9TH ANNUAL SUMMIT

PRIVATE EQUITY: ROLE & CHALLENGES

Friday, 21st April, 2017 New Delhi

For 2016, Private Equity Investors bet $15.2 Billion across 620 deals making it the second biggest year for such Investments in India... Venture Intelligence

VCAI

An ASSOCHAM Initiative

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

9TH ANNUAL SUMMIT

PRIVATE EQUITY: ROLE & CHALLENGES

Friday, 21st April, 2017 Hotel Leela Palace, Chanakyapuri, New Delhi

Background

If you were to look at private equity (PE) investments in 2016, the silver lining despite the slump of 18 percent in deal volumes to $16.3 billion is that over the last two years, it has broken through the threshold level of $9–11 billion and exits have seen an uptick.

Even though 2016 saw lower levels of PE investments, it is noticeable that investments across 2015 and 2016 broke through the $9–11 billion levels of the previous 3–4 years, and likewise, the exit levels across the two years have been significantly higher than previous years.

The coming calendar is expected to see some volatility owing to a host of domestic and global factors and this could make it an interesting year for PE investors in India.

The Factors at play are as follows:

- *The impact of Demonetisation on businesses would be evident in the first half of 2017. It is quite likely that certain businesses would get impacted by it and would need to realign their business strategies post that, in particular, their short-term goals. The Goods and Services Act is also expected to come into force in 2017. Both could impact India's growth trajectory and investors would watch out for the impact thereof, which is expected to go beyond the traditional consumer-centric businesses.*
- *Availability of Debt Financing is likely to be higher in 2017 as banks attempt to increase the size of their loan book with available funding. In doing so, they are quite likely to challenge various non-banking finance channels.*
- *The Bankruptcy and Insolvency Code has been enacted. However, all enabling regulations are not in place; it could be a path-breaking legislation and could trigger significant levels of activity, which equity investors would keenly watch out for.*
- *Global political and economic volatility may impact certain industry segments — technology outsourcing and pharmaceutical sectors are the obvious ones. Brexit and some other global political changes hinge on nationalist fervour and could have an impact on the flow of funds into India in 2017. The much-anticipated interest rate hikes in the US will perhaps be the biggest trigger for the flow of funds back to the US and potentially result in a depreciation of emerging market currencies, including the rupee.*
- *Global investors have also looked at yield play in Indian investments through 2015 and 2016. Owing to the various changes expected, it would be interesting to see to what extent this continues in 2017.*
- *With OPEC reaching a consensus on cutting back production, the Middle Eastern economies should see bounce-back and will potentially compete with other emerging markets to attract the flow of investments into the region from both Middle Eastern sovereign wealth funds and other global investors.*

The above would impact both public and private markets, and how the public markets react to the changes would also influence the opportunity for private investors.

From a sectoral standpoint, technology-enabled businesses continue to find favour with early-stage private investors and this is a clear trend one sees continuing in 2017. Health services including diagnostics, renewables, and infrastructure services together with certain consumer derivative sectors seem to be well positioned.

Pension funds which have sewed up a number of deals in the second half of 2016 are expected to be on the same trajectory.

The Foreign Direct Investment Policy, the tax and regulatory framework for the Real Estate Investment Trusts, and Infrastructure Investment Trust regimes have been enabled, and in 2017, there are likely to be some floats of shares in the infrastructure space, possibly allowing a few private investors room for exit.

"In 2012, Income-tax Act was amended to provide for taxation of those transactions of transfer of shares or interest in a foreign entity deriving its value substantially from Indian assets. Apprehensions have been raised about some difficulties which arise because of this provision in case of transfer of stake of investors of India-based funds located abroad but investing in India-based companies."

"In order to remove this difficulty, I propose to exempt Foreign Portfolio Investor (FPI) Category I & II from indirect transfer provision. I also propose to issue a clarification that indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India."

Offering Foreign Portfolio Investors (FPIs) a respite, Union Finance Minister Shri Arun Jaitley exempted them from the purview of Indirect Transfer provisions.

We do expect the momentum at the end of 2016 to continue in the first quarter of 2017, spurred by the tax exemption available on investments made until end-March '17 from Mauritius. Whether the rest of the year would keep up the pace and indeed show greater levels of activity would be dependent on how the Indian economy in general, and businesses in specific, respond to the expected volatility to follow.

HIGHLIGHTS 2016

Total exit value crossed $10 billion mark for the first time at $10.3 billion in 2016, up from $9.4 billion in 2015, boosted by deals in healthcare and manufacturing sectors, which alone saw as much as $2.2 billion and $2.3 billion, respectively, worth of exits.

Leading American player KKR alone netted $1.7 billion by selling holdings in companies such as Alliance Tires and Gland Pharma to the Japanese Yokohama and the Chinese Fosun, respectively.

Other major exits included Cipla's 16.7 per cent stake sale in the US-based clinical-stage bio pharmaceutical company Chase Pharma to drugmeter Allergen for $1 billion. These three deals constituted 18 per cent of the total exit value in the year.

These three deals constituted 18 per cent of the total exit value in the year.

The year also saw Goldman Sachs offloading its entire stake in the Pune-based engineering and electrical fitting firm Sigma Electric for $250 million and Temasek selling off in Bharti Airtel to SingTel for $657 million.

Other major PE deals included Blackstone's investment in Mphasis for about $1.1 billion and Canadian Pension Plan Investment Board investing $190 million in Kotak Mahindra Bank, among others.

Private equity inflows into the country's real estate sector surged 62 per cent to Rs 38,000 crore, during 2016, largely helped by Parliament's clearance of two significant legislations - Real Estate (Regulation and Development) Bill and GST.

Meanwhile, GST will replace a jumble of levies to create one of the world's biggest single market. A single tax will make it easier to do business in the world's seventh-largest economy as also help combat evasion, boost revenue for the government.

SPONSORSHIP OPPORTUNITIES

Categories	Partnership Amount (₹)	Speaker Slot in Inaugural Session	Corporate Literature on the Head Table	Corporate Video Presentation during Breaks	Standee at Lunch Area	Advertisement in Newspaper	Standee at Venue	Logo in Back Drop	Complementary Delegate Passes
Presenting Partner	₹ 5,00,000/-	√	√	√	√	√	5	√	10
Gold Partner	₹ 3,00,000/-		√	√	√	√	4	√	7
Silver Partner	₹ 2,00,000/-					√	2	√	7
Logo Partner	₹ 1,00,000/-					√	1	√	4

Delegate Registration Fee: ₹ 4,000/- per Delegate

Key Issues

Annual Budget 2017: Private Equity and Regulatory Challenges

The Finance Bill 2017: Amendment to Indirect Transfer Provisions

Developing Fund of Funds Industry in India

Recent Exit Experiences and Future Opportunities

Knowledge Partner

Deloitte.

Supported By

Indian Angel Network®

TEAM PEVCAI

For Partnership/Sponsorship please contact or log on www.asssocham.org

Pulkit Mishra
Executive, ASSOCHAM
M: 9971757450; E: Pulkit.mishra@assocham.com

Pankaj Sharma
Senior Executive, ASSOCHAM
M: 9654480158; E: pankaj.s@assocham.com

PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION OF INDIA
Corporate Office: 5, Sardar Patel Marg, Chanakyapuri, New Delhi – 110 021
T: 011-46550555 (Hunting Line) • F: 011-23017008, 23017009