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investments?

EY can mobilize a world-class team to
navigate complex challenges on a
global basis

**The IVCA-EY monthly PE/VC roundup -
February 2020**



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



Our thoughts

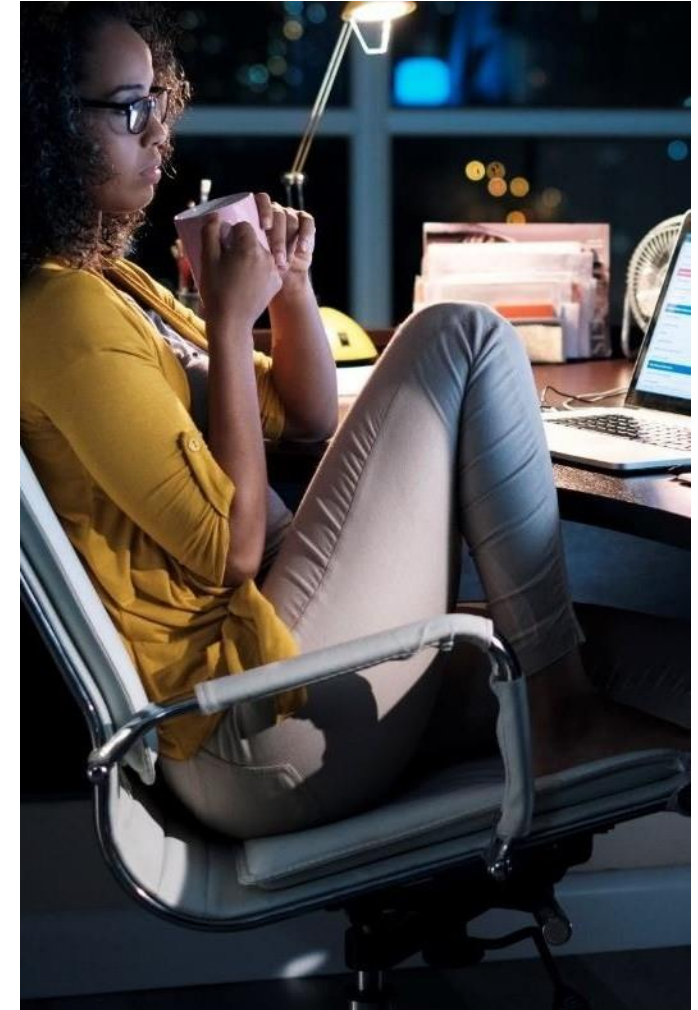
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After a good start to PE/VC investments in 2020, both investment and exit activity have declined considerably in February 2020. The decline in value of PE/VC investments is primarily on account of the number of large deals (>US\$100m) going down substantially. Over 70% of overall Indian PE/VC investments in the past three years are accounted for by >US\$100m deals, which are primarily funded by foreign capital managed by global / regional GP's and sovereign wealth funds / pension funds.

As we had highlighted in our prior publications, uncertainty over the impact of COVID-19 is expected to act as a significant headwind to Indian PE/VC investments. The rapid global spread of the pandemic over the past 30-45 days has spiked business risk premiums, which has already led to significant downward correction in capital markets around the world, bringing high volatility to the home markets of global/regional GP's and sovereign wealth funds / pension funds that have been making >US\$100m investments in India. Further, travel restrictions and inability of people to meet face-to-face is expected to delay work-in-progress deals and limit the number of new deals from being struck.

We believe the above, coupled with domestic issues concerning taxation policies impacting InvIT's and REITS and lingering issues over the financial health of some of our domestic banks and NBFCs, will act as sentiment dampeners, potentially slowing down large ticket PE/VC investments in the short term. In the medium term, as valuations moderate, we expect this dislocation to open up good opportunities for PE/VC investors.

GP: general partner, InvIT: Infrastructure Investment Trust, REIT: Real Estate Investment Trust, NBFC: Non-Banking Finance Company



How do you see the opportunity in your obstacles?

To reach operational excellence, private equity firms need the right insights to learn as they go – discovering new ways to overcome obstacles and seize opportunities.

Monthly trend analysis - February 2020



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Building a better
working world

Key trends: monthly

Investments

- ▶ PE/VC investments in February 2020 recorded a 24-month low of US\$1.7 billion. These were 39% lower than US\$2.8 billion recorded in February 2019 and 32% lower compared to January 2020 (US\$2.5 billion). The decline in value was mainly on account of fewer large deals (value greater than US\$100 million). In terms of volume, number of deals in February 2020 were 21% higher than February 2019.
- ▶ There were five large deals worth US\$700 million in February 2020 compared to nine deals worth US\$2.0 billion last year and five deals worth US\$1.4 billion in January 2020. This is the lowest aggregate value of large deals in over 19 months. The largest deal announced in February saw General Atlantic invest US\$200 million in BYJU'S, an edtech company, followed by Warburg Pincus' investment of US\$150 million in Apollo Tyres Limited.
- ▶ In terms of deal type, in February 2020, growth capital deals were the highest in value with US\$677 million recorded across 15 deals, recording 55% y-o-y decline (US\$1.5 billion in February 2019) followed by start-up investments worth US\$562 million across 44 deals, 3.6x higher y-o-y (US\$154 million in February 2019) and PIPE investments worth US\$260 million, 40% y-o-y decline (US\$431 million in February 2019). Buyouts recorded investments worth US\$209 million across three deals compared to US\$187 million across two deals in February 2019.
- ▶ From a sector point of view, education sector (US\$311 million across five deals) has emerged as the top sector for the first time due to the large investment in BYJU'S, followed by technology (US\$271 million across 18 deals) and real estate (US\$232 million across three deals). Financial services, that has traditionally been one of the top sectors, was relegated to the fifth place with US\$162 million invested across nine deals.

Key trends: monthly

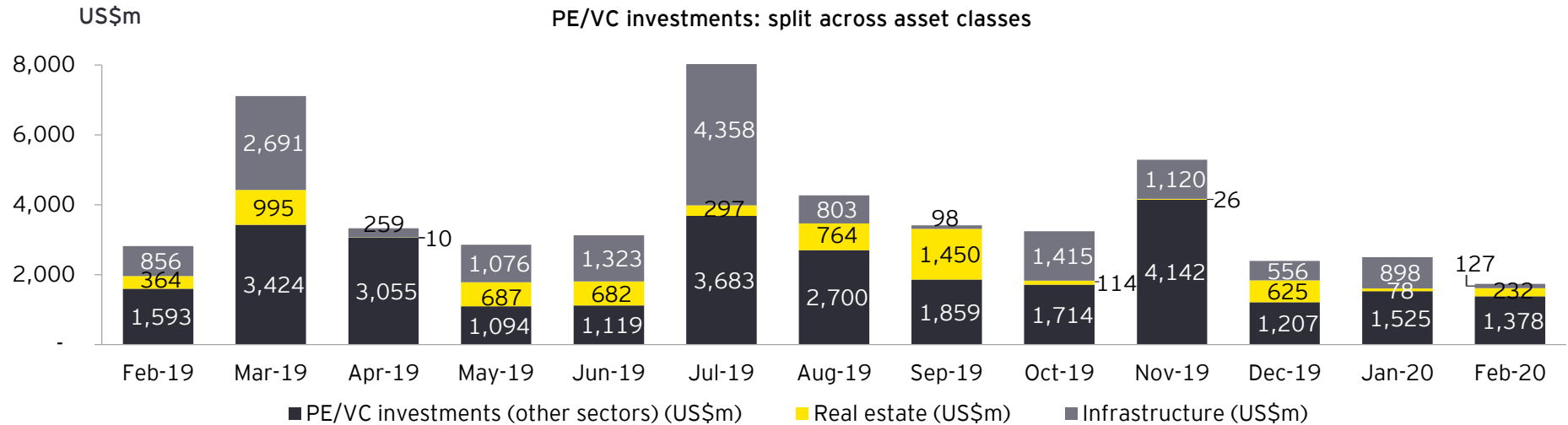
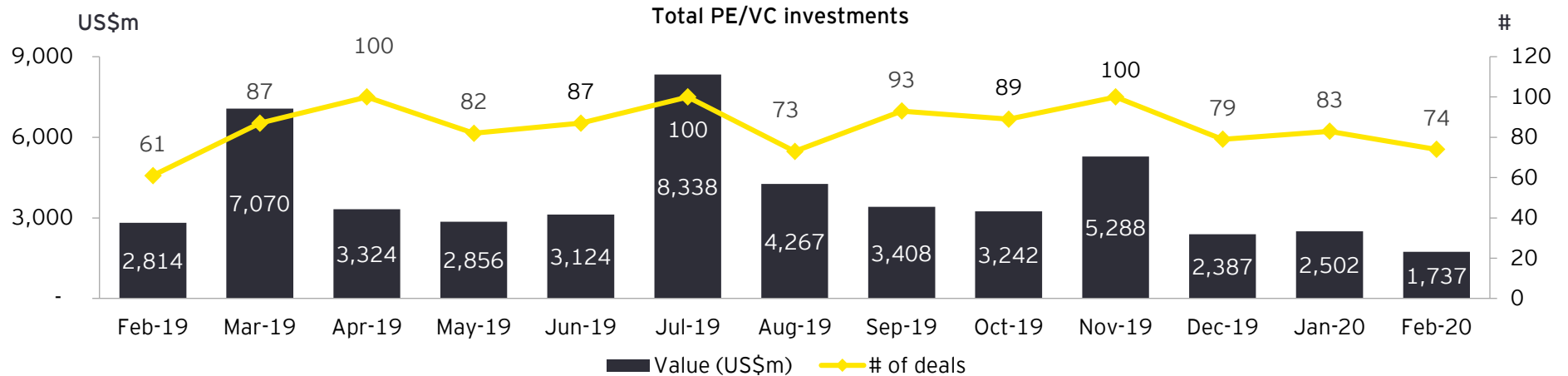
Exits

- ▶ February 2020 recorded 15 exits worth US\$321 million, 32% lower than the value of exits recorded in February 2019 (US\$472 million) and 30% lower than January 2020 (US\$461 million).
- ▶ The largest exit in February 2020 saw Baring India Private Equity sell its 4.9% stake in Manappuram Finance Limited for US\$101 million.
- ▶ In February 2020, open market exits were highest at US\$266 million across seven deals, accounting for 83% of total exits by value.
- ▶ Financial services sector (US\$305 million across six deals) was the top sector in February 2020, accounting for 95% of all exits by value.

Fund raise

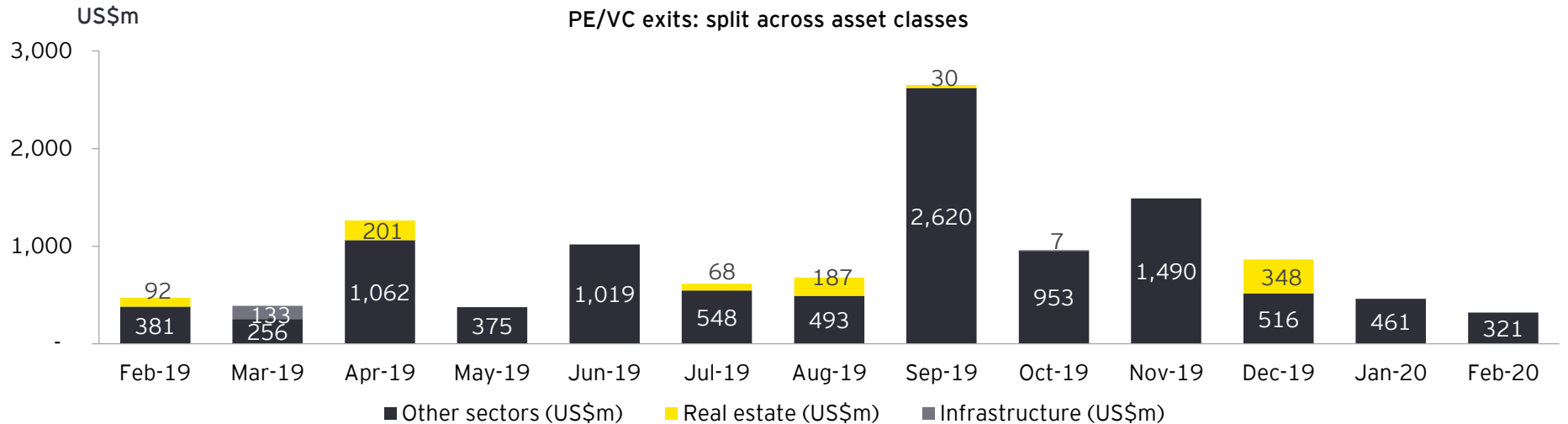
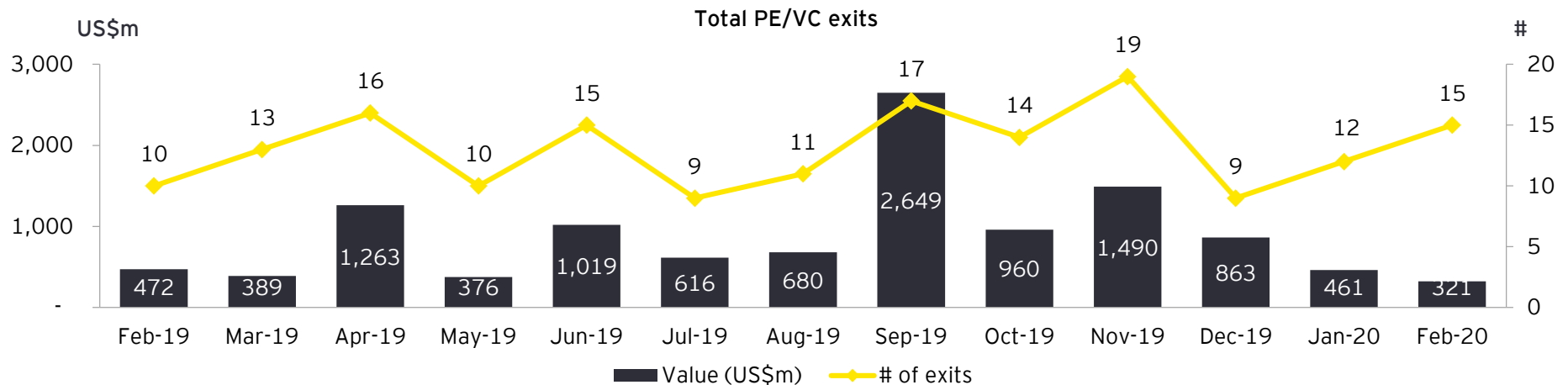
- ▶ February 2020 recorded total fund raises of US\$603 million compared to US\$285 million raised in February 2019. The largest fund raise during the month saw Caisse de dépôt et placement du Québec (CDPQ) and Piramal Asset Management setup a US\$300 million platform for credit financing. The month also saw fund raise plans worth US\$51 million being announced compared to US\$779 million last year.

PE/VC monthly headline trends: investments



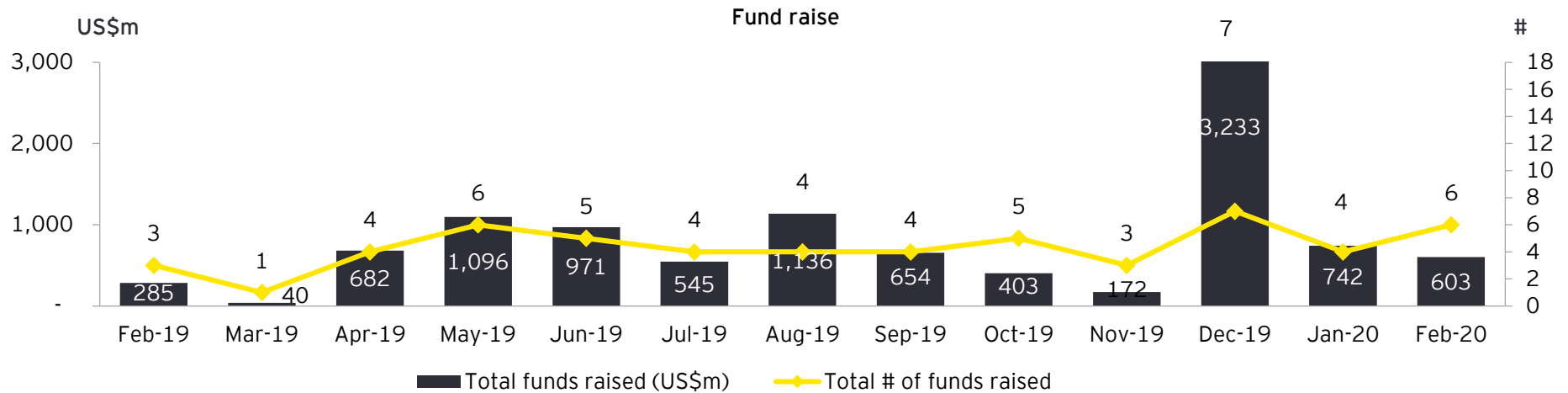
Note: Real estate includes deals across real estate (residential and commercial), hospitality and construction
 Infrastructure includes deals across roads, ports, railways, power and utilities, renewables and telecom infrastructure

PE/VC monthly headline trends: exits



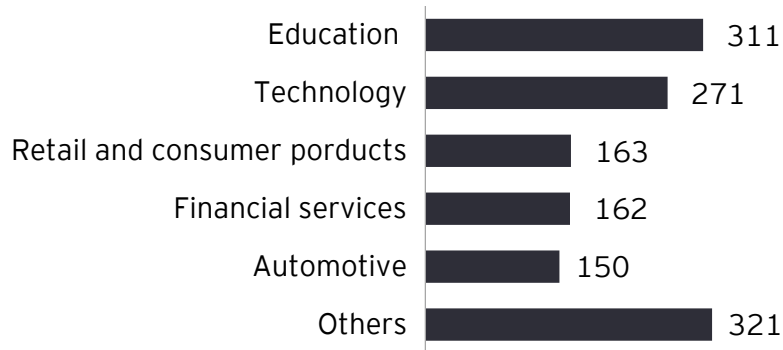
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PE/VC monthly headline trends: fund raise

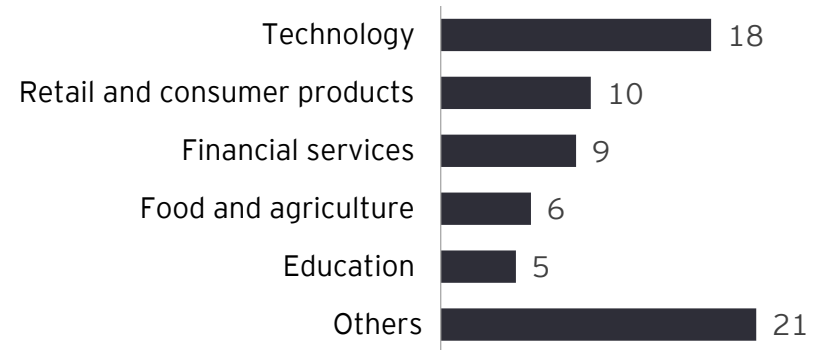


PE/VC investments: US\$1,378 million over 69 deals (excluding infrastructure and real estate investments)

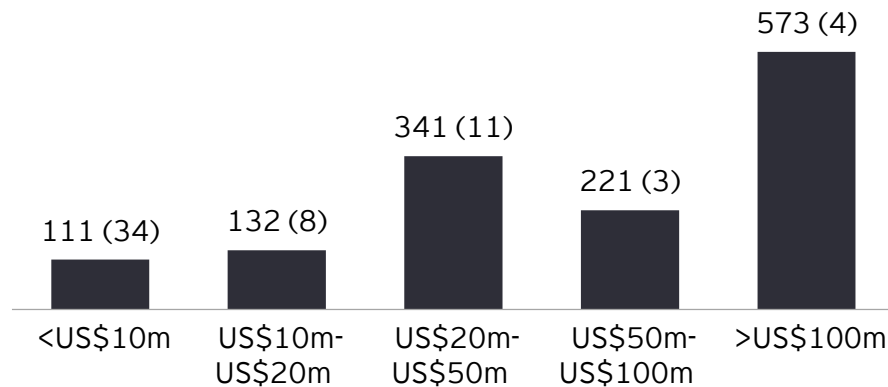
Top sectors by value US\$m



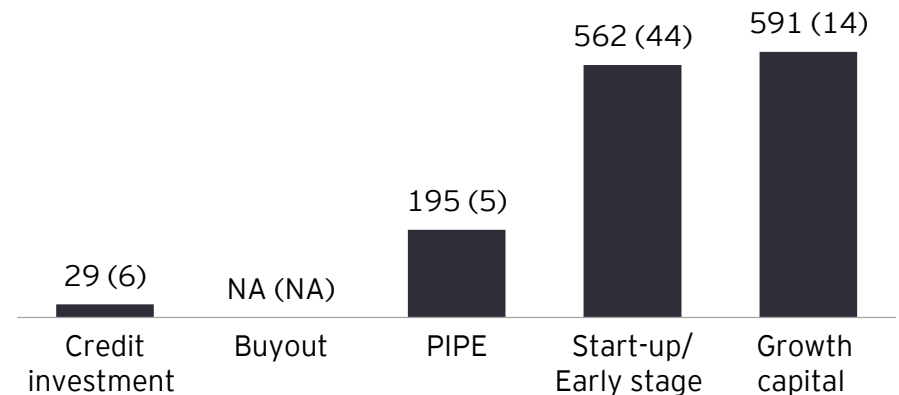
Top sectors by volume



Deal value US\$m (volume)

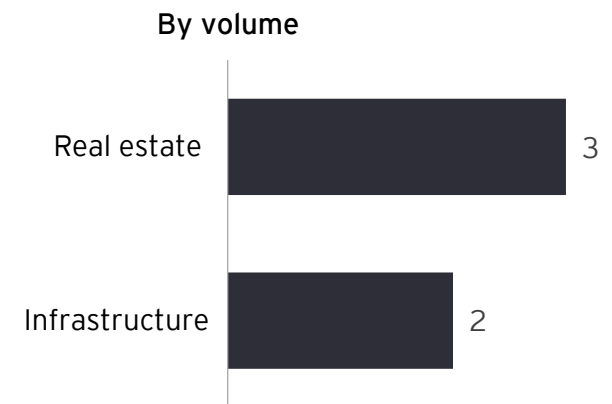
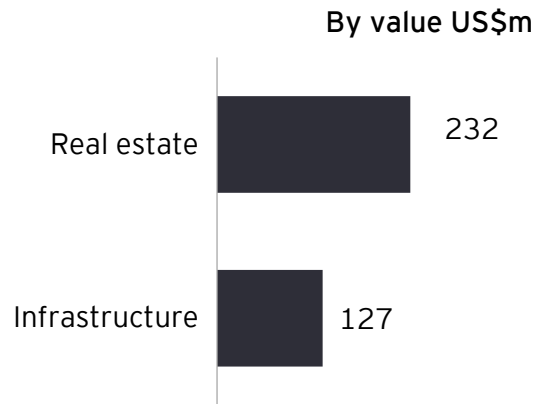


Deal type US\$m (volume)

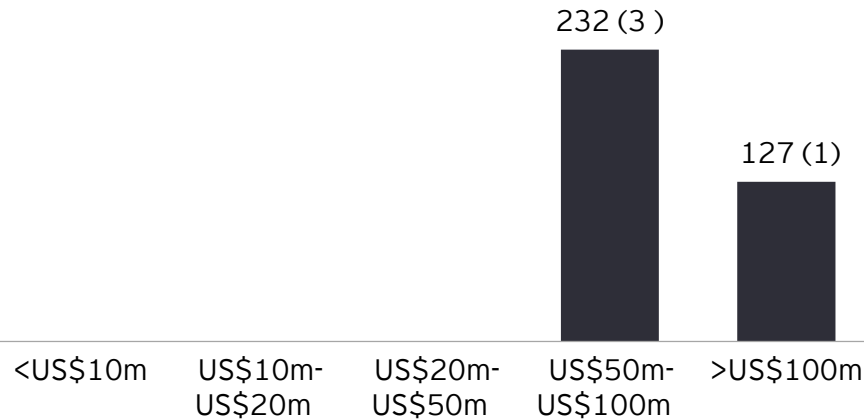


Note: Deal value was not disclosed on 9 out of 69 deals in February 2020
 PIPE: private investment in public equity

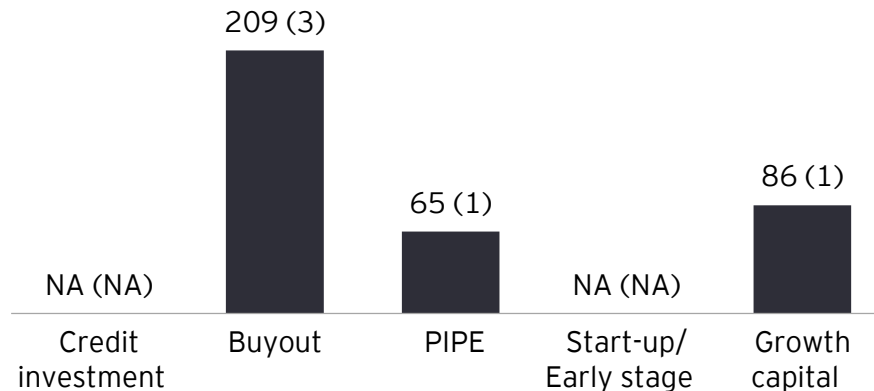
Infrastructure and real estate investments: US\$359 million over five deals



Deal value US\$m (volume)



Deal type US\$m (volume)



PIPE: private investment in public equity

Note: Real estate includes deals across real estate (residential and commercial), hospitality and construction

Infrastructure includes deals across roads, ports, railways, power and utilities, renewables and telecom infrastructure

Top PE/VC investments

Top PE/VC investments excluding infrastructure and real estate in February 2020

Company/project	PE investors	Sector	Stage	US\$m	Stake (%)
Think and Learn Private Limited (BYJU'S)	General Atlantic	Education	Growth capital	200	NA
Apollo Tyres Limited	Warburg Pincus	Automotive	PIPE	150	NA
Bundl Technologies Private Limited (Swiggy)	Naspers Ventures, Wellington Management and others	Retail and consumer products	Early stage	113	NA
Sorting Hat Technologies Private Limited	Blume Ventures, Nexus Ventures, Sequoia Capital, General Atlantic and others	Education	Early stage	110	NA
LAVA International Limited	GEM Global Yield Fund	Telecommunications	Growth capital	90	NA

Top infrastructure and real estate investments

Top infrastructure and real estate investments in February 2020

Company/project	PE investors	Sector	Stage	US\$m	Stake (%)
Acme Cleantech, 660MW solar assets	Actis	Infrastructure	Buyout	127	100
Vatika Limited	Goldman Sachs	Real estate	Growth capital	86	NA
Golden Jubilee Hotels Private Limited	Blackstone	Real estate	Buyout	82	100
Prestige Estates Projects Limited	GIC	Real estate	PIPE	65	0.3

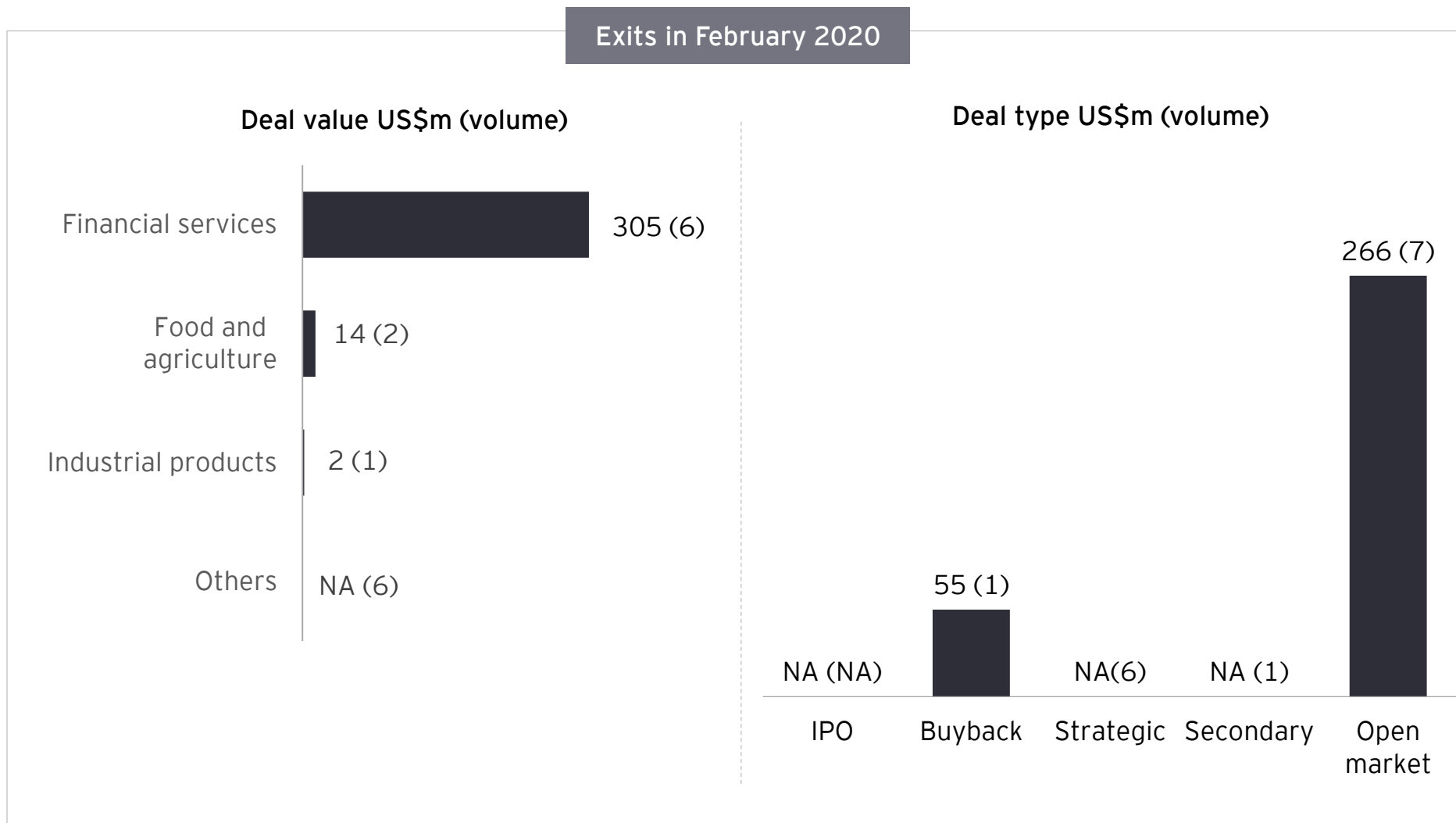
Note: Real estate includes deals across real estate (residential and commercial), hospitality and construction
 Infrastructure includes deals across roads, ports, railways, power and utilities, renewables and telecom infrastructure

Top exits

Top exits in February 2020

Company/project	Sector	Sellers	Buyer	Exit type	US\$m	Stake (%)
Manappuram Finance Limited	Financial services	Baring India PE	NA	Open market	101	5
Aavas Financiers Limited	Financial services	Kedaara Capital	NA	Open market	93	5
Hinduja Leyland Finance Limited	Financial services	Everstone	Ashok Leyland Limited	Buyback	55	NA

Exits: US\$321 million across 15 deals in February 2020



Fund raise

Top fund raises/announcements in February 2020

Status	Fund	US\$m	Strategy
Raised	CDPQ, Piramal Partner	300	Private credit financing
Raised	Blume Ventures Fund III	102	Early stage
Raised	Inflexor Ventures	100	Early stage
Announced	Iron Pillar	30	Investment in existing portfolio companies

A hand is shown pointing at a tablet screen. The screen displays a colorful financial chart with green, purple, and blue lines. The background is dark with blue and purple bokeh lights. A semi-transparent dark blue banner is overlaid on the left side of the image, containing the text 'About EY Private Equity Services'. A vertical yellow bar is positioned to the right of the text.

About EY Private Equity Services

About EY's Private Equity Services Practice

EY has been working with the private equity industry for more than 25 years, with approximately 25,000 seasoned professionals worldwide dedicated to the industry and its business issues. EY serves 74% of the top 300 PE firms included in the Global PEI 300 firms list. Private equity firms, portfolio companies and investment funds face complex challenges. They are under pressure to deploy capital amid geopolitical uncertainty, increased competition, higher valuations and rising stakeholder expectations. Successful deals depend on the ability to move faster, drive rapid and strategic growth and create greater value throughout the transaction life cycle. EY taps its global network to help source deal opportunities and combines deep sector insights with the proven, innovative strategies that have guided the world's fastest growing companies.

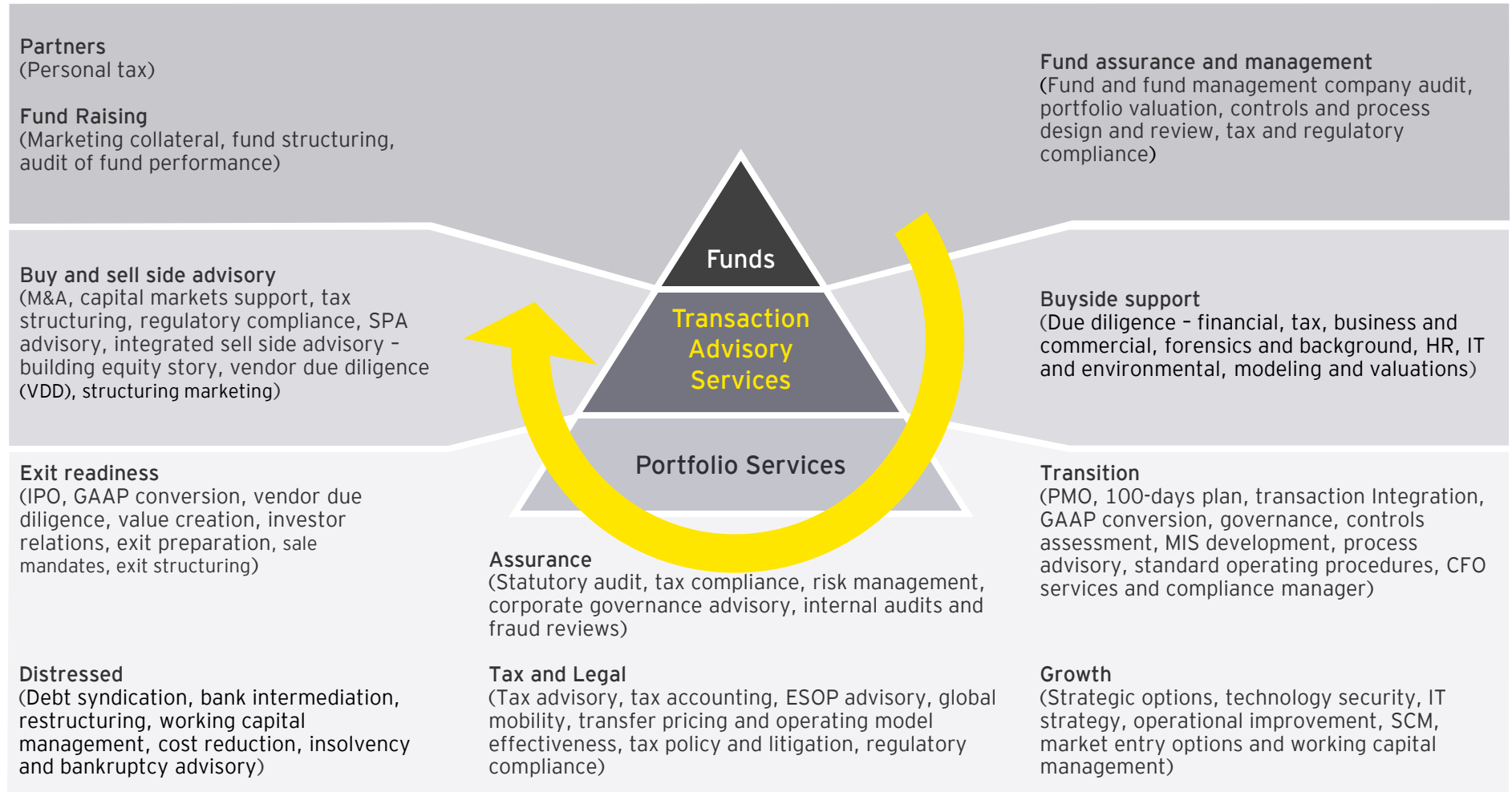
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- ▶ EY's India Private Equity Services Practice has been among the top advisors for private equity deals over the past ten years. EY has been awarded the "Most Active Transaction Advisor" award by Venture Intelligence for 2009-2013 and also the "Investment Bank of the Year, Private Equity" award by VC Circle in 2012 and 2017 and for M&A in 2018. EY was also the top PE advisor in the Venture Intelligence league table in 2018.
- ▶ 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.



EY services for Private Equity

We offer an array of services to Private Equity funds and their portfolio/investee companies through our various service lines.



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About EY

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An aerial photograph of a city skyline at sunset. The sun is low on the horizon, casting a golden glow over the buildings and the water. A multi-lane highway runs parallel to the water, with several cars visible. To the right of the highway is a baseball field with a green field and a brown infield. The sky is a mix of blue and orange. A dark grey semi-transparent box is overlaid on the left side of the image, containing the text 'About IVCA'. A vertical yellow bar is positioned on the right edge of this box.

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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