

**Headline:** Private equity exits through IPO set for record with NSE offering

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# Private equity exits through IPO set for record with NSE offering

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While 2016 saw the highest ever private equity (PE) exit through initial public offerings (IPOs), the record is set to be short-lived. The National Stock Exchange's (NSE) proposed IPO to raise ₹10,000 crore this year is expected to see the largest ever PE exit, of around ₹5,000 crore. The issue, an offer-for-sale, will also see exits from other financial investors who have been waiting for an exit opportunity.

This is more than the record ₹4,252 crore worth of shares sold by PE investors in 11 IPOs last year. The year saw a total ₹26,494 crore being raised in 26 IPOs.

"Despite record PE exits through IPOs last year, two large IPOs did not see private equity

monetising," says Subhrajit Roy, executive director and head of equity capital market at Kotak Investment Bank. ICICI Prudential Life Insurance did not see its PE investors such as Fairfax monetising during its ₹6,000-crore issue. Similarly, PNB Housing Finance did not see investors such as Carlyle monetising during its ₹3,000 crore issue. "This trend is likely to change, with PEs exiting in large issues this year," says Roy.

According to the draft filed by NSE with the Securities and Exchange Board of India (Sebi), the exchange plans to raise ₹10,000 crore by offering 20-25 per cent stake through offer for sale. It comes to selling 111.41 million shares, held by 27 shareholders, a majority of them PE investors. This would come out to a valua-

tion for the exchange between ₹40,000 and ₹50,000 crore depending on how much stake it sells for ₹10,000 crore.

Taking an average valuation of ₹45,000 crore, its share price comes to ₹898. With this, largest shareholder Tiger Global would be getting ₹1,333 crore by selling 14.85 million shares that it has offered for sale in the IPO. Similarly, Temasek arm Aranda Investments would be getting ₹890 and so will SAIF Partners by selling 9.9 million shares each. While General Atlantic's Gagil FDI will get ₹777.5 crore for its 8.6 million shares, Goldman Sachs Strategic Investments will get ₹605 crore for its 6.75 million shares. Norwest Venture Partners is expected to get ₹700 crore and Morgan Stanley's MS Strategic ₹400 crore.

This will clearly take it well over the ₹5,000 crore PE exit through the IPO. "Given the size of NSE IPO and the fact that it is completely offer for sale, it is set to provide biggest ever PE exit," says Pranav Haldea, managing director, Prime Database Group, which tracks IPOs, explaining how large-size issuances usually skew the numbers. The record for the highest amount raised through an IPO is for 2010 (₹37,535) crore as the year saw the largest ever IPO by Coal India for ₹15,000 crore.

Even without the NSE IPO, the PE exits in the year could be expected to be similar to last year. There are already documents filed for 22 IPOs this year for raising about ₹21,000 crore. Of this, 14 IPOs that plan to raise ₹17,500 crore. If we exclude NSE,

then there would be documents filed for 13 IPOs worth ₹7,500 crore where PEs plan an exit. However, how much of this ₹7,500 crore would be for PE exit is not clear, as several of these IPOs include fresh issuance of share besides the offer-for-sale.

As IPO execution time has come down to an average of six months now, new documents filed till May could be easily expected to have their IPO in the year.

"Secondary market is giving superior return and liquidity than the private markets today," says Ajay Saraf, executive director, ICI-CI Securities. "In private markets, the financial investors are not willing to pay same multiples. So, the trend for PE firms to exit through IPOs is expected to continue this year," he says.



## IPOS FILED WITH SEBI

YEAR: 2017	PE-BACKED
TOTAL NUMBER OF IPOS: 22	NUMBER OF IPOS: 14
TOTAL AMOUNT (₹ CR): 21,000	AMOUNT (₹ CR): 17,500

Source: Prime Database

## PE/VC EXIT

Year	Total		PE Exit	
	No of IPOs	Amount (₹ crore)	No of IPOs	Amount (₹ crore)
2006	73	19,852	3	45
2007	100	34,179	3	240
2009	37	16,904	2	20
2009	20	19,544	1	216
2010	64	37,535	12	1,251
2011	37	5,966	2	116
2012	11	6,835	4	1,132
2013	3	1,284	1	772
2014	5	1,201	2	330
2015	21	13,614	12	2,346
2016	26	26,494	11	4,252