Private equity review - 2016

A review of the Indian private equity sector and developments in 2016

February 2017

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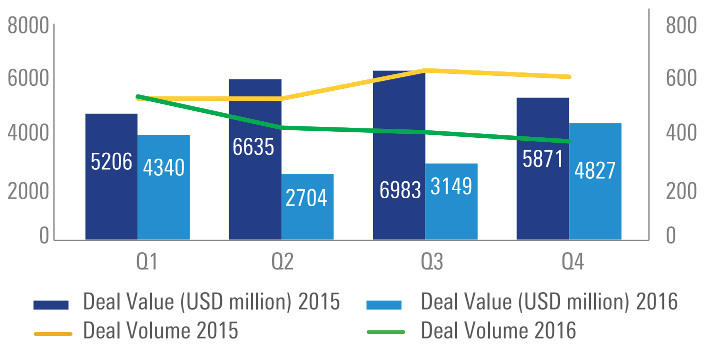
Foreword

The Private Equity Group at KPMG in India is happy to share with you the 'Private Equity Review –2016'. This publication seeks to encapsulate the key investments, exits and trends seen in the Indian private equity (PE) and venture capital (VC) space during 2016.

At an overall level, PE/VC investments in 2016 slowed down when compared to the record levels seen in 2015. This was largely on account of the slowdown of VC investments in the technology backed start-up ecosystem. PE/VC exits, however continued at more or less the same levels as 2015. A quick comparison of the volume and value of PE/VC investments and exits in 2015 and 2016 shows the following:

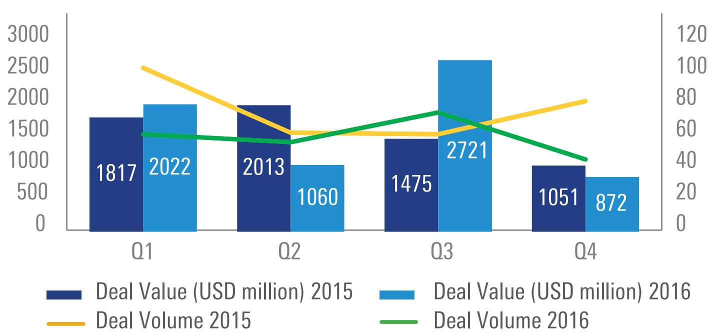
- Cumulative value of PE/VC investments in 2016 was USD15.0 billion, 39 per cent below the record USD24.6 billion invested in 2015. The number of deals in 2016 however were 1,430, 25 per cent lesser than the 1,906 deals seen in 2015[1]
- As we moved from Q3 to Q4 2016, there was a healthy pipeline of investments and notwithstanding the demonetisation of the INR500 and INR1,000 currency notes announced by the Union Government on 8 November 2016 ('demonetisation'), Q4 finished strongly with PE/ VC investments adding up to USD4.8 billion
- In contrast, PE/VC exits in Q4, 2016 turned anemic after a very strong showing in Q3. Demonetisation had a sobering impact on the capital markets and caused several exit processes to pause till further clarity emerges. We are hopeful of buoyancy returning to the capital markets, which remains dependent on a number of new risks that the global economy currently faces.

Quarter wise PE/VC investments in India



Source: VCCedge accessed on 20 February 2017

Quarter wise PE/VC exits in India



Source: VCCedge accessed on 20 February 2017

1. VCCedge database, accessed on 21 February 2017

Sectoral trends seen in 2015 have continued in 2016, with Information Technology continuing its leadership status as the sector attracting the maximum PE investments (22.3 per cent of the total deal value and 56.6 per cent of deal volume), followed by the Financial sector (30.8 per cent of the total deal value and 8.7 per cent of deal volume), Industrials sector (20.2 per cent of deal value and 6.4 per cent of deal volume) and Consumer Discretionary (11.4 per cent of the total deal value and 17.2 per cent of deal volume).[1] A notable difference from 2015 was the emergence of the Healthcare sector (7.4 per cent of deal value and 6.0 per cent of deal volume) as a PE/VC investment destination in 2016. Going forward, we expect sectors such as Fintech, Healthcare and Pharmaceuticals, Education, Real Estate and Infrastructure to attract more PE/VC investment dollars and the percentage share of the Information Technology sector of PE/VC deal value to decrease. More on that in pages 18 to 19 of this report.

Outlook for 2017

In our view the long term India growth story remains intact and notwithstanding the impact of demonetisation announced in November, 2016, India is expected to regain the position of the 'fastest growing major economy' in 2017. This long term secular growth trend coupled with the strength of India's internal consumption market is what continues to attract PE/VC investment dollars into the country. A stable currency, an increasingly downward trending interest rate curve, continuing government reforms, a relatively young demographic coupled with high quality entrepreneurs add to the mix of attractive macro factors mentioned above.

In our Private Equity Review – H1, 2016 released on October, 2016, we had mentioned how KPMG International's CEO Outlook 2016 showcased a lot of optimism for India[2]. Backed by the views of over 1,250 CEOs from Europe, Asia Pacific and the U.S., this survey reflected their confidence about the India's strong performance in the near future, with several vying for a share of its thriving industries. We had projected this to result in more PE/ VC backed M&A exits than ever before, with an increase in the share of inbound FDI investment into India. In 2016, foreign direct investment (FDI) inflows into India jumped 18 per cent to a record USD46.4 billion, notwithstanding the fall in global FDI flows[3]. At the Economic Survey tabled in the Parliament by the Government of India on 31 January 2017, it was asserted that India had emerged as one of the world's largest recipients of FDI and that in 2016-17, FDI was running at an annual rate of USD75 billion.[4]

The above confidence is also shared by the PE/VC community. Most large international PE fund heads admit (either in private or publically) that they are looking to deploy investments worth billions of dollars in India from both global as well as India-specific funds over the course of the next few years. This coupled with the significant increase in dry powder with India focused funds (estimated to be at six year high of USD7.1 billion by Preqin[5]) can lead one to become fairly sanguine about the outlook for PE/VC investments and PE/VC exits in 2017.

However, the three unforeseen events that happened in 2016 (Brexit, Trump Presidency and Demonetisation) have caused us to recalibrate our outlook for PE/ VC sector in India for 2017 to 'Cautiously Optimistic' from 'Optimistic' in 2016. Domestic demand is still weak post demonetisation and credit offtake, especially to the manufacturing sector has yet to take off. Indian exports of goods and services now face the twin uncertainties: those arising from Brexit and an increasingly protectionist U.S. market, given President Trump's current focus on 'Buy American, Hire American' and 'bringing jobs back to America'.[6] A potential change in the U.S. trade policy could be detrimental for the IT and ITES sector (a sector PE/VC investors are overweight on) and the Indian Pharmaceutical industry. Further, with President Trump focusing on high domestic investment and lower taxes, the U.S. dollar has strengthened against major currencies,[7] adding uncertainty over future depreciation of the Indian Rupee into the mix. As the new U.S. administration fine tunes and rolls out its new trade policy, the global economy could be exposed to more volatility and uncertainty. Rumblings of rising geo-political tensions

2. India CEO Outlook 2016: Now or never, KPMG https://home.kpmg.com/in/en/home/insights/2016/08/india-ceo-outlook.html, accessed of 21 February 2017
3. FDI inflows into India jump 18% to a record $46.4 bn in 2016 despite global fall, Livemint, http://www.livemint.com/Politics/JV5cFZfUieY1Orp5bL8SqM/FDI-inflows-into-India-jumps-18-to-a-record-464-bn-in-201.html, accessed on 21 February 2017
4. India one of world's largest recipients of FDI: Economic Survey, The Economic Times, http://economictimes.indiatimes.com/news/economy/finance/india-one-of-worlds-largest-recipients-of-fdi-economic-survey/articleshow/56895343.cms, accessed on 21 February 2017
5. Deals in 2017: Time to deploy the dry powder, Livemint, http://www.livemint.com/Companies/mCxh8fxvTAoV8DzL62D9KJ/Deals-in-2017-Time-to-deploy-the-dry-powder.html, accessed on 21 January 2017
6. Donald Trump's 'Buy American-hire American' pledge unnerves Indian IT, The Economic Times, http://economictimes.indiatimes.com/articleshow/56716795.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, accessed on 22 February 2017
7. Dollar hits 10-day high before Trump-Abe meeting, Hindu Business Line, http://www.thehindubusinessline.com/markets/forex/dollar-at-112week-high-vs-yen-on-trump-tax-vow-usjapan-summit-awaited/article9533713.ece, accessed on 22 February 2017

have increased the upside risk of global crude prices, a leading indicator that has a significant impact on the Indian monetary policy and macro-economic mathematics.

Back home, the next major event is scheduled to unfold on 11 March 2017, when the election results of the states of Goa, Punjab, Manipur, UP and Uttarakhand are due to be announced. Perhaps the highest stakes battle is in in the state of UP, India's most populous state,[8] the results of which could be viewed as a referendum on PM Modi and his personal political capital. These election results are expected to affect the balance between 'reforms' and 'populism', impacting Indian politics and policy making over the next two to three years.

All of the above has already had an impact on Indian PE/VC investments and exits in Q1, 2017YTD.[9] Data from VCC Edge shows that January and February 2017 saw very tepid levels of PE/VC investments and exits when compared to Q1 2016 or Q1 2015. The months of March and April 2017 are likely to see most of the above mentioned domestic and international uncertainties play out and set the course for the rest of the year. We remain 'Cautiously Optimistic' on the outlook of the Indian PE/VC sector for 2017 and aim to be back with an update on Q1, 2017 in a couple of months.

We hope you find this report useful and insightful.

Vivek Soni

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Private Equity
KPMG in India

8. States Census 2011, Census 2011, http://www.census2011.co.in/states.php, accessed on 22 February 2017
9. VCC Edge database accessed on February 18, 2017

India loses the fastest growing developing economy tag in 2016, poised to potentially regain it in 2017

According to International Monetary Fund's (IMF) 'World Economic Outlook Update' released in January 2017, India had grown at 7.6 per cent in 2015 and was the fastest growng developing economy in 2015. The growth estimate for 2016 was however revised downwards by 100 bps to 6.6 per cent and that for 2017 has also been revised downwards by 40 bps to 7.2 per cent. The growth estimates for 2018 have been retained at 7.7 per cent.[1]

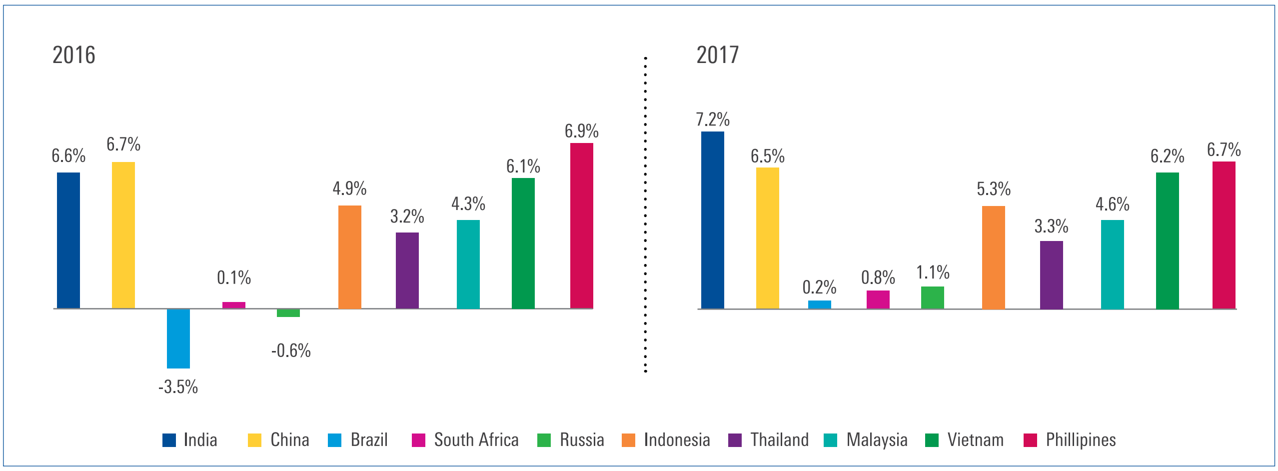
The IMF cited this downward revision was due to the demonetisation announcement by the government in November 2016. According to IMF, the cash crunch has led to payment disruptions and negative consumption temporarily. The country is however expected to bounce back strongly with 7.2 per cent and 7.7 per cent expected growth in fiscal years ending 2018 and 2019. During this time, India is also expected to regain its position as the fastest growing emerging market[2] which in 2016 was lost to China by a gap of 10 bps.[1]

Notwithstanding the temporary impact of the currency demonetisation move by the government, India registered strong domestic growth last year on back of a stable government, easing Foreign Direct Investment (FDI) norms, economic development and investor confidence. One of the major positive highlights the country witnessed was industrial production rising by 5.7 per cent in November 2016 and in December 2016, exports peaked to their highest levels since March 2015.[2]

Important steps towards the implementation of Goods and Services Tax have also been taken, which is expected to be positive for investment and growth. The economy had previously benefitted from a large improvement in trade triggered by lower commodity prices and a rise in income levels, that led to increased spending for personal consumption.[3]

Other economies such as Brazil and Russia have disappointed investors with negative growth for 2016. Globally, IMF forecasted economic activity pickup in 2017 and 2018, a large chunk of it coming from emerging markets and developing countries. Global growth is pegged at 3.1 per cent and 3.4 per cent for 2016 and 2017, respectively. However, the IMF pointed out that the lack of clarity of the policy stance of the new U.S. administration could be a significant risk to these forecasts.[1]

Figure 1: Forecasted growth rate for 2016 and 2017

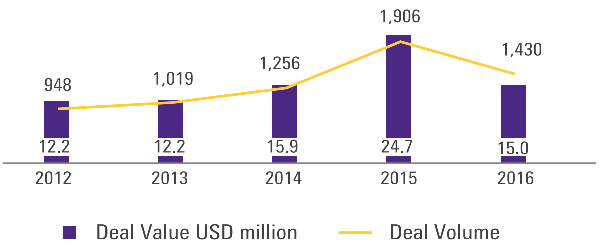


Source: IMF World Economic Outlook, October 2016, IMF; IMF World Economic Outlook Update, January 2017, IMF

1. World Economic Outlook Update, International Monetary Fund, http://www.imf.org/external/pubs/ft/weo/2017/update/01/pdf/0117.pdf, accessed on 17 January 2017
2. IMF cuts India's growth rate to 6.6% due to note ban, The Economic Times, http://economictimes.indiatimes.com/articleshow/56601116.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, accessed on 17 January 2017
3. IMF predicts strong 7.6% growth for India in 2016-2017, The Economic Times, http://economictimes.indiatimes.com/news/economy/indicators/imf-predicts-strong-7-6-growth-for-india-in-2016-2017/articleshow/54678810.cms, accessed on 4 October 2016

Big ticket investments in 2016

Figure 2: PE/VC investments in India: 2012-2016



Source: VCCedge database, accessed on 21 February 2017

Overall, the year in India was a mixed bag. Despite the expected decline in the e-commerce and technology sector-focused Venture capital (VC) investments, private equity (PE) and venture capital investments fared better than most other years apart from 2015, which was an outlier driven by the technology startup and e-commerce funding boom. The volume and value of investments in 2016 decreased by ~25 per cent and ~39 per cent respectively compared to the year before. This reduction was expected as the flurry of investments in 2015 was shouldered by a high volume of start up deals in 2015. In 2016, the political and economic turmoil in Europe, including Brexit, rising oil prices and increased risk premium for technology/internet sector investments affected the sentiments of foreign investors, who form the lion's share of PE investors in the country.

Table 1:Key PE investments announced / closed in 2016

Target	Buyer / Lender	Deal Value (USD million)	Sector	Stake
Towercom Infrastructure Pvt. Ltd.	Brookfield Asset Management Inc.	~1610	Industrials	51%
Mphasis Ltd.	Blackstone Advisors India	~825	Information Technology	60%
Bangalore International Airport Ltd.	Fairfax India, Fairfax Financial.	~370	Industrials	38%
GE Capital Services India	AION India, Pramod Bhasin and Anil Chawla	~330	Financials	100%
SBI Life Insurance Company Ltd.	Temasek Holdings Advisors. KKR India Advisors.	~266	Financials	3.9%
Greenko Energy Holdings	Abu Dhabi Investment, GIC	~230	Utilities	-
Janalakshmi Financial Services	TPG, GIC, QRG Enterprises, Morgan Stanley PE, Havells India	~210	Financials	20%
Jasper Infotech Pvt. Ltd.	Ontario Teachers Pension Plan, Bennett Coleman and Co. Ltd.	~200	Consumer Discretionary	-
National Stock Exchange of India Ltd.	ChrysCapital Investment Advisors India Pvt. Ltd., Life Insurance Corp. of India, Ward Ferry Management	~194	Financials	-
Kotak Mahindra Bank Ltd.	Canada Pension Plan Investment Board	~190	Financials	0.88%

Source: VCCedge Annual Deal Report 2017

In the one of the largest PE deals announced in 2016, publicly-listed Reliance Communications signed a term sheet to sell off a 51 per cent stake in its tower assets unit Reliance Infratel to Canada's Brookfield Infrastructure Group for USD1.6 billion.[4] Among other major deals, Blackstone invested USD0.8 billion in Bangalore-based IT services company, Mphasis, for a controlling 60 per cent stake. This deal was the biggest commitment made by the Blackstone Group in India in a single deal.[5]

a. Trends that emerged in 2016

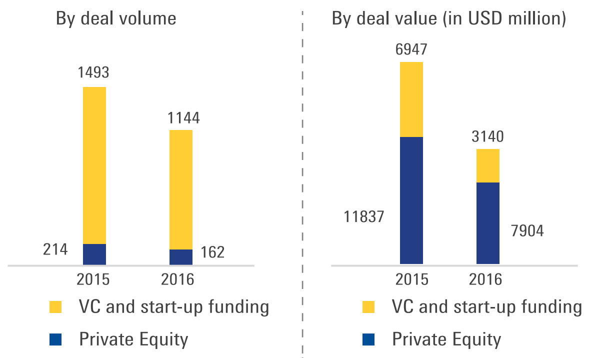
In our view, 2016 saw some new trends in PE/ VC investment activity emerging – our views on some of them are as follows:

i. Significant decline in PE/VC funding for startups

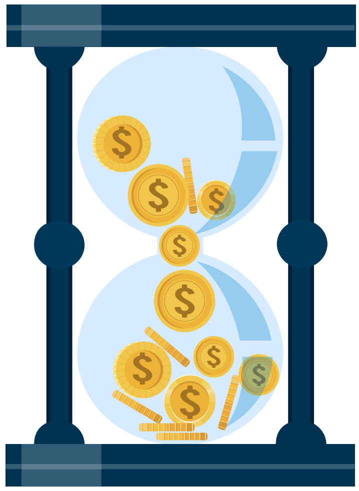
In 2016, VC firms such as Tiger Global and Sequoia Capital opted for a slow pace of funding over what was seen in 2015. In 2016, Tiger Global made just one investment whereas Sequoia Capital made 24 investments. These figures are significantly low when compared to 22 investments by Tiger Global and 41 investments by Sequoia Capital in 2015.[6] Despite a rise in buyout deals among PE funds, VC funds show a fall in big ticket deals upwards of USD20 million. [6]2016 saw three investments worth more than USD20 million each compared to five such deals in 2015. The reasons are attributed to VC firms taking more time to evaluate startups to ensure they are investing in companies with a clear, scalable and profitable business model. This is not just an Indian phenomenon, globally, in 2016 VC firms became more conservative in their commitments to large deals. Also, the rate at which startups are achieving unicorn status has slowed down, making investors more selective.[7]

4. Reliance Com signs term sheet with Brookfield to sell 51% stake in tower unit for Rs 11,000 cr, The Economic Times, http://economictimes.indiatimes.com/articleshow/54847398.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, accessed on 11 January 2017
5. Blackstone's open offer for Mphasis fails; ends with 60% stake, VCCircle, http://www.vccircle.com/news/technology/2016/09/01/blackstone-s-open-offer-mphasis-fails-ends-60-stake, accessed on 21 January 2017
6. India Venture Capital Report, Vebture Intelligence, http://www.ventureintelligence.info/reports2016/India_VC_Report-2016.pdf, accessed on 24 January 2017
7. Venture Pulse Q4 2016, KPMG, https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/01/venture-pulse-q4-2016-report.pdf, accessed on 24 January 2017

Figure 3: Deal analysis of PE/VC investment in 2015 and 2016



Source: VCCedge database, accessed on 21 February 2017



Private equity (PE) investments accounted for approximately 52.6 per cent of the total PE/VC deal values in 2016, as compared to 48 per cent in the same period last year. Globally, VC and startup funding has witnessed a sharp slowdown and the same holds true for India also. While PE investments in 2016 have fallen compared to the year before, the fall in VC/startup funding has been more pronounced.

ii. Buyouts gaining traction

2016 was one of the the biggest years in terms of buyouts in India. The year saw over 50 big ticket investments with deal values higher than USD50 million. Overall, the year saw a significant 34 per cent rise in buyout deal values over 2015.[9]

Table 2: Key buyouts in 2016

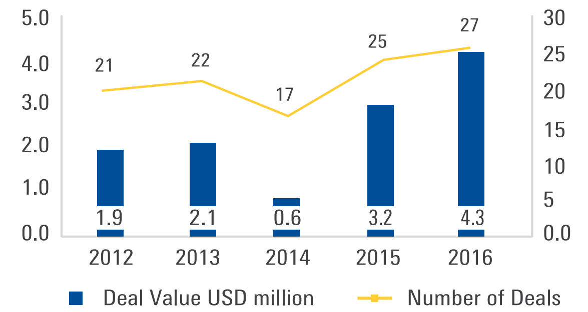
Target	PE buyer	Amount invested
Towercom Infrastructure Pvt. Ltd.	Brookfield Asset Management Inc.	USD 1.6 billion
Mphasis Ltd.	Blackstone Advisors India	USD 0.8 billion
GE Capital Services India	AION India, Pramod Bhasin and Anil Chawla	USD 330 million

Source: India Private Equity Investments – Annual 2016, Venture Intelligence, accessed on 21 January 2017

In 2016, 27 buyout deals worth USD4.3 billion were announced / closed, suggesting the coming of age of Indian promoters, who are no longer clinging to their businesses but are taking advantage of the monetisation opportunities offered by PE investors and exiting businesses when offered attractive opportunities.

As a corollary to an increase in Buyouts, 2016 also witnessed a rise in PE funds hunting for top quality professionals with abilities to run business's in specific industry sectors.

Figure 4:PE/VC buyouts in 2015 and 2016



Source: India Private Equity Investments – Annual 2016, Venture Intelligence, accessed on 21 January 2017

As PE funds focus on buyout deals, they are bringing in management teams with significant experience in running companies.[10] For e.g. in 2016, PE fund Samara Capital hired Sanjay Purohit, the former managing director at Levi Strauss & Co, to head its portfolio firm Sapphire Foods and run the fund's consumer and retail practice.

Buyouts are not just isolated to private equity funds. Large Indian corporates have also embraced inorganic expansion post the financial crisis in 2008. In India, out of a total of 83 leveraged buyout deals since 1991, 68 have happened after 2007.[11] In a scenario where debt is easily available at low interest rates and distress opportunities abound, the uptick in leveraged buyouts does not come as a surprise and is expected to continue its rise in 2017 and 2018, as India adopts a new Bankruptcy and Insolvency regime and the Banking Sector continues to focus on resolving its Non Performing Assets (NPAs) buildup by pressurising promoters of companies in default to sell assets.

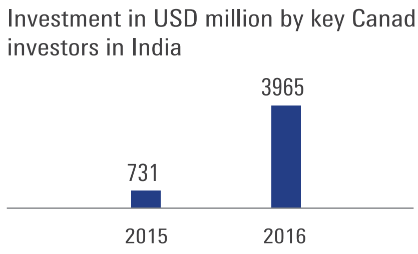
8. VCCEdge database, accessed on 2 January 2017
9. India Private Equity Investments – Annual 2016, Venture Intelligence, http://www.ventureintelligence.info/reports2016/india-pe-investments-2016.pdf, accessed on 27 January 2017
10. PEs hunt for CEOs at MNCs as buyouts rise, Business Standard, http://www.business-standard.com/article/companies/pes-hunt-for-ceos-at-mncs-as-buyouts-rise-116062200895_1.html, accessed on 27 January 2017
11. Are leveraged buyouts on the rise?, Livemint, http://www.livemint.com/Opinion/1yuPmgrn1rfQjELO0oJH9N/Are-leveraged-buyouts-on-the-rise.html, accessed on 27 January 2017

iii. Rise of The Canadians

2016 witnessed a flurry of investment activity by Canadian investors. Brookfield Asset Management announced investments worth USD2.6 billion into the country, and Fairfax materially increased its investment activity, announcing 2 investments worth ~ USD 669 million. Caisse de Depot et Placement du Quebec (CDPQ) also set up its office in India in 2016 and signed a partnership agreement with Edelweiss Financial Service Ltd.

Improvement in Indian corporate governance and structural reforms is considered as one of the major reasons for Canadian funds to increase their deal activity in the country. These factors combined with an attractive labour market and a relatively stable currency make India a competitive player in the global economy. Apart from CDPQ and Brookfield Asset Management, Canadian Pension Plan Investment Board opened its office in India in the second half of 2015 and has been actively looking at investing in the Indian infrastructure and real estate space.[12]

Figure 5: Investments by key Canadian PE/VC firms in India



Source: VCCEdge database, other public news articles accessed on 09 February 2017; news articles; Investments made by CPPIB, CPDQ, Fairfax, Brookfield, OTPF and PSP investments are covered

Table 3: Top 10 investments by Canadian investors in India in 2016

Announced Date	Company	Investor	Deal value (in USD million)
21-Dec-16	Towercom Infrastructure Pvt. Ltd.	Brookfield Asset Management Inc.	1,610
20-Jul-16	SBI Asset Reconstruction	Brookfield Asset Management Inc.	1,045
6-Oct-16	Hiranandani Developers Pvt. Ltd., Commercial Real Estate Portfolio	Brookfield Asset Management Inc.	1,000
28-Mar-16	Bangalore International Airport Ltd.	Fairfax India Holdings Corporation, Fairfax Financial Holdings Ltd.	370
21-Apr-16	Sanmar Engineering Services Ltd.	Fairfax India Holdings Corporation	250
29-Sep-16	Kotak Mahindra Bank Ltd.	Canada Pension Plan Investment Board	190
1-Mar-16	Kotak Mahindra Bank Ltd.	Canada Pension Plan Investment Board	168
19-Oct-16	TVS Logistics Services Ltd.	Quebec Deposit and Investment Fund	155
30-Sep-16	Azure Power Global Ltd.	Quebec Deposit and Investment Fund	88
12-Jul-16	Privi Organics Ltd.	Fairfax India Holdings Corporation	55

Source: VCCEdge database, Venture Intelligence database, other public news articles accessed on 09 February 2017; Investments made by CPPIB, CPDQ, Fairfax, Brookfield, OTPF and PSP investments are covered

12. Canadian funds step up investments in India, Livemint, http://www.livemint.com/Companies/VsyQ9IVstvvCAG4uMcQ2RP/Canadian-funds-step-up-investments-in-India.html, accessed on 24 January 2017

iv. IT & ITES sector remains a favourite

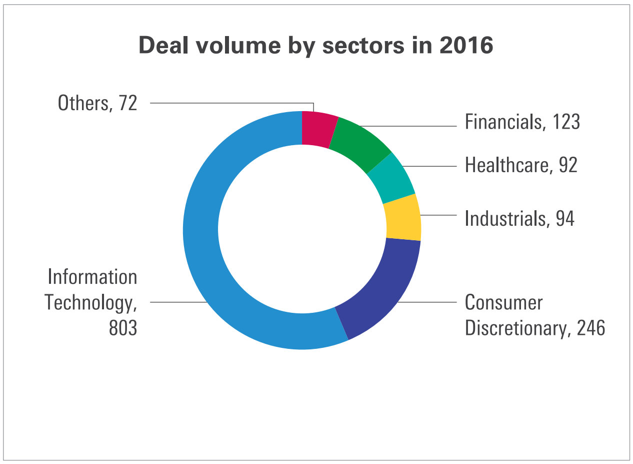
Private Equity investments – key sectors

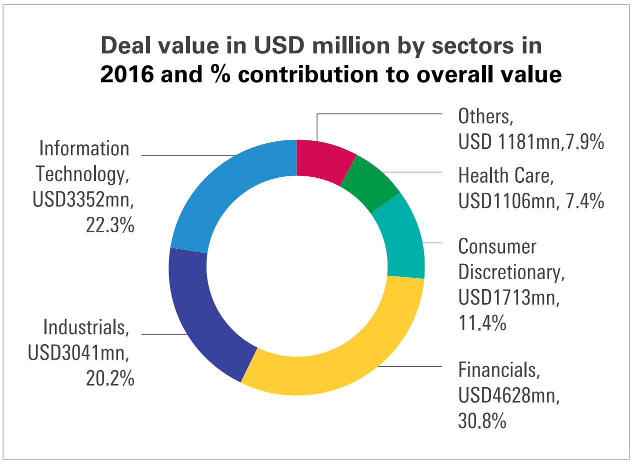
Information technology companies and tech-oriented startups dominated PE deal statistics, accounting for 56.6 per cent of deal volumes and 22.3 per cent of deal values in 2016. Apart from IT & ITES, investments in financial services companies also gained traction, with companies such as GE Capital, Janalakshmi Financial Services witnessing investments during the period. E-commerce companies such as Jasper Infotech (Snapdeal.com), within the Internet consumer services sector, also accounted for a significant share of the number of deals during 2016.[13]

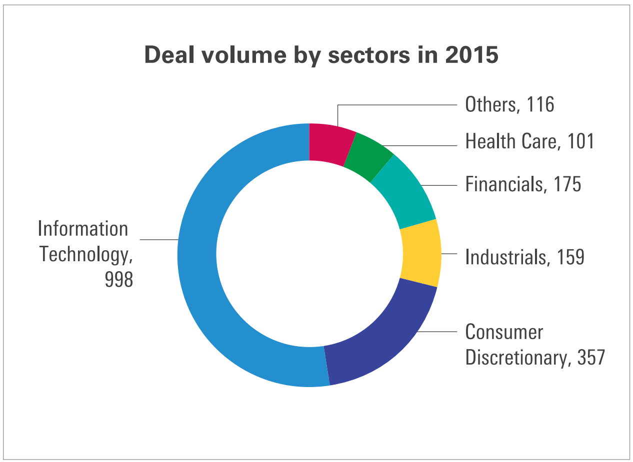
VC investments – key sectors

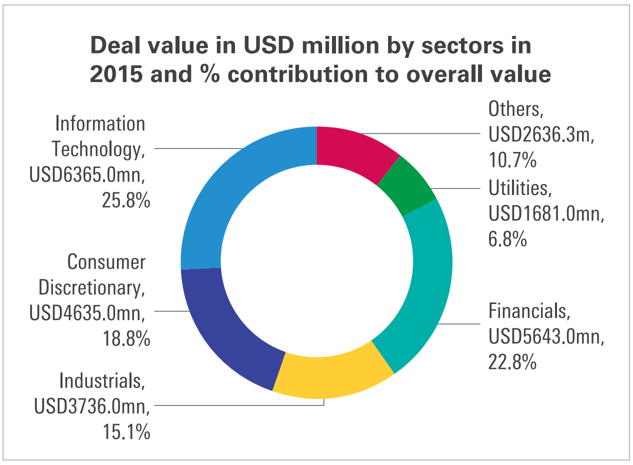
Besides the regular sectors, new-age business startups in fintech and data analytics received significant amount of funding from angel and seed investors. The flow of angel and seed money into sectors like financial technology, health care, education and travel is also likely to continue in 2017.[14]

Figure 6: Sectoral PE/VC investment trends in 2015 and 2016









Source: VCCedge Annual Deal Report 2017, January 2017

13. VCCedge Annual Deal Report 2017, January 2017
14. Big-ticket deals, new IPOs boost M&As in 2016, Forbes India, http://www.forbesindia.com/printcontent/45281, accessed on 04 January 2017

v. *Significant buildup of dry powder expected to lead to increased investment activity in 2017 and 2018*

The year 2016 had also witnessed fundraising to the tune of USD4.2 billion across 39 funds in India. The momentum of fund-raising continued from 2015 which had seen funds raised worth USD5.7 billion across 43 funds.[13] With significant dry-powder at their disposal, coupled with friendly investment policies, 2017 could be a record year for PE/VC investments in India. Total dry powder has been estimated to be close to a six-year high of USD7.1 billion.[15] Most of the large funds are now ready to deploy capital and are in talks with potential targets. Table 4 highlights the list of the top ten funds raised in 2016.

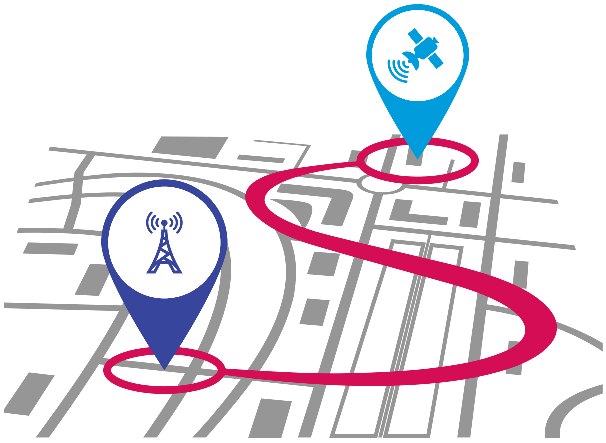
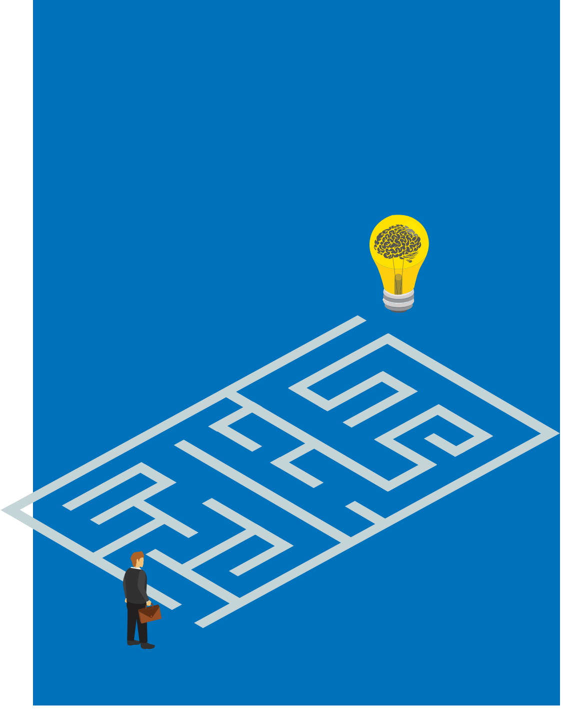


Table 4: List of the top ten Indian PE/VC funds raised in terms of size in 2016

Fund name	Amount raised (USD million)
Sequoia Capital India V Ltd.	920
HDFC Capital Affordable Real Estate Fund-1	405
Multiples Private Equity Fund II LLP	285
Godrej Residential Investment Program II	275
Kotak India Real Estate International Fund III	250
Oman India Joint Investment Fund II	250
India Advantage Fund Series IV	190
Matrix Partners India II LLC	110
Gaja Capital Fund III Ltd.	110
ASK India Real Estate Special Opportunities Fund Pte Ltd.	96

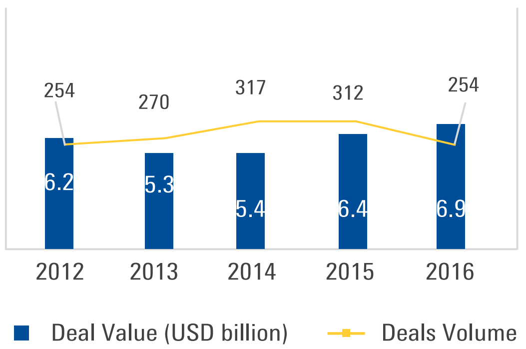
Source: VCCedge Annual Deal Report 2017, January 2017

15. Deals in 2017: Time to deploy the dry powder, Livemint, http://www.livemint.com/Companies/mCxh8fxvTAoV8DzL62D9KJ/Deals-in-2017-Time-to-deploy-the-dry-powder.html, accessed on 21 January 2017



Exits gain traction

Figure 7: PE/VC exits in India: 2012-2016

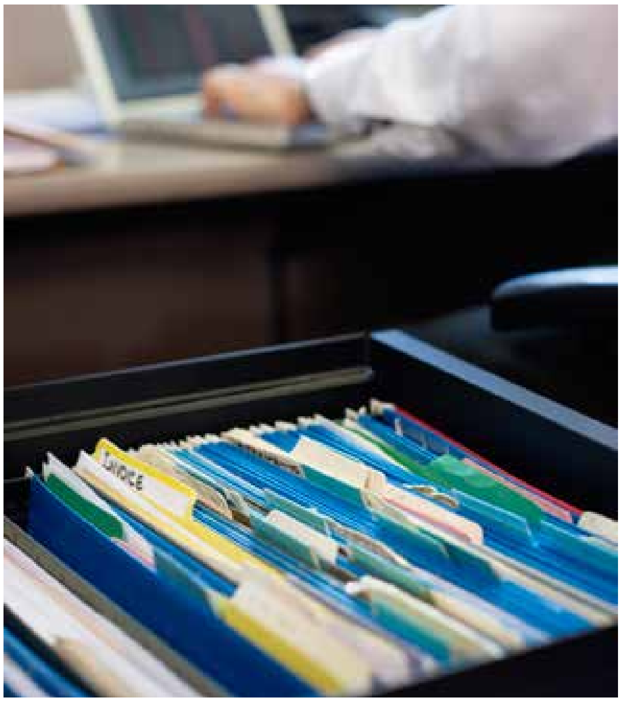


Source: VCCedge database, accessed on 21 February 2017

One of the biggest positives for the industry in 2016 was that there was no slowdown in the amount of exits from the record levels seen in 2015. Once a pain point and area of concern for investors, PE/VC firms managed to unlock investments worth USD 6.9 billion across 254 exits in 2016. The exits was mostly driven by stong M&A trends, with about 52 per cent of the exit value being contributed by strategic sales.[13] This is likely to be a precursor to higher corporate buyer activity in 2017.

The impact of currency demonetisation announced on 8 November 2016 on businesses and their ability to recover from the temproary contraction in economic activity would be evident in the first half of 2017. It is quite likely that certain businesses would get impacted by it more than the rest and would need to re-align their business strategies, which could further fuel M&As in India.

In terms of sectors, manufacturing witnessed maximum exits, followed by technology, e-commerce and financial services. The PE/VC industry, which has struggled with exits since the 2008 economic downturn, had turned a corner in 2015 and continued the momentum in 2016.



In some of the key exits this year, Japan's Yokohama completed its buyout of KKR-backed tire manufacturer Alliance Tire Group (ATG). Yokohama agreed to buy ATG from KKR for USD1.2 billion, valuing the company at 2.2 times its revenue and more than 12 times its operating profit for 2015.[16] This is one of the largest private equity exits in India announced in the past decade. In 2013, KKR had acquired a 90 per cent stake in Alliance Tire Group for an estimated USD470 million. This deal has given KKR a twice-over return in less than three years.[17] This deal is an example of the rise in exits for PE firms via sale to strategic players, which serves the purpose of continued professional support for the portfolio company.

16. KKR's $1.2-billion Alliance deal marks largest PE exit in a decade, Business Standard, http://www.business-standard.com/article/companies/kkr-s-1-2-billion-alliance-deal-marks-largest-pe-exit-in-a-decade-116032600419_1.html, accessed on 6 July 2016

17. Yokohama Rubber Co to buy Alliance Tire Group for $1.2 billion, The Economic Times, http://economictimes.indiatimes.com/industry/auto/news/tyres/yokohama-rubber-co-to-buy-alliance-tire-group-for-1-2-billion/articleshow/51556169.cms, accessed on 6 July 2016

Table 5: Key PE/VC-backed M&A exits announced in 2016

Target	Buyer	Seller	Deal Value (USD million)	Sector	Type of M&A
Alliance Tire Group B.V.	Yokohama Rubber Co. Ltd.	KKR India	1,179	Automotive	Inbound
Bharti Telecom Ltd.	Singapore Telecommunications Ltd.	Temasek Holdings	657	Electronics	Inbound
Gland Pharma Ltd.	Shanghai Fosun Pharmaceutical	KKR India, Gland Celsus	577	Pharma	Inbound
Minacs Pvt. Ltd.	Synnex Corporation	Capital Square, CX Capital	420	IT	Inbound
International Tractors Ltd.	Yanmar Company Ltd.	Blackstone	235	Auto	Inbound
Lodha Group, World One	NA	HDFC Property Fund	224	Real Estate	Domestic

Source: VCCEdge database, accessed on 3 January 2017

Rise of PE/VC backed M&A driven exits:

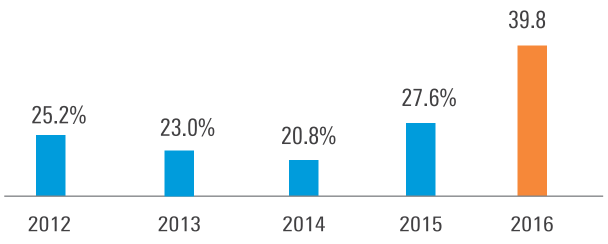
In 2016, 101 M&A driven exits worth USD3.6 billion were witnessed, a strong increase over 2015 levels, which had seen 86 such exits worth USD175 million.[18] M&A deals in India had perked up on the back of a number of billion-dollar deals struck in 2016, with the aim of slashing debt or consolidating market share.[19] Key big-ticket M&A transactions announced last year included Essar Group's USD13 billion sale of Essar Oil to Russian energy company, Rosneft. The deal was tagged as the largest debt reduction exercise by an Indian business house.[20]

A key driver of M&A deals was the rise in asset sales by Indian companies to deleverage balance sheets. Indian companies which are highly leveraged are expected to continue to perform consolidation, restructuring and asset sales. This is likely to drive M&A activity in India this year as well.

The M&A activity also reflects foreign players' interest in the country and the rise of inorganic expansion. For example, Japanese player Yokohama Rubber agreed to buy out a controlling stake in Alliance Tire Group for USD1.2 billion to expand its commercial tyres business.[21]

The contribution of strategic sales to exits nearly doubled in 2016 and accounted for 39.8 per cent of the total PE/VC exits. In fact, the share of exits via acquisitions have been climbing continuously for the last three years. The graph alongside shows M&A accounting for the highest percentage of PE/VC exits in recent times.

Figure 8: M&As accounting for number of PE/VC exits



Source: VCCedge database, accessed on 21 February 2017

18. VCCedge Annual Deal Report 2017, January 2017
19. M&A deals in 2016 witness five-year high at USD 61.44 billion, Indian Express, http://www.newindianexpress.com/business/2017/jan/04/ma-deals-in-2016-witness-five-year-high-at-usd-6144-billion-1556097.html, accessed on 9 February 2017
20. Rosneft-Essar Oil deal cuts Essar Group's debt, lifts banks, Live Mint, http://www.livemint.com/Companies/UE6yEq8tFUKnol6oXFkXcM/RosneftEssar-Oil-deal-cuts-Essar-Groups-debt-lifts-banks.html, accessed on 11 January 2017
21. Yokohama Rubber Co to buy Alliance Tire Group for $1.2 billion, The Economic Times, http://economictimes.indiatimes.com/industry/auto/news/tyres/yokohama-rubber-co-to-buy-alliance-tire-group-for-1-2-billion/articleshow/51556169.cms, accessed on 1 July 2016

Buoyant capital markets continued to support PE/VC backed IPOs

Apart from M&A, open market exits accounted for about 33 per cent of the total PE/VC exits activity in India, thanks to an active primary market which saw a surge in IPOs. Initial public offerings (IPO) recorded a five-year high last year, with 93 companies raising as much as USD 4.12 billion, almost double the amount raised in 2015.[22] ICICI Prudential Life Insurance's INR 6,000 crore issue, the biggest IPO in six years was successfully conducted in September 2016.[23]

The following table lists down the performance of PE/VC-backed IPOs so far in 2016. These IPOs reflect a strong exit route for private equity funds through the primary market.

Table 6: List of key PE/VC-backed IPOs in 2016

Issuer Company	Issue Size (INR billion)	Offer Price (INR per share)	Listing Price (INR per share)	CMP (INR per share as on 31 January 2017)	PE/VC investors
Laurus Labs Ltd.	13.31	428	490	474.95	Aptuit, Eight Roads Ventures, Warburg Pincus
Endurance Technologies Ltd.	11.62	472	570	611.15	Actis
RBL Bank Ltd.	12.13	225	273.7	382.4	Elephant Capital, Beacon India, Gaja Capital, Capvent India PE Fund II
S.P. Apparels Ltd.	2.39	268	305	374.15	New York Life Investment Management India Fund II
Dilip Buildcon Ltd.	6.54	219	240	237.80	BanyanTree Growth Capital
Advanced Enzyme Technologies Ltd.	4.12	896	1,210	1808.90	Kotak India Venture Fund I
Parag Milk Foods Ltd	7.52	215	215.7	265.75	IDFC Private Equity Fund III , India Business Excellence Fund-I
Ujjivan Financial Services Ltd	8.88	210	227	362.60	India Financial Inclusion Fund, Unitus Equity, Wolfensohn Capital, Sarva Capital, IFC, Elevar Advisors
Thyrocare Technologies	4.79	446	662	711.25	CX Partners Fund I
Equitas Holdings Limited	21.75	110	144	164.50	Aavishkaar, India Financial Inclusion Fund, MicroVentures SPA, ARIA, Sequoia, WestBridgeC, Aquarius, Helion, IFC, Creation Investments, Sarva Capital
Healthcare Global Enterprises	6.50	218	209.8	241.70	PremjiInvest , India Build-Out Fund-I , Temasek
Quick Heal Technologies	4.51	321	304.9	267.60	Sequoia Capital
TeamLease Services Ltd	4.24	850	860	899.00	India Advantage Fund, Gaja Capital

Source: VCCEdge database, BSEindia.com, chittorgarh.com accessed on 11 January 2017 and 1 February 2017

22. PE exits, M&As & fund raising via IPOs hit 5-yr high in 2016: Report, Business Standard, http://www.business-standard.com/article/markets/pe-exits-m-as-fund-raising-via-ipos-hit-5-yr-high-in-2016-117010500594_1.html, accessed on 11 January 2017

23. Mega IPO: ICICI Pru Life's Rs 6,000-crore issue kicks off, biggest in 6 years, The Economic Times, http://economictimes.indiatimes.com/markets/stocks/news/mega-ipo-icici-pru-lifes-rs-6000-crore-issue-kicks-off-biggest-in-6-years/articleshow/54401859.cms, accessed on 23 January 2017

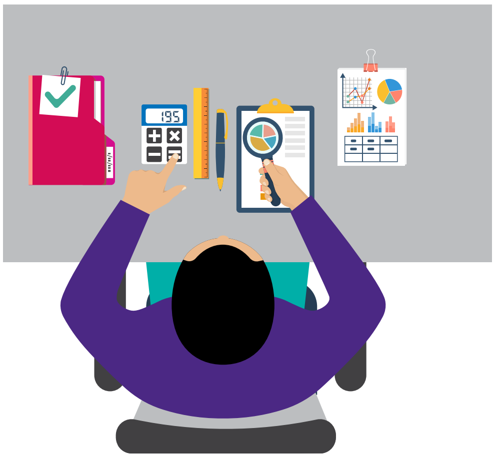
Pipeline of PE/VC backed IPOs in process remains strong

Table 7: Key PE/VC-backed IPOs in the pipeline filed with Securities and Exchange Board of India (SEBI)

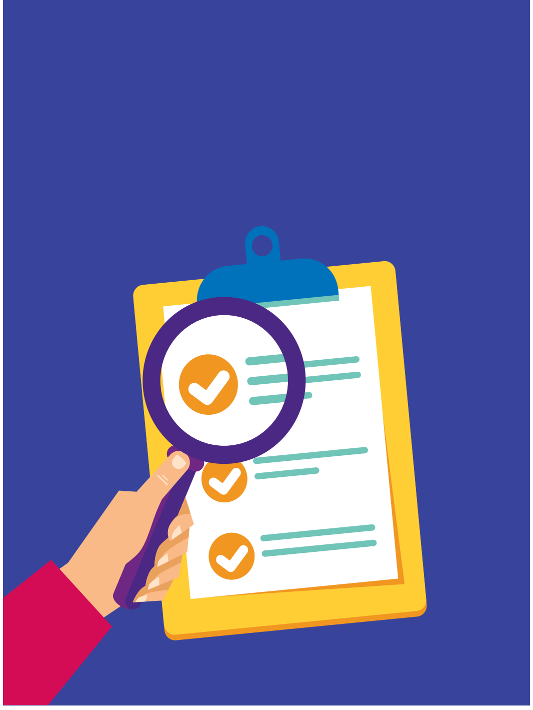
Company Name	PE/VC investors	Issue Size
National Stock Exchange of India	Tiger Global Holdings, Temasek Holdings, Goldman Sachs Inc	~INR 100 billion[24]
Aster DM Healthcare Ltd.	India Value Fund Advisors Pvt. Ltd., India Value Fund IV, Olympus Capital Holdings Asia	~INR 19-20 billion[25]
Hinduja Leyland Finance Ltd.	Everstone Capital Partners II LLC	~INR 7 billion[27]
Genesis Colors Ltd.	Henderson Asia Pacific Equity Partners II LP, InnoVen Capital India Pvt. Ltd., Mayfield Fund I	~INR 6.5 billion[28]
Security and Intelligence Services	CX Capital Management Ltd.	~INR 5 billion[29]
Shankara Building Products Ltd.	Reliance Alternative Investments Fund Private Equity Scheme I	~INR 4.0-4.5 billion[30]
Prataap Snacks	Sequoia Capital India IV Ltd., Sequoia Capital India Growth Fund II	~INR 4 billion[31]
CL Educate Ltd	Gaja Capital Fund I Ltd., Granite Hill India Opportunities Fund, Housing Development Finance Corporation Ltd.	~INR2.75-3 billion[32]
G R Infraprojects Ltd.	India Business Excellence Fund-I , India Business Excellence Fund II	~INR 2.4 billion[33]

Source: VCCedge database, VCCircle, The Economic Times, Livemint, Busines Standard, other news articles

After a strong show of PE/VC backed IPO's in 2016, 2017 is likely to be more of the same as a number of marquee companies are in queue for SEBI approvals. These primary offerings are expected to not only add depth to the market but also provide exit opportunities to a number of invested PE/VC players. With many of the PE/VC backed IPO stocks showing good performance, investors are expected to increasingly participate in the upcoming PE/VC-backed IPOs in 2017 as well.



24. The National Stock Exchange (NSE) is gearing for a big bang IPO in 2017, MoneyControl, http://www.moneycontrol.com/news/ipo-upcoming-issues/upbeatnse-ipo-2017-looks-promising-for-new-listings-pros_8177581.html, accessed on 29 December 2016
25. Aster DM Healthcare files for $300 mn IPO; Olympus, IVFA to part-exit, VCCircle, http://www.vccircle.com/news/healthcare-services/2016/06/25/aster-dm-healthcare-files-300-mn-ipo-olympus-ivfa-part-exit, accessed on 21 January 2017
27. Hinduja Leyland Finance file for IPO by Livemint, Hinduja Leyland, http://hindujaleylandfinance.com/index.php/investments/news-and-events/82-hinduja-leyland-finance-file-for-ipo-by-livemint, accessed on 21 January 2017
28. Genesis Colors files IPO papers to raise up to Rs650 crore, Livemint, http://www.livemint.com/Money/e7Kp3PDvBA9dGYj0VUyTaI/Genesis-Colors-files-IPO-papers-to-raise-up-to-Rs650-crore.html, accessed on 21 January 2017
29. Security and Intelligence Services get Sebi nod for IPO, Business Standard, http://www.business-standard.com/article/markets/security-and-intelligence-services-get-sebi-nod-for-ipo-117011700039_1.html, accessed on 21 January 2017
30. Shankara BuildPro files for Rs 400-450-cr IPO, Business Standard, http://www.business-standard.com/article/pti-stories/shankara-buildpro-files-for-rs-400-450-cr-ipo-116092901117_1.html, accessed on 3 January 2017
31. Prataap Snacks joins the IPO bandwagon, files draft papers with Sebi, The Economic Times,
32. CL Educate looks to raise Rs275-300 crore in IPO, Livemint, http://www.livemint.com/Companies/okee7YGTI4IKZlhDVKV1mJ/CL-Educate-looks-to-raise-Rs275300-crore-in-IPO.html, accessed on 21 January 2017
33. G R Infraprojects get Sebi's nod for IPO, http://economictimes.indiatimes.com/markets/ipos/fpos/g-r-infraprojects-shankara-building-get-sebis-nod-for-ipo/articleshow/56186483.cms, accessed on 26 December 2016



Certain sectors are expected to witness a rise in activity due to economic reforms

With PE and VC firms sitting on a huge arsenal of dry-powder, 2017 and 2018 are expected to see a significant uptick in PE/VC investments in certain sectors, specially on the back of continued policy reforms by the government. The total amount of investment dry powder in India waiting to be deployed is currently estimated to be close to a six-year high of USD7.1 billion according to data from Preqin.[34] Besides IT, Industrials, Financial Services and Consumer Discretionary, we expect PE/VC investment activity to pick up in the following sectors in 2017 and 2018:

The **Fintech** sector, which had seen lower investment levels in 2016 globally, was given a huge boost by the government's demonetisation policy in November last year. With the government stated intent of making the country a 'less-cash' economy, a number of fintech and payment companies have witnessed increased traffic. Investors have identifed fintech as a key sector of interest and see it more than simply payments technology. Investor interest is rising in a variety of fintech sub-segments such as investing, lending, wealth management, credit reporting, etc. Many leading fintech players in India have raised PE/VC funding in the past couple of years. Going forward, while investment by PE/VC firms in fintech as early stage investors is likely to continue, global trends of banks and larger financial institutions acquiring fintech companies is expected to be seen in India in the near future as the sector matures. KPMG in India has been publishing reports on the fintech space and reports are available on our website for referral.[35]

Healthcare is one of the largest sectors in India and is estimated to be worth USD280 billion by 2020. India accounts for almost a fifth of the world's disease burden and requires at least 600,000-700,000 additional beds over the next five to six years with an investment requirement of USD25-30 billion.[36] With rising income levels and increasing consumerism trending, the demand for quality healthcare facilities is likely to be significant. Hence PE and VC investors look at the healthcare sector as one with huge potential. Investments are likely to flow not only into established firms but also healthcare startups.[36]

In addition to healthcare, we expect **Pharmaceuticals** to see strong investment activity with the government increasing the automatic FDI limit to 74 per cent in 2016 for existing pharmaceutical companies. With India being an underserved market in healthcare and pharmaceuticals, this sector is expected to garner significant M&A and PE/VC interest in 2017 and 2018.

While most other sectors recorded a dip in their investment, the **Education** sector received significant investor interest. India is a country with a young population and a big skill gap. In order to address this issue the government would need to increase its outlay on education. PE/VC firms can capitalise on the funding gap and invest in quality education ventures. With initiatives such as 'Digital India' and 'Smart Cities' in place, education startups are likely to leverage technology in a big way. On the back of the introduction and widespread usage of new technologies such as 4G, e-learning ventures, adaptive learning platforms and online test preparation firms could offer a good bet for PE/VC funds. In a key deal announced last year, Bangalore-based educational services provider Byjus Classes' Think and Learn, received a total investment of USD140 million from investors including Times Internet, Chan Zuckerberg Initiative, Sequoia Capital, International Finance Corporation (IFC), Aarin Capital, Lightspeed and Sofina Societe.[37]

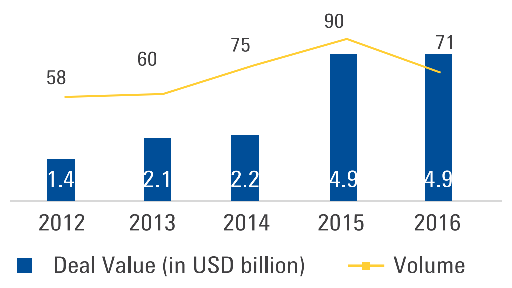
34. Deals in 2017: Time to deploy the dry powder, Livemint, http://www.livemint.com/Companies/mCxh8fxvTAoV8DzL62D9KJ/Deals-in-2017-Time-to-deploy-the-dry-powder.html, accessed on 21 January 2017
35. Fintech in India, KPMG, https://assets.kpmg.com/content/dam/kpmg/pdf/2016/06/FinTech-new.pdf, accessed on 12 January 2017
36. Indian healthcare start-ups, KPMG, https://assets.kpmg.com/content/dam/kpmg/in/pdf/2016/09/FICCI-Heal.pdf, accessed on 12 January 2017
37. In education space, private equity investment up 25% over 2015, The Times of India, http://timesofindia.indiatimes.com/city/mumbai/In-education-space-private-equity-investment-up-25-over-2015/articleshow/55484126.cms, accessed on 12 January 2017

Real estate is widely expected to witness boost in investments on the back of regulatory reforms. The Government has announced some key policies for Real Estate in the Union Budget for 2017. Within real estate, affordable housing now gets an infrastructure status. There is also relaxation on area measurement and a higher allocation of funds to the National Housing Bank. These announcements are a definite positive sign for the sector where easier access to credit has been an obstacle for quite some time. Further, policy announcements like Real Estate Regulation Act ('RERA') made in 2016 coupled with the deadline imposed on state governments to implement the RERA regulation can go a long way in easing consumer concerns around project delivery and curbing of malpractices in the sector. This is expected to lead to a significant cleanup in the sector, making it attractive for new, institutional players.

The Government's focus on bringing in good regulation into the Real Estate Sector is expected to be positive for attracting real estate private equity. The general India growth story coupled with the focus adopted by banks to crack down on Non Performing Assets is helping create investment opportunities for real estate investors across the capital structure: right from equity to mezzanine debt, structured debt, special situations, lease rent discounting and plain vanilla secured debt. While clarity is expected to emerge on the tax norms around Real Estate Investment Trust's soon, it is widely expected that 2017 and 2018 will see a listing of Indian REITs backed by portfolios of commercial real estate assets.

A total of USD1.8 billion was raised by real estate-focussed PE funds in 2016. The following table provides a list of the top five such funds raised in 2016:

Figure 9: PE investments in Real estate



Source: Venture Intelligence PERE report 2016

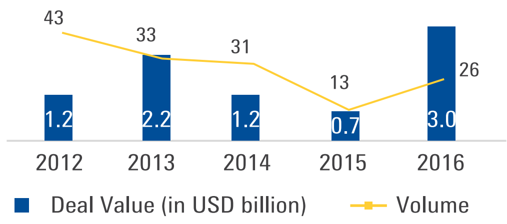
Table 8: Top 5 PE Real estate investments in 2016

Company	Type	Investor	Amount (USD million)
Hiranandani Group	Commercial	Brookfield	1000
Virtuous Retail South Asia	Commercial	Xander, APG	450
Lodha Group	Residential	Piramal Fund	347
Godrej Properties	Residential	APG	275
Tata Housing	Residential	Macquarie	210

Source: Venture Intelligence PERE report 2016

Government has been very encouraging towards higher private sector participation in the Indian **Infrastructure sector.** The focus in 2016 was largely on roads, airports and railways development along with infrastructure-related services such as irrigation. Even before the announcements made in the Union Budget 2017 came in, private equity funds have shown keen interest on the sector.[38] After a downward trend over the past three years, 2016 saw a sharp uptrend, with PE investments worth USD3 billion taking place in the sector in 2016. This rising trend is expected to continue in 2017 as Indian infrastructure developers look to monetise their operating assets to free up capital and large sovereign wealth funds looking for yield pick up stable, cash flow generating infrastructure assets.

Figure 10: PE investments in infrastructure

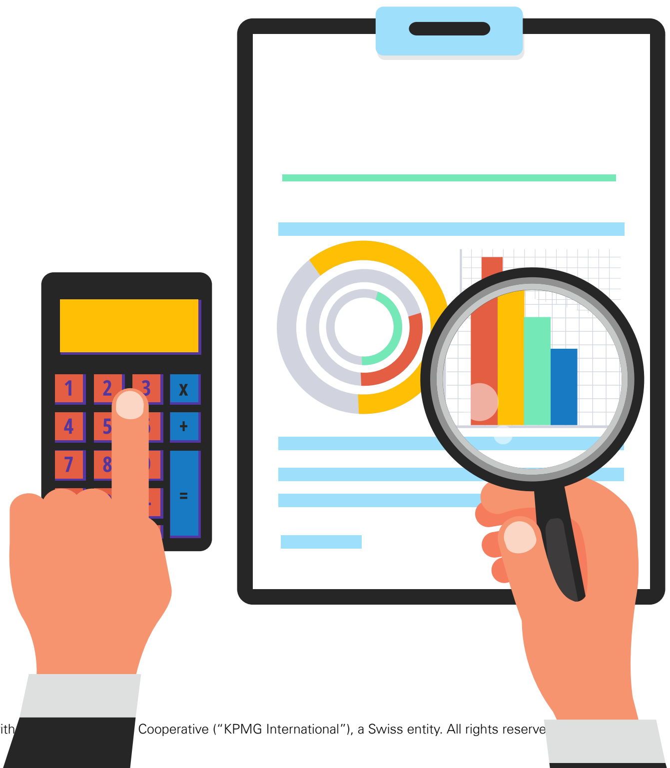


Source: Venture Intelligence Database accessed on 9 February 2017

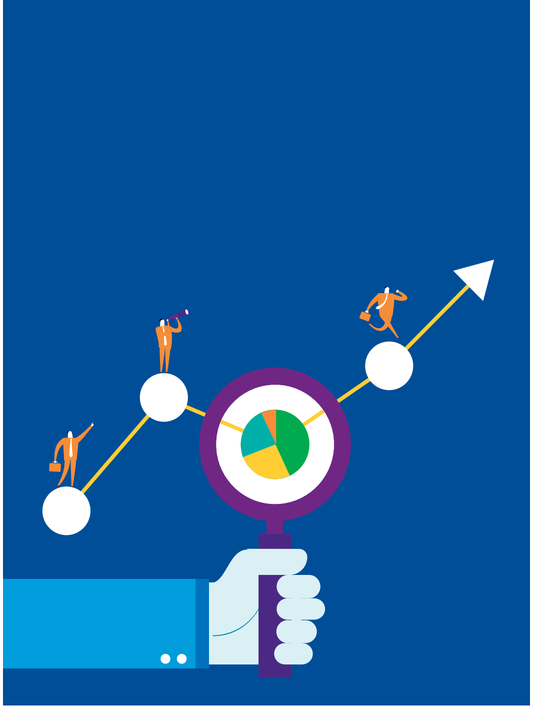
Table 9: Top five PE investments in infrastructure in 2016

Company	Investor	Deal value (in USD million)
Towercom Infrastructure Pvt. Ltd.	Brookfield Asset Management Inc.	1,610
Bangalore International Airport	Fairfax India Holdings Corporation, Fairfax Financial Holdings Ltd.	370
Essel Highways	Goldman Sachs	250
TVS Logistics Services Ltd.	Quebec Deposit and Investment Fund	155
Hero Future Energies	International Finance Corporation (IFC)	125

Source: Venture Intelligence Database accessed on 9 February 2017



38. Building, Construction and Real Estate Post Union Budget 2017 point of view, KPMG, https://home.kpmg.com/content/dam/kpmg/in/pdf/2017/02/Building-Construction-and-Real-Estate.pdf, accessed on 12 February 2017

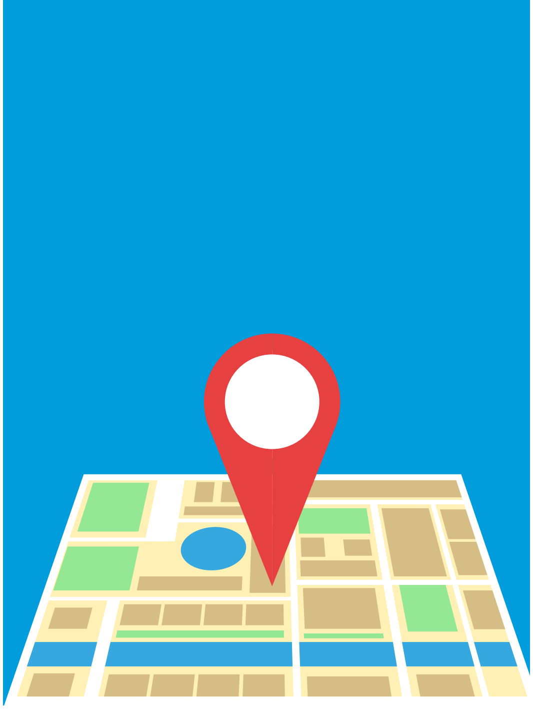


Policy step up likely to lead to more investments

Although 2016 saw a huge number of startup investments, the value was lower than the levels observed in 2015. To make startup investments more beneficial for foreign investors, SEBI further relaxed rules for angel funding in startups. Angel funds have now been allowed to invest in up to five-year old startups. Previously, this was allowed only for startups up to three-years-old. Additionally, SEBI has also reduced the lock-in requirement to just one year from three years for angel investors. Further, the minimum investment threshold for angel funds has also been decreased from INR50 lakhs to INR25 lakhs (INR5 million to INR2.5 million). This will help smaller companies with lesser capital requirements raise funds during the initial stages of their journey. In another major boost, in line with other Alternative Investment Funds (AIFs), angel funds have also been allowed to make overseas investments, with a limit of 25 per cent of their investible corpus. This is likely to help angel funds diversify risks.[39]

Early in 2016, the government had launched the 'Start up India, Stand up India' mission. Under the scheme the government intended to back startups with a number of financial initiatives, including 100 per cent deduction of profits for income tax computation for three consecutive years out of five years from their incorporation.[40] During the Union Budget 2017, this benefit was further relaxed to three consecutive years out of seven years from their incorporation.[41]

39. "Sebi relaxes rules for angel funds to boost start-up funding", Live Mint, http://www.livemint.com/Companies/19CkJYgiOzpdNXvjJlslcK/Sebi-relaxes-rules-for-angel-funds-to-boost-startup-funding.html, accessed on 12 Janaury 2017
40. "Private Equity: Union Budget 2016 - Post-Budget sectoral point of view", KPMG, https://www.kpmg.com/IN/en/services/Tax/unionbudget2016/Documents/Private-Equity.pdf, accessed on 9 August 2016
41. Private Equity Union Budget 2017-18, Post-Budget sectoral point of view, KPMG, https://home.kpmg.com/content/dam/kpmg/in/pdf/2017/02/Private-Equity.pdf, accessed on 9 February 2017



Road ahead for the PE/VC industry in India

Figure 11: BSE Sensex (January – December 2016)

Source: BseIndia.com, accessed on 3 January 2017

The focus is likely to be on PE/VC exits to generate returns for Limited partners (LPs) and free-up capital for further investment. Exits are expected to be buoyed by M&A activity and a strong primary market. The year 2016 was a record one for IPOs and 2017 already has a number of big-ticket PE/VC backed IPOs lined up.

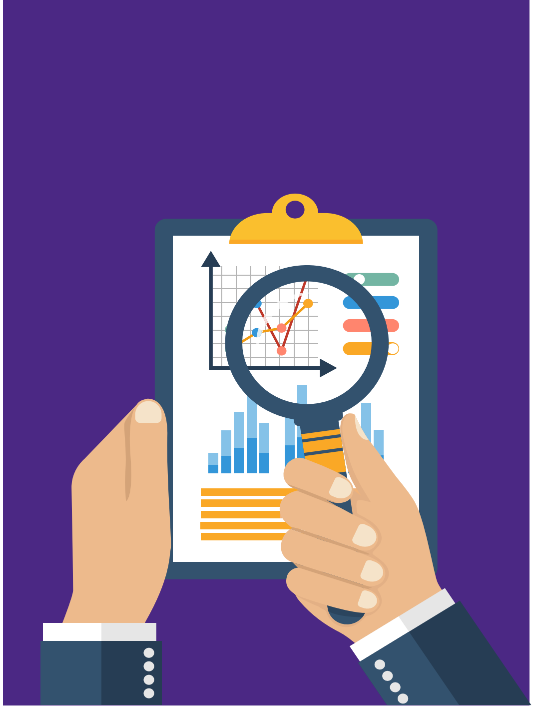
Consortium and partnership deals have gained prominence over the past few years. This is likely to continue in the near term as investors back companies together to reduce the competition and increase success rates. Having multiple investors on board could also help a company raise bridge rounds as well. Additionally, having two or more investors also makes it easier to raise Series B, C and consecutive rounds of funding. Sharing deals also helps PE/VC funds to diversify their risks as they invest smaller amounts in a larger number of companies.[42]

After the euphoria of 2015, last year was a more realistic one for India Inc. with investors turning cautious and staying away from inflated valuations. The year 2017 could be the one for consolidation, with PE/VC firms chasing businesses having a strong business model with a focus on unit economics and profit. Startups would need to step up and develop more sustainable business plans in order to continue receiving funding from PE/VC funds. In line with expectations, the government has provided a boost to startups with a number of favourable announcemnents in the Union Budget announcement on 1 February 2017. The Union Budget for 2017 also addresses certain other concerns of the PE/VC investor community.[43]

A favourable growth track coupled with the government's push to make it easier to do business in India is expected to keep India on top of the mind of most investors. PE/VC firms are likely to continue to look at India as an attractive market for generating faster and more robust returns.

42. "VCs share deals to improve success rate", Business Standard, http://www.business-standard.com/article/specials/vcs-share-deals-to-improve-success-rate-116121401467_1.html, accessed on 12 January 2017

43. Private Equity Union Budget 2017-18, Post-Budget sectoral point of view, KPMG, https://home.kpmg.com/content/dam/kpmg/in/pdf/2017/02/Private-Equity.pdf, accessed on 9 February 2017



About KPMG in India's Private Equity Group

KPMG in India is one of the fastest growing professional services firms in the country. The firm's strength lies in its bouquet of over 100+ service offerings for more than 5,000 clients across India. KPMG in India combines a strength of 10,000 professionals led by more than 230 partners. The firm houses one of the largest dedicated private equity practices in the country with a cross functional, pan India team spanning different service lines

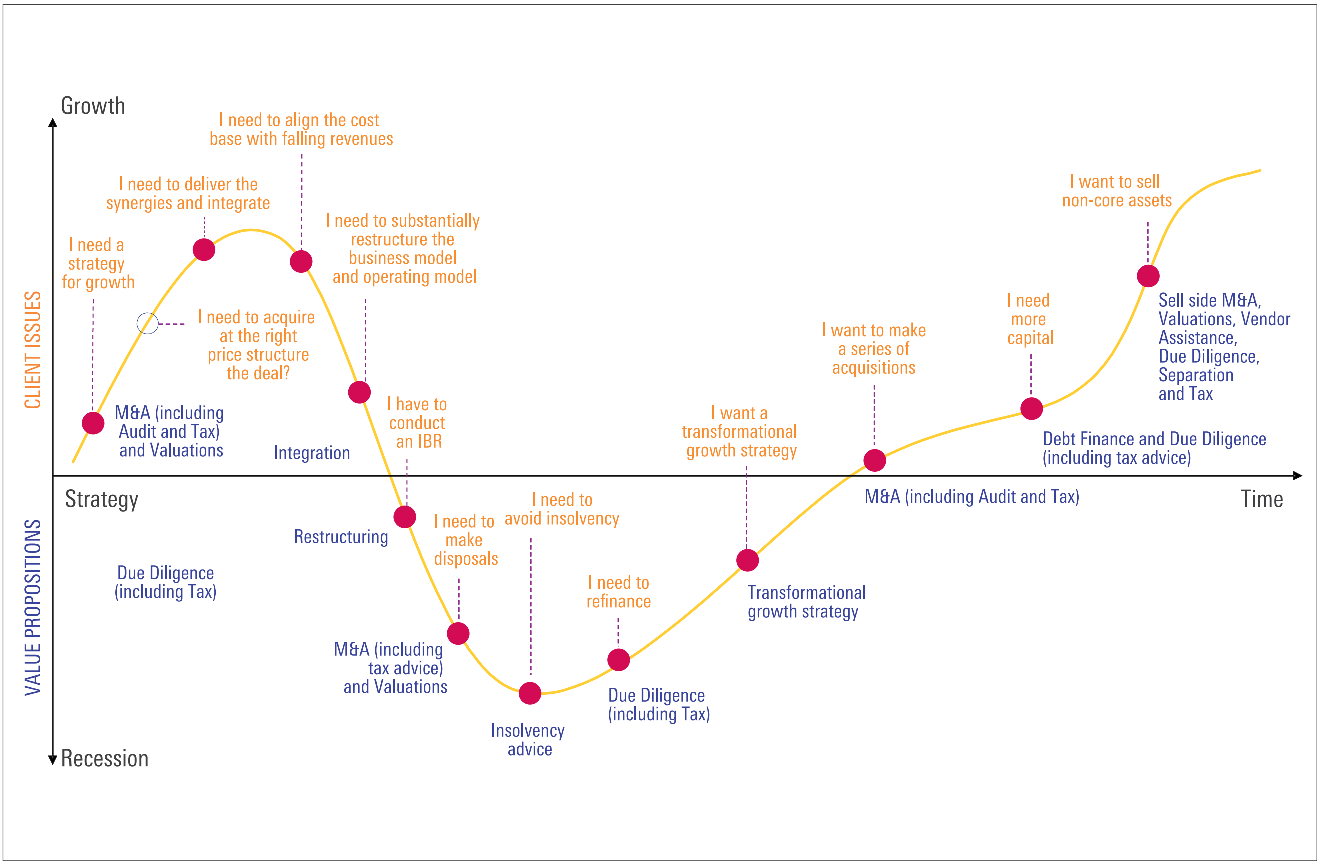
- KPMG in India's Private Equity Group has for the past four years consistently contributed to over 40 per cent of the top 10 PE transactions in the country
- KPMG in India's Private Equity Group provides value to PE funds through its deep expertise around advisory services like Deal Advisory, Digital & Analytics, Strategy and Operations, IT Advisory, Risk Consulting, People & Change and Private Equity Tax.

Key private equity advisory offerings

KPMG in India's Private Equity Group provides extensive, dynamic service offerings to its PE/VC clients and their portfolio companies.

Deal Advisory: The advisory team provides customised, industry-relevant service offerings to its clients on growth strategy, synergy and integration, M&A, valuations, restructuring the business and operating models, financial due diligence, advice on insolvency, refinance, and fund raising.

Our business is focused on continually enhancing value for clients across the deal and economic cycle



Advisory services for private equity-backed portfolio companies across critical phases of their life cycle:

Growth

We help our clients move forward their growth agendas on a number of fronts to drive their EBITDA higher through

Market entry services:
Helping clients evaluate the attractiveness of new markets and suitable routes for entering them. The new markets could be distinguished by geography, customer segment or product extensions.

Deal sourcing (corporate finance):
Helping clients identify businesses to acquire to deliver non-organic growth be that through acquiring complementary products or new customers or through entry into new geographic markets. We also help clients negotiate and close the deals

Deal evaluation (transaction services):
Helping clients evaluate the true value of the target businesses by undertaking thorough focussed due diligence on the target. We have the broad skills to undertake commercial, operational, financial, tax, pensions and IT due diligence.

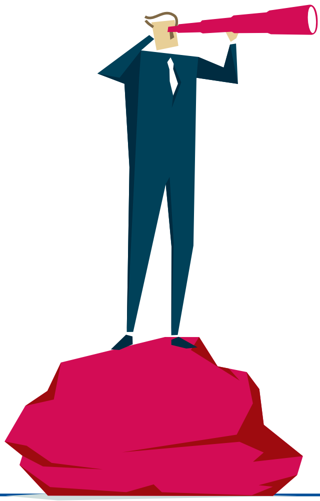
Pricing strategy:
Helping clients reframe their pricing approach around the three key levers of pricing strategy (setting the price); pricing policy (getting the price) and pricing capabilities (sustaining the price). We help clients with pricing in the context of how value is perceived by customers; set pricing through price lists, discount schedules and pricing processes and controls; and deliver pricing through a focus on the people, skills, tools and data used to manage the pricing process.

Customer strategy:
Helping clients gain insight into what their customers experience, analyse what customers' value, diagnose problems and redesign processes and interactions to deliver improved financial returns. By mapping customer journeys, researching customers behaviour, analysing data and undertaking usability testing, we help clients redesign their customer interactions to delight customers and increase growth.

Sales force effectiveness:
Helping clients drive the sales line through enhancing the efficiency and effectiveness of the sales through both process improvement, technology and incentivisation tools

Data analytics:
Helping clients use the data that exists both within and outside the organisation to provide insight into key business decisions.

Digital strategy:
Helping clients establish their digital strategies across different aspects including customer engagement and loyalty programmes.



Stability

We help our clients build strong foundations through embedding robust processes and systems to ensure that they have a firm base from which to drive growth through

Business Intelligence:
Helping clients move from merely delivering efficient information to a more strategic approach that extracts value from financial and operational information to aid better business decisions.

Finance function effectiveness: Helping clients create the appropriate finance operating model to provide flexibility to deal with future organisational changes and standardising and automating processes to drive greater efficiencies and increased productivity.

Cyber security:
Helping clients protect themselves from cyber threats emanating from hacktivists; organised crime; company insiders and state sponsored entities.

IT advisory
Helping clients understand how the technology platform they operate can have a negative impact on the operations and efficiency of the wider organisation and then assisting in the development of improved infrastructure.

Forensic compliance:
Helping clients with their efforts to prevent, detect and respond appropriately to non-compliance with regulatory requirements including anti-bribery and corruption regulations and anti-money laundering regulations.

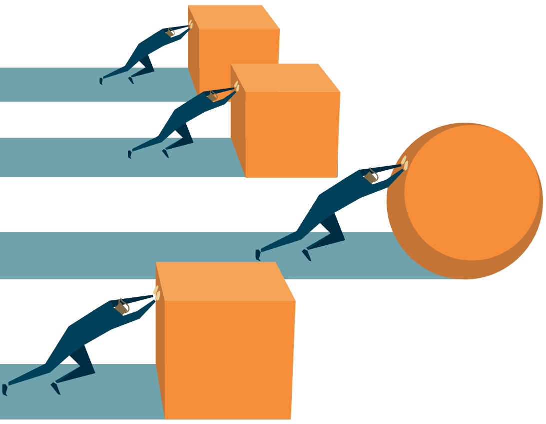
Integration services:
Helping clients design workable integration plans which allow the effective mobilisation of resources to deliver the expected benefits both long term and quick wins whilst ensuring the business as usual activities operate effectively

Pensions advisory:
Helping clients manage their pensions exposure to both closed and open DB schemes and establishing frameworks for dealing with pension uncertainties on exit.

Sustainability services: Helping clients measure the impact their businesses have on the environment with a focus on achieving sustainable and cost effective supply chains and processes as well as helping the business make the most of green tax incentives

Supplier and counterparty vetting: Helping clients evaluate the risk of doing business with counterparties through due diligence tools.

Exit management:
Helping clients prepare for IPO and manage their shareholder base post flotation.



Efficiency

We help our clients deliver efficiencies allowing a bigger proportion of each of the sales to flow to the bottom line through

Supply chain:
Helping clients improve the processes through which they plan, buy and move inventory within their organisations leading to lower cost products, lower wastage or improved sales availability to prevent stock outs.

Procurement:
Helping clients reduce the per unit cost of their inputs across direct and indirect spend categories. We help achieve balanced business performance through better spend management, productivity gains, and improved internal controls.

Working capital:
Helping clients reduce the amount of capital tied up in working capital be that through improved debtor collection, extended credit terms from suppliers or lower total inventory holdings due to changes in the supply chain processes. We also help clients manage working capital tactically, based on specific cashflow needs

Separation services:
Helping clients identify the operational touch points between businesses and defining the steps required to build standalone operations following the carve-out of the business from a larger organisation. We help clients understand the possible stranded costs for the retained business, the transitional service requirements, and the one-off costs of separation. We also help our clients establish the systems and processes that allow the new business to operate efficiently.

IT effectiveness:
Helping clients evaluate whether they are getting appropriate value for money from their IT department through benchmarking against best practices and also through reviewing user requirements.

SG&A efficiency:
Helping clients streamline their spend on both staff and third parties across the core corporate support activities that a business carries out through both benchmarking exercises and process/activity mapping

Shared services and outsourcing:
Helping clients to identify and deliver efficiency savings by moving to shared services or improve an existing centre.

Management and employee incentive plans:
Helping clients design and implement senior management incentive plans to align the managers' interests with the owners providing management with the chance to participate fully in the value they create in the businesses.

Organisational design:
Streamlining functional performance and efficiency through organisational planning and design and robust talent management.

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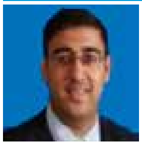

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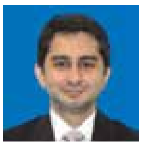

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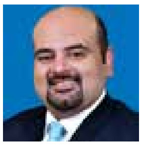

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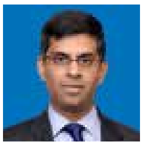

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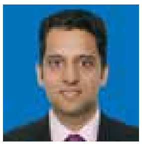

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