

### ***What the book is all about - Synopsis***

The Private Equity (“PE”) industry has its origins tightly bound to boom and bust cycles of the 20<sup>th</sup> century. The post world war II scenario led the PE investments emerge as an industry. American Research and Development Corporation and J.H. Whitney & Company were the first venture capital firms. What we see today in a successful company like Fairchild Semiconductor is its technological advancement, but a few among us would know that it had a venture capital funding during its initial years by a venture capital firm - Venrock Associates. In view of other such developments, mainly in the Silicon Valley since late 1950s, over about three decades, there was a huge advancement of technological companies that had funding from PE firms. Thus, the PE investments had become a indelible component of the balance sheets of most technology based companies.

From the financial perspective, a PE can be defined as an equity capital that is not quoted on a public exchange. It consists of investors and funds that make investments directly into private companies. The PE investors conduct buyouts of public companies that result in a delisting of public equity. The PE investors may raise the desired capital for private equity from retail and institutional investors, and use it to fund new technologies, expand working capital of the company, make acquisitions, or to strengthen the financials of the company.

The PE industry has been affected significantly by the macroeconomic indicators across the globe. The industry hit the purple patch during the 1980s and more recently from 2005 till the globe surrendered to the shackles of recession that created liquidity crises.

In India, the PE investment in 2009 was down to \$4.22bn spread across 249 deals (including secondary market transactions) compared to \$11.16bn from 344 deals during the corresponding period last year. However, following the recession period, the PE investments seem to be back on track. On the flip side, a number of companies which took on the recession as an opportunity to acquire stake in firms at a discounted price, now seems to be gaining from the upturn in the economy. This book presents a detailed look into the Private Equity industry, the major players in the PE industry, the investment structure and valuations, and a detailed look into case studies that are described in the Appendix section.