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IVCA-EY PE/VC Roundup

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Foreword and outlook



Vivek Soni

Partner and National Leader
Private Equity Services, EY India

“ July 2023 recorded US\$3.9 billion in PE/VC investments, 5% lower than the investments in July 2022 but 17% higher than June 2023. Number of deals in July 2023 were lower by 26% y-o-y.

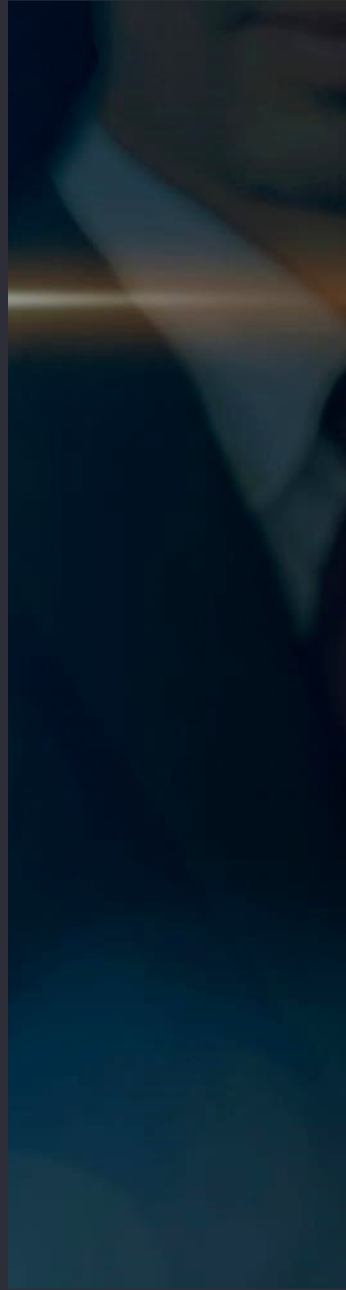
“ By deal type, buyouts were the highest in terms of value in July 2023 at US\$2.5 billion across five deals compared to US\$1.6 billion invested across five deals in July 2022, a 55% increase y-o-y in value terms and highest in 21 months. Startup investments recorded US\$553 million across 37 deals in July 2023, a 33% decline y-o-y in terms of value.

“ From a sector point of view, industrial products was the top sector in July 2023, on the back of a large investment by GIC in Gemstar Infra, recording US\$1.6 billion in PE/VC investments across five deals. Healthcare was the second largest sector with US\$901 million recorded across seven deals.

“ PE/VC exits were at a 11-month high at US\$2.4 billion on the back of the US\$1.4 billion exit from Flipkart by Tiger Global and Accel.

“ PE/VC investments in InvITs and REITs in 2023 till date stood at US\$2.3 billion. This asset class is emerging as a favorable investment option for many PE funds, especially the pension funds and SWFs. The spotlight section of this report covers how PE has played a vital role in shaping the growth of this asset class.

“ While investors continue to look at the FED for indications of easing interest rate and liquidity, the deal momentum has picked up in some sectors like industrials, healthcare, and financial services on the back buoyancy in the Indian capital markets. There is also a return of large deals to some extent. However, barring a few marquee deals among large tech names, sentiment in India for tech sector investments remains tepid and fundraising by Indian startups has been sluggish. Exits have picked up on the back of a strong revival in the capital markets, where PE/VC funds have been able to offload large stakes in recently listed holdings. With less than a year remaining for the general elections, the likelihood of any large-scale reforms is low. However, with India emerging as one of the fastest growing economies in the world along with its growing importance in global supply chains, the medium to long-term outlook remains positive. India-focused funds are flush with dry powder and international funds are increasingly looking to expand their India footprint. We expect PE/VC deal momentum to pick up in 2H2023.



Agenda

- 1 Monthly trend analysis: July 2023
- 2 Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

01

Monthly trend analysis:
July 2023

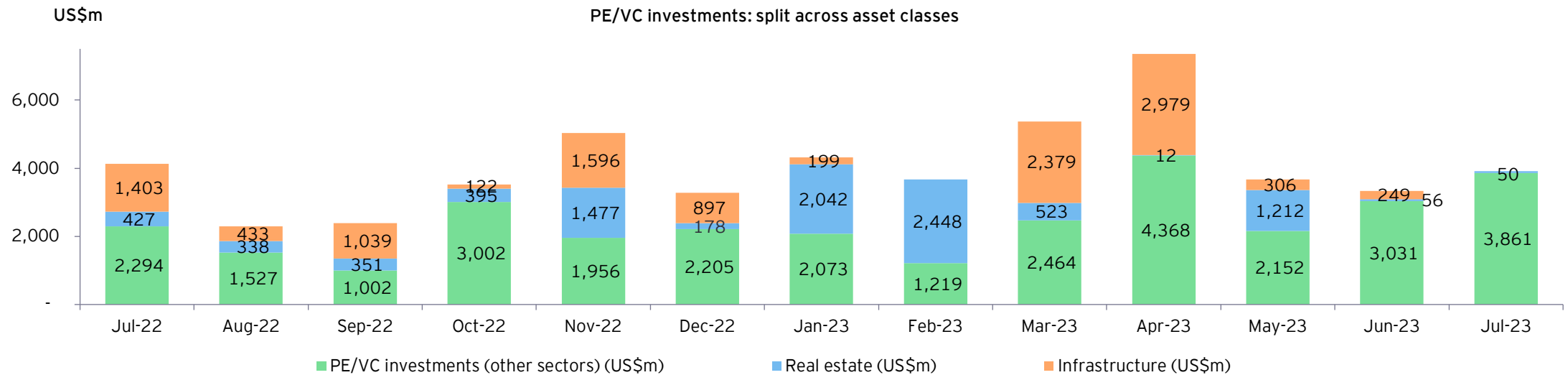
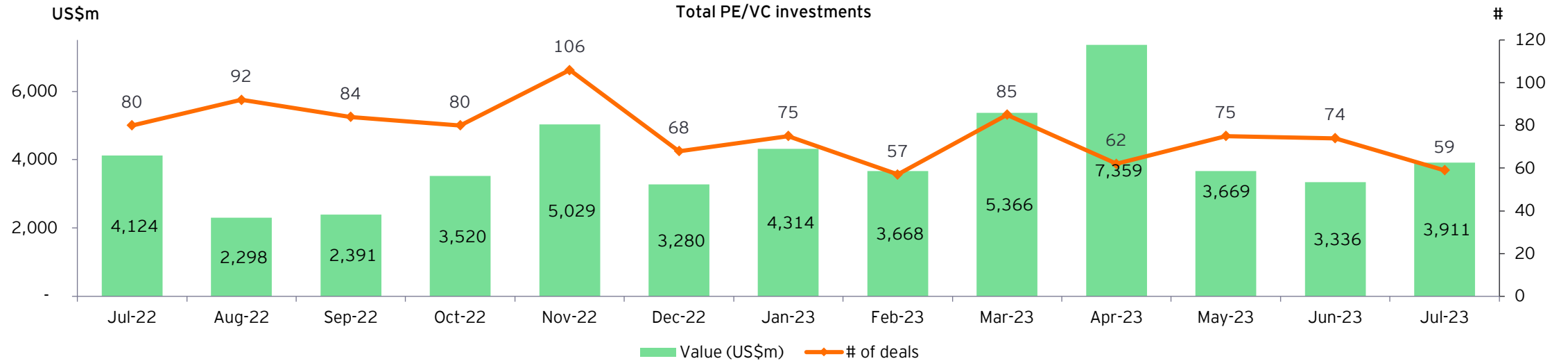


Key trends



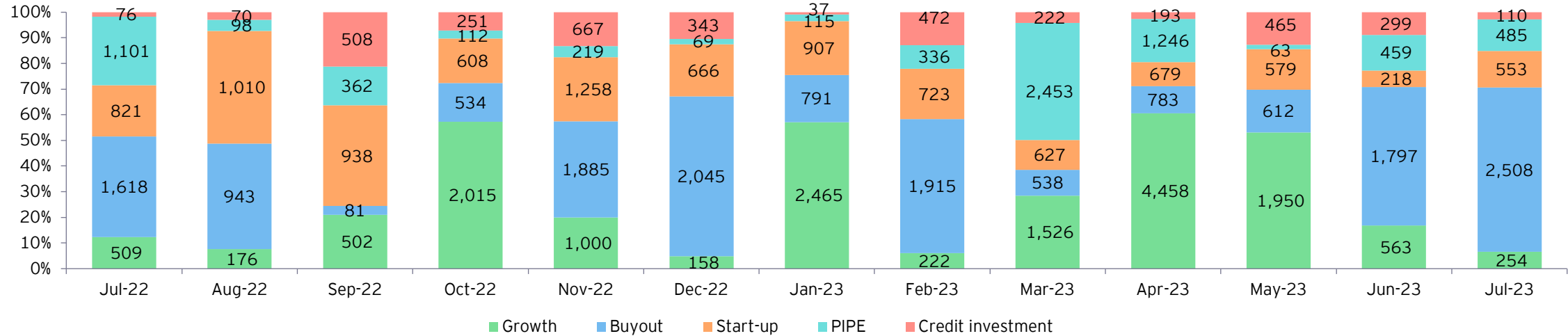
- ▶ PE/VC investments in July 2023 recorded US\$3.9 billion, 5% lower than PE/VC investments in July 2022 (US\$4.1 billion) and 17% higher than June 2023. In terms of number of deals, July 2023 recorded a 26% y-o-y decline and a 20% sequential decline.
- ▶ July 2023 recorded eight large deals (deals of value greater than US\$100 million) aggregating US\$3.1 billion, a 4% decline y-o-y in terms of value. The largest deal in July 2023 saw GIC invest US\$1.5 billion in Gemstar Infra, a JV with Genus Power to produce smart meters.
- ▶ By deal type, buyouts were the highest in terms of value in July 2023 at US\$2.5 billion across five deals, compared to US\$1.6 billion invested across five deals in July 2022, a 55% increase y-o-y in value terms and highest in 21 months. Startup investments recorded US\$553 million across 37 deals in July 2023 compared to US\$821 million recorded across 55 deals in July 2022, a 33% decline y-o-y in terms of value. Growth investments recorded US\$254 million across seven deals compared to US\$509 million recorded across 12 deals in July 2022. PIPE investments recorded seven deals worth US\$485 million compared to US\$1.1 billion across two deals in July 2022.
- ▶ From a sector point of view, industrial products was the top sector in July 2023, on the back of the large investment by GIC in Gemstar Infra, recording US\$1.6 billion in PE/VC investments across five deals (two deals worth US\$28 million in July 2022). Healthcare was the second largest sector with US\$901 million recorded across seven deals (seven deals worth US\$319 million in July 2022).

PE/VC monthly headline trends: investments

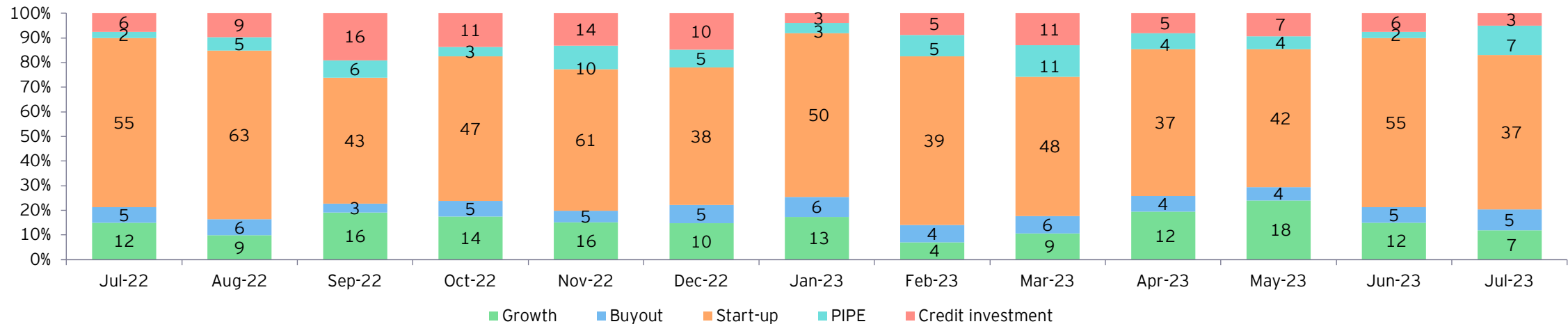


PE/VC monthly headline trends: investments

PE/VC investments: split across deal segments (value in US\$m)

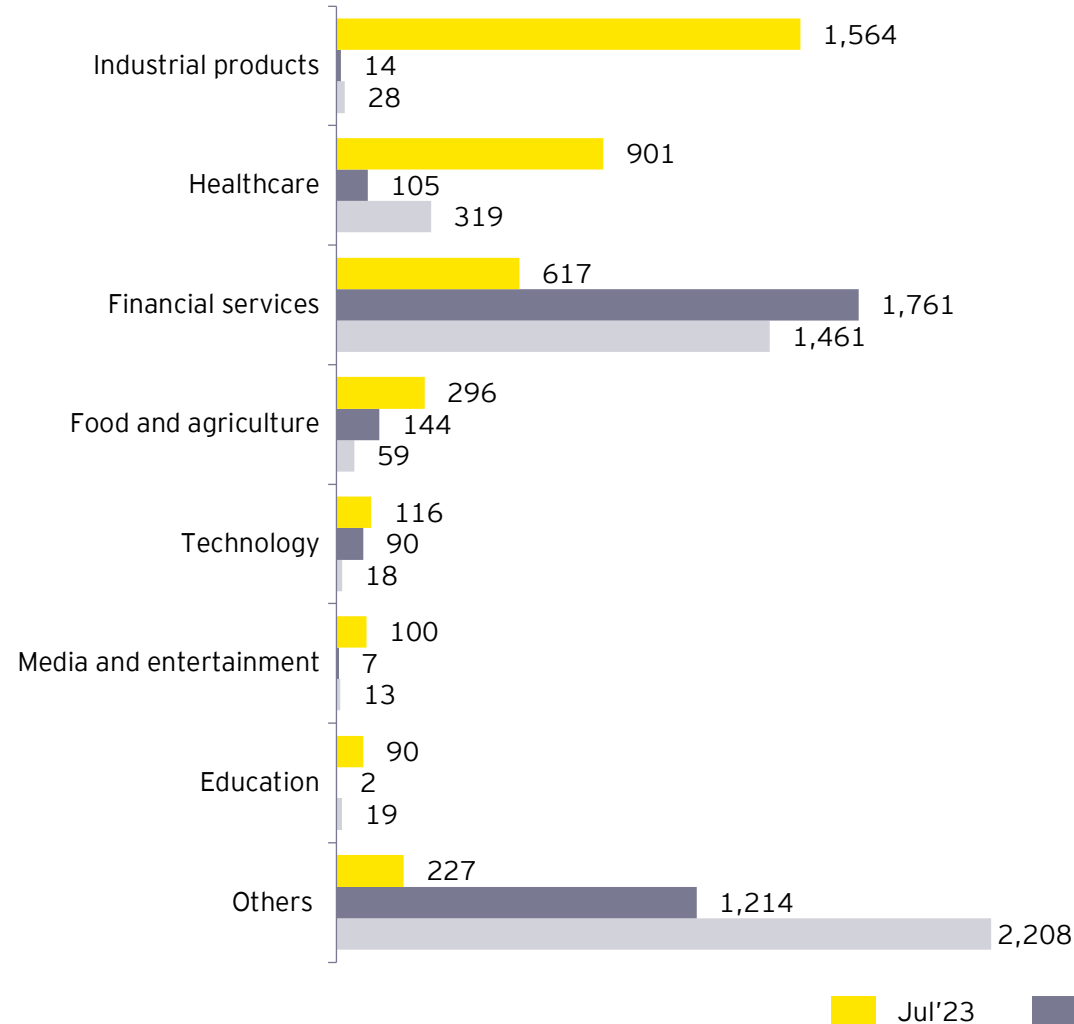


PE/VC investments: split across deal segments (number of deals)

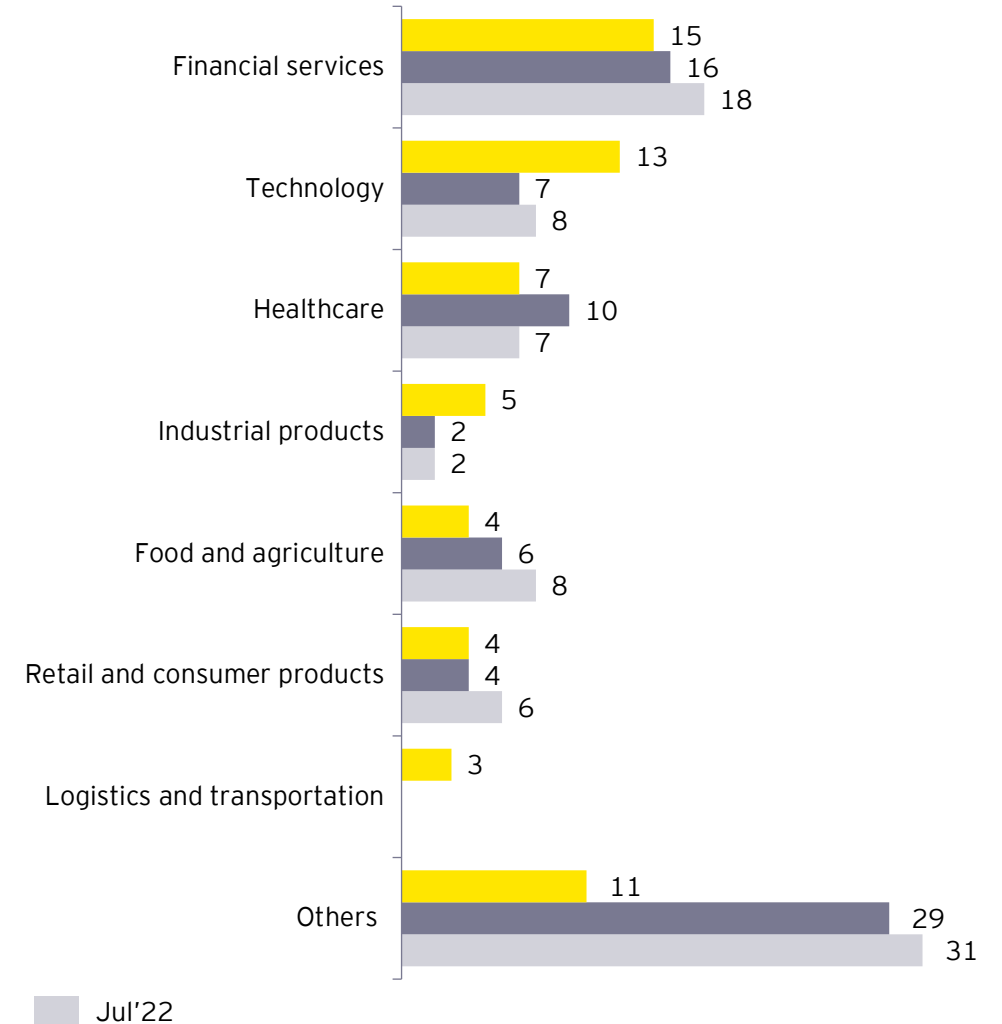


PE/VC investments: split by sector

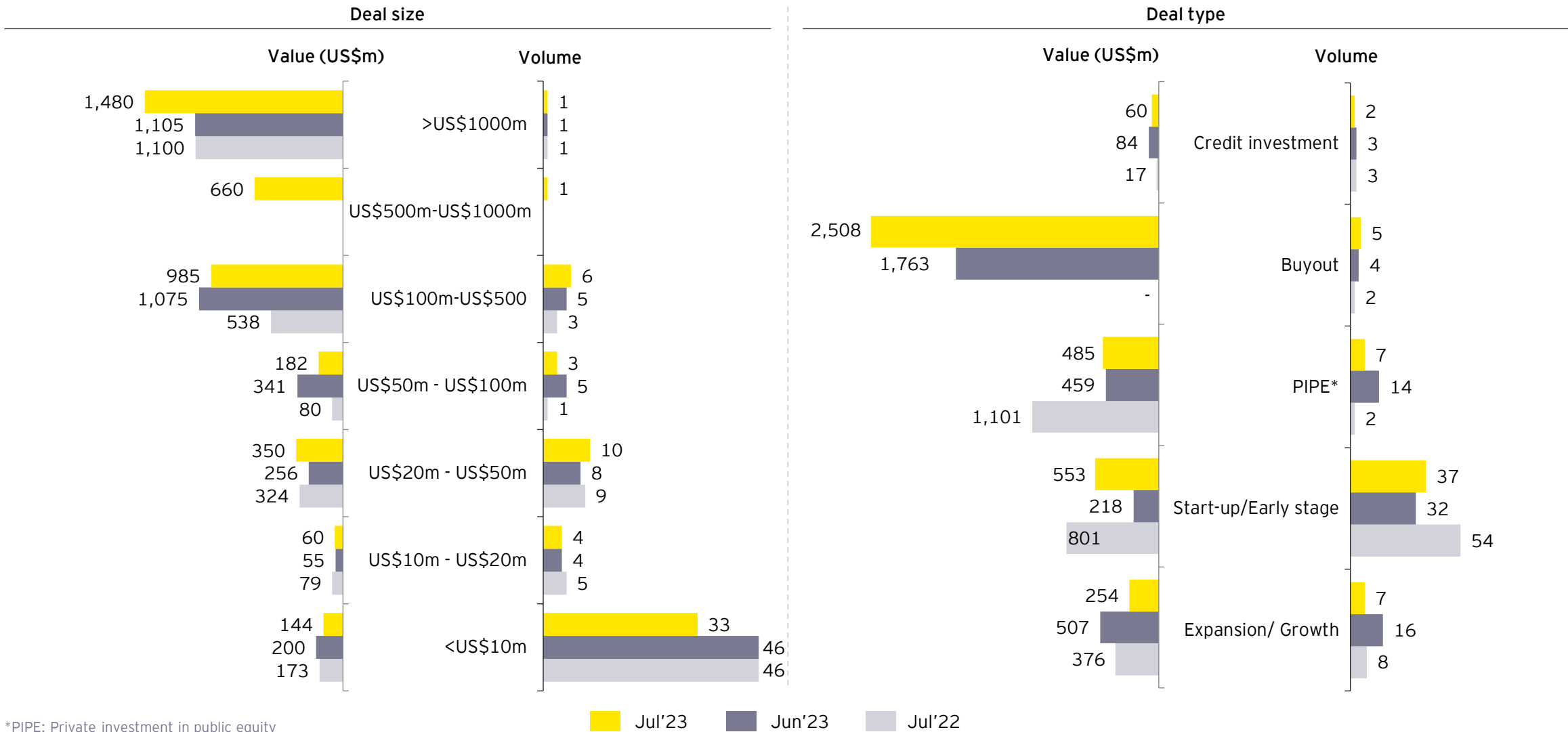
Top sectors by value (US\$m)



Top sectors by volume



PE/VC investments: split by deal type and deal size (excludes real estate and infrastructure)



*PIPE: Private investment in public equity

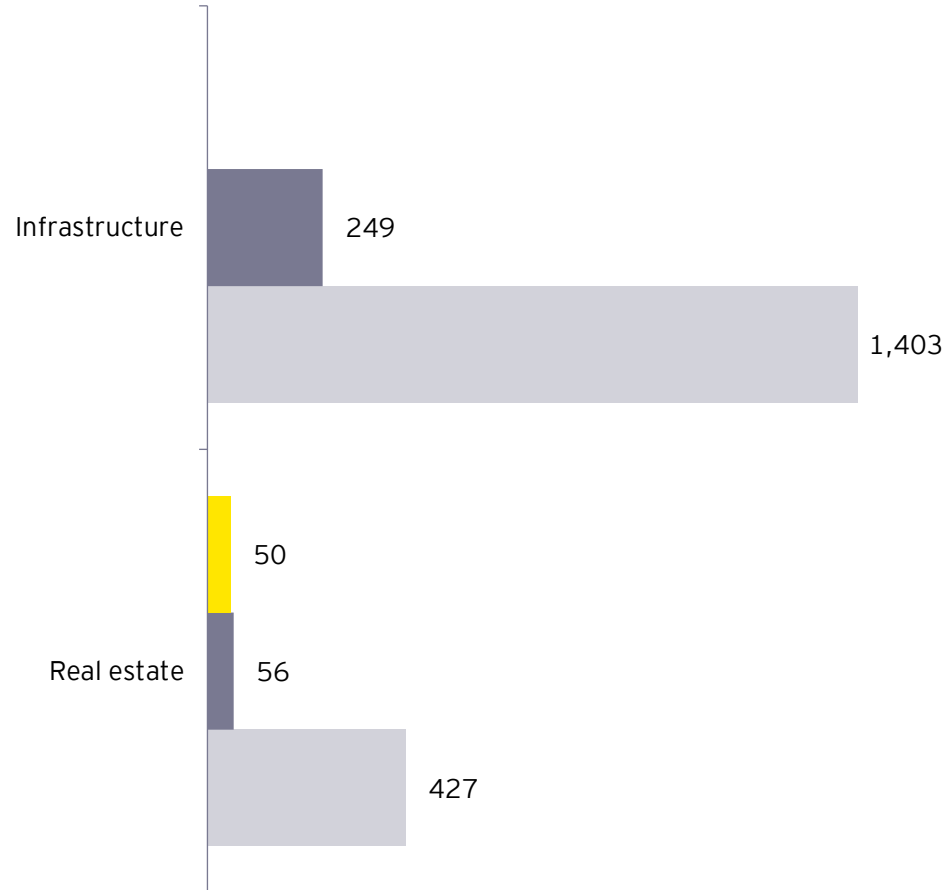
Top PE/VC investments

Top PE/VC investments excluding infrastructure and real estate in July 2023

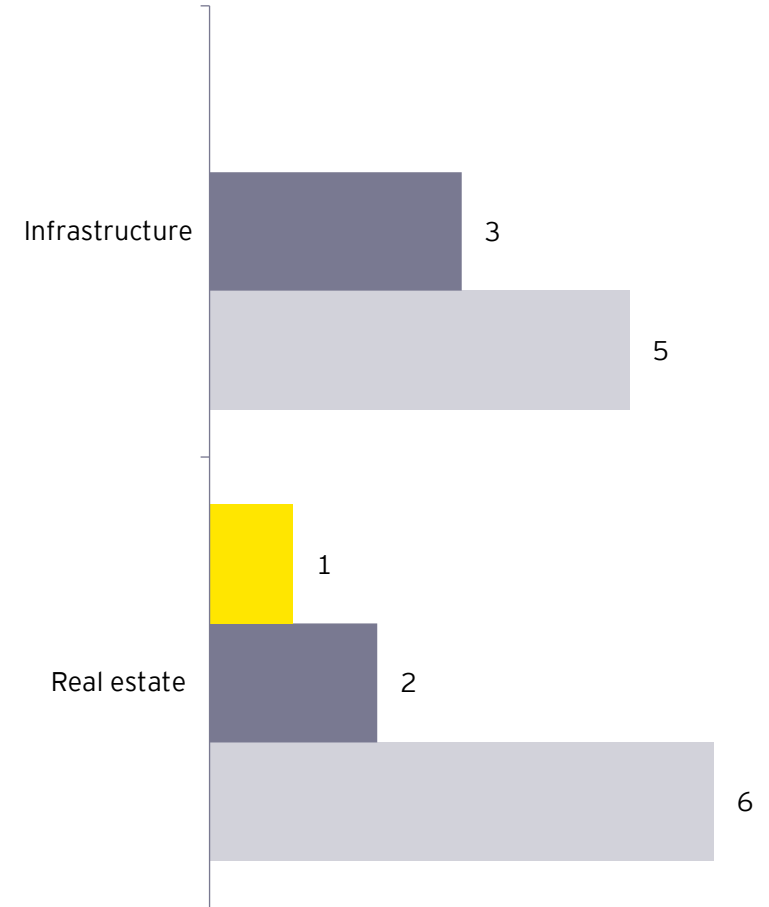
Company	PE investors	Sector	Stage	US\$m	Stake (%)
Gemstar Infra Pte Limited	GIC	Industrial products	Buyout	1,480	74
Indira IVF Hospital Private Limited	BPEA EQT	Healthcare	Buyout	660	60
Patanjali Foods Limited	GQG Partners	Food and agriculture	PIPE	289	6
Adani Capital Private Limited	Bain Capital	Financial services	Buyout	176	90
Maxivision Eye Hospitals Private Limited	Quadria Capital	Healthcare	Buyout	157	NA
Veritas Finance Private Limited	Aventus, IFC, Multiples PE	Financial services	Startup	146	NA
The Federal Bank Limited	IFC	Financial services	PIPE	117	3
MediaMint	Everstone, Recognize Partners	Media and entertainment	Growth capital	100	NA

PE/VC investments in infrastructure and real estate sectors

Top sectors by value (US\$m)

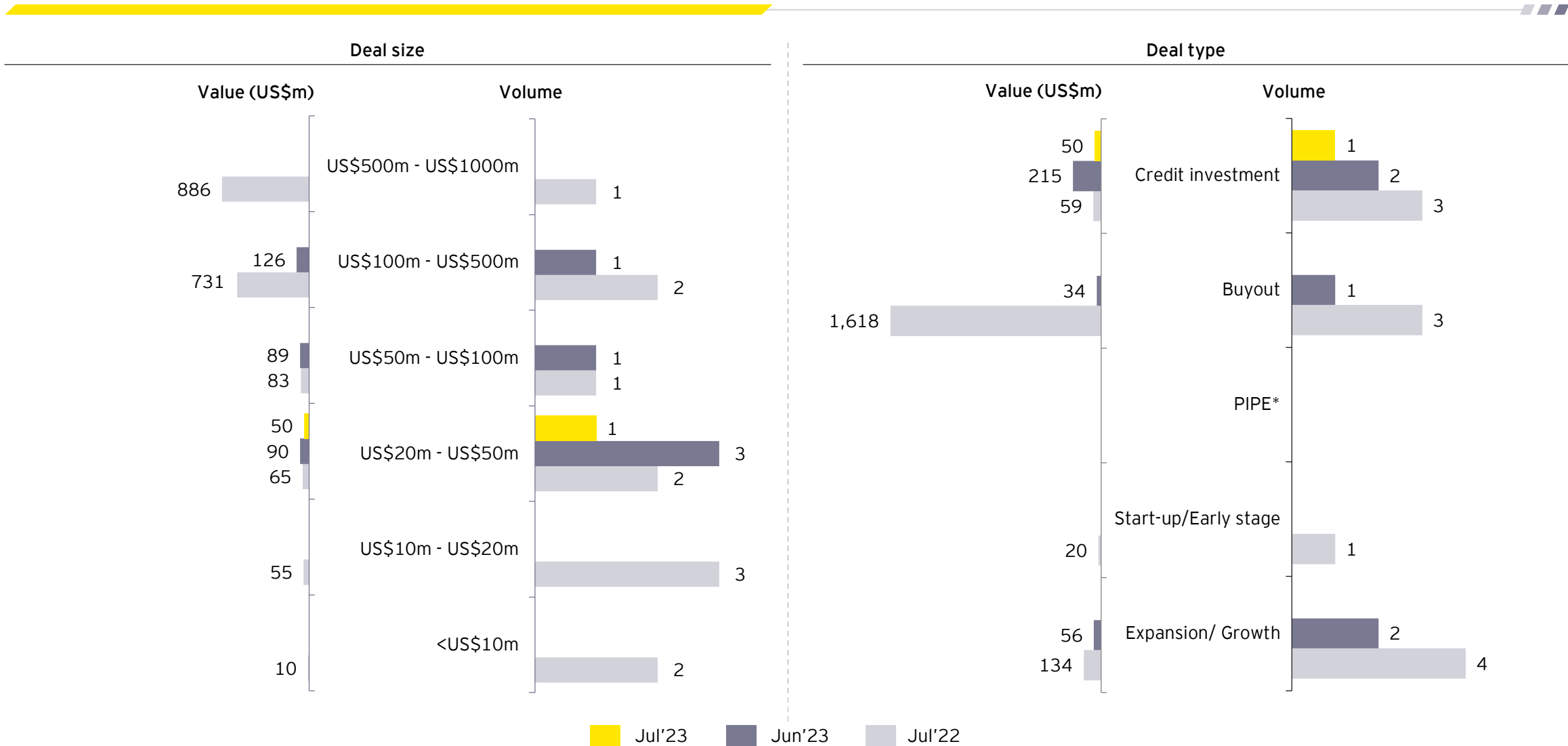


Top sectors by volume



Jul'23 Jun'23 Jul'22

PE/VC investments in infrastructure and real estate sectors



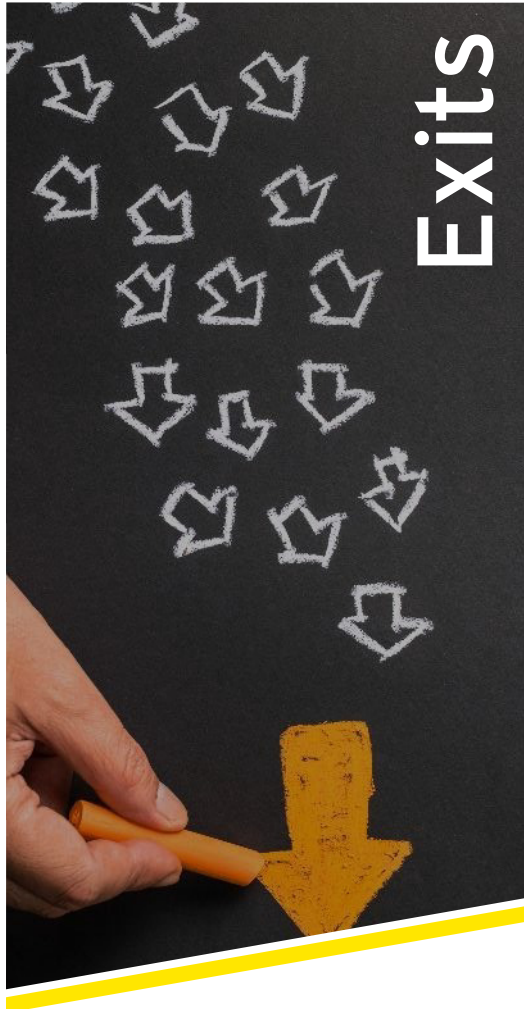
*PIPE: Private investment in public equity

Top *infrastructure* and *real estate* investments

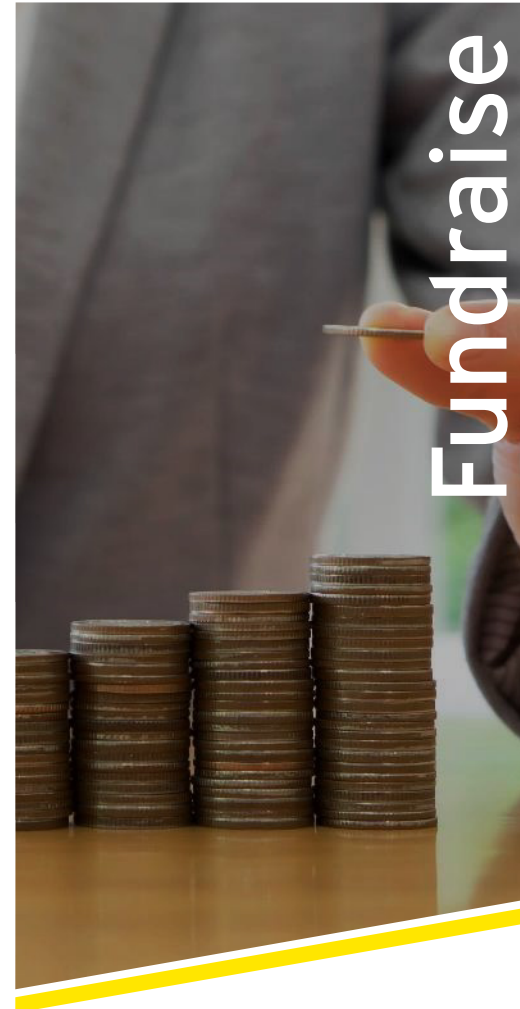
Top infrastructure and real estate investments in July 2023

Company	PE investors	Sector	Stage	US\$m	Stake (%)
Shapoorji Pallonji Group	One IM	Infrastructure	Credit investment	50	NA

Key trends

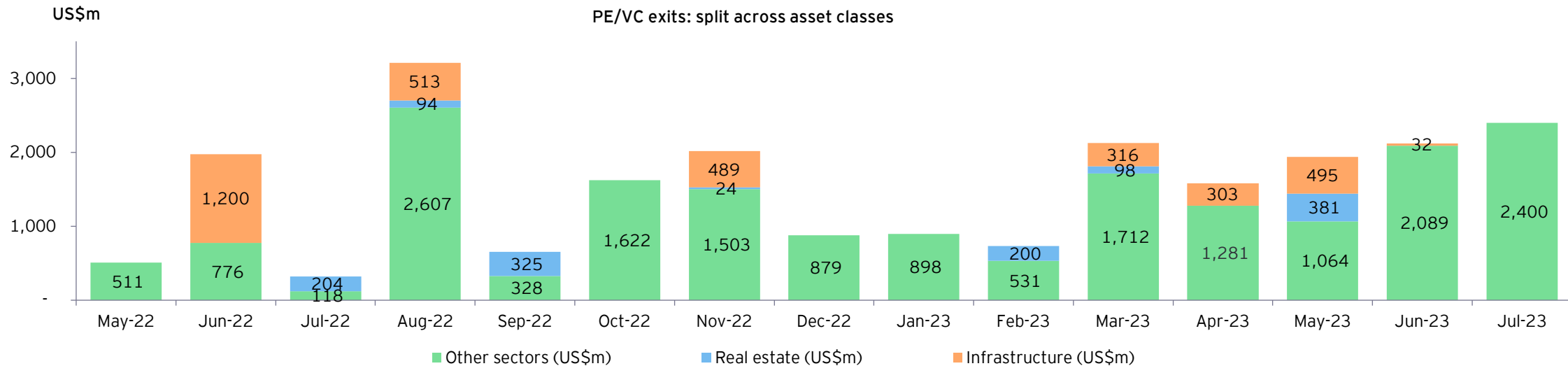
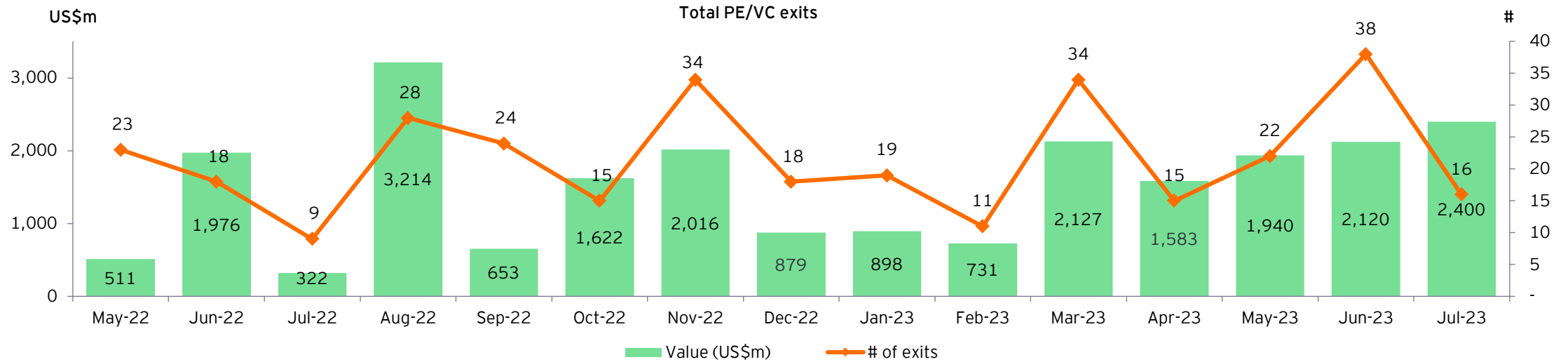


- ▶ July 2023 recorded 16 exits worth US\$2.4 billion compared to US\$322 million recorded in July 2022 across nine deals.
- ▶ Strategic exits were the highest in July 2023 at US\$1.5 billion across four deals, accounting for 63% of all exits by value.
- ▶ The largest exit in July 2023 saw Tiger Global and Accel sell their ~4% stake in Flipkart for US\$1.5 billion to Walmart.



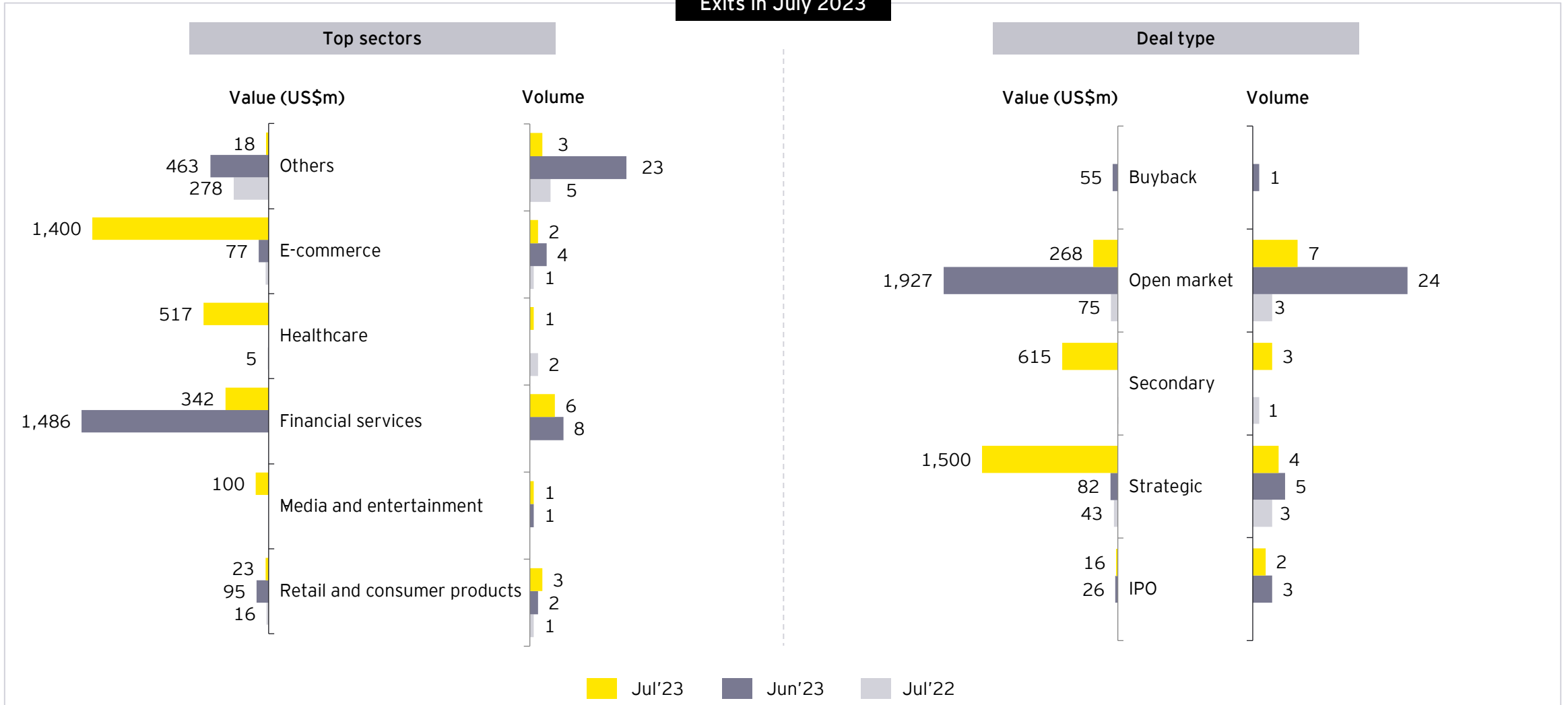
- ▶ July 2023 recorded total fundraises of US\$234 million, compared to US\$866 million raised in June 2022. US\$122 million raised by Welspun One Logistics Parks was the largest.

PE/VC monthly headline trends: exits



Exits: US\$2,400 million across 16 deals in July 2023

Exits in July 2023

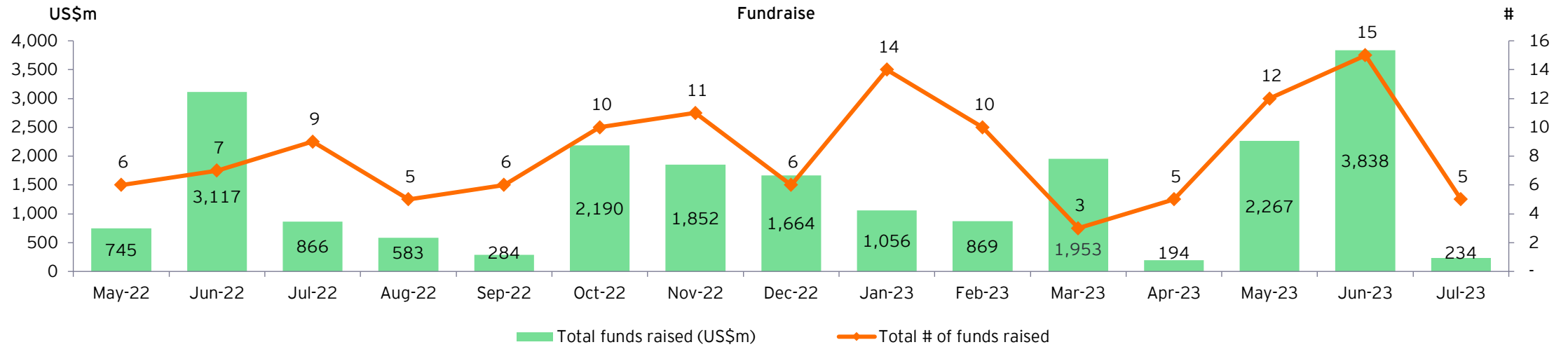


Top exits

Top exits in July 2023

Company	Sector	Sellers	Buyer	Exit type	US\$m	Stake (%)
Flipkart Private Limited	E-commerce	Tiger Global, Accel	Walmart	Strategic	1,400	4
Indira IVF Hospital Private Limited	Healthcare	TA Associates	BPEA EQT	Secondary	517	47
One 97 Communications Limited (PayTM)	Financial services	Softbank	NA	Open market	200	2
Endemol India Private Limited	Media and entertainment	CA Media	Banijay Group	Open market	100	49
Veritas Finance Private Limited	Logistics and transportation	British International Investment Plc, Lok Capital Growth Fund	Aventus Future Leaders Fund-II, IFC, Multiples	Secondary	100	NA

PE/VC monthly headline trends: fundraise



Fundraise

Top fundraising in July 2023

Status	Fund	PE/VC GP	US\$m	Strategy
Raised	Welspun One Logistics Parks Fund 2	Welspun One Logistics Parks	122	Warehousing and logistics real estate
Raised	JM Credit Opportunities Fund - 1	JM Financial	73	Credit
Raised	Varanium Capital Advisors	Varanium Capital Advisors	31	Venture debt
Announced	Together Fund II	Together Fund	150	seed and Series A

02

Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs



Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

In India, REITs and InvITs have together raised more than US\$12.7 billion of capital and another US\$3 billion of InvIT and REIT transactions have already been announced. The Indian economy is relying heavily on the development of infrastructure to drive growth. Sectors such as roads, highways, and ports, along with the power and real estate sectors, are witnessing growing demand for capital. As a result, Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have gained importance in furthering the economy's infrastructure needs. Private Equity investors have played a crucial role in developing this asset class, not just by incubating many InvITs and REITs but also investing in many public and private placements. Below are a few reasons why the asset class has the potential to grow significantly in India:

- 1. The opportunity is huge:** The Government's National Infrastructure Pipeline estimates funding requirement of over US\$1.4 trillion by 2025. Real estate sector in India is expected to reach a market size of US\$1 trillion by 2030¹. In order to allow for capital recycling and further investments, InvITs and REITs can play a key role in monetization of existing projects in these sectors. Moreover, with the ongoing National Monetization Pipeline (NMP) of ~US\$73 billion, there is an increasing play for InvITs and REITs. Globally, REITs have been one of the predominant means of fundraising for yield generating assets. Started in year 1960 in US, the total market cap of REITs stands at US\$1.3 trillion as of 2022 (Source: Nareit). In India, this asset class is still in the early stages.
- 2. Beneficial exit option with liquidity:** The self-amortizing nature of units provides convenient exit options to investors, thereby overcoming challenges which investors typically face with large investments in real assets like infrastructure and real estate that are less liquid.



¹ Colliers International India

Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

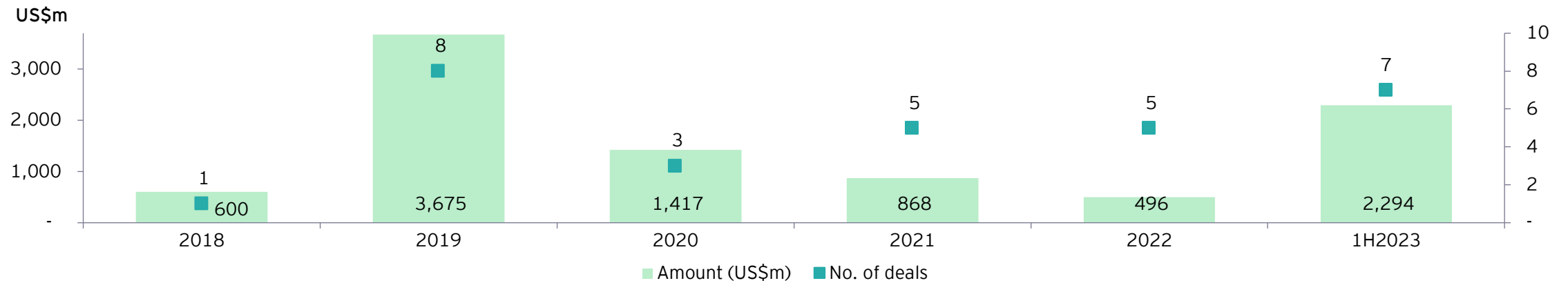
- 3. Favorable asset class for certain class of investors:** REITs and InvITs have attracted investments from pension funds, sovereign wealth funds, and insurance companies apart from private equity funds. Furthermore, pension funds and sovereign wealth funds have long-term investment horizons, favorable for investments in infrastructure projects, with long project lives. OMERS, CPPIB, Allianz, GIC, Brookfield, Blackstone, KKR have been among the prominent investors in InvITs and REITs.
- 4. Increasing diversity to provide better options:** The InvITs in India have predominantly been in the roads and highways sector and the REITs have been in the commercial real estate sector. However, building on the success of earlier InvITs and REITs many new sponsors are looking to come out with InvIT and REIT offerings where the underlying assets include renewable energy, retail assets, schools etc. Cerestra Advisors has registered SchoolHouse InvIT, with an underlying portfolio of schools, Investcorp and NDR Group have registered NDR InvIT Trust, with an underlying portfolio of warehouses and logistic parks. This will help investors to have further diversification in their InvITs and REITs portfolios.
- 5. Enabling measures by the government:** The government, including SEBI and other regulators, has played a proactive role in popularizing and promoting these investment trusts. Steps by SEBI on the reduction of minimum subscription size and trading lot for InvITs/ REITs, is expected to bolster liquidity of instruments further.

Overall, in the past five years, while there has been increasing retail participation, the institutional investors, both foreign as well as domestic, have remained bullish on India's growth story as well as adoption and success of InvITs and REITs. As most InvITs and REITs are backed by high quality sponsors such as KKR, Brookfield, Blackstone etc., the success of this asset class will act as a tailwind for India's funding requirements for its medium-term infrastructure vision.

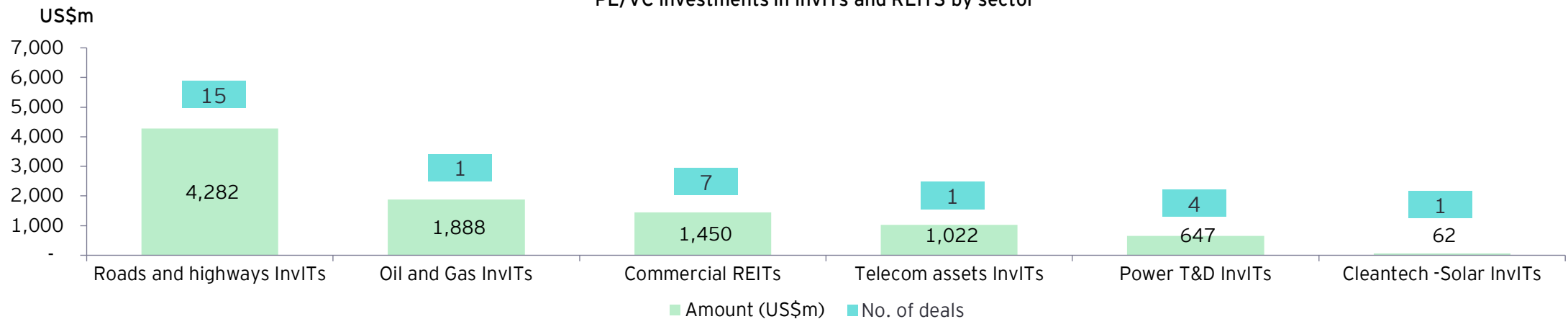


Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

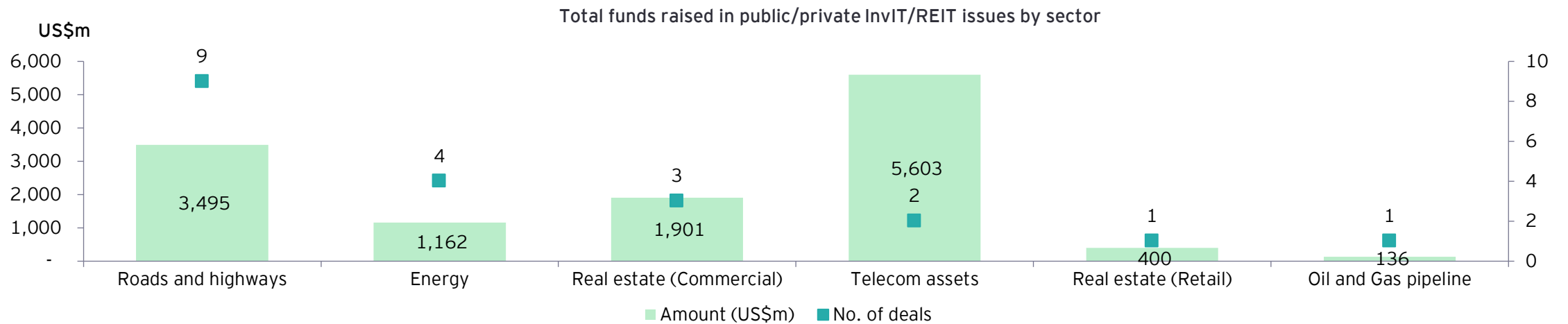
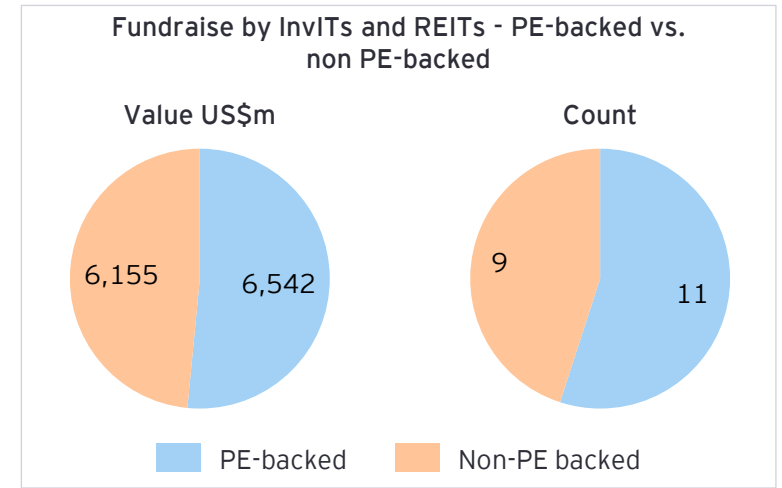
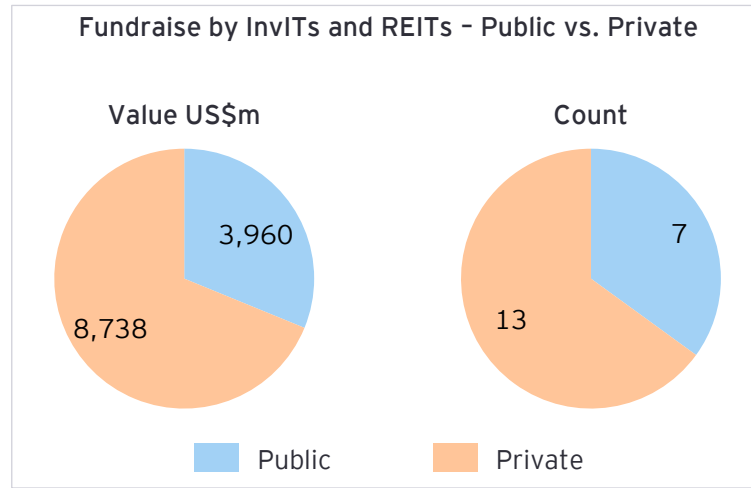
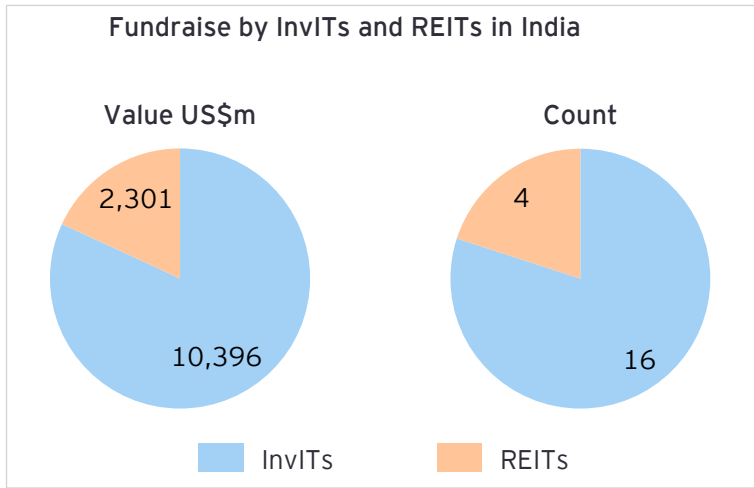
Trend in PE/VC investments in InvITs and REITs



PE/VC investments in InvITs and REITs by sector



Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs



Source: SEBI



Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

Largest InvITs issues (Public/Private)

InvIT	Sector	Sponsor	Funds raised (US\$m)	Category
Tower Infrastructure Trust	Telecom	Reliance / Brookfield	3,502	Private Listed
Digital Fibre Infrastructure Trust	Telecom	Reliance	2,101	Private Listed
National Highways Infra Trust	Highways	NHAI	701	Private Listed
Powergrid Infrastructure Investment Trust	Power Transmission	Powergrid	666	Public Listed
IRB InvIT Fund	Highways	IRB	652	Public Listed
Cube Highways Trust	Highways	Temasek	568	Private Listed
IRB Infrastructure Trust	Highways	IRB	535	Private Listed
IndInfraTrust	Highways	L&T	449	Private Listed
India Grid Trust	Transmission and Renewable	Sterling / KKR	341	Public Listed
Oriental InfraTrust	Highways	Orient Group	329	Private Listed

Source: SEBI

Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

Largest REIT issues (Public)

REITs	Sector	Sponsor	Year	Funds raised (US\$m)
Brookfield India Real Estate Trust	Commercial	Brookfield	2020	528
Embassy Office Parks REIT	Commercial	Embassy / Blackstone	2017	731
Nexus Select Trust	Retail	Blackstone	2022	400
Mindspace Business Parks REIT	Commercial	K Raheja	2019	643

Source: SEBI

Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

Largest investments in InvITs/REITs by PE funds

InvIT	Sector	Sponsor	Funds raised (US\$m)	Category
RIL's East West Pipeline	Oil and gas pipeline	Brookfield	1,888	InvIT
IndInfravit Trust	Roads and highways	CPPIB, OMERS, Allianz	1,829	InvIT
Jio Fibre Network InvIT - Digital Fibre Infrastructure Trust	Telecom assets	PIF, ADIA	1,002	InvIT
IRB Infrastructure Developers Ltd., Road Platform INVIT	Roads and highways	GIC	776	InvIT
Cube Highways InvIT	Roads and highways	BCI, Mubadala, IFC	763	InvIT
NHAI InVIT	Roads and highways	CPPIB, OTPP	583	InvIT
India Grid Trust	Power and utilities	GIC, KKR	400	InvIT
Mindspace Business Parks REIT	Commercial real estate	ADIA, GIC and others	384	REIT
Embassy Office Parks REIT	Commercial real estate	Bain Capital, Kotak	352	REIT
Orient Structures InvIT	EPC	AIIB, DEG, IFC, and HEG	331	InvIT

Source: SEBI

Spotlight: Private Equity pioneering the growth of new asset class - InvITs and REITs

Top PE sponsors of InvITs and REITs

Brookfield
Tower Infrastructure Trust
Brookfield India Real Estate Trust
India Infrastructure Trust (Pipeline InvIT)

Blackstone
Embassy Office Parks REIT
Nexus Select Trust

KKR
India Grid Trust
Virescent Renewable Energy Trust
Highways Infrastructure Trust

Top PE investors in InvITs and REITs other than the sponsors

Fund	Amount (US\$m)	No. of deals
GIC	2,026	8
CPPIB	1,627	6
ADIA	1,256	2
OMERS	900	3
OTPP	583	2

Source: BSE and NSE

A professional handshake in an office setting. Two individuals are shaking hands over a desk. The person on the left is wearing a blue shirt, and the person on the right is wearing a white shirt and a dark vest. In the background, a large globe is visible. On the desk in the foreground, there is a small Indian flag on a stand, a pen holder with several pens, a glass of water, a smartphone, and some papers. The overall scene suggests a business agreement or partnership.

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About EY's Private Equity Services Practice

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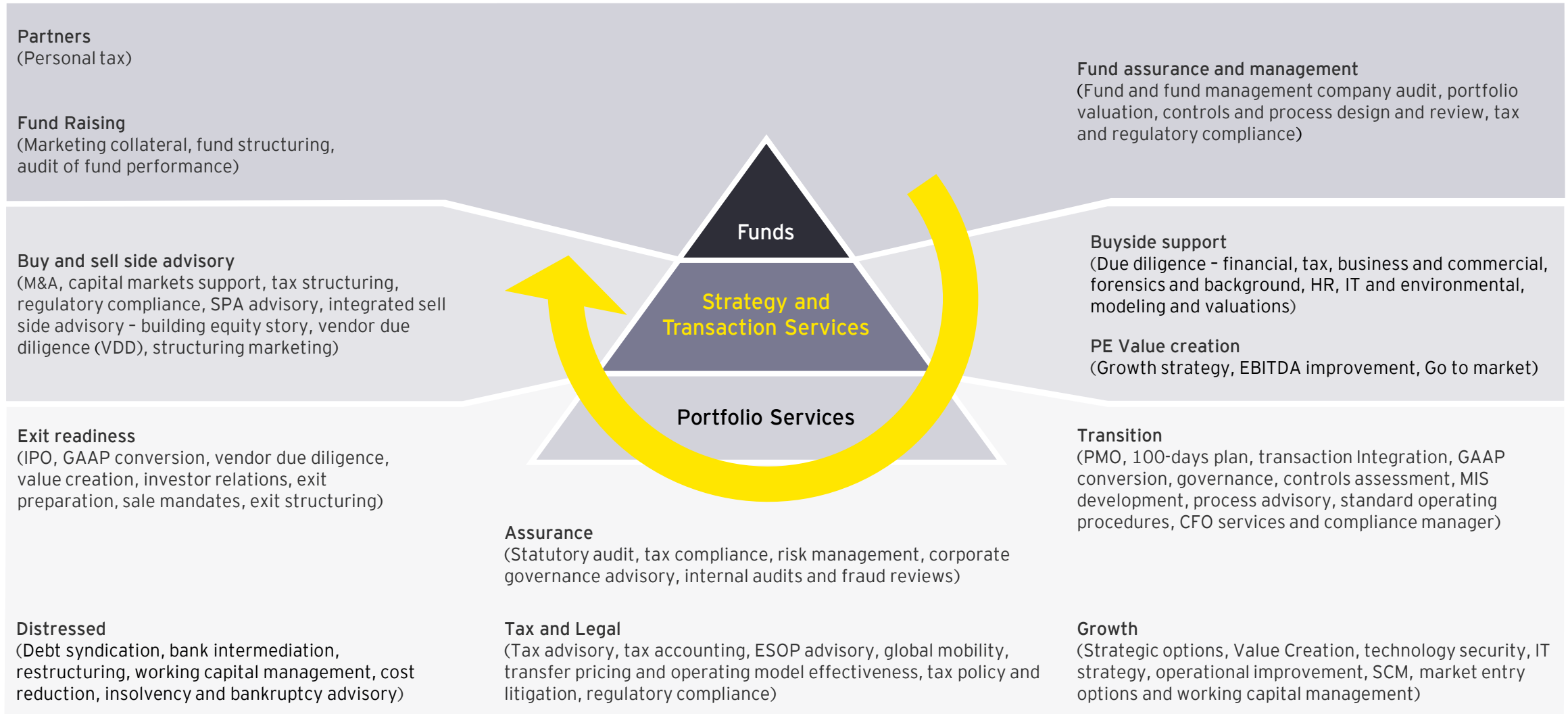
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- ▶ EY's India Private Equity Services Practice has been among the top advisors for private equity deals over the past ten years. EY has been awarded the "Most Active Transaction Advisor" award by Venture Intelligence for 2009-2013 and the "Investment Bank of the Year, Private Equity" award by VC Circle in 2012, 2017 and 2020 and for M&A in 2018 and 2019.
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- ▶ EY's India Private Equity Services Practice provides value to PE funds and their portfolio companies through its deep sector and service expertise. EY India is organized around key industry verticals in a matrix structure that enables us to offer an unparalleled blend of industry expertise and functional skills. We actively track about 15 sectors with sector leads driving our penetration in each of those sectors.



* as per Global Brand Survey, conducted by an independent research agency commissioned by EY
** for most number of deals

EY services for private equity



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IVCA

About IVCA

The Indian Private Equity & Venture Capital Association (IVCA), is the apex body promoting the Alternative Investment Funds (AIFs) in India and promotes stable, long-term capital flow (Private Equity (PE), Venture Capital (VC) and Angel Capital) in India.

With leading VC/ PE firms, institutional investors, banks, corporate advisers, accountants, lawyers and other service providers as members, it serves as a powerful platform for all stakeholders to interact with each other. Being the face of the Industry, it helps establish high standards of governance, ethics, business conduct and professional competence.

With a prime motive to support the ecosystem, it facilitates contact with policy makers, research institutions, universities, trade associations and other relevant organizations. Thus support entrepreneurial activity, innovation and job creation.

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