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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

October 2022 recorded US\$3.3 billion in PE/VC investments, 75% lower than the investments in October 2021, which was a record month. After being on a declining trend for the past five months, PE/VC investments have recorded a sequential uptick in October 2022, a 60% increase. In terms of number of deals, October 2022 recorded 75 deals, a 43% decline y-o-y (132 deals in October 2021).

October 2022 recorded six large deals (deals of value greater than US\$100 million) aggregating US\$2.2 billion, a sharp drop from the 24 large deals worth US\$11.3 billion recorded in October 2021. By deal type, growth investments were the highest in terms of value in October 2022 at US\$2 billion across 13 deals, which includes the ~US\$1 billion investment in CitiusTech by Bain Capital.

The ~US\$1 billion CitiusTech deal between Bain Capital and BPEA EQT helped prop up PE/VC exits in October 2022 to US\$1.6 billion. However, on a y-o-y basis, exits were lower by 69%. Exits via secondary sale were the highest in October 2022, with four exits worth US\$1.4 billion on the back of the large CitiusTech deal.

From a sector point of view, healthcare was the top sector in October 2022, with US\$977 million in PE/VC investments across three deals. The second largest sector was financial services, with US\$216 million recorded across 13 deals. Traditionally favourite sectors like technology and e-commerce, recorded ~90% y-o-y decline in PE/VC investments.

Inflation woes, recession fears, the rising cost of capital and elevated levels of uncertainty driven by geopolitical tensions have weighed down the PE/VC activity in 2022, globally as well as locally. In India, the investment momentum, both in terms of size and number of deals, has slowed down considerably. Not surprisingly, 2022 has so far, been the best year for credit investments, recording US\$3.5 billion in PE/VC investments. Many investors are now focusing on value plays, a marked shift from last year when growth was the primary focus. While many startups have already embarked on the path of conserving cash, growth rates are expected to be negatively impacted. We are projecting an uptick in consolidation / M&A within the start-up space in the coming months. On the PE side, valuations or the bid/ask spreads continue to be the main factor slowing down deal closure activity. Over the next 3-4 months, we expect this situation to improve as sellers and investors alike find equilibrium. The Indian economy continues to outperform relative to other emerging markets and while there may be short-term volatility, the PE/VC community continues to be sanguine about India's long term growth prospects.



Agenda

- 1 Monthly trend analysis: October 2022
- 2 Spotlight: PE/VC credit investment deal trends

A hand is shown interacting with a tablet. The tablet screen displays a complex data visualization with various colored lines and patterns, including green, purple, and blue. The background is dark with some blurred light patterns.

01

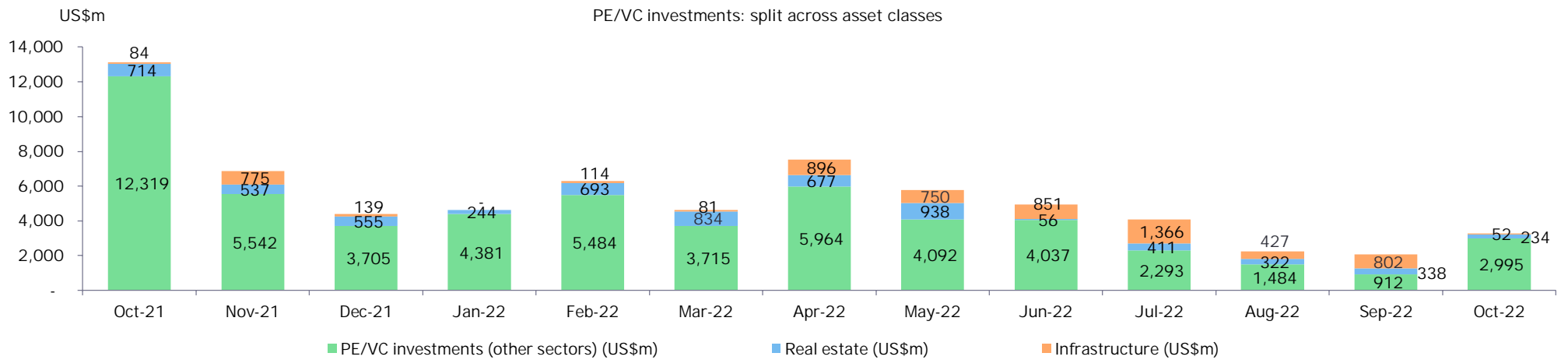
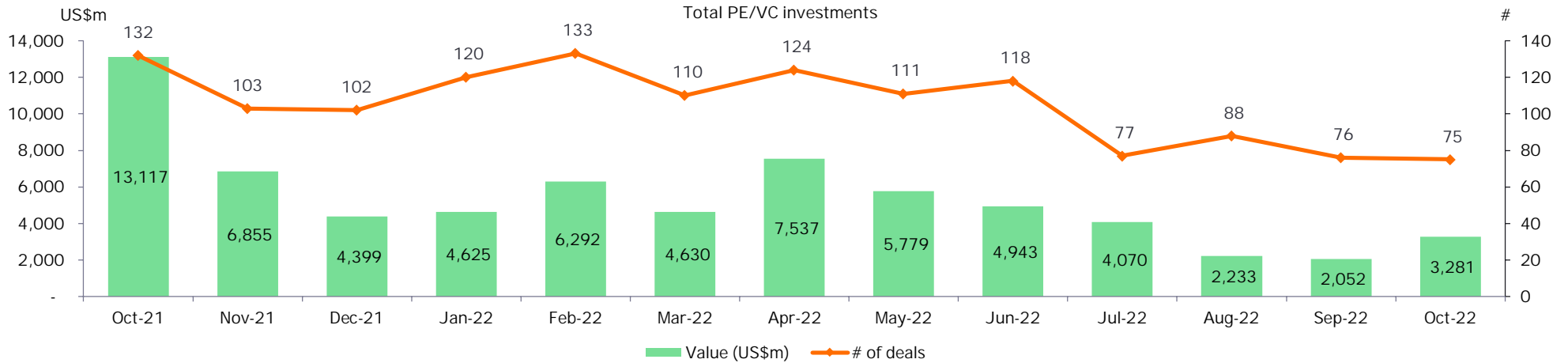
Monthly trend analysis:
October 2022

Key trends

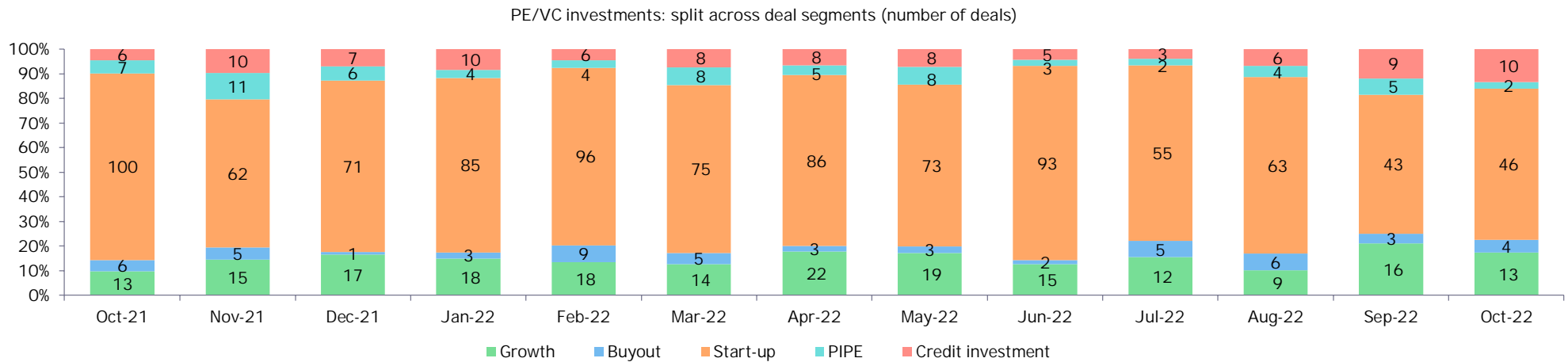
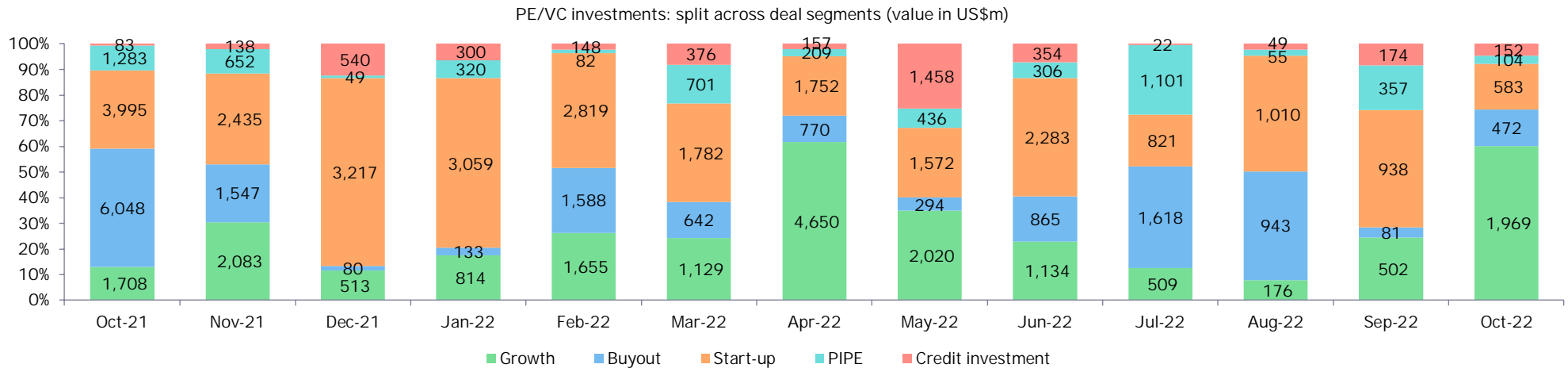


- ▶ PE/VC investments in October 2022 recorded US\$3.3 billion, 75% lower than PE/VC investments in October 2021 (US\$13.1 billion) which had recorded the highest ever monthly investments on the back of large deals. Nonetheless, October 2022 recorded a 60% increase in investments on a sequential basis due to the large Bain Capital-CitusTech deal. In terms of number of deals, October 2022 recorded 75 deals, a 43% decline y-o-y (132 deals in October 2021) and at par with deals in September 2022.
- ▶ October 2022 recorded six large deals (deals of value greater than US\$100 million) aggregating US\$2.2 billion, a sharp drop from the 24 large deals worth US\$11.3 billion recorded in October 2021. The previous month had recorded just four large deals worth US\$906 million. The largest deal in October 2022 saw Bain Capital invest -US\$960 million in CitusTech for a 40% stake.
- ▶ By deal type, growth investments were the highest in terms of value in October 2022 at US\$2 billion across 13 deals compared to US\$1.7 billion invested across 13 deals in October 2021 and US\$502 million invested across 16 deals in September 2022. Startup investments recorded US\$583 million across 46 deals in October 2022 compared to US\$4 billion recorded across 100 deals in October 2021 and US\$938 million invested across 43 deals in September 2022. Buyouts recorded US\$472 million across four deals in October 2022 compared to US\$6 billion recorded across six deals in October 2021 and US\$81 million recorded across three deals in September 2022.
- ▶ From a sector point of view, healthcare was the top sector in October 2022, with US\$977 million in PE/VC investments across three deals (US\$245 million across six deals in October 2021). The second largest sector was financial services, with US\$216 million recorded across 13 deals (US\$2 billion across 30 deals in October 2021). Traditionally favourite sectors like technology and e-commerce recorded US\$157 million (US\$5.6 billion in October 2021) and US\$128 million (US\$1 billion in October 2021), respectively, a significant decline in values compared to October 2021.

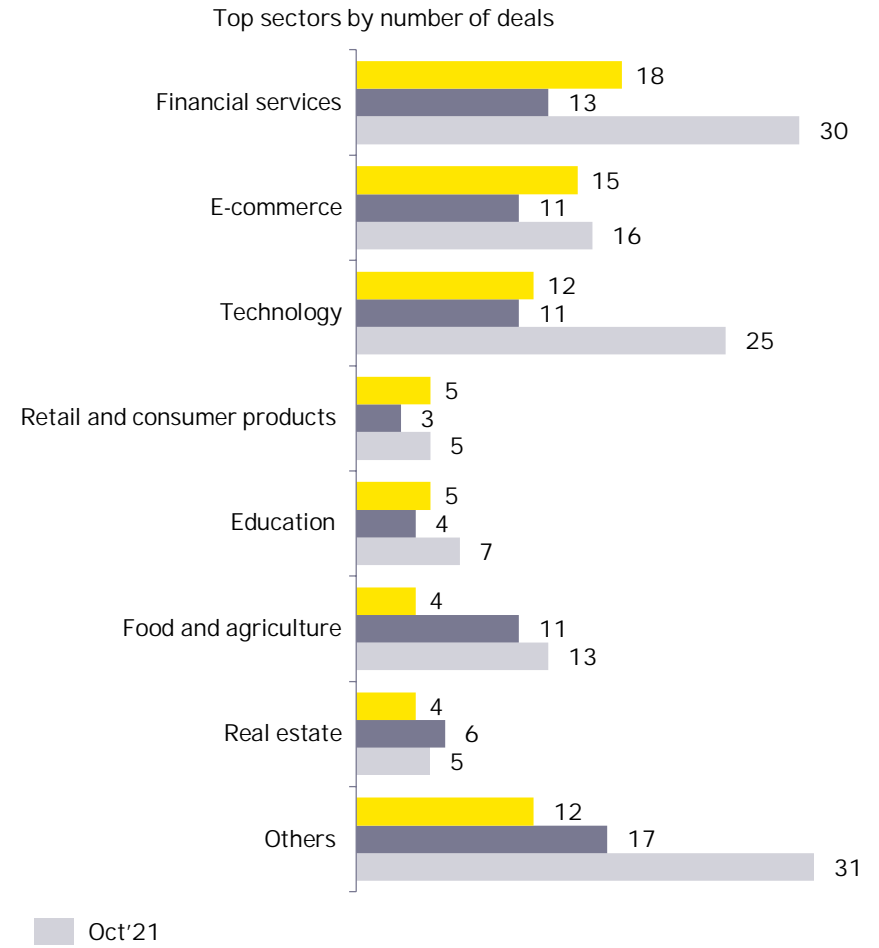
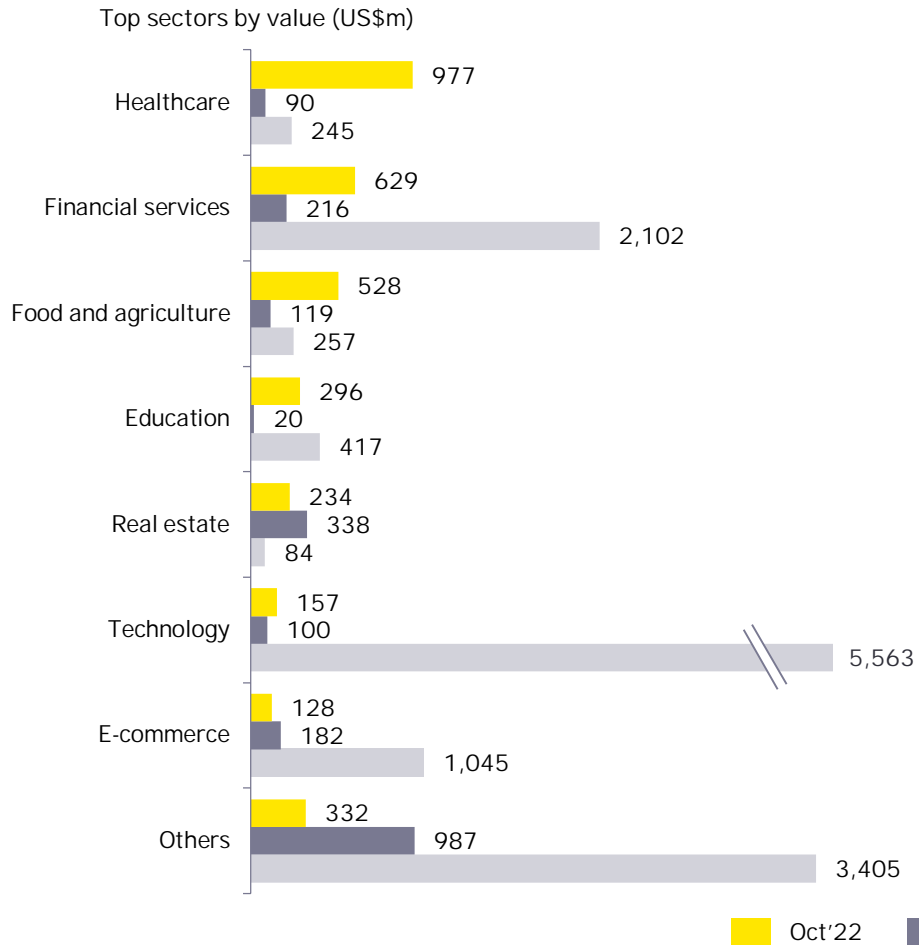
PE/VC monthly headline trends: investments



PE/VC monthly headline trends: investments

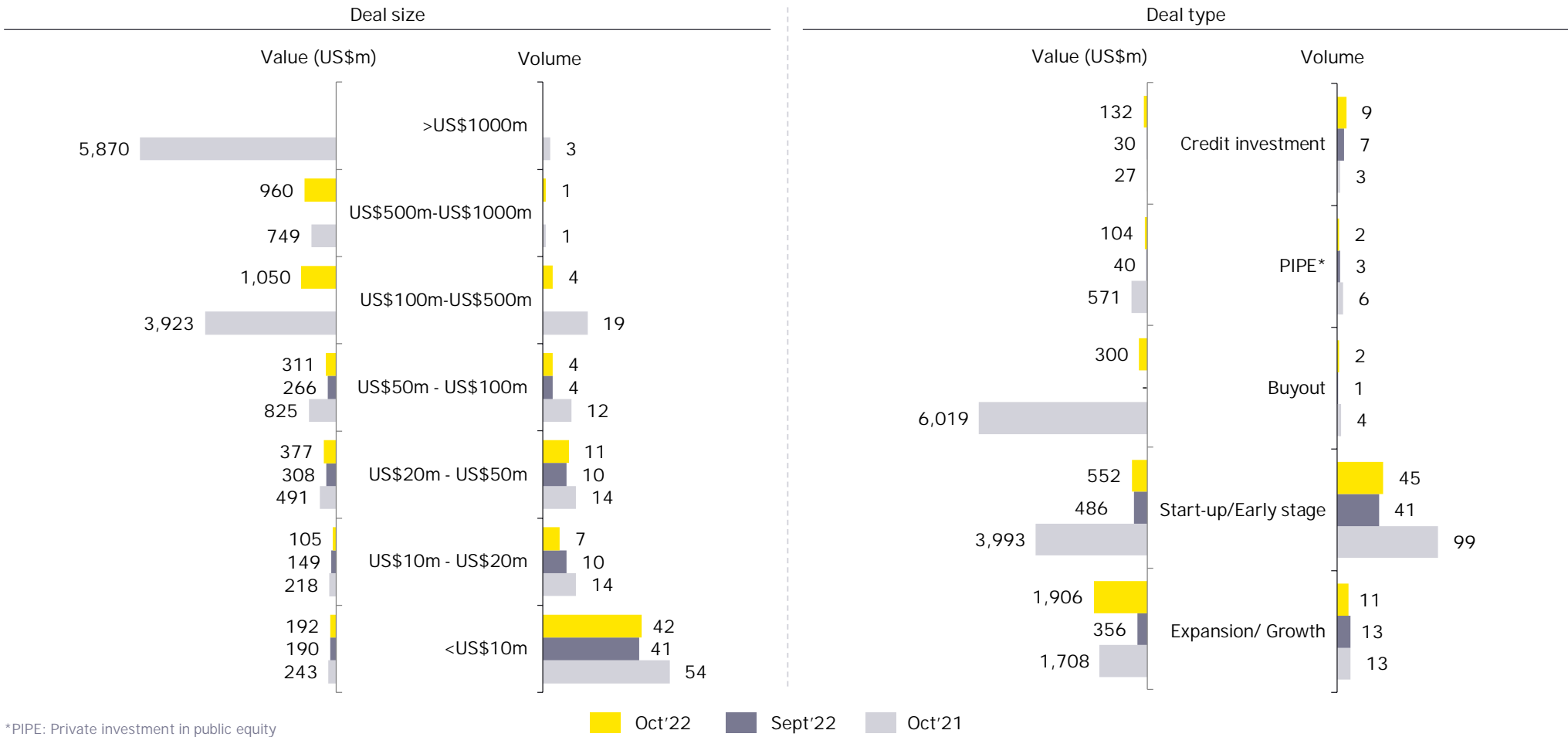


PE/VC investments: split by sector



■ Oct'22
 ■ Sept'22
 ■ Oct'21

PE/VC investments: split by deal type and deal size



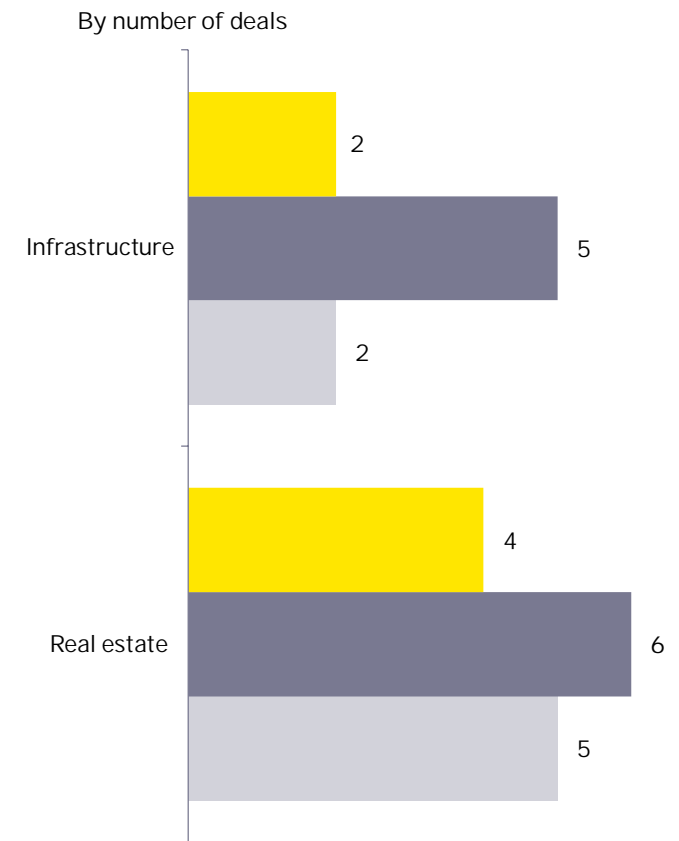
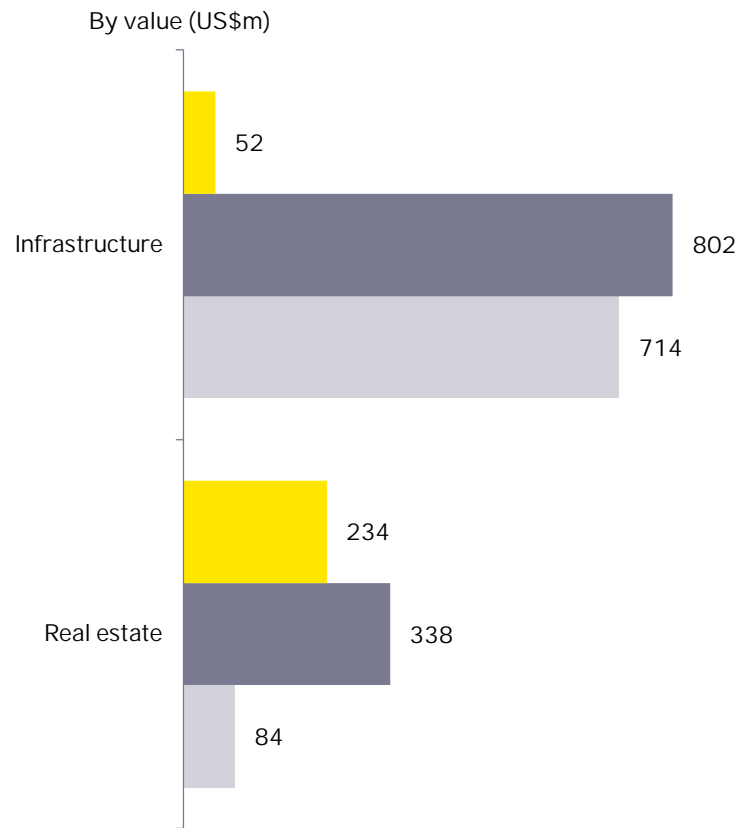
*PIPE: Private investment in public equity

Top PE/VC investments

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

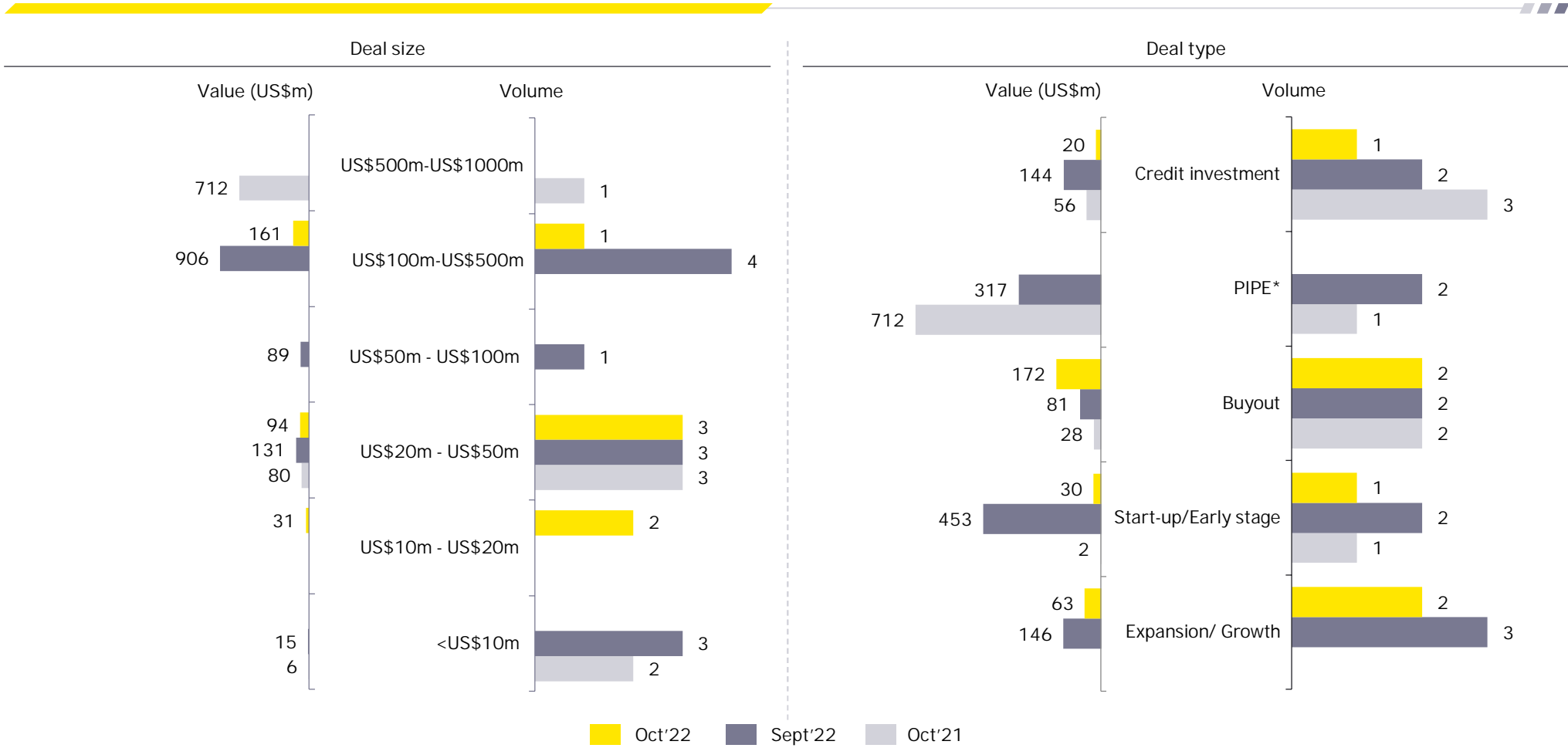
Company	PE investors	Sector	Stage	US\$m	Stake (%)
CitiusTech IT Solutions Private Limited	Bain Capital	Healthcare	Growth capital	~960	40
Advanta Enterprises Private Limited	KKR	Food and agriculture	Growth capital	300	13
Vistaar Financial Services Private Limited	Warburg Pincus	Financial services	Buyout	300	NA
Think and Learn Private Limited (BYJU's)	Qatar Investment Authority (QIA) and other existing investors	Education	Startup	250	11
UPL SAS-India Agtech Platform	ADIA, Brookfield, TPG	Food and agriculture	Startup	200	9

PE/VC investments in infrastructure and real estate sectors



Oct'22 Sept'22 Oct'21

PE/VC investments in infrastructure and real estate sectors



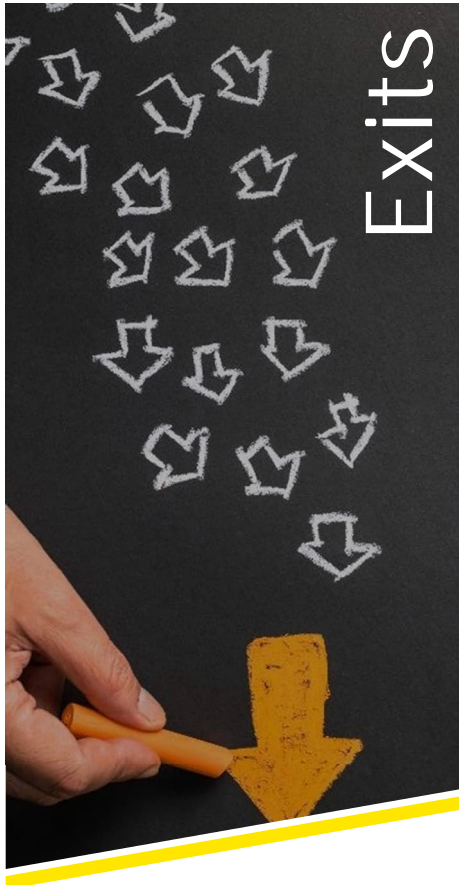
*PIPE: Private investment in public equity

Top *infrastructure and real estate* investments

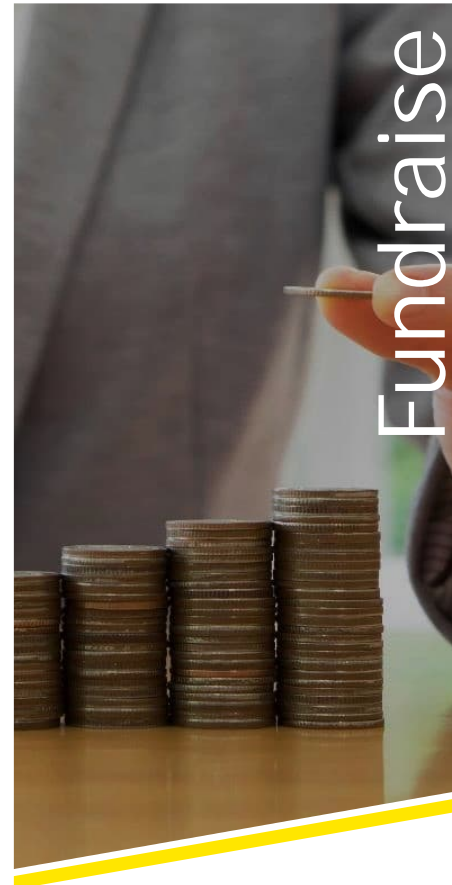
Top infrastructure and real estate investments in October 2022

Company	PE investors	Sector	Stage	US\$m	Stake (%)
Mahindra Lifespace-Actis Warehousing Space Investment Platform	Actis	Real estate	Buyout	161	60
Meerut Budaun Expressway Limited	GIC	Infrastructure	Growth capital	32	49
3 projects of Urbanrise-Alliance Group	MOPE	Real estate	Growth capital	32	NA
Smartworld Developers Private Limited	MO Alternate Investment Advisors	Real estate	startup	30	NA
ORB Energy Private Limited	US International Development Finance Corporation (DFC)	Power and utilities	Credit investment	20	NA

Key trends

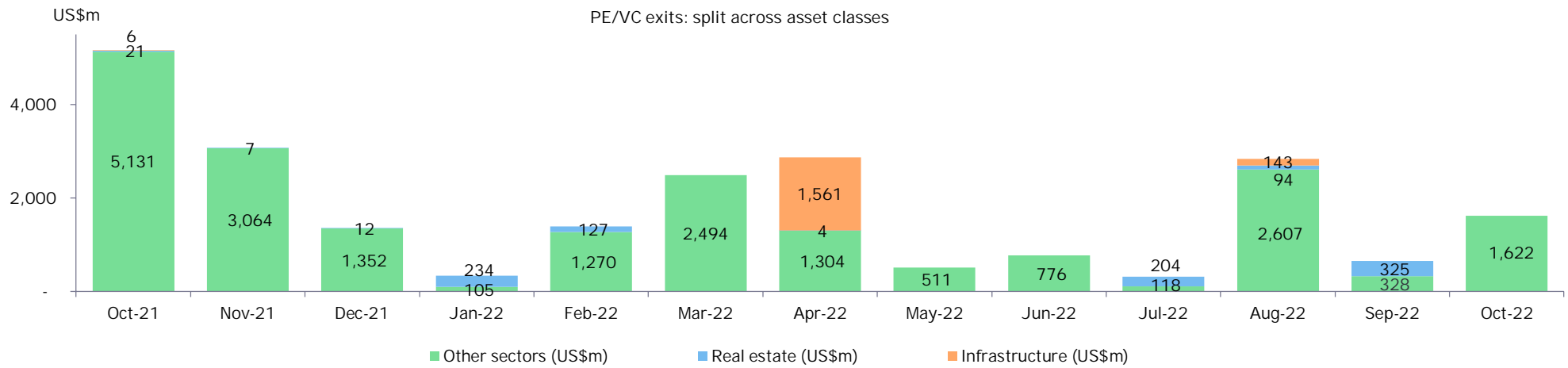
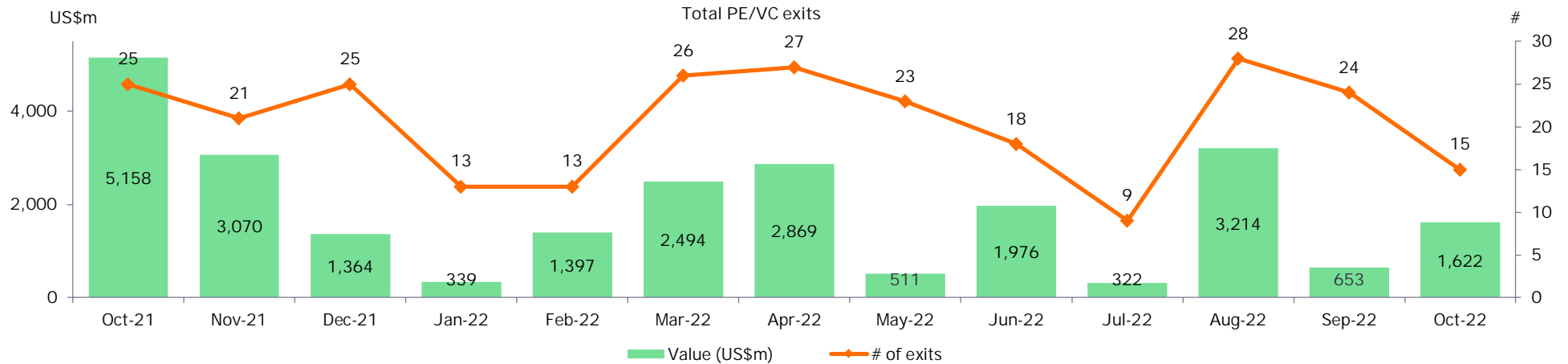


- ▶ October 2022 recorded 15 exits worth US\$1.6 billion compared to US\$5.2 billion recorded in October 2021 across 25 deals and US\$653 million recorded across 24 deals in September 2022. October 2021 had recorded two large secondary exits worth ~US\$5 billion – the US\$3 billion Hexaware deal between Carlyle and Baring PE Asia, and the US\$1.9 billion VFS Global deal between EQT and Blackstone.
- ▶ Exits via secondary sale were the highest in October 2022, with four exits worth US\$1.4 billion, propped up by the large secondary deal which saw Bain Capital purchase 40% stake in CitiusTech for US\$960 million from BPEA EQT which was also the largest exit in this month and the fourth largest this year.



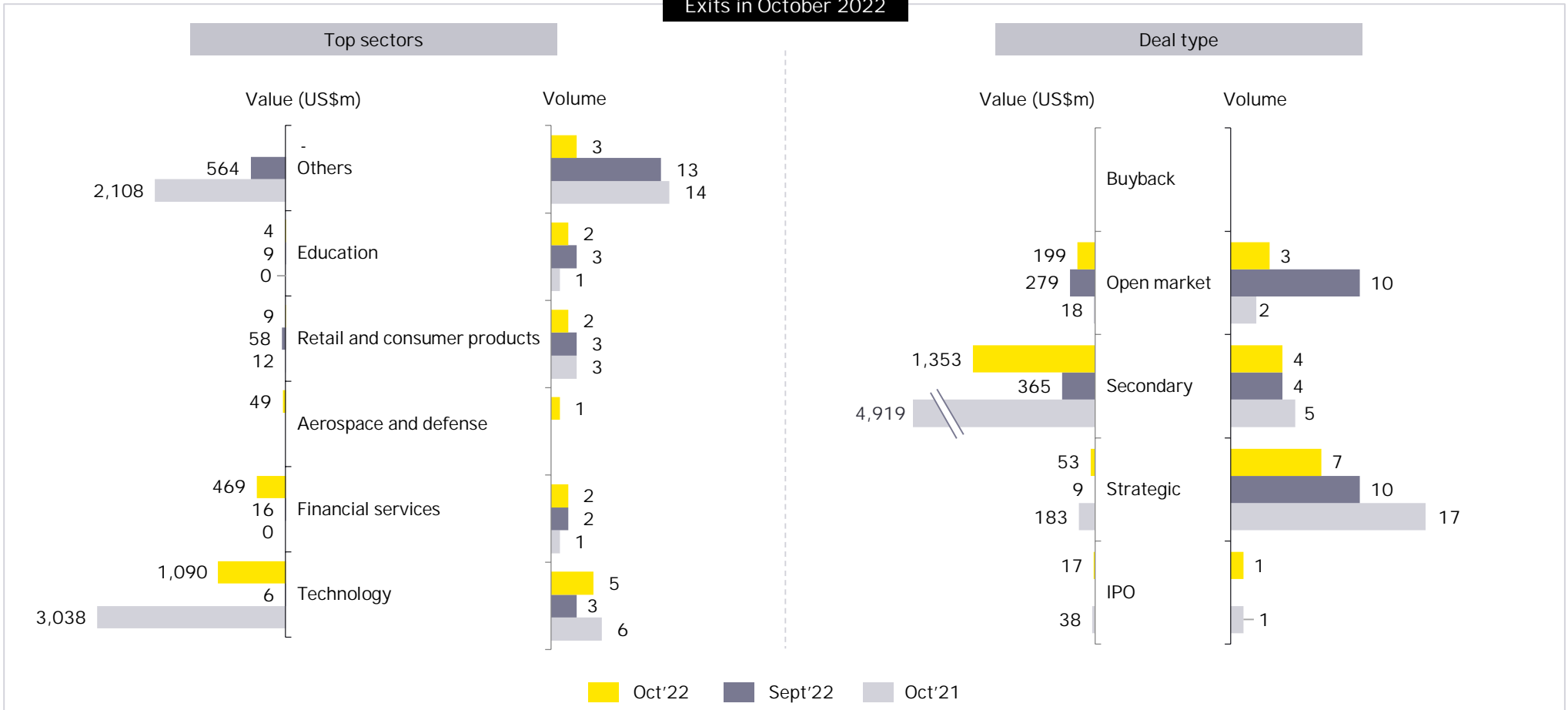
- ▶ October 2022 recorded total fundraises of US\$2.2 billion, compared to US\$70 million raised in October 2021. The largest fundraiser was by Motilal Oswal, which raised its fourth fund of US\$549 million, all raised from domestic high net worth individuals (HNIs) and family offices.

PE/VC monthly headline trends: exits



Exits: US\$1,622 million across 15 deals in October 2022

Exits in October 2022

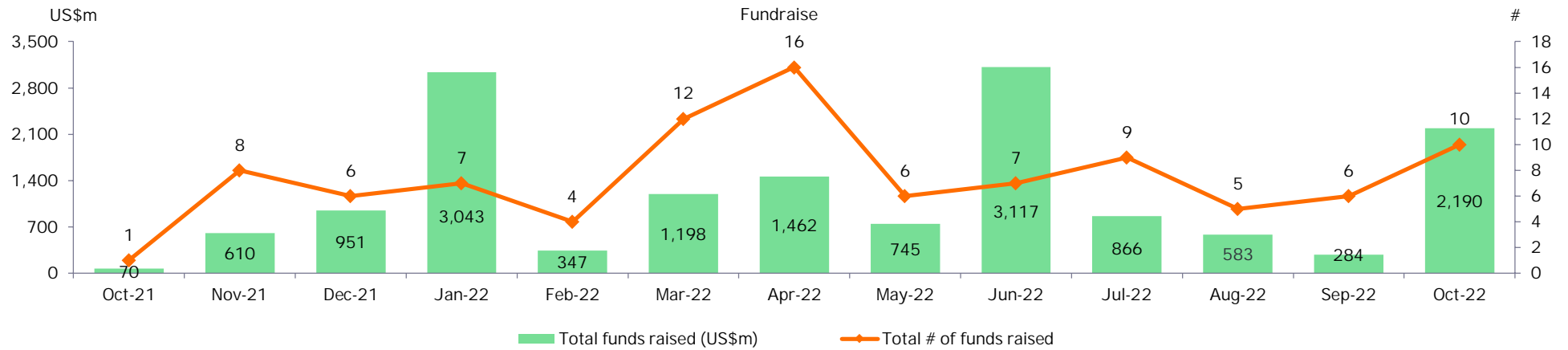


Top exits

Top exits in October 2022

Company	Sector	Sellers	Buyer	Exit type	US\$m	Stake (%)
CitiusTech IT Solutions Private Limited	Technology	Baring PE Asia EQT	Bain Capital	Secondary	~960	40
Vistaar Financial Services Private Limited	Financial services	Saama Capital, Elevar Advisors, Omidyar Network, and Westbridge	Warburg Pincus	Secondary	300	0
IndusInd Bank Limited	Financial services	Route One Investment Company	Goldman Sachs (Principal Investments)	Open market	169	2
Accion Labs India Private Limited	Technology	TA Associates	True North	Secondary	93	NA

PE/VC monthly headline trends: fundraise



Fundraise

Top fundraise in October 2022

Status	Fund	PE/VC GP	US\$m	Strategy
Raised	India Business Excellence Fund IV	Motilal Oswal	549	Sector agnostic
Raised	Edelweiss Alternatives Special Situation Fund III	Edelweiss	425	Asset heavy companies with turnaround potential
Raised	Jashvik Capital Fund I	Jashvik Capital	350	Growth businesses in large addressable markets in healthcare/pharma and consumer sectors
Raised	Fireside Ventures Fund 3	Fireside Ventures	225	Focused on direct-to-consumer (D2C) brands

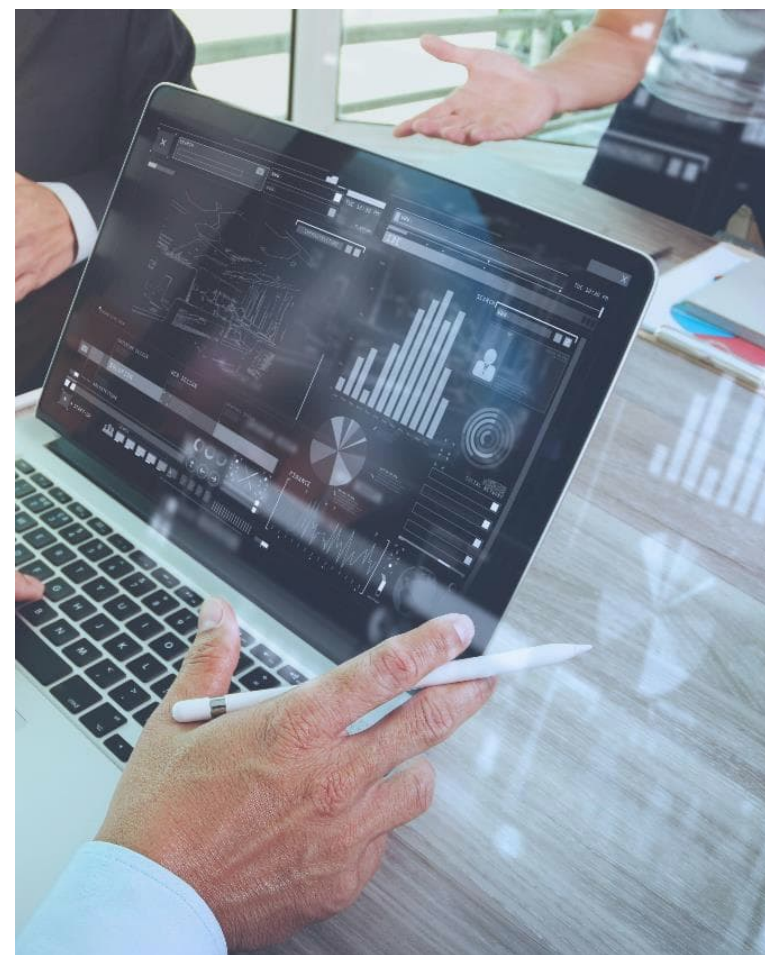
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Spotlight: PE/VC credit
investment deal trends



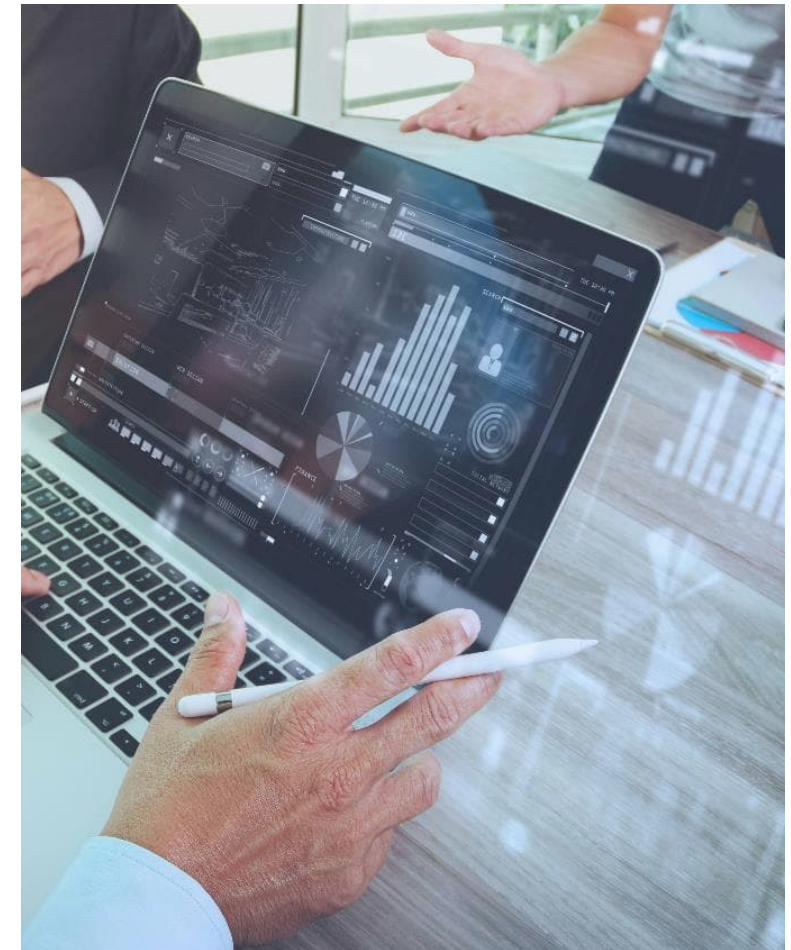
Spotlight: PE/VC credit investment deal trends

- ▶ Globally, investors are diversifying their portfolios and seeking better returns by increasing capital allocations from traditional asset classes toward alternative asset classes. Private credit now accounts for about 12% of global private capital assets under management.
- ▶ 2022 has emerged as the best year for PE/VC credit investments in India, recording US\$3.2 billion. Credit investments in 2022 till date are ~5% higher than the previous high recorded in 2019.
- ▶ Four sectors – financial services, real estate, infrastructure and e-commerce, have accounted for almost 80% of all credit investments between 2017 and 2022 (Jan-Oct).
- ▶ Amid rising interest rates and valuations continuing to remain high, credit has emerged as a good opportunity for PE/VC investors to capture value with many companies looking to raise bridge funding as an alternative to raising equity at less-than-optimal valuation levels.
- ▶ IFC, Piramal, and KKR were among the largest credit investors from 2017 to 2022, investing over US\$1 billion each. In addition, Varde Partners, Apollo, Ares SSG and Bain Capital Credit are also emerging as major players in the Indian credit markets.
- ▶ In terms of number of deals, Trifecta, Blacksoil, IFC, Alteria and Innoven were the top players in the credit market.
- ▶ Apollo's US\$750 million investment in Mumbai Airport and Fidelity, Citadel Capital Management and Varde Partners' US\$660 million investment in OYO were among the largest credit deals from 2017 to 2022.
- ▶ India offers a large structural opportunity for private credit investors. Post a spate of bad loans, traditional lenders have become risk averse while NBFCs are recovering from a liquidity crisis that engulfed them in 2018. This has left a void for private credit providers to capture.



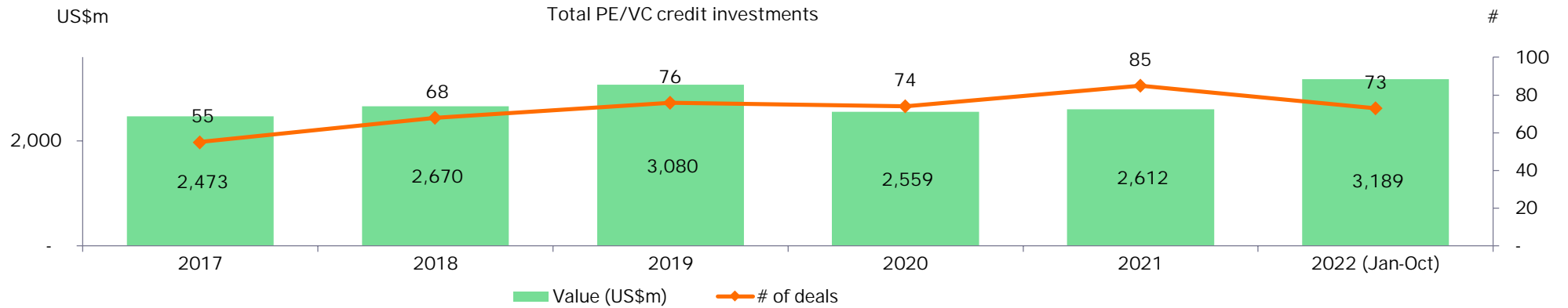
Spotlight: PE/VC credit investment deal trends

- ▶ Credit enforcement, bolstered by the introduction of the creditor-friendly “Insolvency and Bankruptcy Code, 2016” supported by dedicated tribunals, has provided private credit with a great start in India. A series of economic and administrative reforms working towards a more business-friendly environment, coupled with the push for growth, provide the ideal platform for private credit to grow to potential.
- ▶ Stressed asset investment opportunities (emanating from the existing stock of unresolved NPAs and fresh credit defaults) and special situation opportunities could be worth around US\$25 billion over the next five years, according to an EY report¹.
- ▶ As a result, India is witnessing growing interest from global multi-strategy PE firms in the credit and special situation spaces. With the Indian PE/VC market maturing, we could see bigger plays in the Indian credit market by global funds.

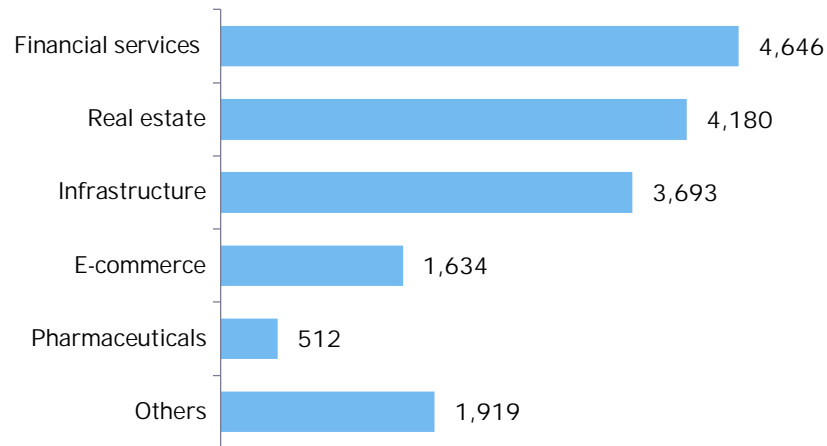


¹ How private credit is evolving in India

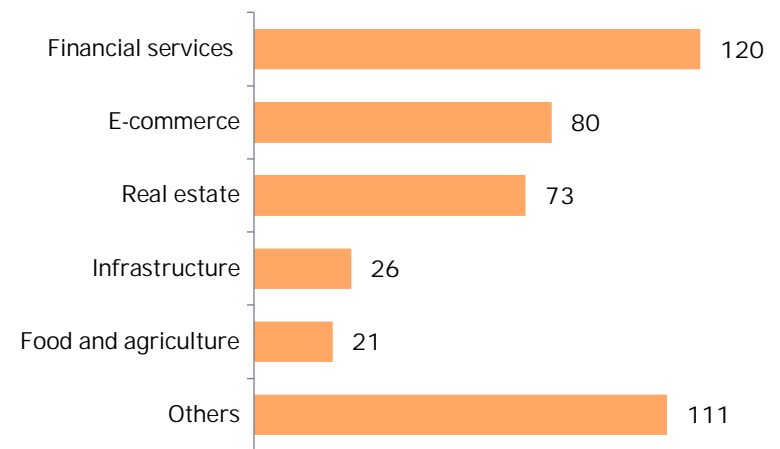
Spotlight: PE/VC credit investment deal trends



Top sectors by value - 2017-2022(Jan-Oct) (US\$m)

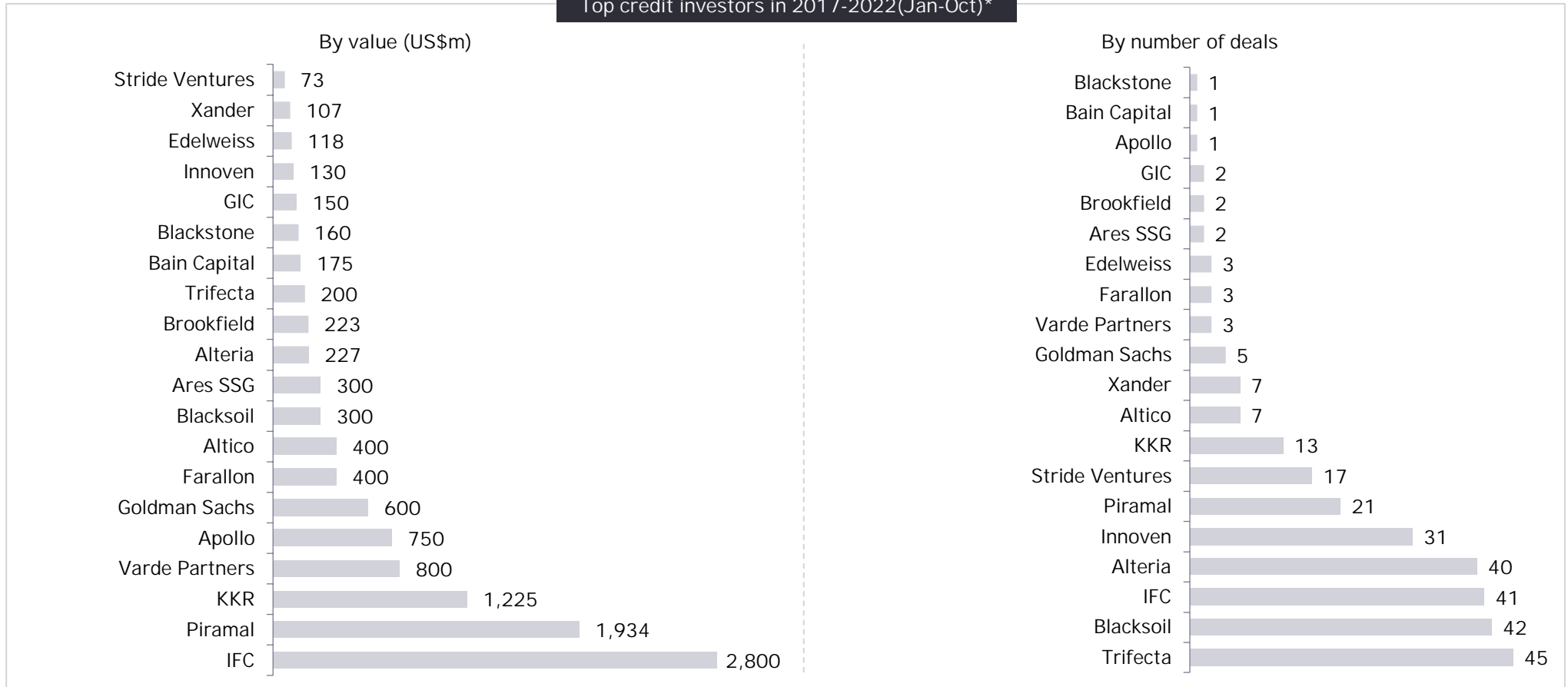


Top sectors by No. of deals - 2017-2022(Jan-Oct) (#)



Spotlight: PE/VC credit investment deal trends

Top credit investors in 2017-2022(Jan-Oct)*



*Based on publicly available information

Spotlight: PE/VC credit investment deal trends

Top PE/VC credit investments in 2017-2022(Jan-Oct)

Company	PE investors	Sector	Year	US\$m	Stake (%)
Mumbai Airport (MIAL)	Apollo Global	Infrastructure	May-22	750	NA
OYO Hotels and Homes Private Limited (OYO)	Fidelity, Citadel Capital Management and Varde Partners	E-commerce	Jul-21	660	NA
RattanIndia Power Limited	Goldman Sachs, Varde Partners	Infrastructure	Jan-20	566	NA
First Solar, TN Plant	US International Development Finance Corporation (DFC)	Infrastructure	Dec-21	500	NA
ECL Finance Limited	Farallon Capital and SSG Capital	Financial services	Jul-20	400	NA
ReNew Power	OPIC	Infrastructure	Feb-19	350	NA
Cholamandalam Investment and Finance Co. Limited	IFC	Financial services	May-22	350	NA
Piramal Enterprises Limited	Farallon Capital	Pharmaceuticals	Jul-20	346	NA
Max Group	KKR	Financial services	Jan-18	315	NA
Mytrah Energy India Private Limited	Piramal, APG	Infrastructure	Sep-17	300	NA

A close-up photograph of two business professionals shaking hands. The person on the left is wearing a dark blue suit jacket, a white shirt, and a silver watch. The person on the right is wearing a red suit jacket and a purple and white striped shirt. The background is blurred, showing other people in a meeting setting. In the bottom left corner, there is a glass and two white coffee cups.

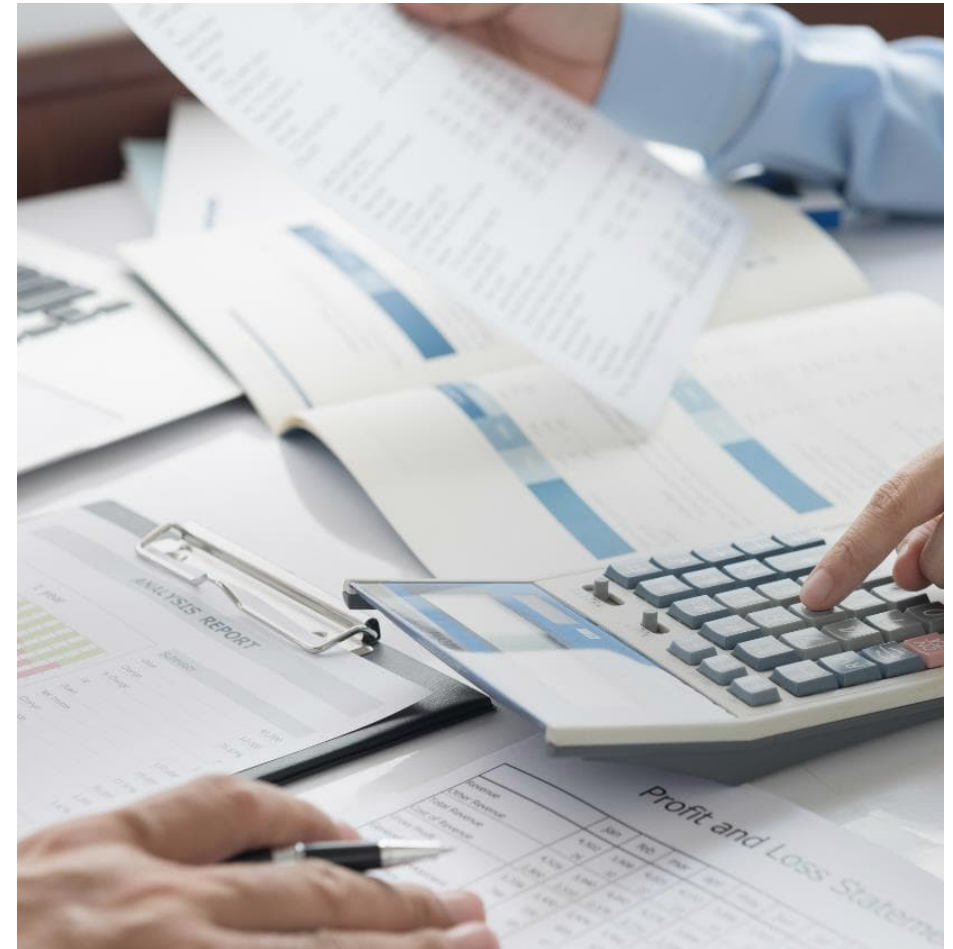
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**EY Private Equity
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About EY's Private Equity Services Practice

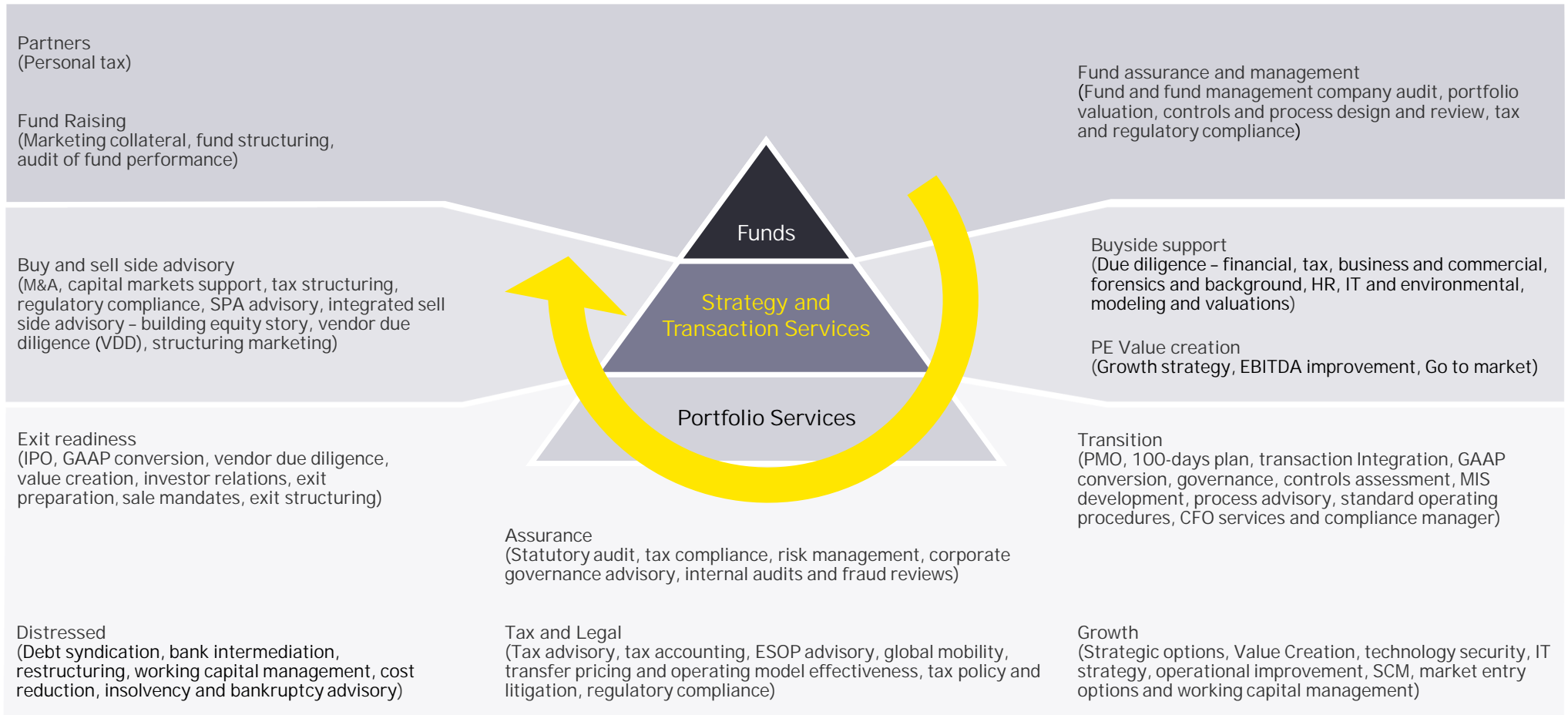
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Contacts

Private Equity Services

Vivek Soni
Partner and National Leader
E: Vivek.Soni@in.ey.com

Varun Kaila
Director
E: Varun.Kaila@in.ey.com

Narendra Rohira
Partner, Transaction Tax
E: Narendra.Rohira@in.ey.com

Nachiket Deo
Partner, Transaction Tax
E: Nachiket.Deo@in.ey.com

Subramaniam Krishnan
Partner, Tax & Regulatory Services
E: Subramaniam.Krishnan@in.ey.com

Tejas Desai
Partner, Tax & Regulatory Services
E: Tejas.Desai@in.ey.com

Strategy and Transactions (SaT)

Amit Khandelwal
Managing Partner
SaT
E: Amit.Khandelwal@in.ey.com

Ajay Arora
Partner and National Leader
Investment Banking Advisory
E: Ajay.Arora@in.ey.com

Kuldeep Tikkha
Partner and National Leader
Transaction Diligence
E: Kuldeep.Tikkha@in.ey.com

Research and Insights

Allwyn D'Souza
Senior Manager
E: Allwyn.Dsouza@in.ey.com

Brand, Marketing and Communications

Pooja Bhalla Mathur
Vice President
E: Pooja.Mathur@in.ey.com

Arif Jamaal
Manager
E: Arif.Jamaal@in.ey.com





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About IVCA

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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.

Contacts

Rajat Tandon
President, IVCA
E: Rajat.Tandon@ivca.in

Aakriti Bamniyal
Vice President, IVCA
E: aakriti@ivca.in

