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IVCA-EY PE/VC Roundup

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Foreword and outlook



Vivek Soni

Partner and National Leader
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“

November 2022 recorded US\$4 billion in PE/VC investments, 42% lower than the investments in November 2021 but 18% higher than October 2022. After being on a downtrend over the past two quarters, PE/VC investments have increased sequentially over the past two months both in terms of value and volume.

“

By deal type, buyouts were the highest in terms of value in November 2022 at US\$1.8 billion across four deals compared to US\$1.5 billion invested across five deals in November 2021. From a sector point of view, infrastructure was the top sector in November 2022, driven by investments in clean energy, with US\$1.6 billion in PE/VC investments across six deals.

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While exits recorded a 58% y-o-y decline, November 2022 saw a return of PE-backed IPOs with as many as 6 IPOs, the biggest being that of Five Star Business Finance with an OFS of US\$246 million.

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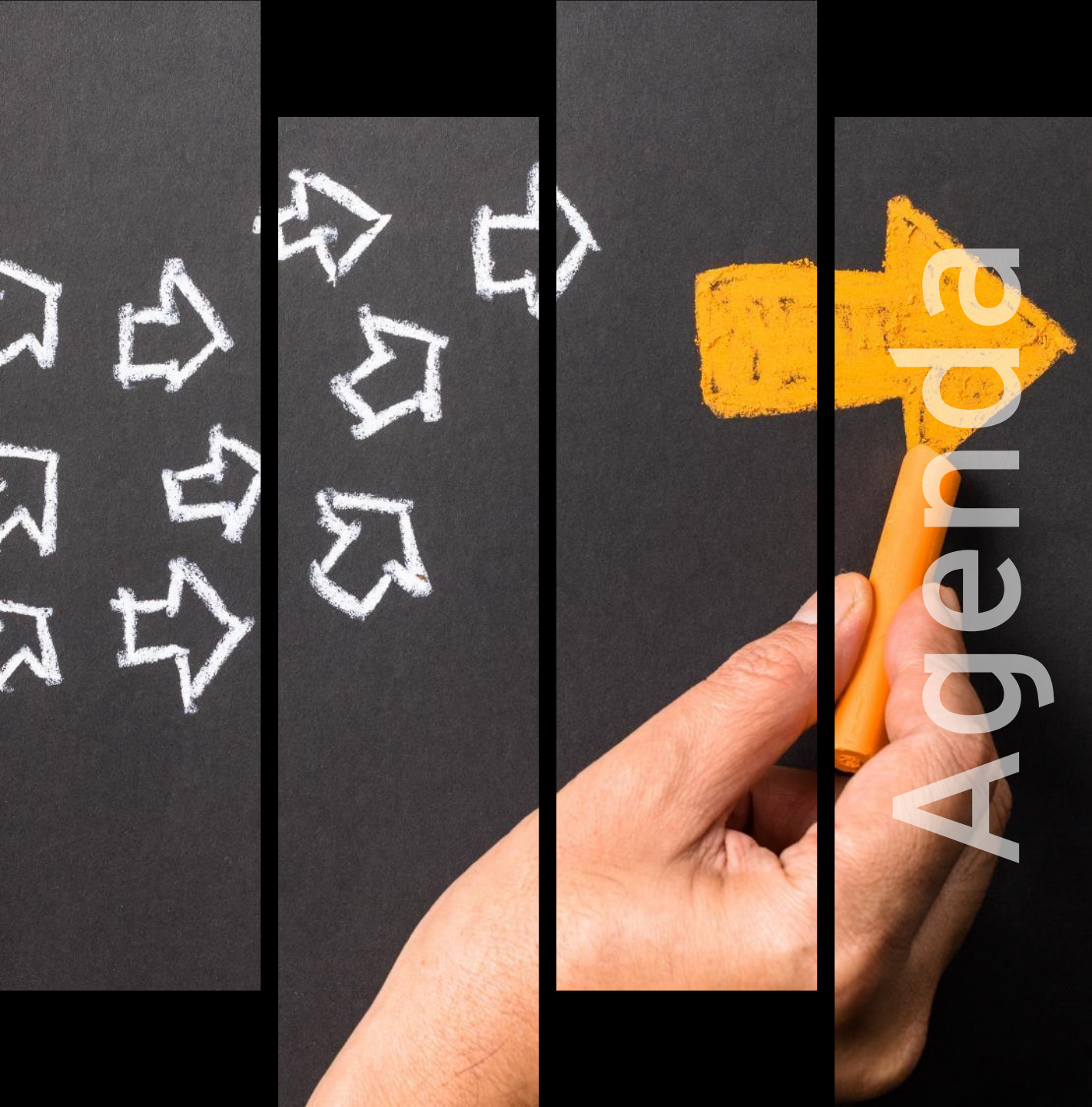
Despite the funding slowdown over the past few months resulting in a 31% decline in YTD PE/VC investments in 2022 on a y-o-y basis, it is still the second-best year for PE/VC investments with YTD investments exceeding ~\$49 billion. Further, with India dedicated fundraising at an all-time high of US\$15.7 billion and global dry powder topping almost US\$590 billion, there is significant availability of risk capital that can be deployed in India.

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After being on a downtrend for many months, the Indian PE/VC investment activity seems to be turning over the tide in the past couple of months. A significant gap in the bid/ask spreads was the main factor slowing down deal closure activity in 2Q and 3Q22 as a result of which large deals got delayed and companies raised smaller rounds to minimise dilution. As we head into 2023, this valuation gap has reduced and at the same time, some of the global uncertainty has played out well for India which continues to attract record levels of FDI.

While Fortune 500 Inc.'s need for supply chain resilience has made a strong case for Indian manufacturing, large global asset managers seem to be favouring India as they revise their emerging market allocations. These are encouraging signs and we remain hopeful that this uptrend in PE/VC investment and exit activity will continue into 2023.

Rising global recession concerns, China's changing policy towards COVID and the geo-political climate remain the top three risks that can have an outsized impact on the financial and commodity markets. The high levels of dry powder globally coupled with a more sanguine view on India amongst large Global LP's and asset managers augurs well for the Indian PE/VC industry in the coming years. An enabling business environment and favourable government policies will go a long way in attracting this risk capital into India.



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Monthly trend analysis: November 2022

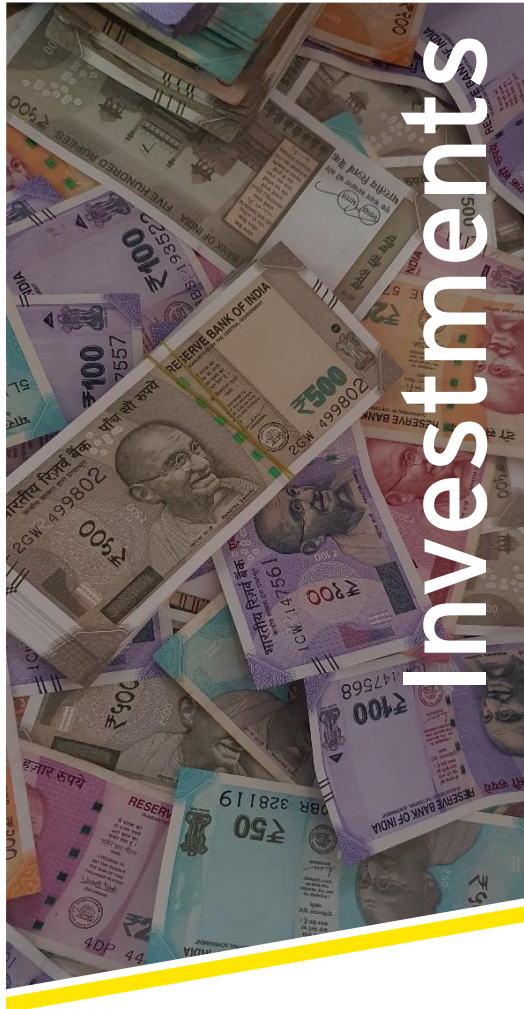
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Spotlight: PE/VC fundraise trends

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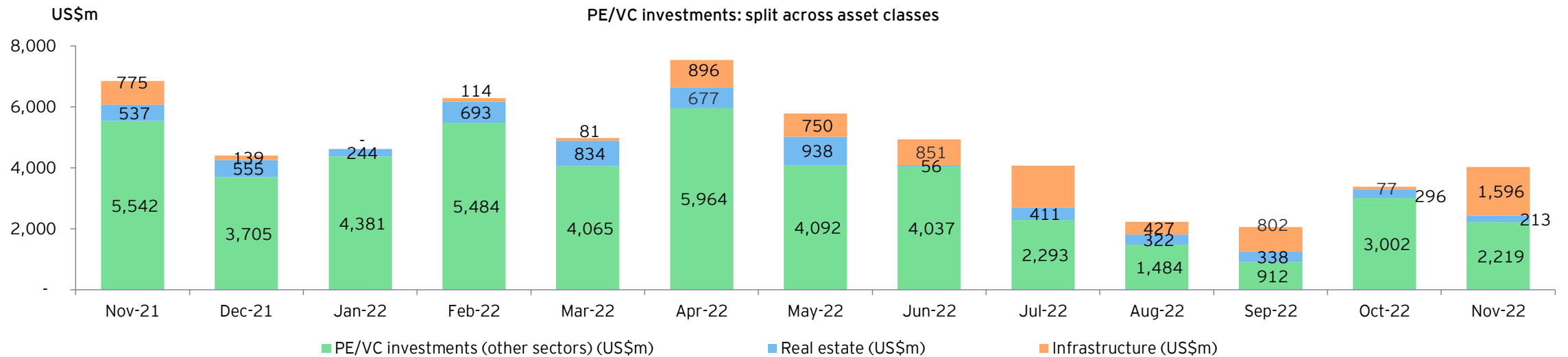
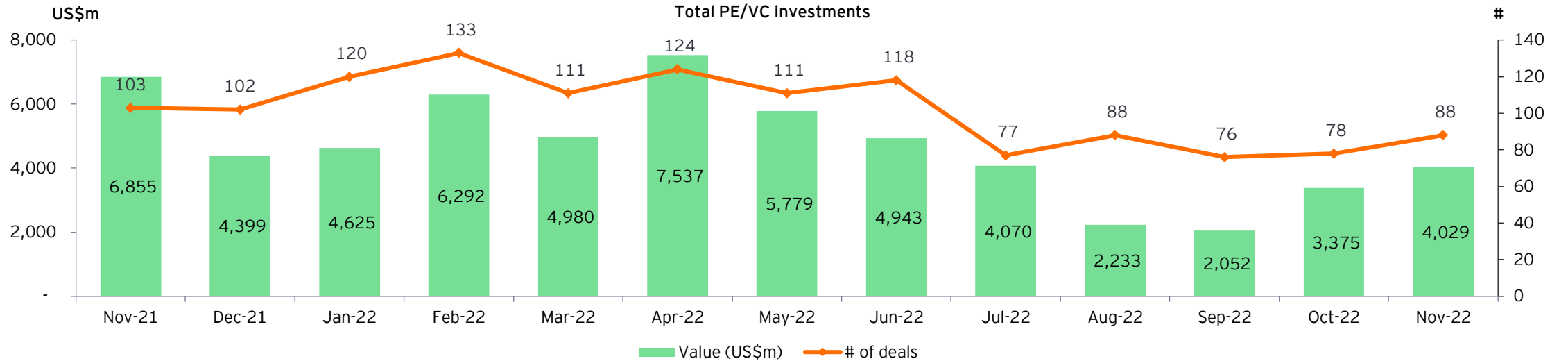
Monthly trend analysis:
November 2022

Key trends

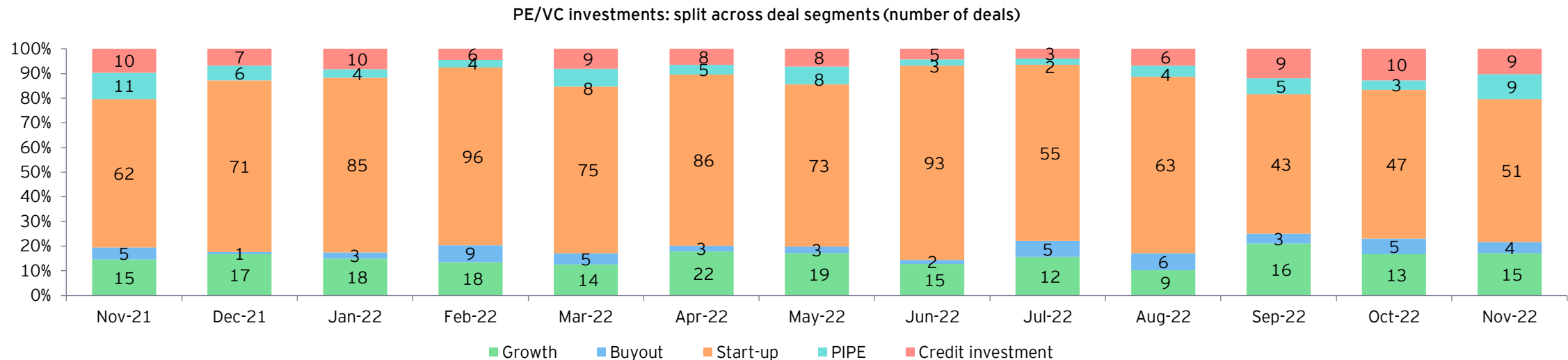
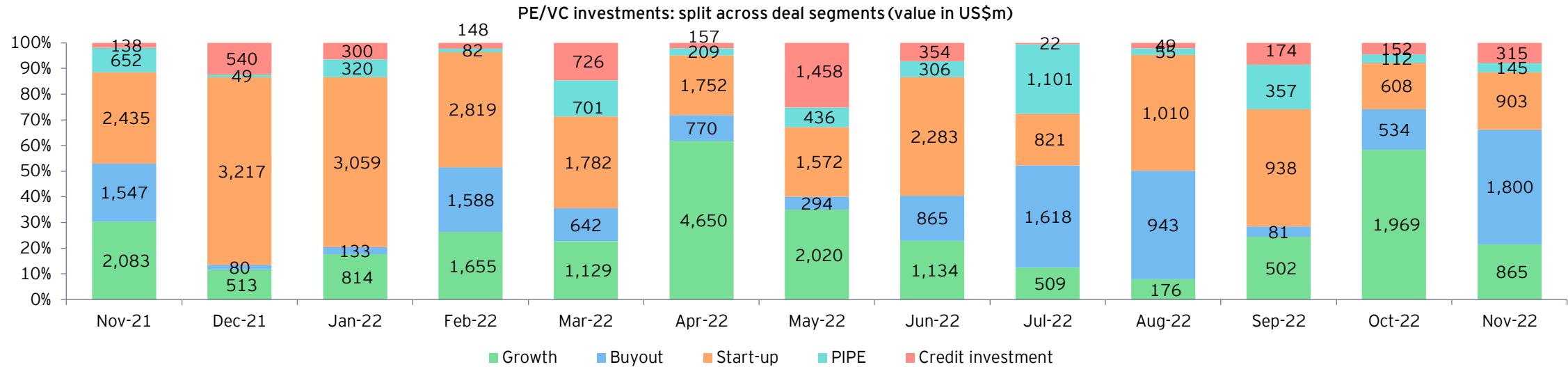


- ▶ PE/VC investments in November 2022 recorded US\$4 billion, 42% lower than PE/VC investments in November 2021 (US\$6.9 billion) and 18% higher than October 2022. In terms of number of deals, November 2022 recorded a 15% y-o-y decline in deal activity, while increasing by 13% sequentially. After being on a downtrend over the past two quarters, PE/VC investments have increased sequentially over the past two months, both in terms of value and volume.
- ▶ November 2022 recorded seven large deals (deals of value greater than US\$100 million) aggregating US\$2.8 billion, a sharp drop from the 17 large deals worth US\$5.4 billion recorded in November 2021. The previous month recorded six large deals worth US\$2.2 billion. The largest deal in November 2022 saw CDPQ buyout Eastern Peripheral Expressway for US\$770 million.
- ▶ By deal type, buyouts were the highest in terms of value in November 2022 at US\$1.8 billion across four deals compared to US\$1.5 billion invested across five deals in November 2021 and US\$534 million invested across five deals in October 2022. Startup investments were second highest, recording US\$903 million across 51 deals in November 2022 compared to US\$2.4 billion recorded across 62 deals in November 2021 and US\$608 million invested across 47 deals in October 2022. Growth deals recorded US\$865 million across 15 deals in November 2022 compared to US\$2.1 billion recorded across 15 deals in November 2021 and US\$2 billion recorded across 13 deals in October 2022.
- ▶ From a sector point of view, infrastructure was the top sector in November 2022, driven by investments in clean energy, with US\$1.6 billion in PE/VC investments across six deals (one deal worth US\$537 million in November 2021). The second largest sector was logistics and transportation, with US\$602 million recorded across two deals (one deal worth US\$14 million in November 2021). Technology, which was the top sector in November 2021, recorded a 75% decline y-o-y (US\$527 million in November 2022).

PE/VC monthly headline trends: investments

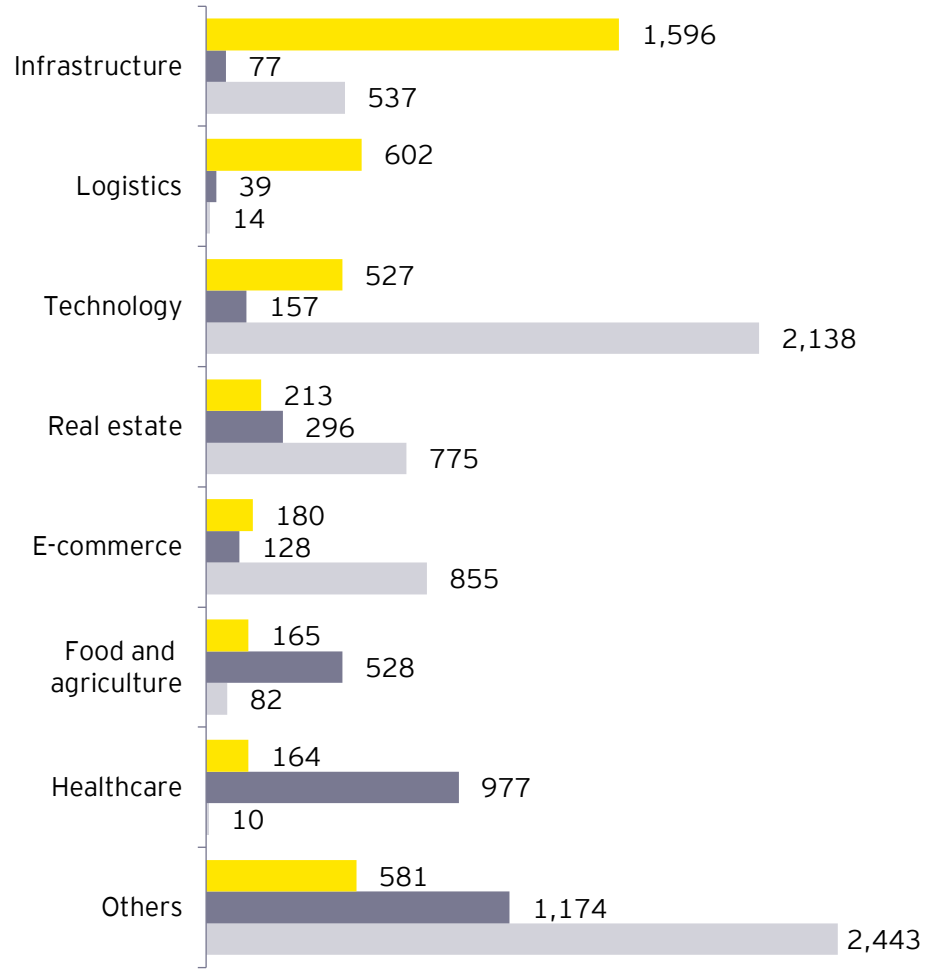


PE/VC monthly headline trends: investments

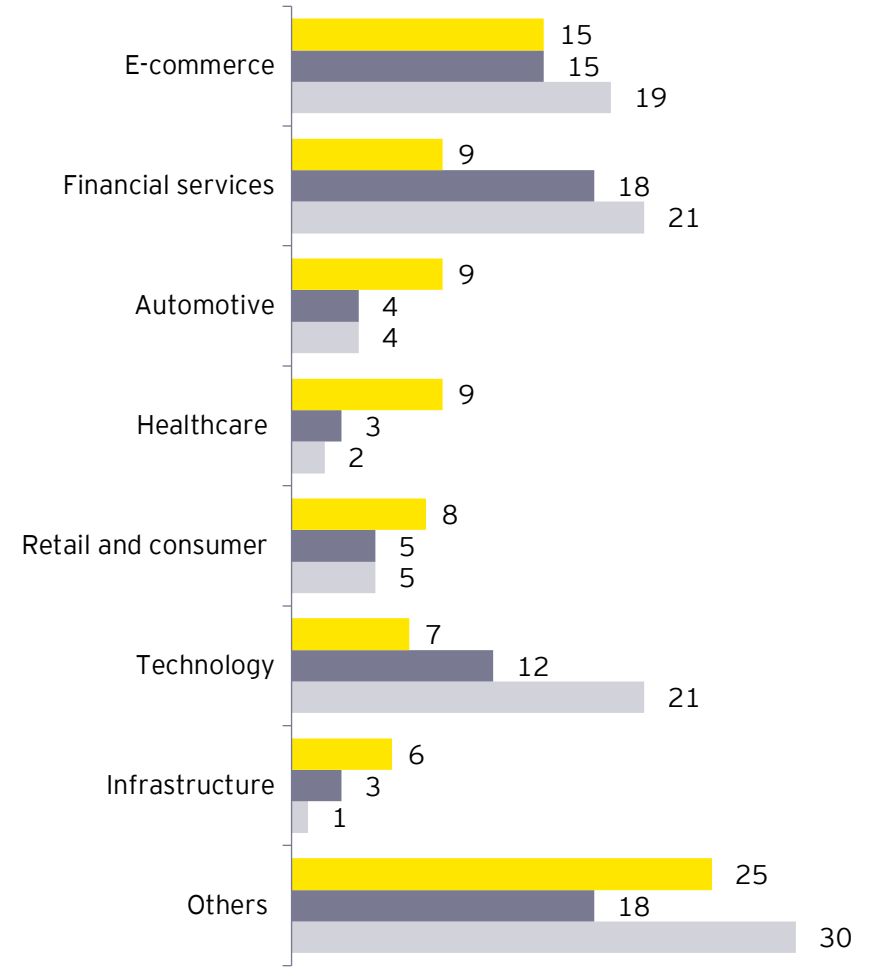


PE/VC investments: split by sector

Top sectors by value (US\$m)

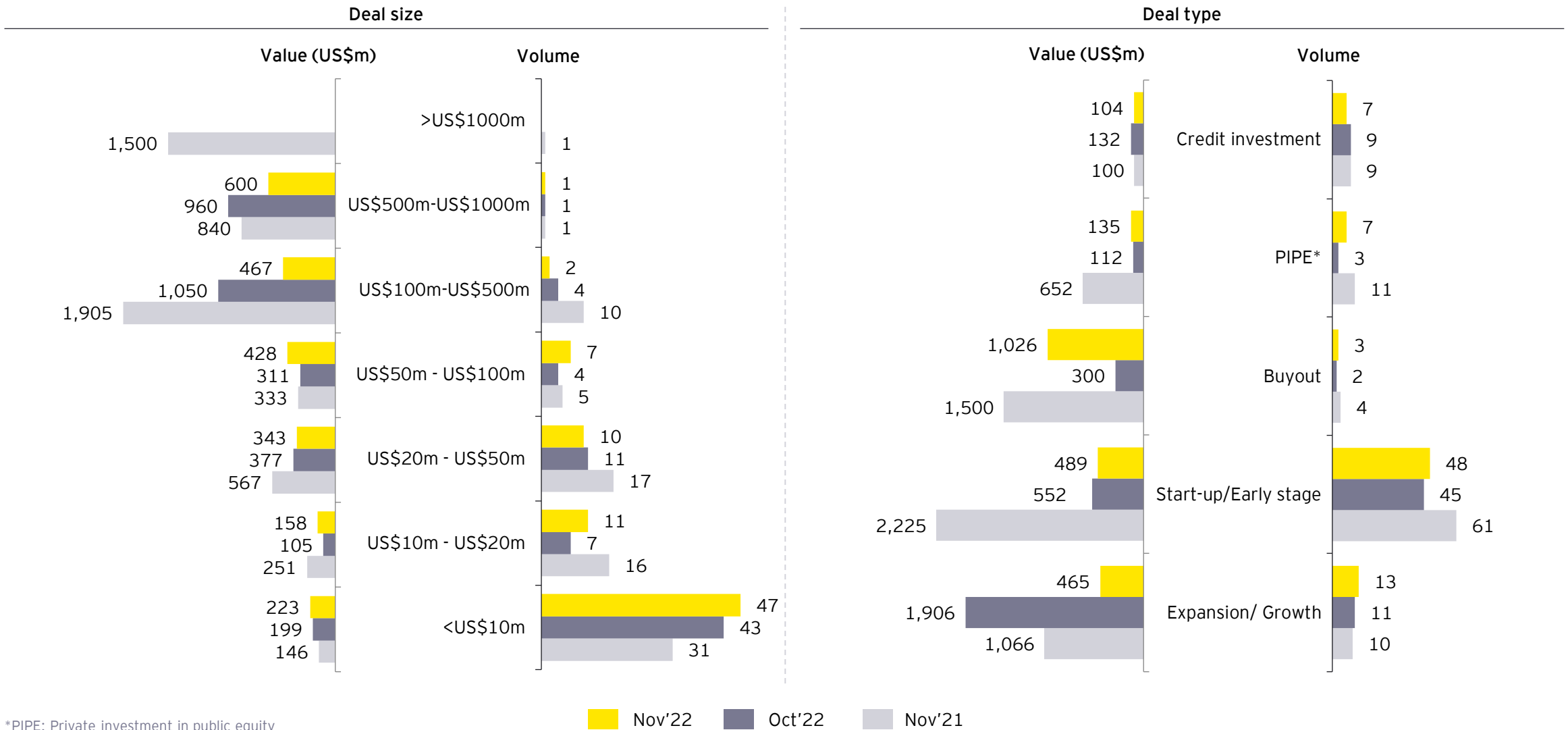


Top sectors by number of deals



■ Nov'22
 ■ Oct'22
 ■ Nov'21

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



*PIPE: Private investment in public equity

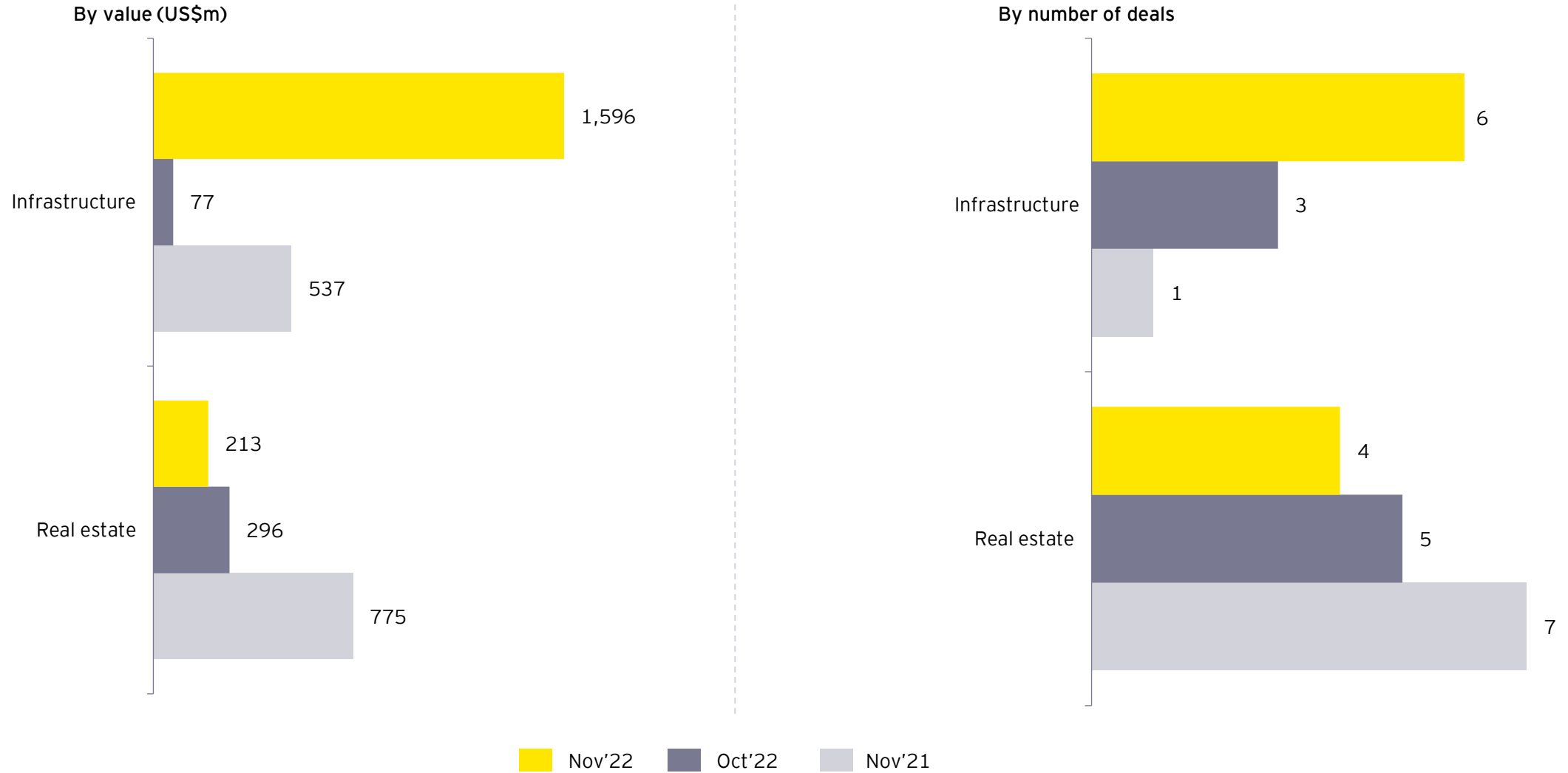


Top PE/VC investments

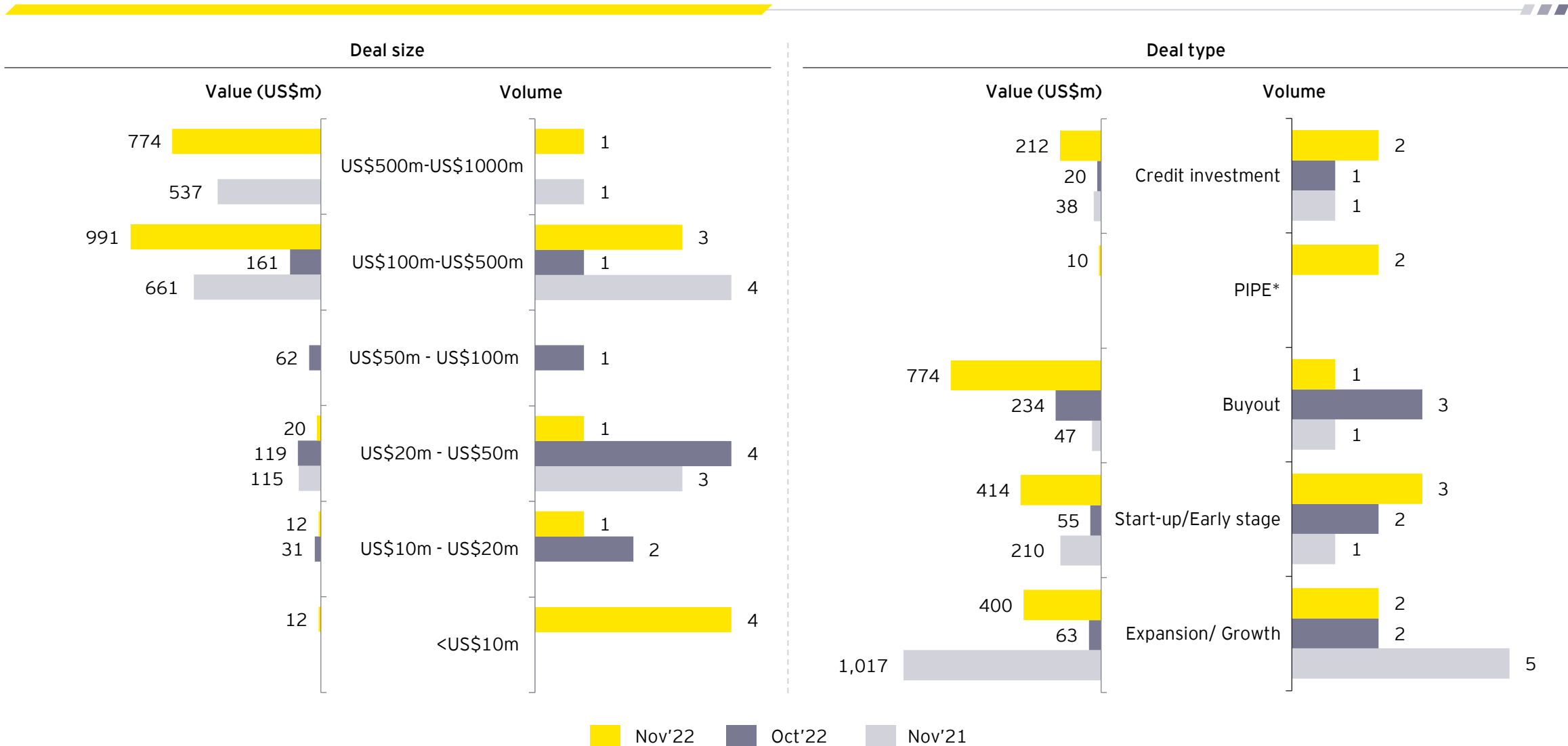
Top PE/VC investments excluding infrastructure and real estate in November 2022

Company	PE investors	Sector	Stage	US\$m	Stake (%)
Logistics platform JV	GIC, ESR	Logistics and Transportation	Buyout	600	100
R Systems International Limited	Blackstone	Technology	Buyout	358	100
Amagi Media Labs Private Limited	General Atlantic	Media and entertainment	Growth capital	109	8
Impresario Entertainment and Hospitality Private Limited	India Resurgence Fund	Food and agriculture	Buyout	68	NA
Star Dental Centre Private Limited	Investcorp Private Equity, Tybourne Capital Management	Healthcare	Growth capital	66	NA

PE/VC investments in infrastructure and real estate sectors



PE/VC investments in infrastructure and real estate sectors



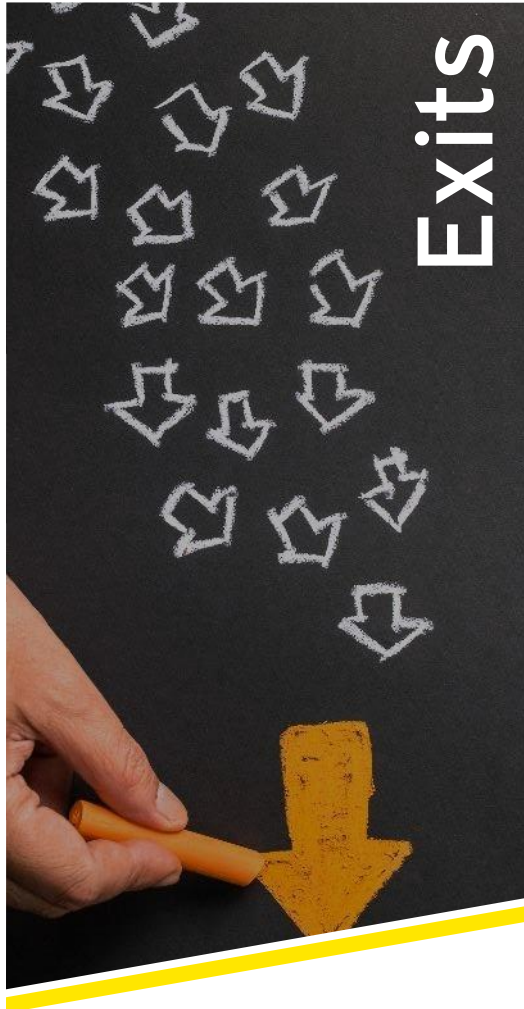
*PIPE: Private investment in public equity

Top *infrastructure* and *real estate* investments

Top infrastructure and real estate investments in November 2022

Company	PE investors	Sector	Stage	US\$m	Stake (%)
Eastern Peripheral Expressway	Maple Highways (CDPQ)	Infrastructure	Buyout	774	100
ReNew Power Private Limited	CPPIB	Infrastructure	Growth capital	400	NA
Serentica Renewables India Private Limited	KKR	Infrastructure	Startup	400	NA
6 housing projects of Shapoorji Pallonji	HDFC Capital Advisors	Real estate	Credit investment	191	NA
Sowparnika Homes Private Limited	Walton Street BlackSoil Real Estate Debt Fund II	Real estate	Credit investment	20	NA

Key trends

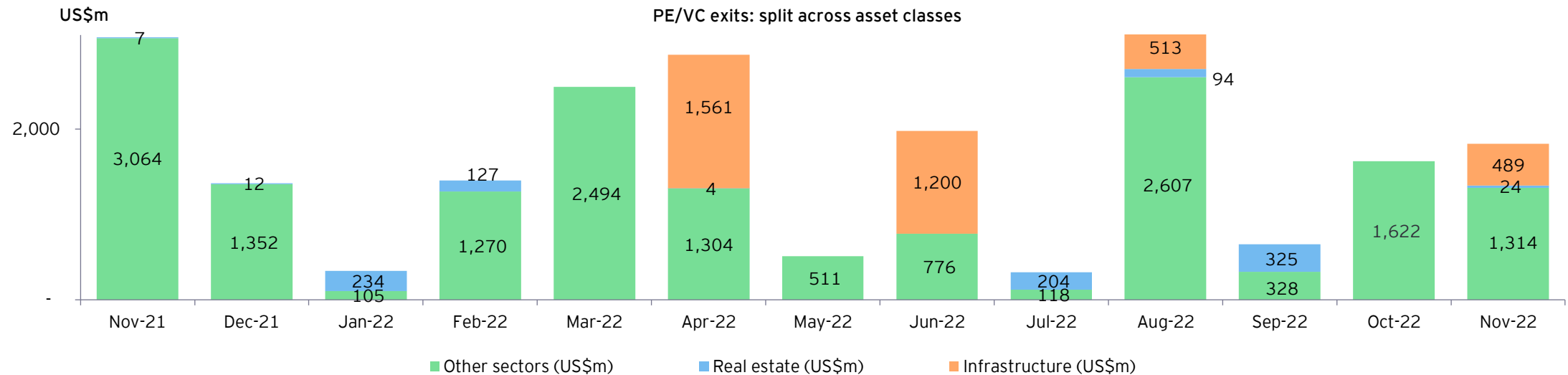
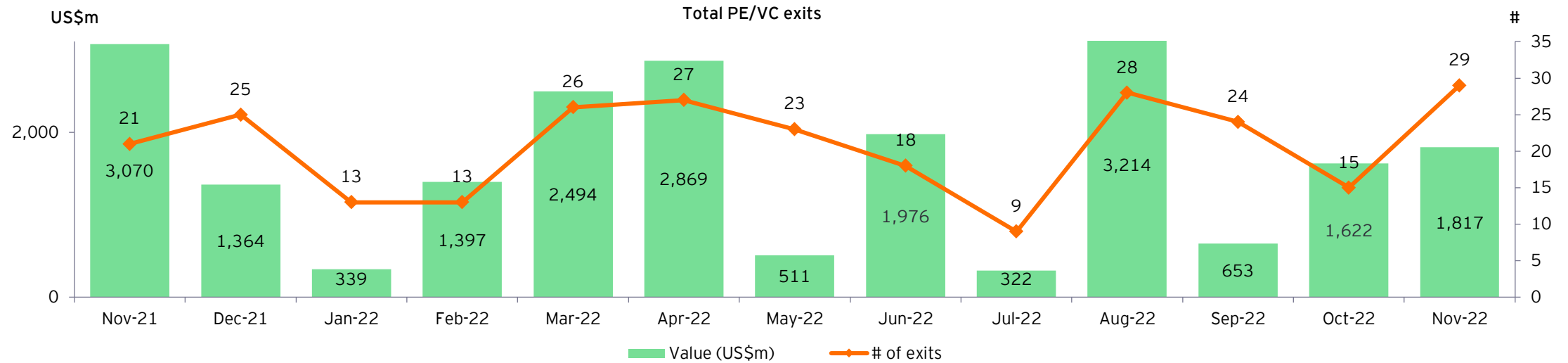


- ▶ November 2022 recorded 29 exits worth US\$1.8 billion compared to US\$3.1 billion recorded in November 2021 across 21 deals and US\$1.6 billion recorded across 15 deals in October 2022. November 2022 saw a return of PE-backed IPOs with as many as 6 IPOs, the biggest being that of Five Star Business Finance with an OFS of US\$246 million in which Sequoia, Norwest, Matrix, and TPG exited 14.2% stake.
- ▶ Exits via open market were the highest in November 2022, with 13 exits worth US\$857 million. PE-backed IPO exits were the second highest worth US\$361 million. Secondary and strategic deals recorded US\$217 million and US\$357 million, respectively.



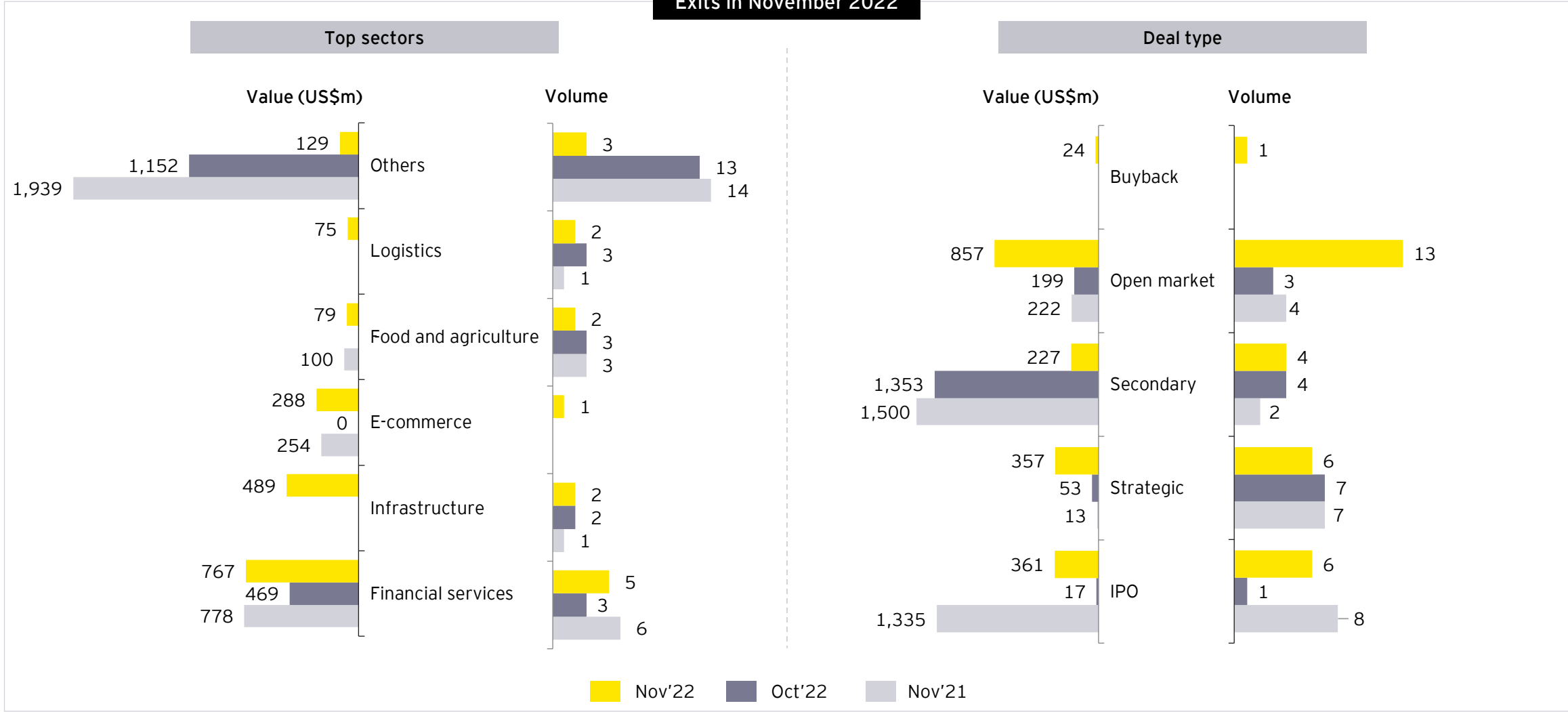
- ▶ November 2022 recorded total fundraises of US\$1.9 billion, compared to US\$610 million raised in November 2021. The largest fundraise was by Kotak Investment Advisors that raised US\$500 million for its 13th Real estate fund, a US\$1 billion platform targeting opportunistic real estate investments in India.

PE/VC monthly headline trends: exits



Exits: US\$1,817 million across 29 deals in November 2022

Exits in November 2022

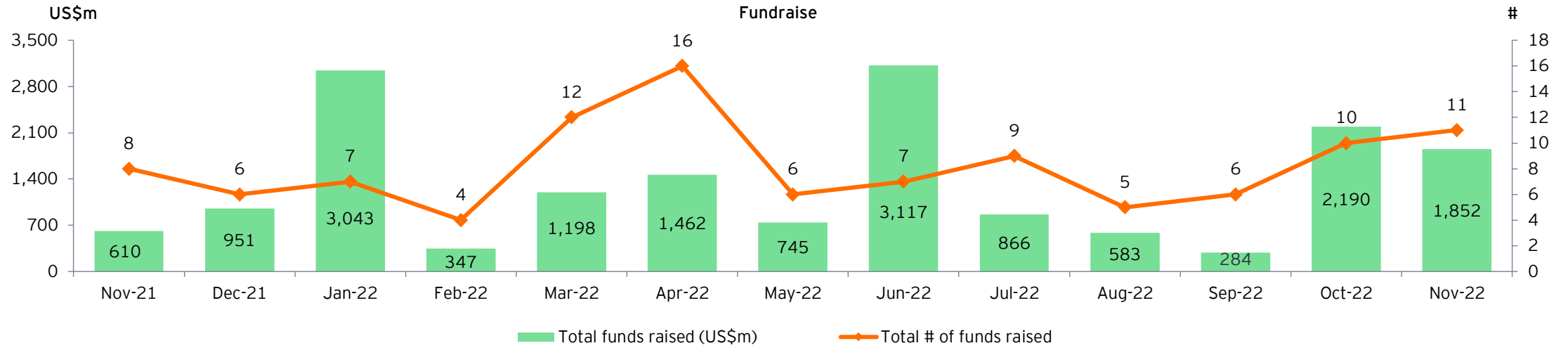


Top exits

Top exits in November 2022

Company	Sector	Sellers	Buyer	Exit type	US\$m	Stake (%)
Vector Green Energy Private Limited	Infrastructure	India Infrastructure Fund II	Sembcorp Green Infra Limited	Strategic	345	100
Five Star Business Finance Limited	Financial services	Sequoia, Matrix, Norwest, and TPG	NA	IPO	242	14
One 97 Communications Limited	Financial services	SoftBank	NA	Open market	195	5
Axis Bank Limited	Financial services	Bain Capital	NA	Open market	181	1
ReNew Power Private Limited	Infrastructure	Goldman Sachs, ADB	CPPIB	Secondary	144	6

PE/VC monthly headline trends: fundraise



Fundraise

Top fundraise in November 2022

Status	Fund	PE/VC GP	US\$m	Strategy
Raised	Kotak Investment Advisors	Kotak	500	Opportunistic real estate investments
Raised	Quona Capital Fund 3	Quona Capital	332	Fintech startups
Raised	AnZen India Energy Yield Plus Trust	Edelweiss Real Assets Managers	284	High quality energy assets
Raised	Kotak Infrastructure Investment Fund	Kotak	229	Operating infrastructure projects

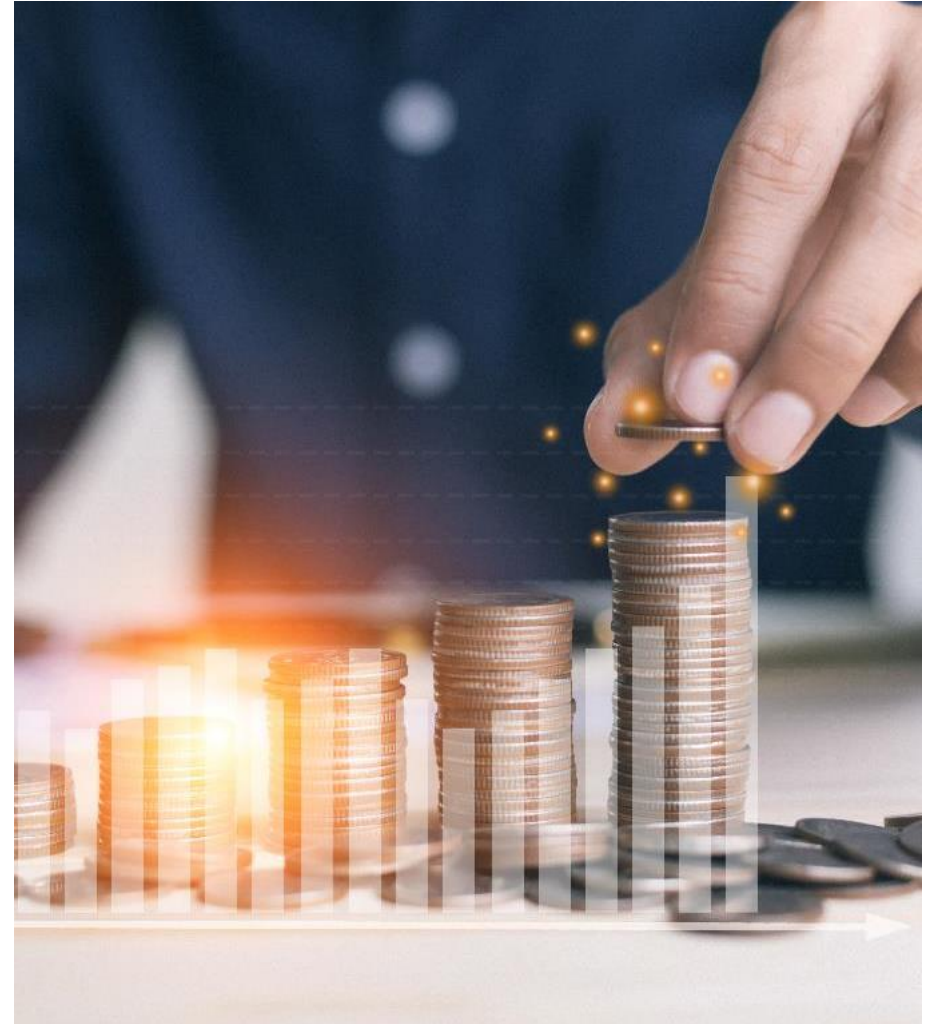
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Spotlight:
PE/VC fundraise trends



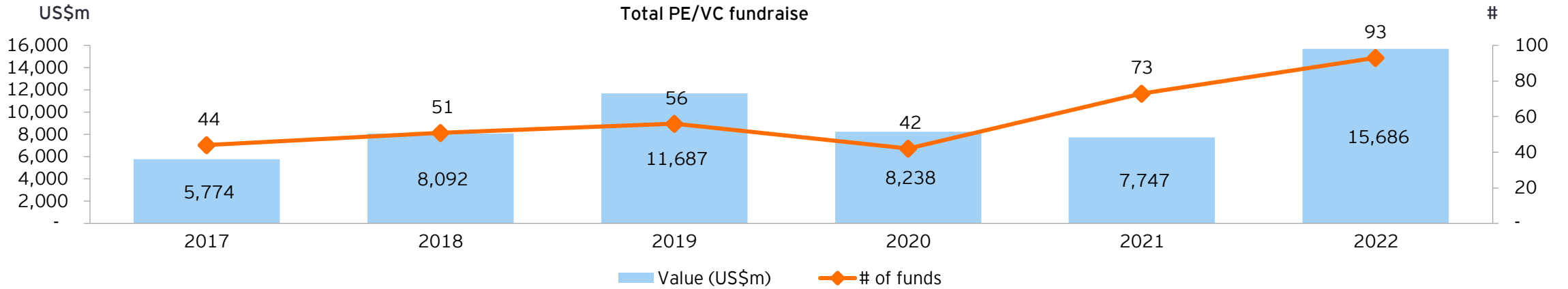
Spotlight: PE/VC fundraise trends

- ▶ The last six years witnessed US\$57.2 billion raised by India dedicated funds. India dedicated PE/VC fundraising was on an uptrend until 2019. However, on account of the pandemic, fundraising witnessed a slowdown for two years (2020-2021). This trend has reversed in 2022 with YTD fundraise worth US\$15.7 billion, an all-time high for India.
- ▶ This is on the back of a global surge in PE/VC fund raising in 2021, during which PE/VC funds raised US\$732.6 billion¹, an all-time high and a surge of over 19 % compared to 2020. In 2022, global fundraise stood at US\$615 billion as of Q3.
- ▶ The PE asset class was the largest at US\$18.5 billion and accounted for 32% of all the India dedicated PE/VC fundraises in last five years followed by VC funds at US\$17.4 billion (30%) and real estate funds at US\$8.2 billion (14.3%). Credit plus venture debt funds together raised US\$7.1 billion (12.4%), making credit the fourth largest category. Infrastructure dedicated funds (excluding renewables) raised US\$3.6 billion.
- ▶ From a sectoral allocation perspective, over the last six years, more than 51% (US\$29.4 billion) of the funds raised were for sector agnostic deployment followed by real estate sector accounting for 18% (US\$10.3 billion) and technology/internet accounting for 14% (US\$7.8 billion). Clean energy has been an emerging theme which has seen US\$2 billion in fundraise (3.4% allocation) almost entirely by PE funds.
- ▶ While sector-agnostic deployment remains the largest investing play across PE, VC, credit, stressed asset and venture debt funds, VC funds saw 30% of the funds being allocated to technology/internet related businesses vs. 13.5% by PE funds. PE funds have allocated 11% (US\$2 billion) towards clean energy. Within credit funds, 43% (US\$2.1 billion) of the funds are dedicated towards the real estate sector.

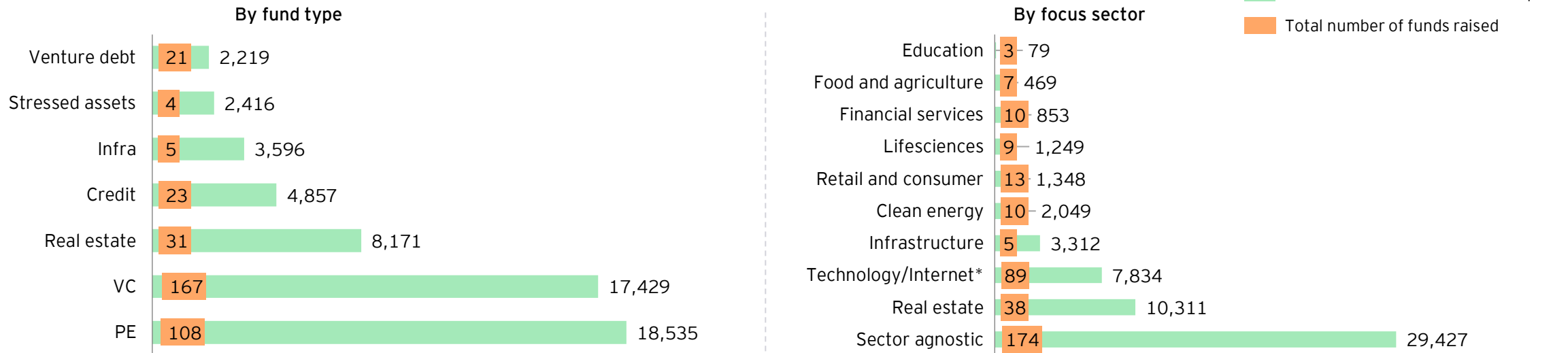


¹ <https://www.privateequityinternational.com/fundraising-hit-a-new-full-year-record-in-2021/>

Spotlight: PE/VC fundraise trends



Total PE/VC fundraise 2017-2022 (Jan) - US\$57.2 billion across 359 funds



*Includes enterprise software, SaaS, fintech, healthtech, e-commerce and other tech/internet enabled businesses

Spotlight: PE/VC fundraise trends

Sectoral split of different types of fundraises (excludes real estate and infrastructure funds): 2017-2022 (Jan-Nov)

Sector	Fund type (US\$ million)				
	PE	VC	Credit	Stressed assets	Venture debt
Sector agnostic	11,910	10,266	2,731	2,416	2,113
Real estate	63	20	2,058		
Technology/Internet*	2,549	5,172	7		106
Clean Energy	1,967	67	15		
Retail and Consumer Products	958	390			
Lifesciences	737	511			
Financial services	308	498	47		
Food and Agriculture		469			
Education	43	36			
Total	18,535	17,429	4,858	2,416	2,219

*Includes enterprise software, SaaS, fintech, healthtech, e-commerce and other tech/internet enabled businesses

Spotlight: PE/VC fundraise trends

Top PE fundraises in 2017-2022 (Jan-Nov)

Fund	Year	US\$m	Strategy
ChrysCapital	Jan-19	850	Sector agnostic
Kedaara	Sept-17	750	Sector agnostic - second fund
Nalanda Capital	Jul-20	728	Sector agnostic PIPE investments in small- and mid-cap companies
Green Growth Equity Fund (fund by Eversource)	Jan-22	671	Clean energy
True North	Jul-20	600	Sector agnostic

Top VC fundraises in 2017-2022 (Jan-Nov)

Fund	Year	US\$m	Strategy
Sequoia Capital India-SEA fund (India allocation)	Jun-22	2,000	Sector agnostic
Sequoia Capital India Fund	Jul-22	1,350	Sector agnostic
Sequoia India	Aug-21	695	Technology, healthcare and consumer products
Elevation Capital (8th Fund)	Apr-22	670	Sector agnostic
Jungle Ventures Fund IV	May-22	600	Sector agnostic
Lightspeed India IV	Jul-22	500	Sector agnostic

Spotlight: PE/VC fundraise trends

Top real estate fundraises in 2017-2022 (Jan-Nov)

Fund	Year	US\$m	Strategy
Special Window for Affordable and Mid-Income Housing Fund (SWAMIH) Investment Fund I	Dec-19	1,465	Mid-income housing - stalled projects
IndoSpace	Dec-18	1,200	Warehousing
Godrej Fund Management	Mar-18	600	Office projects
KIA 12th real estate fund (Kotak Group)	Jun-22	590	Office assets across Mumbai, Bangalore, Delhi-NCR, Pune, Hyderabad and Chennai
HDFC Capital	Dec-17	550	Affordable housing

Top credit fundraises in 2017-2022 (Jan-Nov)

Fund	Year	US\$m	Strategy
HDFC Capital Affordable Real Estate Fund-3	Jan-22	1,880	Real estate
Edelweiss Asset Management III fund	Oct-20	900	Sector agnostic
India Resurgence Fund	Jun-19	750	Sector agnostic
Edelweiss Special Opportunities Fund (ESOF) II	Apr-17	350	Sector agnostic
CDPQ, Piramal Partner	Feb-20	300	Sector agnostic

Spotlight: PE/VC fundraise trends

Top Infrastructure fundraises in 2017-2022 (Jan-Nov)

Fund	Year	US\$m	Strategy
NIIF Master Fund	Dec-20	2,340	Infrastructure - transportation and energy
Morgan Stanley	Sept-17	450	Core infrastructure
Edelweiss Alternative Asset Advisors Limited	May-18	293	NA

Top stressed asset fundraises in 2017-2022 (Jan-Nov)

Fund	Year	US\$m	Strategy
Edelweiss alternative investment arm	Jan-19	1,295	Turnaround assets
Kotak Special Situations Fund	Aug-19	1,000	NPA opportunities
JC Flowers India opportunities fund	Apr-21	100	Mid-sized distressed assets

Top venture debt fundraises in 2017-2022 (Jan-Nov)

Fund	Year	US\$m	Strategy
EvolutionX Debt Capital	Jul-21	500	Sector agnostic
Alteria Capital Venture Debt Fund 2	Sept-21	243	Sector agnostic
Stride Ventures India Fund II	Aug-22	200	Sector agnostic

A photograph of a business meeting. In the center, two people are shaking hands. The person on the left is wearing a dark suit jacket, a white shirt, and a silver watch with a black dial. The person on the right is wearing a red sweater over a white shirt with purple and white striped cuffs. In the background, other people in business attire are visible, some holding papers. In the foreground, there are two white coffee cups and a glass of water on a table.

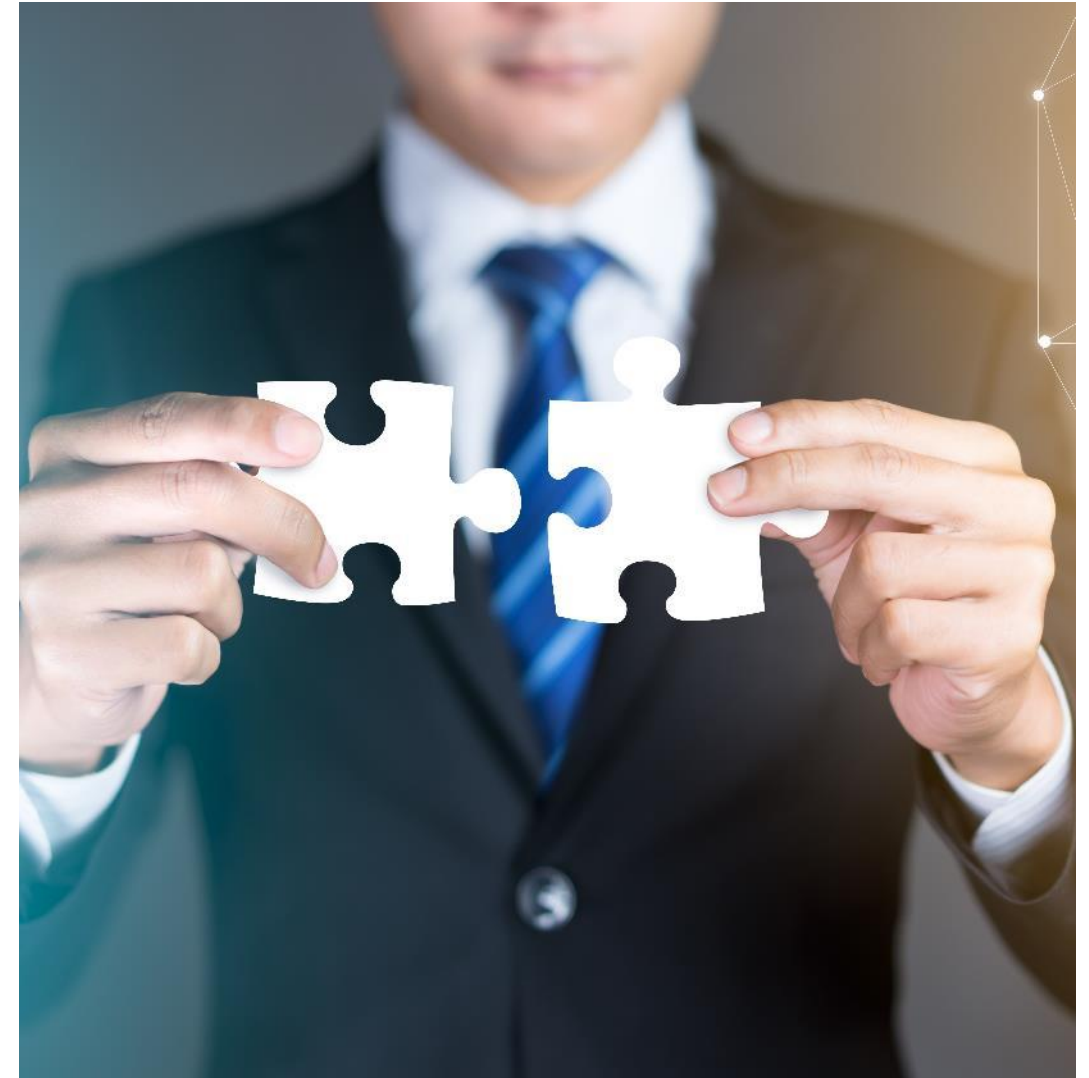
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**EY Private Equity
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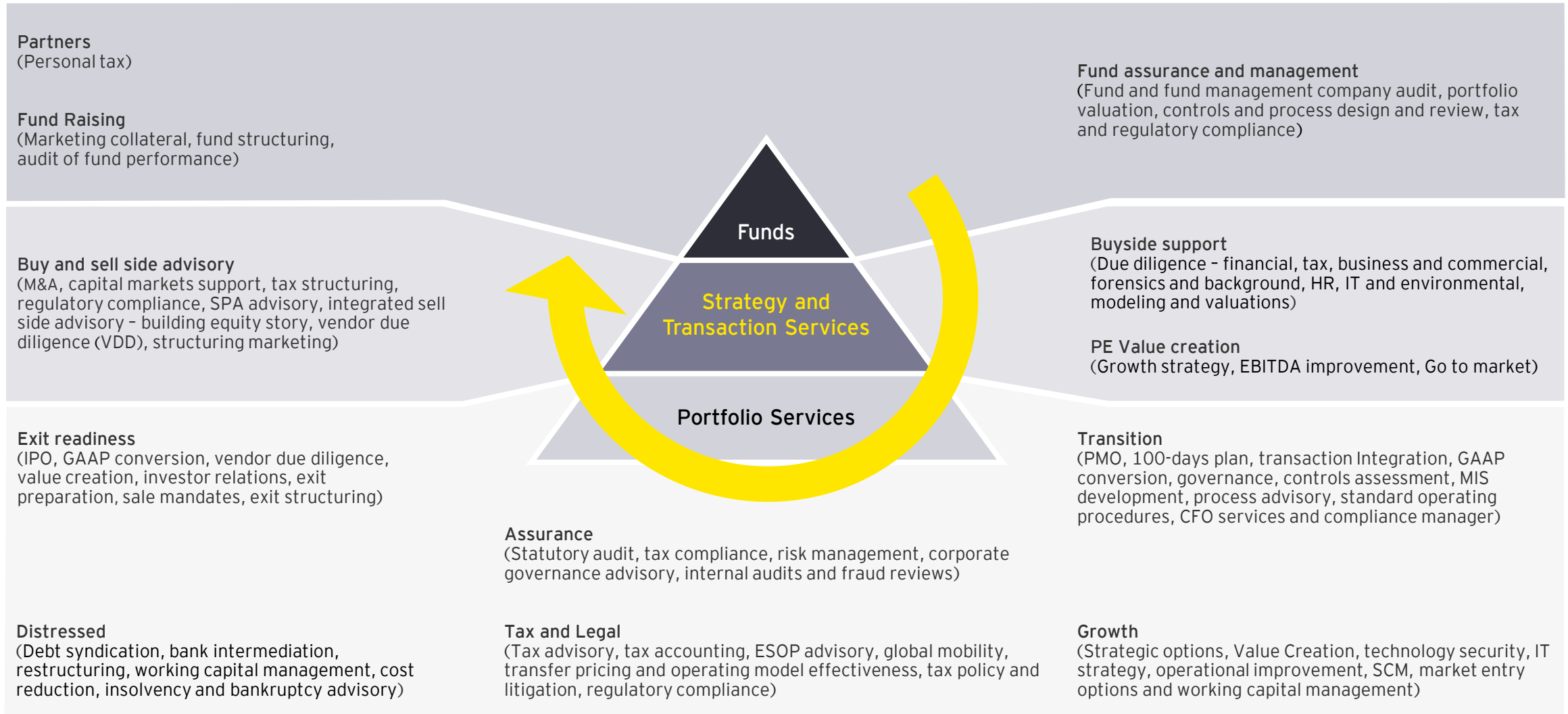
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