judicial intervention in its management and affairs.

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Appendix 1: Definitions of Stages-of-company-development used:

Private Equity investments are classified into the following categories in this report.

Venture Capital:

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First to Fourth Round of institutional investments into companies that are:

- 1) Less than <10 years old, AND
- 2) Investment amount is less than \$20 M

Growth-PE:

- 1) First-to-Fourth Round Investments >\$20 M into companies <10 years old, OR
- 2) Fifth / Sixth rounds of institutional investments into companies <10 years old

Late Stage:

- 1) Investment into companies that are over 10 years old, OR
- 2) Seventh or later rounds of institutional investments

PIPEs:

- 1) PE investments in publicly-listed companies via preferential allotments / private Placements, OR
- 2) Acquisition of shares by PE firms via the secondary market

Buyout:

- 1) Acquisition of controlling stake via purchase of stakes of existing shareholders

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Today, the traditional model of competitiveness driven by low labor costs is being disrupted by the global megatrend of rapid digitization of every aspect of the manufacturing supply chain. There is therefore a need for Indian companies to adopt digitization to retain a competitive edge globally. Avalon Consulting has developed a framework for manufacturing firms to assess their current state of Digital Readiness, along with some thoughts on how to strengthen and leverage the same for achieving a strong, competitive position in the market. You can download it at the link [here](#).

We hope you find this content insightful and look forward to your thoughts & feedback on the same. We would be happy to engage in a more detailed conversation, should you have any questions.



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*(formerly Signal Hill in India)

Highlighted Transactions

DC Advisory India

Advised 1mg on its growth equity capital raise from Corisol Holdings, IFC and Others

US\$ 70 million
June 2019

Advised Qwiksilver on its sale to Pine Labs

US\$ 110 million
April 2019

Advised People Combine (Oakridge Schools) on its partnership with Nord Anglia Education

Value undisclosed
February 2019

DC Advisory Global

Advised Truckstop.com on its majority investment from ICONIQ Capital

Value undisclosed
April 2019

Advised Taisho Pharmaceutical Holdings on the acquisition of a majority stake in DHG Pharmaceutical

JPY 16 Billion
April 2019

Advised Advent International on the sale of KMD to NEC Corporation

DKK 8 Billion
March 2019

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