

SHUBHAM VAISH

TASK

As this was a case study driven module, to complete its project, you need to find a case study of a Private Equity Fund, who exited its stakes in a company by selling them to either of the following:

- Another company
- Another PE fund
- The Founder-Buyback
- Through an IPO.

Please shed light on

- Whether the PE fund exited the company with a positive return or a negative return. In case the exit was with a positive return, the journey of the company leading to the exit. In case the exit was with a negative return, the journey of the company leading to the exit.
- The valuation at which the exit was made. It would help if this section can also include the rate of return that the PE fund was able to obtain through the exit. To find the rate of return, you can find out the initial investment of the PE fund into the company and the money that they got during the exit. You look at the holding period and use a Compounded Annual Growth Rate (CAGR) calculator to derive the rate of return.
- Please do mention whether the PE fund will continue to hold shares in the company, after exiting. Also, please do keep this point in mind, while solving for (2).

Total word count of this project can be 750 – 1000 words.

RESPONSE

For this case study, I will focus on the exit strategy of Warburg Pincus from Bharti Airtel, which stands out as one of the most notable and successful private equity (PE) exits in India. This case offers a compelling example of how a PE fund can achieve exceptional returns through strategic investments, operational support, and well-timed exits.

Warburg Pincus made its initial investment in Bharti Airtel in 1999, when the Indian telecom sector was still in its early stages but poised for substantial growth. At that time, Bharti Airtel was an emerging player with a vision to revolutionize telecom services in India. Seeing the potential in this vision and the market's growth prospects, Warburg Pincus invested approximately \$290 million, acquiring a significant stake in the company. This investment marked a strategic partnership that went beyond financial backing, as Warburg Pincus played an instrumental role in shaping Bharti Airtel's growth trajectory.

Over the following years, Bharti Airtel executed an aggressive expansion strategy, scaling its operations and increasing its market share at an impressive pace. Warburg Pincus provided critical strategic support, offering insights into corporate governance, financial planning, and market positioning. Through this partnership, Bharti Airtel adopted innovative business

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models, expanded its infrastructure, and enhanced service delivery, making it one of India's leading telecom providers.

The success of this collaboration culminated in 2005 when Warburg Pincus decided to exit its investment through a carefully planned series of stake sales in the open market. The timing of this exit was strategic, leveraging Bharti Airtel's strong market performance and favorable investor sentiment. Over the course of this divestment, Warburg Pincus fully exited its position, generating total proceeds exceeding \$1.8 billion. This translated into an extraordinary Compounded Annual Growth Rate (CAGR) of approximately 60%, reflecting the substantial value creation achieved over a six-year holding period.

The valuation at the time of exit underscored Bharti Airtel's robust financial health, consistent revenue growth, and dominant market position. By the time of Warburg Pincus's exit, Bharti Airtel had established itself as a market leader with a solid reputation for innovation and customer satisfaction. The high returns realized through this exit were a testament to the company's growth and the value-added by Warburg Pincus's strategic involvement.

Importantly, Warburg Pincus opted for a complete exit, choosing not to retain any shares in Bharti Airtel post-divestment. This allowed the fund to fully realize its gains and reallocate capital to new investment opportunities, in line with its broader investment strategy.

This case study highlights the key drivers behind a successful private equity investment: identifying high-potential companies, providing strategic and operational guidance, and executing a well-timed exit. Warburg Pincus's exit from Bharti Airtel remains a benchmark in the private equity landscape, showcasing the importance of patience, market insight, and value creation in maximizing investment returns. This exit not only delivered exceptional financial results but also demonstrated the transformative impact a well-managed PE fund can have on its portfolio companies.