

Will the past be the
prologue for private
equity?

IVCA-EY PE/ VC Roundup



The better the question. The better the answer.
The better the world works.



Foreword and outlook

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May 2022 recorded US\$5.3 billion in PE/ VC investments, 42% higher than May 2021 and 29% lower than April 2022. Growth investments continued to receive largest share of inflows and were up 30% y-o-y.

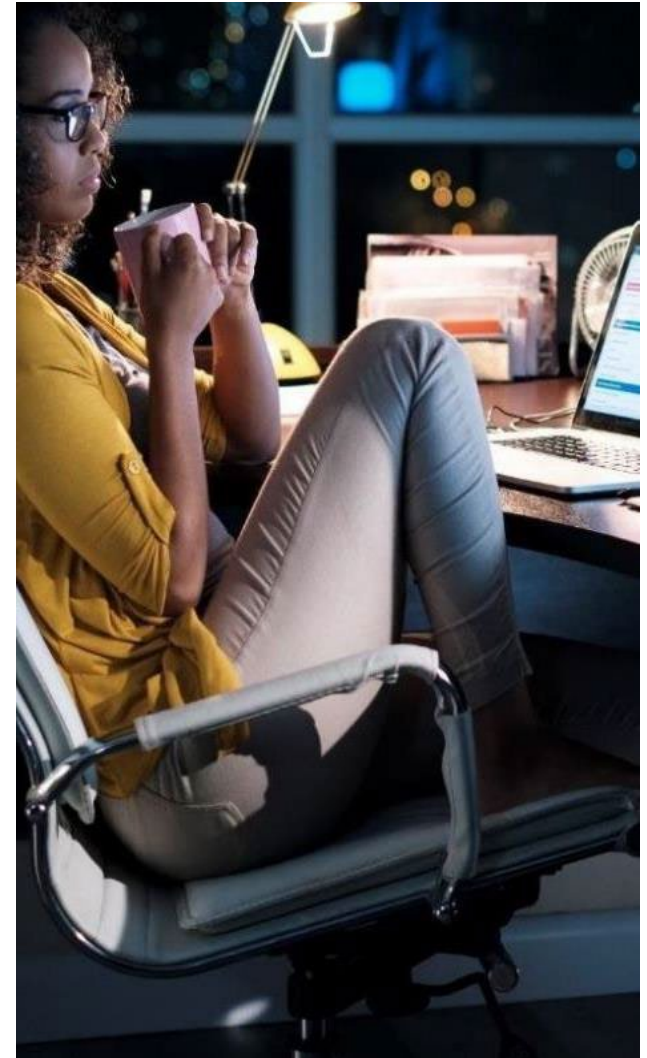
Despite the liquidity tightening by the US and Indian central banks, the flow of PE/ VC capital into India has continued with year-to-date investments worth US\$28.8 billion, 35% higher y-o-y. The large amounts of dry powder amassed by global PE/ VC funds is finding its way into India which remains one of the few bright spots of growth.


Real estate and infrastructure sector investments took the top spot in May 2022, recording US\$1.7 billion in investments, after having been the laggard for many months as PE/ VC funds focused capital allocation towards high growth sectors of e-commerce and technology throughout 2021.

The financial services sector with US\$5.3 billion in investments till date, is the top sector for PE/VC investors, a change from 2021, when e-commerce and technology were the sectors that saw maximum PE/VC investment activity. This has been driven by large investments in fintech and payments space which account for 59% by value and 75% by volume of all deals in the sector in 2022. Our spotlight section covers the trends in this sector in more detail.

In the absence of large strategic and secondary deals, PE/ VC exits remained subdued at US\$400 million. However, PE-backed IPOs made a comeback with 5 IPOs in May 2022.

While overall macro remains positive, uncertainty abounds. Monetary policy tightening continues to remain a key sensitivity affecting capital flows into India. Other downside risks that can impact growth expectations, business risk premium and PE/ VC investment activity include rising inflation, spike in oil prices, dollar appreciation vs Indian Rupee, rising Indian interest rates and any potential resurgence in COVID-19 in the country.





Is private equity rewriting what value means?

Explore the emergence of NextWave private equity and its impact on economy and society.

Monthly trend analysis: May 2022

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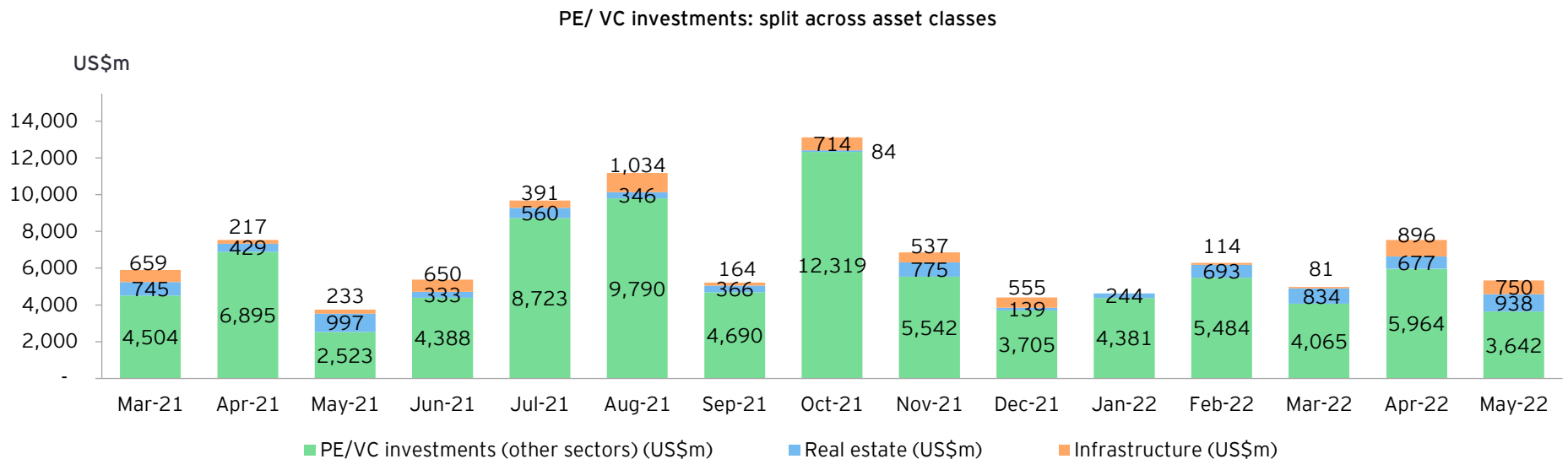
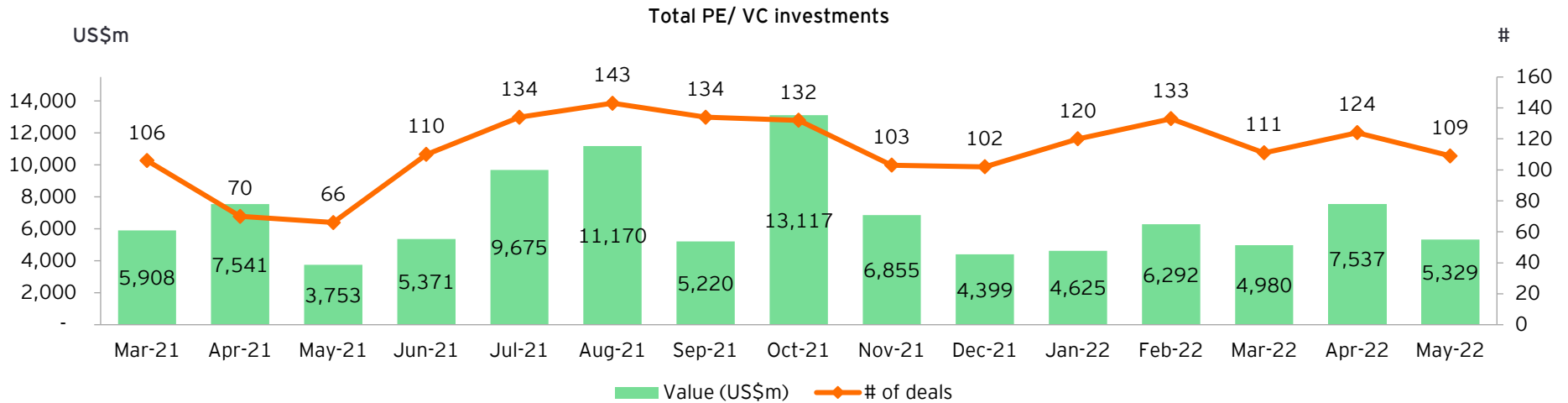


Key trends

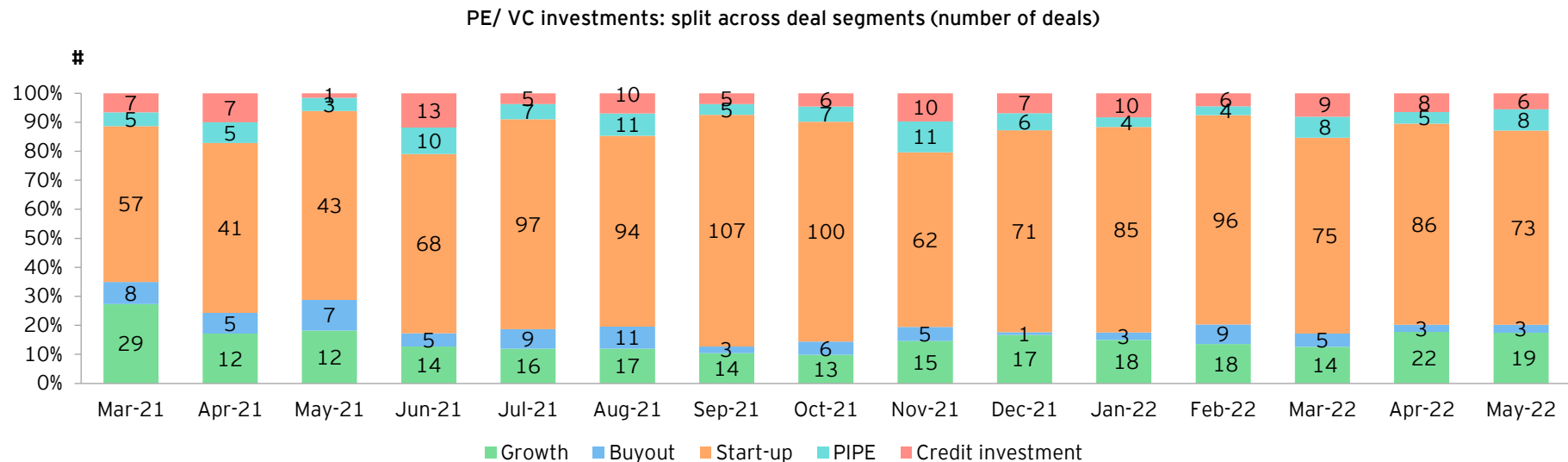
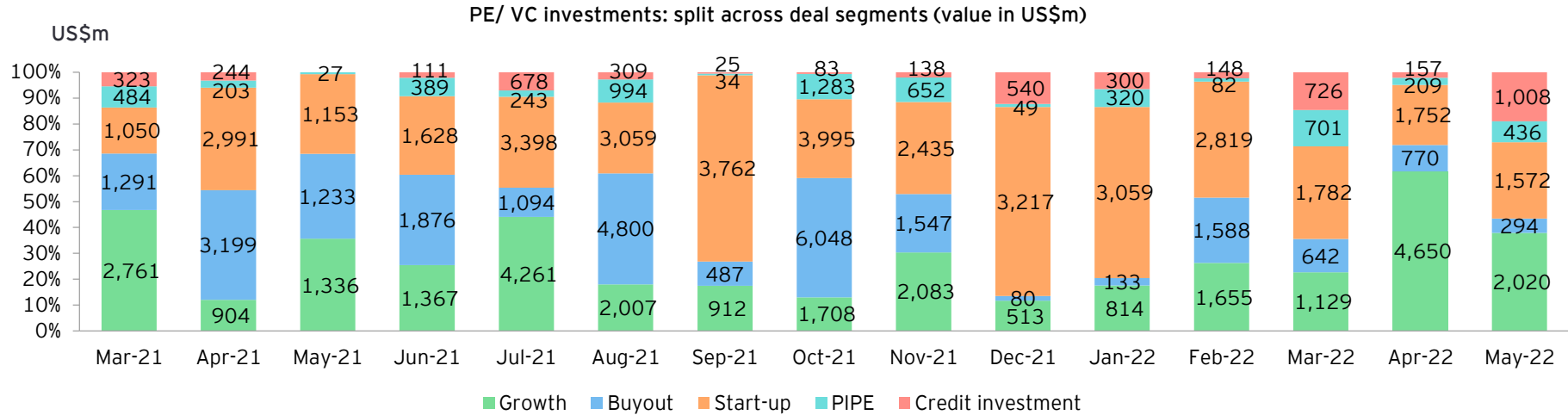
Investments

- ▶ PE/ VC investments in May 2022 were ~US\$5.3 billion, 42% higher than the value recorded in May 2021 (US\$3.8 billion) and 29% lower than investments in April 2022 (US\$7.5 billion). May 2022 recorded 109 deals, 65% higher than May 2021 (66 deals) and 12% lower than deals in April 2022 (117 deals). 68% of the total PE/ VC investments in May 2022 were pure play investments (excluding real estate and infrastructure sectors) compared to 67% in May 2021 and 79% in April 2022.
- ▶ May 2022 recorded 14 large deals (deals of value greater than or equal to US\$100 million) aggregating US\$3.9 billion, compared to 11 large deals worth US\$2.9 billion in May 2021 and 18 deals worth US\$5.9 billion in April 2022. The largest deal in May 2022 saw Adani Group controlled Mumbai International Airport raise \$750 million debt from Apollo Global, followed by Bain Capital and Ivanhoe Cambridge (a unit of CDPQ) announcing an investment of US\$667 million in a JV with Lodha group to set up Lodha Logistics Platform, a platform of logistics and light industrial parks and in-city fulfilment centers.
- ▶ By deal type, growth deals received maximum PE/ VC investments in May 2022 at US\$2.0 billion across 19 deals (US\$1.3 billion in May 2021 across 12 deals). Start-up investments were the second highest with US\$1.6 billion invested across 73 deals (US\$1.2 billion across 43 deals in May 2021). Buyouts recorded US\$294 million across three deals (seven deals worth US\$1.2 billion in May 2021). Credit investments recorded US\$1.0 billion across six deals (one deal worth US\$3 million in May 2021). PIPE investments recorded US\$436 million across eight deals (three deals worth US\$27 million in May 2021).
- ▶ From a sector point of view, real estate was the top sector in May 2022 with US\$938 million in PE/ VC investments across seven deals (US\$997 million across seven deals in May 2021), followed by infrastructure sector with one US\$750 million deal. Real estate and infrastructure sectors attained the top spot in monthly PE/VC investments by value after a long time. The third largest sector was education with US\$649 million recorded across ten deals (US\$33 million across five deals in May 2021), primarily propped up by the large US\$600 million investment in ALLEN Career Institute, a test preparation services company, by Bodhi Tree Systems.

PE/ VC monthly headline trends: investments

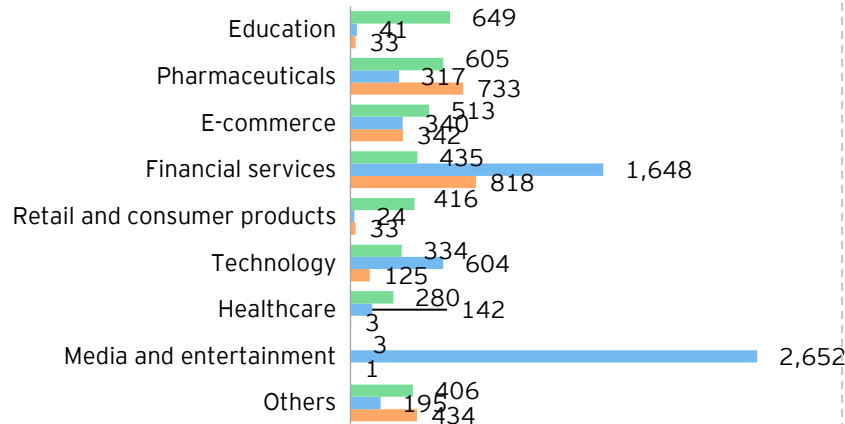


PE/ VC monthly headline trends: investments

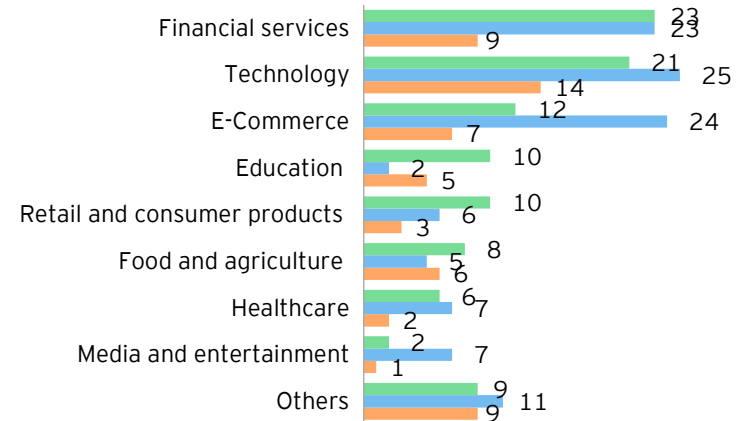


PE/ VC investments: US\$3,642 million over 101 deals (excluding infrastructure and real estate investments)

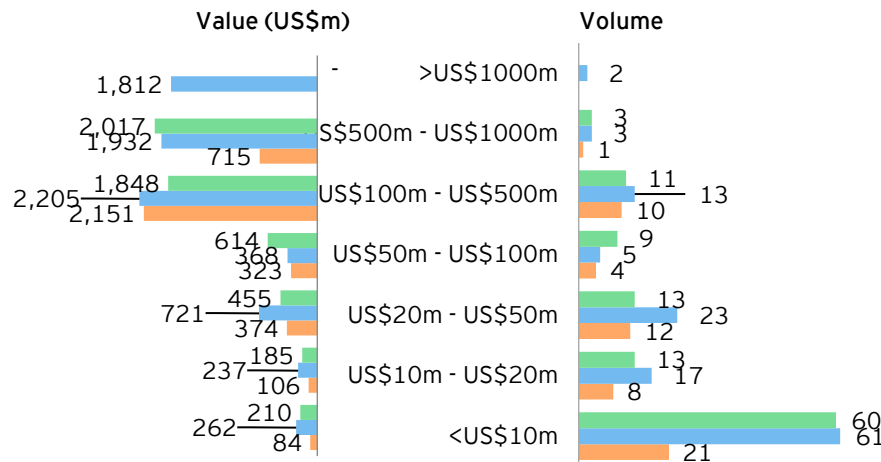
Top sectors by value US\$m



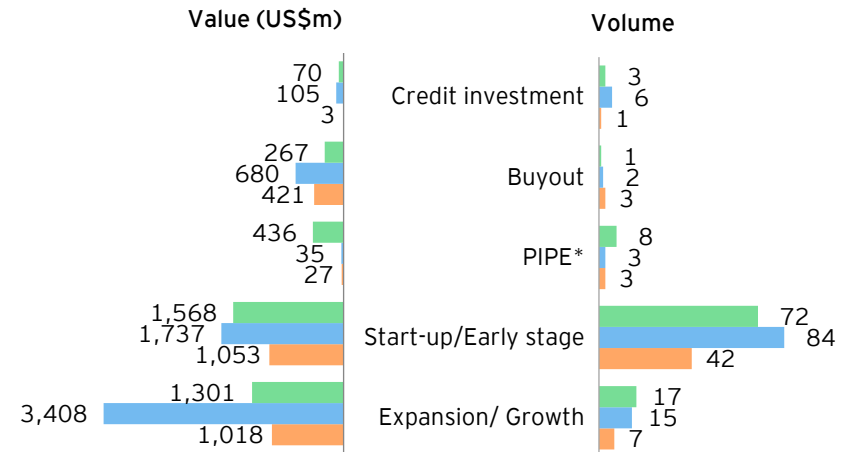
Top sectors by volume



Deal size



Deal type



*PIPE: Private investment in public equity

May'22 Apr'22 May'21

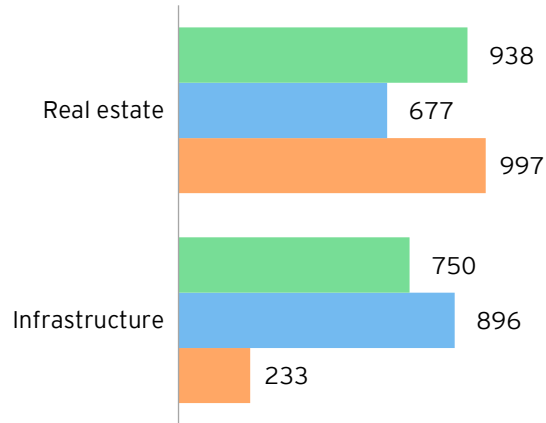
Top PE/ VC investments

Top PE/ VC investments, excluding infrastructure and real estate, in May 2022

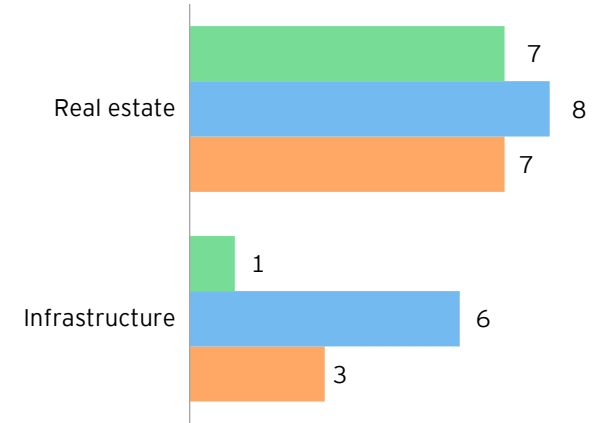
Company	PE investors	Sector	Stage	US\$m	Stake (%)
Allen Education and Management Services Private Limited	Bodhi Tree System	Education	Growth capital	600	NA
Aditya Birla Fashion and Retail Limited	GIC	Retail and consumer products	PIPE	282	8
Optimus Drugs Private Limited	PAG, CX Partners and Samara Capital (through API platform Sekhmet Pharmaventures)	Pharmaceuticals	Buyout	267	74
Zifo Technologies Private Limited	TA Associates	Pharmaceuticals	Growth capital	250	NA
Kiranakart Technologies Private Limited	Nexus, Kaiser Permanente Ventures, Glade Brook Capital Partners, and others	E-commerce	Start-up	200	22
Dr. Agarwal's Health Care Limited	Temasek, TPG Growth	Healthcare	Growth capital	136	NA
Ather Energy Private Limited	NIIF, Hero MotoCorp	Automotive	Start-up	128	NA
GreyOrange Inc.	BlackRock, Mithril Capital Management	Technology	Growth capital	110	NA
Neso Brands	Alpha Wave Global, SoftBank, Temasek, KKR	E-commerce	Start-up	100	NA
Ecso Global Private Limited	Alpha Wave Ventures, Sequoia Capital, Tiger Global	Food and agriculture	Start-up	100	20

PE/ VC investments: US\$1,688 million over 14 deals (infrastructure and real estate investments)

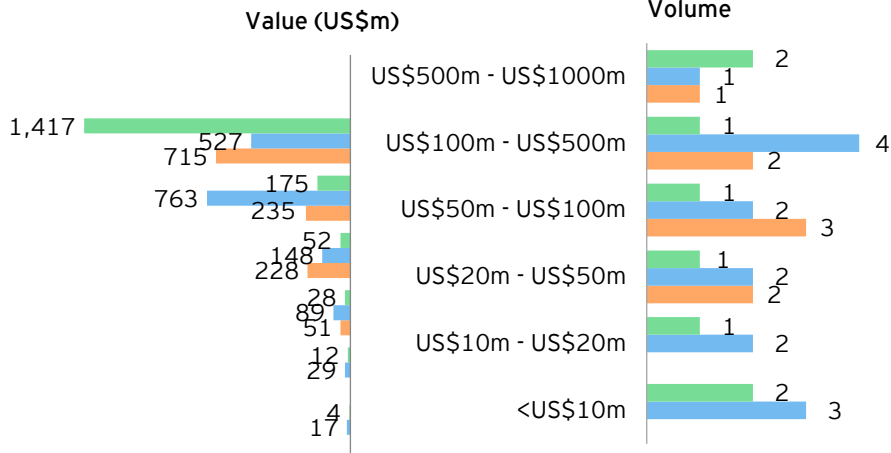
Top sectors by value US\$m



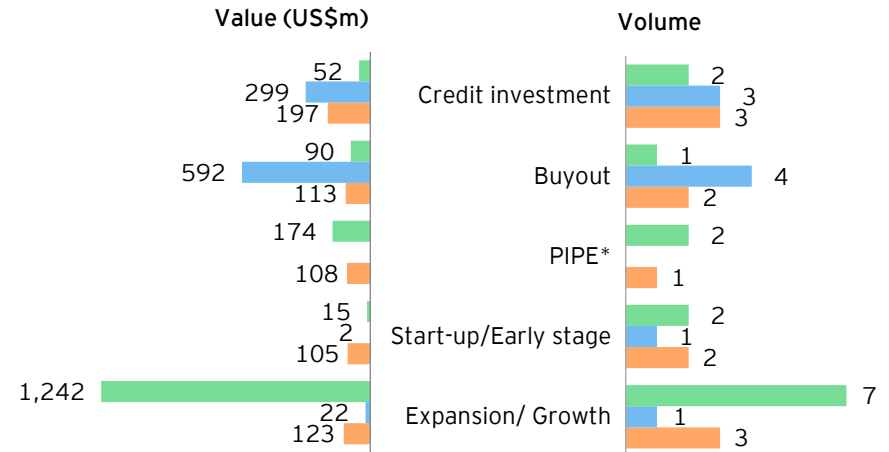
Top sectors by volume



Deal size



Deal type



*PIPE: Private investment in public equity

May'22 Apr'22 May'21

Top *infrastructure* and *real estate* investments

Top infrastructure and real estate investments in May 2022

Company	PE investors	Sector	Stage	US\$m	Stake (%)
Mumbai Airport (MIAL)	Apollo Global	Infrastructure	Credit investment	750	NA
Lodha Logistics Platform	Bain Capital, Ivanhoe Cambridge (CDPQ)	Real estate	Growth capital	667	67
Tarc Limited	Bain Capital	Real estate	Credit investment	175	NA
Signature Global India Private Limited	HDFC Capital Affordable Real Estate Fund 3	Real estate	Growth capital	52	NA
Casa Grande - Phase 1	Ascendas India	Real estate	Buyout	28	100

Key trends

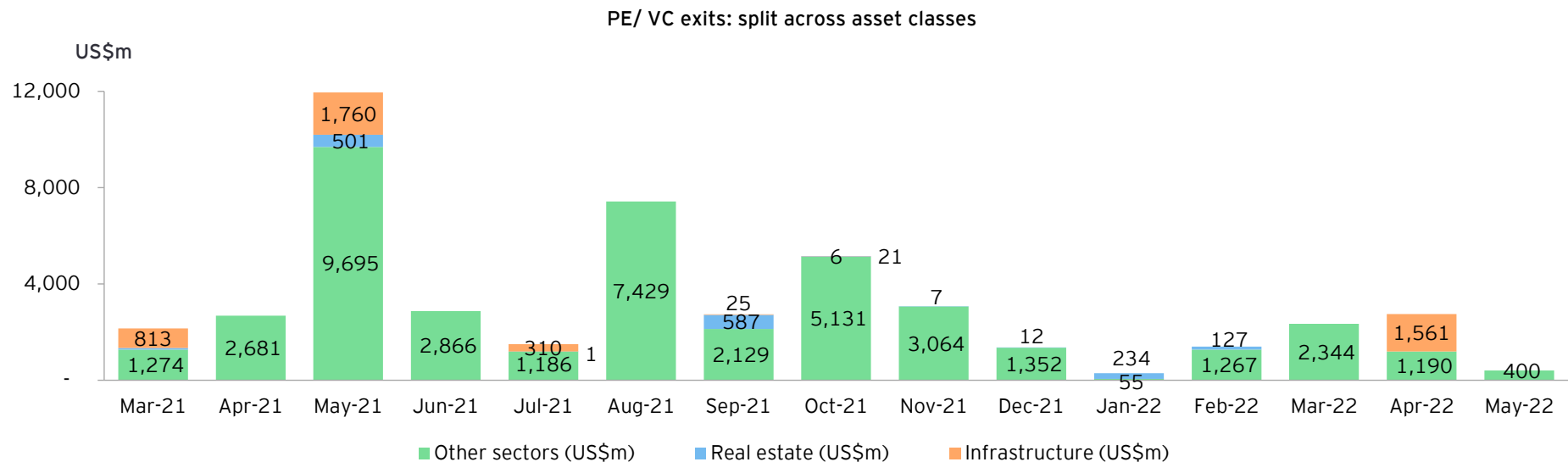
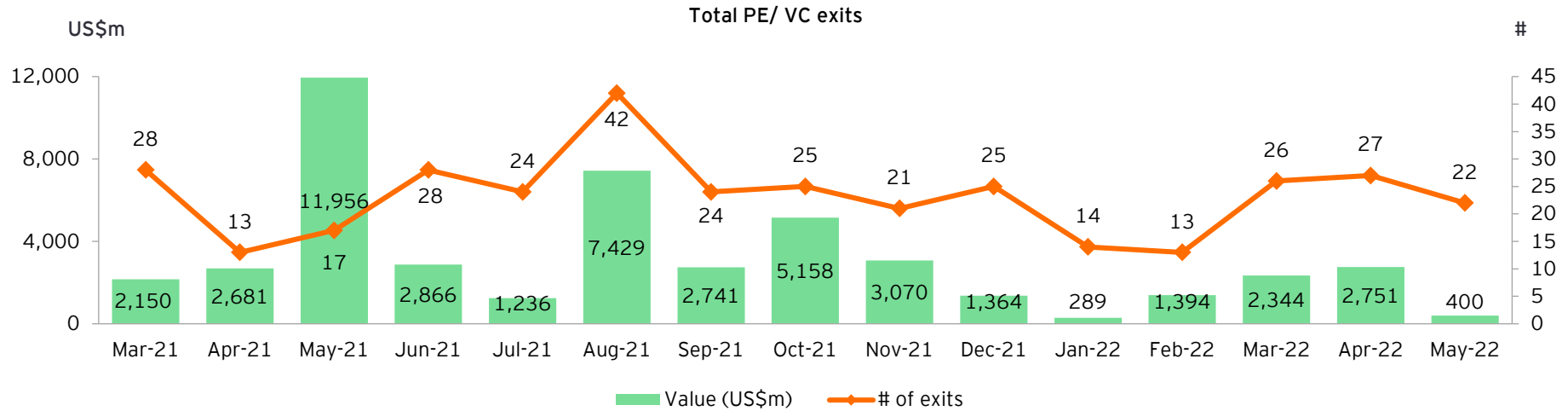
Exits

- ▶ May 2022 recorded 22 exits worth US\$400 million compared to US\$12 billion recorded across 17 exits in May 2021 and US\$2.8 billion across 27 exits in April 2022. May 2021 had recorded the largest technology sector exit in India with CPPIB and Partners Group exiting Global Logic for US\$8.6 billion.
- ▶ In May 2022, PE-backed IPOs made a comeback with five PE-backed IPOs in which PE/ VC investors garnered US\$301 million in the offer-for-sale (OFS) component. Open market exits recorded US\$93 million across four deals (US\$842 million across five deals in May 2021). Strategic exits were the highest in terms of numbers with nine deals, however the deal values were undisclosed (seven strategic deals worth US\$10.4 billion in May 2021).

Fundraise

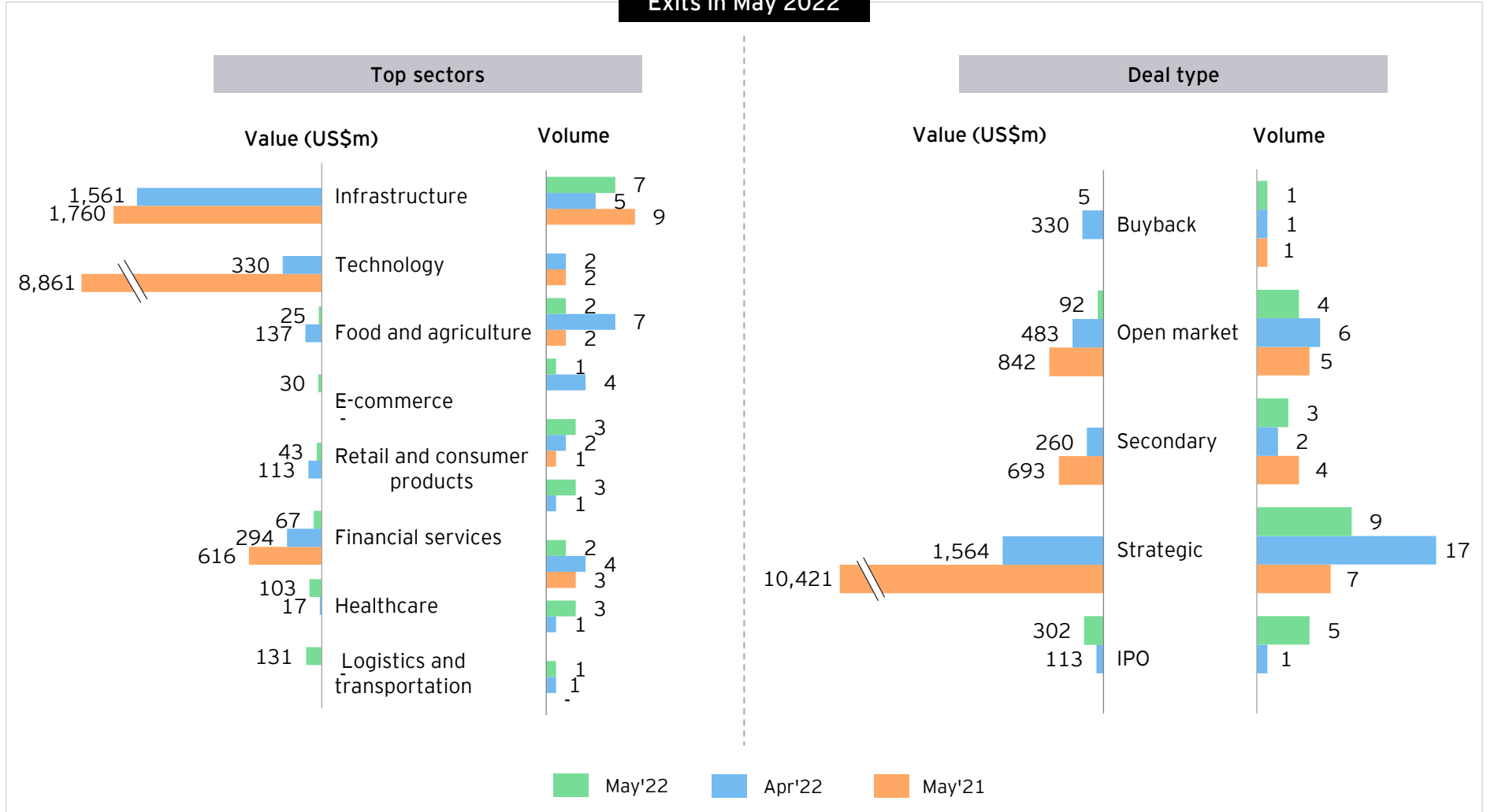
- ▶ May 2022 recorded a total fundraise of US\$668 million across five funds compared to US\$154 million raised in May 2021 by three funds. The largest fundraise in May 2022 was by Jungle Ventures that raised its fourth India dedicated fund at US\$600 million.

PE/ VC monthly headline trends: exits



Exits: US\$400 million across 22 deals in May 2022

Exits in May 2022

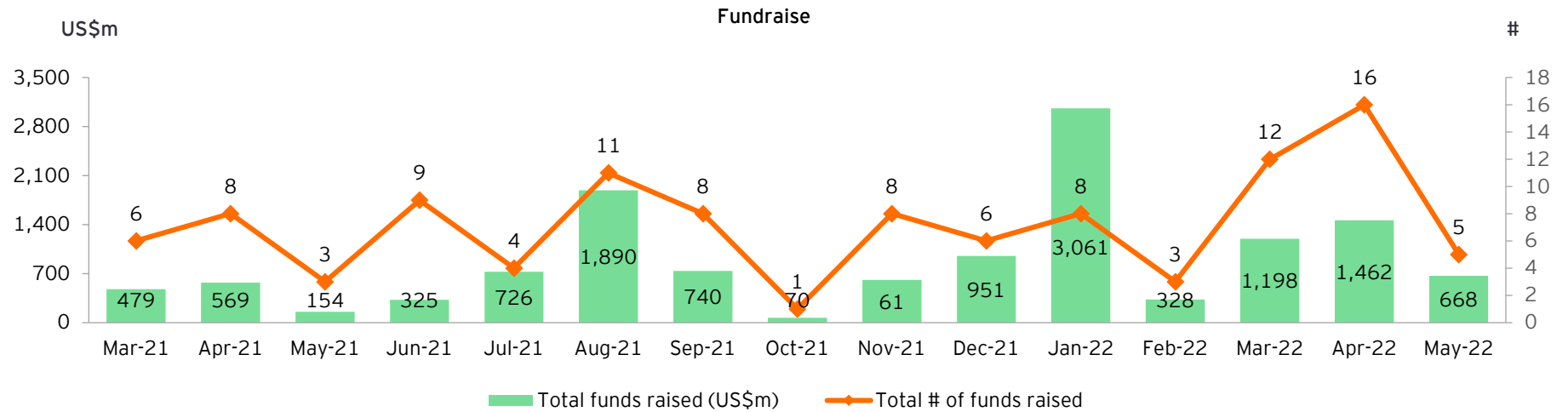


Top exits

Top exits in May 2022

Company	Sector	Sellers	Buyer	Exit type	US\$m	Stake (%)
Delhivery Limited	Logistics and transportation	Carlyle, Softbank and others	NA	IPO	131	3
Rainbow Children's Medicare Limited	Healthcare	CDC	NA	IPO	103	14
Prudent Corporate Advisory Services Limited	Financial services	TA Associates	NA	IPO	67	20
IFB Industries Limited	Retail and consumer products	Westbridge	NA	Open market	30	6
Godrej Agrovet Limited	Food and agriculture	Temasek	NA	Open market	25	2
Go Fashion India Limited	E-commerce	ICICI Venture	NA	Open market	25	3

PE/ VC monthly headline trends: fundraise



Fundraise

Top fundraises in May 2022

Status	Fund	PE/ VC GP	US\$m	Strategy
Raised	Jungle Ventures Fund IV	Jungle Ventures	600	Early stages
Raised	DVC India Fund 1	Dallas Venture Capital	25	B2B SaaS
Raised	JPIN India Fund	JPIN UK	20	Industry-agnostic fund to invest in SMEs and start-ups
Announced	Sequoia Capital India-SEA fund	Sequoia Capital	2,800	Start-up investments
Announced	Eight Roads Ventures	Eight Roads	250	first India-focused healthcare and life sciences fund

Spotlight

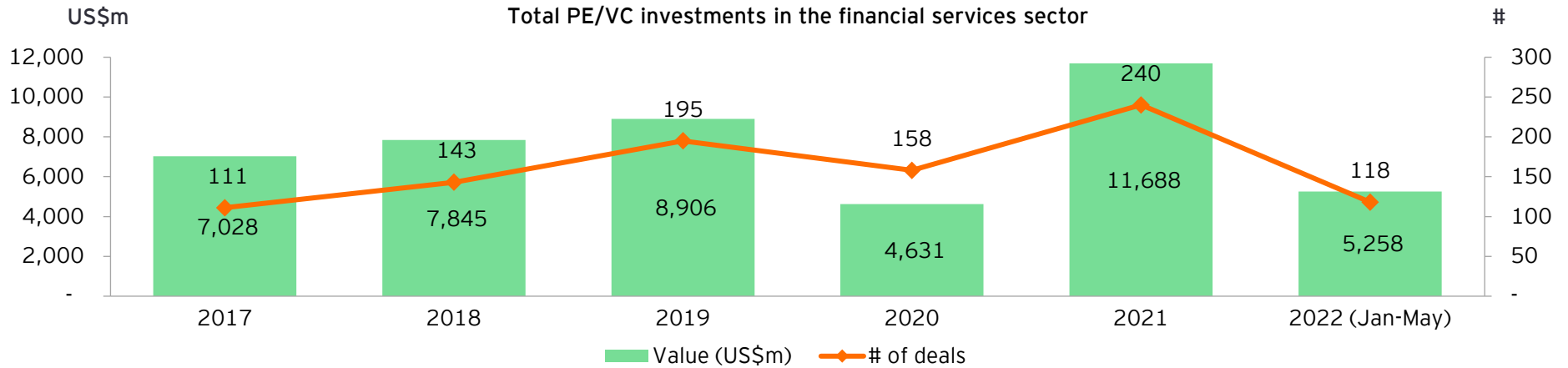
Financial services sector
investment trends



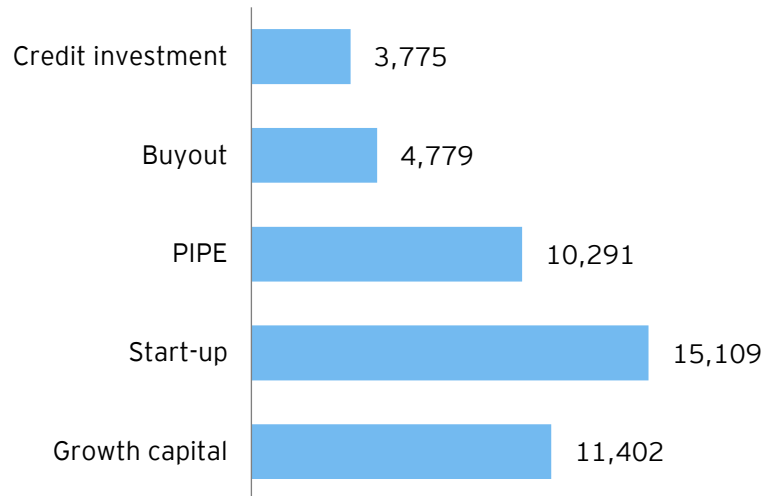
Spotlight: financial services sector investment trends

- ▶ Financial services sector was the largest in terms of PE/VC investments over the previous decade. In the past 15 years the sector has received over US\$60 billion in investments, 75% of which has come in the past five years.
- ▶ PE/VC investments in 2021 were the highest ever for the sector at US\$11.7 billion with a 152% increase y-o-y. Also, it is one of the largest sector in terms of number of deals with over 950 deals in the past five years.
- ▶ The financial services sector has been one of the most versatile sectors for alternative investments, providing a good proxy of the long-term India growth story for investors to play on. This sector provides investors varied options across business models ranging from pure play banks to specialized non-banking finance companies (NBFCs), small finance banks, online credit platforms, insurance companies, and payment solution companies. Further, with technology becoming a key component of the sector, many new tech enabled business models have emerged that are helping increase financial inclusion, increasing the addressable market for the financial services sector.
- ▶ While NBFC was the most preferred sub-sector for PE/VC investments in the first half of the last decade, of-late the balance has shifted heavily on the side of fintech and payments. Investments in fintech and payments were at an all-time high of US\$7.4 billion and account for 63% of the investments in the financial services sector in 2021 vs. an average of 30% in the previous years.
- ▶ As a result, the trend in financial services sector investments has shifted from providing growth capital for lending institutions to start-up funding of new-age tech enabled business models that are disrupting the traditional ways of providing financial services.
- ▶ This trend is expected to get stronger as more and more PE/VC funds back financial services companies that leverage technology to do business, solving real-world problems revolving around payments and distribution, underwriting and collection of credit.
- ▶ There has been a proliferation of new-age companies in the buy now pay later (BNPL), neo banking, online lending, and Difi space that is seeing increasing number of dollar investments pouring in.
- ▶ Amid the growing prominence of tech enabled business, a traditional business that is seeing some traction is asset/wealth management which has received over US\$2 billion in investments in the past two years, greater than all investments received by the segment in prior years. With growing financialization of Indian household savings, increasing equity market participation, growing affluence among new age entrepreneurs, the wealth/asset management space is expected to grow significantly in the coming years and PE/VC funds are positioning themselves to capture a greater share of this high growth segment.

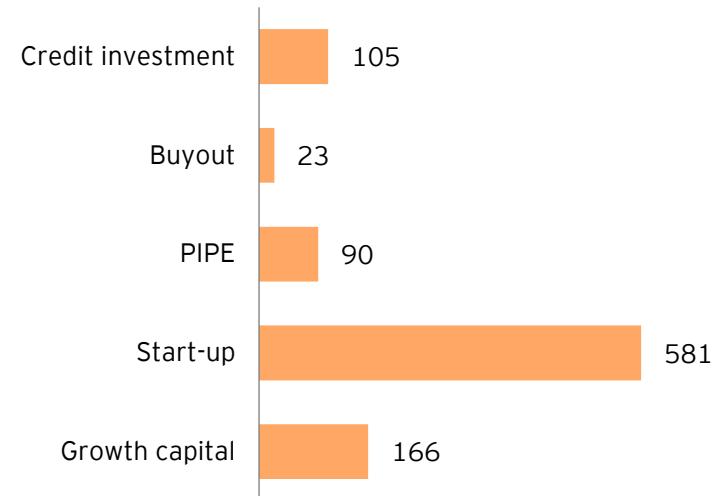
Spotlight: financial services sector investment trends



Deal type - 2017-2022 (Jan-May) US\$m



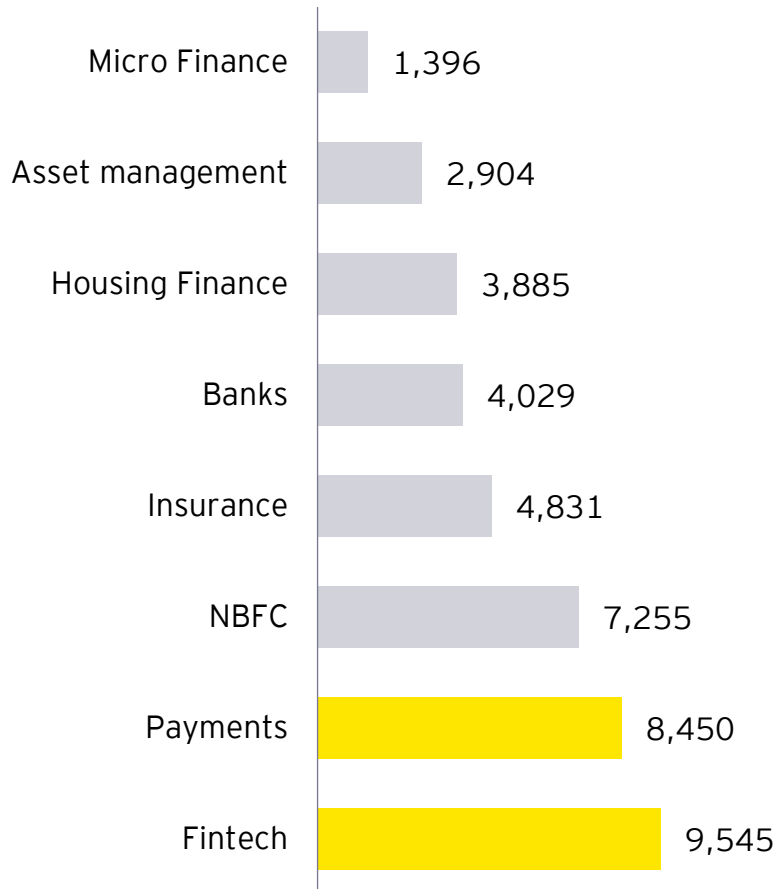
Deal type - 2017-2022 (Jan-May) #



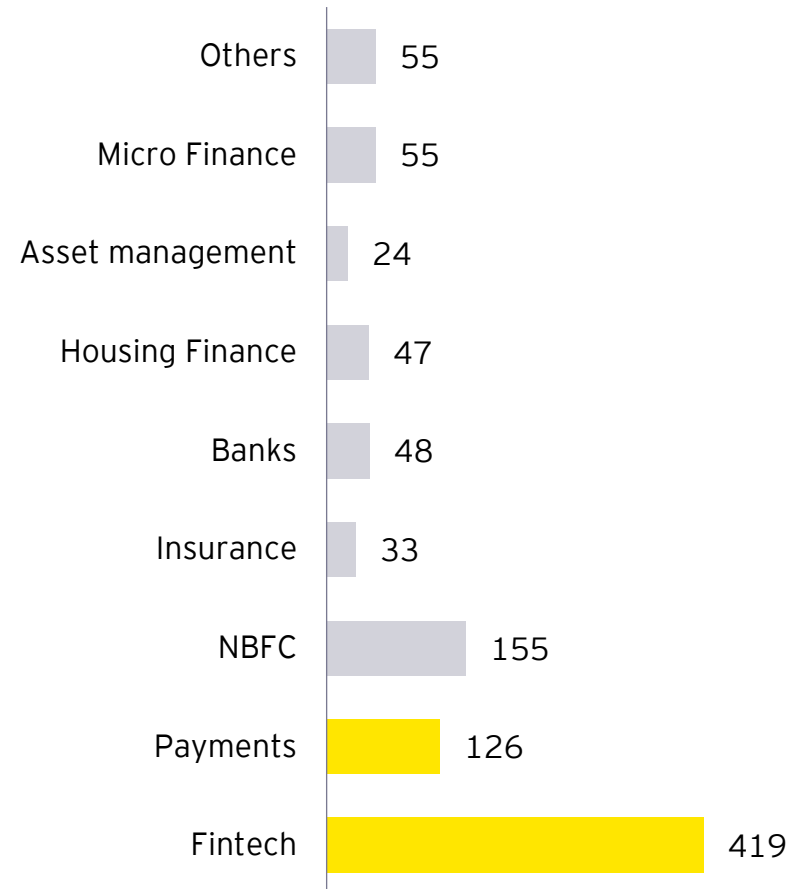
Spotlight: financial services sector investment trends

Financial services sub-sectors in 2017-2022 (Jan-May)

Split by value (US\$m)



Split by number of deals (US\$m)



Spotlight: financial services sector investment trends

Financial services sub-sectors in 2017-2022 (Jan-May)

Aggregate value of deals (figures are in US\$m)

Sub-sector	<US\$10m	US\$10m- US\$20m	US\$20m- US\$50m	US\$50m- US\$100m	>US\$100m
Fintech	887	820	1,737	1,646	4,455
Payments	221	249	614	725	6,642
NBFC	224	370	1,229	1,095	4,337
Insurance	25	77	72	509	4,149
Banks	76	108	299	300	3,245
Housing finance	54	67	444	290	3,031
Asset management	1	33	193	61	2,618
Micro finance	139	136	529	232	361
Others	97	30	279	330	2,325
Total	1,723	1,888	5,394	5,189	31,161

Number of deals

Sub-sector	<US\$10m	US\$10m- US\$20m	US\$20m- US\$50m	US\$50m- US\$100m	>US\$100m
Fintech	215	57	54	22	25
Payments	50	16	19	10	21
NBFC	42	24	36	16	26
Insurance	5	5	2	7	11
Banks	12	8	10	4	14
Housing finance	12	5	12	4	11
Asset management	1	3	5	1	6
Micro finance	24	8	16	3	3
Others	23	2	8	5	13
Total	384	128	162	72	130

Deal value not available on 189 deals

Spotlight: financial services sector investment trends

Top PE/VC investment deals in the financial services sector in 2017-2022 (Jan-Apr)

Company	PE investors	Year	US\$m	Stake (%)
HDFC	GIC , KKR, PremjiInvest, OTTP & Others	2018	1,731	3.9
Paytm	SoftBank	2017	1,400	NA
ASK Group	Blackstone	2021	1,000	74
Star Health and Allied Insurance	Madison India , Westbridge Capital	2018	1,000	94
Paytm	Alibaba Group, Softbank	2019	1,000	NA
SBI Life Insurance	Carlyle, CPPIB	2019	817	11
Axis Bank	Bain Capital	2017	795	3.7
IDFC Asset Management	GIC, ChrysCapital and others	2022	600	100
IIFL Wealth Management	Bain Capital	2022	483	25
Polygon Technology (Matic)	Tiger Global, Elevation Capital, Sequoia Capital, SoftBank Vision and others	2022	450	NA

An aerial photograph of a city skyline at sunset. The sun is low on the horizon, casting a golden glow over the scene. In the foreground, a multi-lane highway is filled with cars, moving away from the viewer. To the left of the highway is a wide river. To the right, there are several large, multi-story brick buildings, a baseball field, and trees with yellow autumn foliage. The city skyline in the background features various skyscrapers, including the Freedom Tower. A semi-transparent dark grey box is overlaid on the left side of the image, containing the text "About EY Private Equity Services".

About EY Private Equity Services

About EY's Private Equity Services Practice

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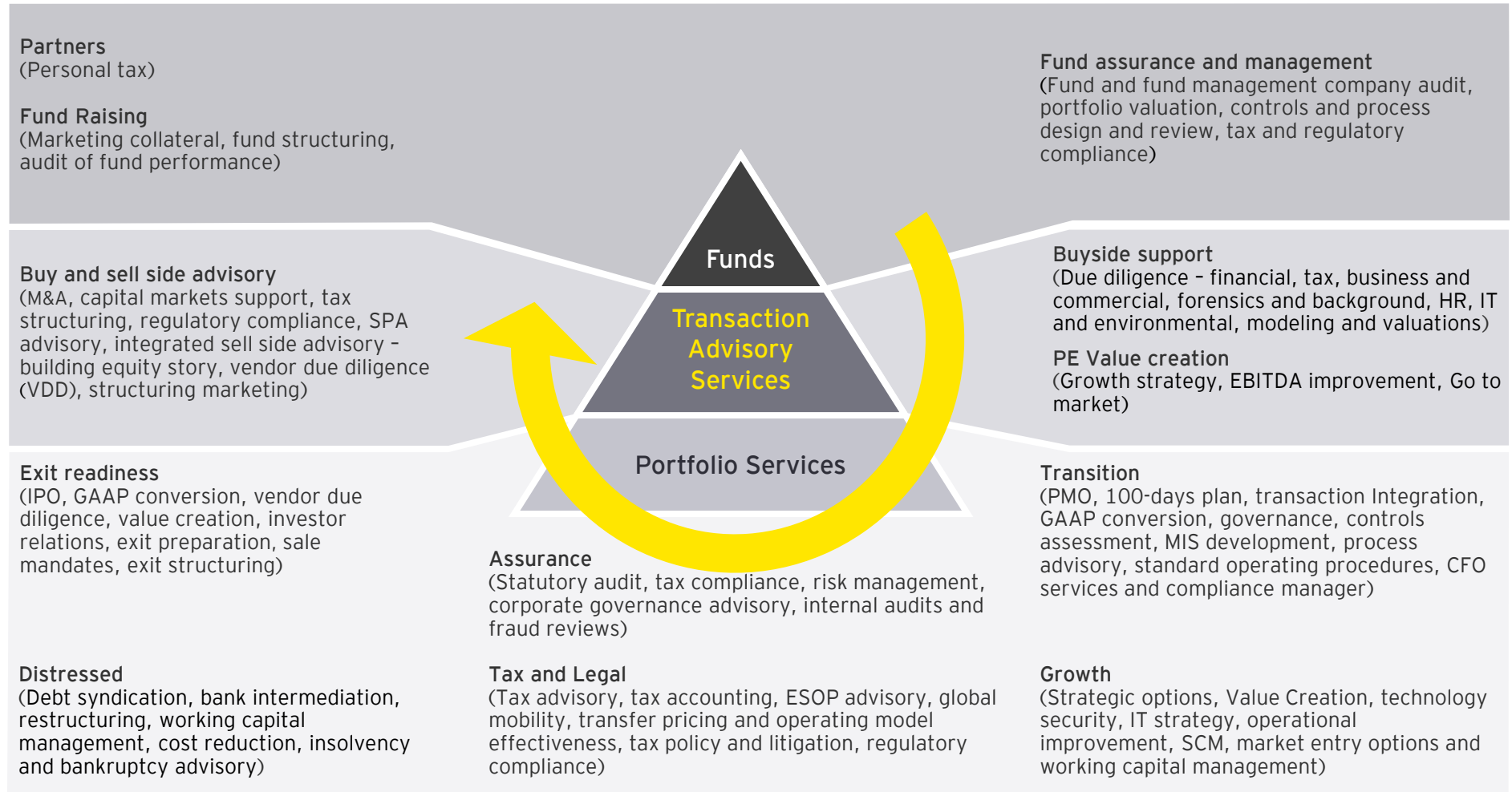
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An aerial photograph of a city skyline at sunset. The sun is low on the horizon, creating a bright lens flare and casting a golden glow over the scene. In the foreground, a multi-lane highway bridge spans across a body of water, with several cars visible on the road. To the right of the bridge, there is a baseball field with a green field and a brown infield. The background is filled with a dense city skyline, including several tall skyscrapers and older buildings. The sky is a mix of blue and orange from the setting sun.

About IVCA

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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