

Headline: NSE public offer may see largest PE exit

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A bunch of these entities with investments of ₹6,600 crore over a decade are eager to book returns

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The much-awaited initial public offering (IPO) of the National Stock Exchange (NSE), the country's largest bourse, is likely to see the highest-ever exit of stockholders in India through the listing route.

Earlier this week, NSE appointed four investment banks for the IPO, which could value the bourse at ₹20,000 crore.

"The IPO might see offer-for-sale (OFS) for up to 20 per cent stake worth ₹4,000 crore, as a majority of private equity (PE) investors are looking for at least a part-exit," said an investment banker who pitched for the offer mandate.

The majority of the OFS will be from PE investors. Global investors such as Norwest Venture Partners (NVP), NYSE Group, General Atlantic LLC, SAIF Partners, Goldman Sachs, Tiger Global, Morgan Stanley and Citigroup Inc together hold about 37 per cent stake. Since 2007, they have invested nearly \$1 billion (₹6,600 crore) in the bourse, at various times and

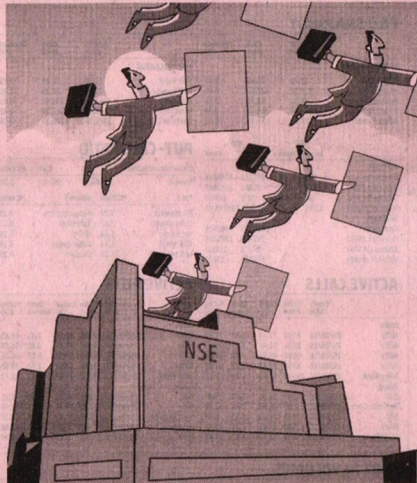


ILLUSTRATION: BINAY SINHA

at different valuations.

With their investment time frame at nearly 10 years, some of them are eager to exit. Some of the foreign investors were putting sustained pressure on the exchange for an IPO.

"We will ensure all stakeholders get the best value of the listing process. It is too early to comment on the issue size," said an NSE spokesperson to this newspaper's query.

In October, UK-based Actis

EXIT OPTION

Top five private equity exits through IPOs by Indian companies

| Portfolio company | Exit amount (\$ mn) | IPO size (\$ mn) | IPO date | Some PE firms exited in the IPO* |
|-------------------|---------------------|------------------|----------|--|
| Equitas Holdings | 217 | 325 | Apr '16 | IFC, Sequoia Capital India, CLSA Capital |
| Bharti Infratel | 171 | 756 | Dec '12 | Temasek, Macquarie, KKR |
| Genpact** | 165 | 493 | Aug '07 | General Atlantic, Oak Hill |
| SKS Microfinance | 155 | 359 | Aug '10 | Sequoia Capital, Unitus, Saama Capital |
| JustDial | 134 | 167 | Jun '13 | SAIF, Sequoia Capital India, Tiger Global, Sapphire Ventures |

*All partial exits; **IPO in foreign market

LLP sold its seven-year investment of a one per cent stake in the exchange to Hong Kong-based New Quest Capital Partners for ₹178 crore. It sold this at almost the same valuation it acquired, frustrated at the prolonged delay in listing. This deal valued the exchange at ₹17,800 crore.

Citigroup Global Markets, JM Financial Institutional Securities, Kotak Mahindra Capital and Morgan Stanley India are the joint global coordinators hired for the IPO. The exchange will be now reaching its shareholders to identify the

seller, as it plans to file documents for the IPO with the markets regulator by January 2017.

So far, the largest PE exit through listing was early this year, through the IPO of small finance bank licence holder Equitas Holdings. It saw 10-odd PE entities making exits worth \$217 million (₹1,400 crore).

"PE funds usually have a lifetime of five to seven years. So, the return to limited partners are overdue for the NSE investments," said an investor in the exchange who did not wish to be identified. "The pent demand for the sale would eas-

ily make it the largest ever PE exit in an IPO in India."

NSE would need to offer at least a 10 per cent stake sale in its IPO, by the regulator's listing norms. Seeing the PE investors' need, this is expected to go up to 20 per cent.

"We are delighted and confident that the (NSE) board will stick to the timeline they have already indicated, for an IPO filing by January 2017," said Sohail Chand, managing director at NVP India. "It is our expectation that NSE should be listed by March. I don't see any road blocks."