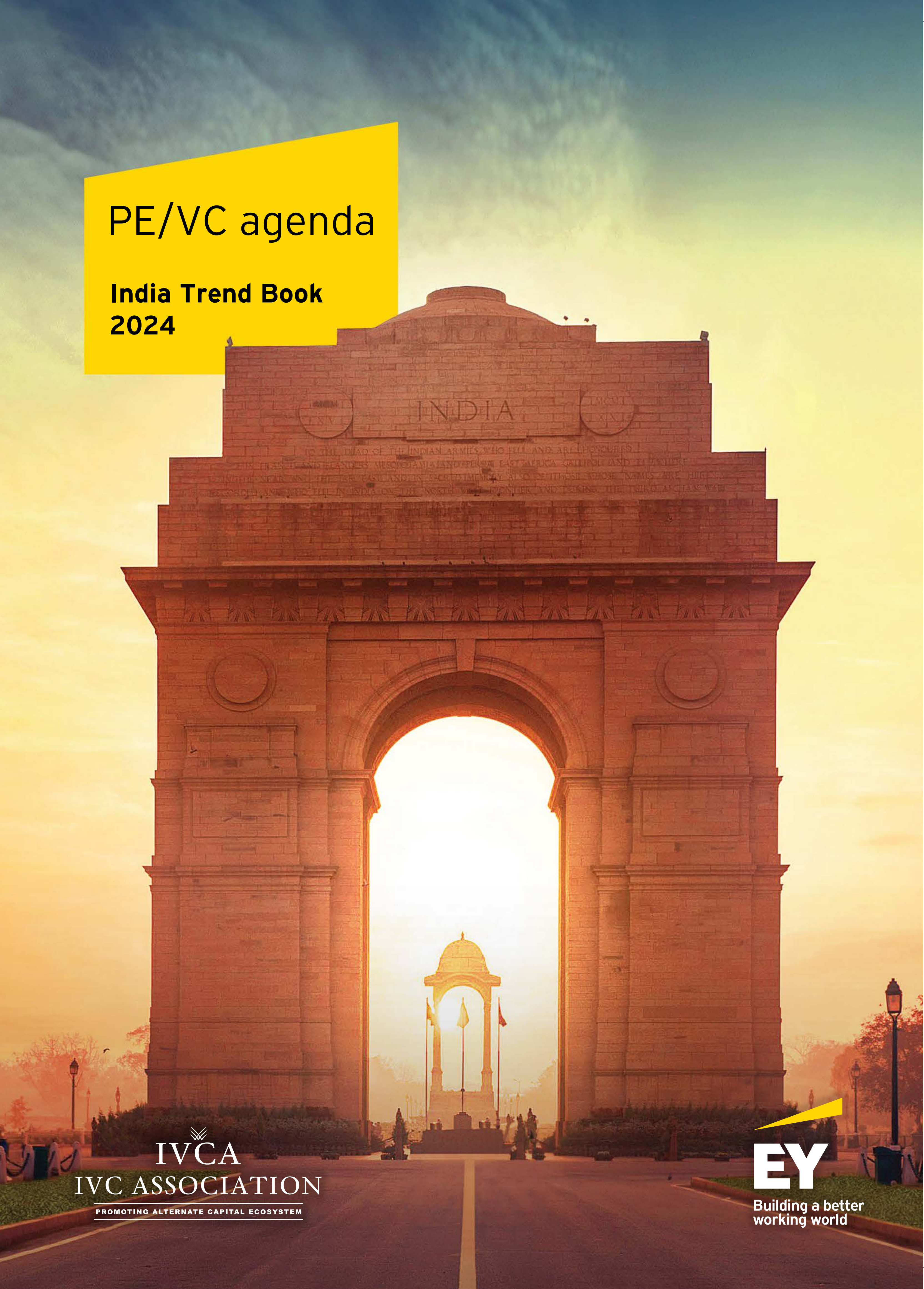
PE/VC agenda

India Trend Book 2024



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Foreword

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After a challenging 2022, the Private Equity and Venture Capital (PE/VC) landscape in 2023 continued to navigate through turbulent waters, marked by significant shifts and adaptations in investment strategies. The preceding year witnessed a stark decline in both PE/VC investments and exits, reflecting cautious investor sentiment amid global economic uncertainties and geopolitical tensions.

The decline in PE/VC investments persisted into 2023, with investment dollar value dropping by 11% year-on-year, reaching US$49.8 billion. Notably, the startup segment bore the brunt of this decline, experiencing a substantial 42% decrease in the number of deals, alongside a 53% drop in dollar value of investments. Despite these challenges, certain sectors such as infrastructure, real estate, and healthcare showcased resilience, recording growth compared to the previous year.

Conversely, PE/VC exits rebounded impressively in 2023, surging by 36% to reach US$24.8 billion, a testament to the adaptability and resilience of the Indian market. Open market exits in particular, saw good growth, accounting for 52% of total exits and reaching a historic high of US$12.8 billion. This resurgence in exit activity coupled with a notable increase in PE-backed IPOs, underscores the enduring appeal of the Indian market despite prevailing challenges.

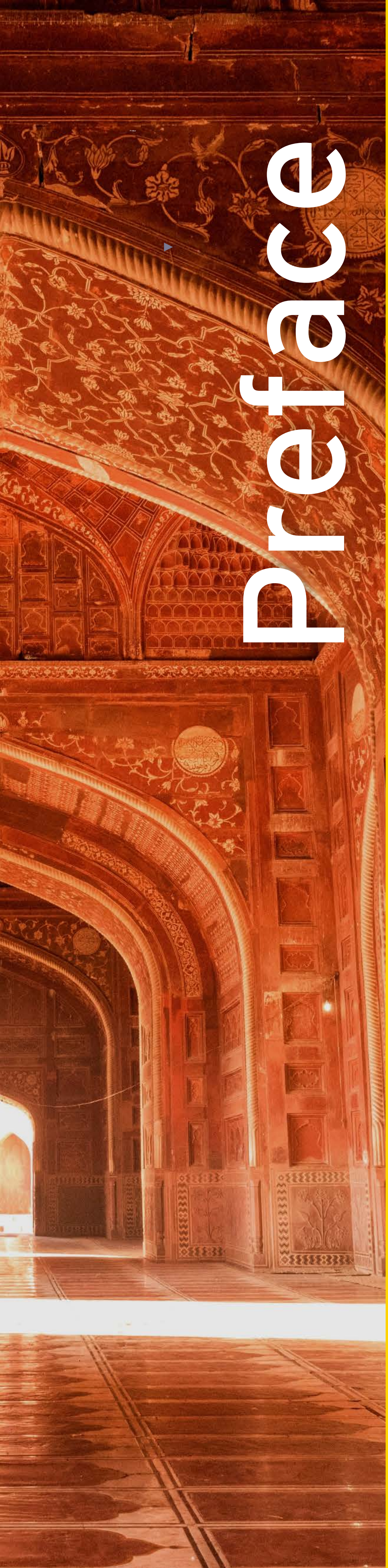
Amidst a funding winter for startups, characterized by declining investments and a shift towards profitability-focused growth strategies, India's startup ecosystem faces a critical juncture.

The decline in large ticket startup funding, particularly in the e-commerce sector, underscores the need for startups to recalibrate their growth trajectories and focus on sustainable unit economics.

India's PE/VC ecosystem remains poised for resilience and growth, buoyed by robust fundamentals and a favorable demographic dividend. Despite global headwinds, the underlying strength of India's economy, coupled with ongoing reforms and innovations, position the country as a beacon of opportunity for investors seeking long-term value creation.

As we navigate through these dynamic market conditions, the Indian Private Equity and Venture Capital Association (IVCA) remains committed to fostering a vibrant and inclusive ecosystem, driving impactful investments, and catalyzing sustainable growth. Through strategic investments and collaborative partnerships, the PE/VC industry can play a pivotal role in realizing the vision of Atmanirbhar Bharat, fostering entrepreneurship, driving innovation, and empowering indigenous businesses to thrive in the global market. We extend our gratitude to the EY team for their invaluable insights and contributions in shaping this report, and to our stakeholders for their continued support and engagement.

Together, let us embark on this journey of resilience, innovation, and growth, as we forge ahead towards a brighter future for India's PE/VC landscape.



Preface

The year 2023 was a year of contrasts for the Indian PE/VC industry. Despite witnessing a decline in overall PE/VC investments, certain sectors, like real assets backed infrastructure and real estate sectors experienced substantial growth. Similarly, while the e-commerce sector faced a funding winter, other sectors such as healthcare and financial services saw significant activity.

While PE/VC investments recorded a second consecutive year of decline, PE/VC exits recorded the exits worth US$24.8 billion, a y-o-y growth of 36%. From high valuations and regulatory uncertainties to shifting investor sentiments, each factor contributed to the nuanced and multi-layered narrative of the PE/VC investment and exit activity in 2023.

The report sheds light on the evolving strategies adopted by VC funds and startups in response to the changing market dynamics. As startups recalibrate their growth strategies towards achieving profitability and sustainable unit economics, VC funds navigate through challenges faced by later stage companies while identifying promising investment avenues for early stage bets.

The report highlights the following trends:

1. **Overall investment decline:**
   - PE/VC investment witnessed a 11% year-on-year decline in 2023 due to drop-in overall deal activity, with the number of deals falling by 33%.
   - Startups segment experienced a substantial 42% decline in the number of deals, leading to an even steeper drop of approximately 53% in dollar value of investments.
2. **Shift in investment strategy:**
   - Pure play PE/VC investments saw a notable 25% year-on-year decrease.
   - Resurgence observed in real assets backed infrastructure and real estate asset classes, with a robust 23% year-on-year increase.
3. **Churn in sectoral allocation:**
   - Infrastructure emerged as the leading sector, attracting US$11.6 billion in PE/VC investments.
   - Traditional favorites, such as financial services, e-commerce, and technology, recorded declines.
   - The healthcare sector witnessed a record high of US$5 billion in investments.
4. **PE/VC exits rise:**
   - PE/VC exits surged with a remarkable 36% growth to reach US$24.8 billion on the back of open market exits, comprising 52% of total exits, and reaching a historic high of US$12.8 billion.
   - Buoyant capital markets enabled second best year for PE-backed IPOs, at 30 IPOs from 18 in 2022.
5. **Strong build-up in dry powder:**
   - Despite the decline in investments, India focused fundraising recorded the second-highest dollar value of funds raised totaling US$15.9 billion. The number of funds successfully raised reached an all-time high of 102.
6. **Challenges in startup investments:**
   - Startup investments in India declined by more than 50% due to a sharp fall in the number of deals.
   - Unicorn rush slowed down significantly, with only two unicorns minted in 2023.
   - Governance issues and valuation markdowns impacted investor sentiment.

Outlook

PE/VC investments

PE/VC investments in 2024 have gotten off to a good start with January 2024 investments being higher than the previous month by 176% in terms of value and 43% higher than January 2023.

Exhibit A

Investments	Value US$million			Number of deals		
Deal type[1]	2024 (Jan)	2023 (Dec)	2023 (Jan)	2024 (Jan)	2023 (Dec)	2023 (Jan)
Growth capital	1,786	642	2,465	14	13	13
Startup	455	837	907	41	37	50
Buyout	3,435	71	791	3	3	6
PIPE	237	260	115	8	15	3
Private credit/Venture debt	269	426	37	11	8	3
Grand total	**6,181**	**2,236**	**4,314**	**77**	**76**	**75**

Source: EY analysis of VCCEdge data

PE/VC Exits

Exits have experienced a relatively slow start, with January 2024 recording exits at 79% lower than those in December 2023.

Exhibit B

Exits	Value US$million			Number of deals		
Deal type	2024 (Jan)	2023 (Dec)	2023 (Jan)	2024 (Jan)	2023 (Dec)	2023 (Jan)
Strategic	460	-	350	5	2	10
Secondary	59	39	269	3	5	6
IPO	80	88	26	3	4	1
Open market	149	3,338	253	9	21	2
Buyback	-	14	-	-	1	-
Grand total	**747**	**3,480**	**898**	**20**	**33**	**19**

Source: EY analysis of VCCEdge data

[1] Growth capital refers to investment in companies older than 10 years, Startup refers to investments in companies less than 10 years old, Buyouts refers to control transactions (>50% stake)

Looking ahead, the outlook for India's startup ecosystem remains positive despite the slowdown witnessed in 2023. The underlying strengths of the Indian economy, coupled with a robust founder-investor ecosystem, position the country favorably for future investments. With over 100 unicorns and a resilient market, India continues to assert its position as a key player in the global startup landscape.

While challenges such as high valuations, regulatory uncertainties, and shifting investor sentiments persist, they also present opportunities for innovation and adaptation. Startups backed by strategic investments and prudent growth strategies are poised to navigate through these challenges and emerge stronger.

What we foresee going forward:

1. **Resilience of India's startup ecosystem:**
   - Despite funding constraints, India's startup ecosystem remains resilient, buoyed by demographic strengths, talent pool, and market potential.
   - India poised to weather the funding winter more comfortably than many other countries.
2. **Shift in investment strategies:**
   - VC funds are anticipated to pivot towards more discerning investment strategies, gravitating towards business models with sustainable growth and unit economics.
   - Resurgence of PE-backed IPOs signifies a burgeoning appetite for public market exits, presenting avenues for liquidity and value realization.
3. **Sectoral churn and new focus areas:**
   - Growing interest in emerging sectors such as renewable energy, sustainable agriculture, New Energy and clean technology, driven by environmental consciousness and regulatory imperatives.
   - Scaling back of FinTech investments in the wake of increase regulatory pressures and rise in AI/SaaS based technology solutions.
   - Investments into yield generating assets and drivers of economic growth like road, ports, logistic parks, data centers to rise as government and private sector spending cranks up.

In the coming years, collaborations between traditional players and investors like SWFs, pension funds, and specialized secondaries investors, alongside technological advancements and evolving consumer behavior, will continue to redefine the PE/VC ecosystem. As the interest rate curve begins to taper downwards and policy continuity can be underwritten post the general elections, Indian PE/VC investments are likely to pick up pace. India's continued economic growth, global competitiveness and a high level of India dedicated dry powder will hopefully lead to convergence in the bid-ask spread between seller expectations and buyer valuations, which was the main impediment to deal closures in the pure play PE asset class in 2023.

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A brief review of 2023

In 2023, PE/VC investments witnessed the second consecutive year of decline, dropping by 11% year-on-year, primarily due to a decrease in overall deal activity. The number of deals fell by 33%, primarily driven by a substantial decline of 42% in the number of deals in the startups segment.

The dollar value of PE/VC investments in startups experienced a steeper drop of approximately 53%, totaling US$8.8 billion in 2023 compared to US$18.6 billion in 2022. Consequently, the startups segment lost its position as the largest segment of PE/VC investments, a position it held since 2021. Additionally, the share of PE/VC investments in startups fell to 17%, marking its second-lowest level in the past decade, trailing behind 2020, a year significantly impacted by the pandemic and ensuing lockdowns.

The investment trend in 2023 mirrored that of the previous year, with heightened activity in the first half of the year followed by a slowdown in the latter half. The first half attracted PE/VC investments of US$27.5 billion, while the second half saw investments of US$22.2 billion, as firms exercised increased caution amid rising inflationary pressures, geopolitical conflicts, and impending general elections, all of which contributed to a slowdown in deal activity.

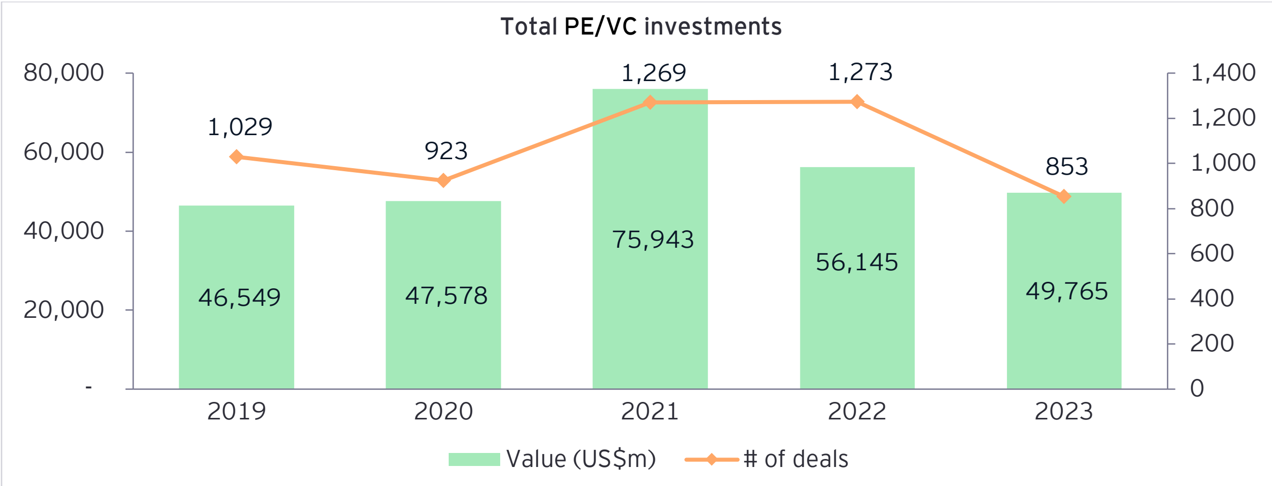
In terms of investment strategy, the decline in pure play PE/VC investments stood out even more starkly compared to the overall PE/VC investments, experiencing a notable 25% year-on-year decrease from US$40.2 billion in 2022 to US$30.2 billion. However, this decline was partially mitigated by a resurgence of PE/VC investments within the infrastructure and real estate asset classes, which saw a robust 23% year-on-year increase, rising from US$16 billion in 2022 to US$19.6 billion in 2023.

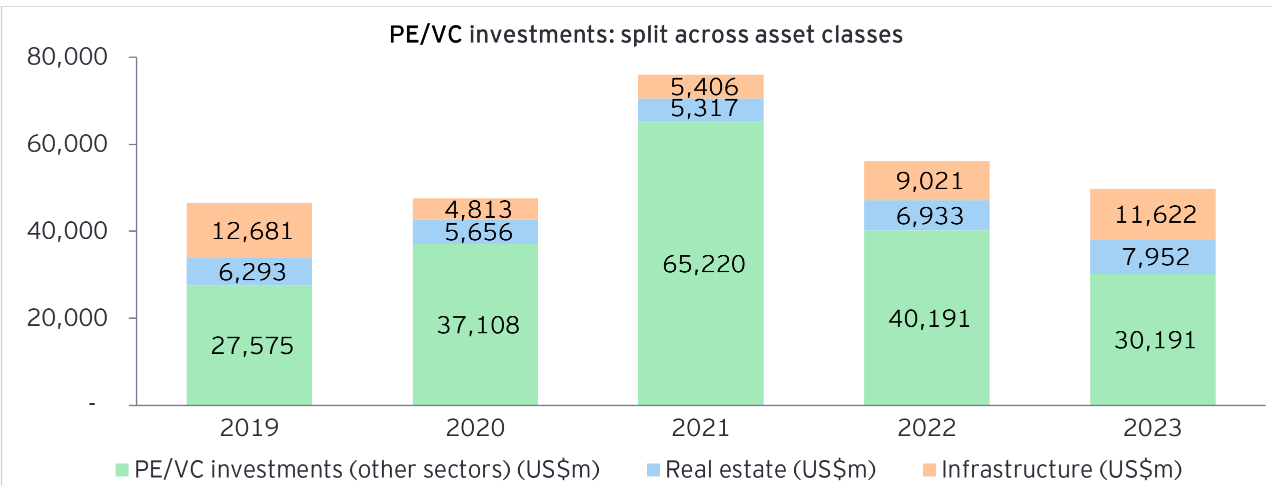
There was also a notable decline in large deals in the US$100 million to US$500 million range within the growth and startup deal segments of the pure play PE/VC asset class. These deals saw a decrease of over 56% in both number and value, from US$12.6 billion across 68 deals in 2022 to US$5.4 billion across 30 deals in 2023.

In terms of sectoral allocation, while infrastructure, real estate, and healthcare sectors experienced growth compared to the previous year, traditional favorites such as financial services, e-commerce, and technology sectors recorded declines. Infrastructure emerged as the leading sector, attracting US$11.6 billion in PE/VC investments, followed by real estate with a record-high investment of US$8 billion. Healthcare also saw a record high of US$5 billion in investments.

Conversely, investments in the financial services sector declined by 39%, totaling US$6.4 billion across 161 deals compared to US$10.5 billion across 250 deals in 2022. The technology sector also recorded a 39% decrease, with PE/VC investments totaling US$3.7 billion across 118 deals compared to US$6.1 billion across 191 deals in the previous year.

Exhibit 1





Source: EY analysis of VCCEdge data

PE/VC exits

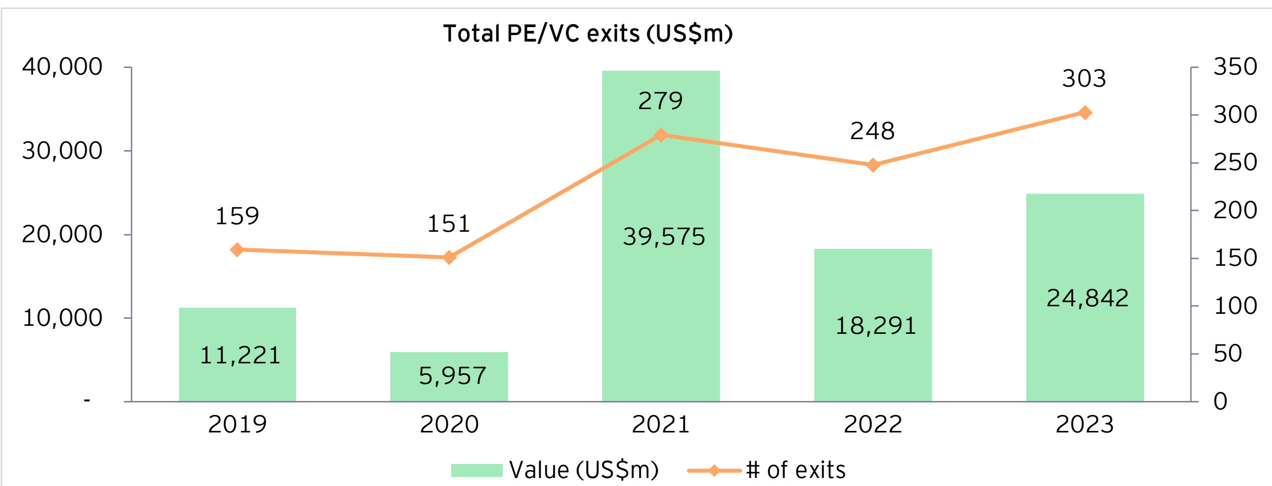
Following a 54% year-on-year decline in 2022, PE/VC exits rebounded impressively in 2023, registering an impressive 36% growth to reach US$24.8 billion, compared to US$18.3 billion in the previous year. This surge was primarily fueled by a substantial uptick in open market exits, which soared by 94% year-on-year to reach US$12.8 billion in 2023 from US$6.6 billion in 2022. Additionally, 2023 witnessed the second-highest number of PE-backed IPOs ever.

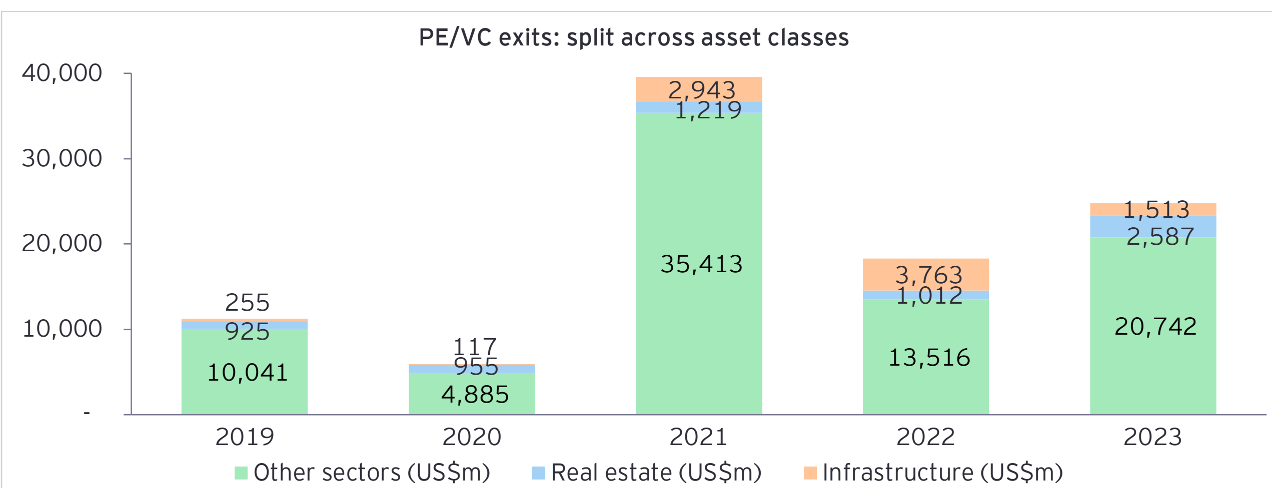
In terms of exit type distribution, open market exits dominated, comprising 52% of total exits, reaching a historic high of US$12.8 billion. Secondary exits followed with US$6.6 billion in 2023, compared to US$4.8 billion in 2022. Meanwhile, strategic exits experienced a decline, totaling US$3.5 billion in 2023, compared to US$5.2 billion in 2022.

The year 2023 also marked the highest-ever number of exits, reaching 303 deals, a notable 22% increase from the previous year. Open market exits surged by 64% to 131 deals compared to 80 deals in 2022, while secondary exits saw a staggering 94% growth, totaling 60 deals in 2023 compared to 31 in 2022. Conversely, strategic deals declined by 35%, totaling 75 deals in 2023, compared to 115 in 2022. PE-backed IPOs increased to 30 deals from 18 in 2022, while buyback deals grew by 75% to seven deals from four in 2022.

The largest exit of 2023 involved Tiger Global and Accel divesting a combined 4% stake in Flipkart to Walmart for US$1.4 billion. From a sector perspective, financial services dominated with exits worth US$7.4 billion, a notable 94% increase from US$3.8 billion in 2022. E-commerce followed closely with exits totaling US$2.9 billion, a growth of 67% from US$1.7 billion in 2022. Healthcare ranked third with exits totaling US$2.8 billion, up 32% from US$2.1 billion in 2022. However, the infrastructure sector experienced a significant decline, with exits totaling US$1.5 billion compared to US$3.8 billion in 2022, marking a 60% decrease.

Exhibit 2



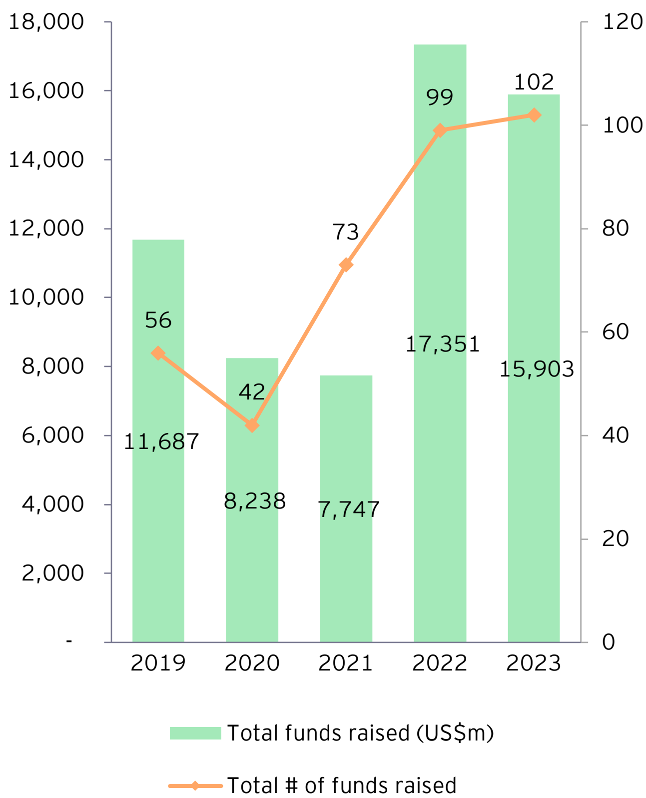


Source: EY analysis of VCCEdge data

PE/VC fund raising

Despite the 11% y-o-y decline in value of PE/VC investments in 2023, India continues to maintain its allure, evident from the second-highest dollar value of fundraise, totaling US$15.9 billion, across 102 funds, which is the highest number of fundraises ever recorded. The most significant fund raise of 2023 was led by Tiger Global, securing US$2.7 billion for its Tiger Global Fund 16 targeted at startups in India.

Exhibit 3: Fundraise



Source: EY analysis of VCCEdge data


ERECTED TO COMMEMORATE THE LANDING
IN INDIA OF THEIR IMPERIAL MAJESTIES
KING GEORGE V AND QUEEN MARY
ON THE SECOND OF DECEMBER MCMXI

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Key trends of 2023

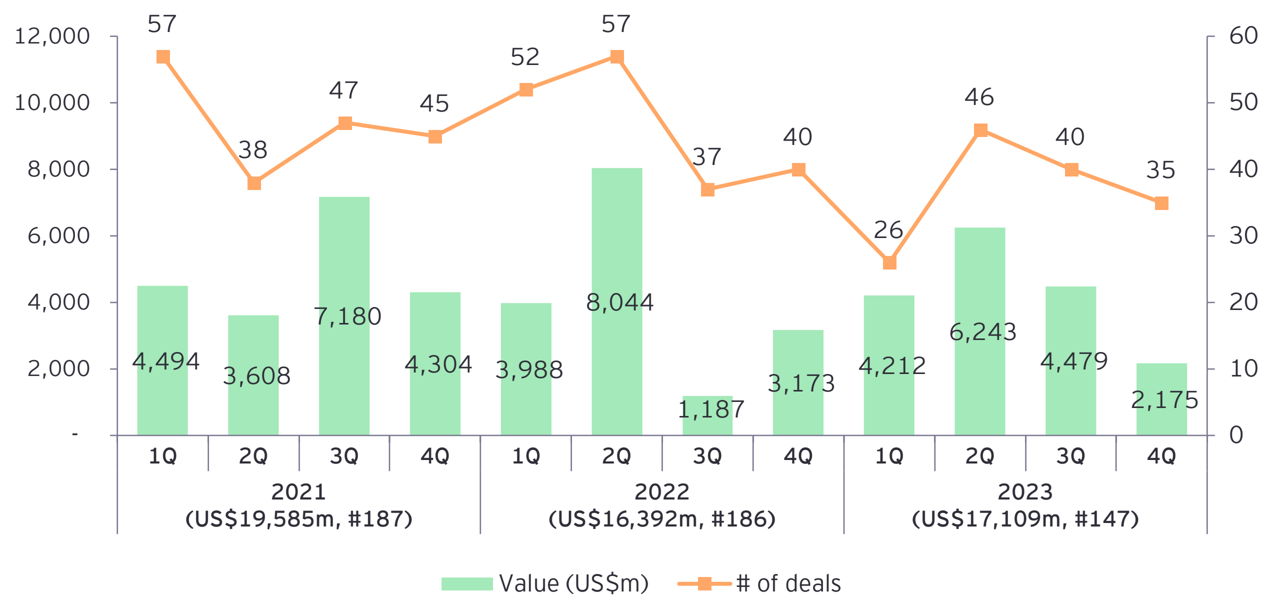
Growth investments continue to rise on account of a few large deals

While PE/VC growth investments grew by 4% in 2023 to US$17.1 billion (US$16.4 billion in 2022) and was the largest deal segment, the number of deals declined by 21% (147 in 2023 vs 186 in 2022). The growth was mainly due to a couple of large deals: a group of investors including AGP, NIIF and others acquiring hyperscale data center facility in Navi Mumbai (Digital Edge DC) worth US$2 billion and Temasek's investment in Manipal Hospitals worth US$2 billion.

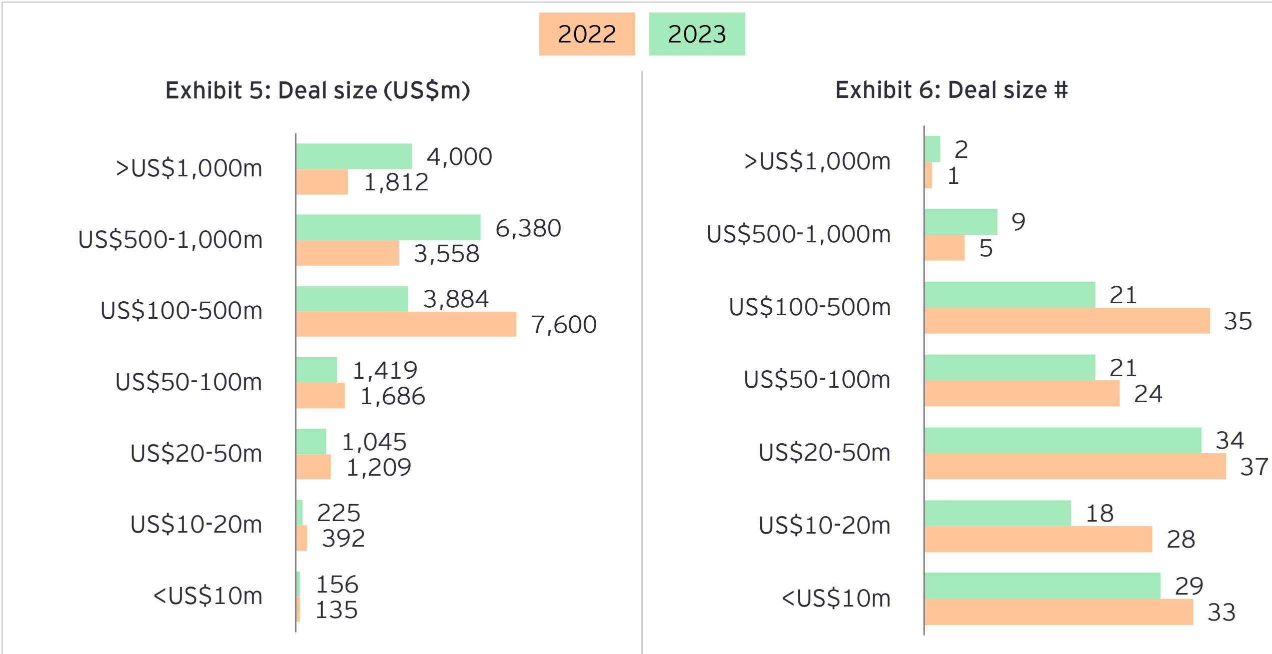
Five sectors recorded over US$1 billion in growth investments in 2023, led by infrastructure and followed by real estate, healthcare, technology and retail and consumer products, which cumulatively recorded an investment of US$14.4 billion, ~84% of total PE/VC growth investments during the year. While the count of large deals (value greater than US$500 million) increased in 2023, mid and small-sized deals declined, both in terms of value and volume. These large deals contributed to the growth recorded by infrastructure, real estate, healthcare, and retail and consumer products. However, sectors including media and entertainment, education, financial services, e-commerce, and technology recorded a de-growth by 93%, 90%, 75%, 21% and, 8% respectively due to the absence of large deals during the year.

PE/VC investments in India continue to be driven by factors like market expansion opportunities, globalization, investor's appetite for high growth assets, technological advancements, etc. As the economy evolves, growth investments are projected shape the landscape of PE/VC investments and the economy in the years to come.

Exhibit 4: Trend in growth investments

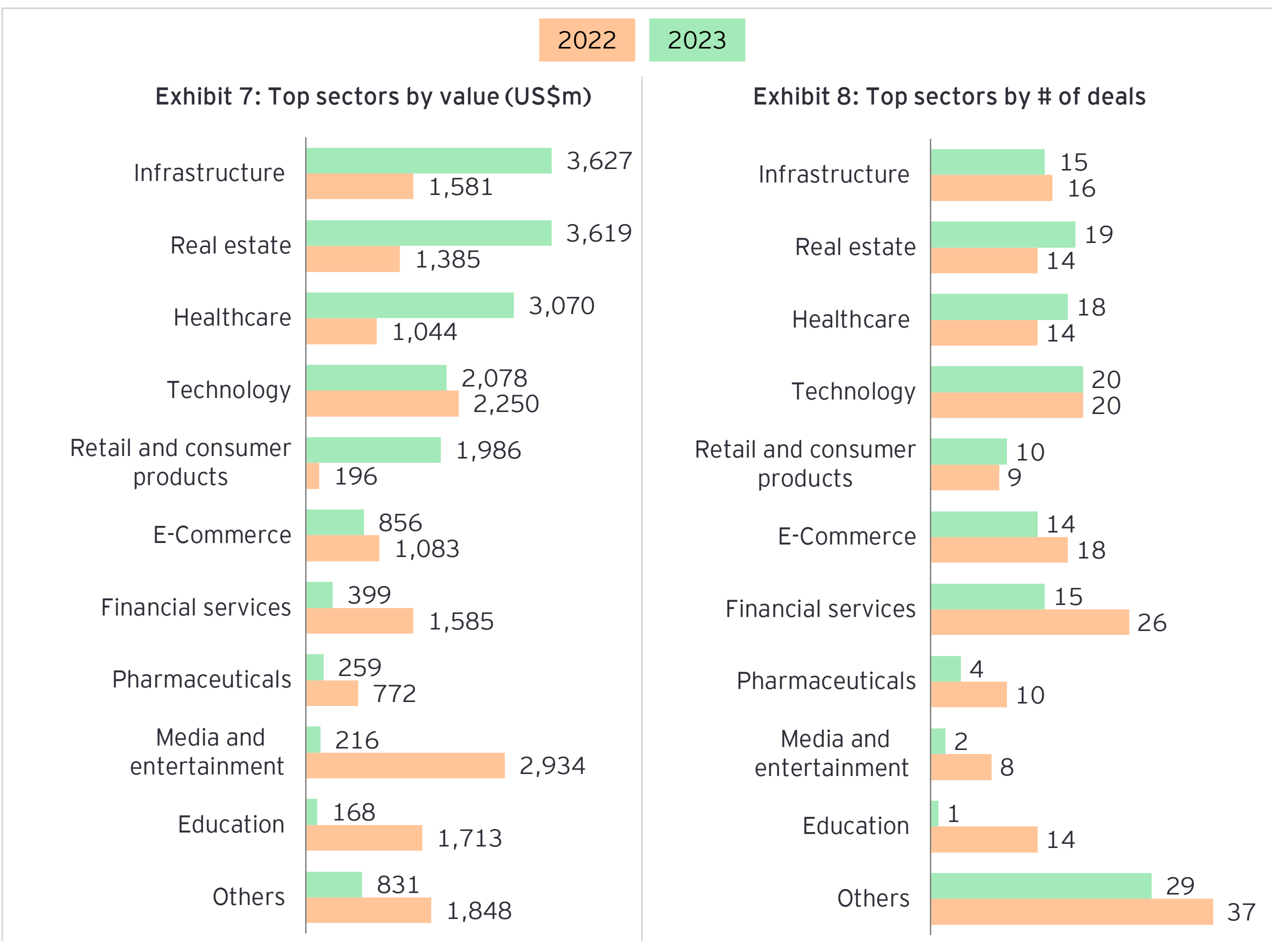


Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available



Source: EY analysis of VCCEdge data

Exhibit 9: Top growth investments in 2023

Company/asset	Investors	Sector	Amount (US$m)	Deal Stake%
300MW hyperscale facility in Navi Mumbai (Digital Edge DC)	AGP DC InvestCo, NIIF, Digital Edge	Real estate	2,000	NA
Manipal Health Enterprises Private Limited (Manipal Hospitals)	Temasek	Healthcare	2,000	41
Avaada Ventures Private Limited	Brookfield	Infrastructure	1,000	NA
Reliance Retail Ventures Limited	QIA	Retail and consumer products	1,000	1
Brookfield - Axis Energy Ventures JV2	Brookfield	Infrastructure	845	NA
Greenko Energy Holdings	GIC, ADIA, Orix	Infrastructure	700	NA
JV with Brookfield REIT for Two Large Commercial Assets totaling 6.5 million sq ft	GIC	Real estate	700	50
Reliance Retail Ventures Limited	ADIA	Retail and consumer products	598	1
Manipal Health Enterprises Private Limited (Manipal Hospitals)	TPG	Healthcare	537	11
Lenskart Solutions Private Limited	ADIA	E-Commerce	500	10

Source: EY analysis of VCCEdge data

Buyout became the second largest investment strategy owing to large deals in 2023

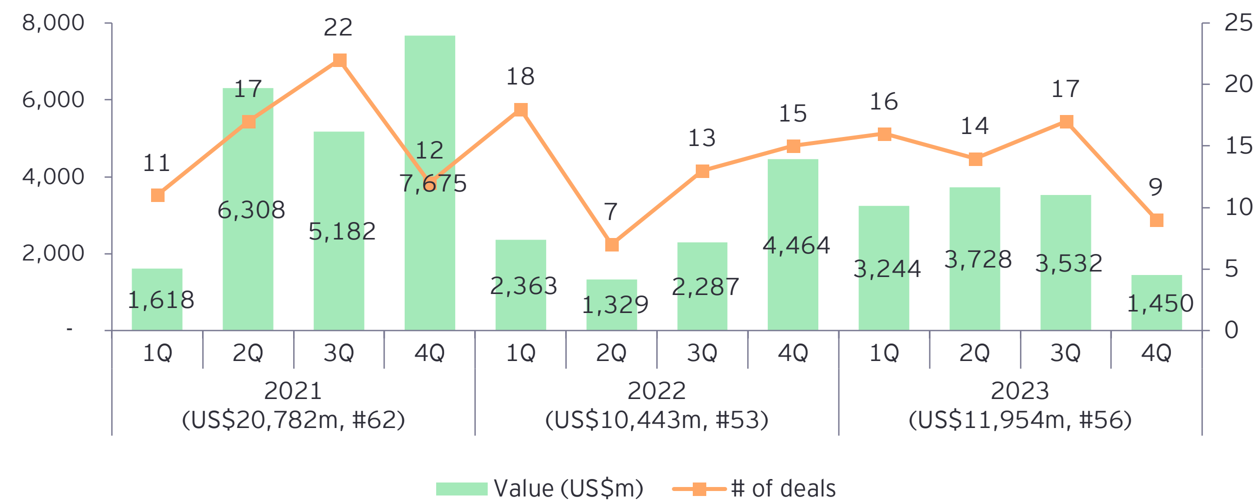
In 2023, buyouts emerged as the second largest strategy for PE/VC investors. Buyouts recorded US$12 billion, a growth of 14% y-o-y (US$10.4 billion in 2022). The number of buyouts increased by 6% to 56 deals in 2023. 2023 recorded 28 large deals, of which three deals were more than US$1 billion as against 24 large deals in 2022 with no deals >US$1 billion.

Real estate (US$3.2 billion), financial services (US$1.8 billion), healthcare (US$1.7 billion), recorded the highest value of buyouts in 2023.

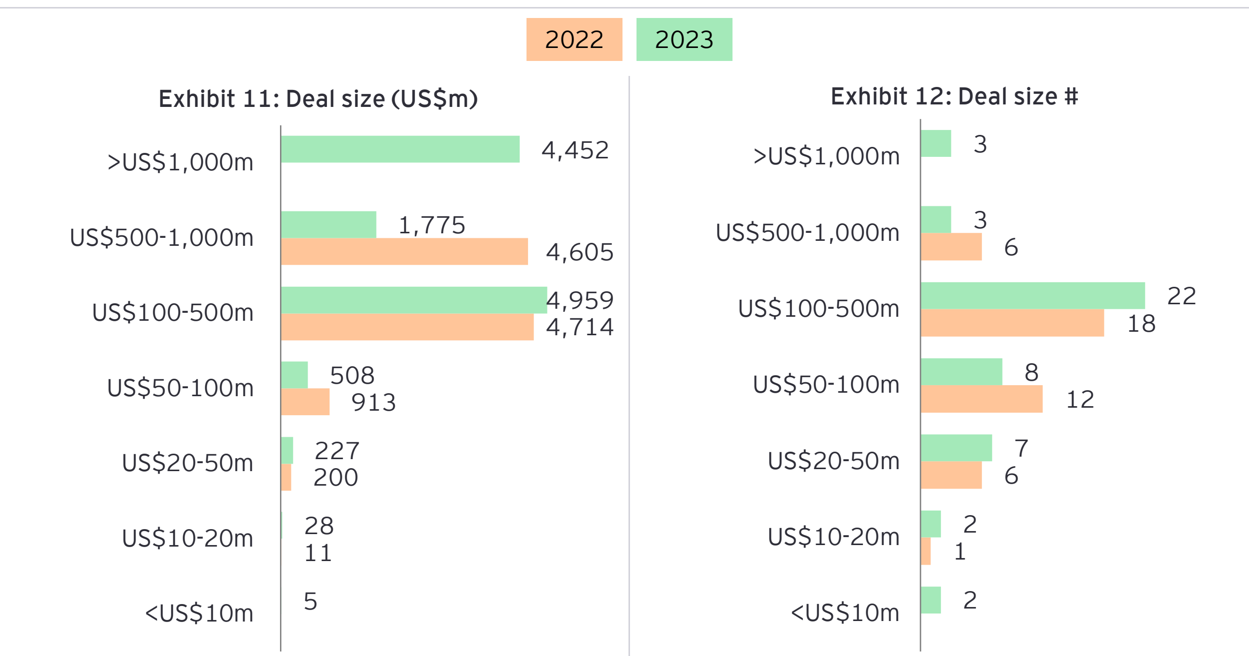
Buyout transactions have been graduating from small companies to large-cap deals. Some buyouts have involved the acquisition of well-established companies with strong growth potential.

Overall, the growing investment value of buyouts in India reflects the increasing maturity of the PE/VC market and the growing confidence of investors in their ability to identify and unlock value in established business through various levers.

Exhibit 10: Trend in buyout



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

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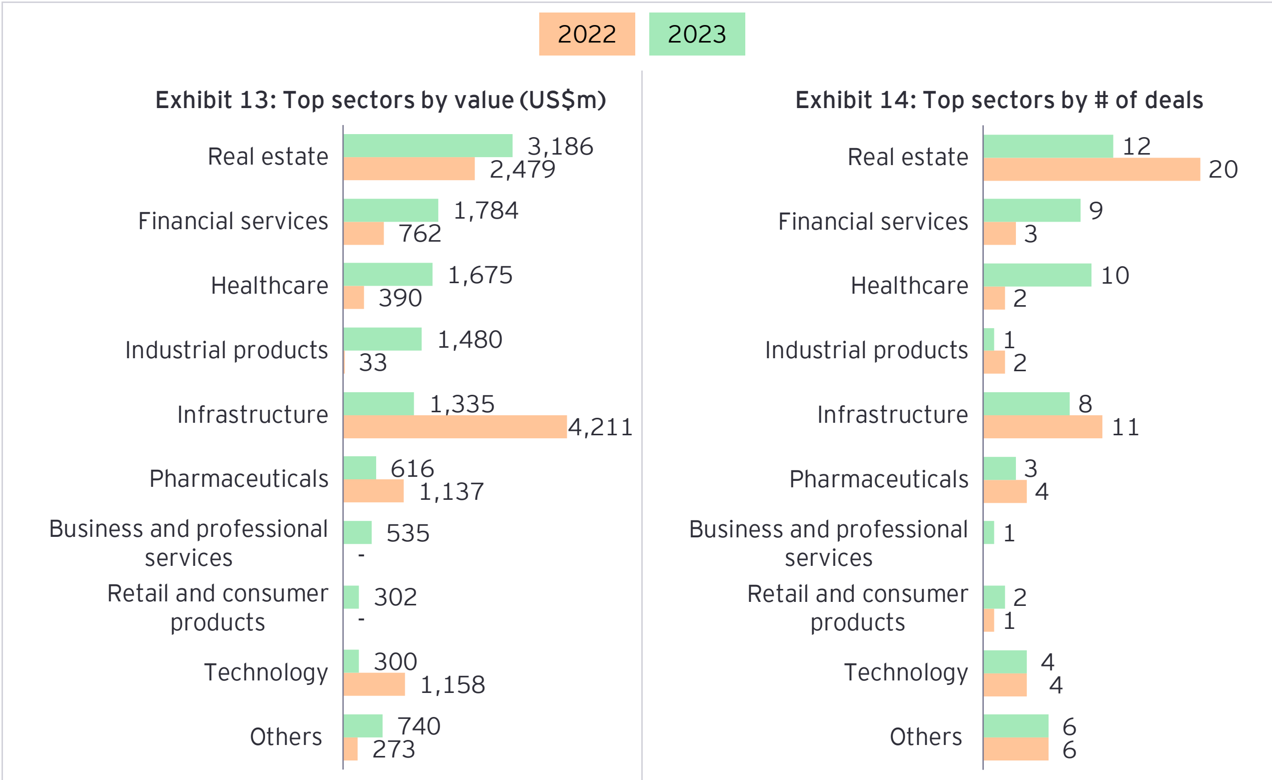


Source: EY analysis of VCCEdge data

Exhibit 15: Top PE/VC buyouts in 2023

Company/asset	Investors	Sector	Amount (US$m)	Deal Stake %
Investment Platform for Office Properties in India	Ivanhoé Cambridge (CDPQ), Mapletree (Temasek)	Real estate	1,867	100
Gemstar Infra Pte Limited (Smart Meters platform)	GIC	Industrial products	1,480	74
HDFC Credila Financial Services Limited	BPEA EQT, ChrysCapital	Financial services	1,105	90
Indira IVF Hospital Private Limited	BPEA EQT	Healthcare	660	60
Quality Care India Limited (CARE Hospitals)	Blackstone	Healthcare	580	73
International Gemological Institute (India) Private Limited	Blackstone	Business and professional services	535	100
Indiabulls Housing Finance SPV	Oaktree Capital	Financial services	366	60
Swarna Tollway Private Limited, Gujarat Road and Infrastructure Company Limited	Highways Infrastructure Trust (KKR InvIT)	Infrastructure	366	100
Good Host Spaces Private Limited	Alta Capital	Real estate	320	100
Clean Max Enviro Energy Solutions Private Limited	Brookfield	Infrastructure	305	51

Source: EY analysis of VCCEdge data

PE/VC startup investments experience a funding winter, decline by more than 50% due to a sharp fall in the number of deals

While 2021 was a record year for startup investments in India, recording an all-time high of US$28.5 billion, they declined by 35% in 2022 and a further 53% in 2023 due to a sharp fall in number of deals which reduced from 858 deals in 2021 to 815 deals in 2022 to 472 deals in 2023 (a 42% y-o-y decline).

Venture capital (VC) investments are currently witnessing a significant slowdown, both globally and in India. The unicorn rush has also slowed down in India, from 44 unicorns in 2021 to 21 in 2022 and then a sharp decline to only new two unicorns being minted in 2023.

This slowdown comes as many late-stage investors, who till recently were prolific backers of Indian startups, have taken a step back.

Reasons for the slowdown:

- One significant driver was high valuations, making it challenging for VC firms to underwrite their investment case, especially as business risk premiums went up on account of rising interest rates and global uncertainty. That, coupled with the decrease in growth rates of online business's post easing of the pandemic has led investors to question the sustainability of these high valuations.
- In India, governance issues have also cast a shadow over some high-profile startups. Additionally, valuation markdowns have occurred in some of the erstwhile poster child startups, impacting sentiment amongst VC investors.
- Regulatory uncertainties, like the angel tax, have added to the challenges faced by Indian startups.
- The lack of participation from large, late-stage backers impacted the risk appetite of many mid-stage investors, which till recently were keen to ride the growth wave of many Indian startups-all the way to the capital markets.

Implications for startups:

- The VC funding slowdown has far-reaching implications for startups. As funding becomes scarcer, businesses are forced to change their 'growth at any cost' strategy. Costs are being cut to extend cash runways, business models and unit economics are being refined. Startups are now being compelled to reassess their growth strategies and focus more on achieving profitability and sustainable unit economics. Some are facing potential closures if they cannot adapt and demonstrate a clear path to profitability as investors remain reluctant to fund startups that have not yet figured a path to profitability or positive unit economics.
- Several high-flying Indian startups have seen their existing investors mark down the value of their holdings, as these businesses remain caught up by declining growth and rising cost of capital.
- As a response to all these challenges, we project that consolidation will continue to happen amongst startups, as will buyouts by Corporate India. While some of this has played out in the past 12 months, we project to see a lot more consolidation take place in the next 12 months. Cash-hungry startups are increasingly looking towards larger companies for buyers.

Response from global and Indian VC funds:

- This altered landscape has confronted VC funds with both challenges and opportunities. Smaller VC firms are struggling to raise follow on funds, often falling short of their targets as LPs dig deep into portfolio performance and question valuation marks. Larger funds, however, continue to attract investment, and this presents them with a unique opportunity to invest in potentially game-changing startups at lower valuations.
- Venture capital firms that once raised mega funds are now scaling back, as mark-to-market valuations dip, and Limited Partners—the university endowments, pension funds, and family offices that invest in these funds—pull back on their allocations as they rebalance their public/private portfolio's.
- The fundraising market is also becoming more concentrated among larger funds. According to Preqin, a quarter of the capital raised globally by venture capitalists in 2023 went to 10 funds. Last year, there were only 1,755 vehicle closures globally, marking the lowest number since 2019. This is down 20% from total funds closed the year prior[2].
- However, some VCs now see the current environment as a prime investing opportunity and have raised more money, thus leaning into writing more checks to startups.

Changing investment trends:

- The landscape shift is not solely about VC firms. The role of investors is evolving as well.

[2] https://www.privateequityinternational.com/pe-fundraising slips-for-second-year-in-a-row-amid-tougher-deal-environment/

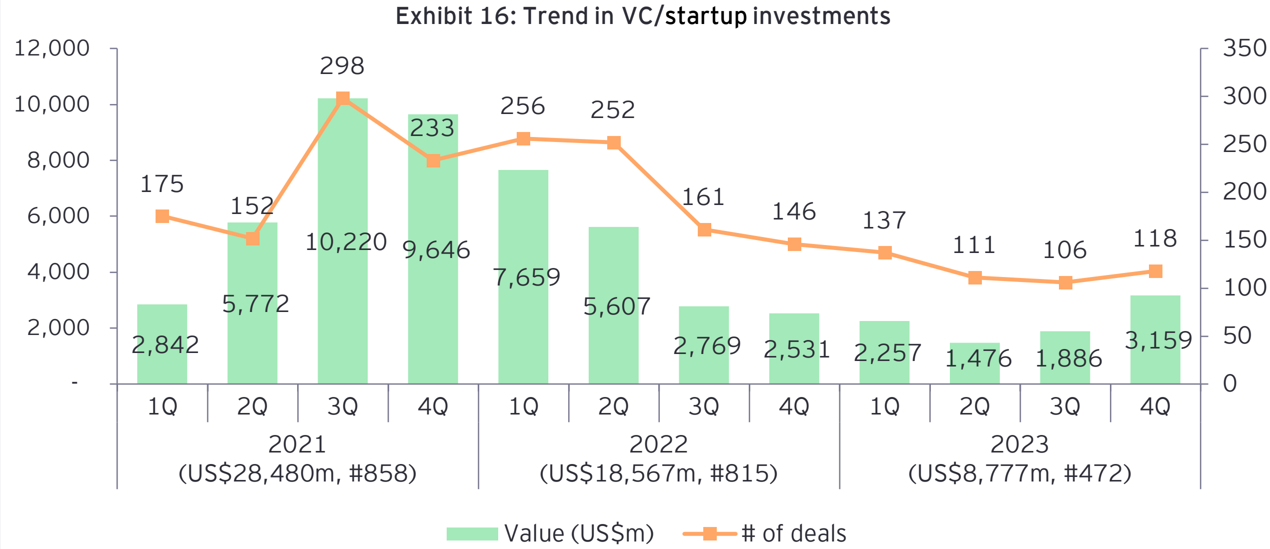
- Traditional players have made fewer investments, while sovereign funds, especially from the Middle East, are stepping in to finance many deals in India. The shifting dynamic highlights the evolving nature of investments in the startup world.
- SaaS players too are seeing an opportunity, developing a product led model centered on the US market, almost like a 2.0 version of the erstwhile offshoring model which was services-based.

Despite these challenges, India's startup ecosystem remains resilient. India is in a position analogous to where China was 15 years ago, with a booming economy and a robust founder-investor ecosystem.

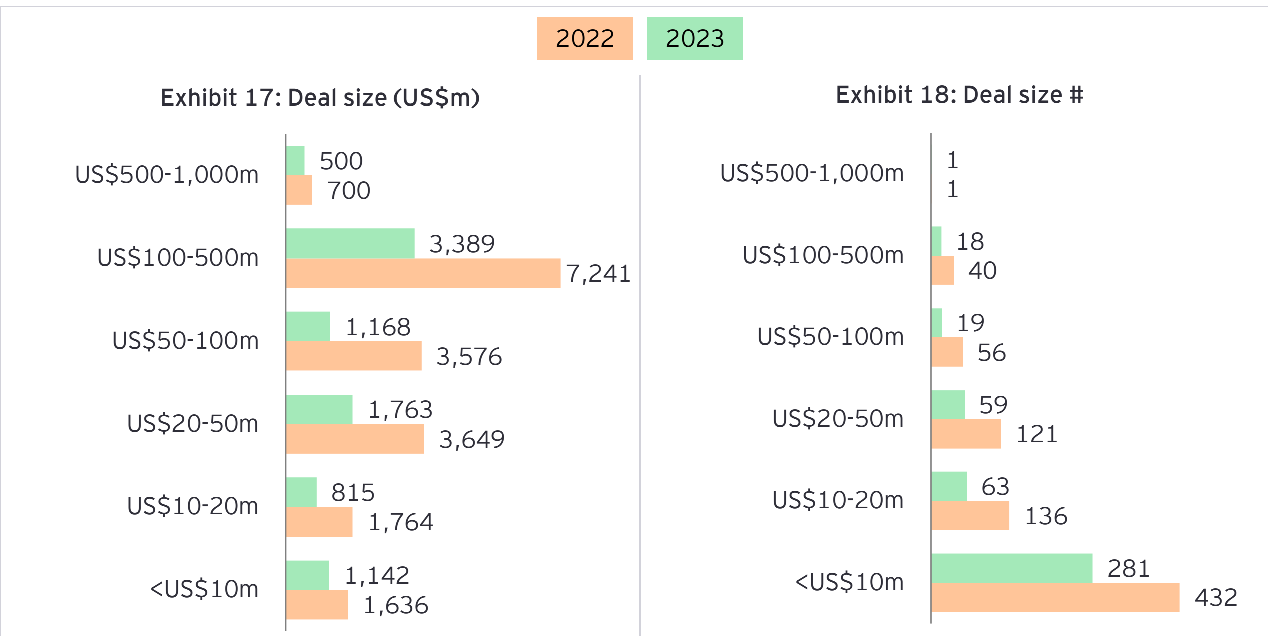
India has over 100 unicorns today compared to 1,000 in China. While the global landscape faces a funding winter, India has unique strengths in its demographics, talent pool, and the most attractive macro amongst large Emerging markets. India continues to remain the third-largest market for startups in 2023 and in our view, the most attractive emerging market for PE/VC investors.

Looking ahead, the long-term outlook for India's startup ecosystem remains positive. The future deployment of capital can be a driving force for India's startups. India is well-poised to weather this funding winter more comfortably than many other countries, as the underlying economy is on a strong footing and projections are positive.

Exhibit 16: Trend in VC/startup investments



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

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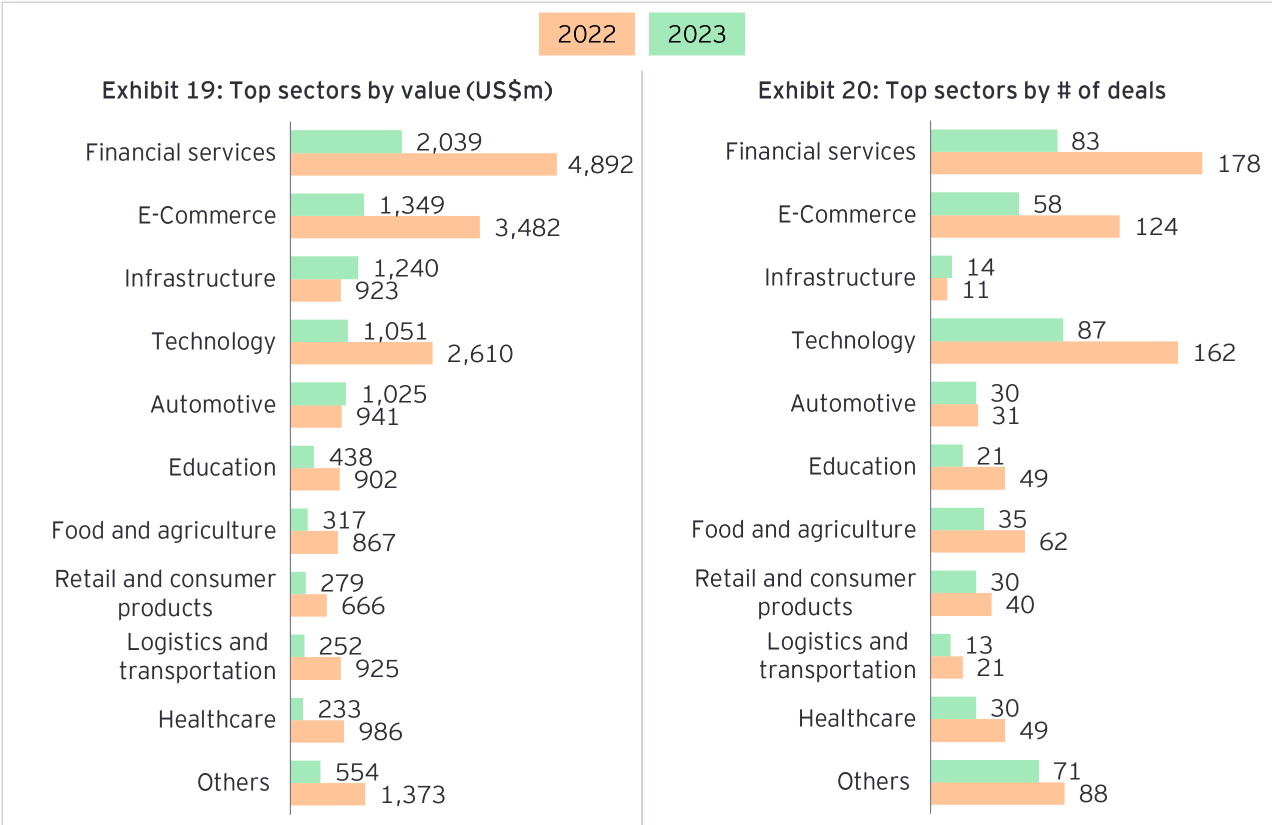
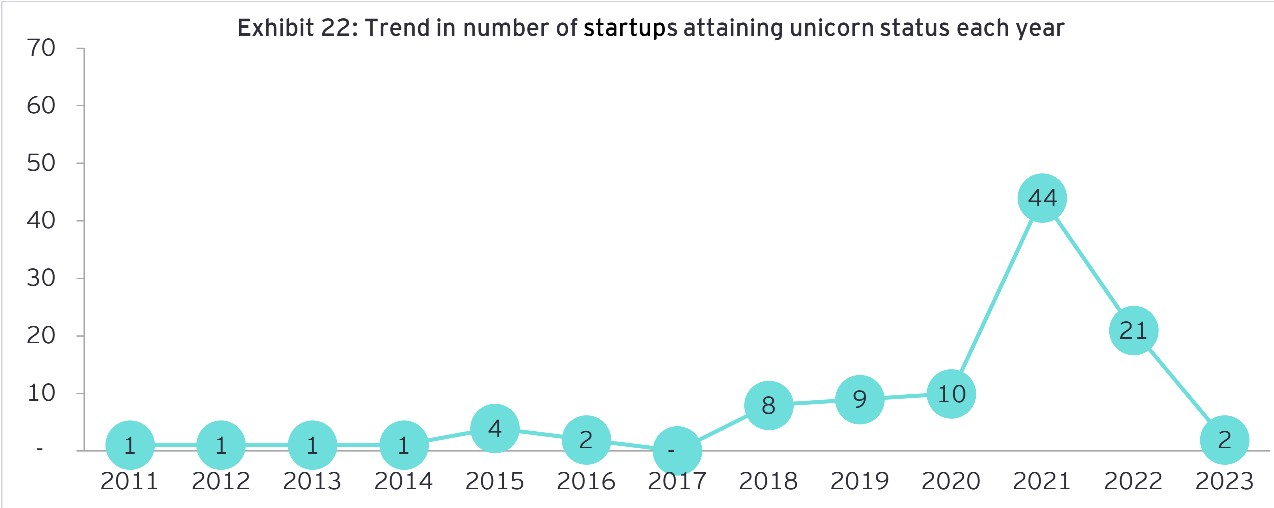


Source: EY analysis of VCCEdge data

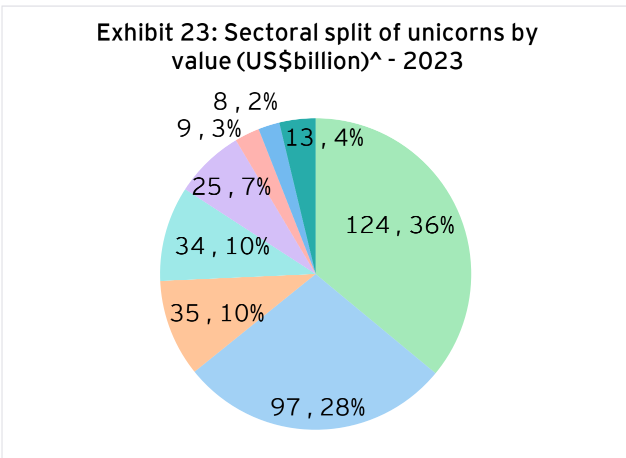
Exhibit 21: Top VC/startup investments in 2023

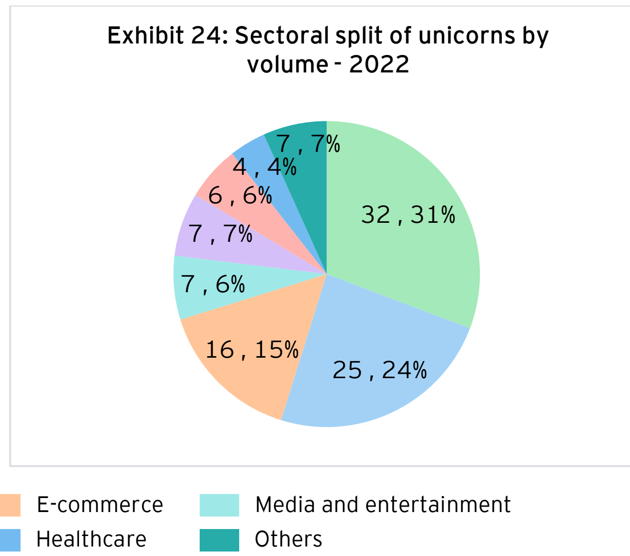
Company/asset	Investors	Sector	Amount (US$m)	Deal Stake%
Hexa Climate Solutions Private Limited	I Squared Capital	Infrastructure	500	NA
Ola Electric Mobility Private Limited	Temasek, SBI and others	Automotive	385	NA
Juniper Green Energy Private Limited	AT Capital, Vitol Group	Infrastructure	350	NA
PhonePe Private Limited	General Atlantic	Financial services	350	3
Trustroot Internet Private Limited (Udaan.com)	DST Global, M and G, Lightspeed	E-Commerce	340	17
Serentica Renewables India Private Limited	KKR	Infrastructure	250	NA
Cappella Eduinfra Private Limited	Alta Capital	Education	200	NA
Everise Holdings Pte. Limited	Warburg Pincus	Technology	200	20
KiranaKart Technologies Private Limited (Zepto, KiranaKart)	Goodwater Capital, Nexus India, Glade Brook Capital, Lachy Groom, StepStone	E-Commerce	200	14
Veritas Finance Private Limited	Avendus, IFC, Multiples	Financial services	146	NA

Source: EY analysis of VCCEdge data



Source: EY analysis of Venture Intelligence data





Source: EY analysis of Venture Intelligence data

^Valuation as on date

Private investments in public equity (PIPE) at an all-time high owing to some of the large deals in infrastructure and financial services sector

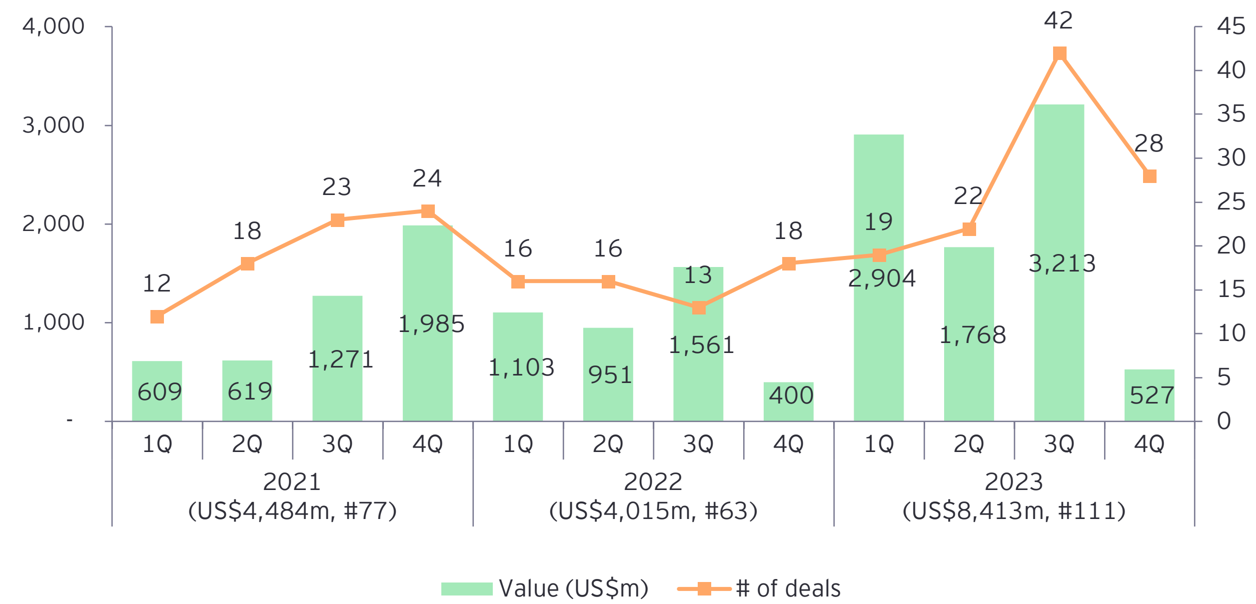
PIPE transactions emerged as a pivotal investment strategy in the year, achieving its highest-ever investment both in terms of value and volume. It garnered PE/VC investments totaling US$8.4 billion, marking a remarkable 110% year-on-year growth from US$4 billion in 2022, across 111 deals—an impressive 76% growth from the 63 deals recorded in the previous year. This trend is mirrored in exit activity, where open market exits have also reached an all-time high.

Infrastructure (US$4.3 billion) and financial services (US$1.4 billion) stood out as the dominant sectors for PIPE investments, collectively representing 68% of the total PIPE PE/VC investments for the year. The largest PIPE investment was the US$1.1 billion infusion by GQG into Adani Power Limited. Among the total deals, financial services led with the highest number of deals (30 deals), followed by industrial products (15 deals) and infrastructure (13 deals), together contributing 52% of the total PIPE deals throughout the year.

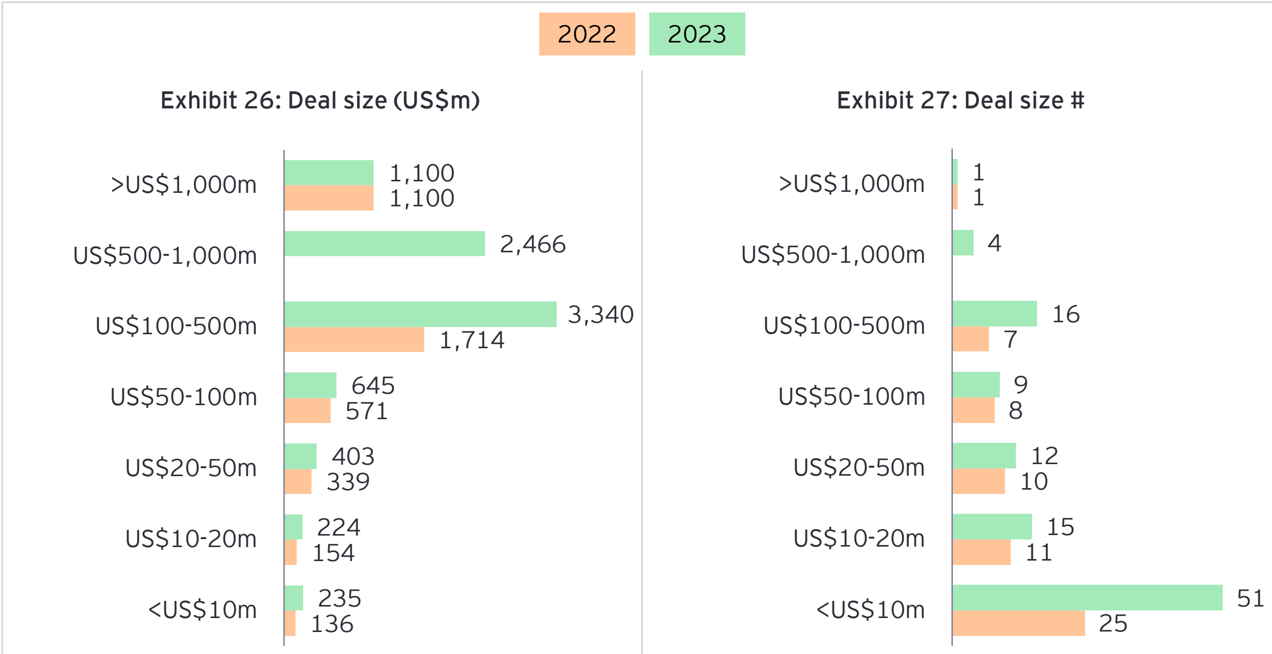
In 2023, the market saw 21 large PIPE deals (with a deal value exceeding US$100 million), marking a significant increase from the eight large deals recorded in 2022—a growth of 163%. These $100 million plus deals were primarily observed in the infrastructure, financial services, industrial products, and real estate sectors.

PIPE investments present a distinctive avenue for PE/VC investors, offering easier liquidity in the maturing Indian public equity markets. The vibrant capital market and confidence in India's robust economy has propelled this investment strategy to new heights. PE/VC investors have leveraged buying opportunities in undervalued or high-growth companies, acquiring stakes at reasonable valuations – thus mitigating the associated risks of liquidity and private placement investments. Given the liquidity options and exit opportunities, investors are increasingly drawn to this investment class.

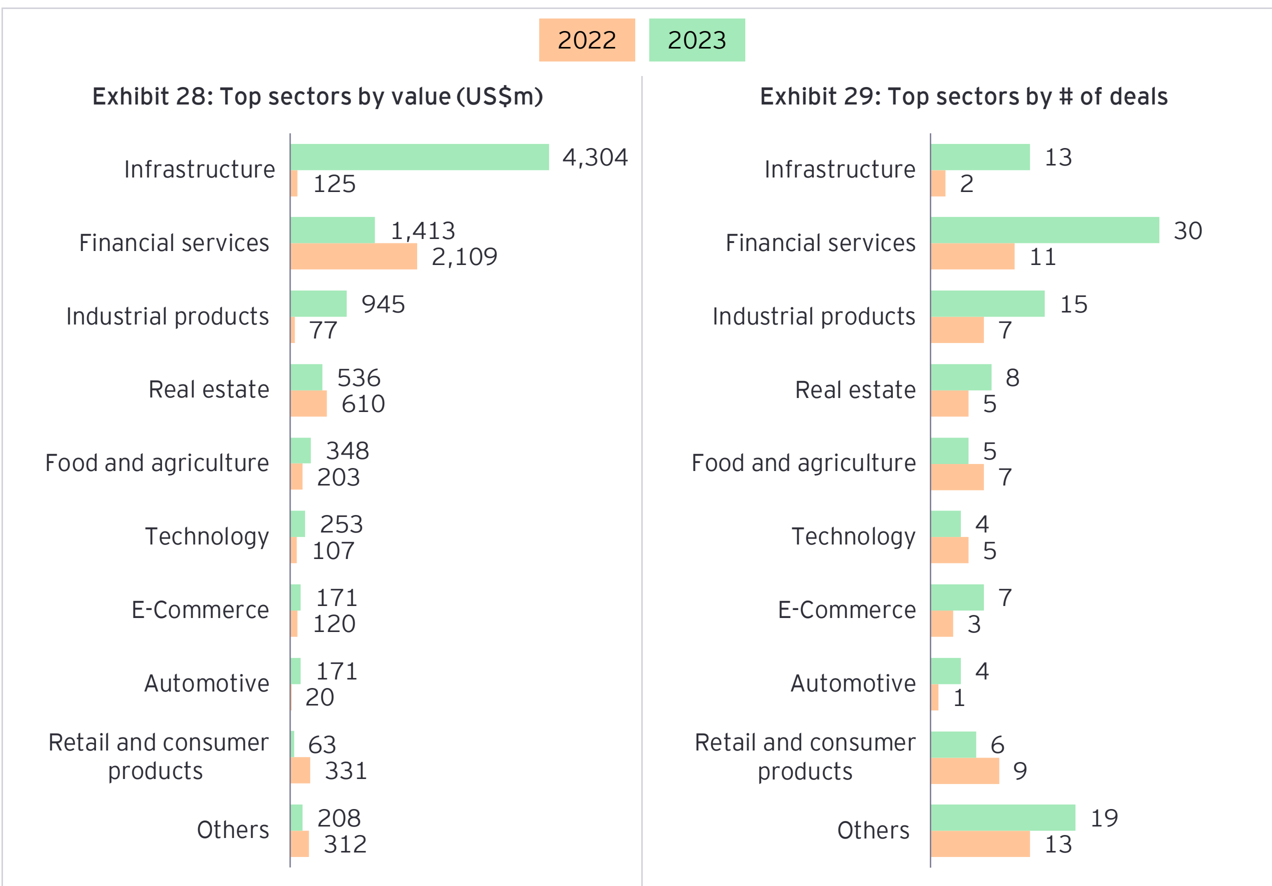
Exhibit 25: Trend in PIPE



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

Exhibit 30: Top PIPE investments in 2023

Company/asset	Investors	Sector	Amount (US$m)	Deal Stake%
Adani Power Limited	GQG	Infrastructure	1,100	8
Adani Enterprises Limited	GQG	Industrial products	662	3
Adani Ports and Special Economic Zone Limited	GQG	Infrastructure	640	4
Cube Highways InvIT	BCI, Mubadala and others	Infrastructure	637	NA
IndInfravit Trust	CPPIB, OMERS	Infrastructure	527	NA
Adani Green Energy Limited	QIA	Infrastructure	474	3
Adani Green Energy Limited	GQG	Infrastructure	340	4
Data Infrastructure Trust	BCI	Real estate	335	7
Patanjali Foods Limited	GQG	Food and agriculture	289	6
ReNew Energy Global Plc	CPPIB	Infrastructure	268	14

Source: EY analysis of VCCEdge data

Private credit declines on account of reduction in deals of small ticket size[3]

After reaching an all-time high of US$6.7 billion in 2022, credit investments experienced a sharp decline of 48%, totaling US$3.4 billion across 67deals in 2023, down from 156 deals in 2022. While large deals (exceeding US$100 million) saw a 31% decline (US$2.4 billion versus US$3.5 billion in 2022), deals below US$100 million fell by 67% (US$1.1 billion in 2023 versus US$3.2 billion in 2022), severely impacting credit investments during the year.

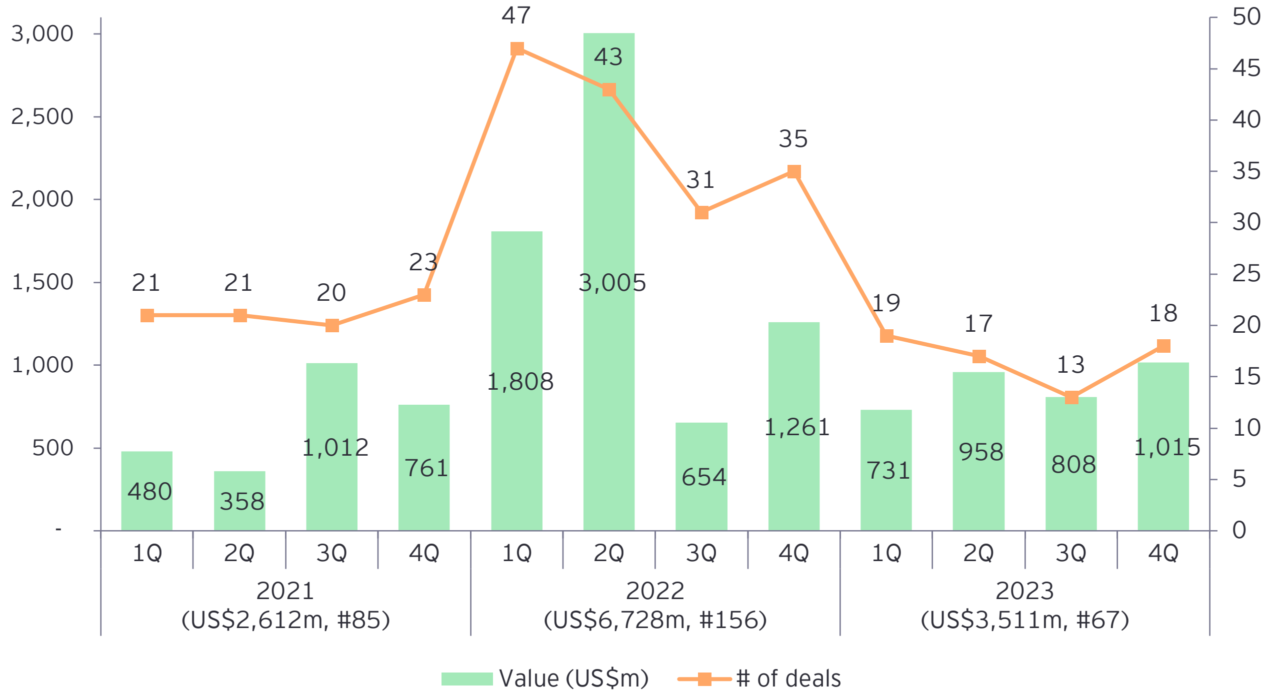
This decrease was primarily driven by a significant drop in the number of small-ticket size deals (less than US$100 million). While the year saw 15 large deals (exceeding US$100 million), a slight decrease from the previous year's 16, small-ticket deals plummeted by 64% (48 deals versus 132 in 2022).

The bulk of the private credit investments, constituting 90% of the total, were concentrated in five sectors: infrastructure (US$1.1 billion), financial services (US$747 million), real estate (US$520 million), education (US$439 million), and metal and mining (US$330 million). However, except for infrastructure, no sector recorded private credit investments exceeding US$1 billion, unlike 2022, when three sectors breached this mark.

In terms of deal volume, there was an overall 57% decline (67 deals in 2023 versus 156 deals in 2022). The top five sectors—financial services (24 deals), real estate (9 deals), infrastructure (7 deals), e-commerce (6 deals), and education (4 deals)—contributed 75% of the total deals, all except for education, recorded a decline in number of deals.

[3]For the purpose of this analysis, we have only considered private credit by PE funds, SWFs, Pension Funds and Venture debt investments

Exhibit 31: Trend in credit investments



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 32: Deal size (US$m)

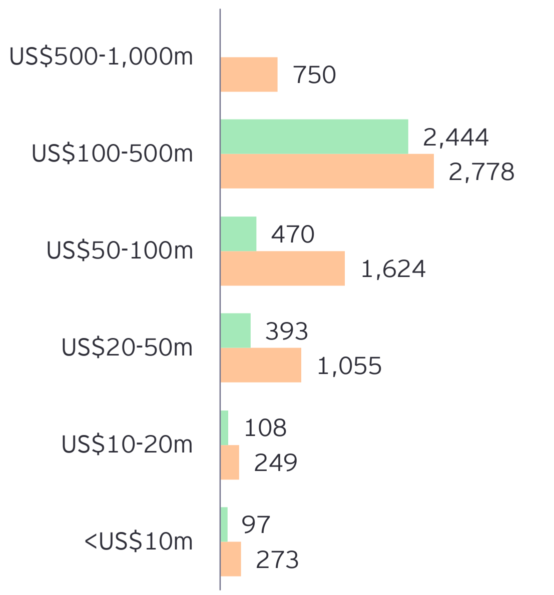
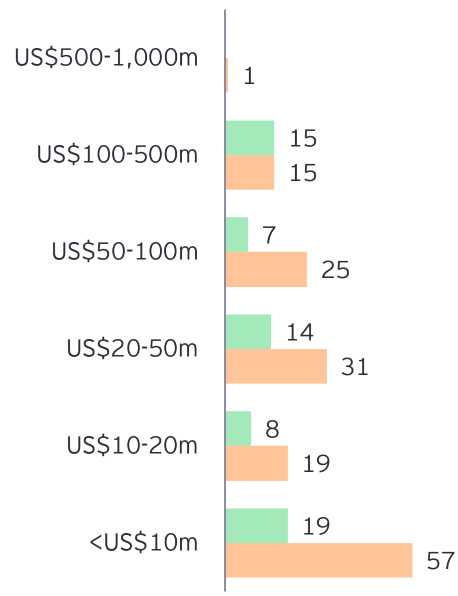
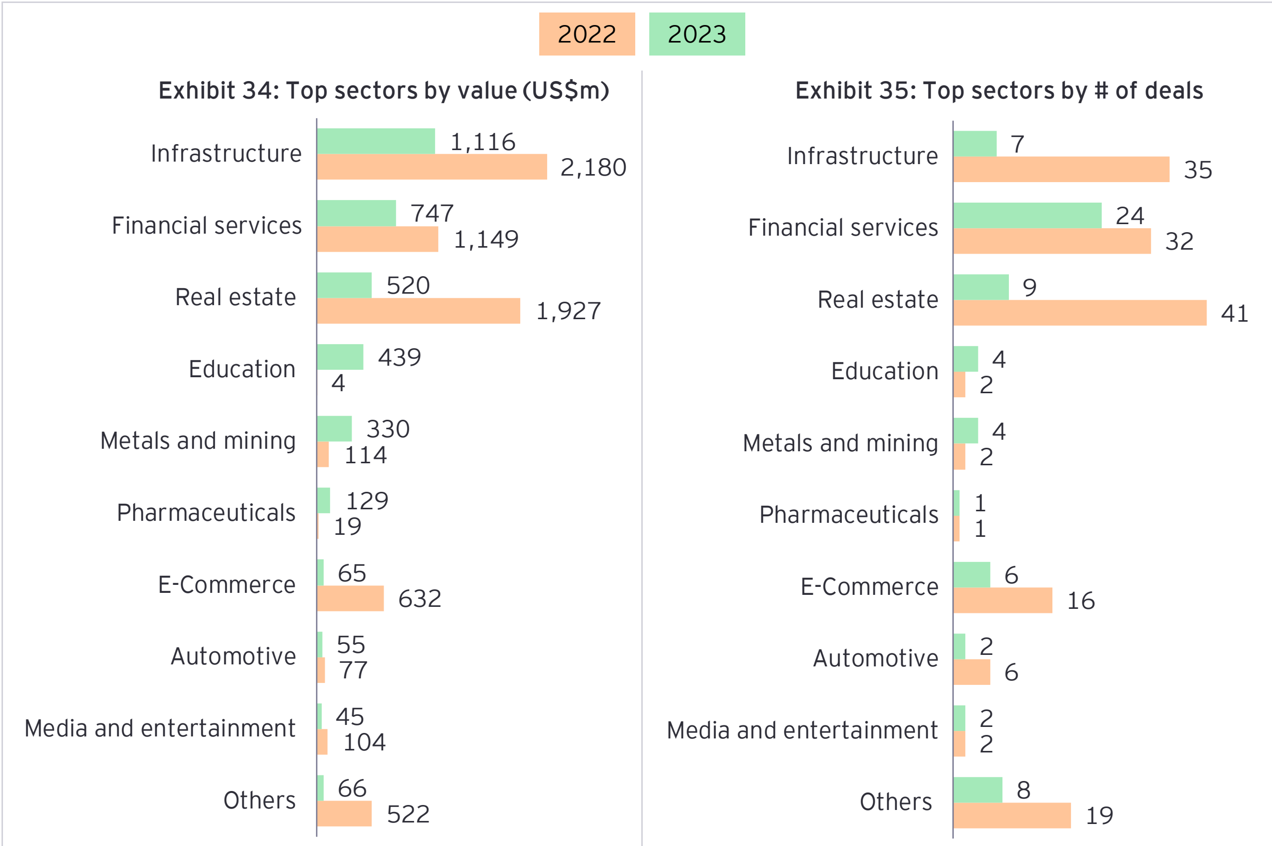


Exhibit 33: Deal size #



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available



Source: EY analysis of VCCEdge data

Exhibit 36: Top private credit investments in 2023

Company/asset	Investors	Sector	Amount (US$m)
TP Solar Limited	U. S. International Development Finance Corporation	Infrastructure	425
Think and Learn Private Limited	Davidson Kempner	Education	250
M3M India Private Limited	PAG	Real estate	200
Jayaswal Neco Industries Limited	Kotak Strategic Situations	Metals and mining	181
Aakash Educational Services Limited	Ranjan Pai's family office	Education	169
Mpower Financing	Goldman Sachs	Financial services	150
India Grid Trust	IFC	Infrastructure	139
Bharat Hotels Limited (The LaLiT Hotel)	Kotak Realty	Real estate	133
GMR Goa International Airport Limited	JP Morgan, Tata Cleantech Capital	Infrastructure	130
Biocon Limited	Kotak Special Situations	Pharmaceuticals	129

Source: EY analysis of VCCEdge data

Large deals increase towards the upper end of the spectrum

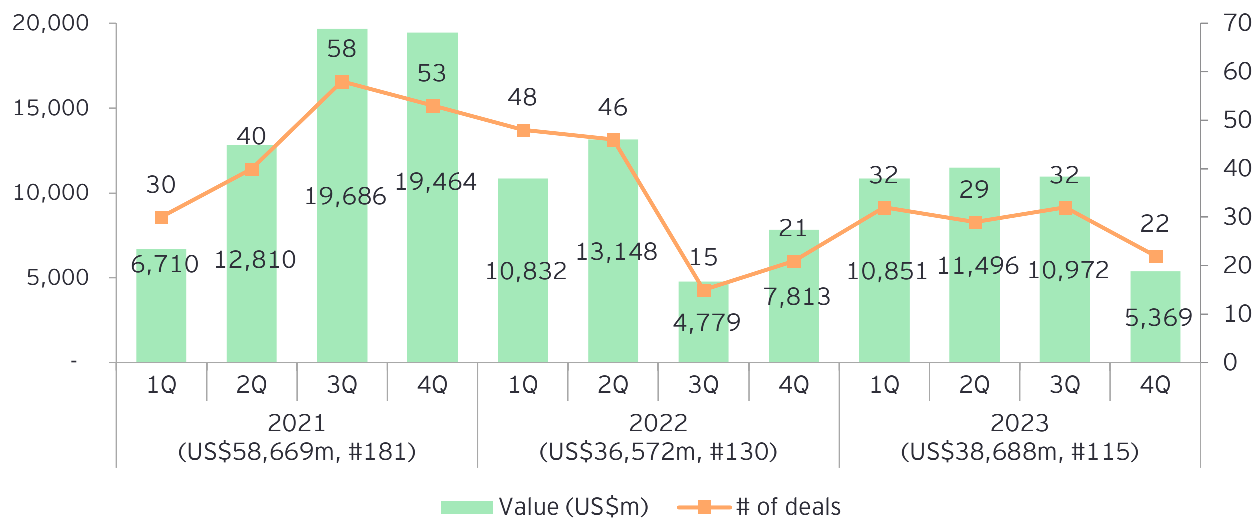
In 2021, the market reached an unprecedented high, driven by a surge in both the number and size of large deals (those valued at US$100 million and above). The volume of large deals nearly doubled, totaling 181 deals, compared to 93 in 2020. However, 2022 witnessed a decline of 28% in the number of large deals and a 37% decrease in their total value.

Similarly, 2023 experienced a 12% reduction in the number of deals (115 deals compared to 130 in 2022). Despite this, the total value of large deals grew by 6%, reaching US$38.7 billion in 2023, compared to US$36.6 billion in 2022. This growth was attributed to six mega deals (valued over US$1 billion), a substantial increase from the two recorded in 2022. Mega deals constituted 25% of the total investments via large deals during the year, marking a notable rise from the 8% share in the previous year.

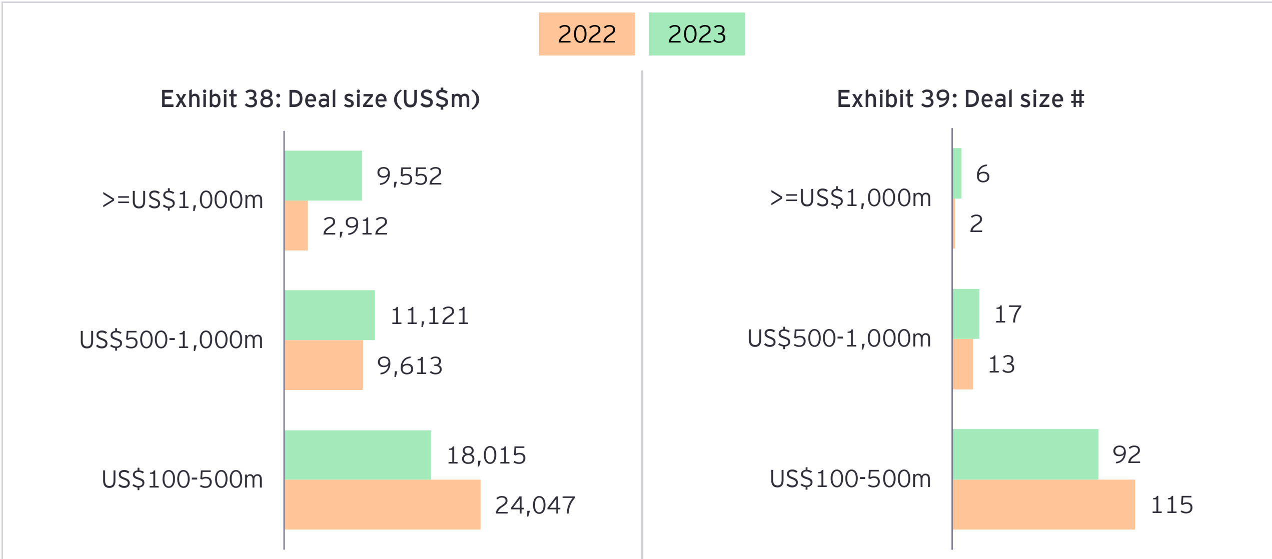
Large deal investments saw a 10% increase in the growth segment and a 20% rise in buyouts. However, there was a significant decline of 51% in startups and 31% in the credit investment segment. Mega buyout deals amounted to US$4.4 billion across three deals, which were absent in 2022. Similarly, mega growth investments doubled in 2023, reaching US$4 billion compared to US$1.8 billion in 2022.

In terms of value, large deals were dominated by infrastructure (US$10.8 billion), real estate (US$7 billion), healthcare (US$4.1 billion), and financial services (US$4 billion). Together, these sectors accounted for two-thirds of the total large deal investment value, which amounted to US$25.9 billion. In terms of the number of deals, infrastructure (29 deals), financial services (20 deals), real estate (15 deals), and technology (nine deals) collectively represented 63% of the total deals >US$100 million.

Exhibit 37: Trend in large deals (value >= US$100m)

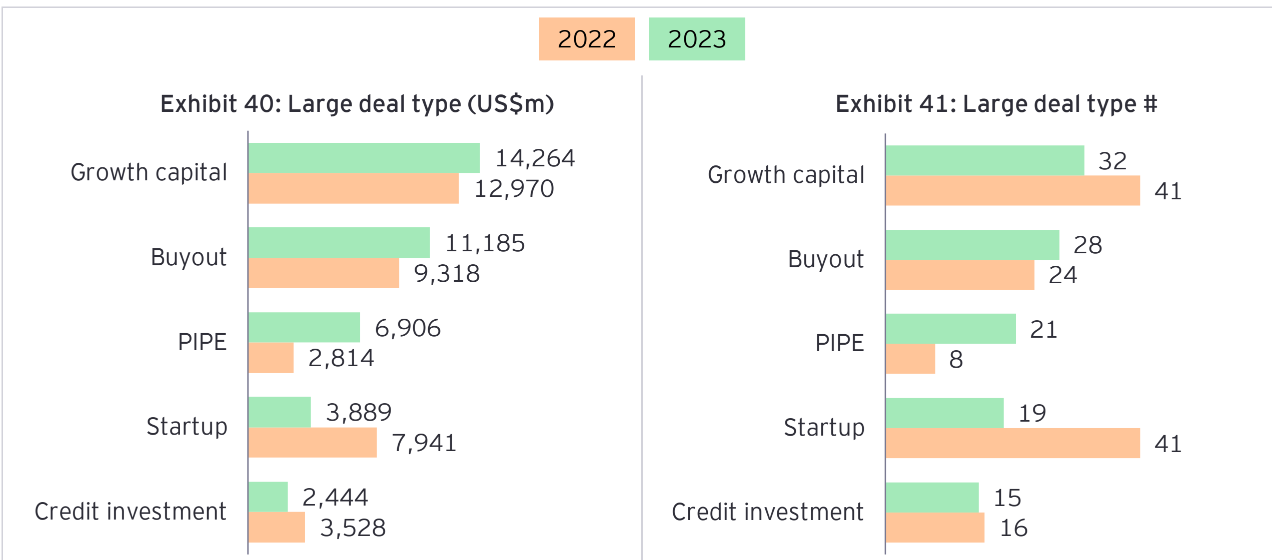


Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available



Source: EY analysis of VCCEdge data

Exhibit 42: Large deals top sectors by value (US$m)

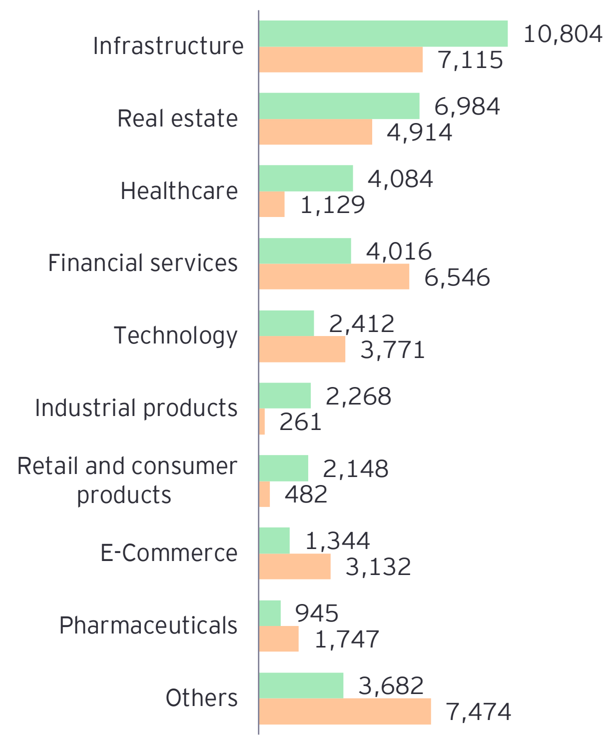
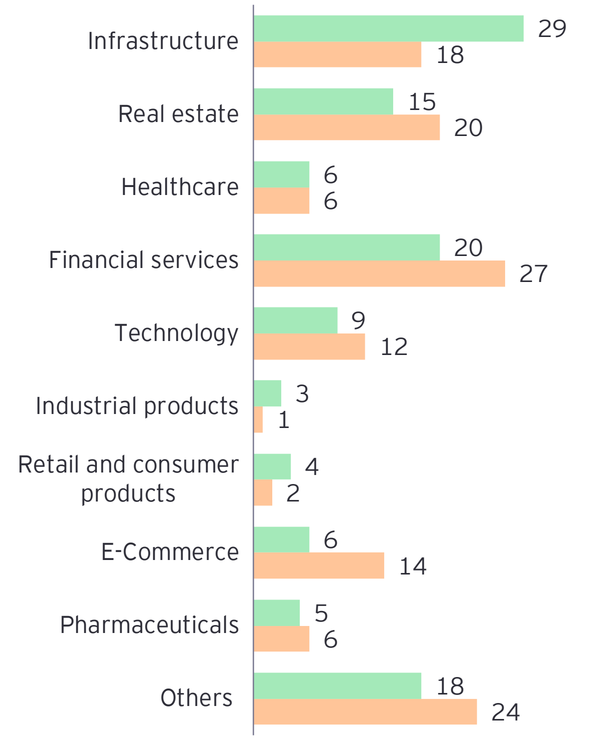


Exhibit 43: Large deals top sectors by # of deals



Source: EY analysis of VCCEdge data

Exhibit 44: Top large deals in 2023

Company/asset	Investors	Sector	Stage	Amount (US$m)	Deal Stake%
300MW hyperscale facility in Navi Mumbai (Digital Edge DC)	AGP DC InvestCo, NIIF, Digital Edge	Real estate	Growth	2,000	NA
Manipal Health Enterprises Private Limited (Manipal Hospitals)	Temasek	Healthcare	Growth	2,000	41
Investment Platform for Office Properties in India	Ivanhoé Cambridge, Mapletree	Real estate	Buyout	1,867	100
Gemstar Infra Pte Limited (Smart Meters JV)	GIC	Industrial products	Buyout	1,480	74
HDFC Credila Financial Services Limited	BPEA EQT, ChrysCapital	Financial services	Buyout	1,105	90
Adani Power Limited	GQG	Infrastructure	PIPE	1,100	8
Avaada Ventures Private Limited	Brookfield	Infrastructure	Growth	1,000	NA
Reliance Retail Ventures Limited	QIA	Retail and consumer products	Growth	1,000	1
Brookfield - Axis Energy Ventures JV2	Brookfield	Infrastructure	Growth	845	NA
Greenko Energy Holdings	GIC, ADIA, Orix	Infrastructure	Growth	700	NA

Source: EY analysis of VCCEdge data

Fundraising continues with the momentum as highest ever number of India focused funds raised in 2023

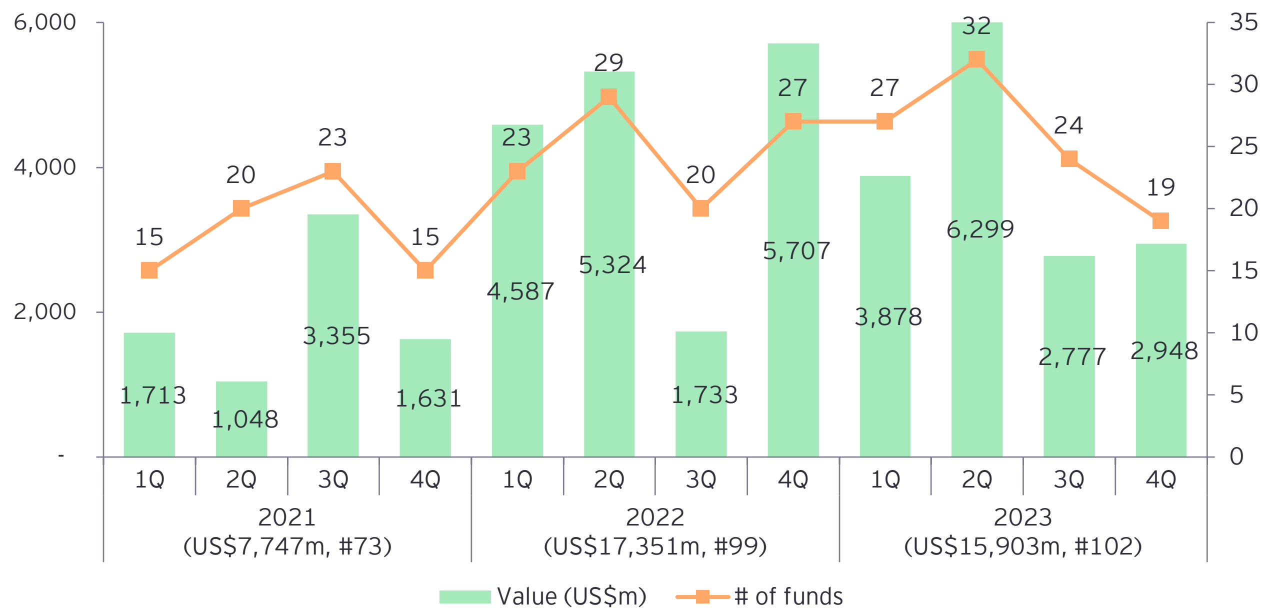
After achieving a record-high fundraising in the previous year at US$17.4 billion, there was an 8% decline in the current year, still marking the second-highest fundraising at US$15.9 billion. Notably, 2023 witnessed a surge in the number of fundraises, reaching an all-time high of 102, compared to 99 in 2022, representing a 3% increase.

The largest fundraising endeavor of 2023 was by New York-based Tiger Global Management, raising a significant US$2.7 billion for its 16th fund, primarily targeting investments in Indian startups. Following next was Kotak Investment Advisors, securing US$1.3 billion for its Kotak Special Situations Fund 2, targeting diverse equity, debt and hybrid instruments across sectors.

Venture capital (VC) funds continued to lead the fundraising arena, raising US$6.5 billion (41% of total funds raised), trailed by Private Equity (PE) funds at US$5.3 billion (33%), and real estate funds at US$1.5 billion (9%). This signals a promising outlook, suggesting that the funding winter for Indian startups may soon thaw, as the bid-ask spread between sellers and investors begins to reduce and substantial dry powder accumulates.

In terms of sectoral allocation, over 48% (US$7.7 billion) of the funds raised were earmarked for sector-agnostic deployment, followed by the technology/internet sector, securing 27% (US$4.3 billion), and the real estate sector 13% (US$2.1 billion) of the total funds.

Exhibit 45: Trend in fundraise



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 46: By sector focus (US$m)

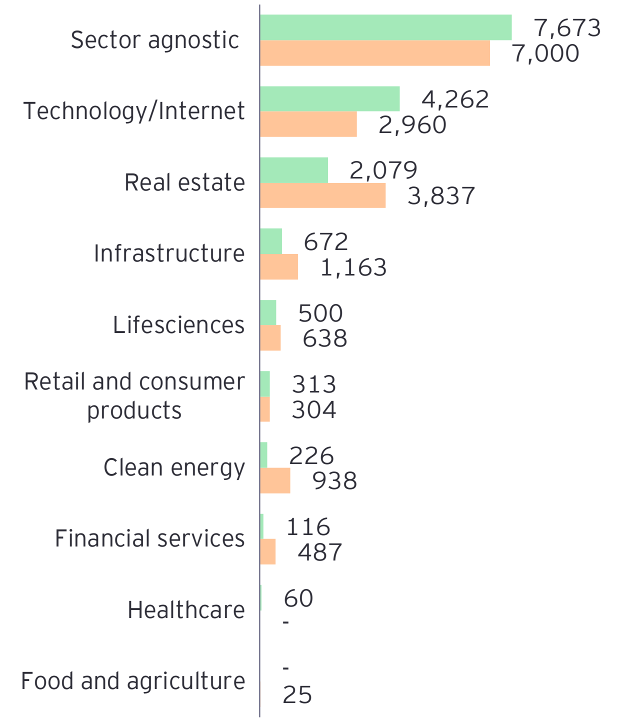
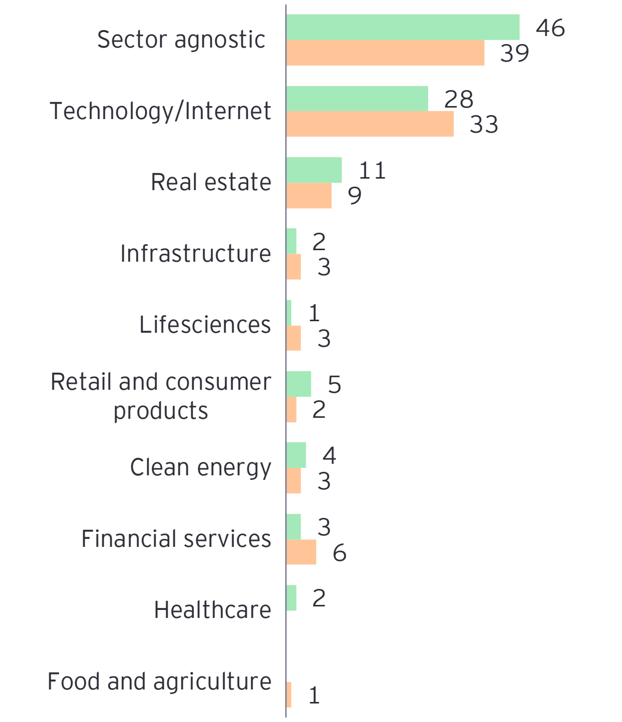


Exhibit 47: By sector focus (# of funds)



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 48: By fund type (US$m)

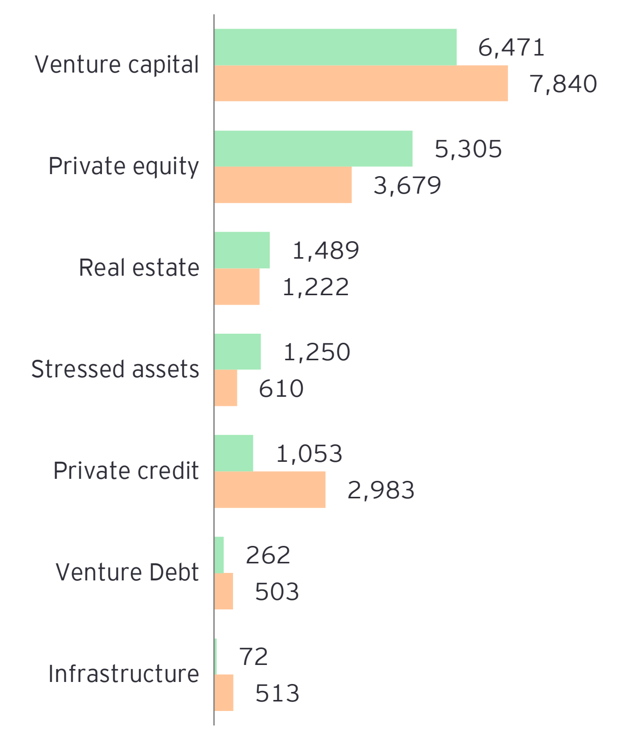
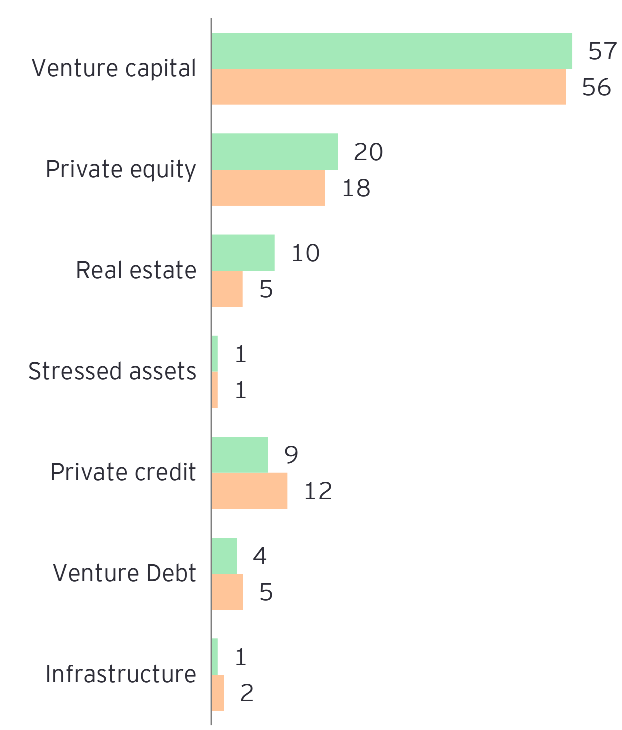


Exhibit 49: By fund type (# of funds)

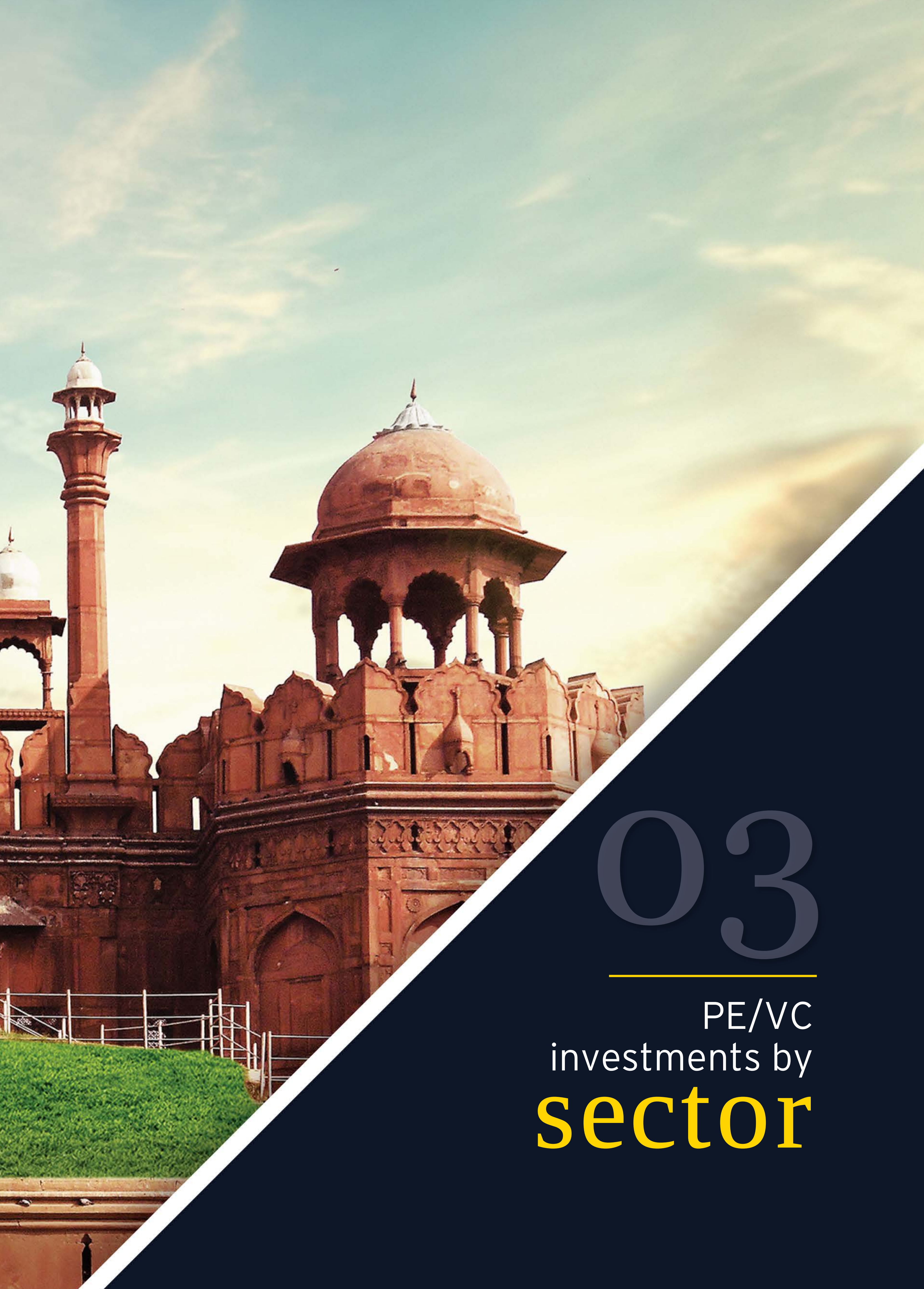


Source: EY analysis of VCCEdge data

Exhibit 50: Top India focused fundraises in 2023

Fund	PE/VC GP	US$m	Strategy
Tiger Global Fund 16	Tiger Global	2,700	Primarily back enterprise startups in India
Kotak Special Situations Fund 2	Kotak	1,250	Deployed in equity, debt capital and hybrid instruments across sectors
Edelweiss Alternatives Special Situation Fund 3	Edelweiss	964	Attractive opportunities offered by robust sales of secondary loans
Nexus Ventures VII	Nexus Venture Partners	700	Artificial intelligence, software-as-a-service (SaaS), fintech, and e-commerce
Multiples PE Fund 4	Multiples	640	Identifying big shifts (primarily technology led) and investing in them at their inflection point, catalyzing transformative growth and investing in platforms for multi-decadal growth potential
India-Japan bilateral climate fund	NIIF	600	Environmental conservation sectors, encompassing renewable energy, e-mobility, and circular economy areas like waste management and water management
Kotak Data Centre Fund	Kotak PE	590	Data center capacity, enterprise cloud, 5G and IoT
Growtheum SEA Fund I	Growtheum Capital Partners	567	As many as 12 deals across Southeast Asia and India
Matrix India Fund 4	Matrix Partners India	550	Consumer technology, B2B, enterprise, and FinTech
Quadria Capital Fund 3	Quadria Capital	500	Healthcare delivery, life sciences, medical technology and associated healthcare services sub-sectors

Source: EY analysis of VCCEdge data



03

PE/VC investments by sector

In 2023, PE/VC investment activity saw prominent trends across sectors, with infrastructure, real estate, financial services, life sciences, and technology dominating, collectively constituting approximately 72% of total investments by value and 55% by deal volume. Notably, the financial services sector, which held the top position in 2022, slid to the third spot in 2023, while the technology sector, previously ranked fourth in 2022, moved to the fifth spot.

Infrastructure and real estate emerged as the leading sectors in 2023. The year witnessed a notable shift, with 10 sectors receiving over US$1 billion in investments, as opposed to 13 in the preceding year. Real estate, healthcare, and industrial products experienced remarkable growth, marking all-time highs with year-on-year increases of 15%, 97%, and an impressive 299%, respectively. Additionally, the retail and consumer products sector surged by 117%.

In contrast, traditionally favored sectors such as financial services, technology, and e-commerce faced a downturn in 2023, recording de-growth rates of 39%, 39%, and 55%, respectively. Sectors that attracted investments in 2022, including media and entertainment, education, food and agriculture, and pharmaceuticals, saw declines of 84%, 60%, 56%, and 50%, respectively. These dynamics underscore the evolving landscape of PE/VC investments, reflecting shifts in investor preferences and market dynamics.

Exhibit 51: Top sectors by value (US$m)

Sectors	2022	2023
Infrastructure	9,021	11,622
Real estate	6,933	7,952
Financial services	10,497	6,383
Healthcare	2,544	5,006
Technology	6,125	3,708
Retail and consumer products	1,210	2,631
Industrial products	658	2,630
E-Commerce	5,367	2,440
Automotive	1,055	1,429
Education	2,621	1,045
Pharmaceuticals	2,076	1,039
Food and agriculture	2,112	939
Business and professional services	167	700
Logistics and transportation	1,356	677
Media and entertainment	3,559	575
Metals and mining	194	345
Cement and building products	214	337
Aerospace and defense	139	165
Telecommunications	249	100
Chemicals	47	39
Oil and gas		4

Source: EY analysis of VCCEdge data

Exhibit 52: Top sectors by # of deals

Sectors	2022	2023
Financial services	250	161
Technology	191	118
E-Commerce	162	85
Healthcare	72	63
Infrastructure	75	57
Real estate	95	55
Food and agriculture	94	53
Retail and consumer products	62	49
Media and entertainment	50	40
Automotive	40	39
Industrial products	20	33
Education	67	27
Logistics and transportation	25	20
Pharmaceuticals	25	16
Aerospace and defense	12	14
Metals and mining	3	7
Business and professional services	18	6
Cement and building products	5	4
Chemicals	3	3
Oil and gas		2
Telecommunications	4	1

Source: EY analysis of VCCEdge data

The following section covers key highlights of some of the prominent sectors in 2023:

Infrastructure sector regains prominence and records the highest PE/VC investments in 2023

The infrastructure sector witnessed a remarkable surge in PE/VC investments, totaling US$11.6 billion across 57 deals in 2023, reflecting a robust year-on-year growth of 29% and solidifying its position as the most attractive sector. Representing nearly 23% of the total investments for the year, the infrastructure sector has consistently gained traction, with 75% of the total PE/VC investments over the past decade occurring in the last five years, amounting to US$43.5 billion.

These investments in infrastructure played a crucial role in mitigating the overall decline in pure-play PE/VC investments, which experienced a 25% year-on-year decrease, marking the second-worst performance since the low point in 2020. Notably, pension funds and sovereign wealth funds emerged as key contributors, contributing 30% of total PE/VC investments since 2018.

The infrastructure sector saw a significant increase in large deals, with 29 transactions greater than US$100 million, contributing to nearly 93% of the total PE/VC investments in 2023, compared to US$7.1 billion across 18 deals in 2022. Furthermore, 2023 witnessed eight billion-dollar-plus deals, up from five in 2022, primarily concentrated in renewables (US$6.9 billion across 14 deals), roads and highways (US$2 billion across six deals), and ports (air and sea) (US$1.3 billion across five deals).

Renewables took center stage, attracting 63% of all infrastructure PE/VC investments in 2023, fueled by increasing global awareness of climate change and the growing demand for sustainable energy solutions. The sector, bolstered by government policies, is poised for continued growth and increased investments in the coming years.

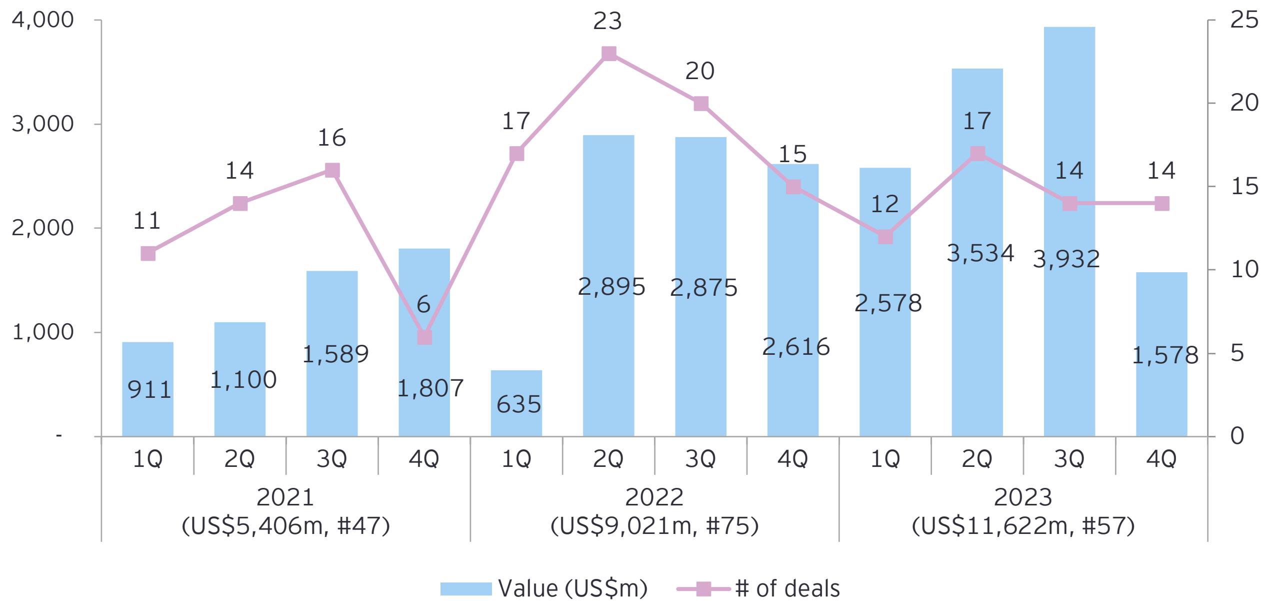
The upswing of PE/VC investments in infrastructure sector is also attributable to a growing pipeline of government-backed assets. PE investors in India express optimism in the country's infrastructure growth story, particularly in the social sector and in renewable projects. Core infrastructure sectors, including roads, transmission, renewables, ports, and airports, are experiencing substantial deal flow.

The PM Gati Shakti Master Plan, with an estimated worth of US$10 trillion, is a key driver, encouraging investments in integrated infrastructure facilities across various transport modes. This initiative is leading to the development of yield-generating assets, forming an attractive investment pipeline for PE/VC investors.

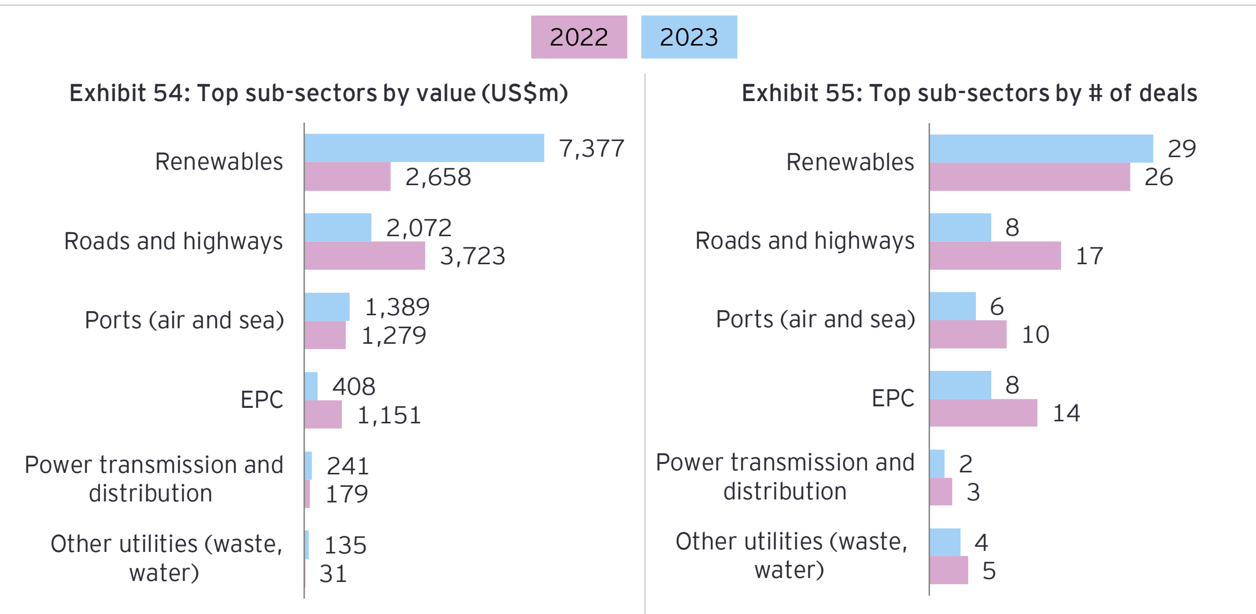
Moreover, the government's emphasis on decarbonization and the ambitious plan to establish 500GW of renewable capacity by 2030 are driving significant investments in the renewables space. PE/VC investments in renewables are often channeled through platforms involving both greenfield and brownfield development.

Investment Trusts (InvITs) are gaining prominence as a fast-growing investment structure, constituting 16% of the infrastructure PE/VC investments since 2018. This trend is expected to continue, offering an effective means for unlocking capital for government and corporate entities alike as more assets are developed.

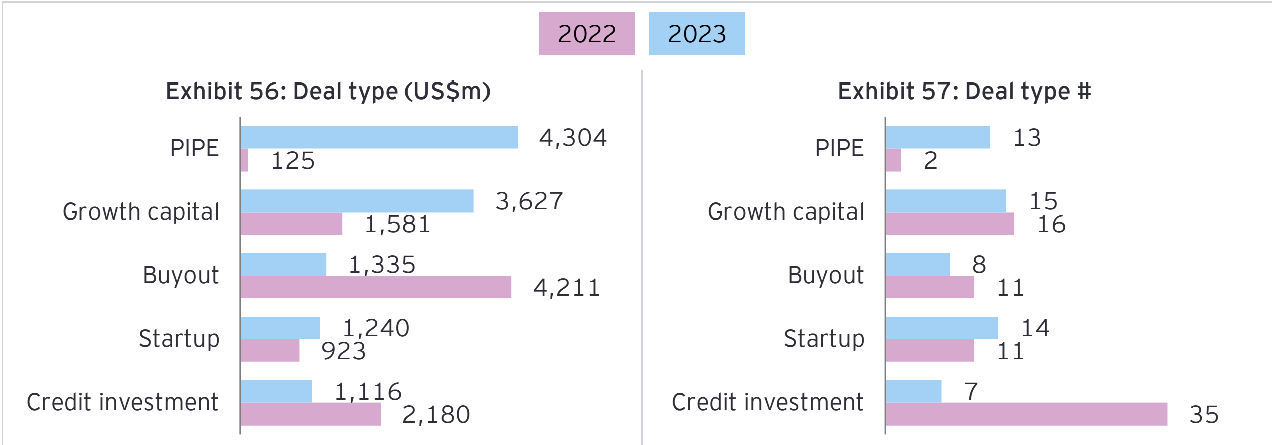
Exhibit 53: Trend in investments in infrastructure sector



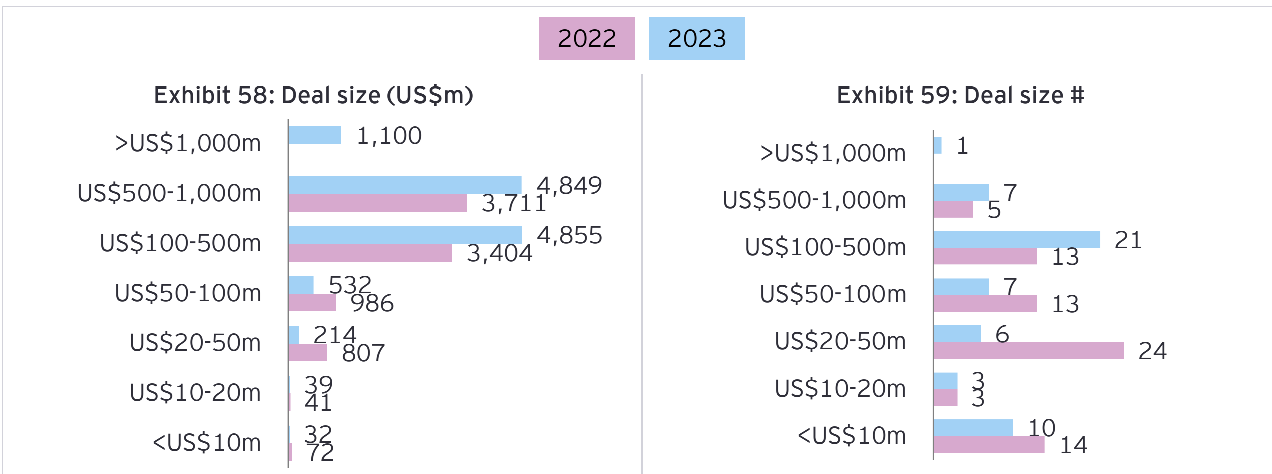
Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available.

Exhibit 60: Top infrastructure sector investments in 2023

Company/asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake%
Adani Power Limited	GQG	Renewables	PIPE	1,100	8
Avaada Ventures Private Limited	Brookfield	Renewables	Growth	1,000	NA
Brookfield - Axis Energy Ventures JV2	Brookfield	Renewables	Growth	845	NA
Greenko Energy Holdings	GIC, ADIA, Orix	Renewables	Growth	700	NA
Adani Ports and Special Economic Zone Limited	GQG	Ports (air and sea)	PIPE	640	4
Cube Highways InvIT	BCI, Mubadala and others	Roads and highways	PIPE	637	NA
IndInfravit Trust	CPPIB, OMERS Infrastructure	Roads and highways	PIPE	527	NA
Hexa Climate Solutions Private Limited	I Squared Capital	Renewables	Startup	500	NA
Adani Green Energy Limited (AGEL)	QIA	Renewables	PIPE	474	3
TP Solar Limited	U. S. International Development Finance Corporation	Renewables	Credit	425	NA

Source: EY analysis of VCCEdge data

Real estate sector records all-time high PE/VC investments driven by large investments in commercial real estate and data centers

The real estate sector emerged as the second most attractive industry for PE/VC investors, following closely behind infrastructure. In 2023, the sector achieved a historic high with investments totaling US$8 billion across 55 deals, reflecting a notable year-on-year growth of 15% (compared to US$6.9 billion across 95 deals in the previous year). This surge can be attributed primarily to large deals exceeding US$100 million, which accounted for US$7 billion in 2023, a significant increase from the US$4.9 billion recorded in 2022. Notably, these large deals were concentrated in data centers and commercial projects.

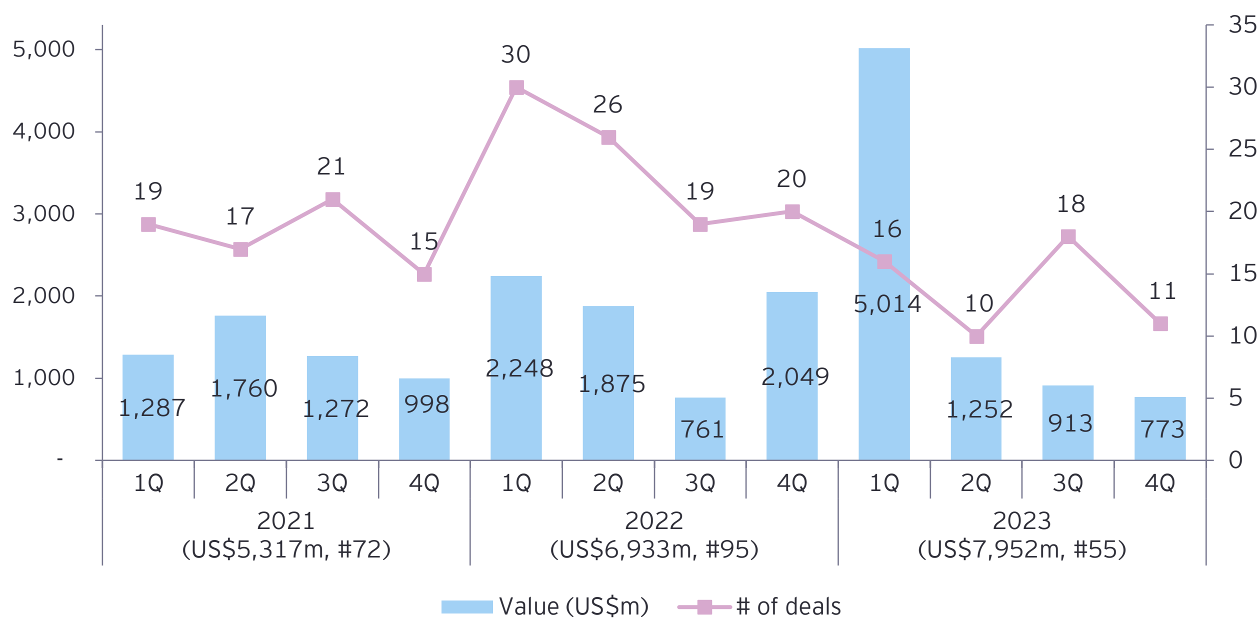
PE/VC investments within the real estate sector have predominantly taken the form of growth and buyout transactions, with investors seeking ownership of yield-generating assets. The commercial real estate segment garnered the majority of investments, constituting nearly 42% of the sector's total, followed by data centers, which accounted for 30% of the overall investments.

Investor confidence in the Indian real estate market is on the rise, reflecting improvements in the broader economy and the real estate industry. Despite challenges faced by the office market in 2020 and 2021 due to the COVID-19 pandemic and lockdowns, the trend is now reversing. The adoption of hybrid work models is revitalizing demand for office spaces, driven by the enhanced value provided by collaborative work environments, ultimately boosting productivity.

In the coming years, data centers are poised to attract substantial investments, with a projected US$10 billion influx over the next three years according to a report by industry body CII. The report anticipates the data center stock to exceed 23 million square feet by 2026, accommodating a total capacity of around 1800 MW. Investors are capitalizing on the data Center revolution, leveraging data localization efforts, and seeking stable income and better yields.

The industrial and logistics sectors in India are also witnessing significant attention from global institutional investors and developers. In 2023, Prologis, the world's largest warehouse owner, entered the Indian market. The logistics and warehousing sector in India has experienced notable growth, propelled by factors such as the explosion in e-commerce, streamlined tax structures with GST implementation, improved transportation infrastructure, and government initiatives like 'Make in India' and 'Atmanirbhar Bharat,' have encouraged investments in logistics and warehousing.

Exhibit 61: Trend in investments in real estate sector



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 62: Top sub-sectors by value (US$m)

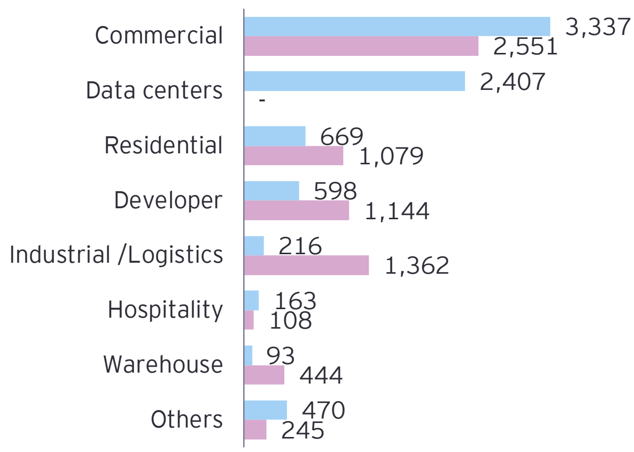
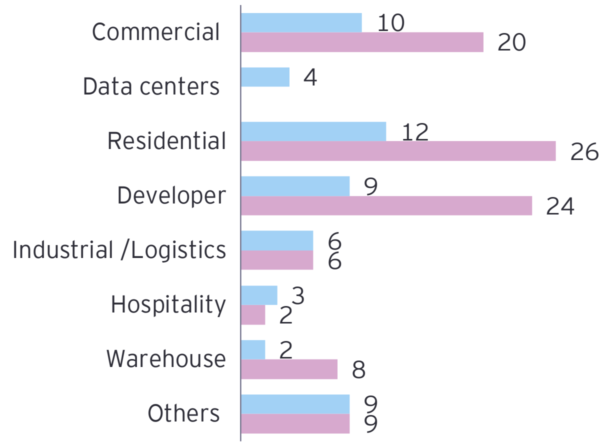


Exhibit 63: Top sub-sectors by # of deals



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 64: Deal type (US$m)

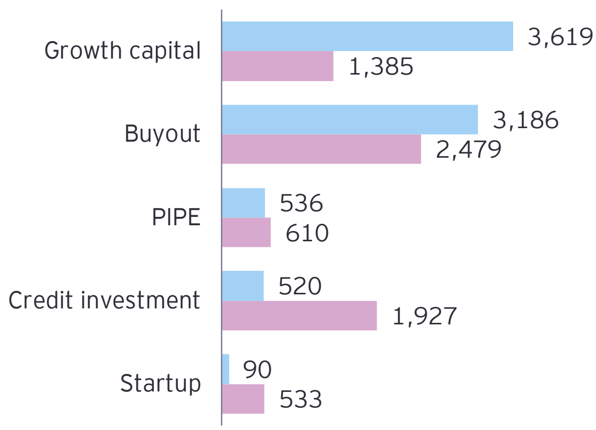
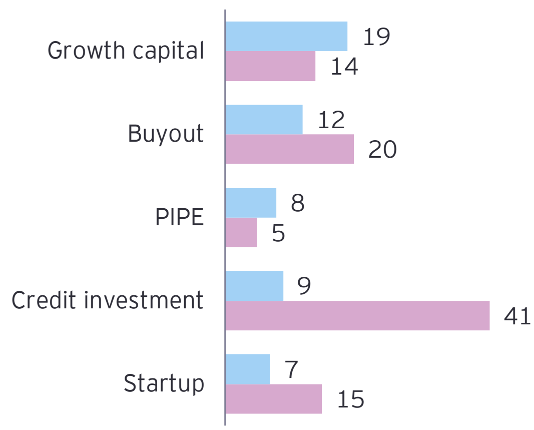


Exhibit 65: Deal type #



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 66: Deal size (US$m)

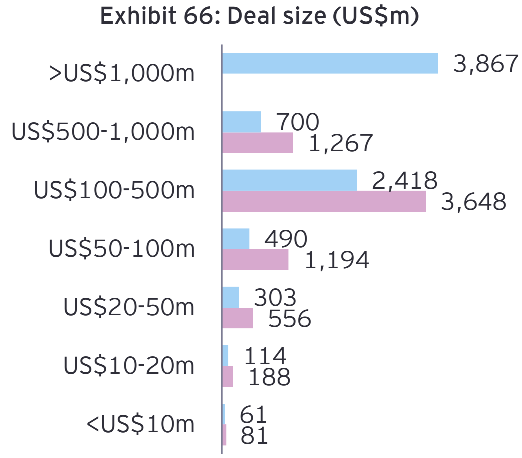
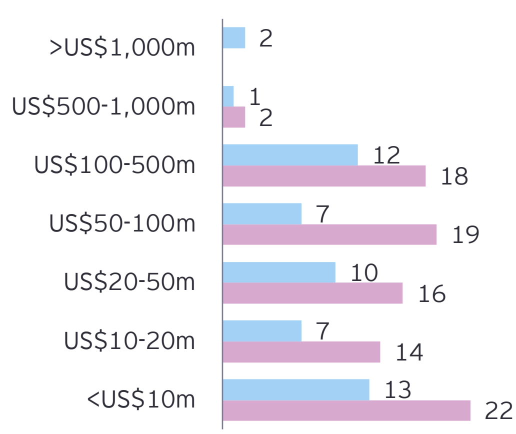


Exhibit 67: Deal size #



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available

Exhibit 68: Top real estate sector investments in 2023

Company/asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake%
300MW hyperscale facility in Navi Mumbai (Digital Edge DC)	AGP DC InvestCo, NIIF, Digital Edge	Data centers	Growth	2,000	NA
Investment Platform for Office Properties in India (CDPQ and Temasek)	Ivanhoé Cambridge (CDPQ), Mapletree (Temasek)	Commercial	Buyout	1,867	100
JV with Brookfield REIT for Two Large Commercial Assets totaling 6.5 million sq ft	GIC	Commercial	Growth	700	50
Data Infrastructure Trust	BCI	Data centers	PIPE	335	7
Good Host Spaces Private Limited	Alta Capital	Others	Buyout	320	100
Rostrum Realty Private Limited	Brookfield	Commercial	Buyout	305	51
TSI Business Parks (Hyderabad) Private Limited (Waverock)	GIC	Commercial	Buyout	259	100
M3M India Private Limited	PAG	Developer	Credit	200	NA
Pragati Warehousing Private Limited	Singapore-based Private Equity fund	Developer	Growth	200	NA
HDFC Capital Advisors and the House of Abhinandan Lodha JV	HDFC Capital	Residential	Growth	183	50

Source: EY analysis of VCCEdge data

Financial services sector dominated deal activity, with NBFCs emerging as the primary focus for PE/VC investors, while FinTech assumed a secondary role

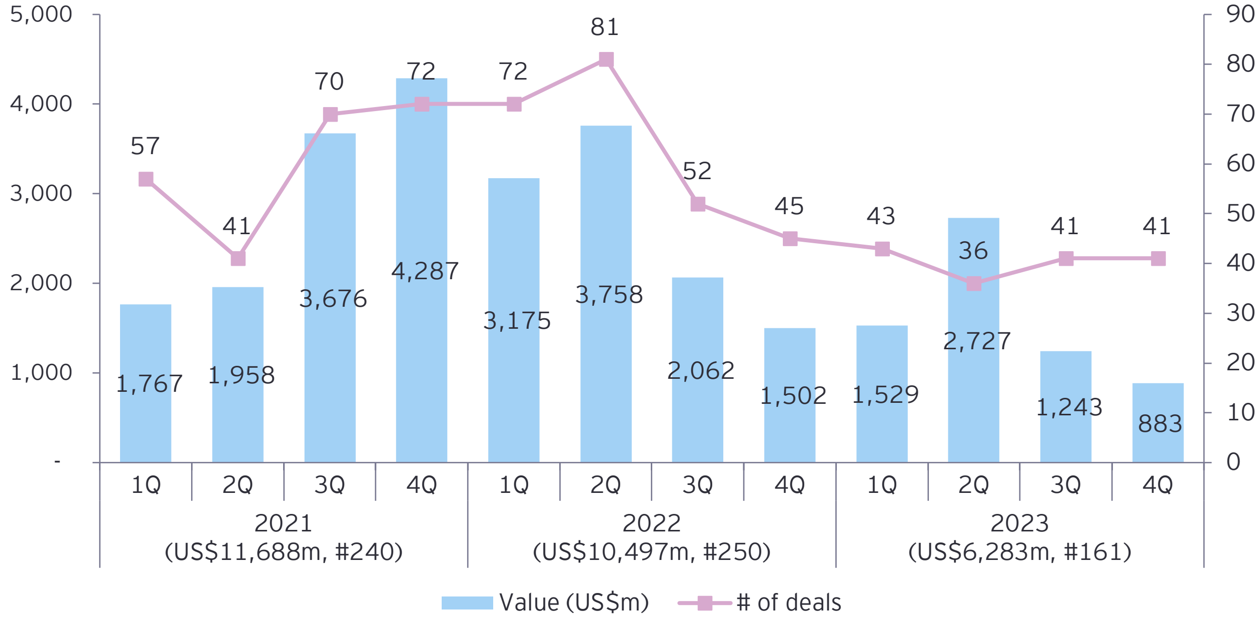
In 2023, the financial services sector, once the leading performer, found itself in the third position behind infrastructure and real estate, attracting PE/VC investments, totaling US$6.4 billion. Notwithstanding this decline in value, the sector retained its prominence as the top performer in the pure play PE/VC asset class for the year. The decline in value was primarily attributed to a notable decrease in the deal momentum in the startup space, especially in the FinTech segment, with 161 deals in 2023 compared to 250 in the previous year. Despite this, it registered the highest number of deals in 2023.

The financial services sector has consistently proven to be a versatile arena for alternative investments, closely mirroring economic trends and serving as a reliable indicator of India's long-term growth story for investors. Notably, Non-Banking Financial Companies (NBFCs) emerged as a focal point for PE/VC investors, attracting an investment of US$2.7 billion in 2023, constituting 43% of the total PE/VC investments in the financial services sector. This trend overshadowed FinTech, which, despite being the top sector in the previous year, experienced a more than 50% decline in both value and the number of deals, landing in the second spot in 2023.

The shift in investor interest towards traditional businesses like NBFCs, Housing Finance Companies (HFCs), and banks is noteworthy, driven by regulatory headwinds affecting the growth of FinTech models such as payment banks, crypto exchanges, and buy now pay later (BNPL) services. The future outlook for NBFCs in India appears promising, fueled by factors such as the ongoing digital revolution, the growing GDP and demand for credit. Government support, including liquidity provisions and initiatives like the partial credit guarantee scheme, aims to address challenges faced by these sectors as financial penetration increases.

The trajectory of FinTech is undergoing a transformative shift, with the anticipated rise in middle-class household consumption presenting substantial growth opportunities for financial products. This, coupled with technological advancements, is expected to generate significant demand in the segment. However, regulatory changes remain a source of vulnerability for the evolving FinTech sector, as both the industry and regulators continue to adapt to its dynamic nature.

Exhibit 69: Trend in investments in financial services sector



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 70: Top sub-sectors by value (US$m)

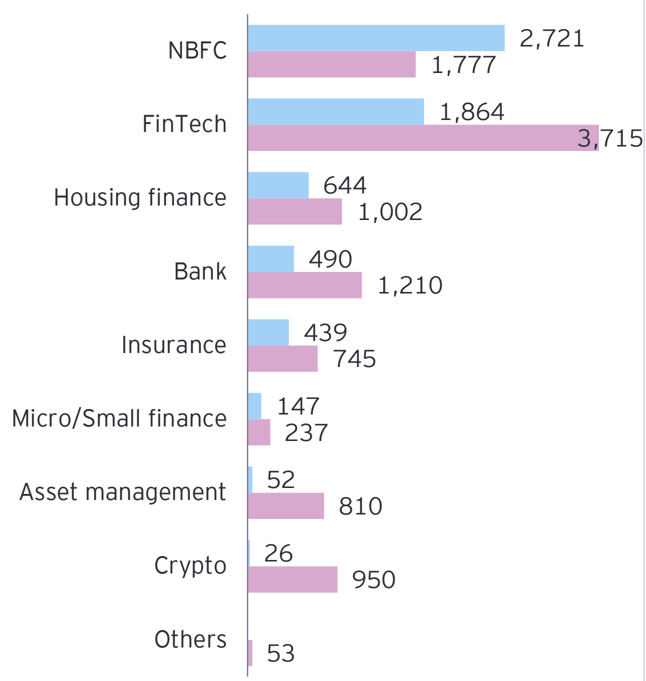
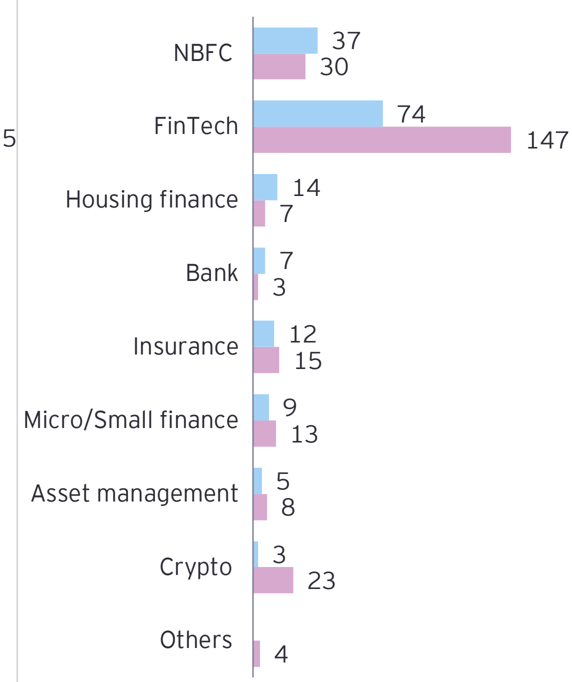


Exhibit 71: Top sub-sectors by # of deals



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 72: Deal type (US$m)

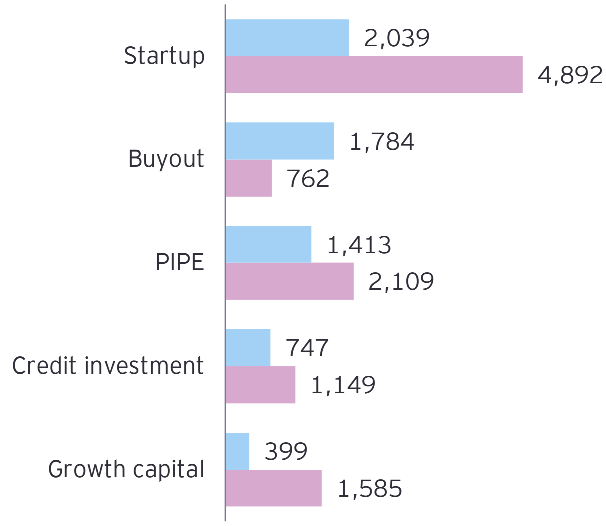
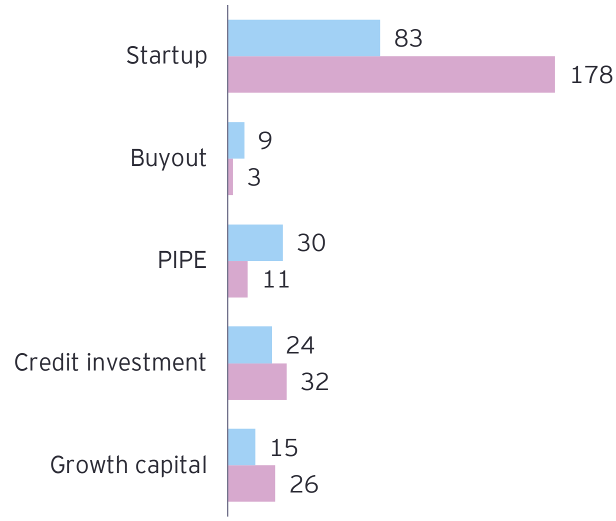


Exhibit 73: Deal type #



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 74: Deal size (US$m)

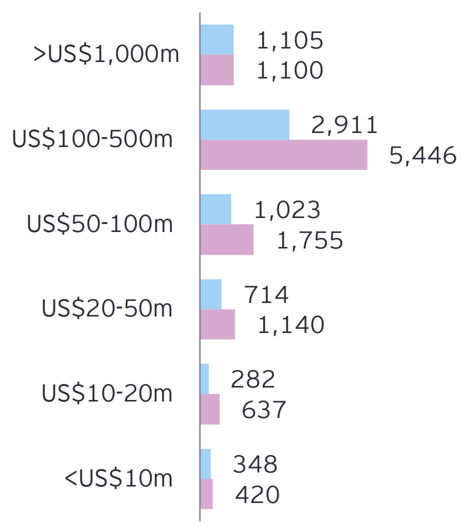
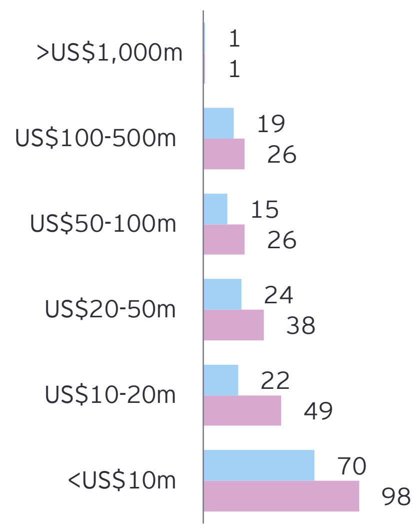


Exhibit 75: Deal size #



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available

Exhibit 76: Top financial services sector investments in 2023

Company/asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake%
HDFC Credila Financial Services Limited	BPEA EQT, ChrysCapital	NBFC	Buyout	1105	90
Indiabulls Housing Finance SPV	Oaktree Capital	Housing finance	Buyout	366	60
PhonePe Private Limited	General Atlantic	FinTech	Startup	350	3
Aditya Birla Capital Limited	ADIA, MIT, Blackrock	NBFC	PIPE	213	4
IDFC First Bank Limited	GQG	Bank	PIPE	184	3
Adani Capital Private Limited	Bain Capital	NBFC	Buyout	176	90
Shriram Finance Limited	GIC	NBFC	PIPE	172	2
Mpower Financing	Goldman Sachs	FinTech	Credit	150	NA
Veritas Finance Private Limited	Avendus, IFC and Multiples	NBFC	Startup	146	NA
The Federal Bank Limited	IFC	Bank	PIPE	117	3

Source: EY analysis of VCCEdge data

Life sciences sector has seen a renewed interest

Over the past five years, the life sciences sector in India has showcased a remarkable Compound Annual Growth Rate (CAGR) of 24% in PE/VC investments. The year 2023 witnessed an unprecedented milestone with PE/VC investments in the life sciences sector, reaching a historic high of US$6 billion across 79 deals. Notably, there were 13 buyouts in total, with 10 in healthcare and three in pharmaceuticals.

Buyouts and growth investments predominantly shaped PE/VC activity in the life sciences sector, with large deals (exceeding US$100 million) constituting a substantial portion. Pharmaceuticals saw large deals accounting for 91% of total investments across five deals, while healthcare recorded 82% across six deals.

API/intermediates made up 82% of total investments, followed by formulations at 14%. In the healthcare sector, investments were primarily directed towards hospitals/clinics (90% of total PE/VC investments), followed by health tech and medical devices.

Post-pandemic, the life sciences sector has witnessed renewed interest, initially fueled by growth in the pharmaceuticals sector and currently driven by the healthcare sector. This growth is attributed to increasing healthcare demand due to rising disposable incomes, heightened health awareness, and an uptick in chronic and lifestyle diseases.

Three pivotal factors have contributed to this transformation: the global reevaluation of pharmaceutical supply chains following the COVID-19 pandemic, favoring India, government policies such as the Ayushman Bharat health insurance scheme and the National Digital Health Mission (NDHM) and post pandemic increase in importance and money allocation towards healthcare by Indians across all economic strata.

While pharmaceuticals and healthcare services were the primary themes in the life sciences sector, new themes like digital health, consumer health, self-care, medical devices and technology, point-of-care devices, animal health, drug discovery, and biotech have gained prominence in the last two to three years.

Investors find the life sciences sector attractive due to familiarity with assets, rigorous due diligence, and consistent high governance standards.

Key PE/VC investment trends in 2023 in the life sciences sector:

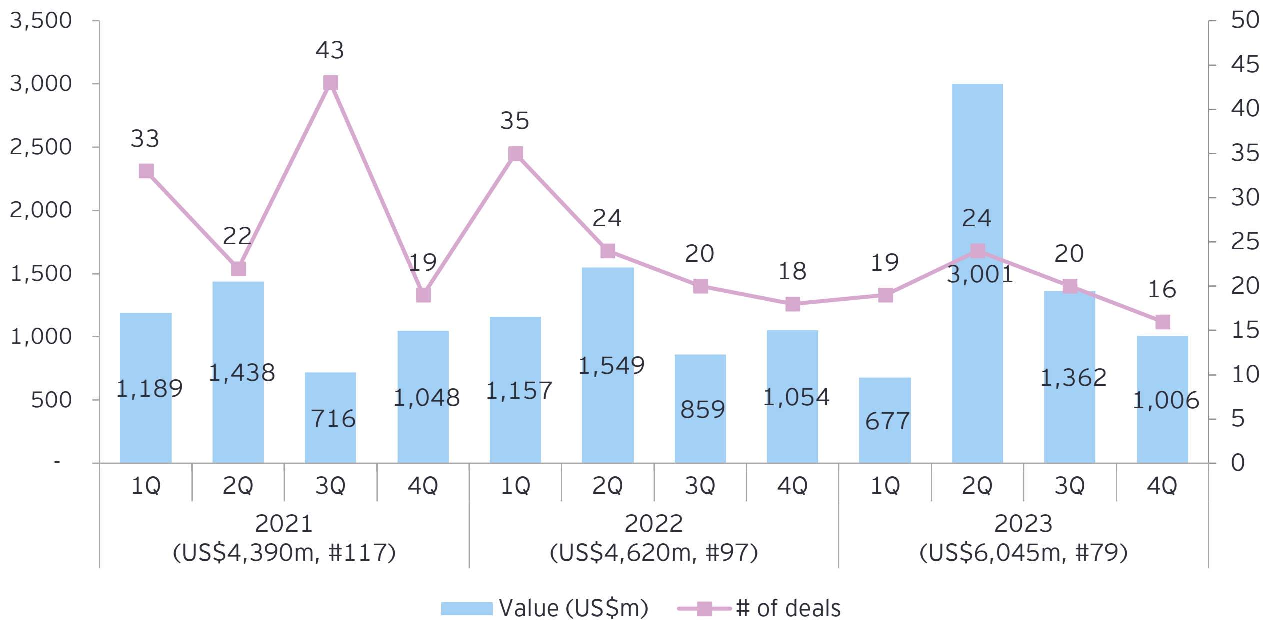
Shift towards larger deals: Notably, there has been a material shift towards larger deal sizes in the life sciences sector. Average deal sizes in this sector have surged from around US$26 million in 2018 to US$84 million in 2023. This substantial increase can be chiefly attributed to the rise in the number of buyouts.

Record-breaking buyouts in 2023: The year 2023 has marked a record in the life sciences sector with an impressive count of 13 buyouts, the highest ever recorded in this domain. Among these, the most prominent is BPEA EQT's US$600 million buyout of Indira IVF, standing as the largest buyout within the healthcare sector.

Landmark deal by Temasek: A landmark transaction in 2023 involves Temasek's acquisition of a 41% stake in Manipal Health for US$2 billion, subsequently raising its overall ownership stake to 59%. This is the largest deal in the sector in India. The Temasek-Manipal deal is representative of a growing trend of buyouts by global PE / SW funds in the Indian healthcare sector. This trend closely aligns with global patterns where prominent PE firms such as Blackstone, Apollo, Carlyle, KKR, and Warburg Pincus have executed sizeable control deals, primarily concentrated in hospitals, and extending to sectors like nursing homes, health information technology, staffing companies, medical supplies, and health tech.

The healthcare sector is experiencing pronounced benefits from the rising PE interest, primarily due to its capital-intensive nature and the extended period required to attain breakeven and satisfactory profitability. PE investments provide a substantial financial cushion to the management, allowing them to concentrate on implementing growth strategies that include vital elements such as capital expenditure, infrastructure development, digital solutions, and robust marketing initiatives.

Exhibit 77: Trend in investments in life sciences sector



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 78: Deal type (US$m)

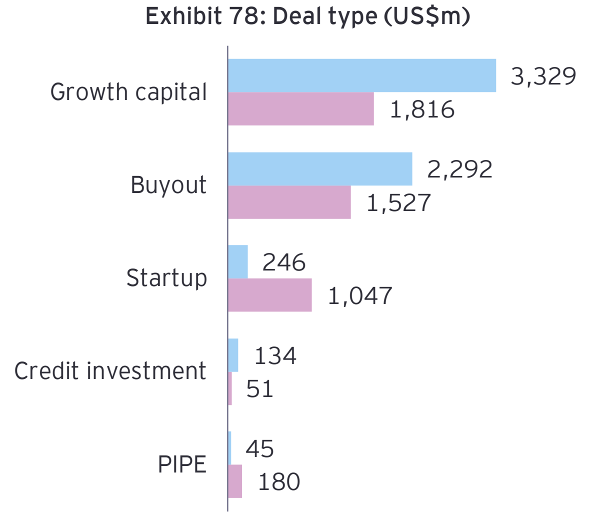
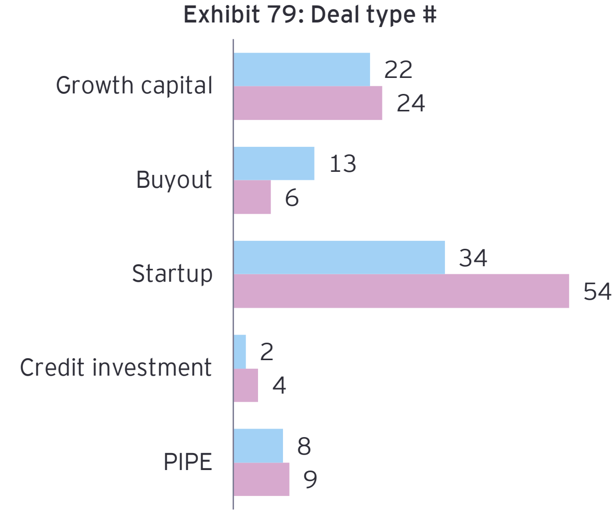
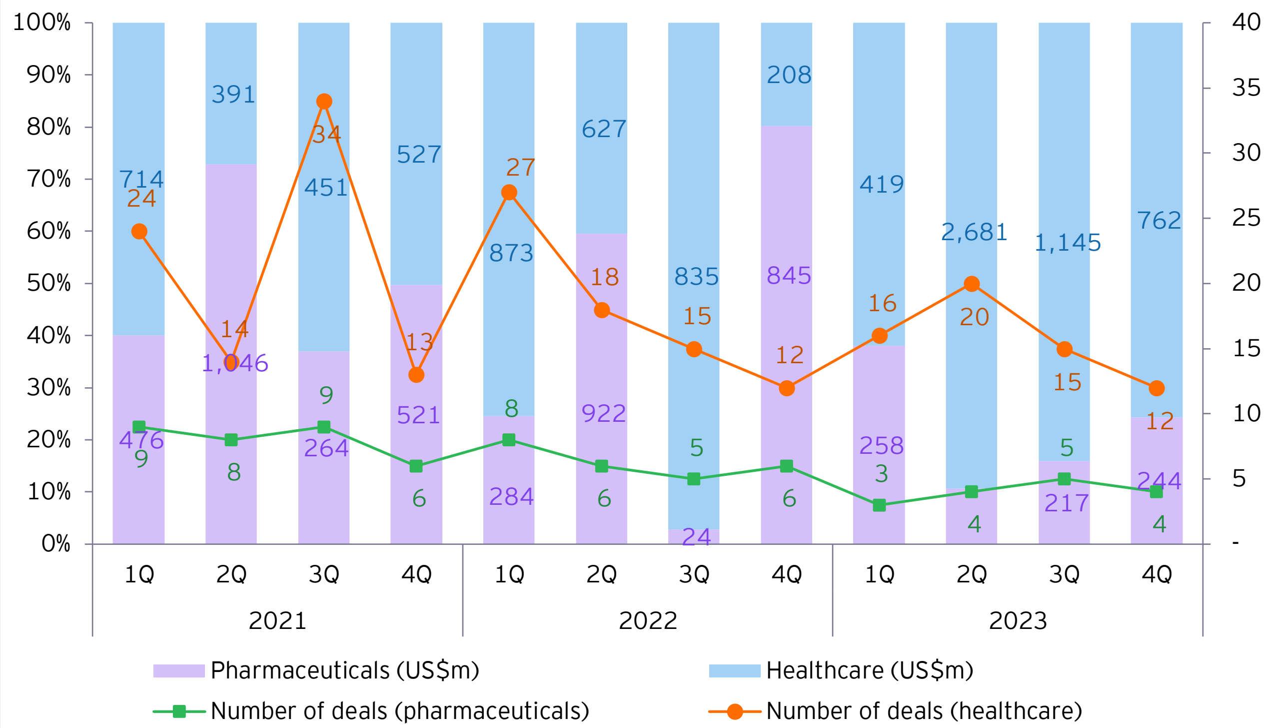


Exhibit 79: Deal type #

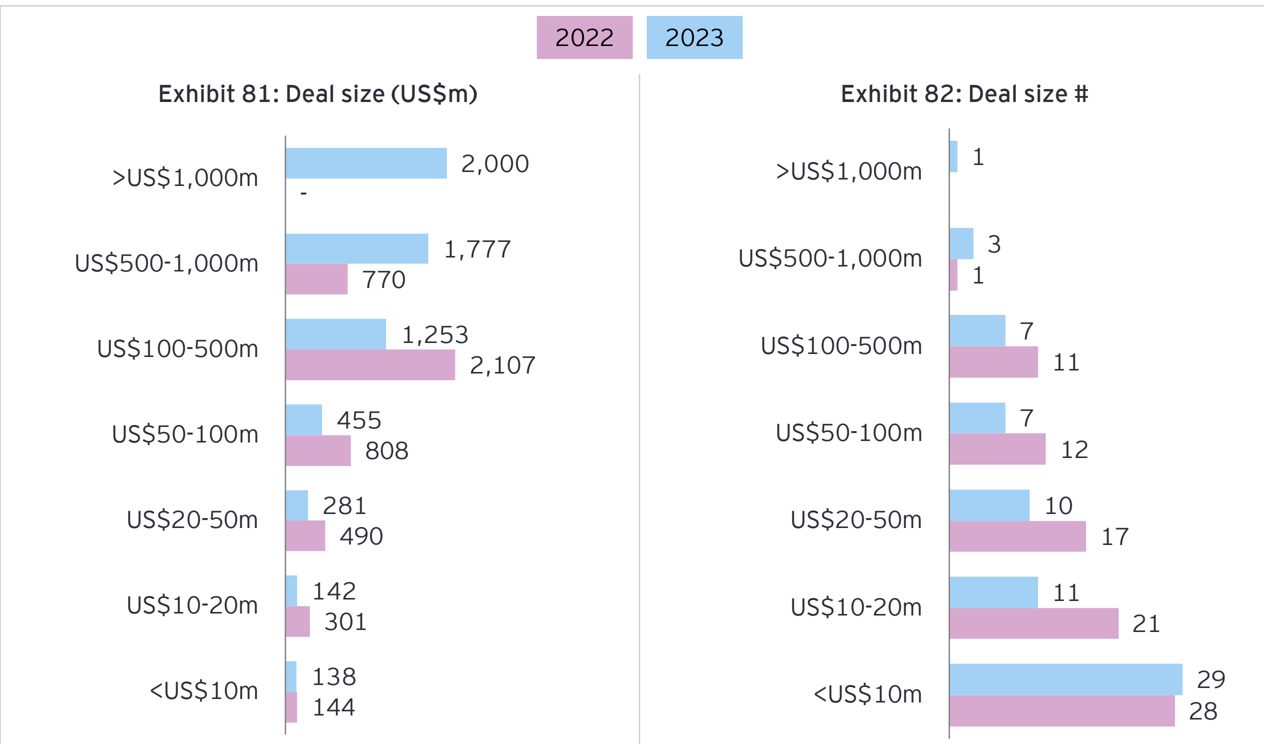


Source: EY analysis of VCCEdge data

Exhibit 80: PE/VC investments in life sciences sector split between pharmaceuticals and healthcare



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available

2022 2023

Exhibit 83: Top sub-sectors in pharmaceuticals by value (US$m)

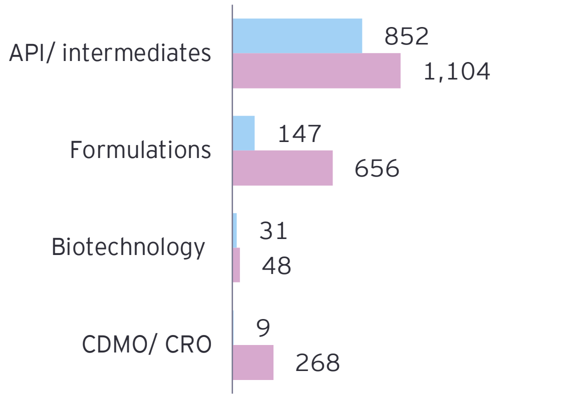
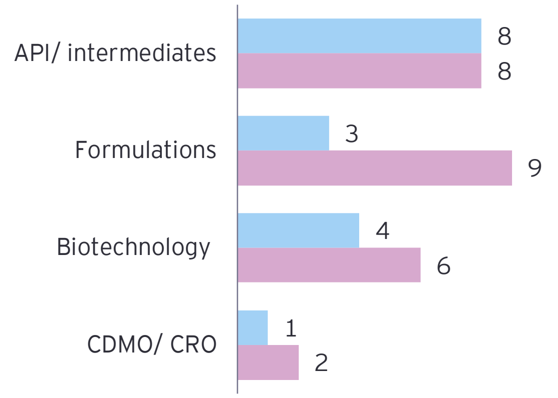


Exhibit 84: Top sub-sectors in pharmaceuticals by # of deals



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 85: Top sub-sectors in healtcare by value (US$m)

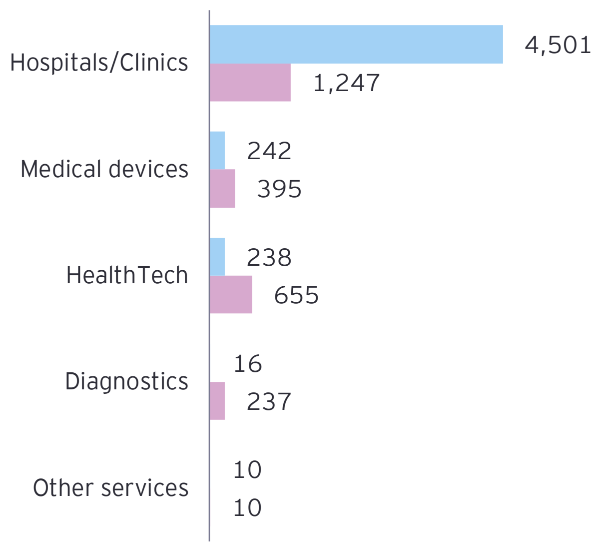
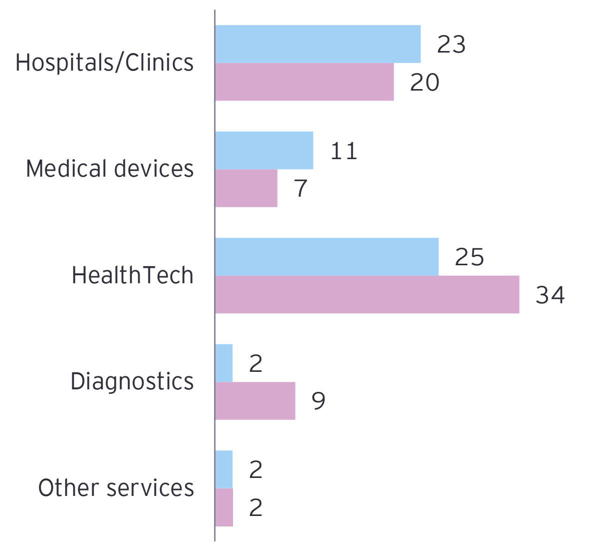


Exhibit 86: Top sub-sectors in healtcare by # of deals



Source: EY analysis of VCCEdge data

Exhibit 87: Top pharmaceuticals sector investments in 2023

Company/asset	Investors	Sector	Stage	Amount (US$m)	Deal Stake%
Porus Laboratories Private Limited	Bain Capital	API/intermediates	Buyout	293	100
IQuest Enterprises	Kotak Strategic Situation	API/intermediates	Growth	200	NA
Ind Swift Laboratories Limited	India Resurgence Fund	API/intermediates	Buyout	199	100
Biocon Limited	Kotak Special Situation	API/intermediates	Credit	129	NA
Synokem Pharmaceuticals Limited	TA Associates	API/intermediates	Buyout	125	NA
Plasmagen Biosciences Private Limited	Artian Investments, Eight Roads, F Prime and others	Biotechnology	Growth	27	NA
Emil Pharmaceutical Industries Private Limited	Somerset Indus Capital Partners	Formulations	Growth	18	NA
Fleming Laboratories Limited	India Life Sciences	API/intermediates	Growth	13	NA
Natural Biogenex Private Limited	Somerset Health Capital Advisors	Biotechnology	Startup	9	NA
Concord Biotech Limited	GIC, ADIA, Government Pension Fund	API/intermediates	PIPE	9	1

Source: EY analysis of VCCEdge data

Exhibit 88: Top healthcare sector investments in 2023

Company/asset	Investors	Sector	Stage	Amount (US$m)	Deal Stake%
Manipal Health Enterprises Private Limited	Temasek	Hospitals/Clinics	Growth	2,000	41
Indira IVF Hospital Private Limited	BPEA EQT	Hospitals/Clinics	Buyout	660	60
Quality Care India Limited. (CARE Hospitals)	Blackstone	Hospitals/Clinics	Buyout	580	73
Manipal Health Enterprises Private Limited	TPG	Hospitals/Clinics	Growth	537	11
Maxivision Eye Hospitals Private Limited	Quadria Capital	Hospitals/Clinics	Buyout	157	NA
Sahajanand Medical Technologies Limited	TR Capital, Axiom Asia, Stepstone Group and Unigestion	Medical devices	Growth	150	NA
Dr. Agarwals Health Care Limited	Temasek, TPG	Hospitals/Clinics	Growth	80	NA
Asian Institute of Nephrology and Urology Private Limited (AINU)	Asia Healthcare Holdings	Hospitals/Clinics	Buyout	72	NA
Sri Kauvery Medical Care India Limited	IIFL Asset Management	Hospitals/Clinics	Growth	70	NA
Sreyas Holistic Remedies Private Limited	Kedaara Capital	Hospitals/Clinics	Buyout	65	NA

Source: EY analysis of VCCEdge data

PE/VC investments in the technology sector continue to decline owing to the absence of large startup investments

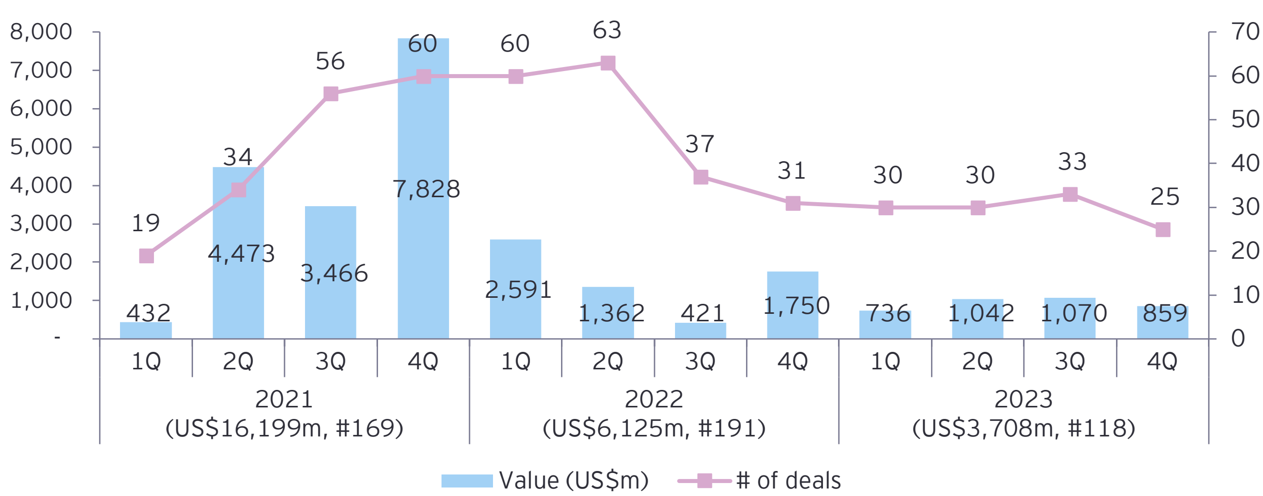
After reaching a peak with record investments of US$16.2 billion in 2021, the technology sector faced a significant downturn, witnessing a sharp 62% decline in 2022 and further contracting by 39% in 2023, recording investments of only US$3.7 billion. The decline in deal momentum was also evident, with a 38% year-on-year decrease, totaling 118 deals in 2023 compared to 191 deals in the previous year. Large deals, defined as those exceeding US$100 million, constituted only 8% of the total number of deals, amounting to nine deals in 2023.

Continuing the trend from the previous year, the IT/ITES and SaaS segments continued to dominate the technology sector, collectively accounting for 81% of the total investment value terms during 2023.

Several factors contributed to the decline in the technology sector, including elevated valuations, a reduced investor appetite for startup investments, and the diversion of PE/VC investments to PIPE deals.

Despite these challenges, there were noteworthy bright spots, with Artificial Intelligence (AI) emerging as an attractive space. A report by NASSCOM, in collaboration with Salesforce and Draup, ranked India No.1 globally in AI skill adoption and talent concentration. Industries like healthcare, banking, and retail are undergoing substantial digital transformations. The surge in demand for cloud and digital transformations suggests that the technology sector may soon regain its appeal as an attractive area for investors.

Exhibit 89: Trend in investments in technology sector



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 90: Top sub-sectors by value (US$m)

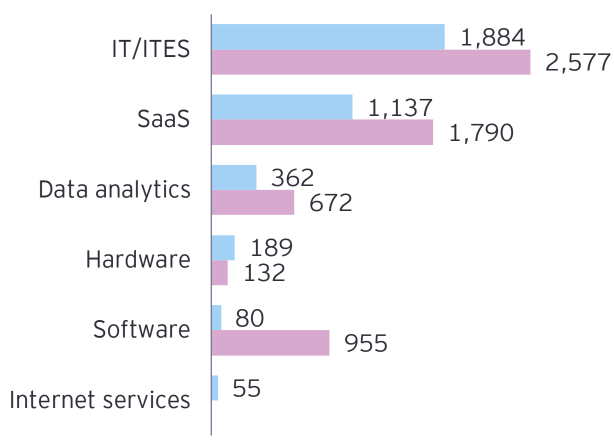
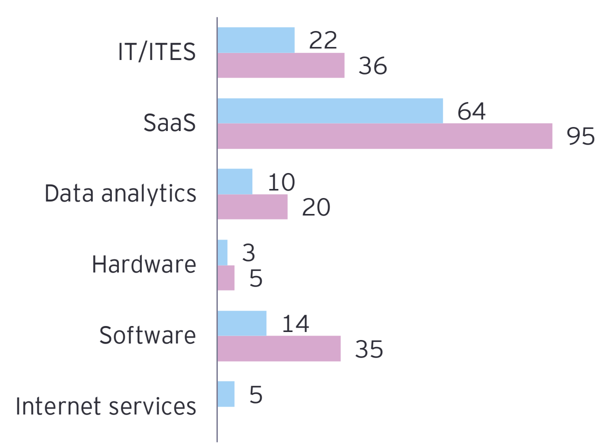


Exhibit 91: Top sub-sectors by # of deals



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 92: Deal type (US$m)

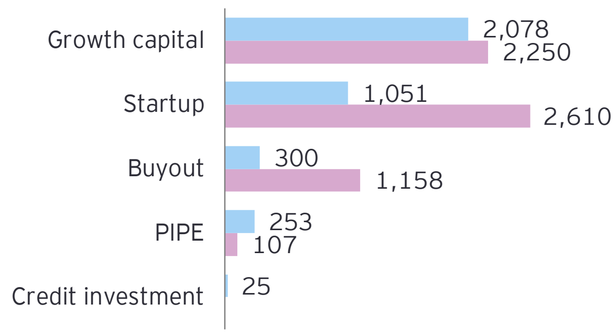
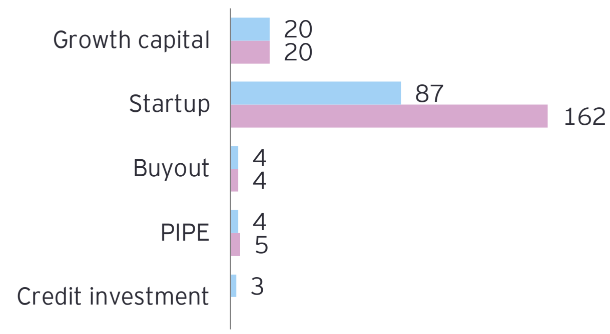


Exhibit 93: Deal type #



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 94: Deal size (US$m)

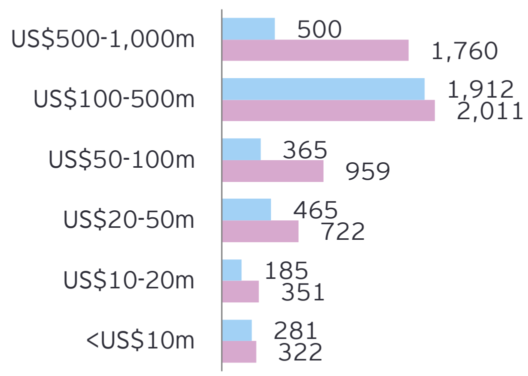
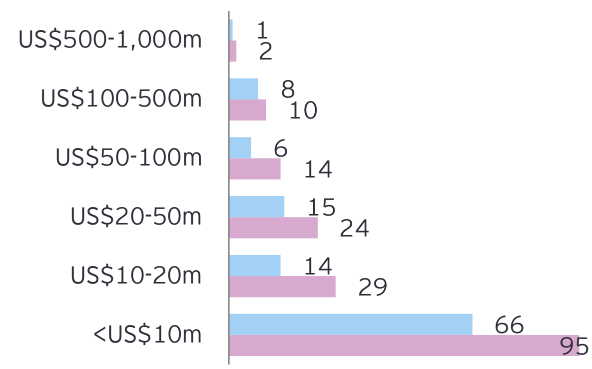


Exhibit 95: Deal size #



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available

Exhibit 96: Top technology sector investments in 2023

Company/asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake%
QuEST Global Services Pte. Limited	Carlyle	IT/ITES	Growth	500	28
IBS Software Pte. Limited	Apax Partners	IT/ITES	Growth	450	30
Builder.ai	Iconiq Capital, Insight Venture, Jungle Ventures, QIA	SaaS	Growth	250	NA
Xoriant Corporation Inc.	ChrysCapital	IT/ITES	Buyout	250	NA
Perfios Software Solutions Private Limited	Kedaara Capital	SaaS	Growth	229	NA
Everise Holdings Pte. Limited	Warburg Pincus	IT/ITES	Startup	200	20
Freshworks Inc.	Westbridge	SaaS	PIPE	200	6
Tata Technologies Limited	TPG	IT/ITES	Growth	198	10
GreyOrange Inc.	Anthelion Capital, Mithril Capital, Blume Ventures, Three State Capital	Hardware	Growth	135	NA
Aiquire Inc. (Pixis, Pixis.ai)	Celesta Global, Chiratae Ventures, General Atlantic, Touring Capital	SaaS	Startup	85	NA

Source: EY analysis of VCCEdge data

Rising demand by households leading to retail and consumer products sector becoming attractive

The Retail and Consumer Products sector, which experienced its highest-ever PE/VC investment during the COVID-19 pandemic in 2020 (US$6.6 billion), underwent a subsequent decline in 2021 and 2022. However, a renewed interest emerged in 2023, with investments of US$2.6 billion, marking a substantial year-on-year growth of 117% (compared to US$1.2 billion in 2022).

The notable surge in 2023 can be largely attributed to a substantial investment of US$1.8 billion in Reliance Retail Ventures Limited. The Qatar Investment Authority contributed US$1 billion, and ADIA and KKR added US$847 million, collectively constituting 70% of the total investments in the sector. While traditional retail and modern trade formats garnered the highest investment, the personal and home care segment experienced an 18% year-on-year growth, attracting investments worth US$485 million.

Several factors are contributing to the resurgence of PE/VC investments in the retail and consumer products sector in India:

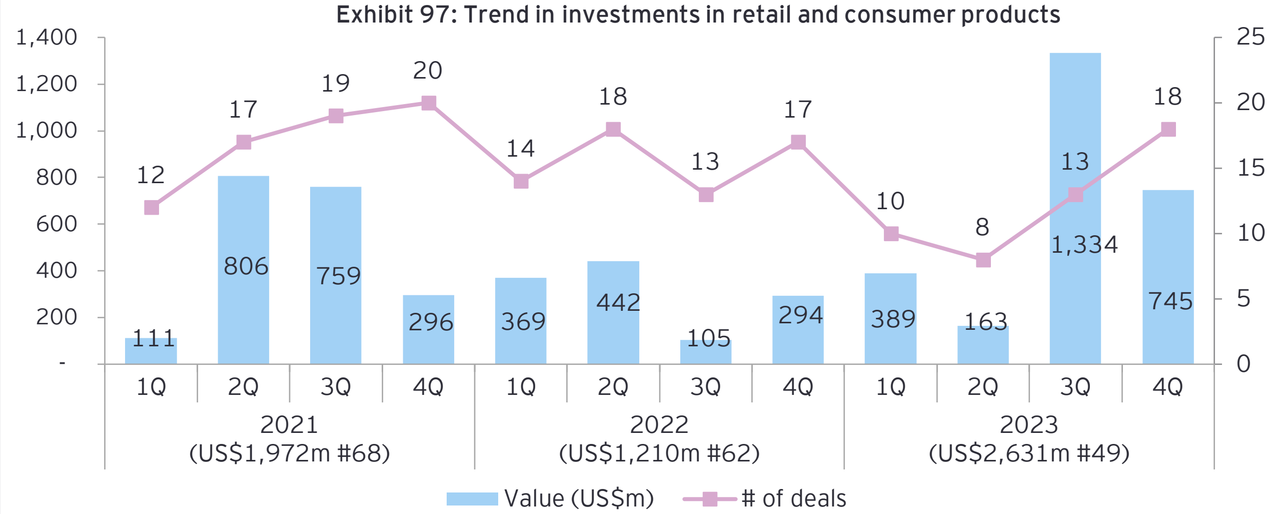
- *Urbanization:* The shift in consumption patterns and lifestyle changes driven by urbanization has led to increased discretionary spending.
- *Online Shopping Convenience:* The ease and convenience of online shopping have further stimulated consumer spending.
- *Rising Per capita Income:* As per capita income increases and premiumisation kicks in, there is an uptick in spending on lifestyle products like apparel, cosmetics, and consumer durables.
- *Digital Transactions:* The ease of cashless and contactless digital payments, as well as innovative payment methods like buy now pay later, has increased the propensity to spend.

Looking ahead, the outlook for the retail and consumer product sector in India seems promising. According to a report by BMI[4], India's consumer market is projected to become the world's third largest by 2027, driven by the rise in middle to high-income households. The report estimates that India's household spending will exceed US$3 trillion as disposable income rises. With six times growth in per capita income by 2047, India is expected to witness an unprecedented consumer boom[5].

By 2030, approximately 33% of the country's population is estimated to be between 20 and 33 years old, making India the largest "young consumer market" globally, with 357 million young consumers below 30 years. A shift in consumer behavior, particularly towards credit-driven consumption is evident. Scheduled commercial banks have doubled disbursements of personal loans, credit card debt has tripled, vehicle loans and housing loans have grown significantly, supported by a robust digital infrastructure and an enabling digital payments ecosystem.

This growing potential is reflected in actions by large consumer brands, such as Apple and Samsung, opening retail stores and premium experience stores in major cities. Global investors like Blackstone Group and APG Asset Management have also invested more in India's shopping mall business to capitalize on the growth in consumer spending.

Exhibit 97: Trend in investments in retail and consumer products



Source: EY analysis of VCCEdge data

[4] India Consumer & Retail Report, BMI
[5] India @100, EY Report

2022 2023

Exhibit 98: Top sub-sectors by value (US$m)

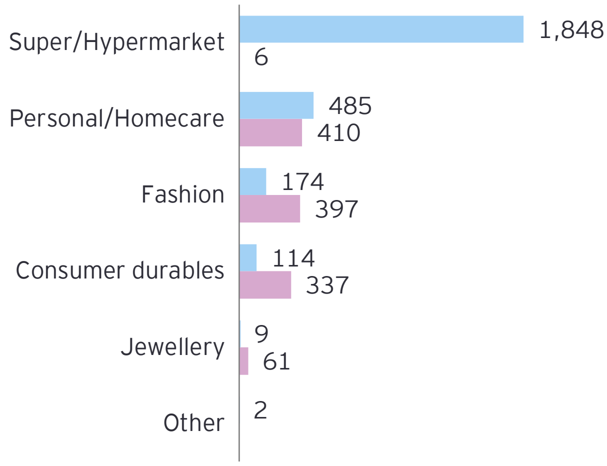
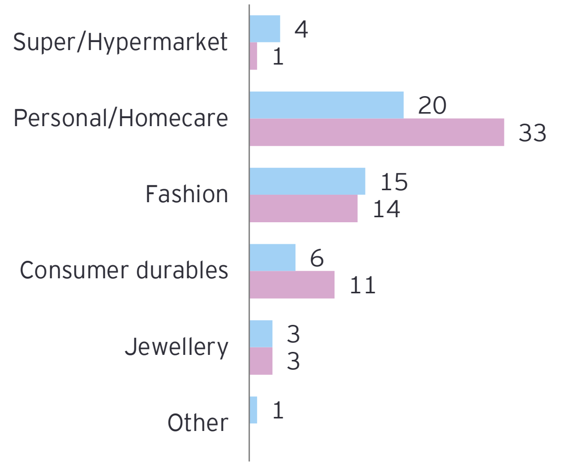


Exhibit 99: Top sub-sectors by # of deals



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 100: Deal type (US$m)

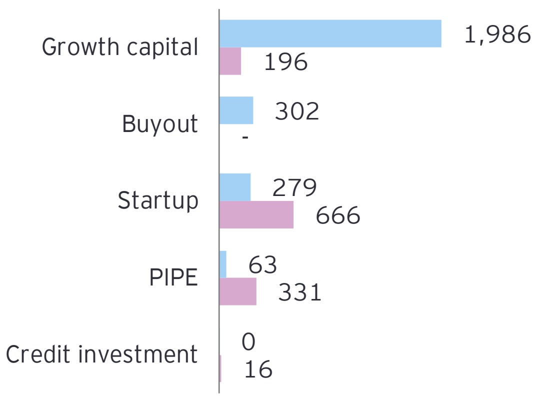
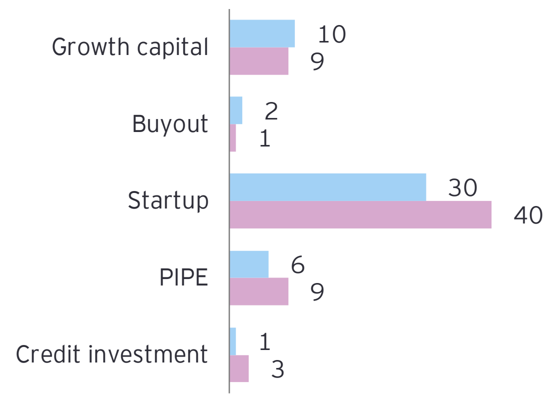


Exhibit 101: Deal type #



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 102: Deal size (US$m)

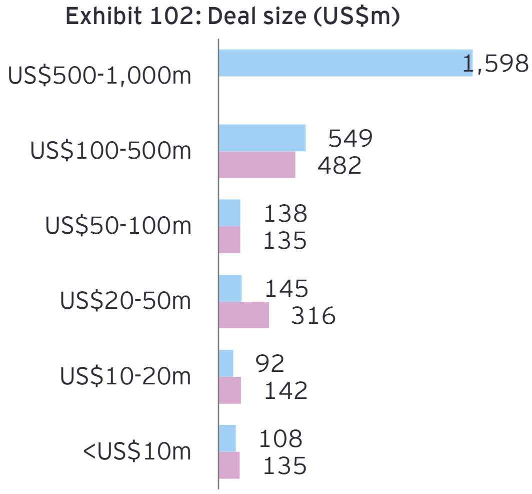
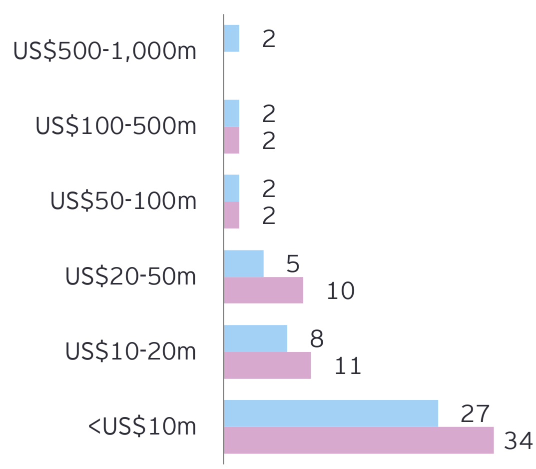


Exhibit 103: Deal size #



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available

Exhibit 104: Top retail and consumer products sector investments in 2023

Company/asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake%
Reliance Retail Ventures Limited	QIA	Super/ Hypermarket	Growth	1,000	1
Reliance Retail Ventures Limited	ADIA	Super/ Hypermarket	Growth	598	1
VLCC Health Care Limited	Carlyle	Personal/ Homecare	Buyout	300	60
Reliance Retail Ventures Limited	KKR	Super/ Hypermarket	Growth	249	NA
Atomberg Technologies Private Limited	Jungle Ventures, Inflexor Ventures, Trifecta Venture, Temasek, Steadview Capital	Consumer durables	Growth	86	22
Agilitas Sports Private Limited	Convergent, other angel investors	Fashion	Startup	52	NA
PAN Healthcare Private Limited (Little Angel, Everteen, Liberty, Nature Sure, Neud)	MO Alternate Investment Advisors	Personal/ Homecare	Startup	48	NA
K.P.R Mill Limited	NA	Fashion	PIPE	31	1
Nexon Omniverse Limited (Ethnicity)	Family offices	Fashion	Growth	23	NA
Comfort Grid Technologies Private Limited (The Sleep Company)	Fireside, PremjiInvest	Personal/ Homecare	Startup	22	NA

Source: EY analysis of VCCEdge data

Large ticket startup funding reduces for the e-commerce sector, as e-commerce sales slow down

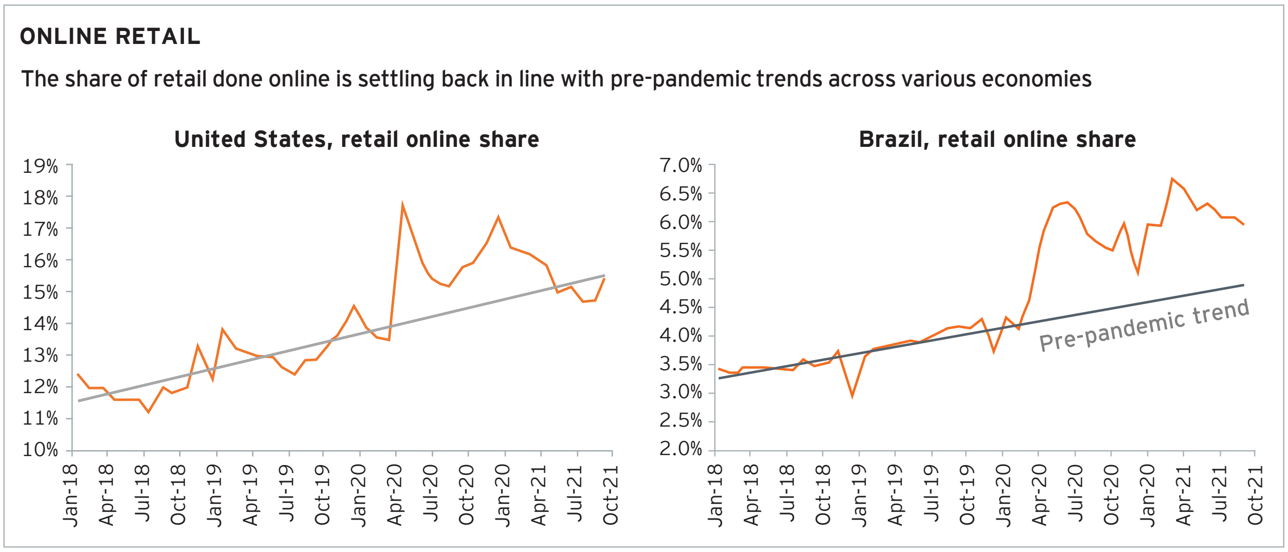
PE/VC investments in the e-commerce sector were on an uptrend over the past few years but saw a sharp decline of 55% in 2023 as compared to the last year (US$2.4 billion in 2023 vs US$5.4 billion in 2022). In terms of the number of deals, the sector witnessed a de-growth of 48%.

PE/VC investments in e-commerce startups declined by 61% y-o-y (in value terms). recording US$1.3 billion as against US$3.5 billion in 2022. The deal momentum in startup investments also saw a sharp fall with a low of 58 deals in 2023 against 124 deals in 2022, a de-growth of 53% y-o-y. Deals in the e-commerce sector have seen a consistent declining trend since 3Q2021.

The fall in e-commerce sector PE/VC investments can also be attributed to a decline in large deals (deal size greater than US$100 million). The year 2023 saw only six large deals as compared to 14 deals in 2022, a fall of 57%. The sector has failed to see mega deals (greater than US$1 billion) after 2021.

During the early days of e-commerce, the focus was on aggressive customer acquisition, often sidelining profitability concerns. Businesses prioritized extensive discounts, infrastructure investment, and marketing spends, with annual revenue growth exceeding 100%. The pandemic elevated e-commerce as a savior for retailers, experiencing a surge in sales while physical stores faced closures. Post-pandemic, offline spending rebounded, leading to a decline in e-commerce share. This trend, however, is shifting back to normal levels. Apart from the headwinds of normalizing consumer behavior, supply chain disruptions posed challenges, marking a shift in the dynamic e-commerce landscape post-pandemic. According to research by Mastercard Economics Institute13, on average, the online share of total spending rose sharply from 10.3% in 2019 to 14.9% at the peak of the pandemic, but then fell to 12.2% in 2021.

Exhibit 105



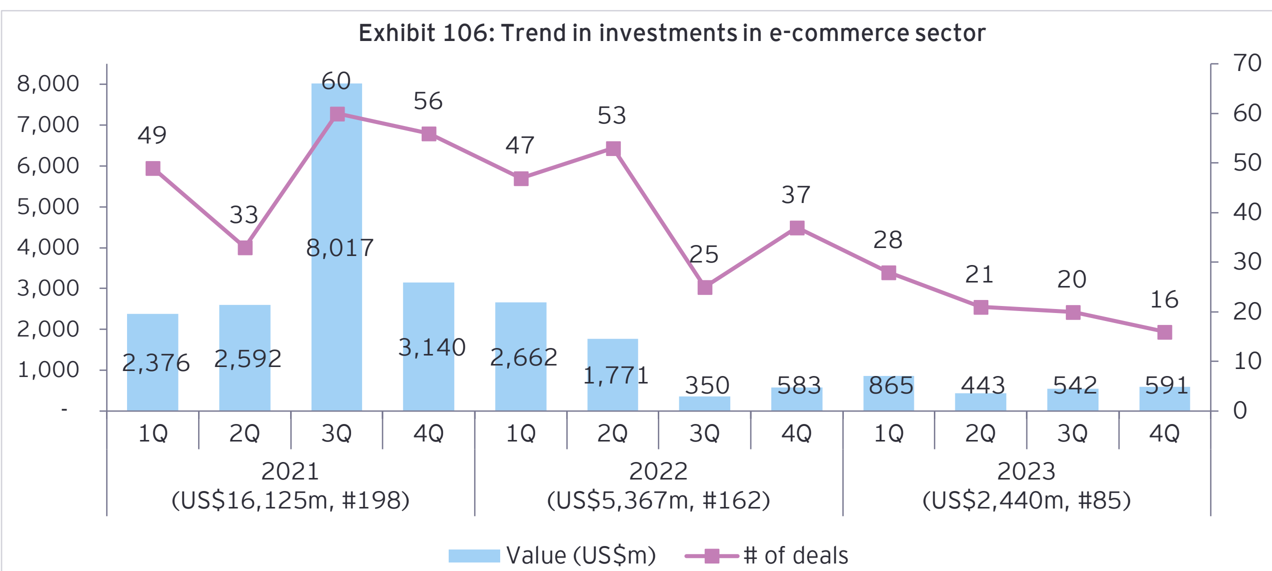
Source: https://www.mastercard.com/news/perspectives/2022/pandemic-ecommerce/

E-Com as a share of business dropped from its peak by several percentage points. For example, globally, Ikea reported a de-growth of 10% in its online business in 2022 while its offline sales grew by 13% in 2021. Visitors to IKEA online channels were fewer in FY23 at 3.8 billion compared to 4.3 billion last year[6].

While e-commerce comes with its share of risks, including intense competition, regulatory challenges, logistics and fulfillment complexities, cybersecurity threats, and evolving consumer trends etc., it also presents significant growth opportunities.

With the increased use of smartphones, more and more consumers are shopping through mobile devices. E-commerce companies are using social media platforms to market their products and are just a click away. Lately, subscription-based models are gaining popularity, particularly in sectors like food, lifestyle and beauty products, offering great convenience. Further, D2C brands are gaining popularity by directly selling products through online channels, bypassing intermediaries.

Given the technological advancements, market dynamics, and rapidly changing consumer behaviors, the e-commerce sector is expected to remain competitive and offer huge opportunities for PE/VC investments. According to industry estimates, India's consumer digital economy is expected to be a US$800 billion market in 2030, registering a ~10x growth from 2020[7].



Source: EY analysis of VCCEdge data

[6] IKEA press release
[7] E-commerce and consumer internet sector - India Trend book 2022

2022 2023

Exhibit 107: Top sub-sectors by value (US$m)

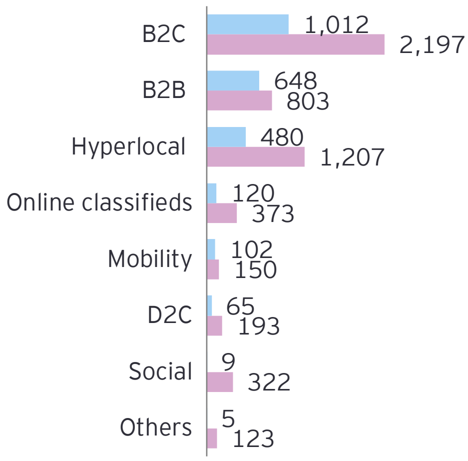
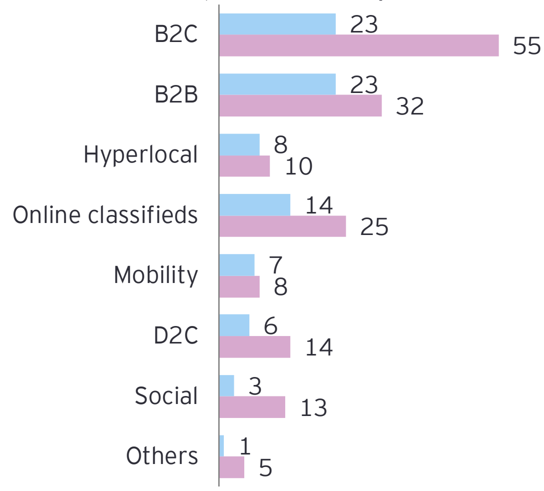


Exhibit 108: Top sub-sectors by # of deals



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 109: Deal type (US$m)

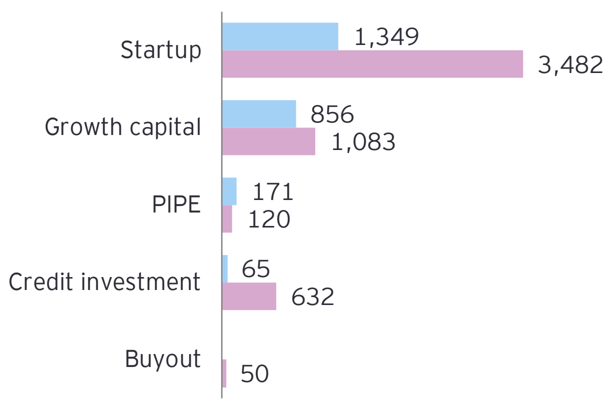
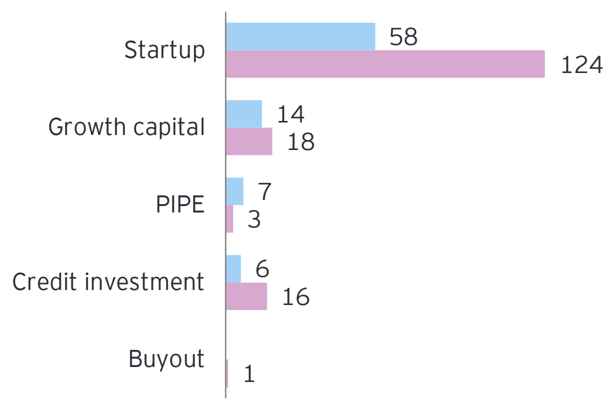


Exhibit 110: Deal type #



Source: EY analysis of VCCEdge data

2022 2023

Exhibit 111: Deal size (US$m)

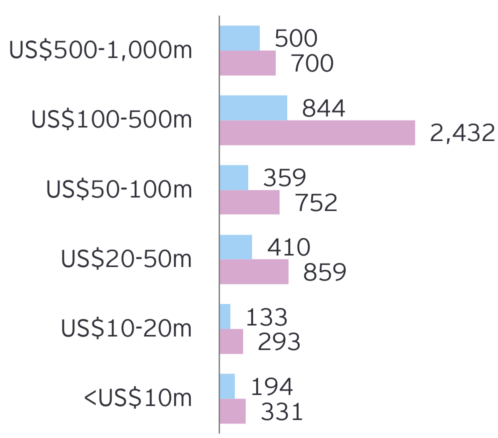
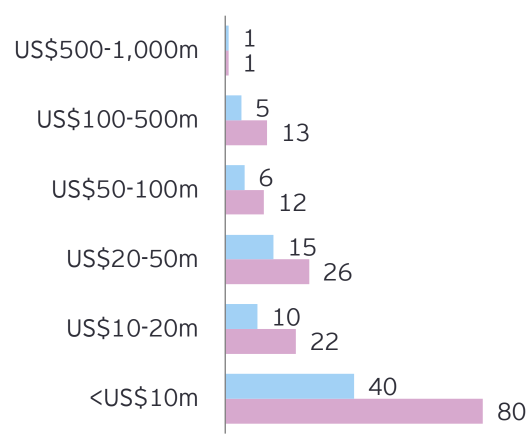


Exhibit 112: Deal size #



Source: EY analysis of VCCEdge data

Does not include deals where deal value is not available

Exhibit 113: Top E-commerce sector investments in 2023

Company/asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake%
Lenskart Solutions Private Limited (Lenskart)	ADIA	B2C	Growth	500	10
Trustroot Internet Private Limited (Udaan.com)	DST Global, M and G, Lightspeed	B2B	Startup	340	17
KiranaKart Technologies Private Limited (Zepto, KiranaKart)	Goodwater Capital, Nexus India, Glade Brook, Lachy Groom, StepStone	Hyperlocal	Startup	200	14
Freshtohome Foods Private Limited (Freshtohome.com, FreshToHome)	Amazon Smbhav, Mount Judi, Iron Pillar, Investcorp, Investment Corporation of Dubai, Ascent Capital	Hyperlocal	Startup	104	NA
Zetwerk Manufacturing Businesses Private Limited	Avenir	B2B	Startup	100	3
Lenskart Solutions Private Limited (Lenskart)	ChrysCapital	B2C	Growth	100	2
Zomato Limited (Zomato)	Morgan Stanley, Founders	Hyperlocal	PIPE	79	1
Manash Lifestyle Private Limited	ADIA	B2C	Growth	60	5
Meesho Inc.	Westbridge	B2C	Startup	60	2
Chalo Mobility Private Limited	Avataar Venture, Lightrock, Waterbridge, Trifecta, Stride Ventures and others	Mobility	Startup	57	16

Source: EY analysis of VCCEdge data

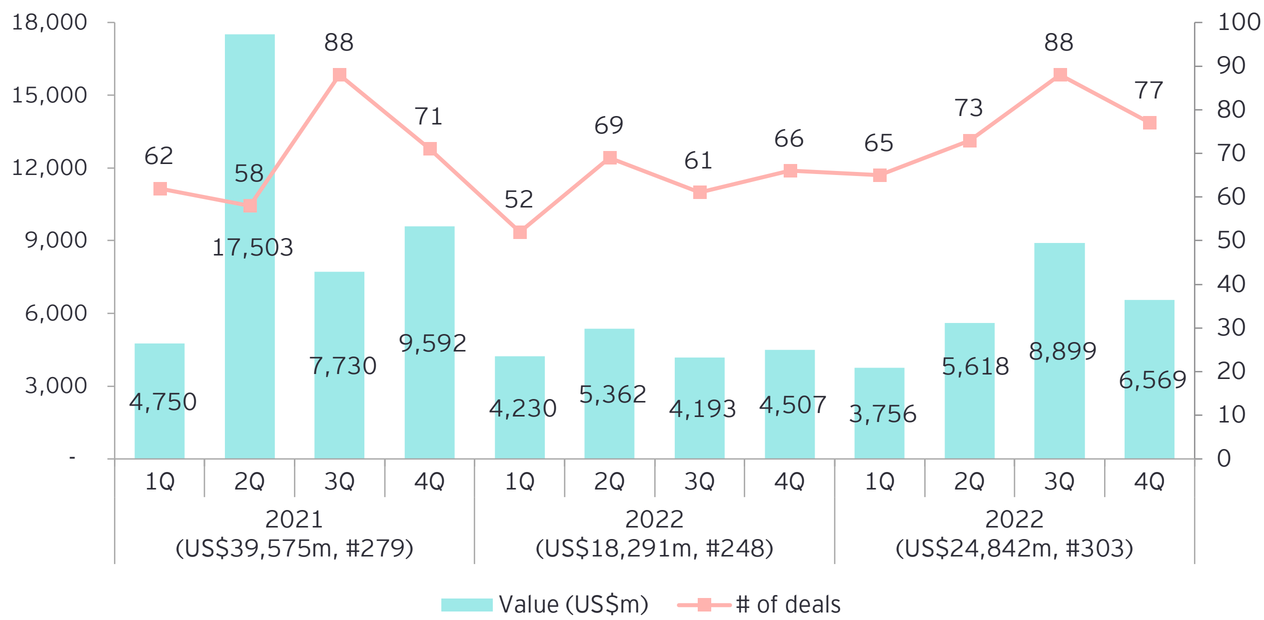
04

Exits

key trends

PE/VC exits in 2023 surged to US$24.8 billion, marking a robust 36% year-on-year growth from the US$18.3 billion recorded in 2022. This growth was complemented by the highest-ever volume of exits, totaling 303 deals in 2023 compared to 248 deals in 2022, reflecting a 22% year-on-year increase. This growth in PE/VC exits was primarily driven by a significant rise in open market exits, registering deals worth US$12.8 billion across 131 transactions, marking an impressive 94% year-on-year growth and establishing it as the largest segment for PE/VC exits in 2023. Simultaneously, the IPO market demonstrated considerable strength with 30 PE-backed IPOs in 2023. Predominantly, PE/VC exit activities were observed in the financial services, e-commerce, healthcare, technology, real estate, infrastructure, and automotive sectors, each witnessing exits surpassing US$1 billion.

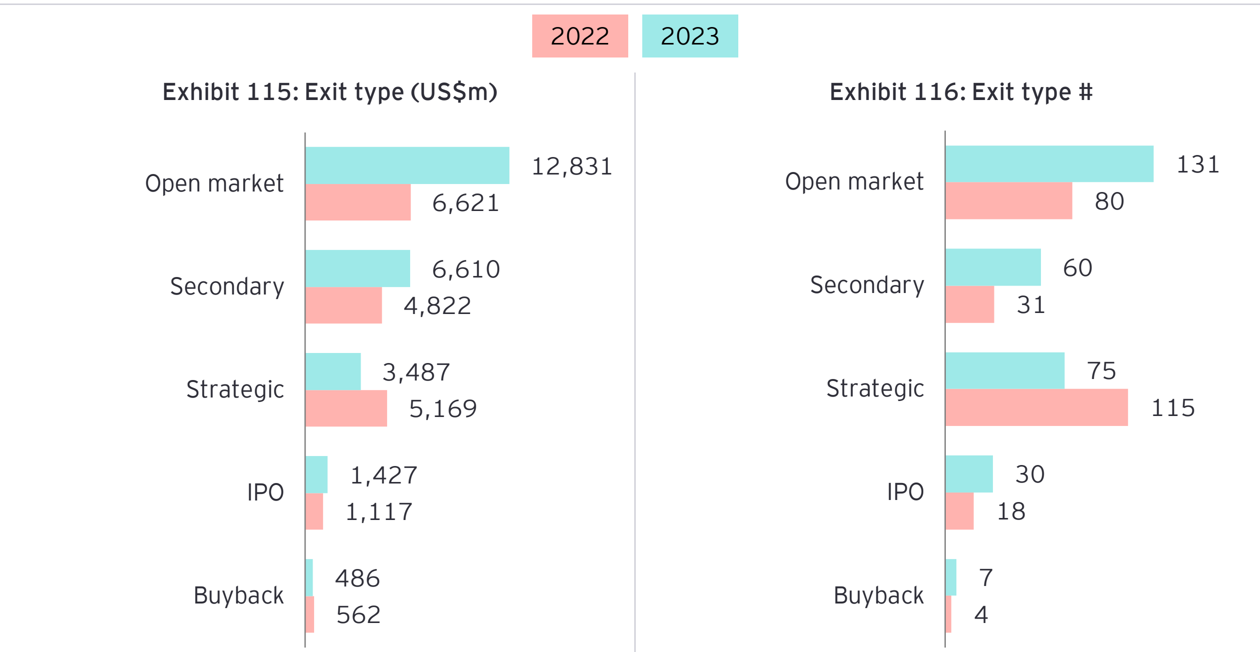
Exhibit 114: Trend in PE/VC exits



Source: EY analysis of VCCEdge data

Exhibit 115: Exit type (US$m)

Exhibit 116: Exit type #



Source: EY analysis of VCCEdge data

Exhibit 117: Top exits in 2023

Company/asset	Sellers	Investors	Sector	Exit Type	Amount (US$m)	Deal Stake%
Flipkart Private Limited	Tiger Global, Accel India	Walmart Inc	E-commerce	Strategic	1,400	4
Manipal Health Enterprises Private Limited	NIIF, TPG	Temasek	Healthcare	Secondary	1,024	41
Coforge Limited	BPEA EQT	NA	Technology	Open market	925	27
Embassy Office Parks REIT	Blackstone	NA	Real estate	Open market	851	24
Kotak Mahindra Bank Limited	CPPIB	NA	Financial services	Open market	742	2
Mankind Pharma Limited	ChrysCapital, Capital Group	NA	Pharmaceuticals	Open market	673	8
One 97 Communications Limited	ANTFIN	Vijay Shekhar Sharma	Financial services	Secondary	628	10
Sona BLW Precision Forgings Limited	Blackstone	GIC, Fidelity Investment and others	Automotive	Open market	600	21
Quality Care India Limited	Evercare	Blackstone	Healthcare	Secondary	580	73
Indira IVF Hospital Private Limited	TA Associates	BPEA EQT	Healthcare	Secondary	517	47

Source: EY analysis of VCCEdge data

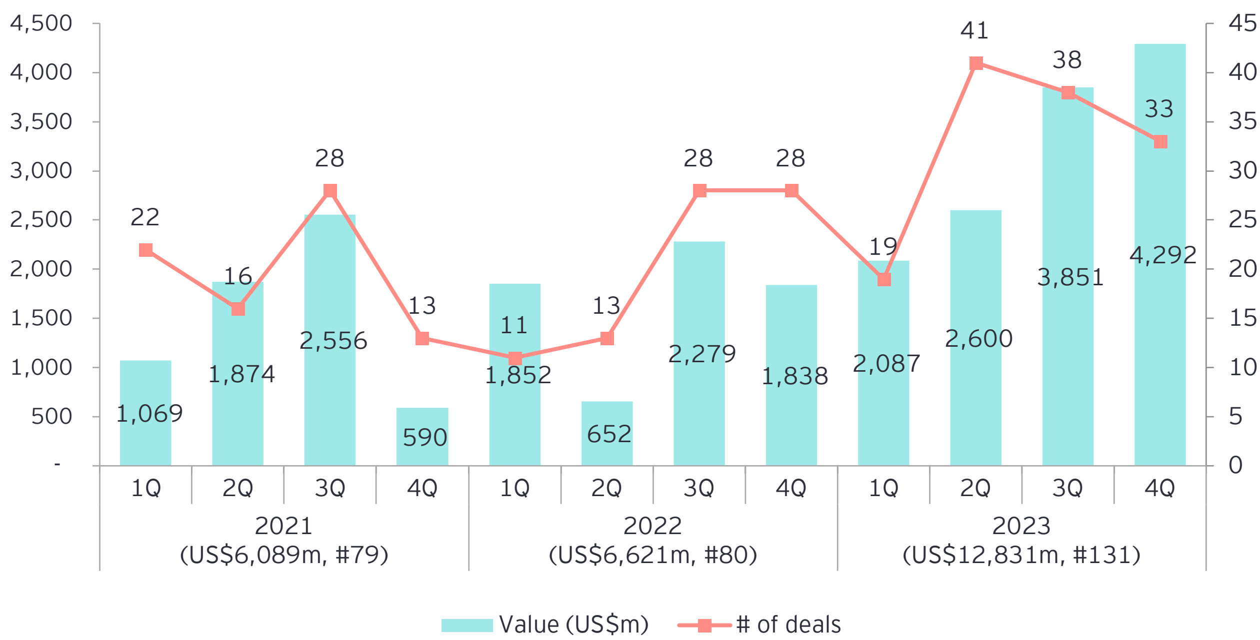
Open market exits

Open market exits have seen remarkable growth over the last few years. The year 2023 has recorded the highest ever open market exits worth US$12.8 billion, growth of 94% y-o-y. In terms of number of deals, the growth was 64% (131 in 2023 vs. 80 in 2022).

Open market exits have been a backbone for PE/VC exits in India over the past decade and were expected to continue being one, given the consensus view on the upward direction of the Indian equity markets. The open market exits began to surge post COVID, largely driven by the follow-on sale of stakes held by recently listed PE-backed IPOs. The three years following COVID saw 88 PE-backed IPOs, accounting for 38% of all PE-backed IPOs till date.

From a sector perspective, financial services continued its dominance and was the largest sector for open market exits in 2023 with exits worth US$5.6 billion across 47 deals, followed by technology, e-commerce, and real estate.

Exhibit 118: Trend in open market exits



Source: EY analysis of VCCEdge data

Exhibit 119: Split by sector (US$m)

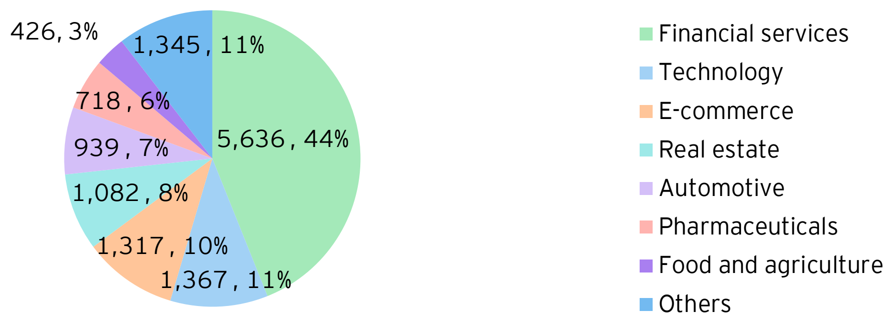


Exhibit 120: Split by sector (# of deals)

Source: EY analysis of VCCEdge data

Exhibit 121: Top open market exits in 2023

Company/asset	Sellers	Investors	Sector	Amount (US$m)	Deal stake %
Coforge Limited	BPEA EQT	NA	Technology	925	27
Embassy Office Parks REIT	Blackstone	NA	Real estate	851	24
Kotak Mahindra Bank Limited	CPPIB	NA	Financial services	742	2
Mankind Pharma Limited	ChrysCapital, Capital Group	NA	Pharmaceuticals	673	8
Sona BLW Precision Forgings Limited	Blackstone	GIC, Fidelity Investment and others	Automotive	600	21
Axis Bank Limited	Bain Capital	Goldman Sachs, Government Pension Fund Global, Morgan Stanley	Financial services	450	1
Zomato Limited	Alipay Singapore Holding	NA	E-commerce	402	3
Computer Age Management Services Limited	Warburg Pincus	ADIA, White Oak	Financial services	325	20
One 97 Communications Limited (PayTM)	Softbank	NA	Financial services	320	4
Shriram Finance Limited	Apax Partners	NA	Financial services	303	5

Source: EY analysis of VCCEdge data

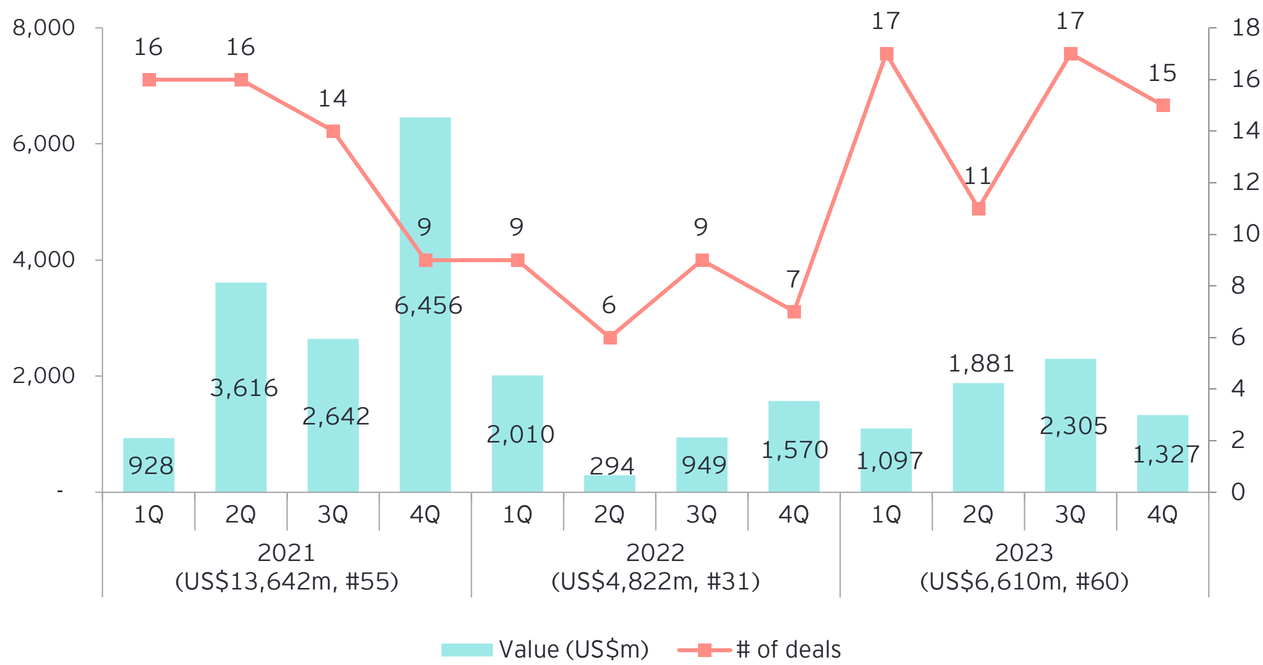
Secondary exits

While secondary exits reached their peak in value terms in 2021 at US$13.6 billion across 55 deals, a significant 65% decline occurred in the subsequent year due to factors such as high interest rates, rise in business risk premium, valuation gap between sellers and investors and sluggish market conditions. However, in 2023, secondary exits experienced a 37% year-on-year growth, totaling exits worth US$6.6 billion, and marked the highest-ever number of secondary deals at 60.

This renewed momentum can be attributed to the easing of uncertainties, the conclusion of the Fed rate tightening cycle, and the substantial dry powder available, drawing PE/VC investors back into discussions. The continued importance of secondary exits is a sign of the evolving maturity of the Indian PE/VC markets, with earlier-stage investors finding exits through the secondary route.

Acquiring stakes in established companies with proven track records is seen as a risk-mitigating strategy compared to investing in startups. Additionally, as many companies opt for the IPO route to raise funds, large PE investors actively seek secondary deals, especially in situations where financial sponsors retain majority control, and an IPO, while lucrative, may not be a viable option for a complete exit for a fund with substantial equity holding. The largest secondary exit in 2023 involved NIIF and TPG exiting from Manipal Hospital by selling their stakes to Temasek for US$1 billion.

Exhibit 122: Trend in secondary exits



Source: EY analysis of VCCEdge data

Exhibit 123: Split by sector (US$m)

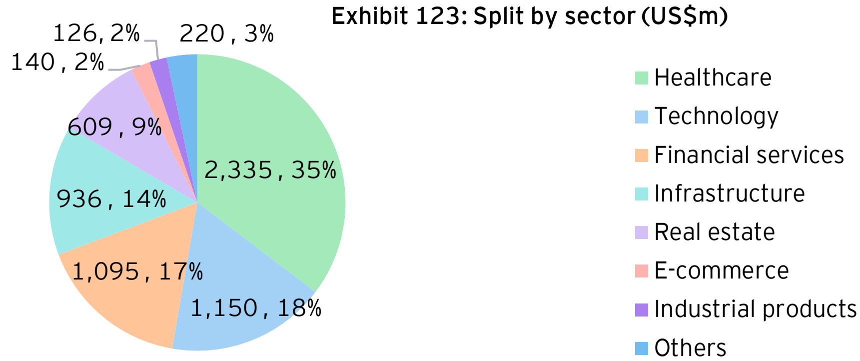
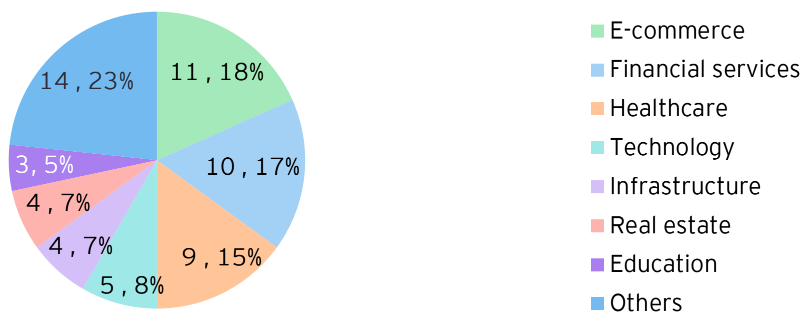


Exhibit 124: Split by sector (# of deals)



Source: EY analysis of VCCEdge data

Exhibit 125: Top secondary exits in 2023

Company/asset	Sellers	Investors	Sector	Amount (US$m)	Deal stake %
Manipal Health Enterprises Private Limited	NIIF, TPG	Temasek	Healthcare	1,024	41
One 97 Communications Limited (Paytm)	ANTFIN	Vijay Shekhar Sharma	Financial services	628	10
Quality Care India Limited	Evercare	Blackstone	Healthcare	580	73
Indira IVF Hospital Private Limited	TA Associates	BPEA EQT	Healthcare	517	47
QuEST Global Services Pte. Limited	Bain Capital, Advent, GIC	Carlyle	Technology	500	28
IBS Software Pte. Limited	Blackstone	Apax Partners	Technology	450	30
Swarna Tollway Private Limited, Gujarat Road and Infrastructure Company Limited	Macquarie	Highways Infrastructure Trust (KKR InvIT)	Infrastructure	366	100
Good Host Spaces Private Limited	Goldman Sachs, Warburg Pincus	Alta Capital	Real estate	320	100
ReNew Energy Global Plc	Goldman Sachs	CPPIB	Infrastructure	268	14
National Stock Exchange of India Limited	Elevation Capital, Morgan Staley	NA	Financial services	266	NA

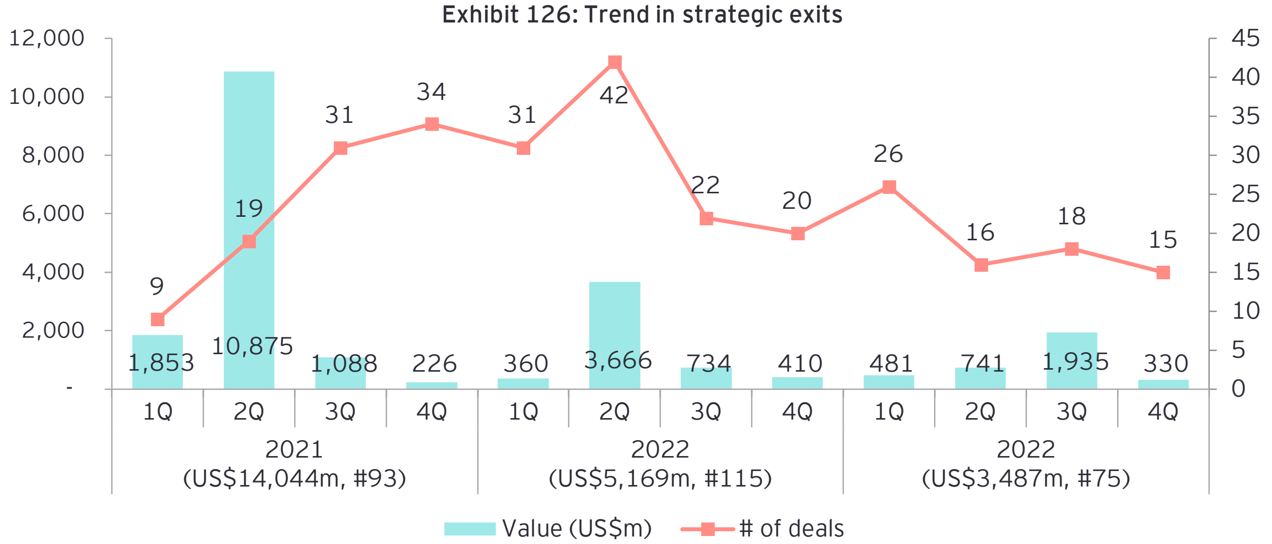
Source: EY analysis of VCCEdge data

Strategic exits

In terms of value, strategic exits faced the highest de-growth among all exit classes on a year-on-year basis. Strategic exits amounted to US$3.5 billion across 75 deals in 2023, compared to US$5.2 billion across 115 deals in 2022, reflecting a 33% decline in value. This marks the second consecutive year of decline in the value of strategic deals.

The decrease in strategic exits mirrors the overall drop in M&A activity globally, which, according to Deallogic data, has hit a 10-year low at US$2.8 trillion. Factors contributing to this decline include high interest rates, elevated valuation expectations leading to wider bid-ask spreads, a reduction in average deal size due to challenging access to capital. Escalating geopolitical tensions, economic uncertainties, and recession fears have also dampened the deal-making appetite. The most significant strategic deal in 2023 involved Tiger Global and Accel exiting from Flipkart Private Limited, selling their stakes to Walmart for US$1.4 billion.

Exhibit 126: Trend in strategic exits



Source: EY analysis of VCCEdge data

Exhibit 127: Split by sector (US$m)

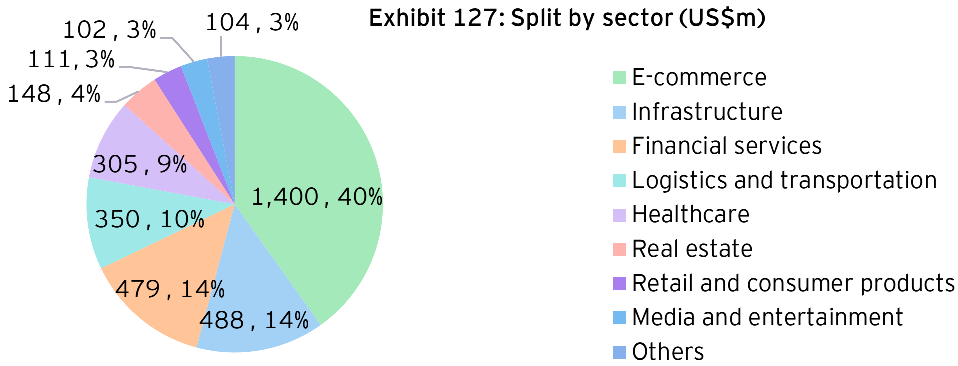
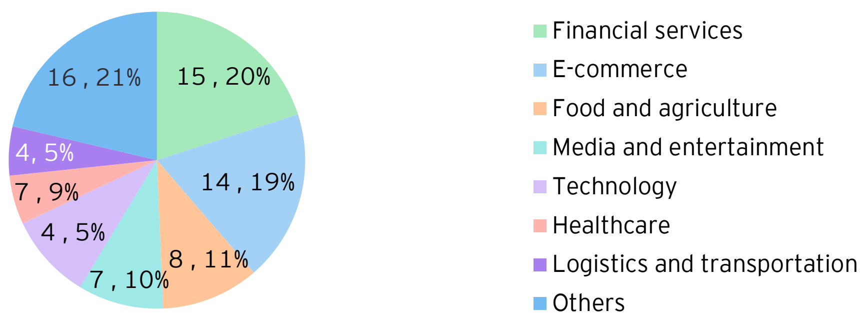


Exhibit 128: Split by sector (# of deals)



Source: EY analysis of VCCEdge data

Exhibit 129: Top strategic exits in 2023

Company/asset	Sellers	Investors	Sector	Amount (US$m)	Deal Stake%
Flipkart Private Limited	Tiger Global, Accel India	Walmart Inc.	E-commerce	1,400	4
Virescent Renewable Energy Trust	KKR	Indigrid	Infrastructure	488	100
J M Baxi Ports and Logistics Limited	Bain Capital	Hapag-Lloyd AG	Logistics and transportation	350	35
Niva Bupa Health Insurance Company Limited	True North	Bupa	Financial services	324	20
KIMS Healthcare Management Limited	True North	Quality Care India	Healthcare	220	55
TCNS Clothing Co. Limited	Elevation Capital, ChrysCapital and TA Associates	Aditya Birla Fashion	Retail and consumer products	111	29
3 floors in Mumbai's BKC	Godrej	NA	Real estate	108	100
Endemol India Private Limited	CA Media	Banijay	Media and entertainment	100	49
Goldman Sachs Loan Portfolio	Goldman Sachs	Edelweiss	Financial services	79	100
RattanIndia Finance Private Limited	Lone Star Funds	Rajiv Rattan	Financial services	73	50

Source: EY analysis of VCCEdge data

IPO exits

PE-backed IPOs are increasingly favored by investors due to the favorable valuations companies achieve when going public, providing greater liquidity, and enabling reinvestment in new opportunities. Despite a dip in 2022 caused by capital market corrections amid rising interest rates, 2023 experienced a resurgence, marking the second-highest number of PE-backed IPO exits in a decade, with 30 IPOs.

This revival can be attributed to the resilience of the Indian markets, driven by robust domestic inflows, a strong economy, and controlled inflation. The deepening of the capital markets in India creates a favorable environment for PE-backed IPOs, encouraging further investments in the country's market, as IPOs generally yield higher exit multiples.

In addition to traditional sectors like financial services, technology, and retail, 2023 witnessed PE-backed IPOs in sectors such as real estate through the listing of ReITs, industrial products, and aerospace and defense.

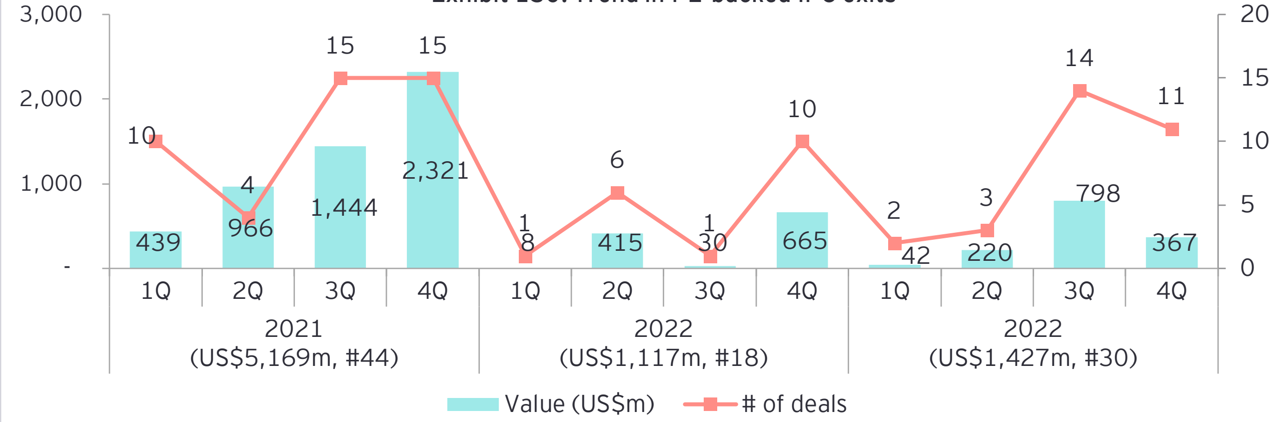


Exhibit 130: Trend in PE-backed IPO exits

Source: EY analysis of VCCEdge data

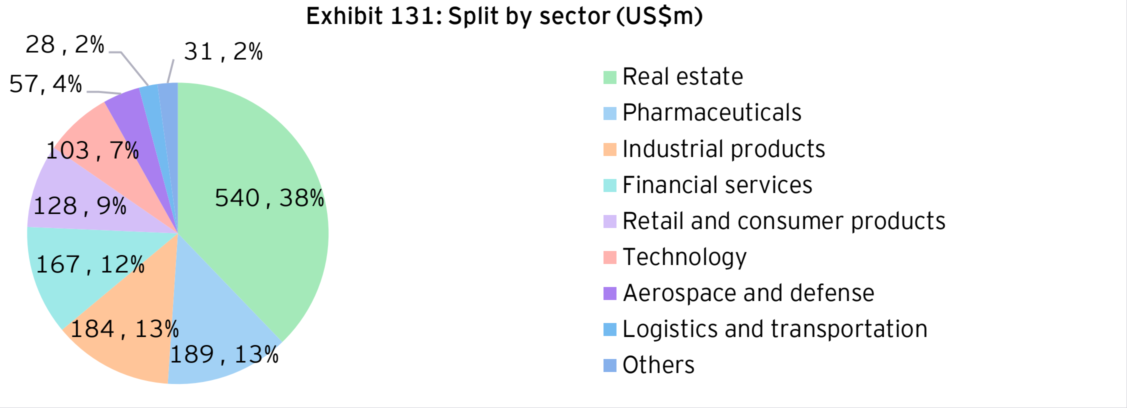


Exhibit 131: Split by sector (US$m)

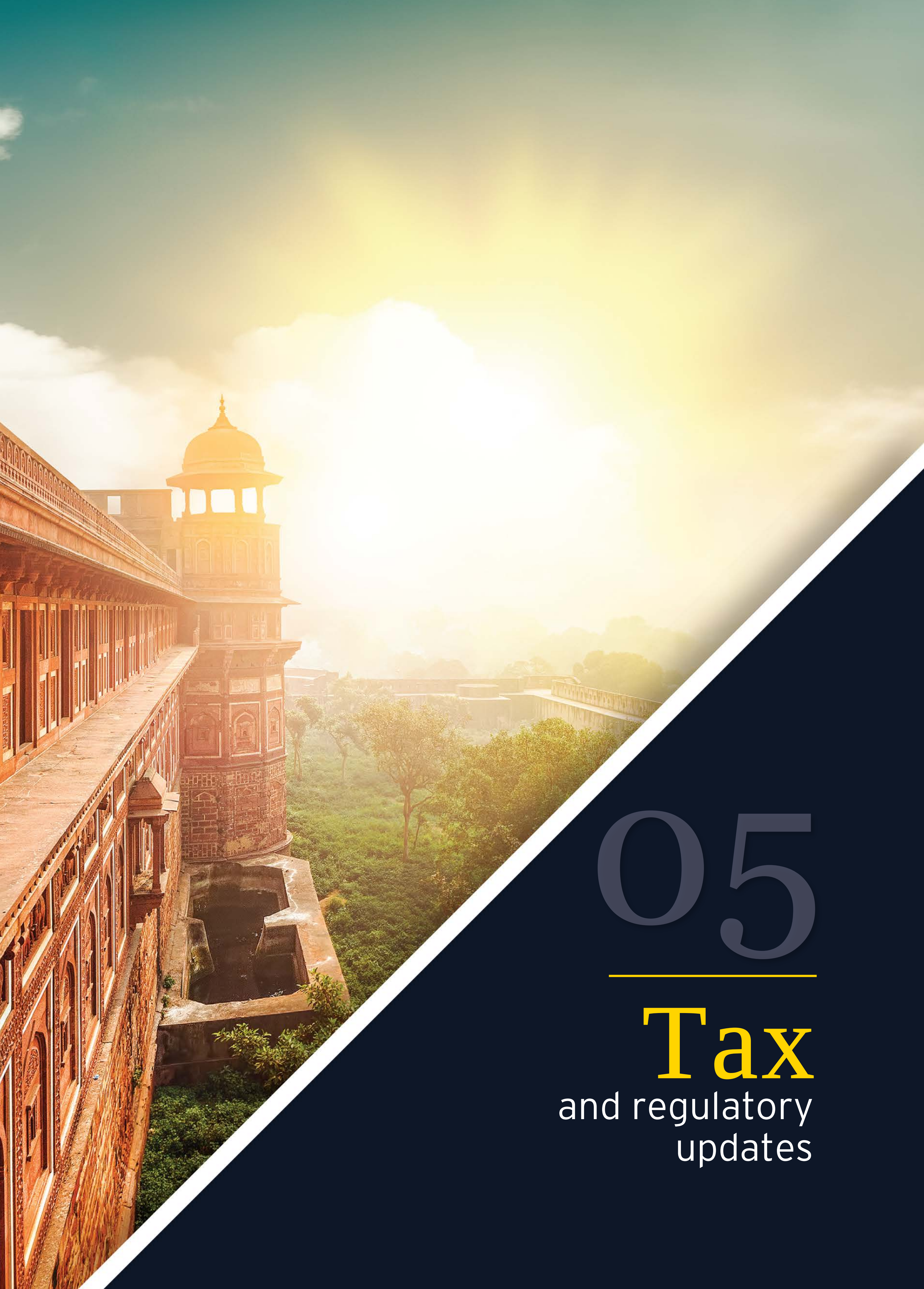
Exhibit 132: Split by sector (# of deals)

Source: EY analysis of VCCEdge data

Exhibit 133: Top PE-backed IPO exits in 2023

Company	Sellers	Sector	Amount (US$m)	Deal Stake%
Data Infrastructure Trust	Brookfield	Real estate	284	6
Nexus Select Trust	Blackstone	Real estate	220	NA
Concord Biotech	Helix Investment Holdings	Pharmaceuticals	189	20
R R Kabel Limited	TPG	Industrial products	161	11
Honasa Consumer Limited	Fireside Ventures, Sofina, Stellaris	Retail and consumer products	111	9
Tata Technologies Limited	Alpha TCHoldings and Tata Capital	Technology	88	2
Fedbank Financial Services Limited	True North	Financial services	50	8
SBFC Finance	Arpwood Partners	Financial services	47	6
Azad Engineering Private Limited	Piramal	Aerospace and defense	31	8
TVS Supply Chain Solutions	Tata Capital and Kotak Special Situations Fund	Logistics and transportation	28	3

Source: EY analysis of VCCEdge data



05

Tax
and regulatory updates

Introduction

In 2023, PE/VC investments recorded their second consecutive year of decline in India, marked by an 11% drop in dollar value and a steep 42% decrease in volume compared to the previous year. The subdued activity seems to be an outcome of the various global headwinds, valuation mismatches between promoters and PE/VC investors (including the interplay between commercial and tax valuations), long gestation periods associated with regulatory approvals and alleged governance lapses in Indian companies.

Having said the above, it may be noted that 2023 also witnessed a significant increase in PE/ VC exits. This is likely to bolster higher confidence in the Indian markets. In the year ahead, India seems to be in a relatively sweeter spot and it may not be unreasonable to expect a significant increase in M&A activity and investments into India. Sectors that may see increased activity could include infrastructure and renewable energy, healthcare, ESG and technology.

It has been the constant endeavors by the Government of India to boost the PE/VC ecosystem and create a conducive environment on the tax and regulatory front. On this front, over the last few years, several measures have also been undertaken. While the Interim Budget 2024 was slightly muted owing to impending Lok Sabha elections, several noteworthy measures have been introduced during the calendar year 2023.

We have summarized some of the key tax and regulatory changes introduced in 2023 and a few noteworthy proposals of the recently announced Interim Budget 2024 that could impact the PE/ VC ecosystem.

Tax updates

A. Key tax proposals introduced vide Finance Bill, 2024 ('FB 2024')

No major amendments have been proposed to the direct tax legislation in the FB 2024, except for a few extensions to the sunset dates for certain tax holiday/exemption provisions, which are, *inter alia*, as under:

- Sunset date for incorporation of startups has been extended from 31 March 2024 to 31 March 2025 to be eligible for 100% tax holiday for a period of three consecutive tax years out of 10 tax years beginning from the tax year in which the eligible startup is incorporated.
- Subject to meeting prescribed conditions, income earned by sovereign wealth funds, pension funds and a wholly owned subsidiary of Abu Dhabi Investment Authority which is in the nature of dividend, interest, specified income from units of business trust, or long-term capital gains arising from such investments was tax exempt, provided the investment is made on or before 31 March 2024 by such entities. It is now proposed to extend the timeline from 31 March 2024 to 31 March 2025.

It is pertinent to note that the Union Budget 2024 will be presented in greater detail in July 2024 and one can expect several favorable changes being introduced from a PE/ VC standpoint.

B. Other updates:

1. ***Central Board of Direct Taxes ('CBDT') exempts various classes of persons from the ambit of angel tax provisions***
   - Pursuant to introduction of angel tax for non-residents ('NR') in Finance Act, 2023, the CBDT provided partial relaxation by enlisting three categories of persons whose investments in closely held companies ('CHC') shall not be covered under the ambit of angel tax:
     - *Government category*
       - Government and
       - Government related investors such as: central banks, sovereign wealth funds, international or multilateral organizations or agencies or
       - Entities controlled by the Government or
       - Entities where direct or indirect ownership of the Government is 75% or more
     - *Banking and insurance category*
       - Banks or
       - Entities involved in insurance business where such entity is subject to applicable regulations in the country where it is established or incorporated or is a resident
     - *Entities from specified jurisdictions*

       Any of the following entities which is a resident of any country or specified territory listed at Annexure to the Notification which lists 21 countries viz. Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Iceland, Israel, Italy, Japan, Korea, New Zealand, Norway, Russia, Spain, Sweden, the UK and the US, and such entity is subject to applicable regulations in the country where it is established or incorporated as a resident:

- Entities registered with SEBI as Category-I foreign portfolio investors
- Endowment funds associated with a university, hospitals or charities
- Pension funds created or established under the law of the foreign country or specified territory
- Broad-based pooled investment vehicle or fund where the number of investors in such vehicle or fund is more than 50 and such fund is not a hedge fund or a fund which employs diverse or complex trading strategies

2. ***CBDT grants relaxation to startup companies***

As a consequential modification pursuant to expansion of scope of angel tax to NR investors, CBDT has issued a notification (effective retroactively from 1 April 2023) granting exemption to startup companies on shares issued to any person (both resident and NR investors) on compliance with the specified conditions issued by the Department for Promotion of Industry and Internal Trade, as was applicable earlier in respect of resident investors.

3. ***CBDT issues new valuation rules for equity shares and Compulsorily Convertible Preference Shares ('CCPS') for angel tax provisions***

Some key aspects to note here are as under:

- The amended Rule 11UA provides separate valuation mechanism for CCPS and also provides an option to adopt fair market value ('FMV') of unquoted equity shares for determining the FMV of CCPS.
- The erstwhile Rule 11UA prescribed two methods (viz. net asset value or discounted cash flow) for determining the FMV of equity shares issued to resident investors. The amended Rule 11UA provides five more methods of valuation for the issue of unquoted equity shares or CCPS to NR investors viz. Comparable Company Multiple Method, Probability Weighted Expected Return Method, Option Pricing Method, Milestone Analysis Method and Replacement Cost Methods.
- Price matching facility shall be available and the price at which unquoted equity shares or CCPS are issued by CHC to notified NR entities/ VC funds/ specified funds shall be adopted as FMV for the purposes of benchmarking equity and CCPS investments by both resident and NR investors, subject to compliance of certain conditions.
- In relation to price matching facility, the price at which shares are issued to notified NR entities/ VC funds/ specified funds shall be adopted as FMV, if receipt of consideration is within a window of 90 days before or after the date of issuance of shares subjected to valuation.
- The erstwhile Rule 11UA required merchant banker DCF valuation report as on the date of the issue of shares. The amended Rule 11UA provides flexibility by making valuation report issued up to 90 days prior to the date of issue of equity shares or CCPS for computing FMV for investments by both resident and NR investors.
- A safe harbor/ tolerance limit of 10% is introduced for valuation of equity shares and CCPS for both resident and NR investments, subject to certain conditions.

Regulatory updates

On the regulatory front, the government has, over the last couple of years, issued newer regulations keeping in mind aspects such as boosting investor confidence, promoting the GIFT IFSC, regulating monies flowing in from non-FATF compliant jurisdictions, etc.

Some key regulatory updates are as under:

1. *Alternative Investment Funds ('AIF')*

   In 2023, several regulations/ consultation papers were issued, keeping in mind the growth of the AIFs in India and with an intention to promote increased governance and transparency from an investor perspective. The key areas of coverage are as under:

   - AIFs are now permitted to participate in credit default swaps, not only as protection buyers but also as protection sellers, subject to conditions as may be specified by SEBI.
   - A standardized approach to the value investment portfolio of AIFs has been introduced to ensure true and fair valuation by bringing transparency and ensuring appropriate valuation of the investments.
   - Mandatory dematerialization of units of AIF in a phased manner subject to prescribed timelines.
   - Guidelines have been prescribed with respect to 'excusing or excluding' an investor from an investment of AIF.
   - Keeping in mind practical difficulties being faced, a Consultation Paper has been issued inviting thoughts/ comments on how an AIF should deal with unliquidated investments after the end of their original/extended tenure.

   Further, at a time when the industry is focused on enhancing domestic capital flows to alternate assets, the Reserve Bank of India has issued a circular that can have far-reaching consequences on participation by banks, NBFCs and FIs in SEBI registered AIFs. The circular has been issued to address the regulator's concern on possible evergreening of loan exposures of FIs by disguising them as investments in AIF units. The following measures have been proposed:

   - FIs cannot make any investment in an AIF which has downstream investment either directly or indirectly in a debtor company of such FI. For this purpose, debtor company has been defined to mean any company in which the FI currently or in the previous 12 months had any loan or investment exposure.
   - If an AIF in which the FI has already made an investment makes an investment in such a debtor company, then the FI shall have to liquidate its investment in the AIF within 30 days of the AIF making such investment. A 30-day window (from the date of the circular) has been provided where the FI presently has an investment in an AIF, where such downstream investment has already been made.
   - Where the FI is unable to liquidate their investments in the aforesaid period, they shall be required to make a 100% provision on such investments in their financial statements.
   - Any investment by an FI in subordinated units of an AIF with a 'priority distribution waterfall' shall be subject to full deduction from the FIs capital funds.

2. *Regulatory Framework for sponsors of a mutual fund ('MF')*

   With an aim to enhance the penetration of the MF industry and facilitate new types of sponsors, encouraging capital flow, innovation, competition, consolidation, and easier exits for the existing sponsors, a framework has been issued by SEBI for sponsors of a mutual fund. Some key aspects are as under:

   - For a Private Equity fund to become the sponsor of the MF, the PE is required to have a minimum of five years of experience as fund manager investing in the financial sector. It should have managed, committed, and drawn down capital of at least INR 5,000 crores. In addition, the MF sponsored by a PE cannot participate as an anchor investor in public issues of investee companies where the sponsor has a 10% or more investment or a board representation.
   - SEBI has allowed Asset Management Companies (AMCs) to become self-sponsored, provided they have been in the financial services business for at least five years, have a positive net worth, and meet specific profit criteria. Sponsors proposing to disassociate must have been sponsors of the mutual fund for at least 5 years before the proposed disassociation..

3. *Foreign Portfolio Investors ('FPI')*

   FPIs inflows into India in 2023 beat several records on both equity and debt front, reflecting the positive sentiments of these investors and boosting the public markets in India. Following are the key regulatory changes impacting FPIs:

- In order to facilitate ease of doing business, the onboarding process for FPIs has been streamlined by enabling faster and quicker registration, eliminating onerous requirements related to documents, execution, etc.
- Requirement of obtaining a 'Legal Entity Identifier' has been mandated for all non-individual FPIs.
- To increase transparency and to ensure compliance with other laws relating to 'Minimum Public Shareholding' and Press Note 3 stipulations, certain categories of FPIs have been mandated to obtain granular information of persons having any ownership, economic interest, or control on a full look through basis, up to the level of all natural persons, without any threshold. No compliance with this requirement is likely to result in cancellation of FPI registration, withdrawal of voting rights at the investee company level, etc.

4. *Corporate and Competition Law*

Some regulatory measures impacting transactions and corporate governance are as under:

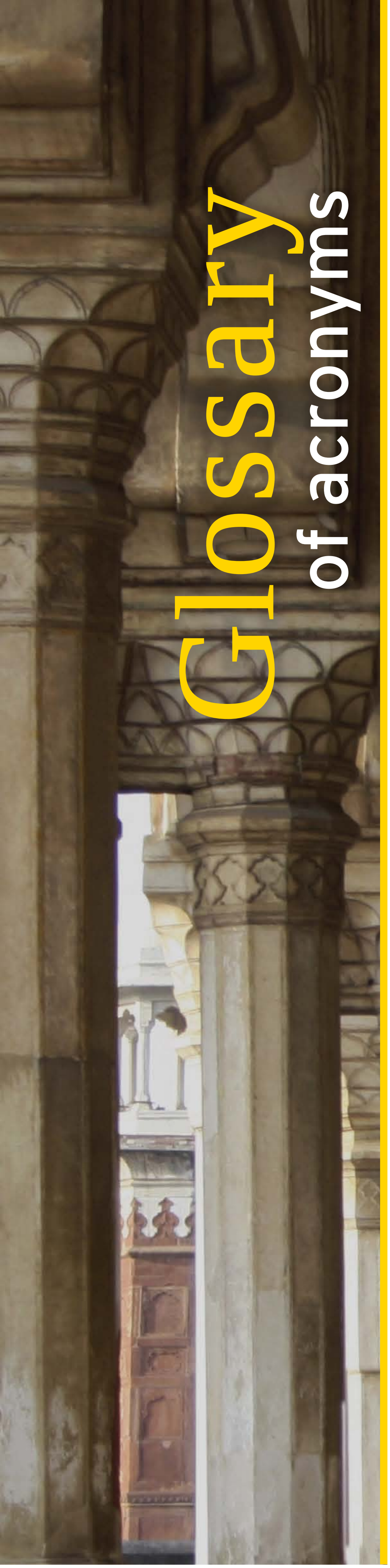
- Introduction of Central Processing for Accelerated Corporate Exit (C-PACE) for swift approvals in voluntary closures.
- Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, have been amended to enable faster merger approvals. If a Regional Director ('RD') fails to file an application before the National Company Law Tribunal (NCLT) for the consideration of a merger scheme under section 232 or does not issue a confirmation order for the approval of the merger under section 233 within the specified time limit, it will be deemed that the RD has no objection, and the confirmation order will be issued accordingly.
- The Competition (Amendment) Bill, 2023, was passed by both the Houses of the Parliament and has also received the Presidential assent (on 11 April 2023). Some of the key changes include bringing transactions exceeding INR 20 billion within the ambit of approval of the Competition Commission of India (CCI), reduction in timelines for CCI to issue a final order from 210 days to 150 days, etc.

5. *International Financial Services Centre ('IFSC')*

On the IFSC front, few of the noteworthy updates are as under:

- A public Indian company (i.e., listed, or unlisted) can now issue equity shares or offer equity shares of existing shareholders for listing on IFSC stock exchanges. The relevant Indian regulators [including International Financial Services Centres Authority (IFSCA)have outlined detailed guidelines as well as made necessary operational amendments to enable such listing [except for SEBI whose guidelines are currently awaited (in the context of Indian listed companies)].
- The eligibility criteria for Accredited Investors and the modalities related thereto have been notified by the IFSCA in the context of Funds set up in IFSC.
- Similar to SEBI, IFSCA has constituted a standing "Fund Management Advisory Committee". The Committee is expected to lay a long-term plan for the orderly growth and development of the fund management industry in IFSC. The Committee is also expected to advise IFSCA on new products or services, untoward market practices, etc.

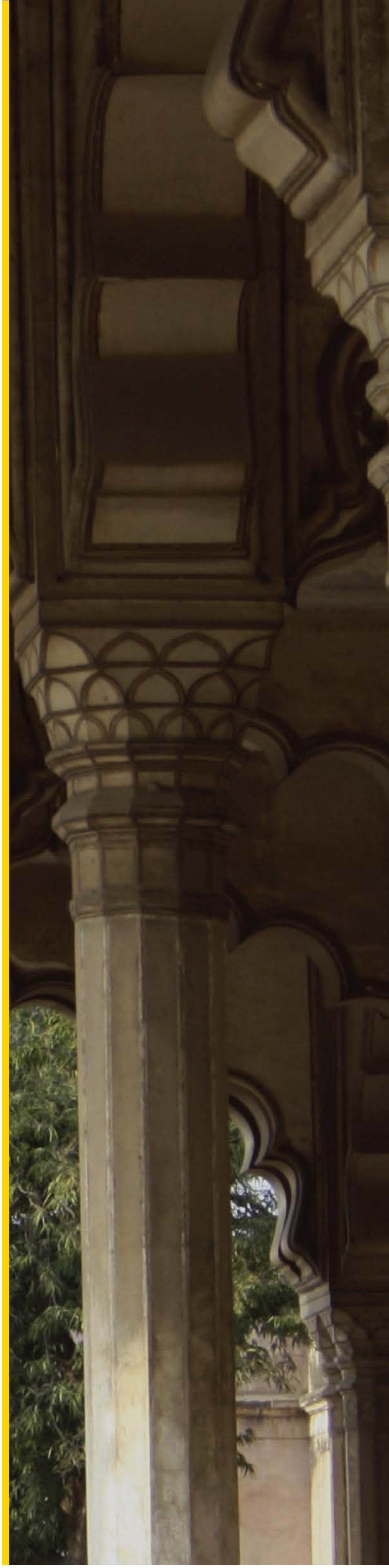
While several changes are welcome given the growth prospects of the Indian economy, one can hope that in the year 2024, other administrative aspects on the regulatory front related to quicker turnaround time on issuance of licenses, providing regulatory approvals for transactions/ deals in a shorter timeframe, adopting changes suggested by the Expert Committee (headed by the former SEBI chief M. Damodaran for suggesting tax and regulatory reforms to make PE/VC more attractive) are also taken care of.



Glossary of acronyms

1. **ADIA** - Abu Dhabi Investment Authority
2. **AI** - Artificial Intelligence
3. **AIIB** - Asian Infrastructure Investment Bank
4. **AIFs** - Alternate Investment Funds
5. **AMT** - Alternative Minimum Tax
6. **ARC** - Asset Reconstruction Company
7. **AUM** - Assets under management
8. **AY** - Assessment Year
9. **B2B** - Business-to-Business
10. **B2C** - Business-to-Consumer
11. **CAGR** - Compounded annual growth rate
12. **CBDT** - Central Board of Direct Taxes
13. **CDPQ** - Caisse de dépôt et placement du Québec
14. **CPPIB** - Canada Pension Plan Investment Board
15. **CRAMS** - Contract research and manufacturing services
16. **DFID** - Department for International Development
17. **DIPP** - Department of Industrial Policy and Promotion
18. **DPIIT** - Department for Promotion of Industry and Internal Trade
19. **DRHP** - Draft Red Herring Prospectus
20. **DTAA** - Double Taxation Avoidance Agreement
21. **EBITDA** - Earning before interest tax depreciation and amortization
22. **EMPEA** - Emerging Markets Private Equity Association
23. **EPC** - Engineering, Procurement and Construction
24. **FDI** - Foreign Direct Investment
25. **ESG** - Environmental, Social, and Corporate Governance
26. **EV** - Electric vehicles
27. **FAQ** - Frequently asked questions
28. **FEMA** - Foreign Exchange Management Act, 1999
29. **FDI** - Foreign Direct Investment
30. **FII** - Foreign Institutional Investment
31. **FPI** - Foreign Portfolio Investment
32. **GAAR** - General anti avoidance rule
33. **GFC** - Global financial crisis
34. **GIC** - GIC Private Limited
35. **GIFT** - Gujarat International Finance Tec-City
36. **GIP** - Global Infrastructure Partners
37. **GoI** - Government of India
38. **GP** - General partner
39. **GST** - Goods and services tax
40. **IDBI** - Industrial Development Bank of India
41. **IFC** - International Finance Corporation
42. **IFCI** - Industrial Finance Corporation of India
43. **IFSC** - International Financial Services Centre
44. **InvIT** - Infrastructure investment trust

45.	**IPO** – Initial public offering
46.	**IT/ITES** – Information Technology / Information Technology Enabled Services
47.	**IRDA** – Insurance Regulatory and Development Authority of India
48.	**KKR** – Kohlberg Kravis Roberts & Co
49.	**LPs** – Limited Partners
50.	**M&A** – Mergers and Acquisitions
51.	**MAT** – Minimum Alternate Tax
52.	**MFI** – Micro Finance Institution
53.	**MOPE** – Motilal Oswal Private Equity
54.	**MSME** – Micro, Small and Medium Enterprises
55.	**NASSCOM** – National Association of Software and Service Companies
56.	**NBFC** – Non-Banking Financial Company
57.	**NCLT** – National Company Law Tribunal
58.	**NHAI** – National Highway Authority of India
59.	**NIIF** – National Investment and Infrastructure Fund
60.	**NPA** – Non-performing Asset
61.	**NRI** – Non-Resident Indian
62.	**OCI** – Overseas Citizen of India
63.	**OMERS** – Ontario Municipal Employees Retirement System
64.	**OTPP** – Ontario Teachers' Pension Plan
65.	**PAN** – Permanent Account Number
66.	**PE/VC** – Private Equity/Venture Capital
67.	**PIF** – Public Investment Fund of Saudi Arabia
68.	**PIPE** – Private investment in public equity
69.	**PLI** – Production-linked incentive
70.	**PSP** – Public Sector Pension Investment Board
71.	**QIP** – Qualified Institutional Placement
72.	**RBI** – Reserve Bank of India
73.	**RE** – Real estate
74.	**REIT** – Real estate investment trust
75.	**RCP** – Retail and Consumer Products
76.	**RERA** - Real Estate Regulatory and Development Act
77.	**ROIC** – Return on invested capital
78.	**SaaS** – Software as a service
79.	**SBI** – State Bank of India
80.	**SEBI** - Securities and Exchange Board of India
81.	**SPAC** - Special purpose acquisition company
82.	**SWF** – Sovereign wealth fund
83.	**TCS** – Tax collected at source
84.	**TDICI** - Technology Development and Information Company of India
85.	**TDS** – Tax deducted at source
86.	**ToT** – Toll operate transfer
87.	**VSV** - Vivad Se Vishwas
88.	**WHT** - withholding tax



Appendices

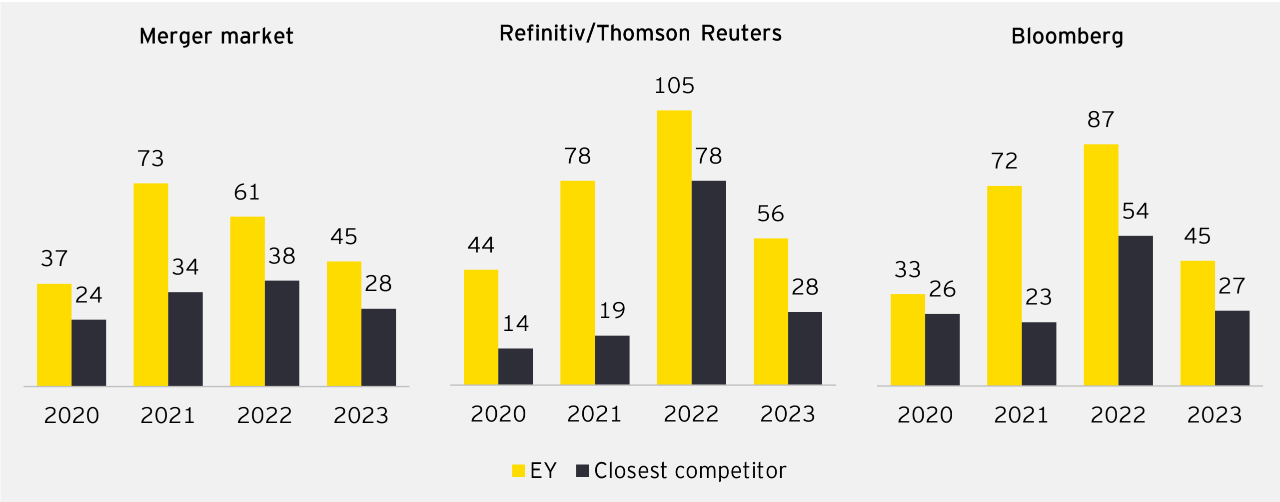
About EY's Private Equity Services

EY's India Private Equity Services Practice has been among the top advisors for private equity deals over two decades now, we provide 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.

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.

In India, EY is among the leading providers of advisory, tax, transactions, and assurance services. EY Ranked #1 Financial Advisor India – 2023 in M&A and PE deals across all league tables, which is a testimony to our relentless commitment to deliver exceptional client services and create a better working world. EY has offices spread across 11 cities in India. Worldwide, our 400,000+ people across 150+ countries and 700+ cities are united by our shared values and their unwavering commitment to quality.

Exhibit 134

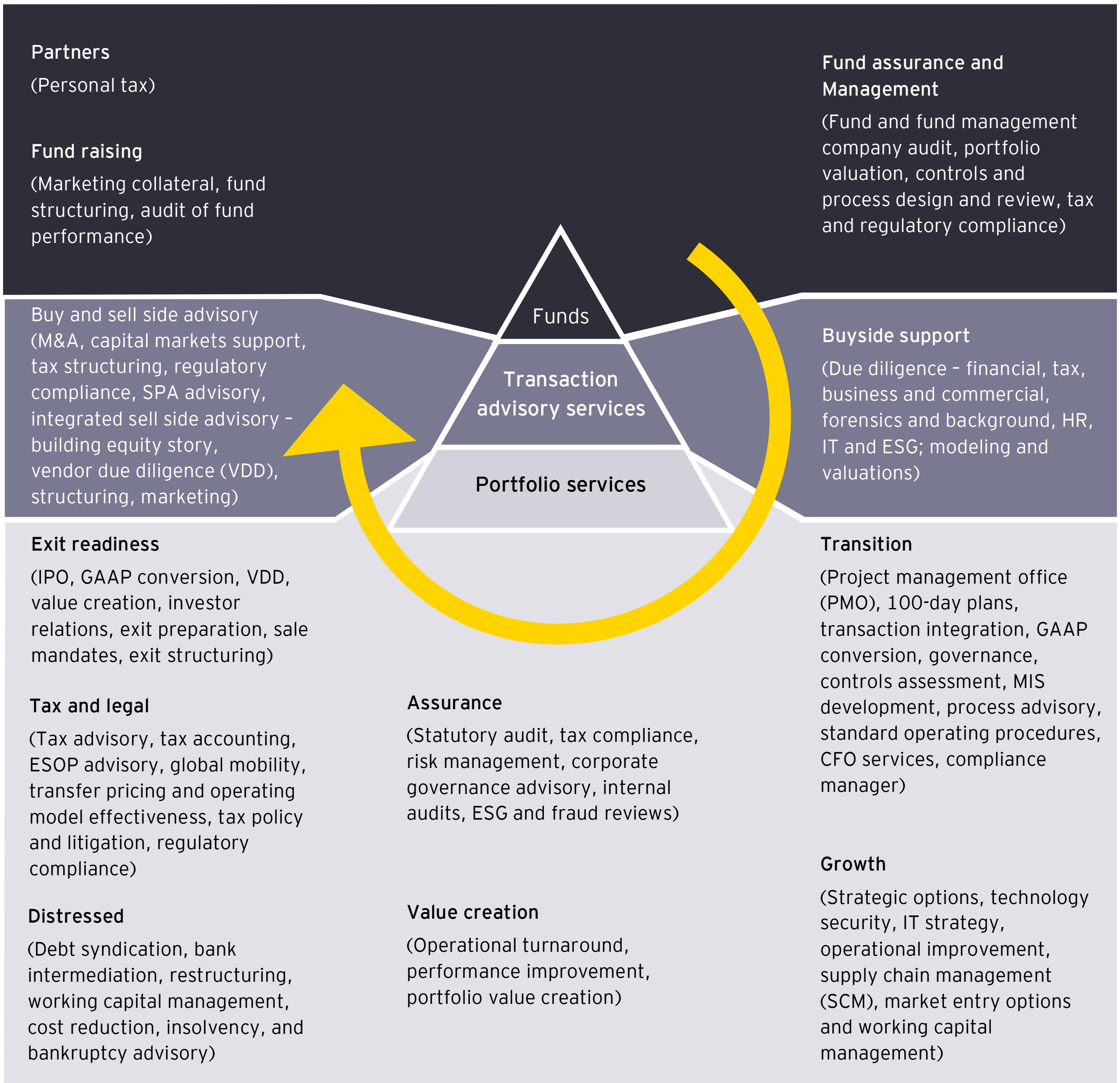


** As per Global Brand Survey, conducted by an independent research agency commissioned by EY*

*** for most number of deals*

- #1 advisor in Financial advisory league tables across databases
  - a. Bloomberg for 20 consecutive years (2003-2023)
  - b. Merger market for 18 consecutive years (2006-2023)
- Consistently maintaining a significant lead from closest competitor
- Sustained leadership in infrastructure deals in India, including largest airline and highway transaction - Air India and Cube-InvIT

Exhibit 135



Partners
(Personal tax)
Fund raising
(Marketing collateral, fund structuring, audit of fund performance)
Buy and sell side advisory (M&A, capital markets support, tax structuring, regulatory compliance, SPA advisory, integrated sell side advisory – building equity story, vendor due diligence (VDD), structuring, marketing)
Exit readiness
(IPO, GAAP conversion, VDD, value creation, investor relations, exit preparation, sale mandates, exit structuring)
Tax and legal
(Tax advisory, tax accounting, ESOP advisory, global mobility, transfer pricing and operating model effectiveness, tax policy and litigation, regulatory compliance)
Distressed
(Debt syndication, bank intermediation, restructuring, working capital management, cost reduction, insolvency, and bankruptcy advisory)
Funds
Transaction advisory services
Portfolio services
Assurance
(Statutory audit, tax compliance, risk management, corporate governance advisory, internal audits, ESG and fraud reviews)
Value creation
(Operational turnaround, performance improvement, portfolio value creation)
Fund assurance and Management
(Fund and fund management company audit, portfolio valuation, controls and process design and review, tax and regulatory compliance)
Buyside support
(Due diligence – financial, tax, business and commercial, forensics and background, HR, IT and ESG; modeling and valuations)
Transition
(Project management office (PMO), 100-day plans, transaction integration, GAAP conversion, governance, controls assessment, MIS development, process advisory, standard operating procedures, CFO services, compliance manager)
Growth
(Strategic options, technology security, IT strategy, operational improvement, supply chain management (SCM), market entry options and working capital management)

Delivering issue-based solutions to the entire PE enterprise

EY has established six distinct solutions reflecting the holistic set of challenges that PE firms face across all levels of the organization–the management company, the funds, and their portfolio companies.

Exhibit 136

Operating model and automation	Global compliance and reporting	Deal origination
Alternative asset managers need to drive efficiency through multi-year target operating models and infrastructure strategies to remain competitive. These align with strategic growth plans by leveraging vendor and service provider activities. EY defines and monitors data analytics and key performance indicators to annually assess data governance and risk against these target models.	Large asset managers have hundreds of non-US legal entities in multiple countries, and continually create new ones–all with different compliance obligations. Many are outsourced and require local knowledge. EY gathers the data, leverages local EY teams familiar with accounting and tax laws, performs data analytics to identify trends, risks and opportunities and monitors filing requirements.	The intense competition for a limited number of deals raises stakes to win for Private Equity (PE) firms. A proprietary investment approach, driven by sector insights, enables firms to confidently place winning bids that generate appropriate returns. EY's global origination team turns opportunities into actionable strategies. Our proprietary knowledge and advanced analytics help develop strategic capital options to help firms achieve success.
Integrated due diligence	**Value creation**	**Exit readiness and IPO**
PE firms conduct diligence on assets across strategic, financial, tax, operational and HR issues. Firms historically used issue-based advisors, managing different parties, and consolidating findings at the end of the process. Employing EY's integrated diligence approach at the early stages of a transaction provides more effective, comprehensive diligence on an asset, giving firms a distinct competitive advantage.	PE firms face increasing pressure to attract fresh capital. This requires generating greater investment returns and demonstrating a consistent track record in creating value in their portfolio. EY's value creation solution addresses these challenges across all five stages of the deal life cycle, including deal origination, diligence, inception, optimization and exit strategy.	PE firms must plan exits rigorously to successfully monetize their investment during the exit process in today's challenging environment. Executives must identify key short- and long-term priorities prior to undertaking an IPO or alternative transaction. EY can advise deal teams and portfolio companies on exit alternatives, assess exit readiness, prepare a business for exit/IPO, and create a value story for targeted buyers.

Exhibit 137

Focused advisory solutions for PE backed portfolio companies	
IPO readiness: the first step in the IPO value journey	EY's IPO readiness service is the first step in what we describe as the "IPO value journey" and is designed to guide the client through a successful transformation from private to public status. Achieving readiness will ensure a strong debut in the capital markets. Getting IPO readiness right means implementing change throughout the business, organization, and the corporate culture. As a public company, the client will be subject to increased filing requirements, transparency, compliance, scrutiny by investors and analysts and overall accountability for delivering on promises. Successful businesses start to prepare typically 12 to 24 months before the IPO – in many cases with an IPO readiness assessment.
Performance improvement	Depending on objectives and business context, EY helps the client develop a combination of short-term and long-term strategies to reduce costs, optimize process and bring in efficiency and effectiveness across all layers of business to deliver positive impact on EBITDA by ensuring optimal utilization of both tangible and intangible resources.
Analytics: generate insights to make smarter, faster decisions	EY helps clients build data and information strategies using various analytics tools to deal with big data to address various areas of business, ranging from opportunity sizing and feasibility, operations and customer modeling, executive decision making, mergers and acquisition and valuation. EY helps across the capability value chain, ranging from strategy, implementation, hosting and running the analytics functions.
Growth navigator: achieving your growth ambitions	Having a broader perspective on the drivers of growth in your business and finding innovative ways to accelerate and sustain that growth can give you a competitive advantage. That is why we have developed EY Growth Navigator™, an interactive experience that uses the EY 7 Drivers of Growth to help you and your leadership team assess your business's current and aspirational position and create a strategic road map to help you get there.
Route to Market (RTM): deliver a successful strategy for your business	EY identifies focused opportunities for optimizing cost and growth after full assessment; designs new RTM, including different approaches for different segments (customers, regions, seasonal demand); identifies the optimal concessionaires' model considering different distribution approaches; and supports the implementation of the RTM by providing IT specs and additional services (e.g., stock management options).
Cybersecurity	EY assists internal teams to build cyber awareness and conduct company-wide training, as well as training of board of directors. EY supports in building regulations and compliance requirements with audit and readiness services. EY helps transform the security program and integrate information security and IT risk across the enterprise as well as help implement globalized data protection strategies to protect information that matters, while considering regulatory and industry compliances.

EY's consulting solutions across the investment lifecycle

TRANSACTION CLOSURE	BUILD FOUNDATION	HOLDING PERIOD	EXIT PREPARATION
	Day 100	Year 1 to 4	

Transaction closure

- Org, Workforce and Culture
- Route to Market Strategy
- Supply chain planning and strategy
- Business Process Re-engineering
- Customer Experience Transformation
- Core Business Transformations
- Connected Commerce
- New Product design and Launch
- Tech and Digital Modernization Strategy

Build foundation

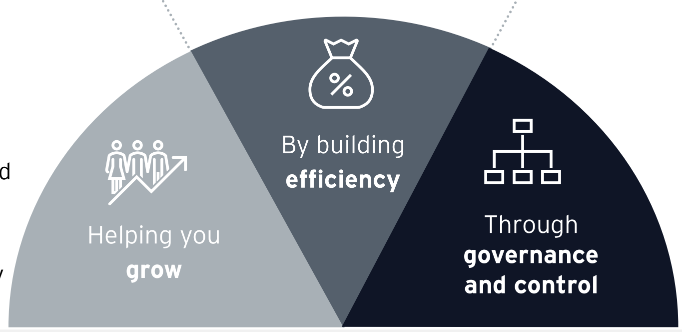
- Business and operating model Transformation
- Digital Maturity Assessment
- Customer Service Transformation
- Digital and Process Optimization
- Market Benchmarking
- Logistics Transformation
- Cost Optimization

Holding period

- Supply Chain Planning and Transformation
- Commercial Due Diligence (CDD)
- Manufacturing Excellence
- Procurement Transformation
- ESG and Decarbonisation
- Value Chain Diagnostic
- Sales Enablement

Exit preparation

- Enterprise Risk Assessment
- Actuarial
- Financial Services Risk Management
- Internal Audit
- Continuous Controls Management (CCM)
- Process Health Checks
- Compliance Management
- Software Asset Management
- Contract Management



Enabled by **technology**

- Cyber Security
- AI and ML Applications
- Data Analytics
- Cloud Adoption
- Tech Due Diligence

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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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IVC ASSOCIATION
PROMOTING ALTERNATE CAPITAL ECOSYSTEM

Ernst & Young LLP

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