**IBEP Project – 4**

One example of an Indian case study involving a private equity fund exiting its stakes in a company through a **founder-buyback** is the case of **Flipkart**, an e-commerce company in India.

In 2018, **Walmart**, a multinational retail corporation, acquired a 77% stake in Flipkart for approximately $16 billion. Prior to this acquisition, Flipkart had received investments from several private equity firms, including Accel Partners, Tiger Global Management, and SoftBank Vision Fund. These investors held significant stakes in Flipkart.

Following Walmart's acquisition, Flipkart's co-founder and executive chairman, Sachin Bansal, decided to exit the company and sold his entire **5.5% stake** in Flipkart to Walmart. This transaction was known as a founder-buyback, where the founder repurchases the shares held by the private equity fund or other investors.

Sachin Bansal's exit from Flipkart through the founder-buyback route allowed him to monetize his shares and exit the company. This transaction provided liquidity to the private equity funds and other investors who had invested in Flipkart earlier.

In the case of Flipkart's acquisition by Walmart, the private equity funds and other investors who had invested in Flipkart experienced a **positive return** on their investments. This exit was considered one of the **largest and most successful exits** in the Indian startup ecosystem.

The **journey** of Flipkart leading to this exit was marked by significant growth and expansion. Flipkart was founded in 2007 by Sachin Bansal and Binny Bansal as an online bookstore. Over the years, the company diversified its offerings and became one of the leading e-commerce platforms in India.

Flipkart's growth was fueled by various funding rounds, where it raised significant capital from private equity funds and other investors. These investors believed in the potential of the Indian e-commerce market and Flipkart's ability to capture a significant share of it.

The company experienced rapid expansion, adding new categories to its platform, improving its logistics and delivery capabilities, and launching innovative services to enhance the customer experience. Flipkart also made strategic acquisitions to strengthen its market position and compete effectively.

The turning point for Flipkart came in 2018 when Walmart acquired a majority stake in the company. This acquisition valued Flipkart at approximately $21 billion, giving the private equity funds and other investors a substantial return on their investments. The successful exit demonstrated the growth trajectory of Flipkart and the value it had created over the years.

The valuation at which the exit of Flipkart took place was approximately **$21 billion** when **Walmart acquired a 77% stake** in the company. However, the specific details of the returns for each private equity fund or investor involved in Flipkart may vary based on their individual investment terms and structures.

To illustrate the calculation of the rate of return, let's consider the example of Tiger Global Management, one of the prominent private equity funds that invested in Flipkart. **Tiger Global Management** made its first investment in Flipkart in 2010.

The exact initial investment amount by Tiger Global Management is not publicly disclosed, but for the sake of illustration, let's assume it was $50 million.

During the exit, Tiger Global Management sold a significant portion of its stake in Flipkart to Walmart. As Walmart's acquisition valued Flipkart at approximately $21 billion, and Tiger Global Management held a substantial stake, it is estimated that Tiger Global Management received a considerable return on its investment.

Now, let's assume that the holding period for Tiger Global Management's investment in Flipkart was 8 years (2010 to 2018).

To calculate the compounded annual growth rate (CAGR), we can use the formula:

**CAGR = (Ending Value / Beginning Value)^(1 / Holding Period) - 1**

Using the assumed values, the calculation would be:

CAGR = ($21 billion / $50 million)^(1 / 8) - 1

CAGR = 129.74% - 1

CAGR = 128.74%

In the case of Flipkart's acquisition by Walmart, the private equity funds and investors, including Tiger Global Management, **fully exited their stakes** in the company. This means that they did not continue to hold shares in Flipkart after the exit.

The exit allowed them to **monetize** their investments and **realize their returns**.