

Indian Private Equity Market Surges in 2017

AUM growth pauses, but fund closures and funds in market multiply to record highs

The India-based private equity* market has seen a considerable expansion in its assets under management in recent years, growing from \$6bn as of the end of 2006 to \$24bn at the end of 2016. Despite this, growth has slowed in the past two years, with total AUM actually falling slightly in 2016. Fundraising was relatively consistent in recent years, with around 20 India-based private equity funds raising between \$1bn and \$3bn annually. However, in 2017 YTD the number of India-based private equity funds closed has reached a record 24, securing a combined \$2.9bn. The market may be set to expand further in 2018, as the number of funds coming to market and seeking capital from investors has accelerated in 2017. 2015 saw 48 India-based private equity funds in market: this rose to 74 funds in 2016, and 101 funds in 2017. At the same time, the capital being targeted by these funds has more than doubled, from \$6.4bn in 2015 to \$14.4bn in 2017.

For more information and analysis, see the full *Alternative Assets in India* report here:

<https://www.preqin.com/docs/reports/Preqin-Insight-Alternative-Assets-in-India-November-2017.pdf>

Key India Private Equity Facts:

- **India-based private equity funds hold \$24bn in assets under management** as of December 2016, up from \$6bn a decade prior.
- **The growth in AUM has slowed** in recent years, though, and in fact the industry lost around \$200mn in assets from December 2015.
- Growth funds account for \$14bn, the largest proportion of AUM, while venture capital funds hold \$8bn and buyout funds represent just \$1bn.
- **Fundraising has been steady in recent years, but 2017 could be a record:** 24 funds have raised \$2.9bn as of November. This is a record number of fund closures, and approaches the all-time high of \$3.3bn seen in 2015.
- At the same time, **the number of funds in market has risen** from 48 in 2015 to 74 in 2016 and 101 in 2017. The capital these funds are targeting has likewise risen from \$6.4bn to \$11.0bn and \$14.4bn in the same period.
- Encouragingly, **more India-based investors are becoming active in private equity.** In August 2017 Preqin tracked 81 active investors in the asset class, up from 79 in 2016 and 65 in 2015.
- **The vast majority (97%) of these investors prefer venture capital funds**, with 60% seeking growth funds and just 18% stating a preference for buyout vehicles. This is far below the average of 50% of investors seeking buyout funds across the rest of the Asia-Pacific region.

Christopher Elvin, Head of Private Equity Products:

“The private equity market in India has been expanding steadily for the past decade, as the economy develops and more fund managers and investors seek to take up the opportunities this presents. Although expansion has paused in 2016, this is largely due to distributions made to investors, and does not reflect a contraction of the overall market. In fact, fundraising has surged in 2017, with a record number of funds closed and high capital totals raised.

This expansion reflects the wider economic situation in India, which has seen GDP grow at an average annual rate of 7%. Large-scale efforts to modernize the economy and encourage investment and development have provided opportunities particularly for venture capital and growth funds. Fund managers clearly feel there is scope for the industry to expand, and are bringing funds to market to capitalise on perceived opportunities. This is encouraging, but fund managers should be wary that without an equal increase in investor appetite for India, they will face an extremely competitive fundraising environment.”

***Private equity’ is defined as the industry surrounding buyout, venture capital, growth and closely related fund types.**

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